



The Domino Effect: Bracing for Impact

Anticipating the cascading impact of the COVID-19 crisis on the advertising industry and client/agency relationships.

BY BRUNO GRALPOIS

Author/Speaker, Thought-provocateur, Client/Agency Guru, Entrepreneur, Innovator

In 2009, at the “The World in Domino - The Show with the Flow” event held in Leeuwarden, Netherlands, 4,491,863 dominos toppled. This represented the highest ever documented number of consecutive falling domino stones, setting a new world record. The concept has encouraged many aficionados to break world records using not only dominos, but toppling mattresses, books, coins, and mousetraps, to name a few.

We are all too familiar with the chain reaction produced when one event sets off a chain of other inevitable events. The recent health crisis and COVID-19 pandemic also set in motion several events in our industry that will profoundly change the landscape in years to come. Let’s take a closer look at what major dominos will fall and what important changes they may trigger. For the purpose of this discussion, I organized this around four major pressure points (the big dominos, if you will): budget, talent, productivity, and relationship.



Domino effect #1: Budget pressure



The uncertain economic outlook is requiring advertisers to take a conservative approach to financial management. They must find a fine line between cutting budgets, which may hamper their growth, and ordinary spending, which might prove to be risky. Naturally, we should expect every expense category to be revisited and evaluated. Then if justified, re-prioritized. This financial pressure may lead advertisers to apply more pressure on agency fees, renegotiating contracts and commitments. We should expect advertisers to be increasingly less flexible on payment terms, putting many small agencies at risk from a cash-flow perspective. Advertisers are also likely to increasingly favor project-based relationships over large committed retainers for part of the work. Advertisers are also likely to bid for large projects and look for efficiency measures with agencies to eliminate waste as they squeeze every dollar from their marketing budgets.

Domino effect #2: Talent pressure



The slowing down and in some instances complete stoppage of the economy will result in sizable layoffs in the advertising industry as it copes with the financial implications summarized above. Agencies are looking for ways to limit the lasting impact these decisions may have on their resources and, frankly, their viability. Agencies are likely to favor the use of freelance resources to reduce the financial burden. Yet, as talent in the advertising industry seek new opportunities, this will create significant talent gaps in some areas. Top talent will be harder to secure. The pressure will extend to the way we manage talent, with fewer face-to-face interactions and in-person meetings, and less business travel. The WFH phenomenon has whetted our appetite for smaller travel budgets and more remote meetings. One of the long-term psychological effects on talent will be less company loyalty and a willingness to move jobs more frequently.

Domino effect #3: Productivity pressure



Productivity has become a necessity of this new economic reality. The traditional ways of working are now obsolete, and we are now learning new methods to accomplish more. We should expect to see increasingly more tasks being automated. Processes are also being streamlined to take less time and effort. Decision-making is simplified to allow organizations to be more agile and opportunistic. Yet, to drive significant productivity gains, complete goal alignment and a common set of KPIs are essential to moving faster and in concert with internal and external teams like agency partners. The expectations have never been greater on both ends of the relationship spectrum. Being productive means being accountable to each other.

Domino effect #4: Relationship pressure



Relationships between advertisers and their agencies will not be exempted from this cascading effect. The pressure will manifest itself with a stronger desire for mutual accountability (you got my back and I got yours). Process rigor and quality control will become a central part of the relationship, as mistakes or missteps are simply too costly. Some advertisers may leverage this opportunity to reevaluate their needs, conduct account reviews, and change agencies. We may see some client/agency relationships shrink in scale and longevity as a result. Yet, the process to do this will be significantly simplified and accelerated. Selecting a new agency will happen in a matter of weeks, not months. It will increase the need by advertisers to rapidly onboard these new relationships, using new tools and relying on technology.

Although I referred to a domino effect metaphorically, the current situation feels more like a snowball effect where things build up slowly and eventually grow to be of disastrous size. Who knows how long this snow-covered slope will be? And what is the grade of the hill? What we do know is that under pressure the worst, but also the best, of people and relationships can come out. Keep calm, stay healthy, and carry on.



If you would like to learn how to drive greater value from your client/agency relationships, consider reading best-seller and industry reference Agency Mania:

<https://agencymania.com/book/>

Or, sign up for our complimentary Industry Update:

<http://agencymania.com/subscribe.html>



Bruno Gralpois is the co-founder of Agency Mania Solutions, a premier service and technology firm specialized in helping companies realize the transformational value of managed partnerships. Bruno is the author of best-seller "Agency Mania" and the former chair of the Association of National Advertisers (ANA) Client/Agency Committee and a faculty member of the ANA School of Marketing.

Our clients' continued accomplishments result from cutting-edge practices in the area of client/agency performance evaluations. See how stronger relationships contribute to better marketing.

Contact us at www.agencymania.com