Navigating the Agency Selection Process
A code of best practice

August 2017

Commercial Communications Council

anza | association of New Zealand advertisers

Commercial
Communications
Council

anza | association of
New Zealand
advertisers

Introduction

We are living in disruptive times.

The world around us is changing rapidly and competition for audience attention is more aggressive than ever. As brands battle to develop the best ideas and most creative concepts and most effective media strategies to recruit and retain advocates, choosing the right agency to partner with is becoming an increasingly 'business critical' decision.

This Code of Best Practice is designed to help you select the right partner for your organisation.

Jointly developed by the Association of New Zealand Advertisers (ANZA) and the Commercial Communications Council, this document is a cooperative effort to help clients navigate the complexities inherent in appointing agency partners and to improve the outcomes of the new business process for both clients and agencies. The guide provides a set of operating principles for managing a business review; it is designed to cover all types of agencies from creative and media to experiential, digital, PR and other. Not all of the guide is necessarily relevant to every situation, but the broad principles are applicable to every situation.

We believe the guide is necessary because the marketing services world, like many industries, is undergoing significant change in many fundamental ways:
- How people purchase goods and services
- How they consume media
- How marketing campaigns are put together and how companies engage with their customers
- What type of marketing services client companies need, and what they are bringing in-house
- What services agencies provide and how they operate.

In this environment, the risks of choosing the wrong service model or partnering with the wrong organisations can be very costly. For clients, it can lead to work not meeting expectations, difficulty managing multiple agency relationships and potentially the need to go through the whole process again in short order. This is not only disruptive but is slows marketing momentum for the organisation.

And for agencies, a poorly run process is hugely expensive. In New Zealand, it is common for a large agency to invest in excess of $500k in a large(ish) review, including actual hard costs and head hours expended. So, a client that takes four agencies to full review can easily cost agencies in excess of $2 million. Processes that involve too many agencies, lack a clear brief or decision criteria or needlessly ask for a full creative or media response when there is no intention to use the outcome can easily cost much more.

In a rapidly changing world, where margins are under huge pressure, it's to everyone's benefit that processes are well run at reasonable cost.

So, this guide does three things:

1. It looks at what is happening in the market
2. It explores the different marketing services models being adopted by marketers, and it provides high-level guidance on how to work out what may be best for you
3. It then provides some simple steps to help manage the new business process to ensure the best result for the client and agency.

The content in this guide is based on a series of interviews with senior New Zealand marketers and the heads of a range of different communicationagency types, as well as globally recognised best practice from the World Federation of Advertisers (WFA) and the European Association of Communication Agencies (EACA). Our joint hope is that the members of ANZA and the Commercial Communications Council will accept this as not just a guide to best practice but use it as a starting point for all new business discussions.

Lindsay Mouat
CEO ANZA

Paul Head
CEO Commercial Communications Council

And before you go any further…

Always try to make the relationship work before resorting to a review

It is usually advisable try to make the existing client-agency relationship work before deciding on a review. With an effective appraisal, more can sometimes be lost than gained by changing agencies. Experience has proved that long-term relationships benefit the health of a brand. Finding a new agency can be time-consuming, and orienting the new agency also takes time. Inappropriate or unnecessary transitions may create more damage than benefit to business performance. This is all the more reason for exercising caution before going to review.

Commercial Communications Council

anza | association of New Zealand advertisers

Best practice guide for selecting an agency

As outlined above, this guide is partly adapted from the World Federation of Advertisers/European Association of Communications Agencies "Guidelines on Client-Agency Relations and Best Practice in the Review Process" and overlays the specifics of the New Zealand market.

It provides a clear process for agency evaluation and selection. It aims for client companies and agencies to achieve a win:win outcome in which a successful review process matches the right agency with the client in a fair and sensible manner, and maximizes the delivery of procurement value.

There can be many reasons for companies wishing to review their agencies:
- The term of the existing contract will expire shortly and a review is mandatory
- The client creates or modifies cross-country consolidations, brand alignments
- Strategic disagreements or poor media or creative performance, either at the development or in-market stages
- Underperforming media strategy and/or buying
- Poor sales results and/or lacklustre business performance
- Dissatisfaction with client servicing
- The agency wishes to take on a competitive account
- The agency or the client want, or need, to end the relationship for whatever other reason.

Do you really need to go to market?

The important starting assumption is that every effort should be made to work constructively with existing agencies before going to market. Difficulties in relationships or the quality of work should be addressed through review processes and every effort made to remedy problems.

However, if existing agency relationships cannot meet the ongoing demands of the client, there may be a need to go to the market and select an agency.

A formal review may not be necessary

In some situations, the simplest and relatively informal way to do this is with a soft search.
A soft search approach is likely to involve little more than:
- Informal canvassing of agency capability amongst colleagues
- Chemistry meetings and/or workshops
- Credentials presentations
- A project to work on
- A relatively quick and informal appointment decision

The soft search approach tends to suit companies that are small and agile, autonomous decision-makers, tend to operate on an instinctive basis, and know what they want. The soft search approach is relatively quick, uncomplicated and inexpensive to conduct.

Commercial Communications Council

anza | association of New Zealand advertisers

However, it is not sufficient for some situations. Where there is a corporate need to conduct a formal process then a competitive review may be required. A competitive review (or Request for Information/RFI, Request for Proposal/RFP) is a more structured way to procure services. It provides a more rigorous assessment of each agency invited to participate against agreed criteria.

It must be noted that a competitive review will typically prove to be a significant undertaking in terms of:
- Cost to agencies and the client company
- Time commitment for all involved in the process
- Disruption to business as usual
- And if the process is faulty, reviews can result in failing to reach a satisfactory outcome, and no constructive progress for the client's business.

