ANA | 4A's | Advertiser Perceptions

THE COST OF THE PITCH

JULY 2023

BACKGROUND AND METHODOLOGY

As a follow-up to the ANA/4A's Agency Search Simplification Report, both organizations felt it would be beneficial for clients and agencies to understand the actual costs involved in the agency review/pitch process.

Historically, it has been understood that agencies devote significant resources to the defense of an existing account when put into review, and to the pursuit of new business. Until now, however, there has been little if any data on the cost of an agency review to the client. The hypothesis shared by the ANA and the 4A's was that there likely was a material cost to the client as well as to the agencies.

The ANA and the 4A's engaged Advertiser Perceptions to either prove or disprove this hypothesis. Online research was in-field from March 23 to 28, 2023. The survey questions captured creative, media, and project work pitches. The sample of marketer and agency contacts was pulled from the Advertiser Perceptions Ad Pros Community and trusted third-party partners as needed.

The Ad Pros Community represents the brands and agencies that are spending the most on advertising and marketing in the U.S. Advertiser Perceptions continuously updates, supplements, and refines the community based on movement in the market.

Total number of interviews: 329

Screener/Qualifications

- Employed in the U.S.
- 120 agency professionals involved in account pitches (reviews/new business)
- 111 brand marketers responsible for agency RFPs/review processes
- 58 procurement roles involved in financial decision-making around agency reviews
- 40 agency relationship management roles

Respondent Demographics

Agency/Client Mix	
Agency	36%
Client	64%

Job Title/Level	
VP and Higher	48%
Director/Supervisor	39%
Manager/Associate	13%

Annual Ad Spending*	
Less than $25 million	46%
$25 million and up	54%

Type	Small	Large
Agency	59%	41%
All Clients (Total)	41%	59%
Brand-Side Marketer	47%	53%
Procurement	40%	60%
Agency Relationship	27%	73%

Client size based on number of employees (+/- 1000)

Agency size based on billings of main account(s) and agency type (holding company/independent)

**Agency: Thinking about the accounts you spend the most time personally working on (up to 5), approximately how much in total will each client spend on advertising (using any media type) in the next 12 months?*

**Client: Approximately how much in total will your company spend on advertising using any media in the next 12 months?*

Cost Calculator Methodology

Through the survey, respondents were asked to input the actual costs associated with the most recent occurrence of a review involving an incumbent or pitch to the selection of a new agency. Each expense category was defined for the respondents as follows:

Staff time (calculated hourly): Estimated total number of hours for each job title that is typically involved in the pitch. Entered hourly costs were cross-referenced by job title with publicly available salary data to verify the inputs.

External consultants: Estimated cost of any third-party specialist from an outside organization hired specifically to support a particular pitch: freelance, creative, strategy, category experts, etc.

Travel expenses: Estimated cost of travel-related expenses directly attributable to a pitch: transportation, hotels, meals, etc.

Research expenses: Cost incurred relating to research specific to the pitch: brand analysis, competitive analysis, customer segmentation, concept testing, etc.

Free of charge ideas (Agency only): Estimated real cost associated with the ideas, strategy, or creative assets (in addition to any billable hours) your agency provided to the client (e.g., contractor expenses, production costs).

Compensation to agency (Client only): Estimated costs attributed to compensation provided to agencies pitching for the business (e.g., flat fee, spec work, reimbursement of expenses).

Staffing changes: Estimated costs your company incurred while making staffing changes directly attributable to the pitch: recruiting, training, salary increases, severance pay, outplacement, etc.

Disruptions/delays: Estimated costs related to any disruptions in tasks, delays, declines in brand awareness or loss of revenue, etc.

ANA Growth Agenda

This report builds upon the work of the CMO Growth Council, which was established by the ANA and Cannes Lions to focus on driving enterprise growth. The CMO Growth Council has identified four global growth priorities and a 12-point industry growth agenda. Marketing Organization and Agency Management is a key area of focus for the ANA Growth Agenda, under the Talent and Marketing Organization growth priority. The practice of sourcing agencies and the compensation of agencies are major topics within this growth priority.

EXECUTIVE SUMMARY

Key Findings

An agency review is an expensive process for agencies and clients. Whether it be an incumbent agency review or a new agency/account pitch, significant investments (and potential business risks) go into the process on both the agency and client sides. The industry needs to understand the costs associated with running agency reviews, as they have greater ramifications for the overall business. Previously there had been no industry-wide research available into the cost of a pitch to the client.

According to the client respondents, one of the key drivers for a client to launch an agency review is cost reduction, and there is a prevailing sense from clients that "a new agency is highly motivated to deliver." Some agency reviews are cost-cutting exercises. Client respondents also cited cost/price as the top criterion affecting the selection of a new agency.

Clients should ask themselves if the cost of an agency review is worth the potential savings, especially when one factors in that client respondents retained the incumbent agency two out of three times following an agency review. Clients also risk alienating their incumbent agency when asking them to re-pitch business. One in four incumbent agencies declined to participate in a pitch to keep their client's business. And 54 percent of agency respondents said being put up for review had a major to moderate impact on their decision to resign the account.

We expect that with the data presented in this report, clients and agencies will reassess their reliance on agency reviews/pitches to solve problems that may be inherent in a relationship. This is still a people business. Clients hire people, not agencies. Having a commitment to developing long-term relationships and aligning the right people who complement their client/agency counterparts are key to reducing the need for agency reviews.

While an agency review may sometimes be necessary and appropriate, there are less costly methods, such as a client/agency relationship management program, that would be a productive alternative to an agency review and keep the client/agency relationship on track and moving forward.

High-Level Costs

- For the client, the cost of an agency pitch is about $400,000.
  - $408,500 for an agency pitch without participation from the incumbent
  - $373,470 for an agency pitch with participation from the incumbent

- For the agency, the cost is significantly higher for an incumbent versus a non-incumbent.
  - $204,461 for an agency that is not the incumbent
  - $406,092 for the incumbent to participate

- If a typical pitch has three agencies as finalists, the average total cost of a review is:
  - About $1 million when there is no incumbent
  - About $1.2 million when this is an incumbent

Details

- For the client, the key costs for an agency pitch are related to hourly costs, staffing changes, disruptions/delays, external consultants, and compensation to the agency.

	Pitch without Incumbent	Pitch with Incumbent
	(Percent of total cost)	*(Percent of total costs)*
Hourly Costs	28	34
Staffing Changes	22	14
Disruptions/Delays	15	16
External Consultants	12	10
Comp to Agency	10	15

Thirty-four percent of marketers experience disruptions in daily tasks and 28 percent experience delays (launching a campaign/new product) in incumbent reviews. Thirteen percent of marketers reported declines in brand/product awareness and 12 percent reported a loss of revenue.

Compensation to the agency is most likely to consist of reimbursement of expenses (70 percent), a flat fee (57 percent), and spec work payment (46 percent).

In reviews with an incumbent when there is a new agency selected, there is often a period of overlap when the outgoing and incoming agencies are both being paid, adding an average of $72,718 to the client costs.

- For the agency, the key costs for an agency pitch are related to hourly costs, disruptions/delays, staffing changes, and external consultants.

	Pitch without Incumbent	Pitch with Incumbent
	(Percent of total cost)	*(Percent of total costs)*
Hourly Costs	12	64
Disruptions/Delays	24	13
Staffing Changes	20	10
External Consultants	16	2

The average number of agency people involved in the pitch process, per agency respondents, was 18 for incumbent reviews and 11 for others — hence the higher hourly costs for an incumbent.

Other Insights on Pitches

- When clients were asked to select the most important factors that go into deciding which agency to select at the end of the pitch, cost/price was top rated by a wide margin.
  - Cost/price: 62 percent
  - Creative execution: 45 percent
  - Strategic "big idea": 36 percent
  - Agency's reputation: 35 percent
- Reviews are shorter when the incumbent participates.
  - With incumbent participation, reviews average 2.5 months per client respondents and 2.3 months per agency respondents.
  - Without incumbent participation, reviews average 3.2 months per client respondents and 2.5 months per agency respondents.
- The main benefits of putting accounts up for review, according to client respondents:
  - Short-term: A new agency is highly motivated to deliver (50 percent), cost savings/better pricing (42 percent), increasing motivation of incumbent agency (37 percent), and new creative direction (36 percent).
  - Long-term: Improved sales/revenue (46 percent), improved brand perception (45 percent), new direction in strategy (44 percent), and cost savings/better pricing (40 percent).
- 25 percent of agencies decline participation in account reviews in which they are the incumbent most or all of the time. About one-third of agencies decline participation in a pitch in which they are not the incumbent.
- 2 in 3 clients overall said they retained their incumbent agency after the most recent agency review.

CONCLUSIONS AND RECOMMENDATIONS

The findings from this research confirmed the long-held belief that an agency review is a time-consuming, resource-intensive process for agencies. What it also revealed is that the same is true for clients. The cost implications, potential for disruptions in daily work, and delays in campaign and product launches, as well as the evident impact on partner relationships, should not be taken lightly.

When combined with the reported incumbent agency retention rate of 66 percent, it would seem prudent to consider alternatives. While there will certainly be times when putting an existing agency relationship into review is appropriate and necessary, this report would indicate that in most cases, other options should be explored first. Unless there are truly "irreconcilable differences," or needed services that cannot be provided by an incumbent agency, recommendations are:

- **Initiate a client/agency relationship management program:** While an external facilitator can be used, such a program can be created and run internally without a third party. The ANA and the 4A's partnered on The Business Case for Relationship Management, which highlights the benefits in having a relationship management program in place.

- **Consider engaging a client/agency relationship consultant:** These third-party organizations and individuals have experience helping clients and agencies work through difficult times in their relationship by uncovering sources of friction and misalignment and offering solutions to help the relationship flourish.

- **Don't hesitate to have a hard conversation with an agency:** If there are issues with the relationship or the work, an agency would much rather engage in a tough discussion with a client than have an account put into review.

These recommendations suggest the need for open, ongoing communications between clients and agencies. Open communication helps drive stronger, better working relationships.

In sum, given the time, the material expense, and the potential damage to the client/agency relationship, the need for an actual agency review should be well-considered.

DETAILED FINDINGS

Total Average Cost When Searching for a New Agency

The average costs for any new pitch for a client account in which the incumbent agency did not participate in the review or the client had no previous partnership with an agency participating:

Client	$408,500
Agency	$204,461
Total average industry cost across agency and client assuming three pitching agencies	$1,021,883

These are the client's internal costs associated with executing the pitch. A client will incur additional costs when bringing on a new agency, which are not reported below. Respondents provided their actual costs per pitch in each of the following categories, which are averaged across all client respondents:

Staff time (calculated hourly)	$115,106	$408,500
External consultants	$48,234	
Travel expenses (client staff only)	$27,876	
Research expenses	$22,532	
Compensation to agency	$41,797	
Staffing changes	$91,696	
Disruptions/delays	$61,259	

(See Background and Methodology for definitions of each expense category).

An agency spends, on average, $204,461 responding to a pitch in which they are not the incumbent and didn't have a prior contractual relationship with the client.

Staff time (calculated hourly)	$24,281	$204,461
External consultants	$32,195	
Travel expenses (may be reimbursed by client)	$14,811	
Research expenses	$20,895	
Cost of "Free of charge ideas"	$23,202	
Staffing changes	$40,886	
Disruptions/delays	$48,191	

(See Background and Methodology for definitions of each expense category).

Total Average Cost When Holding a Review that Includes the Incumbent Agency

These are the average costs for a pitch for a client account in which the incumbent agency participated in the review. The agency cost indicated ($406,092) is only for the incumbent agency.

Client	$373,470
Incumbent agency	$406,092
Total average industry cost across agency and client assuming one incumbent agency and two pitching agencies	$1,188,484

On average, clients spend $373,470 per pitch when an incumbent agency is involved, which is $35,030 less than when an incumbent agency isn't involved. These are the clients' internal costs associated with executing the pitch. Respondents provided their actual costs per pitch in each of the following categories, which are averaged across all client respondents:

Staff time (calculated hourly)	$125,393	$373,470
External consultants	$36,901	
Travel expenses	$29,905	
Research expenses	$13,125	
Compensation to agency	$57,435	
Staffing changes	$51,351	
Disruptions/delays	$59,360	

(See Background and Methodology for definitions of each expense category).

The major expense category differences for clients running a pitch that includes an incumbent agency versus one that doesn't involve an incumbent include staff time (-$10,286), external consultants (+$11,332), compensation to the agency (-$15,638), and staffing changes (+$40,344).

Clients incur additional costs when an incumbent agency is involved in the pitch and the incumbent agency is not selected. These overlap costs are incurred by the client when they must transition from an incumbent agency to a new agency. The average cost per pitch to the client is $72,718 when there is overlap. Sixty percent of clients stated they incur these additional costs associated when changing agencies.

An incumbent agency spends, on average, $406,092 responding to a pitch. This is almost double (+$201,631) what an agency incurs when they are not the incumbent agency.

Staff Ttme (calculated hourly)	$258,884	$406,092
External consultants	$9,270	
Travel expenses (may be reimbursed by client)	$8,236	
Research expenses	$18,161	
Cost of "Free of charge ideas"	$15,531	
Staffing changes	$41,760	
Disruptions/delays	$54,250	

(See Background and Methodology for definitions of each expense category).

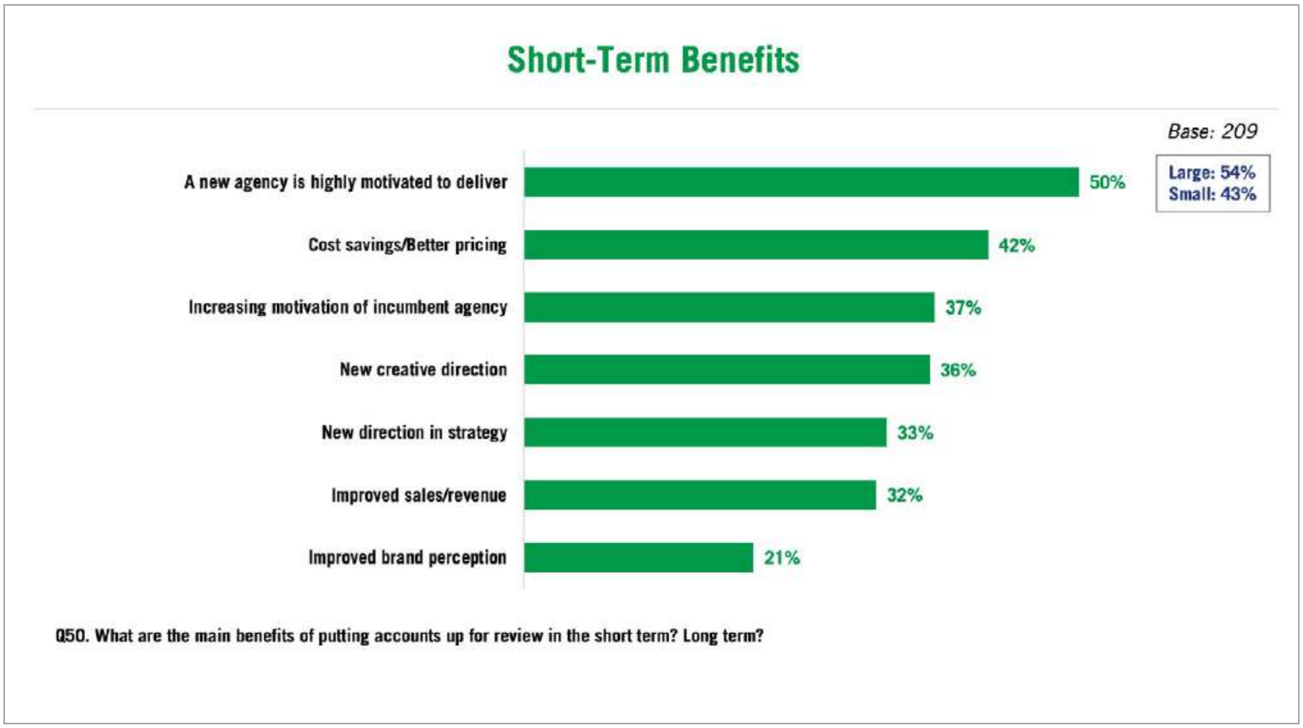
The most significant increase in an expense category that an incumbent agency incurs is staff time (+$234,603 versus a review in which the incumbent does not participate). When an incumbent agency is defending their business, the average cost of staff time is more than 10 times that of when responding to a pitch in which they are not the incumbent. Incumbent agencies typically involve more senior level staff, as well as the partners and other C-suite staff, when defending an account in a pitch.

