Selecting a New Agency

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What's Inside?

Overview: Take Your Time

The decision to conduct an agency review is usually born of some pressing issue—for example, the relationship with the current agency has deteriorated beyond repair, an imminent marketing initiative needs to be addressed by a new agency resource, or senior client management is calling for a change to the agency roster.

So while the pressure to conduct a review may be intense, it is critical for the marketer to take the time necessary to think through the pros and cons of conducting a review, and then to thoroughly organize for the review before there is any agency outreach. Consensus must be established around the ultimate "destination" for the search, and a lot of planning needs to go into the process strategies that will take the marketer there.

Once the pieces are in place to start reaching out to prospective agencies, the marketer is advised to embark on a very deliberate, iterative agency vetting process to assure that the right agency is ultimately chosen. It will take time (probably 12 to 16 weeks, if not more) for the process to play out thoroughly and to allow the agency selection team to be able to participate in every step of the process.

Phase One: Researching Potential Candidates

Unless a client organization maintains a current database of marketing service agency resources, has someone in their organization who is a "student" of the agency landscape, or keeps a body of institutional learning about agencies within the organization, it can be a daunting task to identify agencies that meet a marketer's screening criteria.

There are literally thousands of marketing services agencies, and if the marketer chooses not to hire a professional agency search consultant to assist with the search, then the task of sorting through all this agency clutter will be left to the client search team.

> "When we were looking for a new agency several years ago, it would have been very difficult for us to do the kind of agency research we needed without the assistance of a search consultant. We just didn't have the internal resources or the current knowledge of the marketing agency universe to do the kind of research we required on our own. The thorough research we had access to paid off for us and really simplified the process."
>
> People's United Bank
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> **Cynthia Belak**
> **VP, Marketing**
> **Peoples United Bank**

Marketers who will be undertaking the research portion of this project on their own will need to rely on secondary and primary research sources to gather data on prospective agencies.

Secondary Research

Secondary research will only yield answers to some of the marketer's questions, and some of these answers will be incomplete and not current. This type of research will generate basic facts about agencies, but it is unlikely to generate much insight on the "best" agencies for the marketer to consider. The kinds of information that can be easily gathered through secondary research include:

- Basic agency contact information.
- The size of the agency.
- They agency's ownership.
- The agency's services and resources.
- Creative samples.
- The agency's client list.
- The agency's philosophy, approach to business, case histories, industry accolades, etc.

Good secondary resources include:

- Agency directories, such as The Agency RedBook, and www.Adbrands.net.
- Industry discipline directories for public relations, direct response, etc.
- Industry trade publications, such as Advertising Age, Adweek, Brandweek, Media Week, PR News, BtoB Magazine, and Direct Marketing Weekly.
- Business publications, such as Crain's Chicago Business, Crain's New York Business, etc.
- Industry organizations, such as the ANA (www.ana.net) and the 4As (American Association of Advertising Agencies, www.aaaa.org).
- Other web resources, e.g., www.Adforum.com.
- Individual agency websites.

Primary Research

It is likely that the marketer will want to also do primary research about agencies, because that information will be more current, detailed, and specific to the precise capabilities and experience being sought from a new agency. For example, if the information posted in The Agency RedBook about an agency is a year old, it will not reflect recent agency account wins or losses and it won't reflect any recent personnel changes.

"We have an internal resource at Kraft—a talent scout, if you will—who keeps us up to speed on companies focusing on strategy, innovation, creative and production. As the marketing landscape is evolving and partner offerings are also changing, we like to keep pace with these developments. This role and process helps us know who we might like to get to know better and who might be a good partner for our many brands and business units."

Dana Anderson
SVP, Marketing Strategy and Communications
Kraft Foods

Primary research could be as simple as phone interviews with key agency personnel, or it could be in the form of a RFI (Request For Information) questionnaire that is formally submitted to agencies that have passed the initial secondary research hurdle.

There are distinct advantages to using a formal RFI questionnaire:

- It's the best way to obtain the specific information being sought about the agencies.
- It's the best way to collect complete information regarding each of the agency screening criteria that should have been established by the search team prior to any agency outreach.
- It's a way to gather information about a diverse group of agencies in a consistent format for comparison purposes.
- It's a good vehicle for soliciting the most current information about the agencies.
- It's a good vehicle for presenting case histories.

