

# Steve Davies Advertising Producers Association

Advertisers that believe there is a cheap and easy route to effectiveness and creative excellence are fooling themselves

**P**roduction companies (and advertising agencies) provide great value to clients. How do I know that? The market says so.

There is an oversupply of production companies, creating a buyers' market in which production companies compete against each other for work on quality and price. That wasn't the case when commercials production was a new business with few competitors, but that is many years ago now.

The budget the production company submits is highly detailed and the agency analyses it, using its production expertise to judge which elements are critical, which areas of the treatment and budget might be changed without diminishing the end product and what each item of the budget should cost before agreeing a final price.

The client gets a fixed cost and a guarantee that the commercial will meet the standards of the agreed treatment and be delivered on time. The value to a client and an agency of the production company assuming risk (with very limited exceptions) is both incredible and undervalued: in what other arena can a company pass on responsibility and financial risk for a project that carries major risk? And those risks are greater than ever, with production companies travelling to low-cost centres to find greater value for the client but at greater risk to themselves, with less preparation time, margins being crushed and with nothing in the budget to meet any contingencies.

So clients should be happy, and even rejoice, in their good fortune. But not all of them are or do. The search for better value is everlasting, of course, but believing there are shortcuts to achieving that in some general way, rather than on each production, is unproductive – counterproductive, even. We see this in the approach to production by procurement departments on behalf of clients.

Procurement is very valuable in providing clients with the best value for their inputs if those things are commodities – from pens and chairs to raw materials for manufacturing into consumer products.

Some are convinced procurement can buy production better too. There is a critical difference, though, in buying a commodity and a bespoke piece of creative work where the infinitely complex relationship between price and the quality of what is pro-



Davies...clients should question anyone who tells them that there is a shortcut to buying a sophisticated creative product

## No shortcut to quality

duced determines value. In that instance, procurement can actually disadvantage the advertiser: it is not comparing like with like, so it is choosing suppliers without differentiating between quality, which is a process incapable of producing the best decision because it cannot analyse value. In addition to that fundamental lack of benefit, procurement

is adding cost (procurement fees) for the advertiser. That is the money the advertiser could retain or put on screen to make a better commercial.

This is difficult for procurement to accept because of its success in bringing value to clients in other areas, but let us examine the attempts to improve value by a procurement system in production. Typical initiatives are developing a roster of production companies (preferred suppliers) and e-auctions.

The thinking behind the preferred suppliers model is that they will provide savings in return for being on the roster, since production companies become dependent on that work and do better deals to stay on the roster. The roster companies cannot provide better value than the open market as the cost of inputs is real, and the company that will use ingenuity and expertise to reduce them most is the one under the most competitive pressure. The effect of a roster is to reduce competition and reduce choice.

An e-auction is an invitation to production companies to submit their treatment and bid, then go online to see what the competing companies have bid, and then further reduce their bids so that the lowest bid at the end of the auction wins the job. Production companies will submit their best bid in the first instance, not one that can simply be cut further and still provide the same end result.

If the production company's budget is more than the client wishes to make available for the production, it might be possible to reduce it, but only via a discussion between the production company and an expert buyer of their services – the agency's TV department.

Together, they can look at the budget and assess the treatment and methodology of the production and see whether changes can be made to these while preserving the critical elements of the treatment and the effectiveness of the commercial. So production companies in the UK have declined to participate in e-auctions (while continuing to compete on treatments and price, of course).

Commissioning a commercial and ensuring it provides the best value in terms of effectiveness and price is a complex process requiring expertise. That expertise resides in agency TV departments, which house knowledgeable and demanding buyers of production services who utilise their relationships with production companies to get the client the commercial they want for the right price.

There is no shortcut to buying a sophisticated creative product such as a commercial (or any audiovisual content), and clients should question anyone who tells them that there is.

### My perspective

**To me, Cannes means...** The best opportunity to catch up with people – in the sunshine.

**Ads I expect to do well in 2014 include...** Guinness "sapeurs" and, no doubt, Volvo Trucks' "epic split".

**The biggest trend I anticipate in winners is...** APA members will continue to punch above their weight against international competition.

**Seminar hall or Carlton Terrace?** We are about the Cannes Fringe, providing good content for our members who are not delegates, so Carlton Terrace.

**My best Cannes moment...** Being part of establishing the World Producers Summit as a key forum for intelligence sharing.

**The most unlikely thing I've done in Cannes is...** Eaten breakfast.

Steve Davies is the chief executive of the Advertising Producers Association