The only other expense category that changed significantly for an incumbent agency was the use of external consultants. When defending in a pitch, an incumbent agency's use of external consultants was reduced (-$22,924).

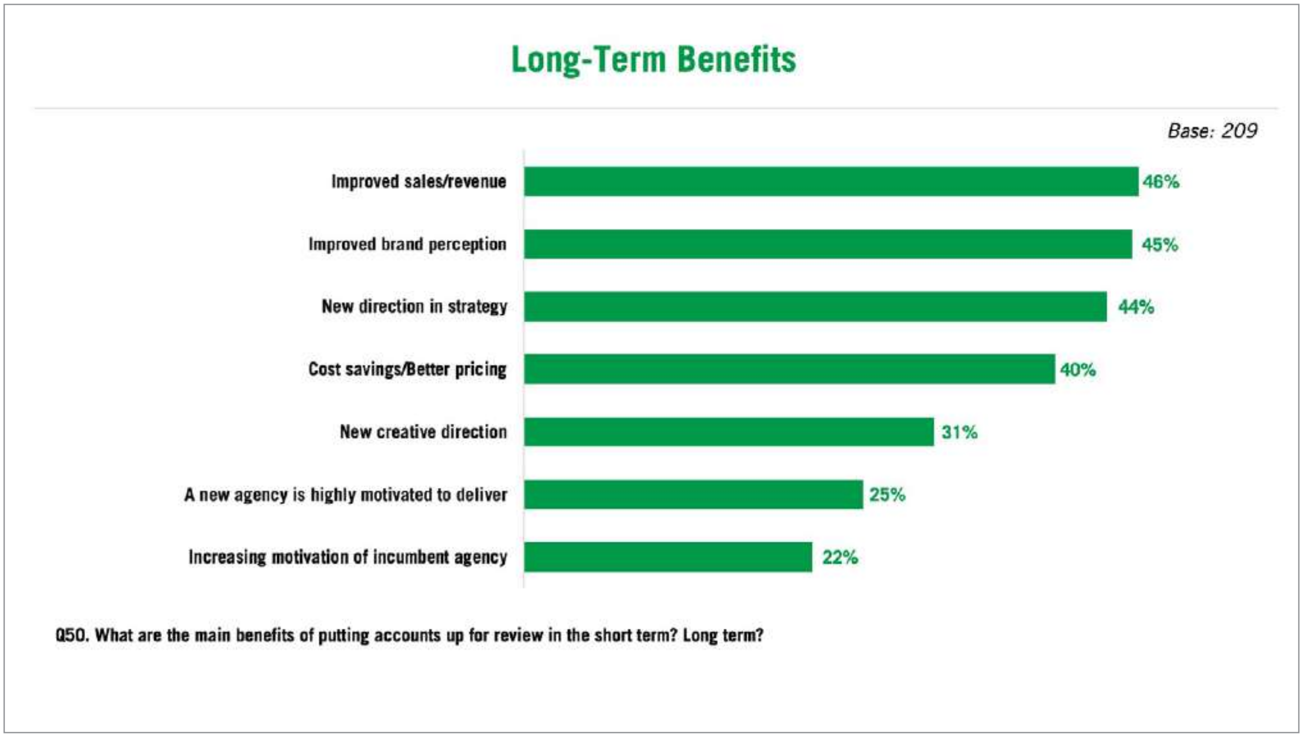
Travel Expenses

When capturing the cost data, respondents were asked to consider only the past two years (i.e., 2021 and 2022). Throughout most of the world during this period, the COVID-19 pandemic was prevalent and there was a significant reduction in travel. It is reasonable to believe that travel expenses were higher pre-pandemic, and one would expect them to rise post-pandemic.

What Clients View as the Short- and Long-Term Benefits of a Review



Half of client respondents cited that the biggest short-term benefit of holding an agency review is that a new agency will be highly motivated to deliver (50%). Regardless of the size of the client, both large and small clients cited this as the top benefit (Large: 54%; Small: 43%). Cost savings/better pricing was identified as the second biggest short-term benefit (42%).



However, when asked about the long-term benefits of an agency review, clients had an extremely different perspective. Client respondents identified the top three long-term benefits of holding an agency review with almost equal ranking: "improved sales/revenue" was cited by 46 percent of client respondents, "improved brand perception" was 45 percent and "new direction in strategy" was 44 percent. It is a bit surprising to see "cost savings/better pricing" rank so low in regard to long-term benefits at 40 percent, considering the high ranking as a short-term benefit. This could be an indication that some clients are sacrificing long-term growth for short-term financial gains.

Motivating Your Agency: Better Ways

Thirty-seven percent of clients indicated that increasing the motivation of the incumbent agency was a short-term benefit of holding an agency review. Given the identified costs and potential damage to the relationship, there are better ways to motivate your agency.

A Client/Agency Relationship Management Program will allow the client and the agency to monitor mutual performance on an ongoing basis to help prevent any real or perceived loss of agency motivation. Similarly, a relationship consultant can help identify ways to keep the relationship fresh and productive.

A client can also ask the agency for a fresh look at their business, either with the existing agency team or with some agency personnel who have not worked with the client in the past. Holding a Strategic Blue-Sky Session can help client and agency teams re-energize and think beyond the day-to-day work.

Lastly, consider having a tough conversation with the agency. From the agency standpoint it is highly preferable to a review, and very likely to result in the same level of increased motivation, if not more.

Top Factors Considered When Selecting an Agency

Although there was little variance in client responses across company size, there was a range in importance level for each factor based on the client's role. Procurement (71 percent), agency relationship management (60 percent), and brand-side marketers (59 percent) all cited cost/price as the most important factor. Creative execution was the second most important factor for procurement (48 percent) and brand-side marketers (47 percent). But agency management professionals also cited chemistry (tied at 35 percent).

Beyond the top two factors, there was greater variance in what each client respondent type identified. For brand-side marketers, the third most important factor is strategic "big idea" (37 percent). Procurement and those in agency relationship management roles identified agency reputation (45 and 33 percent respectively).

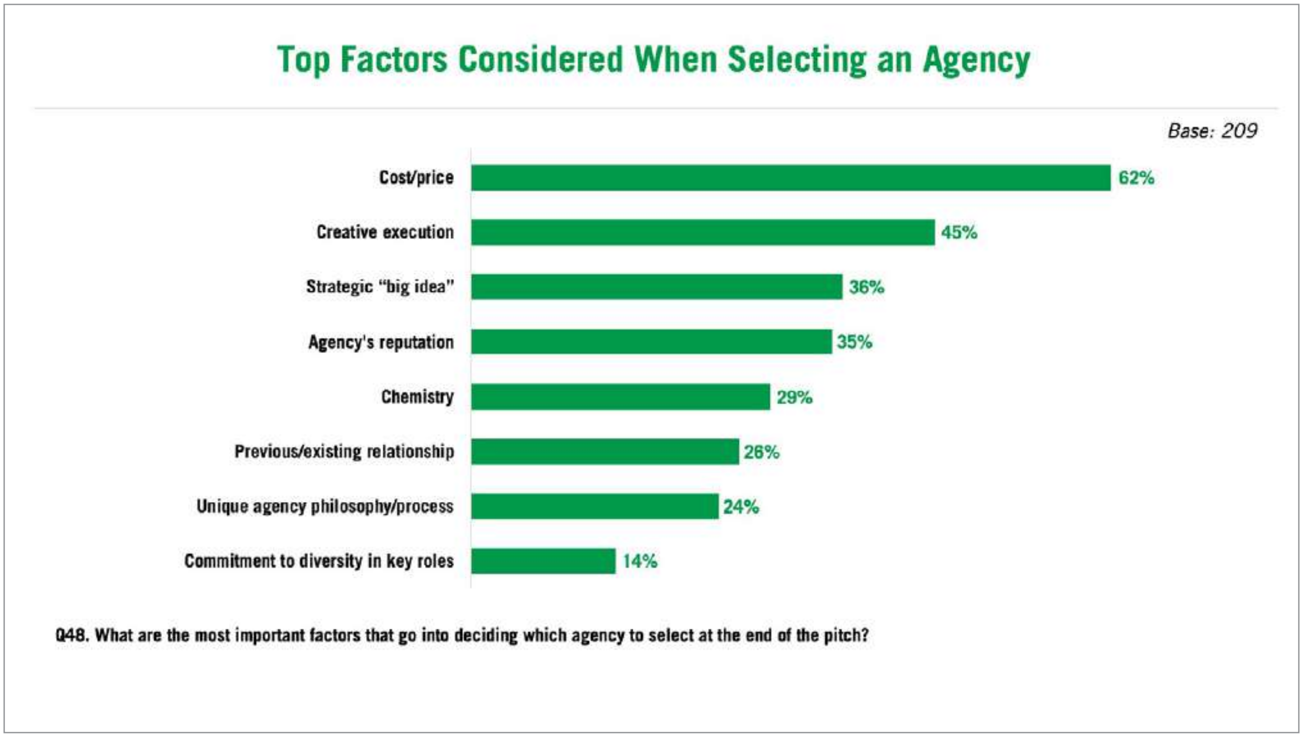
	All Clients	Brand-Side Marketer	Procurement	Agency Relationship Management
Cost/price	**62%**	59%	71%	60%
Creative execution	**45%**	47%	48%	35%
Strategic "big idea"	**36%**	37%	38%	30%
Agency's reputation	**35%**	32%	45%	33%
Chemistry	**29%**	29%	26%	35%
Previous/existing relationship	**26%**	30%	22%	20%
Unique agency philosophy/process	**24%**	25%	17%	30%
Commitment to diversity in key roles	**14%**	19%	7%	10%

Shift Your Focus to Value

It was surprising and disappointing to see cost/price as the top factor considered to select a winning agency. Agencies are not commodities and price should not be the key factor. While it is important for a client to select an agency it can afford, the discussion should more appropriately center around the value that an agency can deliver.

The choice of an attorney, an accountant, or an auditor is generally not made based on the lowest price but on which firm will deliver the greatest value to the organization.

The selection of an agency should be considered in the same way. Which agency will deliver the greatest value to the organization? Which agency demonstrates the greatest understanding of the business challenges, and can articulate the most impressive, actionable solutions? Which agency has the people who are best aligned with those on the client team? The ANA and the 4A's suggest that these are better criteria by which to select a winning agency than cost/price. And while some of these other factors show up lower in the importance ranking, they do deserve stronger consideration.



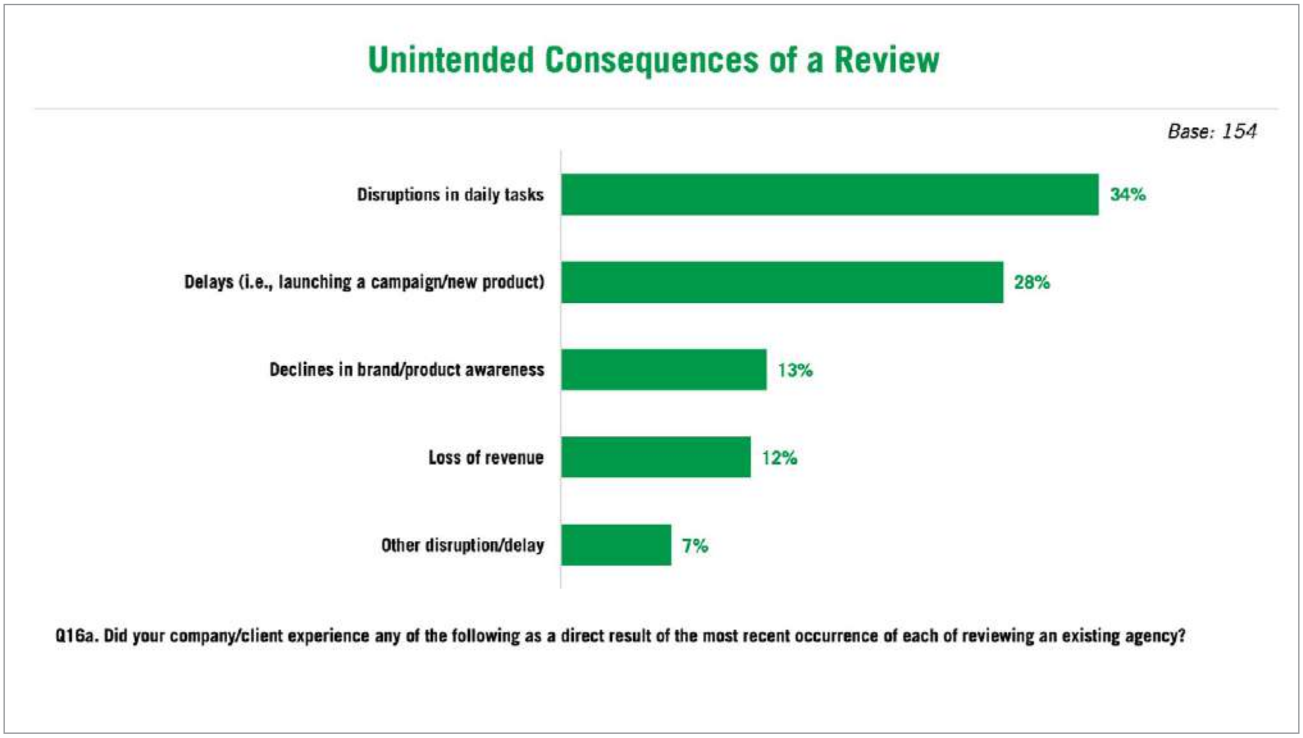
Across all types of client respondents, cost/price was identified as the top factor in selecting a winning agency following any type of review (62 percent). The next factor identified by all types of client respondents is creative execution (45 percent).

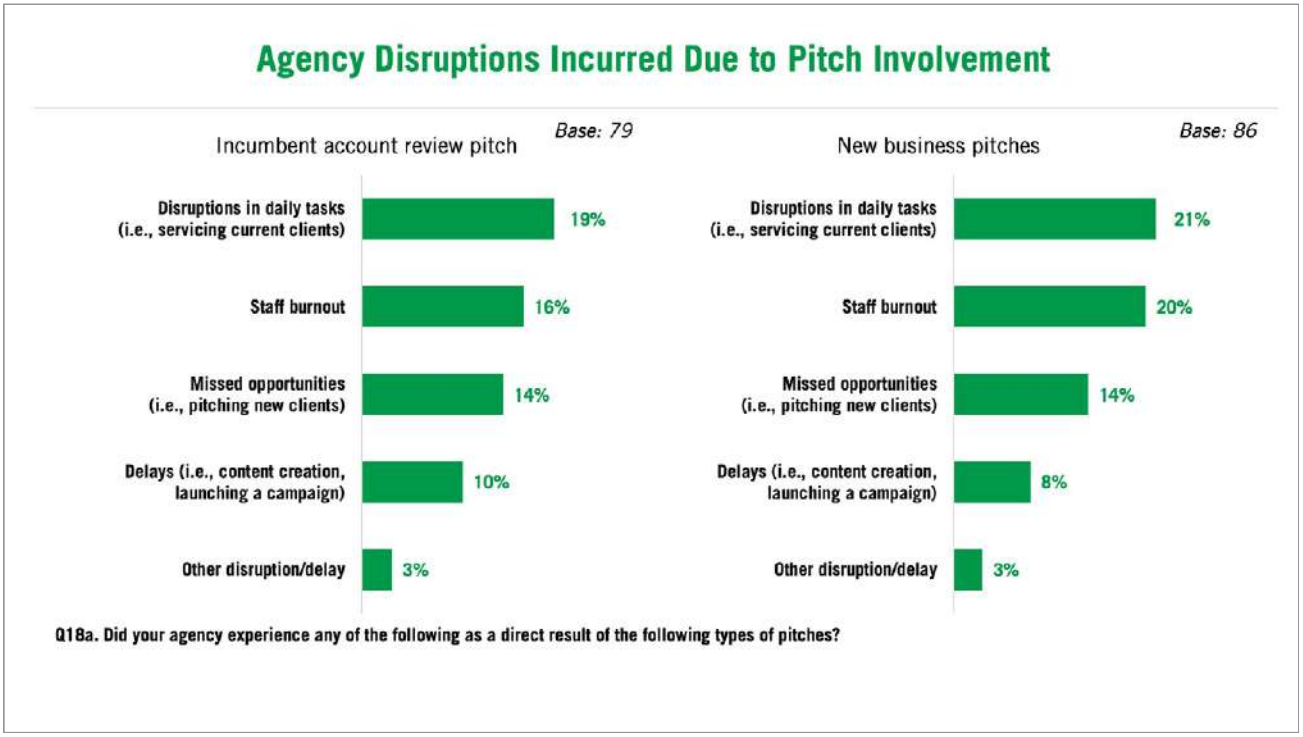
The Importance of Diversity in Advertising

"Commitment to diversity in key roles" ranked the lowest across all client respondents as a top factor to consider when selecting an agency. There is a lot of industry discussion about the need for client-side marketers and agencies to act and bring increased diversity to the industry. Agencies have been actively seeking out diverse leadership candidates and learning where to find diverse talent through different pipelines. Clients have been actively bringing on minority-owned agencies and increasing the diversity of their own staff. But regardless of those strides and efforts, it would seem that the commitment is not as prevalent as we would expect when selecting an agency.

