

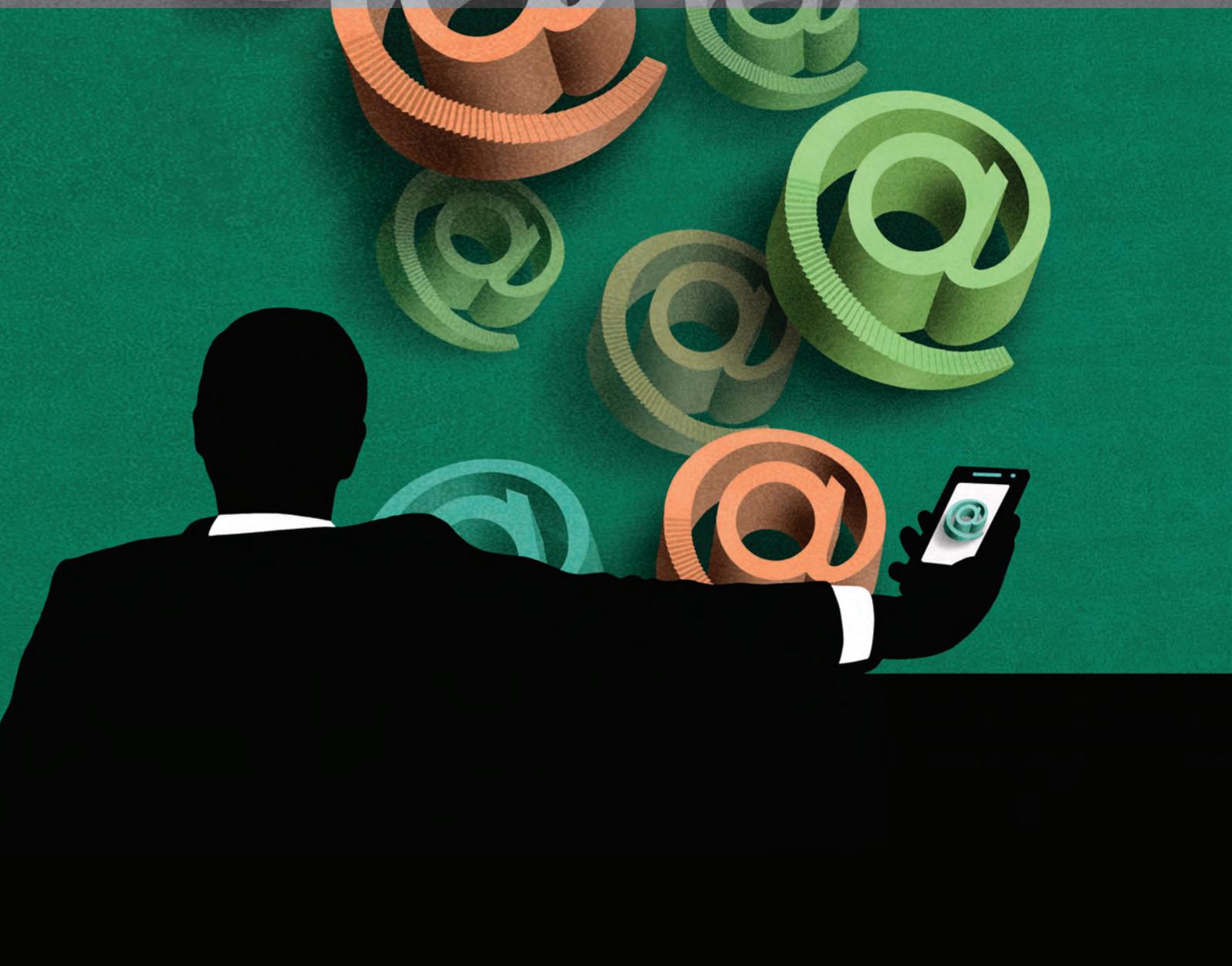
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Cutting Complexity, Adding Value

Efficiency and Effectiveness in Digital Advertising



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Cutting Complexity, Adding Value

Efficiency and Effectiveness in Digital Advertising

commissioned by



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AT A GLANCE

Digital-advertising processes have become much too complex. To overcome the inefficiencies born of fragmented technology and to create real value for themselves and their clients, agencies need to apply unified technology platforms and a lean approach to their processes and structure.

THE COMPLEXITY CONUNDRUM

Agencies that have utilized even early versions of such tools while optimizing their processes and organization structures have reduced campaign process time by up to 33 percent.

