



Finally, Respect for the Ad Industry

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For an industry that has been overlooked, overshadowed and under-appreciated, advertising is finally getting its due. The business world has figured out what everyone in advertising has known all along: Advertising makes the world go round. In 2006, more than \$150 billion was spent on measured media advertising. Growth of 4% is projected for 2008.

Advertising, after all, is something of a shadow industry, akin to Adam Smith's "invisible hand," which serves as the guide for free-market capitalism. Advertising undergirds almost every major industry and has been the economic backbone of the media business since its inception.

Until recently, the ad industry had a latent inferiority complex that deepened whenever a new technology got credit for driving economic growth. Other sectors have looked down on advertising for decades, treating it as a lesser-than, but necessarily tolerable, component of whatever (bigger) business they are in. But all that is changing. With private equity confirming the multiples surrounding advertising, economic respect is on the way. There's a palpable self-confidence permeating the advertising business today, even amidst the financial and cultural problems the industry perennially faces.

Advertising's ascendance owes much to the maturation of digital, interactive and broadband technologies. Now, annual spending on online advertising has surpassed radio. It is on target to bypass newspapers and magazines in the not-too-distant future.

So what does all this mean?

First, paid-for consumer content could slowly die. The proliferation of ad-supported networks provides so much choice that paid content will have to be highly targeted or extremely narrow to demand subscriptions. Cable remains the profitable exception with its dual revenue streams.

Second, advertisers could eclipse media as arbiters and developers of non-news programming content. When consumer choice abounds and media lack leverage, advertisers can be the kings.

As more media move toward a pure-play advertising model, the challenge for advertising creatives will be to remain relevant and part of the mix.

But speaking of power, at the end of the day it is all moving slowly but surely toward consumers, who determine which media platform(s) to watch, support and include in their social networks. Advertisers must find new ways to keep them engaged and interactive, a daunting, but not impossible, challenge for the future of advertising.

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