

What must agencies *do*
to feel the love again?

Back *in* Bed

How have your agency expectations changed over the past 5-10 years?

Mark Mears: As a CMO, the expectation is that you are under greater scrutiny for accountability. Back in the old days, marketing was a bit of a “wizard behind the curtain.” Today, the CEO, CFO and the Board of Directors want to know what they are getting for every dollar they spend.

Likewise, CMOs want agency resources to share that mentality and create ideas where the return on the investment can be

way we deal with our agencies on a much more global basis. Because we have global brands, we have realigned around a global agency platform.

We’ve raised the bar and agencies are responding. It’s not as easy for them because they now have to be able to do every little thing. We need much more of a holistic solution today, and that’s something that they have to deal with.

Bill Pearce: It used to be you’d jointly work on a copy strategy and then create a 30-second piece of film. You’d test it, make your airing decision, run your media plan and get ready for the

positioned to make that work in the store, on TV, radio, online, or word-of-mouth, for example.

So, it’s a much broader set of agency people whom you touch and contact now. Five years ago, the traditional agencies absolutely bristled to have to be in the same room with the design agency or the in-store marketing agency. Now they are a lot more open to it. Some are acquiring new capabilities to try to become a one-stop shop.

Chris Maher: There’s much more of a purchasing mentality today. Sometimes agencies are chosen largely because they are the lowest cost producer. This adds a degree of predictability, but it doesn’t necessarily mean that you’re working with people who are taking your business where you need to take it. Cost is always going to be important, but it’s even more important to shift the focus toward where the agency can take you versus how cheaply they can take you there.

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JIM ZAMBITO, JOHNSON & JOHNSON

measured. CMOs want bigger ideas to break through the clutter of a fragmented media marketplace, but also more emphasis placed on accountability for results.

Jim Zambito: Johnson & Johnson made a conscious effort this last year when we did the whole Pfizer integration to really level-set the

next round of creative. Almost everything was focused on that 30-second piece of film.

Today, the agency relationship is much more dynamic and complex, and the focus is on the various consumer touch points. It’s about creating the big idea and then deciding which agency is best

What are the drivers of those changing expectations?

Mears: Marketing has become much more weighted towards science versus art. In the past, marketers and their agency partners have not

A ROUNDTABLE FEATURING

Mark Mears
The Cheesecake
Factory

Jim Zambito
Johnson & Johnson

Bill Pearce
Del Monte

Chris Maher
Greenlight

been as disciplined as they should have been.

The power has now changed hands from the marketer to the consumer, who is much more discerning as to whom they want to hear from, what they want to hear and how they want to receive that information.

Zambito: The consumer is just so dramatically different and that's what's driving expectations. It's not business-as-usual, and things have to have somewhat of a "360" look and feel.

It's not just about media; it's how consumers get information. When people think of media they automatically think of TV, radio, magazine, and digital. But I look at it more as how consumers get information. It's not just the internet; it's the whole digital age.

Pearce: Just think about how often people are bombarded with marketing messages every day and how compelling the data is about how many purchase decisions are made in the store, or how compelling it is that great designs can change a consumer's experience with a brand.

There are so many different touch points that the consumer is influenced by and you can't prioritize one over the other. It has got to be harmonious. It's like weaving fabric together; if we don't all work together, the fabric falls apart.

Maher: There has been tremendous consolidation within the industry both on the corporate and agency sides. As acquisitions occur, clients see that they have a myriad of agencies and they tend

to want to rationalize their agency roster so that they have a smaller, more select group.

The easiest way to make those determinations is on the cost side. Clients set certain cost expectations in terms of what the agency is going to produce

Unfortunately, agencies today have become commodities. They've allowed themselves to lose the uniqueness that differentiated one agency philosophy from another. They've lost their soul and they've lost their point of distinction, which is why clients today treat them like commodities.

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MARK MEARS, THE CHEESECAKE FACTORY

and what it's going to cost to produce that. The creative side is important, but it's subjective. It's much easier to make apples-to-apples comparisons based on cost.

What creates loyalty between clients and agencies?

Mears: What drives loyalty to an agency is a sense of partnership that we're in this together. I know that sounds a bit cliché, but sometimes the bigger agencies have a sense of arrogance, and don't work as hard as the smaller or boutique agencies. They oftentimes bring less seasoned client management folks to the table.

What erodes loyalty is if you feel like you're paying for overhead and junior-level resources instead of the senior-level resources that pitched you in the first place.

You feel like the agency really isn't a partner in your business. It feels like they are really more interested in meeting their own bottom lines and delivering their own results to their holding companies and their own shareholders.

Zambito: Johnson & Johnson is a results-driven culture, and we've had great success with performance-based agency compensation. So, if business results are good, then agency compensation goes up. And then conversely, if it's not so good, then potentially agency compensation could go down. If the agency is up for that, it improves agency loyalty.

However, agency loyalty can start to corrode when you start to think in more of a short-term, project-based mentality. Then it becomes more like buying a commodity, which we don't want to do. For brand building, that's not where we want to be.

