



PGS MONTHLY

Working Effectively With Agencies

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About PGS

PGS is a sole proprietorship consultancy for entrepreneurs and investment firms focused on the premium end of retail food and beverage

I help companies plan accelerated growth

Key Services

- Strategic Plans
- Turn-around Strategy
- Innovation Strategy
- Marketing Strategy
- Investment due diligence



Introduction

In the first millions of gross revenue, it is rarely possible for food/bev start-ups to have a fully fleshed out internal team with dedicated staff grinding against all the various executional levers. Founders have to wear multiple hats. Unsteady cash flow and unpredictable investment cycles force lean operations.

Consumer and trade promotions, especially consumer ones, tend to be managed by the founder(s) directly during this time...and for good reason. There is an enormous amount of rentable, experienced executional expertise that is: a) more seasoned than the average person you can get to come on board and b) more cost effective than hiring a full-time marketing lead AND outsourcing creative execution to an agency anyways.

Here are my top tips for folks new to the hiring of agencies:

1. Do your own market research and competitive strategic thinking FIRST

I've written about this before. I can't emphasize enough the importance of founders doing their own market research. Do not in-source this work to your social media intern or to your old friend, the agency guy. Not only does studying your category across multiple classes of trade *in person* help you help you refine your competitive strategy, this knowledge is critical in developing professional retailer pitch decks. Additionally, studying early consumer feedback on your offering is critical to assessing your readiness for scale and to refining your strategic plan. Whether the consumer or the shelf, market research is also crucial to understanding who is your most valuable consumer audience. A good founder is intimately familiar with all of this as a central obligation of their role.

And, without all this preparatory work, you should not be calling ANY agency. An unprepared founder may easily find themselves paying for an agency to define their competitive strategy for them. Not a good idea. I'll explain why in a bit.

2. Understand what kinds of agency you need and why

You will need specific agencies to do specific things for your brand. Here are the four buckets of consumer-facing promotional execution that require outsourcing for anyone in the CPG space (large or small):

1. **Packaging design** (graphics, messaging, NFP, certifications)
2. **Website design**
3. **Consumer promotions** - digital, field events and traditional ad media
4. **Trade displays** (custom signage and/or shipper displays for in-store use)

So, #1 and #2 are the only mandatory creative points of execution for any brand today. Why? You need these both to get accepted by distributors and buyers. Although often treated as optional,

smart emerging brands in very competitive categories generally do consumer promos right away (however scrappily), and they also fund trade displays as soon as possible to drive trial.

The following are the six major kinds of 'agency' available to you:

1. **Full service marketing firms** - (communications strategy, website, consumer promo execution - digital and offline)
2. **Branding agencies** (great for communications strategy, trademark/brand identity creation, websites and packaging; but only the top agencies also do consumer promos and trade execution)
3. **Pure digital marketing agencies** (great for specialized digital consumer promos and for your website but don't do trade or packaging work)
4. **Package design firms** (only the package)
5. **Trade marketing specialists** (only trade displays/signage and/or trade show booth marketing)
6. **Amazon agencies** (*advertising, product page, keyword optimization*)

So, when you eliminate top branding agencies in the world, like Landor, there are no one-stop shops available (i.e. affordable) to emerging brands in food/beverage. And, frankly speaking, even these enormous agencies are not actually equally good in the four areas above. You'll simply need more than one agency to work your business.

While, there is often a temptation to save money by doing your website with available templates, I believe this is a mistake for many reasons. The most important reason is that consumers are unbelievably savvy about website user interface at an unconscious level. Any hint of 'not being with it' will harm your image, especially if D2C sales is your primary go-to-market channel. Website design is much more nuanced than Godaddy templates make it appear to be. Even graphic design skills are not enough to generate a best-in-class website.

If you have a very specific tribe you need to reach for strategic reasons, it's also imperative you find money to hire a highly competent social media marketing agency until you can afford to bring that executional expertise in-house. It could be a full-service agency, but, if so, do your research. With digital work, there's much more than meets the eye. Some claim more experience than they actually have.

Package design must be outsourced because, frankly, it is a highly regulated point of execution for which you want someone else to share some legal responsibility. You do not want a buyer or distributor to reject your shipment (or delist you later), because you are out of compliance with USDA, FTC or FDA rules governing packaging language, nutritional panel info and certifications.

Trade marketing is probably something one can most easily add to the scope of work of your branding agency (if they do it). However, there is something to be said for using trade marketing specialists (as long as they are not trade *show* specialists)

3. Every Agency Wants to Do Your 'Strategy' From Scratch...NO

"Brand strategy" is agency-speak for the *competitive strategy* underlying your business and, specifically, your promotional activities. This is really something you do NOT want to outsource. It's the core of your entire business strategy, especially in a premium, value added food/beverage offering. You should be living and breathing your competitive strategy every day. I believe that a founder must be its author. If figuring your competitive strategy out is a challenge, hire a marketing or business consultant to help you think through the elements of good competitive strategy. Executional agencies are generally experts at something else: communications strategy and execution to service the communications strategy.

