

HOW TO PICK AN ADVERTISING AGENCY

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As someone who's spent practically his entire adult life in advertising agencies, I know I'd hate to have to pick one for my company.

I think it'd be like looking at a tray of diamonds and trying to pick the best one I could afford. Except for the fact that some were bigger than others and probably more expensive, I couldn't tell them apart. Once I found the price of each, I wouldn't know whether the bigger, slightly flawed one was a better deal than the smaller, more perfect one. Even if I could see all the flaws, I wouldn't know which were serious and which were minor.

That's the trouble with picking agencies. All the competent ones show up with great-looking portfolios presented by personable, smart-sounding executives. At the end of each presentation, you end up feeling that the company you just saw can do it all, brilliantly.

After sitting through half a dozen sessions, I might go with the one whose work I liked the best, but I wouldn't be sure whether that work was done by the people who'd do mine. Or I might go with the team of presenters who impressed me, but I wouldn't be sure if they were the same people I'd be dealing with. I might go with a big company and find everybody was too busy working on big accounts to pay any attention to me. Or I might go with a small company and find out that its skills weren't broad enough to handle the work I needed.

That's the down side. The good news is that there are ways to peel back the shiny veneer and find the one that really fits your needs. Here's a step-by-step path.

DO YOU NEED AN AGENCY AT ALL?

The short answer to the question is, if you're big, you need a big agency. If you're small, you need a small agency. If you're really small, you don't need an agency.

The longer answer revolves around the definition of “agency.” Traditionally, agencies sold ads for the media and took commissions. As they evolved, they added creative and production services and eventually turned into today’s full-service model. Now the full-service agency has become an integrated marketing communications company that plans, creates and places advertising in all media, develops Web sites and interactive advertising and creates collateral materials such as brochures and point-of-purchase. Its services may include branding and corporate identity programs and public relations as well.

Combining all these skills under one roof requires a large number of specialists—copywriters, art directors, media planners, Web designers, graphic artists, print and broadcast production managers, to name a few—to do the work and a surprisingly large number of experts—strategic planners, account service representatives, project coordinators, research specialists and traffic managers—to plan and coordinate their efforts and see that everything gets done on time.

In recent years, this proliferation of disciplines has created considerable bloat in the bigger agencies, with the result that many parts of the package have spun off into smaller units.

There are all kinds of project-oriented companies who do portions of what agencies do and who can, by and large, do any given task for less money. Agencies who deliver the whole package become increasingly more valuable as the range of communication services you require increases. Until you’re ready, you have all kinds of options: design firms, freelance writers and art directors, Web firms, communications consultants, public relations firms and media buying services, many of which offer talented people with agency experience and an understanding of what agencies offer. The difference lies in the percentage of effort these specialized vendors devote to the full-service agency’s long suits: strategic planning and project coordination.

It makes sense if you think of it this way. If you only have a few thousand to spend on a brochure and a couple of ads, spending it all on intangibles like research and strategy documents accomplishes nothing. However, the more you invest in communications, the more those intangibles provide insurance that the larger amounts of money are safely spent. By the time your budgets reach into six figures and push towards seven and eight, the money spent on intangible services becomes a smaller portion of the total and, no matter how much it is, becomes money well spent.

HOW MUCH SHOULD AN AGENCY COST?

It’s usually about 25% to 35% of what you spend in ad placement and production. In the old days, when almost every agency earned most of its living from media commissions and markups on production, you could put a hard percentage figure against your annual budget and be able to forecast the amount.

Increasingly, agencies can’t make a living under the old model and clients don’t want to

pay markups. Now agencies are more apt to make most of their income the way law firms do. They charge monthly retainer fees and/or charge by the hour at rates that vary according to task. There are all kinds of compensation agreements and a thousand ways to figure costs and to define what the agency does for free, but if the whole package doesn't work out to that 25% to 35% figure once the program gets under way, somebody miscalculated.

SHOULD WE SEND OUT AN RFP, OR SHOULD WE JUST CALL IN A FEW CANDIDATES?

Yes, send out an in-depth Request For Proposal to a long list of candidates, but only if you have to. Sometimes the law requires it, and sometimes your corporate structure will demand it. If you have a large piece of business and the appointment decision will be made by a committee, RFPs can help keep the screening impersonal and objective.

They also make it much harder. They're time-consuming for you and hugely time-consuming for the agencies. In my own agency experience, we've thrown four RFPs in the wastebasket for every one we've answered, simply because they seemed to be far too much effort for the potential reward. The good news from the client standpoint was that they got answers from agencies who were willing to jump through hoops to get the business. The bad news was that a lot of agencies that might have done a better job didn't bother to answer.

