

[Subscribe to AdAgeChina today!](#)

November 19, 2009  
 Welcome, [Tim Williams](#) [[Log Out](#)]

# AdvertisingAge®

Search Advertising Age

[Advanced Search](#)

**More from Ad Age:** [Creativity](#) [Ad Age China](#) [Bookstore](#) [Jobs](#) [Ad Age On Campus](#) [Manage Your E-mail Newsletters](#)

Collective Video® is the world's first audience-driven video network.



## AGENCY NEWS

Stay on top of the news, [sign up for our free newsletters](#)

[E-mail](#) [License](#) [Print](#) [Comment](#) [RSS](#)

### Agencies: 15 Risks You Can't Afford Not to Take

**Viewpoint: Forget the Recession, This Is No Time to Ignore Changes to the Agency Business Model**

Posted by Tim Williams on [11.18.09](#) @ 01:37 PM



**Tim Williams**

Risk-aversion is a natural human trait, and it's one that gets amplified in times of trouble. Given we're all suffering through an exceptionally difficult economy, this is one of those times many of us feel like pulling in our horns and toughing the tough patch out.

That's the worst possible course of action we could take.

As every informed agency executive knows, we're at the nexus of the Great Recession and the Great Transformation of Marketing. In circumstances like these, a strategy of "just try harder" won't take you very far.

Economists are always talking about types of risks you can afford and the kinds you can't afford to take. For those of us in the agency business, the latter bucket of risks is mostly about failing to adapt to the dramatic changes affecting the agency business model.

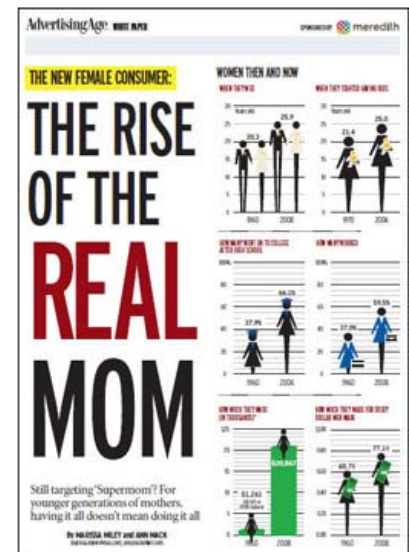
Here are 15 things agencies can't afford to risk.

**1. A skill set built mostly around interruption instead of engagement.** Agencies are used to delivering exposure for their client's brand messages, measured by things such as reach, frequency and cost per impression. With the consumer firmly in control of his or her media-viewing choices and habits, no amount of exposure matters if nobody's paying attention. What agencies sell -- or should sell, anyway -- is engagement. The metrics of engagement are completely different from the traditional media measurements of the past, including attentiveness, receptivity and buzz potential. Exposure is about efficiency. Engagement is about effectiveness.

**2. A digital department in place of a digital competency.** The digital department of the 2000s is like the TV department of the 1950s. The digital revolution has been around

### WHITE PAPER

The New Female Consumer: The Rise of the Real Mom



This Advertising Age and JWT white paper explores what multiple generations of American women want when it comes to family, work and life in the 21st century, decades after the women's liberation movement.

long enough that it's time for specialized departments to go away. Virtually every position that exists in digital departments has a natural home in the already existing functions of the agency. All it takes is a mandate from management that digital will be a competency of the agency, not a department.

**3. Core competencies focused on "one to many" instead of "one to one."** Lots of agency professionals have an irrational fear of data and databases, even though the future of marketing clearly revolves around understanding how to leverage that information. Thanks mostly to the internet, mass audiences can now be identified and targeted in ways that make much better use of marketers' money. Agencies need to move from mass messaging to mass customization. Agencies know broadcasting, but must now learn narrowcasting.

**4. Creating brand-to-consumer communications at the expense of consumer-to-consumer communications.** The agencies that grew up in an era of controlled communications now have to learn how to serve their clients in a world of open conversations. This requires a very different skill-set and service offering. It also means moving beyond consumers as audience to consumers as media.

