



AGENCY212
A company of The Tucker Partnership, Inc.

Hey. Let's start an Agency!

THE ADVERTISING ENTREPRENEUR'S GUIDE:
YOU DON'T HAVE TO GO IT ALONE.

Bill Tucker, CEO Agency212

Are you nuts? This isn't the 1960's when the creative revolution began and you only needed one reason to start an agency: "because we can." **When all it took was huge creative talent and an even huger passion for this business of advertising.** Those words alone, "Let's start an agency," still give me Goosebumps. **But today, OMG!** It's not *Mad Men*. **It's not even *Bewitched!*** It's corporate America at its worst. **I mean really what is the difference between Omnicom and IBM?** They have the same dress codes, they have the same recruiting practices, and they both bow to Wall Street.

I haven't done the research but I am quite certain that compared to the 1980's there are so few creative startups that they're not even on the radar screen (certainly not on *The New York Times'* radar screen). Maybe we need a version of *American Idol* dedicated simply to finding advertising creative talent. Truly sad. Sad for the talent out there that can actually do this—because missing that kind of passion in your life is a

great loss—and sad for corporate America, which is in great need of some new thinking. Thinking that is not tethered to Wall Street. Taking chances is what we do for a living in Advertising (or was!). After all, what is corporate America afraid of? Contracts with their agency? Come on! Any agency can be fired for almost any reason, we are not employees. No HR people or lawyers are required.

So maybe you aren't nuts. It's a risk, yes. **But maybe a calculated risk.** In what follows I will help you with the calculation. **A few easy steps and maybe a few not-so-easy steps (but then, that's why everybody doesn't wake up one day and say: "I want to start a company!").**

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1.

WAIT A MINUTE, *why do I want to do this?*

This is a real question you need to ask yourself. **It should be all about passion.** (Although a very well-respected agency principal once told me it also was about money and if you did not agree you were lying.) **It should *not* be about:**

- I can come and go as I please now.
(True only if you mean come at 7AM and go at 7PM. On a good day).
- I can take as many vacation days as I like.
(Also true, as long as you hold off on those vacation days until you have Gross Revenue closing in on \$2 million.)
- I can tell clients to shove off if they don't do EXACTLY as I tell them. (Catch 22: you now have an extended family of employees you need to be responsible for.)
- I can use the bank's money to finance this.
(Only if you sign for it personally and actually have assets to secure the "loan"...the bank has no interest in owning an Ad Agency.)

I know much of this seems like common sense (I hope!) but starting your own company does funny things to people. **I have seen startups come and go.** The failures have all had at least one of the above points on their list of reasons why they should become an agency Principal.



2.

Just because you are in a corner office doesn't mean you are capable of killing what you eat.

No industry loves to talk more about itself than advertising. We inflate our egos daily as though we are actually doing something socially redeemable. Well, news flash: we are not the cure for cancer. Even so, as we grow in this environment and gain huge titles (and maybe paychecks to go along with them), we convince ourselves that we are “running things.” But when you decide to take the plunge and start your own agency, all of a sudden you become an intern again. Believe me, knowing how to create an estimate for your clients does not make you a fiscal giant. In fact most “big shots” I meet don't know the difference between sales, Gross

Revenue and operating profit. Big problem when you are trying to figure out whether you can make a go of it or not (rule of thumb is you need around \$1 million in Gross Revenue in order not to be just “two men and a dog”).

I can't tell you how many times I have received calls from our trade press “warning me” that the genius du jour of the advertising world was thinking of starting his or her own agency and it could be trouble for agencies our size. Bullshit...read the first paragraph again. Most of them are fiscal morons.

The point is simple, you don't know everything and don't be afraid to admit it. **Just ask for help.**

3.

The checklist of sacrifices you will need to make.

That's right. First on the list is your sanity. You are clearly nuts to jump into this big black hole. And because it is a big black hole you must be committed to dealing with it 24/7. I am not kidding. If you don't wake up in the middle of the night scared to death at least twice a week, go find a real job, because you are not going to make it in your own agency.

At the same time, if you have a husband or wife, make sure they know about the abyss you are about to jump into (read: How will we pay the mortgage or rent?). Do not sugar coat it.

As charming as it sounds, you can't operate your new company from your kitchen table for very long. In the 60's and 70's, when some of the best creative agencies got started, the center of operations was often a hotel suite (I think that's how all my creative pals became addicted to room service). Too expensive today; so you will need to go out and find some space to rent (figure 300 sf per employee). This means signing a lease,

going through a credit check (read: strip search) and then putting down a few months of rent as security.