The real problem with RFPs is that, by attempting to establish objective selection criteria, they remove interpersonal chemistry from the equation and create a climate of drudgery for everyone involved. All things being equal, you'll get a better fit with a carefully conducted informal search.

MAKING THE SHORT LIST

Once you decide whether to go for an agency or for a less expensive answer, you have to find a partner whose overview of communications techniques matches your needs and who can deliver the level of production you need.

You'll of course begin by asking people you know and trust and by finding out who did work that you admire. Finding out shouldn't be hard. You can either call the advertisers or the media that ran the ads. Once you're past your first phone calls, we believe the logical place to start your search is with the media you know.

Your industry group has trade media, and the odds are that the media reps have probably been after you already. Phone them. They'll be pleasantly surprised to hear from you and eager to help, since they're usually the ones making the calls. Ask who they think does good work and pay special attention to any rep you've learned to trust. Granted, all those reps really want to do is sell you ads, but if they've been around for a while, they've become good industry observers. Agencies know this, and whenever they acquire an account in what for them is an unfamiliar

field, the first thing they do is call in the old-time media hands and pick their brains.

Next, check the Web sites of any likely candidates. If you don't know the company's URL, put its name in quotes and search it on Google. Search engines and the yellow pages will offer way too many options to be of much help, but if there's a local ad club, it's another place to find agency Web links. The sites give you a quick idea of what the agencies think is good work and save you the trouble of making any personal contact. Don't bother asking for brochures. Agencies put a lot more content (and usually a lot more effort) in their Web sites. If they don't have a Web site, they're probably not strong enough for consideration in an open search.

There are advertising consultants who help pay the rent by managing agency searches. The best are a handful of retired agency principals, and they know where all the bodies are buried, at least among the larger, more established agencies. If you know a good one, by all means start there, but if you don't know one, finding one won't be easy. There are a lot more people offering vague services of questionable value than there are competent agency search professionals. Ask around, but don't be surprised if you don't connect with a good one.

At the end of the process, pick half a dozen candidates. Go with agencies that are strong in the work you need. If your first needs are product literature and trade magazine ads, don't go to an agency that really only wants to do consumer TV spots.

Preferably, pick companies within comfortable driving distance. The more you work face-to-face, the better your collaboration will be. Once you've picked a few, call the agencies. They'll ask for a meeting, and before you're done, you'll have spent several hours with each.

THE FIRST ROUND

Finding a partner who understands where you're going and is capable of delivering whatever it takes to get you there usually takes more than one meeting. Normally you'll want at least two one- to two-hour meetings with each company on your short list. Some may be so obviously underqualified that you'll dump them after the first meeting, but if you've picked your list carefully, most should survive.

For the first meeting, they should come to you. If they're smart, they'll spend most of the meeting probing you about your needs and let you do most of the talking. They'll save the dog-and-pony for the next meeting, back at their own shop. You'll want to meet them on their own turf. It gives you an opportunity to see just how big they are and to meet the people who actually work there. At this meeting, you should spend enough time with the people you'd be working with to get an impression. Often, a quick impression is all you'll need.

SORTING OUT WHAT'S REAL AND WHAT ISN'T

Right from the outset, you can get a feeling for an agency based on how long it's held its clients. If

it's served some of its clients for years and one or two for ten or more, you can be fairly certain that its clients feel they're getting value received. If the agency has been around for a while and its clients haven't, be wary. This doesn't mean that you should necessarily reject agencies that have only been in business for a short while. If the agency is new,, you'll often find that it exists because its clients have dealt with its principals for years.

Once the agency goes into its full presentation, look at its credentials with profound skepticism. Case histories go into agency portfolios because the success stories sound good. The agency will never volunteer that the reason the client doubled in size was that it bought out a larger company. Or that the reason awareness doubled after a year of advertising was that it went from 1% to 2%. Or that market share leaped forward because the #1 competitor's factory blew up.

In the same light, the resumes of the agency's staff will list each key player's client experience, but they won't tell you whether that player directed the strategic plan that built the client or merely brought the coffee while others did the work.

Especially if you're dealing with larger agencies, the people making the presentation may have had nothing to do with the work you're seeing and may never intend to work on your business. Often, there'll only be one person on the presentation team whom you'll ever see again, and that will be the junior person who talked the least.

You'll have to ask hard questions and fine-tune your bs-detectors to see if their answers ring true. If they dance around the answers, pressure them until they realize that unless they level with you, they're out.

UNDERSTANDING CREATIVE WORK AND FINDING OUT WHO ACTUALLY DID IT

The agency that gets the brass ring has to satisfy you with its creative work. Even if you pick your agency primarily because of its experience in your product category or its expertise in a particular marketing channel, you'll still want the best creative work you can get.

