



# Agency Relations Update

**Nomura Global Media Field Trip**

**May 21, 2012**

Eve Reiter

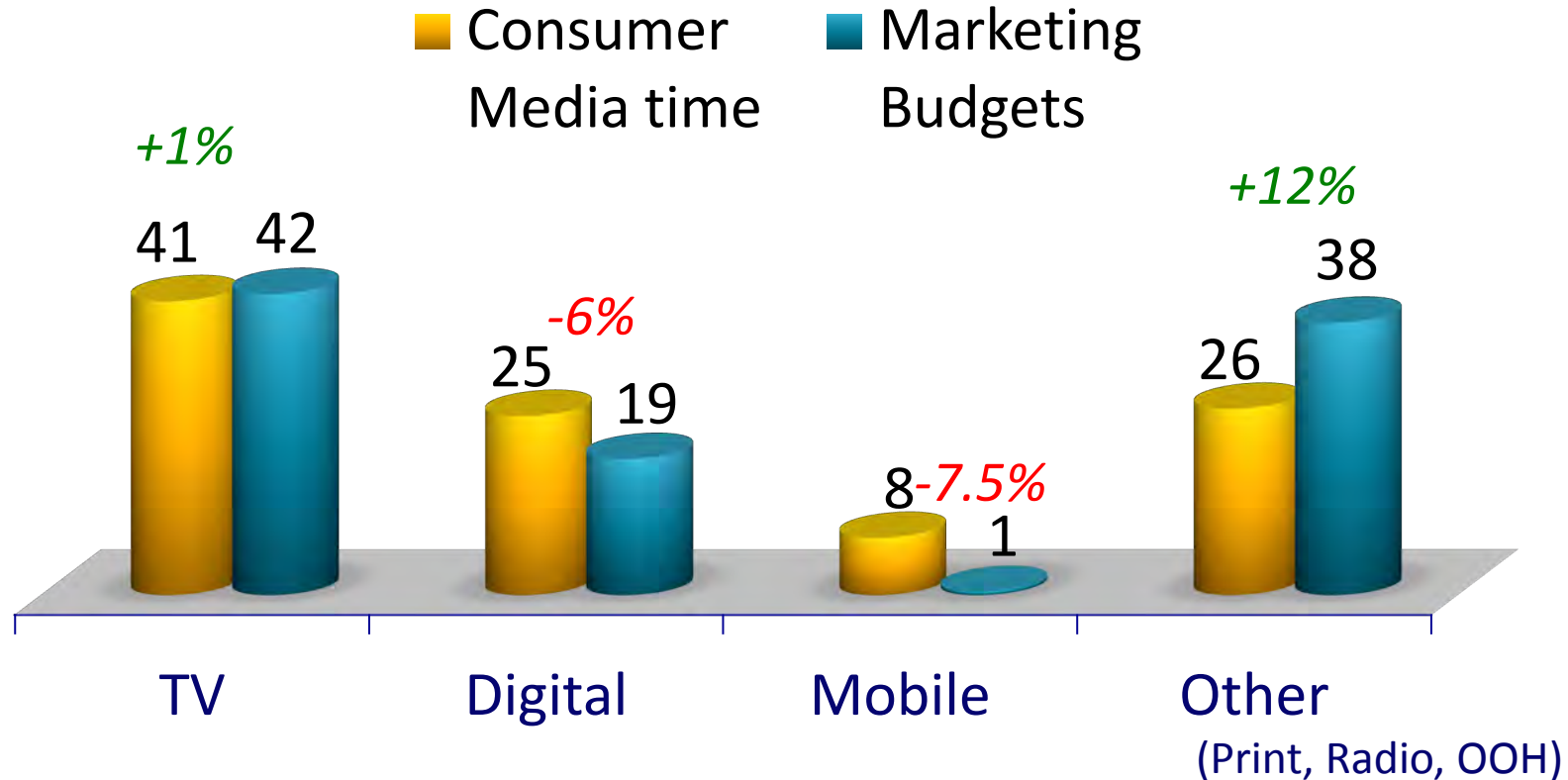
Chair, Agency Relations Committee – Association of National Advertisers

VP, Marketing Category Mgmt/ Agency Relations, American Express

# Digital Continues to Lead Revenue Growth

- **Top 50 agency companies = \$69b revenue globally, +12% in 2011**
  - US = +9%; non-US = +15%
  - Big Four = two-thirds of total revenue
  
