**Agency Best Practices: Project-Based Arrangements**

**4A’s Guidance Directive sponsored by the 4A’s Project Management, Finance and New Business Committees**

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Special thanks to content contributors ...

Margaret McInerny, Periscope

Andres Echenique, EMA

Laurie Coots, TBWA Worldwide

Mark Goldstein, BBDO

Dave Lubeck, Berstein-Rein.

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**I. EXECUTIVE SUMMARY**

***i. Project by Project (PxP) Relationships are on the rise.***

There has been a rise in the level of project assignments from marketers that is attributable to:

(1) the complexity of marketing, technology and the agency services landscape

(2) client pressure on scope management and cost control, and

(3) marketer uncertainty.

When marketers approach agencies with project opportunities the projects can be either outside of the standard Agency-of-Record retainer based relationship, or a stand-alone, one-off project. Project assignments can run the gamut from quick-turn brochures to cross-platform campaigns and everything in between.

***ii. Assessing the opportunity requires critical information and ruthless screening***

Whether it is a new client or a new project from an existing client, getting mission–critical information from the marketer upfront is necessary to ensure the success of the project. Agencies need to become adept at defining the potential project by getting all relevant details associated with the opportunity and then the agency must ruthlessly screen the assignment.

Prospecting for project work and knowing when and how to keep a project moving forward is HARD and knowing whether or when to up the ante on a project or alternatively to cut your losses and move on is REALLY HARD.

***iii. Structuring project assignments must include upfront planning and back-end execution***

Structuring PxP assignments with existing clients or prospective clients result in added burdens for an agency. Speculative strategy development, planning, and budget estimation is often required in advance of bidding on the execution of a project that requires agency resourcing for which the agency should be paid a consultative fee.

Pricing agency services in a project environment requires agreement on agency compensation for upfront planning, discovery and project estimation in addition to payment for back-end project execution.

***iv. Managing project assignments follows basic stages***

Project execution follows five basic stages:

**1. Planning—Critical Success Factors**

A project plan defines how the project will be executed, monitored and controlled. Whether your agency’s project plan takes the form of a simple PowerPoint document or a more detailed formal planning tool such as a Gantt chart, a comprehensive plan will involve analyzing the project from a number of perspectives including stakeholder needs, timing and budget factors, risk assessment and deliverables specifications.

The planning process should include a project kickoff meeting. The focus of the kickoff meeting is to review all aspects of the project plan and ensure that each member of the project team clearly understands their roles and responsibilities. Special attention should be devoted to reinforcing and discussing critical or non-routine aspects of the plan.

**2. Initiation—The Project Scope of Work (PSOW)**

A well-defined PSOW drives the development of a successful project. It provides clarity by defining the project in detail, reduces the likelihood of ambiguities, and helps identify to the project team when a project is going off track or out of scope.

**3. Implementation—Managing the Project**

On complex projects, when there are multiple teams involved, one lead project manager should be designated. The lead is responsible for summarizing project status/progress to the broader team—including senior management, business affairs, etc.

Managing creative and production resources is always a challenge because agency workload and individual project timing are constantly shifting. The lead project manager is responsible for monitoring and managing the creative resources. When determining the best approaches to managing project scope, risk, and budget, both internal (agency) and external (client) groups must be considered.

**4. Managing Agency Resources**

A major challenge associated with operating in a project based environment is projecting workload requirements and managing agency resources.

Suggestions about managing agency resources in a project based environment include utilization of operating systems to track project commitments and deliverables, coordinate internal controls associated with the assessment and authorization of any needed outside resources, develop a pool of qualified affordable freelancers and verify that there is a valid budget to fund the utilization of any third-party resources.

**5. Project Close Out**

Close out is the process by which the project stakeholders can assess the results of the initiative and use this information to improve the execution of future projects.

***v. PxP Situation Summary***

Project-based relationships can and do work for both clients and agencies when the project arrangements are transparently communicated, carefully planned and equitably stewarded.

**II. INTRODUCTION**

In recent years, agency executives and 4A’s committee participants have reported a rise in the level of project assignments from marketers. The anecdotal agency information is supported by at least one recent marketer survey, conducted among client marketers, which noted that approximately 40% of marketers are considering awarding assignments on a project-by-project rather than an AOR (annual retainer or ongoing monthly fee) basis.

The rise in project-based assignments is attributable to several factors:

* Marketing Complexity
* Scope Management & Cost Control, and
* Marketer Uncertainty.

***i.* Marketing Complexity**

The first factor that has added to an increase in project assignments from marketers is the complexity of the marketing assignments themselves. The rapidly evolving consumer communications marketplace and the acceleration in new technology have resulted in marketers expanding the number of specialist agencies and “qualified vendors” that appear on their agency rosters. It is not uncommon for a large brand to concurrently have a dozen or more agencies actively working on a brand. When general market, media and specialist agencies are aggregated across leading global advertiser organizations, it is not uncommon for agency affiliations to number in the hundreds. The expansion of agency rosters in concert with the custom targeting of messaging and the complexity of media platforms has led some clients to focus their integrated marketing communications (IMC) efforts around project specific activities.

***ii.* Scope Management & Cost Control**

A second factor that has contributed to the growth of project-based arrangements relates to marketer emphasis on scope management and cost control. Most sophisticated marketers endeavor to work with their agencies to reduce unnecessary Scope-of-Work (SOW) activities and re-tool processes, both internally and at their agencies, in order to optimize both effectiveness and efficiency. The strongest agency-client relationships entail mutual clarity of objectives along with mutually developed and clearly understood SOW at the outset of the engagement.

