



CLICK CLICK 2002

By Chris Worth

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Where 1998's "Click click, you're dead" was wrong. Sort of.

(Note: this isn't directly a Click Click sequel. It's much more up close and personal: in it I try to understand what's changed about marketing and the Internet since 1998. Also unlike the Click Click days, I've now got an agenda - involving my mini-consultancy and e-commerce venture. You may feel cheated. If so, there's an icon on your left that looks like a trashcan.)

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PROLOGUE

In 1998 I wrote an essay.

I was a twentysomething white-trash Asia bum, washed up in Singapore in a dead-end job that paid nothing. I had some ideas about where the ad agency biz was heading, and one weekend I scribbled them down on a PDF, found some facts to support them, and emailed the resulting pages to six people with an invitation to pass it on if they liked it.

72 hours later I sent two emails while heroically drunk. One to the Chinese girl who'd just dumped me for the creative director of WCJ New York, and one to the head of WPP Group in London.

Why?

Because thanks to an email vector that zeroed to a London CD (who I wouldn't meet for another six months) my rant - called "Click click, you're dead" - had reached over a thousand people. That same night over 60 emails came in from around the world, all from people who'd read the article and enjoyed it. For the first time in a while I felt I had something to crow about.

(I still shudder to think what might've happened if I'd got those two emails mixed up.)

The essay continued its roll. Hey-look-at-this emails fanned out into the broader marketing world. Within a month I'd had six job offers in New York, London, and Paris. I didn't know my cheeses and spoke no French, so there was no contest: a few weeks later I left Singapore for France. It took a whole year to get bored again, after which I founded one startup, got rehired by an agency, got sacked by an agency, and started up my own consultancy. Of which more later.

It's now three years since I hit Send, and Click Click's readership has passed 250,000¹. I've given it as a speech in Bangkok and London, WPP head honch Martin Sorrell sent it to his 300 top managers, it's won me an award² and made me a judge of the One Show Interactive. I'm mentioned in "The Cluetrain Manifesto"³ and rereads of the essay appear on a dozen websites including the Financial Times' FTDynamo. It's used as course material at several universities, and still gets downloaded dozens of times a month from chrisworth.com⁴.

But it's a hollow success, because it didn't really change anything.

The business of marketing hasn't changed. Agencies and consultancies still aren't using the web as anything more than another advertising medium. Groupware and collaboration tools are a joke; truly networked pan-regional teams remain a rarity.

The reason for this is simple: **money**.

Everyone's got his own P&L to look after. And while there's no added profit for him in adding profit to his network as a whole, agencies (and most businesses of any kind, of course) will stay non-Internet businesses.

So that's the last, but most important, part of this article: a suggestion for optimising the P&L of networked agencies, without changing the useful sense of accountability that local P&L responsibility creates.

¹ Extrapolated from pageviews on chrisworth.com, email forwardings, and repurposings

² WPP's award for excellence in marketing writing.

³ www.cluetrain.com. A site and book of 98 theses on web marketing.

⁴ www.chrisworth.com/work/articles.html

After all, agencies deal in a commodity even more replicable and leverageable (ugh) than software: **ideas**. Thanks to this one fact, agencies are capable of becoming exponential value networks, with their associated high profit margins. But they're not there yet.

Ad agencies, marketers, even the most tech-savvy consultants with names ending in -nt, are stuck in linear-growth, day-rated lives, growing revenues only in proportion to the number of people they keep gainfully employed. And that's sad.

When he left the theatre for the films, Michael Caine explained that he 'wanted a way to make money while I sleep.' At the end of this article you'll see how my pocket-sized consultancy, redpump, is tackling this problem, with an invitation to become a redpump client and let it do the same for your networked agency.

Anyway, here's the article. It's a bright December Saturday, the Red Machine's hungry for words, and I haven't a clue where this is going to end or whether anyone will want to pay for it.

Onward.

This article is dedicated to the late Denis Bonnet

CLICK CLICK 2002

" 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."

That's how it started. It's interesting mainly for how wrong it is.

I now think the ad agency of 2008 will look a *lot* like the agency of today. But I think that to get there it'll need to tear itself apart, understand the pieces, then reconstruct itself from them. The results may look a lot like nothing happened - from the outside. But drilling down will reveal huge differences in the structural skeletons the agencies drape their flesh around. The concrete silos and towering hierarchies of agencies today will morph into crosslinked networks - "many small pieces loosely joined".⁵ But those networks will still be called agencies.

