

# The past, present and future of advertising agencies in SA

By [Warren Lodge](#)

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Advertising is not a new concept at all. Political campaign displays have been found in the ruins of Pompeii and ancient Arabia. Advertising as we know it is generally agreed to have begun with newspapers in the seventeenth century. Simple descriptions along with prices of products then served their purpose until the late nineteenth century.



Technological advances meant that illustrations could be added to advertising and colour then became an option. However, it was not until the emergence of advertising agencies in the latter part of the nineteenth century that advertising became a fully fledged institution.

Stephan King of JWT conceptualised account planning in the 1960's. These agencies were a response to an increasingly crowded marketplace, where manufacturers were realising that promotion of their products was vital if they were to survive. This industry and the marketplace for that matter has been evolving over time, thus it is only natural that that evolution carries on.

## The shift in campaigns

In South Africa, the biggest change seen over the last decade is full service agencies fractioning into smaller specialist agencies. These specialist agencies have mushroomed up and are evident in public relations, design, digital, research, creative and media planning/buying disciplines to name a few. There has been a major move in bombarding a mass market with generic messages to the understanding of key insights and the motivation into the diverse population groups of this rainbow nation. Campaigns have moved from being largely emotive and creative to highly technical and research driven.

In the attempt to uncover whether the current state of affairs of advertising agencies in South Africa is a healthy one, the views become layered and highly debated. Tanya Schreuder says we should pose that exact question to clients. Tanya from Vizeum states "agencies be it media/strategy or full service, often have to carry the marketing role". If clients are not instructing agencies with detailed briefs or are not armed with enough information about their market or potential market, added pressure and strain is placed on the agency. Agencies are also forced to re-examine their resource models. To be competitive they need to continuously offer more value to clients. Agency roles are therefore constantly evolving. They can no longer be merely suppliers, but need to engage with clients as business partners.

## A degree of accountability

A degree of accountability has also become quite prevalent. Anne van Rensburg from The Jupiter Drawing Room, Cape Town, South Africa, states "Results have become imperative to the success of a media schedule and measurement of outputs is becoming increasingly more critical. Pressure to demonstrate successful business outcomes and quantifiable added value, which agencies are measured against, is particularly high and non-negotiable". When asking Kelvin Storie, business head of Vizeum Cape Town, on his views of accountability, he deems that soon, even creative agencies are going

to be held more accountable of their work and will be compared to actual benchmarks in terms of revenue and income. Intense accountability in media channel choices is however a current reality when presenting options to an informed client team.

## **Forms of remuneration**

The two most prominent forms of remuneration in this country are the retainer fee and the 16.5% advertising commission model. The latter method has been almost completely phased out largely due to increased competition between agencies. Retainer fees provide a consistent income that promotes a healthy cash flow, budgeting and forecast purposes.

More importantly, the retainer model also allows media planners to be media neutral or transparent, that is, the income of the agency is not influenced by the generation of sixty second television commercials, but rather based on what's best for the brand's objectives and strategy. Retainer fees are not without fault as Jamie Matthews of page three media argues. Problems may arise when the scope of work changes subsequent to the negotiation of retainers. Media strategist of Initiative Media Durban, Hilary Lindsay believes everything on a media rate card should be nett and agencies should negotiate their own deals with clients.

The topic of remuneration is a contentious one. The agreed amount needs to be negotiated according to the scope of work required. If a client is billing regularly every month, the commission structure should suffice. However if the client bills in bursts throughout the year and agency supplies other services which don't earn commission, then the agency won't be able to sustain itself.

Retainers in this instance are the better option. Consequently it is essential to decide on a structure that works best based on individual needs and agencies should not have a one size fits all approach. Output can start deteriorating if an agency takes on more than they can handle. In this case certain clients are content to pay a premium for superior service and delivery. The agency in turn needs to manage its capacity and look after all its clients no matter what size they are.

## **A performance based fee model**

Major advertisers such as Coca Cola and Proctor & Gamble increasingly appear to be opting for a performance based fee model over retainer fee based options. In this system both agency and client agree to certain key performance indicators (KPI's) which, when achieved, ensures the agency gets the variable component. However this system too is not the most effective route as sales are not entirely dependent on advertising campaigns. The company's sales and marketing team, distribution network and various other departments are responsible for profit. Macro related activities which are out of the control of given company must also be taken into consideration. Online orientated agencies have been applying the "pay for performance" principle from the get-go. This is also known as pay-per-click, PPC.

## **Globalisation**

Another factor influencing the landscape of the advertising industry in South Africa and abroad is globalisation. Dave Gorin

affirms that many media agencies are part of gargantuan client service departments and run under stringent controls. These multi-national affiliates are highly structured and are subject to intense accountability. These are then linked and creative expression is largely curtailed by the controls, standards and global strategies that exist congruently. Budgets and strategic free reign are strictly monitored as well.

