**‘AGENCY 2.5 IN RUSSIA’**

(How agencies are transforming for the future. View from Russia)

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**ABSTRACT**

In 2009 Tim Williams (from Ignition Consulting Group) presented his view on how communication agencies should transform for the future. Their inflection point was explained by fundamental global changes: fragmentation of media and audiences, democratization of creativity, online interconnectedness, digitalization of everything and brand advocacy in place of brand management.

Russian communication industry seemingly started moving to meet these changes, both at structural and product level, embracing IMC strategy.

By interviewing top industry managers we’ll be researching how Russian communication groups in particular are answering those global challenges. The results of the research will be presented at the panel discussion.

**KEY WORDS:** communication industry, agency of the future, challenges, transformation, integrated marketing communications

1. **IT’S TIME TO MOVE**

For several decades the structure of the communication industry, interconnectedness of its segments, nature of relationship between clients and their agencies have stayed relatively stable. Although this sector of the economy is probably one of the most turbulent in per se (since it is dealing with social sphere, with media), the changes of the recent years are happening with such a speed that we begin facing their consequences not even within decades or years as it has been in the past, but within sometimes months. And these changes start influencing significantly the communication industry.

Early 2009 Tim Williams (from Ignition Consulting Group) presented his view on how communication agencies should transform for the future (Agency 2.5)[[1]](#footnote-1). Since Tim was both an author, teacher, consultant, and a recognized practitioner and thought leader in the advertising and marketing business, his ideas immediately attracted attention from the top managers of the industry.

Already in June, 2009 in Kansas, USA he conducted a professional development seminar with American Association of Advertising Agencies (4A)[[2]](#footnote-2).

During this seminar he explored what agency professionals must do to deliver the solutions and services that clients need to compete in the new digitally-enabled, economically-challenged marketing environment.

It was clear that agency business model has been under assault for the past decade, and the economic crisis only underscored the critical changes agencies must make in the way they’re structured, the way they provide service, and the way they make money.

Tim Williams urged the marketing communications firms to come face to face with the **realities facing communication business**:

* There’s less demand for what agencies traditionally have to sell.
* Clients need more help in online marketing, particularly social media, but agencies aren’t set up to provide it.
* Agencies are spending their energies above-the-line while clients are spending their budgets below-the-line.
* Agencies are stuck in a structure that churns out advertising ideas instead of business-building ideas.
* Clients are hammering agencies on price and speed for work they perceive as a commodity.
* There’s a strong movement toward accountability that agencies aren’t prepared to address.

That workshop looked at the traditional agency functions and discussed what to relinquish, what to rework, and what to reinvent. Agency top people discussed the new emerging functions that are reframing the agency skill set, including social media, analytics, user experience, and reputation management.

Later they were other successful industry events on this topic[[3]](#footnote-3).

And in 2012 Tim Williams wrote a book ‘Take a Stand for Your Brand: Building a Great Agency Brand from the Inside Out’[[4]](#footnote-4) that was immediately recognized as the standard for agency brand development and ranked among the top ten books on branding on Amazon. This was a further development of the ‘need for transformation’ call to the agency owners, taken, this time, to the level of practical agency brand building.

A lot of other articles and documents were issued later on the topic of marketing transformation under the new challenges[[5]](#footnote-5) but nothing had had such an impact on the industry as Agency 2.5 concept. This was probably because Tim Williams, though addressing his ideas to all marketing communication industry, had in mind first of all creative business and creative agencies, which are the most prominent but also the most difficult and vulnerable to run. As he wrote later in his book: “Advertising agencies are also among the toughest companies to manage. If you can learn to successfully lead and manage an advertising agency (which is not unlike herding cats), you can certainly do the same with a gentler, saner kind of company”[[6]](#footnote-6).

1. **WHY AGENCIES NEED TRANSFORMATION**

Tim Williams (with his ‘Agency 2.5’ concept) apparently touched upon very important, focal points of communication business today. All these points are critical to the agency’s future, some, we may say, quite painful.

The author of the current paper shares this concept in principle. This attitude is supported by many years of his experience as practitioner in advertising industry (also as Tim in charge of creative agencies - network and independent, big size and boutique type). Therefore we will be supporting Tim’s points of view with own comments coming from years of observation and actual experience in managing the agencies business.

The necessity for the transformation Tim Williams explained by the fact that communication agencies turned out to be at the inflection point, facing full-scale changes in the way they do business. This was caused by both:

a) Strong pressure from **fundamental global changes;**

b) **Competition** (from those who used to be agencies’ suppliers or customers, or even partners).

