WINNING at AGENCY RELATIONSHIPS

HOW TO CONDUCT THE AGENCY PERFORMANCE EVALUATION PROCESS MORE EFFECTIVELY

WORLDWIDE

INTRODUCTION

Recent trends in the marketing sector suggest that the careful consideration and execution of a formal review process is more important than ever if brands are to maintain a healthy and productive relationship with their agencies. With rising rates of public ownership and consolidation, the increased diversity and complexity of agency services, and a growing preference for fee-based methods of compensation and performance incentives setting the stage for agency relationships, a re-examination of the marketer's agency evaluation process may be in order.

This White Paper from marketing consultancy R3 is designed to give marketers and their agencies some insight into:

WHAT measures can be taken to establish clearly defined expectations from the onset?

HOW

- can the agency evaluation be structured to result in actionable steps for improvement?
- can incentive plans be implemented to reflect a direct tie between performance and compensation?

This report is designed to start rather than end a dialog. If you have your own views on agency relationships, we welcome hearing about them on
Twitter @r3ww
Sina Weibo @r3china
contact page at www.r3ww.com

METHODOLOGY

To prepare this report, we took three different approaches to gaining insights:

- We conducted a deep dive into our agency performance evaluation work in the US since 1972 and outside the US since 2002 – leading discussions for Coca-Cola, Walmart, Fomterra, Visa, Johnson & Johnson, Samsung, and others. We thank them for the opportunity to build long term partnerships.
- We reached out selectively to some of the smartest marketers we've worked with, to elicit their own direct points of view.
- We had a lot of help from agency heads - from the top creative, media, PR and digital networks in the world.

This is not meant to be a quantitative analysis of the state of the agency performance evaluation process - rather, an independent voice that can help marketers work better with their agencies toward a common good – stronger partnerships.

EXECUTIVE SUMMARY

APPOINT THE KEY PLAYERS

The evaluation should be reflective of those people in the client organization who work with the agency on a regular basis. Closely involving senior management on both the client and agency sides is necessary to ensure that the stakeholders who are ultimately accountable for the relationship are active participants in the formal evaluation.

OPEN A TWO-WAY CHANNEL OF COMMUNICATION

The agency should be actively involved in the process, both upfront and throughout. Conducting a 360 degree review allows the agency to evaluate the client as well, resulting in improved productivity of the relationship. The best advertising results from effective collaboration between the two sides. The identification of best practices, problems, and solutions on the client side of the relationship can benefit productivity just as it can on the agency side.

ALIGN ON A CLEAR DIRECTION FROM THE ONSET

Effective evaluations do not simply give the agency a grade; rather, they spell out the particular good and bad performance areas with enough detail that the client and agency can effectively diagnose and act. Communicating a clear and actionable message with focus is crucial to giving direction to the agency that is consistent across the client team rather than providing a laundry list of competing or conflicting issues. The evaluation should cover all areas of significant agency activity on behalf of the client.

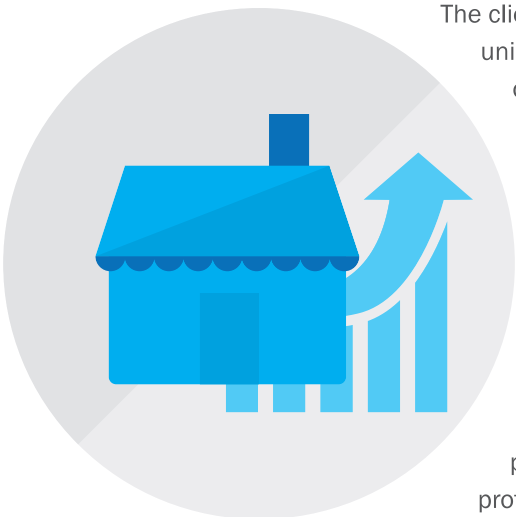
DRAFT A REALISTIC PLAN OF ACTION

In order for the performance evaluation to be acted upon, the marketer must go beyond providing a report card. Effective evaluations result in an agreed-upon plan of action that the agency and client follow up on with designated steps, timing, and accountability. The goals set in taking steps forward must be realistic and achievable. A high level of performance should be expected of the agency, but the client must be realistic about what the agency is expected to accomplish.

