World Federation of Advertisers

Observatory International

The Future of Agency Rosters

Peer research

Introduction from The Observatory International

Barely a week goes by without the marketing press across the globe reporting a significant client undertaking some form of major roster reorganisation.

It's perhaps not unsurprising.

With the substantial current investment in digital transformation, focus on customer journey and the increasing blurring of lines within the marcomms tool-box, many clients are looking at their current structures, ways of working and associated costs, and concluding that there has to be a better way of delivering their communications needs.

Given this significant trend, the WFA, in partnership with The Observatory International, wanted to better understand both the status quo and future aspirations of clients' roster models to help inform the membership on what marketers are looking for from their rosters in the future.

A clear take-out from the survey undertaken is that both clients and agencies recognise that current structures are not working – but equally, there is a lack of consensus on what's needed/how to change the dynamic.

Within the survey, we looked at six outline roster models ranging from the relative organisational management simplicity of a holding company team structure through to the more complex and intricate task of direct management of multiple agencies. We were somewhat surprised that, of those interviewed, the overwhelming majority of respondents told us that they were currently engaged in the management of 'multiple agencies'. However, on deeper analysis, we found that these 'multiple agencies' actually comprised a wide range of individual roster models the constructs of which varied by specific client needs and by market/regional requirements.

This finding, though perhaps not wholly surprising given the multi-national shape of the organisations responding, exposes a rather complex overall picture in terms of current agency structures and working arrangements.

That complexity appears to be underpinned by the fact that, whilst most respondents to the survey recognise the need for a change, the wholesale appetite to tackle the complexity of current arrangements in the short term is rather less evident.

This may, of course, be related to the recognition that clients themselves need to re-structure internally to deal with the ever-changing marcomms matrix before rushing into a new roster model. And that, in itself, will take time and not inconsiderable effort for many.

But most recognise that some degree of change is necessary. Whether businesses review and change their total roster structure or simply look at some degree of consolidation, it is evident from the survey that marketers most want agencies to operate in the future as genuine business partners. Additionally, delivering truly channel neutral solutions is also paramount for most.

In the ever-changing marcomms environment, it will be interesting to take a retrospective look at agency arrangements and roster models in a few years' time to see who's made wholesale change to their ways of working and who have simply modified what they currently have.

And, more importantly, what effect those moves have had on quality of outputs, costs, and the marcomms landscape itself.

Lucinda Peniston-Baines, The Observatory International
Owner & Managing Partner

Executive Summary

- **The dominant model used by respondents is "multiple agencies managed individually by Marketing"** (81%). However, **many use a variety of core models across their operations,** which perhaps underlines the complexities of developing fit-for-purpose roster architectures.

- **Clients recognise that their current roster set-up is not working effectively,** rating it only 5.7/10. This could explain why **74% of clients are reviewing the overall composition or capabilities of their current roster.**

- **For the most part, clients and agencies agree on the relative importance of different aspects of the agency roster.** However, **clients feel that agencies across the ecosystem have some way to go to provide quality delivery** – especially in the area of ROI measurement across channels, when it comes to informing the whole roster through data, analytics and insights, as well as clearly understanding the end-to-end consumer journey.

- On the other hand, **agencies feel that clients do not provide them with the right tools to deliver the expected results.** Collaboration hindered by internal structures, poor quality briefings, approvals and sign off processes, lack of trained client personnel (and calibre of same) as well as lack of a clear data strategy undermine the quality of agency work.

- From the client perspective there is something of a paradox, as nearly **60% are looking to reduce the numbers of agencies on their roster** over time, whilst the balance **are looking to increase the numbers of specialists** they are using.

- Clients want their future roster to be made up of **impartial business partners** with real knowledge of their customers. Change will be needed on both sides to turn this vision into reality.

About this document

Fifty multinational clients-side marketers responded to this online survey, which explored the future of agency rosters. The total global ad spend of all participating companies represents in excess of USD$69b. Just over 26% of client respondents were responsible for spends of up to $100m and just below 24% reported spends of between $500m - $1b. Seventy per cent of client-side respondents are in global roles, with the remainder having regional responsibilities with a weighting towards APAC and Europe.

Agency leaders were also invited to take part in this study, enabling some gap analysis. Twenty-six agency representatives contributed – of which slightly above 50% had Global/Pan European remits with the balance being fairly evenly spread across international regions.

The actions outlined in this report will be discussed and further developed at WFA member events wfanet.org/events.

