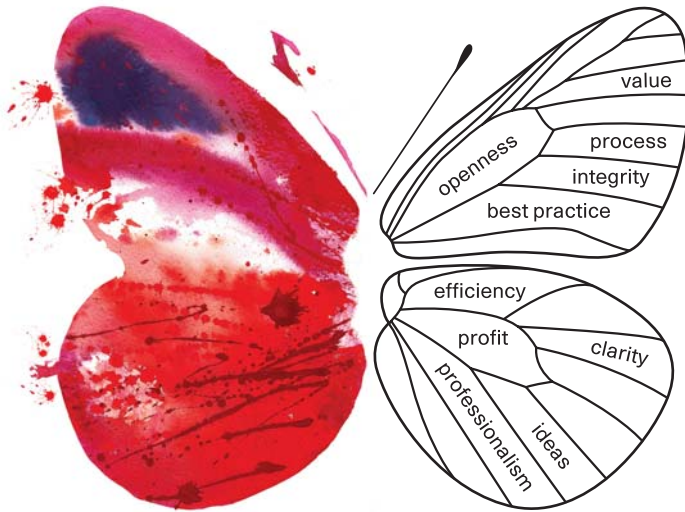


Magic and Logic Challenges



Prepared by Marilyn Baxter
for the Value Framework Steering Group

A companion to the Magic and Logic 'white paper': re-defining
sustainable business practices for agencies, marketing and procurement

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CONTENTS

	Foreword	1
1	Introduction	2
2	Challenges for agencies	
2.1	Planning in a more business-like way	4
2.2	Behaving in a more business-like way	5
2.3	Working proactively with procurement	6
2.4	Becoming more accountable	7
2.5	Growing in confidence	8
2.6	Thinking before you pitch	9
2.7	Negotiating for fair pay	9
3	Challenges for procurement	
3.1	Getting to know agencies	11
3.2	Working more productively with agencies	11
3.3	Motivating agencies better	12
3.4	Establishing your role and relationship with marketing	12
4	Challenges for marketing	
4.1	Working productively with agencies	14
4.2	Ensuring fair play in pitching	15
4.3	Ensuring fair play in remuneration	15
4.4	Being more professional	16
4.5	Being proactive in your relationship with procurement	17
5	Conclusion	18
	Organisations interviewed	19

Foreword

The Magic and Logic ‘white paper’, was commissioned by the joint industry Value Framework Steering Group comprising CIPS, IPA, and ISBA. It was launched on 22nd May and the report laid down many challenges for Agencies, Procurement and Marketing.

Surmounting these challenges is key to adopting the behaviours and processes that are identified as best practice in the industry, and achieving this will enable the production of profitable ideas that make a profit for all.

As a result of the positive feedback Magic and Logic has received, the Value Framework Steering Group thought it would be helpful to practitioners to consolidate these challenges into a short set of questions they and their colleagues can focus on and then address.

These are contained in this summary document and the full ‘white paper’, and launch presentations can be found at www.magicandlogic.co.uk.

We would encourage all forward-thinking UK practitioners to use these challenging questions as a basis for improving further what is already regarded as a world-leading advertising and marketing communications industry.

Value Framework Steering Group



Introduction

As the author of ‘Magic and Logic’ I’ve been really pleased by the reactions it’s generated since publication, and I was more than happy to produce this summary of what I see as the key challenges facing Agencies, Procurement and Marketing.

I’ve presented them as questions in the hope that practitioners will take the time to review them and consider, in relation to their own organisations, whether their practices match up to industry *best* practice.

The intention here is not to produce a ‘blueprint’ that all organisations should follow slavishly, nor to suggest that there is only one way of achieving best practice, but rather to stimulate an examination of current ways of working by each of the parties, and hopefully for the three parties to discuss and agree together how to take this thinking forward for their mutual benefit.

This document is split into three sections: a set of challenging questions for each party – Agencies, Procurement and Marketing. The Agencies section contains challenges for both the way agencies work with their Marketing and Procurement clients, and the way agencies themselves operate.

There are undoubtedly similar challenges for both Procurement and Marketing departments in how efficiently and effectively they are organised and operated, but this did not form part of the Magic and Logic study. I would urge practitioners to think not only about the challenges in their own area, but also about those for the other parties.

There is a helpful notion in the way that Government applies its guidelines for Departments, in order to avoid too rigid and bureaucratic an interpretation; the phrase used is ‘comply or explain’ – you can simply comply with the guidelines, but you are free not to comply as long as you can explain your reasons. ‘Comply or explain’ might be a useful way in which to consider the challenges in this document.



