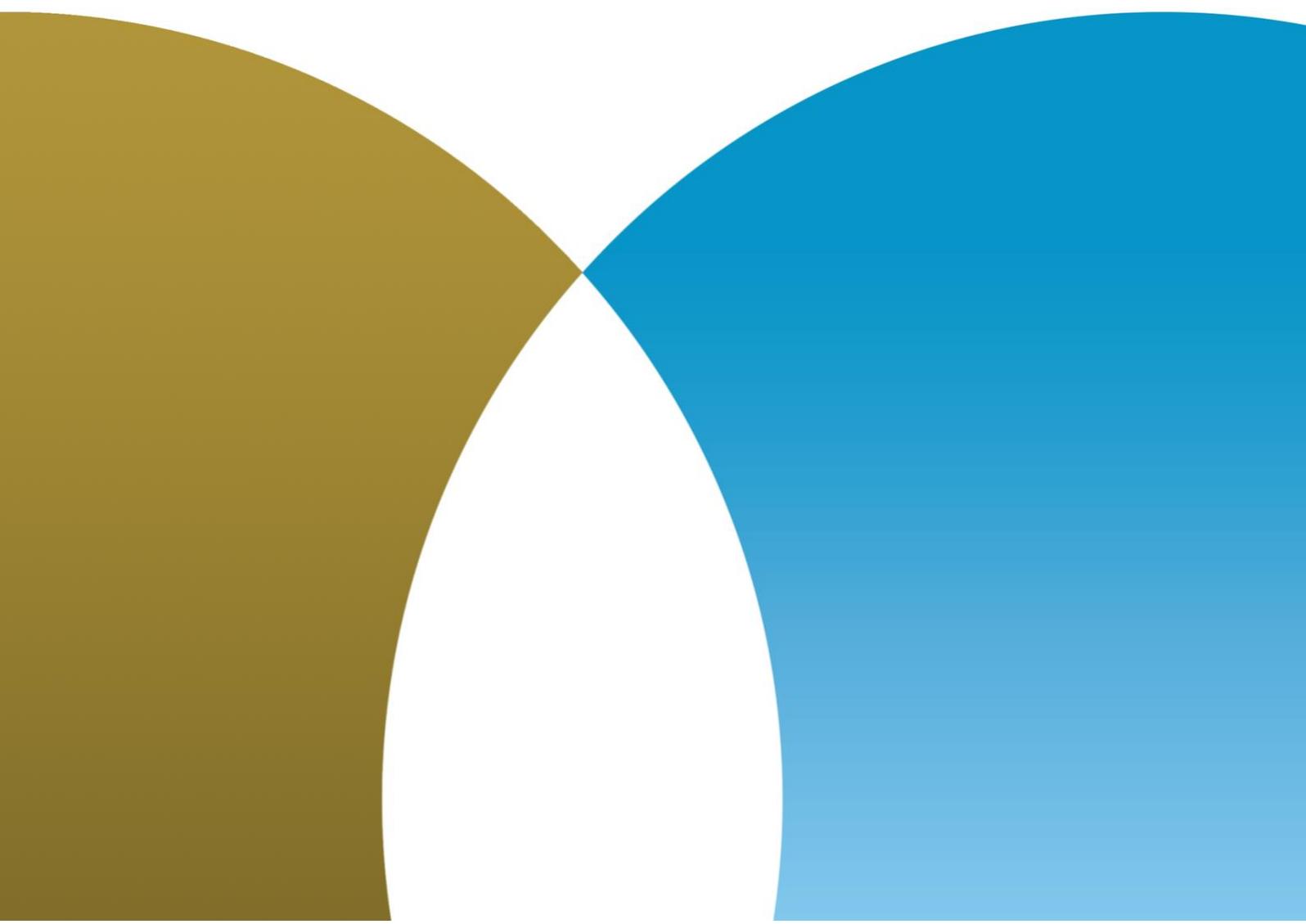


Agency relationship management
Best practice guide



workingtogether

Introduction

2020 saw a fundamental shift in the way employees and teams work together. Staffing levels and structures have changed, while working from home has become embedded. Some of these changes, or an evolution of them, will become permanent. For example, some companies are planning 50% capacity, or less, at their offices when things return to normal. Some have even relinquished their offices all together.

At the same time the rapidly changing business and consumer context has enabled some brands and organisations to recognise the potential of their agencies as strategic partners, providing valuable insight and resource to help deliver competitive advantage during difficult times.

