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Chair of Creative Industries and Business Model Innovation

**Evolution of the communication agencies: How the new trends in the
advertising industry are reshaping their business models**

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SUMMARY

INTRODUCTION	1
1. THE STORY OF ADVERTISING	3
1.1 - Advertising In Everyday Life	3
1.2 - First Forms Of Advertising	4
1.3 - The Story Of The Advertising Industry	7
1.4 - The Industry	11
2. THE NEW TRENDS	17
2.1 - The Basis For The New Trends	17
2.2 - Digital Innovation	18
2.3 - The Italian Environment	25
2.4 - Geographic View of the Industry	33
3. BUSINESS MODEL CANVAS	42
3.1 - Generic Agencies In Comparison During The Time	42
3.2 - Newspaper VS Radio	43
3.3 - Television	49
3.4 - Wengage Business Analysis	52
3.5 - Publicis Communication Analysis	69
4. A PROFESSIONAL POINT OF VIEW	84
4.1 - The Subjects of The Interview and The Motivation of Their Choice	84
4.2 - The Interviews	87
4.3 - Considerations	92
CONCLUSIONS	98

INTRODUCTION

This dissertation has the objective to analyze the influence of the advertising industry trends on the business models of the communication agencies. The environmental outputs linked to the technological progress, the digitalization, the globalization, the advent of new forms of communication and other social, political and economic events have managed to transform various aspects of the business and are still reshaping the way in which the players compete against each other.

Understanding the evolution path of this sector appears very significant because of the power that the advertising has achieved both from the economic and the social point of view. The advertising, in fact, is the fourth in terms of revenues of the Creative Industries, that represent a consistent part of the global economy: from a research made by UNESCO in 2015, it appears that they account for a 3% of the World's GDP with a total of \$2,250 billion of incomes.

The work is basically structured in two parts, the first is related to the trends of the advertising industry, that are the starting point for the innovative thrust, while the second that represents the core of the thesis, consists in the analysis of the business models transformation. In order to be effective with the aim of the thesis, there will be presented informations and punctual data taken from different studies. The resultant picture will be then enriched with the opinions of some sector professionals that have been personally interviewed on the proposed themes. The business models analysis will rely on the knowledges gathered in this way and will be provided through the Business Models Canvas tool. The motivation at the basis of this choice has to be found in the multisectoral nature of the transformation that has involved the industry and the communication agencies, with modifications that have occurred in different areas of the business. The selected tool guarantees a coverage of all of these areas by representing the situation in nine sectors that considered all together provide a description of what is effectively going on with the analyzed firm.

The intent is to reach a high degree of concreteness when it comes to study the business models, this is the reason why a large part of the thesis is dedicated to the effective situation of two agencies, the firms selected are Wengage and Publicis.

The motivation, in this case, is related to the fact that the first is a young company that works mainly in a domestic environment, while the second is one of the biggest group active in the global market. This double vision will ensure a complete analysis providing indications on how an environmental change can have a different influence on firms with different characteristics and a different size.

The thesis will be developed in four chapters after the introduction and before the conclusion. The first chapter will regard the story of the advertising, basically it will be a sort of a brief travel from the first forms of advertising to the situation of the recent years. The focus will be posed particularly from the period of the birth of the first communication agency forward, because is in that range of time that the industry has been constituted and upgraded. The second chapter regards the new trends that are occurring, as reported above, they will be analyzed through the evidences proposed by studies of the sector. The aspects that will receive particular focus will be the digitalization, the mobiles content creation and the geographic evolution of the market. The third section will provide at first an analysis of the business models of generic agencies considered according to their channel coverage. The explanation will then go deeper presenting the evolution through the time of Wengage and Publicis. The final chapter will consist in the presentation of two interviews made to professionals of the advertising industry, one will be with the CEO and co-founder at COSE and the other with an employee at Italiaonline. The chapter will begin with a presentation that will explain better the characteristics of the cited companies and at the same time will disclose the motivations at the basis of the choice of these subjects for the discussion. After the reported questions and answers, instead, I will provide my considerations based on the opinion and informations gathered. The dissertation will be concluded with some comments that rely on the evidences found, in order to depict the evolution path of the communication agencies business, from their birth to the present years, and to provide a point of view for what will happen in the future.

Advertising is fundamental for the commerce and for the global economy, it relies on constantly changing factors and provides a high degree of profitability. The challenge for the agencies is to follow the changes and the most effective way to do that is by upgrading their business models. Analyzing all this situation results very interesting in order to better comprehend the strategical approach of the companies management to the advent of the new trends.

1. THE STORY OF ADVERTISING

1.1 - Advertising In Everyday Life

Nowadays we are surrounded by advertisement advices, every moment of our days is accompanied by someone, or something that is trying to communicate us the importance of a product, of a brand or of a job. Actually the list of what is communicated is wider, because advertising permeates in different aspects of the society and forms the basis for the livelihood of the capitalistic system. We wake up, maybe we give a glance to the screen of our smartphone, maybe we enter a social network like Instagram or Facebook and it will not be long before we will face an ads. Stopping for a while to analyze some number related to the mobile usage, it is possible to understand how much we are exposed to announcements even without meaning to.

It is esteemed that an average person, will check the mobile for a total of 63 times during the day and will do it even in the very first and last moments: 69% is the percentage of people who just wake up check their mobile, and higher, 87%, is that of those who do it in a range of one hour before going to bed. We will talk later in a more precise way about the connection between smartphone and advertising, but we need one more number to be conscious that the majority of these 63 interactions, leads us to make contact with the announcements. There are, in fact, evidences about a large usage of apps. Time spent on apps accounts for a 90% of the whole time that people use their mobile. Even the least experienced in how this kind of business works, knows that a very important piece of the apps income is due to the payment of the advertising owner to put the ads in the app, so that people can enter in contact with the brand or the message.

After having checked the smartphone we can have breakfast, maybe looking at the news in TV, or reading a newspaper. What does it mean? Exposure to other kind of advertising. Then we go out to reach our office, we turn on the radio in our car and can listen to a multitude of commercial announcements spaced between one song and another. Looking out the car window, then, we can notice that along the

roadside there is a variety of billboards with images or writing printed on, to catch our attention and to let us know something about a product or an event.

These are only few examples related to our contact with ads, and considering that they are repeated for all the day, it is easy to come to the conclusion that this form of communication has managed to creep into our lives and our society and stay there as the time goes on, until reaching a symbiotic co-existence with human beings and their organization.

1.2 - First Forms Of Advertising

In the previous paragraph, we analyzed and stated the importance covered by the advertising in the everyday life of people and we mentioned the fact that at a certain point of the human history, it has burst and has started to develop together with society. The aim of this paragraph, instead, is to go back in time through the centuries, to reach the origins of the advertisement practice and briefly have a look of its fundamental stages. We will see the steps of the evolution of this form of communication, even before the birth of one of the most important creative industry in terms of income, employment and amount of yearly investments. So without further ado, let's jump into the time machine and leave for our travel.

Is well known that at the basis of the selling, there is a strong capacity to beat the competition, by differentiating the products and communicating the advantages related to the acquisition of the good sold. The stronger tool needed to do that is a good advertising copy or campaign. For this reason, we need to search the origin of the ads relying on its main function. Cave men and early tribal men cared for their livelihood by themselves, they needed food and clothes and they obtained those, through hunting, fishing and then through agriculture. In this stage, man did not accumulate goods and did not produce more than he needed, at the same time interactions among individuals or clans were scarce and mostly belligerent. It is easy to understand that these conditions did not provide fertile ground to the birth and development of trade. Is, in fact, with the beginning of the trade practices that a rural form of advertising appeared. Actually, being related only to the oral capabilities of the seller in the one-to-one communication, it cannot be considered properly as advertising, but for sure is the first form of selling technique focused on

the conviction of the customer. As times passed, men began to organize in more sophisticated villages and the first ancient civilizations made their appearance on the Earth. Is here where our travel can start, is in this moment that the time is ripe for the arrival on the scene of the advertising.

