



Fortune Hunting: Agency Search

McBRIDE & ASSOCIATES
Marketing Communications Management Consultancy

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Number one in a series of five Gray Papers re: our Consulting Services: © Copyright 2004, McBride & Associates.

Importance of the Process

An agency search is a critical business decision that will have long-lasting effects. Millions of dollars will be spent on the agency's services and tens of millions on the agency's advertising recommendations.

And from the time a decision is made to search for new agency, and when the new agency's work begins to run in the media six-nine months will have passed with little or no effective advertising in the market.

- Informational: Linkage to your information systems and related suppliers (e.g. dealers, distributors, stores, printers, fulfillment houses, web developers, etc.).
- Transfer of third-party contracts and obligations: all the on-going business agreements with outside firms that the agency initiated and managed payments to (such as the media, talent, production companies, fulfillment houses, etc.) will all have to be re-assigned, and often re-negotiated.

Hidden Costs

In addition to the lost opportunity costs, there are other hidden costs that are often overlooked. Some of those costs are:

- Contractual: any pending financial or legal issues that might have otherwise been ignored now must be resolved.
- Material: accounting for all the product samples and confidential materials that were given to the agencies for training and creative development purposes. →

Some agencies go so far as to withhold monies given to them for payment to third-party vendors (e.g. media) as means to extract disputed, or alleged *separation* fees from their former clients.

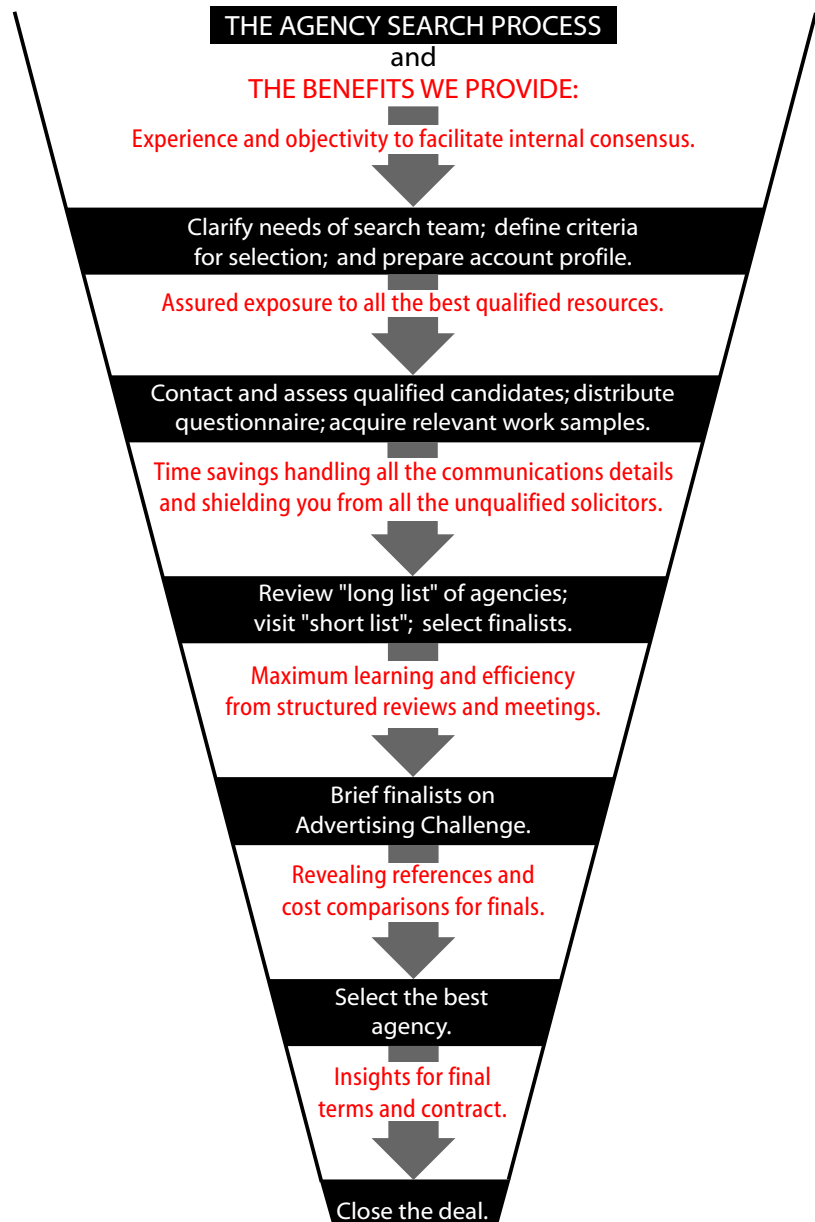
Because we've been through this many times before, we can help you to minimize these costs and the disruptions they bring .