Responding to changes in consumer behaviour, the need for new agency skills and capabilities in the agency roster of some brands has been evident, for example direct to consumer, e-commerce and influencer marketing.

And at a more fundamental level significant changes in the business context and objectives of some companies have prompted reviews of marketing organisation structures and agency models.

For brands and agencies to successfully navigate this turmoil together and provide a foundation for stability in the years ahead requires a focus on the fundamentals of mutual trust and respect, collaboration and a focus on performance to drive brand growth. All members of the brands and agency teams need to perform at their best to deliver creative and media excellence and ultimately value. Robust, constructive agency relationship management is a key component in enabling that to happen.

Employees of most companies are used to working in an environment where contracts of employment regulate the relationship between the organisation and employee. Roles and responsibilities define what is expected of the employee, and appraisal frameworks link output and behaviours and values to remuneration. As agencies are very much an extension of your own organisation it follows that a similar approach should be used to get the best out of them.

Agency relationship management is perhaps regarded as the less 'glamorous' side of marketing, not directly part of the creative communications process. But strong marketer and agency relationships have been proven time and time again to deliver creative and media excellence, and it follows that strong agency relationship management enables that to happen.

In our work with brands and companies we have witnessed the impact of poor relationships between marketers and their agency colleagues – resulting in frustration, wasted resources and ultimately loss of focus on business challenges and delivery of brand growth.

Effective and robust agency relationship management is crucial to ensure that resources are focused and able to operate at their best. Aligned teams, efficient and effective processes and agile and consumer centric communications will more than deliver a return on investment.

This guide tackles the key areas of agency relationship management, providing the rationale for why it is necessary and best practice guidance to enable it.

We hope you find it helpful in developing optimum solutions for all stakeholders involved, be they marketing, procurement or the agencies they partner with.

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Fundamentals to think about

Given the scale of investment brands and companies make in the selection, engagement and activation of work with their agency partners, then ensuring the disciplines of best practice agency relationship management are in place to realise the benefit and value of that investment is key.

In our work with clients in many geographies and industry sectors we see a fundamental shift needed from what marketing does, to how marketing is done:

- improving skillsets and capabilities
- a more effective use of resources
- the right mindsets, connections and behaviours.

Effective agency relationship management is just one component in achieving that – but an important one.

We see effective agency relationship management focused in three areas:

- **People**
 - Marketing and procurement professionals trained and experienced in best practice agency relationship management
 - Clarity on roles and responsibilities
- **Processes, tools and templates**
 - Consistent ways of working and mechanisms to help all parties navigate the communications process efficiently and effectively
- **Behaviours and values**
 - Strong, long-term client agency relationships built on mutual trust, respect and open transparent communications
 - A motivational partnership between client and agency teams collaborating to deliver brand growth

The following sections provide the framework to ensure best practice agency relationship management.

Doing

Briefing

Why it's important

Good briefing is arguably the most important skill of a marketer. It is fundamental to the whole communications development process, and is essential to deliver creative excellence. We have started this guide with briefing because it is key to agency relationship management and if you don't read any further than the end of this section at least you will have an insight into this fundamental capability.

A good brief requires time and focus to craft it - it should be concise but informative, saying as much as possible in a few words. The process of writing a brief clarifies your thinking on the challenge at hand and provides direction to the agencies involved in helping solve that challenge. The style and tone of briefing sets the tone for the whole agency relationship. Good briefing saves time and money because it enables the communications process to operate efficiently and effectively – giving the agency a better chance of responding right first time. Therefore there is a good business case for ensuring best practice briefing.

Best practice

- **Write it down**, but note, writing it down doesn't mean an email, text or WhatsApp message. It means using a consistent template(s) across your business, incorporating at a minimum:
 - Business and communications objectives
 - Insights
 - Deliverables
 - Timings
 - KPIs linked to business and communications objectives
 - Budget
 - And any reference to existing/in-flight communications collateral
- **Buy-in** – ensure that all key-stakeholders involved in the approval of the deliverables and their use have seen and approved the brief
- **Present it** – ideally talk through the brief with the agency(s) for clarity and to address any questions. Briefing all applicable agencies at the same time reinforces collaboration between agencies and consistency and integration of the deliverables
- **Co-creation** – many of the best briefs are co-created enabling mutual understanding and specialist input into the process, ultimately saving time
- **Embed** – ensure all team members involved in briefing are trained or coached in the principles of good briefing

Watch outs

Agile marketing doesn't remove the need for a brief.

