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Darren Woolley: The security of the agency traditional fee model makes it hard to change

By Jason Pollock | 3 September 2024 0 Comments

TrinityP3 founder and CEO Darren Woolley, an advocate for output-based fee structure for agencies, was "surprised" to hear that independent media agencies are open to the model.



Darren Woolley.

The Australian market, which he said normally favours innovation and new ways of thinking, is still largely stuck in producing work based on the size of a client's spend and time spent, instead of deliverables.

Woolley said that while there's not one fee model that suits every client - and TrinityP3 lists 11 different agency compensation models on its website - an output-based approach, which is costed on items the agency delivers, such as a television campaign, a radio commercial or a Facebook ad, often emerges as superior to others.

This includes an outcome-based model, where the deliverable is less tangible and instead related to commercial results, or an hourly-based model, which purely operates on time spent working on that client.

"Most clients and agencies are trying to find the easiest fee model, but not necessarily the best," Woolley said.

"The security of the traditional model is something that agencies don't want to abandon."

Woolley said one way that agencies can begin this process is pushing back on procurement teams who just want hourly-based models.

"The agency has to remember that it has all the power in a negotiation - but only if they are willing to walk away from a client who doesn't want to operate on their chosen model," he told AdNews.

Following his presentation at AdNews Sydney LIVE, where he said that "there is no future in selling time", a number of agencies said that they are either open to changing their charging models for clients or, in the case of Atomic 212, already using it in service areas where clients and procurement are familiar with that structure.

"If an output-based model was more common currency for media agencies to deliver media buying, I don't think you'd find any objection to it - however the buyer needs to be on the journey with this shift as well," said Atomic 212's national MD Rory Heffernan.

Others, such as Enigma's head of performance Chris Stobbs, said that it's evident adopting an output-based approach will make the industry more reliable and trustworthy.

"Output-based pitching ensures that agencies are fully aligned with client goals, creating a partnership focused on delivering measurable results," he said.

"This model is straightforward: we agree on the objectives, and we commit to delivering them. By tying compensation directly to outcomes, agencies are motivated to innovate and perform at their best, ultimately benefitting the client."

Woolley said that most agencies currently structure fee deals on production supervision and management, but a majority of clients moving production in-house threatens those profits as it reduces the total share of budget that an agency - which previously would've handled the production themselves - can receive.

The take-up of market mix modelling and artificial intelligence provides hope for the future though, according to Woolley, as greater oversight of the agency's contribution to a client opens up the possibility of moving from an output-based model to an outcome-based one.

"Shouldn't I be paying an agency to do more of what I want and less of what I don't want?" he told AdNews.

"We need to get marketers and procurement open to the idea that there is a better way."

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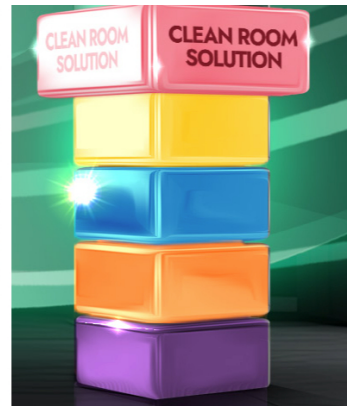
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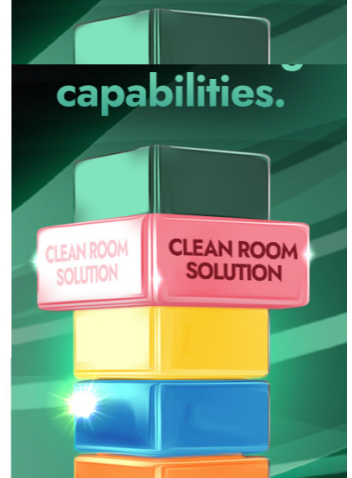
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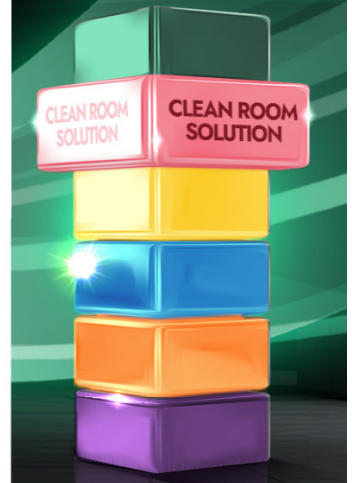
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