Second on your list could and should be your own paycheck. This could be temporary but consider the fact that you can't pay yourself until your agency gets paid. If you read any of the Entrepreneurial Magazines they tell you to *pay yourself first*. That's okay if you don't have any employees. If you do then all bets are off. Here are some other sacrifices:

- Vacation Time
- Security
- The ability to turn off your Blackberry
- Throwing hissy fits at the office
- Delegating
- HR Department
- Finance Department
- The agency "Cold Caller"
(That would be YOU now)

Of course, if you are successful, some of these sacrifices will eventually become just a very bad memory. (Figure somewhere around \$4 million Gross Revenue.)

4.

The telltale signs of an employee vs. an entrepreneur.

Although I have already talked about some of the reasons NOT to do this, I think it's very important to explore exactly what makes up the DNA of an entrepreneur. **I don't want to put too fine a point on this, because this is not an "either you have the traits or you don't" kind of decision.** Consider this to be more of an informative discussion.

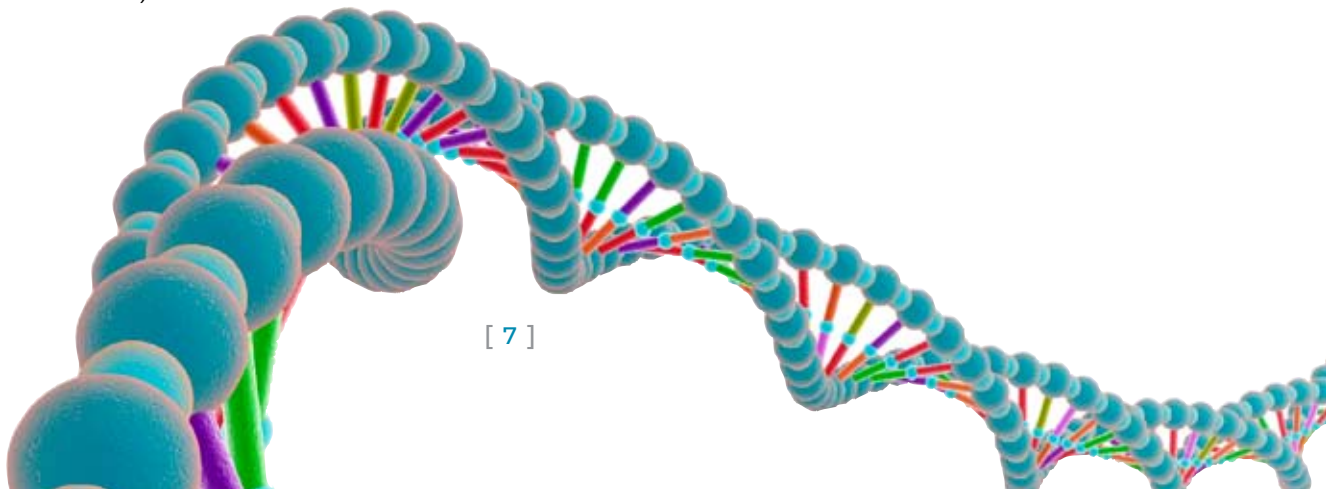
1. **Are you at a place in your life where you are willing and able to take a financial risk and, quite frankly, lower your lifestyle, to get started?**

And if you are married and / or have a family to consider, how do they feel about this decision. My wife and I tried to take out a second mortgage on our home and this dinky bank turned us down! I then called my accountant and suggested I tap into my 401K, and he explained about all the penalties I would incur (about 30%) and I should NEVER do this. I did, and I never, ever said, "I told you so" to him (but if you're reading this now Mark... Ha!) What I (we) did was not necessarily smart, but I believed in my passion and in myself enough to take the leap— and, obviously, it worked. I still remember having a very high-paying job one day and being unemployed the next. Just in case you haven't gotten the message yet: Jumping into the entrepreneurial abyss is a real big step (more about this later).

2. **Do you like the prospect of running a business down to the smallest of details?**

You need this trait. I don't mean you know how to pick up the phone and call the mailroom to see if your client received the FEDEX package. I mean *you* have no problem tracking packages and seeing that you don't run out of paper in the printer.

And it is not just administrative issues. We are in a service business (*yes, even if you are a Creative Director!*) and if your first hires don't have your kind of passion, it will very quickly become a problem with your newly minted clients (remember: *you are* the agency, they hired *you* and *your* brand of passion).



3. Can you make decisions which, in the past, you looked to someone in “corporate” to make...and make them fast?

Doesn't matter the size or magnitude of the decisions, they will come at you, and only you, fast and furious for the first few years (at least).