Search Road Map

An Agency Search is about helping individual advertisers to find solutions for their unique needs. So we don't have any "one size fits all" recommendations.

Each search is tailored to your business needs and your company's operating style. We begin with the following road map, and then adapt it as necessary.

Our Process & the Benefits



PHASE I Define Needs

Marketing is far too important to leave to the marketing department.

David Packard

How well the first phase of an agency search is managed, will determine how well it ends. If the needs are not clearly defined and universally agreed upon at the beginning of the selection process, it will be very difficult to arrive at a consensus in the end.

In our experiences to have a successful outcome in an agency search the leaders, must:

1. Be Inclusive

Search committees often exclude the people on the top and the bottom of the organization, as well as people in the field or outside the U.S. While it isn't practical to involve everyone in the entire process, the beginning of an agency search is the ideal time to solicit feedback from a broad range of individuals. By giving more people a voice in the process, you're likely to have more support for the winner. And although it may not be possible to fully meet the needs of all your constituents, simply knowing what they are will enable you to consider them in your decision-making, and explain why you couldn't honor them if necessary.

2. Be Comprehensive

Being overly inclusive in the information-gathering portion, will enable you to construct a very complete agency capabilities profile. This, plus the scope of work document given to the finalists in Phase 4, should become the basis for the final selection criteria. And, in Year 1, it should also be the basis on which the agency's performance is evaluated.

3. Be Honest

If the expectations for the advertising program are unrealistic, changing agencies won't make them any more realistic or achievable. If an advertiser leads an agency to believe that they are firmly committed to spending money that is either not budgeted, or based on highly speculative growth forecasts, that will sour the relationship from day one. Good agencies are willing to invest and grow with their clients, but they shouldn't be tricked into expanding their capacities to meet needs that may never materialize.

The agency business is a very small club, so although you may be able to lure someone in under false pretenses once, it will be much harder to find a replacement when they bail out.

PHASE I (continued) Define Needs

Search Tools



We have created a number of self-administered questionnaires that are designed to clarify the needs and wants of the key people in the advertisers's organization before the agency screening process even begins. Since all of these questionnaires can be administered on-line, it's possible to solicit input from individuals that would be inaccessible otherwise because of their responsibilities or location. The results from these questionnaires form the basis for the screening and selection criteria throughout the process.

Here's an example of a constant-sum scale that is used to measure the relative importance of various agency attributes.

Divide 100 points among the following characteristics so the division reflects the relative importance of each characteristic in Agency selection.

		<i>Example</i>
Creative	<u>0</u>	<u>30</u>
Integrated Marketing (online, direct, etc.)	<u>0</u>	<u>20</u>
Relevant Experience	<u>0</u>	<u>15</u>
Cost Efficiency	<u>0</u>	<u>15</u>
Marketing/Strategic Skills	<u>0</u>	<u>10</u>
Media	<u>0</u>	<u>10</u>
Global Mgt. Experience & Resources	<u>0</u>	<u>0</u>
TOTAL:	0	100

PHASE II Contact & Assess Candidates

If your company is one of the *Top 100 Advertisers*, you shouldn't have any difficulty attracting agencies to pitch your business. However if you're a smaller advertiser or a company just moving into a new channel (B2C from B2B), it may require some selling to convince the best agencies to roll the dice with you. In the latter instances it helps to have a credible consultant to make a case for your company's future.

