

Are You Ready to Choose An Advertising Agency?

Phil Callighan

Countless research studies confirm this fact: **COMPANIES THAT ADVERTISE AGGRESSIVELY DURING A RECESSION WILL FLOURISH AFTER THE ECONOMIC TIDE TURNS.** Regardless of company size, effective advertising generally requires the services of an agency, and under current economic conditions, you may need one now more than ever. The question is, how do you go about getting the right one for your company.

Perhaps a prior question is in order here. Why should I hire an agency, and what do I get when I hire one? David Knoepp, founder of Concepts for Industrial Marketing in Buffalo, says there is a trend toward using agencies. According to him, ". . . more companies are contracting out what had been staff functions . . . due to administrative cutbacks."

Knoepp also notes as part of the same trend that more companies are shifting advertising and marketing responsibilities to sales managers. Without full time advertising and marketing managers of their own, companies must rely more on agencies. What it comes down to is that many managers have neither the time nor the expertise to do

the job effectively.

What you get when you hire an agency will depend on a number of variables, but one can assume some basics. A good advertising agency knows ways to help you stretch your advertising dollar. An agency runs interference between you and all the media banging on your door. An agency uses just the right words and visuals to tell your story.

An agency is creative. An agency contributes good strategic ideas. An agency is cost-effective. An agency is . . .

Well, not all agencies perform in an ideal manner, but those are some of the attributes for which you should be looking.

Whatever your specific needs, consider the following criteria for choosing your new (or first ever) advertising agency: 1) size, 2) location, 3) experience, 4) personality, 5) compensation arrangement, 6) performance test.

Size — both your company's and the agency's — is certainly a critical issue. Just as you cannot serve every customer, neither can an advertising agency. An agency can be too large or too small for your needs.

Unless your advertising budget represents 3% or more



MANAGEMENT MATTERS

of the agency's revenue, don't expect much service. Three percent of an agency's revenue means the agency has 33 other accounts just like yours. To serve 33 accounts, does the agency have sufficient staff? Another factor to consider is whether your work is seasonal. Or is it just project work that can be fitted in with other jobs in progress at the agency, and still give you the service you need?

While you may be impressed with big time presentations, the \$25 million agency cannot afford to assign its senior staff to handle a \$50,000 account. Likewise, you should be cautious if your account significantly swells the size of the agency. Your account may become pivotal to the future of the agency. Ask yourself if you want to be responsible for that agency, and whether the agency can respond to your growth fast enough.

Recognize, too, that size does not necessarily guarantee better or faster work. David

Managing a business in today's volatile economic environment is tough. Let our new column, "Management Matters," lend a hand. From its pages learn about subjects like marketing, overseas trade, labor relations, economic trends, environmental issues, and product liability. Tell us what management matters interest you. Write to Gear Technology at P.O. Box 1426, Elk Grove Village, IL, 60009, or call our staff at (708) 437-6604.

Phil Callighan

is President of the Center for Communications, a division of AdPro, a full-service advertising, promotional, and public relations firm with offices in Sycamore and Batavia, IL. If you have questions for Mr. Callighan, please circle Reader Service No. 46.

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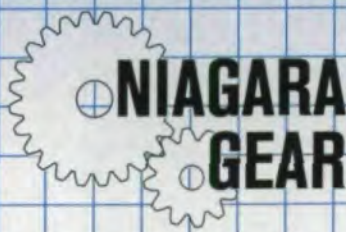
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Knoepp cites, "I can mobilize more people in half a day than most of the larger agencies."

Dennis Klimko, Marketing Manager, Niagara Gear, Buffalo, NY, says his advertising does not suffer at all with the services of a smaller agency. "What I lose in resources, I gain in personal service," he says.

Location of the agency must also be considered. With facsimile machines, telephones, car phones, and computer modems, location no longer plays as big a role in agency selection as it once did. In fact, an out-of-state client once told me he appreciated the fact that my agency was quite distant from his office. "Because you have to fly in," he said, "my people can't postpone our meetings. It forces us to get our act together and not mix advertising and marketing with other issues."

