PART 1

Agency Architecture

CHAPTER 1

Agency Architecture: Getting It Right from the Beginning

There is a form of fly fishing that is like a spent spinner, fading and dying. . . . The venerable winged wet fly, once popular and a staple in a trout fisher's fly book, has lost favor.

Roger Menard
My Side of the River[1]

This book is about the ingredients that go into the making of a successful agency. There are certain givens. The first is the bedrock tenet of modern marketing: Differentiate your brand. Agencies must learn early on to develop unique cultures and capabilities that separate them from the competition. Otherwise, they risk being marginalized by clients.

Even the label *full service* is suspect in today's marketplace. No young agency can afford to offer all the above-the-line and below-the-line specialties such a phrase suggests, and, if it did, would that agency be any different from more established agencies making the same claim?

How do you go about making your agency unique and competitive? You might start by looking at your agency's architecture.

The internal structure of most agencies is like Roger Menard's "spent spinner." It is built on a rigid, silo-like departmental model that goes back more than 50 years. This was the time of the Organization Man, when agencies and their clients were built like the Pentagon—with everything neatly in its place. Since then, the structures of clients have been updated and streamlined—but agencies never were.

Under the silo model, everyone has a function and reports to a silo leader. If you're a media buyer, you sit in the media department. If you're a creative person, you get to sit, work, and play in the creative department. Occasionally you see people from other silos in meeting rooms, in the cafeteria, or on company picnics. The only time you physically work as a team is in a new business pitch, where for a time everyone gets to eat from the same pizza carton, spending hours rehearsing and polishing the pitch.

Does this really make sense? Shouldn't agencies be discipline-neutral, freewheeling structures that form and re-form for a specific purpose, without regard to titles, departments, and seniority? Shouldn't they exhibit an open architecture, in design, purpose, and business model, that is inclusive and makes everyone feel equally part of the creative process?

To be idea-neutral, you need a brief and very little else. But in advertising, everyone brings a preconceived notion of what is required. The pressure is on to make ads, not necessarily to achieve quantifiable results. Results growing out of advertising are very ephemeral things, because in actual fact you cannot measure, except in rare instances, the precise impact of a communication on consumer behavior. Sure, the famous Aaron Burr commercial in the "Got milk?" campaign made people think of how nice it would be to drink a glass milk after eating a peanut butter sandwich. But did the ad drive milk sales? Well, it's hard to tell. If you ask consumers why they buy a product, they don't usually answer, "Because I saw a great ad last night on television." They say something like, "Because I need it and I trust this brand."

Eventually, your gut will tell you what works. Great advertising is memorable and strikes an emotional chord with the target. That should translate into sales results or brand awareness. How do you get great advertising? Well, not by assembling your ad team and saying, "Guys, we've got to come up with a great TV campaign." Whoa! Slow down. What you need first is an idea.

Really good ideas usually spring from very open thinking. Don't start by defining the media channel or the celebrity you want in an ad or the music to go behind it. Start with the idea.

That may be harder than you think. Especially in this new environment where clients are looking for ways to communicate an idea beyond traditional media. For agencies to support a media-neutral approach, there is a critical need for a new architecture—one that breaks down the silo model. First, cultures of mature agencies need to be overhauled to reignite the attitudes and work ethics of their people. Furthermore, every five years or so, the agency partners should assemble and reconsider their current model, asking themselves the consultant's standard question, "If you were starting this company tomorrow, how would you design it?"

If the answer isn't, "Make an exact replica of what we are today," then you have your work cut out for you.

The first issue in redefining culture is to agree on your mission. What do you want your agency to do? The obvious next question: How should we organize to best perform that mission? Everything in advertising seems to resist change. Ossification of culture begins to take place in months, sometimes weeks after an agency is born. Perhaps such an early definition is a natural development that allows people to define their roles and get on to the more serious business of client service and idea creation. But advertising is an ever-changing endeavor. Agencies have to reform every few years to ensure their relevance and ability to deliver a superior product.

This is not a new thought. As the great manufacturing companies started to experience the recession and market dislocations of the late 1980s and early 1990s, the call went out for something called *process reengineering*. Reengineering was meant to refer to the study of the processes and organization structures that go into the making of an efficient factory or business. But in the 1989–1990 recession, the phrase came to stand for laying off large numbers of people and downsizing.

In fact, process reengineering, when done right, is a tremendously energizing exercise. Interestingly, there were conferences on the subject throughout the advertising industry, but few agencies ever seriously tried it.

