

# No Pain, No Gain

The **burr under the saddle** of many agencies these days always seems to grow a little bigger when their clients start to ask questions like the following:

“We need to do a promotion with Wal-Mart. Show me some of the things your agency has done there.”

“We’re thinking about consolidating our agencies — what are your account-specific capabilities?”

“That’s excellent creative, but how will this promotion help us meet our objectives in Safeway?”

Train it, hire it or acquire it — agencies must be prepared to deliver account-specific marketing.

by  
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If you’ve gotten any of the above questions — or just have a nagging discomfort that your agency is leaving money on the table because your clients are using another agency to handle their ASM business — you may be considering adding account-specific marketing (ASM) capabilities to your agency’s portfolio. Frankly, there are compelling reasons to consider doing this:

■ **ASM is no longer niche:** Cannondale Associates estimates ASM promotion spending at 10% of total CPG marketing budgets in 2005 — up three points since 1999. In contrast, Cannondale pegs traditional consumer promotion spending for 2005 at 16% of marketing budgets — down a point in the same six-year period. This makes ASM spending equivalent to approximately two-thirds of consumer-promotion spending and growing faster — an opportunity that few agencies can any longer afford to ignore.

■ **ASM is manageable:** Seventy-eight percent of respondents to an August, 2005 *Reveries.com* survey on consumer promotion at retail report that the maximum number of retailers for whom they develop customized account-specific promotions is only *nine* — although some marketers with long experience in ASM do routinely go as high as 20.

■ **ASM is expected:** As their most important customers demand that in-store promotions be customized for their stores, clients need to be able to provide account-specific marketing. If you don’t have the capability to do this, the risk is that they’ll take their ASM business to someone else. Worst case is that if they don’t want to deal with multiple agencies, they may take *all* their business elsewhere — as several prominent agencies have recently found out.

Now let's assume we've got your attention and that you think the prospect of building an ASM capability within your agency may be worth exploring. Based on our experiences with agencies that have already taken this step, there are a number of considerations you will want to address before finalizing your decision:

1. Do you have a clear definition of ASM and a clear vision of which ASM capabilities you want your agency to be able to provide? What approach will you use to realize this vision? For example, will you attempt to re-train your current account teams to become experts in ASM, hire-in ASM expertise from the outside or go the acquisition route?

2. Are you willing and able to invest in building these capabilities? No matter which alternative you choose, ASM cannot be done on-the-cheap, especially initially, and will require a substantial investment that may not immediately pay out.

3. Are you willing to shake up your organization a bit and possibly lose some people?

4. Do you have the patience and commitment to ensure that ASM in your agency is built the right way?

**ASM Definition:** In its simplest form, ASM is consumer promotion within a specific retail environment. The key differences between ASM promotion and traditional consumer promotion are the addition of the retailer's objectives to the formula and the knowledge required to understand how the brand's target consumers behave as shoppers in specific retailers. This is the key to activating purchase within these retailers and deciding which type of promotion will best achieve this. In ASM promotion, the promotion is expected to yield measurable results for both the brand and the retailer.

**Clear Vision:** There are several permutations of account-specific marketing. These range from things as simple as providing a menu of promotional options from which retailers choose, to collaboration with retailers on the strategic objectives of the promotion, to understanding the

drivers of shopper motivation and behavior within specific retailers. Each requires different skill sets and different resources. As a general rule of thumb, the more strategic the account-specific marketing level, the more you're going to have to spend to build your capabilities. A clear vision of ASM, and a determined commitment to seeing that vision realized, are the most critical success factors in developing an ASM practice.

**Investment:** Obviously, developing new capabilities always requires investment, and ASM is no exception. While best-practice ASM executives have to be fully versed in traditional consumer promotion, they must *also* understand:

- ▶ The retail landscape and competitive environment relative to target retailers
- ▶ The objectives, priorities, protocols and current "hot buttons" of target retailers
- ▶ How to meet the objectives of both the client and the retailer
- ▶ Who target retailers' customers are, as well as who the consumers are of the client's brands
- ▶ How target consumers behave once they morph into a shopper mindset

This knowledge doesn't come cheap. Whether you train it, hire it or acquire it, be prepared to spend some significant shekels.

