



The State of Agency Business Development



What Advertisers Think™

The More You Know

The Stronger Your Brand

The More You'll Sell™

Methodology and Respondent Profiles

Only Advertiser Perceptions talks to people who are actively making decisions about media brand selection

Representing "Top 200" Advertisers in the U.S.	Leading Ad Categories	158 Online Interviews Conducted
	<ul style="list-style-type: none"> • Apparel/Fashion • Automotive • Consumer Electronics • Consumer Packaged Goods • Entertainment • Financial Products/Services • Home & Appliance • Liquor, Beer and Wine • Parenthood Related • Pharmaceuticals • Quick Service Restaurants • Retail • Technology • Telecommunications • Toiletries & Cosmetics • Travel 	<ul style="list-style-type: none"> • Sample: Marketer contacts from The Advertiser Perceptions Media Decision Maker Database and third-party databases as needed. • Qualification: Involved in decision-making for agency selection. • Directional Data: Some findings in the presentation could reflect data with low bases and will be noted. • Fielded: March 2017 • Incentives include cash and information <p>Involvement in decision-making for all types of media:</p> <ul style="list-style-type: none"> • Digital - Display, Search, Video • TV – Cable, Broadcast, Advanced • Print – Magazines and Newspapers • Radio – Terrestrial & Digital • Outdoor/Out of Home • Programmatic • Native Advertising • Social Media Advertising • Mobile Web & Apps <p>Ranging in title:</p> <ul style="list-style-type: none"> • 35% Executive+ • 33% VP+ • 32% Director+ <p>Assorted sales focus:</p> <ul style="list-style-type: none"> • 18% Completely/Majority B2B • 35% Equally B2B/B2C • 47% Completely/Majority B2C <p>Mixed advertising goals</p> <ul style="list-style-type: none"> • 20% Completely/majority performance/direct • 43% Equally performance/direct and brand • 36% Completely/majority brand <p>Varying spend levels:</p> <ul style="list-style-type: none"> • 35% \$10M - \$25M • 33% \$25M - \$75M • 22% \$75M - \$200M <p>Average spend level - \$87M</p>

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Executive Summary

As financial, market and technology pressures on their businesses mount, advertisers are making more demands of their advertising agencies. They are changing how they evaluate agencies and re-envisioning how they will employ them in the years to come. As a result, agencies will face more frequent and extensive reviews for a narrowing scope of brand marketing.

Fully 64% of advertisers intend to review their agencies in the next 12 months. They're doing it primarily because they're not satisfied with the service, strategy and execution they're getting. Many consider their current agencies to be slow, disjointed and/or not collaborative. Clients are putting an emphasis on speed, asking agencies to do more work faster. And they intend to demand more pay-for-performance contracts.

Advertisers are looking for impact. They think they will get it from agencies that understand their business, master the digital frontier, provide data insight and market foresight, and demonstrate flexibility and transparency in how they do business.

This is evident in how clients describe a great agency. Says one strategy executive, "a great agency understands the business, in proactive, proves to be flexible and is able to provide guidance and clarity, not just KPI reports." Says another strategist, "a great agency can innovate with the fast-moving world of digital media, to increase brand awareness for us and ultimately sales."

Impact: Demonstrating sales results is twice as important as measures of advertising effectiveness (e.g., increases in brand awareness or preference). And pay/fees based on success measurement, the top criterion with media agencies, ranks in the top three criteria for creative, digital and search agencies, and fourth for full-service agencies.

Technology: Agencies' advertising technology matters, particularly as it pertains to data management. Emerging technology accounts for 15% of reviews, and fully 84% of advertisers say an agency's advertising technology is an important, if not crucial, element in the decision to hire. And 94% consider an agency's ability to work with data to be a primary consideration.

Alternatives: As the data demands of advertising grow, clients say they will be increasingly comfortable entertaining working with consulting firms and other non-traditional agency alternatives. Fully 69% will consider such alternatives, even though advertisers that have done so report more negative (19%) than positive (15%) experiences.

Transparency: Some 13% of advertisers cite billing questions/practices as their reason for reviewing agencies. And a "fully transparent contract" registers as a top criterion for every type of agency – creative, digital, full service, media and search. It ranks in the top three for creative, digital, and media agencies, and fourth for full-service agencies.

"I think as technology evolves, not only will the way that agencies and clients interact change, but the speed at which agencies must work to produce something will need to quicken," said one marketing director." This means more advertising will need to be accomplished in shorter amounts of time, which could lead to shorter contracts."

While there are more functional directors looking at advertising, reviews are driven overwhelmingly by the CMO and CEO. CMOs have the most influence at all four stages of reviews – decision to review, agency search, short list and final selection, and their experience with an agency matters. Fully 67% of advertisers said that the CMO's prior experience with an agency influenced the final selection.

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Together, the CMO and CEO account for 64% of the decision to review and 67% of final selection. Marketing staff account for 24% of the overall agency search and shortlisting process, while executive management (SVP to president) average a 16% influence throughout the process.

When it comes to identifying and vetting agency candidates, peers' opinions matter most. Advertisers are also taking a close look at agency websites, and noticing which agencies are present in media and at events.

While most advertisers employ search consultants and believe they are essential, they use them at different points in the process – from identifying potential partners to conducting due diligence on the final selection. For those using consultants, the value lies as much in an independent voice with the CMO and CEO – selling in the review process and results – as with expertise in the art of the review. So, how an agency is regarded by consultants matters.

In the future, money and time pressures will alter the role and terms of engagement for agencies. Advertisers expect to move more advertising functions in-house while consolidating outsourcing to fewer, predominantly full-service agencies. And they will automate as much as possible, significantly reducing direct interaction with agencies. The reason: Money and time. Advertisers feel that advertising has become overwhelming, and the increasing complexity and data requirements risk making it unmanageable.

For similar reasons, 78% believe the lead agency is important and getting more so. Whereas creative agencies, the traditional leads, remain the first choice of most (41%), digital (32%) and media (21%) agencies are deemed suitable leads.

“More agencies are going to serve as a one-stop shop for their clients so that fewer specialized agencies are being employed,” said one strategy executive. Added another, “There will be a keeper of the brand to oversee integration of all the marketing elements...pitches will be more concise and problem focused.”

The move in-house, too, is about control and efficiency. Fully 80% of advertisers have moved, or begun to move, some advertising functions in-house – primarily in digital and search, and secondarily in creative and media. Looking ahead, advertisers believe staff will handle programmatic buying more transparently than agencies, wrest more value from data, and reinstate a continuity of talent they believe agencies have lost.

“The ad agency model is broken, which is making it harder for them to retain talent,” said one marketing director. “Bringing people in-house reduces talent turnover, which can be disruptive and costly.”

Correspondingly, 42% of advertisers are optimistic that the new media agency approach established by Procter & Gamble will force industry-wide change. Aimed at restoring effectiveness, profitability and transparency to the digital media ecosystem, P&G's new rules require that media funds be used only for paying media, media submit to third-party audits, rebates return directly to the client, and agency contracts specify all work and fees. Meanwhile, P&G is re-evaluating agency contracts to ensure that agencies are being paid enough to play fair and square.

