TOP 50

MARKETING MANAGEMENT POSTS OF 2017

trinity P3™

TrinityP3 Pty Ltd
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What the world is saying about the *Top 50 Marketing Management Posts*:

The thought-provoking insights from Darren and the team at TrinityP3 always give me reason to consider alternative approaches to marketing procurement and agency management. In a world full of competing theories, their input stands out for those who want to make their marketing more effective, while incentivising agency partners to go the extra mile to cut through cluttered consumer marketplaces to make challenger brands famous.

Killian O'Sullivan, Chief Executive Officer, The London Distillery Company

Darren's insatiable interest in the mechanics of the industry has resulted in a coming together of a remarkable amount of knowledge on how stuff works, or in many cases, how stuff doesn't work.

Mark Holden, Worldwide Strategy and Planning Director, PHD Media

Darren has his finger on the pulse of the industry and is a 'go to' source to get to the real questions that matter. Separating the facts and realities from the smoke and mirrors that abound in this industry is Darren's key strength.

John Broome, Chief Executive Officer, Australian Association of National Advertisers

Darren brings real insight and great clarity to complex marketing challenges. He has a real empathy for the issues facing clients and agencies and a deep knowledge of brand and technology. The Top 50 Marketing Management Posts *are a reflection of this thinking, providing concise, relevant and challenging views on a discipline which is moving rapidly.*

Julian Dunne, Head of Marketing and Insights, Australian Football League

As an industry, marketing is too easily attracted to the latest buzz. Yes, we need to challenge the status quo, but we need to do so via careful thought, using evidence and insight. For that reason, Darren is an essential voice of reason amidst the industry hype that marketers should listen to regularly.

Lindsay Mouat, Chief Executive Officer, Association of New Zealand Advertisers Inc.

THE AUTHORS

Michael Farmer[1] is the Executive Chairman of TrinityP3 USA and author of *Madison Avenue Manslaughter: an Inside View of Fee-cutting Clients, Profit-hungry Owners and Declining Ad Agencies*, which won the Axiom Gold Business Book Award for the best marketing/advertising book of 2016. He currently serves as Adjunct Associate Professor of Branding and Integrated Communications at The City College of New York (CCNY) and is at work on a new book about the challenges facing chief marketing officers.

David Angell[2] is the General Manager of the fast-growing Melbourne market, and the national Head of Media at TrinityP3. In these roles, David brings his media-specific, broader commercial and relationship expertise to bear on a diverse range of projects, with one core objective – achieving beneficial results for our clients. David has been a media agency practitioner for 15 years, holding several senior positions in the UK and Australia. During this time he has worked with a number of blue-chip organisations.

Darren Woolley[3] is the founder and Global CEO of TrinityP3[4]. With his background as an analytical scientist and creative problem-solver, Darren brings unique insights and learnings to the marketing process. He is considered a global thought-leader on all aspects of marketing management. Darren is a negotiator, author and founding member of the Marketing FIRST Forum[5]. He is also a past Chair of the Australian Marketing Institute[6], an ex-medical scientist and an ex-creative director. And in his spare time, he sleeps.

1 trinityp3.com/people/management-team/michael-farmer

2 trinityp3.com/people/management-team/david-angell

3 trinityp3.com/people/management-team/darren-woolley

4 trinityp3.com

5 m1f.org

6 ami.org.au/iMIS15/AMI

Anton Buchner[7] is a Senior Consultant with TrinityP3. He is one of Australia's leading customer engagement consultants, with an eye for discovering greater marketing value and a love of listening to what customers are really saying about a brand. Anton has helped take local and global businesses to the next level, including Microsoft, Nestlé, P&G, Gloria Jean's, Foxtel and American Express, among others. Anton is an innovative lateral thinker with a passion for refocusing business teams and strategies, creating visionary data-driven communication plans, and making sense of a more complex digital marketing environment.

Kylie Ridler-Dutton[8] is a discipline neutral specialist with consulting and implementation experience spanning retail, alcohol, utilities and telecommunications, to name a few areas. Over the past 18 years, Kylie has worked in various agencies in both Melbourne and Sydney as a Client Services Director, managing the development and implementation of a wide range of global brands.

Erik Ingvoldstad[9] is one of a new breed of management consultants who sees the full picture, from business strategy to creative execution and innovation. His leadership experience from working on global brands, in regional roles and in local markets across many continents, provides him with the know-how, the drive and the courage to lead through disruption and innovation, leveraging culture and technology to create new business opportunities. He runs Acoustic[10], an independent digital transformation and innovation consultancy in Singapore.

Lyndon Brill[11] has worked at the highest level of the advertising industry for over 10 years, with major global finance roles at Publicis Dialog and Allied Domecq before returning to Australia as CFO at Lowe Sydney. Lyndon joined TrinityP3 in 2013 and is ideally suited and experienced to assist clients in managing various services including agency remuneration and benchmarking, contract review and negotiation, and overall strategic agency roster alignment.

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7 trinityp3.com/people/consulting-team/anton-buchner

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Christopher Sewell[12] is a TrinityP3 Business Director with wide-ranging knowledge of all areas of the advertising and procurement world. He specialises in helping companies understand the environmental impact of their marketing spend. Chris is also the CEO of The Gaia Partnership[13], which is building the online 'CO2counter' application to measure carbon emissions in all forms of marketing communications.

'The Buyer' is an anonymous former senior manager in the procurement profession who offers an occasional perspective to the world from a procurement-driven point of view. Formerly, The Buyer posted weekly blogs on the premier news site for the procurement profession throughout Australasia: PP Online. Over 400 postings of The Buyer's Blog are still listed online, covering all sorts of procurement-related topics.

Bill Merrick[14] has more than 20 years' experience in international business, gained in marketing, advertising and PR – from packaged goods to infrastructure. His role has been that of a business and communications leader and strategist. Having successfully operated in markets all over the globe, he is now, from London, partnering with Darren Woolley to launch TrinityP3 UK, to bring their combined experience and insights to clients in Europe.

Mike Morgan[15] is a founder and Director of High Profile Enterprises[16], an agency which specialises in improving business performance online using a range of search engine optimisation, content marketing and social media strategies. High Profile Enterprises was the first New Zealand agency to appear on the Content Marketing Institute's (US) Content Marketing Agency list. Mike has been included on lists of the 'Top 100 most followed SEO experts on Twitter' and '41 rising stars in SEO you should follow'.

12 trinityp3.com/people/management-team/chris-sewell

13 gaiapartnership.com

14 trinityp3.com/people/management-team/bill-merrick

15 au.linkedin.com/in/meetmikemorgan

16 highprofileenterprises.com

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INTRODUCTION

TrinityP3 has recently gone through some major development and growth. In the past 18 months we have established an office in London in a joint venture with industry veteran Bill Merrick, and then more recently in New York with Michael Farmer, award-winning author of *Madison Avenue Manslaughter: an Inside View of Fee-cutting Clients, Profit-hungry Owners and Declining Ad Agencies*.

But the growth has not just seen TrinityP3 expand globally. The consulting business and our offerings have also developed and matured, with projects now more focused on strategy management consulting, including restructuring the marketing function across a range of client categories.

With Michael and Bill joining TrinityP3 came an opportunity to pause and reflect on how the company has developed in recent times, including the realisation that by responding to the needs of our clients we have initiated new and innovative solutions to many of the major challenges facing these clients today. We call these solutions the big six and here they are, in no particular order:

1. improving marketing performance, and especially driving growth at a time when many businesses are struggling to deliver top-line growth
2. assisting in the digital transformation of marketing through technology that allows organisations to become customer-centric at scale
3. improving media transparency and maximising media value and investment performance in the face of a murky media supply chain
4. optimising the performance of marketing agencies and suppliers to eliminate waste and duplication and deliver improved results

5. becoming more agile and nimble in marketing implementation and being more responsive more quickly to the market and customers
6. reducing waste and delivering environmentally sustainable marketing solutions against the United Nations' sustainability initiatives.

This has brought a renewed focus to our clients in ensuring we deliver the maximum results in addressing their most pressing marketing challenges.

In analysing the blog post results for 2017, it was great to see both of my joint-venture partners, Michael Farmer in the USA and Bill Merrick in the UK, represented in this year's book – particularly Michael, who had nine articles make it into the top 50 this year.

Also gratifying is the number of posts in the top 50 written by the TrinityP3 consultants David Angell, Anton Buchner, Kylie Ridler-Dutton, Lyndon Brill and Christopher Sewell.

This 2017 edition also includes contributions from guests Erik Ingvoldstad, CEO of Acoustic; the anonymous 'The Buyer'; and Mike Morgan, Director of High Profile Enterprises.

Of course, without Mike and his team at High Profile Enterprises, who manage our SEO, social media and content, this would be a much smaller publication read by a much smaller audience.

I also want to acknowledge all of those people – marketers, advertisers, procurement professionals and agency personnel – who took the time to provide feedback on our first four books of *Top 50 Marketing Management Posts*.

Looking back across the collection, this book is definitely becoming a compendium of the top issues and topics that have caught our attention in the past 12 months, and those that have prompted interest and engagement from you – the marketing, advertising, media and procurement professionals around the globe.

Today, the TrinityP3 blog has more than 1200 posts covering a wide range of marketing management topics and is read by more than 200,000 people each year, a number that continues to grow. We are grateful to everyone who participates and engages in the conversation, either by commenting on our posts or sharing our content with their colleagues and friends.

Again, when we reviewed the blog posts with the highest readership during 2017 to prepare this new edition, we were pleasantly surprised to find that 83 posts had been published in the four previous editions – 2013, 2014, 2015 and 2016 – and continue to enjoy huge popularity. These evergreen articles are listed on the following pages so that if there is a post you are interested in, you can either read it in one of the books, which are available from most online bookstores, or on the TrinityP3 blog.

Thank you again to Paul Smitz for editing and proofing to make us all seem a little more coherent and intelligent. Thank you to Lyndell Correll for the layout, finished art and design to make it all look great, and Christopher Sewell for the production management to make it all happen with a minimum of fuss. Thank you also to our printer, 17print.

And a big thank you to our ever-expanding group of clients at TrinityP3, especially those who have continued to work with us over the years. It is through your engagement and support that we are able to develop and provide greater insights and share the trends, to help in some small way to improve the advertising, media, digital, data and marketing process for all.

Thank you also to all of our readers and commentators, and those who share our content with others.

This is the best of our 17th year. We look forward to writing and sharing more with you in the coming year.

Thank you.

Darren Woolley, founder and CEO
TrinityP3 Marketing Management Consultants

Evergreen marketing management posts of 2013

1. How many billable hours are there in a year? – Darren Woolley, 22 March 2007
2. Of the three types of collaboration, which type do you need? – Shawn Callahan, 5 October 2012
3. Defining the scope of advertising agency services to determine agency compensation – Darren Woolley, 7 September 2011
4. 12 innovative media options you may not see proposed by your media agency – Darren Woolley, 18 June 2012
5. How to build effective marketing workshops – Andrew Armour, 8 February 2013
6. A step-by-step approach to calculating ad agency resource rates and head-hour costs – Darren Woolley, 22 October 2012
7. Two different ways to assess and evaluate agency performance – Darren Woolley, 1 February 2013
8. Some of the differences between traditional and digital media planning and buying – Darren Woolley, 1 June 2012
9. What is included in your advertising agency overhead cost and what is not? – Esther Selvanayagam, 31 August 2012
10. The importance of chemistry meetings in the advertising agency selection process – Darren Woolley, 7 December 2011
11. The importance of overhead in agency compensation – Darren Woolley, 14 July 2011
12. How to calculate your agency head-hour rates – Darren Woolley, 13 April 2011
13. Media negotiations and media buying benchmarking – Darren Woolley, 9 December 2011
14. Replacing 'above the line' (ATL) and 'below the line' (BTL) with content and channel – Darren Woolley, 1 July 2010
15. When should an advertiser pay pitch fees when selecting a new advertising agency? – Darren Woolley, 9 January 2012
16. Do you want a digital agency or a technology partner? – Darren Woolley, 22 February 2013
17. Nine kinds of agency pitch process and counting – Nathan Hodges, 29 July 2013

18. How the scientific method can be used to ‘test and learn’ marketing strategy – Darren Woolley, 16 December 2011
19. Three ways to make sure that social media expert is really an expert – Darren Woolley, 7 December 2012
20. Why in-house advertising services work … and why they don’t – Darren Woolley, 25 February 2013
21. The world’s worst advertising agency scope of work defined by a marketer – Darren Woolley, 14 May 2012

Evergreen marketing management posts of 2014

1. Top-down or bottom-up budgeting: Which approach is best? – Darren Woolley, 21 February 2014
2. The role of marketing procurement: a procurement leader perspective – Darren Woolley, 13 June 2012
3. The important differences between scope of work and schedule of work – Darren Woolley, 4 December 2013
4. Five top trends for call centres and the pricing model dilemma – Anton Buchner, 18 September 2013
5. Five brands that have successfully reinvented themselves in the digital age – Anton Buchner, 24 February 2014
6. 10 ways marketing and procurement can work together for better results – David Little, 17 March 2014
7. Why service-level agreements (SLAs) are not relevant to marketing services contracts – Darren Woolley, 24 August 2008
8. How many KPIs are optimal to drive agency performance? – Darren Woolley, 2 September 2013
9. 10 sponsorship principles that procurement must consider – David Little, 17 February 2014
10. How to avoid the 10 classic strategic decision-making traps – The Buyer, 12 February 2014
11. 10 brands that have successfully reinvented themselves – Stephan Argent, 6 November 2013
12. Six things every marketer should know about great pitch consulting – Anita Zanesco, 9 September 2013
13. The important differences between scope of work and schedule of work – Darren Woolley, 4 December 2013

14. Top 10 considerations when selecting a new media agency – Darren Woolley, 23 November 2011
15. A simple way to check your advertising agency fees – Darren Woolley, 16 April 2014
16. Five ways agency account management can become indispensable again – Anita Zanesco, 30 September 2013
17. 10 things procurement needs to know about digital marketing – David Little, 7 February 2014
18. Defining the changing role of the advertising agency – Stephan Argent, 31 May 2013
19. The hidden flaws in agency timesheets and retainers – Darren Woolley, 23 May 2014
20. Did you want collaboration, cooperation or coordination with that marketing process? – Darren Woolley, 27 August 2012
21. How procurement grades marketing expenditure strategically – The Buyer, 25 October 2013
22. Who does your media agency really work for? – Stephen Wright, 18 October 2013

Evergreen marketing management posts of 2015

1. What's the role of today's advertising agency? – Stephan Argent, 24 April 2015
2. How to provide fact-based feedback to unsuccessful agencies in a pitch – Darren Woolley, 15 April 2013
3. Measuring the 4Cs in selecting agencies and managing agency relationships – Darren Woolley, 14 October 2013
4. Top 10 ways to avoid trouble when using music in advertising – Darren Woolley, 7 November 2011
5. How do you manage a successful transition to a new agency? – Darren Woolley, 5 November 2014
6. The difference between paying consultants on percentage of savings and success fees – Darren Woolley, 25 February 2009
7. Agency websites: Who's your target audience? – Stephan Argent, 4 January 2013
8. Why advertising agencies can no longer ignore conflicts of interest – Darren Woolley, 1 September 2014

9. Reasons why performance-based remuneration or payment by results often fail – Darren Woolley, 4 September 2010
10. The best producer model for TV advertising production – Clive Duncan, 5 July 2013
11. 10 tips that are the answer to a winning pitch chemistry meeting – Anita Zanesco, 21 May 2014
12. How fees are calculated for agency compensation – Darren Woolley, 16 August 2011
13. Marketers should set production budgets or pay the consequences – Clive Duncan, 24 May 2013
14. Challenging the payment terms for television commercial production services – Clive Duncan, 22 June 2012
15. Trading desks, demand-side platforms and programmatic buying explained – Darren Woolley, 8 September 2014
16. What type of marketing management consulting do you need? – Darren Woolley, 23 December 2013
17. Top 10 questions to ask a strategic marketing consultant before you engage them – Darren Woolley, 21 November 2011
18. How neuromarketing provides richer insights into the customer journey – Beate Duesterwald, 25 May 2015
19. Things to consider when selecting a new advertising agency – Darren Woolley, 13 February 2012

Evergreen marketing management posts of 2016

1. Client–agency relationships in advertising: four problems that cause breakdowns – Zena Churchill, 3 February 2016
2. The latest trends in agency remuneration – Darren Woolley, 4 January 2016
3. Three more brands that have successfully reinvented themselves in the digital age – Anton Buchner, 18 April 2016
4. Five common business email mistakes that will derail your relationships – Anita Zanesco, 9 December 2013
5. How digital marketing fits into the marketing mix – Anton Buchner, 14 November 2014
6. 10 programmatic questions to ask your prospective media agency – Stephan Argent, 30 September 2015

7. What is included in the overhead when calculating the agency retainer? – Darren Woolley, 31 March 2010
8. Are your agencies agents or independent contractors? – Darren Woolley, 9 September 2015
9. Strategic ways to use media added value – Darren Woolley, 22 February 2011
10. 10 essential principles of agency remuneration – Stephan Argent, 22 July 2013
11. The role of procurement in marketing from a brand marketer's perspective – Darren Woolley, 20 June 2012
12. How the best of the best approach digital marketing – Anton Buchner, 19 November 2014
13. Defining value-based agency compensation – Darren Woolley, 5 October 2011
14. Risk vs reward in value and performance-based agency compensation – Darren Woolley, 25 November 2013
15. Four thoughts on advertiser–agency relationships: Colgate-Palmolive and GPY&R – Darren Woolley, 21 January 2015
16. 25 client and agency personality types that will influence relationships – Darren Woolley, 18 January 2016
17. Top 10 ways to ensure transparency and accountability in all your print productions – Darren Woolley, 28 November 2011
18. Top five client accounting demands that make agencies feel unvalued – Nick Hand, 12 December 2012
19. The five universal principles of successful pitch management – Nathan Hodges, 17 July 2013
20. Client–agency relationships: confessions of an ex-client – Bruno Gralpois, 22 June 2016
21. The importance of business ethics: Goodbye to corporate greed? – Jeremy Richman, 6 November 2015

POST 1

Ignorance of pricing is ruining ad agencies

Posted 28 June 2017 by Michael Farmer

All companies sell products or services at a price, and managing price is a major responsibility of top management. Car companies sell cars, and sticker prices are marked on side windows. Coca-Cola sells concentrate to its bottlers, setting price per gallon to match market circumstances. Pizza Hut sells pizzas in restaurants, and pizza prices are marked on the menus. Bain sells consulting studies to corporations and prices them by study length and complexity.

Agencies, though, are confused about what they sell and how to price it. Their ignorance of pricing is ruining agency operations and destroying agency value for clients, employees and holding company owners. The advertising industry is the only industry in the world without a concept of pricing.

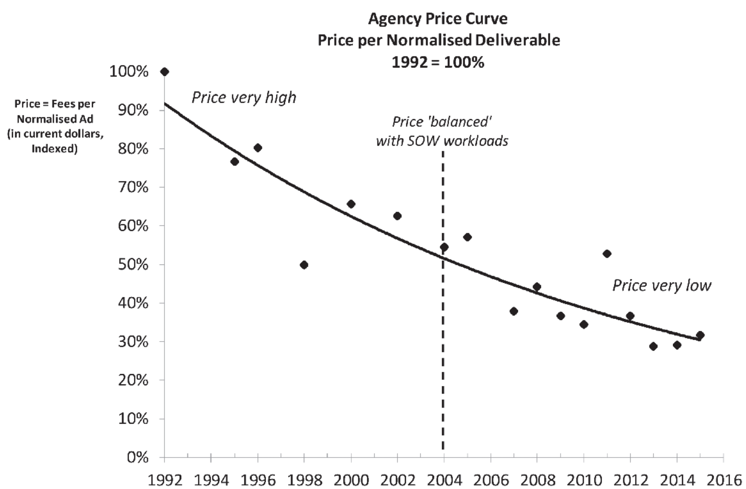
Let's keep it simple. Creative agencies do not sell Big Ideas, creativity, Cannes award wins or brand-building any more than General Motors sells transportation, Apple sells communications or Bain sells analytics. Creative agencies sell *ads*, or more broadly, *content* in the form of deliverables.

Bundled with the deliverables are strategic insights, of course, just as iPhones are bundled with high-value functionality. Agencies are in the deliverables business. The business is expected to deliver results, and prices should be high enough to reflect anticipated results. Price is income divided by deliverables – price per deliverable (with deliverables normalised by size) is the relevant pricing metric.

Research for my book *Madison Avenue Manslaughter*[1] showed that deliverables have been growing and fees have been falling for decades. Consequently, price has fallen dramatically, *and there is nothing in management's toolbox to manage or stop it*.

Price (in constant dollars) is now 70% below what it was in 1992. Since 2004, which was the last year that price and deliverables were in balance, price has fallen by 42% and has been below the level required for appropriate agency staffing. Falling prices stretch agency resources, reduce quality, create client dissatisfaction and limit holding company growth.

Agency CEOs are on the hook for this adverse performance. They've responded, wrongly, by focusing on cost reductions, downsizing since 2004 and cutting out creative, analytical and senior muscle, instead of seeking better and more logical prices for their growing deliverable workloads. Worse, they blame procurement for their predicament.



Source: Farmer & Company client data.
Price is calculated 'per ScopeMetric® Unit (SMU)', our normalised unit of agency work

Agencies confuse 'how they are paid' with 'what they are selling'. Just because agency costs are the basis for calculating fees does not mean that agencies are selling costs or that clients are buying man hours.

A hot-dog seller in Yankee Stadium could calculate prices on daily attendance: $2 on 'low-capacity days' (below 30,000 fans), $3 on

1 madisonavenuemanslaughterbook.com

'average-capacity days' (30,000–35,000 fans) and $4 on 'high-capacity days' (above 35,000 fans), just like the airlines. The vendor is still selling hot dogs, whatever the price, not the day's attendance level. Get 'em while they're hot!

Agencies act as if they have no control over income. They've abdicated pricing to their clients, who determine what the agency costs are (through benchmarking), what the fee levels will be (through ZBB, or zero-based budgeting) and what the scopes of work will involve (more work than last year).

Agencies do not systematically use scope-of-work deliverables to establish their prices and calculate their fees, even though deliverables are the foundation of what they sell. Deliverables are not documented, tracked or negotiated in a consistent way. This is crazy because deliverables are growing, and remuneration based on deliverables could grow rather than decline.

There is a gap between how much agencies are being paid and how much work they are doing. How big is the gap? It is now about 24%, I estimate. This gap could be viewed as 'unrealised income' for agencies and their holding company owners, or as 24% too much work, with agency staff stretched to carry it out.

If half of this surplus work is unnecessary for the brands and can be cut out, then the agency fee gap is 12% or so – still a considerable amount. The fee gap represents 'agency underperformance' from an income and profitability standpoint.

Agencies are not realising all the income that they could.

Agencies need to take control of pricing. First, they need to acknowledge that they have a price problem, not a cost problem. (Since they do not measure their deliverables or work, though, they cannot measure price, so this is a separate problem that needs to be solved.)

Second, they need to recognise that future pricing must be handled on a per-deliverable basis.

Third, they need to ensure that the work they plan and carry out adds value, enhancing client brand growth and profitability. Otherwise, their efforts to improve pricing will fail, since they will remain in a commodity business, competing against other commodity-like agencies.

Agency CEOs need to take control of pricing as their most important strategic priority. What could be more critical to the long-term success of their clients, their employees and their owners?

POST 2

Eight 'less obvious' reasons why agencies lose pitches

Posted 26 May 2017 by David Angell

Pitches can be capricious. The blend of human intuition, rhetoric, substance and circumstance can make even the best agency lose over the course of a pitch process. No-one says that it's perfect. But there's a world of difference between a well-run pitch process and a bad one.

Some mistakes are clichés … some are not. There are some pitch mistakes, made by agencies, which are obvious although often repeated (chest-thumping attitude, not listening, not bringing the right people, banging on about oneself, profound gender skews in meeting rooms etc.). But there are others that may go unnoticed by many.

The agencies who have pitched and lost on projects I've run with my team at TrinityP3 may be familiar with some of what follows, as I tend to try and provide as much feedback as I can – something more insightful than the blasé, meaningless platitude of 'You were a close second' and that may even be used by said agency at a later date. We want you to succeed, not fail.

My approach is this: I want every fundamentally decent agency I work with in a pitch project to eventually get a win 'with TrinityP3' (this excludes arseholes, which I think is fair enough). I want all agencies to be in a position to put their best foot forward at every step. The best problem for me in a pitch is having a group of finalists who are all so good that the client has trouble choosing between them.

In that spirit, I am happy to share these experience-based thoughts with you – eight not-so-obvious mistakes that agencies often make in pitches. Have a read and see what you think.

1. The MD or CEO does too much talking

Few things are more off-putting to clients than an overbearing CEO. Finding the right balance of style and amount of contribution can be hard, but it's necessary. To a client, an overbearing CEO can demonstrate anything from rhetoric over substance or an autocratic culture, to a lack of confidence in his or her own team.

2. The balance between the demonstration of core requirements and other services is skewed

Media agencies have developed creative capability. Advertising agencies now do data and media. The client gets that. But it is becoming more common for agencies to talk up or build their diversified services in a pitch response, to the point where it becomes confusing, irritating, or – worst of all – generates suspicion in the client's mind that if this agency is appointed, it will be off on a land grab from day one.

3. The GAD or business director is not given enough of a role

It is easy, in the excitement surrounding strategy, creative, implementation and execution, to neglect the input and role of the business lead. It is very common for this to happen. Make no mistake: the GAD (group account director) or business director, as the central pivot and glue that holds things together, is a critical person for almost all clients to get a proper feel for through a process. He or she must be given a role that demonstrates the generally T-shaped skills required in this role.

4. The agency promise, positioning or vision sets itself up for failure

If the positioning of the agency or the stated promise at the start of a pitch process is too grand, the agency gives itself a very limited chance of being able to demonstrate true delivery of such a promise in a pitch scenario, via strategy, creative or implementation. Be careful of rhetoric that does not translate to substance.

5. The quantity of produced work is too great

Many agencies ask me, at the pointy end of a pitch process, about how much they should deliver in a presentation – how many concepts, how many articulations, or similar. My answer invariably is: do what you feel is right, prioritise your best idea, and know that I won't be marking you down or up based on the number of concepts you provide.

I've seen agencies completely undo themselves by presenting too much. The client can see the effort and passion, but they are so buried under an avalanche of slides or boards that the wood and the trees become completely interchangeable.

6. The agency asks lots of questions but does nothing with the answers

We generally run a Q&A between the agency and client, in-between receipt of the brief and the workshop or presentation day. This is in recognition of the fact that a real-life process would include such sessions. It's also an opportunity for an agency working from a base of zero to get a bit more face time.

A common mistake here is for agencies to ask lots of clever questions, the answers to which don't then see the light of day in the actual solution. To the client, this just talks to an agency trying too hard to be clever, without the follow-through. It is also irritating because (as some agency people tend to forget) the client is having to produce responses, data and documentation for three sets of questions, not just theirs. Again, you're not marked down if you ask fewer questions. Just ask good ones that translate into solutions.

7. The agency goes the extra mile but without properly checking the terrain

If you run on unfamiliar terrain without properly looking down, you'll likely trip up. Some agencies can be prone to answering a pitch brief and then extending their answer into unrequired or unasked-for areas, common ones being customer journey mapping or CRM (customer relationship management) strategies.

The agency wants to demonstrate their breadth of thinking, capability and passion. But without a brief or a clear understanding of the client at that point, what gets presented can become meaningless or simply off-beam and unexecutable in client-land.

8. The agency undersells itself financially

This last one is obviously contentious. I can only speak for myself, and for TrinityP3. When we consider agency fee submissions and present back our assessment to our clients, we do so in the context of two things. One: Does it represent fair value in the market? Two: Is it mutually sustainable and beneficial?

I'm proud to say that never, in all the pitches I've run, has the cheapest agency been chosen on the basis of cheapness. In many cases, the more expensive option on paper becomes the winner. Price is important, sure, and I'm not suggesting that you inflate your numbers. But it is a component of value, not the other way around.

In fact, if we see a proposal that appears unsustainable for whatever reason, we will flag it as a bad thing, not a good thing. Price yourselves with confidence and fairness. If the consultant and/or client is switched on, they will recognise the right balance.

POST 3

Managing Marketing – the challenges facing the advertising agency business model

Posted 21 April 2017 by Darren Woolley

Managing Marketing is a podcast hosted by TrinityP3 founder and global CEO Darren Woolley. Each podcast is a conversation with a thought-leader, professional or practitioner of marketing and communications on issues, insights and opportunities in the marketing management category – ideal for marketers, advertisers, and media and commercial communications professionals. Follow Managing Marketing on SoundCloud[1] or *iTunes*[2].

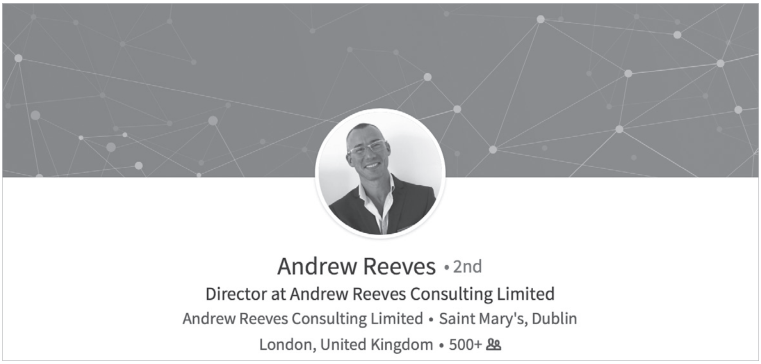
Andrew Reeves[3] is the founder and CEO of ARC Limited[4] and has a lifetime of experience as an agency CFO. Here he chats with Darren about current agency remuneration and business models, and the challenges facing agencies in finding ways to make this work in rewarding agencies for the value they create.

1 soundcloud.com/managing-marketing

2 itunes.apple.com/au/podcast/managing-marketing/id1018735190

3 nz.linkedin.com/in/andrew-reeves-02b96848

4 reeves-consulting.com



Podcast transcript

Darren:

Welcome to Managing Marketing. Today we're coming from downtown Shoreditch in London where I'm spending some time with Andrew Reeves, who is the founder and CEO of ARC Consulting. Andrew's a long-time agency CFO and CEO. Welcome, Andrew.

Andrew:

Thank you very much, Darren. It's a pleasure to be here.

Darren:

It's interesting being here in what feels like the new hub of London creativity: Shoreditch.

Andrew:

Yeah, it used to be Soho and I think in the last five years it moved spectacularly towards Shoreditch, which is where all the best gigs are from an advertising perspective these days.

Darren:

Well, probably also because of the real estate cost, isn't it? Soho became quite expensive.

Andrew:

Yeah, it certainly did. I think Shoreditch, at one stage, was one of the cheapest parts in town. But as soon as the marketing folk moved in here they did it all up to suit the market and it's gone literally through the roof, from about £34 per square foot to £60 in the last year.

The role of finance in the creative industries

Darren:

Look, the reason I bring that up is because one of the things I want to discuss today is the role of finance in accounting in the creative industries, because it's one of those areas that people have really quite diverse views on.

Andrew:

Absolutely. I've been in the industry for about 20 years now and it's funny because even working for some of the big brands like WPP, which is headed by some of the most astute financial people in the industry, finance and operations always seems to come way down the chain in terms of priorities for owner-managed creative businesses.

Darren:

That's one of the issues, isn't it. Where does the balance get struck between running a sound business and investing in things like creativity? If you listen to some people, it's impossible to manage the creative process. But they're still businesses, aren't they?

Andrew:

It's funny the amount of times that I've gone into agencies and they talk about it being a creative business, but the business element of it is the weaker part. As an industry we pride ourselves on the creativity, but we're not very good at the business side. And I think that comes from both how we look at our clients' businesses, which is why we're in business in the first place, and the input that we have and the impact that we have on their top line and bottom line, as well as how we run our own businesses. I just don't think we're particularly astute at it.

Our preference is always the creative side, which is building something and developing something for the sake of it, to a large extent, as opposed to the impact in terms of making hard bottom-line cash.

Darren:

Part of this is also because the agency business itself has changed a lot in the last 20 or 30 years. I mean, you'd have to be the biggest idiot in the world not to be able to make a profit on the old media commission's service fees, wouldn't you?

Andrew:

Yeah, I think that's a really good observation and starting point. I think that's what happened throughout the years. There was so much money awash back in the day that we took our eye off the ball in terms of how we managed that and looked after it and how we grew it – as we moved from the commission system, where the industry was making 25%, 30% more easily and still having a nice lunch on the back of it, to a system where that level of profitability and how we manage it have changed.

Darren:

Well, talking to Michael Farmer, he says that even back in those days, although the businesses were incredibly profitable, there were incredibly lazy businesspeople. You talked about a 25%, 30% margin. He was saying that in some cases the actual profits were tiny because they weren't managing the cost of the business, because it just seemed like this flood of money coming in from media commissions.

Andrew:

Yeah, I think back then the flood of money obviously trained the businesses to become lazy and that certainly was an issue at the time. There was always enough money despite how relaxed they were about controlling the costs. Effectively they didn't.

What happened after that is we developed a new model, which was the resource-based model, which made it probably even easier because effectively the money came in as long as you had the people in business. I can't think of a better business model. If you bring in people and you sell them with a profit, then the more people you bring in, the more money you can make. So it was a very safe period then.

The limitations of, and problems with, the cost-recovery agency model

Darren:

But it's a cost-recovery model, isn't it? Basically, you have a base cost and you have the overheads and then everything on the top of that should be profit, right?

Andrew:

Right. And that was the labour-based pricing model at that time.

Darren:

But isn't that also lazy? How many other businesses, and especially other professional services businesses, would work on a 2.4 or a 2.5 multiple on cost? And even in the earliest days of moving from commission to resource fees, those were the sorts of multiples. Law and accounting firms, still, some of them are working on four or five times.

Andrew:

Yeah, it's an incredibly easy model for being able to make money. You've just got to make sure that you're able to provide the right level of people at the right time and you're guaranteed cost recovery and a profit margin.

Darren:

But the other thing about this market, the advertising category, isn't it oversupplied?

Andrew:

I think coming from the resource-based model, you think about the dynamics of an advertising agency, you think about the pricing model in the first place, but you also think about the set-up of an advertising agency. I don't think it ever did take much to set up an advertising agency: you needed an office to work out of, you needed a telephone to contact your people, and that was just about it. You needed the right people around you and so the barriers to entry were very very low.

Darren:

Almost any idiot could set up an advertising agency … and they do.

Andrew:

Absolutely. And that obviously spurred an entire industry of independent hot-shot creatives in particular that would go off and try and create something. I think the motivation there was that it was easy to set up. If you got it right, there were lots of riches to be had. You would create one or two client profiles and at some stage you would be able to sell your wares to a network provider and make a lot of money.

Darren:

But isn't that counter to what the industry actually sells its clients, which is strategy and creative ideas, which they're basically selling on an hourly basis? Isn't that a bit like selling a book by the pound or the kilo? How much does the book weigh, therefore if it's a much bigger book I'll charge you more for it?

Andrew:

Irrespective of the content that's in there.

Darren:

If one more person tells me the Pablo Picasso story about him being asked by a woman to draw a picture and he did it and said, 'That'll be $10,000', and the woman said, 'But that only took you 10 minutes', and he replied, 'But it took me 30 years to learn how to do it'.

Great, but you charge by the hour. A client can come into any agency and go, 'What do you charge an hour? I'll buy 30 minutes of that'.

Andrew:

I look at where we are today in terms of an industry and that whole model has screwed us. It's screwed the advertising agency – clients aren't happy, people aren't happy, agencies aren't happy, and the parent companies aren't happy either.

When you're going through a lazy pricing structure and it's easy to recover your costs and it's easy to make a profit, then the ability and the creativity you have in terms of your own business go through the floor. So innovation goes through the floor. The attitude towards your client's business is completely irrelevant. You're getting paid by the hour – it doesn't matter whether you're good or bad, you get paid a benchmark rate. You're making as much money as the guy who's absolutely the Picasso of his industry compared with somebody who is just starting out. So I think that has all come around to a certain extent.

I think in the last five, 10 years the pressure has been on the agencies, quite rightly, to be able to deliver. We've been under pressure in terms of resource-based pricing for a long time, we haven't been able to figure it out. But clients know who's good and who is not good. Clients know whether or not it's worth their while to spend money with one agency versus another agency.

Agencies are having to become innovative in terms of their approach. They're having to invest in specific areas. If I think of this particular agency that we're sitting in today, Darren, it is a digital agency. It has evolved out of the need for clients who are looking for something quick and something consistent and something that deals with the internet side of the marketing: fast-turnaround email communications.

Darren:

Yeah, but let's be honest. There are 1000 agencies available in the marketplace. Isn't one of the biggest problems that the industry faces, on the basis of supply and demand, that it's oversupplied with a category of agencies that are poorly differentiated or even significantly distinctive from each other? Which has turned it into a buyer's market, and agencies themselves are not equipped to be able to negotiate the value that they bring to the relationship in the face of a procurement team that is incentivised in most cases to reduce that cost?

Andrew:

There's two issues there, right? There's the issue of being able to provide the value in the first instance. So, what is it you do that is different and unique compared with your competitors and how do you genuinely provide value to your clients? Are you helping them grow their revenue? Are you helping them with cutting their costs? Because that's what value is at the end of the day, and how as an agency are you doing that?

Darren:

No, I'm producing unique ideas that are going to be game changers in the category, that will completely revolutionise and win some awards. I know that sounds cynical but seriously, that's the way the market plays out.

Andrew:

Which is nuts, right? We've disappeared up our own, you know, whatever.

Darren:

Because for 30 or 40 years, as an industry, we didn't have to worry about delivering value. Whatever the client spent, a certain percentage would go to the agency. And sure, we've lasted what, 15, 20 years on a resource-based model and the wheels have fallen off. No-one's willing to admit it, but it's got to the stage that most agencies have to find other sources of income to make it.

Andrew:

Well, that's not sustainable either. We are a resource-based business, or another way of putting it is we're a talent business, right? So the talent thing is the most important thing that we offer to our client. However, we've become more and more squeezed over the years in terms of our ability to provide that talent and the talent isn't coming to our sector anymore. Because if you're a graduate and you're smart, where is the last place you'll go?

Darren:

You'll go to a technology company.

Andrew:

Absolutely.

Darren:

With big start-up VC [venture capital] funding.

Andrew:

You're not going to come to the likes of here, and so our talent and our ability to deliver that value have gone to the floor. We're not getting the talent in anymore and we can't afford to pay them.

The value and role of talent in advertising agencies

Darren:

So you've brought up talent, and the Academy Awards were on just recently and Hollywood is all about talent. People actually make a lot of money promoting talent and making them desirable. Some of the biggest names in Hollywood just being in a film will guarantee a box-office success, and there's a whole business about trading on that talent. The agents, the managers are all in Hollywood maximising the cost of accessing that talent because they make their 20%, 30%, right?

The advertising agency doesn't do that, do they? They actually try and hide. They have awards that only creative people care about, but in actual fact, making that relevant to clients has never been part of the deal because the fear is that suddenly those creative people and those strategy people would be out of the control of the agency management.

Andrew:

It's happened. You talk about some of the agencies that were set up in the good years. It was the talent who went off and did that. I think it's a double-edged sword to some extent. You've got to be able to promote and look after your talent to be able to do the right thing for your clients, but because we're in an industry where there's a risk of the talent becoming more important than the business, then you've got to manage that reputation and that support for that talent as you go.

We're a business – it's not about any one individual. The business has got to be able to deliver against our client's objectives first and foremost.

Darren:

But if it's a talent business, then it is about individuals.

Andrew:

Yes.

Darren:

So we're turning talent into a commodity.

Andrew:

Yes, I think the business performs best when the talent is freed up to do what they can do. If you put talent into a factory and you ask them to do backflips for you under duress, then the talent will not perform. I think we've created factories among our agencies that have fundamentally restricted our ability to work together and come up with genuine creative solutions that help client problems.

So you're right, it is absolutely a talent issue, and the longevity and the root of how you manage your talent is everything from how we get paid, and procurement being involved in screwing us so that we can't afford the right talent or us not being able to negotiate or whatever it is, to fees within our business being too tight for us to be able to give and promote our talent to do their job.

I think, when I look back at my career in creativity, it's probably one of the saddest things that's happened, because we have kind of effected this factory-oriented advertising that is no good for the client and is no good for the talent, and that talent then finds other routes to be able to go out and do their thing.

Darren:

So there are two streams here. One is the holding company, which I'll come back to because the holding company really only appeared in the form that we see today around the mid-90s. The other thing that we're seeing now is the big consulting firms moving into the very territory that agencies used to have.

What have they identified about the gaps? Because management consultants move into areas where they see unrealised value as a way of making money for themselves. What do you think they're seeing in the current landscape that's made this territory really attractive for them?

The rise of the consulting firms in marketing and advertising

Andrew:

I think it's probably a couple of things. You can't let go of the fact that the talent isn't what it used to be in advertising compared with how it is in consulting. So when we talk about those grads going where they're better looked after, consulting is still a highly revered area to be in. You get paid a lot more money, you get a better partnership structure, you're among other intellectuals that allow you to grow and continue to grow.

Darren:

You'll still work 80 to 120 hours per week.

Andrew:

You'll still work your fingers to the bone, but you'll get paid three times more than we will. I mean if you look at the consultants, design is probably one of the first areas where the consultants have gone into: design consultancy. And if you go to one of the established consultancies, they will still charge you three to five times more than what an advertising consultancy will charge you for a piece of brand consulting for a piece of work that arguably the advertising consultancy should be better placed to do. But we've lost credibility.

Darren:

Do you think it's also because the industry has started talking about value and delivering financial performance to clients, but they have not been particularly good at either committing to that or proving the value that they create, whereas business management consultants feel that they are in a much better position to do that?

Andrew:

It's a good observation. I think from a communications perspective, the holding companies' entire MO evolved from being able to create and buy communications companies that could provide an entire communications strategy for clients, and the holding companies' proposition is embedded within communications.

I think that communications as a discipline is something that has had a hard time, and CMOs [chief marketing officers] and their longevity is something that's had a hard time too, and I think that's a big part of the picture. Whereas consultancies don't focus on a communication problem, they focus on a business problem, so I think the consultancy's ability to provide added value is a broader framework.

And so there's the old adage that if you've got a hammer, every problem is a nail, which was part of the value proposition problem with holding companies and communications companies. Clients got bored with hearing the same solution for all of their problems. I think the consultancies were better at articulating.

Darren:

Also, the consultancies have come from the top down. They're already talking to the CEO and the CFO, identifying the business problem, coming up with the strategy. Now all they're doing is moving into 'Here's the implementation and the execution'.

Andrew:

Absolutely. The advertising agencies, I think, at one stage back in the Mad Men days of the 70s, were businesses. When you think about business, it's about selling stuff. Most businesses are marketing businesses, right? To survive, no matter how good you are at being able to engineer something or manufacture something, at the end of the day you have to sell it. So in the 70s, marketing was the business solution, but because over the years we've turned marketing into the colouring-in department, we lost those relationships with the CEOs and CFOs.

You're absolutely right. Consultancies own the business problem with their clients and are able to impact that far better than we can.

Darren:

So now we've seen some of the larger agencies move into, or try and move into, the consulting area. I'm sure you've read as I have that some of the bigger agency names have set up consulting arms.

Andrew:

Absolutely.

Darren:

But they don't seem to get the traction, do they?

Andrew:

No, because I still think that when it comes to credibility … first it's the consultants, the credibility will never be there. An advertising agency can go in as a consultant, but they'll only ever be consulting in communications, whereas a consultancy can communicate on a broader brush but can implement any one of those disciplines as they see fit. Hence why you've got consultancies stealing our lunch, because they can deliver. It creates lock-in for them as well. They can create an integrated strategy that may have an element of pricing distribution but also communications, and then they can plug in an implementation solution that allows them to deliver against that as well.

Remember, consultants were always accused of stealing your watch and telling you the time. That's been the big thing with consultants. Whereas now they can actually steal your watch and set the time for you and set the measurements in there and be accountable for it.

Is creativity still a distinctive difference for agencies?

Darren:

And hand you back a digital watch from the wind-up watch you used to have. But one of the things agencies used to rest on their laurels and say was, 'Well, these consulting firms will never be able to attract the type of talent that we attract: the creative people'. Yet don't you think that's changed? Because the talent coming out of universities or just in society now, they look at all of these as valid options. I mean, tech start-ups are not advertising agencies, but they're seen as a lot cooler than advertising agencies.

Andrew:

I think people who come to advertising agencies are very creative and they want to do something non-corporate, so I struggle hugely with the concept that consultancies will eat our lunch over time because I don't think they have the right culture. But tech, other industries, oh absolutely. They will attract the same mavericks and bohemians and the same creative types that advertising used to, and I think there's a point of convergence at some stage because creativity and communications is as much about coming up with the big idea.

Darren:

I think that's where the consulting firms will be able to attract that creative talent, because they're also closely aligned to the technology companies. So they're investing in those technology companies, the same technology companies that are seen as a viable non-corporate environment for this creative talent, but it's going to be attached to a consultancy.

Andrew:

Probably. Time will tell. Take the Accenture–Karmarama deal that was recently done. Everybody's waiting with bated breath, waiting to see what will happen. On paper, it is fantastic.

Darren:

Or will they kill the fattened pig?

Andrew:

Absolutely.

The role of holding companies in the advertising agency business

Darren:

So let's go back now to the point I made before about holding companies, because I know you've worked in holding companies. Let's not talk about any one in particular because I think they're all in the same boat – I know they'll argue that they're all different but largely they're all the same.

The rise of the holding company in the 90s was interesting because it was around the mid-90s that technology, the internet, started becoming something that the public could use. Where do you see the end-game of the holding companies? Not the beginning game, the end-game.

Andrew:

It's a really interesting question because the holding companies, and there are a few of them, are dominated by individuals, and those individuals, at some stage, need to move on.

Darren:

Well, we've already had a couple of them announce that they're moving on.

Andrew:

Absolutely. I think that is a huge challenge because it's the personalities of those individuals that make those holding companies what they are. The personalities are huge. The company is driven by the personality of that individual and once they leave, where does that leave the company?

So I think that's a problem. The whole holding company thing is now 40 years plus. They've got to a certain level and their ability to continue growing at the rate that they did is under pressure. Not least, I think, because of the individuals running them, but also because of the pressure they have put on their business over the years.

The model in the first place when you talk about the beginning of the holding company was to be able to integrate like-minded propositions and cut out back office. You're talking about IT, finance, those kinds of things, where you can make some big money.

Darren:

Or big savings.

Andrew:

You could make big savings without tinkering around with the actual product, and make money. Then, as you evolve from savings, there's only so far you can cut, and they cut everything out. The next step that you need to evolve is the proposition. So you buy complementary goods. You go from advertising to direct marketing, to media and to research, to data, and to tech. So they have created these monster businesses that have all of these different disciplines in place. And all of these disciplines in their own right at that time were the Zeitgeist of the day, but how you evolve that structure and make it relevant to the client is really really difficult.

So you're looking at holding companies now that have all of these expert skills in different structures that I can imagine are really difficult for clients to access. Which is why the holding company structure has now broken down those silos that initially made them, the individual brands, the businesses that they were once valued for, and has now created horizontal client-led structures, which have become, for want of a better word, homogenous, and vanilla.

Darren:

Yes, it's interesting isn't it. They did invest in vertical integration, the end-to-end solution, and yet, and I'll name them, Ogilvy and Publicis have all come out with this idea of the one P&L [profit and loss statement] that goes horizontally, as you say, right through all of these different entities.

Yet it almost sounds counterintuitive to the business model of why they acquired. A lot of these agencies were acquired by funding debt against the equity that they held. In fact, there are a couple of people, industry observers, financial observers, who say that the debt-to-equity ratios for some of these holding companies are ridiculous.

Andrew:

Well, what happens to the equity once you've bought a business and you change it and make it vanilla? The equity is written off, isn't it? So that's really interesting. The parent companies are now having to break down structures that they built over time, and partly because of cost, because all of those structures have had their own management core structures and they need to break them down. You talk about Publicis and Ogilvy, in particular.

Darren:

I think Havas as well are moving down the same path. In their case, they call it the village – this idea of villages of agencies working as one against a single client P&L. So it's not isolated. It's a trend.

Andrew:

It's predicated on two bases. One, that it's the right thing for the client, giving one point of contact that allows me to solve and move back to business problems, not just my advertising problem, because that structure in itself will create silos that don't work in terms of the overall business structure. You've got to create a single structure that allows you to look back at the business problem, so that was the first reason.

The second reason, obviously, is that the core structures within those networks are just too heavy for today's competitive landscape.

What business advice would you give to someone starting an agency today?

Darren:

Now, as a finance person and someone who knows the advertising business … if someone was starting an agency today, what would your advice be? Would you say, 'Don't do it'? Or would you say, 'Do it, but this has got to be the end-game'?

Andrew:

I'm an agency man through and through. I would always say 'Do it' because it's a fascinating industry and I think there's an opportunity now for smart start-ups to beat the networks.

Darren:

Right up until the point they acquire you, and put you on an earn-out.

Andrew:

Obviously that's why many people do set up their own agency.

Darren:

Time and time again.

Andrew:

Time and time again, we never learn. If I was to set up an agency today, the structure would be a much leaner structure and it would be focused on the business problem. It would have a high-end level of strategic input in the first place as opposed to creative, which is again understanding their customer base and particularly who they're trying to attract and how they can drive more sales, because that's what marketing is all about. Then I'd bolster it with a team of people that are genuinely multichannel people who are able to deliver multiple solutions that will help achieve those strategic goals.

Darren:

If you could build that type of agency, what remuneration model would you recommend? A cost-recovery model?

Andrew:

Certainly not a cost-recovery model. I would love to recommend an outcome-based model because obviously if you're able to get some skin in the game, then that has you perfectly aligned.

I wish we had the tools and measurement capabilities to be able to demonstrate the input that we have on our business towards our client's results. I don't think we're there yet. I know passionately that without going back to 'All businesses are marketing-led businesses', the level of input that an agency can make on a client is phenomenal. I think that if you were able to bottle and measure that, then we're off to the races, but I think it's really hard.

In the absence of that and in the context of cynicism, which is where we're operating today, I would move towards an output-based model in the first instance that talks about a client's business objectives, looks at a suite of activity that needs to be done to achieve those objectives, and gets paid for that suite. And every so often – once a month, once a quarter – we look at what the business objectives are and we tweak what we are delivering against that objective in terms of the scope of work in particular. We make sure in particular that that scope of work, those activities, those communications, are delivering against that objective.

Darren:

So that kind of model requires having a marketer client that is actually aligned to business objectives. A lot of agencies say to me that their clients are just not in a position to be able to articulate what the desired outcome is.

Andrew:

Don't work for any of them.

Darren:

That's what I say. If they can't do that, then don't work for them. But of course, this is in a market where you are going after any piece of business that walks through the door, then suddenly they're compromising the very thing that could differentiate them, which is being about performance and actually aligning themselves to delivering value.

Andrew:

Absolutely. I don't know how you get around that problem. Again, it's an industry problem in terms of the seniority of our clients, and it's all very well to turn around and say, 'Don't work for them', but you have mouths to feed and you've got to put money in your pocket.

Darren:

Or mortgages to pay, or business loans or overdrafts or expense accounts.

Andrew:

Absolutely, for the heavy lunches in Soho. I think that if you're going down the route of output-based remuneration, then actually you can still do that because I'm not precious. The philosophy of advertising is we should be able to help grow our client's business, but there is another side of it and that's to help them save money.

So I'm not precious about whether or not I'm aligned to a specific outcome as long as the client is clear to me about what they want. If they don't want me involved in the business strategy, because their CMO isn't respected to that extent and hasn't got voice or authority, then fine. Tell me what it is that you do want to achieve and be very clear with me and I will help you achieve that. It may be speed to market, it may be core savings, it may be some other thing.

Darren:

What is the problem that I would bring value to the equation by delivering?

Andrew:

Absolutely, and then in the ideal world I would help you grow your business, but in the absence of that I will help you achieve your objectives.

Darren:

But Andrew, you realise you are sounding so much like a businessperson and not very much like an advertiser.

Andrew:

I'm in the wrong business.

Darren:

Or maybe just passionate about the fact that advertising has a role to play in creating business value.

Andrew:

You started this interview, this conversation, with the role of finance people, and I think this is one of the things we have missed because I am passionate about it, and I am passionate because I have seen us as an industry make so many mistakes and we get carried away and we get distracted by the shiny things over here, there and wherever. My background as an accountant is business and we need to up our game from a business perspective. So that's why I'm passionate about it, because I can see the opportunity, I can see the capabilities that we have. We just need to do better.

Darren:

So we're running out of time, but I've got one final question for you. Over the years, I'm sure you've had to sign off on some interesting account management and creative expenses. What's the most controversial one you've ever signed off?

THE END.

POST 4

The most important quality in client–agency relationships (and no, it's not trust)

Posted 21 November 2016 by David Angell

I was contacted the other day by a long-lost British client, from my UK days. Someone who I 'cut my teeth on' in the early part of my career, and with whom I eventually developed a client–agency relationship so strong that it would end up representing a springboard to promotion.

All very good. But her reaching out to me, after nearly 14 years, also jogged a suppressed memory of one of the biggest client relationship mistakes I ever made.

One of my biggest mistakes

To cut a long story short, a situation arose where my client was suddenly undermined by a new senior appointment at a regional level, operating out of France. This person contacted me directly for a 'private' conversation, in which he asked me to contravene some previous instructions from my British client and also send him some information about earlier work. He asked me not to contact her about it.

While troubled, I acquiesced. After I'd done so, my British client found out. And she was furious with me. She told me that our trust had been broken, that I should never have gone behind her back, that she couldn't believe that I'd done it. I have literally never had a client so upset with me, either before or since.

What did I lack?

As you can see from what you've read, she eventually, and graciously, forgave me, realising that the position I'd been put in was not completely my fault. But there was no getting away from it. At that stage of my career, and no doubt at various times since, I lacked the single most-important quality for agencies and clients alike.

No, not trust. Bravery.

I wasn't brave enough to do what I knew, really, was the right thing – call my British client, explain the situation, ask for guidance, prioritise the trusted relationship rather than seeing senior stars.

We're not saving lives here …

No-one in our industry extracts anyone from a burning building on a regular basis. But professional bravery still exists for us all. We all have families to raise, livelihoods to protect, staff to nurture, business to grow. Bravery, in that context, is not an overstated word. Due to the often intense, pressurised and professionally intimate nature of client–agency relationships, the amount of bravery in them accounts for pretty much everything.

Bravery in doing something different, and accepting that it may draw unfriendly fire, often produces great advertising work.

Bravery in admitting mistakes or demonstrating empathy, standing up and being counted instead of hiding behind excuses, generates trust and commitment.

Bravery in letting your team take the credit drives a motivated workforce.

Bravery in doing or saying the right thing, taking the right course of action, even to your personal detriment, or where there's risk involved, is the mark of integrity that will press itself onto those you come into contact with, client or agency – and when it's established that this is who you are, others will feel braver when standing with you.

Bravery in speaking up, even though it might create enemies, demonstrates the passion and commitment needed to run a successful client–agency relationship in the first place.

Bravery in saying 'No' to something shows the strength needed to build proper boundaries around a relationship.

Bravery in calling bullshit on something fashionable, if it isn't in the interests of what you're trying to achieve as a team, shows an agnostic spirit.

Bravery in admitting when you don't know or can't do something ensures that when you do speak or know something, you will be listened to and respected.

It's not always about the leaders

Lots of articles, commentary and speakers basically accuse the industry of lacking bravery – whether it's accusations that the quality of advertising is crap, that agency staffers are yes-people, that agencies blindly follow the digital star for the wrong reasons, or that marketers have their heads in the sand. But while there's always criticism of the bigger picture (this is what makes the headlines, after all), bravery does not just apply to leaders. And bravery does not just apply to the big headline act.

I'd like to give a little shout-out to those many individuals I've met over the years at agencies and on the client side. These people aren't necessarily the senior guys, they aren't always the leaders or the stars. They're often at the coalface. They are the ones who, in continuous small increments, are doing the right thing, standing up, being counted, being brave.

I saw this while working in agencies, and I see it now while doing consultancy work. Through their actions on the day-to-day minutiae, their small bursts of bravery are often key to ensuring that the broader relationship that exists between their business and that of their client or agency is built, maintained and gradually grown.

Here's to them.

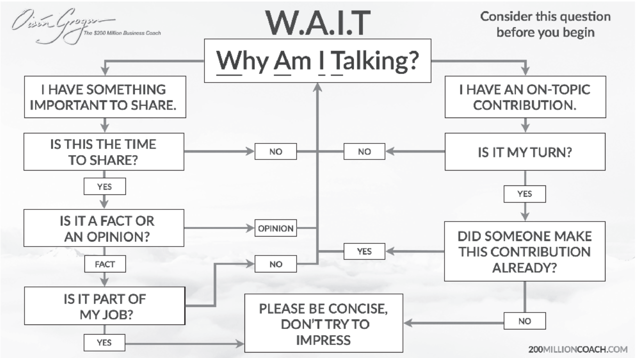
POST 5

How much time do you waste in meetings per week?

Posted 26 July 2017 by Anton Buchner

It's strange how the universe works. Or maybe it was an amazing algorithm that predicted my behaviour.

Having just completed a marketing team assessment project for a client where one of the findings was meeting overload, up popped the following infographic by Oisín Grogan[1], The $200 Million Business Coach. It's a lovely flow diagram of how to decide on the importance of your meeting contribution, neatly phrased as Why Am I Talking?, or W.A.I.T.

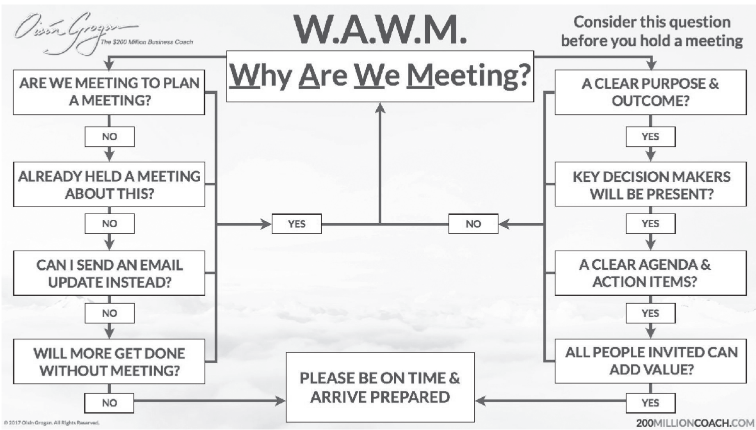


https://blog.200millioncoach.com/

1 200millioncoach.com/blog-menu

However, I'd like to step back here and ask whether you actually need to have the meeting in the first place, plus discuss whether a whole lot of meetings can be amalgamated or prevented to give back time to focus on your business.

Here's another infographic by Oisín Grogan that succinctly challenges you to think about why you are having meetings.



Time has become a major focus in our new economy. Whether it's businesses becoming more agile, automating or integrating AI (artificial intelligence), or consumers wanting to interact quicker, time is becoming a central theme in management and consumer circles.

Everyone is saying they're busy. So it's no wonder that Oisín released his infographics. If you can reduce meeting times, or ensure that conversation is focused, then it will save time.

How much time are you wasting in meetings?

If I asked you to look at your weekly schedule and tally up the total number of meetings you have, what would be your number? And if you compared it with the previous three weeks, would it be consistent or abnormal?

Now take the monthly total number of meetings and divide it by four to get a weekly average for the month. Now what is your number? Is it more than 10? Well, if it is, then you're spending roughly a quarter of your time in meetings, based on a huge assumption of working 40 hours a week.

Of course, this is a simplistic view. Some readers may be saying that you need to factor in the length of time of each meeting, plus the importance of each meeting in terms of purpose. True. However, in independent assessments of marketing strategies, structures and processes, the theme has been consistent for many years now. Marketing teams are facing a meeting overload crisis.

Four tips for winning back time

So here are four tips for assessing the need to have a meeting in the first place, and how to focus meetings on effective outcomes.

1. Define meetings by purpose

As mentioned above, one way to isolate the need for meetings is to sort them by purpose. The conventional meeting classification goes across six types:

- status update
- information-sharing
- decision-making
- problem-solving
- innovation
- team-building.

However, we find that a more specific classification is required for marketing today, which encompasses various combinations of the above.

From a top-line perspective, we can split meetings into four classifications:

1. leadership (innovation, vision, decision-making, team-building)
2. management (team operation, information-sharing, problem-solving, decision-making)
3. status (work-in-progress update, information-sharing, decision-making)
4. fast-tracking (problem-solving, innovation, decision-making).

