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Resilient Agencies

Guidance Considerations to Survive
and Thrive During and After COVID-19

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Numerous studies and guidance papers advise marketers on how to react during a recession to come out ahead of the competition, but very little has been written about agencies.

McKinsey & Company has published a number of papers on the subject for marketers, including one in April 2007, "[Preparing for the next downturn](#)," which looked at the characteristics of companies that did well during and after the 2000–2001 downturn, and a 2019 podcast episode, "[Preparing for and managing through a downturn](#)," which examined organizations' activities through the 2008–2009 recession. In January 2020, WARC published "How to win during and after a recession," highlighting an economic analysis by Marketscience that looked at data from the past five recessions to determine what marketers should do to prepare for the next recession. WARC's paper, published just before coronavirus became a global pandemic, contained three key takeaways:

"Protecting spend on programs that maintain loyalty and deliver on experience will pay dividends post-recession. Protecting this budget means protecting valuable customer advocates."

"Focusing on the customer is what's truly vital to long-term brand health. This can include all mid- and lower-funnel marketing activities."

"Extensive product promotion, with the goal of incentivizing more immediate purchase, while potentially an effective driver of short-term sales, can have

a negative long-term impact on your brand and customer experience overall."

Given the dearth of studies or data focused on agencies, this guidance looks at both the information relevant to marketers and past 4A's recession guidance for agencies, to draw conclusions about how agencies can best manage during this pandemic crisis and emerge in a position of strength after things settle into a "new normal" way of life.

Like all recessions and downturns, this one will eventually end. While the COVID-19 pandemic is fundamentally different from earlier recessions—given the speed at which it impacted the economy, and advertising in particular; its long-term health and safety implications; and its new distributed-workforce gains and implications—it will subside, and the economy will seek to grow and develop.

Agencies that are active in finance and operations, that are smart in client decisions and the pursuit of new business, and that deliver business-driving creativity will succeed. We call these agencies Resilient Agencies.

This guidance looks at two key areas:

1. Financial & Operational, to ensure the agency can survive
2. Planning for the future, to ensure the agency can thrive

Financial & Operational Focus

A maxim of our industry is that no agency lasts long or thrives—despite brilliant insight and award winning work—without good financial acumen and operational leadership. A Resilient Agency runs a tight ship.

Cash management is essential:

- Eliminate or trim discretionary expenses and focus on those related to client retention and satisfaction, employee retention and motivation, and appropriate, focused business development.
- Avoid long-term financial commitments.
- Keep a close eye on A/R and in close communications with client finance.
- Push back (as appropriate) against extended payment terms.
- Think like a procurement professional and aggressively explore opportunities to renegotiate terms with agency suppliers.

Write and agree to smart contracts, SOWs, change orders, authorizations, estimates, and all relevant paperwork that relate to financial commitments made with a client or on a client's behalf.

Align the agency's business behind its clients' needs and their growth strategies.

Leverage tools that provide cost savings, increased utility, and client value.

Consider how the current work-from-home environment may impact the agency's need for space and technology moving forward.

Focus on your existing clients—in other words, “love the one you're with.” Now is not the time to be complacent with your existing clients. (No time ever is.) Keep them close. Bring them unsolicited new business-building ideas. Be a true partner and offer to help with areas in which they may be struggling. Always be pitching...to your current clients.

Consider how you can help drive costs out of their marketing programs. Identify opportunities to reduce production costs or data fees, gain greater media added-value, etc. But de-couple agency com-

pensation and profit from costs, so that as you help reduce costs, the agency's margins aren't compromised.

Take a look at your portfolio of available services. Have you analyzed which clients are engaged with which services? Now is a good time to do so. Identify opportunities to bring different types of solutions to your clients.

Be empathetic. Remember, clients are people too, and are likely dealing with the same fears and concerns about the future. Give them every reason to believe you care deeply about their business and can help them through this. And give them no reason to consider leaving.

Planning for the Future

Client roster balance: Coming into this unprecedented crisis, your client roster will have direct impact on your position and ability to be resilient. Certain industries like travel & tourism, hospitality, and restaurants/food service all have been severely impacted by shelter-in-place and other public-safety directives. Other industries, such as packaged goods, healthcare, pharma, and certain areas of technology have been relatively unaffected.

If it helps, think of your client roster as an investment portfolio. A balanced portfolio is usually considered best practice. Similarly, a balanced client roster can be a way for an agency to guard against declines in certain sectors.

Recognize the importance of different clients in your portfolio. While every client being a creative showpiece helps you clean up at awards shows, they don't always translate to stable income, strong cash flow and margin.

Diversified product offerings: “Companies that emerged from the recession as industry leaders generally had more diversified product offerings and a

greater geographic presence before, during and after the recession than did their less successful counterparts," according to McKinsey&Company's report "Preparing for the Next Downturn" (April, 2007). Geography aside, for an agency, a more diversified product offering can relate to the services you provide. Do you have opportunities to expand? Are your clients outsourcing services to other partners? Can you develop any digital products or services to help solve a client need in an area in which you may not yet be operating? What new agency-owned IP could you develop?

New business:

Brands are told, at minimum, to maintain a presence during a downturn. Agencies should heed the same counsel and strive to maintain their share of voice/ share of mind with their clients and prospects.

During a downturn, marketers should not "go dark," as they risk losing market share and coming out behind competition once the economy improves. (See Peter Field's [Seven Lessons for Advertising During a Recession](#).)

Similarly, best practice suggests that an agency's business development efforts should be ongoing, and not "go dark" either.

