



Profitability Over Revenue

Profitability Plan

- Build a Company That Pays Employees Well
- Ensure That We Are Setup to Weather Any Storm
- Be Able to Provide Profit Sharing Options
- Build a Company People Love to Work For
- Allow Us Peace of Mind in Finances So We Can Focus On What We Do Best.
- Create New Sources of Revenue



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1. Phase One - What Makes Foxtail Shine?

In order to effectively increase profitability, Foxtail Marketing must first identify, what makes us unique? What is our bread and butter?

Is it a particular service, industry, niche? Where do we succeed? Where can we destroy our competitors?

As we identify this, we must keep in mind the future of marketing as well as the marketing/sales alignment in order to position us to be ahead of the game. As agencies, we can not be everything to everyone, we have to establish what sets us apart. We must specialize.

1.1. Messaging Around Our Core Competency

Once we have identified our core competency, we must ensure that we are positioning our product to align with this message. A total overhaul of our messaging is likely to be needed at this point.

- Does the website reflect our core products and services?
- Does our marketing efforts align with our new message?

1.2. Sales Training & Alignment

Once we have made all branding/messaging positioned to fit our core values and competencies, we must train our sales team to be able to consult potential clients using the new positioning.

- Our sales team will not accept any new client, they must diagnose potential clients problems to see if we are a good fit for their needs based on our core services. If not,



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we will not engage with those clients.

- Our sales team will learn how sales is changing, and learn to assist clients, not pitch clients.
- The sales team will also need training on how to set expectations based on our new core values.

1.3. Fulfillment Training and Alignment

As we identify our core competencies and values, we must train the teams to set them up for success with our new processes and services. The team must understand the vision of the company, and buy in on our new values. Based on what is determined, there may be several additional steps added in this process. This step will happen after we have identified our gameplan on how fast we want to implement these items.

Based on our values, we must ensure that we communicate our vision to the team. Create a culture of efficacy, and a vision of less = better when it comes to employees.

1.4. Build the Company on Values

In order to build a profitable, successful company. We must use the values and positioning we create to build every aspect of the company. From hiring to firing, training and leadership, sales, and every facet in between. We must be consistent with our values moving forward.

Success is driven by actions & decisions, and we must choose to focus our core on our values.

Our Values > Inform > Perspective > Guides > Response > Influences > Outcomes > Produce > Success

2. Phase 2 - Employee & Company Value Audit

Based on our core competencies, in order to ensure that we are setup to be profitable, we need to ensure that we have the right people on the bus to make that happen. An in depth audit of our new company standards & philosophy and if/how they fit into our new picture.



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We will also want to identify our own flaws. A 360 Degree Review should be performed of the executives, and Foxtail as a whole to ensure we have all the information we need to implement changes that will increase profitability, happiness, and overall health of Foxtail Marketing.

2.1. Employee Audit

- Employees must buy-in and align with Foxtail Marketing's Core Competencies & Values if we are to increase profitability.
- We must evaluate each employee against what we identify to be our core competencies and values.
- Once we have compiled all of this data, we will be able to make informed choices. This will need to be done for each and every individual employee.

2.2. Executive 360 Degree Audit

- We cannot make informed changes without informed data. A 360 Degree review of our executives, and our company will allow us to implement profitability changes based on data, and ensuring no assumptions are made. These should be made to be as raw and real as possible.

2.3. Aggregate Data

Once we have employee, executive, and company data, we will compile this data and hold a meeting to see what can be garnered from the data to assist us in the next steps of the process.



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3. Identify Current Profit Margins

In order to accurately increase profit margins, I will need access to current margins. In order for me to succeed with this BHAG, I must be given access to payroll, credit card finances, revenue sources, and all company finances. Without having accurate numbers of our current profitability I will not be able to make data driven decisions or present accurate number improvements.

This will be not be limited to profitability of Foxtail as a whole, but will reach into profitability of employees, projects, and clients as well.

Mike & Sara will purchase and read [this book](#) that contains pricing statistics of over 800 successful digital agencies at this phase of the process as well.

3.1. Identify Current Revenue/Profits

- Audit Current Client Accounts For Profitability
- Audit Current Packages & Matrix's for Profitability
- Audit Current Employees for Profitability
- Audit Foxtail As a Whole for Profitability - including rent, insurance, employee costs, services, tools, culture budgets, third party revenue sources, etc.,

With all of this information, we will define our exact current profitability number, so that we can gauge success of this project, and set benchmarks to improve our profits. We will also want to sync quickbooks & zenefits for easier reporting methods, and ensure Sara has access to all accounting information.