The main **global changes** challenging the traditional way agencies are doing their business are the following:

1. **Fragmentation and addressability of media and audiences** *(coupled with the changed media paradigm: from talking to more people less time to less people more time)*
2. **Democratization of creativity** *(e.g. crowdsourcing of ideas is pushing its way, although not always quality goes hand in hand with cost savings)*
3. **Inexpensive and instantaneous production** *(UGC, internet video by mobile devices, etc.)*
4. **Online interconnectedness** *(we stay in touch and online almost 24/7 and in all spheres of life: business, personal, shopping, entertainment, information)*
5. **Digitalization of everything** *(life of consumers in first place and changing the communication practitioners’ mentality as a consequence)*
6. **Brand advocacy in place of brand management** *(brand owners increasingly expect their agencies to use all the sophisticated instruments to not only deliver engaging brand message to the audience but also to bring them up as real advocates of the brands)*
7. **Pricing pressure due to oversupply of providers** *(clients use this situation to pitch everything and procurement plays here always more prominent role exercising additional pressure on agency’s remuneration)*

**The Agencies’ new competitors** emerge from:

1. **‘Upstream’** of the industry business process flow:
* **Management consultancies** *(companies or individuals they play more and more often a key role in setting up and conducting pitches for the clients)*
* **Brand consultancies***(same as above but in brand-building projects)*
* **Marketing research** *(they start spreading their involvement from traditional qualitative& quantitative tests into strategic planning of the brands and sometimes even in creative field)*
1. As well as from **‘downstream’** side:
* **Media** *(the biggest competition, they render direct services to the clients not only in production, but often in creative field, launching special units, buying existing agencies; the scope of their services goes well beyond the projects designed for placement with them as media platforms; publishing houses; internet holdings, social media in first place; TV programming companies - all are for-runners of this trend)*
* **Production houses** *(they have built up their expertise on the freelancing creative staff – film directors, photographers, illustrators etc.; they can work directly with small clients giving them cheaper creative product as an extension/ supplement to their production budgets; in some cases they even incorporate small experienced creative teams to position it as ‘full-scale ad creative product’)*
* **Client in-house resources** *(client in-house communication agencies have always been in the market place in a very limited quantity and with a big concern over their creative capacity; this was caused by ‘guaranteed client’ approach, close collaboration with marketing, restricting over time focus on a single market segment, lack of challenges and ‘fresh blood’ and therefore inevitably led any team to exhaustion; recently however some clients have enriched their ‘in-house approach’ in two ways:*
	1. *putting their preferred creative & strategic team (mainly ex key people from the agencies) as an outsourced resource and not officially on their pay-roll;*
	2. *employing big names as their creative directors, officially in charge of their communication efforts; those big names come from the agencies with impressive creative track record, but more often nowadays from film industry, show business, fashion industry; they are quite often disappointing as communication creative developers, but are ‘used and abused’ as newsmakers, spokespersons, celebrities simply attracting attention to the client’s business*
* **Crowdsourcing** *(used by clients as both a) an instrument to cost effectively collect/develop ideas and b) a way to involve their audience into interaction with the company/brand thus pushing them to become their brand advocates)*
1. **CHANGING PARADIGMS**

The above challenges are also pushing communication industry towards **changing some important traditional paradigms** or the way the industry operators used to view the media, consumer, approaches to planning and evaluation of communication.

Let’s have a look at some of these changing paradigms:

* **‘From interruption to engagement’** *- the main method of brand message delivery has for long been interruption; advertising, PR messages and even promotional contacts were mainly imposed onto the audience, interrupting their media consumption, entertainment or even purchasing process; this was possible because the audience was not fully in command of their media and therefore built-in communication messages consumption; when it became feasible not only passively ignore advertising (TV ad avoidance) or switch it off (in searching engine), but also not to allow it in principle in your personal environment of social network – this dramatic transformation in the attitude of brands took finally place; nowadays brands have to have ‘permission’ to be in consumers private world, and to get this permission they must be more than just interesting, they must be engaging, valuable for consumers, involved in the constant dialogue as equals, sincerely sharing same values with their consumers; all this could not be called other than real partnership model; obviously not every brand can succeed in this revolutionary transformation, but everyone must try, since there is no acceptable alternative.*
* **‘From mass media as channel to everything as channels’:** *changing of media landscape has brought unprecedented fragmentation of mass media and multiplication of media channels; at the same time a lot of other realities started to emerge as media and therefore channels for communication with the audience (they might be ‘less mass’ vs. traditional, group or even individual media). What are these new channels? Brands online properties as media (content platforms, own YouTube channels, etc.), content as media (branded content in various forms from literature to fiction films and music video), even product as media (communication may appear on physical product label, or more often in intellectual product delivered via RSS, subscriptions, mobile applications), and even personal views and attitudes as media (blogging, twitting, posting in social media). These new type of ‘communication channels’ constantly appear, develop, transform, sometimes morph in something else before we manage to fully appreciate its merits.*
* **‘Paid – earned - owned media’** *– these three classes of media have only recently occurred as a real target for planning and crafting the media environment for the brands; although the first two have always been in the language and in the practice of advertising (paid media) and PR (earned media); ‘owned media’ is quite a new term in the communication language – meaning own media platforms or properties of brands which they create and use not only to deliver their brand messages to consumers anytime and in any volume they believe appropriate (basically using it in the old meaning of media as broadcasting channel), but also to start interact with their consumers in the new way - deeply and on the prolonged basis, engaging them with ad hoc created content, helping them not only with information and advice on their products but also with professional or marketing reviews, other useful information and expertise which educate consumers who pay back with partnership attitude towards the brands. Sequence of using these classes of media is also changing from traditional ‘paid-earned-owned’ model to the reversed order; sometimes paid media is used to promote already established and well-functioning owned media platform or in addition to it.*
1. **FUTURE ROLE FOR THE AGENCY**

All the above mentioned fundamental challenges, changing of the communication paradigms and especially competitive pressure on the agency traditional approach to business raise another important question: what is the future role for agencies?

In ‘Agency 2.5’ Tim Williams has made some assumptions about how the agencies should transform for the future. First of all, how they should behave with their clients? Should they be **‘doctor’, ‘craftsman’ or ‘advisor’?** Or should it be a certain combination of these professions?

And which is probably even more important, what are the **areas of particular expertise** the agencies should try to positions themselves in, develop necessary skills there in order to occupy them firmly and convincingly with the client? Clearly those areas should be responsive to the above mentioned challenges and be new versus traditional range of communication agencies’ services.

1. Area which looks like important, but still more an extension of the existing expertise is **‘brand guardian’**. It comes out of the existing relations where and when agencies put emphasis on strategic planning for the brands and reflects real and quite often situation when there is more consistency in working on the brand on the agency side than within the client’s organization. However it’s quite unlikely that clients may decide to hand over such responsibility (for their most important asset – brand!) onto their supplier, even with high track record of partnership.
2. Roles that deal with the most important vehicle for the brand communication – content, i.e. **‘content collaborators’, ‘content curators’, ‘program producers’, ‘rights managers’.** This area is potentially interesting for agencies since it is building on their traditionally strong creative and copywriting skills. It is also very important and one of the most difficult and resource consuming for the client.
3. Another important area in marketing and communication today is data. Agencies could act as **‘data providers’** or **‘data aggregators’** for the clients. This is already happening with CRM agencies.
4. Agencies may focus on creating their own media and therefore act as **‘media brand owner’** for their clients (even if they will also maintain their traditional agency services). If the media more and more enters agency business, why couldn’t be vice versa?
5. **INTEGRATED MARKETING COMMUNICATION**

Another important aspect of communication is the character of communication efforts and therefore architecture of resulting communication campaign. Consistency of the message over time and across communication channels has always been the main focus of communication. ‘Brand should speak one voice everywhere’, ‘360 degree’ approach, and similar has been the motto of the industry in the early 2000th.

Gradually all these ideas and approaches have been aggregated in one concept of **integrated marketing communication (IMC).** IMC became theoretical platform for the industry and a ‘should be’ approach for successful implementation of communication efforts. However, theory unfortunately not always goes hand in hand with practice. To create a working implementation model of IMC is still a big challenge for communication industry. And the problem here lays mainly in the field of economics and the organizational structure of communication holdings.

If we look a bit back, at the last couple of decades of the 20th century, we will see that the most significant industry transformation – dividing the full-service advertising business into media and creative (and later BTL) - paved the way to the great specialization drive in the industry. In place of full-service agencies we were seeing a bunch of flourishing agencies specialized in various aspects of communication services and on various communication channels. ‘Full-service approach’ stayed as a predecessor of IMC theory on the level of communication groups, pronounced by everybody but hardly realized by anyone in practical work.