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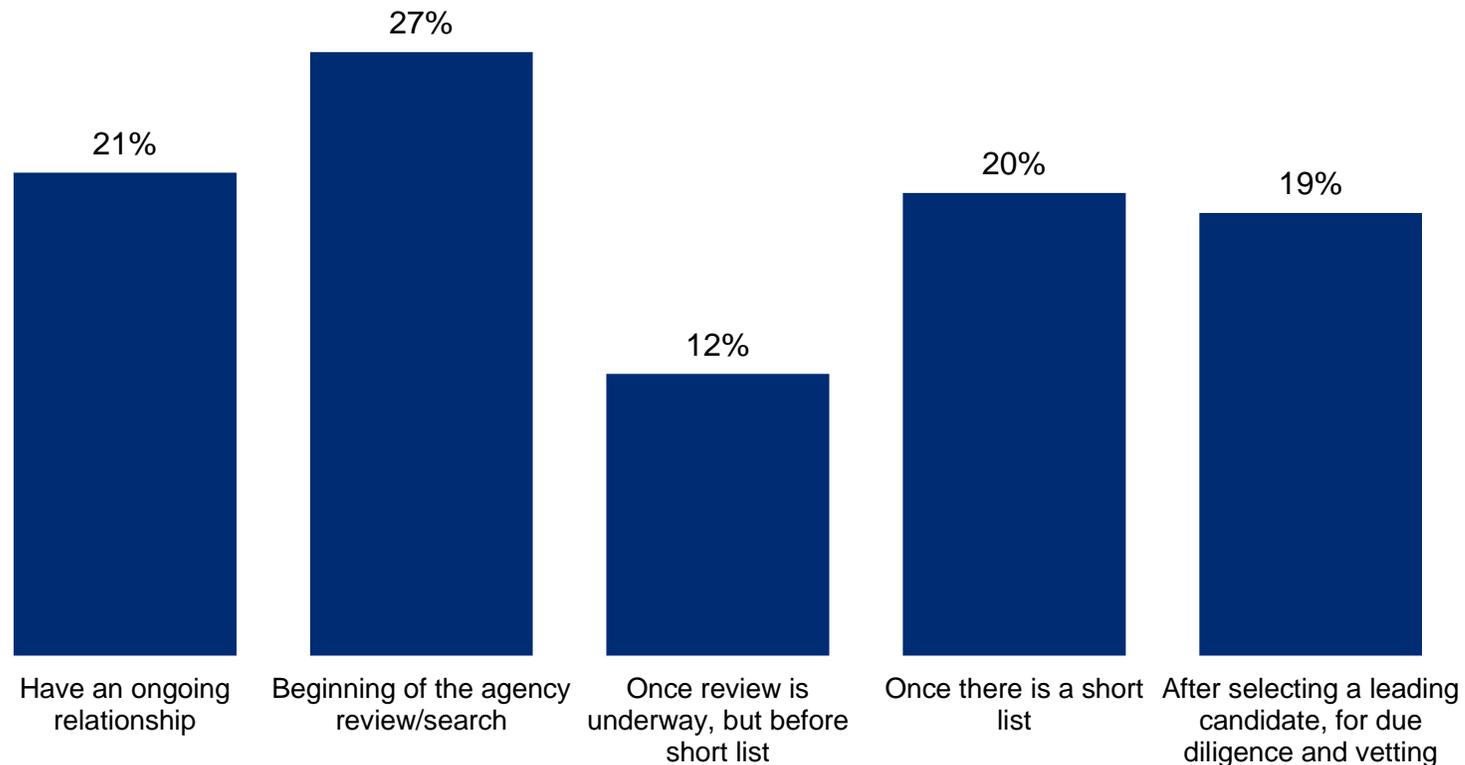
Moving Functions In-House

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The Majority Utilize Third-Party Agency Review/Search Consultants They are Employed at Different Stages of the Process

When Consultants Are Utilized



72%
Engage Outside/
Third-Party
Agency Review/Search
Consultants

Q110. Generally speaking, does your company engage outside/third-party agency review/search consultants?

Base: Total Respondents

Q115. When is the outside/third-party agency review/search consultant first utilized?

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Not Surprisingly, The Same Number (Three-Quarters) Feel That an Outside Consultant Is Necessary

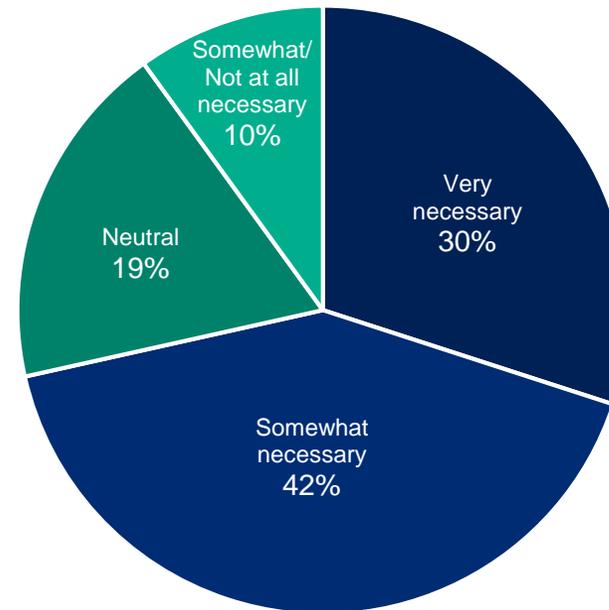
WHY UNECESSARY?

Can be done internally and via recommendations and current client feedback.
-Director

Though outside agency often do not justify the cost, our team has limited resources and we are often compelled to work with agency.
-Director

I have a team who can fully handle this responsibility but having a second set of eyes helps bring in fresh perspectives.
-Strategic Executive

Necessity of Outside Agency Search/Review Consultants
Percent of Respondents



WHY NECESSARY?

It provides an independent perspective and helps "sell" the final decision to senior management.
- VP-Level

Because of their access to other data in the market.
- Strategic Executive

By hiring an outside source that is trained in this field, we can rest assured knowing that we are getting a high level of performance.
- Director

It makes things more transparent.
- Strategic Executive

Q125V. You say an outside agency search/review consultant is [PIPE IN RESPONSE FROM Q120]. In your own words, why do you say that?

