HOW TO SELL AN ADVERTISING AGENCY*

AND, HOW TO BUY ONE

*INCLUDING DIGITAL, SEM, SOCIAL, DESIGN AND PR AGENCIES

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Portlandia Press

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INTRODUCTION

"How To Sell An Advertising Agency" is about increasing company value. The good news about building value is that it works for an agency contemplating a sale and it works for any agency that wants to build a better, smarter and more attractive agency for prospective clients – and staff.

Yes this book is a guide to the eventual sale or purchase of an advertising agency. However, you will not achieve the right sale price without starting to increase company brand value today. A better "looking" advertising agency is, well, better looking.

I have recently seen an increase in agencies seeking buy/sell advice. I ascribe this increase in activity to the effect of the coronavirus and current market instability. At this time, many agencies have taken a deeper look at their business, the personal lifestyles and goals of owners, the evolving marketplace and the hope of some sellers to simply "*cash out*". Or conversely, as a buyer you think you can grow your agency faster through an acquisition – at a deflated price. Some of you just want to get out and others see opportunities.

I use the term "*advertising agency*" as a catchall for all styles and flavors of marketing communications companies. The core factors that create win-win deals work for any flavor of digital, social media, SEM and PR agencies. In fact, my advice will also help any service industry business, a business primarily based on human capital, to close a great deal.

Why listen to me? I have personally bought and sold three advertising agencies. I was a senior global executive at Saatchi & Saatchi Advertising Worldwide during its global acquisition period. I was CEO and founder of two Internet companies that raised VC and private funding. One was sold to Microsoft. I have counseled agencies around the world on how to create value through intelligent positioning, messaging programs and efficient processes.

WHY SELL?

Know Why.

People sell their advertising, digital, social, SEM and PR agencies for various reasons. A critical element in creating a positive sales process for the sale of your agency is to know (really know) why you want to sell. Does this sound simplistic? Believe me it isn't.

As I have mentioned, I have personally bought and sold three advertising agencies. Each purchase and sale came with its own unique personal and business objectives. I have also been a consultant and witness to many other sales.

Allow me a few minutes to briefly discuss the objectives and a bit of the history of my three agency buy/sell deals.

My Deals.

Deal Number One - 2002.

This deal had multiple objectives. I wanted to leverage my deep advertising and digital skills + buy a successful advertising agency + move out of the New York area to much greener, mellower pastures. The deal I was looking for would meet *both* business and personal needs.

I bought the Bend, Oregon advertising agency *Ralston Group* in 2002. At that time, I was living in New York and had left the position of CEO and founder of ActiveBuddy, a highflying Internet startup. We had raised over $30 million from VCs and individual investors and had patented natural language technology (earlier than SIRI) that we used to create the incredibly successful Instant Messenger Bot, *SmarterChild* on AOL, Microsoft and Yahoo. That was our "sample" Bot that had millions of followers because people liked to talk to a smart computer. The business goal was to create natural language Bots for brands and media. These Bots allowed people to talk directly with brands and information resources. Interestingly, our first paying technology customer was Warner Records' hot band Radiohead. I could not have invented a cooler market entry.

Our company goal, like many other dotcom boom companies, was to sell the company to one of the majors. We in fact had deep negotiations with all when the dotcom dam burst. To make a long story very short, I did not get my "*fuck you*" money from a sale. Oh, don't worry about me. I actually came out OK.

After the dotcom bust debacle, I started to look for a company to buy. As an ex-Saatchi & Saatchi Advertising executive, owning an advertising agency was one of my options. I found Oregon's Ralston Group though a classified ad in the Wall Street Journal – how 2002. Advertising in the WSJ was smart move by Ralston Group's owner. Here are the four main reasons I bought the agency.

1. The Ralston Group was a very smart and creative agency. Kevin, who would be my partner after I bought out the majority owner, was one of the best Creative Directors I had ever seen. The agency staff was also top notch. Without question equal to the

talent I had worked with at Saatchi London.

2. The agency had a strong client list in Oregon and Idaho. Big community banks; major healthcare companies (hospital groups and Blue Cross); Sunriver Resort and Idaho Power and more. These clients came with recurring revenues. I knew that the addition of my Saatchi and digital startup background would help us grow.

3. The owner, who was looking to get on with her life after building the agency, was realistic in respect to agency valuation and – important to say – was easy to work with.

4. The agency was in the soon to be very famous Bend, Oregon. The idea of my wife and me raising our children near a ski mountain, rivers, fly fishing, mountain bike trails and, yes, even great restaurants and brew pubs, solidified the deal. We gladly gave up the usual two-month wait for a table at New York's hottest new restaurant for 6,000 feet of fresh air.

Years later, I still view this as a very good business and personal deal.

Deal Number Two - 2006.

This deal had one objective = growth.

We had been looking for over a year to buy a complementary agency in Portland, Seattle or San Francisco. We knew that we needed a foothold in a larger Northwest market to accelerate growth. We had come up short until we found Citrus, a small Portland design firm that had an exceptionally strong relationship with Nike. We made a three-year earnout deal with the two women owners and picked up two Nike "AOR" or retainer-based annual accounts – Major League Baseball and college sports. Believe me, for agencies other than Portland's huge Weiden & Kennedy, most Nike "partners" only worked on short-term projects. We got the Nike brand name, programs we could count on repeating every year, recurring revenues, two really good ad and design partners, and an office in Portland's trendy Pearl neighborhood. Oh, we also took the name Citrus.

We got Nike, two smart people, an office in Portland and a new name. That was a good business deal.

Deal Number Three - 2012.

This deal had two objectives. It was time for me to move on. And, I wanted to keep my agency intact for my staff and clients.

By my ninth year of owning and running Citrus, I was starting to burn out. I had put my sixteen years in at Saatchi & Saatchi Advertising Worldwide; I had CEOd two Internet startups; and had grown Citrus and its national client base. Plus, and this was a very big additional reason to sell the advertising agency business and its profit structure had been totally hammered by the great recession. Those were business reasons.

I also had other life plans. By that time my wife and I had lived in Oregon for fourteen years and my kids had gone off to college.

I had money in the bank, was building a solid "nomad-based" advertising agency consultation business and I had multiple countries on my must travel to list.

My business partner and I met our and sold Citrus to another Portland advertising agency. This was a deal that made sense on many levels.

I'll reference this deal, the why and the how, in the following chapters.

REASONS TO SELL

Owners have a variety of reasons they would want to sell his/her advertising agency. Selling is both a business and personal decision.

It is very important that the seller really knows why they want to sell and how to get it done. In fact, nailing this is also critical to how a potential buyer will value your agency.

Here are some key reasons for wanting to sell.

General Industry Reasons.

The marketing communications industry is again at a crossroad. The advertising market is, to be kind, is in a recession. Many advertiser categories that were once staples are in decline.

It has been reported that total advertising spending will be down by approximately 10% YOY. In "crowd-based" industries like travel, hospitality, and entertainment marketing spending could easily be down 50% to 75%

Advertiser optimism is at a low.

This is all compounded by a high degree of uncertainty about the future, which hinders virtually any long-term planning. The result is marketer hesitation, cost cutting, fee reduction and longer payment schedules.

