

BRANDS AND AGENCIES:

A call for proactive leadership

MICHAEL FARMER – FARMER & COMPANY LLC

TORONTO

THURSDAY 9 NOVEMBER 2017

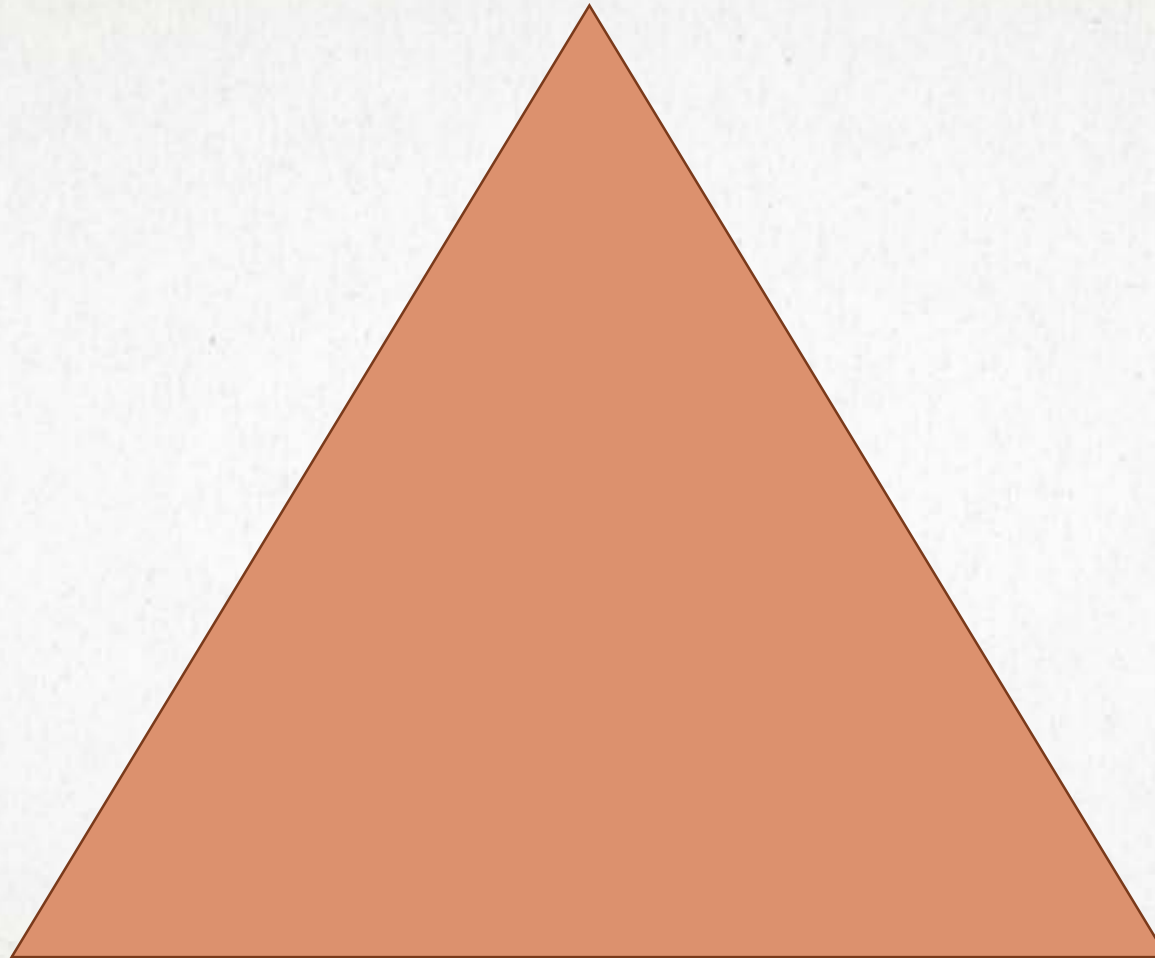


**THE INDUSTRY HAS
MANY
RELATIONSHIP
PROBLEMS...**

WHAT ARE THEY?

