

The future structure of agencies

Digital media consumption is at a tipping point, forcing advertising agencies to adopt a new Third Wave model. Those that don't adapt now will not survive, says G2 Joshua's **Tim Hipperson**

A couple of years ago, there was much talk of the need for change among agencies. More than just the traditional lip service paid through restructure, but a fundamental shift in how the advertising industry does business. It was impossible to pick up a trade magazine without an article mentioning the future structure of agencies. The problem being that the conversations and column inches were, in the main, far too theoretical and removed from the day-to-day, which, as we all know, makes them all too easy to ignore. So has the much talked-about and necessary change been achieved?

In part, yes, but there is still a way to go. In 'Agency models: Time for action' (*Admap*, December 2010), I mooted the question: 'Is it now a matter of do or die?' If it wasn't then, it most certainly is now. An additional 12 months of experience and observation has shown that a clear divide among agencies that do and agencies that don't is emerging. The 'Third Wave' has already begun, and one thing is certain; we'll see the shakeout that has been threatening the very fabric of the industry for the last three years begin to take its toll. We are now in the age of the digital cognoscenti:

- There are currently 52,731,200 internet users in the UK (84% penetration).
- Smartphones account for over half of the

UK mobile market.

- By 2013, the mobile penetration rate in the UK is predicted to exceed 200%.
- Digital switchover will be complete by the end of 2012.
- One in 40 people have a tablet device, and 12% of UK consumers own an e-reader.
- 800,000 households will own a 3D TV set by the end of 2012.
- At the end of 2011, there were 30,470,400 registered Facebook users – a 50% penetration rate.

A mind-boggling set of statistics, but not an unexpected one. The technological revolution continues to gather pace and doesn't look set to slow any time soon. The fact that mobile phone penetration is predicted to exceed 200% is extraordinary; you'll be hard pushed to think of something that beats it – even TV penetration sits at a lowly 97.2%.

With penetration of everything technological, from Facebook to iPads, reaching what might once have been considered saturation point, you would expect doomsayers to extol the end of the road. But this is just not true. The technical landscape has carved out its own evolutionary tract where new iterations leapfrog old developments, almost resetting the clock back to zero. So once Facebook reaches close to 100% penetration, what happens next? Who knows? But you can bet

your bottom dollar they'll develop a new function that means people need more than one account, or have to use Facebook to do something else.

Irrespective of the degree of our geekiness, we are all fast becoming the digital cognoscenti. It doesn't matter if we understand how to programme our own app or think that the cloud is something that produces rain, all of us are becoming well informed about how to use technology (to the right level for our understanding) to support us in our everyday lives. Just because your granny doesn't want voice recognition on her mobile phone doesn't mean that she isn't using technology to enrich her life.

The emergence of the digital cognoscenti will define the Third Wave of agencies – those that are able to successfully navigate the personal communications landscape of individual customers.

The First Wave of advertising dates from the 1920s, when the industrial revolution gave American advertising an enormous boost. New York, and particularly Madison Avenue, became the first epicentre of international advertising. Agencies like JWT and DDB were so successful, they expanded outside the US. In the 1960s, the initial wave gathered momentum and was centred in London and Paris. A new creative style changed the advertising industry. Agencies like Saatchi & Saatchi and Publicis introduced 'soft-selling'

and redefined the industry.

In the 1970s, a more diverse product range and a larger variety of consumer behaviour forced agencies to become more flexible. This sparked the Second Wave of agencies that emerged in the 1980s. Many of them were breakaways from First Wave agencies. At that time, Bartle Bogle Hegarty and Fallon became the creative hotshops. Yet the First Wave global networks also continued to get bigger and bigger. There was more than enough room, and even more so after the introduction of the internet in the 1990s. The rapidly changing media landscape sparked a number of specialised boutiques, which went on to ignite an extraordinary period of M&A, followed quickly by divestment and then more M&A and more divestment and so on: very common for growth industries.

As the industry matures however, the picture is changing and boutiques are not making the multiples they once were. Furthermore, there is the real danger that the silos that emerged as digital gained momentum are now becoming broken down into even smaller subsets. For example, a new trend is for start-ups specialising in tablet-based communication.

The Third Wave will put an end to this fragmentation. Integration will become a reality and not a buzz word. True, Third Wave agencies will be able to marry traditional expertise with emerging technologies to create a holistic solution for their clients. For brands, this means an agency that can nurture customer communities; from delivering push communications, to creating pull interactions; and from managing campaigns, to facilitate conversation, and more than anything else, listen to what people are saying. In essence, becoming a connected agency for a connected world.

The following is a blueprint for a Third Wave agency model.

1 Content

Content is king. There is a unique opportunity for brands in the evolving communications landscape to engage their customer communities with editorialised branded content – from websites through to dedicated TV channels. A research report from Mind showed that sitting down and doing nothing is in danger of becoming



extinct. Today, doing nothing constitutes browsing the web, watching the TV, flicking through a magazine, playing a game or a combination of the aforementioned. As a result, there is a massive appetite for content and the key for brands is their ability to offer it to customers for free.

