

USING PAYMENT BY RESULTS TO CREATE BETTER CAMPAIGNS

Agencies should be accountable for their results. This white paper from Napier explains how you can use payment by results to make campaigns more effective and accountable.

Payment by results (PBR) has a definite appeal to clients: if the agency's campaign doesn't deliver the results you expect, their fee is cut. Whilst PR provides some compensation if the work is disappointing, in practice both the client and the agency would prefer a successful campaign that delivers great results. At Napier we believe that PBR is much more than just a way to claw back some budget when things go wrong: it can actually help to produce better campaigns by more clearly defining what the client sees as "success".

Agencies often complain about poor briefs, whilst clients can't understand why their agency can't see things that should be obvious. At Napier we've found that as soon as the fee depends upon achieving certain metrics, both client and agency put more effort into clearly defining and understanding "success". This inevitably results in better planning, focussed execution and much improved results.

OUTPUTS, OUTTAKES AND OUTCOMES

We often talk about the results of the campaigns in terms of outputs, outtakes and outcomes.

- Outputs are the actions successfully executed within a campaign: for example the generation and publications of press releases.
- Outtakes are the change in knowledge, attitude and opinions of the target audience as a result of the campaign: for example the change in number of people who see the company as an innovator.
- Outcomes are the actions and behaviours that result from the campaign: for example the number of people who sign up for an email newsletter.

WHICH METRICS SHOULD WE USE?

Ultimately any marketing campaign is designed to help the company achieve specific business goals, which are usually outcomes. In B2B technology marketing this often means increased sales, customer acquisitions or design wins. As a general rule, the more tightly linked the metrics are to the business goals, the better.

These business goals, however, often depend upon a large number of different factors – many of which may be unrelated to the campaign being measured. For example a competitor having delivery problems can cause a spike in customer acquisition that is unrelated to the PR and marketing campaigns.

Campaign metrics need to bear in mind the ease and cost of measuring the impact of the marketing activities on the business goals. Typically intermediate metrics are developed

that are highly dependent upon the campaign results, and also clearly contribute to the business goal. Outcome-based metrics generally provide the best indication of the impact of the campaign, whilst outtake and output metrics tend to be more under the control of the agency and marketing team, but are less closely linked to the achievement of business objectives.

In companies that have an established planning procedure, marketing and PR departments will often have key performance indicators (KPIs) or a management by objectives (MBO) process. These use a top-down approach to create metrics that help the company achieve its overall business goals, so elements of these targets often make great metrics for PBR campaigns. background, so decide what are the most important points you want to get across and focus on them.

HOW DOES PBR WORK?

There are many ways to run a PBR approach with your agency. For some activities – for example article placement – the agency can simply be paid a fee for each contributed article that is published. Simple approaches like this, however, tend to be strongly driven by output metrics.

Most PBR campaigns use an agreed fee, which is reduced by an agreed percentage if the agency fails to achieve the objectives. There should also be the opportunity for the agency to earn a bonus if they exceed the target: if the campaign is delivering results, then it makes good business sense to ensure the agency is incentivised to keep working.

CONCLUSION

Although PBR is criticised for tending towards narrow, short-term objectives that are output-driven, there is no doubt that it is an approach that results in better briefs, a more focused agency and a team that is pulled together by a clearly defined common goal. When it's possible to set good metrics, it usually makes sense to use a PBR approach.

Some campaigns, however, simply don't lend themselves to a PBR approach. The metrics are too difficult or costly to measure; too dependent on other factors; or hard for the agency to influence directly. If good intermediate metrics can't be found, then it makes no sense to force a PBR approach when it isn't appropriate. After all, if a client doesn't believe the agency is delivering results, they'll fire the agency: perhaps that is the ultimate form of payment by results.