More Gain
Less Strain™

OPTIMIZING MARKETING PARTNER PERFORMANCE

and Value in a Digital World

EXECUTIVE SUMMARY

CMO COUNCIL™ | ACE metrix

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INTRODUCTION

The Chief Marketing Officer (CMO) Council teamed with Ace Metrix in the second half of 2011 to assess where and how multi-national marketers can realize better value, return, yield, and accountability from their agency partner relationships.

The "More Gain, Less Strain" authority leadership initiative combines qualitative interactions with more than 20 senior global marketers in top advertiser organizations with a comprehensive, quantitative audit of 250-plus strategic and operational marketing stakeholders involved in the supplier relationship management, performance evaluation, and procurement process.

This representative sample of senior marketing decision-makers across multiple industries and geographies was drawn from the CMO Council's membership base of 6,000 executives controlling more than $300 billion in aggregated annual marketing spend worldwide.

Some of the topics of discussion and exploration with corporate marketing decision included:

- Business considerations, mandates, forces, factors, and requirements transforming marketing partner linkages and relationship dynamics
- Issues, obstacles, risks, and failures in client/agency partnership management and service delivery
- Mechanisms and methodologies for monitoring, calibrating, and continually improving client/agency collaboration and constructive engagement
- Range, diversity, and nature of agency partnerships and contractual obligations
- Changes in agency compensation, payment, and incentive programs
- Agency selection, collaboration, and optimization practices, systems, and experiences
- Evolving agency support needs across all areas of the marketing mix (relevancy, limitations, and value of current resources)
- Current methods for evaluating and measuring agency performance and value contributions
- Impact and improvements from the use of online agency sourcing, relationship management, and performance improvement solutions/services
- Outlook and intentions around agency use and best practices for optimizing results and assuring partnership longevity and mutual gain

"I think the most successful client/agency relationships are based on clear objectives, collaboration, open communications, and mutual respect. I think that in many cases, clients have a tendency to change agencies as a solution to their business challenges, but it can be much more effective to work to get the most out of current agency partners."

John Costello
Chief Global Customer and Marketing Officer
Dunkin' Brands

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LEADERSHIP COMMITTEE MEMBER CONTRIBUTORS

Pablo Azar
Assistant Vice President of Marketing Strategy, Measurement, and Insight
Allstate

Drew Panayiotou
Senior Vice President of Marketing
Best Buy

Jonathan Mildenhall
Vice President of Global Creative and Communications Department
Coca-Cola

Jack Haber
Vice President of Global Advertising and eBusiness
Colgate Palmolive

Victoria Lozano
Vice President of Marketing
Crayola LLC

John Costello
Chief Global Customer and Marketing Officer
Dunkin' Brands

John Ingersoll
Vice President of Marketing
Farmers Insurance

Steven Schiller
Senior Vice President of Global Sweets and Refreshment SBU
The Hershey Company

Michael Sprague
Vice President of Marketing and Communications
Kia Motors

Marie Josee Lamothe
Vice President, CMO, and COO
L'Oreal Canada

Aaron Carpenter
Vice President of Marketing
The North Face

Larry Martin
Vice President of Marketing
Ocean Spray

Kurt Frenier
Group Marketing Director of Foods and F&B Innovations
PepsiCo

Verene Petersen
Marketing Manager
Renault Retail Operations

Michael Dane
Chief Marketing Officer
Ricoh Americas

Michael Minasi
President of Marketing
Safeway Inc.

Simon MacGibbon
Senior Vice President of Marketing
Sports Authority

Cheryl Callan
Senior Vice President of Marketing
Weight Watchers International

Matt Wohl
Chief Marketing Officer
Welch's

Alan Gellman
Senior Vice President of Marketing
Wells Fargo

Heny Gabay
Vice President of Marketing
Wyndham Worldwide

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FACULTY OF EXPERTS

Fernando Zerboni
Director of the Commercial Management MBA Program, Professor
IAE–Universidad Austral

Tom Collinger
Integrated Marketing Communications Chair, Associate Dean of the Media Management Center
Northwestern University

