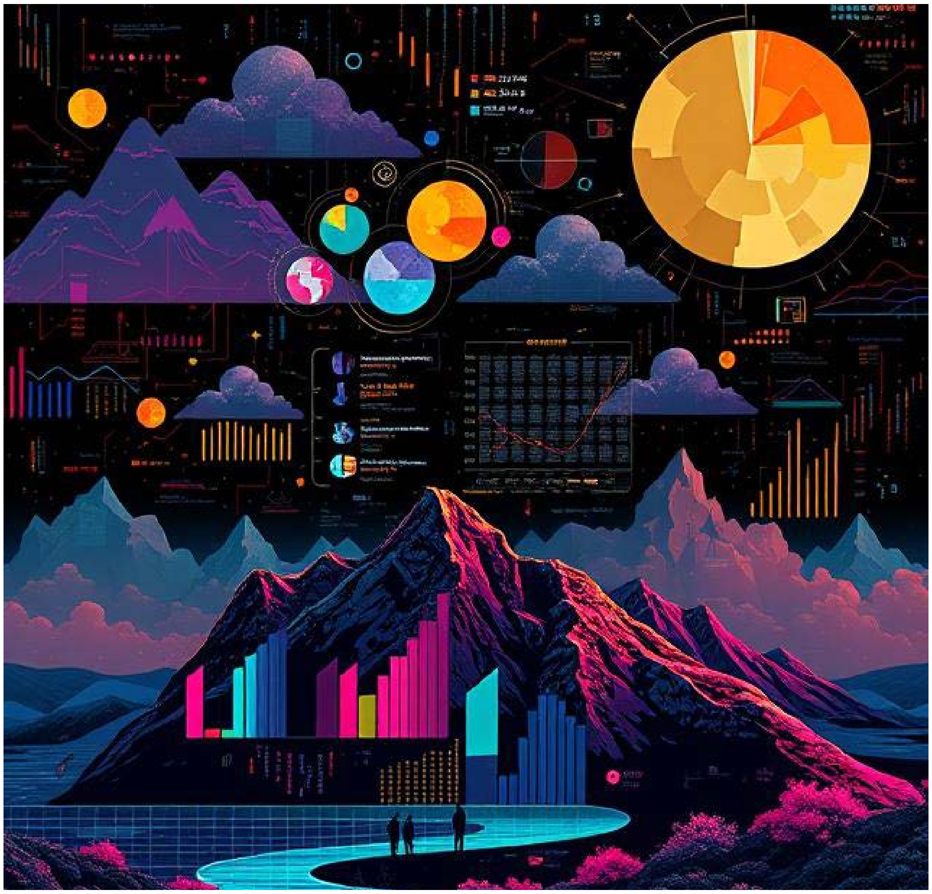


<< The graphics in this article were created using AI-generated imagery.

“If My Agency Uses AI, Am I Overpaying?”

As artificial intelligence reshapes agency operations and increases productivity, advertisers must rethink compensation models and ensure they’re paying for true value—not just output.

BRUNO GRALPOIS
Author, Speaker,
Thought Provocateur,
Client-Agency Guru,
Entrepreneur, Innovator

Every CMO, whether aloud or behind closed doors, has posed the same question to their marketing procurement team: *Are we overpaying our agency now that AI is in play?* Amid economic uncertainty, brands are drafting contingency plans, and agency fees are squarely in the crosshairs. When budgets tighten, cutting external costs becomes the reflex. But here’s the catch: when all you have is a hammer, everything starts to look like a nail. The real opportunity isn’t to just slash costs—it’s to ask smarter questions. Because maybe the issue isn’t how much you’re paying, but *what* you’re paying for.

In a world where AI is transforming agency work and budgets are under the microscope, brand advertisers must ask sharper, more strategic questions, starting with:

- As my agency invests in AI tools and talent, is the agency positioning itself, and us, to lead with innovation and gain a true competitive edge?
- What AI capabilities is my agency deploying? Beyond cost savings, how will these capabilities elevate the strategy, speed, and quality of our work?
- AI is transforming the way agencies do pretty much everything, so isn’t it time we rethink how we pay for their work and measure their performance?
- Rethinking our compensation model, should I move from billing rates to outcome-based rewards that prioritize quality, results, and speed to market, regardless of the agency’s resources?

Here are five steps advertisers can take to adjust their compensation agreements to drive optimal ROI from your AI activities:

A — **Assess** Agency Partner's AI Ambitions and Investments

I — **Identify** and Align Output-Based Benefits

R — **Reshape** Compensation Based on Results, Not Rates

O — **Outline** a Measurement Framework to Drive Accountability

I — **Ignite** Innovation Without Penalizing Progress

Step 1: Assess Agency Partner's AI Ambitions and Investments

The big tech players are leading with mass investments in AI: Alphabet, Microsoft, Meta, and Amazon are investing a total of more than $300 billion into AI-focused infrastructure in 2025. The large agencies are also investing in AI capabilities through mergers and acquisitions, by building their own AI offering, or by partnering with tech giants. (Just two examples: WPP increased its AI investment to $381 million in 2025, acquiring InfoSum to enhance data capabilities within WPP Open. Publicis Groupe reported investing $327 million in a three-year plan, acquiring Lotame to enhance targeted capabilities in Publicis's CoreAI platform.) There's no question: data and AI are top strategic imperatives. But how agencies pursue AI capabilities differs dramatically. That's why advertisers must scrutinize their agency partners' vision, strategy, and investment in AI to answer a critical question: Are we aligned with an agency that's truly future-ready and built to grow with us?

