

MarketWise



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Building a Competitive Foundation

Six Building Blocks You Must Have

It goes without saying that if you're going to be in this business for very long, you're going to come up against agencies that employ more people, have higher billings and a larger client list.

If you're going to be a consistent winner, then your agency needs to have more than talented people and good ideas.

You need to have a clear vision of what your agency is, or is going to be. You need to know what you need to accomplish in terms of objectives and goals you have to reach.

You may be talented, but if the agency is dysfunctional, it won't be able to attract great prospects and keep them for very long.

Objectives and Goals-For a small agency to win against a larger agency, your guerilla team needs direction with objectives and goals. The team needs to know what they are to do and by when. They need to know where they are going. Everyone needs to know.

You need to define measurable objectives that the agency can achieve by specific dates.

One of these objectives must be a revenue and gross profit objective, because it takes money to run the agency. Funds purchase resources and opportunities.

Six Critical Building Blocks

Along with setting objectives and goals, you need to use six critical building blocks to put the agency in its best fighting condition.

These are about the agency's structure, not the work the agency does.

The six building blocks are all business strategies that every winning organization must have. They are:

1. Organization strategy
2. Staffing strategy
3. Management strategy
4. Financial strategy
5. Marketing strategy
6. Systems/procedures strategy.

Organization Strategy-Once you have your vision and primary aim in place and completely understood, you'll need to decide how the company must be organized to deliver on your vision. How must the agency be organized to accomplish the objectives and goals?

Are you a full-staff agency with traditional departments, or are you a more virtual type agency employing special teams to fit each specific project?

Your "organization" may be viewed as strength by some prospects and a weakness by others. Your organizational strategy helps to define who your prospects might be...and who they are not.

Your agency can't be everything to everybody. But, it can be everything to those that are looking for what you have to offer.

Staffing Strategy-Once you've build your organization strategy, you will need to staff the organization. What skills will be needed? What will you look for in staff background and qualifications?

Is the size of your staff important? To some it is. The number of employees has always contributed to the client's (and agency's) paradigms about quality of the work and relationship. We must demonstrate that big isn't necessarily better. It's our six versus their six.

So, make sure your staffing strategy calls for the best you can afford, and then upgrade as you gather resources.

Management Strategy-How will the firm be managed? Who is going to have what responsibilities, authority and accountabilities? What is your strategy going to be, right through the role of each employee and continuing through continuous staff training. Training is an area where small agencies must excel.

A well managed agency is fight-ready.

Financial Strategy-It's your financial strategy that provides the funds to keep the agency rolling. I don't care how talented people are, if they don't produce the profits, you can afford to keep them around.

A financially strong agency has more options and is a tough competitor. You'll never have to wonder where the funds are coming from. You'll already have the money in the bank.

Marketing Strategy-When I talk to young folks who are starting their careers in agencies, few, if any have even taken a marketing course in college.

Today, I think, that a keen marketing knowledge is more important than ever because clients need strategic marketing recommendations and most agencies are ill-equipped to provide them. Why? Because many young (and more senior) account staff thinks marketing begins and ends with promotion and advertising.

They're partially correct, but they also need to understand more about the product line, the distribution channel and pricing of the goods and services. If they don't understand, they can't provide the coveted marketing strategy every client, or prospect, is looking for.

If you're going to compete against larger agencies, you need to have your front line warriors properly equipped.

Just like your clients, your agency needs to have a very clear marketing strategy.

What are you going to sell? Are you going to be a full-service agency, a specialist, a boutique or something else? It doesn't matter! What matters is that you and your staff know what you are, and aspire to be, and the way you're going to get there.

What is going to be your product? Is it going to be the same as every other agency in the market? Or, is your offering going to be something different? Are you going to brand your offerings and secure proprietary ownership to make your products unique?

Who are you going to sell it to? That's a good question, because if you're going to sell to everyone, then you've forgotten that you're fighting a war, a marketing war. Divide and conquer, just like Julius Caesar. Segment the market. If the prospect is in one of your market segments, then use your specialties to make your case.

What is your pricing strategy?