PRICE, PRODUCTIVITY AND PROFITABILITY

“Workload”



“Resources
& Costs”

“Income”

“Workload”

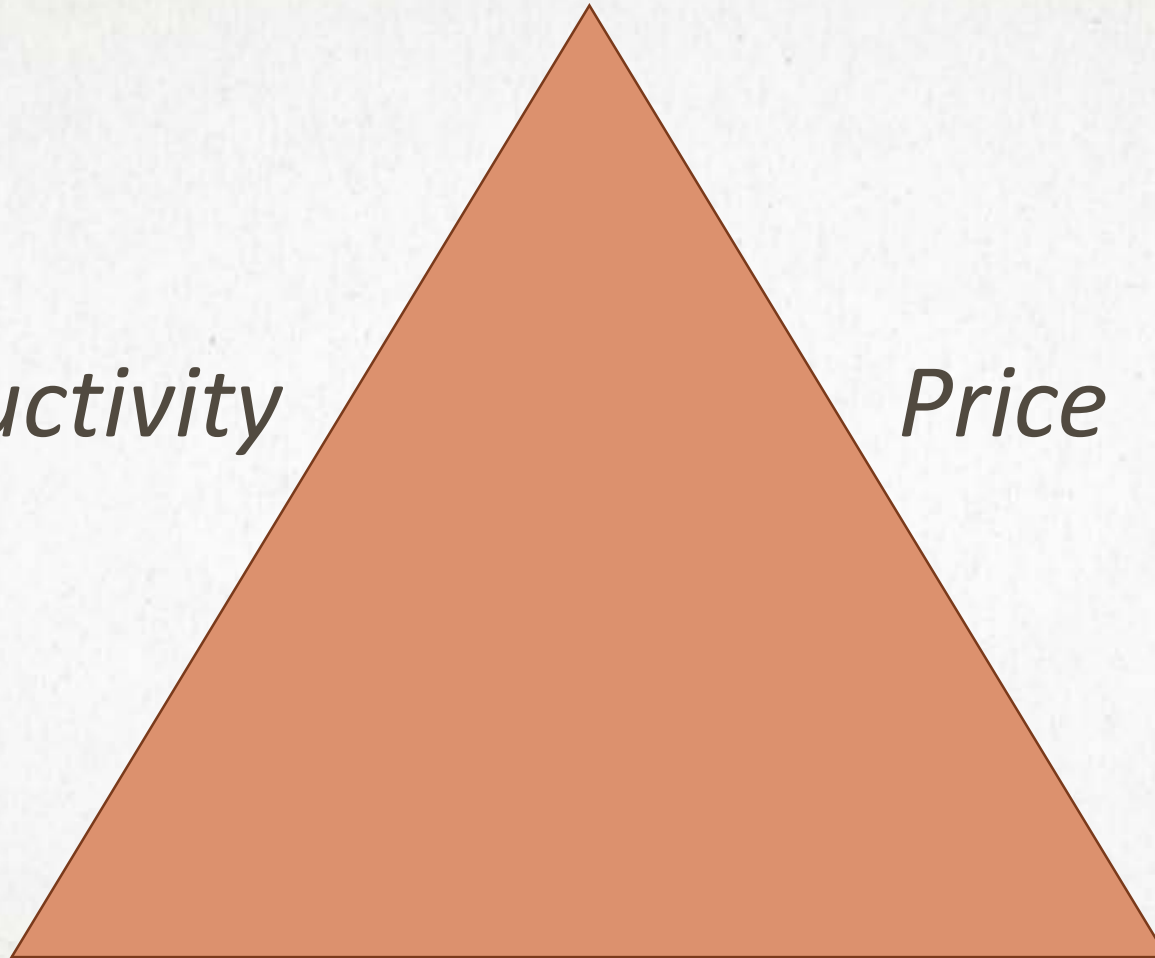
Productivity

Price

**“Resources
& Costs”**

“Income”

