Successful Agency Pitching

A best practice guide in selecting your agency

PRINT VERSION

AANA MFA

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Introduction

Pitching is an established practice in the marketing industry for advertisers to review their agency relationships and ensure they have the best strategies, ideas, capabilities, and prices to meet their needs.

Nevertheless, in recent years, scrutiny of the pitch process has increased as both advertisers and agencies identify flaws in certain aspects of the process. To address concerns by both sides, the AANA and MFA have partnered to provide members and the broader industry with best practice principles and guidelines on successful tendering, summarised in this document.

It is our goal to establish a best practice standard and to provide tools and clear, practical steps to follow. We believe a cross-industry, collaboratively created set of guidelines that both parties can use to optimise the process will improve the experience of establishing productive partnerships. A successful tender is a key factor in maintaining effective client-agency relationships.

From recent surveys, we have identified specific issues and pain points that we will address in this guide.

The tendering process is a significant undertaking for all parties. For agencies, it requires a sharing of valuable strategic IP and a substantial commitment of time and resources to participate, often without compensation. For advertisers, tendering often involves more time than anticipated and requires the participation of several stakeholders leading to a final decision.

In addition, a number of both the advertisers and agencies surveyed, advised that the process can at times be inefficient and ineffective, diverting significant time and resources for all participants, which can ultimately deliver poor outcomes. In more recent years, tendering has been slow to recognise that prowess in media buying has evolved from simply being “price”-led and the ability to generate the lowest cost per media spot, to being a value creation discipline.

The practices and guidelines in this document are described from an advertiser perspective, recognising that tenders are advertiser-led.

It’s important to note that these guidelines have been developed primarily with media agencies in mind, given media’s complexity and the investment involved. While they can be applicable to all client-agency partnerships, media pitches have bespoke requirements (outlined in this document) that do not apply to creative pitches.

It should also not be overlooked that these are, ultimately, commercial relationships - different parties will have different versions of what value means to their business and as such this document has not set out to define “value” or make a statement on specifically which business model(s) are the “best value” for advertisers.

Introduction

The Successful Agency Pitching guide has been developed by a team of subject matter experts from the AANA and MFA membership along with input and consultation from across the AANA and MFA members, pitch advisors and other key stakeholders, including Ebiquity, Enth Degree, PwC, The Nest Consultancy and Tumbleturn Media, whose experience and advice has been taken into consideration. PwC also provided independent facilitation during the development phase of the project.

The AANA and MFA would like to thank all contributors, and in particular the project working group:

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Anneliese Douglass, Chief Digital Director, Unilever

Antonia Farquhar, Head of Media, Content & Data, Nestle

Catherine Krantz, Executive Director Media Operations, Dentsu International

Nathan Young, Chief Operating Officer, OMD

This document never intends to be the final or definitive version of best practice guidelines. The industry is constantly evolving and so this guidance will be updated regularly.

Market feedback

For the development of these guidelines, we surveyed the AANA and MFA membership to identify the challenges in the current pitching process, as well as viewpoints on what does and does not work well.

Common pain points include:

- Ill-defined and/or non-transparent tender objectives
- Unstructured or poorly managed process and timelines
- Not reading the RFI/RFP
- Using media pricing templates that are not fit for purpose
- Unstructured or non-transparent decision-making processes
- Disingenuous or non-existent feedback
- Non-adherence to confidentiality/non-disclosure agreements
- Lack of appropriate intellectual property (IP) compensation for strategic solutions and value delivery
- Tenders scheduled over traditional holiday periods

Tenders that run smoothly tend to have a clear intent for pitching, a structured process with timelines, a clear evaluation frame-work and expectations, as well as thoughtful, constructive feedback.

Pitching best practices: Principles

The AANA and MFA are aligned that a more effective outcome is achieved when the tendering process is a positive experience for all participants.
We believe this is possible when four core principles are followed:

1. Respect	Showing professional respect for each other, the confidentiality of the process and information shared, and the time, effort and work created, generates trust and confidence in the process itself and leads to a positive experience for every person involved.
2. Fairness	Being objective and impartial throughout negates claims of favouritism or bias, conscious or otherwise. Advertisers need to be aware of the interests of all parties and ensure they are reasonable in their expectations.
3. Transparency	The tendering process should be open and visible, and the decision-making criteria clearly communicated.
4. Accountability	Who is responsible and accountable for what and when needs to be clearly established and communicated at the beginning of the tendering process. It's important to identify where decision rights sit and to ensure accountability for decisions made and timelines delivered.

The advertiser sets the tone for this experience because they lead the tendering process. Therefore, it's important that the advertiser demonstrates the right values and behaviours from the outset for all parties to follow.

Pitching best practices: Principles

In cascading these principles into practice, consider the following:

Ensuring the process is clear, timely & well structured to deliver a professional experience for all participants.

Develop a behaviour charter, established at the start of the process, detailing items such as evaluation criteria, confidentiality expectations, feedback mechanisms, approach to pitching fees and ownership of IP.

Acknowledge that every advertiser-agency relationships is unique. Recognise that both advertisers' and media agencies' needs run across a spectrum of different operating models and that one standard approach will not work for all.

Balance transparency in the marketing value chain with fairness in agency remuneration. 'The AANA and MFA advocate for transparency and identifying value in the media and creative content supply chains. When assessing fees, advertisers and agencies should determine the level of transparency that is right for the advertiser's business and ensure the fee arrangement includes a trade-off between those transparency needs and pricing.

Remember value is more important than cost. One-dimensional tendering on cost alone is unlikely to generate sustainable value for either party. Value is created through quality and price, so adopting best practices to deliver better outcomes may cost more.