You will be “flying without a net” perhaps for the first time since you told Mom and Dad you wanted to set up a lemonade stand at your curb. There will be no structure and no manual telling you how to make this a success. What's more, in this business of “intellectual property,” you do not want to compromise or find a “middle ground” with the client if it means the creative outcome will turn out to be what you consider “white noise.”

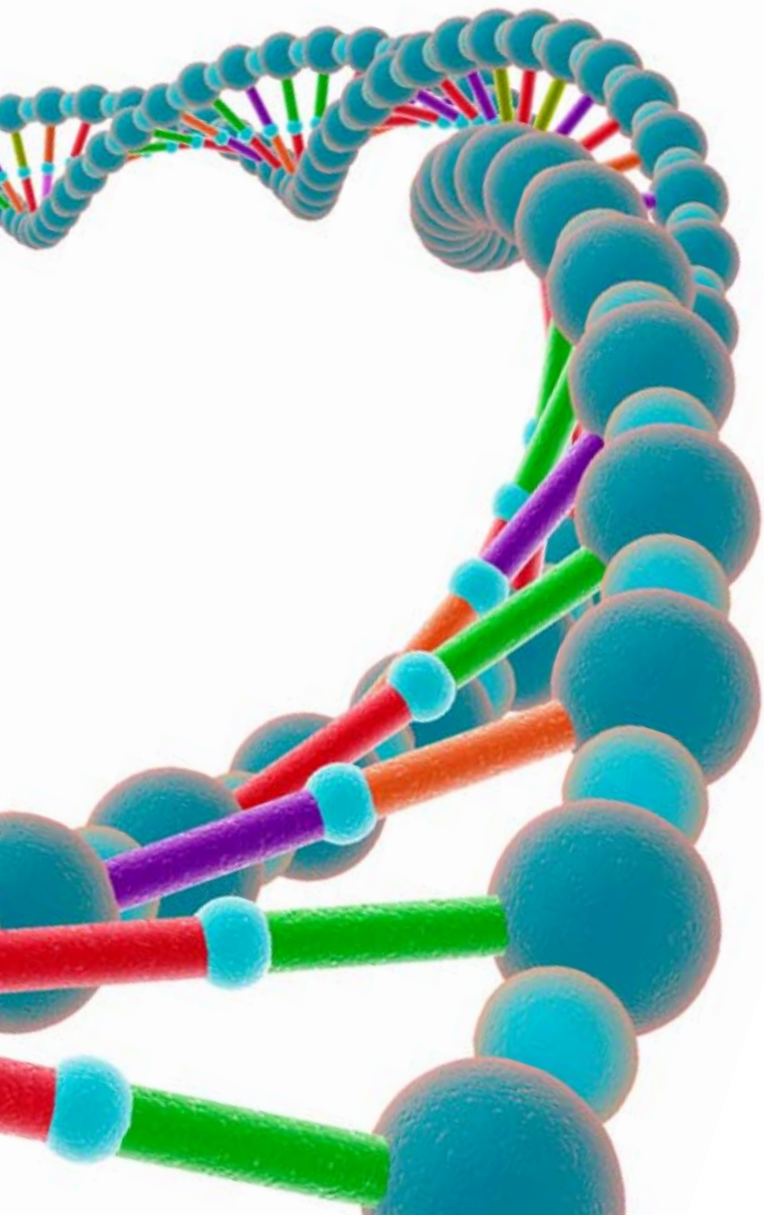
4. How persuasive a salesperson are you?

Yes, you are now a salesperson. Not just to sell your “creativity” (more about this shortly) but almost everything you do will take all the sales skills you can conjure up. You will need to sell yourself and your company to prospective clients. You will need to be proactively selling your mission to employees and prospective employees. (Not to mention the landlord who wants to know why he should rent space to you rather than to a company that's been around for more than five years). **The ability to persuade in a likeable manner is key.**

5. Will there be business partners?

There are many reasons in our business to take the leap with partners. Most of the famous creative agencies did just that. But one of the more practical reasons is, if you don't have all the above traits, you will surely need to partner with someone who does in order to keep your venture afloat for the first few years. I have always thought there is no point in having a Partner who has the exact same skill sets as you. (I tell the same thing to prospective clients.)