However, you may wish to go simpler, or deeper, depending on your stage of business maturity. Let's look at each of these four classifications in more detail.

Leadership

By definition, leadership is directional and visionary and includes the realisation of a vision. So leadership meetings need to concentrate on strategic opportunity, innovation and future state building.

Once this purpose has been agreed, then meetings can be focused around a specific agenda. It is critical to then identify the relevant stakeholders. Do you want people within your business only? Or do you need people with an external viewpoint? Do you need all parts of your business involved, as ideas can come from anywhere? Or do you only want to include a select group of people?

At a certain point, leadership activity will become management activity. So it's important to clearly identify this point.

Management

Once management meetings are required, the focus turns to team resources and operation, information-sharing, problem-solving and decision-making to deliver on your agreed objectives. Often, the meetings required for this are seen as critical, of greater importance than other meetings. However, it's important to not use this label for the sake of it. And it's important also to identify where management ends and where handover to (or empowerment of) execution and implementation teams starts for status updates.

If required, you can also subdivide management meetings by the following to gain an understanding of the actual meeting purpose:

- current marketing situation – management of your current state of operation, challenges and efficiency
- financials and profitability – management of the numbers that underpin the health of your business
- governance – arbitration and decision-making that may be required.

Status

As mentioned above, there will be a critical point of handover to implementation teams. Hence, meetings need to focus on work-in-progress updates and relevant information-sharing. This is where we find a huge amount of inefficiency, with too many stakeholders being involved in meetings, or senior management being dragged into meetings where they are actually not required.

Decisions on a meeting agenda and attendees must focus on who needs to know about the status and what decisions need to be made. Be clear about the stage you are at in the marketing process, rather than continually involving all and sundry throughout the process.

Fast-tracking

More and more meetings are required to fast-track problem-solving and act on innovative opportunities. But while you should be prepared to establish fast-track meetings, you should also make sure you are clear on their purpose: What problem do you actually need to solve and who can actually solve it (that is, is a meeting actually required or not)?

Also, what level of action is required regarding innovation before it should be discussed in a leadership meeting? There's nothing worse than having four meetings over a month for a meeting's sake, rather than focusing on having two: one to identify an area of opportunity and the second to lead the way on it.

2. Rank by importance

While purpose is important to clarify, and hopefully the tips above will help you to better define the purpose of your meetings, it may not actually reduce the number of meetings that you have to be at. So another way to look at meetings is to identify the level of prioritisation required. And it's not just by level of seniority, although sometimes this may be a factor. It's by understanding the priority level of a meeting.

To do this, you can apply a simple two-level rating. You can obviously further subclassify, but if you just apply these two levels, then you'll already be cutting a significant number of meetings from your diary.

Mission-critical or extraordinary

These are 'must have' meetings and demand attendance by the agreed stakeholders, otherwise they should not be held. We see many meetings where key stakeholders are not present and therefore decisions are deferred to another meeting. This is a waste of everyone's time.

Important but not mandatory

All other meetings fall into this category. These are important meetings but they do not require mandatory attendance.

3. Agree the role of each stakeholder

Hopefully the theme is now clear. The meeting purpose will define the attendees. However, for any meeting, it is important to be clear on people's roles. And this is where you can use the W.A.I.T. principle.

While it's great that everyone is heard, you need to be vigilant with time. So identify what role or perspective each attendee is bringing to the meeting. You should know why you need that perspective prior to holding the meeting and hence why people are actually required at the meeting.

And to prevent attendees from going on and on, often it's a good tactic to employ shorter-timeframe meetings to fast-track an agenda. One of our clients is testing the 30-minute meeting to fast-track meeting closure. And another is implementing the 15-minute stand-up meeting.

4. Actions before closure

And most importantly, every meeting must have agreed outcomes and resulting actions. How many meetings have you been in that just drift on without any agreed actions? Well, it's time to kill these in your business.

Focus the last part of any meeting on identifying the agreed outcomes and resulting actions so that everyone is clear on what to do next.

Challenge

So to sum up, there are myriad ways of making your meeting culture more efficient, such as being clear on the purpose, setting a strict agenda, agreeing the importance, defining which people need to be involved and why, and having clear actions. Hopefully, some of the tips above will help with this.

So given that your weekly diary is probably stacked already, we'd love to challenge you. Can you cut 10% of new meetings from your diary (and business) by actioning any of the above ideas?

POST 6

Communicating with consumers in the technology-driven environment

Posted 6 January 2016 by Kylie Ridler-Dutton

In 2015, much of the work we conducted as TP3 consultants was to help marketers and their teams develop strategic marketing frameworks, roster models and campaign process optimisation, to allow better alignment with agency partners and ultimately deliver stronger marketing output to their brands.

In this post, I ask for a POV from Kristie Asciak[1]. Kristie has worked on some of the leading brands within the alcohol industry over the past 12 years. She is well known within the category in her roles as a marketing manager and communication specialist working on integrated campaigns, and as someone who has seen the shift into a highly technology-driven environment.

The pace at which marketers need to be communicating with consumers in this technology-driven environment is challenging. Kristie discusses these challenges below for both advertisers and their agencies in a fast-paced industry.

Has technology impacted the campaign launch?

Kylie:

What are the pressures when launching a campaign nowadays in comparison to maybe five years ago?

1 linkedin.com/in/kristieasciak

Kristie:

Over the last five years there have probably been three big changes in relation to campaign launch pressures that I would note. Though while we're talking 'pressures', they're all changes that are having a positive impact on our industry and our campaigns, which is a great place to be.

First, there's more importance placed on campaign launch, or executional excellence, full stop. Five years ago, senior management primarily spoke to marketing about strategy and concepts. Approvals stopped at brand plans and media schedules. Fast-forward five years and I've listened to entire businesses being addressed on the importance of working with marketing to get execution right.

That sort of focus brings with it pressure, regardless of how other stuff like technology or consumption habits change in the marketplace. But it's great for marketing teams. Integrated campaigns rely on the razor-sharp coordination of any number of touchpoints, some of which are not necessarily governed by the marketing team themselves. Top-down emphasis on getting this right business-wide is a gift, even more so when you are working on a campaign that includes B2B (business to business) and B2C (business to consumer).

The second area of change has been the impact of digital. I loathe to list it because it's a much-covered topic by every blog, marketer and Nostradamus alike, but it really has impacted campaign launch pressures. The potential of what marketers can do using digital technologies, especially to get the most out of integrated campaigns, grows every day. That's super-exciting, but it's also an ever-changing form of pressure. The opportunity for messaging is only limited by the quality of your programmatic buy which, once launched, then needs to be monitored and optimised.

I know of one telco campaign that had in excess of 200 different creative executions! Social media requires ongoing content as well as daily moderation – all very resource-intensive to be paid for by a shrinking budget!

The last is speed to market and a test-and-learn mentality. Gone are the days when you would systematically sign off on an annual brand plan, execute it, review it and then plan next year's in an orderly fashion. Marketing teams today need to be nimble, flexible and fast-paced. It's multiple cycles in the air. Plan, trial, review, refine and roll out or re-plan, be it a whole campaign or any individual activity within it.

There's not much value in a blueprint anymore, and things like stakeholder management, internal communications, budget management and campaign measurement become both more complex and critical.

Has technology changed agency briefs?

Kylie:

How have briefs changed for you over recent years with technology and staying relevant to consumers among marketing mediums?

Kristie:

To be honest, the actual brief hasn't really changed at all for me over the years. I mean, the process of the brief itself hasn't been impacted – succinct, engaging, SMART (specific, measurable, attainable, realistic and timely), all of that. Regardless of the number of mediums used or the impact of technology, the starting point is still the same: Who are we trying to target and what's our strategic question? The rest is detail.

What I do think has happened is that more publishers and tech businesses are working directly with clients rather than just through agencies. That's not to say there are more people at the table for every brief, but there are definitely more relationships, and the lead agency isn't always a creative or media house.

Technology and social media moves at such a fast pace that it's near impossible for any single business to stay abreast of everything. It makes sense that to get the best ideas out there, whether you're buying or selling, you expand your network, and sometimes that means going directly to the source.

Some agencies are trying to meet this demand by buying up A to Z of technology and marketing services, but this gets into the next question.

Is the brief process working?

Kylie:

Are marketers giving the right brief to their agency and are agencies responding appropriately?

Kristie:

This is a hard answer to conclude. Every agency is different and sometimes it's the team that impacts the response. One thing I can say is that I ensure that I'm clear on the skill set of each agency partner and on the role I need them to play, something I've learned through the odd fail in agency management.

There are a lot of agencies that have a huge network, owned or through informal partnerships, and can technically deliver on any aspect of a campaign. This is what I was referring to at the end of the last question. These networks, however, aren't always the teams you want executing your work, and it's hard to know where one fee stops and another starts. So a lot of time, effort and budget can get wasted by giving agencies an integrated brief if you aren't clear on who you want them to work with and how, especially when it comes to budget allocation.

At the end of the day, I think the onus is on the marketing team to communicate how they want their agencies to respond. Or even better, to work with them as a team rather than expect a 'ta-dah' response that might miss the uncommunicated mark.

Kylie:

This is where agencies need to review how they approach the brief and the internal process to get it right. It is no longer top to bottom. True integration needs to be seamless throughout the creative process and not an afterthought or 'nice to have' add-on to the creative idea.

This has been the area in which TrinityP3 did the majority of its work in 2015, working with marketers and agencies alike to review their processes[2] as well as their skill set to ensure everyone can deliver.

What are the common campaign mistakes?

Kylie:

What are brands getting wrong or what mistakes can you see in campaigns?

Kristie:

There's a lot of great stuff happening out there at the moment, but one of the things that always gets me thinking 'Why?' is this notion of content for the sake of content. I think that filling the 'Facebookyoutubepinterestinstagram White Space' has become overwhelming for some brands and the content isn't really adding any value or connecting with an audience. Aside from harming the brand and alienating consumers, it's also a waste of budget and resources.

The other thing I see are brands that underestimate their consumer and over-brand content. Talk to any consumer about your brand, especially the younger market, and most people can detail your marketing strategy back to you. They know when they are being sold to, so you don't need to scream your brand at them. Put more emphasis on creating something that will engage them and draw them in.

Content strategies have so much exciting potential for me, particularly native, and I think there are a lot of campaigns out there missing the mark.

2 trinityp3.com/marketing-performance/marketing-structure-review

Kylie:

So again, this is highlighting the importance of a good strategy and brief from marketers, and an effective process framework the agency has to deliver from. Both share the importance of collaboration to review and get this right before wasting budgets.

This has really been a focus for marketers in 2015, and it's why at TrinityP3 we are working directly with our clients to re-evaluate and assist in ensuring the right partnerships are in place.

POST 7

Advertisers with performance problems turn to management consultants

Posted 24 May 2017 by Michael Farmer

'Watch out! They are coming!' reported The Drum[1] when Accenture and Deloitte appeared on the pitch list for Renault–Nissan's global account review. They are 'spreading their tentacles, seduced by marketing services!' Accenture sees it another way: 'CMOs are seeking our talents, not the other way around'[2]. Is consulting going to the mountain, or is the mountain coming to consulting?

Management consulting firms are not a recent invention. McKinsey was established in 1926, a year that marked 'the invention of management consulting', the company says[3]. Management consulting firms began to flourish in the 60s and 70s, when corporations first experienced serious performance problems due to the complexity of global operations; the excessive use of energy during the oil shock decades; competition from higher-quality, lower-cost Japanese manufacturers; problems integrating acquired new businesses during the M&A (mergers and acquisitions) boom; problems developing and integrating management information systems; and so forth.

The Boston Consulting Group was founded in 1963, Bain & Company in 1973, Accenture in 1989, and Deloitte Consulting in 1995

1 thedrum.com/news/2014/03/12/here-come-heavy-hitters-accenture-and-deloitte-are-flexing-their-creative-muscles

2 mediapost.com/publications/article/298515/do-consultancy-backed-and-other-non-traditional-ag.html

3 mckinsey.com/about-us/who-we-are/history-of-our-firm

(although the original Deloitte dates from 1845). Each consulting firm had a clear specialty during the formative years. McKinsey specialised in reorganising companies into decentralised profit centres. BCG and Bain focused on corporate strategy. Accenture and Deloitte were expert in developing and integrating management information systems. Since then, though, the consulting firms have been converging as their practice areas have overlapped and their clients' performance problems have intensified.

What links the consulting firms into a coherent competitive threat is their focus and experience in solving high-level corporate performance problems for CEOs, CFOs, CIOs, profit-centre presidents and heads of procurement. The typical consulting firm charges out its people at a multiple of five times their salaries, higher than the ad agency multiple, which ranges from 2.2 to 2.5 times. The high consulting fees can only be justified if improved results are the outcome. It takes high-level consulting relationships to solve high-level performance problems.

Most ad agencies work at a lower level with their clients and focus on creativity as their value-added – creativity that builds brands and engages consumers. The problem is, it isn't working all that well today.

If management consulting firms flourish when corporations suffer, ad agencies have the opposite experience. The Golden Age of advertising took place during the exceptional post–World War II consumer and advertising boom from 1945 to 1975, and during the media price inflation era from 1975 to 1990. Since then, times have been tough for advertising clients, and especially for ad agencies.

The nostalgia that agencies feel for the Mad Man period goes beyond fantasising about three-martini lunches and the exceptional ease of media commissions. The nostalgia is for a time when everything was growing in the global economy and ads created by Bill Bernbach, Leo Burnett, David Ogilvy and George Lois were the talk of the town. The Creative Revolution made the cover of *Newsweek* in August 1969. Those were heady days. Ad agencies were pushing on an open door.

Ad agencies flourish when times are good but not when their clients are having performance problems. Agencies can solve creative problems but not corporate performance problems – they don't have the skills or expertise.

Advertisers today have two serious performance problems, and to solve them, they are increasingly turning to the management consulting firms, not to their ad agencies:

1. **Digital and social confusion.** CMOs do not really understand how to use or how much to spend on digital and social media. True, more dollars are pouring into digital and social media, and spend on TV is slowing down, but this reflects CMO experimentation rather than CMO insights. There is a serious lack of confidence about the quality and efficacy of digital and social spend. It will take a lot of analytical horsepower to come up with answers to what works and what does not. The management consulting firms are better equipped to handle this than the advertising agencies.
2. **Lack of brand growth.** Legacy brands are languishing. Increased shareholder value in marketing has been driven more by media and agency cost reductions than by brand growth. CMOs have a short tenure in their jobs – they are blamed and sacked when growth is not achieved. This is a corporate performance problem, not an advertising problem. Agencies are throwing their best creativity at their clients, but the outcome is not satisfactory. Consulting firms, armed as they are with analytical expertise and (more recently) creative capabilities, may do a better job.

Critics of consulting like IPG's Michael Roth fall back on 'consulting firms are not creative'[4] as their main argument, ignoring the fact that creativity à la ad agency is not succeeding at solving client performance problems. Ad agencies should take a closer look at the marketplace. The mountain is coming to the consultants, and the consultants are growing in strength and capabilities.

4 adage.com/article/special-report-4as-conference/ipg-s-roth-industry-appropriately-concerned-google-ads/308537

POST 8

Why working and non-working spend analysis does not work anymore

Posted 29 August 2016 by Darren Woolley

Recently, there have been a few very public media announcements by a couple of major brands that they are going to cut the non-working spend in their marketing budget. These announcements are primarily for the investors, often made in response to investor concerns about performance and designed to send a positive message to the marketplace that the company is working to increase profitability through top-line growth and controlling cost. The response from many competitive organisations is to follow suit, and so recently we have seen the rollout of both ZBB for marketing across many major organisations and now exercises to reduce non-working spend.

But I am wondering if this is not just a huge confidence trick being performed on the investors and shareholders of these companies, who most likely do not really understand what reducing working and non-working expenditure means in advertising terms. In our belief, the terms themselves have become irrelevant, much like the concept of ATL (above-the-line) and BTL (below-the-line) expenditure. But also this is unlikely to have a major impact on the performance of a company and its profitability.

What is working and non-working?

It is interesting because, superficially at least, you would think that you should invest more on working spend and nothing on non-working spend. After all, who would want to invest in anything that was non-working? But working spend is traditionally considered media investment and non-working is considered the cost of creating the content that will run in the media. Therefore, the media cost of a television commercial is the working cost and the cost associated with making the commercial that will run in those television spots is the non-working cost.

There is some confusion over what actual costs are apportioned to working and non-working, costs such as agency fees for the working done. Is the agency cost for the media strategy and the planning, along with the cost of actually buying the media, included in the working cost? And is the agency cost for strategy, concept and supervision of the production included in the non-working cost?

If you were serious about applying these classifications to your advertising expenditure, then you would include all costs associated with either media (working) or production (non-working) expenditure.

The problem with these classifications

The terms themselves are grossly misleading. After all, media without compelling and engaging content is a waste. But likewise, production that no-one sees is also a waste. So I have never been able to understand why media is considered to work and production of the advertising is non-working.

One of the attractions of the classification is simply saying you are reducing non-working costs, which would be seen as a logical action that would lead to greater returns. An alternative would be to say you were moving investment from working to non-working expenditure, which superficially sounds crazy. This is probably why organisations like to use this classification of advertising expenditure, because the benefit is inherent in the terms, yet their application does not necessarily deliver the promised benefit.

But is the production of the advertising really non-working? In measuring advertising effectiveness, you need to consider both the efficacy of the message and the way it is presented in capturing the audience's attention, persuading them to the point of view and changing either attitude or behaviour. The second and equally important part is the efficacy of delivering the creative execution to the maximum percentage of the relevant audience in an environment, time and frequency for communication to have an effect.

To call one working and the other non-working is flawed as it misrepresents the interdependency of the two in delivering effectiveness.

In the world of media fragmentation

One of the issues we have previously reported on is the fact that production-to-media ratios have been increasing over recent years due to media fragmentation. As increased numbers of media channels are being used by most advertisers, the budget is becoming increasingly fragmented, but more in the media than in production, effectively increasing the production-to-media ratio.

Prior to digital, when the media focus was television-dominant, there was a spoken rule that the production-to-media ratio should be about 10% of the media spend for production. But as media spend per channel has decreased, while production spend has remained the same, the effective production-to-media ratio has risen to the point that we have seen ratios of 50% or higher. That is right: half of the television media spend was being spent on production, and this was without considering the associated costs in the mix.

Therefore, there can definitely be a case for aligning production budgets to the planned media investment, or reducing the non-working spend to the working spend if you wish.

But what about owned and earned media?

Digital technology has increased the number of channels, and across these channels there are paid media options including digital display advertising, social media advertising and the like. But it has also increased the opportunities for marketers to invest beyond paid media into owned media assets such as websites and content, and earned media across social platforms.

But how do you account for working and non-working beyond paid media? Where does the cost of creating and maintaining owned media assets sit? Are these working or non-working expenditure? Take the cost of building a website, for instance, or developing and deploying content in an inbound strategy. For both of these there is no paid media, so is all the cost of this considered non-working?

Or what about monitoring and responding to social media? Are the costs associated with this considered non-working, as there is no paid media associated with either of these activities?

What can marketers do?

Marketing terms and concepts like ATL and BTL, working and non-working, all had a rationale at some time, but marketing is changing, and never as rapidly as it is at the moment. These terms have quickly become challenges in terms of their usefulness as they describe an advertising process that is no longer the predominant practice.

It is time that we retire terms like this or reinvent and redefine them to be relevant to the current practice. Simply reducing what is defined as non-working is to fail to recognise the role of the non-working expenditure in delivering the desired objective or outcome. It is better to assess expenditure on the basis of ROI (return on investment) and efficacy rather than simply managing the spend level.

As W. Edwards Deming said, 'Cutting costs without an improvement in quality is futile'. You need to be careful that you do not reduce the very component of the expenditure that is delivering the ROI because you classified it as non-working.

POST 9

Has the future of the media agency just been shown to us?

Posted 14 September 2016 by David Angell

Has anyone heard of Blackwood Seven? They're a media agency … no, check that, they're a technology company, that has recently launched out of Denmark. And they are already posing a threat of sorts to the traditional media agency model.

Having worked in and around the media agency business for a while, I get used to predictions about 'the death of the media agency as we know it'. This message has been playing with increasing intensity over the last year or so, as we all revisit the question of agency transparency – which, because of the efforts of the ANA (Association of National Advertisers), is being scrutinised harder than ever before.

Automation is happening … but is it happening right?

A debate partially linked to agency transparency is the one about the automation of the media trading process, which, it is argued, will ultimately create more transparency, as well as signalling the death of the media agency as we know it (not that the current automation efforts of media agencies are particularly transparent – at least, not according to the ANA).

I tend to be a bit cynical about proclamations of doom, or wholesale change. But I must admit, Blackwood Seven's proposition has given me pause for thought. In a nutshell, the company offers a piece of media trading software which couples algorithmic mathematics with an AI or self-learning capability, both of which operate together to generate the most efficient, and most effective, media plans. Essentially, it's billed as an attribution model, a scenario planner, a channel strategy/learning tool and a media booking and evaluation tool, all rolled into one self-serve platform.

Don't ask me how the machine actually works. But the financial model – self-serve platform at a fixed cost, no matter what media an advertiser buys – could, if successful, ultimately have an profound impact on the industry.

For a start, it removes at a stroke any implication of non-transparency on the part of the agency. It's a self-serve platform with no clunky dashboards or multiple interfaces, no commissions, no deals as such, given that all inventory is traded via an automated and biddable platform – a machine that self-learns, and is essentially predictive in nature.

Second, it is explained as a 'real-time predictive modelling' process, which removes a bugbear of more-traditional approaches to modelling – namely, that the model is based on historical data.

Third, it is designed to work across all media channels, something that media agencies are starting to achieve with automated buying, but relatively slowly.

Fourth, it wraps all of the above into one platform. Media agencies have been working with multi-touch attribution models and automated trading platforms for a while, but in many cases the process can be clunky across multiple systems, and true all-channel automation continues to elude us.

Blackwood Seven recently raised US$13.5 million of backing, has wooed clients such as Volkswagen Germany from established names like Mediacom, claims a 25–50% uplift in effectiveness, has launched in the US, is planning entry into the UK market, and has an ambition to be a global player. Also, given it is not actually a media agency as such, it is actively encouraging clients to talk directly to media owners, thus further cutting out a traditional agency.

Traditional media agencies have, of course, been talking about, and to some extent achieving, automation for some time. But from necessity, they've been trying to adapt it to their own commercial model rather than starting from scratch, which has in part led to the allegations of murkiness that we've all been reading about.

Whether or not Blackwood Seven goes on to be a global game changer is anyone's guess – perhaps it should ask its own model for a prediction. But it's in the market and it's showing no signs of going away.

The threat to the traditional model

Traditional agencies are certainly challenged by such a model, in a variety of ways:

- Blackwood Seven, or companies like them, are tech companies, implying from-scratch specialism, a core-business focus and no legacy systems to overcome.
- While one could argue that an AI-guided trading platform is just that – a trading platform, without the strategic nuances of a media planner – it's not a huge leap to imagine the AI developing along more pure-play strategy lines, or Blackwood Seven developing a human team of strategists to complement the service, or both.
- Media agencies don't make a huge bunch of money from strategy. They make money predominantly from trading media, and the various fees and diversified revenue streams associated with it.
- 'Strategy' would also be one of the easier skill sets for clients to bring in-house, as it is more reliant on human IP (intellectual property) and would have less overhead for a client to manage than a trading operation.
- Many media sales networks would claim that they, in fact, are the ones coming up with all the good ideas that media agencies pass on to their clients. This, of course, is a subjective and debatable viewpoint, especially in the context of multi-touchpoint campaigns that need more than one channel to work together. If Blackwood Seven is encouraging advertisers to get together more closely with media sales networks … well, you can guess the rest.
- A large proportion of media agency IP, across all disciplines, is wrapped up in human resources, and also local office overheads, which costs money. Remaining competitive against a self-serve, non-localised platform is going to be very hard.

Not all plain sailing

Having said all this, Blackwood Seven will of course have its own challenges:

- Clients (not to mention media networks) are often naturally distrustful of media-attribution models being used to try and calculate media channel or trading strategy – not least of them, clients who are entrenched in views about 'what works'. Blackwood Seven will face the same challenge as any traditional media agency in this space: What's in the black box, and does it actually deliver?

- The quality and breadth of inventory released to Blackwood Seven, particularly given the myriad legacy relationships and agreements between media agencies and media owners, may be called into question, especially in the early days. They'll be using ad exchanges for digital media, but what about other media not yet universally traded in this way?
- The universal nature of inventory access – that is: Will they be able to sign up 'all' media networks, as a media agency does? – will also be very interesting to understand. How would Facebook, for example, react to such a proposition?
- However we look at it, a large part of the success of media agencies has been in driving human relationships with their clients. Clients would have to seriously ask themselves if a self-serve option would really work for their business, in reality.
- The nuances involved in executing something more than a spot buy (for example, a sports sponsorship package) would likely not be something that such a model could grasp. Yes, clients could negotiate directly with media sales networks, but isn't this something that a media agency could do better?
- Self-serve platforms, or technology stacks which claim to have 'all the answers' for the client, in other areas are not new, but they are often harder to actually operate than clients initially realise.
- Finally, whether the model is historical or predictive, the quality of the results from a Blackwood Seven model will largely be defined by the quality of data input from client sources – and strong data is something that continues to plague many, many organisations.

No crystal ball, but worth watching

To quote Bertram Wooster, I'm certainly going to be watching Blackwood Seven's future career with considerable interest. Whether this kind of model rips traditional media agencies apart or not, it's clear that the company is gaining some traction. And furthermore, it's clear that the evolution of AI capability could represent a huge difference, plugging a big human gap that allows a self-serve model to become viable.

POST 10

The problem with digital transformation

Posted 1 March 2017 by Erik Ingvoldstad

Digital transformation is on everyone's lips these days, from cool new start-ups to the mastodons of the corporate world. The business models of yesterday are changing and disruption is happening in all industries, across all markets. The disruption is driven by new competitors, new ideas, new technology, new mindsets and new cultural shifts that are making it more and more challenging for companies to stay connected with their customers and to just keep the business running as usual.

'Usual' doesn't exist anymore. Almost every tech company, every consultancy firm and every digital agency talks the talk on digital transformation. But very few companies actually manage to walk the walk. So what is the problem? Why is digital transformation taking so long?

Well, let's look at some of the problems that we encounter when discussing digital transformation[1].

1. Inaccurate definition

People and organisations (even the various consultants who sell digital transformation) have an unclear or vague understanding of what digital transformation is. It simply means different things to different people.

To some, it means organising your data in a more efficient way within the company. To others, it means using digital as the main platform for marketing communication. Or perhaps it means implementing new

1 trinityp3.com/2015/10/analysis-paralysis-digital-transformation

technology first and fastest, or using IoT (internet of things) devices actively, or creating disruptive start-ups like Uber or Airbnb.

And they're all sort of right. Digital transformation is a strategic process. The outcome will vary from company to company, industry to industry, market to market and strategy to strategy. Digital transformation is the process to get to wherever your business needs to go in this new multifaceted world, where linear strategies are doomed to fail. Digital transformation is about trying to find new ideas to drive tomorrow's business, finding ways of creating a culture of ongoing innovation and creativity that is fully customer-centric.

This sounds easier than it is, as it requires a focus on truly understanding the customer, having people that really believe in change as a vehicle for driving growth, and top management that fully understands that in tomorrow's world, standing still is equal to going backwards.

2. Unclear roles and responsibilities

Many organisations find it difficult to place the responsibility for digital transformation with the right person or department. Some believe it's an IT responsibility (after all, it has the word 'digital' in it). Others assign it to the CMO or a digital director within the marketing department, while others have a chief digital officer (which still centres around digital marketing more than digital as a product and/or service) or they find someone else who understands digital and assign the process to them.

But like any change process that is of significance to the future of the business, the CEO must own the process, together with the rest of the C-suite. That doesn't mean that the executive team has to come up with all the input and ideas to drive the change. Quite the contrary – getting input and ideas from the customer-facing end of the business is crucial in a customer-centric process. Plus, many senior executives lack the cultural and technological understanding crucial to using technology as a growth driver. But when decisions must be made, the C-suite has to take charge.

3. Regressive culture

Most organisations don't have a culture that embraces disruption and innovation outside the 'designated innovation departments'. This is a huge mistake. Engineers, product developers, designers and so on are great at coming up with new product ideas, but the truth is that many products fail as they are not rooted in an actual problem the consumer faces. And this is where digital transformation has to start – by looking at real customer problems, and solving them.

That's why disruptive players are successful – they have seen these problems and solved them. Don't forget that ideas can literally come from anywhere. I'm not saying that any idea from anyone is the way to go. I'm saying that you need to create a culture of creativity and acceptance across the entire organisation.

Employees (and customers even) should feel empowered to make suggestions as to how the business can better adapt to the challenges of the future. Make harvesting ideas a core value of the business, and make sure others are exposed to the ideas, because as anyone who's worked with ideas knows, a nugget of a small idea can become a huge idea if people collaborate and build on each other's input.

4. Solution pushers

All companies that work in digital transformation have something to sell you, mainly advice on how to solve your business problems for the future. But if that includes selling specific technologies, software, service contracts and so on, you should be *very* careful moving forward.

How can a consultancy possibly give unbiased advice if they have an off-the-shelf solution in their inventory? They will always, every single time, try to sell that specific technology, no matter what your actual needs are. Product pushers are the biggest problem in the digital transformation industry, as these players lock clients into costly contracts without necessarily finding the best solution for the problem the client is facing.

It's smart for the consultancy to do this, of course, but don't make their battle for increasing their margins come at your expense. Keep your consultants and systems/software providers separate. You won't regret it.

5. Too much focus on technology

Digital transformation is not primarily about technology. Sounds counterintuitive, I know, but it is a cultural and strategic process, where technology plays an important part.

Don't develop a strategy that is dependent on one platform, one set of technologies or a specific software solution. Create a strategy that is flexible enough to leverage the right technologies at the right time for the right purpose. If you need to improve your responsiveness, and that's best done through AI, then use AI. If your industry is being disrupted by a new app, don't just copy that app and think you've solved the problem – develop a strategy that makes the most of your advantages.

Make sure that the focus remains on solving customer problems and service challenges, and generally making life easier for your customer. This will keep changing over time and you can't be stuck with a strategy that locks in a specific technology or platform. You have to be adaptive, and your tech platform needs to be the same.

6. Fear, uncertainty and doubt

Many business leaders hold back on digital transformation, as they fear it will detract from their core business. And to some degree, they're right to be cognisant of this. Keeping the business (and current revenue streams) running is crucial in getting an effective digital transformation process through (especially with the board of directors). Investing in innovation and new technologies doesn't mean that you give up everything you've built over the years.

A good digital transformation strategy builds on what you already have and devises additional revenue streams, rather than shifting out the old ones immediately. Transforming your business is not a one-time event but an ongoing process. Many businesses have gotten the message already but find it hard to develop the right strategies to meet the disruption they are facing.

To create the right strategies, businesses must realise that a traditional five-year plan is not enough anymore. Instead, digital transformation strategy must make change part of the company's DNA, so that the company becomes the disruptor themselves, instead of waiting for others to disrupt them.

7. Inertia

Many people believe that if you don't know what to do, it's better to do nothing than to do the wrong thing. So that's how they operate. They become stuck in the fear of making the wrong move. This sentiment is truly what separates the old businesses from the new.

Cultivating an environment where experimentation and failure are not just accepted but are celebrated will create the most fertile ground for success. Of course, there are areas where taking risks is not an option, but in most businesses, there are areas where you can and must continuously change the model in order to find the right formula for success.

Your strategy must allow for that and consider the different scenarios that may play out. Let people feel they can suggest almost anything, look at the potential consequences, and give it a try. If it's not successful, shut it down as fast as possible and develop a new idea.

* *

These challenges with digital transformation are not real problems, of course, they are simply excuses and reasons why some processes fail. In fully understanding what digital transformation can and should mean for your business, there really is no downside.

The most important thing is to take charge, to lead the change rather than letting the change lead you. The meteorites are coming. The question you have to answer is: Do you want to be a meteorite or a dinosaur?

POST 11

Agency remuneration – a loser's game

Posted 24 April 2017 by Michael Farmer

CMOs and their colleagues in procurement have been driving down agency remuneration for more than a decade. Simultaneously, they have been growing scopes of work, experimenting with digital and social marketing. Is marketing getting something for nothing, or is it playing a loser's game?

Advertiser–agency relationships have devolved over the past several decades. What was once the strongest of strategic relationships during the golden age of the Creative Revolution has become lopsided and imbalanced.

It has become a buyer's market for advertisers, who change agencies with regularity and drive down remuneration with every pitch. Advertisers seek 'best in class' agencies who specialise by media, and the definition of 'best in class' is a fluid one. It cannot be based on 'who delivers the best results' because agencies do not hang around long enough to deliver improved results. Their relationships with their clients last no longer than the tenure of the CMOs for whom they work – and CMOs, per research by Russell Reynolds, have the highest turnover among executives in the C-suite.

Advertisers never made a conscious decision to marginalise agencies. Marginalisation was the outcome of the shift from media commissions to labour-based fees, the rise of brand globalisation, the adoption of 'shareholder value' as the corporate mantra, the empowerment of procurement to drive down costs, and the digital and social revolutions that fragmented agencies into specialised suppliers and led to astounding increases in marketing scope-of-work loads.

This sequence of market changes saw advertisers initiate change while their agencies reacted to change. Their relationship was like a tennis match, where one player charged the net and the other fell back on their heels. A pattern of 'winner' and 'loser' developed early during this transition, except that there were no real winners. Agencies reacted to fee reductions by downsizing and 'juniorising', reducing their strategic and creative capabilities at a time when their clients' marketing problems were growing in complexity. Everyone was a loser.

Advertisers' brands remain stagnant today, contributing to CMO and agency turnover. Many legacy brands have failed to manage the customer transition from baby boomers to millennials, or to deal successfully with the rise of online commerce. Their agency partners, marginalised over the past decade, are not able to help. Marketing is playing a loser's game, even though it looks like they are getting more agency output at lower cost.

Looking ahead, CMOs should rethink their priorities, and instead of concentrating on marketing cost reduction as their way of delivering improved results, they should step up to the greater challenge: how to get their brands moving again.

Their portfolio of agencies should be simplified and reduced. Their agencies should be encouraged to develop the full range of media capabilities and, most importantly, to dedicate themselves to developing media and creative solutions that drive brand growth.

Advertiser–agency relationships built on a mutual commitment to driving brand growth might succeed – and the CMOs who establish such relationships might last in their jobs longer than 3–4 years. But this will require a different form of agency remuneration. CMOs should consider paying agencies for the scope-of-work deliverables that are agreed and carried out rather than continuing the labour-based fee formulas that have so clearly failed over the past two decades.

Advertisers and agencies have been playing a loser's game. It's time to invent a new game where both parties can win and add genuine value for shareholders.

POST 12

Is there any difference between an agency and a marketing supplier?

Posted 6 April 2016 by Darren Woolley

A common question we are asked is: 'How many agencies is ideal for a roster?' And while Nathan Hodges provided a comprehensive answer to this in our industry webinar series last year[1], the short answer is: 'As many as are needed to get the range of tasks done that need to be done, and as few as possible'.

But an interesting observation is that in this process, most marketers believe they have only two or three agencies, when in some cases we have gone on to identify 10 or more times as many. Even when confronted with the spend data, some marketers will tell us they are just suppliers and not agencies.

So this raises the questions:

1. What is the difference between an agency and a marketing supplier or vendor in the mind of a marketer?
2. Why are agencies so important, while their suppliers or vendors are almost forgettable?
3. And why do they put so much importance on their agency arrangements and then undermine them using these vendors and suppliers to erode their scope of work?

1 trinityp3.com/2016/01/how-many-agencies-do-you-need

The history of the agency

While today very few client agency contracts define the relationship as a principal agent[2], the terms 'agent' and 'agency' live on in creative agencies, media agencies, digital agencies and the like. But they are not applied to design companies, public relations companies or research companies.

Yet the original agents and agencies were agents of the media owners. The media owners accredited the agencies to allow them to buy media on behalf of advertisers in return for meeting financial and professional standards that would guarantee payment to the media owners. This initial agency agreement developed and the agencies became agents of the advertisers, providing not just media but the advertising that was to run in the media (known as ATL costs) and non-media-related advertising services (known as BTL costs)[3].

Today, few if any arrangements actually involve agents. But the importance of this relationship appears to live on.

Is it strategic or financial importance?

It could certainly be that the term 'agency' is reserved for those suppliers who fulfil an important strategic role in the marketer's roster. Or it could be because of the significant size of the marketing budget invested with these suppliers, especially media agencies, where 95% of the spend goes to the media owners.

But we have observed enough exceptions to question this. A prime example is how data analytics and market research are usually exempted from any roster consideration, with marketers seeing these functions as outside the agency distinction. Yet it could be considered that these skills are particularly important for informing the marketing strategy.

Other exceptions are areas such as sponsorship management and activation, also often excluded from the marketer's consideration of their roster size and composition. Yet, like the media agency, the total sponsorship spend for some corporate marketers is commensurate with or even exceeds the media spend.

Number of suppliers by spend per supplier

When we review the marketing spend of some of our larger advertisers, we often identify many hundreds of suppliers. This is often a shock to many advertisers and marketers, either because they do not have a total view of the roster or they mistakenly have an artificial filter on what constitutes their supplier roster.

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2 trinityp3.com/2015/09/agents-or-independent-contractors

3 trinityp3.com/2010/07/replacing-above-the-line-atl-below-the-line-btl-with-content-channel

Of these forgotten suppliers in the marketing roster, many can often be considered small, undifferentiated agencies that provide a range of services such as creative, graphic design, studio, digital and website development. In each case, the spend with each supplier is relatively small, often between $10,000 and $50,000 in the past year. This is just about the total of a project or two or more, yet possibly small enough to be overlooked by finance and procurement.

The issue is that when you multiply these small spends across the large number of suppliers of this type, then very quickly the totals exceed millions of dollars in spend. It is clear from analysing the spend pattern that these additional suppliers are actually undertaking work that would normally be placed with the main agencies on the roster. It is effectively leaking from the main agency revenue into this plethora of small and forgotten suppliers.

Eroding spend from your core roster

This leakage of spend from the core roster to a multitude of smaller suppliers comes at a cost. Often, the additional suppliers are justified on the basis that they have lower rates, but the loss of scale and the additional cost of managing a growing roster means this is false economy.

Just because a marketer does not account for a particular supplier or a category of supplier in defining their roster does not mean that these suppliers do not come at a cost. The following aspects need to be considered:

1. While hourly rates may appear lower, new suppliers often charge additional hours to learn the brand and business.
2. The leakage away from the core agency can mean that the core agency could continue to be paid the retainer and not do the work.
3. Smaller suppliers often do not have agreements and contracts in place, and so terms and conditions regarding liability and IP are not covered and pose a risk to the advertiser and their organisation.
4. Each supplier adds a cost to the company in establishing the supplier as a vendor and then managing payments.

Agencies are suppliers and vendors

It is important for marketers and advertisers to ensure their roster of suppliers is structured and operating as efficiently as possible, otherwise their budget is literally leaking away.

One of the issues appears to be a lack of awareness as to the actual roster size and composition. While there is an awareness of the total marketing spend, this lack of insight into the multiple suppliers within the roster means that often the leakage goes unseen. We recently assisted a client who reduced their roster by more than 70%, simplified the management of their suppliers, and in the process delivered almost a million-dollar saving in their marketing spend.

The problem appears to be this focus on the core agencies, often referred to by the agency and client alike as their partners[4]. A better approach is to think of all your agencies, vendors or even 'partners' as suppliers and all as part of your roster. This ensures you take a holistic view of the roster and see all of the opportunities.

So a question we have for you is: 'How many agencies and suppliers are on your roster?' Another is: 'How much is that costing you?' If you don't know, then perhaps it is time to find out.

4 trinityp3.com/2015/05/partnership-advertisers-agencies

POST 13

Managing Marketing – the challenges of marketing and advertising in the financial services category

Posted 9 June 2017 by Darren Woolley

Managing Marketing is a podcast hosted by TrinityP3 founder and global CEO Darren Woolley. Each podcast is a conversation with a thought-leader, professional or practitioner of marketing and communications on issues, insights and opportunities in the marketing management category – ideal for marketers, advertisers, and media and commercial communications professionals. Follow Managing Marketing on SoundCloud[1] *or iTunes*[2].

Jon Holloway[3] is the founder of Zuper Superannuation[4]. Here, he discusses with Darren the challenges and failures of financial services companies in leveraging the full potential of marketing and advertising to innovate and build their banking and insurance brands and businesses in Australia.

1 soundcloud.com/managing-marketing

2 itunes.apple.com/au/podcast/managing-marketing/id1018735190

3 linkedin.com/in/joneholloway

4 zuper.com.au

Podcast transcript

Darren:

Welcome to Managing Marketing. Today I'm joined by Jon Holloway, who is the founder of Zuper Superannuation. But this is his latest adventure because Jon's actually got quite a significant history in FinTech, advertising and marketing, and so I thought he would be the ideal person to have a chat with about what's wrong with advertising and how can we fix it. Welcome Jon.

Jon:

Thank you very much, glad to be here.

Darren:

Well, what is wrong with advertising?

Jon:

That's a massive question. Where do you even start with something that big? Talking about my history for a little bit, I started running my own businesses, creating products and services, then kind of fell into marketing and advertising and advertising agencies and am now back building products and services again. And so, coming full circle again with advertising in my soul.

Darren:

It's been ingrained into you.

Jon:

Having worked, putting my own money on the line, to create businesses, and using other people's money, and then being an agency and kind of doing all of those things, has been an interesting journey. I think the major problem with advertising right now is we seem to have lost our marketing nous. Marketing is a thing. Advertising is part of that.

Darren:

That's right.

Jon:

My general view, and it comes from a lot of the stuff I write, is that advertising people have not been particularly good marketers and marketers aren't particularly good marketers. So when you get these two kinds of forces together, what you create is this symbiotic lack of reality which is advertising.

Darren:

I just want to challenge you there because I think a lot of marketers are not good businesspeople as well.

Jon:

I've not started on business. My view of where we've come from is years ago marketing and product used to sit next to each other, almost connected to each other. Pulling those two pieces apart, pulling advertising and media apart, has taken the marketing person and the agency another step further away from the product, so that what we see right now is we're not getting great products, we're not getting great marketing and we're not getting great advertising.

That whole construct of marketing people understanding business and then what the industry is asking advertising people to do, which is to solve business problems, is something which has been fundamentally outside of the category for 30 years. You don't find many marketers or advertising people who have a product understanding or have an understanding of how to build a business and how to take that to market. They're stuck in this realm or this sphere of advertising which is 'We will create something which sits somewhere and someone will see'. It's communication, not necessarily taking a great product and taking it to market in the best way possible.

When marketing is reduced to being just promotions

Darren:

I think one of the great smoke-and-mirrors or shell games that the industry has played on itself is after we separated, as you say, product from marketing to then say, 'Well, this is still marketing', when in actual fact what it became was the promotions department. You go to the 4Ps [product, place, price and promotion], what was left was the promotions and then the only obsession was with media and advertising as the tools of promotion, but it still called itself marketing.

Within organisations like banks, for instance – because you have a history and experience with the finance sector – pricing is done over here, product development is basically what are our competitors doing and how can we mimic that and make it maybe slightly better in one way to give us distinction or differentiation. And all that's happening in a separate part of the business from the marketing, which is actually the promotions department.

Jon:

Well, I think banking is an interesting industry, especially in Australia, because the only differentiation between the big four banks other than who else they own is the brand. It's the bit that goes out to market. The underlying products are generally the same.

Darren:

The colour of their logos, they all manage to get blue, red, and black, yellow, and black.

Jon:

They've done a great job of differentiating the colour spectrum. Australia has a very forward-thinking financial industry in itself but the differentiation between themselves is not particularly big. Actually, the banking industry is not a bad marketing organisation. They're not poorly put together and they have a lot of money to spend, which helps. If I have to see another NAB 'More than money' kind of ad again …

It's intriguing. Especially in FinTech, the idea is to create a product that is fundamentally different, that will garner an audience, and then you take it to market in whichever way is the most cost-effective. That's what marketing is. It's product to most effective way to market. There aren't many start-ups that are thinking, 'How do we spend money on media and advertising from day one?'

It's how do I get from me, Jon, to you, Darren, in the most cost-effective way and get you to do what I want you to do. That's what marketing is, and I think what we've done is just confuse that by starting – and you can see it with most of the big clients, especially in Australia – at the other end, which is: How do we talk to as many people as possible? How many eyeballs can you get through what we're trying to do?

And I've seen briefs across four different agencies in this country from multiple industries and they're all the same.

Darren:

But isn't that because the only levers they've got left to pull are the ones that are based around promotion? Which is media, how many people, because they're not differentiating or making themselves distinctive in the product development in the first place.

I mean, if I get one more email or letter trying to sell me another credit card … How many credit cards does a person need? Let's focus on financial services. With consumer goods marketing, especially in this country, becoming less and less, financial services have become such a dominant presence in the marketplace and the thing that gets me is they all use the same techniques. To get me to take a credit card with them: 'Ooh, I can bundle my existing credit card, take the balance across to them and get it interest-free'. What do they think that says to all of the customers that have got that credit card already? Because I'm not getting my balance interest-free.

Jon:

Who does it bring into the credit card is kind of interesting. What it brings in are people who are looking for a deal. You give 18 months as ANZ, and then the next time Westpac gives 18 months, what do they do? They switch almost immediately. What we're not doing is thinking about the behavioural economics of what we're doing from a marketing point of view.

Credit cards is a fascinating industry, one that I'm playing with right now on another product that I'm creating.

Darren:

Any of them, sorry Jon, but home loans, it's all the same thing. It's interest rate and can I draw down on my home loan. I mean it's all very basic product development. There's nothing new. There's nothing innovative. There's nothing that's really consumer-focused or customer-focused. It's all just the same things over and over again, which is where you would want marketing to work really hard to give you some sort of distinction in the marketplace.

Failure to understand or align to the customer

Jon:

They'd have to change and start by understanding the customer, and fundamentally marketers and advertising agencies are not built to understand the customer. They're quite good at doing surveys. They're quite good at doing focus groups. All of which tell you nothing other than what you want it to tell you – sorry to all market research companies out there. But actually, truly understanding human nature, understanding the behaviour of people and what they want, is something that brands aren't particularly good at because you don't want to know the answers.

Financial services is a dichotomy of humans who don't want to pay for this because they think it should be free and huge banks making huge amounts of money for their shareholders and out of hiding fees or charging for things they shouldn't charge for. For historically 40 years of poorly put together businesses and any of the big banks you walk into, they are so siloed. You think of credit cards and home loans and all these kinds of things that should inherently work together and they don't.

Darren:

They are absolutely siloed. Every major financial institution that you could name does not have a customer-centric approach to market. They have a product-centric approach to market and yet talk about knowing the customer. If you want to know a customer, they say look at their behaviour. Well, who is holding all of my transactional information for as long as I've been a customer with that particular brand?

Jon:

Holding it for ransom as well. But that idea of building a financial organisation is such a hard thing. If you think about how big someone like Comm Bank or Westpac truly is, they would have customer databases across multiple platforms that have been built over 30 years from IBM to Oracle to all the big players in the market, with all of these huge data streams that just don't talk to each other … and legacy systems.

If you started a bank today, and we've seen quite a lot in the UK, neobanks, and a few in America, though not quite as many, they build them on lightweight platforms that all stick together in one place and have a complete customer-centric view, so the customer sits in the middle with all of the products and services and interactions working from them. To take someone like a Comm Bank and turn it into that, which they are essentially trying to do, is a huge, huge undertaking and customers pay for it. They pay for it all the way through.

But you look at it from an outsider's point of view and you go, 'Banking?' You look at the profits being made by these banks and the shareholder returns, it's a fascinating market, which is why FinTech has been such a big boom, because everybody believes they can solve the problem. They don't understand the regulatory issues, the competitive nature, the ability for any of the big banks, any of the big six, if you include AMP, to outspend you and outdo you in whatever way you want to do it – not clever marketing, not clever product, just power.

And the four pillars agreement that protects financial services in Australia just needs to be unwound. There are a lot of people on the edge of the industry who are just waiting for a royal commission to pull this whole thing together, pull it apart, because if you take the main route to market for things like home loans, it's brokers. Financial advisers don't have the best reputation in the world, and it's not servicing a whole generation of people who just don't want to go and speak to some old guy who sits in a room and gives them advice based on whatever that guy thinks is right for them.

So there's a ripeness happening and the FinTech thing hasn't really kicked off. There's a lot of money going into it. There's a lot of people playing in it.

Darren:

Well, especially globally, isn't there? FinTech in the US, for instance, is a huge category and a high level of investment because they have a highly competitive market there. I mean it's interesting the Australian market because it was actually Paul Keating that deregulated the banking sector back in the 80s, and then it was Kevin Rudd in 2008 who in many ways brought back protection after the global financial crisis that really protected the big four again and went back to giving them the mainstay of protecting the economy.

The focus on retail offers and not superior customer experience

Jon:

Absolutely. I've been in Australia now for five years. The first thing I noticed within the first couple of months is how retail-driven Australia is. Every single category is retail, and when I say retail, it doesn't matter if you're FMCG [fast-moving consumer goods] or not, you're trying to sell things. And every single thing you do, your communications is sale, sale, sale. And there's only one route for that and that's a route to the bottom.

Everyone goes for the lowest common denominator and you get, 'We are 4.89', 'We are 4.79', and 'We are giving you 20% off your insurance', 'We're giving you 22% off your insurance', and all of that just becomes white noise to people, consumers – horrible word – to normal humans who have access to all of the information they need to make the decisions they need to make. They are time-poor, but they're not stupid.

Darren:

Which is why we have seen the rise of the iSelects and the Choosis to come in and demystify, supposedly, but all they're really doing is working on behalf of the banks and insurance companies to just collate the offers and re-present them in a way that is maybe a bit more consumer- or customer-friendly.

Jon:

But having to create a platform to make your products more consumer-friendly is pretty funny in itself. They do create competition, but all of those platforms are based on a commission business. They sell you a policy, they get paid by the insurer to be able to sell that policy on. Why can't the consumer have that as a discount rather than paying it to those guys if the insurer has got their act together to sell the product right in the first place?

Insurance is fascinating. I started life in insurance back in the mid-90s. It hasn't changed in 20 or 30 years – that's how old I am. And that's the next market that is going to get torn to pieces. But it's really interesting now being back in that FinTech world because when I first started, FinTech wasn't a word, it was just a business that you created with no money and tried to bring to market. Now it's a thing.

What I've found is all of those FinTechs, especially when you go around Sydney and you go to the FinTech accelerators, they're really bad marketers, really bad marketers. Great financial people, great product people, great start-up people, but they lack the marketing knowledge to get product to market.

So, it's kind of interesting when I've got a lot of VC friends and people now I'm connected with who are looking for start-up businesses that have marketing at the heart of what they do.

Darren:

Because if you have marketing at the heart, you have your customer base at the heart of your business idea. Isn't that where marketing is meant to operate?

Jon:

It's fundamentally what the definition of marketing is.

Darren:

Technology allows me to build anything I like, but shouldn't I be building something that the customer is going to find useful, interesting, attractive, whatever it is that is going to make them use it?

Brand campaigns become words and not actions

Jon:

In financial services it's so fascinating because there's a couple of big bank brand campaigns at market and they take their TV ad and they put it on Facebook. They take a minute and turn it down for 30 seconds – that's doing social for banks. Then you read the comments underneath, from the customers and the haters and all of the crazy people that come out of the woodwork on social media, and you realise that there is a massive disconnect between the brand and the positioning and what they think they are, which is where the marketing and the advertising agency are sitting – 'We can' and 'We're more than money' and all of these kinds of things – and you take a look all the way back through to the actual products and it's like, 'No, this doesn't work'.

It's the same with the telcos. It's the same with all of the big businesses. The difference between customer understanding and customer interaction and what the brand thinks it is, is so disconnected.

Darren:

There are two brands aren't there? There's the brand that's the retail customer facing one and then there's the brand that is the investor/shareholder facing one, because the thing that amazes me is the quarterly reporting, especially for banks, where it's splashed all over the media: television, online, traditional press. Such and such announces record profits, clearly for the investors, and yet the retail customer is sitting there going, 'And that's why I have to pay so much for every transaction' or 'That's why it costs me this much to do whatever I want to do with my money'.

So, they haven't even got it together that the two impact each other. They have two very different messages going out and they think that the average person doesn't see them?

Jon:

Especially in Australia where people understand advertising. They understand *Gruen* and the like, they understand the psychology of advertising. They understand that marketing costs money. They understand that everything they're seeing is costing them money, especially for banking. It shouldn't be a product-based thing, it should be a service-based thing. It should be something that allows you to be able to utilise your money in the best way possible. But they're not built that way. They're built in their silos and I think the only person you can blame for this is the CEOs of those financial organisations.

Can you blame the marketing people? Yes, you can. Can you blame the agencies? Of course you can. But who's allowing it to happen? Who's allowing the company, and it's not just banking, it's all of the big industries who continue to do the same thing over and over again until it no longer works. So much so that people are getting fired.

If you look at a big organisation, they have their marketing budgets. They create a campaign and it goes to market. They make up their own KPIs [key performance indicators]. They hit those KPIs. They stay there for 18 months to two years and move on to the next job. And that's the same for advertising and the marketing side. But there's nobody holding those people accountable.

Darren:

As you said earlier, the marketers and the agencies are actually so far away from the decision-making of what this is. I remember back in 2006, every CEO of the big four banks had made a statement that year about how the bank was on a journey to become customer-centric. All of them had said the same thing. Now we're 11 years later, they're all still saying the same thing, but nothing fundamentally has changed.

Jon:

They don't understand what that means. Their customer, as you've quite rightly said a few times, is not the person who is using their everyday savings account. It's the shareholder who is holding them by the balls most of the time, so who are they focusing their business on?

And truly, I see it all the time. We've seen digital agencies become customer-experience agencies. We've seen all this kind of change towards adding the word 'customer' and no real change in the way we actually do anything. Even back to the simplistic things of being able to take feedback from social media from a campaign and being able to action that in some way. Social media is not new. It's been around for 10 years. There are many great people out there who understand this stuff. And they're not even doing the basics right of listening to the customer.

The role of social media in superior customer experience

Darren:

Customer satisfaction, customer service, is beautifully delivered through social media if you do it well.

Jon:

It is. We're not angry people. As normal humans, we don't want to shout at our bank. I don't want to shout at anybody.

Darren:

Jon, I've got a great example. I went to the Australia Post at Surry Hills at lunchtime. There were over 40 people waiting and there was one person serving. I just got onto Twitter and I said, at Australia Post, 'Why is there only one person serving during lunchtime?' I got a tweet back almost instantaneously from Australia Post saying, 'We're onto it', and within three or four minutes, the staff, who were having lunch out the back – during peak time they all went off on a rostered lunchtime – came and started serving people.

Now, I immediately retweeted 'Thanks very much', and that was amazing. But you'd have to say if Australia Post, which has not been known for huge amounts of innovation or customer focus, if they can deliver it, why do some of our biggest financial services companies struggle with this?

Jon:

It's really interesting now building a financial services company, thinking about service, because service is one of those things that is key to marketing. It's the real key, looking at chat and AI and machine learning and trying to take humans out of the mix, but also keeping that human element and looking at ways we can hand over the knowledge to the consumer to be able to do what they need to do but have someone who can step in if needed.

We think we can get to a point where 80–85% of all those interactions can be handled by the person because nothing is really that complicated unless something goes really badly wrong with what you're doing, then you always have to have a person who can help with that. With thinking machines, or pattern-matching machines as they are right now, we can actually get to the point of five or 10 people having the same problem that we can fix from a service point of view – either a customer problem or an interface problem – or if it's a back-end or system problem we can make sure that gets fixed.

Darren:

This is all marketing, isn't it?

Jon:

It is.

Companies actively diminishing the role of marketing

Darren:

Yet marketing is often seen as this service provider hanging off the end of the business rather than being integrated into this whole transition from brand, the idea of brand, to actually building brand through the customer experience, through actually designing and managing an experience that is specific to a brand.

Jon:

RGA, where I spent the last two years, one of the key things they talk about with brand is interfacing – the fact that in the modern world, every single interface with somebody, whether they're digital or not, is your brand. But going further beyond that, every single touchpoint with the customer is the marketing plan you put in place. Everything you do from the sign-up process to the interface you create to the customer service to the loyalty and rewards to the communications and then out to the advertising world, is kind of over there. But most of the good work you can do right now is within the realms of what you do as a business and how you serve the customers, how you onboard them and how you service them.

Advertising is quite good in some cases to get people in to be able to onboard them. It's quite good for reminding them you still exist. It's quite good for building brand awareness and credibility and all those kinds of things. But it doesn't solve business problems, and I think a lot of people have confused this, especially with this consultancy versus creative agency war that's going on right now. It's not a war …

Darren:

If you believe the trade media, it is a war.

Jon:

It's a power struggle, and the power struggle is going to get won by the consultancies. And if it is a war, then the agencies are done, but it's not a war because agencies are now transitioning. It's kind of funny watching it from an external point of view.

Even when I was in the industry itself, I was still a bit of an outsider because I never really drank the advertising Kool Aid. Everything I write about is poking the bear, is trying to find the holes, and some of that's obviously for my own gratification but some of it I do actually fully believe the change needs to happen.

And seeing this play out with creative agencies saying, 'We're going to become a consultancy', and consultancies buying agencies … We're still not solving the problem, which is if I am a business, I need a service that's going to help me to exist in a world that I just don't understand.

Darren:

Except that I see that they're solving their problem, and their problem is that they are getting less and less share of the marketing budget or the company's budget. Marketing's getting less share of the budget.

We've had over a decade of downward pressure on marketing costs because the CEO and the CFO want to spend less on marketing because they don't see any return on that investment, and so marketers have got less. They're under pressure to do more with less, and then all these specialist agencies – you mentioned RGA – categorised as the digital specialist, where does that leave their traditional creative agency and their media agency and every other agency?

So they're all competing with each other, and their solution to the problem of getting less and less and being less relevant is to expand their offering – 'We do consultancy. We're not just creative, we do technology and digital as well. We can solve everything'. And in the end, the marketer's sitting there completely confused because no-one's actually talking to the real problem, which is how do you make marketing more relevant to the business.

Jon:

How do you make it more relevant, and how do you actually do more with less, or how do you change what you think your outcome is going to be? Leaving FMCG markets to the side, because I think they have a problem, which is unsolvable, which is complete me-too products and all those kinds of things that have just overtaken the supermarkets.

Darren:

Also, they're limited in their ability to respond to the marketplace because of manufacturing anything. But that's why I love the services industries, and especially financial services, because they can respond very quickly to the needs of the marketplace.

In fact, you can innovate the marketplace with technology, as Steve Jobs said: 'Don't give people what they ask for. Give them what they really want before they even know they want it'. That is the great opportunity that great marketing allows you to take when you control product and pricing and design.

Jon:

Isn't that the point of the marketers, though? Not to be Steve Jobs, because no-one can be, but the idea that most marketing budgets are set the year before. Most people are repeating what they did before: 'We did a home loans thing this time last year. Let's do another home loans thing this time next year'.

Darren:

Every springtime.

Do we need to rethink marketing or business?

Jon:

It's fascinating to see that, but is it actually unsolvable? The questions you asked me when I came in were: 'What's wrong with advertising and how do we fix it?' Do you actually have to fix it? Because if we keep putting bandaids over all this sort of stuff, and we have mouldy agencies and we have media agencies that are now creative agencies and consultants who are going to come in and solve all the problems of the world, what it's not doing is making marketers think.

It's not making companies think and it's not allowing CEOs and the leaders to restructure their businesses, because the actual thing for big corporations and medium-sized corporations is to restructure themselves – not having marketing teams and not having product teams and not having these kinds of siloed approaches to things that create more silos underneath, but to rethink how you are as a business in today's world.

It's been really interesting seeing some of the really successful start-ups, here and in the US and the UK, and how they're structuring themselves. They're structuring themselves around the customer: What are the needs of the customer and how do we create a business that's going to service that? What technology can we put in place to allow them to have an easier life and how do we take the friction out of their lives?

Airbnb and things like that are taking friction out of people's lives. One of the biggest brands in the world, Taxi, is now obsolete. Hotel, another huge brand – obsolete. These things are being taken apart by different organisations with different needs. So it's quite interesting now watching Uber become a big corporation with all the issues they have, which are kind of self-induced to be honest, but that allows someone else to now come in and see if they can take on Uber and all those kinds of things.

Darren:

It's interesting because hotels, taxis, retail with Alibaba or Amazon, with all of those examples, every consultant from IBM to Accenture put up all the categories that have been disrupted and of course everyone jumped on the bandwagon saying, 'Oh, we can either help protect you from disruption or we'll help you disrupt your category'.