IT'S ABOUT THE CAMPAIGN—OR IT SHOULD BE

Agencies that are able to translate these efficiency gains into added value, superior performance, and ROI for their clients gain increasingly important competitive advantage.

TIME IS MONEY

These are still early days, and technology will continue to advance. Still, to gain competitive advantage, agencies and advertisers need to take action now, scoring “quick wins” and building on them through continuous improvement.

THE DIGITAL REVOLUTION HAS turned countless businesses and business partnerships on their heads—not the least of which is the relationship between advertisers and their agencies. For the former, digital solves a problem that has dogged the industry since the days of John Wanamaker and his oft-quoted observation: “Half the money I spend on advertising is wasted; the trouble is I don’t know which half.” Advertisers now have the ability to know whether they are targeting the right person in the right place at the right time—a powerful capability.

For agencies, however, this capability comes at a price. The almost limitless choices and flexibility related to the timing, placement, and format of digital ads inject multiple layers of complexity—and, often, inefficiency—into digital-marketing operations. With more than 20 potential intermediaries between advertisers and publishers today, the value chain has morphed into a maze of myriad associations and solutions. Complexity too often reigns, and it’s not surprising that agencies are wasting far too many resources and way too much time—in an age when both are in short supply.

To gain insight into the digital-age drivers of efficiency and effectiveness, The Boston Consulting Group undertook a study using lean methodology to map and measure the end-to-end processes of 24 digital campaigns across 15 European advertising companies. (See the sidebar, “Our Methodology.”) We found that those companies that had determined to get their arms around the complexity of the digital world by undertaking a comprehensive approach involving integrated tools and processes had realized staff time savings of up to 33 percent in their campaign operations. Others that had opted for a more narrowly focused approach had realized efficiency gains that averaged 12 percent savings in time expended.

ABOUT THIS REPORT

Growing operational complexity has led to proliferating inefficiencies in digital advertising, affecting the ability of agencies to spend more time on value-creating activities and ultimately leading to more effective campaigns. To gain an understanding of the potential for improving the efficiency and effectiveness of digital advertising, Google commissioned

The Boston Consulting Group to prepare this independent report. The findings outlined in this report have been discussed with Google executives, but BCG is responsible for the analysis and conclusions.

We researched not only the causes of the inefficiencies that agencies encounter (uncovering more than 25 “pain points” throughout the campaign process—from planning to billing) but also how they limit effective use of agency time. The impact is extensive—and expensive. Only 20 percent of campaign-processing time is spent on activities, such as strategic targeting, data-driven innovation, and performance optimization, that directly improve performance. The remaining 80 percent—four days out of five—is devoted to heavily manual, low- or no-value tasks, such as formatting reports and data entry, as well as significant amounts of rework.

Fortunately, there are solutions. Agencies can achieve quick improvements in efficiency (along the lines of the 12 percent cited above) by implementing a unified technology platform that provides a single user interface, allows for data sourcing from a single pool, and eliminates the need to reconcile, consolidate, and transfer data from multiple sources. The time saved can be applied to value-added activities.

Unified platforms can also replace many of the workarounds that agencies have developed to address specific process issues. This is an important benefit, as these

OUR METHODOLOGY

For our study, we used a lean technique called value stream mapping (VSM) to analyze the efficiency of digital-marketing campaigns. In addition to mapping processes, VSM uses workshops to measure efficiency and help visualize waste and value creation. The facilitator works with participants (six to eight experienced employees) to map out all activities performed, including details such as the process time, waiting time, tools used, and percentage right the first time. Participants are asked to identify any concerns that arise in performing the activity and to propose ideas for improvements. This technique provides a starting point for understanding key “pain points” and developing an operational-improvement strategy.

Specifically, our study focused on the planning, activation (setup, trafficking, and purchasing), and reporting activities of a search and display

campaign, including both brand and direct-response elements. Unified platforms were defined as seamlessly integrated ad-server, demand-side-platform, and search-engine-marketing tools that used the same infrastructure. Within the study, any agency in our sample that was using at least two of the three tools was considered to be using a unified platform.

BCG conducted full-day VSM workshops with 15 organizations (14 agencies and one direct advertiser) based in France, Germany, Italy, the Netherlands, and the U.K. We selected these organizations to provide balanced representation with respect to size and location. Overall, the 15 workshops resulted in 24 campaign samples, with equal numbers of campaigns operating with and without a unified platform. Nine agencies provided both unified and nonunified samples within the same organization.

workarounds are unlikely to be sustainable—or scalable—in the long term as technology advances and applications proliferate.

