

CLOSE-UP 1

Are clients squeezing agencies too hard?

Did clients get used to agencies doing more for less during the economic downturn, asks Nick Cooper

LIVE ISSUE

There isn't a client in the region – no matter how big, or established the brand – that did not feel the pinch during the recent recession. A rationalisation during a global economic contraction cycle is largely the most logical option for any company. However, there is a widening undercurrent in a land that some clients are still acting as though the crisis is in full effect and are operating their ad budgets accordingly.

The good news is that during the first half of this year ad spend trended upwards. The bad news is that the people doing the spending seem to be expecting more for less. In the post-crisis world the region's advertising industry is faced with a situation akin to 'well, you managed with fewer people during the recession, so carry on like this – oh, and by the way, we have more work for you too.'

Kal Dreisziger, creative director at AYA in Dubai, says that one has to make a distinction between clients who are unable and those unwilling to pay a fair rate. "For the former – small clients and new start-ups – most agencies will go the extra mile. You can be inventive with low budgets, especially in the area of media creativity," he says. But he thinks the issue is really about clients who could and should pay market value, but choose to squeeze



Clients...are they causing unknown agency hardship by focusing on fees at the expense of real value?

their agency instead.

He agrees that it's human nature for clients to say 'Well, we got it for 'x' amount in the depth of recession, so why should we pay more now,' but thinks this attitude is short-sighted and argues that fair compensation is vital for a vibrant agency culture in the Middle East.

Dreisziger is not alone. The CEO of Lowe MENA, Mounir Harfouche, believes that agencies need to get out of the habit of selling time and focus instead on selling value. "We charge based on hours spent and not value delivered," he says. "This is turning agencies

into suppliers, selling hours by the pound while giving away the only things needed and valued by clients and agencies – the strategy and idea."

The sticking point is that agency fees are structured on a simple formula that doesn't factor in market demand or economic cycles and trends, because agencies offer the service of skill and talent as a constant, says Harfouche.

"If clients keep on squeezing the cost, agencies will no longer be able to afford to pay the type of people that can deliver excellence. It's time for some clients in this region to look at agencies as partners, believe in

their role and understand that the investment that brings them the highest value is the fee they pay to the right agency," he says.

So, how can agencies proactively improve their lot before the current market squeeze takes permanent hold? AYA's Dreisziger suggests a two-pronged solution. First, he agrees that agencies should foster more of a partnership with their clients and, second, for agencies to be advocates for good work. "If all else fails, they need to refuse work from clients who do not pay fairly."

They say desperate times call for desperate measures, but

perhaps this business model is a last-ditch effort and would be a shortcut to the poorhouse.

Douglas Palau, vice president of Impact BBDO Dubai, says it's down to common sense: "In tough economic times everyone cuts costs to be efficient and competitive."

Palau gives the example of Impact BBDO's Dubai operation to illustrate his point: While its fees have been under pressure, he in turn pressurises its suppliers too and he believes his operation is managed more efficiently as a result. "What's key as we move forward is that quality – not price – determines who survives," he points out. "The best ideas build business and make money for clients. Good clients value good ideas and will invest in them."

Ramzi Abou Dargham, regional director MENA at Drive Dentsu, agrees it's tough to get clients out of the 'save money, get more' mindset and that this will continue for a while longer. He is another believer in the establishment of a new 'value-driven' system, allowing clients to really see the value of good work.

"Major agencies should work together to start developing industry standards for remuneration, and these standards need to be implemented through advertising associations across the region, so competition will be based on quality and value, rather than price wars," he says.

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THE ELEPHANT IN THE ROOM



Someone asked me yesterday if I thought the industry still needs suits. I asked with what or whom he would replace them with? "Creatives," he said. I chortled. There are many good ways to manage operational expenditure and killing the revenue generator should not be one of them. The roles within any agency environment are ancient, well defined and borne out of necessity. Let's start with the suit. He starts his year battered and bruised after a recent EOY review.

After a kick up the bottom from the boss he sees once every month, he promises an A+ next year. He also commits to organic growth of 20 per cent and to lead the new business charge. To this end he re-

ceives his new business targets, which resemble the yellow pages, assembled by some senior lunatics who haven't set foot outside of the agency for 30 years. After two weeks without sleep he manages to get past the PA and speak to a marketing director and a pitch brief is won. He then briefs the creative department optimistically. Only suits can do this.

The creative receives the brief and after being on Facebook for two weeks solid, feels like he could do with a break. The excitement soon wears off when he realises the client is a plastic pipes company in Al Quoz. However, professionalism kicks in and an excellent creative solution is born through an insight hidden on page 36 of *Plastic Pipe* monthly for the plastic pipe

category and an idea which will never be sold. Our hero, emotionally drained after the internal review with his boss, is forced to deliver another two supporting concepts both without artistic merit and execution. This challenges his very being but he delivers. A bond of brotherhood is created twist suit and creative before the former heads off with the pedigree idea and the two runts.

Creatives and suits are tea and biscuits, north and south, totally different but reliant on each other for their very existence. It's in opposition that this unique partnership works best and always will.

Phil Lynagh is managing partner of LightBlue