Sporadic attempts to unite efforts and resources to create IMC campaigns on the level of communication holding, stumbled, as a rule, over so called ‘conflict of P&Ls’ or different economic interest of various so called ‘disciplines’ or ‘corridors’, i.e. agencies specialized in their specific communication channels.

 Clients, who should have been the main promoter of IMC approach, didn’t help much either. Their policy was: ‘not to put all eggs in one basket’, i.e. not to give the whole communication budget to one communication holding as their partner (splitting media, creative, BTL and later digital assignments among competing agencies/groups).

By doing this clients formally kept the responsibility for integration process for themselves. In reality this very rarely happened. The main reasons were basically the same: different economical interest of suppliers (everyone ‘pulling a blanket on itself’), other than integration priorities with the client organization (such as choosing ‘the best supplier’ in every discipline, that was difficult to be found, as they claimed, in one main partnering group; achieving cost efficiency through pitching every project aspect; keeping control over relationships with every supplier who were in fierce competition among each other).

Finding the right model for IMC is therefore yet another challenge for communication industry as a whole, still waiting to be resolved. It is probably also one of the central issues since it combines all the above mentioned transformations: media, consumer, product and structural. Those agencies or communication holdings, who will find the right IMC model and will learn how to consistently and efficiently implement it will really be in pole position for the future.

1. **IMPLICATIONS & OPPRTUNITIES FOR MARKETERS**

Apart from his visionary thinking about the future role of communication agency Tim Williams listed several practical ***‘implications & opportunities for marketing organizations’*** (by this term he addresses mainly the agencies but sometimes message is relevant to both agencies and clients since they both face those global challenges and have therefore to respond to them effectively and in partnership). We will be commenting on Tim’s suggestions with what and how they are seen from here in Russia.

1. **Trend: “Everything as channel”**
* Plan touch points &communication channels, not media
* Start with owned, then earned than paid channels
* Help your clients build the marketing into their product

Comments:

*‘Touch points” have been already for long in the language of strategic and media planners; same with ‘paid-earned-owned’, not with the reversed-order imperative, however; no it’s time to put it more in planning practice.*

*‘Building marketing into the product’ is very difficult exercise requiring deep agency-client collaboration and early involvement in the process.*

1. **Trend: “Brand experience”**
* Help optimize experience of the brand, not just perception
* Help your clients move up the effectiveness hierarchy (to actual experience with the brand)
* Become expert in brand interactions, not just brand messages

Comments:

*‘Brand experience’ is already in focus of some communication disciplines like events, consumer promo, in-store; but in strategic planning process we still talk and plan at the level of brand perception, trying to change it mainly by brand messages.*

1. **Trend: “Consumer as media”**
* Understand not just the demographics but the technographics of your audience
* Make it easy to share and distribute your content
* Proactively plan for consumers ‘as media’
* Realize that your brand will never have enough money to outspend consumers

Comments:

*Here again we are a bit behind of the trend: there is little proactivity and little focus on technographics of the audience; sometimes it happens in ‘digital channels’, which are still planned in many cases separately from ‘non-digital’ and this should be changed: ‘consumers as media’ approach must be incorporated in general communication strategic planning process.*

1. **Trend: “Utility instead of persuasion”**
* Put more effort into helping consumers instead of selling to them
* Look at ‘utility’ as an opportunity to develop some of your own intellectual properties

Comments:

*This trend is clearly seen in SM environment; many brands view this as an important aspect of their ‘social orientation’ behavior towards their customers; some interesting cases of building intellectual properties on this approach start to emerge (e.g. joint with high school educational platform for doctors in professional social network ‘Evrika’ within TWIGA Communication group).*

1. **Trend: “From one-to-many to one-to-one”**
* Soon all media will be both searchable and addressable
* The new agency skill set is mass customization in place of mass messaging
* Agencies can package and sell data analytics as a service
* Precise addressability will allow more niche brands to advertise, creating more opportunities for agencies

Comments:

*This is clearly an opportunity for Russian agencies, especially medium and small size; this however requires very serious work to adapt their product offer.*

1. **Trend: “From digital department to digital competency”**
* Digital must be at the core of the agency business model not an add-on
* There will soon be no difference between ‘traditional’ & ‘digital’ agencies
* Being digital means technologists must join creative and media teams
* Increase in digital work will produce more income to the agency

Comments:

*‘Digitalization of everything’ is undisputable as an approach; however it is very difficult to efficiently implement both on agency and holding group level; many holdings start from the easiest side - buy or partnership with a digital agency, the problem is that ‘digitalization’ stuck there – as a stage/aspect of the communication planning process or a separate digital project\assignment and does not become an integral part, as an approach, of every single project.*

1. **Trend: “From controlled communication to open conversation”**
* Learn to market “consumer to consumer” instead of just “brand to consumer”
* Shift the agency’s skill set beyond “presentation” to “participation” and package it as a service
* Erase the artificial line between “advertising” & “PR”
* Make publicity a central goal of your marketing efforts, not just a hope-for buy-product
* Experiment with ways to move what used to be offline online (product sampling, etc.)

