

NEW MODELS OF VALUE IN AGENCY-SIDE MARKETING

According to **Chris Grannell**, marketing agencies that place creativity above all else are doomed to failure in the modern age.

Many marketing agencies hold a mistaken belief that their primary means of creating value is through creativity and technology. This misconception is particularly commonplace in the advertising and design sectors, where creativity is frequently seen as the key value driver above all else.

Perhaps once upon a time marketing agencies did create value through a combination of creativity and technology. But now technology is everywhere and abstract creativity is commercially useless. Today's marketing agencies deliver value in much the same way as any other professional services firm – through a mixture of problem solving, project management and specialist skills.

Recent discussion on these pages is evidence that many practitioners and clients have begun to question why, how and where agencies deliver benefits to their customers. As our industry matures, new models of value have crept up on us – and now is the time to take note.

Fifty years ago, those commissioning marketing services knew that when paying for creativity they were shelling out for something that their own grey-suited employees couldn't churn out from behind their closed office doors. But today creativity has been democratised and the trick of the good marketing agency today hinges more on relevant and applied creativity than random acts of creativity. In the past, crazy random creativity was a major benefit provided by outsourced marketing – when the media was a far less complex animal; when products with fewer competitors could fall back on functional differentiators; when it took longer to replicate a competitor's product and when customers were, frankly, more gullible. One thing seems certain: in a fragmented and complex market of billions of products and services, raw creativity is no longer the differentiator it once was.

Until a few years ago much of the value provided by a marketing agency was heavily dependent on the specialist tools required to produce ads, graphics and literature – things that could only come from a specialist company able to justify the huge capital outlay necessary. But technology has lowered the price of entry – particularly for production. The ubiquitous desktop PC of today is more powerful than the computers used in design studios or editing suites just a couple of years ago.

Many marketers know from personal experience that the old 'creative industry' paradigm is being challenged. Agency managers have found

themselves searching for new ways of generating value, looking for new and different partner businesses and recruiting new and different types of people. Many agency managers are upset and confused – why do they find themselves vacating their place at the top table of business advisers?

It all stems from new models of value: the new ways that marketing agencies deliver value to clients – even when they haven't realised they are doing it.

Like most business services, marketing falls into two distinct categories of outsourced work. The first is focused primarily around developing strategy: the marketing consultancy. The second is concerned with implementing the chosen strategy: through mail processing, call centre management, research fieldwork and print/production management etc. Similar features are in fact important to both, although they are present in different proportions in different types of agency.

Let's start with the marketing consultancy. This functions in much the same way as any other firm providing consulting services to corporate clients. David Maister, the guru of professional services (and formerly of Harvard Business School), has observed corporate service firms for several decades. And his observations translate directly to marketing firms. He has identified three ways that consultants create value, which he calls grey hair, brains and procedure projects. Grey hair tasks are performed by people who have 'been there, done that'. Within the marketing world, they will often be ex-client-side marketing directors who have left to offer project-based assistance and mentoring. Their experience means that they are able to foresee problems before they happen – an invaluable benefit to a client who has relatively little experience in a particular area. Brains tasks are performed by those with powerful cognitive capability, able to think strategically (applying creativity where necessary) about problems facing the client. Procedure tasks form the remainder, and are used to solve familiar or cyclical problems. They are likely to be performed to some kind of formula or use some sort of pre-determined process, but their success depends heavily on the ability to effectively project manage and to coordinate traffic (incoming and outgoing inquiries) between client and other consultants.

Procedure tasks tend to dominate the second category of outsourced marketing – the stuff that is focused on implementation or production. In cases like these, it is project management and sheer manpower that clients

(who often lack resources) crave most when outsourcing. Here, the prime motivator for outsourcing is that it enables the client to reduce costs and exposure to risk by hiring an outside specialist to conduct the work more efficiently.

The final value driver (which crops up in consultancies as well as implementers) comes from specialist skills: the people who spent years learning how to use graphic design software, the qualified statisticians and researchers that pull useful information out of customer data. Without directly solving problems or managing projects, these team members are still contributing significant value. But they are neither necessary nor sufficient for outsourced marketing.