Base: Uses Outside/Third Party Agency Review/Search Consultants

Q120. How necessary, in your opinion, is the outside/third-party agency review/search consultant? See Accompanying File of Open Ends for Full Listing of Verbatim Responses

Agency Success are Evaluated in a Black and White Manner, Increased Sales and Market Share Are Primary Indicators of Success

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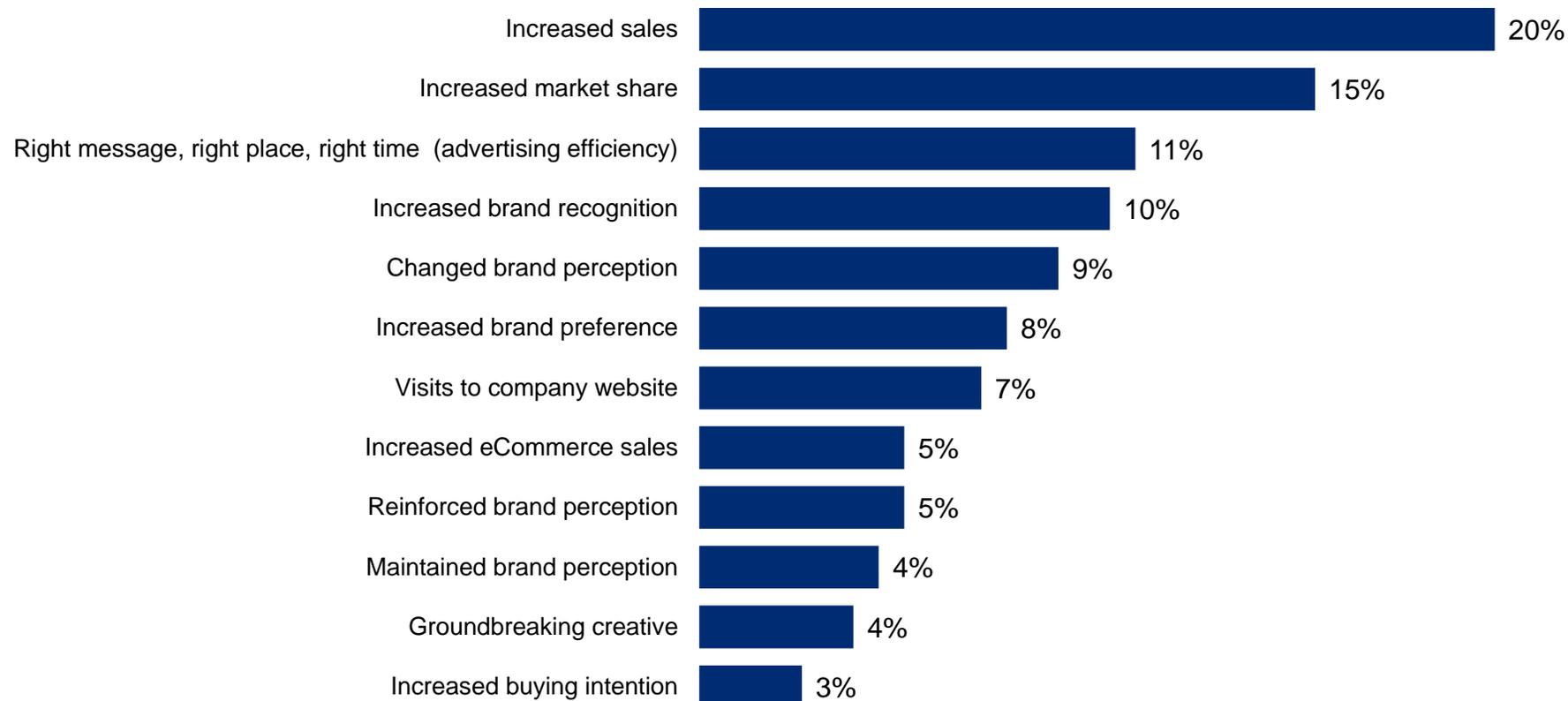
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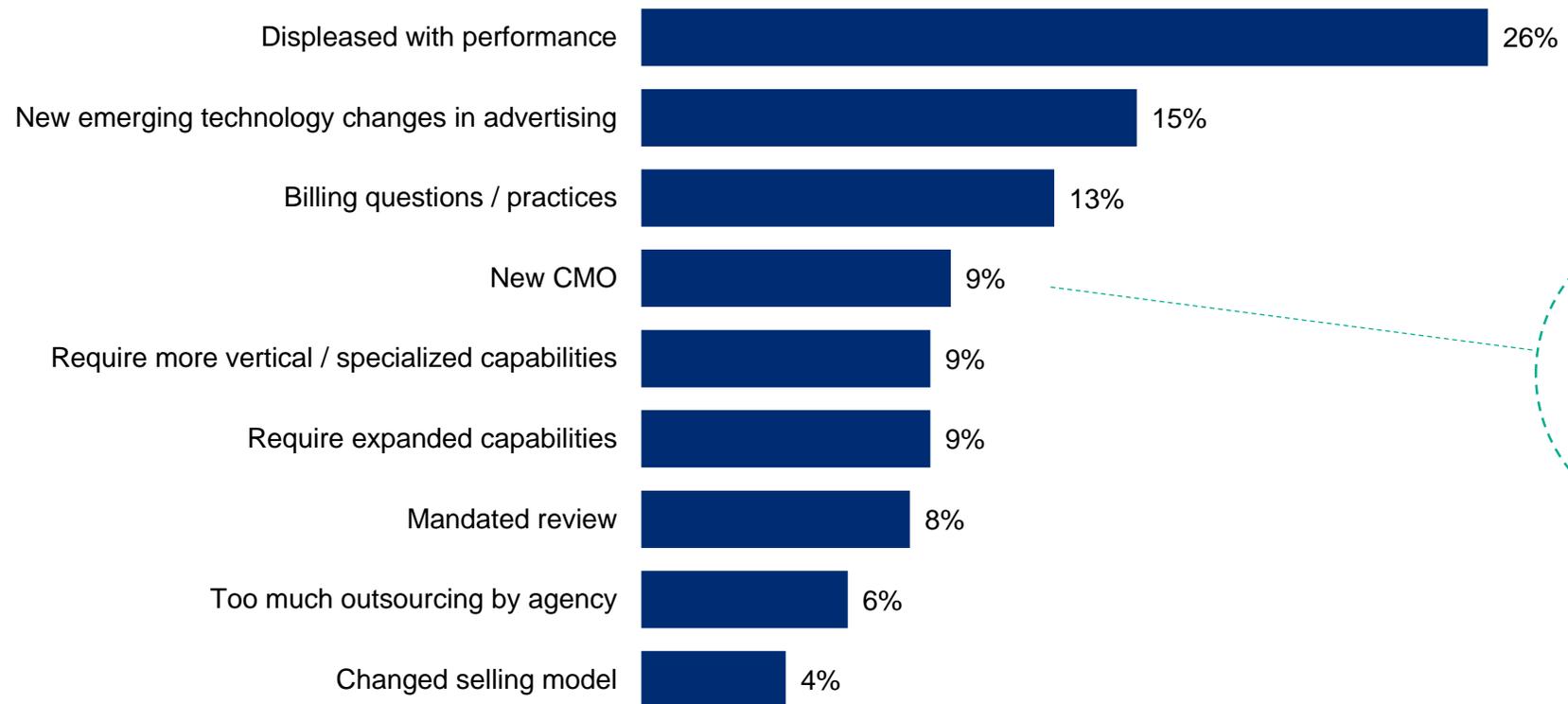
Indications of Agency's Success
Percent Ranking First



Q130. Rank the top five indications of your agency's success in order of importance.
Base: Total Respondents

Agencies Get Reviewed for Many Reasons with Poor Performance Being the Primary Reason

Reasons for Reviewing Current Agency Relationship(s)
Percent Ranking First



67%
Say That a CMO's
Prior Experience with
an Agency When
Considering That
Agency Is Influential