Where retainer-based arrangements exist, the process of prioritizing and rationalizing scope of work requires hard work and vigilance to develop, agree upon and track agency deliverables over time. When marketers seek cost savings it requires a collaborative effort among the parties. In some instances agency and advertiser may agree to adopt cost control measures related to pruning non-essential services , reducing service levels or streamlining the specifications of certain tasks. In other cases, the agency might work with the clients to limit the “base” deliverables, staff and costs that are covered by the retainer and pick up scope changes or supplemental activities via project-based assignment fees.

In some client organizations investment in agency fees as well as disbursements related to production costs, research, stewardship and any other non-media obligations are incorrectly viewed as “non-working” expenditures [Clearly agency insights, ideas and work product are a key driver of marketing effectiveness and in instances of owned and earned media, represent the predominant component of a client’s marketing investment]. The non-working expenditure descriptor carries a non-productive connotation that can evoke a client mindset that leads to budgeting and authorizations that are parceled into piecemeal projects rather than ongoing collaborative investment partnerships.

***iii.* Marketer Uncertainty**

Another factor that can lead a client to work with agencies on a project basis rather than an annual retainer basis is marketer uncertainty. During periods of economic turmoil,  shifting market conditions, or in an unsettled competitive marketplace, some marketers are resistant to making commitments to longer-term marketing spend. Project-based assignments are perceived to offer marketers the flexibility of making short-term spending commitments, when contrasted to longer-term retainer-based agency relationships, e.g., projects allow the marketer to move forward unencumbered by previous commitments.

***Project by Project (PxP) Relationships Require Planning and Equitable Stewardship***

A cautionary tale … at 4A's committee gatherings agency leaders have mentioned that some, less enlightened marketers, have either tried to demand reduced agency costs without appropriately re-calibrating workload and deliverables or have experimented with shifting from retainer to projects in the hope of getting more for less. These types of unilateral tactics by short-sighted marketers lead to erosion of continuity, quality and discipline on key tasks. Project-based relationships can and do work for both clients and agencies when the project arrangements are transparently communicated, carefully planned and equitably stewarded.

**III. Section 1: Defining, Assessing and Structuring Project-Based Assignments**

When marketers approach agencies with project opportunities, the project can be outside of the standard Agency-of-Record “AOR” SOW based relationship, or a stand-alone, one-off, project or a hybrid relationship that features a base retainer covering strategy and planning along with a project by project authorization systems for execution components of the agency work plan . Many specialist agencies, for example, often engage in more project work than AOR relationships. Project assignments can run the gamut from quick-turn brochures to cross-platform campaigns and everything in between.

***i.* Defining the Project**

The [ANA/4A's Guidelines for Agency Search](http://www.aaaa.org/news/bulletins/Documents/agency_search_white_paper.pdf) notes “marketers should be transparent with agencies regarding the nature of the search, the desired going-forward relationship and the scope, timing and economics of the assignment”. Whether it is a new client or a new project from an existing client, getting mission critical information from the marketer up front is necessary to ensure the success of the project. In a business world that moves quickly and changes often, getting timely, accurate, actionable information can be an ongoing challenge.

**a. Prospective Client Challenges:**

When 4A’s members were polled and asked to comment on challenges associated with initiating project-based assignments with prospective clients, they shared the following challenges:

**1)  Insufficient client information sharing:**

* Lack of comprehensive discussion of client business goals and marketing objectives
* RFP’s that don’t disclose budget
* Client does not disclose agency competitors

**2) Missing partnership dialogue …because… “It is only a project relationship”:**

* It can be difficult to get the client to disclose their real problem/opportunity which limits the agency ability to diagnose and prescribe innovative solutions
* Building relationships and trust takes time and mutual follow through—this is difficult to accomplish in project based arrangements
* Clients are not always truthful about their intent
* Client requests to own agency developed I.P. as a condition of RFP participation
* Requests for “spec” work for projects that have minimal budgets or modest agency fee potential

**3) Difficulty ascertaining project commitment:**

* Projects are often delayed or put on hold—sometimes indefinitely
* Determining decision makers is a significant agency challenge
* Projects initiated by client stakeholders that don’t have the authority or the business acumen to bring a project to fruition are a major drain on resources

**b. Existing Client Challenges**

4A’s members also commented in the survey on challenges associated with initiating project-based assignments with existing clients. The challenges associated with advancing project assignments with existing clients primarily relate to clarity of scope and economic expectations:

**1) Lack of clarity of scope and timetables:**

* There is a need for tight brief information and interactive briefing discussion that many clients don’t provide
* Unrealistic time frames can result in inefficiencies and sub-optimal work
* Clients get better work when they involve the agency in strategic marketing plan development and program concepting—which requires client time and monetary investment

**2) Non-alignment on economic expectations:**

* The parties need to discuss and agree upon realistic performance expectations and ROI metrics
* Agencies need to be compensated for consultation on marketing planning, program audits and preliminary program concepting, scoping and budget estimation---some clients only want to pay for project execution.
* The client and agency need to jointly construct an adequate project budget, including the funding of the agency’s upfront strategic resource commitment.

To meet the challenges associated with defining projects, agencies should develop a senior-level, core agency team that has the talent and skills necessary to adequately review project parameters with the marketer. This team may include senior agency roles within Account, Creative, Brand Planning, Media, as well as Project/Resource Management [experienced project management capability including staff, systems and data are essential to scoping and managing agency projects].

