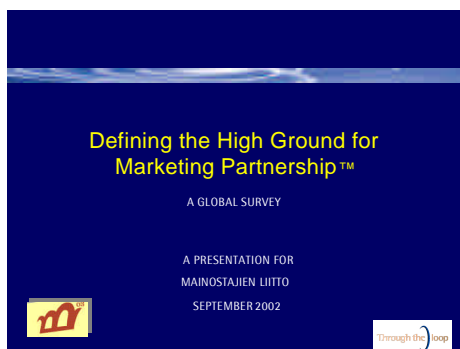
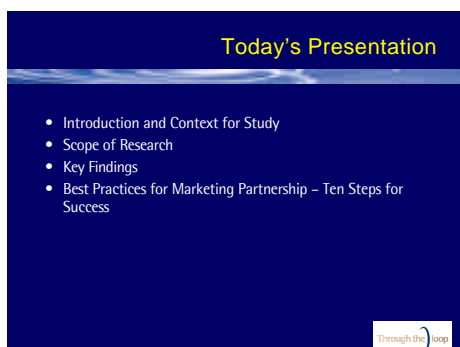


Defining the High Ground for Marketing Partnership™

Congress of the Association of Finnish Advertisers
5 September 2002, Helsinki, Finland



It's a pleasure to be with you in Helsinki. As we've heard during the course of today, the territory of marketing partnership is changing significantly. This has several underlying causes, however, it is apparent that both marketers and their marketing services partners will need to shift to a new stage of development in their relationships. Our survey is global – but we believe that its implications are just as true for the Finnish market as elsewhere, as I hope that you will come to see.



Let's set a brief introduction and then look at the context for the study. It is necessary to make sure that we are all 'singing from the same song sheet', irrespective of whether we are involved in fast moving consumer goods or business to business. The marketing environment has seen some substantial shifts over the last year due to several specific forces of change.

Scope of the Research

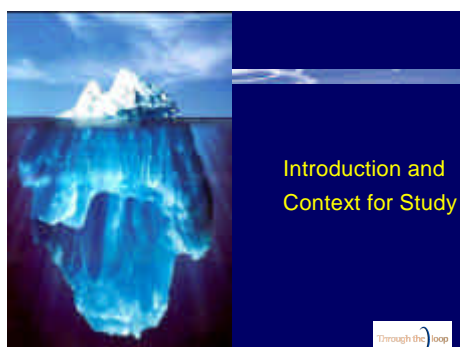
The scope of the research will be outlined together with a master list of the topics.

Key Findings

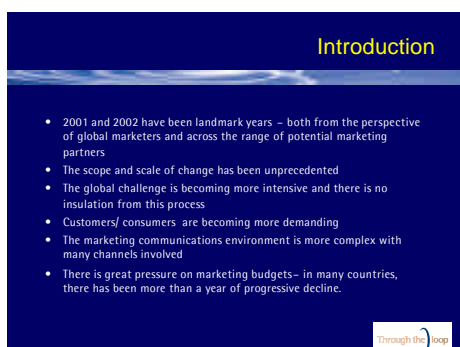
Here we get into the core of the presentation and the issues/ topics forming the content of discussions between marketers and their marketing partners.

Best Practices

We derive ten best practices for marketing partnership to be really effective.



It is apparent that an iceberg is an appropriate analogy for the study, as what is seen on the top of the water does not remotely represent the shape of what is below.



Introduction

- 2001 and 2002 have been landmark years – both from the perspective of global marketers and across the range of potential marketing partners
- The scope and scale of change has been unprecedented
- The global challenge is becoming more intensive and there is no insulation from this process
- Customers/ consumers are becoming more demanding
- The marketing communications environment is more complex with many channels involved
- There is great pressure on marketing budgets– in many countries, there has been more than a year of progressive decline.

Through the Loop

Some are already talking about last twelve to eighteen months as most disturbing and confusing for business since the disintegration of the communist bloc at the end of the eighties and beginning of the nineties. These genuinely have been landmark years where the scope and scale of change have been unprecedented.

