

Closing the CMO / Agency Gap:
How Agencies Can Win Business
and Build Stronger Client
Relationships

2010 Report

Perspectives from 80+ senior marketing executives

Powered by the Gerson Lehrman Group Councils

April, 2010

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Foreword

Letter from Pete Krainik, Founder of The CMO Club and Member of the GLG CouncilsSM

The relationship between agencies and their corporate clients is more important now than ever before and needs fixing. As Founder of The CMO Club, I constantly hear from CMOs in the club about their challenges and concerns, particularly regarding the gaps in their agency relationships. Right now, there is a considerable gap between the service CMOs receive from marketing services agencies, and the service they expect and need from them. This provocative report, facilitated by Gerson Lehrman Group, has articulated this trend, and reflects the many conversations I have had with senior marketing executives. Now may be a more important time than ever for agencies to listen, help CMOs lead the growth agenda for their companies, and close these gaps.

New developments in social media, customer engagement, and renewed focus on growth have shined the spotlight on the CMO. With more visibility firm wide than ever before, senior marketing executives need their external relationships to be as productive as possible. This means that agencies need to develop more standout customer engagement, branding and growth ideas for their clients, and that their knowledge of their client and their client's customers must be deeper than the products for which they design campaigns. In short, agencies need to perform deeper diligence to understand the business strategy of their clients, and the industry dynamics at play.

CMOs know they cannot deliver without better support from their agencies—the relationship between the two is critical. With the window of opportunity for CMOs to deliver for their firms so evident at this moment, marketing services firms that take early steps to close these gaps can find success in improving their commercial relationship with the clients and winning new business.

Pete Krainik
Founder, The CMO Club
GLG Council Member

Methodology

Gerson Lehrman Group (GLG) identified a need for insight on the relationships between marketing services agencies and their senior clients. To better understand this issue, GLG conducted a survey of independent experts in the GLG CouncilsSM with experience as marketing executives. The survey was conducted in March 2010 and was completed by 82 marketing executives who are members of the GLG Councils. GLG engaged Alexander Sharpe III of Sharpe Consulting LLC, a management consultant who is also a GLG Council MemberSM, to conduct an analysis of the survey responses and author this report. Members of the GLG expert network are known as Council Members.

Executive Profiles

GLG Council Member respondents were asked to identify their relevant roles, their marketing budgets in those roles, and the industry segments in which they managed those budgets.

- A significant percentage of respondents were Chief Marketing Officers (CMOs) or other C-Level executives, with 44% identifying themselves as CEO, CMO, COO, or President.
- Respondents managed large marketing budgets—39% in excess of \$10M with 65% of respondents managing at least a \$2.5M budget.
- 17 industries were represented with 51% of respondents from one of the following industries: Technology / Telecommunications; Consumer Products / Services; Life Sciences; and Finance / Banking / Insurance.
- Respondents were primarily located in North America (89%), with 5% from Asia; 5% from Europe, Middle East, and Africa; and 1% from Latin America.

Alexander Sharpe III – GLG ScholarSM

Alex Sharpe, Principal at Sharpe Consulting LLC, provides consulting services to the information technology sector and money managers. Sharpe has 20+ years of experience in information technology and management consulting. Previously, Sharpe was a Principal at eForce; practice leader at KPMG; senior associate at Booz Allen & Hamilton; and Director at AnswerThink Consulting Group.

About GLG

Gerson Lehrman Group provides technology and services to support a marketplace for expertise. Since 1998, its platform for consultation and collaboration has helped the world's leading financial services firms, consultancies, corporations, and nonprofits find, engage, and manage experts in a broad range of industries and disciplines. Gerson Lehrman Group's unparalleled network of the world's leading expert consultants, known as the Gerson Lehrman Group Councils, includes more than 250,000 subject-matter experts who educate and provide insight to decision makers through a wide range of consulting methods, including telephone consultations, expert surveys, and seminars. Gerson Lehrman Group has invested in one of the world's most sophisticated infrastructures for expert recruiting and compliance. For more information about Gerson Lehrman Group, please visit www.glggroup.com. For information on Gerson Lehrman Group services for marketing services agencies, please visit www.glggroup.com/marketingagencies or contact Patrick Sullivan at psullivan@glggroup.com.

