BEST PRACTICES

Accountability: *Yours*

It's up to clients to cut agency-relationship waste.

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Based on our 20 years of working with multinational advertisers, we've estimated that as much as 80 percent of waste, inefficiency and ineffectiveness in the client/agency relationship comes from unsatisfactory work practices on the part of the marketer.

The waste in terms of dollars and cents is considerable. Total annual global investment in marketing/communications is $1 trillion-plus, while spending on these and other marketing-sales related programs tops $4 trillion annually. For some companies, annual investment in overall marketing is 20 percent of revenues or more.

And yet, despite the dollars spent, less accountability is accorded to marketing communications than most other areas of corporate investment. In fact, the Association of National Advertisers reports that only two percent of its members are at the highest levels of best practices and R.O.I. management.

This is not lost on the boardroom — and not only because Sarbanes-Oxley has gone beyond "fraud" and "controls" to embrace the language of "oversight," "due diligence," "best practices," "transparency," and, increasingly, "value R.O.I.".

This can — and must — change. Unfortunately, many of the barriers to productivity are little known, as they are embedded in the marketer DNA and culture. However, there are no reasons for this to continue when measurement, R.O.I. metrics, benchmarking, and evaluative processes are available to corporate managers.

Of course, it is always easier and faster simply to switch agencies than to identify the underlying productivity and process problems and improve them. Given human nature and the short-term results that Wall Street seeks, a review for a new agency is often the answer. But most practitioners would agree that severing an advertiser-agency relationship is disruptive, if not detrimental, to brands.

Indeed, even though our firm has done many agency reviews over the years — and at one time saw agency search as a necessity — we now see it as a "last resort" measure. A better, longer-term approach is to identify the client/agency productivity and process problems and solve them.

Yes, it can take time and effort to nail down these inefficiencies, but it takes time and effort to conduct a Gold Standard agency review as well — and there is often more risk to the latter. We're not talking about rocket science (would you entrust your brand to NASA anyway?). There now exist diagnostic tools that enable advertisers to track the existence, performance and level of their work practices and processes (you don't have to go to Houston to use them). They are web-enabled; you can see them on a computer screen anywhere around the world.

To help solve productivity and process problems, we developed one such web-administered system called Client Agency Productivity Evaluator (CAPE). It is a four-step process involving several dozen client-specific diagnostic questions, relating to five different areas of advertiser work practices: 1) marketing/advertising planning; 2) management of agency; 3) marketing/advertising organization; 4) media practices; and 5) agency accountability controls.

The benchmarking metrics are derived in part from our recent studies of five best-practice global marketers in pack-

Keeping Tabs

Five suggestions for effective marketing governance

- Ensure that your marketing/communications work practices achieve industry "best practice" standards. Is your corporation more (or less) efficient with its advertising budget and media expenditures than your competitors?
- Put marketing and communications expertise on your board of directors and management executive committee. Your board should have R.O.I. metrics and benchmarking protocols in place for measuring marketing communications accountability.
- Implement internal controls and oversight for marketing/communications spending. Your agency contract should give you the right to fully audit your account and you should be prepared to do so.
- Your board and management are more than fully aware of the personal risks of less-than-complete fiduciary compliance. They should also be aware of how far marketing/communications has moved in the direction of accountability and metrics.
- It has been said that clients are religious about costs, but agnostic about value. Therefore, evaluate marketing process and productivity in addition to assessing agency costs.

Sample CAPE Diagnostics

(3 of 35 diagnostics)

	Client Does? Client Says		Client Does? Agency Says			
	Yes	No	Yes	No	Material Variance?	Importance *(3=Highest)*
1. Does client produce an annual marketing plan document?	1	3	4	6	✔	3
9. Does client have creative briefing process guidlelines? Are they followed?	2	2	2	8	✔	3
24. Are the respective roles and responsibilities of client and agency clearly identified and communicated by client to agency?	2	2	5	5	✔	3

aged-goods, high-technology, consumer electronics, consumer durables and soft goods. These studies were supplemented by input from one of our "experts panels," consisting of chief marketing officers, chief purchasing officers, advertising agency executives, and two decades of our work for marketers in virtually every category of products and services.

For example, when examining the marketing/advertising planning process, here are some of the diagnostic questions posed: Does the client have an annual marketing-planning document? Are the advertising goals communicated clearly and in a timely fashion to the agency? Does the client share all important and relevant information with the agency (research, sales data, etc.)? Is the agency's scope-of-work or briefing document written and articulated clearly by the client?

With regard to agency accountability process: Is there a formal evaluation system in place? If so, does it involve both the client evaluating the agency and the agency evaluating the client? Is the process grounded in fact-based metrics?

The CAPE methodology identifies criteria for each client-critical work practice; determines if the practice exists at the client organization; assesses how important that practice is for that particular client; rates the practice level; and allows for anecdotal input (often the most valuable there is) related to the practice in question. There is no limit to the number of respondents, and language need be no barrier.

The system uncovers the best and the worst practices—and everything in between—helping to reduce the risk and the cost of poor work practices. Everything is grounded in quantitative benchmarking against industry standards, giving senior client managers a compelling case for recommending and implementing work practice changes and demonstrating to procurement departments that gauging marketing-process R.O.I. need not involve a "black box."

As a result, existing client-agency relationships can not only be retained, but also improved, step-by-step, as clients are better able to manage their agencies with clear, specific guidance as to expectations, goals and responsibilities.

In a recent case for a major consumer services company, a new CMO who had been promoted from within the company needed to get a better read on how well things were working internally and with the mainstream advertising agency.

In one particular area (media planning/buying), there was a consistent lack of budget management and adherence to standards. This was due to constant feedback from the field to the agency stemming from competitive pressures. As a result, there was rapid, uncontrolled movement of money from one field market to another, and from one medium to another. When all the numbers were identified, this happened an average of 72 times per month (once every 3 hours). This was relatively unknown and was highly inefficient as well as ineffective.

How costly? On a media budget of $200 million, substantial unproductivity (re-investment opportunity) of $30 million resulted ($26 million in media costs and $4 million in creative re-work costs). That meant that 15 percent of the media investment was unproductive in terms of work practices alone. There was more when "uncompetitiveness" of media buying versus marketplace was examined.

Barriers in work practices and process that negatively impact productivity can now be identified and resolved. However, a new approach can be taken that is win/win for client/agency relationships and that makes clients and agencies more accountable to each other and to themselves.

Price + Value – Waste = Client/Agency Productivity

Given the huge level of global annual spending on marketing and communications, "accountability" in this context leads to large savings and re-investment opportunities for marketers and their agencies. ■

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