The ultimate test of whether you have successfully followed these principles are:

Each party has identified a business partner they are motivated and excited to be working with, and;

Agencies unsuccessful in securing an advertiser's business this time, the tendering experience was such a positive one that they are keen to be included at the next opportunity.

The pitching process guide

AANA mFA

With these findings in mind, the AANA and MFA propose the following process guidance for tenders. This will not apply to all tenders, and it is imperative due care and attention are applied in building a tender process that is fit for the business the advertiser is in, the partner(s) they are looking for and the challenges to be solved.

The structure can be grouped into five phases:

1. Should I pitch?
Understanding if it's the right course of action

2. Preparing to pitch
Setting up for success

3. Managing the process
How to stay fair throughout

4. Making the decision
Factors to take into account to achieve the best outcome

5. Decision made, next steps
Preparing for transition in the fairest way possible

A full draft tender process, and related timeline of events is shared alongside this document.

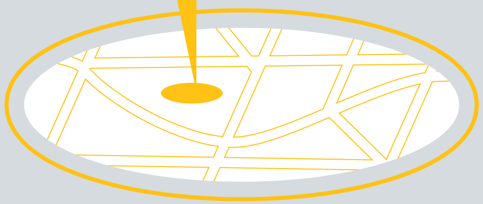
Overview map

An overview of the five phases:

Section 1 – Contents

1.
Should I pitch?

Understanding if it's the right course of action



1.1 Deciding if you should or should not tender

What?

Before enacting a tender process, advertisers should be able to identify the key reasons for running a tender and they should consider exactly what pitching will mean to them.

Considerations

Some of the key reasons for undertaking a tender may be:

1.	Required to by global/shareholders (e.g. need to review every x years; or global has a new roster and Australia needs to pitch between new and existing; or you are required to move to one of the roster agencies);
2.	Performance/relationship issues;
3.	Agency has resigned the business (e.g. working with a competitor);
4.	Test the market to see if incumbent is the best fit for the brand.

It should be noted that the final reason tends to get abused, as it typically becomes a procurement-led exercise to get more for less. In this case, we recommend advertisers explore other non-pitching options first, such as using an external consultant to conduct capability and process reviews.

Advertisers may be able to evaluate the competitiveness of their incumbent relationship without resorting to a pitch, either by utilising two-way appraisal systems, working with an external consultant or simple doing desk-based market research.

The reason for undertaking a tender will dictate whether you should consider "relationship counselling".

1.1 Deciding if you should or should not tender

Recommendations

Aside from understanding the overarching reason for the tender, it is important for an advertiser to consider whether you / your business has appetite for the following challenges a tender process poses. **Will the potential upside warrant these costs?**

- Pitching can take several months;
- It requires a significant time commitment for everyone involved;
- Disruption will undoubtedly occur in even the cleanest process;
- If you do move, it could take another 3 months for transition and another indeterminate time period after that for bedding in;
- Transitioning to a new agency partner can result in lost knowledge and IP;
- Sorting out the relationship and staying put may result in a better outcome.

1.2 Understanding current contractual obligations

What?

Existing contracts must be checked to understand your rights and responsibilities.

Considerations

Some of the key reasons for undertaking a tender may be:

1.	Does your current contract provision you to exit without cause?
2.	Is a mediation process required?
3.	What notice periods are required?
4.	Is the incumbent required on the tender list?

1.3 Considering alternatives to an agency pitch

What?

Before commencing an agency tender process, it is recommended all opportunity is given to maximising the potential of the incumbent relationship.

1.	Are agency appraisals and performance evaluations conducted regularly?
2.	If not, has a performance evaluation been conducted prior to deciding to tender?
3.	Was an independent advisor used and was it a two-way appraisal?
4.	What do current and past appraisals indicate are the pain points? Can they be resolved without tendering?
5.	Is a strong in-house team keeping on top of agency performance (e.g. quarterly reviews, feedback surveys), contract renewals, extensions, etc?

1.3 Considering alternatives to an agency pitch

Considerations

It is important advertisers consider the elements of a great partnership to ensure they are set up for success. **Great partnerships typically cover:**

Value (commercial-led)

- Is the remuneration offered fair and commercially viable for the partner agency?
- Is the agency output driving strategic value as well as business outcomes?
- Is the agency contract up to date and equitable?
- Does your agreed agency scope of work and resource allocation match your needs and delivery expectations?

Agency capability beyond price

- Is the agency proactive or simply reactive to your demands?
- What is the quality of strategic thinking?
- Are the agency's processes, efficiency levels, and ongoing training adequate?

Relationship

- What is the state of your team's relationships with their agency counterparts? Is it consistent at all levels and do you have a process to escalate and resolve issues objectively and fairly?
- What is the staff turnover level like on both sides?
- Do you share similar values and is there cultural alignment between the businesses?

Advertiser capability

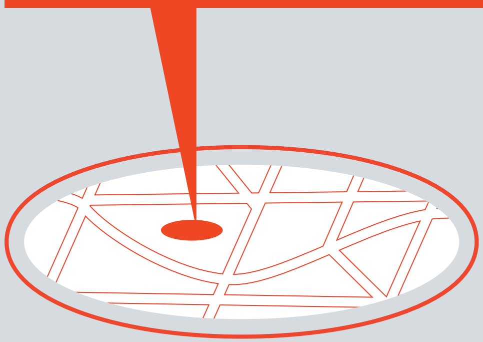
- Does your team write quality briefs and provide clear expectations and feedback?
- Are you and your team accessible and providing fair timelines?
- Does your team have appropriate capability and training in media in order to fulfill their deliverables?

Adequately investing in the above considerations will lead to a successful relationship and may remove the need for a tender in the first place; at minimum it will improve the likelihood of success for a new advertiser-agency partnership.

