



Pitch versus productivity research study

Report & overview of research results

Research undertaken by BDI and
BDI member Firedog Design October 2005

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Pitch and productivity

£38,000 is the average annual cost of free pitching to a design agency. 56% of design agencies employ less than 5 people.

Number of respondents – 209

Date: 1st September to 20th October, 2005

Method: Online Survey using online research product Zoomerang study



firedog

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Executive Summary

Pitching – free and paid

A free pitch is the process of inviting a number of agencies to respond to a brief and provide creative concepts without commitment or remuneration, where one agency is awarded the project.

Paid pitches are those that respect an agency's knowledge, time and professional services and where the process is supported by an appropriate fee.

Other forms of pitching might not involve creative concepts but none-the-less may require written strategic directions that are equally time-consuming and commercially valuable.

The Creative Industries Pitch process has caused much angst between agencies and client organisations particularly in design, advertising and PR sectors. This research deals with the views of the design sector where 56% of the sector employs fewer than 5 people.

Free pitching has given rise to inappropriate procurement procedures, unethical or whimsical pitches, poor etiquette, restriction of the creative process, barriers to relationship building and a negative impact on productivity.

The purpose of this research is to establish the cost of free pitching, its impact on productivity and to highlight poor procedures. We wish to encourage more appropriate 'best practice' procedures that benefit both agency and commissioning organisation. In this regard BDI launched Professional Pitch in March 2004 and Appointment procedures with supporting contracts in June 2005. This documentation is having a positive impact but needs to be more widely adopted to significantly improve current conditions.

This research focused on both private and public sector procurement procedures. The Public sector has attracted particularly strong criticism.



Top line results

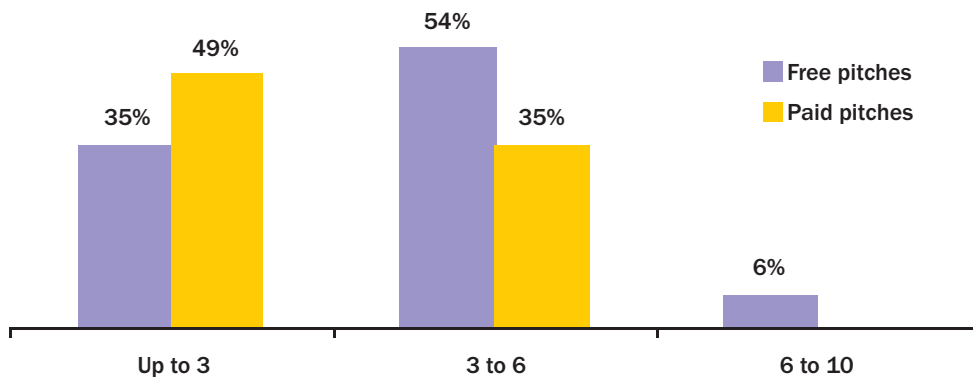
Cost of pitching

- Based on our sample of respondents the following indicative figures were generated
 - The average annual cost¹ to an agency that engages in free pitching is c. £38,000
 - The average annual expenditure by agencies participating in paid pitching is c. *£25,000
 - * The paid pitch fee is often not commensurate with full commercial value of time expended by the agency during the pitch process.
 - Number of man hours spent on free pitching per annum is *608 hours.
 - * That equates to one person x 15 working weeks per annum or 3 people at 5 working weeks each.
 - Number of hours spent on paid pitching per annum is *400 hours
 - * It is difficult to assess how many of these hours are actually charged to the client.
- 65% of design companies surveyed selectively engage in free pitching.
- 16% takeup every invitation to free pitch.
- 14% claim to never free pitch.
- An estimated one third of the respondents (35%) claim to receive more than 10 requests per annum to free pitch in comparison to 83% of respondents who receive less than 3 paid pitch requests per annum.
- 42% of respondents believe that requests for free pitches have risen in the past 12 months and only 8% say they believe free pitch requests have decreased.
- Conversely only 10% feel that paid pitches have increased over the past 12 months compared with 35% claiming that paid pitch requests have decreased.
- Results suggest that the public sector requests free pitches more often than the private sector with 40% of respondents claiming they receive more free pitch requests from public sector organisations.
- The average number of agencies invited to participate in a free pitch is 6, this drops down to 3 in a paid pitch. This is shown in the chart below. It suggests that the selection process is far less rigorous in the free pitch process and thereby the chances of winning new business are significantly reduced.