Creative Evaluation

Why it's important

Creative evaluation is the companion to good briefing. Marketers often find it difficult and it is a skill that needs to be practiced. Like a muscle, the more you exercise it the stronger it gets. Recognising and encouraging a good idea gives you competitive advantage and therefore it's a skill well worth investing in. Poor creative evaluation and feedback is often cited by agencies amongst their top concerns that undermine the relationship with their clients.

Best practice

The responses you are evaluating will vary depending on the focus of the brief (e.g. strategy, creative concepting, media etc.), however there are some common principles:

- **Preparation**
 - Re-visit the brief to remind yourself what you've asked for
 - Get your brain into creative gear
 - Know what your competition are doing
- **Has it answered the brief**
- **Separate the idea from the execution** – particularly for creative execution – great ideas can be stifled by concerns too early about whether when the creative is on brand, the image correct, etc. Don't kill an idea by focusing on poor execution or by being too prescriptive
- **Is it achievable** – think about timing, budget and will it deliver the required ROI
- **Manage the feedback** – consolidate feedback from all stakeholders as much as possible. It is confusing and disruptive to the agency team's workflow and thinking to have multiple responses to the work. And it will end up costing more and taking longer to deliver the work
- **Manage expectations** – closely related to the point above, having clear expectations and guidelines for the creative and evaluation feedback meeting will benefit the whole process – who will be there; who will present the ideas; how many routes are expected and how 'finished' is the idea

Watch outs

Creative evaluation is not about your personal feelings, especially if you are not in the target audience group. Being objective and open-minded will allow for a nurturing environment that results in the best possible output.

Maintaining

Performance Measurement

Why do?

It is well established that strong client and agency relationships deliver higher standards of work and are more efficient and effective. Regular relationship discussions can avoid problems by identifying and addressing issues at an early stage. Performance measurement provides the mechanism to formalise and facilitate that.

In addition, regular and robust performance measurement evaluations provide quantitative data and KPIs to inform any payment-by-results mechanisms you may have in place.

The cost to change agencies can be significant – in terms of time, focus and the impact of transition, therefore there is a strong business case to maintain your agency at peak performance by investing in relationship management via performance measurement.

Best practice

- **A minimum of two-way evaluation** – so both parties can provide input and feedback
- **Benchmarks** – to provide reference points to what ‘good looks like’
- **Marketing, procurement and the agency(s) aligned** on the purpose and process of the evaluation
- **Independently managed** – is the ideal to reinforce impartiality, instil best practice, provide benchmarks and reference from other clients and sectors
- **Consistency** – maintain questions over time so that changes can be tracked
- **Action planning** – this is essential, evaluations have little impact if they are just a monitoring device and participants will quickly lose motivation to complete the surveys if nothing happens as a result of their input. Following each survey period, timely follow up is needed between the client and agency teams to discuss the feedback and assign responsibilities and timings for issue resolution
- **Qualitative and quantitative** – in addition to quantitative scoring encourage verbatim comments to help provide context and insight to the scores
- **Holistic** – include members of the team at different levels in the organisation – they may have a different perspective of the relationship

Watch outs

Consider the appropriate frequency and scale of the evaluations – too often, and too many questions will create survey fatigue. But you need to undertake them sufficiently often to obtain meaningful results that can be acted upon. Ideally bi-annual, but quarterly if closer monitoring is required to resolve issues.

Resources

- ISBA agency relationship management report 2020.

Remuneration Structures

Why do?

Well constructed, results orientated and mutually beneficial remuneration packages can have a constructive motivational impact on the relationship between clients and their agency partners, incentivising best practice and excellence. Conversely constant discussions over monies is demotivating for all involved parties, it can undermine the whole relationship.

The best remuneration schemes are built around collaborative approaches – the desire and ability to genuinely manage the financial aspects of the relationship, monitoring it and discussing it with all stakeholders on a regular basis.

