WFA | World Federation of Advertisers

# Agency Roster Transformation

In partnership with:

Observatory International

June 2022

# Contents

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# 1. Foreword

It has been nearly three years since we last looked at the world of agency rosters and how businesses were dealing with them.

A lot has happened in the ensuing period. Significant geo-political focus on climate change and sustainability, equality, diversity and inclusion. And no small matter of a global pandemic.

All of which has inevitably focused both marketers and procurement leaders on optimising their Agency arrangements in the interests of efficiency, effectiveness and economic benefits, together with making strides on those all-important big global trends.

But as the world changed, has the world of agency rosters too? Well, at a macro level, judging by the findings of this research, not that much, given that a somewhat alarming 75% of respondents said that they were merely somewhat satisfied or less with their current agency set-ups.

Whilst we do see that many are moving towards a more centralised model, and with it the use of fewer agencies, many continue to use a mix of models across different markets/brands.

But don't let that macro picture totally deceive – because whilst the big picture may appear to be largely unchanged, there is a lot happening beneath the surface.

The pandemic, at the time of writing continues to present issues. And whilst consumers learn to live with it, marketers need to adjust their plans to accommodate those consumer needs whilst coping with budget flux.

Perhaps that can be partially solved by in-housing – which features far more significantly than in the previous research – and is showing an increase in adoption along with additional skill sets arriving – potentially from those who see a 'safe haven' from the topsy turvy life of agencies and the fallout from redundancy during covid.

Digital continues to come to the rescue as the pandemic lingers on – and strides made here will remain long after covid issues fade from our minds. But businesses need agencies who can get to grips with changes in consumer journeys and deliver against them conclusively, whilst at the same time appropriately navigating the issues that have come massively to the forefront in terms of diversity and inclusivity.

Sustainability is also a focus, with clients waking up to the fact that duplication of agency resource not only has an effect on the bottom line, but also on the planet.

So models continue to evolve and the more focused businesses will consistently strive to have models in play that best serve their aims, their consumers, and the planet.

The one consistent element in all this is that there's no silver bullet for all. Because businesses and the way they engage with their customers vary significantly from company to company, then so must the model – not only from the agency perspective but also in terms of how the client is organised themselves.

**Stuart Pocock**
Founder and Managing Partner
Observatory International

**Rob Foster**
Senior Consultant
Observatory International

# Executive Summary

- The dominant model used by respondents is "multiple agencies managed individually by Marketing" (90%). However, many use a variety of core models across their operations, which perhaps underlines the complexities of developing fit-for-purpose roster architectures.

- In-housing capabilities has been increasingly adopted: 80% (up from 57% in 2020) have an in-house agency set-up of some shape or form and 13% are considering establishing one. Not only will this alter agency scopes of work but will require additional focus on working processes to ensure effective collaboration between external agencies and in-house teams.

- Clients recognise that their current agency roster model is not achieving the highest levels of satisfaction, with 75% saying that they are only 'somewhat satisfied' or less with their current agency roster arrangements.

- 69% of respondents had recently made, or plan to make, changes to their agency roster, with a priority focus on a higher quality of outputs and flexibility from their agencies to evolve alongside their business objectives.

- Societal, behavioural and organisational factors, such as DE&I, digital evolution and the Covid pandemic, are all challenging the suitability of existing marketing structures and processes and raise questions concerning the need for change.

- A majority of client respondents have relatively few agencies on their roster (between 1- 25), and these are deployed in a variety of core models across their operations - which highlights the complexities of developing fit-for-purpose roster models.

- One third of clients stated that they either did not use, or did not have, a consistent agency performance measurement and evaluation approach. Effective relationships require ongoing evaluation and open dialogue, without which dissatisfaction can be allowed to grow to detrimental proportions.

- A roster transformation process is not simple and without challenges – getting the right model for your organisation takes time, resource, mass stakeholder engagement and, more often than not, outside third-party assistance to be successful.

# 2.  Current set up

An agency roster is the collection of third-party/external agency partners (potentially including in-house) that your company uses to provide services to support your business. How you structure the organisation of them, how you utilise them, how they interact with your operations as well as with each other and the roles and responsibilities each undertakes, is the agency model.

There are many types of agency models, and each client needs to find the model that best suits their unique requirements.  Often this means using a mix of models to cover all geographical, cultural and individual brand nuances within an organisation.

There are a select group of core models that are utilised more than most, and a majority of clients have a model where they individually manage multiple agencies directly.

## Key agency models

**1** **Multiple agencies managed individually by marketing**
Agencies with varying specialities managed centrally by marketing departments.

**2** **Multiple agencies managed by lead agency**
Agencies with varying specialities managed by a lead agency - generally creative agency of record.

**3** **Integrated agency / Full-service agency**
Agency with capabilities which span all comms disciplines.

**4** **Integrated lead agency with some specialists**
Agency with capabilities which span all comms disciplines plus some specialist agencies to bolster certain elements.

**5** **Network agency with specialisms from same holding company**
Agencies with multi-country offices e.g. Ogilvy or McCann working with specialist agencies from within their holding company e.g. WPP or IPG.

**6** **Holding company team solution**
A bespoke agency created from within the holding company e.g. WPP or IPG.

**7** **Combination of external agencies and in-house team**
Your own in-house agency working alongside a roster of external agency suppliers.

**8** **Fully in-housed**
Only using internal resource - no external agency suppliers.

## 1 Client manages a roster of multiple agencies:

### How this can work

Brand teams have central oversight over a defined selection of agencies with specific brand remits. Enables best possible agency fit with brands' requirements through a high-quality roster which is used at key stages of each brand's strategy and 'big idea' communications requirements.

Example: Pernod Ricard



"As a decentralised business, this model suits our 'house of brands' structure in that we have defined a strong pool of Strategy and Big Idea agencies, aligned to our central brand teams and with the opportunity to work across markets and non-core brands."

**Pascal Perrochon**
Brand Planning & Engagement Leader

## 2 Multiple agencies managed by a lead agency:

### How this can work

The key strategic partner (in this case King James Group) leads brand equity development. Other specialist agencies then support as needed under the lead agency. In some instances, this can go as far as the lead agency sub-contracting the specialists. The lead agency manages integration & communication flow through to marketer.

Example: Sanlam

## ③ Integrated, full-service agency:

### How this can work

The client liaises directly with the agency that has a complete 360° creative services competency within one single organisation.

Example: Redbull



## ④ Integrated, lead agency with some specialists:

### How this can work

The majority of business will lie with the 'principal' agency – generally a retained, integrated offering. (In this instance the client uses two – BBDO for brands prominent in the 'Americas' and Mullen Lowe for ROW)

However, the client has the opportunity to use 'guest specialists' for certain specific expertise, usually on a project basis. This model provides the opportunity for the client to seek out best in class companies for certain initiatives.

Example:
Bayer Consumer Healthcare
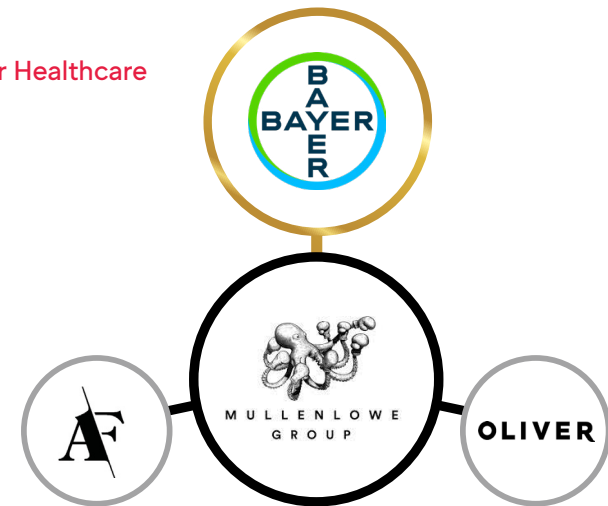


> 66 Our model is based on our decentralised structure and heritage of acquiring and developing brands and it has worked for us to make sure we deliver the best possible setup for our local teams to create, produce and amplify global brand platforms with appropriate input from the appropriate partner and source. However there are exceptions to this model (e.g. we have an in-house media setup in the US) where we felt we need to deviate to achieve the above ambition best. 99

**Philipp Schuster**
Agency & Marketing Partnerships Lead,
Global Strategic Marketing, Consumer Health at Bayer

**5** Network agency with some specialist from within the same holding company:

**How this can work**

The client sits at the centre of a group of specialised agencies from the same holding company. Whilst each agency is effectively managed individually, this model has the benefit of overall oversight from within the holding company and agencies are able to work in a very collaborative manner.