Comments:

*This change from one way communication to dialogue/ open conversation is fundamental and challenges a lot of disciplines in their attitude and interaction; many traditional instruments become obsolete unless they’re changed completely; agency’s skill sets must also change dramatically; PR & Advertising should not be divided neither by client, nor by organizational structure, since they are parts of one integrated communication process, maybe in shifting their skill sets they should focus more to ‘conversation with audiences’ - PR and ‘creating content’ – advertising.*

1. **Trend: “From high volume/low margin to low volume/high margin”**
* Realize that the traditional agency cost structure cannot support high value/high cost services and low value/low cost services
* Understand that either of these two business models (idea business vs. execution business) is viable, but they are different businesses requiring different cost & pricing structures

Comments:

*This is very true in theory, but tough economic situation (unfortunately becoming constant reality) pushes the agencies to use both models (in good case within a group and not a single agency); on the other hand, we still operate in the market where clients are less willing to pay for ideas (intangible) than for executions/production (something you can touch and know how much it costs).*

1. **Trend: “From full scale to agile”**
* An always-on marketing program requires agile teams and an agile approach
* The agile approach requires fewer people, fewer layers & more autonomy

Comments:

*There are many examples of this trend as ‘project team’ approach in various disciplines, but very few agencies are built on ‘agile’ as an organizational approach to their business.*

1. **RUSSIAN HOLDINGS’ VIEW ON ‘AGENCY 2.5’**

To be more relevant and insightful we decided to verify various specific points of ‘Agency 2.5’ concept with the ‘chieftains’ of Russian communication industry.

The research was shaped and conducted by the author with the help of the graduate of the School of Integrated Communication, HSE Lyudmila Kryuchkovskaya within empirical part of her work for graduation paper on the topic: “Communication holdings development strategies under structural changes in marketing communications”.

Ten **in-depth interviews** were planned and four already conducted in February 2014 in Moscow with top managers and owners of communication holdings, both Russian representation offices of global networks and independent Russian communication groups (Expert Interview Guide enclosed in Appendix 1).

This paper anticipates the intermediate results of the above research that will be presented in full at the panel discussion **at the 8th Annual Conference of CGA** “COMMUNICATING THROUGH THE UNIVERSE” (April 24-26, 2014 Pyatigorsk, Russia).

* 1. **Changes In Communication Industry**

All experts agree that we - communication industry - are living in times of dramatic changes, which is both challenging and interesting. One of the most impactful changes is *technological breakthrou*gh. “As it is difficult for many people to see the difference between iOS and Android, same difficult it is for many agencies to adapt to these rapid and constant changes: since they used to produce one TV spot and 1 print per year for a brand” – noted **Vladimir Tkachev, Chairman of the Board and CEO Leo Burnett Eastern Europe & Russia.** He believes that the biggest transformation power in our industry has e-commerce. *“E-commerce and mobile* marketing have definitely ‘killed’ the traditional way of doing business of our clients and we don’t even have the option whether to adapt to this or not.” With mobile marketing coming to retail we have both great challenge and the biggest opportunity. Those who manage to craft their *product in this digital-trade* intersection will be extremely valuable to clients and get outstanding business results[[7]](#footnote-7).

 While observing most important trends in communication industry **Igor Kirikchi, Managing Director and Chief talent Officer (BBDO Russia),** noted the following three processes[[8]](#footnote-8):

1. *Integration* – everybody is talking now about IMC, ‘one window’, people who can assemble the communication campaign, one idea working in all communication channels and on top budget saving expectations; from agency POV, however, integration means additional resources – time and cost for rare and expensive specialists; this all results in dissonance between client’s saving expectation and practical cost of integration.
2. *Specialization* – especially in new areas: in digital, for example, we see very narrow specialization - there agencies that do viral campaigns and those who do only distribution of the viral.
3. *Digitalization* – in the old days everything was clear; now everything is mixed – creative, mechanics, media; in terms of metrics - in old channels everybody was clear and in agreement, but this does not work in digital, new ways to measure efficiency in digital emerge constantly but nobody really knows how exactly they are working; plus we have many new digital professions: every agency tends to call them in new trendy way (in reality it turns out to be more or less the same).

