From Hours to Outcomes: Who Decides What Value Is Worth?

As AI reshapes agency operating models, outcome-based pricing is gaining momentum. But moving from paying for resources to paying for results raises important questions about value, transparency and accountability.

The conversation around agency remuneration is changing. Across the media and advertising industry, outcome-based and value-based pricing are increasingly being discussed as alternatives to traditional resource-based models.

For decades, agency remuneration has been closely connected to the people and time required to deliver a service. Fees have often been calculated around full-time equivalents (FTEs), staff seniority, hourly rates and the resources assigned to an account.

That model is now under pressure.

Artificial intelligence is changing how agencies plan, create, buy, optimise and report on advertising. Tasks that once required substantial teams can increasingly be completed with fewer people, or completed more quickly. As agency staffing requirements change, so does the traditional basis on which many agency fees have been calculated.

For agencies, this creates a significant commercial challenge. If remuneration is largely linked to the number of people deployed, fewer people can mean lower fees, even where the agency continues to deliver significant value. One response is to move the conversation away from the cost of delivering the work and towards the value of the outcome. History shows that is a big ask.

But is this a genuine evolution in agency remuneration, or partly a way of protecting revenue in an AI-driven operating environment? And, more importantly, how can advertisers ensure that the value they pay for is real, measurable and fairly priced?

What does outcome-based pricing actually mean?

At its simplest, outcome-based pricing links some, or potentially most, of an agency's remuneration to pre-agreed business results rather than the resources used to deliver the service.

These outcomes might include sales, revenue growth, qualified leads, conversions or other agreed performance indicators. The agency is no longer paid primarily for the number of people working on an account or the hours they spend. Instead, a portion of its compensation depends on achieving defined results.

The attraction is understandable. Clients want agencies to be accountable for business performance, not simply activity. Agencies want to be rewarded for the value they create, rather than seeing their fees reduced as technology makes delivery more efficient.

However, the principle is easier to agree than the detail. What exactly constitutes a successful outcome? How much of that outcome can reasonably be attributed to the agency? And how should the financial reward be calculated? These questions become particularly important when remuneration is linked to business results that are influenced by many factors beyond the agency's control.

The AI effect: a new commercial reality

The pressure to reconsider agency remuneration is not new, but AI is accelerating it.

The traditional agency model has been built around people. Recently we have seen juniorisation by agencies and lesser seniors involved in serving them. AI is further changing that equation. It can reduce the time required for certain tasks, automate elements of campaign management and reporting, and support the production of content at greater speed and scale.

Agencies may consequently be able to deliver more with fewer resources. But if the fee model remains predominantly resource-based, productivity improvements can translate directly into reduced remuneration. Remuneration should be properly discussed and modelled by the agency/client teams. The commercial case must be clearly demonstrated. Once a new remuneration model is reviewed the critical details of measurement needs equal attention. How that value is defined, measured and independently established.

A new pricing model does not resolve an old transparency problem

Value based models can only work if transparency is addressed upfront. Over time, the commercial mechanisms surrounding agency remuneration and media trading have evolved. Traditional mark-ups have been followed by agency volume bonuses (AVBs), rebates and other incentives. As digital media expanded, new areas of complexity emerged, including non-disclosed programmatic arrangements, inventory media and the economics of intermediaries. More recently, influencer marketing has introduced further layers of commercial relationships and potential conflicts.

The mechanisms may change, but the underlying question remains: does the client have a clear understanding of how the agency and its partners are generating income, and what the client is actually paying for?

Outcome-based remuneration does not make this question disappear. If anything, it makes transparency more important. A performance fee can look straightforward on paper, but without clear definitions, supporting evidence and visibility of the underlying economics, it can be difficult for a client to establish whether the payment represents fair value.

Good contracts and effective compliance audits remain essential. New remuneration models should not become another layer of commercial complexity that sits outside the client's ability to understand and verify.

If you implement outcome-based pricing, balance it!

For advertisers considering outcome-based pricing, the objective should not simply be to replace one fee structure with another. It should be to create a model that is fair, transparent and aligned with the interests of both parties.

A potentially more balanced approach is to combine a base fee with an additional performance-related payment and underlined by full transparency on all areas.

The base fee would reflect the agreed scope of services and the reasonable cost of delivering them. It would recognise the people, expertise, technology and operational resources required to service the account.

An additional performance component could then reward the agency for achieving agreed outcomes. This provides a genuine incentive to deliver stronger results without making the entire commercial relationship dependent on performance measures that may be influenced by external factors. It however needs to be run in a fully transparent way, that there is not double dipping.

The structure needs careful consideration. KPIs should be agreed in advance, clearly defined and supported by reliable data. They should be sufficiently ambitious to motivate improvement, and in some cases stretch performance, but remain realistic and achievable. Most importantly, the financial reward should remain proportionate to the value delivered. A successful campaign does not automatically mean that any performance fee is commercially justified. The client needs to understand the relationship between the outcome achieved, the services provided and the amount paid.

Measurement, verification and the role of compliance audits

This is where the discussion moves beyond pricing strategy and into contract compliance.

An outcome-based agreement is only as strong as its measurement and verification framework. If the parties cannot independently establish

whether the agreed outcome was delivered, the remuneration mechanism risks becoming a matter of interpretation rather than evidence.

Compliance audits provide an efficient way to review this relationship. They can assess whether the services and deliverables were provided as agreed, whether performance has been measured in accordance with the contract, and whether payments have been calculated correctly. It should examine the agreed KPIs, data sources, calculation methodology, exclusions, adjustments and supporting documentation. It should also establish whether the agency has received payment only for performance that has been achieved and verified under the contractual terms.

Contracts must evolve accordingly. Traditional provisions designed around resource levels and time-based fees may not be sufficient. Agreements should clearly define the services included in the base fee, the performance measures that trigger additional remuneration, the client's access to relevant data, and the rights to review and verify calculations and payments.

As with any changing commercial model, the contract should be treated as a living document, supported by regular review and effective oversight.

The future of agency remuneration should not be about paying for fewer people or simply paying for bigger promises. It should be about paying fairly for cost that occurred and for value that can be demonstrated, measured and verified.