

What is the Future of the Agency?

The increased responsibilities of 21st century marketers are not only exceedingly complex, but carry far greater levels of accountability in our new era of “big data” and social transparency. The agency landscape, too, has become more complicated. With the growth of micro-networks, the emergence of digital and social media specialists, and the unbundling of so many core agency services, it’s a challenge for any marketer to keep up-to-date, especially on a global basis. However, the agency world has also become more pressured with greater demands for talent, new resources, tracking tools, collaborative structure, and the ever-present overlay of economic realities increasingly affected by procurement guidelines.

How do the agencies themselves envision their future? How do the consultants who work with them and their clients on issues ranging from search to

remuneration view the next several years of the agency business? The Internationalist has looked at various agency visions during one week in the last quarter of 2012 by attending AdForum’s agency CEO Summit, along with agency consultants from around the world.

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What follows is an amalgamation of key themes shared by agencies and discussed by consultants. Among the top issues:

- Understanding the organization of the advertiser and the business model of brands is critical to an agency’s success and longevity.
- Defining and executing “Integrated Solutions” is an issue that brings heated debate.
- In a world where “everything is digital” and the line is blurring between integration and specialization, there are varying point of view on generalists v. specialists.
- One solution no longer suits all in terms of agency structure and relationships
- New thoughts on emerging on concepts of “best practice,” “user ecosystems,” and “story 10.

The marketing and advertising consultants surveyed include the following individuals. (Most have worldwide affiliations and global reach; however, their home city is noted).

- **Avi Dan**, Founder of Avidan Strategies LLC (New York)
- **Jeff Estok**, Managing Partner of Navigare Pty Ltd (Australia)
- **Will Hamilton**, Managing Partner of Hamilton Associates (London)
- **Greg Paull**, Principal of R3 (China)
- **Stuart Pocock**, Managing Partner of The Observatory International Ltd (London)
- **Fabrice Valmier**, Co-Dirigeant of Groupe VT SCAN (France)
- **Darren Woolley**, Managing Director of TrinityP3 (Australia)

What do you anticipate for the continuing evolution of the agency business?

“One of the hallmarks of the advertising agency,” says **Darren Woolley**, Managing Director of TrinityP3, “is the ability to adapt to the needs of their clients, the markets.” We are seeing this constantly with the increasing emergence of the purpose-built agencies by some of the holding companies, along with the continued emergence of interesting and innovative independents, and the success of the micro-networks who shrug off the burden of bricks-and-mortar presence in every market to service clients across regions. The one thing that is clear is that one solution no longer suits all. The complexity and diversity in the market is driving diversity in the marketing strategies of clients and this is driving diversity in the solutions

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their strategies and their markets.” Instead he believes in a permanent beta testing approach. Best practice he says means “the idea of testing and learning and testing again. This approach is seen in the move from the traditional military style of campaigns to the always-on engagement we see in social and digital marketing where we are working to respond to the complexity while continually learning from the results.”

According to **Jeff Estok**, Managing Partner of Navigare, “one of the biggest changes for traditional creative agencies will be their evolution from ‘Storytellers’ to ‘Story Amplifiers.’” He adds, “When you look at the ‘step changes’ that creative agencies have gone through, there have not really been that many. Their genesis was largely as providers of ‘information.’ Others added the element of creativity and entertainment. The Brands owned the communication, and it was one-way. Today, Brands are no longer the sole owner of the story. Consumers are invited to co-create, and sometimes are the uninvited originators of stories. This is a game changer for the traditional creative Agency. Those who adapt, and become ‘Story Amplifiers,’ will continue to be seen as partners on the journey. Those who don’t risk becoming marginalized, and viewed as ‘narrative boutiques.’”

Avi Dan, Founder of Avidan Strategies, believes that “agencies will have to adapt not only to the digital age but to the fact that marketing will become more focused on the business models of brands. Reinventing the business model of brands will become the new currency of agencies, and those who can’t adapt will perish. The business model of brands will replace traditional advertising as the primary way to engage with consumers.”

Like Avi Dan, R3’s **Greg Paull** thinks the future of agencies is dependent upon them providing a more holistic approach to today’s marketplace and their client’s

business metrics. “Instead of viewing the world in communications silos,” he says, “they need to do a better job of aggregating a communication strategy aligned with the business needs of the client.”

Stuart Pocock, Managing Partner of The Observatory International, touches on the much-discussed and sometimes sensitive topic of integration. “Invariably,” he says, “clients are looking for truly integrated solutions – and from one Agency source. This is somewhat of a holy grail at the moment as few Agencies (whilst they may claim to) can genuinely deliver seamlessly.”

