
CLICK, CLICK,
YOU'RE DEAD.
By Chris Worth

Why advertising agencies are doomed . . . and why their brands need not be

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Our advertising agencies are dead. Gone. Finished.

We can't save them, nor should we try. Instead, our task as advertising people is to creatively destroy them before the market does.

Why? Because all the expertise, all the structures, all the practices we've developed will soon be obsolete. This obsolescence will be driven by technology. So by collecting some myths about what technology does, then exploding them with examples, I hope to show you just how much creative destruction you'll need to wreak as the world moves onto the web. You'll see that the ad agency of 2008 will bear zero resemblance to the ad agency of today.

This essay's not negative. It's designed to make you think, not make you mad. Although if it makes you both thoughtful and mad, I'll be happy. (Mad people create great things.)

Here we go.

MYTH #1: Technology is just a tool to accomplish strategy.

Wrong. Technology is strategy. Your strategy will be defined by technology, not merely enabled by it. Today's ad agencies fail to recognise this.

In Germany, the marketer British Petroleum had problems - shrinking market share and an entrenched network of dealers who weren't selling anything. No top-down 'sell more petrol' strategy worked. Lifting BP's sales took a bottom-up creative idea: kiosks.

Germany's trading laws prohibited supermarkets opening on Sundays. So BP set up e-commerce kiosks in petrol stations, which were allowed to open. The kiosks sold it all: fuel oil and detergents, but also fruit and vegetables. BP started growing again - by taking on the supermarkets.

That idea would never have come from top-down strategising. (Buying touch n' sniff items like lettuce and pineapple from a screen, metres from smelly petrol pumps? Nah.) It had to come from the bottom up - small-scale testing and tweaking before mass rollout. And the only strategy was the technology itself.

Strategies are revolutionary, ideas imposed from above by a few. The digital economy is evolutionary, ideas bubbling up from the masses below. So top-down strategies, overresearched, overwritten, and topheavy with concessions to factions and please-everyone homogeneity, will fail. In the digital economy, the only strategies that work are creative ideas that grow from the bottom up. Advertising people with 'regional' or 'worldwide' in their titles are doomed.

MYTH #2: A `people business' needs people.

An ad agency boss once commented that his entire inventory went down in the elevator every evening. The day when they won't come up again is near.

Twenty years ago there were 98,000 bank branches in the USA. Then the first ATM machine was installed. Now the USA has fewer than 22,000 manned branches. While the American economy (and hence the banking market) expanded tenfold, the number of branches sank by 75%. Much to the banks' chagrin, their prided 'personal service' turned out not to be valued by customers at all. The convenience of ATMs outsold a uniformed smile.

I asked 8 account handlers what percentage of time they spent on 'busy work' - fetching and

carrying, doing paperwork, co-ordinating tasks. The answers averaged 81%. Is there a single client who wouldn't give up the free lunches and friendly phone calls in exchange for an 81% cut in costs? In the digital economy, the web can give personal service as good or better than any human being - at far lower cost. Account service is doomed.

MYTH #3: Expertise can't be replaced by the web.

So: all the heavy lifters - all of management, much of account service - in any large ad agency are gone. Let's say 3,000 people are left, down from 10,000. What's left are the core competencies that need specialists: creative, media, planning, DM people, what's left of account service. Are the specialists safe?

No. A major British retailer just merged its US customer database with the database of a mailing list broker connected to two credit card company databases. It now has scarily accurate information on 98% of households in the USA, detailed down to what brands of clothes they bought and how often they eat out. This information is for sale. More importantly, even today's data mining tools can produce startlingly creative insights into who buys what and what motivates them. You want males 18-34 who enjoy snowboarding, pepper steaks and pricey European holidays? The Gstaad Alpine Steak House & Sports Bar can make itself known to 30,000 people like you for under \$1000 and falling. Do you know men who buy 24-packs of beer tend to be recent fathers? Pampers does and puts its products next to the beer section.