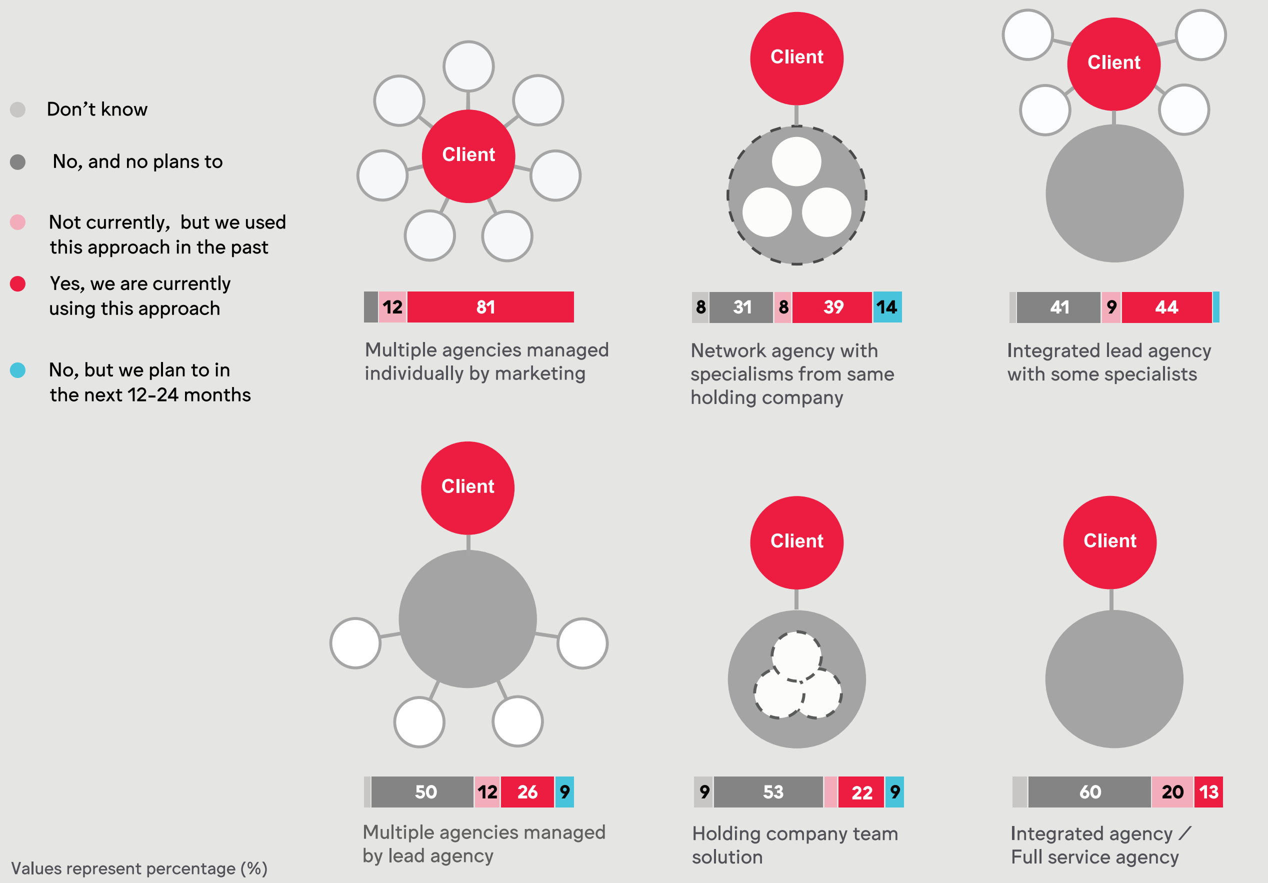
Contents

Detailed answers

Part 1: Current roster structures

Many clients cannot find one roster model that fits all their needs, so they use a mix of models. The vast majority of clients follow a model of individually managing multiple agencies on their roster. However, there is a tendency to use a variety of core models across their operations, depending on specific parameters such as geography, discipline or project. This perhaps underlines the complexities of developing roster architectures that cover all the needs of one company on a global scale. What is apparent is that few respondents are currently using an integrated/full service agency model and none were considering adopting this set up in the future. Could this model be on its way out?

Fig. 1. What roster model do you operate (all disciplines) at central level? Base: clients.



Having a closer look at the comments shared by client respondents also helps shed the light on how clients' agency rosters are set-up.

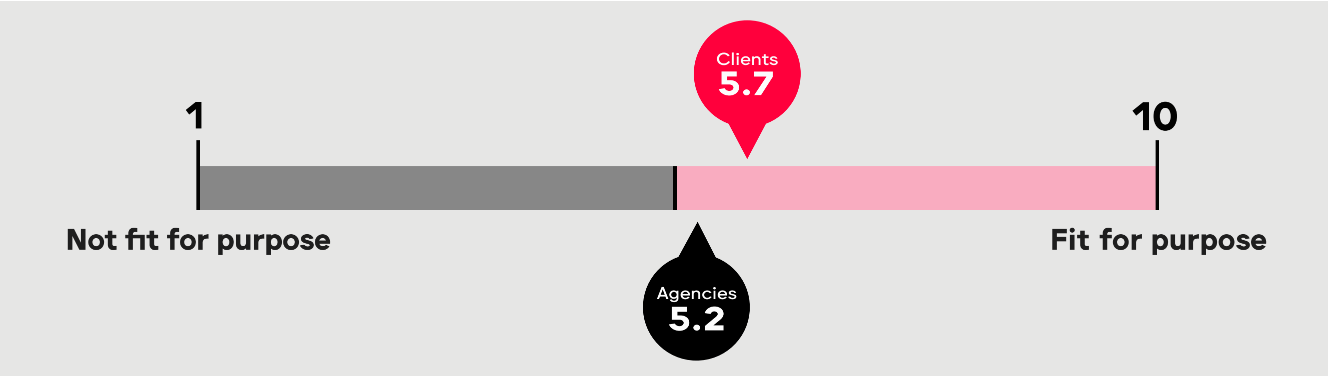
Respondents comments:

