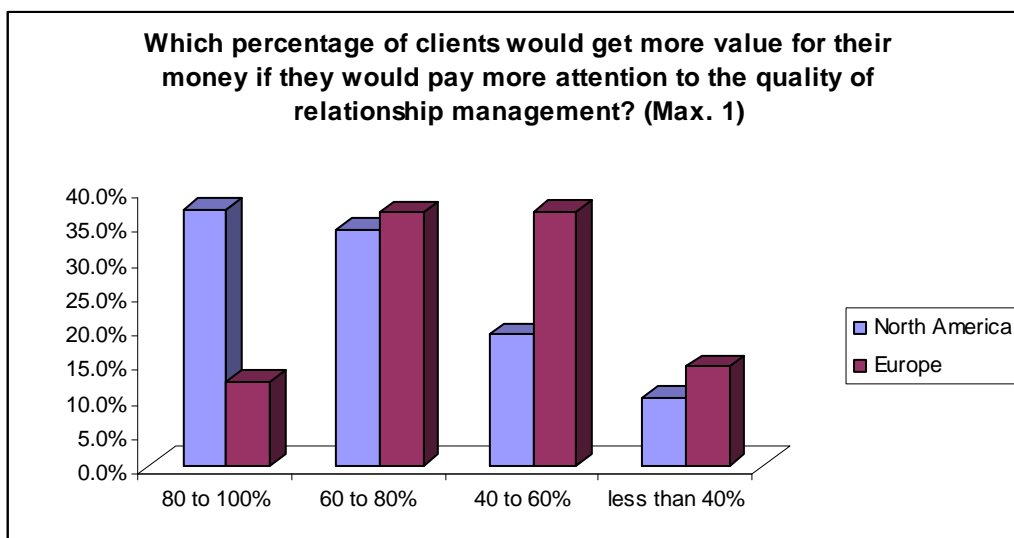


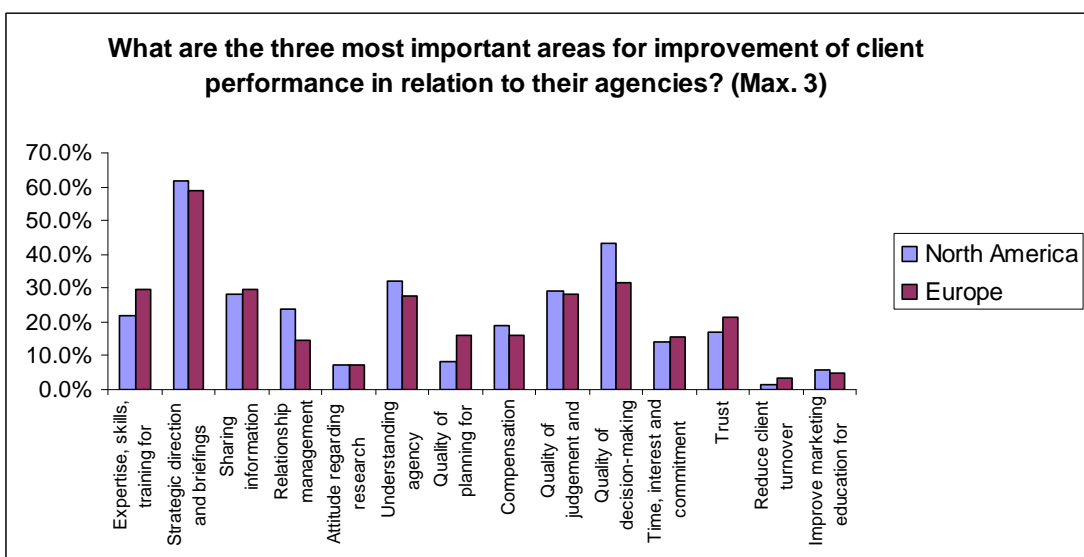
'A View From The Other Side' Communications Agency Leaders Rate Their Clients

Executive Summary

Marketing and communications agency leaders everywhere are calling on their clients to improve briefing, improve their internal integration efforts, invest more in market research, and pay more attention to the quality of the relationship with their agencies.



Overall, agency leaders in the different countries seem to agree, to a large extent, on the areas clients should prioritize when looking to improve their performance/relationships with their creative business partners. Strategy and briefings top the list.



These are just some of the findings contained in the landmark study, *A Global Voice for Marketing Agency Leaders*, SCAN's second bi-annual client quality survey completed by marketing agency leaders in February 2009.

THE SURVEY BACKGROUND

The survey of almost 40 questions was conducted between February 5-26, 2009, simultaneously by SCAN International Partner companies in the U.S., Canada, U.K., The Netherlands, France, Portugal, and Spain. In total, 620 agency leaders participated. The largest number of responses globally came from agencies that offer integrated services followed by advertising, digital, direct, design, media, and PR and corporate communications.

In the survey, agency leaders are asked to rate their clients in several areas:

- Client knowledge and capabilities
- Relationship management skills and communications
- Financial compensation
- Continuity and loyalty
- Performance by sector
- Improvement areas
- The pitch process

Insights and learnings are presented on the following pages.

By Way of Introduction

SCAN International sought insight into the performance of **clients** in client-agency relationships. The rationale for this survey is that clients play the dominant role in the relationships and therefore strongly influence the output of agencies.

The industry tends to focus on the perceived quality of agencies, whereas client performance is equally, if not more important, to achieve effective and cost-efficient results of marketing communications efforts.

In the course of our consulting work, many clients admit to us that they themselves are often the cause of problems in client-agency relationships. Privately and sometimes publicly, they say that all problems cannot and should not be blamed on the agency.