Once the prime prospects have been identified, we personally visit any agency that we haven't visited in the last six months or so, to update our impressions of them in the context of your needs, and to become acquainted with any new staff members in key positions. This timely, personal familiarity enables us to speak more knowledgeably about them in the preliminary screening meeting.

To "RFP" or Not

RFP, not. In the preliminary screening phase there is no reason to make the agencies prepare any more information than is necessary to answer the following four questions:

1. What relevant experience do they have?
2. Is their work product good enough to meet our standards?
3. Would they be an upgrade from the current agency?
4. And do they meet the minimum criteria for the first cut?

To discourage advertisers' practice of requesting overly elaborate, individualized background documents prior to any encounters, the American Association of Advertising Agencies (a.k.a. the 4A's: the principal agency trade group) has published a comprehensive →

(continued) set of standardized background information that all their member agencies are encouraged to have ready for inquiring advertisers.

We normally produce a custom two-page document that can be filled-in online for our clients; but for those who want a more comprehensive look early on, we recommend the 4A's document.

A copy of the 4A's piece is available upon request; or it can be downloaded from our web site.

Once we have received materials and responses from all the agencies of interest, we review them and prepare a summary of their relevant capabilities along with a custom evaluation form based on the Agency Profile developed in Phase 1.

PHASE III Screen Long List Visit Short List

Instead of having to travel to our offices to view the agency's materials that you're interested in, we bring their materials to you. That makes it easier to involve more individuals in this phase of the process without taking everyone out of the office for a day, or more. In some instances we have arranged for copies of all the material to be shipped to managers outside the U.S. so that they could participate in the screening process via video/tele conference. This goes back to one of the original objectives to: **Be Inclusive.**



Since we don't sell our services to agencies, or solicit any sort of fees from them:

We have no conflicts of interest. So we don't "push" certain agencies.

Our clients always get an unbiased assessment of all the agencies under consideration.

We structure — and accompany you to — all the agency screening meetings to insure that you see what you need to know; not just what the agencies want you want to come away with.

PHASE IV Advertising Challenge

The Advertising Challenge insures that the product of the search process makes the best choice apparent. It should be based on the strategic challenge that advertising is being counted on to overcome.

The agencies' responses should describe, or illustrate, their:

- campaign development process
- proposed strategic recommendations
- plans to verify those recommendations
- possible messages ADLOBS.



The content of the Advertising Challenge varies according to the advertiser's needs and how they plan to utilize the agency.

In general we encourage advertisers to interact as much as possible with the semi-finalists while they are working on the challenge, because that enables you to get a better sense of what it would be like to work with them long term. However it's essential that each agency be given equal access throughout this Phase.

PHASE IV Advertising Challenge (continued)

Sample Advertising Challenge Guidelines are available upon request. Some of the subjects include:

Business Plan Overview (incl. historical sales and share information and an analysis of your markets and customers).
Marketing Objectives & Strategies;
Marketing Programs (advertising and promotions for the channel and consumer)
Budgets and Timing
Metrics for Success

The search process outlined in this document so far is intended to select an agency, not a campaign.

Advertisers that want to use the process to find a “winning” campaign should be prepared to invest a good deal more management time and money in this phase, and be convinced that they could work effectively and comfortably with all of the remaining candidates. If this interests you, we can provide more guidance on how to manage a search in this way.