Marilyn Baxter
Research Consultant

2

Challenges for agencies

RUN YOUR AGENCY LIKE A
BUSINESS NOT A BOUTIQUE

2.1 Planning in a more business-like way

- Do you regard your agency as a business that needs to be managed as a commercial enterprise as well as being managed as a creative enterprise? Do you **have a visible commercial policy**? If so, is all of your top management aligned on your agency’s commercial policy? If asked, would your employees agree that the agency is run in a business-like way?
- Do you **make adequate profits**? In accordance with Willott Kingston Smith’s good performance guidelines, do you make an operating margin of at least 15-20%? Does gross income per head exceed £80,000? Are employment costs 55% or less of gross income? Is operating profit per head in excess of £10,000?
- Does your agency **have coherent values**, and a defined culture? Are they communicated and shared throughout the agency?
- Are your financial/commercial/administrative people fully represented at senior management level, well integrated into the work of the agency, and taken seriously throughout the organisation?
- How efficient is your agency? Do you regularly review structures, workflows, time allocation, ways of working etc. to improve efficiency and **cut out waste**?

YOU DON'T HAVE TO BE
CHAOTIC TO BE CREATIVE

2.2 Behaving in a more business-like way

- Do you **get the management information you need** to run the business effectively (e.g. timely and regular information on income, costs, individual client profitability, security of client relationships, new business record, staff productivity, staffing ratios, etc.)? How often do you review costs in the business?
- If the profitability on a client account falls below an acceptable level, what action do you take? Are you prepared to **resign an account that is not profitable**? Have you ever done it?
- Have you considered using outside experts/consultants to help you solve management problems or improve the management of your agency?
- Is the work of your agency governed by formal working processes (e.g. project management) that enable you to be more efficient and to explain to clients what you do on an account, how teams and time are organised and allocated, etc.?
- Do you have formalised ways of working with clients, that **demand certain actions and behaviours of both the agency and the client** (e.g. briefing and approvals process)?
- How many of the 'signature practices' in the Appendix to the original Magic and Logic 'white paper' do you routinely follow?

MAKE PROCUREMENT YOUR
ALLY NOT YOUR ENEMY

2.3 Working proactively with procurement

- What is the nature of your relationship with Procurement? What have you done to build bridges with Procurement, to **understand the procurement agenda** and to explain how the agency works?
- Are you transparent in your financial dealings with your clients? Is it clear to clients what they are paying for and what they are getting from your agency? Are all revenue sources declared?
- Is your management team confident in negotiation? Has the management team been trained in negotiation skills (preferably as a team)?
- If threatened with decoupling of some of the agency's services, are you able to make a persuasive case to Procurement that the client's best interests would be served by continuing to use the agency? Are you able to **demonstrate your competence at purchasing**, to articulate the benefits to the client of the agency managing these services, and able to be open about your financial relationships with third-party suppliers?
- Have you considered hiring your own procurement professionals? If you have a procurement function, is it engaged in doing the agency's third-party procurement?

WHAT ISN'T MEASURED ISN'T
MANAGED (OR REWARDED!)

2.4 Becoming more accountable

- In the way you work, do you seek to deliver 'best value' and seek to save the client money? Have you considered new ways of working (e.g. using technology) that can save the client money as well as benefit the agency?
- How interested are people in your agency in the effectiveness of your work? Is demonstrating effectiveness at the heart of how you work, or something you do only when the client raises it?
- Do you **regularly review effectiveness with your clients** and encourage them to invest in measuring it?
- Does your agency add value to its clients' businesses? Are you able to articulate the value added, and to explain what it is you do to create it in all the parts of your business?
- Does your agency have and **continue to invest in 'intellectual content'**: beliefs, proprietary models, tools, processes, that articulate how communications work, how you produce great ideas, how you build in effectiveness, or how you measure results?

A WEAK AGENCY TRADES ON PRICE, A
STRONG AGENCY HAS CONFIDENCE IN ITS
ABILITY TO DELIVER AND STANDS FIRM

2.5 Growing in confidence

- How confident is your agency about the quality and value of what it does?
- In negotiation with clients, do you **stand your ground on the basis that you know 'you're worth it'**?
- Are you on the front foot in all your dealings with Marketing and Procurement? Do you take the initiative?
- When more work has to be done on a project/account than had been allowed for, are you confident about asking for more money?
- Are you prepared to walk away from an unrewarding client, decline to pitch, or pull out of a pitch? Have you ever done this?
- Have you built relationships with clients that are business-to-business rather than reliant on personal connections with a few individuals?
- What would you have to change or do differently in the agency in order to feel more confident of your position with clients?