What anyone buys is the difference between what he/she has now and what he/she could have if they take a specified action.

You need a good pricing strategy...maybe one that isn't based on traditional hourly rates, commissions and mark-ups. Whatever it is, make it flexible and discuss it with the client. Find out how they measure the value of the agency's work and how they want to be charged. Remember, a pricing strategy is the baseline for the agency. Each client agreement is a negotiation that takes the client from where they are, to where they want to be. Then you need to deliver.

How are you going to work with the client?

Loosely, we can call this the distribution channel for the agency. Are you going to have a multi-layered chain of command or a group that is empowered to make decisions? Are you going to promote direct contact

between the client and members of the staff, or does it have to come to and through one person? What works best for the clients?

How will you deliver? Your decision affects the agency's organizational/staffing strategy.

I suggest you employ people who are good "thinkers" who can solve problems and discuss the alternatives intelligently with clients and prospects. These should be the same account managers who manage the process. I also believe you should allow, if not promote, direct client contact with other staffers.

To be a tough competitor, you need to have a great marketing strategy, because this strategy, more than any other, focuses the efforts of the agency. It defines what you're going to sell, who you're going to sell it to, what you're going to charge, and how you're going to deliver it.

A small agency without a solid marketing plan is doomed for mediocrity, if not failure.

Systems and Procedures-The final building block is a combination of the systems we establish and the procedures we follow. Every good manager knows that it's the systems that ensure a smooth and uniformly operating company. The people merely operate the systems. The tough job is modifying the systems when needed (and retraining staff) to stay ahead of market needs.

The purpose of systems is to provide predictable quality, cost and delivery. Those are powerful weapons in your agency's arsenal.

At the minimum, you'll have to have good client management systems, project and financial management systems. Make sure they aren't too cumbersome and absorb too much time. Constantly strive to make them more efficient and less involving, but still produce the predictable quality, cost and delivery.

It just boils down to keeping your agency strong and stable. It's hard to deliver rock-solid on a shaky foundation. ■

Three Types of Positioning Strategy

As a small- or medium-size agency you need to have good marketing strategies. I believe the most important of your strategies is how you position the agency. Positioning is a prime requisite to prosperity in this business.

As a guerilla marketer, you know you have to "limit" the arena in which you're going to compete. You need to do this to either gain parity with your competition or to dominate it.

An agency that professes to do "everything" for "everybody" is at a disadvantage. You know, you've heard me preach this for years. Become a specialist by learning your client's business and being able to offer advice to them on how to win against their competition.

The three most common types of positioning concepts are based on:

Category positioning - defines what market you will compete in. In other words, are you going to compete in a specific geographic market? A select group of industries? A specific demographic market? What?

Product positioning - is based on buyer attitudes toward the product in terms of the product form, or the product performance. Product form is all about system advantages, ingredients, and design/styling, suitability and variety advantages. Product performance is based on effectiveness, reliability, ease of application, maintenance and added value.

Marketing positioning - recognizes buyer perceptions toward non-product attributes in terms of the company providing the product or service or the customer service and services provided by the company.

For a small agency, I believe the best strategy is to establish an agency "category position" based on a mix of "industry" and the agency's core competencies. And, not just one category either. I think you need to have at least three specific categories you specialize in. If you've been to the roundtables you know my agency

specialized in the paper industry (both industrial and consumer products, and the equipment that manufactured paper); healthcare products - non-consumer and non-pharmaceutical; hardware products for the do-it-yourself practitioner.

When I talk with groups about the concept of selecting three categories, the most common fear expressed is boredom...doing the same thing over and over. This was never a problem because every client was different, had different marketing objectives, strategies and tactics. And, becoming a specialist expanded our frontiers at the client. We did a lot of work that was not the traditional "write copy, create a visual and produce" fodder of most small agencies. We became involved in their business...day-to-day, month-to-month and year-to-year. ■

Small Agency Marketing Strategy

A good positioning strategy will enable you to find a segment of the market small enough for you to be a major player. We certainly weren't a big agency, but we were a major player in the categories we decided to specialize in. Knowledge of the client's business and how they go to market is the biggest weapon in the arsenal of the small agency. A generalist, or a pretender, simply can't compete. Sure, the competition may win and "order" with good creative, but the sustaining business remains with the specialist.