Agency Business Reasons.

Here is my favorite reason to sell… you are unignorable. It is time to cash in. You have established your agency as a go-to expert in an area that is hot or is about to get hot. Experts and an expert agency positioning represent a winning proposition that will attract buyer attention. Expert agencies are valuable.

Here are some expert categories:

- Demographic expert. Example: you know Gen Y and Z or are a leader in multi-cultural marketing.
- Category expert. Example: you are a leading pharmaceutical agency. Or, you have concentrated on three business categories and have created repeatable, high profit marketing systems for these clients. Check out the agency G5 and its concentration on multifamily real estate, senior living and self-storage.
- Technology expert. In fact, an agency with this expertise was just purchased. The outdoor media market has grown despite the digital online advertising onslaught from Facebook, Google and Amazon.
- B2B marketing expert. Example: you specialize in SaaS companies.
- New media expert. Example: you are the TikTok (or the next TikTok) expert.

Other Business Reasons To Go For It:

- You are thinking strategically. You want your smaller agency to hook up with a larger agency to help grow the business and to provide major league experienced guidance.
- You have built valuable intellectual property. You look and sound different than service only agencies. Did you know that a web design firm developed Basecamp, the successful project management tool, in 2004?
- You have created an agency with demonstrable/locked-in recurring revenues and you want to cash out – now – before your value decreases.

  Here is a current example of a revenue story based on one of my consultancy clients. The agency has combined brilliant B2B digital marketing with a recurring online training program for small businesses.

  This kind of sounds like Scott Galloway's idea: "rundle".
- Be local. You have a local and regional client list that is the envy of other local agencies.
- You have a national client list that is the envy of national agencies. This worked for me.
- Ah, you've got a bit of wishful thinking. You think that there is a major league buyer that will pay you the big bucks. You might think that we are still back in the days when WPP and Publicis had pockets flush with Wall Street cash to play with. Sorry, is probably too late. In fact here is a July 2020 quote from Sir Martin Sorrell of S4 Capital that ran in Media Post.

  Remember, Sorrell built WPP on the back of M&A in the network growth days.

> *"Part of Sorrell's disruption strategy, he said, was to find merger candidates as opposed to acquisition candidates. 'If you want to sell, we're not interested,' he said. 'If you want to buy in' and have a 'missionary zeal' for the business, that's what S4 is looking for. Nothing like some skin in the game to keep someone waking up in the morning 'with their heart in their mouth' and focused on success, he added."*

Personal Reasons.

There are always personal reasons to sell. The dream reason is that someone has made you an offer you can't refuse. This may sound like a pure business reason. But, when Corleone's money is out on the table it becomes very personal.

More personal reasons.

- You are simply burnt out after years of running and growing an agency. The idea of just getting out is growing. Especially true for over 50 year-old owners.
- You have other things you'd like to do. That was a key reason I sold my last agency.
- You do not what to reinvent the agency model – again.
- You would like to hand the agency over to your staff.

These are some of the reasons you might want to sell. Regardless of the key reason, I suggest that you take a very deep breath and really understand your motivations. Selling an advertising agency at any time can be (will probably be) a long-term journey – a stressful journey.

Understanding your rationale will help you polish your agency, craft the right deal and will dramatically help you to find and entice the right buyer.

HOW TO SELL

Start Here: Visualize The Buyer And Their Needs.

I have to lead this chapter with the very tough question… Please answer this honestly.

"Would you buy your agency?"

If the answer is "*yes, I'd buy me*", make sure you dig into your reasoning. Plus, you better make sure that you are not being delusional. Does this sound harsh? Believe me, I have seen agency owners think that their agency is perfect and desirable only to experience deaf ears in the marketplace.

If the answer is "*no, I would not buy me*" and you still want to sell at some point, then you need to pull out those business and marketing plans and take the time to rebuild your agency with a target buyer and their persona in your sights.

Positive note: as you build a better agency for a future sale, you are also building a better agency for today that will attract more new clients. A total win-win even if you do not sell right away.

To get to a new, more beautiful agency, you may need to make some big adjustments. These include:

- Business model reinvention. How you made money in 2018 might not work in 2021.
- Find a compelling new and/or improved positioning. You may not have to go back to square one. Just take a very hard look at what you say today and how you might reframe it to be more competitive. And, be unignorable.
- Add or kill current services.
- Work hard at not having one single client account for more than 40% of your total billings. I'll be very frank here. Every agency and client mix will be different. Just try not to have a client's high billing percentage look too high. Yes, I know, this is a tough one to control.
- Hike up your pricing. Get past being a low-cost supplier.
- Cut costs sooner than later (like staff and office space).
- See if you can make long-term deals with current clients to keep them happy. Make them an offer they can't refuse.
- Adjust your processes. Efficiency is God.
- Reduce liabilities and debt.
- Market the hell out of your agency. Fame is a good thing.
- Consider brand extensions. Why not add sub specialties that can be discreetly marketed?

The Agency Of The Future.

After you have really tightened up your current ship (i.e. get pricing right, hone your positioning), you might want to consider some form of reinvention.

Before I decided to sell Citrus, I looked at multiple agency models to see if I could invent a new style of agency. This was around 2010. Today will present different issues and opportunities.

I came close to implementing a new model using a hub and spoke system where I had a core in-house team plus a cadre of brilliant freelancers. The primary goal was to maintain excellence while reducing overhead. Even while this new model had potential, it did not make me want to go through the whole reinvention scenario and I decided to stay the course.

I was not the only agency looking at new ways of doing business.

For an example of a "new" agency business model that looked cool at inception but eventually flamed out, look at the history of the Colorado-based crowdsourcing agency *Victors & Spoils*. The crowdsourcing idea was hatched by John Winsor, a former top strategist at high-flying *Crispin Porter + Bogusky*. The history provides a good look at the idea and why it failed the agency, the world of freelancers and clients.

Define Your Buyer.

Okay, okay, an obvious point. Think hard about who is going to buy you?

Use your agency's strategic skills to build your sales plan.

How will you define, reach and excite your potential buyer?

Tools to consider include:

- Do a Pro – Con buy/sell review. Take both sides of the equation. Be brutally honest.

- Run an agency SWOT analysis. Consider having multiple people do this to reduce bias and wishful thinking. I have all of my advertising agency consultancy clients do this before we build business development plans.

- Build out scenario planning. What if this? What if that?

- Write a Creative Brief to help you develop your sales pitch. You do this for your clients. Now you are your own client.

I pre-visualized the sales process as I wrote my Citrus agency sale Creative Brief. What would I have to do to make the deal happen? What would the buyer need to hear and see? What objections would I need to overcome? What icing could I create to make the agency taste better?

Back to my selling Citrus. I based my "rational" understanding of who my target buyer would be based on a detailed assessment of our value and whom it would appeal to. It was a delusion-free zone. I asked myself, what would I buy?

Here are the pros and cons we developed.

Citrus Pros:

- We had a well-crafted regional reputation. As Bob Hoffman, The Ad Contrarian, said in *The Levitan Pitch*, my book on presenting and pitching new accounts:

  "By the way, the best new business program is a good reputation. Duh!"