Section 2 - Contents

2. Preparing to pitch

Setting up for success



2.1 Am I clear on the outcomes (not just financial) I want from the tender process?

What?

There is a wide variety of reasons to outsource any part of the marketing and advertising process to a third-party agency. When reassessing the agency relationship, the original reasons for outsourcing should be considered – along with clear reasons as to why a review is needed.

Considerations

There are a range of reasons for tendering, some of the most common are discussed in the table below. It is recommended marketers considering tendering should make a prioritisation list and rank order importance.

Intended outcome	Broad consideration & challenges. This could lead to.....
I want/need to increase strategic thinking/capability	- Increased focus on delivering audience / business outcomes within planning. - More expensive resourcing.
I want/need to increase trading outcomes	- Reduced cost per spots, making media budgets go further. - Focus purely on price may result in less strategic planning (and buying) approach to reach target audiences.
I want/need to reduce my agency fees	- Reduced OpEx expenditure on fees could free-up funding to be used on buying media or other opportunities. - Reduced capacity of agency resource and/or questionable sustainability and service delivery.
I want to consolidate/integrate my business with an agency that can provide all my needs (a one-stop shop – media, search, content, etc)	- Single point of contact creates efficiencies. May also result in cost efficiencies. - Reduced individual channel/skill-set specialism may dilute output.

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I want/need access to better tools and data	- Improved media strategy and media buying effectiveness. May also improve team efficiency. - More expensive agency fees and resource.
I want/need access to internationals learnings	- Enhanced media thinking through leveraging international learnings, content and strategies. - Reduced opportunity for advertiser to shape agency/tool set/methodology as part of a set network/ international approach.
I want/need a team that is 100% dedicated to my account	- Complete focus on account activities. - (Unconscious) biases arising from lack of breadth in experience. - Increased agency talent churn as personnel seek broader experience for career progression.

2.1 Am I clear on the outcomes (not just financial) I want from the tender process?

Intended outcome	Broad consideration & challenges. This could lead to.....	
I want a smaller / bigger agency	**Consider:** - The ability to shape agency approach to advertiser requirements - Focus of support - Impact of advertiser spend within agency pool.	- Access to industry tools and databases. - Ability to replace account staff quickly. - Agency buying power and market leverage -Multi-faceted specialism
I want an agency that can advise me on broader business needs	- Integrated solutions to address business problems and a deep staff roster to bring in specialist resources as needed. Possible execution efficiency. - Trade-off on specialism.	

Recommendations

A clear statement of intent should be developed to be shared with all parties as part of the initial briefing and referred to throughout the process.
This intent statement should be included in the RFI / RFP document and be:

- Built up front in the process, not retroactively;
- Engage all relevant stakeholders to understand differing objectives;
- Clearly articulated to all parties involved;
- Directly linked to the evaluation criteria to ensure consistency.
- Clearly articulate which parts of the marketing outsourcing is being put up for tender, and those which are not.

2.2 Are the outcomes I want from the tender process realistic?

What?

As with any buying process, being realistic about what is actually needed, and what is useful and affordable, is just as important as the desired outcomes.

Considerations

Some of the key questions to consider when assessing your desired outcomes are:

1.	Can you really afford a dedicated team?
2.	Can you really afford everything you want? Do you have too much in scope?
3.	Are the remuneration terms fair? Contract terms should be reasonable for both sides and reflect mutual benefits for both parties.
4.	Which capabilities will be required on a continuous basis and which capabilities on an ad hoc / irregular (out of scope) basis?
5.	Have you allowed enough transition time and are the requirements realistic?
6.	Do the proposed trading terms / savings benchmarks reflect the reality of the market conditions?

Recommendations

Are your expectations realistic? Sense-check expectations with the market: e.g. third-party pitch consultant, industry peers, existing agency partners and the AANA. Reassign priorities as required.

2.3 Which stakeholders do I need to consider within the process?

What?

To ensure the tender process can be conducted fairly – which in turn contributes to establishing an effective, long-term and healthy new relationship – it is important tender managers engage all relevant stakeholders with a clear plan.

Considerations

When building a stakeholder engagement plan, it is important to be clear with each on their:

1.	Roles and responsibilities;
2.	Voting / veto rights;
3.	Required timelines for input;
4.	Involvement in strategic meetings;
5.	Involvement in negotiations;
6.	Requirement for future relationship with chosen agency.

2.3 Which stakeholders do I need to consider within the process?

Recommendations

Depending on the size of the organisation, a list of stakeholders should be built into a RACI model such as the below:

	Responsible	Accountable	Consulted	Informed
CMO				
Head of Media				
CFO				
CEO				
Head of Sales				
Procurement				
Legal				
Corporate Communications & PR				
Head of Advertising				
Marketing Managers / Heads / eCom				
CTO / IT				
Global / Regional counterparts				
Digital / Media leads				

In addition, a point of contact person should be appointed from within the tender evaluation team. This person should not be the final decision maker, but should have the capability to answer general questions around the tender, manage timelines as well as stakeholder availability. It is not recommended to include other agency partners in the tender evaluation process as stakeholders or participants with voting rights, there may be unclear conflicts of interest that would compromise the process. However, advertisers may consider including input and counsel from within their agency 'village', e.g., to demonstrate the prospective agency's ability to work cohesively in the group.

2.4 Do I understand the cost implications of pitching?

What?

Aside from the any overt / capital costs of running a tender process, such as employing a third-party consultant or paying for any transferred IP, it is also important for marketers considering pitching to scrutinise other unforeseen costs that may be incurred, both in the short and long term.