There's nothing wrong with having a very experienced, full-service marketing firm 'tweak' or give input on your own competitive strategy, especially if you're new at developing them. In fact, I highly recommend it. Just make sure they have food or beverage experience with small, emerging brands. These require different approaches than Lay's.

What you don't want to do is allow an agency to *architect* your competitive strategy by themselves when they are not category experts. This is very, very crucial in food/bev, because there are hundreds of categories, and, unless the marketing firm is a food/bev specialist, they are not likely to have had the experience required nor will they be using a deep enough lens in their internal strategy development processes. And most agencies simply do not have staff with enough experience in the 10-12% of the food marketplace formed by premium goods.

Agencies love to sell you strategy work because a) it's the 'fun' part and b) it allows them to justify their executional decisions with an impressive storyline. Branding agencies, in particular, are notorious for over-wrought, academic brand architecture processes that have never been scientifically determinate of long term business results (though the results can be impressive looking). Often, these 'brand strategies' are not even based on empirical data at all. As an emerging brand, do not get suckered into agencies who want to charge you to completely overthink your communications strategy. In fact, you need the opposite, a nimble agency ready to alter their own work on the fly *as the business learns about itself* in market in the early days.

In sum, what you need agencies for is to execute specific elements of a communications strategy. Communications strategy is different from competitive strategy, and is ultimately subordinate to it. You want to explicitly communicate about benefits and product features that potential consumers might be sceptical of, or might not easily understand. Other elements of your competitive strategy may require no communication at all.

If you're in the first few years of sales, you should work with agencies willing to learn actively from early consumers, not ones who insist on architecting a complicated brand strategy with no consumer data as some overwrought hypothesis.

4. Work with Small Shops

Don Draper repeatedly made fun of emerging brands over martinis. He mocked them. Today, though, big and medium-sized agencies actually enjoy this work, but institutionally do not take it seriously. They also assign the most junior possible people to such work, since there is little billable revenue at stake. They may 'promise' serious involvement from senior staff, but that's almost always impossible for you to verify, unless you're an experienced buyer of these services.

Owners of small shops, however, can credibly be involved from the first call all the way through execution. These shops often have very experienced talent who simply wanted to make their own way in the world. You still need to ask for references and case studies, but it's a far better fit.

In fact, small shops are entrepreneurial like you. This intuitive alignment can't be under-estimated when you bring up things like your anemic budget...again, there will be no Don Draper snicker with these folks. Priceless.

One problem with small shops, however, is that the owners, almost always learned their craft in bigger agencies working for high awareness, legacy brands across multiple industries. Make sure your small shop agencies have worked in natural/organic food/beverage before and produced results. This is easily overlooked, but it will greatly enhance the process of aligning your agencies.

5. Aligning Agencies...Ugh

So, if you're a younger founder (i.e. less than 40 years old), corralling a bunch of very experienced middle-aged agency talent from small shops is going to be an out-of-body experience at times. So, it's critical that you enter every agency conversation with an established competitive strategy AND, preferably, with a creative brief in hand.

What is a creative brief? Ask 10 agencies and you'll get 10 different answers. It's that creative thing. What I believe matters to you as a practical founder in premium food/bev are the following elements:

1. Revenue targets (lets your agencies know how ambitious you are)
2. Competitive strategy (how you plan to be different than your competition)
3. Target consumer audience (based on any early data you have) or on prior paid consumer research/product development work
4. Consumer benefits (problems your product is addressing for the target audience)
5. Communications strategy/positioning (to attract trial based on #s 2-4; let one dominant agency help you develop this)

6. Communications hierarchy (if you have a strong opinion about what to prioritize in terms of persuading trial among the target audience); a good full-service agency may be much better at figuring this out than you

For founders newer to marketing, it is best to let a very experienced full-service marketing agency help take your one-line competitive strategy and develop an awesome communications strategy to support it. Communications, after all, is their core expertise, not yours. NOTE: Some agencies will also refer to communications strategy as 'brand strategy.' In my experience, these are the humble folks.

Whoever you hire first, once you have worked with one agency to develop your communications strategy, you can then develop a creative brief that ALL other folks have to follow. You do not want to permit an interagency battle to define the communications strategy or, even worse, have agencies following their own independently devised communications strategy on specific executional pieces (the packaging guys focus on health messaging while the social media agency focuses on flavour). The latter leads to consumer confusion that will affect your ability to attract the precise audience you're strategically intending to reach. It will also turn off experienced investors who can smell organizational chaos from a long distance.

Alignment is all about standardized, simple documents and constant communication, preferably leading to real-time, interagency cooperation.

Implications

- Don't call any agencies until you've done your market research and devised a competitive strategy.
- Don't expect to find a one-stop shop; get ready to manage up to 2-3 agencies, depending on your needs
- Work with small shops owner/operated by folks with deep experience in emerging premium brands, not just big CPG brands
- Use standardized documents to align your agency partners and keep everyone on the same page. Do NOT rely on phone calls alone.



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