DETAILED FINDINGS

WHY CONDUCT AN AGENCY PERFORMANCE EVALUATION?

Some multinational marketer evaluation processes are so well-established that they may have become rusty or dated in design or use. While an agency evaluation tool itself is not a solution for a stronger client-agency relationship, how the tool is used and managed can result in a greater return on investment.



The client-agency relationship is unique, with its value based on people and ideas. It requires considerable communication and interaction. Although marketers and agencies often idealize the relationship to be a partnership, it is necessary to acknowledge that each party serves different profit centers. However, it is also inappropriate to treat an agency with a transactional mindset as with vendors. Unlike a typical vendor, the agency becomes closely involved with a client's marketing and advertising planning – often helping to influence and shape their strategies and plans.

Perhaps the relationship between marketer and agency is better characterized as "employer-employee," with the agency acting on behalf of the marketer. Just as a company benefits from providing its employees with a formal performance evaluation, marketers benefit from providing the same for its agencies.

Here are just a few of the specific benefits which can result from an agency evaluation done right:

- **CLEARLY ESTABLISHED GOALS AND PRIORITIES**
  Once expectations are communicated, the performance of the agency can be measured and held accountable against the goals and priorities established from the beginning.
- **IDENTIFICATION OF EFFECTIVE AND INEFFECTIVE AREAS OF THE WORKING RELATIONSHIP**
  Identifying what's working is just as important as identifying what's not working in the relationship. Only when these areas are fully explored by both parties can corrective action be taken on those issues before they become bigger problems. Time should also be taken to acknowledge agency contributions and to reinforce "best practices."
- **BETTER COMMUNICATION**
  Miscommunication is often the direct source of problem areas in the relationship. Agency performance evaluations foster better communication and understanding between the marketer and the agency, particularly at the senior levels of both organizations.
- **BENCHMARKS TO MEASURE PROGRESS**
  Assessing progress is key to checking the health of the relationship over time. Benchmarking agency performance and contributions can also be used to compare the performance of multiple agencies.
- **DETERMINING THE REWARD**
  In relationships where performance incentive rewards are used, the formal agency evaluation can be an important component for measuring and determining an appropriate reward.

CASE STUDY

SAMSUNG AGENCY PERFORMANCE EVALUATION

BACKGROUND

Samsung was making the move from being an engineering-driven firm to a truly brand-driven one. From 2008, they recognized the need to improve their agency relationships, and to effectively measure and benchmark performance on both a global and local scale.

OUR APPROACH

Through R3's proprietary software tool CAPE (Client Agency Performance Evaluation), unique URLs were created for more than 2,000 individual Samsung marketers in more than 65 countries. Beyond the numbers, senior consultants at R3 developed unique questionnaires for creative, media, PR, event, digital, research, and specialist agencies, while also leading deep dives in selective markets to understand how to drive better outcomes for the Samsung brand.

RESULTS

Samsung is now able to benchmark and report on over 200 global, regional, and local agencies with action steps toward improvement every six months. The best agencies are rewarded through the right incentives and where there are issues, they are clearly addressed.

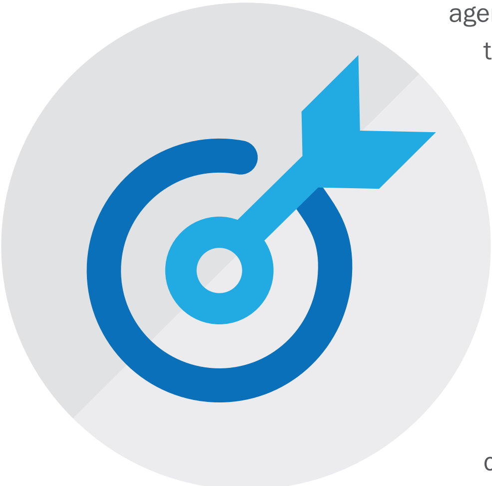
DEFINING EXPECTATIONS

Before developing, adopting or refining a method for reviewing an agency's performance, it is crucial to first clearly and formally define the expectations for the agency relationship.
That can mean asking questions like:

What specifically is it that you want the agency to do in accomplishing your business objectives?