The issue of globalisation has become more complex as marketers search for genuine brand differentiation. There is no insulation from globalisation and marketers are very aware of the need for operational speed and flexibility. Many of them that we spoke to, now believe that they have more knowledge than their marketing partners in this area. Learning from the world rather than transplanting a corporate model will be part of the way forward.

Consumers/ customers are universally more demanding – there has been a raising of the bar and communicating directly has become a larger challenge, too, as channels become more diverse and individual at the same time.

The marketing communications environment is multi-faceted and the requirement is to leverage the brand through any channel that communicates. It does not matter whether the medium is outdoor, street media, tee-shirts, customer magazines, inserts, the web, print or television – the key is efficiency and effectiveness through all of the relevant channels. Coherent brand integration is seen as one of the most urgent strategic marketing issues.

And finally, there is significant pressure on marketing budgets as we enter a tighter business and marketing cycle. By the end of this year, Europe's five largest economies will have shed 8% of their 2000 advertising volumes in real terms and will have done well to replace 5% of this by 2004. The net impact of this is clear.

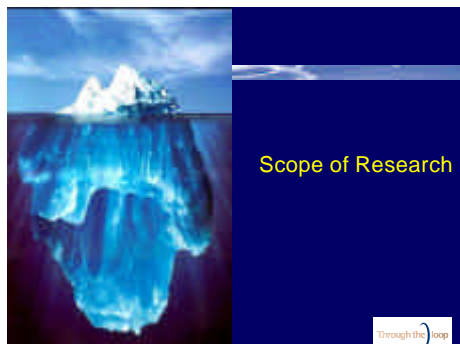


It is little wonder that we get to read headlines like the following:

- Ad men face a brand new game or.....
- Cut to size by specialist rivals.
- Ad market shows little sign of shaking slump.

The marketing environment is inherently tougher and both marketers and their partners are facing structural changes in the way that they do business. As a result, we thought it important to assess their views at a time of immense industry change. This is not about 'knocking' or criticising marketing partners – it is about how the relationships can be made more productive.

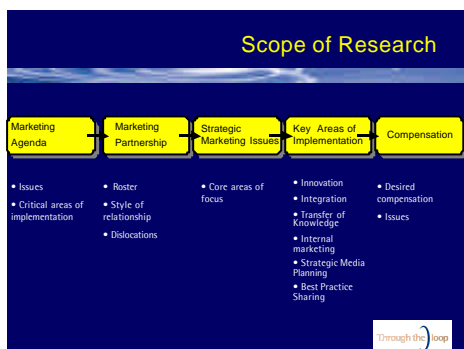
Let's come to how we set up the research.



We interviewed over 50 senior global and regional marketing executives in the US, Europe and Asia. Respondents included Chief Marketing Officers, Marketing Directors, Brand Directors and Communications Directors.

We also interviewed senior staff from marketing service partners including global, regional and head of country executives. These included marketing communications agencies, brand and corporate id consultants and so on.

Interviews were conducted by telephone and were around 30-40 minutes in length. There were two phases of interviewing but the majority were completed during February to April 2002. The scope of the interview was wide and respondents were sent the questionnaire in advance. Many of the interviewees were candid about their marketing partner relationships, successes and failures in delivery and shortcomings from both perspectives.



The topics covered during the discussion included the respective marketing agendas (on the left of this chart), the range of marketing partnerships and the style, strategic marketing issues, key areas of implementation such as innovation, integration, internal marketing and finally compensation issues. The areas that I wish to focus on today include partnership style, some of the strategic marketing issues, some areas of implementation and compensation issues.



There were clear best of breed companies within the sample as you can see.



Now let's get into some of the material from the survey.