Unintended Consequences of a Review

Agency reviews don't just cost clients money; there is also an impact on staff time, including disruptions to their daily responsibilities and delays on other projects. One in three client respondents reported a disruption to their daily tasks to work on an agency review. And more than one in four cited delays in campaign or product launches.



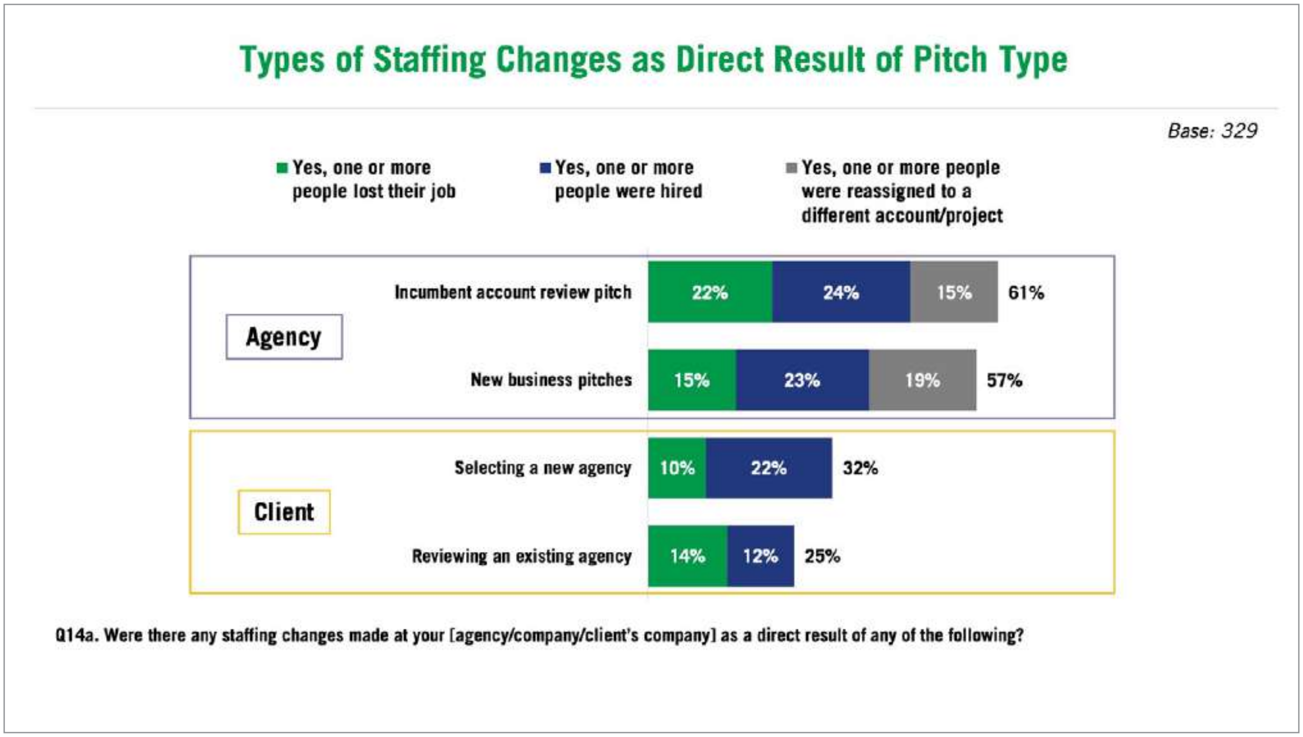


Agencies also experienced disruptions and delays due to their involvement in pitches, with two-thirds of agency respondents reporting some type of disruption.

Whether for an incumbent pitch or a pitch for a new client, the top two disruptions agencies reported were to daily tasks, which include servicing existing clients and staff burnout.

Staff burnout is particularly concerning today, as agencies and clients alike are finding it hard to retain employees and to recruit new, experienced talent. The toll that the past several years has taken on employees' mental health and well-being should not be overlooked.

A pitch is an extremely stressful situation for agency staff. Often livelihoods are on the line, and in some cases, careers can be enhanced or severely damaged by the outcome of the pitch. Adding to this stress is the need for the agency to maintain a high level of service to its other clients, and in the case of an incumbent pitch, to that client in particular. Any type of alternative to a pitch is worth considering when the emotional toll is added to the cost and potential business disruptions a pitch entails.



Agency reviews also have implications for clients and agency staff. Sixty-one percent of agency respondents indicated they were directly affected by incumbent account reviews and had to adjust staffing as a result. Additionally, a third of client respondents also experienced staff changes when selecting a new agency and a quarter did when reviewing an existing agency.

Relationship Impacts of Incumbent Agency Reviews

	Agency	Client
Relationship building due to reassignment or new hires	48%	39%
Overall erosion of trust between companies	42%	38%
Erosion of trust with primary partner	41%	40%
Fewer strategic/creative risks taken if incumbent wins	41%	41%
None of the above	8%	13%

Q42. In what ways are relationships affected by the (agency/incumbent account) review process?

Agency reviews have an emotional and reputational impact on the relationship when an incumbent agency is involved. Post-review, almost half (48 percent) of agencies identified the need for increased relationship-building.

Given the erosion of trust, the need for increased relationship-building seems evident. This likely also translates into fewer strategic/creative risks being taken by an incumbent agency that retains the business.

The most powerful client/agency relationships are built on a foundation of trust. That foundation allows risks to be taken with the understanding that success is not guaranteed.

Permission to fail is a result of deep trust that individuals and organizations are fully aligned on the measures of success. Putting an account into review most certainly damages the level of trust in the relationship, and it will take time to rebuild it.

Length and Frequency of Reviews

Number of months estimated for the entire pitch process

Reviewing incumbent agency

2.5 (Client)

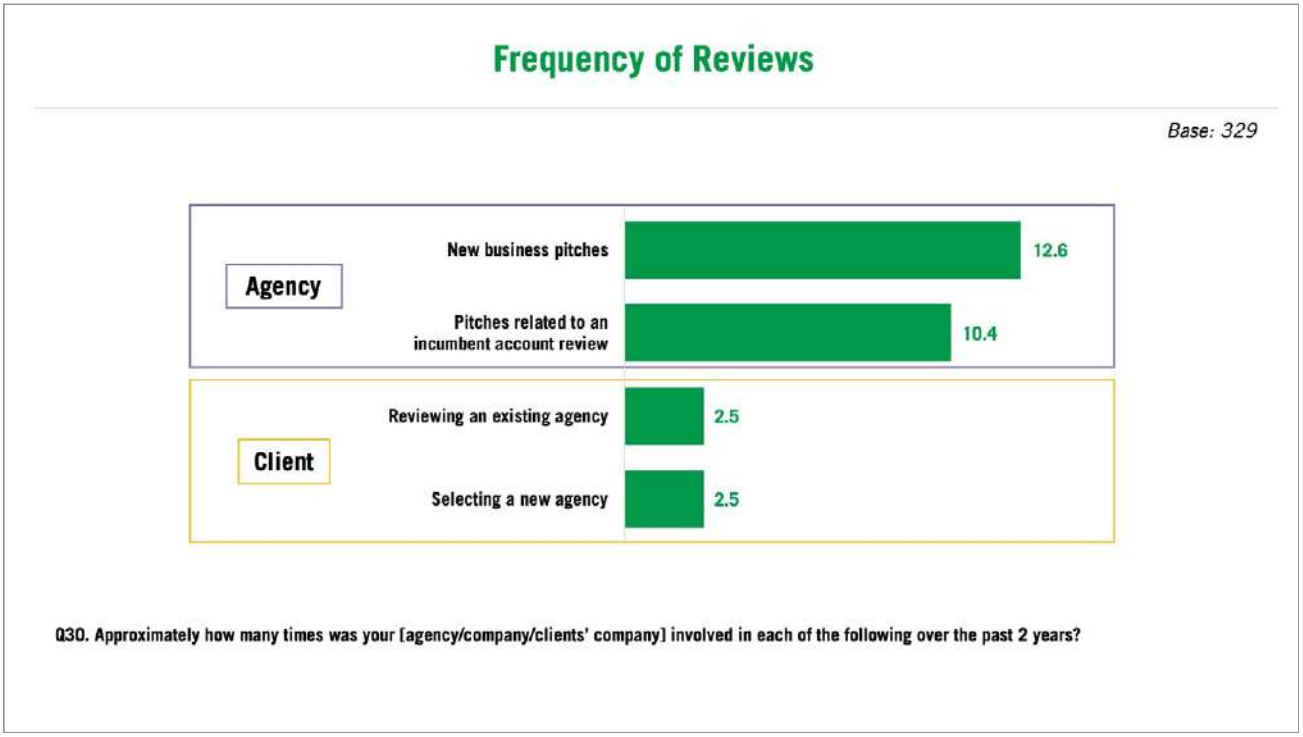
2.3 (Agency)

Selecting a new agency

3.2 (Client)

2.5 (Agency)

Client respondents indicated longer average periods of time were required to vet new agencies (3.2 months) versus when an incumbent agency was included (2.5 months). However, the average time commitment for agencies is similar between the two types of reviews: 2.3 months when they are the incumbent agency versus 2.5 months when they are not.



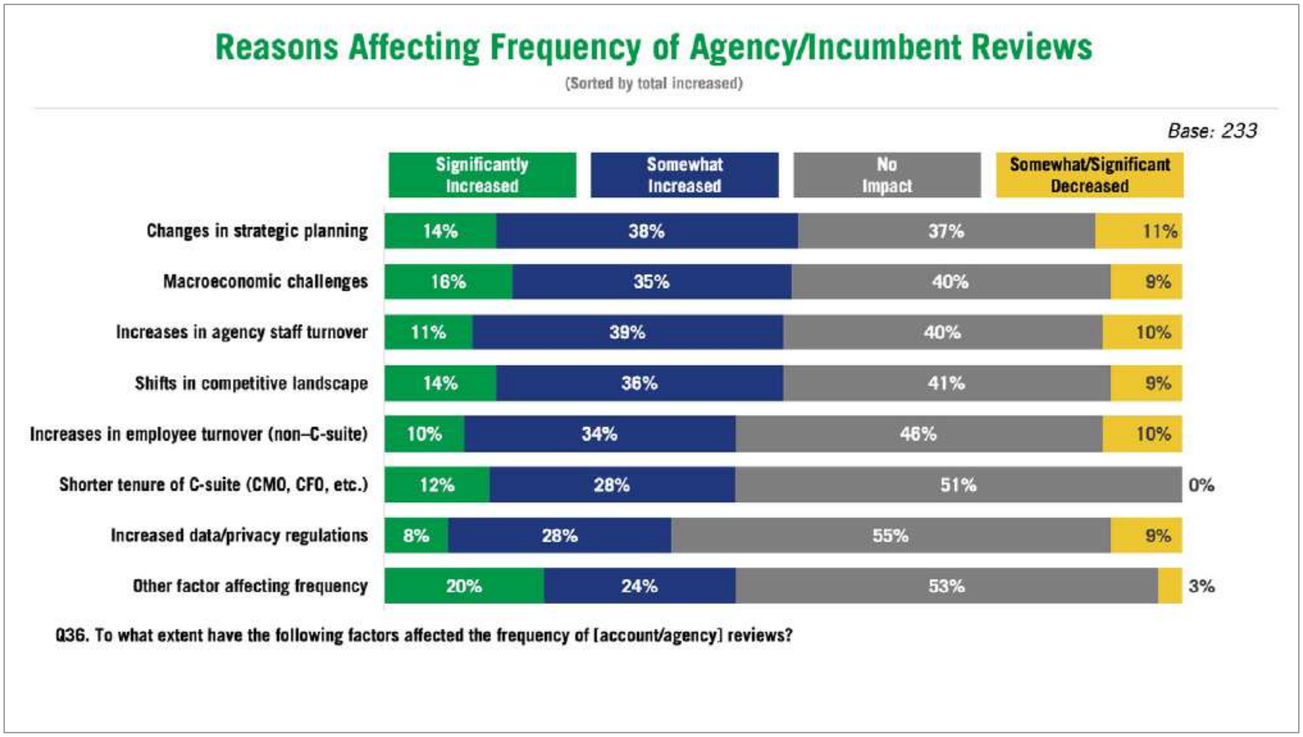
On average, clients reported conducting both types of reviews at least two and half times each over the past two years. Overall, the average agency was involved in 23 reviews over the past two years — about once a month.

Remember: Each pitch costs an agency an average of $300,000.

Frequency of Incumbent Agency Reviews

Q34. How do you feel about the frequency of each of the following? Are they occurring too often or not often enough? (N=154)

Three-quarters of clients (71 percent) and agencies (75 percent) felt that incumbent agency reviews were occurring at about the right frequency. Only a fifth of respondents (clients: 19 percent; agencies: 21 percent) felt that incumbent agency reviews were happening too often. The remaining respondents felt they were not occurring often enough.



There are a myriad of reasons why a client might decide to put an incumbent agency up for review or go to market for a new agency. Clients identified that a shift in a brand's strategic direction (52 percent), changing macroeconomic challenges (51 percent), increases in agency staff turnover (50 percent), and a shift in the competitive landscape (50 percent) were the top factors affecting review frequency.