Profitability



PRICE = FEE
DIVIDED BY
WORKLOAD*

FEES IN DECLINE

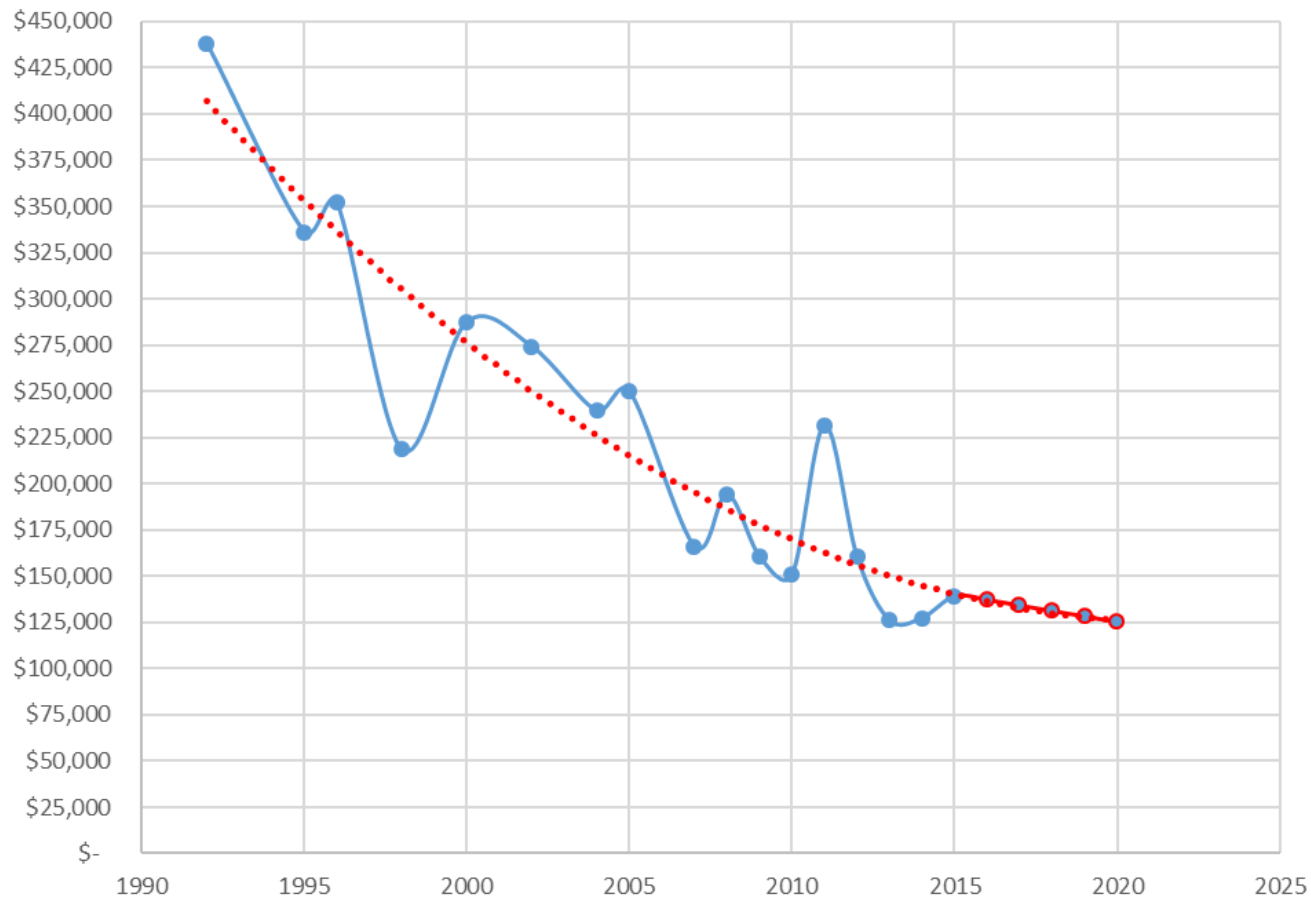
WORKLOADS GROWING

THUS:

PRICE IN DECLINE

*Workloads measured in ScopeMetric® Units (SMUs)

Farmer & Company Clients
Average Price Paid for Agency Services (in \$2015 per SMU)
1992 to 2015, with Forecast 2016-2020



