TOP 50 MARKETING MANAGEMENT POSTS OF 2018

trinity P3™

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

Darren Woolley and the TrinityP3 team really do have their fingers on the pulse of global advertising, and what brands need to do to adapt and prosper in today's hyper-competitive markets. The tools, processes and recommendations in these articles provide guidance that every advertiser can benefit from.

Kevin Freedman, Chief Executive, Freedman International

Darren Woolley was the last face I expected to see nightly in my bed, but the distinctive books with his face on the cover are a great find. The succinct posts are insightful, informative and inspiring. There's a level of authenticity that makes the book refreshing to read. Essential reading for practically improving your marketing leadership. Finish it quickly to avoid alarming your partner further!

Ben Wilks, General Manager Marketing, Volkswagen Group Australia

When we are all so short on time but need to keep pace with the change that is going to be more than just a series of the latest buzzwords, Darren is elegantly able to distil some of the core topics that really matter, answer some of the pressing questions, and importantly, encourage us all to ask the next question.

Rita Harding, Executive Director, Marketing & Campaigns, Transport for NSW

In a world full of noise, Darren sets himself apart with his authentic, human and resilient approach – all the attributes of a great brand. He has a keen understanding of the balance between organisational effectiveness, brand-building and genuine connection with customers. While others are chasing headlines, Darren is chasing tangible, measurable outcomes. He is relentless in continuing to challenge us all – marketers and businesses alike – to think differently and never become complacent.

Nicole Sheffield, Executive General Manager, Community & Consumer, Australia Post

Darren Woolley is one of those rare beasts: both a genuine expert and a leader of experts. Battling an out-of-control agency roster, with a media plan that's a black box, spiralling agency fees, and declining advertising performance? For help with managing the complexities of modern marketing, I highly recommend Darren and TrinityP3.

Jon Bradshaw, Director, Brand Traction

Darren can always be relied upon to say it how it is, in an industry that rarely does. And he's not afraid to question the common marketing rhetoric, if it's not common sense. Like when everyone is obsessing about digital transformation, he turns digital posts into an analog book.

Brent Smart, CMO, IAG

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 and is at work on a new book about the challenges facing chief marketing officers.

Darren Woolley[2] is the founder and Global CEO of TrinityP3[3]. 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[4]. He is also a past Chair of the Australian Marketing Institute[5], an ex-medical scientist and an ex-creative director. And in his spare time, he sleeps.

David Angell[6] 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.

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

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

3 trinityp3.com

4 m1f.org

5 ami.org.au/iMIS15/AMI

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

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.

Christopher Sewell[8] 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[9], which has built the online CO2counter application to measure carbon emissions in all forms of marketing communications.

Stephan Argent[10] is a former agency planner from England and has held senior roles in agencies in both Canada and the US. Recently he was Vice President of Digital Media at CTV and is now President of Listenmore[11], Canada's leading independent marketing and agency search advisory and consultancy.

Julian Barrans[12] is the Business Director, South-East Asia for TrinityP3. He has worked as a business, marketing and branding professional for over 30 years, with more than half of that time in the Asia-Pacific (APAC) region, working both client side and agency side. He is a creative business leader who truly understands the importance of team building and working with the right partners, as well as making decisions based on sound business strategy and practices.

Dan Hestbaek is the co-founder and CEO of Hestbaek Consult, the leading marketing management consultancy in the Nordic region. He is recognised as a global thought-leader on trends and behaviour in the advertising industry, as well as a keynote speaker on best-practice standards for both advertisers and agencies.

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

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

9 gaiapartnership.com

10 linkedin.com/in/stephanargent

11 listenmore.ca

12 trinityp3.com/people/management-team/julian-barrans

Areef Vohra[13] is a former Senior Consultant with TrinityP3. Before joining TrinityP3, he was Managing Director of Active International Australia, the world's largest independent corporate trade company. He has held senior positions with several companies, helping Australia's leading media agency and owner brands with their senior talent acquisition strategies.

Adrian Jenkins[14] is a founder and Director of Financial Progression[15], a firm of chartered accountants that specialises in marketing contract compliance. They help the marketing, procurement and finance directors of household-name brands achieve financial transparency and understanding in their agency relationships.

Trevor Young is a keynote marketing speaker, strategist and adviser who helps companies and individuals harness the power of owned, earned and social media to build public recognition for their business or personal brand. He blogs at PR Warrior[16], hosts the podcast Reputation Revolution, and authored the book *MicroDomination*. In 2015, *Brand Quarterly* included Trevor on its global '50 Marketing Thought Leaders over 50' list. Follow Trevor on Twitter @trevoryoung.

Richard Knott[17] is the Regional Director, APAC, for Celtra, and a co-founder of Puzzle Creative Technology Solutions. He is also the Chair of the IAB Mobile Advertising Council in Australia. With over 20 years' experience in advertising across most mediums and in many countries, he is passionate about the power of creativity and how it is woefully under-utilised in digital.

Peter Bray[18] is the Director, Business Development, ANZ for Celtra, and a co-founder of Puzzle Creative Technology Solutions. He has been riding the ad-tech wave for the past seven years and feels it is time for marketing organisations to focus on delivering better and more relevant advertising experiences to their customers. Prior to Celtra, Peter spent time at Forrester and InMobi, and was the President of the International Advertising Association (IAA) Young Professionals Australia Chapter.

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13 trinityp3.com/author/areef-vohra

14 trinityp3.com/author/adrianjenkins

15 financialprogression.com

16 prwarrior.com

17 linkedin.com/in/digitalrichardknott

18 linkedin.com/in/peterbraylinkedin

Mike Morgan[19] is a founder and Director of High Profile Enterprises[20], an agency that 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 Agencies' 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'.

19 au.linkedin.com/in/meetmikemorgan

20 highprofileenterprises.com

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POSTS

INTRODUCTION

Our 19th year of operation sees TrinityP3 continue to develop and experience growth – not just growth through our expansion globally, but the growth and development of new tools, resources and our consulting offering.

The consulting business and our offering has matured, with projects more focused on strategic management consulting, including restructuring the marketing function across a range of client categories, and improving performance metrics for marketing and the agencies and suppliers working with them. With Michael Farmer and his team in the US, we developed a new ScopeMetric Unit (SMU™)[1] for media known as the M-SMU, and we've published an Agency Fee Decision Tree[2] to assist marketers and agencies in assessing the best agency fee model.

It is by being responsive to the needs of our clients that we have developed new and innovative solutions to many of the major challenges facing clients today. We call them the Big Six, as follows (in no particular order):

1. improving marketing performance and especially driving growth, at a time when many businesses struggle to deliver top-line growth
2. assisting in the digital and data 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

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1 farmerandco.com/proprietary-metrics

2 trinityp3.com/agency-fee-model-decision-tree

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. delivering growth in an ethical, social and environmentally sustainable marketing manner against the UN sustainability initiatives.

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

In analysing the results for 2018, it is great to see that a large number of posts in the top 50 are written by the TrinityP3 consultants, including Michael Farmer, our Chairman in the US; David Angell, our Head of Media; Julian Barrans, our Business Director in South-East Asia; Anton Buchner; Christopher Sewell; former consultant Areef Vohra; and Mike Morgan, Director of High Profile Enterprises.

Also included are contributions from current and past members of the Marketing FIRST Forum: Stephan Argent in Canada and Dan Hestbaek in Denmark. And there is a healthy dose of thinking from our guest authors, including Adrian Jenkins from Financial Progression, the PR Warrior Trevor Young, and Peter Bray and Richard Knott, the co-founders of Puzzle Creative Technology Solutions.

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 thank all of those people – marketers, advertisers, procurement professionals and agency personnel – who took the time to provide feedback on our first five 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 almost 1500 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 social media or sharing our content with their colleagues and friends.

When we reviewed the blog posts with the highest readership during 2018 to prepare this new edition, we were pleasantly surprised to find that 111 posts had been published in the five previous editions – 2013, 2014, 2015, 2016 and 2017 – 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 Xinying Cheng for the layout, finished art and design to make it all look great, and the production management to make it all happen with a minimum of fuss. Thank you also to our printer, 17print, for committing our thoughts and insights to ink on paper.

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 19th year. We look forward to writing, publishing and sharing more with you in the coming year.

Thank you.

Darren Woolley, founder and Global 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 comm on 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

Evergreen marketing management posts of 2017

1. What are the biggest challenges facing marketing today? – Darren Woolley, 12 July 2017
2. Managing Marketing: the challenges facing the advertising agency business model – Darren Woolley, 21 April 2017
3. Communicating with consumers in the technology-driven environment – Kylie Ridler-Dutton, 6 January 2016
4. How to define an agency scope of work to deliver increased value – Darren Woolley, 15 March 2017
5. Agency remuneration: a loser's game – Michael Farmer, 24 April 2017
6. Is there any difference between an agency and a marketing supplier? – Darren Woolley, 6 April 2016
7. Managing Marketing: the challenges of marketing and advertising in the financial services category – Darren Woolley, 9 June 2017
8. 12 reasons why brainstorming does not work – Darren Woolley, 19 September 2012
9. Why are you still paying production mark-ups to your agency? – Lyndon Brill, 4 May 2015
10. Why working and non-working spend analysis does not work anymore – Darren Woolley, 29 August 2016
11. Why the difference between political and government advertising matters – Darren Woolley, 2 August 2013
12. Eight 'less obvious' reasons why agencies lose pitches – David Angell, 26 May 2017
13. The importance of financial analysis in determining marketing priorities – Darren Woolley, 1 February 2017
14. Ignorance of pricing is ruining ad agencies – Michael Farmer, 28 June 2017
15. The important difference between collaboration, relationship and performance benchmarking – Darren Woolley, 30 June 2011

16. How many brief types does an advertiser need to brief their agency? – Darren Woolley, 14 June 2017
17. How procurement is becoming customer-focused – The Buyer, 9 August 2013
18. A new approach to segmenting marketing and advertising agencies and suppliers – Darren Woolley, 17 September 2012
19. The transition from one agency to the next is becoming more complex – Darren Woolley, 30 May 2016
20. What is the best agency remuneration model for every advertiser? – Darren Woolley, 1 August 2016
21. The secret to transitioning from print to digital media – Chris Sewell, 16 February 2015
22. A prototype model for the marketing communications process – Darren Woolley, 3 April 2013
23. Which comes first: the media plan or the creative? – Bill Merrick, 8 March 2017
24. The problem with digital transformation – Erik Ingvoldstad, 1 March 2017
25. The negative impact of overworked agency staff on agency remuneration – Darren Woolley, 13 February 2017
26. Losing pitches, part 2: a further seven 'less obvious' reasons why agencies lose pitches – David Angell, 11 August 2017
27. Has the future of the media agency just been shown to us? – David Angell, 14 September 2016
28. Managing Marketing: dealing with the rapidly increasing complexity of the media market – Darren Woolley, 11 September 2017

POST 1

Confused about the advertising industry? Who isn't? Read on!

Posted 13 June 2018 by Michael Farmer

Holding company shares are falling. Their ad agencies are shrinking, with low morale, low salaries and hiring freezes. Accenture and Deloitte are the new, growing competitors. Advertisers are cutting spend but investing in-house. Chief creative officers (CCOs) are disappearing, not entirely due to sexual harassment charges.

Confused by some or all of this? Read on!

1. What's going on with the holding companies?

Holding companies are entering the third phase of their strategic development.

Phase One ('squeeze the fat') lasted from 1980 to 2005. Overstaffed agencies – holdovers from the commission era – were bought and then encouraged to raise their profit margins, from 5% to 10% to 15%, through tough annual budgets. The agencies downsized, and they could certainly afford to do so. Downsizings were appropriate.

Phase Two ('maintain/grow under fee pressures') began after 2005. Holding companies continued to set ambitious targets, but their agencies downsized instead of managing price and fees upwards in line with growing workloads. Agencies cut staff and juniorised, eliminating much of their senior talent and leaving too few people to handle growing (and undocumented) scopes of work. Quality suffered, along with relationships and fees. The focus on downsizing rather than on price management turned out to be a major strategic blunder.

Phase Three ('centralise and downgrade the silos') is the recent holding company development. Agencies are short of talent and insufficiently integrated or creative, so holding companies are taking over as super-agencies.

Publicis Groupe calls this 'The Power of One'. WPP's concept is 'horizontality'. IPG and Omnicom have yet to brand their approach, but they're out selling it anyway. The super-agency organisation faces a dilemma: it is staffed by the very agency people whose poor managerial practices created capability problems in the first case.

Holding companies are aware of the need to upgrade and correct managerial deficiencies, but they have little experience to draw on. They must certainly document scopes of work and negotiate fees appropriately lest they repeat the errors that plagued their agencies.

2. What's going on with advertisers?

Since 1980, advertisers have been governed by 'increased shareholder value', which means executives must deliver results or find another job. Chief marketing officers (CMOs) jumped on the digital/social bandwagon and migrated media spend.

At the same time, they significantly increased digital/social scope-of-work workloads for their agencies, reasoning that digital/social work was either cheap or free compared with TV/print/radio. Lurking in the background, though, were the non-consuming millennials, who became the largest demographic group; e-commerce (that is, Amazon); and the financial meltdown of 2008.

The net result: brand growth ceased, and digital/social spend did not provide a solution. CMOs lost credibility and their job security declined to 3–4 years.

Procurement stepped in to aggressively cut costs. They slashed agency fees and media spend. This, of course, accelerated the decline of the outside ad agencies, which did not put up enough of a fight. Advertisers are now investing in in-house agencies to do the 'low value' work in the scopes of work, but surely they will be tempted to go the whole hog and do more high-value creative work, replacing or at least competing with their outside agencies.

In the meantime, brands remain stagnant.

3. What's going on with scopes of work?

Digital/social marketing significantly altered scopes of work. A 1993 'traditional' scope of work requiring 50 creatives contained about 400 executions – eight per creative per year. By 2013, the count had increased to 600 executions – 12 per creative per year.

In 2018, the integrated scope of work contains as many as 15,000 deliverables, involving email marketing, Facebook posts, and a variety of little social executions that can see a typical creative cranking out 300 deliverables per year, or one per day, with little strategic content.

Predictably, few clients think that they need high-cost agencies to do this kind of work, so the scopes of work are migrating elsewhere, particularly to in-house agencies and to low-cost countries like India. High-priced CCOs have no obvious role in this high-volume world, so agencies may begin cutting them out.

4. What's going on with the consulting firms?

Management consulting has been a growth industry since the 1970s, and consultants have perfected the art of doing strategic work and then implementing projects to generate results. Consultants have focused on organisation, manufacturing, distribution, supply-chain management, cost reduction, digitalisation and information technology (IT). Low brand growth is now getting their attention.

Deloitte and Accenture are big players, acquiring media and creative agencies at a rapid clip. They are not trying to 'get into the agency business', as many agencies believe. The consultants see their newly acquired agencies as part of their implementation capability, required to retain clients after brand strategy work has been done.

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What does this mean? Agency brands are under serious threat, but the agencies brought this on themselves. Their holding company owners have no option but to do a better job of it, although they must now contend with in-house and consulting firm competitors along with all the other management challenges associated with organisational transformation.

Where will this end? This is a question that cannot be answered today. Let's hope that it won't take an autopsy to answer it in the future.

This post was first published at MediaVillage[1].

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1 mediavillage.com/article/confused-about-the-advertising-industry-who-isnt-read-on

Do you carry out detailed reviews with all your agencies? Are these reviews quarterly, half-yearly or annual? Are contracts and remuneration reviewed annually with each agency in the roster? Contact us to learn about roster performance management[2].

2 trinityp3.com/agency-performance/roster-performance-management

POST 2

Who are the real victims of the lack of transparency in advertising production?

Posted 9 May 2018 by Darren Woolley

Last year, the Association of National Advertisers (ANA) responded to the investigation by the US Department of Justice into agency production practices[1], including this in their call for greater transparency in advertiser and agency relationships.

The concern was that agencies, and especially the holding companies that own the agency groups, were competitively tendering for advertiser commercial productions against the independent production companies in an unfair and biased manner. Effectively, it was claimed that the agencies were lining their own coffers by undercutting the independent production companies[2]. They were having them tender for and then provide competitive services at a lower price, effectively and unfairly squeezing them in the market.

But from our perspective of more than 30 years of industry experience, this lack of transparency exists at every level of the production process in some form – in fact, all parties, from the advertiser whales down to the smallest minnows, could be more transparent in the process.

1 adage.com/article/agency-news/ana-report-claims-transparent-production-practices/310061

2 adnews.com.au/news/aussie-production-agencies-slam-rigged-pitch-system

The sad fact is that the people who ultimately end up suffering in this process are the smallest, such as the crews that subcontract to the production companies.

Advertisers and their agencies

Let's start at the beginning and follow the money trail. The whole process begins with an advertiser wanting to produce a television commercial (or these days, some video or film content). This starts with the brief, which becomes the first point where lack of transparency impacts the process. It is because very few advertisers feel comfortable providing the agency or the production company (if they are working directly with them) with a budget[3].

The perception is that if they provide a budget, then the agency or production company will use the whole budget and perhaps then some. But here is the kicker for the lack of transparency: not providing the budget can end up being incredibly inefficient and costing you a lot more.

The budget should represent your level of investment or the value of the project. There are many ways to calculate this, and we have helped many advertisers create customised methodologies to do this. Without a budget, the agency and production company have no idea how much they can spend, although it is in their interest to make the creative idea as outstanding as possible (read: as expensive as possible) to build their reputations. So they come back with ideas and you fall in love with one of them, only to find out when it is quoted that it is going to cost you 10 times more than you had budgeted for.

At this stage, you should drop the idea and get the agency to do the work again, this time with a budget in mind. But because the clock is often ticking and because you have fallen in love with a concept you cannot afford, the way forward is to try and get the concept delivered for a cost closer to the budget. The problem is that if these cost reductions are substantial, it leads to corner-cutting and compromises in the production and quality of the final product.

In one case, an agency concept, which won Link testing and the advertiser loved, was found to cost more than $1.5 million, when the advertiser's actual budget was $300,000. The production cost was slashed though a series of decisions and significant pressure on the production company to just $650,000 (still a significant amount of money). But the

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3 trinityp3.com/2013/05/advertising-production-budgets

resultant television commercial was never broadcast because the quality reflected so badly on the brand and the company.

In another case, three days of unseasonal rain incurred weather days, which were not budgeted for. The additional cost came from cutting the media budget, leaving media reach below optimal performance. While the advertiser got the concept they loved, it came at a significant cost that could have been avoided if they had been more transparent with the budget.

Agencies and the production companies

Agencies and their holding companies have for many years realised the benefits of providing production capabilities to their clients. By mounting the production within the agency, or creating a wholly owned production company, they are able to capture more of the advertiser's budget and the associated profit.

These agency-owned and run production companies are a legitimate alternative to the independent production companies in the market, and can be ideal for particular clients and projects. Problems arise when the agency production company is not only competing with the independents, it is running the selection process as well.

But likewise, the independents have been complicit in this practice, providing to the agency production department what is known in the industry as 'check quotes'[4]. These are quotes provided to the agency to create the appearance of a competitive process where the production company knows they will not win the tender but are promised future work for compliance.

But even if the agency does not have their own production company, the lack of transparency in the agency production process can be seen in the way the agency presents the quotes to the client for approval. Typically, the agency will present a summary of the costs with around two-thirds in a line item called 'Production house' or 'Film company'. Behind this cost centre are often multiple pages of production company estimate details prepared by the production house in developing their cost proposal. But it can also hide agency fees, rebates and payments.

In one case, an agency had inflated the production company cost on their estimate to hide thousands of dollars of unbillable agency

4 trinityp3.com/2017/01/corrupt-illegal-advertising-production-practices

hours. It was only once the film company cost was requested that the discrepancy was discovered.

More difficult to discover is where production rebates are provided, especially between post-production house and production companies. But increasingly, agencies are negotiating deals with post-production houses and dub distribution companies that are billed to the client and then rebated either as cash or credits.

When decoupling post-production for a client (see details of this process below), who wanted to manage this directly, we were able to negotiate a 35% volume discount typical of volume rebates in market.

Production companies and the crews

But it is not just the clients and the agencies that lack transparency in this process. The production and film companies are also guilty. A major issue is the standard production company contract.

It is usual that this is a fixed-price estimate with no right to audit. But increasingly, it contains the line: 'We [the production company] reserve the right to negotiate all contracts upon award'. This means that the production company reserves the right to negotiate their supplier contracts after appointment.

It is apparent that the production company is happy to charge the client full price, then negotiate with the crew or suppliers and pocket the difference. Well, what a surprise! What is more distressing (anecdotal evidence from the crew members contacted) is that the production houses say to those they do these deals with, that it is due to the 'pressure to reduce costs' coming through the agency from the clients.

So by default, it's the advertisers who are to blame for the reduced budgets, rather than the fact that along the way, the agency and the production company are holding on to more of the budget themselves. This lack of transparency also means that in the end, it is the smallest vendors in the supply chain who are paying the price for the behaviour of all those above them.

The other problem with the lack of audit rights on the production company contract is it means you rely heavily on the agency, and especially the agency producer, to vet the production company estimate to ensure it is fair and reasonable, and that all contingencies, buffers and excesses are removed. But what is the incentive for the agency to deliver these savings beyond bringing the cost in on budget, if there was even a budget provided in the first place? The agency wants a great job, and the fear is that negotiating too hard may influence the director's desire to take on the job. Seriously, this is often quoted as a concern of the agency.

Besides, the agency would prefer to have contingency allowances in the production company budget, so that if they want to make changes, they can request this without having to ask their client for more money or pay for it themselves. But if these contingencies are not required, are they refunded to the client or do they go straight to the bottom line of the production house?

The little guy pays for the lack of transparency

So the advertiser often lacks transparency in the budget they are willing to spend and what they expect for the cost. Agencies often lack transparency in their efforts to maximise their share of the client budget and recoup revenue they have lost in other areas of their remuneration[5]. Film and production companies lack transparency in the way they quote their services, and the terms and conditions in their standard industry agreements that preclude the ability to audit. But who is the one who misses out?

Well, certainly, advertisers are not always getting value for their production budget. But it is the smaller vendors and suppliers to the production industry, mainly the crew, who are paying the price. Often, overtime is negotiated out of their deals, while it is charged to the advertisers. Or they are asked to work three days for the price of two, and so on. These are often sole traders, partnerships and small companies who are the lifeblood of the production industry. This is the talent that makes the film and television industry function and thrive.

It is sad that they feel that the reason they believe they are being screwed is because of the stinginess of the advertisers. At the other end, the advertisers feel like they are being overcharged by their agencies. Perhaps the problem is that the agency is providing concepts and ideas the advertiser cannot afford. Perhaps the advertiser is wasting the agency's time by playing Guess My Budget. Or perhaps the problem is that everyone is out for themselves.

But change is coming. We are seeing an alternative to the current structure, where the advertiser is being put directly in contact with the large number of small film and television production talents, effectively

5 trinityp3.com/2014/08/lower-agency-retainers-higher-production-costs

eliminating the intermediaries and providing access to a much broader talent and skill base than even the agencies can access.

How to bring transparency back to production

There are the steps that advertisers can take to make their film and video productions more cost-effective.

1. Decouple production

This is effectively implementing direct contractual relationships with the various suppliers previously managed by your agency. While this has been very popular overseas, in the Australian market it is hotly, if often anonymously, contested. The last time we helped a client with this process, it ended with a misleading and sensationalist article in the trade media[6] based on anonymous accusations and coordinated by the industry body representing production companies and the agencies.

But it is possible to decouple these arrangements if the effort justifies the rewards[7], and it is becoming increasingly popular as advertisers are making more video content for their marketing strategy than the occasional television commercial.

2. Upgrade production contracts

As mentioned above, the suppliers write the industry production contracts[8]. This is often done with the support of the advertising agencies and their industry associations. A robust procurement process would be to do a very detailed review of these contracts before the client is bound to the terms and conditions. But our biggest concern is that many advertisers are totally unaware they are being bound to these contracts by their agency without their knowledge.

More importantly, it is essential that advertisers update their agency contracts, especially the terms and conditions, to ensure the agency complies with a more rigorous and transparent production process[9]. We have advised many clients on how to achieve this, usually when they are selecting a new agency.

3. Implement production management

At the very least, advertisers spending any significant budget on

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6 adnews.com.au/news/creative-agencies-tv-producers-revolt-over-trinityp3-s-power-grab

7 trinityp3.com/2013/12/decoupling-television-advertising-production

8 trinityp3.com/2013/09/tv-commercial-production-contracts

9 trinityp3.com/2017/09/advertising-production-transparent

video and film production should be looking at reviewing their current production management process[10], and perhaps implementing a more up-to-date approach to minimise cost and reduce risk.

Simply ensuring that the agency undertakes a robust procurement process in the selection of production suppliers[11], including a transparent cost assessment and negotiation process, can deliver significant savings.

You can find out more in our free *Television Advertising Production Governance Guide*[12], which lets you map your current process against best practice.

Our production management assessment provides a detailed evaluation of your current production operation and offers recommendations to achieve optimal performance[13].

10 trinityp3.com/2010/05/managing-television-production-costs-for-maximum-value

11 trinityp3.com/2012/03/adding-procurement-and-purchasing-rigour-into-television-advertising-production

12 trinityp3.com/2014/12/guide-to-television-advertising-production-governance

13 trinityp3.com/delivery-implementation/production-management-assessment

POST 3

Managing Marketing – the changing role and challenges facing media agencies

Posted 23 April 2018 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].

David Angell[3] is the General Manager and Head of Media at TrinityP3. Here, he chats with Darren about the increasingly complex role played by media agencies, and the challenges they face in meeting the needs and demands of their advertiser clients. As intermediaries between advertisers and the media providers, they are increasingly challenged with not just managing this complex relationship, but also contributing to overall marketing performance.

1 soundcloud.com/managing-marketing

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

3 linkedin.com/in/david-angell-54a08a17

Podcast transcript

Darren:

Welcome to Managing Marketing. Today, I'm sitting in a car in one of the many famous lanes of Melbourne, having a chat with David Angell, who is the general manager of TrinityP3 and our head of media. Welcome David.

David:

Thank you, nice to be here.

Darren:

I should say 'Welcome Darren' because we're in your car. You're hosting me.

David:

But technically it's your city, though my city too.

Darren:

Your town, your paper.

David:

I'm hosting you in this lovely car in this lovely avenue, so it's nice.

Darren:

You joined TrinityP3 about three years ago. But before that you had quite an extensive career in media from both an advertiser's perspective and an agency's perspective. I wanted to start off getting your reflections on that, the different perspectives.

We've had a lot of discussions about the relationships between agencies and advertisers. What do you see as the biggest difference between sitting on one side of the table with the budget, and on the other side of the table talking to your client?

David:

That's an interesting question, and I would add that my experience with TrinityP3 has also been a very valuable client-side one because I'm effectively sitting with those clients when we are talking to agencies.

I think the challenge with media agencies has been to view the world in quite a myopic way. Sometimes that's because they're driven by the client to think like that and sometimes it's because they haven't got the skill sets to think more broadly. But the difference is where they are thinking of media as being a major component of marketing, the marketer is thinking of media being one of many, many channels that he or she has to navigate.

And the agencies that are winning at the moment are the ones that are able to translate what is effectively media strategy into a broader commercial marketing and business approach. And that's something that continues to challenge agencies even today.

Darren:

That's a great observation. One of the things you see is that so many agencies – media, digital – they almost go down the rabbit warren of their own media specialty and forget that they're communicating with people who have got hundreds of moving parts.

David:

If the best agency in the world is the one that delivers truly agnostic transparency and recommendations to clients, there is a disconnect between having that approach and being a specialist agency. Because clearly, if you're a digital agency and you think about digital 100% of the time, that is not always in the client's best interest, whether you're doing it for what you think are the right reasons or not.

That's been apparent for many years as digital has arisen as a specialist component of the agency landscape. But what we're finding more and more is that those specialist agencies are now trying to branch out in terms of their capability, which sometimes works and sometimes causes confusion, but they're trying to find people, certainly senior people and leaders who do not come from a digital background or a media background. They're looking for a diversity of commercial experience that enables their leaders to articulate these kinds of things to a client without being too narrow-minded.

Darren:

David, such a great term, commercial perspective, because I think marketers are under so much pressure to deliver commercial results, not just marketing results. And if agencies can get on-board with actually thinking in the context and framing of commercial performance and support their clients in doing that, that's a complete game changer.

David:

It is, and it really attaches a significant value to the output of an agency that goes way beyond: are you buying your media cheaply and are you buying lots and lots of inventory? And I think that agencies and holding companies and networks are currently trying to find ways to really fit/pivot as best they can to this new reality. Of course, the role of data and tech plays a major role in that.

The pressure that's on marketers, a lot of that is to do with the fact that the C-suite has now woken up to the fact that all this data is sitting there. There's customer data, and marketers are asked to become more customer-centric and more accountable as a result. And they need their agencies more than ever to help them navigate that stuff.

Darren:

Yet, as you said before, agencies, especially media agencies, have spent years and years becoming experts in media, and now it's almost like that's just a table stake: you don't get to sit at this table unless you're already an expert in media. But we want you to go to the next step, which is always to reframe it in our commercial reality.

David:

Yeah, and it's getting the balance right from the client's point of view – it's really important. Media is just a table stake but it's a very important one, obviously, that can't be overlooked. So there's a balance in that.

But from the agency's perspective, how they get paid for this kind of work, how they get remunerated, come to a remuneration structure that is transparent and sustainable enough, is something that I spend a lot of time talking to clients about, because this kind of skill set does not come for free. And agencies have been traditionally quite challenged in monetising these kinds of services, and that's why, in some areas, they're underdeveloped.

Darren:

You've touched on tenders, pitches, requests for proposals [RFPs], whatever you want to call it. It's interesting because we're talking about marketers wanting these extra dimensions from their agencies, and yet so many times when you hear about a client going to market for a media agency, the selection criteria is all about the media. You know: how well do you buy, strategise?

It's all about the minutiae of getting that important table stake raised. But it doesn't often go beyond that in the traditional RFP, does it?

David:

It doesn't. Some of that is to do with marketers either being in a comfort zone or not really thinking through enough what they could drive from an agency in terms of value, what that value equation is. The influence of procurement can sometimes play a part in that, and a lot of the work that we do in TrinityP3 is trying to align internally those two partners, those components, so that they are pulling in the same direction.

Darren:

My observation is that sometimes marketers and procurement are almost like separate stages in the process. The marketers will be really deeply involved in the first part, which is about interrogating and selecting the short list, and then it's almost handed to procurement as a secondary phase to do the remuneration.

Yet from an agency point of view, the two parts don't exist separately. It's not just: you want all these services, how are we going to get paid for them? Yet the actual selection process is, first of all, select the agency we like because they've got X, Y and Z and now I'm going to hand it to my friendly procurement person here to take the gloves off and give you the examination.

David:

We always advocate the involvement of procurement as much as possible up-front in the process, and they are true stakeholders as opposed to just handling that area of things. We find that one of the trickiest components of any pitch process tends to be asking the marketing and procurement clients to develop a scope of services or work that truly reflects what they actually want.

We spend a lot of time up-front trying to define what it is that they want to achieve in this process: not just getting the right agency, but getting the right agency to set them up for the future. That is often about much more than how cheaply can you buy media. In fact, it should always be about more than that.

So bringing disparate parts of the business together that often have imbalances in power relationships and pulling different agendas is where we can add some value.

Darren:

You're right, in that procurement, depending on the procurement team, often feel that their role is all about the financials. And yet the two are inextricably linked. The financials are linked to what it is you actually want the agency to deliver. And what's the value part the agency is actually going to be delivering to that relationship?

David:

Yes, and how do you measure that when you're a procurement person? I do understand their challenges: how do you measure that in a traditional procurement environment? We're talking about human intellectual property [IP], about adding value to a business that can't always be quantified on a spreadsheet.

It can be quantified over time by outcomes or outputs, but it requires different thinking and a different model, and certainly a different set of key performance indicators [KPIs] that go beyond the traditional.

Darren:

But are the agencies really helping this process at all, because they often end up in the same old resource cost, overhead/profit multiple rather than thinking through what value looks like.

David:

I think the agencies know what value looks like. I just think they don't know how to achieve that from a commercial point of view, from their own side of the fence. I think they also struggle for the talent that really can bring that to life.

When you work in a media agency you graduate up through the media ranks, and I think a lot of agencies are now working much harder than they have been before on more-holistic training. They're either training their people or bringing different people into the mix.

So I think the remuneration model is one thing, and the way the agency engages in performance-related incentives or a KPI structure is another thing. And certainly, I think agencies could be more imaginative in that part of it. The third is making sure that the right people are actually engaged with the client's business, whether it's a pitch or an existing relationship.

Darren:

Now, you touched on the work that agencies do, first of all recruiting talent and then developing that talent and trying to retain it. I think media agencies generally put a lot more effort into that than the creative and digital agencies, don't they?

David:

They do. The evolution, though, has been away from the functional and towards the commercial. So you're not just training a media buyer to be a media buyer. You are training someone who can actually think beyond the media box and look at their client interests, and that's to do with future-proofing the agency and the client relationship and that person as an individual.

I believe that media agencies, more so than many other sectors, have to consider the now, the next and the later really closely from a business perspective.

Darren:

The reason media agencies have put so much time and energy into it is that they got hit by the realisation that some of them were looking at 40% or 50% churn of their staff in 12 months. That as fast as they could pour talent in one end, it was walking out the other, and that for the industry was a big issue.

I think the other issue for media agencies, more so than other agency types, is that it is so easy for them to become commoditised when people superficially look at them as just doing media planning, strategy and buying. Lots of other people do media planning, strategy and buying, whereas creative agencies have the creative output. They can show their latest ad or Cannes award idea, and digital agencies can show the latest phone app that they've developed, or this whiz-bang website, but much of the media agencies' work is largely invisible or is not obviously impressive unless you do a lot of explanation.

David:

That's why I refer to the now, the next and the later. If you take now, media agencies are having to staff for a lot of people on the ground that do the invisible work – who do the TV buying, the work in BCC and other software systems, and the day-to-day, ticking the boxes, right? It's exacerbated churn, but if you look at Australia as an example, we're still spending 60% of our money in traditional analog TV. It's still enormous in terms of the volume, so they have to train for the now.

But they also have to think about the next, which is data automation, automation of these services. How are people going to progress their career if what they're doing now is going to be automated? And of course, they have to think about the later, which is: we're going to have to become more consultative one way or the other. This landscape and the discipline of marketing and advertising is becoming more complex constantly.

To try and account for the now, the next and the later, and find the balance between investing ahead of the curve while at the same time retaining 60% of the money that flows through your business in traditional media, is really tough. To be fair to the agencies, that is a really tough ask.

You see that a lot of the agencies are investing ahead of the curve. Data analytics is a great example. Programmatic trading is contentious but still a good example. And they're having to invest not just in the basics of how to buy programmatic. They're having to invest in protection against ad fraud. They're having to invest in terms of the way their agency is structured to cope with integrating programmatic as a channel as it expands into digital, TV, radio, outdoor. That's now, next, later, and it requires some balance.

Darren:

You did mention that the 'later' is also becoming more consultative, and you're seeing that a lot with the really smart agencies who are starting to build that. You're seeing the consultants, the traditional management consultants, come in and play in the advertising area. Whether it's around econometric modelling or performance or growth strategies or things like that, you're seeing a lot of the really smart media agencies building that capability as well.

David:

I think that's a multifaceted capability as well, right? The functional capability required to do these things is enormous, but so is the capability of the person who is, to use a horrible cliché, T-shaped enough to be able to translate the functional into the commercial reality, and into strategy that is in the client's language and that the C-suite can understand.

That is a skill set that is relatively rare still and has not always been trained for. So they're having to think about that a lot more. The role of business directors and those kinds of generalist roles is becoming way more complex. And they are spending a lot of time and investment now in training for that.

Darren:

Just on that point, thinking back to when media was part of creative agencies, that sort of business management was part of account management in creative agencies. When media agencies first split off, they didn't really take a lot of account management with them, did they?

David:

No. I think there's an important distinction between account management and account leadership. Media agencies have always had to manage things: they've had to manage day to day, they've had to manage which spots get put where, they've had to manage make-goods. All of this stuff is basically account management. They've had to have someone on the ground who picks up the phone and does that, right? That's clearly very different from account and business leadership, which is more what we're talking about now as agencies try to become more consultative.

In my career, I've seen it done terribly where an agency says, 'Right, now we're going to become consultants. We're going to stick a badge on this 22-year-old and go off and be a consultant'. I've seen that extreme, to what I see now, which is the rise of positions like talent lead and the hive of external training companies and the in-swing of broader commercial talent.

If you just take one example very recently in the press, dentsu X, they've just hired a new managing director [MD]. She's not a media or agency person, she's an MD. She's come from a senior role at iSelect, a completely different skill set. But they are absolutely looking to pivot to something which is above the table stake.

Darren:

One of the other things that demonstrates the challenge media agencies face is awards.

David:

Yep, really contentious right now, but let's talk about it.

Darren:

The industry loves awards. I saw a chart that says there are over 700 awards globally that an agency can enter. There are media awards in it but the thing I find about media awards, and this cracks me up, is that so many of them, like Cannes media awards, are won by creative agencies and not by media agencies. And when you read into what wins, it's not really a media award. Media is a component of it, but it was the creative that obviously got the eye of the judges.

David:

It's the oldest problem in the world isn't it? Who's driving what? Is the creative or the media driving the result? I think media is very hard to pin down in the context of an award. It really depends on the exact scope and nature of that award.

One of the first things I learned on the client side is the disparity in care between what a client really sees and what the agency really sees in the value of an award. I've not yet met a client, in a pitch environment, who really places a huge amount of stock in which awards the agencies have won.

We do try and differentiate when we talk about awards. It's not a level playing field. One award can be much more valuable than another. I call out the Effies as an example of a set of awards that you can probably attach a bit more depth to. It can probably be a bit more relatable to media. But there are a whole lot of others that are really just the creative agencies taking them with media trailing on behind.

Darren:

Some of the trade media put out these rankings of the agencies, and they throw all the agencies in there together because increasingly the distinctions between creative, media, digital and all these are becoming harder and harder for the trade media to distinguish. But you actually find it's invariably creative agencies in those all-in awards that end up at the top because they just enter more awards.

David:

I think they enter more awards, but more broadly this extends beyond the awards and into the way in which creative agencies have evolved. Creative agencies are way better at selling themselves. They are better at selling ideas, making ideas simple and effective, and it's why, historically, they've been able to gain a lot of cash aid at the table with the clients. They have that capability.

Media agencies, historically, in my personal opinion, try too hard to intellectualise the product. So you end up with presentations and big decks that a lot of clients just don't understand. And certainly, sitting on the client side, you can see the confusion where a strategic play from a media agency simply does not marry up to the actual execution. That's really hard for a media agency to do, and they're not as good at doing it as creative agencies.

Darren:

You're not just working in media, you work across the full range of the business. You must see that in pitches as well.

David:

I include the last three years at TrinityP3 in the observations I've just made. To be fair to media agencies, sometimes the things they're being asked to do don't exactly lend themselves to exciting salesmanship. It can be quite prosaic, and with the recent and ongoing debate around transparency in an agency, the client's ears are well pricked up for what they would see as opaque salesmanship. But generally speaking, creative agencies are way better.

Darren:

OK, you've mentioned the T-word.

David:

Yeah, have we got another three hours?

Darren:

I feel like, from my perspective, and you weren't with the company then – you joined in 2015 – but from 2008 to 2012 I was seeing a constant downward pressure on what the media agencies were getting paid. And I also saw that this was having a profound effect on the things that media agencies were doing to make ends meet. If the client was not just paying them less but also demanding that they procure media for less and less, passing it down the chain to the media owners, then the system was breaking.

I started hearing things like money was being held by the agencies for things that were not being billed – media holds – so there were huge amounts, millions of dollars, sitting in agencies because of Sarbanes-Oxley Act [SOX] compliance, certain agencies having trouble holding that cash in trust for the clients. Then I heard about value banks and I'm going, 'What are value banks?'. Clearly this was driving a lot of behaviour.

Do you think it's as simple as that, or is it much more complex? Was it the greed of the downward pressure on agencies that forced them, or has it been going on forever?

David:

I think it's a mix of those two extremes. I think we would be naive to consider that agencies would not have exploited principal-based trading, media holds, rebates and agency volume bonuses [AVBs]. I don't think they wouldn't have exploited them had they not been under pressure elsewhere.

There is no doubt that there has been downward pressure on media agencies with the base fees, and that the advertising and procurement community is largely culpable for pressuring agencies into derivative KPIs that just simply race to the bottom line. But agencies have been exploiting things for a long time. They've just had to exploit it more than they would have done.

Darren:

Because when I have this conversation with marketers they go, 'Oh no, it's not us. It's clearly the agencies that have been under pressure from the holding companies to deliver bigger returns. It's not because we've been pushing down price'. I go, 'Well, there's a cause and effect here'.

If I had $100 million and I was asking someone to invest it for me, but I also want to reduce your cut of it, I'm basically cutting off my nose to spite my face, aren't I?

David:

There is definitely a two-way street. The other thing to remember is that media agencies are, of course, in business just like everyone else. And when it comes to transparency and exploiting commercial gain, no company in the world is 100% transparent anyway.

I say that to marketers – you don't open your books to your agency or your customers in a way that they wouldn't to you. But having said that, there is a fine line between profiting and profiteering. And the whole transparency debate has now extended way beyond just media agencies – it's covered the entire supply chain.

But I think that the biggest challenge I've experienced with that is not so much who's caused what, but more: what is the level of awareness the clients have of the transparency on offer, and how does that comply with the broader standards of their business or their sense of business ethics?

We do a lot of work just to let the client know how transparent things are, and give them the option of either making it more transparent or keeping it as it is if they're happy.

Darren:

Because there's the other T-word, which is trust, and trust is a two-way street. I think it's funny when marketers say, 'Oh, the agency's breached my trust'. I feel the agency has breached the trust because the client has breached the trust as well.

David:

I think that's absolutely true. As a disclaimer here, I've come from 15 years of experience in media agencies, so I have an intricate understanding of what goes on in media agencies. The vast majority of people in media agencies are simply trying to do a good job. And of course, there's pressure from holding companies. There's always pressure from holding companies.

What I would say about trust is that yes, of course, it's reciprocal. The agency that gets constantly stunned by the client who alters scope without altering contractual terms, the agency that is under 120 days plus payment terms from a client, well yes, trust is a two-way street. And you're going to get a response in kind to a certain extent.

Darren:

But there are consequences of behaviour, and this is why I go on about the golden rule: the man with the gold makes the rules. And so I say the agency ends up playing the game the way the client sets the rules. If the client wants to play the game where they pay less and less for services, then they have to also accept the consequences of that, which is that the agency is not going to value the relationship as much as they would if the client was paying them a fair, reasonable amount, or just the same amount that they paid previously.

David:

One of the biggest disconnects – and I'm talking from personal experience, going into clients with TrinityP3 and other roles – is the client who will complain about the agency not giving them an A Team.

Darren:

And they paid for the D Team.

David:

They paid for the D team. And that's with all due respect to the D Team, who are not necessarily incompetent. They're the people in the now, doing the dot-joining. It's very hard to feel sympathy or empathy for a client who's complaining about not having an A Team when they have not invested in either the relationship or the financials. Certainly, whenever we work with agencies and clients with pitches or anything else, we want the agreement and the terms to be mutually sustainable and beneficial.

Darren:

This downward pressure is not just on agencies. We've also seen where clients are putting the agencies under pressure to put the media owners under pressure, to get the agency to guarantee a particular media buying position and wanting to hold them to it and then getting surprised when some ridiculously low position that was put forward is not deliverable.

David:

First, when the position gets that low, it becomes very hard to measure with all the variables anyway. But to get to your point, publishers are under huge pressure, from everything from the day-to-day grind of an agency that constantly has to ask them for 'new ideas' that grind their time and they don't get activated by a client who can't make up his or her mind or hasn't briefed them properly, right through to the huge pressure on inventory caused by programmatic trading and an obsessive adherence to the lowest common denominator. If agencies have got them baked into their contracts or have promised them – again, there's a two-way street – the publishers, particularly the longer-tail publishers, are the ones who are really going to struggle.

Darren:

About three or four years ago, I had a very senior national sales director from a media company who wanted to meet with me because, he said, 'The agencies come to us all the time and say that TrinityP3 has told us we have to get this rate from you for us to be competitive in this pitch'. And I said, 'I have never ever heard that and we would never do that'. We're not big on buying positions because they're incredibly difficult to enforce, and also because you're treating media as the ultimate commodity, that somehow they can pick where the market is and do some magical deal.

David:

I can only speak from my own experience, but certainly it's not anything I would ever advocate. At the end of the day, a commoditised position is not sustainable for either party, and we're talking about a value exchange here. The agency has to gain value just as much as the marketer has to gain value. And that value to an agency is not just monetary value. That value is in having the ability to do great work that drives investment in people, that drives new people to the agency, and produces more great work, and wins new business.

Agencies, it's not just about how much you're paid. It's about what you can do with what you're paid and what that relationship allows you to produce. I've never worked in a media agency that's just out to con people. Far from it, they want to do great work. Sometimes they're not able to do that work, and that is often the fault of the agency and/or the client. But ultimately, trying to deliver a proper value exchange in a pitch or a contractual or remuneration agreement is something that's really important and often overlooked.

So commoditising the arrangement that pushes down on the publisher is not something that we would ever recommend, that's for sure.

Darren:

Media is a significant part of a budget, and if you're only looking at how cheaply you can buy media, you're actually looking at how to spend it, not invest it, aren't you?

David:

Absolutely. I can buy 1000 rotten apples or I can buy three apples that are really ripe. Again, it's a value exchange. How do you equate value in that?

Darren:

This is a conversation I had with a procurement person. They said, 'Why do you keep saying that media is not a commodity? Media's the biggest commodity there is'. Where do you think this thinking comes from? Have you heard that?

David:

I have heard that. I think the thinking partly comes from procurement people being in a comfort zone of how they buy other things. They see unit cost and therefore they think commodity. The unit cost of buying a plastic bottle top for the drinks that you're producing in your factory is the same as a unit cost of a TV spot. But of course it's not as simple as that because there is an outcome attached.

Darren:

And there's also a human being, and the fact that you're wanting to plan media so that it delivers messages at the right place and time when the person is most receptive to changing their behaviour to deliver a sale.

David:

This is what I mean by an outcome. Even leaving aside paying the right person to do that as a service, there is a massive difference between buying media at the lowest cost, and buying media that is genuinely going to be effective and which is part of a much larger marketing ecosystem that is properly integrated. There's a world of difference.

Darren:

Absolutely. Hey David, it's been great to catch up in this laneway in Melbourne.

David:

Yep, thank you very much. I've enjoyed it.

Darren:

I've got a last question. Who do you think is the best media agency CEO in the marketplace at the moment?

THE END.

Today, there are more suppliers in the media planning and buying process than ever before. Selecting the right agencies and suppliers is essential. Find out how we can help[4].

4 trinityp3.com/media-performance/agency-search

POST 4

Is your marketing function centralised, decentralised or distributed?

Posted 29 September 2017 by Darren Woolley

This is part of a series of one-minute videos that each address one of the many complex challenges facing marketing, media and advertising today. The Golden Minute series[1] *is an attempt to prove that Albert Einstein was right when he said, 'The definition of genius is taking the complex and making it simple'. But he also said, 'Everything should be made as simple as possible, but not simpler'. So we will leave it for you to judge.*

1 youtube.com/playlist?list=PL8WjgOnoGl8xGJRKIQCvycElSRFpas0IS

It is interesting that when you are talking to businesspeople about marketing, the majority seem to think of it in the context of marketing communications, or what was not long ago considered advertising or promotions – one of the Ps in what was the 4Ps of marketing. This is probably not surprising, as promotions and advertising are certainly the high-profile and public end of the marketing process, and where a significant component of the budget is spent, especially on paid media, but increasingly on owned and earned media too.

But the fact that many organisations think of marketing as the marketing communications area, leaves the question of where the other traditional marketing functions are located within the organisation. The reason is that often when we ask what marketing structure you have, the most common answers are either centralised or decentralised[2]. Then we find out that even when it is centralised, it is usually only the marketing communications function, and typically marketing is actually distributed across the organisation.

With the marketing function fragmented and distributed across the business, it makes it challenging when we are asked to redesign marketing to drive a customer-oriented strategy across the organisation. On top of this distribution, we typically find the fragmentation of key capabilities, such as customer data, digital technology skills and the like, built into pockets across the business and rarely inside what is considered or called marketing. This, combined with the dislocation of the full marketing capability distribution, means that a cohesive and aligned marketing strategy is next to impossible without a significant realignment in objectives, strategy, structure, roles, responsibilities and performance expectations.

The way marketing is structured within an organisation is indicative of how it is perceived and positioned as part of the overall business, as we demonstrated back in 2011 with a presentation titled, 'If structure follows strategy, how is marketing strategically positioned in your organisation?'[3].

A more recent article in the *Harvard Business Review*[4] studied the various job descriptions, roles and responsibilities for CMOs, and identified three CMO job types that were related to the role and

2 trinityp3.com/zena-churchill-on-marketing-structures-episode-17

3 trinityp3.com/2011/12/if-structure-follows-strategy-how-is-marketing-strategically-positioned-in-your-organisation

4 hbr.org/2017/07/the-trouble-with-cmos

function marketing played within the organisation. The article goes on to describe each of the CMO roles identified:

> *The largest group at 46% of CMOs focus on commercialization. Basically, they have a downstream role … using marketing communications to sell the products, services and experiences that others design … sometimes called the Colouring Department …*
>
> *The next-largest group at 31% of CMOs focus on strategy. They take the lead on developing the firm's market positioning and then design new products, services and customer experiences … Finally, at just 23% are CMOs who handle both strategy and commercialization responsibilities … [and] have P&L [profit and loss] responsibility.*

Interestingly, if you accept the American Marketing Association's definition of the marketing function as 'the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large'[5], then the only CMO role there that is truly responsible for the marketing function of those three is the third and smallest group. The others are more akin to the head of marketing strategy or head of advertising.

But increasingly, organisations are realising that they need to be more customer-centric, and that marketing is the strategy function and technology is the enabler that allows this to happen. So more and more marketing teams will be finding themselves realigned to the business customer, and less distributed across the business to be the communication function for products and services.

Golden Minute script

How do you structure your marketing?

Is it centralised or decentralised?

The bigger the organisation, the more likely it's decentralised.

Or to achieve more consistent marketing, is it centralised?

But there are other marketing structures available.

In fact, today, marketing is more likely to be distributed.

Distributed across the organisation into areas that don't even realise they are marketing functions, like pricing, new product development, distribution, customer experience and – well, you get the picture.

No wonder some feel marketing is not delivering.

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5 trinityp3.com/2016/08/definition-of-marketing

Not only is marketing often decentralised, it is also fragmented, misaligned and fractured.

How you structure your marketing depends on whether you see it as a cost or an investment.

A function of business or a growth engine.

It's really up to you.

Structure follows strategy, but what is the right structure for your marketing strategy? Discover how we create marketing structures that are more integrated, agile and responsive to business needs[6].

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

POST 5

What happens when the best agencies are no longer interested in pitching for your business?

Posted 15 November 2017 by Darren Woolley

Recently we have read reports from the CEO of WPP, Sir Martin Sorell[1], and even our own executive chairman, Michael Farmer[2], talking about the almost irrational motivation of agencies to pitch for and win business at any cost. Certainly, with so many agencies in the market, you would think there is no shortage of candidates to pitch for an advertiser's business.

But the fact is that not all agencies are equal. Yes, some are more equal, or perhaps more desirable, than others. In any market, there are a handful of agencies that are considered outstanding, and then there are the others, and behind them the 'also-rans'. The fact is this crème of the crop are in high demand and are becoming increasingly more selective about what business they will pitch for and what they are passing on.

In quite a few recent pitches, we have undertaken a market search brief for some global advertisers operating in local markets. In each case, one of the key requirements was to find an agency that would drive innovation and creativity in marketing, advertising and media. We developed the long list and, as always, checked in with the agencies on that list to ensure they were available without revealing the advertiser, usually just the broad category they belonged to. On approval of the

1 mumbrella.com.au/wpps-sorrell-agencies-obsessed-winning-business-just-trade-press-headlines-474300

2 mediavillage.com/article/the-other-opioid-epidemic-the-brief-high-from-chasing-new-business

agencies to be included in the tender, we contacted them and invited them to participate, with up to three of the agencies declining the invitation.

Usually, the agency stated that they were busy and did not want to stretch their resources. Interestingly, none of the agencies were from the big four holding companies in any of these examples. In fact, the agencies most inclined to decline the tender invitation were either 'hot' independent agencies or agencies from the smaller boutique networks.

Disappointed that we had up to three of a list of eight agencies decline to participate, I thought it worth following up with the CEO of the agencies that declined to find out if there were any underlying reasons for them not participating in a new business opportunity. Of course, none of the agencies wanted to speak out on this as it could potentially damage future opportunities, when the marketers involved would invariably move on to other roles. But confidentially, the agencies did not decline because they were too busy, rather for a number of very pragmatic and tangible business reasons.

The frustrating part is that the people who could potentially address these issues will never know the real reason they were not attracting the best agencies to their tender. So by way of illumination, here are the real reasons great agencies will be declining your invitation to pitch for your business.

1. 'They regularly change agencies and use an expensive pitch process'

No matter the size of the market, from relatively small to enormous, advertising is more like a cottage industry, where everyone knows each other or at least everyone worth knowing, but more importantly they know what accounts are available and when they are in play. This means that if you have a corporate policy that states you go to market with a tender every three years, then every agency CEO and new business director will have the date of your next tender in their calendar.

Except if you are a company that every three years puts your incumbent and the industry through a long and protracted selection process, only to reappoint the incumbent. The industry is notorious for gossiping, no matter how many confidentiality agreements you have everyone sign, which means that very quickly everyone knows that the tender was decided on a fee deal and the incumbent was reappointed based on a significant discount to their current arrangement. (See point three below.)

They will also be aware if you are the type of advertiser who goes to market more regularly, especially one of those advertisers who seem to be holding a pitch every year or two. The problem here is that the agency cost for the pitch process can take up to two or three years to recoup (again, see point three), and so if the client is known to turn over agencies on a regular basis, then great agencies are less likely to put themselves forward simply to become grist for the marketing mill.

Finally, the great agencies are wary of clients who go to market and invite every man and his dog to tender, or worse, hold an open tender. Being one of a handful of similar high-quality agencies is one thing, but having to battle it out with a rabble of agencies of dubious quality and reputation does not look good to an agency with a hard-earned reputation. The problem is that if they are unsuccessful, not because of quality but because of price (see point three, again), then when the winner is announced, it will be known that they lost and that tarnishes the reputation of the agency.

2. 'They have a reputation for being high on demands and low on delivery'

If you are going to market to appoint an advertising agency, then it is natural that you would want them to be creative and innovative too. But there are many advertisers, especially those running global accounts in a local market or region, who want an innovative and creative agency but do not really provide the opportunity for them to demonstrate their creativity or innovation, because the work required is often simply reworking the global campaign to suit the local market.

Creative agencies are well aware of the advertising work various advertisers and categories produce, and while they are optimistic that they can improve the creative output of most accounts, there is a limit to that optimism. If an advertiser is simply delivering modified global work, then a great agency is not going to want to take that on. It would be like buying a Ferrari and using it to do the weekly grocery shopping. There is no opportunity for the agency to truly demonstrate their capabilities. But likewise, agencies want to work with clients where they are able to produce work that both impacts the client's business and allows the agency to showcase their skills and capabilities.

There is also nothing more frustrating for an agency than to have a client that constantly demands more innovation and better creativity to then simply reject or trash their efforts. It becomes an exercise in futility that very quickly destroys the agency's morale and undermines their confidence. It is often the case that when advertisers complain about a lack of proactive innovation and creativity, we find the agency has piles of proactive ideas that were developed and presented but then either rejected or 'put on hold' indefinitely for lack of budget.