PHASE IV References

While the agency is working on the Advertising Challenge, we conduct a series of reference checks with the agencies current and ex-clients. These interviews are structured to fill any blanks, and probe areas of special concern to the advertiser. →

Because we have a great deal of experience in conducting interviews of this sort, most of our clients find them very useful. One client in fact was impressed enough by our reference work on their agency search to engage simply for that purpose when they were selecting a new exhibit management supplier.



PHASE IV Decision Style Inventory

The Decision Style Inventory is an agency screening technique that was created to help predict good agency matches with an advertiser's management style. It consists of twenty closed end questions answered by the Advertiser and all Agencies that are semi-finalists. It is most useful when chemistry and style are important considerations.

ADVERTISING MANAGEMENT DECISION STYLE INVENTORY

Each question is answered by assigning an 8 to the answer that is most appropriate, a 4 to the next most appropriate answer, then a 2, and finally a 1 for the least appropriate. Your score should reflect how you believe the ideal agency would behave.

1. When faced with a problem they should:	Rely on proven techniques	Apply careful analysis	Look for creative solutions	Rely on their gut feelings
2. Using information they should rely on:	Specific facts	Accurate and complete data	Broad coverage of all options	Simple easily understood data
3. In planning they should emphasize:	Current problems	Meeting Objectives	Future market direction	The concerns of our management
7. When time is critical, they should:	Decide and act quickly	Follow plans and priorities	Refuse to be pressured	Seek guidance or support
18. Their staff working with us should be:	Productive and fast	Highly capable	Committed and responsive	Receptive to suggestions
20. They should communicate best:	On a direct one to one basis	In writing	By having group discussions	In formal meetings

The product of a Decision Style Inventory enables the users to compare their company's dominant and least preferred top style to those of the agencies under consideration. Although this is a very subjective tool, it gives everyone some insight into what their area of differences are likely to be.

Decision Style Inventory (continued)

This matrix depicts how individual Decision Styles can be characterized and then applied to an organization.

Goal Selection <i>(Compromise)</i>	Bureaucratic Uses procedure and precedent, applies quantitative information, databases, etc. (ANALYTIC)	Problem Solving Uses power sharing and negotiates based on organization structure (CONCEPTUAL)
	Compliance Is authoritarian, coercive in the use of power (DIRECTIVE)	Conversion Is sensitive, uses participation and management by objective (BEHAVIORAL)
	Substance <i>(Specific Objectives)</i>	Form <i>(Organizational Relationships)</i>
	Action-Orientation	

PHASE IV Compensation and Cost Analysis

While what you get from an advertising agency ought to be more important than what you pay, nonetheless, it's important to know if there are significant differences in how the agency's run their business, and how, and why, their compensation needs may differ.

We have a process for obtaining enough information from agencies to enable our clients to make informed decisions regarding the cost factors involved with each agency. This is an area of considerable sensitivity with agencies, so some may be more forthcoming than others prior to being awarded the business.

PHASE V

Select the Winner

For the final presentations we prepare briefing books for all the participants that outline the process leading up to the decision-making meeting, include comparative background information on each agency as well as the feedback from their references, and a copy of the Advertising Challenge. A special evaluation form is created to focus the selection on the elements that the agency was charged to address in the challenge.

(continued) We also include a brief comparison of the agency's compensation proposals, highlighting any significant differences. A more detailed discussion of this element usually takes place in the next Phase. During and after the presentations we provide counsel regarding any issues that may arise, and help to build consensus within the group.

PHASE VI

Close the Deal

*To have great poets,
there must be great
audiences, too.*

Walt Whitman

Before the final choice is made public, it's essential to agree on the compensation terms, and in the case of fees, the basis on which those fees will be calculated (including how costs and operating profits are calculated).