At this stage of the process it is preferable to reveal the name of the marketer rather than reaching out to agencies on a "blind" basis. Revealing the client will generate more relevant responses and be a good test of agency interest in the assignment. All agencies may raise their hand for a "blind" new business opportunity, but there is no way to gauge an agency's sincere interest until the client identifies itself.

Whether the marketer conducts secondary research only or whether they do primary research as well, the information will need to be gathered and assembled so that it can be easily reviewed and evaluated by the client search team. This can be a major undertaking if numerous agencies have been contacted, but if the team uses an RFI questionnaire, the agencies can submit their responses using a template so that the information will come back in a consistent format that will be ready to use and easy to compare.

Evaluating the Agencies

In R3:JLB's practice, it is not unusual to research 20 or more agencies initially and then to focus on 10 to 15 (the "long list") candidates that most closely meet the client's screening criteria. These agencies are formally profiled and presented to the client search team for review. The objective at the end of the first phase is to get to an agency "short list," i.e., a group of six to eight agencies that most closely meet the client's screening criteria and that will be invited to make a formal credentials presentation.

Some marketers will sit in a room to discuss the profiled agencies and come to a consensus on which agencies deserve further consideration. Others will use a quantitative agency scoring mechanism designed by the search team.

Phase Two: The Agency Credentials Presentations

If the agency profiles or the RFI responses are the equivalent of an individual's résumé, then an agency credentials presentation is the equivalent to a face-to-face interview. The credentials presentations phase is critical because:

- The agency will talk about the information that was gathered during the research phase. Hearing this will help the marketer decide whether the information submitted is credible.
- The presentations give the search team an opportunity to ask questions about the information that was gathered during the research phase. Any gaps can be filled in at this time.
- These presentations represent critical "chemistry checks." Are you likely to work well with this agency team?
- In these meetings it may be possible to meet the key individuals who would manage the client's business on a day-to-day basis.
- Seeing the agencies' respective office spaces and working environments can be revealing in numerous ways that will inform your judgment. For example, is there a palpable "vibe" in the office that is revealing one way or another? Are there a lot of empty offices or work stations that may suggest that the agency's business is not as healthy as may have been purported? Does a sloppy office environment suggest sloppy business practices?

The credentials presentations can take whatever form the marketer chooses, but following are some "best practices" guidelines:

- Conduct the presentations in the agencies' offices. You will learn more about the agencies if you visit them on their own turf.
- Give the agencies a tight agenda to follow.
- Center the agenda items on how the agencies match up against your screening criteria. It is too early in the process to ask for speculative creative ideas.
- Give the agencies as much non-proprietary information as possible about your business, your expectations for the meeting, and the relationship you want to form. This will result in better presentations.
- If the timetable allows, give the agencies three weeks to prepare for their presentations. This will give them time to prepare thoughtful presentations and to clear the calendars of key personnel.
- Schedule these meetings to last two to three hours each so the agencies can make robust presentations and there will be time for Q&A.
- Do not schedule more than two presentations per day.

Industry Case Study

In one of R3:JLB's agency search assignments, the client conducted three agency credentials presentations on the same day at the insistence of the COO. The day kicked off with two three-hour agency presentations that cut into the lunch hour. The 10-person selection team disbanded for a late lunch and didn't re-convene for the third presentation until 3:30. By then, the COO and two other selection team members were lost to other pressing matters. The rest of the team had to meet well into the evening to re-hash the day's events without the benefit of the full team's input.

- Schedule all of the presentations as close to each other as possible so that they can be remembered and compared.
- Be a good audience. Interact with the agencies. Respond. Ask questions. If you do, you will hear better presentations and you will learn more.

Evaluating the Credentials Presentations

Immediately following the credentials presentations, the search team should meet while the presentations are still fresh in their minds. Some marketers are comfortable evaluating the presentations and drawing their conclusions through a group discussion, especially if the search team is a small group; others may want to prepare a quantitative evaluation form to aid the search team in evaluating the agencies.

This type of evaluation form might rate the agencies on 20 to 30 critical measures, using a numeric rating scale (e.g., each criterion is rated on a one- to six-point scale). When all the score sheets are tallied together, the marketer will have a quantitative measure of how the team members rated the agencies relative to each other.

