

ANALYSIS, ADVERTISING, MARKETING

Ravi Balakrishnan | 1 day ago

Australian agencies voice frustrations with pitch process: report

Australia-based agencies have highlighted some of the most frustrating aspects of canvassing for new business or defending existing clients in the latest edition of its State of the Pitch report from Trinity P3.



Worsening payment terms, unclear briefs and a lack of feedback and respect are among the key issues highlighted by agencies in the most recent edition of **The State of the Pitch in Australian advertising**, a report created by Trinity P3.

The report analysed 70 pitches between July and December 2024 via a survey among agencies in Australia.

A grim picture emerges from the report, reflected not just in the data but in the commentary surrounding the pitching process from professionals within agencies. Some of the broad trends that have come to the fore include a deterioration in the pitch process as it is taken over by less-experienced marketers; a tendency to favour agencies that offer more for less; and an uptick in marketers who are merely testing the waters under the guise of a pitch.

CEOs are increasingly becoming involved in the pitch process but rather than bring clarity, their engagement often elongates the process, causes uncertainty and in some cases, a reboot of the entire process given the differing visions of the chief executive and their marketing team.

A rise in local-global pitches often translates into needing approvals from regional or global leadership even for a strictly local marketing effort.

Among the most contentious issues highlighted by the report fall under the following heads:

A flawed remuneration process

Agency compensation has been fraught for a while now with project-based models stealing a lead on retainers. Hybrid models are also gaining ground, but the decks are often stacked against the agency at the very outset.

- Agencies have to contend with payment terms that could adversely impact liquidity

The report revealed that the number of pitches offering payment terms of 30 days or less fell by 85%. Payment terms of 90 days have increased by 74%. On the other hand, payment terms of 120 days or more have started to be introduced. This places a huge burden on the liquidity of agencies.

- Agencies could spend more than they earn through their first year on a business

Agencies typically spend between \$40,000 to \$150,000 just to participate in a pitch. In 87% of the pitches, there is no fee paid to the unsuccessful agencies to compensate them for their time and effort. The largest bracket of pitch fees stands at \$10,000 or less covering only a fraction of an agency's investment in the pitch process. Even if an agency ends up winning, Trinity P3 indicates that businesses are not being won on profitable terms since 70% of the estimated annual fees for the first year are between \$50,000 and \$1 million per year. With an industry accepted profit margin before tax of 15%, agencies will end up making \$7,500 and \$150,000 in EBIT in the first year. The outlay on pitches alone could wipe out this profit.



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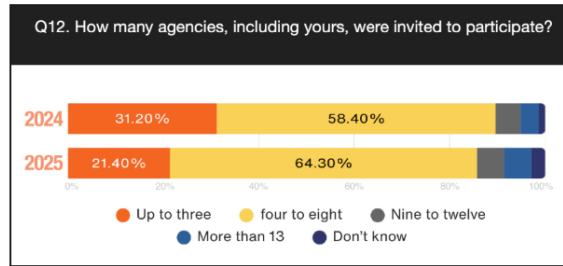
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A lack of respect for agencies involved in the pitch process

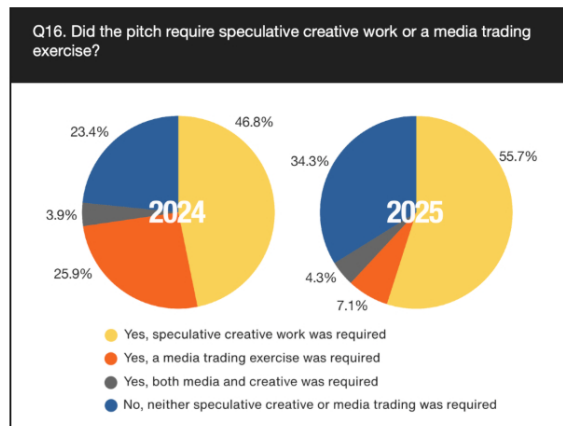
Lack of respect manifests in several ways but a common factor is the lack of soft skills.

- Too many agencies participating in a pitch



Particularly in the case of pitches initiated by tender, agencies flagged heightened competition as a key issue. The survey revealed that the number of pitches in which four to eight agencies were participating and pitches with over 13 shops in the fray, were on the rise.

- A rising demand for speculative work as part of the pitch

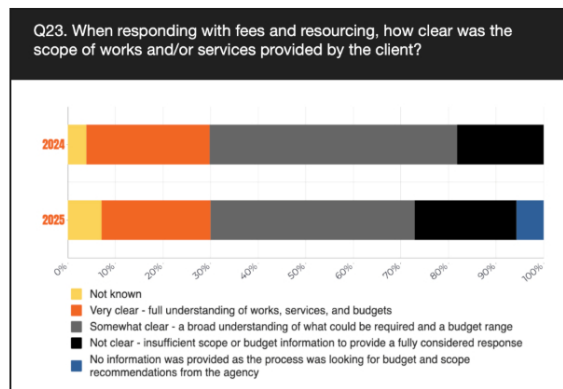


An increasing number of clients demanded speculative creative work, a media trading exercise, or both as part of a pitch. The practice places tremendous pressure on an agency, particularly since the outcome of the exercise remains uncertain. The number of clients who demanded neither creative nor media work stood at a mere 34.3%.

- A decline in communication on pitch outcomes and feedback

Reports on poor communication from marketers increased 31% from last year. Agencies that lost a pitch received little or no feedback, while winning agencies saw a 75% increase in lack of feedback.

- Lack of clarity on scope of work



For agencies participating in a pitch, an increasing number were faced with no clarity on the scope of work. There was also a rise in marketers who wanted budget and scope of work recommendations from the agencies being invited to pitch. Trinity P3 believed that the problem was clearly one of lack of experience which resulted in essential elements getting lost or dropped.

Source: *Campaign Asia*

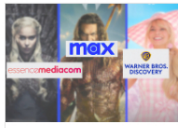
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