As so many clients have expressed interest in learning what they can do better, we hope the insights gained from this survey will be beneficial to all parties involved and help stimulate constructive initiatives, both at the industry level, as well as for individual company-agency relationships.

Is this a one-sided picture?

Undoubtedly yes. We were even worried the survey could become an escape valve for two reasons:

1. The responses from agency leaders are all confidential;
2. We had enthusiastic response from the agencies, several of whom thanked us for "finally asking what we think."

Even discounting for agency laments, we gained a solid impression that the respondents are painting a reasonably consistent picture of client performance. It is very much in-line with the views of agency leaders in all six countries that were involved in the SCAN International survey in 2007, at a time when the economy was healthier.

From our day-to-day experience and many other surveys conducted among clients, we know that clients regularly have concerns about quality, service and the costs of agencies. Although it was never our plan to replicate existing surveys on client views towards agencies, the client views are just as important. Striving for improvements can only take place if both perspectives are in the mix.

We hope you will find it useful in continuing productive client-agency relationship discussions.

Hein Becht

President and CEO SCAN International

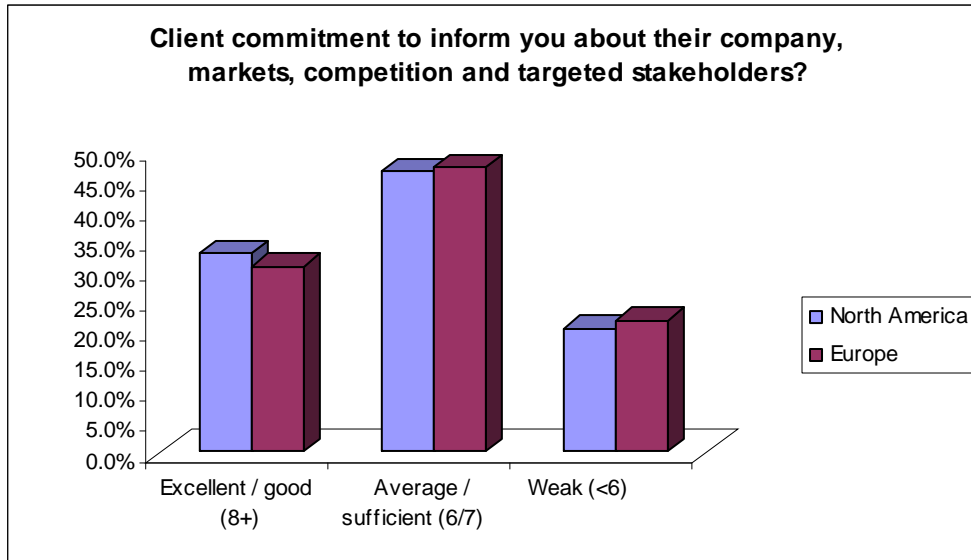
March 2009

Joanne Davis

Vice President

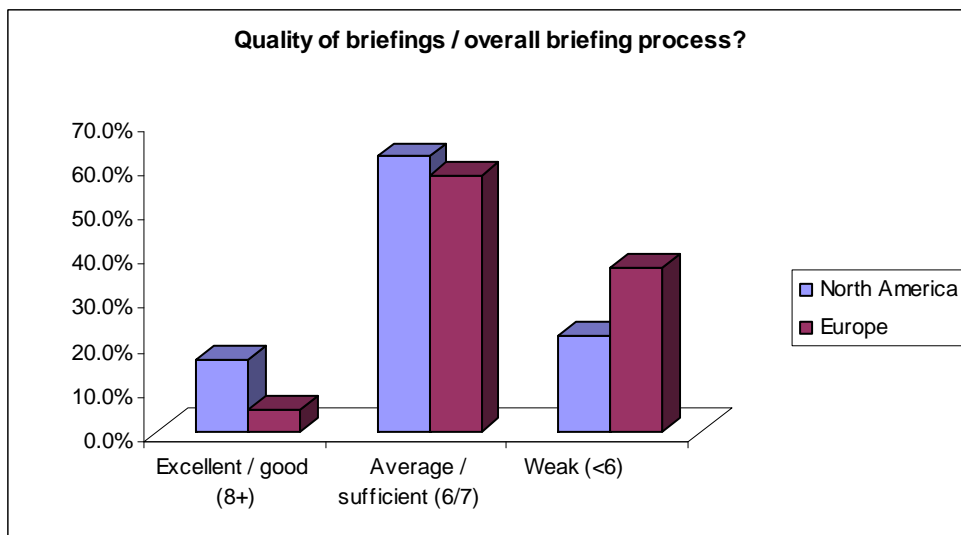
MAIN FINDINGS - RELATIONSHIPS

Fig 1.



In our experience relationships or projects are rarely a success without clients properly involving or at least informing their agencies. This chart suggests that this is not the case in twenty percent of clients across markets. In those cases we can only assume that efficiency, if not effectiveness will be impacted.

Fig 2.