A significant portion of client respondents also indicated that there were "other factors affecting frequency" (44 percent):

- Pressures around costs/budget/pricing
- Changes at the agency (M&A, reorg)
- Performance issues
- Changing needs that required new capabilities that were not strengths of the incumbent agency

Frequency That Agencies Decline to Participate

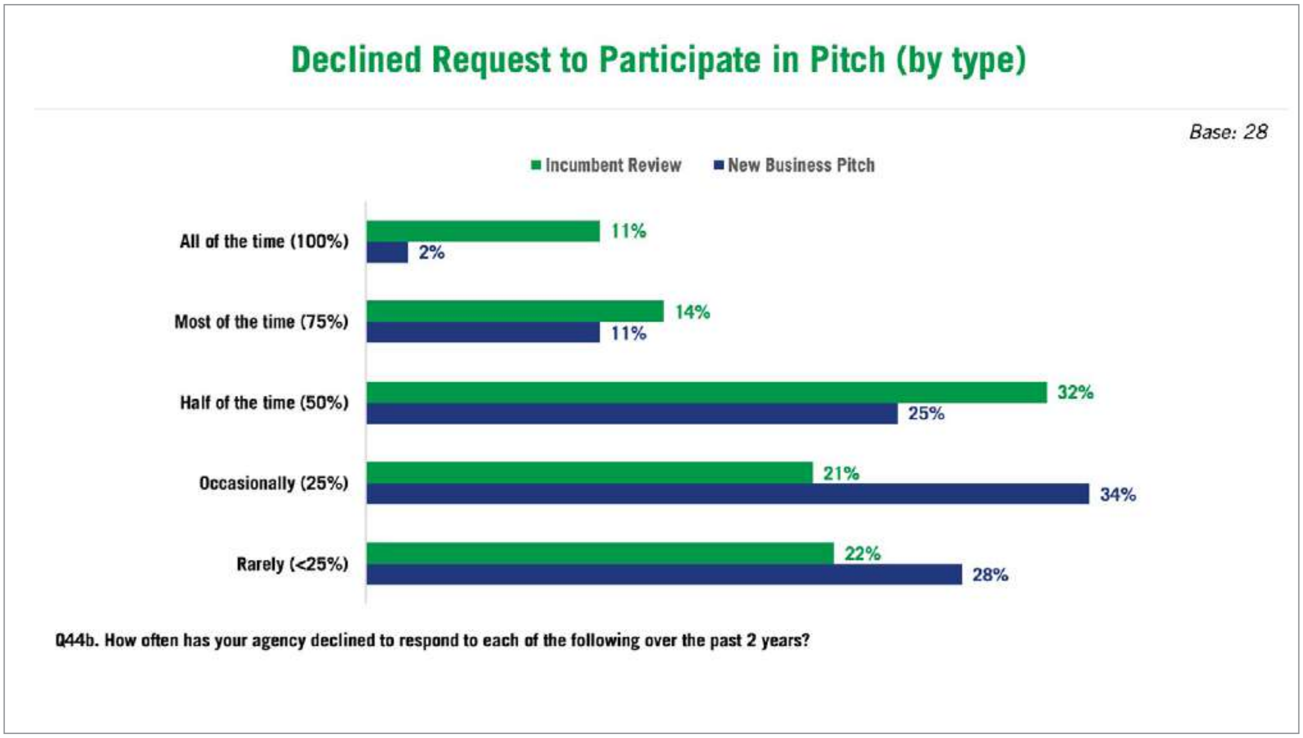
Share of agency respondents saying their agency declined to participate in the following types of pitches

1 in 4

Incumbent Reviews

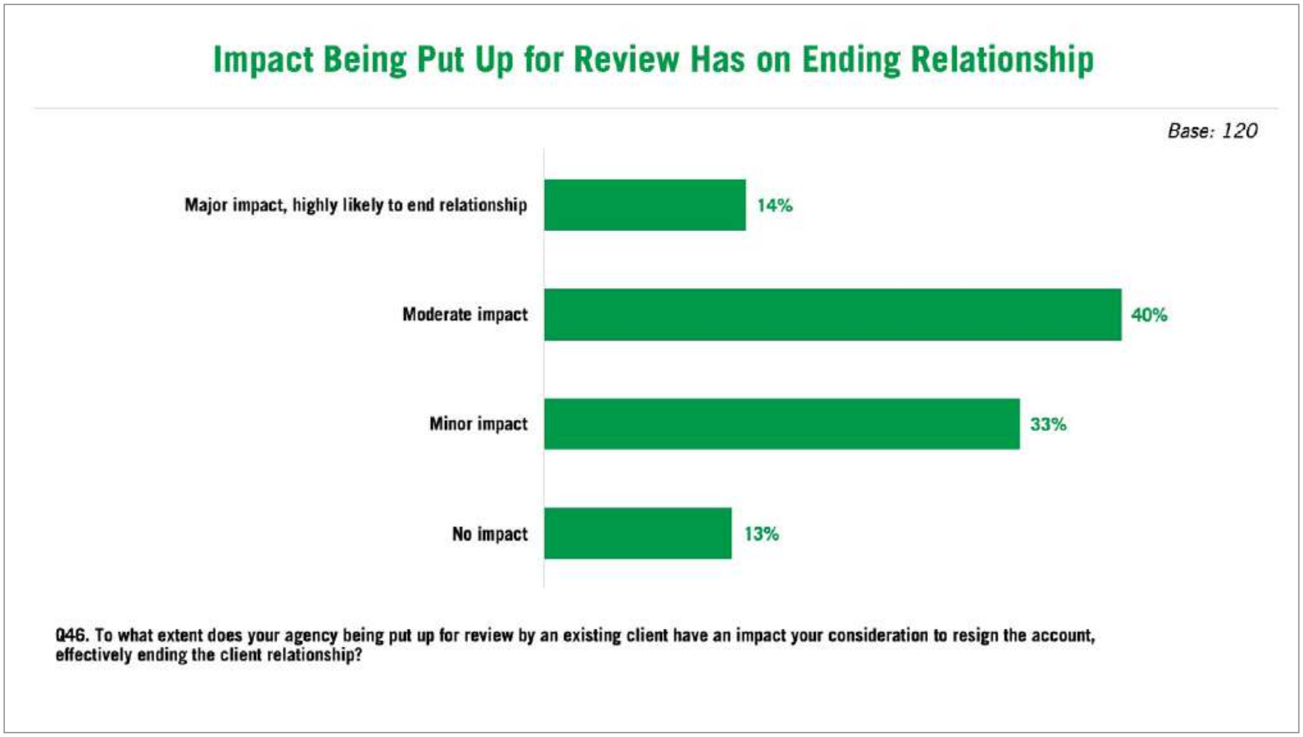
1 in 3

New Business RFP



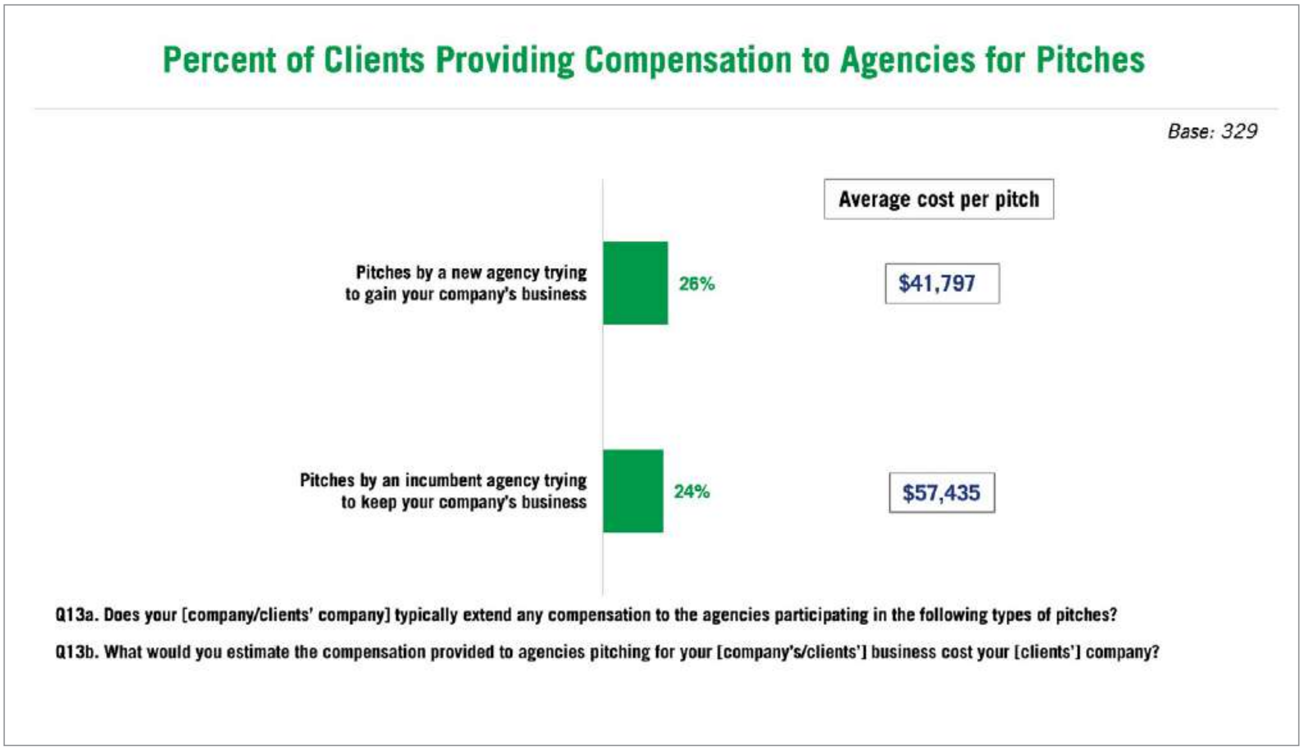
Reasons an agency may choose not to participate in a review for a new client could be related to resources, a lack of clarity as to the objectives of the review, a lack of internal client alignment on the measures of success, or, as more agencies are starting to comment, lack of visibility into a budget or budget range for the work to be covered under the review.

Agencies do not always accept invitations to participate in a pitch, whether they are the incumbent or not. They may choose not to participate for a variety of reasons, including capabilities, staffing, and culture. The survey results indicate that 25 percent of incumbent agencies decline to pitch to defend their account, and one-third of agencies decline to participate in an agency review to which they've been invited.



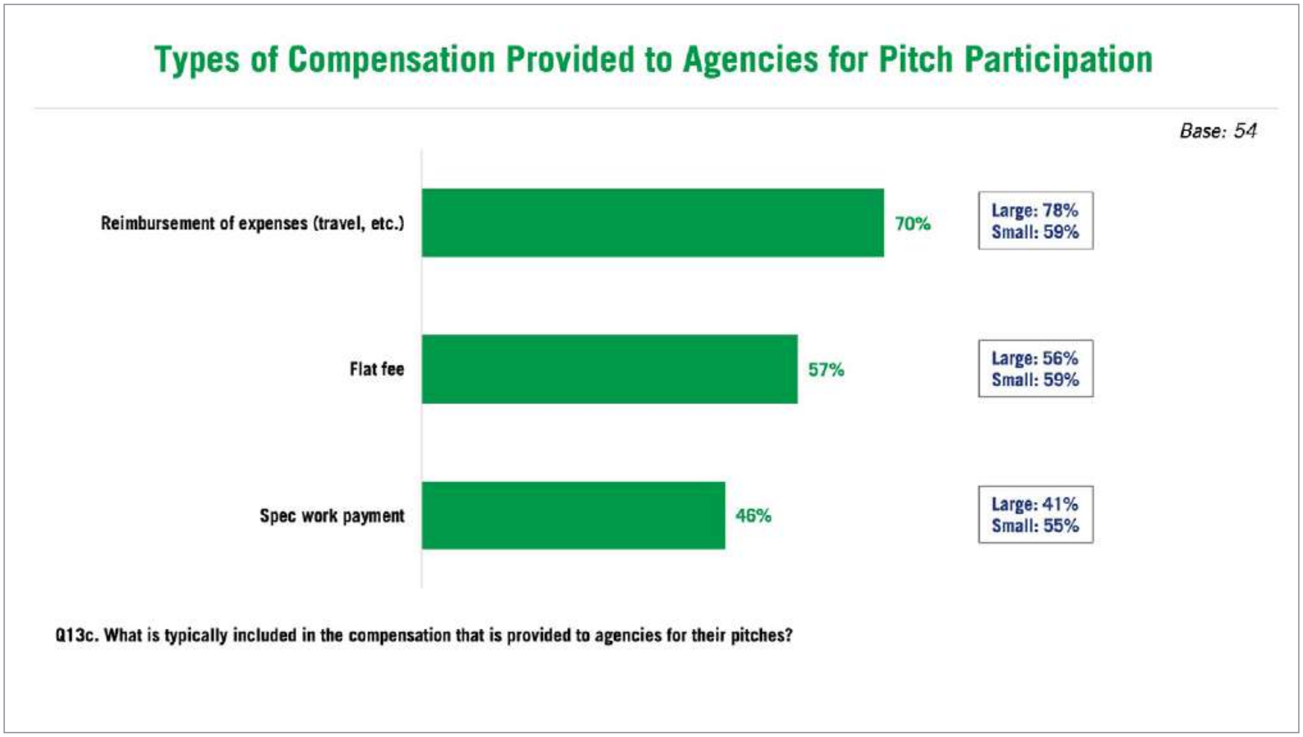
From an incumbent agency perspective, being asked to participate to defend an account for which the agency believes it has done a good job is demoralizing. This study pointed out the negative impacts an agency review has on the existing relationship, and combined with ongoing resource constraints, these are likely explanations for why an agency may choose not to participate when asked to defend the account. Other reasons could include mutual dissatisfaction with the relationship, a concern that the review is just a cost-cutting exercise, or a belief that the agency should not have to defend the account if the relationship is working and the client's business results are positive.

Compensation



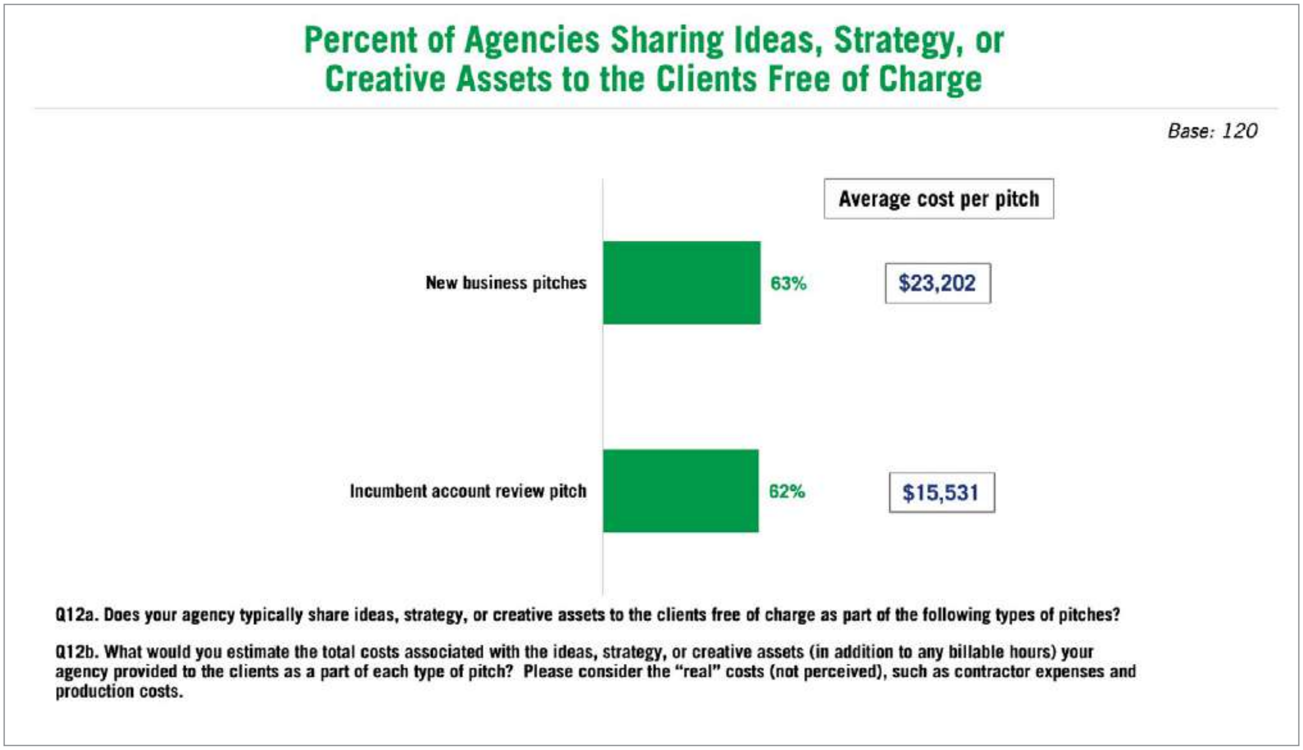
Only a quarter of clients reported providing any compensation to an agency for work done during a pitch, regardless of type of pitch. For those clients that compensated agencies for an open new business pitch, on average, clients spent $41,797. When conducting a review with an incumbent agency, clients spent significantly more on average at $57,435.

Note: Clients provide pitch compensation to agencies for a variety of reasons, some of which may be specific to their industry or business. Understand that these costs are informational only and not meant as guidance.



Seventy percent of clients reimburse agencies for certain expenses, such as travel, incurred by participating in a pitch. Larger clients (defined as clients with $25 million or more in annual ad spending) are more likely to reimburse expenses for a pitch (78 percent) than smaller clients (59 percent).

Slightly more than half of clients reported paying a flat fee to agencies participating in a pitch (57 percent), and 46 percent reported they provided a payment for "spec work." Smaller clients (less than $25 million in annual ad spending) reported making spec work payments more often (55 percent) than larger clients (41 percent). This is likely attributable to small businesses understanding the unique challenges of other small businesses.



Regardless of the type of pitch, nearly two-thirds of agency respondents stated their agency delivers work free of charge to clients. For new business pitches, this comes at an average cost of $23,202 per pitch. Pitches in which the agency is the incumbent come in at a lower average cost per pitch of $15,531.

