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Agencies

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Specialisation

Full-service agencies and the network giants all vie for a piece of the digital pie. How does a client choose to get genuinely integrated work? asks Adam Woods

Iris is one of the names that comes up when people are talking about bright, modern agencies with independence and integration in their blood, so it is slightly surprising when iris London managing director Sam Noble discloses that he lifts a mantra from WPP's Sir Martin Sorrell for credentials presentations.

"His quote was: 'the agency of the future ... will not rush thoughtlessly into traditional media or conventional creative executions. It will offer strategies that transcend disciplines; it will be a portal for many talents'," says Noble. "We use it because broadly we are in agreement with him," he adds, "with the exception of the use of the word 'future' – because that is what clients want now."

Networks have always been juggernauts and relative newcomers have often been irreverent, but rarely has the battle among the medium-sized, the large and the very large agencies been conducted on such an equal footing as it is today. Independents are gunning for networks and digital specialists are squaring up to above-the-line shops, all against a backdrop of an unprecedented shift in media consumption and a sense of client dissatisfaction with the prevailing network model.

A recent qualitative study by Forrester Research in the US captures the moment, detailing a major gap between the digital capabilities of traditional agencies on one hand and the client demand for fresh thinking and digital solutions on the other. The report found that, as of the fourth quarter of last year, just 21 per cent of marketers would recommend the agency services they pay for.

Perhaps unsurprisingly, given the global nature of the agenda-setting larger clients, a similar trend is emerging in the UK, where digital activity is growing far faster than most traditional agencies expected and clued-in digital agencies are more in demand than ever before.

"There is strong anecdotal evidence now that major global brand owners are just totally disillusioned with the traditional advertising and direct marketing networks," says Graham Beckett, chief executive of Results International, a specialist corporate finance practice which advises clients and agencies on merger and acquisition activity.

"The waterfront of services the networks offer are completely disconnected from each other, and as a consequence you can see clients seeking out the larger, dynamic independents and micro-networks, which have a much greater entrepreneurial and creative passion and a generally agnostic attitude to media."

AKQA's status as Yell.com's main agency and Agency.com's through-the-line work for Ikea point the way forward. Aegis's glue London recently lined up against Fallon and Beattie McGuinness Bungay for the £10 million Eurostar account, picking up an unspecified slice of work, and against Euro RSCG and Hurrell and Dawson in the £27m pitch for mobile phone operator 3.

Other digital agencies are stealing budgets from above-the-line without venturing far beyond the web. "In sectors like travel and financial services, where online marketing is rapidly becoming the

primary form of business development, digital agencies are becoming the lead agencies," says Beckett.

The major marketing services networks and their flagship agencies have been unpicking and reassembling themselves compulsively for decades in pursuit of the most profitable configurations, eventually settling on the same silo approach adopted by most clients.

But what most of them clearly didn't anticipate was the extent to which digital, having begun to realise its potential, would seep across every other area of marketing and into clients' fundamental business practices. Suddenly, integration is not just an agency catchphrase but an emphatic demand.

"Everybody is going to have a crack at it now, with varying degrees of success and commitment," says Noble. "We argue that hardly anybody is equipped to actually do it."



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or integration?

The difference this time is that the impetus is coming from consumers and clients, not agency warlords. "I think there are enough shifts in the way consumers are interacting with communications that real integration might actually have a chance this time," says Noble.

So how do clients want their integrated solutions served up to them? Well, seemingly, any way that genuinely works.

The balance of opinion suggests that size is not inherently a bad thing, provided there is cohesion. There is certainly a case to be made for agencies of sufficient heft to build multi-disciplinary, client-focused teams which can incorporate numerous media into one solution.

"I believe clients would far rather have a one-stop shop for full-service provision," says Richard Marshall, business development director at Tullo Marshall Warren, which integrated digital with the launch of digitalmw in 2001. "The one-stop approach gives the client greater consistency, not only across strategic planning but also creative implementation. You can ensure a consistent vision, you have one team working across the whole of your account, all in one office."

Mini-agencies

On the media side, Aegis's Carat has won acclaim for its timely restructure, which divides the company broadly into six multi-disciplinary, client-facing mini-agencies of 50 or 60 people each, all sharing best-practice guidelines under the Isobar umbrella with sister outfits glue, diffiniti and de-construct.

"There is no mystery to what we have done," says Henry Rowe, joint managing director of Carat Digital. "We are in a disgusting tower of 12 floors, so literally our biggest headache has been a physical one, but, fundamentally, everyone has been well up for it." The idea of integrating channel planning is so simple in theory that even Rowe hails it self-deprecatingly as "obvious", though many of the agency's clients apparently regard the new set-up as a revelation. "If you ask our Dell client, it has been the best thing that has ever happened," he says.

Such an approach depends on having enough staff to fit out a large number of account teams with multiple disciplines, as Rowe points out. "Each team needs a data person, a digital



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**Gavin Reeder
BLM Quantum**

person, a decent strategist. We have 60 digital people, 25 data planners. I don't think many people have got that sort of scale."

