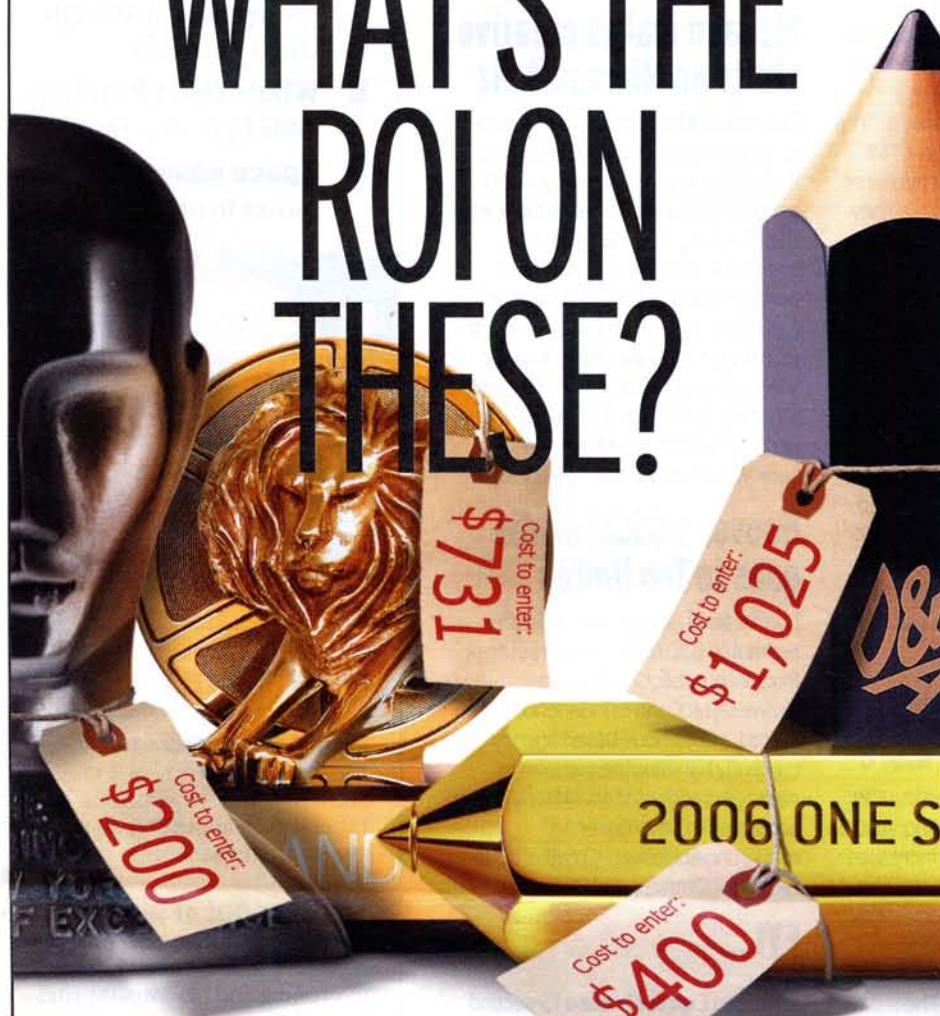


# WHAT'S THE ROI ON THESE?



**AWARDS:** Winning big does more than just boost the egos of those sensitive creative types

By LISA SANDERS

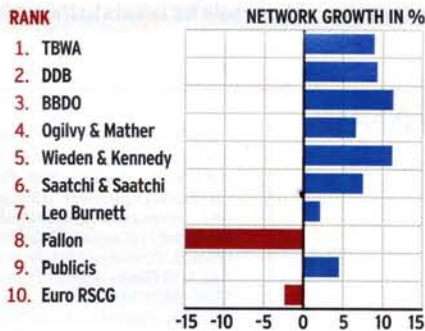
THIS YEAR THE KINGS of Madison Avenue will spend an incredible \$37 million entering ad award shows, a number that looks like vanity gone wild, given that the pencils and lions are often denigrated as little more than ego- (and salary-) inflating devices for the creatives that crave them.

That \$37 million, an *Ad Age* estimate, only factors in the Cannes Lions, One Show, D&AD and The Andy's. It doesn't take into account the myriad other award shows, or the many man-hours that go into preparing award entries—some of the larger agencies employ departments whose sole purpose is chasing awards. The cost of flights, hotels and ball gowns wasn't factored in either.

At first glance then, it looks like an extravagance that ought to go the way of the three-martini lunch. But don't cancel your

## WINNING MATTERS

All but two of *Creativity's* 10 most-awarded shops saw strong revenue growth in '05



Source: *Ad Age* figures and *Creativity's* Awards Report, which is based on Cooked Network scores.

flight to Cannes just yet, because an *Ad Age* analysis suggests there is a strong correlation between winning big and growing fast.