Fabrice Valmier of France’s Groupe VT SCAN would agree with Stuart Pocock. According to Valmier, “Real integration will be THE major challenge for the agency’s future.” He continues, “While the challenge for advertisers is integration in terms of coordination, agencies sometimes view integration as an issue of control and compensation.”

Hamilton Associates’ Managing Partner **Will Hamilton** has a slightly different perspective. He says, “Agencies have to realize that their growth will come from being business consultants – demand generators– connectors- that in turn will be supported by outstanding creative solutions.”

What specific recommendations do you have for agencies as they aim to “future proof” their business to meet changing demands and deliver more solutions for their clients?

“It is important for agencies to be distinctive rather than different to provide a clear sense of choice,” says TrinityP3’s **Darren Woolley**. “The danger for agencies is trying to be everything to everyone because they invariably end up being nothing to anyone. This is driving

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the commoditization of the agency category. With an oversupply of agencies in almost all markets, it is almost impossible to be different, but the most successful agencies are usually distinctive, either by accident or design. Distinction can be found in capabilities, specialty, location, philosophy, process... in fact any number of areas of agency operation.”

Interestingly, Navigare’s **Jeff Estok** offers a similar point of view. He recommends, “Be ‘best of class’ at something, rather than be above average at a lot of things. Know what you are great at. And understand how you can add value to your client’s business. There is often too much focus on getting things done, without the added big-picture value for which Agencies were once famous.”

R3’s **Greg Paull** bullets a number of key points:

- Agencies need to have a clear global approach that is broken out by specific regions.
- If they are a limited resource, they need to be able to work with lead agencies and be additive to the overall communication strategy.
- They need to focus on messaging and creative that drives their clients business and is relevant in the channel context.
- They need to have strong behavioral data and analytics to stay consumer centric.

Groupe VT SCAN **Fabrice Valmier** suggests that agencies should think first about their organization as collaboration becomes an increasing priority. “One of the areas for improvement for the agency of the future is to insure that the client clearly understands its business model. This will help agencies more easily defend the scope of their actions and enhance their credibility with both advertisers and purchasing teams. Next, they must become expert on measuring the effectiveness (not cost savings) generated by their actions. The more that agencies can prove the ROI of their actions, the better they justify their remuneration.”

As the media and technology landscape continues to rapidly transform, how do you view the need for an agency’s digital integration v. digital specialization?

“Every Agency will now claim proficiency in digital, so the line is blurring somewhat between integration v. specialization,” says **Jeff Estok** of Sydney-based Navigare. “I look for those Agencies that have moved

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on from the technology and are now focused on the user. Those that are actively mining Big Data; linking it to how users apply media technologies; and then aggregating, and customizing, experiences for these user groups. Never has it been more important to look for those partners who are using data to help transform their clients’ companies--regardless of whether it comes from a specialist, or through integration.

R3’s **Greg Paull** asserts, “Integration is key and specialists must be able to work within the existing client strategic communication framework or work with other roster shops to effect a change. Digital is a channel and represents a means, not the end, in driving client business.”

The Observatory’s **Stuart Pocock** says, “All agencies need digital at the core including data, but we believe they need to be ‘generalists’ rather than ‘specialists’. Techniques and specialisms will increasingly be bought from ‘boutiques’ rather like art is currently bought by Agencies. No Agency employs 50 different illustrators to deliver different styles – the overhead would be enormous. They simply find the most appropriate one for the task and get them to execute. We think this will be how digital specialisms will be bought, for the same reason (plus keeping up with technology is a challenge in itself). We think there is little future for pure play full service digital Agencies beyond acquisition.”

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Trinity P3’s **Darren Woolley** agrees that “Everything is digital, so an agency that does not get digital does not get marketing communications. But this does not mean that there is no place for digital specialist. It just means that digital specialists need the true depth of technology capabilities. Digital ideas can come from anywhere. The receptionist can come up with an idea for a mobile app or the CEO a Facebook idea. But it is in how these are integrated into the technology strategy within the company and executed across the technology platform that is increasingly important. Too many agencies who say they get digital still develop and execute in campaign fashion, with the technology largely disposable. But true technology strategies understand that within the digital platform, ideally everything is interlinked and builds on what is there.”

