

Measuring communications agency performance

About this survey: Conducted in May 2011, 42 companies took part in this global research, representing 14 different categories. Whilst results are not statistically relevant, they are indicative of the thoughts and actions of global multinationals within WFA membership. The survey and this results paper was compiled with the help of Aprais.

Much thinking exists around how to measure the performance of communications agencies that make up the marketing supply chain. This research does not attempt to be a definitive analysis of how to measure performance, but rather to help members understand the practices currently in use and the broad trends regarding the most important elements. The study is unique in that respondents are all global or regional (client-side) marketers from large multinationals, not SMEs.

Executive Summary

The WFA Survey has highlighted both intriguing and important findings. Over 93% of Respondents state that "Measuring Agency Performance is Important" yet 85% do NOT score highly their Performance in this area. It is no surprise then that 65% consider "making changes to the way they assess agency performance".

Two important areas of changes that could and, in our opinion, should be made are i) that assessments should NOT remain 1-way (which it effectively is in 55% of cases) but become a genuine 2-way approach and ii) the assessment should be accurately benchmarked to provide absolute as well as relative performance measures which are actionable and statistically robust. The survey data shows a worrying only 31% of cases where Agency Performance is externally benchmarked and, even more concerning, 13% of cases where the Client's Performance is. Our hard data across 8,000 Relationship Evaluations over 11 Years indicates that good Client process and behaviour increases Agency performance by up to 33%. We believe it is essential that Clients open themselves up to being assessed and benchmarked as this will improve outcome for both parties.

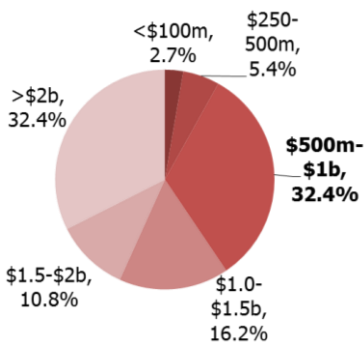
With over 90% of Clients surveyed spending in excess of \$500M and 58% over \$1BN the absence of true rigor in data gathering and insight generation is surprising and of concern.



Full Results

1. What was your approximate total global marketing spend in 2010?

Resp. 37



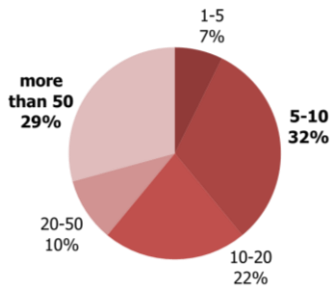
- As is reflective of WFA's membership, almost all responses come from companies spending over \$500 million, with over 32% spending more than \$2 billion.

Source: WFA online member survey, May 2011. Base: 42.
Note: %s may not tally exactly due to rounding.

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2. Thinking of your top 20 markets, on average how many communication agencies do you currently have actively working with you in each (consider all types covering creative, media, digital, PR, design, event, etc.)?

Resp. 40

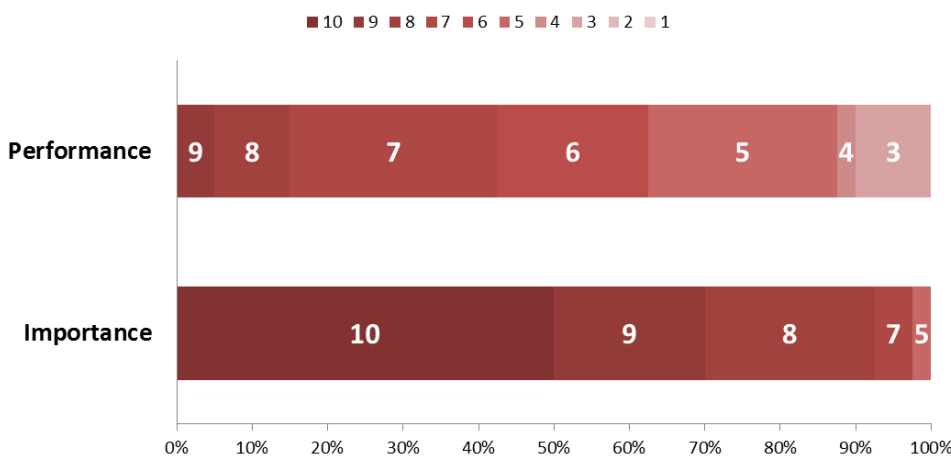


- Whilst different business models and levels of centralization will naturally affect the size of agency rosters, interestingly there is a split between respondents using 5-10 (32%) and those using more than 50 (29%).