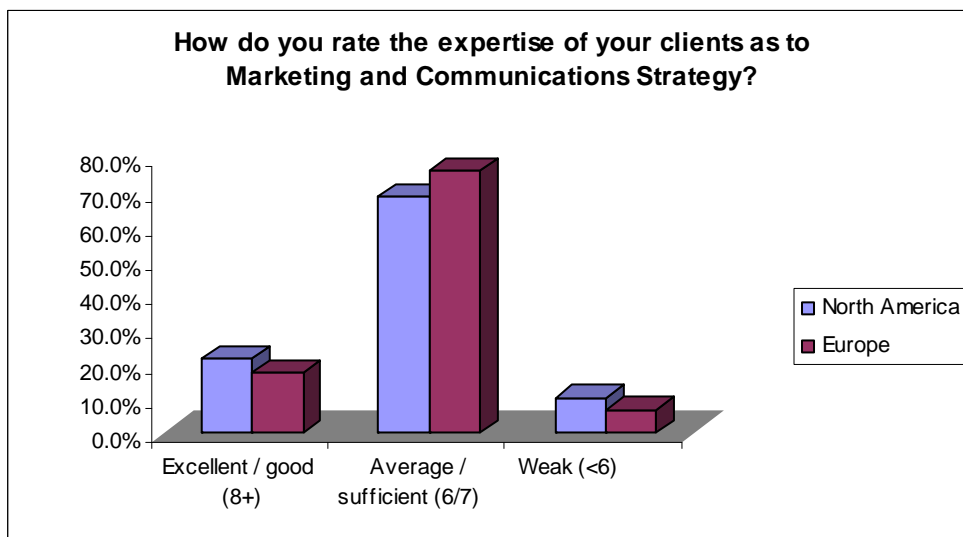


The number one concern, agency leaders across all markets identify, is the quality of direction they are given. This chart reflects the relatively poor efforts being made by many clients at the most important juncture of any project. (That source of concern is also covered by the 'average' column.) If the briefing is poor, then the work out will definitely be affected, unless the agency compensates in other ways and through other sources. Not an efficient chain of events.

Fig 3.

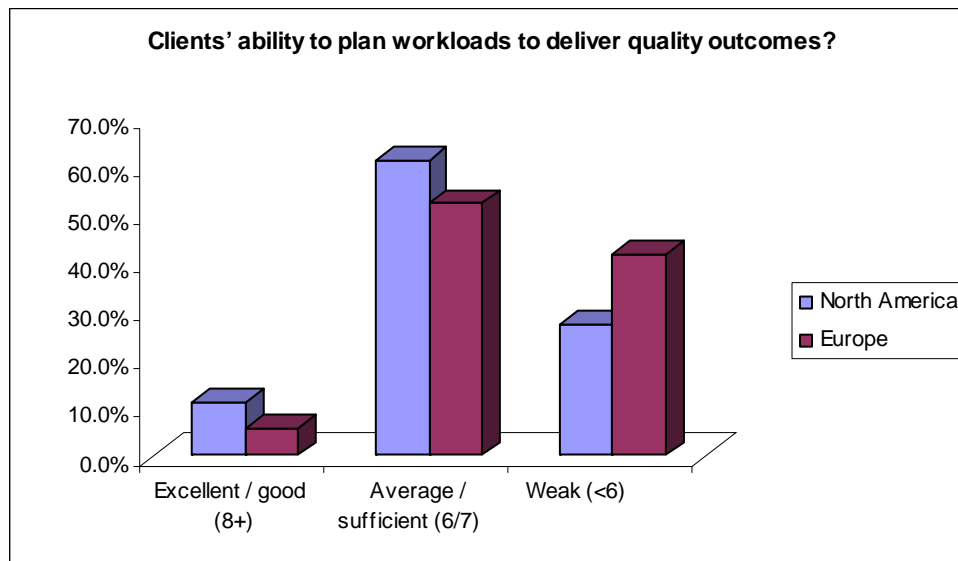


Fig 4.



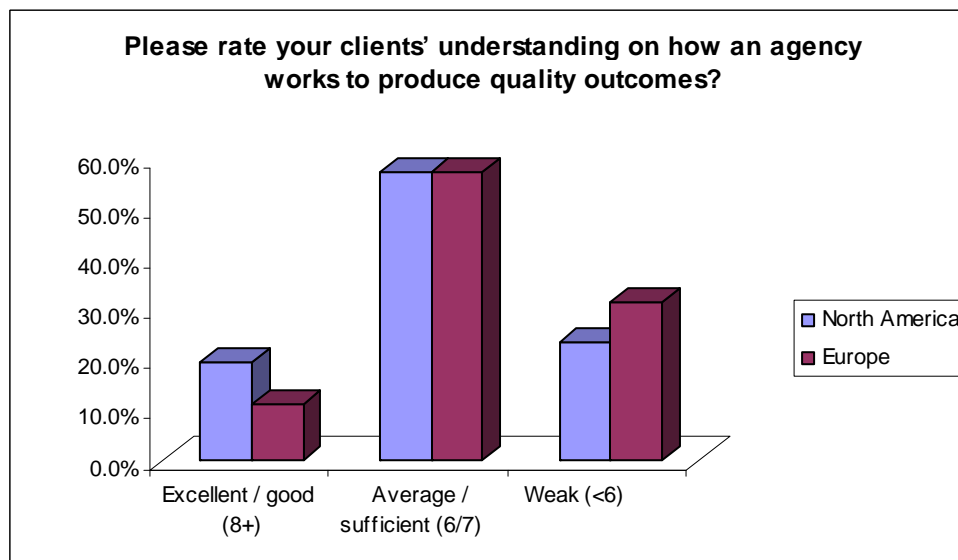
Although neither of the above two charts on average seem cause for alarm, we see that agencies rate only a low percentage of clients as “excellent”. Given the fact that the agencies participating in our survey largely represent top-20 players in their markets and thus represent many of the largest brands / advertisers / budgets, one could argue that all clients should have the ambition to be seen as excelling by their creative partners in the area of strategy.

Fig 5.