Leon Zurawicki
Professor of Marketing
UMASS Boston

Sridhar Moorthy
Professor of Marketing
University of Toronto–Rotman School of Management

Dr. K. Prakash Vel
Assistant Professor, Faculty of Business Management
University of Wollongong, Dubai

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CONTEXTUAL PERSPECTIVE

A wide range of forces and factors are testing traditional client/agency relationships, multiplying marketing procurement needs, complicating purchasing cycles worldwide, and reshaping and diversifying the marketing mix. In addition, evolving agency models and alternative marketing service providers and channels are demanding new evaluation and assessment practices, closer linkage of measurement criteria to business value, and better ways to quantify and justify global marketing spend and agency investments.

Harmonizing, synchronizing, and unifying distributed agency assets and global marketing resources across both demand and supply chains necessitates the deployment of database and process-driven operational marketing models and performance platforms that further accountability, output, productivity, efficiency, and effectiveness. Closer alignment and linkage with procurement and purchasing professionals within global enterprises is also enabling marketers to bring greater rigor, structure, and discipline to the agency consideration, evaluation, selection, review, and compensation negotiation processes.

Clearly, there are many new challenges in the agency business relative to client/agency relationship management, account servicing, performance measurement, and accountability. In addition, a great deal of new contenders are keen to displace ad agencies in taking a strategic leadership role by helping global marketers embrace integrated, multi-channel digital marketing practices that blend both offline and online elements for greater market impact, engagement, and response.

Through advisory board interactions, the CMO Council has detected an underlying level of frustration among senior corporate marketers worldwide when it comes to agency contributions to business value creation, strategic thinking, and digital marketing development. The CMO Council has seven regional advisory boards with active participation by more than 350 marketers in North America, Europe, the Middle East, Africa, India, Asia-Pacific, and Latin America.

"We look to our agencies to bring us new ideas and new ways of accomplishing things that we might not see or consider from our perspective. Agencies work with multiple companies, so they have expertise in working with those brands to know what works and how we can modify our strategies to be more effective."

Matthew Wohl
Chief Marketing Officer
Welch's

CMO Council board members believe digital marketing resources have yet to fully develop, and many have had turnover in website development, online advertising, search marketing, social media, mobile engagement, and interactive marketing firms. Some also hold the view that big global agencies don't have a truly integrated offering and capacity to execute in an effective, localized way in emerging markets. As a result, many are turning to specialized boutiques in regional markets that have deep domain knowledge in specific geographies and vertical industry sectors.

Feedback from CMO Council board members worldwide indicates:

- Agencies are struggling to evolve as marketing and traditional media go digital in all areas of campaign execution and audience activation.
- There is a power shift from master agency control of accounts to a more digitally empowered client wielding new partner and provider connections and resources.
- The advent of informal, viral, and mobile device-driven "developing nation" markets is straining and testing traditional agency capabilities and client relationships.

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The traditional client/agency relationship model is clearly in flux due to new digital marketing demands and directions, as well as the localization and cross-cultural requirements in rapidly emerging global markets. The CMO Council sees three important areas of conversation, consideration, and implication. They follow below:

1. What's driving adoption of new technology solutions and digital marketing platforms?

- Management mandates for greater accountability, visibility, and yield in marketing organizations
- Demand for deeper analytics and predictive modeling to improve customer economics and lifetime value
- Greater access to customer insight and intelligence, allowing better segmentation, personalization, and efficiency of spend
- Higher response and recall rates from customized communications, improving ROI and driving customer loyalty and advocacy
- End-to-end measurement of campaign effectiveness requiring robust, agile, real-time, on-demand marketing automation infrastructures
- New, digitally driven channels of market access and engagement, including mobile, Internet, social media, online communities, search portals, digital signage networks, point-of-sale output and display systems, etc.

Implications:

Watch for closer integration and collaboration between CMO, CIO, CPO, and CFO stakeholders. Agencies are outsiders to these processes and lack share of voice and credibility. Transformation and re-education of internal marketing groups in digital competencies has become a strategic imperative for chief marketing executives.