3. 'The procurement team is known for squeezing every last cent out of the deal'

The number of marketing procurement functions that see advertising agency services as commodities is quite confronting. Even though the profession will argue that this is rare and that procurement teams work hard to calculate value in their negotiations, the fact is that many have corporate guidelines that prevent them from accepting anything other than the lowest cost proposal. This assumes that every agency tendering for the business is effectively equal in capabilities.

Even when the procurement team do some evaluation of the agency proposals, it is often quantitative only, such as the number of full-time equivalents (FTEs), the average cost per FTE, and the rate card analysis of hourly rates. The problem is that these are simply measures of cost, not of quality, value or capability. We have witnessed tenders where the marketing team has specifically selected an agency as a clear preference, only to have the choice overturned by procurement based on the cost analysis.

The problem is that an agency will look at various criteria, or at least they should, when assessing if they are going to pitch for a piece of new business[3]. Two important ones for assessing return on investment (ROI) are 'Is this a profile project?', where the agency has a chance to build their profile through the work and therefore possibly win more business, and 'Will the project be profitable?', allowing the agency to earn a profit for the work done. Agencies have been known to trade profit opportunities for the opportunity to do high-profile, reputation-building work.

Many advertisers want the high-profile creative agencies working on their business, but if you don't represent an opportunity to do high-profile work (see point two) or to make a profit due to a procurement process focusing on the lowest possible price, then it is increasingly unlikely you will attract the best agencies in the market.

3 trinityp3.com/2015/03/agency-before-pitch-pitcherator-it

What to do if you can't attract the best

The first question you should ask is: do you really need the best agencies in the market? Many of these global advertisers in regional and local markets are simply going to be getting the agency to repurpose global work the majority of the time, so if this is you, then perhaps you should lower your expectations regarding creative reputation. Being more realistic in regards to your requirements means you are more likely to find the agency that best fits your needs, rather than simply the one with the best creative reputation.

Next, if you are using the pitch process simply to negotiate a lower price with the incumbent, there are more efficient ways to do this that do not waste everyone's time. Rather than holding a pitch, we would recommend a detailed review of the incumbent, including remuneration, contract and performance, to ensure the agency arrangements are up-to-date and represent value for both parties. This means you will not appear to be an advertiser that goes to market like clockwork or at the drop of a hat.

Finally, realise that you get what you pay for – if you want to pay the lowest possible price, it is likely you will get the lowest quality service, resources and outcomes. There are so many ways in which agencies who have had their fee negotiated down can cut costs and services at your expense, or make incremental revenue on the way through. The irony is that advertisers are complaining that they can no longer trust their agencies due to issues regarding media and production transparency, but in many ways it was the downward pressure on agency fees that encouraged this behaviour.

As they say, as you sow, so shall you reap.

TrinityP3's comprehensive search and selection process provides extensive market knowledge, a tightly defined process, and detailed evaluation and assessment[4].

4 trinityp3.com/agency-performance/agency-search-and-selection

POST 6

Ageism in advertising is as much a cost issue as a perception one

Posted 21 March 2018 by Darren Woolley

Louis Loizou[1], a freelance creative director in the UK, recently shared on LinkedIn this thought: 'I'm not 54. I'm 22 with 32 years' experience'[2]. It is a passionate and considered argument for why older advertising creative professionals have not passed their use-by date, but are actually 'still passionate but with pragmatism and discipline'.

Too old for advertising? The reason ageism is rife in advertising is economics and perception.

Louis is not alone. Search ageism+advertising on LinkedIn and you will find literally hundreds of posts from older, experienced advertising professionals. On Google, the same search delivers 490,000 articles. In most cases it is these older, experienced advertising professionals arguing that they are still creative, passionate, capable and more expensive. And this is the point where most of the writers get it wrong.

The issue of ageism is not about price, it is actually about cost.

It is not just that older, more experienced advertising professionals usually get paid more. It is the fact that in a cost-obsessed industry, where marketers are wanting to pay less and agencies want to make more, senior staff are uneconomical. Let me explain.

Advertisers want to pay less for their agencies

Have you had an advertiser tell you that they are happy to pay more

1 linkedin.com/in/louisloizou

2 linkedin.com/pulse/im-54-22-32-years-experience-louis-loizou

for their agency? While most believe that their agency remuneration should be fair, the definition of 'fair' is often judged by the marketplace through pitching, where agencies are known to lower their fees simply to win business. The role of procurement in this has resulted in a race to zero[3]. Michael Farmer has proven this in his book *Madison Avenue Manslaughter*, where his data shows that agencies have had a 70% reduction if their fees in real terms since 1995[4].

But with agencies being businesses, they have had to adapt to the increased price competition and the downward price pressure by reducing costs. Becoming more efficient, especially at the back end, was the game plan for the holding companies, which leveraged their economies of scale. But prices continued to fall, and so agencies looked to generate resources from other sources such as rebates and volume discounts from suppliers, and even integrating vertically with production capabilities, which has led to increasing issues with transparency[5], especially in media[6] and production[7].

There was one area, however, where many agencies were able to make increased margins while responding to the pressure from advertisers for lower costs, and that was in agency resources.

Agencies make their profit by marking up their resource costs

In the face of the falling prices advertisers are willing to pay, agencies have had one game plan in regards to their agency staff.

The way agencies calculate fees and especially retainers is to take the cost of the resource (the salary cost for the time committed), then multiply it by the overhead and profit margin. Sometimes the salary cost is based on the actual salary and other times it is based on an industry average. It is often complicated validating these salaries without compromising privacy. The overhead and profit margin is also usually, but not always, defined in the contract either for each individual component or as a multiple. For example, 100% overhead and 20% profit margin is defined as a 2.4 multiple on direct salary costs. Therefore, simply getting a lower cost of resources is a way of reducing the cost to the client. But it does not create an opportunity for

3 trinityp3.com/2013/09/agency-remuneration-e-auctions

4 trinityp3.com/2017/06/ignorance-of-pricing-is-ruining-ad-agencies

5 trinityp3.com/2017/08/advertising-industry-transparency-wars

6 trinityp3.com/2016/06/media-rebate-transparency-crisis

7 trinityp3.com/2017/01/corrupt-illegal-advertising-production-practices

the agency to increase their profit margin.

To increase profits, the agency needs to have low-cost resources fulfilling more senior roles and charging a fee that is commensurate with the role and not with the underlying salary paid. Let me illustrate the point with this example:

Role	**Mid-level designer**	**Mid-level designer**
Agreed salary	$100,000	$100,000
Overhead factor (100%)	$200,000	$200,000
Profit margin (20%)	$240,000	$240,000
Actual salary	$120,000	$70,000
Profit	$0 – 0%	$72,000 – 30%

As you can see, a salary promotion can effectively wipe out the agency profit within the retainer. But by giving a title promotion[8] to a more junior staff member without the corresponding salary increase, or with a smaller salary increase, then positioning that person in the retainer as being the equivalent of the more expensive and more senior person they are replacing, over time the agency will incrementally increase their profit on the account – and hope that the client will not detect any drop-off in experience or expertise[9].

As long as the client does not have an 'actual' salary agreement or does not audit the agreement, then it is unlikely the agency will be found out. Meanwhile, many older, more experienced agency professionals find themselves facing redundancy as they are replaced by less experienced resources who are willing to do the same job for a lower cost.

The ageism and sexism impact

The ageism effect also has a sexism effect, especially in the agency disciplines where women are increasingly represented. I say this because in 18 years I have never seen an agency retainer agreement where the base salary fee was based on gender. Where women are paid, as reported, 23% less for the same role[10], the agency has the opportunity to make a significant margin.

Let me illustrate the point with this example:

8 trinityp3.com/2010/06/agency-title-promotion-and-the-impact-on-retainers-and-fees-2

9 trinityp3.com/2017/07/agencies-struggle-with-declining-prices

10 adnews.com.au/news/women-in-advertising-and-media-still-earn-23-less-than-men

Role	**Account director (male)**	**Account director (female)**
Agreed salary	$160,000	$160,000
Overhead factor (100%)	$320,000	$320,000
Profit margin (20%)	$384,000	$384,000
Actual salary	$160,000	$123,200 (23% less)
Profit	$64,000 – 20%	$137,600 – 35.8%

Just by continuing the gender salary inequality within the industry, the agency can increase their profit margin by 75%. Is it any wonder that recent reports show that one holding company continues to show a significant gender pay discrepancy across their networks[11]?

Beyond the concerns over unconscious bias, gender bias and ageist perceptions, is the real reason many of these inequities exist based on the economics of the agency remuneration models?

Addressing the economic issue

As professionals gain experience, they become more valuable – their experience means they are able to work more effectively and more efficiently. But under the current agency model, being more efficient– that is, getting the work done in less time – is not an advantage.

With the agency charging by the hour, taking more time justifies more money. But the agency is under price pressure and looking for ways to reduce cost, and this is not achieved by continuing to hire more expensive resources, even if those resources work efficiently. Of course, if agencies were remunerated not for the number of hours and the number of resources and their cost, but instead were paid for the value or the price the outputs of their efforts represented, then the model would accommodate these older, experienced, expensive but efficient resources, because it would not be about cost but value.

For every marketer who says they wish there were more experienced people working on their business or account, perhaps they should look at how they pay their agency and how much they pay. Look to the procurement people you work with and ask how they delivered those savings, and whether it was at the expense of the very experienced people you want on your business.

Agencies are in business to make money too. The problem is that the way they charge is based on recovering the cost of doing business. Therefore, experienced and expensive resources are unaffordable, especially

11 thedrum.com/news/2018/03/01/wpp-reports-146-gender-pay-gap-jwt-akqa-and-grey-show-biggest-discrepancies

when young, cheaper and less experienced resources can be marked up, given a title promotion, and passed off as being just as experienced.

It is in the interests of the agencies and their holding companies to perpetuate the idea that creativity, ability and passion diminish with age, because that makes it easier to sell these less experienced, underpaid staff into the roles previously taken by their more experienced elders.

Perhaps, if we want to eliminate ageism (and possibly sexism) in the agency world, let's stop paying agencies for their costs and come up with a way of paying agencies for the value of their outputs – for the product of their work and not the number of hours and the cost of those hours.

We have been doing this for more than a decade through our value-based model[12] that prices agencies based on the value of their work, not the cost of the hours it takes to do it.

This post first appeared in AdNews on 13 March 2018[13].

TrinityP3's agency remuneration and negotiation service ensures that the way in which you pay your agency is optimal[14].

12 trinityp3.com/agency-performance/agency-remuneration-and-negotiation

13 adnews.com.au/opinion/ageism-in-advertising-as-much-about-cost-as-perception

14 trinityp3.com/agency-performance/agency-remuneration-and-negotiation

POST 7

Six marketing management tools developed to provide optimal performance

Posted 10 July 2015 by Darren Woolley

Yes, technology is impacting all aspects of business, and especially marketing. But it is interesting that there are very few search, pitch or marketing management consultants who invest in technology to innovate their processes to increase their utility or robustness. Many are using relationship survey tools that have been around since last century, or are calculating agency remuneration and compensation using a calculator and a spreadsheet.

In the very first office TrinityP3 (or P3 as it was then) inhabited back in 2000, we shared the space with a technology development start-up called Smart Solutions Group. Russell Hibbert, who had left ShowAds to set up his own tech solutions company, founded the company and we shared their offices in Southbank, Melbourne. It was a working environment full of ideas and projects, all highly infectious. There were daily discussions on workflow processes and platform development and integration, which led to us developing our very first online solution as an experiment, and promoting the idea of 'whole brain thinking' that is the concept behind the P3 part of our logo.

Later, we developed a system for automatically benchmarking television production estimates[1], the failure of which was a valuable

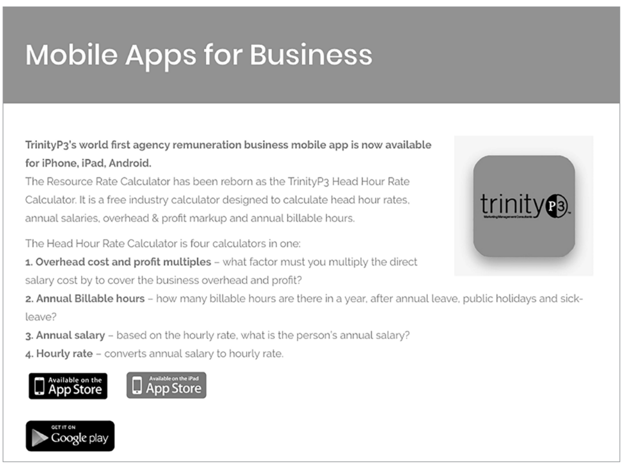
1 trinityp3.com/july-2003-2

lesson in platform integration and integrated user experience. But those early days have led to the successful development of many marketing management tools that we and our clients use and benefit from today. Here are six of them.

Resource Rate Calculator

This is a phone app we developed with Lomah Studios[2]. It was based on the calculators[3] we had built for our website, but we also did it because of our understanding that the world was very much mobile. Instead of having to go to a website, users could simply pick up their phone and access the calculator without even requiring internet access.

Originally developed for the iOS platform, the success of the app led us to develop a version for Android and Windows Mobile.



To find out more, download your own version of the Resource Rate Calculator app for free[4].

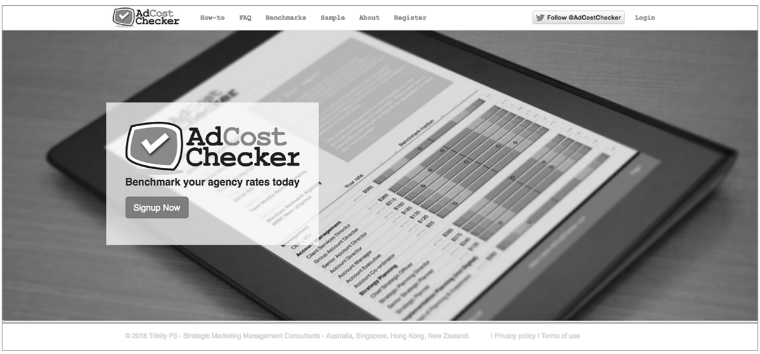
Ad Cost Checker

Ad Cost Checker is a database application developed by Pivotal Analytics[5]. It was driven by a belief that the huge amount of data

2 lomahstudios.com
3 trinityp3.com/calculators
4 trinityp3.com/mobile_apps_for_business
5 pivotalanalytics.com

we had on hand should be made readily available for everyone. The data comprises agency rates and fees across media, creative, account management, design, strategy and production, and for more than 20 markets and growing.

Marketers, advertisers, procurement and agencies often ask us for the benchmarks, so in this way we can make those benchmarks available for all to use. It provides us with a more structured and more robust system to manage the huge amount of data we have on hand and continue to collect each day.



To find out more, check out the details[6], or register to use the Ad Cost Checker system[7].

Scope of Work Calculator/Monitor

Soon after we commenced business, we found ourselves being asked to assess and provide advice on agency fees and remuneration. The best approach for doing this is to use a robust benchmarking methodology that not just looks at rates but can actually calculate the cost of delivering the scope of work or schedule of work the agency is producing.

Over the past 10 years, this system has evolved and become increasingly complex, as a reflection of the complexity of the advertising and marketing services that agencies provide. The system today has hundreds of scope outputs and thousands of benchmarks within it to provide a structured, reproducible and robust calculation of agency fees that have been tested across markets around the world.

Check out the details of the evolution of the Scope Calculator[8].

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6 trinityp3.com/2014/04/check-advertising-agency-fees

7 adcostchecker.com

8 trinityp3.com/2015/06/scope-monitor-agency-fees

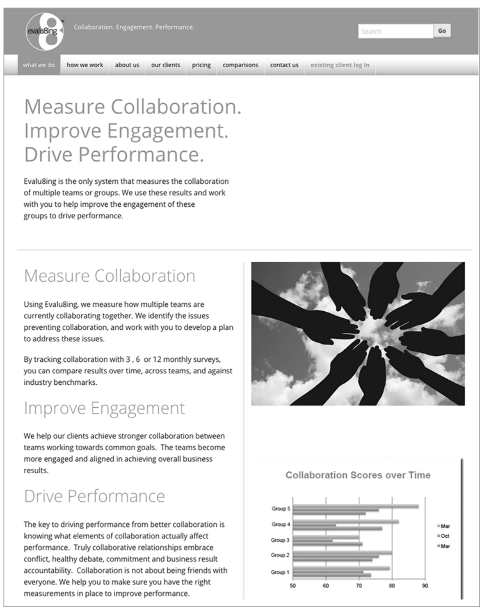
Evalu8ing Performance and Collaboration System

After many years of recommending the same '360 survey systems' that still exist today, we remained frustrated by their inability to measure, manage and maximise the roster of agencies. Instead of focusing on individual agency relationships, they ignored the important role of collaboration and co-creation in the advertising and marketing process.

I was sharing this insight with Marek Lis in New York and explained to him the basis of a system I had been working on to achieve the ability to manage a roster of agencies. He introduced me to Young Minds Australia[9], a software development company in Australia and Nepal, and together we developed Evalu8ing.

Since then, Evalu8ing has been used for roster performance and collaboration management locally, regionally and globally. It has also been used within agency networks and client companies to create performance alignment

There's plenty of material on the benefits of the system[10], or go to the Evalu8ing site[11].



9 youngmindsaustralia.com.au

10 trinityp3.com/?s=evalu8ing

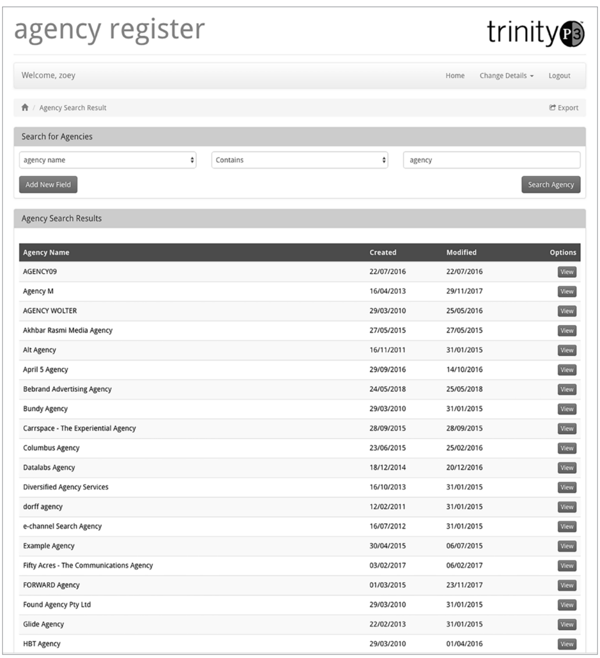
11 evalu8ing.com

The Agency Register

We've managed agency reviews and pitches for more than a decade, and it became obvious very early on that we needed a robust and scalable way to keep track of the thousands of agencies across the multitude of disciplines and the breadth of markets.

The Agency Register is a searchable online database, also developed by Young Minds Australia, that allows agencies to register the essential details we require to be able to recommend them to suitable advertisers. It also includes the ability to record and access performance and cultural observations made by the TrinityP3 consultants when visiting or working with those agencies.

Check out the benefits of the system[12] or register your agency[13].



12 trinityp3.com/2015/05/trinityp3-agency-register

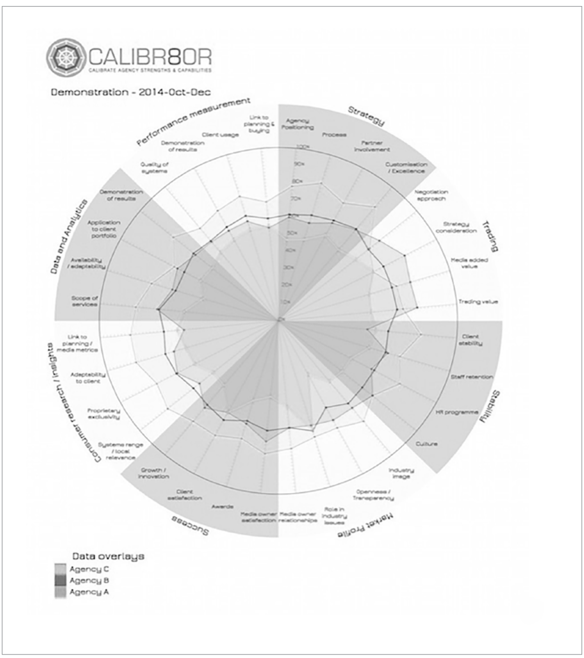
13 trinityp3.com/agency-register

Calibr8or Media Agency Capability and Strengths

Calibr8or is actually a sister company of TrinityP3. It arose out of the mutual observations of Stephen Wright and I about the difficulty in truly assessing and calibrating the strengths and capabilities of the increasingly evolving media agency landscape.

Working with Pivotal Analytics, Stephen developed the Calibr8or system, an innovative platform that provides an objective and quantifiable evaluation of the capabilities, skills and effectiveness of media agencies, and through that, a fact-based method to match media advertisers with media agencies based on the profile of their specific needs. It also provides media agencies and media owners with a quantified understanding of their strengths and capabilities compared with the market offering.

Check out the benefits of the system[14] or visit the Calibr8or site[15].



14 trinityp3.com/2015/02/calibr8or-calibrates-media-agencies

15 calibr8or.com

What's coming up next?

We have a number of projects under development in this space and are constantly exploring new and innovative opportunities. What drives us is twofold. First, there is the desire to find new ways of providing our clients with greater knowledge and insights for achieving optimal marketing performance. The second aspect is more personal, and that is when people ask me if I miss being a 'creative', and I answer, 'Who say I'm not creative anymore?'.

POST 8

Why advertisers should never accept a 'sound-alike' music track for advertising

Posted 17 May 2017 by Darren Woolley

The international scandal from New Zealand concerning the court case between the publisher of Eminem's song 'Lose Yourself' and the National Party of New Zealand[1] reminds us why advertisers should be very careful when it comes to copyright, music rights and intellectual property.

During my career as a copywriter I witnessed, on so many occasions, situations that could easily have ended up in the same embarrassing court battle that the National Party of New Zealand is currently facing. This is because many people in the industry, and advertisers themselves, believe that if they can't afford the original music track, then it is okay to commission a sound-alike track for often a fraction of the cost of the rights. But it isn't. And if you're caught, it will end up costing you significantly more.

If the National Party and their agencies had only read our top 10 on how to avoid this[2].

1 bbc.com/news/world-asia-39768381

2 trinityp3.com/2011/11/top-10-ways-to-avoid-trouble-when-using-music-in-advertising

How does this happen?

While not wanting to speculate on the trial happening in New Zealand, let me recount a very similar situation that occurred at an agency I worked at last century.

The agency had presented a campaign concept to the government, and to drive the action they had used a well-known anthem music track by an international band, knowing that the cost of licensing the track would be too expensive. Being the government, the agency knew they would research the concepts, and of course the agency concept won largely because of the popularity and power of the music track. The agency was appointed to the business, and during the rounds of rewrites of the concept to meet the government's requirements, the one thing that did not change was the music track on the original concept – that is, until the final budget was presented.

Up until that point, any agency proposed costs had a small disclaimer on all of the documentation that said 'subject to final concept approval'. So when the final concept was approved, the agency producer approached the song's publisher and the artist to obtain the publishing and master or performance rights, to find out that together the cost was $12 million per year. This was the budget for the whole campaign, including media – except for the shooting of the commercial, which was another $2 million.

So what was the client to do? They could fire the agency and start again, or just start again with that agency, but either approach would have seen massive recriminations internally for all involved. Then the agency producer said, 'We could always create a sound-alike'.

Sound-alikes sound a lot like trouble

The concept is that if you cannot afford the original, then get a composer to create a track that sounds like it, or find a piece of library music that sounds like it. The trouble is that the more it sounds like the original, then the more likely you are to be in breach of copyright, publishing rights and master or performance rights.

The way these cases are decided, either before a judge or jury, is that the two tracks are played, and if it is decided that they are the same track, then you have breached copyright. And as Sara Delpopolo, the Principal at Axis Legal, says, if anyone starts saying that it is less than 10% or that one note in each bar is changed[3], don't believe them. The

3 trinityp3.com/2016/11/social-media-marketing-law

test is not numerical or professionally musical. It is whether the average person would believe that the original has been copied. If so, then there is a breach.

In the New Zealand case, there was Eminem with 'Lose Yourself'[4], and there was the National Party's 2014 election ad[5]. Let's leave it to the courts to decide this case. But when the track you use is titled 'Eminem-esque', your case is not looking good.

What should an advertiser do?

Time and again, agencies and their clients wander down this path. In the case of the National Party of New Zealand, they have become headline news around the world because of the high profile of the artist involved.

While many advertisers will say that it is the agency's responsibility, and in fact the contract may place the onus on the agency to ensure there is no breach, when it comes to litigation, the publishing houses and the artists will come after the client knowing they have deeper pockets and more to lose through litigation. This leaves the advertiser in a situation where they may need to try and counter-sue the agency, and perhaps the composer of the library music as well. But it is simply better to avoid this situation altogether by making sure that you never use sound-alike tracks. If you cannot afford the original, then go for another idea.

In the case of the agency I was working at, cooler heads prevailed and quite a different anthem-like track was composed for the ad. The client was significantly disappointed but recovered slightly when the compulsory concept testing came back positive – not as positive as the original track, but nonetheless positive enough. Explaining it to the minister apparently was more difficult, as he was a big fan of the original artist, but the $12 million price tag soon cooled his passion for having the original track on the commercial. Imagine explaining the annual cost for music in Senate estimates hearings each year the ad ran?

Of course, you could also consider engaging TrinityP3 to oversee and manage your broadcast productions. Rather than simply looking for ways to reduce cost, like most production consultants, we also ensure that the concept and execution will not have you ending up in court for either copyright breach or possibly misleading and deceptive conduct. But that is entirely up to you.

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4 youtu.be/_Yhyp-_hX2s

5 youtu.be/470bdH73TUY

I wonder if the National Party of New Zealand will be calling us next time they make a television ad.

TrinityP3's production management assessment provides a detailed evaluation of your current production operation, and recommendations to achieve optimal performance[6]*.*

6 trinityp3.com/delivery-implementation/production-management-assessment

POST 9

Can management consultants teach 'value' to the advertising agencies?

Posted 1 November 2017 by Darren Woolley

It is interesting to see how the advertising industry has reacted to the recent acquisition plays of management consultant firms like Accenture and PwC. Some people embrace the trend, while others are sceptical as to the efficacy of the strategy. Will Accenture be able to leverage the value of their investment in Karmarama[1] and The Monkeys[2] on opposite sides of the world? Or will what is seen as fundamental cultural differences cause it to fail? Time will tell.

Of course, other management consultant firms are not gaining these skills through acquisition but rather building them in-house, such as Deloitte and their digital practice, PwC, and even KPMG. Likewise, we are now seeing many of the agencies, particularly IPG Mediabrands, offering technology and digital consulting services as part of their media offering, and Ogilvy and M&C Saatchi competing with business consulting offerings too.

But as Michael Farmer recently pointed out, there is a fundamental difference in the approaches of advertising agencies and management

1 adage.com/article/agency-news/accenture-buys-london-agency-karmarama/306930

2 mumbrella.com.au/price-tag-monkeys-sale-accenture-63m-afr-reveals-457471

consultants when it comes to fees[3]. To paraphrase Michael's point, management consultants focus on improving bottom line results and charge accordingly, while agencies are focused on improving marketing and brand metrics such as awareness and desirability, which are valued less by marketers and their organisations[4].

This was sharply demonstrated to me by a recent conversation with a board adviser in the middle of a merger. Their story reminded me of a similar tale from a few years back, which highlights how agencies need to change their focus and their understanding of value if they want to compete.

Pricing yourself into profit

Consultants were providing board and management advice on the process, including the legal, financial and accounting aspects of a major merger. But at a critical point, a question arose about the brands of each of the merging companies, and the best strategy for either rationalising or managing the resultant large portfolio of complimentary but potentially duplicated brands and their services. The management consultants immediately offered to provide this advice, proposing a full review of the brand portfolio, with recommendations on the best strategy for managing it, all to be delivered within 2–3 weeks. The management consultants did not blink when they tabled their $670,000 proposal for the work.

The board adviser, well versed in brand and marketing, asked which team would be delivering the project, only to be told that the director of marketing and brand, a new capability for the firm, would be leading it. A quick check of LinkedIn showed that the project lead had been an account director at one of the big multinational agency networks, with about 15 years' experience, before joining the management consulting firm almost a year earlier. While the board was ready to approve the proposal on the spot – after all, the cost was a fraction of the total fees charged to date for the merger work – the board adviser thought it worth providing an alternative for consideration.

The board adviser approached one of the major agencies in the market, which was well regarded for brand and comms strategy, and was not one of the rostered agencies of either of the companies currently merging. The adviser briefed the agency on the task and asked them to provide a proposal. The agency CEO immediately, without thinking,

3 trinityp3.com/2017/06/ignorance-of-pricing-is-ruining-ad-agencies

4 trinityp3.com/2017/07/creativity-versus-improved-results

offered to do the work for free if they would then be appointed to handle the advertising account of the new merged entity. The adviser explained that the companies had agencies but that if this changed post-merger, then the appropriate tender process would be undertaken and the agency could then be considered. They then again asked the CEO for a proposal. The CEO and his CFO started throwing names and hours around for the three weeks of work and finally came up with a figure for the project, sheepishly asking for $75,000.

The board adviser was shocked at how low the price was, but before they could express their thinking, the agency CEO, misreading their reaction, jumped in and discounted it to $60,000. Realising the mistaken interpretation, the board adviser decided to let the agency off the hook and began to explain the situation.

Let's just say the agency did not get the project, but one of the specialist brand strategy agencies did it for less than half the price of the management consultants.

Not giving away your value

Similarly, a few years back, a management consulting firm was working with a retailer to explore possible specialist retail concepts, including world trends, market size and potential, projected sales, investment levels and the like. They had identified four different specialist retail categories but did not have the capabilities to develop the brands and concepts for these. So they approached one of the major multinational agency brands in the local market, explained the work they were doing, and inquired as to whether the agency would be interested in partnering with them to approach the client with a proposal to develop the brand and communications for strategy and concept for each of the identified categories. The agency CEO decided that they would do the work for free on the basis that, if any of the concepts were approved and progressed, then the agency would be awarded the advertising account. The management consultant and their client readily agreed – possibly too readily.

The agency proceeded to work with the management consultants to take the analysis and data they had collected and develop brands and communication strategies for each of the four identified specialist retail categories. The work included not just developing the brand strategy but also the brand identity work and a full-launch communication strategy and execution. It was four massive pieces of work, all completed over a 12-week period.

The agency then presented to the client, which included senior management and board representatives, and the work was enthusiastically received. The management consultants were very complimentary and passed on their client's appreciation for all the work the agency had done. Then the agency waited. If an agency thinks waiting for the results of a pitch is onerous, then this was much worse. It took six months of monthly calls to the management consultant before the agency was finally told that none of the four specialist concepts would be progressing.

As a consolation to the agency, a partner of the management consulting firm who was overseeing the project took the agency's CEO, executive creative director and head of strategy to lunch at one of the top restaurants in the city. There, over Wagyu steaks and Château Margaux, the partner explained how they could not believe that the agency would effectively give away what they had valued at more than $1.6 million in consulting fees and intellectual property for nothing. The chances of any of the concepts getting up had been slim at best, and even then, new retail concepts or businesses have a significantly high failure rate. Think Masters.

Lessons to be learned

So what are the lessons to be learned here for agencies and their marketers?

1. If you give away something for nothing, it is worth nothing. This applies to all sorts of services, even if it is done in the hope of getting something back later. If it is an investment, then make sure the opportunity is guaranteed – too often, an optimistic agency throws valuable time and effort away on a hope and a prayer.
2. The price you place on your services is also an indication of how much you value these. Ultimately the buyer decides the value, but undervaluing your services indicates to the buyer that you think they are not worth much. And of course, offering them for free means that they are potentially worth nothing.
3. You have to match your pricing to the buyer as well. In the two cases mentioned above, the agencies were not dealing with marketers. They were dealing with CEOs, CFOs and boards who were used to paying significantly more for similar services from management consultant firms. This is what makes it difficult for agencies to use pricing for consulting, because they use costs for advertising. Pricing is based on setting a price that represents the relevant value,

while cost is about calculating the cost of the service and marking it up for profit.

Marketers are certainly using management consultants, but it will be interesting to see what happens when management consultants want to charge consulting prices for advertising agency services, and likewise what will happen if agencies really get serious about pricing their services based on value, not simply on cost.

TrinityP3's agency remuneration and negotiation service ensures that the way in which you pay your agency is optimal[5]*.*

5 trinityp3.com/agency-performance/agency-remuneration-and-negotiation

POST 10

Managing Marketing – the challenges facing CMOs today

Posted 1 June 2018 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].

Andy Lark[3] is the chief marketer and chair of Group Lark. He has also been a CMO, a board adviser, a non-executive director and an industry commentator. Here, he discusses with Darren the challenges and issues facing CMOs and other marketing leaders today. The conversation explores everything from lack of alignment in objectives, to increasing market diversity and complexity, to issues with recognition and support.

1 soundcloud.com/managing-marketing

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

3 linkedin.com/in/andylark

Podcast transcript

Darren:

Welcome to Managing Marketing. Today, I'm sitting down and having a chat with quite a high-profile person around the marketing industry, but also in business and technology, and that's Andy Lark, chief marketer and chair at Group Lark but also a well-known CMO and commentator about the industry. Welcome Andy.

Andy:

Hi, how are ya doing?

Darren:

Good. Your experience and certainly your profile with the pieces of business that you've worked on make you the ideal person to chat to about the role of the CMO today and really what's going right and what's going wrong.

Andy:

You look at the surveys, whether it's the Spencer Stuart survey or the Heidrick and Struggles survey – everyone's got a survey – and they paint a dire picture. There's no question that the CMO tenure is shortening, particularly in the mid-market where it is under real threat. There are not many CMOs, and I talk to a lot of them who are genuinely happy in their role and feel safe and secure, like they've got a great future ahead of them in the business they're in. But most of them feel under threat, challenged, excluded, so it's a tough thing to be a CMO. I'm not sure there are that many people who want that job anymore.

On top of that, you've got this layering of new roles. And wherever you have the layering of new roles, it's quickly followed by rationalisation. So the CEO ends up with too many reports. They're quick to go, 'Oh my gosh, I was talking with our advisers at Deloitte, we're going to create a chief customer officer role', and then three months later it's 'Oh, we need a digital officer', and then 'Shit, I've got too many direct reports. We should consolidate all of these'.

The CMO, being the first in, is the first out. Suddenly we're seeing more chief customer officers running marketing.

Darren:

In the case of Pepsi, I think they introduced the chief growth officer.

Andy:

The larger the company, the more ridiculous they are about what they do with marketing. Normally they're more inept, because most of these particularly large brands that are wedded to very old-world media models, they're the ones losing the most market share and under the most margin. If you look at the top consumer packaged goods [CPG] brands in the world, the majority have lost share, lost profit, and seen declines in their distribution footprints, which are their most precious assets, I would argue, other than the brand. So they're not doing very well.

The industry's quite strange in that we listen to a lot of CMOs who are managing ever-shrinking product and revenue portfolios, and we celebrate the opinions of these people, yet the job they're doing is not particularly awesome.

Darren:

People talk about social media creating echo chambers. I think the industry has fallen into its own echo chamber.

Andy:

Absolutely.

Darren:

We've got trade media organising events every other day where they just wheel out a whole lot of people.

Andy:

And it's largely 'pay to play'. When I got to Australia, I never said I was going to build my brand as a CMO. I never did one of these pokey, should you become a thought-leader things. That never occurred to me. I found the conversation around marketing in Australia to be really dull and boring.

And whether I agree with them or not, Byron Sharp and the like, I'm grateful that they are at least lighting up the conversation. Because if I have to suffer through another episode of *The Gruen Transfer* I'm going to kill myself. It's just stupid. It has nothing to do with marketing.

Darren:

I think it's a diluted, populist view of advertising, which they then lay the term 'marketing' across.

Andy:

Precisely.

Darren:

The industry doesn't seem to be particularly good at having conflicting or opposing points of view. They can't embrace complexity. Advertising is dead. Digital, TV is dead. There are these extremes, but not actually an intelligent informed conversation.

Andy:

The only time I ran into that last year was when Adam from Thinkerbell hosted a really good panel at Mumbrella, to which he invited me and a few others. We debated the Ehrenberg-Bass school of thought, was it good or bad for marketing. I took the view it was good and others took the view it was bad, and it was a good, healthy debate. But I do think that the malaise that marketers suffer from today is that they don't take the profession seriously because the businesses they work for don't take it seriously.

My standard little acid test, and I speak to large marketing teams every week – I was off doing a keynote yesterday to a big financial brand here – is I go, 'Everybody stand up. Now, everybody who doesn't have a professional marketing qualification, sit down'. And inevitably two-thirds of the room sits down at that point. Then I say, 'Now sit down if you didn't attend a really professional course – I'm not talking like Google WebCamp – but you went to the University of NSW and did a marketing strategy week course, or you actually read one of Byron Sharp's books cover to cover and took lots of notes and tried to summarise it for your peers, or you instigated a recent research project'. And inevitably what you are left with is about five people out of 100 people.

Then I say to them, 'I want you to imagine that I'm the CFO and I've just asked those same questions, but related to finance. Because I can promise you that everyone who is sitting down, you're no longer working in finance. There is no way you could work in finance if you didn't have professional qualifications'.

I'm not making the case necessarily that we have to certify everybody, but it's time we took the profession a whole lot more seriously.

Darren:

Well, that's the first point: it's not a profession. It's not actually recognised anywhere as a profession yet. Modern marketing's been around since post–World War II and yet no-one anywhere in the world has managed to actually get it certified as a recognised profession like accounting. Bean counters, they're a recognised profession. Lawyers are a recognised profession.

Andy:

Yeah, so it suffers from this delusion of the new as a result. I look at what Byron does, at a lot of the work academics in the US are doing, and even getting your hands on academic-level marketing journals in Australia – good luck. You go into the average CMO's office and there's no evidence that they're studying modern marketing. We're all quick to jump on the Airbus and head to Silicon Valley and hang out for a week with Google and drink the Google or the YouTube or the Twitter juice, or whatever juice is flowing. But if I said to you, 'Actually, we're going to go to LA and sit in the University of Southern California campus and learn about modern marketing strategies and segmentation techniques and middle-class evolution in economics', it's like, 'I'd rather die, sorry, I'm going to BuzzFeed instead'.

Darren:

Well, it's sexier and more interesting. And I think the other problem is that people are learning from reading things like web pages, the trade press and opinion pieces. I mean Mark Ritson got stuck into Gary Vee for a video he put up where he advised a father that his daughter shouldn't waste his money going and doing a marketing course, that she should just get out there and do marketing because that's the best way of learning.

Andy:

Mark's another interesting guy, right? In many ways, I love what Mark and Byron and the gang are doing because we need more people who have an informed point of view, who have an opinion based on science, fact, information. Even if you disagree with it, you've got to have an alternative. I think that's fantastic. On the one hand, the flattening of information is a nightmare because everyone thinks they know everything. And it ends up that everyone's got a soapbox, from Gary Vee to whoever. But then at the other end of the spectrum, what blows my mind is how marketers don't take advantage of the richness of all that information.

The number of times I can say, 'Hey do you watch Scott Galloway, his stuff on the L2 YouTube feed? It is a must-watch every week; you must watch it. He has some of the best thinking on modern brand-building, consumer trends, digital, on the Four Horsemen of the Apocalypse. You're nuts if you don't watch it'. And yet marketers don't watch it.

Darren:

I think partly it's because a lot of them don't have any sort of formal academic training. What often happens, and I've had these conversations with marketers, is they're looking for a solution, they're not looking for information.

Andy:

I think it is one of the best pieces of career advice I got, 15, 20 years ago. I can't actually remember the person, but I was at the General Electric campus and this speaker was talking and said, 'One of the most important things you can do is establish a course of study for your life. So if you said, "This year I intend to learn everything I can about philosophical Socratic literature and ways, so I'm going to read Plato, I'm going to read Socrates, that's what I'm going to do this year". Go do it, but don't read every newspaper and every magazine, don't read every random book. Instead, determine courses of study'. I think that's really shaped my life a lot.

If CMOs could get their head around perhaps saying, 'As the intellectual thought-leader for marketing and my respective organisation, I am going to set us on a course of study, on a three-month or six-month cycle, whatever it might be, where I bring really valuable science, data-driven information, into my organisation and elevate the marketing aptitude and competency'. You suddenly are a different person in the organisation, right?

Darren:

You are more informed, you are more rounded, you practise critical thinking, you start to establish philosophies and approaches to life and to making decisions and evaluating arguments. These are all important skills that are often not taught anymore in school, just in basic education.

The best piece of career advice I had, apart from make the CFO at the agency your best friend, which I have always lived by, was no-one knows anything but everyone has something to contribute. Listen to all the divergent points of view, think it through, and then test what seems to be most applicable to you. And if it works, keep doing more of it, and if it doesn't work, do something different.

Andy:

Exactly.

Darren:

I don't see that happening because you picked Byron Sharp. I think *How Brands Grow*[4] is really applicable for CPGs, because most of the examples he uses are CPGs. But if you put me into a technology area or financial services, is it still applicable?

Andy:

Certainly it is applicable if you are a large multinational brand with incredibly deep pockets and you are spread through traditional distribution channels. If you're Four Pillars Gin, it's maybe not so applicable because you are distributing actually through much newer means. You're targeting via email, you are building large community groups, you're building the world's number-one gin company, it's a different level.

So it's great for what I call incumbent brands. It is less great for a challenger brand where you have to do things radically differently. What we see increasingly is a lot of these challenger brands are not being built using traditional means but by using completely new means of building brands.

One of the biggest challenges that marketing faces that is distinct from, say, the accounting question, is that the way in which we do accounting fundamentally has not changed for 100 years. You know, there is a left column, a right column, and hopefully the two reconcile and you are off to the gym. But marketing has so many different philosophies that relate to the nature of business and products, whether you're business to business [B2B] or business to consumer [B2C].

We have seen massive revolutions occurring in the distribution channels, and I do think that marketing, as a function, is the first to feel the impact of market shifts. We are the canaries in the coalmine but are very rarely listened to. I think that's a real challenge for the modern marketer and the modern CMO.

Darren:

It's a good point because a lot of businesses focus on listening to the sales team, because they actually think that the sales team is at the coalface, but in actual fact the sales team has a very particular relationship with customers. The marketer is about building the

4 goodreads.com/book/show/9128288-how-brands-grow

relationships and the positioning of the organisation with those customers, and is doing it in a way of constantly monitoring not just those micro relationships but also the macro changes that are happening as well.

Andy:

You look at these model brands that have been built. There are only four brands in the world today above a billion-dollar revenue that are growing at more than 50%: Airbnb, Uber, Alibaba and Indeed, largest job board in the world. Spoken to any of their salespeople lately?

Darren:

No, they don't exist.

Andy:

So these modern brands have been built in radically new ways, where they own their distribution, where they're completely shifting the economics of industry. You go and talk to their CMOs and they are really radical modern brand-builders. They are in a different world than the incumbent CMO of Macca's or the CMO of KFC. Those are great marketers too, but there are two different modalities here. If they were a finance function, you still wouldn't call one of them marketing, because that is just not marketing anymore.

Darren:

You have a very global perspective. You are doing business in the States, in Asia, and it really strikes me that even for the same brand and the same organisation, when you move regions or markets, you have totally different circumstances as far as brand maturity and distribution models. In Indonesia, if you are not doing mobile first, you are really lost, because it is the dominant communications channel in Indonesia.

Andy:

It is how media is predominantly consumed there. What you are alluding to is probably the most fundamental challenge the modern CMO faces, which is how do they drive change.

You've got this inherent dilemma in the marketing function where up to 50% of your budget is locked into headcount, retainer fees and costs, so your cost base is highly rigid and stratified. The other 50% is largely habitual, like you are doing largely what you did last year. In many cases, you've signed multiyear deals and so you are locked up in big sponsorship agreements, big TV buys, big whatevers. So you look at it and then you go, 'How do I change? How do I turn right when even though I know I need to turn right, I'd have to get rid of most of my people? I'd have to break a whole lot of agreements. I'd have to cause such tectonic upheaval it would probably kill me, or I would be killed in the process for not toeing the line'.

The challenge that the modern CMO faces in most organisations I see is that there is no valuing of trust or transparency. They don't just say, 'Look, you've got to turn right, so turn right. If you have to get rid of half your people, do it'. No, that's not going to happen, right? Most organisations are rife with political complexity and dynamics that aren't healthy for the marketer anyway. You look at the logic and think, never has there been a greater premium on the ability of someone to change. Never, right?

Why is Myer in such deep trouble? Why is David Jones going to be in even more trouble than it's in? Why are JB Hi-Fi and Dymocks not going to exist in three years? Because they have failed to change. Like Toys R Us, which went out of business this week: Chapter 11, bankruptcy. This time last year – I'm going to get the quote a little bit wrong but it is largely right – the CEO said, 'Amazon is not a threat. They are not an issue for us. We can be a success with or without them'. At what point do marketers go, 'No, no, no, actually we are in deep trouble. We need to change dramatically'.

Darren:

I think you are right. You said before that the marketers are the bellwether, that they often see these changes. You know Bernie Brookes, when he retired from Myer, he stood up and he said, 'There are many things I wanted to change. I just wasn't allowed to'. So even when the CEO of Myer had identified the problems, when marketing had identified the problems, the board and the shareholders wouldn't invest in change. It's almost like being on the *Titanic*: 'There's the iceberg, but let's just hold on and hope that we are going to survive this'.

Andy:

Absolutely. For me, what it all comes down to, with the Gordian knot of marketing complexity – and forget whether you're a CMO or not – is you look in the mirror and go, 'You know what? I'm a pretty good marketer'. Own your career or someone else will. Make the hard choice to do everything in your power to work for world-class brands that get this stuff, that do embrace change, that do know how to pivot, that are investing in marketing, because the companies that don't do that, they don't deserve you. Myer doesn't deserve good marketers, it simply doesn't.

Darren:

Do you think that's why the CMOs who have built reputations for making changes and delivering benefits to a business are the ones who seem to be the change agents, who last the two or three years and then have to move? Because there is also this mentality that if you come in and make those changes and stand true to your beliefs and your strategy, at some point the organisation's going to go, 'Well, thanks for making the changes. Now go away and we'll get someone else'.

Andy:

Yeah. All organisations have classically suffered from quite a high degree of CMO indigestion. They love eating a new CMO but can't digest what comes with the feast. That's been an age-old problem.

Darren:

That's a good quote.

Andy:

We do a lot of work with CMOs. We go and look at their strategies, audit their strategies for them. We don't go down the TrinityP3 'Let's look at your suppliers and so on' path, but we are looking at the high-level alignment. The thing that is most disturbing to me is that I would say that, more than 70% of the time, there is a lack of alignment between the CMO strategy and the actual strategy beat that the business is running to.

You end up with the business saying, 'We want to grow at …', and the CMO has actually said 'Yes' to that while reducing spend. And I go, 'The economic model you have suggests there is no way you can achieve that growth without the spend'. They say, 'I know, but they cut my budget'. I say, 'Well, you should have told them that the business strategy is at risk. You should have written to the board and said, "Dear board, I know that Bill is telling you we're going to smoke the numbers, but we're not. It is simply an economic and statistic probability. The statistical variance is too great at this point"'.

I find that the other problem a lot of CMOs are running into is the inability to effectively map the marketing model to the business model. It doesn't have to be a precision guided line to predict the outcome. But you should be able to see the pattern clearly and go, 'A dollar here equals this many out here, so you reduce the dollar here'.

Darren:

There's the impact of the top line.

Andy:

I'm not a vending machine. It's not that binary. But there is a correlation here. I remember when I was on the advisory board of Market Share, which was a very very big, probably one of the world's most advanced, attribution companies – they were sold to New Star a year or so ago. The number of marketers whose companies were looking at Market Share but were like, 'Oh man, it costs a lot, like $2.5 million'. And I'm like, 'Yeah, but you spend $200 million on media. If they save you 10% …'

Darren:

You're way in front.

Andy:

It's free money. It's really hard for CMOs to change when their inherent model is rigid. By building flexibility into your model and then aligning more tightly with business models, and really owning your career, you can do amazing things as a CMO. But you've got to have a strong stomach to be a CMO these days.

Darren:

Largely it seems to be thankless, because we see so many CMOs making these changes and before it even gets a chance to pay off, they're on this merry-go-round of moving. How many times have we seen CMOs moving from one organisation to the next?

Andy:

I think a lot of CMOs are quite tightly coupled in the executive suite to the CEO. I loved my career at CommBank, for instance. I had a great time; I got to do amazing things. And if Ross McEwan and David Lindberg had stayed, I would have loved to have stayed much longer myself because I just loved working with them. You see so many CMOs change their roles when the CEO that they're the counterpart to changes. So one of my arguments as I coach CMOs in their careers is to attach your trailer to a great CEO truck where you build that long-term relationship and partnership.

Look at the CMO of Qantas, who's done a great job in aligning with Alan Joyce. They're a great partnership and team, they succeed together, and I have huge admiration for that. I think that more CMOs, if they could build that tight a bond in the C-suite and align with the CEO, would get a lot more career velocity over time.

That's what I've seen happen statistically when I look at those CMOs with the longest tenures. Probably the best example in the world is Beth Comstock at GE, who went from being head of comms to CMO to now chairperson of the largest industrial conglomerate on earth, because she was so closely aligned with Jack Welch and then with Jeff Immelt.

There are some really interesting playbooks for CMOs to look at and go, 'OK, if I love this place and I want to be here, what are the tacks and strategies I might deploy?' It's not a matter of how successful you are as a CMO but how successful you can make the CEO.

Darren:

And as you say, build that connection, because the two together are quite a powerful combination.

Andy:

Conversely, when you look in the mirror and go, 'My relationship with the CEO, it sucks. We are like oil and water. We do not gel. This is not a romance made in heaven', the chances of it working are very low at that point. You've got to be honest with yourself as well and see your own canary in the coalmine squawking.

Darren:

You were at Dell?

Andy:

I was at Dell twice. I was at Dell in the very early days as head of comms, VP of comms, and then chief communications officer, and then I went back as the head of Dell.com, which was the largest e-commerce site in the world at the time – we were about a $20 billion business. I was CMO of the large enterprise group and then had various CMO roles there. I was there for a long time.

Darren:

Because it has a reputation for having a very performance data–driven marketing and business model, doesn't it?

Andy:

Completely. Everything starts with numbers, at the expense of creativity, so I would never regard Dell as a great creative brand-builder, though it's a great scientific brand-builder. They knew precisely which page of the newspaper to be on, on which day of the week you could reach that audience with that message. They could tell you that precisely.

Darren:

Which is direct marketing isn't it, in its purest form?

Andy:

It's super-scaled direct marketing, which then became web marketing, and then … the list goes on. So it was staggering to be part of that machine, with the emphasis on attribution. You started with attribution, you didn't end with attribution.

Darren:

I feel that as a basis for understanding marketing, that really gets you into that combination of marketing sales driving company performance and profit. Then there's the addition of creativity and strategy beyond that, and the emotional brand-building.

Andy:

And on top of that, probably the most ruthless execution machine on earth. Probably now Amazon's that machine, but Dell was, and probably still is, ruthless in the supply chain efficiency within marketing.

When we consolidated all the agencies into WPP, I was one of the leaders on that project. It was about $1 billion of spend. We took $1 billion out and we moved all creative production to Bangalore and Bangladesh and built new studios so we could do low-cost production overnight. Ruthless, like if you were a vendor, you couldn't bring donuts or muffins into a meeting – it was out of the question: 'You cannot charge us for that stuff. We don't want you spending our money on that stuff'.

It was ruthless to the point of someone turning up to a meeting with any of the executive team with a Mac, and they'd send them up the road to buy a Dell. We weren't going to watch the presentation on a Mac. Many a creative fell for that one.

It was the most driven environment from a cost, investment or science perspective. I say to young marketers, 'Pick the most data-driven place to go to first. Learn the science of how the engine of business relates to marketing. That's a huge gift that will pay back'.

Darren:

It's interesting because 20 or 30 years ago it was go to P&G, Unilever, all the CPG companies, because that's where you'll learn marketing, that's where you're going to get the basics. Whereas now it's, as you say, where do you get experience in understanding data-informed strategy and then, more importantly, performance measures? A lot of people we see are running off and investing in technology platforms to become data-informed, but they're missing out on the second and most important part: measurements to feed back into the data in the first place.

Andy:

Very much so. And the thing that is so radically different about these high-growth companies, whether it's a Dell or an Amazon, is that there is no line between marketing and revenue. There's no 'but I built the brand and brand vibrancy is up and our awareness has done this and consideration has done this'. It's like, 'I don't care. Revenue is flat'.

This relationship between marketing and revenue being so polarised in so many brands I go into, it just does my head in. I just don't understand it because I've come from a world where anything less than double-digit growth and complete alignment between a dollar into marketing equals an improvement in revenue outcome – not median improving outcome but steadily improving outcome – is unacceptable.

And there was a philosophical view that the job of marketing was to eliminate sales. That was a commonly held belief at Dell, that marketing causes us to grow at an exponential rate to that which we would need to add a salesperson: 'That's why you're here. Otherwise, we should just hire more salespeople'.

Darren:

It's interesting you say this because one of the questions I've asked quite a few marketers over the 16 years I've been doing this, is what the company's internal rate of return [IRR] is. And it's interesting how many marketers don't know about IRR because they're not even, as you say, aligned to revenue. Marketing exists on a budget, which basically makes it a cost of business. In actual fact, if they were aligned to driving revenue or revenue performance, then they would be worried about things like the IRR or cost of money for the organisation, so that every dollar I spend is outperforming what the cost of money would be for the CFO.

Andy:

That's right. And you look at the problems so many retailers have run into in the US and elsewhere, confronting Amazon. I was sitting with a bunch of CMOs from big retailers several months ago and they were lamenting how hard it is. And I said, 'Your problem is not your brand and it's not actually sales. The problem is capital intensity. The problem is that your stock price has fallen through the floor and become an uninvestable asset'.

Darren:

Which drives up your cost of money.

Andy:

Amazon has infinite access to cash at zero cost. You have no ready access to cash, and if you wanted it, it would be at an extraordinary cost. You can't win. There's nothing you can do. You have to be willing to make absolutely radical moves, and I think the best marketers that I see making those radical moves are those that are able to really get into product.

You've seen what Kmart has done with some of its category-killer product stuff, it's right on the money. Because you can't win unless you have something that others don't, like this great new Swedish range of interior design things, and you're going to love 'em at Kmart prices. I'm going to want those and I'm going to go there and get those. Or you've got a vacuum cleaner that sucks like a Dyson but doesn't suck money out of your wallet like a Dyson, so you should get one of those. If you need a new vacuum cleaner, you're going to go to Kmart.

And that's marketing, for me: doing clever stuff because you're actually attracting new traffic, new footfall with differentiation at great pricepoints. You're fulfilling your brand promise and they do well as a result.

I can't tell you why I would go to Target. Why would I go to Target for anything I want?

Darren:

It really is applying marketing in every aspect of marketing. It's not just about promotion. They're looking at pricing, product innovation, all of the areas that were traditionally part of marketing.

Andy:

That's right. I was talking to one of the heads of one of the big agency groups here and I said, 'If you look at the problem with agencies today, they were built on a three-legged stool. Leg number one was amazing artisanal or creative. Leg number two was media and supply chain integration – you had a way of stitching everyone together from world-class videographers to a world-class media footprint and footfall traffic and everything like that, and you owned that. You've lost that completely. That's gone. It's programmatic now, owned by little media shops, strategists; I'm building my own team to do it. You no longer provide any value there. And the other thing I went to you for was amazing customer insight, and you're the last people I'd go to for that now. So you have a one-legged stool that's not particularly comfortable to sit on anymore. You either need to create an entirely new stool with new legs, or you need to reclaim your legs'.

