How to assess client-agency relationships effectively

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Executive summary

Over 50 years ago, David Ogilvy famously said that "*clients get the advertising they deserve*". This has now been validated by our analysis of over 8,000 client-agency relationships which has shown that agency performance is highly dependent on client performance. In effect, this is saying that the good performance of the client is absolutely essential to maximise agency output.

Further analysis reveals that the best agency performance occurs when that of the client is optimal in four areas, namely Approval, Briefing, Timing and Behaviour. When the client's performance is strong in these areas, agency output is judged by clients to be +37% better than it is in agencies with poorly performing clients.

For clients to maximise the value of the billions of dollars they spend on marketing communications they must first find out their own capabilities and shortcomings. At a bare minimum, clients need to employ a two-way evaluation process. Calibrating the data from this evaluation against large externally benchmarked datasets can highlight client strengths and deficiencies. Regular measurement will allow clients to track their progress against any highlighted actions that need to be taken.

Essentials

A 2011 World Federation of Advertisers Survey (see below) showed that 55% of agency evaluations were effectively a one-way assessment of agencies by their clients.

In addition, respondents reported that only 31% of agency evaluations (and only 13% of client evaluations by agencies) were externally benchmarked. The consequences of this are:

- There is no mechanism for clients to understand and review how their performance may have contributed to that of their agency. For instance, if a client chose to fire an agency based on a one-way review and was unaware that its own briefing of agency staff was poor, on what basis could the client expect a new agency to perform any better?
- There is no way to calibrate findings on an absolute scale. While non-benchmarked evaluations can tell you roughly and in relative terms if a performance area appears to have gone up or down since the last review, it would be impossible to discern whether this was within the norms for that agency, geography, or industry sector. To put it another way, without external benchmarks, how would a client know what a "good" performance looked like? And what was truly poor?

It is therefore not surprising that only 15% of clients rated their agency measurement capability highly and 65% would consider making changes to their agency evaluation method (see table below).

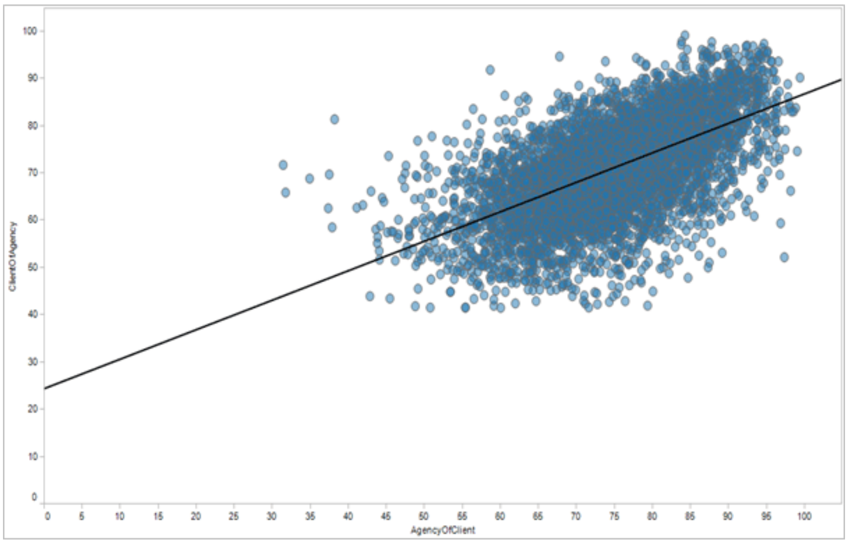
WFA Survey	**% (Agree)**
Measuring agency performance is important	93%
Rate highly agency measurement capability	15%
Assessment is effectively one-way	55%
Agency assessment is externally benchmarked	31%
Client assessment is externally benchmarked	13%
Would consider making changes to agency evaluation method	65%

Source: World Federation of Advertisers May 2011 Measuring Communications Agency Performance Survey

So how does client performance relate to agency performance? Looking at data covering approximately 8,000 client-agency relationships over the past 11 years, Aprais has shown that 'client of agency' scores and 'agency of client' scores correlate to 99.9999% of statistical confidence.

Effectively, this is saying that the agency-client relationship is highly interdependent and that good clients result in good agencies (and conversely bad clients receive bad performance from their agencies).