Considerations

Before entering a tender process, advertisers should carefully assess all tangible and intangible costs that may result from both the process itself and any subsequent change of agency partner. **These may include:**

1.	The cost of running the pitch, such as changed resource deployment, considering all involved parts of the business;
2.	The incumbent agency may struggle with managing the day-to-day business as well as managing the pitch, resulting in a variety of issues such as missed deadlines, poor responses or poor implementation;
3.	An agency change may lead to a loss of key agency talent, IP and detailed (client) business and operational knowledge known by the incumbent;
4.	Typically, agencies have different media owner sales reps so there could also a loss of continuity of knowledge here too;
5.	The cost of new agency on-boarding – e.g. time, resources;
6.	Potential lag in new agency recruitment – i.e. the time it takes to have a fully employed agency team either new to agency or fully transitioned off other agency clients;
7	In the case of TV / screens buying / optimal pre-approval is 13 weeks. Larger advertisers typically have a good operating rhythm with their agency to achieve this and significant agency change could put this at risk, resulting in loss of buying efficiency;
8.	Typically, bidding costs for SEM are optimised over time and a change in agency could result in bidding pricing being reset without any historic performance.

2.4 Do I understand the cost implications of pitching?

Recommendations

- Spend time understanding the possible costs to the business through the tender process itself;
- Understand potential medium-term impacts to channels arising from change of agency and build per-channel mitigation plans;
- Be clear on timelines and expectations from the incumbent agency;
- Consider costs associated with the handover process. There will be a period where two agencies are paid, plus there will be additional resource needed to expedite the new agency learning the business.

2.5 Do I understand how my prospective partner(s) define "value"?

What?

While specific remuneration models are discussed in section 3.5, it is also important to understand that the perceived "value" of a client relationship can be different for each agency. When considering what a fair value relationship the advertiser can build as a result of the tender, you should also be cognisant of what the agency is also looking to achieve from the relationship.

Considerations

Some versions of "value" to agencies can be:

1.	Total revenue potential
2.	Fixed, committed revenue
3.	Margin
4.	Total media billings
5.	Complex and challenging campaign strategy requirements e.g. that may create the opportunity for award entries
6.	Blue-chip brands to add to their stable of brands / help win further work
7.	Brands which may help the development of agency services e.g. those with scaled CRM databases

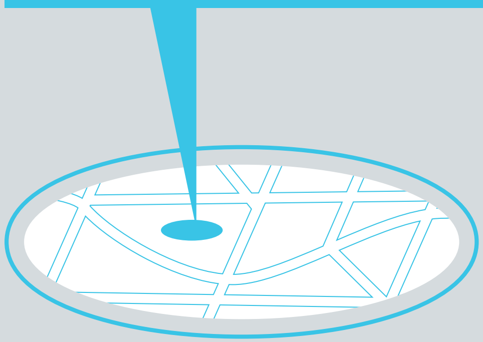
Recommendations

Understanding how your potential partner defines value and building a business relationship accordingly will help drive longevity to the relationship. It is important to regularly check that both parties continue to feel they are achieving close to their version of value and renegotiate as appropriate.

Section 3 - Contents

3. Managing the process

How to stay fair throughout



3.1 How do I select which agencies to invite to the tender process?

What?

Selecting the right agencies to invite to a tender process is key to ensuring you generate the right depth of view of the relevant potential partners in the market. It also allows you to fully test the agencies' fit to your business. **Note:** some advertisers are required to run a fully open tender (e.g. Government).

Considerations

1.	Which agencies do I need to avoid due to competitive conflict?	6.	Do I need a "wild card" agency that can remove biases / show a broader comparison?
2.	If a Global / Regional business, are there any mandates on who to / not work with or is there open access?	7.	Do I need a networked agency, or would stand-alone agency(ies) work for me?
3.	Have I conducted desk research on the marketplace and remaining available agencies?	8.	Do I understand the varying services / capabilities of networked agencies vs. independents and what questions to pose?
4.	Do I understand which agencies are brands within each Holding Company?	9.	Do I understand potential (unconscious) biases associated with certain agencies? e.g. previous relationships (good and bad)
5.	Can I articulate what range of services I'm looking for as a guide to researching the agencies that have a good reputation for those services e.g. strategy agency, full-service, tech build, CX, trading strength? (A pitch consultant can help narrow down choices.)	10.	Should I invite the incumbent agency?

3.1 How do I select which agencies to invite to the tender process?

Recommendations

1.	At this early stage in the process, it is important to suspend any form of judgement and not allow subjectivity to cloud views. When creating a list of agencies to invite, an advertiser should be looking for variety and a clear opportunity to show differentiated thinking and value, against a known list of constraints that you as an advertiser / business have to work within. Ensuring this is set from the start will reduce inefficiencies later in the process;
2.	It is recommended that incumbent agencies are always offered the chance to pitch, however, incumbents should not be invited to re-tender if there are insurmountable reasons that would prevent them from being successful in the tender. It is better to have a difficult conversation early with the incumbent in order to drive a productive and fair process for all parties, and this should be done before going to market to pitch. Advertisers should think carefully about the handling of their incumbent agency at this early stage, to ensure consistency through the tendering process;
3.	No more than 6 agencies should be invited for an RFI stage, of which no more than 3 would be taken forward to an RFP.

3.2 Assessing how to manage the tender process

What?

Once the right agencies are invited to tender, it is important that the advertiser approaches the tender process in a structured manner and addresses all challenges and considerations as far as possible in advance. This upfront planning will make for a more efficient process and drive a better outcome for all parties.

Considerations

Resources
• How much time do I have to commit to the tender process?
• What is the timeframe that I have for the tender process?
• What internal resources can I commit to run the pitch?
• Should I appoint an external expert resource for guidance?
• Do I need to appoint a transition manager and if so, do I have this extra resource available?

