

RE-ENGINEERING TODAY'S ADVERTISING AGENCY FOR TOMORROW

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The pace of change has become so frenetic and more importantly trends so erratic, that to survive you need to be able to 'see' tomorrow. Success today, is no guarantee of success tomorrow. One is familiar with business tycoons, consulting pundits to select an auspicious day and time for a factory inauguration or a wealthy, kitty party-going society butterfly consulting a Vastu Shastra practioner for advice on which direction her husband's bed must face, but I wonder if the time is not far, when business strategists of today will feel inadequate and be compelled to give berth to the Majorie Orrs or Bejan Daruwallas on their boards to help them better 'see' tomorrow's business scenarios.

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Business Scenario 1

First, let us see what the business scenario related to our business is going to look like soon.

Whilst it is true that globally and even in India, agglomeration is taking place and will continue to take place with big fish eating up small fish and that in every market, every company will want to occupy one of the top 3 slots in terms of size or market share, with these advertisers becoming tyrants and dictating and demanding a range of top quality services at unremunerative prices, I actually see a phenomenal increase in the number of advertisers, albeit medium and small who shall seek out the services of advertising or communication agencies.

A back of the envelope calculation tells me that today about 120 agencies service about 2500 advertisers all over the country. It is my belief that this number of 2500 will sharply increase to 4000 or even 5000. This large number may not all want advertising, as our media barons in press and TV understand it, but this large body of advertisers will need an advisory service in the area of selling and communications. The rate of increase of this number of advertisers will actually be dictated not by the propensity of these clients to consume our services, but by agencies' ability to service them and offer them cost-effective solutions that work for them in the short-term, defined as one year, at a price that is remunerative for the agency.

Agency response:

Obviously one would require two very different types of agency structures to meet the needs of the big fish and the small fish. I am not saying that the same agency will not be able to meet the requirements of both, but the same agency will need to have two different types of structures to meet the two needs. In case of the large advertiser, the present structure with one large full service agency and separate independent units for media, promotion, PR, direct marketing, etc. should suffice. Because large advertisers will themselves have talent and skill sets and more important the confidence to selectively choose only those of the agency's services that they need or feel that the agency is particularly good at. The large advertiser at the full service

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agency will probably have to do away with the luxury of having Client Service Executives hovering around to carry artworks, do minutes and spend half the time reminding the client of what he has to do and ofcourse chase payments. I say this because I believe the remuneration offered by these large advertisers will force agencies to cut down all unnecessary expenditure and perhaps reinvest that on Strategic Advisors and creative people to strengthen their competitive advantage. Also, I presume in the new scenario with all the techno stuff that we heard about yesterday, available to us, there will be greater accountability and responsibility and each function within the agency and at the client's end will do their job completely, thoroughly and on time so as to obviate the need of a co-ordinator. Perhaps the large but not so large advertiser may even be tempted to do away with the Brand Manager, function if the agency can earn his confidence and the agency's strategist can be relied on to perform this function. This would optimise cost and increase the input-output ratio.

On the other hand the structure required to service the medium or the small advertiser would be very different. Such an advertising account would have to be headed and led by not an Account Director, but what I would call a Business Director and where the person would differ from today's Account Director is that he would be equally conversant with every discipline of communication including direct marketing, PR and promotion and not just advertising. He would also need to have a strong business and commercial sense and be committed to delivering profit to his client, rather than be worried about what his colleagues would say about the quality of his work or

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campaign. He would also play the role of Brand Manager to the advertiser, not just because the advertiser cannot afford to hire one, but also because the advertiser will not be savvy enough to attract one and deal with. To better describe the role played by the agency to the client, perhaps such a structure should be termed not an ad agency but a marketing agency.

Business Scenario 2

Secondly, in terms of tomorrow's business scenario, whilst advertisers will invest heavily in brand-building, their impatience with advertising will come into sharp focus. The breed of Marketing Managers who genuinely believed that Advertising takes time to work, is extinct. Advertisers will believe that if it doesn't work in the short term, it won't work in the long run and the definition of short term will get shorter and shorter.

