

THE CMO SOLUTION GUIDE

Developing a Modern Agency Ecosystem

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THE **CMO** CLUB™

IN THOUGHT LEADERSHIP
WITH

Globality

INTRODUCTION

Nearly half of CMOs surveyed still utilize an AOR model. But only 14% report satisfaction with their current model.

Listen closely and you may just hear the ghost of David Ogilvy, the father of advertising, rattling his chains as the halcyon days of big agency dominance continues its decade-long decline while the pervasiveness of digital marketing, and the emergence of smaller specialty shops, twist the knife into the time-honored Agency of Record (AOR) model.

Today's CMOs are finding conventional agencies-of-record less agile and less adept at handling the demands of generating quality content for day-to-day social and digital platforms in an efficient and cost-effective way. Yet according to our research **nearly half of CMOs surveyed still utilize an AOR model. But only 14% report satisfaction with their current model.**

This deep chasm can only mean one thing: **marketers are now staring down the next front ripe for much-needed disruption.** Exactly how and what that will look like are critical questions explored in this CMO Club Solution Guide.

This research-based guide examines the current and changing landscape of the agency-client model and uncovers new ecosystem solutions employed by major brands to source and manage the right agency partners to meet all of their needs. **Brands that shift to a smarter strategy now are better poised to acquire the best innovative thinking,** expertise and efficiencies from their partners on all marketing fronts – and put David Ogilvy's soul at ease proving that disruption will breathe new life to the industry.

ACKNOWLEDGEMENTS

A special thank you

to the CMOs who participated in this research:



Douwe Bergsma
Chief Marketing Officer Consumer Business
GEORGIA-PACIFIC



Kathy Parker
SVP Captain Morgan, Premium
Whisky Haig Club and Gordons Gin
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Shuchi Sarkar
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EXECUTIVE SUMMARY

TRANSFORMING THE TRADITIONAL CLIENT-AGENCY RELATIONSHIP

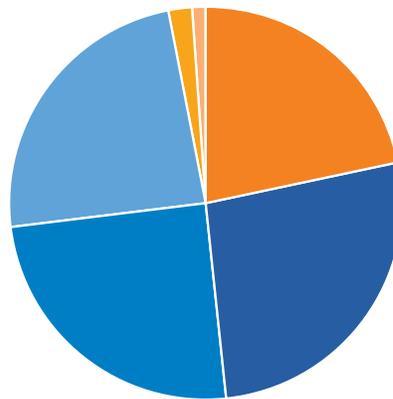
→ Out with the old, in with a whole new ecosystem

New research confirms what Chief Marketing Officers (CMOs) have been grappling with over the last few decades: the inability of an Agency of Record (AOR) model to keep up with the many faceted and escalating demands of today's complex digital and social marketing space. The gap is very real and it is widening.

As a result, CMOs continue to struggle with deep dissatisfaction and increasing restlessness with the traditional agency-client model. "Marketers used to be able to rely on one agency partner, but because of the sheer pressure of the content brands need today, it's very difficult for any single agency to deliver what you need, at the standard you need," explains Pete Boland, CMO at Kelly Services.

The CMO Club, in thought leadership with Globality, recently surveyed 106 CMOs from a range of business-to-consumer and business-to-business brands across all verticals to examine the current state of shifting agency partnerships. We also spoke one-on-one with marketing executives of consumer and business brand leaders including, Bayer, Diageo, Georgia-Pacific, HP, Keds, and Kelly Services to gain insights into emerging new partner ecosystems that meet the demands for innovation, relevant content, and cost efficiencies.

What is the primary agency model you use?



- 27%** A single holding company and select multiple agencies from that company
- 25%** A single AOR plus some independent agencies
- 24%** Multiple, independent agencies
- 22%** A single Agency of Record (AOR)
- 2%** Our internal agency and do not use a selection process
- 1%** Other

Are incremental changes enough?