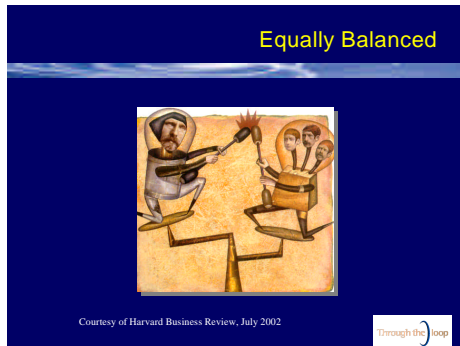


A relationship is a curious thing. There are all kinds of expectations and anticipations, and some relationships are definitely more equal than others. Here we review some possible stereotypes and some of the outcomes for marketing partnerships.

As we all know, a relationship is the founding stone of a partnership. A relationship is a connection/ association between two people and on very good days, an emotional association between two people.

However, relationships can have a variety of different weights.

There are those where the relationship is one of



equals such as the following.

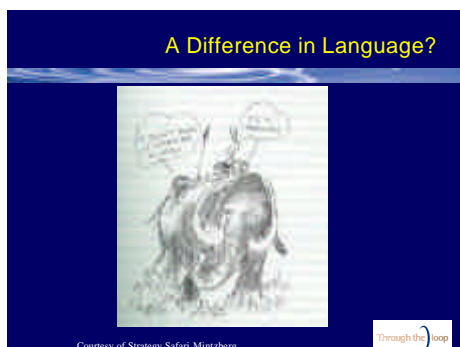
The two parties can discuss, debate and on occasion fight equally, as they are balanced in stature. There is another type of relationship where there is only a dominant partner, as you can see here.



Any relationship with this partner would not be described as comfortable at all and partnership is less likely to result in any circumstances.



For marketers and their partners, it is a truism that relationships can either work well or badly. There are some good relationships but they seem to be rare. Deteriorating relationships are often caused by delivery not meeting expectations, a lack of trust (often caused by compensation or invoicing issues and even.....



In terms of the language used by both parties as shown here. One warrior is saying to the other – I did not think it would be so woolly and the other retorts that he did not think it would be so mammoth. The net of this difference in language is a dislocation, or even a series of dislocations in the marketing partner relationship. Some of these can be seen in the following:

Global Marketers' Perspective

- A lack of senior level contact
- A deterioration in the strategic partnership role
- A need to be challenged by the agency (in terms of strategic thinking)
- The lack of consistency in agencies' global presence
- Some marketing partners are hindered by conservative business practices
- Sometimes arrogant

"SOME OF OUR AGENCIES
TREAT OUR BUSINESS AS A
BIRTHRIGHT" US

Through the loop

Many marketers commented on:

- Their agency partners seem unable to sustain senior level contact.
- There was deterioration in the strategic partnership role.
- A need to be challenged by the agency (in terms of strategic thinking).
- The lack of consistency in agencies' global presence was a stumbling block for some.
- Marketing partners, especially ad agencies, were hindered by conservative business practices.
- The worst criticism was possible arrogance as seen here in 'some of our agencies treat our business as a birthright.'

Marketing Partners' Perspective

- Clients provoke dislocation through a lack of clarity about success
- There is no real negotiation on remuneration
- The downward pressure on margins has an impact on agency relationships and resourcing
- Client structure in silos prevents the process of integration
- The task of managing an increasingly limited talent pool is substantial

Through the loop

Naturally there are two sides to every coin.....
From the perspective of the marketing partners, we found that they feel that:

- Clients provoke dislocation through a lack of clarity about what constitutes success.
- There is no real negotiation on remuneration – for some this means any.
- Downward pressure on margins has an impact on agency relationships and resourcing.
- Client structure in silos impedes integration.
- There was little understanding that the task of managing an increasingly limited talent pool was substantial.

Dislocations Need to be Managed

- The most dramatic solution was firing all the partners on the roster and rebuilding. However.....
- Most interviewees anticipated little change in their rosters over the next twelve months – more risk adverse
- Some had reduced to focus on more added value relationships
- Marketing partnerships need to be nurtured

"THE MAGIC DIES, IT IS A
HUMAN THING"

UK

Through the loop

See what I mean about the language of the parties involved!

There is no doubt that the common view from marketing partners is that dislocations have to be managed and the most extreme point is firing the entire roster and starting again! This is an expensive process and the learning curve starts all over again – the objective of moving to a more productive relationship disappears.