ASM account teams also need tools to stay up-to-the-minute with what's happening in the marketplace and with specific major retailers. Because the retail landscape changes kaleidoscopically and because most retailers are fundamentally tactical and can therefore change their objectives and priorities virtually weekly, we believe that one cannot expect to be a best-in-class ASM practitioner without subscribing to certain information sources. Essential among these — in our opinion — are: 1) Management Ventures, Inc, (MVI), 2) Retail Forward, and 3) In-Store Marketing Institute. (Hoyt & Company has no financial relationship with any of these companies).

**Organizational Shake-Up:** You may have this vision (as lots of agencies we know have had!) of the great synergy your ASM group will have with your traditional

promotion account teams — introductions to clients, cross-selling, revenue-sharing and lots of other good things. While this can happen, it doesn't happen without careful planning. You will need to put some very specific things in place and these things are not going to please everyone:

**1. Training and education for everyone in the organization on what ASM is (and is not).** Make a big deal out of your decision to get into ASM. Explain what it is (and is not) and give examples of the process required to develop a best-in-class ASM promotion program. Point out the key differences between the program development processes for ASM promotion vs. traditional consumer promotion. Ensure that everyone in the agency knows why you made the decision to get into ASM and specifically what you expect of him or her to help make this initiative successful.

Share your vision and explain the strategic and organizational approach you have chosen to make ASM work for your company. Define how ASM assignments within *current* versus *new* clients are to be handled — meaning who will do what and how credit for new ASM business will be assigned. Help your Account Teams understand how ASM can help build their revenues and extend their relationships with current clients and the benefits to everyone of making this a success.

**2. Higher revenue objectives and incentive plan changes.** Because the learning curve on ASM can be quite challenging and because of certain attitudinal issues you may have to overcome (discussed below), do not expect your current account teams to initially share your enthusiasm for the ASM opportunity without being strongly motivated to do so.

Waste no time, therefore, in putting teeth into your determination to make this work by increasing the revenue objectives of your account groups to incorporate the incremental ASM revenue they will be expected to sign (or identify) and tying their performance against this objective to a strong incentive plan. Frankly, given the obstacles that must be overcome, any *other* course of action is wishful thinking. →

← **3. Improving client penetration.** Be prepared to require your account execs to identify where the ASM decision-makers reside within their current clients and make sure they introduce these people to your new ASM account team. To do this, it may be necessary for your account teams to extend their penetration of current clients beyond those with whom they deal on a regular basis to those responsible for ASM decisions.

This is not an easy task if they do not know these people already, especially because these decision-makers may reside in a number of different departments such as Sales, Co-Marketing, Shopper Marketing and even top management. Because doing this may require a learning and behavioral

change for some, there is no easy way to make this happen except to make it a corporate objective.

**4. Attitude adjustments.** Expect to have to deal with the following two issues which sometimes crop-up in situations like this:

▶ ASM is developed differently than traditional promotion. It is based fundamentally on meeting the needs of clients, retailers and shoppers rather than on the “Big Idea” which starts with creative. As a result, ASM is often looked down on by traditional consumer promotion execs as “totally tactical”—*i.e.*, as something that is focused on execution or the minutiae of a particular retailer and not on the

levers that will turn heads and build volume on a meaningful, broadscale basis.

While execution *is* a critical component of ASM (as it is with traditional consumer promotion), the fact is that in most cases, ASM execs are doing twice as much strategy work as their traditional promotion counterparts—for both the client’s brands and its target retailer(s).

▶ It is no secret that Account teams are protective of the relationships they have with their clients. They are understandably reluctant to let “outsiders” in—particularly if they perceive these people as “tactical” and incapable of adding value to the relationship. When your account teams are not educated

## Three ways to ASM for agencies

### Train it\*

#### Pros

Training your current personnel to become proficient in ASM gives you high marks for corporate citizenship. It also positions ASM as a growth opportunity within your organization and something to which others might aspire. When you select highly respected internal consumer promotion experts for your ASM team, the rest of your organization is much more likely to accept ASM as an equal partner.

#### Cons

This approach is obviously time-consuming. There is a lot for the ASM team to learn and they are sure to make mistakes until they become more experienced. Expect a 12-18 month trial-and-error curve before meaningful revenue begins to materialize.

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*\* defined as training current personnel to staff an ASM specialist account team*

#### What You Need to Make this Happen

▶ A top management who “gets it” and is determined to make it happen via a formula that includes knowing what commitments are required *before* deciding to proceed, clarity of vision, a roadmap to achieve this vision, the willingness to invest the time and resources necessary to do it right and the patience required to see it through and put up with potential organizational disruption.