The digital-advertising industry will continue to evolve, becoming increasingly ROI driven. As advertisers focus more on measurable goals for both brand building and direct response, improved efficiency will soon become a basic competitive requirement. But just eliminating waste is, by itself, insufficient for winning consistently in the digital world. Sustained competitive advantage will come from more comprehensive efforts for adapting processes and structures for the leveraging of new technologies—efforts that shift the resources freed up by enhanced efficiency to focus on campaign performance, enhanced optimization, and deeper insight.

The agencies that seek such long-term improvements (up to the aforementioned 33 percent, which could well grow much greater over time as efficiencies are extended to other platforms and processes) can benefit from leveraging lean methodology. They also need to form collaborative partnerships with technology providers, advertisers, and media owners in order to realize the full potential of improved performance.

Lean techniques seek to create more value for clients, eliminating waste by optimizing workflows in terms of effort, time, and capital required. They also enable agencies to identify and address the root causes of inefficiency in their structures, processes, and tools. This frees up time to invest in realizing the potential of new technology solutions and to take advantage of the latest advanced technologies that enable increased integration and value creation, such as search-to-display remarketing.

None of this can be achieved overnight—or even in a matter of months or quarters. It takes a step-by-step approach, implementing a series of “quick wins” that buy the time necessary for planning and executing longer-term performance improvements. The balance of this report examines what’s required and lays out a roadmap to an efficient and profitable digital future.

The Complexity Conundrum

Digital technology’s ability to provide nearly endless choices makes digital approaches naturally more complex than traditional advertising. Further complexity is the by-product of the medium’s rapid growth and innovation. Many new players and solutions have entered the market, crowding and expanding the old (and simple) advertiser-agency-media-outlet value chain. Today, advertisers may deal with more than 20 intermediaries—agencies, ad servers, demand side platforms (DSPs), exchanges, networks, data management platforms, and supply-side platforms among them—before getting to the media owners with access to the eyeballs.

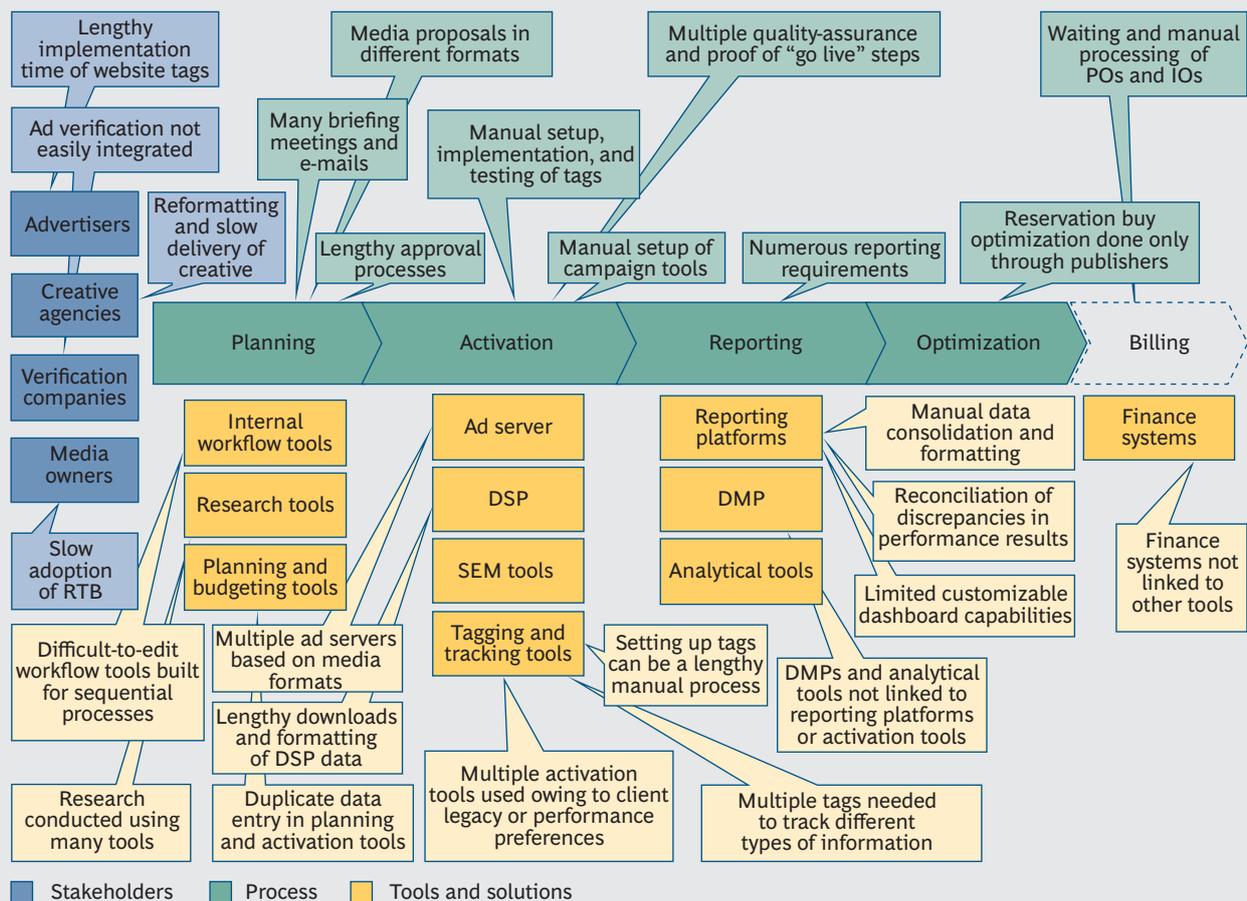
Although the end result is vastly improved targeting and effectiveness, this progress comes at a cost. Advertisers, agencies, and media owners are all required to acquire new skills and capabilities, make ongoing technology investments, and adapt to nearly constant fast-paced change. Agencies, in particular, must handle a plethora of new tasks, as illustrated by the more than 25 common pain points we found in