Process
• What are the outcomes I need?
• What competitor conflicts do I need to consider?
• What are the requirements from procurement?
• What should I do if I like one of the ideas from an unsuccessful agency?
• What will I pay for IP?
• To what extent will I pay for out-of-pocket expenses?
• How many agency responses do I need to make a decision?
• Have all parties (including any third-party consultants) signed NDAs covering the entire process?
• How will I ensure my team and any third-party consultants adhere to the NDA commitments we have undertaken?

3.2 Assessing how to manage the tender process

Recommendations

By following the guidance laid out in this document, advertisers should be able to run tender processes that are "better", more transparent and less onerous for both parties, resulting in an equitable outcome. Nevertheless, even in an improved process it is important to remember that tendering is a big undertaking, requiring a substantial commitment from agencies in time and resources, and the sharing of valuable strategic IP. To what extent an advertiser is prepared to pay tendering agencies to take part in the process is not something the AANA and MFA will recommend. **It is important to note:**

1.	It is the recommendation of this document that advertisers must be prepared to provide honest and adequate payment for any IP they intend to use outside of the tender process;
2.	It is also recommended that advertisers review the RFI and RFP approach so that some contribution is made towards requests that are outside of the future working relationship (e.g. international travel to present).

3.3 Should I make use of a third-party pitch consultant to support the process?

What?

The tendering process is long, time consuming and complex. Given many advertisers will have infrequently managed a tender process and do not have full view of the market, in recent years there has been a growth in third-party pitch consultants offering support in managing tenders, which can – if selected for the right reasons and managed correctly – add value to the process.

Considerations

1.	Am I at maximum capacity within day-to-day operations and need to outsource some / all of the process?
2.	Am I clear on the costs associated with third-party support in the process?
3.	What gaps in market knowledge do I have? How would a consultant fill these?
4.	Do I understand the risks/benefits of working with an individual consultant, Big 4 or media-specific consultancy?
5.	If I elect to work with a third-party pitch consultant, am I be clear on roles and responsibilities?
6.	How will I remunerate the third-party pitch consultant and how will this impact the process and outcome

3.3 Should I make use of a third-party pitch consultant to support the process?

Recommendations

1. The use of third-party pitch consultants in the tender process can add good value to advertisers when used correctly. Advertisers should consider if the additional resource and market insights balance the additional cost to the process;

2. It is important that the third-party pitch consultant remuneration structure and KPI's reflect your tender objectives and the principles outlined in this document. This will ensure that all parties are focussed on delivering your desired outcome;

3. If using a third-party pitch consultant, it is imperative that roles and responsibilities are defined clearly; it is not recommended 3rd party consultants have any voting rights in tender decision making;

4. NDAs should be in place not only between advertisers and consultant(s), but also between consultant(s) and tendering agencies. The NDA should focus on protecting & retaining confidentiality on IP specific to the parties in this tender and not inadvertently prevent the consultant from working on other tenders and with other clients.

5. Contracting of 3rd party consultants should at no point be done on the basis of incentivised remuneration. All forms of remuneration which include cost savings gained or similar are not recommended.

3.4 The pitching process step by step guide

What?

lIn developing these guidelines, the AANA and MFA have developed a step by step tender process template for managing a tender.

VIEW STEP BY STEP PITCHING PROCESS & TIMELINE TEMPLATE

Considerations

The supplied template process includes the following four sections, with each step therein further detailed:

1. Should I Pitch?	Gaining an understanding of why pitch, contractual obligations, the impact to the business and any alternatives.
2. Preparing to pitch (in general sequential order)	Developing the processes to ensure sufficient scope has been given to desired outcomes, the stakeholders to be engaged (internal and externally), costs and payments and timelines to manage a successful process.
3. Pitching	Managing the end-to-end process from initial marketplace review and EOIs, through RFI, credentials, shortlisting for an RFP stage, through to agency responses, presentations and an ultimate evaluation of proposals.
4. Transition	Transition management from existing agency of record, including cross-over period between agencies, through to transition into new agency of record.

3.4 The pitching process step by step guide

Recommendations

It is recommended advertisers contemplating tenders use this the AANA and MFA step by step tender process template as best practice, however an assessment of all steps should be conducted to ensure relevance to your business.

It is clear some steps will have different levels of relevance to different advertisers – e.g. larger advertisers with multiple lines of business will consider two strategic brief responses to cover "lead brand" and a "challenge direct response need", but this may not be relevant to smaller advertisers.

The tender process template also contains expected timescales for each step. It should be noted, however, that these are reasonable estimates only, often running concurrently – each process will be different, and advertisers should fit timescales to their needs. The simple recommendation this document puts forward is the need for fairness in expectations in regard to timelines.

VIEW STEP BY STEP PITCHING PROCESS & TIMELINE TEMPLATE

3.5 What is the right agency remuneration model for me?

What?

Selecting a fit-for-purpose agency fee model that is right for your business is a cornerstone in building a successful working relationship. The AANA and MFA have previously released guidance on transparency and the importance of equitable remuneration arrangements, we believe this is a core tenet in agency-client relationships.

Nevertheless, there are a variety of commercial models that can be entered into, each with risk and opportunity. Care and understanding are critical when selecting a model.
The following models are typical in the current Australian marketplace:

Model	Definition
FTE + overhead + profit	Based on the percentage of time committed per individual to deliver the agreed scope of work, calculated by: **base salaries + agency overhead multiple + mutually agreed profit margin.**
Commission / % of spend	Calculated as a mutually agreed percentage of the agency commission retained by the agency to remunerate for services delivered.
Service fee / % of spend	Calculated as a mutually agreed percentage fee charged on top of media spend.
Deliverable-based / hours rate card	A per project-based fee, calculated on a specific scope of work to be delivered within a fixed time period. Typically calculated using a head-hour rate card.
Outcome (also referred to as 'non-disclosed')	The agency is remunerated solely based on the outcomes – e.g. delivering sales or leads or ROI improvements. This has traditionally been used by (online) affiliate networks or networks paid for media and their services purely on a Cost Per Action (CPA) and has gained some traction as an approach for agency renumeration.
Value-based (performance) remuneration	A remuneration method that pays for performance that can either be: **a.** The method of payment for an agreed service; **b.** Offered as an incentive at risk, or on top of an agreed fee.