- Our strong client list was both regional and national. It included Nike MLB and college; Idaho Power; banks in three states; Blue Cross; Harrah's Casinos; Wildhorse Casino in Pendleton, OR; Dr. Martens; Montana Lottery; Oregon's famous Sunriver Resort; Providence Health & Services (a five-state, eighty-thousand employee healthcare and hospital company) and Washington and Oregon's PeaceHealth.

- No single client accounted for more than 20% of agency billings.
- We priced our agency services correctly. We did not position ourselves as a low-cost agency.
- We had a very active business development program plus industry-leading thought leadership. For example, we launched an agency podcast 2006 and ran a blog called Recession Freakout in the 2007-2009 downturn.
- We had transferable creative and strategic prowess. As in, we had one of the best Creative Directors in the west and 25-person high-caliber staff.
- We had a strong balance sheet and P&L. We had a brilliant CFO.
- I knew that the right sale would result in shareholder satisfaction – i.e. for both my ECD partner and me.
- We did not have any deal-breaking liabilities or long-term office leases in Bend or Portland.
- I was not critical to the sale. I had been placing myself in the position of not being essential to the management of any account for two years. I would be an ego-free element of any deal. Plus, the buyer could subtract my cost to increase profits.

Citrus Cons:

There weren't many, as I had been crafting the agency for a sale for over a year.

- One limiting con was that we were not really an expert agency.

We were just a very good full-service agency. This reduced the pool of potential buyers.

- A potential con and also a plus. I wanted all of the staff to move to the new agency with their accounts. This was very important to me. It was a tough objective - but we met it.
- Our clients could have revolted and split when they found out about the sale. They did not because we managed the process. The deal was set up so the clients kept all of their strategic, creative and account management benefits. I wanted the clients to go along with the deal. They did. This was another key reason that the buyer needed to keep my staff onboard.
- Was I a con in any way? Nope, no con. I wasn't moving with the business and would not be missed. At that point, who cared?

Note, as part of my deal, I was required to stick around for three months. While sitting and not doing too much, I decided that the acquiring agency needed a new, robust business development plan. I accidentally discovered my consultation business. It was to be one of dozens of advertising agency plans I have written since I sold the agency.

A Seller Option: Consider Selling To Your Employees Via An Employee Stock Ownership Plan.

It is important to look at one other option. An owner with vision could sell to his employees via an Employee Stock Ownership Plan (ESOP). An ESOP is essentially a qualified retirement plan that invests in the company.

I considered an ESOP a few times during my tenure. However, it just looked a bit too complicated for me and a few casual conversations with employees did not make me feel optimistic that is was right for them.

However, exploring an ESOP has its advantages. Here is a list from the Forbes article, "*Sale To An ESOP: The Most Undervalued Exit Path.*"

Advantages of an ESOP exit path:

- You may attain financial security through a partial or complete sale of your ownership interest, and can stay in effective control until you are paid in full.
- A sale to an ESOP can be designed to accommodate your desired departure date whether that date is in a year or several years in the future.
- You can leave your businesses gradually. Owners can remain as president or CEO even after selling all ownership to the ESOP Trust.
- There are several tax advantages to the ESOP exit path.

If you have the time to think this through, which means that you are not trying to run out your front door tomorrow, you might want to explore an ESOP option with your accountant or exit planner. Would the idea of selling to my employees have made me feel good? Yes. Did I think that I could pull it off? No.

The Earnout Option.

Are you willing to take an earnout? To be clear, here is a definition of an earnout from Investopedia:

> *"What Is an Earnout? An earnout is a contractual provision stating that the seller of a business is to obtain additional compensation in the future if the business achieves certain financial goals, which are usually stated as a percentage of gross sales or earnings."*

Earnout or no earnout is very important decision an owner will need to make. A standard example is, some cash upfront and quarterly payments based on an adjusted gross income calculation. Most deals will go in this direction – it is a contingency plan for the buyer.

FYI: This is what I did in the Citrus sale. I took some cash upfront and a three-year earnout based on the adjusted gross income of the accounts that we included in the sale. It worked. Remember, I had set the buying agency up for success… the right crew, solid accounts and a positive status quo.

That said, the new agency lost some of our business in the third year. But, the bottom-line was that I was happy by then, still got some quarterly income and I had moved on. By the time some of the adjusted gross income was declining, I had a profitable advertising agency consulting business, built a house in the best city in Mexico and traveled a few months every year since I could be a digital nomad. My plan worked.

Another Seller Option: A Merger vs. An Acquisition.

I admit that this might be getting into semantics. However, you could position a "sale" as a "merger" of, well almost, equals. You could still get the financial and personal benefits you seek. Examples:

- A search engine specialist teams up with an influencer specialist.
- A full-service B2B marketing expert decides that they need to conjoin with a specific client category specialist – like financial services or the more finely tuned and growing world of fintech.
- A digital marketing firm wants to become a leader in multi-cultural marketing.
- A New York agency wants a killer San Francisco office.

Keep your options open. Be creative.

Manage Timing.

Close your eyes for a minute (well, you'll need to keep them open for this) and remember the good old days when the big boys, fueled by Wall Street, bought agencies. Here are just four good old days examples.

1993 – Omnicom purchased TBWA in1993 for $100M.

1997 – Active WPP buys a stake in online shopping company Peapod, London digital media firm Syzygy and data-mining company HyperParallel.

2012 – Enguage was purchased by Publicis for $70 million.

2013 - Toronto-based john st. was picked up by WPP, the U.K.-based network of companies that also acquired Canadian agency Taxi in 2010.

OK, that kind of sale ain't gonna happen much anymore. As my friend from Brooklyn might say...

"You think that a big agency network is flush enuf to buy your agency – fuhgeddaboudit."

Back to realistic timing. A few thoughts.

Advertising, digital, PR, etc. agency sales take time - sometimes a long time. A sale can easily take six months plus if you talk with multiple dance partners. And, all too often a promising deal falls apart during those months of talking.

Here is what I would do in respect to timing.

- Build out your sales plan. This is your agency internal plan to create value and a sales scenario. I'll talk about plan elements below. Just note that the plan requires you to make sure your agency looks real good to a potential buyer.

- Create an agency sales calendar to get the job done. This includes all milestones from the initial decision to sell to designing and marketing the deal you want to the closing.
- Hone your business development plan. Look like and act like a winner.
- Grow your sales pipeline.
- Build out enhanced branding to make you look sharp.
- Create new and improved assets. Got IP? Build it. License it.
- Dial-up personal branding for you and your key players.
- Add in the time it will take to get your clients onboard.
- Add in the time for lawyers, accountants, M&A guidance and document creation.
- And, negotiation. I am talking the possibility of hours of back and forth.

And, so on.

Assume that this sales process from the day you say, "*Go – lets find a buyer*" to a closed deal can easily take months. In many cases, your patience will deliver more moolah.

When Are You Going To Tell Your Clients?

When are you planning on telling your clients that you are selling?

You can't spring it on them at the last minute. And, you cannot bring them on board too early. Here is one of the worst timing stories I ever heard.

