

Boardroom

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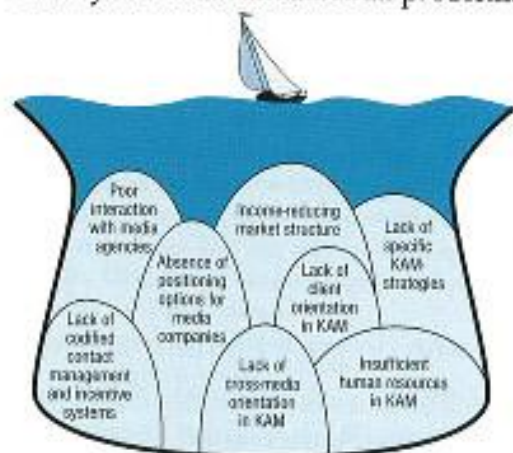
The Need for Change

Advertising spending has dropped dramatically in the past few years. Leading media companies are not waiting for a market recovery but are managing to grow by offering creative solutions to their clients. In his recent book 'Media Management - Leveraging Content for Profitable Growth' (Springer Publishing, New York, 2003) Andrej Vizjak reveals the state-of-the-art practices of media companies. One of them is Media Account Management - a direct link between publishers and advertisers.

The advertising market is facing saturation after a long period of growth. For example, in Germany the advertising market even contracted recently, with the economic cycle being blamed as the key reason for the poor situation encountered by media companies. However, they can organise themselves in new ways to offer their clients greater value and to boost advertising spending. They can resolve their poor interaction with media agencies, position themselves directly with their main clients and offer cross-media solutions. As shown in Figure 1, these problems were hidden during the boom years but became more visible during the period of recession.

years. Nevertheless, only a few see the past as a chance to gain new insights to eradicate these problems. Since it is no longer sufficient to simply wait for an economic pick-up, the industry should instead understand this turning of the tide as an opportunity for recovery. The mentioned lethargy of many media companies and the existing opportunities for boosting advertising spending beyond cyclical barriers are mirrored in the results of a survey among 48 major German media companies, conducted by A.T. Kearney in co-operation with the University of Eichstätt-Ingolstadt.

Boom years hide fundamental problems



Dropping ad-turnovers show the real problems

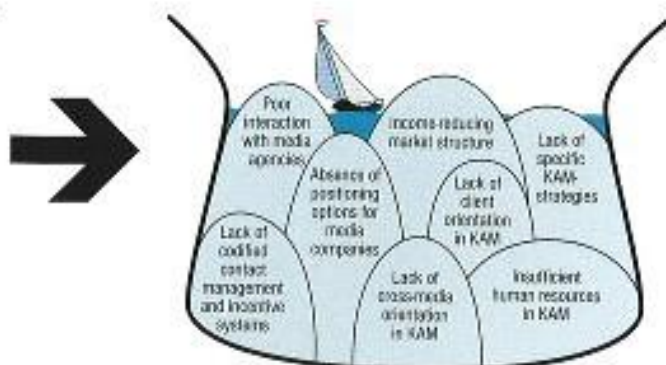


Figure 1. Fundamental problems of German media companies
Note: KAM = Key account management

Today, in a recovering market media companies are taking the chance and proactively changing. They can no longer adhere to the old practices, seeing the economic cycle as the only driving force behind media spending and therefore hoping for some self-acting recovery of advertising spending.

Internal problems contributed to the poor situation faced by many media companies in the past. The drop in advertising shocked media companies who had been lucky to avoid these problems for

- Despite knowing their weaknesses, most of the interviewed companies still do not act on their knowledge, therefore their potential remains untapped.
- Compared to these, leading-edge media companies are preparing for the recovery and are already attracting more than their fair share of advertising spending. Winning media companies are using the recession to finally exploit the full potential of all their media assets, no longer relying on the decentralised, often unco-

ordinated and fragmented approach of making individual offers. They are organising sustainable increases in their share of advertising spending, rapidly improving their attractiveness to advertisers. Successful Media Account Management allows them to efficiently and effectively target customers with co-ordinated and client-tailored marketing solutions.