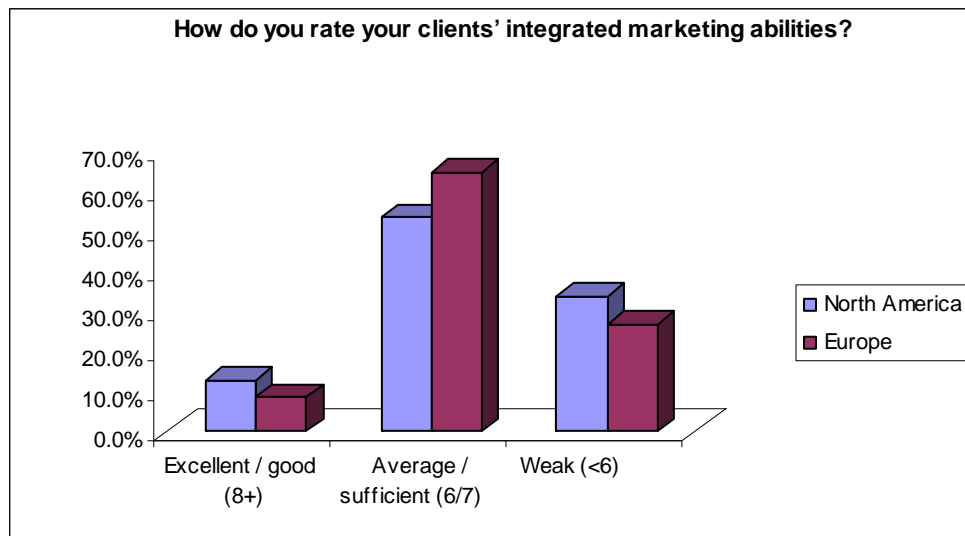
Brilliant ideas may occasionally be developed quickly, but agencies in general need to be able to plan their work for, by definition, scarce talent. (If all talent would be available to all clients all the time, the agency would no longer be with us!) We may assume therefore, based on this chart, that a considerable number of clients would get better work if they would improve their workload planning.

Fig 6.



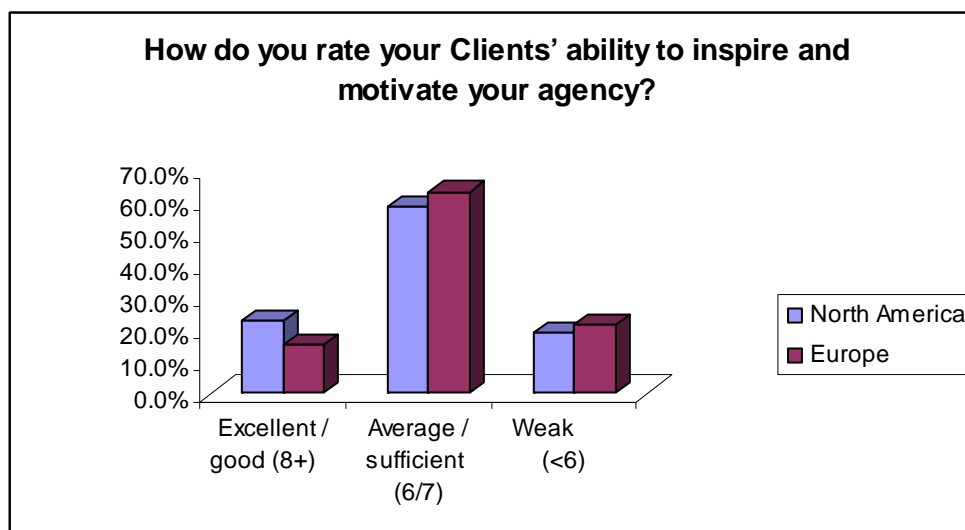
In conjunction with the last slide, planning issues may be related to the fact that clients are often not properly informed about agency processes. We would therefore advise agencies to open up their 'black box' to clients, in order to create a better understanding of the complexities and challenges of agency processes. That in turn may lead to a more considerate workload planning discipline.

Fig 7.



A question throughout our survey is whether 'average performance' is good enough. This slide may give two answers to this question. The first is that, like agencies in previous times, clients find it hard to effectively manage integrated marketing. Another explanation may be in the fact that a majority of the participating agencies in the survey claim to be in the '360' category. It is therefore likely that those agencies are showing their concern with the fact that they are not being given the 360 work, now that they feel they can deliver it. Given our earlier experiences, clients are more often than not turning to best in class specialist, rather than the 'full service' offer. (In 2007 25% of clients were rated 'excellent'. Thus we've had a significant drop since then)

Fig 8



In our view a core client competency would be the ability to motivate and inspire creative partners to get the best talent to work for them and turn out the best results. Clients are advised to realise that once they are seen as weak in this respect, they may be working with the best agencies but still may get mediocre work. The competition clients are facing is not only in the marketplace, but within the agency as well.

Agencies will excel for the most inspiring and motivating clients. It is therefore essential to belong to that group of 15 to 25%.

Fig 9.