- We are using a variety of models that we will rationalise over the next coming few years.
- We are using many different agency setups depending on the need and scope.
- We tried integrating much of our agency work into one lead integrated agency, but found the quality of some of the disciplines, such as digital, wasn't strong enough. Now we use the majority of agencies through one network with a few specialist agencies and one competing creative agency.
- We have multiple models, some geographically aligned to one agency. We have media alignments with the same holding company in two regions, as a regional resource.
- Across the world, over the last 3 years, we have had almost every kind of model in place.

It is interesting to note the progress into the creative 'space' being made by **management consultancies**. Whilst largely related to the acquisition of digitally-orientated agencies, there has been some movement with the purchase of creative agencies too. Whilst early days, this is clearly signaling an aim to develop what could, perhaps, be a new model in itself, with a genuine one-stop shop offering business strategy through marketing strategy, marcomms and technology infrastructure.

Clients are not happy with their current roster set-up, neither are agencies.
Clearly, clients are dissatisfied with their current roster approaches, giving it a 'fit-for-purpose' rating of only 5.7 out of 10. The same goes for agencies – agency respondents were even slightly more negative with a rating of 5.2 out of 10. On the other hand, only 13% (see page 6) of clients can envisage a world without their agency counterparts. Perhaps surprisingly, 17% (see page 6) of agency seniors thought so as well.

Fig.2. From 1-10, how fit for purpose do you find your (clients') current agency roster/arrangements?
Base: clients/agencies.



We also posed a series of questions towards both clients and agencies to probe mind-sets on core elements relating to rosters. Here are some highlights:

Agency models are not considered fit for purpose: More than half the clients agree that conventional agency models are not fit for purpose – surprisingly, neither do agencies (55% and 54% respectively). On the other hand, only 13% of clients can envisage a world without their agency counterparts.

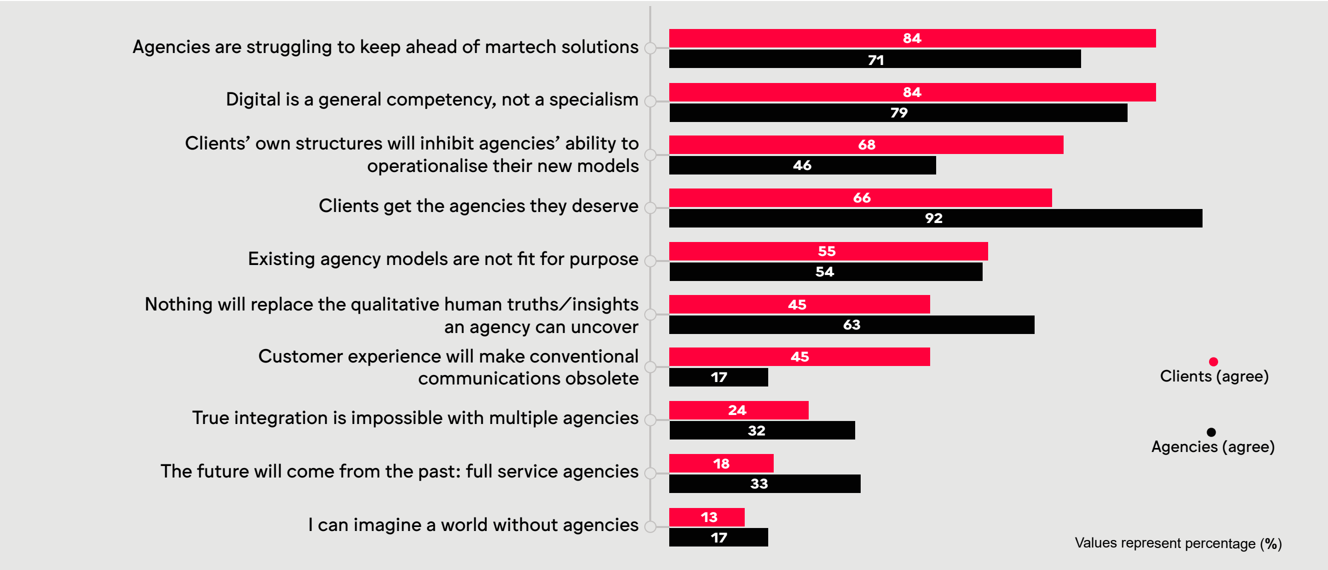
Collaboration hindered by client structures: Almost 70% of clients recognise that their own internal structures may be an encumbrance to operating the most effective roster model – an issue clearly far less recognised by agencies. Given the need for closer integration, this is concerning, and should be examined by agencies when considering their operational WoW. It is perhaps even more concerning that 58% of clients believe that true integration can be achieved with multiple agencies (18% "don't know") – who will inevitably be reporting to silo'd accountability within the client organisation.