Now conversely, what's happened that's amplified the problem is that marketing had a five-legged stool built on the 5Ps of marketing. And we lost every leg except one: promotion. We are the people you go to to promote stuff. We don't typically own pricing, placement, distribution – sales owns that. Product, so promotion.

Darren:

The colouring-in department. I went to a CEO forum and that was what marketing was referred to as: the colouring-in department.

Andy:

I have a really strong view on that. I become borderline hyper-offensive with CEOs, like 'Fuck you. What are the fucking silk-tie-and-suck-up department to your board? No, these marketing people work bloody hard, and you've disempowered your marketing team by putting salespeople who know nothing about pricing, and finance people who know nothing about marketing, in charge of your pricing. You've lost total control of your distribution channels, right? You should empower your marketers. Stop referring to them that way'.

I go ballistic because it's like this cheeky sign of disrespect that's kind of cute. They actually believe that.

Darren:

They do believe it. This guy had just finished saying that sales was his most important revenue driver, and yet no matter how many salespeople he had, he was losing market share. And someone suggested that perhaps it was a bigger issue than sales, that it could be a marketing issue. It was in that context that he said marketing was just the colouring-in department. So he completely missed the power of marketing.

Andy:

He should actually be fired as CEO because he is incompetent. He actually knows nothing about marketing, modern organisational development, creating value in markets, and that is a real problem.

I sit on a number of large boards, including Mercury Energy, which is one of the largest power companies in New Zealand – it's the Origin of that country – but is just about all renewable energy, an amazing company to be working on. I remember sitting with the CEO a year ago and we as a board said, 'We really want to challenge you on the brand strategy, the positioning of the brand, and the relevance of the brand'. And man, he took it all in. I give huge credit to the chair, who had the courage to put a marketer on the board to drive that conversation, and then huge kudos to the CEO for listening to that board. As a result, they're winning every marketing award in New Zealand. They have done unimaginably cool things to rebuild their brand.

Darren:

They're getting the benefit of that.

Andy:

It's a great example of a CEO: stocks are at an all-time high, shareholders are loving it, customers are loving it, customer churn is down dramatically. It's a great example of the kind of alignment that I think marketers have to look for.

Darren:

That is a category which is low consideration and low customer involvement, so to achieve those sorts or results, it had to have come from marketing first of all, and as you say, driven and owned by the board and the CEO.

Andy:

I think great marketers need to work much harder at engaging with boards, at getting into the boardroom and finding ways to nestle.

I was sitting with a CMO the other day and she said they were having trouble engaging with the board. And I said, 'I'm assuming you do all these stupid big company events that big companies do. The supplier dinners and the fundraising for the whatever, and you do like twenty of those a year. Every month there is something going on, and I bet your board members attend those'. She said, 'Yeah'. I said, 'Do you make a point of sitting next to them? Do you make a point of going and introducing yourself?' She said, 'No, I don't really', and I am like, 'You've got to do that. You've got to network like a maven; you've got to be a connector. You've got to go over and point out what you are doing, point to your work, make sure the board sees you're creative. You see the messaging, you talk about segmentation, and you lead with data.

Darren:

That's great advice. You see so many marketers who are externally focused and they forget that the important stakeholder group actually exists within the organisation they work for. They have to sell marketing to the management and to the board.

Andy:

It's probably the biggest sales effort you ever have to do. The opportunity is there. I just hope more marketers go, 'Yeah, this is an amazing career, this is an amazing job and function, it's so vital'.

I was with a recruiter here the other day who was in a hunt for a CMO and was asking me to point people their way, which I am always happy to do for them. He said, 'Who do you rate in marketing', and I said, 'There are always so many people I rate in marketing, but there are so many good people now at that middle marketing level'. I get really optimistic as they start to come up through the ranks. You see all kinds of amazing stuff happening, there's some great marketing talent out there.

Darren:

Look, we have run out of time, but it was great to catch up and chat.

Andy:

Thanks for the opportunity, and keep blogging.

Darren:

And one last question. Out of all the jobs in your career, what was your favourite?

THE END.

Is your marketing strategy supporting your business goals and objectives? Find out more about our qualitative and quantitative approach[5]*.*

5 trinityp3.com/marketing-performance/marketing-business-alignment

POST 11

10 key chemistry questions to ask during an agency search

Posted 15 April 2016 by Stephan Argent

During most agency searches, considerable emphasis is placed on the functional capabilities of the agencies you're evaluating – size, scope and capabilities – balanced against strategic and/or creative proofpoints, and all weighed against an acceptable financial model. But just like any interview process, marketers should dig deeper to find out if the chemistry between prospective agencies and their marketing teams is strong enough to stand the test of time. An agency that looks good on paper, or appears to tick all the proverbial boxes, may end up being a disaster if client-facing agency resources and marketing teams don't actually *like* each other.

Enter the chemistry conundrum. How can you find out if your respective teams will work well together?

While there are any number of ways to structure chemistry sessions and get at those answers, the most insightful are those that encourage a two-way dialogue between *all* participants. A moderator or independent observer can help steer the conversation, encourage active participation, or simply provide an objective viewpoint afterwards.

Whether you're conducting formal chemistry sessions or just asking questions throughout your search process, here are 10 key chemistry questions that can help break the ice and get at whether some teams might work better than others.

1. If you'd just offered us a job, why should we work for you?

This is a great question because it helps the agency frame up and define what's really important to them as individuals *and* as an agency.

2. How do you manage difficult clients?

Or if you prefer: 'Give us an example of your toughest client situation and how you dealt with it'. However you ask the question, the goal here is to understand what the team views as 'difficult' and their constructive approach to resolving whatever the challenge was.

3. How do you manage staff turnover?

One of the most common complaints from marketers today is around staff turnover on their businesses, and it's one of the toughest challenges agencies are trying to manage – particularly in media and digital, where the best resources are in high demand.

4. How do you work with each other?

The goal of this question is to see whether teams point to, or rely on, process or people and conversations when it comes to collaboration and working well as a team.

5. Who do you follow?

Or perhaps: 'Which blogs do you read?' These are opportunities to understand how engaged your teams are with the broader aspects of the industry, and whether there are intersections of interest between your respective resources.

6. What do you really like about your agency?

The answers to this question help you define the culture of the agency and what inspires people to work (and stay) there. If you want to flip the question, ask what people don't like, or perhaps the one thing they would change.

7. How are you preparing for the future?

This is perhaps the most powerful question you can ask, as it encourages agency management to share what they're doing for their people, and it gets individuals to share how they plan to grow.

8. What soft skills do you value as an agency?

I've written before on the importance of soft skills in an agency search[1]. The answers to this question can be an insightful window into what management skills your agency team will be bringing to the table.

9. What was your best day at this agency?

This helps you understand what success and/or job satisfaction looks like for the team. Could this kind of best day be replicated working on your business?

10. Ask us

As with every relationship, things work best when there's a two-way dialogue, so encourage the team to ask questions of you. See what questions come up and how your team responds. The questions and the answers might surprise you.

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Whether you ask some, all or none of these questions, chemistry sessions are no more complicated than being able to answer the following:

- Do we like them?
- Do they like us?
- Do they like each other?
- Do they like their company?

And all this begs the question: do you like your agency? And does your agency like you? And of course, if not, why not?

TrinityP3's comprehensive search and selection process provides extensive market knowledge, a tightly defined process, and detailed evaluation and assessment, to help you find the right agency supplier[2].

1 argedia.com/wp/importance-soft-skills-agency-search

2 trinityp3.com/agency-performance/agency-search-and-selection

POST 12

Why B2B companies should focus on marketing and sales, not sales and marketing

Posted 8 June 2018 by Darren Woolley

Do you ever wonder why most people say 'sales and marketing', in that order? When referring to the growth centre of their business, people typically mention sales first and then marketing, rather than marketing and then sales. Yet the logical chronological order for these two disciplines is for marketing to create awareness and consideration, and then for sales to develop the relationship and convert the sale. As a business owner and a marketer, I am acutely aware of this distinction, as my colleagues and peers who refer to sales first invariably place sales at the forefront of their business growth strategy.

This is not unusual, as in many B2B companies, sales actually lead marketing. In these companies, sales generate leads, qualify them, get the actual sales, and develop the relationship to deliver more sales.

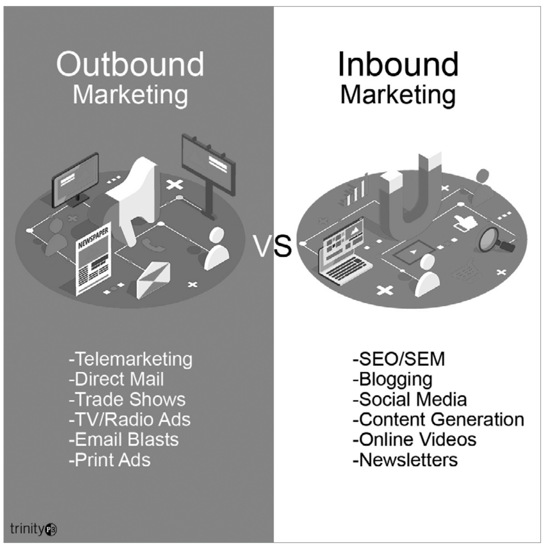
Meanwhile, marketing is largely there to support sales: creating sales kits, organising trade presenters, organising events, and developing the advertising that supports the sponsorship deals negotiated by sales and management. This is why, in these organisations, the marketing department is often referred to as the 'colouring-in department', because largely they play no strategic or performance role beyond organising the production of the sales support materials and advertising.

This is particularly evident in professional services companies such as law firms and accounting firms, where the partners drive sales through their 'sales' roles of business-building via their personal and professional relationships. In such cases, when the firm gets to a size that justifies a marketing function, then the role of marketing is simply to support the partners' relationship-building, and perhaps create a consistent, professional presentation framework that passes as 'branding'.

But why are B2B companies so often sales led?

To understand this phenomenon, you simply need to observe how B2B companies grow. Companies that sell products and services to other companies will start out naturally focusing on sales. Sales provide a direct relationship between the company and the business customers. It is only once the company gets to a particular size – either revenue or sales team size – that a decision will be made to build a marketing function to support the sales efforts. This means that the marketing strategy is actually the same as the sales strategy.

This superficially makes sense. After all, sales is all about building relationships with customers, and therefore who would know the customer better than sales? But here is the thing: technology, specifically marketing technology, such as search, social media, websites, and the demand by customers for information and content, has changed the ways in which companies can engage their customers. This approach is known as inbound marketing, which is naturally opposed to the traditional strategy, known as outbound marketing.



Inbound versus outbound marketing strategies

Outbound marketing is the traditional sales support strategy based on finding potential customers and generating leads through advertising, database marketing, trade shows and email. Inbound is about having your potential customer find you through search, blogging and video content, social media and newsletters.

In my own experience, my company started out with a sales focus, and many of our efforts involved outbound marketing to create awareness and interest. These were potential leads that needed to be qualified, nurtured and then converted. Our conversion rate ran at a very healthy 30% and consumed significant sales resources to simply feed the sales funnel to get the revenue growth we needed.

Then, in 2011, after almost a decade of sales-driven outbound marketing, we changed our strategy and became inbound. This meant focusing on creating content in the form of blog posts[1], videos[2], podcasts[3] and white papers[4], which we shared through social media and made searchable for our customers and potential customers.

In the process, we grew traffic to our website by 300% and increased conversion rates to more than 60% – as customers were coming to us, prequalifying themselves – and finally grew the business by 30% in a year[5].

The new marketing and sales funnel

Some call this the new marketing and sales funnel, but in actual fact it's simply a different strategy for B2B companies. It is only when you go beyond the results that you start to appreciate the importance of adopting this approach.

1 trinityp3.com/blog

2 trinityp3.com/on-the-couch

3 trinityp3.com/managing-marketing-podcasts

4 trinityp3.com/white-papers

5 trinityp3.com/2013/05/website-visitor-growth

First comes the change for the sales team (the company leaders) because the strategy builds your perception with your customers and potential customers. The creation and sharing of interesting, informed and compelling content positions the team as thought-leaders in our category. When we meet with customers who have contacted us, they feel they know us and what we represent.

Second, when leads come to us they are often qualified, as they have had an opportunity to read, watch and listen to not just what we have to say for ourselves, but what our existing clients have to say and share about the work we do.

Third, our reach is global and yet our sales team is not. Inbound marketing means that our customers find us through internet searches, social media and more. We get more visitors to our website each month from the USA than we do from Australia and New Zealand. We jokingly call ourselves a micro-multinational, as we have global reach and do business with a team that represents a small or medium-sized enterprise (SME).

Since going inbound, we have continued to evolve the strategy, including adding automated marketing, lead nurturing and database marketing. But the fact is that we can only do this because we have a marketing strategy that is aligned with and accountable to our sales and revenue objectives.

So what is your B2B strategy? Is it sales and then marketing? Or are you considering a marketing and sales strategy?

This first appeared in The Australian Business Executive Magazine*, 9 March 2018*[6]*.*

Is your marketing strategy supporting your business goals and objectives? Find out more about our qualitative and quantitative approach[7]*.*

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6 theabe.com.au/2018/03/09/trinity-p3-ceo-darren-woolley-why-b2b-companies-should-focus-on-marketing-and-sales-not-sales-and-marketing

7 trinityp3.com/marketing-performance/marketing-business-alignment

POST 13

Marc Pritchard, the low creative ratio at your agencies is not their fault, it's yours

Posted 13 April 2018 by Darren Woolley

Okay, perhaps not yours Marc, but when you recently stated that you would like three-quarters of your agencies to be creative[1], it made me reflect on the literally hundreds of agency remuneration deals we have benchmarked, negotiated and managed over the past 18 years, and the fact that in every case, the agency resources required were directly related to the requirements and expectations of the marketers. Not just the marketers currently in the marketing department, but also the generations of marketers who have added to the huge amount of complexity within marketing and their marketing departments.

Because as you acknowledge, part of the problem, Marc, is that marketers often expect agencies to mirror or partner with the marketing teams[2], but it is worse than that.

In the increasingly complex and complicated world of corporate marketing, the number of agency resources required has been growing for the past three decades, and the number of account management people, or project managers as you refer to them, has been multiplying for some very specific reasons. Interestingly, the marketing department causes all of these reasons, and the marketing department can directly

1 campaignlive.co.uk/article/marc-pritchard-id-creatives-account-three-quarters-agencies-resources/1458790

2 campaignlive.com/article/p-gs-marc-pritchard-calls-fewer-project-managers-agencies-vows-destroy-maze-complexity/1458425

manage all of them. But they do not. Let me explain.

The creative to account management ratio

In our work with advertisers and marketers on their agency remuneration, one of the important factors we consider is the creative FTE to account management FTE ratio (C/AM). Why? Because this provides an indication of the complexity of the demands of the client on the agency.

As Michael Farmer discovered in his early projects on scope-of-work measurement with Ogilvy & Mather in the 1990s, the number of creative personnel to account management personnel then was 1.5[3]. (Michael has reported that this has since dropped to 1 to 1 under client pressure for efficiencies and lower costs.) What this means is that if the creative work required takes one creative full-time person to deliver, then it will typically require 1.5 account management people to manage, administer and coordinate the other client, agency and supplier functions to complete the task.

A low C/AM means that there is less administration, management and coordination, so more of what Marc Pritchard says he wants. A high C/AM means more administration, management and coordination against the creative time spent.

We similarly use this as a measure of complexity and demand – we did call this a measure of account maintenance, but some advertisers were offended by being labelled 'high maintenance', so we changed it to complexity. But the findings go beyond an industry average and start to look at the C/AM by category of advertiser and by individual advertiser to determine a measure of efficiency.

You see, Marc Pritchard is right in saying that a higher level of account management to creative is a sign that the relationship is overly complex and therefore highly demanding of the agency from an administrative and management perspective. What we found was there is a significant range in the C/AM from 1 to 1, as reported by Michael Farmer, right up to the highest ratio so far of 1 to 7.2. We have excluded relationships that have had no creative requirements but included relationships where the bulk of the creative work involved adaptations of the global creative in regional and local markets.

3 trinityp3.com/2017/07/agencies-struggle-with-declining-prices

Measuring retained resources to actual resources used

One of the important issues to consider when measuring the C/AM is that often you need to look beyond the number of agency resources in the retainer and try to establish the actual resources used by the agency to deliver the scope of work. Increasingly, we are finding that the actual agency resources required might be more than 40% or 50% of the resources actually retained.

But it is incredibly difficult for agencies to charge for these, as often the resources are highly fragmented, with up to 20 or 30 individuals contributing to a handful of FTEs. That is because while the advertiser may retain, say, three people or FTEs in creative, this could be delivered by many more individuals contributing fractions of their time to make up the three FTEs. Revealing this to the client would indicate a lack of cohesion and consistency of work in the creative department, and raise unwanted questions about the agency.

The other reason we look beyond the C/AM is that we also study the other ratios between strategy, account management, various production functions and creative. Each of these provides an insight into the functioning efficacy of the client–agency relationship and the current remuneration model.

The factors influencing the creative to account management resources

There are many factors we have identified over the past two decades that impact the creative to account management ratio. Here are the most significant ones.

Size

Yes, size does matter, but not always. Just being a big advertiser with a big budget does not always mean you will have a high C/AM. The size of the budget is not the issue; rather, it is the way you spend it. Big budgets for big advertisers usually come with big marketing departments and complex, multilayered structures (see the section on structure below). But big advertising budgets also can be spent with low C/AM if the activity is targeted, focused and efficient. Rather than spreading the budget around a multitude of communication channels, if the spend is focused on a smaller number of activities, then this can lead to a lower C/AM.

Perhaps Marc is on to this because we have read in the trade press that his company has made major cuts in their spend. But was this to create simplicity and focus? While creative people love big brands and big budgets, you cannot expect them to manage the associated complexity.

Complexity

This means complexity in all its forms and expressions, from strategy to brand structure and team structure. A prime example is that a branded house will typically have a lower C/AM than a house of brands. This is because the focus is on building a single house brand that the products sit under, rather than fragmenting investment across a multitude of brands. Likewise, increasingly in a global market, you have a multitude of layers, from local market to regional to global teams, and the more teams involved, the more coordination, administration and management required by the agency. (More on this below.)

There is also complexity in marketing strategy and therefore implementation, with increased channels and markets leading to greater complexity for the agency to manage, coordinate and administrate. For Marc this is a particular issue, as a house of brands like P&G has a huge collection of brands. But not all of these are supported by advertising and marketing. A common strategy for extending life and increasing relevance for many of these brands has been to create a range of brand variants and brand extensions, which naturally increases complexity.

Beyond the strategic complexity, there is the implementation complexity. As consumer communications channels have increased in the digital age and traditional media channels have fragmented, more channels have arisen than ever before. Unfortunately, while a great strategy would allow you to focus on the most important channels, the emergent nature of these channels has seen many marketers try to embrace all of them, leading to greater complexity in their go-to-market implementation.

This complexity invariably falls on the agency to administer and coordinate. Creative people are great at creating, but when it comes to coordination and administration, account management is required. Taking this away means it has to be managed elsewhere. Are the brand managers meant to take this on? And if so, why has it not happened up to now?

Structure

One of the key roles of account management is stakeholder management. Therefore, one of the biggest impacts on the number of account management personnel required to manage the account is the number of stakeholders. The greater the number of stakeholders, the greater the account management resources required for managing them.

The problem is twofold, the first being the traditional hierarchical structures found in many marketing departments, and the second the lack of autonomy within these structures that requires more junior staff to refer decisions up the chain. This can be from brand manager to senior brand manager to category manager, to marketing manager to marketing director and to CMO. These traditional hierarchical structures with multiple points of responsibility for approval are exacerbated when it comes to complexity, with regional and global functions accommodated in the hierarchy. We worked on a global brand client who had 12 different points of approval for all advertising work, spread across three different markets and, more importantly, 16 time zones.

To decrease the agency's dependence on having a similar-sized account management team to manage this process, you could either make the decision-making more focused and autonomous, or simply remove all of the people from the process who cannot say yes and approve the work. But this is often the most senior person in the marketing team, who simply becomes the bottleneck in the process and negates the authority of everyone who reports to them. In an agile marketing department, the move is towards greater team autonomy, but in most traditional structures it continues to bottleneck at the top.

Process

It is interesting working across different advertiser categories. At one end we have telecommunications companies and online retailers, who expect their agencies to turn around work in 3–5 days, while most consumer goods advertisers still have a process that allows up to six months or more from brief to campaign launch. Of course, the outputs of each are very different, but have you heard the phrase: 'The work expands to fill the time allocated'?

The process itself takes into consideration the planned complexity of the marketing process. This includes research and testing, with more along the way to support the decision-making process. It is also a linear or waterfall process, meaning that the next step cannot proceed until the previous step is completed and approved.

Meanwhile, other advertisers are embracing an agile approach that requires a shared network process and supporting structure. Agencies, and specifically their account management teams, have managed to integrate themselves into these long and protracted go-to-marketing processes defined by their clients. The creative teams are brought into the process at specific points as required, just as strategy and production specialists join the process when appropriate and required.

So if Marc wants less project manager and account management resources and more creative, then does this again mean that the processes the CPG marketers have used for years are becoming more agile, less linear and less protracted? Or is it again that the function of managing, coordinating and administering will be managed by the brand managers within the marketing department? And again, if this is the case, why has it not been done this way previously?

Remuneration

Since the demise of the media commission and its replacement by hourly rates and retainers, the most common remuneration model (or perhaps more appropriately for Marc, the compensation model) actually encourages having more people working on the business. After all, the agency effectively gets paid for the number of full-time resources retained: the more people on the retainer, the more the agency gets paid.

Now it is quite simple to see that, as the rest of marketing and advertising has become more complex, this has led to an increased requirement for more people from the agency. First, there is a requirement for an increased number of subject matter experts (SMEs), and then for an increased number of account management people to manage, coordinate and administrate the increased number of SMEs working on the client's account.

Yes, some of the SMEs required were creative people, but they did not always have creative titles. There was the social content creator, digital technology programmer, content marketing specialist and more. It is interesting that over time we observed two things happen: first, the higher fees they often commanded initially dropped back to the level of the traditional equivalents; and second, many of their titles also became more traditional, such as senior content copywriter, social copywriter, web copywriter and so on.

My fear is that even if Marc achieves his aim of three creative people to every one account management person, those people will still be paid by the hour/day/week. Which begs the question, why not just hire them, as without the account management team they will be cheaper as a package. Perhaps a better way would be to stop buying the agency package by the hour and start paying first by the output and then on a value basis.

How marketers can reduce the creative to account management ratio

It amazes me when marketers wish that agencies would just change to give them what they want. The fact is that many agencies make changes in the way they work only to find out that marketers often do not want what they are offering. But as I have said, the power to drive change resides with the marketers simply because of the Golden Rule.

If Marc Pritchard or any other CMO wants more creative people and less account management people working directly with their marketing teams, then this can happen, but they need to be prepared for the changes it will require within the marketing team. You see, while the industry loves to talk about the client–agency relationship as a partnership, it is in fact a symbiotic one. It's like how crocodiles let Egyptian plovers pick leeches off their gums. If the plovers do what is expected of them, then both the crocodile and the plover benefit. But if the plover gets ideas on how to be different, they could simply end up as a crocodile's dinner.

Sure, marketing has evolved faster than the crocodile, but if you want the agency to change, then you need to sit down with them and discuss and map out the implications of that change, because in most cases the agency is simply providing what you asked them for and doing it in the only way they know you want.

Let's go back to where we started. If Marc Pritchard really wants three-quarters of his agency resources to be creative and reduce the account management, strategy and production people to 25%, then he needs to consider more than just the mirroring of the agency structure to the marketing structure. He needs to consider the size and complexity of his organisation and the way it engages with the agencies. He needs to look at the complexity created within his organisation, including the portfolio management, strategy and implementation plans. He needs to look at the often complex, multilayered and resource-intensive structures. And he needs to review the often protracted and laborious process to go to market and streamline approvals and provide more autonomous decision-making.

For the last decade, we have been working with major advertisers on just that – getting their house in order internally and externally before exploring what could be. While I am sure Marc Pritchard has enough people offering him help, perhaps we can help you to future-proof your marketing[4]. Let us know.

TrinityP3's strategic supplier alignment service helps you to untangle your supplier roster and understand its strengths and weaknesses, in order to improve your performance[5].

4 trinityp3.com/services

5 trinityp3.com/agency-performance/strategic-supplier-alignment

POST 14

How to make the most of your media negotiation to increase value

Posted 10 February 2012 by Darren Woolley

As consumer confidence remains sluggish, advertisers are increasingly interested in understanding how effectively their media agency is negotiating. This raises two main concerns:

1. What are the issues affecting negotiation effectiveness?
2. How effective are the advertiser and agency in achieving additional cost efficiencies during each campaign?

TV or not TV? That is the question

With most communication strategies based on exhaustive consumer analysis and insights from a plethora of syndicated and bespoke research, a clear understanding of your target's 'media imperatives' is one of the most powerful negotiating tools available.

Understanding how to reach a 'light TV viewer' who is also a 'heavy online reader' might seem obvious, but the essential communication elements of your particular product or service may dictate otherwise. On the one hand, using TV to try and reach consumers who don't watch much can be inefficient and expensive. On the other hand, trying to explain a complex visual scenario on radio just because your targets listen a lot can be just as ineffective.

Getting the media mix right and the balance between effective and efficient communication channels – both between and within your chosen selection – can have a marked effect on the ability to leverage spend during the negotiating and buying process through more effective channelling of budget.

Is bigger better?

In media negotiating terms[1], size does count. Not just how big your budget is, but also how much clout your media buying agency has overall.

In the typically 'three-tiered' process that makes up most major media negotiations, the media agency (or buying group) size sets the first discount off the base rate (usually known as the 'ceiling' for agency-based advertisers). Your individual spending volume then comes into play, as the client-specific discount structures are set based on volume or share. Finally, the actual rate paid on a campaign-by-campaign basis is the result of the leverage your buying team can exercise on top of these first two discount levels, in the context of the current market conditions, lead times, placement strategies, and a range of other variables.

One lump or two?

Naturally, negotiating strategy can play a big part in the rate base outcome. One, two or three networks in your TV negotiation? Two contracted and a float? Specific target, specific need – one network? Newspapers by masthead or by publisher? Magazines likewise? Do you know your high, low and walk-away positions?

Having an agreed negotiating strategy, the courage to stick to it, and a good team in support, can make all the difference between a great outcome and a bad feeling in your gut. And remember, in any negotiation, the best result is a win-win!

The power of process

Even with the best team, a great strategy and terrific leverage, the best-laid plans can go astray if the basic process rules are forgotten. These rules apply at the macro (doing the annual deal) and micro (campaign-by-campaign buying) levels.

1. Give the agency and yourself time

Negotiations don't need to be protracted, but you will need breathing space so that both sides can properly consider their positions

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1 trinityp3.com/2011/12/media-negotiations-and-media-buying-benchmarking

and come back with well-thought-out counter-offers along the way. Time is particularly critical in the campaign negotiation/buying process, where the best spots and/or positions are always the first to go. In the seller's market that has characterised conditions over the last couple of years, there have been no prizes for coming in late!

2. Make sure the brief is clear, concise, and based on as much factual information as possible

Basic factors like timing, seasonality, distribution and geography are obvious in ensuring the negotiation is based on your business plan. Of course, critical factors like target audience must be spot-on or you'll end up wasting your money despite your best intentions.

3. Make sure that both you and the agency understand and agree on what your expectations, goals and objectives are for the negotiation

Many times, the agency comes back thinking they've done a great job, only to find that the client's expectations were based on issues only partly communicated and understood.

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This brief review only scratches the surface of rate negotiation effectiveness. We have been providing advertisers with a benchmark report on how their negotiated media rate compares with the industry rate across the main media for the past 10 years[2]. But more importantly, we benchmark how effective you and the agency are in capitalising on this rate as it is applied to your campaign activity[3].

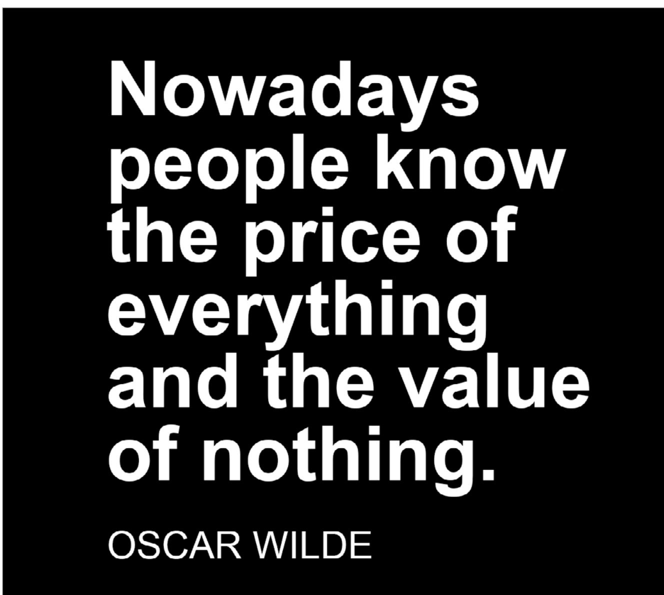
2 trinityp3.com/monitoring-benchmarking/#4

3 trinityp3.com/monitoring-benchmarking/#5

POST 15

Cost benchmarking and value benchmarking your agency – which one gives the best results?

Posted 3 May 2017 by Darren Woolley



In response to the question 'What is a cynic?', Oscar Wilde wrote, 'A man who knows the price of everything and the value of nothing'. When it comes to agency benchmarking, it is hard not to be cynical. Recently, Michael Farmer, author of the bestselling industry book *Madison Avenue Manslaughter*, and executive chairman of TrinityP3 USA, published an article highlighting the shortcomings of agency benchmarking, specifically agency cost benchmarking: 'Why cost benchmarking is the waterboarding of the advertising industry'[1].

How do we stop the manslaughter and increase agency productivity and performance? The first step is to stop cost benchmarking and move the focus to performance. Here is why.

What is agency benchmarking?

The majority of what passes for agency benchmarking is simply cost benchmarking. The focus on agency salaries and the elements that are used to calculate the effective charge-out rate, such as overhead, profit multiple and billable hours per annum[2], are simply required to validate the cost charged by the agency per hour or day, or as part of a retainer per resource or FTE. This type of cost benchmarking is applied primarily to the agency resources and services billed to the client, which are typically defined only by role and service type, without consideration of quantity and quality. We offer this service online through our Ad Cost Checker website[3], as it is a relatively simple methodology reliant on a sample or pool of data that is statistically significant enough to represent the market being benchmarked.

But even then, Ad Cost Checker goes one step further than most cost benchmarking practices in that it recognises that resource cost is not job-title-dependent alone. In fact, the size and ownership of the agency and the size and type of client or advertiser, plus the relationship between the two, also impact the benchmark. For example, a network agency will charge a different fee to a local independent advertiser for the same advertiser client. This is because they have different cost bases and often very different business strategies regarding new business development.

The underlying assumption with classic cost benchmarking[4] is that the resources or services being benchmarked are consistent either in terms of quality or commodities to allow a like-for-like comparison.

1 trinityp3.com/2017/05/cost-benchmarking-advertising-industry

2 trinityp3.com/2011/08/how-fees-are-calculated-for-agency-compensation

3 adcostchecker.com

4 trinityp3.com/2016/11/cookie-cutter-benchmarking-agency-remuneration

But when it comes to agency resources, the assumption that the job title defines the quality of that resource is flawed.

Where is the value in cost benchmarking?

If advertising is a people business and cost benchmarking is about determining the cost of the various people supplied by the agency to work on the advertiser's business, then the value is in the people or human resources. But there are many reasons why job titles or job descriptions do not define the quality of the resource being purchased or benchmarked. Therefore, the concept of benchmarking agency value being the cost of the resources against the quality of that resource is flawed.

1. There is no industry standard regarding job titles and the job holder's expertise, experience or capabilities. While titles such as account coordinator, account manager and account director are standard, they are applied on an ad-hoc basis across the industry and do not necessarily reflect a common level of expertise. Therefore, a group account director in a small agency could be very different in experience, expertise, capabilities and cost to a group account director in a large multinational agency.
2. The application of digital technology to the advertising mix has disrupted the job titles within agencies and led to the growth of new and different titles and descriptions, making like-for-like assessments difficult. In the past few years, we have seen great creativity in job titles, such as director of storytelling, wizard of light bulb moments and so on[5]. It is interesting trying to meaningfully benchmark any one of these.
3. As advertisers are paying on salaries, or at least declared salaries, some agencies have perfected the practice of providing staff with a title promotion, without the corresponding increase in salary[6]. This is particularly effective in markets where perception is more important than reality, and so the advertiser pays for the title but does not get the quality, just as the agency resource gets the title but not the salary.

So if you are not consistently or realistically benchmarking the quality of the agency resources, where is the value in this cost benchmarking?

5 inc.com/john-brandon/please-steal-one-of-these-fantastic-job-titles-for-your-business-card.html

6 trinityp3.com/2010/06/agency-title-promotion-and-the-impact-on-retainers-and-fees-2

If you buy your books by the kilo, then this is a great way to drive down cost, but at what cost to the agency and ultimately to the advertiser? Michael Farmer has demonstrated the impact on both agency and advertiser and now calls on all parties to stop the Madison Avenue Manslaughter and return to productive, sustainable relationships and encourage performance and growth.

The shortcomings of cost benchmarking

Beyond the fact that cost benchmarking is not just flawed but has had a catastrophic impact on industry performance, it also does not deliver a view of the value of the agency work. After all, the reason an advertiser engages an agency is ultimately not to retain a collection of advertising specialists, but to have that collective produce outputs that will deliver the specific outcomes required of their marketing communications strategy.

So how does the cost benchmarking of the agency resources deliver a benchmark of their ability and value in producing either those outputs (such as advertising) or outcomes (such as specific and measurable results)? It doesn't. But some would argue that they can use this cost benchmarking to calculate what resource would be required to produce specific advertising outputs. We have been doing this work for more than 15 years using our scope of work calculator.

Based on the scope of work – the specific outputs required – we are able to accurately calculate the agency resources required: not just the level of resources, but the mix by discipline and seniority. These are benchmarks that are not often asked for, as most people are only aware of cost benchmarks. But they add the value dimension, as it allows us to calculate the value of the agency outputs, which is the basis of the value-based remuneration model.

Defining agency value

So how do we benchmark the value of the agency outputs and the outcomes they deliver? Let's think about outputs first, as these are easier.

The outputs of the agency are the work they do and collectively are the scope of work. To benchmark an agency without some type of output measure reduces the results to cost-based benchmarking only. Therefore, the outputs are essential as part of any value study. This could be the collective outputs for a year, making an annual agency scope of work, or they could be individual projects made up of incremental deliverables to actual individual deliverables, such as a television commercial to a corporate video to a Facebook post. What makes a deliverable is the ability to define the output, both tangible and intangible.

Here is where benchmarking becomes valuable and overcomes the shortcomings of cost benchmarking alone. Using the resource benchmarks mentioned previously, we are able to calculate the resource requirements and so benchmark the productivity of the agency, in a very similar approach to the Farmer ScopeMetric Units (SMU™). Instead of simply benchmarking cost, we are able to assess the efficiency and productivity of the agency. This becomes the basis of value-based remuneration (VBR), where a value is placed on those agency deliverables by using benchmarking to define the commercial value of those deliverables.

The benchmarking of the outcomes the agency contributes to depends not just on the advertisers having specific and relevant performance metrics, aligned with the agency outcomes, but on the monitoring of those outcomes. These can be media metrics, advertising metrics, marketing metrics or business metrics, or a combination of any of the same.

This performance-based remuneration (PBR) is designed to incentivise the agency to work towards delivering specific performance metrics and reward them for their contribution to that success. It is just unfortunate that PBR has earned such a poor reputation due to the misuse of this approach to reduce agency fees rather than incentivise performance.

Defining business value

In recent years, with more organisations applying zero-based budgeting (ZBB) to their marketing budgets[7], there has been a renewed interest in VBR, with a particular focus on aligning the value of the agency outputs with the marketing value and the financial value to the business. This is where VBR[8] is particularly useful, as the valuation of the work outputs of the agency go beyond the agency value to reflect the value to the business.

Let me explain. Under the cost input model currently in place, the resources required to make a particular output, say a TV commercial, are the same no matter the value to the marketers or the organisation. It can be argued that it takes the same number of people and hours to conceive and produce a big-brand TV commercial for a major high-value brand as it does to do the same for a lesser-value brand. Under the VBR model, the value of the big-brand ad would be higher than the value of the smaller-brand ad and would attract a higher budget and greater media support, therefore the value paid to the agency would be higher than the amount paid to the agency for the smaller-brand ad.

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7 trinityp3.com/2016/05/value-based-compensation-zero-based-budgeting

8 trinityp3.com/2010/06/what-is-value-based-remuneration-for-advertising-and-media-agencies

What this means is that, much like the ZBB approach, for a house of brands you are able to remunerate the agency not based on the cost of the work done by the agency, but on the value this work represents to the brand, the marketing and the organisation. It allows marketers to invest more in the brands where the business case justifies the high level of investment, and to invest less in the brands that have lesser value.

Even in a branded house, where there is only one brand, you are able to value the work outputs by the streams of work, such as:

1. long-term brand- and business-building
2. product and service promotion
3. agile marketing or acquisition work.

In this case, the valuation is adjusted based on the perceived time in market of the particular execution.

No matter the approach, we are able to benchmark and assess the value, starting with the underlying cost, and then provide a methodology to achieve the valuation specific to the agency outputs[9], and ultimately the contribution to business outcomes. This is very different and more insightful than simply cost benchmarking as provided generally by the industry.

Benchmark cost or benchmark value?

As Michael Farmer recently wrote, cost benchmarking turns all those involved into losers. Simply delivering lower costs results in cheaper resources and undermines the value of the agency in delivering value to the advertiser. But VBR is possible, although not common, and this provides insights into how to value the work of the agency.

This value is not just the value of the agency work but, at a time when ZBB is becoming increasingly popular, the value to the business of the deliverables of the agency. Ultimately, the true value of the agency is measured in the outcomes of those agency deliverables and the impact they have on business value through marketing performance.

This is the work we have been doing with out clients, and in those cases where we are able to move benchmarking from a cost focus to a value focus, the result is increased performance and greater value for all involved. The choice therefore is either win with value or lose with cost. So in the words of Oscar Wilde, are you a cynic or not?

9 trinityp3.com/2017/03/define-an-agency-scope-of-work

TrinityP3's scope-of-work management service evaluates your current agency scope of work and recommends the best approach, calibrated to your needs and benchmarked against the industry[10]*.*

10 trinityp3.com/agency-performance/scope-of-work-management

POST 16

Why providing consultancy with integrity is more important than ever

Posted 22 May 2017 by David Angell

Consultants. They often get a bad rap, particularly in the marketing industry.

I work with many clients in a consultative capacity, across anything from bespoke vision or structural alignment projects[1], through contractual and remuneration assessment[2], to market pitches or agency selection work[3]. I've also worked with many consultants in my agency days. The majority of the clients we work with are pretty happy. I would like to say that the majority of agencies we work with are, well, at least not unhappy with the way in which we handle them.

But we can't ignore the broader negative perceptions surrounding the motives of consultants, their capability and contextual knowledge, and their process and fairness. The fact that the larger management consultancy groups such as Accenture are now setting up practices that directly compete with the same agencies they audit as part of their consultancy work does not make such perceptions any easier to combat.

There are always going to be bad experiences, things that go wrong, negative perceptions, or people feeling sore about something.

1 trinityp3.com/marketing-performance/marketing-business-alignment

2 trinityp3.com/agency-performance/agency-remuneration-and-negotiation

3 trinityp3.com/agency-performance/agency-search-and-selection

That's OK. For me personally, someone can be hugely unhappy with something I've done as a consultant and I won't mind – as long as, despite the unhappiness, that person can understand that at the end of the day, I've consulted with integrity.

For the record, here's a framework of values I use to define 'consultancy with integrity'.

Objectivity

Pretty obvious but important. Objectivity means never working on a payment-by-results remuneration model or in any other way that generates significant conflict of interest. It means being willing to point things out to your own client, at an individual level, that may not be welcome. It means working to a project outcome or recommendation that offers mutual benefits to all sides, not just one side. It means trying to gain proper context from every angle of any operation. It means being honest.

Respect

I have to have a basic level of respect for my clients. As an organisation, we have turned away business in the past because the values of the potential client don't fit with our own. But I also try as hard as I can to treat agencies and other suppliers I encounter with all the respect they deserve.

This is particularly relevant in pitches, where the work that agencies put into the process generally deserves huge respect. Respect can mean anything from publicly thanking an agency for its participation, to maintaining and driving positivity in every session, to providing proper feedback in the event of failure. All things which, when I was on the agency side, I didn't always get from consultants.

Empathy

Much of what we do is driven by hard data. But without empathy for specific situations, and a human, experience-driven overlay, we are nothing but cookie cutters. I spend a lot of time gathering soft data, gained from stakeholder interviews or similar exercises.

Realism

We're not saving babies. Nor can we, as consultants, fix everything with a magic wand. We're there to guide and facilitate a path to the best possible outcome, via what is hopefully an achievable and realistic strategy or road map. If I forget any of these things, I become too grandiose in my objectives.

Strength

I want to use objectivity, respect, empathy and realism in the work I do. And, by and large, I think I'm mostly successful – not always, but mostly. I work really hard at it and I learn something new about how to deal with things from every project I lead. But this doesn't make me a patsy.

I will make recommendations based on what I believe to be correct, based on as broad an understanding as I can gain in any one project. And I will drive a process designed to get the best out of the project as a whole. All of this requires some give from other stakeholders.

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Consultants do not always get treated with the respect they deserve. Those that don't treat me with the respect I deserve will receive the appropriate commentary back.

For anyone who works with me in the future (in any capacity), feel free to read this and remind me of it if you believe I'm straying from the path. I might agree or disagree with you, but you'll be sure to get an honest response.

How do TrinityP3 rate as management consultants? Find out how we stack up against seven critical qualities[4].

4 trinityp3.com/2017/01/management-consultants-qualities

POST 17

Book review – *Disrupted: My Misadventure in the Start-up Bubble*, by Dan Lyons

Posted 10 August 2016 by Trevor Young

Disrupted is one man's account of working at HubSpot[1], a fast-growing start-up based in Cambridge, Massachusetts, and a well-known brand in global marketing circles. HubSpot is a marketing software company. Its founders, Dharmesh Shah and Brian Halligan, coined the phrase 'inbound marketing', and in a genius move to 'own' the phrase in the marketplace, they also wrote a book of the same name.

The author of *Disrupted* is Dan Lyons. According to the bio on the book's dust jacket, Lyons is a novelist, journalist and screenwriter. He is currently a writer for the HBO series *Silicon Valley*. Previously, Lyons was technology editor at *Newsweek* and the creator of the groundbreaking blog 'The Secret Diary of Steve Jobs'. Lyons has written for *New York Times Magazine*, *GQ*, *Vanity Fair* and *Wired*.

It would be fair to say that Dan Lyons is no mug. He most certainly is a fine writer with an incisive eye for detail coupled with a sardonic, world-weary view of the technology business – although others might say he's simply downright cynical.

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1 hubspot.com

Has HubSpot's reputation been tarnished?

Reading this book was a bittersweet experience as Lyons cuts into the underbelly of the HubSpot business with precision and wit.

I've admired HubSpot for its pioneering work in the content marketing arena. Indeed, they have relentlessly published valuable content for many years, content that has helped hundreds of thousands of business owners and marketers in the course of their work, including me. I've read the founders' *Inbound Marketing* book, subscribed to their blog, and downloaded many of the company's e-books. I often reference HubSpot in my talks and presentations on social media and content marketing.

But there's no doubt that HubSpot's corporate veneer has been scratched, if only a little, by the publication of *Disrupted*. No long-lasting damage, I wouldn't have thought, but there's been sufficient publicity to have brought irritation to those working within HubSpot's walls.

It would be somewhat easy to conclude that Lyons has 'done a number' on HubSpot and therefore simply dismiss his book as the work of a cynical man who, feeling hard done by as a result of his time working at HubSpot, has used *Disrupted* as a means of getting his own back on the company. But that would be a tad churlish because Lyons is a highly talented and respected writer, and a recurring theme of the book is not necessarily HubSpot per se but centres on one man's struggle with being in his 50s, unemployed, and struggling to come to grips with a digital-first world that has turned his industry (traditional print media), and therefore his professional world, upside down.

Quotes of interest

You get this from the opening paragraph:

> *If you made a movie about a laid-off, sad-sack, fifty-something guy who is given one big chance to start his career over, the opening scene might begin like this.*

Yes, *Disrupted* is a no-holds-barred personal view of HubSpot from someone who was embedded in the day-to-day operations of the business. But Lyons also uses the company as a prism through which to report on an industry – the tech start-up world and the venture capitalists who inhabit it – he feels is out of control.

An investment banker friend of Lyons is quoted as saying in the book:

> *Before this [tech bubble] is over there's going to be a trillion-dollar transfer of wealth in Silicon Valley.*

And there's this:

The new tech industry is populated by young, amoral hustlers, the kind of young guys (and they are almost all guys) who watched The Social Network and its depiction of Mark Zuckerberg as a lying, thieving, backstabbing prick – and left the theatre wanting to be just like that guy.

Disrupted is a rollicking business yarn, and the 'rollicking' part of it certainly does centre on Lyons' experience working at HubSpot. And for the most part, it does not appear to be a happy or enjoyable one for either party.

Lyons, who seems to me to be somewhat mischievous, if not a little naive at times, paints a picture for the reader of the so-called shenanigans taking place within the company:

Later I also will hear a story about janitors coming in one Saturday morning to find the following things in the first-floor men's room: a bunch of half-empty beers, a huge pool of vomit, and a pair of thong panties. The janitors were not happy. They get even more distressed when, one morning, a twenty-something guy from the HubSpot marketing department arrives wasted and, for reasons unknown, sets a janitor's cart on fire.

It makes for fun reading, but let's face it, these types of social activities were de rigueur in advertising agency land in the 1980s and 90s, so no big deal there.

A generation gap

Ultimately though, *Disrupted* is about a clash of generations and cultures.

Lyons, the 50-something, hard-boiled traditional journalist with cynicism coursing through his veins, is trying to fit in at a vibrant tech start-up with initial public offering (IPO) aspirations, a company overpopulated with upbeat young people and that carefully manufactures a culture of fun ('The Happy!! Awesome!! Start-Up Cult') but in reality is a hard-charging, hyper-competitive environment where hitting your numbers (whatever numbers they might be – this is a data-driven organisation after all) is the key priority.

Yes, Lyons takes obvious delight in skewering HubSpot's cultural quirks – part of this can be put down to personality and perhaps a desire to work in an environment that's more buttoned-down but still raucous in its own way, such as a newsroom. But it's his shattering of several HubSpot 'myths' that gives this book somewhat of an edge. Perhaps the biggest one for me is the fact that HubSpot operates what

Lyons refers to as a 'boiler room'.

HubSpot's whole business is built around inbound marketing – using proprietary marketing software to attract potential sales leads via the content you produce and then emailing strategically to build a relationship with people, all the while building up to the sale. But here they are, as Lyons writes, 'operating an old-fashioned call centre, with a bunch of low-paid kids calling thousands of people, day after day'. He then says that

> *my exile to the spider monkey room is a kind of a gift, because now I am seeing another side of HubSpot and learning how the company really operates. It turns out that HubSpot has a split personality.*

Then comes the sting in the tail.

Allegations unfold

Lyons and HubSpot finally part ways, but this story still has a way to go, so much so that Lyons needed to include an epilogue in his book to square things away. It involves allegations that two of HubSpot's most senior marketing executives tried to get their hands on a draft copy of the book before it was published.

According to Business Insider[2], HubSpot released a statement saying that chief marketing officer Mike Volpe had been terminated for 'violating the company's Code of Business Conduct and Ethics', and vice-president of content Joe Chernov had resigned 'before the company could determine whether to terminate him for similar violations'. The pair had been investigated by US authorities, but all charges were dropped[3]. HubSpot's CEO, Brian Halligan, also had his pay packet reduced[4] for failing to promptly alert the company's board after finding out about the incident.

In hindsight, the marriage between HubSpot and Dan Lyons was never going to work. There was pain on both sides, and *Disrupted* is the result.

p.s. Once *Disrupted* was released, Halligan and Shah took to LinkedIn's blogging platform to put their side of the story[5].

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2 businessinsider.com.au/doj-drops-investigation-of-former-hubspot-execs-2016-1?r=US&IR=T

3 betaboston.com/news/2016/01/05/justice-dept-drops-hubspot-case-with-no-charges-but-leaves-plenty-of-questions

4 betaboston.com/news/2015/07/31/fishiness-led-to-hubspot-firing

5 linkedin.com/pulse/undisrupted-hubspots-reflections-disrupted-dan-lyons-dharmesh-shah

TrinityP3's marketing business alignment service strikes at the heart of our reason for being: driving enhanced marketing performance via alignment of process and commercial purpose[6]. Why do you need this service? Talk to us to find out.

6 trinityp3.com/marketing-performance/marketing-business-alignment

POST 18

Who's in charge? Marketing or procurement?

Posted 28 March 2018 by Stephan Argent

Whether you're a client looking for marketing services or an agency pitching your wares, the question of who's really calling the shots can be a pivotal one.

On the one hand, the organisational perspective might be that marketing teams are evaluated on and are seeking things like improved performance, chemistry harmony between teams and agencies, creative brilliance and/or strategic smarts. On the other hand, client procurement teams are likely going to be evaluated on things like cost-based efficiencies, savings, synergies and risk mitigation. With those perspectives, it's hardly any wonder that marketing and procurement teams can find themselves at odds with each other, leaving potential agency partners a little bewildered as to who's really calling the shots.

We're increasingly asked to work with procurement when undertaking an agency search – either to work on the search itself or to work with them through the negotiation or contract development process. And while relationships between marketing and procurement vary between organisations, there are some consistent themes that are worth addressing. In our experience, the primary issue many organisations still have difficulty coming to terms with is that marketing needs to be viewed as an investment, not a cost. In other words, it's not something that needs to be 'minimised' – it's an investment that needs to be 'maximised'.

So how should each side approach agency selection or contract negotiation in order to meet the goals of minimising risk and costs, while ensuring maximum performance through best-in-class capabilities? Here are 10 approaches worth considering when marketing and procurement teams need to work seamlessly to achieve the best value (rather than just the best price) for their organisations.

1. Same team

First of all, marketing and procurement aren't on different 'sides' – there shouldn't be sides at all. Both sets of players are on the same team, so eradicate the idea of 'sides' from the get-go.

2. Start early

Many will have read about the idea of starting the procurement exercise early, but how many actually define a working relationship between marketing and procurement before it becomes necessary? And how many actually involve procurement in the entire search process when they know procurement will take the lead on the negotiation?

3. Define roles

Because marketing and procurement look at search and selection, and negotiation, through different lenses, you need to define and agree specific tasks for each group, leveraging respective strengths and skill sets.

4. Get the brief on paper

Brief as you would an agency. Procurement work on multiple contracts for different stakeholders, just as agencies work on multiple clients. So define your objectives, propose your strategy, define go and no-go items, propose negotiation points, and spell out your desired end state in a written brief.

5. Acknowledge why you're here

If your agency search or contract negotiation is anything other than a corporate governance requirement, clearly define why you're negotiating now. In all likelihood, lowest price isn't the only or primary reason you're here. So spell out why you've called an agency search or want your master services agreement (MSA) or contract renegotiated.

6. Define value

The lowest price rarely equates to the greatest value, so define and agree on what constitutes 'value' to create an MSA or contract that does deliver the greatest value for the organisation.

7. Don't chuck it over the fence

We've seen many agency search processes conclude with a winning agency, and the marketing team then hands off the process to procurement to negotiate and finalise a contract. Procurement then have little or no context to negotiate 'value', and marketing teams are quickly frustrated that the process takes longer than they'd like, and/or key details aren't covered.

8. Define key points

Every aspect of an MSA or contract is negotiable, so defining up-front where you're flexible and where you're not will help your organisation create a true, value-based MSA or contract.

9. Look at the sum of the parts

Not just some of the parts but all of them. As I've said before, every aspect of an MSA or contract is negotiable. The greatest value will be derived from a contract by looking at the agreement holistically, rather than in piecemeal fashion.

10. Be like a pilot

Pilots have dual controls, but they identify who has control so they're not pulling in opposite directions before they take off. Ultimately, someone has to lead the negotiation process, and whoever's responsible can save everyone involved time, effort and uncertainty by defining parameters and expectations in the key objectives and outcomes of the negotiation.

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One of the biggest mistakes made by marketing and procurement teams is leveraging the marketer's brand to lower prices to unsustainable levels. Low rates that are too good to be true usually are, and the agency will ultimately have to cut corners to keep and maintain your business in the long term.

Proactive planning between marketing and procurement teams to define expectations, objectives, true-value metrics and negotiation points up-front adds value and will almost certainly help you avoid undertaking a new negotiation – or even agency search – sooner than you'd like.

Is your marketing strategy supporting your business goals and objectives? Find out more about our qualitative and quantitative approach[1].

1 trinityp3.com/marketing-performance/marketing-business-alignment

POST 19

Am I allowed to audit my agency?

Posted 12 May 2017 by Adrian Jenkins

Having read 'The 105th thing on your "to do" list may be the most important'[1], you will now know what kind of audit you're looking to conduct. So what's the next step? Before you go out looking for an auditor, you need to check that you are actually 'allowed' to audit your agency, and if you are, what can and can't be audited.

And so to find the contract

Your right to audit should be covered in the agency contract and should be fairly easy to find. Look in your 'Contracts' folder and voila, a beautifully filed copy of a fully signed contract between you and your agency will be sitting there waiting for you. But if it's not there – although you could have sworn that's where you would have filed it – you need to find out who in the business does have a copy. And is it the right copy? The final copy? Is it the same final copy that the agency has? Do you have version 3.2 and they have version 3.1 in their files? Has it been signed by both parties?

This is fairly easy to miss. In all the euphoria (marketing) / relief (procurement) of appointing a new agency, this final hurdle tends to be left to just a couple of people in the business to clear, while everyone else is looking at the shiny new toy they now can play with.

1 trinityp3.com/2017/05/marketing-agency-audit-to-do-list

If you don't have a signed copy of the contract, and no-one else in the business seems to have a signed copy, then you may ask yourself if the contract is enforceable. Have you just found out that there is actually NO contract between you and the agency?

Don't panic. In the eyes of the law, the draft contract is the basis of the commercial agreement between you and your agency, even though it hasn't been signed. So whether you have the ideal scenario where you have a signed final copy of the contract, or not, then you have something to refer to. If you have no contract at all, then you still have a contract with the agency – it's just that it's a verbal one.

It's all in the small print

Assuming you've got the right contract, and it's the one that's in force, look for the paragraph relating to 'Audit rights'. This is where you'll see what you can and can't audit. It may define a 'financial audit' and a 'media audit'[2], and set out the scope for each and how often they can take place (commonly, once per annum for the former and more frequently for the latter).

In many agency contracts, there will be a paragraph around audit rights and a definition of 'records'. This will define which records the agency is supposed to be keeping in case you ask for backup for their invoices. For a 'financial' or 'contract compliance' audit, it could refer to amounts reimbursable by the client (that is, production or media costs), time sheets, out-of-pocket expenses, salary records, personnel files, reconciliations and so on. If it's not listed here and is not otherwise mentioned in the audit clauses, then you'll need to ask for the agency's permission to look at it.

It's therefore very important to understand the definition of records and how it interacts with the audit clause: if the agency doesn't have to keep certain information or you can't access it, then you can't check whether it's correct or not.