3. How important is it to measure agency performance / How well do you do it?

Resp. 40

Performance vs. Importance



- This chart shows how respondents score their performance (out of 10) vs. how important they think communications agency performance measurement is.
- 93% of respondents rank this as 8 or higher in terms of importance, yet only 15% give themselves 8 or higher in terms of performance, pointing to an area where many feel improvement is necessary.

“The stark contrast between the importance (93% state it IS important) and current capability (85% do NOT score themselves highly in how assessments are handled) is probably one of the most remarkable and pertinent findings of the WFA Survey”.

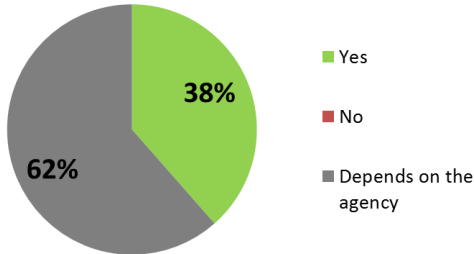


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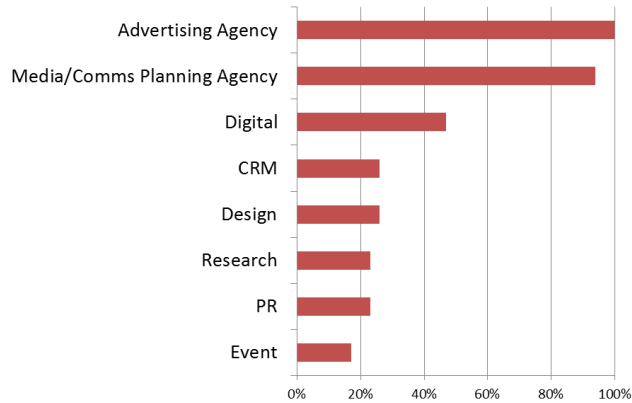
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5. Do you formally assess the performance of the communication agencies and the contribution they make to your business? (By formally we mean an agreed evaluation approach is carried out)

Resp. 39



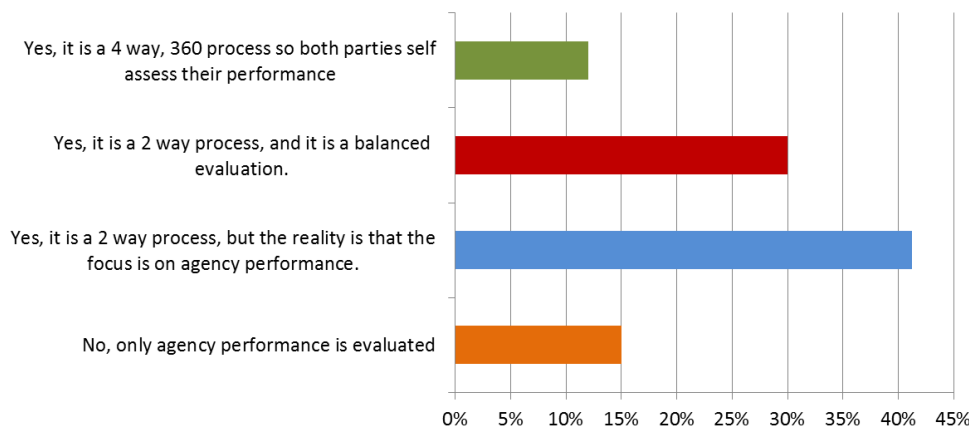
If it depends on the agency then please tick those which are formally assessed...



