

Advertising's New Idea: Don't Push the Product; Pull the Consumer Instead

By Steven Pearlstein
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NEW YORK To see the future of the advertising industry, climb the stairs of the three-story walk-up on Greene Street in SoHo to the U.S. headquarters of London's Naked Communications. There, you'll find 15 or so young people -- a Scot, a South African, a Brit and some Americans -- sitting around a long, wooden table, working on laptops or talking quietly on cellphones as rock music plays in the background.

They have all worked at some of the world's top ad agencies. But at Naked, none of them is working on advertising.

They are researching business problems presented to them by Sony, Coca-Cola, Johnson & Johnson, Nokia and Comcast and coming up with innovative solutions. The fixes might involve TV spots or print ads, but those are likely to be handled by one of the more traditional ad agencies. Just as likely, the repair strategies will involve changes in store design, employee training or product packaging; the creation of a computer game built around a product; or the launch of a buzz-marketing campaign using MySpace or YouTube.

Naked's premise is simple: If you go to a coal company looking for an energy supply, you'll get coal as the recommended solution. It's the same with most advertising agencies, which rarely meet a marketing problem that cannot be solved or a sales goal that cannot be met by a TV and radio campaign supported by direct marketing, some pop-up ads on Web sites and a bit of public relations. It's what they do, the way they are organized and how they make their money.

Because Naked has nothing invested in any particular solution and nothing to gain by telling its clients to spend more rather than less, its pitch is that it can offer the least-biased, most-cost-effective solutions. The message resonates with companies dissatisfied by the payoff from traditional advertising.

Back in the era of mass products, mass markets and mass media, it didn't matter whether advertising was clever (Alka-Seltzer) or annoying (Charmin), or just plain boring (Chrysler, Ford, General Motors). If companies were willing to throw enough money at ads, buying enough "gross rating points," they could sell anything.

"We simply bludgeoned consumers into submission," said Bob Isherwood, creative director at Saatchi & Saatchi. And the more they bludgeoned, the higher the fees, which were based almost exclusively on 15 percent commissions for purchase of TV and radio time and print space.

These days, however, the power has shifted from marketer to consumer. Thanks to the Internet and TiVo, digital radio and video-on-demand, consumers decide what information and entertainment they want. Rather than simply pushing messages on consumers, the trick is to get consumers to pull them.

Nobody understands this new strategy better than Bob Greenberg, the founder of R/GA, the hottest of New York's interactive advertising agencies.

Greenberg has persuaded several companies -- particularly those with younger customers -- that they can no longer rely on traditional agencies for whom the starting point in any marketing campaign is the Big Idea that can be turned into a 30-second TV spot, a radio campaign and a full-page magazine ad. Only as an afterthought do they try to repackage those messages for delivery through alternative media or below-the-line channels -- industry jargon that pretty much tells you where the new outlets fit in the traditional agency hierarchy.

R/GA turns the traditional process on its head. It starts by analyzing how consumers live and get information and works backward to create messages most appropriate for those channels.

For Nike's shoe line, for example, that has meant coming up with technology that allows tourists to use their cellphones to custom-design sneakers on a giant, interactive billboard in front of them in Times Square. For Verizon Communications, it meant redesigning the interface on its mobile phones. For IBM, it meant reworking a Web site to make it easier for business customers to navigate through millions of pages of documentation.

"Traditional agencies are set up as factories to produce advertising, which is a dying industry," Greenberg told me this week. "We're in the business of stimulating consumer engagement, which is where things are going."

Greenberg's got the evidence: This year, R/GA has added about 175 new employees to the 400 it had last year, many of them software programmers and technologists.

Of course, Greenberg and others have been predicting the "death of the 30-second spot" for more than a decade, and companies are still spending more money on them than ever. But the big growth is now in other areas, with the advertising industry scrambling to keep up.

These days, there is hardly a traditional agency that doesn't have a chief executive who can give an upbeat and energetic rendition of the "new world" speech, point to some successful campaign using digital or interactive media, and identify some new subsidiary focused on product design and innovation. But even they acknowledge that the transformation has been slow, reflecting not just resistance within the agencies but also caution on the part of clients.

Certainly, one reason is that outmoded fee structures, with their fixed retainers, media commissions and hourly rates, give agencies all the wrong incentives.

"In simple terms, we charge premium prices now for commodity services and then give away the creative stuff, which is where the value-added is," explained David Jones, the young, cosmopolitan chief executive of Euro RSCG Worldwide. "We need to figure out a way to drive down the price for the commodity parts and get paid for our ideas."

But so far, few agencies -- or clients, for that matter -- have been willing to go as far as the upstart, entrepreneurial agencies such as Naked, Nitro and Anomaly (where do they get these names anyway?), which base all or part of their fees on the growth in their clients' businesses. Such arrangements turn agencies from outside contractors into business partners, which in one way is where the industry began.

"Fifty years ago, Leo Burnett and David Ogilvy would sit down once every week or two with the heads of client companies and talk through everything -- products, competition, finances, whatever," said Chris Clarke, chief executive of Nitro. "These were truly creative business partnerships between agency and client, which is precisely what we are trying to create today. It's back to the future."