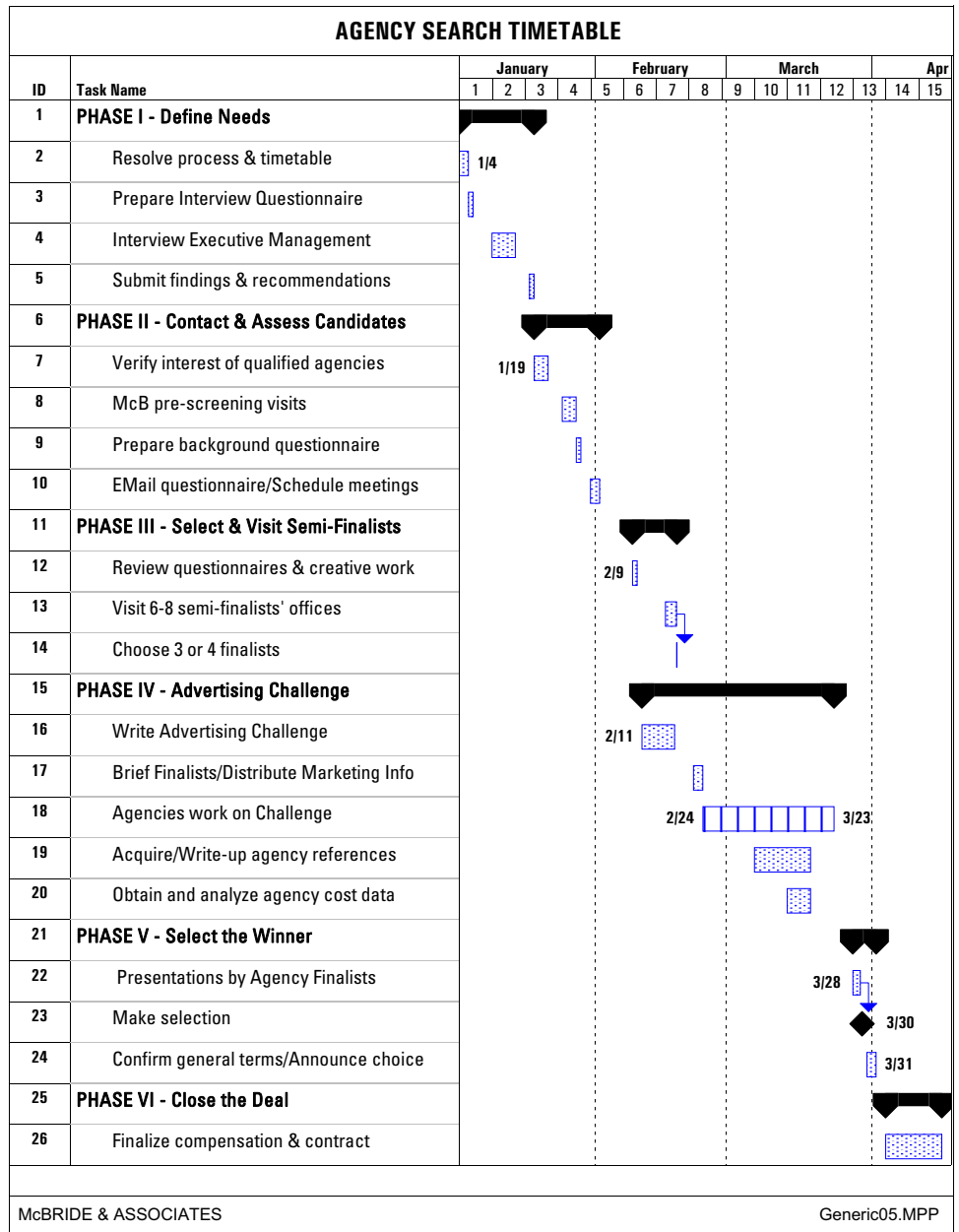
All of the agencies participating in the final presentations should know coming in what your compensation intentions are in general terms. Just as the advertiser should know if any agency under consideration has "non-negotiable" requirements. Put another way, any potential deal breakers should have been brought to light in discussions at the end of the choice of semi-finalists. That's a service we routinely provide to our clients.