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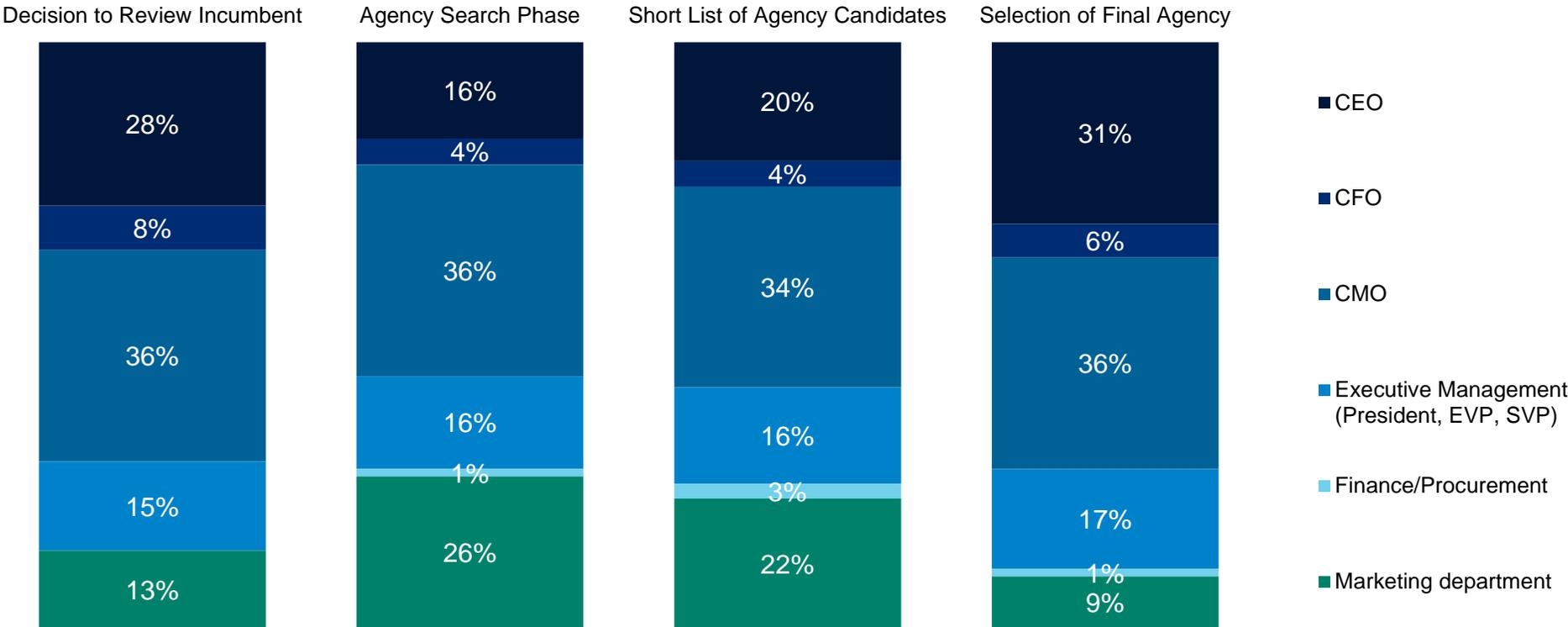
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Many are Involved in Agency Reviews

The CMO Has Most Influence at Every Stage

Top 5 Most Influential Titles, Roles and Departments – Ranking
Percent of Respondents Rank 1st



Q145. How influential is a CMO's prior experience with an agency when considering that agency?
Base: Total Respondents
Q150a/b/c/d. Please rank the top five titles, roles, and departments that are most influential on each of these phases of agency review and hiring.
Base: Total Respondents

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A Great Agency vs. Not, In Their Own Words

A GREAT AGENCY....

...is one that has a synergistic relationship with our team. Ideas are presented in a professional manner. We receive ideas that are beyond those that are obvious and stale. Adding value to what we produce is what we seek.
- VP-Level

...listens to our needs and tailors their approach accordingly.
- Director

...understands our business and goals, is willing to dig into the data to optimize performance and has no hidden agenda. They have category knowledge; creative thinking.
- VP-Level

...understands the business, is proactive, proves to be flexible and is able to provide guidance and clarity, not just KPI reports.
- Strategic Executive

...is one that can innovate with fast moving world of digital media, to increase brand awareness for us and ultimately sales.
- Strategic Executive

AN AWFUL AGENCY...

...is slow and reactive.
- VP-Level

...lacks an understanding of the business, poorly executes and does not work well with other agencies.
- VP-Level

... just goes through the motions, with junior staff, and only reacts when requested, or that presents problems with no solutions.
- Director

...is not coordinated. They are failing at the fundamentals. No consistency of people.
- VP-Level

...takes short cuts to meet budget constraints rather than trying to be innovative. Takes over project and does not welcome client's input.
- Director

Q155a/b. In your own words, what makes a great agency great to work with? How about an awful agency, what makes it awful? Please be specific and include (anonymized) examples of high points and low points.

Base: Total Respondents See Accompanying File of Open Ends for Full Listing of Verbatim Responses

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Planning/Execution, Transparent Contracts, Pay Structure Based on Results Are Important Regardless of Type of Agency

Top 5 Most Important Criteria Among Types of Agencies
Probability of Choice Based on Max Diff Exercise*

CREATIVE		DIGITAL		FULL SERVICE		MEDIA		SEARCH	
Explicit planning and strategy exercises for getting up to speed	49%	Demonstrated prior digital success/excellence	56%	Demonstrated prior digital success/excellence	52%	Pay/fees based on success measurement	51%	Demonstrated SEO excellence	53%
Fully transparent contract	44%	Fully transparent contract	40%	Explicit planning and strategy exercises for getting up to speed	48%	Fully transparent contract	45%	Pay/fees based on success measurement	52%
Pay/fees based on success measurement	43%	Pay/fees based on success measurement	40%	Fully transparent contract	47%	Explicit planning and strategy exercises for getting up to speed	38%	Explicit planning and strategy exercises for getting up to speed	46%
Company / agency culture mesh	39%	Company / agency culture mesh	40%	Pay/fees based on success measurement	44%	Case studies – approach to solutions, client success	36%	Fully transparent contract	44%
Experienced (15 years+) senior account management	36%	Explicit planning and strategy exercises for getting up to speed	39%	Company / agency culture mesh	43%	Company / agency culture mesh	36%	Advertising/marketing technology interface between my company and the agency	38%

Q160a/b/c/d/e/f. Thinking about agencies, please select the most and least important criteria for each. MaxDiff is an approach for obtaining preference/importance scores for multiple items by requiring trade-offs among variables. MaxDiff is also known as "best-worst scaling."

How the Agency and Client Relationship Will Evolve

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I think it will move online. As programmatic buying continues to grow and become more dependable the need for agencies will be diminished but not go away. There will be fewer agencies and our interactions with them will be more infrequent and more digital than the in-person and phone meetings we have today.

- Director

Like the shift from business-centric content control to consumer-centric content choice and management; the agency-client relationship will become less one-size fits all to more client-audience-centric strategic planning and implementation.