Advertisers may deal with more than 20 intermediaries before getting to the media owners with access to the eyeballs.

their planning-to-billing processes. (See Exhibit 1.) Most agencies have knitted together a discrete set of solutions for each activity and developed individual workarounds to fill in the gaps. One agency in our study had, for example, programmed its internal workflow system to provide automatic data feeds to its ad server, DSP, and client-billing program. Another had been devoting hours at the start of each campaign to the design of complex spreadsheet macros that replicated the functionality of a centralized reporting platform.

Although the workarounds are often clever, the resulting hodgepodge of technology tools inevitably ends up comprising a series of Band-Aids that actually slow the completion of tasks and require that data be manually reconciled, consolidated, and transferred among multiple sources. Our research found that many processes involve considerable manual work, such as forwarding information, data consolidation, report formatting, uploading and downloading of data, data entry, and quality checks. One senior digital-advertising executive described his environment: “We have multiple teams pulling multiple reports from multiple

EXHIBIT 1 | Advertising Agencies Suffer from More Than 25 Inefficiencies and Pain Points



Source: BCG analysis.

Note: RTB = real-time bidding; SEM = search engine marketing; DSP = demand side platform; DMP = data management platform; PO = purchase order; IO = insertion order.

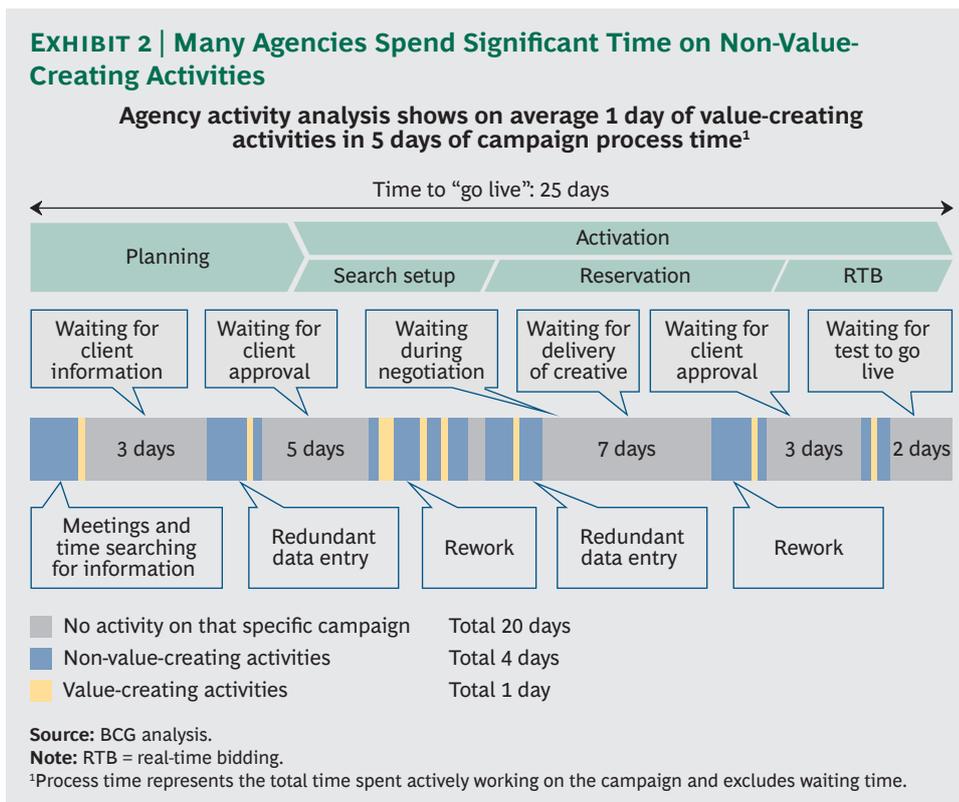
sources. Then we have another team consolidating the information into something we can actually use.”

