

Monitoring client profitability and resource allocation on a regular basis helps BBH maintain above-average profit margins despite a difficult business climate.

Overview

Advertising is becoming an increasingly crowded market place. The emergence of digital communications channels like mobile, online and gaming has introduced a wealth of new players. And in the face of such competition, traditional agencies have had to become much more focused on the impact of resourcing, costs and levels of service on their profit margins.

The challenge for BBH

Bartle Bogle Hegarty (BBH) is a leading advertising and communications agency, with operations in the UK, the US, Singapore, Tokyo, Shanghai and Sao Paulo and clients including Unilever, Diageo, British Airways, Vodafone, Barclays Bank, Audi and Levi Strauss.

Despite being responsible for some of the most memorable campaigns of the last 20 years and having a bedrock of blue chip clients, BBH faced a challenge as it sought to reposition itself as a provider of services within the digital space – it lacked any established fee models upon which to structure its creative proposals.

Exacerbating the situation was the increasing prominence of client procurement teams in the agency selection process and their practice of benchmarking agency fees across the industry in an attempt to get better value for money.

BBH recognised that having access to accurate time and historical resource data was essential to the construction of these new models and would be a crucial part of the agency's negotiation armoury.

Not only that, BBH knew that without the ability to look in detail at the efficiency of its own resources and scrutinise client profitability on a project-by-project basis, it would not reliably be able to maintain, and ultimately improve, its profit margin.

BBH's previous system

Until the mid '90s, BBH was using a manual timesheet system. In what was a very labour intensive process, data from the timesheets was inputted into the agency's accounting system before being re-keyed into MS Excel spreadsheets for analysis.

David Spencer, BBH's finance director says, "For a business model dependent upon time-based fees, it was vital that we could have access to information as quickly and simply as possible."

BBH's manual system was nowhere near dynamic enough to be able to provide real-time data analysis. Unfortunately neither was any other off-the-shelf solution at the time.

"We had no choice but to spec our own system," says Spencer.

BBH approached a software vendor with knowledge of agency requirements and asked them to build a system. The end result however was unreliable and inflexible, largely due to the vendor's choice of technology.

What the exercise did prove however was that BBH's original business design was sound.

The solution

BBH needed a solution that could be deployed on Macs as well as PCs and that would cope with the overseas expansion of their business.

It emerged that Tempora already fitted most of BBH's requirements and could also be customised quickly to suit the company's needs. It has since become one of the key systems used by the agency on an ongoing basis.

Checking the health of a project – at a glance

BBH makes extensive use of Tempora's time and time cost reports.

"The time reports help us when allocating resources because we can see at a glance how much time is needed to man our various types of projects," Says Spencer.



BBH obtains net revenue figures from its finance system and sets these against time costs in Tempora to provide client profit/loss figures. In this way the agency can see easily if it is over-servicing clients.

Time and time cost data can also be exported from Tempora for further analysis in Excel.

Transparency on both sides

Tempora allows BBH to demonstrate to clients that they are in control of costs. This transparency in turn helps to reassure clients that they are not being over-charged.

“As the agency has grown we’ve found that we can delegate more financial responsibility to project teams. The reports we produce in Tempora we pass directly to those teams so they can see for themselves how much time they’re spending on each job,” says Spencer.

Providing better visibility is a feature that runs through all Tempora’s products. The Tempora holiday and sickness module used by BBH for example, not only makes it easier for employees to request leave, but gives managers a better view of exactly who’s out of the office at any one time before approving that leave. BBH finds this a useful resourcing tool at project level.

Simple timekeeping

From a timesheet entry perspective, Tempora is simple to use and requires little prior training. BBH wanted a system where users could get in, report time against the right client and get out again – as quickly as possible.

“Creative businesses are often reluctant to complete timesheets on a timely basis and we were no different,” says Spencer.

There’s very little manual inputting in Tempora which also helps to reduce errors.

The benefits of web delivery

Spencer says more recent enhancements to the product have seen its functionality advance exponentially.



“Because Tempora is web-based,” he says, “we get the benefit of those enhancements almost instantly, without having to wait for upgrades to be manually installed on users’ workstations. It makes Tempora a very flexible tool.”

The same process applies to adding new users. Where agencies need to add additional resources to a project, they can be given access at the touch of button, no matter where they are based or whether they’re working from a PC or a Mac.

Results

According to Spencer, the real-time client profitability data produced by Tempora has been vital to BBH’s fee-based business model. The agency has been able to achieve operating margins well above industry averages.

“One of the main reasons we have been successful in maintaining above-average profit margins [see fig 1] has been our ability to monitor client profitability and resource allocation on a regular basis,” he says.

“What’s more, we’ve achieved this despite a difficult business climate for advertising agencies over the last few years.”

Fig 1

Year		2001	2002	2003	2004	2005
Operating Margin	BBH	15.7%	17.6%	18.0%	19.3%	19.9%
	Industry Average	7.0%	7.0%	13.0%	10.7%	10.9%

Extracted from the Willott Kingston Smith annual survey of marketing services companies.

From a user acceptance perspective, Tempora appears to have been adopted well and the number of repeat timesheet-offenders is low, in comparison to other agencies.

Spencer attributes this, in part, to having a system that is both PC- and Mac-compatible.