***ii.* Getting the Details**

Consider utilizing the 4A’s [Standardized Marketer New Business Questionnaire](http://www.aaaa.org/agency/compensation/positionpapers/Pages/110805_marketer.aspx) or other tools that provide a structured framework for probing a marketer’s business objectives , marketing expectations and project parameters. The standardized questionnaire can be adapted for existing agency clients or marketers that prefer to work on a PxP basis.

For project assignments, agencies should develop a formal process designed to help marketers communicate their marketing expectations, brand and corporate values, resource requirements, operating practices, and economic parameters in a comprehensive and efficient manner. You might *consider developing a “Request for Project Information”(RFPI) tool* to help your agency gather information and assess the scope of required services, quantify the scale of the business operations, frame critical success factors, and explore the compatibility of the parties expectations for the project.

***iii.* Assessing the Opportunity**

Many best-in-class agencies have developed screening criteria that incorporate the agency’s business principles, operations standards and cultural parameters. The concept of developing and adhering to screening criteria recognizes the reality that not all clients and not all projects are worth pursuing.

Examples of criteria that best-in-class agencies consider when screening potential client assignments include:

* Does the assignment (and compensation arrangement) allow the agency to be deeply involved in the client’s business?
* Is there a senior client leader involved that will champion innovative solutions?
* Is there a streamlined and inter-active decision–making process?
* Is the client interested in maximizing the opportunity or minimizing costs and risk?
* Is the client transparent about their objectives, budgets (including agency compensation) and the potential of the relationship?
* Are deliverables expectations and timelines reasonable?
* Does the marketer pay for the agency costs associated with planning, scoping and estimating the project?

In a 4A’s business development blog post, Mark Goldstein, Vice–Chairman and Chief Marketing Officer BBDO Worldwide, notes that winning new assignments entails a series of tough decisions. Mark suggests that deciding who to pitch, deciding whether to pitch and deciding whether the opportunity is right for you are crucial to success.

To read Mark’s suggestions go to [Making the Tough Decisions](http://www.aaaa.org/news/blogs/AAAA-Blogs/Lists/Posts/Post.aspx?ID=47).

Pre-Conditions to Committing Agency Resources

Some agencies have evolved processes for gathering information i.e., an “Opportunity Briefing” process and securing agency management authorization i.e., an “Opportunity Assessment Scorecard” prior to committing agency resources on a potential project (for example a digital member agency requires their new business group to gather detailed and specific information about the opportunity prior to seeking agency management authorization to engage agency resources on the initiative).

Ruthless Screening

A few words from Laurie Coots, Chief Marketing Officer of TBWA Worldwide and Chair of the 4A’s New Business Committee, on screening project assignments…”Your agency needs to have a ruthless screening process or you risk pursuing assignments that are a mismatch or don’t result in an optimal client-agency relationship”.

***iv.* Tips for Winning Project Assignments**

Project assignments often entail a less structured and more uncertain “pitch process” than a formal marketer-initiated agency-of-record search.

Members of the 4A’s new business community have suggested tips for identifying project opportunities and winning project assignments. Suggestions include:

* Have a tireless resilient “hunter” on your team
* Find connections with the prospect, preferably a C-Suite contact and/or a shared business development interest
* Be pro-active, keep an eye out for opportunities (consider, and ideally confirm, that the project can serve as a stepping stone to a bigger relationship with the marketer)
* Ask probing open-ended questions upfront, understand the marketer’s pain point
* Once you find the need i.e., pain point, then present a solution which could be an idea, execution or alternative business approach
* Do your homework, show how the project can help drive client business results
* When discussing ideas, lead with an insight, present with energy and creativity
* As soon as the agency has created marketer interest in the project be brave—discuss preliminary budget, timing and authorization parameters.

Prospecting for project work and knowing when/how to keep a project moving forward is HARD. Knowing whether or when to up the ante on a project or alternatively to cut your losses and move on is REALLY HARD.

If the pursuit of the project takes on a life on its own, with no discernible end point, consider going back to your client screening criteria and take a fresh frank and honest look at whether continued investment represents an optimal use of the agency’s business development resources.

***v.* Structuring Project Arrangements**

Structuring PxP assignments with existing clients or prospective clients warrant adhering to the following best practices:

* As noted previously, the agency must aggressively question the marketer about their objectives, budgets, timelines and decision criteria
* When speculative work is requested, the agency should discuss I.P. ownership of the agency work product.  The 4A’s position paper [Best Practice Guidance: Ownership of Agency Ideas, Plans and Work Developed During the New Business Process](http://www.aaaa.org/agency/compensation/positionpapers/Pages/012607_ip.aspx) recommends that agencies preserve ownership of new business-search ideas, plans and work product. The agency should make it clear and obtain written client agreement that assignment of rights to the client is contingent on the agency being paid for the I.P. or the agency being awarded and paid to execute the work.
* When speculative strategy development, illustrative communications planning, concepting, strategic ideation or detailed budget estimation is required in advance of bidding on the execution of a project, the agency should be paid a consultative fee for these planning activities.

**Project Pricing Considerations**

A critical and unique aspect of pricing agency value contribution and services delivery in a project environment relates to the need to reach agreement on agency compensation for both upfront planning, discovery and project estimation, in addition to payment for back-end project execution.

There are several best practice approaches for structuring compensation for agency upfront project activities including;

* Discovery Consulting Fee. The agency and marketer agree to a phase one discovery process where the agency conducts stakeholder interviews and preliminary marketplace analysis to frame the objectives and parameters for the marketing activity. The agency charges a consultative fee for discovery process activities…many digital agencies charge a fee for upfront discovery
* Strategic Planning Fee. The agency and marketer agree to co-develop a project road map that might include strategy assessment, target audience evaluation, KPI’s for the project, and a preliminary scope of deliverable, budget and timeline for the project.

