



Business
Intelligence
& Insight

How To Ask For A Price Increase

**This webinar will
begin momentarily...**



Business
Intelligence
& Insight

Housekeeping

This webinar is being recorded and will be available on our site:

https://www.aaaa.org/webinar_series/business-intelligence-insight/



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How To Ask For A Price Increase



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4A's

What We Will Cover

The importance of us - the advertising industry

A strategy for introducing a price increase to your client

Why profit is important and why you absolutely need a price increase

Using your clients' own pricing experience to your advantage

Some resources to aid your preparation

Thinking ahead to typical client and procurement feedback

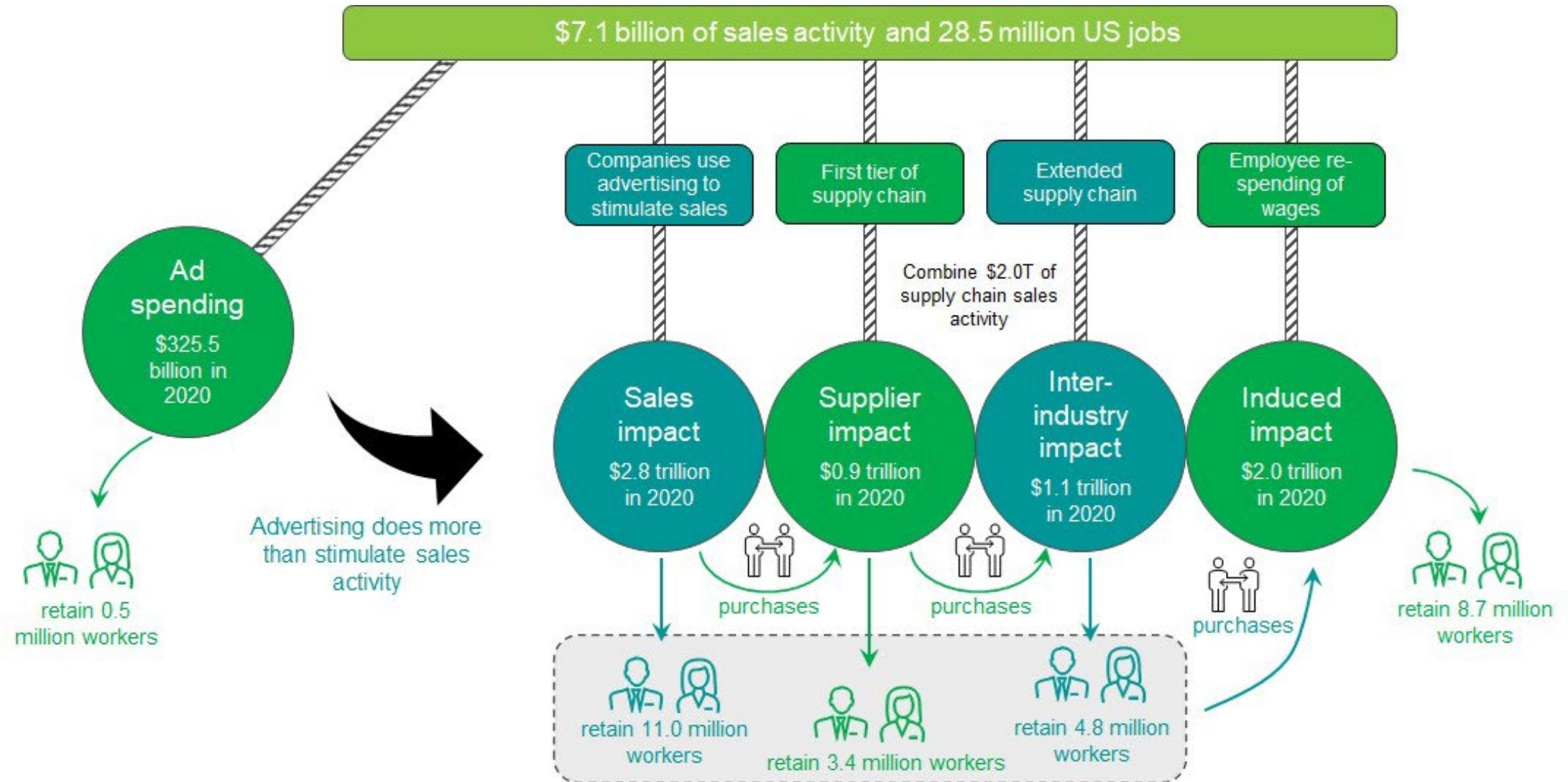
Real life experiences at:

Preston Spire

OH Partners



Our Industry drives 20% of US GDP



Source: [The Economic Impact of Advertising on the US Economy](#), Nov 2021, The Advertising Coalition



Key Industry Stats

Every \$1 of ad spending supports \$21 of economic output.