Digital is a competency, not a specialisation: There was broad agreement between both agencies and clients that digital is a competency – unsurprising since most agencies now have it embedded, at least to a degree (albeit 'digital' covers a multitude of specialisations, e.g. creative, social, web, mobile, content, platforms etc.). However, most clients believe agencies do not have the required digital capabilities. For example, clients believe that agencies are struggling with martech - 70% of agencies agree - underlining the complexities of this area and a lack of confidence by clients in their agencies' ability to contribute.

Quantitative over qualitative insights: Just under half of client respondents believe that agency-driven qualitative insights are replaceable. We suspect this view has its origin in the increasing reliance on consumer-related data. Agencies tend to view this issue differently. Whilst data is a crucial component in determining the 'what and when', agencies still believe the 'why' is a significant factor in developing communications (63%).

Invariably these considerations, and many others, will play a role when clients evaluate how their roster is performing, and what needs to be done to ensure that it is future-proofed.

Fig. 3. Do you agree with the following statements Base: clients/ agencies.



Notable gaps to bridge: the client POV

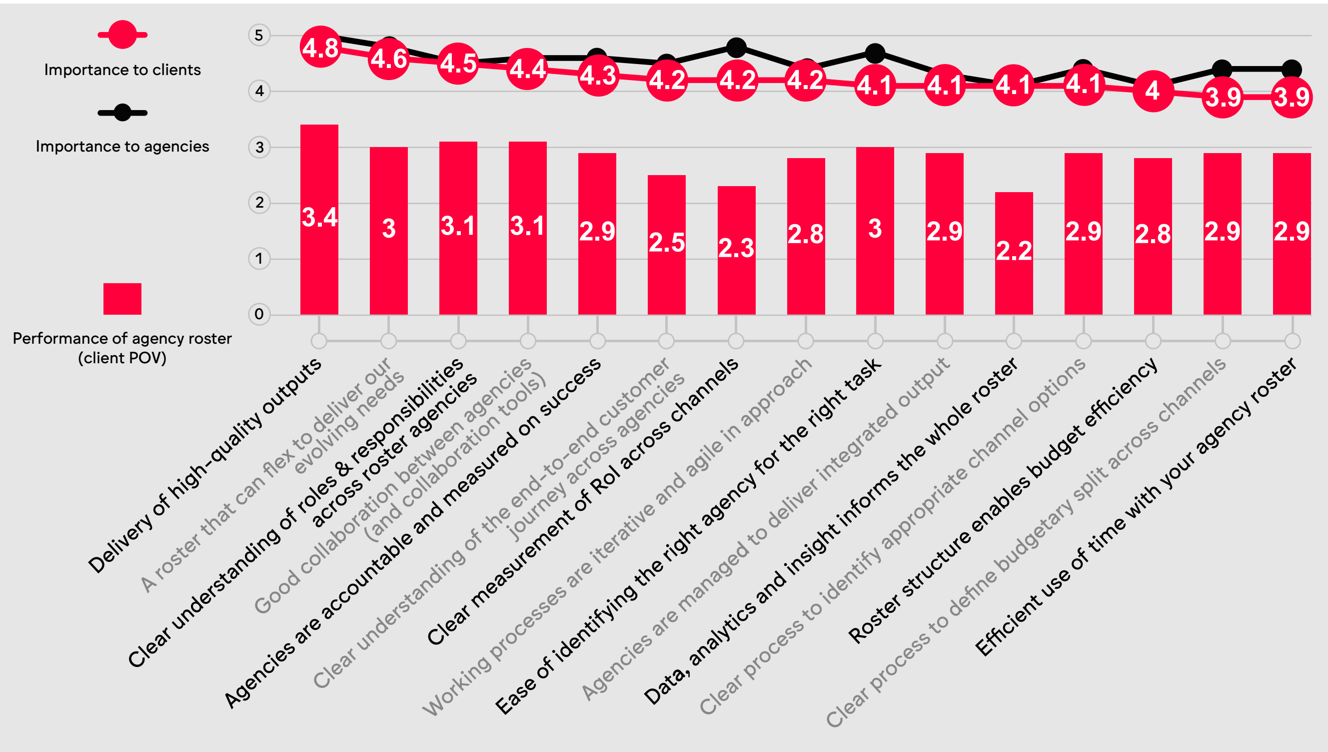
Looking to the future, clients see much room for improvement in the work that their agencies are delivering. Respondents were asked to rate a list of topics in terms of importance (areas perceived as priorities) and performance (their reality).