Jon:

And neither of those two things are true.

Darren:

That's right.

Jon:

From my knowledge, I cannot see any incumbent who has disrupted the industry themselves and I haven't seen any consultancy or agency be able to help anyone disrupt their industry.

Darren:

A CEO explained to me, 'I can't disrupt at the expense of all of the infrastructure and all of the investment that I have here'.

Jon:

Protectionism.

Darren:

Yeah, because with disruption, the fear is you've got to kill the cow to start again. And they don't want to kill the cow because it's better for me to hold onto it and manage a shrinking share of the market than it is to give it all away and start again.

Jon:

Do I take a 1% decline for 10 years or do I take 50% tomorrow?

Darren:

There are so many brands that are very successful just managing the decline, and they get to the point where they don't even bother with any sort of advertising to support the brand anymore because it's irrelevant. Advertising is great at actually building awareness and maybe building demand, but to actually minimise loss it becomes self-defeating.

Transforming the role of creativity in business and marketing

Jon:

It's fascinating seeing consultancies, agencies, start-up accelerators and all of these businesses that have become those things that are going to bolt onto your current business and transform you into something new. Every single one of them fails miserably around the world because you're Bank X and you have Accelerator Y, they create great products, and you try and instil that back into the host organisation and it either rejects it or destroys it.

You see that with a lot of the consultancies who've bought creative agencies. They've actually brought them in and almost destroyed what they were in the first place because they had to fit in with this much more rigorous scheme of doing things.

Darren:

If there's one area that would be interesting, it would be: How do you bring creative thinking beyond just creative thinking to write a nice TV ad or to do an award-winning communications campaign? There are some great creative thinkers in the industry. There are people hiding out in agencies and parading around Cannes on the Cote d'Azur drinking their rosé and the like, but there are some great disruptive thinkers among them who are using their talents to write ads.

How do you bring that thinking into organisations? Because it seems to me that's the type of thinking that could be useful in either a start-up or a company that does want to transform.

Jon:

Look at everybody leaving advertising right now. It's either because they're sick of what they're doing, they don't want to be surrounded by a lot of people creating ads, and they are either going to start-ups or they're trying to get a job at Facebook or Google – they're doing something else. The industry is haemorrhaging talent, the talent that could change it, on a daily basis. Now what you're talking about there is trying to instil that into big organisations, which is really hard.

Darren:

Well, the culture will kill it.

Jon:

Comm Bank is probably one of the most innovative companies we have in Australia and even they're struggling to really and truly innovate and really and truly disrupt themselves. They've got some great products, but when it comes to advertising …

If you could find a way of putting together the craziness of those people, because somewhere between consultancy strategic thinking and the chaotic creativity of creative agencies is something that could solve some really dominant problems. We have to redefine what creative means because in advertising, creative means someone who makes an ad. A lot of people will disagree with that, but 90% of creative agency output is an ad of some description.

Darren:

And it's still what takes the focus of award shows. It's about the ads, the communications campaigns that get awarded.

Jon:

The really innovative stuff that comes out is normally made for campaigns as well and is not truly going to be useful for anybody. But what we're talking about there is dismantling an historical view of what advertising agencies are.

We're starting to see it happening now with a couple of things like Wolfgang, where people are leaving agencies and setting up new agencies, but you've got two creative directors and a strategic guy from a creative agency – they aren't suddenly becoming the future of consultancy and business changing problems. Awesome that they're going to try and do it, but perspective is what makes these things happen. The ability to bring in new and different thinking, and to bring in people who've never worked in advertising, who've put their own money on the line, who've run their own business, who've had to solve a customer service problem – all of those sorts of things are what help businesses.

I've been thinking about it for a while because I think there is a hole appearing for something else to exist, which will be whatever happens after the great famine of advertising that might happen over the next two years, which it needs. It's almost like a Noah's Ark event. We need that kind of washout of everything that is no longer viable or feasible. Something will sprout.

The need to move from cost to value in business and marketing

Darren:

Personally, I think advertising still has a foreseeable future because there are still enough of those large organisations that can only operate on that basis. I think that the single biggest issue that it has from my perspective, and it's probably because I've spent 17 years looking at the financial models of the agency world, is that they've just got it all wrong.

I mean, it's all about cost of inputs and none of it is about the value of the outputs. Everything is sold on an hourly basis and it's just a ridiculous way for a creative industry to work. There are no other creative industries that remunerate that way. It's about value created.

Jon:

A Picasso would be worth a total of 50 bucks, not multiple millions. Your point is kind of interesting, talking about the shrinking marketing budgets which are shrinking advertising budgets. We've got advertising people whose salaries are rising at a rate which is higher than in most industries. The 18-month to two-year tenure of advertising people is actually to boost their salaries in most cases. You can get 10%, 15%, 20% more every two years flipping that out.

At some point, the cost basis of this is how much we've got to spend versus how many people it takes to run an advertising agency, because you've got ridiculous layers of client service and production and strategy and creative and all the other stuff that is built to run head hours. So you can have five head hours on a job rather than just an output of some sort. It's kind of interesting.

Darren:

But I see it purely from a pragmatic financial perspective. What I see in agencies is people flip until they get to a point where the industry no longer supports them, and so you go and find something else to do or you accept you've hit the financial glass ceiling and you sort of drift off to one side. People say, 'Oh, it's ageist, all the experienced people'. Yeah, the experienced people do leave agencies because the business model won't support it anymore.

And it's interesting for me seeing agencies started by those senior people who could be earning six or seven figures and then they start up their own small agency and expect to earn that sort of money. It could be, for many of them, the first time they've ever had to actually run a business and worry about things like the P&L and the cash flow to actually justify keeping them in the lifestyle they've become accustomed to in a big creative agency.

Jon:

That whole idea of executive creative directors and executive strategy directors, which is taking people who have no business acumen and really have no commercial acumen in most cases and adding them to a board who runs an agency, is fundamentally just what you're talking about there, which is they needed another level so they created another level.

Darren:

Creative chairman.

Jon:

It's an industry that sets itself up to be ridiculed, and the biggest problem with all of that is the talent. If you are an amazing young person, are you going to say, 'I want to spend 10 years in advertising to become a creative chairman and I might earn half a million, three-quarters of a million', whatever it turns out to be, or are you going to go and be somewhere it's truly creative and you can actually make a change and you can actually do things, rather than be art-director-bot three on the bottom rung of a ladder with 100 people above you?

It needs a change, but I think the change has to come from the marketer's side because, you're right, there is enough money and enough businesses to keep that status quo going forever and a day. Because these people won't change and the agencies won't change, because the networks will keep going and building agencies for the big clients, there's no doubt about that.

Darren:

We've been talking about financial services and you've said some of this blame for the marketing situation resides with the CEOs. Some of it resides with marketers because they've allowed themselves to be drifted down into the promotions area.

It's interesting, just as an aside on that – the best marketers that I deal with are the ones that do have P&L responsibility and do have product and pricing as part of it, so they actually still are what I call true marketing functions.

Jon:

They have some sort of control.

Darren:

Yeah, and then the agencies, for years under the commission system, all they had to do was encourage their clients to spend more and more on advertising, but in a model where marketers are wanting to spend less and less or do more with less, the agency business model is basically self-annihilating.

Jon:

A lot of what I've been saying over the last three years is not because I want to poke fun at the industry. It's kind of easy to do, but I want to try and make someone think. If you can make a couple of people think and then another couple of people think, then hopefully a debate can happen, but that debate doesn't happen because the control in most marketing and agencies is by the people who have too much to lose to be able to have that debate.

Darren:

You said make someone think. I was reminded of Dorothy Parker. She was asked to use the word 'horticulture' in a sentence. She said, 'You can lead a whore to culture but you can't make her think', and I think that's probably appropriate here.

Thanks for joining me. We've run out of time but it's a fascinating topic. I have got one last question. So what's your favourite ad that you've seen recently, Jon?

THE END.

POST 14

Why are you still paying production mark-ups to your agency?

Posted 4 May 2015 by Lyndon Brill

With all of the recent controversy about secret media commissions, kickbacks and the like[1], it is no wonder that many advertisers are overlooking the same behaviour happening with agency production mark-ups. Just the other day I read a publication from a reputed local industry 'finance guru' who was justifying the practice of charging production mark-ups on external supplier arrangements. Yet this practice should have gone the way of the media commission[2].

The truth is that, like media agencies, many creative agencies are continuing to apply a production mark-up, often without their clients knowing.

Agency justification

The publication, widely distributed and promoted to agencies and agency associations across the market, stated that the charging of a production mark-up was essential to:

- reimburse the time involved to negotiate with suppliers
- provide their administration cost recovery
- compensate the value of their IP and technical expertise.

1 trinityp3.com/2015/03/media-agency-saga

2 trinityp3.com/2015/03/mediacom-saga

Of course, all of these seem reasonable at face value. But then when you dig a little deeper, isn't this the reason why a marketer engages an agency partner in the first place? And aren't most agencies already being compensated for this in other ways already? What does justify the production mark-up for the agency is the opportunity to increase their revenue and potentially their margin if it means they are being paid twice for the same service.

Now don't get me wrong. These are all services provided by the agency, and the value of these services should be paid to the agency based on the agreed method of compensation. However, to remunerate them via a production mark-up is essentially flawed in my opinion. This is especially the case where these costs are already either retained or estimated as part of the production estimate anyway, which could effectively lead to the marketer double-paying for some services.

Lacking transparency

The problem with agency production mark-ups, much like the recent controversy about media agency kickbacks, is that they can be difficult to identify. The industry publication I read mentioned that it was common practice within the industry for an agency not to disclose any mark-ups or margins on third-party charges, which totally undermines the concept of a transparent relationship.

If the agency is not disclosing the addition of a production mark-up, then it can be very difficult to identify the practice unless you know what to look for in the agency estimates and invoices. Of course, you could undertake a full financial audit of your agency, but if they are not doing it, it could be a complete waste of time and effort, and a flag to the agency that you do not trust them.

But have you and the agency agreed on whether they can add a production mark-up or not?

Are you paying twice?

The publication I was handed indicates that this is common industry practice, inferring that if an advertiser's contract does not specifically exclude the practice, then it is reasonable for the agency to apply the mark-up as industry practice.

Even if a contract does exclude the practice, we have seen agencies apply the mark-up. In one case, an agency appointed following a pitch managed by us, and having signed a contract excluding the practice, then proceeded to hide the mark-ups in the estimates. Only because the client felt the production costs were high and asked us to take a look were we able to confront the agency over the breach of contract. Even then, the agency was incredulous that the practice was disallowed by the contract they had agreed to and signed.

The reason the practice had been disallowed in the contract was because the agency was already allowed to charge for the production hours required to manage the production process. The resources required – their hours and expertise – were allowed for in the estimates and paid for in the fee, and some were paid for in the retainer. Therefore, the production mark-up applied by the agency was simply to increase revenue and margin.

It increases mistrust

If the production fee is being added by the agency to simply increase the margin, then it is most likely that the agency will select the more expensive production options or the most expensive production supplier. The more expensive the production cost, the larger the mark-up and therefore the more margin the agency makes as a percentage of the total production cost.

We recently reviewed the financial performance across the roster of a major advertiser. Even though they had a print management agreement in place, almost all of the numerous agencies on the roster were placing print themselves, the majority adding up to a 25% mark-up to these costs for production management.

The clients were unaware of the production mark-up. Likewise, they were surprised that our calculations showed that compared with the existing print management agreement, the agencies cost an additional 38% on $18 million of print expenditure. Almost $7 million wasted.

At a time when marketers are trying to achieve more with less, this caused a huge level of distrust between the various agencies and their marketer clients. Possibly the agencies can justify this based on the millions they made on the transaction.

It is fundamentally unfair

If the purpose of the agency fee is to compensate them for the cost of the resources used to deliver the outcomes, then the production mark-up fails to deliver the desired outcome. If the time and effort required to manage the production process were directly proportional to the total cost of the production process, then this would work well. But the fact is that the more costly the production, the relatively lower the cost of the management of that production. Therefore, agencies become unfairly compensated the higher the total cost of the production. This provides an incentive to inflate the cost of the production, as they will make more revenue compared with the cost and therefore a higher margin.

This is why the vast majority of advertisers have moved away from the production mark-up. It is just a pity the agencies and their financial advisers have not stayed abreast of their customers.

Production mark-ups are flawed

It is for these reasons I believe the agency production mark-up methodology is flawed:

- A mark-up is essentially a percentage of the base cost to cover salary, overhead and profit that remunerates the agency in a way that may not be reflective of the scope of work at hand. I recently reviewed a large automotive client who was using their agency to avoid placing a large number of external suppliers into their financial system. However, the spend was relatively high on a few key major spend projects, and therefore the mark-up grossly exceeded the resourcing required to effectively service the marketer's requirements.
- There is no guarantee of the level of resources from a capability and experience perspective. Unfortunately, this is something we often encounter, with some agencies often placing junior to mid resources on the account, to maximise their ability to generate profit. Great creative can often be let down by poor execution.
- A mark-up that rewards the agency based on spend generally doesn't support the efficient use of the marketer's budgets. It is generally a KPI of most agencies for account management to try and maximise revenue opportunities, wherever possible. However, when agency remuneration is generated by spend, it goes against the agency's best interests to negotiate the best deal possible, which would potentially reduce the agency's remuneration for the project.

Sustainable and transparent

The TrinityP3 ethos completely supports fair and equitable financial relationships, which ultimately require trust and transparency to succeed. In my opinion, agreeing resource levels up-front and paying for resources based on a pre-agreed rate card (with margin), or even better on a value-based model[3], is a better system for remunerating your agency than a production mark-up.

Agreeing a production estimate or value up-front to remunerate the agency allows for the transparent recovery of its costs, and the ability to tailor the estimate or value based on the actual task at hand. I think this model is fairer and more equitable to both parties, and therefore all production should be passed on as a net cost in any transparent contractual relationship. It is disappointing that agencies and their consultants and advisers do not also support this approach.

3 trinityp3.com/2011/10/defining-value-based-agency-compensation

POST 15

What are the biggest challenges facing marketing today?

Posted 12 July 2017 by Darren Woolley

Back in February this year we had one of our twice-yearly get-togethers in Sydney with all the TrinityP3 consultants from around the world, including Michael Farmer[1], our new US executive chairman and author of the bestselling book *Madison Avenue Manslaughter*. Every six months we get the gang together to review and discuss the business and plan the future. Last February, this conversation led to the changes you see on the TrinityP3.com site today.

It started with a conversation with Michael around the trends and challenges facing CMOs and their organisations, which can be summed up in one word – GROWTH – or more specifically the lack of it. We realised that over the past two decades we'd witnessed downward pressure not just on agency fees but marketing budgets too.

Marketers were expected to do more with less and were increasingly being held accountable to deliver company growth, often while their marketing resources had become fragmented, distributed and misaligned. Marketers were struggling with managing all of these moving parts in an increasingly complex market. This included their external agencies, which had gone from being a trusted friend they could rely on to a multi-headed hydra struggling for a greater share of their diminishing budget.

We could feel this struggle because over the past two decades we have had to evolve to the changing marketplace too.

1 trinityp3.com/people/management-team/michael-farmer

The evolution from cost consultant to management consultant

Back in January 2000 we launched P3 to help people achieve commercial purpose through a creative process, but we quickly found that people (marketers) were more interested in how much they were paying for their creative process. Today, our work with our clients is much more focused on delivering both productivity and performance improvement to the marketing process.

This change did not occur overnight, but it is instructive to review how this evolved over time and the trends and market changes that influenced this transformation. Like the marketing, media and advertising industry itself, we have needed to keep evolving along with the needs of the market. Yet it is interesting that, often, people in the industry will remember us for a particular type of project or process, such as pitch management or search and selection, even though this is only a very small component of the work we do with our clients.

Costs consulting

For the first five years of business, P3 primarily acted as an advertising production cost consultant. Most advertisers were interested in how much they were paying for their productions and if this was fair and reasonable. Television costs were of particular interest, but this raised questions about agency remuneration and media planning and buying, and so our consulting base and the scope of our work increased.

The interesting part was the lack of discussion around performance and effectiveness as part of the cost considerations. Marketers were looking for ways to ensure they were maximising the buying power of their marketing and advertising budget.

It was during this time that Dennis Merchant and Mark Chesterfield set up their company Media Benchmarks[2] in competition with Faulkner Godbold, as it was at the time, and we started working together in a relationship that would eventually see it become part of the P3 offering.

Productivity consulting

In late 2005 / early 2006, we noticed we were increasingly working with procurement professionals on the client side. Their role was to reduce waste and cost in the marketing and advertising spend and they used cost benchmarking as a tool of choice. Largely, this meant that our cost benchmarking offering was not required, as corporate procurement teams would use their current agency rates as the benchmark and shop around to find more-competitive rates to drive savings.

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2 adnews.com.au/yafNews/2946AEEF-26AF-4111-A53E82B099FFAD1E

But we had noticed another trend had developed, aligned to the expanding number of channels due to digital. Suddenly, marketers found themselves with an expanding roster of agencies, which they struggled to manage. We had earlier commenced offering pitch management, which for many we are now ubiquitous, but in fact the opportunity was in roster management and performance.

In 2007 we expanded into Asia with offices in Singapore and Hong Kong and a change in name to TrinityP3. Trinity represented the fact that we were increasingly working with not just marketers and advertisers and their agencies or suppliers, but increasingly with the third party, which was finance, or more particularly procurement.

Performance consulting

Over the past five or six years our focus has evolved again, with marketers, having survived the global recession, now trying to find ways to embrace the opportunities on offer to drive the productivity of their marketing communications. This initially started externally with a focus on agency roster alignment. This is aligning the roster of agencies to delivering high-performance strategic outcomes with minimal waste, duplication and management cost.

But increasingly the focus has been directed internally on the marketing structure and process within the organisation. Often, the corporate legacy means marketing is aligned to the business or product silos at a time when the marketing needs to be more customer-aligned. Or that digital transformation has led to digital as a separate channel rather than being aligned to marketing and business.

While it is true that often as part of the agency alignment we may need to run a tender or pitch, it is not as core to the business as it was seven years ago, even though some in the trade media insist on referring to us as pitch consultants. The fact is we have been focused on productivity and performance improvement across marketing, media, agency rosters and technology for the past five years for some major and innovative companies and advertisers.

Identifying the six major challenges for marketers

In February we shared some of these projects and case studies with the wider team and it became clear that much of our work falls into the six biggest challenges facing marketers today. These challenges have become universal, as they have occurred due to the global changes that have happened over the past decade or more.

Technology is perhaps the biggest influence – from the impact on media and media channels and the way media is planned and traded, and across owned, earned and paid media, to the innovation and revolution in advertising production, both advancing techniques and creative options and making them more accessible and cost-affordable.

Technology has also impacted the ways in which consumers engage with brands and businesses and the ways in which businesses and brands must engage with consumers. From social media and digital marketing right through to e-commerce and every step in-between on the ubiquitous 'sales funnel', marketing is taking responsibility for the planning and management of the customer journey through data-informed personalised marketing and real-time media options.

Technology has also driven business responses to the economic climate, with companies driving productivity to deliver more for less in the highly competitive global market – not just in products and services but in their marketing too.

The downward pressure on marketing budgets and the flow-on effects drove productivity improvements initially. But with no quality or performance metric to assess value, this has led to the commoditisation of paid media and the agencies, with a negative impact on relationships, value and marketing performance.

Marketing performance[3]

In the past five years we have restructured more than a dozen marketing functions and teams including media, construction, financial services, tertiary education and more, to align them to delivering productivity improvements, delivering millions of dollars back into the marketing budget in the process. The restructuring process is often driven by a desire to align the marketing to the business objective and the consumer to deliver growth.

We have also increasingly been involved in driving marketing performance through the application of the ZBB process to align the marketing budget to performance metrics and focusing the marketing investment on those areas that drive results.

These results often require marketing to collaborate across the organisation and the various stakeholder groups to deliver a consistent customer experience. We have worked with telecommunications, chemical companies, financial services and more in ensuring engagement, alignment and collaboration with these groups to deliver high-performance outcomes using the Evalu8ing platform[4].

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3 trinityp3.com/marketing-performance

4 evalu8ing.com

***Technology performance*[5]**

As I wrote earlier, technology has had a huge impact on marketing, and almost every organisation is having some type of technology or digital transformation. We have worked with those who are taking the first tentative steps and those well into the process and found new challenges.

We have helped CPG (consumer packaged goods) companies select the right CMS (content management system) and automotive and retail advertisers select the right CRM and POP (point of purchase) technology. We have helped companies select DAM (digital asset management) systems and worked with a client who, having invested in a major marketing platform, needed assistance delivering the expected outcomes.

One of the challenges with all of these projects was ensuring that the selection of the technology solutions was aligned to the needs of the marketing team and the business, and that it was compatible with the existing legacy technology stack. Because of the enterprise and technical nature of these projects, we have found ourselves working with not just marketing but also IT, procurement and many other stakeholders within the organisation to ensure the best performance outcome.

***Media transparency and value*[6]**

Media has been an important component of our work since way back in 2002, when we commenced working with Media Benchmarks through P3. Today, media is still the most significant investment for advertisers, but it is also arguably much more complex and challenging for our clients due to the issues of transparency, viewability, fraud, misleading metrics, and rebates and kickbacks.

One of the main issues is that many advertiser media contracts have not kept pace with the changes in the media market and so now provide little in the way of protection or assurances for the media investment. One of the biggest areas we have been assisting advertisers in is undertaking assessments of their current media contracts, media agency remuneration and their processes to ensure they are achieving maximum transparency, value and performance in their media dealings.

In fact, we have noticed that in the face of these challenges, many advertisers have considered taking their media agencies to market with a tender or pitch. But we have been able to demonstrate that it is better to address these issues with your current agency, rather than trying to address these issues in the constraints of a pitch. The alternative which many

5 trinityp3.com/digital-technology-performance

6 trinityp3.com/media-performance

advertisers are considering is taking their media in-house, and we have been advising several major advertisers on the logistics and benefits of this too.

Agency and roster performance[7]

For more than a decade, we have been working with our clients on optimising their agency rosters. These can be relatively small, perhaps 10 or 20 agencies and suppliers, to massive, with thousands of agencies and suppliers across a multitude of disciplines.

Our work is more effective than simply rationalising suppliers based on spend or sorting them into buckets of services or capabilities. Our alignment process ensures we identify and eliminate waste and duplication while optimising the high-performing relationships in the roster. It also ensures we minimise the need for costly, time-consuming tenders and pitches, but realise significant efficiencies in the roster that can be reinvested back into the marketing budget.

We also ensure that the contracts and remuneration models are up-to-date and reflect the best possible practice for the category. One of the key areas when it comes to agency performance is scope of work management and the associated remuneration model. Beyond rewarding or compensating your agency for the work undertaken, we design remuneration models to encourage and reward value delivery and performance.

Agile delivery performance[8]

Agile marketing is all the rage, but many marketers mistakenly think agile means faster. If being faster to market is required, there are more-effective ways to make this happen, including building in-house capabilities, or streamlining the marketing process with your various agencies, or encouraging and managing collaboration across the roster using the Evalu8ing platform.

We have worked with financial services, gaming, technology companies and media firms to either build and develop their in-house agency services or provide an understanding of the financial advantage of the current in-house services. Most of this work is a natural extension of the agency roster performance process and delivers the deeper benefits of the process.

Advertising production cost consulting was an important part of our offering almost two decades ago. Today, our work in regards to production management is more focused on ensuring that the benefits of technology and the increased options available to advertisers and their agencies are being used to deliver increased creative solutions and cost-effectiveness.

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7 trinityp3.com/agency-performance

8 trinityp3.com/delivery-implementation

This includes decoupling production or building in-house capabilities or outsourcing production in more effective ways.

Sustainable marketing performance[9]

With the 2015 Paris climate accord[10], environmental sustainability is on the agenda for many major organisations, not just because of the commitment to the cause but also a growing realisation that sustainability can deliver reduced waste and increased performance. But in achieving environmental sustainability, organisations will often overlook the contributions of marketing.

We work with a wide range of organisations interested in developing their sustainable marketing strategy to align to the organisation's objectives, providing environmental optimisation of their media planning using the Gaia Partnership CO2counter[11], and assessing internal and external suppliers to ensure they meet sustainability expectations, including broadcast, digital and print production.

We also provide our clients with access to compliant and traceable carbon offsets.

Designing the right solution to your challenge

While these marketing challenges have formed under the common change influences facing the global market, the fact is that no two organisations are facing the exact same conditions or circumstances. Therefore, while we have developed outstanding methodologies and processes alongside unique resources such as the Ad Cost Checker[12], Scope of Work Calculator[13] and Evalu8ing, we use these methodologies and tools to develop specific solutions to our clients' challenges.

The approach is based on combining qualitative and quantitative approaches. This means completely understanding the current issues, circumstances and future requirements, but ensuring that the analysis and recommendations are based on more than simply opinion. We rely heavily on undertaking financial analysis of the current model so that we can model and examine the financial implications of any recommendation.

It is not the strongest of the species that survives, nor the most intelligent, but the one most responsive to change.

Charles Darwin

9 trinityp3.com/sustainable-marketing
10 en.wikipedia.org/wiki/Paris_Agreement
11 gaiapartnership.com
12 adcostchecker.com
13 trinityp3.com/agency-performance/scope-of-work-management

Just as marketing has changed and evolved since we founded P3 (now TrinityP3) in January 2000, our business continues to evolve in response to these changes. Our experience and expertise over this time makes us uniquely placed to develop and provide innovative and creative solutions to our clients' marketing challenges.

It is just a matter of defining your biggest challenge. Then it is likely we can provide a solution. Let's talk.

POST 16

Losing pitches, part 2 – a further seven 'less obvious' reasons why agencies lose pitches

Posted 11 August 2017 by David Angell

I recently wrote an article about some of the less obvious reasons why an agency, after all the hard work involved, can end up losing a pitch[1]. Well, after thousands of reads and shares, and a number of comments (most of them made privately to me, as is the norm with this sensitive topic), it seems that the article generated some interest – whether you agreed with the content or not.

Of course, while account pitching appears simple – get them in for chemistry, give them a brief, get some costs, make a decision, and hey presto! – if it's run well and properly evaluated, it's actually pretty nuanced. The resultant complexity means that 'eight reasons' was never going to fully cover it. So given the interest in the first article, and never one to let a good thing go to waste, I thought you might like some more of the same.

As before, I've attempted to make what follows about the 'less obvious'. All the reasons are based on direct experience, opinions or learnings I've had either on the agency side or the consultancy side.

1. The agency relies too heavily on 'insider' people or knowledge

Sometimes an agency will be selected to pitch as a 'captain's pick' – in other words, because a relationship is held at management level from a previous life. Where possible, agencies will also favour pitch team

1 See the post titled 'Eight "less obvious" reasons why agencies lose pitches' on page 12 of this book.

individuals who should make things a shoe-in – an account director who handled the client in a previous successful period, a creative who produced an award-winning ad for the client a couple of years back, or maybe a media-trading lead who has just joined from the incumbent. The assumption is that these people are already liked, a known quantity, and possess knowledge that puts the agency ahead of the curve.

I've seen this fail for a number of reasons, one being mismatched perception where the agency person thought he or she was liked, when in fact this wasn't the case. More interestingly, even if the individual is loved, the client will sometimes see a greater level of knowledge, or a familiarity with its business and working process, as an absolute disadvantage, in context of the fact that it wants a completely fresh approach untainted by the past.

Be sure of your ground, consider the brief carefully, and ask the right questions before putting too many 'old' faces in the room.

2. The incumbent presents something unbelievable, in the context of the current relationship

The position of incumbent agency in a pitch can be seen as a blessing or a curse, depending on the situation. The incumbent who throws all the razzle-dazzle into a pitch, without properly pausing to share an honest appraisal of the challenges, failures and opportunities that have happened across the tenure of the existing relationship, is going to come off as being insincere at best, disjointed from reality at worst.

This is where (two-way) honesty, realism and scenario planning can really help an incumbent. Rather than a bright rendition of what immediate perfection will look like, show them how to get there in stages, and what both parties need to do to evolve in the partnership.

3. The agency throws around too much regional or global weight

If an agency holds the pitching account in other markets, then it should fully articulate this and use its global knowledge and reach to full advantage, right? Well, not always, and be careful how you do it. Agencies that bring big cheese–style global leads into pitches, and/or eulogise about how great the work is in other markets, may be shooting themselves right in the foot.

For starters, such an approach fails to take into account any political challenges on the client side between local and global markets. It can also come across as insensitive to specific local market needs – it could make the client team feel like, by going with this agency, they will be forced to accept global creative adaptation. Even worse, it can look like the agency believes that, by throwing its global weight around, it will somehow be able to win the business by default. Naturally, what I've just described isn't always the case.

This is about really listening to the client up-front, trying as hard as possible to understand any local tensions, and presenting a global element in a balanced and flexible way. It also means, from an internal perspective, resisting saying 'Yes' to every idea that a global big cheese has about how the pitch should run. You know the market best.

4. The agency answers the client's brief too precisely

Wait, what? Seriously? OK, I admit that this is a difficult one. But I did say in the first article that pitches are capricious, right? Anyway, answering the brief is, of course, the correct thing to do. But if that answer is too precise, if there's no challenge there at all, if it fits precisely into the black box, it can be counterintuitive to clients who get a feeling of, 'Are they just telling me what they think I need to know?'

In my experience, a little cut and thrust of challenge, within the right boundaries, can be a very good thing. As can be an answer to a specific brief that has potential legs across a broader product portfolio, campaign extension or similar.

5. In the spirit of challenge, the agency 'refuses' to answer part of a brief

Yes, the last point was about a lack of challenge. But this can work the other way. I've been in more than one pitch where the agency walks into a workshop and declares up-front that it has decided not to answer part of the brief, because it believes that the client is better off doing things a different way.

This is, frankly, an incredibly hard look to pull off without sounding either unbearably arrogant or like you've run out of time/ideas. The brief may not be perfect, but it's there for a number of reasons. It's fine to challenge by suggesting that, if things move on, you may recommend that this part of the brief is put to one side for whatever reason. But still, provide an answer so that the client can see the thinking, and the adaptability to the commercial realities that may sit behind the brief itself.

6. The agency provides too much up-front marketing or advertising theory to frame its response to the brief

Demonstrating that you're the expert is part of what a pitch is about.

But overcook this position without getting down to brass tacks and the up-front presentation about the marketing theory applied to the approach can feel to the client like padding, like a cookie cutter is being used, or like the team is being patronised.

With regard to the cookie cutter, I've had clients ask me the specific question: 'Have you seen them use the same charts in another pitch?' My suggestion is to go easy on the theory unless explicitly asked to do otherwise, but be prepared to sidebar into such a discussion if the client asks theoretical questions.

7. The agency's attempts to demonstrate commercial acumen are hollow

It's obviously a good thing for an agency to consider the commercial implications of what's being recommended, beyond advertising metrics. You want to sell this many units? Well, our calculations show that this campaign will deliver. Sounds great. But the danger is that the client will see such calculations as too simplistic, or as window dressing.

Common mistakes I see from agencies in this area include too much precision; for example, we confidently predict exactly a 1.235% conversion rate. Or dressing up the numbers already in the brief as a sum, to make it look considered. Or making too many assumptions within the numbers about what the advertising will do. Or being too myopic, to the exclusion of other influencing factors.

There's no easy answer to this. I'm not saying that commercial acumen, or at least attempting to consider the commercial implications, is a bad thing. But some of the best commercially focused responses I've seen or have been involved in have:

- provided a small number of scenario plans based on ranged estimates
- considered 'What if' strategy changes should the predictions not match the reality
- wherever possible, allowed for external factors such as the effect of owned assets and commercial sales periods.

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Across the two articles in this series, I've talked about 15 'less obvious' reasons why agencies can lose pitches. If you think you can add to the growing list, don't hesitate to shout them out.

POST 17

Organisational mishmash – the ad agency's unaccountable structure

Posted 24 March 2017 by Michael Farmer

The global ad agency has become a complex, unmanageable mishmash of organisational positions. Complexity reigns. Accountability is invisible, if it exists at all. No wonder clients are able to take such advantage of their agencies, loading on unpaid out-of-scope work and cutting fees! Top agency executives, though aware of the problem, are unable to launch a management counteroffensive. No-one has the responsibility for the problem or the authority to turn things around.

Existing clients

Let's consider the case of existing agency clients. They fall into two buckets: 1) single-office clients managed by local GADs; and 2) multi-office global clients managed by ECDs (executive client directors) who have local GADs on their extended teams to oversee local operations.

Single-office clients

A GAD is the point person for a single-office client, planning/agreeing on scopes of work and fees, and organising the delivery of strategies and creative executions that ought to enhance client brand performance. The GAD reports to an office head, the office head reports to a regional head, and the regional head reports to the agency CEO.

There should be a straight line of accountability from the GAD to the CEO, with management reviews providing a flow of information that answers questions like: What kind of work are we doing for this client? How much work? Is it the right work for the brand problems? What level of fees are we receiving? Are the fees adequate to cover the required resources? Is the account profitable? What are our ambitions for this client in the future? What must we do to fix fee/workload problems?

But as any GAD can tell you, this line of accountability is pure fiction. First, the GAD was probably not instrumental in setting up the client. Others were involved, like the new business director, the office head, the creative director, the planning director and the CFO. The GAD took over to 'manage the client', not to fix it, no matter how well or badly it was set up.

Second, the GAD does not really report to the office head, or, in fact, to anyone. The GAD's management of clients is not reviewed in any formal way. The GAD has sole discretion to manage the client any way he/she wishes, and to agree to any scope of work or fee level. This is possible because scopes of work are not measured, tracked or reviewed. They are invisible to agency management.

The only client measures are fees, timesheet costs (unreliable) and out-of-pocket expenses. Neither office heads nor regional executives have any visibility into local client operations, and CEOs are even further removed. There is no chain of accountability that makes the GAD's client-management practices visible to management.

If a GAD's client has low fees but an extensive scope of work, which is most often the case, then the client will be starved of resources (so that profits can be made) and people will be stretched to carry out the work. This outcome is not measured, though, since there are no reliable workload or productivity measures. The GAD will not be held accountable for an overstretched client situation, or responsible for developing a corrective plan. There is no-one who will require the GAD to do so, especially if the client is 'profitable'. The problems will only intensify over time.

Global clients

Multiply the local client problems by twentyfold or so and you have something approximating the global client. Technically, the GAD reports to a global client ECD and to the local office head at the same time, but this is not how it works. The GAD takes direction from the ECD on scope-of-work and fee issues, receiving an allocation of 'what is possible', which is usually too much work for too small a fee.

Here, the ECD ought to be accountable for the level of the global fees and the sum of all the scopes of work, but this is hardly the case. The fee might have been agreed at a holding company or agency level at some point in the past. The scopes of work are developed locally and invisibly rather than globally. The misalignment among fees, scopes of work and resources is amplified.

ECDs are more visible to agency CEOs and CFOs than are local GADs, but that does not make them more accountable. The only uniform measure is global client profit margin, which is adjusted by restricting global resources, whatever and wherever the scopes of work may be.

Apart from the GADs and ECDs, agencies have many other executives: regional and global creative directors, regional and global strategic planners, new business executives, finance officers, operational executives, client service directors, digital executives, media specialists, project managers, production executives, HR executives and many more. They contribute enormously to organisational complexity and dilute the possibility of creating client management accountability. Many of them exist to 'upgrade the quality of agency practices', but left out of this is the management of client fees, workloads and agency resources.

The global agencies need to streamline their structures, cutting 30–40% out of their management structures, and replacing management complexity with relevant information and strong client-management processes to enhance accountability for client-management purposes.

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In the end, overstretched agency people and underperforming clients will benefit from agency organisational simplification and enhancements in client-management accountability.

Big agencies clearly need more Peter Drucker (and less Bill Bernbach) for the management of their clients today. Agency CEOs need to step up to this challenge with some urgency.

POST 18

What is the best agency remuneration model for every advertiser?

Posted 1 August 2016 by Darren Woolley

It is interesting that, according to the ANA, the most common agency compensation model is still the resource-retainer approach. Even with an increased number of advertisers talking about moving away from it, it appears that the retainer model is holding its ground, most likely due to convenience and ease of management. But there is an increasing number of different agency compensation models as well as a large number of hybrid models too.

Having worked with agency remuneration for more than 15 years, we have experience with all of the common models and have even created some innovative hybrid models aligned to the needs of the advertiser. The fact is, there is no longer a standard agency remuneration model or even a best-practice model that can be applied across every advertiser. But we have found there are some specific criteria that allow you to decide which models or hybrid models are the best fit.

The remuneration criteria

Here are the questions you need to consider when choosing or developing an agency remuneration model:

1. Are the services you are paying for campaign- or output-based or always on?

2. Is your scope of work predictable or highly variable and unpredictable?
3. Are the agency outputs specific and definable or undefined?
4. Is your scope of work high-volume or moderate- to low-volume?
5. Are you managing one brand or a house of brands, or products of various commercial value?
6. Is the agency work seasonal or year-round?
7. Does the agency contribution make a measurable contribution to achieving either marketing or business metrics?

Let's explore each of these and see how they influence the type of agency remuneration model or hybrid compensation model.

Output versus always on

Traditional marketing plans include campaigns of activity with specific deliverables required of both advertising and media agencies. But in the always-on digital world, with programmatic buying and social media monitoring and responses, the agency is required to provide ongoing resources by the hour, day or week.

If you have specific requirements or deliverables, you can use value-based models that value those outputs, but where you are effectively retaining resources to monitor or respond on a time basis, then hourly, daily or weekly rates can add up to retained remuneration based on the time required.

Predictable versus variable

Some marketers are able to carefully plan their marketing requirements over the year. This is particularly true of consumer goods marketers. This means you can closely align the agency resources to the specific outputs to be delivered by the agency, making it an ideal situation for a retainer model. If you retain agency resources without providing a specific and predictable scope of work, you could end up over-utilising or under-utilising the agency retained resources.

On the other hand, in some competitive or dynamic categories and markets, the requirements of the marketing plan and therefore the agency scope of work can change unpredictably. In this case, a marketer needs a more flexible remuneration model such as project fees. But with some of the issues that arise with moving to project fees, it is more likely that this will become a hybrid model, with a small retainer for a minimal account management resource and then project fees.

Specific versus undefined

One of the key issues has been that, while the marketers may have a broad scope of work or agency requirements, the definition of these agency outputs can be either highly specific, such as a television campaign of 30 seconds with cut-downs, or undefined, such as a promotional activity with no specific requirements.

One of the reasons that marketers prefer the agency outputs to be undefined is that they do not want to limit the opportunities for the agency to provide input to the best way to execute the communication requirements. But the issue with this approach is it can come at a premium.

Again, if the requirements are highly specified, then it is simply a matter of being able to calculate an agency resource plan and then the retainer for the agency based on this specific scope of work. But the less specified the requirements, then the less accurately will you be able to calculate the agency resource requirements and retainer. In this case, it is more advisable to move from a retainer to direct resource costs or project fees, so that the fees will be defined when the requirements are finalised and agreed.

High versus low volume

One of the advantages of the retainer is that it can reduce a huge volume of agency activities and projects into a monthly retainer fee. Therefore, retainers are particularly efficient when you have high-volume, fast-throughput scopes of work. This is particularly relevant for services companies such as financial services, telecommunications and retail.

At the other extreme, where the scope of work is particularly small, it is illogical to have a retainer model, as it is unlikely that the agency will need to retain resources throughout the year. It is therefore better to have the remuneration linked to the specific outputs of the agency rather then spread throughout the year, to ensure the agency resources are deployed on the projects at hand.

One brand or multiple brands?

Where this is a single brand or a single business, then the agency retainer and the specific agency resources being retained are guaranteed to be deployed to the brand and business paying the retainer. But where there are a number of brands or business units retaining the same agency resources under the one retainer, there is often concern that one business or brand is getting more resources than they paid for, at the expense of the other brands or businesses contributing to the retainer.

This is particularly true where the requirements of the various brands and businesses vary greatly. The high-volume brands often feel like they are – and they often are – subsidising the work of the smaller brands. But likewise, the smaller brands feel like they aren't – and they often aren't – getting the level of service and attention from the agencies that they are paying for as their larger colleagues' demands overshadow them.

There are several possible approaches here, depending on the efficiency of the retainer, the volume of work and many of the other issues raised above.

Seasonal versus year-round

Retainers are terrific when the scope of work is delivered relatively evenly across the whole year, as the agency resources retained are evenly utilised throughout the year. But imagine that you have defined the scope of work and calculated the fee for the agency based on the required resources, yet the whole scope of work is to be delivered in one half of that year, with nothing in the other half. The traditional retainer would pay the agency too much for the half-year when nothing is to be done, and too little when the work is being done. This happens a lot with seasonal products and services.

Of course, you could retain the services for six months only, but it is not really a retainer, as what are the agency staff to do for the rest of the year? Here is where project fees are ideal as they pay the agency when the work is undertaken.

Measurable contribution

The most interesting opportunity is when agency delivery of the scope of work makes a direct and measurable contribution to the outcomes delivered by the outputs. In the most pure form, this is known in the industry as direct response marketing. But increasingly, the results of the agency outputs can be measured for effectiveness and contribution to sales, revenue and the like. This is where you can develop true performance remuneration, where the agency is paid for this contribution. In direct response, the fee is directly paid on the success, such as sales or leads. This also applies to digital advertising designed to deliver leads and sales.

There is a hybrid model here too. Where the agency is only making a contribution, the most common model is to put some of the agency retainer or project fee at risk and to pay the balance of the fee based on the results delivered.

Hybrids and combinations

There are more remuneration models than the retainer, the direct resource fees and project fees. But almost all of them are based on the cost of the resources needed. Then there are still commissions based on spend and now output models based on placing a monetary value on the outputs. But there is also a huge number of variations and hybrids of all of these models.

The fact is that there is no best-practice remuneration model. There are definitely common practice models, such as the retainer, and there are emerging practice models, such as output value models. And it is possible to choose any one model based on the criteria here. But true best-practice remuneration is not a model, only a process to design a remuneration model that best fits the requirements of the marketer and their agency or supplier.

This is why we invest so much time and effort in getting this right for our clients.

POST 19

The negative impact of overworked agency staff on agency remuneration

Posted 13 February 2017 by Darren Woolley

Any work-related death is a tragedy. But the death of a young woman at Dentsu Inc. in Tokyo on Christmas Day 2015[1] was particularly shocking because the official cause of death was overwork. Her sad demise resulted in a major rethink of the culture at that agency and contributed to the CEO announcing his resignation earlier this year[2]. But this is not an isolated incident, with a young copywriter dying from heart failure due to overwork and an overdose of energy drinks in Indonesia at the end of 2013[3].

This culture of often working ridiculously long hours is not new to the advertising industry. I remember as a copywriter and especially as a creative director often working 12-hour days and longer, including weekends if we were working on new business pitches. You had not just your existing client work, but then on top of this you were working on concepts for the pitches too.

But it does pose the question, when advertisers are still primarily paying their agencies based on the hours the agency staff are working on the client's business, or are retained to work on the client's business, of what impact this is having on the agency culture of overworking –

1 mumbrella.asia/2016/10/dentsu-employee-suicide-result-overwork

2 mumbrella.asia/2016/12/dentsu-ceo-tadashi-ishii-quits-one-year-overworked-employee-jumped-death

3 mumbrella.asia/2013/12/overwork-blamed-death-yr-indonesia-copywriter-mita-diran

and what impact a culture of overworking is having on the advertiser's remuneration of the agency.

What is considered overworking?

Let's start with the fact that most retainer agreements are based on an agreed number of billable hours per annum. The TrinityP3 remuneration calculators[4] and the Resource Rate Calculator mobile app[5] allow you to calculate the number of billable hours per year for your particular market. The billable hours per year are impacted by the standard working week, the number of public holidays per year and the standard holiday leave per year. They can also be impacted by the amount of agreed sick leave and other entitlements too. A detailed explanation and example of how to calculate billable hours per year appeared in an early blog post[6].

For the sake of simplicity, let's say that the standard working week is 40 hours and there are two weeks of annual leave and two weeks of public holidays per year. This would equate to $40 \times (52 - 2 - 2) = 1920$ hours per year. But this is billable time and does not include any hours for agency admin, professional development or any other non-billable activities. Based on a 40-hour week and an additional 10% for non-billable activities, it's just four hours per week or 48 minutes a day. An additional 25% is 10 hours per week or two hours per day, and so on.

What would be reasonable overtime? Well, we once benchmarked agency remuneration where a GAD was billing more than 3200 hours per year, or almost double the number of agreed billable hours. That's overtime of an average of 72 hours per week and involved working every Saturday (but more on this later). In the week leading up to the death of the young copywriter in Indonesia, it was reported that she had worked three days straight without a break. Crazy overtime.

The impact of overtime culture on advertisers

The death of anyone is sad and tragic enough, but the fact is that excessively long working hours also have an impact on performance. Several commentators on the Dentsu situation have been quick to point out that the woman was working for the Digital Division that was later at the centre of a public apology[7] to more than 100 clients who had been overcharged, including one of Dentsu's oldest clients – Toyota Motor Corporation.

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4 trinityp3.com/calculators

5 trinityp3.com/mobile_apps_for_business

6 trinityp3.com/2007/03/how-many-billable-hours-are-there-in-a-year

7 mumbrella.asia/2016/09/100-clients-involved-dentsu-transparency-scandal

This is not coincidence, as research has shown that long working hours backfire on both the individuals and the companies they work for. A *Harvard Business Review* piece on the topic of overwork[8] found that no matter what the cause – a desire to get ahead, or fear of not performing in a culture that supports overwork – the results are a disaster for the individuals and their companies.

Yet within the advertising industry, there is still a culture that encourages overwork. An article about a senior industry manager defending long working hours was published just weeks before the death in Indonesia[9]. The question is: Why is this so entrenched?

The issue is money, specifically the advertiser's money

So, as an advertiser you are paying for the agency resources by the hour, be it charged to actuals or retained. But the fact often overlooked is that in agencies the staff get a salary and do not get paid overtime, so whether they work their 1920 hours a year or they work 3200 hours a year, that human resource costs the agency the same amount.

The agency needs to recover the cost of that salary, so they need to ensure that the resource is billed out for the agreed number of billable hours per year at the agreed rate. In this way, they recover the salary cost for that person, plus the overhead cost (I describe what is covered by the overhead in an earlier post[10]) and the profit margin. So if the resources bill 100% of their time, the agency not only covers their cost, they also make a profit.

But what happens after that? What happens if they bill that resource out for another 1920 hours? Well, now that resource becomes a huge profit centre because as you remember, agencies do not usually pay overtime to their staff. Instead, they create and support a culture where the staff will feel obliged to work extended overtime hoping for advancement or, even worse, to avoid being fired. So once they have recovered their costs, overheads and profit, every dollar the agency bills becomes revenue and ultimately profit, making the culture of overworking a significant financial windfall and perhaps an incentive to encourage this practice.

A prime example of the cost

Take the GAD mentioned earlier. He was 100% dedicated to the client as part of a retainer and cost $528,000 per year. This was salary plus $200,000 in overhead recovery and $88,000 in profit. The reason we were

8 hbr.org/2015/08/the-research-is-clear-long-hours-backfire-for-people-and-for-companies

9 mumbrella.com.au/ums-mat-baxter-calls-industry-stop-apologising-long-hours-191256

10 trinityp3.com/2010/03/what-is-included-in-the-overhead-when-calculating-the-agency-retainer

engaged was because the agency was claiming that the additional 1280 hours he logged on the account required the client to pay an additional $352,000. Now this is a lot of overtime – about 12 hours a day, six days a week. But the only person paying for this overtime was the GAD in lost free time and his health and wellbeing, because the agency was not paying an extra cent.

The client's contract capped the payment to the agency at 100% of any fully retained resource, because we'd advised on the contract and did this to make sure there was no financial incentive for the agency to squeeze their employees into working overtime and short-change the client on the range of resources retained. What we mean is that we have seen agencies have staff on retainer and they overwork some members of the client team to free up others to work on other accounts while claiming that they are all working on the account.

The real question we were brought in to answer was how much value the additional 1280 hours brought to the client. Now remember that all of the research shows that when people work excessive overtime, their productivity falls dramatically, so the first issue was that we needed to reduce the hours the GAD claimed they were working. I say 'claimed' as timesheets are notoriously inaccurate in advertising[11]. In this case, as the person was 100% retained in the account, there were no timesheets, just the number of hours they worked each day.

Based on the scope of work delivered, it was clear there was a small increase in agency resource requirements, but it was difficult to understand the significant increase in the GAD's billable hours. Even taking into consideration the changes in the agency team over the year, it was clear that the value was not being delivered to the client.

Don't fund the agencies' exploitative culture

The single most expensive cost for most agencies is their people. Yet the agencies have become very good at squeezing the value out of these expensive resources – overworking them on clients or across multiple clients, making them work on new business or other business. This simply increases health issues for the staff, reduces productivity, increases mistakes, and lines the agency with additional profits not passed on to the staff in overtime payments.

But there are things you, as the advertiser, can do to ensure you are not encouraging this exploitative culture and at the same time make sure you are maximising the value the agency delivers:

11 trinityp3.com/2006/08/creative-time-sheet-keeping

1. Change your agency remuneration away from the cost-based model to a value-based model.
2. If you do continue to pay retainers, only retain full-time staff and make it clear they are not to work on other accounts.
3. Use a scope of work to manage workflow expectations and ensure peaks and troughs are handled.

Of course, it is not up to you, the advertiser, to tell your agency how to run their business, but the fact is that the culture of overwork within agencies ultimately ends up costing you, the advertiser. The teams working on your business are becoming less productive and making more mistakes, and you may end up paying more for less and simply making the agency more profitable.

While it may all seem too hard and you feel you are overworked too, we can help you.

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Update, 24 February 2017: A report from the Philippines states that another agency death is possibly due to overwork[12].

12 campaignasia.com/article/ogilvy-philippines-confirms-employee-death/434102

POST 20

The secret to transitioning from print to digital media

Posted 16 February 2015 by Chris Sewell

Now don't get me wrong here. An organised transfer of marketing spend away from printed materials to an efficiently managed investment in digital channels is the only game in town. Unfortunately, in reality what happens is that the number of digital suppliers disproportionately increases, costs blow out, and visibility of the process becomes blurred at best. You'll still have a good view of the dwindling print spend, but the money going into digital will now be lost in the strange www.world of acronyms and gobbledygook.

An example of how to wrestle back control

First, it does depend on where you are on your transition away from print. Let's paint a picture using a recent project for a major company that shows how transitioning from printing to digital can be approached.

This company had a large annual spend with a traditional printer and as the contract was expiring, their governance dictated that they had to go out and test the market. Marketing already had a comprehensive digital strategy in place with their agency, but they were looking to the future and how new technology could replace traditional commercial print communication. So their challenge was how to link the mandatory need to review the print contract while at the same time move away from printing in an orderly fashion.

From a procurement standpoint, the signal 'to go to market' would automatically ring alarm bells with the incumbent. An easy win for them would be to just extract yet another 'pound of flesh' from the current supplier. It is, after all, more cost-effective for the printer to retain business than it is to go find a replacement customer. The alternative is to test the wider market and seek a larger reduction in the print spend. But while this does tick the savings box, replacing one printer with a cheaper one will not help uncover opportunities to use more-effective digital tools.

Staying with the traditional model of either a printer, print group or print-focused manager will only enable you to watch the print spend reduce year on year, but is this quick enough and where is the money now going?

Finding a better mouse trap

Let's return to the example company. They originally went to the wider traditional print market and could immediately see the financial cost benefits of switching printers. But where was the long-term vision? What could these printers do to help the organisation move away from print when digital alternatives were available? The problem is that if printing things financially rewards a printer, there is no incentive for them to assist you to print less or recommend the latest digital innovation.

This forward-thinking customer decided to revisit the original tender. They re-engaged with the marketing department to better understand their current and future print and digital requirements. With this information, they adjusted the tender and then went out again to the market, only this time they also included companies that managed all types of content and all channels – not just print. Importantly, they were not manufacturers of print and so were agnostic as to what channel the content finally appeared in.

By rewarding potential new supply partners for managing the process with streamlined software, automation and account management where required, the transition to appropriate digital channels could be achieved in a more friction-less fashion. And just as importantly, the customer now gains the benefits of single-vendor invoicing and cost transparency, and will get a view of all spend during the movement from print to digital.

How marketing can uncover the benefits of the transition from print to digital

Regardless of where you are with your print contract, you should review whether your current model aligns with your planned digital strategy. Question the financial model the incumbent printer has in place with you. If they are just paid to print items, with no obvious direct revenue streams for recommending other channels, then a review is required.

This does not mean that longstanding relationships with printers need to be completely severed. Normally, a multichannel manager will happily still give an existing printer the opportunity to continue to work on suitable projects.

Do not expect change to come a knocking on your door if there is no incentive for your current print provider to suggest it.

POST 21

How to define an agency scope of work to deliver increased value

Posted 15 March 2017 by Darren Woolley

This is the first in a series of articles on agency scope of work management. Managing the scope of work for your agency is possibly the easiest and fastest way to increase the buying power of your marketing budget, by removing the duplication and uncertainty as much as possible from the agency work. In this way, you are able to get more for your agency budget without simply driving down the rates and prices.

But why is specificity so important? Anyone who is involved in manufacturing, construction or technology knows that by clearly defining and specifying the actual requirements up-front, you are able to plan and execute the construction/manufacturing process more efficiently and effectively.

What is required for a high-quality scope of work?

While in a dynamic market it may be difficult to specify all of the marketing requirements for the year ahead, that does not mean you should not specify the requirements that are known, and even include those requirements that are most probable. It is too easy to say that something is not 100% definite and postpone the process, but this comes at the expense of having the agency allow for, in their retainer and fees, whatever you may throw at them later, at a premium cost.

This is why marketers need to prepare agency scopes of work that are detailed, defined and specific in a way that allows the agency to be able to estimate resource requirements, scheduling and costs. It will also allow marketers to review and manage their requirements in a more strategic way, with a scope of work providing the basis of the plan.

Outputs can be tangible and intangible

We use a process of defining output, as the marketing communications plan will usually specify outputs based on budget and strategy. We have found that outputs encourage greater specificity compared with simply a list of agency roles and responsibilities. But in a world of increasing channel options and executional outputs, it can be a challenge defining the specific outputs required. The first step is to convert your marketing communications plan into an outputs plan that includes both the tangible and intangible requirements.

Tangible outputs are those that are clearly definable and are usually the product of a production or manufacturing process such as advertising; for example, television spots, press and magazine ads, print materials, radio spots, outdoor, webpages, apps and so on. What we term intangible are the processes that underpin and support the tangible processes; for example, brand strategy and planning, communications strategy and planning, research and so on.

Then by channel

This process can be managed across the whole organisation, or by brand or business unit. If there is only one brand and one marketing communications stream, then the process is undertaken for the whole business at once. But if there are either multiple brands or multiple business units, then defining the scope for each can be done individually and then these are brought together and reviewed.

So once you have sorted the requirements by tangibility and intangibility, it is then time to organise the tangible requirements by brand or business unit. This is usually done by channels and can be as specific as including duration, size and quantity (for example, 30-second TV, 15-second TV, full-page press, radio campaign 3 × 30 seconds, microsite four html pages and so on).

The objective is to be as specific as possible. As you will see in later articles in this series, this specificity assists with making changes later and creating agility and flexibility in the scope of work.

Then by week, month or quarter

We have written previously about the difference between a scope of work and a schedule of work[1]. The issue here is managing the peaks and troughs of the workload for the agency. This is particularly important where there are multiple brands or business units, all with their own scope of work.

Most advertisers are able to apportion their various requirements by the quarter, and in fact, some projects will fall across multiple quarters. But knowing when the briefing, conceptualisation, approvals and production fall on the calendar helps the agency ensure they have the right level of resources available to manage the project. In cases where the advertiser requirements go into the thousands of outputs – and this is becoming increasingly common with content, social media and digital marketing – then we encourage the schedule of work to be structured monthly or even weekly if at all possible.

Interestingly, retailers have no problem as the requirements are driven by the retail calendar and consumer goods companies are very good at scheduling activities for their brands. It is usually other categories that are troubled, such as financial services, telcos and the like, being high-volume and often reactive to the market rather than having a specific or visible plan.

Beyond the output, what is actually required?

Many marketers will have stopped by now in developing and defining their scope of work. But this fails to embrace the biggest opportunity for delivering decreased complexity, waste and cost. This is because it would be natural to assume that every output in the scope of work is a new piece of work to be originated. Certainly, from an agency perspective, it is more desirable to create a new piece of work rather then reuse or recycle existing work either previously developed by the agency or, in the case of a multinational brand, developed overseas.

We have defined three distinctions for the requirements and a number of subdistinctions. The distinctions are:

1. **Origination** – This is the creation of a new piece of work from scratch. It is the total origination from a new communications strategy.
2. **Refresh/extend** – This is where there is an existing communications strategy and creative expression, and there is a refresh of the creative concept or a creative refresh of that strategy.
3. **Adaptation** – This is where there is existing creative work and

1 trinityp3.com/2013/12/scope-of-work-schedule-of-work

this is to be modified to adapt to a change in the brief or even a change in the strategy. The subdistinction here is that the work could be complex or simple, with very specific definitions of each.

The important function here is that it challenges the default mechanism of making everything an origination and it encourages marketers and their agencies to look for, and specifically manage, the process of refreshing and adapting existing strategy and creative work, leaving more budget for other marketing activities.

Bringing brand value to the process

You could stop here, and many marketers and advertisers do. But there is an increasing move by many organisations to embrace ZBB for their marketing budget setting. The cornerstone of ZBB is aligning marketing investment to the return on that investment. This means sorting the scope of work against the strategic importance and the level of investment.

This is because, at the moment, the task is only output-defined and has no alignment to the importance, either strategically for financially, to the client. Without this, two identical outputs would logically require the same amount of time, resources and therefore cost, even though there may not be the strategic or financial justification for this.

Take the example of a brand that makes one brand-new television ad and runs it on and off over two years, and also makes a promotional television ad that will run for six weeks only and never be used again. Is it justified that the two are the same output and therefore have the same agency resource requirements and the same cost?

This is strategic importance, and it goes to defining the specific strategic role of each output, then values this role accordingly.

Another consideration is the financial value, which should be reflected in the budget but often isn't due to historical, legacy or other influences. An example would be a house of brands or a branded house with either multiple brands or multiple products and services under one brand. If one brand generates more revenue and profit than another, should you be investing as much in the promotion of that brand? Yet the agency would logically argue that the resources and the cost of the outputs on a valuable brand or product would be the same for a lesser-quality brand or product.

This is the basis of value-based remuneration[2].

Definition and specification are essential

Without a defined and detailed scope of work, the default position requires the agency to build contingencies. It also means you have no

2 trinityp3.com/2011/10/defining-value-based-agency-compensation

ability to be able to review and restructure the requirements to maximise efficiencies, reduce costs and optimise the resource utilisation of the agency.

Defining an agency scope of work is definitely worth the effort, as in our experience this process can deliver significant savings in agency fees and improves the agency's ability to deliver the outcomes to the quality level required. This is a win-win for both parties.

POST 22

How procurement is becoming customer-focused

Posted 9 August 2013 by The Buyer

Those who have had direct dealings with procurement managers may have occasionally perceived a certain lack of customer focus from time to time. Maybe a myopia on cost, plenty of supplier suspicions, a few risk hang-ups and high delivery expectations – just not so much mention of the customer perhaps. But that is changing.

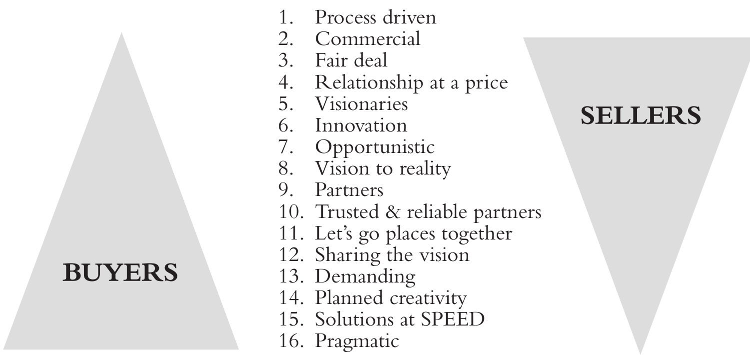
Dr John Gattorna[1], the erstwhile professor of supply management at Macquarie Graduate School of Management in Sydney, and former Accenture head for the Southern Hemisphere, has written three bestselling business books on segmenting supply chains by consumer behaviour which are gaining quite a following.