Babylonia, some three thousand years before Christ. A culture is developing with a form of social organization, people live together in something that is similar to a city with rules and social classes, the possibility to communicate is granted by the presence of a language and by the usage of the first kinds of writing, a polytheistic religion governs the way of behaving and materials such as clay or pottery, are used to create objects. Among these objects, there are some bricks that present an inscription reporting the name of the temple where they are used, along with the name of the king who built the temple. This is recognized as the very first advertisement. It is, in fact, a sort of self-branding made by the king, in order to establish the importance of his dynasty and to show up to the people the greatness of his power.

We need to move on of almost a millennium to find other traces. Now we are in Egypt in Thebes and Hapù the weaver, writes a papyrus with the intent of gaining collaboration in order to find a slave on the run. Here the very interesting part, is what is written near the request, it is a very incisive slogan that can be assimilated to some modern promotional messages. In fact, on the papyrus we can read this message “The Hapù weaver’s shop, where the most beautiful canvases of all Thebes are weaved, according to the taste of each”. Here we are, this is for sure a clear example of advertising. Starting from this finding, we can infer that this practice was used even by other sellers or shop owners, a practice that result very similar to the form of commercial communication that we use and know today.

Talking about the civilization, we cannot avoid to mention two of the greatest ancient culture of the history. To the ancient Greeks and Romans, there were the ancestors of the billboard that we find in the cities in our times. The “axon” in Greece and the “album” in Rome, provided a white surface available to write announcements of different type, private or public. We need to mention, for sure, all the inscriptions on the objects, related to the Sotericus’s bakery in Pompeii, another way to make a sort of brand promotion and foster the growth of the awareness of the shop in the mind of the customer. Another practical example, can

be found in the promotional images for a company of marine transport in Ostia. Here there were images depicting boats and vessels, to let know to the public the activity performed by the firm. It is possible, then, to bring another example related to a use of ads for a scope other than commercial. In Pompeii again, there are traces of political advertisings dating back to 79 A.C.

Another propulsive thrust occurred with a goldsmith born in Germany: Johann Gutenberg, who in a time between the 1436 and the 1440, used a new technique of writing, revolutionizing with his invention the way how books and every kind of written advices could circulate. We are talking about the print. This is a fundamental step for the development of the advertising, because print has been for long the principal mean of communication for companies before and for agencies then, and it is present in our times as well. Not many years passed from that date, to have trace of the first printed announcement. We need just to move from Germany to England, in 1477, here William Caxton printed a commercial manifest in order to promote the baths of Salisbury. This was a primitive, but very clever and innovative way to approach to the potential advantages carried by the innovation. However, we need to wait for a century and a half to find something of very similar to our announcements. In 1631, in fact, a company was able to put an ad on a newspaper. The brand was “Forges”, the product sold was mineral water and the mean selected to transmit the message, was the newspaper “Gazette”. In the following years this marketing technique was adopted to promote different businesses in different areas of the world, there are examples for the pharmaceutical one linked to the market of the patents in England and announcements in Italy related to a scent that was said to have outstanding features.

Holding the line of the advertising on the newspaper, the creation of “La Presse” in Paris in 1836, stated the birth of a business value chain that is widely used even today by apps like Facebook, with some structural differences of course. “La Presse” costs, in fact, were financed for the bigger part by the advertising. This means that, to get a space on the newspaper for an ad, companies paid a certain amount of money.

The years from the end of 700’ to the first middle of 800’ are very important because in this time, we are in the era of the Industrial Revolution. The production explodes and the new technology allows to reach peaks never attained until this

moment. Trade become more and more important and with trade, advertising takes a principal role in the Global economy. For this reason, advertising become a business itself and is now available only for a fee. We are approaching with great strides to the contemporary era and it won't be long before the first advertising agency born, letting a creative activity transforms in one of the bigger industries of our time.

1.3 - The Story Of The Advertising Industry

Is with this paragraph that it is possible to approach the world of the advertising as a business, starting from here, in fact we will look at it in economic terms as well. In order to do that, we need to shine a light on the key facts of the industry, we will go through the birth and development of the communication agencies and we will look how the introduction of new technologies has changed the way of competing in the market.

As we said in the previous paragraph, in the 800' the press was a very strong mean of communication and Mr. Volney B. Palmer, understood the potential of linking the need of advertise the products by the companies and the search of information by the people. So, in 1841, in Philadelphia, he founded the Volney B. Palmer, the first advertising agency. Actually, the way of doing business, was slightly different from that of the modern agencies, but it can be surely taken as the real starting point of the industry. Palmer, in fact, was a space broker, he bought spaces in the newspapers (in Philadelphia at first and expanding his activity in other parts of USA in a second moment) and made it available for the advertising. Companies paid a fee no more to the newspaper directly, but to the agency, to put their announcements. In a short time, Volney B. Palmer agency began the owner of the rights of the largest part of the advertising publications.

Some years later, the company was acquired by the N.W. Ayer & Son and is with this advertising agency that the current business model, made its appearance in the history. N.W. Ayer & Son, introduced the so called "open contract" which was related to the billing and to the way of working of the agency. In addition to offering the space, this new company, in fact, offered the creation of the copy, relying on the work of professional artists and writers. We are no more talking

about brokering, but we are entering in a new business. There are various examples of historical collaboration related to N.W. Ayer & Son: Barilla, Ford and the US Army are only few of the companies and institutions that commissioned to the agency the creation of their advertising communication. In the same way, slogans as “A diamond is forever” or “I’d walk a mile for a Camel”, considered as milestones for the industry, came from this company.

As said before, there are different key facts and innovations that we need to take in account. If the spread of the newspaper can be considered the first step for the birth of the advertising industry, there are other means of communication, that have changed in a deeper way the activity of the advertising agencies. This is the case of the radio. At its earlier stages, radio was seen by people as an entertainment medium, used to listen to the music, or to learn about what was going on in the world. In 1920’s, however, radio became a carrier for the commercial communications and the global market welcomed the appearance of the radio advertising practice.

This is a further element of disruption from which was the activity of the first agencies, the business here was centered in selling virtual spaces to run the announcements. If there is a date to keep in mind in this sense, this is the 1922. In this year, in fact, American Telephone & Telegraph Co. launched on the market the WEAJ toll broadcasting model. From that time, people or companies had the possibility to pay in order to promote every kind of communication, or to finance a broadcasting, to be named on air. It didn’t take long for the firms to take advantage from this new channel and Queensboro Corp., a real estate company operating in New York, bought for 50\$ a 10 minutes lasting message to promote an ad related to the sale of some apartments in Queens. As time passed, companies realized the potential of a good radio advertising campaign, giving to this new form of communication an increasing valence. For all the 1920’s, radio experienced a growth of commercial broadcasting and welcomed the introduction of the program sponsorship.

This was a new form of business linked to the advertising industry, it is still very used nowadays, but at the time it resulted very innovative. Companies and agencies began to finance entire radio programs in order to have a virtual place, with a scope other than commercial, where they can put their advertising. It is esteemed that in

1927 the 20% of radio programs had a sponsor and during the time this percentage has increased.

Now, we have talked about a new technology and a new network for the communications, but what about the agencies in this environmental change? Well, we saw that we had to wait years before someone understood the importance of the newspapers and implemented a business strategy related to them. For what regards the radio, the time was very short. In the 1920's, in fact, agencies were well established and accounted for a large part of the advertising communications. For this reason, they immediately entered the business by applying the same format they used for the newspaper to the radio. They not only bought and provided airing space to the companies, but they organized and developed entire programs, with the aim of advertise products, brands or announcements in order to satisfy the requests of their clients. In this beginning stage of the radio advertising evolution, the scene was dominated by two agencies: Lord & Thomas and J. Walter Thompson Co.

The momentum created in these years, led to the so called "Radio's Golden Age" only a decade later. This was a period of great creative effervescence, a multitude of programs were broadcasted catching the interest of more and more people, in the 1930's radio gained a huge audience base. The most interesting part, is that the larger piece of the programs on air at that time, were directed and controlled by the advertising agencies: the hiring of the talents, the disposition of the guidelines for the show, the selection of the airtime for the transmission and a series of other activities, were all under their supervision. For this reason, we can state that advertising industry, experienced in that period a further upgrade of its key activities moving more and more money and providing an increasing level of employment. During all the period that we have just analyzed, in fact, economy experienced a constant level of ads spending as percentage of GDP ranging from 2,7% to 3,0%, that gives us the perception of how much importance the industry began to gain at that time.

