In an economic crunch, the client is king

By Takudzwa Madzikanda

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I remember a time when agency was king. We had the prerogative to determine our fees and to dictate our work to the consumer. In these times, the most adventurous and daring work came to light.

Those times are under threat and this is not just the case in my country, but it is being witnessed throughout the world as clients continually reduce the marketing budgets to remain in business, assuming that the one area they can cut is marketing because more often than not its effects are not immediately appreciated.

What this has meant is that we are all continuously in a battle against our own competitors (other agencies; both brick & mortar and briefcase) for the same ever-reducing client pool. This has allowed the locus of control to switch to the Client who suddenly has option B - Z to choose from, as opposed to simply using our services.

The biggest question is; how do we usurp the king?

Let us look at the problem from the source. There is a battle within the halls of our clients' offices between marketing and finance, where marketing (which is not a revenue generating department) is constantly asking for money and trying their best to insist that they are actually part of sales (a revenue generating department). I strongly believe that this is the core of the problem; connecting marketing and sales to the extent that the failure of the one is directly attributed to the other.

Image via 123RF

What this means is that a reduction in sales, leads to a reduction in the marketing budget of many organisations. What I am constantly trying to explain to my clients is that something worth doing is worth doing well. There is a point where you begin to simply waste money, because you are not reaching the requisite communications thresholds. Unfortunately, finance will not see this and will instead simply say that marketing is not generating results. What they fail to take into consideration is the fact that many consumer products companies spend 50% or more of their net revenue on launching new offerings for instance. This means that both marketing and their finance departments need to determine by how much and how quickly they want their brands to grow.

Typically, a company should spend around 5% of their total revenue on marketing to maintain their current position. Companies looking to grow or gain greater market share should budget a higher percentage-usually around 10 percent. However, in saturated markets populated by laggards, as you find during economic crunches, marketing communications cost will always be high, around 20-50%.

So how do we usurp the king? Is it by improved creativity? Improved costing? Or is the situation so dire that we need to improve our own agency business models in order to remain viable and profitable under the rule of the king. From my experience, it is a combination of all three. The work that we produce needs to be more creative, our media plans need to be more targeted and relevant for a reduced fee.

However, we cannot mass produce creativity like a Model T Ford conveyor belt, instead we need to answer the call for more nuanced communications solutions by increasing the total amount of income that accedes to agency in every job that we do. We need to get out of our ATL comfort zones and start looking at ourselves as communications specialists and not Mad-Men, and begin to offer holistic services that transcend all areas of marketing... Then, and only then, can we, at the very least, be in line to the throne.

ABOUT TAKUDZWA MADZIKANDA

At my core, I am an Ideas Catalyst and a Brand Activist; seeking to unlock the core of a brand by bringing it to life in the minds of the consumer where it is owned, nurtured and stored. I have worked with a variety of brands, both local and international, allowing me to learn and harvest best practice. It is my desire to see the brands I work on achieving an enduring legacy that I have been instrumental in crafting.

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