

# MarketWise



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## Managing Your Agency in a Renewing Market

Don't get carried away with your enthusiasm about the increase in business activity. We are recovering from the Great Recession. You've survived and probably prospered at others' expense.

In this recovery period, managing can be tricky, because we're a little tired of fighting the fight and are looking forward to backing off a little. Don't do it.

Here are twenty-five steps you need to consider in managing the agency during this recovery period.

1. Make sure your strategic plan is in place, and that it focuses on some specialization with diversification.
2. Now is the time to grow the agency, and within the context of your existing operations. New business programming is critical, but isn't the only source of profitability.
3. Your managers and account staff need to understand what others do and why certain reporting requirements are needed to manage the agency effectively.
4. Be a sponge. Get all the input you can from peers and suppliers about competition and how they are handling the recovery.
5. Get into a network group to discuss operating techniques. If the network is an advertising agency network, that is better than a "business" network with people from other businesses.
6. Always keep an eye on your profits. Don't take the large accounts for granted. They may pump in a lot of bucks, but they may be sucking the life out of the agency because they aren't profitable. Watch them all and know where your profits are coming from.
7. Take another look at your fees and retainers (I hate that word). They should all be minimum fees and allow for adjustment when the scope of work has expanded along with the growth of the client.
8. If prospects don't meet your financial standards, or if you have current clients you're "banking", make sure to protect yourself. Remember, that "less is more".
9. If you're still figuring hourly rates, use a multiplier of at least "three" and be sure to include base salary, taxes and benefits in the base number.
10. Remember "value pricing" and charge the client what the work is worth to them, not on how many hours it takes to complete the work. Most agencies leave a lot on the table.
11. Manage all your "free-Bs" and make sure you know each month what you're giving away. Every client should have a "no charge" code on each project where staffers can record their time that is not being billed. Watch the out of pocket costs too, and make sure they get charged to the client account whether you charge for them or not. At least the "cost" will be posted as a cost of doing business with that client instead of being added to overhead.
12. Make sure you know who your heavy hitters are on staff. Know who is contributing the most and don't be afraid to reward them for contributing to profitability and agency reputation.
13. Demonstrate to clients and suppliers that you are thorough, organized and committed to best business practices.
14. Know where the agency's "breakeven" point is, and make sure you include the full salary and benefits of the owners. You'd best know where the worst case and best case scenarios are hidden.

15. Continue to be aggressive and persistent in your Accounts Receivable. Call on all overdue invoices and let AEs help on collections that are 60 days old.
16. If you have extra space created by a shrinking staff over the past year or so, think about renting the extra space out. If your tenant is in interactive, public relations, advertising, graphic design or research, so much the better.
17. Tighten policies that were too casual, and don't get too liberal with your budgets for supplies or services. Keep costs under control.
18. Make sure that you continue to stress quality service to the staff. Quality lasts and builds reputation. Be consistent and all most predictable. The clients like the consistency. Remember that the agency should talk with each client every day.
19. Economic hardship taught you to institute tight financial control over costs. Don't let up.
20. If you are still going to pursue getting mark- ups on outside purchases, make sure they are spelled out in advance. If stated "up front" it rarely is a problem.
21. Check your banking relationship. If you borrowed during these past tough times, go to the bank and review your performance, and ask for higher limits based on your past performance. Re-negotiate loans if you have them, but build on your banking relationship.
22. You may feel the need to move to larger quarters if you land a large client. Just remember that all clients are not around for the long haul and leases and mortgages are there long after clients leave.
23. Manage your growth opportunities carefully. Do your budgeting and make sure your process systems are working well. Change what needs to be changed, and then make sure everyone follows the systems and stays on budget.
24. If you have a CFO make sure he/she knows what is going on with clients. He must be both a strategist and a bean counter.
25. Now's the time to do a detailed business and financial plan. Growth strains resources. Make sure that you are in a position to handle the growth when it arrives.

***Effective, proactive management can create breakthrough profitability.***

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## **Relationships Are Nice. But You Are Going To Need A Lot More In The Future.**

For years we've asked our account managers to be good relationship people, be organized and just "get it right".

That's just not enough today because our clients are vastly different. Clients seem to focus on the short term, on increased sales and on the good relationships they have. They want shorter deliver dates and lower prices. We have to get creative about how we change our business to accommodate the "new breed of client".

We're trying to bring good creative product to market, but unfortunately, the market's quality/value equation has changed. It's not a question of not appreciating quality creative....it's a case of not even

recognizing it! And, because clients focus is on quickly increasing sales, they make compromises and often don't look for value!creative ... just low price and short deadlines.

