

# The Integration Challenge: getting clients and agencies to work together

## Abstract

There is growing evidence in the advertising industry that as campaigns become more integrated and multi-disciplinary, the relationship between advertising agencies and clients is being tested to its limits and is presently considered to be at an all time low. Agencies feel less valued and are being excluded from C-suite discussion. Clients feel that agencies do not understand how the world has changed and how the customer experience is now key. This study applies the agency theory and the social power theory to understand the pressures that the relationship is under. It looks for evidence of this rift by examining qualitative data collected from both agencies and clients, using NVivo to identify themes and areas of concern. The findings identify four themes that are creating conflict: the ownership of the customer journey, the strategic role of agencies, the challenges of agency collaboration and difficulties of agency specialisation. Both parties identify the need to rebuild trust and enable agencies to contribute at a more strategic level instead of being seen as suppliers but present remuneration structures and collaborative processes are hindering progress.

## The Integration Challenge: getting clients and agencies to work together

### Introduction

There is growing evidence that as communication campaigns become more integrated and multi-dimensional, the relationship between advertising agencies and clients is being tested to its limits. Although clients are managing their agencies following a variety of different models, the system is currently not working and the relationship has been described by some as being at an all time low, with misunderstanding and frustration evident on both sides (Thomas, 2015).

This rift is of concern because Integrated Marketing Communication (IMC) demands an integrative approach not only within the client organisation but also across agencies for the benefit of the client. A study by Ewing *et al.* (2000) found that clients consider one of the main barriers to IMC implementation being agency politics, with agencies not always operating in the best interests of their clients. Another barrier to IMC implementation is misunderstandings and confusion over what IMC is (Holm, 2006) and there is evidence that practitioners not always appreciate the strategic role and the importance of internal audiences to the construct (Laurie and Mortimer, 2011).

The purpose of this paper is firstly to bring together both the industry and academic literature on IMC and client/agency relationships to identify the demands that IMC impose on this relationship. The agency theory and social power theory are also discussed to explore the present challenges that the industry faces. The results of an exploratory qualitative data analysis of views captured from clients and agencies are then presented to identify the main areas of misunderstanding and conflict that presently exist so that possible solutions can be considered.

### Background

It is generally accepted by most academics and practitioners that IMC is the most effective process to adopt in this complex multi-platform digital environment (Child, 2012). Kliatchko and Schulz (2015) summarise the four key components of IMC as being: the use of multiple channels linked with media neutrality, consumer centricity based on extensive data driven customer insight, co-ordination and consistency across the customer experience and the involvement across all business departments at a strategic level. These components illustrate the need for a client and all its agencies to work together in collaboration with these multiple channels to achieve this consistency across all the brand touch points (Olenski, 2012). Bolman (2015) illustrates the complexity involved by explaining that “the customer experience happens across an increasingly diverse set of brand interaction points throughout sales, marketing, services, engineering and potentially retail”.

Recognition of the importance of IMC is provided by Dan (2013) who posits that “Integrated Marketing Communications has turned into the area of greatest importance for CMOs, who desperately seek a holistic approach to engage consumers”. This study confirms that IMC is making the job of the CMO more complex in terms of control, accountability and measurement, often dealing with many agencies and channels.

The impact that IMC is having on the role of agencies was identified in The Forrester Report in 2010 entitled ‘The Future of Agency Relationships’. This report suggested that agencies would become more important for client organisations in the future due to the growing complexities of the environment and they would be relied upon to provide *ideas* that create emotional links, *interaction* to connect with customers, and *intelligence* in terms of predicting outcomes by using analytics comprehensively. The report suggested that agencies needed to adapt to think more long-term and to create platforms rather than campaigns. However a number of industry reports have been published since 2010 which suggest that the opposite has happened, with agencies becoming less important not more. Child (2012) found that clients often felt let down by their agencies due to lack of cooperation and collaboration across different agencies while agencies stated that clients wanted competitive pitches on the one hand and cooperation on the other, making integration across agencies very difficult. Both sides agreed that there was a need for more trust and respect for the relationship to work. A survey undertaken by Forbes in 2014 in the US revealed that clients are increasingly bringing strategic decisions in house and perceiving agencies less as partners and more as suppliers (Dan, 2014).