Justification? Research by Xerox Chief Scientist John Seely Brown and Paul Duguid. They believe *process* - the workflow by which results are produced - and *practice* - the things people actually do - are both essential, and they support, not conflict with, each other⁶. This is why agencies won't die: they have both. The touted strengths of the dotcoms - lack of inertia, speed to market - are valueless without process to cling to.

It's now evident that the advantages of having a company culture and story - known people in known places, house look & feel, even office space - will outpunch any virtual organisation based solely on the web. The processes a company follows are a support structure for the knowledge that grows from good practice; the big-name agency networks are here to stay.

Score so far: 0/100.

"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.

⁵ Most research suggests that projects and teams built to execute them is the work method of the future - not 'careers' and 'departments'. The quote is from JOHO, www.hyperorg.com

⁶ "The social life of information", John Seely Brown and Paul Duguid.

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."

I was wrong here, too.

Worldwide consolidations of advertising accounts have created *more* top-down strategies and regional people, not fewer. (They're everywhere! They're sorting through your ads like tourists in a postcard shop, putting little ticks and crosses on them, deciding which executions should go 'through to the next round' and saying they 'need approval' from someone you've never heard of. Hear that voice you don't recognise next door, mumbling something like 'not on brand'? That's another one! *Ma'am, we've traced the call, and it's coming from... INSIDE YOUR AGENCY! RUN!*)

The reason for this is that these people create a sense of 'oneness'. The client feels his hundred-million-dollar adspend is being smoothed out over his market without any kinks or knots, keeping him in the comfort zone and giving him someone to yell at. So let's face it, regional people justify a lot of billable hours; they're a painful chunk of revenue to lose.

(Now's not the moment for "The Innovator's Dilemma." But read the book anyway⁷.)

To get to that bubbling mass of bottom-up ideas I fantasised about, the whole concept of management has to be tossed aside. People have to learn to go beyond figures and reports, and measure success by the buzz of the market. And that's a big, big task. Much too big for this decade. (Although good admen tend to have such instincts from birth.)

I'll claim one item in my favour, though. Technology does define strategy. Today, the business plan of every Fortune 1000 company sees technology as mission-critical. A cement maker in Brazil sends full delivery trucks out to drive around randomly, software predicting how many orders are likely to arrive. Thousands of trinket sellers exist solely within the 'economy' of eBay. Numerous American freelancers rely on x.com and PayPal to get paid. There are websites with no other function but to aggregate search results from bookstores, auctions, and search sites, like ticks living on the wet bits of a hippo.

Mark Anderson of the SNS newsletter⁸ says that

"...the hottest thing going right now is the software infrastructure of the new Net: the vocal Net, the Global Computer, the B2B and B2C sites.... All of this is going to be built, on foundations like XML, IP, UDDI, Java, and so on, into a fantastic new computer. And applications, while not generally driving strategy, *will certainly drive our every-day use of this unexpected new environment.*"

So the application - the technology - is the strategy.

Score after this round: 5/100.

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

⁷ Clayton Christianson's book explains why even the smartest companies can get logrolled by startups.

⁸ A subscriber-only strategy newsletter. At <http://www.tapsns.com>

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.

This isn't quite as wrong as the ones before it, but it's pretty wrong all the same.

Because while technology's saved us a lot of hassle, it's created even more opportunities for fresh hassles to appear. In an open market, arms races between businesses mean any net advantage lasts only moments.

Arms races work like this. Let's say one agency employs two people to paste scamps on boards. If those neat boards give the agency an edge, other agencies decide to employ scamp-pasters too. Pretty soon, every agency in town has neat boards, the net advantage by any one agency is zero, and forty people proudly add 'scamp paster' to their resumes.

It's unlikely the whole cost of employing those forty scamp-pasters can be passed on to the client. So the agency business, as a whole, is worse off than before.

Nick Wreden of Brandera⁹ writes:

"In essence, the Internet is nothing more than communications links and digitized data. Understand that these links and data deliver customer convenience, not cost savings. In fact, the Internet requires an extremely high level of care-and-feeding. Additionally, it can't answer phones, respond to emails promptly, ensure accurate deliveries or generate content. As a result, companies trying to brand on the Internet require more -- not fewer -- people to ensure operational excellence and a consistent quality experience."

