



# Ten steps to forming an inhouse digital ad agency

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An increasing number of local media companies are creating in-house agencies or agency services. Fueling the expansion of in-house agencies are several factors:

Merchants are planning to spend 2/3 of their online marketing on infrastructure and promotions, rather than banner ads. Local media already have many of the core competencies - from SEO skills to social media posting – to provide these services. And, finally, the availability of new, relatively cheap software solutions - and web- savvy talent just entering the workforce - make agencies models more profitable and easier to manage.

We looked at three basic models for in-house agencies at local media companies, which can be thought of as those serving "**major accounts**," "**most accounts**," or simply becoming "**specialists**" in one area. The most pure inhouse agencies all target "major" accounts. They are staffed like small. Since this is a PDF, the links are not live. **Full case studies can be found by searching the name of the company on LocalMediaInsider if you see \*\* after the company's name.**

Local media companies who want to compete for the most share-of-market are offering a variety of marketing services, templated and bundled and sold by multi-media teams to smaller accounts.

Finally, some local media are entering the space as a "specialist" in a specific digital area, such as selling Facebook services or SEO as an additional revenues stream. This is a successful strategy at very small companies and hyperlocal sites.

In fact, local media entrance into the agency world is similar to the agency market, itself highly fragmented. For the purposes of this report, we are looking at a pure agency, rather than centralized fulfillment of non-traditional media services.

## Major accounts agency

An in-house major accounts agency, the focus of this report, identifies larger accounts and shares these characteristics:

\*A degree of separation from the parent company, including brand and sales or sales specialist reporting, and sometimes physical location

\*A target market of major accounts

\*A small team that serves as a traditional core agency structure,

\*Top management includes agency DNA

\*Ability to create higher level integrated strategies, that include web development (web dev) and social media

A couple of good examples of in-house teams include 1100 Broadway, the inhouse agency of the Nashville Tennessean \*\* (case study at <http://bit.ly/AxNmSf>) with \$2.6 million in sales after two years. The team is lead by Patrick Savage, Business development and David Cate, President

Times Digital Group\*\* (full case study here: <http://bit.ly/AEuK5j>) owned by the Kingsport Times News is a good example of an agency in the much smaller Kingsport, Tennessee which generated first year sales of \$500,000.

### **Digital marketing services and “specialist” models**

While we will not be looking at these models in this report, a number of larger media companies combine and sell groups of digital services that agencies also sell – but do not actually form an advertising agency. We consider this the “marketing services” model. It may use an “agency style” sale and is getting closer, but is still fundamentally different in both products and organization.

Examples of these include Dow Jones Local Media Group\*\* (case study at <http://bit.ly/yWw52z>). who sells digital services to a mix of smaller and larger accounts. We also looked at [Morris Communications](http://bit.ly/wxTopM)\*\* (case study at <http://bit.ly/wxTopM>) which focuses primarily on smaller accounts sold in packages and Deseret Digital Media, which is in the planning stages.

To fulfill this model, local media rely mostly on partnerships with variety of inexpensive third party vendors who work on a revenue share, in addition to inhouse PPC buyers, so that the model scales easily. Both also share some common characteristics:

\*Centralization of fulfillment

\*Digital sales specialists to support large teams reporting to the multi-media sales managers or to the digital division

\*A VP or other executive reporting to the C-Level that hosts the services

These efforts used pre-set sales bundles that combine a variety of integrated products and third party vendors. Typically the buys are less complex, but can

still include, for example, text messaging, and PPC, so the differences are not as great as it may seem at first.

A separate agency, is more of a small team that focuses on the most quality accounts in the market. This report gives a basic checklist of steps to start a separate in-house agency.

### **1. Target larger accounts first**

Form follows function in this case. The major accounts agencies we looked at have been small teams targeting large merchants who can spend at least \$10,000 to \$20,000 per initiative and can land annual buys of \$100,000 or more. They provide both higher strategic planning and match complex integrated services –including micro-sites, mobile, and social media - against those strategies. This is not to say that smaller accounts cannot be part of a digital agency strategy, but a focus larger accounts hits a sweet spot in the market of companies who need and want a full service agency, but not a traditional one. Also, this is a start-up, so large accounts help the agency breakeven faster.

Division Manager Chris Fehrmann at 1100 Broadway in Nashville, says his ideal account spends \$75,000, has an interest in digital marketing, but lacks the internal resources, and does not want to use a traditional agency for one reason or another.

David Cate, president of Times Digital Group in Kingsport says he also targets accounts in the \$20,000 or more range and that business “comes to me” mostly through referrals. Clearly, there is some area of the market up for grabs.