Review Ethics

Reviews can take an immense amount of work, cost and time for agencies and clients alike. Therefore, it is essential to maintain a high level of professionalism and to adhere to ethical practices.

How a company runs agency selection processes has a direct bearing on their reputation in the market, and it contributes to the ability of the company to the best agency partners to work on their business. This means:
- Being transparent and honest throughout the process, especially about the context and motivations for the review
- Maintaining an even playing field with all review process-related issues
- Avoiding fishing expeditions – when companies look around the market for ideas and IP with no intention of changing agency
- Avoiding lotteries – not doing proper due diligence and involving too many agencies that stand no chance in the process
- Avoiding guessing games – keeping agencies in the process uninformed, not allowing any personal contact, and making no effort to build genuine rapport
- Increasingly, some clients are paying agencies to participate in a competitive review process, usually a nominal amount. This helps cover some of the agencies hard costs of participating in the process. It's important to note that a nominal fee does not transfer ownership of any ideas presented by the agency to the client.
- Many clients are also using expert external help to manage the process. The right person can bring experience which shortens the process and leads to better more stable outcomes.

Finally,

It is unethical to hold a review with the main purpose of collecting market data, consumer insights, or the professional opinions and ideas that will naturally be offered by competing agencies. Any review must have the serious purpose of reviewing agencies with a view to concluding a contract with one or more.

The New Zealand marketing services landscape

Who's doing what?

The definition of marketing services is not what it used to be. In the past, the allocation of marketing services tasks used to be clean and simple. Nowadays there is a significant blurring of roles. Some companies say they do everything, new specialisms have been created, while many specialists have broadened their offer. Ad agencies are designing products, media agencies are developing content, and research companies are competing with in-house data analysts.

Diversification of services

The landscape has evolved, the sophistication of what can be measured as well as greater emphasis on justifying marketing dollars spent has meant that there is greater diversification and specialisation of services offered by agencies. Larger agencies have had to diversify their offerings in response to this changing landscape, while there has also been a rise of new specialist services (e.g. search, marketing automation, shopper marketing, activation). At the same time some clients have brought services in-house, while others are outsourcing further.

This diversification of services is reflected in the agency roster of many companies. These days a large client might work with one full service agency that meets all their requirements or work with several agencies covering a wider range of specialist services

The digital change

The adoption of digital marketing practices has been creating a change in how companies view their marketing needs, how they form strategy, what skills they need in-house and what to outsource, and how they develop marketing programmes. While this has been evolving for the past decade, it is now a mainstream generation-change in marketing.

Everyone's running to keep up

It is a time when there is a tension between having to deliver results with the surety of reliable methods, while having to simultaneously explore new ways of working. The current climate offers marketers many new ways to steal marches, but also many distractions and rabbit-holes that fail to deliver on what they promise.

More complicated campaigns

Marketing campaigns are becoming more and more sophisticated. Most campaigns have more elements to them than in the past (e.g. social, above the line advertising, PR, direct, internal, activations, etc). With today's larger marketing palette there is certainly greater potential for how clients can spend their marketing budget; but there is also more to manage. As campaigns get more complicated the task of integration, so that each campaign element works in harmony, is an ongoing challenge especially when different companies are providing different campaign parts. Indeed, it is common for clients to suffer from inefficiencies of agency misalignment.

Commercial
Communications
Council

anza | association of
New Zealand
advertisers

Data-driven campaigns

Many marketing campaigns are increasingly data-driven. The shift to data reflects a steadily increasing level of technical capability, a desire for greater targeting accuracy, greater opportunities for connecting the brand with consumers directly using digital means, and the desire for more reliable campaign performance measurement and learning. This, however, has led to an increasingly short term focus for campaigns and international evidence is mounting that this is undermining brand building and long term brand ROI.

Changing economics

There is a steady pressure on agencies to provide more for less. The range of services required continues to expand. And the depth of service delivery and performance reporting required is creating pressure on agencies to do more and more to maintain client relationships. At the same time margins in the industry are under constant pressure, encouraging agencies to adapt and develop new revenue streams. These are relatively lean and uncertain times in the marketing services industry.

Emerging media agency roles

With the rise of digital marketing, the role of media agencies has been enhanced, with increasing involvement in campaign design and insight on the best way to make use of the evolving digital media landscape.

What's the best model?

A common question with clients is to question what marketing services model they should adopt. There is a wider range of options available to clients these days, each with its own pros and cons depending on the needs of the client and what they are trying to achieve.

There is no exact science behind the agency you choose to partner with, however the next section of this guide serves to explore the relative merits of seven different marketing services models to help guide you.

Commercial
Communications
Council

anza | association of
New Zealand
advertisers

Assessing your marketing services needs

Different companies have different priorities in terms of marketing services.

It is important before approaching any agency that you know what you need from your agency partner(s). Doing so thoughtfully and carefully will help you build the right agency model for your business and select the right agency(s).

Before you begin a process you should be able to define:
1. Why are you reviewing? What is the issue/opportunity?
2. Based on services agencies provide, which do you think is most important to your business and why? To help with this think about:

Project Management/ Account Service	Project based or ongoing?
Creative	Brand platform origination or execution within an existing platform?
Strategic Planning	Business modelling, brand architecture or comms planning?
Media Strategy	Weighting of importance between channel strategy and media planning, strategy specialist across all media channels i.e. digital, data and offline. Are you looking for a business partner or a media implementation specialist?
Media Implementation & buying	Hard media savings, opportunities beyond price, quality measurements?
Digital Marketing	Strategy, content creation, data tracking?
Social Media	Strategy, content planning, content production, community management?
Search Marketing	SEO/SEM strategy or execution only?
Data Analytics	Data segmentation? Newly built measurement tools?
CRM/Marketing Automation	Customer journey mapping? Integration with existing platforms?
PR & Activation	Corporate or consumer PR? Risk management? Activations only?
Shopper marketing, promotions	Retail strategy? Promotions? Sampling?
Brand design, packaging	New brand or visual identity? Design architecture?
Production	What is the scale of your requirements? Does the budget match the scope?