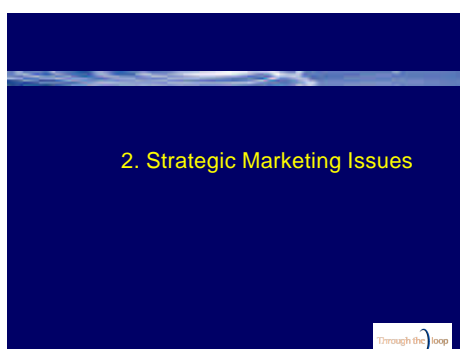
The good news is that most interviewees

anticipated little change in their rosters over the next twelve months – actually they are becoming more risk adverse.

One of the interesting pointers is that almost no marketing organisation was immune from criticism. It was said about marketing agencies that "they were struggling in implementation." Management consultants also came in for harsh criticism – some marketers said that they were now treating them the same way as advertising agencies. As a result, marketers have now decided to focus on fewer but more added value relationships.

It should be pointed out that there is a need to nurture marketing partnerships because as one of our respondents rather poignantly commented "the magic dies – it is a human thing."

It is clear that there are some strategic marketing issues which need to be faced by both parties. Marketing has to be productive to be effective.



- Strategic visioning
- Development of central marketing processes
- Developing toolkits and appropriate benchmarks
- The need for a bridge between global and local operations.
- Enhancing internal and external marketing integration efforts
- The challenge of brand re-engineering

From our discussions with these senior marketers, it is apparent that there are some core marketing issues which require investment and focus. Global marketers expect to address a wide range of issues/ opportunities with their partners. These include the following:

Strategic visioning (and thinking)

This is one of the key areas where marketers need to be stretched and challenged. Knowledge as we come to see is prized.

The development of central marketing processes

This reflects the need to be able to learn from new countries and enrich the core strategy. There seems often to be little empowerment to do this.

Developing toolkits and appropriate benchmarks

The need to strengthen toolkits and set appropriate benchmarks. It is recognised that many marketers are unable to benchmark their own processes against a wide set of industries.

The need for a bridge between global and local operations

There is often no mediator or facilitator other than a marketing partner.

Enhancing internal and external marketing integration efforts

More effective marketing results from the internal and external alignment of the brand – true integration. Sometimes marketing partners have to help drive these processes.

And ultimately the challenge of brand re-engineering.

The ultimate challenge is keeping the brand fresh and vital. The marketing partners' well-spring of knowledge is an immense asset here. Now let's move onto...

Three key areas of implementation, innovation, marketing integration and internal marketing.



For many marketers, innovation is a major issue to drive the business forward and help improve profitability and margins. However, innovation processes are not an exact science as many of you will be aware. Involvement in innovation is a heady experience for both marketer and also the partner.

Marketers believe that there are some keys to boosting innovation processes:

These are:

- Strategic visioning.
- Superior consumer insight
- Using the best people.
- Transferring good ideas from location to location.
- The creation of assets to convert knowledge into action.

These prove to be a difficult combination to drive successfully.

Innovation

- Many marketers say that their partners do not address the issue of creativity as it relates to innovation.
- Indeed, there was a view that smaller partners were often more capable/ flexible in this regard.

NO, THEY ARE NOT PUSHING US. THEIR BRAND STRATEGIC CAPABILITY IS POOR"
US

"THE ABILITY TO CHALLENGE THINKING IS VIEWED AS AN UNCOMMON SKILL."
US

Through the Loop

The marketers' view of their partners is not very promising in this area – few partners have cracked genuine contributions to the innovation process. This seems to relate to the issue of breakthrough creativity and strategic capability. As you can see here:

"They are not pushing us, their brand strategic capability is poor"

Many marketers had a view that smaller partners were more capable and sometimes had the ability to act as agents provocateurs. This made them invaluable to the client concerned. As you can imagine, the views of the partners were somewhat different.