3.1.1. Create System to Measure Profitability Moving Forward

Once we have identified our exact current margins, we will have a starting point of where to improve upon. From there we will need to create a system to evaluate employee profitability, client profitability, and profitability of Foxtail as a whole.

3.1.2. Develop Three Year Profitability Plan Shared With Sales

Every client we sell should have a retainer that is 4% to 25% of our overall company



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revenues. This ensures that teams are able to handle workloads, and that the company is setup to be profitable. We must ensure we are staying within these guidelines.

We will not sell any clients above or below that number.

This means, at our current revenue rate. We should not take on any new clients under \$12,000 monthly retainer or over a \$75,000 monthly retainer.

At a 400,000 monthly revenue rate, we should not take on any new clients under \$16,000 in monthly revenue or over a \$100,000 monthly retainer.

Once we have a 3 Year Plan, the Sales team will need to be made aware of the timeline and retainer values as they progress.

3.2. Identify Timeline of Changes

As we currently stand, we have employee workload capacities maxed, low profit volumes, high salaries, unprofitable client accounts, and a wide variety of other issues. In order to address these issues, we can choose to accelerate or slowly implement changes. We will need to decide our course of action at this point.

We may want to discuss bringing a consultant in at this point if we would like to accelerate the process.

3.2.1. Aggressive Course

An aggressive course of action, would include evaluation of all unprofitable clients or clients who don't fit within our core competencies, and firing them. We would also evaluate all unprofitable or incompetent employees at this stage and fire them. We could drastically cut back to immediately increase profits and quickly realign teams. This strategy would drastically cut back on revenue, but would dramatically impact profits.

3.2.2. Medium Course (Recommended)

The recommended course of action, would be to use the data aggregated to find out which clientele we currently have that are profitable, and to let go of the clientele that aren't currently profitable for us. I believe this would be our 3-4,000 dollar



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clients. We would be decreasing revenue, but increasing profits and setting ourselves up to implement this system easier in the future, as we would have numbers and a timeline to increase our retainer. This would require some lay offs, but wouldn't be as aggressive as the fast course option. As this option is purely data-driven, this would be the recommended route.

3.2.3. Slow Course

The slower course of action, would be to make these changes forward-moving. We would slowly wait til client accounts that are unprofitable or unaligned cancel their accounts. This course would likely be harder on the team workload, but is less drastic and wouldn't involve high levels of changes.

If the slow course is chosen, we can make some immediate cuts to fast track profitability at this point. We would be able to cut the 4-5 employees we know aren't cutting their salaries right now. Namely, Brandon Gutierrez, Morgan, Tyler Clark, Dan, and potentially Steve Hall.

4. Separate Engagement & Resources

There are two types of individuals in a marketing agency, those with engagement minded brains, and those with resource minded brains. These two mindsets should be separated to ensure profitability.

Definitions of Engagement(Account Management/Sales): Selling, growing, reading, pulling, advising, smoothing, leading

Definitions of Resources: Budget Tracking, QA, Managing Deadlines, Objective Pricing, Capacity Prediction

4.1. Why We Must Separate Resources & Engagement?

- Insufficient accountability if not separated.
 - Personality profiles are different. Engagement experts are outgoing, and focused on human relationships. Resources experts are driven by accuracy, and enjoy data. - As such, engagement experts will price things in a way for clients to be agreeable, not in a way that will be profitable.
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- Without a resources structure, each team can easily become their own separate little company inside Foxtail.
- Positioning problems.
- Massive Under Pricing & Over Servicing

4.1.1. How Does This Look for Foxtail?

We need to develop a system to identify scope creep/upsells/budgeting. The teams usually come to me when they need something priced out, but we need to do a thorough audit of the deliverables we have, and assign real dollar values to them, so that we can gauge profitability. And/or find a way to track time spent on certain campaigns. (Not necessarily time tracking, but some sort of system regardless)

- Our hourly rate should bump up to the industry average - \$160 an hour.
- Ops should handle all pricing.
- An audit of our current matrix's, deliverables, must be calculated.
- A system for identifying capacity/profitability must be setup.
- Teams should be afraid of resources, not their clients. Account execs are afraid of the clients. But, they should be afraid of the resources department instead. It's what makes an agency bill more per person. This must be solved to make us more profitable. We'll be busy, but we won't be billing a lot.
- Overall our services should be 20-30% profitable. Yes, we can do some free work, but at the end of the year, 20-30% margins are expected.