Now that you have a clearer idea of what you need, it's time to think about how you will select your agency partner(s). The next sections of this document is a useful guide to that process.

Commercial Communications Council

anza | association of New Zealand advertisers
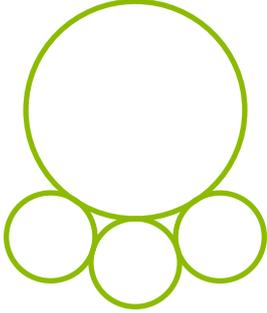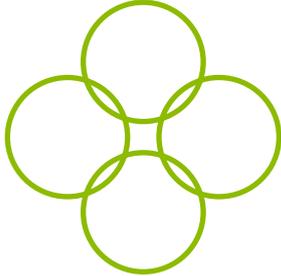
Marketing service models

Six different marketing service models have been identified as commonly used in New Zealand. No model is more inherently right or wrong than another - different approaches will better suit differing client needs.
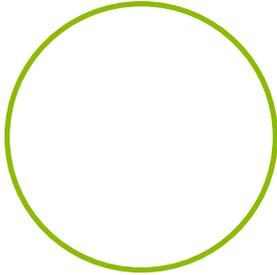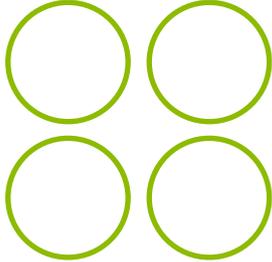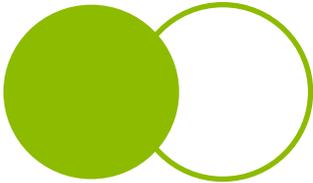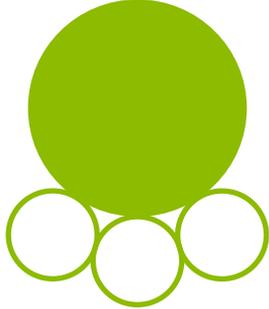
Some things to consider:
- Which marketing services are most important to you and are they equally balanced?
- What are the capabilities and talent you have in-house, and what do you need to buy in?
- How is your marketing department structured and what implication does this have on the agency model required?
- How will agency relationships be managed?
- Is breadth or depth of agency knowledge/skillset more important?
- How important is continuity - are you looking for a long-term partnership, or short-term project delivery?
- What kind of remuneration model would suit you best – retained resource, project based, KPI driven or commission based (media specific)?

Agencies are increasingly flexible and many employ a variety of models under one roof, tailoring the way they work to suit clients' business needs. Marketing service models are also not directly linked to the size or global footprint of an agency – boutique and network agencies both adopt many of the models outlined below.

It is important to enter into the review process with a clear view of the business criteria that will inform the right choice of operating model for you, and set both client and agency up for long term success.

Commercial
Communications
Council

anza | association of New Zealand advertisers

Model	Lead agency (+ specialists)	Integrated model
Characteristics	• Led by key strategic partner – determined by primary skillset required or strongest relationship (e.g. creative, media, design, digital or PR agency) • Other specialist agencies support as needed under the lead agency • Lead agency manages integration and communication flow through to client.	• A balanced group of agencies working together as a team, or agency 'village' • No one agency has a dominant role • Provides access to multiple services at an equally deep level.
Implications	• Consider criteria to select lead agency - based on core service requirement, relationships or expertise? • Important to establish clear roles and responsibilities between agencies. • Decide whether lead agency manages specialist agency remuneration • Lead agency manages integration of services therefore less client resource • Specialist resource is independent from lead agency and therefore client can still assemble a team of best in class agencies to service their needs.	• As there is no agency lead, more responsibility may fall to clients to manage integration and drive decision making • Multiple points of contact and channels of communication to be managed • Need to ensure strategy is clearly aligned with all partners • May require more client resource to manage • Can foster both positive and negative competition between agencies.

Commercial Communications Council

anza | association of New Zealand advertisers

Model	One-stop-shop	Project by project
Characteristics	• One agency does everything in-house • Single point of contact for all requests • Agency responsible for managing integration across multiple channels.	• Different approaches adopted for each project • Resource determined according to each project need • No retained budgets or resource.
Implications	• Simple one-to-one line of communication • No competition • Reliant on fewer relationships • Fit of personalities is key • Institutional knowledge built up in one place • Heavy reliance that all specialist services offered by a one-stop-shop meet the client and market needs.	• No expectation for long term brand ownership • Staff allocated by project, unlikely to be any continuity of resource • Short term relationships • Harder to build long term institutional knowledge • Fees determined as a series of `one-offs', no longer term discounts.

Commercial
Communications
Council

anza | association of New Zealand advertisers

Model	Shared in-house, outsourced	Client-led (+ specialists)
Characteristics	• Some tasks fully managed in-house, some outsourced • Part of the business is based on core marketing/sales capability.	• Core marketing capability is in-house • Specialist agencies used as and when needed.
Implications	• Need a clear separation of tasks, roles and responsibilities • Requires right level of internal resource – both number of people and quality of people • Can result in less access to best in class external talent/competencies • Challenge to bring in new thinking • Heavily reliant on culture and personality fit, as both roles need to justify their contribution.	• Creative direction falls to clients • Requires best in class internal talent • Enables agility and responsiveness to market • Cost of running internal function • Short term results vs longer term brand building.