Example: BP
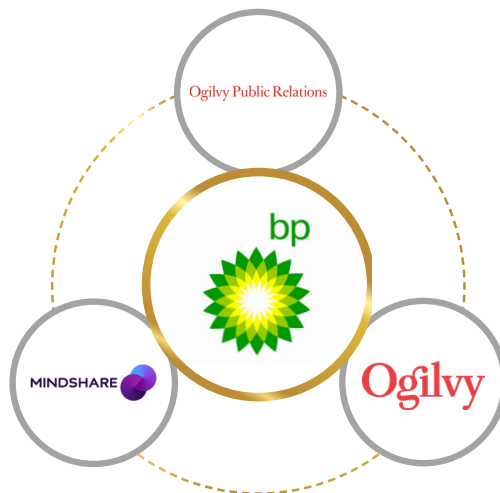


> **❝** For us, having an agency construct which allows us to tap into multiple agency disciplines from within one network via a centralised lead, plus media connected from within the same Holding Company has real benefits and complements our internal set-up and ways of working. The model enables us to have a robust picture of activity delivered by a virtuous circle of agency involvement. **❞**
>
> **Nicki Mason**
> Global agency relationship lead C&P –
> Brand, Comms & Site Design, BP
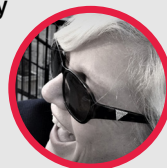
**6** Bespoke team formed from personnel from multiple agencies within a holding company:

**How this can work**

The client ultimately works with a central global client lead who selects best possible talent from across the HoCo and agencies handling specific business remits. This model enables the client to have a 360° best in class solution from major brand initiatives through to specialist projects.

Example: HSBC

**7** External agency/agencies + in-house team:

**How this can work**

Creative initiatives are delivered by both external and in-house agencies. The in-house studio is usually structured to provide frictionless collaboration between internal and creative teams to deliver culture-related experiences. Can deliver agility and strategic expertise to curate data-driven, personalised and locally relevant experiences through Insights, Creative, Tech, Digital and E-Commerce.
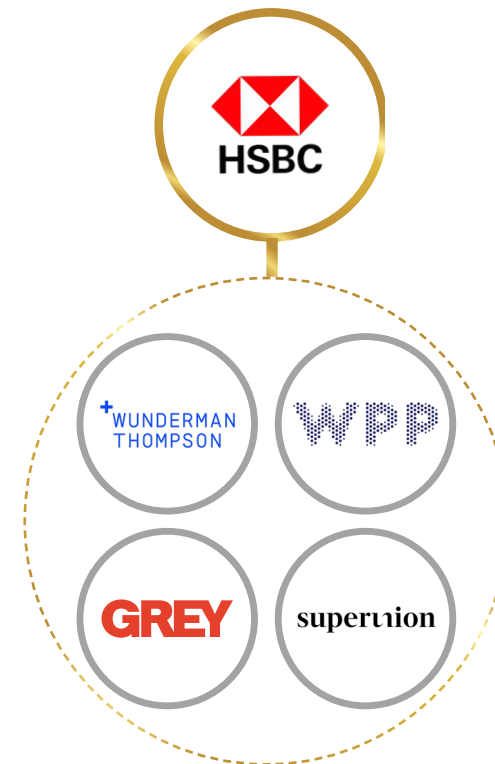
Example: ABInBev



> 66 In-house agencies are not identical - each one should be designed for purpose by the needs of the organisation. We saw four key opportunities. First, we needed to better understand our consumers and the world they live in. Second, we wanted to maximize the effectiveness opportunity of bringing content and media closer together. Third, we recognised that growth would come by having creativity closer to our business. Finally, we wanted to diversify our marketing talent to match the increasing specialisation trends we see in the industry. 99

**Tracy Stallard**
Global VP, Experiential & In House Agency (draftLine),
AB InBev
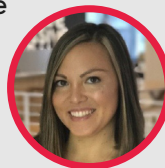
**8** Fully in-housed agency solution:

**How this can work**

All creative and digital media initiatives are delivered by a fully integrated in-house agency with both a global and local market presence. Some brands choose to use The Barn as a full-service agency but the brands have the right to pull on external agencies when required.

Example: Arla Foods



> 66 We have moved to an in-house model in order to bring media and creative closer together and secure a stronger learning loop in our campaigns based on the data we collect. Channel-led creativity is becoming more and more important and we have seen very impressive results so far. 99

**Thomas Heilskov**
Senior Director, Global Head of Digital Marketing and The Barn, In-house Creative & Media Agency, Arla Foods

The key factor here is to identify which model, or in fact models, are best suited to your business requirements before you think about which agencies you want to work with.  As can be seen in Fig 1, many clients are using both a variety and combination of these models to deliver work across markets, dependent upon their particular needs/ market nuances.

**Fig 1.**
**Q: Please select the agency roster models your organisation uses right now.**



Legend: ■ Globally  ■ Regionally  ■ Some markets  ■ Don't know

**1. Multiple agencies managed individually by marketing** — Globally 50%, Regionally 33%, Some markets 57%, Don't know 0% — *10% don't do this*

**2. Multiple agencies managed by lead agency** — Globally 14%, Regionally 9%, Some markets 23%, Don't know 0% — *64% don't do this*

**3. Integrated agency/ full service agency** — Globally 9%, Regionally 9%, Some markets 27%, Don't know 0% — *55% don't do this*

**4. Integrated lead agency with some specialists** — Globally 29%, Regionally 25%, Some markets 43%, Don't know 0% — *33% don't do this*

**5. Network agency with specialisms from same holding company** — Globally 36%, Regionally 16%, Some markets 16%, Don't know 0% — *52% don't do this*

**6. Holding company team solution** — Globally 38%, Regionally 12%, Some markets 8%, Don't know 0% — *58% don't do this*

**7. Combination of external agencies and in-house team** — Globally 50%, Regionally 30%, Some markets 40%, Don't know 0% — *20% don't do this*

**8. Fully in-housed** — Globally 5%, Regionally 0%, Some markets 14%, Don't know 5% — *82% don't do this*

The need to identify the right agency model applies to all clients, no matter what their business model is. The majority (53%) of survey respondents have a centralised business model [Fig 2], while 22% have a de-centralised model and a further 22% have a combination of the two.

**Fig 2. Q: Is your model…**
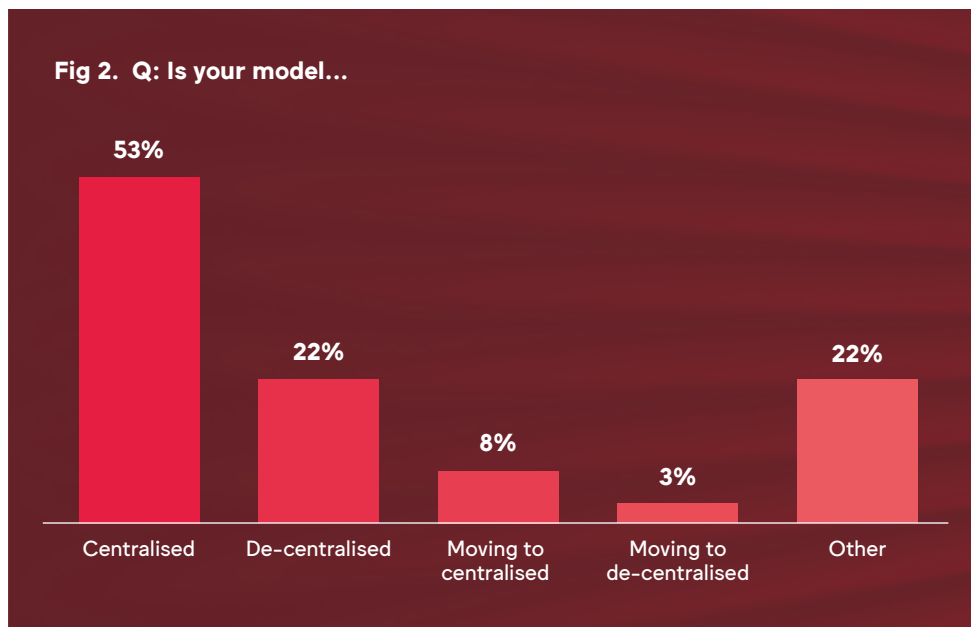


Finding the right agency model to complement your business, and then finding the right agency partners to populate the agency model, is key to success and often means engaging with more than one agency.

Managing multiple agencies effectively requires time and resource on the part of the marketing function, and in the 2018 survey 60% of clients said they were looking to reduce the number of agencies on their roster. In 2021, the majority of clients have now fewer agencies overall. It is now most common for clients to be working with between 1-25 agencies both globally (67%) and regionally (71%) [Fig 3], which is understandable given the high usage of primarily-centralised models.