So while the web breeds new work opportunities far faster than it kills old ones, it seems most of the value is created on the customer's side, not the agency's. Even post-bubble, Silicon Valley's Internet economy has 60,000 empty desks; if these 'non-people' businesses need people, 'real' people businesses will need more still. Ad agencies are people businesses, and the big will stay big.

If there's a shard of truth in Myth #2, it's thanks to outsourcing. One organisation can't be good at everything, so today's full-service agency may evolve into a more specialised shop, focussed on its core competency (fmcg, tech, travel, whatever.) It'll mean less choice for clients, but many large clients already have little choice - the number of large agencies and car accounts is roughly the same in the USA today, so every car account move results in musical chairs as the older account goes elsewhere. I'll snag another five points for this.

Score: 10/100.

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.

⁹ At <http://www.brandera.com/features/00/07/20/target.html>

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.

This one's so wrong, it's scary.

Saying that friction-free information resources reduce a company to the sum of its parts ignores the value of keeping those parts linked together in a certain context. What I'm saying here is essentially that a Ferrari and a crate of metal bits are the same thing, and I'm amazed nobody dinged me for it.

(Anyone in Cannes in 2000? See all the dotcom filmsites draping every hotel in town with their urls? Maybe you also saw the sneers on the faces of the film mavens, and their protests to Wired magazine that they'd never use them. We Are In, they said, The Magic Business. And magic doesn't happen without the social cues and nudges the web hasn't developed yet.)

One Intel analyst blamed CEO Craig Barrett's refusal to spend enough time in Santa Clara for a recent earnings shortfall. Chiat Day now looks a conventional ad agency, Jay Chiat's hotdesking and hoteling experiment over. Even Microsoft opened a Silicon Valley outpost, worried that Redmond's distance from the Internet's big gloms of talent would hinder its web efforts.

Inhouse specialists may survive simply *because* they're inhouse. Of my clients, not one formed its relationship with me over the web (although I've worked happily with several subcontractors whose faces I've never seen.) The hug factor of being surrounded by your peers seems stronger than ever.

Maybe it's an anchor, something to hold on to as the media landscape fragments and fewer and fewer people share any cultural commonality outside work.

And the Internet may end up *feeding* this trend, not detracting from it. Desperate to fill near-empty fibre optics, every New Telco - Qwest, Worldcom, Equant - now offers worldwide corporations 'Virtual Private Networks', secure, high-speed networks connecting offices. They run on Internet protocols and standards, so they share the Internet's advantages - fault-tolerance, flexibility, self-healing nature - but none of the messy bits. (Other people's websites, teenagers sucking bandwidth with MP3 swapping.) Little private Internets, pinched off from the wildness of the public web. Letting their owners build on the strengths they already have - forming teams, swapping information, and working together, all singing the same song.

Score: well, I got this wrong, but you did, too, so I'll take another 5 points. 15/100.

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 beleated 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.

This one I didn't get totally wrong, even if Amazon's stock sank from nearly \$400 to under \$8 over 2000 and 2001. Content is going digital - both production and delivery.

Napster and its workalikes have prompted even the Jurassic record labels into realising they've got to start offering content as digital files. The value is in possessing the structure of the work, not its packaging. Since 1998, music sales among the 18-25 age group have been falling; sick of paying cartel rates for a product they only ever want part of, they've chosen to fill their hard disks with MP3s instead. (If only the industry had embraced it faster instead of obsessing over copyright; they'd be selling billions of singles a month with cost-of-sale slightly above zero.)

But it's happening very, very slowly. Napster's been kicked unconscious by RIAA¹⁰ lawyers, and the true peer-to-peer systems - like Gnutella, which needs no central database of songs to steal,

¹⁰ Recording Industry (RIAA) spokesmen in the case showed little understanding of the Internet, as did its lawyers and jurists. Napster's case was likened to banning steak knives to stop stabbings - you end up banning a lot more than the nasty bit.

instead holding lots of mini-databases spread around its users' computers - are hard to use and slow to work. So I'll only claim 5 points here.

Score: 20/100.

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.

A bit more wrong than I wanted to be here.

In the agency world, independent agencies - or even networked agencies without a corporate parent - are now a rarity. The objective of most small shop CEOs seems to be getting bought out by Omnicom, Interpublic, or WPP.

