

Advertising 2010 – the three big impact makers

When this subject was assigned to me, I felt it would be easy to identify the three things that will make an impact on advertising over the next three years. On deeper study, I realized that there are many, many subjects that are having a serious impact on advertising. Growth of the interactive media of internet and mobile telephony, challenges arising out of increased number of parity brands, increased control in the hands of the customer as to the commercial content she wishes to watch or read, increased level of international contracts and use of international creative content and their implication on agency remuneration, challenges of getting consumers attention given the environmental clutter, increased media options leading to fragmented audience, use of technology to target customers (CRM) for higher level of spending, changing media environment with DTH, CAS, TiVO, IPTV, emergence of the IT industry as competitor for agency services, growth in radio as a medium etc. These are shaping the way the business will be conducted, and each one appearing as important as the other. I therefore decided that I have to make an assessment and pick three things that I believe would fundamentally steer the shape of things to come in this country.

Futurologist prediction invariably falters because of disruptive aspects that steer the business in directions unknown. If we assume that the future of advertising can be projected by and large from the view of the past, we could be in for a surprise. There are voices heard in the industry as to who should pay for the agency's services. The old full-service model was that the media paid it by way of commissions. Media is increasingly having a view that agency should be compensated by advertisers. The corollary of this is the media rates will be the same (net rate) for direct advertisers and the agencies and the mark-up or service fee will have to be paid by advertisers to agencies directly. While large professional advertisers may compensate their agencies reasonably based on the inputs received, many casual, small and medium private sector advertisers and Government advertisers could either pay very little, or get their work done through free lancers, altogether bypassing the agency system. Two things would be the outcome of this: many small and mid size agencies will have to change their business model (with many shrinking, or going out of business) and large agencies (media agencies in particular) would start negotiating agency-specific media rates and play the consolidator game as we see in the travel business.

Institute of Practitioners in Advertising (IPA), the respected industry body in the UK, conducted a study last year on what the future holds for the industry. IPA has as its members 265 agencies drawn from Creative, Digital, Direct Marketing, Healthcare, Media, Outdoor, Sales Promotion and Sponsorship sectors. They concluded that agencies will have to re-invent themselves to survive the changes that are taking place. Based on the survey, they also said that the agencies are confident of being constantly innovative. The survey concluded that the industry will grow faster only if it is led by the agency people. If the industry leadership rests with media organizations, it will grow, but at a lesser pace and if advertisers were to control the industry, it would have a much lower growth. I hope Indian media takes cognizance of this study because if the so-called net rate is implemented, the advertisers will control the industry and the result could as well be as predicted by IPA.

One thing however, is clear. In the future, agencies

must recognize that traditional advertiser/agency/consumer relationships will be challenged with new models of engagement coming to the fore. Budgets are moving to digital, CRM, events and promotion etc. that appear more accountable. In 2005, US agencies generated more revenue from marketing services than from traditional advertising and media, according to AdAge's DataCentre. On a worldwide basis, 53% of revenues of the three largest conglomerates, Omnicom Group, WPP Group and Interpublic Group of Companies came from marketing services. *I therefore come to the 1st impact maker: More money will move out of mass media and into marketing services. Every major agency and many media houses have put in some serious thrust in this area which will also get the growth rate of marketing services to sharply rise.*

The demands on accountability of mass media advertising will make agencies develop language or region or ethnic group-specific advertising campaigns. Typically for a given brand, you could have multiple campaigns running simultaneously, targeted at varied audiences. English language medium could lose its pre-eminent position as the first language of choice for most advertising. Further, agencies would learn more about providing measured results, rather than focusing on measured media deliveries. The use of internet and mobile telephony would rise given the importance of addressability. But in all this, Indian language media will rise in importance with cost per thousand readers/viewers moving further up towards the English media costs. *Thus the 2nd impact maker will be the intelligent use of language and new media to reach specific audiences, which provide quantifiable results.*

Technology, they say is the best leveler. Bill Gates made all of us typists! Similarly availability of visuals from various vendors and software like Photoshop has taken the mystery out of Art Direction. Of course competent art directors can add their own magic, which is what produces award-winning stuff. But bulk of the advertising work has been commoditized. Hence the emergence of many IT companies making outsourced offerings for content development. These include copy and design work for brochures, websites, newsletters, logo creation etc – all done hitherto by full-service agencies. These IT companies offer 'specialists' to write technical journals, power point presentations, edit images and even provide script writing. These companies are just a step away from providing full-fledged print campaigns and TVC storyboards and production supervision.

The value of outsourced design work by 2010 is estimated at \$12 billion. On technical writing alone the figure stands at about \$2 billion. When we compare these numbers with the advertising industry size in India which stands at about \$4 billion, we know that our agencies would lose considerable number of trained people to the IT industry who currently cater to customers outside the country. They soon could turn to serve customers here as well. *Hence the 3rd big impact for the industry will come from the IT sector moving into hard core advertising design space in the next few years.*

(These are his personal views.)



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