One of the biggest mistakes I see agencies make is changing their persona. When they become successful, they change their attitudes and all of a sudden they act like the leader. You should never do this no matter how successful you become. The agency owner that once drove a three year old Ford, all of a sudden drives a BMW or a Mercedes is tempting fate. The clients know they paid for the new wheels. Some may like that, but most resent it. Don't rub it in.

Although we were successful keeping clients for a long time, we were always prepared to bug-out at a moment's notice. We knew when the landscape had

changed for one reason or another. Sometimes we found ourselves at a disadvantage when the client changed decision makers, or our client was acquired or went public. All of a sudden it wasn't the same competitive arena. We knew we couldn't defend our position any longer because what was important to the client had changed. The new decision maker doesn't necessarily want the legacy of the incumbent agency. The acquiring company wants their incumbent agency to take over the work from your client. Or, because the company is now "public" and listed on the NYSE or NASDAQ the Board wants to have a "recognized" name agency doing their work to impress stockholders. Those are battles you rarely win, so we bugged out.

If you're a true guerilla marketer, you have to constantly remind your staff that the client is the center of your universe. You never compete with the client. Agencies need to remember that the client is there for us...not vice versa. If we abuse clients, and constantly defeat their ideas, or push too hard on ours to win a point, we're eventually going to lose because there are just too many other agencies that would like to have their business. I'm not saying we need to just roll-over and play dead, but we have to stop telling the client they are "wrong", that they don't have good ideas, and that they don't know anything about creative communications. Without a client, and without their business, we have no work to do.

Don't compete where you can't win.

One of the biggest temptations for small agencies is to go after an "opportunity" that is outside it area of strength. Competing for business is a calculated risk. You may not be counting casualties on the battlefield, but your damages are measured in wasted resources of agency funds, staff energy and enthusiasm. Choose where you are going to compete, and don't compete where you can't win.

Last month, I tried to talk an agency out of competing for a large home furnishings account. The agency had a staff of twelve and gross billings of about \$5,000,000. A prospect (friend of the owner) contacted the agency

and asked if they would be interested in pitching for the account. The client was a regional retailer with three locations across two ADIs. The total budget was \$1,000,000+ and included planning, creative, production and media. A key component of the program was direct marketing to specific audiences.

The agency jumped at the opportunity, even though they did not have a lot of experience in direct marketing, coop advertising or in the home furnishings market. The agency's owner felt they had an inside track because of her friend...and, besides it would be nice to win the account. Winning could move them to a new level.

The agency did their homework - lots of research, phantom shopping, and negotiations with print and broadcast...the whole package.

They spent more than \$25,000 of agency time and out of pocket dollars to pitch it. They had great creative and a good strategy.

They lost, not because of the work they did, but because of their lack of experience in the client's industry, in direct marketing, and leverage with the media.

The agency was up against agencies that were specialists. The winner was an agency with 17 people, and experience in the industry, direct marketing, and with media leverage. The moral of this episode is to assess the competition first. Know their strengths and weaknesses. Do the same for you and be brutally frank with yourself. ■

Upcoming AMR Workshops & Group Meetings

March 26-27	Management Roundtable - Agency of the Future	Scottsdale, Arizona
April 15-16	Marketing Resources Agency Group	New Orleans, Louisiana
April 30 - May 1	Alliance of Marketing Communication Agencies	West Palm Beach, Florida
May 13-14	Roundtable of Agency Management Principals	West Palm Beach, Florida
May 24-25	AE BootCamp 4.0 – AE of the Future	Baltimore, Maryland
August 12-13	Synergy Agency Group	Lake Tahoe, NV
September 9-10	Strategic Agency Group	Des Moines, IA
September 20-21	AE BootCamp 4.0 – AE of the Future	Chicago, IL
October 20-21	Management Roundtable – Agency of the Future	Scottsdale, AZ

If you would like to know more about AMR Management Roundtables, Agency Groups or Workshops, write marketwise@agencyroundtable.com