

Mr. Rogers Was Wrong: Getting Real About the Uniqueness of Your Agency

By Scott Leff

Being from Pittsburgh, there are two things I simply cannot do without risking my neck:

1. Root against the Steelers
2. Say anything contrary about Fred Rogers

Well, I may be crazy, but at least I'm not a coward. You saw the title to this White Paper, and I meant it. Mr. Rogers was wrong. Despite what he said, not everybody, and to the point of this piece – not every agency – is special. Maybe you're the exception. Maybe you're one of those rare agencies that truly is a breed apart. Maybe you are special.

But probably not.

At [TobinLeff](#), we help owners build and monetize agency value. The first step in this process, of course, is figuring out what value you have to begin with. And many, perhaps most, agency owners think their agency is more valuable than it really is. How valuable are you actually? Simple. You're as valuable as what the marketplace is willing to pay for you. And the more "special" you are, the higher that value tends to be.

So, if you were to engage TobinLeff and we were having our first discovery session and I asked you: "What is it about your agency that sets you apart, that differentiates you, ... that makes you truly special?", how would you answer that question?

But wait, before you answer, let's look at four of the things that, based on our experience with more than 100 agencies, I might expect you to say.

1. *“We have the best people working here.”*

That’s great! This is a business whose only real asset is the quality of its people and their intellectual and creative talent. So if this is what truly makes you special, you’re off to a great start. Except,...

How do you know? Or, to put it more bluntly, “Says who?”

Of all our clients, I can’t think of a single one who ever told me, “My people are kind of mediocre, but I guess they’re good enough.” These are folks you spend more time with than anyone else; people you work with every day. You’ve assembled them into a team, and your livelihood depends on them. So, of course you think they’re the best out there. Everyone does! But that doesn’t mean they really are.

And telling a prospective buyer that they’re the best is useless. Because the buyer knows you’re going to say that. Not to mention that the buyer is convinced her team is the best. So, if your team really is all that good, how will you convince someone of that?

Counter-intuitively, maybe by touting high turnover rates. Think about it. If your people are really outstanding, wouldn’t at least some of them be getting poached away by other firms? And what about your salaries? Are they significantly above market? If what you pay is at or below market rates and your people stay with you anyway, that doesn’t mean they’re not good – but it does probably mean they’re generally not better than what you’d find in the rest of your market.

So how else might you try to prove your point? Probably by saying...

2. *“We do really good work.”*

At the risk of sounding repetitive, of all our clients, I can’t think of a single one who ever told me, “Our work is kind of mediocre, but I guess it’s good enough.”

So, where’s the proof of your high quality work? Awards can help, but it’s hard to know, sometimes, whether they reflect true excellence or just good politics and the willingness to submit a lot.

There’s client retention. If you can demonstrate that customers stay with you for many years, that’s an indication that at least they think the work you do is having a positive impact.

Ultimately, though, the quality of your work is in the eye of the beholder, and the beholder that matters when you’re monetizing is your potential buyer. They’re going to look at what you do and be impressed, or they’re not. And if they’re not impressed, all the awards in the world aren’t going to convince them that your work is better than they think it is.

3. *“We’re consultative and strategic.”*

This does not make you special. It only means you’re competent.

Order-taker firms that are told what’s needed and come back with a pretty logo, clever ad, or slick tag line are dinosaurs. There’s very little buyer demand for them.

Strategies driven by metrics, analytics, and social listening are what clients want and buyers seek.

Being consultative and strategic does not differentiate you. It makes you like a restaurant that claims to be special because it seasons its food before serving it. You need more.

4. *“We’re like a family.”*

If employee retention is good, that’s a positive sign (although, as discussed above, it can beg the question of how exceptional your staff really is).

Glassdoor ratings may be another barometer. A lot of negative comments can certainly challenge your family claim; just keep in mind that a lack of negative comments doesn’t necessarily prove it.

Here are some related things that agencies say. “We’re not a sweatshop.” “We work hard, but we play hard, too.” “Our staff really like each other. They go out to happy hour together every week.” “We have beer in our refrigerator.” This is all very nice, but no one is going to buy your agency because you have a 4:00 o’clock cocktail hour on Fridays.

SO WHAT DO I DO NOW?

There are true ways to differentiate yourself. First, focus on the measurable. Is your profitability over 25%? Do you generate fee income in excess of \$200,000 per employee? Are your Adjusted Gross Income and Net Revenues growing every year at a healthy pace? These are all objective metrics, they can be demonstrated to a buyer, and they equate to enhanced value.

How about intellectual property? It’s not common among agencies, but if you have a unique product or service that you own, that’s replicable and scalable, and that can be sold into new markets... that’s a big deal!

Do you have true digital capabilities? Everyone claims to be digital these days, but building Wordpress sites and writing blog posts does not make you a digital agency. Social listening, analytics, influencer campaigns... these are the kinds of skills that will make you stand out.

Here's a simple one – client concentration. If you have one or two clients who account for most of your business, that makes you special – but not in a good way. Manage your differentiation through a diverse mix of clients, none of whom represents an outsized portion of your business.

SO, I'M NOT SPECIAL AFTER ALL?

Maybe not, but here's where Mr. Rogers and I do agree – that's okay.

Most agencies are average because, well, that's what the word means. If all agencies were better than that, than "better than" would just be average – not special.

Average is just fine, and the good news is, there's a lively market for average agencies.

In addition to marcomm firms, private equity investors, consulting firms, digital and tech companies, and others all are active acquirers in the marcomm space today. So, if you can't figure out what makes you truly stand out, don't despair. Your services, your clients, your staff, your verticals, and your geographic presence are all characteristics that might make you attractive to a buyer. And this doesn't even consider the option of selling to your own employees.

So, if thinking about an eventual exit has begun to enter your mind, talk with an expert who understands alternative solutions and knows the marketplace. (I'd recommend [TobinLeff](#) as a good starting point.) Explore all the options, develop a strategy, and begin soon to execute a plan that is likely to take several years for completion.

You may be an "average" agency, but that doesn't mean we can't find a path to an exit that will be truly special for you.

Go Steelers!

About TobinLeff, LLC

TobinLeff is an M&A advisory and exit planning consulting firm that helps owners of marketing, advertising, PR, digital, IT, and related companies build and monetize business value. On the build side, we:

- craft Value Enhancement Plans,
- deliver strategic consulting and implementation services, and
- provide M&A services to source, structure, negotiate, and help close acquisitions and acqui-hires.

To help clients convert business value into personal wealth, we:

- craft Exit Plans,
- design and implement Management Buy-Out Plans, and
- provide M&A services to source, structure, negotiate, and help close sales of client companies to outside buyers and private equity groups.

Now in our 10th year of service, we have assisted more than 125 owners with exit planning solutions and M&A transactions to buy and sell companies. All of our partners have owned marketing agencies. We are based in Pittsburgh with partners in New York, Orange County, and North Carolina.

Please visit our site at www.tobinleff.com for additional information and case studies.

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