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The Code Of Advertising: Like Car Buying OR Home Buying?

by [Chris Copeland](#), Friday, July 31, 2009, 3:15 PM

Warren Buffet prides himself in being a shareholder. When he buys an interest of whatever size in a company, he intends to hold onto that interest by and large for an extended period of time. His goal is not the quick flip, but rather to buy smart businesses with good leadership and see through the thick and thin towards a better long-term reward. In his eyes, shareholders make businesses, not share traders, because they have a mutual long-term interest in success.

In advertising, this was for a long period of time "The Code": an often unspoken agreement between advertiser and advertising agency, that together, through thick and thin, each side would respect and value the contributions being made and the economic climate under which events occurred, ensuring that everyone gained in a proportionate way to their stake in the partnership. Well, at worst, that code has been erased; and at best, it's no longer a viable staple, even for those who might still recognize its necessity.

More and more, we are in a business that delivers disproportionate value against compensation. Procurement departments exist to maximize return for businesses at the expense of value. In an increasingly digital world, the concepts of value, trading and efficiency all become debatable points. This is a column with few answers, rather an open forum for dialogue about the issues facing the space.

Do ad agencies as we know them today have a place in the new world order, when organizations like Google would be just as happy to sell without any interference?

Digital trading platforms will render large and often previously profitable segments of the agency business marginalized, or as merely a commodity in the next decade. As such, the conversation has to start now about the role that these agencies should play,

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how advertisers will determine value -- and, almost equally important, how that determined value will be perceived by someone whose job it is to "save money," not maximize value.

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Car Buying: Diminished Value in Short Order

The moment you drive a car off the lot, its value precipitously declines. At no time after you take ownership will your average car be worth as much as before you bought it. This feels like the current cycle of advertisers and agencies. Every few years, procurement begins a dance with agencies to determine "the best" fit for the company. In the majority of these situations, the ideas delivered and the proposals made could be solved by a simple math discussion, one in which the agencies are asked to do a monetary "limbo" for the business: He who can go lowest goes home with the prize. I'm painting with broad strokes here, but if we are simply looking to buy a car for a short-term reward and gratification, then saving as much as possible on a continued basis is more important than the commitment to being as one together.

Home Buying: Increased Value Over Time

Ignoring the current housing collapse, the dream, and typically the reality, for most home owners is that over time the home they own not only provides enjoyment, but also will eventually be a source of profit against the original purchase price. The home's VALUE increases over time through investment in the property, the surrounding neighborhood and the community at large. This value can be measured throughout the relationship thanks to other comparable homes being sold, assessments and personal views based on the efforts put into improving your home.

This is similar to the value that develops when an advertiser invests in an agency partner and allows the relationship to grow. It becomes a code of commitment, with both parties invested; and, like a home, exhibits increasing value. Only in this case, value that is measurable through the perception of the brand, revenue growth and other key metrics against the marketplace (and yes, The Street). Unfortunately, CMOs have a shelf life worse then a can of Spam. With the average below two years, it's problematic for a CMO to invest in perennials when annuals are much more likely to serve the realities of the job.

There is little to suggest that even with the current economic climate, this car buying mentality is due to subside, but one has to question if the clear lack of alignment that exists between advertiser and agency can sustain if serious changes do not occur. Whether it's the economy, procurement or simply a shift of self-serve solutions and vendors looking to eliminate the proverbial middle man, the current path does not bring the best to the table. It breeds mediocrity and clock-watching, not innovation and a commitment toward excellence.



This commentary is insightful. I recommend it to others.

4 people recommend this article.

One comment on "The Code Of Advertising: Like Car Buying OR Home Buying?"



Gerald Troutman from **Triamond Media**

commented on: July 31, 2009 at 3:39 PM

Sad, but very true.