



NOT BEING ADVERTISED...HOW THE ADVERTISING BUSINESS HAS CHANGED OVER TIME

There are three words which often bother me. "I remember when...." When my peers and friends use them, I always feel like telling them to switch gears and think about today and tomorrow, not yesterday. They seldom comply. Now, having been invited to write about how the ad agency business has changed since I was in it on a day-to-day basis, I suppose I have to "remember when."

If you remember when Channel 10 did a live, (LIVE!) daily, (DAILY!) Network (NETWORK!) show, you're probably as old as I am.

If you remember when ad agencies relied heavily on Type Shops for fast, efficient service, you are probably in your forties.

If you remember when word processing people were called typists and when they used a thing called carbon paper, you are probably in your fifties. (Side effects from typewriters and carbon paper were messy erasures and blue-stained fingers.)

And if you think FedEx, cable TV, B101, All News All The Time, Video Conferencing, and Satellites have always been there, I'm jealous for not being your age.

In the ad business, the only thing that's certain is that what's certain today will not be certain tomorrow.

Which brings me to the agency business and some significant changes that have taken place in my career-lifetime.

Whereas client/agency relationships changed focus from print to broadcast over many years, the changes now move with lightening speed. For example, when UHF television came along, it was big news because viewers in this market could see six stations instead of three. Now, who can keep track of all the video available with cable and internet access for movies and on and on. How will agencies have to adjust? Who knows? We do know that the media challenges that face agencies are already causing several significant changes.

First, some are not fighting the media wars. Many are farming out their media requirements. That means they are actually trusting another organization to collaborate directly with their clients. That's something that was unimaginable just a few years ago.

Second, many of the larger agencies now have very robust Media Divisions and those divisions are involved with sales promotion, sponsorship and even some creative tasks. Many of them actually feel like full service agencies if you study them closely.

Third, agencies must take steps to become more aware of accountability as it relates to their clients' spending. Welcome, Internet Marketing. Just a few years ago, many marketing folks started thinking about one-to-one marketing. Today it's becoming an absolute necessity for agencies to understand Search Engine Marketing, Optimization and other terms which were virtually unknown just five years ago.

Those agencies which relied on creative radio ideas no longer have a fairly simple pallet to deal with. AM radio was dominant and the change to FM dominance took many years. Now we have two major factors which already influence how radio is utilized by the consumer: Satellite and a little phenomenon called iPod. Cost per thousand is still important but specific, measurable results are more important. That factor is pushing today's agencies into thought processes which require greater strategic ability as well as a keen understanding of how to meld communications for image/brand with clients' demand to see sales figures climb as direct ways to measure ROI. Whoever succeeds in finding the best way to turn iPod users into a demographic group that's available as "media" will harvest big rewards.

Think about how Internet advertising has changed and is changing marketing strategy. That new media increased by 21% in 2004. It's projected to take seven billion dollars away from traditional ad budgets in 2005. Soon, it will be "traditional." Maybe it already is. Agencies must take a leadership role in finding optimum ways to apply those funds.

There are other important topics and terms today which might not have existed for agencies in the past but are core factors today and are likely to become even more important: Broadband, Customer Relationship Management, Video on Demand, Paid Inclusion, Latino Media, Collaboration Extranets, Streaming, High-Definition and even IMAX theaters.

More and more advertisers of all sizes are trying to save money by taking routine responsibilities away from agencies and doing them inside. Many agency executives believe that their real value for clients is their business knowledge and their strategic capability along with their creative execution. These trends in thinking drive change and challenge for agencies. Not only are there fewer employees per million dollars of billing, but there is a large gap between well paid and not-so-well-paid agency employees.

Believe it or not, there was a time when, on average there were ten employees per million dollars worth of billing. Today it's one and a half employees per million. Who knows where it's headed? One of the country's fastest growing agencies, Kalan Thaler Group reports \$600,000,000 in billing with only 140 employees. Yes, they must work very hard but they also must be smart, creative and, as they say, "cutting edge."

Why the salary gap mentioned above? Because strategic support is hard for clients to find and comes in expensive packages. Therefore, the agency which probably has the best chance to retain its client is the agency whose client trusts the recommendations that come from the agency. Translated, that means smarts, strategic thinking and courage on top of the usual high expectations about effective, wonderful creative solutions. Translated further, that means expensive brains at the agency, a salary gap between those brains and the other folks as well as fairly low salaries beneath the top thinkers. In a way, the CEO of an ad agency is now responsible for managing salaries in the same way major league teams do it. They place the big dollars where the big benefits are, in star performers.

In summary, the only way to view changes in the ad business is pretty much the same as changes in other businesses. Lee Iacocco, of Chrysler fame, once said, "Change or die!" That's true of our beloved ad business. It always has been. It is now. And it always will be. Figuring out how to be ahead of the curve is the challenge of today's agency CEO. I guess I'm glad that I no longer have to live up to that title and those expectations. Instead, I'm doing my best to provide agencies with ways to get along with fewer employees and, at the same time, to give clients what they need and want: easy collaboration, accurate communications and, above all, efficient and effective use of their most valuable assets, brains, creativity and time.