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## “Agency Search: Ante Up, But How Much?”

By Lee Anne Morgan



### QUESTION:

***How does a marketer determine fair compensation during an agency search?***

### ANSWER:

***Talk about it.***

Sound simple? Then why is it not done more frequently with candor, good intentions, and the absence of angst? Why is the prevailing mantra ‘get more for less’ rather than ‘value-for investment’? Well, most marketers and their procurement teammates are under real pressure to deliver the most for the least cost. The human psyche (and dare I say soul?) would rather move towards the inspirational than the Excel charts of comparative profits, overheads, and salaries. *We want to talk about strategies, insights and innovation, the digital space and social media and not look at pages of analyzed numbers. Yes, we know we have to deal with this at some point ... but not now.*

Well, it is *now*. After conducting agency reviews for over two decades, I can say that the earlier you begin to talk about staffing and compensation in the search process, the better for the marketer and the agency. A good consultant can facilitate this dialogue and analytical work because they understand a variety of agency operations and how they need to work.

However, during the course of an agency review, the sexy stuff beckons: the excitement and juice of meeting with agencies, hearing about new strategies and insights, seeing creative efforts and their supporting media strategies, and witnessing these idea generators wrestle

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with the ever-changing digital and social media spaces. But, the time inevitably arrives when the marketer, consultant, and finalist agencies review and deliberate the proposed staffing and fees of each. And for many, it is a time of deflation, not exhilaration. It is all about numbers and is often perceived as the ‘elephant in the room’.

Yet, these numbers, these deliberations, form an important fiscal cornerstone of the new client-agency partnership. They lead to how much the marketer will pay the agency, how much profit the agency will make for its efforts, and who the dedicated talent is that will serve the marketer’s business and, hopefully, help build or sustain the wealth of their brand.

### Where Do You Begin?

In order to have a candid, robust, and transparent dialogue about fair agency compensation, there is a critically important foundational element that must be laid: it is the agency’s Year 1 SOW. *Really? We already know that! We provide a very thorough SOW.*

Not necessarily so. Most marketers present a litany, or laundry list, of deliverables. The usual SOW, though perhaps many pages, can be interpreted in different ways by each agency. If it is not precision-driven, it runs the high risk of resulting in a wide range of proposed fees and staffing. Some top heavy with seniority; others laden with juniors; and still others with totally unnecessary staffing requirements.

### FOUR STEPS, FOUR SOLUTIONS



So, here are four steps and solutions for opening vital and productive agency compensation dialogues during a competitive search:

- **Start Early:** Submit your Year 1 SOW at the finalist agency briefing. Don’t wait until the search process is in its final stages.
- **Be Precise:** Know which of the deliverables is reality ... what’s in scope and what’s not. List them accordingly. Rate, weight, and apply re-work levels to each deliverable. A lot of work, but a consultant can help.
- **Ask for the Right Data:** The Staffing and Compensation Questionnaire is developed early in the process as well and accompanies the SOW. It should request relevant, *not unnecessary*, agency staffing and economic data. Be certain that definitions of agency

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positions are uniform and accepted by advertising agency industry standards for comparison purposes.

- **Benchmark the Data:** Benchmark the staffing and agency economic components of each submission. Do not be insular using only your data. You'll merely be talking to yourselves.

Okay. If the SOW is a true precision document and the Questionnaire is clear, thorough in its requests, and structured well so that it yields apples-to-apples comparisons, now you have the information, the platform and the tools you need to begin a dialogue about agency compensation.

### **Why a Dialogue?**

Well, there is money on the table and it is not only the best thing to do, it is the right action to take for a win-win. And, you will need to have a couple of chats because things happen: even with a precision SOW and uniformity of the Questionnaire, agencies by virtue of philosophy and culture, work and operate differently. Some agency responses cluster in a fee range but have varying levels of senior-to-junior staffing ratios. Overheads may not vary but salaries will or vice versa. Then you will have outliers who submit almost double the fee of those in the cluster.

How do you sort through this? At the risk of being self-serving, a good, qualified consultant can really help. (*Oh, did I mention that earlier? Well, it bears repeating.*) In the end, you will circle back to that foundational element I referred to in the beginning: the Year 1 SOW. Through this "tool", and it is a cool tool when done well, you will learn about each agency's operation, style, and accounting methods.

If they are way off base for your needs, tell them how and why. Ask for more detail. Without illumination of the facts for all concerned, there is no real dialogue but only opacity. And, opacity is contrary to clarity, truth-on-the-table, and is certainly antithetical to a sincere dialogue. Let the agencies know exactly where they stand. Their guts tell them when a marketer is offering truth or merely attempting a cost squeeze.

### **Some Final Thoughts**

It is incumbent upon the consultant as an independent, third party to bring objectivity, perspective as well as accuracy and intellectual capital to the table. It is the marketer and procurement teams' responsibility to be certain that they have peeked behind the curtain and have not only seen the show but understand it and applaud it.

Do marketer and agency live happily ever after ... probably not or at least not without challenges. But as in any good relationship, business partnership, and the basic human

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condition — clear, candid, and well-intentioned communication is a major key to success ...  
*even when it's about money.*

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