Advertisers add to agencies’ complexity ills by mandating the use of particular platforms, tools, applications, and reporting requirements. One advertiser has three legacy analytical tools for each of its product categories and requires its agencies to conduct analyses and reporting using all three. Another asks its agencies to use its own customized reporting templates, forcing them to spend hours each week manually reformatting their automated reports.

There’s little value in any of these tasks, of course, but there is a big cost—in excessive time taken away from activities that do create value for clients. While working on specific campaigns, agencies in our sample spent four out of five days on activities that did little or nothing to enhance campaign performance. (See Exhibit 2.)

At every agency, the people with whom we spoke recognized that their campaign operations were weighed down by inefficiencies. The digital-marketing manager of one Big 6 agency told us, “I know I should be spending more time focusing on optimization. Instead, I spend hours formatting reports, downloading data, and fixing mistakes.”

These challenges will only intensify. Innovations such as real-time optimization and audience targeting across multiple devices will require faster, more efficient data



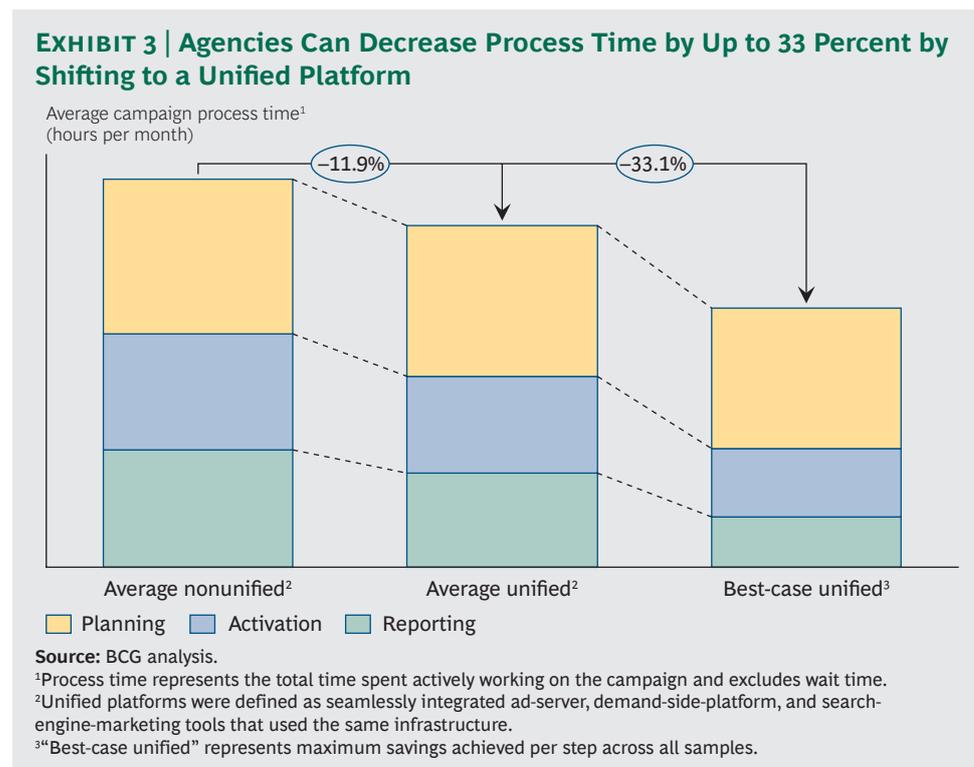
sharing and collaboration among many more partners. Many workaround solutions will become costly to maintain and inadequate for coping with an increasingly complex environment. To continue to meet client demands without built-in inefficiencies overwhelming their operations, agencies—with the support of advertisers, media owners, and technology providers—need to develop sustainable, scalable solutions to the complexity conundrum.