Following the numbers, we can go through different stages of the human history and look how what happens in the World, has a strong impact on every aspect of life and economy. It is easy to understand that in times of war, the attention of the people is not referred to commercial communications and advertisings, in fact years from 1942 to 1946, presented very low percentage of advertising spending related

to the total GDP. Is in this period that the industry reached its lowest point, accounting for a maximum of 1,5% on the total economy volume. Once the war has passed, however, in few years the expenditure volume began to increase again and ended to reach higher levels in absolute value and almost the same level than before in percentages.

After the war, from the end of the 1940's, a new star burst in the advertising business, in not long it took the role of the primal source of commercial communication. Of course we are talking about television. With the advent of this new medium, agencies were able to add to their messages and slogans, something that gave a visive impact. Actually, the first licenses for the TV advertising were released in 1941, but we need to wait till the 1949 to have high volume of affair. In this year, 12,5 million of dollars were spent to run ads in TV, and this value experienced an increase of almost ten times in only two years, reaching a value of 128 million of dollars in 1951. With the possibility to broadcast on color TV starting from 1953, the market had a further propulsive thrust and in 1955 TV ads spending amounted to almost one billion of dollars. Times were changing for the industry and very soon television surpassed newspaper as principal mean of information, accounting in 1977 for the 20% of the total advertising expenses in US. In the following years, other social, economic and technological changes occurred, but TV advertising has maintained its importance. Only in 2017, TV advertising spending felt down, this was due to the entrance in the broadcasting market of other platforms.

Even with television, we can mention some important agencies that take care of the broadcasting of good advertisings, examples are AMP Agency, Cerberus Agency and so on. The activity of this kind of agency is similar to what was done for the newspaper or for the radio, with the creation of a so called copy and its broadcasting.

Our examination of the key facts of the industry is almost finished. We need, anyway, to take in account and mention what has occurred in the last years, denoting the principal traits of the advertising business in the contemporary era. Nowadays, in fact, there are different ways to make commercial communications and companies are spending more and more to cover each available channel. For this reason, a good communication agency, needs to be skilled in different fields

and in the usage of different media. For sure, is important to say that never the World has reached such levels of globalization, this means that an advertising can reach a wider number of people, in different parts of the planet and with different cultural background. Under an operative aspect, this is an incentive for the agencies to go international, expand the activities across the national borders and even hire workers from different countries.

Another key fact, comes from the other creative industries, we will talk better about that in the following chapters, but for the moment is important to clarify the fact that the entrance in the market of the OTT platforms and the changes in the broadcasting procedure has led the agencies to adapt their activities to these channels as well.

Maybe the last technological change that we need to mention, is the development of internet. If the origins of internet are in the end of 1960's, is only in the most recent years that its enormous power has exploded: in 2008 internet users all over the World were 600 million, in 2015 they increased up to 3,3 billion. As we can understand from the numbers, almost everyone can access to the net and now, with the spread of the smartphones, can do it whenever and wherever he wants. New formats of advertising appeared and new available instruments are used by the agencies in order to promote more effective and personalized ads. The birth of the social networks like Facebook or Instagram has required a specialized figure for the marketing campaigns of the companies: the social media managers. The advertising on the social networks, for this reason, can be run either directly by the companies or by a communication agency. In this optic, the agency need to add to its activities, the capacity to understand what to publish, when to publish and even the typology of content to publish, in order to give good suggestions to the clients and reach in a proper way the audience.

1.4 - The Industry

The previous paragraph was strongly focused on the historical events that have occurred during the years and that have managed to modify the foundation of the advertising industry. As stated in the introduction, the aim of this dissertation is to provide evidences on how this kind of changes have affected the business models

of the communication agencies and how further changes will cause other evolutions. Knowing the history of the industry is an interesting starting point, but it cannot stand alone in order to reach the just cited objective, for this intent, in fact it appears necessary to provide a more detailed description that offers a view on the fundamental data in terms of size and key facts.

At first I will provide a general overview of the industry looking at its total volume of business and then I will go deeper explaining its principal features.

Global advertising spending from 2010 to 2019 (in billion U.S. dollars)

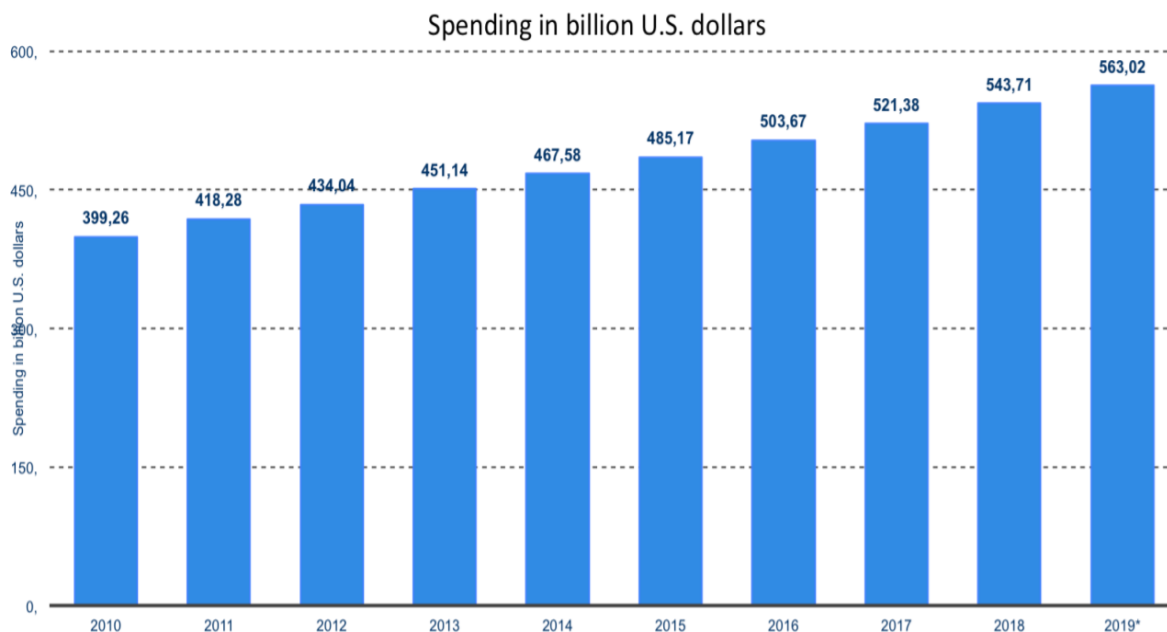


Figure 1 Global Advertising Spending From 2010 To 2019 (In Billion U.S. Dollars), From Course "Creative Industries And Business Models Innovation" Lecture

The image above reports the investments made all over the World in the advertising industry. There are basically two considerations to do, the first is that the business has experienced a constant growth during the years and it is still following this trend, while the second regards the fact that this is a quite large market in terms of total expenditures. Looking at the 2018 datum, in fact it appears that the spending in advertising accounted for around \$550 in billion, meaning that the advertising

industry was responsible for the 0.64% of the total World's GDP, with an intensity that will increase with each probabilities in the following years.

The reality beside the numeric evidence strengthens and better explains the importance of the advertising industry. The global economy is rooted on the commerce that consists in a trade between a seller and a buyer and in order to complete a deal, a process made by different steps is required. Advertising is one of these steps and even if performed through various methodologies or in different ways, it appears in every transaction. This is an important point to take in account, because it means that no matter who is the buyer or the seller and no matter which is their sector, they will need a professional advertising production.

This role can be covered by the marketing function of the various companies, but most commonly it is outsourced and commissioned to the communication agencies. The agencies, therefore, have a primary importance when it comes to talk about the various businesses, they have to enhance the sellers awareness, to produce contents, to project and implement strategies and to do all the marketing related tasks. They need to be very flexible and to collect skills related to the various segments of the economy, they work with all the other industries and they are potentially affected by changes in every of those. The business of the communication agencies will be treated very deeply in the next chapters, for the aim of this paragraph, instead, the information reported are enough to understand that they are the main players in the advertising environment. The industry is basically dominated by three groups that are WPP, Omnicom and Publicis, they have different offices all over the World and during the time have managed to increase their size.