Innovation

- From the perspective of marketing partners, involvement in the process of innovation presents a series of challenges
- Quite often, this hits at the heart of the debate about compensation

"THERE IS INCREASING PRESSURE TO JUSTIFY REMUNERATION AND KEEP PROFIT. THE CHALLENGE IS TO REDEFINE VALUE IN THE CONTEXT OF CLIENTS AND THE MARKET."
UK

"CLIENTS ARE RELYING ON US MORE BUT PAY US LESS. WE ALL HAVE TO WORK ON PAPER THIN MARGINS"
UK

Through the Loop

For marketing partners, involvement in innovation hits at the heart of the debate about remuneration. How to get adequate reward for effort and deliver value to the client. As you see, the challenge is to redefine value in the context of clients and the market.

Innovation

- Some are recognising that they need to invest more in R&D – and develop new ways of thinking across every single discipline.

"NEW TOOLS AND TACTICS"
UK

"A NEED TO LOOK AT A CATEGORY WITH COMPLETELY NEW EYES."
JAPAN

- There is a recognition of the anarchic nature of innovation – but some sense of going to sleep on the watch.

Through the Loop

While clients are invoking strategic visioning, consumer insight etc. , marketing partners also recognise that they need to invest in new ways of thinking across every single discipline and in new tools and tactics. While partners recognise the anarchic view of innovation, there is some sense that some of them, have gone to 'sleep on the watch.' One partner, a global marketing communications agency, admitted that "we have been immensely complacent as an

Marketing Integration

- Marketers are looking to deliver more in the area of integration in 2002/ 2003. Some see this as a major opportunity for their organisations
 - Continued perception of budget tightness
 - Existing pressure on cross-channel teams to deliver
 - A need to generate more productivity through fewer contact points
- Many have now put appropriate tools in place such as powerful databases and marketing mix analyses
- Others are looking to align their external and internal communications processes



Marketing Integration

- Many marketers feel that marketing integration can only be driven by the client but there was some recognition of client-side 'faults':
 - Lack of clarity in the brief
 - Intransigence to change
 - Individual organisational kingdoms
 - A generational bias was also noted
- Also frustrated by marketing partners' lack of success at bringing integration to life

"THE INDIVIDUAL DISCIPLINES HAVE GOOD PEOPLE BUT THE AGENCIES DO NOT HAVE INTEGRATED CHAMPIONS" FRANCE



Marketing Integration

- Other major criticisms included:
 - The use of old thinking processes and communications models
 - Having to deal with multiple contact points
 - Trying to divide the cake rather than optimise across the channels
 - Sometimes a lack of interest beyond advertising
 - Agency fee structures were at fault
 - Integration is not just traditional media.

"HOLDING COMPANIES ACQUIRE WITH LITTLE THOUGHT ON HOW TO DELIVER. THE BUSINESS HAS NOT MOVED ON" SWITZERLAND

"IT IS ALSO PDAS, DIGITAL TELEVISION ETC" FINLAND



industry." The next topic of discussion is marketing integration. Coherent brand integration is a strategic marketing issue for many.

Marketers see marketing integration as an opportunity for many of their organisations – the rationale includes budget tightness, exerting pressure on cross channel teams to deliver and a need to generate more productivity through fewer contact points. Now appropriate marketing tools are in place and some are looking to align their external and internal brand processes.

Some key obstacles. Some marketers criticise their own organisations in terms of implementation. These included comments such as lack of clarity in the brief, resistance to change etc. There was also a sense of frustration at the inability of marketing partners to bring integration to life as you see here ' the agencies do not have integrated champions.'

More specific criticisms about marketing partners include:

- the use of old thinking processes and communications models.
- Having to deal with multiple contact points.
- Trying to divide the cake rather than optimise across the channels.
- A lack of interest beyond advertising.
- Agency fee structures.
- Integration beyond traditional media.

Interestingly, we found that the larger marcom groups were often criticised because of the inability to deliver across the group – there were some notable exceptions – but they were rare. The difference in language continues. Marketing partners see marketing integration differently and there are many pretenders to take the lead role.