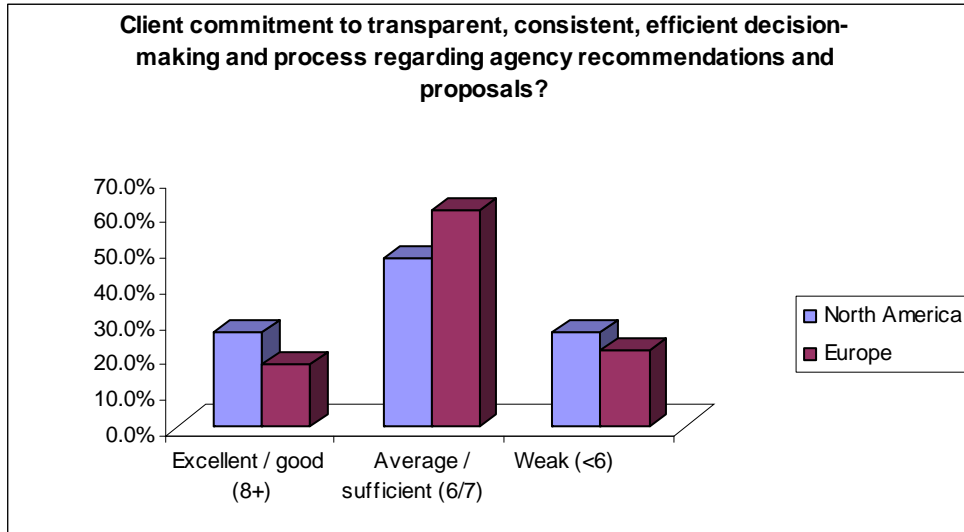
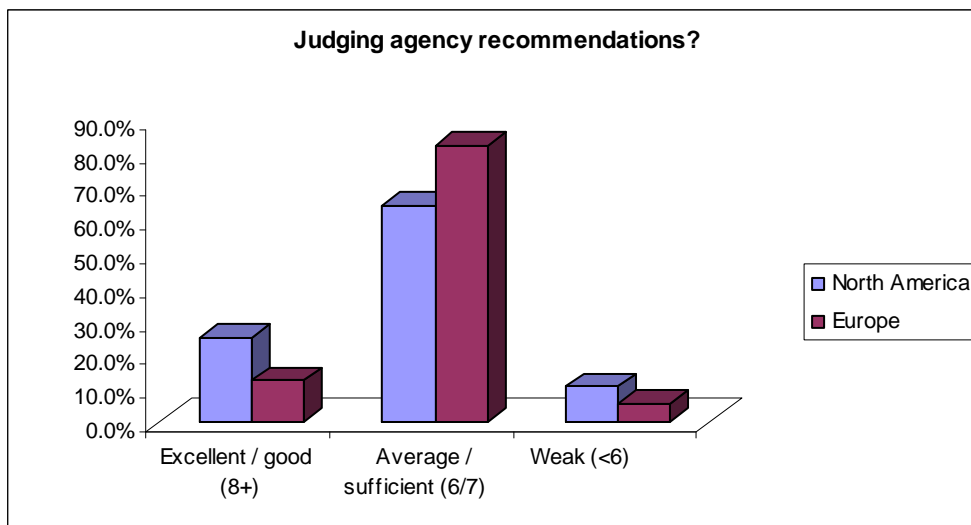


Fig 10.



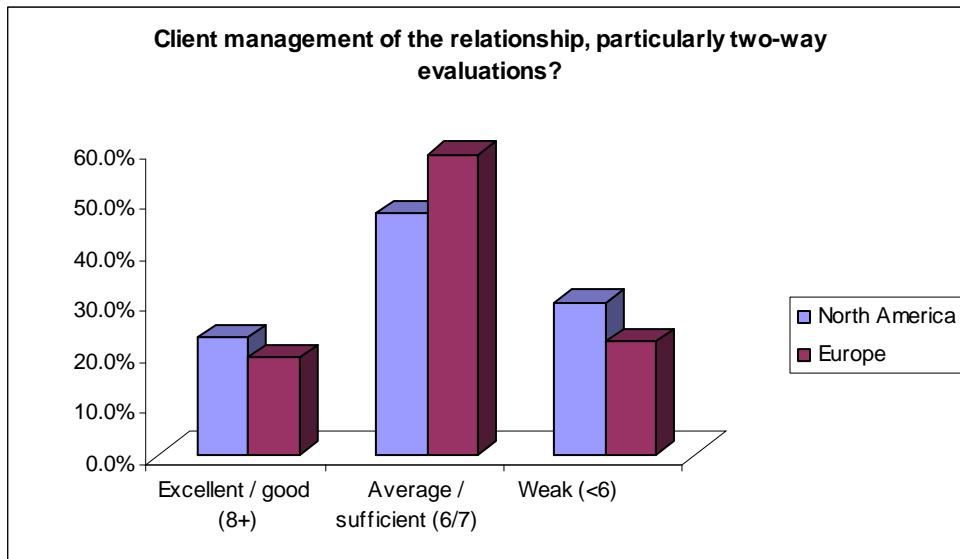
Transparent decision-making has always been an issue, as the original entrepreneurs were replaced by specialist departments in more complex large organizations. Of course agencies would still prefer the one judge/decision-maker that they had direct access to, and many of them are obviously frustrated at times by time consuming, fuzzy or bureaucratic decision-making. But there is no going back.

Although in extreme cases decision making can be considerably improved/ simplified, in most cases the agencies will have to live with a complex client reality.

However, bad decision making drives up agency cost, messes up planning and kills the spirit.

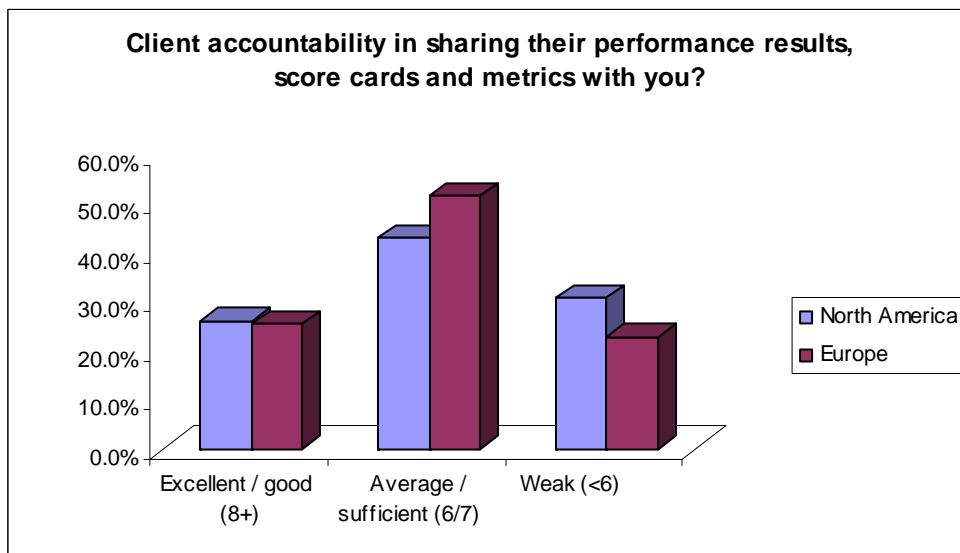
Judging agency work is more dependent on specific client talent rather than organisational culture and hierarchy. The rules of nature may well imply that 30% of clients excelling at it is not bad at all.