Incredibly, 1% of mortgages in the US are now completed entirely online, from a standing start just a year ago. And 14% of motor vehicle sales. And 21% of all insurance sales. The USA now has only 18,000 human insurance agents, down from over 60,000 in the 80s. All these industries - where traditionally the customer needed an expert to hold his hand - just don't need humans any more.

Even those figures are nothing. A Harvard economist recently estimated that in the digital economy, a car company with the output of today's General Motors could consist of under 100 professionals, watching over thousands of small subcontractors tied into the web. Gurmit in Delhi builds valves to fit Pierre's engine housing in Paris while Ralph in Michigan designs fixings to attach them together, software calculating how it all works together. Big results don't need a big company in the digital economy. So another vast swath of agencydom gets dragged n' dropped into the great Recycle Bin of life.

But media specialists are safe, surely? All those strategic media people, strategically strategising on strategic media strategies every day. That's not something a machine can do. Media specialists can sleep easy.

Wrong again. Media departments are middlemen. They turn information about reach and target audiences into optimised packages for customers. With the digital economy's friction-free access to information, that advantage disappears. When information's easy to come by and easy to work with, you can't charge much for it.

Creative departments aren't immune either. That 19% of advertising left after you take out the 81% of busy work is the creative department. And truly great creative work may never come out of intelligent agents, search engines and data mining. But 90% of creative thought is just putting together old thoughts, existing ideas, in new ways. This cuts out about 75% of work produced by creative departments. Ideas produced by even today's artificial intelligences can be surprisingly insightful. Creative departments, therefore, are doomed too.

With friction-free information resources, the whole of a company is no more than the sum of its parts. Therefore those parts have no reason to stay together. Specialists will instead resign to sell their skills to the highest bidder, letting sellbots find buybots over the web. In the digital economy, expertise can be bought as needed. In-house specialists are doomed.

MYTH #4: Customers value stuff you can hold in your hand.

So creatives and media experts have vamoosed; planners have an hourly rate. Our ad agency is down to under 1,000 people. But what about the finished products an agency produces? The DM

pack, the x'd media plan, the final artwork? After reading the beta of this essay, one top creative director was sure he'd still need people to produce camera-ready film. Surely not everything will go digital?

Yes, it will. In 1993 Microsoft approached Encyclopedia Britannica with the idea of putting their 30-volume encyclopedia on a CD. Britannica refused; they felt it cheapened the weightiness of their hallowed volumes. Microsoft released Encarta (based on a cheaper encyclopedia) instead. By 1996 Microsoft's CD was outselling the print Britannica two-to-one. The same year, Britannica released a CD version on its own. but they were still stuck in the something-to-hold paradigm, putting each volume on a separate CD, giving customers a clunky boxful of jewel cases to take home. Today, Britannica's brand equity and balance sheet are both deeply in the red and it's cut its sales force by 90%.

The same applies to bookstores. Barnes & Noble didn't see Amazon as a threat; after all, don't people enjoy browsing real books on real shelves? Amazon would be forever niche. Two years later, Amazon.com's market cap is over US\$2.5bn and founder Jeff Bezos is a paper billionaire. (Major publisher Bertelsmann has just spent US\$200m on 50% of Barnes & Noble's belated website, something they could have got for \$2m a year ago, to get in on the game.)

With abundant bandwidth, creative product will be zapped directly to media owners; nothing you can hold in your hand will be worth selling. In the digital economy, things are less important than the information they hold. Anyone who sells thing value instead of information value is doomed.

MYTH #5: You can preserve your business structure by stifling newcomers.

Let's suppose none of the above happens. Somehow all those 10,000 people at a large agency stay gainfully employed. One smart guy notices a paradigm shift that threatens the agency business. Can't we just crush the upstart like a bug and keep on doing things the way we've always done them?

'Fraid not.