Agency response:

To respond to this scenario, agencies will need to cultivate a new breed of creative people or really recalibrate today's creative people who perhaps could be renamed as "Solution Providers" who are less obsessed with beautiful sunsets and snow-clad mountains, as we saw in our curtain raiser. And those who do not have a natural apathy to anything that is bold, direct or simple. Whilst it is indeed true that we need to develop the advertising sensibility and sensitivity of our masses (like Britain has done), to understand and respond to the language of advertising, we need to recognise

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that our target audience is intelligent, alert and responsive, provided our solution providers provide the right stimuli or press the right nerve.

Business Scenario 3

Market shares of established brands will become erratic. Brand loyalties will reduce sharply. Not only will I not use what my father used, but also I will want to use something other than what I used yesterday and not because I was unhappy with it. Change for the sake of change. Market shares will increasingly be dependant upon the brand offering of the day in which its historical position will play a small part.

Agency response:

If a creative person is as good as his last campaign, the time is upon us where a brand is also as good as its last campaign. Given this, the agency will need to develop a mechanism to conceptualise, test and execute campaigns in 1/10th of the time that they now take. In tomorrow's fast paced work, nobody will have time, least of all a brand who will continuously be challenged by other brands. Agencies, which adopt a 24/7 work ethic, are clearly going to be winners. If printers, typesetters (in the olden days), computer animation artists, filmmakers can offer services round the clock, there is no reason why agencies cannot or should not. Agency managements will need to develop a structure that enables them to offer their services round the clock.

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Business Scenario 4

Share of Mass brands will be eroded by a large number of niche brands, made viable by consumers' need for individuality and availability of targetable media like localised or specialised publications and channels, of course the net and interactive media, and perhaps telephony.

Agency response:

This is ofcourse good news for the smaller and medium sized agencies and is probably one of the reasons why they will continue in business and survive if not thrive. Agencies though will have to figure out a way to provide inputs to brands that are commensurate with the agencies earning on those brands without there being any cross-subsidy. Today, within the agency big brands support the small brands of the same advertiser and perhaps to some extent medium sized advertisers support small advertiser within the agencies.

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An important area that I think agencies will need focus upon is that how they can make advertising work more effectively in the advertisers' interest. I submit to you that advertising works today much less efficiently for the advertiser than it did 5 years ago and if we continue in the same vein it is going to work even less effectively. Over the last 6 years the advertising market has grown from under 2,000 crore per annum to over 8,000 crore per annum, taking spends only by advertisers through about a 100 advertising agencies. Which means an increase in investment by the advertiser of 6,000 crore. If we assume an average Advertising to Sales ratio of 5% this additional investment of Rs. 6,000 crore should have led to an increase of 1,20,000 crore in terms of advertiser company sales.

I suspect this hasn't happened and the actual figure may probably be not even half-way past this mark. Who is to blame for this reduction in the efficiency with which advertising works today for the advertiser?

Obviously the Indian consumer is maturing and whilst his propensity to buy has gone up, and is ready, the porosity of the veil that he or she employs to filter and receive advertising messages has reduced. Last year about 50 channels beamed out 51 million seconds of advertising, an increase of 20% over the previous year and the year before the increase was a staggering 50%.

An area that advertising agencies should concentrate on to achieve better results for the advertiser is pre-test research. Current methods, I dare say are woefully inadequate and throw out the baby with the bath water. They have the ability to reject a 100 ideas and perhaps select 10 which can achieve somewhat moderate success, but certainly lack the ability to select that 1 idea which could exponentially increase the brand's sales. Given current structures and remuneration patterns there is no incentive for the research agency to invest time and money to identify or even support that 1 idea. To my mind the advertising agency, because of its obvious vested interest will have to invest in arriving at a research methodology that can identify that 1 idea. And agencies would have to look upon this as a cost centre, rather than a separate unit with a revenue target and as a profit centre.

This article is based on a talk Mr. Sam Balsara gave at Future Shock, Chennai, 2001.