Fig 11.



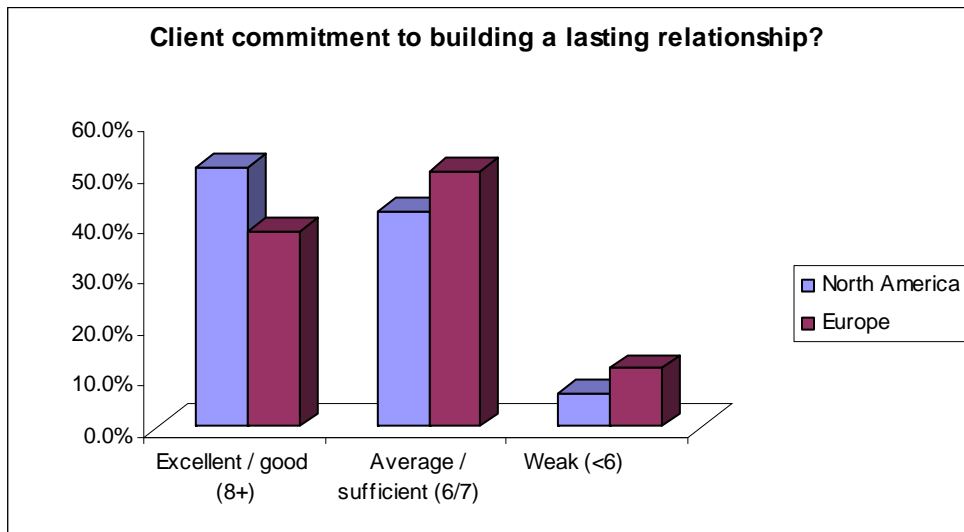
Still close to one third of clients does not get a 'sufficient' rating when it comes to proper evaluations. That is disturbing considering the stakes. No rules of nature here to apply; just the willingness to learn and improve.

Fig 12.



Here is a similar result re accountability and the sharing of metrics. With the strong trend towards more result-oriented communications and accountability, we would have expected a more positive development on the client side – to be recognized by the agencies.

Fig 13.



Although we see in our work that many clients are employing specialised talent on a project basis and spreading the work among more agencies than before, the relationship concept that some claim is almost a thing of the past seems here to stay. Compared to other scores, the excellent category is generous on this issue.

MAIN FINDINGS - COMPENSATION

Fig 1.

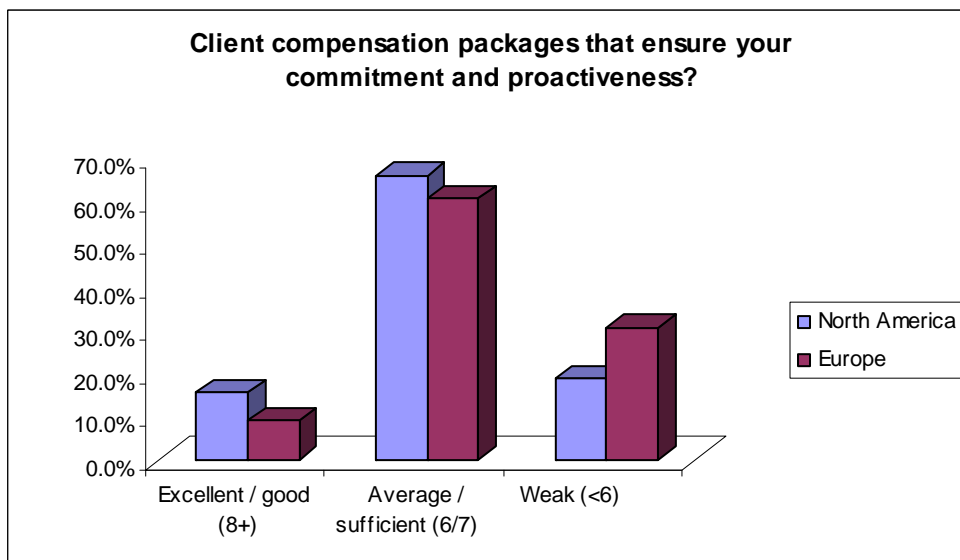


Fig 2.