**Fig 3. Q: Could you state roughly how many agencies are included in your roster?**



Legend:
- 0
- 1–25
- 26–50
- 51–100
- 101–150
- 151–250
- 251–500
- 501–750
- 751–1000
- 1001–1500
- 1501–2000
- 2001+

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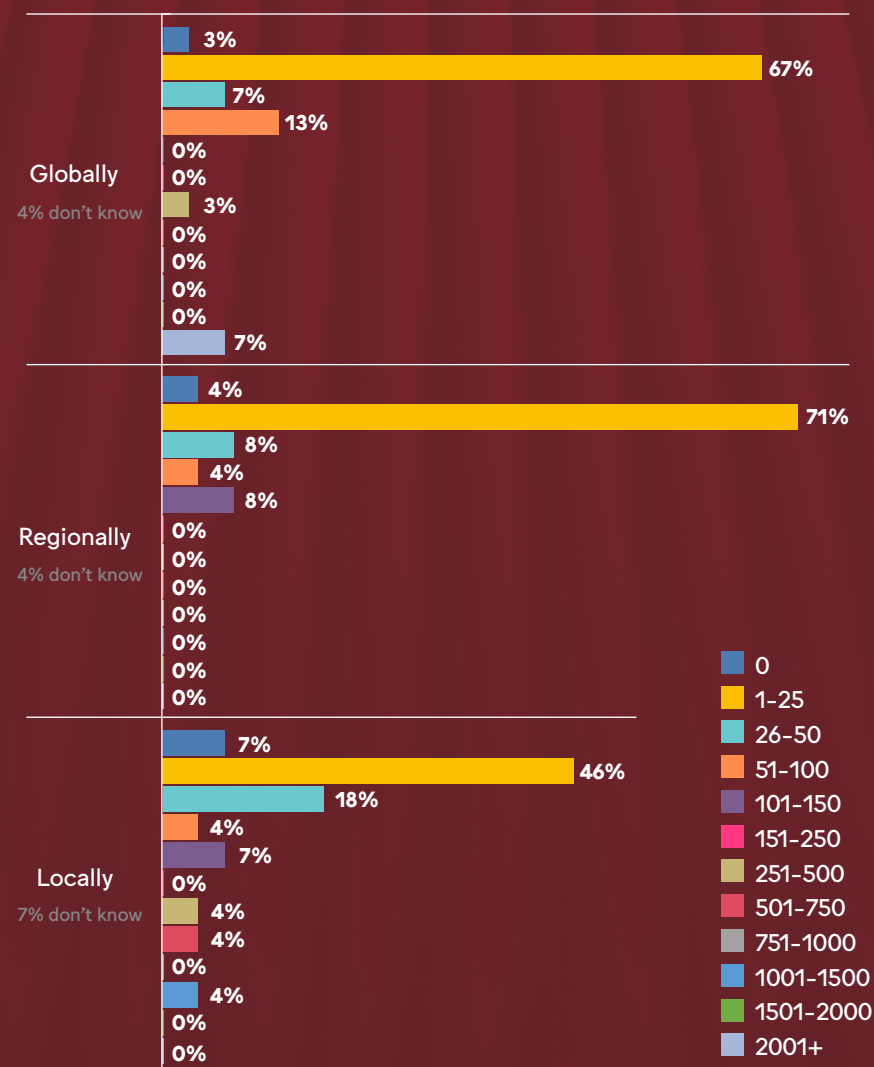
# 3.   Room for improvement

In our latest research, 75% of respondents stated that they are only 'somewhat satisfied' or less with the constructs of their agency rosters [Fig 4]. This implies that there is room for improvement and possibly a need for revised thinking.

It is not totally surprising. In a similar survey we ran in 2018, WFA members already acknowledged that their current roster set-up was not meeting their needs sufficiently, scoring them an average of only 5.7/10. Since then, the industry has entered a period where consumer behaviours and digital evolution are undergoing seismic shifts, and so it is inevitable that this will prompt many to ask questions around the organisational structure of their marketing departments and how they are working with their agency partners.
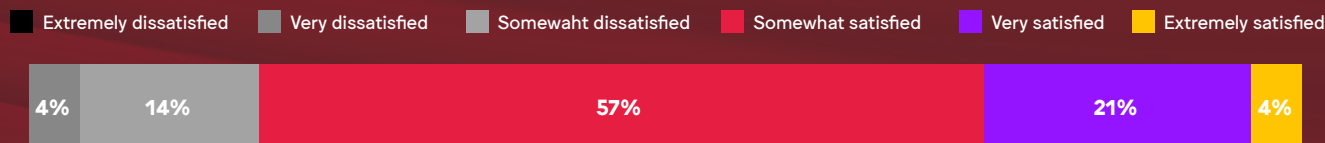
Room for improvement often creates a need for change, and 69% of clients surveyed said that they had recently made, or were planning to make, changes to their agency roster [Fig 5]. This response is down somewhat against the 74% who responded with the same answer in 2018. Nevertheless, roster transformation clearly remains a priority for clients.

**Fig 5.**

**69%**

**69% have recently made changes or are planning to make changes to (parts of) their roster**
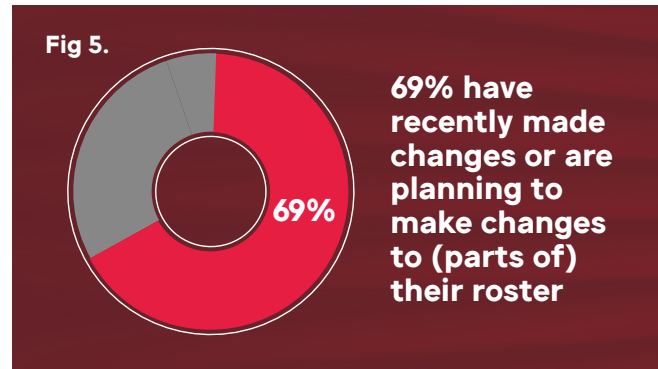
Given that many are using a variety of agency models within their businesses, it is important to understand the drivers behind the apparent ambivalence to current constructs, and what changes can be made to increase satisfaction.

Changes can take many forms. For some, the current model may be correct for their business, however they may need to change the operational processes to drive improvement. Others may want to change one or more of the agencies that populate their existing model. Some may need to change their model entirely.

**WFA members:**

❝ We are looking to make changes to how we operate in order to drive creative effectiveness, [better] sharing amongst markets, etc. ❞

❝ [There is] resistance from agencies to evolve their own models to support our desired changes. ❞

**Fig 4.   Q: How satisfied are you with your current agency roster/arrangements?**

■ Extremely dissatisfied   ■ Very dissatisfied   ■ Somewaht dissatisfied   ■ Somewhat satisfied   ■ Very satisfied   ■ Extremely satisfied

| 4% | 14% | 57% | 21% | 4% |

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Source: WFA/The Observatory International– Agency roster transformation; Base = 36 (companies); Date = October/November 2021

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# 4. Change drivers

There are several high-profile societal, behavioural and organisational trends that are impacting the marketing industry - forcing a need for organisations to undergo reflection, review and, where necessary, implement changes. These drivers of change are creating stress points on the current structure of agency models and highlighting deficiencies.

## Covid-19

The global pandemic has caused significant upheaval both to consumers and organisations alike. However, while it has created many hurdles for marketers to overcome, it hasn't been a significant cause of roster transformation. Only 20% of organisations have made, or are making, roster changes specifically due to Covid-19 [Fig 6].



**Fig 6.** Q: Have you recently made changes or are planning to make changes to (parts of) your roster... as a result of the Covid pandemic?

- 20% Yes
- 77% No
- 3% Don't know
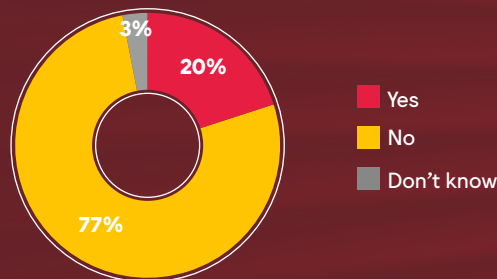
However, what Covid-19 has done is drive significant behavioural changes in consumers as daily lives have been impacted. In particular, the pandemic has acted as an accelerant for digital evolution as people's reliance on technology increased to sustain remote living and working. The findings indicate that 73% of respondents who made changes to their roster due to Covid-19 did so to heighten digital capabilities.

## Digital Evolution

New consumer behaviours result in new consumer journeys. Brands need agency partners who can understand, plan for and activate against these. Undertaking a review to gauge whether an agency roster model is structured to achieve an effective consumer-led communications approach is an understandable rationale during a period of widespread change.

With digital continuing to grow in terms of marketing investment and focus, an over-reliance on agency technology and data management is a cause for concern for many organisations, leading to changes in contracted responsibilities and scopes of work.

## Budget Shifts

A further area where Covid-19 has caused disruption to our industry is in marketing budgets. Industry data suggests that marketing budgets as a percentage of company revenue have reached the lowest level in recent history, which undoubtedly puts strain on the relationships between clients and their agency partners.

That said, the client respondents covered by this survey weren't impacted as much as expected. 60% (in 2020) and 65% (in 2021) of clients reported either no change or an increase to their budgets versus 2019 levels [Fig 7]. Furthermore, the industry is now seeing significant growth in ad spend, which is projected to exceed pre-pandemic levels in 2022.



**Fig 7.** Q: Compared with 2019, how has your global media and marketing agency spend changed in 2020/2021?

**2020**
- 38% Higher
- 22% Same
- 34% Lower
- 9% Don't know

**2021**
- 31% Higher
- 34% Same
- 28% Lower
- 6% Don't know
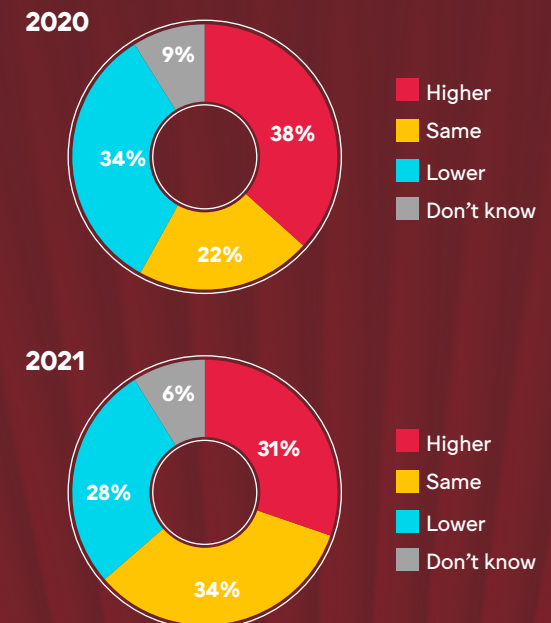
Whether budgets are changing or not, agencies continue to face pressure from clients to deliver tangible business outcomes and demonstrate the value they are adding for their investment.