It is usually helpful to organize the scoring criteria into categories that capture the marketer's primary areas of interest or concern (agency's strategic capabilities, agency's creative product, agency's media planning capabilities, agency's media buying capabilities, agency's digital marketing expertise, agency chemistry, etc.) The scoring for the criteria in these categories can be weighted so that the final numerical ranking of the agencies will reflect the relative importance of these scoring criteria to the search team.

After the credentials presentations, the search team leader will tally the score sheets and call a meeting of the full team to discuss the agency scoring outcome. At that time, the qualitative commentary of the team members can be introduced into the discussion as well.

Industry Case Study

In one R3:JLB engagement, the search team was comprised of 25 CMOs who were members of an association representing the collective interests of their industry. In another, there were 20 or so members of the search team who came from corporate management and from the separate regional marketing organizations. In these cases, a quantitative agency scoring methodology was extremely helpful in taking into account all the input of the diverse team members.

Finalist Agencies Selection

During the meeting to discuss the scoring of the credentials presentations, the team will choose a smaller group of finalist agencies.

Three to four agencies are usually the right number to include in the final round. Two agencies are risky in the event that one falls out for some reason (e.g., a new client conflict) and the marketer is left with a default winner that may be less than optimal. Five agencies will unnecessarily complicate the final agency selection and will be discouraging to the finalist agencies that will view their chances of winning as slim.

It is probably not a good idea to include the incumbent agency in the finalist round if the agency has no likelihood of ultimately prevailing. It is not a "courtesy" to require the incumbent agency to expend the time, energy, and money to compete if it's a foregone conclusion that the agency will lose.

Every time the marketer reaches out to an agency in the search process, this outreach can be viewed as a PR event for the marketer. Therefore, it is smart for the search team to think about finalist agency selection protocols. Here are some simple guidelines to consider:

- The lead agency contact person on the client search team should get back to all participating agencies as soon as possible to provide feedback on the agency's performance in the credentials round and their status in the competition.
- When possible, agencies being eliminated should be given specific feedback on the reasons why they are not moving forward in the competition.
- The finalist agencies that are moving forward will appreciate similar courtesies, which will build their enthusiasm for participating in the finalist round.
- Finalist agencies should be given specific information about next steps in the process, including what's required of them in the finalist round and all pertinent scheduling data so that they can plan accordingly.
- By this stage in the process, the press may be making inquiries about the review. A statement should be prepared that identifies the finalist agencies to shut down inaccurate speculation and discourage other agencies from continuing to reach out to the client.

Phase Three: The Finalist Agencies Challenge and Selection

The final phase is typically designed to test the finalist agencies' skills in addressing a marketing challenge related to the marketer's business. Some marketers will refer to this phase as the RFP (Request For Proposal). In addition, the agencies will be asked to submit proposals for how they would be compensated for meeting the deliverables of the first year's scope of work.

Typically, the agency that performs best in addressing the finalist challenge assignment will win the agency assignment, as long as it has also made an acceptable compensation proposal.

The challenge can take any form of the marketer's choosing, but it is typically designed to test the agencies' strategic thinking on an important issue(s) the marketer is facing.

For example, there may be a branding or positioning challenge for which the marketer needs fresh thinking. Or there may be a specific creative issue or opportunity that the incumbent agency has failed to crack.

Regardless of the challenge, it is typically heavily focused on testing the agencies' abilities to bring strategic insights to the marketer's business. In an advertising agency search, there may be a creative component to the challenge, but the marketer is not typically focused on coming away from the search process with a campaign or an ad that it can air tomorrow. There are several good reasons not to focus the challenge entirely on a creative deliverable:

- The finalist agencies have already demonstrated that they produce creative the marketer admires.
- Most marketers understand that an agency's creative product is typically generated through a highly collaborative process between the client and the agency and do not usually expect creative that is "fully cooked" at the end of a search.
- Generating a fully formed creative product is very time-consuming and expensive for agencies. Most marketers will not require agencies to incur a lot of out-of-pocket expense to generate polished creative as part of the agency challenge. They will typically ask for examples, in rough form, of how the agencies would bring their strategic thinking to life, such as storyboards, sample print layouts, alternative tag lines, etc.
- Some agencies (very few) will actually refuse to produce speculative creative as part of a review process.

If the marketer's assignment is considered a plum one (i.e., it's large, visible, and prestigious), competing agencies may voluntarily pull out all the stops creatively to win the marketer's business. In other cases, marketers may pay competing agencies a fee for producing a large body of speculative creative.

