

# Marketers are spending upward of \$1 million on agency reviews. Here's why.

Article

**The news:** The cost of agency reviews has been a topic of contention lately. A [study](#) by the American Association of Advertising Agencies (4A's), ANA, and Advertiser Perceptions finds

marketers are spending on average \$408,500 for agency searches and account reviews, a figure that drops slightly if the incumbent agency is involved.

- The data is quite revealing. The average total cost of a review for marketers and agencies (assuming three non-incumbent agencies participate) stands at **over \$1 million, increasing to \$1.2 million** if the current agency is included.
- Factors influencing the selection of an agency include reputation, which was cited as critical by 45% of procurement respondents, and performance, which half of the brand marketers indicated was the key reason for putting an account up for review.

**Are reviews worth it?** The process itself is lengthy and burdensome, with at least two months required when an incumbent agency is involved and more than three months for new agency selections.

- Reviews can cause declines in productivity, with disruptions in daily tasks and delays in new campaign launches reported by one-third of marketer respondents.

**What clients want:** The concern lies in the transparency, or rather the perceived lack thereof, in agency fee structures.

- Agencies often use a 'multiplier' method to charge their clients, which some marketers find opaque, leading to uncertainty about the real value being provided.
- The escalating costs are causing significant disruption in the brand-agency dynamic, leading some clients to reduce their business with less transparent agencies.

**Our take:** The rising costs and disruptions are no doubt a significant concern. However, it's crucial to view the issue in its broader context. Agencies are dealing with increased overheads after the "[Great Resignation](#)" led to a talent shortage and higher salaries. Higher costs have led agencies to [invest in AI capabilities](#) to defray their expenses, but savings (and productivity gains) may take time to be fully realized.

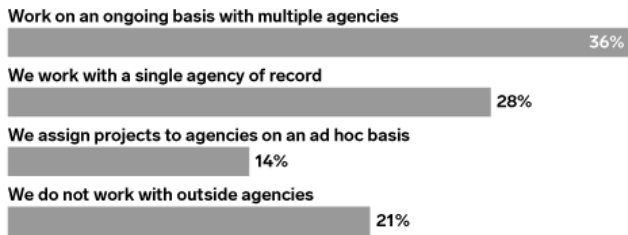
- Transparency remains a must: Agencies should strive to communicate their fees better and justify the costs to their clients.
- Given the high costs, the study suggests avoiding reviews unless absolutely necessary. Alternatives could include establishing an agency/client relationship management program.

- The multifaceted issues around agency reviews require collaborative solutions from clients and agencies to ensure beneficial relationships and positive outcomes.

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### How Brands Worldwide Work with Agencies, May 2022

% of respondents



Note: numbers may not add up to 100% due to rounding  
Source: Muck Rack, "The State of PR 2022," June 2, 2022

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