Despite a clear-eyed awareness that old models of doing business are broken, CMOs still find it difficult to make significant changes in their agency relationship. According to this thought leadership research, **half of CMOs still employ the old AOR model and the slow and expensive RFP process**, even though they know they could gain more efficiency, creativity and better value by contracting with independent agencies.

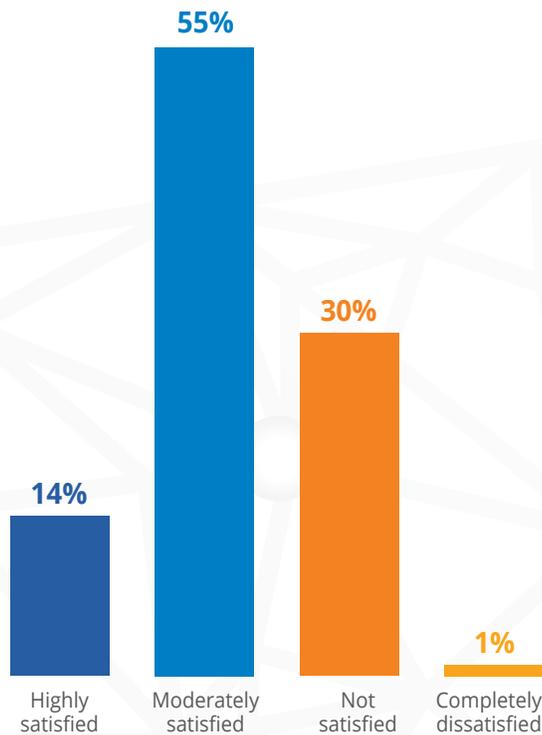
To their credit, **many brands are indeed supplementing their agency partnerships with smaller, independent, nimble agencies that bring subject matter expertise to the challenge** – a critical component of shaping a better agency ecosystem. About half of marketers surveyed report diversifying their stream of providers, either sourcing entirely from an ecosystem of independent agencies (24%) or supplementing AOR with independent agencies (25%).

It is a good start, but the experiences of the brand leaders interviewed for this guide illustrate that **a more radical shift in the agency ecosystem is needed to (effectively) tackle this dilemma**. “You have to have an entrepreneurial and experimental mindset to make it happen,” surmises Douwe Bergsma, Chief Marketing Officer Consumer Business at Georgia-Pacific.

Are agencies’ internal efforts to adapt enough?

The shifting landscape has not been lost on worldwide agencies either. Some large global marketing companies have been acquiring smaller agencies to close the competency gap and retain a full-service relationship with clients. Simultaneously, many large agencies also have begun to integrate their own operations in response to client needs and the evolving market. **But it isn’t enough to stall the inevitable – an outright client-agency disruption.**

How satisfied are you with your current agency model?



DEVELOPING A MODERN AGENCY ECOSYSTEM

→ The 4 components of transforming your agency-client model

As the marketing realm continues to become more complex and large agencies continue struggling to meet the many and varied demands it presents, a fundamental question emerges: **How do brands embrace the most efficient, effective agency model and still maintain a cohesive strategy, brand and message?**

To answer the question, it is useful to examine the reasons brands are slow to change agencies or their overall partner strategy. Already operating under tighter budget and time restraints, marketers lack both of those resources to engage new providers in the RFP process.

According to the study, CMOs' top concerns are investing in educating new agencies to bring them up to speed on their needs, and the time-consuming process of finding and vetting new agencies.

The experiences of marketers who pioneered initial strategic shifts seem to provide a cautionary tale about

attempts to undertake major changes. As Christina Meringolo, VP, Consumer Engagement, at Bayer, explains it, over a decade ago, the changing marketplace dynamics began to drive an unbundling of agency services. "When the media landscape first started to change and one agency couldn't meet all of their needs, many brands went really wide." Over time, marketers began to see the flaws and limits of this strategy and are pivoting once again. "The industry is shifting again," Meringolo says. "That broad model is inefficient: too many partners at a table not big enough for all; agency networks are expanding their resources and offerings to meet more needs; and companies are developing their own skills internally."