What tasks will be assigned to the agency and will the responsibility for accomplishing those tasks be left solely to the agency or will it be shared with the client?

What specific skills or behaviors are required of the agency to work effectively with the client team?



Nearly every client-agency relationship problem is linked to either a misunderstanding of client expectations either because the client did not clearly communicate them and/or the agency did not take the time to understand them or the agency was unable to adequately deliver against the defined expectations. A clear definition of expectations is therefore important to avoid the first problem and to ensure that the agency's performance is held appropriately accountable. Defining expectations will at least give the client and agency a common understanding of what is expected in terms of the agency's evaluation. It will allow both client and agency to focus on the most important aspects of the relationship. This in turn can allow the agency to quickly make course corrections or the client to reach a reasonable decision on considering other options.
Before undertaking a full-blown agency search, the marketer should be absolutely certain that one is warranted. Reviews are often unnecessary if there are problems in an existing agency relationship that can be realistically addressed. It is usually preferable to devote the time and effort required to fix a broken agency relationship than it is to commit to the undertaking of finding a new agency.

HERE ARE A FEW THINGS TO CONSIDER WHEN ESTABLISHING AGENCY EXPECTATIONS:

CLIENT BUSINESS GOALS AND THE AGENCY'S SPECIFIC ROLES AND RESPONSIBILITIES IN ACHIEVING THOSE GOALS

Obviously, you will want the agency's efforts to ultimately result in some tangible measure of business improvement – for example, increases in sales, market share or stock value. However, you should more precisely identify the specific actions that the agency's efforts are supposed to affect that would lead to a set objective. Is it about improving brand perception against leading competitors? Or is it about generating awareness of an important piece of news about the brand? The agency may be expected to accomplish several of these and more.

AGENCY RESOURCES AND TASKS

With business objectives in mind, what are the tasks that you need the agency to accomplish and what are the resources they will need to bring to bear? Broadly speaking, what disciplines are required of the agency? Typically, these might include strategic planning, creative development and production, media planning and buying, and account service. Are any particular specialties needed within the various disciplines?

In identifying the disciplines required, you should also consider the relative amount of responsibility the agency will need to bear. Some tasks may be left primarily to the agency to accomplish, such as creative production or media buying. Other tasks, like overall strategic direction for the brand, may be led predominately by the client with agency input. And some tasks, such as the development of ad strategy, may involve a shared responsibility between client and agency.

In addition to the broader disciplines required, consideration should also be given to the more specific tasks to be executed by the agency. A scope of work is used by many marketers to detail their needs, typically covering broader planning needs as well as executional needs.

CHARACTERISTICS OR QUALITIES OF THE MARKETER AND THE AGENCY

ARE THERE CULTURAL OR CHARACTER TRAITS OF YOUR ORGANIZATION THAT ARE IMPORTANT FOR THE AGENCY TEAM ON YOUR BUSINESS TO SHARE?

Beyond the fundamental disciplines required, can you define expectations of the agency in terms of how you expect them to work on your business? Do you have a preferred method or style of work that you expect the agency to adopt? Are you looking for them to operate in a relatively independent, pro-active fashion or to work more closely in day-to-day communication with your team? These are all important questions to consider when setting expectations.

PRESENTING A FORMAL FRONT

It is important to formalize the definition of expectations. This is particularly true of larger organizations where many people have significant interactions with the agency. One recipe for frustration is to have a client executive communicate a set of expectations to the leadership of the agency, but then have his or her team working with the agency express one or more conflicting sets of expectations.

The marketer should develop the expectations for the agency with input from all the key relevant people in the organization and should strongly consider getting the agency's input upfront – certainly before a final definition is established. Not only can this help identify potential areas missed by the marketer, it also reinforces the foundation for a strong and communicative working relationship. Once the definition is established, it should be shared with the entire team, so that everyone is working off the same page.

