

YOUR COUNTRY NEEDS YOU – TO BE HONEST

This month, two former employees of Leo Burnett in the US got rich - sharing in US\$2.7m between them. A nice little earner, all for 'blowing a whistle' - they chose to report their ex-agency for potential financial issues involving their US Army account. Recently, the US government set up new rules for improving transparency of all their vendors (not just agencies) - report a transgression, and take a share of the funds recouped.

To be clear, Leo Burnett admitted no blame, and chose to settle with the Army out of court, paying US\$15.5m back to the US government (in these economic times, they will welcome what they can get). However, this incident should set alarm bells for both marketers and agencies, particularly as in 2009, there's a greater focus than ever on every dollar invested.....

For marketers.....

There are clear steps that every company should take to align their partners in better practices

1. **Get it in writing** - too few agency relationships start from the right foundations - with a clear written contract, with financial terms and practices spelt out. We recently dealt with a global client and agency that had NO contract, despite a twenty year partnership together. Unfortunately, that's no longer best business practice
2. **Get involved** - the only people to blame for these types of transparency issues are the marketers, not the agencies. The best marketers create 'three way dialog' structures between client, agency and media and production vendors. Quite often, this scenario will generate even greater value than an agency could achieve on their own - because of the presence of the marketing head. When P&G, for example, deal with media owners, of course their agency is involved, but so are they in all key decisions
3. **Get incentives** - paying an agency just the lowest possible fee is a recipe

for this kind of financial issue. Only by shifting the mindset from the quantum (the total fee) to the quality (the fee with incentive) can you change the agency mindset back to delivering the best work. Human being respond to motivation – keeping a chunk of compensation related to performance can only encourage that

For agencies...

This type of story should set off the need for change....

1. Change Rewards – the best agencies are linking financial rewards more closely to client satisfaction levels, and not purely on a financial basis. In an industry where talent is everything, rewards should be structured accordingly.
2. Change internal processes – agencies will need a better internal system to ensure transparent and professional practices. Their code of ethics demands it, clients demand it and Wall Street demands it. And the economic downturn will only sharpen the focus in the area.
3. Change Client Mix – long term, agencies will need to start choosing the clients that allow them to be transparently profitable. This is going to be a tough call, but the agencies that thrive are the ones that are truly ‘joined at the hip’ with the client, and where their service and talent is recognized.

Whether it’s the US Army or a local company, the need for professional and value added practices has never been greater. For the future, its clear, only the professional will survive

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