2. What's influencing the power shift in client/agency relationships?

- New hybrid, demand-generation service providers and consumer-powered, experiential marketing models are taking greater share of marketing spend.
- The web-centric world allows marketers to build their own channels of insight, access, and influence rather than paying to reach third-party, controlled audiences.
- Continuous production, packaging, delivery, and tracking of fresh, relevant multimedia web content requires new skills, technologies, and management systems not offered by traditional agencies.
- Customer data integration (CDI) is the new marketing mantra as marketers strive to own the customer experience, improve listening and feedback, retain and grow relationships, and deliver more market-ready products and services.

Implications:

Without ownership or access to customer data and experiences, agencies are disadvantaged. CDI is not an agency proficiency, hence the rise of potential inroads and threats from IT integrators and consultants. Watch for offshore business process outsourcing experts

"We've hired digital agencies around the world to work in collaboration and partnership with the traditional agency, so there are many different agency partners that come into play, whether it's social media, mobile, or anything else. Because there are so many players involved, things can become complicated, so we need better control and definition."

Jack Haber
Vice President, Global Advertising and Digital
Colgate-Palmolive Co.

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to play an increasingly critical role in marketing data integration, customer analytics, predictive modeling, and performance measurement.

3. Will global agencies be the right partners for highly localized marketing in unstructured, emerging growth economies?

- Emerging markets have a vast range of religious, cultural, tribal, ethnic, and socio-economic variations that don't fit with the mass media-driven agency model. The lack of formal market structures, pricing policies, service standards, media channels, and distribution practices make each country a unique entity.
- Localization (products, documentation, marketing consumables, campaign creative, communications, etc.) is challenging, fraught with problems and nuances and difficult to manage centrally. Instead knowledgeable, connected, on-the-ground resources are imperative to localization effectiveness. Reliable marketing talent and resources are hard to find in large agency networks.
- Uniform brand messaging has many serious barriers due to the viral nature of community markets, fragmented state of media channels, and informal nature of township/village markets and merchant channels.
- Though not an area of specialty for most ad agencies, mobile messaging and communications are often critical to market notification, conversation, transaction, and adoption.
- Targeted and tailored grassroots marketing programs that leverage the universal appeal of sports, music, fashion, and entertainment are powerful ways to connect with underdeveloped markets—a far cry from the cost-effectiveness, efficiency, and control of print and electronic media campaigns.

"I've heard a lot of talk about relationships falling apart, but the agency partnership is just like any other relationship. It's important to stay close and be in constant communication. If both parties are willing to work together, most problems can be sorted out."

Cheryl Callan
Senior Vice President, Marketing
Weight Watchers

Implications:

Experiential, mobile, viral, WOM, search, and location-based marketing are the new in-demand skills. These skills will be non-negotiable as global markets expand and brands seek to connect with both marginalized and newly empowered, Internet-connected consumers and business audiences. Determining the right mix of agency, in-house, and on-the-ground resources will be an ongoing dilemma as marketers balance creative excellence and campaign ambition with real-world logistics and cultural translation.

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EXECUTIVE SUMMARY

The Chief Marketing Officer (CMO) Council's milestone report on client-agency effectiveness—dubbed "More Gain, Less Strain"—underscores the growing marketing shift to digital, social, and mobile channels and evidences that this is significantly impacting agency relationships, compensation models, and use of marketing technology and measurement systems.

The CMO Council's in-depth analysis of how its 6,000 global members are "optimizing marketing partner performance and value in a digital world," conducted during the second half of 2011, also includes best practice discussions with more than 20 leading brand advertisers. Among them were Colgate-Palmolive, Coca-Cola, Kia Motors, Safeway, The Hershey Company, Dunkin' Brands, Crayola, Allstate, Wyndham Worldwide, Ricoh, Ocean Spray, PepsiCo, L'Oreal, Best Buy, Weight Watchers, Welch's, The North Face, Farmers Insurance, Sports Authority, and Renault.

Fundamental economic pressures and internal competency considerations are influencing agency selection and use across the marketing mix. Among the top five cited by those surveyed are:

- Breakthrough creative, new skills, and fresh approaches are needed in marketing.
- Budgets are flat and more value must be realized from marketing investments.
- New digital marketing competencies are lacking inside the organization.
- There is a greater need to integrate both online and offline marketing campaigns.
- An increasingly metrics-driven environment is driving greater accountability.

