



How will your agency be paid this year?

30 APR 2019

Horses for courses

TrinityP3's Darren Woolley makes an interesting point in his post "*What is the best agency remuneration model for every advertiser?*".

Darren argues that there is no longer a standard agency remuneration model for every advertiser and gives a set of criteria which allow you to decide which models are the best fit for you and your business.

He says there are horses for courses, and the factors of, output vs always on, predictable requirements vs unplanned, specific scope vs undefined, high volume vs low volume, single vs multiple brands are key.



Communication is essential

The requirements of a client/agency relationship vary enormously, but too little time, if any, is allocated for discussing and recognising the differences. The client and agency need to fully understand the way each work and

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agency need to fully understand the way each work and the expectations of each other. The client may be shifting their emphasis year on year as, say, the digital component of the marketing spend gains more prominence. Sometimes these fundamental changes just aren't discussed.

Agencies and clients spend a great deal of time together, but discussing remuneration is almost a taboo subject that both parties actively avoid. They both worry that such discussions, which must be somewhat robust, are bad for the relationship.

This couldn't be further from the truth.

In my 28 years as an agency CFO, the client/agency remuneration discussions have the best outcomes when the Finance Directors of both agency and client are brought into the discussion.

Retainers retained

Despite the evolution of the business, retainers have been retained. Usually this is a hybrid of resource-based retainer for Client Service, Media and Planning and project based for Creative.

This is, in part, because clients know that they need to have some agency staff on-call and they know too that a significant part of the time spent by the retained staff is important but cannot be easily allocated to specific projects.

Where did the time go?

Agency staff can be their own worst enemy when it comes to recording their time. Time is often dumped on retainer jobs with little or no description.

Good systems automatically identify which roles are retained. When retained staff post time to the jobs they are working on, the system records the hours but not the cost so the job isn't swamped with costs that are covered by the retainer.

This allocated time remains associated with the project. When the time comes to discuss remuneration, the agency needs to show where the retained time was spent.





Not all created equal

We all remember the iconic advertising that, ten years on, still resonates and makes you smile.

Equally, there are less well-known campaigns that have had a significant effect on the clients' sales. I believe that it is only fair that an agency that creates something special which provides a significant benefit to the clients' business should be rewarded.

The remuneration for great agency work shouldn't be the same as the remuneration for average work.

This is why variable pay should be a component of any client/agency remuneration agreement. Clients and agencies often say they want a variable component to the remuneration, but it rarely materialises. It's more than likely going to be confrontational, and neither client nor agency wants that!

TrinityP3 and other consultants may be the answer.

They can be impartial arbiters. They can calculate the outcome of the performance metrics - which may include soft measures such as agency/client relationships measured by companies such as Aprais - and they can ensure that the performance reviews take place.

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Mike Satterthwaite

After 7 years at PwC London and Sydney, Mike joined a creative agency which, two years later, was acquired by Saatchi & Saatchi. He remained at Saatchi & Saatchi for the next 25 years, the last 9 as CFO Asia Pacific. Mike was a Pegasus client for 15 years and loved their can-do attitude, and on leaving Saatchi & Saatchi 10 years ago, he became Pegasus' chairman.



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