So now that you have a sense of your needs and the potential models available to you, how should you proceed? The following sections outline an agreed best practice approach. Not every element will be appropriate to every situation, but by using the guide you will, in all likelihood, generate a better outcome for both client and agency.

Commercial Communications Council

anza | association of New Zealand advertisers

Competitive review best practice principles

1.0 Before the review process is started	1.1 Always try to make the relationship work before resorting to a review 1.2 Deal fairly with the incumbent agency 1.3 If at all possible, avoid a full creative or media review, which can be costly and time-consuming.
2.0 Getting started	2.1 Form a multi-disciplined review decision team 2.2 Use an external review consultant if there is no internal reviewing experience 2.3 Conduct a needs analysis 2.4 Establish a firm and realistic timetable 2.5 Be clear about policy on communicating with the media and internally 2.6 Be clear in your own mind about what constitutes a conflict of interest for any agencies you might consider and how you will handle this.
3.0 Briefing and selection	3.1 Write a clear, concise and well thought out brief 3.2 Design a fair process of evaluation criteria and decision-making 3.3 Be disciplined about RFIs (Request For Information) and RFPs (Request For Proposal), if used.
4.0 Managing the review process	4.1 Carefully manage communication throughout the review process 4.2 Use "chemistry" meetings to get to know agencies 4.3 Use "tissue" meetings in reviews to help the development process 4.4 Be open about the issue of review fees and expenses.
5.0 Making the decision	5.1 Score and evaluate the reviews formally 5.2 Conduct standardised contract discussions.
6.0 Post-review	6.1 Manage the review outcome sensitively 6.2 Offer the unsuccessful agencies a debrief 6.3 Be scrupulous on the intellectual property issue 6.4 Manage the transition and hand-over process with care.

Commercial Communications Council

anza | association of New Zealand advertisers

1.0   Before the agency review process is started

1.1   Always try to make the relationship work before resorting to a review

It is usually advisable try to make the existing client-agency relationship work before deciding on a review. With an effective appraisal, more can sometimes be lost than gained by changing agencies. Experience has proved that long-term relationships benefit the health of a brand. Finding a new agency can be time-consuming, and orienting the new agency also takes time. Inappropriate or unnecessary transitions may create more damage than benefit to business performance. This is all the more reason for exercising caution before going to review.

Working with the existing agency to discuss problems, and addressing them together is often a wiser, less costly, and quicker solution. Indeed, asking your agency every year to revisit scope of work and how they can best contribute to its fulfillment is typically a valuable exercise. Appropriate modifications of working processes, with or without the change of personnel, can sometimes address issues in a faster and much more efficient way.

Mutual evaluations (scored on a quantitative basis, as well as analysed qualitatively) can be very productive for both clients and agencies if conducted at least annually. This practice will serve as a valuable early warning, and solution providing system.

1.2   Deal fairly with the incumbent agency

If a client has decided to call a review, an important early step is to discuss the situation openly with their existing agency(s). There will be occasions where the decision to review will represent a vote of no confidence in the incumbent (maybe after a period of trying exceptionally hard to make it work). In that situation it is almost certainly in the interest of all parties for the client to make it clear to the incumbent that it is not worth their while to participate in the review. Equally, there will be times when an agency will not wish to re-review. But in the majority of cases, clients will wish to create a level playing field upon which the incumbent's participation in the review will be welcome, and will enrich the process. This is certainly true of 'statutory' re-reviews, where a client's own rules require a new tender to be issued every so often (e.g. at intervals of 3, 5 years, etc). It is also the case with many soundly managed reviews. Folklore has it that incumbents seldom retain business, but statistics say otherwise. Reappointment happens frequently, and clients should give incumbents every encouragement to put their experience to good effect.

Commercial
Communications
Council

anza | association of
New Zealand
advertisers

1.3 If possible, avoid a full creative or media review that is costly and time-consuming

If the challenge is a new creative and/or media approach, or simply a new assignment (e.g. a new brand) a "full" review is not the only option. Even if the client decides to talk to other agencies, a fully-fledged creative or media review may not be necessary. It can be more productive to limit the review assignment to the strategic approach, particularly if there is no intention of ever using the winning work.

Other process options to selecting either a creative or media agency can include:

1. Looking for agencies with particular knowledge and experience of the business sector
2. Reviewing the reputation, work and case histories of candidate agencies
3. Working meetings with the proposed agency teams and management
4. Analysing which strategic, creative and media approaches are most likely to meet the client's business objectives.

Commercial
Communications
Council

anza | association of New Zealand advertisers

2.0   Getting started

2.1   Form a multi-disciplined review decision team

The first key step of the process from the client side is the creation of a small review decision team which will manage the whole process, will be accountable for its success and towards its end, will produce the recommendation to the management about which agency should be selected and why. The Team should be as compact as possible and include only members with a precise task, for whom the project has top priority in their schedule.

The Team should be committed to full disclosure within and absolute external confidentiality. Typically, 'core' members are the marketing (or brand) leader, the relevant 'discipline' leader (e.g. media, interactive, marketing research) marketing procurement and one or two representatives of product management.

It is also good practice to involve purchasing or procurement early in the process. It is their responsibility to ensure that good value and effective commercial terms underpin the relationship. Very often they have formal experience in contract content and negotiation, real commercial expertise in the agreement of fees and will likely bring vital process and performance management expertise to the table.

2.2   Use a review consultant if no internal experience

The advertiser should also consider taking advantage of outside help. Companies do not conduct agency searches on a continuous basis, but there are professional consultants and advisers who specialise in this activity. They are expert process facilitators, and have experience in the preparation of effective briefs. It is also their business to know the leading agencies in all sectors of marketing communications.