There's a digital music format called mp3. What mp3 does is squash audio recordings (ie songs on a CD) into compact digital files playable on a PC. This means young bands don't need a recording contract to get their stuff into the market. Unsigned bands release mp3'd songs on cheap floppy disks; the Artist Formerly Known as Prince now sells his music only from his website, and one Singapore-based writer has put his entire classical music collection onto his hard disk. Meanwhile, manufacturers are coming up with mp3-capable CD players to expand the market into the consumer space.

The big music publishers' reaction? They're trying to get mp3 banned, with lawsuits flying like confetti. Yet for every website they kill, another ten pop up. Instead of wreaking the creative destruction necessary to adapt their businesses to the new paradigm, they've tried to deny the new paradigm's validity. (Don't go thinking the cover art will differentiate your offering. See #4.)

In the USA, AT&T values its copper-wire telephone network at US\$18bn. Yet the real value of this network today is zero! The fibre optics of Qwest and Level 3, the cable networks of TCI, the world-girdling satellites of Iridium, Globalstar, and Teledesic, the CDMA cellular operators - together their potential capacity to carry information is over a billion times AT&T's. Former AT&T CEO Bob Allen once announced a 'huge cost-cutting program' with great fanfare. One observer remarked that it was like 'asking the band on the Titanic to play just a little faster.' AT&T has to bite the bullet and write off its \$18bn investment. (New CEO Mike Armstrong, who 'gets it', may well do just that.)

One to watch: Microsoft. In October '98 Intel agreed to support Linux. Linux is an 'open source' operating system created by a bazaar of thousands of hobby programmers worldwide. It's robust, easy to extend, and free - better in almost all respects than Windows. And it's growing fast, spreading from IT managers to power users and even to end-users, a market where most people think Microsoft's grip is unbreakable. An easy solution - and one Microsoft will almost certainly rather die than take - is to release Windows's source code, letting that same bazaar of hobbyists take

it further. In the digital economy, an established infrastructure cannot save you, however much you've invested in it. Anyone who clings to the old ways is doomed.

MYTH #6: Some jobs are too big for one person to do.

Stop dreaming: our hypothetical ad agency's back down to under 1000 people. They must be safe, surely? We need a certain mass of people on the ground, people to make new contacts and explore new business opportunities.

Wrong. Intelligent agents, or `bots', are software objects designed to roam the web and collect information from it. The technology newsletter SNS estimates that by 2005, 95% of the web won't be used directly by humans - the HTML pages of today's web will become XML metapages, pages of information structured for use by bots.

No-one at Microsoft answers a phone call from a salesman. All vendors must use a section of Microsoft's website. There's already a thriving market in 'salesbots', software that searches sites like Microsoft's for sales opportunities. At such sites, salesbots can check out the competition, 'pitch' to Microsoft's `buybots', and demonstrate their cost savings or benefits - all without human involvement. These bots will eventually become more sophisticated and knowledgeable than any human salesperson, exploring new business opportunities without needing us around. (Oh, and software can't be persuaded by advertising. Not yet, anyway.)

Three years ago, two guys in a California garage started `streaming' the output of a few radio stations onto the web. (See #8.) The stations appreciated the extra exposure, but saw beyond - the nine or so corporations who own most of the USA's radio stations were spending millions on networks of engineers to run backup transmitters in case one failed. Today, much of that backup infrastructure is handled over an intranet, the corporations `streaming' audio outputs over telephone lines to stranded stations. Those two guys in a garage now handle a business that took two hundred engineers to run in 1995.

Large advertising accounts consolidated at single agencies often take hundreds of people to run across continents. Yet they're all following essentially the same basic instructions: brand positioning, strategy and brief. Those basic instructions can be uploaded to the web. One talented creative team can comfortably service a billion-dollar client with a stream of fresh ideas, rolling out the ones that work to the world via intelligent software bots.

