

AROUND THE TABLE

“I see more and more marketing agencies shifting to a performance-based pay system. Will this be standard practice for marketers in the future, and is it a good thing?” Judy Schilling, VIC



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■ I'm not so sure about the so-called 'shift'. We're already on performance based pay schemes for every client - if we don't perform they stop paying!

>>I welcome that shift. If an hour of an agency's time is useful, pay for it. If it's not, don't invite them back. That's the most practical and accountable law of the business jungle.

>>In our industry, the real shift is from 'flogging ad space' and prostituting our creative to creating mutually respectful partnerships where the whole is greater than the sum of the parts.

>>For too long agencies have set themselves apart and above clients in creative status and strategic thinking. The dinosaurs have hung on to the notion of making money from media and their creative continues to be used as the weapon to do this. We reject this approach and I believe the marketing world has too.

>>At Dare, we are paid handsomely by clients for as long as we are able to stimulate their thinking, inspire and add significant innovative value to their business. We end up working together for a common cause. There's no us and them. It's just us.

>>So called performance deals remind me of a time when clients struggled to keep their agencies honest.

>>At the end of the day, the shift should be towards agencies truly integrating into a client's organisation and sharing all resources. And sure, big ideas are worth big money. So ensure those who create the big ideas are paid big time, but strictly by the hour.

>>Simple as that. M



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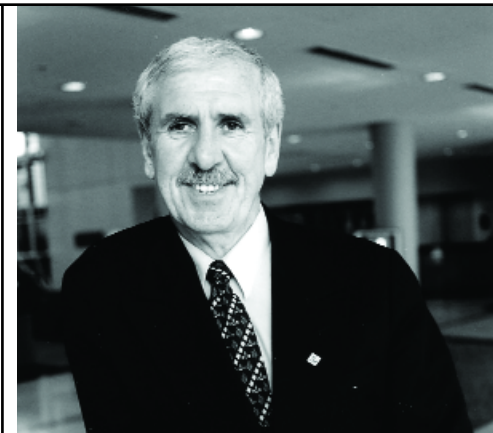
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■ I don't think a performance-based pay system will be standard for marketing agencies in the future, but I do think bonuses for exceeding targets may become more common.

>>There is definitely a strong movement in the industry toward accountability. However, as many elements involved with setting and exceeding realistic targets are out of the marketer's/advertiser's hands, it wouldn't make very good business sense to move solely to a performance-based pay system.

>>Campaigns can be drastically affected by such things as: the information in the brief, the prior relationship the business has had with the audience, as well as internal backend procedures such as customer service and system efficiency.

>>I think the bonus idea is great if it is formulated to benefit all parties. An example of this is where actual work done is paid for on the agreed head hour or retainer basis, but an incentive is used to motivate marketers to think beyond the brief and exceed defined targets. M



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■ Consultant accountability should be endorsed, without qualification.

>>Performance based remuneration can be applied, with considerable qualifications.

>>Negotiations on performance criteria and measures will, if nothing else, better determine and quantify what is expected of marketing and related strategies. That will be both a good and a new thing for some and an enhancement for others.

>>Unquestionably, consultants should be held responsible. A basic tenet of sound management practice is to have matching levels of responsibility and authority. Therefore, rewarding performance in sales and profits necessitates the consultants being delegated control over the sales team, merchandising practices, stock control and marketing budgets. Many great marketing campaigns have failed because of poor sales team performance.

>>That is a big ask for any client. Who would abdicate control and authority to a consultant?

>>Performance based remuneration can and has stifled creativity, originality and risk taking. The client and the public at large are inevitably the losers. Great image and lifestyle campaigns like those for Yellow Pages and Coca-Cola are emotional, subjective and difficult to quantify. Price oriented, discounted sales strategies can generate short-term increased sales and profits. But at what cost?

>>In conclusion, do consider performance-based remuneration. Clearly define the criteria and measures. That is a big gain. Then apply the concept selectively. M