You'll also find in the contract how long the agency is bound to keep the records, and this will have a bearing on how long you, the client, have to audit them. Be aware that the timescales can range hugely (from months to years) and they may not run contemporaneously. In the UK, the Statute of Limitations dictates that financial records should be kept for six years. But don't assume that the agency has to make them available to you for that long – the contract may only let you

2 financialprogression.co.uk/talking-points/the-105th-thing-on-your-to-do-list-may-be-the-most-important/#more-2926

access them during its term or for a set period of time afterwards.

And now, the end is near

If you have served notice on the agency, or your contract was for a fixed term and not renewed, then you'll also need to look for the paragraph entitled 'Termination'. This should include details of whether the audit clause survives termination; that is, whether you can audit after you've terminated or completed the contract. It may also include a timescale so that you know if you've only got three months or three years to do an audit.

Hence, if you've been with same agency for a number of years, put a new contract in place last year and want to audit six years' worth of records, you'll need to check both the old and the new contract to see which years' data you've actually got access to – it may not be all six years.

So what if your contract doesn't have an audit clause in it? Or what if you don't have a written contract at all? Does that mean you can't audit your agency? Not necessarily. If the relationship between the agency and the client is a good one, then they should be more than happy for you to do an audit to check that everything is going to plan. They will probably want to agree to the audit scope in advance, but this is only normal/good practice anyway.

Access denied

If, however, the agency declines the request to audit, your internal alarm bells should be ringing. What signal does that send you? It's only the same as having the mother-in-law come over to run her fingers over the skirting boards, isn't it? If they've been doing their cleaning, they've got nothing to worry about, have they?

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Hopefully you will now know what kinds of audits there are, whether you're allowed to audit your agency, and what you can audit and when. The next question is (in the words of Simon Sinek) WHY? but that's for another day!

TrinityP3 does not provide financial auditing services. We leave that to professionals like Adrian and the team at Financial Progression[3]*. We do, however, provide agency remuneration*[4] *and contract review*[5] *services.*

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3 financialprogression.co.uk

4 trinityp3.com/agency-performance/agency-remuneration-and-negotiation

5 trinityp3.com/agency-performance/contract-reviews

POST 20

How do ad agencies rekindle revenue growth?

Posted 29 January 2018 by Michael Farmer

What are the steps that creative ad agencies can take to rekindle revenue growth?

Recall that agency fees have been under downwards pressure for quite some time due to brand globalisation, client obsession with 'shareholder value', the rise of procurement, the fragmentation of media, the scrapping of agency of record (AOR) relationships, and the stagnation of brand growth. These factors have driven fees lower and reduced the length of client relationships. The agency scramble for new business has pitted agency against agency in an industry price war.

Where is this headed? Can any agency break out of this deadly cycle and join the Madison Avenue Makeover Club? Is there a way of restoring ad agency revenue growth? And how big is the problem?

According to my research[1], 2004 was the last year that creative agencies were paid fairly by their clients for the amount of work in their scopes of work, and for the number of creative, production, client service and strategic planning people required to do the work at an acceptable level of quality. Since 2004, industry fee levels have declined by 26%, in constant dollars, and scopes of work have grown by 34% (as measured in SMUs, which harmonise the sizes of the different types

1 goodreads.com/book/show/26347018-madison-avenue-manslaughter

of deliverables in a scope of work). These are average industry figures derived from my consulting experience and research.

The combination of declining fees and growing scopes of work has been a deadly one. Price, which mathematically is income divided by workload, has declined by an alarming 45% since 2004 (in constant dollars). Put another way, the price for agency services is only 55% of what it was in 2004. The gap between workloads and fees is enormous.

Agencies, of course, have dealt with this by holding back on salaries and headcount growth. The most telling fact is that agency creative headcounts have grown, on average, by only 11%, despite the 34% increase in scope-of-work workloads. This means that the average creative is more junior and very stretched in 2017, and this cannot be a good thing for agency creativity or quality. It has certainly accelerated employee turnover in the creative department.

Holding companies should note these figures and reconsider their strategies. Holding company profit growth cannot be maintained by continuing to squeeze agencies for lower costs. Muscle, rather than fat, has been squeezed out for the past 13 years. Further reductions of agency operations will only enfeeble agencies and encourage clients to invest further in their in-house agencies.

How, then, does any agency CEO turn this around, put a floor under prices, and rekindle agency growth? The most obvious step is to rethink remuneration and agency contracts (especially for new clients) to ensure that agencies are paid for the work they do rather than for some client guesstimate of agency man-hours. Is this an astonishing concept? Forget about 'value pricing' or other sophisticated remuneration schemes. Get paid for the work! That would be a good start.

If 'being paid for the work' had been the policy from 2004 to the present, agencies would have seen fees that grew in proportion to workloads, less any 'discounts' that may have been provided to meet competitive pressures. If workloads were growing at 2.3% per year (according to my research) but agencies had to discount their prices by as much as 1% per year, they would have grown their fees by 18% (in constant dollars). On an annual basis, that amounts to 1.3% compounded annual growth in constant dollars, or at least 2–4% per year in current dollars. This would have permitted investments in additional headcounts.

What is required as a first step is for agency CEOs to say, 'We can't ignore our growing workloads any longer. Across our agency, as a matter of policy, we will document, measure and negotiate our scope-of-work workloads in a uniform way as the basis of our fees. Account heads will be responsible and accountable for this – their performance will be transparent and reviewed, and corrective action plans will be put in place where workloads exceed fees'. CEOs need to establish this agency policy and roll out an off-the-shelf scope-of-work management system with a metric like the SMU.

The benefits of this should be obvious. First, agencies will be tying their remuneration to growing workloads and putting a halt to declining prices and headcounts. Second, agencies will develop a heightened awareness of what is actually in their scopes of work and, it is hoped, begin to recommend scopes of work that have a high probability of delivering improved brand results. Third, account heads will become more accountable and motivated to run their clients in a responsible way. This is sorely needed, as there has been too much scope creep and unpaid out-of-scope work over the past decade or two.

Every journey begins with a single step. Agencies embarking on the makeover path need to begin by documenting, measuring and negotiating scope-of-work workloads in a uniform way as the basis of fees. That's the first and most logical step to rekindle revenue growth and halt the erosion in agency capabilities.

We exist to help you drive the best possible performance outputs. We can help you innovate to achieve this with our agency performance services[2].

2 trinityp3.com/agency-performance

POST 21

Managing Marketing – the profession of advertising compared with management consultants

Posted 10 August 2018 by Darren Woolley

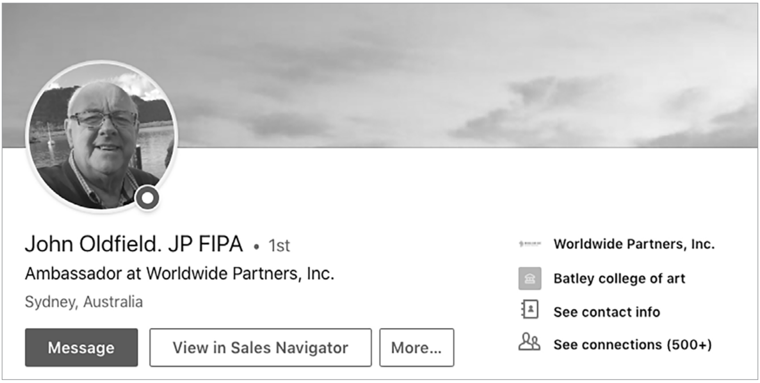
Managing Marketing is a podcast hosted by TrinityP3 founder and global CEO Darren Woolley. Each podcast is a conversation with a thought-leader, professional or practitioner of marketing and communications on issues, insights and opportunities in the marketing management category – ideal for marketers,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

John Oldfield[3] is the ambassador for Worldwide Partners, a global network of independent agencies. He was also the membership director for the Institute of Practitioners in Advertising (IPA) in the UK. Here, he discusses with Darren the difference between a trade and a profession, and how, as a chartered profession, the IPA is providing a professional accreditation program for advertising professionals globally. They also compare advertising and management consulting, identifying some key differences.

1 soundcloud.com/managing-marketing

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

3 linkedin.com/in/john-oldfield-jp-fipa-38aa8a10



Podcast transcript

Darren:

Welcome to Managing Marketing. Today, I'm sitting down with John Oldfield, who for 20 years was the membership director of the IPA and is now the ambassador for Worldwide Partners, an independent network of agencies. And you are joining us here in Sydney. Welcome John.

John:

Thank you very much, pleased to be here.

Darren:

John, 20 years with the IPA, you must have seen some phenomenal changes, based in London there, because really, London is one of the two main focuses of advertising in the world, isn't it? After Madison Avenue.

John:

Twenty years in the IPA was a fantastic opportunity and experience. But I ran my own agency for 30 years before that, which I sold, and then I was invited to come and help the IPA address some of the problems they were facing at the time. Together with Hamish Pringle, who was the director general at the time, I drafted a plan to move the institute from a very trade association, laid-back kind of culture, to a driving force in advertising and marketing communications globally.

Darren:

It really is quite dominant, because you've got the effectiveness awards and huge amounts of research, work that's been done on the quality and the financial or economic impact that advertising has with the economy in the UK. There really is an agenda there that is focused on building the recognition of advertising, isn't there?

John:

The thing with the IPA is that it is properly resourced. If you try to do that and it is not properly resourced, you end up with chaos, and no-one having any regard for the value of the outcomes/outputs it creates.

We are fortunate in the IPA in that the members were prepared to pay significant subscriptions, but they could see terrific value. Although the subscriptions were considered by some to be high, in my view they were absolutely right. The only people who ever left the IPA were those in financial difficulty, and we tried to help those in such difficulty if we possibly could. So the IPA's whole culture was based on one simple premise: that we wished to convert the industry from a trade to a profession.

We felt that would impact on talent recruitment and retention. We felt that would impact on the level of fees that clients were prepared to pay. We felt that would impact on the government's willingness to listen to what we had to say on behalf of the profession. And all that turned out to be absolutely true.

Darren:

Part of this is that we've seen the whole advertising industry begin to be disrupted, haven't we?

John:

It's become more complicated. I'm a big advocate of change. I love change.

Darren:

Well it's inevitable.

John:

That's right, but some people try to slow it down and other people happily allow it to accelerate. I'm an accelerator, not a decelerator, of change. I believe it's been good for our profession and will continue to be so. When things change very quickly, the clients are in a less strong position, where they are trying to keep up. They need people who are specialists, focused and dedicated, to help them understand the changes in the marketplace.

Darren:

So you call it a profession, advertising's a profession, which means it's professional. What has made it not be a trade? I was on the board of the Australian Marketing Institute and marketing is not even recognised as a profession in Australia, so what is it that makes advertising a profession?

Because there's not an acknowledged qualification. For you to be a lawyer, you need a recognised legal degree.

John:

You need more than a degree. You need a degree and then you need a qualification of the profession.

Darren:

But I'm talking about, at the most basic level, how a profession is based on some recognised degree or qualification. What's the degree of advertising, what's the degree of marketing? I mean there are marketing degrees, but they are not required for you to be a marketer.

John:

No, it's not a degree, but you can actually become a lawyer without a law degree. You can take other degrees as long as you get past the bar.

Darren:

It would be hard.

John:

Yeah, you've got a lot of learning to do. In the UK, marketing is a profession. There is a Chartered Institute of Marketing, and those individuals who are members, who undertake several years of training and qualifications, can reach a position where they are deemed to be sufficiently qualified to become considered a chartered practitioner of marketing. That royal charter was given to them, I think, about 15 or 20 years ago. And they've made quite a lot of progress. The IPA was granted its royal charter a year and a half ago.

Darren:

Wow, that's news I don't remember seeing splashed around the world.

John:

It was splashed around the UK a little bit. Because the first thing the IPA needs do is to ensure it's got the resources in place to deal with the demands that fall upon it in that role. Most people don't understand charter anyway. A royal charter, which has been granted by the government in the UK, has a condition attached to it: the members of the chartered body shall have a code of ethics.

Darren:

Sorry John, you've already lost half the audience because, ethics in advertising? Ethics in marketing?

John:

Yes, it's a professional thing that people working in advertising have to fulfil.

Darren:

I'm being facetious.

John:

I have difficulty in understanding this bit, it's true. The thing is that the code of ethics says the practitioner must have regard for the needs of the customer before themselves. We're talking about transparency and we're talking about trust.

Do you trust your advertising agent? Do you trust your doctor? Do you trust your lawyer and do you trust your accountant? Do you trust any of your advisers, who are professional advisers who have a chartered qualification? You can because if they don't comply with their code of ethics, they are removed from the register.

Have you ever heard of Bell Pottinger?

Darren:

Yes, I read about that.

John:

Right, well there's a very successful global PR business that was a member in the UK of the chartered Institute of Public Relations. And there were various nefarious activities undertaken in South Africa that were accommodated by the holding company in the UK. When they were investigated by the institute, which hired a law firm to do so, the institute determined that their behaviour was totally unacceptable and contrary to the code of ethics, so they removed them from the register.

This is a quoted company on the London Stock Exchange. It was insolvent 10 days later. Size is not an issue. The fact is that they had their registration removed.

Darren:

It was a significant sign to people that they were no longer to be trusted.

John:

Correct. Trust: that's what you come back to each and every time. You can trust a professional to ensure that he looks after you. That's what you'd expect from a doctor.

Darren:

Because they're held accountable by the charter, which is established to set a code of ethics.

John:

Yes.

Darren:

Why is this not more widespread outside of the UK?

John:

Other governments, for whatever reason, don't issue them – the IPA certificate training, which is the first step to becoming an MRPA.

Darren:

Which is offered through the Communications Council in Australia.

John:

It is, and it's offered through the American Association of Advertising Agencies [AAAA]. They took it in January in New York.

Darren:

Right, so that's getting some global traction.

John:

There are more people with IPA qualifications outside the UK now than inside the U.K. Two hundred people took it in Dubai earlier this year, and I'm not sure of the numbers, but I'm sure people are taking it here in Australia. It's a global qualification, the certification to become a member. It takes three years, and the learning log of each individual is retained by the IPA in London on the file servers – every piece of learning that every individual undertakes is logged.

Darren:

Beyond the three years to become qualified, is there also a requirement to constantly update your certification?

John:

Continuous professional development [CPD] is part of the agreement. And they have to continue doing 24 hours in a year – which I still think is too few, I think it should be 50. I wouldn't go to a brain surgeon who only spends half an hour a week learning the latest brain surgery techniques, would you?

Darren:

And especially because we do work in a – and I'll jump on-board here – profession that is undergoing significant transformation and expansion in complexity, that would require a significant investment of time just to keep abreast of.

John:

Advertising, marketing communications, is a knowledge-based profession. And if you are operating in a knowledge-based profession, I think you will fail if you do not possess a learning culture within the business, be that the agency or marketing side of the client's business.

If you do adopt a learning culture, you should put in place measurement. Qualifications are evidence and measurement of learning. So the whole concept of the professional qualifications that are available globally from the IPA, to independent agencies as much as networks, they are designed to ensure that anybody can keep up to speed, at the cutting edge, whatever discipline they specialise in. And have clients recognise the fact that they are differentiated from individuals who just enjoy the job that they do, but who do not possess any qualifications and cannot evidence their learning.

Certainly it's not unusual for an agency in the UK to go on a client pitch and say, 'The team of people working on this project have between them 4800 learning hours logged on the IPA. They've taken 27 examinations of qualifications and none of them are members of the institute'. It's important that you ask the credentials of the individuals who will be working on your account from the other agencies that you're talking to.

Darren:

So it's an individual-based certification, it's not a company-based certification.

John:

You're correct, and the reason for that is moral compass is something that is vested in an individual. It's very difficult to vest moral compass in a corporate entity. People change, things get ignored, things happen, you've got Facebook, all those sorts of things. But if a person sticks to the moral compass they possess, then you're on safer ground.

Darren:

One of the things, John, we've seen in the last few years is the move of management consultants into marketing and advertising. And some of them are doing that by acquisition, some by recruiting, and some of them are just moving into the area and hanging up a shingle saying, 'We're marketing and advertising experts or consultants'. Has there been a growth of interest among the management consultants in becoming certified?

John:

I think there is a charter issued to management consultants.

Darren:

Which is different to marketing and advertising.

John:

Correct. My view is they will respect the institute and what it does for them. They've had a good run. Management consultants are by and large successful. You might expect it: they are successful organisations. If you're going to spend your life telling other people how to be successful, you won't last very long unless you too are successful. So you expect them to make the right decisions, and they do have a charter.

Darren:

Yes, there is a chartered institute.

John:

So I think they will participate in the IPA's program with enthusiasm. I have absolutely no qualms about management consultants widening their service remit to include advertising and marketing communications if it's an important part of their advice to that client on how to restructure and reappraise their business models. I think that's perfectly reasonable. I think agencies should take a leaf out of their book and start looking at the measurement of results and outcomes, rather than just the delivery of a particular campaign.

I look forward to the day when agencies are hiring management consultants to work inside as head of their planning and strategic insight operations, and the difference between the two may not be as great as you might imagine in a few years' time.

Darren:

You've brought up a very good point, because one of the things that we've noticed is that the advertising industry/profession is very focused on creativity, and management consultants are very focused on financial results. Now, there is an unspoken part of that, which is creativity as the tool of financial results, but the industry often doesn't get past that, do they? Creativity often appears not as a means to an end, but as an end itself.

John:

I think it's inevitable that creative people often spend a great deal of time extolling the virtues of that which they contribute to the party, because of the character, style, ego of those people – that's how they're built. And that's less likely for someone who is a highly detailed, analytical right-brain thinker.

Darren:

There's a website that gives you a list of all the creative awards that you can enter, and globally it's about 700 awards. And it always cracks me up because, do you know the history of the Academy Awards? I think it was actually started by Louis B Mayer, one of the movie moguls of Hollywood. He was having union trouble getting his house built, so he got together with all his chums, movie moguls of the time, and they said, 'We've got to distract these unions. Let's form the Academy of Motion Picture Arts and Sciences and have an awards show, and while they're so busy worrying about who's winning what, we'll be able to get all these changes made so that the ground is better for us'.

John:

Distraction theory.

Darren:

Yeah, and I'm wondering if all these creative awards aren't a bit of a distraction because, as you've just said, creative people naturally want to champion and talk about and celebrate and be acknowledged for the thing they directly contribute to. But has the industry almost created this focus, this obsession with creative awards?

John:

Yeah, interesting. The leading institute for advertising, in my view, in the world, the IPA, has no creative awards.

Darren:

No, but they do spend a lot of money proving the financial effectiveness of creativity.

John:

Yes we do. We're famous for our effectiveness awards. I must stop saying 'our' – I've retired. The IPA's effectiveness.

Darren:

It's OK. You can feel naturally proud of 20 years invested in the IPA.

John:

Although the Effies are a step in that direction, they are not as robust as the IPA's awards, which will take a team of five people three months to produce. It's a significant investment.

But those agencies that can demonstrate the effectiveness of that which they do are generally very successful. Les Binet and professor Peter Field, all of the work they've done with the IPA, all the data that they're analysing and extracting is IPA data that proves that creativity is very important, but consistency is just as important. Changing the campaign every two minutes might be alright for a new marketing director when he turns up and wants to change everything and take credit for it, but it's often the worst thing to do.

Darren:

That's an interesting thing that you raise there, because we talk about the golden era of advertising. The 60s, 70s, even the early part of the 80s was an era of brands and campaigns that were built over time, and they became so well known and trusted because of that consistency. Yet it's often hard to think of campaigns today that have that same longevity and therefore the same level of trust.

John:

That's right, it is. I'm biased, I come from an agency background, but my view is that's absolutely the fault of the clients for changing things far, far too often. In those golden days that you referred to, the agency head used to deal with the chief executive of the client and they agreed on what they were going to do and then they let everyone get on with it. And they didn't turn up thinking of something to change because they had other things to do. The marketing director now has nothing else to do but think, what can we do today to change something to try and make it better.

But change in itself can actually have a negative impact. Leaving things alone to grow and naturally develop is often a far more successful strategy, but that isn't how marketing officers are rewarded. They're rewarded for launching new campaigns, and doing new things, and new products, and making everything change.

Darren:

I think there's a belief that being busy is part of being essential, because if I'm so busy I've got back-to-back meetings all day, and lots of projects happening, that must mean that I'm essential to the process.

John:

Well, I've seen a lot of activity that does nothing else but destroy shareholder value. Too much activity, in my view, almost inevitably destroys brand value and shareholder value.

Darren:

One of the issues we have is that clients will often brief us with, 'We want an agency that is really focused on results and effectiveness', and when we go to the agencies and have the conversations about what they can present as far as effectiveness of the campaigns, they're often left short in being able to supply that.

And the three reasons are, first, the client didn't brief any of the work based on an expectation or measure of performance – 'Please do this because this is what we want'. So, second, no KPIs or objectives were set. The campaign ran and the client didn't have any measures that they could share with the agency. And the third point is that the client didn't feel that they could trust the agency enough with the confidential results of the campaign. Now, they seem to be three incredibly flawed pieces of thinking.

John:

I have a very simple philosophy when it comes to how clients and agencies should choose one another. There are two criteria, in my view, that have to be satisfied. Satisfy these and then you can go on to the creative and the strategy and everything else. But the two things, you've got to get right first. And this is about how clients short-list.

The first is that you've got to find agencies on your short list who can prove they understand your business. The second is that you like them – no client ever gave business to an agency they didn't like and who therefore did not understand their business. If a client can find an agency that they get along with, there's some synergy there, they speak the same language, and it's apparent from their experience and knowledge, their insights and their conversations that they do understand the business, then let's look at the creative and everything else.

If you don't have those two things in place, I think the rest of it is a complete waste of time.

Darren:

Personally, from 18 years of matchmaking, it's chemistry, that alignment of culture and expectation, that is more important than getting your business, because I will get your business if you allow me in to actually get your business. I think the biggest mistake is that a lot of clients we've seen have said, 'We want an agency that understands our business'. An agency can make the mistake of going in and playing 'We know all this about your category and your business', and all they have to do is wrong-foot one thing, misinterpret one thing, and the client will immediately think of them as arrogant or misinformed.

Going back to management consultants, they never go in with a 'Here's what we think about your business' attitude. They go in with a series of questions about the business. Now those questions are informed by their knowledge of the category: Do you have a problem with this? Do you have a problem with distribution? These are the five big issues in your category, so which one is causing the most pain? They prove that they know the category of the business.

John:

That's what I'm talking about, demonstrating you understand the issues facing the client.

Darren:

John, I've seen so many agencies who've said, 'What's your category knowledge?' And they'll go in and start telling the client in the chemistry meeting exactly what's wrong with their business, and it's crash and burn. It's like walking into a firing squad wearing a target on your chest going 'Shoot me'.

John:

It's alright asking questions, but those questions have got to be relevant, informed questions about the issues the client is facing or is about to face. And it may well be that the client, at the level you're dealing with, may not be aware of some of the issues that are coming down the pipe. So you've got to be careful not to tread on people's toes, but at the same time you need to earn the respect of the client, persuade them that you as an organisation do have a contribution to make to their business. And that you do know things that they may not know.

Darren:

That could be incredibly valuable. I always say that the smartest person in the room is not the one with all the answers but the one with all the good questions, because they're the one who actually understands what's going on. You don't need the answers, you just need those questions.

John:

The most powerful person in the room is the person who says nothing.

Darren:

Exactly. It's not very professional, is it, to go in and start telling someone what's wrong with their business.

John:

I'm not encouraging anybody to tell them what's wrong with the business. That's foolish beyond belief.

Darren:

But it happens.

John:

I'm sure it does, but it is extremely foolish. They need to identify the issues, ask questions about those issues, and demonstrate that they know the right questions to ask.

I go back a long time and before I went to a meeting, I used to do a bit of telephone research. I used to talk to people on the phone in that sector, people I didn't know who I rang up. I rang a few executives at a few other companies and asked them a couple of questions: 'I'm doing a bit of research, can you help me?' You find out an awful lot about how the potential client is perceived: whether others are frightened of that particular business, whether they can make an impact in the sector, or whether they're dismissive of them. That's the sort of thing I would always want to know – how they're perceived by their peers in their own sector.

Because that's the shorthand for finding out exactly where the potential and the problems lie. If you find the client you're talking to is universally feared because they are brilliant at everything they touch, then you know how to deal with it.

Darren:

One of the other differences we've noticed, from management consultants to agencies, is that even in a world where marketers are not sharing growth objectives or performance or whatever they're briefing activity in without the context of framework or growth, agencies are always thinking about activities to grow the business. Agencies focus on top-line growth, yes? Because they feel like they're the value creditors, as opposed to management consultants who look at profit increase by reducing cost. And I'll share with you a terrific story.

We've had a number of marketing clients that have phoned us up and said, 'Our company is working with management consultant X who is coming in with ZBB', and you can tell by their approach that they've said to the CFO, 'I'm going to reduce your marketing spend by 30% by introducing ZBB'. And it's not what ZBB is about, which is investing in growth. It's purely about cost reduction. They say things like, 'Oh, your working-to-non-working ratios seem to be wrong', and we're talking about website development. And I'm going, 'There is no media component to the website'.

Is that also something that agencies have got to be aware of? That there are two parts to this: top-line growth and cost reduction?

John:

The short answer is, yes, they've got to get a grip on both. But I've always been struck by how, whenever a management consultancy submits a recommendation report, the last number of the last page is the profit figure in five years' time.

Darren:

Because that justifies their fee.

John:

That's right, of course it does. The last number on the last page of an advertising agency's report is the cost of the campaign, and that is in essence why agencies have to modify their thinking, the profile of the services they deliver, and change the client's perception that they're not here, in the short term, to make money off the campaign. They're here in the long term to build shareholder value for the client.

And there are lots of independent agencies that do that, that have that philosophy, and they're very successful, but it's a changing environment. Ten years ago it was very rare. Five years ago it was emerging. I know from experience there are a lot of agencies who do presentations where they talk about the outcomes in years 2, 3, 4. And it might be in terms of bottom line or brand share, and they'll do comparisons on share price.

Darren:

It's called framing, isn't it? It's actually framing the service that you're providing in the context of the benefit that you're aiming to deliver.

John:

I remember Crispin Porter who, many years ago, had a new business philosophy that said, 'Whatever you want, in terms of success, we'd like to be paid the same'. And there was a client who came in, I think it was Mercedes, and asked what the fee was. And Crispin said, 'I'll show the cost of running the team plus 4% or 5% to cover, then we want $30 per registration of every Mercedes. And the first part is non-negotiable. Let's negotiate whether it's $30 or $27'. And they were getting the business.

And there was another guy who turned up from an energy company. He'd been brought in on a two-year contract to move the share price from point A to point B. So they went in and said, 'When you get the share price to point B down the road, you get to vest $4 million to cover our costs. On that day we will work hard to achieve that with you, we want to vest a million. So we want payment in shares'.

Darren:

This is a conversation you can only have with the CFO. The CEO and CFO, because the CFO will absolutely get return on investment, but the CFO's representative in these conversations at the moment is procurement, and procurement is incentivised to reduce costs.

The reason I say that is that I know of a similar deal, a new product launch where the agency said, 'We'll do it at cost, and then once you hit your break-even point, we want incremental cents in the dollar'. And procurement worked out the numbers and said, 'Oh, you'll get paid too much'. And yet the agency was taking all the risk.

John:

But it's the mindset. You can't blame the people who work in procurement for that mindset.

Darren:

But that's what they're incentivised for if they don't deliver savings. They're not often incentivised for growth because that's the role of marketing. Marketing and sales are there to grow.

John:

They could step back for a moment and ask themselves, 'Do I use the same criteria for buying something really, really important at home?' And nine times out of 10 they don't buy the cheapest, though I'm sure there are some.

Darren:

You're right.

John:

If you're choosing a brain surgeon for your daughter, do you choose the cheapest brain surgeon in town or the one who's got the great success rate who might be a lot more money?

Darren:

You always use the best person for the job, not the cheapest.

John:

And yet, when they're choosing agencies, do they choose the cheapest or the best? They pretend that the cheapest is the best person for the job.

Darren:

Because a part of that is commoditisation, which is a whole separate conversation. I've just noticed the time. Thank you for sitting down and talking to me.

I have got a final question. Over that 20 years as the IPA membership director and seeing all of those fabulous campaigns, do you have a favourite?

THE END.

TrinityP3's comprehensive search and selection process provides extensive market knowledge, a tightly defined process and detailed evaluation and assessment[4].

4 trinityp3.com/agency-performance/agency-search-and-selection

POST 22

Is a corporate trade barter system right for your company?

Posted 26 June 2015 by Areef Vohra

Corporate trade[1], or barter or media trading, seems to be high on lots of agendas lately. Today, every major media agency network either has their own or is affiliated to a barter or media trading company. Why? Well, because it can, when used correctly, provide powerful solutions to a client's problems. It can also provide additional revenue streams for said agencies.

It's nothing new. Barter has been around for decades and is particularly mature in the US where it is a multibillion-dollar industry, and the UK. Globally, everyone from household brands to small companies have taken advantage of the benefits it can offer around restoring value to underperforming or obsolete assets.

So is it right for your company?

The answer to that question is never quite as simple as people would have you think. To begin with, you need to understand that there are many different models that are offered by the various companies out there, then you need to figure out which is the best one for your company. I'll try and give you the short version here.

1 trinityp3.com/2014/10/media-value-corporate-trade

The trade credit model

First, there is the straightforward trade credit model, which is the oldest. Here, you are issued with a 'trade credit' which is in essence an IOU issued by the barter company. This can sit on your ledger and be offset as a prepaid expense to help balance books on writedowns for underperforming assets, excess stock and so on.

Example: You have $500k of product that is obsolete, for which you are facing a writedown of $350k. The barter company will issue you with $500k of trade credits to purchase said product (which they will onsell in accordance with your stipulations). This $500k credit is to be spent on services they provide (predominantly media). You restore full value to your product and use money you were going to spend on media anyway to do so.

A variation of the above is that the barter company will guarantee to purchase the obsolete stock at full book value, as long as you guarantee to place a certain amount of media through them.

Example: Company X will buy your $500k of obsolete stock at full face value after you have placed $5m of your media spend through them.

The cross-purchase model

There is also the cross-purchase model. This essentially requires you to place a portion of your media spend through the barter company and they in return will purchase a guaranteed amount of product from you, thereby assuring you of immediate ROI.

Example: Client X lets a barter company place $500k of media spend through them. In return, the barter company will guarantee to buy 25% of that spend back in product, thereby providing a guaranteed ROI even before consumer purchases.

The media trading model

Finally, there is the media trading model, which is the most simplified of all. Simply put, you will be provided with incremental benefit for every dollar that is placed through the media trading entity.

Example: Place $1m of your media spend through the media trading or barter company and you will be provided with a 10% rebate in the form of additional media, cash, or additional agency services.

I also have to say here that all barter/media trading companies will guarantee that your media will be bought in cooperation with your planning and buying agency, and at your specific performance benchmarks.

The above models are the most commonly used, but variations and/or combinations are not uncommon.

So how can it possibly work, and how can they make money?

Well, here is the clever bit. Similar to trading desks in digital media, the key is to buy the media for less than the client will pay while maintaining quality and performance parameters. Barter companies, in essence, take long positions on the media market. They work with media owners either providing up-front cash injections or the promise of new money to the market, or increased share, or anything that would be seen as a commercial trading advantage. For this, they negotiate a cents-on-the-dollar margin (off clients' negotiated rates), which can be anywhere between 10% and 30%.

Example: A barter company agrees to place $4m of new, incremental or commercially advantageous revenue from its clients with a media supplier. However, for that $4m, the barter company wants a discount of 25%. The onus is then on the barter company to find clients to take up that volume. Once they do that, however, they have created $1m in revenue for themselves. It is this revenue that is then used to rebate clients, buy product or obsolete stock (which they will then onsell), and also create profit for the barter company.

So on the surface, everyone wins and clients get to recover value or add ROI through media spend that they were going to use anyway. Simple, isn't it? Yes and no, and this is why I started this with a question.

Be aware of the caveats

Most clients when presented with this would be keen to take advantage of barter to help solve business problems. However, there are a few caveats that you need to be aware of.

1. Work on a 90/10 equation

The first thing to be aware of is that if you have $500k of trade credits on your books, you can't just place $500k of your media spend through the barter company and balance the books. The margin with media owners of between 10% and 30% just won't allow that.

A basic rule of thumb is that you will need to work on a 90/10 equation, with 90% cash and 10% trade credit. This is fine if you have an annual media budget in the tens of millions because you can get through the $5m required to recoup the $500k relatively quickly. However, if your media spend is lower than that, it may take you a few years to get through the trade credits. The question you will need to ask yourself is: 'Am I OK with that?'

2. What do the words 'commercially advantageous' mean?

The second thing to be aware of is the terms the barter company has with media owners and the words 'commercially advantageous'. If you have a $10m budget and have always spent all of it with Seven, don't expect them to agree to work with a barter company for any of your media. Why should they? There is no commercial benefit in that.

What does that mean? If you have always had specific media partnerships and will continue to do so, or have annual negotiations and lock-down spends, then the extent to which you can engage with a barter company will be limited by the flexibility of your media plans. As a rule of thumb, in an ideal world you should be able to work with a barter company on between 10% and 20% of your total media spend.

However, there are media owners that will work with barter companies and media owners that refuse to do so. Knowing who will and who won't, and what that means in the context of your media spend, is also crucial to deciding which model will work best for you.

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So the answer to my question 'Is a corporate trade barter system right for your company?' is not as simple as a 'Yes' or 'No'. The answer depends on quite a few variables and is probably that how much you know about those variables will dictate when, if and how you should engage.

Find out how TrinityP3 marketing management consultants can help you with this[2].

2 trinityp3.com/contact

POST 23

Is it time marketers rethink agency competitive conflicts of interest?

Posted 7 February 2018 by Darren Woolley

A major and complex issue for marketers when looking for new agencies, or going to market with a tender, is concerns over conflict of interest. That is, not wanting to select an agency that already has a client that is a competitor. But what constitutes a competitive conflict will vary from advertiser to advertiser and category to category. It will also increasingly vary as the relationships between advertisers and their agencies evolve.

Some categories are incredibly broad in what constitutes a conflict, such as financial services or alcoholic beverages, and therefore can quickly limit the choice of agencies without conflicts. Other categories will be more specific, such as retail, where the conflicts will be defined within a subcategory such as apparel or homewares, or even subcategories based on the positioning in the market such as prestige, mass market and so on. This means that agencies could have a number of clients in a category.

But why is there a concern over agency conflicts when the market has changed so much and relationships with agencies are more short term and fragmented? Is this preoccupation with competitive conflicts still relevant in today's market?

What is competitive conflict?

The issue of competitive conflict usually arises as part of the pitch process, either in the selection of the agency without a conflict or where an agency pitches for a new client who is in conflict with an incumbent.

When the topic of competitive conflicts arise, as part of the market search brief process prior to a pitch, it is interesting to see how different marketers consider the issue. For some, it is almost an instinctive response to cast the net as wide as possible. When asked why they want to make the competitive set so wide, the standard response is to protect the brand and the strategy. Other marketers are more considered in their response and will list only those brands they consider direct competitors. When asked why it is important that the agencies do not work for these competitive companies, the standard response, again, is to protect the brand and the strategy.

But then there are times when an organisation may have multiple competitive brands, either by design or by legacy of acquisitions, where often the financial benefits of the economies of scale will override concerns about competitive conflicts of interest. Of course, this is justified by the organisation saying that they would ensure that the two market-facing brands have different strategies and therefore different executions.

But what is the strategy that the marketer is protecting? Mostly, the agency is involved in developing marketing communications or advertising. The development of products and services, the pricing and the other business strategy decisions are increasingly made elsewhere in marketing or in the organisation. But because the advertising and marketing communications are so visible, marketers are very concerned about appointing agencies that also have competitive clients.

Shorting the agency category

Some of the larger advertisers use this concern over competitive conflict to their advantage. Often, they adopt a strategy to engage multiple highly creative and highly regarded agencies on projects to simply take them out of market consideration by their competitors. Anytime you see multiple creative agencies working with the one organisation, even across multiple brands or multiple business units, it is a reasonable assumption that it is part of a strategy to take those agencies out of the marketplace.

But in some categories, there is already a shortage of good-quality agencies because the category is highly competitive, with multiple brands operating in competition with each other. Automotive and financial services come to mind, but increasingly media advertisers are also competing for audiences and advertiser dollars. In these categories, you can have multiple advertisers and multiple brands, each with their own agencies appointed to that brand and therefore excluded from working with any other brand in the entire category. If you consider financial services, this can be everything from banking to insurance to superannuation to annuities to wealth management to FinTech start-ups, which are all the rage today, and so on. It is an incredibly diverse category of financial services, but also incredibly complex.

Even if there were enough agencies to go around, the whole process of competitive conflict means that most agencies with experience in the business will simply move to another client in that competitive set if they ever lose a client, because that experience is highly regarded. This makes it hard for new agencies to break into the category, unless they are highly specialised and therefore highly desired. Interestingly, there are some agency categories where these conflicts do not seem to be as big an issue. So while media agencies will often have to set up a new agency to accommodate a competitive client, public relations firms have been known to build their reputation in a particular category like fashion or alcoholic beverages or health by representing multiple competitive clients at the same time.

The decline in the agency of record

But look at how the market is changing. There was a time when advertisers would make a big fuss about selecting an AOR that would effectively be their lead agency and responsible for the advertising strategy. But the concept of AOR is not as relevant today, as marketers are engaging a wider range of marketing suppliers, including agencies, suppliers, vendors, tech companies and, of course, management consultants.

This fragmentation of the agency roster means that the relationship between the advertiser and their advertising agency is not as dependent as it was, as now the advertiser will have multiple partners from which to seek advice and assistance. This trend is reflected in the fact that many advertisers are moving away from the big retainer payment to the agency, and instead engaging their agencies on a project basis. But it is also reflective of the change in marketing strategies, with the fragmentation of media and the associated audience fragmentation and the rise of digital channels moving the focus away from what was the core of the advertiser's strategy and the agency's core capability, being traditional advertising and particularly television.

It is not that marketers are not using television advertising, it is just that the percentage of their budget for television and other advertising is often smaller as more of their marketing communications budget goes into other channels, both digital and non-digital, to engage the audience.

So if the relationship between marketers and their advertising agencies is not as deeply connected as before, is it reasonable for the marketer to continue to demand that the agency forgoes all other opportunities in the category?

Managing conflicts within holding companies

Holding companies understand how to overcome the conflict of interest issues their clients may have by maximising their share of the category, either by acquiring or creating conflict agency brands to manage the client conflict concerns.

Multiple agency brands were ideal for being able to shift a client into the holding company through a separate agency brand. If that did not work or was not available, because all of the agency brands were often conflicted, then it simply became a matter of creating an agency specifically for the client. An agency of their own had no conflicts. All it required was a client with a large enough spend who was looking to stay for a while, and a large enough pool of talent across the agency base that could be scraped together.

Other agencies have tried to have conflicting clients within the one agency by creating what the industry calls 'paper walls' between the conflicts. (Note that this was often referred to as Chinese walls, but the fact is that the Japanese and not the Chinese were better known for paper home construction.) Many clients saw through this ruse and were often concerned about the crossover between the teams within the agency. I know of one client who demanded that the agency create two entries into the agency building so that they would never have to see their competitor, or any of the team, or the work the agency did for them. Others would simply ignore the issue and get on with working with their agency team.

The rise of the management consultants

We are increasingly reading and hearing about the move of management consulting firms into the marketing and advertising category. Digital, data and CMO advisories are all the rage for the management consultants.

Unlike advertising agencies, there is no apparent competitive conflict, as the fact they work across multiple clients in the one category is seen as a benefit, providing depth of knowledge and insight into the category. But now we are seeing and hearing about these firms buying advertising agencies. Most notably is Accenture's purchase of Karmarama in the UK and The Monkeys in Australia. Others continue to build these capabilities in-house by recruiting key personnel from agencies into the fold.

Along with this move, I have had conversations with marketers who have been approached by their agencies, recently acquired by the management consultant firms, to discuss dropping or modifying the competitive conflict of interest clauses in their contracts to allow them to pursue competitive business. To date, all of the marketers have flatly rejected the suggestion. Even when explored, the fact is that they see management consultants very differently from their agencies.

It will be interesting to see how this plays out, as there are some fundamental differences between agencies and management consultants in costs, business models and relationships. Certainly, if a change in the way marketers engage their agencies is going to occur and marketers drop their concerns on competitive conflicts, it is still years away as marketers appear to be very firm on this issue. The question is why.

The real marketer worry about conflicts

While I have shared that the usual reason marketers give for their agencies to avoid any competitive conflict of interest is to protect the brand and the business, I have had a number of very direct discussions that reveal a much more emotionally powerful reason for this demand for exclusivity in the relationship. That is FOMO – fear of missing out.

It appears that the real concern deep down in that part of the marketer's brain responsible for self-preservation is an often-hidden fear that if they share an agency with a competitor, then the competitor will get the better creative and strategy team and therefore will get the better ideas and better campaign, while the marketer will be getting second-best. And when it comes to media, there is a concern that their competitor will get the better deals and the better buys and more of the media first-opportunities, and again, they will come off second-best. And so it goes.

Sure, you could say this is part of protecting the brand and the business, but the fact is that it is a much more powerful motivator at this emotional level. When so much of what agencies provide to their clients is subjective and difficult to measure or quantify, it becomes a powerful fear that marketers prefer to avoid simply by demanding that their agency rejects competitive business.

How do we address the issue of conflicts?

I remember just after I left advertising and started my TrinityP3 consultancy in 2000, I was in discussions with a client on a major project, and having accepted my proposal for the work, they said, 'Of course, we will want you to be exclusive on this'. I looked them in the eye and asked them how many competitors they could identify in the market, and they counted out nine, to which I replied, 'Then just multiply that figure by nine and you have me exclusively'. Let's just say that we agreed the price and terms on the spot.

The market is changing, and the relationship between marketers and their agencies is changing. There are more suppliers, vendors and agencies working with each individual client, and clients, of course, want to work with the best. So isn't it time we rethink this idea of competitive conflicts? Perhaps the first step is marketers not being so broad in the way they define the competitive set, so that the great agencies they want to work with have an opportunity to work with more advertisers and be more successful.

TrinityP3's comprehensive search and selection process provides extensive market knowledge, a tightly defined process, and detailed evaluation and assessment[1].

1 trinityp3.com/agency-performance/agency-search-and-selection

POST 24

Pitfalls to avoid when losing a pitch

Posted 28 May 2018 by David Angell

God knows, pitching is hard on agencies. To be honest, it's hard on everyone, but the diligence required to make an informed and holistic decision about a commercial relationship of this nature naturally requires a lot of work.

The joy of victory

When agencies win pitches, they are naturally ecstatic. And why not? It's payback for the sheer hard work that's gone in. As I'm sure you're aware, there are many articles, my own included, that provide advice on how to win a pitch.

The agony of defeat (and how not to deal with it)

An area of interest to me lately, and which I don't think is as often covered, is how, if you're an agency, to lose a pitch – that is, when the decision goes against you, how best to react.

I'd never thought that this kind of advice would be required. I mean, we're all grown-ups, right? But over the years I've spent running pitches, while the majority of agencies are gracious in defeat, I've come across some truly remarkable 'losing' behaviour. As a result of this, something I often say to marketing and procurement teams is that, in pitches and in general day-to-day relationships, you can tell as much about an agency – its people, culture and general sense of balance – by how it loses as by how it wins.

The best way to illustrate this is by providing a list of examples of 'bad' reactions. This may seem like a negative approach, but I think that doing the opposite (advising on all the good things you can say as a losing agency) is going to sound like I'm teaching grandma to suck eggs. In fact, approaching this topic either way feels a bit grandmothery, but I justify it based on the fact that I've experienced all of the following examples.

These things do actually happen, and I doubt the agencies involved start out with destructive intent. While hearing tough feedback is obviously challenging, the heat of the moment, it seems, can be very powerful.

So here's a list of behaviours to steer clear of when losing a pitch, all of which are real-life examples.

1. Don't be myopic about the feedback you receive

This is a really common error. So many agencies go on the defensive when given feedback intended as constructive. What many people fail to remember is that in a competitive process, everything is relative to the competition. No matter how many times I state it in feedback, there's often an agency who'll shout back, 'How can you say we missed this? We spent ages on it in our deck!' No-one's saying it was missed, but relative to the competition, you were pipped in this area for XYZ reasons.

2. Don't say, in a stroppy tone, that you already knew what the decision was

If that's the case, why are you so surprised and disappointed during the call or in the meeting? This response just smacks of arrogance and a desire to denigrate the client and/or the process. Whether an agency knew the decision or not is immaterial. Or worse, 'I knew from day one that it was a foregone conclusion. This pitch is just a set-up'. If that was your view all along, why agree to participate in the first place?

3. Don't accuse the client of making irrational decisions

Saying things like 'Oh, once I learned that agency XYZ was in the final stage, I knew Client A would go with them, they're just besotted' is really pretty insulting to a marketing team that will generally have spent months on a process of due diligence (assuming the pitch has been run properly). And you, as an agency, really can't know all the nuances behind competitive submissions, no matter what the grapevine tells you.

4. Don't immediately assume that cost is the reason, or the answer

We advocate a decision in principle about the preferred agency being made by the client before they see our report on financial costing (remuneration). And generally we're successful in this approach. If the agencies are so closely matched that cost becomes a factor, we'll talk to each agency involved on a level-playing-field basis.

But cost is just that – a factor, not the entirety. I'm aware that I'm just talking about our own approach to pitch management here, and there are, I know full well, a lot of 'race to the bottom' processes out there. Just don't leap to the conclusion that cost is all.

5. Don't get aggressive with the client in the feedback call

Sounds obvious, right? But I promise you, aggressive behaviour, such as cutting the client off in mid-sentence, disregarding thanks for the effort involved, and putting the phone down abruptly, among others, does happen. You never know where that client is going to end up in a couple of years.

6. Don't blame the process in retrospect

Criticising the consultant, or the process, is fine up to a point, and I try to take any criticism on-board if it's constructive. But there is a line: you chose freely to enter into the process, so please have some respect for the work that goes in at that end, which is significant, just as any good client/consultant will demonstrate respect to you for your work.

7. Don't slag off the winning agency

Honestly, really? What good is this approach going to do, other than allowing you to vent some steam? I've experienced losing agencies telling clients or myself that the winning agency shouldn't have been on the list to start with, that it's a flash in the pan or a boring monolith, that it's living on past reputation, that this will never work and you'll regret it.

At the end of the day, of course a relationship may not work out. But saying this to a client on losing a pitch will generally make that client feel secure in the knowledge that, while they don't know what will happen with the winning agency, they've definitely made the right choice in not choosing your agency.

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I repeat for the sceptical – all of the above happens, and has happened to me personally over the last four years or so. And I'm sure my own reactions to such incidents haven't been perfect at all times, either. Losing sucks. I've lost enough pitches when working in agencies to know how it feels.

I can't tell you how much respect I have for what any agency endures in a pitch – and how much that respect increases if they lose gracefully, or diminishes when they lose badly.

TrinityP3's comprehensive search and selection process provides extensive market knowledge, a tightly defined process, and detailed evaluation and assessment[1]*.*

1 trinityp3.com/agency-performance/agency-search-and-selection

POST 25

Managing Marketing – the importance of measuring performance in digital marketing

Posted 7 July 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].

Luke Brown[3] is the CEO and co-founder of Affinity[4]. Here, he discusses with Darren his agency's approach to digital advertising, as well as the importance of clearly defining business and marketing success up-front, developing a strategy, and optimising the execution against that objective.

1 soundcloud.com/managing-marketing

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

3 linkedin.com/in/lukebrownau

4 affinity.ad

Podcast transcript

Darren:

Welcome to Managing Marketing. This week, I'm joined by Luke Brown, CEO and co-founder of the agency Affinity here in Sydney. Welcome Luke.

Luke:

Thanks Darren.

Darren:

Luke, I've read some of the opinion pieces that you've recently been placing in the trade press or trade media[5], and I've been really impressed by your view of the marketing landscape. But one of the topics I particularly wanted to discuss with you is that we've seen digital advertising grow and grow and grow for the last decade. It's been the darling of marketers. Everyone's been talking about how terrific digital marketing is, and media – except in the last month or so. Suddenly, it's like the demon, and everyone's pointing the finger at how it's ripping all the marketers off. What do you think's happened?

Luke:

That's a really good question. We believe that digital is an incredibly powerful tool, but it's definitely been overhyped and often oversold. It's not a silver bullet for every situation.

Darren:

It is horses for courses, isn't it? One of the things that cracks me

5 mumbrella.com.au/programmatic-debate-simplistic-naive-just-plain-wrong-434983

up is the fact that so many people in the industry talk about it as if it's either-or: you either do digital or you stay the old-fashioned traditional. Whoever said it was a choice between one or the other?

Luke:

There is also this fallacy that digital is going to be cheaper for you, and that is just insanity. The thing about digital is that it takes increasing effort to optimise it. You need to put the time and resources into it, otherwise you won't get the outcome that you need at the end of it.

Darren:

One of the great things about the internet is that it has democratised the ability of people to be able to create content and put it out there as a way of attracting attention and engagement for their business. So it is a channel that any business – small, medium or large – can actually access. I remember in the television-only days, you were either a television advertiser because you had the big bucks, or you weren't. In that way it has provided access to a mass medium, hasn't it?

Luke:

It definitely has. We work with a lot of smaller clients and we've been able to take them and scale them through digital more so than they would have been able to in any other medium. That's because of the cost of entry, but it's also about the smarts you put into it, and how you measure it and make sure that you're driving towards an outcome.

I think that's where, too often, people look at digital as a traditional media and it's all about reach and frequency and that's all there is to it. And that's where they fall down because digital is beyond reach and frequency. You can't just look at the views that you get from something. And let's face it, a view in Facebook is three seconds, and without audio, what is that really doing for your brand? YouTube is five seconds – that's slightly better before the skip and you can pay for longer. You're at least getting a little better metric. But at the end of the day, so what?

Are you meeting your business outcomes? That's something that we're really quite strong at here: really forcing how we're going to measure outcomes and know that it's working. Not months down the track when the cash register starts singing, but straight away.

Darren:

That's one of the things I really like about the opinion you've been putting into the marketplace: that ultimately marketing is about changing behaviour or attitudes to deliver outcomes. But marketers who buy digital the same way they bought television and press, cost per mille/thousand [CPM], aren't they actually missing the whole point of the opportunity that digital provides?

Luke:

Exactly, it's a completely different medium. People are stuck in the 20th-century paradigm about reach and frequency, but digital can do so much more. And you need to look at direct correlations to a business goal, not just a digital goal. Who cares about likes and shares and other things? We need to bring it back down to the business goal at all times.

Darren:

My personal opinion is that digital is not necessarily good at getting mass reach and frequency fast. Television still performs very well. For all the stories about TV being dead, a good television campaign can get you lot of awareness. What it can't get you is any sort of engagement. Wouldn't you agree?

Luke:

Totally, and with some of our clients we're going to be submitting an Effie for them this year. We've programmatically built their brand through digital, through programmatic trading. And now we're at a stage where we've got them enough money so they can be on TV so they can take that next level in their journey. And so digital has really enabled a lot of the smaller players who couldn't ever really get to TV, to come on a journey and grow and get to a television status brand.

Darren:

That's brilliant, because I talk to so many digital agencies that seem to think that it has to be digital from end to end – like, beginning, middle and end, it's all digital. They're the ones that go, 'Oh, TV's dead, no-one's watching TV', which is just garbage. I don't know why they say it.

Luke:

I don't know either. Partly, I think it's because people don't have competence in that area. We've always understood as marketing professionals that our goal is not to sell our client an ad. In fact, that's not our goal at all. It's whatever is the right thing that they need. And sometimes, yes, it will be a television commercial [TVC].

Darren:

If they can afford it and it's right for what they're trying to achieve.

Luke:

And if it's going to be the most efficient thing for delivering it, if they have the budget. But there are often a lot smarter things along the path to sale you can do that will influence your sales a lot more, and then, yes, if you've got budget left over, TV is a wonderful thing.

Certainly our client mix has changed considerably over the last 18 months. We're picking up bigger and bigger clients and TV is the right mix for them. And some of the smaller clients we've grown, they've got scale behind them now as products. They're triple the size they were when they first met us, and now they're looking at other ways to get to the next level of growth.

Darren:

And that makes sense. You've actually taken them on this progression and at each stage used the appropriate channel to fulfil on strategy and deliver the objectives.

Luke:

Exactly. And we won't be abandoning digital for them now that we're doing their first TV campaign. Digital is a core part of the mix for them. It's helped them grow 300%.

Darren:

A lot of people use that phrase 'a core part of the mix', and I always get really disappointed because what they mean by that is, 'Yes, we're going to take the TV ad and we're going to put it out through digital'. And to me, all that means is you've got multiple channels and you're just pushing the same bit of content out. 'Yes, we've made a TV ad. Look, it's on YouTube', and, 'Oh look, we're delivering it programmatically', but it's all broadcast, broadcast, broadcast.

I remember back in the mid-90s being a creative director when people started talking about the internet, and the great promise of the internet was interactivity. So you run a TV ad to get awareness, but you immediately design it in a way that it funnels people online into a digital realm where you can then start to interact with them and move them forward down the ubiquitous sales funnel.

Luke:

Exactly, and see what gates they're going through. And over time you're able to understand that if they do certain actions, you know that they'll end up buying product from you. And that's the measurement people need to put in place to have effective marketing nowadays.

But often it's not even about the digital things. You need to do stuff in-store. The work that's being done in-store now is still stuck in a 20th-century paradigm. We're not really putting a lot of effort and energy in there, so there's a range of things that we can do to digitise that experience as well. But also make sure that we're delivering a better customer experience throughout the entire process online and offline.

Darren:

There is quite a lot of focus on the last 2, 5 or 10 metres, the last 15 seconds, where the customer actually makes the purchase decision. But I wonder sometimes whether people are actually thinking about the customer experience there, or they're just working out how they can ram the brand down the customer's throat.

Luke:

Is it consistent all the way through from when they're online or they're on TV, and they go online and then through the funnel stages?

Darren:

I just want to pull you up there because I'm really interested in what you mean by 'consistent', because so many people interpret 'consistent' as being the same. What do you mean by being consistent?

Luke:

For me it's not necessarily the same, but there's a tonality and a strategic underpinning of your messaging that needs to be consistent. And what we see with other agencies, or the way clients are set up with multiple agencies, is there is a massive fragmentation in messaging, and it's almost a disconnect that the online experience is different to the TV ad, which is different to the in-store experience. They're not giving you a consistent path to sale and they're not laddering on each other to ensure you end up buying the product.

Darren:

The idea of having the same collars or cuffs or matching set of suitcases – the whole Tosca range of suitcases – from my perspective, diminishes potentially the power of each channel or each environment. It's the old days of 'We'll just take a frame out of the TV ad and put that into any print material and we'll have the same line running across'.

Luke:

Oh Darren, that's integrated isn't it?

Darren:

Yeah, it's integrated and consistent. We'll even take the audio track from TV and that'll become radio, it'll now run on Pandora. But they may not see the TV. Aren't you under-utilising each medium?

Luke:

Again, going back to trying to deliver to the same goal, and yes, bring it to life the right way in each medium, but it's about the funnel – how you're driving people through that funnel and the experiences that you give them. Digital does allow that great ability to give you experiences along the way to self-classify, to work out which product, as part of the range, you are. That funnel gives you signals as to how you should re-market to them as well, or how to evolve sequence messaging to them to make sure that they convert.

Darren:

I think that consistency, as you said, is in things like tonality and purpose. What's the intent? What am I trying to do here to move people? Now you use the funnel.