4.1.2. CEO & Principal Delegation

As we should not be mixing resources and engagement, we also need to evaluate where we are spending our efforts as principals of the company.

The first thing a CEO or principal must delegate away from themselves is client accounts. Should you meet a client at a networking event, you should not be able to give them a status on their current projects. If you can, you are too close to the account.

Principals need to focus on running the business, and step away from client services. Give employees the tools they need to do their jobs, and then step away.



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5. Setup Employees to Succeed

The Ideal Team - As we evaluate employees, and their place within Foxtail
As we move into a structure for profitability and success, the ideal team setup looks like this:

- Each Team Has No More Than 1 - 5 Clients
- Account Management to Account for 16% of Total SOW
- Each Client Has a 20-30% Margin As a Whole
- Each Client Has a 4-25% Percent of Overall Revenue
- Capacity & SOW Management System Should Be In Place
- Each Team Member Should Have Clear Responsibilities & Leadership

5.1.1. Leadership

Having a competent leadership team will enable success across the board. This will make managements job easier, and improve efficacy and quality of fulfillment.

It is critical to have a leadership team that can align teams, and set them up to win. Putting Leaders in position based on vertical makes it easier to promote to this position, and defines clear responsibilities. This also allows us to have strategists in every vertical.

Proposed Leadership Team:

Director of SEO: Matthew Santos

Director of Content/Social: Darren Faber (Could Eventually be Two Positions)

Director of Demand Gen/Paid Social: Kevin McFadyen

Director of PPC: (Eventual Position)

Director of Creative (Video, Dev, Design): (Eventual Position)

These Directors would be heavily involved in Strategy, QA, Training, & More. It would be too convoluted to have “general” directors do Q&A. It is much too broad, but QAing



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on a vertical is much easier. All Directors would be involved in weekly book reviews, and would be responsible for improving the product in their verticals. This would allow for increased accountability, improved service, and training.

5.1.1. Fulfillment

Statistics show that defined roles allow people to do their jobs more efficiently. As our current positions are rather vague, I believe we may have set ourselves up for some problems. I propose that we consider teams that look more like this:

Account Manager, Content Manager, Systems Manager, Intern

5.2. Agile Marketing

“People can always do more. Employees will always say you need to hire more people, and that they are overworked. We need to bring the message that people can always do more and should do more.

Figure out how to do it. Be efficient. That's how to get a raise, and a promotion.

People who want to get promoted? Quite frankly, being a leader is like having another part time job. It's not easy. It's a huge commitment, but they get paid more and work harder.

Some people go through their careers and never really accomplish anything. By the time you're 40, you want to have accomplished so much that someone has to pay you a quarter million dollars. Send this to message to our employees – people can always do more.”

Notes from HubSpot Conference

Agile Marketing will help our teams be more efficient. Currently, we run in a semi-agile fashion, but adopting agile marketing in full will help us to ensure we are focused on the right things at the right time, and that we are accountable in our teams.

5.2.1. Training

Agile Marketing can be a bit complex with burn down charts, and scrum masters, etc., Foxtail will need to define to which level we want to adopt and train on agile



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marketing. At our current size, implementing agile run teams will be complex, and will require consistent reinforcement through the leadership teams. Training the leadership team on agile marketing will be the first step in this process.

5.2.2. Adoption and Implementation

Adoption and Implementation of agile marketing will likely need to happen after we've established our new structure and processes. Adoption of agile marketing will take a bit of time and resources, but full adoption will make our agency stronger, and should be set into action as soon as possible.

6. Other Action Items

6.1 Identify Other Revenue Sources

As we implement changes, and create a profitable agency, we will also want to look into other revenue sources.

Some Ideas:

- [Sales Enablement as a Service](#)
- Marketing Workshops for Small-Mid Size Business
- Acceleration Packages (Faster Service, Pay More)
- Additional Services IE., (Surveys as a Service, Videos, Partnering with Vox for Traditional Marketing Inclusion)
- Local Business Consulting for a Fee
- Speaking Engagements

6.1.1. Develop Hiring Process

6.1.2. Combine Sales/Account Management For Success

6.1.3. Build A Company People See As Their Career



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