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Executive Summary

This report is based on a survey of more than 80 senior marketing executives. It analyzes the disconnect between client expectations and the performance of marketing services agencies. The report is designed to help agencies better understand how marketing executives view their agency relationships and how they make decisions on engaging an agency.

The survey results break into two categories key to agency success: sales prevention, characteristics that prevent buyers from choosing an agency; and customer intimacy, understanding of client business.

Sales Prevention

Research on a prospective client's market AND business strategy is critical.

- 79% of respondents said they decided against hiring an agency because of issues related to the agency's understanding of their business, market, or how they could add value to that business.
- 91% of respondents listed the above three factors as the most important components for making a decision about engaging a particular agency.

Customer Intimacy

CMOs want agencies that do their homework, even once business is won.

- 49% of respondents expected a marketing agency to invest at least 20 hours of research into their industry, business strategy, and product prior to a pitch.
- 88% of respondents stated that agency understanding of their industries and business was either "critically important" or "very important."
- 52% of respondents reported the most frustrating aspect of their agency relationships was a "lack of industry or street knowledge" or "not sufficient diligence in campaign" development. When asked what frustrated them most about their experiences with agencies, they report, "agencies not willing to do their homework - proposing cookie-cutter solutions," and that agencies need to have a "[g]ood understanding of the technology and positioning."

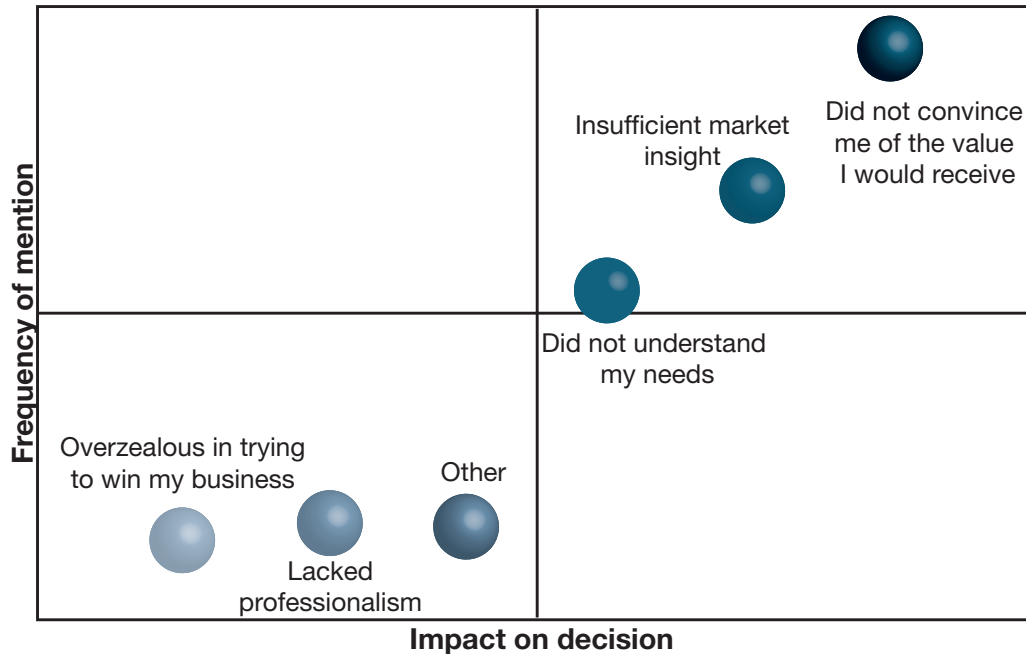
The overarching message concluded from this survey is that there is a significant gap between what marketing executives expect and what agencies offer. The gap is caused primarily by inadequate research on client strategy and market.