Best practice

- **Ensure close working** between procurement and marketing by defining the process and having absolute clarity of roles and responsibilities in relation to the various aspects of the agency procurement process
- **Understand scope** - no agency can accurately cost work without a clear understanding of scope. If there is no clarity on requirement, ensure close working between marketing and procurement and the agency to work through line-by-line solutions and costs
- **Have an appropriate remuneration strategy** for the agency type you're negotiating with. There is no one-size fits all solution
- **Keep it flexible and simple** – to accommodate changing requirements. Simplicity is also key, especially if there is a results-based element. Complex structures require additional time dedicated to them and run the risk of creating confusion and conflict down the line.
- **Make sure it is fair** – agencies need to make a reasonable profit too. Pushing too heavily to get more for less will result in the agency allocating less expensive (and less capable) staffers to your business
- **Plan and agree** all costs with the agency before commissioning any work
- **Ensure you have credible data** to benchmark rates and agency team structure and composition
- **Review regularly** with all stakeholders to ensure costs are on track and scope is being appropriately delivered
- **Embed** the arrangement in a contract that is clear and in plain language and safeguard all parties in the event of a dispute. Ensure all stakeholders are aware of it and understand its principles

Watch outs

Remuneration is not just about pushing costs down but developing a genuinely fair approach that delivers positively for all parties – especially the business in the long term. The focus should be on outcomes, not just inputs, and the remuneration packages and rewards structure should be aligned with your business objectives, to ultimately drive value.

Be open-minded in terms of new remuneration approaches that the agencies may suggest. But equally beware of following trends without fully examining whether those approaches are beneficial to your business.

Resources

ISBA remuneration agencies: best practice principles for paying your agencies 2020
ISBA UK agency remuneration survey 2019/20

Enabling

Contracts

Why do?

As touched on in the previous section on remuneration structures, a contract provides a safeguard in the event of a dispute, setting out the terms of the relationship. Hopefully it is not something that would need to be enforced, but provides the framework for both the client team and the agency to work to. Contracts ensure that key areas are protected and defined, such as exclusivity (if appropriate), intellectual property and liabilities.

Best practice

- **Discuss and agree prior to agency appointment** – if you are undertaking a pitch it is advisable to provide the draft contract to the agencies involved in the pitch prior to selection and appointment. This ensures that the legal teams on both sides are able to 'iron out' any areas of debate within the contract, and importantly enables the agency to be withdrawn from the pitch process if they are not able to sign-up to the contract
- **Ensure that all key stakeholders are aware of the terms of the contract** – for example, the agency relationship owner, and the commercial procurement owner, so that they manage the agency within the terms of the contract
- **Review the contract** – contracts are usually in place for fixed periods of time but it is important to review the terms prior to contract renewal, or on a regular basis to ensure they are appropriate to current circumstances or changes in strategy

Watch outs

Ensure the contract is appropriate to the creative communications process. All too often we see agencies asked to sign contracts that were originally intended for the supply of goods or materials to the production process. Not only do these waste time in reviewing and negotiating the terms but it is possible they won't provide robust protection should a dispute with an agency.

Resources

ISBA Media Services Framework Contract Template v2.1:

<https://www.isba.org.uk/knowledge/isbas-media-services-framework-contract-template-v21>

(Please note that ISBA is launching version 3.0 mid-year 2021.)

ISBA/IPA Creative Services Framework Agreements:

<https://www.isba.org.uk/knowledge/isbaipa-creative-services-framework-agreements>

Scope of Work and Budget

Why do?

Very often we see scope of work and budget being considered as an afterthought to the agency relationship process. But a defined scope of work and associated budget are essential to have in place to manage expectations on both sides of the relationship. They enable the agency to assign appropriate capability and calibre of resource, and the team size to fulfill the client team's requirements. The budget, and ideally a breakdown into fees, production and media costs will define the ambition and scale of the activity.

A defined scope of work protects the agency from 'scope creep'. At the same time a defined scope of work enables the client team to secure consistent resource from the agency, ensuring brand and business knowledge retention and thereby cost and timing benefits.

Best practice

- **3-way discussion and agreement** – scopes of work should be discussed and agreed between marketing, procurement and the agency
- **Ensure clear, detailed scope of work** – lack of detail in scope sets agency alarm bells ringing. Where you don't have clarity on requirement ensure collaborative working between marketing, procurement and the agency to work through line-by-line solutions and associated costs
- **But plan reviews and be flexible** – a scope of work enables planning and proper resource allocation, but the reality is that things change, and the experience of 2020 should underline that when most brands had to significantly alter their planned marketing and communications activity. So, the scope should be reviewed periodically and flexed if necessary. Regular reviews ensure no nasty surprises crop up which can hinder the work or harm the relationship
- **Be realistic and fair** – for example, the scope should consider the number of meetings that the agency team will need to attend (which may not be directly campaign related), and it should define expectations on the number of creative reviews for specific pieces of work
- **Record and document actual vs plan** – to inform the next round of scope of work discussion

Watch outs

Ensure teams are clear on the agreed scope for the agency and that any work beyond that work may be charged at higher project rates.