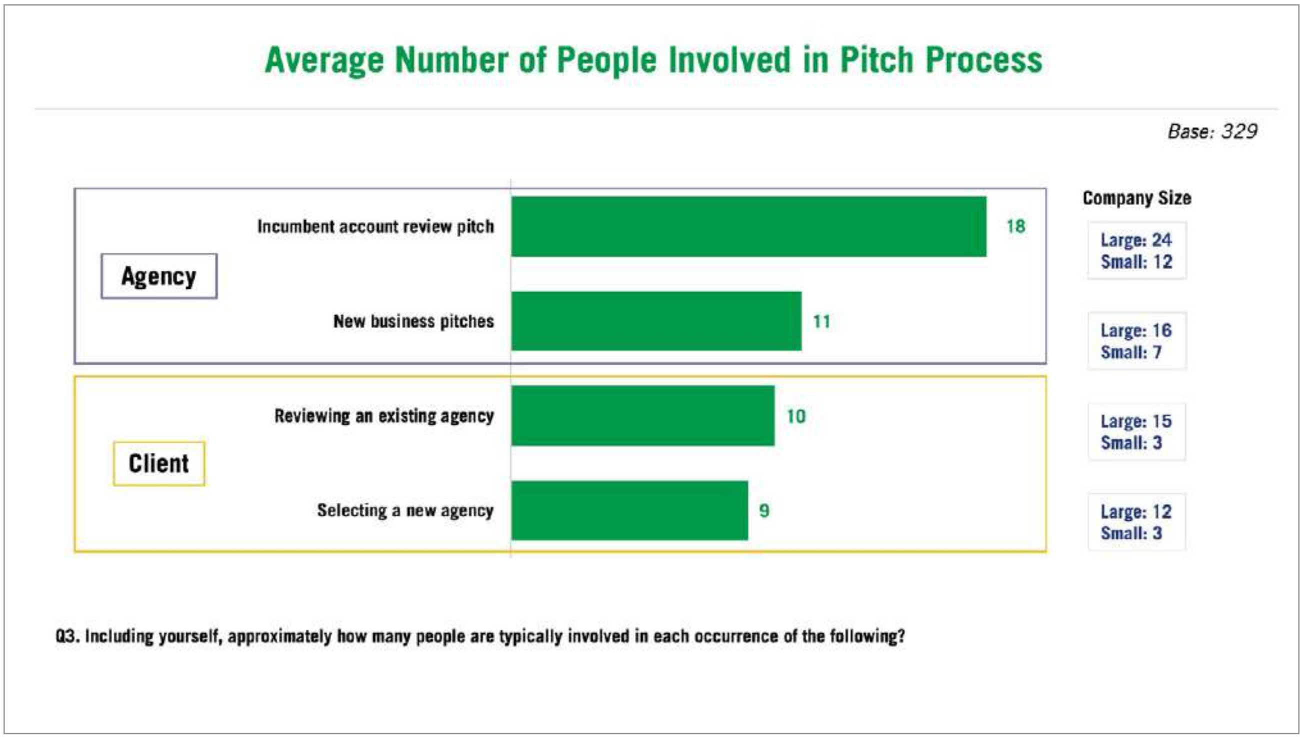
Why Compensation During a Pitch Is Important

One of the items highlighted as an area of misalignment in the ANA/4A's Agency Search Simplification Report is agency retention of intellectual property/work product produced during the review process. One hundred percent of agencies agree that the agency should own the work, yet only 50 percent of clients agree on that point.

An agency's work is its actual product — the product of its people, processes, thinking, creativity, experience, and research. Asking an agency to give away its product for free is like asking an architect to develop designs and plans for free or asking an attorney to draw up legal documents for free.

The ANA and the 4A's are aligned in the position that if a client wants to own the work it is shown during an agency pitch, it should compensate the agency for that work at a fair market value. It is important to note that travel stipends and other such agency cost offsets provided by a client during the review should not imply ownership of any of the agency's work.

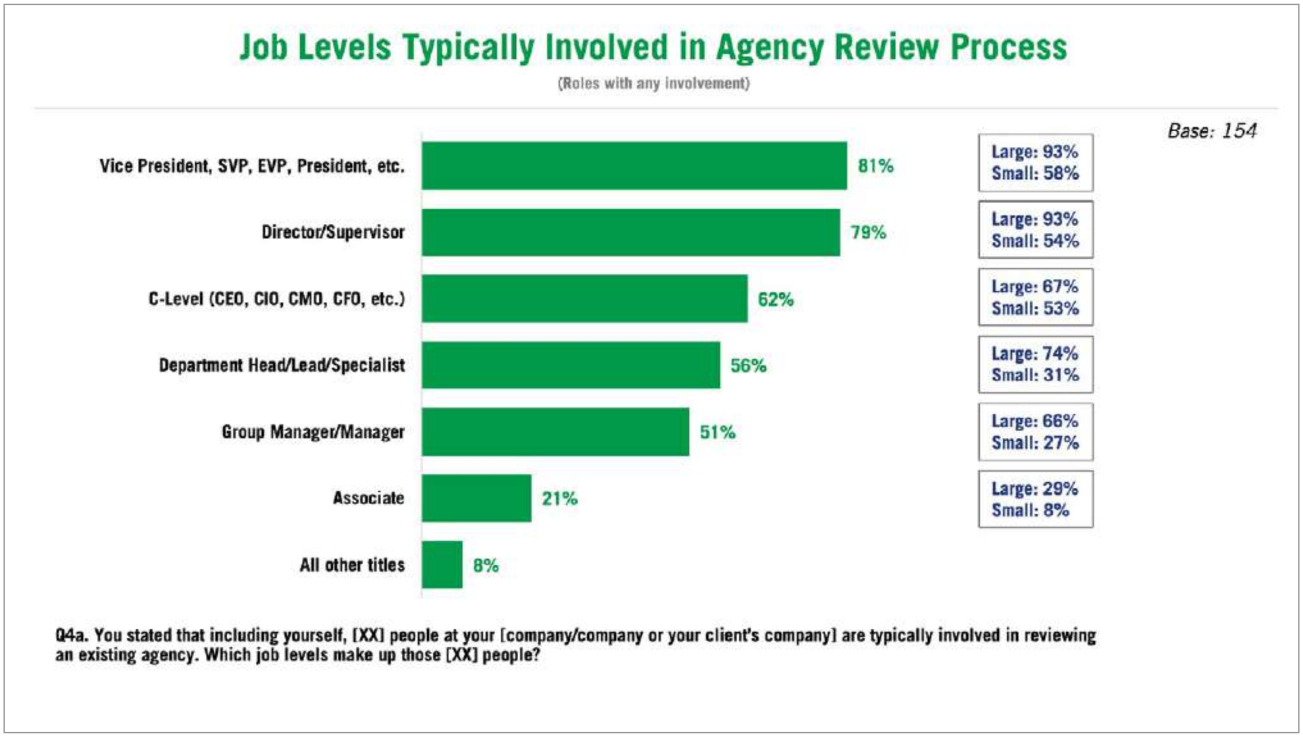
Who's Involved



Agencies averaged 11 staffers per review when working on a new business pitch and 18 staffers per review when they were the incumbent agency. This aligns with the increased staff costs reported by agencies when they are the incumbent. As expected, larger agencies reported almost twice as many staffers involved in a review as smaller agencies.

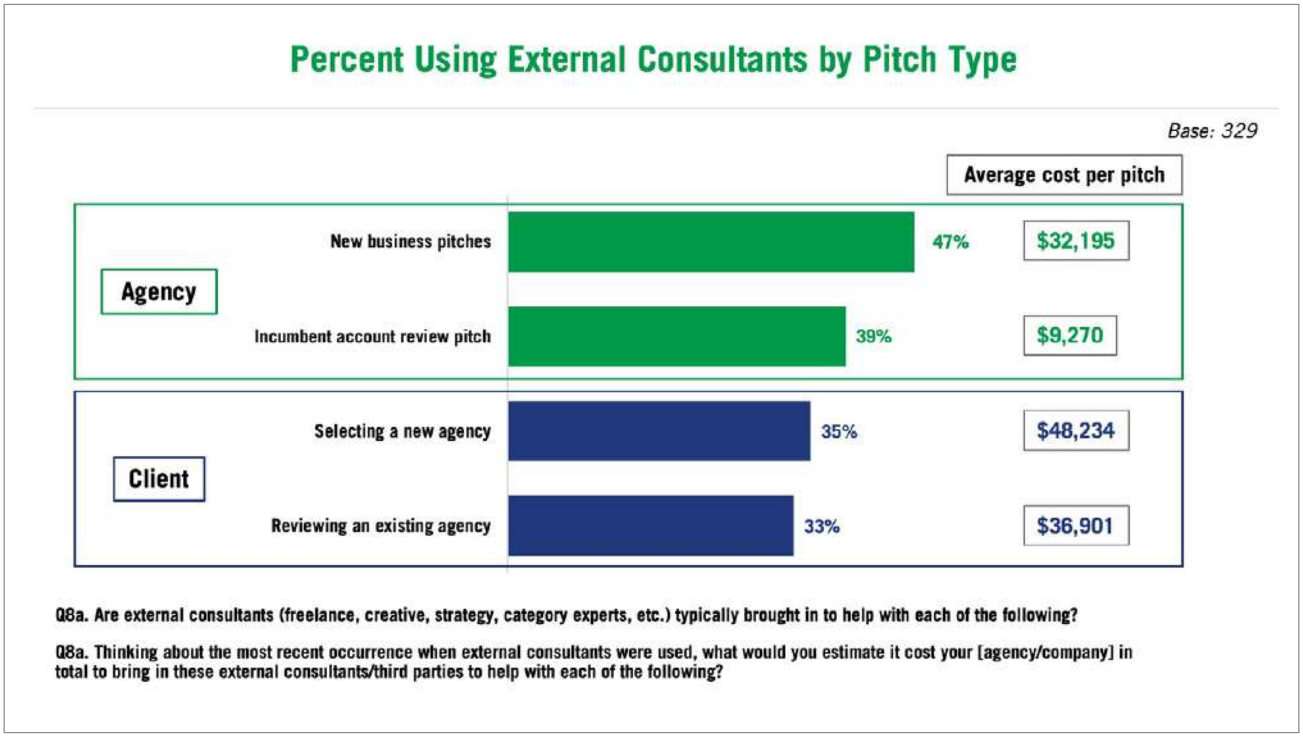
Regardless of the type of review, clients had an average of nine to 10 staffers working on each. The larger the size of the client, the more staff were likely to be involved. Smaller client organizations typically had three or fewer staffers working on a review.

(Large agencies include those with accounts that have more than $25 million in annual spending. Large clients are defined as those with 1,000 or more full-time staff.)



Clients reported that Vice President and up are the most common job level involved in reviews (81 percent), followed by director/supervisor (79 percent). Larger clients reported a higher rate of involvement of these two job levels (98 percent and 93 percent respectively) than smaller clients. C-suite job levels were less likely to be involved in reviews (62 percent).

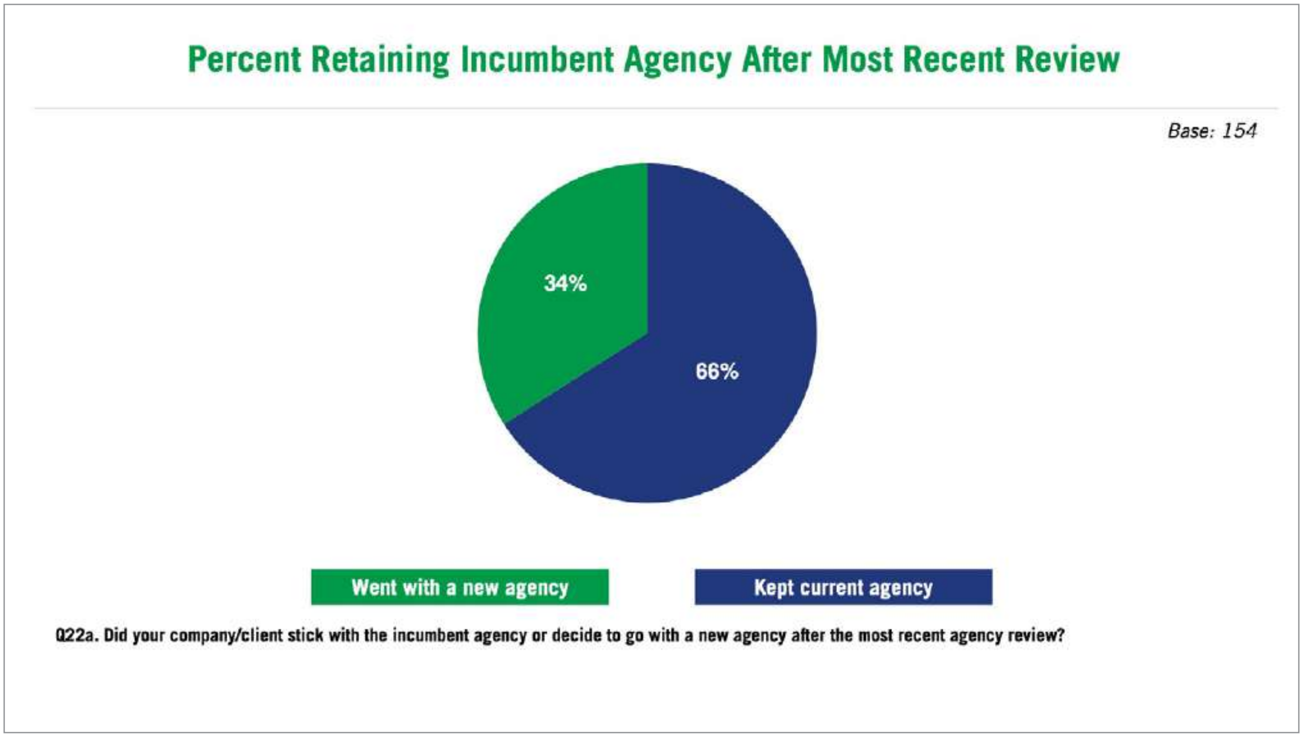
(See the appendix for a more detailed breakdown of typical job titles involved in a review for both agencies and clients.)

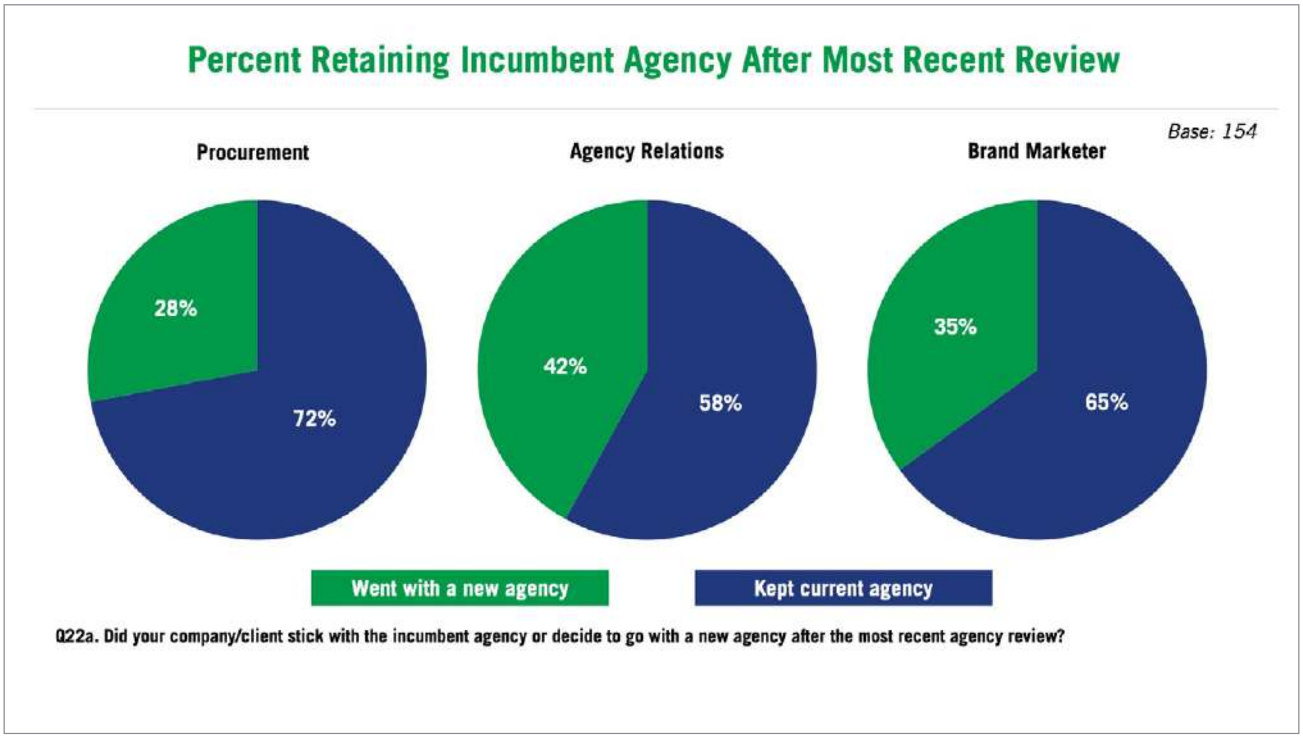


Agencies reported using external consultants at a higher rate for new business pitches (47 percent) than when they were an incumbent agency (39 percent). The average cost incurred by agencies using an external consultant was $32,195 for a new business pitch and only $9,270 for an incumbent.