If using outside consultants, the client should specify what their expectations are of the consultant: when, how and where the consultant will be used. Consultants can help clients determine what they need, they can design the review process, they can assist with conducting the process, they can be a conduit for review communication and they can provide advice on the review submissions. External consultants are not the decision-makers.

Commercial
Communications
Council

anza | association of
New Zealand
advertisers

2.3   Conduct a needs analysis

The first action for the review decision team is to determine what the company needs and to define the scope and objectives of the review. All stakeholders, especially those involved in the final decision, need to be in full agreement. It is essential to establish:

- The type of agency model it wants – lead agency, one-stop-shop, project by project, etc.
- What services are most needed – creative, strategy, media, digital, etc.
- Agency search and selection criteria – skills, culture, working style, size, capability, generalists vs. specialists, main agency vs. additional, etc.
- The review and scope of work parameters – location, brands covered, nature of the work required, budget, etc.

2.4   Establish a clear timeframe

Whatever the process (RFI/RFP or less formal) a precise and realistic timeline for the whole process should be prepared by the review decision team. This should be agreed internally and communicated to the agencies. The timeline should include precise dates for the various phases, including when to make and communicate the final decision.

Sufficient time must be allowed between the briefing occasion and the presentation; a minimum of four weeks is considered fair for a full creative or media review.

2.5   Have a clear policy on external and internal communication about the review

It is advisable to prepare an external and internal communications strategy about the agency review in advance, including a media release. It is then important to agree the rules on talking to the media throughout the process. Many clients require agencies to refrain from talking to the media until the outcome is determined, not least to ensure the losing agency(s) do not read about the decision in the press. It is common, but not mandatory, to announce the short list.

3.0   Briefing and selection

3.1   Prepare a clear, concise brief

The most important presentation in the whole process is often the client's briefing. Time spent here will always be rewarded later by a more efficient and effective process and outcome. The exact same brief should be given to all agencies in the review, even if one or a number are already familiar with the brand and/or project.

The review decision team should be accountable for the production of the brief and its quality and completeness, even if most of the information is provided by someone else.

The client brief should provide clear guidance on:
- Background to the organisation, brand and products to focus on
- Any important contextual information about previous marketing activity
- A clear statement of what the company wants to achieve from the review, the successful outcome, and why
- The review process, decision criteria and selection process
- Does the review require strategic thinking, or creative execution, or both?
- Specific indications or requirements in terms of structure, organisation, work processes, compensation systems and mechanisms
- What a future relationship would look like and how it will be of mutual interest working together
- The role that communication will play and what skills are needed
- Whether a new communication platform is needed, or whether an existing platform is to be evolved or refreshed
- The timeframe
- The budget available
- Any preferences for service delivery
- Remuneration considerations
- Rules of engagement
- Procurement considerations
- Evaluation criteria
- Time of year.

The client should always let other agencies know if the incumbent agency will be re-reviewing and whether the review they are conducting is due to any dissatisfaction, or due to a statutory contract renewal process. If there is no dissatisfaction with the current agency then all others must understand that before deciding to review, as it might affect their desire to review.

If there is dissatisfaction, clients should discuss their chances of success with the incumbent agency and only allow them to re-review if they have an equal chance of winning. The incumbent should satisfy the client that they have solved whatever problems there are before the review, otherwise they will be judging the reviews according to different criteria.

3.2 Design a fair process of evaluation criteria and decision-making

The review process must take the client from a long list of candidates to a short list of viable candidates, through to a final decision. This needs to done through a series of defined steps and against clear evaluative criteria.

Evaluative criteria

The evaluative criteria should flow from the needs analysis (see section 2.3 above). It is important to determine what capabilities are needed and to prioritise areas of preference. The selection criteria should be determined and agreed internally before the review process begins.

Forming a long list

Developing a long list of candidates involves a search for agencies that meet the basic criteria of:
- Availability – are open to consideration and don't have competitive conflicts of interest. This can be a delicate task if the agency works for a competitor in another country or category but may be desirable and available with careful negotiation
- Capability – have at least a surface ability to provide the services required
- Reputation – satisfy the review decision team that they could be viable candidates and that don't have significant reputation concerns.

The long list is typically constructed by the review decision team through a review of competitor relationships, a search of agency websites, identifying high quality work in the market, informal discussions with industry insiders, or employing the services of an external review consultant. A typical long list will have about six agencies on it. All agencies on the long list should be viable contenders. It is not ethical to entice agencies into a review process if they never have a chance to succeed.

Reviewing the long list

To review the long list, it is necessary to contact the most interesting agencies on the consideration list, ask if they are interested in competing for the account, and (if yes) place them under a non-disclosure agreement (NDA), with specific restrictions on any unauthorised disclosures to the media.

It is normal to set the long-listed agencies some kind of simple elimination test: typically, an initial chemistry meeting. There shouldn't be work requested from the long-listed agencies at this stage, apart from agency credentials and examples of their previous work.

The review decision team should complete a score sheet for the long list agencies against the evaluative criteria established at the beginning of the process. The focus at this stage should be on:
- Capability to do the job – skills, size, competence
- Compatibility with the client on a cultural level – chemistry, confidence, do they understand the client's industry and the challenge they face?
- X Factor – do they offer something special that stands out?

Having met and assessed the long list, the review decision team will be in a position to reduce to a short list of agencies to be briefed for the final stage of the process. The short list is likely to consist of three or four agencies, including the incumbent if relevant. The client should tell all the short-listed agencies who they are competing with, and whether the incumbent agency is included.

Having too many candidate agencies can make choosing more complex and difficult for the client, increase costs for the participants and provide no substantial advantage for the advertiser.