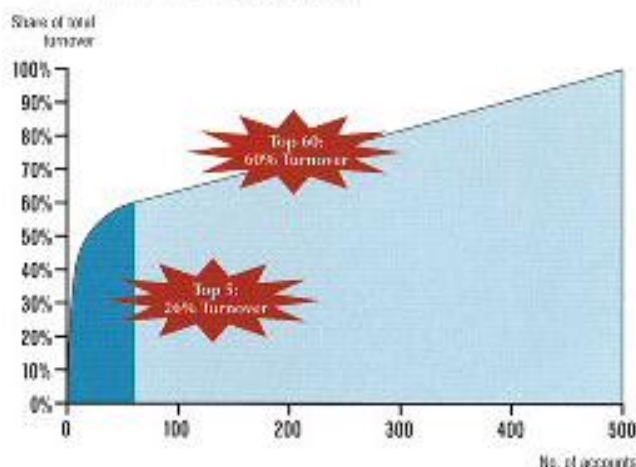


Figure II. Ad-client ABC analysis of German media companies

The need for change is obvious. Large advertisers like food producers, telecom operators or car manufacturers require full-service solutions, including creative content development which is multiplied across different media. These solutions can only be offered by media companies directly which organise themselves to meet the new requirements of their clients. This new organisation can be also called 'Media Account Management' as it builds on key account management principles successfully practiced in other industries.

The advantage of Media Account Management

Key Account Management (KAM) is a key success factor for many businesses. Many publications and studies point out the outstanding importance of Key Account Management for commercial success and it seems that in the media business this statement has even greater application.

The survey reveals that the five biggest advertising clients of a media company generate on average 26 percent of its total advertising turnover, representing one percent of the total numbers of customers (457 accounts per company on average). These figures indicate the outstanding importance of major accounts and the need to deal with them in a special way. Therefore, it is no surprise that 75 percent realised the importance of Key Account Management for their companies and even 66 percent of them plan more investments in Key Account Management than in editorial resources.

Nevertheless, when analysing media companies in more detail significant shortcomings in most of them are soon revealed. Most of them exploit their Key Account Management inadequately. Knowing these problems, leading German media companies were asked about their Key Account Management - with an astonishing result. More than half of them (52 percent) realised that many implementation issues are not addressed properly: potential remains underused; market trends and environmental factors are considered only half-heartedly. Often two crucial basics of professional key account care are lacking: efficiency and effectiveness. It is surprising that only a few companies already exploit the full potential of their Key Account Management, keeping in mind that simple measures can create enormous levers and pave the way to optimised Media Account Management (see Figure III).

