New Media Age – October 2009

"Getting ads back on target"

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Performance-Based Marketing

The economic downturn has put immense pressure on marketing budgets. There's a growing recognition that to maximise returns it's increasingly necessary to engage with consumers individually. Online this means targeting, a practice that has received a degree of negative comment in the UK from both the media and the public over the past year.

Events have highlighted that online privacy is as a serious issue for British consumers. However, with straight branding campaigns no longer able to generate the desired results, capturing and employing user data is a key driver for delivering more sophisticated forms of targeted advertising. If online revenues are to grow significantly, then it's clear a solution to the current level of misinformation and mistrust around targeting between the advertising community and consumers needs to be found.

According to usability expert Jakob Nielsen, web users will scrupulously ignore anything that looks markedly like an ad, so any form of marketing that isn't targeted is likely to be an even greater waste of money. The industry needs to find a new strategy to engage with consumers, and there's one easy way to convince the average shopper of the benefits of behavioural targeting and that is to save them cash.

The rising popularity of money-saving online services such as cashback and voucher sites during the recession points to the next stage in the evolution of online marketing. Consumers' willingness to seek out the best offers online would suggest advertising no longer needs to be a one-way street. By engaging with users it's possible to enhance their online shopping experience to the extent they'll opt to receive individually targeted deals. The key for agencies is to think beyond traditional display ads and to consider how to save consumers time and money, rather than marketing to them.

By offering consumers guarantees of privacy, control and an enhanced online experience, it'll be possible to change public attitudes to targeting. Agencies and their clients will equally need to reassess what advertising can and should be in order to make it relevant to an increasingly savvy audience.

Vincent Labey, CEO, Aedgency

"Where is value for agencies?"

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Value is an ever-changing tide. The requirements for specialist skills, a certain level of competitiveness, management teams, succession plans and even to be featured in a publication like **new media age** can add value and brand equity to the bottom line. And as the industry matures, we'll see a polarisation of growth, with well-managed, well-structured companies with a finely tuned offer turning out the best performances.

So where do we see value for agencies in the days and years ahead? Clearly the tide has turned in favour of digitally driven ROI-based marketing and what used to be described as a specialist skill base is now *de rigueur*. Having a great web design offer is no longer enough. Bringing the digital and analogue worlds together in a genuinely integrated fashion is the new holy grail, hence the recent Sapient-Nitro deal.

Now that application has matched pace with technology, we sense the industry is catching its breath and steadying itself for a whole new raft of specialist skills. Some of the big questions to ponder might include: Social media – a major landmark but is it overvalued? Games – bigger than Hollywood but do advertisers want to be on board? Search – is this a catch-up or a slowdown and what's next in the gospel according to Google? Augmented reality – will this herald a new standard of digital creativity?

Seeing the landmark deal between Sapient and Nitro points to perhaps the nadir of value within digital and the beginning of a whole new valuation ecosystem. Here was the ultimate signal that digital as 'new media' had finally found its equilibrium point.

Any digital agency acquiring a non-digital business would, in normal times, quickly have found its valuation severely depressed, as traditional agencies have generally been valued at much less than their digital counterparts. Yet earlier this year we arrived at a point where the valuations between offline and online businesses closed sufficiently for a deal of this kind to happen, and no doubt similar combinations are in the pipeline.

As the industry matures and tax rates become more penal, we may see more digital marketing assets seeking to capitalise value in the coming months.

Keith Hunt, managing partner, Results International resultsig.com

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