The challenge phase generally includes the following steps and will likely take six to seven weeks to complete in order for the agencies to prepare thorough, thoughtful presentations.

1. **Challenge briefings.** These are held either in person or via telephone, and either individually or in a group agency meeting at the client's offices. Agencies are briefed on the finalist challenge, required deliverables for the final presentation, scheduling, the SOW, compensation proposal submissions, and process protocols. An explanation of the briefing materials should also be provided to assist in addressing the challenge.

   Keep in mind that the thinking that goes into the finalist presentations will be as good as the briefing and background materials provided to the agencies to address the challenge. Within reason, the agencies should be given access to proprietary information such as sales data, marketing plans, research studies, historical creative, media plans, etc. The marketer can require each agency to sign a non-disclosure agreement to protect the marketer's confidentiality.

   In the agency briefing meetings, the agencies should be given specific direction on how to prepare their compensation proposals. If the marketer has a preferred compensation methodology, the agencies should know that. If the marketer is open to the agencies' recommendations on compensation, they should know that as well. Also, the agencies should be provided with a template for the submission of their proposals to enable the marketer to make side-by-side comparisons of the proposals. Also, if there are unusual or make-or-break contract terms that will be imposed on the agencies if they are hired, it is best to disclose those terms during the briefing meetings or even in the initial agency contact phase of the search.

2. **Interim meetings.** Prior to the final presentations, it is wise to conduct an interim meeting (or two) to check on each agency's progress in addressing the challenge. The marketer can course-correct an agency that's headed in the wrong direction, and they will get a feel for what it's like to work with each agency and assess how well each agency takes direction.
3. **Compensation proposals.** A week or so prior to the finalist presentations, agencies should submit their compensation proposals. It is important to review these proposals prior to the finalist presentations so that the selection team will have a feel for whether or not the marketer can work with each agency financially before they choose the winner. (At this stage it is probably premature to get into detailed compensation negotiations with the agencies.)
4. **Finalist presentations.** These are typically two- to three-hour hour meetings, depending on what the agencies are asked to present. They are conducted in the marketer's offices to the full client selection team. Generally, the team will convene after each presentation for discussion and to complete the scoring for each agency.
5. **Agency selection.** This will typically occur shortly after all of the finalist presentations, in a separate meeting of the client selection team. The winning agency is chosen after a review of the agency scoring results and a thorough discussion of the pros and cons of each agency.
6. **Compensation negotiation.** The marketer will have an initial negotiation with the preferred agency to make sure both parties can come to terms financially before making an official announcement of the search outcome. (A prolonged negotiation of compensation and contract terms can take place after the agency is hired if there is agreement on the most critical terms—e.g., the annual agency fee, the agency compensation methodology, the proposed agency staffing, the internal agency cost structure that will be passed along to the client, etc.)
7. **Official announcement of the winner.** This will occur after the marketer is satisfied that they can come to acceptable contract and compensation terms with the winning agency. Until that is determined, the losing agencies should not be informed of the decision in case the marketer is forced to turn to another agency.

A Note About Media Agency Searches

It is typical in a media agency search process to include a media buying/pricing test component in the finalist challenge phase. The intent is to test the media buying prowess of the competing agencies. These buying tests are highly technical and require a great deal of diligence, professional expertise, and benchmarking data to make sure the results are measurable and valid for comparison. If the marketer does not have a highly sophisticated internal media management function, it will likely need the services of a professional media search consultant to conduct this type of search.

Conclusion: No Cutting Corners

Selecting a new agency partner is one of the most important decisions a marketing organization can make. Do not cut corners in the agency selection process. Take all the necessary steps and time required to make sure the agency you hire is the one most likely to help you succeed. It's not a process that should be rushed, and it cannot be successfully accomplished without a search team in place that is fully dedicated to the process.

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R3:JLB is a client-agency relationship consultancy dedicated to helping marketers improve the value and performance of their agency relationships. The firm has 30 consultants located in Chicago, New York, Miami, Beijing, Singapore, and Delhi. Their primary practice areas include agency compensation, agency search, and agency relationship management.

Goodall joined R3:JLB in 2004. During his 30-year advertising agency career he served in various account management and senior management positions in prominent Chicago and New York City agencies. He has served on the board of the American Association of Advertising Agencies and on the National Advertising Review Board.