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Recession, technology proving to be game changer for ad industry

San Antonio Business Journal - by [W. Scott Bailey](#)

An extended recession has altered the way companies and even some industries now conduct their business.

Steve Atkins, a veteran San Antonio ad agency executive, says the creative industry must now alter the way it pursues new business and promotes clients' brands.

"The American dream," as it had become with Americans over-indulging in consumer goods and building up big debt, "is dead," Atkins insists.

Atkins, who is president of **The Atkins Group**, a San Antonio ad agency, says consumers have been forced to rethink and re-prioritize their spending habits, to curtail their extravagances. As a result, he says creative agencies now have to tone down their pitches and rework their game plans. He says the creative industry must prepare for and tap into a new American dream that will ultimately be defined by "the economy, joblessness and global issues."

And that new dream, he warns, won't be just about consumers "buying a bunch of stuff."

Marketers have seen some of the early signs of a shift.

U.S. ad spending declined 9 percent in 2009, according to preliminary figures released by **The Nielsen Co.** Spending fell an estimated \$11.6 billion to a total of \$117 billion last year.

Nielsen says those figures continue a trend of at least six straight quarters of negative growth in the ad industry. If there is some good news, it is that the pace of declines was less severe in the fourth quarter of 2009 than in previous quarters.

"Fourth-quarter ad spending was down just 2 percent year-over-year, and that helped soften the full-year decline," says Terrie Brennan, senior vice president for new business development at Nielsen. "In fact, most of the top advertisers showed increased spending late in the year. These are encouraging signs for an ad market that's still trying to stop the bleeding."

More emphasis

Atkins says the economic downturn has forced the creative industry to be more prudent and prove its worthiness.

"We are really under a lot of pressure to help propel our clients by doing a lot more with a lot less," he says.

“Most of our clients have not reduced their marketing budgets, but have rather challenged us to help them increase the return on their investment through smarter marketing and new ways of reaching their customers,” says Katie Harvey, president and CEO of **KGBTexas**, another local ad agency.

“We’ve ... learned how to continue to run a financially sound company, not just a creative agency,” Harvey adds.

“We’ve placed more emphasis on the pursuit of new business,” says Gisela Girard, co-founder of **Creative Civilization**, when asked how her San Antonio-based creative firm has reacted to an extended recession.

“While we continue to do pro-bono work for several nonprofit organizations, we have reduced financial contributions and sponsorships,” Girard adds.

Atkins has used the recession as an opportunity to spin off a new digital company, Rationale. The agency is moving its digital creative team out of its downtown headquarters space and into its own center city home where it will operate as a separate entity.

“We’ve found a lot of success in the digital platform,” Atkins says. “Our group is excelling in creating some software applications, iPhone applications, some things that are earning us opportunities with national clients.”

The goal with the spinoff, Atkins explains, is to give the digital entity room to breathe and the opportunity to chase after its own new business, securing some clients that might not want or need a full-service agency.

“With an individual identity as a digital agency, we think it will attract some large, additional national business,” says Atkins about Rationale. He says it could ultimately drive more business back to the parent agency.

“We see this digital agency as a portal for new business,” Atkins explains.

Lack of control

Harvey says the recession has created an “enormous shift” in media spending as companies have moved dollars from traditional media to online programs.

For the first time, spending on digital/online advertising and marketing will overtake print in 2010, according to new projections from **Outsell Inc.**, a California-based research and advisory firm. Outsell projects that companies will spend \$119.6 billion on online and digital strategies in 2010, while committing \$111.5 billion to print media.

“When we saw this coming, we decided to invest heavily in our interactive aspects of our advertising and PR departments,” Harvey says. “What we have learned sent us deep into interactive Web development and programming.

“The agencies that are doing this are thriving,” Harvey contends. “The ones that did not proactively embrace this change, along with the recession, have suffered the consequences.”

Harvey says the creative industry is having to come to grips with the harsh reality that “it is no longer in control of the consumer.”

Says Girard, “The industry has been forced to work harder to demonstrate its value to advertisers, which is a good thing.”

Atkins says San Antonio’s creative agencies may want to look over their shoulders. He says larger agencies situated in other parts of the country may now feel compelled to tread onto smaller agencies’ turf in an effort to secure enough new business.

“I think that is the most significant thing that, during the course of this year and next, we will see,” Atkins says.

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