Reviewing the short list

It is important to be decisive and only select the most likely candidates onto the short list. They should be invited personally before any other long list candidates are informed (just in case they may not be able to continue, or may want to pull out of the process).

Once any agencies are stood down, news of the review may be picked up by the media, so the client should have their response ready. The media will be particularly interested in how this affects the incumbent agency. This news might have an adverse effect on that agency's clients, or on any that might be considering them, so the response needs to be well considered and agreed.

A long, drawn-out process is generally a bad one and a maximum of two stages should be envisaged. The important point is to agree the process up front and then to stick to it.

Evaluation of the short list typically involves:
• A strategic challenge, or business problem to solve
• Creative or media solution to the business challenge (applicable in some cases)
• A service proposal of who will work on the business, the agency resources available,
  and a proposal for remuneration

For creative reviews; including creative in a review process, can be tempting but is not always advisable. It increases the effort and cost required to review. It can make it more difficult to evaluate submissions. And it is a very artificial way to develop creative concepts with limited time, information and development. For these reasons, it is relatively uncommon for creative work developed in a review to make it to market.

If one or two agencies clearly do not "get it" at the strategic stage, the client might decide to drop them then, rather than pursue matters further. There will be a temptation to want to replace these agencies in the competition, but that is likely to be unfair on all parties and should be avoided.

If research will be required before the final agency appointment will be made, that should be made clear from the start and might require agreement on who pays for highly finished work or further developments for research. It will certainly have an effect on the timing of the whole process.

The client owes it to the competing agencies to maintain a fair process and to make it clear what that will be. That means that no agencies should be added to the list during the process. If no agency meets the client's needs they should tell them and start a new process.

Commercial Communications Council

anza | association of New Zealand advertisers

3.3 Be disciplined about RFIs (Requests for Information) and RFPs (Requests for Proposals) if used

Another option is to issue RFIs (Requests for Information) to the long list, and RFPs (Requests for Proposal) to the short list.

The practice of gaining insights by issuing an RFI to a list of possible agencies can help the advertiser get a good picture of the assistance available. The RFI should focus on satisfying the client of the potential quality of work, depth of resources, and lack of conflict issues. RFIs however are no substitute for personal meetings and in some cases might not really save either side's time.

Agencies have to spend a great deal of time completing RFIs, which are often extremely long and detailed. In some cases, these are standard templates that are sent out by the consultant/auditor/ agency managing the review, without any customisation for the client's specific requirements. The result is that the client receives very long and detailed responses from agencies, including information that may not be pertinent to their decision-making process at this stage.

Alongside the RFI questionnaire, it is important to provide a brief detailing the scope of the review in terms of tiered list of services and other information to give the agencies fuller understanding of the client's requirements and priorities. This includes who the clients see as their major competitors, especially noting any unacceptable conflicts. It is vital that the review decision team is available to respond to questions on the RFI.

Unless there are legal constraints that require the client to accept proposals in document or tender form without holding prior one-on-one meetings with agencies (as may be the case in some public sector processes), the practice of briefing agencies purely by RFP is not recommended.

Even a very detailed brief will not necessarily give the agencies a clear insight into all aspects of the task and decisions made on this basis can introduce a lottery element that cannot be good for the client's business. It is recommended to send a written brief and then organize (1-2 weeks later) a formal meeting where the client can provide additional comments and context, and answer any questions the agency may have.

Commercial
Communications
Council

anza | association of New Zealand advertisers

4.0 Managing the review process

4.1 Carefully manage communication throughout the review process

However well a brief is written, it should be assumed that some aspects of it will not be fully understood, so a response and questioning process should be built-in.

Briefing and discussions should ideally be face-to-face, but if this is not possible, then the same conditions should apply to each agency. A client will naturally want to run a fair review on a "level playing field". It is good to have some rules on whom agencies are allowed to have contact with and where they can go within the organisation. If agencies wish to meet technical or field sales people to mine more information, every effort should be made to facilitate this, as solutions can come from anywhere. The agencies should also have access to the client's staff with whom they would be working with in the future, if appointed. This should happen exclusively through the review decision team, which will facilitate such contacts.

The client must be willing, on a strictly confidential basis, to share relevant market data and other relevant research, including post-testing of existing campaigns.

If agencies raise issues that are material to the review process the questions and answers should be made available to all participating agencies.

But questions and answers that create a strategic point of difference should not be shared across all agencies, otherwise the process will discourage agency engagement. Seeing which agencies put more thought and effort into the process might well be part of the evaluation itself.

Equal time should be spent with each agency. And it is advised to visit each agency's offices to get a feel for their culture and style.

Each short-listed agency should be required to present their submissions in person, and also to provide a document that covers all information required in the process. The review decision team should set aside sufficient time to read and analyse all the documents. Documents take a lot of time to produce, and deserve due consideration.

4.2 Use "chemistry" meetings to get to know agencies

The most preferred follow-up to an RFI, or even as a first stage when the list of possible agencies is reasonably finite, is to meet for a "chemistry meeting". This meeting should be with key management and team individuals and should discuss the task in broad terms. It might involve a brief working session around the problems and opportunities, or when the team composition and personalities are of greatest importance, might be entirely social.

Commercial
Communications
Council

anza | association of
New Zealand
advertisers

The agencies might be asked to look at competitors' advertising and discuss good or bad points, or to establish where new strategic opportunities may lie. They may be asked to explain their proprietary processes and discuss how they can be applied to help solve the business problems. It is unlikely that the client will want all long list agencies to see the full brief, but they do need to gain an impression of how well the agencies will be able to deal with it. They might therefore be asked to show how they have dealt with similar situations or to answer key questions that will establish suitability.