## In-Housing

Whereas agency budgets may have not been impacted too heavily, their scopes of work are seeing change due to the rise of in-house teams. The 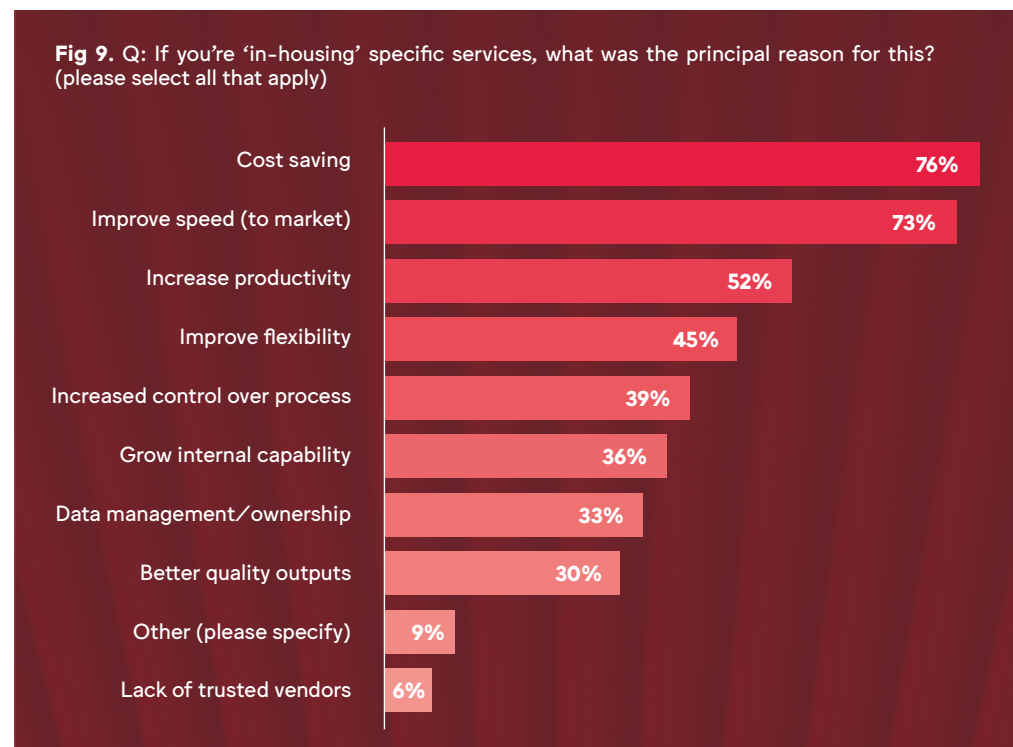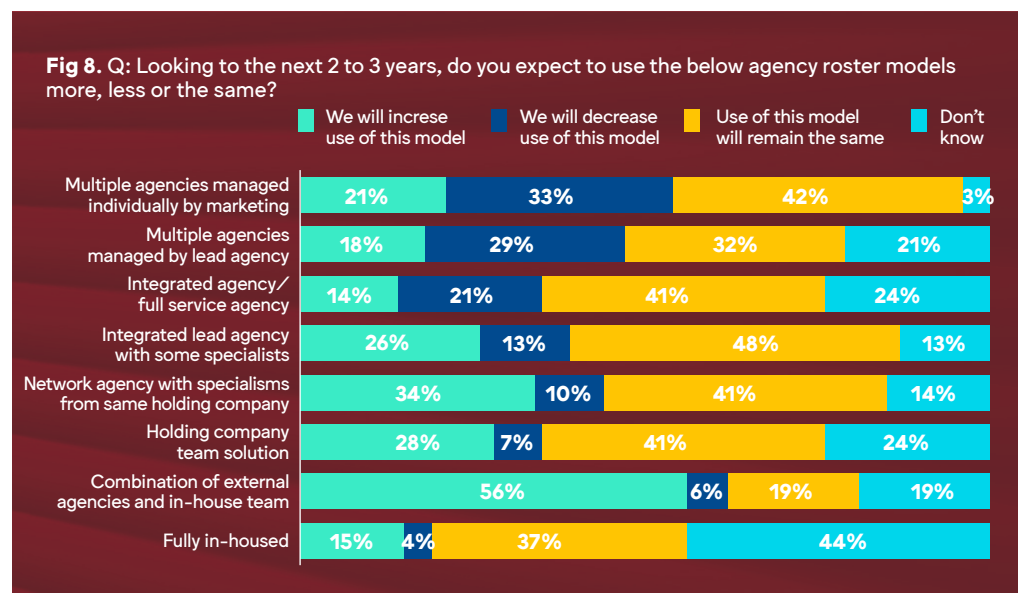WFA's 'Global Trends in Creative In-Housing' report from September 2020 highlighted that more than half of the respondents (57%) had an in-house agency set-up with a further 17% considering one, and that trend looks set to continue.

When asked during this current survey about their existing agency models, only 38% of clients on average said that they expected their model to stay the same over the next 2-3 years. However 56% of participants said that they expected usage of a combination in-house/external model to increase [Fig 8].

We have seen the in-housing of capabilities becoming increasingly adopted by clients. 80% of respondents have an in-house agency set-up of some shape or form, which is up from 57% in 2020, and a further 13% say that they are considering establishing one. There are a number of reasons given for in-housing specific services [Fig 9], and if pursuing this approach then the reasons should be tailored to help meet individual business objectives. When thinking specifically about how this affects agency rosters, not only will in-housing alter agency scopes of work but it will require additional focus on working processes to ensure effective collaboration between external agencies and in-house teams.



**Fig 8.** Q: Looking to the next 2 to 3 years, do you expect to use the below agency roster models more, less or the same?

Legend: We will increase use of this model / We will decrease use of this model / Use of this model will remain the same / Don't know

| Model | Increase | Decrease | Same | Don't know |
|---|---|---|---|---|
| Multiple agencies managed individually by marketing | 21% | 33% | 42% | 3% |
| Multiple agencies managed by lead agency | 18% | 29% | 32% | 21% |
| Integrated agency/full service agency | 14% | 21% | 41% | 24% |
| Integrated lead agency with some specialists | 26% | 13% | 48% | 13% |
| Network agency with specialisms from same holding company | 34% | 10% | 41% | 14% |
| Holding company team solution | 28% | 7% | 41% | 24% |
| Combination of external agencies and in-house team | 56% | 6% | 19% | 19% |
| Fully in-housed | 15% | 4% | 37% | 44% |



**Fig 9.** Q: If you're 'in-housing' specific services, what was the principal reason for this? (please select all that apply)

| Reason | % |
|---|---|
| Cost saving | 76% |
| Improve speed (to market) | 73% |
| Increase productivity | 52% |
| Improve flexibility | 45% |
| Increased control over process | 39% |
| Grow internal capability | 36% |
| Data management/ownership | 33% |
| Better quality outputs | 30% |
| Other (please specify) | 9% |
| Lack of trusted vendors | 6% |

**WFA member:**

66 The reason we in-housed services was to gain control over a consistent look and feel of our brands. 99

Source: WFA/The Observatory International– Agency roster transformation; Base = 36 (companies); Date = October/November 2021
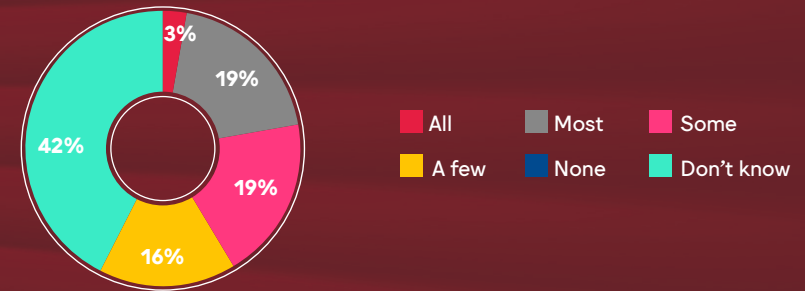
## DE&I and Sustainability

Societal movements often have an impact on the way an organisation markets its products or services due to the need to respond to consumers' expectations, passions and interests. That is currently being realised with Diversity, Equality and Inclusion (DEI) and Sustainability. Global change is underway, and organisations are increasingly conscious about their own position and brand perception in the context of these shifts.

The variety of initiatives and movements within the communications industry, involving either brands or agencies, and the results of this survey suggest that DEI and Sustainability are set to become integral to the client-agency relationship and the structure of agency roster models.