The above referenced upfront arrangements can and do range from 30 to 90 day discovery arrangements that involve fees of $75K–$100K to six month strategic planning arrangements that involve fees in the $300k range or more.

Once the agency and client have discussed and agreed upon the need to remunerate the agency for all phases of agency work including strategy, planning and execution, there are a broad range of pricing options that are available for project based arrangements. Commonly used compensation options for project work include:

* Fixed price project fee based on project objectives and scope
* Fixed price project fee based an estimate of agency time
* Labor–based fees that actualized at the conclusion of the project
* A la Carte pricing “rate cards” based on precisely defined reiterative agency services.

In theory, PXP arrangements that are fairly structured, should eliminate scope creep. However, given human nature and the speed at which market conditions can change, there will be situations where the client requests supplemental project elements. It is advisable that the project pricing agreement with the client have a change order process for authorizing scope modifications.

**Project Estimates vs. Project Budgets**

Marketers frequently approach agencies with a proposed project assignment and, after a brief discussion of the project particulars, immediately ask “How Much Will It Cost Us?” It is all too common that marketers want a cost perspective before deciding to proceed with a project. In these cases, what marketers often want to know is “Can we afford to produce this project?”

At this point, agencies should be reminded that there is a delicate balance between a Ballpark Estimate and the Project Budget, and that a common tendency among marketers is to misconstrue the ballpark estimate for the final project budget. Agencies should not get backed into a project budget before elements of the PSOW, for example, strategy, planning, and research costs, are developed. Agencies that do provide marketers with ballpark estimates must be clear with marketers that a final project budget cannot be provided until a detailed PSOW has been completed.

**IV. Section 2: Managing Project Assignments**

This section explores the project execution process and describes how to effectively and efficiently manage project assignments.

**The execution of projects follows five basic stages:**

**Stage 1: Planning—Critical Success Factors**

**Stage 2: Initiation—The Project SOW**

**Stage 3: Implementation—Managing the Project**

**Stage 4: Managing Agency Resources**

**Stage 5: Project Close Out.**

However, before diving in to project execution, ensure that your agency standard operating procedures includes an agency management project authorization process.

At your agency can anyone activate a project start work? Who can authorize commitment of agency resources? Who determines whether, when and to what level agency resources are authorized to be committed?

Best practice is to establish a formal structured project initiation authorization process. The approval process should identify the project initiator; frame initial activities and time frames, involve appropriate review by functional leads and require senior executive level written start work authorization. Best–in–class agency project approval systems recognize that authorization commitments need to be phased e.g., approval of agency resource commitments should include provision for supplemental future approval tied to the periodic review of project milestones, timelines and resource requirements.

Your agency project authorization process should differentiate new business projects from prospective clients and incremental projects from existing clients. The authorization process for potential projects from prospective clients should include discussion about the client opportunity, fit with agency screening criteria, and frequent project status tracking re-authorization requirements. The agency project authorization process for incremental projects from an existing agency client should reference the status and amount of client spending commitment approvals.

***i.* Stage 1: Planning—Critical Success Factors**

A project plan defines how the project will be executed, monitored and controlled. The core of the plan is to:

* Document the objectives or desired end results of the project
* Identify the tasks that need to be executed and the sequence and schedule they should follow
* Determine the team needed to perform the tasks and the resources they need to accomplish them

A project plan can take the form of a simple PowerPoint document or a more detailed formal planning document, such as a Gantt chart. The project plan is the “music” from which the team will work, helping to ensure efficient execution and good results.

Putting together a comprehensive plan involves analyzing the factors that are critical to the projects success. When building your plan you will likely find it prudent to evaluate:

**a. Project Stakeholders**

Project stakeholders are parties that have an interest in the execution and results of the project. The most common stakeholders are the agency client service team and the client marketing organization, but it is useful to consider others and their needs. For example, work approvers in the client organization (legal, IT, C-suite members, sales teams, etc.), the client’s integrated marketing agencies and other members of the marketing ecosystem (media channels, PR teams, etc.) as well as the clients distribution channel intermediaries. The project plan should document any special needs for these stakeholders to ensure that the project team addresses their needs properly.

**b. Lessons Learned From Prior Projects**

Every project illuminates key factors that contribute to or detract from desired results: underestimated levels of effort, better ways to organize flows of information, unforeseen dependencies, etc. Taking a few minutes in the planning stage to review lessons learned from prior projects can help avoid complications and missteps in the new project. Communicating recent significant “lessons learned” can help the team keep these lessons in mind as they proceed with the work.

**c. Timeline and Budget**

Timeline and budget are clearly fundamental factors in project planning and on some projects there are unusual timing or monetary requirements that challenge conventional project planning. If a project must be accomplished in less time or for less money then prior projects, then the team must reexamine the standard approach for the project and fundamentally reorganize how the work is done to meet new goals. This dialogue is best done before the project gets under way, and all modifications to the standard approach should be documented in the plan.

**d. Risks**

All projects have risks. For example, there are risks that a critical team member becomes ill on key day, or that a work product element from a vendor does not arrive on schedule, or that the client is unable to deliver assets needed to complete the project. Good project planning involves identifying risks in advance, and building a project plan that reduces these risks. At the very least, risk management can consist of documenting potential risks and defining a set of actions that the team should take if the risk does materialize.

