

Digital and the future of advertising assignment

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When you think of an advertising agency, what comes to mind? I instantly think of traditional print and TV ad campaigns that many of us are no longer paying attention to. And whenever I think of CEO's of the advertising giants that make these campaigns, I think of old men who are hoarding their advertising profit margins, being resistant to the new 'unsexy' world of decreased margins in the digital space. However, I am completely wrong.

Even though decreased margins will never be sexy, industry leaders like Martin Sorrell, CEO of WPP Group (WPPGY 49.95 ^1.15%) (2nd largest advertising group in the world), and Maurice Levy, Chairman and CEO of Publicis (PUB 30.63 ^1.27%) Groupe (4th largest), are embracing the digital world and are transforming their agencies into digital power houses. Publicis made major headlines recently by purchasing Razorfish from Microsoft (MSFT 29.41 ^0.1%) in a deal worth \$530 million (\$286.8 million cash and 6.5 million Publicis shares). Razorfish is the second largest digital interactive advertising agency in the U. S. with annual revenues of \$380 million. Publicis has been investing heavily in the digital arena as Razorfish will now become the latest acquisition to be part of VivaKi, the ever-growing Publicis digital division that already includes Starcom MediaVest Group, ZenithOptimedia, Denuo, Digitas and Vivaki Nerve Center.

I was really fascinated after I heard Maurice Levy speak in a recent Cambridge University podcast, From National to Global, where he discussed the importance of digital marketing in the future. As we can tell from the recent shopping spree, Mr. Levy is definitely putting money where his mouth is. Even in horrendous economic times, Publicis Groupe has been able to outperform the industry by a large margin and is currently positioned

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number one in the struggling advertising industry after raking in \$4.8 billion in new business wins for the first nine months of 2009.

In a recent interview for EBM after Q3 revenue announcement, Maurice credited this victory to the growing investment in transforming Publicis into an all-digital agency, saying that this investment is already starting to pay off. Currently, digital accounts for 21.3% of consolidated revenue and Publicis hopes to grow this number to 25% in 2010 and to 100% by 2015 (the 100% was a joke). But I wouldn't be surprised if that was the master plan after-all, as Mr. Levy certainly believes in the power of the internet or as he likes to refer it to as the power of digital.

Maurice truly believes that digital is changing our society which can be seen through the tremendous growth of social networks (Facebook, Twitter, Youtube, etc.) and how they have impacted our culture. At the end of the day, advertising is all about society and if advertising agencies want to succeed, they have to reflect the society through its campaigns and mediums where people absorb information on a daily basis. Like it or not, the future is in digital and this is exactly why Publicis Groupe is slowly being transformed into an all-digital agency.