Only 34% of WFA members said that Sustainability considerations were always applied to the agency selection process. That drops to 22% for Inclusion and Equality. For now, other factors seemingly remain more important.

Furthermore, organisations are not yet asking for, or insisting, that their current agencies demonstrate specific accreditations for DEI (e.g. Creative Equal's Equality Standard, 3% Certification, etc.), with only 22% saying that 'All' or 'Most' of their agencies have them [Fig 11].



Fig 11. Q: Are agencies in your roster DEI (Diversity, Equality and Inclusion) accredited?

- All — 3%
- Most — 19%
- Some — 19%
- A few — 16%
- None
- Don't know — 42%

It would be a mistake, however, to think that DEI and Sustainability are not increasingly important factors in client-agency relationships. A lack of data/information is likely one reason why some of those figures mentioned above are not higher. Given the highly sensitive and confidential nature, employee diversity data is at best difficult to track, if not illegal to ask altogether in many countries around the world. That makes it challenging for agencies to track DEI internally and for clients to insist that they disclose the details.
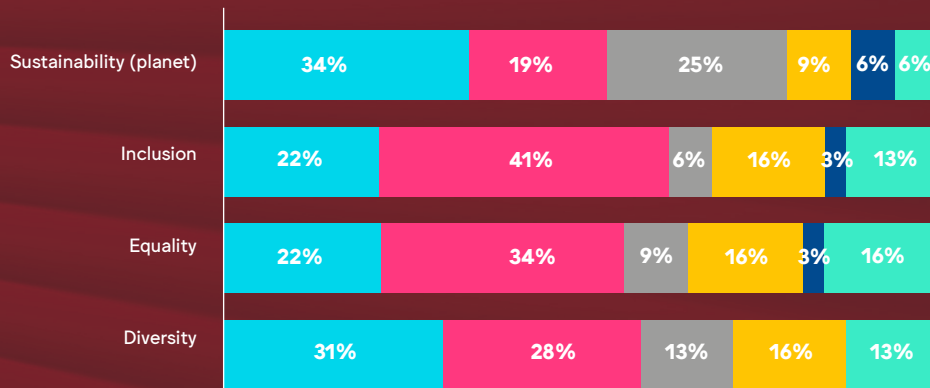
**WFA member:**

66 We are working to gain more clarity in this area (DEI accreditations) across agencies both at a global and market level. 99

66 It's a focus area for us to improve diversity both internally and with our agency partners to be able to improve this. 99



Fig 10. Q: When selecting a new agency, does your organisation proactively make diversity, equality, inclusion (people) and sustainability (planet) a consideration in the selection process?

Legend: Always | Usually | Sometimes | Rarely | Never | Don't know

| | Always | Usually | Sometimes | Rarely | Never | Don't know |
|---|---|---|---|---|---|---|
| Sustainability (planet) | 34% | 19% | 25% | 9% | 6% | 6% |
| Inclusion | 22% | 41% | 6% | 16% | 3% | 13% |
| Equality | 22% | 34% | 9% | 16% | 3% | 16% |
| Diversity | 31% | 28% | 13% | 16% | | 13% |

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Source: WFA/The Observatory International– Agency roster transformation; Base = 36 (companies); Date = October/November 2021

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Clients themselves also need to progress in these areas. Whereas almost all surveyed clients have, or are in the process of developing, clear principles for DEI and Sustainability, only 30% currently have actual targets in place [Fig 12]. Once a higher number of organisations finalise their own approach and goals in these areas however, their demands of their agency partners to meet certain criteria will likely increase. Those clients who already have defined targets are the higher proportion who answered that diversity, equality, inclusion and sustainability are now always a consideration in the selection process.

**Fig 12.** Q: Does your organisation have clear principles/targets for:

Legend: ■ Yes  ■ It's under development  ■ No  ■ Don't know

**Diversity**

| | Yes | It's under development | No | Don't know |
|---|---|---|---|---|
| Definition/principles | 69% | 28% | 3% | |
| Defined targets | 31% | 53% | 9% | 6% |

**Equality**

| | Yes | It's under development | No | Don't know |
|---|---|---|---|---|
| Definition/principles | 63% | 25% | 3% | 9% |
| Defined targets | 22% | 56% | 13% | 9% |

**Inclusion**

| | Yes | It's under development | No | Don't know |
|---|---|---|---|---|
| Definition/principles | 69% | 25% | 3% | 3% |
| Defined targets | 28% | 53% | 13% | 6% |

**Sustainability (planet)**

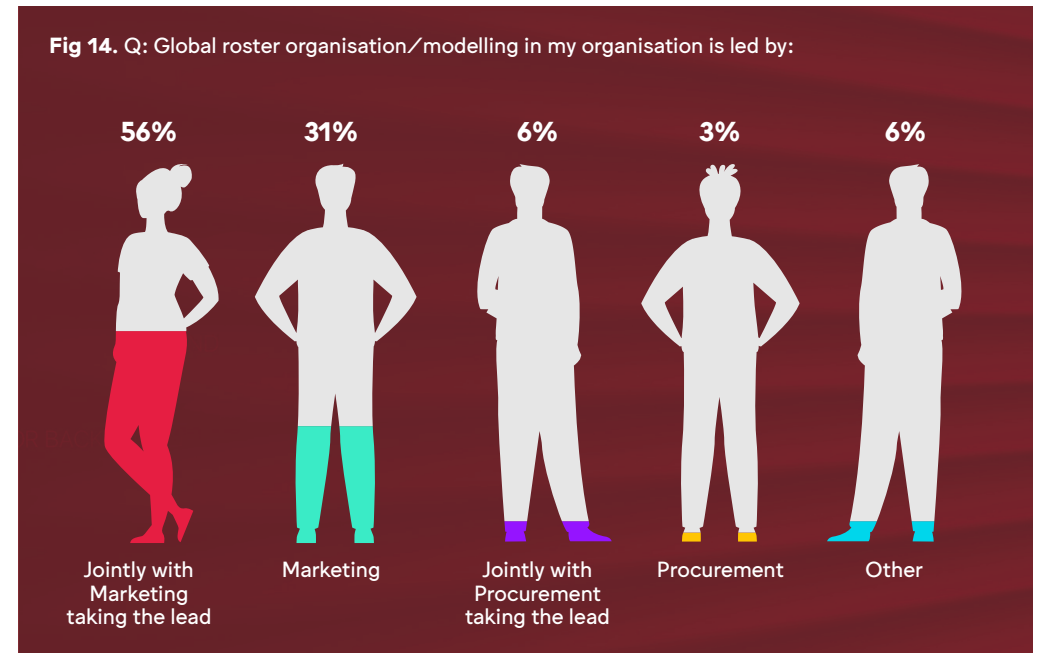| | Yes | It's under development | No | Don't know |
|---|---|---|---|---|
| Definition/principles | 78% | 19% | 3% | |
| Defined targets | 38% | 44% | 13% | 6% |

# 5. Roster transformation

Undertaking a review of your agency model makes sense for many when you consider the aforementioned change drivers impacting most businesses and their consumers.

Should transformation need to take place, it is important to know that there is no standard process for this. Whilst broad approaches can be adopted, an organisation's agency model needs to be tailored to its unique business objectives. There is no one template that can be applied.

Agency roster transformations require resourcing properly and can take significant time to complete. Thinking about their most recent roster transformation, 45% said that it took longer than 6 months to complete while a further 38% were unsure and so could potentially be added to this figure [Fig 13].
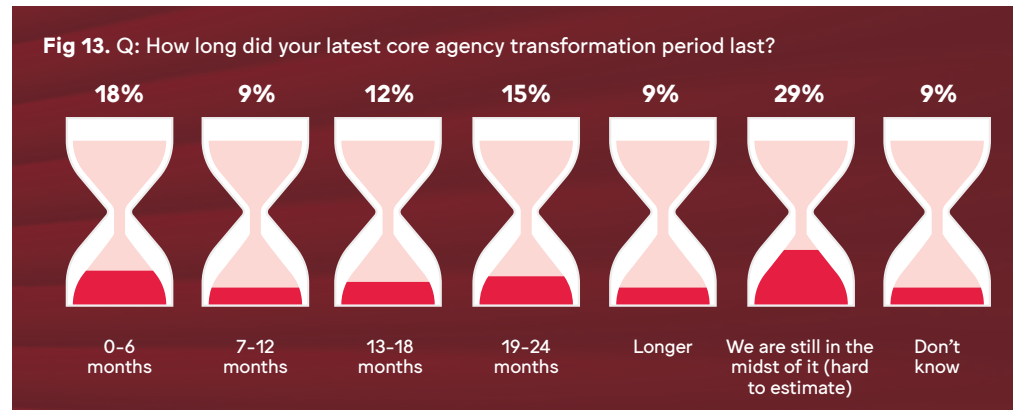
While it is always recommended that procurement are involved in any agency roster transformation project, for most clients it is the marketing team who lead this process [Fig 14]. This is because a successful outcome is one that is tailored to the unique needs of the company's marketing operations, and so the marketing team are best placed to identify the agency support and structure they require.