2.6 Thinking before you pitch

- Do you think the pitch is really necessary?
- Will the business be rewarded on the basis of chemistry and experience?
- If the client is demanding a creative pitch, is it paid for?
- Do you agree the remuneration principles with the client up front?
- Do you work in collaboration with the client during the pitch process?
- If your criteria are not met, do you **have the confidence to say ‘no’**?



GETTING PAID FOR VALUE IS
THE WAY FORWARD

2.7 Negotiating for fair pay

- Do you believe you get paid fairly for what you contribute to your clients' business? Do you make a profit out of delivering profitable ideas for clients?
- Do you ensure that you **get paid adequately for outputs and outcomes as well as inputs**? Are you open to discussing ideas for remuneration that are linked to value creation rather than time inputs?
- If charging on the basis of time, are you satisfied that you are valuing your time correctly to reflect the talent and experience of your people?

- Have you considered retaining ownership of IP rights in your work? Do you have sufficient knowledge of this area to pursue retention of IP rights?
- If charging on a PBR basis, do you pay enough attention to finding the best metrics and methods for measuring results that bonuses are based on?
- Do your remuneration agreements with clients provide a sufficient incentive to produce what the client wants/needs? How might they be changed to achieve this?

3

Challenges for procurement

3.1 Getting to know agencies

- Have you had special training in purchasing intangibles in general and marketing communications services in particular? Have you gained in depth content knowledge of the field in which you are working? Do you **understand the branding process**?
- Do you have a clear understanding about what each of your agencies delivers for your organisation in terms of both the *'magic'* and the *'logic'*? Have you asked for a presentation from them on what they do and how they work? Have you considered spending time within an agency?

THINK VALUE-ADD AND BRAND,
NOT COST-REDUCTION AND PRICE

3.2 Working more productively with agencies

- Are your teams armed with the latest industry Best Practice Guidance on finding an agency, briefing, evaluation, remuneration and judging creative ideas?
- Have you learnt to **be open with your agencies** about what you do and how you work, and what you expect of them?

- Have you considered (and discussed and agreed with Marketing) the nature of the relationship you want to have with your agencies? Do you consider your role as just to reduce the cost of agency services, or to **help your organisation get the best value-add and the best return** on investment from its agencies?
- Have you considered how you can help your agencies be more efficient in their *'logic'* processes?

THINK CARROT, NOT STICK

3.3 Motivating agencies better

- Are your remuneration policies aligned with your organisation's objectives so as to **incentivise your agencies** to deliver what is needed? Are you open to discussing alternative remuneration methods with your agencies?
- Have you considered the advantages to you organisation of maintaining longer-term relationships with your agencies?

TAKE UNNECESSARY WASTE OUT
OF YOUR INTERNAL SYSTEMS

3.4 Establishing your role and relationship with marketing

- What is the nature of your relationship with your marketing department? Are you regarded as part of the team, or as an outsider who doesn't 'get' marketing?

- What have you done to **build bridges with Marketing** and to show how you can add value?
- Does your organisation have a specialised marketing procurement function? Should it have?
- Do you **get involved right from the start** of a new agency relationship, or brought in at the end just to negotiate the price?
- In terms of your contribution, which of the following do you routinely do:
 - **help Marketing be more disciplined** in their dealings to specify more exactly what they want from your agencies (approvals process, amends and re-work, clear briefing and objective setting, etc.);
 - hold Marketing and your agencies to agreed ways of working;
 - help Marketing manage the relationship with your agencies by building a business-to-business relationship with them;
 - introduce more formal processes to **ensure consistency, rigour** and objectivity in agency dealings (assessment criteria, regular performance reviews, standardisation of contracts, etc.);
 - ensure agencies are fairly and honestly dealt with by your organisation (bills and bonuses paid on time, contractual terms honoured, etc.);
 - **help Marketing to measure the effectiveness of outcomes** by developing appropriate processes and metrics with them.
- Are you working to **introduce new methods of selecting agencies** which are more efficient and effective alternatives to the traditional competitive pitch? Are there selection methods that you use when purchasing other added-value services that might be relevant?