On a positive note, the correlation co-efficient is 0.62 - effectively saying that every 1% improvement in client performance will drive a 0.62% improvement in observed agency performance.



Source: Aprais database of over 8,000 client-agency Relationship Evaluations 2000-2011

So, what are the characteristics of a good client? And, what is the key benefit a good client will get from their agency, compared to what a worse performing client will get from its supplier?

Detailed analysis has identified four key client performance disciplines which agencies use to determine overall client performance (in statistical terms they are the four which correlate most with and explain over 67% of the overall score). These disciplines are Approval, Briefing, Behaviour and Timing. In practice, this means that if a client has a good approval process and sticks to it, briefs well, behaves well in the sense of being open and responsive to agency needs and information requests, and agrees on and sticks to appropriate timings for work, then this client would be of high quality in the eyes of its agency.

Using evaluation scores for clients in these four areas, we can segment performance into several groups, including the top 10% and bottom 10% of clients as assessed by their respective agencies, and the equivalent top and bottom 10% in client assessments of agencies.

Figures 1 & 2 below show the difference between how agencies with the lowest client evaluation scores assess their clients and the reverse – namely how those agencies given the highest scores by clients in turn rated their clients back.

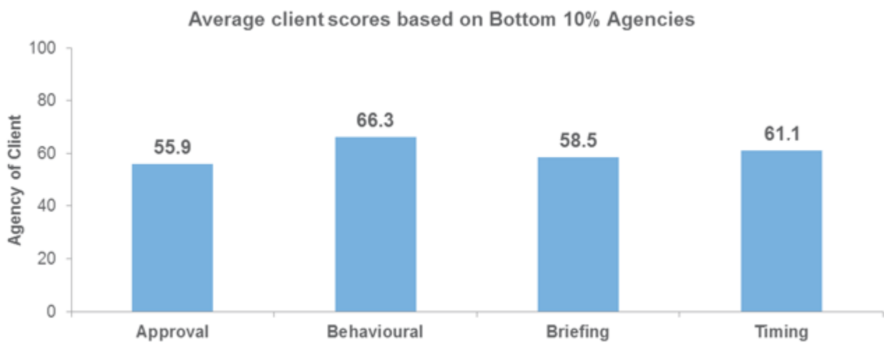


Fig 1: How the bottom 10% of agencies rate their clients on key tasks

Fig 2: How the top 10% of agencies rate their clients on key tasks

Source: Aprais database of over 8,000 client-agency Relationship Evaluations 2000-2011

However, this data becomes even more instructive when we compare how two groups of clients – namely those in the top 10% and bottom 10% of agency evaluations – each rate the respective creative output from their agencies. Here we see unequivocally that a client that is well-regarded by its agency in the four areas listed above judges the creative output of its agency to be on average +37% better (see **Fig 3**) than a client that does not perform well in these four key areas.

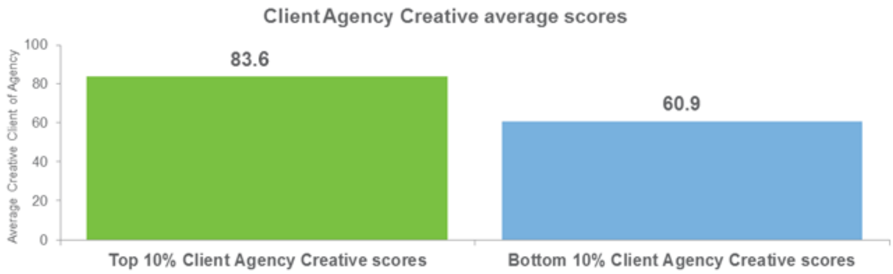


Fig 3: The best-regarded clients think their agency's creative output is 37% better than the worst-performing clients

Source: Aprais database of over 8,000 client-agency Relationship Evaluations 2000-2011

To spell this out, if a client could receive an average 37% better creative output across its marketing expenditure this would significantly improve its ROI on marketing dollars.

Equally importantly, if a client could improve its behaviour on some basic practices, and hence its agency evaluation scores in this respect, it could avoid unnecessary and time-consuming agency churn, particularly if there is little prospect of achieving more success with a new agency if the client has not fixed some basic problems in its own performance.