**Fig 13.** Q: How long did your latest core agency transformation period last?

| 18% | 9% | 12% | 15% | 9% | 29% | 9% |
|---|---|---|---|---|---|---|
| 0-6 months | 7-12 months | 13-18 months | 19-24 months | Longer | We are still in the midst of it (hard to estimate) | Don't know |

**Fig 14.** Q: Global roster organisation/modelling in my organisation is led by:

| 56% | 31% | 6% | 3% | 6% |
|---|---|---|---|---|
| Jointly with Marketing taking the lead | Marketing | Jointly with Procurement taking the lead | Procurement | Other |

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Source: WFA/The Observatory International– Agency roster transformation; Base = 36 (companies); Date = October/November 2021

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# 6.   Challenges

It is worth considering the challenges that others have faced when undertaking an agency roster model transformation. Feedback from clients who have been through this process evidenced some key areas for consideration:

## 1. Rushing the process
Identifying the best model for your business takes time and the process needs to be set up to ensure it addresses the diverse portfolio of products and markets an organisation has.  Taking shortcuts to deliver a new model as soon as possible, may mean proper due diligence is not applied and can lead to poorer outcomes or, more worryingly, a model that is not optimum.

Whatever the model that is selected, remember that internal processes and procurement negotiations usually take longer than anticipated so should be factored into the transformation timeline.

## 2. Clarity from the client
Having the best agency model available is not the panacea it might be if you are not organised appropriately internally to ensure ways of working and goals are aligned. Moving to a fully integrated model, for instance, will not deliver well on what is required unless your internal operating model is also working in an integrated manner. Remaining in silos internally will result in confusion, cost and poor outcomes from your agency.

## 3. Stakeholder Management
Getting all stakeholders to adopt a new model can be tricky, especially for bigger, global organisations. The concept of a single bespoke agency model to operate across multiple markets and/or brands can be hard to grasp, so it is important to involve all stakeholders in the process and take them on the transformation journey.

## 4. Matching skillsets to objectives
It is important to populate your model with the necessary skillsets and capabilities to achieve success, so worth bearing in mind that your unique needs may make it harder to find agencies. Some clients referenced a sense of having limited agency options who could fully meet their new marketing vision, and even when agencies are selected it can take time to onboard the right levels of talent quickly. Furthermore, there were suggestions of resistance from agencies to evolve their own models to support the desired changes of the client.

## 5. Data & Information

Gathering accurate data to inform your model selection and transformation is vital for long-term success. This can be hard to do when there are cross-market and/or multiple brand requirements. Both qualitative and quantitative data is required to gain a full picture of your business requirements and inform the model development.

Secondly, there needs to be governance and compliance frameworks put in place to allow for the agency roster to effectively connect into the data ecosystem. This is where the rigour of a mature marketing procurement function can be extremely valuable.

## 6. Covid-19

As with many processes and projects, the impact of remote/virtual working needs to be factored in. Clients reported that the changes to working methods caused by the pandemic affected the agency selection process, the onboarding phase, the knowledge transfer process and the ability to bring experts together when needed. Furthermore, Covid has caused significant downsizing across the agency ecosystem. This has led to talent shortages, skills gaps and for agencies to be increasingly selective about the new business opportunities they respond to which favours clients with good behavioural reputations.

## 7. Change management

Designing a new roster model is one thing, but what often goes overlooked is the need to roll out the transformation programme and communicate the changes across the organisation to ensure that the new structure is embedded correctly. For the new model to work, both internal marketers and agency partners alike need to fully understand the structure, roles and responsibilities and process being put in place. This means a training programme to educate all participants is crucial.

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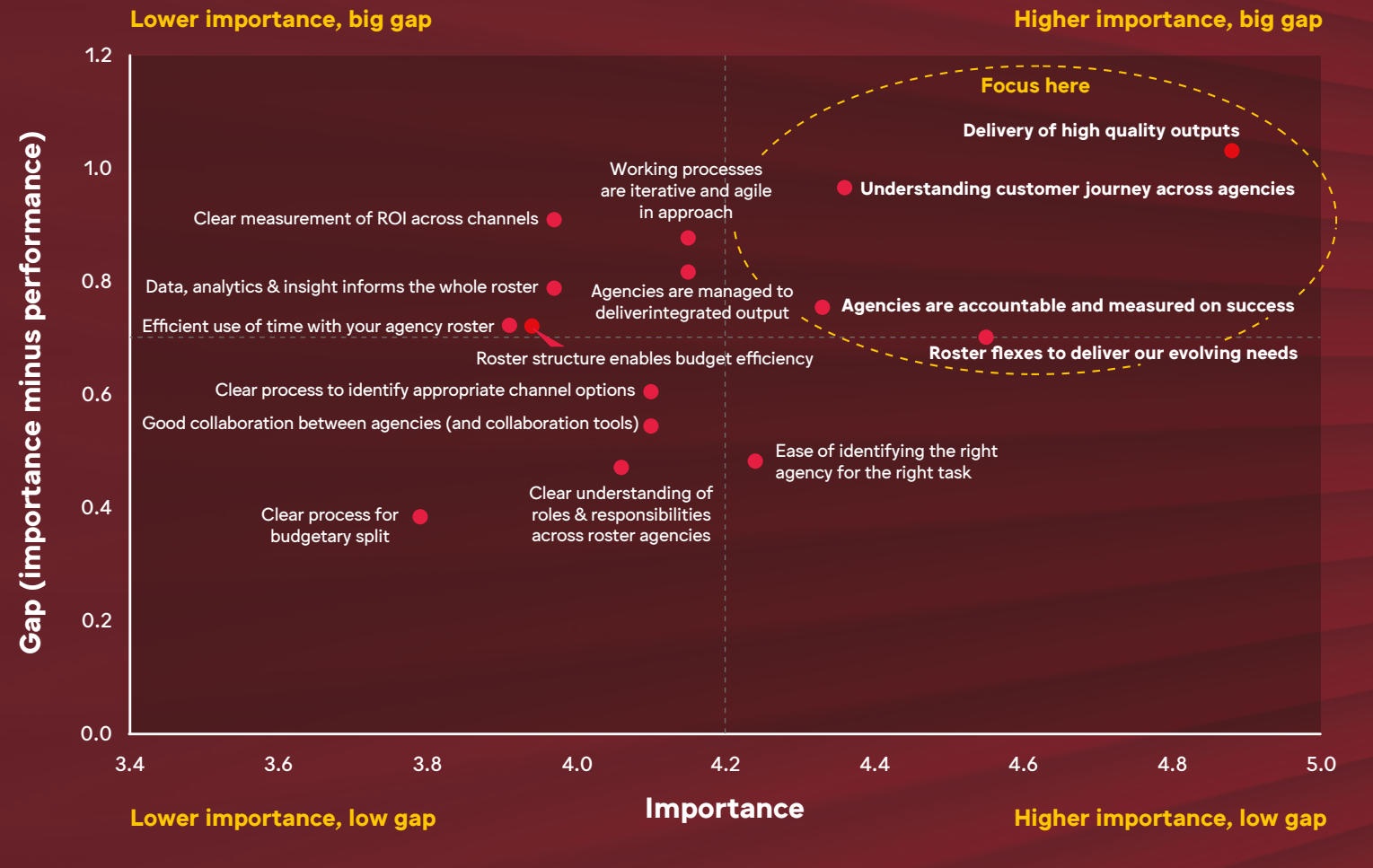
# 7.  Future Requirements and Priorities

Clients are prioritising the delivery of high-quality outputs, flexibility in the roster to meet evolving needs and a clear understanding of the end-to-end customer journey across agencies [Fig. 15]. Furthermore, over half of clients want agencies to be measured on the success they deliver.

As is often the case when the economic situation becomes more challenging, there is an increased focus on outcomes and demonstrable measures of success, and an acknowledgement that previous rigid model structures no longer deliver against those objectives.

What is worrying for both clients and agencies alike is that these areas of highest client priority tend to have the biggest discrepancy between the priority ranking and the perceived performance. Agencies, it would seem, are failing to deliver against the biggest areas of client concern, and indicates that some degree of change or intervention is required.

Certainly, clients and agencies should be discussing how to better focus on driving improvements against these main priorities.



Fig 15.

Source: WFA/The Observatory International– Agency roster transformation; Base = 36 (companies); Date = October/November 2021

# 8.  A Guide to Roster Transformation Success

# 5 key tips

## 1. Discovery

## 2. The Model

## 3. Populating the Model

## 4. Measurement

## 5. Assistance with the Process

This report has highlighted that agency roster transformation is needed by many clients at this time of widespread industry change, however there is no template or one size fits all solution. **To help clients adapt, The Observatory International has compiled 5 key tips for ensuring the roster model transformation process is a successful one.**

**1 Discovery**

It is vital to engage stakeholders across the organisation to undertake a discovery process to unearth all needs and requirements, both current and future. This includes personnel from all key markets and business units such as any specialists in technology, data & insights, supply chain, product development and decision makers across creative, media and PR.  Attaining stakeholder input and cross-organisational buy-in is vital to a successful transformation roll-out.