Of note: The Palm Beach Post's Innovative Solutions Department,\*\* an inhouse creative agency with a free, 8 person brainstorming team, also goes after “quality” accounts, does high level strategy, and then pairs media. They look for accounts with a strong interest in marketing, typically ones who “have an objective” already identified. The new business and upsell pays for the creative team.

As noted, smaller target accounts need simpler and more templated solutions to be sold and managed efficiently. That is, a package of digital services in the \$400 to \$600 a month range, which can be sold via workshops and Blinder sales blitzes as well as the multi-media teams. In the cases we’ve seen, these services were created and fulfilled by a central corporate office (“It’s too much to do at every small property”). This does not mean that it cannot be done, but proceed with caution.

**Assess key relationships with major accounts.** Often local media are able to leverage these deep relationships in the community, including colleges, Chambers of Commerce, the city and especially large events, right away. Even –

maybe especially – those who have a tangential relationship but are not buying. A good example is a large event that may have had a trade sponsorship in the past but needs web and marketing infrastructure and doesn't want to pay a huge agency retainer. One big account at an in-house agency was an auction house that needed fast turn-around for creating event-based micro-sites (companies needing micro-sites for events and campaigns are a growing market).

Other key accounts include real estate brokerages with heavy needs for internet infrastructure, hospitals, malls and restaurant chains. We've also seen appliance stores and golf courses signing on with inhouse agencies.

Fehrmann also recommends taking advantage of traditional agencies' inherent weaknesses, such as very high pricing, and requirements for retainers. The best accounts are ones who have needs too complex for small digital marketing start-ups, but don't want to use a traditional agency.

## **2. Audit internal competencies**

Every company is different because its people – skills and interests - are different. Audit your internal resources to see what skill sets which can be leveraged or redeployed and who is willing to play a larger role. Some local media companies have built in competencies in social services while others excel at programming, or have an exceptional and motivated designer that can set up to Creative Director.

This does not always mean that, say, the social media director now has two jobs, servicing the newspaper, plus an new job of providing services for other accounts (although some have started doing just that). She or he, may, however, be redeployed to the new division. Or the new division may consider the newspaper company as "an account," among others, simply moving the entire marketing piece under the agency's wing.

**Be creative: 1100 Broadway, was formed by splitting up the external digital division.** Half rejoined the newspaper company to participate in the digital first strategy, train reps and create banner ads. The other half formed the new agency, which still use the creative services of the newspaper group and resells them to clients.

Besides digital, what other competencies are under your noses? Freelance writers. Who in the pool of freelancers may be able to create schedules of blogs and postings sold as a service?

Promotions and marketing is another area to look at. If your company is good at creating contests, building e-mail lists, or creating or editing Facebook content, these are transferable skills. These are just the most obvious ones, however,

every company is different. Have an genius at SEO? A programmer already on staff? Redeployable assets abound.

Finally, keep in mind that some of the fulfillment positions using third party technology for things like reputation management or text messaging vendors can often be provided by redeployed staff. Technical and business development for the agency tend to rely on external hires.

## **2. Create the personnel chart**

Separate agencies rely on a small core team, which is expandable via freelancers, contractors and third party technology partners. The two successes we looked at started small; both had a charismatic high-energy leader, agency DNA at the General manager or Business development level.

The core positions for the agency include:

- \*General manager

- \*Business development

- \*Creative director

- \*Trafficer

In one case even creative was "farmed out" to the newspaper site, in spite of an overall resistance to shared resources. As the client base develops, other positions are required, but these can start out as freelancers or contractors:

- \*Social media

- \*Web developer

- \*Videographer

- \*SEO and SEM

That's bare bones. The highest demand right now seems to be for micro-sites, including mobile, for special promotions and for Social Media. You will also need a variety of vendors, and it's best to find them and sign them up in advance, and test them on your own local media campaigns first. Media buying is last on the list, although 1100 Broadway did start offering the service because of one client who needed it.

"Very little has to do with buying audiences," Cate says. Key staff at Times Digital Group were hired from ad agencies, though Cate has a diverse background with media.

Keep in mind that major account agencies sell strategies and services, not audiences, and are involved in a lot of project management - much more than a newspaper buy. The process can change literally with every campaign, as the customers' needs are met. This is one reason why a little agency DNA at the top and in sales is really helpful. Let's look at these positions more closely:

**General manager** - Agencies we saw have a charismatic leader with agency background in this positions. This is a small team entrepreneurial pursuit with the general manager as team leader.