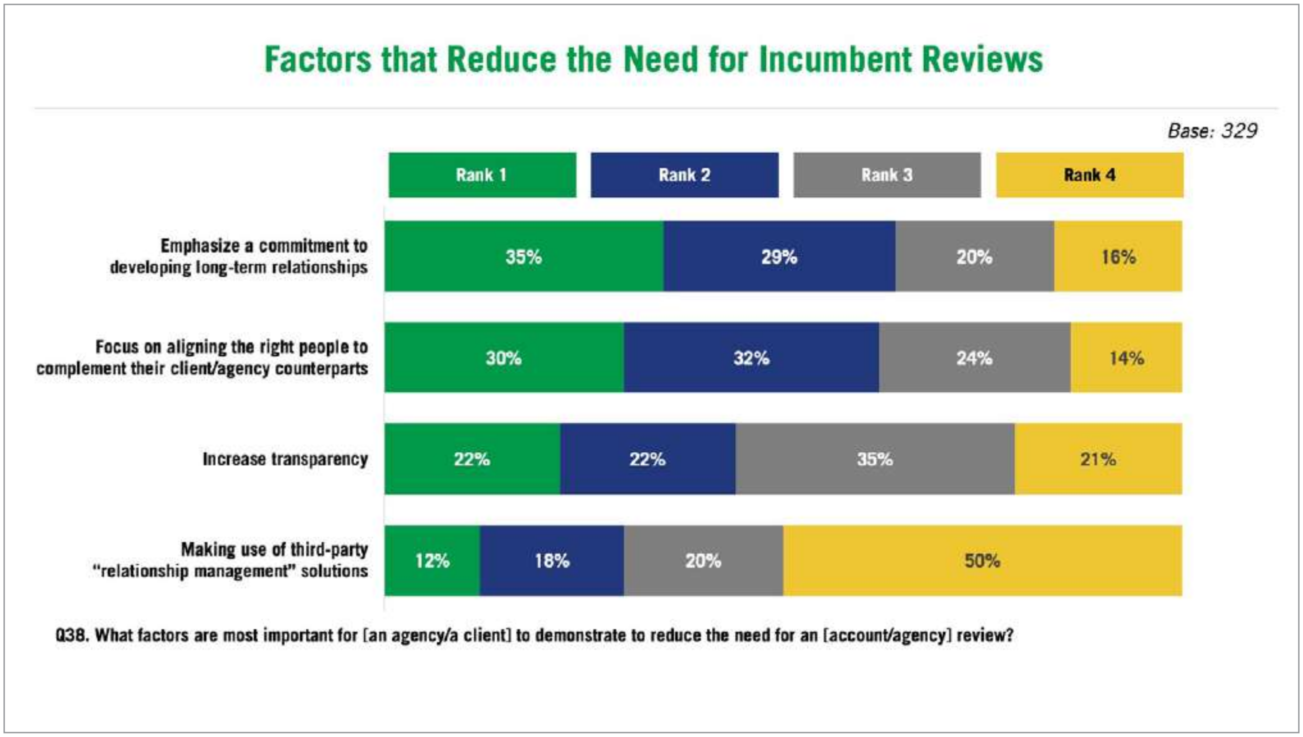
About a third of clients used an external consultant regardless of the type of pitch. An open new business pitch when an external consultant was used had an average cost of $48,234 per pitch, slightly more than a review with an incumbent agency ($36,901).

Incumbent Agency Reviews





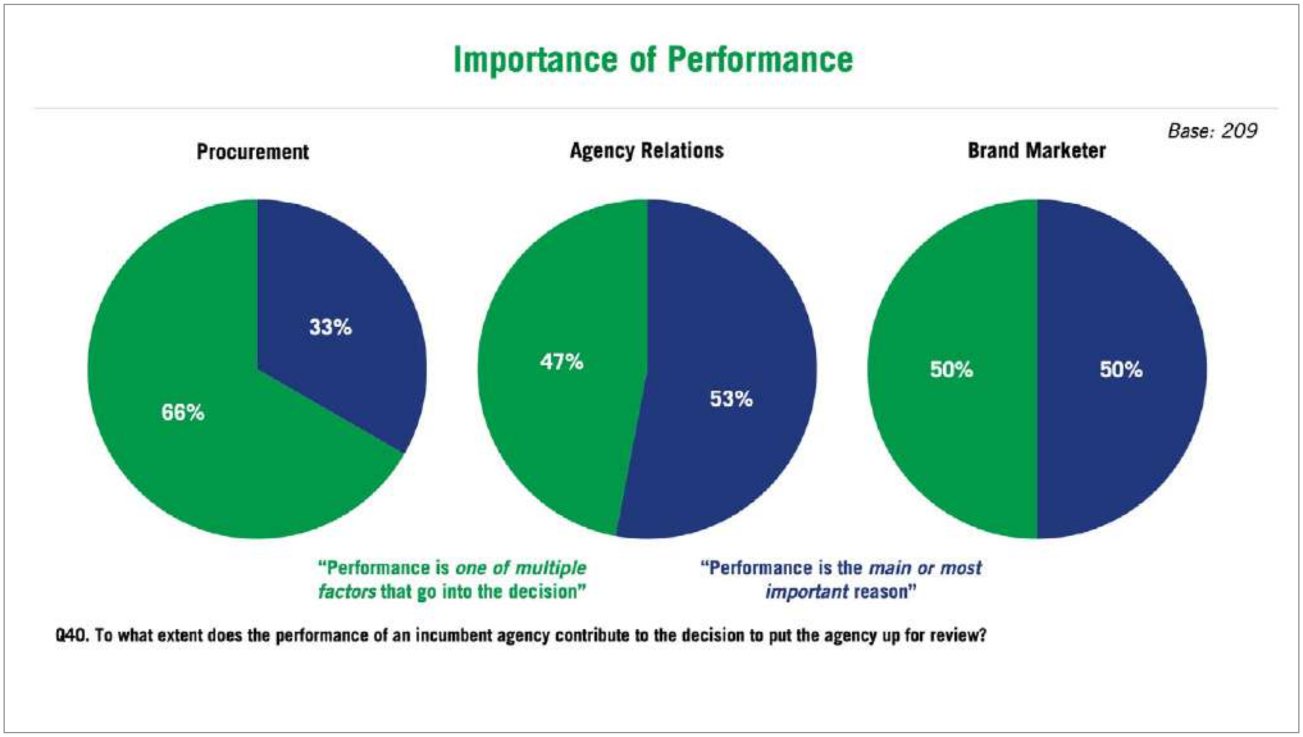
Across all types of client respondents, two in three reported they retained their incumbent agency after their most recent review. Procurement respondents reported a higher rate of retention of the incumbent agency (72 percent) versus agency relationship management (58 percent) and brand-marketer (65 percent) respondents.



Considering the cost of an incumbent agency review and the high rate of retention of an incumbent agency, one must consider how they can reduce the need for such a review and avoid the costs of an unnecessary review.

When asked what were the most important factors that could prevent an incumbent agency review from being needed, emphasizing a commitment to developing long-term relationships ranked highest (35 percent).

Other factors to consider included focusing on aligning the right people to complement their client/agency counterparts (30 percent) and increased transparency (22 percent). Although ranked fourth, making use of third-party relationship management solutions (50 percent) had the single largest point of agreement between clients and agencies as an important factor in reducing the need for an incumbent agency review.



Performance of an incumbent agency is considered the main or most important reason by clients in an agency relationship management (53 percent) or brand marketer (50 percent) role. Two-thirds of procurement cited performance as one of multiple factors that go into the decision, but not the main or most important reason.

Are there any other factors that would play a role in reducing the need for reviews?

"Develop more of a partnership with agencies than treating them as a service business only."

Procurement/Client

"Working with people that we know and trust."

Brand Marketer/Client

Brand Marketer/Client

"Good service and understanding that budgets are not as high as usual given the current economic conditions and being flexible. This will ensure a long-term relationship vs. a short one."

Client/Agency Relationship Management Programs

A Client/Agency Relationship Management Program can help keep an agency relationship on track and avoid the need to conduct an incumbent agency review. It's a platform for discussing the value being brought to the relationship — not just at a single point in time, but on an ongoing basis, with a focus on continuous improvement. It is a process by which all key aspects of the client/agency relationship are identified, openly discussed, and periodically reviewed, with the intent to clarify expectations, bring up any issues, define success, and support the working relationship. Doing so will help optimize the agency's work and the client's business results, thereby extending the tenure of the relationship.

Client/Agency Relationship Management Programs do not have to be third-party facilitated programs. They can be run in-house on available platforms, as long as the program is ongoing and structured.

The ANA and the 4A's conducted a study in 2020 called **The Business Case for Relationship Management**. The results of the study were conclusive. Both clients and agencies found compelling benefits that align with components of a valued business partner relationship: better communication, better work, and improved ROI, as well as greater efficiency and speed.

THE FUNDAMENTALS OF AN EFFECTIVE RELATIONSHIP MANAGEMENT PROGRAM

Establishing an effective relationship management program helps facilitate active communication and proactive collaboration that leads to better work and improved ROI. An effective program may also enable early identification and mitigation of challenges before they become critical issues. There are five key aspects of any effective relationship management program:

Executive Support

Executive support of a relationship management program and its team, purpose, and goals is critical, particularly in organizations where those managing the relationship management program and the day-to-day business owner are not the same. Without executive support, at both the client and agency, the program's impact will be limited.

Credibility

It's important for any relationship management program to build credibility with key internal stakeholders, both client and agency, to gain buy-in and consensus. The program should help stakeholders understand the value the program can bring in cost avoidance, more efficient processes, and better work overall.

Tip: Proximity can help. Whether an internal client stakeholder or on the agency side, when feasible, consider physically sitting with your marketing stakeholders, even if it's only one day a week or on a more permanent basis.

Clear Roles and Responsibilities

Agency relations, marketing, procurement, finance, and legal each bring a unique and specific skill set to the table. These should be positioned as complementary functions, not competitive or combative, in your relationship management program. Define clear roles and responsibilities that each will play (including internal stakeholders and agency representatives).

KPIs and Data Standardization

It's critical to identify KPIs at the outset to define clear expectations for performance. KPIs should ideally be developed jointly with the agency, but can be set independently if necessary. Consider a mix of campaign and business-level results, and leverage quantitative metrics as often as possible to minimize subjectivity and bias. For scopes of six months or longer, consider quarterly alignment meetings to review KPIs and progress against them.

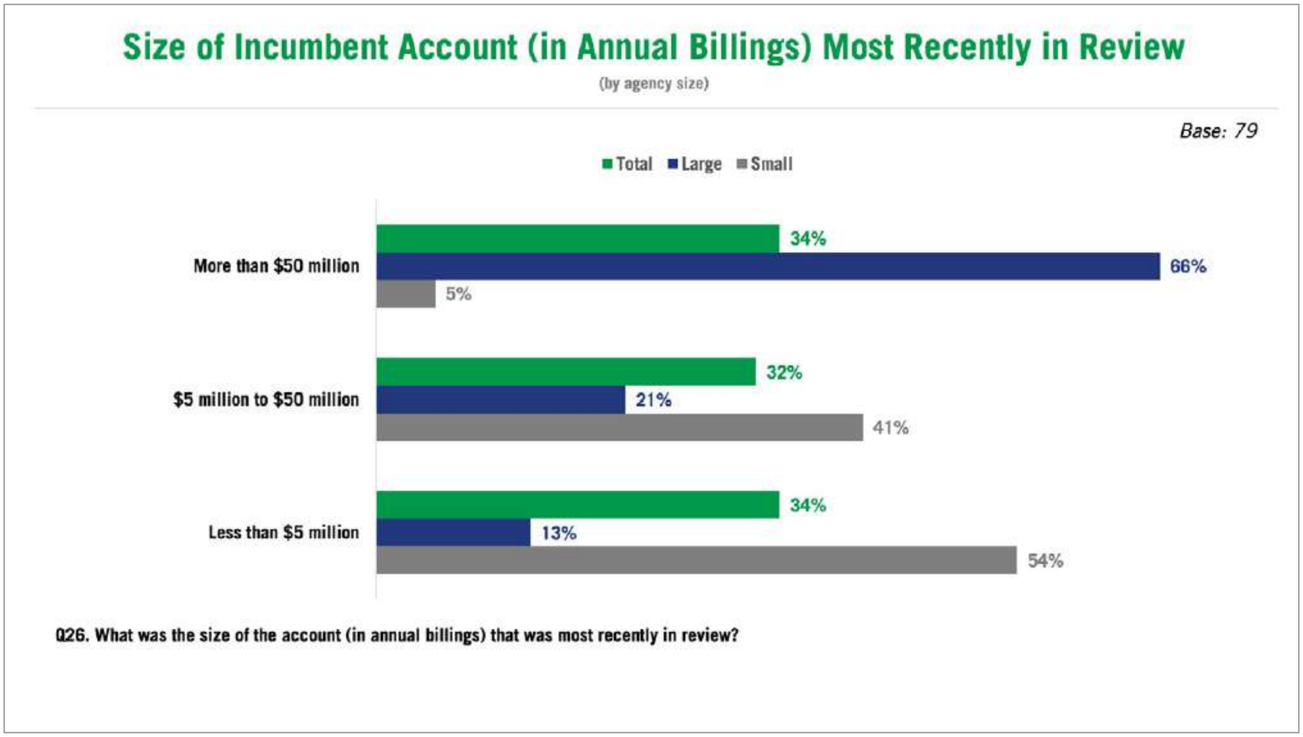
Tip: Some individuals are harder graders than others. While stakeholder satisfaction is an important metric, think about how you can standardize your approach to qualitative feedback. For the sake of consistency and fair process, training may be necessary so stakeholders all understand how to assess each particular metric for scoring.