*Ad Age* compared the most-awarded networks, as ranked by *Creativity* magazine—which produces an annual weighted table of the results that recognizes the

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# Award ROI

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greater value of certain gongs—to new-business performance, to see whether there was any relationship between all that glitters and clients' pots of gold.

And it certainly seems there is: The top six most-awarded networks in the *Creativity* "Cooked" table in 2005—TBWA, DDB, BBDO, Ogilvy, Wieden & Kennedy, Saatchi & Saatchi—were all among the top 10 fastest-growing networks in 2005, according to the *Advertising Age* Agency Report. Publicis and Leo Burnett, which also made it into the top 10 in awards terms, experienced limited growth.

Of course, there are lots of other factors contributing to agency growth, and, to some extent, both tables are likely showing that certain agencies are strong performers—both in terms of award performance and revenue performance. In other words, there may be no causal relationship between the two, both happening to be strong indicators of a well-managed agency.

And there are exceptions to the rule, too. Fallon and Euro RSCG, which rounded out the most-awarded list, both had tough years in 2005 and experienced shrinking revenue. You might also look to an agency like Lowe Worldwide, which has over the years claimed more than its share of awards, but has simultaneously hemorrhaged clients and struggled to win new business.

Still, those exceptions are unlikely to slow the flow of costly entries. Cannes entries rose 12.5% this year, and most of the other shows experienced a similar upswing. And it's not just about the new-business performance either. WPP Group, for one, believes it has identified a link between prizes and profit margins, too.

In the Letter to Share-owners section of its 2004 annual report, WPP, the parent of networks including JWT, Young & Rubicam and Ogilvy & Mather, posited: "If you drew a graph plotting awards (as a proxy for creativity) against margins for any group of agencies, there would be a very strong correlation. The more awards, the stronger the margins."

## DIRECT LINK

Robyn Putter, who earlier this year took over as WPP's worldwide creative director from the notorious Neil French, maintains "there is no question that profits and margins are directly influenced by the quality of work any given agency produces. The same principle would

apply for a carpenter or a plumber. The offices that have creative spark are always amongst our most profitable."

It's a tough point to argue, especially in this era of Sarbanes-Oxley, when finding out a shop's margins is almost impossible. It must also be noted that most industry executives can name an account that's yielded lots of great creative work—and perhaps even an award or two—but been run at little more than cost by the agency. And jealousy-laced tales are also told of highly creative shops that have never worked out how to make money.

Assessing his network on an office-by-office basis, Bob Scarpelli, chairman-chief creative officer of Omnicom Group's DDB Worldwide, said, "I can tell you that our most award-winning agencies—Chicago, Sao Paulo, Paris, London and Canada—are usually our best performing offices."

Some marketers, of course, still regard awards as a distraction from the real business of selling product. But in today's fragmented and consumer-controlled media environment they also seem to be increasingly sure that they need a level of creativity from their shops just to engage their target audiences. The increasing numbers of marketers attending Cannes in recent years is testament to that fact.

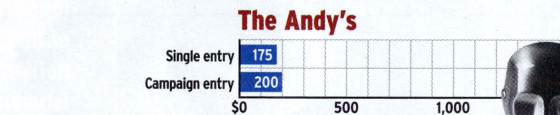
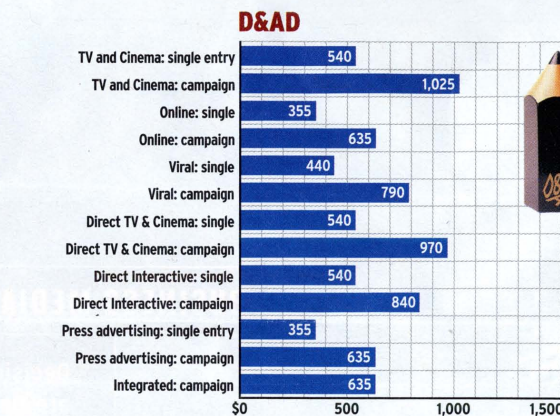
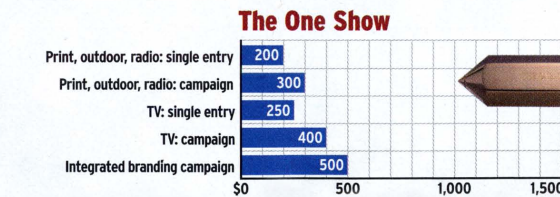
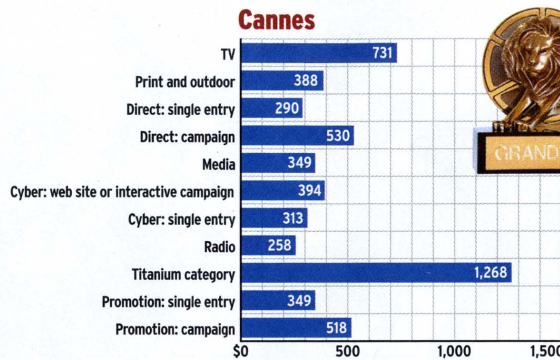
Even so, awards still seem to mean a lot more to agencies than to their clients. Ian Beavis, the former head of Interpublic Group of Cos.' FCB, San Francisco, puts it simply: "When I was in the agency business, we killed ourselves to win awards." Now, as VP-marketing, Kia Motors America, he sees awards as just one part of an agency's whole: "An agency's creative reputation is important and creative awards are one part of it, but they don't define an agency."

