

Shoeless Cobblers

I just got off the phone with an old friend of mine, a senior executive at a large agency. He was bemoaning that everyone in his shop was working at 135-150 percent of capacity... that they had just won a new piece of business, but were struggling with how to staff it profitably without burning out staff that is already overworked... that they just lost a piece of business to another agency that had under-priced them by more than \$500,000, a rate that was so low-balled that there would be no way to meet client expectations on anything but the price.

His big question was, “how did we get here?” This used to be a business where you could do great work, make good money, build strong relationships with clients and have a little fun along the way. Now it’s a business where the price pressures are relentless, where the only way to be profitable is to strain the capacity of your key players, where loyalty between agency and client goes only as far as your last idea, and fun is relegated to your spare time, of which you have little.

To quote Mark Twain, “everybody talks about the weather, but nobody ever does anything about it.” The same holds true for the current state of client-agency relations. I’ve spoken to many key players on both sides of the desk and their complaints are remarkably consistent.

It’s generally accepted that a tension exists between client and agency. Clients complain about the lack of thought leadership and attention to their business, or the fact that the people who pitched the business aren’t involved enough, or at all, in the day-to-day. Agencies complain that services have become commoditized and that it is impossible to make money with existing fee structures.

It’s funny, I am sure that whatever side of the desk you are on, you were expecting to find articles

in the *Hub* issue on “innovation” talking about new trends in shopper marketing, or new media.

Well, I’m here to say that innovation can and should be applied more broadly to the way we, collectively as marketers, organize to address the complaints registered on both sides. A great-looking car with a bad engine is a car that doesn’t perform. A great looking agency with poor infrastructure probably isn’t going to consistently deliver as promised — either to its clients or shareholders.

A NEW SCOPE AND SCALE

There’s an old saying that we fight today’s wars with yesterday’s tactics. If you examine today’s agency organizations, the structure is strikingly similar to any time period you want to examine over the last 40 or so years — vertically integrated one-stop-shops designed to meet all of their clients’ marketing needs. We all acknowledge that much has changed over the last several years and the scope and scale of marketing challenges continues to grow. We know more about individual consumers more quickly today than we did about broad demographic clusters not too long ago.

There’s new media, old media and media that fall somewhere in between that have to be evaluated and implemented as part of a far more complex communication solutions than was the norm just ten or so years ago. Yet, for some reason, we continue to attack these challenges with agency organizations for which clients have already demonstrated an unwillingness to pay “fair-value.”

By deploying outdated organizational structures, an agency risks mediocrity, which isn’t to say that they are incapable of doing great work, but rather of doing consistently great work. Mediocrity erodes loyalty,

Agencies must re-invent their business models.

and weakens the client-agency bond. Mediocrity results in the “musical chairs” environment present in many client-agency relationships.

I often hear agencies complain about the “what have you done for me lately” attitude many clients apply to their relationship. The fact is that clients *should* take this approach and agencies should want them to.

Why? Because this view is about *the work* (i.e., how did your campaign deliver?) versus *the cost*. It’s how you move the discussion to “how high is up?” Instead of justifying lackluster performance because the client squeezed you on cost, find ways to optimize your organization to consistently exceed expectations.

WHAT MAKES GREATNESS

The old saying, “think global, act local” needs to evolve to “think global, act global.” Agencies should (and clients should encourage agencies) to take an inventory to identify *core* versus *process* services within the agency. Core services are what make your agency great.

If you can finish a sentence with “clients hire us because we do great...” then a service or function is *core*. All other services are *process*, which is not to say that they are unnecessary. I always say that agencies don’t get hired because they execute well. They get fired, however, for not executing well.

So, during the services inventory process, we are looking more for services and functions that, while important, don’t set us apart. As Bill Gates said: “If we are not realistic about what we are good at, then there is a chance of going backwards...”

To avoid going “backwards,” agencies must get back to what they are good at—helping clients build and sustain business momentum—while finding ways to optimize their organizations to allow them to profitably focus on what sets them apart.

The question that all must ask is, “If I were building my agency today how would I structure it, what services would I offer, how would I cost optimize from insight/strategy through execution/analysis?”

Technology and the emergence of new and varied external resources offer options worthy of consideration, such as virtual office opportunities, especially in smaller satellite offices, or eliminating internal functions such as HR and finance/accounting.

I had dinner the other night with a former partner of mine, who started a new agency a few years back that they operate *virtually*—with absolutely no office

or associated overhead. Clients are advised that this is their approach, that it allows them to deliver great work without overhead cost pressures. Have clients accepted this approach? Yes, because they deliver great work.

Globalization can provide some answers, as evidenced by the wide range of companies (e.g., GE, Microsoft, Ernst & Young) that are increasingly using outsourcing to shift from vertical organizations to more nimble process-optimized businesses poised to succeed during times of rapid change.

While many believe that outsourcing is purely a “cost” play, these companies and many others recognize that there are actually five key reasons to consider it as an alternative for process-oriented functions:

- Cost savings/increased margin
- Flexibility of model: shift costs from fixed to variable
- Organizational focus: ability to focus on key business drivers
- Improved quality: best-practice model for continuous improvement
- Increased speed: 24 hour operation (overnight services)

Tom Friedman’s book, *The World is Flat*, speaks to the fact that with the digital global infrastructure, proximity no longer matters. If the work can be digitized, it can be done wherever cost and time efficiencies are favorable. Further, agencies have been outsourcing for years, just by another name...freelance.

What we have today is an opportunity to organize for the present and the future, versus the way we have always done it. Free-up core human and capital resources to focus on what makes your agency different while meeting more stringent client financial requirements. Give clients a reason to buy that goes way beyond price.

Who knows, you might get clients to invest in your services based upon where you can take them, versus how cheaply you can get them there. ■



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