- Strategic Executive

There will be a "keeper of the brand" to oversee integration of all the marketing elements. There will be leaner more specialized staffing. Pitches will be more concise and problem focused.

- Strategic Executive

I think as technology evolves, not only will the way that agencies and clients interact change, but the speed at which agencies must work to produce something will need to quicken. That means more work production in terms of advertising will need to be accomplished in shorter amounts of time, which could lead to shorter contracts.

- Director

I think that there will be stronger move to "pay for performance" models, in which results trigger compensation.

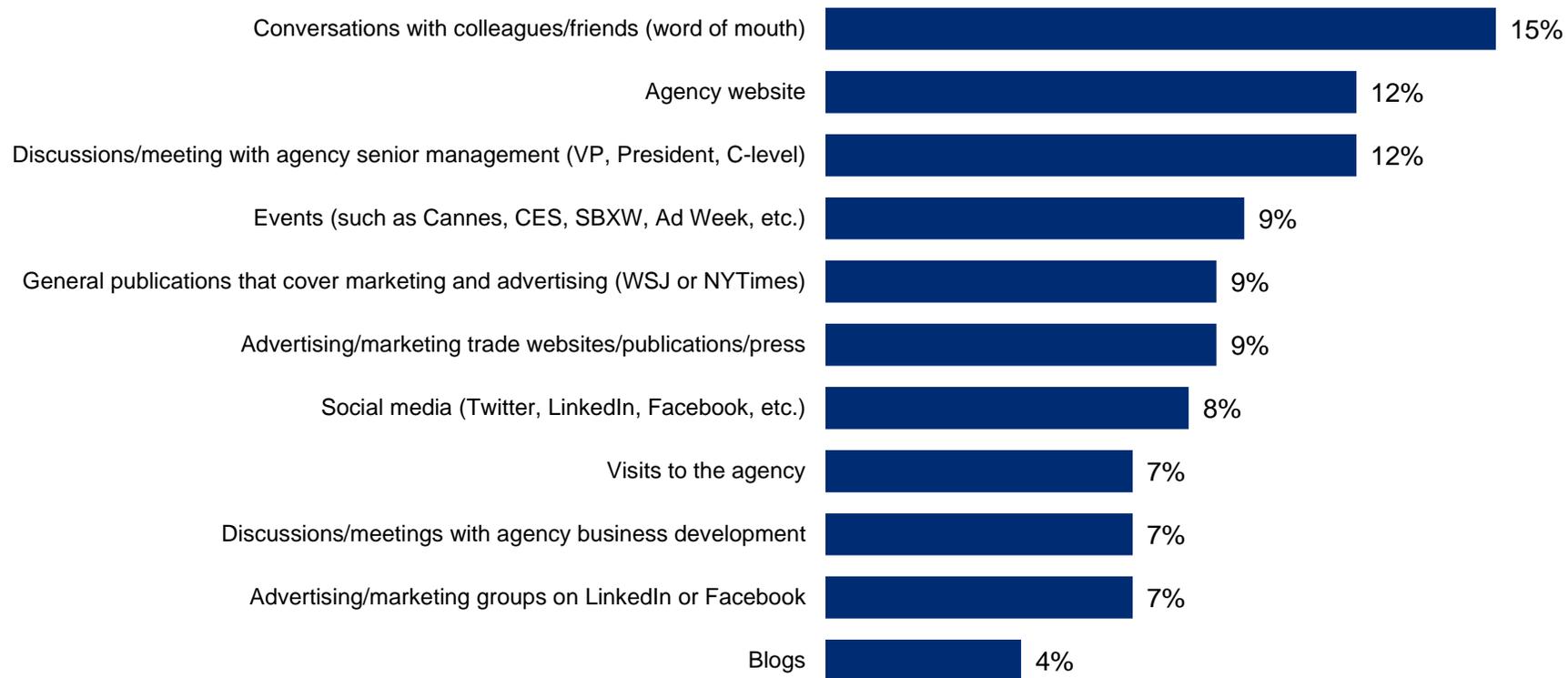
- Director

More agencies are going to serve as a one-stop shop for their clients so that fewer specialized agencies are being employed.

- Director

Word of Mouth Considered Most Important to Learn About Agencies

Five Most Important Ways to Learn About Agencies
Percent Ranking First



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Important for Agencies to Have a Seamless Ad Tech Interface, Responsibility for Maintenance Falls to Client and Agency Equally

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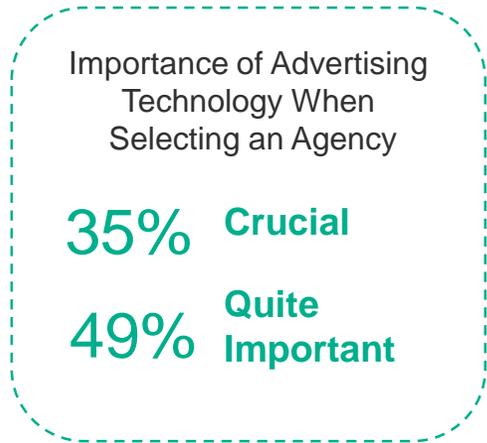
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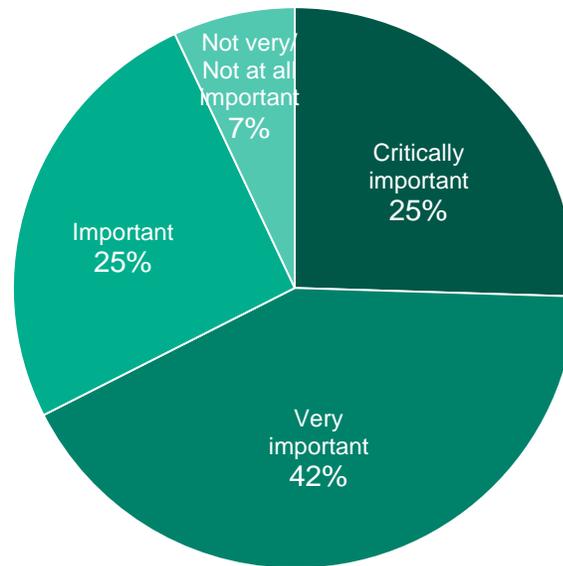
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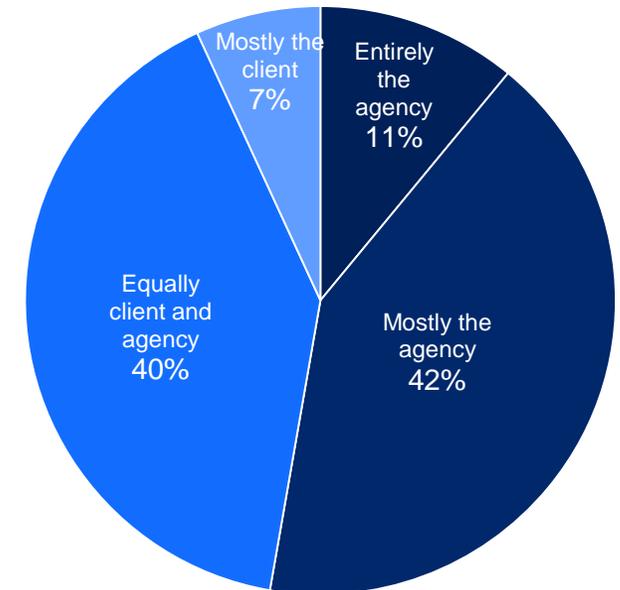
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Importance of Seamless Interface: Client Marketing Technology vs. The Agency-Controlled Advertising Technology
Percent of Respondents



Side of Partnership Responsible for Maintaining Interface
Percent of Respondents



Q175. How important is advertising technology when selecting an agency?

