

# **DIGITAL DISRUPTION – THE DIFFERENCE BETWEEN AGENCIES THAT SURVIVE, THRIVE OR DIE**

**HOW WSI INTERNET MARKETING IS HELPING ADVERTISING AGENCIES  
DOMINATE THE INTERNET**

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## **THE DIGITAL MARKETING REVOLUTION**

Leading advertising agencies around the world have begun disrupting their traditional competitors by partnering with WSI Internet Marketing (WSI). To fully appreciate the magnitude and strategic significance of this relationship between advertising agencies and WSI - we need to ‘time-travel’ and follow the evolution of the digital marketing industry.

The Internet was commercialized in 1995, the same year WSI was founded. The business world debated whether or not the Internet was a fad, a passing trend that had little or no value to business. The Madison Ave. style advertising agencies were enjoying expensive Martini lunches with clients and celebrating their multimillion dollar advertising campaigns for television, magazines and bus stops.

With the emergence of Google in 1998, with its minimalistic user interface and rapid search results, the relationship between business and the Internet changed forever.

Suddenly people could easily find information and businesses could soon use Google AdWords to effectively target those individuals based on their search queries. It quickly became evident that Google offered a viable alternative to traditional, big budget, poorly targeted advertising.

By the mid-2000’s interest from ‘billion dollar brands’ began to swell as they started recognising the significance of Search Marketing and scrambled to augment their existing advertising strategy with the best the Internet had to offer.

The traditional, Madison Ave. type agencies were however not prepared or organizationally structured to effectively deliver Internet marketing services.

Having invested years and dollars in developing full-service, in-house capabilities to support their ‘billion dollar’ clients – their business model and fee structure were pretty much set in stone.

As oppose to retooling for a new digital marketing reality, most agencies followed the path of least resistance and simply added digital expertise (more expensive employees) to their existing infrastructure so they could minimise the risk of losing business and/or clients. In essence

nothing fundamentally changed except the growing expense of feeding a larger agency structure. They were still dependant on big budget, ‘billion dollar’ clients to keep their lights and shareholders happy.

In addition to the challenge of feeding a hungry infrastructure, two other factors placed exponential pressure on the agencies – namely:

- the reallocation of traditional advertising dollars to online marketing campaigns, and the
- ability to measure online performance.

As John Wanamaker famously stated, *“half the money I spend on advertising is wasted; the trouble is I don’t know which half”*

Had Wanamaker been alive today, he would’ve no doubt been a big fan of digital marketing and analytics. Digital Marketing has provided absolute transparency which has made it increasingly difficult for traditional Madison Ave. type agencies to hide behind the mystique of advertising and creative directors.

The bottom line – most agencies that have simply augmented their existing infrastructure with digital expertise, cannot effectively compete within the SMB sector as their business model depends upon high margins and big budgets. For simplicity and clarification let’s refer to these traditional, come digital agencies as *hybrid agencies*.

During this digital revolution a small Canadian company called WSI (We Simplify the Internet) built a business model around a lean operational philosophy, so Internet Consultants (IC’s) could competitively and profitably serve Small & Medium Sized Businesses (SMB) within local markets.

Unlike the hybrid agencies, WSI tirelessly worked on simplifying the Internet for both IC’s and their clients – sourcing and/or developing tools, technologies and processes that aligned with SMB needs and budgets.



During the 2000's WSI grew into being the largest digital marketing network of its kind in the world – operating in over 80 countries with expertise in almost every industry vertical.

The last two years have been very exciting as WSI has been quietly and diligently working on a number of strategic initiatives with visionary advertising agencies – initiatives designed to disrupt competing hybrid agencies serving 'billion dollar' brands, and providing new growth opportunities for WSI agency partners.

### **DISRUPTIVE INNOVATION – MOVING 'UP MARKET'**

So what is so different about WSI that has agencies talking?

Using the North American automotive industry as an analogy upon which we can draw some insight, it should become self-evident how WSI is disrupting business as usual within the digital marketing industry.

Since the birth of the automobile, the Big 3 automotive companies (General Motors, Ford and Chrysler) have dominated the North American market with lavish car designs and powerful gas guzzling engines– they were untouchable.

With a sense of confidence the Big 3 believed that they 'understood' what the American consumer wanted – bigger, better and shinier automobiles. They basically built cars with little regard for operational efficiency and margins; after all, they enjoyed serving the higher-end market which resulted in bigger margins with very little extra effort – they were never forced to be nimble or lean while maintaining high quality standards. They remained unchallenged for years until ...

In 1967 the South Korean car manufacturer Hyundai entered the market by partnering with Ford to release their first model – the Ford Cortina. Using the experience gained from Ford, Hyundai began manufacturing their own motor vehicles and in 1986 began selling cars in the United States.

Their first car, the Hyundai Excel was nominated for “Best Product” based mostly on its affordability. The company had an obsessive focus on developing and maintaining a lean infrastructure while driving inefficiencies from the supply chain – resulting in the production of low cost motor vehicles that could effectively compete at the lower-price, lower-margin end of the market.

The Detroit Big 3 didn’t view Hyundai as a significant competitive threat as they were selling low price, low margin and generally poorer quality vehicles whereas the Big 3 enjoyed the spoils at the higher-end of the market – a similar relationship to that of early Madison Ave. style agencies and their ‘billion dollar’ clients.

Over the years Hyundai slowly improved the quality of their vehicles while maintaining a low-cost, lean operational infrastructure and eventually expanded up market to compete in the higher-quality, higher-margin automotive sector – now directly challenging the Big 3’s dominance of over fifty years. In 2012 the Hyundai Elantra was named the North American Car of The Year.

Unlike Hyundai who had grown up with an operationally lean mindset, the Big 3, like the traditional Madison Ave. type agencies did not retool or reorganize quickly enough to effectively meet the challenges of a changing competitive landscape – they kept conducting business as usual by adding to their already heavy infrastructure or only implementing minor changes.

In 2008, the financial crisis exposed the innate weaknesses of an ageing and ‘heavy’ business model forcing two of the Big 3 to file for chapter 11 bankruptcy in order to keep the doors open for business.

Hyundai on the other hand continued to thrive, often beating analyst expectations as they continued building higher-margin vehicles upon a lean, very economical infrastructure.

WSI like Hyundai has operated with a lean philosophy for almost 20 years, supporting over 1,000 Internet Consultants in more than 80 countries - growing into the largest digital marketing group in the world.



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Using WSI's lean infrastructure, agencies are now cost-effectively offering high-end, high-margin digital marketing services without the burden and inefficiencies of additional employees and technology. WSI's integrated end-to-end solution and global support services simplify the entire digital marketing operation, ensuring profit in almost any competitive environment.

The WSI business model is changing the way agencies compete and secure business. Find out how WSI can turn your agency into a digital marketing 'supercentre.'