4

Challenges for marketing

EVERY CLIENT GETS THE AGENCY THEY DESERVE

4.1 Working productively with agencies

- What's the nature of your relationship with your agencies? Do you **regard them as business partners** or just as suppliers? Do you feel your agencies share your culture and values?
- Do you trust and respect their ability and their expertise?
- Have you considered the advantages that come from developing long-term relationships with your agencies? Have you reviewed the length of your agency relationships and the number of agency changes that you have made during the last five years? Could some of these have been avoided by better management of the relationship, use of a 'disputes procedure' or independent mediator, etc.?
- Have you learnt to **be open about your organisation's business objectives**, financial information, performance and plans with your agencies? Do you ensure your agencies are fully briefed as and when corporate and business objectives develop or change throughout the year? Are you clear with agencies about what you expect of them?
- Do you **deal honestly and fairly with your agencies** (e.g. clear terms of business, honouring agreements and contract terms, paying performance related bonuses, regular relationship evaluations, ensuring a level playing field in pitches, etc.)?

- Are all members of the marketing team aware of your contractual terms with your agencies?
- Do you **champion your agencies' work** and its results and stand up for it within the company, especially at senior management/ Board level?

IF YOU AREN'T MEASURING
YOU AREN'T MANAGING

4.2 Ensuring fair play in pitching

- Do you find agencies that you can work with and have confidence in and stick with them, or do you put everything out to competitive pitch? Have you calculated how much time and money you spend on competitive pitching?
- Do you **consider alternative methods to the traditional pitch**? Are all members of your team aware of the industry best practice guidance on pitching?

DON'T LET NEGOTIATIONS
UNDERMINE YOUR OBJECTIVES

4.3 Ensuring fair play in remuneration

- Is your agency's remuneration aligned with that of the marketing department, and with your organisation's objectives? Do you **incentivise your agencies to produce value-creating ideas** for your organisation? Do you believe quality is worth paying more for?
- Do you get involved in the financial and contractual negotiation process rather than leave it to Procurement to deal with? Do you **ensure that the deal struck by Procurement is capable of delivering the quality** you are looking for?

4.4 Being more professional

- Are you professional, disciplined and well organised in dealing with your agencies? Do you **have formal processes in place** (e.g. for briefing, approvals, measurement of results, agency performance appraisal, etc.)?
- Are your teams armed with the latest industry Best Practice guidance on finding an agency, briefing, evaluation, remuneration and judging creative ideas?
- Do you ensure that your teams are well trained in the effective management of agency relationships and processes? Do you work with your agency to **provide joint training** for your teams?
- Are your objectives for marketing communications activity realistic and based on proper analysis? Do you encourage your agencies to interrogate and challenge your objectives and give honest advice?
- Do you routinely measure the results of your campaigns? Do you **set aside budgets for evaluation**, and invest time in finding relevant metrics?

4.5 Being proactive in your relationship with procurement

- Do you have a constructive relationship with Procurement people in your organisation? Do you welcome them taking responsibility for the 'logic' part of your relationship with agencies (e.g. contract and fee discussions, clarifying scope of work, ensuring effective purchasing of third-party supplies)? What steps have you taken to involve Procurement and use their skills?
- Do you and Procurement **share the same goals/KPIs** or are Procurement only targeted on reducing costs? What could you do to ensure more alignment?
- Do you support Procurement in their relationships with your agencies?



Conclusion

UNITE FOR A WIN/WIN

The responsibility for improving relationships between Agencies, Procurement and Marketing is a joint one. While industry associations can help in reporting, disseminating and rewarding best practice, and providing a backdrop for individual client/agency negotiations, it is agencies, procurement and marketing teams working together which will make change happen.

Every new negotiation provides the opportunity to establish terms of business on the basis of a 'win/win' for all three parties, enshrined in the concept of 'profitable ideas that make profit'.

Organisations interviewed

Clients:

Coca-Cola

Diageo

Eurostar

COI

Honda

Tesco

Unilever

Vauxhall

Zurich Financial Services

Agencies:

23red

Agency Republic

AMV.BBDO

Bartle Bogle Hegarty

Fallon London

krow

Leo Burnett

Lowe London

Mother

Proximity

Young & Rubicam Group

ZenithOptimedia

Consultants:

Agency Assessments International

MSC

White Door Consulting

Willott Kingston Smith

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**The Chartered Institute
of Purchasing and Supply**

Easton House
Easton on the Hill, Stamford
Lincolnshire PE9 3NZ

Tel: 01780 756777
Fax: 01780 751610



**Institute of Practitioners
in Advertising**

44 Belgrave Square
London SW1 8QS

Tel: 020 7235 7020
Fax: 020 7245 9904



**Incorporated Society
of British Advertisers**

Langham House
1b Portland Place
London W1B 1PN

Tel: 020 7291 9020
Fax: 020 7291 9030