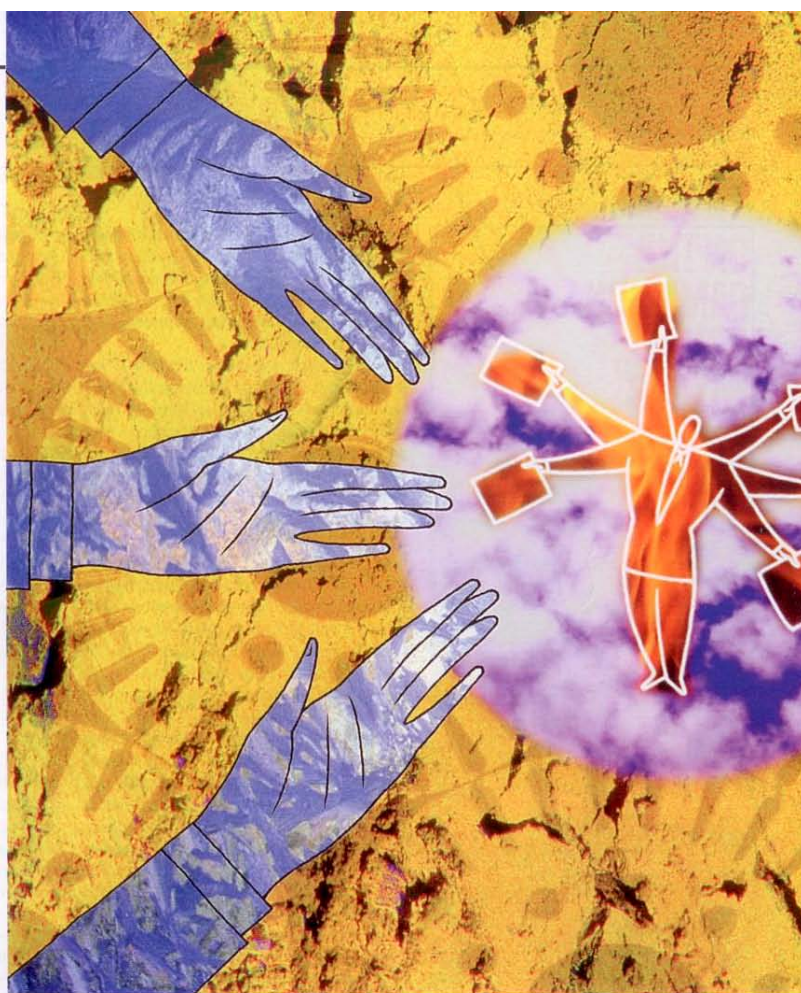


Integration may be the fashion, but don't be fooled into thinking that full service could make a comeback. The future still belongs to adland's specialists, Tim Williams argues



FORGET FULL SERVICE

For the first time in history, the largest agency in the US is not on Madison Avenue, but in faraway Little Rock, Arkansas. Acxiom, a company most mainstream agency executives have never heard of, earned more US-based revenues last year than any of the well-known multinational agency brands.

This one startling fact proves the point of this article so conclusively that we could stop right here. But, of course, we won't, because the idea that "full service" is the ultimate growth strategy is deeply rooted in the collective business psyche. The common wisdom is that, as a business strategy for professional companies, "broad" has more potential than "narrow". As evidenced by the rise of companies such as Acxiom – a specialist in "interactive marketing services" – nothing could be further from the truth.

Narrow is not the same as small

In fact, of the top 25 ad agencies in America, more than half are specialist companies, not "full-service" agencies. In Minneapolis, a city that has spawned more than its share of talented ad agencies over the past few decades, the largest agency is not Fallon or Campbell Mithun – companies that help put

Minneapolis on the advertising map – but rather Carlson Marketing, a specialist in customer relationship marketing. With revenues of some \$265 million, Carlson Marketing is nearly four times larger than any other agency in the city.

How did this happen? It happened because marketers are in search of specific solutions to specific problems in specific categories, not a "full-service agency with a wide range of experience in diverse categories".

No client ever hires an agency because it can do everything, but rather because it can do something. In fact, whenever "wide range" or "full service" appears as the main promise a company makes, you can assume that it has been either unable or unwilling to actually name what it stands for.