One that did is Pittsburgh-based MARC Advertising, which dared to knock down walls and endure a traumatic, formal reengineering process. MARC USA CEO Tony Bucci recalls the epiphany he had while attending an American Association of Advertising Agencies annual meeting in 1992: "We had been growing, but the problem was that as we added revenues, we added costs, too. People were working nights and weekends. I didn't see how they could work any harder. But we couldn't improve our margins. I knew there was something inherently wrong. I knew I needed to do something dramatically different, but didn't know what it was."

At the annual meeting, he slipped into a workshop on process reengineering led by a consultant from Arthur Andersen. "He told how he had gone into the media department of an agency and slashed what he saw as a duplication of activities. I thought, 'Holy cow, this might be just what we need.' "

Bucci got paired with the speaker on the golf course and eventually decided to hire Arthur Andersen and to turn MARC (which in 1993 was billing about $64 million) on its ear. The Andersen team spent six months studying the agency's problems and then began changing people's tasks, reforming departments, and cutting down the number of steps it took to make ads and to service clients. The result was not only that profitability soared, but also that people felt energized. Within a few months of the completion of its new structure, the agency started to add new clients and billings. In 1994 it jumped to $79 million and the following year almost doubled to $154 million. Then it began acquiring agencies in other cities—two years later it was billing $300 million.

The reengineering process of the silo model that existed at MARC has never really stopped, Bucci notes, because the agency now is constantly reexamining itself as it grows—especially as it adds new offices. As Bucci says, "Too many people get into process reengineering and think they're finished. But you have to change the mentality of people—most importantly of senior management. You have to move from process to mind-set—and not just of staff but of their leaders."

The MARC system of reorganization is based on a multistep process involving planning, discussion, and training by every constituency—even clients. Every move is preceded by weeks and months of discussion about employees' roles and functions. Bucci is very logical. He likes to work according to a plan—one that is understood and supported by senior staff. He spends a lot of time in meetings and retreats, discussing various approaches and trying to gain consensus from his associates on ways to attack problems. When there is agreement, though, the agency is not afraid to tear down walls and processes and introduce new approaches and architecture.

Bucci feels he's now about halfway to his goal. "I laid out what I call a *vision horizon*—an outline of where we wanted to be in 10 years. We've done it in three-year increments. We're growing, but we're still in the formulation of our first stage," he says. A decade later the agency has grown tenfold and is billing about $650 million, with offices in Pittsburgh, Chicago, Indianapolis, Miami, and Dallas. As such, it stands, with The Richards Group and Wieden + Kennedy, as one of the top five independently owned agencies in the United States.

Bucci is tough on himself and the industry. “We’re not anything yet,” he said in an interview in late 2002, “because we’re still re-creating as we acquire and constantly adjusting what are to be our strengths and what will be our product niche. Come back and look at us in a couple of years—by then I would bet that we’ll be on the West Coast and probably in Boston and billing above $1 billion.”

As for his friends in the AAAA, Bucci says, “The biggest problem for this industry is that it’s not training its young people to be leaders. Everyone is so focused on technical magic. What we need are business leaders who can help clients find the answers to their problems.”

IMMERSING YOUR TEAM IN THE WORK

Some agencies, following the lead of Messner Vetere Berger McNamee Schmetterer Euro RSCG in New York, have created “war rooms” for clients. In this mode, the teams put all the work relating to the client and the competition on moving or layered walls. The team is thus surrounded with “windows” of data in much the same way a computer desktop can be made to represent all the ideas critical to the strategic evolution of the brand.

But such war rooms are a temporary affair. Few agencies can afford permanently to allocate communal space to a single client. After the meeting ends, the team disperses and all the materials are packed into a cabinet. It is a momentary thing.

In trying to create a company devoted solely to the creation of ideas, some agencies might decide to take the war room’s communal space to a new level. They might surround everyone with ideas, good and bad, and keep them working in close proximity to one another.

These agencies might ask: Isn’t there a more productive structure that would better define people by mission rather than discipline? Function follows form in a service business. Just because everyone knows where to sit when they come into work doesn’t mean they are organized properly to fight the battles of a modern idea agency. In fact, with the advent of computers, most people spend the day focused on the screen in front of them and physical architecture has become less important.