You already know media people are doomed. You might think media companies aren't, since they produce big buying efficiencies by consolidating customers together. But so can one guy with a website. Any reasonably formalised body of knowledge can be put onto the web. (Software 'doctors' with bigger databases of symptom/ disease/ treatment scenarios than any PhD have been curing real patients since 1983. It's possible one's cured you if you saw a doctor reading from his screen as he prescribed.)

'Offices in 99 countries' will soon be derogatory, a statement of how bloated and clunky you are. Success has nothing to do with size. Merrill Lynch just laid off 3400 people yet claims output will be higher because of it. In the digital economy, the web enables the savvy individual to wield massive leverage. Any human being between the client and the work is doomed.

MYTH #7: big agencies will persist because of better economies of scale.

Agency old hands may be chuckling by now. You've known for years how large agency networks can handle international clients and create buying economies better than small shops. But these cherished advantages, like so many others, will soon disappear.

A widely known but little understood area of economics is that of transaction costs. Transaction costs are the only reason large companies exist. (It's cheaper to get your paperclips from your secretary than to source them from Wong's Paperclip Co.) But these advantages are dying.

One of the Big Three car manufacturers has cut US\$1.5 billion (and counting) from its budgets by moving transaction costs onto Lotus Notes. Suppliers compete for contracts over the network. Extrapolated a few years, today's mammoth corporations will be replaced with streamlined networks of thousands of self-contained units. Such networks replace all the buying efficiencies and

communications advantages of large companies, because network effects cut the cost of transactions to practically zero. In the digital economy, large companies have no advantage over small ones. Support personnel - human resources, buyers, traffic clerks - are doomed.

MYTH #8: advertising campaigns will always be needed.

OK. Our ad agency is down to a hundred guys in New York. Worldwide accounts are handled by two smart guys and thousands of bots with no function except to do their bidding. But let's think more about the work, creative ideas executed and rolled out into media according to a worldwide plan. People will be needed to do advertising, right?

Nope.

RealG2 (www.real.com) is a software technology for 'streaming' - playing media smoothly and continuously - over IP-based networks like the Internet. (See #6.) Top analyst Mark Anderson recently described it as 'a gimmick today, a hundred-billion dollar industry in five years.' If all RealPlayer did was play media, it'd just be a brother to TV and radio. But because it plays media in a digital format, consumers can do almost anything they want with it. Video-on-demand. Online games. Build communities. Mix and match your own customised newscasts. Let your software 'listen' to a thousand RealPlaying radio stations and pick your favourite artists out of the ebb and flow - a radio station built for you in real time. Hold virtual karaoke sessions. Play DJ at online raves. And yes, you can say no to ads.

Already broadcast.com vends pay-per-view movies on demand and over 1000 radio stations broadcast solely online. (No ads.) As I write I'm listening to a speech by network pioneer Bob Metcalfe in my RealPlayer, and the sound quality's better than FM radio - over a mere 28.8 modem. Ads are not part of the model.

Most media is supported by advertising. Your \$3 magazine would cost \$12 without it. (Upside magazine, May 1997.) Yet on the web the cost structure gets squished. Printing and distribution is zero; all consumers need pay for is the content.

Tomorrow's creative rollouts won't follow any specific plan. We'll just throw the work out there and see what consumers and their intelligent agents do with it. In a world of abundant bandwidth, 'media plans' will be created by the market itself, by our target audience and their intelligent software agents hooking interesting stuff out of the clickstream.

So how do people pay for content? Pay-per-view isn't successful yet.

Software engineer Brad Cox invented the Superdistribution model. Essentially, it involves taking advantage of finely-detailed buying preferences over the web. Let's say you're an artist selling a new form of art called Glooism, involving latex glue. While beautiful, it's new, and as yet only appeals to 10,000 people worldwide, some in Britain, some in Hongkong, some in the jungles of Papua New Guinea. (PNG will have broadband CDMA web links by satellite before long.) Today you can't locate all those people.

