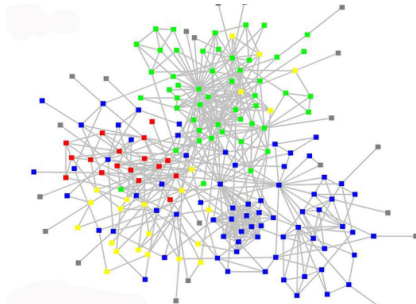




## Hidden Costs of Digital and Social Media



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The great hope for digital/social media was addressable advertising, with its lower creation and production costs coupled with higher advertising effectiveness. How could one argue with this formula, particularly while the consuming public was retreating from broadcast advertising? Unrecognized by digital/social enthusiasts, though, are the hidden costs of complexity, which today threaten to erode the marketing effectiveness of advertisers and agencies alike.

At first, it was relatively easy to add digital and social media to the media mix — a bit like upgrading your wardrobe by shopping for new clothes. Advertisers could recruit digital/social experts for their marketing teams and find specialized agencies that could do the digital creative and media work. Existing roster agencies were not much help in the early days; they saw new media as a technical specialty better handled by others. Sir Martin Sorrell, writing in the WPP 2003 Annual Report, justified the lack of interest by traditional agencies in digital media: *"Specialized companies love working independently in their specialized fields, even though their clients have broader needs... It is in the nature of specialist talent that it is unlikely to flourish within the confines of a single marketing company."*

Traditional above-the-line agencies did not immediately diversify into digital. Advertisers had to look elsewhere.

This outcome set the stage for the abandonment of the agency of record (AOR) and the significant increase in agency rosters for advertisers that were hellbent on expanding into digital/social. And for every specialized agency added to a roster, the marketing department added specialized media experts.

Scopes of work (SOWs) expanded significantly, as banner ads, email marketing, Facebook posts, Instagram posts, mobile marketing efforts, and website development were added to the traditional SOW deliverables in print, radio, and TV. Media spend fragmented — from the simple broadcast and print channels of the traditional era into 15 or more major media channels across traditional, digital/social, and search. Programmatic capabilities, too, were later added to the mix.

Agency/client processes grew and expanded like a nuclear chain reaction. Every *campaign* needed briefs, channel strategies, media plans, media buys, and campaign performance reporting. *Programmatic* advertising required briefings, strategies, algorithm selection, programmatic implementation, reporting, and optimization. *Search* required briefings, strategies, buying, performance reporting, and optimization. And all of this needed to be fed by the creation of massive amounts of "content" by roster creative agencies. For every 10 creatives among roster agencies, today's SOWs involve 3,000 deliverables across all media types.

The number of professional "interactions" between agency executives and client executives has grown exponentially. The real hidden cost of the digital/social revolution was (and remains) *organizational and interaction complexity*. Agencies and their clients are overwhelmed by the need to communicate and deal with one another — to plan, obtain approvals, carry out work, calculate ROIs, and readjust after results have been analyzed. It's talk, talk, talk, negotiate, approve, reconsider, talk, talk, talk.

Interactions burn hours and burn out people. Ironically, interaction hours are increasing exponentially at a time when fees continue to be driven downwards by procurement. Organizational and interaction complexity is neither recognized nor paid for by advertisers.

*Organizational network analysis*, a diagnostic approach that measures the number of interactions in an organizational system, has proven to be exceptionally useful in documenting the complexity of agency/client relationships. In one media relationship recently diagnosed by TrinityP3, there were 9,000 separate interactions involving 20 agency FTEs across 15 processes. The briefing process required 45 interactions per head, channel strategies needed 48 interactions per head, media planning required 60 interactions per

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head, and media buying needed 45 interactions per head. The pace of communication, both within the agency team and between agency and client was exhausting.

Procurement, in manufacturing and distribution, created success by reducing complexity and eliminating non-value-added costs in manufacturing and distribution supply chains. If only they focused on this in the media industry. Disappointingly, procurement focuses only on reducing fees despite the massive increases in organizational and interactive complexity due to digital and social fragmentation.

There's more to the media business than issues of transparency. The hidden costs of complexity are large and growing and are a threat to agency/client effectiveness. It's time for procurement to seek ways to simplify relationships and reduce these hidden costs.

For those in procurement, get out your slide rules and focus on complexity reduction as the new pathway for improved efficiency.

Image credit: Valdis Krebs, [www.orgnet.com](http://www.orgnet.com)

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MediaVillage columnist Michael Farmer is the author of *Madison Avenue Manslaughter: An Inside View of Fee-Cutting Clients, Profit-Hungry Owners and Declining Ad Agencies* (Third Edition, 2019), which won four publishers' awards for excellence in marketing... [read more](#)



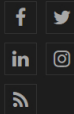
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