

How Are Agencies Doing?

The Ballester company which has been studying agency and advertiser trends for over 30 years in Europe recently released their first US survey of client expectations, new business practices, and compensation and financial trends. We've summarized it below.

Primary Client Challenges

Ballester interviewed senior and middle management at 273 U.S. companies overseeing advertising budgets of \$10 million and greater.

The interviewees said their top marketing challenges were “breaking through the clutter,” building awareness for their brands in a crowded and changing media and consumer landscape, and generating effective sales increases.

How Are We Doing

It won't surprise you to hear that clients have a mixed assessment of our industry. 61% feel agencies meet their expectations and deliver on promises while 39% say we fail to do so. They complain about three specific shortfalls: we don't focus enough on effectiveness, i.e. sales results; don't target consumers effectively enough; and haven't yet mastered the “new media.” On average, advertisers report having had the same agency 6 years, with a core group of 24% reporting 10+ year-long relationships.

Why They Look For New Agencies

Turns out 28% of the companies surveyed requested proposals and

itches last year. The remaining 72% said they asked for pitches within the

last 3 years. The primary reasons they give for changing:

- They've “outgrown” their current agency
- They're generally dissatisfied
- “The thrill is gone” from their agency/client relationship

Interestingly enough, complaints such as failure to achieve results, client conflicts, and price were indicated as secondary reasons to go shopping.

So what do clients want when they look for a new partner? Just what you'd expect - the agency's understanding of their market and business problems, strategic consumer insight, creativity, ideas, the ability to react fast and efficiently, quality people, and the people chemistry factor.

And if you've ever wondered what role agency search consultants play in moving accounts, according to Ballester they're active in only 30% of the pitches, and mostly for accounts with budgets below \$50 million.

Prospecting

Advertisers report being contacted by agencies an average of 14 times a year. 35% of them feel they are being solicited too much, but 58% consider the pester frequency as “about right.”

Pay attention to this: The respondents say the most effective way for agencies to solicit clients is through personal contacts and recommendations, adding that contact through mail campaigns and e-mail are usually not as effective.

Agency Compensation & Financial Trends

- 60% of those surveyed compensate their agencies through fees or a combination of fees and commission.
- 44% include a performance bonus piece (typically less than 30% of the total compensation package) that's usually a function of client sales targets met or based on a comprehensive evaluation of the agency by the advertiser.
- Advertisers expect their agencies to make a profit margin in the 15-20% range

Want Fries with That?

If you believe you must provide a full menu of agency services, only 43 % of the advertisers surveyed agree with you.

Yes, clients know the benefits - consistency across channels, one effective brand steward, and the efficiency of one-stop-shopping - but they also see the downsides such as uneven expertise, staying creative in multiple areas, increased

coordination challenges, and the risk of putting all their eggs into one basket.

Most advertisers (81%) believe that their agency is indeed able to offer integrated services, but nonetheless prefer to unbundle their business to “best-of-breed” specialists while retaining control themselves for overall coordination.

A Comment. . .

Don't go crazy over this report. In my opinion big-universe surveys mush so much data together that the resulting watered down generalities are often misleading. Life can't be so easily fractionalized into neat percentages.

What's important is what the story is at your place. Use Ballester's information to help focus your group for better results. Are you consistently making the mistakes that typically lead advertisers to look for new agencies?

If you need insight and solutions based on our experience assisting all sorts of agencies – all we do is help agencies run right – or you'd like to talk about this or any other agency matter, just give call 239-394-8220.



Source: “US Advertising Agencies Survey 2002/03”, Ballester, Inc.