The Largest Advertising Companies in the World

Rank	Agency Name	Headquarters	Worldwide Revenue (Billions)
1	WPP Group	London	19
2	Omnicom Group	New York	15.3
3	Publicis Groupe	Paris	9.6
4	Interpublic Group	New York	7.5
5	Dentsu	Tokyo	6

Figure 2 The Largest Advertising Companies In The World, From "WorldAtlas", Written By John Misachi

In the table above they are presented in chart, basing on their revenues, the chart is completed by Interpublic Group and Dentsu. An evidence that comes out from this data if compared to those that regards the total industry is the fact that the advertising market presents a not so high degree of concentration. The top 5 companies account for a rough 10% of the total business and this means that the possibility to enter and be profitable for new agencies is quite good. Another time, the explanation of the numbers relies on the fact that all over the World there is a multitude of companies that work in different environments, the biggest firms will address their requests to the most known communication groups, but still there are a lot of smaller companies that will prefer to select other kind of agencies. In this sense the coverage of the domestic market plays a role of fundamental importance for the smaller advertisers, they need to work in a precise environment and can adopt strategies of geographic specification assuring themselves a good market share if compared with their dimension.

The headquarters locations of the biggest agencies is strongly suggestive of another important key fact of the industry, that is the global distribution of the revenues. The U.S.A. is by far the biggest market, accounting for a total of nearly \$230 in billion and in fact, Omnicom and Interpublic are based in New York. This is a quite normal situation that derives from the economic power owned by the U.S.A.: they earn more, so they spend more and for this reason they need to increase the investment in the advertising. There is then another factor to consider, that is based on the American preponderance in other industries like the movie or the music, along with the various organized events or the sport leagues like the NBA or the NFL. Each of the just named examples is strongly related with the advertising market and represents a source for the growth of the industry revenues in the U.S.A.. The second market is represented by the China with \$87 in billions and the third by Japan with \$43 in billions. These markets are in expansion and this trend will be treated better in the following chapter, anyway they already account for a considerable part of the global investments. We can conclude, then that the advertising industry is basically made up by three clusters: the American, the Oriental made mainly by China and Japan and the European that is leaded by the UK with \$27 of investments in billions.

Another important feature of the advertising agencies is represented by their ability to provide services adopting a large amount of channels, having contents created ad

hoc for the newspapers, radio, TV and all the new kind of digital points of contact like the social media profiles or the mobile screens. In the previous paragraph we have looked how the focus has changes as new technologies appeared, I will now present interesting data released by Euromonitor International for what regards the channels allocation in 2016.

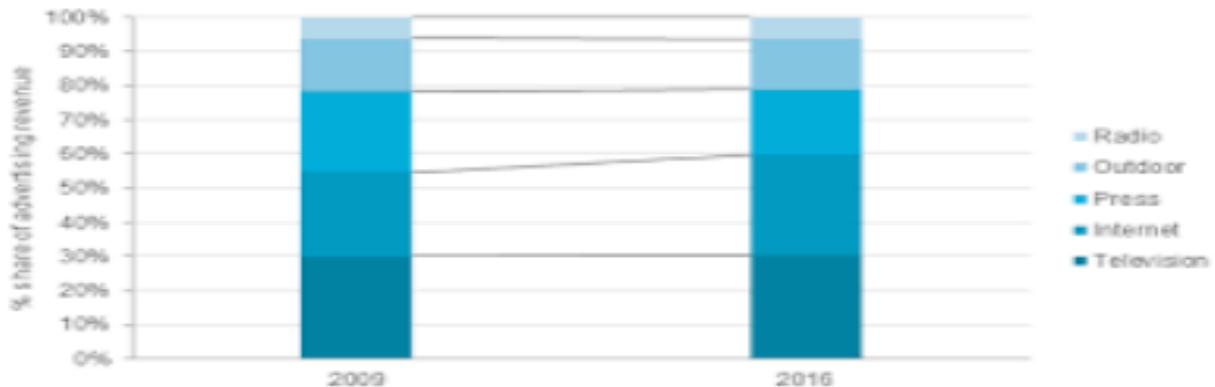


Figure 3 Percentage Of Channels Using For Advertising In 2016, From "Euromonitor International"

Looking at the data, it appears how the market is basically dominated by the television and internet production, with the other traditional means like radio, press and outdoor that complete the picture. Nowadays we are in a particular era where the web is taking more and more importance and is imposing its power in every aspect of the economy, including the advertising environment. It permits to reach a high quality and efficacy of communication without charging on the agencies the costs related to the television. The basic skills required are the same, the business is still built on the creativity that has to foster the curiosity and the desire of the people exposed to the ads, but through the technology they meet a multitude of fields of application. Examples in this sense are short video making or display advertising or all of the contents provided through the usage of the last innovation like the Artificial Intelligence technology or the Virtual Reality implementation. The just presented situation is going to consolidate in the next years so that we will assist more and more to an increase in the usage of internet and digital channels, that of course will erode the part of the content creation related to all of the other offline means. This will be an element on which the dissertation will focus during

all of the following chapters because it represents an important trend that has reshaped and is still reshaping the agencies business models by requiring new skills, new activities, new partnerships and by providing a new cost-revenue structure.

With the informations presented and explained in this chapter it is possible to understand how and why something that started as mere communication, has gained during the time an increasing importance, becoming the basics for the global commerce. The advertising industry has managed to improve from the times when Volney B. Palmer started his activity reaching a high degree of characterization. Resuming the just presented view, we can affirm that the industry is quite big and is still growing, its main players are the communication agencies that work on different channels, with a preponderance of the digital and internet. The core of the advertising is placed in the U.S.A. but the Oriental market is experiencing a tremendous growth during the time and even the Europe need to be considered as an area of particular importance. From this contextualization it is now possible to proceed with the dissertation analyzing more deeply how all of this is translated in practice looking at the agencies business models.

2. THE NEW TRENDS

2.1 - The Basis For The New Trends

Until this moment, the discussion has been focused on the key points of the advertising history and on the presentation of the industry's key facts. The various upgrades occurred during the years are related to changes in technology, society, culture and competing environment, each of these segment has strongly affected the way in which the agencies do the business. The just cited factors, are still experiencing further evolutions and the evidences that come out by the analysis of the business models suggest that all the advertising industry is still pursuing a process of innovation.

In this chapter, it will be presented a panoramic of the contemporary trends that are developing in the industry and reshaping the business models of the communication agencies. Before starting with the analysis of what is going on, anyway, it is useful to clarify some aspects that explicate why the evolution theme is gaining more and more importance in the recent years in the advertising environment.

The first aspect to take in account, is the influence of the Globalization on the global economy. In the advertising environment, particularly, it has a double effect: on the sellers of the various industries and on the clients to which the communication is directed. The fact that the businesses are expanding their borders and are utilizing more and more innovations, makes for the agencies crucial to adapt the way in which the production is released to the new needs. At the same time, the production itself has changed, because new creative and communication skills are now required in order to be effective in the advertising of a brand. The result of this process has to be found, among other effects, in an acceleration of the innovations that forces the constant upgrades of the business models.

Another fundamental aspect is the growth of some areas of the World, that are forcefully taking a role of a primary importance in the global economic scenario, like the case of the so called BRICS countries (with a specific focus on China).

More specifically for the aim of this dissertation, this trend has influenced the strategical part of the business model of the biggest groups in the communication market, making them opening offices and concluding partnerships in these areas.

To finish, the last feature to highlight is the importance that the digital is gaining, this will be a point that will receive a high focus during all of the discussion because it has a strong potential in terms of business models upgrading. In order to match the technological requirement the agencies have to modify their key activities, to add key partners and key resources and of course to enlarge the channels used.

2.2 - Digital Innovation

The current paragraph is concerned with both the actual configuration of the advertising digital side and the expected new trends in relation with the agencies business models. Through the analysis of the just cited elements it will be possible to infer the changes that have already occurred and the further foreseen upgrades to the players businesses. The task will be pursued by looking at different metrics and features, ranging from the total size of the digital market, to the devices used and the activities provided. In order to do that, it is possible to rely on effective data and projections about the worldwide usage of the digital in the advertising environment, this procedure results very useful when it comes to understand how much is the industry affected nowadays by this peculiar line of the activity. At the same time, a great importance is covered by the future scenario that can be foreseen by analyzing the growth curve followed by the sector metrics during the years, along with some knowledges and advices reported by professionals of the advertising market. In this sense, the first measure on which focusing the attention is constituted by the spending in the digital segment of the market made yearly all over the world.