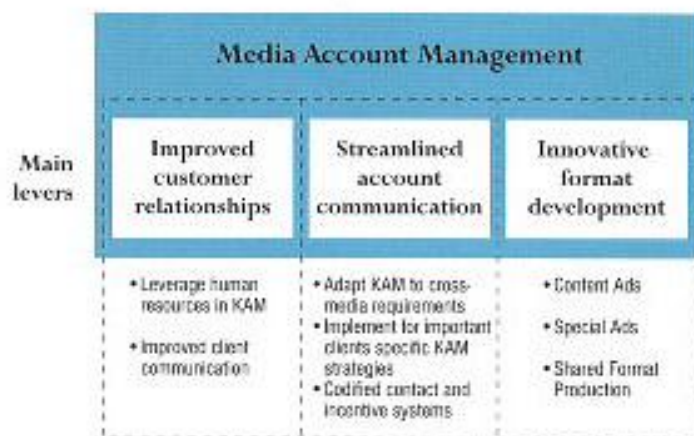


Figure III. Media Account Management

Improving customer relationships

Communication is crucial for improving customer relationships. Knowing customers' needs, bundling this information and reporting it in an aggregated way to top management are the basics of success. This calls for appropriate staffing. Media Account Management is a full-time job which has to be done by specialists. Nevertheless, almost half of the interviewed managers (46 percent) declared that key account managers in their companies do not exclusively attend to their key accounts. Taking the broad range of managerial and analytical skills into account as well as the knowledge demands, including profound market and product knowledge, Media Account Management should not be performed in addition to another job. Leading-edge companies know that the loss of quality in a service encounter directly affects both customer satisfaction and loyalty. A competent and trained contact, especially with major accounts, is a prerequisite for a lasting relationship. That is why leading-edge companies began to improve and expand human resources involved in their account management.

In addition to the insufficient staffing of key account managers, dramatic omissions are revealed in client orientation. An absolute pre-



requisite for customer-centric communication is knowledge of customers' needs. Nevertheless, 48 percent of respondents see some urgency in this topic. Every fifth respondent even declared that the Key Account Management in place completely misses the needs of the customer. At first sight, these figures seem a paradox: Key Account Management, a client-driven business, does not meet the clients' needs. Yet, empirical data support these results in a dramatic way: 92.5 percent of the interviewed companies consider emotional ties, moving beyond traditional business relationships, as an important topic of Key Account Management even though 100 percent of the interviewed clients are no longer interested in this type of client management.

Example

Emotional ties are still regarded as a key success factor in the media business. This is underpinned by a key account manager from a German publishing house who said that media companies are forced to offer expensive events for their major accounts, e.g. four days on Rhodes for all major advertising partners, including their families.

They prefer to see resources being tied up in a professional Key Account and Customer Relationship Management, targeting at improved communication and knowledge bases.

Example

The efforts of media companies, trying to build an emotional tie to the ad-client, are totally missing the needs of their customers. This is one striking result of expert interviews with the leading representatives of international companies. An international operating discounter even stressed this by saying: 'As a basic principle we do not accept any gifts or invitations and send them back on a regular basis. To our surprise this does not result in happy reactions.' As a result, it is essential to throw misconceptions about clients' needs overboard and to achieve a better client orientation in Key Account Management by closely focusing on communication.

Apart from more professional contact with the advertising company, the contact with media agencies should also be improved. Media agencies are the dominant partner for interaction for most interviewed companies. The benefits for both client (economies of scale, efficiency of media planning, outsourcing etc.) and company sides (professionalism, broad customer-range, trend-anticipation etc.) are undisputed. Still, most media companies lack key account strategies for media agencies. One reason for this is surely seen in the problematic image of media agencies: 41 percent of the interviewed media companies see them as the most critical channel. More than half the respondents even mentioned the dominance of media agencies as lying at the crux of the matter and being the

starting point of a vicious cycle that leads to falling advertising incomes.

To break up the market structure, almost half of the interviewed companies seek the reintegration of services in their own companies, but only 8 percent had already realised this and no more than 20 percent see opportunities for reintegration in the future. For most interviewed companies, media agencies will remain the dominant players, offering better conditions, and therefore the market structure will persist.

Nevertheless, deep analyses reveal that the dominance of media companies is not the problem, it is rather the poor co-operation of media companies and agencies. Over half of the interviewed companies declared media agencies as their major interaction partner, but only 20 percent attend to them through specific Key Account Management. Are the problems even homemade? One indication of this is that leading-edge companies that interact in a proper way with media agencies do not see problems in the relationship in 85 percent of cases. Still the systematic interplay between different medias as well as between all players in the market is in many companies not yet in sight. These shortcomings should be understood as an impetus for rethinking contact with media agencies. Media agencies have to be finitely treated according to their importance. In many areas 'one without the other' is no longer possible. They are the most important buyers of ad-space for most media companies. Due to their special needs and interests the pure transfer of existing Key Account Management to media agencies is clearly not enough. Instead, agency-specific media account strategies must be implemented, contact persons trained and barriers gradually reduced.