This is critical for future success. 4A's Accounts in Review data show that during the last recession, in 2008, 354 agency reviews took place. As the economy began to turn around in 2009, 642 agency reviews were reported. And that level was maintained in 2010, with 644 reviews. It should also be noted that during this period of time, projects were far less prevalent than they are now, which means we may see the volume of pitch activity reach higher levels as we emerge from this downturn.

But resilient agencies become more selective in what they pitch.

Screen opportunities carefully—during a downturn,

with resources stretched thin, it is more important than ever not to chase every opportunity, but focus efforts on companies with whom you believe you have a right to win. This may mean deep category experience, a truly unique business-building idea, a strong relationship with a decision-maker, or other factors that can help tip the balance in the agency's favor.

If you don't have one already, develop a screening model by which to help you carefully determine which are the right opportunities in which to invest scarce resources. The [4A's Agency Prospect Assessment Guidance](#) provides a series of key questions to consider.

Consider how you can best transfer specialized knowledge of one category to others in related spaces. How could deep experience with retail translate to other categories that require efficiency, agility, and speed? How could experience with start-ups translate to helping an established marketer think and execute in a more nimble fashion?

Solidify the agency's positioning and promise. With the pace of new business slower than it has been, now is a good time to be sure the agency has a strong positioning that is relevant to those marketers you want to attract.

If you don't have them, craft strong case histories that demonstrate the agency's abilities to build client businesses. And if you think you do have them, take the time to review with a critical "what's in it for me" eye.

Investing for the future (or at least not cutting too far)

As you consider your agency's product and service offerings, identify areas you should not eliminate - capabilities and skills that are in current demand, ideally support strong margins, and likely will remain in demand due to the societal changes taking place.

Disciplines such as strategic planning, data and analytics, digital development, creative technology and innovation, customer experience, voice, and social may be on this list.

Personal interactions have gone almost exclusively digital, and many of those habits are likely to persist in the evolving "distance economy." The entire funnel, purchasing, and servicing will need digital front ends through existing and brand-owned platforms. So customer experience (CX) and customer-journey analyses and strategic skills are vitally important to marketing success. And fluency in effective social media strategies, user experience design, and creative digital-content marketing are already becoming table stakes.

All the major platforms are adding or enhancing their e-commerce capabilities, and anyone who can sell online is quickly moving in that direction. Clients will need help with everything from product creative and motivational copy through implementation consulting and development.

In an age where physical shoots are now more difficult or more costly, creative technologists who can manage or even produce work with digital-composition tools, 3D product models, and synthetic media generation through technologies like the game-environment engine Unreal may be a great investment for those with clients in automotive, where dramatic product presentation is paramount.

The need for agility in all aspects of the business will probably remain critical coming out of the downturn. Rapid content development will be a capability that marketers will continue to embrace, as will data science and the ability to identify audiences in a more privacy-centric environment.

Value creativity

Creativity that drives commerce always wins. Some of the greatest success stories of the last decade have been from agencies that deliver unexpected and fresh creative thinking and solutions, across all disciplines. Coupled with good management decisions and operational controls, these agencies have earned more than their share of enviable wins and grown far beyond the industry standard.

Creativity comes in many forms. Work that shows up in Cannes. Work that drives unprecedented growth for clients. Work that goes beyond standard media ideas in favor of digital experiences that enhance the e-commerce customer journey from discovery to transaction, or provides useful support and service on search, social media, and video platforms and even gaming sites like Fortnite and Twitch.

In summary, Resilient Agencies will advance, while others retreat. They will:

- Deftly manage their finances.
- Focus on their current clients and selectively pursue new business opportunities.
- Leverage learning and new experience with distributed talent and production models to deliver value to clients.
- Find ways to move into new categories and disciplines, and create new offerings that help their clients succeed.

Guidance to Help Your Agency Survive and Thrive: Considerations Checklist

Financial and Operational

- ❑ Cash management is essential.
 - Eliminate or trim discretionary expenses, and focus on those related to client retention and satisfaction, employee retention and motivation, and appropriate focused business development.
 - Avoid long-term financial commitments.
 - Keep a close eye on A/R and in close communications with client finance.
 - Push back as appropriate against extended payment terms.
 - Think like a procurement professional and aggressively explore opportunities to renegotiate terms with agency suppliers.
- ❑ Write and agree to smart contracts and all relevant paperwork that relates to financial commitments made with a client or on a client's behalf.
- ❑ Align the agency's business behind its clients' needs and their growth strategies
- ❑ Focus on your existing clients. Think of them as high-value prospects
 - Bring them unsolicited new business-building ideas
 - Help drive costs out of their marketing programs—but de-couple agency remuneration from costs
 - Analyze agency services by client—where are there opportunities for new solutions
 - Be empathetic—clients are people too and likely dealing with with same fears and concerns about the future

Planning for the Future

- ❑ Strive for and maintain a balanced client roster—think it as an investment portfolio—balanced and not over-weighted in any one sector
 - ❑ Explore diversified product offerings—are there opportunities to expand your services—are there new digital products or services that can help solve client problems?
 - ❑ Do not diminish new business efforts
 - Maintain your share of voice/share of mind with clients and prospects
 - Consider being selective in what you pitch
 - Screen opportunities carefully—think about where you have a right to win
 - Consider how to best transfer specialized category knowledge to other relevant spaces
 - Solidify the agency’s positioning and promise
 - ❑ Investing for the future (or at least not cutting too far)
 - Identify areas that are in current demand and likely to remain so in the future and do not cut them
 - ❑ Value creativity—creativity that drives commerce always wins. Deliver fresh creative thinking and solutions, across all disciplines
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 - Focus on their current clients and selectively pursue new business opportunities.
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