Subscription TV packages, including home broadband, have increased in price by an average of 12% over the last year, mobile phone bills have risen by around 22%, paywalls have become more common and newspapers and consumer magazines continue to charge a cover price.

Content is not cheap and, increasingly, consumers are turning to their favourite brands for information and entertainment. YouGov research commissioned by the APA revealed that 65% of consumers want brands to provide fresh content online through social media or their website at least daily, and believe they spend more with brands that do.

2 Lifetime value is dead

Lifetime value is now antiquated and outdated. It is a concept that has long had its flaws, predominately because it attempts to work out the present net value of a customer. In theory, this represents exactly how much each customer is worth in monetary terms, and, therefore, exactly how much a marketing department should be willing to spend to acquire each customer. In reality, however, it is difficult to make accurate calculations of a customer's lifetime value. The specific over-calculation depends on the nature of the customer relationship.

Lifetime value was first popularised in the 1980s, before the advent of digital when the path to the consumer was more direct. As consumers continue to embrace new technologies, brands are now faced with a complex plethora of different touchpoints to navigate. This makes grabbing a prospective customer's attention with a consistent message more difficult. As a result, agencies need to place less emphasis solely on lifetime value and embrace the idea of the 'lifetime experience' of the consumer. In today's multimedia environment, agencies have to ensure consumers receive a seamless experience of a brand, irrespective of how they choose to interact with it.

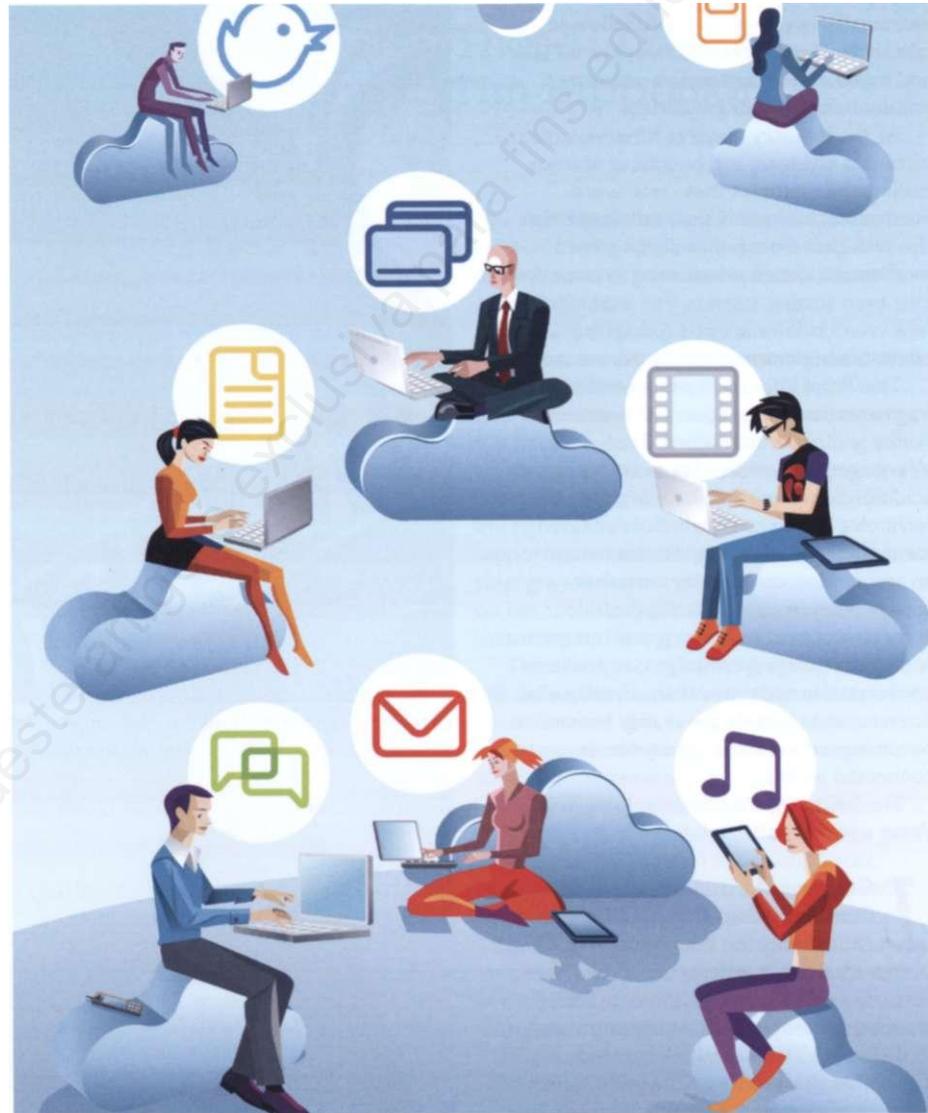
The value of a single customer is an

important element of the marketing process, and having an appreciation of a customer's potential worth is still valid. However, it is now vital to understand and plan the way consumers interact with a brand across numerous touchpoints. The Third Wave agencies will alter the way they plan the customer's journey accordingly.

