

Is the Big Idea Everything You Paid For?

Marketers and their agencies talk regularly about the “big idea.” It’s nothing short of the idea that will transform the business, lead to substantial increases in brand equity and drive revenue and sales.

But what is the cost of this “big idea,” and do marketers get the value they pay for?

If “value” is what someone is willing to pay, then it may interest you to know that the Big Idea is one of the smallest marketing expenses.

Looking at the compensation models and spend data of a range of multinational marketers and isolating the component that generates the “big idea,” we found that for creative agencies, this represented about 7% of the total agency spend including production. If you consider the total advertising and promotion budget, it fell to less than 1%. Less than one cent in every dollar spent on advertising and promotion was to the “Big Idea.” Not really so big.

Albert Einstein defined Genius as “1% inspiration, 99% perspiration;” marketers seem happy to pay for the perspiration, but only at the lowest possible hourly rate.

Why?

Because most of an advertiser’s spend is not for ideas but for hard costs like media or implementation that includes account management, production, administration-- all the tasks that consume hours of resources.

You pay more for 12 people sitting in a room reviewing the work in progress than the one or two people that will actually create the ideas that make the work in progress worthwhile.

This is the flaw in current compensation models which reward doing, head hours, resources, but not thinking or idea generating.

How long does it take to come up with an idea? A minute? An hour? A day? A week? A year? It depends of course. But under the current compensation models it is better for the agency to take as long as possible and better for the advertiser to be as quick as possible.

But with fixed fees such as retainers and projects fees, there is an underlying assumption about the time it will take to develop the idea. In which case, the agency needs to crack the brief as quickly as possible to maintain the margin.

Agencies have not really been



Darren Woolley Founder, TrinityP3
Darren Woolley possesses the rare combination of right-brain and left-brain thinking. He started his working life as a scientist at the Royal Children’s Hospital Neuropathology Laboratory in Melbourne, Australia, undertaking research in myopathies, neuropathies, Sudden Infant Death Syndrome and Repetitive Strain Injury. However, he transitioned to advertising in the mid 1980s when he began a new career as a copywriter. It didn’t take long before he was named Creative Director at J Walter Thompson and President of the Melbourne Art Directors’ Club for two consecutive terms.

In 2000, Darren founded TrinityP3, an independent marketing and strategic management consulting company that provides marketers and advertisers with marketing agency search, agency compensation and operational assessment to maximize the value of their advertising and marketing budgets, across the APAC region. Today, TrinityP3 works with 50 of the world’s top advertisers and has offices in Sydney, Melbourne, Hong Kong, Singapore and Auckland. With his background as both scientist and Creative Director, Darren brings a unique sense of process combined with creative purpose to his work. He has regularly been named in Australia’s AdNews Power 50: The Most Powerful People in Advertising since 2005.

Contact: darren@trinityp3.com



concerned about this. After all, the industry has given away intellectual property since the beginning of the media commission system and this practice has continued with the introduction of fees and retainers.

But no other creative commercial pursuit does this. You do not see authors, film producers, composers and the like giving away the IP for an hourly rate. They negotiate a rate directly linked to the value created by the IP. Sales, downloads, box office and the like are all used to share the value generated with those involved in commercializing the IP.

I recognize that there is a huge difference between an author working on a manuscript and a copywriter responding to a brief, but in both cases there is a commercial output that can be quantified.

Of course agencies usually try to make up the short fall with all of the other implementation services they provide. Production is a key area. But with increasing uncoupling, outsourcing and unbundling, along with the incredible competitive pressure on the rates for these services, this is becoming increasingly more difficult to maintain, with agency fees often much higher than the alternative models.

But with the call for greater transparency in agency compensation, especially from procurement, it is important to distinguish the two functions of the

agency: firstly IP creation and secondly implementation of those ideas. Separating the two brings greater insight into value. The first should be ideally compensated on the value this represents to the organization or brand, while the second is a process that can and has been increasingly optimized.

So why is this an issue for marketers and advertisers? After all, if the agencies are willing to provide their ideas and IP for next to nothing that is a bonus, right?

In the short term; yes. But we are already seeing this is not sustainable in the longer-term. Creative talent is becoming increasingly harder to attract and keep. The relationships between marketers and agencies and between agencies working with the same marketer are becoming increasingly difficult to manage as each competes for a bigger slice of the same budget pie.

If you think I am simply advocating paying agencies more, think again. If you are currently paying 1% of your budget for the big idea, what would be the impact of paying 2% on the basis that the idea generated delivers your marketing and business objectives, or 0% if it fails to deliver completely? And isn’t that a more accountable compensation model than simply squeezing the margins looking for the lowest possible cost?

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