**Yaroslav Kucherov (CEO JWT Russia)** nostalgically noted that ‘golden era of advertising’ with great movie spots in Cannes had come to an end. As it happened with classical Hollywood pictures, new realities in media, consumer behavior and therefore communication resulted in democratization and commoditization of creativity. This *predominance of commoditization and saving approach* doesn’t do any good to the agency business and pushes forward the average creative product.

Emerging of numerous new communication channels and changes in consumer behavioral models bring forth changing in communication paradigm: maybe it will be more oriented to direct contacts with consumer, more selling messages vs. image – since the model is not formed and set up yet, it’s not clear how to work with this. What is clear, however, is that every brand still needs positioning and communication strategy – therefore it’s too early to ‘throw away’ the classical ad agency, the brand communication keeper[[9]](#footnote-9).

* 1. **IMC**

Let us see what is the attitude of our industry ‘captains’ to one of the central concepts of communication, which is both the reality and the driving force for the future of marketing and communication, the integrated marketing communications (IMC). It is clear that those are practitioners’ opinions, centered on the issue of how it should be efficiently implemented.

There is *no dispute about whether communication should be integrated* or not. “Communication holdings that do not implement IMC or do it poorly will simply die” – says **Vladimir Tkachev**. Whatever you call it, IMC approach or ‘cross-sell’ of your services to one client within the group, doesn’t change the substance – it is way much easier to sell your additional services to the existing client than to pitch it in new business. This is of course how it is seen from the agency’s side. Clients very often oscillate between extremes: either putting everything in one place or splitting their budget with 12 small specialized agencies and then having to spend all their time to coordinate. ‘If you look at the strategy of every holding you will see - specialization and integration is our way forward’ – adds **Vladimir Tkachev**. It is obvious from the business point of view. Creative (brand) agency often plays the role of coordinator of IMC efforts of sister-agencies within the group and of independent companies. Therefore creative agency needs to develop its integrator’s skills[[10]](#footnote-10).

There is no single model how to implement IMC within the holding company (even the global networks do not have one). However it is easier to avoid famous ‘P&L conflict’ for groups that belong to the networks and don’t have franchisee local partner as owner of the part of the group. “BBDO Group has this advantage, although even in our situation, agencies should find agreement, economic compromise” – stresses the problem **Igor Kirikchi**[[11]](#footnote-11)**.**

It is *impossible to force the integration* approach to the agency, artificially create integrated campaign without willing and interests of participating agencies.

The attempts to create *special integration unit* stumbled over economical differences in ADV Group (in 2006-2007, when the author headed one of the creative agencies – participant of that painful process), now same happened in BBDO Group. TWIGA CG is also trying to find the right model for integration, both on the agency level and in the group, leaning over TWIGA Total, its specially created business development unit.

Attempts to create special integration unit (though mainly unsuccessful up to now) do not substitute other practical *ways* *to* *promote the culture of integration*.

BBDO Group, for example, conducts special programs, trainings: TWIGA has a special ‘cross-sell’ instrument like ‘selling committee’ and the already mentioned business unit Total focused on integrated efforts; almost all the communication groups with is a separate function of business development expect from this function an integrated or multi-channel business opportunities that will lead to bigger budget and integrated assignments.

Separate mentioning should be given to the School of Integrated Communication, HSE where ‘integrated communication’ is not only the central theoretical concept (it couldn’t be otherwise, since ‘the name on the door’ calls for this), but the very practical approach to the basic set of skills and competencies students are developing during their studies in the University. Simulation, role playing games (i.e. pitches among student teams, imitating integrated agencies) is an integral part of the students’ education and trainings. Therefore our graduates enter their communication and marketing professions with the strong culture and practical tools of IMC.

However, as **Igor Kirikchi** rightly stressed, whatever the culture, if there is no willingness and economic interest in participants of integrated efforts there won’t be any integrated campaign. So organizationally integration stumbles over famous in the theory of games Prisoner’s dilemma.

Another practical and still not resolved issue is ‘full-service agency vs. integration dilemma. Putting it in other words: what is better adding competencies to existing agency team ‘buying’ new specialists or integrate them as functional parts of the partner agency within integrated efforts?[[12]](#footnote-12).