Key Performance Indicators (KPIs)

Why do?

KPIs, briefing and payment-by-results based remuneration are all closely connected, and the KPIs should all ladder up to brand communications and business objectives. Therefore they are an important tool to drive brand and business growth.

KPIs should be included in the brief to ensure the communications are focused on the objectives, and the agency's performance should be measured through KPIs, particularly if they are remunerated through a payment-by-results mechanism.

Best practice

- **Keep it simple** – over-complicated mechanisms invariably cause problems in final calculation and subsequent disputes. Keep it simple and everyone is clear on expectations and time to calculate
- **Ideally three core categories of measures:**
 - **Hard measures** - sales, views, click through's, footfall etc.
 - **Robust measures** – tracking data – awareness, propensity to purchase, attitudinal shifts etc.
 - **Soft measures** – agency performance, quality of team, delivery is on time, on budget, responsiveness etc.
- **Is it fair?** – agree on an appropriate balance of the hard, robust, and soft measures – which ones can the agency genuinely influence e.g. sales could be influenced by factors outside the control of the agency
- **Realistic measurement** – agree when and how to track each KPI measure to minimise complexity, and ensure it is feasible and not overly onerous
- **Alignment** – ensure all parties – marketing, procurement and agency are aligned on the KPIs and how and when they will be measured

Watch outs

In our experience clients often struggle to define KPIs, and tend to over complicate the process. KPIs can take some time to get right so a recommendation is to start with a few measures and build from there. One factor that significantly influences the selection is whether it can be measured effectively and efficiently.

A further watch out when KPIs are linked to payment-by-results mechanisms is to ensure that sufficient budget is set aside to enable payment should the agency reach their 'stretch' targets.

Embedding

Why do?

Given the costs involved in working with agencies – finding them, investing time in ensuring they have deep brand and business knowledge and of course the agency fees, production and activation costs – it makes good business sense to ensure that all team members understand how to work efficiently and effectively with their agencies.

Agency relationship management isn't rocket science but it also isn't necessarily intuitive and needs to be learnt and practiced. And that is compounded by the relatively rapid turnover of personnel in many marketing teams. So it makes sense to put in place a mechanism and support that will embed best practice agency relationship management capability in the marketing and procurement teams.

Best practice

- **Ways of working manual** – a document that defines best practice and toolkits to ensure all team members are aware and informed about how to motivate and work with their agency partners in a consistent and professional way. Generally, an on-line resource that is brought to life through video and worked examples, with templates for key stages of the communications process
- **Segmentation of roster** – a breakdown of the agencies available for the marketers to use and what each agency's specialist skills and capabilities are. It should also include the process that marketers need to follow if they require agency capabilities not available through the roster. As well as ensuring marketers use the right agency to meet their needs it also helps to avoid the 'roster' becoming bloated and fragmented
- **Roles and responsibilities** – marketing and procurement have dual responsibility for agency relationship management, but each bring their own specialisms and focus. Documenting the roles and responsibilities for each party will ensure nothing gets overlooked, conflicts are avoided and new team members are quickly integrated
- **Dedicated resource** – as mentioned above given the scale of the investment in agencies and their work a dedicated resource to manage those relationships is worthwhile considering – this might be in marketing, procurement or both and will be influenced by the scale of the roster. The return on investment / business case for dedicated resource can be easily articulated through the efficient and effective management of the agencies
- **Training** – whatever the size and scale of the company a recurring theme in agency performance evaluations and agency feedback is the quality of briefing and creative evaluation. Both of these skills are fundamental to the communications process, so it is important to get these right, and be consistent. Given this, and that fact that we often see that marketers are rarely given formal training in this area, looking to implement courses to develop those skills is key

Watch outs

It is important to review each element of best practice on a regular basis to ensure they remain up to date and relevant. Using independent resource to advise on embedding best practice agency management is worthwhile to bring insight, latest trends and experience from other organisations to the process.