One of my advertising agency business development client CEOs told me that he had been solicited by another agency in his state.

Let's call him Agency A. Agency A thought that it might be time to sell and hey, if the price is right, why not?

Agency X, the potential buyer, hired an advertising agency sales "expert" to help manage the process, fine-tune valuation and the offer price. The expert told Agency X that it needed to meet Agency A's lead client early in the deal process so the buyer could determine if the client would be cool with the deal and move to the acquiring agency. When I heard this, I freaked and told my agency buddy that there was no way to discuss the agency sale with his client during the initial stage of the sale process.

Why? Well, it was way too early for the client to be asked about the sale and account transfer. Agency A and Agency X did not have close to closed deal, a powerful and safe handoff plan and a smooth way to reassure the client that not only all would all be well but that the agency services would in fact be enhanced. The *expert* forgot to tell his buyer agency that all parties needed a sound handoff plan.

I bet that the spooked client would have bolted before the sale details had even been worked out.

Every sale is different. But in order to keep the client(s) happy about the sale, you better make sure that you can tell the client why the sale would be good for THEM. You need to understand any possible pain points and better, the accrued benefits of the sale. Put yourself in the client's shoes.

When I told Nike that we were selling Citrus, I was able to tell them that their agency account, creative and production team would all be moving to the new agency. Furthermore, I told Nike that the larger combined agency would actually provide not only better service but also even fresher thinking. Nike said, sure thing, why not. I added that I would be around for the first three months of the transfer to ensure a smooth handoff. Remember, I was not a critical element of the handoff.

Again, every sale and client will be different. But, don't tell any client about the sale before you have to and before you get your positive good-vibe ducks in a row.

THE AGENCY MARKETING PLAN

A sale is a sale. Valuable sales start with a sales and marketing plan.

Remember to think through buyer motivations. A buyer could buy your agency for many reasons. I'll elaborate as these include:

- Your location(s). This might or not be a sales point.
- Your current client list. The mix, fame, profitability and the work.
- Your recurring revenues based on retainers, long-term programs and AOR contracts.
- Your historical list. Even past clients demonstrate experience. Remember to add in your staff's experience.
- Your lovely balance sheet and P&L. Oh, and EBDITA: Earnings Before Interest, Taxes, Depreciation and Amortization.
- Your powerful positioning and competitive expertise: geo, digital

prowess, creative, strategy chops, category specialization and demographic specialization.

- Your reputation. Goodwill which is often underrated. Plus, proof of client love and testimonials.
- Your savvy business development program.
- Your intellectual property. IP looks good.
- Your staff 's skills and bios. Highlight your super stars.

Let's take these one by one:

Your Location. Does It Matter?

Citrus was based in Portland. We were a good full service agency - but not an expert agency. I knew that most potential regional buyers would be within three hours by car or plane. I knew that we would be bought by an agency on the west coast. The easiest two cities were Portland and Seattle. We were bought by another Portland agency.

If we had a single expertise, let's say PPC or digital outdoor, then geography would not have mattered as much.

Another point on location. Yes, Portland is clearly a cool city that is known for its creativity and world-class brewpubs. But, the State of Oregon is not a business gold mine. Nike is the only home-based Fortune 500 Company. The State's number of local/regional/large clients and the overabundance of creative and digital agencies limit the potential for growth for a Portland agency. This is the same for Seattle, and to a lesser degree for San Francisco. The client to high-caliber talent ratio is not a positive factor.

A quick story. A few years back my *very* 'New Yorker' New York friend Lance bought into an advertising agency in Ohio. I was like, *"Ohio?!"* I asked him why Ohio? First, he said the agency was a very smart buy. And, he also told me that there were 23 Fortune 500 companies in Ohio and another 50+ in adjoining states. Compare that opportunity to my having 1 Fortune 500 company in Oregon.

Your Valuable Client List.

Citrus had blue chip clients. While clearly of interest to a regional agency, it could also be said that our Nike, Lottery, Vegas, banking and large healthcare accounts might have attracted a distance buyer.

However, our list was a bit scattered. We were not necessarily a specialist in specific skills or categories. Yes, we knew healthcare, financial services, gaming and sports marketing. But we were not perceived as an expert in any single category. Expertise will dramatically broaden your offer to more long distance agency buyers. Remember, an agency can build out expertise as a brand extension – not necessarily a total reinvention.

Your AOR Or Recurring Client List.

Do you "own" your client relationships? Do you have valuable AOR (Agency Of Record) contracts? Sadly, AOR looks like a thing of the past.

Are you on a retainer? Retainers add significant value as recurring income.

A story. I recently spoke with an Instagram + TikTok + Gen X + Gen Y + influencer specialist agency about selling his agency. This agency had penetrated the large client market.

We discussed the agency's value beyond their influencer and new media expertise. I said, *"well ya know, if you wanted to sell, a buyer would discount your non-contractual client relationships a bit."* Like, where are the long-term deals?

The new media agency CEO asked me if I could name other agencies like theirs that came with Fortune 100 ongoing relationships. I couldn't, and I know of a lot of agencies. He also mentioned that his clients loved the agency's niche expertise. They are an expert in a small marketing discipline. The agency is also meeting client KPIs and the ROIs are high.

He is able to get beyond not having tight contracts because he delivers specialty-marketing solutions in a non-competitive space. The client list looked solid.

Back to my purchase of Ralston Group or the original design firm Citrus. Neither of these agencies had contracts with their agency clients. Would I have wanted them? Of course. But, I knew that the relationships were VERY tight. It is not easy for a client to move away from a successful agency client relationship. Many agency client relationships are very sticky even if there is no solid contract.

Your Historical Client List.

Know your agency history. You are the sum of your parts. You are more than just your current clients. I once had Johnson & Johnson as a Saatchi client across ten countries. That past experience added to my healthcare experience. What from your past can you add to the seller equation?

When you list clients that you have worked for, do you also list the clients that your staff has worked with? Why not do this? It is legit. If your senior copywriter worked with Amazon once upon a time, why wouldn't you want to say this? This would add to your eCommerce value.

I bet that you might even have clients on your current website's list that most, if not all of your current staff never worked with. When you tell a buyer whom you've worked with, tell them everyone that anyone has worked with.

Existing Client Growth Plan.

Let your buyer know how well you've gained additional business from current clients. You do that, right?

It would be good to have a system in place for – no, I don't really like this word but it works – *upselling*. This is often an account manager's job. Are your folks trained to go and get more assignments? Does the CEO do this? Many agencies have grown faster from getting more new business from existing clients than from brand new clients.

I think that having a micro manageable in-house, even online training program would look mighty fine to a buyer. It just adds to your "we are savvy" story.

Your Balance Sheet And P&L.

Your financials can be more than expected, and hopefully attractive, numbers, pieces of paper and spreadsheets. They can also be an element of your marketing plan.

After you do the initial dancing to see if a deal makes sense, a savvy buyer will ask to look at a current profit and loss statement, a balance sheet and tax returns. Yes, have an NDA in place.

This is an easy one. These documents provide a buyer with an informed and unbiased look at your company. Numbers (generally) don't lie.

