



# Sick Of Being Sick

How Madison Avenue got the flu, and what brand advertisers should do about it.

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The world of Madison Avenue is sick of being sick, literally. It all started with a fever a decade ago, fueled by disruptive media fragmentation, AdTech and digital innovation, the unstoppable rise of procurement in client/agency affairs, growing budget pressures, greater client expectations (i.e. more for less), and a flurry of alternative creative and digital solutions, ranging from in-house departments to publishers getting into marketing content, and the entry of big consultancies. As a result, the agency industry is dangerously teetering on the edge of irrelevancy.

The mild fever has turned for the worse. Clients and agencies alike are watching the aftermath wondering if the industry's condition is curable and the trends reversible. Industry analysts seem more cautious than ever when evaluating the organic growth opportunities and financial performance of the few industry giants and publicly traded holding companies. Longevity is a thing of the past. We are now seeing a rising number of agency reviews across all disciplines, as big advertisers jump ship faster than ever before, looking for the next gem and revamping their agency rosters. Research firm COMvergence reported \$4.3B in media reviews in the first half of 2017 in the US alone. Last year, over \$5B in media spend changed hands following competitive reviews. It's far from being over. Over \$3B of US media spend is currently in play with AB-InBev, Amazon, Subway, Sanofi, Southwest Airlines, Jaguar Land Rover, United Healthcare, US Army, TGI Fridays, Nordstrom, and Smithfield, among others.

If your head is not spinning yet, perhaps it should be. How will Madison Avenue permanently end this continuous and gradually-expanding hurricane that leaves many casualties on its path? Let's take a closer look at what I call the "deadly spiral of irrelevancy" to understand the forces at play and their domino effect.

It's hard to pinpoint which of these drivers were most instrumental in landing us where we are today. When you combine the increased distrust by clients that the lack of transparency has created in various spend categories clients rely on agencies for, including inaccurate time reporting and confusion about the existence of media rebates along with new production concerns raised by the DOJ, you have a recipe to breed many competitive reviews. The increase in agency reviews has an obvious impact on agencies: it creates uncertainty and fear that their accounts may also be put into review. The agencies then tend to take a more conservative approach to the work they do and avoid pushing too hard on clients, choosing the path of least resistance and less friction. The work becomes more tactical, and the clients increasingly see deliverables as a commodity. As the perceived value goes down, so does the likelihood for clients to engage agencies in more strategic assignments. Clients push back on pricing and agency profitability goes down, preventing the agency from keeping or attracting the right talent. As talent quality suffers, so does the agency's ability to deliver strategic value. Thankfully, these challenges have created opportunities for innovative agencies to disrupt the dangerous

spiral and find a healthy way to differentiate themselves and grow.

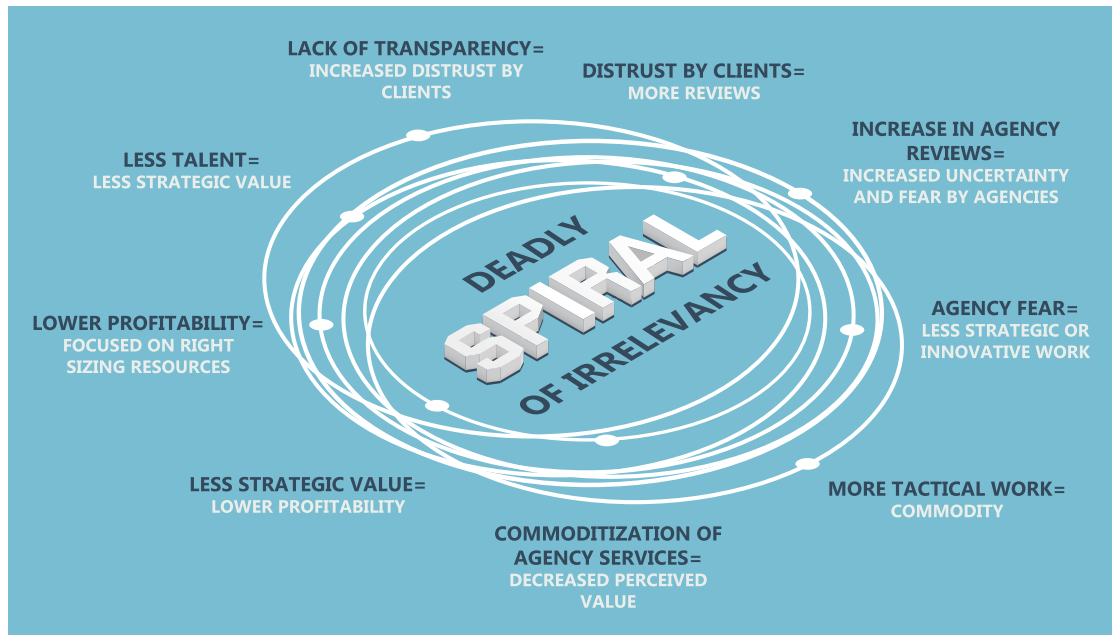
Brand advertisers also play a role in contributing to a healthy ecosystem of higher-value business partners. So, what should clients do? Here are three key steps to build and maintain healthy agency relationships:

**#1 Build a real culture of feedback and accountability:**

Institutionalize a formal process to evaluate agency performance and the client/agency relationship. Although most advertisers do it at least annually, some semi-annually, it ends up being nothing more than a check box on a scorecard somewhere. The commitment to build a culture of accountability and mutual respect is consequently missing and the work ultimately suffers. Advertisers often fall short of making this 360-degree evaluation process action-oriented. They therefore lack meaningful insight reports and action plans on both sides to course correct and improve productivity, efficiency, and overall satisfaction. They handle it casually, with homegrown or off-the-shelf tools that are not scalable or customized to deliver best-in-class results. Remember that the work is only as good as your agency partnership is. Lead by example.

**#2 Provide adequate and timely visibility to expectations and priorities:**

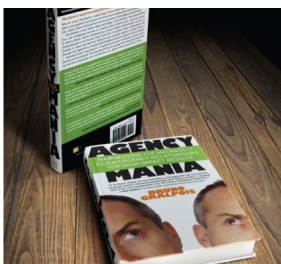
Agencies perform best when they are being provided clear guidance, early on, and can prepare themselves to take on important client priorities. Without a robust, rigorous scope of work process, the agency cannot anticipate staffing requirements, add upstream value, or drive efficiencies. Imagine driving at full speed on a road where you have limited visibility. Scary, right? Advertisers should standardize and automate their scope management process to align on work expectations and resource requirements. With better predictability and thoroughness comes better strategy and more efficient—and less tactical—work.



**#3 Make mutual transparency a priority:**

There have been many stories that demonstrate the need for greater agency transparency. Advertisers can achieve the insight they need in several ways, including requiring regular agency reports, conducting audits, and doing reconciliation of assets created/delivered, and resources (human and financial) committed and used. However, without streamlining and automating these regular data requests, reporting, and QC requirements, both agencies and clients are likely to drown in a sea of information that may not be used properly. Transparency is advised for both sides of the agency/client relationship. Advertisers must also share how information is used so a productive dialog can develop. Only then can trust truly flourish.

If you are an agency, put away your cold medicine. If you are a client, put away your sanitizer wipes. As in our personal lives, building a healthy environment is an investment, not an expense. The world of advertising might have let itself get caught in this deadly spiral, but many of the underlying drivers can be found in the way advertisers’ needs have evolved and perhaps how they involuntarily contributed to its current state. We need to eradicate the commoditization of advertising services and go back to a more relevant, healthier industry... one in which agencies thrive and one that advertisers need and appreciate.



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**Bruno Galpois** is the co-founder of Agency Mania Solutions, a premier service and technology firm specialized in helping companies realize the transformational value of managed partnerships. Bruno is the author of best-seller “Agency Mania” and the former chair of the Association of National Advertisers (ANA) Client/Agency Committee and a faculty member of the ANA School of Marketing.

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