Recommendations for effective agency relationship management

1. **Fit-for-purpose briefing** – a good brief contributes significantly to creative excellence, whereas a poorly drafted and badly communicated briefs inevitably results in frustration, delays and escalating rework costs. Briefing is a core and fundamental skill and marketers should first be trained and then reminded what ‘great looks like’. The principles of best practice briefing are:
 - A written brief – using consistent approved templates
 - Buy-in from all stakeholders
 - Presented to the agency(s) for clarity
 - Co-created with agencies where possible
 - Embedded as a skill through training

2. **Creative Evaluation** - is a skill that needs to be practiced. Like a muscle the more you exercise it the stronger it gets. Recognising and encouraging a good idea helps deliver competitive advantage and therefore it's a skill well worth investing in.
 - Prepare - re-visit the brief, and stimulate your creative mind
 - Has the brief been answered?
 - Separate the idea from the execution
 - Is it realistic?
 - Manage the feedback
 - Manage expectations – how ‘finished’ is the idea, what decisions need to be made

3. **Performance measurement** - issues will inevitably crop up from time-to-time in most agency relationships. Regular agency performance evaluation programmes are absolutely key to maintaining strong long-term relationships through the early identification of issues and also by highlighting best practice. They also provide tangible data to feed into payment-by-results mechanisms. Characteristics of effective performance measurement are:
 - A minimum of two-way evaluation – so both parties can provide input and feedback
 - Benchmarks – to provide reference points to what ‘good looks like’
 - Marketing, procurement and agencies aligned on the purpose and process of the evaluation
 - Independently managed – to reinforce impartiality and instil best practice
 - Consistency – maintain questions over time so that changes can be tracked
 - Action planning – client and agency teams to discuss the feedback and assign responsibilities and timings for issue resolution
 - Qualitative and quantitative – encourage verbatim comments to help provide context and insight to the scores
 - Holistic – include members of the team at different levels in the organisation

4. **Remuneration** - the best remuneration schemes are built around collaborative approaches – the desire and ability to genuinely manage the financial aspects of the relationship, monitoring it and discussing it with all stakeholders on a regular basis. Properly constructed and managed remuneration is the cement to the relationship and should be mutually beneficial to drive growth and will include:
 - Collaboration between procurement and marketing

- Understanding of scope of work
 - An appropriate remuneration strategy for the agency type you're negotiating with
 - Flexible and simple – to accommodate changing requirements.
 - Is fair – agencies need to make a reasonable profit too.
 - Planning and agreement of all costs with the agency before commissioning any work
 - Credible data to benchmark rates and agency team structure and composition
 - Regular review with all stakeholders
 - Embed the arrangement in a contract that is clear and in plain English
5. **Contracts** - a contract provides a safeguard in the event of a dispute, setting out the terms of the relationship.
- Discuss and agree prior to agency appointment
 - Ensure that all key stakeholders are aware of the terms of the contract
 - Review regularly
6. **Scope of work and budget** - enable the agency to assign appropriate capability and calibre of resource, and the team size to fulfil the client teams requirements. Best practice elements include:
- 3-way discussion and agreement between marketing, procurement and the agency
 - Is sufficiently detailed
 - Are reviewed and can flex to changing circumstances and requirements
 - Are realistic and fair
 - Inform future plans
7. **KPIs** - should ladder up to brand communications and business objectives, and are therefore important in helping to drive brand and business growth. KPI constructs should be
- Simple
 - Comprise hard, robust and soft measures
 - Are fair
 - Can be measured
 - Agreed to by all parties
8. **Embed best practice** – senior marketers and procurement teams invest a lot of time in creating the right agency model, and then populating it with the best resource. That investment is wasted if the organisation then doesn't know how to get the best from that resource. Best practice agency relationship management can be embedded in the organisation through:
- Ways of working manuals
 - Segmentation of the roster
 - Defined roles and responsibilities between marketing and procurement
 - Dedicated resource to manage the relationship
 - Training the teams to get the best from their agency partnerships

About the Observatory International

The Observatory International is the leading global management consultancy dedicated to helping companies drive brand growth by transforming their marketing and communications resources.

We bring global and local perspectives to marketers and procurement along with the knowledge required to overcome the challenges associated with managing communications agencies in these dynamic times. With over 15 years of experience working with many of the world's leading brands and agencies, our casebook is full of best practice on how to get the best from your marketing resources.

To learn more, visit: observatoryinternational.com

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