

'Media agencies can become easy targets'

His trademark smile hides the anxiety about the tough times media agencies are going through due to the economic slowdown. But Sam Balsara, chairman of Madison, feels things would improve from now on. "We had predicted that there would be a drastic negative impact in the first six months of this calendar year, part of which would be made up in the next six months. The market is behaving as per our prediction," Balsara tells Sapna Agarwal in an interview. Excerpts:

Marketers are looking to cutting costs all around, including agency fees. How are media agencies coping?

I admit agencies can become easy targets of special project and procurement managers, who have little understanding of the marketing eco-system or little stake in the business, to achieve their short-term KRAs. Media agencies today offer a comprehensive service, including consumer/market understanding, analytics, data crunching, media planning, buying, releasing, monitoring, billing, collection and payment to media, and bear the financial risks for a paltry return of 3-5 per cent. Any erosion in this would seriously affect the quality of work and harm the advertisers' return on investment in a major way.

It's not only agency fees, marketers feel that mass media is also overly priced.

Indian channels are paying too high a price for content, given the Indian standard of living

and costs. Media owners need to get together and control their distribution costs very tightly to enable them to offer advertising at a lower cost per unit. Lower advertising cost per unit of advertising will stimulate demand, increase sales and consequently increase the advertising pie.

Marketers are also diverting much of their advertising budgets to promotions and are offering consumers freebies and great discounts. Do you see this affecting advertising budgets?

The last time FMCG manufacturers resorted to this was about six to seven years ago, when they learnt that such quick-fix strategies only help freebie manufacturers and retailers. Having said that, we need to accept that we need strategies which achieve sales and build the brand equity alongside. The only thing the advertiser wants to look at now is outcome, not output.

What about advertising, is it exploiting the mood and the current economic scenario?

On the creative content side, I haven't really seen campaigns that are exploiting the current mood of consumer-cautiousness. What the middle-class consumer is looking for today is acceptable quality at a reasonable price versus highest possible quality at premium prices, but products and campaigns are yet to exploit these sentiments. A good example of a brand exploiting the current slowdown is The Leela

with its recession-proof holiday scheme.

You had predicted a 2 per cent growth for media this year as compared to 17 per cent last year in your annual media report. How has the market behaved in the first four months?

We were the first to caution the industry about the impending slowdown. Our report was based on an expectation that there would be a drastic negative impact in the first six months, part of which would be made up in the next six months. I would say the market is behaving as per our prediction.

With media fragmentation, the recession and pressures to reduce costs being a reality, what is the way forward for media agencies like yours?

While we have done a good job of acquiring and nurturing specialist skill sets in a lot of areas like outdoor, mobile, rural, public relations, sports and events in addition to mass media services, we will now focus on offering these services in an integrated way, or more simply put, offer all the benefits of specialisation through a single window. But that, as honest media agencies will tell you, is easier said than done! In a couple of years, many media agencies should have a robust business model in this area.

Is there any expansion planned?

Our neighbours seem to be more badly affected by the slowdown than us, which makes it a good time to expand to these geographies. We also have as many as 20 units offering services in 10 functional areas, but there are still some gaps like direct marketing, which we should fill in the coming years.