3.5 What is the right agency remuneration model for me?

Considerations

Each model has a different value proposition, which may be more fitting for the environment the advertiser finds itself in. This document does not aim to recommend any specific model, but consideration does need to be paid to how each model would work in practice.

FTE + overhead + profit	Commission / % of spend
Deliverable-based / hours rate card	Outcome (also referred to as 'non-disclosed')
Value-based (performance) remuneration	

Advertisers may decide to select one remuneration method or combine two or more into a "hybrid" model to compose the fee arrangement with their agency partner. Additionally, the advertiser should consider all other elements of what remuneration and value means to their relationship with the prospective agency. This may take the form of Agency Volume Bonifications (AVBs), capital expenditure, unbilled media and trading value among others. All should be clearly detailed, and value attributed.

3.5 What is the right agency remuneration model for me?

Model	Where this may be of value	Consideration
FTE + overhead + profit	Best supports clients who have always-on requirements from their agency partners. Best suited to larger-scale clients or those who require a breadth of services from their agency. Best matched to a longer-term 12-month+ relationship.	Fixed-fee models are typically used where advertiser and agency have a good understanding of the volume and type of roles required to complete the deliverables. Due to the "input" nature of this model, the fees can be compared from deliverable to deliverable, year to year and to benchmark the blended hourly rates. The fixed nature of the model allows both the advertiser and the agency to manage their budgeting. In addition, with the fixed commitment, the agency can resource the team with confidence. The potential risk in this model is that fees are earned irrespective of the quality of the outputs or outcomes, which is why a pay-for-performance component may be recommended alongside a fixed-fee model. Advertisers and agencies also need to agree on how to manage underburn or overburn situations, where either fewer or more hours were delivered. Attention should also be paid to ensuring the agency earns a fair margin.
Commission / % of spend	Best suits clients who have intermittent, less predictable media spend cycles. Suits clients with heavy (non-digital) media-buying requirements.	As the remuneration is linked to media spend, it is variable, which means as the advertiser's budget increases, so does the commission and vice versa. As it is based on a simple calculation, negotiations may be simpler. Because the agency's remuneration is linked to media spend, this model can raise the question of whether the agency's recommendations (both volume of spend and media mix) is in the advertiser's best interest or the agency's. Also, due to the variable nature of the remuneration, agencies may find managing the resource requirements more challenging and risk either under-servicing or over-servicing, especially if the advertiser's budget tends to fluctuate.

3.5 What is the right agency remuneration model for me?

Model	Where this may be of value	Consideration
Deliverable-based / hours rate card	Best suited to projects that are stand-alone and time bound. Suits clients that have a finite budget to deliver a specific project.	In a fixed deliverable model, the agency is compensated based on an agreed price per deliverable, irrespective of how much effort is actually required. The benefit of this model is that it changes the focus from how much resource is required to what will the agency deliver and how much the advertiser is prepared to pay for each deliverable. This approach can be very useful for advertisers that budget on a brand-by-brand basis and/or when the advertiser has a clear understanding of their requirements. The main risk is that to agree on the value of each deliverable, both parties have to be confident of the effort required, which would benefit from supporting data. It's therefore a model that advertisers could progress to after working with the fixed-fee approach initially, which allows both parties to track and understand the effort required to assist valuing the deliverables.
Outcome (also referred to as 'non-disclosed')	Wrapping all costs into simply the cost of goods can make this a simple planning approach. It could also de-risk the investment for the advertiser as there is a commitment made by the agency to deliver.	In this model, the agency takes all of the risk, and therefore would only agree to the approach if it is confident it can deliver the outcome and that the size of the prize is worthwhile. It also requires good data and confidence that the outcomes can be clearly attributed to the agency. As a result, this model is not often used.

3.5 What is the right agency remuneration model for me?

Model	Where this may be of value	Consideration
Value-based (performance) remuneration	KPIs should be mutually agreed and documented via a joint business plan. **a.** Best used for highly trackable deliverables; **b.** Typically takes into account hard (business and marketing KPIs) and soft (account service) measures.	However it should be noted that a model requiring agency's to bear risk, will require pricing and fee levels to take this risk into account. This remuneration approach, requires a stringent approach to determining the KPIs (e.g. which ones, how many, setting targets) and their ongoing measurement. Best practice is to ensure they align with the marketing team's KPIs and have a mixture of objective metrics (e.g. sales of ROI) and subjective metrices (e.g. agency evaluation).

Recommendations

It is not the role of this document to recommend one remuneration model over others. It is imperative that all options are reviewed, and marketers and agencies understand the benefits and potential risks associated with each and enter into transparent and equitable partnerships together on this basis.

3.6 How do I evaluate media buying capability?

What?

Prowess in media buying has evolved from simply being "price"-led and the ability to generate the lowest cost per media spot, to a value creation discipline. Nevertheless, when comparing media agencies, it is important for advertisers to be able to fairly compare the estimate prices they will pay for the type of inventory their campaigns regularly consist of.

The AANA and MFA have developed a standard media pricing template (attached) for advertisers to use to evaluate media buying capability; however, we recommend that advertisers check that this is relevant for their business.