The simple target must be to professionalise contacts with all client groups. To achieve this, old mindsets must be rethought, misconceptions must be admitted. For this, a suitable skill set of the work force must be ensured. Besides pure technical and specialised knowledge, heuristic and social intelligence are increasingly important. To train them is challenging and time-consuming but this empowerment of human resources is essential to ensure greater competitiveness.

Streamlined co-ordination

In realising the importance of Media Account Management and ensuring effective professional contact with all customer groups, greater efficiency must be realised through codified client acquisition processes as well as institutional contact management and incentive systems.

Codified client acquisition processes make the customer contact transparent and quantifiable, transforming it into something measurable and controllable. Here, it is important not to over-exaggerate the standardisation level and to find the balance between personalised contacts and streamlined interaction processes.

Nevertheless, 57 percent of the interviewed companies do not align the standardisation level with clustered customer segments. By making the client contact efficient and measurable, leading-edge companies also recognised the need to define clear responsibilities and roles in their efforts to measure, control and improve the performance of key account managers.

Measurements and incentives are aligned with both short- and long-term company objectives. In doing this it is not enough to measure performance by pure quantitative indicators, as might be the case for sales people, but to reflect the required skill-set of key account managers by also introducing qualitative factors. Even if these insights sound perhaps trivial, only leading companies realised the need for codified contact management and incentive systems to control the client contact and to lever the performance of account managers. 60 percent of the interviewed companies still see no need for making their Key Account Management measurable and therefore they do not have suitable instruments in place, leading to a purely qualitative approach of Key Account Management.

Key Account Management is a hot topic in the media business, but when it comes to implementing the ideas behind Media Account Management many shortcomings become obvious in most companies.

However, some best practices also show that the realisation of underused potential involves no witchcraft and that very often simple means are enough to bring about enormous leverage.

So it is not so much the lack of means or suitable strategies, it is more the lack of implementing the potential of Media Account Management that is missing. The predominant misinterpretations in general and the company's situation in particular often hamper the transformation from simple Key Account Management to profound Media Account Management.

Innovative format production

However, in the current economic environment use of the mentioned levers is insufficient. Successful Media Account Management should also target product development. Leading-edge companies enlarge their customer knowledge through improved customer contact to some degree, which enables them to proactively develop new products and value propositions for the ad-client.

Today, most formats are exclusively focused on the end-consumer. The target groups of advertising customers are mainly not considered in the stage of format or content development. The needs of both customer groups are only connected when advertising space is sold to ad-clients.

However, since ad-clients are not marketing to all end media format consumers, but only to their target groups, they are only willing to pay for customer contact within their target group. Therefore, simple product orientation and optimisation merely to boost copy sales fall short of realising the full potential of advertising. The multiple financing of media companies favours solution-thinking and an integrative approach to all customer groups.

This simple insight contains incredible potential. The solution-focused approach offers empowerment opportunities and therefore value propositions for media companies: solutions are the exclusive territory of media companies; agencies remain outsiders. Even though for legal and ethical reasons this approach is arguable, A.T. Kearney developed the first ideas on how it might transform into new products (see Figure IV).