- Without exception, all respondents are assessing performance of their agencies in some way, however it is common (62% of cases) that this assessment varies depending on the type of agency in question. Digging deeper we see that often this means only the advertising and media agencies are getting formally evaluated, with other agencies not covered, even those with considerable spend such as digital. Notably those not covered are often those where the majority of spend and contracts are local eg. Event, PR etc.

6. Does the agency also review client team performance?

Resp. 39



- 72% of respondents use a simple 2 way evaluation process to assess performance.
- Of those companies that use a 4 way evaluation, almost all have a marketing spend over \$2bil.
- Given the process improvements and efficiencies that can be gained when marketers review their own processes, it is interesting that 15% of respondents do not have agencies evaluate their performance.

“Clients are admitting that even if nominally assessments are called “2-way” they are, in fact, “1-way”. Thus effectively 55% of assessments are “Client on Agency” in nature. This rules out the possibility for a powerful feedback loop to Clients as to how their actions and behaviour can drive the success (or otherwise) of an Agency’s output”.

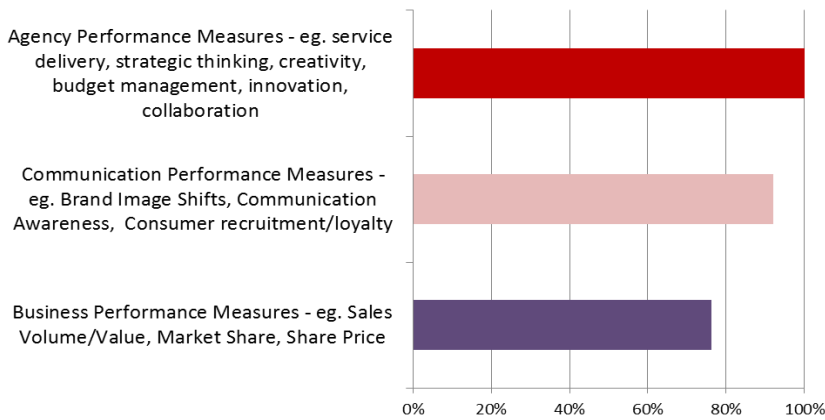


Source: WFA online member survey, May 2011. Base: 42.
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7. Which of the following criteria/ metrics do you use to measure agency performance?

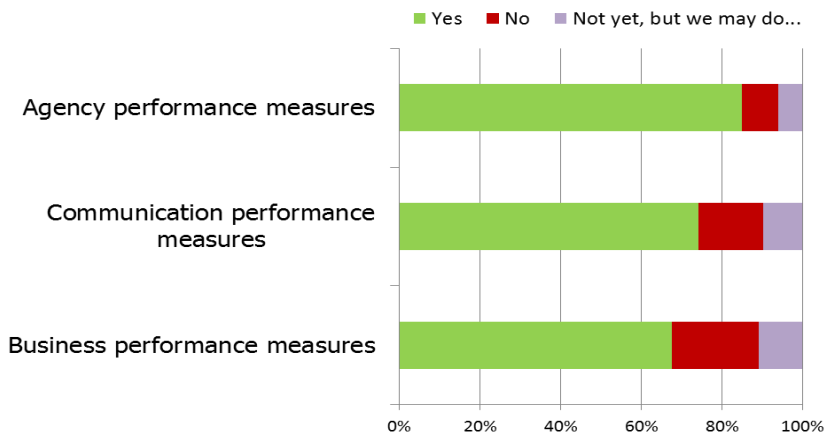
Resp. 40



- As expected, all respondents use soft measures such as "service delivery" or "strategic thinking" as part of assessments of agency performance.

8. Are these measures linked to payment of a "bonus" or performance component to the agency?

Resp. 39



- It is not surprising given the difficulty of linking business performance metrics with agency performance (and also the reluctance of some clients and agencies to do this) that this measure is least commonly used. Usage is still frequent though, with 67% of respondents linking hard measures to agency bonus payments and over 10% considering moving in this direction.