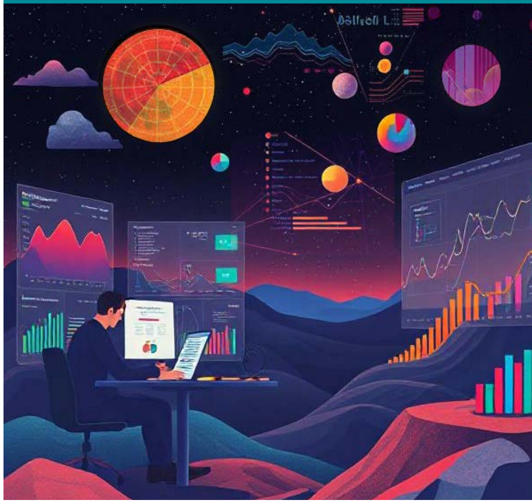
Step 2: Identify and Align Output-Based Benefits

Most firms are now implementing AI tools to enhance employee productivity, streamline business operations, and accelerate overall business transformation. It's no surprise that advertisers are eager to see how AI-driven efficiencies might reduce operating costs and agency fees. But focusing solely on cost savings misses the bigger picture. AI unlocks faster execution and enhanced strategic, creative, and measurement capabilities. It goes far beyond generative AI applications and allows agencies to improve strategic planning, targeting, and audience segmentation; to accelerate decision-making and smarter budgeting; to drive performance tracking and measurement at scale; to improve automated buying and optimization; and more. These gains—when clearly defined and tracked—form the true foundation for measuring AI's value. They require talent and infrastructure to operate smoothly and effectively. Overemphasizing fees (especially arbitrary downward fee adjustments) risks undercutting the very progress that drives performance.

Step 3: Reshape Compensation Based on Results, Not Rates

The Association of National Advertisers, in partnership with JLB + Partners, confirmed that fee-based compensation agreements remain the predominant form in 2025 (84% of advertisers are using labor-based agreements that are essentially fee-based), compared to commission-based and other forms. As AI reshapes how agencies operate and collaborate, their compensation must also be redefined. Take 10kR, an AI-first design and technology firm. Their model to deliver faster, smarter, and more cost-effective solutions blends senior human talent with AI agents that take on tasks once reserved for junior staff. In this new reality, paying by the hour feels outdated. Is AI sounding the death knell for time sheets and labor-based compensation? Outcome-based models

> "When compensation aligns with deliverables, then it is performance, not time, that becomes the currency."



“Those who build the right frameworks today—grounded in shared ambition, measurable impact, and mutual trust—will unlock the full potential of AI tomorrow.”

are gaining momentum, and shifting the focus from tracking time to valuing results. When compensation aligns with deliverables, then it is performance, not time, that becomes the currency.

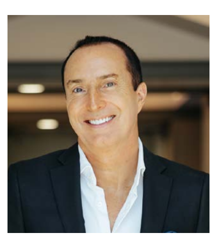
Step 4: Outline a Measurement Framework to Drive Accountability

If we truly measure what we treasure, then having the right system to capture scope, define KPIs, and link them to outcomes isn’t optional. It’s essential. As marketing becomes more data-driven and multidisciplinary, advertisers must set clear, aligned goals and hold both themselves and their agency partners accountable for performance. While performance-based compensation offers meaningful value, its complexity has often pushed brands back to simpler, traditional models. Today, AI is emerging as a game changer, making advanced measurement scalable, smarter, and central to how we plan, execute, and reward success.

Step 5: Ignite Innovation Without Penalizing Progress

As brands and agencies navigate the vast and rapidly evolving applications of AI, confusion and frustration are inevitable. This technology isn’t just another tool—it’s one of the most disruptive forces of our time. Everyone is investing heavily in time, money, and talent to unlock AI’s potential. But in the rush to capitalize on efficiency, some advertisers risk sending the wrong message: that greater agency efficiency should automatically mean lower fees. This mindset undervalues innovation. While some cost savings can and should be shared, agencies must also be empowered to reinvest in smarter ways of working and focus not just on doing more for less, but on delivering greater value. Clients benefit in the end.

AI is more than transforming how marketing work gets done. It’s redefining what great partnerships can look like and how advertisers should pay for value. For advertisers, this is a pivotal moment. Aligning with future-ready agencies means going beyond surface-level efficiency gains to embrace deeper value creation, smarter outputs, and accountable, performance-based relationships. It means shifting from time tracking to outcome tracking, from rigid agreements to flexible, innovation-fueled collaborations. Those who build the right frameworks today—grounded in shared ambition, measurable impact, and mutual trust—will unlock the full potential of AI tomorrow. The future of marketing is about working smarter, together.



Bruno Gralpois 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* a resource that played a key role in shaping Agency Management as a corporate discipline. He is a faculty member at the Association of National Advertisers (ANA) School of Marketing, where he continues to shape the future of client-agency collaboration.