Nevertheless, there is no universal substitute for face-to-face contact. Certain presentations, ideas, and concerns are much better when related in person. If you are an executive who wants to be involved with your advertising, ask yourself if you have the patience to put your brilliant idea on hold for several days before your agency can see you, or if you want someone to respond within 24 hours or less.

Will the costs of mail, telephone, and travel reduce your budget significantly? Is the risk of losing something in transit worth it?

On the other hand, do you want to work with the closest agency . . . or the best? Or are

these the same thing?

No matter how you answer that question, there are other criteria that go into determining which agency is "best" for you.

"Experience" is generally a key factor in agency selection.

If your agency has experience working in your field, so much the better. Frankly, though, experience in gear manufacturing is no substitute for creative thinking, business problem solving, and fresh approaches. An agency with gear manufacturing experience may give you an added sense of security, but weighing this background too heavily may not be in your best interests for the following reasons:

1) Although the agency itself may have experience in your field, the people assigned to your account may not.

2) The agency's familiarity may breed contempt for suggestions you make — after all (they may claim) they know what works better than you do.

3) Innovation may be stifled. You may fall victim to "cookie cutter" strategies and programs that look too much like your competitors'.

Keep in mind that every agency was inexperienced at one time. Rather than industry experience, it is often more judicious to ask the agency to submit evidence of its experience with strategic thinking and creative concepts.

Perhaps the agency's experience in areas other than advertising may be equally important to you. Do you need experience in sales pro-

motion? Public relations? Training? Do you prefer an agency with a great deal of production experience in trade show presentations? Meetings? Videotape programs? Once you determine your own needs, you will be better able to ask an agency for proof of experience.

Once you have done that, review the work of the agencies you are considering. Be sure you examine evidence of experience from the people *who will work on your account*, not examples of work from staffers who have since departed the agency.

MANAGEMENT MATTERS

Related to the matter of experience is the sticky question of experience with the competition. Many American companies are so reluctant to deal with an agency that works for one of their direct competitors, that agencies themselves often decline to even consider pitching such accounts. Agencies don't want to spend the time and effort to make a presentation, only to be told, "We won't work with you because you already have ABC Widgets as a client."

Interestingly enough, overseas companies don't share this reluctance. It is common practice in Asia, for example, for competitors to use the same agencies. Questions of breaking confidentiality don't seem to arise. The point for U.S. companies is this: Raise this question early in your discussion with potential agencies. Find out the attitude of the agency and be sure in your own mind how you feel about the matter. That can

save everyone a lot of time and hard feelings.

Personality is also critically important in choosing the agency that's right for you. When Robert Turk, Sales Manager, Fairlane Gear, Plymouth, MI, chose an agency to help prepare literature and ads, he found one "... willing to listen to how we wanted to express ourselves. And they were flexible — that's what appealed to me."

Does the agency exhibit the same values and integrity as you? Does the agency exhibit enthusiasm for your account?

Do you like the people from the agency with whom you will work? Will you still be in love after the honeymoon is over?

Elsewhere in the world, much greater emphasis is placed on knowing the agency people personally. Before being asked to represent a Japanese corporation, I was invited to spend a week with the company executives at their offices so that we could become better acquainted. We spent nearly every hour of every day together, and time was devoted to socializing as well as business. After one week these people had become my friends. I never wanted to disappoint them. The rapport we built enhanced my working relationship with them.

The investment of this amount of time may not be possible for you, but surely the choice of an agency should not be a casual affair. When you consider an agency is to

function on your behalf, as a representative of your company, is it not prudent to invest more than a couple of two-hour meetings to acquaint the agency with your company? Frequently, a company's new-employee orientation program is more intense and time-consuming than the time dedicated to the advertising agency; yet the expectations and budget dedicated to the agency may surpass the salaries of several employees.