At AT&T, Mike Armstrong's totally failed to drag his company into the new economy. Meanwhile, the Baby Bells have just finished - illegally, as it happens, but remember laws are written by the guy with the biggest gun - driving the USA's broadband startups into bankruptcy. In Europe, the 3G auctions were a shambles, with proxy bidders, illegal bidders, collusion, and unbelievable overpricing. In Japan, the most innovative wireless platform in the world - i-mode - is controlled by NTT, with DoCoMo maintaining an iron grip over the start menu.

The incredible potential of the New Telcos - fibre-optic networks spanning the world - is impossible to realise at the moment, thanks to one thing: *the last mile*. The expensive-to-build,

legally-protected, often state-monopolised conduit from the backbone fibre to the building. And without always-on, real-time access, preferably mobile, the Internet's full potential can't be realised.

There is hope. TeraBeam¹¹ has created 'airborne optics', streaming packets of data through windows via eye-safe lasers. Other technologies include microwave radio, 802.11b networking, and IP VPNs¹². These startups - who made 'don't do anything that involves dealing with Old Telephony' item 1 on their business plans - may yet succeed by doing an end-run around the established players.

In the OS space, Microsoft's Windows 2000 and XP are trampling not only Linux, but *all* variants of Unix. And of course, there's no sign of Microsoft releasing any source code. As a mainstream desktop operating system, Linux is nowhere.

To further harden its walls against competitors, Microsoft's finally judged it can push compulsory registration into the market. Every new Microsoft product now has to be 'activated' with a call to Microsoft. Letting them build a huge database of customers worth billions. And there's no alternative.

Upstarts *can* be crushed like bugs - if the incumbents are scared enough, and own enough lawyers. Doesn't matter how shaky the legal case is; with enough lawyers, it's possible to drag everything out until the upstart starves.

Which makes my score still 20/100.

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.

¹¹ <http://www.terabeam.com>.

¹² Internet Protocol-based Virtual Private Networks

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.

To answer this, let's look at what's actually happened in the last three years.

Everyone who's ever entered their name into a database knows that profiling, agents and bots simply result in *more* offers, not more *targetted* offers. Giving out more information about yourself in exchange for offers that appeal directly to you doesn't seem to work. Among heavy web users, the credo is 'whatever you do, don't give out your details.'

In the search world, engines use metatags - bits of code hidden within a web page that describe it. Naturally, the machine doesn't know if you're lying. So many sites and pages include truckloads of metatags covering every conceivable subject, simply trying to trick their way to the top of a search engine listing.

And with collaborative filtering, the 'Beatles & Bach' problem has grown huge. Rather than risk turning you off with something experimental you *might* like, recommendations engines are set to play it safe. Everyone likes the Beatles and Bach, so eventually, everyone gets them recommended, and collab engines become *less* useful the longer you use them.

So the evidence of 1998 ignored two vital drivers.

One: *marketers don't look at the big picture*. Collab filtering and metatags work if everyone plays fair and describes their stuff accurately. But when it's so easy to fool a piece a piece of software into bringing people to *your* services instead of the services they actually want, everyone goes for the dishonest option.

Two: On the web, *it still costs next to nothing to market to someone*, even if he's ten times less likely to buy from you. This is why true one-to-one marketing that understands your desires and targets them hasn't happened yet; it's just too easy to hit an extra million people with your offer.

And when it's so easy and cheap to reach another million people with your offer, no marketing head's going to tell you to leave them out of the campaign.

Then there's that other big disappointment, CRM. Siebel and Edwards built their solutions on a big idea: gather all your customer contacts together in one place and you can service every customer like an old friend. But the idea hasn't been executed well: research suggests fewer than one in ten CRM implementations are showing a return.

Why? Because the vendors missed something out. Customer Relationship Management isn't about software; it's about people. The software is a helper, not a substitute.

In 2002, the only way to build true customer relationships is the same as it's been for decades: people and trust. The trust part of the equation is slowly rising, but the people part is getting worse. (When did you last call a support line and a human being answered?)

Score: still 20.

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.

This one was partly right - but for all the wrong reasons.

To that auto maker's US\$1.5bn, add in \$2bn from Oracle. (Larry Ellison's aim was to cut costs by a billion dollars with the unheard-of strategy of using his own software. It worked so well he doubled the target.) Billions from Dell, as it used a soft economy to win further market share from Compaq and HP. Further billions from Volkswagen, General Electric, and others.

