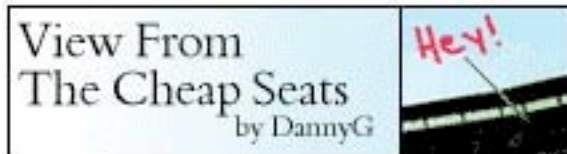


VIEW FROM THE CHEAP SEATS



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It's All About the Benjamins--or the Bernbachs

Are making good ads and making good profits mutually exclusive?

I once worked on a very retail-heavy account. Lots of weekly newspaper ads. Once a week, we had to send the ads to 3 different newspapers, each on its own Zip disk. Being that our agency marked up production costs, we marked up the costs of the Zip disks a few dollars apiece.

So one day, our client showed up at our office with a stack of brand new Zip disks, saying she was tired of paying our surcharges.

But her stinginess didn't stop there. She didn't want to pay union talent costs for radio spots. And why hire real actors in her TV spot when "my employees can do it free?" 35mm film for a commercial? Just shoot on video, she said, it doesn't make a difference.

Taken individually, the little demands don't seem like much. But taken as a whole, you can see that there's very little money to be made from a client that counts the pennies. And very little concern for the production details that enhance the creative product.

In one form or another, I've seen this behavior countless times. So how do you actually make profits in the ad biz?

Money matters affect everything and everybody in agency life. Once I told my creative director I wasn't happy with a couple of radio spots I had written and that I'd spend a couple of hours that evening fine-tuning them. "You don't have any time left," he said. He was referring to whatever hours were estimated for writing on that particular job—before any idea was even generated. If it was estimated that an ad would take 5 hours to write, that's what the client gets billed. After 5 hours, I was told, it's either done, or the agency starts losing money.

Or does it? That kind of clockwatching argument goes against everything I've ever been taught about creative work—that you work on something until it's right and you're happy with it. And as a full-time employee, I'm a fixed cost. Whether I spend an hour on an ad or all day, I get paid the same. The quality of the end product is what I care about most.

More and more, accounts and ad campaigns come down to matters of dollars and cents. Accounts are getting awarded based on what the client's procurement division decides is the best (read: cheapest) offer. During some recent account reviews, there were clients who asked the agencies to disclose the salaries of everyone who would work on the account.

It's not a surprise, because clients themselves are getting squeezed. In a world where you can comparison shop for anything on the Internet and Wal-Mart's path to world domination comes from "Always Low Prices," profit margins all over corporate America are shrinking. Consequently the expense of advertising, along with the value, is being called into question.

Agencies, in turn, have to squeeze their suppliers as well. Use the cheapest paper for a brochure. Lowball a photographer with the promise that "we'll make it up on the next job." And so on.

I've heard many ad people grumble about all this. I bet you've heard it too: "Lawyers don't negotiate their hourly rates. Doctors don't discount their fees. We're professionals, so why are we so willing to do it?"

And most agencies are perfectly willing to cave when a client tries to pay as little as possible for the work. Mostly, it's out of fear of pissing off the client and losing the account. So whatever it takes to keep the agency lights on, it gets done. The trouble is, no one wins. The agency gets underpaid, which causes the staff to work ever harder on ads that can't be produced right. The client won't be happy because they'll always be looking to haggle over the bills and if they can't do that, they'll search for a cheaper agency.

I suppose it would take some sort of industry-wide agreement or standard to ensure that agencies get paid enough to avoid skating on razor-thin profit margins. In other words, it would take a freakin' miracle.

If you've got any insight into how to do great work and be profitable in this ever-squeezed business, please chip in your two cents' worth. That is, if you can spare them.