**DECLINING PRICE
FOR AGENCY
WORKLOADS**

-62.5% FROM '92

PRODUCTIVITY

IF PRICES DECLINE,
COSTS MUST
DECLINE AS WELL

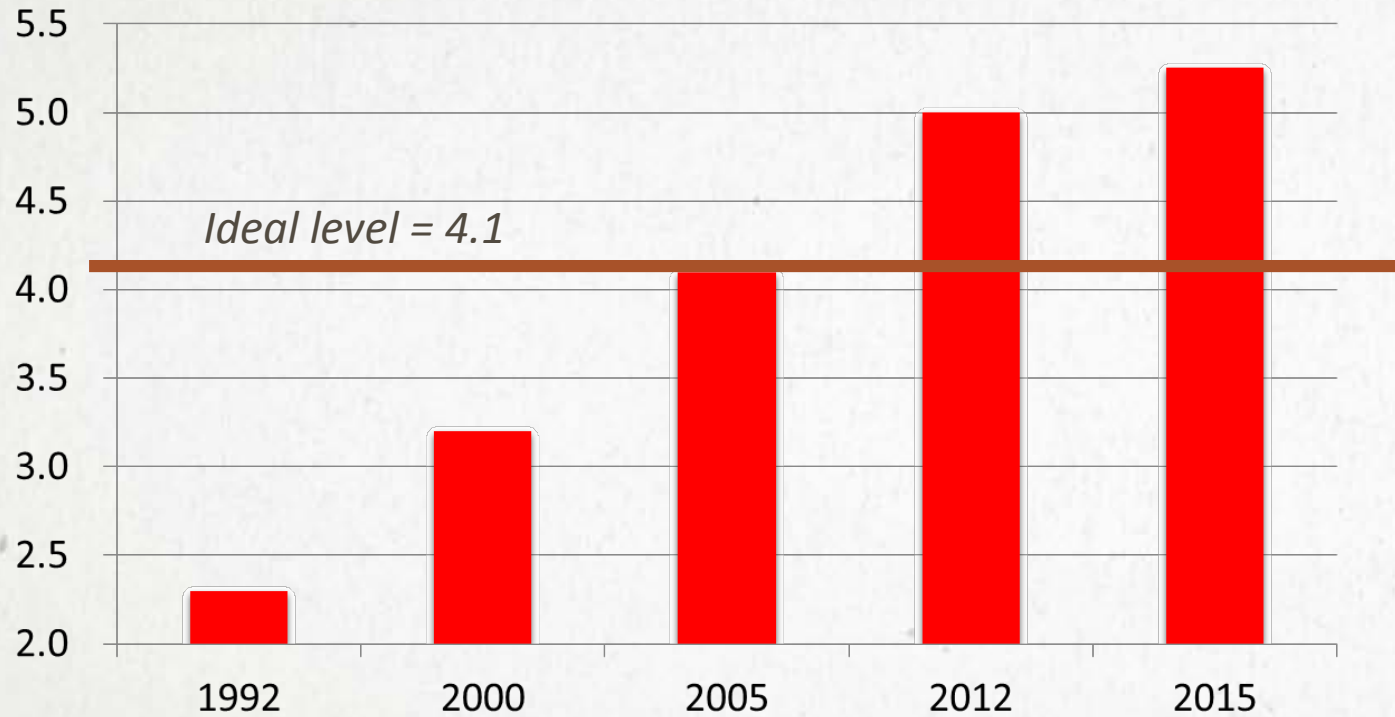
DECLINING PRICES

AGENCY DOWNSIZINGS

THUS:

*INCREASE IN OUTPUT
PER HEAD*

OUTPUT PER HEAD: (SMUs PER CREATIVE PER YEAR)



Source: Farmer & Company client data

**INCREASED
OUTPUT PER
CREATIVE**

+128% FROM '92

PROFITABILITY

AGENCY RESOURCES – TO MAINTAIN PROFIT LEVELS

COMMISSION ERA



CURRENT ERA



SIMILAR COMPETITORS BUT DIFFERENT PERFORMANCE



The typical Saatchi & Saatchi
Account Executive salary is **\$52,943**.