**Yaroslav Kucherov** (who wasin charge of the above mentioned ADV integration unit) believes that true integration is feasible only with very strong vertical control from one top integrating manager[[13]](#footnote-13) (and this is very difficult to implement having in the basis different own economic interest of business units).

**Alexander Alexeev (Executive Creative Director of Publicis United)** knows very well how to set up a capable creative team to cope with integrated assignment and his strong message is: only team approach (specialists working in a group) can give the result, any conveyor way of handing over pieces of work from one discipline to another will result in loosing what happens to be in the end of the process[[14]](#footnote-14).

* 1. **Challenges leading to Agency 2.5**

It was very interesting to see how our top communication managers view various challenges which Tim Williams described as leading today’s agency to the inflection point.

* + 1. **Digitalization** – all the experts agreed that digitalization was impacting everything from media to consumer behavior; at the same time they paid attention to the deeper understanding of the term ‘digital’: it is not just a channel, but first of all a set of technologies that transform everything **(Tkachev)**[[15]](#footnote-15); in digital as in all other environments form is important but secondary to the content, especially it is valid for video images and the ways they are decoded **(Alexeev)**[[16]](#footnote-16)**.**
		2. **Owned media** – it is definitely the most controllable class of media, the most controllable way of delivering your message; but what was said before for digital as a whole is same important, if not more for ‘owned’ media - you need an *interesting content* to keep the dialogue **(Tkachev)**[[17]](#footnote-17)**.**
		3. **Brand advocacy** – it is quite natural for people to be advocates of something, why not to be advocates of a brand? You just need to make them proud of being your consumers and start sharing these feelings with their friends. In practical terms brands start bringing up their advocates with the community of early adapters: launching the campaign brand owners start monitoring whether the audience begins to pass over the brand message, whether this message touches them emotionally and then correct and further build their communication strategy **(Tkachev)**[[18]](#footnote-18)**.**
		4. **Agility** – “Any big structure in any field of activity with time tend to become slow and inert and also self-protective from any changing from outside. At the same time always emerge number of cheerful young fishes; very few of them survive and become big and famous (e.g. Weiden+Kennedy, BBH in advertising). Advertising competitive landscape, especially creative segment is interesting by numerous agile start-ups because of low cost of entry”. **(Tkachev)**[[19]](#footnote-19)**.**

And it is difficult not to agree with **Yaroslav Kucherov**[[20]](#footnote-20)who believes that variety of the world exists; and since there is always a huge demand (for something) there will also be huge companies to meet this demand.

* + 1. **Crowdsourcing –** this trendwas assessed by experts mainly from the product quality point of view: they noted that it might be used as an interesting way of involvement of the audience but you should always bear in mind the professional standards **(Kucherov)**[[21]](#footnote-21).

Similar view was expressed by **Alexander Alexeev**: “It’s just another instrument and should be used for its purpose. You will not hammer nails with a screwdriver! On the other hand, lack of screwdriver in your toolbox is limiting you”. Democratization of creativity, UGC has two sides: positive – it produces proximity with your consumer; and negative – because it significantly lowers the quality level[[22]](#footnote-22).

* 1. **Future Agency**

To be able to stand up to the challenges agency of the future should find its new role. Tim Williams marked the *options as ‘doctor’, ‘craftsman’ and “consultant’*. When we talked to our top managers they gave us their understanding of this role and of how the today’s agency professions might evolve.

* + 1. **Role of the Agency**

**Yaroslav Kucherov** combined the proposed three options into the very ambitious role - “crafted doctor which gives the professional advice”. Indeed, the agencies that focus on strategic solutions for their clients are like doctors who examine carefully and make the diagnosis and only then advise on how to cure the decease. At the same time they are like crafted thorough local physicians who know their territory and their families and are constantly working with their patients to keep them healthy.

Yaroslav also noted a certain convergence of the set of skills of strategic brand agency (traditionally more positioning/image oriented but gradually moving through the whole consumer journey, including purchase and after-purchase) and that of specialized agency (who try to add strategy and creative in their set of brand skills)[[23]](#footnote-23).

**Vladimir Tkachev** believes that the future advertising agency will still be driven by artist and writers. People talent is quite rare quality and as long as the talented people will create cool ideas for the agency, the clients will come here[[24]](#footnote-24).

* + 1. **Future Agency professions**

If we look into the future we will see somewhat changed traditional agencies professions there. BBDO Group also thought of the future agency and came up with a concept BBDO Next.