Whilst there is broad alignment between clients and their agency partners on what is important, there is a significant gap between clients' priorities and the perceptions of how well their agency roster is delivering against these.

The largest gap between clients' needs and agencies' performance (from a client POV) is the ability to provide clear measurement of ROI across channels and ensuring that data, analytics and insights inform the whole roster (gap = 1.9), followed by the ability to show a clear understanding of the end-to-end consumer journey (perhaps not surprising given the propensity to utilise multiple agencies) (gap = 1.7).

Fig. 4. Thinking about your agency roster/ your role in an agency roster, please rate the following areas in terms of IMPORTANCE to your organisation (1: Not Important At All; 5: Absolutely Essential). Base: clients/agencies

Thinking about your agency roster, please rate HOW WELL IT DELIVERS against the following areas (1:Very Poor; 5:Excellent). Base: clients



The three biggest gaps are:
(1) Clear measurement of ROI across channels (1.9)
(2) Data, analytics, and insights inform the whole roster (1.9)
(3) Clear understanding of the end-to-end customer journey across agencies (1.7)

Notable gaps to bridge: the agency POV

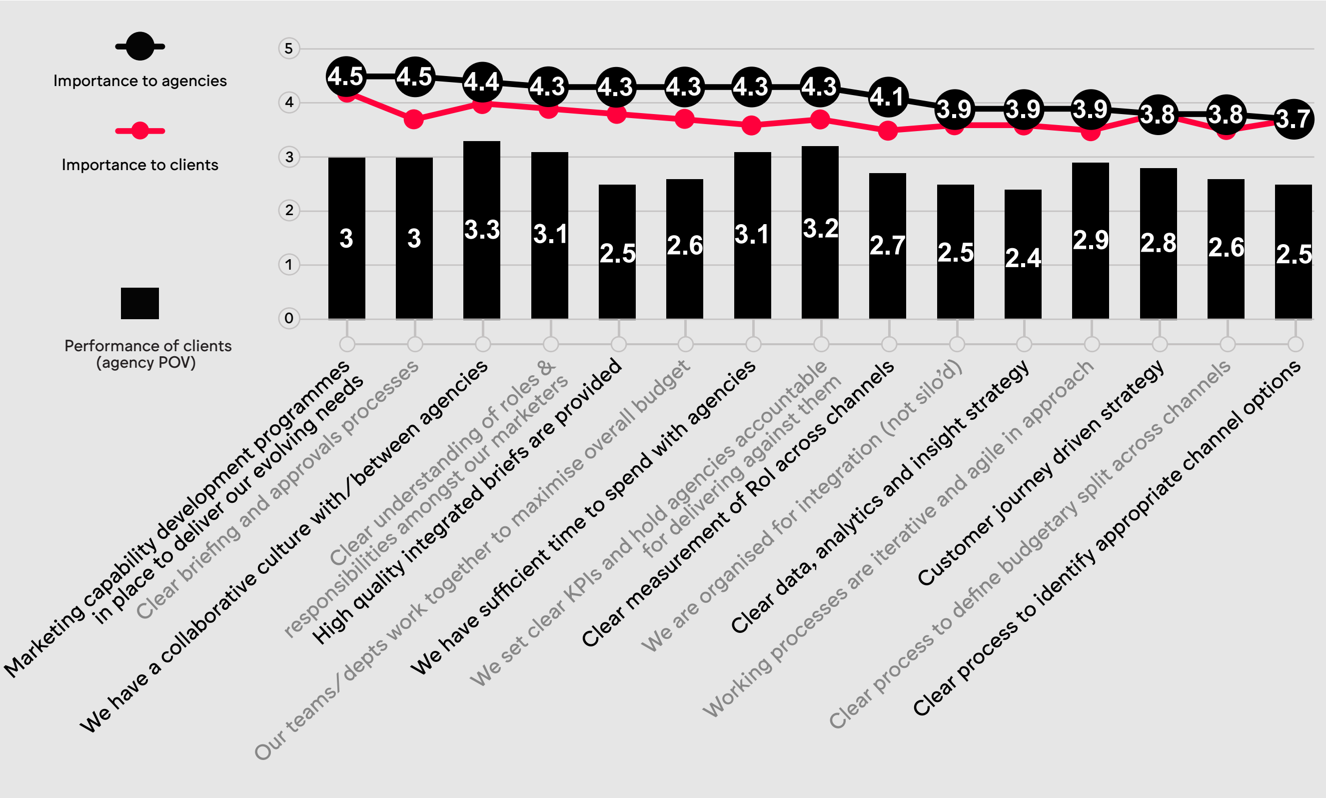
It's a two-way street, however. Unsurprisingly agencies believe that clients aren't always perfect either.