While it is clearly important for digital experts to mingle with their above-the-line equivalents in the interests of integration, it is also important to recognise that digital is evolving fast and can benefit from a focused, hot-house environment. Adherents of the latter dispute the argument for integration.

"Digital specialists need to be in a position where they are talking to each other, sharing their expertise and learnings, and that simply can't happen in such a model," says Gavin Reeder, head of strategy at media specialist BLM Quantum.

Jim Brigden, managing director of The Search Works, adds: "You need to be able to feed your learnings from search or digital into offline media. The good thing about digital is you can see instantly what your sales are, what your return rates are, and our approach is to share that with the offline behemoths so they can feed it into their TV campaigns."

Precedent pitches itself as a strategic, digital and branding agency, and managing director Paul Hoskins notes that digital agencies with an understanding of those three disciplines are as well-qualified as any to take the lead role in an agency coalition.

"What is happening now is what we always talked about years ago – that the web site is starting to become the most important presence for a lot of people, after face-to-face, so we are very often at the heart of the branding discussions."

As important as the ability to provide solutions, Hoskins adds, is the ability to identify instances where something is required which isn't available under your own roof. "I don't think you need to do it all yourself and I think it is detrimental to do it yourself, because what you do then is sell what you do, rather than what the client needs."

The digital discipline has broadened so fast in recent years that even experts acknowledge that no individual can possibly cover all bases. Certain fields demand a specialist touch. Among these are developing technologies such as mobile and in-game advertising, which do not yet represent a sufficiently lucrative niche for most larger agencies, and search, which is complex and time-consuming enough to stand alone. ▶



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How the players measure up

Networked agencies

Pros

Reach – a global corporation managing worldwide communications and sales activity typically needs a network that can co-ordinate across different territories
Breadth – networks incorporate a wide variety of specialists in different disciplines

Cons

Inflexibility – networked agencies still largely operate in clearly defined areas and may have difficulty integrating with other skill sets, even within the group
Tradition – solutions will tend to be based around what an agency does, rather than what a client needs
Talent shortage – most networks admit digital has taken them by surprise and lack top digital talent

Full-service agencies

Pros

Flexibility – the ability to build multi-disciplinary teams around clients
Scale – a degree of scale is undoubtedly a good thing where integration is concerned, particularly where clients require digital and traditional media to be created and planned side-by-side

Cons

Budget issues – full-service agencies will typically add cutting-edge specialists to their teams only once a strong business case can be made for them
Credibility – can one agency really be the best at everything?

Specialists

Pros

Focus – they know their area inside and out and are more likely to offer genuine innovation
Teamwork – specialists have long experience of bolting on to other agencies
Size – they are light on their feet and able to adapt fast

Cons

One-dimensional – their area may be all they know
Size – most specialists focus on a single territory and culture, with no international network

vested interest in their existing business models and it is a very difficult place to start from."

Some are recognised to be trying harder than others to adapt to the times, but they face a number of challenges. One is to find ways to combine the skills of previously separate divisions to offer the kind of seamless integration even the simplest campaigns now require. "If clients go down the network route to achieve integration, they need to take care to ensure they really are going to receive an integrated way of working," says Marshall. "All the skills may be available across the network, but have all the agencies really worked together in a cohesive, effective way before?"

Another problem for networks is persuading clients that their solutions are inspired by a brand's requirements, rather than by an agency's traditional skills base. Noble says: "The Martin Sorrell model gives you a bunch of specialist agencies that are all separate businesses – very clunky and unwieldy."

Skills shortage

Perhaps the most important challenge is incorporating digital into established agency brands in the middle of a skills shortage. "You can't buy your way out of a problem like this," says Rowe.

Some traditional agency networks are having more success in adapting than others. Euro RSCG works alongside sister agencies EHS Brann and Euro RSCG 4D Digital on the through-the-line Peugeot account, and, in December, EHS Brann named Anne Davis, already Euro RSCG 4D Digital managing director, as its deputy MD to help drive digital through the collective agency group. Meanwhile, Leo Burnett group has structured the Leo Burnett advertising operation and its Arc below-the-line counterpart under a single commercial umbrella.

Bruce Haines, chairman and CEO of Leo Burnett, says: "We can say to any client that it really doesn't make any difference where they place the business [within the group] because I sit in a position of complete neutrality."

Undoubtedly, agency networks are having to work hard in a market which currently prizes flexibility and new thinking over firepower and global reach. Specialists and full-service operators are in the ascendant, and the agency landscape may indeed never be the same, but if the past 20 years have taught us anything, it is that nothing lasts forever. ■

"It has always been claimed by the networks that they understand pretty specialist disciplines and they can do them as well as a specialist. In the case of search, we know that is complete nonsense," says Bridgen. "To get the most out of search, you need to understand the client's margin, what they are trying to sell, the conversion rate, what the return on investment is all about, and then manage thousands of keywords across multiple search engines with a pretty complex methodology."

Networks, meanwhile, are enduring troubled times. "I feel sorry for them," says Beckett. "They have got such a legacy of

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