



Agency Partnerships Speed The Innovation Journey

How Smart Marketers Maximize Agency Relationships To Create Breakthrough Customer Experiences And Business Growth

by [Bert DuMars](#)

with [David M. Cooperstein](#) and Alexandra Hayes

WHY READ THIS REPORT

Over the past 24 months, CMOs have started to dedicate more resources to marketing innovation in the form of budget, talent, and labs. In addition to internal efforts, CMOs also lean on agencies to provide outside expertise, experience, and insights to help shepherd the innovation process along. Innovation agencies have developed new innovation processes, talent management, and labs that enhance their ability to help clients accelerate their efforts. This report identifies examples of successful agency and marketer partnerships that have led to transformative marketing innovations. It provides industry best practices for companies to successfully partner with these agencies and create flexible but concrete marketing innovation programs.

MARKETERS USE AGENCIES AS A FAST ROUTE TO INNOVATION

Companies look for innovative marketing approaches when they feel — or know from the numbers — that they are falling behind. Some take on the new challenge with internal resources in closely held or intentionally independent innovation labs.¹ Others, like the five companies below, teamed with their agencies to innovate:

- **MRM brings augmented reality entertainment to IHOP's restaurant experience.** The International House of Pancakes (IHOP) family restaurant chain teamed with MRM to bring digital to the restaurant experience. MRM created a digital road map for engaging with customers that resulted in a new branded website and community integrated with social networks and mobile apps. MRM also developed an augmented reality mobile app, IHOP Play, which is activated by the syrup caddies in IHOP restaurants. This app uses video to engage younger audiences in fun and playful animations while waiting for their food. In 2013, IHOP was ranked No. 1 in Twitter's global food category, and guests now spend 3.5 minutes on [ihop.com](#).
- **RBS and Sapient teamed up to spawn new banking services.** Royal Bank of Scotland (RBS) needed help changing its mindset from a sales funnel focus to a critical customer core-journey focus. Sapient helped it put this new focus into practice with the RBS Get Cash service. This service allows customers to easily send cash to a child, family member, or friend via email.



Headquarters

Forrester Research, Inc., 60 Acorn Park Drive, Cambridge, MA, 02140 USA
Tel: +1 617.613.6000 • Fax: +1 617.613.5000 • www.forrester.com

- **Wendy's embeds social in product launches with VML to engage instead of promote.** Quick-serve restaurants (QSRs) typically launch new menu items with a price promotion, digital push, and TV ad to drive store traffic and product trial. Wendy's, with VML, took an innovative approach with a holistic digital program that embedded social and branded content into the launch of the Pretzel Bacon Cheeseburger. Wendy's and VML capitalized on social media buzz prior to national offline media to create the #PretzelLoveSong branded content program that published consumer-generated video to the brand website, YouTube, Facebook, and Twitter. The Wendy's program generated 8% incremental reach via digital alone, 23% duplicative reach by digital and TV, and more than 85 million unique views on Facebook. Overall the program achieved 15 times the unique reach, compared with that of product launches at the same spend level.
- **PNC engaged iCrossing to uncover three core brand engagement truths.** PNC Financial Services developed its new Virtual Wallet online banking system that provided customers with a dramatically easier interface to manage their money. iCrossing was brought in when new sign-ups by current and new customers for the service dried up and TV ads were not performing. iCrossing reimaged the activation problem and narrowed the target audience to two key segments. They developed a new program around long-form digital videos and storytelling called "Be The Boss Of Your Money." The new content strategy engaged the target customers and drove new sign-ups 35% above industry averages.

INNOVATION IS A NEWLY PAVED TWO-WAY STREET

Managing an innovation agency partner is different. It requires a hands-on style to maximize the impact of a fundamentally new concept. Innovation agencies also must act differently and be transparent with marketers to successfully guide them through the innovation mindset change required to accelerate their programs. Marketers and agencies must take a new approach to make this relationship work.

Marketers Must Provide Explicit Innovation Budget, Expectations, And Decision-Making

Innovation is not built on short-term execution and immediate sales results. Agencies and marketers have both stated that a new model of trust and openness is required. To make it work, marketers must:

- **Carve out dedicated budget to focus effort.** Budget is required to prime the innovation engine, but the amount can vary. Based on Forrester's Q3 2013 North American B2C Marketing Budget Online Survey, the typical marketing innovation budget averages 5%.² But marketing innovation leaders budget more, like Coca-Cola diverting 10% of the overall marketing budget to innovation as part of its Liquid & Linked marketing budget program.³ This budget should have minor short-term goals, with the intent to help the company expand opportunities or mitigate risks of new ideas as they come to market.