Networks are indeed reducing costs - but they're doing it for the large companies, not ragtag bands of freelancers clubbing together. Thanks to the ease with which purchasing managers can issue lists of approved vendors, it's becoming more difficult for a small vendor to sell his wares to the Fortune 500, not easier.

These efficiencies can create big gains, sure. But they can also push whole economies into recession, as in October 2000 - when essentially every purchasing manager in the USA hit the stop button at the same moment. (Cisco's orders fell by 5% *a day* for weeks¹³.)

So for the advertising business - which suffers faster and deeper cuts during a recession than any other service industry - the outlook's not that great. There is every chance that a smart client's marketing dept can cherry-pick services from a range of agencies, bringing them together on such a network or extranet. The danger here: advertising becomes driven by price.

Let's say one agency is known for its creative. Another for its media buying. These agencies are known for these skills precisely because they spend a lot of money on these departments; they're often run as loss-leaders to bring business into the agency as a whole. But with that smart marketer taking the best bit from agency A, the best bit from agency B, not one agency will make money out of them.

With most agencies running on effective margins below 10%, that's bad news. It means agencies will have to trim the fat, savagely, and concentrate on only those services that make money. It means differentiating their offering - risking becoming less integrated to boot.

The worst-case scenario is that agencies become execution shops, scrabbling for the bits of budget the management consultancies leave on the table. Not good.

My score: 25/100.

¹³ Statistic from the Strategic News Service

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.

Two things to think about here: control and cash.

The throw-an-idea-out-there hasn't happened, because it doesn't fit the neat worldview of clients. They want steady, managed growth in their brands and businesses, and above all they want someone to be accountable.

An idea 'in the wild', even if an agency can point to it and say 'Look! We did that!', isn't accountable. And the market may find other uses for it; witness how twisted the Mahir and All Your Base phenomena became when a thousand Flash bandits got hold of them. So it looks like the coolest ideas won't come from agencies: they'll come from individuals playing around, and agencies with briefs to crack may never be able to harness their power for real clients on such a scale.

As for cash, the story about superdistribution is still being written. CyberCash, Beenz, Flooze, and a dozen other virtual currencies faded away. There is still no accepted system that lets individuals make small payments to each other. The online cartoonist still can't sell pay-per-view of his daily cartoon for a penny a week. And without this economic model - without the *cash lure* - our network of creative people taking advantage of huge economies of scale can't happen. But it's agreed that such a system is long overdue, and it'll happen some day. A one-cent fee on a billion transactions is a lot of money for the banks.

At least branding's developed as planned. BMW has marketed its sportscars with a 20-minute movie, complete with a plot and characters. Coke gained an audience in the millions for 'Young Americans', a fully-sponsored (while critically-panned) soap opera. (One scene actually featured a teenage couple drinking Coke at a gas station.) *American Psycho's* website featured a newsletter 'written' by the lead character as he might write today, years after the movie's 1981 setting, entertaining expectant fans 30 days before the movie's release.

Marketers are learning to use the Net for what it is, instead of another broadcast medium. Agencies are learning. And this learning is a potent tool.

Score: 30/100.

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.

Oh dear. In 2001, the last myth experienced a long, slow explosion. Where do I start here?

I'm still hopeful that something like this will exist in 2008. Low-cost broadband-to-the-home will be a reality by then, surely? But there's something missing that most people can't live without.

Reassurance.

It's reassuring to have a salary paid in every month. To have medical insurance and a desk to go to and a business card to show people. Even if this is all ultimately an illusion, it's a reassuring one.

The trouble with networks is they're *too* free for most people.

With thousands of cable channels, 'prime time' and 'appointment TV' are still meaningful. With TiVO letting you watch your favourite shows whenever you want, the family hour is still the time you're likely to watch them. AOL's sugar-and-spice virtual Disneyland now has 30 million users, and continues to grow strongly; it added 7m users in 2001 alone. And just ten websites garner 80% of the web's advertising revenue.

Having specific things at specific places on the calendar lends structure to people's lives. Most people just don't want the wildness, have no desire to explore any world, virtual or otherwise. (I've seen shock on the faces of some fairly hardcore independent travellers when I've told them about my solo jungle-trekking exploits.) Pink Floyd sang it best: most people are Comfortably Numb.