Another thing to keep in mind is that sometimes risks are subtle and hard to notice in the course of the work. Defining a way to review work progress so that there is discussion about new risks can be another useful component of the project plan.

**e. Deliverable Specifications**

The most fundamental dimension of deliverables management is ensuring that end products meet all objective specifications (size, fonts, copy, images, etc.) correctly and accurately. In this case, the key to success is documenting specifications thoroughly and accurately in the project plan, communicating these specifications clearly to the team and establishing a review process to ensure they are met.

An equally important dimension of deliverables management is ensuring that the end product meets subjective or aesthetic quality specifications. In this case quality is about finer points of the deliverables: is the deliverable likely to get a rave review or generate intrigue from the viewer? Should the deliverable result in more than anticipated leads or click-throughs or social media buzz? If these are important to the client-agency team these goals should be included in the project plan, and the team should map out what refinements to the project plan are necessary to accomplish them. Again, explicit discussion of these goals in the project plan is a key to success.

**f. Communications**

Good communication is critical to the success of every project. Good communication doesn’t happen by accident. A good project plan will define the communications needed to support the project: who is responsible for the information and messages? Who is responsible for communicating them to stakeholders? By what medium and schedule are communications to be sent?

**g. The Project Kickoff Meeting**

The planning stage should feature a project kickoff meeting. The project manager and all contributors to the project should attend this meeting and any of the external (client/third party) stakeholders that are critical participants during the project execution phase. The focus of the kickoff meeting is on reviewing all aspects of the project plan and ensuring that each member of the project team clearly understands their roles and responsibilities. Special attention should be devoted to reinforcing and discussing critical or non-routine aspects of the plan.

Typical agenda topics for a kickoff meeting include:

* Explaining why the project is being undertaken: The need, benefits, objectives, importance, context, and priority against other (potentially competing) projects
* Presenting the project specifications: What exactly is the end product, what are the major components, how are they related.  Also be sure to explain what is NOT required in the project so that the team is not tempted to take on more than necessary
* Reviewing the draft project plan and schedule: Review the draft dates and milestones in the project schedule and make sure the team understands the major tasks, delivery dates, and dependencies
* Introducing the team members: Explain the roles and responsibilities of the various team members, let them introduce themselves and explain their expected contributions to the effort
* Reviewing and discussing project risks: What might go wrong and how will things be impacted?
* Discussing the importance of communication and how it will happen on the project: Status, feedback, handling problems, etc.
* Developing team norms and guidelines for participation on the project: Never let a meeting run over two hours, arrive on time, stick with the agenda, come prepared, do not interrupt each other during discussions, focus disagreements on project outcomes, etc.

The leaders of project kick off meetings vary from agency to agency. In agency’s that have project managers the project manager will likely lead the meeting. In other agencies a senior account management leader will organize and run project kick off meetings.

***ii.* Stage 2: Initiation—The Project Scope of Work (PSOW)**

**a. Getting Started on the Project Assignment**

Based on the preliminary discussions between the agency and advertiser related to client business goals, marketing objectives, operating requirements, timelines, and compensation particulars, the agency can move forward with the steps necessary to develop a PSOW for each individual project assignment. It is important to remember that the PSOW addresses individual projects and should not be confused with an annual SOW document that relates to broader—retainer or fee-based—marketer relationships.

A well-defined PSOW drives the development of a successful project. It provides clarity by defining the project in detail, reduces the likelihood of ambiguities, and helps identify to the project team when a project is going off track or out of scope.

**b. Developing a PSOW**

Conduct an Agency Project Initiation Discussion

The marketer may have a very clearly defined project or it may be a more complex, multi-discipline, or digital project that requires a phased approach. Whatever the circumstance, the agency’s initiation discussion allows the agency to frame and define the scope of the project.

The project initiation discussion establishes the basis of developing the PSOW. The PSOW will clearly and definitively spell out all the details of the project based on information gleaned from the project initiation meeting.

**c. Frame the Deliverables**

The Account Manager and Project Manager should work as a team to develop the project description and deliverables. The first project can be the most challenging but it will set the format for subsequent successful projects. The project team should develop a brief project description statement that describes the project, and includes such details as:

* Services provided by client; e.g., research, digital assets
* Agency services included; list by discipline, department
* Deliverables: list by media channel and number of tactics / executions
* An outline of the phases of the project and deliverables for each
* Strategy and brief development
* Concepting (How many creative directions/concepts, and rounds of revisions to approved concept?)
* Execution: specific to digital, print, broadcast
* Production: specific to digital, print, broadcast
* Art: illustration, photography, etc.
* Trafficking materials to all media channels.

**d. The Scope of Project Work:**

Once all project elements have been identified, and associated costs have been gathered, a PSOW can be developed. The PSOW outlines the specifics of the project and clearly outlines what is to be included, and as important, what is not to be included, in the project deliverables. Any grey areas/assumptions must be called out and defined.

Key questions to be addressed in developing a PSOW include:

* What business problem does the marketer want to solve?
* Are project parameters clearly defined?
* What results is the marketer hoping to achieve?
* How will project success be measured; e.g., what specific analytics and metrics will be used to determine project success?
* What are the areas of agency engagement and responsibility; research & strategy, digital, broadcast, creative, production & execution? Is the agency a partner in discovering the best solution?
* What are the marketer’s areas of engagement and responsibility?
* Is media strategy and buying a factor? (If so, define the variables)
* What are the project deliverables? (Initial discussions between marketer and agency on deliverables may have changed due to subsequent discussions of project strategy and creative development.)
* What are the anticipated launch and drop dates?