You might recall I have a science background. I like the idea of it being a particle accelerator, and the reason I like that is I think of customers as electrons: they're full of energy and they're flying around all over the place. 'Oh my god, they're living a life.' So at the start of the particle accelerator, you need lots of energy to be able to collect as many of those electrons into a beam, but then as you accelerate them along there to get them to the point where they're actually going to purchase, you change from using sheer energy and power to more finesse and a more strategic approach.

So you start very wide and powerful, but then as you focus that beam on your ultimate objective, which is getting people to buy, you need to turn the power down a bit. You don't want to keep accelerating them wildly. You want to get them focused on what they need to do, and if they start diverging off that path, what you subtly need to do is to bring them back to the ultimate destination.

Luke:

Exactly.

Darren:

Do you like that metaphor?

Luke:

I do indeed. Talking a lot with our clients, funnels work because everyone understands them and they can measure things straight through. I do like the metaphor.

For us, we try and think in terms of behavioural nudges through the digital process, that's what we're doing. We're not arrogant enough to think that we can change behaviour. It's not about that, although there are a lot of agencies out there saying, 'The goal of all your marketing is behavioural change'. Our goal is to actually influence behaviour, and that's a semantic difference but it's important because in influencing existing behaviour, you're much more likely to get an outcome. And our best work, well we won five Effies last year, and it was because we were able to influence existing behaviour rather than really trying to change people's behaviour.

Darren:

It's interesting as well because changing behaviour exists in a moment of time. There'll be a time that I was doing this behaviour and then after that point in time I'm now doing this behaviour. Whereas what you're talking about is, on a continuum, constantly nudging the behaviour along.

Luke:

Understanding what their actual behaviour is now, and that's where digital is so amazing. You can really understand what people are doing moment to moment, and understand what they're consuming, and that gives you nudge-points of being able to push them into different actions, and you can see them do that as well.

Darren:

You're talking now like a direct marketer. I know things like direct marketing have sort of disappeared over time, but Lester Wunderman wrote books about being able to nudge the customer along the path to purchase, and the only tools he had were pools of typists typing personalised letters and mailing them out and waiting for a response. In the digital age, we can respond literally to a customer's behaviour, can't we?

Luke:

Exactly, and Lester would've loved to have had the tools we have now, and certainly what is old is new again. There is a lot about direct marketing that we apply every day, but for us, behavioural science shows how we can nudge people along. We use a lot of behavioural science in what we do in order to get the outcome that we're after.

Darren:

A lot of people talk about behavioural science. How do you actually apply it?

I know it's incredibly complex, but there are some basic behavioural science principles. The seminal book for me was *Predictably Irrational*[6], because suddenly you started to understand that classical economics, the idea that people react in a rational way, is actually completely flawed. Anyone who observes the human condition can see that.

6 goodreads.com/book/show/1713426.Predictably_Irrational

I love the concept that we're absolutely irrational in our decision-making process, but the beauty is that we're predictable in that irrationality.

Luke:

For me, what's interesting is that the measurements we can do now on what people are actually doing, they are able to prove that we're irrational. They are able to prove a whole range of things, and that enables us to be smarter with our messaging and over time with our conversion. And at the end of the day, that's what it's got to be about.

Darren:

So going back to where we started, which is people seem to have turned on marketers and the industry, I read one of Mark Ritson's things, 'Brand safety is all caused by Google'. Everyone's pointing the finger. It's really at that top end of awareness where it's all gone wrong, rather than the approach along the funnel to conversion.

Luke:

Predominantly, and you've got to ask, who broke these stories? It was old-school publishers trying to get people back into their medium. Call me cynical, but I think it was *The Times* and *The Guardian* in London trying to get people back into them. And this conversation needs to be had. There are things we need to do better as an industry, so I'm glad it's been had.

Darren:

But is this a conversation? It just feels like a whole lot of finger-pointing.

Luke:

There was a whole range of clients that pulled out of YouTube and that lasted all of a week. They're back on now. We had one of our clients who was affected by it, and I think it was only three days before they reversed their decision and went back on.

Darren:

But that's a knee-jerk reaction, isn't it?

Luke:

Yeah, but it's built up in this hysteria: 'Our ads are feeding ISIS'.

Darren:

I remember I was in London when that *Times* story broke about how all these big-brand ads were appearing on websites for terrorist and criminal organisations, and certainly the traditional news have been beating it up like you wouldn't believe and they've called it 'brand safety'.

But the guys at ID Comms in London had a really powerful shift on that: 'It's not about brand safety. It's about brand care'. Because if you care about your brand, you would have considered this. This whole thing has become a big issue in the last few months. I first read about it in Digiday in 2012, so that's five years ago they were talking about it and raising it as an issue then.

Luke:

And if you tool your programmatic tools correctly, you can avoid any of this through the platforms themselves. You just have to work really hard at it.

Darren:

If you care enough, you'll actually make sure that your programmatic algorithm tries as much as possible to avoid the wrong environment.

Luke:

We've all seen that classic YouTube clip of one of the ocean liners in the Mediterranean on its side, and next to it is P&O or one of those companies trying to sell cruises – I think it's one of their ships actually. I think that happened in 2012. From that moment onwards, the industry really focused, or should have been focusing, on brand safety, and there are some really basic measures that they could have used to avoid that. And I'm surprised, to be honest, that some of the big brands have been caught up on terrorist websites.

Darren:

But isn't it a fact that often marketers are sending dual messages about what's most important to them? So you're my agency, and I want you to deliver as many people as possible at the lowest cost possible, and I want you to make sure it doesn't appear in a damaging environment. But in actual fact, of the two things, which is more important to me: lowest cost or safest environment? Because there is a trade-off, isn't there?

Luke:

We could stop that conversation right there and say, 'What is the outcome that you want?'

Darren:

I just want lots of people to see my ad.

Luke:

And we'd say, 'No, that's not good enough for us, let's talk about what sort of conversion we're expecting from this activity and how we're going to measure that', rather than views because it is meaningless when it comes to digital. Somebody said recently, 'You've got more chance of being bitten by a shark than clicking on a banner ad'. I don't personally believe in that because if you tool your media correctly and if you have good creative in your banner ads, we're getting well over the industry average: 1–2% levels.

Darren:

That is impressive considering it's like 0.00000 …

Luke:

So if you tool your digital correctly, you have the right target audience and you're getting what we normally associate with a direct marketing response from old-school of 1–2%, and that's what we're seeing in a lot of our digital activity. And we're tracking that through to not just how many people arrive at the next site.

Darren:

And that's just in a burst, a program of programmatic serving? Retargeting, you'd have a much higher conversion rate, wouldn't you?

Luke:

Definitely. Oh, click-through rate, but then we're working to conversion rates and so that's why we always start moving from views or other things into more meaningful things about how we're meeting their business objectives.

Darren:

Leads and conversions and costs per lead and costs per conversion.

Luke:

And some of it is difficult to do because they're sold through third-party sales areas, so we need to work out other surrogate measures along the way and that's part of our IP. If we see those measures being hit, we know that we're well on the way to getting a sale.

Darren:

I was talking to a consumer goods client – they sell all their products through retailers across Asia – and the question they had was, 'How much should I be spending on digital media?' And I said, 'Well what do you want to achieve?' 'Oh, I need awareness.' 'Well, will digital be best for you?' 'Yeah, we believe so.' 'Why do you believe so?' 'Well, television's fragmented and we can't afford to get the reach and frequency, so we've just been topping it up with digital.' And I'm a bit concerned, this is a warning bell going off, and I said, 'Well, what do you measure?' 'Oh, just impressions.' And I went 'eerrr, eerrr, eerrr'. Wow.

One of my colleagues in the US emailed me a brief and I swear I've read this brief. Budget was like $200,000. Task – do more digital stuff.

That was the brief to the agency: we need more digital stuff.

Luke:

Fantastic. I'd love a brief like that. And then we'd take it and work it and do something meaningful.

Impressions is just so ridiculous, and you're opening yourself up to ad fraud if you don't have a meaningful way of getting down to an attribution point somewhere in your funnel. Ad fraud and viewability are issues that are going to come into play for you. But if you're looking down the funnel and figuring out how to set up some ROI benchmarks for your digital activity, you'll be able to weed out a lot of the ad fraud and a lot of the viewability issues because it just won't perform. It can't perform.

There will always be ad fraud, unfortunately, just like there will always be spam. It doesn't matter how much we make it illegal, everyone gets it every day. What we can do is be smarter with how we measure things, so you can turn it off when things aren't working, and that's the marketer's responsibility. And frankly, it's our responsibility as an agency to show clients the way: 'This is how we're going to measure it. This is going to be a more meaningful impact for you'.

And they'll see it in their sales once we hit some surrogates or other things. We have ways to convert offline to online and online to offline.

Darren:

Through attribution?

Luke:

Attribution modelling and through digital footprints and other things, depending on the client. So those things are really powerful and then all of a sudden that starts unlocking business case with the client organisation to say, 'We need to spend more money on this'.

I think one of the things that people have found in digital is they haven't resourced it appropriately. There's a feeling that it's cheap to do. It's not cheap to do well necessarily. And that ongoing optimisation is required. We don't get those click-through rates straight out of the gate. That's how we've optimised over time. That takes time and effort, and some of our clients value that and they pay us for that – they can see the outcome at the end and that's why.

Darren:

Well, they're paying for the result, not the effort.

Luke:

Exactly, and that's why we're moving more of our clients to PBR because we can see the data.

Darren:

Yaaay. You're playing my song.

Luke:

And frankly we prefer it because we get remunerated more. There's less risk from the client's point of view and we have the upside in knowing the data parts, we can see the results. There's nowhere to hide.

Darren:

Now I've got a question for you. Inside the agency, does that performance-based focus improve morale? Does it have any impact on the way people work on clients?

Luke:

It has a huge impact. Everyone's so vested in making that campaign a success. We've actually banned that word – campaign – but everyone here is vested in making that work for the client, and whether it's copywriters or our business analysts, they want to bring it to the table for the client every day. And they're high-fiving each other when we hit a new high.

Darren:

That's brilliant, because when you can get a group of people aligned with an objective, it's incredibly powerful.

Luke:

It is.

Darren:

And one of the things we see in so many relationships is that the client – the advertiser – and the agency think that they're aligned because the agency will say, 'Your success is our success'. But without that real focus, that laser focus on what success looks like, what ends up happening is the client has one objective and the agency has something completely different. Often the default point is to do some award-winning work so that we can all celebrate together.

Luke:

'Isn't that exciting that we've won this award?' But no business result happened whatsoever, and that frustrates us a lot. Everyone here, whether they're a creative or a business analyst or the media team or strategy guys, we've bought into a culture which is about continual improvement for our clients. One of the reasons we've banned the word 'campaign' is because 'campaign' implies a launch-and-leave mentality – you put it out there and …

Darren:

Hope like hell.

Luke:

Then at the end of three months you do a post-campaign report and go, 'Gee, did that work or not?' As opposed to the weekly changes to the campaign, changing out copy lines, changing out things.

Darren:

So you're actually deploying what is very close to an agile marketing process, aren't you?

Luke:

Yes, that's what we're doing.

Darren:

A lot of marketers talk about agile marketing, but then when we talk to them about what that actually means – this idea of testing and learning, constantly optimising, not working on campaigns but always 'on', to think about it as building long-term interactive relationships with customers through these activities – they go, 'Oh, that's not what I thought agile meant. I thought it meant doing what we've always done, but faster'.

But you are actually deploying an agile philosophy and process.

Luke:

We are. It's a different way of working. One of the things we actually had to do to start working this way was disband the typical copywriter–art director pairing. On some jobs we'll have a business analyst and a copywriter working together to get the outcome that is required, or certainly in the top-ups that are required in the campaign.

For us, we're in an exciting new world, but we still see around us that there are too many people just waiting to the end. One of our clients – we don't do their media for them, a big media agency does – surprises us in that there's literally no optimisation throughout the entire campaign. They haven't run little experiments throughout to see what works and what doesn't and where they should be placing the money.

Darren:

A bit of A/B testing, some multivariants and so on, but nothing?

Luke:

Nothing, and the same campaign output they got in the first week is what they've achieved at the end of the campaign, and that to me is, I don't want to quote Trump but … sad. That really is.

Darren:

It's incredibly disappointing because it means that only half of the process is actually being optimised. So half the money is being left on the table.

Luke:

That's inexcusable today. People are looking for a magic bullet. The better we get at attributing ROI to business goal, in terms of business activity, the better we'll get at managing it.

Darren:

This obsession with cost. I've been doing this for 17 years and it's like the last 10 or 15 years, everything's about the cost of marketing: how can we reduce the cost of marketing? And the downside of that is, first of all, it assumes that marketing is a cost, not an investment, because if you don't measure the return on your investment it becomes a cost.

The second thing is that marketing is a commodity, because you only buy things on cost if it's a commodity. Imagine buying books by the kilo, with what's in them being irrelevant. And when you start buying media on cost alone – and I use this metaphor a lot – well, let's say you want to have a birthday party and there are 100 people you'd love to have there. Two agencies come. One says, 'We'll get the 100 people that you want but it will cost you $10 a person to get them to your party'. And the other one says, 'It will only cost you 10 cents but we'll send out over a million invites'. Now with that, there's no guarantee that anyone will turn up to your party, but I only spent 10 cents an invite so I'm going to go with that. It's the huge decision marketers make when they go on cost isn't it?

Luke:

Totally is, and if you're not putting money aside in your mind to optimise anything in digital, whether it's internally or externally, with agency partners, you're doomed to fail. There is so much you can learn if you have the right measurement in place.

It's funny because the Martec vendors out there at the moment are making money hand over fist, there's a new one every day, and half the time we walk into a new client we're actually ripping out the Martec. Some of the Martec platforms have amazing uses, really good use cases, but often when we go into a client, it's not in their vertical – it doesn't suit their needs. They've been sold a pipe dream for a product that will never ever meet their needs.

One was paying a million dollars a year for the privilege of having a piece of software, an SAS product, that they could never really make full use of. And we ripped it out straight away and they are now in a free version of something and it's fit for purpose.

Darren:

These Martec and ad-tech salespeople are the best salespeople in the world. The number of times we've been contacted because we're totally independent, and someone will phone up and go, 'I think I'm about to buy X. Should I?' And we'll go, 'What do you want to achieve? How is it going to be implemented? What would success look like?' We've got the 20 questions to ask.

Salesforce is a B2B platform and yet I've heard of so many companies that have implemented it as a B2C management tool because it's been sold to them as a customer relationship management (CRM) system. But the customer is usually going to be in a B2B environment.

Luke:

That's my problem with the industry. I sound like a broken record today, but you come back to your goals and constantly look at what are the business goals and therefore what are our digital goals and then what are our ad-tech goals.

Darren:

You're not a broken record because you're absolutely going back to the first principles of the way marketing should ideally operate. But here's the thing. Marketer tenure is getting shorter and shorter. It's down to around 22 months, and the number-one reason, I read earlier this year, that they were being flicked faster and faster was that they weren't delivering on growth expectations.

So we've got shorter and shorter CMO tenure. We've got an increased expectation of performance. And yet marketers are actually not there because most of what we've been talking about, what you've been saying, actually takes time.

Luke:

Exactly, it does take time. But you start back at first principles and you understand that you can take the business on a journey with that, and most businesses we work with are really receptive to that. And when you start delivering on the goals and milestones that you're going to get, and you over-achieve them, that gives you trust to do other things.

That's why we won five Effies last year. We're flying out next week to hopefully add APAC Effies. We've got three finalists there and we're the only one in programmatic, and I think that says a lot about our industry at the moment – that there was one in the entire APAC region, which was an independent from Australia that is a finalist.

Darren:

Just being a finalist is terrific. We've run out of time, but good luck with the effectiveness awards in Asia, and it's absolutely heartening to hear that someone is actually putting their money where their mouth is on performance – congratulations.

Luke:

Thanks Darren.

Find out how TrinityP3 can help improve your digital media and marketing performance[7].

7 trinityp3.com/media-performance

POST 26

Seven questions everyone on your marketing team should be able to answer

Posted 9 October 2017 by Stephan Argent

When it comes to setting expectations with your agency(ies), and your marketing team, there are some 'price-of-entry' questions everyone should be able to wrap their heads around. None are complex, but they are the bedrock for creating harmonious client–agency relationships and ensuring everyone is focused and aligned.

And even if you think your teams are completely clear and in sync with their respective roles and responsibilities, some of the answers to these questions (or the lack thereof) might surprise you. So why not test them out?

Here is what we believe are the top seven questions everyone on your marketing team should be able to answer.

1. What are our expectations?

Whether asked from an individual or corporate perspective, expectations of – and between – everyone should be the starting point. The sting in the tail of this question is that if people can't answer it, chances are you haven't been clear or never articulated expectations to begin with. So if there's a worrying silence after asking it, perhaps it's an opportunity to bring teams together and let them know.

2. What are our company's objectives?

In order to contribute to your business successfully, everyone needs to be able to clearly articulate both your business and marketing objectives. Anything less should have you questioning their ability to participate in meaningful dialogue around the needs of your business and to come up with solutions that align with your needs.

3. What does our brand represent?

It's got to be almost impossible for anyone to work on a marketing team or on any given client at an agency if they can't articulate what the brand stands for. Everyone who works on your business at your agency(ies) and on your marketing team should be as comfortable describing your brand and its values as they are describing what they had for breakfast.

4. Do you understand our customers?

Fundamental to the success of any marketing activity is an understanding of your audiences. So to brief, create and evaluate truly meaningful marketing solutions, all team members should understand who you're trying to reach, what's important to them, how they're interacting with your brand, what they're looking for, and the kind of expectations that'll create meaningful experiences.

5. What's your role in our marketing ecosystem?

Clearly defining roles and responsibilities within individual teams, between marketing teams and agencies, and – when there are multiple agencies on your business – between agencies themselves sets the ground rules for engagement. The more specific you can be in defining roles, the less likely you are to encounter misunderstanding, duplication of effort, and/or potential turf wars, and create sharper, focused teams.

6. How are you adding value?

Nobody wants to feel they're not adding value or don't have a purpose in the grand scheme of things. If someone can't explain how they're adding value for themselves, it's important to help explain why their efforts are valued by your company. If you or their respective manager can't answer the question for them, chances are that person needs to be redeployed into a position where they can add value and feel valued themselves.

7. What's our budget (for this)?

OK, not everyone is necessarily going to have an intimate understanding of where and how all your dollars have been or are going to be deployed. But everyone should have an understanding of your budget relative to their particular role in your business. Brand teams need to know where their budget is being spent and how it's tracking year-to-date. Agency leads should have a detailed understanding of where the dollars are, while those executing specific projects should know how they're performing relative to that particular budget.

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For anyone working in the marketing business today, these are all pretty basic questions. And while none should pose difficulties for anyone who's truly engaged in your business, they'll almost certainly challenge anyone who isn't.

So what's better? Uncertainty, or knowing your entire team is totally focused on your brand's success?

This post was originally published by Le Riche Argent[1].

Too often, the end of the creative process is rushed and costs blow out along with the timeline. Discover how we can help with advertising production assessment[2].

1 lericheargent.com

2 trinityp3.com/delivery-implementation/production-management-assessment

POST 27

What I learned in 90 days as a marketing management consultant

Posted 6 May 2015 by David Angell

Here's an interesting thing: when I privately announced to select colleagues my decision to enter the world of 'consultancy', the reaction I had was … well, to use a polite cliché, mixed. Having been on the inside for the last almost-90 days, it has occurred to me that, much as I respect said colleagues, there is a fair amount of misunderstanding about the role of consultants in our industry.

No-one has asked me to write this. And it is not intended as an advertorial. But for anyone out there considering consultancy, either independently or with an organisation like TrinityP3, fresh eyes are sometimes best. For anyone not sure of our role, here are some truths, home-delivered.

So, shall we have a quick look under the hood? Here are four comments (in italics) I took on-board, versus the reality of what I've found so far.

1. Consultants don't make the decisions

Consultancy? You're moving further from the centre of decision-making than you were in an agency!

Here's the thing: consultants aren't there to make decisions for their clients. For example, we don't, as is commonly assumed, tell a client which agency to choose in a pitch. We guide the client through a process and facilitate them reaching their own decision. We're the consistent, agnostic voice of experience in the room. We're able to inject market data and knowledge via our own IP. It's about helping them get to the optimal outcome, from which they can drive the best performance.

Decision-making is great, but it's only one way of making a difference. I'm finding that being able to influence key stakeholders with balance and from a truly objective perspective carries its own value. Does it always work? No. Is it frustrating when stakeholders don't go with your influence, or your recommendations? Sure. Am I learning new things? Hell yes.

2. It's not all about the pitch

TrinityP3? They're the pitch guys, right? Won't it get boring, just doing one pitch after another?

I've been directly involved in about 10 projects since starting. Two of them have been pitches.

Fifteen years ago, our nucleus as a company was in cost benchmarking. We expanded from this into pitch consultancy[1]. Over the last five years, the service offering has expanded with the growing mix of consultancy expertise to include areas such as structural alignment projects, relationship assessments, contractual negotiation, environmental marketing advice, and remuneration structuring. We're working across several APAC countries, and expanding into the UK and the US.

Pitch consultancy is an important part of our business, don't get me wrong. But these days it represents about 30% of our revenue. We work with a consultancy mix that offers direct specialist experience, and those that have transferable skills that can be brought to bear on a project.

3. There's a genuine level of care

Darren Woolley – he's pretty polarising, isn't he? What about all those articles?

Well – yes, he is. But a combination of having the balls to put his head over the parapet and a committed content marketing strategy[2] has transformed our business over the past three years.

Not everyone likes us. But that's OK. We have opinions and we're

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1 trinityp3.com/2014/08/pitching-is-changing

2 trinityp3.com/2015/01/inbound-marketing-strategy

bold about expressing them. If people don't agree – no problem.

If there's one thing I've found that's genuine, it is the level of care from people I'm working with about the industry they're in. I certainly don't always agree with Darren, or vice versa. And we won't always get it right – who does? But the care is always there.

4. Building mutually equitable relationships

So you're going to be smashing agencies for cost now, is that it?

Nope.

We want, always, to build mutually equitable relationships between client and agency[3], not set them up for failure. Sure, cost is a factor. But it isn't the only factor. Read some of the content we produce, read some of the testimonials[4], and you'll see the truth in what I'm saying.

I had the cost conversation with Darren before accepting the job. I wouldn't have taken it if our approach was cost-led. I've spent too long on the agency side to ever take that approach. And I'd hope that the agencies I've worked with so far would back these comments based on their personal experience of working with both me and with TrinityP3 historically.

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So there you have it. Consider these myths busted.

Joking aside, I think there is a great role for consultants, whether from TrinityP3 or not, in making a real difference to the quality of our industry. By behaving ethically, objectively and holistically, we can help to create better solutions, and therefore better results, for marketers, agencies and broader business.

And if that isn't something to get professionally excited about, I don't know what is.

This post was originally published on Mumbrella[5].

Are you interested in finding out more about joining the gang at TrinityP3 Global Marketing Management Consultants[6]?

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3 trinityp3.com/2015/03/strategic-tool-for-better-client-agency-relationships

4 trinityp3.com/testimonials

5 mumbrella.com.au/what-ive-learned-90-days-into-life-as-a-pitch-consultant-289799

6 trinityp3.com/people

POST 28

How to measure the cost of switching advertising agencies

Posted 30 May 2012 by Dan Hestbaek

Often, prior to an agency search process, many clients ask us: 'What is the cost of switching our agency?' The answer to this is complex and never the same, as the level of involvement with agencies, as well as the industry in which you are operating, are decisive factors when determining the switching of costs.

To provide the audience with knowledge in this field, our second viewpoint is based on this topic, ultimately illuminating challenges for both clients and agencies. Our knowledge is primarily based on experience from various agency searches, in which considerations of agency switching costs are highly important.

What are agency switching costs?

When considering replacing your agency, the role of switching costs becomes relevant. We categorise these switching costs as the money, time and effort used in building a new relationship, as well as the costs of exiting a relationship. Clients incur set-up costs and exit costs, respectively.

Set-up costs in advertising occur because clients need to guide and direct their agency representatives to ensure that agency knowledge, skills and expertise are transformed into client value. Exit costs are apparent when that value is lost by later switching agency. The exit cost can be lost opportunities with the former agency, or a potential leak of proprietary client knowledge involving sensitive commercial data of value to competitors.

Some of the switching costs that we highlight when consulting clients are listed below:

1. Costs associated with ending an agency relationship:
   - breach of contract that could lead to agency compensation
   - sunk costs such as lost opportunities with the existing agency
   - threat of proprietary client knowledge being transferred to potential competitors
2. Costs associated with finding a new agency:
   - external: search consultants running the agency search process
   - internal: client resources used in the agency search process
3. Costs associated with entering a new agency relationship:
   - learning costs in relation to providing knowledge about the company, products and values
   - streamlining processes for both the agency and the advertiser/client
   - costs associated with accepting uncertainty in regards to the outcome from the new agency
   - the emotional and psychological costs involved in building a relationship and gaining trust.

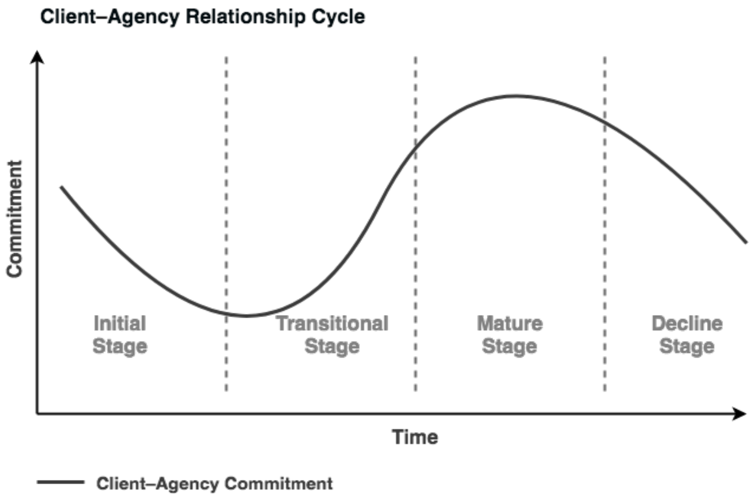
It should be noted that the industry in which one is operating also plays a significant role in connection to measuring switching costs. For instance, industries that require a high degree of technical product knowledge, often seen in durables, have higher switching costs associated with changing agencies. This ultimately means that agencies operating with these types of clients often enjoy longer relationships.

When looking into some of the aforementioned switching costs, the level of commitment between client and agency becomes important to analyse, as this will determine how high the cost of replacing an agency will be. It can therefore be helpful to determine where in a relationship life cycle the relationship between agency and client is placed. The time spent on building the relationship will indicate whether the relationship is in the initial phase or the transitional phase, or if it has moved to a mature stage, in which the switching costs are the most expensive.

The relationship cycle between agency and client is illustrated here.

When is the optimum time to switch agency from a cost perspective?

What we have experienced is that replacing an agency due to challenges, which may seem critical, is not always the right solution for



clients, at least from an economic perspective. Complications between client and agency can sometimes be solved by conducting formal periodic evaluations of the relationship, combined with informal evaluations, workshops and social events when relevant. This can create improved trust and understanding both ways and illuminate challenging areas of the relationship.

If efforts made to improve the relationship do not work, or if the desired competencies are not present at the agency, the timing for changing your agency can affect the switching costs, making them lower.

High switching costs are often connected to relationships that are in the initial phase, in which a lot of investment has been made to set up the new collaboration. However, the level of trust between both parties is still low and the switching costs are therefore not at the highest level. The highest switching costs occur at the mature relationship level. At this level, a lot of relationship investment is made, formal evaluations are used to track and improve conflicts, and the agency is often considered a strategic partner. All of this creates a solid client–agency relationship, thus indicating the highest switching cost.

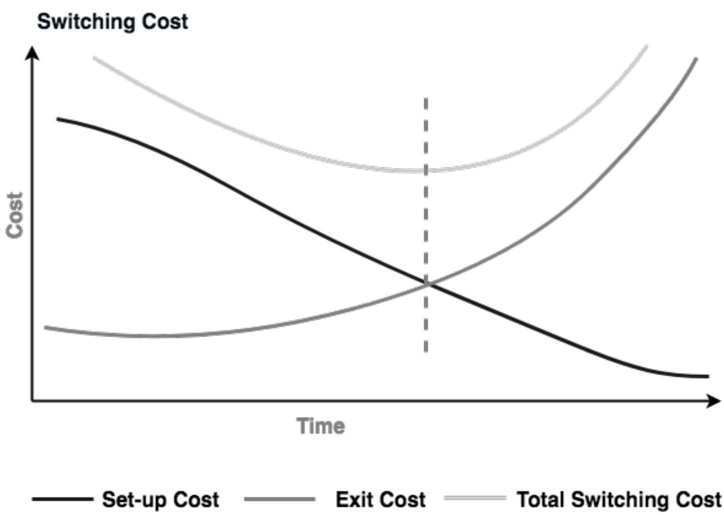
Between these two stages, as mentioned above (initial and mature), is the transitional stage, in which the switching costs are the lowest. At this stage, the high set-up costs from the initial stage have decreased and the trust is growing, but it is not at the level of full trust. This is illustrated in the curve below, indicating total switching costs.

The model illustrates where costs are highest and lowest, which could ultimately be helpful in determining when to replace an agency from a cost perspective, aiming at switching the agency when the curve of total switching costs is at its lowest.

Measuring switching costs

Measuring the costs associated with switching an agency is a comprehensive task, one that requires a clear understanding and intelligence concerning the resources used on the agency. This is in regards to briefings, workshops, evaluations and so on, which can somehow be measured through the time spent and the money used on these activities.

However, it is more difficult to measure the intangible costs, such as emotional and psychological elements. Moreover, these elements vary between individuals – they can be looked at as crucial and priceless for some individuals, while others may not rank trust and emotions very high.



Nonetheless, many costs that may not seem that evident occur when replacing an agency, and thus it becomes crucial that one does not make an adverse selection. Adverse selection means choosing the wrong agency for the task, which could be caused by agencies overstating their talent or over-promising their deliverables. This scenario could lead to an expensive initial phase with extra high start-up costs and the possibility of an early break-up.

To minimise the initial switching costs, we strongly believe that money and time could be saved in the agency search phase by conducting a structured and insights-driven agency search process, handled either internally or externally by agency search consultants.

Action points

When considering changing your agency, make sure that the following points are contemplated, to ensure the lowest switching cost:

- How is your existing contractual set-up with your agency?
- Look into the contract and understand which economic losses might occur in replacing the agency. Furthermore, ensure legal agreement on proprietary knowledge is handled prior to handing in your notice to the agency.
- Have you have considered your resources for conducting an agency search process both internally and externally?

Finding a new agency requires time, money and know-how. You should therefore make sure that you possess the right competencies and experience in regards to the dynamic agency landscape, and that you hold the internal resources to run the process. If not, hire an agency search consultant.

Our experience tells us that your current agency relationship can often be saved by formal two-way evaluations that ensure a clear understanding of the current state of the relationship. When conducting formal client–agency evaluations, make sure to structure follow-up action points that can be measured – both on the client side and agency side.

What are your experiences with agency switching and the costs attached?

POST 29

Bringing outsourced services in-house requires strategic management

Posted 16 October 2015 by Darren Woolley

The concept of in-house agency services is not new. More than a century ago, many advertisers had their advertising services in-house. Retailers especially would often make their advertising department responsible for advertising production, including catalogues, point of sale (POS) and the like. It only became fashionable in the second half of the 20th century to outsource this function to external agencies. But it is clear we are witnessing a trend back to in-house services, especially for many of the larger advertisers.

The reason for this trend is technology and the associated cost-reduction opportunities of a self-managed production facility. But there is also the convenience of the in-house model allowing greater speed to market and as a solution for integrating the function into the business.

The strategic plan

The mistake many organisations make in bringing these services in-house is allowing it to occur organically, rather then managing it strategically – that is, allowing the process to occur incrementally without an overall plan. The organisation needs to determine which services are best brought in-house and which are best outsourced.

This requires a determination of needs, volume, budget and resource requirements to inform the development of an appropriate business case. Digital technology cost means that services that were previously unaffordable, such as video shooting and editing, and digital media planning and buying, are now available as in-house opportunities alongside traditional print and newer functions such as social network and social media monitoring. The deciding factor is the volume of the requirement and the ability to manage in-house.

The business case

In developing a business case, you need to consider how these in-house services will be funded. Funding the services from one department or functions budget, such as marketing, can lead to issues if other business functions, such as sales, product or management, wish to access the services. It is becoming increasingly popular to make the in-house services a separate cost centre and accountable to the value of the services delivered. In this way, the services centre can be managed separately with its own headcount, budget and performance measures.

Existing resources and capabilities

Within larger organisations, it is especially important to undertake a review of the existing capabilities within the organisation. It is not unheard of to find designers, copywriters, editors, social media and the like spread throughout the organisation, often buried within departments with titles that hide the real role. Consolidation of these resources will achieve greater levels of utilisation and accountability.

Management resource and structure

Management of the services facility is also important. Many organisations will evolve from a few designers, and as the needs grow will simply promote one of the designers into a management role. This is only fine if the person promoted has the capabilities to manage the internal resources within the team, and also has the financial management skills to manage the budget, and the customer services focus to manage internal customers and human resources skills.

Human resource considerations

On the issue of human resources, it is also essential that you recruit and retain staff of suitable capability and calibre to deliver the services required. This can be a challenge, as often the type of person you want to recruit will find working within the culture of a single organisation boring or lacking in the challenges they need. One solution to overcome this is to develop a panel of freelance specialists. The cost impact of this approach needs to be factored into the business case, as freelance staff often come at a premium to their full-time or part-time equivalent.

The other challenge with human resources is being able to attract high-calibre staff if this is required. Depending on the needs of the organisation, top-level industry strategic and creative talent come at a high price and demand the opportunity to advance their careers and achieve industry recognition for their talents. They are rarely attracted to working within one organisation. However, in recent years we have noticed that, as a consequence of the advertising industry's obsession with youth, many senior and well-credentialed strategic and creative people have taken roles in-house within large organisations. This is definitely an opportunity for those organisations wishing to create a high-performing facility.

Workflow control and management

Workflow management is also important, as we have seen instances of the implementation of an in-house services facility lead to politicking and infighting between the different functions accessing the services. This is often caused by perceived favouritism by the in-house services for one department or function over another.

I know this may sound like kindergarten, but it happens. The implementation and management of a workflow system will overcome this with the accountable reporting of the volume and turnaround time of the various projects from the different stakeholders and departments.

Funding and accountability

Earlier, I mentioned making the in-house services facility an independent cost centre. The best way of funding this is to make it accountable, but without actually having payments made by the various departments and stakeholders using the service. It has been found that when people are paying for an in-house service on a job-by-job basis, they will be more likely to go outside if their (often unrealistic) expectations are not met. This defeats the purpose of bringing the services in-house.

Instead, budgets are allocated to the services facility cost centre from the stakeholders at the start of the year, based on their requirements and the cost efficiencies of the facility. The work undertaken by the services facility for each department is then reconciled against the budget contributed at a pre-agreed price or rate. Regular reporting keeps stakeholders aware of their use of the budget, and end-of-year reconciliations are undertaken to make sure the services facility cost centre is fully utilised and funded.

Annual review processes

As a separate cost centre within the organisation, it should be reviewed annually at a minimum and more often if possible. The review should include headcount and resource suitability, cost, performance metrics, internal customer satisfaction, and the delivery of value, being cost-efficiencies and quality. There should also be a review of new or additional services required by the organisation that could be included in the services facility.

In-house or outsourced?

If this appears to be suggesting that any in-house services facility should take the shape of an external service implanted into the organisation, you are right. At the ANA Advertising Financial Management Conference in Phoenix, Arizona earlier this year, a case study on successful in-house agencies was presented. The lesson from this was that the services facility should be autonomous and accountable. It is not an extension of the marketing department but a service provider to marketing and the other departments that require these services.

Too often, the failure of these services is the failure to plan, and this inevitably leads to a plan to fail.

Find out more about TrinityP3's strategic supplier alignment service[1].

1 trinityp3.com/agency-performance/strategic-supplier-alignment

POST 30

Why working and non-working ratios no longer work for advertising

Posted 27 October 2017 by Darren Woolley

This is part of a series of one-minute videos that each address one of the many complex challenges facing marketing, media and advertising today. The Golden Minute series[1] *is an attempt to prove that Albert Einstein was right when he said, 'The definition of genius is taking the complex and making it simple'. But he also said, 'Everything should be made as simple as possible, but not simpler'. So we will leave it for you to judge.*

1 youtube.com/playlist?list=PL8WjgOnoGl8xGJRKIQCvycElSRFpas0IS

As an industry we, love our terms. Usually, they are TLA (three-letter acronyms) like ATL, BTL and TTL (above, below and through the line)[2]. Or RFP, RFT and RFIs (requests for proposals, tenders and information)[3]. Marketing technology digital buzzwords[4] are making this even crazier. And there is a concept that has recently made a prominent return to the industry and yet it is totally outdated and no longer relevant. That concept is working and non-working spend.

The reason for this sudden resurgence is a combination of two things. The first is management consultants who are pushing ZBB, not so much to drive marketing performance and ROI, but more as a framework to reduce the marketing investment and therefore the budget. The second is the increased activity in investments in traditional CPG brand companies by private equity and venture capital. They use the terms to inform the market that they have magically discovered the investment strategy that will turn the flagging performance of these entities around, simply by reducing non-working spend and improving the working to non-working ratio.

In fact, as I write this, it seems so self-evident that you wonder why the schmucks that owned the business before it was bought by these clever investors had not done this already. Why wouldn't you reduce non-working spend? After all, if it is non-working, why are you spending anything on it anyway?

What is working and non-working spend?

That is, until you understand what working and non-working spend actually represent. Working spend is traditionally considered to be media-related expenditure. That is, it is the cost of the media that places the message in the sights of the potential customer, and hopefully persuades them to take an action, such as buying the product or service of the advertiser. Clear?

So what is non-working, you ask? That is all the other costs associated with this process. It includes the agency fees, the production fees, and the costs of producing the content that runs in the media advertising.

The working to non-working ratio for a long time was considered to be 10%, in that for every dollar you spent on the media, the other costs associated with that spend would be no more than 10 cents. Then

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

3 trinityp3.com/2006/08/rfi-rft-rfp-the-funny-world-of-procurement

4 trinityp3.com/2015/10/top-10-marketing-buzzwords

along came the internet and websites and e-commerce and social media and mobile and more.

To make this easier, let's think about all of these opportunities in the three areas of paid media (media you pay for and thus would be considered working); owned media (all of the media assets you own, including the websites and content that you have created or bought, but this is considered non-working); and earned media (all of the consumer-generated media, which could be consumer-generated content, social sharing and the like, which is also considered non-working).

You can see that, like ATL and BTL, working and non-working expenditure have had their meaning significantly disrupted by the internet and digital marketing.

Working and non-working in a digital world

Take SEO for instance (another popular TLA that means search engine optimisation). With Google and the other search engines generating millions of visits to websites every minute, there are marketing strategies to ensure your non-working owned media, being your website, is optimised so that you get an unfair share of those visits, because search engines like Google will rank the link to your site higher for that search, leading to a lead and potentially a sale. But because it is not paid media, it is non-working.

But Google and other search engines allow you to bid for the search terms – this is called paid search. No TLA here. It means that if a potential customer searches for the term you have bid for, and if your bid is successful (high enough), then your link will be displayed at the top of the page, increasing the chances that the person searching for the term will click on your link and visit your non-working website.

Now, because the search was paid for, it is therefore paid media and the spend is considered working. Get it? So when a company says they are going to reduce the non-working spend, what do they actually mean?

Well, it is hard to tell. It could mean they are going to make really cheap and annoying ads to go in their very expensive media. It could mean they will do less SEO and spend more on paid search. But the fact is that no matter what they do, the terms 'working' and 'non-working' simply do not work anymore when it comes to considering, analysing or managing marketing and advertising spend.

So the next time someone suggests that they can lower your working to non-working ratio, we would recommend you ask them if they can improve your 3Ps – productivity, profit and market performance – instead.

Golden Minute script

I got a call from a client wanting to reduce their non-working spend.
'What's not working?' I inquired.
'The cost of producing the ads, the content.'
'So what is working then?' I asked.
'Media and media cost.'
So media is working and the content on that media is non-working.
'Well', I said, 'you could reduce your non-working to zero'.
They were very excited.
Until I explained that there would be nothing to run in the media.
Thirty seconds of nothing on television.
Thirty seconds of silence on radio.
No digital ads to serve.
And of course, no non-working cost.
Would that work for you?
I'm not sure working and non-working really works anymore. Are you?

How are your budgets set? Top-down or bottom-up? Find out how we can help you with budget setting and performance metrics[5].

5 trinityp3.com/marketing-performance/budget-kpi-and-roi-setting

POST 31

Has 'digital/social' become the Dollar Menu of the advertising world?

Posted 5 March 2018 by Michael Farmer

The new McDonald's Dollar Menu, which includes a sausage burrito for $1, a Bacon McDouble at $2 and the Classic Chicken Sandwich for $3, is designed to boost same-store sales. While this represents the company's best shot at traffic increases for 2018, the chain will need more than $1–$2–$3 discounted items to maintain margins and stock market price. Wendy's and Taco Bell have responded with their own discounts, and the prospect of an industry price war looms.

In the ad agency world, where digital/social advertising is growing and cannibalising traditional media dollars, and 'digital is the future' arguments prevail, agencies have jumped on the digital/social bandwagon and they are cranking out digital/social deliverables at an astonishing rate for astonishingly low fees. So has digital/social become the Dollar Menu of the advertising world?

The changes in industry scopes of work over recent decades are staggering. Back in 1992, when I did my first ad agency office diagnostic, my client completed 385 briefs with 52 creatives, 75 client service folks and about 30 production people. The work was 100% ATL TV, print and radio. Nearly all the work was 'origination', or original creative work, rather than 'adaptations' based on previously completed originations. The average deliverable was worth several hundred thousand dollars in income.

Each creative completed (on average) 7.4 deliverables across the mix of media. Hmmm, I thought at the time. That's more than David Ogilvy wrote about in *Ogilvy on Advertising*[1], where he said, 'The average copywriter gets only three commercials a year on air'.

Ogilvy complained about how long it took to do creative work. 'The process of producing advertising campaigns moves at a snail's pace', he grumbled. 'The average time it takes them to produce a campaign is 117 days.' That's because there was a lot of thinking, there were a lot of ideas being developed by multiple creative teams, and there was a lot of rework to get the ad exactly right. BBDO called this 'the work, the work, the work', and they were proud of the process of whittling down creative ideas and turning the best ones into award-winning ads.

Let's fast-forward to 2018, where I recently diagnosed an ad agency office of similar size. The office came from the same 'traditional advertising' background, but like most traditional agencies it had diversified into digital/social advertising. It had about the same headcount as my original client, with 52 creatives, 52 client service folks, eight strategic planners and 18 production people. (Note the lower proportion of client service and production people in this mix. There's a story behind this, but not for today.) Instead of 385 deliverables, though, this office completed 14,750 deliverables in 2017. Do the math: that's 284 deliverables per creative per year, or roughly one per day for every working day of the year.

Is this a good thing or a bad thing?

One thing is sure – each deliverable today is tiny compared with the deliverables of 1992. The average creative is grinding out huge quantities of tactical print, social and digital deliverables. There's not a lot of time for thinking or strategising; everyone is busy executing. Strategic thinking is completed by only a few thinkers in the office, and the total amount of agency time spent on strategising is small indeed. The agency executes adaptations of locally generated originations. Sixty-two per cent of the deliverables are adaptations of low creative complexity. Fifty-two per cent of the office's income is associated with adaptations. The average deliverable, if sold by the piece, would generate only $600 in income. If creatives were French chefs during the commission days, they're more like burger-flippers today.

1 goodreads.com/book/show/641601.Ogilvy_on_Advertising

This is not their fault. Clients are experimenting with digital/social in a quest to find something that works. They do much of the strategising themselves, and they ask their 'best in class' agencies to execute, not strategise. Their agencies will take whatever crumbs are offered. Fees are in short supply, and relationships are short and uncertain.

Much of this current work could be done, arguably, by production houses or even client in-house agencies, but not without reducing the office by at least 50% in size, including headcounts and overheads. What would be left? Clearly, the office will cling to the work it has and try to move 'upstream' to carry out more-strategic work for its clients. This won't happen, though, until senior executives make a commitment to move the mix 'upstream'.

It's a terrible situation, and if David Ogilvy were alive to see it, he'd stop complaining about how long it takes to get creative work done. He was enough of a snob to appreciate a good French meal and a fine glass of claret, and he wouldn't have bought a burger from a Dollar Menu if his life depended on it.

This post was first published at MediaVillage[2].

TrinityP3's scope-of-work management service evaluates your current agency scope of work and recommends the best approach, calibrated to your needs[3].

2 mediavillage.com/article/has-digital-social-become-the-dollar-menu-of-the-advertising-world

3 trinityp3.com/agency-performance/scope-of-work-management

POST 32

Agile marketing delivery – become an instant expert

Posted 11 April 2018 by Anton Buchner

For the penultimate post in the Become an Instant Expert series[1], we'd like to focus on agile marketing delivery.

To agile or not to agile?

It's a great question, and it has been the starting point for many marketing teams this year when looking for ways to improve their go-to-market process. Should you consider an agile marketing approach within your organisation? Well before you do, it's important to first understand what agile marketing is and isn't.

Agile marketing explained

It's a term that came from the software development industry back in the 1950s, whereby solutions were developed and evolved with cross-functional team collaboration. Agile software development was designed to have all aspects of planning, analysis, design, coding and testing included together to have working prototypes and products developed and presented to stakeholders for fast approval and implementation throughout defined release cycles. It involves the notions of minimum viable product, test and learn, and fail fast, allowing defects to be repaired and a continuous improvement culture based on fast feedback to be created.

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1 trinityp3.com/2018/02/marketing-performance-measurement-become-an-instant-expert

Marketers then jumped on the bandwagon over the past few years to speed up their go-to-market processes for specific product launches, events and media/channel opportunities. This resulted in tactical teams being created to get activity into the market quickly and provide feedback on failure/success to management.

However, from TrinityP3's perspective, marketers and agencies are mixing up speed to market with the essence of more-effective collaborative creation.

Five tips

So if you are hearing 'agile' being used within your marketing team, then here are five areas to be aware of if you're going to become an instant expert and successfully implement an agile marketing approach.

Tip #1. Agile marketing is not a strategy, it's a process

Agile marketing can sometimes be confused with not needing a strategy. Some marketers we have worked with decided to throw away their strategies in favour of getting tactical activity into market based on dynamic conditions.

This is a dangerous position and a misunderstanding of agile marketing. Agile marketing, as we've outlined, is a process. It is not a replacement for strategy. You will still need a marketing strategy outlining how you will deliver on your objectives. However, the plan to execute your strategy may involve an agile approach to fast-track collaborative solutions for some of your activity (not all!).

Tip #2. Agile marketing means a better way of collaborating

So what do we mean by collaboration? Collaboration is the act of working with someone to get something done. So for marketing teams, it's the ability to work with other functional areas of your business (for example, product, IT, sales, legal, customer service) and external suppliers (agencies, tech vendors) to get your marketing activity to market.

How did marketing teams collaborate in the past? The marketing process typically followed a linear, cascading waterfall method, whereby business cases were agreed, requirements gathered, strategies set, tactics defined, ideas created and approved, and then the activity was implemented and results were analysed. However, following this linear method in a large organisation means that success relies on each area being available – you can't move ahead without each stage being achieved in the flow.

In today's world, marketing is circular around an organisation – it should not be considered linear. By this we mean that marketing needs to be considered from all angles: internal employee profile, front-line staff experience, technology platforms and plug-in opportunities, social networks and content, as well as advertising, communications, media and analytics.

A new form of collaboration is required.

Tip #3. Why do you need to collaborate better?

Collaboration works best when there's a focused project to deliver. And with focus comes a collaborative effort. Everyone on the team pulls their weight and gives focus to an end result, rather than their specific silo perspective only. For example, during times of Olympics sponsorships, we often see stand-alone teams of specialists being established within a business to purely focus on the opportunity. Everyone works together to ensure that outputs are achieved, refined and optimised.

In many cases, if a traditional cascade waterfall approach was adopted, projects would simply get bogged down and impacted by other day-to-day business issues within each department. Hence, better collaboration provides the option of taking advantage of opportunities in a more effective manner, and to take concepts to market in an attempt to gain competitive advantage or to catch up to competitors.

Tip #4. What level of capability do you require to make an agile marketing process work successfully?

Hopefully you're getting the picture that agile marketing doesn't just happen with the same resources, technology and processes that you currently have in place. To be successful, your senior leadership team needs to fully understand the new way of working, and must fully endorse and support it in order to prevent conflicts of interest and resistance from other internal forces.

Ownership will then need to be delegated to the team so that it can effectively operate in an agile manner. And a 'scrum master' needs to be appointed as the team leader to manage the 1–2-week cycles of work (or 'sprints'). The team itself will need to be comprised of people from multiple disciplines of expertise that are relevant to the work needed for the project. And each team member will need to be sufficiently freed up from his or her day-to-day activities in order to fully focus on the project at hand. Finally, and most importantly, analytics resources will be required for agile marketing to be successful – data from the tests will need to be analysed in order to modify, iterate and optimise activity.

As your agile marketing process improves, you'll notice that the volume of work that the team can get through can become incredibly large. When focused with the right resources, processes and technology, the agile marketing team may be able to run a myriad tests and market activities that were previously impossible to manage under an older silo system.

Tip #5. What are the impacts on your overall business?

The ultimate impact on your business will be getting faster feedback on what is working and not working for your customers, in order to make better decisions and focus budget on the most effective opportunities for delivering greater value. But there are many other benefits to gain from implementing agile marketing, including:

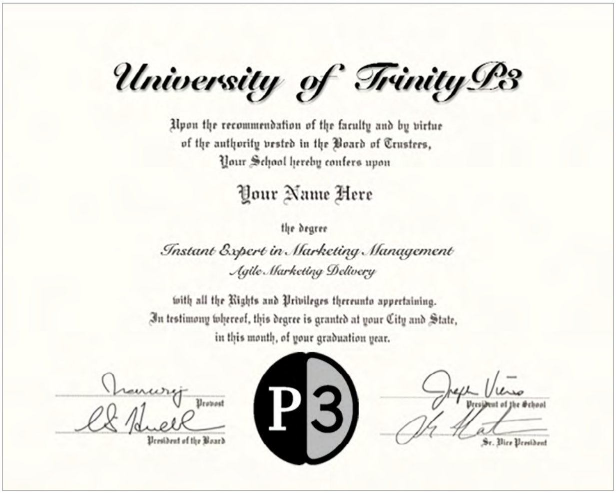
- better internal communication by removing roadblocks and resistance
- greater transparency and openness
- a better culture and improved employee satisfaction
- a better ability to handle and adapt to market change
- greater accountability, with an emphasis on making your marketing activity more measurable and responsive
- on a personal level, you can grow your knowledge more quickly.

Act now

Does an agile marketing process sound like it's worth exploring for your organisation and customers? If so, then TrinityP3 can help assess people, purpose and process. We help people achieve commercial purpose through creative process. Let us know if you'd like to pick our brains[2].

Thank you for reading. Here is your TrinityP3 Instant Expert Certificate.

2 trinityp3.com/delivery-implementation



p.s. Remember to keep an eye out for the final post in the Become an Instant Expert series:

1. Marketing performance measurement[3]
2. Agency performance measurement[4]
3. Media performance management[5]
4. Digital and technology alignment[6]
6. Environmentally sustainable marketing[7].

Our engagement agreements service is all about ensuring that an agreed campaign development process is truly achievable and adhered to[8].

3 trinityp3.com/2018/02/marketing-performance-measurement-become-an-instant-expert

4 trinityp3.com/2018/02/agency-performance-management-become-an-instant-expert

5 trinityp3.com/2018/03/media-performance-instant-expert

6 trinityp3.com/2018/03/digital-and-technology-alignment-become-an-instant-expert

7 trinityp3.com/2018/07/environmentally-sustainable-marketing-become-an-instant-expert

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

POST 33

Something about Facebook all marketers who care about the environment need to know

Posted 13 December 2017 by Chris Sewell

Recently, we were privileged to have a research project accepted and undertaken by the University of Sydney under their postgraduate Master of Sustainability program.

TrinityP3 has been advocating a pivot to a more sustainable approach to marketing, and also supplying carbon emission measurement using the CO2counter[1], for over eight years using our own developed and verified methodology. We felt it would be good to get some up-to-date research from a highly recognised source. So we posed the question: 'What is the carbon impact of both the production and consumption of internet advertising'?

TrinityP3 in conjunction with The Gaia Partnership[2] acted as the sponsor and workplace mentor for two students, and we helped narrow the research criteria to focus on social media advertising. This is a condensed paper from the students where they examine the greenhouse gas (GHG) emissions from Facebook – it's a summary of the extensive research they carried out.

1 gaiapartnership.com/services/reporting

2 gaiapartnership.com

Is social media an environmentally sustainable marketing strategy?

By Yao Yang and Wanting Fu of the University of Sydney – part of their Master of Sustainability program Capstone Research Project 2017.

The Interactive Advertising Bureau (IAB) online advertising expenditure report[3] indicated that the Australian online advertising market grew from $1.6 billion in 2015 to $6.8 billion for the full financial year ending 30 June 2016. Online advertising is developing into the main method employed by the advertising industry. To achieve their marketing goals efficiently, companies are expected to produce more and more online advertising content, utilising the latest technology which in turn increases the amount of data in the market.

The results of a survey we conducted of customers' attitudes towards online advertising show that a lot of people have negative emotions about internet advertising, such as traditional banner advertising, static banner advertising and pop-up advertising. However, respondents have a more neutral attitude, even a positive attitude, towards social media advertising. Therefore, we observed an increasing number of marketers focusing on social media marketing.

Nevertheless, the environmental effect of online advertising, particularly GHG emissions, remains uncertain. Many customers and marketers believe that internet advertising does not release GHG emissions, but this is a false assumption. The question that needs to be asked is: will social media advertising be an environmentally sustainable marketing strategy? To attempt to answer this question, let's examine the elements of data usage and electricity usage.

The formula for calculating carbon emissions in social media advertising

Facebook is the world's foremost social media platform. They enjoy higher usage time per person than any other social media application. Therefore, this project will use Facebook's advertising business for this research[4].

In 2016, according to Facebook, their total carbon footprint was 718,000 metric tonnes of carbon dioxide equivalent. Offices and other business activity accounted for 28% of the carbon footprint; the other 72% is from the data centres.

Facebook currently offers several different advertising formats, such as photo, video, slideshow, carousal, collection, canvas and lead advertising. The most popular format is photo advertising, which takes

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3 iabaustralia.com.au/news-and-updates/iab-press-releases/item/22-iab-press-releases/2161-online-advertising-spend-reaches-record-6-8-billion-in-2016-financial-year

4 sustainability.fb.com/our-footprint

the form of one image plus text. The image size is 120,0628 pixels, the text limit is 90 characters, and file size is approximately 154 KB[5]. We calculate that when customers see the photo advertising, the end user will consume 190 KB of data.

According to the methodology of The Gaia Partnership, there are three separate activities that make up the calculation of GHG emissions:

1. design and production of the content
2. storage and delivery
3. consumption by the end user.

The average quantity of carbon in a 1 MB file has been determined by Weber et al.[6] and Aslan et al.[7]. The researchers conclude that 5 g carbon dioxide equivalent is released when customers use 1 MB of data. The intensity of emissions for internet advertising delivery lies in the range of 256.28–676.76 kg carbon dioxide equivalent per million impressions[8].

Another point to be considered is electricity usage. On average, electricity sources emit 554 g CO_2 per KWh[9]. According to 2016 Australian energy statistics, the medium advertising agency will consume 100 KWh in one day – the production of one advertising photo will use an average 15 KWh.