Consider what it would mean to organize the creative department to include media planners, account planners, art directors, and copywriters. Another department might be called "production" and include traffic people, media buyers, and junior account people, all focused on keeping the work on budget and on schedule—the *action* part of the agency rather than the *thinking* part.

Strategic planning, senior account management, and research could be isolated into a third grouping. Even better, this group could operate under a separate brand name and be sited on another floor or in a different building—so that clients meeting this group would get the impression they were in the presence of strategists whose work was not included in the advertising budget.

Imagine the effect this would have on everyone. Certainly account people might complain that they had been excluded from the creative process, but at least they would be asking to be part of that process rather than to control it. Creatives would gain a broader focus.

Strategic planning would be recognized as a premium service. Traffic people might teach account people their negotiating skills—and learn from their new teammates more about the client business they were servicing. Media buyers might just enjoy the hustle and bustle of the traffic department. As Tony Bucci can tell you, even moving around the desks and retitling people has a dramatic, energizing effect on an agency's culture. The point of the exercise is that this kind of reengineering serves to redefine an agency's mission and reexamine its functionality.

DEPARTMENTS VERSUS BRAND TEAMS

For a time, many leading creative agencies in the late 1980s and early 1990s—Chiat/Day and Carmichael Lynch, to name a few—played with the idea of reorganizing themselves into brand units rather than on the traditional department model. Instead of separating accounting and creative functions, people were seated together in account teams. Agencies contracted with architects to redesign their interiors and bring in movable furniture and walls so that account people, planners, creatives, and others devoted to a single account could be grouped together on a single floor or within a walled area.

Jack Supple, creative director of Carmichael Lynch, recalls with some horror an experiment with what he calls "the group system." He says, "We would form into groups where they actually had their own P&L built around the accounts they managed. In those days, account people really had the numbers of the creatives—we were pretty much captive, right under the thumb of the account people who ran the accounts."

Supple continues, "I remember once I was sitting in the office of a creative, kicking around an idea, when from the next office someone said: 'No, you can't do that.' The account guy was sitting right next door. He didn't understand that creatives need to have an opportunity to be stupid and think things you can't do. We like to put them on the wall and consider them and then take them down. But he was already telling us what we couldn't think about."

"When we moved offices a few years later to our present building, I insisted creative people sit in proximity so that they can bounce ideas off each other. Because a lot of our creative power comes from just casually checking things out. And one creative person sees something hot going on nearby and starts getting new ideas about his own problem. It's infectious."

Today there's a realization that really good thinking has little to do with how the desks are sited, but there's still a question about whether the old architecture is interfering with clear brand thinking. Many agency leaders think it is—but they're still not sure what to do about it. In the rest of this chapter I'll explore the fundamental roles within the agency, asking how they can be molded for a new agency model.

RETHINKING ACCOUNT SERVICE

No department is more deserving of a major rethink than account service. Clients, in increasing numbers, are turning to professional marketing consultants for help with their brands. Agencies are being forced to execute strategies created by others. Meanwhile, in the rush of the past decade to bring down costs, the account service function has been pushed down to more junior and less-well-trained personnel, who are asked to spend more time on process and less on strategic thinking. Because of this and other factors, it has become difficult for agencies to attract graduates from the nation's top business schools—partly because the opportunity for developing a brand is stronger on the client side and partly because the pay is better at brands.

"We're hoping the pendulum is starting to change back in the agency's favor," says Michael Donahue, executive vice president of the American Association of Advertising Agencies. "Graduates in their late 20s and early 30s don't have the kind of choices they used to have with Wall Street and Big Six accounting firms. There's a diminishing market in the consulting and money industries for people with a more humanistic, right brain approach to life."

Donahue predicts that young people more interested in the intuitive way advertising agencies work will still be attracted to the business—even though Wall Street houses and consultancies sometimes offer higher starting salaries.

"In some ways this competition between McKinsey and agencies has been overblown," he says. "McKinsey says it's in the engagement business. Well, agencies are in the relationship business—with clients and with the marketplace. If you're in the engagement business, you can ride in and ride out. Agencies have accountability. They have to stick around to see if the solutions they recommend actually work."

But just because agencies are again able to attract the best graduates doesn't mean they know how to use them properly. Telling a Harvard Business School graduate skilled in marketing strategy to ensure that advertising for a soap account (made by others at the agency) is on time and on budget isn't necessarily the same challenge as launching a dot-com business or finding the venture capital to turn around a steel plant.