Where to start?

Begin by accepting some fundamental tenets. A client-agency relationship must be a true partnership, moving as far away as possible from the 'master & servant' approach typical of customer/supplier set-ups. If the agency is not empowered to have a genuine feedback loop into the client, then it is unlikely that a cycle of continuous improvement can be created. The client will remain ignorant of its own shortcomings and the agency will find it difficult to accept an evaluation of its failures if it believes these are driven by client issues. As with any relationship, the conversation must be open in both directions and thus a two-way evaluation process, in which both parties assess the other, is essential.

It is also possible to envisage a four-way process:

1. Client assesses agency
2. Agency assesses client
3. Agency assess its own performance
4. Client assess its own performance

This can be a powerful way of highlighting and dealing with perception gaps (or blind spots). Moreover, both parties should agree together, prior to any evaluation, the areas that are going to be evaluated and the particular questions that are going to be used.

To drive a shared sense of ownership and commitment to making the evaluation process work, there should also be a sharing of all costs and resources. This ensures both parties have 'skin in the game'. It also removes the sense that the process output belongs uniquely to one or other party; it belongs to both, as does the requirement to work together to fix things.

Another key element is the definition of an action plan with assigned responsibilities to individuals from both parties. The biggest challenge here is usually to ensure that the agreed actions actually get worked on and don't suffer from procrastination when the 'normal business routine' kicks in. For this reason, a six-monthly review process is recommended to ensure progress is continuous, to decouple evaluation from any annual review, and to drive behaviour to action in the knowledge that progress will be evaluated sooner rather than at some distant future time.

Both parties need to avoid using 'win-lose' language and posturing, and ideally seek the involvement of a neutral third party to manage and facilitate discussions, reviews and the chasing up of action plans.

Finally, both sides should recognise that there are real benefits to be gained. A client should expect to significantly improve the ROI of its ever challenged marketing communications budget while the agency can benefit from a more productive and motivating relationship and a likely increase in client retention as a result.

All of the above should provide a solid foundation on which to build and improve the client-agency partnership, and help it withstand the challenge of the usual personnel changes that occur on both sides.

What to avoid

Anonymity in providing feedback (and in particular qualitative feedback when obtained) is essential. This must be protected at all times.

Senior managers should avoid creating intentional or unconscious bias by making their views known as these can have an influential ripple effect through organisations. Another potential pitfall is seeking contributions from too narrow a selection of opinions. Input should be sought from a broad range of parties all the way up and down the hierarchy of the relationship.

Overall, senior managers have a responsibility to encourage and support participation and avoid the evaluation process being seen as an extra burden on their staff. In fact, they should go out of their way to share the outcomes, agreements and benefits that are being obtained to motivate quality participation.

Checklist

Before embarking on this process, ask yourself:

- Do I truly believe that client-agency relationships should be a partnership as opposed to a master-servant relationship?
- Do I accept that opening up to finding out new things about my organisation could be the best way to ensure that it learns what it needs to do to get the best out of the other party?
- Do I embrace the statistical robustness of large scale data and external benchmarking to underpin confident decision making?
- Am I committed to acting on the findings and investing the necessary resource in terms of time, people and / or money to ensure meaningful progress is made?

Selected further reading on Warc

You can find many more articles on this subject here

Managing your agencies
Merry Baskin, Warc Best Practice, April 2011, pp. 42-43

Ad agencies: Partners or suppliers?
Derek Day, *Market Leader*, Quarter 1, 2012, pp. 44-46

How to write a good media brief
Hamish Pringle and Jim Marshall, Warc Best Practice, November 2011

How to write a creative agency brief
Merry Baskin, Warc Best Practice, June 2010, pp. 36-37

Best practice for client/agency relationships: A view from Microsoft
Geoffrey Precourt, Warc Exclusive, September 2010

About the author

Jeremy Caplin (jeremy.caplin@aprais.com) is the CEO of Aprais Ltd, with experience of both agency and client side management. Jeremy has held previous Global, Regional and Local positions at dunnhumby (Tesco Club Card, Kroger), Nestlé Purina, Reckitt Benckiser, P&G and monster.com.