The calculation formula is as follows:

Total carbon emissions (photo ads) = file size × 5 g/MB + internet delivery × n^1 *+ consumption by end user × 5 g/MB ×* n^2 *+ electricity use × 554 g/KWh*

n^1 *= impression number*

n^2 *= user number*

Thus, when one customer sees the photo advertisement, 8.312 kg carbon dioxide equivalent will be released, and this quantity increases with the number of impressions, viewers and electricity usage. By the time one million people have seen the photo advertisement, 1.425 tonnes of carbon dioxide equivalent will have been released. In terms of

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5 makeawebsitehub.com/social-media-image-sizes-cheat-sheet

6 Weber, CL, Koomey, JG, & Matthews, HS (2010). The energy and climate change implications of different music delivery methods. *Journal of Industrial Ecology*, 14(5), 754–69.

7 Aslan, J, Mayers, K, Koomey, JG, & France, C (2017). Electricity intensity of internet data transmission: untangling the estimates. *Journal of Industrial Ecology*, 22(4), 785–98.

8 researchgate.net/publication/238738581_Estimating_Energy_Use_and_Greenhouse_Gas_Emissions_of_Internet_Advertising

9 eia.gov/outlooks/ieo/pdf/0484(2017).pdf

GHG emissions, this is the equivalent to the output from an average car being driven non-stop for 2.31 days.

Although in this example we have only considered one format, other social media advertising formats also can use the same formula to calculate carbon emissions. However, one thing that should be noted is that this value may not be precise but will alter depending on various factors. For example, there are different devices – for the electricity usage calculation, we used a Greenhouse Gas Equivalencies Calculator which is provided by the US Environmental Protection Agency (EPA). This calculator transforms the kilowatt-hours of electricity to the metric tons of carbon dioxide equivalent in the US.

First of all, the average power consumption by electronic products should be considered clearly. The average mobile phone consumes 1 KWh of electricity per 250 hours, and a computer consumes twice as much electricity every three hours[10]. It means that every hour, the mobile phone consumes 0.0004 KWh of electricity, while the computer consumes 0.67. The EPA calculator shows that the use of mobile phone and computer will produce 5 g and 500 g carbon dioxide, respectively.

It is very complicated to calculate the amount of electricity generated by different electronic products under the same activity. The first reason is that, when comparing different brands or the same brand but different models of mobile phone, the electricity capacity varies. For example, the electricity capacity of the iPhone6 and iPhone6+ are 1810 and 2915 mAh respectively[11]. Furthermore, other intricate factors also need to be factored into the calculation, such as the stand-by time for the mobile phone and the internet environment[12]. Therefore, for different electronic products, it is difficult to calculate their different power consumption because there are too many variable factors to be considered.

Additionally, different operating systems will have different data usage. There is a very popular social app in China called WeChat[13]. When running the background program of WeChat for an hour on the Android or Apple system, the result is quite different. There are

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10 ciir-publications.cs.umass.edu/getpdf.php?id=904

11 ieenews.com/iphone-6s-specs-iphone-6s-features

12 aceee.org/files/proceedings/2002/data/papers/SS02_Panel7_Paper04.pdf

13 Xu, J, Kang, Q, Song, Z, & Clarke, CP (2015). Applications of mobile social media: WeChat among academic libraries in China. *Journal of Academic Librarianship*, 41(1), 21–30.

two different access points to the internet, .NET and WAP[14]. If people use the Apple system, no matter if it is .NET or WAP, the data usage is almost zero. If they use the Android system, .NET will consume 2.4 KB per hour and WAP will consume 3–15 KB per hour. According to the above data, it is clear that the same activity will produce different data usage in different systems; therefore, the amount of carbon dioxide emissions is different.

When considering the reasons why the Android system will consume more data than the Apple system, it can be explained by the operation and management mode of the different systems. On the one hand, the Android system being an open-source system, some software will be automatically added into the background programs, so the data usage will greatly increase. The Apple system is a non-open-source system; the possibility of software being added into the background is small. On the other hand, the Android system does not have mandatory and unified application market guidelines; therefore, there are often multiple application marketplaces. When an app needs updating, Android phones may receive various push notifications from different application markets, thereby producing more data usage[15].

This is not to say the Apple system is better than the Android system. In fact, Android systems will not consume more data if the operation style is operating correctly. There are some areas where Android users could adapt to improve their data usage. First, when downloading the software, it is better to choose to turn off some unnecessary push information. Second, use correct specialist apps that optimise software management on a regular basis. Third, when the phone is not in operation, turn off the network to avoid background operations.

Recommendations and solutions for the three different emission-emitting activities

There are three different groups to target to reduce the carbon emissions caused by social media advertising:

1. the advertising companies that create social media marketing
2. the social media companies, like Facebook
3. the customers.

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14 Hinton, K, Baliga, J, Feng, M, Ayre, R, & Tucker, RS (2011). Power consumption and energy efficiency in the internet. *IEEE Network*, 25(2).

15 Wang, C, Duan, W, Ma, J, & Wang, C (2011). The research of Android System architecture and application programming. Computer Science and Network Technology (ICCSNT) 2011 International Conference (vol. 2), 785–90.

First, the advertising companies that generate the social media marketing achieve their advertising goals by selecting the right type of content for the right audience. They need to capture the audience's attention in a creative manner and generate a satisfying post-click experience for potential customers.

It is most important that they measure their results. The data that is collected and analysed can then be used to continuously improve the communication by making changes to their campaign. This avoids unnecessary waste, in terms of both budget, data usage and therefore carbon emissions.

Facebook can improve its GHG output by adopting wholly renewable energy sources, by making changes to its data centre and computing efficiency. Facebook is committed to powering its business with 100% clean and renewable energy. In 2015, it exceeded its stated goal of reaching 25% clean and renewable energy in its data centre electricity supply mix[16]. However, Facebook also has had some problems with building renewable energy stations, as the public sometimes will not allow the company to build such a station near their homes. So this transition process still has a long way to go.

Additionally, some online functions can be designed to reduce GHG emissions. For example, Alipay in China, which is similar to PayPal in Australia, has an app called Ant Forest. Users can sign up to a 'carbon account' that measures their carbon footprints. Alipay users who walk, travel by subway, pay their utilities and purchase travel tickets online, and adopt other green actions, will earn green energy points. When users have gathered the equivalent of 17.9 kg of green energy, they can grow a virtual tree via their phone. This can then be converted into a real *Haloxylon* tree – named after the user – which the Ant Forest and its public partners plant in the Alashan Plateau in Sinkiang, in the west of China.

The reason for setting this value is that, on average, a *Haloxylon* tree can absorb 17.9 kg of carbon dioxide. In addition to collecting their own green energy, customers can also 'steal' friends' green energy or help 'water' friends' trees, which can increase the green energy by 10 g per watering.

16 sustainability.fb.com/our-footprint

The Ant Forest project has been in place with Alipay for more than a year. It uses mobile internet, cloud computing, large data and other technologies to encourage hundreds of millions of users to participate in a greener and more environmentally friendly way of life. In fact, Ant Forest has become an initiative of the UN Environment Programme, promoting global green financial causes.

Facebook and other social media companies could incorporate a similar kind of function into their platform to offset carbon emissions, and encourage customers to join in this action too. Customers can also reduce their carbon footprint by optimising their social media options and controlling their own data usage; for example, turning off auto-play, and setting the advertising to only display items of interest, are good ways of avoiding wasting data.

So is social media advertising a sustainable marketing strategy? The answer should be NO. However, will social media advertising be a sustainable marketing strategy in the future? YES. Measuring the effectiveness of online advertising still presents a challenge. But according to research and surveys, social media advertising has more commercial advantages than other internet advertising (such as the positive attitude of customers), is less expensive, and achieves better results. Consequently, social media advertising is an effective way to market online. And if Facebook and other social media companies can create a function like Ant Forest, customers will undertake more green actions, which will have positive long-term social and environmental effects and reinforce their corporate image.

Finally, the marketing organisation should build an understanding of GHG emissions from social media advertising. To a certain extent, the above recommendations and solutions could help social media advertising to achieve stronger sustainability and a circular economy, as well as help marketing organisations achieve sustainable online marketing.

Want to know and do more?

Interestingly, there is little published academic research on digital delivery, so this is only the first stage in a much larger research project that will look at measuring greenhouse gases in advertising. If any marketer or agency is interested in getting involved in the next stage of this research, please contact Chris Sewell[17].

17 chris@gaiapartnership.com

Details of the research program were also recently published in Eco-Business[18].

Find out more about how to optimise your media planning and buying to reduce carbon pollution[19].

18 eco-business.com/news/taking-a-sustainability-degree-from-passion-to-profession

19 trinityp3.com/sustainable-marketing/media-sustainability-optimisation

POST 34

Who are the winners and losers in the game of advertising?

Posted 5 February 2018 by Michael Farmer

Advertising is a business game, played with great intensity by advertisers, agencies and holding companies in competition with one another. Forget about partnership – that's a myth from the past, when everyone was focused on creating great work that drove growth in media spend and gains in brand market shares. How quaint the industry used to be! That's before CMOs became utterly confused by digital and social media, and before the blood combat among procurement, agencies and holding companies drove out all the profit, talent and fun from the industry.

Winning was redefined to match the new corporate emphasis on 'shareholder value'. Holding companies 'won' by squeezing out growing profits, advertisers 'won' by driving down fees, and agencies 'won' by delivering profits from downsized operations and finding new clients to replace the dissatisfied clients they just lost.

What a terrific definition of 'winning'! It's like the US Army's statement during the Vietnam War: 'It became necessary to destroy the town to save it'[1].

How hard would it be to turn back the clock? Agencies will have to develop new marketing strategies for their clients' stagnant brands. This will require business analyses and skills that agencies do not have, significantly improved scope-of-work planning, and long-term partnerships that agencies have not enjoyed for decades. Their clients will

1 thisdayinquotes.com/2010/02/it-became-necessary-to-destroy-town-to.html

need to empower them and pay fairly for jointly planned scopes of work. Trust and fairness will need to be restored too, which will require a complete re-education of procurement, who have long forgotten the value of long-term strategic supplier partnerships. (Hey procurement, why not read *The Machine that Changed the World*[2], about how the automotive industry was saved through strategic supplier partnerships and good procurement practices. You might learn something from your own history, long since forgotten or ignored!)

What about the holding companies? If they help to strengthen agency organisations and scope-of-work operational practices so that their agencies can become more effective on behalf of clients, they will reap the future benefits. Their successful agencies can grow and become profitable in a healthy way, and this will benefit holding companies and their shareholders. The current strategy of squeezing the life out of agencies to generate the appearance of growing profits is a doomsday approach.

The major decline of holding company shares in 2017 ought to be a signal that new strategies need to be very quickly developed. I doubt that this will happen, though, since holding companies would need to announce a pause in profit growth while their agencies invest for the future. This would require a degree of candour from holding company executives and a degree of investor sophistication that we have not yet seen.

There has been too much industry emphasis on winning in strategically bankrupt ways. Holding companies, advertisers and agencies have been seduced by the concept of shareholder value, and this has led to short-term thinking that has had *losing* as the outcome.

We might be at a point where most of the shareholder value has already been squeezed out of the industry and the future will be grim and dramatic, except for the financially healthy management consulting firms, which have the skills and capabilities to restore advertisers back to health. If this is the case, then advertisers and consulting firms will be the future winners in the industry, and agencies and their holding company owners will be the losers.

This post was first published at MediaVillage[3].

TrinityP3's scope-of-work management service evaluates your current agency scope of work and recommends the best approach, calibrated to your needs[4].

2 goodreads.com/book/show/93903.Machine_That_Changed_the_World

3 mediavillage.com/article/who-are-the-winners-and-losers-in-the-game-of-advertising

4 trinityp3.com/agency-performance/scope-of-work-management

POST 35

Managing Marketing – the importance of brands and branding in the digital age

Posted 3 November 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].

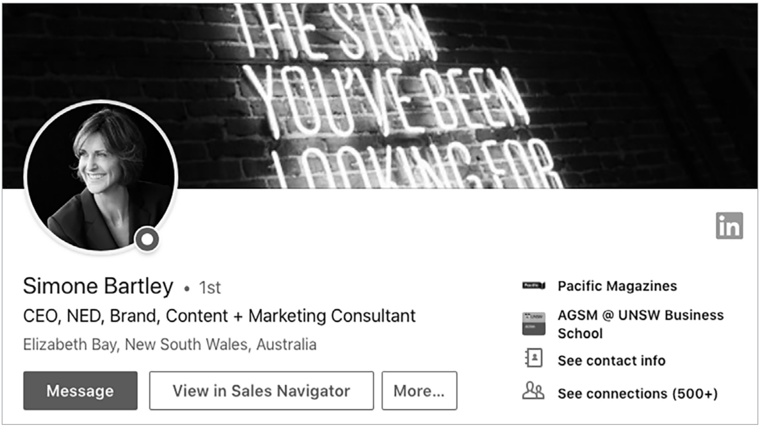
Simone Bartley[3], the co-founder and CEO of Together Co[4], discusses with Darren the concepts of brand and brand promise, and their increasing importance to business in the digital marketing environment. They also talk about why the brand is core to any business requiring the leadership of the CEO.

1 soundcloud.com/managing-marketing

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

3 linkedin.com/in/simonebartley

4 togetherco.com



Podcast transcript

Darren:

Welcome to Managing Marketing. Today, I'm joined by Simone Bartley, who is the co-founder and CEO of Together Co. Hi Simone.

Simone:

Hi Darren, how are you?

Darren:

I'm good, and thanks for joining me because we had a conversation about three or four weeks ago about brand.

Simone:

We did, on the couch.

Darren:

It was really interesting because a lot of people seem to be confused about brand these days. Do you find that?

Simone:

I do.

Darren:

Or the role of brands?

Simone:

Well, with the role of brands, digital has become the focus, hasn't it? So everything is lost in marketers trying to understand digital and what it means for their business and how to maximise the nirvana of data and accountability and so forth. Brand has taken a backwards step to a degree, but I think there has always been confusion around brand.

Darren:

It's become more confused because they've now got more ways than ever before to articulate and reinforce what the brand is. But I think it's got to the stage where they've lost sight, in some cases, of the fact that there is a need to have a brand.

Simone:

I would say that there are enough companies that still understand brand, but it's those that are really not willing to invest in brand that are the ones that choose not to understand it. Because it is an investment. If you think about great brands and the value they have sitting on balance sheets around Apple, Coca-Cola, Google, all the top brands in the world – brand valuation is important at the end of the day.

Darren:

It's interesting that you should say that because I've had quite a number of discussions with CFOs where they go, 'There's no brand on our balance sheet', and I go, 'It's probably called goodwill', and they go, 'Oh, OK'.

Goodwill is a big part of it, and in a way, brand actually is the encapsulation of goodwill, isn't it? Because that's the way your customers who bring value to your business perceive your business. Goodwill is all about their perception of your business and brand.

Simone:

Of course.

Darren:

But finance people don't think of goodwill naturally as brand.

Simone:

But they would be thinking about it if they were to come to a moment of sale. Because that's where the valuation really comes to bear, so it is at that time.

Darren:

Let's go back a step, because I have a very clear definition in my mind of what a brand is. What do you think a brand is? How would you describe it if there was a freshly hatched CMO here who was saying, 'How should I describe my brand?'

Simone:

I would say to them, 'A brand is who you are and what you stand for'. That makes up your brand story and really that helps you understand your 'Why?'. What's your reason for doing what you do? And what's the reason why your potential customers should consider engaging with you by purchasing you and being involved with you?

Once you've articulated that, then you can get to the promise. If anybody asked me what's the shortest definition of a brand, I would always say it's a promise: a promise, at the end of the day, between a business and a customer and a product, service or experience.

Darren:

Interesting, because I like Al Reeves where he says a brand is any pronoun. Because you think of any celebrity – they're pronouns. Uber is a pronoun. In fact, brand names are always pronouns, they're never just nouns.

Simone:

I think it's a clever description, but I don't think it's particularly helpful at the end of the day.

Darren:

He did go on to say, 'The strength of a brand actually exists in the mind of the consumer'.

Simone:

It does, and in the hearts.

Darren:

He said the mind – we'll get onto the anatomy later, I'm not sure it actually exists in the hearts. And he said that the strength of the brand is how consistently they associate with that pronoun. So in the case of a celebrity, if you went and asked 100 people what they thought of Taylor Swift, the strength of that brand would be how aligned people are to the perception of what or who Taylor represents as that brand.

I thought that was an interesting way to think about it, because he then went on to say, 'Brand management is about managing that perception in the consumer's mind to maximise their engagement or intention to interact or purchase'.

Simone:

And you need that for clarity, absolutely. I mean, we don't all want to have to spend our time thinking about what a brand stands for. It's up to the brand to articulate that in a very succinct way. And as you say, repeat that over and over by demonstrating that through the products they bring to market, the service they offer, or the experience I have with them when we interact. If they can provide that consistently, then it will be reinforced time and time again.

Darren:

A lot of organisations just allow brands to happen almost by default. Some organisations, especially start-ups, you're not sure that they sat down and said, 'We're going to create a brand here. What's it going to represent?' They've just got on with doing business and at some point, some clever bunny has said, 'So what do we represent now?'

Simone:

It's true. We've actually worked with a few start-ups in a similar situation to that and generally, what we've found is that they start thinking about brand as the business develops. If they don't leave it too late, they can start really investing in brand, but others leave it too late and then they're looking at a re-brand when they're really a young business. But most of them will consider developing a brand pre-sale because they'll be looking again for the value that's sitting in the brand, the goodwill as you call it.

Darren:

You would think that they would think about it before they'd even go out and look for funding because investors are customers. In a way they're engaging with a business, so having a strong brand, a desirable promise, would be important, wouldn't it?

Simone:

Absolutely. But it comes back to marketing – where marketing seems to sit in the value chain in organisations big or small. It's seen as a cost, a line item that is going to cost us a lot of money, and unless I can attach a reasonable cost per acquisition to that, I don't want to do the investment. The investment is required to start a business because you need to articulate who you are and what it is you're taking to market, and spend some money on taking it to market.

Darren:

Isn't it interesting that they think of it as an additional expense, because if you articulate your brand early enough, then you integrate the brand into everything you do. It's not actually an extra expense because businesses communicate a lot just through doing business.

Simone:

Most businesses that start up have a sense of who they are. You can actually find the 'Why?' through workshopping with them. It's just that they haven't gotten to the stage of articulating it.

Darren:

It exists naturally.

Simone:

You don't go into a business and make it up. You've actually got to pull it out of the organisation. It exists there, but it's just that they're unable to articulate it – unless, of course, there's a skilled marketer involved in the start-up.

Darren:

Who is able to extract that from their colleagues in those early days.

Simone:

And who is able to point out the importance of it and the value of it at those crucial early stages.

Darren:

Do you think it's harder for big, mature companies to do that? Once you grow to a couple of hundred people, or 500 or 10,000 people, does it become harder to articulate what the brand is?

Simone:

No. The longer you're in existence, the easier it should be. We work with start-ups as well as traditional businesses that are on a journey of reinvention of some sort, and I find that traditional businesses have rich stories hidden within them that have just never been told. Or they've been told, but it was many years ago and it's just been lost somewhere along the way. It's our job to get in there and unearth that again and remind everybody in that organisation why the organisation does what it does.

Darren:

So brand has a lot to do, on that basis, with culture doesn't it?

Simone:

Culture is key, particularly for service delivery organisations, which is really a human interaction.

Darren:

People often articulate brand with very human attributes. There's a personification in the brand.

Simone:

There is, and that's to help it be understood as well. It can be a bit of a cliché, but we need to humanise the brand. I think there is an issue with some corporate-speak, that within the organisation the employees are unable to connect with the values or live those values because they're just not well articulated. So we try and put it in everyday, connective language, which is also inspiring, not just ticking boxes.

Darren:

Jim Collins' *Built to Last*[5] talks about purpose, not brand –

5 goodreads.com/book/show/4122.Built_to_Last

articulating the corporate purpose – and yet we've got marketers now running around talking about brand purpose as well. Is brand different to say a corporate purpose?

Simone:

Not if it's a corporate brand. Because brand has evolved over time, so I think purpose has become more important over time because of the changes that technology has brought to bear, which is the shift of power over to the consumer, the absolute transparency associated with that, and the fact that organisations can no longer get away with not doing what they say they're going to do. They have to live what they say they're going to.

Darren:

Which is having integrity, isn't it? Doing what you say you'll do is integrity.

Simone:

Transparency has shone a light into many industries. The food industry is a very good example. Nobody wants to eat food that is poisonous anymore. People want nutritious food, so this is where purpose comes into play.

We have a client that we worked with recently – at the moment they're doing almond milks and soy milks – and they've done very well, they've got themselves up into Woolworths now. And they've taken on a purpose of keeping the big food brands honest, and what they want to do is get a quality product to market and make it accessible to the average person.

Darren:

So that's what you'd call a traditional challenger brand, in that it's acting as an aggressive number two.

Simone:

Correct. But purpose is now about delivering to that consumer power.

Darren:

I find that very large businesses – and we've got some huge conglomerates globally: the Unilevers, the P&Gs, the Mondelez, some of the South Korean businesses like the Samsungs – they're in so many different things and they articulate so many different brands within that. Most of them are a house of brands. And so you get such conflicting messaging.

Simone:

Where does the purpose sit? I think in that instance, the purpose should sit with the master brand or the parent company brand, and all of the other brands need to be able to deliver to that. But I think bringing a strong purpose down to every level of brand within some of those conglomerate organisations can get a little bit clunky and unnecessary.

Again, it comes down to there being different types of brands. You've got low-interest brands at one end of the spectrum, which are necessary evils – I don't really care who I use – and it's all about rational decision-making about price and convenience, through to the other end of the spectrum, high-involvement brands where I'm paying a premium. Because of the high involvement, I'm expecting that that brand is somehow going to associate and link our values in some way. So that's where purpose is really important.

Darren:

Professor Byron Sharp says there is no brand loyalty and that people just buy out of habit, but I think what people miss is that most of Byron's work is fast-moving consumer goods [FMCGs] or CPGs, where in most cases you really do have low consideration.

You mentioned before that food is not a low consideration, and people want to eat nutritious food, but when you're standing there at the supermarket aisle with a plethora of brand choices, how do you distinguish one from the other? Some people will buy on price. Others will just buy brands, names that they know because they feel that's something they can trust. And others might even explore. But to talk about loyalty in what's largely become commodities categories doesn't apply to prestige brands.

Simone:

It doesn't, and I think that's what you constantly have to do when you're talking about brands – what segment of brands are we referring to, because you can't make blanket statements like that without going through that process.

Darren:

But marketing loves making blanket statements. Bob, the Ad Contrarian, just recently said, 'Brands shouldn't do anything with social media. After all, social media is just talking to the people that are already buying your product, and marketing's all about acquiring customers'. Now I read that only a couple of days ago, and OK, maybe in high-volume consumer goods like supermarkets, but social media works brilliantly well if I'm selling a Ferrari because all my clients are going to be out there taking photos of their new car and sharing it, making everyone else jealous. So why wouldn't I do that?

Simone:

I agree. I just think that there are too many sweeping statements being made in the marketplace and that's where the confusion comes in. Everybody gets confused – they don't know what the guiding principles are that they should be following.

Darren:

On that, do you think that brand is a consistent approach, a consistent definition? The role of brand, is that consistent whether I'm selling branded almond milk or prestige cars or handbags or property?

Simone:

Absolutely. You still need to give me a reason why I should buy, and that comes from who you are and what you stand for and what your promise is around that product, service or experience.

Darren:

To me, brand is more about who you are and would I do business with you. To me, when you say 'promise', it's almost like the proposition, and I'm wondering whether brand is actually a proposition.

I think brand is a bit more like the lighthouse on the hill. It's about creating a perception or a persona that people find desirable or interesting or trustworthy, one that they will gravitate to or they won't. Whereas when you say 'promise', what happens if you promise one thing one day and switch the promise the next day? Or is this a more fundamental promise?

Simone:

Yeah, it's not the USP necessarily.

Darren:

Don't you love that? That's the unique selling proposition.

Simone:

We're not speaking of it at that level.

Darren:

So you're talking about a much more visceral thing. This is the promise?

Simone:

Yes, correct, which comes out of the why I do what I do, because it's the why that backs it up at the end of the day.

Darren:

To me, Unilever's promise is about building a sustainable world. They want to make a world that is environmentally and humanly sustainable. And then they turn around and say the promise of Dove is real beauty and the promise of Axe – they've changed it round – is about making young men more confident. Suddenly, I'm surrounded by often conflicting, sometimes different directions within the one company.

Simone:

Some of those are the customer value proposition [CVP] versus the broader purpose of the organisation. So I would say with Dove and Axe, that's the CVP, but still those products should be delivering to the purpose of the organisation, that the packaging of these products does deliver to the organisation's purpose.

Darren:

They've done a lot of work with their supply chain to make sure it's sustainable. So do you think there's a difference between products and services when it comes to brand articulation?

Simone:

I think there are additional layers when you get to service because the brand has to be delivered in terms of the behaviour of its delivery. So whether that is a human being or whether that is the platform, that experience that you're having of the delivery of that service is behavioural expression.

Darren:

I've talked to marketers who have had a long history in product, and they go, 'Oh, everything we do is completely transferrable to marketing services'. And I have a problem with that because I usually buy the product from an intermediary – retailer – and then I do have a brand experience when I use the product, but service is different because it's this ongoing interaction that happens all the way along.

Let's look at Telstra, Australia's biggest telco. It did a big brand relaunch with Thrive On, and yet my experience of it if I make a call to the call centre – because it is a service provider – and every time I use my Telstra internet, is that I'm having a less than optimal brand experience that doesn't live up to the promise.

That's why I picked you up on promise, that with Telstra I can thrive, but my experience of that is not …

Simone:

Correct, because while their products might enable that, if the service delivery of those products is not enabling you to do that, then the experience is not complete, so that's where the behaviour comes in. So if you're in a situation where you've bought a product, say you've got broadband, and for some reason you're having difficulty and you've got 10 people over at your house champing at the bit waiting …

Darren:

My Netflix takes three minutes to buffer and …

Simone:

Game of Thrones is about to begin and yet the broadband is stumbling.

Darren:

And there's nothing they can do about it.

Simone:

You get on the phone – well, how they handle that moment is really important. That is service delivery, that is behaviour delivery. How much responsibility at that level has that person been given to sort the problem anyway?

Darren:

Which is very different to buying a product. I go to the retailer. The retailer gives me bad service – it's got nothing to do with the product, it's the retailer that's not living up to their brand promise. I get the product home and if there's a problem with what I purchased, yes, I'm going to contact them, and how they deal with that will influence whether they recover their brand perception with me or not. It's a very different and much simpler set of variables that they're playing with.

Simone:

Much simpler, and there are varying degrees of service organisations as well, because you don't interact with your electricity or gas company as often as you would Telstra. The telcos and the banks are high-touch, and if you're looking for current best practice in this market in service delivery, they're the ones that you would look to.

Darren:

Because it's also, when the brand promise is let down, how big is the catastrophe? That's the difference between me as a customer jumping on social media and telling everyone how bad it is compared with me going, 'Oh, whatever'.

Simone:

The voice of the consumer. The channels are there now for that voice to be expressed.

Darren:

Now to jump right back, you mentioned storytelling, brand storytelling.

Simone:

Brand story.

Darren:

I'm really interested in that because storytelling was a big thing in the industry and now I read that it's not storytelling, it's story-doing. Have you seen that?

Simone:

I can't stand it. Actually, I had a client say to me they wanted to use that terminology in their pitch, and I went, 'Why?' 'Well, it makes us sound more contemporary.' 'No.' We love creating jargon, reinventing our own jargon over and over and over.

What they're trying to communicate there is that you have a brand story once you've articulated it. There are also ways now that it needs to be delivered through experience. But I find the term cringe-worthy, quite frankly.

Darren:

Nick Law, about three years ago, did this great presentation from RGA, and he said that advertising is where I tell a story about going out and killing the woolly mammoth.

Simone:

Branding, yes.

Darren:

And storytelling is where I bring it to life, and story-doing is where I actually take the person out and show them how to hunt the woolly mammoth. So there is the storytelling of advertising, which is the story – the 'why we should be considered by you'. Then there is the storytelling, which is bringing that story to life by having some interaction in the story, so getting people to participate in it. But then there is actually story-doing, which is allowing them to experience the brand for themselves.

Simone:

I'm exhausted.

Darren:

He said the great thing about digital technology is that you can do all three, whereas advertising can only do the first one, which is to talk about it. The reason it was called interactive is that you have the opportunity to actually engage the customer or consumer in brand experiences online.

Simone:

Yes, OK, that's fine!

Darren:

By getting people to do things. But I get your point, which is that if you articulate the story so it's clearly aligned to what the brand is, then you can extrapolate that forward into brand experience, but if you don't have the story agreed on …

Simone:

I think that in the early days of digital we were talking about having a conversation and allowing people to participate, and that's a lot of this – I don't know how old that presentation is.

Darren:

Three or four years ago.

Simone:

So that was a lot of the language that was being used back then, but really, how much do we want to participate with brands? A lot of brands were hoping that they could create a great space within social media channels and that people would just want to follow them. People don't want to follow brands.

Darren:

You mean all those likes on the corporate Facebook page, they are what?

Simone:

The employees.

Darren:

Or a click-farm in some emerging country.

Simone:

But people do have high involvement and love certain brands to the point that they start creating their own content, their own version of the advertising that has been created, for example. And then it is up to those brands to actually leverage that content, to propagate it, to get greater viewership of it if you like, to get greater reach out of that content that they didn't have to pay to create. And that was Coca-Cola's liquid ideas.

Darren:

Which was consumer-based content. Amplify that as a way of engaging with people.

Simone:

Correct.

Darren:

But that comes down to how that level of engagement means that there is a loyalty, a relationship of love – not to dwell on lovemarks.

Simone:

At that time, the new technology meant that people were interested in participating. I've got all of these tools I can now access and a channel and a potential audience out there. I'm going to start making stuff. I'm going to start participating. So that was really the early days of the internet, wasn't it? So that's why all of that sort of language emerged. But I think things have changed and we're now going into an interesting time within the digital space.

Hopefully this isn't going off topic, but it's been very much about the internet of information and Google's information highway, and owning that and organising that for you. It's now through technologies like blockchain, which came about during bitcoin, and which are going to turn the internet into the internet of value. That is going to have a totally disruptive effect on all businesses again over the next decade as that gets rolled out. And some businesses will find their value again, I believe, as a result of that, and publishing could be a sector that finds their value again.

Darren:

Rather than the internet now, which is a broadcaster – it's all out there; it's actually going to be bonded into a collectively agreed structure that allows you to commercialise it.

I've heard some great stories about composers, for instance, who are able to commercialise their music. So the traditional internet is, I just put my song out there and people download it for free, and even if they pay for it they can share it for free anyway, whereas the blockchain actually means that all of this is connected.

In fact, when you think about what you were saying with brand, because of the complexity of the world, it's more important than ever to have a clear articulation of what your business represents, its purpose and its promise, than ever before. Because there are so many different challenges on a day-to-day basis, it would give you a framework to be able to respond to those, wouldn't it?

Simone:

Everybody's fighting for attention. How are you going to stand out? The great news is that if you do this work and you do it well, there is plenty of room for you to stand out because so many don't bother. So it is worth the investment from that perspective because so many businesses just don't bother in so many categories.

Darren:

When you said 'stand out', I took that as being over time you stand out because you actually represent something. I've seen a lot of brands stand out in any particular moment: they do things to get attention. But because they're just constantly chasing attention over time, you're left with no residual impression of what they are. Or they just stand out for standing out.

Simone:

No, I mean standing out because there is clarity around you and your offering versus the competition. So you stand head and shoulders above the rest because you've got a clear stake in the ground. What position are you going to take? Define it, put a very clear stake in the ground, and stick to it.

Darren:

It's about being consistent in that you build a very clear position in the marketplace because of being consistent.

Simone:

Yes.

Darren:

Interesting. CMOs turn over every 3.3 years – that is the latest number – and every time a new CMO comes in they're inclined to review the marketing strategy and start off with something new.

Simone:

Make a name for themselves.

Darren:

Which goes against this idea of building long-term brand value because you're constantly messing with the underlying brand.

Simone:

And it's the same with CEOs.

Darren:

Well, they have longer tenure; they were about eight years. If they're slightly out of sync, then you're in trouble.

Simone:

Well, that goes back to the fact that really, the CEO needs to embody and own the brand within the organisation. It can't just sit with marketing. I mean, everybody in the organisation is responsible for the delivery of brand, but it has to sit somewhere and that is with the CEO, and that's another key reason why that should be the case.

Darren:

Harvard Business Review had an article last month about CMOs and only about 20-something per cent of them are true C-suite P&L owners. Most of them are either comms people or they're strategy people – it was about 50% comms, 30% growth strategy – but no P&L responsibility. If that's the case, stop talking about CMOs owning the brand because the only person who can truly pull the levers of the organisation to deliver on the brand promise which you talk about is the CEO.

Simone:

Yes, correct. And circling right back around, digital within organisations has taken the focus. So CMOs are busy trying to work out how they're going to merge their ad tech and marketing tech – they're not thinking about the brand.

Darren:

Yes, it's the cart before the horse. We're worried about the implementation before we've got the underlying framework agreed and articulated. So do you think there is going to be a return to focusing on brand? Do you see this as a trend, or do you think it's just housekeeping for most people?

Simone:

At the moment there is a very short-term focus, so unless the focus of business starts becoming longer term, then there won't be a greater focus on brand, because it really is about a longer-term vision and view for the business rather than a short-term one.

But really, it's: what are we delivering to shareholders? And it's based, as you say, on the CEO and CMO's tenure within the organisation and what they want to achieve within that period of time – that's driving agendas. Whereas brand is if the organisation has always had a focus on brand, then it will continue to have a focus on brand because it is sitting at the top level with the CEO.

If they haven't had that so far, unless they change the focus and start investing more in the future of the business, it's unlikely that they'll invest more in brand.

Darren:

So some good advice for anyone who comes into a CMO role would be to find out if the brand is clearly articulated, and if it's not, start the process of articulating the brand. Then, if it is articulated, start the process of integrating it into the business because it exists outside of marketing.

What a great opportunity for a new CMO if they've got a brand to then see how far across the organisation that spreads, because if it only exists in marketing it's not really a brand. It's got to be up to the C-suite and right down to the coalface and everywhere in-between, so that's step two.

And step three is only mess with the brand if there are some fundamental issues that stop your organisation from embracing it.

Simone:

Or there's an opportunity that requires some sort of review – there's a greater opportunity, some sort of evolution of it.

Darren:

A big strategic shift?

Simone:

A big strategic shift from a business perspective.

Darren:

You mentioned short-termism before. We're working a lot with marketers that are facing ZBB, and it's an interesting conversation because ZBB is about budgeting for return, and a lot of CFOs think that the return on marketing investment is growth, and the part that they miss out on is defence. Because if I've got a $10 billion brand, it's not just about the incremental growth on top – it's also about how I defend the $10 billion, right?

Simone:

Of course.

Darren:

But a lot of CFOs don't think about that. They think about the growth on top. A lot of CMOs, when we have this conversation and say 'defence', you need your growth on top for your quarterly report, but my defence needs to be long-term.

Simone:

Of course.

Darren:

I can't just defend it for the next three months. I can get growth on top, and to me brand works in two ways. Brand makes your business desirable or worthy of consideration, but it also rewards your existing customers for why they're doing business with you.

Simone:

Absolutely.

Darren:

But it overcomes short-termism because I can't just reward them for the next three months. I've got to have some part of my marketing investment taking a longer-term view. The only thing you're going to report on Mr CFO and Mr CEO is the quarterly sales reports. What are we going to do to make sure that in six months, 12 months, five years' time, we've still got the $10 billion that we had today?

Simone:

You're speaking to the converted.

Darren:

True. Thank you for your time. Thanks for coming in and having a chat.

Simone:

Thank you, my pleasure.

Darren:

So what is your favourite brand?

THE END.

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6 trinityp3.com/marketing-performance/marketing-planning-process-review

POST 36

Why marketers focus more on creative than on media challenges

Posted 15 August 2018 by Julian Barrans

While some may disagree with this proposition, let's consider what's going on.

Are there more brand challenges that need solving by finding that creative 'big idea' versus media planning/buying to target better with greater efficiency?

There's no doubt that ideally the brand needs creative and media working hand in hand, so it should be both that are focused on to get the strongest result for the business. Although when you think about the campaign brief, it usually focuses on developing the creative 'big idea' and considers media as a more executional consideration to reach the target audience, rather than being integral to the brand campaign solution needed. So already, marketers are putting more time into the creative challenge.

This is exacerbated by the divide between the 'lead' creative agency and media buying agency often being different entities and not always working together seamlessly. This issue can also be compounded where internal marketing structures reflect the agency roster structure and there's a media director/manager between the brand manager and the media agency. For that matter, there may also be a marketing services or marketing communications manager in the mix too.

Roles, responsibilities and capabilities all need to be considered carefully, ensuring clarity across the agencies and marketing team to get things working effectively here, for both creative and media to be working together to deliver the optimal brand solution. Often, the focus on media, beyond consumer audience targeting, is around the lowest price to either stretch budgets or to deliver individual campaign ROI measurement/achievement.

Are there more creative agency reviews versus media agency reviews taking place?

Creative agency reviews, if driven by marketers rather than by any procurement rules/processes in place, are usually about creative idea quality first and then about the cost. If there is dissatisfaction with the creative output of the agency or personnel changes, such as if the CMO changes, then you see reviews taking place outside of any contract-linked cycle.

Brands are increasingly under threat from competition both current and new, so the pressure to cut through with that great creative idea is ever more pressing. Not to mention the pressure on ROI/budgets/overall P&L that are demanding more from creativity in the absence of big budgets and that could drive even an average creatively derived brand message into the grey matter of consumers.

Media agency reviews are usually driven around the hunt for better-value media and saving money to reduce budgets/deliver cost savings against C-suite-derived targets for the business. Rarely are they about better media planning and a drive for creative media use. So the media agency review tends to be linked more with contract renewal/procurement processes rather than being driven by marketing.

Is it a 'right brain, left brain' preference thing in the marketing community?

There has to be something in this. The majority of people in the marketing and advertising industry would have been drawn by the creative opportunities on offer over and above anything else. Over the years, as greater ROI, data analytics and science has been brought to bear, the former will have changed somewhat, but overall it must still ring true.

If so, then the drive for creativity will tend to lead to a greater focus on the creative side of the process, and the media focus may then take a back seat as it were. This is not to say that there aren't creative people dealing with the media side of things – of course there are, and their creativity has been brought to bear to innovate over the years too. But overall there will be more marketers and advertising professionals drawn to the creative needs of branding and marketing, and that will lead to more of a focus on the creative aspects involved therein.

I remember the old saying that the first thing a new brand manager in FMCG wanted to do was to change the packaging, and I never heard any of my marketing team saying, 'Let's focus on media' – unless it was about giving more media budget for my project, that is! How should marketers be managing their focus to get the balance right?

The marketer's role has never been more complex. Where brand communication used to be defined as representing 10–15% of the role's time, it now demands far more time for the brand to be effective today. Why's that, you may ask? Well, media and channel selection is more complex and challenging than ever before. We still have all the traditional media options plus a huge array of digital options at the brand's disposal. Also, the multitude of media channels provides valuable insight into audiences that can be used to inform creative to better target their needs.

Media and channel selection is the largest part of the marketer's spend, and getting it right has more financial upside, while creative concept is the most visible and has the greatest reputational risk/reward aspect.

There are three things marketers should be thinking about as they embark on getting the balance right for their particular situation:

1. Yes, both creative and media are important – getting both right is absolutely essential.
2. But often only lip service is given to change, and to ensuring the right balance of experience and capabilities is represented in the marketing team and agency roster.
3. To bring about change, you need to make real, practical and planned changes – not just shuffling the pack and focusing on today, but the future fit around where you want/need the brand and business to be.

Media continues to be the single largest budget item for most advertisers. But media has changed significantly. Find out about our media solutions[1].

1 trinityp3.com/media-performance

POST 37

Marketing performance measurement – become an instant expert

Posted 9 February 2018 by Anton Buchner

Are you an up-and-comer in the world of marketing? Are you a couple of jobs into your career and starting to find your place within marketing teams? However, while you admire the great mentors around you, you feel like there's a world of marketing knowledge that you want to get experience with?

Sound like you?

If so, then this series of six Become an Instant Expert posts is for you. The posts are aimed at helping to demystify marketing in a tech-driven world – from marketers who have been learning the trade and executing campaigns since the early 90s.

Yes, we'd like to share some wisdom with the 'influencers' in the industry, so that you can be armed with a solid base of knowledge. Help springboard your career by becoming an instant expert. We'll publish the posts weekly and focus on these key areas:

- Agency performance management[1]
- Media performance management[2]
- Digital and technology alignment[3]

1 trinityp3.com/2018/02/agency-performance-management-become-an-instant-expert

2 trinityp3.com/2018/03/media-performance-instant-expert

3 trinityp3.com/2018/03/digital-and-technology-alignment-become-an-instant-expert

- Agile marketing delivery[4]
- Environmentally sustainable marketing[5]

For the first in the series, we'll focus on marketing performance measurement.

Is your marketing activity actually working?

One of the greatest challenges for marketers is to prove that an activity is actually making a financial impact. As a key influencer, you are in a great position to challenge your leaders with questions such as:

- What are the real objectives of this activity?
- And is it driving brand value or aiming to deliver business and financial growth?

There's one important lesson that we've learned over the years. Financial performance is the key to future success. In your career, you'll realise that you're only as good as your last campaign or activity. And in a world where virtually everything is measurable, it is important to learn the fundamentals of how to measure the impact of marketing.

Yes, we're sorry to say it, but it's a 'Mathsmen' era now.

OK, groan, groan, 'I hate maths', we hear you say. Well, you needn't fear. The good news is that there are only a few relatively simple calculations that you need to be proficient at. And they have nothing to do with calculus, trigonometry or algebra.

We've never used calculus, trigonometry or algebra in marketing!

However, we have used these simple calculations.

Cost per lead (CPL)

It's easy to calculate. Take your total marketing spend and divide it by the number of leads that you achieved from your activity (or use a projected number of leads that you aim to get). This will give you a dollar figure for the cost per lead. For example, if you spend $100,000 and aim to get 1000 leads, then the CPL is $100.

Cost per acquisition (CPA)

This is also a simple calculation. You divide your total marketing spend by the actual total number of sales achieved (or you are projected to achieve). Hence, for the same $100,000 spend, if you make 100 sales,

4 trinityp3.com/2018/04/agile-marketing-delivery-become-an-instant-expert

5 trinityp3.com/2018/07/environmentally-sustainable-marketing-become-an-instant-expert

then the CPA is $1000.

Conversion rate

You can calculate conversion rates based on two numbers. For example, if you want to know the conversion rate of sales from your leads, then you just divide your sales by the number of leads. Hence, if you have 1000 leads and make 100 sales, then your conversion rate is 10%. Or in layman's terms, you converted 10% of your leads. Or if you want to look at your website conversion points, then you can look at goal conversion – that is, registrations for an event or downloads of a white paper, as an example, as a percentage of the unique people on that page, or as a percentage of the overall unique sessions within a time period on your website.

Return on investment (ROI)

OK, hopefully you knew the above. However, have you ever calculated a ROI figure, or projected a ROI?

This is one of the most powerful calculations. It looks at how profitable your activity is, with the aim of wanting to prove that you are delivering a greater financial return to your business than the marketing budget that you are spending. We like to use profit, or marginal contribution, rather than sales revenue. Why? Quite simply, you can sell a truckload of low-margin product and not actually deliver profit growth to your business if you're only looking at sales revenue. However, sometimes it isn't possible to get a profit figure and revenue will have to do. In short, a ROI figure looks at the return for every dollar spent on marketing and is often expressed as a ratio (for example, 8:1 – for every dollar spent, you achieved $8 in return revenue or profit).

So to continue the example, for your $100,000 marketing spend, imagine that the profit on each sale is worth $2000 (and yes, we are assuming that the product is also fairly high-cost). Then, based on achieving 100 sales, you have delivered $200,000 in profit to the business (100 × $2000), hence a 2:1 ROI.

Now this is where it can get a little more complicated. You can determine the one-off ROI for your activity (that is, the immediate profit per product or service sold). Or you can calculate an annual ROI (factoring in repeat purchases over a year), or lifetime value (the lifetime could be three years, five years, seven years and so on). Hence, you are multiplying the campaign figure for one-off sales value to get an annual number, and then multiplying it again by the number of years you want to project it to.

So assuming the above $200,000 profit was an annual figure, then the three-year ROI would be 3 × $200,000, equalling $600,000, which is a 6:1 ROI.

However, in calculating a projected ROI, not all customers will remain with you over the time period. So you typically need to factor in a churn or attrition rate.

* *

These are just the tip of the iceberg when it comes to analysing marketing performance. There are many other important calculations and areas to assess. Here a few more calculations for you to delve deeper into:

- *Average value of a customer:* what a customer is worth in terms of profit per year (not sales revenue). This involves looking holistically at a customer and totalling all of their purchases across all divisions of your business, rather than looking at it from a silo perspective. For example, some marketers just look at e-commerce sales or within their product portfolio, but disregard the fact that customers also shop offline and buy other products from your business. Hence, you should be totalling all their sales to get to a single customer view of their value to your whole business.
- *Incremental value of a customer:* a more meaningful measure of the impact of your marketing on a year-on-year basis. It looks at the incremental value of a customer as a result of your customer marketing activity. You are ultimately aiming to achieve a shift in customer value on a year-on-year basis, hence questioning whether all your retention and loyalty marketing is actually working. For example, if a customer was worth $2000 last year and is worth $2200 this year, then you have achieved an incremental value of $200. And what percentage increase is this? Correct, a 10% increase!
- *Quality score of your leads:* a great metric to rank the quality and therefore the potential value of your leads. All top salespeople will learn this metric and focus on the hottest opportunities and leads first.
- *Retention rate:* the percentage of people staying engaged with your company, remaining active on your database and not opting out, and continuing to purchase your products. It's important to look at this calculation from an active point of view, meaning who are the

customers who are continuing to be active (engage and purchase) rather than simply being on your database or part of your loyalty program.

- *Engagement rate:* we have purposely left this calculation well down the list. While it has been an exciting metric with digital and social media marketers, it's nowhere near as important as looking at the financial measures outlined above. You can have amazing engagement rates that never lead to sales or incremental customer value. So be careful with this one. It's really just a measure of how engaged or involved people are with your content or activity. But a question to answer is: 'Is your content actually attracting the right quality of prospects or customers?' The engagement rate is the rate of people engaged as a percentage of the total base of people. So in social media terms, if you have 50,000 followers and 50 people liked or commented on your content, then you have achieved a 0.1% engagement rate. Now that's not particularly high, is it? So don't get too excited when you get 50 people engaging with your content. Think about how you can impact the other 99.9% to have a more demonstrable impact and achieve significant behavioural change.

Speaking of behavioural change, why not act now (sorry, it's the marketer in us)

Has this post helped you to become an instant expert? Well, it may take more than reading one post. However, if you feel that you or your team need assistance in assessing marketing performance from a strategy, structure, budgeting or stakeholder alignment perspective, then you can become even more of an expert by delving deeper with TrinityP3[6].

Thank you for reading. Here is your TrinityP3 Instant Expert Certificate.

6 trinityp3.com/marketing-performance

p.s. – Remember to stay tuned for the next posts in this mini-series of data-driven and digital marketing tips to fast-track your marketing career.

How are your budgets set? Top-down or bottom-up? Are you using ZBB? Find out how we can assist you with budget setting and measurement[7].

7 trinityp3.com/marketing-performance/budget-kpi-and-roi-setting

POST 38

Managing Marketing – the benefits and complications of production decoupling

Posted 18 July 2018 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].

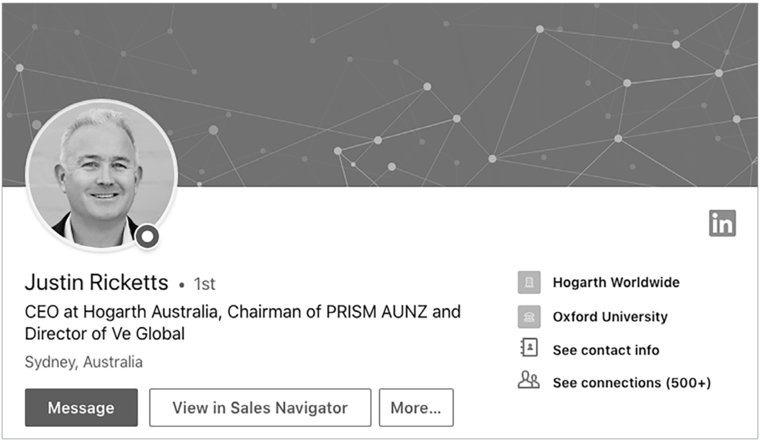
Justin Ricketts[3] is the CEO of Hogarth Australia[4]. He recently shared his thoughts with Darren on media and creative agencies recombining, while still recommending that the resultant production should be decoupled. While decoupling production has been common in the UK for decades, it is still a hot topic in many markets, and Justin discusses the benefits and the challenges of getting it right.

1 soundcloud.com/managing-marketing

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

3 linkedin.com/in/justin-ricketts-52b75012

4 hogarthww.com.au



Podcast transcript

Darren:

Welcome to Managing Marketing. Today, I'm sitting down for a chat with Justin Ricketts, who is the CEO of Hogarth Australia. Welcome Justin.

Justin:

Thanks Darren, good to be here.

Darren:

Mate, the reason I asked you to come in is that you wrote something on LinkedIn where you're supporting this idea that creative and media should come together again, but you think production should be outsourced. Why?

Justin:

The article you're referring to, it spells out how I think that, having worked in both creative and media agencies, when it comes to creative and strategy, it makes a huge amount of sense for that to be integrated and come together. But when it comes to production, that is something that increasingly needs to operate at scale. It's a sort of horizontal offering that if you try to integrate it into a single or combined agency, you end up with a side offering that doesn't have the scale and the technology and the ability to compete and deliver what clients are looking for in today's marketplace.

Darren:

I agree with you. Decoupling or outsourcing has been around for two or three decades. I can remember back in the 90s they were talking about this in the UK, so why is it such a hot topic here in Australia now? What is it about Australian agencies or marketers that means everyone has resisted this?

Justin:

I think you're showing your age if you're going back to the 90s.

Darren:

Well, I'm a lot older than you and therefore wiser and you should respect me.

Justin:

Ultimately, the important thing to recognise is that decoupling production has been driven by clients. It's not something that was created by agencies or specialist decoupling production companies. I think clients have typically driven a demand for a different way of producing things.

My understanding is that the key wave of decoupling came in 2008, in the GFC, and a large amount of global clients were looking for more efficient ways of creating their global campaigns and delivering them locally, and the core service was then around trans-creation and local adaptations. So, Hogarth, where I now work, that's where they got their first wave of demand from clients.

I think the second wave that we're experiencing, not just in Australia but globally, is being driven by the fact that most clients are now having to create more content to fill more channels with much greater agility. And funnily enough, their budgets aren't getting bigger, they're getting smaller.

Darren:

They're doing more with less.

Justin:

So if you're having to create more with less and you don't want to affect the quality of your advertising content, then the reality is that something has to change – the model has to change. And what we put to the market is that the old way of doing things through relatively small, siloed production offerings inside agencies, which worked in the old world when we were just looking to make a TV and a print ad, is no longer sustainable.

Darren:

A year for each brand, not just a week for each channel of social media.

Justin:

This isn't a crack at the agencies. The agencies are now coming up with so much more content and therefore you just need a different model. What we offer to the market is a specialised, consolidated production offering that can operate at scale but invest in technology, automation, AI, workflows, and ultimately eliminate all the inefficiencies or duplication of account handling and actually put more craft on-screen and deliver a more efficient model.

Darren:

We've been involved in projects of decoupling production for clients and I've had the most virulent, personal attacks over this. People in agencies, and especially creative people, get really angry about this. Why do you think it is?

I get it from a financial point of view. I've seen agencies that are taking a haircut on things like retainers and fees for account management and creative and strategy, so they're trying to make their money on production and if you decouple that, where are they going to make money? But with the financial people, you can have a conversation and go, 'I understand, and we'll balance it out with topping up your retainer' and things like that. Yet the creative people go like maniacs. They spout all sorts of lies and mistruths. They go around spreading gossip and rumours. This is clearly something that has gone to the very heart of these people and terrified the life out of them, because they are overreacting. What is it?

Justin:

Do I have the answer to that? One, I acknowledge there is a lot of emotion and tension when it comes to decoupling. It's fair to say that some agencies have adapted their production offerings, but most simply don't have the scale or the technology or the capability to deliver a better offering. The reality is what we're asking agencies to do is to disrupt models that have been around since the 90s and before, back to the 50s, and it's change. And in my experience, having been involved in Hogarth here for about 12 months, anything that's talking to change at this level is going to create emotion and angst. Ultimately, I don't think it's much more than the fact that we're dealing with change.

Darren:

But change is inevitable. We're seeing change in every part of the business. So it's actually the change to the creative department isn't it?

Justin:

Yes, it is.

Darren:

Supposedly the most innovative and creative part of an agency doesn't like change.

Justin:

You're right. but in their defence, the creative department are passionate about the quality of the ideas and they want to see their ideas, which they spent a lot of time creating, executed brilliantly. The misperception, which I actually put back on us, is that we are still a low-cost adaptation production business. We were an adaptation business in 2008, where we were literally doing trans-creation and localisation. We are now as involved in primary production as we are secondary production, and I've found that once we established that we actually complement each other.

In Hogarth we don't have strategy. We don't do origination creativity. We just make stuff. We are as passionate as creatives are about making great-quality content. We are probably one of the biggest hirers of production specialists in this market globally.

What we do complements the creative agencies, and our job is to showcase our capabilities and the fact that we're able to work with amazing talent, which is what they're actually obsessed with – they're really keen to work with the best talent in the market. We can access and work with that same talent.

We can create great-quality content with more efficiencies, and once the partnership is formed and you establish clear ways of working, I've actually found there isn't any tension. It's just the perception and fear of the change that's causing all the angst.

Darren:

I had a head of the Communications Council summon me to a meeting because of some of the criticisms of decoupling. I was asked to explain how decoupling – one client – was going to destroy the production industry.

Is the production industry really that fragile? And by the way, we were decoupling it into production companies. It just wasn't the production companies that the creative people necessarily wanted as their first preference.

Justin:

I understand the question, but I don't really understand the assumption behind it. Because if you think about it, what we actually need to do as an industry is produce more assets, not less assets, so nothing is deemed to be declining. And if anything, I think decoupled production agencies such as Hogarth are actually a growing industry.

We are investing in talent, we are investing in technology, and we are investing in innovation. Yes, it's a different model, and yes, the industry's had to change mostly to meet clients' expectations. But we are feeding the industry that everyone sort of feared we were destroying.

Darren:

Okay, so the next criticism I got is, this is all about cost production, and cheaper production means worse-quality outcomes, worse ads. You can't argue, I mean the whole reason we were doing this was to actually allow the client to get more for the money by building relationships and eliminating what was waste.

Justin:

One of the key components of our business is cost, but the other component of our business is quality content, so our proposition, if I simplify it, is the best-quality content possible given the most efficient way possible.

What I believe our business does to deliver the best-quality content is eliminate all the unnecessary duplication and all the inefficiencies, and that enables us to invest in better and more talent and better technologies to get better products. I fundamentally disagree that decoupled production means low-cost production. There are a number of tactics and strategies we apply.

Darren:

Generally, the rule of thumb is that every time someone is decoupled, they end up at a lower cost because you get all the efficiencies – you eliminate the inefficiencies of having to bespoke create something from scratch. You get all the economies of scale because you build relationships with high-quality production people who are willing to not charge the same as they would on a one-off, one time only, because they know there is going to be a succession of work coming through.