The most recent review of the client agency relationship was commissioned by the Institute of Practitioners in Advertising (IPA). The study was undertaken by Hall and Partners and entitled “From Mad Men to Sad Men” (Thomas, 2015). Interviews were undertaken with 24 senior marketing clients and 25 agency CEOs. The results from the study confirm that there is indeed a breakdown in communication between clients and agencies. It found that agencies are feeling less valued and excluded from important discussions, particularly at the C-suite level. Instead, they are being given short-term tactical work with tight deadlines. The agencies feel that clients need to create the right environment for collaboration across agencies to develop and to pay them fairly. The report found that clients saw things quite differently. The clients accuse agencies of having a narrow perspective and not understanding the bigger picture of customer engagement across numerous touch points. The study concludes by identifying some key areas for integration to work: define the collaborative working model, establish clear accountability and performance measurement, create fair reward models and payment structures (Thomas, 2015).

Some of the challenges that IMC create for client/agency relationships were identified in the academic literature more than fifteen years ago. Gould *et al.* (1999) proposed that for the relationship to achieve maximum integration it needed to go further than the traditional agency/client contractual agreement, as proposed by the agency theory, where the client is in control and specifies the services required from the agency. The agency theory is based on the idea that the client and the agency are more interested in their own individual goals than each other’s and therefore the client needs to monitor the agency to ensure that they are working on the client’s behalf before any trust can exist (Bergen, Dutta and Walker, Jr., 1992; Davies and Prince, 2011). Gould *et al.* (1999) stated that a more inter-organisational approach is required where the relationship is seen as a business alliance based on trust and commitment and that a greater degree of integration would be achieved if there was a high level of collaboration and sharing of information. The importance of trust and commitment and its positive impact on performance has been identified by other scholars (Duhan and Sandvik, 2009) and is identified by the industry as presently lacking (Child, 2012). This idea of business alliance is reinforced by Beverland *et al.* (2013) who proposed that agencies needed to be proactive which meant taking initiative, looking for new opportunities and thinking strategically rather than just following instructions.

The requirement for cooperation and team working is also challenged by the power that each party has over the other. The social power theory suggests that the partner who has most power over the other partner will also have more influence (French and Raven, 1959 cited by Waller *et al.*, 2010). In the case of clients and agencies the clients have power in terms of reward i.e. payment for services and therefore some influence is expected. However the agency has the expert power in that they have knowledge or skills that the client does not have and this may result in a reduction in the client's influence. This power struggle may be a reason for some of the challenges that this relationship is presently facing. If clients feel that they are able to make decisions based on the large amount of behavioural data that is now available to them, then this may lead to a shift in the power that each party has. Traditionally agencies have always been valued for their creativity and this is still recognised as one of the main ingredients clients look for when selecting agencies, although strategic thinking is also a requirement (Turnbull and Wheeler, 2014). Interestingly, a study on mental models of creativity in advertising agencies by Nyilasy *et al.* (2013) found that agencies perceived strategy and creativity as two completely different constructs, demanding different skills and involving different people. This may therefore be another issue that is causing problems in terms of clients' expectations of their agencies.

This discussion has identified some of the issues that are challenging the client/agency relationship due the need for more integration and collaboration. Evidence of these issues and differences in perception were explored in the following research.

## Methodology

An inductive interpretivist approach was adopted for this study. Qualitative data that was generated for a different research project was analysed, adopting an iterative thematic analysis approach so that themes could emerge organically from the data (Bryman and Bell, 2015). The text was generated from a Delphi study conducted to explore the thoughts of the industry as a whole, on some of the challenges that they face in creating integrated marketing communication solutions. Six questions were asked in the Delphi study on the issues of collaboration, remuneration systems, staff mobility, POE media, and the influence of the marketing function.