Weighting:

Often weighting of the measures depends on the type of agency being assessed: the closer the agency service is to the end consumer the higher the share of the hard and intermediate measures. For one member, there is more emphasis on hard metrics with media agencies, whereas for creative they are more evenly weighted. For another, only their media agencies have a bonus linked to performance, as the client feels only this type of agency service can be properly linked to business results.

The linking of bonuses to performance metrics is highly variable: one respondent pays up to 25% of total agency remuneration based on these variables, another between 10-20% and another between 10-40%: all depending on the agency type.

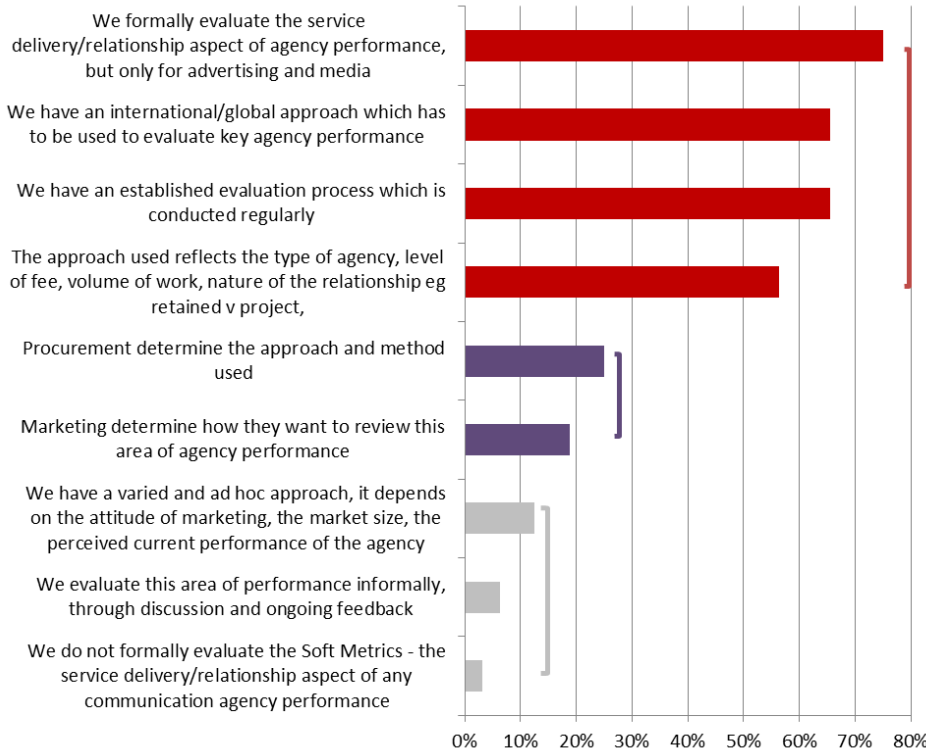
Individual responses:

- Company A: We use three criteria: 1) buying & qualitative performance (60%), service (15%), business results delivered (25%).
- Company B: Soft 30% / Intermediate 15% / Hard 55%
- Company C: Soft 40-100% / Intermediate 40% / Hard 20%
- Company D: Soft 40% / Hard 60% or more generally simply 50%/50%
- Company E: One third equally across all measures.

Source: WFA online member survey, May 2011. Base: 42.
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9. Thinking specifically about evaluating the “soft” metrics, your communication agencies’ performance, what best describes the approach your company takes to review this?