To grossly simplify his work, he argues this:

- Segmenting customer behaviour is also useful in aligning different supply chains run by the organisation, to better meet the needs of those specific customer segments – rather than running a single supply chain to serve all consumers for a firm's product … as most companies do.
- There are 16 essential customer behaviours in B2B, and each can be defined and mapped onto an appropriately structured supply chain:

1 gattornaalignment.com/john-gattorna/biography

Gattorna's 16 possible BUY–SELL behaviour segments



Source: Adapted from John Gattorna, 2006, *Dynamic Supply Chains*, FT Prentice Hall, Harlow, UK

- Moreover, the supplying company's behaviour can also fit into the 16 segments. Recognising this allows the supplier to map their typical behaviour against their customers'. Aligning their supply chain in this way will best serve the customer – and therefore, ultimately, the firm.
- However, typically, Gattorna has noticed that these behaviours rarely align at the outset – work is needed.
- That is, each supply chain should be run by a 'customer manager' leading a non-functional cluster of people within the team, geared entirely to meeting the needs of only that market segment. This is not typical. Ordinarily, firms are organised as a hierarchy – functional departments siloed into professional roles, which any supply has to traverse in order to meet the needs of the customer.
- Supply chains transcend the firm. They run through firms, often many firms. From conception to consumption, it is not rare to find tens of companies strung along a value chain, each adding some value to serve a customer segment, and forming one long supply chain.
- Supply chains compete with each other. Weak suppliers are 'fired' from your supply chain and find other supply chains to join, and then often compete with your supply chain – the one they were dismissed from.

- Each step in the supply chain must generate some 'value' for their total supply chain, and supply chains transcend the firm and its USPs (unique selling points), even its core business.
- The weakest links in the supply chain are still where buyers and sellers interact.

Gattorna's work is gaining no little traction, not least at the global fashion chain ZARA[2], who have adopted his approach wholesale as part of reducing the supply chain time for fashion from three seasons down to a legendary three weeks.

Maybe, just maybe, these procurement folks are on to something? Maybe you can add competitive advantage from the supply side? Maybe segmenting the supply chain by customer behaviour can work spectacularly well compared with traditional siloed functional management approaches?

Moreover, by working together, buyers and sellers could both be more effective by concentrating on their common enemy, not on an adversarial relationship. The common enemy is the 'waste' in the process, which still exists at a large scale. Buyers and sellers working together against this waste enemy could still achieve much greater efficiency together.

Just imagine what could happen in your organisation if procurement and marketing truly worked together. In the future, it is entirely possible there will be *only* two departments in any significant company – the *marketing team* (of course) and the *supply chain* department (of course).

The marketing team would be responsible for:

defining customer needs, and designing solutions that make a profit

This would include everything from conception and research, including design and development, through to research and testing, business cases and pricing, and all promotional planning. But marketing would not manage engineering or operations, sourcing and supply chain, stock and logistics, factory management or production – all the domain of … the supply chain team, who would be responsible for:

fulfilling those exact needs at that exact profit – in the right market at the right time

Everyone else in the organisation would be a support service, maybe in one large pot of shared services such as finance, IT, property, HR, legal and the like. Even sales could be a shared service. Operations, engineering or manufacturing would in fact just be part of the make-or-buy analysis by the supply chain team.

2 zara.com

In this way, the organisation runs horizontally through the firm – not vertically and smokestacked into purist, functional ivory towers. This, argues Gattorna, allows everyone in the firm to align to the customer, and particularly the specific segments they offer through their behaviour.

Each market segment would have its own cross-functional team – led by a marketing segment manager and pulled together from the disciplines in the business – entirely focused on just their segment, whether it be the cheapest, most expensive, blue-est, most blinged up or least serviced of the product options made. The best people would be selected for each team based on their attributes and how they match the segment's primary needs, just like picking a football team to play specific opposition on a muddy pitch in July.

The supply-side team, within the group, would be responsible for forging the supply chain, supporting the firm to align similarly … so each supplier also faces the customer segment and its services.

Gattorna and his team have already implemented this in some places, and very successfully too. In fact, they were instrumental in driving down the lead time in the fashion industry from three seasons to about three weeks, as previously mentioned for Zara. For the rest of us, it's 20 or 30 years away maybe? Or less? What do you think?

POST 23

If collaboration is causing you pain, here are five ways you are doing it wrong

Posted 26 October 2016 by Darren Woolley

Collaboration between partners requires mutual trust, aligned objectives and open communication. When executed well, it leads to mutual benefit and rewards. So when Nick Cleaver, CEO of full service agency 303 MullenLowe Australia, said he 'hates' working with other agencies and argued it creates nothing but division and inefficiency[1], my first thought was that he is probably doing it the wrong way and doesn't even know it.

Back in 2010 we provided a SlideShare presentation on the range of various roster types, from the highly diverse 'best of breed' model to the holding company 'full service' model[2]. The trend of advertisers moving from one end of the model range to the other, or to any one of the others in-between, is an ongoing process. There are recent examples of McDonald's consolidating with a single agency, DDB, in the US and more who are adding specialist agencies to already complex rosters. But the one trend that is not changing for marketers of all sizes and in all categories is the increasing need to collaborate with others – with other departments or functions within the organisation, with other organisations, with suppliers and more.

1 mumbrella.com.au/agency-collaboration-nick-cleaver-cgu-ubank-397376

2 slideshare.net/darrenwoolley/trinityp3-agency-roster-structures

So while Mr Cleaver may 'hate' collaborating with others, he will find himself increasingly isolated as the trend is working against his opinion. So in the interests of helping Nick, and anyone else who feels like him, to learn to enjoy collaboration, here are five ways you are doing it wrong and could be doing it better.

1. Misalignment of goals

So many times when marketers talk with us about the issues or poor collaboration between the agencies in their roster, the major underlying factor is a misalignment of goals between the various agencies and the marketing team. Of course, if you ask an agency what their goal is, they will ideally tell you that it's to assist making the marketing team successful. But this denies the very powerful but often unspoken goal of maximising revenue and profit on the account.

The same applies when you are trying to create collaboration between functional teams within an organisation, or even between two separate companies collaborating on a project. If the objectives are not clearly articulated and agreed between the various teams working on the project, there will be no collaboration.

While Nick Cleaver will read this and say that if there is one 'full service' agency, then it is easier to get alignment on the goals, that is not necessarily true. Yes, it could be easier as there are fewer parties involved. But without a clear alignment on mutual goals, it could be that the agency is working to a separate goal, which is still to maximise their share of the budget as revenue and profit – unless delivering the marketers' goal means the agency achieves their goal.

2. Bullying and not leadership

If there is one term in roster management that undermines collaboration between agencies, it is 'lead agency'.

I am sure that Nick, like most agency CEOs, loves to be appointed the lead agency. The problem is not in the term itself, but in the way the term is often interpreted by the agency. While the marketer may mean that agency is the one that provides leadership and guidance to the other agencies on the roster, many agencies think of leadership as telling everyone else what to do.

Well structured, the lead agency can become the facilitator that coordinates and brings out the best from the various teams on the roster. Badly structured, the lead agency becomes the gatekeeper who bullies the other agencies and focuses on promoting their own recommendations.

The role of the lead agency should be recognised and rewarded for getting the best outcomes and results from all of the resources across the roster.

While you may think that a 'full service' model may appear to overcome this, there has never really been a full service model. Sure, media and creative together were considered full service once upon a time, but in today's data-driven digital world, the breadth of services for many advertisers and marketers is so broad it is almost impossible to find all of these services in one agency. Besides, even in the good old Mad Men days, agencies needed to collaborate with a wide range of companies, including media publishers, technology providers, sponsorship partners and the like. If an agency finds it painful or difficult to collaborate with other agencies, how will they manage the wide range of other organisations you need them to work with?

The issue is once a bully, always a bully, and bullies never ever deliver the best results.

3. Poorly defined roles and responsibilities

It amazes me when marketers have a roster of agencies and simply throw them together and expect them to find a way of working together. It could be because agencies are often incredibly undifferentiated, with all agencies maintaining they can do everything. Creative agencies are doing public relations, media agencies are doing content marketing, public relations companies are doing social media, and everyone is a digital marketing specialist.

The best model we have seen harnesses the strategic and creative thinking of all of the agencies in the roster, but then apportions implementation responsibility to the specific agency or team with the best ability for that specific execution, and has the project managed overall by the team who conceived the idea. I say 'team' or 'agency' because, increasingly, we have advertisers developing capabilities in-house.

Many advertisers think this process is boring and unproductive, but we have actually found that the Engagement Agreement workshops we run[3] are incredibly productive in getting the marketing and agency teams to work together to decide the best way of working and how to apportion roles and responsibilities across the roster. Rather than the more formal and rigorous approaches such as RACI (responsible, accountable, consulted and informed) and the like, this is actually a process of discussing and agreeing a WoW (way of working) between all stakeholder parties.

3 trinityp3.com/delivery-implementation/engagement-agreements

4. Taking the 'I' out of 'team'

There is an 'i' in TEAM.
Hidden in the A-Hole.

As the saying goes, there is no 'I' in team (although the image above says there is and you can find it in the A-hole). Obviously, the marketing team is a team. And each agency brings a team to the roster. But ultimately, collaboration is required to have the whole group perform as a high-performance team.

The problem is that the agencies on the roster are often set up to be in competition with each other. The main competition is for a share of the marketing budget, but there is also competition for the marketing team's attention and competition for leading the process. There are those marketers who believe that this competitive environment yields the best results, even in the face of all the evidence and proof that the best creative outcomes are delivered in environments where there is trust and stability.

While Nick Cleaver would say that his full service agency is a team, many agencies that purport to offer a full service solution actually have numerous teams within the team with the same competitive issues you find between agencies. This is because either the agency has multiple P&Ls, with the heads of each area responsible for the profitability of that area. Or each area is simply competing for dominance in the advertiser relationship. Either way, one agency does not necessarily remove the 'I' in 'team'.

5. Lack of trust, honesty and open communication

The irony of working in a communications profession is that issues of poor collaboration have their roots in poor communications. Who would have thought that a room full of communications professionals could have such a hard time communicating in an open, honest and productive way with each other.

One of the signs of poor trust, honesty and communication in an agency roster is when the agencies end up funnelling all of their complaints and feedback through the marketing team, and particularly the most senior marketers. This strategy is designed to undermine the other agencies and to spread distrust of them through the marketing team. Some marketers actually encourage this process because they like the drama of the process, but largely it is destructive.

Like competition, it also exists within a single-agency team. We have seen this behaviour occurring between different teams within a single agency.

The solution is to have a facilitated and regular feedback and sharing process – not just with one agency at a time, which can potentially encourage mistrust and miscommunication, but with the whole roster collectively. If you think about how each agency is represented by an individual, then collectively the roster is the team. Therefore, while individual feedback and performance management is important, the team's performance is improved collectively.

Are you doing collaboration correctly?

Clearly, from his reported comments, Nick Cleaver finds having to collaborate with others painful, and he 'hates' it as he believes it leads to a 'huge amount of waste' (although Nick subsequently clarified his comments on collaboration[4]). Our experience is that he has probably been doing it the wrong way, and rather then reject it outright, perhaps it is time he tried a new approach.

If collaboration is a challenge or proving difficult for you, then let's talk because it is increasingly the best way of achieving the outcome you require.

4 mumbrella.com.au/agency-collaboration-love-hate-thing-406060

POST 24

Managing Marketing – the increasing role of science in marketing and advertising

Posted 23 June 2017 by Darren Woolley

Managing Marketing is a podcast hosted by TrinityP3 founder and global CEO Darren Woolley. Each podcast is a conversation with a thought-leader, professional or practitioner of marketing and communications on issues, insights and opportunities in the marketing management category – ideal for marketers, advertisers, and media and commercial communications professionals. Follow Managing Marketing on SoundCloud[1] or *iTunes*[2].

Adam Ferrier[3] is a consumer psychologist, co-founder of MSIX[4] (Marketing Science Ideas Xchange), and bestselling co-author of *The Advertising Effect: How to Change Behaviour*[5]. Here he talks with Darren about the role of science in marketing and the importance of the symbiotic relationship between the Mad Men and the Math Men in driving innovation, creativity and, most importantly, performance.

1 soundcloud.com/managing-marketing
2 itunes.apple.com/au/podcast/managing-marketing/id1018735190
3 linkedin.com/in/bladesteak
4 mumbrella.com.au/msix
5 goodreads.com/book/show/22395555-the-advertising-effect

Podcast transcript

Darren:

Welcome to Managing Marketing. Today I've got the great pleasure of having a chat to Adam Ferrier, who is a consumer psychologist and co-founder of MSIX, the Marketing Science Ideas Xchange. Welcome Adam.

Adam:

Hi Darren.

Darren:

The thing that I wanted to particularly have a chat about today is this whole idea of science in marketing, because coming from a science and medical research background I find that so many people feel incredibly uncomfortable with those two concepts.

Adam:

Yeah, I think science has historically had a kind of a shield around it which made it feel quite impenetrable, and it had no place at all in the world of marketing. To get stuck straight into it, about 10 or 15 years ago a guy called Daniel Kahneman[6], a psychologist, won the Nobel Prize in Economics and in so doing kind of discovered or built behavioural economics. And behavioural economics was the first time that economics had been treated as a science. Before that it was just a whole bunch of theories. And what they did in the world of behavioural economics suddenly made science feel much more applicable and applied, and also somewhat commercialised as well.

Darren:

I think accessible to a commercial application, because it's easier to distinguish between pure and applied science and people often argue that in our modern world people should be looking at the applied science.

6 en.wikipedia.org/wiki/Daniel_Kahneman

But there's also a role for pure science as well because that's where often a lot of initial interesting ideas are generated which will find themselves being applied.

Adam:

But I think you're already going to start freaking out a lot of people when you start talking like that, people who are going to be listening to this podcast and go, 'Shit, this is going to be too sciencey, it's going to get boring'.

When I first became a psychologist, everyone used to call psychology a soft science. It used to piss me off because there's nothing soft about it. It's just a difficult and complex science, and the scientific rigour is needed to understand and get sure footing around certain principles.

Darren:

You're right. I don't want to be a Sheldon here from *Big Bang Theory* and start saying, 'Well, there's only one pure science and everything else is irrelevant'. But I think it's because the sciences based around human beings are incredibly complex, because human beings are incredibly complex, aren't they?

Adam:

That's right. And the way I look at the science of human behaviour or psychology is that in the 50s and 60s, a really good fundamental understanding of humans was investigated and we had really kind of big effects sizes for lots of the various types of experiments that were being done, and ever since then it's gotten more and more derivative of those kinds of things. So we're finding out less and less of those big things about how humans work and it's becoming more and more nuanced.

I think one of the things that holds back science as an application in marketing is that it's just not worth it sometimes. So you might understand or find out something's really true but it just doesn't have that big an effect size. And because scientists are really keen to publish everything they learn, sometimes the effect size of what they're talking about can be really really small, so therefore it might be interesting but not really worth knowing.

The role of science in marketing

Darren:

So my interest here is the fact that I think there are a lot of things about science methodology that could fit really well with the marketing process. For instance, a cornerstone is the scientific method – the idea of how to take an observation, make a hypothesis, design an experiment, carry out the experiment, look at the results and see whether the hypothesis is proven or not. So beyond just the insights you're talking about, that science can evolve and prove and then use that to inform marketing, there's a bigger gain here from my perspective, which is to actually embrace the practices of science, to take marketing from being an opinion-driven industry to more of a fact-based or data-based application.

Adam:

Yeah, I think that's a very worthy thing to do, but there is a 'but'. I don't know why I'm being so negative about what I try to do. I think the Ehrenberg-Bass Institute[7] are doing a good job of being more science-based and evidence-based in their reporting of various marketing principles. But one of the issues is that lots of marketers don't necessarily want to know the truth. We're more interested in the whole of business and creating success stories, and more people's careers are invested in success rather than invested in doing the right things. So the scientific method, of setting up a hypothesis, doing testing and learning, and then adapting as we go, to do that you have to be open to being wrong.

I think one of the biggest differences between people in marketing and scientists is that scientists are prepared to be wrong. Well, most of them are. Some of them still lie about the edges and only publish when they prove things. But in marketing especially, you're not allowed to be wrong.

Darren:

Yeah, I've had that thrown back at me a lot, and what I say is, 'Would you rather do a small experiment that tells you whether you're right or wrong, or keep doing what you've been doing for the last 10 years, not knowing it's wrong but actually not achieving anything?'

Adam:

That's right, and I hope this doesn't sound boring but then we're back to effects size – effects size versus the resources needed to do the experiment. So if you're talking about something big and you can run a small experiment, then the effects size is probably worth the complexity of doing it.

In our market it often doesn't happen as much as in bigger markets. Take the States, where I think it's in some ways more progressed around the test-and-learn mindset because they've got the market size to warrant doing the initial exploration.

Darren:

What I'm seeing that's changing that is a lot of marketers here are talking about agile marketing.

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7 marketingscience.info

Adam:

What's changing is the ease of being able to test and learn …

Darren:

The context.

Adam:

Which is much more nimble than it has been before.

The benefit of combining the art and the science

Darren:

That's right. Digital data technology allows you to take groups of people and actually test against them and do it before you say, 'What am I going to do? Make two TV ads, run one on Channel 9 and one on Channel 7 in different markets, and see what the result is?' It's too public, so that the failure – and failure might not even be failure, it might be underperformance – would be too gross for someone to live with.

But the industry, to move the discussion forward, looks at science and marketing as two parts, and we see that with Math Men and Mad Men – which I hate. We like thinking about dipoles. We like to say, 'There's science and that sits over there' – and that's all the propeller heads – 'and here's all the cool Mad Men over here that work on gut instinct', but in actual fact the two inform each other, don't they?

Adam:

Yeah, totally. There's some really interesting businesses, mainly in the tech space, that are proving that the best results are when the two things can be kind of blurred completely. So the true innovations and the fantastic kind of marketing-led businesses that are both clever and beautiful, they somehow find a way to bring those two things together by employing people who really understand data, the scientific method you're talking about, as well as people who are humanistic, get the value of design, get the value of beauty. They bring those different kinds of disciplines together to create something great.

I disagree with you somewhat. I think they are different disciplines and I think they're very hard to find in the one person. So the clunky dichotomy of Math Men and Mad Men, while it's a bit ugly and stereotypical, I kind of think it's right. It's normally an organisation that reconciles that, rather than finding the one person who reconciles both of those things.

Darren:

So you're saying as a label it's often true that one person is either moved towards a science, analytical approach or towards a more intuitive relationship approach.

Adam:

I think so, and I think the big-picture dichotomy is also kind of true as well. And we've struggled with this in terms of purely, in a creative sense, trying to find really data-literate creatives. And they are very creative but in a different kind of way to the non-data-literate creatives.

Darren:

But it's interesting for me because in my experience, and I have a lot of friends who are scientists and especially mathematicians …

Adam:

And they're all really creative.

Darren:

They're incredibly creative. They're into music, they're into art. We talk about people like they're two-dimensional. Some of the greatest doctors I've ever worked with are also unbelievable cooks and artists and musicians, and yet they perform amazing surgery and do unbelievable research. The idea that someone fits a pigeonhole of either being creative or intuitive doesn't feel real to me.

Adam:

It doesn't to me either when you talk about the person in a holistic sense, but maybe when you come down to the craft of what they're actually getting paid to do, maybe they do tend to fall into one box or the other a little bit more. So your surgeon could be a really beautiful musician, but would he take a creative approach to surgery? Probably not. He'll probably take a more scientific approach to that.

Darren:

His application would be different, except that even in the scientific method we mentioned before, the observation and hypothesis is a creative process.

Adam:

It is massively creative.

Darren:

And in fact, what I like about it is it's a distillation. When anyone asks me what creativity was when I was a creative director, I go, 'It's a bit like coming up with a hypothesis'. You observe, you think about it, and then you create a hypothesis. The hypothesis is the interpretation of the patterns you saw in the observation that perhaps no-one else had seen previously. And to me, that is creativity.

Adam:

That's right. Coming back to these tech companies, you've got beautiful platforms that feel great purely based on data, but people tend to test and learn and optimise within a various area. They tend to get very skilled and a little myopic in that. Then they sometimes tend to optimise what's best within that particular world rather than being able to take a step back and look at the broader picture.

That's what I mean by maybe, sometimes, these people have both skill sets, but when it comes down to the applied craft or what they're doing, they enter a particular mindset and maybe it's harder to change gears.

Darren:

Compartmentalisation. Maybe if there were more women and less men, that wouldn't happen?

Adam:

Who knows? I'm not even going to touch that subject.

Darren:

There's a good example of what you were saying before about bringing the two together. The guy at Pixar, John Lasseter, the animator who joined Pixar from Disney at a time when they were all coders, in the early days of creating computer visuals. They'd be so excited because: 'Look, I've made a ball bounce up and down and look at the shading on it'. And he'd be excited with them and what they'd created, but he'd go, 'That's interesting. Could you make a rod that's bent in the middle?' And they'd go, 'Oh that's interesting', and then he'd leave and they'd do their coding and the next day or week he'd come back and by the end of it he'd actually created a whole human being. The ball had become the head, rods had become arms and legs, and he'd actually created something that people could relate to.

Adam:

It's a great example. It's a really nice articulation of what I was trying to talk about, and I think for the same reason that's why we created MSIX. There are loads and loads of people with these amazing skill sets doing really interesting things and they just need to meet the right person and create the right connection.

That's the reason why we brought these sciencey kind of boffins who make robots or have really nice data and analytical skills together with more kind of lateral thinking or people who come from different contexts or different parts of business. Being able to make those kinds of connections and bring those two things together a little bit more is important because I think one thing feeds off the other. The science and the creativity feed off each other and it's just about trying to find those connections to get the best of both worlds, rather than seeing yourself as one or the other.

Darren:

A lot of people talk about how – and there've been scientific papers on this – diversity in all its shapes and forms actually increases innovation because it's actually the meeting of different perspectives that leads to new ways of thinking.

Adam:

Isn't it also creating the environment for that diversity to hit each other and ping into something new and it's creating kind of collisions? That's a fascinating space and it's how to construct creativity and innovative thinking.

Darren:

I think that's where a lot of people talk about the consulting firms moving into the world of the agency, and maybe one of the things that agencies have lost is this idea of, 'What is the core of the agency?' It's creating an environment and a culture for people to be creative, to be innovative, to think differently, and the consulting firms are trying to find ways of moving into that space.

Adam:

Yeah, I think it's a really interesting observation in terms of creative agencies especially forgetting what they're getting paid for. What they're getting paid for is to come up with these lateral, more creative ideas and not trying to wear the trappings or look the same as other areas of business.

The issue is that other areas of business are trying to steal or trying to morph into what creatives are like. So the weirdness that creative agencies used to have has now been usurped and they no longer seem or look or feel a little bit weird or freaky, and I think that's to their detriment.

Darren:

I think that people that used to be attracted to agencies are now going to tech start-ups.

Adam:

Or they're going to Google, as we saw from the Special guys[8].

Darren:

They're finding new places that create that opportunity for them to be able to expand the palette that they work on, because when you think about it, creativity for a lot of agencies is how to come up with another TV ad or a web page. You know, the palette has shrunk.

Adam:

For many the palette has shrunk so much and again, that's kind of why I

8 specialgroup.com.au

love this idea of the Marketing Science Ideas Xchange. The other thing I also do is I'm chairman of the Consumer Psychology Interest Group, which is a group run by the Australian Psychological Society. I'm absolutely fascinated by trying to make creativity more accountable and more evidence-based, so that we know we're doing the right thing or trying to solve the right problem rather than just trying to be creative for the sake of it.

My passion is actually not science or even marketing science. My passion is ideas and I love them, and the more out there the better. But if they're not doing the right thing by the client's business, they're not only useless, they can be harmful.

Providing a scientific framework for ideas

Darren:

As an industry we talk about ideas, but I think a lot of the language actually diminishes the power of what we're talking about. When people talk about the big idea and it's really just a TV ad, it blows me away. The number of times people have said to me, 'Oh, we had this big idea', and I watch it and for the life of me – and I am advertising-literate – I'm trying to find what was the idea beyond an entertaining piece.

Adam:

The phrase I look out for is, 'Here's the big idea, it opens on …' As soon as you hear the big idea opening on a certain scene, you know you're being sold an ad.

Darren:

Where was the insight? Where was the opportunity to disrupt or change the status quo?

Adam:

Rory Sutherland from Ogilvy speaks very very articulately on this. He says part of what the scientific revolution is doing within marketing is giving us a language and a confidence as to why things work, so we are much better able to go on the journey of doing something if we can articulate why we know it's going to work and the principles behind why it's going to work.

So we no longer have to have the big swinging-dick ECD [executive creative director] saying, 'Trust me'. There's a whole lot of language behind what they do as to why they work, and most creatives – the ones I've met – are kind of sensitive, get the Zeitgeist, the good ones at least get it, but they struggle with the language. They struggle with being able to articulate why it's going to work.

If they can't articulate why it's going to work, then the marketer can't articulate why it's going to work. So science and its whole scientific process of trying to understand and having a more scientific nomenclature around what we do, how humans work and all that kind of shit, at the very least will give us the basis to articulate why it's going to work.

Darren:

It provides your framework. I remember, as a creative director, and having teams present … I was the big kahuna. I was there and the teams would present work and I would look at the idea and I would want to understand where it came from and I'd often say, 'Where did that idea come from? What was the thinking that led to it?'

And creative people genuinely are not often able to reflect back on the process because it happens often at a deep subconscious level that they can't then deconstruct to be able to give you that sense of 'This is the process'. Sometimes, process is enough for people to be able to believe in something beyond what's just being presented.

Adam:

I can remember many years ago when an ECD said, 'Do you mind writing up this idea?' I was surprised that they needed someone else to write the actual idea up because it was a beautiful idea. They just didn't have the ability to kind of zoom out of it.

Darren:

It's perspective, it's the creator's curse, because sometimes they are so deep in the creation of the idea they're not able to leave it sitting on the table and step back away from it to actually get perspective.

This is the thing, you mentioned before the role of commercial ideas in a framing of commercial relevance. The human mind can produce millions of ideas, and in fact people who are completely in touch with being creative will have thousands of ideas, and maybe a handful of them will be enough top-of-mind that they are able to articulate and capture them, but what makes one idea in a commercial sense more valuable than another is its application to actually driving change.

Adam:

Yes.

Darren:

Yet the number of creative people that say that the thing they hate is that framework, the framing of their creativity, because they find it is incredibly limiting in a way of judging the quality of their work …

Adam:

I think there's some merit to that. I think it's an easy thing to write off, but what they need to understand is a really tight distillation of the problem and a really tight distillation of who we're trying to get to do what, and therefore the person who's got to have that idea doesn't necessarily need to know all the machinations behind that thinking. That thinking just needs to be given to them in a very clear, distilled fashion, and then they can come up with the ideas to do that.

Darren:

Because, Adam, what I like was what you said before, that often in agencies ideas are killed based on someone else's opinion, right? Here's the distilled idea, here's the idea or the problem or opportunity we're trying to solve, I don't think that works. Whereas when we introduce a scientific framework or a language that is based on the science of persuasion, of behavioural economics, of what actually motivates people to enact change in their behaviour and develop habits, what we've got then is a language that allows the critique of the creativity in a way that is more formal and in some ways is less subjective

Adam:

That's exactly right, and that's a really exciting thought to talk about because there are two different ways in which good ideas can flourish in that environment. Number one is, if you understand the science of behaviour change, the science of psychology, then you know what ideas will and won't work by just understanding the science and various aspects of human behaviour. So that doesn't require any further research or testing, that's level one. So you can have more robust conversations about why it will and won't work.

The second level is getting back to what we were talking about before, which is about actually testing and learning and getting evidence for 'Is this going to work or not?' – which obviously, if you can make the space to make that happen, it's good, and then you can have more objective cases and more objective conversations and less subjective ones about will it or won't it work.

However, I get back to the initial issue around people don't necessarily want to know. They just want to know the success story, which is a cultural thing which we need to address.

The scientific understanding of creativity

Darren:

One of the things I also wanted to raise with you is the scientific understanding of creativity. So it all comes down to, and I'm not sure if you're aware of it, entropy. Entropy is the measure of order and disorder, and the second law of thermodynamics is that everything is getting more and more disordered – so entropy, disorder, is increasing. There's chaos theory and complexity theory and in both of those it says that human creativity exists at the boundary between the two. Did you know that?

Adam:

No, I didn't know that. But I understand it in kind of simpler terms. Understand the problem, leave the problem, come back to the problem, and in leaving the problem you create new connections, and so that will then help you come back and solve the problem. So that's how I try and understand it.

Darren:

We've both worked in advertising for decades, and the most creative people are often those who seem the most chaotic, the people who are often not neatly packaged as far as their work space goes and maybe forget things. But it's interesting because complexity theory says that if the universe is moving to chaos, which is what entropy says, then the people that exist on that boundary of complexity – because in chaos theory there are no human endeavours, it's beyond your ability to do anything – are where creativity is.

Because there are an infinite array of possibilities before it tips over into a world where you just give up and go home. I love that idea because what it says is that creativity requires a certain set of circumstances and that is an environment where anything is possible.

Adam:

So you're saying it's a good thing?

Darren:

Yeah.

Adam:

I think the only issue with what you're saying, to give a bit more of a plug for getting a scientific process within this, is that in an environment where anything is possible, with infinite opportunity, it's even harder to know what to do and it's even harder to decide what to do. So in that environment you're creating, great ideas are everywhere and therefore that can create a sense of inertia within an organisation. So how then do you know which one's the right one to do and how then do you get the evidence to know that's the best opportunity versus the others?

So then I think you come back to having to have a really good understanding of why something's going to work, which then comes back to a more scientific process.

Darren:

I think we agree because one is about generating infinite ideas, but what we're lacking at the moment …

Adam:

Is a backbone against which to know which ideas are right.

Darren:

A framework that can actually judge ideas. What is the idiom, 'Ideas are a dime a dozen'? Because no-one actually came up with a framework to judge the value of all those ideas.

Adam:

Again, just in the world of science, the macro frameworks that everybody agrees to in this whole, weird, complex kind of world of human behaviour and marketing, are non-existent. No, that's not true …

Darren:

Are embryonic.

Adam:

Are embryonic. However, there are a couple in terms of the stages of change in the body of psychology and in the body of behavioural economics. Kahneman's system one, system two has kind of taken hold, or the code of biases and heuristics kind of results are starting to take hold, and various people are trying to shape all of those.

That's a fascinating space to be in because in this world of complete and utter chaos, these frameworks are becoming more and more valuable, and what I would suggest to your listeners is to understand the framework your organisation lives by. How do you make decisions and how much of this do you take onboard?

Do you want to be an evidence-based culture, do you want to be an intuitive-based culture, or somewhere in-between? And it's very important to kind of set up the framework of how you make decisions and work things through rather than reinventing it every time because the businesses that reinvent it every time …

Darren:

They waste a huge amount of effort.

Adam:

Exactly, and they become tense places to be in.

Darren:

Again, going back to the scientific method, that's the idea that you don't reinvent every time. Everything is an incremental improvement on what you knew before.

Adam:

That's right, and there's a process and people know where they are in the process, and that's really kind of comforting, I think, especially as we get more and more complex.

Darren:

What I like about this is that people will often say that there is no process to creativity. You articulated a process before: immerse yourself into the problem, allow it to percolate in your subconscious, in the back of your mind, then the generation of ideas that come up with it. That's a process. It was in James Webb Young's *A Technique for Producing Ideas*[9]. It was exactly that process articulated almost half a century ago.

Adam:

Then before that process there's a quite formulaic process in terms of solving business problems, so we would always take the business problem, try and understand who we need to do what, versus who's going to account for the most variance to solve that problem. Once we understand the behaviour change required, we would deep-dive into that context, and then once we understand that, start to generate ideas.

I feel pretty confident with that as a starting point, but it's not necessarily right for everyone. I'd encourage people to develop their own, spend time developing that process.

Darren:

It's a discipline and it requires discipline, and I think it's something that would be of benefit to the whole industry.

Adam:

Yeah, I think so. So if I can just plug joining the Consumer Psychology Interest Group[10] and also come along to the Marketing Science Ideas Xchange – it's in its fourth year this year. We have great keynote speakers, this year we've got an absolute ripper, and there's also the Marketing Science Ideas Awards – which are three years old – where we ask people to write papers according to the scientific method, which next to the Effies is the only award show that really takes effectiveness seriously, at least as seriously as the creative component.

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9 goodreads.com/book/show/534755.A_Technique_for_Producing_Ideas

10 groups.psychology.org.au/cig

Darren:

We'll make sure it goes with the podcast, all the details from the website.

Adam:

Sorry, I didn't mean this to be so crass.

Darren:

No, I think it's a sign of good media training: take every opportunity to promote the interest. Adam, thanks for your time, thanks for dropping by and having a chat.

Adam:

Cool, no problem. Thank you for having me.

POST 25

A new approach to segmenting marketing and advertising agencies and suppliers

Posted 17 September 2012 by Darren Woolley

There are times when we will be contacted by either a marketer or procurement and be asked to assist with a BTL review. My immediate response is to ask them to define BTL, and most will say the advertising activities that are not ATL. Pointless really, but caused largely by the fact that the language has not kept pace with the industry, so much so that very quickly people were talking about the need to go TTL (through the line).

In most cases people don't know what the *line* is that the agency or agencies are above or below. When I first moved from medical science to advertising, I was fascinated by the fact that I was in the ATL creative team and the guys down the hall in the catalogue department were BTL. There was a smug superiority about being ATL.

But what should have been the death of the *line* is digital because the digital communications platform is above, below and through all at once. In fact, the best examples of digital marketing are usually best demonstrated by the people skilled in data and interactive marketing who in the old days were BTL in direct marketing. Take the best direct marketers, add technology understanding and competence, and you have a powerful marketing tool that deals with data and digital in a highly effective way.

So the *line* has some competitors, with paid, earned and owned[1] being the segmentation from the media agencies. This is a way of segmenting the thinking and approach to channels, being the channels you own as a brand (for example, websites), the earned media channels where the brand is promoted (social media), and the media channels you paid for (traditional media). But while it is useful in thinking about how these channels interact and can be planned, it does not really help in the segmentation or categorisation of the agencies and suppliers required as increasingly many are managing all of these.

Then there is the distinction between channel and content[2], one being the message and the other being the delivery mechanism. It is neat and simple, but beyond segmenting media from creative, it does little to differentiate between the various media suppliers and content providers.

About three years ago we started working on more and more roster reviews, not just selecting new suppliers and agencies but reviewing the current roster composition and structure, and this led us to develop a segmentation based on the strategic marketing requirements of the brand[3]. It works with three simple categories of agencies/suppliers:

1. strategic – the one or two agencies that have the skills to contribute significantly to the strategic development of the brand
2. specialist – the agencies that have the specialist skills required to deliver the strategic and tactical requirements of the brand
3. simple – those suppliers who provide a simple or general service required to deliver the requirements.

Take a look at the video where I explain the approach[4]. The three segments can be unique to each brand because they are based on the strategic requirements of that brand.

Thinking about your strategic requirements, how do your agencies and suppliers fit into this system? Are there some that are difficult to place? Let's see if we can't work it out together.

1 trinityp3.com/2012/04/a-fresh-approach-on-how-to-use-paid-earned-and-owned-media

2 trinityp3.com/2010/07/replacing-above-the-line-atl-below-the-line-btl-with-content-channel

3 slideshare.net/darrenwoolley/trinityp3-strategic-supplier-alignment-process

4 youtube.com/watch?v=y2tZdycIBXQ

POST 26

Why the difference between political and government advertising matters

Posted 2 August 2013 by Darren Woolley

What is the difference between 'political' and 'government' advertising? The *Broadcasting Services Act* defines a 'political matter' to mean any political matter, including the policy launch of a political party[1]. And if the advertisement is political in nature, then it must include the 'required particulars' if the broadcasting was authorised by a political party, including:

1. the name of the political party
2. the town, city or suburb in which the principal office of the political party is situated
3. the name of the natural person responsible for giving effect to the authorisation.

I am sure you are familiar with this at the end of all government advertising broadcasts in Australia.

1 austlii.edu.au/au/legis/cth/consol_act/bsa1992214/sch2.html

And that is the point. All government advertising is considered political advertising in Australia under the current interpretation of the Act because it is considered that all government matters are political. But why does that matter?

Well, for the government (of either persuasion) this becomes a political football, with Opposition parties constantly complaining of governments using government advertising for political purposes[2]. Now there is an outcry about the current government advertising on 'asylum seekers'[3]. But beyond this, there is a significant impact on public funds.

Talent fee loading

There is an interesting loading in the MEAA (Media, Entertainment & Arts Alliance) actors agreement for commercial voice overs[4] which states that for political advertising, the rate will be 'double total fee'. This is because the identity of the person supplying the voice over is revealed in the 'required particulars' and the actor may not necessarily want to be associated with the political message contained in the advertisement.

You could argue that the MEAA should change the agreement to drop the loading, as they have done previously with a similar loading for alcohol advertising. But unlike alcohol advertising, the requirement of the Act means that the actor is named as part of the required particulars. In the 'Unchain my heart'[5] campaign for tax reform, this meant singer Joe Cocker was named for singing the lyrics to his song, which was licensed for the campaign. The actors argue that the loading is compensation for this loss of anonymity.

So it means that at the moment, all government advertising (as it is indistinguishable from political advertising) must pay double the voice-over fees of any other advertiser. The fee for a voice over in a 30-second television commercial in more than one state is $880. But the government must pay double this – $1760 per actor. So a government health campaign to make the public aware of the risks of obesity, in an attempt to improve quality of life and reduce the associated health costs, will pay twice as much for their voice-over services compared with a multimillion-dollar brand that is potentially adding to the obesity crisis.

This applies to all government television commercials and all government radio commercials, plus extra loadings (which are also doubled) for telephony and internet. If you multiply the number of voice

2 theage.com.au/articles/2004/06/28/1088392600124.html

3 mumbrella.com.au/government-no-visa-168352

4 meaa.org/resource-package/commercial-voiceover-rates-2016

5 en.wikipedia.org/wiki/Unchain_My_Heart_(song)

overs by the number of commercials by the number of uses, you start to get a sizeable cost to the public purse.

If there was a clear distinction between political and government advertising, then this double loading would not be payable. Until then, all taxpayers are paying double the rate of any other advertiser, from the smallest to the global giants, for the same service.

Government advertising costs

In a democratic society, there is clearly a requirement for governments to be able to communicate with the electorate. This could be to inform them of their rights and responsibilities under new or existing laws or Acts of parliament. It could be to encourage compliance or social change to fulfil the objectives of laws or Acts of parliament. But not all government advertising is associated with existing laws or Acts passed by both Houses. Often, government advertising is simply the current ruling political party using government funds to promote and curry electoral support for their policies, before or during the process of having them debated in parliament.

We have seen this behaviour with both major parties. Work Choices[6] is probably one of the most notable for the Liberal Coalition, and more recently the carbon tax[7] for the Labor government. In fact, in this federal government election year, government advertising spend has increased by 50%, according to the Standard Media Index[8].

There is constant criticism of government expenditure on advertising from the media, the public and Opposition parties[9]. But imagine if there was a way to separate out the political advertising from the legitimate government advertising.

Defining a difference

It seems to me that it simply requires a definition of what is legitimate government advertising, and then all other government and political party advertising becomes political. If you accept that there is a role for the government to be able to communicate, inform and encourage compliance and positive behavioural change to meet the objectives of laws and Acts of parliament, then the starting point is to define these.

There is a big difference between a policy or a Bill that is before parliament and a Bill which has been passed by the majority of both Houses of parliament and gone into law. If a party or even the elected

6 theaustralian.com.au/news/work-choices-ads-cost-121m/story-e6frg6n6-1111114652423

7 smh.com.au/federal-politics/political-news/168m-in-carbon-tax-ads-20120404-1wd75.html

8 mumbrella.com.au/government-ad-spend-up-50-per-cent-as-print-and-mags-take-a-hit-156120

9 cpd.org.au/2007/11/unchain-my-heart-regulating-government-advertising

government is wanting to promote the benefits or otherwise of a policy or Bill before the House, then that is in the primary interest of that party. The argument that they have the mandate of the people would be ultimately proven by its successful passage through parliament. Therefore, it is reasonable to suggest that advertising this prior to it being passed by both Houses is political in nature.

On the other hand, having been passed by both Houses of parliament, a Bill is then considered a law of the land, to be tested and challenged by the judicial system if required. But nevertheless, the business of government is to ensure that all of those citizens who have rights and responsibilities under that Act or law should be informed of the same and encouraged to comply or benefit. This is government advertising and would be considered, by any reasonable person, a legitimate cost of government. Political advertising, though, should be considered a cost to the party that requires it.

Is this too simplistic an approach? I know that the business of government is considered complex. But a blanket rejection of legitimate government advertising to inform the citizens of their rights and responsibilities would only damage democracy.

Separating political advertising from government advertising would immediately reduce the cost of voice-over talent and remove the double-loading penalty currently paid by the Australian Government and ultimately the taxpayer. But more importantly, it would bring clarity to the level of government advertising investment.

POST 27

What are we to make of the holding companies in 2017?

Posted 15 February 2017 by Michael Farmer

The marketing communications holding companies, like the industrial conglomerates that preceded them, were created through M&A transactions and run as decentralised financial holdings. In this business model, acquired agencies and businesses are expected to improve their financial performance by growing revenues, profits and profit margins. The holding companies make additional acquisitions, using their ever-increasing stock market prices to buy more efficiently.

The holding companies become perpetual 'share price growth machines' as long as their acquired businesses have 'unrealised performance potential', and as long as there are businesses left to acquire at reasonable prices. Interpublic (1960), WPP (1985), Omnicom (1986), Publicis Groupe (1988) and Dentsu (1997) have had exceptional track records of success, and the senior executives of the holding companies have been well compensated.

Looking ahead, though, the holding company machine is unlikely to operate as in the past. Too much has changed.

1. Creative agency 'unrealised performance potential' is drying up

Creative agencies have gone to the wall *annually* to deliver improved margins to their holding company owners. This has been done in the face of procurement-led fee declines and marketing-led scope-of-work workload increases. Creative agencies have few additional reserves to call on. Their people are severely underpaid and stretched, employee morale is at an all-time low, and agency capabilities have been diminished through underinvestment.

2. Media agency contracts and fees are under increasing scrutiny

The furore over 'media transparency' is leading clients to pay closer attention to media agency contracts and remuneration. Media agencies have been the cash cows of holding companies, helping to plug the performance gaps of their sister companies. This role for media companies may be harder to achieve in the future.

3. Reduced agency influence with clients

The original ad agencies of the holding companies, like McCann Erickson, FCB, JWT, O&M, BBDO, DDB, TBWA, Publicis, Leo Burnett, Saatchi & Saatchi and so on, did not expand their advertising capabilities into direct, digital or social marketing under their brand names during the early days of media fragmentation. These capabilities were developed by *sister or other* agencies, and clients, who wanted integrated services and had to work with many agencies rather than with one single agency. This killed the AOR (agency of record) concept and reduced the influence previously enjoyed by these lead agencies. It also encouraged clients to bring work in-house.

4. Relationship ambiguity

In the face of AOR declines, and from a desire to safeguard their revenues, holding companies became proactive in seeking 'holding company relationships' with clients. They turned themselves into 'super-agencies' that offered the full and exclusive capabilities of their diverse portfolios. However, this put their agencies in an ambivalent situation. They had to be subordinated players in holding company relationships – providing the expert people that the relationships required – and, as well, fiercely competitive branded agencies that continued to win business and deliver growing profits.

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Publicis Groupe has gone the furthest in defining itself as a super-agency, using 'the power of one' as its battle cry. Unquestionably, Arthur Sadoun, the CEO heir-apparent, will continue in this centralised (and very French) direction, arguing that although Publicis Groupe's 'silos' have been destroyed, the branded agencies will still flourish. It's a complicated concept.

WPP, which under Sir Martin Sorrell has aggressively sought holding company relationships under his 'horizontality' concept, takes a more pragmatic approach and encourages agency CEOs to take initiatives that strengthen their branded positions in the marketplace.

Omnicom under John Wren maintains a low public profile, but it celebrated loudly its recent holding company McDonald's win. Omnicom has formidable branded strength in BBDO, DDB and TBWA, and Mr Wren is not likely to take steps to compromise these assets.

The jury is out on Interpublic, but Michael Roth has resolutely (though tardily) invested in holding company staff to strengthen Interpublic's ability to pitch and win holding company relationships. Its key agencies McCann and FCB are strongly led and remain very independent.

The devil for the holding companies is in the detail – in the balance between centralised initiatives and decentralised strengthening. In the meantime, though, clients continue to weaken all branded agencies through fee reductions and workload growth. This is a problem that does not go away.

Arthur Sadoun faces the greater and riskier challenge if he moves headlong to increase the strength of the centre without fortifying his branded agencies. Should he falter, Publicis Groupe's performance and share price will surely fall.

With the benefit of hindsight, holding company CEOs should have encouraged their agencies to invest in multidisciplinary capabilities rather than remain so narrowly focused. However, profit delivery was always their number-one objective, so the agency priorities were preordained by holding company performance needs.

Holding companies are now a mixed metaphor – decentralised financial holdings that squeeze out improved profit performance from their stretched branded agencies, and operational super-agencies that win new business and assemble the necessary resources. Will these super-agencies run themselves better and become more capable than their challenged agencies? Or will they go down the same reduced-fee path? It's too early to know, but this particular challenge is one that they clearly need to face today.

POST 28

Which comes first, the media plan or the creative?

Posted 8 March 2017 by Bill Merrick

Sometimes, using a story can help put things into context. Here's one for this idea.

A chicken and an egg meet in a dimly lit bar in New York. After a few drinks, it's clear that they're heading for romance. They get a room and feathers fly. Later, in the warm afterglow of the streetlights and the hotel neon blinking gently into the room, the chicken lights two cigarettes, hands one to the egg and says, 'Well, I guess that settles that'.

My apologies, but the debate in the industry over which comes first, the media plan or the creative, is an almost certain way to fall fowl (pardon the pun) of good practice. But it does seem to me that more and more people are asking this, especially with all the new shiny toys and technology, and it's a great way of sorting the pros from the cons – the professionals from the people trying to con their way through.

In the way that the opening story has a beginning, middle and end, but no defined resolution, the real question is: What really comes first? The answer is: a lot of hard work.

There are a few clear things to work out: What do you want to say, and to whom do you want to say it? What do you want to have happen from this strategy, the objective measurements for success? And finally, what resources do you have to get the message out? In other words, a plan based upon the objectives of the business, a strategy based upon the resources you have available and a clear view of the results – all built around a very clear view of who you want to talk to and what you want them to do as a result.

Now if you take it as given that you know your resources, which will of course have been built on a ZBB that ties everything back to what you want to achieve, you will have a very clear picture of your parameters. So on to Marshall McLuhan[1] and his famous quote, 'The medium is the message'.

Those who know the medium (Marshall McLuhan) that this message comes in would know that one of the main assertions of his idea was this:

It is experience, rather than understanding, that influences behaviour.

In essence, we process messages through the experience that we get from seeing, hearing, understanding and feeling them at the same time. Which seems like the approach to a happy ending for our question. But before we get there, we should look at bad practice and feel shame that this still happens.

Sadly, a great many marketers these days decide which comes first before they've thought this through, and brief their agencies on the medium, a generalised intent, and the exacting science of the 'Let's not worry about money at this stage' approach.

As we all know, marketing departments are awash with the joyous cries of some and maybe all of these on different days:

Let's see what happens on Instagram.

We haven't tried Facebook yet.

We can't afford television.

Nobody reads newspapers anymore.

Humour doesn't work in our category.

Why don't we use somebody famous.

Why don't we use ordinary people.

I heard on the radio this morning that no-one listens anymore.

Let's get the agency to do something viral.

Can you copy the music from Taylor Swift's latest hit?

These are tremendous insights from product, brand and marketing managers based upon sometimes months of experience. So what we're really talking about here is how you, as a marketer, brief your agencies on a project or campaign so that you get a defined result.

Like grown-ups, is the answer. Talk to them all at the same time – set them the task and let them work it out. Tell them the outcomes you want, the budget you have, the marketing strategy that it must fit, and let them collaborate, cajole, cooperate and excel. And give them the time, and your time, to do it properly.

1 marshallmcluhan.com/common-questions

When treated as adults, they'll tend to behave like them and will probably astonish you with insights, expertise and solutions that you may not have. (Although I'm sure they'll let you join in if you play nicely.) You'll also find that they'll want to do it all the time. Sometimes, some of them will discover they don't need to play today and won't even be sad.

Better outcomes, less wastage of all resources, and more-targeted, more-effective messages from a lot more real work up-front. Learning that a lot more effort up-front gets a lot more satisfaction at the end is hard.

So there we are, the answer is simple. Which comes first? Neither the creative nor the media plan. It's taking the time to set the stage, getting everyone in the mood, wanting the same thing and sharing the experience. Now that's what makes a really happy ending.

At TrinityP3 we can help you find the right partners, set the right objectives, and know how much you'll need to put in and what will come out.

POST 29

What is going on with advertising creative awards?

Posted 26 June 2017 by Darren Woolley

The announcement last week[1] by the CEO of Publicis Groupe, Arthur Sadoun, that the holding company would be taking a year out from award shows and other industry marketing events has had the impact I am sure he was hoping for. Of course, this made industry news worldwide, and with my career including 15 years as a copywriter and creative director, and president of the Melbourne Advertising & Design Club (MADC) for two years, I was asked by Mumbrella Asia to make a comment[2].

My comment is that this reflects the worsening economics of the agency business and it has come to a head at Cannes this year, because in the past year, holding company growth has virtually stagnated. All this at a time when the owners of the Cannes Lions Festival of Creativity made a very public display of the value of the awards through their IPO (initial public offering) valuing them at £800 million.

But the implications are not for the Cannes awards, which like the US banks are too big to be allowed to fail. Rather, it potentially will have a huge impact on the plethora of other industry awards around the world. Let me explain.

The timing of the announcement

Mr Sadoun could have made his announcement to withdraw from award shows and other industry events for a year, to fund the development

1 adage.com/article/special-report-cannes-lions/publicis-quits-cannes-ces-sxsw-next-year-marcel/309494

2 mumbrella.asia/2017/06/publicis-groupe-awards-pullout-profound-statement-cynical-cost-cutting-effort

of the AI transformation of the agency, at another time, but he made the announcement during the Cannes Festival Week. The reason can only be to have maximum impact at a time when the global industry and mainstream media is focused on the industry.

After all, his is not the first agency network or holding company to question the cost or the ROI of these creative award shows. At the start of 2016, Amir Kassaei[3], chief creative officer of DDB Worldwide, announced that DDB would be investing less in entering creative awards for a number of reasons[4]. Then, a few months prior to the awards, the *Wall Street Journal* ran a story that reported that WPP, along with some of their competitors, would cut spend this year by 25%, in the face of declining revenue growth[5].

Yet neither of these reports received the reaction that Mr Sadoun's had. Certainly, he did up the ante from simply making cuts in investment to a one-year 'ban'. But his reaction has had maximum impact, with others openly questioning the value of creative awards[6]. Regarding Cannes in particular, Sir Martin Sorrell called for the festival to be relocated[7], and the festival organiser convened an advisory committee of marketers[8] to shape the future of the awards to meet industry needs.

Holding company financial performance

Holding company financial performance is under pressure, with Pivotal Research[9] reporting that revenues for the five largest globally diversified companies show organic growth for the first quarter of 2017 around the world of about +1.7% – for the US/North America, the comparable figure is closer to −0.3%.

The economics of this situation is well covered in Michael Farmer's award-winning book *Madison Avenue Manslaughter*[10], which tracks the downward pressure on agency revenue and the implications for agencies and their clients. The downward pressure on agency fees has been impacted further by a number of industry trends, including advertisers taking more services in-house[11], increased competition from consulting firms and technology companies[12], and declining marketing budgets due

3 linkedin.com/in/amir-kassaei-60454321

4 campaignlive.com/article/end-false-recognitions/1379124

5 www.wsj.com/articles/ad-agencies-target-cannes-festival-amid-broader-cost-cutting-1495734135

6 campaignindia.in/article/opinion-cannes-lions-are-you-worth-it/437505

7 campaignindia.in/article/cannes-lions-2017-sorrell-makes-a-call-for-relocating-the-lions-festival/437571

8 campaignindia.in/article/cannes-lions-2017-organisers-take-steps-to-assuage-concerns/437576

9 mediavillage.com/article/ipg-omc-pub-wpp-agency-growth-report-pivotal-research

10 madisonavenuemanslaughterbook.com

11 hbr.org/2015/07/6-reasons-marketing-is-moving-in-house

12 forbes.com/sites/avidan/2016/04/25/consultants-are-eating-the-agencies-three-martini-lunch/#7cd658df71f0

to the increased used of ZBB, especially by the global CPG companies[13].

Ironically, the parties responsible for this increasing pressure on holding company revenues[14] – advertisers, technology companies and consulting firms – are also increasingly bigger players at Cannes Lions and other award shows as they make in-roads into the core creative advertising business. Perhaps this is why Sir Martin Sorrell is feeling people are being ripped off by the Cannes Lions[15].

Cannes Lions Festival of Creativity owner IPO

Traditionally, ad industry awards were run by not-for-profit organisations for the industry like the D&AD Awards[16] or One Show[17] or the ADC Awards[18] or the ADDYs[19]. These organisations, like many other regional or local industry bodies, run award shows to recognise and encourage creative excellence in the advertising industry. Profits from these award shows are returned to fund the championing of creativity in the industry through the clubs, associations and foundations. Therefore, participation in the awards is not just about recognition but also about supporting creativity.

For many, the Cannes Lions Festival of Creativity was among these other global award shows until February 2016, when Ascential, the company behind the annual festival, took the step of an IPO that valued the company at £800 million. Suddenly, it was very public that the Cannes Lions were not just about promoting creativity but about delivering shareholder value.

According to the prospectus, the Cannes Lions generated a staggering £41 million in revenues in 2014, which accounted for 13% of the group's total revenue and 30% of the revenues it generated from events that year. Last year Cannes Lions attracted over 9500 paying delegates to its week-long content programme and had more than 40,000 entries from approximately 90 countries.[20]

The success of the Cannes Lions is due to the years of ongoing support by the advertising industry and specifically the agencies. The evidence of this is that during the week when the news emerged of Publicis placing a one-year ban on awards, the Ascential share price dipped. So now it is

13 mckinsey.com/industries/consumer-packaged-goods/our-insights/the-truth-about-zero-based-budgeting-zbb-for-consumer-goods-players

14 marketingdive.com/news/report-agencies-cut-cannes-lions-budgets/443652

15 businessinsider.com.au/martin-sorrell-says-people-ripped-off-by-the-cannes-lions-2017-6?r=UK&IR=T

16 dandad.org

17 oneshow.org

18 adcglobal.org/awards

19 americanadvertisingawards.com

20 adworld.ie/2016/02/12/cannes-lions-owner-makes-public-debut-800-ipo

clear that the Cannes Lions are not just about championing creativity, but doing so in a way that returns a profit to shareholders and not back to the industry that supports them.

The industry should be happy that the festival used to celebrate ad campaigns for creativity is financially successful, in the same way that advertisers are happy every time they read headlines about record revenue performances by their agency holding companies[21]. The fact is that the Cannes Lions Festival of Creativity is a product of the advertising industry. But just as the industry is changing, the festival is changing too, with an increased focus on technology and advertisers along with a generous splash of Hollywood and the music industry.

The Ascential IPO simply reminds the advertising industry that they are significantly funding the shareholder value of this company for a Festival of Creativity where they are increasingly marginalised. In fact, Mr Sadoun is reported to have pointed out the Snapchat wheel at the festival as a 'symbol of the agency world's woes', and that it 'symbolises the fact that the holding companies have lost their thought leadership in Cannes'[22].

What is the role of creative awards?

It has certainly raised questions around the role and value of the multitude of industry award shows. Twenty years ago when I was president of the MADC, we had a flourishing award show attracting almost 1000 people to the awards night in Melbourne. Today it is no longer. Yet there are more award shows today than ever before.

It is interesting to read the responses of advertisers to the Publicis announcement. Mostly, the comments from the global advertisers interviewed by Ad Age talked about the inconvenience of not having all of the holding companies and their agencies represented at the major events like Cannes and CES[23]. The fact is that in almost two decades of managing agency search-and-selection projects, I have never known an advertiser to choose an agency because of a creative award they have won. Of course, a high-profile award-winning campaign or a succession of award-winning work will help put an agency on the consideration list, just as any positive public relations would. But there is quite a lot of cynicism among advertisers when it comes to agency awards – not just creative, but also 'agency of the year' and even effectiveness awards.

This is because, often, agencies present their award track record in the best possible light, if not always the most honest. I remember three agencies

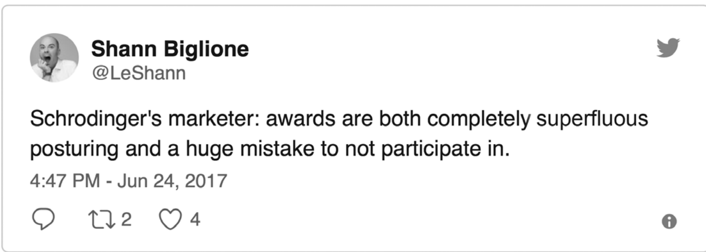
21 ft.com/content/68dd6aa3-0cb2-332e-b8ec-49cf4c1dc1fe?mhq5j

22 adage.com/article/special-report-cannes-lions/publicis-ceo-sadoun-calm-alarm-cannes-ban/309544

23 adage.com/article/special-report-cannes-lions/publicis-dropping-cannes/309520

saying during a day of chemistry that they were ‘the most awarded for effectiveness awards’, which totally confused the client. It was only later, reading the credentials documents, that it was realised they had cut the results over different years and different categories to justify the statement, but by then the impact was lost.

Marketers’ view of agency awards is summed up beautifully in this tweet from Shann Biglione, chief strategy officer at Publicis Media Greater China.



Of course, marketers are happy when their agencies are recognised for doing great work, but they do not want their agencies to be distracted by winning awards rather than doing great work for their business. Reports of the efforts some agencies go to to create award-winners are a major concern. Scam advertising[24] undermines the value of creative awards and reinforces advertisers’ belief that agencies are more focused on winning awards than doing great work.

For agencies, awards have been essential in attracting and retaining great talent. Jeff Goodby was one of the few agency leaders who was willing to comment on the record that he was concerned Publicis could have recruitment issues with this announcement[25]. Creative awards have been the way talent in the industry gets acknowledgement of their skills, and they can lead to promotions and job opportunities. But while advertisers are happy their agencies get this recognition, it is not as important from a business perspective as the award show owners and the trade media would wish us to believe.

The implications for the industry

As I said earlier, I do not believe this is the end of creative award shows like Cannes Lions, and the owners have already convened an internal

24 mumbrella.com.au/cannes-lions-scam-investigation

25 adweek.com/agencies/ad-industry-skeptical-of-publicis-groupes-stunning-move-to-skip-all-awards-shows-in-2018

advisory committee to define the future of the festival[26]. Interestingly, it appears to be composed of marketers and not the agencies who contribute the significant entry fees and attendance fees that deliver significant profits to the publicly listed company.

It will be important for the owners to manage the expectations of the agency holding companies as they manage the continuing transition from an advertising festival for agencies to a broader audience that includes advertisers, tech companies and consulting firms. Yes, advertising agencies will become more and more marginalised as the industry becomes more diversified.

Jose Papa, managing director of Cannes Lions, stated last week: 'Creativity is the core value of the festival. Our mission is the campaign for creativity, because we know it's a positive force for business, change and good in the world, and the proof for this gets stronger all the time'[27]. While he is right that creativity is central to marketing and ultimately business performance, the source of that creativity is not necessarily only available from agencies and their holding companies. If you follow the money, marketers are spending less on advertising and less with agencies and more with other suppliers who are perceived to be delivering better value – technology companies, consulting firms, and bringing more of these services in-house.

Beyond the Cannes Lions festival, the question will be: What does this mean for the multitude of other award shows the industry holds? Adspur reports there are 700 awards shows on a global, regional and local basis[28]. In some markets, there are as many as three or four award shows all awarding an 'Agency of the Year', 'Campaign of the Year' and the like. In fact, like the Cannes Lions festival, companies associated with the industry, such as event and media companies, run these awards for profit.

How long will it be before the same focus on award value that came to a head at Cannes last week is applied to the multitude of award shows? When will the agencies start to no longer support these award shows with their dwindling revenue? It is a question that only time will answer, but let's just say the writing is on the wall.

My only advice would be to not consider an IPO, because publicly showing off your profits can really annoy your customers.

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26 adweek.com/brand-marketing/cannes-lions-addresses-marketers-increased-skepticism-by-launching-its-own-internal-advisory-committee

27 thedrum.com/news/2017/06/22/cannes-lions-md-jose-papa-responds-wpp-and-publicis-there-are-lot-misconceptions

28 adspur.com

POST 30

12 reasons why brainstorming does not work

Posted 19 September 2012 by Darren Woolley

Brainstorming is used as a collaborative tool for generating ideas. And many of us have been involved in brainstorming workshops, either as part of strategy development or concept development. But there is evidence that the brainstorming process is flawed when it comes to actually creating innovative ideas.