Every direct advertising job supports 51 jobs across industries.

The average salary for jobs supported by advertising was 12% above the national average.

Setting the Stage - The Problem is Bigger than You.

Salary Inflation

Government data

Press articles

3rd Parties (e.g Mercer): predicted salary increase forecast data

Consumer Price Index Data

Pandemic Issues

The Great Resignation

Pressure on junior and mid-level staff salaries

Retention and ability to service the business

And Remember: Procurement's #1 goal is continuity of quality service, not cost.



Wages and Benefit Increases Over Past Two Years.

Table A. Major series of the Employment Cost Index
[Percent change]

Category	3-month, seasonally adjusted		12-month, not seasonally adjusted, current dollar			12-month, not seasonally adjusted, constant dollar		
	Jun. 2022	Sep. 2022	Sep. 2021	Jun. 2022	Sep. 2022	Sep. 2021	Jun. 2022	Sep. 2022
Civilian workers¹								
Compensation ²	1.3	1.2	3.7	5.1	5.0	-1.6	-3.6	-2.9
Wages and salaries.....	1.4	1.3	4.2	5.3	5.1	-1.1	-3.5	-3.0
Benefits.....	1.2	1.0	2.5	4.8	4.9	-2.8	-3.9	-3.0
Private Industry								
Compensation ²	1.5	1.1	4.1	5.5	5.2	-1.3	-3.3	-2.8
Wages and salaries.....	1.6	1.2	4.6	5.7	5.2	-0.7	-3.1	-2.7
Benefits.....	1.3	0.8	2.6	5.3	5.0	-2.6	-3.5	-3.0
Health benefits.....	-	-	0.4	4.6	4.9	-	-	-
State and local government								
Compensation ²	0.8	1.9	2.3	3.4	4.6	-2.9	-5.2	-3.3
Wages and salaries.....	0.7	2.1	2.4	3.2	4.4	-2.7	-5.4	-3.5
Benefits.....	0.9	1.6	2.1	3.6	5.0	-3.1	-5.0	-3.0

24-Month Increase

Wages up 10.0%
Benefits up 7.7%
Healthcare up 5.3%

Overall Compensation
up 9.5%
since September 2020

¹ Includes private industry and state and local government.

² Includes wages and salaries and benefits.

Note: All estimates in the table can be found in the public database at www.bls.gov/ncs/ect/data.htm. Dashes indicate data not available.

Source: Bureau of Labor Statistics; Employment Cost Index, published October 28, 2022



Demonstrating That the Problem is Out of Your Control

CFO DIVE Deep Dive Opinion Library Events Topics

DIVE BRIEF

Inflation anxiety hits highest level since 1979: NFIB

Published Aug 9, 2022

Jim Togni
Senior Reporter



Marketing & Advertising

Salaries in the Advertising and Marketing Industry

Talent: The Heart of the Industry

Good, hardworking, and dedicated employees could be the difference between a barely surviving business and a profitable and growing operation. The best talent is usually acquired by the best agencies, the in-house tech industry departments, or consultancies.

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EXCLUSIVE - Talent shortage, salary inflation hit advertising

By Chris Pash | 4 May 2021

1 Comment



The advertising industry, which ditched jobs in the fearful depths of the pandemic, now faces a talent shortage as ad spend surges for the first time in years.

Last year the agencies had the upper hand in the job market. That's changing, say recruiters and industry insiders. Salaries, depressed during the economic fallout of COVID-19, have begun to rise as some roles become hard-to-



By Aaron De Smet, Bonnie Dowling, Bryan Hancock, and Bill Schaninger



People keep quitting at record levels, yet companies are still trying to attract and retain them the same old ways. New research identifies five types of workers that employers can reach to fill jobs.

The Price Increase Imperative

Staff costs 75% of your operating expenses

As go salaries, so go total costs

All staff expect increases, not decreases

No time to lose with a recession on the mind

Suggestions:

Remind clients that your business model is tied to the cost of your staff

Educate your client on your business model.

