

The Pitch.
Why Clients as well as
Agencies would be
better off without the
Creative Shoot-out

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Brussels
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David Wethey
Chairman AAI London



***Partnerships,
Relationships,
Respect and Results***

I believe...

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- ***Agency/Client RELATIONSHIPS are not enough. It is also essential to build Client/Agency PARTNERSHIPS***
- ***There needs to be mutual respect between agencies and clients to achieve outstanding results***
- ***Things need to change – particularly with the way pitches are run, and agencies are paid***



What AAI has been doing for the last 24 years

- Working internationally – projects in 30+ countries
- Working for clients to run pitches, help manage rosters and relationships, and get more out of all of them
- Working with agencies to solve client problems, and help with agency problems



Current and recent clients



John Lewis



**I think it's time for me
to speak up!**

**Because the world has
changed.**

But the industry hasn't

The Euro Effies measure Partnerships

“The goal of marketing communications is to help marketers achieve their marketing objectives. The philosophy behind the EACA Euro Effies is that marketing communications should be recognised for their ability to achieve those objectives, beyond any reasonable doubt, and for their important role in marketing”



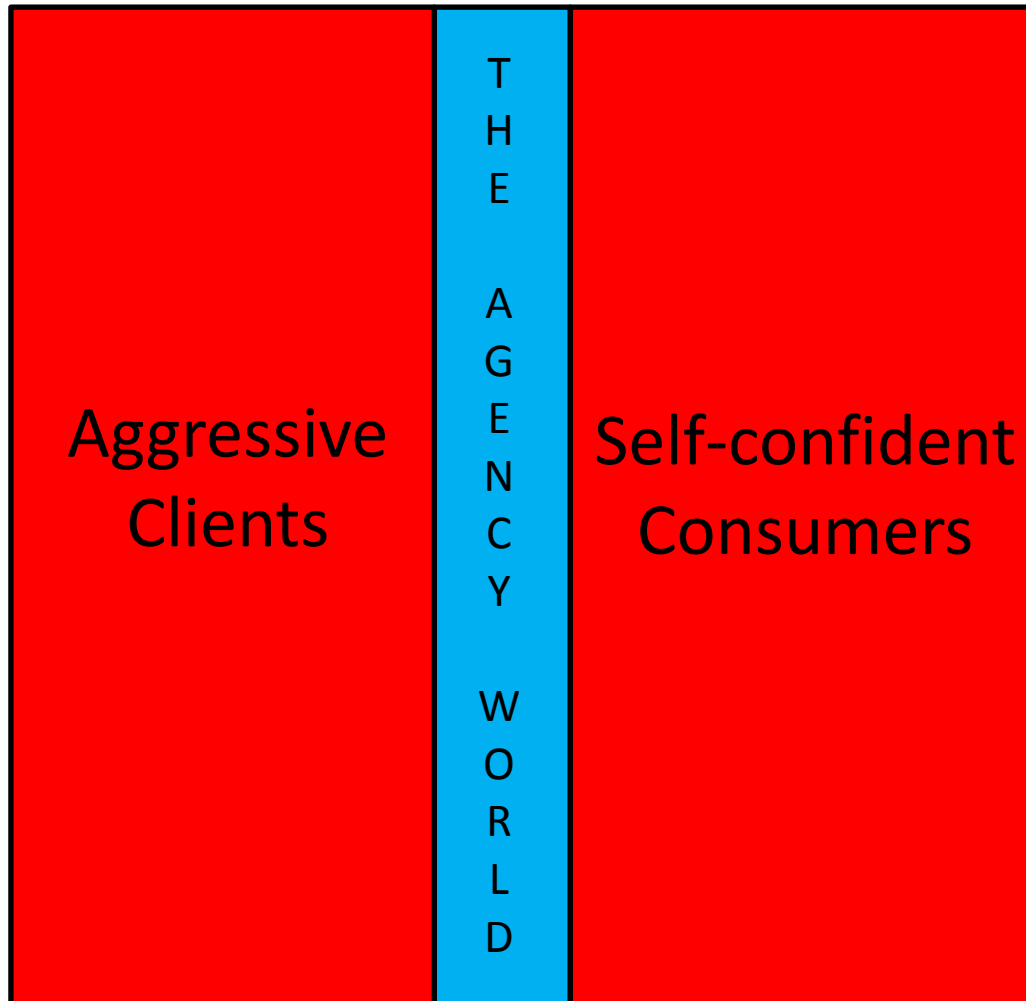
But...