Most notably, just 9 percent of senior marketers believe traditional ad agencies are doing a good job of evolving and extending their service capabilities in the digital age, in contrast to 22 percent who view their agencies as struggling to transition their business models and service offerings. Another 51 percent of the 250-plus senior marketers surveyed in the CMO Council study see their agencies as playing catch up with regards to new technology, or acquiring but not integrating digital marketing capabilities.

This extensive state of client/agency relationships study included a 37-point quantitative audit that provides revealing information on:

- What's influencing the use of agency resources across the marketing mix
- Where agencies are contributing the most value
- Impact on agency relations relative to digital and social marketing
- Measurements of advertising and media effectiveness
- Use and consideration of new and different service providers worldwide
- Plans to consolidate agency rosters and modify compensation plans
- Strategies for improving client/agency relationships and performance
- Factors contributing to agency change and review

"Smart advertisers understand that good advertising comes from a partnership. It doesn't come from an agency just delivering work, and it doesn't come from clients trying to do it on their own. Models will shift; maybe we'll do some specialization around digital and social, and maybe the pendulum will swing back. But people will recognize that the only way to stand out in any of these categories is to have a very strong partner."

John Ingersoll
Vice President, Marketing
Farmers Insurance

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- Key stakeholders involved in agency selection and benchmarking
- Criteria and sources for agency consideration
- Critical areas of agency review and evaluation
- New factors and complexities in the marketing procurement process
- Embrace of marketing effectiveness platforms, solutions, or hosted services
- Best-practice adoption and use of ad creative scorecards, models, and tools

The quantitative survey for "More Gain, Less Strain" was fielded to senior-level marketers across North America, India, Asia-Pacific, Africa, Europe, and the Middle East. Those surveyed utilize between zero and 100-plus agencies and primarily hold titles such as CMO, executive and senior vice president of marketing, vice president of marketing, marketing director, and marketing manager. These individuals span industries such as IT, professional services, retail, financial services, media and publishing, electronics/ miscellaneous technology, packaged goods, entertainment, travel and hospitality, energy, and education, among others.

"The advertising industry and the connection with consumers are continuing to evolve. It's important to evolve your relationship with your agencies, as well as the services that they provide. From an external environment standpoint, a lot of that continues to push the evolution of the agency and the client relationship."

Steven Schiller
Senior Vice President, Global Sweets & Refreshment SBU
The Hershey Company

The full report, which is available for $199, features an expanded summary, detailed survey data from more than 250 senior-level marketers, as well as interviews with more than 20 leading brand advertisers about the state of their agency relationships, challenges, and tools for success. To download the full report today, visit **www.cmocouncil.org/more-gain-less-strain**.

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SPONSOR CONTRIBUTION

Expert Prescriptions and Perspectives

From Ace Metrix

A New World Order

Over the past decade, we have witnessed an extraordinary increase in the complexity that marketers have to contend with on a daily basis. Media fragmentation, channel proliferation, new trends, technologies, and tools have all conspired to alter the once comfortable role of a CMO. In fact, Forbes estimates that the average CMO has the least secure job in top management, at just over two years per stint. Paralleling these increasingly complex and uncertain times is the relationship between the marketer and the agency. This is the relationship that has written so many success stories, so many iconic campaigns, and so many successful product launches. Yet today, research shows us this very same relationship is failing to provide the answers to the myriad questions posed by this increasingly digital, social, mobile, and transparent world. To overcome these hurdles, marketers will need to focus their efforts on several critical elements, including:

1. Speed

The world is a different place than it was a few years ago; this is not news. Today, sales figures are available as a data stream, not on a quarterly clock. Information flows not unidirectionally from the company to the consumer in fixed intervals controlled by the marketer, but bi-directionally from the company to the consumer and from the consumer back to the marketplace, with limited curation or control by the company itself.

Marketers cannot trail their customers. To do so is the equivalent of driving around using the rearview mirror. Marketers must interact with their customers in real time, both in the emergent social media world and in the traditional television and print worlds.