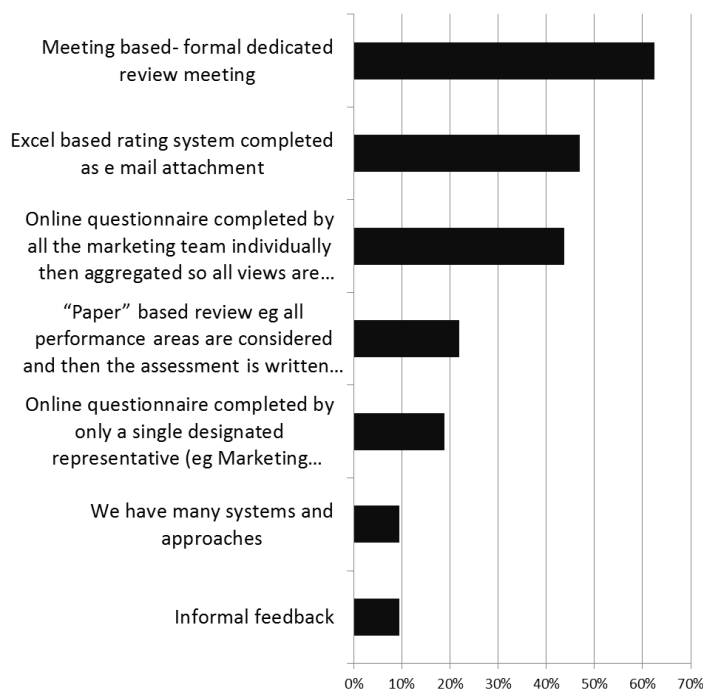
Resp. 39



- Most respondents have selected statement that show their approach is formal (75%), global (65%), well-established and regular (65%), and variable (55%) depending on the agency in question.
- Some members clarified in the comments that marketing and procurement lead the process jointly, despite the initial set up having been established by one function or the other.
- At the lower end of the scale we see that only a few companies (between 2-4) are not using formal reviews, not evaluating feedback, or are using ad hoc local approaches.

10. Again, thinking specifically about evaluating the “Soft” metrics, your communication agencies’ performance, what type of evaluation methods do you use?

Resp. 38



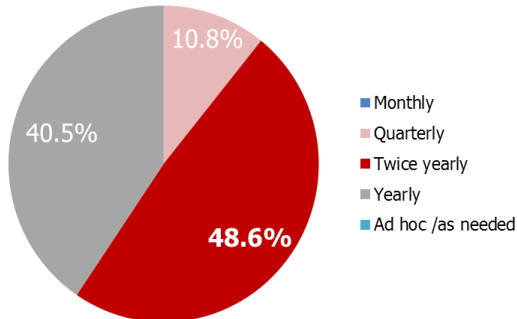
- Around 62% of respondents use a formal dedicated review meeting to assess agency performance. Almost all those companies in Q6 who report using 4 way or balanced 2 way evaluation processes also use formal dedicated review meetings.

Source: WFA online member survey, May 2011. Base: 42.
Note: %s may not tally exactly due to rounding.

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11. How frequently do you assess your agencies' performance?