Start with the assumption that the work that dazzled you in the presentation may not bear any resemblance to the work you'll get from that company. People leave agencies all the time, and the work they left behind remains in the agency's portfolio as well as in the portfolios of the people who worked on it. In a recent review of local agency Web sites, we saw TV spots done far away almost 20 years ago.

The larger the agency, the less the likelihood that any of the work you saw was done by anyone who'll work on your business. Ideally, you'd like the agency's portfolio to consist entirely of samples created in the last few months by the people who'll do your ads. It's wise to assume that won't be the case, and again, pin down "who did that?" and "when?" and "was it for your agency, or for someone else?" Even those answers won't be fireproof, because everyone who works on an ad claims it, whether or not some other person served as the creative leader.

If the agency is smart, they'll show you work generally similar to the work you need. If

what you need is better product literature and good business-to-business ads, they won't spend all their time bragging about their TV reel. Conversely, they won't bore you with their search-engine optimization skills if you're a small fast-food hamburger chain. It's safe to assume that if they don't concentrate on relevant work, they're probably not very good at it.

Ads go into agency portfolios because they look creative. They have good art direction, production values and clever copy. That doesn't mean they were good ads. However many awards they won, they may actually have said entirely the wrong things and talked to the wrong people. Look hard at what they show, then use your common sense and trust your hunches as to whether what you saw actually created the results in those case histories.

DO YOU NEED AN AGENCY WITH EXPERIENCE IN YOUR INDUSTRY?

It never hurts, but it's far from essential. If the agency knows your product category, it shortens the learning curve, and you gain time and save money. When an agency grabs a niche, it's usually because it's pretty good at it.

However, it can also mean that the agency has a limited bag of tricks and sells the same answers over and over. Off our experience, we'd recommend an agency that's demonstrated an ability to solve problems parallel to yours across a variety of industries. You'll do best with a program tailored to your exact needs rather than a cookie-cutter solution, even if it costs you more to begin with.

CHEMISTRY

There's probably no more important factor in making the selection. If you work at arm's length and don't trust each other, the relationship will never work.

Ultimately, trust your gut. It's been said that the impression you get in the first half-minute of meeting someone often proves to be more accurate than the impression you're left with after five minutes of conversation. Sometimes people will make all the right noises and mean nothing of what they say. If after a couple of meetings, you're not sure of the people, move on.

COST CONTROL, GOOD AND BAD

After a dozen or so mind-bending meetings, you'll sort it all out and pick a possible winner. At that point, you get down to the hard question: How much will it cost?

You'll need an answer, and the agency will start by giving you a chart of hourly rates, but what it charges per hour is almost irrelevant. A \$200-per-hour supervisor might write a position paper in two hours, while the \$50-per-hour junior might take twenty, cost twice as much and deliver a worse job.

The unfortunate truth is that the agency has very little idea of how much the preliminary cycles will really cost. When an agency takes on a new assignment, it has a learning curve and a development cycle, and it almost never can charge full freight for the hours invested. Even if it could, it's almost impossible to predict how many hours it will take to solve a complex problem. Agencies don't deal with hard commodities that sell at fixed prices, they struggle with elusive intellectual properties.

In the long run, the worst way to control agency expenses is to put a firm not-to-exceed figure on each project. It's a lose-lose proposition. If the agency covers itself, it prices itself out of the market and the client pays too much. If the agency quotes too low, it loses its shirt and, after a while, loses interest in the client.

Nothing works better than communication and mutual trust. If you make your budget parameters clear to the new agency, get estimates project-by-project and keep in touch, you should be able to work to where both parties feel the compensation is fair, and, once the program gets rolling, the charges should fall within that 25% to 35% bracket. Sometimes agencies can sail through a project and do it for far less than it would normally cost. On the other hand, complex projects often redefine and escalate several times during their gestation period, and early estimates become meaningless. In a good relationship, there's room for both eventualities, and both client and agency will treat each other fairly.

WHAT TO SAY TO THE LOSERS

At the end of the trail, one agency wins and the rest lose. For the losers, there's very little to feel good about, but there can at least be a learning experience. Losing hurts the most when you don't know why. Usually, we learn we've lost only because too much time has gone by since we've heard.

Agencies fully recognize that clients hate to call and give the bad news, but as someone who's been there and done that, I'd like to make a heartfelt request. Please call the losers and tell them who won and, as nicely as possible, why they didn't. Don't sugarcoat it. They may not like hearing the truth, but they'll appreciate it in the long run. And, if you ever need their services in the future, they'll remember you kindly for telling them straight.

Meanwhile, good luck in your search. Do it well, and you'll prosper.