And the executives who are most intimate with the innermost musings of marketers on the hunt for a new agency claim that marketers don't consider awards in their selections. "Our clients typically never care about award shows," said Judy Neer, president, Pile & Co., Boston. "In making a new agency selection it is not a key criteria, at all." Said Dick Roth, founder-president, Roth Associates, New York, "Does winning awards influence new business decisions? I think not."

In which case, why does Procter & Gamble Co. seemingly lend its support to this irrelevant pursuit by attending the most lavish show of all, the Cannes Lions International Advertising Festival? "Award shows are an important part of the advertising-industry

## THE COST OF ENTRY: CATEGORY BY CATEGORY

Most of the large networks submit multiple entries in each of the largest and best-known award shows and enter a handful of regional competitions around the world as well. Havas' agencies, Euro RSCG and Arnold, for instance, select the top campaigns from their networks and enter them in 30 or so shows around the world.



Source: Ad AgereSearch

culture," said a P&G spokeswoman. "We are delighted to see our agency partners recognized for the work they do in industry forums."

Fun is as big a factor as the work for Marlina Peleo-Lazar, VP-chief creative officer for McDonald's USA, which this year is sending a small number of executives to the Cannes festival. "Between the movies and luncheons that people think happen at Cannes, there is an ongoing dialogue about work," she said. "It's very passionate and spirited. This really reminds you of the brilliance that does happen in the business. You see how much fun our business really is."

Participating and placing in the industry's most prestigious con-

tests, a list that generally includes Cannes, the One Show, D&AD, the Andy's and Clio as well as several prominent regional events, such as FIAP in Latin America and AD Asia in Asia, "is a way for an agency to play with the very best," said Tony Granger, executive creative director, Publicis Groupe's Saatchi & Saatchi, New York. "It is the ultimate league table."

Jacques Seguela, chief creative officer at Havas, views awards as a tool in building an agency's reputation. "Every agency is a brand," he said. "With a brand, reputation is first. Awards are a tool to have a reputation." The more awards from the most influential shows,

goes the logic, the higher an agency's creative profile. That helps in recruiting and marketing.

"There's huge public relations value for one agency to win in multiple shows. Look at Crispin," said Mr. Granger, referring to the agency's work for Mini Cooper, which during the 2002-2003 season took top honors at Cannes, the One Shows and the International Andy Awards, among others, and brought the Miami-based agency international recognition within the ad and marketing world.

For some agencies, getting an award-winning rep is so important that compensation is tied to show performance. A goal at every DDB office, for instance, is to rank among the top three most creative shops in a given market. Management's assessment includes the office's award performance as well as other factors, including "talk value work has created," said Mr. Scarpelli. "It is subjective." An improvement in ranking translates into an increase in that office's bonus money, which is divvied up among employees.

## INCENTIVE PLANS

Similarly, Havas recently adopted a new bonus plan for all managers of each office that measures performance in three areas: creativity, growth, profit. "All managers are obliged to think about creativity," said Mr. Seguela. Creative directors, based on submissions from each network office, assess each office's performance to determine whether management deserves a bonus. Included in their assessment is whether or not an office's work is being submitted to award shows.

In contrast to those networks, JWT's worldwide chief creative officer, Craig Davis, thinks of award shows as a "necessary evil." Since arriving in January 2005, Mr. Davis has scrapped the network's policy of tying managers' bonuses to creative performance at shows. Instead, he's instituted four-times-per-year, agency-wide competitions in which work is submitted from offices around the network and scored by senior management.

It pits office vs. office and global business units against each other. Those who perform well are rewarded in bonuses. "I believe in competition," he said. "But we don't set out to win awards. It is not a conspicuous or stated part of our agenda. We're trying to build the right kind of culture. I don't want to abdicate responsibility to a whole bunch of award-show juries."

It's a fair point—but it seems Mr. Davis may be whistling in the wind on that one.

CONTRIBUTING: JEAN HALLIDAY, KATE MACARTHUR, JACK NEFF



### Upcoming Cannes coverage

- Bob Garfield makes his annual picks
- Bob launches his blog—from Cannes—on June 19.
- Ad Age's day-to-day coverage of the event, including photos & audio reports

Next week