Digital advertising spending worldwide from 2018 to 2023 (in billion U.S. dollars)

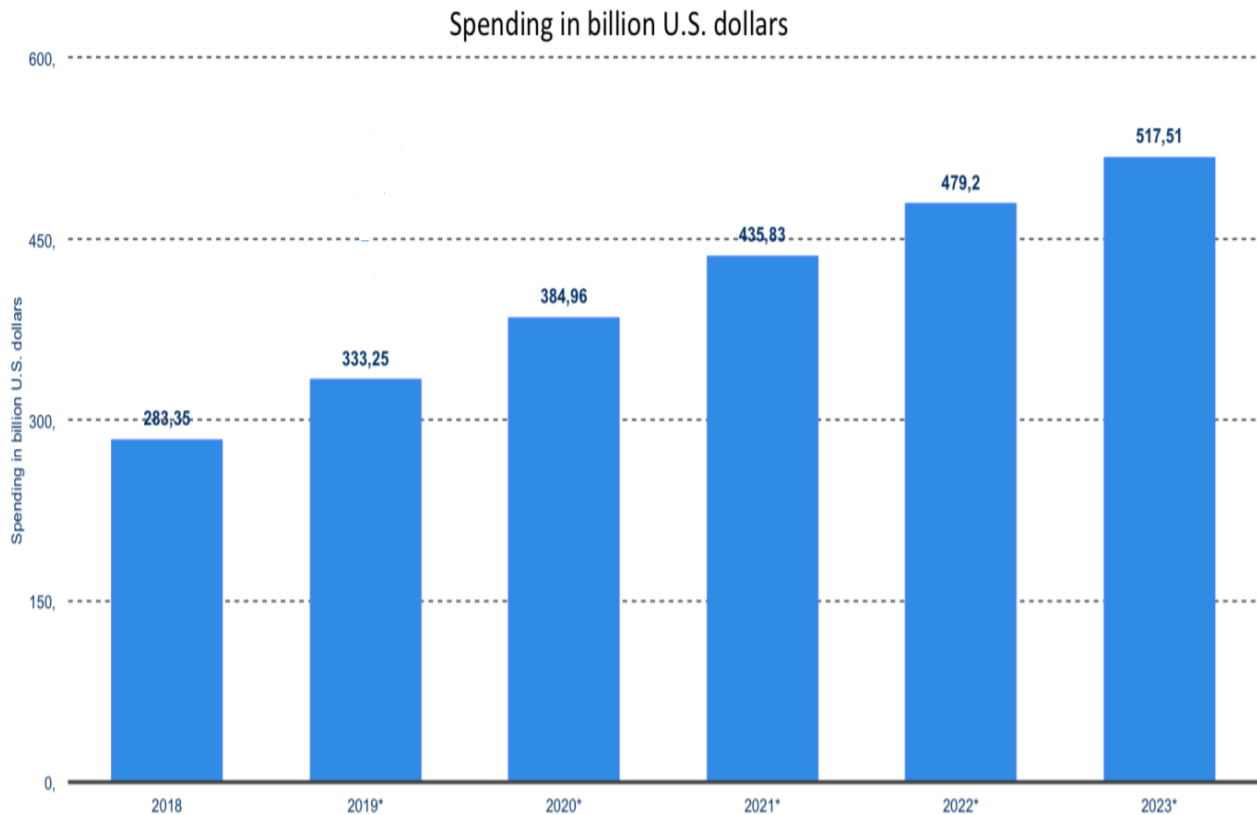


Figure 4 Digital Advertising Spending Worldwide From 2018 To 2023, From Course "Creative Industries And Business Models Innovation" Lecture

As it is possible to look in the figure above, the total amount of dollars invested in the digital side of the industry states how the players are strongly interested in the development of this segment. We can rely on actual data for the 2018 that place the total spending for the digital advertising at \$283 in billion, if compared with the \$543 in billion spent in all the industry, this number confirms the previously presented evidence related to the dominance of the digital and offline production.

The analysis of these numbers has to follow even an evolutionary perspective in order to demonstrate that the changes occurred in the environment are provoking upgrades in the business models of the players. The growth expected from the 2019 forward assumes high absolute values and if respected, will almost double the sector's expenses in only five years, from a total of \$333 in billion to \$517 in

billion. The effect for the industry will be an increase in its size and a higher profitability for its players that will be forced to invest more on the acquisition of all of the skills and competences needed to pursue the strategy aimed at the acquisition of market shares.

The data provide a solid basis on which relying when it comes to study the digital environment on a quantitative and strategic point of view. However, as stated before, in order to go deeper with the analysis, it is useful to focus the attention even on the operative part, that covers all the technological aspects. A particular feature on which is crucial to investigate, in this sense, is related to the typology of devices used as infrastructure for this line of business.

To talk about this subject, the first thing to take in account is the fact that different platforms are used by the people. Adopting the optic of a communication agency, if from a point of view, this means that it is possible to reach the users through various ways, from the other it become crucial to assess which is the most influent platform in this sense. The principal steps of the advertising value chain are the strategy implementation, the content creation and the provision of products and services. The crucial point consists in the last segment of the activity, particularly in the capacity to reach the final customers with the commercial ad. This is a key for the business, if agencies fail in doing this, they waste all of the value previously created for their clients through the other steps. This is the technical motivation that relies at the basis of the increasing attention that smartphones are gaining, this device, in fact, create the possibility to reach the consumer virtually in each moment of the day and in each place, strengthening the value created by the agencies. To succeed in the exploitation of the smartphones potential the industry players need to implement procedures that allows to make the ads available even for this platform and at the same time to adapt the contents and the strategy to the standards required by the mobile users.

This process of adaptation can be seen using different point of view. From an optic that is more centered on the communication side, the content creators have to deal with the problem that people don't like to be interrupted by the advertising when they are browsing on the net and could be frustrated by a constant ads exposition. This means that companies have to produce engaging contents in order to avoid such behavior and to be effective with the ads.

A perfect way to do that is through the storytelling technique that is highly related to the video production. Actually, this is another trend of the industry that is centered in giving more and more importance to video contents. This is true for all the platforms, but in order to focus on the mobiles reaching, the tendency is to film the videos in an upright position, in this way it is possible to adapt the content to the smartphones display. This can be very useful when it comes to provide advertisings through stories on the social medias like Instagram, Facebook, Twitter or Tik Tok. These virtual platforms are expanding their users base and the agencies have to implement strategies in order to succeed in their coverage.

The digital is for its nature subject to technological changes and innovations and provides a constant developing environment to the players of the various industries. As stated before, the agencies business model is strongly connected with the characteristics of the clients, in fact, it has to be modified if a new trend comes out in the committing firms requirements. As technologies evolve the importance of the data increases making the availability of information one of the key resources for the communication agencies. To analyze more technically the areas that can be affected, this dissertation will use the Business Model Canvas tool, that particularly in the next chapter will be fundamental for the discussion. In this point, we can look more generally how the nine segments proposed by the tool can be influenced by the Big Data collection. While the clients and customers relationship part basically remain the same, the other areas experience a change. The value created will be different because through the data acquisition the company will deliver personalized and ad hoc advertising, at the same time, then the channels used will refer to the digital side of the business. This means that new strategies are studied in order to collect and analyze data and new company functions are implemented with this scope. Even the key partnerships segment is interested, in fact, the most influencing groups, could have access to the database of companies that work in the data sector by stipulating deals or collaborations. If from a side this situation will enhance the cost structure of the companies, from the other will give higher capabilities, improving the quality of the service offered.

The adaptation of the business model, enables the agencies to provide new kinds of advertising, an example in this sense is brought by the personalized ads. These announcements are based on a sort of profiling of the various users, considering their previous researches, in fact the company is capable to understand which kind

of content can better fit with the needs and tastes of the single person. At the same time, even the so called display advertising is affected by this situation, the insertion of banners and short messages, can be personalized and made more engaging for example by calling in action the users to do something. In this regard, gamification can be a winning tools, it is a practice that transforms the advertising in a sort of game, creating an interaction with the customers.