It’s About the Campaign—Or It Should Be

Agencies that spend only one day out of five on activities that increase campaign effectiveness are hardly serving their own or their clients’ needs—a problem that will only become more apparent in an increasingly ROI-driven industry. Reducing the time spent on activities born of waste and inefficiency is no longer just good business; it is also a necessary first step to building sustainable competitive advantage.

Agencies that make the right changes in their technology tools and processes are already reaping substantial benefits—in some cases, reducing time spent on campaign operations by as much as 33 percent. The average savings among agencies in our study was 12 percent, split roughly equally between activation and reporting activities. It is not surprising that they achieved scant savings in the heavily manual planning process. (See Exhibit 3.)

Whatever amount of time is saved, this resource can be redirected toward working on campaign effectiveness: running tests and trials, analyzing the results, remarketing, making course corrections, and testing again. Technology allows for continuous,



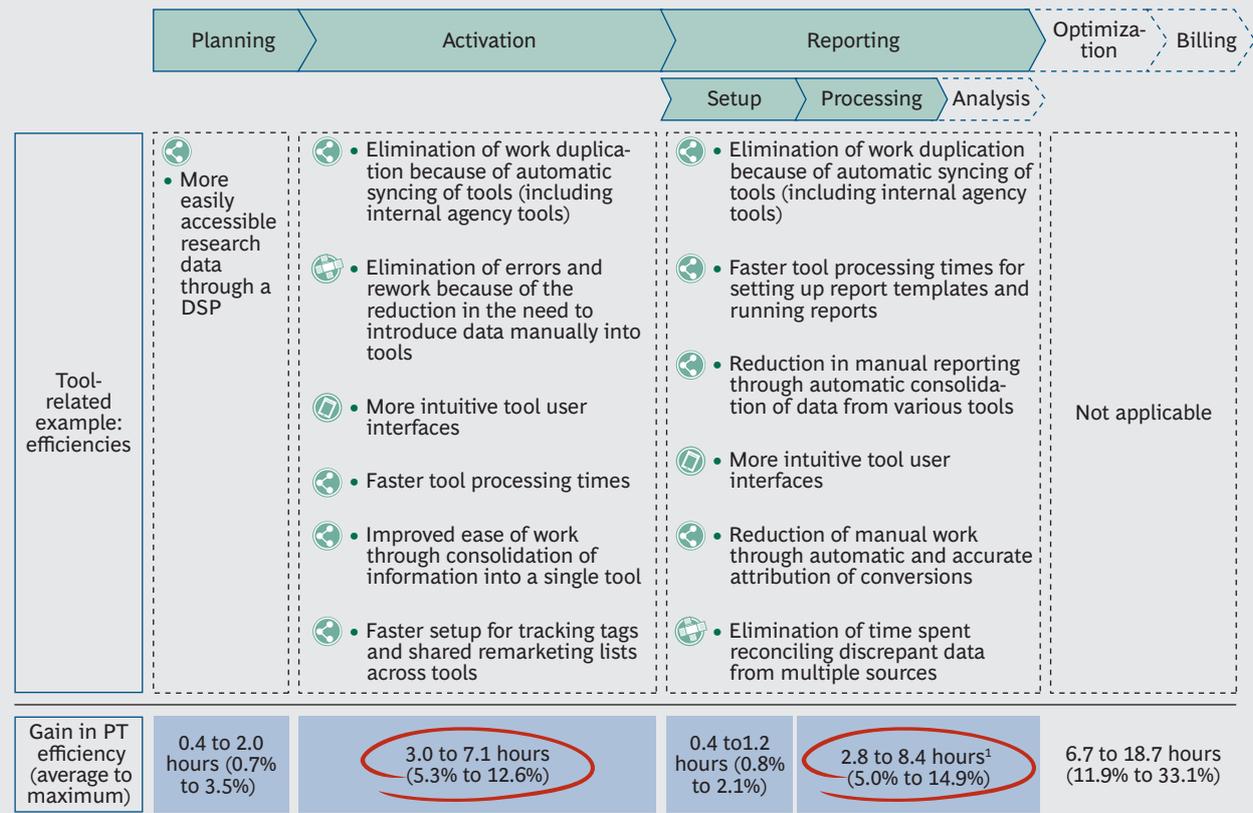
real-time perfecting, but too few agencies take advantage of this capability and reap the full benefits for their clients.