Research from Allsorts Habit Creation, who make creative thinking a habit, have looked at the brainstorming process (as opposed to the blame-storming process made famous by Donald Trump's *The Apprentice*[1]) and have come to the conclusion it does not deliver the results expected. In fact, they have identified the 12 most common causes of brainstorming not living up to its reputation.

1. Thinking locked into predictable path

It's all about habits. We get into a habit of doing things in a particular way, and without realising it, these habits can limit thinking and behaviour. Brainstorming sessions are run in the same way, in the same location, by the same people, with the same attendees, all thinking the same way.

Solution: *Change the way you run the sessions, where you run them, who attends, and who supervises them. Encourage different ways to approach a problem … not the same way as always.*

1 c2.com/cgi/wiki?BlameStorming

2. Impact of negativity

If people go into a brainstorming session thinking it's going to be a waste of time, or that they don't have creative thinking skills, or that their ideas will be knocked back, then that attitude will have a huge impact on the outcome.

Solution: *Ensure that you foster a positive approach before, during and after the idea-generation session. Playing the devil's advocate, saying it was tried before, saying it won't get through management, and any other negative input, will stifle not just creative thought but the desire to come up with truly creative options.*

3. Ideas discarded too soon

Evaluating ideas before they have been fully developed is a sure way to kill off any great innovation. The initial idea may be illegal, immoral, impractical or ridiculous, but playing with the idea may lead to a great solution. If it is cut out and not even recorded when it is first raised, there is no hope of it leading to an innovative solution.

Solution: *Do not evaluate ideas as you go. That should be the final stage of the idea process. Record all ideas. Play with them to see which other ideas they lead you to.*

4. Lack of enthusiasm

When participants attend a brainstorming session because they 'have to', or are too busy to give it their full attention, have no interest in the problem being addressed, or 'know' it's going to be a waste of time, then poor results are guaranteed.

Solution: *Make these sessions fun. Don't try to squeeze them into a busy day. Plan a time and a place that will enable people to relax. You need to be enthusiastic about having the session and the anticipated results … and make sure that's contagious.*

5. Settling for the first idea

It's easy to latch onto the first idea that seems feasible, work on it until it's practical, and then say you've come up with an answer. The problem is that there may have been far better answers developed if the idea-generation process had continued for longer.

Solution: *Leave the evaluation process until much later when there are more ideas to evaluate. Usually, the best ideas are in fact not the first few that are considered. Push yourself.*

6. Facilitator's lack of skills

Facilitating a brainstorming session is not just asking the group for ideas. A facilitator must be skilled in creating the right atmosphere, maintaining a positive and exciting environment, eliciting ideas from the group, encouraging the development of ideas, not allowing participants' biases to influence the session, ensuring no-one dominates the session, plus many more tasks.

Solution: *Use a trained facilitator and definitely not someone who will influence the group. All too often, the facilitator is the departmental head. That usually is not a sensible choice.*

7. Ideas not strategic

Many people get carried away when challenged to 'think differently' and generate ideas that may be creatively brilliant and extremely innovative. However, they may not be strategically sound. It is important for brainstorming sessions to address both creative and strategic needs.

Solution: *Go back to the brief and make sure that your idea is addressing the objectives. Sometimes the best ideas are not the most innovative ones, sometimes they are.*

8. Not enough group diversity

Usually, the group is made up of people from the same area or department who have been working together for a long period of time, and have come to share the same way of thinking. They become 'thought clones' of one another.

Solution: *Get people involved from different areas of the organisation, or even outside the organisation – some people who deal with the problem on a daily basis and some who have never encountered it. This will encourage diversity in thinking.*

9. The dominator

So often in a group, there are one or two people who dominate. They have the loudest voices, think they have the best ideas, and dominate 'air space'. This can result in everyone else just shutting down and not contributing. And all too often, the dominator is the department head, who is also sometimes the facilitator.

Solution: *The facilitator must have the skills to be able to control these people. And if the dominator is you … you know what to do!*

10. Sealed lips

A number of people are too scared to voice their opinion for fear of ridicule, being 'wrong', or due to a lack of confidence. Or they may not want to speak until their superior has, or perhaps not want to disagree with someone more senior in their group. They have an idea but won't share it.

Solution: *Create an environment to entice these people to speak. Usually, they will feel more comfortable in a smaller group rather than a larger one, a group which their immediate superior is not part of. And give them positive feedback when they do make a contribution.*

11. Don't know how to think outside the square

It's easy to say 'Think outside the square', 'Push the envelope' and 'Think outside the dots', but most people have not been taught how to. Somehow, we are all supposed to have these abilities. In reality, that is not the case. For some people, thinking differently – creatively – comes naturally. For the bulk of the population, it is a skill that needs to be learned.

Solution: *Give people the skills to be able to think differently. Don't just assume that they know how to. Like everything else, a new way of thinking can be learned. There are numerous tools that can be used to aid the process.*

12. Encourage harmony, not debate

There should be two parts to brainstorming: idea generation and idea evaluation. In most cases, a great deal of time is spent on the first and very little on the second. And for a great number, the evaluation process is a very quick rubber stamping of a favourite idea. Harmony in the first stage, coming up with ideas, is essential. Encourage, don't dismiss, crazy ideas. However, rigorous debate is crucial in the evaluation process. It is not the time to 'go with the flow'.

Solution: *Ensure that there are two very distinct parts to the brainstorming sessions. Encourage debate – not aggressive argument, but different points of view being put forward in the evaluation phase. At this stage, don't just accept an idea without challenging it.*

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I am sure we have all seen brainstorming sessions that fail to perform. My personal experience is that even the best brainstorming session is better at getting alignment of the participating stakeholders than it is at actually creating innovation. But innovation is a more complex process than simply getting together and throwing some ideas around. One of my favourite books on the topic is the relatively small but insightful *A Technique for Producing Ideas* by ad man James Webb Young[2].

2 books.google.com.au/books?id=a8EqjMJXXEMC&lr=&num=10

POST 31

Managing Marketing – dealing with the rapidly increasing complexity of the media market

Posted 11 September 2017 by Darren Woolley

Managing Marketing is a podcast hosted by TrinityP3 founder and global CEO Darren Woolley. Each podcast is a conversation with a thought-leader, professional or practitioner of marketing and communications on issues, insights and opportunities in the marketing management category – ideal for marketers, advertisers, and media and commercial communications professionals. Follow Managing Marketing on SoundCloud[1] or *iTunes*[2].

Here, Scott Hagedorn[3], CEO of the world's fastest-growing agency, Hearts & Science[4], talks with Darren about the important relationship between science and intuition in advertising, especially for marketers dealing with an increasingly complex world. They discuss the similarities and differences between agile marketing and the scientific method, and the role data play in decision-making.

1 soundcloud.com/managing-marketing

2 itunes.apple.com/au/podcast/managing-marketing/id1018735190

3 linkedin.com/in/scott-hagedorn-3543ba2

4 hearts-science.com

Podcast transcript

Darren:

Welcome to Managing Marketing. Today we are at Mumbrella360 in Sydney and I have the opportunity of chatting with Scott Hagedorn, CEO of Hearts & Science. Welcome Scott.

Scott:

Hi, how're you doing?

Darren:

Thanks for doing the trip across the big pond from the US.

Scott:

It's been a very warm reception here in Australia. It's been actually nice to see all the lights and the vivid stuff all set up.

Darren:

And I also think it's a warm reception because, apart from Australians supposedly being very open-hearted, what you've come to talk about and share is something I think people are really interested in hearing, and that's because there is a lot of confusion for marketers. The world is incredibly complex. Marketing is becoming more complex all the time. It's not so much the answer that I hear but at least an approach to finding solutions.

The complexity and chaos of the media market

Scott:

Absolutely, and what we are trying to do right now I think is capitalise a little bit on the chaos and complexity that exist in the market. As we see things that are happening right now, there are some pretty severe holes in the syndicated datasets, especially around mobile and OTT [over-the-top] and in some in-app formats where the data is just not there for the planners to utilise.

Then on top of that there are concerns about digital brand safety and digital efficacy and whether or not it really works, and have we pushed the digital vendors too far down with procurement to where their CPM [cost per thousand] is actually generating a lot of the fraud and viewability issues. Then you have some pretty complex supply-and-demand issues happening in the traditional linear TV marketplaces, where the actual inventory itself, the pools, are drying up and the costs are going up.

So it's very complex for the marketers now to try and sort all that out. And at the same time you have a whole new kit of tools, with audience-based planning and data and data-management platforms and all the technology that's now seeking to automate what has been historically IO [insertion order] based buying, and just all of that swirling around must be complicated for today's marketer.

Darren:

So it is interesting that the reaction for many marketers is that human instinct to want to pull back. It's almost like they have hit this confusion, and there are people like Professor Mark Ritson[5] who's been very vocal about saying, 'Let's get back to fundamentals' and 'Let's focus on television only because digital has to sort itself out'. Beyond the sort of natural human reaction, there is some danger in that, isn't there?

Scott:

There is a lot of danger in that. There is a limited supply of the traditional television out there, at least in some of the markets that I work in. If you follow the award shows – and the award shows actually can be litmus-tested, if you will, for the quality of content that is being produced – there are more shows up for awards that are on Amazon and Netflix and those providers than there are on traditional terrestrial television networks.

I think that trying to revert back or put our heads in the sand thinking that TV is going to be the answer, and that the TV marketplace hasn't fundamentally changed, is a dangerous way of thinking. But for some clients, I think they recognise that there is an opportunity to lean in a little bit and try to find opportunity in the chaos of digital and making it work really hard for them.

Darren:

Yeah, because absolutely if everyone says 'It's all too hard', that's the time when there are going to be opportunities in there, aren't there?

Scott:

Absolutely. When it seems like it is too hard, that's where you have to move from being a marketer into thinking more like a hacker and try

5 marketingritson.com

to figure out how you are going to hack your way into a solution. And especially with what is happening right now with some of the big digital ecosystems, you start to recognise that digital is really an amalgamation of hacks and that you can find and capitalise on potential datasets that haven't been considered as a potential planning currency.

So for instance, looking at any virus software on mobile devices is a potential source of currency for marketing because people have installed it. They persistently install it. They update it, so it becomes an untapped opportunity to create identity and something that exists as a ubiquitous form or asset across mobile devices.

I think there are marketers that are recognising it or some of them are just frankly in the space and they see it. They know that currently they have an OTT product that is part of their portfolio that currently is not rated by Nielson or by other syndicated providers.

I tell you what drives me crazy. Near and dear to the format that we are doing right now is that podcasts aren't currently rated by a lot of the syndicated research providers that are out there.

Darren:

Crazy, isn't it?

Scott:

It's crazy, and if you look across millennial audiences, especially in North America, they are really tuned into podcasts. It is one of their preferred ways of content consumption because the editorial content is really good, they are efficient to produce, and they have broken the rules on distribution channels, to where it could be iHeart, it could be Spotify, it could be Apple.

Developing new, more meaningful media metrics

Darren:

This is the problem, and you mentioned it in your presentation today, about setting up new currencies for audiences, this idea of impressions. There's a big difference between something being served to me and me actually engaging, or even paying any attention to it at all. And I love that book from a few years ago, *The Attention Economy*[6].

Scott:

Sure.

Darren:

You know, this idea that there is a real shortage of people's attention, that is what we are competing for. I think a lot of people in media,

6 goodreads.com/book/show/475876.Attention_Economy

because they have stuck with the traditional paradigms, have forgotten that ultimately that's what we want: it's their attention.

Scott:

Right, and when is that lean-in or lean-back moment when you get to relax and maybe get a little more persuaded? Is it during the hyperfragmented workday when you are doing five or six different things at the same time? Can you really get a message to sink in? Or is it when you sit down and listen to a 30-minute podcast and you are tuning into the content and tuning out the rest of the world?

I think that competing for attention and understanding when we can get attention, versus just driving additionally more clutter, is something that we've got to get better at, and that kind of gets I think a little bit to the heart of what we are trying to do. In terms of assembling all the digital ecosystems and putting the technology pieces together, that is all done. But then understanding how people now interact with all these new forms of media, and which ones are inappropriate for advertising and which ones actually work, is the job of the future.

Hearts & Science – analytics and intuition in a name?

Darren:

So that gets me to a good segue into the name of the agency, Hearts & Science, because I remember first reading about the agency and yourself almost a year ago, because it was just after P&G, suddenly they had appointed this agency supposedly out of nowhere. But Hearts & Science, is it as literal as the idea of bringing science to intuition or winning the hearts of people or is there more to it?

Scott:

You know, it's funny, we didn't have an agency name. We didn't want it to be an acronym and our working title for our approach to the P&G pitch was Heart & Science. It is very hard to clear a name globally as well, so we ended up going with Hearts & Science.

And the science side of it, I get asked this question a lot, I think we have it legged. We have a lot of data science resources. They understand how to build stuff in Auron and Python. We have a great data environment for them to work in. We've done the right things with what I consider to be intelligent scale of linking that all up with the big digital ecosystems.

The first 15 years of my career I was a brand planner, so I am a qualitatively trained, you know, tap people on the shoulder, M&M-eating, focus group moderator, ethnographer, and we have to get better at understanding, I think, the complex relationships that consumers now have with mobile devices and how we can be relevant there, and that is not going to come out of data.

Darren:

Yeah, this is the thing I find, that a lot of people think data gives you answers. Data gives you a view of someone's behaviour. It still needs that quantum leap that comes from intuition and interpretation that you can then go back and test, which is not that far away from the scientific method.

I know you have an interest in science – we have a mutual interest in experimenting in the backyard, for another day – but that is one of the issues, really bringing that scientific method which does, contrary to what a lot of people believe, use analytics, but it also uses insights and intuition. They are not mutually exclusive.

Scott:

Absolutely not. We could be very informed about the number of times somebody's interacting with a piece of content that we put in front of them, getting access to an application on their mobile phone. And we could have all the times it was touched or clicked on, but not know if it was done in anger or malice or in joy and engagement.

We have got to be looking over the shoulder of the mobile device user and making our own conclusions about what is appropriate on mobile. I am obsessed with mobile and looking at mobile devices, and also looking at, and this gets into the qualitative side of it or the anthropological side of it, what or how are they changing people and what is appropriate for marketing on mobile devices given the complex relationship humans have with them.

Darren:

It's an intimate relationship. As a piece of technology, it's as close as you will get to having something implanted in you because it is always within hand's reach.

Scott:

It is, and how is it appropriate to market on it? I think that's the challenge for us over the next five years, because I don't see that same intimacy happening with the television in your house, but certainly with your phone. The study we did with millennials was that in the US, 70% of the time they preferred content on the mobile device and 80% of the time they wanted it in-app.

Zero per cent of the time is that rated by Neilson, by the way, right now, so that's a problem. I stretch the truth a little bit, but it is pretty accurate because getting into the STKs [SIM Toolkits] on mobile devices is tricky, or in apps. That complex relationship you have with your phone, that's where I think the heart is really going to need to kick for us because I think we really need to understand it. Understand if that is going to be the number-one marketing channel in the future – we have got to crack the code for that.

And it's also going to be cracking the code for how we show up creatively, and how we reach across the aisle to our creative agency partners to help them think about new formats, because it's very intimidating for them to let go of the 30 and the 60 or heaven forbid the two-minute, you know, slow anthemic build-up, but that is not how people consume content anymore.

Test, learn, optimise – agile marketing

Darren:

That's right. Being a creative copywriter and creative director for 15 years, one of the things is: What can I enter this in? One of the challenges we're finding, and again it goes to the science of test and learn, the agile marketing approach, is explaining to creatives why there's a need to create iterations or variations to actually test propositions. And yet these are the same people that hate it when a client will put their concept into research testing, copy testing, and yet they could actually test it in real time.

Scott:

What I think is fascinating and potentially liberating, and could redefine advertising, which has been on a downward trajectory relative to compensation, is thinking through how all these new unique applications or formats that require custom creative to be resonant to get through, is a huge production opportunity for creative agencies, to set up small studios around all the different apps and what those apps mean from a utility perspective in the lives of the consumers.

I see it as a massive opportunity. Right now we are trying to force-fit pieces back together again, and it's clunky, but starting to get to the ethnography or the anthropology of what some of these applications mean in the lives of the consumers. And then when is it appropriate for us to do marketing in that environment and how contextually do we need to show up, is really important.

I'll tell you a fascinating sort of anecdote. I was a Grand Effie judge last week and the table was split with two really excellent campaigns. One of them was for the Martin agency for organ donation, and it was the 'Be an asshole' campaign. I don't know if you've seen that, it was a great viral video.

Darren:

Yes, I've seen it.

Scott:

The other one was the Burger King McWhopper, and the two sides of the table, one was debating a really nice long form piece of film, distributed virally, and the other half of the table was debating the sophistication of the scenario-planning associated with doing the Burger King campaign. One side of the table was like, 'Yeah, this is a non-profit and they don't have any money', and the other side of the table was like, 'The Burger King campaign only had one newspaper ad and two outdoor ads'.

It was all based on the call and response between all the other players that they were trying to draw out. And they had two scenario plans in detail, like some really sophisticated stuff that was on a multichannel basis, and the Burger King one ultimately won across the finish line.

They were both with merit but I thought that the one that solved for the complexity and thought through how all the channels needed to integrate, to me felt more breakthrough. But that's just an opinion of mine.

Darren:

It is a big issue because part of what we do has to be evaluated. There's so much that you see, and I still see this behaviour – working on the strategy from the insides, coming up with the brief, executing that linear approach. Then when they execute into market, a lot of marketers and agencies are moving onto the next piece rather than taking the time to learn from the existing piece.

Scott:

Totally, totally.

Darren:

If Lord Leverhulme or John Wanamaker for the US said half their advertising is wasted, isn't 100% of that wasted?

Scott:

Potentially yeah. I think in the environment too, where it is interesting to think that especially media agencies think about the pre and the post and not the during, and they pre-plan, they launch, and then they post whether or not it worked, versus tweaking the controls on the during or planning for what incremental things are going to happen during the campaign that we can control for to amplify it and make it more successful.

I think it gets down to the need to do a lot more situational planning, and a lot of what I think is important is that in the programmatic era we have lost visibility into the context of media. And again, what speaks to the proliferation of the fragmentation of all these different channels is that they can all play very unique contextual roles if you take the time to have the debate on what you want to have them do.

That's a huge opportunity, and that is also what some of our future model looks like, is now that we've established the connective tissue and the plumbing and electronics to all these channels, it is like, 'Okay now, how do we define what their context should be in the role of the campaign and how to we get it to work together?'

Darren:

Previously I shared with you around the Cynefin framework and the idea that there is the simple domain, the complex domain, the complicated complex and then chaotic, right? So we have to admit that we operate entirely in the complex going onto chaotic, but let's stick with complex. The only way of dealing with it, according to the Cynefin framework, is that you can't possibly know cause and effect. It's too complicated. But you can do things and then monitor the change in the ecosystem to see if it is positive or negative.

Scott:

Correct.

Darren:

On that basis, admitting that we are in complexity isn't the only approach to test and learn. Isn't agile marketing the only way forward?

Scott:

It is, it is a great framework for that. That's why we went really heavy on marketing science resources embedded in the strategy teams, because of doing sophisticated and high-volume test designs, almost always testing some variation on marketing and trying to find ways to hack test digital where match-market test might not work, but you might not be able to pin it to e-commerce as the KPI becomes really important. Understanding how to write the sprint, in agile, for who is participating in the test, what are their roles and responsibilities, and how are we going to evaluate after the test whether it was successful, it's the only way to do it. That is how we are currently doing it.

The interesting thing now is that we have adapted agile from a software development practice into an agency services model, and on a global basis now we are able to look at that library of sprints of test designs that we have going in the 13 markets that we have going across all the clients, and look at the sprints that were successful and those that weren't. We haven't taken it so far as to look at the individuals that were responsible for the successful sprints and starting to tie it to their actual performance within the agency as a meritocracy perspective, but I could see us getting there.

It is certainly interesting to consider that you get your 10,000 sprints and the 2000 that were ultimately successful become scalable as sprints as we proliferate or add additional markets, so that is core to our ethos right now.

Turning hypothesis into theories into knowledge

Darren:

That path that you're going down is absolutely core to the way scientific theories are developed. There have been a number of articles and because of climate change there comes a tipping point, and the reason for the tipping point is that there are multiple sources of evidence for a particular theory. So when Darwin first arrived back from the *Beagle* and wrote *The Origin of Species*, he was absolutely shouted down, that was a heresy. When the earth was moved from the centre of the solar system out to surrounding the sun, that was a heresy as well. We've seen the same thing happening with climate change because there are still some people who deny the theory. Where do you see this approach to testing markets?

Scott:

Sure. This might be a bit of heresy so I am glad you landed on that word, especially coming from someone who has been a digital native for his whole career. As an industry, it could have been the effect of procurement or cost or recession where we starting looking at being able to transfer advertising between digital and traditional television. We lost the narrative on brand equity building and there is a part of me, especially in the wake of some of the stuff that has been happening lately in digital, that is concerned that digital hasn't been solved for on how we effectively build brand equity from a digital perspective and how we drive it.

One of the things I have that concerns me is that we might be driving the reach but we might be having the opposite effect of what we want to do, and that is something that I want to test down and prove. I think if we are in a world where the traditional TV supply is drying up but there are people in the industry saying 'Go back, go back', we have to solve for the mathematical equation of moving from TV to digital and how is it a change in frequency, a change in exposure, a change in engagement. Are there other ways to do it to where it is not seen as just a video neutral approach, but you can move back and forward between the two? I just don't believe it.

I think we have to do more research, and this is getting more into the heart side of it. We have to do more research into understanding what digital is appropriate for engagement and how we pull that together and pool enough reach so it can be an effective transfer vehicle from television. But right now my personal jury is still out on digital brand building. I think it deserves more discussion, and not in a negative way – there should be more people talking about it.

Darren:

There is something anthropological about sharing a brand statement like a TV ad or a piece of video in a way that is mass exposure and is done in a way that starts conversations. They can certainly happen on a one-on-one and we have seen it in the last few years, the Super Bowl, people releasing their videos online as a way of seeding it, but there is still something about everyone sitting down at the same time across the country, watching these and having conversations.

The thing that has never been tested is are the conversations only happening in the echo chamber of the industry or does it go outside of that, and we can certainly monitor that with social media.

Scott:

On the social media front relative to that, there is still that shared experience of really great marketing and people saying 'Wow' and getting together and being around sort of the digital camp fire if you will to talk about it. I kind of agree with you that when we are releasing stuff and maybe we are aggregating it together in Adweek, but it is pushing back into YouTube again and YouTube is the distribution platform.

That could be a little bit self-serving echo-chamber type stuff versus looking at the mass experience of marketing and live television, and I do still have a lot of heart for live television and live events. I think you can do some really excellent work in those environments, but those are fewer and further between and more expensive to get on.

I don't have the answer but looking for the 'What's next?' in terms of building reach, but at the same time building engagement and equity.

The importance of test and learn

Darren:

The great thing about a science approach is you never need the answer. You just need the question and a way to test it.

Scott:

Absolutely.

Darren:

Then you will be closer to the answer. To change tack a bit, one of the things I was really personally impressed about is the fact that, unlike a lot of people who have come to either media or technology, you also came through a direct marketing stream. My personal experience has been that direct marketers who have embraced technology are actually better than the tech pure players.

And I am a big fan of Lester Wunderman and the stuff he wrote back in the 60s, maybe earlier. The way you treat data, as getting insights into people and doing tests, because that was what Lester was doing back in those days.

Scott:

Yeah, it is interesting, because the use cases for doing direct marketing on a mass-media level are just coming to be. But seven or eight years ago there were some technologies – DoubleClick bought Teracent and Tumeri to just dissolve – that were going to get into being able to do more sophisticated multivariant stuff.

Where we've seen some success is pulling people over from Wunderman or Merkle or Rapp where a lot of our folks that are with Annalect, and then giving them the keys to the mass-media kingdom and saying, 'OK, let's do something interesting. Let's take all the audience data that we have and do a next-likely-purchase model based off that'. So for dealing with a retail client we can say, 'They bought an iPhone but their next logical purchase is actually going to be a camera'. You might think it's going to be iPhone accessories but it's not.

Our activation touchpoints used to be email for doing something like that, but now it can be the entirety of all addressable communications. And I think we're just at the precipice of starting to think through some of the more interesting stuff like sequencing different types of messaging and format on things that are more longitudinal and considered purchases.

Having the tech in place is one thing, but then having the expertise to be able to write the business rules to test this out, this is something that is more sophisticated than has been done in the past. I've got experience doing this in direct mail but I'm going to try and do this in mass media and see if it works. There's all kinds of interesting stuff we could be testing, like dayparts and formats, or looking at somebody's personal media ecosystem and how you activate it with different types of content or something that's more considered. If I'm in the automotive business, is it more appropriate or less appropriate for me to see a brand ad in the morning, afternoon or evening, or features, styling or offers? What's the right format for all those?

Darren:

And the right environment.

Scott:

The right environment, yeah.

Darren:

There are so many variables, but we can actually test them.

Scott:

We should test them. We should get into it.

Darren:

On our website we do a lot of owned and content inbound marketing, and we were sending out a weekly email, which is like the best of what we've published and what we've seen in the marketplace, and we noticed in the data that on a Saturday morning and a Sunday afternoon marketers were coming to our website. So that's the piece of data. What's the insight? This is the only time all week. I got the email on Wednesday. They've saved it. Now they're actually coming because they've got time, the visual of them sitting on their phone or tablet or watching the kids play sport on a Saturday morning.

So we thought we'd do a test. What if we sent it to them when they're looking at it so it's fresh? No, rejected. Did the test fail because it was just out of context, because it was, 'What are you doing interrupting my weekend?'

Scott:

Exactly. It's almost like they are curating the content they want to review over the weekend during the week, which could be just as much of an insight, right? So the scientific method might be, 'Hey, we found that this failed miserably, but the insight that came out of this was that maybe we could set it up for better curation during the week'.

Those types of things, those happy accidents that you find in doing tests like that, can oftentimes be just as effective and insightful and drive better marketing as anything else.

Darren:

Well, I always like to use Edison's quote about the filament for the light – about 5600 different pieces of material. And he said, 'Every failure was one step closer to success'. If only we could build that into the way that businesses and marketers think, because they all want innovation but no-one wants to fail.

Scott:

The other thing that would be helpful too on that front is preparing for the institutional knowledge transfer that is required with the pace of marketers moving around, because oftentimes I think the agency relationships outlast the staff turnover within marketing departments, and that we have to do a better job with winding the tape and getting up to speed with all of the tests that have been done in the past.

That's a tricky loop to be in, but if we find ourselves in that right now it's like, 'No, this may not have worked, but let us explain to you the reasons why it didn't work', and we have to be pretty good on the documentation to get that.

Darren:

Absolutely understand that, Scott, and the only way of seeing it overcome is not relying on an agency or anyone but to actually change the culture. Again, using a scientific approach, which is every insight, all of those tests that you've done actually can't just sit there as pieces of knowledge. They have to have a constant process of collating those individual results into a piece of wisdom or knowledge. Then that has to become the meme of internal communication so that the organisation starts to learn and benefit from the past.

Scott:

That's a great insight.

Darren:

I think marketers are often really distracted from two things: one is selling in what they do, and the other is communicating culture within their own organisations because they're so busy being outward-focused.

Scott:

For sure. We have many times been told by clients that we don't give enough job marketing ourselves.

Darren:

I think everyone's guilty of that. If you ask people around Mumbrella here, I'm probably personally guilty of over-marketing myself. But I want to thank you for joining me and I've loved catching up.

Scott:

Anytime, and we can talk backyard chemistry next time.

Darren:

Exactly, that would be a much more interesting one, especially if we still have all our fingers and toes. Thanks a lot Scott.

Scott:

Thank you.

POST 32

Why cost benchmarking is the waterboarding of the advertising industry

Posted 1 May 2017 by Michael Farmer

Procurement and benchmarking rose to corporate prominence once 'increased shareholder value' became the advertiser's mantra. Marketing declined in importance, from an investment to achieve brand growth to a cost to be optimised. Benchmarking consultants jumped on the bandwagon. The 4A's (American Association of Advertising Agencies) shamefully accepted the ANA benchmarking trend with hardly a whimper, leaving its members to fend for themselves.

Benchmarking is the waterboarding of the industry, enhanced interrogation that weakens its subjects but develops no useful information. Although benchmarking has become commonplace, it has had no positive long-term benefits. Indeed, the opposite is true – advertiser brands are still not growing, CMOs last in their jobs only half as long as CEOs, and agencies have been compromised and weakened.

For those who do not understand benchmarking practices, I have prepared a special guide for readers by rewriting an advertisers' RFP (request for proposal) and putting it in plain English. See below.

Plain-language RFP by a Big-Brand Advertiser for a New Agency

1. Purpose

Big-Brand Advertiser (BBA) is seeking a low-cost New Agency (NA) to carry out an undefined scope of work consisting of many unplanned strategic and creative deliverables that may or may not have the effect of improving brand performance.

2. Agency salaries

BBA is seeking an agency whose people are paid near or at the bottom of the range of salaries paid by comparable agencies. BBA will determine what these low salaries should be by comparing them with 'benchmarked salaries' contained in a salary database whose validity BBA and its benchmarking consultants are not prepared to reveal. If NA's actual salaries are higher than our benchmarked salaries, we'll pay at the benchmarked rate rather than the actual rate. Agency salaries should be about 50% below the comparable range of salaries paid to management consultants as validated by Glassdoor[1].

3. Agency overhead

NA should have a minimum of overhead for its operations. Zero overhead would be ideal – the homeless people in Grand Central Station provide a useful benchmark. BBA will use its overhead benchmark to evaluate how many dollars of overhead will be allowed per dollar of direct agency people. This 'overhead rate' is a moving target; we proudly reduce it every year as we drive down what we pay for overhead (see point no. 4).

4. Cost exclusions

As part of our overhead benchmarking, BBA will exclude certain overhead costs at NA like training, new business development and holding company fees for shared services. In other words, BBA will not actually cover NA's actual overhead costs, just as it will not actually cover NA's actual salary costs. That's what benchmarking is. 'Benchmarking' is a more elegant term than 'fake cost analysis'.

5. Other exclusions

We will not discuss inefficiencies from poor briefing or poor ad approval processes. We will exclude scope creep from our deliberations. We will not calculate 'price' for agency services (fees divided by scope-of-work workloads).

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1 glassdoor.com

6. Resource plans, scopes of work, and profitability

BBA recognises that NA is unable to calculate the number of people it will need, since BBA is not providing detailed scopes of work. BBA will solve this problem for NA by telling NA in advance what fee BBA will pay. NA can then allocate a number of people so that it can generate a profit margin that is 1) consistent with the fee; and 2) acceptable to BBA. This acceptable profit margin will be based on benchmarked salaries and benchmarked overhead costs as defined above, and it will be called the benchmarked profit margin. BBA recognises that the actual achieved profit margin will be less than the benchmarked profit margin, and that the assigned NA people may have to stretch themselves to complete the scope of work, but that's the way things are in an oversupplied market, and BBA intends taking full advantage of such oversupply.

7. Expectations

NA will work in coordination with many other agencies who will compete with NA for the fixed agency budget that BBA has established. NA should not expect to have much influence over BBA's scope of work or strategic direction, since NA's advice cannot be trusted in this competitive environment. BBA will handle scope-of-work development and brand strategy on its own, even though its own modest marketing capabilities have been stretched by procurement and finance over the years, and its CMOs have turned over every 2–3 years.

8. Innovation

BBA, in its perpetual quest to innovate in marketing, will continue to develop new benchmarks, like the recent 'non-working/working ratio', which defines agency creative and production efforts as 'non-working costs'. BBA will seek to minimise such non-working costs through various efforts to bring the 'non-working/working ratio' to zero, which would lead ideally to the elimination of the need for any creative agencies at all.

9. Benchmarking PR

BBA believes that its CMO can generate positive publicity for BBA by showing how innovative it is in thinking about marketing benchmarks and ratios, thus disguising the moribund state of BBA's actual brand growth rates. BBA expects NA to be a full supporter of benchmarking and to participate on ANA panels with BBA about its benchmarking innovations, thus creating industry buzz that will be fully reported in the trade press.

10. Performance expectations

BBA expects, as a matter of course, that NA will generate 'Bain-like' analytical quality and 'Bernbach-like' creative quality during its short tenure as a new agency for BBA. If NA fails, we will simply issue a new RFP in 2–3 years and exploit our growing experience with agency pitches to find an even lower-cost agency to meet our requirements, using innovative new benchmarks to be developed.

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If any ad agencies are interested in this RFP, have your 'new business' people give me a ring and I'll direct you to the right people.

POST 33

The importance of financial analysis in determining marketing priorities

Posted 1 February 2017 by Darren Woolley

In dealing with the management of marketing, a significant component of the work we do is assessing and benchmarking the value of the marketing investment of our clients. This budget is spent with a range of external suppliers. These external suppliers include advertising, digital and media agencies, but also the thousands of other suppliers who are competing for the share of the marketing budget. These suppliers can include everything from printers and merchandising providers to market researchers and software providers.

> *Don't tell me where your priorities are. Show me where you spend your money and I'll tell you what they are.*
>
> *James W. Frick*

But much like the industry discussion on whether marketing is art or science, or if the Math Men are replacing the Mad Men, the truth of the matter is that the TrinityP3 methodology uses both qualitative and quantitative approaches to provide the insights our clients require. This allows them to better understand how well their marketing investment is performing, and where and how they can improve their ROI.

The quantitative approach

While we hear that a lot of marketing consulting is simply opinion, one of the hallmarks of the TrinityP3 methodology is our use of financial modelling, analysis and benchmarking. This quantitative approach is applied across all of our services[1], including marketing structures, agency rosters, remuneration, media performance and production.

The financial approach to remuneration is not just simply cost but also the quality and quantity of the resources, along with the mix and the resource utilisation. This allows us to make a detailed analysis of current arrangements and, equally as important, provide analysis to inform the decision-making process in a pitch or tender beyond simply cost.

The detail and depth of this analysis and the insights it provides often genuinely surprise our clients the first time they work with us. The issue is that it is incredibly difficult to demonstrate the outputs of the process, as beyond the issue of confidentiality the results are often meaningless unless you understand the situation or circumstances that are being analysed.

Of course, the numerical basis of the financial arrangement make it obvious as the basis of a quantitative analysis. But as mentioned, we have developed specific methodologies beyond costs that allow us to provide quantitative analysis of sources across a wide range of marketing, advertising and media functions.

The reason this approach is so important to us is it allows TrinityP3 to not just assist our clients to make more-informed decisions, but the analysis across categories, disciplines and markets provides us with critical insights into the broader market trends.

The qualitative approach

But we also understand that marketing is more than simply money and resources. Innovation, strategy and creativity are essential tools in the marketing process. My personal 15 years as a copywriter and creative director inform our approach. This is why we do not rely on quantitative analytics alone. To achieve this, we engage with key stakeholders both inside the marketing team and organisation and outside as service providers and

1 trinityp3.com/services

suppliers. This takes both a structured and unstructured approach through surveys, interviews, workshops and discussions.

One of the key insights we have found is that there is often a difference between the qualitative findings and the quantitative results. One area is where we are benchmarking agency resources and remuneration.

It is common for the agency team to talk about the most recent issues of miscommunication or mistakes, believing that this will support an increase in the number of agency hours, only for us to find that in fact there is no inflation in the agency resources required. Likewise, marketers will often believe that agencies are understaffed or underresourced, leading to the belief that the agency is either underperforming or overcharging. Yet the quantitative analysis will show that the agency will have exactly the right level of resourcing for the scope of work delivered.

The issue here is due to perspective and framing. Often, agencies will either be responding to the casual feedback of the marketers or influenced by the most recent circumstances, while the marketers are responding to the fact that they rarely see the whole agency team and are judging agency performance based on the account team and their communications to the client.

Irrespective of the lack of alignment between the qualitative and quantitative analysis, the fact is that the differences are also insightful into both the agency and the marketers.

Quantifying and qualifying

For those familiar with the concept of structured and unstructured data, we work with both. Even when collecting opinions, feedback and beliefs, we have designed and developed techniques to provide structure to the unstructured data to allow analysis and minimise the consultant bias.

This is a major issue when the consultant relies on opinion and subjective analysis alone, as they bring their bias and perceptions based on past experience to the project. It is also difficult to address when the consultant is working alone, as they have no alternative perspective provided by working with a colleague of partner, who can challenge their assumptions, bias and misconceptions.

Even when a single consultant is working on a TrinityP3 project, we have a peer-review process to minimise the effect.

Collecting the narrative and identifying the issues, then prioritising those issues, is important as it allows us to identify the priorities of each of the stakeholder groups. Differences in the magnitude and frequency of the issues and the priorities in addressing these issues mean that we can assess where the most significant benefit can be delivered.

Even when we undertake what is primarily a quantifiable analysis, such as agency remuneration, we ensure we then test the financial findings through discussions with the agency and marketing team to provide context. We have found that the numbers will provide a very clear understanding of what has happened, or is happening, from which at best we can hypothesise about the causes. But we can probe these hypotheses with very direct discussions to understand the underlying cause.

Often, we have found that agencies and marketers prefer to provide the qualitative discussions first before we undertake the quantitative analysis. This can certainly be accommodated, but we have found that often it covers territory that is either irrelevant or minor. Instead, by undertaking the quantitative analysis first and then using this to inform the qualitative discussions, it is more efficient and effective.

Two approaches improving one outcome

It is interesting that often we find that when we initially propose this two-stream approach, some marketers are concerned that it will be protracted and costly. Instead, they often want to jump straight to the solution. But our experience has been that both time and cost are relatively insignificant to delivering the right solution.

The problems and issues we address impact more than the cost of the agency. They impact the overall performance of the marketing:

- the transformation of the marketing function through the selection and implementation of the right technology platform
- the alignment of the agency roster to optimise the performance of the entire roster
- the implementation of a media agency contract that ensures transparency and performance
- the development of an accountable and high-performance in-house resource, and more.

Marketing is a combination of science and art, strategy and creativity. Therefore, the approach we have developed to analyse the performance and management of marketing takes the same two-stream approach of qualitative and quantitative analysis to deliver solutions to improve the performance.

As the saying goes, 'Everyone has an opinion', but when you are wanting to solve a problem or issue, you need more than just another opinion.

POST 34

How many brief types does an advertiser need to brief their agency?

Posted 14 June 2017 by Darren Woolley

I have noticed recently that there have been a number of consultants and industry commentators again talking about the perennial problem of briefing. Quite rightly too, because in the endless search for advertising effectiveness, the process starts with the brief.

Joe Talcott, ex-McDonald's marketing chief and creative evangelist, highlighted nine big mistakes he notices marketers make when briefing[1]. Meanwhile, Casey Jones, CEO at BriefLogic, shared advice on why marketing briefs should not be brief[2] and the important difference between the marketing brief and the agency brief. And Bruno Gralpois at Agency Mania Solutions provided advice on the importance of focus in the agency brief, asking 'Are your briefs tight enough?'[3]

All of this is terrific advice garnered from years of experience on both sides of the client–agency relationship. But one of the biggest issues that I have not seen discussed is the wide range of briefing types, often within the same organisation.

In our work calculating and assessing agency remuneration based on the scope of work, we have been exposed to a large number of companies globally and have seen many different types of briefing formats from

1 simplehq.co/blog/the-9-biggest-mistakes-marketers-make-in-the-creative-brief

2 simplehq.co/blog/marketing-brief-should-not-brief

3 marketing.org/pcontent/show/id/kp-agency-mania-briefs-tight-enough

marketers in a wide range of categories. Here, I want to share some of these formats with you. They were identified by TrinityP3 consultants including Anita Zanesco[4], Kylie Ridler-Dutton[5] and Nathan Hodges[6], and are presented in no particular order. I think it would be valuable to try and understand and assess their purpose and efficacy.

The template brief

Very popular with agencies, the brief template allocates space for the advertiser to provide information in the appropriate format and structure. Unfortunately, the template has significant limitations, because in filtering the task at hand to fit the template, the advertiser will often miscommunicate their true intent and in the process the agency will be misdirected.

It does tick the boxes for ensuring that essential information like the brief date and the budget are requested. But many feel that template briefs lead to template creative solutions.

The email brief

My colleague in the US, Michael Farmer[7], shared an example of an email brief. This is the brief written by the time-poor marketer on the run. The subject line was 'Brief' and the body of the email read 'Have $200,000 approximately, need to do more of that digital stuff. Can you get back to me next Tuesday with plans?'

It certainly lives up to the concept of being brief, but I am not sure it is particularly informative or helpful in framing the task or the expected outcome.

The missing brief

This is the brief you have when you don't get a brief. This could be a miscommunication or misaligned expectations, but it happens following a meeting to discuss the brand strategy or the communication strategy. The agency waits to receive the advertiser's brief, and the advertiser expects that the agency has everything they need to write their own brief and get on with the tasks discussed at the meeting.

You may wonder why it takes so long to develop a campaign and deliver it to market, but it takes even longer if you never really kick off the process with a brief in writing.

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4 trinityp3.com/people/consulting-team/anita-zanesco

5 trinityp3.com/people/consulting-team/kylie-ridler-dutton

6 trinityp3.com/people/management-team/nathan-hodges

7 trinityp3.com/people/management-team/michael-farmer

The data dump brief

In our data-rich world, it is becoming increasingly popular for the advertiser to collect the data and literally dump it on the agency with a request to make some sort of sense of it. Of course, this used to happen before the technology revolution, but the data was usually research projects and sales results up to six months old. Now it is real-time and raw and bountiful. It is certainly not brief, and without context or purpose the question is whether it is worthwhile or productive.

The task brief

There is certainly a need for the advertiser to brief the agency on the challenge or the opportunity and then for the agency to work through the brief to develop and recommend the solution. But this is the type of brief that short-circuits that process and goes straight to the task at hand.

Typically, it will clearly state what is required, when it is required and how much the budget is. For example, 'I need six banner ads offering BOGOF (buy one, get one free) by next Wednesday. Budget $6000'. Not much wiggle room here – clear and brief and to the task.

The collaborative brief

Increasingly popular in an omni-channel marketing ecosystem, this is the brief where the advertiser gathers representatives from the various agencies across their roster into a room for a briefing. The briefing defines clearly the opportunity or challenge, the current circumstances, the desired future state, and what success looks like for the advertiser. The client then leaves the room with the parting command, 'You guys work it out'. Then the agencies work hard to make it look like they are working collaboratively to solve the problem at hand while quietly trying to work out how to ensure they get a bigger slice of the budget when it comes to execution.

The directional brief

This is the brief that often on paper looks like a terrific brief, but it is what is said rather than what is written in the brief that makes it unique in format.

At some point during the briefing, the advertiser will share with the agency or agencies in the room that they, or their boss or someone else of importance, likes a particular creative idea or concept they have seen and that it would be ideal if the agency could come up with something like that. Of course, it is not a command to simply rip off another advertiser's idea, but it is a clear indication that the direction described would be more highly favoured than anything original the agency may devise.

The PowerPoint brief

We love this one – super-strategic, super-organised clients who deliver a structured brief using PowerPoint at its best, with concise slides summarising the key areas of the brief and important background information. The proposition is less than six words and the support points back it up entirely. Only key research/data documents are attached for further information. These clients like to deliver it face-to-face, sometimes in a creative space to help bring it to life further. Awesome.

The tiered brief – Is it gold, silver or bronze?

So this is a system of briefing more than a brief, which is increasingly used to distinguish briefs that have more time to be developed creatively versus those that are just FDI (f***ing do it). It doesn't have to be gold, silver or bronze. Some clients have a colour-coded system where, for example, briefs on green paper have the luxury of time (always interesting to define how long that 'time' is), blue are 72-hour turnaround and red are same-day.

This is a clever system that can be aligned with rate cards as well and does manage expectations from the get-go.

The emergency brief

Forget tiered briefing systems, PowerPoint documents and cleverly worded propositions. This is the 'We need something and we need it now' brief that often exists in the world of retail, banking and other fast-turnaround categories.

There's generally a good understanding between clients and agencies that these briefs are going to happen, and they can be done on an agreed template, via email or over the phone, but both parties know what information is needed to respond to these briefs and get on with it without drama.

The viral brief

Very popular with advertisers with little or no budget and a desire to be famous. The brief is literally to make something go viral. They will usually be inspired by something they recently saw on social media that may or may not include cats or babies and want to achieve the same kind of reach and cut-through without the expense of media.

The problem for the agency is that invariably the brief will also include the need for suitable branding and the requirement that it meet the brand guidelines in tone and manner too. Otherwise, the agency is free to let their creative juices flow to deliver their best work.

The phone call brief

Also known as the no-brief, this is delivered to the agency by phone as the advertiser rushes from meeting to meeting and realises they should have briefed the agency more than a month ago. While the advertiser provides a flow of consciousness of the task at hand and the opportunity of challenge to be addressed, the account manager who took the call is busy taking notes to type into the agency briefing form so they can present it to the creative team soon after they hang up.

After all, the fine piece of information is that concepts are required by yesterday. The beauty is that because none of it was written down, the advertiser can clearly put the blame on the account team if the work does not meet the brief.

What other brief types have you seen?

I know, I have just scratched the surface here, so I would love to hear from you about any formats I have overlooked. There may even be many variations on these themes. I would encourage you to share these with us on social media, including Facebook, LinkedIn and Twitter, using the hashtag #anotherbriefformat.

When we have a comprehensive list of brief types, then perhaps we can then start discussing them and voting on which formats and approaches are best in what situations. In the meantime, the best we can do is take the advice of the brief masters I mentioned at the start and look for ways to improve the brief, because this is surely the best way to improve the efficacy and outcomes of the advertising process.

POST 35

Who should really be paying for advertising agency pitches?

Posted 28 November 2016 by Darren Woolley

The first point I have to make is: Why are you pitching anyway?[1] But the fact is that pitching is happening throughout the industry and across the globe – not just with creative and media but increasingly other disciplines, including technology providers, call centres, POS (point of sale) vendors and more. The diversity, range and depth of marketer requirements is growing and seemingly endless.

But in all this pitching, has anyone considered the costs? I am not talking about the emotional and social costs. I mean the hard financial costs of the pitch process.

Clearly, the advertising agencies have thought about their costs, with the industry bodies representing them regularly calling on advertisers to pay pitch fees[2]. In some markets pitch fees are standard, with the advertiser paying fees to the agencies for their participation in the pitch process. But who should be paying for the pitch? The agency? The advertiser? Or both?

The economics of a pitch

When an advertiser invites agencies to tender for their business, there are two positions: the incumbent agency who is pitching to maintain the business and protect their revenue, and the non-incumbents who are participating to gain additional business and revenue. The cost of the

1 trinityp3.com/2014/08/creative-agency-shoot-out-selection-process

2 mumbrella.com.au/hangouts-start-tony-hale-271775

pitch depends on whether you count only the agency's out-of-pocket or external costs, or also include the agency resource costs and the opportunity costs of the lost revenue from those staff members while they are participating in the pitch.

Our calculations on pitch costs indicate that a single-market pitch can take several thousand billable hours of agency time and cost hundreds of thousands of dollars in non-recoverable costs. If the agency wins, they will be looking for ways to recoup this investment in money and time, which could take 6–12 months to recover, depending on the remuneration agreement. If the agency loses, then they have to write off this cost to their new business budget, which is part of their operational overhead – the same overhead under pressure in negotiations.

On the advertiser side there is also a financial cost, but this is the unseen and usually unaccounted cost of lost productivity as the marketing team is distracted by the pitch process[3], and also the cost of the other stakeholders that may be engaged, including legal, procurement and senior management.

Of course, there could be hard costs if the advertiser engages a third party to manage the process, or if there are other external costs associated with the process. But our calculations on the resources required show that the advertiser time for an equivalent pitch is less than half the time of the agency's. But then again, for each advertiser calling a pitch, possibly up to six agencies could be invited to participate. Therefore, on this basis, the number of advertiser hours and therefore costs could be one-twelfth that of the agencies participating.

On this basis, who should pay? Let's look at the models currently in play.

Where the agency pays up-front

This is very common and very traditional. Some of the oldest and most established of these models have positioned this as a service to the agencies. The model is that the agency pays a fee to provide their information and to be listed in the hope of being selected for new business opportunities. The agency participating in this would naturally write off the cost as part of their new business budget, which is recovered in their overhead cost. Therefore, this cost is ultimately recovered in the fees paid for by their clients.

But a bigger issue is what happens if an agency does not want to pay the up-front fee. Increasingly, some of the best and most innovative agencies are rejecting this model as they realise that the investment does not necessarily pay a return. But from the perspective of the buyer looking

3 trinityp3.com/2016/11/agency-pitch-processes-not-equal

for insights into what is available in the market, you have to acknowledge that the model is flawed.

I find it interesting that often the agencies that you know, and which have a high profile in the industry, are the ones that pay to be listed on these sources. But the agencies that perhaps are specialists, or are successful through referral and word of mouth, very rarely waste time and money paying to be listed. So while the source may be free, you will only have access to those agencies that have paid the fee.

The other interesting fact is we have occasionally seen advertisers ask agencies to pay up-front to be part of the pitch[4]. The excuse often given is that it is to recover the costs of running the pitch or to qualify the agencies' commitment. Both involve flawed thinking when you consider the economic model of the pitch, and luckily this is a practice that has been quickly howled down by the industry[5].

Where the agency pays on success

An alternative model is where the agency gets to participate in the pitch on agreement that they pay a fee when they win new business. This is positioned as a success-based model. The viability of the process depends on a regular and significant volume of new business so that the owner of the directory or database can make enough to ensure the sustainability of the model.

This is where transparency becomes an issue. The issue is how much the agency needs to pay for winning the business. After all, if there are different rates for different agencies, this could incentivise the owner of the database, directory or site to put forward those agencies that are willing to pay higher success fees.

There is also a need to understand how many agencies are actually included in the consideration list, as this model works best when agencies perceive this as a reliable source of new business and revenue. After all, the actual cost for the agency to participate in a pitch or tender is much higher than these success fees. Therefore, if they are more likely to win business through this source, they are also more likely to feel comfortable paying the success fee.

Finally, the issue is that while they offer the service free to advertisers looking for agencies to appoint, the advertiser will end up paying for the service, as the successful agency will want to recover this cost as part of their remuneration.

But it is not just intermediaries that use this approach. There have been examples where advertisers have run pitches where the winning agency

4 marketing-interactive.com/smu-explains-why-agencies-are-required-to-pay-to-pitch-for-its-business

5 mumbrella.asia/2016/08/paying-to-pitch-like-prostitutes-paying-to-give-a-blowjob

must pay a fee on appointment to the advertiser[6]. Like the payment to pitch, when this becomes public there is usually an industry outcry.

While many in the industry see these processes of the agency paying as unfair, in actual fact it is simply flawed economics. When the agency pay, the fact is that the money for this comes from their revenue, which is ultimately paid by the advertiser. It is effectively robbing Peter to pay Paul.

Or where only the advertiser pays

Of course, there are models where both the agency and the advertiser pay, but in actual fact it is always the advertiser who pays. The question for most advertisers is: How transparent do you want this transaction to be?

We have also shared in the past our advice on the payment of pitch fees to agencies by the advertiser and when and how these should apply, especially in regards to intellectual property[7]. Ultimately, we have always believed in the Golden Rule when it comes to marketing and procurement, and that is the man with the gold makes the rules. But you would have to question the logic of the man with the gold when he makes rules that rob the prospective supplier at the start of the relationship and yet doesn't expect that supplier to find other ways of recovering the cost.

The fact is that accepting that the advertiser will ultimately pay one way or another means you can then focus on a model that produces the best possible outcome at the right price to deliver great value. Trying to have the supplier pay or share in some of the costs will either corrupt the process or result in the advertiser paying for it through overcharging for other services or underdelivering in quality and value.

The choice is yours

When I started TrinityP3 in 2000, I looked at all of these models and decided that the best approach was for us to be completely transparent about the costs and the outcomes to be delivered, and to guarantee those outcomes.

Perhaps if advertisers were not so quick to try and hide the true financial cost of the pitch process, by encouraging models that have the agencies pay, and then assessing the true cost of the pitch against the value of the outcome, then you would hope there would be less time-wasting and less poor outcomes from pitches. Yes, perhaps there would be less pitches, and that is a good thing.

But as always it is up to the buyer, the advertiser, to make that call because the Golden Rule applies.

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6 campaignlive.co.uk/article/thomas-cook-pitch-fee-row/1014883

7 trinityp3.com/2012/01/when-should-an-advertiser-pay-pitch-fees-when-selecting-a-new-advertising-agency

POST 36

The 10 most common traps for marketing directors

Posted 14 October 2016 by Bill Merrick

If you're a marketing director right now, and a lot of people are, then life has become quite complicated. If you're not a marketing director these days, then don't worry, it doesn't take as long or as much to become one as it did in the past. The downside is that when you do, the role doesn't tend to last very long for a lot of people. The average tenure in most industries is between 40 and 45 months in the US and UK. That doesn't seem too bad. Or is it?

When you look closely at the numbers, there are a few who have been in place so long they inflate the average. The average, especially in the more recent roles, is much less. It's always a struggle to work out if this is a good or a bad thing, since the truth is as hard to find here as it was in Brexit or the US presidential campaign. But that's OK. If you're one of the ones whose tenure is in the 12–18 months range, when you're done, you can switch to being either a 'thought-leader' or 'subject matter expert' or even, God bless, 'a content storyteller', and make lots of new friends on LinkedIn.

In my first post for TrinityP3[1], I said that the reason I'd joined up with Darren Woolley and his team was so that I could help save the marketing directors of the world. I have since realised that this can be quite challenging, as many of them believe they don't need saving.

Perhaps 'saving' was overly ambitious and a little patronising. I apologise if people found it ambitious. Perhaps 'watching over' might have

1 trinityp3.com/2016/05/save-the-marketing-director

been better, as there can be carefully (and carelessly) laid traps for them out there. And like all people who need to survive to prosper, knowing what can leap out of the shadows at them – and perhaps what to do about it – can be quite sensible. Ignoring the signs or not recognising them can be very, very unpleasant.

But here's the rub. Many of us have noticed that – sadly – selfies appear to be at an all-time high but self-awareness is at an all-time low.

A helpful list …

So to try and meet my objective of helping out, I thought I'd make a helpful list of the mistakes that can cause a marketer all sorts of problems if they can't identify them and learn how to deal with them accordingly. Interestingly, the list that follows seems to be the one that the survivors – long-term marketers and people who teach marketing – seem to agree upon …

After all, if a cricket ball, baseball, football or any other kind of rapidly moving object is heading for you, the smart thing is to avoid it, not let it hit you. One can, of course, if trained in the ways of that game, smash it 'out of the park', 'into the net', 'over the posts' or 'over the boundary', depending upon the sport you use to provide your pearls of wisdom. Now wouldn't that be better than waking up with a bump on your head and a dent in your CV?

And before we finally get to the list, there is another problem with being a marketer these days. It is that a great deal of the time, the biggest mistakes are not only *not* easy to see coming, but in fact in some instances are turned on their heads, then stolen and repositioned as 'The New Best Practice'. This is rather like having a best-practice suicide list.

So let's unmask these little pests – who they are, what they do, and how the hell good operators manage them. They have been assembled with the help of some great people, forged out of challenging situations, and ironically but not unexpectedly, they tend to come up time and time again. And they are not in order of priority – almost any one of them can bring things chaotically and maliciously undone.

If you would like some advice on avoiding any of these traps, please see the service link at the end of each section for more information.

1. No clearly defined and agreed marketing strategy and precise articulation of measurement, and hence success

- The very best marketers have a very clear view of where they sit within the context of their environment: what they have to offer, where it fits, how it needs to reach the people who can buy it, how it needs to be sold, and who is most likely to buy it.

- They will put in place systems, checks and measurement that relate to a *real business outcome* (market share, increased distribution, new markets, new customers, and yes, revenue, but not 'likes').
- They write it down and share it.
- They get agreement on it.

Marketing–business alignment service[2]

2. No clearly articulated communication strategy

- The best operators know exactly to whom they should be talking, and what those people need to hear. They are also clear about what they want to have happen, and where and when it's likely to have the most impact. And all of this is based upon the appropriate homework, research and advice.
- They will have made sure that the story they want to tell is adapted to the appropriate targets through the chain. Even simple-looking distribution channels can have more than one audience. (Often, the most ignored is the internal one.)
- Good operators know that the best people to impress with their finely honed messages are their prospects and customers, not their neighbours in Shoreditch. (Unless, of course, *they* are the target market.) And the message should be in the language and idiom of the recipient.

Marketing planning process review service[3]

3. No media or channel strategy

- Talking to the people you need to means being where they are, when they're there, not where and when you wish they were. This is the most common of all traps and has been for few years. Good marketers should insist that their media and channel agencies can prove what they are recommending. Everything and everyone should be aligned to hit the defined targets. This should mean not only that they are all aligned to the strategy but they have a chapter that is compelling to their part or role in the story.
- Good marketers should be able to articulate this clearly to their media agencies and allow them the appropriate resources to do the job properly.

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2 trinityp3.com/marketing-performance/marketing-business-alignment

3 trinityp3.com/marketing-performance/marketing-planning-process-review

- Good marketers make sure their strategy partners work to agreed objectives and measures aligned to a business outcome. Great marketers interrogate anyone that tries to tell them that one channel or one approach can do it all.
- The really good marketers assess their media partners on the value they help create – meaningfully, measurably and transparently.
- Good operators know that just because you can measure something doesn't make it valuable. The measure of anything a marketer does has to relate to the business outcome. Digital is highly measurable. Nearly all of the measures are highly questionable. Refer to any of the industry press for the current issues with measurement. There are a lot – you can actually measure them.

Media transparency, performance and value assessment[4]

4. No agency roster strategy

- Great marketers have structures internally and externally that align to the business plan. The plans are flexible and are reviewed often as needs change. The relationships should be reviewed often and openly. (See point 6.)
- The best marketers normally have a few very good people managing very few but very well-matched external resources.
- These resources will be aligned with their clients and with each other. A specific collaboration model and measurement system are vital.
- All performance will be interdependent and measured and remunerated on the independent and *appropriate contribution to the business*.

Strategic supplier alignment service[5]

5. No agency remuneration strategy or model

- The best marketers have a few chosen partners and will reward them based upon what they bring to the achievement of the marketing and business objectives. They will also recognise that reward works best when it is aligned to value contribution, not just output. It takes a lot of skill and hard work to get right, but when it does, it can work like magic. It can also mean that the agencies will want to contribute more and work together better. This avoids the next trap …

Agency remuneration and negotiation service[6]

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4 trinityp3.com/delivery-implementation/media-transparency-performance-value-assessment

5 trinityp3.com/agency-performance/strategic-supplier-alignment

6 trinityp3.com/agency-performance/agency-remuneration-and-negotiation

6. The urge to raise a fever (pitch) …

- Good marketers know that 'looking for new ideas' is not a strategy, and that before they even think about a pitch they should have their own house in order (strategy, resources and so on). They will also align everything internally and only *then* externally – and, of course, at the same time implement a *real* collaboration model.
- They know that pitching can have unforeseen consequences, especially that a lot of heritage knowledge and real talent can be forever lost. (Advertising archaeology has been sadly lost in the past decade.)
- Pitching is an excuse to not deal with real issues like grown-ups. If things aren't working, is it just the agency's fault?

Relationship performance evaluation service[7]

7. Fragmented budgeting

- Good operators will budget from scratch through every marketing discipline and cycle and know how to build reserves for defensive or new attacking positions. They will only do the same thing over again if they have checked every detail of why the outcome will be the same or better.
- They know that it is better to do less well than stretching to try to do everything weakly.
- They know to keep *everyone* happy in the knowledge that marketing is making a real and measured contribution by keeping other stakeholders well informed and consulted. This must include the board, the C-suite, the supply chain, distribution channel and suppliers across the entire spectrum (not just marketing suppliers). This avoids completely the real problem of being 'told' what to do by those who can.
- The good operators set objectives for spend: 'I want this and will need to spend this'. They do not ask, 'I wonder what will happen if I spend that?' (Unless they *begin* with that question.)

Budget KPI- and ROI-setting service[8]

8. The lemming approach to marketing (let's all be thought-leaders and run off the cliff together)

- Good operators know that the teenager argument 'But everyone else will be there' doesn't work for parties and certainly doesn't

7 trinityp3.com/delivery-implementation/relationship-performance-evaluation

8 trinityp3.com/marketing-performance/budget-kpi-and-roi-setting

work for marketing. (For many brands and categories, it doesn't even work for social media.)

- The smart marketers know not to listen to the deluded, the ill-informed or the zealots who cry, 'There is only one way!'