The needs and expectations of the agency may vary in significant ways from one client business unit to the next. In such cases, these differences should be recognized and accounted for. It is also likely that the needs and expectations of the agency will change over time. The definition of agency expectations should be regularly revisited, and revised if needed, as part of the formal agency review process.

BEYOND ADVERTISING
OTHER MARKETING COMMUNICATIONS DISCIPLINES

Conceptually, the need and process for defining expectations is the same for any type of agency under consideration, whether the agency is hired for advertising, direct marketing, public relations, promotions or digital work. But the marketer must take care to avoid a one-size-fits-all approach in assessing tasks, being certain to tailor the considerations to the discipline being considered.

The potential tasks performed by these disciplines can be complex and varied. It is not enough to say, "I need a good below the line agency." What type of below the line agency is needed? Or for public relations, what level of media relations or crisis management capabilities is required? For digital, is e-commerce involved and is the agency expected to contribute in this area? For promotion, is the agency expected to simply develop a promotional idea, or are they also meant to manage the implementation and provide the necessary infrastructure to ensure compliance and security?

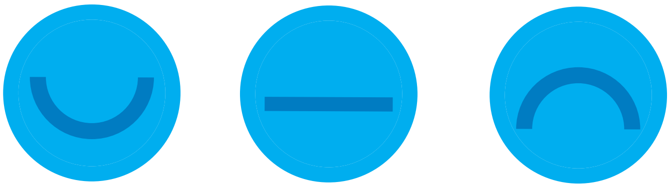
For a marketer that employs multiple agencies handling distinct communications disciplines, it is important to review expectations across agencies.

How are they expected to work together, if at all? Are they all expected to contribute to strategic direction, or is one agency expected to lead on strategy with the other agencies playing a relatively more tactical role?

It is important that each agency understand its relative role. Many marketers have expressed frustration that their agencies "can't play together" or that they are "pitching for business against each other." Certainly, agencies are often to blame for these situations. But in many cases, the marketer shares in that blame because it has not clearly defined expectations on these issues.

STRUCTURING THE AGENCY PERFORMANCE EVALUATION

If the marketer has effectively defined the expectations of the agency, then much of the hard work has been done in terms of designing the contents of a formal evaluation tool. The criteria against which the agency's performance is to be evaluated should tie very directly to the goals and expectations defined for the agency.



What does remain is the structuring of a formal evaluation tool or form that allows the marketer to thoroughly, but simply, grade the agency's performance against the defined criteria. At this point, the evaluation of "hard" quantifiable agency performance measurements should be distinguished from the more subjective evaluation of overall agency performance. Specifically, assessments of agency performance connected to measurable results -- e.g., an increase in ad awareness as measured by a tracking study -- are simple to understand and review with the agency. Either the specific goals were met or they were not.

When most marketers and agencies discuss a formal performance evaluation review, they are usually referring to a more subjective evaluation of agency actions and behaviors (although agency performance reviews cover the kinds of quantifiable measures mentioned above).

Most subjective evaluation forms have the following in common:

- **A SIMPLE METHOD OF SCORING** – Scoring may be accomplished through a numeric rating (e.g., on a 1-5 or 1-10 scale), letter grading (A-F), or through simple verbal description ("outstanding," "above average," "average," "below average," and "poor," or through such language as "meets," "exceeds" or "fails to meet expectations"). The potential benefits of such scoring are:
    - It allows for a simple summation and communication of the agency's perceived performance.
    - The marketer can more easily compare and consolidate scoring across a number of personnel.
    - The marketer can compare scoring from period to period.
- **A WRITTEN EVALUATION** – Scoring itself cannot offer sufficient insight to the agency. Also, scoring can vary as some people are tough graders while others are soft graders. A written evaluation requires the marketer to rationalize and defend the grade being provided. That is why most evaluation forms provide space for comments -- to provide the "why" along with the "what."

  For example, an agency may be graded on something such as account leadership. If they get a bad score, is it because of issues with individuals in charge of the account? Are they not being proactive on strategic issues? Are they failing to motivate and inspire the larger agency team? Again, specific written commentary is required to prompt a specific and hopefully productive response.