This is a world that requires and rewards speed. Waiting weeks or months to understand how a particular commercial or campaign performed is unthinkable in the digital world yet commonly accepted in the traditional television and print worlds. Marketers cannot hope to succeed with such significant gaps between the digital and analog worlds because for the foreseeable future, the amount of spend on the analog world will continue to dwarf that of the digital world. These gaps in timing must be eliminated. Further, the cohesive insight that comes from that alignment must be shared rapidly and broadly within and across an organization and its agency partners.

Speed needs to pervade every corner of the marketing department and its agency partners. Speed has an interesting side effect that has its basis in finance; speed creates more options for marketers as they have more information earlier in the decision-making process, and options—particularly in a volatile world—are highly valuable.

Case in point: One of the world's largest CPG companies has an entire initiative run out of the CIO's office, which is focused on the consumption of real-time data. They routinely benchmark their work on the trading floors of financial organizations and in the control towers of the world's busiest airports. They believe that speed provides a portfolio of strategic options that only they can take advantage of.

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2. Accountability

At the core of friction between marketers and agencies is the concept of accountability. The call for marketing accountability has grown louder in recent years, driven in part by the sophistication in measuring other parts of the modern business, but also by the significant and sudden rise in the ability to transparently and effectively manage digital ad inventory. These trends have resulted in a stronger emphasis on accountability that extends down from the board to the CEO, COO, CFO, and in recent years, increasingly to the CMO. This demand for accountability has made the jump to the client/agency relationship.

The challenge is to effectively define success. That is, unsurprisingly, difficult. To define success effectively, you have to measure elements that are traditionally difficult to gauge, and you have to do so in a timely manner so that the entire picture comes into view—from sales, brand tracking, social media metrics, and web metrics to brand health, advertising creative effectiveness, and mobile metrics. Campaigns are increasingly activated on multiple fronts and need to be measured on multiple fronts as well.

To be accountable requires measurement. The question comes back to what to measure and how—and the answer starts with leadership. Today's CMOs need to know where they want to go; that alone makes the measurement task easier. It tells you how far you have come and how much further you need to go.

The next element involves context. Too much of what is done today focuses internally (i.e., how did this campaign do against the last campaign? How did this product launch perform against the last product launch?). The problem is that as marketers, you are not competing against your last product launch or campaign; you are contending with your competitor's last launch or campaign and the broader message clutter competing for your customer.

Too often the refrain is, "I don't know what my competitor's performance was, and I don't know how to find out." But therein lies the opportunity for the agency and the marketer. Together, the agency and marketer have a better chance to find the data, build or buy the tools, and start benchmarking the competitive set. The key is to start small and institutionalize the behavior. That, in turn, will create a culture of accountability that can be benchmarked internally and externally, and it will start to provide the measurability that the organization is seeking from the modern CMO.

Case in point: One of the world's largest game companies compensates its development teams based on Metacritic scores and its marketing teams based on their ability to outperform those rankings. One of the leading automobile manufacturers compensates its agency and internal marketing teams based on their creative effectiveness scores versus their core competitive set. The better the advertising on an individual and aggregate basis versus the competitive set, the higher the payday for those who created that winning campaign or ad.

3. Collaborative Platforms

In this brave new world where speed, accountability, context, and insight require such investment and attention, we frequently find that the client is reluctant to share data openly with the agency. It is a curious dichotomy, to be sure; on the one hand, marketers are seeking more strategic thinking from their agency partners and across a far greater span of the business initiatives than ever before, yet at the same time, marketers bemoan the lack of communication that often inhibits execution.

If the goal is breakthrough thinking, then the client and the agency must fundamentally be on the same page. That starts by reading from the same page, and very often that is the data, information, and insight that drive the organization. Clearly there are boundaries that are required by regulatory authorities, but to truly understand a client's business, the agency needs to walk a few terabytes in their data—and do so regularly.