***iii.* Stage 3: Implementation—Managing the Project**

The project planning and initiation stage should have generated a PSOW – the document that’s used to track and monitor progress. As noted previously, this can be either a single PSOW or a Phased PSOW, depending on the complexity and marketer objectives.

**a. The Agency Team Meeting**

After the PSOW and associated costs are approved and written client authorization secured, the agency team meeting takes place. All agency disciplines are represented and the meeting covers:

* Review of the creative brief/strategy statement and relevant research
* Review the project plan
* Review of the PSOW deliverables, by phase, as necessary
* If the project contains multi-channel elements, a Project Management (PM) lead from each discipline should be identified. The PM leads work in concert to complete the project.
* Review communications plan for team members who are working off-site
* Are there external resources / partners to be considered?
* Media plan. Who is buying: Agency, Client or outside Media buying service?
* If a quick-turn project all secondary departments are represented
* Schedule and drop date / launch date is reviewed
* Any initial concerns or possible risks are discussed
* PM reviews the internal communication plan—e.g., timing of internal creative reviews (ICR), status reports, change orders, status meetings. Communication plan will vary depending on the complexity of the project.

Following the agency team meeting the agency staff ramps up work.

**b. Managing and Monitoring Project Assignments**

The process for managing projects at many agencies differentiates agency internal and client external project management responsibility.  Frequently agency internal project management responsibilities reside with project managers who are tasked to maintain and meet project deadlines. While external-client project management responsibilities reside with account managers.

**External (Client) Project Management**

Client input and feedback has the biggest influence on scope, risk and budget. Agency account management in conjunction with project managers need to monitor new information and feedback against the PSOW.

* Marketers frequently lack information when a project begins. The PSOW and creative brief needs to be specific on the assignment and the assumptions included in the project budget. Then, when new client information (research, change of direction) comes in it can be reviewed against the PSOW.
* Client feedback needs to be documented and clearly conveyed to the team. Feedback may result in a change of direction or in additional deliverables. The client and agency should identify, quantify and communicate how any changes affect timing and budget.
* Ultimately, the agency account management and client marketing make the decision on when to update or revise the PSOW and cost because of new information.

**Internal (Agency) Project Management**

Project managers normally take the lead on managing assignments, keeping the team on task and on schedule. If an agency does not have a project management group then either account service or the production group will assume project management responsibilities. On complex projects when there are multiple project managers and producers, one lead project manager should be designated. Discipline specific project managers are responsible for keeping their deliverables on track. The lead project manager is responsible for summarizing project status and progress to the broader team—including senior management, business affairs, as applicable.

The processes and tools that agency project managers utilize to manage and track projects are summarized below:

**1) Internal Meetings and Process**

Project managers schedule all internal meetings, follow up with the creative team, facilitate internal creative reviews, close the loop between different disciplines and keep all core-team members informed.

Throughout the life of a project, PMs manage individual tasks, monitor progress and inform the broader team. The complexity and timing of a project will affect how this happens.  Quick turn projects may require a daily check-in with the team. This can be informal or scheduled. Project managers and discipline-specific producers should meet as often as necessary to keep multi-discipline teams or teams working off-site, on track. This is often where obstacles and scope changes are identified. Project managers and producers can proactively find solutions and convey this information to the broader team as necessary.

There are several different methods and project management software tools that may be used for this purpose. Some agencies have developed proprietary tools, while others may use tools such as Basecamp, Microsoft Project Server, Workamajig, eService Manager, Functionpoint, and MarketingPilot.

Illustrative project management templates are provided in Section VII (Appendix A) of this wiki.

**2) Monitoring Creative and Production Schedules**

Managing creative and production resources is always a challenge. Agency workload and individual project timing are constantly shifting. The lead project manager is responsible for monitoring and managing the creative schedules.

* On project assignments, the creative team(s) must be assigned to the project.
* Project management should work with creative resources managers {CRMs} if additional resources are needed or if project timing changes (CRMs should be included on internal status reports).
* Project management needs to keep production services, producers, studio and art buyers, informed about project schedules. In the case of digital projects, digital producers need to be kept informed since they often manage development resources, quality assurance (QA), programming, etc. regardless of whether those resources are either in-house or outsourced.

**3) Internal Creative Reviews (ICRs)**

* Internal creative reviews should include all disciplines—especially on integrated projects. Project status reports should be prepared and updated internally as often as needed.
* Creative review status reports for clients vary by agency/client and type of project. Account management is typically responsible for developing client creative status reports.
* All project team participants should be kept informed of major milestones, approvals or client-approved changes made projects.

**4) Managing Project Scope, Risks, and Budget**

* In determining the best approaches to managing project scope, risk, and budget, both Internal (Agency) and External (Client) groups must be considered.
* Agency project managers should take the lead on managing the project. They work together measuring all progress back to the PSOW. Agency project managers must also monitoring time reports (Time reports should be pulled and routinely reviewed).
* Project risks are often identified during various stages of project development; at internal status meetings, during ICRs, or when production staffs review concepts. A risk can become a crisis if it is not addressed right away. Project managers proactively identify risk and recommend solutions for the best outcome of the project.

***iv.* Stage 4: Managing Agency Resources**

“***It is a challenge to have the right type, quality and amount of staffing resources available at the right time”***

A major challenge associated with operating in a project based environment is projecting workload requirements and managing agency resources. One agency finance director recently commented “It is a challenge to have the right type, quality and amount of staffing resources available at the right time”

4A’s community members have shared their suggestions about managing agency resources in a project based environment:

**a. Operating Systems**

The rapid pace of project work can often mean that an agency may only have 30–60 days advance visibility of significant workload requirements. In a projected based environment it is imperative that your agency have operating system that help the agency track and coordinate information on project scopes, labor time commitments and milestone deliverables.