**WFA Member**

66 Defining the principle, the structure and ways-of-working is key. This doesn't take shape overnight and it will take months but once you've laid the foundations right, then we found it easier to align with regions and deploy. 99

An effective discovery process needs to offer a platform for stakeholders to have their say openly. Interviews, surveys and a review of current processes all help to create a complete picture of what is working and what needs to change. Contracting a third-party to run this process often helps to reduce biases and remove any peer pressure/internal politics, thus giving a truer picture of the business.

As well as marketing's requirements, it is also important to engage procurement at an early stage to ensure transparency around the commercial factors that may influence the model. While 87% of survey respondents said that marketing took the lead on agency roster organisation and modelling, over 65% said that procurement was nevertheless involved.

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## 2 The Model

The agency model should complement the organisation's own structure and strategy and be set up to help drive forward the business ambitions of the company. Analysis of the discovery findings will highlight the direction of the vision.

**WFA Members**

❝ Be clear on business ambition and how the roster can reflect and help drive forward the ambition. ❞

❝ The agency model should mirror the brand company organisation, i.e. global / local… [or] in between. ❞

As business requirements change, so too should the model. We are seeing a number of current trends being driven by businesses willing to transform their operations:

**The rise of 'Inside-out' approaches**
An increasing focus on data-driven digital communication has led to a new approach emerging with digital-first content creation at the heart of the model set-up. Client example: Braun – Media Monks

**Re-convergence of media and creative**
The need for greater agility, scale and speed to market is highlighting the unsuitability of a separated media and creative process for some brands.
Client example: Mercedes - Omnicom

**Right-housing**
The desire to have tighter control and flexibility is resulting in more companies bringing resource in-house. Often this is still agency resource but implanted into the client's business. Furthermore, agency redundancies during the pandemic have widened the talent pool and delivery potential for in-house offerings.

### 3 Populating the Model

Identify the types of agencies that can best populate your model and enhance any skillsets you already have in place. Look for agencies who are highly collaborative in nature and can be flexible as your business requirements evolve. Also consider what capabilities you already have in-house or may wish to in-house as part of the transformation process.

**Key considerations when selecting an agency:**

- Make sure you have a resource which has an up to date, detailed knowledge of the agency landscape, not just a file with agency credentials;

- Look for agencies who will challenge you in a constructive way;

- Seek evidence of the agency working collaboratively with both clients and other agencies;

- Awards – while some agencies don't enter awards as a matter of choice, awards can still act as a good indicator. Ignore the vanity awards however and focus on those that reward effectiveness;

- Understand the agency's POV – have someone on hand – either internally or via a third party – who has intimate knowledge of how agencies work;

- Be an attractive client – agencies are increasingly becoming more selective about which clients they work with, so ensure that you demonstrate your own qualities in collaboration, fairness and positive client behaviours – especially in a pitch scenario;

- Recognise the agency's potential to contribute to your business with great work and be prepared to pay for it. Without outstanding work which connects to the consumer, your media investments are wasted;

- Ensure that the agency's DEI and sustainability accreditations and ambitions match your expectations (and that yours match theirs also).

As mentioned earlier in the report, there is a growing focus on DEI and sustainability within the industry, but much more can be done. The WFA's Global DEI Census carried out across 27 markets in 2021 gave in-depth insight from over 10,000 people in the industry and highlighted the need for greater DEI focus and, most importantly, change. Of those taking part in the census, 17% said they were likely to leave their company and 15% said they would leave the industry altogether because of the lack of inclusion and/or discrimination they had experienced. For the industry, this talent bleed should be a very serious concern.

Furthermore, we are also seeing signs that agencies are now prepared to turn down work with brands and other industry partners if they aren't committed to making environmental changes. Clients, too, are recognising that the structure of their rosters does have a significant impact on sustainability due to the duplication of effort through legacy processes.
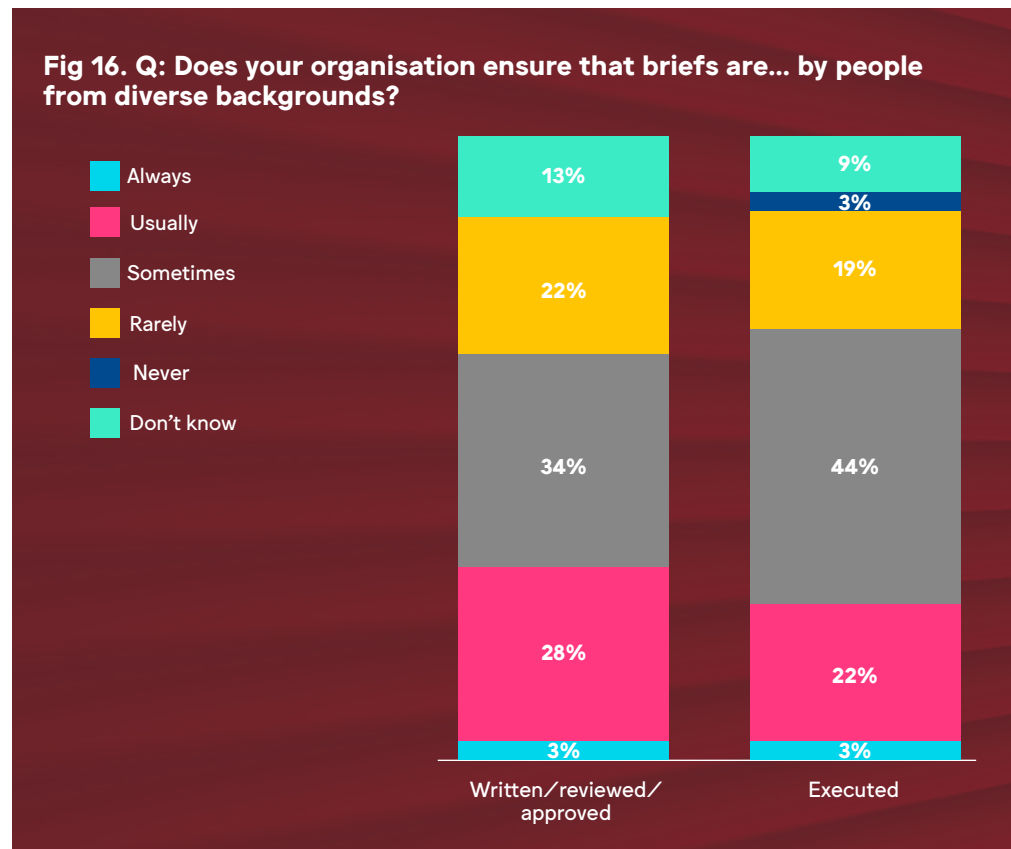
The WFA's Planet Pledge framework is galvanising marketers to act towards sustainable goals, with a focus on encouraging agency partners and their marketing supply chain to do the same. 25 organisations have signed up to the Pledge, including large global companies such as Unilever, Diageo and Telefonica.

As part of the Planet Pledge framework, the WFA has a letter template for companies to send to existing and new partners/suppliers which outlines expectations in championing the Race To Zero campaign, which includes becoming signatories of certain platforms:

- 1.5 Supply Chain Leaders
- SME Climate Hub
- Ad Net Zero, which is an important initiative taken by the UK advertising industry

Some signatories have gone further by asking their agencies to sign sustainability codes of conduct. Others have strongly encouraged their agencies to be open to an audit of their sustainability credentials. In some cases they plan to ask for transparency through disclosure of the types of clients they work with.

Diversity, equality and inclusion similarly need a concerted effort and actions to be taken. A positive step will be to ensure that people from diverse backgrounds are included at all stages of the communications development process, which is not the case currently. Only 31% of survey respondents said that people from diverse backgrounds were 'usually' or 'always' included in their briefing processes, and that dropped to 25% when it came to executing the brief [Fig 16].



**Fig 16. Q: Does your organisation ensure that briefs are… by people from diverse backgrounds?**

Legend:
- Always
- Usually
- Sometimes
- Rarely
- Never
- Don't know

Written/reviewed/approved:
- 13%
- 22%
- 34%
- 28%
- 3%

Executed:
- 9%
- 3%
- 19%
- 44%
- 22%
- 3%

Steps WFA members are taking with their agency partners to ensure they bring in more diverse talent:

**WFA Members:**

" We have built joint [DEI] ambitions that we are working towards. We are targeting more agencies with ownership from underrepresented groups to supplement expertise in the short term. "

" We have started an open dialogue with our new agency from the start of our partnership to decide how we will build DEI into our overarching partnership from the start. "

" [We are] developing suitable D&I components as part of the agency evaluation. "

**4 Measurement**

All agency relationships should be monitored and evaluated on a regular basis, and this is even more important when a new roster is put in place.

A vital step to ensuring that your agency roster relationships remain positive and geared for success is the implementation of a consistent performance measurement process. Annual evaluations alongside quarterly business reviews are a recommended timeline, and these are in addition to individual project/campaign reviews. The frequency of the evaluations should be discussed when onboarding each agency partner and reflect the volume of investment.  It is recommended that evaluations are done for each active market and then collated to give a global picture.

WFA members can download our client agency performance evaluations report, conducted with Decideware, which discusses the agency view on this topic.