360-Degree Feedback

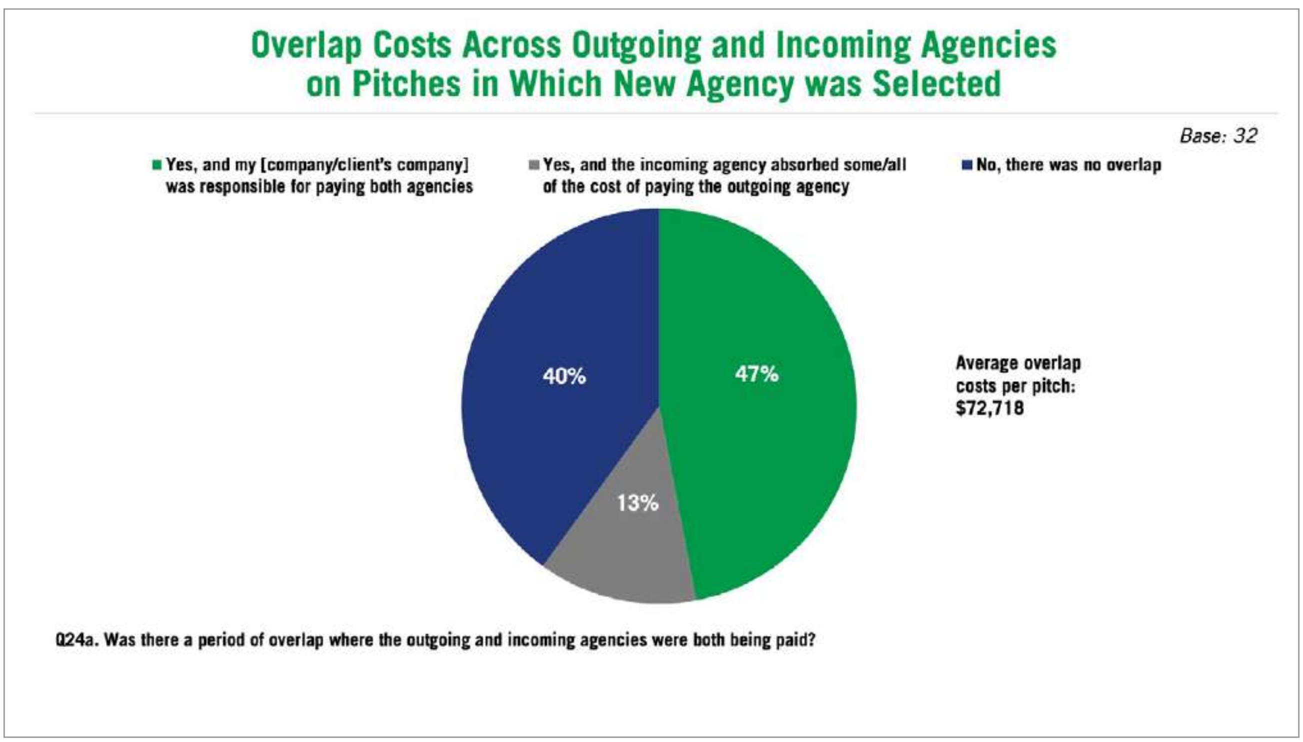
360-degree feedback means both client and agency stakeholders are surveyed, with both parties providing feedback to the other. Doing so reinforces that the relationship is a partnership, and like any relationship, it's important to have a two-way conversation. This feedback may also provide insight into shortcomings and missed goals. Often an agency's concerns and a client's concerns are aligned (e.g., the client is dissatisfied with the quality of the work and the agency is dissatisfied with the briefing process). This feedback allows those missed connections to be identified and addressed.

Tip: You can build a 360-degree survey yourself or use a consultant that specializes in relationship management programs. A formal relationship management program doesn't have to cost much or take up the majority of someone's time.

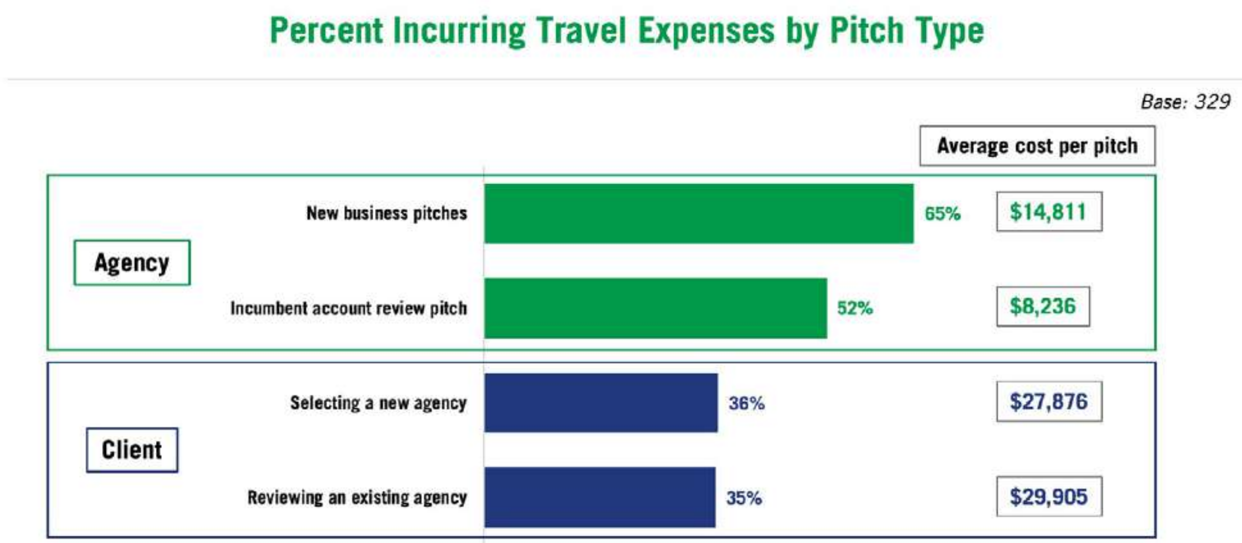
APPENDIX



Size of Incumbent Account (in Annual Billings) Most Recently in Review
(by agency size)
Base: 79
Total
Large
Small
More than $50 million
34%
66%
5%
$5 million to $50 million
32%
21%
41%
Less than $5 million
34%
13%
54%
Q26. What was the size of the account (in annual billings) that was most recently in review?

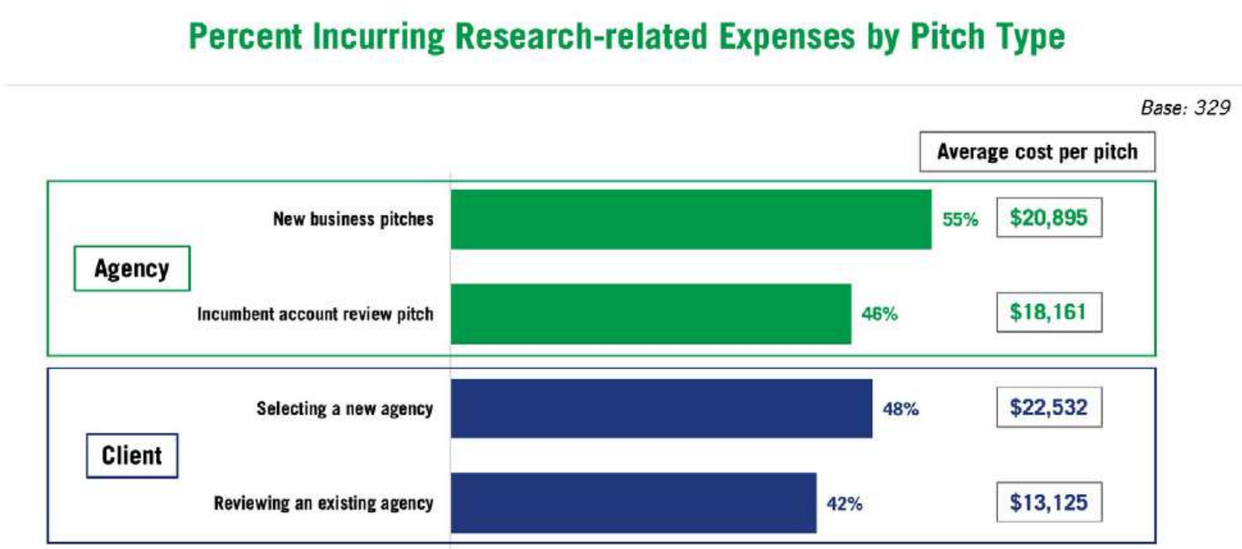


Overlap Costs Across Outgoing and Incoming Agencies on Pitches in Which New Agency was Selected
Base: 32
Yes, and my [company/client's company] was responsible for paying both agencies
Yes, and the incoming agency absorbed some/all of the cost of paying the outgoing agency
No, there was no overlap
47%
13%
40%
Average overlap costs per pitch: $72,718
Q24a. Was there a period of overlap where the outgoing and incoming agencies were both being paid?



Q10a. Are travel-related expenses typically incurred by your [agency/company/client's company] as a direct result of any of the following?

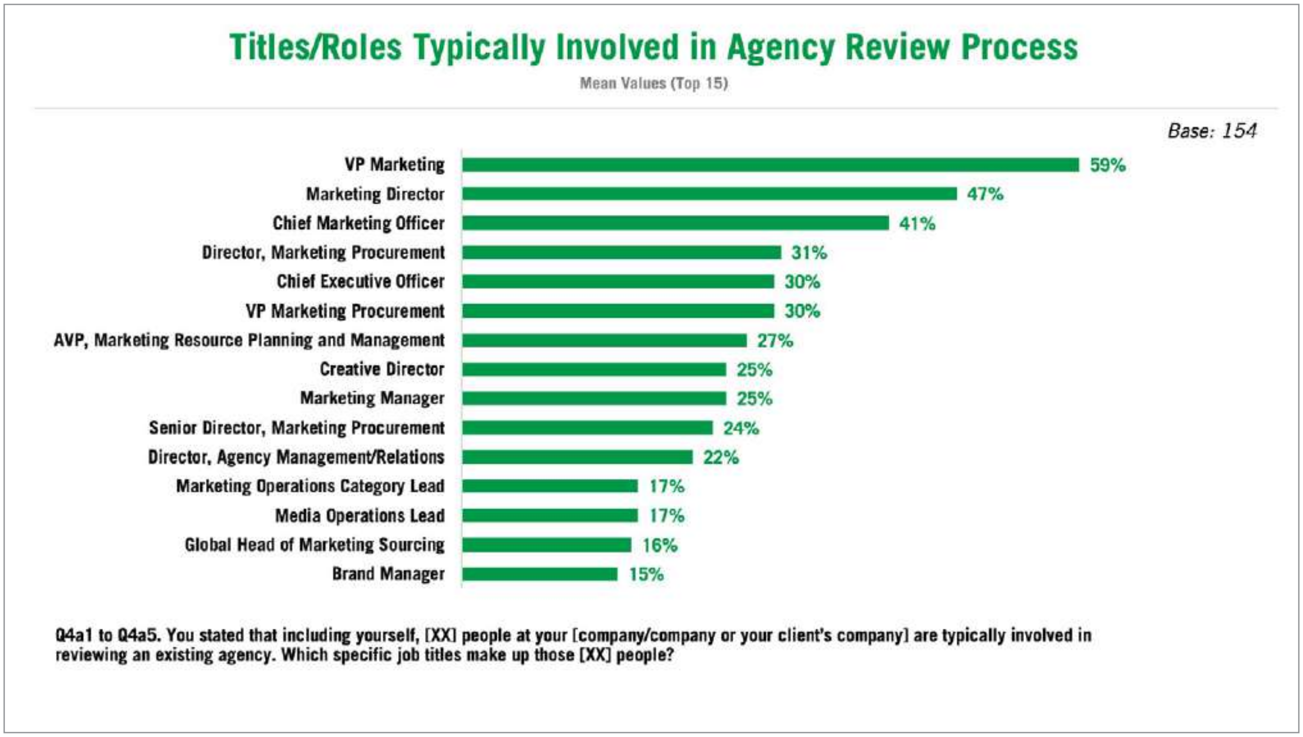
Q10b. What would you estimate the travel-related expenses that are directly attributable to each of the following cost your [agency/company/client's company] in total? Please consider the costs that went into transportation, hotels, meals, etc.



Q11a. Are research-related expenses typically incurred by your [agency/company/client's company] as a direct result of any of the following?

Q11b. What would you estimate the research-related expenses that are directly attributable to each of the following cost your [agency/company/client's company] in total?

APPENDIX

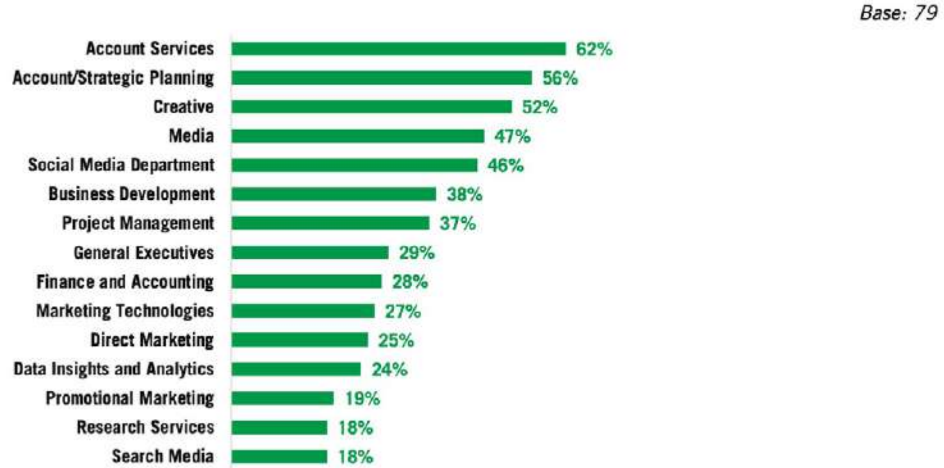


Titles/Roles Typically Involved in Agency Review Process
Mean Values (Top 15)
Base: 154
VP Marketing 59%
Marketing Director 47%
Chief Marketing Officer 41%
Director, Marketing Procurement 31%
Chief Executive Officer 30%
VP Marketing Procurement 30%
AVP, Marketing Resource Planning and Management 27%
Creative Director 25%
Marketing Manager 25%
Senior Director, Marketing Procurement 24%
Director, Agency Management/Relations 22%
Marketing Operations Category Lead 17%
Media Operations Lead 17%
Global Head of Marketing Sourcing 16%
Brand Manager 15%
Q4a1 to Q4a5. You stated that including yourself, [XX] people at your [company/company or your client's company] are typically involved in reviewing an existing agency. Which specific job titles make up those [XX] people?

APPENDIX

Departments Typically Involved in Incumbent Review Process

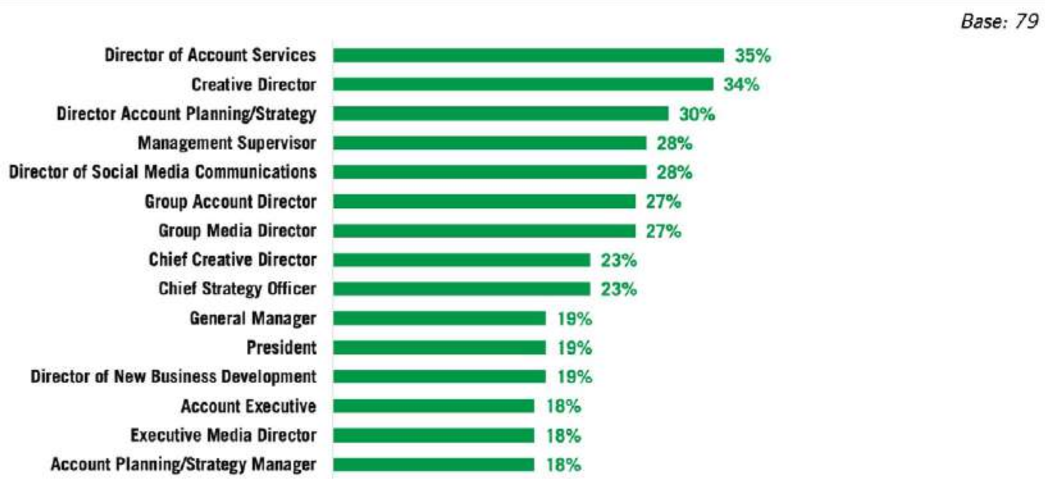
Any Involvement (Top 15)



Q6a. You stated that including yourself, [XX] people at your agency are typically involved in pitches related to an incumbent account review. Which departments make up those [XX] people?