Agencies need to either recommit to account service or fold its function into other parts of the agency. Just having junior people trafficking ads and budgets and dressing them up with big titles is not the answer.

SAVING ACCOUNT SERVICE BY KILLING IT

A lot has been said over the past decade about the gradual downgrading of account service. One agency, Roche Macaulay & Partners in Toronto, dared to create a new model—without any account executives. At RM&P, each client is assigned to a senior traffic chief, who used to be called a *project manager* and more recently was retitled *business manager* (BM). The agency, which bills about $50 million with clients like Mercedes-Benz, Coca-Cola (Nestea), and Reebok, currently has four such business managers who keep the work on budget and on time. Clients have learned to interact on a regular basis with the business manager—just as they did with an account executive in the past. At various times during the year, a *strategic planner* (SP), who has an intimate knowledge of the client's business and the category, studies the effectiveness of the work and addresses strategic opportunities for the brand.

It may be hard for many believe that there is no one person responsible for the account on a day-to-day basis. But Roche insists his clients have learned to appreciate the system. Tara Ruoso, for instance, has worked nine years as a product/business manager at RM&P. Her accounts include Johnson & Johnson, Nestlé, Coca-Cola (Nestea), and RCA. She doesn't see herself as a glorified traffic person, but admits the dreariest part of the job is "all the administrative paperwork."

Contrast her with Trent Fulton, who has worked at RM&P as a strategic planner for two years. Like Ruoso, he came out of account management. His accounts include Purina dog food, Mackenzie Financial, and Coca-Cola (Nestea). He considers the most interesting part of his job working with senior management on the client side, and he has the luxury of having time to drill down to find the unique selling proposition (USP) of a brand.

"Our thinking," says Geoffrey Roche, founder of RM&P and a creative director by training, "was that the role of account person had been made less effective by virtue of the fact that account people were being asked to wear too many hats: trafficking, account service, strategic planning, and profit and loss control. So we split the functions into two, allowing the project manager to run the day-to-day machinations and the planner to concentrate on the strategic side of the account, not only day-to-day but a year or two out."

Roche says that promoting highly motivated traffic people to work directly with clients is fairly straightforward. Traffic people have been marginalized and underused, he says. Because they are so good at working internally with deadlines and externally with postproduction facilities, it's thought they cannot do anything else. Training them to take on more responsibility and assume a higher profile was fairly easy. But finding the right kind of person for strategic planning was more difficult.

"Traditional account executives were not necessarily the most strategically minded individuals," Roche says. "They could come up with a strategy, but it was a paragraph in a brief, not a single, distinct positioning for client. They tended to be more client-centric instead of consumer-centric. And account planners were just the opposite. They were used to working with creative people and liked to concentrate only on consumers. The two disciplines have to meet. You have to be able to talk to clients about pricing and distribution—and then turn around and look at how the advertising works and what is going on with consumers."

The agency has maintained its unique approach since it opened in 1991 and today has some imitators in the Toronto market. Former RM&P partner Andy Macaulay started his own agency, Zig, which features a similar structure. Labatt's beer, with its giant $70 million account, has helped start an agency, Grip, led by four former Roche employees, and calls its account people "planners" and has upgraded the traffic people to work as project and business managers.

Few agencies, though, seem in a hurry to reexamine the account management function. Some are afraid of asking clients to relate to two handlers. Roche admits that some clients are uncomfortable with RM&P's bifurcated system. "We usually can sense this in the pitch," he says. "If they keep asking us how it works and who is going to be responsible for the business, then we know we are going to have a problem."

JUST CALLING SOMEONE STRATEGIC PLANNER MAY NOT BE ENOUGH

The question remains: How can agencies hire and deploy better-trained strategists as account managers and then, in the new fee-based-environment, charge adequately for their services and keep them from getting lost in the "process" part of agency life?

Perhaps admitting that for some in the agency, process and not strategic thinking is their primary job might be a first step to unraveling the mess in which agencies have found themselves. For others, it's really a matter of reconstructing the agency so that people work more effectively and that the look and feel of the agency is directed at producing ideas and not widgets. Agency architecture cries out for experimentation. Hopefully, there will be new models in the future that will answer this question, either from inside the agency world or from the allied worlds of design and even architecture.

"When you think about it, our creative ideas are the one thing we don't get paid for, says DDB's Keith Reinhard. It's the one thing we give away. The mistake was made 100 years ago when the advertising agent's job was to place the client's ad copy in the newspapers. One day, the agent said to the client, 'You know, I could help you a little bit by adding pictures and maybe rewriting your copy.'