You are going to get economies of scale because your processes are going to be finely honed because they are doing this day in, day out. All of these things don't actually damage quality.

Justin:

No.

Darren:

But they do deliver savings.

Justin:

They do, and I would argue that – I use an analogy of media agencies, and our media agency group is GroupM – they have leveraged their scale when it comes to investment through GroupM. The product is no better off. They save their clients' money, but they are buying.

Darren:

They save their clients' money.

Justin:

Yes, but they have also got better technologies. Because production has been traditionally intermediated through the creative agencies, clients haven't had visibility and transparency in terms of the assumptions being made around production. At the moment, the perception is that we give transparency because we have loads of line items or give three quotes, but the reality is that doesn't provide transparency.

The assumptions that the production companies are making in terms of how they calibrate investment into an asset, and there are always three or four different ways to create a piece of content… at the moment clients have only seen one way to produce something. The other thing we will do is show different ways, and there are different budgets, not just different directors that can create that output.

Sometimes it is a matter of categorising production: maybe we have a black, grey, white sort of approach or framework, and sometimes you try and find real efficiencies via white briefs which enable you to spend more money and lift the quality of content when you are focusing your black briefs. It is not always cost savings that go back to the client. Sometimes it is working out campaigns where you can be super-efficient that enables you to invest in better-quality talent or better-quality assets.

Darren:

The third criticism laid at my feet was that I'm taking away the choice of who the creative people work with and therefore limiting the opportunity for creativity – because we had a panel of directors all selected from production companies that the agencies have previously worked with, in the past 12 months. It wasn't like we were bringing in ring-ins, they'd all worked with them. We were just saying that instead of a choice of 50, you've now got a choice of 12.

Justin:

I'll say two things. First, decoupled production does not mean all production is consolidated into one provider. When we are working with clients direct or through agencies, we are not trying to insource everything. We are always contracting with directors. We are actually working with production companies – the whole marketplace is a freelance marketplace. We always provide options. We transparently work with our agencies and creatives and our clients, work with them to decide what we produce in-house and what we outsource.

The second thing is, I think where that problem may have come in is if you go back in time, a lot of great talent was coupled to production companies, and therefore if you were operating a decouple model your access to great talent was limited. Our view of the market today, again both this market and globally, is that most of the production world is operating on a freelance basis. We've demonstrated this since we've been alive here for eight months. We've not had any issues in finding others to work with.

Darren:

You can book almost anyone, can't you?

Justin:

I don't think we've done a particularly good job. We're only six months old in this market. Hogarth hasn't been in this market before, so there's a perception of what we were mostly in 2008. I think we've got a job to do to try to explain to people we are actually partners.

We don't actually compete. If you think about what a creative agency is predominantly doing, it's creative in its strategy. I still like your analogy, and I've sold it as that many times, where you talk about prototyping a car. And we see the creative agency as creating, ideating, conceptualising and prototyping an idea, and we are the manufacturer of those ideas or those assets.

Darren:

Look, the reason that metaphor works for me is something you said earlier. Ten, 20 years ago, an agency got a brief to come up with a TV ad and maybe three or four support channels like outdoor or press or something, OK? And they very specifically made those outcomes. The same brief today is, 'Yes, we need a TV ad and we need it to work on Facebook and other social media channels. We also need a whole range of images that we can put on our Instagram account, but with different memes and stuff we can put into display'. There's 2500 pieces of work from the one brief – not four or five, but thousands, literally thousands.

Now am I going to get the designer of the car prototype, the person who's going to come up with the shape and the styling of the next Maserati, to then hand-manufacture every single one to the customer's needs? Or am I going to get them to build one and then build the most efficient and effective way of producing every colour, every style, every combination, to the quality that that designer expects?

Justin:

Every single time.

Darren:

At the lowest possible cost, because I need to make a profit on it.

Justin:

Funnily enough, your analogy goes back to when cars were made back in the 40s and 50s. It probably was the case because there was such a small volume of cars that the prototype designer was involved in, making the handful of cars, but when they are now making thousands of cars, funnily enough they are using factories in Asia to produce them.

So I think it's a very good analogy. In fact, your analogy works in virtually every other scenario. Where's the perfume that's being conjured up in L'Oréal? I'm sure that's probably coming out of some very smart people in Paris, but I doubt those same people are bottling it.

Darren:

Going into the factory and actually hand-blending it themselves.

Justin:

No. To your earlier question, where is the tension? The tension is in the handover, and I'm sure there's some tension between the person who's prototyped a car and seeing that first car. So the tension in our business is that, once we've got someone who's got a concept, obviously how we execute that first concept – and this is the primary production – is where the tension is. And that's where we have to work really well together. That's where we as specialists in production need to deliver, I think, to the vision that the creatives have got. But we also have to bring in the fact that we have a client ultimately that we are both trying to make a concept for and they have to prioritise where and how they spend their money.

To be really honest, we work every day with virtually every creative agency in the market. We find that once we are working together, there isn't any tension. The tension is around where people haven't yet experienced it and it's the fear of what it's going to mean.

Darren:

The fear of doing something different. Isn't that innovation, creativity? Creativity is doing something different because apparently, if you steal an idea from an old Cannes awards reel and put it up again as a new idea, the creative industry howls you down as just ripping people off. So they want innovation and they want creativity and they want uniqueness, except when it comes to the way they do their work.

Justin:

I think the easiest way to break through this is that when it comes to digital, most clients that we're speaking to really want to personalise their communications. They've now got their data. They now trust their media agencies and buying platforms. They've got this ability now to use programmatic advertising to really personalise. The problem is that the creative hasn't followed.

Your analogy of where we used to make five, we now make 1000, think about the ability and the opportunity to develop and serve dynamic creative, and there are 15,000, 30,000, 40,000 iterations. There is so much of a shift in expectation and that can't be done with humans.

They are using AI in automation, but to do that you need to build a platform. And to build platforms you have to spend millions of dollars, and that's why you need scale, locally and globally, to be able to invest in those platforms.

Again, it's totally complementary, so in that world we work absolutely hand in hand with creative or digital agencies to come up with the right strategies and templates. Then we build the templates and roll out all the creative optimisation of those templates. And I don't think anyone finds that at all disruptive, but I think it is when it comes to that primary production and looking for efficiencies there.

Darren:

I think the agencies bemoan the price pressure they've been under for the last 10 years, that there's this constant downwards pressure on fees, and yet they've done themselves a disservice. They haven't done themselves proud because in actual fact, if they'd embraced technology and actually delivered the efficiencies to the clients, they could have held on to this, couldn't they? Or do you think that scale would bring every agency undone?

Justin:

In today's marketplace, I don't believe that any single agency …

Darren:

Even a big network agency? Even The Monkeys were bought by Accenture. They must have deep pockets to invest in technology. Or is there just not enough volume for one agency?

Justin:

You don't have the volume and its technologies because it's not just digital technology. You're trying to automate and find efficiencies in print. Videos are obviously a key focus, so you've then got to have post-production capabilities. Increasingly, our model is that we have an onsite, inside an agency or a client, and an offsite, which is usually in close proximity to the market and offshore.

We're finding that with most of our global clients, the expectations and the need to drive price down can't be solved in a single market. We are needing to put work that can be offshore into a low-cost delivery centre, and that can be post-production, large-volume print, or digital bills – again, potentially a global network agency.

But again, I think it's scale. It's no different to your manufacturing analogy.

Darren:

I think the sad part is that they stopped charging for the creative idea and for the strategy and tried to recoup it in production. And then you come along and start offering a viable alternative that takes that away from them. I had a client and they made a TV ad and needed some pre-rolls. And the agency had 12 hours for a creative team to work out how to cut that 30 into a 10-second and a six-second pre-roll. Gee, that's a hard job.

Justin:

That's a hard job. But the bit I don't know, which is your area, is how do they turn that around? They need and should be getting paid for the quality of strategy and creative. It's not my area, but I can understand some of the financial pressures.

Darren:

So you're saying this is a trend that is gaining momentum? You're getting clients in this country openly considering this as a viable alternative?

Justin:

Absolutely. And when we started Hogarth here, in June last year, the perception in the market was that decoupled production was a global trend happening in developed markets in the UK, Europe and the US, and it wasn't really going to be relevant here.

Darren:

Australia is an undeveloped market? I was told decoupling has failed in America, the UK and Europe. Has it failed?

Justin:

I'm new to Hogarth, and when I look at our client roster – and our competitors – they are mostly some of the biggest, most successful and most sophisticated marketing brands that have decoupled and continue to decouple production, mostly with the same decouple partner for many years. Most of our clients have been with us since 2008. If this isn't working, why are all these big, sophisticated marketing companies continuing to decouple?

They're creating great work in partnership with other agencies. Our wave in growth here has been fed by global clients that were looking for a better solution locally. I think the piece that everyone has misunderstood is that there are a lot of local clients that are, understandably, having to look at all of their costs, and production hasn't been a thing that people have looked at. So production, there seems to be a wave and it will flow around.

Darren:

Well, this is a long time ago – I've been doing this for about 18 years, so this would probably be about 15 years ago – I got called by a client who said, 'I've just had the account director on the phone from the agency and they've warned me that if P3' – we were called P3 back then – 'keeps being involved in the production, the magic will disappear'. And I went, 'I want to come and meet with your agency and see the magic trick that's going to disappear'. This is the sort of emotional garbage that gets pedalled as trying to stop change.

Justin:

We're reliant on that. It's ironic that you've got an industry that's all about creativity and innovation but we're resisting.

Darren:

Especially because everything we do is different. The thing that I see as an ex-creative person is that if I can find a more efficient way of producing the idea, then I don't have to do the pre-roll or the online video as a cut-down of the 30. I could actually even have a budget to make something different, to shoot something that makes me a 30 for TV but then has a whole lot of other materials that tell a further story online or as a pre-off.

Justin:

While we deliver cost savings off them, it's not just costs. They also want to create more content. So if they want to create more content and they need to be active and do some dynamic creative optimisation

[DCO] or they need to be on social often, we're not actually taking production away, we're just getting more for less.

Darren:

Is there a Cannes Lion for pre-roll? Could you get a titanium for best pre-roll?

Justin:

Possibly. I saw one that was quite good.

Darren:

Apart from decoupling, we're also seeing big clients take production in-house: now that's sort of decoupling. In fact, Unilever have publicly said they've saved 30% on what production costs them with their agencies. They've brought that in-house. I don't know if they've built it or they've outsourced someone to come and build it for them.

I know this is a tough question, and I'm not asking for any names, but what efficiencies, not savings, could an advertiser expect? If they've got $100,000 now, what could they turn that into by decoupling? About $120,000?

Justin:

You'll think I'm avoiding your question.

Darren:

Yeah, I know you will, because if you put a price, every client will turn up and go, 'I want that price'.

Justin:

If there was a global client that wanted to create a global campaign working across multiple agencies and markets, it's very different to a local client with a local campaign working with one agency.

Darren:

You have to have a volume of work to justify it.

Justin:

It depends on the nature of the work and the craft. Different savings are delivered on motion, print and digital.

Darren:

There could be clients with no savings?

Justin:

I've yet to find one.

Darren:

But what you're saying is there could be?

Justin:

I would say there are savings of between 0% and up to 60% if you want a headline. What it depends on, though, is how inefficient the current process is, and how willing a client and their other stakeholders are to embrace new ways of working, new technologies, automation, offshoring. The reason is it can be literally nought if they don't embrace any change and they're super-efficient right up to a big number, but it's slightly up to them.

Darren:

Of course, that's one of the things isn't it? It depends on the amount of change that you're willing to embrace. And that's the amount of change the marketers are willing to embrace. There's a lot of inefficiency in the production process because many marketers don't understand the implications that their decisions have on the cost and the time it takes.

Justin:

And, in their defence, they often don't have the information available to even be able to make those decisions, because often they're just given a number. They're just told that this script or idea is going to cost $300,000. I challenge the concept of triple-bidding.

Darren:

You mean in the procurement process, making sure you go to three separate suppliers to tender and put a response.

Justin:

When I say we have issues, one of the things that people misunderstand about businesses like ours is that if we were to run a triple-bid, we would not participate, because clearly if we run a triple-bid and we're one, then it's not fair.

Darren:

That's what people have got into trouble in the US for.

Justin:

So that hasn't been happening and it isn't what we do. We will triple-bid, but the problem I have with the concept is I actually don't believe it gives clients what they want. I think they're looking for options. Typically, what they get when you do a triple-bid is three prices that are all the same, usually all 10% over the budget the client has given you. All you're getting is three different directors doing it.

Darren:

We used to call it check-quoting, and you could always tell which director the agency wanted to work with because that was the only one that came with the director's treatment. Because the director at a production company will not do a director's treatment if the producer is just putting in a quote to make up the numbers. They're not going to do it to themselves. I mean, it's a creative process to actually put a treatment together.

The other thing is, I think, the whole idea of that tendering process damaging the creative enthusiasm a director has. If you sit down with a director and work through all of the cost issues and say, 'Here are the parameters we've got to work with', they can bring millions of dollars of extra value just by rethinking rather than trying to make it as cheap as possible or hit a certain number. If you go the other way and reasonably and independently assess the value, then you can work with a director to actually deliver beyond that in intangible ways. But agencies don't do that.

Justin:

I don't think they do.

Darren:

No, they don't. Believe me, I've seen hundreds of quotes and it doesn't work that way.

Justin:

We might try and provide three options and the three prices would be very different. The client might have in mind a budget of $200,000 and we would typically come back and say, 'Well, this is what you'll get for $200,000 and this is what you'll get from $100,000 or $300,000'.

So you'll get three different prices and outputs. Your middle one, you might get your TV spot, a couple of cut-downs and pre-rolls, but one of them you might get a whole bunch of social content and some photography, so we look at different options. We find we need to sit down with the creatives who are the stakeholders and the clients and make some decisions. And that needs to be done collaboratively – I don't believe a triple-bid does anyone any favours.

Darren:

I think the other issue is where the clients often brief work without providing a budget, and the trouble with that is that it suddenly becomes this whole open field.

We had a client, a new brand manager, and they briefed the agency. The big mistake they made was they wanted a bigger, better idea than the last campaign we ran three years ago, so they immediately go more expensive because a bigger idea is more expensive. And the agency presented ideas and put the idea through Link testing, so Millward Brown said, 'Yes, this is going to work its bum off on TV'. I don't know how they know that but anyway … Then it got quoted and it was almost three times what they'd allowed. And the only way they could afford it was to eat into their media budget, which meant a lot less people would see it.

Now, there was this huge argument: 'Media is going', 'No, we need people to actually see the ad', and the creatives are going, 'No, this ad is so good they'll only need to see it once'. And it was a huge disaster and we got called in to see if we could do it cheaper.

Most ideas, three times it doesn't work. By the time you get to a certain point you lose quality.

Justin:

Back to your car analogy, if someone's prototyped this amazing car and they haven't brought in the manufacturers to consult on how they're going to do it, you'll have the same scenario. They've got this amazing car they want to sell at $30,000 a pop and produce 15,000 of them. But you need to bring in the production specialists earlier to that process. Again, the production specialists will know very quickly, they'll be able to ballpark that.

I had a case – I won't name the client or the project – but there was a script that required a shoot in New York because it had talent based in New York. But the range that we were able to give for that was literally from $150,000 to $900,000. So it's not a small range and the big thing was how you approached it. If you approached it as a TV ad and you had a TV director and entourage, the reality was it would drive up costs. If you treated the same script as a documentary, the director would naturally want to shoot more authentically with smaller crews. You literally got a $750,000 difference, both using beautifully high-end directors but with totally different treatments.

That, I don't think, you'd get through the traditional approach. You ask what savings can you get? If you gave me that brief, I could give you a $750,000 saving.

Darren:

We were asked to look at a production that was shot on a tropical beach. The agency and the production company were recommending Mauritius because that's apparently the best-coloured water – I don't think they'd heard of telecine or colour-grading. And of course, no infrastructure there. It all had to be boated or flown in. We're talking a multimillion-dollar production, and we recommended two or three alternatives, still shooting on location, just not Mauritius. Not even in

Australia – still shooting offshore, but certainly a lot cheaper because the infrastructure was there.

But after all that process they still shot it in Mauritius because the brand manager wanted a one-week holiday. Absolutely, why not? So there are some people, you just can't save them any money. Even if they want it.

Justin:

Absolutely.

Darren:

How much for a Mauritian holiday?

You must work much closer with marketers then, when you've decoupled production. You'd be working with the agency, but you would also be working with the marketers directly, wouldn't you?

Justin:

Yes. It slightly depends on whether you're talking primary or secondary production. When you're talking primary production, making a new TV spot, I think we are still working very closely with the creative agency. When you move further down to the long tail of marketing assets, the concept is that's when you're not needing as much creative involvement, if any.

In this case, we're usually using online workflow tools that enable clients to brief direct to us through technology where they can approve the work online and we can then implement that work directly into market at a fraction of the cost and time. But it depends on where you are in the process.

Darren:

When you're working with primary production, does the agency send along their producer, and you've got your producer, and some clients have their own producer? Are you having a bit of a producer fest?

Justin:

Ideally, no. If you're implementing a decoupled partnership in primary correctly, the answer is no, we're actually reducing the amount of producers. The only time in our world you'd have more than one producer is if we needed a digital producer and a motion producer. We would never have a situation where we would need an agency producer, a line producer and a client producer in one room. We typically try to recruit what I call a hybrid producer who can manage the agency side but also do the line producing, so actually it's eliminating a role.

Going back to the earlier discussion of change, the agency producer role has changed because that role in the old days was to procure third-party production through their contacts. That has changed as companies such as Hogarth have been built where you've got these scaled operations, so the need to only procure third-party production is no longer really the core role – the core role of an agency has changed. That doesn't mean there aren't great agency producers, but those that we continue to work with or that have moved across to Hogarth are the agency producers who also understand how to make content and effectively do the production company production role.

Darren:

I saw a production that had four producers on it. I just wondered how they were going to get along, because there was an agency producer, a facilitation producer – they were shooting in Europe, so a facilitation company had their producer – then there was the local production company producer, and then they had a visual effects producer because there was a huge amount of visual effects, so they had to be on the shoot too. Because they were all speaking different languages, it would have been quite entertaining.

But I imagine from a client's point of view, when there's a festival of producers, they just think, why am I paying for all those people?

Justin:

If they are, then that's not on. That's not the model operating efficiently. I think it gets worse in your scenario in an offshore shoot. But if you're shooting here, what you can have is an agency producer, the producer looking after the TV content, another producer and in fact another production company looking after the social content, and you've got another team looking after the photography content.

The approach we try and take is consolidating those needs and having a holistic view of all the content we've got to create and all the different stakeholders. And the reality is that good hybrid producers are able to line-produce and agency-produce, and effectively the agency producer is just managing all the stakeholders. The smart agency producers have developed their skills and learnt how to line-produce. All the agency producers I've met, the bit they enjoy is getting out and making stuff. It's a matter of training and upskilling some of the people in the agencies.

Darren:

So you're not going to have this duplication of roles because you're bringing a lot of those siloed approaches, because production is still largely a linear approach, isn't it? Like the production line in a car factory, where you can't put the engine in until you've got the chassis, so it has to follow a linear approach.

But the thing that always amazed me was to get that coordination so that you could have multiple lines running in parallel, coordinating so they can get to the end of the process and deliver everything. The best example was always when you wanted to send a still photographer or videographer to capture the behind-the-scenes, and the director would always be, 'I'm not having people running around my shoot'.

Justin:

You have to have, in that case, one producer who's delivering to the needs, because the photography need is just as important as the TV need. You might have a director who is only focused on the TV, but the producer's role is to make sure that all assets are captured from the shoot as efficiently as possible, and to make the compromises. You can't have four producers all saying the same thing.

I don't think that what we do is that common yet. We look at the way things are being done and I think production is as old-fashioned as the advertising industry. What we're doing is trying to look at all the bad habits that we're not used to and find ways of disrupting them, ways of finding efficiencies.

But every single person in Hogarth, what makes them turn up to work is they want to create great work, so this theory that we produce low-quality work is just codswallop. It's the exact opposite. If you walk around the building, we've got people who are passionate, they're craftspeople, and that's what makes them turn up to work, that's what makes them stay late.

It's not about low quality. It's just about finding a way of creating great-quality content as efficiently as possible.

Darren:

I always try to explain to marketers and advertisers that there is not a single good production creative person in the world who wants to turn up to work each day and produce crap. All you need to do is to set the parameters and the framework and let them go to work to produce the best thing they can within that framework.

Justin:

But there are some things that don't need high craft, high touch, and I go back to thinking of a black, grey, white brief, and we are guilty – it could be us, an agency or a client – of over-calibrating.

Darren:

Over-engineering.

Justin:

And I think the best example is social. You do the analysis of when stuff goes up on certain channels, it's got a life span of seven minutes or one hour, and there are still people applying the same process and methodology around that piece of content that's going to last seven minutes to something that was going to go on TV and have $3 million worth of spend and live for a year.

So you have to recalibrate and make sacrifices and compromises so that production is fit for channel and is fit for the investment and the return it's going to get. It just requires different thinking. Yes, you will spend less money and you will find real efficiencies if you're going to create something that's going to last on social for seven minutes. Why would you spend the same money?

Darren:

Justin, when I asked you to come in and have this conversation, I knew it was going to be a lot of fun. Thanks for making the time.

Justin:

A pleasure, my first podcast.

Darren:

I've just got one last question. Do you ever enter any of this work you do in the Cannes awards?

THE END.

TrinityP3's production management assessment provides a detailed evaluation of your current production operation and recommendations to achieve optimal performance[5].

5 trinityp3.com/delivery-implementation/production-management-assessment

POST 39

Why measuring media value is more important than media cost

Posted 19 January 2018 by Darren Woolley

This is part of a series of one-minute videos that each address one of the many complex challenges facing marketing, media and advertising today. The Golden Minute series[1] *is an attempt to prove that Albert Einstein was right when he said, 'The definition of genius is taking the complex and making it simple'. But he also said, 'Everything should be made as simple as possible, but not simpler'. So we will leave it for you to judge.*

1 youtube.com/playlist?list=PL8WjgOnoGl8xGJRKIQCvycElSRFpas0IS

The mega-successful investor Warren Buffet famously said, 'Price is what you pay. Value is what you get'. But when it comes to media, the discussion is almost always about price – price and quantity such as gross rating points (GRPs), CPM, impressions, spots and the like. These are all measures of quantity of media and quantity of audience delivery, but rarely is there a measure of quality. After all, quality of media is a much more difficult attribute to measure or validate.

But the lack of a quality measure, or at least the difficulty of creating one, should not be the reason not to try. The lack of this quality measure is what contributes to the perception that media is simply a commodity that is to be negotiated and bought by the ton. In fact, it was only recently that a long-term marketing procurement specialist tried to correct me on this, saying that media is the oldest commodity in advertising. But there are some major implications if you accept that media is simply a commodity to be purchased as volume at a price.

The first issue, which we are already witnessing, is the treatment of media as a commodity as evidenced by a procurement approach for media based on value and price. I remember the first time I was witness to a procurement process for a reverse auction on media buying, with the buyer asking agencies to bid on supplying media with a committed CPM, with the lowest CPM bid the winner. Even as recently as the past month, we have seen media agency contracts awarded based on a commitment to the lowest cost per volume, without consideration for the performance and relevance of that media being purchased.

But without the measure of quality of the media inventory, it is difficult to justify a higher cost per unit. We understand this and have worked with many advertisers to provide a measure of quality, and the most compelling measure of media quality is performance.

Ultimately, the reason for investing in any media channel is to deliver a desired outcome. By working through the marketing, channel and media strategy, we focus on defining the specific outcomes desired and the media attributes that contribute to these measurable outcomes. Only by building a business case for the media investment have we been able to substantiate a media buying strategy that is no longer based on the lowest cost alone.

One of the key issues is the ability of a media channel to not only deliver a real person, but a person who is identified as a customer or potential customer, and delivered in a manner, place, format and time to be received and to encourage a response from that customer. Of course, this means that the channels and metrics will be specific to the strategy. This is often an issue as many advertisers are looking to embrace an industry standard, but the fact is the complexity and fragmentation within the media landscape mean that there are diverse strategies and multiple outcomes.

Aligning media strategy with the business and marketing objectives means the delivery of the outcomes. This places the focus on the delivery of those outcomes rather than simply the cost of the media alone. It is a performance-based investment model and it replaces the cost-reduction commodity strategy currently in place.

Golden Minute script

Media is a pretty big investment you don't want to overpay.

That's why advertisers want their media agency to guarantee lower CPMs.

But buying on cost suggests that media is a commodity.

When in fact, media is anything but a commodity.

There is high-quality inventory.

Then there is the media you buy at the lowest possible cost.

Imagine you buy media at $20 per impression.

And they guarantee a real person will see it.

Or you can buy media at just $2 an impression.

Yet half those ads will not be seen by a real person, while the other half may end up on a porn site or … So which one is the best value?

$20 an impression or $2 of worry?

Let's just say one is definitely a good price, while the other is at least 10 times the value.

Are you concerned about the value you are obtaining from your media investment? Find out about our comprehensive media assessment service[2].

2 trinityp3.com/media-performance/media-transparency-value-performance-assessment

POST 40

Top 10 considerations in selecting a new creative agency

Posted 18 November 2011 by Darren Woolley

In a world of increased fragmentation and diversification, marketers are faced with a decision between specialist and convenience. Traditional creative agencies have diversified their offering and are providing a range of services, but it is often a matter of convenience over quality. When selecting a creative agency, what should you be considering? Here are a few considerations we have found useful.

1. How big or important do you want your account to be? Dominating the agency could mean you fund the infrastructure that others benefit from, while being a smaller client may mean you are overlooked at times.
2. Where is the agency located and how will they service your business? Are you happy to source the best provider in the market, no matter where they are located, or do you want the best local supplier?
3. What strategic sources do you need and want? If you need a business or marketing strategist, better to select a specialist than to expect to find this in the communications provider.
4. Who will be working on your business and how committed are they? Avoid the new business 'pitch' team, who you will never see again. Identify the resources that will be working on your business in the short and longer term.

5. How important is experience in your category? The conundrum is wanting an agency with recent experience in your category without account conflicts with competitors. While it's ideal to have experience in your category, it could come with set thinking.
6. Does the agency MD or CEO align with your business? The senior management team are usually the most experienced practitioners in the agency and are therefore critical to your success.
7. What type of remuneration do they prefer? Cost plus retainer? Project fees? Media commission? The type of remuneration should work for both you and the agency in regards to value, changes in budgets, workloads and cash flow.
8. How much of a partnership do you want with your agency? A partnership is about risk and reward. The most effective way of building a partnership is PBR, where the agency risks profit and even overhead for the opportunity to share in the profits.
9. How effective is the 'chemistry' or 'fit'? Most relationships that last in the long term are based on mutual respect, understanding and consideration. It's more than the camaraderie of the new business pitch. It's a genuine interest in or passion for your business, an open and honest approach that will engender trust and respect.
10. Do you have the time and expertise to consider all the options? If not, contact TrinityP3, as we have an extensive and detailed database of agencies and experience in helping advertisers make the right choice.

When selecting a creative agency, what are the criteria you use? What services are important to you? What attributes? And how easy is it to distinguish one agency from another?

POST 41

Is there nothing fair or reasonable about agency remuneration?

Posted 14 July 2017 by Darren Woolley

During more than 15 years of agency benchmarking and negotiations, two words I have often heard repeated in these discussions are 'fair' and 'reasonable'. Marketers, procurement and agencies all agree that the remuneration model should be fair and reasonable.

It is no wonder these words are so popular – after all, they sound fair and reasonable. This is why so many guidelines on agency remuneration, including ISBA in 2006[1], ACASA in 2011[2], ISBA and IPA in 2012[3], and the recommendations of competitors[4] and even ourselves[5], have all stated and restated that agency remuneration should strive to be fair to both advertisers and their agencies. It is a great way to start a negotiation, because all parties start with agreement on the fact that they are working towards a fair and reasonable outcome. But somewhere along the way, the concepts of fair and reasonable take on very different meanings depending on your position in the negotiation.

1 thegoodpitch.com/wp-content/uploads/2011/09/Remunerationfeb06.pdf

2 acasa.co.za/assets/agency-remuneration-principles-july-2011--version-0.9.pdf

3 thegoodpitch.com/wp-content/uploads/2012/01/Agency-Remuneration-2012.pdf

4 trinityp3.com/2013/07/agency-remuneration-principles

5 slideshare.net/darrenwoolley/tp3-remuneration-principlesoct10

Let's explore some of the areas where it often becomes difficult to agree on what is fair and reasonable when negotiating agency remuneration.

Fair resource inclusions

The first area of contention is which resources are included in the remuneration agreement and which are not. This was once especially true when negotiating agency retainers. There was always a component of agency overhead termed 'indirect salaries'. These are the salary costs of the people within the agency that are often not directly billed to clients. The types of roles included in this are the agency finance team, receptionist, executive assistance and the like. These are important support roles, yet they are not directly billed to the client as they function in a secondary shared capacity.

The biggest change within agencies over the past 15–20 years is that the number of people and the size of this cost have significantly reduced as agencies have increased productivity. Finance and other back-office functions are often shared, and support roles for executives have been reduced, replaced by more technology-enabled self-sufficient executives. The Mad Men days where everyone had a secretary or assistant are well and truly over. Yet some point out that this has meant that the opportunity for talent to enter the agency at this level and grow and develop has also been lost. Instead, these indirect salary costs have increasingly included senior resources such as the agency CEO, managing director, general manager, even executive creative directors and heads of strategy. The reason for this is twofold and sits in some cases with the advertiser and their procurement team and other times with the agencies.

It was traditional that proportions of the senior agency executives' time were included in the retainers of the agency clients. Often, this might have been as little as 5% or 10% of their time, depending on the size of the agency, the size of the clients and the number of agency clients. This proportion directly recovered the cost of these senior executives, but it also made those executives directly accountable to delivering time to those clients.

But as a negotiation tactic, many advertisers and their procurement teams would argue that the senior executive or management resources were not directly contributing to the client's business and so should not be included in the retainer[6] – that the role of these agency managers was to manage the agency, and their participation in the client business was simply as part of the cost of business. Then it was simply a matter of moving these costs out of the direct salary cost into the overhead and negotiating the overhead factor down to deliver savings, knowing that the agency management team would come when needed at no extra cost to the advertiser.

Sound fair or reasonable?

But the agencies are not completely blameless in this scenario. It became popular in pitches and tenders for the agencies to make their remuneration proposal look more cost-effective by offering senior management free of charge[7]. In this way, they wanted the prospective client to feel they were getting something for nothing, hoping to make up the shortfall if possible with a slight increase in the overhead across all remaining agency staff. This practice reinforced the concept that these roles had no direct value to the client. But the strategy was a folly, and we move to the next unfair negotiation point: the agency overhead.

Fair overhead level

From an accounting perspective, you would think that the agency overhead would be a definable cost that could be calculated and applied across the agency client base. After all, at any point in time, the agency knows their current overhead cost base used to create the overhead factor as a percentage of their direct salary costs for the agency[8]. But in actual fact, within a single agency and a large single office, the overhead factor for clients can differ by as much as 100 percentage points – not because the actual overhead cost varies from client to client within the agency, but because each client has negotiated the overhead differently.

The overhead factor is usually expressed as a multiple of the overhead to the direct salary costs. Therefore, if the direct salary costs and the overhead costs are the same at 100%, then the overhead multiple is 2. The direct salary cost is doubled to take into consideration the overhead cost. If the overhead cost is 85% of the direct salary cost, then the overhead multiple is 1.85, and so on. The fact that there is this variation is why overhead is negotiable, and procurement especially can use this in negotiations.

6 trinityp3.com/2010/04/should-the-agency-ceo-managing-director-be-in-the-agency-retainer

7 trinityp3.com/2010/08/free-nothing-gets-you-nothing-with-agency-compensation

8 trinityp3.com/2011/07/the-importance-of-overhead-in-agency-compensation

The techniques applied to the negotiation on overhead can be as simple as negotiating the overhead multiple and using 'benchmarking' as a way of having the agency accept a lower overhead recovery. But if the agency stands their ground on this issue – and few do – the conversation quickly becomes interesting. This is because it moves to what is included in the overhead and what is not.

We have discussed in detail previously what is reasonably included in the overhead cost contribution[9] and what is reasonably not included in the overhead cost contribution[10]. But there are two specific agency costs that are often argued by advertisers and procurement teams that appear to be unfair and self-defeating.

The first is the agency's new business expenses. While most advertisers will say they want their agencies to be successful, grow and prosper, they are often unwilling to have the cost of new business or business development included in the overhead. Does that seem fair or reasonable?

For agencies to grow, they need to invest in winning new business. New accounts and new clients do not fall from the sky. It takes time and money to build an agency profile, build relationships and build reputations just to get invited to an expensive and time-consuming pitch. If you chose the agency through an expensive pitch process, is it not fair and reasonable to contribute through the overhead for the agency to win further clients?

To want your agency to be financially healthy and to prosper and not be willing to contribute to that as part of your overhead is self-defeating. Without new business and growth, the agency quickly becomes stagnant, struggles to attract and keep high-quality staff, and the quality of the work suffers. The question should be not if the advertisers include business development costs in the overhead, but what is a reasonable investment level for the agency as a percentage of revenue. After all, this is a discretionary allocation in the overhead and therefore agreeing an investment level is fair and reasonable, but excluding it is not.

The second area is staff development and training. It amazes me when advertisers choose an agency due to the calibre of their people, then exclude staff development and training costs from the agency overhead. It is more cost-effective for an agency to develop the staff they have than to recruit higher-calibre staff at a higher market rate. In recent times, we have seen agencies cut back on their staff development

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

10 trinityp3.com/2012/08/what-is-included-in-your-advertising-agency-overhead-cost-and-what-is-not

costs because their agency remuneration does not allow them a reasonable budget for this. Which, again, is not fair or reasonable.

It is generally acknowledged that advertising and marketing is a people business. The largest agency cost is the salary bill and associated costs. Does it make sense to slash the agency investment in developing and training their largest asset?

When challenging marketers and procurement on these points, I am often shocked when they justify this negotiation strategy on the basis that the agency should pay for new business development and staff training and development. They do not want to have to contribute to this. But where is the money going to come from if it is not contributed through the revenue from their clients, or without eating into the agency profits? Which is the next point.

Fair profit margins

What is a fair and reasonable agency profit margin? It is a tough question. Years ago I had an advertiser media controller answer that it was 8%. When asked why, they justified the number by stating that this is the earnings before interest and tax (EBIT) that their company made. It was pointed out that while the advertiser concerned had an annual turnover of $50 billion, 8% was still a significant number. But in this particular case, the agency was looking at a profit that was just over $100,000.

Scale is everything, especially when you consider the capital investment in the agency. You would have to ask yourself as a business prospect, where risk is high and failure could be just two phone calls away, is an 8% margin before tax a good return? What is fair to the advertiser is often not fair to the agency. In an industry where historically they made 11.1% or more on media commissions and then leveraged a service fee on top, 8% profit is definitely well short of their target. Most agencies want 20% or better but are accepting less in the hope that having the client means there are opportunities for increasing this agreed margin, either through lowering internal costs or looking for other revenue sources such as kickbacks and rebates from third-party industry suppliers such as media publishers[11] and production companies[12].

11 trinityp3.com/2014/02/media-rebates-and-kick-backs

12 trinityp3.com/2015/05/paying-production-mark-ups

The other issue here is that the profit margin may be calculated as a mark-up rather than a margin, which impacts its size[13]. Then on top of this is also tax, which can have a huge impact in some markets over others. But the bottom line is literally the financial viability of the agency. If an advertiser is genuine in their commitment to having a healthy, productive agency relationship, and not just providing lip service to being fair and reasonable, then the issue of profit must be addressed.

Fair payment terms

About five years ago, the issue of agency payment terms hit the headlines[14], as advertisers pushed their agencies from 30 days to 90 days and more. This is an issue that, according to a recent survey[15], has not improved but has in fact gotten worse, with more global companies increasing their standard payment terms for agencies and other suppliers.

This is an issue that not only affects agencies but all suppliers to these large corporations, including TrinityP3. It is an issue we try to address with our clients but it is becoming increasingly difficult to manage. The reasons for extending payment terms have included:

1. managing cash flow
2. increased processing time
3. simply company policy.

Is it fair and reasonable to manage your own cash flow problem by simply pushing the problem on to your smaller suppliers? Or is it being a good corporate citizen? Effectively, these companies are passing on their problem to their suppliers, who are effectively funding their liquidity.

There is a cost of money, and if these companies are asking their agencies and suppliers to fund their cash position, then it would be fair and reasonable for them to compensate their agencies and suppliers for this. But instead, they use their dominant position to negotiate further discounted fees to be paid on time. Is it fair or reasonable that in cutting their own cost base in accounts and reducing or outsourcing their accounts payable, they can no longer meet the reasonable expectations of their business partners? Is it fair and reasonable to ask the agency to deliver on time and on

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13 trinityp3.com/calculators

14 trinityp3.com/2012/07/are-payment-terms-the-new-advertising-agency-remuneration-negotiation-strategy

15 warc.com/NewsAndOpinion/News/Advertisers_and_agencies_disagree_on_terms_of_trade/38819

budget only to wait for payment because you have neither the time nor the resources?

And the most cowardly of the three is where, when challenged, the advertiser, or more likely their procurement team member, says it is simply company policy and there is nothing they can do.

As employees of the company, you would hope that they get paid weekly, fortnightly or monthly. Certainly, I have an obligation to pay our consultants monthly, and this is irrespective of when I get paid for the work done and the value delivered.

Time to stop talking and start being fair and reasonable

Anyone can look like a good person by agreeing with the principle of fair and reasonable remuneration for agencies and suppliers. The fact is that for many years, the subjective decision on what is fair and reasonable has been with the advertiser and their procurement teams. This has created a huge gap between the expectations of the advertiser and their agencies, breaking down the concept of partnership and shared values and purpose.

Of course, the devil is in the detail, but simply stating that you agree with it in principle is not enough. From my perspective, the issue can be addressed through the application of empathy – placing yourself in another's shoes. Creating a sustainable and high-performing relationship with your agencies is not about negotiating a win-lose outcome but a win-win solution. To do that is to understand and have empathy for the other party and negotiate on how to create a mutually beneficial solution.

But is it too late? Perhaps, but if we stop talking about being fair and reasonable and start working on delivering fair and reasonable agreements, and more importantly sustainable ones, then everyone benefits.

TrinityP3's agency remuneration and negotiation service ensures that the way in which you pay your agency is optimal[16].

16 trinityp3.com/agency-performance/agency-remuneration-and-negotiation

POST 42

Managing Marketing – the misunderstood concept of psychological harm in the workplace

Posted 24 August 2018 by Darren Woolley

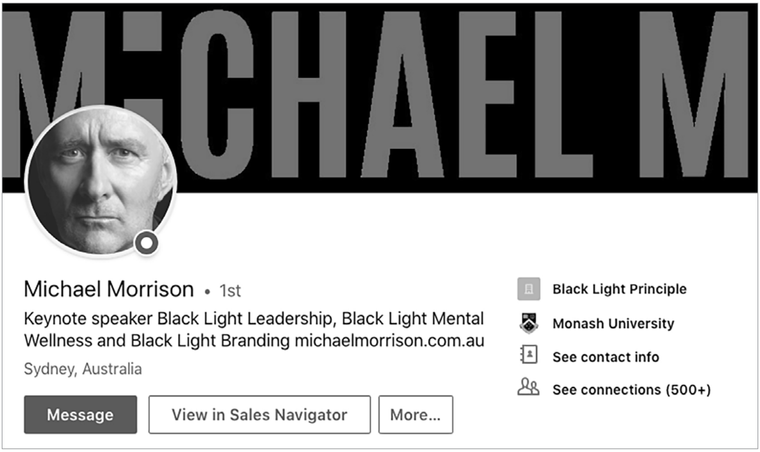
Managing Marketing is a podcast hosted by TrinityP3 founder and global CEO Darren Woolley. Each podcast is a conversation with a thought-leader, professional or practitioner of marketing and communications on issues, insights and opportunities in the marketing management category – ideal for marketers,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

Michael Morrison[3] was a highly successful media and advertising executive who is now the founder of the Black Light Principle. Here, he talks with Darren about his own experience of the advertising and media industry, and the impact of psychological harm and mental health in the workplace. He also discusses the important work being done in addressing this issue, in the same way we acknowledge physical harm.

1 soundcloud.com/managing-marketing

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

3 linkedin.com/in/michaelmorrison777



Podcast transcript

Darren:

Welcome to Managing Marketing. Today, I'm sitting down and having a chat with Michael Morrison, who is the founder of Black Light Principle, which is a workplace mental wellness consultancy. Michael and I go back many years. In fact, we are both Melbourne boys, and here we are in Sydney.

Michael:

Except we live here now.

Darren:

Michael, welcome.

Michael:

Darren, thank you, it's great to be here.

Darren:

What is the Black Light Principle?

Michael:

Well, a black light is an ultraviolet light, and it reveals things that are hidden. I decided to start writing a book last year and I decided to call depression a black light illness, because it's an illness which I had hidden for many, many years. I was thinking through what would be a good metaphor for depression and anxiety, as it resides in the workplace. I came to the conclusion that, like many people, I had hidden it. I walked into work every day saying I was fine, I was good, I was just a bit tired – some of the symptoms of depression are simply tiredness and forgetfulness. I decided that black light would be a good way to capture what I think is one of the issues in and around mental health: that is, we choose to hide it and in choosing to hide it that does not help solve it, particularly in the workplace.

In a lot of the workplaces where I've been in advertising and media, for 28-odd years, you dress up and you go to work and you don't want to reveal any vulnerabilities. There are also performance-based jobs, where one role I had was to get \$60–\$70 million dollars a month in advertising sales. There are other roles I've had where you'd easily have 20 or 30 pitches in a given year, so there's a pretty absolute metric there: did you win or did you lose?

Darren:

Would your sense of self-worth often be linked to how successful or otherwise you were?

Michael:

Absolutely, for me it was. There'd be some people far more evolved than me and they'd be able to win or lose and still have great self-esteem. For me, it was very much about whether or not we won and my contributions to some teams that were very successful, and conversely when you lost it was gut-wrenching. I didn't have any remedies for that and so I was in-between a trapeze a lot, and that is a fear of failure and also there is a great flight in all of that. That's a very anxious way to live: going from one win to the next.

Darren:

But it's an industry where there are sayings like, 'You're only as good as the last ad you did', or 'You're only as good as the values of the accounts you control'.

Michael:

They are all very much borrowed from the military, a lot of those expressions. Like 'Did you kill it today', you know, 'I killed them today'. It's very much the case that the metrics are absolute, everything is very temporary, and it's always about succeeding.

When you work for some of the very big firms in a holding company, it's always just about hitting the numbers. And if you don't hit the numbers, well, everybody's very disappointed, and if you do hit the numbers, nobody really cares because there's always another set of numbers.

Darren:

I know this is a bit crass, but do you think you were attracted to advertising a little bit because you had this underlying illness, because it is known as Mad Men isn't it? That's what I mean by crass – we call ourselves Mad Men and it's almost celebrated that the industry is not like anything else.

Michael:

I used to say to people, 'What we do here, we're helping capitalism sustain itself. You're not saving lives, you're not flipping burgers, what we are doing here is necessary'. There was an underlying philosophy that you didn't dig too hard into what you were doing.

Darren:

For deeper meaning?

Michael:

For deeper meaning, because there was none.

Darren:

Scratch the surface, there's more surface.

Michael:

Under tinsel there's more tinsel, so whether or not you were working on a tobacco account or a toilet tissue account or selling cars, you were creating demand, right, so you were creating false needs and then meeting them, so you actually enjoyed that – that was the game.

Darren:

But it is incredibly intense isn't it? You called it a game and that just immediately made me go, 'Yes'. We keep talking about it as a game, but it's a game that has incredible highs and lows, and to the victors the spoils, but if you fail …

Michael:

Well, you fail hard and you fail public, and so if you do really poor work it's very visible if you fail. And your loss, say, from a pitch point of view, that's very visible, everybody knows. It's not a war, and so to use a warlike lexicon seems to me to be a bit irreverent. But we would always say, 'Listen, lives aren't at stake, but livelihoods are'.

And the reality in advertising is that if you do lose a big piece of business, even a small one, more than likely places are going to be re-sized. In other words, we are going to sack some of your friends or you are going to become de-emphasised. All these wonderful euphemisms to say we are going to have to whack 30 people because we've just lost a big chunk of business.

Darren:

Downsizing.

Michael:

And those decisions were made prior to the pitch result coming out. And it's worse when you are the incumbent. When it's an incumbent pitch, the victory is twice as sweet because you've saved the jobs of people that you know, as opposed to simply winning a piece of business and putting on jobs.

Darren:

The irony for me running pitches is that when accounts move, the people also move. It's almost like half the people move up from one agency and move to the next, especially on those big pitches.

Michael:

It can be like that. I think the issue for people's health with regard to advertising is just how much stamina it takes. You've got to be incredibly resilient. It takes an extraordinary amount of stamina and there is no respite in it. I never found that there were days where I was bored, and certainly the more senior that you became, the more responsibility – you saw the greater extent of what you were responsible for, the people you were responsible for, and the consequences of not delivering.

Darren:

And I think that's one of the things, isn't it, because when you first get into the industry, it's more about the parties.

Michael:

It's glamorous.

Darren:

Making the ads, doing all of that, and you work really hard. People in advertising work 60 hours, they work weekends, and you climb this tree, except that there's no reward at the top except more responsibility.

Michael:

No.

Darren:

Unless it's your own agency.

Michael:

If your name's on the wall it's different, but we were joking about getting to the top and there's nothing there. We regularly got to the top of a number of agencies and then transferred to others and it was still the same problems, just with a different set of letters on the wall in a different colour, and the cultures weren't that different. The only culture that mattered was a winning culture.

To say we had some deep and highly textualised culture, to me would be overplaying it. I think that advertising, it's funny, you do get into it when you are young, you think it is glamorous, however the ads are glamorous but the business is not.

We would regularly say to each other, 'Let's never do this again': work through the night to 3 a.m., go home and come back again at 6 a.m., rehearse for another hour and then go in. And yet that would happen. We were pretty good at being able to manage pitches, but it's no way to live when you are regularly telling the studio staff, 'Hey listen, what do you want on your pizza because we are about to order in another 20? Phone your partner, you're not going to be home tonight'. That's routine – that's not irregular, that's commonplace.

Darren:

It's interesting from my perspective. When I left advertising as a creative person and started this consultancy, I tell people it took me about two years to de-institutionalise myself. And that was when a client would say, 'I want to meet with you', it was like 'Jump' and I would say 'How high?'.

I remember the conversation. It was with a client I'd been talking to for about a month and they weren't quite sure and then suddenly they phoned up and said, 'Yeah, we are ready to go', and I looked at my diary and there was just no way I could meet with them that week unless I started moving things. I remembered that at an agency you would do that – if a client said they needed to see you tomorrow or this afternoon, you would move everything to actually do it. But this time I said, 'Look, I can't see you until next week', and they went, 'Oh okay'.

Michael:

Clients would play to that. They would know that we see it as a sign of our passion for their business that we were going to make time and sacrifice for them. That's not noble and certainly at times it simply looked mean. Sometimes there was just an ambivalence: I don't care if you want the business, I'll see you at 3 o'clock.

I think that clients can dictate a great deal of the culture in an advertising business. The biggest client in the agency always dictated the culture in the organisations I was in. So for all of the agency's great philosophies and books and processes and strategy and all of that which I was involved in, if the client subscribed to any of that, well then you simply operated the way the client did in the organisation. For some people who aren't in advertising or who are in agencies, it doesn't dawn on them that the client in fact has dictated the culture of the organisation.

Darren:

And you are right, because since leaving advertising and having those conversations with accounting firms and lawyers and things like that, they just have no concept. They literally think of advertising agencies as crazy places because they think that they operate on a completely different paradigm.

I mean, law firms are not jumping because the legal process just goes on, grinds on and on and on. Having come from medical research and working in hospitals, in a hospital it's life and death. And yet I saw the same responses in advertising agencies, as if it was life and death, the culture and relationships.

And I remember when I did copy school in Melbourne …

Michael:

I remember the old Melbourne copy school.

Darren:

Sandy Ladiko, who was a copywriter at the Palace at the time, said to me, 'This is life and death'. It just didn't compute, but I've seen that.

Michael:

It's a competitive business and you know who your competitors are.

Darren:

Well, often your colleagues.

Michael:

First of all, the competition resides inside the organisation. We would often say, 'Listen, the competition is outside the window, not inside', but that is somewhat naive because there's competition inside the glass.

The competition is very public and they are well known, and you know who they are and that's why we call it a game. How do you get yourself bought before your pitch? How do you get yourself bought before the presentation? If you think that you are pitching against four teams or agencies and you think you've got a one-in-four chance, that's naive. We would try and always get it down to the last two and then give the procurement guy someone to play the price-off game with, but we were never in the business of making it fair.

And indeed, when I was at George Patterson we were known as the 'chairman's choice' for years, and for obvious reasons. We weren't in advertising, we were in business. It just happened to be that our business was advertising.

Darren:

Here's something I noticed, and I wouldn't mind you commenting on it. It is an incredible pressure cooker. It really is very demanding on people and people form really strong bonds while they're working together. But I also found that when you move from job to job or leave, the actual number of those people that you've formed the strong bond with is actually relatively small. Is that your observation as well?

Michael:

It depends very much. I think it's like being on a team. The other thing that people must consider is that in any commercial relationship, even though you might be friends and colleagues, there is a dollar bill between you and that person. That means that there will be times in which teams together can achieve great success, and that's fantastic and you get a lot of war stories and things like that. But that doesn't mean that that is always going to hold you together.

Maybe the genuine relationships that are based on genuine friendship, with people who you confide in and are vulnerable with, maybe they're the relationships that you take with you. But you could count those on one hand.

It's a bit like Facebook friends. There are a lot of people who are familiar to you and you may have worked with and that may have been fun, and you've had some success and failure, but that doesn't mean it translates into that next level of that close circle that genuinely cares about you and you care about them.

Darren:

Going back to the Black Light Principle, I get depression as a mental illness and it was called the black dog. I hated the black dog, but I like this idea of black light revealing what's hidden. But there is a whole range of other mental illnesses in the workplace aren't there? And some of those make people incredibly successful. I was talking with a psychiatrist friend of mine and he said the most successful CEOs often have what's called borderline personality disorder.

Michael:

Yeah, personality disorders and the ability to focus on the goal at the expense of all else is something which helps you succeed in advertising. And there's an absoluteness and a purity in the thinking that keeps you focused.

I remember being at George Patterson and there were three of us – Hamish McLennan, Matt McGrath and myself – and we were toured by the likes of Hamill, Cousins and Elliot and they would say, 'Our client only needs one answer, but they need the right answer'. So when we were preparing a project campaign or pitch, that was the mantra, so there was a purity in the thinking there. And that means that you don't actually discuss things in great depth or breadth. That means you are looking for the answer that the client needs right then that will get you bought. It doesn't necessarily need to be the right answer for the client; it's the right answer to get you on the slate. You can come up with the right answer after that.

That's why a lot of pitch creative work never gets made. It's all very good. However, that was to demonstrate that we like you and we like the way in which you think and so on. That doesn't necessarily mean you've presented the right answer. And it takes time to produce an answer.

Darren:

And the expectation that someone who doesn't really understand your business or has had the opportunity to get under the skin of your business can come up with an answer is a pretty flawed expectation anyway.

Michael:

It is.

Darren:

But I'm interested because borderline personality disorder is something that can make people incredibly successful, not just in advertising but in all sorts of businesses. It only really becomes an illness, doesn't it, when the behaviour has implications for the wellness of the whole person?

Like, you could be incredibly successful in business, but if you go through a succession of relationship breakdowns, if you start using drugs and alcohol to deal with the sense of emptiness or futility, it's only when the whole person is not functioning that it does become an illness. You could be a completely functional personality disorder.

Michael:

Well, you can, but the other thing is that people who have either got personality disorders or are bipolar, they can be very damaging to other staff. However, they are kept on because they might be very effective.

In my own experience, I suffer from being bipolar too, and that means that I suffer from some highs and lows, and when I was on, people could tell that I was on. And generally, I was fortunate that a lot of those being-on moments were in and around pitches, and so they would say, 'Mike's really on today'. I would often write a presentation, however, when I was on and then I would deliver it. And I would have to deliver it in a week or two, fly halfway around the world, and

I would be in a really low space when I had to deliver it and I'd be on the plane rewriting it.

Darren:

The total opposite.

Michael:

The total opposite, rewriting the presentation furiously to simply deliver it in a confident and less bold way. Now that was deeply troubling for me to manage. And sometimes I could feel it coming on, or I would wake up and say, 'No, this is not it, I don't need it today'. And whether it was big meetings we would have with Sol Trujillo at Telstra, or I was running two-day workshops that I was charging an enormous amount, I would wake up and say, 'No, I'm not on, how am I going to do it? How am I now going to re-manage myself so that I am still on and adding value, and yet people will not notice that I am feeling morbid?'

Darren:

And then that becomes a performance. You have to put it on, and it's incredibly draining because when you're on it's almost like the energy is driven by your own illness.

Michael:

Well, the joke at Y&R was 'Where's Mike?', because after a presentation or whatever I'd drive home and go to sleep, or I'd be asleep in the couch in my office. Because depression is exhausting – yes, there is sadness, worthlessness, but there is also exhaustion, and I'd suffer enormously from that exhaustion.

After I was on, and because I was doing large lumps of the strategy and I'd be first on my feet and I'd do a lot of the face-to-face and the deck and so on, I'd find that I would be exhausted, and it would take me a while to recover. And I don't mean an afternoon – that post-pitch presentation fatigue would last for some time. You were buoyed only if in fact you got a phone call within three days – if there was silence for three days, our rule of thumb was you were dead. You might be buoyed by some questions that came back, that might make you feel better.

However, I found it to be like I was in-between a trapeze – just a terribly exhausting experience.

Darren:

You were left dangling there because you fill up on the success. In some ways, what you describe are the types of extremes that people go through in that industry.

Michael:

It's easy to lampoon the industry, and sometimes so it should be. However, the people I have met have been first of all incredibly hard workers. And we often said that part of our job was to do our client's job for them, and many clients said that to us.

The other thing is that a lot of people have skill sets and some people have talent, and those people who have talent, they're really the ones who can turn it on – they are the rain-makers. If their name is not on the door, they're part of that top 1% of the agency world who are really seriously gifted. And we knew at times that we could strike lightning into a client's business and it would get a great result. But keeping the team together was the most important thing. When you have a great team and it is together and you win a lot, it feels, not invincible, but there is an enormous amount of confidence that you walk into a room with. And people buy people and therefore they buy that confidence that you have.

Darren:

They're attracted to it and want it.

Michael:

'These are our guys.' You leave the room and they say, 'These are our guys'.

Darren:

I've actually been on the other side of the clients when you and Hamish and Matt came in, and you did the almost spotlessly perfect presentation and left the clients absolutely knocked off their seats. I think they saw eight agencies in one day and there was only one agency they could mention by name, and that's testament to when a team has got it together and presents brilliantly.

But it's more than just the advertising space because you also worked in media when you were working at Ten, a very commercial focus there.

Michael:

Unbelievable.

Darren:

Because it was all about selling and hitting numbers and things – advertising is part of that. But this was relentless: month in, month out, week in, week out, at a time when the business itself was number three among the commercials and people had question marks. And then you went to another agency.

Michael:

Yeah, I went to Innocean.

Darren:

You ran an agency. The reason I bring that up is not necessarily to talk about it, but now you've taken all of that experience, what are you offering business in Australia? What are you offering the commercial landscape of Australia with all of that experience?

