



THE AGENCY OF THE FUTURE, TODAY

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Brian Wieser, Global President, Business Intelligence, GroupM

Key takeaways:

- **There is no one “agency model of the future” just as there is no one agency model of the present**
- **An expanding range of capabilities and ongoing improvements in integration are critical for agencies**
- **The marketing technology software business offers some perspective on the manner in which agencies organize their offerings**

There is no one “agency model of the future” just as there is no one agency model of the present. One of the most commonly asked questions in the advertising industry is “what does the agency model of the future look like?” There is no one answer to this question.

A variety of agency offerings exist today, generally designed to map to the variety of structures that companies maintain for their marketing departments. As long as marketers organize themselves in diverse ways, agencies will need flexible structures for their businesses while maintaining an ability to adapt to marketer needs as they evolve. However, agencies can improve their propositions to marketers by continuously finding new services to provide and by finding better ways to support integration across the services they provide. We see something similar in the marketing technology sector, where companies developing these products must do the same thing with their software.

Different marketers have differing needs. The fluid and gradually evolving nature of agencies is a function of providing services for a wide range of marketers who each have differing needs. To understand why marketers are not – and likely never will be – homogenous, consider some of the following factors that could cause businesses to organize differently:

- Customers who are generally large or small
- B2B/enterprise-focused or consumer-focused
- High value or low value.
- Budgets to manage across multiple brands, categories and geographies, vs. a singular brand or a few brands within a single category and geography.
- Key performance indicators (KPIs) tightly integrated with sales or other marketing-related, consumer-facing functions versus complete segregation from these functions.

Critically for agencies, each client organization will be differently oriented toward decision making based on knowable costs versus intangible values. Further, some clients may have business strategies which are highly dependent upon only a few kinds of marketing activities (shopper experience or creative strategy or brand awareness, for examples). Conversely, they may be indifferent about how other activities are executed.

All of these factors, among many others, influence how marketers are organized. All of them can impact their needs for agency partnerships. Agencies attempt to meet marketers' needs by offering a wide range of service models, some focused on specific disciplines and others integrating multiple ones. Scale matters for some marketers in some areas, but not for all in all areas. Similarly, integration across adjacent functions matters. In all cases, agency offerings have to map to what marketer-clients demonstrate a willingness to pay for.

The way in which marketing technology organizes solutions for marketers provides a mirror to our view on how agencies organize themselves. As the industry's software layer underpinning its services, there are a similarly small number of massive companies whose products are centered around a range of related products (CRM, marketing automation, digital experience, e-commerce management and data management, among others) and thousands of smaller companies with individual "point" solutions. Software providers try to emphasize sales of "suites" (bundles of software products, ideally integrated with each other) to realize scale and pursue a larger "share of wallet" from their customers.

Marketers have commonly selected Martech vendors by first looking for best-in-class solutions for strategically important products and will adopt software bundles, including less strategic products, when those bundles reduce prices or provide meaningful integration benefits. Otherwise they would rather oversee integration of software from different providers based on who is best-in-class for each point solution. Sometimes integration with one provider isn't necessary as far as the marketer is concerned, especially if they operate in highly segregated silos. Alternatively, they may invest in a capability to integrate software from disparate providers internally or with the help of additional services providers. All of these attributes share commonalities with the organization of agency services.

An expanding range of capabilities and ongoing integration improvements are most important for marketing technology much as it is (and will be) for agencies. For the largest Martech providers, future success will undoubtedly be from expanding capabilities (developed or acquired). They will also benefit from continuously adding or improving features on existing products while improving integration between them. The largest players with the biggest scale will offer a portfolio of technologies that integrate; however, enterprising startups will continue to innovate and widen the range of providers in the Martech space.

Similarly, there is unlikely to be one "agency model of the future" within or across disciplines. The most successful companies in the agency industry may continue to be the big holding

companies that exist today, plus other large players in the consulting space – those which are able to offer a suite of services that integrate and scale. There will, of course, also continue to be smaller players who innovate and specialize services, thus broadening the array of capabilities and business models available to marketers. The dominant agencies, much like the dominant marketing technology companies, will benefit from enabling integration with best-in-class “point solutions” among independent service providers.

It is unlikely that marketers will ever collectively standardize how they operate, and so service providers and software companies preparing for the future need to ensure they have flexible offerings. Over the past couple of decades, they have demonstrated an improving capacity to do so, and will undoubtedly continue to improve. To the extent they do, agencies can flourish with a diverse collection of point solutions and portfolio offers, becoming the “agency of the future” by always performing as the best possible agency of today.