

The Transactionalization of the Client-Agency Relationship

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The History: Advertising agencies were spawned in the late 19th century in response to the growth of national media. As the national media grew, so did the advertising agency industry. Advertising agencies not only grew in terms of size, but also in terms of scope of activities. As mass marketing became increasingly complex, the expertise of advertising agencies became multi-dimensional and their services to clients encompassed a variety of functions.

By the late 1960s and 1970s, advertising agencies did not just develop and place advertising, but were involved in virtually every aspect of mass communications.

Advertising agencies became marketing researchers. And, while they may not have done actual fieldwork, they were generally responsible for everything else – from research design through project management through analysis and interpretation and finally presentation. They identified the need for research, conducted the studies, drew the conclusions and applied the findings.

Advertising agencies were marketing strategists. They were responsible for a brand's positioning – often creating the brand name, designing the package, helping to set the price, and developing the brand promise. Of

course, advertising agencies were the creators and producers of advertising. They generated the ideas, wrote the copy, provided the art direction and managed the production process – be it print, audio or film.

They even created media. Certainly, in the heyday of radio, it was the advertising agencies, with their large production departments, that wrote and produced radio shows. When television came along, agencies continued to produce shows until the financial and technical requirements of television production outstripped the reach and resources of agencies.

While advertising agencies originated as “sales agents” for the media, they evolved to become the purchasing representatives of their clients. In this role, they became the experts in audience analysis, media strategy and planning, negotiating and buying.

As agencies reduced people per \$1 million dollars of billing, they relinquished various roles... others stepped in and assumed those functions – research companies, marketing consultants, specialized communications firms, media organizations, and even clients themselves.

In addition to all of these areas of expertise, advertising agencies, to varying degrees, became the source of ideas for merchandising, sales promotion, and sometimes even publicity and public relations. Prior to technology-enabled low cost database management, the practice of direct marketing was seen as a separate and distinct discipline and was left to specialized agencies.

Clearly, advertising agencies evolved to the point where they had strong relationships with their clients and were highly influential over their clients' broad marketing activities. With this kind of depth of involvement, advertising agencies began to view themselves as marketing partners with their clients. They saw their role as “stewards of the brand.”

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Whether this was ever true, it is certainly not the picture that we see today.

Today, advertising agencies are paid for work done rather than for value received. This is the culmination of the move away from the commission system, advertising's historic lack of accountability, and the need for advertising services to be answerable to the purchasing and procurement process.

Today, agencies are no longer marketing researchers or strategists. This is clearly the purview of their clients and/or marketing consultants. At best, they are responsible for advertising strategy. Obviously, the creation and production of advertising remains their responsibility. Placement, however, is generally done by a media services agency, including strategy and plan development, and negotiating and buying. Finally, other forms of marketing communications usually fall to specialists who may be owned by an advertising agency conglomerate yet often remain separate and non-integrated operations.

Through this twenty-year plus shift from commission to fees, advertising agencies have continually needed to reduce the number of people per \$1 million in billing. As a result, today no agency has the scope of expertise or the depth of resources that were typical of the advertising agency of the 1970s. As agencies relinquished various roles – whether out of necessity, client prescription or competitive appropriation – others stepped in and assumed those functions, including marketing research companies, management and marketing consultants,

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In the April 25, 2005, issue of *Advertising Age*, there is a story about The Coca-Cola Company creating an in-house account planning function to assume the responsibility for advertising strategy and then using multiple agencies for creative executions. If this were to become a widespread practice, advertising agencies will truly be reduced to a diminished role of generic creative services provider, with clients buying ad ideas on a purely transactional basis.

The media revolution of the 1950s and 1960s – i.e., the explosion of truly mass communications in the form of network TV – created the need for the traditional advertising agency. In the same vein, the media revolution of today – i.e., the explosion of the number and types of marketing communications conduits – demands a new type of advertising agency whose hallmarks are integration, innovation and accountability.

The new advertising agency must be able to create and manage strategically integrated communications – creating not just commercial messages via traditional paid media vehicles, but messages that connect with the consumer in a way that is appropriate to their lifestyle and that will influence their brand purchase decision process.

The new advertising agency must be able to innovate and create for its clients unique opportunities for commercial message delivery. In the past, advertising agencies created media from radio shows to magazines. In this tradition, advertising agencies must become technologically fluent and adept at creating conduits for delivering brand messages. Finally, the new advertising agency must become more skilled in demonstrating the value of their efforts, measuring and evaluating their programs and

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calculating the return on their clients' marketing communications investment.

This requires that agencies reinvent themselves and re-train their personnel. No longer can advertising agencies survive by adhering to the old model. No longer can agencies just rely on creating traditional advertising for traditional media. No longer can agency people operate within their narrow perspective. In the new advertising agency, everyone must become more strategic. Everyone must understand their client's business and its marketing challenge. Everyone must understand their client's consumer and their purchase decision process. Everyone must understand the basis for the brand's strategy. Everyone must understand the architecture of the brand's communications plan. Everyone must understand the client's objectives and how the brand's marketing communications will be measured and evaluated.

This requires that the people in the new advertising agency have a broader foundation in marketing fundamentals. They must have a sense of each of the basic areas of marketing practice – i.e., strategic marketing analysis, strategy formulation, plan development and measurement and evaluation. And while the marketing communications environment has changed dramatically, the principles leading to best practices remain the same.

To this end, Sage & You has developed a set of Core Courses that will familiarize practitioners with these marketing fundamentals, make them conversant with the issues in each of the basic areas of marketing practice, and provide them with practical tools and processes that will help them do their job better.

Other Sage & You courses deal with specific aspects of each of these basic areas of marketing communications practice, leading to a higher level of proficiency. The Core Courses, however, are designed to give the learner a solid footing in fundamentals, provide the accomplished practitioner with additional concepts, ideas and perspectives, and remind the seasoned veteran of important principles that may have been forgotten or fallen into disuse.

While it is presumptuous to think that training alone can change the nature of today's advertising agency, it is also naïve to think that clients will look to advertising agencies for advice and counsel unless agency people alter their perspective. Agencies and their people must become less focused on the advertising itself and more sensitive to the clients' problems and needs, and how

the range of marketing communications can be used to achieve their client's goals. Sage & You Core Courses can be a start.

Over the years in the agency business, the most important part of every big internal meeting (from annual plans board meeting to stockholder meetings) was "looking at the creative" – generally a reel of television commercials – as if the advertising was an end in itself. The agency of the future must come to realize that the advertising – or for that matter, any marketing communications – is but a means. Rather than "looking at the creative," meetings at the new advertising agency should perhaps focus on results achieved for the clients.

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