1. **Business Commander** – this is future account, a kind of intelligent manager capable of strategic thinking plus a bit of a consultant. He is capable of understanding the client, putting together an agenda for him and selling the agency product.
2. **Operation Wizard** – mixture of account, traffic and producer. This professional is a guru in logistics, on top of all the processes, capable of finding necessary resources and coordinating everything. If Business Commander is more of a strategic job, this one is tactic.
3. **Brand Pilot** – this is actually a current strategic planner, however without stressing his belonging creative or media discipline – just communication planner.
4. **Communication Architect** – this is today’s creative professional, here we stress that he is creating and is therefore responsible for the overall architecture of communication

Although this is the vision of the future from today (and it may be changed at some point), **Igor Kirikchi** stressed that the reality is still far away from this organizational model[[25]](#footnote-25).

**CONCLUSION**

1. In 2009 Tim Williams came up with a timely and very valid appeal for communication agencies to start transformation for the future. His ‘Agency 2.5’ concept was very well grounded by global changes and challenges in media, technology and consumer behavior and therefore required certain actions from the industry.
2. This appeal and especially suggested practical ‘implications and opportunities’ for marketers and communication agencies were heard by the industry and received full support during series of seminars and workshops.
3. To find out attitude to this concept of Russian communication industry we conducted a series of one-on-one interviews with top managers and owners of Russian communication holdings.
4. The research (started in end January 2014 and half-done by the moment) preliminary shows that Russian communication industry understands global challenges Tim Williams highlighted in his concept and observes the evidences of the majority of these changes in the local market realities.
5. We also noticed that our industry seems to have started moving gradually to meet these changes, both at structural and product level;
6. The process of fully embracing IMC strategy, re-thinking its implementation models is also under way with some interesting options and organizational instruments.
7. The author will continue researching this field and is going to present the full findings at the panel discussion **at the 8th Annual Conference of CGA** “COMMUNICATING THROUGH THE UNIVERSE” (April 24-26, 2014 Pyatigorsk, Russia).

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Appendix 1

**Expert Interview Guide**

The aim of the interview is to get an expert assessment of the communication holdings’ current position in the marketing communications industry and their strategic development opportunities.

In order to achieve this aim the following objectives are set:

* to identify the most significant challenges in the marketing communications business (to verify ‘Agency 2.5’ concept);
* to define communication holdings’ opportunities to deal with these challenges;
* to determine the vector of holdings’ strategic development in the next 3-5 years.

**Introduction**

Interviewer introduces himself to the expert, highlights the topic, aim and further use of the interview materials. He clarifies duration of the interview and the possibility of using the Dictaphone.

**Block 1. Modern challenges in marketing communications**

1) Nowadays many researches are devoted to global changes in the marketing communications. Which three fundamental changes with relation to the agency business can you name?

2) Some experts presume further democratization of the creative process (for instance, via crowdsourcing). Moreover, we can see some examples of successful implementation of this principle into agencies’ business models. In your opinion, is it is fashion or a stable trend?

3) Owned media are becoming more popular than paid media among advertisers. Is it a justified approach? Despite the decline in informational consumption from traditional media, they remain to be influential channels.

4) Brand advocacy is a very influential and effective instrument in modern marketing. But there is another point of view among professionals, who consider consumers to be too passive and rarely truly committed to the brand. What is your opinion on the matter?

5) Some of the principles of “the agency of the future” are customization and personalization. Real time bidding technology is based on the same principles. Is the growing market of RTB a threat or an opportunity for media agencies?

6) Will the traditional agencies structure change towards greater flexibility (strengthening of the project model component, staff rotation, active involvement of freelancers)?

**Block 2. Holdings policy influence on agencies performance**

1) Is the concept of integrated marketing communications implemented in holdings in general or only within the networks and agencies?

2) Which segments of M&A market are the most popular among communication holdings?

3) What resources do communication holdings have to overcome the challenges they face because of the industrial transformations?

4) Does significant consolidation of finance, technology and human resources affect the efficiency and competitiveness of “superholdings”?

4) Do global structural changes in holdings have an impact on the local agencies?

5) In your opinion, which development strategy will be more preferable for global communications holdings in the next few years - quantitative (activity on the M&A market) or qualitative (internal restructuring, technological component enhancing and IMC implementing)?

**Conclusion**

Interviewer thanks the expert, clarifies the approval of the materials, informs about the possibility to get acquainted with the finished research.

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