¹ This is based on the number of hours worked multiplied by the estimated cost per hour. We have worked on an average day rate of £500 for an 8 hour man day.



Comparison of number of agencies invited to pitch



Pitch success rates

- Nearly two thirds of the respondents (67%) claim to win less than 40% of the **free** pitches they enter into. 33% claim a 60% success rate.
- 56% claim to win less than 40% of **paid** pitches whilst 44% claim a 60% success rate.

Lack of courtesy and poor etiquette

- 63% of respondents have been involved in private sector free pitches where the opportunity was withdrawn post pitch. Over a third of client organisations gave no reason for the withdrawal of the opportunity. The reasons when given are shown in the chart below.

Reasons given in private sector for withdrawing opportunity post free pitch process

| | |
|----------------------------------|-----|
| Lack of budget to proceed | 39% |
| Change of mind by decision maker | 34% |
| No reason given | 34% |
| Change of business direction | 26% |
| Change of marketing strategy | 26% |
| Change of personnel | 25% |
| Failure to secure board approval | 24% |

It is disappointing to see nearly 40% of organisations entering into the free pitch process before assessing whether they can afford to commission the work detailed in the brief issued to agencies. It is a simple procedure to gain 'estimated costs' from agencies without putting them to the trouble of a full pitch involving creative concepts – at their cost. Decision makers who whimsically change their mind and those that fail to give any reason at all are displaying a lack of regard for an agency's time, professional services and the non-recoverable costs involved.

- A similar picture emerged in public sector – particularly in relation to tenders. 35% of agencies had experienced the withdrawal of a Tender after they had completed the tender in full and submitted on or before the advertised deadline. 25% received no explanation despite verbal or written requests for information and/or return of their work.
- Where explanation was offered the most common reason given (27%) was simply 'a change of mind of the commissioning body'. Lack of budget (23%) and change of marketing strategy (18%) were other common reasons given.

Due to the in-depth paperwork, cost estimates and/or creative work involved in completing a Tender document an agency can often dedicate two or more people for two weeks (160 hours) at an average cost of £5000 plus. This represents a huge amount of wasted time and money that could so easily be avoided by more appropriate creative industry appointment procedures.

Agencies respect public sector needs to ensure a fair process and effective use of public sector funds.

However, the procurement of equipment and other off-the-shelf goods needs to be separated from the procurement of creative services. Open tenders can result in 100's of applications from agencies for projects worth £60,000. The same applies to the private sector – a six-way pitch where on average each agency spends £3,000 to £5,000 results in a sector expenditure of £18,000 to £30,000 before the project is awarded. In most instances the pitch time and work is rarely re-charged to the client in full – resulting in project profit margins being significantly reduced even for the winning agency.

And if the project or tender is withdrawn after expenditure has been committed by the agencies none of the participants have any opportunity to recover their costs².

- Formal feedback on why an agency was unsuccessful is rarely given. Even in paid pitches only 15% of agencies claimed to receive satisfactory, formal feedback.
- 52% of respondents also feel they have been used to 'make up the numbers' in both private and public sector tenders. There are many instances cited where the result was a foregone conclusion.

² BDI has introduced a legal Pitch Terms and Conditions document that provides a clause for the recovery of costs should the opportunity be withdrawn for no good reason after the agency has been subject to cost expenditure.



This often happens due to the procurement rules that state a project of a certain value must go out to open tender. If the commissioning body has been working with an appropriate and experienced consultant to formulate the strategy and brief – that consultant is in a stronger proprietary position than those tendering blind. More appropriate tendering procedures are needed that balance fairness and protection of public sector funds but do not result in the current negative impact on the creative industries productivity and profitability.

Given that the creative industries are being hailed as intrinsically important to the health and wealth of UK plc it is ironic that government procurement procedures are having such a negative impact on the productivity, profitability and growth of this sector – the majority of whom are SMEs.

- 56% of agencies feel that the current pitching practice restricts the creative process.
- 54% believe the process is a hindrance to relationship development with potential clients.

