

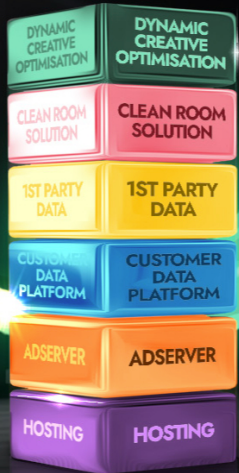
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Do clients really move for price?

By Ashley Regan | 4 November 2024 0 Comments

'Losers always lose on price' so goes the industry whine, but there are more factors at play that validates agencies' frustrations with cost-cutting clients.



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While global pitches are always said to be a race to the bottom, locally the sentiment is more mixed with some clients being known for wanting the cheapest option.

But plenty of other procurement teams are more heavily swayed on product, productivity, transformation or simply wanting something more exciting, industry professionals tell *AdNews*.

According to pitch doctors clients never chose an agency based on price - though pitch doctors tend to never work with cost-driven clients.

"If a process becomes too price-led, I tend to see the consultants become uncomfortable and they usually try to sway the client to avoid the topic," a media agency head of strategy told *AdNews*.

Since global companies have strong procurement teams, most times winning an international brand means an agency may not make profit on the account for a few years.

Particularly automotive manufacturers and European brands have a stereotype of old-fashioned behaviour choosing the lowest agency fees, sources told *AdNews*.

Local partners, on the other hand, can have a bit more flex on pricing because they typically do not have stringent accounting and procurement standards.

But even locally when the marketer has all the right intent, procurement can step in wanting agencies to lower their prices and nine times out of ten agencies will agree.

"Of course we agree, we would be stupid not to, because that's much cheaper than having to go to pitch again," a media agency head of strategy said.

"There have been occasions where we've won a pitch with the board, but at the eleventh hour another agency cuts a cheaper check and our conversations are null and void.

"I reckon there are many marketers that have the right intentions but the procurement people in the business limit their ability to realise their vision, potentially even the marketers are slightly embarrassed when the outcome is made because it's not what they wanted."

There are procurement teams that will always demand 10% less every year, every pitch, every interaction, Trinity P3 managing director Nathan Hodges told *AdNews*.

"Frankly we try not to work with those people and if we find we are, we try to warn everyone about what's coming," Hodges told *AdNews*.

"A great procurement team is a fantastic ally for the marketer, for the agency and the entire process. A terrible procurement team is the complete opposite."

One full-service agency CEO told *AdNews* they believe that inevitably all pitches become cost-led.

"Even if that means not lowering fees but for agencies to throw in extra services for the client at no cost to ensure their offer is more beneficial," the source said.

Procurement's motivation is all about creating value for the organisation they work for, so more often than not pitch doctors find that procurement departments are much more motivated to find ways to create commercial growth than to cut costs, Turntable managing partner Jen Davidson said.

"We only work with marketers that take a 'capability first' approach to their agency partners," Davidson told *AdNews*.

"Sometimes the agency with the strongest and most appropriate capabilities is the cheapest, but not often.

"They do, however, need to understand the evidence that connects capability, be it creative,

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media or strategic, to outcome and sometimes this requires time to help explain."

"The client moved for price!" that's what agencies say when they lose an account or don't win a pitch, Enth Degree partner Peter Coffey said.

"It's simple. Agencies win pitches due to a package of sound strategy, innovation and service. They lose clients when they deliver the sizzle and no steak!" Coffey told AdNews.

"When marketers and procurement are in lockstep regarding the pitch objectives, there will be no blocking of creativity.

"Procurement ensures an emotionally agnostic playing field... [their] involvement (particularly for companies with corporate, societal and shareholder responsibilities), is essential to ensure the process, outcome and service contracts align with company policy and objectives."

A media agency head of investment told AdNews pricing is like a hygiene factor.

"Getting to a sweet point on pricing is difficult, agencies need to get price to a competitive point, where it's more or less neutral with all your competition, to help remove the importance of pricing from client consideration," the source said.

"Then an agency will be evaluated on things beyond price and focus on other factors like talent, technology or strategy.

"You can't remove the importance of price completely, but you don't want price to be the determining factor for losing a pitch."

For many agency professionals it is frustrating that there is no industry-wide stance or minimum viable level for agency fees.

So the problem becomes agencies are only as strong as the weakest link.

For example, Hail Mary media offers, where agencies offer incredibly low costs and tend to be inaccurate, sets a bad standard across the industry and for media in general.

"There are some agencies that are incredibly desperate to win new business or keep a client and are prepared to throw the entire kitchen sink to find alternate financial value," a source said.

"So clients aren't to blame, we've done it to ourselves.

"If all agencies get a baseline of how low fees can go, no one would ever win a client and have a profitable problem generally speaking."

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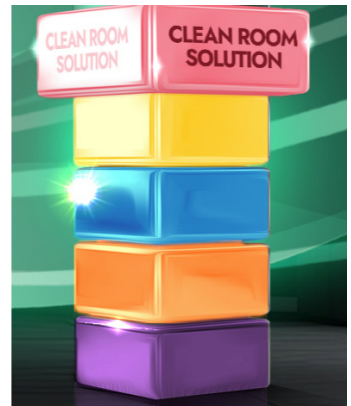
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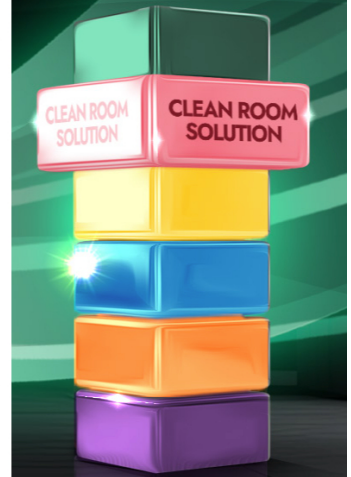
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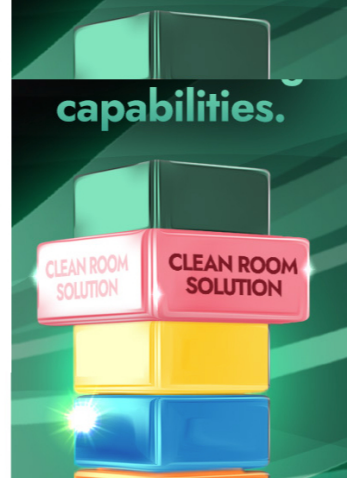
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