THE COST OF LOSING CREATIVITY

By Jay Pattisall,
Principal Analyst, Forrester

Agencies' creative perspective, the very currency of the business, is at risk and can only be realized by shifting billions from tech to fund creative differentiation.

"The value of agency creativity is at risk of disappearing."

The marketing industry is woefully out of balance, from agency/client relationships to new business requirements and compensation. The healthy tension of creativity that once balanced the needs of the brand with the needs of its customers; the commercial effectiveness of the work versus its cultural impact; and the needs of agency economics versus the client's growth is all eroding. These are now one-sided issues. The tension is no longer healthy. Nowhere is this more evident than in agency economics. Agencies today barely grow at the current rate of inflation in the United States. Insourcing, margin compression, cost-cutting, new competitors, and tech priorities threaten the existence of agencies and undermine their value.

"Customer experience has stagnated."

Strong evidence of creativity's languish is already underway. Customer experience has stagnated. Forrester's Customer Experience Index (CX Index™), a study of 100,000 consumers and 300 brands that has been run for more than a decade and acts as a barometer for CX performance, is flat for the fourth consecutive year. Most brands are stuck in the middle, struggling to improve over competitors. Zero brands are rated to have an excellent experience. Forrester determined that there are four types of CX performance — the Languishers, Lapsers, Locksteppers, and Laggards. No brand is performing well. Worse still, for every 1-point drop in CX Index score, companies lose 2% of their returns. It's only a matter of time before companies' growth is impacted.

"We've commoditized the brand and homogenized experiences."

The issue is that the work looks, feels, and behaves too similar. The industry obsession for meeting every customer need and want for ease and convenience by using technology has left little room for creative differentiation. That has come at a cost. The front door to your brand is a web or app experience that is virtually indistinguishable. Fashion experiences look the same. Quick-service restaurant and coffee apps allow you to order ahead and skip the line. All airline apps allow travelers to check in, manage travel, and use a mobile device as their boarding pass. What can make one brand different from another when the experience is built from the same common technology platform, designed to solve the same user or category need, and programmed for the same two devices? Creativity.

"We've overfunded technology and underfunded creativity."

Unfortunately, just when creativity is needed the most, business leaders are investing in it the least. Forrester forecasts that spending for adtech, martech, data, and analytics will grow between 9–11% through 2022. Agency spending will only grow a mere 2.4%. And client budgeting and priorities are only part of the problem. Agencies are underfunding creativity, too. As of 2014, agencies had spent $12 billion-plus for data and technology resources and acquisitions. While the agency data platforms do power media and audience activation, all but one integrates with the creative process. And creative departments remain skeptical and dismissive.

"It's time to fund creative differentiation."

Forrester developed an ROI for creative agency investment that determined that moving a portion of the marketing budget out of technology and into agency creativity will bring a higher return on investment compared to currently projected spending levels. This serves as a six-year growth plan for CMOs that ultimately helps achieve 20% growth for the entire industry. These are not new dollars but rather a reallocation of currently projected spending that maintains significant adtech and martech investments.

"It's time to reinvent creativity."

To deliver clients the growth they need and customers the experiences they demand, agencies must innovate their structures, capabilities, workforce, and process. Structurally, data, technology, media, and creative should all come together and put creative problem-solving at the center. This means the newly acquired data, tech, and operating agencies should also come together. And especially, it means agencies leaders will need to make consolidation and coordination a priority. Tough decisions must be made in the name of agency brand coherence and a model that is easier for clients to engage. Training today's workforce to be tomorrow's data-, technology-, and creative-literate is critical. And creative departments must embrace data- and tech-driven creativity.

We're living during one of the most interesting times in the history of the industry, with the opportunity to shape and define it. A whole new era of amazing marketing is only possible if we fund the balance of creativity and technology. Take up the mantle to modernize the industry. Reinvent the creative process.

CLICK HERE TO DOWNLOAD THE FULL REPORT