With hindsight in clear focus, forward-thinking brands are addressing four key components of a modern agency ecosystem that prove instrumental to transforming the agency-client relationship.

What is most challenging about changing agencies? (select top two)



KEY COMPONENTS

1 CORE COMPETENCIES

Partnering with agencies that excel in their specialty

Large agencies can no longer provide all the services that clients need to meet today's insatiable appetite for content. So it is no surprise that brands are largely dissatisfied with their Agency of Record model. Specifically, **55% of survey respondents cite "lack of innovation" as a source of dissatisfaction; 35% indicate the AOR model "capabilities are too narrow."**

To fill this void, **58% of CMOs say they partner with small or mid-size agencies.** Marketers use these independent shops to get better, personalized service, increase the value of their marketing dollars, and garner the creativity needed to break through the clutter.

This approach is proving highly effective on global brands such as Captain Morgan and Haig Club at Diageo PLC. According to the brand's SVP, Kathy Parker, their agency ecosystem is optimized around the competencies of a set of partners, rather than one-stop shop. "If none can deliver on a specific channel or need, then we'll bring in a new agency. But we're not constantly looking for new agencies for every brief," she explains.

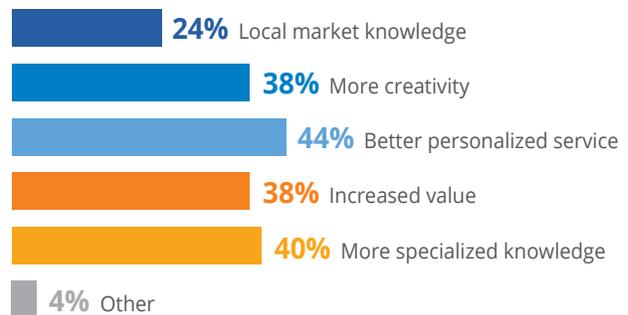
Print leader HP finds similar success with this strategy, according to Shuchi Sarkar, Global Marketing Head, HP Graphics Solution Business. "We are in an experience age where every customer touch point must be meaningful. Our audiences want personalized experiences that speak to them. We will work with agency partners that fully understand how to bring experiences to life across the entire omnichannel."

Why are you dissatisfied with the AOR model?



To generate content for its e-commerce and social media needs, Georgia-Pacific looks to the expertise of crowdsourcing outfits for effective solutions, rather than agency size. "We work with best-in-class agencies, big and small, to develop content to support our brands," states Douwe Bergsma, Chief Marketing Officer Consumer Business with the brand.

Why do you use/ or would like to use small or mid-size agencies? (Choose all that apply)



EMERGING SOLUTIONS



PARTNER ECOSYSTEM **Georgia-Pacific**

Georgia-Pacific eschews the term agency model for the preferred “partner ecosystem” descriptor. This system comprises of an internal manager for each area of marketing, from media and data-driven marketing, to content and social. They oversee the work across a variety of internal and external agency partners serving its brands. “Our internal and external agencies work side by side,” according to Douwe Bergsma, Chief Marketing Officer Consumer Business with the brand.

The paper products giant works with various best-in-class partners to develop specific channel assets and content. The partnership aspect of this model is what makes it work. For example, he says, “We have a strong relationship with our media partner who works not only with our media manager, but also with our content leader. They literally share an office, so natural overlaps like that help keep our strategies consistent.” Georgia-Pacific also makes a formal effort to bring its internal and external partners together at joint business planning sessions.

As with any ecosystem, this one is always shifting to adapt to the changing environment. “We want to remain very agile,” Bergsma states. This fluid, entrepreneurial culture allows the brand to employ small, rapid experimentation with their partners and their ecosystem every 12-18 months.

