

RESEARCH

Digital economy necessitates thorough filtering of agencies

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Image courtesy of Bloomingdale's

By FORREST CARDAMENIS

The advancement of the digital economy and accompanying introduction of new channels into the marketing mix has segmented marketing agencies along two axes, according to a new report from L2.

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While any consumer can tell you how much the Internet has changed the face of retail, the changes behind the scenes have been just as dramatic. In today's digital economy, brands need to carefully weigh the specialty and reach of each agency before selecting a partner, as those that craft great omnichannel marketing campaigns do not necessarily have prowess across markets or in traditional media, and vice versa.

"Agencies, especially agencies that are growing really fast, will often try to swap resources," said Ken Allard, CEO of **L2 Inc** and author of the Agency Report. So it's not because someone is leaving, but another new sexy project will come along and they will try to swap off key resources that a brand has come to know and depend upon because they want to use those same great talented individuals to lure a new client.

"[By contrast], longer term relationships yield better work because after having committed to an agency you become really important to them and become a partner they like working with," he said. "Then you have leverage."

Finding the right partner

New channels such as search, social media, mobile and video have led to the proliferation of small, specialized agencies, broadly classifiable according to traditional or digital media and by their focus or full-service offers. Brands will need to weigh the scope of service, budget, geography and technology dependency when they make a selection, realizing that longer-term collaborations will result in better work.

L2 segmented agencies along two axes: focused versus full-service and digital versus traditional. The smallest of the four is a "specialty" agency, falling on the digital and focused ends of the axes. They tend to single-market project managers ideal for product design, search-engine marketing, social media campaigns, video creation and Web site design.

Brands should expect to work alongside project managers of specialty agencies, as they are often weak with client services due to their small, specialized approach. For that reason, those who require many layers of approval should avoid these agencies despite their low price.

Similarly, resource constraints limit specialty agencies to one or two platforms that may not integrate into a brand's

larger enterprise systems. The targeted project range is between \$150,000 and \$3 million.

Larger, with between 50 and 500 members on staff, is the focused/traditional "brand" agency. Technology capabilities are limited, and these agencies tend to specialize in creative, design and strategy, making them ideal for public relations, storytelling and general strategy.

Brand agencies are good strategists and customer segmenters and are best for creating brand values in accordance with consumer insights. Their global footprint is limited, though they have offices in every major market, and are best for \$100,000 to \$1.5 million projects with a smaller scope.

By necessity, full-service agencies are larger, often at 1,000 or more employees, with broad capabilities across a variety of platforms. L2 notes that "transformative," or digital/full-service agencies, sometimes "over-promise" services in media and TV and that marketing skills tend to be weaker, but their digital-first approach to creativity make them ideal for integrated digital marketing campaigns and omnichannel experiences across multiple markets.

In the traditional/full-service quadrant are "integrated" agencies, which offer but tend to be weaker on digital campaigns. However, they tend to be skilled at reaching defined segments and have strong marketing skills, optimal for global brand management as well as client services and creative.

Through an affiliate network, integrated networks can offer help with all marketing needs from around the globe, although separate teams can complicate resource allocation and monitoring processes. Although they are capable of developing mobile apps and branded content sites, transformative and specialty agencies are better suited to those tasks.

Across all agencies, brands should be aware that turnover is often very high, often reaching 30 percent annually. Rather than reacting to this change, brands should prepare for it in advance so they are not caught off guard if a collaborator moves on.

Relationship building

Perhaps most importantly, brands must realize that working with an agency is a process and requires relationship building to be at its most effective. As agencies and brands get to know one another, more creative, on-brand initiatives can be pushed.

For example, Toyota Corp.'s Lexus and its Team One are promoting the GS F in an unusually tactile manner.

The automaker and agency partnered with platform Opera Mediaworks and haptic technology licensor Immersion Corporation to design a mobile advertisement that causes the phone to vibrate to recreate the feeling of driving the vehicle. A novel advertisement that engages the consumer's senses in a new way will make a stronger impression, likely leading to increased conversion rates ([see story](#)).

Also, Italian fashion label Versace is inspiring lust for its Palazzo Empire bag with a sultry campaign video directed by Giovanni Bianco, creative director of collaborating agency GB65.

Starring in-demand models Rosie Huntington Whiteley, Bella Hadid and Stella Maxwell, the short film depicts a seduction between handbag and heroine. The manner in which each It girl interacts with the bag is meant to portray the bag's varied strengths ([see story](#)).

Building long-term relationships often yields the best work, so brands should ensure they are not cutting corners and pinching pennies, which will only hurt them in the long run.

"A lot of times I've seen brands try to overplay their hand, always trying to negotiate as little as possible; they try to keep commitments short term and get really specific to short scopes of work," Mr. Allard said. "And in the end they are kind of forcing the agency to not be as flexible and as generous as they could be."

"Some of the places where large brands might make a mistake is if they pick a smaller agency that looks to be really attractive based on their price," he said. "Because that agency really wants that work, they agree to a lot of things that on paper might look awesome that they can't really deliver on and it ends up making the brand need to redo the work, or there's really big delays in delivery, or they don't get what they're expect."