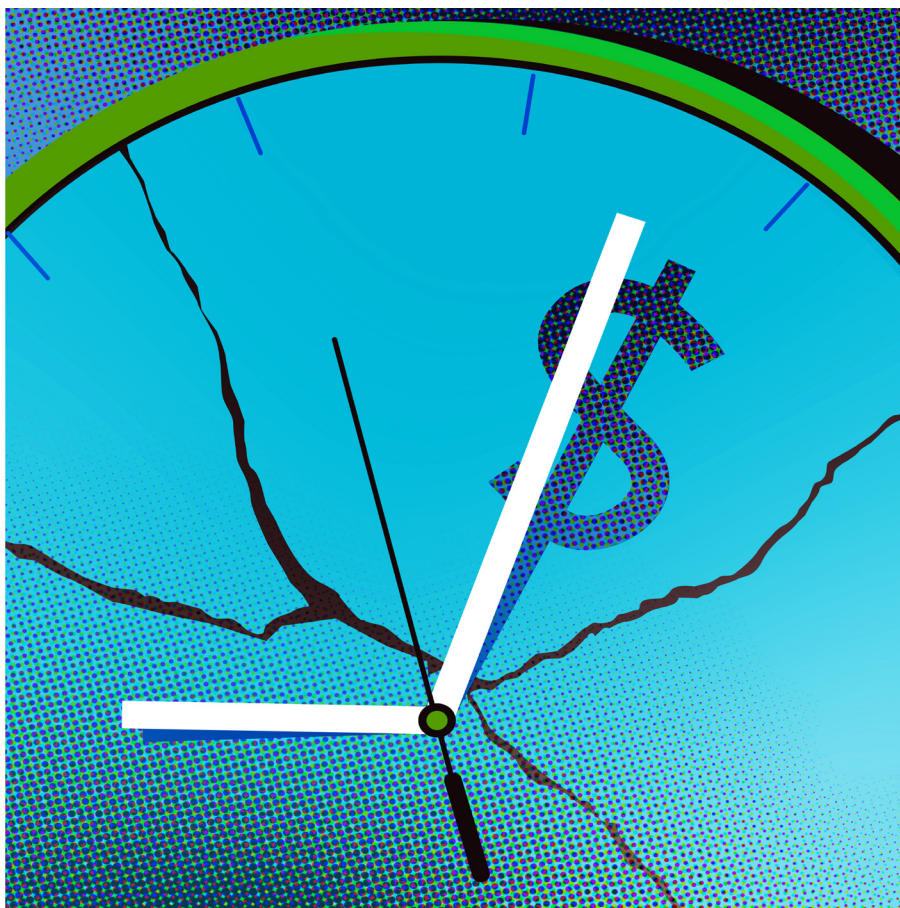




The Hour Is Up

From labor to output: the profound changes reshaping agency compensation—and the actions brands must take now to pay for what agencies deliver, not for how long it takes them to deliver it.

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For decades, the math behind agency compensation was simple. Count the people. Multiply by their hours. Add overhead and a margin. Negotiate hard on the rates. Repeat next year. It was never a perfect proxy for value, but it was predictable and familiar to everyone at the table.

That model is running out of time.

Our new global study with the World Federation of Advertisers (WFA), “How Brands Define, Scope and Reward

Agency Work,” surveyed about 70 multinational companies. The headline is hard to miss: labor- and FTE-based compensation, the primary model for 54% of brands in 2011, is now the primary model for just 19%—nearly cut in half since 2022 alone. Fixed-fee and output-based compensation has climbed from 20% to 33%, becoming the most widely used methodology in the industry.

And brands are not done. Looking ahead, 63% expect to increase their use of performance-based fees; 46%, value-based models; and 36%, fixed-fee or output-based approaches. This is not a trend. It’s a seismic shift.

Why now?

Clients have always cared about the quality and impact of the work, not the hours required to produce it. What has changed is that the gap between effort and value is now impossible to ignore. AI is the accelerant. When an agency can produce in two hours what used to take two days or even two weeks, time becomes a weak proxy for value. A labor-based model either penalizes the agency for becoming more efficient or lets the client overpay for hours no longer worked. Neither is sustainable.

Yet most organizations are not ready. Only 51% of brands agree that their current roster and commercial arrangements are fit for purpose, and 76% believe changing their remuneration models would improve agency relationships. The appetite for change is there. The operational discipline often is not. Moving the focus from labor to output is not a pricing exercise—it changes how you scope, brief, reconcile, and evaluate. And guess what? Emails, spreadsheets, or manual processes won’t cut it anymore. Here is where to start.

1. Define exactly what you're buying—before deciding how to pay for it

You cannot price a deliverable you can't describe. Yet only 43% of brands say their standardized briefing framework is used consistently—just 13% in creative and production—and only 20% always secure budget sign-off before briefing agencies. As Caroline Raigneard, Global Category Manager, Creative & Strategy and Consumer Engagement at L'Oréal, puts it: *"The key is not only agreeing that performance matters; it starts upstream with knowing exactly what we buy."* Invest first in a clear deliverables taxonomy, consistent briefing, confirmed budgets, and change-control rules. Otherwise, output pricing simply moves the arguments from hours to change orders.