Michael:

A way to achieve productivity gains, not through working people harder or through just another process, but by addressing the accelerants to mental health issues inside companies. And because I've worked in companies and been on assignments all around the world, I know what it's like inside a few companies. I know that sometimes the language, the processes, the KPIs, the workloads that we use, they are friction points that can accelerate anyone who might be suffering some sort of mental condition.

That is my primary focus, and the financial gains out of that are simply gains in productivity. Productivity as defined by the World Health Organization, or the lack of it, is forgetfulness and tiredness. And people see things like absenteeism, a rise in bullying, and they call this bundle a lack of productivity.

So I set this up first of all to be able to speak about mental illness in the workplace, which resonates with a lot of people. That's not to say they ring me up or give me a like here and there. It just resonates with a lot of people.

Darren:

Well, TrinityP3 is a corporate member of the Ethics Alliance, which is part of the Ethics Centre, and earlier this year there was a big presentation and discussion around moral harm within corporations. And it seems to me that there is a huge growing awareness and wave of interest beyond the physical harm to the moral and psychological harm that some of our modern business practices are creating. Because everyone pays lip service to our human resource – our human capital is our most important asset.

Michael:

Which is the worst term I've ever heard in my life. When we started referring to people as human capital, that was another tipping point for us to look at people in spreadsheets.

Darren:

Dollars and sense.

Michael:

There is a triple dividend in treating mental illness. There is one for the staff member, one for the company and one for the community.

What we do have now is badly organised companies that have systems and processes that give rise to friction with customers. Now those customers then create occupational abuse and take it out on staff. If we think about everybody who might be in a call centre, whether it's an insurance company, a telco or a bank, all of them have received occupational abuse. They have received occupational abuse because at some point, the systems and processes of that company have created such friction with that customer they've gone past a point where they're being polite and orderly, and they go ballistic. Now that's an area that needs to be addressed.

If you ever received a no-reply text or email and you felt like replying to it, coupled with five phone calls to try and get something hooked up or put on or whatever and nothing happens and you're ringing back different people – those digital notes, the lack of organised processes, are in fact contributing to flashpoints with consumers who then take it out on staff who have families and homes to go to.

Darren:

And the problem is that the decisions are made by people higher up who are not seeing the coalface, the interface to the consumer where all of that abuse occurs.

Michael:

I used to double-jack phone calls in staff call centres when I was working in various telcos, and I was horrified at the way in which they were treated. And I know they're trained in that, but that doesn't make it any easier – just because you're trained in handling abuse. You're being shot at, and you've been trained in getting shot at, but that doesn't mean it's right. I'm sure there is a way we can do it better.

Darren:

And the other thing, certainly at the middle and higher management levels, is where the performance metrics for those managers are all about hitting the numbers. And it rewards people who might bully their staff, might take a heavy-handed or uncaring approach, because everything is about hitting those numbers and not about building a cohesive, healthy, performing team.

Michael:

That manager possibly uses bullying as a strategy because maybe they've not had any input into the composition of those targets. I've been in jobs where I have received the budgets I'm meant to hit without any input whatsoever into the composition of those. As a result, you feel that this has been set as a high bar for you. It's been set for you to do anything that it takes.

I remember we had that philosophy in one company I was in: 'Whatever it takes'. So all bets are off. It means that politeness, stewardship, care for the customer, care for your staff, care for yourself – that all goes out the window, all in the name of hitting the number.

Darren:

Nice lip service, nice things to have on the website, but as soon as it actually comes down to hitting the numbers …

Michael:

When do the targets become too much or excessive or simply not reasonable given the business conditions? Because they are set given a bunch of assumptions, and if those assumptions and conditions change, then achieving those numbers is an impossible task. And sometimes when the tide goes out in business, it stays out, and a miracle is not going to pull it back.

We would call the budget committee in New York the Disappointment Committee – 'We are very disappointed in your performance'.

Darren:

The other one I like is the Seagull Tour, where senior management fly around and they get to shit on everyone before they fly off again.

Michael:

Agencies are like medieval villages: you get visits from popes, there are artisans there, there are kings, queens, princesses, and there are knights. I remember one time I was running an organisation and when the global CEO came over and the lift doors opened, we were all in reception and we all had to applaud.

Darren:

Spontaneously.

Michael:

Spontaneously applaud. He was presented with flowers and introduced to the rest of the staff. That's OK, it's a cultural thing.

Darren:

Now you mentioned before that you're working on a book.

Michael:

Yes, I am.

Darren:

What else are you doing? You're available for speaking I believe.

Michael:

Yes indeed. Two things. I drew a line under my health last year. I felt I wasn't getting anywhere with it, so I decided to admit myself to a facility to try and reset my health goals, and that was a very trying month – I was in at South Pacific Private.

Darren:

Confronting?

Michael:

Very confronting. Easily the hardest thing I've ever done. That's where they take you through a process of assessing your mental and emotional health and you're there with 50 other patients. And I decided this was necessary, and I came out and I've written a book called *To Be Continued: Flying High, Feeling Low*. And flying high, feeling low is really an apt description for my career, because at times I flew high while feeling 3 out of 10.

This first book is largely a book about my life and story and how I mastered my condition, but coming out of that is a second book, which is more about now what are the strategies that I use to be able to manage my life. So one is the story, the other is a more practical guide.

I'm also speaking to companies now regarding mental wellness in an organisation. Part of it is telling my story, and part of it is a Dorothy Dixer question that I ask at every single conference that I speak at: 'Who here wants to do a good job at work?' So 100% of the hands go up. Then I ask, 'Do you have a culture and people and processes in place that allow you to do a good job at work?' About 40% of the hands go down at that point. So there is a huge gap, and that gap contributes to things like depression. There are also industries that are far more susceptible than others: healthcare workers, carers, people in the transport industry.

Darren:

I'd imagine the banking industry would be a bit depressing.

Michael:

I'd say they'd be suffering. They might be suffering short-term sadness. I don't know whether or not it's going to translate into long-term sadness, which is what depression is. However, depression is also the lack of joy in anything that you previously found joy in. Yeah, they're having their 'come to Jesus' moment and hopefully there'll be a bit of shaking up.

Darren:

Mike, unfortunately we've run out of time, but I just want to thank you. You've been so generous with your experience, your thoughts, and sharing what you're doing, so I wish you all of the best for the future.

Mike:

Appreciate it, Darren, thank you.

Darren:

Just one last question for you, and quite a controversial one. Who is the biggest bully you've ever worked with?

THE END.

Is your marketing strategy aligned with your company's sustainability policy? Do you measure and optimise your carbon emissions? Find out how we can help[4].

4 trinityp3.com/sustainable-marketing

POST 43

Open tenders are not the best way to select agencies

Posted 8 March 2011 by Darren Woolley

I was recently in a meeting with a marketer and their procurement team, discussing a forthcoming agency review. When we got to discussing the process, I was asked by the head of marketing which process would be best. Before I could answer, the procurement team said they would have to go to market with an open tender, as that was company policy.

Open tender: *def: A tender that allows a wide range of suppliers to bid without restriction.*

Closed tender: *def: A tender where the number of suppliers invited to bid is limited to a small, select number that are deemed able to meet the tender requirements.*

The problem is that while the open tender is a legitimate selection process, in the marketing and advertising category, like in most professional services categories, it is often flawed, delivering less than optimal results.

Some of the key issues are as follows:

1. attracting less than qualified suppliers
2. highly successful suppliers boycotting the process
3. damaging the relationships with incumbent vendors
4. increasing the time and resources required
5. not achieving a sustainable outcome.

1. Attracting less than qualified suppliers

Advertising is a broad and diverse market category that is easy for suppliers to enter but which is more difficult to succeed in. Therefore, you invariably have a pyramid structure of potential vendors. Open tenders, even those with detailed criteria, attract participation from the broad range of suppliers.

In one case, a government agency went to open tender and received more than 200 tender responses, and yet in the whole market less than a dozen would have actually qualified.

2. Highly successful suppliers boycotting the process

The open nature of the tender sees the process become highly competitive and quite random. Even with a rigorous selection process, open tender participation is seen by many as taking a high risk for reward, because of the quite subjective evaluation, especially for the highly credentialed and highly successful suppliers.

We have seen several open tenders where the more desirable agencies choose to not participate in the process because they do not feel their expertise is recognised or considered in that process.

3. Damaging the relationships with incumbent vendors

Often, tenders are used, incorrectly, as a process for reviewing the incumbent vendor. This can damage the relationship with the incumbent to the point that in some cases we have seen the incumbent withdraw from the process. So even if the incumbent is the best solution after having gone to open tender, the opportunity is either lost or at the very least damaged.

4. Increasing the time and resources required

Look at the numbers. Going to open tender can generate a lot of interest, but if it is not the right type of interest, you can be wading through a huge number of tender documents. I have seen many marketers and even procurement have difficulty reading five or six tender documents. So imagine the time required to read through 100 or 200 documents. The problem is that if you skip through them, you may just be overlooking the best solution purely because you are bored.

5. Not achieving a sustainable outcome

If you are procuring a commodity item, then an open tender is a legitimate approach because the tender simply needs to prove they can deliver the item in quantity and quality and at the cost. But marketing and advertising services are specialist skills that are co-created between the agencies and the organisation. It is more a relationship than simply a supplier agreement.

Therefore, knowing who you want is an important initial step to success. Going to the marketplace and inviting all those interested is not as clearly defined as approaching those suppliers that fit your criteria and commencing the process from there.

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How do you do that? Well, that is where we can help[1].

1 trinityp3.com/strategic_alignment.php#

POST 44

The ad industry's talent crisis is a symptom, not a disease

Posted 6 November 2017 by Michael Farmer

The ANA was brave to issue a 'scathing report' (as per AdAge[1]) on the lack of talent in the advertising industry. Certain outsiders were fingered as contributing to the talent problem: universities that 'aren't keeping pace with the industry's changing needs', and consultancies and tech giants that are offering 'more generous salaries and perks'. (Shame on them!) On top of this, millennials remain an enigma – why aren't they more eager to enter the industry?

What the ANA did not describe were the day-to-day operations of advertisers and agencies that have turned the advertising working environment into a relatively unattractive one for job-seeking graduates, a trend that has been in swing and gaining momentum for the past 15 years. Blame the universities and consultancies if you will, but advertisers and agencies need to take personal responsibility for some of the industry's talent crises.

Before I proceed further, some full disclosure. For nearly two decades, I was a strategy consultant with The Boston Consulting Group and a director of Bain & Company. During the past 25 years, I have been consulting to ad agencies and their clients (as Farmer & Co.), and I have observed a deterioration in agency–advertiser working relationships that is a clear source, in my view, of the talent problem. I recently wrote a book about this: *Madison Avenue Manslaughter: an Inside*

1 adage.com/article/cmo-strategy/ana-study-talent-crisis-threatens-marketing-industry/310543

View of Fee-cutting Clients, Profit-hungry Owners and Declining Ad Agencies. Finally, I was invited to teach at The City College of New York in an ambitious and up-to-date program that prepares millennial graduate students for careers in branding and integrated communications (BIC)[2]. So, in a sense, I have personally checked all the boxes covered by the ANA report: the universities, the consulting firms and the millennials.

BIC students who complete internships at agencies during their course of study often report that agency people are overworked and understaffed; that they are under various types of pressures if not abuse from clients (who seem to be prepared to change agencies at the drop of a hat); that they carry out a lot of unplanned work; that agency people are relatively underpaid compared with their colleagues at Bain, Deloitte, Accenture and so on; and that they work with people who see career progression as a difficult question.

Industry surveys of agency morale come to the same conclusions[3]. Furthermore, if students were initially interested in the advertising industry to solve brand strategy and growth problems, they see too little of this in their internship agencies. What they experience is an agency machine that cranks out huge volumes of deliverables by relatively cheerful and energetic agency people on short deadlines to meet client needs. Despite this, all of our students do their best to enter the industry that they prepared for, although agency jobs are few and far between. Agencies are not growing.

The contrast with the consulting firms could not be more vivid. Although consultants work hard and put in overtime and weekends, there is a general feeling that ‘our work adds value and my contributions are appreciated’. All you need to do is read glassdoor.com reviews of consulting firms[4] and ad agencies to see the contrast. And the differences in salary levels are not to be sniffed at. A graduate entering an ad agency may earn \$35,000 to \$40,000 with no bonus; a consulting firm will pay \$65,000 to \$75,000, plus a signing bonus of \$20,000 and a guaranteed first-year bonus of another \$15,000 to \$20,000. It only goes up from there.

The talent gap is real, and this gap is understandable as a long-term outcome of agency–advertiser working relationships that are less than

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2 ccny.cuny.edu/bic

3 campaignlive.com/article/ad-industry-morale-drops-36-2015-says-campaign-us-survey/1412627

4 glassdoor.com/Reviews/Bain-and-Company-Reviews-E3752.htm

desirable. Agencies need to up their game and help clients improve brand performance; advertisers need to treat agencies with respect and engage them seriously as long-term partners to deal with brand problems. Both sides need to see their individual and joint contributions as 'winning' rather than 'failing'.

It will take money to make this right, but in today's cost-cutting, procurement-led relationships, it's not clear where the money will come from. With current trends, agencies will remain underfunded suppliers that cannot afford to hire and retain the kind of talent they need. And the talent gap will only widen.

This doesn't let the universities off the hook. There is unquestionably high variability with the quality and breadth of advertising expertise among university faculties across the country. This is a difficult problem. Those who have practised marketing and advertising and are now teaching, they teach what they practised and knew – probably from another era. Textbooks woefully lag reality. The principle of 'academic freedom' permits teachers to teach what they wish, without much supervision. So there may be a double problem – inadequately prepared students with out-of-date information who might end up working in sub-optimal agency–advertiser relationships.

ANA's Pathways 2020 initiative to deepen ties with universities is a great step. The industry can only benefit from closer ties between current practitioners and those who teach. Next in line is the need for ANA and 4As to examine honestly the current nature of agency–advertiser relationships, whose many dysfunctions contribute so significantly to the industry's deepening talent crisis.

This post was first published at MediaVillage[5].

TrinityP3 exists to help you drive the best possible performance outputs. We can help you innovate to achieve this with our agency performance services[6].

5 mediavillage.com/article/ad-industrys-talent-crisis-is-a-symptom-not-a-disease

6 trinityp3.com/agency-performance

POST 45

If your marketing function is not driving growth, you're not doing it right

Posted 12 January 2018 by Darren Woolley

One of the big issues facing marketing is the perception, commonly held in businesses, that it is nothing more than the 'colouring-in department'. It is a demeaning phrase, one I heard earlier this year when I was invited to participate in a CEO forum in the city by one of the accounting firms.

It was a breakfast meeting, with a speaker presenting on how to drive business growth in low-growth economies. There were about 40 CEOs all enjoying pastries, fresh fruit and yoghurt. Most were from medium-to-large private businesses predominantly with a B2B focus. The presentation soon gave way to an open discussion between those present on the drivers of growth, with a heavy emphasis on the sales function as the real driver of revenue growth. Marketing did not get a mention until the speaker asked about the role of marketing and one of the CEOs delivered his knockout put-down, which met with the general consensus of the others in the room.

Reflecting on this, I considered how the marketing and sales function works seamlessly in our own B2B professional services business. It is an integrated approach that starts with defining the business requirements and the revenue and growth objectives, and identifying the segments and services we believe will deliver this growth based on past data and informed by market changes and customer trends.

Six years ago we implemented a major change in marketing direction, moving from a traditional outbound marketing approach to an inbound marketing strategy. This meant we went from a sales support model for marketing to one under which content marketing, SEO and social media drove customers to our website and content. At that point, automated marketing would help identify those customers and score their sales potential with encouragement to make an inquiry and become a lead. This lead would then be handled by sales, which would discuss the needs of the client, propose a solution and convert the lead into a sale.

The change in strategy had a significant impact in the first year, leading to a 300% increase in traffic to our website and a 30% increase in revenue[1]. Under our outbound marketing strategy, we were averaging a conversion rate of 26% – considered quite healthy. But with the inbound marketing strategy, our conversion rate is now 64%, as in many ways the prospect is self-validated at the time they decide to become a lead. For those interested, follow-ups on those that do not convert indicate that it is usually because the prospect does not have the budget required or has decided to take a lower-cost option or even undertake the process themselves.

At the end of last year, we had over 200,000 unique visitors to the site from around the world, and the site visitor numbers continue to grow[2], which is terrific for a relatively niche consulting business in marketing management consulting. The quality of those visitors is also high, based on the number of pages visited and time on page, which all goes to calculate their Lead Score. We are continually testing the process of turning visitors into leads, looking for ways to optimise lead generation and conversion rates.

While some marketers will wonder where the role of brand-building fits into this strategy, the fact is that the content and the brand presentation is integrated into all aspects of the process to ensure that every interaction builds on the brand positioning. All parts of the marketing and sales process are measured, optimised and reviewed to ensure we are achieving our short-, medium- and long-term growth objectives, creating interest, driving leads, converting customers, and building and reinforcing reputation.

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1 trinityp3.com/2013/05/website-visitor-growth

2 trinityp3.com/2017/02/200000-website-visitors

So, it made we wonder how these other CEOs manage their marketing teams. What is the role of marketing in an organisation where the leader is comfortable describing it as the 'colouring-in department'?

Don't get me wrong, I am not advocating inbound marketing for any other business and not suggesting that we are in anyway the perfect example of business-building. But the starting point for us was a recognition that our traditional outbound marketing process of database cold and warm calling, along with advertising and public relations and sales support materials, was not delivering the leads and sales conversions we needed. It meant we had to clearly articulate our business objectives and then develop a marketing and sales strategy that would attract the customers we needed. It was not a sales-led strategy or a marketing-led strategy, but a customer-led strategy.

The salespeople and the consultants who are closest to our existing customers inform the content and content marketing strategy, and marketing focuses on maximising traffic and optimising leads, leaving sales to convert those leads into sales and revenue. All parts of the business share results and review performance on a weekly and monthly basis. There is no point in marketing increasing leads if conversions drop, so both must work together to drive revenue and profitability.

Hopefully the next time you hear a fellow CEO refer to their marketing team as the 'colouring-in department', you'll share with them the fact that if they have set up their marketing function simply to colour in their sales support materials, then they are really not doing it right. Then direct them to this article or our website.

Having the right marketing and sales strategies working together has clearly driven growth for our business and will absolutely deliver the same results for yours.

This first appeared in The Australian Business Executive Magazine *on 8 December 2017*[3].

Find out more about how to align your marketing with your business objectives[4].

3 theabe.com.au/2017/12/08/if-your-marketing-function-is-not-driving-growth-youre-not-doing-it-right

4 trinityp3.com/marketing-performance/marketing-business-alignment

POST 46

How many billable hours are there in a year?

Posted 1 December 2017 by Darren Woolley

This is part of a series of one-minute videos that each address one of the many complex challenges facing marketing, media and advertising today. The Golden Minute series[1] *is an attempt to prove that Albert Einstein was right when he said, 'The definition of genius is taking the complex and making it simple'. But he also said, 'Everything should be made as simple as possible, but not simpler'. So we will leave it for you to judge.*

If you are still working with agency retainers, then the issue of billable hours per person will definitely be an issue. Too high and too low both have impacts on the retainer calculations and the result. But

1 youtube.com/playlist?list=PL8WjgOnoGl8xGJRKIQCvycElSRFpas0IS

what is the right number of billable hours per year? Well, it depends, and in my time working with advertisers around the world, it has varied from a ridiculously low 1200 per year up to a mind-blowing 2080 hours per year. But why is this so important?

The number of billable hours is used by the agency to calculate the hourly rate or the day rate to recover the cost of the agency resource, including the overhead cost and the profit margin – we've previously explained the methodology for calculating this[2]. If the number of billable hours allowed per year is high, like the 2080, then the rate per hour will be lower. If the number of billable hours per year is low, like the 1200, then the rate per hour will be higher.

It is for this reason that some procurement people and consultants will encourage the annual billable hours to be high, so that the hourly rate is low. And many agencies will want the annual billable hours to be low so that the rate per hour is high.

So what decides the number of billable hours per year?

The consideration is: what is the accepted working week? This will vary from market to market, as it is often set by government or labour authorities or simply cultural practice. The working week is made up of the number of hours per day and the number of working days per week. Based on the eight-hour day and the five-day working week, the weekly working hours are 40. But in some markets, the working week is six days or five-and-a-half days. Others work a seven-hour day, and so over five days you have a 35-hour week. Of course, people can work overtime, but this is only a consideration if the agency actually pays overtime – unpaid overtime has no impact on calculating billable hours per year.

The next consideration is the number of days considered holidays. Holidays can be both annual leave and public holidays. Annual leave is the leave accrued and given to employees based on a working year. In some markets it is five or six weeks per year, others four or two weeks, and some markets do not have annual leave at all. But interestingly, China, which has no annual leave provisions, has an extraordinarily high number of public holidays for New Year, National Day and International

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

Labour Day, while other markets that have higher annual leave provisions often only have a lower standard number of public holidays.

The final considerations are issues like sick leave provisions and an acceptable amount of non-billable time. Non-billable time is the time required by employees to fulfil requirements that are not directly billable. Some people accept a blanket allowance for this time, such as 5% or 10%, while others assume that these activities will be taken up in overtime outside of the number of billable hours per week.

Of course, there is an easier way to calculate these billable hours per year, and that is to use the calculators on the TrinityP3 website[3]. A more portable and convenient way is to download the TrinityP3 Resource Rate Calculator app[4], available for iOS and Android. It makes calculating billable hours per year easy, no matter where you are in the world. Getting this right means creating a transparent and sustainable agency remuneration.

Golden Minute script

When you retain an agency staff member, how many hours per year are billable?

Well, that depends on the country.

In the US, it means working a 40-hour week, with two weeks' annual holiday leave, and seven public holidays, including:

New Years Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Black Friday and Christmas Day, plus there is two weeks' paid sick leave.

That makes 1864 hours per year.

While in Australia, it means working a 38-hour week, with four weeks' annual holiday leave, two weeks' sick leave and roughly 10 public holidays.

That makes 1672 hours per year.

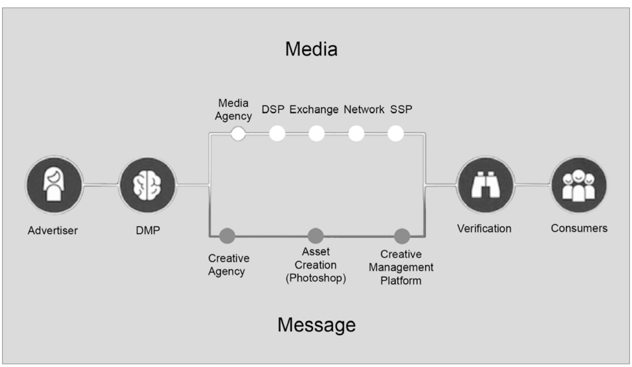
3 trinityp3.com/calculators

4 trinityp3.com/mobile_apps_for_business

POST 47

Enabling data in creative, to pull the final lever for digital success

Posted 4 April 2018 by Richard Knott



There are three main levers for driving results in digital advertising: media, data and creative.

The media lever, typically controlled by a demand side platform (DSP), enables you to optimise media schedules and placements based on audience, environment, response and price. The data lever is currently managed by data management platforms (DMPs), linking data and knowledge to audiences and outcomes. But creative, historically the most important lever to illustrate, engage and persuade, has unfortunately been excluded from any kind of scalable, integrated management system that could drive mastery of this lever in the digital world.

This disconnection, or somewhat 'offline' treatment of digital creative, has not only meant that creative has become a bit of an afterthought in digital, it also means data typically can't touch it and therefore ends up only empowering the media decisioning, never the creative decisioning. At best, data only provides some last-gasp optimisation options through DCO or A/B testing.

The opportunities for data in creative far exceed the typical DCO style of whether a 'purple call to action has a better response rate than an orange one'. DCO has some value in the ecosystem, but it is extremely limited. It is akin to being presented with your choice of M&M rather than your choice from an entire confectionary store. Hence, the differences driven are often underwhelming.

The role of the creative management platform

Creative management platforms (CMPs) have risen out of the old ad builder and ad server world to provide a centralised management tool to make, manage, measure and master digital creative. A crucial difference when reviewing CMPs versus reviewing DSPs or DMPs is that you not only need to assess features, you also have to ensure that two hugely significant baseline provisos have been met by the CMP.

One, you have to be able to make whatever you want. It has to be fully functional across rich HTML, animation and the multiple forms of video. These CMPs must not limit creativity in any way through limited functionality, formats or products. Otherwise, it is completely understandable, however tragic, that you might feel the need to revert back to using developers and stand-alone executions to get what you need. This would defeat the whole purpose of the consolidation within a CMP.

Two, you must be able to deliver and execute that creative wherever you want. The CMP must not limit where you can execute your creative solution through a lack of certification or capability. Individual publishers and other media will always enforce some limitations and particular nuances of style (for example, Snapchat only accepts vertical-orientation video) that will require the tailoring of a solution. However, every CMP must be able to execute to the fullest extent, within those particular publisher requirements, everywhere that you wish to buy an ad. A CMP should always be able to execute something on any publisher. 'Build in one place, execute in every place' has to be the baseline motto for every serious CMP.

Once you know your creativity won't be limited and your creative platform won't be defining your media plan through its limitations, then you are ready to start benefiting from this new and exciting tool – not least, the enablement of data.

Ways of enabling data in creative

Enabling data in creative can take a number of forms. Loosely, these can be bundled as manual, audience, contextual and reactive. There is a lot of crossover here, but this is a decent place to start. AI is beginning to sneak in as well, as its own form of data in creative, but right now, with most banner ads still looking like it's 1994, let's not run before we can walk!

Manual data is where creative is defined through some human-controlled decisioning. For example, 'What is the price today?', 'What is the product that needs pushing right now?', 'What does some extraneous influence require us to do?', and so on. Typically these are changed by operations teams through some kind of application programming interface (API)–fed sheet. This avoids the need for operations people to venture into the actual creative to make changes, something most designers would love to avoid! Good examples of this type of data use are price-promotion campaigns for catalogue-based advertisers, supermarkets and airlines.

Audience data is a segmented categorisation of demographic variables, and these variations should be huge. For 25-year-olds in Toowoomba, you should be serving not only different creatives but different products and formats than you are serving to 55-year-olds in Chatswood. Also, 25-year-olds in Toowoomba who own their own home should get a different execution from those who still live at home.

The amount of variation here has typically been limited based upon the practicality (and cost) of creating all of these versions. However, CMPs enable a layer principle to creative where all possible components and assets of a creative are loaded into the one creative, with an appropriate data-trigger assigned to each. The platform then stitches together the correct variant based upon those data-triggers being met, thereby enabling thousands of variants out of one creative build. Good examples here include automotive manufacturers wanting to promote the different features of a car to different audiences, and banks that may wish to promote different product offerings to customers.

Contextual data is often overlooked, which is a mistake as it can be incredibly effective. Where is the consumer now? What day is it? What time is it? What is the weather like? What is the language they prefer to be spoken to in? You can send that 55-year-old in Chatswood a general 55-year-old ad to try and persuade them to book a flight, but it can be much more effective to serve them a day-specific call to action, bemoaning the weather and with details of the nearest travel agent, all in their preferred language of Cantonese.

Reactive data can be broken down into many types, but to keep it simple, this kind of data is informing the creative based upon optimisations recommended after you understand more about how a campaign is going. Again, a rudimentary form of this is DCO, but it can be full A/B/Z testing that changes entire formats, designs, even concepts.

Moving from dumb creative to smart creative

The problem of 'dumb' creative is everywhere and a solution now exists, so why isn't everyone doing this?

First, it is quite new. Second, as always, the early adopters are doing this. These are mostly, and unsurprisingly, those whose businesses are reliant on digital and the new economy. They typically don't have heritage processes and workflows, with their vested interests and self-serving opinions. They need to be nimble to maximise their current growth curves as they strive for maturity. For those more traditional businesses, there are a few, like Unilever, that are becoming fully vested in this as a strategy. But even with them, it took a significant amount of time and effort to overcome heritage processes and residual intransigence. Therefore, it's not easy.

The creative lever in digital could be the hardest lever to pull. Media agencies saw what was coming in media and jumped into digital and programmatic trading with two feet, and they are reaping the rewards now. It wasn't easy, but those who are winning now laid the foundations of their success a long time ago. The data lever was entirely new and incremental to current processes, so the pain was often minimised. However, for some, those who didn't squeeze DMPs more fundamentally into their processes, the truth is their DMPs aren't driving huge benefits as they sit there like some kind of data repository without much in the way of actionable outcomes … yet.

The creative lever could be the lever that truly enables data into marketing communication. The vision is data informing all the way from CRM to any customer communication touchpoint, be that advertising or others – informing the media, model and message.

The creative lever is the hardest to pull because it sits within the most vested process in advertising, one that shows very little self-motivation to change. The journey you have to go on requires significant investment, but far more in time and effort than money. Therefore, it is unrealistic to think that, unless you are a nimble digital economy brand, you can just license a CMP and away you go. It's unlikely that everything and everyone will fall into place after a couple of meetings and training sessions.

It may require not just the licence but a period where you hire partners that can act like training wheels, to help you learn, test, improve and perfect – someone to interface with all of the relevant parties to simply make it work as it should. Then that stabilising party should begin to extract its way out of the process.

However, this will all take time, which is all the more reason to start now.

Are you planning your technology transformation strategy? Or perhaps reviewing your existing technology implementation? Find out how we can help[1].

1 trinityp3.com/digital-technology-performance/digital-technology-transformation-review

POST 48

How to avoid the biggest client–agency relationship killers

Posted 2 July 2018 by Stephan Argent

Unless it's a corporate governance requirement, global realignment or competitive conflict, calling an agency review isn't something most clients undertake lightly. So what are the biggest client–agency relationship killers, and why do marketers really call reviews?

In our experience, agency reviews are generally called for only a comparatively small number of reasons. For the most part, many reviews could potentially be avoided if the underlying reasons were properly diagnosed and addressed in the early stages of their first symptoms. While that may sound a bit like a surgeon's health warning, the analogy isn't far off.

Aside from corporate governance, realignment or conflict, here are our observations on the top 10 client–relationship killers – and how to avoid them.

Revolving door

In cases where the agency has a 'revolving door' of staff on the account, both the client and the agency should work together to understand why, because it doesn't necessarily follow that the agency is to blame.

Marketers should ask the agency why resources are constantly changing, and be prepared to address feedback that may point to their own organisation contributing to the high rate of staff turnover.

Cost

Ah yes … although cost comes up frequently as a cause of agency dissatisfaction, marketers should actively seek an accurate and independent assessment of what their scope of work should cost in the current market before contemplating an agency change. Cost may be a sore point, but it's rarely the sole culprit in agency dissatisfaction.

Lack of creativity (or so they think)

If your agency isn't delivering the creative you want, the key is to understand the *real* reasons why. While some agencies have stronger creative resources, and all marketer creative challenges aren't created equal, it's important to understand what role your own organisation plays in this *perceived* lack of creativity. The underlying causes may be in the briefing provided, the lack of insights identified in the planning process, or perhaps in the evaluation of concepts when they're presented.

Performance

Performance is another area where marketers need to understand the real reasons their agency isn't performing. Identifying underlying client-side business challenges, misalignment of objectives, or perhaps media issues unrelated to strategic or creative output, could then avert the need for an unnecessary agency search.

Determining the true reason behind the performance issue and resolving it can create a far more powerful agency relationship than an agency review ever could.

Scope

When a marketer has a material change of scope, the question is then whether the incumbent is capable of managing to those revised requirements. If the scope is radically different from before, the marketer must also ask how their internal teams are going to manage that change, and perhaps whether an additional specialist agency would be more helpful than switching out the incumbent.

Seniority (or lack thereof)

The root cause of a lack of senior resources on a piece of business is typically that the agency isn't being remunerated sufficiently to be able to afford staff with greater seniority. In these cases, marketers should review their scopes of work with their incumbents to define an agreed staffing plan against an agreed (perhaps revised) budget or remuneration plan.

Change

If you're a marketer looking for a 'change', ask yourself specifically what it is in the relationship that you'd like changed. In most cases, agencies are going to be receptive to requests for change and will accommodate them if their clients can be specific about what needs to be addressed – and why.

An ongoing, honest dialogue will help create a stronger long-term relationship and put the 'grass is greener' idea into perspective.

Weak execution

While poor execution can be frustrating, there are many factors at play that should be isolated: speed, cost, accuracy, quality assurance, lack of process (by the agency or marketer or both), or too many confusing change requests, they can all cause a perception of 'poor execution'.

By being specific about what's not working, your agency can then be challenged to address the specific concern within a defined time period.

Politics

Politics in any situation can be tough, but if they're not addressed within an incumbent agency environment, the chances are they'll spill over into the next agency relationship and resurface. If you can't address the politics of a situation at an executive level, it may be that you have an underlying organisational design issue that needs to be addressed before you can begin to focus on searching for a new agency.

Lack of trust

This is the toughest issue to resolve because it goes to the very foundation of the client–agency relationship. Resolving a lack of trust between a client and an agency can generally only be done if it's addressed as soon as the issue surfaces. The longer the issue is left unresolved, the more likely it is that the relationship will be unsalvageable. Irrespective of on which side the lack of trust originated, the marketer or the agency must confront the issue with their counterpart and resolve it, or resign themselves to the fact that they have a terminally ill relationship and an agency review will – sooner or later – be inevitable.

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These aren't the only factors that kill agency relationships and cause clients to call agency reviews, but they are all irritants that can sour otherwise healthy relationships. More often than not, it's rarely one single issue in isolation that causes a marketer to pull the trigger on an agency review process, which is why regular agency evaluations are helpful as early warning signs of potential trouble.

So if you're contemplating an agency review but haven't identified the root cause, take time to do some introspection regarding your own organisation and how your teams might be able to work differently to resolve some of the pain-points.

How's your agency relationship faring? And are the issues really deal-breakers?

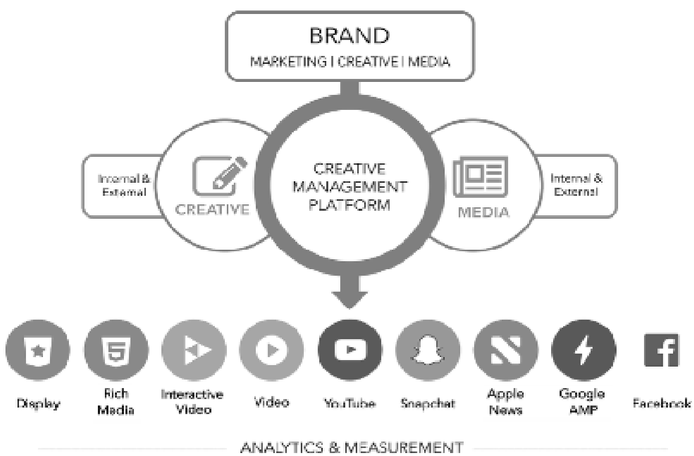
TrinityP3's relationship performance evaluation service measures collaboration and alignment between marketing team agencies to maximise your collaborative output[1].

1 trinityp3.com/delivery-implementation/relationship-performance-evaluation

POST 49

The creative may be digital but the process is analog

Posted 14 March 2018 by Peter Bray



Let's be clear: no matter how good an ad format or placement is, no matter how accurate the media targeting is, an irrelevant ad is still an irrelevant ad. As marketers are now living in an omnichannel world with increasing internal and external 'CXpectations', they are expected to do more with less. Digital continues to deliver shattered fragments of consumer touchpoints that have resulted in working and non-working dollars becoming blurred as technology intertwines context (media) and content (creative).

The process of creative from idea to execution has not changed all that much since the ad agency divergence of the 80s, where media accelerated into the world of technological innovation. But the current digital advertising operating structures of ideation, production, distribution and optimisation are disconnected at best. Technology is underpinning transformation and change across marketing organisations, and the time is now upon us for disruption to begin reconsidering the role, reason and process of creative.

Why can't we all work together?

The expectation of marketers to deliver an exceptional customer experience (CX) across owned, earned and paid channels is mind-boggling. Gone are the days of the marketer solely being the hero and custodian of the brand. They now need to be well versed in content being king while executing a mobile strategy linked to a video strategy that is integrated into a mobile video strategy, in the walled gardens that are plugged into a DMP … Huh?

We all get that it's complicated, but when all the focus is given to the pipes, the bit that actually gets put in front of the consumer far too often gets forgotten about. We need to start at the end. By starting at the ad experience, at the creative itself, we can deliver relevance and excellence in a much more congruent fashion.

There are multiple channels, multiple screens, multiple segments, meaning there is a multitude of assets that need to be created for any given campaign. However, media typically gets planned and bought first, which results in the creative production being afterthought. This further compounds the challenges associated with delivering the most relevant communications across the disparate channels. The churning out of lots of independent assets and variants keeps agencies hard at work, but how has technology not given birth to something more efficient and effective? Something where the most pertinent message is delivered to the consumer based upon what stage of the customer life cycle they are in. Something where the creative that is live in market is connected and doesn't need to be discarded like last week's JB Hi-Fi catalogue.

Creative currently operates in a separate and reactive world to media. But it does not have to.

The rise of creative technology

Technology has put forward a solution to manage digital creative in a new, more effective way. It is called a creative management platform (CMP – yep, another acronym). The premise is to allow for collaboration across ideation, production, distribution, analysis and optimisation. CMPs allow for all the stakeholders with their unique skill sets to work together. This means that creative does not need to operate in a silo that is reactive and untouched by the same data that influences media. It means the one platform can run across all digital channels, including the walled gardens.

Creative has to be a connected, responsive asset influenced by data and grounded by analytics that deliver longitudinal actionable insights.

Collaboration and centralisation

Brands typically create core assets that get distributed as stand-alone files. For regional marketers, they are usually hamstrung by global brand guidelines and not granted flexibility in tweaking the creative. This becomes more challenging when media gets planned and creative agencies have to produce multiple assets for channels that were not part of the original asset pack. The agency is usually squeezed for time. But wait, there is no budget for the production of multiple variants of the creative. So the lowest common denominator of creative gets put everywhere.

By investing more effort in asset creation, in a platform that allows for assets to be structured and templatised for multiple formats and channels, more than half of the battle has already been won for brands to fulfil omnichannel requirements.

Let's take a global CPG organisation. They have leveraged a CMP as a way of global asset creation, distributed to the regions where local brand managers can localise the creative, all within the parameters of the platform. Having granted access to their 800+ media and creative agencies across the globe, the organisation has encountered significant efficiency delivered through collaboration and centralisation. Sure, CFOs love efficiency, but the marketers were also able to understand the effectiveness of different creative in different markets, and to apply these learnings at a global scale.

This level of collaboration across marketing, creative and media stakeholders results in consistency, transparency and accountability.

Agile, connected creative

A bank has over 100 pieces of digital creative in market, all focused on a new low-interest-rate home loan product. It has taken the creative agency weeks to produce these assets and the media agency days to traffic the campaign. Then there is an unexpected product update or a rate change. All media gets put on hold. The creative agency work overtime to update all of the assets. So do the media agency, to re-traffic and set the campaign live again. But they aren't sure that all of the 'old' creatives were removed.

Consider this: All display and video creative is built in a CMP with dynamic elements connected to an existing API or to an online spreadsheet. The CMP makes it easy for multiple variants of the creative to be produced and copied across through templatisation. When the rate change hits, the copy gets updated on the spreadsheet or automatically by the API and all creative in market updates in real time. No agency overtime. No dead media. Consistent governance.

Agile, connected assets deliver efficiency that complements the concept of programmatic media buying perfectly. The benefits of reduced time to market and tactical flexibility are numerous, though what typically happens is that this technological intervention can sometimes get railroaded by some agencies that see the extra hours worked as the cream on top of their existing revenue streams.

There is still a role for ideation, strategy and raw assets creation by creative agencies. But creative does not need to be throwaway and disconnected. It can now live and operate parallel to the connected fashion of media.

Creative accountability

What was the best-performing piece of digital creative that you ran last year? Do you know? If you ran it again today, would you see the same results? Did it work in Facebook as well as it did in *The Age*? How long did it actually take for that banner to be built? And its five variants?

Digital success metrics are largely connected to the media metrics of clicks and impressions and the occasional conversion. Creative is the final touchpoint for the hard-fought, hard-earned attention of the audience. The centralisation of creative distribution grants consolidated understanding of how creative becomes a lever to deliver business outcomes. This is achieved through benchmarking, testing and learning, and taking these insights to influence and eventually master creative.

Connected creative across multiple channels, regions and audiences paves the way for unprecedented insights.

It's time to get smart about creative

Technology has delivered a solution to break down the silos of creative and media and open the door for data to influence all of the digital touchpoints, to assist in delivering exceptional ad experiences everywhere. When a brand is in control of creative distribution, this puts them in touch with the customer.

A CMP negates the need to discuss working and non-working investment, and it is iterative, connected and agile. It is a solution for relevantly reaching the connected consumer.

TrinityP3's production management assessment provides a detailed evaluation of your current production operation, and recommendations to achieve optimal performance[1].

1 trinityp3.com/delivery-implementation/production-management-assessment

POST 50

Eight big content marketing mistakes that marketers are still making

Posted 5 April 2013 by Mike Morgan

It was fascinating to read some of the insights revealed by the Content Marketing Institute research report *Content Marketing in Australia: 2013 Benchmarks, Budgets and Trends*[1]. It may surprise you to hear that a whopping 98% of Australian B2B marketers use content marketing, a higher percentage than either North American or UK marketers. Aussie B2C marketers are only a little behind this figure at a healthy 89%. B2C marketers were shown to favour mobile apps, mobile content, print and newsletters, whereas B2B leans more towards case studies, white papers, webinars and research reports. It is also interesting to note that, on average, four social media platforms are used to distribute content, with Facebook, Twitter, LinkedIn and YouTube having the highest rates of use.

Although brand awareness and customer retention were cited as the top goals, the key success measurement was website traffic. This makes total sense to me. With analytics and other tools, you are able to accurately track the sources of visitors, demographics, keywords that bring visitors, devices used, content effectiveness, geographic locations and much more. You are also able to track and measure which content is the most popular, which is shared the most, which is driving the most

1 contentmarketinginstitute.com/2013/02/australia-2013-content-marketing-research

engagement, which titles are working and which content is attracting the most links.

But – and this is the biggest takeaway from the research – despite the obvious commitment to content marketing and the stated intention to substantially increase spend, only 31% of B2B and 20% of B2C marketers thought their efforts were effective. That is a pretty worrying statistic!

So why are most of these marketers failing? I believe it comes down to a number of mistakes that I see made with surprising regularity.

Here are my top eight content marketing mistakes.

1. You are not publishing frequently enough

You have a company blog and you have committed yourself to creating and publishing content on a regular basis. All runs well for the first few months. But then everyone who has signed on to write for the blog gets busy, and one of the first things that gets left behind is the blog writing. Your site goes from a couple of posts a week to maybe a monthly post. Then, down the track, you realise that a couple of months have gone by without a single post being published.

Freshness and frequency are big ranking signals for Google – and let's face it, Google has more than 90% market share in Australia for search. So all of the momentum in content visibility that your early enthusiasm generated is slowly slipping away.

Wearing my SEO hat, I'm going to take a look at the potential of regular posting, assuming that the content is relevant and of good quality. Let's say you have committed to just two 500-word posts per week. That's 4000 keyword-focused words a month and eight new pages on your website. Yes, that's 48,000 keyword-relevant words in your first year and 96 new pages on your site.

Now take a look at your main competitors. Can they compete with this amount of value?

2. You are not delivering value

Addressing this issue involves quite a major shift in mindset.

Not that long ago, businesses talked about protecting IP. They ensured that their methodologies or practices were kept out of public forums, out of fear that competitors would use the information to take a slice of the pie. Non-disclosure agreements anyone? Well, the game has changed, and those who understand how the new, socially motivated consumer and business operate are giving value on a consistent basis. Just look at any of the major tech-based start-ups of the past few years and see how much value they are sharing: step-by-step tutorials, cheat sheets, free templates, white papers, training through webinars, free versions of browser extensions and online tools, and much, much more.

This is not giving away IP. This is demonstrating leadership. It's a key way in which businesses attract new clients/customers. This generosity is also rewarded with high levels of social sharing and brand advocacy, leading to a greater presence on social platforms and in searches through powerful social signals.

Look at the most prevalent model for web-based tools and services. The free version is the hook. It usually has great features that will make your management or measurement of tasks more effective. The paid version has all the bells and whistles and comes at a premium. This is touted as an enterprise or professional solution, and due to the quality and utility of the free version, it is easy to entice people to upgrade to the premium version.

Note I said entice, not sell. Think about this when you are creating content.

3. You are talking about yourself too much

How long do you think it takes for someone in your audience to switch off when you consistently talk about yourself, your services or your products? About three messages would probably do it. So do not be too self-promotional. Online attention spans are very short and you only get to lose someone once. Drop the sales pitch and instead give your audience content that is valuable, funny, engaging, surprising, memorable, or is so comprehensive that it becomes a point of reference. Remember: it is not about you; it is about the person who is taking the time to read your content.

How many times have you come across content that is an overt sales letter? Way too often, I'm sure! Do you get the urge to share a sales letter with your audience? No, of course not. I have seen some phenomenal pieces get absolutely wrecked by a hard-sell finish – yes, that dated 'internet marketing' temptation to stuff in a big monetising call-to-action at the end. As soon as that PayPal button appears, you can guarantee that the majority of your readers will bail out of the content.

And they will never share it.

4. Your content lacks a unique voice

How many websites have you visited that have large blocks of text riddled with complex technical language or overly descriptive text? Somehow, the authors of this material have neglected a critical element of online communication: a warm, friendly tone and a unique voice. After all, if people want complex explanations, they will search scholarly articles or journals.

Let me explain it this way. Imagine you are seated at a table having a bite to eat with someone whom you know quite well, someone who is interested in what you do and has some understanding of it. Now if you were to speak your content out loud in the company of this person, in this relaxed environment, would it work? If the answer is no, then go back and work on your writing until the answer is yes.

Remember, as far as the person reading your content goes, they are the *only* person reading it – you are talking to them and only them. So always address your content to 'you' or 'your'. The internet can be extremely impersonal, so you have to be more human than human.

Examples of sites that have mastered the new art of web copy include Copyblogger[2] and HubSpot[3]. Check them out.

5. Your content is too short

Sure, sometimes complex ideas can be communicated in just a few words. And sometimes wisdom does not need a lot of elaboration (Seth Godin springs to mind). Sometimes a picture can be worth a thousand words. But … search engines have certain requirements that must be met in order for them to assign value and authority to content.

Search engines cannot see images, so optimising visuals with alt tags and descriptions is not the '1000 words' solution you are looking for. And a short post which is light on text gives them very little to work with. The algorithms are becoming so sophisticated that it is no longer about keyword density. The associated language is much more important than any repetition of key phrases.

Structure is also very important, as are the words used in headings and subheadings. And ask yourself how unique is the content. Are you giving value that is above and beyond what is already published on the web? Is your take on a topic unlike the others out there?

Now consider 'linkbait' (also known as 'clickbait'). If you are unfamiliar with the concept of linkbait, this is how it works. You create a definitive explanation of a particular topic. You examine and explain every possible element of the topic and you reference a range of high-quality resources. People will bookmark your content for future reference (or to complete reading it), but they will also link to it for a

2 copyblogger.com/blog

3 blog.hubspot.com

number of other reasons:

- to associate themselves with high-quality reference material
- as a vote – an expression of approval
- to direct their audiences to a comprehensive explanation to demonstrate a point
- to improve the authority of their own content.

All of this popularity and the groundswell of links to content and the associated social sharing sends very strong signals to search engines that this is a valuable addition to the results pages. The more this happens, the higher your rank for any keyword targets and the higher your visibility. This presence in search will incrementally grow the numbers of visitors to your site.

Most linkbait is created as long-form content[4]. If you look at the leading sites on the web, you'll see that 'epic' or 'long form' is the standard. The success of this strategy makes it worth investing in the development of exceptional content.

If you check out recent examples of remarkable content creation[5], you will see how seriously some companies are taking this approach. Project management, creative, copywriting, research, web design, developers, data analysis – all collaborate on one project to create something exceptional, link-attractive and newsworthy. This is an extremely effective way of getting more brand awareness.

6. Your social media content strategy is poor

Now that you have produced a brilliant piece, you go to social media and distribute it through your many social channels. Except that there are only a few dozen people following you on Twitter. And you only have a couple of hundred Facebook 'likes' (of whom less than 10% will see your post). LinkedIn will get the content in front of a few of your personal connections – those who actively use LinkedIn, that is. And then there's that Google+ page that you haven't been able to figure out how or why it just sits there doing nothing.

So you share – and nothing happens. You wait for your post to 'go viral', but instead there is a deafening silence. No interaction, no comments, no retweets, likes or shares. Why is that?

It's because social media requires a consistent and highly focused strategy. So many companies set up a few profiles, put some stuff on

4 distilled.net/blog/marketing/in-praise-of-the-long-thought

5 iacquire.com/blog/what-it-takes-to-get-remarkable-content-done

them, go away for a few days, then wonder why the 'incredible power of social media' is eluding them. Building relationships is the key to social media effectiveness. And this net needs to be spread as wide as possible. It is difficult to describe yourself as a thought-leading brand if few people are following you or sharing and interacting with what you are posting.

By this, I don't mean uploading cute pictures of kittens onto Facebook to get the 'like' quotient up. Again, it comes down to knowing who your audience is and what you can do to give them value. Then you can tailor what you share with these groups.

As this sparks interaction, you must have processes in place to not only respond to but also nurture these new relationships (without looking like a stalker). Generosity, for example, is one of the key stumbling blocks for businesses. Simply put, share other people's stuff … but only if it's great. Do it often and without expectation of any reciprocity. Champion other people more often than you share your own content (see mistake #3). Understand the acceptable levels of sharing and repetition across all channels. And set up a social schedule and use tools to ensure your hard work is reaching the most people possible.

Here's a final thought on social media strategy. How many people within your organisation are actively engaged with, and supportive of, your social strategy? Does the C-suite know any of the detail of the strategy? Do employees other than those in marketing know anything about it and are they encouraged to contribute in any way? Is there a simple policy in place to protect both the company and the individuals who work for it? I am growing a bit tired of seeing 'Thoughts are my own' as a disclaimer on social profiles.

How about this for a social media policy? It was created by a high-profile, tech-based company. Three words: 'Use Good Judgement'. No pages of standard operating procedures (SOPs) and rules. Just three words and a large amount of trust and self-belief on the part of the company that they are hiring the right people.

7. You haven't factored search optimisation into your efforts

This one is a huge and unfortunately very common mistake. SEO and content marketing are essential partners. If you lack an understanding of how search engines work, your content will have almost no visibility. Thankfully, however, the old days of SEO being that irritating requirement to stuff irrelevant and clumsy text into your titles and body are very much gone.

SEO[6] is all about ensuring that your website is performing as cleanly and efficiently as possible. It is about making sure that Google and other search engines can easily crawl and index your content. It is about using critical points to clearly articulate what each page or post is about. And it is about understanding visitor behaviour and structuring content in an intuitive and streamlined way.

But that's just for starters. Technical compliance is crucial before you can even begin to publish content, thanks to some momentous updates by Google over the past year or so.

(Sorry, brief technical interlude.)

Once you have your site technically correct – no accidental duplication, no bad links, reliable servers and domain name system (DNS), low numbers of crawl errors, robots.txt correct, friendly URLs, no missing or incorrect-length metadata – then you can optimise content for publishing.

Set up a checklist similar to the following and make sure each of the points are covered:

- Install features or plug-ins to take care of XML sitemaps,canonical tags, author attribution, recommended reading and metadata creation.
- Use shorter, keyword-focused URLs.
- Use headings and subheadings in H1, H2 and H3.
- Use a 'more tag'.
- Reduce the size of images and optimise with title, alt tag and description.
- Manage categories and tags.
- Make sure the title tag and meta description do not exceed guideline length.

Now promote your content through social media, email lists, newsletters, social bookmarking sites, pinging services, trade press and anywhere else people would be interested in what you are saying.

Successful content marketing does require a fairly high level of technical understanding, particularly in regards to how the web works. Why? Here are some WordPress stats for you: WordPress.com users produce about 39.3 million new posts and 41.4 million new comments every month. That's *one* free blogging platform. Competitive? Oh yes.

If you would like your content to be seen, then you have to maximise your chances.

6 portent.com/blog/seo/wtf-is-seo.htm

8. Your titles are incredibly dull

Here's another hint concerning how the web works: titles are King and descriptions are Queen. A very large proportion of the time, all an internet user sees is your title and your description (by this I mean your meta description).

There are some really useful posts on how to make the most of titles by following a particular formula[7], and there are some classic posts in which bloggers pull apart the really dreadful titles people use. Here's how it all works.

You only have a couple of seconds to convince people that they cannot afford to miss taking action by clicking the link. The title is the first point of connection: each tweet on Twitter is just a title and a link; a search on Google will surface a title and a description; a share on LinkedIn or Facebook or Google+ will present a title and a description; social bookmarking platforms like StumbleUpon, Delicious, Digg or Reddit will show your title and description.

So why would you waste all that hard work you did creating something exceptional if your title is just plain boring, not at all compelling? And what about those descriptions we all see that are taken from somewhere in your post and really don't sum up why your audience should 'check this out'? These two areas offer a massive opportunity for marketers to convert more people into website visitors, but generally they are handled very badly.

Did you know that a title tag should not exceed 65 characters, including spaces? Or that a title that is too short will be regarded by Google as an error? Did you know that a description should not exceed 155 characters, including spaces? (I'm sure you've seen many titles and descriptions cut off before the message is completed with a …) This also dilutes your keyword effectiveness.

Here is my tip: put at least 20% of your effort into your title and description. Make them as compelling as you possibly can. Use your copywriting skills to really hook people in. And deliver on the promise you are making in your title with your content!

Making a commitment

We've just reviewed eight content marketing mistakes, but there are plenty more. Just check out the post I published on 30 reasons why your content marketing strategy is failing miserably[8].

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7 contentmarketinginstitute.com/2013/03/3-step-writing-formula

8 trinityp3.com/2012/11/content-marketing-strategy-failing

Creating content, being a publisher, connecting with audiences, building relationships – these are the most exciting aspects of the new super-connected world. Being successful at all this, however, requires a commitment to learning the art of web copy. It also requires a level of technical understanding that initially may seem a bit daunting. However, when you get it right, the opportunities can be astonishing.

NEXT STEPS

Feeling inspired?

TrinityP3 has developed ways of solving the six biggest 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 and data** proving a challenge[4]?
- Perhaps you simply want to be more agile in **your delivery**[5]?
- Or provide more ethically, socially and 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.

1 trinityp3.com/marketing-performance
2 trinityp3.com/agency-performance
3 trinityp3.com/media-performance
4 trinityp3.com/digital-technology-performance
5 trinityp3.com/delivery-implementation
6 trinityp3.com/sustainable-marketing

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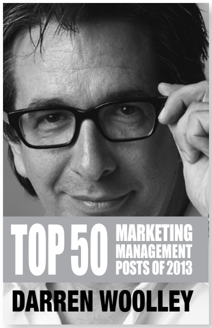
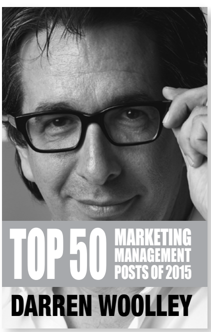
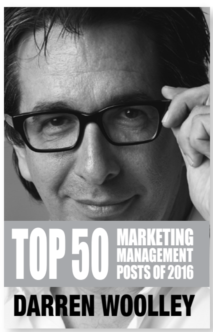
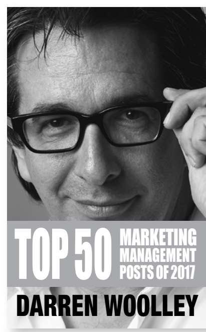
Missing a year of the *Top 50 Marketing Management Posts?*









If you haven't got the set, the *Top Marketing Management Posts* of 2013, 2014, 2015, 2016 and 2017 are still available.

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