This is most prevalent in the recent areas of marketing, and as I don't want to name names I'll just call them digital and social.

Digital and data services[9]

9. Not using or understanding the value of valid, precise research

- The best marketers do their own research. They know that well-informed strategies based upon facts that they know are true to *their* business, context, geography and environment, will perform. They will never use research from another context to try to shoehorn a pet theory into their strategy. They know that doing this is deluded, dangerous and simply not valid.
- They also use real research – and *real* researchers. SurveyMonkey saves money on research. It does not normally save anything else.
- Really great researchers, like scientists, use research to test a hypothesis, not to find something out. (This is true but needs a book.)
- One can't test a piece of stimulus. One can only test a person's reaction to it. But you have to be very good at interrogating people on *what came out for them* when *something has gone in*. The training for this is much more stringent than hearing and then latching onto the phrase, 'I don't like it'.

10. Spending their time with the wrong people on the wrong things

See my post on marketing directors[10].

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There is, as you can see, a lot that can go wrong. There is also a lot that can go right. The real problem is that sometimes people are just really to blame for the things that go wrong.

The training industry knows very well the truth of the phrase 'People don't know what they don't know'. As marketing has become more and more complex, it has become more and more fragmented and, as a result, in a lot of areas, a lot more specialised. Lots of people now work in areas of marketing that know little of real marketing and the other disciplines that make it work.

9 trinityp3.com/digital-and-data

10 trinityp3.com/2016/08/marketing-directors-time

A little knowledge is a dangerous thing

I'm deeply troubled by many people I meet in the industry these days who purport to 'know it all' but who really know just enough to badly skew some very important decisions. Some of the dramatic impacts are only now appearing after years of misguided investment. I can't help it – on behalf of many people, 'We told you so'.

A bit more real collaboration, more cooperation, and a lot more understanding and knowledge of all the basic components of marketing and communication and how they actually work, will help. One only has to spend a few hours on LinkedIn to see how low the standards have become. As someone said, 'A little knowledge is a dangerous thing'.

However, great marketing directors are like great generals: they know what it takes to win wars, what battles to pick, what specialist resources they are going to need to get the job done, and what the price and spoils of victory will be. They know what they know, and they make sure that someone on their team knows what they don't. They don't try to know it all, and they certainly shouldn't pretend they do. But they should know whether something fits, and where it fits if it does.

All the people in these internal and/or external teams should concentrate on what they know and how they fit, and get a grasp of what they don't know.

And if all of this doesn't work and you do get trapped, may I offer our services to come and get you out. We cover all these areas and a few more. We've seen lots of traps. And as everyone knows, falling in is the easy part.

POST 37

An email of support from an equally concerned member of the media industry

Posted 12 October 2016 by David Angell

Most of you who are aware of TrinityP3 understand that, as an organisation, we are outspoken. There is always a new article, blog post[1], webinar[2] or podcast[3] on all sorts of topics affecting the marketing and advertising industry both here in Australia and around the world. It's all free for you to consume, share or comment on.

There are a number of reasons for us doing this. Yes, we are in business, and good content doesn't hurt our ability to market ourselves. But it's also about the level of respect we have for the industry we work in. It's about having a point of view, about us as individuals caring enough to stick our heads over the parapet and speak up about things that we believe in.

Genuine professional passion

Some people are cynical about our efforts. Others see the content for what it is, see the passion behind our business, and use it as an opportunity to share their own passion points with us. When such people are good enough to feed back in positive terms, free of any commercial angle, message or obligation, it lifts our spirits.

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1 trinityp3.com/blog

2 trinityp3.com/webinars

3 trinityp3.com/managing-marketing-podcasts

We recently received one such email, from an individual unconnected to our business, that we'd like to share with you. We're not sharing it just because it says nice things about us, although this is of course welcome. We don't expect you to agree with every viewpoint it contains – in fact, we have different opinions on some of what's said. We're sharing because we love the debate, and because it shows just one example of the genuine professional passion from which we can all take heart. Thanks, Jim Bowes, for taking the time and effort to send it to us.

Dear David and the TrinityP3 team,

I applaud your efforts to help an industry you are very passionate about. You are a rare breed fighting a battle for others who seem unwilling to put forth much effort but will reap the rewards of your bleeding.

I read your article (the entire article) 'You want transparency from your media agency? Look at your own behaviour first'[4] *and I watched one of the videos with Darren leading a discussion panel*[5]*.*

I am not an advertising or media guru by any means. I have been in the industry my entire life. My father was a Madison Avenue 'Mad Man' inducted into the Pharmaceutical Hall of Fame (Reg Bowes – a founding partner of Vicom, now DraftFCB). The industry clothed me, fed me and put me through school. I too have a special relationship with it, though I am highly critical of it mostly because it is run by those who care more about short-term profits than they do about the product.

I hear your frustration and just wanted to send you some moral support. We need more people and organisations like yours if the industry is to survive. Though given the mentality of the industry, perhaps it dying a slow, painful death would be better for everyone – especially the consumer.

In my opinion, one of the biggest problems is that our industry is in complete denial. Just look at the video, which was supposed to be an open and honest discussion about the challenges the industry faces. It is key to identify the problems and then work together to solve them. That is what successful businesses and industries do. Too bad only one member of the panel (sort of) was willing to even admit there were problems! The others simply said they didn't see a problem. They were just normal business challenges.

It's like telling junkies they have a drug problem or alcoholics they have an alcohol problem. Most will defend their behaviour even if they know it is killing them. The first step is to admit there is a problem. Good luck with that!

Our industry is large, powerful and influential, perhaps too much like the banking industry. I left the advertising industry to start a small, eco-friendly

4 trinityp3.com/2016/05/transparency-from-your-media-agency

5 trinityp3.com/2014/01/state-of-media-australia

outdoor media business. I thought the advertising world was a strange fish. It doesn't even come close to the outdoor advertising industry which has done an amazing job of polishing a business model based on monopolies and unfair (if not unlawful) competition that is only in the best interest of themselves, not their clients or the consumer – a model that gets our cities hooked on the revenue they generate so badly that even though cities loathe these companies, they protect and coddle them, allowing them to get away with things no other industry would get away with.

As someone who has been deeply involved in the sustainable development movement, I have to admire how this industry has stayed under the radar and been able to convince cities that they are innovative, even environmentally sustainable. No need to go into that here and not the point of this letter.

I also care about the industry, and it is fascinating to watch how busy it is convincing itself of its huge value, focusing on itself with little regard to the one group that really matters – the consumers.

I recently read an extensive article by the digital-out-of-home (DOOH) industry on all of the glorious benefits digital-out-of-home has to offer … advertisers and itself. A wonderful pat on the shoulder for how DOOH was the new sliced bread, how it would add tremendous value to advertisers. And though it does have some great advantages, let's be honest, we are just polishing a turd here.

What was the most astonishing to me was that nowhere to be found were the benefits to the consumers! And here is, in my opinion, where the industries are fundamentally missing the boat. This is the Achilles heel that is just waiting to disrupt and take down the biggest of the big boys. And consumers will be cheering.

The greatest examples of highly successful new businesses, from Uber and Facebook to Airbnb, are companies that have found a way to cut out the middle man. It is only a matter of time until someone does this to advertising and it will be based on one glaring issue – we don't value the consumer.

Advertising and media have nothing in their offer for the consumer, the whole reason for our being. At best, we the consumer are willing to tolerate the 4000 messages being blasted at us per day – we have little choice. At worse, we the consumer loathe, avoid and ignore media and advertising messages as much as possible. Ad blocking is just a sigh that says 'Leave me alone. You annoy me. Be gone!'

I love to look at the wonderful reports written by our industry for our industry that lavish praise on a business model where a recall rate of 0.03% is seen as a huge success! Looked at another way, it is a business model that praises itself for a 99.97% failure rate. Amazing that we are so proud of how ineffective we are! Any other business with such a failure rate would have failed long ago.

Here is my prediction. Some very smart person is going to realise that the *consumer's attention is valuable, very valuable, and instead of paying agencies and media firms to provide the 'opportunity' for consumers to pay attention, advertisers will pay consumers directly for their attention, as in, 'If you are in the market for a new car, if you actively give us the chance to pitch for your business, engage with us authentically, we will pay you'. If an AdWord click-through is worth $1 to $2, to pay $1 for 30 seconds of a consumer's time (valuing their time at over $100 an hour!) sounds like a good deal. 'If you decide to actually buy my product, I will pay you more, and if you tell your friends that you bought my product, I will pay you again! Because as a business, we know your time and attention are precious and we value them!'*

A consumer's attention should not be seen as a gift to advertisers (as it is now). It will be for sale to advertisers – to the highest bidder! It will also save advertisers a bundle on their marketing, and talk about reaching their target and the ability to measure!

Pull advertising will replace the ancient push model the industry continues to hang onto because it is the only one they know. I thought we were a creative industry. I see little innovation, few new ideas and no new business models coming out of our industry, and it remains the last industry sector to embrace sustainability. Laggards!

Watching the video with Darren summed it all up perfectly well. A great initiative designed to help the industry grow, improve and to stay ahead of the curve. Yet the panel was filled with people who opposed the very premise of the discussion! The media owner was offended that the industry would even be questioned/challenged. And the others on the panel proceeded to fall in line and reinforced each other that there weren't any problems or challenges! It was a great big orgy of people who didn't want to hear the bad news, didn't want to admit the industry has some major issues it needs to address, and that by simply repeating that everything was alright, it would be.

Darren talked about retention of employees as an issue. As a guy in the sustainability community, I don't even tell people what my business is. If I do, I am the target of jokes and great scorn. We have no purpose, we play no role in making this world better, and with the younger generations putting purpose at the top of their list, even over earnings, I fear the industry will soon be filled with a bunch of old farts. Low retention rates are the biggest red flag that we have issues.

Okay, a little ranting and raving myself. And with that I will once again climb on my desk, take off my hat and loudly applaud you and your team for actually giving a damn and having the balls to say we have a problem that we need to at least address if we are to remain somewhat healthy.

I love our industry but I am afraid our days are numbered, and the fact that the industry has put forth little to no effort, does not seem the least bit concerned, *and is happy with business as usual, only reinforces my opinion that a huge disruptive change is coming screaming at us while we have our cocktail party on the tracks. Cheers!*

Keep up the great work guys! The industry needs you, whether they know it or not. Some of us do care, are listening, are innovating, and probably are the ones you should be engaging with while letting the big boys go. It's time for a change of the guard anyway.

Warmest regards,
Jim Bowes[6]
founder, Natural Media Experts[7]

6 ie.linkedin.com/in/jimbowes1

7 naturalmediaexperts.com

POST 38

Drowning in market deliverables

Posted 3 April 2017 by Michael Farmer

There's more to the Digital and Social Revolution than programmatic media, online videos, data analysis and overnight billionaires. There's something else, and it's called an avalanche of workload. Ad agencies are drowning in deliverables. Scopes of work are out of control. Advertisers are experimenting, experimenting, experimenting with out-of-scope digital and social deliverables, and agencies are overwhelmed with the amount of work they have to get out the door on a daily basis.

The Digital and Social Revolution is turning ad agencies into high-volume ad factories, cranking out massive numbers of low-value deliverables in a quest to fill up digital and social channels. It's a world characterised by 'content' and 'quantity'. Adaptations abound; originations are few and far between.

The myth about digital and social advertising is that advertisers are confidently increasing their activities in these areas because they know that digital and social media are effective. The reality is quite different. CMOs are not as confident as they appear – instead, they're experimenting on the back of their agencies, hoping beyond hope that they can kickstart growth for their moribund brands without having to spend an arm and a leg to do so. What works? What does not? No-one is sure. Lack of certainty leads to experimentation.

One of my agency clients created and executed 3500 deliverables in 2015 and 11,500 in 2016, receiving only a 24% increase in fees that paid insufficiently for a 30% increase in agency head counts. Their profit margin declined. The volume of work nearly broke their back. Their senior creatives watched with disbelief. Where is this taking us, they wondered.

They had been organised as a typical creative agency, with a talent pool designed to create Big Ideas for a typical mix of scope-of-work deliverables designed to move their clients' brands – the agency equivalent of a high-class French restaurant with a reputation for quality. Instead, they found themselves operating more like a McDonald's fast-food operation, flipping 50 deliverables per day to keep the content flowing. Intellectually and creatively, it was not a satisfying exercise, and the total amount of creativity in the mix of work was modest indeed.

Clients do not really forecast these large volumes of work, and agencies do not really negotiate their fees on the basis of the unforecasted workloads. They accept the fees that the clients offer. Scope-of-work documentation, which has always been poor in quality and specificity, is even worse for today's digital and social workloads. How much work will an agency do for its clients? For what fee? It's all rather arbitrary. The only certainty is that the workloads will be large and the fees will be constrained.

Clients try to solve their brands' growth problems by throwing everything but the kitchen sink into a growing digital and social media mix. Their agencies go along for the ride, providing what was dignified in the past as 'client service' but today looks more like lemming-like behaviour – plunging over the cliff in the quest to be a player in the digital and social game.

It's time for agencies to be paid per deliverable rather than on the basis of an annual fee for an unspecified body of work. Steak au poivre and hamburgers are both on the menu, and a price can be set for each one.

It's a tough world out there, and French restaurants are struggling while the world converts to fast food. Where will the great chefs end up spending their careers? And the marquee agency creatives? The freelance market is looking increasingly attractive, which might explain the growth and success of a crowdsourcing ad agency like Tongal, which dispenses with fixed costs and taps into an online network of 120,000 freelancers.

In the increasingly digital and social world, the agency of the future may look more like Uber and Airbnb than BBDO.

POST 39

Heaven and Hell in advertising

Posted 19 June 2017 by Michael Farmer

Sophisticated business travellers already know the European joke about Heaven and Hell, where in Heaven the chefs are French, the lovers are Italian and the police are English, while in Hell the chefs are English, the lovers are Swiss and the police are German. Heaven and Hell in advertising is another matter.

What is Heaven in advertising?

Advertisers recognise that they have brand performance problems and CMOs commit to solving them with the help of a few key advertising agency partners. The agencies are empowered to figure out why brands are underperforming and where 'unrealised brand potential' for sales and profit growth might lie. The agencies analyse brand performance, identify the potential and develop consensus with their client about the positive things that can be achieved with the right marketing program. They jointly agree to pursue the potential.

The agencies then develop proposals for media spend and mix, along with proposed creative scopes of work, deliverable by deliverable, to 'achieve identified results'. These marketing programs are costed out and the agencies are paid by the deliverable at a fair rate, permitting them to staff the work properly. Agencies then staff the scopes of work with the appropriate resources. The brand performance-improvement programs begin, and as feedback is received from the marketplace, the scopes of work are adjusted, along with the associated fees, to increase the odds of success.

At the end of the year, forecasted performance meets or exceeds expectations, and a new round of analysis and planning begins for the following year. The return on marketing investment was very attractive. The CMO is perceived as successful at his/her job, and if additional marketing investment is desired, it can be obtained. The partnership between the advertiser and the agency is seen as successful, and it feels 'right', satisfying for both parties, who value their working relationship with one another and look forward to future successes.

Agency employees who work on the marketing program are rewarded with bonuses that fairly reflect their contributions to increasing the client's shareholder value. They feel valued, respected and competent despite occasional midnight efforts and last-minute crises. The agency CEO recognises their accomplishments and uses the example in training programs as an agency 'best practice' for relationship management. The example is also used in new business pitches to structure new relationships. Success builds on successes.

What is Hell in advertising?

CMOs are uncertain about how to turn around brand performance, so they focus on 'optimising' their marketing spends by cutting costs through ZBB, benchmarking, fee reductions, the creation of in-house agencies, and fooling around with various smart-sounding cost ratios (like 'working versus non-working', whatever that is). They call for agency reviews and change incumbent agencies. They divide responsibilities among many agencies, bringing in 'best-in-class' agencies who specialise in narrow marketing areas.

They hire additional junior marketing people to handle the growing complexity of the agency portfolio, which now includes a growing in-house agency that has ambitions to do high-level strategy and TV work. The new marketing people decide who gets briefed and who gets paid via the new project-based remuneration system. Phew! The marketing workload is very, very heavy!

The scopes of work are developed on an ad-hoc basis, quarter by quarter, since no-one knows what really works and it's better to delay briefing until the last minute, since the marketplace is changing all the time. Multiple agencies can be briefed at the same time to maximise the number of ideas that can be obtained at low cost. Every brief is a jump-ball.

Agencies staff the client to the degree they can, given the low fees, even though the scope-of-work workload is large. The junior agency people who work on the account are stretched, and after many months of this, they quit and find other jobs, but not before trashing their job experience on Glassdoor. Rework was always a chronic problem, as were depressed salaries and non-existent bonuses.

Unfortunately, the client marketing program fails. The brands continue to languish and the CMO is fired after 36 months. A new CMO is found and he/she promptly calls for an agency review, promising the CFO and CEO that a new agency or agencies or holding company will be engaged at lower cost. It's déjà vu all over again, but this time it will work!

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Unfortunately, as in life, Heaven is a fantasy and Hell is closer to home. As Jean-Paul Sartre reminded us, *l'enfer, c'est les autres* – Hell is other people. And those other people are in advertising, doing what everyone in the industry has been doing for many years.

POST 40

Managing Marketing – the expanding role of the media agency in marketing

Posted 23 September 2016 by Darren Woolley

Managing Marketing is a podcast hosted by TrinityP3 founder and global CEO Darren Woolley. Each podcast is a conversation with a thought-leader, professional or practitioner of marketing and communications on issues, insights and opportunities in the marketing management category – ideal for marketers, advertisers, and media and commercial communications professionals. Follow Managing Marketing on SoundCloud[1] or *iTunes*[2].

Mat Baxter[3], global chief strategy and creative officer at IPG Mediabrands[4], chats with Darren about media and new business, in particular why media agencies struggle with new business; the increasing role of data in influencing media decisions; and how media agencies and creative agencies are coming back together, with media leading the process, and why.

1 soundcloud.com/managing-marketing

2 itunes.apple.com/au/podcast/managing-marketing/id1018735190

3 linkedin.com/in/matbaxter

4 ipgmediabrands.com

Mat Baxter
CSO,
IPG Mediabrands

Podcast transcript

Darren:

Welcome to Managing Marketing. We're in New York City, a long way from home, and I've actually run into an old friend from Sydney, Mat Baxter, global chief strategy and creative officer at IPG Mediabrands. Welcome Mat.

Mat:

Hi Darren.

Darren:

Great to see you.

Mat:

Good to see you.

Darren:

You're looking fabulous by the way.

Mat:

Thank you.

Darren:

Obviously this job really suits you.

Mat:

Well, maybe. I've also managed to stay off the American food, which is probably half the reason.

Darren:

Yeah, look, I think they've mistaken quantity for quality.

Mat:

They have, they have. It's throughout the whole city that exists, let me tell you. It's hard getting a healthy sandwich in this town.

New business

Darren:

Look, one of the reasons that I really wanted to catch up with you is that you have a long track record and a long history of being particularly good at business development and business building, right back from the Icon days through Mediacom then UM and now at IPG Mediabrands.

Mat:

Yeah.

Darren:

I'm just wondering, without giving away your secret sauce, because I wouldn't ask anyone to give away the special 11 herbs and spices …

Mat:

Sure.

Darren:

What do you think it is that you do that a lot of people overlook in new business? Or what is the attitude or philosophy that you bring to the process that makes you so successful at that?

Mat:

It's a tough thing to put your finger on specifically. It's kind of weird when you have to self-analyse and wonder what it is you're doing that maybe is successful. I think probably the simplest way of explaining it is knowing your audience, and I know that sounds like a really obvious thing. We talk to our clients the whole time about understanding who it is that you're targeting and who you're ultimately going to be communicating with.

I think it's enormously unusual for agencies to do their history checking with who it is they're actually presenting to. So we spend a lot of time in the lead-up to a pitch actually trying to understand who the clients in the room are going to be and what are the things that those people in the room will be looking for, the types of things they might be interested in.

There's a huge amount of technology that now exists online. I'm not sure whether you've heard of a system called Crystal Knows[5]?

Darren:

Yes, I use it. It tells you how to communicate with someone. You know, this person likes short bits of information.

Mat:

Yeah, exactly.

Darren:

This person likes to get to know you first.

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5 crystalknows.com

Mat:

Absolutely. So I think that understanding your audience and using all the things that are now available out there to be able to prepare for the audience that you're going to be presenting to is really important. So I think that's a critical part.

Darren:

Mat, you say that's obvious, but I have to tell you, I've sat through hundreds of pitches and I see the same people turning up and doing the same presentation, in the same way, every time and wondering why it doesn't work every time. It's not that obvious.

Is there anything else?

Mat:

Look, the other thing is just packaging. It leads on to knowing your audience, which is about packaging, then, for the audience that you know you're presenting to. But some people like things to be really detailed and go into the rigour and the analysis, and other people are very visual and want to be spoken to in a really visual, image-based way, and I think one of the things we've done successfully over the last five, six years is understand how to blend the detail with the inspirational higher-level storytelling.

Darren:

The big picture with the …

Mat:

The big picture with the, you know, getting into the grass and …

Darren:

Dotting the 'i's and crossing the 't's.

Mat:

Yeah, getting into the grass when you need to get into the grass to explain something, but also remembering you're selling something, right? A pitch is just one big sales presentation and when you're selling, you want to get your buyer excited.

It's like selling anything, right? When you sell a car you don't go into the detail around the exact horsepower that the engine's got and how many litres the capacity of the engine is …

Darren:

No, zoom zoom.

Sell with emotion

Mat:

Yeah, correct. You sell the emotion of buying the car, and buying an agency or really just a bunch of people that represent an agency, that's an emotional buy for a client. It still is an emotional buy. No matter what any client says with all the criteria and the metrics, there is still an element of that client walking in and making an assessment of the people and saying, 'Could I work with these people?' and 'Are these people the kinds of people I would enjoy working with?' If you can make them buy that, then you tend to do well on the conversion front.

Darren:

That's fascinating because there's a book I love called *Pitch Anything* by, I'll get his name wrong, it's Oren Klaff[6].

Mat:

Right.

Darren:

He was in Silicon Valley pitching start-ups for years and he says you have to appeal to the buyer's crocodile reptilian brain, that it's all emotion and it's all either fear or desire. You need to get adrenaline and you need to get the endorphins pumping at the same time. He says you need both because if you just make someone feel good, then they just feel good but they won't make a decision, so then you've gotta hit them with the adrenaline rush which is, 'If I don't buy now, I'm actually gonna lose out'.

He says that combination works. But he said as soon as you go to that higher area and start being logical and rational and swamping them with data and things like that, then they lose all of that emotional connection.

Mat:

Absolutely. I completely buy into that, and I think the most successful pitches we've ever done are pitches generally where after the first meeting, we kind of know we've had the human connection. The client's gelled with us, we've gelled with the client, and you instinctively know they're buying the people.

Darren:

They want you.

Mat:

Then what happens from thereon in is you're just making sure you don't make any mistakes.

Darren:

Yeah, don't screw it up.

Mat:

Don't screw it up as opposed to having to win it outright.

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6 goodreads.com/book/show/10321016-pitch-anything

Darren:

OK, so here's the other thing I've seen so many agencies do, is they win it and then they keep trying to sell and they lose it.

Mat:

Oversell, yeah. Well that's like anything isn't it? The art of selling. You have to sell just enough to make someone wanna buy, but if you oversell the reverse starts to happen and they start to say, 'Why are you pushing so hard for me to buy this?' And then they become overly cautious about the decision and then often they step back and potentially walk away from buying you.

I think a lot of agencies have a tendency to overplay their hand, so it's like anything, it's like dating, you know, you've gotta romance …

Darren:

I use this analogy a lot, by the way – dating.

Mat:

You've got to romance enough to get your partner interested, but if you start to become too keen and you start to flood them with way too many SMS messages and way too many gifts, they start to get maybe a little bit scared.

Darren:

Yeah, because suddenly you've become a bit stalkerish, you know?

Mat:

So, yeah.

Why are marketers more committed to their creative agencies?

Darren:

We may have touched on why, because one of my frustrations is that while marketers spend a hell of a lot more money with their media agency, they seem to have a hell of a lot more passion for and commitment to their creative agencies. Is it because it's more emotional, or there's a bigger emotional component with creative and content than there is with media and channel? Because I don't see many media agencies creating the same sort of passion as creative agencies have.

Mat:

Yeah, I think the creative agencies have always had, perceptually at least – not in my mind because I'm a media guy and I always have been – but I think perceptually, creative agencies always have a sexier product. The product that clients get excited about going into the meeting with a creative agency: 'What are they gonna present?' and 'What ideas am I gonna see?' It's all put together beautifully and there's normally a montage reel with a soundtrack and, you know, they put the big screen on and it's a visceral experience.

That's exciting, and that gets attention not only from the marketing department but it often gets attention from the senior management of the client. Media, despite the fact that there's a lot of money spent on it, actually quite worryingly often doesn't get that attention. The CEO for a big bank will go and watch the pitch for the 45-second or 60-second TVC [television commercial] and will have a point of view about that, but they won't turn up to the presentation of how the media agency is planning on spending the bank's $120 million budget for the year.

Darren:

So true.

Mat:

There's an irony in that on its own. But the creative agencies have always been at the artistic end of town for the marketers, and I think marketers enjoy being part of that process so they get excited about it.

It's up to media people, and this is a big part of why we've constantly been talking about pivoting media to being not just about rigorous and analytical and doing the things that are expected of media when you're handling a client's large budget, but also about media being creatively minded, right?

Media can be as sexy. In my mind, in 2016, it can be more sexy than the creative process and the creative product because media is everything around us. Media is culture. Media is what's happening with Netflix. Media is what's happening in the digital space. Media is what's happening with VR [virtual reality] and Facebook's new social platform initiative.

So there's all these things going on in media that are super-interesting. The thing that media agencies aren't good at doing is packaging it up and making it interesting.

Darren:

Super-interesting.

Mat:

Yeah, they're kind of benign in the sense that they're like large accounting firms. That's the thing I always used to joke about when I first started in media, is you've got to get clients out of thinking of us being the calculator brigade, where we walk around and kind of punch numbers into our calculator and say, 'No, you can't afford to do that, no, no no'. And media agencies are very good at saying 'No'. No to clients, but also no to creatives, why you can't afford that big ad idea or why you can't afford to do that double-page spread or that big cinema ad, because they were constantly trying to control creativity through maths. In my view it is actually the role of media to unleash creativity through supporting creative agencies and clients and making ideas even bigger.

Owned media opportunities

Darren:

Well, when we got that distinction, and I think it was more than 10 years ago, about owned, earned and bought media, suddenly media is a much broader opportunity than just, 'What have we paid for?'

The owned space is huge, you know. This is where we get into VR, but also if you extend that, it's into the customer database, it's into the customer experience, it's into retail, bricks and mortar, you know? These are all owned media opportunities, and then we've got the earned, which is all the social media and all of the opportunities there.

Mat:

Yep.

Darren:

But still in pitches, I see a lot of media agencies only sticking to the bought part of it. It's almost like they can't redefine themselves beyond just planning and buying media when, as you pointed out earlier, media in this decade, this century, has become so much more than just buying media.

Mat:

Look, you're right. I mean, the interesting and exciting part of media, particularly, is in the emerging areas of owned and earned and shared assets. And actually, if you ask, there have been a number of studies done globally around the intentions of CMOs in terms of how budgets will be divided and spent into the future. Almost all CMOs of major organisations are saying they intend to support owned and earned assets at a more aggressive rate year on year into the future than they're currently supporting paid. So the growth is in owned and earned.

Darren:

Yep.

Mat:

Actually, media agencies need to pivot from being media planning companies to being ecosystems planning companies – companies that link all these disparate things together and actually make the whole effort of media, and I mean media in that broader sense of the word, work together in a better way than it has historically.

The thing about media agencies and the reason I think they struggle to do that is because you go back to what you're comfortable with, and more importantly you go back to the things you make money on. So media agencies are in many respects victims of their own commercial model in the sense that if you look at the commission structure and you look at the way that media agencies derive their revenue, they derive their revenue most easily, not exclusively, but most easily historically from just booking media. It's where the relationships exist, it's where legacy commission exists, so it's like, 'How do I move this money through my organisation as a media agency, as quickly and as efficiently as possible?' And the answer to that is, 'I book media, I buy it from somebody'.

The minute that agency has to manage that media through, say, project managing and owned asset or generating an earned media momentum through it, suddenly the manpower, the resources required, the brainpower required to transact on that becomes disproportionately inefficient.

Darren:

Large.

Mat:

Yeah, large and inefficient.

Darren:

Well, it looks large compared to the total value.

Mat:

Totally, yeah.

We're not in paid media anymore Toto!

Darren:

This is a constant disagreement I have with a lot of procurement people because they look at a media expenditure, and let's pick the mythical $100 million as a nice round number, and they go, 'Well look, we're paying 3% of that as the fee and that's the addressable part, we know we can squeeze that down', and I go, 'Is that really smart?'

That's what they're looking at. They look at the fee for the agency as a proportion of the total spend, so you're right that when you get into owned assets, suddenly that might come up to 40% or 50% or even 80% because you're doing a lot of the work.

So there's a big question mark over it and it looks more addressable. But the thing that annoys me is even at 3% they go, 'Well, we could push it down to 2% and save a million dollars', and I go, 'Yeah, but aren't you putting at risk the $97 million that those people are investing for you?' They don't even see it.

Mat:

Absolutely, absolutely. Look, you can't take a methodology of remuneration that's worked in one area of business and just lift it up and plonk it into another and expect it to hold true as a usable and workable model. To your point, owned and earned media is high-touch. There is a lot of stuff that needs to be done in those areas that doesn't necessarily exist in paid areas that mean that this kind of commission equivalency type thing that a lot of clients think about, or procurement departments think about, just doesn't hold true.

You've got to break free from that model and say, 'Let's just sit down and analyse'. I mean, it's the old risk kind of …

Darren:

Risk, reward.

Mat:

Risk, reward, yeah, or cost–benefit analysis. What is the benefit for me and my client or my business by unlocking this owned asset and making it work harder for me?

Now often for a bank or a telco, motoring on an owned asset, getting that asset working for them, can unlock huge value, you know, hundreds of millions of dollars potentially over a four- or five-year period. So an investment of five, 10, 15 million over that term with an agency to unlock that value with them is a good deal. But if you just compare it as a percentage commission, it could be 20%, 30%, and the procurement department looks and goes, 'Well hold on a second, that's well above the odds we used to pay', but the answer is, 'Yes, but they're odds you're used to paying in paid media and …'

Darren:

And we're not in paid media anymore Toto!

Mat:

So you need to be willing to let yourself leave some of that baggage behind and in the cold harsh light of day with a really basic cost–benefit analysis say, 'Is unlocking the value of this asset worth the investment that the agency is asking for or the cost that the agency is asking for?'

Darren:

Well I'll give you an example that I recently found out about in Australia. Energy companies, they're pretty boring in that you just sign up and then you get your bill every month. But there's an energy company, and I think it's Red Energy or something, but they've launched a phone app that allows you to trade in energy. You can buy energy units at off-peak times for use in peak times ,and they have specials, 'We have excess, you can buy now', and what they've found is time engaged with the brand through the app has gone off the scale because people are actually every day checking out this trading market to see if they can do a better deal.

I mean, what a brilliant idea, and imagine trying to work out media equivalents of getting your customers' engagement with you for, say, five or 10 minutes a day when they weren't there before. What would you pay in media for that?

Mat:

Well that's the point isn't it? I think utility brands are a great example of brands that are largely invisible brands. You don't ever think of the brand that powers your lights. You just turn the light switch on and they light up and that's it.

So to the point you've just made, buying that engagement, actually having an audience lean into your brand, I mean you could argue to some extent if you're in that sector that it is invaluable in many respects because it's actually setting you apart from everybody else that's playing in that sector.

So again, old-world measures, do you want to assess that value through a traditional way of assessing whether the agency fee that would be charged for it is a fair fee or not? My argument would be you have to kind of press the rest button on it and think about it freshly.

Darren:

I think what you have to do is get to value, what's the value to the company, and that's where to me everything is moving. Data is allowing us to do that.

But I want to back up a bit because one of the things that you said before, going back into paid media is a comfort zone for media agencies, so do you think the creative agencies are making a play to want to have media as part of the offering purely to be convenient to their clients, or do you think it's also that they see it as this nirvana of ready revenue that the media agencies have that they could have?

Creative agency fear of missing out

Mat:

I think it's a bit of both. There's no doubt creative agencies think that media is a profitable enterprise, and to some extent they're a little wrong on that.

Darren:

I know, I've seen the numbers.

Mat:

Because it isn't as profitable I think as some of the creative agencies think. And once you account for your overhead for getting a media product underway, syndicated systems and research, a lot of the tools and IT requirements, it whittles down those margins very quickly.

What I do think creative agencies are doing, though, is they're getting into media because they acknowledge that media is increasingly at the table, leading conversations on topics that they are either not comfortable with or completely unfamiliar with, and they feel they're being intellectually left behind on certain topics. That scares them.

If you look at where the marketplace is moving with dynamic media through programmatic, the natural evolution of dynamic media will be you place space dynamically, but then the next natural progression is you place messaging dynamically.

Darren:

Of course, yeah.

Mat:

You start to have thousands of iterations of creative material that are being pushed out smartly based on triggers and based on a whole range of things. So when it's sunny, I see an ad for sunscreen; when it's raining, I see an ad for an umbrella; and it's both by the same parent company and I'm just choosing creative A and creative B dependent on the trigger, in this case, the weather, right?

That is a burgeoning area of media and communications that is hugely exciting, but the only real group that can have a smart and relatively informed conversation about that right now is the media agency.

Darren:

Of course, because they have access to the third-party publisher data, which is the behavioural data of the viewer or the person having the ad served.

Mat:

They know how to do the tagging on the ad serving; they know how to manage and measure all of those units that are being served. So the creative agencies are sitting in meetings and they're hearing about the power of programmatic, they're hearing about the power of dynamic marketing, and they're getting concerned that that new frontier that really is the future frontier for the whole industry, is an area that they just don't have as much knowledge on as they should and I think that's why they're getting into media.

They're trying to play a little bit of catch-up on those things. and the smart ones also acknowledge that when you bring media and creative together, then this isn't rocket science – bring media and creative together, you get a better product. So the ones that really care about their products – Wieden and Kennedy, it could be Silverstein, Droga5 here in New York – these are brands that have had media thinking at the heart of their creative product for a number of years because they acknowledge that that's a huge part of whether a campaign is successful or not.

So I think that they're the main reasons in my head as to why they're getting into it.

Putting the toothpaste back in the tube

Darren:

It was famously said that once media and creative were separated, we'd never get the toothpaste back into the tube. But I actually think that the future is media agencies becoming the tube and creative being put back into it, and that's why with a title of global chief strategy and creative officer …

Mat:

There's a very conscious reason for that being there.

Darren:

Is that the trend? Because RECMA's non-media income or revenue is certainly growing for all their media groups.

Mat:

You could argue, if you wanted to get really philosophical here for a moment, about whether the tube is even the best thing for toothpaste to be in nowadays, right? You know, is the tube as useful as it once was? Should we find a new thing to carry our toothpaste in that's better than the tube?

Darren:

The pump.

The distance between a good agency and a bad agency today has gotten bigger

Mat:

Yeah, a pump or something else. Look, I think the notion of putting one back into the other is in many respects a little redundant as well because the two businesses are fundamentally changed, so that they're not even the same things that they once used to be.

Creative agencies aren't what they were when media unbundled back in the late 90s. They're now content businesses, PR businesses, event marketing and sports sponsorship businesses, and media agencies are the same. Everyone has kind of morphed and grown. So I don't think it's going to be one going back into the other. What I think it will end up being is, it's as simple as this, the strongest will survive. The best creative agencies will continue to survive and they will continue to evolve and morph. The best media agencies will continue to survive and all the other ones, both creative and media that aren't the best, will all wither and die and we're starting to see that already.

You see this as a guy who's close and involved in pitches and I see it looking at my competitors. The distance between a good agency and a bad agency today has gotten bigger.

Darren:

Yep, much bigger.

Mat:

Ten years ago, the difference between the best agency in town and the crappiest agency in town was marginal because everyone just bought television, and how badly can you buy a TV spot?

Darren:

Blind Freddy could do it.

Mat:

You could buy maybe a bad combination of programs, but you were still buying a television spot that went to air and it did some type of a job for the client. I mean, you could mess it up maybe in the back end with accounting and measurement and whatever but really …

Darren:

They saw their ad.

Mat:

They saw their ad. It was marginal differences between the best and the worst.

Darren:

Yep.

Mat:

Now, if you're bad, you are so obviously bad compared to the best because there is so much to know and there are so many things that can go wrong. The complexity that we have in the marketplace is such that you can make errors and you can make oversights and you can make omissions in your planning that previously just weren't there. So what's happening is you're having a whole bunch of agencies getting relegated to kind of being TBTCTD [tier B, tier C, tier D] agencies that are becoming uncompetitive and inevitably, clients will just dry up at that end of town because they'll just say, 'Hold on guys, you're just not up to the job'.

I think we'll see a lot of agencies going out of business who haven't been able to evolve at the rate that they needed to, and the top guys will just get stronger and stronger and stronger and they'll just be a heightened concentration of the great agencies and you'll probably be left with three or four like megalodon agencies. They're just the killer agencies. They've got the data under control. They've got the systems, they've got creative and media services combined, and they have the big brands, and I think that's what you'll see and you're already beginning to see it.

The holding companies are becoming more brand-esque in the way they're operating. I mean, I'm sure you've seen this. You're starting to see the uber agencies' creative where you're actually buying the media agency, in my instance, but you're also buying the network more than you used to buy the network.

Darren:

Oh, certainly the holding companies or the network within the holding companies, you know, the media, like Mediabrands, is becoming more known than even the agency brands underneath them.

But there's a difference in my view of the world from what you've just described of these uber companies, and it's a conversation that I actually had with Henry Tajer six years ago now. I made the observation to Henry that Hollywood had undergone a transformation that I could see happening to the advertising media marketing area, and that is the number of studios had actually consolidated into smaller numbers. You had Columbia TriStar Sony because of the consolidation, and we've seen the same thing with media, you know, it consolidated as you said. But what continues to happen is the proliferation of independent content producers, and we see that with advertising. In the advertising market, there is always a new hot agency coming up.

The Hollywood model

Mat:

Yep.

Darren:

Now, the reason that the studios have done that is because they've become particularly good at knowing the market, knowing the audience, and then knowing the product that needs to be created to go into that. But they don't want to take the risk of the product creation, so they leave that to independent producers – that's where we get the Jerry Bruckheimers and so on, and Miramax and the rest, right? The reason is that they get the audience right and the segment right. So this summer we need an action film for the 15–25-year-olds, and then they go out and commission it or buy existing product.

Do you see that Hollywood model being possibly the way it goes, where media or channel becomes the lead? Here's the audience, we can identify them through data, we know where they are, where they want to be, what they're interested in, and then we become the acquisition executives that go out and get the content that's needed?

Mat:

Look, I think yes, but you know what? Largely, advertisers work like that anyway. If you look at the way a TVC has been created, most of the time, a lot of those content resources from the agency were being out-of-housed anyway with directors and actors.

Darren:

The production of it, yeah, but not the scriptwriting.

Mat:

Not the scriptwriting and the creative oversight, but certainly the actual production of the execution was something that was brought in-house for a temporary period of time to get the job done.

Look, I think that the one thing that differs in the Hollywood model versus the advertising network model is that the advertising network model is increasingly a closed-loop system, or is becoming a closed-loop system, where from the very beginning all the way through to the completion, the agency or the network is controlling and has a dataset that touches the entire process.

Darren:

Yes.

Mat:

I think that's the one area where maybe we won't see the same degree of out-of-housing if you like or outsourcing as we might in Hollywood.

Darren:

Because the responsiveness to the change and constantly optimising and experimenting …

Mat:

Exactly! It's happening through a closed-loop system where the agency is actually seeing data coming in in real time, making an adjustment or course correction according to that data in real time, and then maybe pushing out new content or creative based on those things in real time.

That requires an in-house model to be able to really sustain it. If you're working with out-of-houses who are working for other people and have other schedules and other clients that they're accountable to and responsible for, it makes it very difficult to be as real-time as if they're your assets that you control wholly, so I think that's the one big difference.

Darren:

I get that, and the only implication of that for me is I can imagine sitting there at a holding company level, talking to my shareholders: 'Yes, we've spent a lot of money acquiring all these creative agencies, but in actual fact we're either going to fold them into our media agencies or we're going to write them off as redundant assets'.

That is the end play of that because you don't actually need all these separate creative agencies. You need the skill sets that may be sitting there but you don't need the agency itself. And most holding companies, when you look at the profile, media's consolidated into one or two agencies, three agency brands, some go as far as four and five, under one group. But they have lots and lots of content producers out there.

Speed is the key to unlocking value

Mat:

Yeah, look, I think it all comes down to what the future definition and direction of creative is going to look like. Historically, creative has been very high-touch, very labour-intensive, you've planned your ads out months, sometimes even a year or so in advance and you work to get it completely polished and finessed in the edit suite and ready for the world to see. That definition and notion of what that creative product looks like is changing. I mean, creative now is fast turnaround or is increasingly fast turnaround, less finessed and polished, but speed beats perfection because actually speed is the thing that is unlocking value for clients, being agile and adaptive.

The example that I always give to clients when I have this conversation is, you know what gets the biggest laugh at a stand-up comic event? Generally it's when there's an interaction between the audience and the comic.

Darren:

The ad-lib, yeah, and the put-down.

Mat:

The ad-lib and the heckler or the put-down. That's because it's a real-world, real-time interaction between audience and, in this instance, brand – let's call the comic the brand. That real-time engagement is the thing that creates the biggest emotional response. That, in a creative sense, is true for brands. If I can actually engage with you in real time with my messaging, that is better generally at creating engagement with you Darren than if I wait six weeks, finesse a perfect ad and then put it out there for you to see.

So therefore, the notion of what creative product looks like is changing, and so do you need the same architecture in the creative agency or do you need a platform that can do fast-turnaround creative with lots of different variants to increase engagement and conversion? My sense is that's where creative is going to go. There'll always be a role for the big beautiful ad, but I think creativity as we know it is going to have its definition slightly adjusted because technology is going to allow creativity to change.

Darren:

Well, earlier this week at the ANA Conference in Florida, Michael Farmer from Farmer and Co. was talking about advertising creativity as a production process, and he and I had a conversation and I said, 'Michael, I think you've got it wrong'. It's not just a production process.

I think the automotive industry is a good example. You prototype, and to me the big idea is not an ad, the big idea is actually a creative concept that could be used in any channel, the prototype. You should spend time and resources and money getting that right. But then what you need to do is have a very fast, very efficient, very agile and very flexible process, a production line that can actually create that in executions from the big idea, because the concern would be if you don't have that big brand idea that actually informs and is the basis of it, then just interacting all the time, you can easily get off-track.

Mat:

Oh absolutely, I completely agree.

Darren:

But this is where AI is going to completely revolutionise it, because you're going to be able to respond in real time in those conversations without necessarily having a creative team sitting there like Mondelez did with the Oreo. Remember the Oreo for the Super Bowl?

Mat:

The Super Bowl, yep.

Darren:

Well, they tried to do that ongoing and they just found it was not cost- or time-effective to work in real time in the traditional model, but AI and thinking programming is going to be able to do that.

Artificial intelligence

Mat:

Absolutely. We've already used this technology. A company called Message AI, we worked with them to do an AI campaign on Facebook Messenger for *Goosebumps*, the movie for Sony Pictures, where we had one of the main characters of the movie interact with people in real time on Facebook. Now, through programming that AOI [area of interest] on Facebook Messenger, we were able to simultaneously run I think our biggest simultaneous conversation – it was 267 conversations at the same time on Facebook Messenger.

Darren:

270 of them!

Mat:

Unless you've got a lot of them sitting there, from a resource perspective, it's just unfeasible to do it, but by working with Message AI and building out an AI framework, we were able to hold multiple conversations with consumers at the same time.

Now that's in its infancy, right? We've only just started to touch the AI capabilities. But to your point, as AI scales and you start to really have intelligent messaging and creative capabilities, that then totally changes the types of things you can and can't do through media. So I think it's really interesting.

Darren:

That is so exciting because you know, a lot of people go, 'Will AI ever be able to create ideas from nothing?' And who knows?

Mat:

Who knows, yeah.

Darren:

And that's the holding onto 'Creativity has to be human-based', but you know …

Mat:

But can they take your idea and execute it? Absolutely, and that capability will be there.

Darren:

That's where I see the future, is that there's going to be more and more need for really great creative and strategic thinkers to create that idea, the big idea, but not execute it as a single idea but allow it to be executed into millions of smaller ideas that all are directly related to it.

Mat:

That's massively exciting. Like for me, that's where media and message become almost, you know, fused in a way that they never have been in the past, so to me that's super-exciting.

Darren:

Hopefully we'll both still be working in the industry when it's working.

Mat:

I hope I'm still alive.

Darren:

Hey, it could be next week or it could be in 20 years' time.

Mat:

It could be, who knows?

Darren:

Mat, this has been fantastic. I've really enjoyed catching up. Unfortunately, I'm sure we could talk about this for another hour or so.

Mat:

We could. We could go on forever.

Darren:

But it's great seeing you, thank you very much.

Mat:

Thanks for coming to visit New York.

Darren:

I'm here every so often and I'll call in when I do.

Mat:

Yeah, great to see you. Thanks Darren.

POST 41

A prototype model for the marketing communications process

Posted 3 April 2013 by Darren Woolley

One of the issues that arises when decoupling production[1], especially to a transcreation[2] specialist, away from the creative agency – and I am using creative in the context of producing ideas and concepts, so it could include design, digital or advertising – there is a demarcation between the two processes. I have written previously on this[3], with the thought that it should not be considered a continuum, but is actually two interlinked stages. In fact, the secret to separating these two processes is how you think about the actual process itself.

I have found that you can think about the development of advertising much like you would think about the development of an automobile. Much of the language for the two is very similar. There is consumer research, strategy, design, concept testing, and then a prototype and more testing before specifications are developed and it goes into production.

Eliminating testing, the main steps in the process are:

1. strategy
2. concept/design
3. prototype

1 trinityp3.com/monitoring-benchmarking/#7

2 en.wikipedia.org/wiki/Transcreation

3 trinityp3.com/2013/03/creative-agencies-production-process

4. specifications
5. manufacture/production.

Look familiar? This is very similar to how advertising moves through the process in response to the marketer's brief. There is a communications strategy, concepts, quoting, and then production. But let's look at these steps more closely and see where collaboration and handover naturally occur.

Strategy

Like advertising, automotive manufacturers need to understand consumer trends. They are aware of the competitive strategies and market opportunities. There is a significant investment down the track and getting this right is important. With advertising, getting the content and message right is important, otherwise the significant media investment is at risk too.

Concept/design

The designer then develops sketches and drawings, forming these into concepts much the same way as the agency creative does in response to the strategy. There can be several iterations that are explored or tested to find the best solution.

Prototype

The prototype brings the concept to reality and gives it shape and form. It is an expensive process, but an important one, to really understand the viability of the design and concept. In much the same way, in advertising this can be the comprehensive layouts and storyboards. It could be taking it further to animatics, or even producing the one-off execution of the concept. It depends on the requirements of the marketers and the capabilities of the transcreation company.

Specifications

While the automotive engineers are involved in the design, this is where the engineers take the lead in developing the specifications for the manufacture or production of the vehicle. It is also where the transcreation company, which has been privy to the strategy, concept and prototype, comes to the fore and leads the production specifications in consultation with the agency creatives and the marketers.

Manufacture/production

When the vehicle goes into production, it is the engineers who oversee the output. Of course, the designers may see the first one or two, but at this late stage it is more out of courtesy than need. Unless, of course, a problem or issue arises that requires a design rethink, but you would hope that as they roll off the production line, most of these bugs have been well and truly ironed out. As the transcreation company begins to undertake translations and makes culturally required changes to the concept expression, the agency creatives are consulted largely out of courtesy or if there is an issue.

What this provides is a natural transition between the concept design and the production process, and that is the prototyping and the specifications. On one side, the agency creative, and on the other, the production team.

- The strategy and concept/design is agency-led.
- The prototyping the creatives lead in consultation with the production team.
- The specifications the production team lead in consultation with the agency creatives.
- The production is naturally production-led.

It provides a natural transition, with each party knowing their role and responsibility.

Interestingly, when you look at the way the automotive industry invests in the various stages of the process, the up-front is where they spend time and money making sure they get the design and concept right. Then, in the specifications, they look to achieve the economies of scale and the manufacturing efficiencies to reduce cost where possible and maximise return. This is the reverse of the way marketers currently invest, with around 1 per cent of the marketing budget invested in concept development.

POST 42

Managing Marketing – public sector marketing and the impact of digital

Posted 11 November 2015 by Darren Woolley

Managing Marketing is a podcast hosted by TrinityP3 founder and global CEO Darren Woolley. Each podcast is a conversation with a thought-leader, professional or practitioner of marketing and communications on issues, insights and opportunities in the marketing management category – ideal for marketers, advertisers, and media and commercial communications professionals. Follow Managing Marketing on SoundCloud[1] or *iTunes*[2].

Alun Probert[3], group head at GovCom Group[4], talks with Darren about the role of marketing in government, the changes being driven by technology to the government communication process, and the increased focus on customers from the government perspective.

1 soundcloud.com/managing-marketing

2 itunes.apple.com/au/podcast/managing-marketing/id1018735190

3 linkedin.com/in/alunprobert

4 govcomgroup.com.au

Alun Probert
Group Head and Founder,
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Podcast transcript

Darren:

Welcome. Today I am talking with Alun Probert, who is the group head of GovCom Group. Alun is actually a person who has incredible experience in marketing, advertising and media, but most recently from a very specific public-sector point of view. Welcome Alun.

Alun:

Thanks Darren, welcome too. Good to be here.

Darren:

The interesting thing is this idea of public sector versus government, because I noticed your group is called GovCom. Government Communications, I imagine.

Alun:

That's right.

Darren:

In actual fact, the implications for government actually spread further over the public sector don't they?

People in government tend to see themselves as different

Alun:

I think they do. I spent the last 10 years working in a communications job in government. For somebody that has spent the last 25 years working effectively as a media owner, it was a real poacher-turned-gamekeeper situation. I was in control of an $18 million advertising spend and working on 14, 15, 16 different subject areas, so a really interesting variety.

Now that I've moved on, I think the biggest effect of that job was that there seems to be this frame around the way that the public sector did things. It was somehow different to how the private sector did things. During the 25 years I worked in the private sector, I never had a conversation about how the government did stuff. It's a really interesting thing that people in government tend to see themselves as different.

Darren:

Yeah, it's true, isn't it? There is a very different mentality or even set of requirements to go between the private sector and public sector isn't there?

Differences are getting smaller by the day

Alun:

That's right. My personal experience, and this is with the benefit of 10 years of hindsight now, is that sort of thought shadowed over a lot of decisions made, but in reality, the decisions were a lot more akin to private-sector decisions than anybody perhaps realised.

I'm of the strong view now – and one of the reasons I set up the GovCom Group is because I think the differences are getting smaller by the day – that governments have got to be accountable.

Darren:

You worked in government, and in fact when we met you were a head of government communications in New South Wales. As a supplier, we'd had quite a lot of experience at TrinityP3 with federal and state governments. The interesting thing from my point of view is that, as a private-sector organisation, working in government, you needed to be very aware of the different requirements and agendas. Either from personal experience, from when you moved out of private into public, or observations you've made, what are some of the key things where people make mistakes, making that leap across or dealing with one to the other?

Alun:

I can now bring three perspectives to that, because I spent the last year advising some private-sector companies on how to work with government. I am astonished how frightened people are of knocking on government's door. I think that's partly because historically, procurement arrangements tend to make some things drawn-out. Perhaps it's hard to know who is the right person to talk to.

I do sometimes wonder, particularly when I am working with agencies, in our sort of shared field, is it really harder to pitch to the public health than it is to pitch to Coca-Cola? I wouldn't imagine Coca-Cola would take every call from every salesperson that's trying to sell to them.

One of the challenges is that I see so many opportunities for people who have a product that government might buy, simply being frightened to knock on the door. Part of that is because of a learned history that it's going to be hard. I'm of the very strong view that's going to change.

Darren:

Yeah. From my personal experience, very large clients and government have something in common, and it's called bureaucracy. There is all this paperwork that you have to do. You have to tick the right boxes in the right order, even though at the centre of both of them will be some sort of relationship. Large organisations mimic government a lot in creating what feels like barriers to actually building relationships.

The public sector, like the private sector, is looking for solutions

Alun:

It would be naive and wrong to suggest that there aren't difficulties or process problems in dealing with the way government procures stuff. But as a corollary to that, if somebody takes in something that they've made for the UK market – let's say it's a piece of advertising about texting while driving – and what they have is empirical research on what people thought of the ad, how people responded to it, what the results of the ad were, there isn't a roads minister in Australia that isn't going to want to see that case study.

Whether they make the ad or not, whether they want to change it to make it more local, this power is in the intellectual property that we have, from the fact that all over the world, most governments are tackling the same problems.

Darren:

What you're saying is the public sector, like the private sector, is looking for solutions to problems, yeah?

Alun:

Absolutely, and I would say, taking your analogy, with going into a big corporate, I'm not sure what ideas people can take into big corporates to show them how to do their job. With governments being so homogenous all over the world, if you take an issue like texting while driving, it's an issue in every country in the world.

Darren:

That has cars and mobile phones.

Alun:

That has cars and mobile phones, which is …

Darren:

Pretty natural.

Alun:

And advertising agencies, which is pretty much all of them. All governments are keen to learn, because the worst thing you can do in any public-sector environment is start with a blank sheet of paper.

Darren:

In a big corporate, there's a beautiful hierarchy structure. There's the CEO, and then there's the C-suite, and then there are heads of different functions. There's a different structure. Often, you can find that incredibly difficult to navigate, to know whether you are talking to a decision-maker, in government or in the public sector. Is the public sector structured similarly to big corporations?

Alun:

It's a really difficult question to answer, and I think one of the fundamental things that private-sector organisations get wrong in dealing with government is in the notion of dealing with government. If you just take the state we are in – the state I know best, but it's actually true for all governments – New South Wales has 140 separate departments. They have something like 3000 entities. If you take, for example, the rent tribunal organisation, part of fair trading is an entity.

Everybody thinks that they can sell to all those people in one go with a sales pitch, but the corollary is, if you go onto any minister's website, they would have listed what their ambitions and priorities are for the next 12 months.

Darren:

In some ways, the minister is like the CEO.

Alun:

Yeah.

Darren:

And the board.

Alun:

There's a fine line, but in modern politics, we're increasingly coming to a more business-like organisation where politicians – in particular, the premier and his key ministers – have to outline what they're going to achieve in the next 4–5 years. Obama famously launched the 100-day plan[5]. This is what we're going to do in the first 100 days, because that's how people change their minds about politicians. It's about, 'What have you done for me?'

5 en.wikipedia.org/wiki/First_100_days_of_Barack_Obama's_presidency

How are digital and technology changes impacting governments?

Darren:

Yeah, know what you say, what you're going to do, and then deliver on it. That's a really good view of public/private sector.

Is the same disruption that's happening in the private sector with digital and technology impacting government in the same way or to the same extent?

Alun:

From an advertising point of view, in exactly the same way.

Just coincidentally, the big things that government tends to advertise, such as getting people to be sensible out in the sun, getting people to drive safely, those things are largely tied to audiences of people aged under 25 – and of course, not taking up smoking. If you try to reach audiences under 25 and you haven't adapted your media planning for want of anything else, then quite clearly I remember [UM Australia CEO Mat] Baxter saying to me that the most he could do was get to 40% of males in New South Wales.

Darren:

With traditional media?

Alun:

With traditional media, which was largely advertised on Rugby League on a Friday night, to be frank.

Darren:

Good old sports strategy.

Alun:

One of the few bits of TV people still watch live, I'm sure. Mat's view was, there was no point spending any further money after that, because the next 60% would be so incrementally hard to get.

When we launched the drink-driving campaign plan B in New South Wales two years ago, that was the first time we'd ever spent more money on digital advertising. That's in the public domain, but it's indicative of the fact that spending that money on mainstream TV would have been a mistake. Ten years ago, it wasn't. It was the right thing to do.

Darren:

Yeah, that's right. There is a huge amount of accountability for government to actually make the right decisions. That's one of the things that has always been explained to me about the procurement process, is that you're managing the public purse, so you are even more accountable in some ways than if you're managing the corporate purse.

Alun:

If you think back 10 years ago, and I was looking at this the other day for a piece of work I am doing, our media planning 10 years ago for a Sunday announcement would have been to put TV ads in the news on Sunday. And then here we go, the big movie on a Sunday night, we put some ads in that. When we launched one of the first campaigns we worked on, we had ads in *Die Hard with a Vengeance* when it was shown on TV for the first time. Then during the week we have ads in *Lost* and *Survivor* and *Desperate Housewives*, which would all get two-and-a-half to three million viewers. I have a long format in the *Telegraph*, a long format in the *Herald*, Monday, Friday, Saturday probably, and some regional radio. That's a really good media schedule. That covers everybody really well, and everybody gets to see it.

Darren:

Except now, people are watching Netflix and Stan, and they are doing video-on-demand and all these other things. Obviously, government is facing the same issues of finding the right channel and the right way of engaging with their audience.

Beyond that, is technology also impacting the approach government has taken to the way they interact and engage with consumers? New South Wales is a great example of the change that I've seen. I remember lining up at the RTA and then having to line up at another department, and then another department. Now suddenly we've got these, what do they call it, service …?

Alun:

Service New South Wales, yeah.

Darren:

Suddenly, I can go to one place and I can do my change of address, and I can do half a dozen other things. Is that being driven by technology or is technology driving a change in attitude?

Alun:

It's the same as the rest of the world. It's a bit of both. It's interesting, starting with the advertising thing that we just discussed, because that's such a small element now of the conversation.

Every government department has got a website. Every government department always had a phone number, but we did have a situation in New South Wales where in small towns, or in towns like Orange or Bathurst, there would be an office of fair trading, and a births, marriages and deaths, and an RTA, and perhaps another office as well, and they wouldn't talk to one another, and they would be separate buildings. Service New South Wales, which was pretty much driven by O'Farrell when he came into power, was just a notion to say, 'Why is it like that?' Technology was the enabler that allowed the government to bring all that together, because one website, one phone number, all of those things were technology-driven, but the prime thinking of O'Farrell has become common in every government in Australia: 'Why is it so hard?'

The new customer-centric public sector

Darren:

That's what I saw. When I saw Service New South Wales, it was clear to me that this was a government that was saying, 'The people we serve are our customers, and we should be looking at ways of engaging them, in the way that they want to be engaged'.

Doesn't Service New South Wales even have things like pop-up stores? I think there was one in Greenwood Plaza.

Alun:

There is a digital-only store in Greenwood Plaza, which you can do stuff at.

Darren:

My point is, a lot of big private-sector corporations are trying to find ways to become customer-centric, and yet here we've got a public-sector government entity that seems to have started to address that already.

Alun:

And address it from a point of view that says that the most important thing is how easy it is for people to access our services, not for people to understand our structures. A guy called Paul Shetler, you may have heard of him, he's just coming in to run the DTO [Digital Transformation Office] now Malcolm Turnbull is in Canberra. He put it beautifully the other day. He said, 'At the moment, people have to walk around with a map of government in their heads, to know where to apply for something'. What has happened with Service New South Wales, and what is now happening in Canberra and what happened in Victoria, is the government saying, 'We'll work out the back end for you. You just come in through a different portal'.

Technology has kind of enabled that. Technology has made it easier, but actually the starting philosophy is: Why is stuff organised by government instead of being organised by services?

That's another example, as I said earlier, of how the organisation is becoming more and more like the private sector, because it's starting to.

Mike Pratt, who is the head of Service New South Wales, is starting to put the customer at the heart of everything. It wasn't the case in the past.

Darren:

That's what I am saying. It in some ways leads the private sector.

I don't necessarily see the same level of adapting that philosophy happening in the large private sector. There is one part of digital technology and the digital revolution that I think some politicians have embraced, and Malcolm Turnbull is the one who immediately comes to mind – I think political parties have embraced social media. From a political point of view, social media has been embraced, but I still see government generally struggling with the role of social media. Is that a fair call?

Social media in the public sector

Alun:

It's very fair. It's the perfect case in point of how the word 'government' gets in the way. I'm of the view that some of the work being done by the emergency services, particularly the police, rural fire service, is at the cutting edge of social media. The guy who runs the rural service tweets news of fires to a community of people that follow him, that includes every single journalist in New South Wales.

Darren:

Actually you're right. I remember seeing some really funny tweets from Queensland Police.

Alun:

Queensland Police, during the State of Origin.