Your balance sheet will demonstrate whether or not your agency is making losses or profits and importantly give the buyer a close look at any liabilities.

Your job as the boss is to take a look at these documents now, well before a sale – not when they are asked for. An unfortunate fact is that many advertising agencies do not have well managed financial statements. Just because you are in a "creative" or "tech-driven" business does not let you ignore the financial facts. I always had a sharp CFO to mange these statements and you will need high-quality accounting help to position your agency as a winner.

My agency even had well-designed financial documents to show potential buyers. Nice graphs, pie charts and a dashboard. Believe me, a well-documented financial presentation will go further in a sales scenario than how cool your website looks. Though that matters too.

Pay attention to the red flags and pain points that a buyer will look for. Examples.

- A reality check on future cash flow.
- Single client dominance.
- Internal rate of return.
- Liabilities.
- Comparative agency sale comps. Not easy to get, but they exist.
- Staff contracts. All contractual obligations for that matter.

Just put yourself in the buyer's shoes and think through any potential deal pain points that might interrupt your march to their checkbook.

Your Positioning and Expertise.

When a buyer looks at your agency, they will need to form a fast impression of who you are. Having a tight competitive positioning statement should help them.

Of course, they will have looked hard at your website before any real conversation so make sure your website supports your story. More on websites in a minute.

Note: I have written extensively about advertising agency positioning so I won't go into great detail here. My blog posts, *How To Position An Advertising Agency Parts 1* and *2* have been viewed over 12,000 times.

I have mentioned multiple times that being an expert creates value. How you position and talk about your agency, how you can quickly express its brand and brand value is critical to your success pre-, during and post-sale.

An expert positioning sells faster and for more money.

I often point to a moment when I had the idea of having an expertise-based positioning hammered into my head. A few years ago, I was in New York for Advertising Week. A publishing friend took me to Soho Club, his trendy private club. As we approached the bar, I asked a fellow sitting between two empty stools if he could move one seat down so my buddy and I could sit together. He said yes in an English accent. After he moved, I asked him if he was in town for Advertising Week. Yes, he was. I then asked what he did. He said he was the CEO of Fetch. I said, what is Fetch?

The crystal clear, uber well-positioned answer = *"We are the leading mobile marketing company."* Short, sweet, clear and competitive.

Fetch, with less than 100 people, was bought just a couple of years later by Dentsu Aegis Network for $50 million. This is how an expert agency positioning adds value.

Expert positioning options include:

- Own your geography. Can you own Chicago, Denver, Miami? This might matter to a buyer who wants more clients in their home city or wants another office somewhere else.

- Own a category expertise: Can you own financial services? Or, food marketing?

- Own digital or technological prowess: Can you own SEO, AdTech marketing, programmatic advertising?

- Own strategic thinking. Are you a category research, consumer experience and innovation specialist? I think that being a category research leader is undervalued at agencies.

- Own demographics: Can you own Gen X, Gen Y, Hispanic marketing?

Want more? Own trend analysis – I've always liked this specialty. Own brand strategy or experience design. Own – well, own something that lets you stand out from the ginormous agency pack. You might not have to totally reinvent your agency. Just invent a side expertise.

OK, one more smart positioning. I think that being a challenger brand expert is an underutilized agency expertise and positioning. If you look at the numbers, nine out of ten products or services are challenger brands. I think that this positioning has added value in a world where we can predict there will be fewer products and services.

An important question you could be asking is what will the market want in one or two years? Yes, a tough question given the state of the world in 2020.

But, put that thinking cap on. I could have predicted two years ago that a TikTok expert agency could get Fortune 500 interest and then have this expertise look very sellable as a bolt-on to the main agency. Understanding the growth of TikTok did not require a degree in rocket science. When TikTok merged with Musical.ly in 2018, it became available in the USA. The rest is history.

What's next? Um, not Quibi. Someone out there is tracking the "what's next." Here are a couple of low-cost ideas for how to become a futurist:

- Use Google Trends.
- Run a Google Surveys. Create a monthly report about what's coming.
- Track the right "new media" or social companies using Google Alerts. I use it to track the advertising community. You can track anything and convert into digestible and shareable content about the future.

Intellectual Property.

Do you own any IP? IP adds value.

Most agencies do not have any intellectual property. Having your own "unique or propriety" process isn't good enough – it seems that everyone has one of those process charts with circles and arrows on their website. I am talking having real IP.

An example of an "agency" having IP is Neil Patel's agency-built search engine tool Ubersuggest. It wasn't that hard to build and now interest and use of Ubersuggest drives his agency's incoming.

I mentioned the Basecamp story earlier.

While a worthwhile goal, generating IP isn't easy. You may not have an in-house computer scientist at your agency. But, you can find them online to build your new IP programming. Also check out websites including CodeCanyon, IndieMaker and UpWork to find white label opportunities or those sharp + freelance software producers.

You do not need FTEs to make IP to polish your P&L. Ok? LOL.

Your Staff And Super Stars.

Yikes, you know this asset issue had to be coming.

When you run an advertising agency, your assets walk out the door every night. That means that you better have the right people in place and they better look good to an outsider. And, they better look like they are going to stick around.

Some questions to consider.

Do you know who is critical to running your business and retaining your current clients? Creative leaders; account managers; project managers and strategists can all make or break how you look to outsiders. I've made the mistake of thinking that a specific staff member was critical to the success of a client only to find, via an honest conversation with the client, that they did not "love" the staff member. It just looked like love from afar.

Staff stardom. Do you help mange your people's personal brands? Can you make members of your staff industry stars? How do they look on LinkedIn? How do they look and sound on your website?

Are they good personal social media managers? Sorry, but if they are a political Twitter ranter they might not look so good to outsiders. I know that this is getting into personal territory. But, it does matter and while you can't control people outside of work or should you, you should at least be aware of any issues before a buyer brings them up. No surprises here.

> A key takeaway here is that your agency value will be a sum of all its parts.

Are the personal brands of your key players primed for how they look in their digital worlds, *and* in your sales documents? Consider getting a copywriter to write their bios and to highlight the right achievements. Last thought. Before you make them super stars make sure that they *will* move to the new agency. If they are not moving, don't create a potential missing link.

Here is a key staff management issue and hopefully an opportunity: Do not spring your sale on your people at the last minute. Manage the ego and expectations of your key players. When they think you are making the big bucks, they might ask what's in it for them. Actually, they will ask that. Try to make the sale to look like a win for all. Sure, I know that this is delicate territory. Just manage it.

Marketing For Value.

Of course the business development marketing of your advertising agency should be designed to be a 24/7 operation. However, I know that most advertising agencies do not do this. Lots of excuses abound.

BUT, if you want to sell your agency, I suggest you need to have to have an active kick-ass business development program that looks like a growth plan.

Your key marketing question has to be:

"How do I make the agency more valuable for a buyer?"

The good news here is that there will be no wasted time or effort. Whatever you do for a buyer's impression of your worth will also help you add value for current and potential clients.

I've mentioned the importance of having a simple and clear positioning. Own what others think of you before they form their own opinion.

Now let's move onto how you would market that positioning. Here is a marketing checklist.

The Who.