Survey Findings

Sales Prevention

Agencies lose business due to their inability to demonstrate understanding of client's market

Factors Causing Sales Prevention



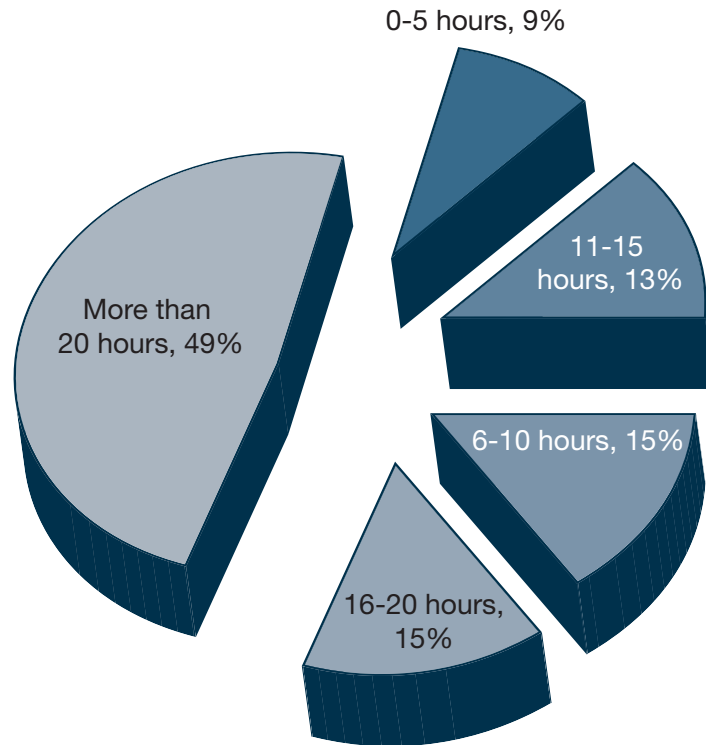
Source: Gerson Lehrman Group Councils Report—*Closing the CMO / Agency Gap: How Agencies Can Win Business and Build Stronger Client Relationships*, 2010

Marketing executives expect to be convinced of the service's value, while feeling confident that the agency understands their needs and their market. According to the survey respondents, agencies get passed over for three key reasons. When asked to explain why they did not purchase services from agencies ("sales prevention"), buyers strongly indicated they were either not convinced of the value of what the agencies were offering (34%) or they were concerned the vendors did not have sufficient market insight (26%). The third ranked area was "not understanding needs" (19%). When prompted for examples, respondents commented that a key factor was that agencies "did not understand my 'big picture'" or that it "did not understand [my] needs."

Respondents were also asked to prioritize the areas that had the largest impact on their decision. In the figure above, the categories are mapped by the frequency with which they were mentioned by respondents against their relative impact on the decision.

Since the three most commonly mentioned reasons for not choosing an agency were also the ones mentioned as being most important in the decision-making process, the upper-right quadrant represents the factors that, if improved, would have the biggest impact on an agency's ability to close business.

Number of Hours of Research Buyers Expect from Agencies When Pitching



Source: Gerson Lehrman Group Councils Report—*Closing the CMO / Agency Gap: How Agencies Can Win Business and Build Stronger Client Relationships*, 2010