Darren:

It's some great stuff, yeah.

Alun:

They're helping themselves. There was a guy whose full-time job is to run the feedback page for New South Wales Police. Darren, you and I are both forward-thinking people, and I was once in charge of policy on social media. I never for a minute thought that we should start with a policy for the police on social media. Yet the New South Wales Police on Facebook is one of the …

Darren:

They are leading the charge, leading the evolution.

Alun:

Most visited, most liked, and even better in terms of the world we have been inhabiting for the last 20 or 30 years. They no longer have to advertise their open days in the local paper because they just recruit straight from their Facebook page.

Darren:

Amazing.

Alun:

Now, in the meantime, there are some departments that are still – all over the country and in Canberra – that are still debating social media strategy and social media policy. For me, that's one of those things where it's a must. The people that have seen an opportunity to do things better are doing great jobs with it.

Social media for prisons, I'm still not quite sure how that's going to work. There are 143 departments, and you've got some that it won't be appropriate for. From the political side, some individual ministers, Baird in particular, is doing brilliant stuff one-on-one to Canberra, with his own YouTube channel. Suits him, wouldn't suit others, it's a real horses for courses.

The worst thing that people can do is come up with a social media policy for government, because what works for some wouldn't work for others.

Darren:

Alun, what you've described there, and just recently it was reinforced to me – the definition of strategy is not what you do but what you don't do[6]. I think that's really important because people are inclined to, in this day and age, where opportunities are expanding, they want to do everything.

In fact, the smart strategy is working out what not to do and just focus on doing what you need to do better. I think that's a great example around social media. There are some people and some departments, and some causes or messaging, that social media is terrific for, and others that it isn't.

It sounds like generally, government is definitely moving towards a more – not commercial necessarily in the dollar sense but for accountability – market-focused or customer-focused approach.

Alun:

Customer-focused, definitely. Customer-focused because I guess the adverse effect of social media is that one can't ignore the conversation that's going on, whether it's about policy or whether it's Change.org or getting a petition about Bronwyn Bishop within five minutes of the story starting.

There are two sides to it. There's a listening side, but then there's also this interesting thing about governments having websites that broadcast

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6 trinityp3.com/2015/11/what-makes-a-good-strategy

channels. In the 10 years I worked in government, I don't know how many hundreds of press releases I saw go across my desk. I would suggest that in the world of clickbait or whatever you call it nowadays, the likelihood of a press release appearing on the front page of the *Herald* that isn't a bad news story, is less than it ever was.

One of the challenges they have, these organisations, is actually getting their media out. What's happening in the States and increasingly in the UK is that governments are starting to use their websites as broadcast channels. People are subscribing to those channels, and people are getting their information on however local a level. Whenever governments do engagement work, so when they do anything where they say, invite somebody to have a say, there's a broad rule: the more local the issue, the higher the response will be.

Darren:

That's interesting because one of the things that I've always been struck by, when I am talking to people in government involved in communicating with the customer, with the public, is they always say, 'Oh no, I'm communications, I'm not marketing. Marketing is not us'. Do you think that's also changing?

Blurred lines – the changing of roles

Alun:

I think it's the undiscussed subject of the moment, to be honest, because what's changing in government, and I would imagine the private sector as well, is the role of the commerce person, the role of the IT person, the role of the archivist, or librarian – the role of the editorial content creator, the public first person, they've all been thrown up in the air. Where it goes horribly wrong is you've got people who are employed to look after service deciding what content goes on a website, and where it goes equally wrong is that you've got people who are employed as journalists and writers managing the security and making sure the sites don't get hacked into.

These are all new-world problems. The old structure of marketing and IT is under some kind of question mark. I think 20 years ago governments were told they weren't in the marketing business. They were in the communications or the public affairs business. Actually, it's one of those issues that's kind of been bumbling along for a while, a bit like what we call the customer. Are they residents, are they stakeholders, are they citizens?

Darren:

Voters.

Alun:

No, no, they're definitely not voters. No, no, heaven forbid. That's crossing the line.

Darren:

The target audiences and all Australian citizens over 18?

Alun:

No, no.

Darren:

Alright.

Alun:

The challenge, isn't it, for government organisations, for public-sector organisations generally, all those roles have changed. Quite clearly, if you look at the IT side, there is a job for guys to put computers on the desk, and there's a job for guys to develop apps. Probably not the same fellow. It's the same in communications. Public affairs people, dealing with whatever is thrown up …

Darren:

The issues of the day.

Alun:

Then content creators. Producing content for publishing on their new broadcast channels. They used to produce the odd annual report, brochure maybe. Entirely big change. Long way to answer your question, but I think all the roles have changed. Probably marketing is becoming one of those roles because it's advocating a position to a customer.

Darren:

I may have interpreted incorrectly because when I heard government communications or public sector communications, people saying, 'We're not marketing', I felt they were reacting to the sense that marketing came laden with the idea of selling something.

Alun:

Yes, dirty commercial.

Darren:

There was commercial and making money, and so you got profits. In government, we don't sell things. We communicate, we inform, we try and change public behaviour to meet government needs and requirements. Yet interestingly, in the private sector, the big conversation is, well, marketing is really not that sales-focused.

You've got the public sector where they're saying, 'Oh, we don't want to be in marketing because that's dirty and selling'. In the private sector, people are going, 'Well, marketing could be more sales-focused and more profit and ROI focused, and marketing should be about hitting the numbers'.

Alun:

The really interesting thing about the digital age is that if, for example, you look at the transactions around the new driving licence, it's not coincidental that the guys that led the transformational Service New South Wales are often the banking industry. But just like the banking industry, where it used to cost whether it was $2 a transaction over the counter and 22 cents for online transactions, well imagine the savings to government if all driving licences were available online, rather than people having to go to a place and fill in a form.

There's an interesting back-office marketing role around cost management, around better delivery of services. I think, again, the challenge that we have is we trip up on the 'government' word again, because Sydney Opera House is a government organisation, and they sell lots of tickets, and the RTA sell lots of driving licenses, so there is actually a commercial element at play in lots of parts of government.

Then, at the same time, as we said earlier, there's clearly education and health, and prison, and corrective services, where there is no commercial element to it. The challenge is, again, applying a rule to all of government, and quite clearly, the people that are working at Sydney Olympic Park are arguably in a marketing role.

The challenge is that sort of job is changing so much that actually people haven't got the time to sit down and work out which of these words applies.

Darren:

How important is it to know whether you are a marketing or a comms person? Really, your function is to fulfil whatever the needs are of that particular role.

Alun:

One of the bigger picture changes that I am seeing, and I think it's particularly pressing right now, in Australia, is people who don't follow politics might not be aware that in the last two state government elections, barring the New South Wales election, both of the incumbent parties have lost the election against the bookmaker's odds. They were both expected to win and they both lost. Obviously, prior to that, we've had the John Howard election where a record amount of money was spent on advertising and the election was still lost.

Darren:

In 2007, yeah?

The rise of the marketing-savvy politician

Alun:

There's a really interesting thing happening where I think in Victoria, it is the first time for 50 years that it had been a single term, a party only elected for a single term. As a result, the people running the organisation, the politicians, are actually having to become much more focused on delivery, on marketing, if you like, because in four years' time, what the public are showing is that if they haven't got the notches in the public respect, then they'll get voted out. That's the new dynamic for politics.

I think if you trace all the way back to when Obama started, there is definitely a new dynamic to politics, where people are having to be more accountable at the top level. Additionally, a lot of the new politicians are younger. There's a younger average age.

Darren:

And they're more aware of the way people communicate.

Alun:

And perhaps digital natives in some cases. There's a really interesting change … Your original question was, has digital affected government? All of those things are all coming on the back of a group of politicians who all have their own dot-com website, most of whom are on Twitter. It creates a different agenda for the public service because the ministers in some cases are saying, 'You guys need to keep up'.

There's a different agenda, a different relationship, whether it's commercial or not, if that's what marketing is about, but it's certainly customer-focused, and that's the really big difference. What also becomes the similarity with the private sector is that the customers are increasingly at the forefront of people's minds.

Darren:

That's one of the meanings of marketing that I really like. It just means face-to-market. Most of the population, if not all the population, at some point, will have either services or requirements fulfilled by the government. That's a very big market. That's the whole population.

Alun:

Absolutely so.

The transition of citizen to customer

Darren:

That is the focus of government. We're seeing in many ways this transition of citizen to customer.

Alun:

Yes, absolutely so, and service delivery becoming more important than process. We talked earlier in part about the way bureaucracy and procurement can sometimes slow things down, or appear to be an obstacle. The change that's happening is that there is a greater focus on the outcome, and as a result, some of the processes are being looked at.

Virtually every state is doing the review of their procurement systems, so that the processes can work more smoothly to get the outcome they want, because people want the outcome that delivers the best service outcome, not necessarily the one that ticks every box. Ideally you want both clearly.

Darren:

Of course, there was a time when a government, a new government, a party coming into power, the first thing they'd say is, 'We'll improve the service delivery', usually focusing on the public service. Everyone interpreted that as cutting out resources. In actual fact, what people want, what consumers, the citizens want, is a more effective and efficient way of getting their needs met, isn't it?

Alun:

You mentioned Service New South Wales earlier and I was fortunate to work on it in its early days. Mike Pratt, who is the head of Service New South Wales, who is ex-Westpac, Mike had a really good one-liner, where he said that we could reduce the waiting time of people waiting to get a driving licence from the average of 15 minutes, and they got it down to eight, nine or seven on average now. That's great, we've saved people seven minutes. Mike said, 'We'd really change their lives if they never had to come in here ever again', and that's what's happening in the banking industries. People can log onto their accounts at 10 at night and do all the transactions they can do. They still can't buy a house online. They have to go into the office to do that. That's the great analogy for government.

Where we can make it easier, is their thinking, where it can add value and it can be better, then we see if we can do it digitally online. That's the greatest impact of digital. It will be where it's actually a better thing for the customer. Digital voting, digital referendum, who knows, but in service delivery and transactional delivery.

Darren:

That is generational change, because there is still a large group of Australians that still want personal service. Not everyone is ready for a digital-only world to transact. It adds convenience, but it also lacks the personal touch that people often want when they have a problem. I know there's nothing more frustrating when there is a problem on a website and all you get is more web pages telling you that, 'Here is how to solve the problem', that you don't have.

Alun:

Service New South Wales has been really transformational. I apologise, that would probably be the third time you mentioned it today.

Darren:

This is not an ad for Service New South Wales.

Alun:

No, but its success is vindicated by the fact that Victoria are launching Service Victoria, not Smart State Melbourne or something, but I actually said the model is so good they'd copy it, and that's a good thing by the way.

One of the other things they did was put a concierge in every store. The point of that is they understood from banking that the worst thing that can happen is somebody standing for a while, standing in the wrong queue for a while, or having the wrong bits of paper in their hand. You're right, customer service is the centre of this thing.

Where people have got it wrong before is thinking, well, fair trading isn't the same as the RTAs, we'll put them in a separate building. It's really not rocket science, but it's been enabled by technology.

Darren:

They are all government services, yeah.

Alun:

There's the thing there.

Government advertising, political advertising – same thing?

Darren:

To loop back to an earlier conversation, which is around advertising, a personal bugbear of mine is this idea of political advertising, because under the Australian broadcasting Act, it was deemed that all government advertising is political advertising, which is why when you see television or listen to the radio, or see anything in print, it has the written and authorised statement, because under the broadcasting Act it has to be there.

Alun:

Anything that's deemed to be political in nature.

Darren:

All government advertising, as a safety mechanism, it has now been decided that that is also political advertising. I actually think that there's a difference between the two.

Alun:

There is. The broadcasting Act requires that anything that is deemed to be political has a tag on the end, and frustratingly from my time when I was in government, the people that are the arbiters of that are the TV stations. So if they get an ad that they think is political, they are required to be tagged. The research in government showed that if you tag ads for skin cancer and if you tag ads for drink driving, you tag ads for young people for driving stupidly, then the ads won't work so well. They work better without the tag on the end.

In New South Wales we stopped running tags on ads that weren't political in nature, on the basis that the Act required them only to be tagged for what was deemed political. I believe as a result we made the money. For qualitative testing we showed that in research at least, that response would be higher.

That was purely following off that research, we believed that we would save public money, make the ads more effective by doing it that way. You know that this subject is a bit like poking me with a sharp stick. The point is, then, if the advertising can't be proven to be a good expenditure for public money, or either it doesn't give ROI, well then it shouldn't be spent.

I think in the 10 years I was in government, I rewrote the government advertising regulations three times as a result of continued changes, and tightening and more tightening of the rules. It's in everybody's interests that with every single dollar spent on government advertising, government has an absolute duty to inform people of changes to policy.

Darren:

Or legislation.

Alun:

I left government a year ago, but I am still fervently of the view this is correct. And to inform people about the dangers of smoking and the dangers of skin cancer. We're just about there and frighteningly, we're just about the first generation of people that didn't really recognise the slip-slop-slap advertising.

I did some research recently in the skin cancer area with 16 to 17-year-olds who said if they got a bit of skin cancer, they'd go down to the clinic at the end of the road and get it cut out. That's a nice view of the world, but it's actually wrong. A campaign called 'The Dark Side of Tanning' showed people that their DNA has changed forever once they have had skin cancer. It's really important that government carries on spending the money doing that.

What's happening in government advertising across Australia and across the world is it is polarising down to road safety, to health and to tourism promotion. Tourism promotion is a commercial operation, so we put that to one side. What tends to happen is that in the run-up to an election, over-eager politicians sometimes forget some of those rules. In certain states it's no longer possible to forget. The really interesting thing is in those states recently, where people have forgotten the rules and maybe put some ads on TV that were a little bit political in nature, they didn't win the election.

Darren:

I think today with social media, you get that backlash. The public is cynical enough to see pork-barrelling. I am not against pork-barrelling, and I think you can actually encourage people to see your way if you put money in your pocket. I think seeing it just spent on flashy television ads that don't have any direct benefit, to me as the viewer that would naturally get a cynical reaction. That's my hypothesis.

Government brand isn't a strong brand

Alun:

Oh no, no, and I complete agree. The challenge of being a government marketer is that the government brand isn't a strong brand. People go, 'Oh, they're ripping us off. They are doing this, they're doing that'. The challenge is that you start from a position of negativity. If you then feed that negativity through advertising, which is quite clearly political in nature, then my view is you get a triple backlash, because people are actually already offended by the notion that money is being spent on advertising. Then there's the fact that it's insulting to them, or it's communicating a message that they don't agree with.

I think there's enough evidence from over the last 20 years worldwide to show that sort of advertising actually takes people backwards, not forwards. That's not a creative issue, it's a believability issue of the modern world, where you can't just walk in four minutes before an event and tell somebody how good your product is. You need to be doing that.

Darren:

You need to prove it over time.

Alun:

Over time, and people give you the feedback on whether they think you're right or wrong, and you adjust and move. No different to Coca-Cola or to Shell, or to any other company managing the brand. I am really proud of the fact that New South Wales, in the 10 years I was there, I don't think we did any political advertising.

In smoking, for example, we reduced the number of smokers in New South Wales from over 20% of the population to around 16%. We believe that the advertising dollars we spent returned something like $5 to the dollar in terms of savings to health care.

I'll defend government advertising, as long as you'll let me, but you're right, it starts from a point of view that years of people doing other things all over the world means that their brand is a little bit tarnished. It's a shame.

Darren:

Alun, I think that it's really exciting, that vision that you've painted of the transformation the government's going through. The old days of government communications being almost handed down from on the high, like the tablets from God to Moses, is now actually changing.

There appears to be, from the examples you've given, a fantastic trend towards a face-to-market and a face to the customer, a focus on services and fulfilling the needs of the people that the government are there to represent and to provide those services to. It will be fascinating in the next three to five years to see how far government is actually able to take this.

Government's own media outlets

Alun:

Absolutely right. If you look at some of the businesses that government has built in the last four or five years online, the various sites that tell you how to get from A to B in each state, the transport sites, they've all got one-and-a-half to two million visitors a month. There are some really big publishing properties being built by government departments – education sites, the school sites that carry all the curricula and all of the exams results – they are getting a million, a million and a half, two million visits a month.

Suddenly, government's got these broadcast media that they didn't have 10 years ago. There is a really interesting potential trend around government not needing to rely on traditional media to broadcast their messaging.

Darren:

That's like becoming more and more media in their own right.

Alun:

Particularly if you look at what happens at the council level.

Darren:

I'd like to say thank you Alun Probert, group head of GovCom Group. Thank you very much.

Alun:

My pleasure.

POST 43

Agencies struggle with declining prices

Posted 17 July 2017 by Michael Farmer

Since 1992, the average price for creative agency deliverables has declined by 70% in today's dollars, according to my research* for *Madison Avenue Manslaughter*[1]. Nevertheless, agencies have managed to deliver growing profit margins for their owners throughout this 25-year period. How was this possible? Are agencies still 'fat', as many procurement executives believe, or have they starved themselves to generate profits in the face of declining prices?

To generate growing margins, agencies had to cut costs per deliverable at a rate greater than the 70% price decline. J. Walter Thompson was earning a 4% profit margin when WPP bought it in the late 80s. If it is now generating the required WPP profit margin of 15–20%, it had to bring down its costs per deliverable by at least 85% in constant dollars.

This is true for other agencies as well. Here's how it happens.

1. Creative agencies were heavily staffed during the commission era, before 1992

Media-based commissions generated high levels of income relative to agency work. Agencies used the income to 'staff up' rather than generate huge profit margins. That's why JWT and other agencies were not particularly profitable in the past. They invested in highly paid creatives and they allocated multiple creative teams to each brief and generated a

1 madisonavenuemanslaughterbook.com

surplus of creative ideas for clients. BBDO's motto, 'The work. The work. The work', established during the commission era, was founded on the agency's ability to work and rework client briefs until they were right; BBDO had the creative resources that made this possible. In addition to high creative staffing, agencies had even heavier client service staffs. For each creative, agencies had 1.5 client service executives to deal with the complex management of clients. Cost per deliverable was thus very high during the commission era; there were relatively few traditional deliverables and many creatives/client service executives.

2. Surplus agency staff were eliminated as commissions gave way to fees

From 1992 to 2004, under pressure from clients and holding companies alike, agencies downsized their creative departments, largely eliminating the excessive number of creative teams assigned to creative briefs. This had the effect of reducing excessively high rework rates as well, since fewer surplus ideas were being taken to clients for their consideration. Client service departments came under an even bigger knife and were cut until the ratio of client service people to creative people was reduced from 1.5:1 to 1:1 (where it remains today). This meant that every downsized creative was accompanied by three downsized client service executives. By 2004, according to my research, agencies were efficiently staffed relative to their workloads. They had neither surplus creatives nor surplus client service people, and they had enough production people to carry out their production workloads.

3. Subsequently, agencies have continued to downsize and juniorise

Prices continued to fall after 2004, driven by procurement fee reductions and digital/social workload increases. Although agencies were properly staffed in 2004, they have been driven by circumstances to downsize and juniorise to maintain or grow their profit margins. Senior, more-expensive people have been let go and agencies have staffed their work with a more junior mix of agency people. This is easily shown via 4A's billing rate data and Glassdoor.com salary data over time. Inevitably, creative output per head has had to rise. Since 1992, creative output per head has more than doubled; since 2004, it has increased by more than 25%, but the rate of increase is now accelerating.

Creatives are seriously stretched, I believe. Are increased outputs handled by more junior creative people having an adverse effect on quality? Relationship duration has decreased to 2–4 years, down significantly from the long-term relationships of the past, and searches/pitches have become commonplace. Furthermore, clients now have internal agencies and rosters of production agencies and they depend significantly less on their creative agencies for partnership and creative leadership.

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Overall, it is hard not to conclude that the pricing and profit pressures on creative agencies have led to a deterioration in their capabilities. But not all of the price declines had to happen.

For reasons best known to senior agency executives, agencies do not routinely plan, document or negotiate their remuneration based on a measurement of the growing scope-of-work workloads they carry out. In too many cases, declining fees are set by clients and growing workloads happen on an unplanned, ad-hoc basis throughout the year. Agencies have either been inattentive to their workload problems or too wedded to the concept of 'We're great service providers and will do whatever our clients require'.

Holding companies will continue to need growing profit margins and procurement executives will continue to think that agencies have plenty of fat left in them. Until all parties get down to measuring and discussing workloads, fees and resources, industry prices will continue to fall, with catastrophic consequences for the current players.

* *Price equals fees divided by deliverables. Deliverables were normalised by size to account for the variety of media types, so an increased number of 'small' social/digital deliverables over time is not the cause of price decline. Inflation has been removed.*

POST 44

Managing Marketing – the changing economics of the advertising agency business

Posted 29 July 2016 by Darren Woolley

Managing Marketing is a podcast hosted by TrinityP3 founder and global CEO Darren Woolley. Each podcast is a conversation with a thought-leader, professional or practitioner of marketing and communications on issues, insights and opportunities in the marketing management category – ideal for marketers, advertisers, and media and commercial communications professionals. Follow Managing Marketing on SoundCloud[1] *or iTunes*[2].

Michael Farmer[3], chairman of Farmer & Company[4] and author of the industry bestseller *Madison Avenue Manslaughter*[5], talks with Darren about the changing economics of the advertising business and how the holding company structure and business model have become unsustainable in the face of these changes. So where to for agencies?

1 soundcloud.com/managing-marketing
2 itunes.apple.com/au/podcast/managing-marketing/id1018735190
3 linkedin.com/in/michaelfarmer
4 farmerandco.com
5 madisonavenuemanslaughterbook.com

Michael Farmer
Award-winning author,
Madison Avenue Manslaughter

Podcast transcript

Darren:

Welcome to Managing Marketing and again, we are in Boca Raton in Florida for the ANA Advertising Financial Management Conference. I'm joined now by someone who I hugely admire and that's Michael Farmer, chairman of Farmer and Company, New York, and author of the industry bestseller *Madison Avenue Manslaughter*. Welcome Michael.

Michael:

Darren, thanks so much for having me here. It's a delight to talk to you.

Darren:

Now I said 'someone that I hugely admire' because I worked in advertising as a copywriter for 15 years and when I left to start my own business, TrinityP3, a piece of advice I was given was, if you're going to go down this path, the person you've got to study and model your business on is Michael Farmer, of Farmer and Company out of New York. I said, 'Oh really, why's that?', and they said that this is a company that's got the right balance of analytics and data around agency–client performance, but also understands and respects the creative process.

Michael:

Well thank you for that Darren.

Darren:

Well, in 2004 I started searching and studying your company so it was a real pleasure to meet you.

Agencies are factories for making ads

Michael:

Well thank you so much for that, although I'm going to have to confess that I'm still feeling like a newcomer to the industry, because prior to working with ad agencies, which I started in about 1992, almost 25 years ago, I was a straightforward, card-carrying, business-school type management consultant with a couple of the big-name consulting firms. I only stumbled into the agency business because someone called me up and said they were having a profit problem, and could a strategy consultant help them figure it out.

So almost everything I'm doing today, ironically, is what I had to do in that first study for me to understand their operations, because I had never worked around an agency before. I think I made a lucky first guess. That was that ad agencies, despite the fact they're very creative, are still factories for making ads. If you can understand them as strategic and creative factories for their clients, making ads that have a purpose, then it's easier to understand them as a business. I still look at them that way and I'm still finding today the same problems that I found 25 years ago.

Darren:

It's interesting isn't it, in that the more things change, the more things stay the same in this business.

Michael:

The first thing was when I explained this whole factory approach to the managing director of my first client, which was Ogilvy UK, I was in the UK at the time, he said, 'Oh that's wonderful. No-one who knew anything about advertising would ever think about doing that because we would never use the word "factory"'.

I said, 'Well, the first thing is, figure out how much stuff you make, you develop and produce, and look at the fees and look at the resources and figure out what's changed in the way you're making it that's causing you to lose money'. What I didn't realise is that they don't keep records on what they make by client. They sort of operate from crisis to crisis, week to week, what's hot, what's in trouble, who are we going to allocate to it, and then they move on, and if there's any record of the work that they did it's in job jackets so that they can …

Darren:

Got to go through manually.

Michael:

So they can pay photographers and production companies and the like. Well, little would I ever guess that 25 years later, agencies still do not either keep track of the work they do, forecast the work they do, or use expected workloads as a basis for negotiating fees. Today, they pretty much accept fees as a given, something the client tells them: 'This is what we're gonna pay you this year'. And then through a completely separate process, the amount of work they do just occurs, and the problem is that workloads have been growing and fees have been reducing, so that's been true for 25 years.

That means that agencies are doing more and more work with fewer people. They have to cut the people because the fees are being cut, so they're doing more work with fewer, more junior people and that's gotten them into a real quality problem which has been reflected in the terrible way they are treated by their clients.

Darren:

I went from medical research into advertising as a copywriter, so that was a huge shift for me career-wise.

Michael:

Wow!

Darren:

But, people say, well how did you end up at TrinityP3? All I did was bring the same analysis and curiosity that you have in medical research to advertising, and one of the things that frustrated me as a creative director was seeing this iteration after iteration after iteration of work until either the time ran out or the money, and time is money.

Michael:

Right.

Darren:

And so I kept saying to myself, there must be a way to understand this system and optimise it better. That was the whole purpose.

When agencies were money machines

Michael:

Well, you are so right about that. I think those bad habits occurred before you joined. I mean, really, in the 50s and 60s when agencies were paid on commission, on the media spend of their clients. That was a very high level of remuneration and at the same time, they weren't making that much stuff, they weren't making that many TV, print or radio ads. And so if a campaign ran into a second year, the agency was collecting money for it and doing no work.

Darren:

Yeah.

Michael:

So agencies were money machines then. In fact, they spent money in order to hide how profitable they potentially could have been. So they got in the business of saying, 'Look, the client wants three ideas for now, let's give him 10', and if they gave him 10 they'd go through five rounds of rework. They could afford it and they thought it was a way of showing their stuff. So all of these bad operational habits that existed at a period of time when remuneration was exceptionally high relative to workload are the things that plague them today.

I think many of the senior leaders of agencies today feel like there was something right about those days and there's something really wrong about these days, and what they need to do is to try harder to get back to where they were. But what they don't understand is the economics were non-duplicable. They can't go back to a time when they were paid a small fortune to do a little bit of work. Today, they're paid a little bit of money to do a huge amount of work and you can't get back there by overservicing the client.

So the rework is a huge problem. So is agreeing with clients, when the clients say, 'You know Darren, I've got another idea for a campaign. I don't have any money for it but you can handle it, right, in the existing relationship?' and you say, 'But of course! You know, we're good service providers'. That's what today's client heads or account people, their leads, are saying because they don't want to lose the client, that would be catastrophic, and they feel it's kind of in line with what the agency is supposed to do. Now, it's completely wrong today.

Darren:

Yeah, absolutely, and in fact we're going through a process at the moment on a regional basis of moving a client in the agency from a cost resource recovery model, the traditional retainer, to an outputs-based deliverable value model.

Michael:

Totally correct and unusual I might add.

Darren:

Now, we are having conversations with the agency where the client will have a scope of work, we'll then present to the agency and say this is the scope of work from the client's perspective in the next 12 months. You've got 24 hours to look through it and come back with what else you do. They often come back with a long list, you know like, 'You may want us to run another two-day workshop on digital technology, or what about onboarding new staff?' And the client goes, 'But that's part of your cost of business', and they go, 'Well, it's a cost to us', and all of these things were built into that cost-recovery model.

Michael:

They were assumed to be part of the …

Just because you give something for free doesn't mean it has value

Darren:

Yeah, they were assumed. And what I'd point out to the agency is just because you give something to someone for free, if there is no value attached to it, monetary or otherwise, then it has no value. There are lots of things that they do for the client to, in some ways, justify their retainer, but it has no value because when you pull it out and start putting a price to it, the client largely says, 'I don't really want it because it's of no value to me'.

Michael:

So true, and I think again, the old commission system encouraged this kind of stuff because agencies certainly couldn't compete on the basis of price. Everybody got paid the same thing, 15% commission on media, 17.5% mark-up on production, so they competed on creativity, on who won awards. They competed on who could provide the greatest amount of service. That was their distinguishing feature.

Since no-one has told them that it's a different ball game today or cricket match or whatever, they take their cues from the past and think, we offer service and creativity and, you know, that's the mantra of what agencies offer. That's what is on their websites. BBDO says it's the work, the work, the work, which means we work it till we get it right. And all of those things run counter to the actual economics of the agency and the business. Now it's the business where you can only afford to get it right the first time.

You can't afford to rework things over and over again so you need to put more thought into it up-front. Creativity itself is not a product, it's an input, and clients won't pay an extra dollar for creative – the fact that an agency has won a lot of creative awards. So creativity doesn't really sell. What clients have been looking for ever since the days when they said 'shareholder value' is what we're all about. What they're looking for are results.

So the funny thing is that agencies, which think of their business as a creative, service-oriented business, need to actually become more consultative so that they can deliver brand results, and that requires a lot of analytical capability, not necessarily creativity in the way that they think about it.

Darren:

Sorry Michael, but it absolutely goes back to what you mentioned before about being a factory, you know, manufacturing. I know that every time I've raised that issue with an agency, and even some clients, they go 'No, no, it's not manufacturing', and I point out to them that the automotive industry is the best example. Look at the time and effort they put into building a prototype and testing it, and then they immediately put it onto the production line and optimise the hell out of the production of that.

Now, in advertising, for me, especially on the creative content side but also on the media side, there is the big idea, the strategic and creative idea, that's the prototype. But as you say, no-one has actually been paying for that. It's largely being given away for free because when you look at the splits in the fees paid, it's actually less than 10%.

Michael:

Absolutely, it's a small part of the hours …

Darren:

Right, right, 7–8% of the total revenue is for the big idea, the time and effort to create an idea that all the money goes into, then the implementation across multiple channels and that is the production line.

Michael:

You know, I like your analogy of the automotive business because Toyota, which is the world's most successful car company, instituted a thing called The Toyota Way which has been written about. Part of The Toyota Way said that you need to engage your suppliers in such an intimate process from beginning of product through production that mistakes are eliminated. In fact, a Toyota supplier, let's say they supply axles or brake assemblies or something of that sort, is involved in designing the product and ensuring that there are no more than 25 parts per million defects.

In other words, they have to design and produce a product that's nearly perfect, that can be delivered to the assembly line just in time to be put on the car and off it goes and there'll never be any warranty claims. Well, there's no rework in that process.

Darren:

No.

Clinging to what made them successful at a time that doesn't exist

Michael:

The car companies prior to The Toyota Way had a lot of rework. Well, rework is a warranty claim isn't it? It means the axle failed, the brakes failed, go back for millions and millions of dollars of repairs and maybe liabilities for people who are killed. The agency world thinks that a certain amount of rework is inherently a good thing, whereas I think if they put more time in up-front, they could eliminate it and put together scopes of work and do creative work that really hits the nail on the head and delivers brand results because both sides have confidence in it.

So I can hardly think of a part of the agency business that has not been turned on its head by the changing economics, meaning fees being brought down by procurement and workloads growing, which requires a different way of working. The problem with our friends in the agency world is they're clinging to what made them successful at a time that doesn't exist. Not to poke too much fun at our British friends, but it's a little bit like the Brits who clung to the idea of Empire long after the Empire was gone, and that might be very true of the American Empire as well you know.

Darren:

The sun may have set.

Michael:

Yeah, the sun may have set on certain parts of it, and it's hard for people to cope with living a more modest lifestyle or role than one they had in the past. There's always a desire to go back to it. But real leaders recognise that.

IBM went through a major transformation in 1990 from being a hardware and software producer to really being an integrated service provider. They went from a computer company to a consulting firm, and that was done under the strong leadership of a new chief executive, and I think the agency world today needs that kind of leadership. Not with leaders that are going to enhance creativity, win more awards and win more business under the current unfortunate circumstances of today, but instead say, 'We need to operate in a very different way to create success for today's market'.

Darren:

Reinvent the business model.

Michael:

Absolutely.

Darren:

To actually meet the needs and expectations of their clients.

Michael:

It's a leadership challenge. I don't think at conferences like this, at ANA, that an awful lot can be improved. I think we need chief executives who understand the problem.

Holding companies and consolidation

Darren:

Well, the other thing we've seen in the last 30 or 40 years has been the consolidation through holding of agency ownership through the holding companies, and what we've seen is first of all the consolidation of the eight traditional agency brands and then those holding companies diversifying by growing through acquisition.

Now that's had a huge impact, and I ended up working for most of my career for a WPP agency and saw the cultural change that happens there. But what do you see as being the legacy that we'll look back on of this holding company trend?

Michael:

Now that's a very interesting case because that has its own story. It's clear that Publicis, Havas, IPG, WPP, Omnicom, they all started for different reasons. But in the end they put together portfolios of agencies that had the potential back in the 80s to be a lot more profitable than they were. As an example, WPP bought JWT in 1986 at the height of the media commission time. JWT should've made a fortune, they were making a 4% margin.

Darren:

Yeah, crazy.

Michael:

A couple of years later they bought Ogilvy and Mather, which was then earning an 8% margin. Now, prices for agency services then were three times as high as they are today and yet those agencies are making 15–20% margins. So the Martin Sorrells of the world recognised that they could buy underperforming assets with borrowed money, squeeze them to make them perform, get out all the surplus costs, run them on a discipline basis, give them tough budgets that they had to meet, and as their profits would rise, so would the share price of WPP. Then WPP could use and enhance share price to go out and make cheaper acquisitions.

That is the old financial holding company game from way back. In the 60s and the 70s we had the same thing happen with what were then called conglomerates.

Darren:

Yep.

Michael:

They used borrowed money to buy undervalued assets, they'd squeeze them to perform better, the share price of the conglomerate would go up, it would make more acquisitions.

The problem was that they had to make more and more and more at an accelerated pace and they had to squeeze harder and harder and harder. Now by my calculations, from 1985 to 2005, that 20-year period, agencies had surplus costs that could be squeezed out that did not affect their operations. They were, at that time, allocating an excess number of creative teams to work. They were putting three, four and five creative teams to work. They were developing 10–12 ideas for every brief. They were doing a whole bunch of rework and none of that was really adding value.

So Martin Sorrell and John Wren and the others that were running holding companies that were putting a squeeze on the ad agencies, it didn't really hurt them, they took the cost out, they downsized.

Darren:

Well, that's good business.

Michael:

That was good business and they were rewarded very well. Their share prices went up. I don't have the figures in front of me but if you look at WPP performance up to 2005, it was probably very substantial and the share price was high, they were getting a good multiple on their earnings per share. But the problem is they had to keep it going.

Now what they didn't know but my analysis shows is that 2005 was the last year that agencies had surplus resources. So WPP and the others had to keep the earnings growth machine going, but from 2005 onwards, as clients were cutting agency fees, agencies were downsizing and they were cutting muscle out.

Darren:

Yeah.

How it all came to this

Michael:

They were firing senior people. They were hiring junior people at incredibly low market rates. They were using too few people to do the work and, to be quite frank, the work was kind of crappy and it has been for the last 10 years. So the holding companies who did the right thing up to 2005 by putting the squeeze on and benefiting from it have had to continue that strategy, and they have weakened the agencies and their portfolios.

They will never admit it. They will never say that's the case. But the evidence says that now the holding companies, who probably don't feel that their agencies are quite up to the job that they used to be, are creating holding company relationships, and Martin Sorrell and the others are themselves going out to sell relationships drawing on the best resources from the individual agencies. To me, it is the best evidence that there is a recognition that the agencies have been very weakened by the holding companies' squeeze.

Now, the holding companies have to continue this. If they don't show continued earnings per share growth, their share price is going to take a huge dive. All there has to be is a slight change in the growth rate of earnings, as we've seen in Apple, and Apple got punished. The share price dropped by 10% for a slight decrease in sales of iPhones. If the holding companies go through that same thing, there will be a decline in the share price, investors who didn't unload their shares are going to feel like they've been bamboozled, the security analysts are going to rush in and say, 'Wait a minute, what's going on here? I thought this was an earnings machine that was going on forever'.

What they're going to find, and I've certainly documented it in my book, is that for the last 10 years, agencies have been squeezed to the point of ill health.

Darren:

It's a hollow shell.

Michael:

So when the holding company earnings reports are going out, in my view, those are low-quality earnings. Every year, the quality of earnings is going down because the agencies themselves are starved for resources.

Darren:

On those particular assets, I think they've had a little bit of a lifeline with the media and this whole area which is actually propping up all those …

The media cash cow is facing attack

Michael:

Well, there's no question about it because if you think of the holding company as having media assets, creative, traditional agency assets, and then research and consultancy in their portfolio, the cash cows have been the media companies and the other stuff, and the sort of dogs in the portfolio have been the creative agencies which have been squeezed. Even the digital companies have been squeezed, let's not kid ourselves.

So the question is, what happens if what goes on in the media side of the business, which is fear about the media rebates, click fraud, viewability, may be a slight suspicion that digital isn't all that it's cracked up to be, and there's a retrenchment and a decline or attack on the media side of the equation? Then the holding company is going to have a real problem on its hands because it won't have the cash cow to shore up the dogs.

Darren:

Yeah.

Michael:

That is my prediction by the way. I just don't know when it's going to happen. If I did, I'd short them all.

Darren:

It's like all markets, it's all in the timing.

Michael:

It's all a timing thing isn't it. It's like the people, the few people who saw the mortgage bubble in the US and shorted all the banks, made billions of dollars provided they had a deep pocket. But I don't know if that's really gonna happen.

Darren:

I'm just wondering, sorry Michael, about some of those dogs, because I've seen the agency brands, the JWTs and the BBDOs, used almost in an entanglement strategy. That is, get a client at the basement discount into the agency and then use that relationship to onsell all of the more profitable areas that they offer as well.

Michael:

That is certainly the intent. I don't know that they're taking it deliberately for a low price. I think they're forced to take it at a low price because that's where the market is. I then think the desire by the holding company is to squeeze out all competitors and make it a genuine holding company relationship by offering all the different assets including media from an individual holding company.

That has a lot of problems too. You could say that financially that makes a lot of sense, but it does mean that the branded agencies have lost their lustre as agencies who each individually stand for something. They're not as far gone as representing a typing pool of creatives, meaning let's go get Sally-Anne or Jean-Jacques in on this and we will take someone from JWT and somebody else from OLM. But there is a little bit more of that in a holding company relationship than would be the case if JWT was the agency of record.

Consultants' results-driven approach vs the agency's 'creative' approach

Darren:

So, to change the topic a little bit, at the conference today the CMO of Deloitte was presenting and some of the agencies stood up and asked questions about whether their role as consultants and their investment in digital agencies is actually a conflict, and she answered quite honestly, 'Not if it's not a conflict for the client'.

Why do you think the Deloittes, the IBMs, are acquiring especially digital agencies and what do you believe will be the impact on the more traditional agency groups?

Michael:

A very good question, and because I have a background in consulting, I feel personally attached to this because I can see why they're doing it and I can see how attractive it is.

The thing to recognise is that since the 80s, all of the consulting firms, including the Deloittes who were accounting firms, have said, 'Our purpose is to generate increased profits and growth for our clients'. They are totally results-driven. They don't say about themselves 'We're analytical' in the way that agencies say 'We're creative'. They've said, 'The only reason we exist is to make money for our clients. That's what justifies our very high fees', because they are paid more than double what an agency is paid for an equivalent amount of work.

So the Deloittes, the Bains, the Mackenzies, the BCGs, Accentures, IBM, are all aggressively pursuing a market opportunity where their skills are totally appropriate, because what they see happening as media shifts towards digital, which is data-intensive and allows a great deal of analysis – well look, they're analysis machines, that's what they do. That's what they did, that's what they've been doing since the 80s, they've been doing analysis of businesses and the development of strategies that leads to improved results.

Now they see everything moving to digital and they see agencies as being weak in providing work that delivers results and they see a huge amount of money being spent on media and they say, 'The person that is being ill-served today is the CMO. The CMO desperately needs brand growth. The agencies are not delivering it. We are consulting firms. We can tack on a creative capability to our already powerhouse analytical resources, client-facing resources, and that's a lot easier for us and that's almost a natural transition'. And she [Deloitte CMO] did say, 'Listen, for us that's like adding an HR capability, an M and A capability, a cost-reduction capability, a reorganisation capability and now we're adding a creative capability in digital media'.

So it is a natural thing for a consulting firm to add capabilities as the marketplace needs change. What they're always adding those capabilities to is their powerhouse analytical capability. Now, it's easier for them to add creative to their analytical capability than for agencies, who have very little money, to try and hire in analysts and try to invent a creative organisation. It just doesn't fit. Like, where do we put this analyst? It doesn't have a home, isn't respected by anyone, everyone makes jokes about 'He's just a spreadsheet person', you know, that sort of thing. But a creative, a digital creative, coming to a Deloitte or an Accenture, you know something …

Darren:

It just brings it all together.

Michael:

Deloitte is providing higher-quality client-service people to the existing creative capability. It's a very natural fit. They are used to having a different type of dialogue with clients about what their services are. They will say, 'Our service is to add value, to grow brands through a better exploitation of digital, the digital marketplace. We will do a better job at creating digital scopes of work. We will do a better, faster job of creating the assets', because a lot of their assets are created in India.

'We have a single-minded focus on achieving for you what you need.' That's something you'd never hear from an ad agency. It's a shame. It's a crisis, because if they had recognised the intense client interest and need for improved performance, then they might have changed their business. But they haven't changed their business model. They're still all about, 'We're creative' and 'We're service-oriented and we feel underappreciated by our clients'.

And the clients are saying, 'Wait a minute! It's about me. It's about my need for growth and profitability. Are you serving me properly? Are you giving me that? Are you helping me to keep my job and make my bonuses by making me successful?'

I think agencies have proven to be a little bit too narcissistic for them.

Darren:

Well, it comes part and parcel with the creative ego, doesn't it? A little bit?

Michael:

It need not. I mean listen, I think that there's an enormous amount of creativity required in identifying the client's performance problem, so that's kind of a creative thing, but you don't toot your horn about that, you assume it's what you're good at.

Darren:

Well, let's look at an industry that has more awards for creativity than any other. There are so many advertising awards for creativity. I mean, I don't see consultants having awards for creativity.

Michael:

No, it would be awards for analytical brilliance.

Darren:

Or stockbrokers having …

Michael:

No, it is a 'Me, me, me' thing. Don't get me going on what a creative award is anyway. That is often a panel of other creatives from within the industry rewarding …

Darren:

I used to be on those panels, so …

Michael:

OK, so you know. If I get a creative award and it's in my portfolio, that gives me market value so I can leave my current job and get a huge pay rise.

Darren:

Exactly.

Michael:

I've seen that over and over again. So it's narcissistic to the degree to which the award is something you keep on your resume even if the Golden Lion sits, you know, at Saatchi and Saatchi or TBWA.

Darren:

Michael Farmer, this has been a fantastic discussion and I really enjoyed it. I would absolutely recommend to everyone, if they haven't read your book *Madison Avenue Manslaughter*, they should get a copy. It's available on Amazon.

Michael:

It's at Amazon. It's available through Google Books and it's available through Apple, though I don't know if it's called Apple Books or iBook or whatever the devil it is. It is not available as an Amazon Kindle; it has a fair number of diagrams and tables in it which don't translate well on a Kindle format. But it is available: *Madison Avenue Manslaughter: an Inside View of Fee-cutting Clients, Profit-hungry Owners and Declining Ad Agencies*[6].

Darren:

I think you summed it up perfectly. Thanks very much.

Michael:

Thanks Darren.

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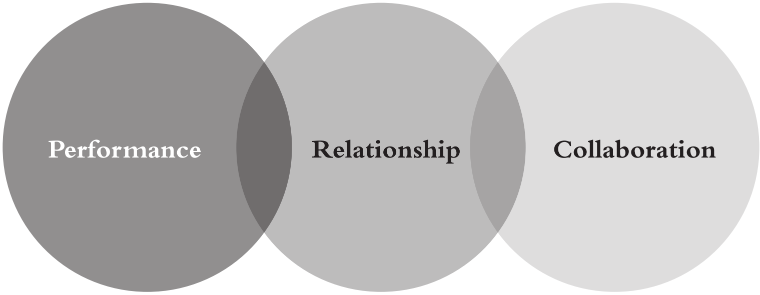
6 madisonavenuemanslaughterbook.com

POST 45

The important differences between collaboration, relationship and performance benchmarking

Posted 30 June 2011 by Darren Woolley

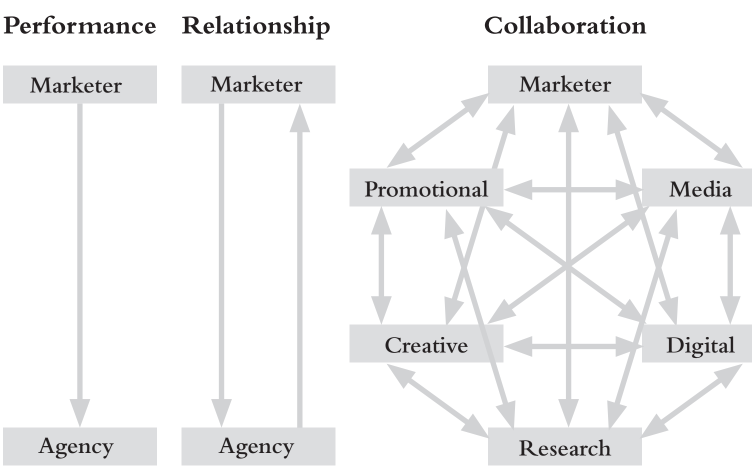
Many people use terms such as 'performance', 'relationship' and 'collaboration' interchangeably and yet there are important distinctions between them. All three are important in the management and optimisation of the agency–marketer interaction, but each one is measuring a different, perhaps subtle, but important attribute of this interaction.



Performance, Relationship and Collaboration are related but not interchangeable

The most common and certainly the most basic of all the interaction measures is **performance benchmarking**[1]. This typically takes the form of a scorecard of the agencies' performance that is completed by the marketers on a regular basis. The criteria for the scorecard are based on measuring the essential performance attributes required by the marketer of the agency. It is a one-dimensional measure in that it does not recognise the role of co-creation in the interaction and does not provide a measure of the marketer's performance or influence in the interaction.

Relationship benchmarking is a two-dimensional measure which recognises the role and influence of both parties on the performance and quality of the interactions. It is sometimes mistakenly termed a 360º methodology, but because it usually looks at the relationship between two parties, typically the marketer and one of the agencies, it is more correct to call it a two-dimensional measure. The criteria here is to measure the attributes of the relationship that encourage more efficient and effective interactions between the two parties, rather than simply performance of the roles and functions of each of the individual parties in the relationship.



Collaboration benchmarking is typically a measure of the alignment of two or more groups or parties to a set of objectives, values, cultures or philosophies. This is essential when two or more organisations are working together to a common goal, such as a marketing team and any number of agencies that are working interdependently in developing and executing

1 trinityp3.com/about-us

the marketing communications plan. Therefore, the criteria is typically measuring the underlying desired attributes that bring about alignment between what are often disparate groups culturally that are trying to align to the common goals. Developing collaboration between two parties is relatively simple and is a component of most relationship management and optimisation processes. However, marketers now more often engage multiple agencies to execute their marketing communications plans, therefore collaboration benchmarking is often multidimensional in nature.

The interactions between marketers and their agencies are becoming more complex, and being able to benchmark these interactions is important. However, it is important to distinguish the difference between collaboration, relationships and performance benchmarking to ensure you are optimising the most appropriate criteria in the process.

POST 46

The importance of relationship management from day one of a new agency appointment

Posted 31 October 2014 by Darren Woolley

We see and hear about this time and time again. In the glow of the new agency relationship, both the marketer and the agency are often oblivious to the need to establish the ground rules and implement a process of onboarding the new agency and establishing the working relationship.

Often when we raise the topic, the marketers feel that the process will happen naturally, and both parties, agency and marketer, are keen to get on with the work now that the selection process has been completed. But without clearly establishing the ground rules and putting in place the rules of engagement, the euphoria of these early days can often lead to issues in the way the agency works not just with the marketing team, but with other agencies in the roster. At the very least there will be a loss of productivity in the relationship; at worst, it can lead to a complete breakdown and the need to go through the whole selection process again.

Why avoid the process?

Having been through the agency selection process[1], which can take weeks or even months, it is natural for both the agency and the marketers to want to get to work rather than undertake further process

1 trinityp3.com/2013/10/selecting-agencies-managing-agency-relationships

implementation. But a short-term focus on outcomes will ultimately be compromised by not getting the process right.

Of course, rushing into a new or major project with a new agency will invariably mean that both parties will figure out a way of working along the way. But often in the rush of the new project there are miscommunications and oversights regarding some of the major issues. Many marketers will feel these are a small compromise that can be corrected later, only to discover that by the time they have an opportunity to address the issues that have arisen, there has been a significant loss of time, resources or budget, and the relationship, once past the honeymoon period, has soured.

This is a classic situation where an ounce of prevention can eliminate the need for a tonne of cure later. The process does not have to hold up the work, but it does have to be done and can be incorporated into the program of work up-front.

What is required and when?

There are three key areas that need to be established up-front:

1. introduction/induction into the business and the brand
2. agreement of roles, responsibilities and expectations
3. planned reviews and agreed issue and conflict management.

Ideally, all of these should occur within the first 100 days of the new agency appointment. (Please note that we assume there has been a contract and agency remuneration agreement as part of the appointment of the new agency. If not, this should be completed immediately.)

Introduction and induction

The first stage is to ensure the agency is introduced to the relevant stakeholders within the organisation and the wider roster. These meetings often occur naturally, but often they are strategically driven, with a view to delivering the first lot of outcomes from the new relationship.

There is also a need to provide the new agency with a broader strategic and cultural context in regards to the new organisation. Agencies work with many different clients and each one has their own culture, strategy and processes. Therefore, it is important that within these introduction and induction meetings, the agency is able to obtain a better understanding of all three.

Introduction and induction meetings should be organised at a minimum with the following.

1. Senior management

Agency senior management should meet with the organisation's senior management team. Even if this has occurred during the selection process, it is important that the CEO and others in the C-suite have the opportunity to clearly communicate their expectations of the agency and marketing.

2. Marketing team

The marketing team (beyond the selection panel) initially should meet with the key agency account management staff. It is also worthwhile to organise a series of introduction meetings in the agency for all marketing staff to meet the team, including the various capabilities and disciplines.

In some cases, marketers and agencies have organised job-swapping to facilitate this orientation. It can be particularly effective when collectively they are working on a major project, rather than waiting for a 'quiet time'.

3. Other rostered agencies

Often overlooked, perhaps because it is assumed that the agencies know each other, is the organisation of meetings to make sure the new agency team meet the existing or incumbent agency staff working with the marketers. This is particularly effective when you have the lead strategic, account management, creative and production resources in this meeting.

Having the existing agencies on the roster meet the new agency and discuss how they work together and their existing roles and responsibilities is a great way to set up the next stage.

Roles, responsibilities and expectations

Some of the biggest issues are a misalignment of expectations and the duplication that occurs when agencies are working together without a framework. I have written about this previously[2], as it is a natural consequence of the agencies competing for their share of the marketer's budget that they will increase their scope of work and their responsibilities to maximise their influence.

Introducing a new agency into the existing roster (even if this is just adding a new agency to a handful of agencies such as media, digital, experiential and the like) can lead to new tensions and disruptions and disputes. Often in response, a Six Sigma Black Belt[3] will suggest undertaking a process-mapping and optimisation process such as RACI[4]. This can definitely be worthwhile for those interested in process, but we have found its detailed nature means it is rarely effective.

2 trinityp3.com/2014/05/agencies-cannot-collaborate-when-competing-for-budget

3 en.wikipedia.org/wiki/Six_Sigma

4 en.wikipedia.org/wiki/Responsibility_assignment_matrix

At TrinityP3 we have developed and use a process we call the Engagement Agreement[5]. Basically, it is a facilitated opportunity for the marketers and the agency, along with the other rostered agencies if appropriate, to articulate their expectations and requirements of each other and have these agreed and recorded. If an Engagement Agreement exists, then this becomes the basis of the process as it is revisited with the new agency and updated or modified to suit. One of the key benefits is it can easily be incorporated into the induction and introduction process as it is an excellent way for the teams to get acquainted.

Reviews and issue resolution

Most marketers will say they review and monitor their agency performance. However, in many cases the approach will be rather informal. It is important to have a robust and regular process for both agency and marketer to assess and provide feedback on each other's performance and the performance of the relationship.

There are a number of ways to do this, from a simple scorecard system to the use of various software systems[6]. We have reviewed a number of these approaches and the most important thing is to first have a process and then to make sure you have the discipline to implement it on a regular basis. To achieve this, you need to determine and agree on the following:

1. What do you want to measure? – Agency performance? Relationship performance? Collaboration? The criteria will determine the best methodology.
2. Which agencies and stakeholders will be involved? – Determine which agencies will be involved and which marketers.
3. How often will the review be undertaken? – This can depend on issues such as the size of the roster, the strategic importance of the agency, and the volume and pace of the work, but the ideal is twice-yearly or more regularly.

Using an external facilitator can help, but it is not essential as long as there is someone on the team who is responsible for managing the process. Either way, you need to make a commitment to the process over the duration of the agency relationship to yield the benefits.

Between the planned reviews, you also need a process to address issues and disputes that arise either with the agencies or between the agencies on the roster. This is simply a process to identify issues and facilitate a solution. The ideal process will ensure fast resolutions without having to escalate

5 trinityp3.com/2013/05/engagement-agreements

6 trinityp3.com/2013/06/agency-relationship-evaluation-process

the problem to the senior agency and marketing team.

What are the benefits?

In the first six months, we estimate from our experience that the agency and the marketing team will invest up to 20% more time with each other achieving an operational alignment and addressing the issues that arise. By taking a planned approach to onboarding the new agency, this level of resource investment can be significantly reduced as the alignment is achieved across the whole marketing team and the agency roster at once, ensuring consistent alignment.

Our experience managing agency performance and relationships has shown that when teams are aligned in expectations, strategy and responsibilities, there is greater efficiency in delivering outputs and outcomes. When this is regularly measured, managed and maximised[7], it builds stronger, more enduring relationships. In the short, medium and longer term, there is increased efficiency and effectiveness, with less miscommunication and misalignment, not just between the agencies and the marketing team but also between the agencies themselves.

So why do so many marketers avoid setting up their new agency for success up-front? Perhaps you can tell us.

7 trinityp3.com/2013/08/improve-agency-relationships

POST 47

Managing Marketing – the importance of social media making the CEO the public face of business

Posted 28 October 2016 by Darren Woolley

Managing Marketing is a podcast hosted by TrinityP3 founder and global CEO Darren Woolley. Each podcast is a conversation with a thought-leader, professional or practitioner of marketing and communications on issues, insights and opportunities in the marketing management category – ideal for marketers, advertisers, and media and commercial communications professionals. Follow Managing Marketing on SoundCloud[1] or *iTunes*[2].

Suzie Shaw[3], CEO of We Are Social Australia[4], explores with Darren the role of social media in business today and why the CEO should be taking the lead here in representing the public face of the organisation through social media. It challenges the conventional gap between marketing and corporate affairs as they tussle for control of reputation management.

1 soundcloud.com/managing-marketing

2 itunes.apple.com/au/podcast/managing-marketing/id1018735190

3 au.linkedin.com/in/suzie-shaw-59410a32

4 wearesocial.com.au

Suzie Shaw
Managing Director,
We Are Social Australia

Podcast transcript

Darren:

Welcome to Managing Marketing. This week I'm joined by Suzie Shaw, CEO of We Are Social. Welcome Suzie.

Suzie:

Thank you Darren.

Darren:

Suzie, you wrote a terrific article for the blog[5] about CEOs of organisations being the public face of companies, and we've had such great interest in that article – there's been a lot of social sharing, a lot of readership. Why do you think it's such an interesting topic for people?

The impact of social media

Suzie:

Well, firstly, it's great to hear that it has been well read, because I think it's something that people should be engaging with. I think CEOs should be engaging with social and I think people who are responsible for the reputation of an organisation should be engaging. So I'm pleased to hear that it's pricking up people's ears.

The reason I think people are engaging with it is because, generally, social media is having a big impact on the world, not just the world of marketing. I think every individual knows themselves how much social media they're consuming. So people are becoming aware of how important it's becoming simply from a reach and awareness perspective, and for that reason I think CEOs are tuning in.

They also know how influential it can be. Social media is becoming the biggest publisher that we have globally. Facebook's becoming the new

5 trinityp3.com/2016/03/ceo-social-media

network and publishers like *The Guardian* or *The Australian*, they're actually having to pay money to Facebook simply to distribute their content, and so it's simply becoming more and more influential and I think for that reason people are sitting up and paying attention to it.

Darren:

I think one of the powers of social media is in the name itself and that's the social part. I mean, it's such a powerful way of connecting and sharing information among people you either know or respect or want to follow, isn't it?

Suzie:

Absolutely. I really think about social as word of mouth. Word of mouth has always been powerful, but what social has done is supercharge it because it has created a marketplace, a really efficient marketplace for amplifying word of mouth.

So people can go there and have conversations that will be overheard by big groups of people, and the brilliant thing is that social enables you to target those conversations to the audiences that you want to hear them, and so it's just created this really super marketplace for having those overheard conversations.

Darren:

It's interesting because not all social networks are the same, are they?

Suzie:

No.

Darren:

I mean, I have noticed journalists especially are very big on Twitter.

Suzie:

Yep.

Darren:

More about finding out what's going on than necessarily sharing their stories. But then Facebook is different again, and what else is there? LinkedIn for business, and Snapchat seems to be on the rise as well.

Suzie:

Absolutely. Yeah, all the social networks are different. I think that social is maturing, so I think it would be tough to start a big, successful social network today because some of the social networks that exist already have captured such a strong hold on the market that there is a limit to how much attention consumers have, so they can't be taking on too many more platforms.

But those that have emerged and have become strong, have done so because they offer something really powerful to both consumers who want to spend their precious time consuming content on their social networks, and to advertisers and brands who want to reach those audiences. So there is more momentum in some of these social media businesses than there is in any mainstream, traditional publishers because they've captured an audience, that audience is spending a lot of time in these platforms, and they have created functionality that enables a level of sophistication around targeting that's really, really impressive.

Darren:

Social media is such a powerful way of communicating, and I think we're both examples of people who use it both professionally and personally. But I was reading an article in *Fortune Magazine* and they looked at the Fortune 500 in the US and only a handful of CEOs, even in the US, which is sort of social-media-mad compared to say a market like Australia, are using social media in a professional sense, in the way that you were extolling in the article that you wrote.

Suzie:

Yeah, yeah it's interesting.

The troubles CEOs have with social

Darren:

Why do you think that is? Why does it seem that CEOs especially, not just in Australia but everywhere, have trouble understanding the role it has or the benefit it has?

Suzie:

I think there are a few reasons. Number one, they're most likely digital migrants rather than digital natives. So it's not, potentially, a natural thing for them and they might not be as heavy users of social media as some of the younger people in an organisation for one. So they might not be as confident. They might not have recognised, personally, the value of it yet. For two, I think there's some anxiety around doing the wrong thing.

Whether it be CEOs or public figures in organisations, there are two sorts of really salient examples. One is those that are really impressive, have a really strong social profile, seem to be witty, have great content, live exciting lives, and then there's the second where it goes horribly wrong, and they're the two things that spring to people's minds.

Darren:

So the celebrity CEO and then the doofus.

Suzie:

Yes. You might put Donald Trump in that camp. But that's where I think there's some anxiety about whether they might be able to live up to the celebrity CEO status or whether they might fall into the camp of the doofus. They're both things to think through to make sure you can achieve your objectives, but there are real benefits to using social for a CEO, primarily around building profile, it helps many organisations to have a high-profile CEO, but it's also about building trust.

Darren:

Yeah, because you get to know the individual. But I belonged to a CEO institute, council I think it was called, and talking to CEOs of even medium-sized companies, they were really hesitant about what they saw as a loss of privacy, which just blew me away. They said, 'Oh, social media, you're putting everything out there', and they couldn't get their head around this concept of curating your messages for social media. They seemed to think it was like Facebook and you had to put the photos of you getting drunk on the weekend on your second bottle of Bordeaux or something.

Why do you think that is their attitude? Is that the not-being-digital-natives thing?

Suzie:

It could be. I mean in some ways it's a little bit egotistical, to think that everyone cares about you, you know, watching you get drunk. But I think the reality is we would advise any corporation or individual that you need to have a strategy and you need to be clear about why are you using social.

This goes for the individual, and people do this, even if it's unknowingly, but you need to have a strategy. Why am I doing this? And then you need to think about, well, what am I, what am I trying to portray, what's the brand of me I'm trying to portray, how am I trying to position myself?

And as part of that, what's the strategy? What do I talk about? What do I show? Who am I spending time with? And if you have a selection of platforms that you use, you might decide, well, you know, Facebook's my platform for communicating and sharing with my friends, whereas LinkedIn is my professional platform.

