

the internet's second coming

The future is a contrary creature. It has a habit of creeping up on us and doing the opposite of what we expected. A few years ago, everyone gleefully sneered at the ruins of the first Internet boom and its grandiose promises. But, just as we stopped laughing, a second Web era arrived unannounced, as bewildering as the first.

Broadband, wi-fi, and wi-max were cheaper, zippier, better. Even the Internet, it appeared, might be a stopping off point on the trek into cyberspace; Internet protocol television (IPTV) was perhaps the destination.

Traditional media companies scurried to adapt. News Corp. owner Rupert Murdoch—a latish convert to the Internet's potential—paid more than \$500 million for the social networking site MySpace as part of a billion-dollar shopping spree. Newspapers beefed up their sites and offered podcasts.

Prosperous online businesses started eyeing traditional media. The Japanese Internet shopping site Rakuten gets 8 million hits a day and is worth \$8.9 billion. Rakuten—which translates as optimistic—sells airline tickets, clothes, and electronics. It recently bought a stake in a television station. Livedoor, another Japanese site, took over a radio station.

In some ways, it is the Far East that is leading the way. Super Girl, a Chinese talent contest for female singers inspired by Pop Idol, attracted 800 million votes by mobile phone. China has only 400 million mobile handsets.

Strangely, some of the more outlandish predictions of the first Internet boom no longer sound crazy. Around \$1.5 billion of WPP's 2005 revenues of \$10 billion were now Internet-related. It is growing. Our online business will rise from 15% of our work to 30% within 10 years. Around 20 WPP companies ply their trade specifically in interactive.

Traditional media point the finger at online to explain their revenue declines. But, in truth, many publishers and broadcasters have only themselves to blame. They cannot continue to hike prices for advertising at more than inflation and not expect competition. The free classified advertising site Craigslist, for instance, is threatening big city newspapers in the U.S.

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This is a form of socialist anarchy against which it is hard to fight.

Equally, giving away content to compete with other Web sites isn't the answer. That is tantamount to saying: "These people want to eat my children. I will stop them by eating my children myself."

Giving away content is mad. If you have a worthwhile brand that the consumer values, then charge for it. Condé Nast's *Vogue* brand, for instance, is very powerful. In an Internet-driven world, people trust it. Media owners are missing a trick if they do not charge. They might argue that they're just interested in advertising, not subscriptions. I don't believe that is true.

Commoditization is the biggest danger for traditional newspaper and television owners. If their offering is indistinct from rivals, if their brand values are weak, they will not survive in the digital age. I don't believe, however, that most traditional media and traditional advertising will become extinct, but they will adapt, and the boundaries will become blurred.

Sometimes the past still holds clues to the future. So here is a little history lesson. The Internet isn't the first brave new media world. In the mid-1950s, commercial television was introduced in Britain to compete with the state-funded BBC. The new channels would be funded by advertising, something never seen on the BBC.

Few agencies were ready. Some responded by setting up separate television units. They hired people from film and entertainment. The results were not pretty. The work tended to be technique-driven—a lot of singing and animation, rather too many jingles. It was a long way from the wonderfully persuasive advertising the new medium was

eventually to offer. Indeed, it was only when television ceased to be thought of as new that it began to be used imaginatively.

Similarly, it has been hard for traditional advertising agencies and marketing services firms to embrace the Internet. This is not because they're being stubborn or difficult. The new technologies were difficult to grasp, unproven, and showed little sign of making money.

Moreover, they threatened to cannibalize other more mature parts of the business, permanently reducing the profitability of traditional areas. And those that did wholeheartedly take on the digital media tended to be those obsessed with technology for its own sake. Again, their work was technique-driven, rather than imaginative. But this will change.

Traditional businesses will be cultivate online expertise. Startups will develop advertising expertise. There will be competition and mingling of skills. The new media will no longer be thought of as new—they will simply be another channel among many in the media repertoire.

Whatever media owners do, they will have to find ways to continue to attract and retain talent. The critical deficiency many big marketing services groups will face is a lack of good people. Young people, especially, tended to shun big, hierarchical organizations. WPP has rehired many people who left to join the first Internet boom. I spoke to many of them. Many said they would leave again if another opportunity came up.

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David Ogilvy, founder of Ogilvy & Mather, now a WPP company, and the man regarded as the father of modern advertising, talked about the importance of direct communication. The Internet is a subset of direct and one-to-one communication. It is another medium by which you can communicate on an individual basis. And it is the most powerful at linking people up at close-to-zero cost.

We can no longer think of the Internet as just another advertising medium which can be booked and filled. It is a two-way channel. It requires a mutually beneficial exchange of value—whether it's time, attention, creativity, information, or money.

It works best when it leverages the differences among people—based on what they tell you or you can discern about them. It is the opposite of traditional advertising, which relies on the similarities between people. In this way it is closer to data-based marketing. It is a palette in which advertisers can create media. It's not only a medium in which one “buys” advertising.

The advertising industry's job isn't to bet on technologies. It is to provide advertising content and brand-building for whatever platform people are using. It is to understand what is happening technologically and advise our clients how much they should spend and where. As long as agencies continue to do that, they will prosper and win a place in the future. ●

Sir Martin Sorrell is chief executive officer of WPP.



In China, as elsewhere, a good deal of hype and celebrity gossip is online. Super Girl, a Chinese talent contest for female singers inspired by Pop Idol/American Idol, attracted 800 million votes by mobile phone...and China has only 400 million mobile handsets.