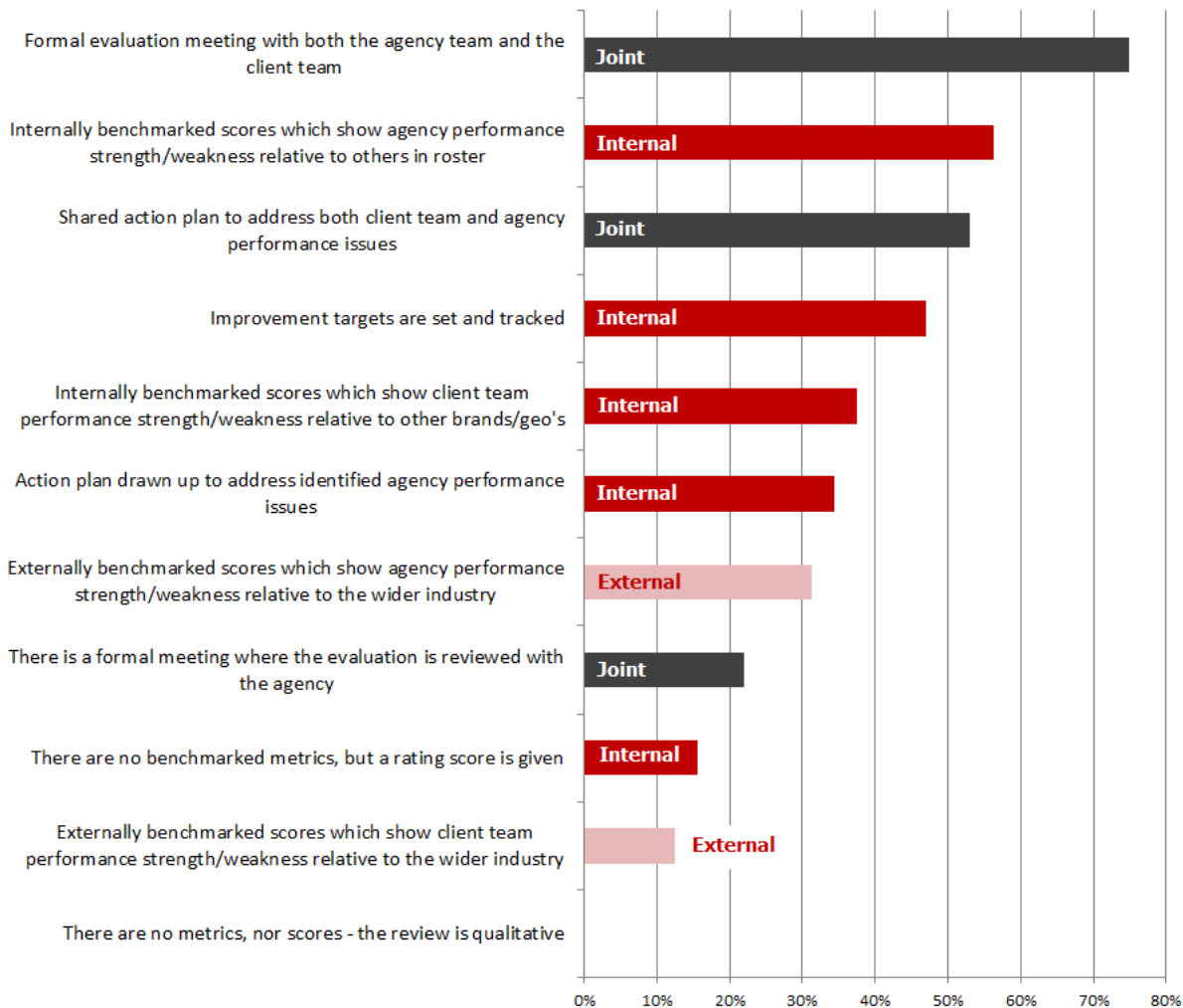
Resp. 38



- Around 90% of respondents assess agency performance once or twice per year. Additional comments clarified that for one company at least, the mid-year assessment is more of pulse check with the final end of year assessment weighted more heavily. For several others the weighting is 50/50.

12. What are the outcomes and what happens as a result of the evaluation?

Resp. 40



- Each outcome is colour coded according to whether it is more of client / internally focused action, a joint action with the agency, or externally focused. What becomes clear is that whilst many respondents are setting up formal review meetings (75%), benchmarking scores internally (57%) and agreeing on joint action

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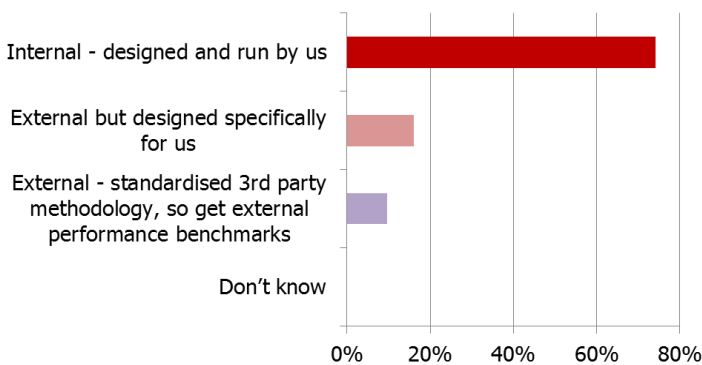
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plans (53%), not many are using external benchmarks to qualify how their relationships are performing against the wider industry.

- Pointing to the sensitivities that exist internally within companies, one additional comment said: "There are lots of opportunities for improvement but no budget holder to take ultimate responsibility."

