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OPINION

Woolley Marketing: Is bigger better? Does size matter?

In his regular column for Mumbrella, Trinity P3 founder and global CEO Darren Woolley sizes up the advertising industry.

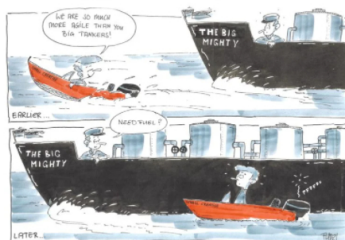
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By DARREN WOOLLEY



The advertising industry often appears obsessed with size. The bigger the better. Perhaps a by-product of a traditionally male-dominated industry? Who is the biggest client? The biggest agency? The biggest holding company? Who has won the biggest client? The most awards? The talk of the industry is all about who is the biggest. And why not? The bigger the agency grows, the more chance it has of being bought by a bigger competitor. Or perhaps less often these days. And an agency grows by winning those big clients. The bigger the better, right?

Let's think about the popular 50 largest advertisers in Australia. According to Nielsen Adex, in the past 12 months, the top 50 advertisers range in media spend from \$350 million down to about \$25 million at number 50. Collectively they spent \$2.8 billion on media last year in Australia. These are the advertisers and the brands that are not only big, but also popular in their category and popular with agencies. Who doesn't want to win a big account like this?



Cartoon by Dennis Flad, with permission (2021)

But who is talking about the rest of the advertisers? The ones that do not make the top 50 advertiser list. The ones that spend more than a million dollars a year, but less than the smallest of the top 50. How many of them do you think there are in Australia? Well again, according to Nielsen Adex there are 1,125. That is right, more than a thousand advertisers. And collectively they spend \$4.9 billion dollars on media in Australia.

But let's look on the agency side. When an agency lands a new account, or retains an existing account, they go onto the ever-popular new business table. The table to celebrate and acknowledge the agencies that are growing the fastest and the biggest. But is it, really? Much of the time the results are reported in billings. Media billings are perhaps fine for media agencies, but where do billings leave creative and digital agencies? And with many media agencies making up to half their income from non-media services, what do the often-inflated billings numbers actually mean?

Meanwhile, for that agency that manages to win the big advertiser, what are the implications? Particularly the cultural implications as an agency goes through massive and rapid growth. Bigger may be better, but the path to growing bigger is littered with agencies that bit off more than they could chew and then managed to choke. Nimble, agile, creative hot shops are almost overnight transformed by the pressure of their new client's bureaucracy and size into exactly the type of agency the founders did not want to have. But they are comforted by the fact that they are bigger and therefore more likely to get swallowed by an even bigger competitor, leaving the owners covered by a blanket of cash for their troubles.

If you are an investor in one of the many publicly listed holding companies, then you would equate a bigger operation with bigger returns. Or at least you'd hope so. But how often these days do we hear the complaint that account wins come at the sacrifice of profit, as margins get sliced away through the increasingly competitive market and the 'race to the bottom' procurement process?

So, is bigger better? There is a change we are noticing. It started before the pandemic but has been accelerated by it. There is a genuine shift in advertisers' preferences away from the default 'bigger is better' argument. Many of the smaller agency network and independent agencies are increasingly in consideration, not just for the multitude of advertisers who do not make the top 50 on media spend, but from the top 50 too.

My colleague Jeremy Taylor noted it during the recent AdForum Consultants summit in the northern hemisphere Spring. The big agency networks and holding companies focused on a story that goes "they

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provide personal service and fast turnaround despite their size and structure, due to the excellence of their systems and the quality of their people". Meanwhile, small agencies expanded the story of "their ability to service global accounts, despite their lack of employee numbers and global presence, through their alliances and networks".

It appears that the dilemma is this; when you are small, you wish you were big. But now when you are big, you wish to be as nimble and agile as your smaller competitors. And this does not just apply to agencies, advertisers are feeling it too.



Darren Woolley is the founder and global CEO at Trinity P3. Woolley Marketing is a regular Mumbrella column.

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