



# TRENDS IN AGENCY COMPENSATION

How Marketers Are Simplifying Agency  
Management and Seeking Transparency

**ANA**

IN PARTNERSHIP WITH  DEMAND METRIC



New research conducted with ANA marketer members has found use of labor-based fees and performance incentives have decreased as marketers look to simplify their agency compensation practices in an increasingly complex digital marketing landscape.

## Key Findings:

- 1 Fee-Based Compensation is losing momentum after years of growth.**
- 2 Performance Incentives usage declined significantly for the first time in survey history.**
- 3 Commission-based payments on the rise after nearing extinction.**
- 4 Value-based compensation rebounded as an alternative to traditional fees or commissions.**

# FOUR-STEP ACTION PLAN

for better alignment on agency compensation goals.



1

Collaborate to align incentives.

2

Establish transparency accountability.

3

Align compensation to business goals.

4

Conduct timely agency reviews using mutually understood criteria.

## 1

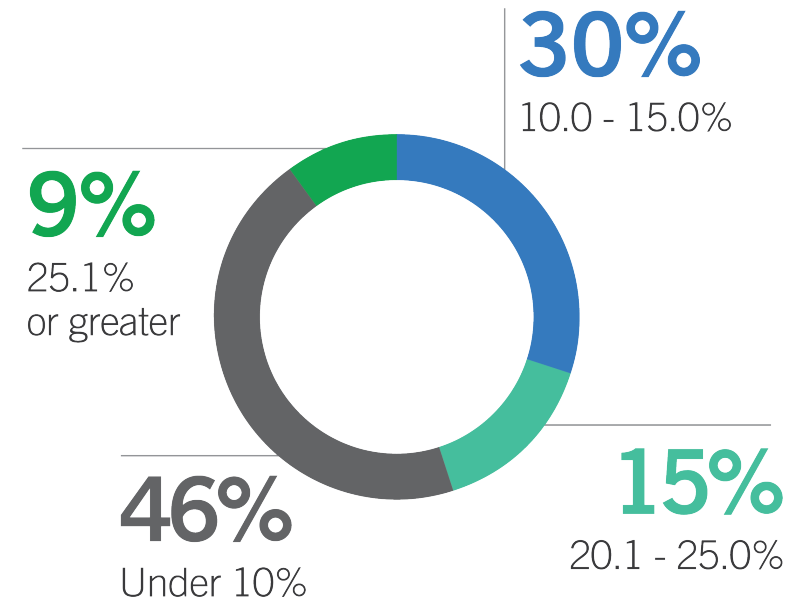
## Collaborate to Align Incentives

Marketers who use performance incentives should work closely with their agency partners to develop a plan that ensures both sides are aligned. Marketers should resist employing incentives if performance goals tied to the agency's contributions cannot be clearly determined, measured, and aligned with the agency.



### Results of Incentives on Agency Performance

Performance incentives average 13% of total agency compensation. The chart shows the percentage of agency spend on performance incentives across all marketing disciplines and agency types.



## 2

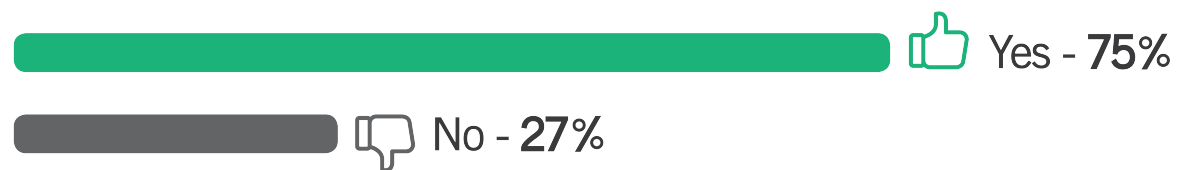
## Establish Transparency Accountability

Review the **ANA Media Transparency report** and ensure that there are contract terms around agency cost/revenue transparency, and rebates and discounts that are related to today's potential sources of agency media income. Of the study participants who were aware of the ANA Media Transparency report, almost three-quarters of them have discussed it with senior management, and almost half have changed their practices regarding agency rebates and bonuses.

### Effect of the ANA Media Transparency report



Have you reviewed and discussed the ANA/K2 Media Transparency Report with senior management?



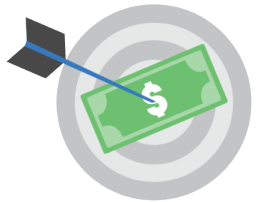
Has the practice of addressing agency rebates and bonuses changed within your organization based on the release of the ANA/K2 Media Transparency Report?