Marketing Integration

- Marketing partners see the territory of marketing integration differently and there are 'many pretenders' to the lead role
- Also their perspective is that there are few clients who are:
 - Empowered to do this.
 - Clients are not set up to buy (in different silos)
 - It needs the optimisation of client resources
- Critically, they see that it means less jobs for marketing people.

"IT IS LIKE PUSHING WATER UPHILL" UK



Marketing partners report that there are few clients who are empowered to take on board integration. Usually, the way that marketing budgets are structured does not allow a single purchase point or contact point for the agency. Overall, marketing integration needs the optimisation of client resources. As a result, this could mean smaller marketing departments. There is no doubt that there is a sense of frustration from both perspectives and there will be structural change in this regard for both parties.

Internal Marketing

- Internal marketing is a natural corollary to marketing integration –seen as needing extra care and attention to capture the emotions of skilled employees/ individuals
- Marketers recognise that internal marketing can generate additional business impetus
- Company culture now has to celebrate sharing knowledge and put in incentives and prizes
- This application of knowledge also has to apply to partners too

"THE BIGGEST DIFFICULTY IS GETTING INTERNALLY ORGANISED" FINLAND



For many global marketers, it is now necessary to capture the emotions of skilled employees in any organisation – and it follows that internal marketing is a natural corollary to marketing integration. It is a way of generating additional business impetus. Company culture has to prize the sharing of knowledge and this also needs to apply to partners. There is a lot of talk but not yet meaningful implementation in this area.

Internal Marketing

- Marketing partners are recognising that internal marketing is creating additional brand opportunities
- They are now looking for an appropriate constellation of services to offer


"INTERNAL COMMUNICATIONS ARE CREATING A HUGE AMOUNT OF INTEREST" UK

"THE ISSUE IS LIVING THE BRAND THROUGH R&D, HUMAN RESOURCES AND REPUTATION MANAGEMENT" UK



Naturally partners are also recognising that internal marketing will give them more opportunities and are rushing to respond to the need with a constellation/ network of services. There is no doubt that internal marketing is creating a huge amount of interest.

4. Compensation



Now let's progress onto the subject that excites the most emotions and is the most vexed issue of all between marketer and marketing partner.

Compensation

- The gulf is considerable
- There is a need to move to new models
- For marketers, the issues focus on:
 - Spending versus resource allocation
 - Linking fees to the quality of work
 - The balance between the aggregate and the subsidiary companies

"WANT THEM TO OFFER A FAIR DAY'S WORK FOR PAY" US

"MOST OF THE INDUSTRY IS OPERATING ON A MODEL 50-100 YEARS OLD - OFTEN GEARED AROUND ADVERTISING" UK



The gulf between the two parties is considerable and you will not be surprised to find that the language used is totally different. There is not a meeting of minds at this point.

For many marketers, there is a need to move to new models. For them, the issues focus on: spending vs resource allocation, linking fees to the quality of work and splitting the fee appropriately at holding company vs subsidiary level.

Some of the comments that we got were really quite strong such as 'want them to offer a fair day's work for pay.' And even, most of the industry is operating on a model of 50-100 years old. This is not a good basis for future discussions.

While some clients prove to be open in terms of compensation, many mentioned that there was a real need to de-link from media. They felt that there was a need to create a better perception of value against resource. Whatever the approach adopted, the primary criterion was to be focussed and simple, even if marketing metrics were used.

Compensation

- Some prove to be open to more innovative ways of compensation
- There still seems to be an unhealthy emphasis on media
- Marketing partners need to find a way to create a better perception of value (against resource)

"TRY AND USE MARKETING METRICS" FINLAND

"THERE IS A NEED TO BE FOCUSED AND SIMPLE" UK



For some partners who were able to be more flexible, innovative compensation schemes could become a competitive advantage.. eg. Success fees. However, there was an overwhelming feeling among marketing partners that there was no real negotiation on compensation. Perhaps 'relying on us more but paying us less.'