Base: Total Respondents

Q180. How important is a seamless interface between the client marketing technology and the agency-controlled advertising technology?

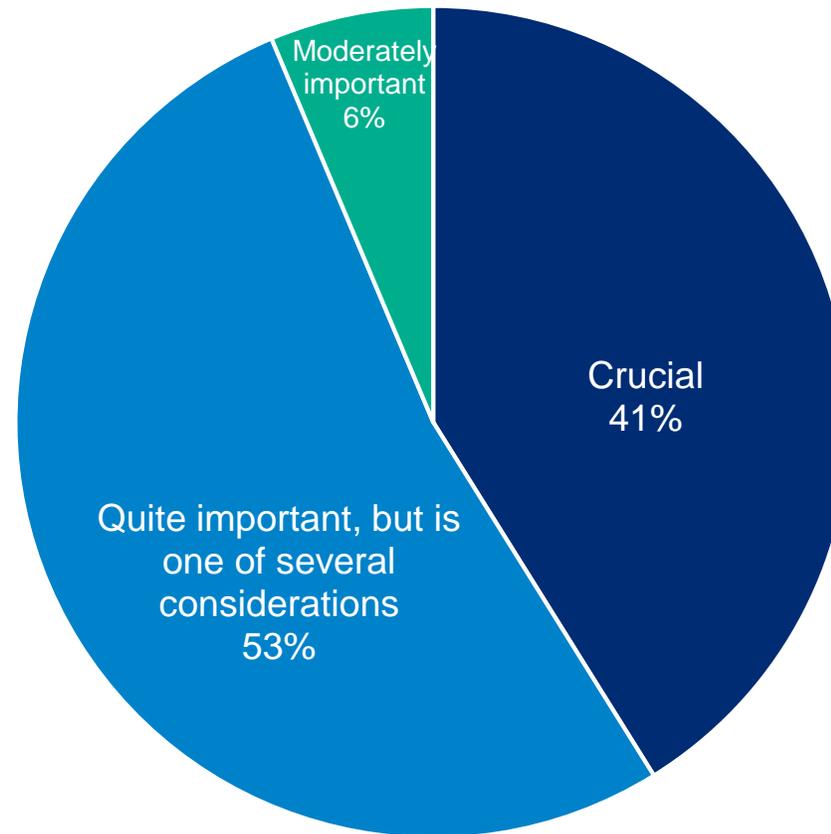
Base: Involved in Advertising Technology for Agency Selection

Q185. Which side of the partnership is responsible for maintaining the interface between your company's marketing technology and the agency's, including the costs, personnel, and ongoing technology needed to preserve and improve the interface?

Base: Seamless Interface is Important

An Agency's Ability to Work with Data Is Important When Selecting an Agency

Importance of Agency's Ability to Collect, Use, and Interpret Data



Q187. How important is the agency's ability to collect, use and interpret data when selecting an agency?
Base: Total Respondents

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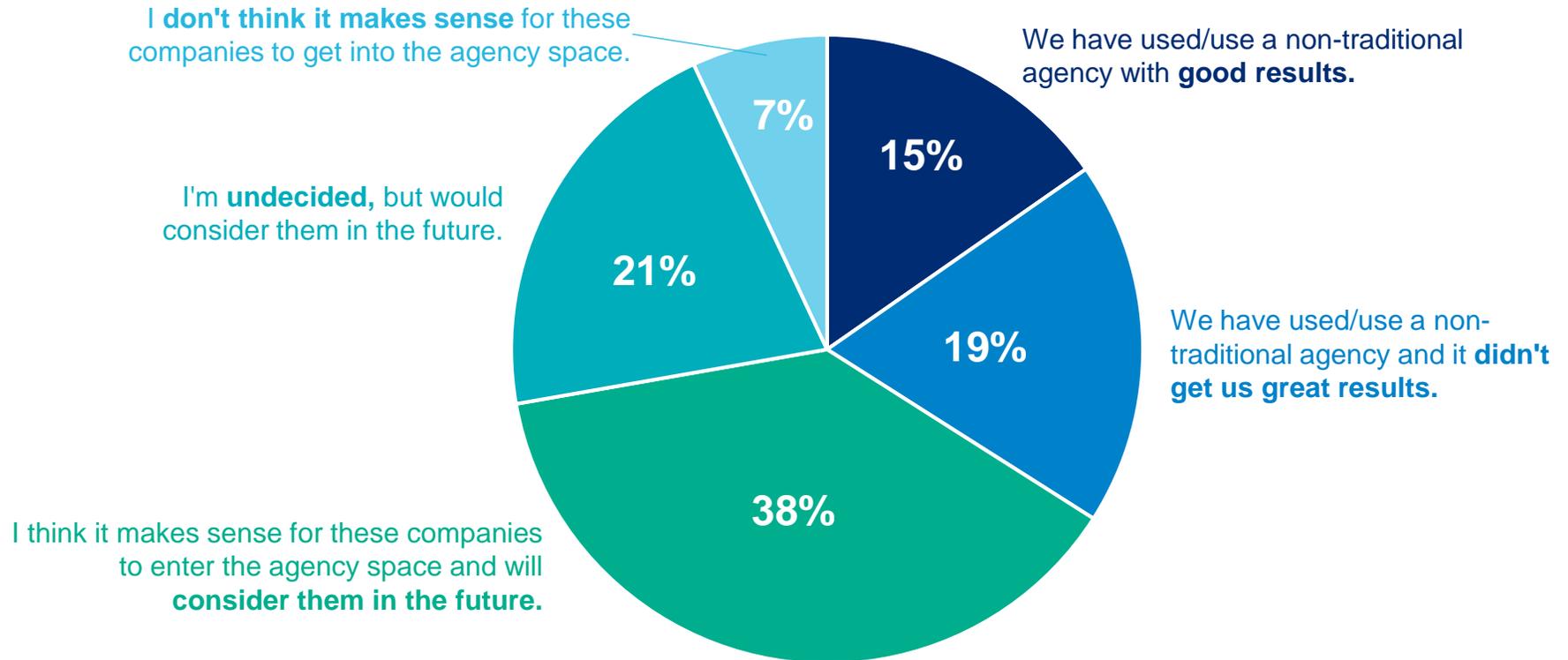
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Majority Are Not Opposed to Companies Who Are Using Data to Get Into the Agency Business

Opinion About Using Non-Traditional Agencies
Percent of Respondents



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Most Feel It Is Appropriate for Creative or Digital Agency to Lead When There are Multiple Agencies