The key to a good chemistry meeting is to ensure that the agency keeps any credentials presentation short and that they understand the chemistry they are being asked to match. The client needs to tell them about themselves, the key opportunities and issues for company and the category, the personalities that are involved in the review and what their priorities are. This will enable the agency to choose the right people and format for the meeting. Providing these steps have been followed it is recommended that the client request to see the team that will be working on their business.

4.3   Use "tissue" meetings in reviews to help the process

If the process includes creative or idea development, then the chances of coming up with a usable solution and of finding a harmonious working team may be improved if the parties arrange an intermediate (a.k.a. "tissue") session in which they discuss a range of outline or partly-developed ideas.

This can be a process that is more suitable for the more creatively experienced clients, or those that are able to visualise the final result from rough outlines. It is unlikely to be constructive for clients who can only cope with highly finished and realistic proposals.

Intermediate sessions may appear useful also in reviews for media assignments, especially when bespoke ideas are sought, approach is complex in terms of planning and/or buying, or when bespoke development processes are involved.

4.4   Be open about review fees and expenses

It is up to the client whether they offer a review fee or not. The client should be open about the financial conditions of the review and whether a payment in good faith is warranted. The same offer should apply to all agencies, including the incumbent, if included in the process. This should be made clear in the original brief and not left up for discussion during the review process.

The main objective is to demonstrate client commitment, or to compensate agencies for any unusual amount of effort, or for travel or research costs. Agencies will not expect to make a profit on the review process.

5.0   Making the decision

5.1   Score and evaluate the reviews formally

The review decision team should make sure that all decision-makers are fully and equally briefed and present at the final review presentations.

It is one of the tasks of the review decision team to establish an objective scoring and evaluation system for assessing each review. It is easy to be impressed by great presenters, locations, or the kinds of theatre that many agencies build in to reviews. While these give an idea of the agency's keenness and motivation, the client should also try to look at their proposals objectively. A checklist with a scoring system related to the original evaluative criteria and priorities is a useful way of keeping track of what the agencies covered and what the client thought of it. But a decision made purely by adding up numbers is unlikely to be as successful as a balance between logic (scoring) and subjective assessment (chemistry).

As soon as possible after the review presentations, the client needs decide on the winning agency. Protracting the decision is not helpful for either client or participating agencies.

5.2   Conduct standardised contract discussions

It is recommended that the client conduct standardised negotiations on terms of business and remuneration with each of the shortlisted agencies, ideally at the same time as the agency works on the brief. This will ensure that the final review will be fought out on merit, with relative cost levels known about in advance. Before making the announcement of the winner, the client should firm up on the business side of the partnership (e.g. contract including remuneration format, the management of the relationship and the timetables for the next steps). A contract model, offering a number of remuneration options, from an agency standpoint is available from the Communication Agencies Association of New Zealand (COMMERCIAL COMMUNICATIONS COUNCIL).

Commercial
Communications
Council

anza | association of New Zealand advertisers

6.0 Post-review

6.1 Manage the review outcome sensitively

The client should establish a firm procedure for informing both the winning and unsuccessful agency/agencies about the decision. All reviewing agencies should learn about the decision the same day and an announcement should be immediately issued to the industry media.

The client must, upon request, accept to return the unsuccessful agency review presentation(s), and undertake not to use any of the ideas contained therein, without seeking permission and if necessary making a payment.

6.2 Offer the unsuccessful agencies a debrief

After the review, the client should offer the unsuccessful agency or agencies the courtesy of a debriefing. The unsuccessful agencies must return all confidential material and information provided by the advertiser.

6.3 Be scrupulous on intellectual property

The creative concepts produced under the conditions of an agency review remain the property of the agencies. In case strategies or ideas produced by one or several of the agencies not selected are of interest to the advertiser, the purchase of usage rights should be negotiated. The rights to the strategies and material presented by the winning agency are normally agreed when finalising the client:agency contract.

6.4 Manage the transition and hand-over process with care

The incumbent agency's contract should be honoured, particularly with respect to the notice period and payment of outstanding orders. The client should ensure that the incumbent agency co-operates fully in an orderly handover to the new agency.

It is key for the client, in its own interest, to ensure that there is a proper hand-over process when they move their brand or corporate account from one agency to another. If this doesn't happen, the transfer of materials and information may be incomplete. This is particularly important for the transition of media planning/buying assignments, and the transfer of longer-term agreements of the client with the media companies.

It is advisable to include in the agency contract some provisions about the hand-over procedure itself, along with the other clauses, such as where copyrights and intellectual property rights reside.

The hand-over should involve all three parties if there is a change of agency: client, incumbent and new agency. Generally, agencies get on well with each other (after all the roles could so easily be reversed on a future occasion) and a direct transfer usually opens up a dialogue between key executives so that knowledge, as well as materials, get transferred to the benefit of the client and the brand.

Agency remuneration

Marketing expenditure is a significant line item on the P&L of most organisations. Building the most appropriate remuneration structure is therefore a critical component of the ongoing relationship and helps ensure the client gets best value and the agency makes a fair profit.

If possible, it's therefore sensible to begin commercial negotiations before a final agency is selected. This avoids the disappointment for both parties of being unable to reach a mutually agreeable commercial outcome at the end of the review process.

Remuneration can be a significant point of contention, unless clearly understood by all parties. Just as advertising services and media options have evolved, so there are more options for how companies can remunerate their marketing services providers. There is no one right approach for all situations. Each alternative brings different implications in terms of the behaviour they encourage and the issues they raise.

Hybrid approaches, that blend multiple approaches, are common. And it is also common for companies to use different approaches in different situations.