***What got you here
Won't get you there***

Marshall Goldsmith



The Squeezed Middle



Agencies are becoming the Squeezed Middle

- Between increasingly aggressive clients
- And self-confident consumers, who are less predictable and harder to manipulate



Advertisers today are very powerful

- Beneficiaries of a vast imbalance between the supply of agencies and the demand for their services
- Formidably organised to deal with suppliers, through the finance function and procurement
- Able to select agencies on the basis of generous amounts of free strategy and creative work



Agencies are successful, clever, influential....and weak

The paradox:

- Holding companies doing well
- Hot shops selling for a lot of money
- Agencies leading the digital revolution
- But treated with little respect by clients



Part of my job

- To try and make sense of the future
- By learning from the past

2000-2009: Major Changes in the Client/Agency Landscape

- Digital revolution –
 - End of command and control ‘propaganda’ communications
 - Traditional advertising-based skill base threatened in agencies
- Technology-driven change
- Trust eroding in ‘them’ (authority/power)
- People don’t want to be ‘consumers’ any more. They are starting to be in charge



2010-2019: The Watershed Decade

- Global balance of power moves from West and North to South and East
- Fastest change in communications since the birth of TV
- Social media become the most powerful medium
- TV becomes content, not just a channel
- Both clients and agencies need to reskill

What does this mean for clients and agencies?

- Agencies have to transform themselves to become leaders not followers
- Clients will need agencies more at a time of dramatic and continuous change



But I see four dangers that threaten that scenario

- 'Big Pitch'
- Commoditisation
- Industrialisation
- Marginalisation



Big Pitch

- Not the historic way that agencies have pitched...
- ...More the new-style long drawn-out, expensive, complicated spectacles



Commoditisation

- Agency scope of work has become largely commoditised, as increasingly powerful procurement departments have taken over fee negotiations
- The fee system is the superglue that threatens to stick the communications industry to the floor of commoditisation
- Before long ads and ideas will be traded on some commodities exchange alongside wool and base metals. (Hallo e-auctions!)



Industrialisation

- Why does an agency industry which is vastly oversupplied need a new agency created every time a giant global company goes out to pitch?
- Where is the evidence that dismantling existing agencies and putting their stars into vast client-specific new builds works for either clients or agencies?



Marginalisation

- The balance of the client/agency relationship has become skewed to the status of master/servant
- Can we have partnerships without mutual respect?
- Will we get great work and great results?



Let's look at Big Pitch



I wrote a book!





KoganPage

David Wethey

decide



better
ways
of making
better
decisions



EUROPEAN ASSOCIATION OF
COMMUNICATIONS AGENCIES



Principles from *DECIDE*

- Before you do anything, be clear about your goal and choice criteria
- Opportunities are far more important than problems
- Narrow down your options fast
- A disastrous downside can destroy your plans, however attractive the upside
- People factor and gut feel are just as important as logic
- Decision isn't a decision until you have communicated it, and have buy-in
- You always need a Plan B!



- First rule of writing a 'how to' book: make sure you are true to what you recommend others to do
- And.....I realised that Big Pitch (the agency pitch process we have grown used to) broke several of the rules
- Especially the one about being consistent over choice criteria



Big Pitch Process

- Too long and drawn out
- Heavy procurement influence – over process as well as remuneration
- Expensive for both sides – particularly agencies (average cost per pitch £178k in the UK)
- Exploitative - more one sided than mutual
- More about choosing a campaign than choosing an agency
 - Because it is too focused on the speculative CREATIVE SHOOT OUT, and not enough on other criteria
- Little or no emphasis on inducting the winner



Some Horror Stories from the UK pitch jungle!

“We are a start-up”

- Long pitch
- Presented a lot of work
- Agency reached the last two
- Told they had lost out because they were a start-up...
- ...because the Managing Director had had a bad experience with a start-up in the past!



“We are a big UK integrated agency without a network”

- Four month process for global social media activity for legendary brand
- Several presentations at client’s European HQ
- Lead client largely unavailable apart from these meetings
- Rest of client team reacted very positively to the work – “buying signals”
- Lead client turned agency down because they didn’t have a network!



Big government account

- Massive RFI pre-qualification exercise
- Full chemistry/briefing/creative response/second round of work
- Incumbent urged to keep the existing 'character' presenter. Other agencies told to drop him
- Incumbent reappointed, and character survives!



Free goods extends beyond creative work

- Another government account
- RFIs sent to multiple agencies
- RFI response also has to include full strategic recommendations and creative brief!



“Didn’t we tell you there’s going to be a new Marketing Director?”