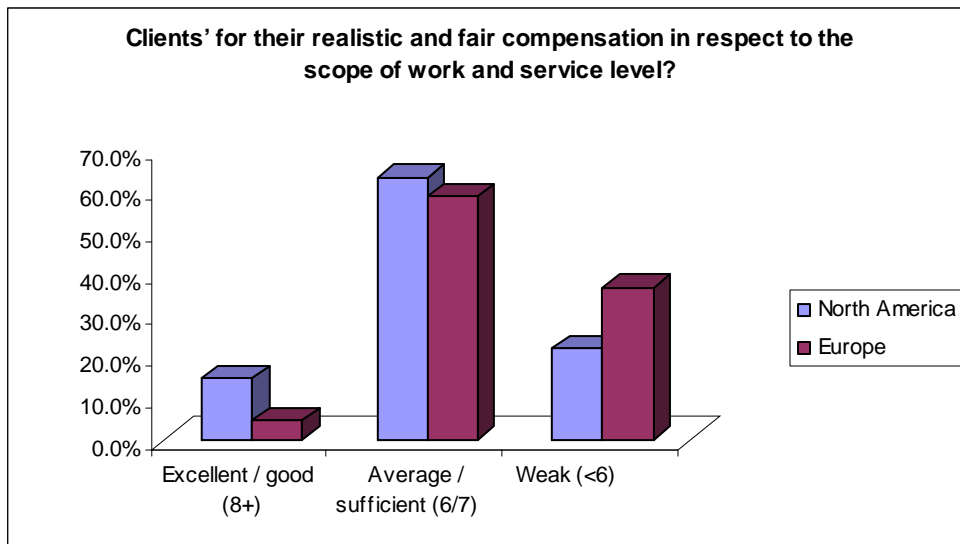


Fig 3.

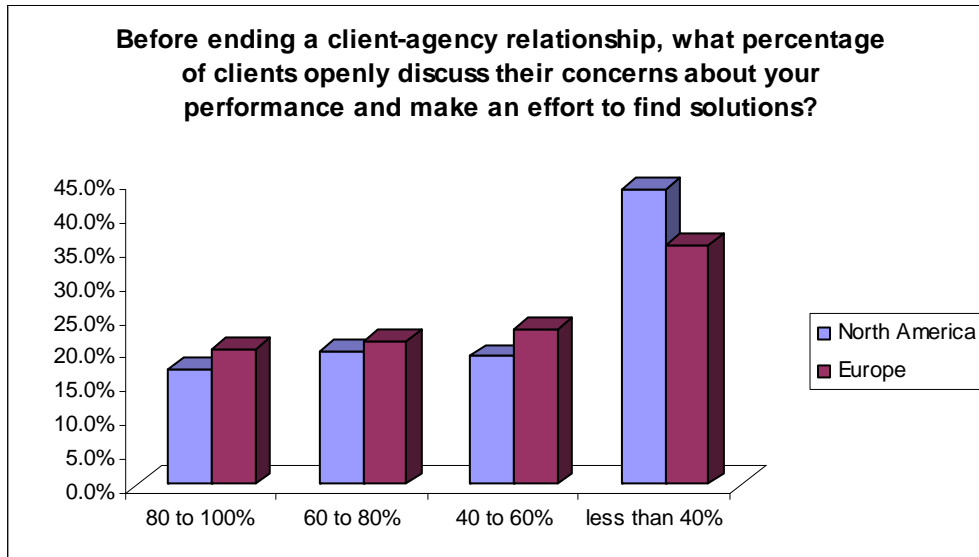


Most clients, according to our survey, compensate agencies in a way that secures their commitment, and we see a similar picture in relation to workload/service level.

When it comes to compensation in relation to value created however, we can see a clear area of discomfort amongst agency leaders. Maybe the answering possibility in this case should not have said “excellent”, average” or “weak”, since it is not fair to use the qualification in an industry that to-date has not found the answer to the call for value based compensation. It’s therefore probably more a criticism of the present rules of the game than of individual clients. (It should be noted that ‘compensation’ is not mentioned as one of the top 5 concerns of agency leaders – see Executive Summary)

MAIN FINDINGS – REVIEWS & PITCHES

Fig 1.



From this slide we conclude that clients are not being open about their client experience or agencies prefer to neglect the signals. The relatively large percentage of clients believed by agencies not to be trying to improve things before looking for a new partner, seems about right in case of personal relationships, but not fitting business partnerships. The client category still considered weak on evaluation, probably accounts for the majority of cases.

Fig 2.