If you are selling your agency, build out a persona for the type of agency that would *buy you*.

For example, I knew based on my understanding of the value of my agency Citrus – its geography, client base and skills - that I'd probably be a great fit for another Portland or possibly a Seattle agency. My primary buyer persona was a someone very similar to me. Me = being a majority owner of a privately held agency, based in Portland, in need of a faster way to add clients and would love to have a couple of solid Nike accounts. I visualized him, found him and sold to him.

If I was looking to buy your agency, I would ask you for your business and business development plans. I can safely say that I would not buy an agency that did not have at least a brief/concise business plan (like how is the agency designed to make a profit) and a business development plan that demonstrates how the agency does sales and looks smart to the universe.

A rich sales pipeline is proof that you are desirable.

I would expect the business development plan to have:

- Objectives.
- Target categories and specific companies.
- Inbound and Account Based Marketing plans.
- An efficient thought leadership program.
- The desire for your marketing to be unquestionably unignorable.
- A biz dev calendar.
- An agency-wide process including a CRM program.

Here is a big marketing question: Is your agency findable?

Let's pretend that you are a Dallas agency. If I searched on *"Dallas advertising agency"* would I find you? Would Google list you high up in SERP? Are you on the agency lists like Clutch? Local ad clubs?

Now let's go to worst-case scenario. A buyer is looking for a Dallas social media expert agency to purchase… but, because you are not findable, they didn't find you via a Google search. You learn that the buyer bought your competitor - after the sale was closed. Believe me, this stuff happens.

Another big question: Do you advertise? Speaking of reaching the right people… have you considered actually doing consistent and targeted advertising for your agency? I'll bet no. I am not trying to be difficult. This stuff makes a difference. If you think I do not practice what I preach, you might have found this eBook via a Google PPC ad or my leveraging LinkedIn.

London's smart LONDON Advertising agency just went beyond SEM, PPC and LinkedIn advertising to, well, good old fashioned TV advertising to up their brand awareness and make news. Look up their story on my blog.

Huge question: Are you unignorable? I've used this word before.

I mean it.

Whatever you do… ask yourself if your agency and its message is unignorable.

Take a look at Toronto ad agency's john st.'s YouTube channel. john st. built the idea of being unignorable into their agency ethos. Annnnnd, as I mentioned earlier, they were bought by WPP. Unignorable was not ignored by WPP. With being Unignorable in mind…

- Do you have a bright thought leadership program? Agency driven "Thinking" that will be of direct interest to your target client list. You do not have to kill yourself to create must-read thinking.
- Got a YouTube channel? You *could* own an expert YouTube channel.
- A busy Instagram program that goes beyond those cute pictures of your last Zoom call?
- A standout blog based on the right search engine optimized keywords (too many agencies do not get the idea that too many the same).
- Smart white papers, etc.
- Do what Gary Vaynerchuk does.
- Speaking engagements – what is available to you online?
- A podcast. I have been podcasting since 2006. Visit my website and search on "podcast' to figure out is podcasting is a good idea for your agency. There are way fewer podcasts than blogs.

Note that a high-quality, high-interest thought leadership program is time consuming. But your leadership program can be made efficient through content amplification. A blog post or an easy to do audio interview = white paper = YouTube video = podcast = Instagram thing = LinkedIn post. You could do some agency authored research… try using Google Surveys to build your own study.

Have clear objectives for how you use social media and your selection criteria. Some social media channels will help you distribute your agency brilliance and some will simply prove that you “get it.”

I am not sure if TikTok will survive (though there will be short-form video options). I’ll be metaphorical here and use TikTok as a thought generator… Why not a TikTok agency channel just to prove your “getting it”? As of writing, I have one TikTok video that has over 75,000 views. I can safely say… I get it.

What is the next TikTok? Ask your niece.

Get beyond *just* using inbound strategies. It is getting more difficult every day to get found via social media, etc. There are zillions of blogs. Too many Instagram accounts. Too hard to get found via SEO.

I’d say that the most efficient business development strategy today is Account Base Marketing. Know exactly who you are marketing to and build a smart outbound plan to reach and excite them. Use your targeted, high-interest thought leadership material.

‘Me-Me’ as proof of the value of thought leadership. Note that I have the goal of reaching you, agency leader, to increase awareness of my agency consulting business. This eBook is an element of my own Account Based Marketing thought-leadership program.

You must treat the agency itself as if it was a client of the agency. Have a plan to produce standout content, create an efficient process, staff assignments and a program calendar.

Be original and, yup, unignorable.

Critical – Optimize your LinkedIn corporate and leadership people pages. This is a must do job. This one is not rocket science.

Take a hard look at your and your staff’s personal brands across social media. Do you guys look and sound smart and cool? Do you all sell the right agency positioning and vibe?

A buyer will look at your website for eight seconds as they seek out that first impression.

I have many examples of agency websites that grab attention and deliver a powerful message in seconds.

> An example of a strong home page message is London's Isobar's lead message: "*Brands Supercharged*". When I first read these words I was intrigued.

Is your website a branding and sales tool? It is time to go past having a "cute/creative" website that looks like 80% of other agency websites to having a very smart sales tool. Man, this is a deep subject worthy of introspection. Don't tell me you are redesigning your website, like 80% of the agencies I talk to. Tell me you view your website as a sales tool. A tool aimed at both future clients and… your buyer.

> Look at San Diego's Basic agency's high-test website and high-interest podcast.

Consider having landing pages for your sub-specialties. Drive your singular expertise and while you are at it, drive contact and conversion.

To the extent you can, be really good at search engine optimization. Hey, you probably got to this eBook through SEO or even other forms of SEM. OK, I admit it, I also used some paid advertising, my blog, Advertising Stories podcast and large email list. If mail was still around, I might have directly sent a copy to you. Account based Marketing at work.

Have an award strategy. Third-party proof is good. What awards should you be entering – strategically? I have award judge friends that are dumbfounded by seeing lame award entry forms. The right awards add value to your agency. Again. Win awards that are of value to your clients, next clients and your potential buyer. Do you have an award plan? My blog post about advertising and design agency awards is one of the best-read posts on my website.

Speaking of third-party proof of your wonderfulness... Do you have client testimonials?

Please, have testimonials that do not sound like all other agency testimonials? Yikes, testimonies can read like obits – "*He was such a fine person. Beloved by all.*" I found an agency once that had client testimonials that said that the client would never leave the agency. That was different. How about video testimonials? Well-done videos. Something better than the boring client-executive-talking-head.

Two more critical assets that a smart buyer will look at:

Does your agency have an active email program and list? Citrus put a bi-weekly email to a few thousand readers. It discussed one simple, direct, and digestible idea for our ADHD market-types and was called… Ta Da: "*One Idea.*"

Side note; I was working out next to Nike's CEO one day at a Portland health club. I introduced myself as the owner of a Portland agency that worked with Nike. Mark responded, "*Yeah, I read your email newsletter*". Believe me, that was a sweet surprise.

THE VALUATION GAME

I'll go to a quick laugh. I bet a few of you agency owners or prospective buyers jumped to this section. Good. Why not start with the prize. That said, I am not going into great financial depth here. I am not an accountant. Or a business broker which is a sales option though I am not a fan of these folks for an agency sale. Agencies are very specialized beings.