- **Overall US Agency Revenue = \$33b, +8% in 2011**
  - Outpacing 3.6% growth forecast for media spend
  - Digital (\$10b total revenue) growing 2x speed of overall business

# WPP view - Consumer Media time Spent vs Marketing Budget Allocation



# Earned Media Continues to Grow in Importance



## Channels you pay to be in:

- Online Advertising
- TV/ iTV
- Print, Radio, OOH
- Direct Marketing



## Channels you own and control – i.e.

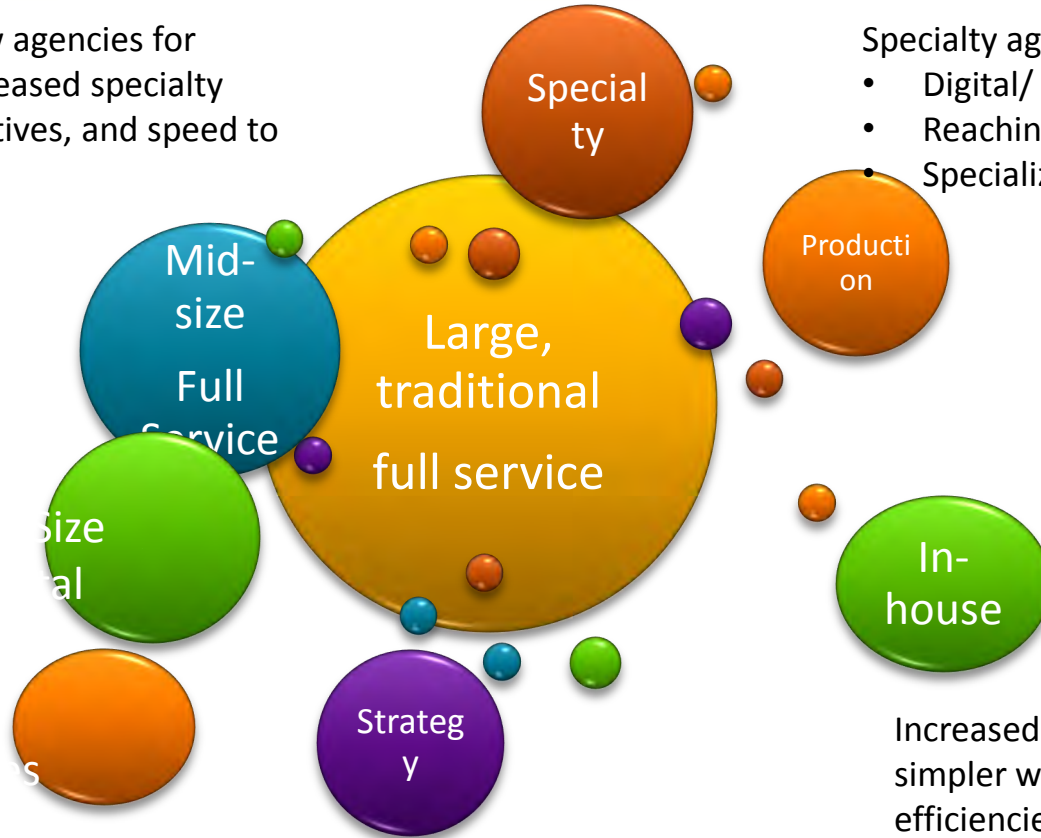
- Website or Blog
- Mobile App
- Facebook page
- Twitter account

## Attention you earn through customer interactions:

- Social Marketing
- Word of Mouth
- Blogger Outreach
- Public Relations

# New agencies and models are continuing to emerge

Marketers are using new agencies for certain projects, for increased specialty expertise, fresh perspectives, and speed to market



Specialty agencies are in demand for –

- Digital/ social/ mobile
- Reaching segments – ie. millennials
- Specialized strategy work

Increased use of in-house for simpler work for process and cost efficiencies

# Media Convergence - all forms of media are becoming interactive

Gaming



Tablets



Interactive TV



Mobile



Billboards

Computers



# Convergence is leading to more integrated and value-add relationships with customers

**User Experience**

**Channels/Devices**

**Preferences**

**Customer Service**

**Geographies**

**Content**



Digital Marketing Platforms (DMP) will enable convergence by managing information to provide the right content, experience, product or service for the customer