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To get there, marketers and agencies need to find tools, technology, and techniques that allow them to constantly share data and information and develop insight as a result. Conversations need to break out of email, FTP folders, and PowerPoint decks to become more social. Insights should be pervasive and free flowing. The concept that market research needs to interpret the data first and carefully disseminate it within an organization is outdated and dangerous—first because that process is slow, and second because any concept of the "right" methodology or approach is myopic in a rapidly changing digital world; the truth is elusive and nuanced, and recognizing that is a key step to a collaborative conversation. Information needs to be pervasive. Pervasiveness drives collaboration, and collaboration, in turn, solves so many of the problems outlined in the research—from budgets to information transfer and execution.

That leads to longer CMO lifespans. We like that idea.

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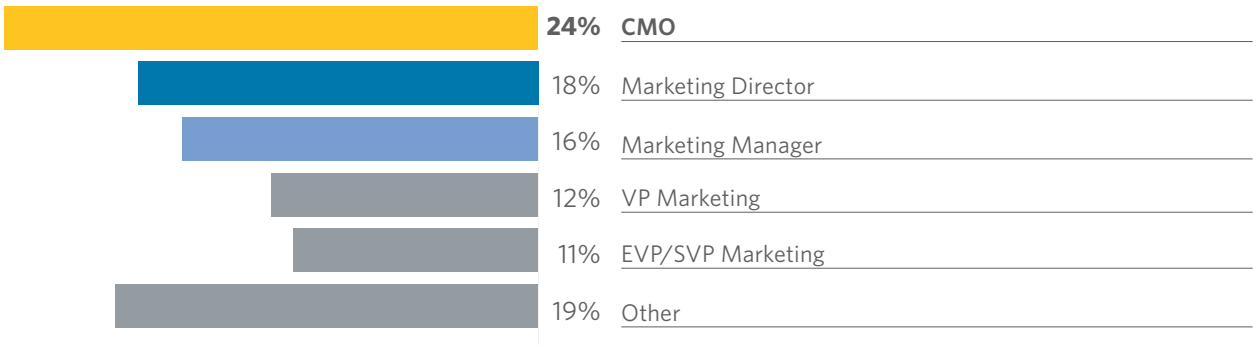
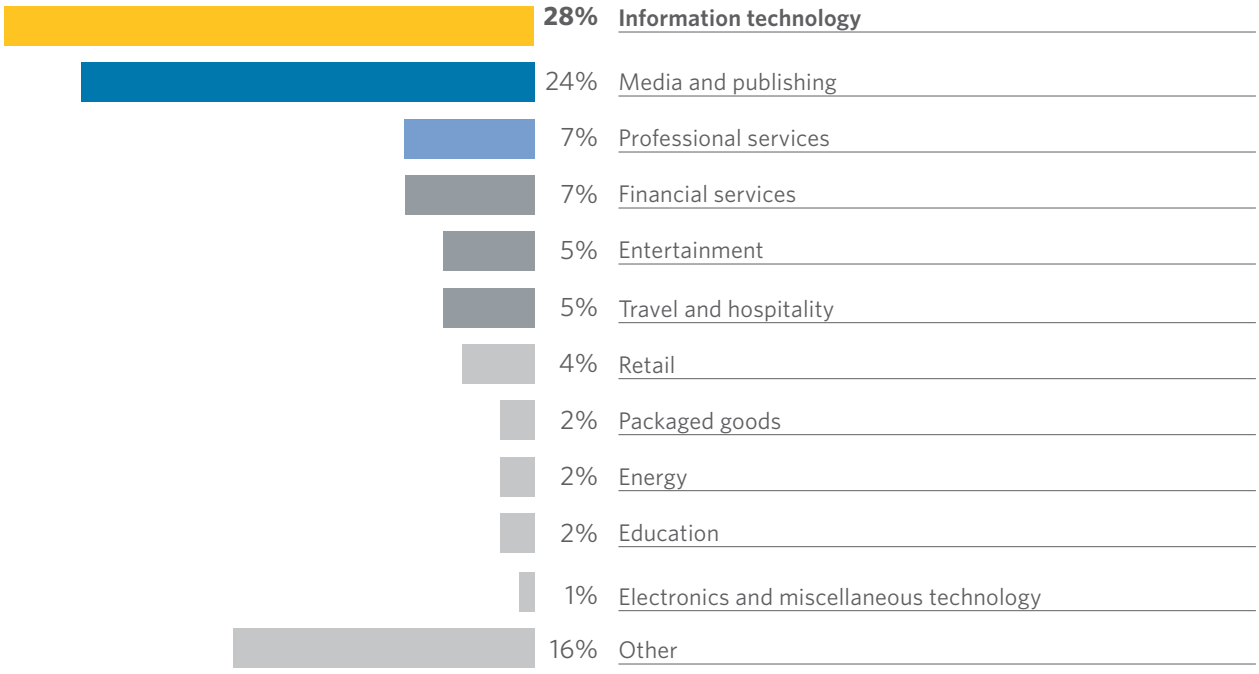
DEMOGRAPHICS