2 COST EFFICIENCIES

Diversifying partners and bolstering in-house capabilities

Marketing organizations across brands are under tremendous pressure to do more with less. “The sheer cost of the traditional AOR model was scarily high and I always found it quite difficult to know exactly what we were paying for,” shares Boland. Using smaller agencies, he says, gave him better visibility into the value his company was getting.

It is no different in the B-to-B space. In Sarkar’s experience, big agencies that excel at lead creative, lack B-to-B marketing skills such as writing blogs, designing infographics, or creating account-based content. “But if they do have it,” she observes, “it’s very expensive to acquire. That’s not the way it works in B-to-B.”

In addition to tapping into the expertise of specialty shops to rein in costs and increase marketing output and effectiveness, brands are bolstering their in-house capabilities like never before. **The power of in-house capabilities was a recurring theme heard loud and clear in 1:1 conversations with CMOs.**

At Keds, for example, CMO Emily Culp says, “We work with fewer agencies because we have brought multiple functions in-house so we can ensure speed to market and cohesion within our omni-channel storytelling.”

A mere five or six years ago, Georgia-Pacific had no internal agencies at all. That gap became painfully obvious when the brand assessed their agency’s cost and agility to generate the volume and quality of content they required. “We realized we needed more content and needed it faster, but both came at a significant

price,” says Bergsma. Building an internal agency has allowed Bergsma’s team to be more agile and responsive to growing and shifting content needs.

The story is similar at HP. “We brought a lot of skills in house – data analytics, account-based marketing,” Sarkar says, and other capabilities to supplement the work of its media partners and account based agencies. In addition, she says, “We’ve developed strategic content skills within our own department so that we can work out the customer journey content, then use our agencies to produce and place the content.” To Sarkar, this is critical: “As a brand, you want to own your own content strategy and journey.” Having a strong in-house capability ensures it.

“The benefits to doing work in-house are enormous from a cost, agility, quality and quantity standpoint.”

Douwe Bergsma

Chief Marketing Officer Consumer Business
GEORGIA-PACIFIC

EMERGING SOLUTIONS



PARTNERSHIPS

Diageo

“Partnership” is the more fitting way to describe the agency relationship model at Diageo, according to Kathy Parker, SVP Captain Morgan, Premium Whisky Haig Club and Gordons Gin. “Our model is optimized around agencies’ competencies rather than one-stop shop.” Working primarily with a core set of agency partnerships, Parker says the relationships are based on some level of flexibility, agility and creativity and they are on board with that. “Cultural alignment between agencies and our brand is very important.”

This hybrid model has proven quite satisfactory for the brand, especially as they operate in an open and transparent way with their partners up front. “We establish the scope of work with our partners at the beginning of the year, so they can manage their own resources accordingly. They understand that they might not always get the lion’s share of the budget for the year or they might not always lead the process.”

To keep messaging cohesive, Parker says they bring partners on board early and at the same time, as needed. “For big campaigns, we’ll have a multi-agency briefing with all current agency partners in the room together.” For other campaigns, the brand briefs each partner separately through the lens of their particular specialty.

3 CREATIVITY & INNOVATION

Sourcing big ideas and specialized competencies

Today's market is saturated with content. "You have to be innovative and disruptive to catch customers' attention," observes Sarkar. Pete Boland concurs. "There's so much noise out there from a consumer point of view, it's harder to break through."

This is where – and why – marketers are taking advantage of the competencies offered by smaller firms specializing in social, content, video and other channels. As a previous CMO at Schwab, Boland says the fragmentation of the media market meant he was able to access remarkable talent at reduced costs from creatives who had left big agencies to start independent shops. "You're in a battle for ideas in brand marketing. You want the best, brightest, freshest ideas you can because you have to try so many things today to see if they work," Boland said. He was able to achieve this by contracting with multiple independent agencies.