**Business development** - The key issue here is whether to hire a business development person or utilize the media's existing sales team. The advantages of separating is the having one person fully responsible for new revenues. However, 1100 Broadway has generated \$2.6 million in two years by pairing digital specialists with print reps in a one to four ratio, especially after the reporting for the digital specialists was switched from the newspaper to the digital division which runs the agency.

**Creative director** - Whether or not to leverage the newspaper's creative staff is another key decision. We've seen it work both ways: Palm Beach Post redeployed its editorial front page designer to the lead creative person on its free brainstorming team.

**Trafficer** - The trafficer is really both project manager to coordinate campaign on the back end. As it grew, 1100 wound up hiring **account managers** who serve both as project managers and liaisons with the client. In retrospect, this is one of the hires they would have started with from the beginning.

**Web developer** and/or social media expert. Many, many clients are asking for micro-sites for campaigns, apps for events, or new sites that have a cms. So programming is now part of the agency business. 1100 started with three developers. The smaller Times Digital Group used contractors and eLance.com and now says it has enough work to look at hiring a full-time person. Social media development is also a top request from merchants.

Other hires depend on the clients and what they need, but could include **SEO and SEM** experts, **videographer** and **copywriting and a media buyer**. Any of these can also be contracted out initially. **Offering free office space is a great way to have contactors available and nearby for when you need them.**

There are two approaches to the question of what people to hire and services to offer. One is the "**if we build it, we will sell it,**" model. The second is the "**build the products around the campaigns**" using the small core team, so that, essentially, the organizational growth is driven by the clients. 1100

Broadway, which launched with a full spectrum of services, says that in retrospect they would have started with fewer services, and better project management processes from the outset.

Finally, you need a business development person trained to 'say yes.' This is a key different with the "marketing services" model, in which boundaries on clients are important to efficiencies. However, it helps to have all of your vendors signed up and ready to go, and to develop a list of contractors you will turn to, with more than one for each service.

To prevent resources from being "sucked back in" to the traditional organization the general manager should have a C-level report and enough separation of resources to service customers adequately when, say, "it gets busy." If you are using the newspaper's creative department, for example, who gets priority?

### **3. Create a brand with its own collateral**

Critical to capturing the full benefit of an in-house major account agency is the creation of a separate brand with its own collateral. Both agencies report that larger accounts have a bias against newspapers as "product-pushers." unresponsive to client needs or lacking in digital expertise. The separate agency brand has been extremely well received in the marketplace in the cases we looked at. In contrast, one of the first attempts at an agency at the San Jose Mercury News failed, in part, due to lack of a separation from the parent company, both internally and as perceived in the market.

To secure its brand Times Media Digital group moved into a downtown store front space with "cool" architecture and painted one wall with idea paint. 1100 Broadway, the inhouse agency also has a distinct brand that looks different from the Nashville Tennessean.

### **4. Sales organization**

The biggest sales issue is whether to leverage existing multi-media reps, or rely on a separate business development staff.

#### **a. Separate**

Times Digital Group has one business development person in addition to a selling general manager completely separate from the newspaper staff, who still earns a commission on any sales to their accounts, but only of the media products, just as they would from a traditional agency. It's hard to say which approach is better, as the markets are very different. However, at least one separate digital seller is always a recommendation of this site and both groups have separate reporting.

## **b. Use specialists with direct report to digital, but with the multi-media team**

1100 Broadway in Nashville uses digital specialists who report to the agency division, but who are paired with multi-media reps at a one-to-four basis. This is a large market strategy and required changing the entire sales culture – and also generated \$2.6 million in its second year.

Major account agency sales require a longer pipeline than traditional media sales, but there are fewer of them spending more money, so identifying and working on regional accounts is a key. In every case business development people were hired externally; look for people who have sold digital marketing in the past.

## **c. Digital specialists reporting to the multi-media sales managers**

This model was used for larger companies selling the "marketing services approach" rather than a standalone agency. Both DJLMG and Morris have a version of this organization. Product managers for things like SEO or text messaging are centralized, but digital specialists report to the top revenue manager on the multi-media side.

The benefits of separating is that at least one person wakes up every day thinking about agency sales, without worrying about product goals. The benefits of integrating is that it helps the entire company shift its culture and become more adept at multi-media sales.

## **5. Select services and pricing**

Every client group in every market is different, so the plan needs to be flexible and use a variety of freelancers and contractors to be able to scale. The Times Digital Group builds products around the campaigns that are sold. Services at Times now include:

- \*Producing blogs (nine of ten advertisers can not sustain them)

- \*Microsites for events and promotions

- \*Custom mobile apps

- \*Media buying on behalf of clients

A quick lesson from the in-house agencies, is that even though business development has not been an issue, they have also run into new competitors who they were not as aware of before. Pricing is set by competition in the agency business, especially hourly rates.