Agencies are using systems such as Paradigm eServicesManager(eSM), Workamaj , Microsoft Project or proprietary systems to identify resource requirements, track resource investment and coordinate required authorizations and billing

**b. Temporary Help**

The unpredictable ebb and flow of project activities along with the diverse range of skill sets needed to accommodate rapidly evolving solution innovations frequently leads to agency use of temporary (freelance) help. Agencies that handle significant project activity must become adept at developing a pool of qualified affordable freelance help that can be brought in on short notice for short periods to satisfy peak demand circumstances.

The responsibility for nurturing a capable freelance pool varies from agency to agency. Some agencies have a creative resource manager who grooms and manages creative freelancers. Other agencies have production and/or technical resource managers that oversee the availability of technically capable and experience relevant temporary resources.

**c. Internal Controls**

The best practice for maintaining control over utilization of on staff and freelance resources entails collaboration among: (1) the functional groups that are responsible for doing the work (2) project management and (3) agency finance. The functional resource manger should work with project management to establish the availability of “in-house” resources to work on a project or alternatively determine if there is the need to retain outside resources.

If it is established that appropriate internal resources are not available and that outside resources are needed then prior to making any commitment to the outside resource the functional resource manager (or project manager) should request approval from agency finance. The finance group should verify that there is a valid budget for the freelance expenditure.

If the freelancer cost relates to a client project then the finance department should verify that the client has approved the project and that the project budget provides funding for the staffing resource. If the freelancer cost was not anticipated in the budget (or not a substitute for utilization of internal labor) or if the budget is inadequate then finance should work with client service to determine how the variance can be addressed and if appropriate generate a project change order.

If the freelancer cost relates to a new business project then the finance department should verify that there is management endorsement of the initiative and agree on the appropriate budget for funding the activity.

***v.* Stage 5: Project Close Out**

Project close out is a critical stage of project execution that is often overlooked. Close out is the process by which the team can assess the results of its efforts, and use this information to improve the execution of future projects. A project close out meeting should include the following discussion topics:

* Did the delivered product meet the specified requirements and goals of the project?
* Was the client satisfied with the end products? What was the feedback from each of the stakeholders? What did we do well to contribute to this feedback and what could be changed to improve the feedback?
* Was the project on time and on budget?
* Were there unanticipated risks? What were the impacts of these risks and did the team handle them appropriately?
* Was the execution plan accurate? What can we do to improve the process?

Perhaps the most important part of the close out process is celebrating success. Positive reinforcement helps build and reinforce teamwork and motivation. When a project is completed successfully, be sure to provide some kind of recognition for the team. Consider having senior agency management express recognition of a successful team effort by praising the team at a key meeting or a large gathering of staff. People are proud to have senior management’s appreciation openly expressed, and such recognition is a motivation to make other projects be successful.

**V: Section 3. Parting Thoughts on Project Based Arrangements**

There has been a rise in the level of project assignments from marketers that is attributable to: (1) the complexity of marketing, technology and the agency services landscape, (2) client pressure on scope management and cost control and (3) marketer uncertainty.

***Project business can be advantageous*:** Be selective—all projects are not created equal. Some projects are worth pursuing. However, some projects will not fit your capabilities, resource requirements or economic parameters. Don’t be afraid to “pass” on sub-optimal projects

***Projects need to be profitable*:** If you plan to operate in a sustainable project based environment the vast majority of your projects need to be profitable. Don’t give away strategy, planning and ideation—charge an upfront discovery fee or consultation fee [if appropriate the upfront fee might even be structured as creditable against the final all-in project execution assignment].

***Proactively manage project scope, deliverables and timelines:***If you don’t have a robust project management software solution and a disciplined project management process then act now to get these capabilities established. Then, for every project, assign one individual the responsibility for “owning” the project internally.

***Agency resources need to be flexible*:** Understand existing staff skillsets, utilization and incremental bandwidth. Develop a pool of qualified affordable freelancers that can bridge peak demand or special capabilities requirements.

***Agency resources must be well controlled*:** Establish an internal control environment. Formalize an opportunity assessment and management approval process that precedes agency resource deployment or start work

Project-based relationships can and do work for both clients and agencies when the project arrangements are transparently communicated, carefully planned and equitably stewarded.

**VI: Section 4: Frequently Asked Questions (FAQ)**

Agency leaders and client service personnel frequently ask questions about best practices related to project based relations. In this final section of the 4A’s guidance directive on Project-Based Arrangements, we have included FAQ’s and suggested best practices for your consideration.

**The FAQ’s are clustered into thematic categories:**

**(I) Project Commitment and Budget**  
**(II) Agency Operations and Staff Continuity**  
**(III) Agency Compensation**  
**(IV) Pitching Projects**

**(I) Project Commitment and Budget**

**1. *Often a marketer will not have an official budget for the project, how can an agency manage its resource investment while still helping the marketer advance progress on the potential project?***

The agency will need to determine the reasons for the lack of budget and validate that senior marketer management is interested in and committed to the initiative.