Today most advertisers and agencies prefer to utilize some sort of labor-based fee compensation method. There are several acceptable ways to structure these sort agreements, ranging from quite simple fixed fees to variable cost deals tied to actual man-hours. The trade-off that must be made is between oversight and control.

The first year of a new working arrangement invariably brings some surprises to both parties. So we tend to favor simpler agreements in Year I, that can be fine-tuned in the second and third year of business. This applies to the utilization of incentive compensation factors as well.

Again we provide [ersonal counsel to our clients throughout this process including final contract preparation.

Typical Search Process and Time Line



Key Questions for Search Consultants

1. Have you ever solicited, or accepted, business engagements from advertising agencies?

Most consultants also work for agencies: but, for obvious reasons, they never list them as clients. And the library consultants -- those offering screening services in their offices -- rely on agencies for the bulk of their income; thus their hidden agenda in any search is to steer an advertiser's account to those agencies offering them the most lucrative return. These consultants also collect variable "finder's fees" from some agencies depending how far they can push them in your search process.

In contrast we have never accepted any remuneration from an agency.

2. Have you ever fired and hired an agency yourself, and had to live with the consequences?

Since most search consultants have spent their entire careers working in ad agencies, their response has to be, "No".

Thus their only familiarity with the process began and ended in some large conference room watching their clients sweat through the hard decisions that can seriously affect their careers. In contrast, as a Senior Marketing and Advertising Manager, McBride has managed companies through the entire process over many months insuring that the new agency was trained and motivated to live up to everyone's expectations.

What Our Clients Say

I only now realize just how specialized and sensitive an issue it is to change agencies.

... we appreciated your extraordinary expertise and professionalism. I know that we could have never done this on our own.

Vice President of Advertising
Apple Computer

...we really don't know what we would have done without you.

Professionally, you have an incredible understanding of the agency landscape, but we also cherish your ability to make us laugh.

Director of Worldwide Advertising
Silicon Graphics

OUR WORK OUR CLIENTS

McBride & Associates was formed in 1991 to enable companies to improve the accountability and productivity of their marketing communications relationships. We do this by providing counsel in the evaluation, selection, compensation and management of advertising agencies as well as all other marketing communications resources.

We are distinguished from our competitors by the breadth and depth of our experiences in both advertising and agency management capacities. This paper focuses on Agency Compensation. Visit our web site to obtain similar information regarding our other services: www.mcb-associates.com.

Since 1991 our firm has been assisting in marketers to evaluate, select compensate and manage the full spectrum of marketing resources. Our assignments have involved:

- Mass-media agencies
- Direct marketing
- Sales promotion
- Hispanic marketing
- Public Relations
- Media Buying
- In-store merchandising
- Event marketing
- Relationship marketing
- Exhibit management
- Fulfilment services
- Enterprise marketing management tools

Some of the advertisers we have worked for include:

- Apple Computer (2)
- Bank of America
- Baskin-Robbins (3)
- Hasbro, Inc.
- Hewlett-Packard (5)
- Intel Corporation (2)
- Nvidia, Inc.
- Plantronics, Inc. (2)
- Qualcomm (5)
- SBC/Pacific Bell (5)
- Siebel Systems
- sgi (Silicon Graphics, Inc.)
- 3Com Corporation (3)
- Universal Studios Hollywood
- Verizon Wireless
- Visa (3)

NOTE: Figures in brackets signify the number of assignments.

ABOUT US

Jack McBride's marketing career began with five years at Quaker Oats in Product Management. Later during 15 years with DDB, he directed many memorable advertising programs for such clients as McDonald's and General Mills.



From 1987 to 1991, McBride was the Vice-President Advertising for the E & J Gallo Winery. Since 1991 he has consulted for many of the leading advertisers in the West.

If you would like to learn more about any of our services with regard to search/selection and compensation of any sort of marketing communications resources contact Jack McBride at 209-577-1464 or E-mail jack@mcb-associates.com.