

MEDIA NEW BUSINESS MODELS

Agency platforms offer new revenue streams

The development of proprietary media adds credibility to agencies and value for clients. The challenge is balancing resources. By *Emily Tan*

It is no secret that both media and creative agency profit margins are continuing to shrink. A recent report by financial conglomerate Nomura pins them at between 13 and 14 per cent over the past seven years.

In an effort to build new revenue streams, agencies have tried making books, iPad cases and in the case of creative agency Mother, candles. Of late though, technology has given agencies a more viable avenue in the form of digital products that can be used as advertising mediums in their own right.

"If a guy in a bedroom can become an online success, why wouldn't agencies be doing it?" asks JWT Singapore's head of planning, Michael Chadwick. "It's been talked about for so long but most agencies really haven't moved into this space."

Some exceptions are BBH, with its product incubation agency Zag and Wieden+Kennedy Amsterdam with

Dam Armada. In Asia, Dentsu has been investing in digital product development for years. Some of its products, like Suwappu — block-like toys that interact with an augmented reality (AR) environment — never really took off in the advertising field.

Once in a while an agency hits gold, such as the case of iButterfly — a mobile app that combines AR, location-based and coupon marketing and social gaming.

Originally created as a standalone gimmick for a campaign by Dentsu in Tokyo, Media Palette Hong Kong decided that it had the potential to stand alone as a new mobile ad platform. "I was looking for something that we could implement in this market to build perception," says Ken Matsumura, the agency's president.

Matsumura's ploy succeeded. Since its launch in May the app has become an icon in the mobile marketing world and been exported to campaigns

220K

Number of times the iButterfly app has been downloaded in Hong Kong

4

Regional markets the platform has been used in

14%

Maximum average agency profit margin

in Singapore and Malaysia. In Hong Kong it has run promotions with brands like adidas, Pacific Coffee and Samsung. "iButterfly has achieved everything I had hoped for and more," enthuses Matsumura.

The challenge for agencies moving into this space is resources and sustainability. Many don't have the manpower or time to indulge in research that isn't directly client-work related.

"Many agencies find it tough to create and manage multiple forms of digital content," notes Stephen Li, regional chief executive officer at MEC. "Fundamentally it's about diversifying and integrating the agency skill base," he says. "If content is at the heart of your communications strategy you can't have that skill-set stuck in some 'dark arts' room no-one feels comfortable approaching."

Making iButterfly a sustainable platform required substantial investment on the part of Media Palette. It part-



iButterfly... the platform has

generated strong uptake from a variety of clients since its unveiling by Dentsu last year

nered with digital agency Cherrypicks to develop the platform, a process that took six months, and even when there are no promotional campaigns lined up Media Palette has to offer content to keep the platform alive and its users engaged.

"It's hard to commit time and resources to an internal project," admits Chadwick. "Agencies need to have a plan to either make it a continual revenue stream, or to sell it. There's little chance of them turning into media owners."

There are upsides to striking a balance though. Proprietary platforms can strengthen client relationships by adding value; they can also contribute to talent acquisition and retention — because

product and platform design offers people a stimulating extra dimension to any client-specific projects.

As everyone is operating with similar assets and constraints no single discipline currently leads the space. "Compelling content ideas can come from any agency," Li says. "Media agencies, for example, are well-placed to manage content."

Chadwick predicts the trend is likely to gain momentum with media-defined advertising at an end and audiences consuming content from various sources, providing it has value. "The future is about creating useful and entertaining communications rather than just creating traditional ads," he says.

EXPERT COMMENT Masashi Kawamura



Technology today affords many more opportunities to create platforms from scratch, with the potential to reach a wider audience and create more engaging content.

As a creative, the full control it grants is great. For example, Party has created an online game environment for Toyota called Social Network Racer, a 3D racing city developed for Facebook. We didn't want it to be a one-off project and so far it's been used for special races around the world, user-generated

competitions and championships and a promotion with a celebrity — there's so much you can do when you own the platform.

For consumers, long-living platforms are taken more seriously than trendy one-offs. They know you're dedicated to the message you're looking to convey and will in turn be more loyal.

As an agency though, building platforms shouldn't be the main objective. It should be an option that can be brought to the table to solve a problem.

Masashi Kawamura is co-founder and CD of Party

ROAD TEST Kaki Law on Google Goggles' latest developments

At the recent Creative Sandbox show 2011 in Shanghai, Google unveiled some of the latest developments in Google Goggles. As someone from the advertising world, this captured my attention, and I decided to give it a few test runs in Hong Kong.

Overall, the app is fast and the user experience is

seamless. What's lacking is a nicely designed interface — the look and feel. The interface colour is quite dull, showing only black and white on my Galaxy Note.

When it comes to feature capability, I'm definitely impressed by the image recognition power of the app, which always returns me the correct results of



'similar image.' I did some testing to see if the app would recognise some of the local brands here in Hong Kong. They all worked out nicely. The only downside is the return results of 'place nearby' are not necessarily always correct. The ability to recognise text (in English) works well, except if the text

is not in the form of a paragraph or list.

Google originally positioned Goggles as the product that would make search even more intelligent with its search-by-voice recognition technology and ability to provide snappers with additional information about the ad or product.

Looking at this

technology again today, it doesn't seem to be that different from what we see advertisers doing with QR codes. However, Goggles is a more powerful tool as it could potentially be applied to any object in the world.

Recently, I experimented with another smartphone image recognition app called 'U tie' by JCDecaux,

which works in a very similar way to Google Goggles.

From a user perspective, snapping a photo of a big print ad (OOH) on a busy street or at MTR station in Hong Kong may seem like mission impossible. It took me about four minutes just to successfully snap a picture as people just kept walking by. So for Google

Goggles ads to work well, the size of the ad and the environment matter.

As always, the best way to bring creative ideas to life and to yield the best results is to look at the problem from a user perspective.

Kaki Law is digital experience strategy director at Tequila Shanghai

Marcel Fenez on Media...

Consumers' growing mobile enthusiasm

Tracking consumer behaviour during 2011 has left no doubt that smartphones are now a lifestyle rather than just a way of making calls or checking emails. From downloading videos, checking bank balances to updating Facebook, consumers rely on their phones for an astonishing range of activities — most of them legal. In the next two years, consumer enthusiasm will intensify and PwC research highlights location-based services and apps, rather than browser-based access, will be areas where consumers will engage more.

Although there is currently a skew towards the 18-24 age group in terms of location-based service usage, this is likely to change as attitudes among baby boomers evolve. With apps, all consumers feel they are easier and quicker.

Certain business challenges will shape and influence the rate of growth during the next two years. For example:

- Mobile commerce growth hinges on changes in consumer attitudes toward security and convenience. The key questions for a consumer: is it secure enough?; is the screen big enough to view purchasing details and to enter payment information?; how comfortable am I using a mobile device as a payment mechanism or virtual wallet?

- Marketing ROI growth for mobile advertising depends on consumer attitudes towards privacy. At the moment consumers appear more trusting of their mobile services carrier than of third party internet sources. A key here will be whether existing generational differences in attitude can be mitigated by the right value proposition?

One smartphone use should be eliminated. I refer to that annoying habit of friends and colleagues who feel it is acceptable to interact with a device when at dinner or in a meeting. My New Year's wish: smartphone social education.

Marcel Fenez, global leader for entertainment and media, PricewaterhouseCoopers