- Dramatic split between client and agency
- Client takes on an interim agency
- RFIs issued to six agencies – but not to interim agency
- Chemistries with exam questions, full brief and full creative pitch process for brand and all sub-brands
- Agency (and several others) did at least 2000 hours of work and presented to CEO and Marketing Controller
- New Marketing Director arrived for final pitches only
- Interim agency appointed despite not having been involved in the process, nor having pitched



The Marketing Director's farewell

- Huge and complicated pitch involving European HQ and 10 offices
- Run by Marketing Director (creative, encouraging) and Marketing Controller (hostile, disagreed with his boss on everything)
- Marketing Director resigned just before the pitches



The new Marketing Director

- New broom calls a pitch involving his contacts and the latest hot shops
- Agencies briefed to develop creative extending existing campaign + one new idea. “Please mention brand name as many times as possible”
- Project fee offered to all agencies whose ideas are taken into research
- Three rounds of creative and research
- A year later existing campaign is still running
- No project fees paid (“you must have had an early version of the brief”)



Creative Pitches

- Sometimes agencies are paid to pitch
- Most agencies like doing them
- Clients love free ideas
- Very entertaining to watch
- But...



A creative beauty parade is not the best way to pick a partner

- Other skills are just as important, particularly
 - Quality of People
 - Quality of Thinking
- And above all the agency track record
 - Creativity
 - Strategy
 - Effectiveness
 - Retaining clients
 - Winning clients
 - Conversion to digital world, social and new media etc



Nor is it the best way to start a relationship

- In around 80% of cases the spec creative that won the business never runs
- So there's an immediate tension over creative requirement...
- ...and there may be a poor fit
- A real danger of a rocky start...
- ...which can jeopardise the relationship before it's properly begun



In the UK the ISBA/IPA “Good Pitch Accord” – was a step in the right direction...

- Working party chaired by Mark Lund (team included David Wethey)
- New guidelines agreed:
 - Openness and Transparency (on all aspects)
 - Respect (both sides need to treat the pitch with more respect)
 - Bravery (both sides need to push back more)
 - Access and Navigation (agencies don't get enough access)
 - Timing (pitches take too long)



...but nothing much has changed!

- Pitches taking as long as ever
- Numerous permutations on process
- Clients still sending out up to 20 RFIs
- Agencies still pitching for everything
- Over 90% of aggregate creative output still being wasted
- Not much evidence of “Good Pitch” culture or practice



Clients will always need new agencies - and sometimes to change them

- But no need for the current pitch circus
- Always worth looking at improving current relationship before deciding to change it
- ‘No Pitch Pitch’ can work very well
- There are other ways to run pitches



We learned from other Professional Service Firms (PSFs)

- They don't give away IP
- They pitch much less often
- PSFs only take pitches seriously if there are very few candidates
- Clients identify preferred choice (with a reserve – just in case)
- Major focus on operations, staffing, induction / first six months – and of course money



We can ditch the 'Big Pitch'

In favour of a more ethical process that delivers:

- Selection based on rigorous criteria and sub-criteria, while allowing for gut feel, chemistry and fit
- Total regard for the creativity of candidate agencies – rooted in proven performance over for clients over time
- Efficiency in terms of both time and money
- Transparency. A system that preserves respect and dignity on both sides



How does it make sense for agencies to pitch?

- People, credentials, reputation and resources
- Majoring on great creative, case histories, and effectiveness triumphs for existing clients
- Contribution on strategy
- Fit with client team
- Price and value



Also offering things like

- Global / regional knowledge and capability base, for international agencies
- Digital expertise, and understanding of the new communications world
- Integration, specialisation
- Co-operative attitude to working alongside other agencies