Whether working with their lead agency or niche roster partners, Sarkar says she likes to devote a portion of her budget to ideas that are "totally out there." She encourages the team to pursue that and seek edgy solutions from HP's agency partners.

CMOs interviewed agree that having a strong relationship with all agency partners allows marketers to push them to push the boundaries of creativity. At Diageo, Kathy Parker explains, "If we have great relationships with our partners, we can encourage them to be bolder and more creative because they know the brand and the standards we expect."

"We have produced great work with smaller, more niche agencies."

Shuchi Sarkar

Global Marketing Head, HP Graphics Solution Business
HP

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OPEN MODEL Kelly Services

Pete Boland, CMO of Kelly Services, and former Senior VP, Head of Brand at Charles Schwab, recognized the shifting landscape and considered three agency relationship models to best serve Schwab. After weighing the benefits and drawbacks of the traditional AOR (Agency of Record) model, the Roster Model, and the Open Model, he ultimately chose to transition away from a single agency (Agency of Record) model to an open model. He says the benefits were enormous – reducing costs and stimulating great ideas.

Embracing an open model, he explains, must address four areas to make the transition successful:

People

You must assess the skills gaps on your team and bring in brand leaders who can take ownership of the brand, strategy and identity, rather than simply “give orders” to an agency. The team must be comprised of people adept at communicating ideas across agency partners and they must be rewarded for good ideas. “You have to have your team on the hunt for great, actionable ideas.”

Culture

Boland believes teams must move away from an executional mindset and culture to one where ideas lead the way. “No longer are you outsourcing creativity and ideas to a single agency, your team must foster ideas across all agency partners and constantly be on the hunt for ideas.” When Boland was CMO at Charles Schwab, he often brought outside agency partners in to meet the internal marketing team to stimulate creative energy, attitudes and inspiration.

Process

Getting new agencies on-board quickly is critical to transitioning to the new, multiple-agency Open Model. “You must institute a rigid and clear process for insuring that you inculcate your master brief and brand across all agencies.” If not, he warns, you can get fragmentation of your brand.

Systems

Using the right technology can ensure a more agile, efficient and successful team. Boland says, “I love the idea of having a dynamic creative brief.” He also recommends using tech to keep track of your brand image library and upgrading your marketing stack.

3 MANAGING AN INTEGRATED AGENCY MODEL & TEAM

Corralling the partners and the message

Marketers branching out beyond a single source – 55% of survey respondents work with 4-6 agencies – are solving one problem, but face another: How to maintain a closed loop of creativity, messaging, and resources among your ecosystem of internal and external agencies.

Diageo places that responsibility in the hands of each global brand leader within the company. “The marketer who leads the project is the ringmaster who pulls everything together into one circus,” says Parker. “They’re responsible for making sure everything is cohesive and consistent.”

Keds has found that its consumer-centric approach is a winning formula to keep all efforts in check. Emily Culp explains, “We have one omni-channel media partner, so we can ensure our consumer is at the core of everything we do. As a result of having all of marketing – retail, social, affiliate, e-commerce functions, etc. – in one cohesive team, we have an amazing ability to coordinate with our agencies and bring great ideas rapidly to our consumer.”

When making the transition to a multi-agency, open model, Boland says getting new agencies on-board quickly is critical. “You must institute a rigid and clear process for insuring that you inculcate your master brief and brand across all agencies.” If not, he warns, you can get fragmentation of your brand.

This is also why it is crucial for external agencies and internal teams to work side by side, a key component to Georgia-Pacific’s agency ecosystem model.

What do you do to optimize your agency ecosystem? Select all that apply.



TIME TO DISRUPT THE RFP PROCESS WITH TECHNOLOGY?

Could technology be a linchpin to helping marketers disrupt their agency ecosystem? **The most innovative CMOs use tech to simplify and accelerate the process of finding, hiring, on-boarding and paying agencies.** They realize that when tech takes time and cost out of the system, the company has more time to focus on big ideas and brand building. That has been Pete Boland's experience as a CMO: "It's honestly a fantastic time to be in marketing today because there are great tools and technology that can help you. They can remove friction from the process and keep it moving along quicker."

