SCOPING BETTER PUTS AGENCIES AT THE FOREFRONT OF THE MARKET

BEING ABLE TO PRESENT CLEAR, BALANCED SCOPES OF WORK INFORMED BY MARKET LEADING INSIGHTS HAS BECOME CRUCIAL FOR AGENCIES WANTING TO CREATE A WIN-WIN PARTNERSHIP WITH THEIR CLIENTS

Scoping better puts agencies at the forefront of the market

Extracts

- More and more agencies are feeling the pressure of intense competition across the market
- Statements of work – or scopes – are often subject to drift throughout projects, leading to difficulties in execution, and cost fluctuations
- Forward-looking market participants are looking to base pricing on costs, but looking for so much more insight to gain competitive advantage. Sourcing industry standards around quality and cost is helping to set agencies apart from their nearest rivals
- One organisation – with Scope - is offering just that, as well as attempting to pull the agency world into the professional, modern business climate, with leading process and support mechanisms

As it has grown in prominence, the agency world has produced excellent results in terms of deliverables, but fallen short when it comes down to working as businesses. Many have come to pitch clients based on what they think will prevail, rather than presenting grounded information. That's changing, however, with many waking up to the fact that their business models need to be much more structured. Here, we investigate how one organisation – with their Scope software - is making that possible.

Over the past few decades, competition has grown substantially in the busy creative agency and media world: more players have raised standards across the board, while clients – those commissioning campaigns – have set aside ever larger budgets in order to make ever more ambitious impressions on their respective markets. With the prize of a successful pitch becoming increasingly valuable, agencies have become more attentive not just to how they present their deliverables (what they do), but how they charge for those deliverables within the context of the wider market, and how well they will manage them throughout the process of the campaign. To make much of this work it is crucial that industry insights are at their foremost, and the various components of each item in each scope of work – or scope – is placed under the microscope.

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Price models and drift

The principles behind cost-based pricing are simple: price the various requirements for a project, tweak where necessary based on budget, and present to the client. The strategic and tactical benefits however, of a more robust deliverable based pricing approach are many: it can lead to strong differentiation, high levels of customer trust, a reduced likelihood of price wars, straightforward communication of a value proposition and predictable profits for the agency.

It may seem straightforward, but provides "radical transparency" on a long term basis, according to Utpal M Dholakia, professor of marketing at Rice University, by providing key insights for clients – and so building trust. Objectively, it

creates profits: Price Intelligently reports that a one percent improvement in price optimisation by using cost or deliverables based pricing results in an average increase of 11.1 percent in profits.

11.1% profits

This is significant in a time when margins are constantly reported to be cut. Large portions of the creative agency world still work on "what the client might pay", while many that do embrace the model, implement it badly. Failure is down to two

aspects: a reliance on unfit-for-purpose technology, or a lack of it and a lack of industry insight.

For those reasons, scopes are often created in the dark, or constructed anecdotally and unsystematically. Failure at this point in an agency's life cycle is the number one reason many agencies fail to make money – either missing out on the work or leaving cash on the table thanks to uninformed, inefficient scopes.

A further widespread issue for agencies is drift – or variances - as a project or contract develops.

"Throughout the year, as new business priorities emerge, additional work is added to the (statement of work)," according to a recent McKinsey report. "At the same time, work

that no longer needs to be done is completed anyway because it was part of the original SOW, creating unnecessary spending."

Being made aware early that variances have forced the workload – and so costs - to change materially can be crucial to bringing things back in line with the scope. While agility is important to deliver a client's changing requirements, so too is the need to control such a pivot.

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The solution

"95 percent of creative and media agencies produce their scopes of work in spreadsheets so there's a tools issue," says Tracey Shirtcliff, founder and CEO, Scope, by The Virtù Group. "Spreadsheets like Excel can be great tools except they are not designed to run multiple lines, or have version control, they don't allow multiple people to collaborate at once, they don't allow people in different locations – and it is normal for agencies to have multiple offices working on the same clients concurrently. Even in a single location it can normally be the case that you have several people sitting around in a room talking about what elements they might be working on but really struggling to add it all up," she says.

On top of that, creatives and campaigns – from websites to banners, television scenes or radio adverts – are often conceptualised as projects as a black art: many people become involved, a number of opinions become enmeshed, and scopes end up being priced and produced based purely on previous, unrelated, experiences, or worse, such as when management or a commercial team chooses a price based on what they believe the client is willing to pay. Clients no longer want to work that way.