- **Assign decision-makers and hold them accountable.** Pat Stern, global chief creative officer at iCrossing, says that without an active executive decision-maker as part of the innovation team, it is difficult to develop and deliver successful innovation pilots. Decision-maker involvement from the client speeds the agile execution process, enabling faster pilot development and scaling for operational launches.
- **Keep agencies informed as part of the team.** Zach Paradis at Sapient says that the best innovations occur when agency partners are actively involved in strategic conversations where a long-term view of the business is up for discussion. He says that when his agency attends annual strategic business planning meetings, the agency can apply new insights from its perspective to the business challenges because they are deeply understood. Otherwise, the lack of partnership relegates the agency to being an order taker, and the attempts at innovation are incremental rather than inspirational.
- **Develop a North Star by which to evaluate innovative ideas.** A brand North Star serves as more than a beacon for messaging and creative — it should guide strategy and help define the future of the business. If the marketing innovation program causes your organization to question if it has the right brand North Star — stop. The most important thing to have in place for an innovation effort to succeed is a clear brand North Star that aligns with the ideas that are coming from the agency. Without that, the decision to launch anything new is subject to ongoing debate and delay.
- **Prepare for radical change.** Minsoo Pak, chief creative officer at Sparks Grove, says that marketers need to understand that byproducts of innovation can be scary. He strongly asserts that marketers must have management buy-in for radical change resulting from the new innovations. The organization must be ready to radically change business structure and processes to have true innovation be successful. If not, the relationship with an innovation agency will hit a wall of inertia from the marketing organization.

Agencies Must Invest In Leading-Edge Thinking And Act On It

Agencies must invest in innovation resources to prove their forward-thinking chops. This includes partnerships, investment models, labs, thought leadership, talent, and processes to bring new ideas to life for brands. Here are a few examples of areas where agencies have invested with impact:

- **Promote prolific partnering to accelerate innovations.** Dave Knox, chief marketing officer at Rockfish Interactive, actively pushes marketers to engage with startups and technology partners. Rockfish uses its labs division to incubate and launch new businesses like electronic coupon management company CouponFactory to accelerate the partnership process with clients. It has also turned Rockfish Brand Ventures into an investment vehicle for startups and business opportunities and brings this business-building mindset to the table when helping clients innovate.

- **Co-invest with clients for faster pilot launches.** Ben Gaddis, chief innovation officer at T3, has developed a unique program for co-investing, like a venture capitalist, in innovation projects with clients. The innovation program has been running for 18 months and one-third of agency-of-record clients have signed on. The program requires both T3 and the client to invest a dedicated, equal share into an innovation budget. There is a bigger payoff because T3 works on meaningful projects that build its talent pool, and it helps clients accelerate their marketing innovation pilot launches.
- **Use innovation labs to deliver “what’s next?” customer experiences.** JR Reagan, principal, head of innovation labs at Deloitte, developed the Highly Immersive Visual Environment (HIVE) lab in 2009. It was started to help clients visualize innovative solutions around big data and improve profit margins, which are 19% to 73% higher than those of non-analytic-savvy companies.⁴ Deloitte helped PepsiCo and Safeway visualize store-shelf and inventory data to improve the in-store customer experience and eliminate out-of-stock products.⁵ It focuses on prototypes that engage clients and open them up to “what if?” and “what’s next?” possibilities.
- **Develop innovation muscle that delivers breakthrough thought leadership.** Terry Young, founder and CEO at sparks & honey, focuses his agency on creating new platforms, algorithms, and thought leadership to help clients synchronize with their culture. It produces intellectual-property pieces every month on culture and on small fringe signals that can lead to broad customer behavior changes. It conducts culture briefings daily from 12 p.m. to 1 p.m. in New York — percolated from societal culture indicators over the previous 24 hours — which are open to clients, prospects, and even other agencies. This solidifies its model of building muscle memory to create new products, services, and content for clients.
- **Use a multidisciplinary organization model to scale innovations faster.** Sparks Grove, Isobar, and Deloitte all bring the additional capability of multidisciplinary teams to bear to drive and scale innovations faster. These organizations can move rapidly from ideation and creation phases to full-blown launch and operational phases with in-house business process, systems integration, and back-office engineering talent. All three create an agile cell organization model when assigning team members to work on projects, bringing the right talent to the program at the right time.

RECOMMENDATIONS

INNOVATION IN MARKETING IS A BUSINESS BRIEF, NOT A CREATIVE BRIEF

CMOs must go beyond the creative brief to proactively engage innovation agencies to optimize the impact on their marketing programs. Agencies must go beyond the typical pitch to bring thought leadership, partner ideas, talent, and innovation spaces to the clients. Agencies that approach innovation from an agile perspective and effectively partner with technology, development, and channel companies will be superior in guiding innovation programs. CMOs should create a business brief that:

- **Confirms the innovation methodology.** CMOs need visibility into the process and methodology that innovation agencies use to create and test marketing innovation pilots to ensure that these fast-moving projects are on target. Agencies need to clearly define their processes and methodologies in the brief and showcase how they have helped previous clients innovate. They also need agencies to be open to active marketing participation in the entire process. Innovation agencies cannot just take the brief, disappear, and reappear with a finished pilot. That will slow innovation down and create unnecessary rework of pilots when speed is critical. Agencies also need transparency and access to brand insights, new products and strategies, and data to deliver innovations with big impact.
- **Requests success metrics tied to the innovation idea.** It's not enough to say that you are going to innovate. CMOs and agencies need to establish a hypothesis for success. Set clear metrics that will determine the success or failure of the innovation pilot. Knowing when to shut down failing projects quickly and move on to new pilot projects is part of the innovation process. Establishing clear success metrics will also facilitate better relationships and help you determine when to scale pilots to full operational launch.
- **Details the business value that the innovation will answer.** New innovations should not only use the brand North Star as a guide but also explore the adjacent possible. Agencies will need to clearly state the business value potential for each pilot tested as part of the brief and be transparent with the client. Innovations should not be piloted just for the sake of being innovative. Agencies should help brands determine if the innovation has potential to be monetized, affect the customer experience, or increase brand engagement. This will help the CMO make sure that the innovations are on track and that results justifying the program can be presented to C-level executive leadership teams.

SUPPLEMENTAL MATERIAL

Companies Interviewed For This Report

Alaska Airlines	GreenFrog
Applico	Hubba
Barkley	iCrossing
Critical Mass	Isobar
Cynergy	Jarden
Deloitte	MRM
dunnhumby	Possible

Rockfish Interactive	Sprint
Sagepath	T3
Sapient	VML
sparks & honey	Wendy's
Sparks Grove	

ENDNOTES

- ¹ This report discusses how brands and agencies have established marketing innovation labs in places like Silicon Valley; Austin, Texas; Los Angeles; and Buenos Aires. The report also discusses best practices for establishing an innovation lab and why a company would establish a remote versus headquarters-based lab. See the December 2, 2013, "[The Costs And Benefits Of Marketing Innovation Labs](#)" report.
- ² Forrester's Q3 2013 North American B2C Marketing Budget Online Survey results showed the average marketing innovation budget to be 5% of the overall marketing budget. See the December 12, 2013, "[B2C Marketers Must Turn Fragmented Marketing Budgets Into Business Budgets](#)" report.
- ³ The Coca-Cola Liquid & Linked program established a corporatewide goal of investing 10% of its marketing budget into "what's next?" innovation programs. Source: Daniel Blinman, "What Coca Cola Can Teach Us About Content Marketing," Social Media Today, November 12, 2012 (<http://socialmediatoday.com/danielblinman/977266/what-coca-cola-can-teach-us-about-content-marketing>); "Liquid & Linked marketing," McKinsey presentation, January 25, 2013 (http://www.slideshare.net/McK_CMSOForum/liquid-linked-marketing).
- ⁴ Deloitte performed analysis on firms that excelled in big data visualization and advanced analytics and determined that their profit margins exceeded those of other non-analytic-savvy companies, by 19% to 73%. Source: Carl Graziani and John Phillips, "PepsiCo & Safeway: A 'Big Data' Collaboration To Reduce Out-Of-Stocks Using Visualization Techniques," Distribution Business Management Association (www.dcenter.com/media/SCLA_13ppt/BigData_SS-Sell.pptx); Kirsten Curtis, "Decision-Making Processes," Grocery Manufacturers Association (<http://www.gmaonline.org/issues-policy/collaborating-with-retailers/big-data-analytics/recommendation-and-conclusion-1/decision-making-processes>).
- ⁵ Deloitte helped PepsiCo and Safeway visualize data around shelf space, product inventory, overstock, and out-of-stock issues to improve the customer experience, grow sales, and reduce overall costs. Source: "Data Visualization Helps Safeway Keep Shelves Stocked," The Wall Street Journal, December 3, 2013 (<http://deloitte.wsj.com/cio/2013/12/03/data-visualization-helps-safeway-improve-inventory-management/>).

Forrester Research (Nasdaq: FORR) is a global research and advisory firm serving professionals in 13 key roles across three distinct client segments. Our clients face progressively complex business and technology decisions every day. To help them understand, strategize, and act upon opportunities brought by change, Forrester provides proprietary research, consumer and business data, custom consulting, events and online communities, and peer-to-peer executive programs. We guide leaders in business technology, marketing and strategy, and the technology industry through independent fact-based insight, ensuring their business success today and tomorrow.

© 2014 Forrester Research, Inc. All rights reserved. Forrester, Forrester Wave, RoleView, Technographics, TechRankings, and Total Economic Impact are trademarks of Forrester Research, Inc. All other trademarks are the property of their respective owners. Reproduction or sharing of this content in any form without prior written permission is strictly prohibited. To purchase reprints of this document, please email clientsupport@forrester.com. For additional reproduction and usage information, see Forrester's Citation Policy located at www.forrester.com. Information is based on best available resources. Opinions reflect judgment at the time and are subject to change. 111383