"The client said, 'What does that cost?'

"The advertising agent replied, 'Oh, nothing, because we're going to get rich on the commission.' "

Reinhard believes agencies would have to set up wholly new companies through which to channel agency-originated ideas for new products, new brands, and advertising equities in order to be able to charge separately for these services—either through the direct sale of ideas or by charging a licensing fee for their use. He says, "If a traditional agency tried to charge a current client for such ideas, the client would say, 'Get out of here. For 100 years, you've been giving me your best ideas free in exchange for a media commission or a fixed fee.' Our best chance might be to set up a New Co [new company] specializing in the sale and licensing of ideas. At least until marketers get used to the fact that an idea is the most valuable thing we provide."

RETHINKING THE ORGANIZATION AS A WHOLE

A similar downgrading of stature and pay has occurred in media departments. In the 1990s, as clients began questioning media charges and became interested in achieving more clout in their media buys, they turned to giant unbundled media shops that could buy TV or print more efficiently. To do this, clients had to suspend some of their conflict rules—and accept the occasional disconnect that comes from buying and planning media in one place and ordering creative services from another.

Agency heads weren't able to come up with an argument against this kind of unbundling, so gradually the media-buying function withered and some agencies struggled just to maintain some planning expertise. Now, innovative ideas for building brands can come from media sellers, too. It's assumed that magazine publishers and TV and radio ad people are interested only in selling space. But the smart ones try to understand a brand's needs and come up with new ways to stretch budgets and express brand ideas. Without access to these people through day-to-day negotiations, such ideas are never heard.

Meanwhile there is a new and more desperate need for better strategic thinking. Some agencies find themselves lacking the intellectual capital to stay competitive. Given this confusion, it's certainly time for a serious reexamination of what the modern advertising agency should be.

Nick Brien, U.S. president for new business development with Starcom MediaVest and a former agency head himself at Leo Burnett/London, believes agency architecture is about to change. "I would say frankly the whole agency structure which currently is silo functionality in departments needs to be reformed," says Brien. "Departments are increasingly redundant in a fast-changing marketing world. I want to enhance the thinking process of the agency and make it more seamless. If I had, say, the four disciplines of an agency—account management, strategy planning, media, and creative—in one place, I would ask how they could be reworked with one goal in mind: conceptual creativity."

Some agencies are thinking more about people and functions than about architecture. Agencies like Fallon are trying to identify "thought leaders" and empower them to take a commanding lead in driving the work—no matter where they reside in the agency's structure. In fact, at Fallon, management identifies such people and moves them around in the organization in an effort to increase the strength of each department.

"Obviously, in the interview process, we are looking for leaders," says cofounder Fred Senn. "Was [former Fallon creative director] Jamie Barrett marked as a leader from the beginning? Absolutely. We've identified a pool of thought leaders who can provide sound strategic thinking on board-level issues. They become a shadow board, if you will. And there's a difference between your level in the organization as a manager or department head and how we feel about you as a thought leader. Some thought leaders would rather be doers than managers, and that's fine by us."

Fred Senn, Pat Fallon, and the rest of the current Fallon management team spend several hours every few months discussing arcane subjects like the qualities fundamental to a modern agency leader. "We have come up with a dozen different models for thought leadership," says Senn. "We have motivational leadership, inspirational leadership, integrity leadership, value leadership, creative leadership, and on and on. To create organizational capacity you need to perpetually train and grow leaders. As a result, as we've grown as a company, we have come to depend on this group. Go back to early years. Up until we were 60 or 70 or even 100 people, the leadership came from the five founding partners. Today that's impossible."

WHO HAS THE BEST BLUEPRINT?

In the end, agency owners have to make some critical decisions. Even the giant New York shops can't afford to be truly full service anymore.

Increasingly, they are pushing resources into branded subsidiaries and separate profit centers to better track performance and sell each service separately to the client.

Most clients have learned to cherry-pick anyway—going to one agency for advertising, another for media planning, and somewhere else for strategic planning or research. Some, like Coca-Cola, Anheuser-Busch, and McDonald's, have even begun disbursing creative assignments to competing "roster" agencies, so a brand may have an ad aimed at youths produced by one agency and another ad aimed at an older segment produced somewhere else.

