COLUMNS

New advertising success metrics will change agency compensation model

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Tim Jenkins is CEO of 4Info

By Tim Jenkins

Alleged kickbacks and rebates have stirred suspicion and distrust between advertisers and agencies following the recent report from the Association of National Advertisers. Yet the controversy over transparency is overlooking a much bigger issue challenging the conventional agency-advertiser relationship: compensation.

Ad agencies are only being compensated for part of the success or failure of a brand's advertising. And most certainly not the most important part: sales results.

But do not put all of this on the backs of the agencies. This is definitely a two-way street. Brands need to both demand it and enable it. Agencies cannot do it on their own.

Responsive by design
Offline sales measurement is very possible today thanks to sophisticated ad technologies that allow brands to trace ad impressions all the way to the cash register, defined however they prefer. But many brands do not know capabilities exist to measure actual sales lift the metric they want most. Why not?

Because they rely on their agencies to bring them new innovations. Yet agencies are not motivated to do so. Again, why not? Because they are simply not compensated to do so.

The traditional agency compensation model has not evolved to drive the metrics that brands care about most.

So even while digital media spending is expected to outpace other forms of advertising, many marketers still struggle to justify ad spend because they are not demonstrating a direct correlation to sales results.

Change is coming, albeit slowly.

According to Michael Roth, CEO of agency conglomerate Interpublic Group, "We have to be responsive to the effectiveness of the work we do. And then we have to be able to measure it and be accountable for it.

"I think the pressure is much greater now, given the tools that are out there for measurement, to prove the return on investment with respect to marketing dollars," he said. "We're now able to do that and clients appropriately are asking to see that return on investment."

But if agencies are to be held accountable for driving sales, they need the tools to do their job.

Agencies need to ask their clients for access to customer data and brands need to grant this access so they can tie digital impressions to sales.

Marc Fanelli, Merkle's vice president and general manager for global data solutions, had this to say about the mobile component of digital advertising, "The brands we work with understand the value of their customer data and they expect to leverage it as they expand into mobile advertising, not only for targeting but also for measuring the performance of their campaigns.

"Mobile is no longer about brand awareness or less-meaningful digital KPIs like clicks," he said. "Our customers want tangible results. They want to know their mobile campaigns are actually getting people to buy."

Giving agencies seat at table

Brands must demand and agencies must deliver campaigns that can be measured. It is a change that calls for a different, closer relationship.

Agencies deserve a seat at the table when brand marketers discuss sales plans and goals so they can be fully informed and armed with the data they need to do work that delivers results.

Giving agencies access to data does not mean jeopardizing its security. Rather than granting direct access, brands can connect their agencies to an ad technology platform that knows how to access and use CRM data, in conjunction with third-party data such as credit card history, to deliver the right ads to the right audience and then tie the impressions to transactions to reveal a campaign's performance.

With mutual trust, the right digital ad platform and a contract that rewards agencies for delivering measurable results brands can make the most of their digital ad spend.

ULTIMATELY, IT IS about doing better work, with agencies getting paid for creating digital ad campaigns that are worth the investment.

Change is coming. Embrace it, and everybody wins.

Tim Jenkins is CEO of 4Info, San Mateo, CA. Reach him at tjenkins@4info.com.