**That's why we have
developed
MUTUAL DECISION™**

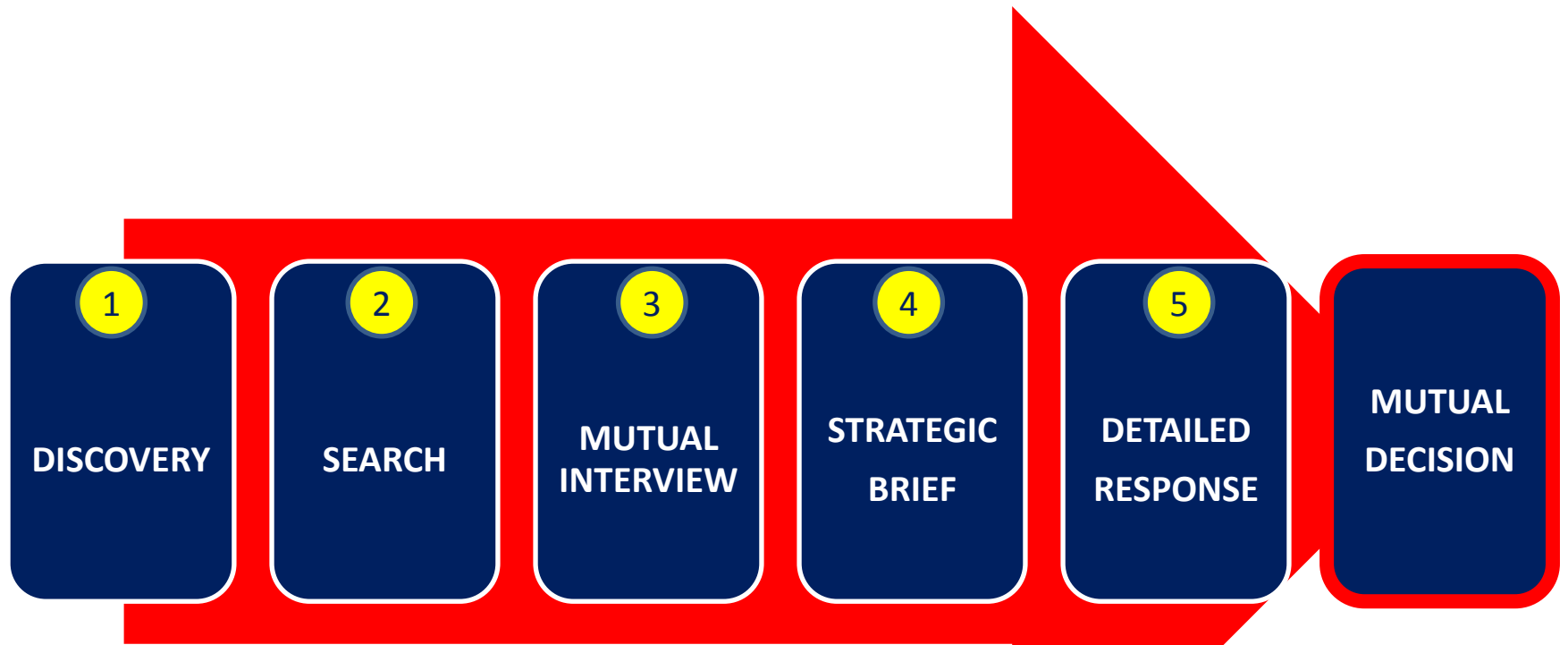


What **MUTUAL DECISION™** is all about

- There are two decisions every time an agency is appointed:
 - Client decides to appoint the agency
 - Agency decides to sign up the new client
- The agency's decision is as important as the client's
- Hence the name **MUTUAL DECISION™**



Only five stages before the **MUTUAL DECISION™**



AAI'S role

- Sharing our experience with clients and agencies over 24 years
- Managing the pitch – fee paid by client
- Help and advice through pre-joining, joining and first six months – fee jointly paid by client and agency
- On-going evaluation – via proprietary AAI Evaluator system



MUTUAL DECISION™

Choosing an agency – not a campaign

- Not exploitative – fairer and better balanced
- More ethical – clients can't be accused of choosing on the basis of free goods
- More effective – focus on criteria and fit
- More efficient – because it's faster
- Less costly for everyone
- Creativity judged on client work, not instant response
- Pitch ends properly, so that relationship can start properly
- More emphasis on a smooth transition and a flying start



**But Partnership Culture
depends on more than
just the pitch**

We also need a better business model

- A fairer and less adversarial remuneration system
- Ideally something based on value and sharing success
- Also a system that allows high performing agencies to break out of the commodity stranglehold, and charge premium price for premium product and premium results



In the 60s

- Agencies were paid by the media
- Percentage of transaction cost

The Commission System

In the 90s

- Move to a completely different remuneration regime
- Agencies charging clients for time inputs
- Based on scope of work and agency cost base
- Incentives related to a cocktail of measures

The Fee System



2009 onwards

- Each deliverable individually costed against scope of work
- Client also pay fee for the core team

Deliverables-based costing

What I would like to see ASAP

A system based on neither transaction nor inputs

- Clients and agencies both incentivised to keep transaction and input costs under control
- Clients buy deliverables (ideas, campaigns) on value-pricing
- Agencies become partners in success by earning a percentage on outcomes

The 'Value and Success System'



Moving from Big Pitch will help

- Agencies won't have to recoup heavy pitch costs at the start of every new relationship
- Top agency stars will spend more time on existing clients
- Organic growth will become the major driver



So will shift of agency focus from new business to client business

- The clients that need your help are your clients, not other people's clients
- Organic growth is more profitable than acquisition
- It's easier to plan around companies that value you, brands you know, and sectors you are familiar with



To summarise

Let's all try to build a Partnership Culture

- Industry should look at making pitches faster, fairer, quicker and more effective
- Agencies should not be asked or offer to give away creative work for free
- Business model should move from charging hours to value pricing and success fees



ANY QUESTIONS?