13. Is the system used to evaluate agency performance purely internal, unique to your organisation, or is it an external, independent system?

Resp. 37



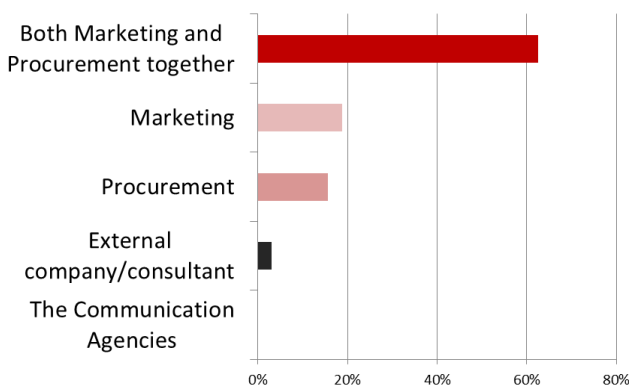
- 74% of respondents are using internally designed paper based and excel based systems.
- Those companies that are using standardised 3rd party methodology are also commonly using 4 way evaluation techniques.
- Given the complexities inherent with large multinationals, often the response is "both external and internal", as some suppliers/markets/business units have differing methodologies.

"With less than 26% of assessments externally benchmarked Clients and Agencies are missing out on a wealth of data that can help to put into perspective relative vs. absolute performance as well as true insights as to whether the issues identified are unique to them, their industry, geography or other criteria."



14. Who "owns" and manages the evaluation process?

Resp. 38



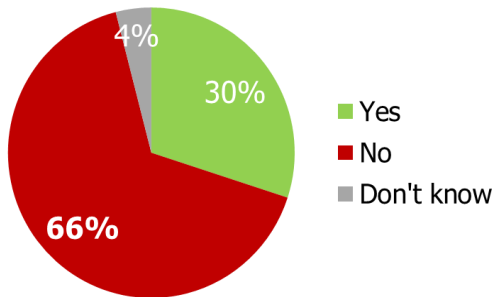
- As previously mentioned in Q9, it is common for marketing and procurement to jointly manage this process. However, for some companies the set-up of metrics has been led by one function.

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15. If you use an online questionnaire, does this assessment tool serve other categories (e.g. travel, IT etc.)?

Resp. 40

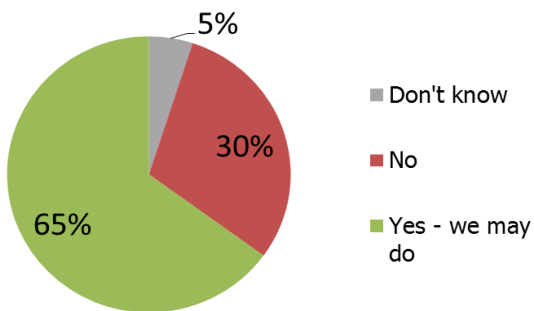


66% of respondents have a bespoke performance measurement system for their communications agencies that is not shared with other suppliers.

- The 30% who do share their systems have all designed their systems internally and run them themselves (see Q13). These systems most often have a high level of customisation available to them which allows comparative reporting without deviating from the overall essence of the system for other areas of the business.

16. Are you planning on changing the way that your agencies' performance is measured in the next 12-18 months?

Resp. 35



- 65% of respondents may make changes to the way their performance assessments are carried out in the short term.

Individual responses:

Company A: We feel the agency performance review, and SRM as an overarching model, is one of the major improvement areas needed within our company.

Company B: We aim to be more consistent and robust in our use of our tools across markets

Company C: We are aspiring to a "joined up" global process

Company D: We only began to do this last year and have some way to go before we are managing this consistently on a global scale.

These challenges and more will be tackled at future WFA peer groups for media & marketing and marketing procurement around the world. If you have any specific questions or comments, please contact Steve Lightfoot s.lightfoot@wfanet.org

Note: All WFA benchmarks, survey results, agendas and minutes are reviewed by Hogan Lovells International LLP, our competition lawyers

WFA Competition law compliance policy



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