From my experience… If an expert quickly tells you that they know what you can sell your agency for they are full of shit. If they tell you that you have to pay them serious bucks to tell you what you are worth, they are not only full of shit, they are going to rip you off. I know of a couple of experts that will charge you a $15 - 20,000 retainer just to kick off their by rote process. I have a couple of names of this type of agency M&A "expert". Do you want them?

Or, much better, I do know some other marketing communications M&A specialists I like and trust. Call me up and we can discuss their skills and offers.

Plus, there is a lot of the outreach itself that you can do, once you have positioned your agency.

I will outline what I know to be the primary valuation approaches. Your mileage may vary.

Big valuation metrics to use include:

- Gross sales.
- Operating profits.
- Owner compensation. If you have been paying yourself and your key staff the big bucks, you have reduced your net profit. Just keep this in mind. Are you moving with the business? I did not. That added my salary to the bottom line, though I did retain some benefits. Another point, if you have been running elements of your life through your business, your BMW or country club membership, you will have to report that.
- Fixed assets.

Assets? Maybe you were smarter than me during the great recession and you bought your 'desirable' office space. Well, in 20/20 hindsight, given the new world of work from home, NOT buying that office sure looks like you made a smart move.

As I said earlier, you can explore an employee stock option plan - ESOP. It never worked for me. But, it does work for some, if they begin the process early.

Don't forget to ask your partners if they want to buy you out. Yes, a duh.

Agency valuation techniques *must* be discussed with an M&A specialist or an accountant. I can help you add lots of value to your agency, but, I am not a financial genius. Know what you are good at. If isn't numbers – get an expert.

It is OK to admit what you know and do not know. I used this caveat-laden statement when I presented my first Internet company business plan to my billionaire investors.

I know what I know.

I know what I don't know.

I don't know what I don't know.

LOL, now that I am past that. Here are some general valuation options to consider:

- An income approach to value via capitalization of earnings. You will need to do a good job of predicting future growth.
- An income approach to value via discounted cash flow. You will need to do a good job of predicting future growth.
- Asset-based valuation. Because your assets are in the agency brains, I do not believe that this calculation makes must sense. If you have IP this might make more sense. This method calculates a business's equity value as being the fair market value of a company's assets less the fair market value of its liabilities.
- The multiple: Some gurus use 6X EBIDA as a starting point. Ok, this initially sounds good. But, in real-life this multiple has ranged all over the place. Expert agencies get higher valuations. You need a number, right? My research suggests that you can sell the "average" agency for a 3X multiple.

Comps. It is difficult to find past deal comps. However most relevant deals have historically ranged from the high thousands to $30 millionish. This range is clearly not much help at all. Your mileage will vary.

It is difficult to impossible to find out about private sales to use as comps. However, you can explore reported sales made to public companies including: WPP Group PLC, Interpublic Group; Publicis Group SA and Omnicom group. Remember that many of these sales were made in the good old days of high advertising agency group stock prices. The good old days.

Explore information and news from Adweek, Ad Age, The Drum, the 4A's, Association of National Advertisers…

Good luck. And now, how to negotiate.

HOW TO NEGOTIATE

Yikes. If there ever was an agency leadership skillset in need of, um, improvement, it is how to be a great negotiator.

The following chapter is a modification of the negotiation section of my book on pitching – *The Levitan Pitch. Buy This Book. Win More Pitches*. Do me a favor and buy the book. You will win more business. It will also help your agency look good. How is that for a negotiation position?

Before I start here. When you sell or buy an agency – please review your negotiation skills. Understand how to play the game. You will need them.

Practice.

I include the following section from my book, because the skills discussed in negotiating agency compensation are the same skills you will need in negotiating the right price for your agency. I made modifications to the original interview for this eBook.

My Perspective On The Art of Negotiation.

Negotiation is another word that strikes fear into agency executives. In my agency career, I didn't find many agency leaders that looked forward to negotiating their client service contracts with a well-positioned client. We better get over this. Why? I want to go back to Gerry Preece's comment about agency negotiation skills based on his work with P&G's procurement department:

> *"In 95% of the cases, agencies are babes being led to slaughter. Terrible. Naive. Wishful. They get creamed. They are up against professional negotiators, and they often put their unskilled (in negotiations), nicest, most accommodating people against Procurement. It's generally a blood bath."*

Hearing that 95% of P&G agencies are like *"babes being led to slaughter"* is a very painful point to digest. Note that, in P&G's case, we are talking about some serious big time agencies.

It is baffling to me that I never took a course in negotiation. Why I didn't try to learn how to negotiate is crazy given the agency industry's need to wrestle every percentage point of margin out of our deals. The only thing that makes me feel better about this deficiency is that I am clearly not alone.

After interviewing Gerry, I had to find a negotiation expert to help me begin to understand how to help all of us become better negotiators. Marty Finkle's recommendations are both insightful, and unfortunately, occasionally all too obvious.

Levitan Pitch. Negotiation Interview: Marty Finkle, Scotwork NA, CEO

Scotwork is the world's leading negotiation consulting firm.

Marty Finkle was a negotiation industry expert and sought-after speaker. He passed away in 2019.

Marty led the team of Scotwork NA negotiators, who continue to work with more than 100 companies in a range of industries. Scotwork's client list includes network and medium size marketing communications agencies and major corporations including Boeing, Google, and Michelin. Through his work on negotiation strategy, process, and behaviors, many organizations have achieved an exceptional return on investment. Workshop participants have been able to adapt their new negotiation skills to other workplace and personal situations.

PL: Here's a revealing quote on agency negotiation from an earlier interview I did with Gerry Preece who was the head of procurement at Proctor & Gamble. *"In 95% of cases, agencies are like babes being led to slaughter – terrible, naïve, wishful. They get creamed."* Is that your experience in your dealings with advertising agencies? Are they lambs to the slaughter?

Marty: I think a lot of times what happens is that agencies go into these meetings thinking they're terribly weak, and part of the reason is they do believe the other side has all the power – especially if it's procurement. That makes them very sheepish. It's not right or wrong, it's just the way agencies have been trained over the years. Something I've said to a number of ad execs is: we train our buyers how to treat us, and we've done it for years, but we don't train them how to treat us differently.

So as they go in, they're really sheepish, and then they let the buyer take the reigns and really take control of the meeting. Here's the word: they are like lambs going into the slaughter, because they're at the whim of whatever the buyer's looking to do.

PL: Do you think that agencies are even walking in with a good understanding of what their goals are for the meeting, or are they just looking for the other party to state what the objectives are?

Marty: I think agencies are walking in with what they would like to get, but I don't think they plan out what they actually intend to get out of the meeting. I think they let the meeting just roll. Now in a discovery meeting, of course you're going to do that, because there's a place for discovery, and it's for dialogue. But when they go into a negotiation meeting unprepared, of course the buyer's going to be in much more control.