Will Hamilton adds, “Story-amplification has replaced story-telling and media ecosystems have replaced media channels. Digital is an ecosystem in its own right, and agencies have to be able to deliver to every one of their client needs - and live within that ecosystem.”

According to **Fabrice Valmier** of Groupe VT Scan, “Everything depends on the organization of the Advertiser.” He continues, “What is certain is that today there are advertising agencies and digital agencies. And tomorrow there will be communication agencies with a lot of digital inside. Meanwhile, it is the organization of the advertiser that determines an agency’s integration or specialization.”

What are your recommendations for advertisers as they work with an increasing number of agencies?

“Marketers have too many agencies, says **Avi Dan**, “Especially when it comes to creative agencies and digital agencies. In a survey that we fielded recently we found out that that a quarter of all Advertisers have over 100 agencies and 60% have over 50 agencies and marketing services companies. It is impossible to manage such a diverse group efficiently. We tell our clients that agency management decisions have to be centralized and rosters need to be streamlined.”

Stuart Pocock agrees, and gets to the point quickly: “Work with fewer, more-integrated agencies.” Will Hamilton says, “Manage the roster well and try to brief agencies together; it’s a case of the whole being better than the sum of the parts.”

Jeff Estok recommends that marketers should be clear about their needs from the start. He asks advertisers, “What Comms model are you using? What is each Agency’s role in the mix? How are you measuring their contributions? And finally, make sure that you re-look at your scope and resourcing- constantly. What you needed three or six months ago will probably not reflect what you need for the next three to six months. And without diligence in resource planning, both you and your Agency partners run the risk of under-delivering.

“Beyond the discussion of integration and collaboration, two key topics are emerging. Co-creation is becoming increasingly important, while the rise of Talent Management is becoming the new Holy Grail for Agencies.”

Fabrice Valmier, *France’s Groupe VT SCAN*

“Advertisers need to provide a clear brief and ‘rules of the road’ for agency collaboration,” says R3’s

Greg Paull. “Marketers cannot play one agency against the other; they must set a tone for collaboration based on their business goals. Our recommendation is that advertiser systematically build better working relationships with their agencies and provide clear feedback with respect to a particular agency’s performance in terms of meeting the brief.”

“There is a lot of talk about collaboration,” says **Darren Woolley**, “but the fact is that most relationships between marketers and agencies are not collaborative. In 2011, the Economist Intelligence Unit produced an excellent paper on the importance of trust in developing collaborative relationships. In this paper they provided a distinction between collaboration, cooperation and coordination, and what was required to deliver each. The first step for marketers when working with multiple agencies is to identify where they require each of these relationships, and then work to align those relationships to each type.”

What are the key areas that marketers now seek consulting advice on agency issues?

TrinityP3’s **Darren Woolley** states, “We are increasingly involved in assisting marketers and procurement to create ‘alignment’ from the marketing and communications strategy to the marketing and supplier structure and processes to deliver that strategy. This also includes insuring that there are suitable metrics to measure both efficiency in the system outputs and effectiveness in the system outcomes. We see this as increasingly the role of Marketing Management Consultants.”

Jeff Estok of Sydney-based Navigare admits, “Collaboration is a current hotbed. With the increasing fragmentation of messaging and channels, and clients bringing in more specialist resources to meet the challenges, collaboration is more important than ever. This is another significant change to the way Clients

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and Agencies operate. Agencies are typically ‘output’ focused. With the ‘Idea’ replacing the ‘Lead Agency’ concept at the center, Agencies and clients now need to be more ‘input’ focused—in order to contribute to that killer idea, without respect to which agency executes it. Clients, of course, need to find new and viable ways to remunerate Agencies for this provision of service as well.”

New York’s **Avi Dan** acknowledges this consultancy works with traditional requests like agency search and compensation, but he adds, “More clients now ask us to improve the way agencies integrate to create a seamless strategy and message across channels. Plus, we are asked to improve the marketing supply chain and eliminate inefficiencies in the creative process and improve speed to market.”

London-based **Stuart Pocock** of The Observatory International says, “We’re doing a lot of work on roster rationalization and improving WoW. Invariably this has a knock on effect with reducing costs.”

Will Hamilton admits that “Advertisers’ consultative needs are changing. It is less about pitching, more about relationship mending and management- and much more about remuneration and best practice.”

“Agencies need to do a better job of integrating the role/ strategy for digital communication with the overarching brand communication strategy,” says R3’s **Greg Paull**. “Data analysis that is relevant and actionable to business metrics. Plus, a more global view of communications needs with an eye towards Asia.”