The typical Bain & Company
Associate Consultant salary is **\$77,172**

BILLING MULTIPLES



2.3x salaries



5.0x salaries

HOURLY BILLING RATES



The typical Saatchi & Saatchi NY
Account Executive: **\$66 / hour**

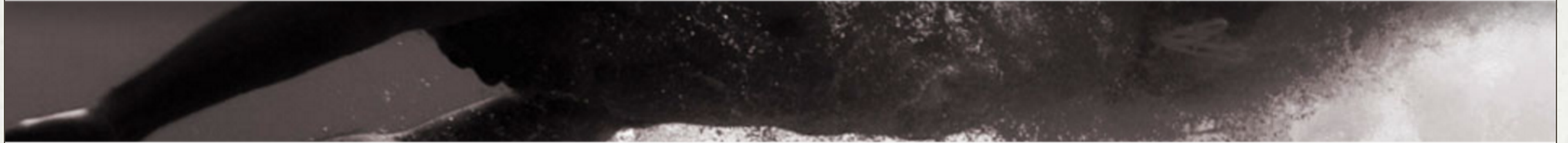


The typical Bain & Company NY
Associate Consultant: **\$214 / hour**

BAIN & COMPANY



INDUSTRY EXPERTISE / **CONSULTING SERVICES** / INSIGHTS / ABOUT / CAREERS



Strategy

**Performance
Improvement** ▼

Performance
Improvement
DiagnosticSM

Performance Improvement

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Bain is the best consulting partner for companies that are committed to quickly achieving and sustaining their full potential. Our clients realize, on average, results yielding 25 times returns on our fees and margin improvements of seven percentage points within two to three years.

SAATCHI & SAATCHI

purpose

dream

TO BE REVERED AS THE HOTHOUSE FOR WORLD CHANGING CREATIVE IDEAS
THAT TRANSFORM OUR CLIENTS' BUSINESSES, BRANDS, AND REPUTATIONS

spirit

ONE TEAM, ONE DREAM
NOTHING IS IMPOSSIBLE

BELIEFS

LOVEMARKS BEYOND BRANDS
THE UNREASONABLE POWER OF CREATIVITY
RESPONSIBILITY, LEARNING, RECOGNITION, JOY
KNOWING HOW CONSUMERS FEEL IS AT THE HEART
OF EVERYTHING WE DO
AN IDEA IS NOT AN IDEA UNTIL PEOPLE PARTICIPATE IN IT
PICS & PIES
THE MAGIC OF THE SAATCHI & SAATCHI MYSTIQUE

GREATEST IMAGINABLE CHALLENGE

TO TRANSFORM OUR TOP 20 OFFICES FROM GOOD TO GREAT

CHARACTER

TRANSFORMATIONAL
ACCOUNTABLE
AMBITIOUS COURAGEOUS
PASSIONATE RESTLESS
CONNECTORS
TRUE BLUE

focus

FILL THE WORLD
WITH LOVEMARKS

LEADERSHIP!



Al Ross, The New Yorker, The Cartoon Bank. With permission

STRATEGIC MISSION

STRATEGIC MISSION (*AGENCIES ON BEHALF OF BRANDS*)

1. First Task. *Identify, quantify and realize brands' full performance potential*
 2. Relationship Requirement. Negotiate a *Top level Strategic Partnership* -- an agreed LT program to achieve brand full performance potential
 3. Skills Requirement. Consulting-like business analytical skills, leading to new brand strategies. Then....Scope of Work planning and creative executions
-

SCOPE OF WORK MANAGEMENT

SOW CHALLENGE

1. Required Role. The Agency has a responsibility to design and argue the case for a recommended SOW
 2. Remuneration. Agencies need to be paid for their SOWs, not for salaries, manhours, overhead and profit
 3. Agency Policy. “Every client in every agency office will have its SOWs documented and measured in a uniform format as a matter of agency policy.”
-

ACCOUNT LEAD ACCOUNTABILITY

ACCOUNTABILITY CHALLENGE

1. Requirement. Account Leads need to be held accountable for results -- and for fees, workloads, resources
 2. Overview. Agency top management must measure, review and manage Account Head performance.
 3. Requirements. A SOW tracking and measuring system, like ScopeMetrics®, and the use of a standard SOW unit, the SMU
 4. Action Plans. Account Leads will develop “corrective action plans” for clients who underpay relative to SOW workloads
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IN SUMMARY

1. Reposition the agency to analyze and fix client brand problems
2. Create a culture of measurement and accountability
3. Implement SOW tracking and measurement systems
4. Track, measure and negotiate remuneration based on agreed SOWs
5. Hold Account Leads accountable for fees, workloads, resources and results
6. Review and measure Account Lead performance
7. Fix underperforming clients – action plans to balance workloads and fees



When clients understand and support these changes, a new partnership can begin



MICHAEL FARMER

MADISON AVENUE MANSLAUGHTER

**AN INSIDE VIEW OF FEE-CUTTING CLIENTS,
PROFIT-HUNGRY OWNERS AND DECLINING AD AGENCIES**

SECOND EDITION

FOREWORD BY JOHN SEIFERT
CHAIRMAN AND CEO OF OGILVY & MATHER



Take the leap of faith!

MADISON AVENUE MAKEOVER



MICHAEL FARMER