The purpose of this paper was to examine the raw qualitative data stimulated by the first wave of the Delphi study and to explore whether the information given by the clients and the agencies provided support for this widening gap of understanding that the literature describes. This was achieved by uploading the data into NVivo and identifying the main themes and language used by both agencies and clients, and making a comparison between them. These themes were not taken from the questions being asked, but emerged inductively from the data itself. For example, the issue of bringing work in-house was never addressed in the Delphi questions but became evident after reading and re-reading the data and creating higher and lower order coding. The NVivo tools of word frequency and word search were also used to reveal any significant topics and differences in emphasis between clients and agencies.

Because of the expert knowledge required to participate in the Delphi study, a purposive sampling approach was adopted, with suitable people being identified and directly contacted (Wakefield and Watson, 2014). The researchers identified people within their professional network who were recognised experts on IMC in the marketing communications industry and had the necessary experience (i.e. over 10 years), seniority (i.e. senior management) and

knowledge to contribute fully to the debate. A quota sampling technique was also adopted to ensure a good mix of voices from both the client and the agency side of the industry. 29 invitations were sent out to those identified on the list. Of the 29 invitations, 26 agreed to take part and 17 respondents completed all stages of the study; 10 agencies and 7 clients. The Linked In data of the respondents demonstrates the following profile for the sample: seven CEO/'Head of'/MD, eight Global Director and two Partners. Although this is a reasonable number for a qualitative study, it is a limitation in terms of generalisation of findings.

## Findings

Four main themes on the challenges facing the client/agency relationship emerged from the qualitative data analysis: the ownership of the consumer journey, the strategic role of agencies, agency responsibility for allocating tasks, and agency specialisation. Each of these findings will now be discussed.

### Ownership of the customer journey

The participants recognised that clients now have the responsibility and the tools to identify, monitor and develop all the touch points that exist between the brand and the customer, which includes the three stages of pre-purchase, purchase and post-purchase. The issues to be faced are therefore no longer seen to be about advertising or even about Marketing, but encompass the whole organisation. There is a stronger acknowledgement of this from the clients than from the agencies.

*True Integration of communications to customers needs to be business wide as usually marketing only owns a small number of the customer touch points with the business. (agency)*

*Communication is no longer the preserve of the marketing function. (client)*

*Because of today's transparency, brand and communication responsibility is throughout the organisation (client)*

This acknowledgement is evidence that these clients are adopting a more IMC approach to their communications and are aware of all the various touch points through which an organisation communicates. Because of this involvement of many departments, it is implied that the client has more control over the customer relationship and is sharing data and information across the organisation. This puts the clients in a stronger position to make decisions, and results in the agency being less central to that decision-making process. Linked to this is the idea that clients are bringing more work in-house.

*In the past, agencies represented the whole view of customers; now clients should do it themselves, supported by single view database and powerful analytics & crm strategy. (client)*

*I see clients taking marketing/creative in-house more & more often, so a big agency challenge is to ensure that they can still compete. (client)*

Agencies are aware that this availability of data from different parts of the client organisation has shifted the power relationship between them, with clients not only making creative decisions but also media buying decisions without them. This is obviously of some concern.

*For clients, my recommendation is to limit in-house solutions because they limit the ability to innovate and to achieve the highest level of creativity. (agency)*

*And as automated media buying takes hold, clients are looking for ways to pull that function in-house which will only challenge the integrated model again. (agency)*

#### The strategic role of agencies

There is a general acceptance from both agencies and clients that the role of agencies has to change. It is recognised that agencies need to become more strategic and ensure that they are having an influence across the organisation and are included in the top table discussion. This is of more concern to the agencies than the clients.