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Source: WFA/The Observatory International– Agency roster transformation; Base = 36 (companies); Date = October/November 2021

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Having open, two-way dialogue as part of an ongoing evaluation approach allows for regular relationship monitoring and for the early identification of any problems. When asked however, more than 30% of clients either did not use a consistent evaluation approach or even have one at all [Fig. 17]. Without this, minor problems and hurdles can go unchecked and develop into bigger issues, which could explain why there is an overall lack of client satisfaction in their agency rosters.

**Fig 17. Q: What agency performance measurement process do you have in place with your agencies?**



| | |
| --- | --- |
| Universal internal system used globally | 45% |
| Internal system developed by and used by regional/local markets | 9% |
| Proprietary system operated by a third party | 24% |
| Approaches differ depending on e.g. region/ agency type | 21% |
| We don't use one | 9% |
| Other | 12% |

**Tips for a successful agency relationship:**

> **WFA Member:**
> 66 Clear KPIs, transparent feedback, treat them as business partners. 99

**5 Assistance with the Process**

Where possible, involve a third-party consultancy to help you identify and develop the agency model. Their objectivity will help to give a truer overview of the business without bias and any politics, plus their management of the process reduces resource requirements on internal personnel.

Furthermore, utilising a specialist resource to help identify the best agencies to populate the model (once it has been designed) proves helpful for many.
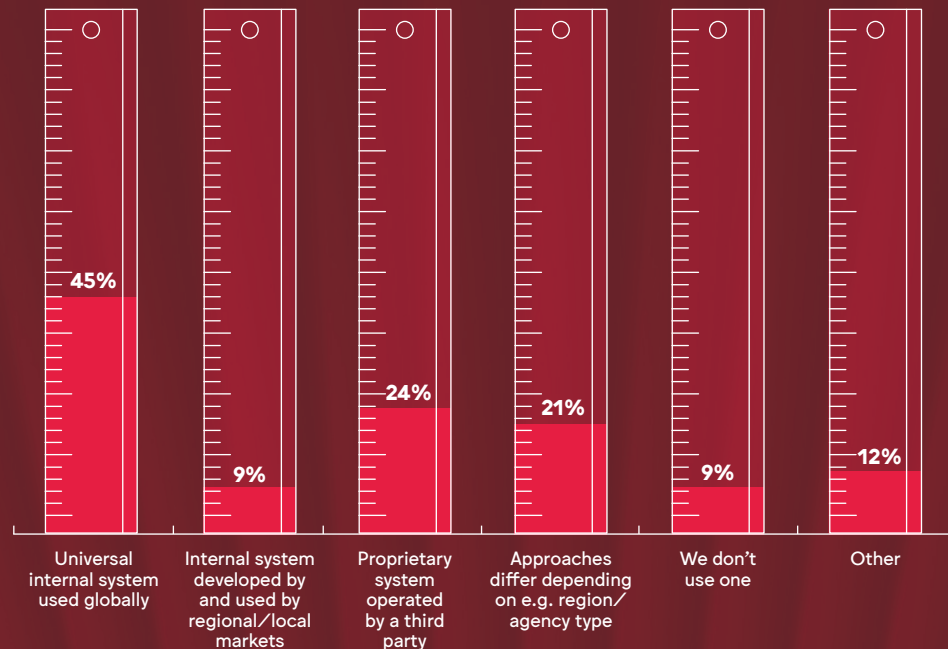
> **WFA Member**
> 66 It's also worth bringing in specialists like [a] transformation consultancy. 99
>
> 66 Use of a third party pitch partner to support in some of the initial [agency] introductions helps 99

Don't be afraid to reach out to your peer network as well for guidance and advice. Most marketers will have undergone some form of agency model transformation and so can provide personal insights. As a start, the WFA community is a ready source of experienced marketers who are willing to share their knowledge and experiences.

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Source: WFA/The Observatory International– Agency roster transformation; Base = 36 (companies); Date = October/November 2021
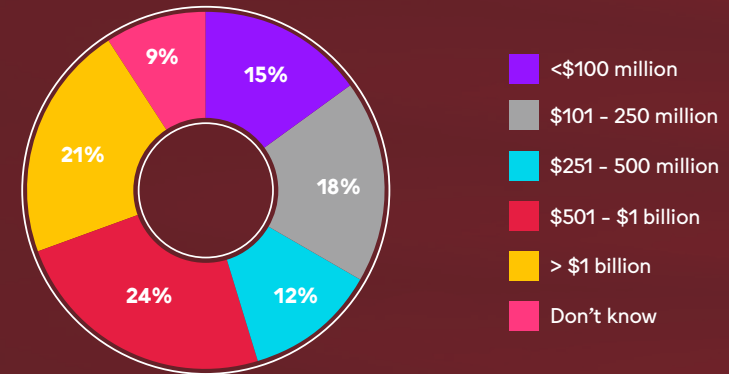
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# 9. About this document

This document has been developed in partnership with The Observatory International following an online survey conducted by the WFA amongst its members in October and November 2021.

32 different advertisers (companies) took part in this study, representing over 9 different sectors. All respondents were senior leaders responsible for agency management. 81% of them hold a global role, with the remainder having regional responsibilities with a weighting towards Europe and USA/Canada. 45% of respondents were responsible for annual spends of $100m-$500m, while another 45% reported spends of $500m+.

This report also includes some references and comparison with a prior WFA Research on The Future of Agency Rosters (2018).
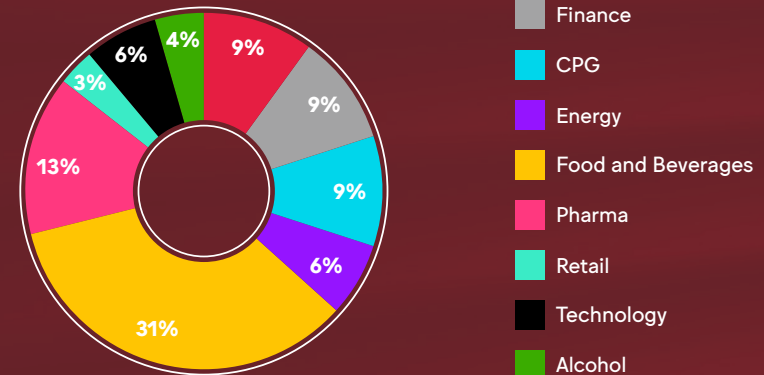
### Respondents' company's global media and marketing agency spend for 2019



- 15% <$100 million
- 18% $101 – 250 million
- 12% $251 – 500 million
- 24% $501 – $1 billion
- 21% > $1 billion
- 9% Don't know

### Respondents' area of responsibility:

| | |
|---|---|
| Global | 81% |
| Asia Pacific | 3% |
| Europe | 11% |
| Latin America | 6% |
| Middle East & Africa | 6% |
| USA & Canada | 8% |
| India | 3% |
| China | 3% |
| Other | 6% |

### Respondents' industry sectors



- 9% Automotive
- 9% Finance
- 9% CPG
- 6% Energy
- 31% Food and Beverages
- 13% Pharma
- 3% Retail
- 6% Technology
- 4% Alcohol

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Source: WFA/The Observatory International– Agency roster transformation; Base = 36 (companies); Date = October/November 2021

# About the Observatory International

The Observatory International is the leading global management consultancy dedicated to helping companies drive brand growth by transforming their marketing and communications resources.

We bring global and local perspectives to marketers and procurement along with the knowledge required to overcome the challenges associated with managing communications agencies in these dynamic times. With over 15 years of experience working with many of the world's leading brands and agencies, our casebook is full of best practice on how to get the best from your marketing resources.

**To learn more, visit:**
**www.observatoryinternational.com**

For more information on this report, please contact:

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# About the WFA

The World Federation of Advertisers (WFA) is the voice of marketers worldwide, representing 90% of global marketing communications spend – roughly US$900 billion per annum through a unique, global network of the world's biggest markets and biggest marketers. WFA champions responsible and effective marketing communications worldwide.

The Agency Management Forum is a network for senior global and regional agency management leaders and specialists. Value is delivered through critical research and reports, physical and remote forums, and online tools and benchmarking services. The group is chaired by **Tammy Hourigan (Global Agency Relations Director, Unilever).**

If you would like more information on this report or engage with the forum, please contact:

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# WFA members

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### King & Spalding

## Competition compliance policy

The purpose of the WFA is to represent the interests of advertisers and to act as a forum for legitimate contacts between members of the advertising industry. It is obviously the policy of the WFA that it will not be used by any company to further any anti-competitive or collusive conduct, or to engage in other activities that could violate any antitrust or competition law, regulation, rule or directives of any country or otherwise impair full and fair competition. The WFA carries out regular checks to make sure that this policy is being strictly adhered to.

As a condition of membership, members of the WFA acknowledge that their membership of the WFA is subject to the competition law rules and they agree to comply fully with those laws. Members agree that they will not use the WFA, directly or indirectly, (a) to reach or attempt to reach agreements or understandings with one or more of their competitors, (b) to obtain or attempt to obtain, or exchange or attempt to exchange, confidential or proprietary information regarding any other company other than in the context of a bona fide business or (c) to further any anti-competitive or collusive conduct, or to engage in other activities that could violate any antitrust or competition law, regulation, rule or directives of any country or otherwise.

Please note that the recommendations included in this document are merely meant as suggestions or proposals. They are not binding in any way whatsoever and members are free to depart from them.