The trick is to decide early on which core competencies you are going to offer and not to get sucked into the "everything for everybody" model. "We have remained very faithful to what we originally were," says John Drake, CEO and sole remaining cofounder of Atlanta's Cole Henderson Drake. Drake and his new partners are still pledged to providing "a superior communications product tied to smart marketing strategies." He sees all advertising agencies as having the mission to develop communications that have "the potential to change the client's business." But Drake's agency is willing to work with other companies if the client needs services outside CHD's skill set.

Agency chiefs constantly agonize over which parts of the client's marketing budget might be about to go somewhere else. The urge is to respond to clients demanding more with, "But we have that . . . ," when *seemingly* it would take only one more hire to give an agency expertise in a new area. However, new disciplines mean overhead, training, and experience, and they require integration. Agencies have to decide in which areas they're going to be leaders and in which areas they're going to have to partner with someone else. Chiat/Day experimented with setting up an interactive design unit and drew back when it discovered it couldn't produce work equal to its advertising product. Leo Burnett funneled tens of millions of dollars into broadening its resource base as it struggled to maintain service for its 15 percent commission clients. Then, over the past decade, as clients moved to a fee-based model, it had to shut down or cut back such units.

Bob Schmetterer of Euro RSCG also believes agencies have to be reorganized to get away from the 1990s practice of compartmentalizing each new discipline into a separately branded unit with its own P&L. To do so, he feels, only encourages people to try to sell the client separate solutions. As a result, he's taken all of Euro's dozens of U.S. holdings, including 11 separate advertising agencies, and reorganized them into two giant constellations. One centers on the old Messner agency in New York and the other on the old Tatham Laird in Chicago.

"We think the key to wherever we are today and wherever we want to be tomorrow is to think in a media-neutral way," says Schmetterer. "Our goal is not to make more money but to do the right thing for our clients. We wanted an agency organization that housed all media disciplines—database marketing, direct, interactive, promotion, event marketing, and public relations—in a single agency, with a single P&L.

"One of the problems I have with the phrase 'advertising agency' is that by itself it's self-limiting, when in fact the meaning of advertising is much broader. My view requires reshaping what the ad agency looks like, to ensure it's far more a generalist creative organization than a bunch of specialists in creative advertising. We call this effort Project Power of One. And we believe so strongly in it, we've just rolled it out in France, where we took 25 agencies and created just one, Euro RSCG France."

WHERE'S THE REAL POT OF GOLD?

CHD's John Drake and others—extending as high as WPP CEO Martin Sorrell, who now oversees a vast empire that includes Ogilvy & Mather, Young & Rubicam, J. Walter Thompson, and Wunderman (the leading direct agency)—have bemoaned the fact that agencies have lost out to consultants their role of being "an integral and indispensable part" of the marketing strategy process. That remains the leading conundrum: How can agencies generate and charge for truly big ideas for their clients?

If the answer is to charge 15 percent commissions, well, that train has left the station and is never coming back. “The breakdown of the 15 percent commission is old news,” says Ben Wiener, managing partner of the Los Angeles office of *WONGDOODY*. “That system was predicated on clients spending lots of money on media and production. Now clients are pressing us to come up with solutions that don’t necessarily call for a print or TV campaign. There’s less enthusiasm for a 30-second spot that costs $400,000 to shoot. Agencies are being asked to do a lot more. We need to find ways of delivering more impact for much less money.”

A broader discussion of how agencies will face this vital question in the future can be found at the end of this book. But agency architects must recruit to their cause strategic thinkers. Not just people with vision and a gut instinct for what a brand should be, but people who can organize their thoughts and support their premises with the kinds of data and proof offered by professional brand strategists. In the end, if agencies continue to give away their best thinking as part of the advertising package instead of spinning it off into separately branded consulting units with this mission, then their only hope is to develop ways to charge for the time of these superstrategists.

This is a worst-case scenario. Agencies would stand to gain more if they could persuade the client of the value of their ideas and sell the client on new forms of compensation. Agencies must learn how to fight for rights to their intellectual property and fees for ideas that prove to be huge drivers of the brand and that help propel the brand and the advertising idea into unforeseen platforms and media.

All of this calls for a new commitment to making the ideas that an agency generates distinct and apart from the day-to-day communications it produces. If an agency does not or will not pitch and package this deliverable separately, then it has no hope of expecting the client to regard it as worth much. Such a reexamination of the fundamental purpose of the modern agency has tremendous implications for the agency architect. Some agencies have tried to keep different disciplines in-house for fear of losing their sense of integration and equality. Others, like Fallon and, on a much larger scale, DDB, have started by building separate design and corporate image consultancies and then branching out and opening a true strategic marketing consultancy—with different personnel, work space, budgets, and clients.

