

The 22 Most Valuable Lessons I learned While Running An Advertising Agency

I've been doing the advertising thing for a while. I spent sixteen years at Saatchi & Saatchi Advertising Worldwide as Business Development Director North America, General Manager Minneapolis, European Director in London and Management Director in New York. I left advertising for seven years to be CEO of two Internet publishing and technology startups. Microsoft bought one.

After my digital sojourn, I moved from New York to beautiful Bend, Oregon in 2002 to buy the advertising agency RalstonGroup. In the ten years that I ran the agency, we bought the sports marketing agency Citrus, took their name, opened a Portland office and added national clients like Harrah's, Legalzoom, Nike and the U.N. This is what I learned during my tenure as an owner.

1. Have a three-year agency marketing plan. Our plan helped us grow the agency's valuation through the acquisition, opening a second office, the addition of Nike AOR business (which helped us gain even more desirable clients like Dr. Martens and Legalzoom) and the development of a high-energy new business program.

Note to the 45+ crowd. The plan also acted as a framework to begin to position the agency for an eventual sale.

2. Create an agency brand positioning that differentiates your agency from your competition. Right, you've heard this one before. More importantly, have a true brand positioning – it's really a sales proposition -- that actively attracts and stimulates interest from the right new clients. This is the important part:

Just trying to find yet another new way to say “digital” or “full-service” agency isn't good enough – and it's really difficult to find a new way to say the same old, and generally non-competitive thing.

Instead, it might be time to think through some *agency of the future* scenarios and business models that will more effectively get you to that truly distinctive and compelling sales proposition.

3. You are a business first. Control all costs. This sounds obvious, but it is critical in an increasingly low-margin service business like advertising. My metric was that every dollar I paid to someone else was a dollar I couldn't hand to my kids.

4. Stare at your numbers – often. We advertising people are visual types so Citrus used dashboards as a graphical agency management tool. We had detailed monthly financial dashboards tied to our P&L, balance sheet, accounts receivables and owner compensation (this one tended to focus our business decisions.)

We also used a real-time agency SWOT assessment for all major agency decisions like mergers and acquisitions, go-no on RFP's and to help manage and assess existing accounts and staff.

5. Be concerned if any single client accounts for more than 25% of your revenues. When we added two Nike AOR assignments, I got nervous in addition to elated and dialed up our new business programs to add other accounts.
6. Learn how to say no to clients and prospects that want too much free brainpower. Your brains, ideas and pixels are all you have to sell. Charge like a lawyer or even SEO specialists that charge like lawyers. It is time for our industry to exhibit some self-control. If you have to give *too much* away for free, it might be time to examine the value of what you are selling and the mindset of your client or prospect.
7. Think about an alternative to the notion that brainpower and creativity are *all* you have to sell. Take some of that brainpower to find out how to create a product or service that can easily be replicated and sold over and over.

Think like a “start up” and hey, let’s build some IP can sound like an obvious panacea. However, there is gold in them thar hills. There are agencies teaming up with brewers to create new craft beer brands; agencies moving into research and agencies like Wieden+Kennedy becoming start-up incubators. I asked W+K why they are doing this. The answer... they are investing their brains and experience to make more money in a world that Mad Men couldn’t have conceived. Need seed money for a new venture? Try crowd funding.

Think big like the kid down the street. I bet your team could build one of the more effective Kickstarter sites.

8. Hire only exceptional people – that’s what Google does so why not you? Do not rush to fill a position. You will pay in the long run.

Once on the team, make sure to keep all employees in the loop via

scheduled agency meetings and email agency updates. It takes more than a foosball table to build a business building culture. CEO's need to talk it up. I have always subscribed to Tom Peter's management concept of MBWA. Look it up.