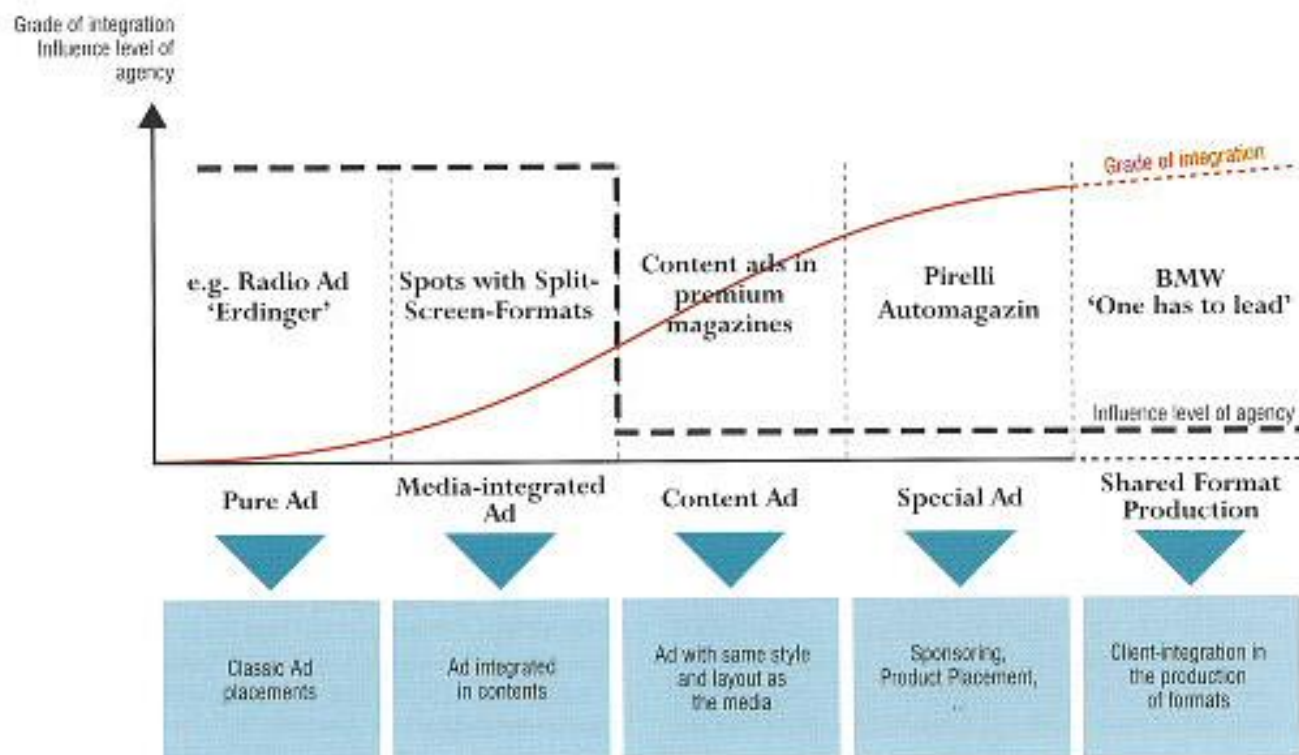


Figure IV: Types of ad-client integration

If 'pure ads' and 'media-integrated ads' are more or less dominated by media agencies then, because ad-space can be booked independently from media companies, media agencies are losing power the more the ad becomes an integrated part of the format. The increased interlocking has caused the dependency of format- and ad-design and therefore the increasing importance of the format producer: the media company.

Three generic ways of integrating the ad-client in the media company's value chain should be distinguished and discussed: 'content ads', 'special ads' and 'shared format production'.

Content ads and special ads

By interlinking content and commercials in content ads the design of the commercial, respectively the entire campaign, is aligned to the layout of the format, whereby content and commercial information is blended in the consumer's eyes. In the simplest way the ad has the same layout as the format. A higher integration level is reached by processing the ad like an editorial format, meaning the connection of commercial and editorial information. So a report about Route 66 could be mixed with commercial information about new motorcycles. An example of commercial success in this context is Condé Nast. By merging content and commercials in high-gloss products, the publishing house includes the advertiser within the scope of the format. Thereby, the medium is consumed more fluently, ad-messages expand easily into the reader's subconscious and the brand recognition is leveraged. All this directly leads

to better consumer treatment and therefore to an increased willingness to pay on the ad-client's side.

Due to ethical and consumer concerns, there are some potential limits of this approach for some media types. It might be usable for lifestyle and product information, but news and educational content as presented in newspapers etc. must be excluded since otherwise the journalist's duty and therefore the educational task would be endangered. Due to the potential conflict with the ethical world of journalism, many aggressively denounce this strategy for all medias in the public, but at the same time half of the interviewed compa-

nies hold it as a suitable option in mind (in TV business over 80 percent). This hidden desire is not surprising at all, given the strategy's advantages.