Compensation

- For some partners, more innovative compensation schemes prove to be a possible competitive advantage
- Sometimes, it was felt that there was no real negotiation on remuneration

"CLIENTS TALK ABOUT ADDRESSING STRATEGIC PARTNERSHIPS BUT THEY ARE NOT...CONSOLIDATION IS ABOUT DRIVING THE PRICE DOWN" US

"CLIENTS ARE RELYING ON US MORE BUT PAYING US LESS" UK



There was one area of absolute agreement among the marketing partners, this was the involvement of procurement or purchasing departments. It was felt that they were counter-productive and negative. Here the language becomes totally process-driven and distorted. "You get all the wrong answers....."

Compensation

- There was no doubt that the involvement of procurement and purchasing departments was often counter-productive and negative
- There is a need to be seen to be judged on results but the selection of metrics can be thorny

"YOU GET ALL THE WRONG ANSWERS AND THE FIX TAKES A LOT OF TIME AND MONEY TO GET RIGHT" UK

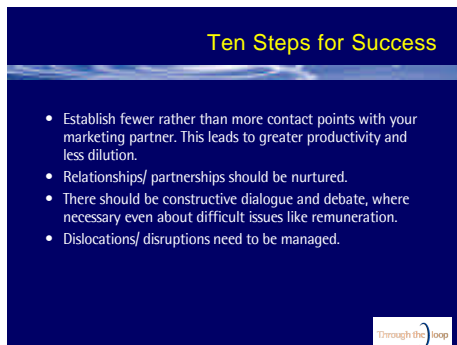
"WE NEED MORE SOPHISTICATED AND LITERATE CLIENTS" UK



However, many partners accepted the need to be judged on results but the final agreement over metrics was sometimes thorny.



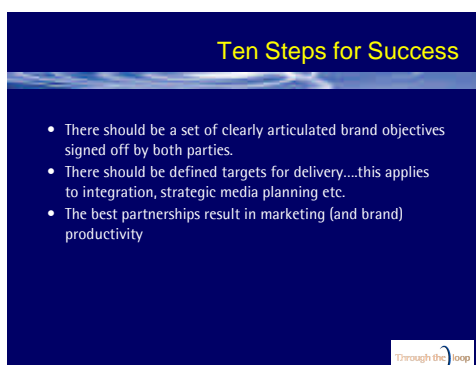
So let's try and wrap what we've learnt from the marketers and their partners. Defining the High Ground for Marketing Partnership represents the leading edge of marketing opinion across a wide range of strategic marketing issues. It is highly topical. We have distilled ten steps for marketing partnership success. Perhaps you might like to audit your own relationship against these. ...



- The construction of the team is critical. Establish relatively few points of contact between the marketer and partner. This leads to greater productivity.
- Relationships and partnerships should be nurtured.
- There should be constructive dialogue and debate where necessary. This includes difficult issues.



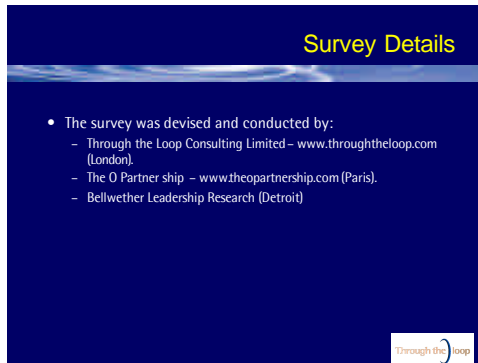
- Dislocations in the relationship need to be managed – both parties need to make an investment in this process.
- Look at the quality of remuneration from both perspectives. Is there fair reward?
- Marketing partners should look to improve the quality of strategic thinking on behalf of their clients. Good clients expect to be challenged.
- Creativity and knowledge should be prized assets and fostered within the relationship.



- This should go without saying – but there should be a set of clearly articulated brand objectives signed off by both parties. Where do you want the brand to go?
- Set up defined targets/ metrics for delivery.
- Ultimately the best partnerships result in marketing productivity.



You should be prepared to shift to a new stage of development for effective marketing partnership. Thank you and enjoy the rest of your day!



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