

# A fair price for good work

The best clients understand the increased need for high-quality comms during tough times

**A**s the unwelcome spectre of an economic downturn rears its ugly head after years of extraordinary growth, more and more people are asking me: 'How are you finding it?' That seems to me the wrong question. The right question is: 'What do clients need in this new environment and can you deliver it?'

The good news is that clients still need what we have always offered: very good people giving very good advice with a transparent pricing structure that represents clear value. So far, no client has said to me: 'Times are hard, I need you to take your best people off my account and get me someone cheaper.'

So I am bemused when I hear of agencies cutting their rates or doing something for nothing. Make no mistake: cost control is vital to surviving the next phase of the economic cycle, and agencies that do not have cost discipline will need to learn it quickly. But equally, agencies that try to compete on price alone will go to the wall.

In fact, the agency world has been changing for some time. As the function has matured, our clients have become increasingly professional - and many have agency backgrounds. It is true that some will try to drive down costs at any price, but the best clients will understand that a challenging economic environment in fact increases the need for high-quality communications. And the best clients will be prepared to have a frank conversation about fair pricing for work and fair rewards for performance - what they will rightly demand, however, is flexibility and transparency in pricing.

We have seen a long-term move to project fees. This can offer agencies opportunities to build specialisms and work widely across industries without running into conflict problems with clients who might object to sharing the same agency for longer-term relationships. For small, discrete tasks, or for



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commitment of the agencies they hire. The ability to develop a strong understanding of a client's business across a range of locations and provide a co-ordinated function requires a long-term relationship built on mutual respect for the importance of the challenge and the value of the solution.

'Success fees' also have their place in the pricing suite. In reality, these are risk-sharing arrangements that can drive a high degree of alignment between client and consultancy. To be effective, however, consultants must understand in detail the client's objectives and the barriers (both within and outside their control) to achieving them. By the same token, the client must understand what consultancies can achieve. And both sides must understand - and agree - how to price the risk they agree to share.

The final pricing model is the most perilous of all: discounting, or overservicing. Sometimes it is an appropriate model: in recognition of very high volumes of work, long-term contractual stability, or to develop a piece of business. Discounting is appropriate, in other words, where it represents real value elsewhere in a contract.

But discounting can be a dangerous strategy. Relationships in which clients do not respect the work enough to pay for it and agencies cannot price themselves properly are not sustainable: they devalue the work, demoralise the people and erode margins - setting an agency on a downward spiral.

The challenge for agencies in this environment is to ensure they are as good as they say they are; to attract, retain and develop the best people; and to make sure they win the clients they deserve. Charging a fair price for good people doing great work on challenging assignments is a sustainable agency model, whatever the weather.

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companies with excellent core comms capabilities in-house, this can be a highly effective model.

Equally, the retainer model still provides a level of commitment, knowledge and cultural alignment that can be critical in executing long-term, strategic or complex comms campaigns. Large global companies that need to project clear messages in several geographies in the face of multiple challenges rely heavily on the culture and

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