

A Forecast For The Agency Business

by Cory Treffiletti, Wednesday, Apr 26, 2006 12:15 PM EST

AS SOMEONE WHO RECENTLY DECIDED to take a break from the agency world, I like to think I have an informed position on what needs to happen in order for agencies to remain successful. Since a number of people have asked my opinion on this very topic over the last few weeks, I thought I'd take a moment to share it with all of you and get your thoughts. First of all, agencies need to further consolidate. There is no logical reason any more for a stand-alone interactive shop to run alongside a "traditional" agency. The reason this doesn't make sense anymore is that ALL media is incorporating some form of digital element in the next few years. Outdoor is going digital. Broadcast is going digital. Even print and radio are finding ways to go digital. The methodologies and processes which have been built in the Interactive business are primed to be integrated, at least in part, into the rest of the business. By continuing to run separately from the "traditional" business, agencies become territorial and they create infighting over where dollars need to be spent. I hear this from a number of agencies and I've seen it in a number of clients. Businesses are run financially rather than by ideas and innovation, and, according to Peter Drucker, "Innovation is the specific instrument of entrepreneurship... the act that endows resources with a new capacity to create wealth. " What that says to me is that agencies need to be run by innovation, as innovation creates financial opportunity.

Secondly, once agencies are consolidating their primary service lines, they need to be reorganized around the clients and place communications planning or account planning at the most senior level of the business. At the entry level and middle-manager level, agencies can rotate their teams among the service lines, with each employee doing six- to nine-month rotations on interactive, outdoor, broadcast, etc. Once they've graduated to senior or executive management, they become strategic and they take responsibility for higher-level thinking about messaging and budget allocation across media. They become extensions of the client, with no regard for service line P&L, only focusing on what's the best way for clients to reach their audience. This model is starting to be explored, as we see agencies creating client-centric teams for their largest clients, and we see some consolidation among the broadcast and online video teams. This provides fresh learning opportunities for the staff, which keeps them loyal and retains talent, and we see more successful campaigns being developed--because the client comes first, before any form of budget allocation.

The last thing I foresee happening is that the holding companies will become the owners of the client relationships rather than the agencies. The holding companies will create agencies around their largest clients, and they will promote their strongest executive-level strategists to holding company-level SWAT teams who then become responsible for developing new ideas and generating new business. These will become the drivers of innovation industrywide, while they then funnel the best ideas down to the client-centric

teams as these teams drive the client business forward.

These models are being explored on many different levels in a number of agencies and holding companies as we speak. Their success will determine if I am right, but I feel their success is inevitable. The agency model isn't truly broken, but it is certainly in the midst of evolution. It's Darwinian in the sense that survival of the fittest will emerge, and agencies will adapt to the environment which surrounds them. That environment is about multi-tasking and media fluidity. There is no "intelligent design" in the agency model and if there is, then that signals agencies' certain demise.

Do you agree?