Speculation exists that: In order to put the brand first, some clients will encapsulate certain agency functions in-house. Companies that have incorporated agency disciplines in-house successfully are New Clicks Holdings and Pam Golding. A popular blog entitled "What consumes me" explores the future of agencies as we know them.

The blogger opens up the debate publically with a statement that many brands are leap-frogging over their agencies in terms of gaining knowledge and know-how. EA gaming has decided to coordinate in-game ad sales starting with Madden NFL 11, according to a Mediaweek report in 2009. Read ['who says the future needs an advertising agency?'](#)

The flexibility of smaller media independents and other specialist groups have to be admired and this beats being a "jack of all trades" model as Marthinus van Loggerenberg, brand strategist for Artelligence remarks. Specialist concerns can react with almost immediate effect and don't require a "global or hierarchical sign-off" whence implementing a campaign. The turn-around times are swift and can produce winning campaigns at a lower fee. In contrast to this liveness, it is the larger full service agencies that argue in defence of this. It is said that these smaller independents are removed from the coalface of strategy, core communication and creative conceptualisation.

Full service agency media director of Ogilvy Durban, Helen Alexandra mentions that with this segregation of disciplines (in media independents) the communication mix suffers, as very often the media team is not involved in creating the Big Idea and is only brought in at the implementation stage. The only judge from Africa at Cannes 2010, Anne van Rensburg, maintains that by retaining media strategy within the agency, The Jupiter Drawing Room is able to remain true to the intention of the creative idea and is in fact able to be part of the creative conceptualisation from the outset. She establishes that the result is full ownership of a concept which results in far superior outcomes. Her philosophy is that media innovation thrives in a creative environment.

According to Jenny Barenbrug, planning director of MEC/Notabene in Cape Town, consumers are changing the face of the media industry. This is an extremely important insight to explore. A portmanteau was conceptualised in a market context and blends the terms "professional consumer" to arrive at a new type of consumer - the prosumer. The market place now dictates as to how advertising and branded messages are perceived and the media industry must be receptive to this new intelligent breed of consumer. The new aged consumers are beginning to command respect and through arenas such as social marketing, are beginning to dictate massively.

## Enlightening the clients

Sustainability and green related questions are beginning to arise before buy-in and the communications industry must take note and enlighten its clients accordingly. Consumers are beginning to demand transparency and honesty from brands; a trend that must be noted. User-generated concepts and marketing messages can be born from consumer circles and it is up to the media industry to be cognisant of this. Facilitating brand related conversation and receptiveness to monetising new avenues of contact planning must be taken into account and built into the communication strategy if need be.

## Winning ideas

Idea bounty is one example of how Quirk e-marketing has facilitated a platform called crowdsourcing for anyone to submit creative or strategic ideas for advertising campaigns. This is a contentious process that is seen to take away budgets and undervalue advertising/media as a profession. Bold clients such as BMW, Red Bull, FNB, Capitec and SAB Miller have explored this new channel already. This kind of route allows for first hand information directly from the public, or freelancers. Any ideas that are not used can be banked for a later stage. Small fees are paid for exclusive use of the winning ideas.

Another aspect of the change in local agencies and believes that this is an industry which relies on one big commodity, it's people. The dynamics each person brings to the table plays a huge role in the relationship that is built between client, agency and media. Clients have put increasing pressure on the agencies and they must attempt to survive on low margins and employ younger inexperienced staff on large accounts. This creates an unhealthy scenario, whereby clients get used to less in terms of service and value, whilst increasing pressure is exerted on the agencies. There is a claim at the moment that there is a drought of determined and skilled labour in the South African advertising industry.

## Understanding the digital shift

A move to understand the digital shift in the marketplace is paramount for brands to survive. There has been an explosion in the way digital has begun to shape lifestyles and two-way communication has become a reality for brands.

Mobile is an area in particular that needs to be monitored closely by South African marketers. Murielle van Noort, owner of Channel Plan and the first person to open a media independent agency in Cape Town, mentions that due to the fact that digital has gained momentum, geeks have become more prominent players in media. They subsequently have hived off to form their own specialised digital agencies creating disjointed offerings. It may be that skilled media persons are moving into other industries and are choosing to practice abroad as well.

Clients also are renowned for scooping up top performing media mavens into their marketing departments, thus leaving vital vacuums in agency realms. Another agency-deficiency may be that these digital gurus may not fully understand branding, strategy and the broader communications mix for that matter. It's a constant give and take scenario!

Jamie Matthews from Page Three Media mentions that the specialist orientated agencies are in a really good state. As long as all of the individual agencies communicate with each other optimally and offer a synergised solution to the client that best suits their objectives, then there is a successful model. The problem arrives when it is not managed properly and when certain parties feel their role is more important than the others. She reiterates "all should be seen as equally important".