- **EVALUATION OF A NUMBER OF SPECIFIC PERFORMANCE AREAS**
  Most evaluation forms are organized by the key agency disciplines -- account service, strategic planning, creative, media, etc. Within each discipline, various tasks, resources and attributes are rated. However, evaluations can also be tied to specific management-by-objective factors, regardless of agency discipline.

- **A PLAN OF ACTION MOVING FORWARD**
  In some cases, the action plan is drafted in advance by the client to share with the agency as part of the written review. In other cases, the review is first discussed with the agency and then the action plan is formalized in follow-up communication.

Other components in an evaluation form might include an indication of progress (e.g., "shows improvement" vs. "no improvement" or "getting worse"), specific client suggestions for improvement, an area for the respondent to briefly define his or her role and relationship with the agency, or an acknowledgment section to be completed by the recipient after the review is delivered.

"360 DEGREE" EVALUATIONS

The best marketers also elect to have the agency provide an evaluation of their performance as a client. The healthiest client-agency relationships maintain a high level of two-way communication. This is becoming a more common practice for agency evaluations, just as it has become more frequently used in the evaluation of employees.

Typical evaluation forms for the client side usu -ally cover various functional areas that affect the working relationship with the agency. For example, the client might be evaluated on "review and approval of work." Is clear and consistent direction being given? Are approvals given in a timely and focused manner, or does the agency receive multiple and inconsistent layers of input that water the work down? Other areas for evaluation might include communication and sharing of information, prioritization and assignment of tasks, strategic direction, marketing planning input, etc.

The scoring or rating method should be the same as that used in the client evaluation of the agency. Likewise, it is crucial that the agency provide written commentary to support their ratings and provide concrete feedback that allows the client to better understand where the issues lie and what might be done to address those issues.

CASE STUDY

JOHNSON & JOHNSON AGENCY EVALUATION

BACKGROUND

FMCG and Pharma giant Johnson & Johnson wanted to significantly improve the transparency of their agency relationships in several critical markets across creative, media, PR, digital, and research. While they had a consistent global format and approach, they lacked deep dive insights in key markets.

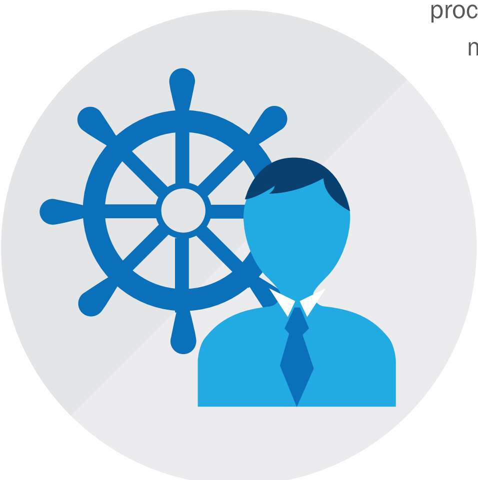
OUR APPROACH

Working with R3 to consult on agency fees and relationships in 35 countries since 2007, Johnson & Johnson called upon us to evaluate 13 agency relationships in some specific strategic countries. Taking a 360 degree approach, R3 conducted in-depth qualitative discussions with key stakeholders on both the client and agency sides to seek areas for improvement in the process.

RESULTS

The deep dive approach taken by Johnson & Johnson resulted in improved agency relationships with clear alignments.

MANAGING THE AGENCY PERFORMANCE REVIEW PROCESS



Developing an agency evaluation tool is only one part of the overall process. What is more important than the tool itself is how the marketer manages the review. The best-designed tool in the world will be of little value if the right executives at the client and the agency do not fully engage in using it, or if the input is gathered in such a way that clear and consistent direction is not being provided.

Key considerations for managing the review include: who is to be involved, the forum and agenda for sharing the review with the agency, the timing and frequency of the review, and how to put the findings of the review into action.

WHO'S INVOLVED?