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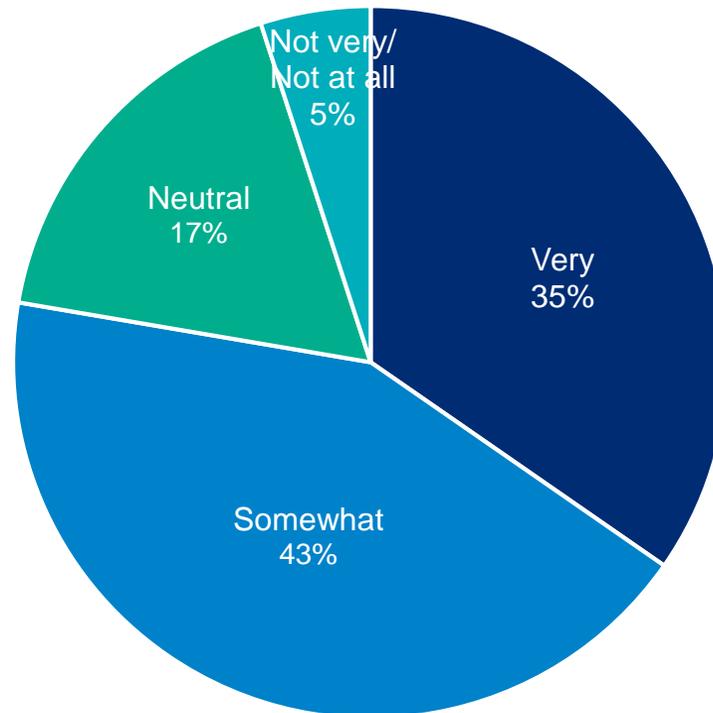
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Importance of Lead Agency
Percent of Respondents



Most Appropriate for Lead Agency
Percent of Respondents



Q200. How important is it to have a lead agency if you have more than one agency? Base: Total Respondents

Results have been rebased to exclude respondents with only one agency (2% of total)

Q205. Which type of agency is most appropriate to be the lead agency? Base: Total Respondents

Questions that Marketers and Agencies Should Be Asking Each Other

What Marketers Would Ask An Agency They Are Considering



What Agencies Should Ask a Marketer Considering Them



Q240V. Thinking about [AGENCY TYPE], what is the single most important question *you would ask an agency you are considering?*

Base: Total Respondents

Q245V. Thinking about [AGENCY TYPE], what is the single most important question an agency you are considering ***should ask you?***

Base: Total Respondents See Accompanying File of Open Ends for Full Listing of Verbatim Responses

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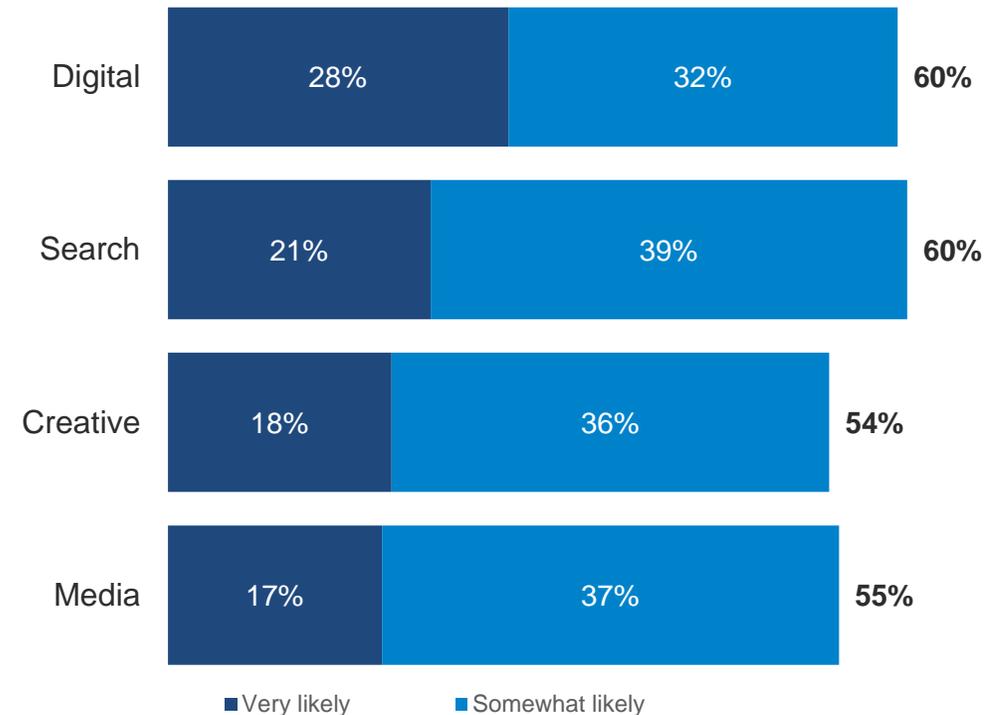
Majority Have Moved or Are Planning to Move Functions In-House With Digital and Search Functions Leading the Way

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Likelihood to Move
Some/All Agency Work In-House



Likelihood to Move Functions In-House
Percent of Respondents



Q210. How likely is your company to move some or all agency work in-house?

Base: Total Respondents

Q213. You are moving or are considering moving some or all agency functions in-house. How likely are you to move each of these functions in-house?