Big Data are for sure a point of interest for the aims of the dissertation, but this is not the only aspect that is changing the industry. The Artificial Intelligence technology can be very useful in order to detect the users preferences and is collecting a huge amount of investments by the communication agencies. In an operative optic, centered on the activities to provide, this tool can be used in order to produce contents related to the vocal researches that are gaining a high importance. Once more a fundamental aspect for the agencies is in the last step of their value chain and this means that they need to reach the final consumers using the appropriate modalities. Google estimates that a number of researches ranging from 20 and 25 percent is done utilizing the vocal commands and assesses that this number will increase tremendously in only one year. With the use of the Artificial Intelligence, these kind of researches can be processed and a series of information can be inferred in order to reach the just presented objective.

The Artificial Intelligence strengthens the possibility to create ad hoc communications and adds the capability to do that in a more automatized way. The combination of this technology, the acquisition of the data and the human skills, provides all the sources necessary to implement the so called programmatic advertising. Whit this kind of service, the agencies are able to target in a specific way the users, in real time and to reach them all over different channels. This is a source for an ulterior upgrade in the business model of the players of the industry, this because even if the procedure of the programmatic advertising is not fully automatized, it can be the beginning of a process of disinvestment in the acquisition of human capital in order to direct the financial resources more on the technological side.

Beyond the data collection and personalization, there is a potential drawback that can force the agencies to provide ulterior changes to their business models. Considering the Porter's 5 forces model for the analysis of the competitive

environment, and the relative threats that derive for the players, this particular sector could be interested in future by an increase in the intensity of the force related to the political decision and regulation, with the possible implementation of privacy laws and banning of some activities. In this sense the flexibility becomes the key resource on which the agencies have to invest.

The trends presented until this moment will be exacerbated in the next future with the adoption of the 5G internet technology. This new tool will make easier for the companies all the data collection process and will provide field for an improvement of the Artificial Intelligence applications. The fact that with the new technology the download will be faster (at least doubling the current speed) will particularly impact the key activities provided by the communication agencies that will have to strengthen their capacities related to the video production. With a higher speed and a higher amount of bits per second downloaded, in fact, it will be possible to use this tool more often and to adopt more platforms in order to reach the consumers and create value for the clients.

Looking at the “key partnerships” segment, instead there is to focus the attention on the “influencer” figure that nowadays can create an important value for the clients of the agencies and for this reason for the agencies themselves. The influencer provides opinions or does actions that in a brief amount of time transforms in a consolidated trend for the moment and for this reason can be one of the main drivers for the choices of the final customers. The possibility to stipulate deals with someone that has such power and such capability of influencing the patterns of decision and purchase of the consumers, is an opportunity to strongly consider by the players of the advertising industry. The communication business, in fact, is for its nature concerned by the effectiveness of the transmission of a message through one or more vectors and of course, the more the vectors are followed and considered reliable by the target receiver, the more the message will be well accepted. The influencer, is a high versatile tool for the agencies, he or she can advertise the products or the brands in its own videos or in videos produced by the companies, however, this is not the only way he or she can act, even talking in an interview or posting something about the defined communication, the influencer is able to add value to the services of the agencies.

Each influencer brings a value that can be compared with the brand of a company, for this reason the procedure of selection implemented by the agencies must follow the same guidelines of the other partnerships. The research of an added value has to be based on the compliance between the value proposed by the advertising and by the influencer and on the relevancy of the trends. Particularly, the interest of the people, is now shifting from the celebrities and figures that are widely recognized to the so called micro-influencers. The micro-influencers can count lower numbers in terms of social media followers and are even less known, but they are perceived as “real people” and for this reason are able to guarantee a higher degree of trust that can be transformed in a higher conversion rate. The strategy approached by the management of the agencies acts in this sense, it concerns with the stipulation of deals with different micro-influencers, exploiting their cost effectively if compared with famous personalities. This procedure assures a business model that is efficient in the value proposition part and can rely on a softer structure.

In the key “partnerships segment”, then, there is another peculiarity to highlight that comes out by the gamification of the advertising. With this procedure and with the users content creation, in fact, the final receiver of the message is becoming a sort of partner. This is true because through his interactions, he not only provides value to the ads, but also data to the agencies. The way used to exploit the potential of the final customers is to involve them in various kind of challenges. An example, can be the proposal made by the advertiser to the audience to post a story on the social media channel that regards a slogan or something linked to the communication, in order to participate to a contest. The result, of course, is a great engagement by the possible customers, with a good advertising spread, all of that without facing an excessive cost. The trend is that practices like that, will be used more and more in the environment of the industry in the next years. The content generated by the users are, in fact, considered more trustworthy than the content created directly by the companies, as stated for the micro-influencer if compared to the well-known personalities.

2.3 - The Italian Environment

Until this moment, the various trends of the market, have been presented in a general way in order to depict the situation that is spreading all over the World in the last few years and that will probably be in a foreseeable future. In this paragraph, instead, the focus will be moved on the Italian landscape in order to present a specific concrete sample. Of course, the choice of the Italy has been done because this the Country in which this dissertation is wrote.

The just mentioned representation will be done by analyzing the evidences provided by two studies on the domestic communication environment. The first research that will be considered was made by Tradelab in 2019 with the intent to define how the Italian advertising industry would have looked like in 2020. The second, instead, are the data gathered by Nielsen on what is effectively the situation in the first months of the new year.

The first indication of the studies is about the fact that agencies are investing more and more on the digital side, without neglecting the off line channels. This results in an industry that is experiencing an increase in importance and value. According to Tradelab, in fact, the previsions for all the 2020 are about a 30 per cent of growth for what regards the digital advertising market and comparing these speculations with the effective data prompted by Nielsen, it is possible to state that this is a correct tendency, even if a little bit too optimistic.

For the sake of clarity, before proceeding with the analysis, it is now useful to assess that the covid-19 pandemic flu and all the measures adopted by the Country from February onwards in order to deal with this problem, has completely changed the scenario and has somehow crystallized the markets. There are not certain indications on how the advertising industry will react, but it is probable that it will experience a drop in terms of investments and total turnover, with the result that the smaller agencies will strive for their survival.

Going on with the results of the Tradelab study, some interesting evidences come out. In particular, from the projections, it appears that the trend related to the mobile advertising encounters a large acceptance. According to the paper, in fact, a great number of agencies, equal to the 79 per cent already bases its communication

on the mobile platforms, relying on the previously cited fact that the number of interactions between the people and the device is increasing. This wide activity on this field, provide a precise picture of how many players will invest in the different channels. To match with the smartphome usage, the 65 per cent of the advertiser will invest in improvements related to the social medias. Even the paid research will gain importance, with the 40 per cent that are pushing on this sector. The growth of this channel is mainly due to the possibility of the customization of this kind of service and to the integration of the researches with the online purchases. The other important trend presented in the previous paragraph, regards the video production, that, actually, can work in symbiosis with the smartphone related strategy. Even this tendency has been confirmed by the study, the 39 per cent of players in the Italian environment, will in fact invest in this segment of the business.

Changing the perspective from an on line point of view to an offline environment, the research tells how the traditional channels are used by only few players in the industry. This is detectable in the number of advertisers that in 2020 will invest in these vectors, accounting for a 25 per cent for the TVs and for a 5 per cent for the radios. However, even if these are lower numbers in respect of those presented above, it's important to say that in terms of amount invested and of its growth, the offline channels are maintaining a certain importance in the market. I will present the numbers relative to these other factors more precisely then, when will be the moment to analyze the effective results of the first two months of the year, reported by Nielsen. For what regards the following lines of the paragraph, instead, I will provide an explanation of why not so many players are relying anymore on the radio and television in order to implement their advertising strategies and services.

At the basis of the numbers presented until now, there are mainly two factors, one is linked to the expansion of the digital and the other is related to the possible declining power of the traditional channels in terms of communications. With regard of the former affirmation, this is a trend that has been already explained in the previous pages of this dissertation. Advertisers tend to follow the new tendencies of the market and sometimes, they are forced to make a choice. This happens in a particular way for these companies that cannot rely on strong financial resources, they will select a channel or better, a strategy of communication and will sacrifice the other means, like the radio or the television.