Considerations

1.	Media pricing information is highly sensitive and confidential in nature. Do you have the right provisions and behaviours in place to allow for this – i.e. is this adequately covered in the NDA with all parties?
2.	Have you got a robust internal or third-party benchmark to base your decision on?
3.	Are you able to state the objective at the start of the process – i.e., nominate improved performance outcome?
4.	What information can you share up front to frame the objective?
5.	Will you measure what you benchmark?

Why use this stage of the process?

- To assess the agency's ability to buy competitively across relevant channels;
- To compare the agency's pricing to existing pricing;
- To set a framework for benchmarking with the appointed agency.

3.6 How do I evaluate media buying capability?

Recommendations

1.	Set a methodology rather than a specific dollar or Cost Per Thousand (CPM) outcome;
2.	Avoid the task being too open and therefore preventing you from creating a comparison between submissions;
3.	Conversely, avoid being too granular, which will result in a too-prescriptive outcome with no flexibility to deliver the agreed outcome;
4.	Consider both hard and soft performance, over a set time horizon i.e., reduced pricing and improved operational efficiency;
5.	Share technical pricing questions with all submitting agencies;
6.	Answer questions in a comprehensive way – especially those that are asked by multiple agencies as this indicates a significant lack of clarity for that section of the task;
7.	Understand the advertiser implications of meeting pricing commitments – i.e. approval deadlines, maintaining volume commitments, budget phasing etc;
8.	Attempt to avoid back and forth template questions by ensuring clarity on:
	• Budgets, demographics, duration, formats and quality parameters;
	• Definitions and terminology – i.e. gross vs net;
	• Treatment of inflation management overtime;
	• Methodology of value calculation – what's included and excluded – i.e. AVBs, bonus airtime;
	• Inclusive or exclusive of sponsorship arrangements.

3.7 How do I understand an agency's differentiated capability?

What?

While agency credentials and testimonials from current clients are useful in painting the picture of how an agency works, it is also best practice to set a strategic brief that is relevant to your business to gain an understanding of how the agency would approach your challenges in a semi-real world setting. If managed correctly, this will be a great indicator for the on-going agency performance.

Considerations

When setting a strategic brief, it is important to cover the following areas:

1.	What am I trying to learn about the agency's approach when issuing a brief?
2.	Do I want to understand the day-to-day approach, or the agency's thought leadership?
3.	How realistic is the brief compared to those the agency will cover day to day?
4.	Are the timelines realistic? We recommend 4 weeks is allowed for strategic response development.
5.	Would I want to use any of the proposed responses moving forward, regardless of selecting the agency?
6.	If so, what am I prepared to pay for this IP? What is covered within the NDA / terms of pitch?
7.	Which stakeholders are best placed to evaluate the strategic response?
8.	How will I score the responses when they could be very different?
9.	What data and access will I give to the prospective agencies?
10.	How will I balance and challenge the incumbents understanding of the business compared to prospects?

3.7 How do I understand an agency's differentiated capability?

Recommendations

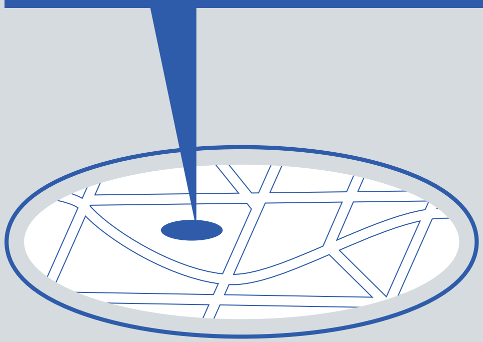
The strategic brief phase of agency tenders is a historically contentious point, with agencies calling for improved fairness in both scoring and expectation.
As such, the AANA and MFA recommend:

1. No more than **two** strategic briefs are requested, though business size should be taken into consideration. Two should be the maximum, not the expectation and is more relevant for businesses with multiple, differentiated brand portfolios;
2. A clear statement should be included as to how the brief fits with the business's needs;
3. A clear statement should be included on the use of any materials following the tender process. It is the AANA and MFA's recommendation that any material that could be construed as IP is paid for;
4. Strategic brief responses should only be requested from a shortlisted group of agencies. This should be no more than three agencies;
5. Giving agencies access to the client team for check-in/tissue session.
6. Presentation meetings should be kept to no more than 2 hours, and wherever possible all shortlisted agencies should present on the same or consecutive day(s).

Section 4 - Contents

4. Making the decision

Factors to take into account to achieve the best outcome



4.1 How will I evaluate agency proposals consistently, transparently and fairly?

What?

The AANA and MFA believe consistency and fairness in measuring the value of agency proposals can be driven by a clearly communicated set of expectations and scorecard, shared with all parties from the outset. There is no generic template for this scoring system as advertiser needs and outcomes vary. Therefore we recommend the creation of a tender-specific scorecard. **"Price" and "Performance" should be clearly defined and accordingly weighted to ensure, for example, a high performing agency is not put at disadvantage by a seemingly simple low price offer.**

Recommendations

When building a scorecard for tender evaluation, it should directly correlate with the stated intent/plan. The scorecard is typically used to evaluate the RFP submission and the final presentation and should be developed and agreed in parallel with the RFP. The agreed scorecard and evaluation criteria should be shared with the agencies involved in the pitch upfront.

The evaluation criteria should also be prioritised/weighted and limit the number of points to evaluate by focussing the allocation of points into the desired outcome areas. For example, Agency Staffing and Culture may be one outcome area with a few relevant points to assist the evaluator. **For example:**

Agency staffing and culture	
• Quality of the proposed team	• Relevant experience
• Agency culture fit with advertiser	• Depth of talent
• Training Program	

Note: due to the quantifiable nature of the proposed remuneration and buying exercise, these should be assessed separately to the scoring template.