In a recurring theme, agencies continue to complain about quality of briefs, clients' silo'd ways of working, poor briefings and approvals processes, and calibre of clients they work with on a day-to-day basis. Whilst clients can be busy and under high pressure, they do need to give due consideration to these points – all of which can have a significant impact on the quality of agency output – the #1 most important criteria for clients.

The three biggest gaps are:
(1) Briefs are well written and designed to deliver integration (1.8)
(2) Clients are connected and work together to maximise budget (1.7)
(3) Clients are well trained and of seniority required (1.5)

Fig.5. Thinking about your clients/your own organisation, please rate the following areas in terms of IMPORTANCE to your organisation (1: Not Important At All; 5: Absolutely Essential). Base: clients/agencies

Thinking about your clients, please rate HOW WELL THEY DELIVER against the areas below (1:Very Poor; 5:Excellent). Base: agencies



The bottom line: more change

Building on the above, it seems dissatisfaction with the status quo is likely the driving force for clients to look for change. Three out of four clients are reviewing their current arrangements, at least in terms of capabilities and structure. However, this does not mean there will be a wholesale change of roster, simply that there may be builds/changes to the existing arrangements.

Fig. 6. Are you currently reviewing your agency roster in terms of structure or capabilities?
*74% Base: clients

3 out of 4 clients*
are currently reviewing the
structure/capabilities
of their agency roster

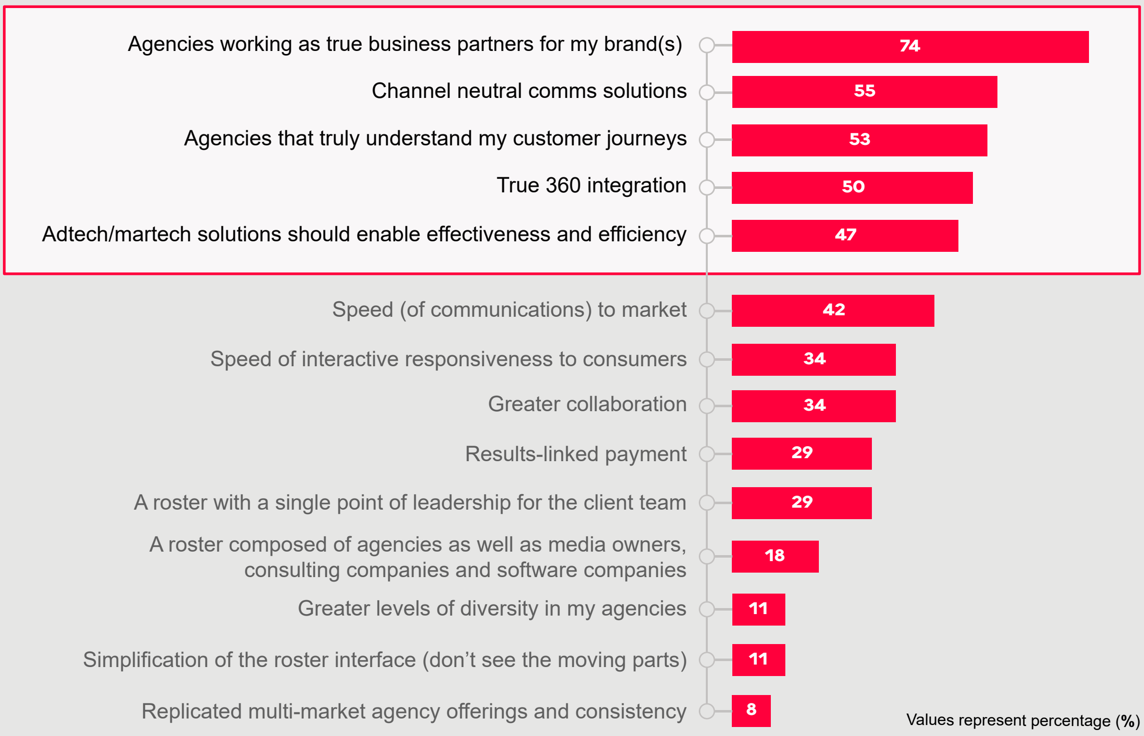
Part 2: Future needs

The agency roster of the future – impartial partners with true knowledge of their business
Clients' key priority for their future agency rosters is a true business partner relationship. Other top priorities include channel neutral comms solutions, agencies' understanding of consumer journeys, true 360° integration and the use of martech solutions to increase efficiencies.

Increasing roster complexity by bringing in media owners, consultancies and software companies does not seem to be a priority for clients. They are also not prioritising greater diversity, or replicated multi-market offerings. On the other hand, clients do not appear to be in a rush to simplify their rosters.

"Payment by results" is fairly low on the priority curve, which may suggest that there is some way to go for clients to be able to deliver their side of the bargain in relation to having a "true business partnership". True partnership will require increased commitment and transparency from both clients and agencies. It will also need more resource, including investment, from clients.

Fig.7. Thinking about the future, what are the TOP 5 key characteristics you would want to see in an agency roster of the future? Base: clients.