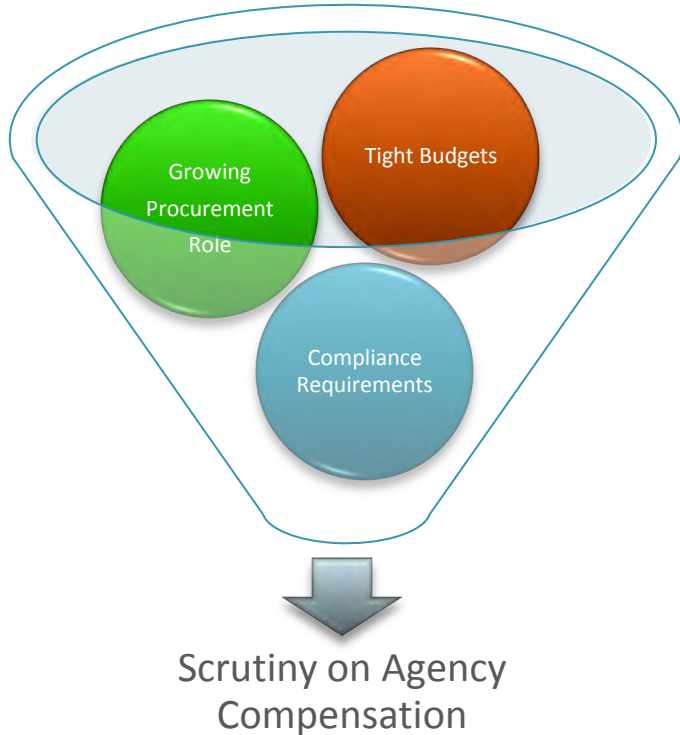
# Holding Company Opportunities



- Digital has been a benefit from a revenue standpoint
- Opportunity to enable convergence - help clients form more meaningful connections with its audience regardless of channels or mediums
- Holding companies can help clients leverage synergies and best resources
- Scale to invest in new technologies/ data systems
- Global consolidation/ centralization
- New holding company relationships are being announced (ie WPP – MillerCoors and Bank of America)



# Pressure on agency compensation continues



65% of marketers plan to change their agency compensation this year\*

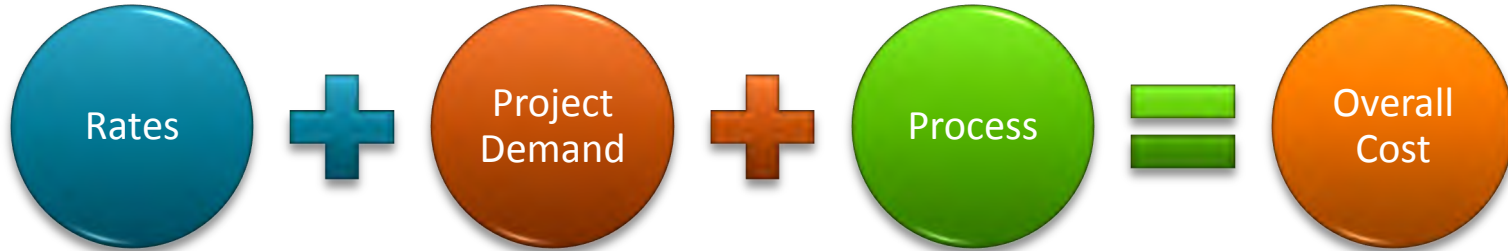
- Rate benchmarking/ negotiations
- New compensation models
- Pay for performance
- Roster consolidation

# Different Models have pros/ cons – no single right “model”



- Compensation Models:
  - Salary + Multiplier (Overhead+Margin)
  - Retainer (using hourly rates)
  - Flat-fee
  - Pre-negotiated Project Based Pricing
  - Commissions (mostly used for media)
- Pay for Performance Models:
  - Performance Incentives
  - Value-Based

# Clients need to focus on more than just rates in order to reduce overall costs



Simple and transparent methodology

Single point of contact for fees

Senior oversight

Clear quarterly or annual scope

Avoid scope creep

Upfront briefing agreed to by decision makers

Eliminate bottlenecks

Clear roles/responsibilities

# Improving Working Processes



- ✓ Consider having a “lead agency” for multi-agency projects
- ✓ Client/ agency should assess what did/ didn't go well on each campaign
- ✓ 360 feedback 1-2 times per year – agree to 2-3 key action steps
- ✓ Ensure agency employee recognition and empowerment





# Q & A