9. Reward only your best employees. You don't owe anyone anything. There is no question that an exceptional employee partner is as valuable as two marginal people. Does this sound harsh? This approach beats not having investment capital for other needs or having to go out of business because you were magnanimous.
10. Miscast or problem employees should be dealt with earlier than later.
11. Grow your digital assets faster. Bring on more technologists to leapfrog even early-adopter digital agencies. Pick a growth area. It's not too late to become the best mobile agency. Not even the big boys have mobile figured out. However, it may be too late to be known as the best "social media agency" given the sea of social experts. One more digital point, and I know that you know this -- digital agencies have a higher multiple than full-service agencies.
12. Provide exceptional client service. All AE's must know how to think like a client in order to anticipate client needs and address any potential issues before they materialize and metastasize. Consider sending your AE's to an AE class. The worst type of call I ever got was a client telling me that the account service sucked. It's just to easy to fix. Fixing creativity is much harder.
13. Create an agency work process that is dedicated to profitability. The ever-elastic creative process must be tamed.
14. Manage meetings. Do the math -- lengthy over-staffed meetings can easily cost thousands of staff-related dollars a month. Find a meeting management system that will work within your culture. Keep attendee numbers small, there is no reason to fill up the room; clearly state the meeting's objectives; select a meeting leader; don't hold up the meeting for stragglers (it is disrespectful and we are all busy) and schedule a hard-stop end time. Or better, get up and leave the room when you've accomplished your primary objective.
15. Stay very hungry. Business development is a 24/7 priority that needs a solid plan, an active approach and constant senior management attention.

Did I say 24/7? Don't feel too bad if you do a bit of start / stop.. The majority of agencies don't even have a plan.

16. Think niche. Even if you are a full-service agency, consider leading your new business program with a high-interest niche service or product. We used "invisible QR codes" (that happened to be developed by our client Digimarc) to get us into companies like Nestle. We would have never gotten that first meeting with that Fortune 500 if we simply said that we were yet another full-service shop.
17. Have an agency website that is sales-oriented. You may only have 20 seconds to entice a prospect to dig deeper. Having a me-too agency website that doesn't sell is a critical missed opportunity. I've reviewed hundreds of agency websites (visit my Agency Website Directory at www.pinterest.com/peterlevitan.com) and have very strong opinions about what works and what doesn't.

Frankly, I couldn't deliver my POV any better than Mark O'Brien at Print.com. *"Many designers believe that their site's central function is to show their visitors how creative they are. I disagree. Certainly, a portion of the site should serve this purpose, but this is not the primary purpose of the site. The site's key role is to generate business, and demonstrating creativity is only part of what converts a visitor into a prospect."*

18. Become known as a relevant and valuable thought-leader. Strategic thought-leadership will position your agency as being smarter than the next guy, drives agency awareness, delivers targeted traffic to your website and can be extended to email programs, across social media (from SlideShare to Pinterest), presentations, webcasts and speaking engagements. Citrus had a monthly thought-leadership publishing schedule and staff assignments – it worked. But, don't go social unless you know that your agency *can* realistically sustain the program. Empty Twitter feeds don't breed confidence.
19. Even if you love that sexy consumer work, think hard about working with more B-to-B clients. I didn't despite having very compelling B-to-B client case histories. Why B-to-B? It's a less crowded playing field; B-to-B clients have on-going budgets; positive ROI drives incremental spending and these clients will make you more digitally savvy. I am continually surprised at how many agencies leave B-to-B work to so few.

20. Consider dumping your current business model if it doesn't look like the agency of the future – even the agency of 2015. Explore the benefits of employing a leaner and meaner approach.

Act with a need for speed. Before my partner and I decided to sell Citrus, I thought about renaming Citrus “Portland” (why not own this creative city?); moving to a small core senior team and moving the other employees to freelance contractors managed by a symbiotic community system. The goal was to create a highly intelligent *and* lower-cost ecosystem that would be managed on a client-need basis. Too put it another way, we thought through creating a much more nimble, less FTE dependent approach. I shoulda, coulda, woulda... but didn't.

21. Have smart partners who share your vision and are smarter than you. Strive to *not* be the smartest guy in the room.
22. Hire a strategic agency business consultant that can offer fresh eyes, new perspectives and savvy recommendations based on years of experience. I did. And, now I am one.

One more thought...

What would I do if I started it all over?

I'd use strategic scenario planning and a SWOT analysis to plan an agency that's built for the future – say three years out. I'd even do a bunch of client research to help find out what they are really looking for in an agency. Guesswork can be expensive.

I am sure that my new agency wouldn't look like my old one.

It would certainly have more digital chops (more engineers like I had at my Internet companies) and it would run leaner. If you can't do a complete overhaul (I wouldn't drag my feet too long), then at least begin to make real market-based modifications to meet the accelerating changes happening in the business of advertising, design and technology.

Frankly, this need for new thinking applies to all agencies. Even the digital agencies that look good today could quickly be displaced and some are. I am sure there are brand new uber-technology-driven agency models being formulated in someone's backroom as I write.

I know that's a lot to chew on. I can help. Hey, lets talk and get going.