

WHY AGENCIES DON'T ADVERTISE

I read a very interesting article recently by Al Reis – he of the 22 Immutable Laws of Marketing – pointing out that nearly every large company in America advertises, the notable exceptions being Omnicom, WPP, Interpublic and Publicis. No doubt due to the limitations of space, Al doesn't really tell us why this is, but only guides us to look at how agencies actually promote themselves – P.R. – and if that's what the experts think works best, then maybe we should be following their lead.

The article set me thinking about the point a little more deeply, as there are actually some quite compelling reasons why they should be advertising themselves, so whatever is stopping them must be something quite substantial.

Firstly, the massive consolidation that has gone on in the agency world over the last 15 years should have changed the economics in favour of being able to fund their own advertising. Between the four of them, their revenues in 2004 were, wait for it, a cumulative \$29 billion. That's revenues, not billings. Now I accept that WPP is maybe not as efficient at making ads as Henry Ford was at making cars, but even so, out of \$29 billion, it's hard to believe that the money for an ad budget couldn't be found.

Especially when, secondly, they could advertise far more cost effectively than could you or I, so they would only need a tiny advertising to sales ratio to get the job done. Think about it: they would pay nothing in agency fees, as they would be using spare capacity in people they were already paying for. There would be no need for all the Client Service folk. They would have no learning curve on the brand or the category, and their media arms would be getting them prices the rest of us could only dream about.

Thirdly, it's not as though business to business companies who sell intellectual capital can't use advertising to reach their senior executive target markets. One cannot walk from the plane to the immigration desk in any airport in the world without being assailed by advertisements for consulting firms, business enterprise software and the like.

Equally, leafing through the Economist on the flight shows that many such companies in addition to Accenture and SAP have been persuaded that advertising should be a part of their growth strategy.

Lastly, and most obviously, not advertising raises the very question posed by AI. Maybe at your next agency meeting, you should ask them why, if advertising is so effective in any and every business situation, they don't advertise in any situation?

And, despite those compelling reasons, they still don't advertise!

Therefore, it can only be that the ad world is stymied by a show-stopper of a problem, and I think I know what it is: if they were to advertise, what would they say? Which of those four advertising behemoths, or any of the sub-brands beneath them, has a distinctive and relevant point of difference worth spending hard earned money to talk about?

The big consulting firms, while all being in essentially the same business, are far more differentiated than are the agencies. When you sign up with McKinsey, you will find a McKinsey set of consultants, who will approach the issue in the McKinsey way, present the findings in the McKinsey style, and charge you McKinsey prices. If you went with

BCG, each of those would be noticeably different, Equally for LEK, Marakon and all the rest. There is something to choose between them other than price.

In a world where agencies all trade staff like currency dealers with A.D.D., see every potential client as one worth chasing, and have been devoid of significant innovation for decades, it's ironic that the very consulting firms they persuaded to take up advertising have stolen the agency's traditional seat at the right hand of the CEO. But then why would you take advice on branding from someone who doesn't even have a brand?