This is a decision you should not take lightly. You will all own the company together. May not seem like a big deal when you have nothing and you are “two men and a dog” but, believe me, later on it will be a huge issue. Back when I was looking for a new Creative Partner, a friend of mine hooked me up for a breakfast meeting with a very well known agency principal. I didn't know why he would be interested, but as the breakfast progressed, I discovered that his relationship with his very well known partner had become so bad, he could not stand to be in the same room with him anymore. Not only is that unhealthy for your sanity, it could cost you more than you ever thought (think of a divorce). Point is, proceed with caution and take nothing lightly.



5.

Okay, so I just call my drinking buddy/client and tell him or her I am starting an agency and want them to come along. Right?

Wrong! Here's the rub. First, if you want to maintain some sort of integrity, it is just the wrong thing to do. Your current agency has paid you to work on their account (not yours). *If the integrity thing doesn't work on you, then there is a clear legal reason not to make that call.* Here's how it works:

Step#1: **Quit your job.** Then you can make the calls. I still remember making that first call from my closet. (I swear. I didn't want my wife to hear me grovel!)

Note: In this day and age of holding companies you may have a non-compete clause you have signed...look at it **before** you take the leap if you are considering taking this route. Truth is you need to consult a Lawyer. There are a handful of Law Firms that specialize in the Advertising and Entertainment business, but that may be overkill at this stage. A boutique firm with contract experience will be fine.

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6.

Finances

Okay, don't let your eyes glaze over, this is important. You need some capital (Read: Money!). My advice is to give it a year to work and gather momentum. That means you need to plan this in the most conservative manner you can. Never blue-sky your projections. Ever. So, you can't count on any meaningful business in the first year. (Note: even when you do land your first client,

you will have to finish the maiden project first, then figure on anywhere from 45 to 65 days to receive a check.) This brings me to yet another facet of Finance: **A banking relationship.** Yes you need one of these. I suggest that at the very beginning you find a local bank that can set you up with the basics. Which brings us to the next issue:



7.

Incorporate?

In my opinion the answer is **yes**. First, because this is a commitment you are making. **Make it!** Second, because it will protect you. The corporate structure that is favored these days for small agencies is the LLC (Limited Liability Company). And just five years ago your best bet would be to go to a Law Firm and pay thousands of dollars to do this. Today you can log into LegalZoom and they will walk you through the process.

It will cost you approximately \$800 and it is well worth it. One of the most important elements you will need is your Federal ID number (think of it like your personal Social Security number but only for your company). This number will allow you to set up a corporate checking account (required) so you will have someplace to deposit your first client check. This brings us to the next issue:

8.

Accounting. I can do this...right?

Wrong again. You need advice from an Accountant. There are tax filings (including local sales tax) you have to stay on top of. A quarterly review will be well worth

it just to keep you out of trouble. If you don't have an accountant, ask that Lawyer I told you to hire for some recommendations.

9.

Critical mass. How do I look bigger in order to compete?

We called it “smoke and mirrors” in the past. But today it’s no laughing matter. Very few clients want to take a chance with an untested entity. Especially when they think they know there is no one behind the curtain to actually execute your brilliant ideas. There are a few agencies out there that offer “back office” services (accounting, administration) to young agencies.

We go one step farther and actually vertically integrate agencies by allowing them to integrate into our critical mass and become a big agency virtually overnight. This doesn’t mean you give up control of your company (I’ve wasted lots of time writing this if it did mean that). It works. Check us out at www.TuckerPartnership.com.



Bill is the CEO of Agency212, a New York City-based (Chelsea) Advertising firm. He spent his formative years growing up at Scali McCabe Sloves, perhaps the premiere Creative Shop of the 70's and 80's. **He left when he was EVP, Account Management, to start his first venture: Lowe Tucker Metcalf.** That evolved into The Tucker Partnership. His agency found great financial and creative success with major clients (read: Money Makers!) such as Quaker State Motor Oil and GE Corporate. Bill's company has made numerous acquisitions over the years to build critical mass and expand the different disciplines of the agency. **About six or seven years ago Bill had an "Epiphany" that the one thing in common about making an acquisition was that the Principals almost always lost their entrepreneurial spirit and passion.** So Bill decided that he would only take a minority interest in most acquisitions and simply help the firm to grow with the help of his agency. **At that point he changed the name of the agency to Agency212 and The Tucker Partnership became a "boutique holding company" with vertically integrated firms like iFuel Interactive/Agency212, Hofstetter & Partners/Agency212 and The Fresh Produce Group/Agency212.** Bill's agency today has an array of national accounts, including Warnaco, Loews Hotels and Resorts, DK Publishing, Borghese, Cavit Wines, G.P. Putnam, Random House and many more. **For more information please go to www.agency212.com.**

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