An agency in the United Kingdom, Rainey Kelly Campbell Roalfe, which now serves as the London office of Young & Rubicam, began with the premise that the agency's primary function was coming up with big ideas. It offered clients a three-phase process. In the first phase, the four founding partners, all distinguished advertising veterans, charged by the hour for studying the client's business and marketing. Research was conducted on the brand, the consumer, and the marketplace. At the end of this period, the agency provided the client with a formal analysis of the brand and its opportunities.

From there, the client was encouraged to go to the second phase, where the partners were asked to come up with a strategic advertising idea based on their research. If the client wished, it could then purchase this idea for a hefty fee and rechart its business based on it—either through other agencies or through Rainey Kelly. Should it choose to work with Rainey Kelly the agency would charge for its work on a flat hourly basis without the usual markup. There were no cost-plus charges for any work—such as production—that the agency jobbed out.

The model is still in use today for all but a handful of clients that the now $400 million agency inherited when it sold itself in 1999 and became the London office of Young & Rubicam. A good example of the agency's idea-based work has been its 10-year-old campaigns for Virgin Atlantic Airways, building the upstart into a formidable competitor of British Airways.

The advantage of Rainey Kelly's approach is that it focuses clients, in a very unique way for this industry, on the fact that *conceptual* creative thinking should be paid at a higher premium than ordinary *executional* creative thinking, because a core conceptual idea can have an explosive effect on a brand's grip on the consumer. This simple but radical approach suddenly transforms an agency from being an agent to being regarded as a creative consultancy. (See Appendix B for further discussion of this subject.)

Many agencies started down this path over the past decade when they added account planning to the mix. However, most agencies that have grown an account planning function have defined it as an adjunct to the creative department rather than as a stand-alone service. As a result, although it has come to replace the old agency research department, it has lost any chance of being viewed by the client as a distinct product for which a separate charge outside the normal advertising budget is justified. Without that final step, account planning will always be a stepchild in the agency's process—and will be priced accordingly.

THE NEED FOR AN ANNUAL BRAND AUDIT AND REFIT

Even small agencies should try to put in place some kind of proprietary process of field research and analysis that gives clients definitive answers about the marketplace. Every brand could benefit from a full-scale audit once a year. This should never be an amateur, on-the-fly affair; rather, agencies should insist on it being costed as part of the overall marketing budget and refuse to work for clients who won't accept it as integral part of smart marketing. The consumer is never constant. Competing brands are always changing their positions. A ship owner would never go to sea without a compass that has been recalibrated regularly. Similarly, agencies should insist on regular measurement of their communications' effectiveness because an understanding of how they fit into the overall brand universe is central to keeping the brand strategy on course.

Once an agency becomes grounded in the positioning of a client's brands, it can begin to advise the client on issues like media expenditures, new advertising approaches, new markets, and even new products. Whole books have been written on this subject.[2] But the first challenge facing anyone launching or reengineering an agency should be to make sure its thinking processes are strongly based and salable.

Moving from this platform, the agency then has to determine what its deliverables will be and which areas of marketing can be left to other specialty agencies. We may even have reached a point where agencies of record won't be asked to create advertising. This was the case with Coca-Cola when, for a decade, it chose to use a spectrum of agencies for creative advertising ideas while retaining McCann-Erickson as its primary channel for distributing those ad ideas around the world.

The hardest problem for WONGDOODY and other young agencies that don't have a well-defined event marketing or promotions division is to formalize the protocols for the delivery of such services. This isn't a question of coming up with a kiosk at a trade show or a point-of-purchase tent card on a retail display. We're talking about big ideas to push a brand into the culture—such as the steamy catalog that Abercrombie & Fitch published in the mid-1990s to expand dramatically its teenage following.

"I'm not sure anyone has it figured out quite right," says WONGDOODY's Ben Wiener. "What's really clear is that agencies have to offer a lot more than advertising. I like getting clients used to a non-advertising budget. That way agencies may start to be perceived as an intellectual creative resource beyond just fillers of airtime or magazine space."