The latter statement, instead is true because the new generations are the final receivers of a large part of advertisements, they already hold the keys of the market from a customer point of view and their purchasing power is increasing in the year. The problem for the traditional channels relies in the habits of this segment of young people, in fact, they tend to use platforms others than television to watch films or series and are not interested in the radio broadcasting.

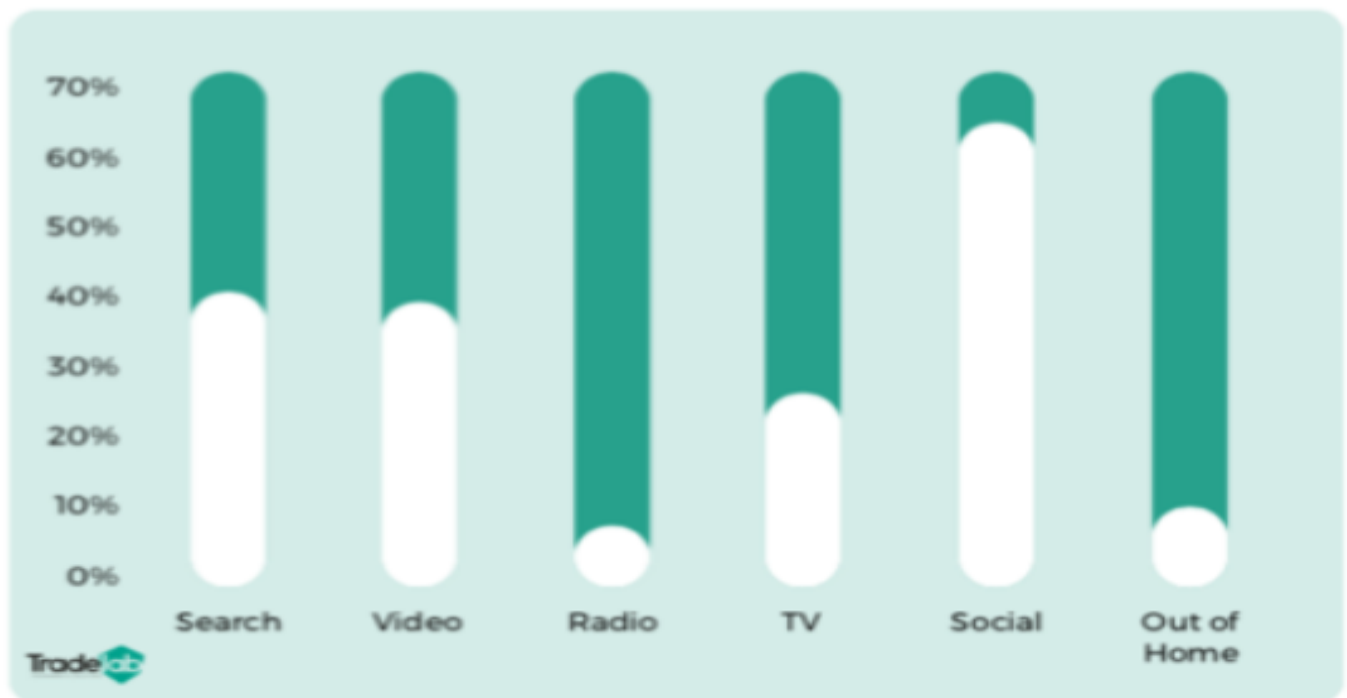


Figure 5 Percentage Of Channel Usage In Advertising In Italy 2020, From Tradelab Website

The management functions of the advertiser firms in the recent years have started to do the peculiar activities provided by the communication agencies, this has modified the intensity of the competitive force of the sector providing a situation that can potentially lead to serious damages and to a loss in market shares. For this reason, in order to replicate to this threat, the agencies are adding to the key activities of their business models the consulting. On the basis of that, the agencies now enter in the procedures of implementation of the marketing strategies and in all that regards the performance metrics measurement. This is a winning choice because the tendency for the advertisers is to internalize as much as possible the

advertising related services and privileging the companies that offer services of consulting when it comes to select a partner. In this sense, under a strategic point of view, the management has to opt for a diversification that before was not needed. This procedure impacts the business models not only by adding the consulting as a key activity, but also by requiring new key resources to the agencies that now need to have a good knowledge of a large multitude of sectors.

The self-production trend can be detected by looking at the number of advertisers that have decided to manage their communication campaigns with an in-house optic, at those that opt for a hybrid solution and at those that are relying completely on the services of the external partners, with percentages equal respectively to 42, 34 and 24 per cent.



Figure 6 Percentages Linked To The Advertising Function Outsourcing In Italy 2020, From Tradelab Website

The study, then, focuses on the fact that the one just presented, is an increasing trend, this means that the number of advertisers that are choosing a completely in-house approach is intended to rise in the following years. The motivations at the basis of this new industry's configuration are to be found in a research of a higher degree of cost control and of effectiveness for what regards the production. In the communication environment, in fact, there are different agencies that act and that

compete with each other, this make difficult for the companies to understand which one can be the best solution to select.

Looking at the totality of the data, anyway the agencies cover and will cover a role of primary importance, entering in the advertising process in the 58 per cent of the cases. If from a side this is true, from the other side, the indication of the trends is that more than ever they need to enhance their process of innovation, in order to keeping their position on the market.

The other element to take in account, then, is the fact that not for all the advertisers is possible to internalize the production. A in-home service development, in fact, carries different costs related to the implementation of the skills and the equipment needed. This results in a heavy structure, that for the startups and for the small companies is a burden that can be lethal. For this kind of firms, therefore, the choice is between searching for the collaboration of a partner or downgrading the quality of the advertising production. The other solution, that is supposed to gain more and more consistence in the years, is to opt for a hybrid strategy, that permits to receive the needed support and to maintain a right degree of control, without graving so much on the risk profile and on the cost structure.

Starting from this consideration, it is possible to depict which are the decisional processes at the basis of the selection of a partner and which are the most desired characteristics for the companies. Actually, part of this topic has been already disclosed before, from the study, in fact, results that for the 72 per cent of the advertiser, is fundamental an approach directed to the consulting and strategy field, when it comes to select the partner. This is of course an important service because the agencies can rely on solid knowledges about the environment and the winning procedures to adopt and for this reason, the value added by a potential partnership can be elevated. The other value researched by the firms are related to the innovations proposed, for a 54 per cent and to the job optimization for a 53 per cent.

Actually, the numbers present a clear situation, with a parameter that covers a preponderant part in the process of choice. Other findings proposed by the study, anyway, confirm the role of the costs to face, nominating as a factor of influence even the economic proposal made by the potential partner. There are then other criteria of a lower importance, but still considered fundamental, like the

performance estimates, the used technology or the GDPR compliance. The resume of this situation, can be seen in the following scheme, where all the factors are presented with a value ranging from one to five.



Figure 7 Criteria For The Selection Of The Agency Made By The Companies In Italy 2020, From Tradelab Website

The last part of the Tradelab study is focused on the metrics used to measure the performance of the advertising. In this evolving environment that presents integrated experiences through different channels, in fact, could be dangerous to stay anchored to the old measurements, running the risk of losing precious indications. This point of view is shared by the 55 per cent of the advertisers that suggest to use new ROI metrics able to photograph more precisely how the advertising campaign is doing in each step of the customer journey and with regard of each channel utilized.

The process that will bring to new metrics is anyway long, almost a half of the advertisers is still using old metrics, but in the next years it is supposed that innovations in this field will be brought by the new technologies. This confirms the other trend of the industry of giving more and more importance to the Big Data and the Artificial Intelligence. In a particular way, all the analytics of the various searching engines or social medias are a starting point in order to understand what happens when a web user enters in contact with an advertising. These are data

available for free to everyone, but are still important for the companies. There are then, other more sophisticated metrics that can be implemented by a precise player, in order to measure the performance of the campaign with specific requirements.

As said in the introductory part of the paragraph, that realized by Tradelab is a study that provides projections and previsions for all the 2020. Since at the time of this writing, some months of the reference years are passed, it is possible to understand what is effectively going on by following the data reported by Nielsen that depicts the situation of the Italian advertisings environment in February.