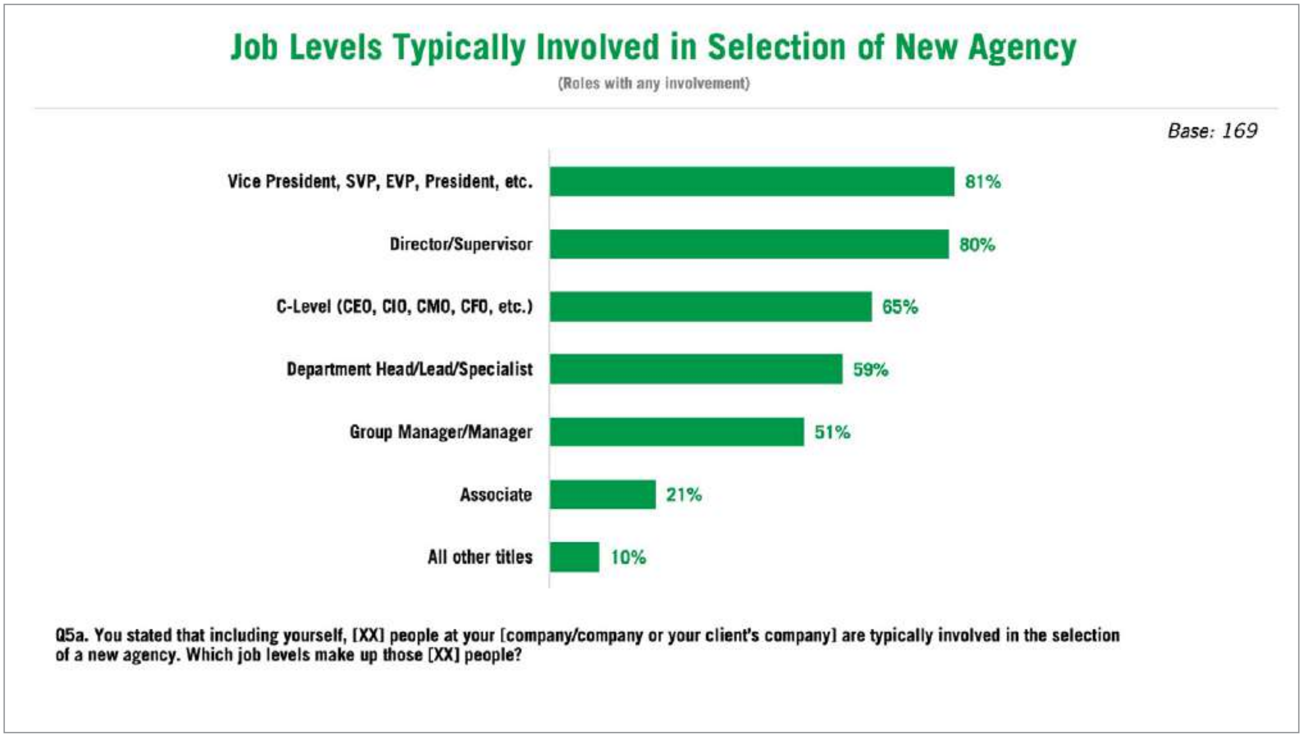
Titles/Roles Typically Involved in Incumbent Review Process

Any Involvement (Top 15)

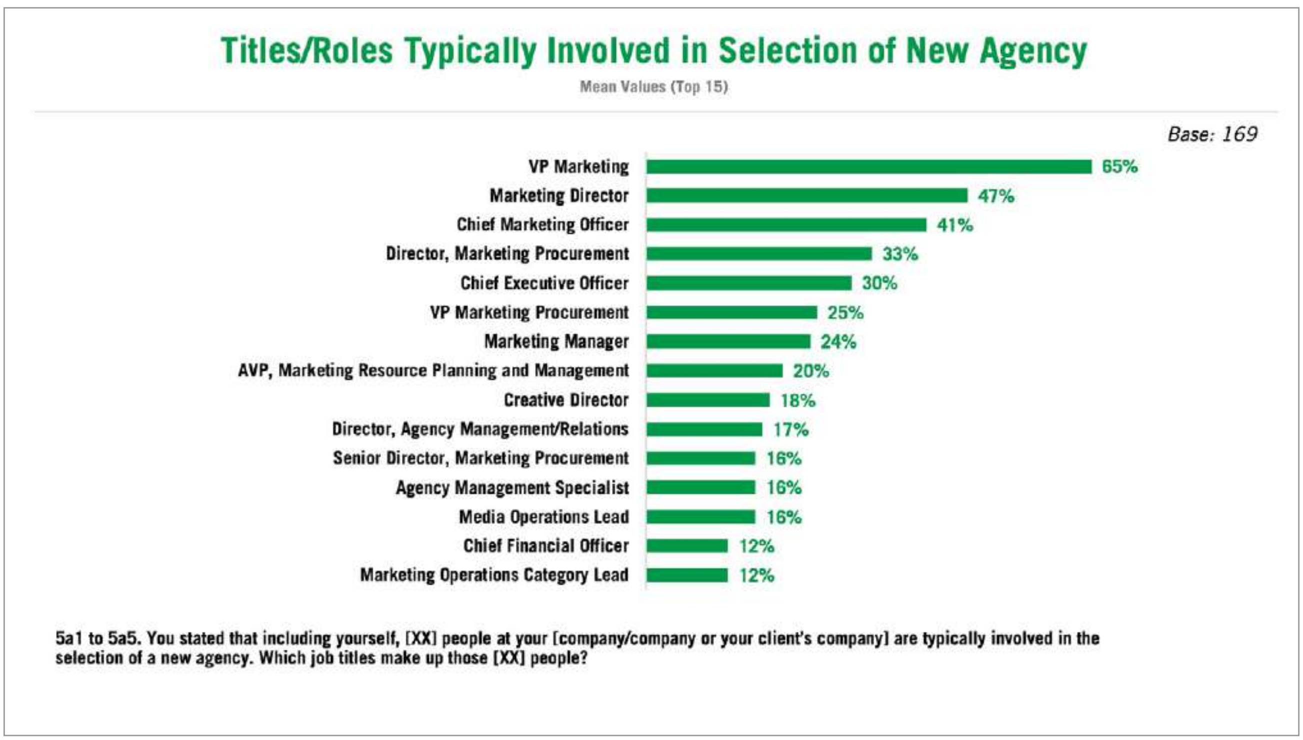


Q6a. You stated that including yourself, [XX] people at your agency are typically involved in pitches related to an incumbent account review. Which which specific job titles make up those [XX] people?

APPENDIX

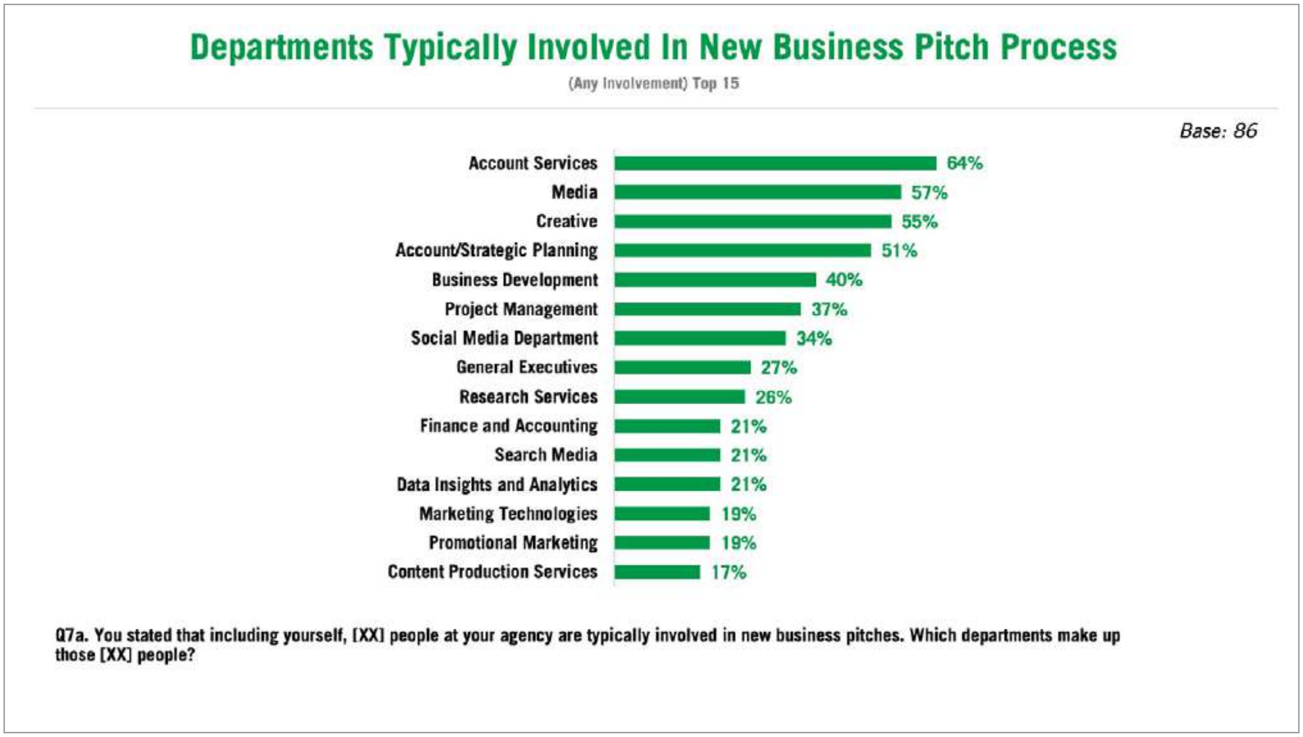


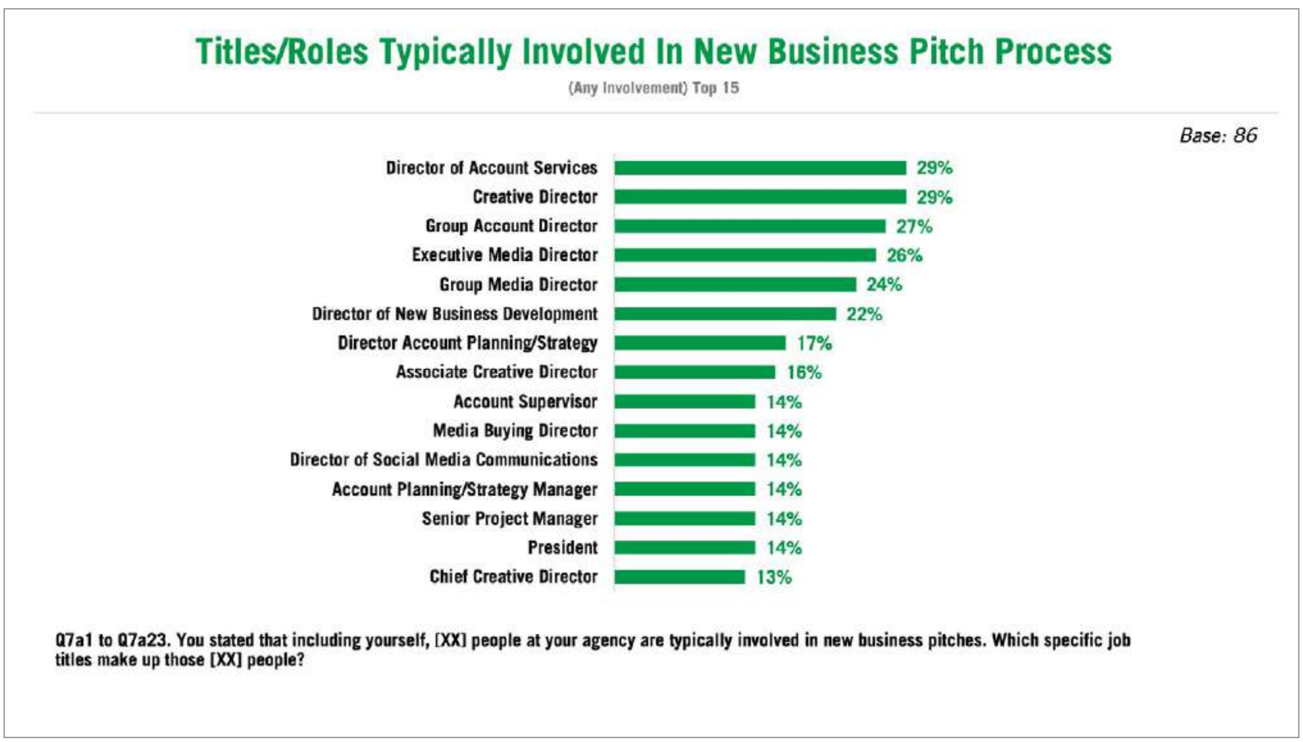
Job Levels Typically Involved in Selection of New Agency
(Roles with any involvement)
Base: 169
Vice President, SVP, EVP, President, etc.
81%
Director/Supervisor
80%
C-Level (CEO, CIO, CMO, CFO, etc.)
65%
Department Head/Lead/Specialist
59%
Group Manager/Manager
51%
Associate
21%
All other titles
10%
Q5a. You stated that including yourself, [XX] people at your [company/company or your client's company] are typically involved in the selection of a new agency. Which job levels make up those [XX] people?



Titles/Roles Typically Involved in Selection of New Agency
Mean Values (Top 15)
Base: 169
VP Marketing
65%
Marketing Director
47%
Chief Marketing Officer
41%
Director, Marketing Procurement
33%
Chief Executive Officer
30%
VP Marketing Procurement
25%
Marketing Manager
24%
AVP, Marketing Resource Planning and Management
20%
Creative Director
18%
Director, Agency Management/Relations
17%
Senior Director, Marketing Procurement
16%
Agency Management Specialist
16%
Media Operations Lead
16%
Chief Financial Officer
12%
Marketing Operations Category Lead
12%
5a1 to 5a5. You stated that including yourself, [XX] people at your [company/company or your client's company] are typically involved in the selection of a new agency. Which job titles make up those [XX] people?

APPENDIX


Departments Typically Involved In New Business Pitch Process
(Any Involvement) Top 15
Base: 86
Account Services 64%
Media 57%
Creative 55%
Account/Strategic Planning 51%
Business Development 40%
Project Management 37%
Social Media Department 34%
General Executives 27%
Research Services 26%
Finance and Accounting 21%
Search Media 21%
Data Insights and Analytics 21%
Marketing Technologies 19%
Promotional Marketing 19%
Content Production Services 17%
Q7a. You stated that including yourself, [XX] people at your agency are typically involved in new business pitches. Which departments make up those [XX] people?


Titles/Roles Typically Involved In New Business Pitch Process
(Any Involvement) Top 15
Base: 86
Director of Account Services 29%
Creative Director 29%
Group Account Director 27%
Executive Media Director 26%
Group Media Director 24%
Director of New Business Development 22%
Director Account Planning/Strategy 17%
Associate Creative Director 16%
Account Supervisor 14%
Media Buying Director 14%
Director of Social Media Communications 14%
Account Planning/Strategy Manager 14%
Senior Project Manager 14%
President 14%
Chief Creative Director 13%
Q7a1 to Q7a23. You stated that including yourself, [XX] people at your agency are typically involved in new business pitches. Which specific job titles make up those [XX] people?

ABOUT THE AUTHORS

About the ANA

The mission of the ANA (Association of National Advertisers) is to drive growth for marketing professionals, brands and businesses, the industry, and humanity. The ANA serves the marketing needs of 20,000 brands by leveraging the 12-point ANA Growth Agenda, which has been endorsed by the Global CMO Growth Council. The ANA's membership consists of U.S. and international companies, including client-side marketers, nonprofits, fundraisers, and marketing solutions providers (data science and technology companies, ad agencies, publishers, media companies, suppliers, and vendors). The ANA creates Marketing Growth Champions by serving, educating, and advocating for more than 50,000 industry members that collectively invest more than $400 billion in marketing and advertising annually.

About the 4A's

The 4A's was established in 1917 to promote, advance, and defend the interests of our member agencies, employees, and the advertising and marketing industries overall. We empower our members to drive commerce, spark connections, and shape culture through infinite creativity. With a focus on advocacy, talent, and the value of creativity and technology to drive business growth and cultural change, the organization serves over 600 member agencies across 1,200 offices, which help direct more than 85% of total U.S. advertising spend. The 4A's includes the 4A's Benefits division, which insures more than 160,000 employees; the government relations team, who advocate for policies to support the industry; and the 4A's Foundation, which advocates for and connects multicultural talent to the marketing industry by fostering a culture of curiosity, creativity, and craft to fuel a more equitable future for the industry.

About Advertiser Perceptions

Advertiser Perceptions is the leader in providing research-based strategic market intelligence to the complex and dynamic media, advertising, and ad tech industries. Our curated, proprietary Ad PROS Network and deep relationships with the largest advertisers provide clients with an unbiased view of the market, their brand, and the competition. Our experts provide timely and actionable guidance enabling clients to improve their products and services, strengthen their brands, and drive more revenue.

ADDITIONAL RESOURCES

[ANA/4A's Agency Search Simplification Report](#)
[ANA/4A's Business Case for Relationship Management](#)
[4A's Relationship Management Best Practices Guidance](#)

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This report was designed by Ari Magen, Creative Director of Creative Services at the ANA.

ANA | 4A's | Advertiser Perceptions

THE COST OF THE PITCH

JULY 2023