Time and efficiency savings arise from a combination of two interrelated factors, and those savings can be significantly extended by the addition of a third.

Using Unified Technology Platforms. Unified technology platforms provide a single user interface and make it possible to source data from a single pool, eliminating the need to reconcile, consolidate, and transfer data from multiple sources. During the activation phase of a campaign, a unified platform eliminates multiple handoffs of information by, for example, enabling the automatic transfer of data from the ad server to the DSP.

It also allows for the sharing of remarketing lists across tools for use in advanced targeting in, for example, search-to-display remarketing. (See Exhibit 4.) Among other benefits, campaigns can be launched faster.

EXHIBIT 4 | Today's Unified Platforms Save Time by Improving Activation and Reporting Processes



Different databases
 Defects and rework
 Different user interface

Source: BCG analysis.
Note: PT = process time; DSP = demand side platform.
¹Calculated on a monthly basis.

For reporting activities, unified platforms enable automatic data transfers between tools, reducing the time required for consolidating data into reporting templates. The unified platforms also allow for the automated attribution of conversions and eliminate the need to deduplicate data appearing in various sources. Agencies can spend more time analyzing reports and optimizing campaigns throughout the run, rather than wasting time on manual downloads and data consolidation.

A digital-display manager described the reporting advantage: “If I’m tracking everything centrally in the system, I’m much surer of the data and campaigns than any other setup. So I make decisions based on that much quicker and easier. If I doubt [the findings], I can easily change the scope and dashboard to verify.”

Adapting Processes and Workflows. By adapting processes and workflows—rather than retrofitting tools to accommodate traditional agency processes—agencies can take fuller advantage of the benefits new tools offer. More often than not, the agencies in our study that were achieving greater time savings had automated and streamlined processes to better leverage the benefits of the unified platform. They had implemented few, if any, workarounds, and they had made full use of the efficiency features of the tools (for example, automatic cross-channel reporting). Streamlined processes had also enabled agency teams to share tools and data sources, making it easier for them to collaborate internally.

Improving efficiency now is the essential step toward enabling the high-return campaigns of the future.

Aligning Organization Structures. Best-practice agencies take further advantage of streamlined processes through more efficient organization structures that are aligned with digital-advertising workflows. These structures employ, for example, cross-channel teams responsible for the end-to-end campaign process, with individual roles designed for increased accountability and autonomy. Clear communication and alignment of client-facing roles and operations teams, as well as outsourced activities tightly integrated with internal operations, lead to additional efficiencies.

Structures and platforms that facilitate the adoption and leveraging of new technology will become increasingly important as new innovations are integrated across additional activities and channels. Agencies whose operations suffer from one-off fixes will find it harder than those that have adopted new technologies to increase the level of effectiveness of their campaigns over time.

In the age of *Mad Men*, client service was delivered over three-martini lunches. As the industry matured, creativity moved to the fore. In the digital era, ROI and brand impact driven by data and analytics are increasingly becoming the defining metrics of value. Improving efficiency now—in ways that are sustainable over the long term—is the essential step toward having the resources to invest in the technologies and tasks that will enable the high-return campaigns of the future.

Some agencies have already fully embraced this mindset. As a director of a U.K. digital agency said, “Our whole business model is different. We win new business purely based on the fact that we are going to get better results than the other agencies—not based on commissions. It’s all about performance to us, not a pure margin play. That’s how we compete.”

It Also Takes an Ecosystem

In the short term, agencies can gain immediate benefit by leveraging current technology solutions, such as unified platforms, and identifying and implementing quick wins related to process. In the long term, however, they cannot, on their own, capture the full potential of improved efficiency and effectiveness. Other players in the digital value chain have a role in raising the industry's performance.

Agencies should look to *technology providers* to continue to encompass new and important channels such as mobile, social, and video. Over time, agencies and technology providers should also explore options that move beyond the activation and reporting processes that unified platforms currently address to better integrate and support the full range of activities from planning to billing. These tools can help achieve further time savings by reducing the number of steps and amount of rework in processes for online search and display. Technology providers can also collaborate with various stakeholders to define industry standards and build solutions that address common pain points. As part of their new-product-development process, technology providers must also train and deploy users adequately to ensure that they leverage the full benefits of tools.