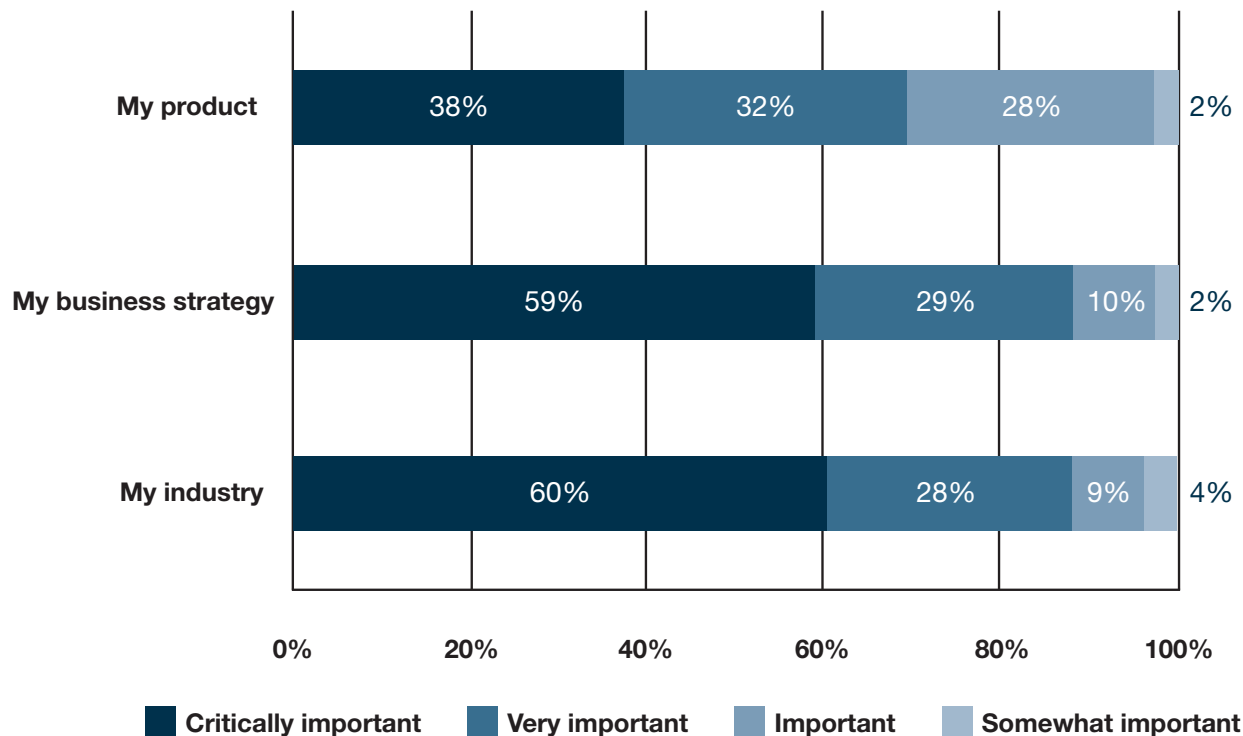
Decision makers expect significant research before a pitch. When asked how much research they expect from agencies pitching their services, executives indicated they expect intensive diligence. Almost half (49%) of the respondents expected agencies to invest at least 20 hours of research before a pitch, while 15% more expected 16-20 hours.

Marketing executives expect more research on the areas most relevant to their business needs. By spending more time on the right research—market insight, client business, and value drivers—agencies will increase their win rate.