The marketer will need to answer three primary questions:

1. Who should participate in evaluating the agency?
2. Who should participate in sharing the results of the evaluation with the agency?
3. Who should attend from the agency?

Companies answer these questions in quite varied ways. Some choose to have only a small group of very senior individuals conduct and share the evaluation with the agency, while others involve a large number of employees representing different divisions and/or marketing functions.

At a minimum, the agency evaluation should involve the key manager or managers who have the ultimate responsibility for the agency relationship (those who can either make or strongly influence the hire/fire decision).

Beyond this key person or team, consider including any individual who has a major role in working with the agency on a regular basis. In larger organizations with multiple divisions and brand teams, the number of people working with the agency might be too numerous to allow for an efficient and productive review process. In such cases, the client may need to designate key division or brand leaders to conduct the review and to solicit any necessary input from their troops. These individuals can complete the review forms for consolidation by a team leader or team leaders may solicit the input informally.

Some factors to consider in reaching a decision on whom to include:

- **SIZE AND STRUCTURE OF YOUR ORGANIZATION**
  Which departments and people are truly involved in working with the agency?
- **EXPERIENCE LEVEL**
  What is the actual experience level of the individuals involved in working with the agency? Does an individual work frequently and closely with the agency or is contact too limited to warrant his or her inclusion? Is a person too new or junior to be able to provide the proper perspective? You might consider weighting the opinions of more senior/experienced team members more heavily.
- **WORKLOAD**
  Although full participation in the evaluation may be desirable, other demands on your people's time might suggest taking a divide-and-conquer approach. This does not mean that other voices need not be heard.

  A senior representative from a group or division can solicit input from key teammates without putting everyone through the full evaluation process. The key here is ensuring that the people on the evaluation team can be viewed by both the client and the agency as truly representative of the agency relationship.
- **TEAM REPRESENTATION**
  Does inclusion or exclusion of any group or individual work for or against your own team goals?
- **IMPORTANT COMPANY PARTNERS**
  Would you benefit from, or be required to obtain, input from other groups not directly in the employ of the company? There may be other key marketing suppliers active enough with the client and their agency to provide some worthwhile third-party perspective.

CASE STUDY

BMW AGENCY PERFORMANCE EVALUATION

BACKGROUND

BMW wanted to develop a win-win partnership with their newly appointed creative agency by creating a sustainable, accountable, and equitable partnership.

OUR APPROACH

The process began with setting Performance-Based Remuneration (PBR) in place to motivate their agency to deliver outstanding performance and results by linking performance to compensation. R3 played a role in defining the KPIs mirroring the brand's own performance metrics and driving an open dialogue to identify potential gaps in the processes. To drive continuous improvement and devise an action plan for the agency relationship, BMW consulted R3's Client Agency Performance Evaluation (CAPE) tool.

RESULTS

Through taking these steps, BMW cultivated agency relationship best practice through shared learning and benchmarking.

THE PERFORMANCE REVIEW AGENDA

Along with determining the people involved, the marketer should give some thought to the specific agenda for the review of the agency's performance. What topics will be covered and how will they be presented? Time may not permit a blow-by-blow review of every single evaluation criterion, so you may want to highlight only the key areas of superior performance and any significant red flags in performance. Obviously, if the review is "360 degrees," then sufficient time needs to be built in for each party to present its findings and recommendations.

In companies in which many people have contributed to the agency evaluation, a senior executive or small group of executives should be responsible for preparing a consensus report which speaks to the agency with one voice on perceived strengths and weaknesses that are common across the client team, and also allows communication of any important issues that might be specific to a certain division or operating group in the company.

Plenty of room should be left on the agenda for Q&A and discussion with the agency. Ideally, the discussion will lead to some consensus on actions to be taken by the agency. If agreeing on a specific action plan is not part of the review agenda, then the client and agency should at least agree on a timely follow up as a planned second step. Often, the agency may well want some time to digest the findings of the review before committing to a specific course of action and a timetable for accomplishing it.

The location of the performance review is probably immaterial as long as it is somewhere that can comfortably accommodate the participants. Some marketers elect to conduct the review in a neutral location, away from the client's and agency's offices.