"The brands want to work in a different, new way," says Shirtcliff. "Even as far back as

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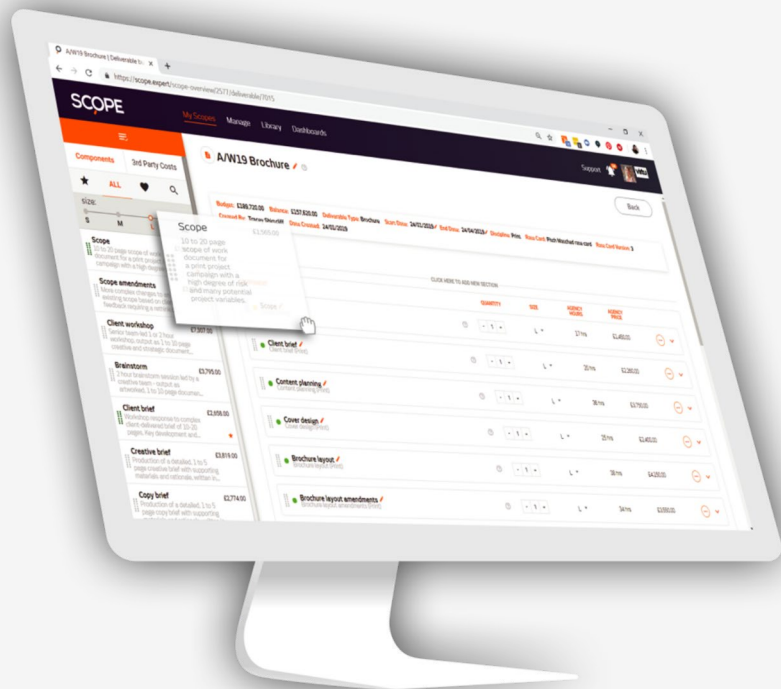
The solution

2015 organisations started to bring procurement people in just to get the marketing costs down. One of the largest undefined spends to a company is marketing and well known marketing brands themselves started to move to challenging different ways of pricing for their own efficiencies and better management."

Advertising and marketing budgets are often set aside into the multi millions – dedicated, planned campaigns requiring commitment, and of course return on investment (ROI). Different organisations will require different levels of ROI, and clarity around that success rate must be determined from the start. Project managing such a prerequisite based on several stakeholders' previous experience alone provides bias, inconsistency, and a lack of direction. This becomes especially convoluted and risky when the scope is produced in a spreadsheet or word processor as so much of the agency industry does.

Many creative executives will be familiar with the problem of hosting various versions of a file, passed around between different participants in a scope as it takes shape: version 3.4.5 becomes version 3.5.5_final, which becomes version 3.4.6, with changes made to each iteration unclear to each stakeholder. While confusion over corrected details between versions can be countless, they may well hide incorrect details – human error that free-entry spreadsheets and word processors are so well known for.

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Injecting clarity and direction

For Shirtcliff, the agency world needed Scope. It's a tool that helps teams and organisations build robust scopes based on industry benchmarks. Scopes that provide clarity, trust, and better services for their clients from the first moment of engagement. Collaboration is key, but Excel and/or email and Word make this impossible. It is wholly ineffective at this level of working.

Scope is based on dual strengths that rids a number of the problems agencies face when constructing the all-important pitch. Firstly, the system is based on predefined, flexible taxonomies to pull a scope together effectively and clearly, defining, presenting and managing a scope before and as it is put to the client. Secondly, and just as importantly, it allows agencies to compare the cost of project elements against a huge historical and up to date database of industry benchmarks. The result is clear, informed, and leading-edge documentation containing convincing arguments for client adoption.

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The system creates scopes based on a number of pillars. Deliverables, elements or items – each of the cost centres that will ultimately frame the scope – are systematically pre-populated in Scope's library and editable with clear insights into roles, resources and costs, for each individual involved (as rates) with a description for each. So instead of talking of the people involved, i.e. the input, you talk of things or outputs produced. So it's real and tangible. These are then pulled into a template, to produce an overall account of total hours and the price involved for a specific project. Each of the elements are editable, and can be produced in line with a single or multiple rate cards created by the agency.

The system lists a range of tasks – or components - associated with each deliverable, ensuring that no item function in the creation of a project is overlooked. For instance, a website build may contain a long list of components clients will need to know about early on that don't immediately spring to mind, in the example of a website: requirements definitions, user journeys, wireframes, amendments to those wireframes, a site map, amendments to the site map, a functional spec, a technical spec and content planning. These can then be aligned to different roles within the agency, hours required, and the agency's rate card.

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Defining the scope management process

> **It's about lifting the game for both parties: the marketing teams at the brand to know what they are buying and what they should be looking for, and the agency on how the industry is moving**

Not only does this remove the possibility of human error, pulling in "out-of-the-box" elements from Scope's library allows for consistency across different scopes, and makes it possible for a project to be built based on individual deliverables, fixed costs, a set number of campaigns, a central scope, or an engagement timeframe. They can be changed as needed but there is a consistent baseline, and that's the key.

