



## **Why We Should Make Less Profit Dominic Proctor – Venice Media Festival 2007**

I'm very glad to have an opportunity to speak to you about media agencies in particular because it's such an exciting time for our industry. I've been in this business for 25 years and I personally can't recall a time in which so much is happening in such a relatively short period of time. I also believe that even more changes could take place in the next 25 months than have happened in the last 25 years that will have a profound effect on those who survive it. But only if we want those changes to happen.

We all know that we face increasing complexity and choice in the communications field. We are chasing empowered, fickle, and elusive consumers. We are doing it at a time when just about everyone, from school kids uploading their videos onto youtube to traditional content providers, are experimenting with new content and distribution models and new ways to measure the effectiveness of all media channels, old and new. To say that the world of media investment management is faced with challenges and opportunity is a ludicrous understatement.

So it is a wonderful time for us, but I'm not sure whether we all appreciate this. The simple fact is that globally, our discipline has grown in such leaps and bounds over the past decade that we are virtually unrecognizable from what we were in the mid-to-late 1990s when many of us launched and completely different from the earlier models built by the pioneers in our space. Look at it in terms of the competitive landscape. This has also changed, so much so that now I sometimes feel like we are fighting a war on too many fronts. And centuries of military history have taught us that such an endeavor is fraught with risk, but can also offer abundant rewards for the victor. The fact that we are fighting on so many fronts is not evidence of a flawed strategy, but rather shows that the work we do now occupies the centre ground. Quite simply, we have become more important.

At first, when all of us worked in the media departments of our agencies, we competed for resources with other departments within the same company. That was our competition, and normally we lost. Faced with the decision of whether to buy a new copywriter or a new computer it was rare that the computer won. This was because agencies were mainly differentiated by their creative output and reputation, so it was an easy decision for the CEO to make. And by the way, in the interest of full disclosure, before launching Mindshare I was a CEO at a big, successful ad agency and I made those kinds of decision all the time!

And it was that very scenario that I just described that was part of the dynamic that led to the formation of the media agency sector. The media guys wanted a seat at the table, so they left to start their own companies. And today we not only have a place at the table, but in a growing number of instances we have a very big seat and are leading the charge. Our clients are relying on us to help them engage with an elusive consumer, and where their message appears often has as much to do with achieving that goal as what the message says.

If history has taught us nothing else it's clearly demonstrated that the past plays an important role in the future. I'm not sure if we are all confident or ambitious enough to seize that future. But we must.



So after we found ourselves competing with other agency departments, the next step was unbundling and when that happened the competition scenario changed. Now we were mainly competing with other media agencies. As you know, unbundling was sparked by our clients, who demanded we separate ourselves from the full-service shops because they wanted more from their media investments, and rightly so. They knew that an independent media operation would, among things, provide them with more marketplace clout amidst newfound media choices. They were realizing that media planning and buying were becoming more important than ever to their overall marketing communications plans. Media choices became bewildering. At the same time, marketing disciplines like sales promotion, event marketing, direct marketing and public relations were establishing stronger reputations than ever as major players in the marketing mix. It was the beginning of the first wave of the internet boom, before the bust and the reemergence of the internet as the powerful and all-transforming tool it is today. It was a time when media practitioners were beginning to gain new respect among clients. We were on the cusp of substantially increasing our influence in the marketing mix.

In those days our services were primarily limited to media planning and buying, and in terms of competition we found ourselves going up against the other new media service agencies. The services they were offering were similar to ours, and all of us went head-to-head in our attempt to establish a strong identity and a beachhead in this new business of detached media agencies. I sometimes think that in that period of land grab we cut our revenues to an extent from which we have yet to recover if we are to meet future goals. We were all chasing volume, almost at any cost.

Today, looking back at our original strategy documents, I think a lot of us assumed that this was just the start of the journey as we had much greater ambition ... and indeed it proved to be so! Why? Because then the digital revolution truly exploded and everything changed again. The field of competition expanded once again and we found ourselves in competition with a whole new lineup of players.

For example, in this bewildering new world clients became very thirsty for marketing strategy advice and consultancies like McKinsey were only too happy to provide it. So now we compete with them as strategic partners to our clients. We have the clear advantage of being media experts and the data to back that up. They claim the advantage of neutrality and objectivity—thus not facing the problem of having to live with the consequence of their own advice! So we compete with them.

The new digital environment also threw up a lot of specialist competitors, and why not? They would claim that their exclusive focus on digital media gives them greater expertise. We would claim that the only relevant view is the 360-degree view, not the siloed myopia of the specialist. So we compete with them, too. And it's not just digital specialists, but also specialists in other communication fields where we also compete, such as sports marketing and events marketing.

The fragmented media choice and the increasingly prevalent influence of client procurement departments have also served to focus on ROI. Again, this has spawned a new type of business which advises clients. But if ROI is not already at the center of what we do then I don't know what business we are in; so we compete with those specialists as well.