**5. Lack of analytics and tools to measure effectiveness.** Agencies -- and many advertisers -- still have the wrong-headed view that effectiveness is too difficult to measure. Too many red-herring arguments get in the way of agencies getting more serious about analytics: *Of course* there is no silver bullet for perfectly calculating ROI. *Of course* agencies can't be held fully responsible for sales. But this shouldn't stop agencies from helping clients identify and test the key drivers of brand success. Marketers with leaner budgets want and need to reduce uncertainty, and that's exactly the help analytics can provide.

**6. Production systems that are linear instead of organic.** Most agencies still have a straight-line approach to production, based on a legacy system of trafficking work out the door and then moving on to the next job. But in the digital world, most jobs never die. A website is never done. Online campaigns can be constantly monitored and optimized. Agencies must adjust both their workflow and compensation systems to accommodate production work in real time.

**7. Developing media plans instead of channel plans.** The view of progressive media professionals is that everything is a channel, and what's really needed in place of the conventional media plan is a holistic channel plan that potentially includes all three major forms of communications channels: bought (paid media), earned (non-paid channels such as viral videos) and owned (channels owned by the brand itself, such as online properties, employees, stores, etc).

**8. Placing media instead of creating media.** Quick, name a headline created by Crispin Porter & Bogusky? Chances are you can't, but this firm is considered a creative leader because they take such an inventive approach to where the message appears, not just what it says. The real opportunity for agencies isn't in buying existing media channels, but rather creating channels that never existed before.

**9. Creating brand transactions instead of brand relationships.** We've all heard agency executives say to clients, "Our job is to get the consumer to buy the product once. It's your job to take it from there." Agencies have historically been focused on helping to make the sale. But in a marketplace where the actual experience with the brand forms strong customer opinions that get circulated worldwide at the touch of a button, agencies have a big opportunity to help clients create and maintain positive brand relationships from consideration to purchase to ownership.

**10. Focusing on "the big idea" instead of "big multichannel ideas."** The days of a writer or art director holed up in a room to come up with the "big idea" for a broadcast campaign are over. No doubt brands still need powerful creative ideas to win in the marketplace, but what's needed in place of one big, strategic TV-centric idea is a lot of smaller tactical ideas that can live in a number of channels. It's surprising how many agency creative teams still lack this perspective.

**11. Traditional production staff instead of "producers."** No longer does production just mean press checks and TV shoots. As agencies execute in channels ranging from sidewalks to iPhone apps, the production professional must become a real "producer" with the flexible skills and resources found in branded-entertainment companies.



THE WORLDWIDE LEADER IN NEWS

See where else CNN is #1 →

## AGENCY A-LIST

Ready and Waiting for Your Entries



Here's What to Enter, and How to Enter It

## AD AGE VIDEO

Eddie Murphy's Long-Term Effect on Ad Agency Diversity



The Video Story of Dallas' Marcus Graham Project

## 3 MINUTE AD AGE VIDEO

Marketers as Media Companies: A Disruptive Trend Revisited



Ad Age Editor Jonah Bloom at the ANA Conference

## BOB GARFIELD

Verizon Exiles iPhone to Island of Misfit Toys for the Holidays

Too-Cool Apple Now Finding Itself on the Receiving End of Competitor Ridicule

## WEEKLY ONLINE POLL

Will small digital-production shops working directly with clients turn big digital agencies into unnecessary middlemen?

[Vote & Comment](#)

## 100 Leading Media Companies

Ad Age's annual ranking of the 100 Leading Media Companies, by net U.S. media revenue.

**Premium Content for DataCenter subscribers:** [Media Family Trees 2009](#) database, including profiles, holdings, revenue and articles links for the Media 100.