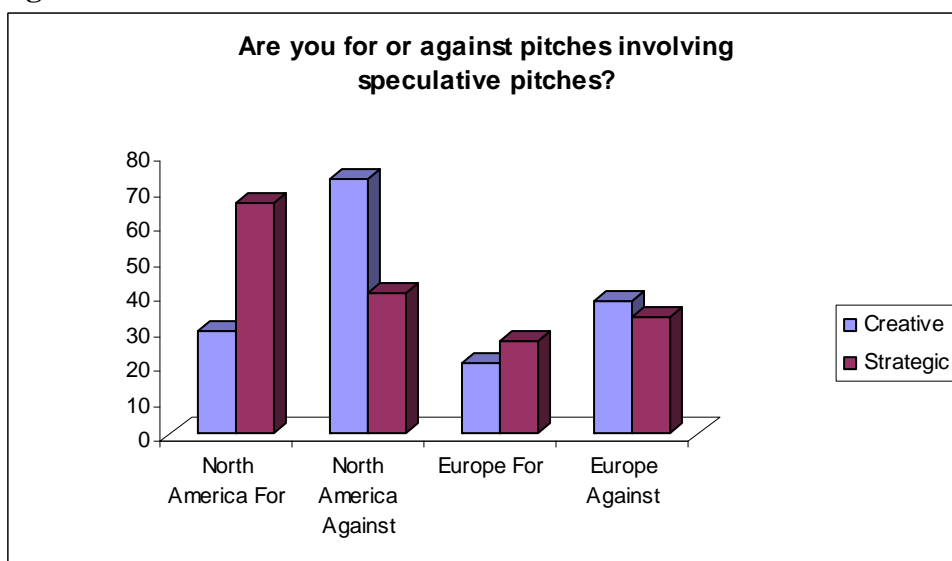
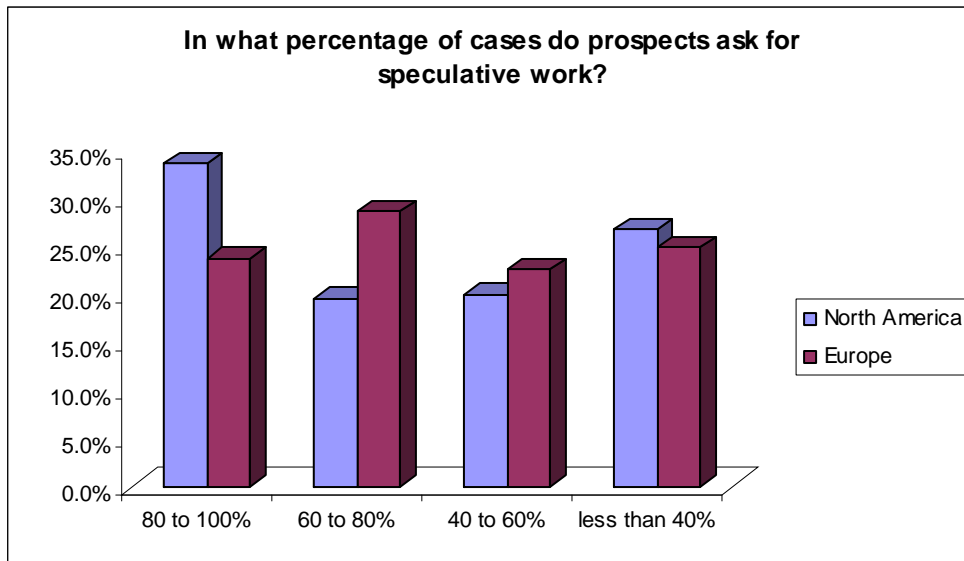


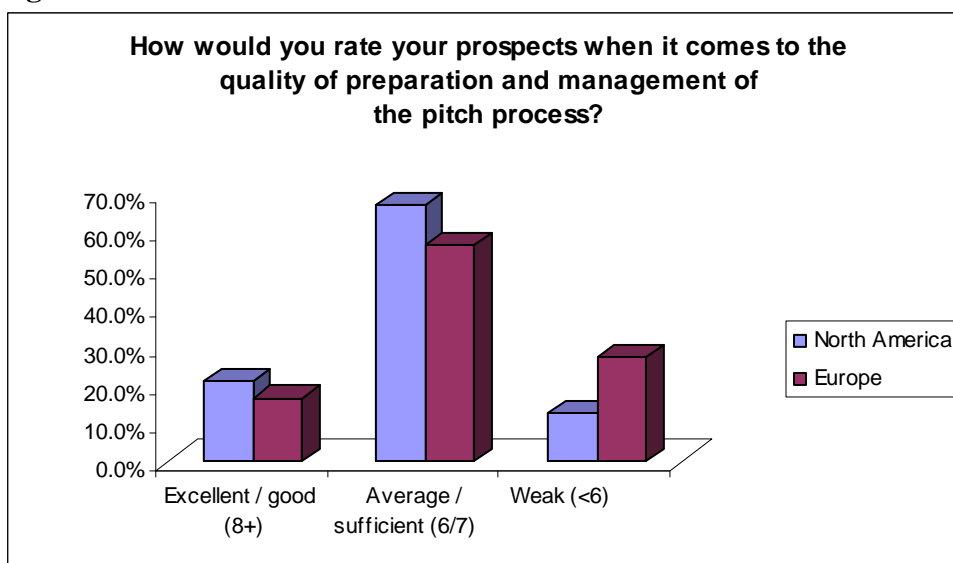
Fig 3.



European agency leaders are less in favor of pitches than their North American colleagues, although the difference is more extreme in case of strategic pitches. The majority in North America however seems to be against creative pitches.

Interestingly, the majority of prospective clients do ask for speculative work. In our opinion, speculative work should be avoided unless there is enough time, information, opportunity to interact with the prospect and a reasonable budget available. In most other cases we would categorise speculative pitches as encouraging clients to 'buy a campaign' rather than 'hire a marketing agency partner'. Buying a campaign does not do justice to either player.

Fig 3.



Given the general concerns about pitch practices and the different positions regarding speculative work, in combination with our day-to-day experience, it can be assumed that the “average” category in many cases is not seen as favourable, and leans towards “weak”. Agencies have accepted the going practice as a fact of life.

From a client perspective it is fair to argue that a higher percentage should score in the “excellent “ category, given the importance of the employment of new partners for their marketing success. Almost 1 out of 3 selection processes in Europe are judged as ill prepared, in many cases representing a shaky start coupled to high expectations.

SUMMARY

If we compare the results of this survey to the one we first did in 2007, we see, unfortunately not a great change – in areas that we believe need change. Clients everywhere might understand the pressing issues in improving client-agency relationships, and the work, but according to agency leaders no real change is physically being made. Maybe despite the global recession it’s time for more clients to emerge and pave the way for a new era of cooperation, creativity and productivity.

The Final Word:

Commenting on the survey results, **Michael Lee, Executive Director of the International Advertising Association** whose global members represent all areas of the industry stated, "This is a very extensive study and the perspective of marketing agency leaders, representing tens of thousands of brands, make it a very substantial report. As marketers continue to draw upon on their agency partners for wide-ranging strategic support as well as creative execution, it is vital more than ever that relationships work well, are optimized, fair and deliver true effectiveness. The SCAN research illustrates key insights in its findings and everyone would be well served to study them and consider their implications. The study would suggest there is work to be done."