And let's not forget the media owners! They can be both friends and foe. It is no secret that some of the big media groups are bulking up their client-facing teams and putting together cross-platform deals which to some extent can cut us out. They can be competitive. Google is the most obvious threat, as they seek direct contact with our clients and parcel-up their inventory (and other inventory that they buy externally) and sell it. And don't make the mistake of thinking that they can't do business without us. They can. For most media



vendors around the world, my group is the biggest buyer, usually accounting for between 20 percent and 40 percent of their revenue. We are also Google's biggest buyer but are only at one percent because of their long tail. They can do without us. They will compete.

Then there are some of the ad agencies who are seeking to reintegrate media planning back into their service offering as they struggle to reinvent their business models. Again, this is competition. But clients won't pay for anything twice, so if I had my old agency job back I would be investing in creative output rather than media knowledge input. I would certainly collaborate intimately with my media agency partners but I would concentrate on outputs. Communications planning (or whatever you call it) must belong in media agencies alongside data, insights, and marketplace knowledge.

Next in our all-encompassing competitive arena are the studios. Much of what we are getting into nowadays is content, branded entertainment, call it what you will. In that respect, we are competing with traditional content providers like production houses and film and television studios. And we've enjoyed some degree of success in this area. If you look at many of the successful cross-platform marketing programs that we implemented in the past 12 months, many of them focus on content.

Creating good, effective content, for brands is a new and evolving discipline for media agencies. Content – whether it is a series of webisodes, a television series or another platform execution – has the ability to pull consumers closer to brands. It's not advertising; it's another tool in the communications arsenal. Like comms planning content is correctly tied to media agencies for many reasons. To begin with, it must be informed by the understanding of consumers' relationships with media platforms. It also requires the judgment necessary to recognize a strong idea, and the ability to execute across various platforms. Otherwise it's just an interesting tactic. Crucially, content can also be a trading currency. So we compete now with all others who have a strategy to include content.

As media professionals, we understand our clients' needs, the needs and wants of the distribution platforms, and have spent years developing an understanding of what consumers want. We have estimated audience delivery, developed the tools for marketplace modeling and consumer analytics, and are the knowledgeable bridge among the three key pillars of client, consumer and distributor. We know that new distribution channels like broadband, vod, ipod, and mobile, all have a place in consumers' lives. Clearly, these delivery systems will increase the demand for – and the importance of – good content. But it has to be good, it must be relevant, and it needs to be connected to the brand's overall positioning and messaging.

So, ten years ago we used to be planners and buyers. We still are, but now we do an awful lot more.

- Direct marketing
- Digital communications
- Communications planning
- Stewardship
- Search
- Gaming
- Video on demand
- Mobile
- Viral
- Guerrilla
- Podcasting
- Sponsorship



- Event marketing
- Branded entertainment

That's a pretty long list, and as I've been saying we are competing with different companies all along the way. Some of them specialize in only one or two of those disciplines while others, like us, are more generalists who offer all of those services. And that's the challenge we face. In order to survive, we have to be as good or better at each and every one of those offerings as our competitors. The Darwinian theory of the survival of the fittest certainly applies to this scenario, and the survivors will be the ones who not only do it all, but do it all with excellence and vision. Not only that, but as time goes on and technology offers up its inevitable changes and advancements, we must be ready to adapt and create new services to meet our clients' needs as they arise. And the only way to accomplish that is to invest resources in the development of new and improved marketing communications service.

And how do we do that? We need to invest. Hence ..... "Why we should make less profit." But I work for WPP!

We need to invest money normally earmarked for profit or for our client's bottom line back into our business for the development of new services for our clients. It is what you, our clients, want us to do. That's the only way we will be able to stay on top of the game and meet the challenges of the future, which are sure to be as varied and complex—if not more so—than the ones we find ourselves grappling with right now. So let's have the courage to invest and to stop the eternal debate focusing on the three percent we earn more than the 97 percent we spend. Of course in reality there will be no profit holidays so we need to get better at fixing more appropriate commercial conditions with our clients and with media or we will miss the opportunity. We also need to be better at abandoning the old to afford the new. And the new is even more exciting. A world when only content and data will really matter. Where we will need to have a big stake in the IP because all media will be addressable and avoidable. That's a really big shift!

I also think another necessary ingredient to ensure our success in this brave new world of competition is cooperation and collaboration. With so many services available from so many companies, clients are more likely to cherry pick their marketing partners more than ever before. It's quite likely that when launching a multimedia, integrated marketing communications campaign, a client will call on a whole laundry list of specialists to implement the plan. And that means we all have to get along and do our best to make sure our combined efforts achieve the desired result for the client.

The establishment of genuine and reliable communication avenues between creatives, media specialists, digital experts, sale promo professionals, event marketers, direct marketers, pr practitioners and all the rest, combined with an even-handed approach to the weight each discipline should carry in a given marketing plan, is essential. All it takes is a willingness to share the load, coupled with an attitude grounded in collaboration, and having the client's best interests at heart

The concept of simultaneously competing and collaborating might sound counterintuitive, and understandably so. However, I don't believe it's impossible. It's just challenging. We all need to be ambidextrous.

So let's seize the moment, keep on the momentum and get it done. Don't settle for what we have got.



Thank you.