For example, it is common to use a retainer to secure an ongoing service commitment and then have each project charged on a case-by-case basis.

The most important principles to consider in working out the most suitable basis of remuneration are:

- **Fairness.** In order to deliver a good quality of service agencies need to be able to earn a fair profit. And in return, agencies need to be accountable to the fees they earn. A lack of fairness in remuneration risks a sacrifice in work quality, an erosion of trust and respect in the relationship, and abuse in the form of undisclosed revenue sources or service demands creeping beyond what is reasonable.
- **Affordability.** Budgeting for marketing service activity is a complex matter of balancing marketing needs, ambition, affordability and return on investment. Clarity around budget availability, prioritisation and cost reality is a very important client:agency conversation. Without a clear understanding on this there is the risk of credibility loss when clients' service expectations exceed their ability (or willingness) to pay, or when agencies present ideas that are beyond the means of the budget.
- **Incentivise the right behaviour.** Remuneration models should be worked out in order to encourage the sort of service desired. For example, eliminating ongoing service fees might save money but will discourage pro-activity.
- **An on-going and honest conversation.** Remuneration that is clearly agreed, regularly reviewed against performance delivery, and openly discussed is the best way to ensure a healthy operating relationship.
- **Transparency.** The dealings agencies undertake with third party production, media and technology vendors, within their holding companies and with the media owners themselves, are much more complex today than a few years ago. It is important these are clearly understood.

Commercial Communications Council

anza | association of New Zealand advertisers

Remuneration approach	Characteristics	Implications
Retainer	• This is a fee to maintain service levels • It suits clients that have programmes of activity that are ongoing • It is usually calculated based on the type and number of people and resources allocated to work on the account, calibrated to an agreed rate-card and amount of time spent on the account.	• Provides a clear commitment that encourages loyalty, mutual investment in a relationship and it builds institutional knowledge • The agency is fairly paid to maintain an agreed level of ongoing service • Provides financial clarity for both agencies and clients • Can be tailored to agreed service levels and adjusted over time if needed • Requires a clear scope of work. If the agency underestimate the work required, or the scope changes, the agency may minimise their service delivery to make it work financially • Some clients don't like committing to an ongoing fee, especially if the level of work is not significant • And some don't like committing to one provider • Multiple agencies on multiple retainers can become expensive.
Project fee	• This is a fee calculated to complete a specific task • It is usually provided as an estimate up front and then reconciled at the end of the project to account for any variations that occur during the course of the project.	• Each piece of work is quoted, resourced and delivered individually, without ongoing commitment • It suits exceptional situations or where the client has only a modest amount of activity • Works well in combination with an ongoing service retainer • A transactional approach that does not encourage ongoing commitment of resources or build-up of institutional knowledge • Minimises costs and maximises flexibility for clients • Makes it harder for agencies to plan resources.

Remuneration approach	Characteristics	Implications
Commission	• This is the commission paid by media owners for bookings • It is common to share this commission between the agency and the client at an agreed proportion • This is less prominent a source of remuneration for agencies than in the past as commission amounts have reduced significantly in recent years as media owners have come under margin pressure.	• Can lead to more of a focus on the source of commission revenue rather than the most appropriate activity • Can reduce transparency of income for media agencies.
Service margins	• This is a margin that agencies put on the 3rd party services that they use to complete projects • It is commonly applied for production, or for research, or for other specialist service not provided by the agency in-house.	• Agencies bring specialist skills to the management and outsourcing of specific tasks • Reduces the complexity and management effort required by clients if they were to manage these tasks themselves • Can reduce transparency of income for media agencies • Can become an expensive way to work with multiple margins applied to a piece of work.
Performance incentive	• This is a bonus paid to agencies based on achieving agreed performance levels (key performance indicators) • Best used as a proportion of remuneration to incentivise superior performance.	• Encourages greater effort, innovation and more holistic business thinking • Works well when there are clearly identified and measurable KPIs that the agency work can be linked to • Can be hard to isolate effort of the agency to drive business outcomes • Agency efforts can be undone by problems that occur outside their control • Works best as a bonus for superior performance • Only paid for results delivered.

Evaluating agency performance

A regular assessment of agency performance is essential in order to maintain a positive, constructive and professional relationship.

This is best achieved with an open and honest performance review process that covers 2-way, multi-level feedback on agreed key performance indicators. Reviewing performance regularly (quarterly or 6-monthly) provides a forum to discuss issues, to recognise areas of strength and excellence, to identify any problem areas and to discuss what actions are required for improvement.

There are commercially available evaluation tools, although most companies tend to develop their own form and content for the evaluation. These typically take the form of a spreadsheet to complete, or an online survey.

Common evaluation elements include:
- Overall **relationship quality**: chemistry, engagement with the business, values contribution. This should cover the multiple levels of the agency-client relationship that may exist
- Performance of **key agency functions** such as: account management, strategy, creative etc.
- Performance in driving successful **business outcomes**: sales results, customer engagement, cost effectiveness etc.
- **Accuracy** in delivery: meeting deadlines, getting the job right, meeting client requirements and processes etc.
- Campaign or **project performance**: how effectively and efficiently each piece of work was delivered
- **Collaboration** with other agency partners: teamwork and integration
- **Adding value**: pro-activity, knowledge sharing and other ways of adding value

In the dynamic marketing services environment we live in it is common for tensions to occur. As the nature of what marketing programmes involve is evolving rapidly, and there is a growing amount of experimentation with new technologies, and where both clients and agencies are trying to accelerate their learning, it is not hard for expectations and delivery get out of alignment. A well-managed review process will help maintain a constructive, mutually profitable and healthy working relationship.

Commercial
Communications
Council

anza | association of
New Zealand
advertisers