Another aspect of an agency's personality is its own objectives. Is the agency's growth plan in concert with your own? What kind of work does the agency like to do? Will your account have a place in the agency two years from now? Do you care?

Your agency's compensation must also be addressed. Will the agency insist on buying all your media and receiving the 15% media commission? Will the agency want a monthly retainer fee from you? Will the agency work with you on a project, that is, a job-by-job, basis?

If you are considering asking the agency to do project work, you should be aware that the service you receive from your agency will be in direct proportion to the level of commitment you make to the agency. Companies in such relationships may feel they can always get another agency for a different project; agencies in a project-by-project relationship with you may feel fewer scruples about replacing your account executive or dropping you entirely if a more committed client comes along. Contin-

uity of service and high levels of loyalty are sacrificed in a project relationship.

A retainer arrangement may be better for you. It guarantees the agency will receive a set amount of money regularly to furnish certain services. For example, strategic planning, preliminary concept proposals, and public relations might be consolidated under a monthly retainer. Production of specific material (e.g., advertisement, product brochure, direct mailer, etc.) might be invoiced separately. Retainers generally pay only for the agency's time. Travel and expenses (often including fax transmissions, phone calls, postage, etc.) are additional.

In order to cut costs, some companies consider buying media themselves in order to save the 15% commission to which the agency would be entitled. To do this, they incorporate their own in-house advertising agencies. If you are considering this strategy, ask yourself if your company has the necessary *time* and *expertise* to run your own ad campaigns well. For example, time is needed to discuss rates, special issues, and promotions. And there's more to it than just picking a couple of likely magazines at random in which to place an ad. Do you know enough to create an advertising schedule that will optimize your expenditure? Have you included the media that reach your audience best — highest number of gross impressions, best effective cost per thousand, in an editorial environment that fosters credibility? In other

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words, do you know when the book you have always used is no longer the best way to reach your target?

Going it alone without an agency has other disadvantages. Will you, as a single media account, be able to exert the same kind of clout as the agency with multiple accounts? Will a magazine be as anxious to accommodate your company-placed ad within the first five pages of its next issue, when an agency (with three accounts advertising twice as much as you) is putting similar pressure on the magazine? If you are asking

uable and worthy of compensation as the products and services you sell to your customers, and, like you, they cannot afford to give this expertise away. If you really want to see what agencies can do for you, contribute some dollars to each agency to defray their expenses (and some of their time) and ask them to develop some preliminary work for you.

Many executives say that hiring the right people is the key to their success. The same is true when you choose your advertising agency. The right-sized agency, experienced in

MANAGEMENT MATTERS

an agency to generate editorial coverage for your company, will they be as helpful, knowledgeable, and effective as they need to be, when they are unfamiliar with your advertising plans and your relationship with the media?

Dennis Klimko of Niagara Gear believes his agency has earned its commission by "... reducing our rates using sister publications that would give us discounts, bringing us publicity that I don't have the time to pursue, and making us aware of other publications, which we don't receive in-house, but which will be important as we prepare to penetrate a new market."

If you are lucky enough to find more than one agency that fits all your requirements, perhaps you should see what each agency could specifically do to help you — but do not expect to receive anything worthwhile for free. The services and expertise an agency provides are as val-

the areas you deem important, with an attractive personality and reasonable compensation requirements can help your business survive and grow.

Take time to make your choice. And give your choice time to serve you appropriately. You both need to learn about the other's expectations.

Obviously, you want your agency to serve you well for many years. David Knoepp advises that a company should reassess its relationship with an agency every three years, "... if only to give each 'partner' the opportunity to address shortfalls and perceived shortfalls."

Hiring an agency is in one sense no different than hiring any key employee for your company. You need to look for a good match, a solid commitment to your company goals, and a fair compensation package. Then you can look forward to a rewarding relationship that works well for both you and the agency. ■