Christina Meringolo at Bayer agrees. "We implemented a new sourcing system to make it easier for internal teams to source from the list. It's very easy to see how AI could help streamline the RFP process by filtering responses."

"Technology that brings partners with specialty skills together in a seamless way is ideal," surmises Shuchi Sarkar of HP.

With the ongoing trend amongst agencies to outlay significant resources for creative pitches, technology is a welcome part of the disruption for all partners in the client-agency ecosystem.

CMOs must innovate, evolve and use technology to keep pace with the quickly changing marketing landscape.

BEGIN BUILDING YOUR ECOSYSTEM

→ How to take it from here

“As marketing has gone broader, the single-sourced agency model is becoming obsolete,” concludes Kathy Parker of Diageo. Time is running out for brands to begin changing the client-agency model. CMOs must innovate, evolve and use technology to keep pace with the quickly changing marketing landscape.

Below are some key tips to help brands evolve and thrive in this demanding and dynamic environment.

1. Match your agency model to your business needs

Does one agency serve all your needs or would a collection of specialized agencies better deliver the variety of media your audience demands? Multiple independent agencies can often provide the value, creativity and personalized service you want. Technology can swiftly help you find and on-board the best agencies to meet your specific goals.

2. (Let tech help you) write a better creative brief, then stick to it

The backbone of any campaign is a strong creative brief, and like most things, technology can help build one. An artificial intelligence-powered dynamic creative brief uses contextual data to prompt you with better questions to steer you toward creating a better brief.

Once you have a solid brief, stick to it. The sheer volume and variety of content that companies need makes it difficult to keep messaging on-brand. The brief should be the key to consistency across multiple market formats and help you avoid fragmentation.

“The ideal agency model is having the right partners with the right capabilities in my arsenal of tools to drive my brand.”

Kathy Parker
SVP Captain Morgan, Premium Whisky
Haig Club and Gordons Gin
DIAGEO

3. Build a team of brand leaders

Assess skills gaps on your team and bring brand leaders on board. These individuals take ownership of the brand, strategy and identity rather than simply giving orders to agencies. Build a team of people who are skilled at communicating ideas across agency partners and reward them for good, actionable ideas.

4. Organize your internal team to manage multiple partners

Establish ownership and a clear framework to allow for consistent messaging among all partners. Bring internal and external agencies together regularly.

As it stands, the shape and fate of the agency-client relationship is clearly in the hands of brands and their CMOs.

Regardless of the client-agency model employed, it is imperative to manage the ecosystem properly to optimize the relationship for all partners. “It is so important to have a closed-loop relationship between the client, the media agency, and the creative agency to experience real-time optimization...and to learn and grow together as a team,” states Shuchi. That mandate could very well serve as your best guide to finding the agency ecosystem that is right for you.

ABOUT THE THOUGHT LEADERS

The CMO Club

The CMO Club is the world's most engaged and inspired community of Senior Marketing Executives who help each other solve their biggest challenges, within a candid, trusted and sharing environment. Collaboration fueled by inspiring events and within the members-only Digital Solutions Clubhouse raises the standard for what is required to be a successful Chief Marketing Officer. With more than 850 members, The CMO Club is the go-to center for today's Senior Marketer for peer-based personal and career success support. For more details, please visit www.thecmoclub.com.

Globality

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Our platform combines artificial intelligence and a network of outstanding, pre-vetted small and midsize service providers (including marketing agencies, law firms and consultancies) to surface the best-fit service providers for any given project. Using our platform, companies enjoy significant process efficiency savings, apply competitive bidding pressure and select the ideal service provider for every project to achieve better results. To learn more or schedule a meeting, visit Globality.com.