Bring on the bots again. The Firefly Passport (www.firefly.com) is an ultra-personalised 'buying profile' that watches what you buy and recommends stuff you'll like. Ask your searchbot to look for their Passports and soon you'll have the names of those 10,000 human beings most likely to adore your work. With zero wastage and at zero cost, you can send every one of them an email gallery of your Glooey output. Everyone likes it, some buy it, and you get rich.

This 'ultrgranular' marketing model is Superdistribution - ultra-competitive prices enabled by perfect information. And it doesn't involve advertising.

Ok, but what about branding? Branding's still more important than ever.

To peek into the future of branding, visit ShockRave (www.shockrave.com) and play one of the games sponsored by Coke. In one game, visitors control an animated 'surfer' through shark-infested waters, over ramps, around bouys, and so on. The boat has a big Coca-Cola logo on it; your surfboard's red and white; ramps are branded too. Consumers absorb your brand while enjoying the game, not accept it as the price of consuming media. Branding will change in delivery, but perhaps it's the one facet of advertising that won't change in importance. In the digital economy, 'advertising' will be branded content, not ads. Anyone thinking in terms of ads is doomed.

MYTH #9: The above means your ad agency is doomed.

So we're down to maybe twenty people carrying a digital business card at our agency in 2008. But where'd everyone else go?

Everywhere.

Perhaps only twenty people will work for the company. But the brand of our ad agency will be vastly larger: a constantly shifting mass of tiny specialists, average size one person. (There may be many more people involved with our agency than ever worked at it.)

This trend has already started. Anywhere there are networks, there's a rise in the number of individual businesses. By 1994 the USA had 7.3 businesses for every 10 households. Even assuming a linear rather than exponential trend, there'll be a small business in every household before 2010. (And growth in web-based enterprises is exponential, already three times the growth in any other area of enterprise.) It seems the natural tendency of human beings is to go it alone the moment they can earn an income from it. And as the basic costs of living go ever down as a proportion of average income, the barrier to working for yourself also falls. Soon everyone will be a creative, working for themselves doing something they're good at.

Of course, this applies to all industries, not just the bits n' bytes stuff. (Growth in technology stocks may even slow, given that technology and software will be simple enough for anyone to get real value from without climbing a steep learning curve.) As futurist thinktank The Next 20 Years puts it, the most important tools will fade into the background, letting human talent shine through.

Will the natural human need for companionship keep work a group venture? Doubtful. Not one of these billions of creatives will be alone. On the contrary, workers in 2008 have webs of friendships far richer than any of today.

These creatives - in a million industries - work and create for the sheer joy of it. They send their work out onto the web at random, where it gets found by intelligent bots trawling for ideas. For each brief, millions of ideas get rejected; thousands work; hundreds work great. And a few are perfect. The teeming oceans of the web contain vast shoals of solutions in search of problems, an ecosystem rich with possibilities.

Quality marketing creatives can, if they wish, associate themselves with a quality marketing brand, much as websites link themselves into WebRings today. The web smooths their disparate creative work into a single branded offering. The client knows only that the creative work delivered into a billion RealPlayers and Shocked sites came from our tiny-yet-vast agency, paying through superdistribution. And the agency brand thrives.

That's if we succeed.

Therefore, our job for the next decade is ensuring the brands of our ad agencies survive as the companies themselves wither.

In the digital economy, brands are the only things worth building.

But that's another essay.

Chris Worth (chris@chrisworth.com) is a user experience architect and creative director. This essay, which won WPP Group's Atticus award in 1999, was written in October 1998, but many of its principles still hold.

The original byline read: "To everyone I badgered for opinions on the beta of this essay, my thanks. Some were intrigued, some were shocked, and some thought me outrageously speculative. To this last group: your belief - that the world's going to stay the same - is surely the most outrageous speculation of all.

Onward."

Chris Worth, October 2000