It's not the case that everything needs to be open and everything needs to be public, or that you use every platform in the same way, and I think most savvy social users will have figured that out, but some people probably just need a bit of education about how you can set some privacy settings, or make sure you've got a focused strategy around which channel you use for what reason.

Where should a CEO start?

Darren:

So as part of the work that We Are Social does, obviously there is a component of working with organisations and also their CEOs. Where would you suggest a CEO start if they were going to look at having a social media presence that fits with their business strategy?

Suzie:

So you would start by developing a strategy in the same way you would for any sort of communications. You would say, 'Why am doing this? What are the objectives?' You would say, 'Who's my audience? Who am I trying to reach?'

Go about the process of figuring out, in that case, what's the best platform and how do I reach that audience. And I think where we talked before about the anxiety around saying the wrong thing, the reality is, the biggest risk for any CEO is that they don't capture an audience. You've got to think about how do I create content or say things that are interesting. And how do I outreach and make sure that I do build up an audience?

Darren:

I swear a CEO that I know, the first tweet they did was, 'This is a test. Is anybody listening?' and then they gave up because no-one responded. I think they thought it was email, actually.

Suzie:

Yeah, well some people do think of Facebook as email and you do have to understand the platforms. That's the important thing, thinking about how you build up that audience, and most often you get success by engaging with the audience that you're going after.

Plus, it's a reciprocal thing: if you follow, they follow. So that growth strategy is very important to make sure you're reaching the right people and identifying who are the influencers. And who do you want to be retweeting your messages or following you?

Darren:

One of the things we've noticed recently, and sort of moving on from the CEO, is organisations are now talking a lot to us about bringing social media management in-house. There seems to be a real demarcation dispute between marketing and corporate affairs or corporate strategy. Have you got a point of view on that? Because I know that it's one of those issues, because corporate affairs are targeting shareholders and institutional investors and marketing is targeting consumers and customers, and so they've got different groups. How do you bring those two together?

Communicating to different groups

Suzie:

It's a really good question because social can have a role in the whole spectrum of communications within an organisation. We see businesses that want to use social for targeting consumers, as a customer service channel or targeting a corporate audience, for their corporate reputation or even employee engagement. So it's right that lots of people in the organisation have a right to use it as a channel and I can see why there's sometimes a battle for control of those channels. But I think an organisation needs to go through the process of developing the strategy so that you are segmenting your audience and using the right channels to target the right people, and then figuring out a collaborative and productive way of working together to make sure that the channels make sense.

If someone follows you, let's say on Facebook, they need to know what they're there for. Are they there to hear, you know, a corporate party line, or are they there to engage with the brand? And if the two things need to happen, you probably need separate channels because otherwise you're going to give a schizophrenic view of that brand, potentially. It needs coordination.

Darren:

So if I'm a CEO in an organisation and I'm thinking of using social media, I would then need to consider what my strategy was as to where I would go within the organisation to develop that strategy. Because if my strategy is to talk to investors and shareholders, that's going to be a very different strategy to talking to customers.

Suzie:

Absolutely, and I think when we talk about the CEOs using social to build up their profile and to help complement the reputation of the organisation, it probably is a corporate comms task rather than a brand and marketing task. So yes, it is important to think about who is best being responsible for that and it all comes down to defining the objectives.

Darren:

But often a CEO will find themselves sort of torn between the two, and I think we've seen some great examples in the last five, six years where the CEO is giving what looks like good news to investors, 'We're cutting costs, we're laying off staff and we're doing all that to get costs down', and at the same time, the consumer customer is hearing 'Less service, poorer quality, less investment in me'.

Suzie:

Absolutely. That's why it requires coordination, because if you're going out on social to deliver news or have a conversation with a particular constituency, you have to recognise that it could be overheard and that needs to be given consideration.

But, you know, the same is true of let's say PR. The benefit of building up a social following is you are in control of when you go to market with a message and what that message is. How it's received, you can't control, and that's the same as PR, and also, you need to be prepared to respond if people want to engage with you on that issue. In contrast to if you are only relying on PR to get your message out, you're then beholden to the media to determine when you can speak and what you can speak about and how that message will be reported.

So at least with social you can have a bit more control, but at the same time you have to be prepared to engage.

Darren:

Well, the journalists are there on Twitter waiting for everything that they can pounce on and turn into a story.

Suzie:

Absolutely.

Darren:

So they're still there, and also since the 80s when there was this big shift to getting mums and dads with Commonwealth Bank, Telstra, Qantas and the like, a lot of shareholders today are also consumers. So this idea that you could segment them anyway is ridiculous. Whether you're using PR, if something runs in the business pages of *The Australian*, the *Fin Review* or even *The Daily Telegraph*, it's going to be read by everyone the same as social media. You can't really segment social media. You can target people that you want to connect with, but you could be connected by a lot of people, especially on Twitter.

Suzie:

Absolutely. You certainly need to be cognisant of the fact that you have to have a holistic view of your comms. You have to expect that if you go out there with one message in any channel, it could be heard and interpreted by another audience in a way that you don't necessarily want it to be. You just have to have a more holistic view of your messaging and take into consideration a number of audiences when you land a message.

Understanding the various social platforms

Darren:

Beyond Twitter, Facebook, LinkedIn, there's also all these other social media channels and platforms that are popping up. Pinterest was hot for a while, Tumblr for social blogging, and Snapchat. Snapchat seems to be getting a lot of coverage for marketers.

Suzie:

Oh yeah, Snapchat's going wild. It's seeing a level of growth and momentum that probably none of the other social media platforms had in their relative stage of development. Incredibly, it's got very high penetration and high daily usage among young teens and young adults, which is obviously a very hot audience for many brands and marketers, and I think that audience has a great deal of affinity for that platform.

What it does, it does very well, and I think it's a bit of an enigma to a lot of brands at the moment. They can see that audiences are using it really heavily but they're not quite sure how they're gonna get in there with their advertising messages. So people are eager to get involved, but it's, as yet, a bit of an untested channel from an advertising perspective. But watch this space, it will happen.

I think the other thing about Snapchat is, one of my favourite follows is The White House and I think it's a really good example of the opportunity that exists for people like CEOs, where it's giving a behind-the-scenes view of the White House and helps to humanise it. It helps to make it feel transparent and helps to make you feel close to what's going on within the government, and I think it's a really good example of what's possible for corporations with social media.

So yeah, there's a lot of opportunity there with Snapchat and lots of the other channels. You know Pinterest is certainly not dead.

Darren:

No, and then we've got Periscope and a stack of live video streaming applications as well, and they would all be included as part of social media, wouldn't they?

Suzie:

Absolutely. I mean live, I think, is the next big innovation in social, but as yet I think it's an innovation without having yet found its perfect application. I think in the next year or two we will see a huge growth in the use of live to open doors to consumers, whether that be through events or corporations just wanting to enable consumers to see and hear about what's going on, behind the scenes, and really open things up for consumers.

Darren:

One of the things to make it work is we're going to have to get rid of time zones. I'm sick of waking up in the morning and looking at Facebook and seeing *Harvard Business Review* and someone else had a live session at 3 a.m. and I missed it. I click on it and it just sits there waiting to load the prerecorded video.

Suzie:

Yeah, it's not helpful when you're in Australia. Saying that, one of the brilliant things about most of those live technologies is that you can usually record it and then keep that video for later, so people who are in Australia and have missed the *Harvard Business Review* live stream should be able to watch it back.

Darren:

Oh you can, it just lacks the interactive component where you see other people interacting with it and you feel like you're having less of an experience.

Suzie:

It's a less-engaging experience. That is the brilliance of live, that it drives very high volumes of engagement. What people seek today is experiences, and these shareable experiences that you can talk about, and watching a video is not really a shareable experience, whereas 'I engaged with Sheryl Sandberg' is probably something you'll remember for the rest of your life.

Darren:

Going back to Snapchat, one of the other things is the immediacy of it, isn't it? Because the content doesn't stay there forever.

Suzie:

No, no.

Darren:

So that's quite an interesting way of thinking, because most other social media, as you say, will create the content and then stick it in some sort of timeline, be it Twitter, LinkedIn or Facebook, that you can go back to and refer to over and over again. Do you think it's part of that 'in the moment' that makes it so popular?

Suzie:

Absolutely. I think that's what teens and young people are loving about Snapchat, is it's diverting everything else that's become the norm in social media and about trying to project a perfect life. Snapchat doesn't require you to project a perfect life because it doesn't need to be orchestrated, and it's very natural and casual and what's really going on in my life, but it's not leaving a digital footprint so there's no pressure. No pressure to get likes or friends or whatever. It's all just about communication and an exchange of moments with people.

Darren:

That's one I missed. Instagram.

Suzie:

Yeah.

Darren:

Instagram, obviously because of the platform, a very visual medium, and yet a lot of brands don't necessarily think visually to use it do they? Or do they?

Suzie:

The brands that succeed are visual because they've got a visual product or they've managed to create a visual language around the brand that it is a table stake for Instagram. That is the content that does well but, you know, it's surprising how many brands are doing very well on Instagram because they've adopted really good strategies.

Darren:

They recently changed their logo and there was all this outcry, I mean it looks a bit pithy compared to the one that they had, but do you think changing the logo makes a big difference?

Suzie:

It got noticed, it got attention. I think generally the world doesn't love change so the fact that they changed in itself was a story. It's not an old company so the logo wasn't that old. I don't think anyone was expecting it. But I do think it modernises the brand and the business because the logo was obviously quite retro in style previously.

Darren:

Yep.

Suzie:

For me the jury's out. I still feel a lot of love for the old logo and I miss that a little bit.

Darren:

It just simply is a PR piece that seemed to be very successful because for a week there were so many stories about, 'Oohh they've changed the logo, they've changed the logo'. And in some ways, if you are a CEO of a company, you would love that sort of interest or buying into your brand, that changing the logo would have such a big impact.

Suzie:

Absolutely. I mean, that's the point right? I think people care so much about these platforms because, number one, it's probably something that we look at every day and is probably on most people's home screen of their smartphone. Number two, they're probably engaging every day and that's why they care because you've changed my window into my special world that I want to enter every day. And you're right, many brands could learn a lot from the way social media platforms position themselves and engage audiences because they've created a lot of love for what they do.

Chinese platforms: built on top of e-commerce

Darren:

Have you seen much use of the Chinese social media app WeChat at all in this market?

Suzie:

Not a lot in this market, but it is a question that's coming up to us more frequently, both WeChat and Weibo. So many brands are saying there's a growing base of Chinese people living in Australia and we'd like to find ways to target them.

It is challenging because you really need to speak in their native language on those channels, and also being China, it's quite restrictive in terms of what you can promote on the channel. So I think there's a growing interest in it, but I don't know how many brands have been successful in doing it.

Darren:

One of the things that amazes me is that here's the Chinese, they have taken a social media platform – because WeChat, it's a combination, there's some microblogging like Twitter, there's messaging, there's a little bit of Facebook with the timeline or moments, I think they call it – and then they've built the whole thing on top of an e-commerce platform.

That seems to me such an amazing idea because when you think of all of the other social media platforms, no-one else has built a social media platform on top of an e-commerce platform, have they? There's no-one else doing it.

Suzie:

No, but there has been quite a lot of talk about Facebook integrating a booking capability into the app, so I think if it happens, Facebook will probably get there first. But you're right, WeChat is a very impressive platform. It has got a stranglehold on a massive market.

Darren:

I think it's 600 million Chinese are using it on a daily basis and you can pay for taxis and book restaurants and pay all sorts of things. It's like having Apple Pay on Facebook with a bit of Twitter. It's all in one app.

Suzie:

Yeah, I would say Facebook will develop in that way.

Darren:

It's a certainty. Facebook's a powerful and dominant player in the market. Everyone else is trying to knock them off.

Suzie:

Well, I mean, I don't know if anyone could even begin to think about it. Oh, you mean knock them off like imitate them?

Darren:

Yeah.

Facebook and LinkedIn

Suzie:

Well, yes and no. One of the things that's challenging for all of the other platforms is that Facebook seems very fast with innovation, so in many ways, anyone that does come up with good innovation, Facebook are quite quick to copy that, so they are almost making redundant any new and interesting emerging platforms. Like, they've launched Masquerade. One of the best things about Snapchat is of course the filters and so on and Facebook have been very quick to bring on innovation and technology that almost mimics that functionality.

So I think Facebook are very fast and nimble when it comes to innovation and, a lot of the time, bringing out functionality that you're not quite sure why you need it or want it, but I guess that's their strategy. They develop a lot of NPDs [new product developments] and some things fly and some things don't, because all of the testing and learning inside of a lab won't necessarily tell you what's going to fly with an audience, or what's going to fly with an audience today versus whether, you know, it'll take off in a year's time.

So I think that their strategy is good and impressive. They obviously invest a lot in making their platform better and better all the time and I think for that reason they're pretty hard to beat.

Darren:

And poor old Google, there was Google Plus, which is sort of just hanging in there because it seems to add to the algorithm, the search algorithm, but they really haven't been able to crack social media have they?

Suzie:

Google Plus has not been a success, but I wouldn't say 'poor old Google'. I think they're doing really, really well.

Darren:

In the social media space, not necessarily in search and all those things.

Suzie:

Absolutely, but search is one of the most powerful marketing methods that exists and they do it incredibly well. It's just getting better and better all the time and I think, if you do nothing else, it's almost the number-one tool for any business.

Darren:

LinkedIn's gone through a huge amount of change and some people are saying not so good, but it's still the only business social media platform isn't it?

Suzie:

Yes. I think they've been very effective. They were probably a slower-build platform, but they've been very effective at capturing the right audience, a committed audience, and subsequently a pretty expensive platform to advertise on because they can guarantee you will reach the right audience. If you're targeting a professional audience, you can be sure that you'll get them there, and it's got really good content on there so people enjoy spending time there and they don't have to create that content, so it's a very strong platform for that reason.

Darren:

Though the criticism that I've heard recently from people is that there are so many people signing up to it that are using it just to harangue sales calls.

Suzie:

Yeah.

Darren:

It seems to be one of the big challenges that they're facing, but you would still rate it as a way of building your business profile?

Suzie:

Absolutely. I think for building your profile as an individual within the professional environment but also as a business, it is a very, very effective tool for both those things.

Darren:

In that B2B area?

Suzie:

Yeah. It's becoming more spammy and I think people will become a bit tighter with the way in which they engage with people.

Darren:

It's interesting you mentioned spamming because in some ways, all of these social media platforms are evolving into more media and less social. They've got to find a way to pay for this and so you see things like sponsored posts, sponsored tweets, and increasingly the timeline or experience is being more commercialised. Do you think that getting that balance right is critical for success?

Suzie:

It is critical to success because I think social media consumers will not engage with the brand or give it any of their attention unless that content that's being served is of some value to them. Unlike broadcast, where you cannot avoid the ads and you're probably sitting back on the sofa and probably not going to be bothered to lean over and get the remote and switch over or turn it off, with social you can very quickly move along.

So if a brand wants to reach an audience, they really do need to create content that's going to add some value and engage. But you're right, these platforms have invested huge sums of money in building fantastic technology that we all love and they need to monetise that investment, and so brand and ad-funded content is a reality. It's just then down to the brands to make that investment that they're going to make in reaching the audience pay off by creating good content.

Other areas that businesses can use social for

Darren:

So going back to where we started from, apart from the CEO, you mentioned a few other areas where businesses could be using any one of these platforms. I think it was staff engagement, employee engagement, customer service. What else? What other areas do you see or regularly work with clients on?

Suzie:

So, corporate comms and reputation building, customer service as you said. The whole spectrum of brand and marketing, so everything from building a brand right through to direct response. An area which I would call social CRM, really identifying the people you want to target and getting your sales messages to them and driving a direct response.

So very much across the whole spectrum of marketing/comms, social plays a role. In many ways because it's just so big in terms of reach these days, and as we've talked about, really, really sharp in terms of targeting.

Darren:

Because customer service is such a fast way to be able to change someone's perception of a brand.

Suzie:

Yes.

Darren:

Customer experience almost becomes the brand builder, and an example that still sticks with me but it's now a couple of years old, is I was at Surry Hills at the Australia Post and the service was really bad and I was just standing there and I tweeted that it was really bad, and within a minute I got Australia Post's response saying, 'We're working on it, it should be adjusted soon', and suddenly two more staff members turned up and started clearing the backlog of customers.

You know, that responsiveness is such a great opportunity for social media, but apart from Australia Post and maybe a couple of others, you don't see a lot of companies really investing in that do you? Or is that changing? Is it increasing?

Suzie:

That is changing, yeah.

Darren:

Is it?

Suzie:

Yeah, it's definitely changing. I think the example you've just used is a great one because that's just good customer service. They heard you, they responded, and they improved the pace at which the line was clearing. But they did it in a forum that was actually quite public, so everyone you know was able to see how well they addressed your problem.

The brilliant thing about that, using social, is that it's public, that can go both ways. You can see people delivering good customer service or bad customer service. You can see if the customer was actually satisfied or not. But it's actually becoming a really efficient way to do customer service. It's in many ways cheaper than having people on phones.

Darren:

Yep.

Suzie:

And it can be done remotely. Where we've had trouble in the past, particularly in Australia, people are keen on having Australia-based call centres. It's a lot easier to service customers from other markets when you're doing it via social.

Darren:

My perception is that the reason it's not done a lot is that there are a lot of businesses that, when you make a complaint, you don't get any response at all.

Suzie:

That is just poor customer service. We will often talk to clients about how rapidly they should service complaints or queries on social media because I think you need to think about it, much like you would if an angry customer walked into, let's say, a branch of a bank and started yelling at you about their problem, potentially in quite an aggravated way. If you left them waiting for two-and-a-half hours they'd be pretty pissed off and I think, really, brands need to be thinking about it in the same way.

Responsiveness shows a customer you've heard and it demonstrates what your customer service is like. This pace at which you respond is indicative of how good your customer service is. Really, you should be able to do it quite quickly. There's no reason not to. It just diffuses a problem if you can get back to a customer quickly, assuming you're going to satisfy them with your resolution, but it can really help turn someone around from a detractor to an advocate when you respond quickly and satisfactorily.

Darren:

Especially the public nature, as you pointed out. This is all happening in the public domain: anyone can see it, anyone can search it, anyone can find it. It seems to me that it's an area where perhaps if it's not seen by the organisation, if it's not seen by the CEO, then they believe it doesn't exist perhaps?

Using the data from social

Suzie:

Potentially. We do quite a lot of research on behalf of brands where we will use social data to help a brand understand what their reputation is and how many people are talking about them, because that's of course a big indicator. You might have really positive sentiment but if only a few people are talking about you, you've probably still got a problem. So we'll look at volume of conversation, share a voice among your competitive set, your reputation, what the key themes of positive or negative sentiment are. This really helps inform an organisation about where they stand in the world and a lot of brands aren't using it.

We hear a lot about big data and our view is, we're not even using small data, and I call small social data properly, so let's put big data to one side before we really start listening to what's being said out there and think about how we use that insight. But yeah, you're right, CEOs might be detached from that but it's all there if they want to listen, if they want to tune in. It's very easy to tap that data.

Darren:

There's a lot of talk going on at boards around technology. It seems to me from what you've pointed out about all the different ways that social media can actually be integrated into the way the business runs, that a social, listening and managing platform would be one of the essential components of a stack, wouldn't it?

Suzie:

Yes and no. What we're seeing is that the sources of data from social are becoming more and more. As with all these things, just having the data doesn't necessarily give you the capability to interpret that data. So I think we do see some organisations say, 'Oh, we've brought this tool in-house', but actually they don't use it because you really need an analyst and someone who's quite skilled at crunching the data, but then analysing it and interpreting it and helping to determine what does that mean and then developing outcomes and a strategy around that data.

So it's just like with big data. Data is in abundance. It's a question about have you got the capability and the resources to do something with it.

Darren:

Yeah, the hierarchy. Data is the ones and the zeros, the bits of information. But then collect them together and you start to get information. Then if you analyse it you get insights. That's knowledge, and over time knowledge will build to wisdom, you know, but that's a definite process. The data itself will not solve any problems.

Suzie:

Absolutely, absolutely.

Darren:

In fact, you'll just drown in it before you learn to swim.

Suzie:

Absolutely! And even having the insight and the wisdom, you still need to have the resources to implement the strategy that might be developed. So it's a process but it definitely means that there's a lot more intelligence to be had if people are open to it.

Darren:

So it's just given me a thought on where we started, where we talked about the CEO in some ways. If the CEO starts to acknowledge and perhaps use social media as a way of building their profile, becoming the face of the corporation, it sends a message throughout the organisation that this is a very important part of the business, doesn't it?

Suzie:

It really does. There are so many reasons I believe it's useful for CEOs to have a social profile. It signals how open you are to hearing what people have to say. It signals that you're forward-thinking, that you're future-facing as an organisation and as an individual. It is a new world of communication and it also means that you've got an audience you can communicate with, should you want to, and hopefully those people do want to.

I think there's an expectation in today's world that people we do business with are open to hearing what we've got to say and are transparent and are trustworthy and are honest, and I think knowing the individual that heads up an organisation through them talking through social media does help to give a sense of them being open and honest and human.

Darren:

Well, let's hope that we see a trend towards more of our CEOs becoming the face of their organisations. Thanks for your time Suzie.

Suzie:

My pleasure. Thanks Darren.

POST 48

The transition from one agency to the next is becoming more complex

Posted 30 May 2016 by Darren Woolley

Reading the marketing and advertising trade media, you would think that the tender or pitch process is the start, middle and end of the client–agency relationship. Tenders and pitches make great news, with winners and losers, plus there is all the intrigue of why one agency won and another lost. But in actual fact, the selection of the agency and the signing of the contract is just the start of the process.

In the euphoria of the new relationship, it is usual for the parties involved to get on with the job and start working together. But like in most areas of marketing, advertising and media, the process has become more complex due to the changes created by technology.

One of the challenges that is becoming increasingly complex is transitioning from the current agency to the new agency, and the onboarding of the new agency to get up to speed. While it may work to simply get on with the job, there are some key issues that need to be considered in transitioning to a new agency supplier.

Key transitioning issues

In our experience assisting with the transition from an incumbent to a new supplier or agency, we have identified some key areas of consideration. These are not of course mandatory, but they are certainly worthy of review, as overlooking these can lead to additional cost, lost value and poor performance of the new relationship.

- Identify and engage all key stakeholders across all aspects of the relationships (both the departing incumbent and the new appointee).
- Plan and execute the transition of knowledge and IP between the incumbent and the new supplier.
- Manage the workflow and timing to minimise disruption to business and process.
- Manage resource levels in both the incumbent (retention) and the new supplier (recruitment) to ensure service levels are maintained to the required levels.
- Plan transference of the process, including the induction process for the new agency. It is also an opportunity to re-engineer or improve existing processes.
- Implement a process for identifying and dealing with out-of-contract or out-of-scope issues that may, and will, arise during the transition.
- Identify where training may be required to supplement existing knowledge among all stakeholders.

Let's explore each of these areas in more detail.

Stakeholder engagement

It is normal to simply engage the new agency and perhaps the marketing team who will be working with the new agency. But it is increasingly common for agencies, especially digital, content, public relations, social media and media agencies, to have multiple contact points within the organisation which must be managed.

The marketing team

It is important to engage those in the marketing team who own the existing relationship as well as the key people responsible for the new relationship, which are not necessarily the same people.

Internal stakeholders

Identify the key internal stakeholders outside of marketing, which could include IT for digital and digital media, data and analytics, procurement and legal regarding contract and exit compliance, and so on.

The incumbent

Often, there is some awkwardness with the incumbent, leading to some people wanting to avoid them. But it is important to develop a transition team inside the incumbent agency representing the core competencies being transferred.

The new agency/supplier

Rather then just having them get on with the job, on appointment they should nominate a 'transition team' inside the new agency aligning core competencies to the incumbent.

Other agencies and suppliers on the roster

Agencies on the roster increasingly cooperate and coordinate their activities, therefore it is important that they are also engaged in the transition process.

Transition planning

The actual transition process can be planned and organised around three key meetings.

1. Initial planning meeting

All internal stakeholders participate in preparing a timing plan for review, identify all aspects impacted by the transition, and develop and agree an action plan with roles and responsibilities.

2. Incumbent planning meeting

This meeting involves the internal stakeholders and incumbent transition team briefing the incumbent on the timeline and workflow, and on the preparation tasks for transition, and discussing and agreeing resource requirements and service levels.

3. Transition planning meeting

This meeting includes all internal stakeholders, the incumbent stakeholders and the new agency transition team, and is where all aspects of the transition plan from the initial planning meeting are discussed and agreed, including timeline, tasks and responsibilities.

Transference of IP

While the creation of intellectual property is core to many agency activities, and while the contracts with the agencies have clear principles regarding IP ownership and transference, it is an area that is often overlooked when exiting an incumbent agency.

The first step when changing agencies is to review the incumbent's contract to clarify who owns the IP and how it is to be transferred to the owner if required. Then you need to identify all of the IP held by the incumbent. The best way to do this is to either undertake an IP audit or have the incumbent undertake an IP audit of the relevant materials, including:

- current accessibility of the IP
- availability of accompanying paperwork proving ownership
- any costs associated with the transfer.

Once this has been done, you need to consider the true value of IP assets against the cost of their retrieval and transfer of ownership. Once a decision has been made on what is to be transferred, it is simply a matter of agreeing the timeline for the transfer between incumbent and new agency/supplier.

To ensure a smooth future transition of IP, you should agree with the new supplier up-front on the requirements for future storage, ownership and retrieval processes.

Operating materials

Outside of IP, there are innumerable operating materials and resources that are developed and required to support the smooth running of the workflow process. Traditionally, these may include:

- software systems such as DAMs, approval and workflow systems
- licences, contracts, agreements and manuals held on behalf of the client
- market data, research reports, past activities and so on.

Increasingly in a digital and technology-driven world, this also includes:

- click tags for all of the digital display campaigns in the market
- third-party publisher data and customer campaign data
- CRM, customer databases, and email marketing data held on behalf of the client.

Once these have been identified, you need to document the availability of the materials and the format and ease of transfer. You need to ensure the new supplier is able to accept the transfer in a format they can use. Finally, you need to set and agree the timeline for transfer between the incumbent and the new agency.

Process transition

Every agency and every organisation has their own marketing process or way of doing things. The HP Way is possibly the most famous, and the title of a bestselling book[1]. Many organisations have their (insert organisation name here) Way process, and it is important that the new agency is aligned to this process at the start and that they don't learn this by trial and error.

The marketing team should take the new agency through the current process map. This is an opportunity to review the current process and look for areas where it can be improved and optimised. If there is no existing agreed process, then one should be discussed and agreed with the new supplier. You may consider implementing the TrinityP3 Engagement Agreement process[2] to obtain process alignment between all parties: the new agency, the existing roster and the marketing team.

Contract resolution

It is important here to remember there are two contracts being transitioned – the incumbent contract, which is being terminated, and the new supplier contract being instigated. Both contracts need to be reviewed to ensure the incumbent exit roles, responsibilities and terms are met and that all relevant terms and conditions are included and understood in the new contract. Lessons learned from the incumbent contract should be reviewed and, where relevant, included in the new contract.

All schedules in the new contract should be reviewed with the new supplier, including remuneration, resources, rate cards, reporting and so on, to ensure the requirements are clearly agreed and understood.

Handover period

In the transition process, the final step is the handover from the incumbent to the new agency or supplier. While there is no perfect time for most advertisers or marketers, ideally it should be at a time when there is a minimum of work in progress and prior to briefing any major new work.

If projects are in progress, then you need to identify those that will be handed over incomplete. These ongoing or major projects should be transitioned through a work-in-progress handover meeting. This work-in-progress handover meeting is the point in time when the incumbent team and the new agency team meet with the marketing team and any and all outstanding jobs or tasks are handed over to the new supplier, and the next steps agreed between marketing and the new supplier.

This marks the point in the process where the incumbent withdraws from the relationship with the marketer.

1 goodreads.com/book/show/1694071.The_HP_Way

2 trinityp3.com/delivery-implementation/engagement-agreements

Training requirements

During the transition and induction phase, it often becomes obvious where there are gaps and skill deficits in the marketing and agency team. These skills and knowledge deficits should be identified and a training program devised and implemented. The training sessions should ideally involve both the marketing team and the new agency or supplier to ensure alignment of knowledge, and this allows both the advertiser and the new supplier personnel to gain knowledge and develop a working relationship and understanding.

DIY or ask a professional?

As we have observed earlier, the transition process is one that many marketers either believe they can manage themselves with their new agency or leave largely to the agency to manage themselves. But depending on the level of complexity of the roster and the agency scope of work, the transition process can be particularly time-consuming and one where significant IP and valuable assets can be lost, and where a new agency can spend significant time and resources learning and aligning to the client's processes.

If you wish to do this yourself, then hopefully this post provides at least a valuable checklist of what needs to be considered. If you require help, we have significant assets and resources to support this process to ensure you maximise the transfer of knowledge and assets, and that the new relationship is optimised as quickly as possible with minimal disruption.

The choice, as always, is yours.

POST 49

Seven essential considerations when moving from agency retainer to project fees

Posted 21 March 2016 by Darren Woolley

There is a distinct market trend occurring in the way marketers and advertisers are compensating their agencies and suppliers. Along with the AOR, we are seeing a trend away from retainers to project-based fees. This is due to an often long-held belief by many marketers that the retainer does not deliver value, while most agencies believe that marketers are getting more than their pound of flesh under these arrangements.

But many companies are finding the process of transitioning from retainers to project fees a frustrating one that often does not deliver the increased value, lower cost or greater agility they expected. In our experience, this is because they will often make some fundamental errors in the process, largely due to a lack of consideration as to how the current remuneration model works.

From our experience, there are seven important considerations which, if managed, can lead to a successful transition.

1. Agency loss of cash flow

The first thing to realise is that most agencies love a retainer. But the retainer is often a double-edged sword for the agency. On one side, the retainer is guaranteed cash flow and is directly linked to the cost recovery of the single biggest expense – human resources. But on the other side, there are only limited opportunities for incremental revenue growth. This is why the agency will often recommend a partial retainer, usually around account management and creative concept, to allow for incremental organic growth in fees.

But moving to a project-only fee takes away the certainty of the retainer and often the agency will resist this, even suggesting that project fees will effectively cost more in overhead if you are unable to guarantee payment to secure the resources you need – even in a situation where none of the FTEs (full-time equivalents) are 100% retained on the account.

2. Incomplete scopes of work

Often, when considering moving from retainers to project fees, the modelling is based on the core scope of work, specifically the scope of projects that are core to the agency's capability. Typically, creative agency scopes will include brand strategy, comms strategy, television and other media outputs, and more. What is often overlooked is all of the tasks an agency often undertakes – preparing presentations, assisting with events and the like – that all use agency resources but are not accounted for on a project or output basis.

This is why project fees often look like they reduce agency costs, but in actual fact they simply remove many of the additional services agencies provide their clients.

3. Increased costs

The opposite can also happen when you move from a retainer- to a project-based model because retainers can often hide economies of scale within the scope of work. This is particularly relevant in services accounts such as financial services and telecommunications, with high volumes of activities across multiple business units.

When the client moves to the project fee model paid on outputs, the sum of the outputs can quickly end up costing more than the retainer that was previously in place. This is why it is important to undertake a comprehensive review of the current remuneration to ensure you understand the impact of the new model before you proceed.

4. Seasonal peaks

One of the issues with a retainer is the fact that the same fee is paid monthly, which is fine if the scope of work is reasonably consistent throughout the year. But if the work is seasonal, as it often is with some food products or events, then you will find that for some months in the year the same fee is paid for little or no work and for other months it is paid for peak work.

For the agency, the project fee pays for the resources used at the time they are seasonally required. But unlike the retainer, it does not pay for the resources when they are not required and therefore it becomes an issue for the agency and needs to be considered.

5. Loss of agency commitment

One of the key issues is the concern that the agency will not show the same level of commitment as when there was a retainer in place. This is because the project-based fees are seen as more transactional and therefore not encouraging a longer-term relationship.

This is an interesting perception, as our experience is that the project model is inclined to heighten the agency focus on the current project and future projects. But if this is a concern, then we have also adapted and implemented hybrid models that allow for a retainer to secure core service resources in account management and make the strategic, creative, tech/digital and production resources remunerated on a project basis.

6. Project payment terms

Another issue for the agency is managing their cash flow with the project fee model. After all, some projects may be small and completed in days or weeks. Others may be longer and more complex and therefore take months and even more than a year. Also, projects may extend over financial periods, from one financial year into the next.

A key consideration is how the project fees will be paid to the agency. Is it on completion? Or half up-front and half on completion? Or do you smooth out the bumps by adding up the project fees in a period and then pay monthly, much like a mini retainer? It is important to resolve this to ensure the agency is paid in a timely manner for the services provided.

7. Increased administration

An often hidden consideration is the cost of the financial compliance. This is especially important in high-volume relationships, as you could be effectively moving from one monthly retainer invoice to hundreds of project invoices. And this can be doubled if you pay 50% up-front and the balance on completion. This effectively doubles the paperwork for not only the client's finance department but also the agency's finance and accounts department. Neither will thank you for the extra work your new remuneration model has forced upon them.

How to move from a retainer to a project fee model

1. Detail the current scope of work that you place with the agency and consider how this may change going forward.
2. Review the schedule of work to identify potential peaks and troughs in the calendar and consider how the agency can manage this variation.
3. Benchmark the current remuneration model and understand the cost and value of the various project types that you place with the agency.
4. Consider how you are planning to pay the agency. Is it project by project? Is there payment up-front and on completion? Will you use the project fees to create a retainer? What works best for your schedule of work and the agency cash flow?
5. Plan your approach to the agency on the change and make sure this is seen for the benefits to both parties.
6. Make sure the model is fair and sustainable for the agency and not just a cost-reduction exercise.
7. Ensure that the project fee model does not bog down either your, or your agency's, accounts and finance process.

Finally, if in doubt, talk to us, as we have successfully implemented a value-based remuneration model that many times is ideal for projects.

POST 50

How TrinityP3 achieved 200,000 website visitors (and how you can too)

Posted 8 February 2017 by Mike Morgan

2016 was a big year for TrinityP3, and this was reflected in Google Analytics results. For the first time, we had more than 200,000 visitors to the TrinityP3 website, a remarkable achievement for a business and website that focuses on topics that most people outside of the advertising and marketing industry are not aware of.

Who would be aware that there is a very necessary role in managing the relationships, remuneration, alignment, processes, rosters and structures of major businesses and organisations and their advertising agencies? Yet the content that has been published on the TrinityP3 blog has reached a significant number of people around the world.

TrinityP3 is in the process of transitioning from an Australia-centric approach to a global business. TrinityP3 Australia has now been joined by major initiatives in London, New York and Singapore.

How did we get to the 200K visitors mark?

I have published a couple of posts that have detailed our strategy and results, first with a post in 2013 which examined ROI mapped to web traffic growth[1], and then with a comprehensive review of analytics, revenue results and a full strategy in 2015[2]. In this post, I will revisit the strategy,

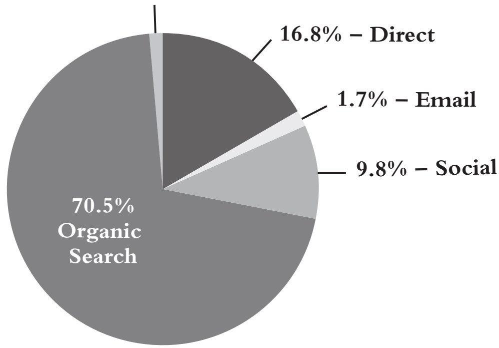
1 trinityp3.com/2013/05/website-visitor-growth

2 trinityp3.com/2015/01/inbound-marketing-strategy

explain some bumps in the road and talk about what happens next.

To begin with, let's look at what the primary drivers are for growth

Here is a breakdown of channels and how valuable they are as visitor sources:



This makes it very clear that organic search is the dominant channel. Google organic search accounts for 67.8%, so Bing, Yahoo! and other search engines barely feature. Direct are people who already know the site, some 'dark social' traffic, visitors where links have been shared in emails, and some untracked or undisclosed search traffic. Social media brought just under 10%, and referral, email and others make up the balance.

Why does organic search feature so strongly?

We have developed and implemented an inbound marketing strategy that was first launched in early 2011. The strategy has been reviewed and adjusted regularly, as requirements and best practice change extremely quickly in this space.

Google alone was making more than 400 changes to its algorithm and policies each year, and these were all documented up until relatively recently when they moved to a strategy of only announcing major changes. Social platforms have also made major changes. New platforms have arrived and some of these have stayed the distance (others not so much).

The TrinityP3 inbound marketing strategy has four primary pillars:

- technical compliance
- SEO (search engine optimisation)
- content marketing strategy

- social media strategy.

Each of these is essential to the overall strategy and all serve to incrementally grow web traffic and business outcomes.

Content marketing strategy

Let's start with content marketing as this is the most visible of the four pillars. The overriding principles of this strategy are value, expertise, quality, leadership and a unique voice. TrinityP3 is a team of industry experts – its leadership and consultants have a huge amount of experience and expertise, and this strategy is a way for them to articulate this in a way that assists others, challenges assumptions and creates value.

Having a strong opinion is encouraged, but it must be backed up with facts, data or credible citations. The authors have taken on some of the very big issues and challenges in the industry by leading the way. In many cases we can document when authors have begun to raise alarms or identify dubious tactics or dishonesty, only to have the industry as a whole catch up months or even years later.

The media transparency issue which blew up in the past year was being discussed on the TrinityP3 blog back in 2012[3]. In 2013 and 2014, we asked who your media agency really worked for[4] and whether media rebates and kickbacks had killed media-neutral planning[5]. Then in 2015 and 2016, as this scandal developed, there was a range of insights from the team[6]. When the story broke in the trade media, TrinityP3 already had a comprehensive history of articles, summarised in a post by Darren Woolley[7].

The same can be said of corrupt or deceptive production practices[8] or for the challenging and confusing world of digital and data[9]. As well as posts that act as harbingers of future trends or challenges, many posts clarified complex concepts and gave step-by-step explanations of the how, why and what of marketing management.

One post by Darren Woolley was read 23,511 times, with an average time on page of six minutes 11 seconds. The post shared examples of the different approaches to budgeting from both an agency and marketer perspective[10]. This struck a chord with our audience and, because of the

3 trinityp3.com/2012/04/the-lack-of-transparency-in-media-agencies-is-due-to-the-agency-remuneration-models-used

4 trinityp3.com/2013/10/media-agency-remuneration

5 trinityp3.com/2014/02/media-rebates-and-kick-backs

6 trinityp3.com/?s=media+transparency

7 trinityp3.com/2016/06/media-rebate-transparency-crisis

8 trinityp3.com/?s=production

9 trinityp3.com/author/antonbuchner

10 trinityp3.com/2014/02/top-down-or-bottom-up-budgeting

value it gives, it checked all of the boxes for a high ranking on Google for a broad number of search phrases globally.

This is just one of the many evergreen posts that bring visitors to the website month after month. Here are a few of the other posts that have gained some of the top visitor results:

- The biggest issues and challenges facing media
- How many billable hours are there in a year?
- Defining the scope of agency services to determine compensation
- Of the three types of collaboration, which type do you need?
- Top trends for call centres and the pricing model dilemma
- Brands that have successfully reinvented themselves in the digital age
- The role of marketing procurement
- How to build effective marketing workshops
- The role of today's advertising agency
- The important differences between scope of work and schedule of work.

This is not just down to luck, as every potential post is analysed for search demand and is optimised to best answer questions that are being used on Google (where SEO meets content marketing). Some exceed expectations and some do not live up to the potential that global traffic numbers suggest. But overall, each piece of content adds to the mix in an incremental way, apart from seasonal or time-sensitive posts, which make up a very small proportion of our publishing.

You will notice that the posts we publish are anywhere from 1000 to more than 7000 words in length, and this is no accident. Long-form content has been proved time and time again to be the most effective in the B2B space when it comes to views, shares and attracting links. As well as looking at a number of international studies, we have dug down on our own data to verify the best range for value metrics. Our own analysis points to a peak in interest between the 1500- and 2500-word marks. However, some longer pieces, such as the 7400-word inbound marketing post from 2015 I mentioned earlier, have also had excellent results[11].

The podcast transcription posts also weigh in at more than 6000 words each, and these are resulting in a growing number of views and shares. Additionally, substantial posts tend to be linked to as reference material which aid the growth of site authority for SEO.

11 trinityp3.com/2015/12/essential-marketing-posts-2015

The top new posts on the TrinityP3 blog in 2016[12] take in agency remuneration, client–agency relationships, digital transformation, media transparency, agency selection and much more. These add to the library of high-performance content already working for us.

Content marketing has always been one of the major priorities in the TrinityP3 strategy. 'Knowledge is power' has been a consistent theme for this project, and this commitment to sharing valuable information to help others navigate the confusing and complex world of marketing is a cornerstone of our work. The content marketing strategy has been recognised by a number of global influencers, and the success of this strategy has been analysed and shared with audiences around the world.

The blog is one (very important) part of the content marketing strategy. However, blog posts are not the only element.

Non-blog-related content marketing

TrinityP3 creates content in a range of formats, which means that the audience can choose how they digest the knowledge that the content team shares. Here is a rundown of the key non-blog content.

The marketing management book

Each year since 2013, TrinityP3 has published a book in both paperback and e-book form[13]. The 2016 book had more than 270 pages of insights and featured the most popular posts in views and social media shares from the blog. This book covers a wide range of marketing topics, from media transparency and digital marketing to agency roster management, marketing procurement, production, business alignment and everything in-between. The authors include TrinityP3 consultants and management as well as industry experts from both agency and client sides.

Demand for the book has grown year on year and it has become an important way for many in the industry to stay up-to-date with the big issues.

Podcasts

Darren Woolley has produced a large number of interview podcasts with experts from the industry and beyond from around the globe[14], to offer listeners insights from a range of perspectives.

Here are few of the top podcasts from 2016:

- Jeff Bullas and Darren discuss the role of digital, content and social media in marketing[15].

12 trinityp3.com/2016/12/20-essential-marketing-posts-2016

13 trinityp3.com/marketing-management-book

14 trinityp3.com/managing-marketing-podcasts

15 soundcloud.com/managing-marketing/jeff-and-darren-discuss-the-role-of-digital-content-and-social-media-in-marketing

- Debra Giampoli and Darren discuss bad pitch practice and better ways of working with agencies[16].
- Gil Snir and Darren talk about programmatic media buying and its impact on advertising[17].
- Debbie Morrison and Darren talk about the challenges facing marketers in an increasingly complex marketplace[18].
- Ashton Bishop and Darren discuss the disruptive effect of change on organisations[19].
- Mat Baxter and Darren explore the expanding role of the media agency in marketing[20].

Each of these podcasts is transcribed and a comprehensive blog post is created so those who would rather read than listen can digest the content.

On the Couch

On the Couch is a series of video interviews with TrinityP3 consultants and industry experts filmed 'on the couch' at the TrinityP3 offices in Sydney[21]. There are 13 of these videos published as at February 2017. The videos are around 10 minutes each and topics covered so far have been marketing technology, brand marketing, social media and SEO, agency rosters, programmatic trading, marketing procurement, digital and data, media and much more.

Other videos

TrinityP3 also has a range of videos covering marketing-related topics, webinars, industry events, keynote presentations, panel discussions, expert interviews and more. An explainer video for trading desks and programmatic media[22] has had more than 15,000 views. The explainer series has had subtitles added so that they can be uploaded to Facebook, taking advantage of the autoplay in silence feature that the newsfeed defaults to. These are added at regular intervals.

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16 soundcloud.com/managing-marketing/debra-and-darren-discuss-bad-pitch-practice-and-better-ways-of-working-with-agencies

17 soundcloud.com/managing-marketing/gil-and-darren-talk-about-programmatic-media-buying-and-its-impact-on-advertising

18 soundcloud.com/managing-marketing/debbie-darren-talk-about-the-challenges-facing-marketers-in-an-increasingly-complex-marketplace

19 soundcloud.com/managing-marketing/ashton-and-darren-discuss-the-disruptive-effect-of-change-on-organisations

20 soundcloud.com/managing-marketing/mat-and-darren-explore-the-expanding-role-of-the-media-agency-in-marketing

21 trinityp3.com/on-the-couch

22 youtube.com/watch?v=eOD3qL_2J_Q&t=8s

White Papers

A range of substantial white papers was created which took a deeper look at some of the key topics TrinityP3 has been discussing over the past five years[23]. These include:

- Media Agency Relationship Management
- Bridging the Great Divides that Limit Marketing Performance
- The Media Rebate and Transparency Crisis
- Improving the Search and Selection Process.

Newsletters

Email communication to our extensive list is also a key strategy. Twice a month, a newsletter[24] is sent out that covers a specific topic with content from the blog, as well as communicating what the hot topics are and what projects the team is working on with clients.

Recent newsletters have focused on:

- marketing silos and strategy alignment
- agency rosters
- predictions for 2017
- media transparency
- how to achieve greater collaboration.

And there are many more.

SlideShare

Although SlideShare is viewed as a social media platform, particularly now that it is owned by LinkedIn, it is also an important content marketing platform. TrinityP3 has 60 presentations uploaded to SlideShare[25] and these decks routinely get viewed more than 1000 times, with many achieving much greater numbers. Digital Agencies versus Technology Agencies[26] has now been viewed more than 21,000 times. Managing Television Advertising Production Costs[27] has been viewed more than 12,000 times.

Other top contributing pages

As well as blog posts, videos, podcasts, SlideShares, and the social media and SEO strategy, there are a number of other pages that are visited regularly on the website. The biggest non-blog page (outside of the

23 trinityp3.com/white-papers

24 trinityp3.com/newsletter

25 slideshare.net/darrenwoolley

26 slideshare.net/darrenwoolley/digital-agencies-versus-technology-agencies

27 slideshare.net/darrenwoolley/managing-television-production-costs

homepage) is the Calculators page:

- Ever wondered how much that head-hour rate equates to an annual salary?
- Ever wondered how much the annual salary equates to an hourly head-hour rate?
- Ever wondered how many billable hours there are in a year?
- Ever wondered how to convert the overhead and profit mark-up to a multiple?

You can use the calculators on the website[28] (as many do) or you can upload the mobile app[29].

The Agency Register[30] is also one of the top pages on the site. This free, confidential service allows agencies to register their interest in new business and manage their information. In this way, they are more visible for the increasing number of global agency reviews TrinityP3 manages. The Agency Register page also has a range of other resources useful to agencies when considering a pitch.

The Ultimate Guide to Digital Marketing in a Data-driven World[31] is also a popular page with visitors. This free download is a 27,000-word guide to help you understand the complex world of digital marketing. This was available initially in magazine format and is still regularly downloaded from the website.

Technical compliance

This is an area that many businesses and websites are woefully inadequate in addressing. Because Google is such an important supplier of visitors to websites, you would think that ensuring technical compliance to Google's guidelines and recommendations would be of the highest priority.

Non-compliance leads to poor results – it's as simple as that. Every technical improvement made will bring incremental improvement to visibility and, therefore, to website results. So a consistent regime of audits, corrections and improvements is a key part of the TrinityP3 strategy. This is extremely important, as changes to technical elements can have a significant negative effect on where your website shows in Google Search.

It is well documented that lower page positions will lead to fewer visitors. The drop-off between positions 1 to 2, or 3 to 4, or even worse, a drop to page 2 of the SERPs (search engine results pages) for a targeted

28 trinityp3.com/calculators

29 trinityp3.com/mobile_apps_for_business

30 trinityp3.com/agency-register

31 trinityp3.com/download-the-ultimate-guide-to-digital-in-a-data-driven-world

search query, has a major impact on traffic.

These are a few of the important audit metrics:

- Crawl errors – the number of pages that go to a 'Not Found' (404) page, the number of soft 404s, the number of server errors
- DNS (domain name system) and server performance (hosting issues)
- Robots.txt – availability and correct configuration
- Movement in SERPs
- Structured data – Is it being used and is it correct?
- Duplication in both content and metadata (either within a site or across more than one website)
- Link profile – Any concerns or major shifts?
- Anchor text – Is it natural and useful?
- Security issues and manual actions by Google
- Index status – How many pages are indexed and what is the content value of these pages (for example, accidental indexing of duplicates or dynamic pages)?
- PageSpeed – How quickly do the pages load? Where can improvements be made?
- SSL (secure sockets layer) – secure certificate
- Image optimisation
- Correct use of heading tags
- Metadata optimisation – Is it within length guidelines and is it natural?
- Targeting – How effective is it?
- Open Graph tags and Twitter cards
- URL compliance – best practice is no capitals, no special characters, no underscores, no dynamic URLs and not too long
- Spam – comment, contact form spam or ghost spam and crawler spam in Google Analytics.

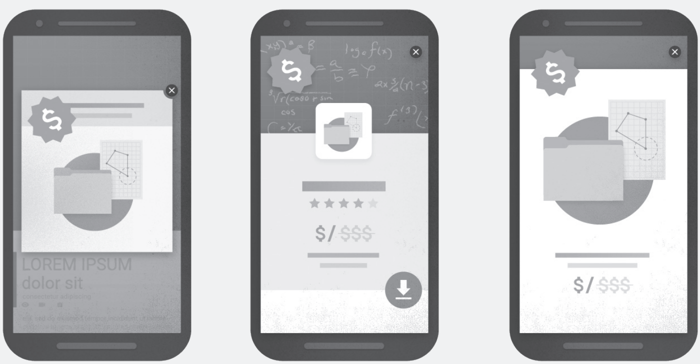
Yes, there is a lot to cover, but having these elements working well means an efficient and effective web asset.

In 2016, Google focused strongly on PageSpeed and recommendations for secure certificates. Another one of the biggest shifts was towards mobile experience with a move to a Mobile First Index. This means that if your website is not giving a good mobile experience, then you will be impacted across the board. Even your desktop performance is calculated on your mobile experience.

Speed of loading is very important, as is layout, intuitive navigation and sizing of buttons and viewport. A Google Developers tool to test and gain insights on how fast your website loads, with recommended fixes, is available[32]. There is also an open-source project where you can implement Accelerated Mobile Pages[33] for your website, with tutorials and examples of HTML code. The aim is for 'publishers to create mobile optimised content once and have it load instantly everywhere'.

Additionally, Google has just rolled out an intrusive interstitials penalty[34]. This means that any mobile version of a website, either responsive or mobile-specific, will be penalised for intrusive pop-ups. This is Google's graphic of the interstitials that will be penalised:

Examples of interstitials that make content less accessible



An example of an intrusive pop-up

An example of an intrusive standalone interstitial

Another example of an intrusive standalone interstitial

The way to read this is that if the pop-up takes up a large proportion of the mobile screen, you will be penalised and you can expect a drop in visitors. There are some exceptions, as you can see here:

32 developers.google.com/speed/pagespeed/insights

33 ampproject.org

34 searchengineland.com/google-confirms-rolling-mobile-intrusive-interstitials-penalty-yesterday-267408

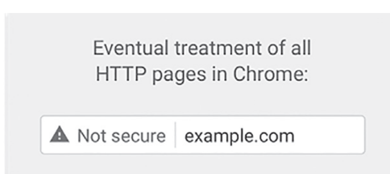
Examples of interstitials that would not be affected by the new signal, if used responsibly

An example of an interstitial for cookie usage

An example of an interstitial for age verification

Another example of a banner that uses a reasonable amount of screen space

Google also forced many website owners to think seriously about a move to https (secure certificate). As of January 2017, Google is sending warnings to webmasters and adding a 'Not secure' warning to the latest version of their Chrome browser if pages require a login or use of a credit card. Google has announced that following the e-commerce and login pages, they will roll this out to all pages on the web, but they have not said when this will happen.



For TrinityP3, the January 2017 warnings would have affected the Agency Register and pages where passwords were required, as well as the e-commerce pages for the marketing management books. So we shifted to SSL in 2016. You will notice that almost all major websites use https now. We also shifted to Amazon servers with high capacity and with sandbox site versions for testing upgrades and site changes before implementing on the live site.

Migration to SSL is not a simple process. If it is managed poorly, you will see dramatic negative results. One major social media blog lost 90% of their organic traffic when they migrated to https.

Here are the necessary steps:

- Buy the correct certificate.
- Verify the certificate with hosting.
- Do a full backup.
- Change all internal links to https.
- Check code for any dynamic page generation that will need changing to https.
- Update any widgets, JavaScript, CSS (cascading style sheets) files, images.
- Create 301 redirects for all pages to https.
- Use relative URLs.
- Ensure any canonical tags are pointing at https.
- Ensure all domain variations are redirected (www and non-www plus any extensions).
- Add new sitemap to robots.txt.
- Ensure all social shares are carried over to the new URLs or all will revert to zero.
- Check all marketing automation and transactional email services.
- Update any PPC (pay-per-click) campaigns to https.
- Verify new Search Console and update analytics.
- Check PageSpeed for any slowdown.
- Test live site.
- Conduct post-launch HTTPS audit.

The use of Structured Data is also being pushed by Google. This microdata gives more detailed information to both search engines and human users. The use of rich snippets in search results allows a range of possible enhancements for creative work, books, movies, recipes, music, products, people, organisations, places, events, offers and more.

Schema.org is a collaborative initiative sponsored by Google, Microsoft, Yahoo! and Yandex. This vocabulary can be used with many different encodings, including RDFa, Microdata and JSON-LD, and its purpose is to improve the quality of information on the internet.

Overall, you should be aiming for a website experience that is fast, error-free, suited to all device types, and lacking in features that could negatively affect the user experience.

Search engine optimisation

One of the primary elements of TrinityP3's inbound marketing strategy is SEO. This is the strategic side of ensuring maximum performance in organic search. And as I pointed out at the beginning of this post, organic search is by far the most valuable contributor to website visitor numbers, and the reason we broke through the 200,000 visitor mark in 2016.

SEO is a highly complex art and science and it is subject to a high speed of change. It moves so quickly that educational institutions are unable to keep their curricula up with best practice. Due to the hundreds of changes every year, a marketing study course is already out of date by the time it is approved.

Technical implementation, research, testing, measurement and adjustment all feature strongly. The key with SEO is a dedication to quality and value and the avoidance of spammy or dubious hacks. Purpose and intent are important considerations when developing a targeting strategy and small adjustments can have a profound effect.

The first thing that you must consider is how your work will appear to human users. Is it informative and does it encourage a specific action? Once we have the human-facing side of SEO covered, we can ensure all points are optimised for search engine robots. We must make all elements align to the value we are giving and we must ensure the content produced is clear, intuitive, and the intent is focused for crawling. I have heard people talk of 'dropping keywords into content' and have regularly seen horrific examples of keyword overuse in content and metadata. Not only is this pointless and unpleasant for users, it also runs the risk of penalty.

Our process for optimising content looks at a range of optimisation points to hone in on the value and knowledge we are sharing:

- content quality
- uniqueness
- readability and proofing
- research and targeting
- relevance
- content structure
- length

- images and image optimisation (alt tags, file names, file size, resolution)
- H1 tag and subheadings
- categories
- internal and external links
- author profiles
- social share functions, Open Graph Protocol and social signals
- calls to action
- promotion strategy.

Google's move towards AI has resulted in a shift in SEO strategy. The move from 'strings to things' has driven the evolution, and first Hummingbird and then RankBrain have been the result of smarter technology and a greater understanding of human behaviour and intent. Targeting high traffic search queries is still valuable, but the semantic approach with a range of possible variations has all but eliminated the calculated use of exact-match phrases in content. Natural language and associated word variations are more beneficial in the post-RankBrain world of SEO.

To encourage a shift away from an obsession with 'keywords', Google first removed keyword data from Analytics and then removed access to Keyword Planner data to all except those who are running AdWords campaigns. The world of SEO practitioners cried foul, but the reality was that too many were focused on the wrong concepts.

Yes, we use traffic data to evaluate targeting, and there are some excellent tools available to assist with making data-based decisions. But this should be in association with the many strategic elements. Having all of these aligned is the reason why we have succeeded with the strategy.

Social media strategy

Finally, we get to the fourth pillar – social media. Although it contributes just 10% of visitors, it is still an extremely valuable part of the overall inbound strategy. Reach, engagement, generosity and reputation are all achieved through social, and there is the added bonus of powerful popularity signals for search engines. A popular brand that has a range of positive signals will perform better than one without these factors. An engaged audience in social, website metrics around visitor time on page, brand mentions on reputable media sites, and more, will contribute to the brand performance picture.

In the previous inbound marketing strategy and revenue results post[35], I shared social media strategy for each of the platforms and results up to that point. Our social media audiences have continued to grow strongly, but over the past year there has been a shift in the effectiveness of each of the platforms.

LinkedIn has continued to grow, both as a supplier of quality visitors and as a content publishing platform. Most of TrinityP3's potential clients have a presence here and our range of company and personal profiles are effective for visibility of the content produced. Darren Woolley's personal connections on LinkedIn number more than 11,000 and the company page has over 1000 followers. Across the consultant team of 30 people across the globe, this is a large and valuable resource.

Facebook has had a resurgence and with increasing use and targeted sponsoring opportunities, it has become an important social media platform for business as well as personal use. Our tactic of creating targeted audiences in specific geolocations with specific interests leads to a valuable number of qualified visitors to the site.

Twitter has had a troubled year in 2016 with reported drops in effectiveness across the globe. Our account followings are significant and visitor numbers are still valuable, but we are seeing reducing numbers of visitors at present. It will be interesting to see how the leadership at Twitter will address this as all efforts to monetise have been unsuccessful so far. However, it is still a valuable information channel as speed is its primary advantage.

Google+ still struggles to make progress but has other benefits. Traffic numbers are comparatively low but the alignment between Google+, content, SEO and Google My Business is impossible to ignore. Other channels – Instagram, SlideShare, YouTube – all contribute in their own way and this broadens reach further.

Tools for tracking results and sharing and scheduling content make the social media process manageable, and this assists with growing our social reach. We are constantly adjusting all elements of the social strategy, from targeting to frequency, as well as changing the types of content we are promoting through these channels.

Bumps in the road

As I mentioned at the start of the post, we have also had some challenges which we have had to overcome in our journey to 200,000 visitors. One of the biggest issues was data corruption in Analytics. This has been a universal problem in 2016 and there are very few websites that have not been affected to some degree.

35 trinityp3.com/2015/01/inbound-marketing-strategy

There were two key influences – referral or ghost spam, and more recently, language spam. Surprisingly, most of it has come from one Russian hacker who took pleasure in promoting Donald Trump during the US elections and in goading Google at the same time. Thousands of fake visits to the Analytics accounts with the message 'Vote for Trump' had to be blocked and retrospectively removed from data. This was language spam–targeted because languages show up on the opening dashboard of Google Analytics, providing the greatest visibility. Across the web, these would have resulted in billions of messages of this type.

Ghost or referral spam was also a big issue and a range of steps had to be taken, including the use of filters to remove visits from invalid hostnames. The hacker even imitated legitimate sites like the *Washington Post*, *New York Times*, Reddit and Google in an attempt to evade detection. Clean data is critical for the accurate measurement of results, so we have played a game of cat and mouse for most of 2016 as the spammers have changed tack several times.

We have had some other technical challenges. including a large number of pages surfacing in Google's index that relate to a website version from many years ago. So we have had to be diligent with monitoring crawl errors. As with most sites, we have also been focused on PageSpeed and have managed the process of plug-ins, images, browser caching and minification to make incremental improvements to site performance.

A big thank you

On behalf of the entire team at High Profile Enterprises, let me say it has been a great pleasure to work with the team of experts at TrinityP3 for another year. Every day we learn more about how the industry works and what solutions and innovation look like in a complex and fast-moving business environment.

Darren Woolley in particular has contributed a huge amount of exceptional content, and his 'always on' social media presence makes it easier for us to do our job.

The rest of the management team and the team of consultants consistently deliver above and beyond expectation, and the administration, development and digital partners keep everything working to a very high standard.

And last but not least, I would like to thank *you* for being a reader of the TrinityP3 blog. We are looking forward to an even bigger year in 2017.

NEXT STEPS

Feeling inspired?

TrinityP3 has developed ways to solve the six biggest new and complex challenges facing marketing today.

So what are your major marketing challenges?

- Do you need to improve **marketing performance**[1]?
- Or optimise your agency roster and **agency performance**[2]?
- Is **media transparency**, value and performance an issue[3]?
- Or is **digital transformation** and technology proving a challenge[4]?
- Perhaps you simply want to be more agile in **your delivery**[5]?
- Or reduce waste to deliver **environmentally sustainable marketing**[6]?

No matter what your problem or challenge, we have the solutions and services to provide an informed and robust analytical approach to your marketing needs.

The TrinityP3 blog is where we share our observations, ideas and insights on how to achieve greater marketing performance.

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1 trinityp3.com/marketing-performance
2 trinityp3.com/agency-performance
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