With this in mind, it would be wrong to rethink this strategy for all kinds of media. Used in a responsible way for selected media, it can leverage the attractiveness for ad-clients, while obeying media laws.

Other popular types of interlocking content and commercials are product placement and sponsoring, which are subsumed as 'special ads'. Here, ad-clients are directly integrated into the format production as well as the design since the style can be influenced by the ad-client. Good examples are modern blockbusters, e.g. James Bond and *Men in Black II*.

Shared format production

By integrating the ad-client into the value chain earlier the client actively participates in format production. The philosophy underlying the shared format production is a radical rethinking of old standards. Hence, this strategy must be applied with care. The educational task and the journalist's duty are not to be endangered. Nevertheless, in some media segments it might be target-oriented to design the product not exclusively for the consumer, but in cooperation with the ad-client and therefore based on its individual needs. The media company has the knowledge about its consumers, the recipients, whereas the ad-client knows the message and the target group. Keeping this and the opinion of 63 percent of the industry that image spillovers between the parties do exist in mind, a symbiotic production of the format might just be the next logical step. Through shared format production, the fit between advertising and format is improved, leading to higher hit rates as well as a greater willingness to pay according to 75 percent of the interviewed companies. The results are empowerment opportunities vis-à-vis media agencies and competitors.

Apart from these direct advantages, indirect surplus value is created. At first blush, this strategy will destroy consumers' willingness to buy the product but, when analysed in more detail, it can even serve consumers. By sharing format production, ad-clients also share their consumer knowledge with media companies enabling them to create a product that better fits with readers' needs. Further additional income streams are generated, securing the financing of high quality formats in times of declining advertising turnovers. The inter-company flow of information also paves the way to better customer understanding and to the 'transparent' customer, delivering advantages to ad-client and media company sides. Through the philosophy of shared format production the awareness of shared knowledge bases is expanded and a win-win-situation is created: customer knowledge means success.

So what has to be done? First of all, old ideas about format produc-

tion must be re-thought in some areas of the media business. This radical re-orientation definitely cannot be achieved overnight because enormous resistance to this change, which is shaking the foundations of the media business, is likely. But in order to create sustainable competitive advantages, fighting for the change is called for, which means talking to people and convincing them that change is necessary for surviving in these challenging times. For motivating people quick wins and goals must be communicated, the process must be made transparent. To this end, the escalation model illustrated above (see *Figure IV*) offers approaches with defined milestones, which aim at improved ad-client integration.

Second, the process, communication and system architecture of media companies must be redesigned. In fact, this means the inter-linking of Key Account and Customer Relationship Management (CRM) tools. Knowledge of the customer base (CRM) enables the media company to co-operate and to therefore co-design a product optimised to the target group with the ad-client (KAM). Clearly this approach is risky and not all measures work for every format but, aligned in a responsible way, the potential for many formats may be enormous!

The concept is simple - the winners will be those able to execute

The study shows that not everything in the media business is as bad as it initially seems. The market is picking up and everything indicates stable growth in the future. Nevertheless, it no longer makes sense to bank on the forecasts.

Media Account Management across all media offerings, knowing the consumer segments and emphasising the advertisers' consumer segments is what leading companies are pushing for. Relatively simple strategies and instruments are sufficient to raise advertising incomes.

The difficulty, however, lies in the execution. Organisational boundaries must be broken down within profit centres, divisions and throughout the corporation. Media companies must design and execute an overall strategy for their main advertising customers, moving beyond the individual interest of specific titles or formats, making customer segment information available at the key advertiser account level, thereby professionalising the approach to and service for advertisers. Knowing the clients' customers, media companies must apply this knowledge to realise sound value propositions.

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