consultancies are swooping in to take high-margin experience technology services. To return to full partnership, agencies need a new business model that puts the client at the center.

CMOs are under tremendous pressure; they must assume the mantle of growth or watch their influence wane in the C-suite. As their responsibility expands beyond communications and brand building to also include driving sales and customer value, the traditional role of agencies and their media-led business model comes under attack. They must transform themselves to meet the CMO's growth agenda. Five forces disrupt agencies' existence:

1. CMOs advance in-house agencies. Many CMOs create in-house agencies for cost effectiveness, control over customer data, and transparency. A Forrester/In House Agency Forum survey found that 64% of respondents use in-house agencies for some services in 2018, which is an increase of 52% from a decade ago; this includes the 70% of marketers who command strategy and campaign direction in-house for programmatic advertising. Unilever claims that its decision to shift some production resources to its in-house agency has resulted in a 30% saving in marketing spend.

2. Service capabilities are not aligned. The traditional agency revenue sources like media, production, and operations face the threats of transparency, automation, and competition. Agencies need to develop new revenue streams. The P&Ls of today's agency limits the opportunity to tackle a client's business problems. The key to collaboration is an incentive structure that rewards client success and outcomes and cultivates innovation. Data analytics, consulting, marketing operations and technology will add new value to conventional campaign capabilities.

3. CMOs aggressively manage costs, especially media. Advertisers push steady budget cuts, challenge fees, and force account reviews to drive down the rising cost of marketing due to the expansion of touchpoints, and the price inflation of media, content, data, and technologies. This puts pressure on agencies to trim and justify costs. Agencies discount labor costs, restrict the scope of work and manage margin — challenging client trust and letting budget negotiations influence the quality of the services delivered and client outcomes.

4. Consultancies ascend on high-margin marketing services. Global management consultancies are coming after the lucrative agency business. Accenture Interactive, Deloitte Digital, and IBM iX now rank among the largest agencies. They are interested in the larger transformation, not just advertising campaigns that are only part of the experience. This is forcing agencies into a defensive posture, trying to protect their core media and creative competencies while surrendering any advance into complex technology implementations as marketing spend continues to shift into customer experience and martech.

5. The growth agenda involves more stakeholders. Business stakeholders, from product teams to customer relations, pursue their own agencies or relationships with consultancies. And, while CMOs have the fastest-growing technology budget, CIOs are more involved in agency deals because technology plays such a vital role in execution. These new stakeholders prioritize new vendor capabilities over traditional CMO/agency relationships and the agency's knowledge of the business.

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At present, the CMO's only replacement for its agency is another agency: Forrester estimates that over $60 billion in measured media will move from one agency to another in 2018 alone. While in-house agencies and consultancies are on the rise, the former lack agency-grade talent and the latter lack creative or media capabilities for marketing campaigns. Every CMO is demanding that their agency partners rise to meet the challenges that they face — and to provide the solution that will power their success. Agencies must seize on this opportunity to change. The old adage that "The agency is only as good as the client allows it to be" rings true. To enable agencies to embrace a new business model that serves their marketer's needs, CMOs must:

- Do away with category exclusivity and competitive conflicts in order to let agencies build capabilities and deep industry knowledge. Clients should not dictate who their agencies work for; rather, they should be asking for assurances that their information is protected.

- Smash company silos and manage agencies across channels, business lines, and budgets. Agencies are a reflection of their clients' culture and structure.

- Dismantle compensation practices that deny access to the highest-caliber talent at the agencies. Seek the best and brightest talent your agencies have to offer.

New stakeholders, new suppliers, and new economics will cause a 15-year cycle in which agencies and media conglomerates will engage in the creative deconstruction and reformulation of the industry. However, creative entrepreneurialism will remain the wellspring of agency innovation. After the dust settles, CMOs will still prize creativity, albeit executed differently. Emotional brand storytelling will appear in real-time video, voice platforms, virtual reality, clever uses of personal data, and better versions of TV.

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