* If the client has virtually no marketing budget, lacks management support or has an erratic marketing history, the agency should be very cautious.
* If the client contact person is junior, the agency should insist on meeting with a senior client that has marketing budget authority
* If the marketer’s management has authorized an overall marketing budget but the marketing department has not yet locked all final project elements (perhaps due to the need for additional specifications or due diligence) then the agency may want to collaborate with the client on preliminary project concepts—However—the agency would be well served to ask the marketer for some form of commitment to the agency if/when the project is activated .The commitment could be an agreement to assign the project to the agency without a review or an agreement to pay the agency a project consulting/initiation fee that might be creditable against the aggregate project execution fee.

**2. *At times project assignments can be lower on a marketers’ priority list. The prospect starts out communicating with you like the project is a top priority and then the process starts to drag on. Getting input from them is slow and as such, finalizing input on PSOW and budget is like pulling teeth. Even getting a meeting on the calendar is painful.  How do you determine whether to hang on and be patient vs. cut bait?***

Start by evaluating the client’s commitment by assessing the impact of the project on their business/brand.  Evaluate whether you are dealing with a decision maker or a paper pusher, which will be an indicator of importance of the project.

* If the potential fee is substantial, you may want to hold on.
* If they are willing to pay you a modest stipend, it shows their commitment.

**3. *How can the agency assess how committed the client is to innovation?***

Agencies can form their own evaluation of a marketer’s ambitions by probing the client’s business challenges and what solutions have worked successfully in the past. If the marketer gravitates to a tactical discussion it can be a good warning sign that the marketer is most interested in basic tactics.

**(II) Agency Operations and Staff Continuity**

**1. *What planning is required by Marketers to ensure project-based marketing plans are effective in achieving business goals?***

It is important for a marketer to define annual marketing goals within their own organization and to communicate these goals to their agencies. Without a defined “finish line”, project-based relationships may not force the client to develop a long-term objective that a roadmap of an annual scope would normally provide. Failure to establish an annual marketing plan that is shared with the agency can lead to more variability in the deliverables where agencies are just performing isolated activities without working towards business results.

**2. *How do project-by-project relationships differ from one AOR (annual retainer) relationships?***

Project-based business may lead to a repeat in ramp up time due to a lack of continuity of agency staff. Agencies are often challenged by the lack of visibility in assignments to determine whether resources should remain or be re-allocated from a particular client. An agency may be required to redeploy resources to another assignment without the ability to bring them back later on. To help manage the workflow, an agency may assign resources that aren’t familiar with the client’s brand or use freelancers to help manage an unexpected increase in workflow, which will likely be more expensive and create a degree of qualitative uncertainty for the marketer.

**3. *If a PxP client likes a certain team within my agency and gives me project work because of that team, how do I ensure that team is available when I don’t know for certain when or if the next project is coming?***

The answer to this question depends on how many projects and what level of on-going income you’ve been experiencing with the client. From time-to-time your agency may need to “invest” in a client relationship. However, the agency should explain to the client that a team can’t be guaranteed without some kind of on-going project guarantee. The guarantee could be an agreement from the client to fund a minimum amount of people-dollars per quarter or some other period of time (most project-oriented clients have quarterly budgets that have been previously approved that they can commit to spend even when specific projects are in the “development” phase).

**4. *How can project based relationships impact the mix of agency staff?***

Some project based relationships require agencies to constantly pitch for assignments. The “jump ball” process requires a higher proportion of senior professional involvement and agency administrative effort that is taken away from actually building the client’s business or brand. The higher proportion of senior agency administrative involvement will be required throughout the relationship due to an on-going pitching process. Furthermore, the lack of predictable project assignments will be a barrier to elevating familiarity of the client’s business by mid to junior level staff.

**(III) Agency Compensation**

**1. *Should agencies be more flexible about pricing of initial projects to “get their foot in the door”?***

Some agencies undercut their pricing with the hope that getting a project with a marketer will open the door to other projects with the client. A word of caution to agencies: First, the pricing you establish for the first project will set the precedent for future projects to come. It will be very difficult to evolve your pricing to more profitable levels. Also, winning additional projects from the client can happen but is not necessarily the norm. Agencies should focus their proposal for the initial project on what’s needed to delight the client and deliver profit for the agency on the standalone project level.

**2. *Original scoping and constantly refining project scopes takes a lot of time. Should the client pay for planning and scoping a potential project?***

The answer is a categorical “Yes”. Clients need to know that the estimating process for a PxP arrangement is complex, time-consuming and costly for an agency. An agency’s project scoping activities provide value to the client by fleshing out feasibility and helping the client prioritize their marketing investment priorities on those projects with the greatest ROI and brand building potential

**3. *How do changes in timelines affect the price of a project fee?***

Agencies have a significant challenge associated with utilization risk in project-based relationships. As a result, an agency waiting for client feedback throughout various stages in the project faces the decision of whether to redeploy a client’s team and the uncertainty of when to bring them back assuming that they are still available. If the client expects the continuity of the team to remain intact for a particular project, the client should be willing to provide reviews within the agreed upon timelines, and if not, be willing to pay for any delays.

**(IV) Pitching Projects**

**1. *How should an agency assess the need for speculative work?***

The best way to determine whether speculative work is warranted is by asking about the evaluation criteria for agency selection. That said, even if speculative creative solutions are not part of the client’s agency selection process, agencies should be forewarned that some agency competitors may try to seek an advantage by creating spec work even for small and medium-sized projects. The agency should evaluate the investment required, and determine how the project can be priced to be profitable if spec work is pursued.

**VII: Appendix A**

[Appendix A\_Illustrative Project Tracking Tools.pdf](https://4astech-projectbasedassignments.pbworks.com/w/file/62738645/Appendix%20A_Illustrative%20Project%20Tracking%20Tools.pdf)