TIMING

A formal performance review should be conducted at least annually. In certain situations, a client and agency may want to conduct it twice a year or more for:

- **NEW AGENCY RELATIONSHIPS** – the client and the new agency can benefit from an evaluation after six months.
- **DIFFICULT RELATIONSHIPS** – a more frequent review can allow both parties to stay on top of, and accountable for, initiatives in the relationship. One option is for senior representatives to get together on a quarterly or monthly basis to informally discuss aspects of the relationship, where progress has or has not been made, etc. In the normal course of business, many executives effectively make on-the-spot critiques that can be reviewed in more depth at the formal review session.

The actual date of the review is probably not crucial – although there may be advantages to timing it to coincide with annual planning cycles. In cases where performance incentives are in place, timing needs to be coordinated with the measurement of results and client budgeting.

The results of a review should be shared with the agency in a very timely fashion. First and foremost, it allows the agency to quickly adjust and improve upon the areas that need work and formally reinforces the areas that are working well. A timely report is healthy for both the agency, which doesn't want to hang in limbo waiting for its report card, and for the client, which wants to communicate both positive and negative feedback to its agencies.

PUTTING THE EVALUATION INTO ACTION

Performance reviews need to result in a plan of action that the client and agency can agree upon and execute. The plan should list the specific actions to be taken, behaviors to be changed or reinforced, and any required resources necessary to resolve outstanding issues. Establish timelines and deadlines. Designate which groups or individuals are responsible and accountable for taking the actions and meeting the deadlines.

Even in the best client-agency relationships, both parties should periodically examine the evaluation forms and process to ensure that the appropriate deliverables are still being graded and discussed. Especially for marketers that expand their agency's activities to include other communications disciplines, both the relevancy and currency of evaluation criteria are critical.

TYING PERFORMANCE TO COMPENSATION

PERFORMANCE INCENTIVES

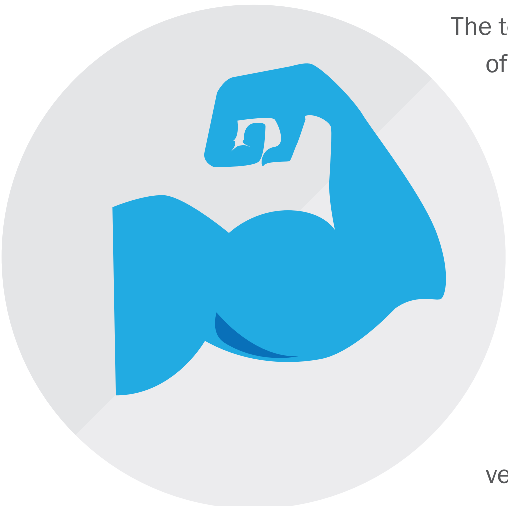
An increasing number of marketers have implemented agency compensation plans that include performance incentives. Here are some guidelines for establishing a fair plan in the agency relationship:

- **DIALOGUE** Ensure upfront dialogue between client and agency. For incentives to work, the agency has to understand what the expectations and measurements for success will be. The agency should be allowed input into the plan. The more the client and agency can share the agenda, the more likely the agency will focus its energies in the most productive fashion on behalf of the client.
- **MEASURABLE GOALS** It is crucial that the performance desired be measured in some reasonably objective fashion. For example, a goal of improved advertising awareness can be effectively measured via an on-going tracking study; holding the agency's performance evaluation and compensation to anything less (e.g., anecdotal evidence or client judgment) would be unfair. It is also important to consider timing. How much time should be given to reasonably measure the performance, and can the evaluation take place within the client's annual review and budget period?
- **REGULAR REVIEW AND TWEAKS** Just as with agency performance evaluations, incentive plans benefit from regular review and adjustment. Certain goals may be achieved, requiring client and agency to agree upon new goals. Or business or company directions and requirements may change, likewise forcing a reconsideration of the incentive goals.
- **REACH GOALS** Goals that "stretch," but are realistically achievable are key to both pushing and rewarding the agency for superior performance. But the incentive goals must be realistic; otherwise, the agency will see no hope of achieving them and the incentives will become meaningless. For example, if advertising awareness levels are currently at 50% and the client is not planning a spending increase, it might be reasonable to incentivize the agency based on increasing awareness 5-10% through smarter planning and buying or a stronger creative message. But it might be unreasonable to expect awareness to jump 20%. The client and agency must look at each situation and come to a mutual decision on appropriate goals based on historical experience and an understanding of current market and company dynamics.
- **RISK & REWARD** Both sides can benefit financially – the agency can earn above-average profits, and the client does not have to pay as much for performance that misses the original objectives. For a marketer to meaningfully motivate an agency through performance incentives, the agency must agree that the plan will result in compensation that is better than what it could achieve under a traditional plan. Good incentive plans offer an appropriate level of "risk and reward."
- **BUDGET** The appropriate amount should be set aside to cover the incentive, if achieved: an incentive can quickly turn into a disincentive, and a sore point in the client-agency relationship, if the appropriate budget is not available to cover it.