*By offering strong strategic support and great understanding of the clients' businesses, we can support the marketing people and regain the trust as partners at a higher level. There is no room anymore for agency people – not account or creatives – to just talk. They have to be strategic – both from a business perspective and a consumer behaviour perspective. (agency)*

*So influence across the business and not just in marketing is vital to integrated thinking if agencies want to go below the surface of a business and affect/improve the actual fabric of it. (agency)*

#### Responsibility for allocating tasks

The topic that displayed the most disparity between clients and agencies was the role that clients should take in assisting agencies to work together. The agencies feel strongly that clients need to take more responsibility in providing clarity and support in getting their agencies to collaborate in an integrated manner. There is no acknowledgement of this responsibility in the clients' comments.

*Clients need to take responsibility for defining roles and responsibilities for all agencies involved. And it also helps if they agree rules of engagement between the agencies and their teams. (agency)*

*Clients need to take full responsibility for integration and build open and transparent communication / collaboration processes between agencies. (agency)*

*Ultimate authority/lead and creator of rules of engagement – and division of responsibilities depending upon the model they adopt e.g. client as lead or agency as lead (agency).*

#### Agency specialisation

The way that clients organise their agencies and expect them to operate together for the client's benefit is clearly not working. This is difficult because as soon as various tasks are allocated to agencies then the idea of media neutrality and collaboration can be lost. But it seems that, in reality, clients are expecting too much and need to play a much more active role in providing support and clear guidelines. An undercurrent of discontent linked to difficulties in agencies collaborating is the division of jobs and specialisation. Many agencies are competing for work and putting themselves forward for as much of the campaign as possible, even if that area is not necessarily where their strengths lie. This approach is understandable from a financial perspective but is annoying for both clients and specialised agencies, and is causing issues in terms of trust and collaboration.

*Many agencies are now delivering a ‘big idea’ and then demonstrating how this could be executed in multiple channels. This however can be costly as then the client tends to have specific ideas executed by specialist agencies. (agency)*

*Agencies who try and do it all and manage to do it well are few and far between, so a multi-agency team would be what I would favour as long as the ways of working were instigated to support it. (agency)*

*A simple rule of thumb of remembering no one agency is best at everything, and nothing in life is free (like when media agencies offer ‘free’ PR or social media support,) will help clients reach the right decision. (agency)*

This discussion goes to the heart of the collaboration debate. Agencies are being encouraged to cooperate but can see work, and therefore payment, being allocated to other agencies, even if it is based on their creative input. Such action is encouraging agencies to keep hold of work, and present themselves as capable of doing parts of the campaign that are not their specialism. If clients want agencies to work together, a fair remuneration system is vital, with awards for collaboration to encourage the sharing of ideas instead of competing.

### Discussion and Conclusion

The findings indicate that clients are adopting a more IMC approach to their communications and attempting to create consistency across the various touch points that make up the customer experience (Kliatchko and Schulz, 2015). This fundamental change to communications is causing tension between agencies and clients because more departments are involved with the process and, with the use of behavioural data, clients are making more decisions in-house without the agency input. This is evidence of a shift of social power from the agencies to the clients (Waller et al., 2010), with agencies stepping back into a more traditional agency relationship where the client is in control and the agency is seen as a supplier rather than business alliance, an alliance that Gould *et al* (1999) identified was necessary for integration to be achieved. Trust seems to have been lost along the way, which has been identified by both sides of the industry as a key component (Child, 2012).

Clients are criticising agencies for not being strategic thinking but are perhaps guilty of not providing that opportunity to them. One possible reason for this is that the Marketing department itself is having less influence over the decision-making process, with evidence that many of these important decisions are now being made at C-level because they have implications for the whole organisation (Kliatchko and Schultz, 2015). The strong relationship that the agency staff may have had with the marketing manager is not replicated at the higher level.

One of the strongest messages coming from the findings is that agencies are finding it difficult to work together, and that if clients wish to achieve collaboration across their agencies they need to be much more proactive in this area. This links up with the findings of Thomas (2015) for the need for clear collaborative models which include fair performance measures. At the moment agencies are feeling vulnerable and still fighting between themselves for work. That will not end until clients create models that enable agencies to feel secure and able to create positive and constructive relationships with each other, based on trust and a common goal.

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