▶ Continual, intensive training on ASM theory, practice and implementation. We’re not talking a one-shot training session here but ongoing help from outside experts in developing the infrastructure, skill sets and knowledge necessary to be a best-in-class ASM provider.

### Hire it\*

#### Pros

ASM experts know how to make it happen and will need little training. They’ve planned and implemented ASM programs before and can inspire confidence in your clients quickly. The primary help they will need is exposure to your present clients at every new ASM business opportunity—something they will not be able to get unless you pave the way for them by putting in place the corporate policy requirements discussed above. Assuming you do this, this team should be able to pay for itself relatively quickly.

#### Cons

Because they will have all been hired from the outside, the people manning this team will, by definition, be “strangers.” Expect some distrust and turf protecting from your established account teams. In addition, your new ASM team will demand changes in the organization of the nature discussed above if you haven’t made them already. Obviously, it’s much better for everyone if top management mandates these changes coincident with its decision to hire this team rather than putting the burden of requesting these changes on the new ASM team after it is on board.

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*\* meaning an experienced ASM team of experts*

and incented to overcome these apprehensions, your investment in ASM will quickly dissipate.

**Patience:** Obviously, because you will be just starting out, you will need time to establish your ASM credentials in the marketplace and develop the confidence of your clients that you can “make it happen” in-store. Even clients who know you and respect you understand that there are different skill sets involved in ASM that you must prove you have mastered before they will place *their most important customers* in your hands.

Expect to do some spec work to showcase your new capabilities, especially as teasers with current clients. Expect to

be quizzed on how you would approach different retailers. Keep your initial ASM revenue targets relatively low, even if this means absorbing some overhead. If you want this to work, give it the time and support it needs to grow. Because of the growing demand for top-notch ASM capability in today’s marketplace, the only reason for failure is gross mismanagement.

Building or acquiring ASM capabilities isn’t easy. It’s especially hard to think of taking on the headaches when you’re already consistently meeting objectives. But if you’re hearing things from clients and prospects that are growing the burr under your saddle, deciding to get into ASM may no longer be an option. ■



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### What You Need to Make this Happen

- ▶ A team — not a “change agent.” Because ASM is organically different from traditional promotion, the minimum you will need to get this initiative off to the right start and give it a chance of success is a team comprised of ASM specialists in Sales, Account Management and Creative — or exactly what leading-edge clients would expect of a best-in-class ASM provider. Then, as the business grows, you should be prepared to add an ASM analyst to this team to do the research necessary to the ASM promotion development process.
- ▶ Clearly-defined expectations worked out before the team is hired — revenue objectives, job descriptions for all team members, including roles-and-responsibilities, how new business credit will be assigned, how and on what occasions the new ASM team should work with current account groups, and what current account groups can expect in the way of support from the ASM team, etc. Importantly, all other account groups should also be made aware of these boundaries and responsibilities so there is no confusion about who is supposed to do what once the new ASM team comes on board.
- ▶ Dedicated top-management support and involvement until the new team has had a chance to get its feet on the ground and start generating revenue.

## Acquire It

### Pro

Speed — because you are in the ASM business immediately. If the acquired company is known for its ASM expertise, you have built-in credibility as well as built-in clients. All the functions of ASM are already there and know how to work as a team. You are less dependent on cross selling with the existing Account Teams and can therefore afford to ease into this.

### Cons

The biggest con is that many companies try to do this internally — an understandable proclivity given the relatively small universe of potentially available ASM promotion companies. However, assigning the search process to an employee with other responsibilities and little, if any, expertise in this area risks slowing this process to a crawl and thereby forfeiting one of the most important advantages of the acquisition route which, of course, is speed.

Even worse is the possibility of spending all that time on the assign-

ment only to surface a less-than-satisfactory slate of candidates. While there are also no guarantees that a search done by an experienced outside company will turn-up a satisfactory candidate, the fact that the search is focused, dedicated and time-bound improves one’s chances significantly.

### What You Need to Make this Happen

- ▶ A clear vision of what you want from ASM and its potential for your agency.
- ▶ Criteria against which to assess possible acquisition candidates.
- ▶ An M&A expert with knowledge of ASM & the U.S. promotion landscape.
- ▶ Adequate funding — keep in mind that if the company you want to buy is already successful; they probably are not too enthusiastic about selling.
- ▶ A back loaded buy-out contract to ensure that you keep the expertise you’re buying.