Tenders should also be careful to take a "buyer beware" approach to checking the validity of any proposed rates supplied within pricing templates, however it is not recommended that advertisers cross check rates with named media owners. This would create conflict of interest issues and likely not prove useful or even accurate. Instead, cross-check against rates currently achieved and question any which seem "too good to be true".

How to evaluate

The 1-3-9 scoring system is the recommended approach to scoring to help clearly identify strong and weak performers. More information on this approach can be find at SixSigma:

MORE INFORMATION

4.1 How will I evaluate agency proposals consistently, transparently and fairly?

Who should evaluate?

Those evaluating should have been identified as part of the Stakeholder step in the Preparing to Pitch phase, where roles and responsibilities are agreed.

EXAMPLE ONLY, sections, criteria and weighting should be adjusted to reflect each advertiser's needs.

Agency staffing and culture — 20%

- proposed key personnel and overall team
- relevant experience
- agency fit with advertiser
- depth of talent
- training program
- cross-check of proposed team to brief & known advertiser requirements
- agency team stability and retention

Media planning, buying and analytics capabilities — 20%

- processes, tools and tech
- use of data

Strategic thinking — 20%

- process
- use of data (proprietary vs. syndicated)
- insights

Responses to briefs — 30%

- approach to media recommendation
- approach to budget allocation
- application of data, tools and tech
- innovative thinking

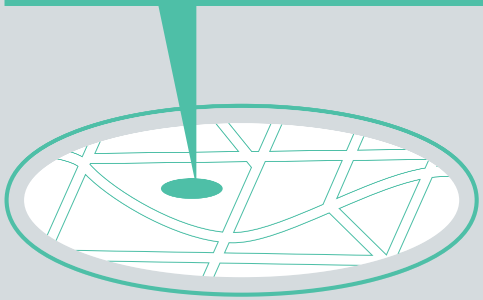
Transition — 10%

- confidence in ability to transition smoothly and quickly

Section 5 - Contents

5.
Decision made, next steps

Preparing for transition in the fairest way possible



5.1 How do I set up for long-term success?

Considerations

How will you prepare the team and business for this change?	How will you induct the new agency?
How will you manage relationships and communicate with the incumbent agency?	How will you communicate the decision internally and externally?

5.1 How do I set up for long-term success?

Recommendations

1.	Create a statement of respectful transition and the important role of the incumbent during the transition;
2.	Current contract obligations should be agreed and met asap;
3.	New contract signed, including clear start date and requirements;
4.	Include a clear transition clause in your contract to avoid a “tools down” situation;
5.	Provide timely feedback and the opportunity to ask questions and gain insights to all agencies participating in the tender;
6.	Create a clear communication plan – both internal and external to avoid information leaking before the official announcement.

5.2 How do I ensure the transition is managed successfully?

What?

Successful agency engagements are built on solid processes from the outset, ensuring relationships grow, expectations are met, and costs are covered fairly.

Considerations

1.	Should you and the agency appoint a transition manager?
2.	Who should pay for this resource?
3.	Have you considered your internal corporate functions that will need to be engaged to support transition – i.e. legal, finance, HR team?
4.	Will there be an overlap period between the outgoing and incoming agencies and if so, will you need to factor in additional costs?
5.	How will you establish expectations and ways of working together, including the continuity of live or pending activity?
6.	What process, systems or compliance requirements does the new agency need to be inducted into?
7.	Have you considered an induction for the new agency on your internal business– i.e. culture, strategies, people introductions etc?
8.	When will you officially move the business to the incoming agency? And how long will you allow for transition in/out?
9.	Have you considered what information, key contacts and data (including digital systems access) needs to be ported from one agency to another?
10.	Have you considered the requirements you have of the incumbent agency when transitioning and has this been formalised as part of the exit agreement transition scope of work?
11.	How will you communicate the change of appointment internally and externally – i.e. agency partners, media owners etc, as well as the most considerate marketplace communications –i.e. PR?
12.	Is there absolute clarity on contract negotiated entitlements, including any specifics around invoicing and reporting and auditing?

5.2 How do I ensure the transition is managed successfully?

Recommendations

All agency transitions should fit the specific needs of both parties, the contractual arrangements and the market situation at that point in time.
The following are, however, recommended best practices:

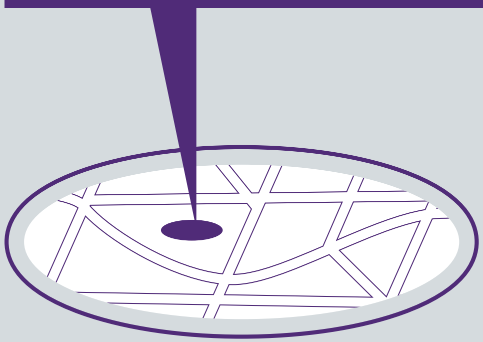
1.	Agency appoints a transition manager and this is matched with a key contact on the client side responsible for the transition;
2.	For larger transitions, a transition leadership council is established to facilitate the transition in and out;
3.	Handover dates are clearly stated at the outset, typically 90 days after initial selection / announcement. Duration of transition is relative to size/complexity of business;
4.	The outgoing agency is remunerated for any resource costs expended past the contract end date;
5.	The roles and responsibilities for each live and pending campaign are clear. Typically, the exiting agency closes all live campaigns and the new agency takes on all strategy, planning and new booking responsibilities;
6.	The client is responsible for full agency induction, onboarding and agency partner introductions.

6 months into the contract

The client reviews staffing, scope, agency performance (what's working, what's not) and agency remuneration agreement with the new agency to ensure fit.

Templates

Designed to help you through the process



- Step by step pitching process and timeline - Template
- Media pricing - Template
- Agency pitching steps and timeline - Example