When we work with agencies, one of the things that we always recommend to them to do is prepare the major issues they want to talk about, so that if the buyer pulls them off tune, if you will, they can go back at the list of their main issues they want to talk about, and focus on it. If the issue is the length of time it's going to take to deliver the project, or the amount of people that are going to be involved, or the rate card, we want them to get very serious about what their intentions are and what their limits are which they're willing to negotiate. If they understand these things before walking into negotiation, they're going be much more powerful in the dialogue, because when they get down the creative path, or the pricing path, they're going to be much more focused on what they really need out of the negotiation.

Don't wing it.

PL: Don't wing it seems obvious, but I know that agencies do just that. Do you coach your clients to practice negotiation before they walk into a room?

Marty: We do. We actually work with our agency clients on the whole preparation for an upcoming event. I'm thinking of a client we just did this with where they were the weaker party, or they perceived they were weaker than their customer. The agency customer was a huge brand - you'd know it. We had the agency prepare the issues they wanted to cover, the intentions of each one of the issues, what their limits were on the ones that had limits. If they got pushed on one of the areas, what were the things that they were going to trade for for every move they made. And then, what is the agency going to ask for in return if they do trade? And then, think through their negotiation positioning statement: how are they going to open and focus?

The other thing that we do Peter, that really makes the agency more powerful, is have them prepare as if they were the other side.

So it's really important that they do prepare, and we do help them. We coach them and then allow them to actually hold the dialogue as if they were doing the negotiation with their particular client.

PL: Do you think agencies are by nature worse negotiators than other types of businesses?

Marty: I won't say worse negotiators. I think that part of what makes an agency tick is the CLIO and the excitement about the portfolio, the excitement about the ad, whether it's digital or hardcopy or whatever it is – the excitement. And what makes them weaker sometimes is how excited they are around the creative. It's not right or wrong, it just is.
So are agencies weaker? No, I think what they do is they get

caught up in the excitement of the world that they live in and what they're trying to do in it. So if you get your CFO in the room, they may be harder on price than if you have a creative director in there. The creative director, occasionally the CEO, whoever has not been in this type of negotiation meeting in the past, tends to give things away quicker than anybody else. We teach creative directors that if they give something away they need to get something in return. That can go against an agency's grain sometimes, because they figure: I have to give in in order to win the deal, or the business, or the pitch.

FINAL THOUGHTS

I have a propensity to repeat myself for effect (as you might have seen) so I won't go over every point again. But, here are the basics.

Understand your reasons for selling (and buying). Mine were both personal and business related. If you know why you want to sell or merge this simple observation will guide your journey. Know if you want to stay or go.

Ask yourself, *"Would you buy you?"* If the answer is a rational *"yes"*… then move forward. If it's a no, it might be time for an agency reboot with a buyer's persona in mind.

Remember to manage your team.

Manage your clients.

Use my 'micro' agency marketing plan outline to create an agency that will add value and sell for the right price. Think through every possible issue and opportunity.

Understand how to realistically value your agency. Find the right guidance.

Learn or relearn the art of negotiation. Getting to yes is a good idea. But, regretting that yes after the sale is not a good thing. I've seen too many buyer and seller regrets. I was able to smile months after each of my buys and sells.

A Word On The Effect Of Covid-19 On The Advertising Business.

I wrote the article, *"An Advertising Agency Survival Guide"*, on my blog. The Association Of National Advertisers distributed it. Take a read.

My key general industry takeaway is that Covid-19 will act as an accelerant. Less so a significant change-agent for advertising agencies. This means if you want to sell or buy, you are probably already thinking hard about that – an accelerant. At the same time, I do not see a serious push for total industry reinvention. Smart adjustments, not total reinvention.

I'll close with a quote from the very quotable Yogi Berra...

> *"You've got to be very careful if you don't know where you are going, because you might not get there."*

My Pitch.

This is a free eBook.

It is free because I wanted to get your attention so you would contact me and take me up on my Corleone offer. It is an offer you should not refuse.

Talk to me to find out how I create advertising agency plans that grow agency value and the business development pipeline. These plans combine the art and science of business development strategies and tactics.

My perspective and strategic approach have been honed as Saatchi's business development director, an agency owner, an agency client and as a consultant

Visit my blog. It has over 750 blog posts about growing and managing an advertising agency.

Listen to my Advertising Stories podcast. It is brilliant. And, it is designed to be unignorable.

PETER LEVITAN

Me Today

I know more about the art and science of ad agency business development than any other human. My programs deliver a very detailed strategic plan sandwiched between efficient branding and messaging programs that are designed to make your agency unignorable. Talk to me.

Me In 20 Seconds

During 16 years at Saatchi & Saatchi Advertising Worldwide I ran business development across Europe and the USA, was EVP Management Director in London and New York and was GM of the Minneapolis office.

From 2002 to 2012, I owned Citrus Advertising in Portland and Bend Oregon.

I was CEO and a founder of two major Internet startups during the dotcom boom. Advance Publication's New Jersey Online was an early leader in online news, and the intelligent bot company ActiveBuddy was sold to Microsoft in 2006.

I am a New York native. I now live in San Miguel de Allende, Mexico.

Me In 2 Minutes

I went to the San Francisco Art Institute to study photography. That led to SF's Levitan & Feinstein Photography. Our clients included San Francisco Magazine, Robert Mondavi Winery, Sonus, and Visa.

I joined New York's largest Mad Men agency Dancer Fitzgerald Sample Advertising in 1980. DFS had golden clients that included P&G, Nabisco, General Mills, Hanes, Wrangler, Toyota and HP. One of my clients invented email.

Saatchi & Saatchi bought DFS in 1986 while I was running the Minneapolis office and the global Northwest Airlines account. I started to buy English suits. I won EFFIES.

I moved to Saatchi's London office in the 90s as European Director, business development director, and managed Johnson & Johnson and other accounts across Europe. I bought more English suits.

I discovered early-stage digital marketing when I returned to New York in 1995. After AOL's President Ted Leonsis told to me to *"get the fuck out of advertising"*, his exact words, I left the agency to invent the online newspaper industry for the third largest newspaper group and Conde Nast. The Newspaper Association of America named me its New Media Pioneer.

In 2000, I founded the startup ActiveBuddy, raised $30 million, lead the world of natural language bots. Our SmarterChild bot had over a trillion Instant Messenger conversations across AOL, MSFT and Yahoo. Microsoft bought the technology in 2006.

I moved to Bend and Portland Oregon in 2002 and bought the ad agency Citrus. Our clients included Nike College and MLB AOR programs; multiple banks; healthcare accounts including the five-state Providence: hospitality accounts including Harrah's Casinos; the Montana Lottery; Seaswirl Boats and Legalzoom. We delivered national and uber local advertising.

I sold Citrus in 2014. I've bought and sold three agencies. I know the art of buying and selling agencies.

I have spoken at the 4A's, the ANA, Newspaper Association of America, Radio Advertising Bureau, international and regional advertising orgs, and recently at marketing universities across India.

What I Am Doing Now

I counsel and coach advertising, digital, and PR agencies across the globe on how to build kick-ass business development programs.

I wrote *The Levitan Pitch. Buy This Book. Win More Pitches.* I have over 650 blog posts on business development.

I moved to San Miguel de Allende, Mexico's coolest city, in 2016.

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