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Cycle of Third Party Marketing Firms

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While there is no guaranteed plan for any entrepreneurial business, third party marketers (3PM) can learn from the broad experience of other firms to identify the challenges they all face and find out what it takes to transform a stagnant firm into a growing and thriving firm. This brief overview and accompanying table will summarize some common issues, strengths, weakness and goals of 3PMs, and provide guideposts for firms as they evolve.

Like all businesses, 3PMs experience evolving issues as they grow in experience and size. During the three major stages of growth – startup, in between or 'tweener' and veteran – a firm's profile reflects its immediate goals and the problems it faces. At each stage a 3PM firm deals with common themes – clients, credibility, revenues, finance, "growing pains", technology, infrastructure, and business growth – in diverse ways. No matter the dilemma, someone has probably walked in your shoes before!

Startups

3PM startups worry about establishing themselves in the industry and getting their initial clients. Once their first managers are on board, startups often rely on retainers to help operate and fund their business growth. Keeping fixed costs low by occupying a home office or temporary location, startups tend to carefully evaluate technology based on return on investment and upgrade systems only on an as-needed basis. Their willingness to experiment as they fine-tune the business gives them a competitive advantage of flexibility and the ability to move quickly.

A large part of their competitiveness comes also from the startup's eagerness to please and hunger to win. They can aggressively compete on price in a way that no other 3PM will. However, that eagerness can sometimes lead a 3PM to common pitfalls that may derail their growth, especially if they do not perform the necessary level of due diligence on potential manager clients. Unfortunately, they can find themselves representing a roster of "average" managers who will not provide a return on the 3PM's investment of time and energy. The inability or unwillingness to say "no" to managers combined with the common pitfall of settling for poor contractual terms may leave a 3PM exposed to future problems.

Startup 3PM's must also avoid problems with operational issues. Though proper establishment of policies and procedures is not a revenue generating effort, it can pave the way for efficient operations and smooth growth of the firm. In addition, 3PM's now need to stay on top of compliance issues and ensure their managers do the same.

To move forward, startup 3PM's need to create their initial "success stories" and be unafraid to change what is not working. While staying opportunistic, they should also be operating within a 1-3 year plan and preparing for growth.

"Tweeners"

Tweeners have already passed (and hopefully conquered) the hurdles of the startup, but are now worrying about what they can do differently to get further ahead in terms of revenue, managers and their business. They often have reached a point where they are "treading water" financially, but are now competing for top-quality managers and are ready to take their firm to the "next level".

The tweener has the competitive advantage of having learned from earlier mistakes which have tested and honed their operations. With a higher level of established credibility as a 3PM firm, they have experienced success, which has only increased their appetite for more.

At this stage, the most common traps to avoid include continuing to represent managers that are un-sellable, and repeating previous mistakes. At slow points in the industry cycle the tweener can often get frustrated, and quit at the wrong moment. And while revenue is always important, retaining a manager just for the appeal of the retainer when they have no salability is a common pitfall which can prevent a tweener from taking advantage of a true opportunity.

To move successfully to the next stage a tweener must learn to focus on what they do best, concentrating on the core business and capabilities of the firm and its personnel, and delegating or outsourcing non-sales responsibilities. Effective operations are vital to a firm's success, but today there are many ways a small firm can grow economically.

Equally important is the need to say "no" more frequently – it only takes one or two great managers to help catapult the firm to the next level, but the tweener must be ready and available to take advantage of that opportunity when it comes along.

Veterans

Veteran firm principals lose less sleep at night than their younger compatriots, but still have concerns about continuing their successes and creating plans for the firm's future. They are well established within the 3PM arena, and have the relative comfort of a financially strong foundation and recurring revenues.

Competitively, the veteran holds the advantage due to their experience in the industry and name recognition among managers. More often than not, they have gained this measure of success by learning from their mistakes and being able to say "no" when necessary. Veterans select managers carefully and only after extensive due diligence – looking for a good fit as well as a good story and track record. Efficient operations result from proper allocation of resources and establishing procedures. Much of their continuing success comes from proficiency in contract negotiation, ensuring that they maintain a share of their manager's wins.

Despite their past successes, veteran 3PMs can still get stalled by common obstacles. Veterans can become reluctant to adapt to changes in their business and the industry. They can also become too selective with managers and try to maintain impractical contract terms beyond what the industry will support. Continued growth of the firm can lead to high fixed costs if the veteran 3PM is not diligent in monitoring operations.

Most importantly, though veterans enjoy a view from the top, they have talented younger firms hot on their trail. Their greatest priority is to stay competitive by leveraging past successes and not becoming complacent. The next great 3PM firm is right next door.

And with a longer horizon, the importance of planning for the firm's future becomes even more important.

Third party marketing is an exciting business opportunity with countless challenges to discourage the faint of heart. Those who triumph will learn from the past and their peers and invest their efforts in moving forward – not repeating their mistakes or those of others.

	Start-ups?	"Tweeners"	Veterans
"What keeps you up at night?"	• How do I find my first manager? • How do I establish credibility as a 3PM?	• Why are we not "farther ahead" in terms of revenue, managers and business? • What can I do differently?	• Will I be able to find another "perfect manager" to represent? • What is the future of my 3PM firm?
Common characteristics	• Reliance on retainers to operate? • Experimenting while fine-tuning business? • Home office or temporary location? • Evaluating technology, database & systems	• "Treading water" financially • Learning from mistakes • Approaching the "fork in the road" • Competing for better managers	• Established within 3PM arena • Recurring revenues • Financially strong foundation
Competitive advantages	• Eager to please and hungry to win? • Will aggressively compete on price? • Nimble and can move quickly	• Firm appears ready to "turn corner" • Tasted success and want more • Operations are tested • Established some credibility as 3PM	• Experienced as 3PM firm • Able to say "NO" • Adept at contract negotiation • Learn from mistakes
Traps to avoid	• Roster of eclectic mediocre managers • Inability to say "NO" • Poor contractual terms leave 3PM exposed • Distraction by operational issues • Weak manager due diligence • Non-compliance with regulations	• Frustration outweighs patience • Holding onto weak managers • Retainer appeal vs. salability reality • Repeating mistakes • Quitting at the wrong moment	• Too picky re: managers & terms • Reluctant to adapt • Building high fixed costs • Dwell too much on past successes
Future priorities	• Focus on creating "success stories" • Change what is not working • Opportunistic…with a 1-3 year plan	• FOCUS on what you do best • "it only takes one" • Say "NO more frequently • Delegate non-sales responsibilities	• Leverage past successes? • Don't "rest on laurels"? • Don't forget everyone is catching up