Media owners need to adapt to a new world in which programmatic trading is here to stay, just as it is, for example, in the finance industry, because it confers money-making advantages in a data-driven world. Although reservation-based trading is, and will always be, a part of media buying, media owners cannot ignore the efficiencies and effectiveness realized from programmatic trading. By increasing their participation, either through real-time bidding or private exchanges, media owners can support advertisers' ROI objectives while maintaining appropriate premiums for their high-value inventory.

Advertisers must embrace the imperative to use standardized tools and processes as well. If they continue to impose complexity on themselves and their agencies in the form of nonstandard technologies and customized reporting requirements, they will limit the ability of agencies to optimize ROI through creativity and differentiation. Advertisers should work with agencies to support platform integration and enhance sharing of data and communication.

Advertisers also need to adopt a more strategic approach to technology solutions in partnership with agencies, selecting the best options for the overall process. In addition, advertisers should aim to increase their use of performance and brand metrics as a means of empowering agencies and eliminating lengthy approval processes. As the industry increasingly moves toward real-time marketing, the ability of agencies to take campaigns to market faster will become a key success factor.

Time Is Money

All of this takes time. The lean concept of continuous improvement can help. Continuous improvement entails assessing current processes and structures, identifying waste, prioritizing key issues, and developing sustainable solutions—and repeating the cycle periodically. Manufacturers such as Toyota pioneered this

Advertisers should work with agencies to support platform integration and enhance sharing of data and communication.

approach decades ago; General Electric developed it into an art form. It can work equally well for advertising businesses.

The lean methodology helps organizations visualize and quantify the sources of value creation in a process. It looks at cycle times with respect to both customer-centric lead-time and company-centric process time. By reducing lead-time, agencies can bring campaigns to market faster, thereby creating a competitive advantage for advertisers. By reducing process time, agencies increase efficiency and productivity, having a direct impact on contribution margin. Indeed, we believe lean methodology and analytics will become as fundamental to digital advertising as great copy and creative have always been to all advertising.

Lean methodology involves a journey of continuous improvement—not trying to fix everything at once but taking a pragmatic step-by-step approach: identifying waste, eliminating it, and sustaining the improvements. Everything starts from the development of an understanding of the agency’s current ways of working in order to identify where to make improvements.

Using value stream mapping, agencies can visualize their processes by individual activities, measure current levels of efficiency, expose waste, and gain a better understanding of the steps that lead to campaign effectiveness and value creation for clients. Because most agencies employ multiple teams, each using its own combination of tools and processes—a situation that is magnified many times over in multioffice and multinational agencies—they have a ready-made set of internal benchmarks and best practices that can help “size the prize” from this diagnostic.

With the results of the diagnostic, agencies can identify areas that need improvement. They should tackle these areas in phases, focusing first on quick wins and using a more structured approach to address more challenging issues. One approach that has enjoyed success is lean *kaizen* (Japanese for “change for the better”) workshops, in which an agency pulls together a small working team to focus on a specific concern for a short, intense period of time. Kaizen workshops can help prioritize key issues, create a culture of continuous improvement, and tackle large problems with a pragmatic approach.

As agencies start to address drivers of inefficiency, they should focus on the following areas:

- Standardizing, streamlining, and automating their processes as much as possible, especially across locations and formats—such as mobile and offline—as integration becomes more important (In our study, we noted dramatic differences in approach across client teams and locations, even within a single agency.)
- Standardizing and integrating their tool sets, aiming for a unified approach that enables seamless integration
- Adjusting structures to enable more cross-channel collaboration, end-to-end process ownership, faster decision making, and more autonomy

Lean methodology and analytics will become as fundamental as great copy and creative have always been.

- Engaging with stakeholders to optimize and develop industry standards and collaborative solutions

ADVERTISING IS INCREASINGLY a technology-driven industry, and the technologies are evolving quickly. Digital development is evolving especially rapidly. Agencies that adapt to new realities first and fastest will have a big advantage as new tools become available—tools that both increase the effectiveness of current operations and extend technological advancement along the value chain. Those agencies that make the necessary changes now on the basis of a lean approach have the best chance of unlocking their full potential—allowing them to stay ahead of the pack in an increasingly competitive business.

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