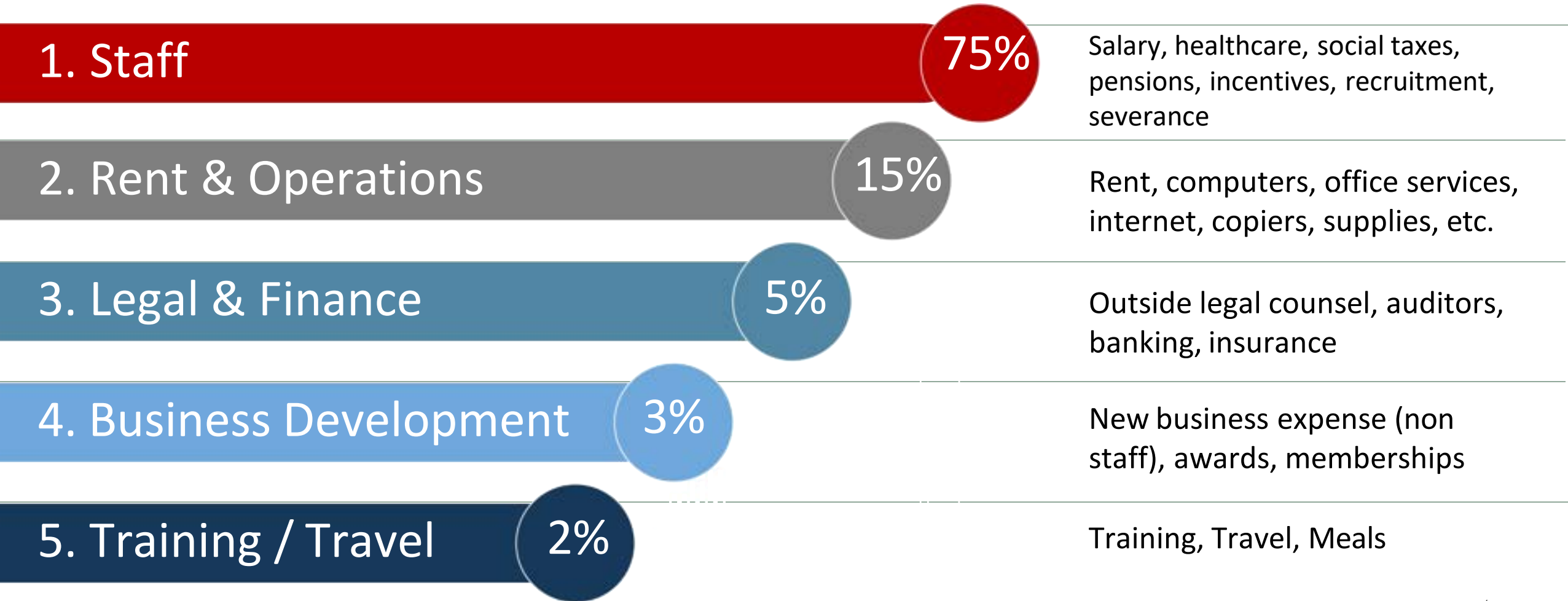
Share a generic / industry cost profile (3rd party data is less subject to criticism)

Demonstrate the inflation you have absorbed over the past *n* years since your last increase, compounding the problems caused by the pandemic.



Marketing Services Firms

Typical Cost Structure in the US



Source: American Association of Advertising Agency - Annual Survey of Costs



Why You Need Profit

Compete for the best talent and retain key people

Invest in training and technology to innovate and evolve your services to ensure excellence for your clients

Allows management to focus on delivering client issues instead of internal cost-cutting exercises

Meet profit expectations which gives leverage to acquire additional resources for clients

A strong partner is the best partner for clients.

A financially healthy agency is in the best interest of advertisers



Your Client's Actions May Help You

Higher prices ahead for Tide detergent and other Procter & Gamble products as costs climb higher

PUBLISHED WED, JAN 19 2022-10:55 AM EST | UPDATED WED, JAN 19 2022-6:43 PM EST

**The Great Resignation Fueled Higher Pay—
Even For Those Who Didn't Switch Jobs**

Beef prices are poised for a surge that could last years, experts say

Retention concerns driving 44% of record pay increases.

Americans are paying record-high prices for new vehicles

Signing bonuses for new employees: 48%

Cash incentives for returning to the office: 46%

More paid time off: 43%

Job title upgrades: 40%

Brace for Higher Prices for Ice Cream, Beer and Bottled Water

The Client's Own Environment May Help You

Are the client's profits up?

Has the client increased their prices?

Client's own wage increases?

Client's stock price?

What Will You Do Without an Increase?

Try to fill the roles with less costly, but less experienced staff

But that risks quality of service

And risks gaps in service

while putting the client's work at risk

...and how do you explain this to a client without creating panic.

Your message:

“You want us to do great work and we want to do great work. We can only do this with the right resources, which are tied to fair remuneration”



Prepare Yourself for Predictable Client Responses

1. “Now is not the time to seek an increase”
2. “You’ll just have to become more efficient”
3. “You’ll have to cut your other expenses to be competitive”
4. “Our marketing budget is flat and we can not afford an increase now”
5. “But your rent must be going down. Surely that will offset your salary increases”
6. “Our benchmarks show that we are already overpaying you”
7. “We know you are financially better off than you say you are”
8. “Your margin is greater than ours”
9. “You are the only one of our agencies asking for asking for an increase”

From Theory to Practice

Jennifer Spire – Preston Spire

Meagan Jackman – OH Partners



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Q&A