

Getting the Best Results from Your Advertising Agency

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Advertising agencies will make a lot of claims and promises when trying to win new business. Once an agency has been selected, it's important to regularly review agency performance to see that initial promises are being kept, and that the original selection criteria still apply.

What You Need to Know

Should I select a single agency for marketing tasks or deal with specialists?

Full service agencies strive to integrate all aspects of a client's marketing operations so that clients get a better overall return for their marketing dollar. Specialists, on the other hand, claim to offer a more effective service in critical areas—such as creativity, media buying, or below-the-line promotion. If you decide to work with individual specialists, you must ensure that they all meet consistent standards and do not overlap with each other. If you choose an integrated agency, you will benefit from coordinated activities and a single interface, but you may need to compromise on the quality of some of the more specialized areas of activity.

What are the benefits of commission over a service fee?

Traditionally, agencies are compensated by the commission received from the media in which they placed advertisements. Any creative, planning, or buying services would be covered by that commission, which meant that these services were effectively free to the advertiser. However, as the service content of most agency work increased, commission no longer adequately covered agency costs. Agencies therefore established a system of charging fees to clients while passing some of the media commission back to the client. In the absence of these fees, agencies might be forced to reduce service levels.

What to Do

Use the Right Selection Criteria

When evaluating agencies to work with, potential clients are often influenced by:

- seeing advertising that is appealing;
- recommendations from colleagues;
- information from the marketing/advertising press;
- awards earned by an agency;
- the services of a selection agency or consultant;

Agencies emphasize a number of factors when they are trying to win new business. Initial claims and promises made by agencies commonly include:

- a thorough understanding of the business;
- quality thinking;
- involvement of senior staff who will continue to work on the account;
- evidence of sound business and account management skills;
- powerful creative ideas;
- a solid track record.

When selecting or working with an agency, it is essential to confirm and ensure delivery on these promises.

You should also look at how they meet the following key criteria, identified by industry research:

- creativity;
- value for money;
- media buying;
- quality of account management;
- attentiveness and adaptability;
- marketing strategy;
- coverage of major world markets.

According to further research, the ten most important factors in agency performance, as determined by clients, are the following:

- Does the agency take the time and effort to understand your business?
- Can the agency effectively use creativity to sell your products?
- Does the agency display genuine creative flair?
- Does the agency meet deadlines consistently?
- Does the agency possess a good understanding of the target audience?
- Does the agency believe in—and practice—the definition of advertising objectives in advance of a campaign?

- Does the agency keep costs within budget?
- Does the agency use research to aid its creative work?
- Is the agency strong on media buying?
- Is the agency thorough and hard-working?

Evaluate agencies against the criteria most critical to your situation, and select the agency which you feel demonstrates the best capacity to meet and exceed those criteria.

Understand Why Agency-Client Relationships Break Down

There are a number of factors that may contribute to a breakdown in the agency/client relationship:

- The agency is devoting too little time or resources to the account.
- The agency is losing enthusiasm for the account.
- The agency is faced with a conflict of interest.
- There is a personality clash.
- The client believes that the advertising is not having the planned effect on the marketplace.
- The agency feels that poor results are caused by problems on the client side.
- The client rejects the advertisements for subjective reasons.
- The agency doesn't understand the client's business.
- A communication breakdown prevents the agency from responding to the client's real needs.
- Continuity is inhibited by frequent turnover in the agency or client team.
- Creativity is inhibited by poor agency administration.
- The relationship becomes stale.

Being aware of these threats to a productive agency/client relationship can help you to recognize issues early and prevent them from developing into a larger risk.

Hold Regular Review Meetings

It is good practice to regularly review agency performance. Many agencies and clients conduct regular reviews at three-, six-, or twelve-month intervals, or after each major campaign, to assess both campaign and agency performance.

If your agency exhibits poor performance in one or more areas, do not hesitate to take corrective action. Suggest a change in the compensation plan that rewards performance, or move the underperforming portion of your account into another type of agency offering specialist services.

Consider Paying by Results

As a result of the increasing emphasis on accountability, a growing number of agencies are including an element of performance-related payment in their compensation packages. Variations include:

- part fee-based and part results-based, with the results-based payment tied to an increase in sales or awareness;
- part fee and part commission, with the fee portion based on achievement of agreed, measurable objectives.

Although this focus on results is attractive to clients, in practice it can be difficult to relate the agency contribution to a measurable result. Thus, this trend seems unlikely to completely replace traditional forms of compensation.

Know the Alternatives

Creative Independents

If your agency is weak on creative work, you could consider working directly with an independent creative agency or consulting firm. Creative independents only handle creative work, such as copywriting and design. By specializing, independents can often achieve more effective creative results than full service agencies. Three types of creative independent are listed here:

- freelance staff—either combined writer/art director teams or individuals;
- design consulting firms which offer advertising as part of a communications service;
- specialist creative independents—small agencies with their own creative teams or who manage freelance teams.

Media Independents

A media independent handles media planning and buying only. Because of this concentration, these independents can often negotiate better media deals than their agency counterparts. In fact, many smaller advertising agencies use media independents to handle their media buying. When relying upon a media independent, you must identify other resources to handle campaign planning and creative work.

Virtual Agencies

As clients demand greater flexibility and an increasingly wide variety of services, some are turning to the concept of a virtual agency. A virtual agency may simply consist of a planning and management team which works with independent suppliers for all creative, media, and specialist services. Other virtual agencies are comprised of a centralized office staff and specialists based in multiple satellite locations, all linked by telecommunications and videoconferencing.

Brand Consulting Firms

The role of the advertising agency in creating and maintaining brand awareness is being challenged by a new type of marketing services organization known as a brand consultancy. This type of consulting firm merges a number of different disciplines in its approach—including market research, marketing consulting, management consulting, and advertising.

A brand consulting firm may have advantages over the traditional advertising agency approach, such as:

- a longer-term perspective on the development of brands, because they are not limited by a short-term advertising budget;
- more expertise in the various elements that contribute to brand success, and the effective integration thereof;
- closer working relationships with the entire client brand team.

Consider whether this type of organization is a good fit for your objectives.

Integrated Agencies

Sometimes an integrated agency offers the best solution for marketing services needs. Agencies offer integrated services in a number of forms. These may include:

- a single integrated agency where all marketing services are handled by the same team or organization;
- an agency group where non-advertising marketing services are handled by specialist companies within the group.

What to Avoid

You Don't Set Performance Criteria

When including performance reviews in an agency agreement, make sure to clearly state the criteria by which the agency will be assessed. The more precise and measurable the criteria, the easier it is to conduct an objective assessment. It is not sufficient to say, "I don't like their creative work." If the

creative work delivers results and meets targets, it must be judged successful, regardless of personal taste.

You Don't Review Performance

Many companies make the mistake of appointing an advertising agency for a fixed period without building performance reviews or benchmarks into the agreement. Regular performance reviews provide opportunities to identify and resolve problems before they become too serious.

You Don't Consider Using Specialists

Many agencies claim to be good at all types of marketing and call themselves "full service agencies." However, a single agency may not always be able to meet your requirements in all areas. If this situation arises, be prepared to address it; consider appointing specialists to handle specific tasks such as media buying, sales promotion, or product development.

Where to Learn More

Web Site:

American Marketing Association: www.marketingpower.com