Pearce: The agency relationship is really hard to develop and nurture, but you have to do it. It's the right thing to do for the business and the right thing to do for all the people involved. But that's harder to do when you have so many different agencies because it fractures the time that you spend with your primary agency.

Not having as much time to develop those relationships create a strain, so you have to be

extra cognizant of building that relationship in spite of all the other distractions. You also have to be brutally honest with each other. Otherwise, you can't get to the relationship that you need and you won't get the work you need.

Maher: There was a time, some years ago, when agencies that did

The bigger agency partners have been relegated to the end of the table—if not the kids' table. They are being used more for creative work than really strategic marketing work.

Media have been de-coupled from the large agencies for the most part and has been farmed out to

At the same time, there was almost a revolution happening in the marketplace. I've talked to folks who have been around the marketing world for 40 years who say they can't understand how we deal with it.

It's so much harder to get all the other elements of the toolkit working together and at the same quality.

Maher: It used to be that working on the agency side was a sought-after career among people coming out of the best schools. Going back as far as the '80s, and certainly in the '90s, there was a lot of movement away from marketing and toward banking and, of course, the dot-coms.

The pendulum has now swung to a point where agencies really can't deliver more for less and are struggling to deliver even the same for less. Agencies are having a very hard time developing their businesses over the long-term because they are so squeezed in terms of top-line revenues, as well as their margins, in the short-term.

Agencies should hold themselves and their clients to the same standard.

BILL PEARCE, DEL MONTE

good work were considered to be part of the team, and usually survived changes in management. Today, when new management comes in and wants to zero-base everything, oftentimes that process includes changes in the agency relationship as well.

Loyalty, to a large extent, is a function of the imbalance between cost and expectations. The more the client focuses on cost, the less there is a reason for loyalty because basically what you're looking for is how to get whatever it is you need to have done at a lower cost.

What is the most dramatic change in the agency business?

Mears: The most dramatic change is that the agency—the traditional advertising agency—used to be the trusted advisor to their client partners. They were the voice in their ear at the strategic table. Today, that seat at the strategic table has been taken by consultants or again, smaller, boutique agency resources with senior-level managers.

media buying services. As a result, the commissions that agencies make have been reduced to almost nil from where they used to be. So, the compensation model has also changed dramatically.

Zambito: I'm worried when I hear agency people saying that they can't recruit, that they're not attracting the best creative minds. That's something that's got to change.

It would be a great question to ask a creative or an account manager at one of the agencies. The question is, what do we need to change to attract the best and brightest talent?

But for me, as an advertiser, the most dramatic change is how quickly they've had to transform. And that's not easy.

Pearce: The most dramatic change has got to be the consolidation. The roll up happened at the same time that clients began requiring different levels of expertise. So, you had distractions at the agency level caused by the change of reporting relationships, layoffs, questions about ownership, and so forth.

What is your best advice for agencies?

Mears: It really depends on what size of agency and what type of agency. If it's a larger agency, they need to be more nimble, entrepreneurial and go back to their roots of what made them successful in the first place instead of showing up as a large holding company conglomerate with quarterly earnings targets to hit.

The smaller agencies need to continue to do what has made them successful, which is to imbue themselves into their clients'

business and really play that role as “subject-matter expert” to deliver the results that clients today are looking for.

Zambito: Agencies need to be as creative and innovative as they can be. You have to be constantly innovating, constantly pushing the envelope. It’s just so hard to keep up with the complexity of what’s out there and the need to do more. The need to do more is constant.

There is a metamorphosis going on right now and it’s very encouraging. The best advice is to just keep pushing, just do the unexpected. Let us see things that we’ve never seen before.

We’ve recently completed an expansive parent-company pitch process for our U.S. pharmaceutical businesses. The holding companies wowed us with the future of

care of that, the great work is going to follow.

It’s a different time, but the folks that do great insight work and can develop great strategies are going to thrive in this market, and markets in the future. The industry has got a terrific upside. It’s just going to be different. We have to be adaptable, and not hold to old favorite tools, and just be flexible and take our cue from the consumer. If we do that, we’ve all got a great future.

Maher: The smart agencies will take the lead in redefining the way they do business and investing in the things that make them different.

They need to look at certain non-differentiating, process-oriented functions that might be better handled externally and shift some costs from fixed to variable costs.

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CHRIS MAHER, GREENLIGHT

healthcare marketing. That type of integrated and innovative approach is a future we want to play and lead in.

It’s an exciting time and we want our agencies to be there at our side, building our great brands.

Pearce: Agencies should hold themselves and their clients to the same standard. Be direct, and be critical of the work and the strategy because you can’t get great work without a great strategy. You can’t get a great strategy without great insight. All of those things have to work in concert. So, if you take

That will give them a whole lot more flexibility in terms of how they attack client challenges.

We’re looking at a more flexible, nimble organization where the investment is in the people who can really make a difference.

Maybe the solution is in-house or maybe it’s out-of-house, but agencies need to find ways to take as much cost as they can out of the production side of the equation.

That way they can refocus attention on the things that make the agency different and valuable to its clients. ■



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