Although ultimately subjective in nature, many marketers do include agency evaluations as part of their incentive plans. One reason for this is that such evaluations can be directly tied to what the agency is doing, whereas sales and other business goals are influenced by other factors outside the agency's control. Most agency evaluation forms include a method of grading that can be tied to incentive compensation.

If numeric – e.g., a 10-point scale -- the agency might receive a small incentive for performing better than average (a 6-8 rating) and an even larger bonus for performing well above average (an 8-10 rating). If not numeric, the agency award might be earned if achieving an "above average" rating across the various criteria being graded.

BUILDING STRONGER PARTNERSHIPS THROUGH TRANSPARENCY



The tools, methods and management of agency performance evaluation vary considerably because every client organization is different, and each organization develops its own unique approach that best serves its needs. The process should be handled professionally and as objectively as possible. Agency contributions involve people and ideas which, by their very nature, can be subjective areas of evaluation. But to the degree possible, evaluations should not be "personal" or punitive. The evaluation may lead to disciplinary consequences if problems are not corrected, but the actual review of the evaluation with the agency should focus on the issues and the solutions. Formal agency performance evaluations do not take the place of on-going and informal dialogue between the client and the agency. Rather, they complement such a dialogue, allowing for periodic confirmation of issues and opportunities and for formal plans of action.

ABOUT US

ABOUT R3

R3 is a global marketing consultancy in the US, Asia, Europe and LATAM. We focus on improving the effectiveness and efficiency of marketers and their agencies. Founded in 2002, we work with eight of the world's top twenty global marketers including Coca-Cola, Johnson & Johnson, and Samsung.

Our work involves consulting services in some of the following areas:

REVIEW Finding the right agency partners

REMUNERATION Paying the right agency partners

RELATIONSHIPS Keeping the right agency partner

RETURN ON MEDIA Independent analysis of your media strategies, plans, buys and costs

RETURN ON ASSETS Our proprietary consumer study on Brand Engagement in China

RETURN ON INVESTMENT Consulting on how to optimize your marketing fitness

For more information, visit www.r3ww.com or write to greg@r3ww.com

RETURN ON INVESTMENT

We lead consulting and benchmarking of individual company's marketing data, processes and people, to drive continued improvement and greater accountability

RETURN ON MEDIA

We offer professional analysis of the media process, planning and buying with proprietary benchmarks and tools to set and measure performance.

AGENCY RELATIONSHIPS

We help in evaluating and improving agency relationships as a third party using an R3 proprietary online tool and process, along with our consulting skills

RETURN ON ASSETS

We manage an ongoing consumer panel to measure and benchmark digital engagement – as it relates to awareness, involvement and purchase intention.

AGENCY REVIEW

We assist in identifying, reviewing and compensating the best possible agency, be it a creative, media CRM, BTL, PR, or interactive agency

AGENCY REMUNERATION

We analyze agency process and compensation in detail, and help to establish incentive and fee based compensation structure, using our benchmarks from 40 countries www.r3ww.com