The quantitative survey for "More Gain, Less Strain" was fielded to senior-level marketers across North America, India, Asia-Pacific, Africa, Europe, and the Middle East. Those surveyed utilize between zero and 100-plus agencies and primarily hold titles such as CMO, executive and senior vice president of marketing, vice president of marketing, marketing director, and marketing manager. These individuals span industries such as IT, professional services, retail, financial services, media and publishing, electronics/miscellaneous technology, packaged goods, entertainment, travel and hospitality, energy, and education, among others.

What is your title?



What best describes your company's industry sector?



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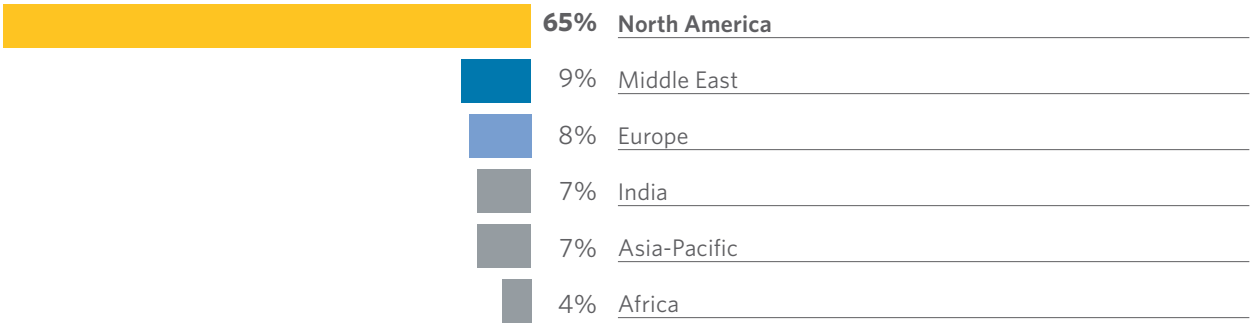
In which region is your company headquartered?



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ABOUT ACE METRIX

Ace Metrix™ is the leader in applying technology to the challenge of evaluating creative advertising. Our solutions help companies measure and improve the effectiveness of video advertising, directly improving their bottom line.

At the heart of the Ace Metrix vision is the company's Creative Lifecycle Management™ concept, which provides customers with the insight and tools they need to optimize their advertising campaigns from the inception of an idea through to its delivery to consumers, significantly improving the measurability and actionability of their creative.
www.acemetrix.com

ABOUT THE CMO COUNCIL

The Chief Marketing Officer (CMO) Council is dedicated to high-level knowledge exchange, thought leadership, and personal relationship-building among senior corporate marketing leaders and brand decision-makers across a wide range of global industries. The CMO Council's 6,000 members control more than $300 billion in aggregated annual marketing expenditures and run complex, distributed marketing and sales operations worldwide. In total, the CMO Council and its strategic interest communities include more than 12,000 global executives across 100 countries in multiple industries, segments, and markets. Regional chapters and advisory boards are active in the Americas, Europe, Asia-Pacific, Middle East, and Africa. The Council's strategic interest groups include the Coalition to Leverage and Optimize Sales Effectiveness (CLOSE), Marketing Supply Chain Institute, Customer Experience Board, LoyaltyLeaders.org, Online Marketing Performance Institute, and the Forum to Advance the Mobile Experience (FAME).
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