**12. Expecting account executives to be both strategic leaders and project managers.** While there certainly are examples of the "whole-brained" account executive that is talented both strategically and logistically, these two skills sets rarely come in the same package. By expecting account execs to do both these jobs, agencies are producing persistent client dissatisfaction with the agency's strategic contributions and level of proactive thinking. This is not only because many account people lack the strategic skills, but because they simply don't have the time. Add to that the complexity of managing digital assignments, and it absolutely mandates splitting the traditional account service job into two: strategic planning and project management. (Note that in digital agencies, project management is a well-defined discipline that is taken so seriously that project managers are often schooled and certified by organizations such as the Project Management Institute.)

**13. Continuing to allocate client budgets to media instead of creative.** Consider this:

Q: How much does it cost to reach a million people on a major television network?

A: Around \$60,000.

Q: How much does it cost to reach a million people on YouTube?

A: \$0.

In a world where many of the most powerful media have a cost of \$0, ideas are the real currency of marketing, not money.

**14. A business strategy that attempts to support high-value offerings (strategy and ideation) as well as increasingly low-value offerings (basic production and execution).** Agencies can no longer support the increasingly unrealistic cost structure that comes with attempting to house every possible service under one roof.

There's a reason most "commodity" products (like steel) are made in countries with lower cost structures. There was a time when most agencies' services were seen as high value in the sense that clients couldn't do these things for themselves and they had few other options. But all that has changed, which is why Ogilvy (which produces high-value work) formed the new Redworks (which produces lower-value work). The economics of producing both high-value and low-value products in the same company simply don't compute.

**15. Selling hours worked instead of value created.** It's time for agencies to come to grips with what they're really selling. Clients don't buy your costs (your hours, overhead or FTEs), they buy the value you create for their brands. Yet agency accounting and compensation models are built around time and efficiency rather than outcomes and effectiveness. Especially given the increasing cost pressures from clients, it's time for agencies to start counting the right things and craft compensation approaches that align the economic incentives of the agency with those of the client.

As Peter Drucker once said, "You can't manage change; you can only be ahead of it." Agencies, no matter how smart or resourceful, won't be able to manage their way out of these disruptive changes in the marketplace. They can, however, devote their considerable creativity to staying one step ahead.

**ABOUT THE AUTHOR**

**Tim Williams** is founder of [Ignition](#), a consultancy that works with marketing communications firms to help them create and capture more value.

**16 Comments**

By [Todd Sebastian](#) | Cincinnati [November 18, 2009 04:32:43 pm](#):

Good list, Tim.

On point 12: Agree that strategic savvy and logistic talent rarely come in the same package. And if they do, time to do both is always an issue.

2 thoughts:

1. If agencies delineate between the two -- and clearly expect one group of account folks to focus on being proactive strategic consultants to their clients -- then these

**WHITE PAPER: 2010 AMERICA**

**What the 2010 Census Means for Marketing and Advertising**



2010 America explains what you need to know about the biggest consumer market-research project of the decade: the 2010 U.S. census. Demographics expert Peter Francese, author of this highly readable Ad Age white paper, analyzes what the census will reveal about the changing face of consumers.

**MOST READ MOST E-MAILED**

1. [Starbucks Rings in the Holidays With Big Social-Media Push](#)
2. [Agencies: 15 Risks You Can't Afford Not to Take](#)
3. [Recession May Be Over, but Worst Likely Still to Come for Advertising Industry](#)
4. [Scuzzy Bubbles Are Filthy Little Pervs in Method Video](#)
5. [Verizon Wins Round 1 in Legal Spat With AT&T](#)

Be part of the celebration at The Ad Age Media Mavens Awards Luncheon



Sponsored by ESPN. Join the world's leading media strategists for a celebration of creative thinking, innovation and a look at how the best are preparing for 2010.

[More](#)

**BRANDED CONTENT**

Stay in front of the latest e-business data and trends



[More](#)

**BRANDED CONTENT**

Intelligence for IT Vendors on How Best to Market Your Goods