The above results when compared to another recent piece of research³ which revealed that 60% of agencies stated relationship and chemistry with potential clients to be a major factor in winning business, confirms that the free pitch process is at odds with successful business development.

The free pitch process often denies the participants with a face-to-face briefing process or any opportunity to establish chemistry. Thereby agencies are not afforded the opportunity to withdraw from the process if personalities or visions collide.

³ The business of design, Design industry research 2005, Design Council

Respondent profile

Number of employees

| | |
|-------|-----|
| 1-5 | 45% |
| 6-10 | 22% |
| 11-20 | 18% |
| 21-50 | 11% |
| 51-75 | 1% |
| 76+ | 2% |

Range of design disciplines offered by respondents

| | |
|------------------------|-----|
| Graphic design | 78% |
| Brand development | 58% |
| Packaging | 40% |
| Product/industrial | 13% |
| Commercial interior | 10% |
| Exhibitions and events | 36% |
| Service design | 9% |
| Multimedia | 53% |
| Interaction design | 24% |
| Information design | 23% |
| Communication design | 40% |
| Other | 19% |

Summary

It is clear from these research results that the pitch process in both the private and public sector needs a serious review.

Agencies respect an organisation's need to ensure that they appoint the most appropriate agency whose experience, personality, creative ability, cost structure and reliability best suit their business needs.

However, these factors can all be determined by the commissioning organisation by committing more of its own time to identify appropriate agencies, meet with them and eliminate those without the right fit prior to issuing any formal invitation to respond to a brief.

If strategy plays an important part of the requirement, commissioning organisations would often achieve better results from their agency by involving them in the development of the brief. This could be achieved more cost efficiently for both parties by running half-day meet-the-team sessions where strategic thinking and team personality fit is observed.

Creative results are determined via the shared knowledge and vision of both the agency and the client. Therefore requesting free concepts prior to the benefit of that shared knowledge and personality fit is back-to-front.

Where strategy is not a significant requirement, the client organisation has the ability (or should have) to judge an agency's creative prowess and implementation quality via their credentials and portfolio of case studies.

Taking up references from previous clients is also a good practice measure.

Design agencies themselves could improve upon their own approaches to new business development. The results of research carried out with 25 commissioning organisations makes interesting reading. Agencies have been accused of lack of transparency regarding cost proposals, arrogance and not listening to the client. These results are available on request.

BDI Recommendations for best practice improvement

Separate public procurement of creative services from that of off-the-shelf goods and equipment.

Work with the creative sector to review the procurement process and arrive at a more appropriate means of appointing agencies. (Refer to BDI professional pitch and appointment procedures).

Separate strategically-led projects from non-strategic and short-list agencies accordingly.

Invest more time in meeting and evaluating agencies prior to inviting short-listed agencies (no more than three) to respond to a brief.

Where strategic experience is fundamental, consider new ways of evaluating thinking, vision and personality fit. Consider a half day team meeting with short-listed agencies. The 'big idea' will follow if the strategy, team and shared knowledge are the focus of attention.

Don't issue a brief to an agency you have not met and evaluated face to face. Personality fit is one of the key reasons an agency is appointed. Time and costs on both sides can be saved by eliminating agencies following a Chemistry meeting.

Take up references with three current or recent agency clients.

If you require the services of an agency to turn your marketing strategy/ideas into a visual business case to assist you in securing key stakeholder and/or board approval/budgets, select just one agency for this task on a fixed fee basis agreeable to both parties. The same appointment procedures should be followed and the agency should be made aware that post the paid Visual Business Case exercise, the project may not proceed should board approval/budget not be gained.

Please be aware of the time and cost commitment involved (with or without creative concepts) in pitching for new business. Ensure that opportunities are genuine and secure before inviting agencies to invest time and costs in credentials presentations.

Try to find every other means of assessing an agency's suitability other than conceptual work. If you find yourself undecided between two final short-listed agencies – offer a creative fee for a think piece (strategy) or initial creative concepts (non-strategic).

If the business opportunity is withdrawn post-pitch due to reasons out of the agency control - eg: change of marketing strategy, the agencies costs should be reimbursed.

Please give agencies honest feedback – it provides the design sector with the opportunity to improve its own professional practice.

Best practice is an issue for all concerned and by observing and improving it all parties will ultimately benefit.

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