Base: Considering Moving Some or All Agency Functions In-House

Cost Effectiveness Is Top Reason For Moving Agency Work In-House

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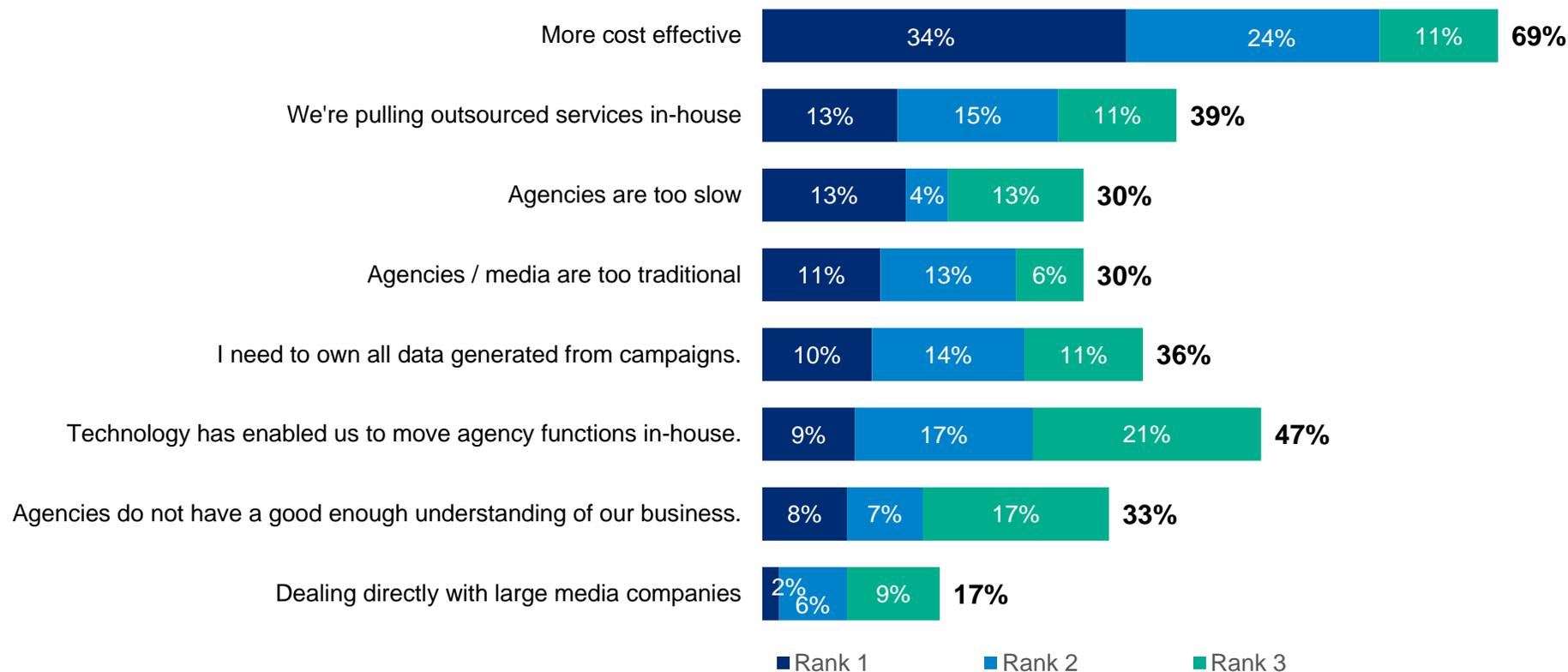
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Reasons for Moving Agency Work In-House
Percent of Respondents



Q220. You are moving, or expect to move some or all agency work in house, in your own words, what is your rationale?

Q230. Please rank these reasons you are moving or might move some or all agency work in house.

Base: Considering Moving Some or All Agency Functions In-House

See Accompanying File of Open Ends for Full Listing of Verbatim Responses

Reasons For Moving Agency Work In-House, in Their Own Words

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Having the ability to quickly alter actions based on analysis and data is a function that should be in-house.
- Director

Better access to skilled professionals in my own organization, cost savings, more effective/efficient communication, greater consistency in project/program management methodology.
- Director

The ad agency model is broken, which is making it harder for them to retain top talent. Bringing people in house reduces talent turnover, which can be disruptive and costly.
- Director

Programmatic buying makes it easier to move the media selection portion of our agency in house. It's more cost effective to hire a team to manage this internally when there are aspects that can be accomplished by a smaller team.
- Strategic Executive

Q220. You are moving, or expect to move some or all agency work in house, in your own words, what is your rationale?

Q230. Please rank these reasons you are moving or might move some or all agency work in house.

Base: Considering Moving Some or All Agency Functions In-House

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Four in Ten Marketers Are Optimistic That P&G's New Media Agency Approach Will Force Industrywide Change

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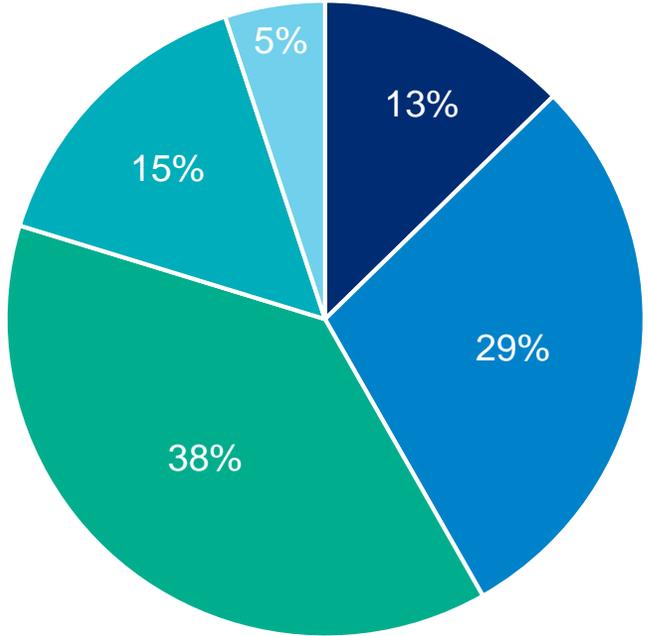
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Effect of Approach on the Media Agency/Client Relationship
Percent of Respondents

Marc Pritchard, Chief Brand Officer of P&G, the world's largest advertiser recently laid out a multi-point program for media agency relationships which includes:

1. Full transparency in all agency contracts
2. Media funds to be used for media payment only
3. All rebates to be disclosed and returned to the client
4. All transactions are subject to third-party audit
5. Enforcing the MRC viewability standard

At the same time, he says they are re-examining its media agency fee structure to "make sure we're paying appropriately for services rendered" because the agency is not profitable based solely on fees.



- Very Optimistic - Will affect all media agencies/client relationships
- Moderately Optimistic - The majority, but not all advertisers will see these changes.
- Neutral - Not sure whether it will affect only large spenders, or is an industry-wide shift.
- Moderately Pessimistic - The top 200 spenders will see these changes.
- Very Pessimistic - Only the top 10-25 spending brands will see these changes.

P&G's New Media Agency Approach, In Their Own Words

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I think this makes good sense. I wasn't aware that media agencies aren't profitable based on their fee structure alone. I think a 6th item on his list should be that advertisers only pay based on how successful their campaign was at delivering results.

- Director

While I generally agree, my concern that moving too fast on all fronts can upset the media agency's revenue model and/or disrupt relationships with media outlets. P&G has more leverage than most companies and can be a leader in this space, but it will be disruptive for the agencies.

- VP-Level

Q250: How do you feel about this?

Q255: Which of these best represents your feeling about the effect of P&G's media agency approach?

Base: Total Respondents See Accompanying File of Open Ends for Full Listing of Verbatim Responses

Thoughts on Facebook & Google Agreeing to Third-Party Audits

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Ad tech is incredibly complicated and opaque. I think Facebook and Google should be held to a very high standard, given how much money has been moved to these channels. However, how do we really know that the 3rd party audits are accurate and reliable?
- Director

Great move toward transparency and fraud prevention.
- Director

I believe that we provide the highest level of integrity to our customers. I believe that holding firms accountable will create an environment where I can be more successful.
- Strategic Executive

It is a positive move that the agreement comes from these large media platforms. Others may follow suit, even reluctantly, to allow for audits.
- Director

When a company of P&G's size and influence makes such a dramatic and innovative move such as this, it really forces competitors to follow suit or lose market share. A very good thing for agency clients who want quantifiable data to support their advertising expenditures.
- Strategic Executive

In this space third party audits are helpful as it is still sort of the wild west especially for firms who engage in programmatic buying.
- Strategic Executive

Given their size they can do this. I don't see this becoming the industry standard. In fact, it might lead to a multi-tiered approach where you have the gods and then the great unwashed masses.
- VP-Level

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What Advertisers Think™

The More You Know

The Stronger Your Brand

The More You'll Sell™