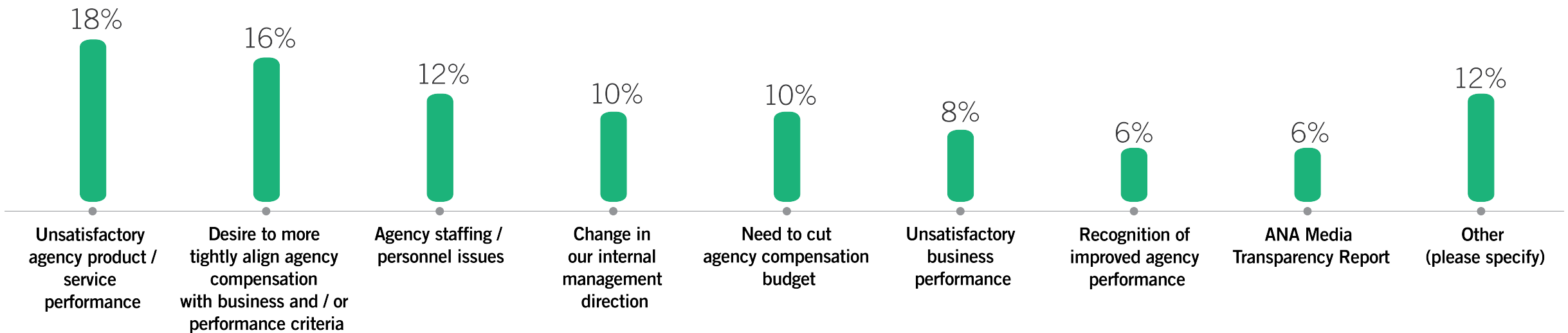
## 3

## Align Compensation to Business Goals

Given the complexity of today's marketing and media environment, marketers should revisit their methods of compensation across agency types to ensure that their business goals are being supported and not overly complicated. There is clearly not a one-size fits all approach to agency compensation.



## Reasons for Changing Compensation Approach



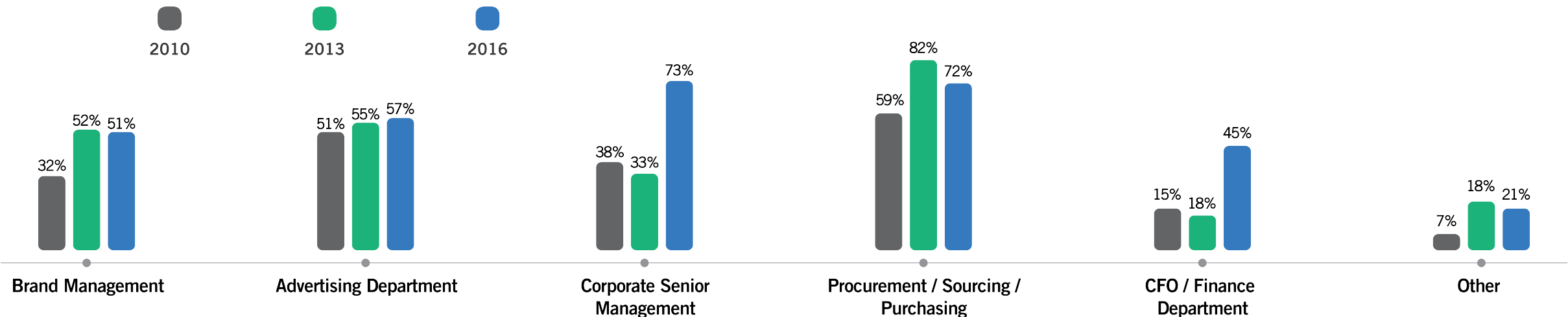
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## Conduct Timely Agency Reviews Using Mutually Understood Criteria

A key finding from the ANA's agency compensation research was that **corporate senior management involvement in the negotiation process more than doubled** while **finance involvement tripled** compared to the previous study. Given the cost pressures all marketers and agencies are facing from global competition and disruptive new technologies, it is not surprising that the review and negotiation of agency compensation has become a "team sport," with lots of invested parties.

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### Negotiation of Agency Compensation: Team Involvement





## **ANA Members can access additional resources to help get better aligned on agency compensation goals.**

### **Learn More About the Research Findings:**

- Watch an introductory video
- Read the research report
- Share an infographic with your teams

### **Benchmark and Improve Your Marketing Technology Strategy:**

- Use the Peer Benchmarks App to compare yourself to your peers
- Take the Capabilities Assessment to learn which areas you need to focus on to improve agency alignment
- Contact the Ask the Expert service to submit a question and receive relevant ANA content and resources for your specific challenges



All of the above can be found in the **ANA Marketer's Edge Solutions Set for Trends in Agency Compensation**: <http://ionlanding.demandmetric.com/agency-comp-solutions-set>