What exactly does it mean to be full service?

When you stop and think about it, there's really no such thing as full service. There isn't a brand in any category that actually can fulfil every need. Most agencies follow the "full-service" model because they have fallen in the trap of defining their value proposition solely in terms of product or service attributes. Believing that the more attributes the agency brand

can claim, the more valuable it will be to prospective clients, they continue to add more and more services until they appear to be "all-in-one" solutions.

Saying that you do everything is not a strategy, but rather the absence of a strategy. Nowhere is this more apparent than in packaged goods, where many categories ultimately come up with a "total solution" brand – in the US there's Colgate Total, Crest Complete (pictured) and Tide Total Care. But can a laundry soap brand really stand for protecting colour, enhancing softness, cleaning thoroughly, fighting stains and preserving fabrics? After years of marching down the "compete" path, marketers are realising that a single-benefit brand is often stronger for the simple reason that it stands for something. It promises to do a specific job extremely well instead of attempting to do a lot of jobs moderately well. What's true for packaged goods is true for professional services.



What it means to have a strategy

As a brand, would you rather be mildly appealing to a large group of prospects, or intensely appealing to a select group of prospects? Most business people would say the latter. But most often, their business strategy centres on the former.

In life as well as in business, our natural tendency is to go broad instead of narrow, to want the most and the biggest. Diversification feels safer and smarter.

The problem is that if your approach is to "keep your options open" and "not limit yourself", then you actually don't have a strategy. By definition, having a strategy means deciding to do one thing but not another. By deciding to have low prices and broad selection, Wal-Mart is making a conscious decision not to have a high degree of sales help and ambience. Given finite resources, Wal-Mart can't deliver low prices and high service. Deciding what you'll do at the expense of something else is the very essence of strategy.

Strategy at the edges

No agency wants to be thought of as just average, yet that is precisely where an undifferentiated "full-service" business strategy places them – in the centre of the bell curve. The most interesting and powerful agency brands are at the edges of the bell curve, because they're doing things differently.

It feels like common sense to play in the centre of the market, but the middle is actually the least desirable place to be. If you try to simultaneously appeal to the high end of the market and the low end of the market, guess where you end up? You'll end up in the "mushy middle", where you appeal to no market.

Look at most markets and there are examples of successful brands at the high end and low end, but very few successful brands in the middle. This is most visible in retailing, where there is almost no middle market at all. Professional service brands that follow a "best of both worlds" strategy – sell-



ing to the middle – will never be the most famous, the most profitable, or the most successful.

Vertical success vs horizontal success

Viewed another way, most agencies have the unrealistic aspiration to compete across all segments of the market. But success doesn't require that you serve all segments. It just requires serving one well. This is the difference between horizontal success and vertical success. Very few companies are able to achieve real horizontal success, although many attempt it because it has the illusion of being the richest strategy. And even those horizontal players struggle mightily to earn a profit.

Take General Motors – a horizontal player if there ever was – versus Porsche (pictured), a company focusing on one vertical segment of the market. For most of the past decade, GM was the world's least profitable car-maker. Guess who was the most profitable?

Consider the massive energy and resources required to maintain a horizontal positioning strategy. It only stands to reason that a vertical positioning strategy allows you to make a better product, offer better service and charge a higher price. This is why the premium brands in categories from golf clubs to

outdoor furniture are niche players, not conglomerates. The very definition of excellence is to be good at something in particular. It's not only impractical for a company to be excellent at everything, it's impossible.

Finding a more valuable spot on the value chain

In defining your value proposition, begin by identifying where your company falls on your industry's value chain. To understand the changing dynamics of the value chain concept, observe what's happened to the music business. Consumers are still spending roughly the same amount of money on music, but the money isn't going to the record companies and music stores; it's going online, mostly to iTunes. The money in the music business value chain is still there – it just moved.

The same is happening in other rapidly evolving industries such as advertising and marketing. Companies are spending, but they're spending in new and different areas of the value chain. Instead of trying to squeeze the last bit of value from traditional sources of revenue, marketing communications companies should be focused on finding a different spot on the chain.