As clients look to their future rosters, the considerations they are undertaking are both many and varied.

The roster paradox? Consolidation coupled with an increase in specialists. In terms of future plans, the largest group (75%) of respondents intend to focus on incentivising collaboration. To deliver on this intention it may be that performance-based remuneration mechanisms will need to rise further up respondents' list of priorities.

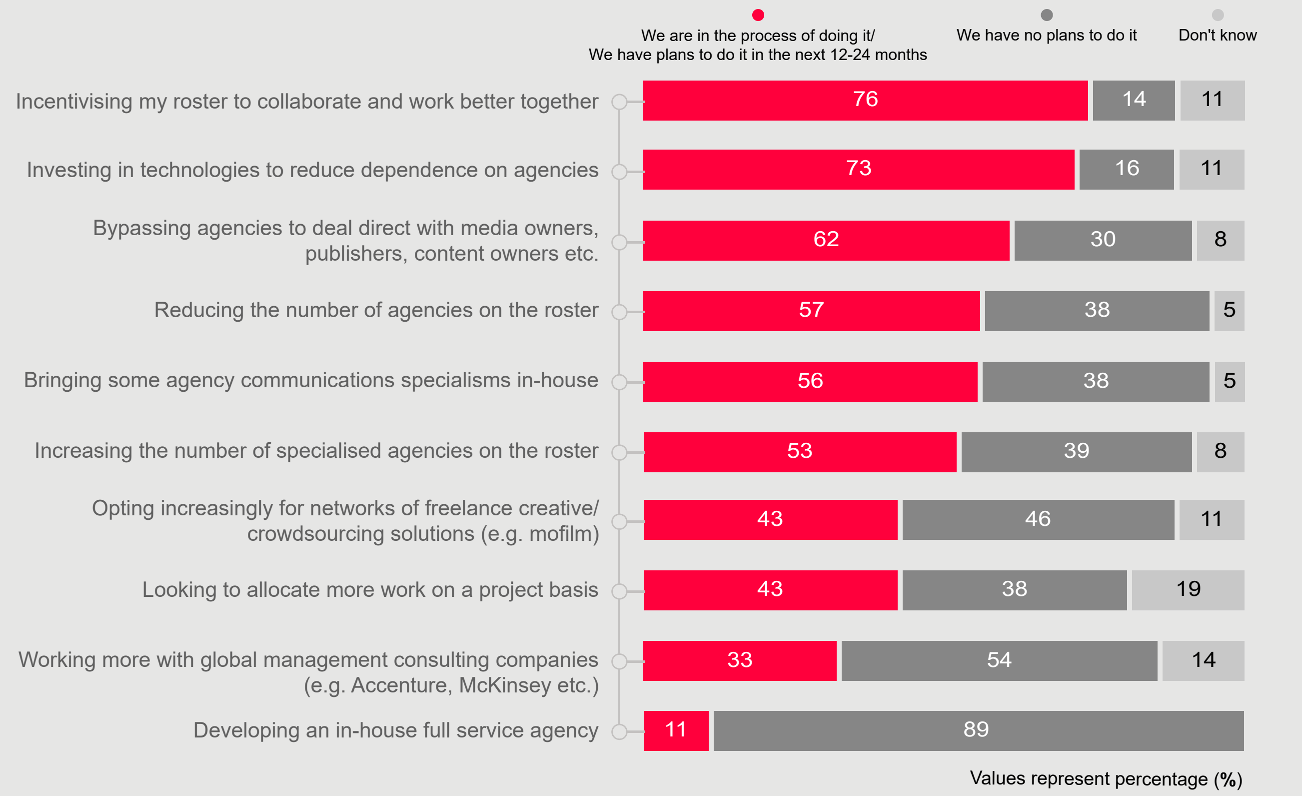
There is also evidence of technology investment to reduce levels of dependence on agencies and a desire to have more direct dealings with media owners, publishers and content providers – a significant watch-out for agencies.

There is clearly some division across the client universe as nearly 60% are looking to reduce the numbers of agencies on their roster over time, whilst the balance are looking to increase the numbers of specialists they are using.

There is definitely an impetus on bringing certain aspects in-house (this may be being led by social) though actually establishing a full service in-house agency has little appeal for most.

Around 30% of clients are looking to work with major management consultancies - though they are unclear on what that remit might be, and there is definite evidence of clients moving towards both project-based activities and the use of alternative creative sources to deliver work. This is almost certainly driven by the need for nimbler and more efficient way of working.

Fig. 8. Which of these options are you planning to implement?



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About the Observatory International:

The Observatory International is the leading global management consultancy dedicated to helping companies maximise their marketing and communications resources. We bring global and local perspectives to marketers along with the knowledge required to overcome the challenges associated with managing communications agencies in these dynamic times.