With version control, the scope can be rolled back to previous versions to allow for edits as the deliverables are brought together and the pitch evolves. From there, a variety of scope requirements can be produced quickly based on editable templates – such as introductory documents, executive summary, background documents, terms and conditions and the full range of works required to pitch to the client.

"It's about the deliverables," says Shirtcliff. "The platform builds around rates and hours if you need it to. Nowhere else would we produce a product and not talk about what that is, and only talk about the producers. So why would we only talk of people and hours when we need to build something, it makes little sense."

Scoping is a process. Once scopes are built they flow to different stakeholders for approval before they go to the client. Different levels of visibility and approval privileges are granted to different collaborators, from master approvals to limited view settings – so they can be shared directly with the client for review and approval. From there, the client can assess what needs to be removed or added, to create the perfect product at enterprise level. When they are happy to proceed with the scope, the agency can send full briefs, schedule kickoff meetings and share insights through templated, branded documents that clearly set out expectations and the terms of their engagement.

As the project progresses, the client can monitor progress, and compare scopes by brand and region. This allows them to monitor across global networks and regional offices, providing transparency and communications as scopes are raised and perfected. Essentially, the client is presented with an interface to work with informed agencies across different offices that are interconnected, producing and tweaking scopes in real-time and with market insight. From there, Scope is compatible with project management systems such as Workfront, DocuSign and Smartsheet to monitor the flow of the deliverables.

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(Really) big data

A key benefit for those using Scope is in its data.

"We have been trying to understand - for pricing purposes - benchmarking our pricing relative to what the rest of the industry is charging," says Jason Bailis, COO, global markets, Oliver Agency, the multinational agency group that helps advertisers take marketing services in-house and on site.

"We know that we are terrific value for the money and we know that our prices are very low relative to our competitors anecdotally. But we also wanted to get that real data behind that and do some deep analysis," he says. It's a common problem for agencies aiming to diversify from the first point of contact with a client or potential client.

The system contains more than a decade's worth of records from over a thousand agencies, updated on a monthly and quarterly basis, on the industry benchmark prices for each component of work that makes up a project. With that type of clarity on how the industry approaches each crucial element to a creative project, an agency can adjust its rate cards on each deliverable, providing instant competitive edge through the clarity of the consideration of its costs.

"The fact that we are able to talk about real data using a very large data set that is collected by a very reputable source - and showing that data to our client allows us to have a negotiation based on solid data as opposed to just 'you say, he says, she says'. It is incredibly powerful," says Oliver's Bailis.

Bailis started with several project managers, his commercial team, and several Scope consultants, who extracted the data and analysed it against Oliver's. After digesting the variances, the company pulled the information they had brought together and presented it to their clients.

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"It helped to accelerate the conversations," he says. "It really allowed us to work off a set of data that everybody trusted and to make the point that we needed to make - that we were delivering the value for the price that we claimed, and that we were under the market to the extent that we had promised them."

Bailis says using Scope's data and platform to embrace deliverable-based pricing showed his clients that his team was looking to place themselves above the industry standard. It also helped align with the client on what should be paid in an efficient and trustworthy manner.

"It helped to bring that phase of the negotiation to a resolution very quickly which allowed us to move into 'ok so what do we do about that going forward'. It established a very good baseline for discussions on what the future rates should look like," says Bailis.

The process of working with Scope is simple yet highly effective: build campaigns using deliverables which are informed by leading edge protocols and pricing data, create sophisticated documents to present proposals to potential clients, and perfect from there. Creating clarity for the client and ensuring the industry is maximising profit is key to a project taking off quickly and with the greatest of efficiencies on both sides.

Fundamentally, utilising Scope's platform and data puts an agency at the forefront of the market by enabling them to construct scopes based on clear pricing principles. From there, the client can appropriately assign budgets and forward plan ROI expectations with as much foresight as possible. With increasingly large budgets set aside for marketing and advertising activities and the burden put on

marketing departments to perform, that's crucial. "It leads to talking to and educating marketing clients – not about roles and hours and people which given the size of the budgets set aside, can mean absolutely nothing," says Shirtcliff. "It educates them about what they are actually getting for their money and it also directly aligns back to return on investment. I know what a website will be, and I know the elements that make that up so I can measure ROI very quickly," she says.

"The client gets informed about the process and they get informed about what they are buying and what they are getting," she continues. "It's about lifting the game for both parties: the marketing teams at the brand to know what they are buying and what they should be looking for, and the agency on how the industry is moving," she says.

If you would like to contact The Virtù Group to hear more about Scope, visit www.scopebetter.com

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