One issue is whether you will require a retainer (1100 Broadway does not and uses this as a selling advantage against other agencies) and will Adwords buys be transparent (1100 Broadway's is, at a 30% mark-up, and thus a competitive advantage against ReachLocal). Here is a breakdown of products, services and pricing offered at 1100 Broadway:

**a. Website design.** 1100 Broadway focuses on custom website development that includes a cms system and analytics. **Quotes typically run from \$4000 to \$20,000.**

"Everyone wants a content management system. Most don't have it and it is their number one request."

**b. Landing and Splash pages.** A key capacity to track and create conversions from digital campaigns is the ability to produce unique landing pages behind the promotional links – typically clients won't build their own to match a campaign. Splash pages were also designed to support print and direct advertising.

Two kind of landing pages are used:

**Landing pages:** Two pages templates, with custom graphics and tracking for **\$350 set up and \$25 a month.**

**Splash pages:** Custom one page websites with data collection capabilities and tracking. **\$750 set up and \$25 a month.**

**c. Mobile websites.** Clients mobile sites are still custom designed by agency programmers with auto detection (their site automatically reverts to the mobile site if access on a mobile device), custom-URL (important for linking from mobile ad buys), maps, analytics and SMS capabilities. **Set up is \$750 set up and \$25 a month.** Fehrmann says the company opted out of using Google's free mobile sites, using custom designed, due to the more sophisticated nature of their customers. "Google templates are limited, and not pretty. More set up for a restaurant."

**d. Pay-Per-Click.** An in-house manager creates the buys, and tracks all activity via a proxy site, using a software that allows tracking multiple accounts at once.

Points of competitive differentiation from other companies that offer Pay-Per-Click - especially ReachLocal - include human optimization and transparent billing (ReachLocal does not reveal how much of the buy it takes). Pricing is a minimum of a \$500 per month and a transparent 30% management fee.

**e. Local Optimization.** This service also has a new set of vendors, a combination of a basic listing distribution service and reporting. Localzeze

distributes listings to more than 1000 "places" including directories, maps and search engines. **The initial optimization is \$499 per year.**

**f. SEO packages.** On-site and off-site SEO techniques include keyword blue-printing, and human optimization – again a key differentiator. Packages start at \$350 per month.

**g. Text messaging.** Set up of key word campaigns that create conversions from print ads and build the opt-in database. **\$450 per 1000 messages.**

**h. E-blasts.** The lists are geo- and demographically targeted. Rather than use it's own proprietary list, it rents "opt-in lists. with a 26.2% average open rate and 3.56% CTR . **Packages start at 20,000 minimum cpm, starting at \$35 per 1,000 emails.**

**i. Social media.** These offerings include Facebook business page creation, custom tab design and programming, PPC. **\$250 set up, and a 30% management fee, \$150 to \$250 for tabs creation.** Fehrmann says the agency creates its own pages and tabs, however, see below for additional providers considered "too basic" for the types of clients and campaign currently hosted.

**j. Media planning and placement.** Charged at 15%, this service launched after a "sales rep literally tripped over a stack of newspapers" from all over the country that an client was buying on their own, using an office administrator. By supplying ROI reports and organizing the buys, 1100 Broadway was able to acquire that account and earn 15% on a \$100,000 spend.

"There are times when (buying) other media makes sense. If we control that media budget we can make sure to get what we want." Media buying is not considered a key revenue stream for the agency, and they do not place adnetwork buys.

**k. Creative services charged hourly.** The newspaper division has 42 artists creating 1500 ads for free. The ad design remains free but brochures, logos, and so on are charged at \$75 an hour, and is handled by the top designers on the newspaper staff.

**l. "Thrive" seminars for small businesses.** A total of 18 of these seminars drew 100 plus attendees and generated \$200,000 in revenues in 2010. For these seminars, the group partnered with the Chamber of Commerce in Nashville. There was "zero selling no pitch or rates" given out. The seminars were very dense informationally and resulted in an implicit desire for additional help.

So what type of services sell best? It still depends on your client group. At 1100 Broadway there is a fairly even split between the digital services:

**Media buying 15%, Web dev – 15%, SEM -15%, Email- 10%, Social, creative - 5%**

**About 50% of buys are still for the core media product.**

At Times on the other hand, the **largest category is web development, which accounts for 40% of revenues, followed by video at 30%, and mobile at 10%**. The rest is composed of various services and consulting. Videography is growing fastest, and they are starting to provide video for a number of local business conferences.