2. Match the model to the work

No single model suits every discipline. If you're in procurement, you may have learned this the hard way. Output-based compensation dominates creative work (58%) and production (61%), where deliverables can be defined and priced with confidence. Disciplines like PR, events, sponsorships, and consulting services have unique requirements that must be satisfied. Resist imposing one model across the roster; allow for flexibility. Hybrids—a secure base, output pricing for defined assets, and a performance component where outcomes can be measured—are increasingly the norm.

3. Replace rate negotiations with pricing both sides can trust

Moving away from hours does not mean moving away from transparency.

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While 89% of brands believe they get value for money from their agencies, only 48% feel they have full transparency into agency costs—and 33% of creative and production respondents are unsure how agency margins are even calculated today. Output pricing done well is more, not less, transparent than timesheets: a documented deliverables rate card, clear complexity tiers, and explicit assumptions on revisions and feedback rounds. Of increasing importance is transparency about the WHAT (what is being delivered and what it accomplishes), not just HOW the work is done, how the account is staffed, how pricing is constructed, or how resources are managed. Transparency should create confidence, not surveillance.

4. Put AI efficiencies on the table, now

AI has not yet transformed agency economics: only 16% of brands report a significant impact on fees or scopes. But the stakes are rising fast. A striking 82% of brands agree that an agency's poor use of AI could lead them to reconsider keeping that agency on the roster. Meanwhile, 23% say agencies retain AI efficiency gains with no change to fees, and 25% haven't had the conversation at all. Output-based models help here. When you pay for the deliverable rather than the hours, efficiency stops being a zero-sum negotiation. Agree openly about how gains will be shared—through lower

cost, faster delivery, higher quality, or reinvestment in strategic capability—so AI productivity creates visible value for both parties rather than disappearing into an unexplained margin.

5. Layer performance on a secure base and keep it simple

The next step beyond output is outcome. Brands rate linking agency income to business performance 3.9 out of 5 in importance. The main barriers are agreeing on what metrics the agency can influence, using inadequate tools, and isolating agency impact. For most respondents, performance pay represents less than 20% of total fees: a complement to core compensation, not a replacement. The best models use no more than five or six metrics, weighted by what the agency can control. Romain Delpech, Marketing Procurement Director at GSK, draws an important line: *"Performance itself shouldn't be what's rewarded. Strong delivery is what retains a partnership, not what earns a bonus. Incentives should be reserved for demonstrable contribution to ROI and growth."*

6. Remember that the model doesn't drive performance. You do.

When asked what produces performing work, brands ranked great briefing first

(5.6 out of 6), followed by respect and trust (5.2), and great feedback (5.1). Financial incentives scored just 3.9. A commercial model cannot repair a weak partnership. As Joris van den Berg, Senior Director, Global Media Effectiveness & Operations at Coty, notes: *“Performance isn’t created through remuneration alone—we also have a responsibility as clients to create the right conditions for success.”* Output and outcome models put more pressure on the client, not less: late briefs, a lack of clear goals, slow decision-making, prolonged or overly complicated internal processes, poor metrics, and unmanaged revision cycles become visible—and expensive—the moment you stop paying by the hour.

7. Reconcile outputs, and make sure rewards reach the team

Governance must evolve with the model. Yet a substantial proportion of brands do not reconcile fees at all, rising to 46% for creative ad-hoc relationships, 36% for integrated creative, and 25% for creative AOR. Without reconciliation, scope creeps and neither party learns what the work costs. The best process is lightweight, predictable, and decision-oriented: reconcile when the findings can still influence the work - not after

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the opportunity to act has passed. Strong reconciliation also closes the loop on talent. Brands say exceptional talent is what they’d most pay a premium for (22%), yet only 38% say agencies share performance bonuses with the people working on their account. Ask how rewards reach the team creating the value.

The brands that get this right will do the unglamorous work first: defining what they buy, briefing with discipline, pricing transparently, sharing AI gains openly, and holding themselves as accountable as their agencies. The hour is up. What your agencies deliver (and contribute to) is what counts. ■

The future belongs to those who pay for value

The shift in focus from labor to output is not about squeezing agencies or negotiating more cleverly. It’s about aligning what brands pay for with what they value most. The billable hour served the industry well in a slower, more predictable era. In a world where AI compresses production time and expectations have never been higher, it no longer tells us much about what the work is worth.

Source: WFA–Agency Mania Solutions research, “How Brands Define, Scope and Reward Agency Work,” September 2026. Online survey conducted May 2026 of about 70 multinational companies across six industry sectors, compared with similar studies in 2011, 2014, 2018, and 2022.



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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 bestseller *Agency Mania* and the former chair of the Association of National Advertisers Client/Agency Committee and a faculty member of the ANA School of Marketing.

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