EVENTUALLY THE IDEA HAS TO BE EXPRESSED IN CONCRETE FORM

Agencies are also doers. They continue to be expected to prepare and deliver specific communications (i.e., advertising campaigns) as the result of work by a broad array of in-house specialists, creatives, TV producers, print departments, media buyers, traffickers, accountants, messengers, and back-office specialists.

Someone has to head this team. For a time, that may continue to be the senior account executive—but a few agencies around the world are experimenting with designating other members as account team leaders. As long as the person can exhibit leadership in pulling together all parts of the day-to-day marketing and can ensure that the work comes in on time and within budget, clients really don't care about job titles.

In addition, at some agencies, media planning is growing in importance. Such agencies are trying to build media buying and planning beyond placement analysis and negotiation into a new strategic arena. This requires a new media-neutral philosophy that puts a higher premium on what creates the greatest brand impression than on billings and media clout. Kirshenbaum Bond & Partners has developed a reputation for doing stunts that create a buzz around a brand—even without advertising—in ways that drive word of mouth or involve the consumer in brand loyalty programs that have the same effect.[3]

If an agency wants to move into the field of corporate communications, it is going to need a strong public relations and collateral division. If it is going to claim expertise in direct marketing, it will (at the very least) need a good research and DM-focused creative department. Other fields attracting attention include corporate design and logos, packaging and product design, interior and environmental design, event marketing and interactive, including Web design and digital customer relationship marketing.

In considering the addition of these competencies, the agency must ask whether it can claim to be "best of class" in all its offerings. Sooner or later, clients are going to balk at being sold services simply because they are offered and owned by the same company that delivers their advertising. If these ancillary services can't compete for non-advertising clients, either improve them or shut them down. They will serve only to degrade the overall quality of the agency and cause the client to seek other providers.

The central issue to designing an effective and profitable agency is to minimize protocols and bureaucracy. In the old model, large agencies had creative review boards and other committees to approve ideas before they were presented to the client. These layers added cost and time to the production of effective communications. In the reengineering wave of the early 1990s, when agency costs were examined closely, many such structures had to be dismantled. No one likes to lay off staff, but layers usually add time and cost to the production of ideas. They are added in times of growth, but it shouldn't take a recession to pare them back.

"Flatter is better," is still the smart rule. In all organizations, there is always a question of span of control by leaders. No one should have more than five or six direct reports. An agency of, say, 100 people shouldn't have more than two layers separating a working employee from a partner. In the end, if clients are dissatisfied, they should be able to talk directly to a partner of the agency who understands their business and can easily address their problems. Meanwhile, agency heads should audit at least biannually how many steps are involved in outputting a piece of work. Every year or so, that number ought to be cut by 30 to 50 percent.

LEADERSHIP LESSONS FOR REDESIGNING THE MODERN AGENCY

- ✔ Start with the question of core competencies. What are your partners best at? Which services can you provide that are best of class in your field or region?
- ✔ Come up with a statement that correctly defines the agency's mission and distinguishes it from other marketing services companies in your region.
- ✔ Go back to your business model and ask how you are going to be adequately paid for your services. Can you package them in such a way as to support top personnel and services in all core areas?
- ✔ Conduct an internal agency audit at least once a year to determine the efficiency of your company—to wit, how many different steps and people have to touch a piece of work before it becomes a finished ad. What can be done to streamline that process?
- ✔ Be sure that there are no more than two layers of separation between the senior partners and the lowest person working on any piece of business.
- ✔ When negotiating fees, analyze the processes on the client side as well. They may be adding additional steps, time, and people to your own production effort. Without involving clients, most reengineering plans are doomed.
- ✔ Sit down with your clients at least once a year and conduct a brand audit to determine the effectiveness of your communications and all the other services that impact the marketing of a brand. Work with the client to realign the marketing strategy and tactical plans based on such an audit.
- ✔ If your agency has a strong strategic marketing capability, look at ways to package this work separately from your routine work. One way to do this is to present your client with two media budgets—one for advertising and another for nonadvertising promotions and executions. Another way is to include account service in your

day-to-day advertising budget. Create a separate budget when a new product is launched or an established brand needs a major repositioning.

✔ Experiment with ways to retain rights to ideas that have the potential to be repurposed to other venues or, under certain conditions, to other clients.

✔ Encourage clients to go to others for services that you cannot or do not want to offer. Where appropriate, help clients in the selection of those agencies and the integration of their work. Wherever possible, spin off your own below-the-line services into separately branded companies to ensure their excellence and viability.