To prosper in today's marketplace, you need account managers that understand the scope of the client business ... not just how to facilitate a good creative strategy.

We need account managers who have a business background, understand business terminology and don't shrink from the conversation when it strays to business issues instead of marketing communication strategies/ tactics.

In my years working with and training AEs, not many had a formal background in business development/management or held a related degree. That's what we have to change. And, if you don't start changing right now, your agency is on its way to becoming a non-factor. You'll end up taking orders,

working at the lowest price and complaining about working longer and harder for less.

One of the roles that a consultant like me plays is to advise clients about business strategy. The old phrase "You can lead a horse to water, but you can't make him drink" is more than applicable. You must take a close, hard look at your account management staff. Which ones are purely tactical and which are strategic thinkers and business builders? You need to take some action, and take it now.

In its most simple form, here are four factors you have to put into your staffing/training strategy for your account managers:

1. Get over the idea that account managers just need to be good at building relationships, and that other agency staffers will develop the marketing briefs, strategies and presentations.

Your account managers of the future need to be sales people who know how to ferret out a client problem and then present solutions. Not all people can be trained to be sales persons, and a lot don't want to be, so you need to find the right candidates.

2. Find out whether each of your current AEs will "sell" and thrive on selling.

You need to have each person professionally assessed for the position. A full assessment will tell you whether the person is capable, but more importantly whether he/she will do the job. If most of what I've seen or met over the last ten years is typical account management fodder, you've got your work cut out for yourself.

You may end up replacing people.

There are a lot of MBAs on the street looking for work. If you're going to pay a mediocre account manager \$45M+, why not find an MBA you can hire in today's market for not too much more? They are there. You need one that has fervor for business, knows that selling consultative business/ marketing services is the foundation for the position, and has a passion to succeed.

3. Everyone in account management (probably including you) needs on-going sales training. This isn't about making cold calls, phoning 100 prospects to get 10 leads and 1 or 2 appointments. It's about professionally selling: the right questions to ask, and when to ask them, body language and neuro-linguistics, personality typing, presentation preparation and presentation techniques ... and a lot more.

You should become familiar with the Huthwaite Corporation, one of the country's premier sales training organizations. You should learn why "question-based selling" is the best approach for selling consultative services. I've recommended The S.P.IN Selling Fieldbook by Neil Rackham before. If you haven't taken some action, start now.

Subscribe your account managers to The SPIN, the free biweekly email publication from Huthwaite.

You should review the articles with them monthly at your agency sales/account management meeting.

4. You must lead the effort, stay strong and on course. It's part of working on the business instead of in it.

Staff development is one of the most critical issues in any agency, and now it's become a mandate for account management because we have to change our account management staffing strategy from being good relationship managers who talk advertising and marketing communications to counselors who talk about business and sell consulting services that solve a client's business problems. It's a big, big difference and I'll bet your account staff isn't up to the challenge.

Talk to Huthwaite about helping your agency develop your selling, coaching and negotiation skills, sales management, and overall sales strategy to a world-class level. Huthwaite serves market leaders in industries such as banking and financial services, insurance, healthcare, manufacturing and telecommunications. For more information, call them at 703-467-3800, email

them at [info@huthwaite.com](mailto:info@huthwaite.com), or visit their website at <http://www.huthwaite.com>.

The last few years in the advertising agency business have been terrible for all of us. No one has escaped the problem.

We can't solve today's problems with yesterday's strategies.

Our account management group needs to change because it's the one that supposedly brings in the business.

If you don't make a conscious effort to rebuild and re-direct the department then I'm afraid you're doomed

to taking orders for stuff you can produce in your creative department at spiraling lower prices and non-existent profits.

You need to take some time, develop a plan (one that's even a little scary maybe) and move forward. Don't try to solve today's problems with yesterday's solutions. Think "new" and outside the box. That's where the future is. •

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## ***Upcoming AMR Workshops & Group Meetings***

January 29-30	Dynamic Agency Group	Scottsdale, Arizona
February 11-12	Synergy Agency Group	Houston, Texas
February 22-23	AE BootCamp 4.0 – AE of the Future	Las Vegas, Nevada
March 5-6	Strategic Agency Group	New Orleans, Louisiana
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

If you would like to know more about AMR Management Roundtables, Agency Groups or Workshops, write [marketwise@agencyroundtable.com](mailto:marketwise@agencyroundtable.com)