Social development lags far behind technology. Just as it took time for people to accept a piece of paper as a freely exchangeable substitute for gold, it'll take many more years for IP-enabled living to truly become part of our lives.

And on that note, I'll end. My final score: 35/100.

AND NOW, THE MOMENT YOU'VE ALL BEEN WAITING FOR:

HOW CAN AGENCIES LEVERAGE THE INTERNET?

What's the date today?

Fix it in your head, cherish it for a moment. Because when the sun goes down this evening, you'll never get paid for it again.

As our agency networks become more like consultancies - getting paid by the hour for our thinking, the way it should be in an ideas business - we're cut off from the true potential of networks.

The consultancy model damns us to being a non-networked business. No exploding exponential growth, no squaring our competitive advantage while our competitors only double. So what is this 'true potential of networks' thing?

The true potential of networks is **leverage**.

The consultancy model is great for producing ideas - but terrible for leveraging them.

Repeating what I said at the top:

*After all, agencies deal in a commodity even more replicable and leverageable (ugh) than software: **ideas**. Agencies are capable of becoming exponential value networks, with their associated high profit margins. But they're not there yet. Ad agencies, marketers, even the most tech-savvy consultants with names ending in -nt, are stuck in linear-growth, day-rated lives.*

Here's the one point I'd like you to take away from this article: *it doesn't have to be this way.*

A great idea has many applications. Maybe you had a great idea today for a client.

What if you could sell it again? Extract the essence of your idea, package it up in a non-branded, generic box, and sell it? Again, and again, and again? What if you could do that for every shop in your network, each agency renting out ideas to others when needed, everyone's P&L growing in tune?

That's network thinking. Leveraging your ideas across a broader client base. It's what I'm doing at my pocket-sized consultancy, redpump. (<http://redpump.co.uk>)

redpump offers consulting. It also offers exclusivity on the ideas consulting produces - but not for free; clients can license an idea for a year for an extra fee. And finally, it offers a low-cost means to get a complete, ready-made marketing concept on your desk without buying any consultancy time, thanks to an e-commerce sideline that I'm hoping to make far less of a sideline in a year or two.

It's the next stage. Marrying the best bits of consultancy - the upstream thinking and the high rates - with the best bits of execution: getting paid while you sleep.

<PITCH>

If you're a *networked* agency, I can show you how to get an even greater advantage.

There are six stages to doing it, and it takes a minimum eight weeks of consulting time, some travel costs, and some software development costs. You'll also be asked to sign a non-disclosure agreement for me. (I sign one for you, too.)

But the great thing is it doesn't change what you are. All this plan does, when executed, is leverage what you've already got - your people and their ideas. No longer will your entire inventory go down in the elevator at the end of each day: their ideas can work on, humming away while your people sleep.

So if it's something you'd like to explore, contact me at chris@redpump.co.uk.

</PITCH>

EPILOGUE

Having been part of the best of times and the worst of times in the Internet and advertising businesses, I still love them both. Recently - having worked in five countries and morphed my way through about five different identities as a creative - I've realised why.

This is a noble business. And what we do as marketers is a noble thing.

Our activities spread the word about our clients' services and products to a broader customer base than they'd otherwise have. The added demand lets our clients take advantage of economies of scale when producing those products.

As they grow, more people get drawn into their economic webs. More people have a stake in their success and continued growth. More wealth is created, letting people improve their lives. At the macroscale, whole national economies expand, connect, and take stakes in each other, raising the whole world up by its bootstraps.

Done properly, marketing is a potent, positive force for freedom and happiness. The Internet is just an enabling mechanism for these powerful ideas. Ultimately, software doesn't matter at all, and anyone whose business starts with software instead of people is in trouble.

So as marketers, our prime responsibility is to keep the conversation going - between people, not machines. The Internet and media are just enabling mechanisms. As marketers, we are playing a major role in the growth and development of the entire planet.

Not a bad return for writing a few ads, is it?

Chris Worth, December 2001

*Chris Worth (chris@chrisworth.com or chris@redpump.co.uk) dreams up ideas for marketers and agencies at his pocket-sized consultancy **redpump ltd** (<http://redpump.co.uk>) His own website is still at <http://chrisworth.com>, and he still gets tens of thousands of visits a month.*