Defining a positioning capable of producing the most profit means selecting a place on the value chain where the offerings are still scarce and underdeveloped. If you analyse the value propositions of most agencies, they're based mostly on widely available overdeveloped services; they're placing themselves on the



wrong side of the value chain. By focusing on the underdeveloped features or benefits of the category, you are in effect positioning your company not just for where the profits are, but for where the profits will be.

The model is Columbus, not Napoleon

Defining a focused, differentiating value proposition requires that we stop focusing on reclaiming old territory and instead discover new territory. The model is Columbus, not Napoleon. Most companies are engaged in fighting "turf wars" instead of finding new turf.

Turf wars often manifest themselves as pricing wars. Witness the rise of procurement's role in selecting many professional services, particularly ad agencies. When choices in a category are perceived to be at parity, the key buying criterion becomes price.

The fact that procurement now "shops" agencies based on costs and hourly rates is the clearest sign that agencies have failed to effectively differentiate and position themselves in the marketplace.

Worse, with pressure from procurement, agency executives have started to believe efficiency is what they're selling. But as Adam Smith taught several centuries ago, in mature markets profits don't come from increased efficiency, but rather from increased innovation and differentiation.

Defining a positioning strategy is usually very counterintuitive. It requires a different mental map of what truly succeeds as a business strategy. The "more is better" model most of us carry around in our heads is the wrong mental construct. What works is narrow, not broad. And narrow doesn't mean small, which is why the largest agencies now and in years to come will be those that stand for something instead of trying to stand for everything.

Excerpted from the book Positioning For Professionals: How Professional Knowledge Companies Can Differentiate Their Way To Success by Tim Williams, the founder of Ignition

Agency positioning is not common sense

Especially in tough economic times, "common sense" would suggest that a business can improve its revenue streams by expanding products and services, broadening capabilities, and appealing to more customers. It seems like common sense, but it's exactly the wrong response. The best growth strategy – in good economies or bad – is to decide what not to do. The best way to expand is by narrowing.

Imagine two agencies: one that's extremely focused with a clear value proposition, and one with an unfocused business strategy that attempts to do everything for everybody. Which of these two companies would have:

1. The greatest earning power?
2. The largest geographical market area?
3. The fewest competitors?
4. The greatest degree of respect from clients?
5. The most sophisticated clients?

The answer in every case is the focused company. Let's look at each question individually.

Greatest earning power. It's a simple fact that the specialist earns more than the generalist. This is true in medicine, law, engineering, architecture, consulting, construction – you name it. This is because the specialist knows more, and we live and work in a knowledge economy.

Largest geographical market area. Focused companies draw clients from all over the globe, not just from their own zip code. That's because what they're selling isn't available down the block from some other company just like them.

Fewest competitors. The easiest way to narrow your competition is to narrow your focus. There are far fewer specialists than generalists, and what is most scarce is most valued.

Most respect from clients. Knowledge and expertise equal respect. A differentiated positioning lets your company develop and leverage its intellectual capital. This makes you valued – and respected – not just for what you do, but for what you know.

Most sophisticated clients. In the boardrooms of companies everywhere is heard the lament: "If only we had better clients." A quality value proposition attracts a quality client. On the other hand, a company that proclaims "We're right for everybody" logically is going to attract both the good and the bad.

The counterintuitive solution to growth is to narrow your focus, not expand it.

Becoming a category of one

Unfortunately, most agency value propositions are based not on inimitable points of difference, but on easily copied points of parity. This is because most agency executives simply haven't devoted the time and attention necessary to understanding how their company creates value. They simply assume that trying hard and "being your best" are the keys to success.

To cite the English economist David Ricardo: "Profits are not made by differential cleverness, but by differential stupidity." What he meant was that most business executives simply don't make the effort to think through what actually may be obvious differences in their business model and value proposition.

The very nature of a positioning strategy is that your company is right for some people – but not all. Successful brands are able to plot their position on the spectrum of love and hate. To be on either side of the spectrum is desirable; to be in the middle is death.

The brands with the strongest supporters also have the strongest opponents: Microsoft, The Guardian, Manchester United (pictured). Stop worrying about being pleasing and start worrying about being polarising – not necessarily in a negative way, but in a way that clearly sends the signal "we're not for everyone". Being "lovable" doesn't get you loved. What gets you loved is standing for something.

The ultimate in developing a value proposition is to create a new category that has no competitors at all – to create a category of one.