## The most influential factor...

In my view, the most influential factor to a future proof agency model is getting the buy-in from client that an agency is a business partner, not a commodity provider. Another downfall is that an agency may understand the strategy, modern marketing tools as well as the intensive research principles of targeting marketing; but not enough may be known about the internal dynamics, product offering and vision of the company it serves.

In this light the global CEO of Ogilvy & Mather, Miles Young exclaims "We seek to raise our client engagement beyond just producing solutions, to the level of diagnosing and solving business problems. By getting involved in the overall direction of a company means that accountability in all departments of the client become essential". As agencies begin to understand the total value chain and a zero-based approach, steps to rectify internal and external deficiencies can begin to unfold. The brand(s) being built are then more clearly defined and understood by all stakeholders and the foundations to build equity are employed.

Should I have the privilege of starting an agency it would be a solutions consultancy which looks at providing communication and brand solutions. The words media, advertising and agency are such "boxy" terms. Should it be uncovered that there is a flaw in the fundamental manner in which the client operates then my consultancy will not attempt to mend the dearth by means of a communication strategy, but will dig deeper.

Successful and long term communication in a vocal and intelligent market will only have merit should the client and its employees understand the direction, mission, vision and current positioning of the firm. A crystal and simplistic brand identity that aims to fulfill its core promise must be well illuminated. The consultancy I run will have to turn its client inside out before proposing any intervention in the marketplace. Should it be discovered that a budget intended for a media plan be used on internal training then that is what will be recommended.

## Creating a business plan

My consultancy will not pitch for business. However, clients may request my agency to undertake the responsibility for creating a five year business plan. A detailed situational analysis including brand blueprint will be carried out. The consultancy will also do an internal brand analysis and healthy brand audit. Should there be need for an initial communications strategy, an outline will be provided. Should the company or brands within it need to be culled or reinvented; that will be stated. The key roles of my solutions consultancy will be prominently focused on steering the internal motivations of the client. This will then branch out into brand related disciplines the client may want to partner with.

Change is inevitable and has become a survival technique especially in the communications industry. Only time will tell - advertising is cyclical, what goes up must come down, what grows will eventually shrink again, that's why everyone involved in this industry must be on top of their game at all times. If not, perish. Many large corporate companies prefer the structure of large full service agencies, but want the creative spark that smaller hot shop agencies can deliver.

A future agency model cannot have its functions set in stone; it must be fluid and agile. WPP head Martin Sorrel recently reported that more than half of the agency holding company's revenues are from non-advertising activities, and he predicted that soon this figure will climb closer to two-thirds. The future of advertising related agencies may move into completely different arenas. Take a look at Bartle Bogle Hegarty which calls itself a 'brand invention' business, effectively makes the agency operate as a client manufacturer by developing a raft of new products. This is innovation in motion.

A futuristic agency model must break free of the stereotypical roles that have been cemented in their mission plaque. An exceptional example of a firm taking the fore with this thinking is Anomaly. This firm blurs the borders providing traditional marketing services and working as a business development partner. It also works to develop intellectual property for both itself and for its clients. Institutions like these do not undervalue their own services. These leaders are strategic rudders of the clients they serve. The team from Anomaly is defined as branding experts, as well as creators of original products too. "We would rather invent the next VitaminWater than do the ads for VitaminWater," says partner Carl Johnson. So while half of Anomaly's business is doing client work, the other half is building brands from scratch. "What we're really doing is generating profit from clients, then reinvesting in a venture fund for our intellectual properties," Johnson says.

Yellowwood Brand Architects claim to be the leading specialist marketing and strategy organisation in the reinvention business. They assist in reinventing companies, categories and brands to achieve long term growth and profitability.

In such a diverse commercial universe there can never be a one size fits all model. There are always cycles in the industry, where big full service agencies gather all available resources into one big happy family. The situation changes when individuals within the family get frustrated due to lack of adequate recognition or lack of expression. They form splinter agencies with lots of spark and gradually grow into big organisations, the whole process begins again. In my view market related factors and the dynamics apparent in these will determine how agencies are shaped.

## Client's needs are ever-changing

Client's needs are ever-changing and are inextricably linked to the changing face of advertising agencies. We understand the importance of co-creation. Everyone must be responsible for the creation of ideas and understand the need to diversify with changing times within an agency. There is therefore no identifiable future model, but rather a realisation that rapid adaption is a factor of survival. Income generation in an advertising agency need not be derived in one particular way either. And from the commercial messages found on bits of papyrus to the explosion of the digital universe, the future is sure to be intriguing.

## ABOUT THE AUTHOR

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