

Evolve or Die: The Changing Model of the Advertising Agency

by Tim Williams

Between what a lot of clients think they want from an agency (a vendor of services) and what they really need (a provider of ideas) is the middle—where most agencies are today. And the middle of the road is a dangerous place to be.

WPP head Martin Sorrel recently reported that more than half of the agency holding company's revenues are from non-advertising activities, and he predicted that soon this figure will climb closer to two-thirds.

Large advertisers are dissolving their longstanding relationships with agencies of record and turning to branding specialists, media specialists and CRM specialists to increase the effectiveness of their marketing dollars.

Instead of seeing this as a mega trend, a lot of agencies somehow see it as an aberration. Ironically, instead of being on the leading edge of change, many agencies are on the trailing edge, lagging behind much more conservative institutions, such as banks, hospitals and even accounting firms.

The traditional advertising agency is now facing competition on all fronts. Upstream are the marketing consultancies, brand consultancies and research firms—all claiming to provide the strategic planning offered by agencies. Downstream are media firms and production houses, some of which are now getting into the business of concept development.

It's no wonder fewer and fewer clients think that they need an "advertising agency."

A Changing Business Model

No matter what the industry, business leaders do their best to avoid the idea that their business model may be changing. But the incontrovertible truth is that over time business strategies in a given industry converge.

Companies in similar categories adopt similar practices. They begin to look, sound, think and act alike. In the advertising agency business, which is well over 100 years old, it shouldn't come as a surprise that many firms are stuck in a business model that has outlived its usefulness.

Even the name "advertising agency" is a problem. "Advertising" refers to paid media, and "agency" connotes the idea of commissioned agents. That's not really the way most "advertising agencies" want—or need—to be perceived by prospective clients.

There are, of course, things that agency executives tell themselves to try to feel better about this. "We're just going through a rough spot right now," or "Things will improve as soon as the economy picks up," or "If only we were in a different part of the country."

But the reality is that the traditional agency business model doesn't work the way it used to.

Leading the Transformation

This is new territory because agencies have the mindset that they're only supposed to be involved with the "soft" areas of marketing—activities that revolve around brand awareness and preference. They think "hard marketing" is the client's domain—areas such as pricing, distribution, sales and even the product itself.

But there's a third domain, a link between soft marketing and hard marketing. It's the domain of evaluating and improving the consumer's experience at all points of contact with the brand. Everybody talks about it, but in most cases no one actually *does* it. It's just not a traditional area of responsibility for either the agency or the client.

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Said another way: today's agencies are focused on the traditional manifestations of the external brand. Clients are focused on the basic aspects of the internal brand. Which means that the role of the agency of

the future is to move from helping clients create and place marketing messages to helping clients evaluate and strengthen the relationship that their customers have with the brand—at all points of contact.

This is a much broader and more valuable role. And it often has very little to do with traditional advertising.

The real opportunity for the agency of the future stems from the fact that most client companies make brand promises they can't keep. Which means that the agency's role shouldn't just be to promote the brand but to help create a positive and authentic brand experience for the consumer.

This means observing how the brand is actually used (which can lead to critical brand insights—"Got Milk" is a good example). It means monitoring the customer's perception of the price/value relationship (this is part of what GSD&M does for Wal-Mart).

And, perhaps most important, it means improving how sales and customer service people interact with customers (this is what The Martin Agency's new unit, BrandInside, does for UPS).

Contact at All Points of the Brand

Can agencies really transform the way they do business? Yes.

But this means that disciplines like brand planning must be re-emphasized, not de-emphasized as part of the new economic reality. If the agency of the future is an expert in brand relationships, it needs brand planning to help understand how consumers relate to and interact with brands.

Agencies now also need to pay more attention to connection planning—helping clients understand how consumers "consume" information and media about the brand. Instead of developing "media plans," agencies need to develop "brand exposure plans." Instead of media planners, they need "brand contact planners."

There's no better example of this than Crispin Porter & Bogusky's work for the BMW Mini Cooper, where virtually everything is considered a potential medium for the message. In the agency of the future, media is no longer a stepchild of creative.

In fact, media is almost part of the creative function. Media people become as important a source for ideas as writers and art directors. And they are thinking well beyond the advertising, and into scores of other touch points of the brand.

Starting a Movement

Ralph Waldo Emerson once observed, "There are always two parties—the party of the past and the party of the future; the establishment and the movement."

The traditional advertising agency is the establishment. Agencies have an opportunity to become a movement—by adopting a whole new way of approaching client business.

In the march to the future, agencies have a secret weapon. The entities that agencies fear most—management and brand consultancies—are able to deliver only on the "thinking" side of the equation. Agencies can provide both "thinking" and "doing"—and in so doing, help clients achieve the continuity that is so important in building a successful brand.

The railroad executives of the 1920s couldn't envision a world in which airplanes moved the traveling public across the country and across the world. Their business model changed, but railroad executives didn't change with it.

The business model for advertising agencies is ready for similar transformation, and forward-thinking agency leaders are helping to create it.

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