Drawing on both Maister's thinking about professional services and what we know about outsourcing generally, value in outsourced marketing is generated through a combination of experience and problem solving underscored by effective project management. It may include specialist skills and, yes, creativity might be required within the 'brains' part of problem solving. But it seems fairly clear that value in outsourced marketing does not come from random idea generation, isolated creativity or even specialist tools and equipment. Where creativity plays a role it is always together with one of these – creativity with project management, problem solving through creativity, creativity with experience, and so on. Technology plays a role only insofar as it supports these activities.

And here's the disconnect: problem solving? Project management? This isn't the way that most of today's marketing agencies see themselves.

Just think about project management. In terms of managing process, many of us in agency-side marketing know anecdotally that a good-quality project manager is one of the most important assets an agency can possess, but reflecting on professional services outsourcing suggests that rather than merely supporting the creative process, project management can actually become a value driver in its own right. And this requires a substantial shift against the grain of typical marketing agency thinking.

Let's also reflect on problem solving. Many agency people casually use the language of 'problem solving' without a moment's thought. In future, rather than jumping straight to a favourite outcome or the solution that appears most 'creative', we should take care to actively engage with clients' issues and develop solutions that best suit their requirements.

This doesn't mean that every marketing agency needs to be a generalist – able to think within the broadest possible frame of reference. There is nothing in these new models of value to suggest that the end is nigh for specialists (design agencies, NPD advisers, advertising agencies, naming consultants and so on). A problem solving or project management approach does not automatically point towards a comprehensive media neutral planning approach for every outsourced marketing firm. Clients frequently understand the nature of their

CHECKLIST: HOW DOES YOUR AGENCY VALUE ITSELF?

- ❖ **Even if your agency claims a 'problem solving' positioning, does it internally remain focused on the 'creative is king' model of work?**
- ❖ **Does your agency regard project management as a value driver, or see it only as a glorified administration role, facilitating rather than partnering the creative team?**
- ❖ **Is your remuneration of the agency based on media and/or creative output, or real consultancy?**
- ❖ **If your agency claims to be a marketing generalist, does it make assumptions about how problems will be solved (e.g. through defaulting to advertising, corporate identity etc.)?**
- ❖ **Is there a strong resemblance between the work that your agency develops for different clients? If so, they are probably not producing the best solution for the unique problems facing your business.**
- ❖ **Is your agency a little too keen on winning creative awards?**

requirement perfectly well – and will continue to source specialist agencies for such tasks.

But agencies could do well to reflect on what they claim to offer – and to consider whether the way they act supports or hinders them in delivering this promise.

In the case of those who do claim a generalist positioning, a genuine commitment to problem solving (creative or otherwise) means that the ability to provide thinking that cuts across the marketing mix is important. In such cases it is worth recalling that 'marketing' is a broad discipline. By being blinkered towards just one of the marketing 'Ps' (typically promotion), agency staff run the risk of ignoring the best solution to a marketing problem and thus compromising the quality of their problem solving capability.

For the same reasons, those commissioning marketing services are beginning to think more critically about where and who they buy their marketing advice from (see breakout box). As a result, senior marketing consultants who wish to disentangle themselves from a structure geared around promotional creativity will continue to look for homes elsewhere.

Many other lessons from these new models of value are equally relevant to all marketing agencies – be they generalist or specialist. Remuneration, for example, is typically structured within professional service firms around some kind of head hour rate. Although things are already changing, many marketing agencies still don't work in this way, and remuneration

is frequently linked to creative output. Under this structure it is difficult to offer consultancy, which ends up euphemistically deemed a 'value add' although it is actually thrown in for free. And, as marketers, we know intuitively how hard it is to demonstrate value where no cost is involved. The danger is that failing to treat problem solving as a value driver may actually lead to less strategy being offered, or the same 'strategy' being offered to all the clients of the agency.

New models of value – problem solving and project management – have already brought change to this industry. Today, technology is important, but not generally a value driver and, while creativity is a critical component to many outsourced marketing services, it is neither a common requirement of all agencies nor sufficient to differentiate between them. Where it does exist, creativity must be both relevant and applied.

There will always be exceptions – not least because marketing itself is a vague and poorly-defined concept. On its periphery will be IT consultants (who do lead on a technology positioning) and indeed artists (who are occasionally commissioned to draw pretty pictures). But if hiring a marketing agency is no longer about plugging into a random creativity generator, then judging from the way that the industry talks about itself, it clearly has some catching up to do. Agencies that continue to place creativity above all else will struggle to maintain their place at that top table. ■