3 Integrated planning

Integrated planning maps the customer journey from the customers' point-of-view: their actions, goals, questions and barriers over time.

Having a framework for this is crucial as the agency is the custodian of customer interactions with a brand and must orchestrate touchpoints to create a seamless positive experience. Integrated planning, by its nature, is media agnostic and results in commercially driven creative strategies. The planning process starts with the overarching idea, and this is overlaid by channel specific insights and understanding to develop executions that are fit for purpose, taking consumers on a seamless journey from brand consideration to sale and repeat purchase.



4 Real-time insight

Real-time insight is crucial to the integrated planning approach. The influx of technology into our everyday life has sped up our expectations of everything. The days of the 28-day delivery period are long gone and we have become a society built on impatience. I call this the emergence of 'nowconomics'. With this comes an expectation of agencies to know everything in the now – and with the continued prevalence of social media, this expectation from clients isn't unfounded.

Agencies must be able to listen, test and review in real-time. At G2 Joshua, we have introduced the Social Media Brand Cloud in our reception, which is a real-time infographic of social buzz surrounding client brands. All of our teams can access this data direct from their desktop and interrogate it in more granular detail to gain an understanding of the brand in real-time. Agencies that are unable to access and interpret real-time data are letting clients down.

5 Marrying quantitative with qualitative

The near ubiquitous availability of real-time data means that many agencies are experiencing a 'wood for the trees' moment. Having data at your fingertips can actually impede the planning process, therefore, it is not enough to have the capability for interrogating the social sphere for insight, you need to have the wherewithal to know what to do with it. Hence, the relationship between qualitative and quantitative research is becoming crucial.

Agencies need to ensure that their account teams are able to understand and interpret the methodology behind a piece of research. This will allow them to combine detailed statistical data and analysis with in-depth understanding of wider consumer behaviour. Any agency that achieves this will be able to act quickly and decisively to reach the consumer and provide value to clients.

6 Co-creation

Co-creation isn't new. However, its inclusion in the list of essentials for Third Wave agencies is due to the fact that there are many differing views in agency land and there are calls for some semblance of sense to come to the fore. Some believe that co-creation will be the scourge of the industry; eventually negating the need for

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agency folk, while others passionately extol its virtues in that it brings consumers closer to the brand, immersing them further into their purchase journey.

For the Third Wave, however, this polarised spectrum is largely irrelevant. Whichever side of the fence you sit on doesn't matter. What does matter is what is right for the customer and the brand. Co-creation shouldn't be a 'me too', nor should it be open to all customers. The skill lies in identifying the most relevant customers and the right format. For example, the US has seen a huge surge in brand-led crowdsourcing sites, while this has yet to take hold in the UK.

However, for Third Wave agencies, the real opportunity that co-creation affords is the ability to tap into customer communities and test ideas in real-time. Never before have agencies had so much access to live customers, and this should be the single most important resource for agencies moving forwards. It also serves to triple underline the absolute necessity of the accessibility and interpretation of real-time data.

7 Optimise online media buying

The real-time theme continues. The insights now need to drive online media buying. Today's practice is too cumbersome and unwieldy. It can't keep pace with the growing volume of online inventory. It needs to become far more flexible and quick. This isn't easy as it involves multiple parts of the advertising supply chain, from

audience identification through to creative development and ad serving. To optimise the process, data and automation need to play a key role. Third Wave agencies need to have a real-time view of the target audience as well as insight into how given inventory should perform, enabling them to make faster and more appropriate media buying decisions. Additionally, to facilitate the millions of purchasing decisions of what to pay per impression, an automated platform is key. But more important is the ability to analyse, segment, predict and listen to the social landscape and enrich an automated brand message, so that it is automatically generated, based on the real-time feeds.

8 Project, not account, management

And finally, how all of the above is managed. You can't bring about change without putting the building blocks in place to facilitate it. Advertising no longer needs account managers. Third Wave agencies need project managers – people with the ability to juggle multiple strands of activity, bring together and manage a team of specialists and, importantly, make sure that the campaign is delivered on time, on budget and to the desired quality.

The client relationships will be led by the planners who bridge the gap between the brand and the desired target audience. This will demand greater focus on collaboration between departments, with the expertise of practice leaders, elevating them to the role of a consultant and creating a more agile and fluid agency structure.

SUMMARY

The Third Wave is gathering momentum and there is a risk that some agencies will be left behind. This change has been on the horizon ever since the internet became an integral part of our lives, but the economic climate has meant that it really is now a matter of 'do-or-die'. As consumer confidence returns, brands need agencies to be on the front foot and connect them to valuable consumer communities. Only Third Wave agencies will be in the position to do this.