The common thread in here is web development, without which it is difficult to create much of anything for campaigns. Looking through the campaigns with both companies, most have a microsite and mobile site included.

Note: One more version of the agency model at the Palm Beach Post\*\* an inhouse creative team has professional training in brainstorming ideas. Multi-media reps can bring their accounts in for the free sessions, which they say has resulted in more closings and larger buys. Poor creative is a key reason why ac campaigns don't work - even though the media is usually blamed. So companies with talented and enthusiastic creative teams may want to consider this approach.

## **6. Commit to consultative selling**

Shifting to a true consultative sale is a cultural shift. If multi-media sellers are also selling the agency, there is already a contradiction in the culture. Local media companies with product goals will also ask reps to be consultative, and in many ways they cannot be both at the same time. The worst culprits are special sections with goals. During one of these drives the sales rep is often asked to telemarket and hardsell until the goal is met. A "digital specialist" helping evolve an agency relationship cannot be effective when the reps are on the phone hardselling the next issue.

1100 Broadway wound up eliminating all special sections to focus on the new approach. Times Digital Group with its pure agency DNA (its business development person came from an ad agency) and separate sales teams did not have this problem.

## **7. Create a system for a/b testing creative and strategies**

This is something local media companies are really, really bad at and a top reason why, if a campaign is not working, the media gets the blame. An agency has even more ownership - and therefore responsibility for results. So it behooves the agency to a/b test the messaging and the offers, and optimize the campaign while it is running. Keep in mind that the value of the campaign is no

longer the audience; at the agency the value is the quality of the creative, the branding and the conversions that are captured.

## **8. Create a post campaign activity report**

Due to the nature of the agency sale, a post campaign report - or monthly recap is critical. Leslie Laredo of Laredo & Associates recommends that a campaign recap report include the following three key things:

1. Restate the objectives
2. The A/B testing that will be included
3. Results from the campaign in order of priority to the client.

That is, if the client wanted calls, email sign-ups, fans, or a lift in ticket sales, the top priority is the first focus, even if sellers are used to bringing up double click in its report. Also of note is how the report will be delivered – some clients prefer to receive reports by email if they are unable to meet.

We've seen some fancy reports in the form of power-point presentations, but any kind of a monthly recap during the campaign should be simple and include the three items mentioned above.

## **9. Buy project management software and billable hour software**

If you are considering going the major accounts direction, start out with project management software such as Basecamp and a good system to track billable hours. A couple of the latter used are freshbooks.com and timefox.com. Don't neglect the project management software - there are many out there and absolutely indispensable to running big project on behalf of third parties.

## **10. Establish a clear relationship with the media company.**

Whether you are using digital specialists who report to the agent but sell primarily through the multi-media reps, or a completely separate business development team, the relationship needs to be spelled out in advance. Keep in mind that 1100 Broadway did not get traction selling the agency until the specialist were shifted from reporting to the mutli-media team to reporting to the agency and even so, real progress was made with the sales organization removed special sections and fire sales completely.

## **Conclusion**

Whether or not to create a separate agency depends in part on acquiring a dynamic leader. This is more of an entrepreneurial pursuit; the model seems to

work best with a separate brand and small, dynamic core team that can provide a high level strategy and execute in a variety of digital services. The most successful pure agencies we looked at have dynamic leaders with agency DNA, target higher end accounts, and leverage deep relationships in the community. Services can be sold by traditional sales reps with supporting specialists, but not, however, without some significant cultural changes that impede a more media agnostic approach.

### **Resources members are using for agency services**

[vflyer.com](http://vflyer.com) for templated websites,

**BigCommerce** for e-commerce sites

**Unbounced** and [Vsplash.com](http://Vsplash.com) to create the templated landing pages

[Kenshoo](#), a software program that allows “our human optimizers to map adwords campaigns on a scalable level and 24/7 reporting platform for our clients.”

[Localeze.com](#), and [Vendasta](#) for listing distribution and reporting.

[Clickfuel.com](#) for a universal dashboard

[Raven](#), for SEO, it “actually combines a bunch of tools into one tool set, including google key word tools and social tools, reporting on SEO and showing ranking via key words, accessible to the client

E-blasts opt-in lists, [Take5Solutions](#)

[Freshbooks.com](#) and [Timefox.com](#), to track billable hours

[Basecamp](#), project management software

Facebook customization and posting was internal, though [NorthFace](#) and [WildFire](#) both support custom-page creation.

[SecondStreetmedia.com](#) for creating contests