With years of experience working with many of the world's leading brands and agencies, our casebook is full of best practice on how to get the most out of your marketing resources.
To learn more, visit: www.observatoryinternational.com/uk

About the World Federation of Advertisers:

The World Federation of Advertisers (WFA) is the voice of marketers worldwide, representing 90% of global marketing communications spend – roughly US$900 billion per annum – through a unique, global network of the world's biggest markets and biggest marketers. WFA champions responsible and effective marketing communications worldwide.
More information at www.wfanet.org

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Key recommendations to identify an agency roster model that fits your organisation's needs

This survey has indicated roster re-organisation is needed, but that as both clients and agencies grapple with the rapidly changing landscape, there is no magic bullet or one size fits all solution. To help clients adapt, The Observatory International has developed 9 steps to help determine a roster that could suit their company's needs.

- ✓ **The Strategy** Structure must follow strategy. So, be clear on the strategy you are delivering to, and have a vision of your ideal outcome. Don't wed yourself to a detailed model – just have a number of scenarios in mind. Don't worry about practicalities at this stage. Simply ensure that your vision is rooted in the needs of the organisation and what might be expected in the future.

- ✓ **The Discovery** Engage with your stakeholders. Make sure you fully understand their specific needs, both now and in the future, and whether these are relevant to your vision. Understand how the various elements of your organisation are working with your agencies. And identify any internal behaviours/organisational blocks. Understand what's working well, what isn't and why. And make sure that this relates to the day to day as much as the big picture. Engage Procurement at an early stage to enable you to get an accurate fix on your current agency costs.

- ✓ **The Analysis** Pull together those findings. Look for the common strands – both positive and negative and map them against your vision. There will be significant gaps – but it's a sense-check to find out how difficult it might be to move quickly from the current to the ideal. Identify any absolute must haves and if necessary modify the vision to accommodate.

- ✓ **The Review** Sense-check the vision. Re-involve Procurement and analyse current agency costs and identify areas of duplication of expenditure which can be eliminated in the new model. Socialise findings of the analysis and review with your stakeholders and make sure they are on board. Demonstrate the 'As is' and the 'To be' and its benefits. Agree go/no go. Get this agreed at the highest level.

- ✓ **The Model** Review roster models and decide which might be most appropriate for your organisational structure and your needs and deliverables. Remember, whilst there are core models in use, these are infinitely variable and it may be that your organisation needs a hybrid. Develop the model together with a Way of Working methodology with clearly defined roles and responsibilities throughout line Marketing management. Cross-check to make sure the model you have in mind is capable of delivering the strategy and vision. Get this signed of at the highest level.

- ✓ **Populating the Model** Identify the agency types that can best populate your model and desired WoW/engagement – Best in Class specialists, Lead Agency +, Integrated Grouping, Network, Holding Company etc… Assess what agency types you currently have in place, what is missing and what you might deliver in-house.

- ✓ **The Planning** Develop a plan to move you from where you currently are within the organisation, to your vision. Develop the workstreams. Allow sufficient time for them to be delivered. Phase them to match your resource to deliver. Be realistic about how much time it may take to effect change.

- ✓ **Change Management** This may take the form of new responsibilities, Ways of Working and remuneration approaches within the existing agency roster (and your own marketing organisation) and/or the sourcing of new partners to fill gaps or upskill in areas of strategic importance. There will no doubt be multiple workstreams and it is important to prioritise these and allocate resource to activate those with highest impact.

- ✓ **Measurement** Any new roster model must be monitored and measured on how well it is delivering against its KPIs, whether that be improvements in quality, speed, value, integrated outcomes, customer engagement etc. Ensure that the right measures are in place and that issues are spotted early and that learnings and best practice are shared and celebrated.

Appendix: Recommended external consultants

Note: the following two questions were NOT added by The Observatory International, but at the specific request of a WFA member company.

Q: Have you used an external consultant... (Base: 50 clients. *1-4=Amount of times recommend.)

...to help you with re-imagining what a new agency roster or model should look like:

AGENCY MANIA SOLUTIONS	1*
creativebrief	1
ID COMMS	1
McKinsey &Company	1
MEDIALINK	1
MediaSense	1
R3 WORLDWIDE	3
Observatory International	3

...to help you with client-agency matching/profiling:

AGENCY MANIA SOLUTIONS	1
ingenuity	1
R3 WORLDWIDE	1
Observatory International	4

Additional Information

WFA is happy to pass on members' experiences and/or recommendations. Please note that any such experiences and/or recommendations do not reflect WFA's position and should not be considered as WFA's experiences and/or recommendations. In particular, WFA does not undertake any investigations or make any judgments on the quality or the performance of any consultancy and does not take any responsibility for the accuracy of experiences and/or recommendations expressed by its members.

Related insights

Interested in content strategy development? You can find all the benchmarks, meeting overviews and insights on this topic on our Global Knowledge Base, for example:

- Click here for our survey on global agency rosters (2016).
- Click here for our report on agency evaluations (2017).

Note: You will need to be logged in to download any files from our Global Knowledge Base. WFA members can click here to get their login details resent to them. Members who are new to WFA can request their login here.