

SHOULD WE RETAIN THE RETAINER? AGENCIES ENTER AN AGE WITHOUT SURETY

A TREND TOWARDS PROJECT-BASED PITCHES HAS PUT UPWARD PRESSURE ON THE COST OF AGENCIES WINNING BUSINESS, WRITES DAVID LO.



There was a point at the end of 2008 when it was suggested that none of us in business would be here by 2010. But here we are. After meltdowns and green shoots, we scraped past a full blown recession by the skin of our teeth.

So are we suffering a king size "hangover" or have we just avoided a close call? Hangovers, generally follow some sort of celebra-

tion, so I don't think that really applies in this case. However, a close call seems more like it.

Rogue capitalism and extreme short termism seemed to play a part in the world's financial system needing butcher-like surgery.

The effects upon clients and agencies were felt in a very direct fashion. Pitch everything.

Pitching is now spawning an industry, from pitch consultants to hired guns that can increase an agency's win rate. We now pitch for our daily bread.

We now take it for granted that

clients work with more than one agency and the day of the panel or roster is upon us. There is nothing new in that.

What seems to be a trend out of the past year is that of "projects" becoming more prevalent over retainers.

In the promotion and activation sector of marketing services the "project" is nothing new to us, as this is the norm for our segment. This is why I am amused to hear of big above-the-line agency heads bemoaning the rise and rise of project-based work.

They are not the only ones complaining. The porn industry too is seeing revenue drop due to people arranging dates online via the dating websites of this world. It appears commitment is out and flexibility and jettisoning hard costs are in.

The implications for the marketing services sector seem to be more and more pitches, to win more and more "projects" which puts upward pressure on the cost of a win.

The lack of any type of surety over revenue means that for those of us running a business in marketing services, we constantly balance minimum scale and hope we can scale up quickly when the work arrives.

What effect does minimum scale have on your existing business? Duress.

Service levels must change if you are constantly shaping a business to achieve minimum levels of service. A new metric for agencies may be taking the decreasing number of complaints you receive from clients as a way of measuring acceptable service.

The rise of the pitch and projects leading to the fall of price and performance - this may be the dynamic we are left with in 2010, after the global financial crisis. We have been heading that way anyway, it's just been accelerated dramatically in the past year.

Will we all be here in 2011? Probably, but not likely in the same form. Perhaps we are seeing the birth of the "pop -up" agency, which can pack up its tent and disappear as quickly as it arrived? <

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