How to get the most from your agency relationships in 2017

Executives who know how to set up and manage agency relationships are best positioned to improve their marketing ROI.

As January draws to a close, many of our New Year’s resolutions have already faded. But as marketers look for new ways to drive growth in 2017, they should take fresh stock of their agency relationships.

Marketer-agency relationships are more important than ever. While the shift to digital channels and technologies has created the opportunity to personalize communications with the “always-on consumer,” it has also made it harder to stand out. This has led to a complex and ever-expanding ecosystem of creative, media, analytics, social, and other agencies that can access specialized expertise. Managing a broader set of agency relationships, however, comes with its own significant challenges. Not only is the digital landscape more fluid, but matching the right content to the right channel demands different ways of working with and across agencies and new ways of measuring performance. Questions around media transparency, viewability, ad blocking, and even fraud have also sown confusion.

Here are five questions to help keep your agency relationships on the right footing.

1. Do you have a clear view of the platforms you will need for future success, and are you clear on the implications for marketing mix?

Marketing leaders have lots of places to direct their spend—the key is knowing how to measure which will be most rewarding. Although Facebook and Google account for roughly 73 percent of total digital ad revenue today, they are complex ecosystems that require active management. In addition, the media landscape is changing. Amazon, for instance, is no longer just a sales channel. It’s also functioning in some ways as a search engine. Last year, 55 percent of consumers began a product search at Amazon.

For this reason, marketing leaders need to ask if their agencies have the experience to navigate emerging channels and if they’re adding capabilities and planning for growth based

on where the market is moving. A number of companies are addressing this by conducting joint exercises with their agencies to test different digital media and social platforms to tease out which next-generation platforms are likely to yield the best results. These exercises helped one company rebalance its spend from a 70+ percent concentration in TV and traditional channels to a 50+ percent concentration in digital. It also helped distribute digital spend more strategically from a few popular sites to nearly 20 websites, networks, and programmatic platforms.

2. Are you building an agency ecosystem and agile operating model that will cover this new mix without overlaps, redundancies, or gaps?

Marketing leaders spend much of their time managing a bewildering array of agencies, but they often shortchange the assessment of whether they have the right resources for the right kind of work or the bandwidth and capability to orchestrate their agency ecosystem as a whole. We’ve seen companies sign agencies without first clarifying roles and responsibilities among new and existing partners. That won’t work in today’s complex media environment. The agency management plan must define clear swim lanes that outline what each agency is expected to do, how they are expected to work together, and how they should coordinate with in-house teams (exhibit).

That definition of roles should extend to thinking through which capabilities are best left to your agencies and which can be better developed internally. Many companies are developing their own newsroom-style approaches to generate content quickly, and building programmatic trading desks. Many are also engaging with their agency holding companies in unique ways, requesting, for instance, that agencies carve out dedicated teams—or agencies within agencies—to optimize spend and customize their resourcing, particularly on the nonworking side.

In addition, we see a number of companies collaborating with their agencies on agile working methods including co-location and multichannel content. Many of our clients now ask their agencies to shoot all formats for their commercial, Instagram, Snapchat, and YouTube channels in one day, which shaves cost and production time and allows these companies to negotiate the rights for everything in one fell swoop. Workflow practices from traditional media to content development are all evolving to support this more integrated approach.

3. Are you measuring and incentivizing your agencies on the metrics that matter most to you?

The old ways of commission-based compensation don’t align with today’s needs. Marketing leaders need to ensure that each agency has incentives to improve results for your brand. Many of our clients now bring agencies in for integrated ideation sessions and expect them to
Agency relationships/processes are undergoing dramatic change to adapt to new ways of reaching consumers.

The process for companies to take ideas to market was once straightforward ... 

... and is now an interconnected ecosystem of ideas, content management and constant engagement
work together as a team. They’re also evaluating and paying agencies not just on their ability to increase awareness, clickthroughs, and site traffic within specific verticals, but also on their contribution to sales growth across the business overall. Some are even requiring agencies to review each other as part of a 360-degree evaluation. The CMO of a large CPG company, for example, asks agencies to rate each other based on how well they “play on the team …” This feedback has a direct impact on each agency’s performance pay.

4. Are you getting the transparency you need and the oversight you want?

As you negotiate with your agencies, transparency on costs needs to be at the forefront. If the agency has negotiated certain rates on different media placements, for example, you need to be sure you’re getting the rates and views you’ve been promised. Agencies should be helping you track working and nonworking spend and be open to coordinating with the relevant individuals on your team or third-party auditors.

Companies need to go beyond top-level reporting and get a detailed understanding of what they have purchased and the value their media spend is generating. That applies to media and agency contracts, rates per role, and incentive structures. Many companies ask their agencies to report on their hours and burn rates to monitor spend against plan and make it easier to “follow the money,” especially in digital-media purchases. It’s also important to know how intermediaries are being used—and at what cost—so that the maximum amount of digital spend goes toward working media. And if you don’t feel you’re getting the transparency and cooperation you need, make sure you’ve woven the right to audit actual media costs into your contract so you can track and reconcile your media investments at any time. In some cases, running the program directly may improve speed, quality, and overall performance if one has the capabilities required to do so.

To get that granular transparency and foster more active engagement, most high-performing companies have hired full-time media leaders whose job is to track, understand, and optimize spend as well as coordinate with agencies on marketing mix modeling (MMM), attribution, and their implications.

When companies maintain rigorous oversight over the noncompliant parts of their buys, they extract better program performance and more effective CPMs. Doing so forces agencies to pay more attention to those factors and allows companies to become more educated about where they can push their agencies for improved results.
5. And finally, are you doing everything you can to be a great client, providing the leadership and the flexibility needed for success?

Building effective agency relationships is a two-way street. Part of being a great client is having a very clear internal operating model to avoid rework and to ensure that different parts of the business aren’t asking agencies for the same thing. In addition to setting clear objectives, you also need to establish a regular and ongoing dialogue with your agencies that goes beyond quarterly business reviews. A frequent cadence allows you and your agencies to be proactive and to test, refine, and optimize performance on a continual basis.

Being a great client also means giving partners the breathing room to do their best work. While quick turns are sometimes essential, to produce high-caliber work on a consistent basis, agencies need time and space to be creative. In addition, while the competitive drumbeat can make accessing the most sophisticated, bleeding-edge developments a necessity, those advances only work if your organization has the skills and resources to take advantage of them. Take the time to consider whether you’re sufficiently resourced to get the most from your agency services and if you’ve dedicated the right internal resources to partner with them in strategy formation, creative development, and managing and reporting on spend and outcomes.

Agencies are crucial partners in driving growth and navigating a complex and still-expanding array of technologies, channels, and platforms. Clear answers to these five questions will help you build stronger and more effective relationships with your agencies this year and into the future.

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