Customer Intimacy

Marketing executives want a strategy partner throughout the relationship cycle

What Executives Think is Important for Agencies to Understand

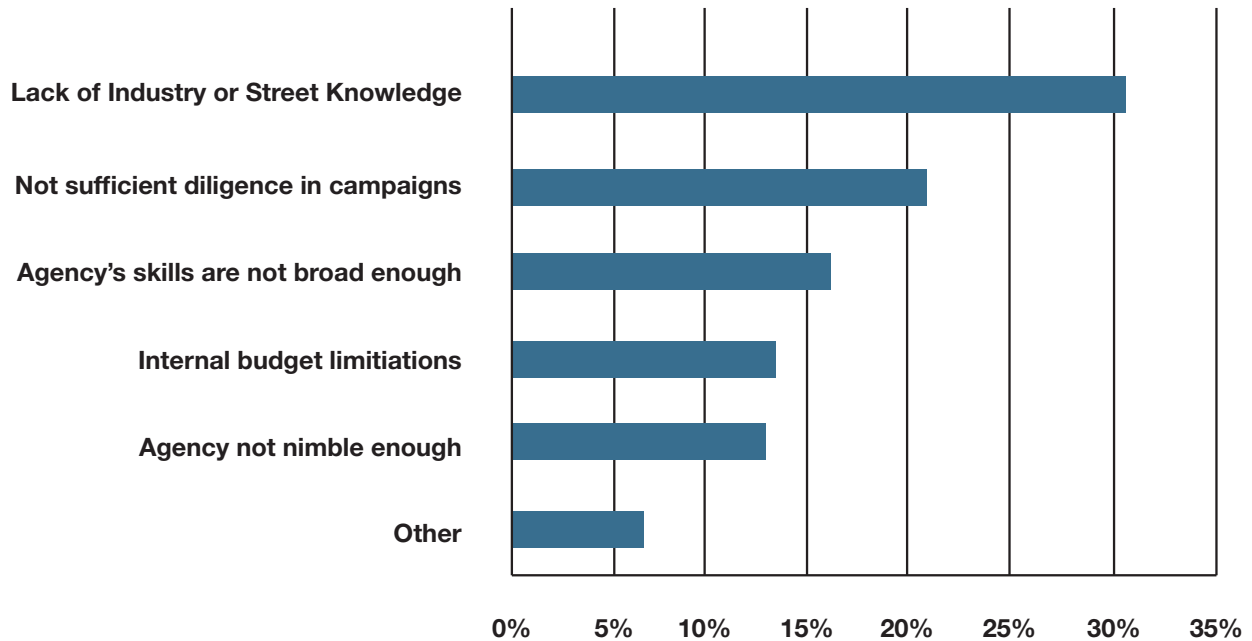


Source: Gerson Lehrman Group Councils Report—*Closing the CMO / Agency Gap: How Agencies Can Win Business and Build Stronger Client Relationships*, 2010

Executives were asked what aspects of their business were most important for agencies to understand, in order for the agency to provide an optimal level of service. The results indicate that the buyer’s industry and business strategy were far more important than the specific product being serviced.

According to the survey, 88% of marketing executives categorized these two areas as “critically Important” or “very Important,” while the corresponding number for the executive’s product was less than 70%. Marketing executives expect product knowledge, however, they are more concerned about agencies’ understanding of their business and industry.

What Frustrates Respondents Most about Agency Relationships



Source: Gerson Lehrman Group Councils Report—*Closing the CMO / Agency Gap: How Agencies Can Win Business and Build Stronger Client Relationships, 2010*

Clients of agencies continue to value research and diligence even after business has been won. Respondents were asked to report on the biggest frustrations with their current or most recent agencies. Earlier findings were reinforced by their feedback.

More than half (51%) of the respondents reported that agencies did not have sufficient industry knowledge, or that campaigns were not based on sufficient diligence—that is, the clients felt their agencies had not conducted sufficient research.

Recommendations

The survey's findings determine that there is a gap between client expectations and agency services—clients are dissatisfied with the level of business and market knowledge that agencies possess, both during the pitch process and throughout the relationship. Developing and demonstrating this knowledge is key for agencies that want to secure new business and maintain a strong existing relationship with their clients.

To help close the gap between client expectations and agency value, agencies need to reconsider their approach to research. They need to perform more strategic diligence on client business strategies and industries. Increased research and improved research methods have the ability to positively impact both the agency pitch process and improve the value of the relationship between marketing executives and agencies.

More research isn't necessarily better research. Agencies need to focus on finding the right insights throughout every phase of the relationship—from the initial pitch to ongoing client service. Engaging external experts is a powerful mechanism for bridging the alignment gap between agencies and clients. For agencies that invest in the right research, there is immense potential for a symbiotic relationship and enduring CMO loyalty.

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