STIMA DEL MERCATO PUBBLICITARIO

Dati netti in migliaia di euro		Gen./Feb.2019	Gen./Feb.2020	Var.%
TOTALE PUBBLICITÀ		894,144	901,323	0.8
	Quotidiani ¹	72,097	67,300	-6.7
	Periodici ¹	38,373	33,706	-12.2
	TV ²	586,428	598,281	2.0
	Radio ³	55,868	63,630	13.9
	Digital ⁴	58,891	61,717	4.8
	Outdoor ⁵	13,807	12,493	-9.5
	Transit	17,813	16,233	-8.9
	Go TV	2,170	2,290	5.5
	Cinema	4,186	4,058	-3.1
	Direct mail	44,511	41,618	-6.5

Figure 8 Esteem Of The Advertising Market In Italy (Jan/Feb 2019-Jan/Feb 2020), From Nielsen Report

From the table appears that the total market is experiencing a mild growth, accounting for only a 0.8 per cent of positive variation. Actually, it is important to go deeper and to analyze this number to better understand what is happening. At first, this percentage has been depurated from the effect of four segments that are the paid search, the social, the announcement, the sponsorships and the over the top. Adding up the increment in investments regarding these sectors, the growth rate for the first bimester reaches the value of 3.7 per cent.

Looking at this new number, the role of the technological innovation for the advertising industry, becomes apparent. Social media, researches and over the top channels are in fact channels that are strongly invested by the new trends of the industry, some of them are related to the mobile world how has been already said, other, instead, like the OTT, are linked to the creative industries environment that will be analyzed in the next chapter.

Going back to the explanation of the table, the results prompted provide a clear representation of what is happening in the market. If we take in account only the segment of business presented in the picture, the situation that appears is related to a reallocation of the investments process that depicts the evolution that the advertising business is experiencing. In the previous year, in fact, almost 894 millions of euros were invested in the market, this number is not so different from the almost 901 millions of euros spent in the current year. In this sense, what has strongly changed is not the absolute value of the total amount, but its distribution.

Some traditional means have assisted to a decline: newspapers, periodicals and the outdoor advertising are the most affected by this process since they respectively lost 6.7, 12.2 and 9.5 of investments in percentage. Actually, this is not so surprising, the advertisers, in fact, can rely on a wide selection of channels and these just mentioned, even if not so expensive, are the less effective.

The drop in investments in these fields, can be explained not only with the competition exercised by the on line activities, but also looking at the other off line channels. Even if it is true from the Tradelab study, that not so many advertisers are investing in radio and televisions, this has not influenced the total amount expended in the implementation of related services and campaigns. Particularly, as far as the television is concerned, it has accounted a positive variation of 2 per cent for its business. However, the very impressive number here, is the total amount invested,

that accounts for almost 600 millions of euros, with variation of more than 10 millions in absolute value. The motivation at the basis of these number has to be found in the nature of the activities connected to the TV, being related for example to the production of videos, that can be a very expensive process.

With regard to the radio environment, instead, this is the sector of the Italian industry that has experienced the highest growth in percentages, managing to increase the investments with a rate of 13.9. Let's now stop for a while on this first part of the analysis, because it reveals the fact that even if the on line and digital segment is rapidly growing, the off line activities are not losing their appeal even though, the channels used are diminishing.

The other relevant number in the table, is related to the digital, which has accounted an increasing in investments of 4.8 per cent. This result, added to that of the go TV with a plus 5.5 per cent, states another time how the industry is changing and reshaping its features.

2.4 - Geographic View of the Industry

In the introduction of this chapter, an aspect that has captured the attention is that related to the socio-economic events that are going on in the World nowadays. As previously stated, in fact, the Globalization has speeded up all the processes which are based on exchanges of technologies or culture. The capitalistic economic system, in this has managed to amplify its influence nearly all over the World and the result is that different areas and different countries are now on the on-deck position in order to gain positions in the global economy.

Analyzing the trends proposed by the researcher David Hesmodhalg for what regards the creative industries, the evidence is that they are moving near the center of the economic action. The technical explanation of this procedure adopting the strategical management optic relies on the implementation of partnerships and collaborations with local realities, through a geographic expansion made by the bigger groups in the industry or through direct investments made by the companies that operates in the target country.

Historically, in the modern era, the economic power has been shared by the Europe and the North America, however, for a few years now, the situation has changed and different countries have managed to disrupt this duopoly. This is the case of the BRICS, an acronym used to refer to Brazil, Russia, India, China and South Africa, which are countries that in the last years have experienced a tremendous growth in their GDP and can rely on a high amount of resources. Recalling the data reported in the previous chapter, even the advertising market has been interested by this trend, the Oriental cluster is in fact one of the three biggest in the business and the China is the second country in terms of investments done. In this paragraph, the analysis will be focused right on some of these countries, in order to explain the just cited trend of the advertising industry that regards the geographic development in the richer areas. This will be done using data and previsions for the future, providing in this way a solid basis for the discussion.

The methodology that will be followed consists in the analysis of the advertising industry starting from actual data.

Advertising spending in the world's largest ad markets in 2018 (in billion U.S. dollars)

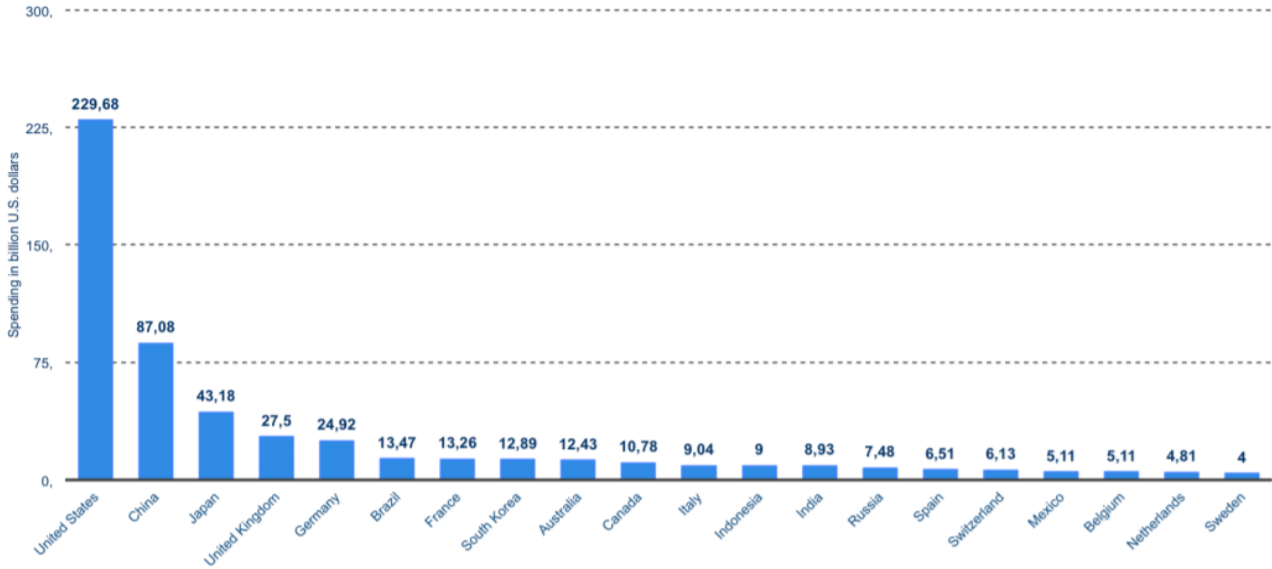


Figure 9 Advertising Spending In The World's Largest Ad Markets In 2018, From Course "Creative Industries And Business Models Innovation" Lecture

The depicted situation is evocative of the power of the United States that are at the top of the advertising market. Looking to the other countries, anyway, Oriental nations like China and Japan presented high numbers, taking more and more market shares. In 2018, the Global advertising spending accounted for almost 600 billions of dollars and during the following years, the value has managed to grow up. According for what has been reported by the CNBC, that relies on the data provided by the WARC it has reached 618 billion in 2019 and the projections are about another increase of 6 per cent for what regards the end of 2020, up to a total of 656 billion.

As it is possible to understand by looking at these numbers, the industry has experienced a growth for each of the last two years. Actually, the uptick is a trend that has origin some years before, this can be seen in the following image provided by the WARC as well.

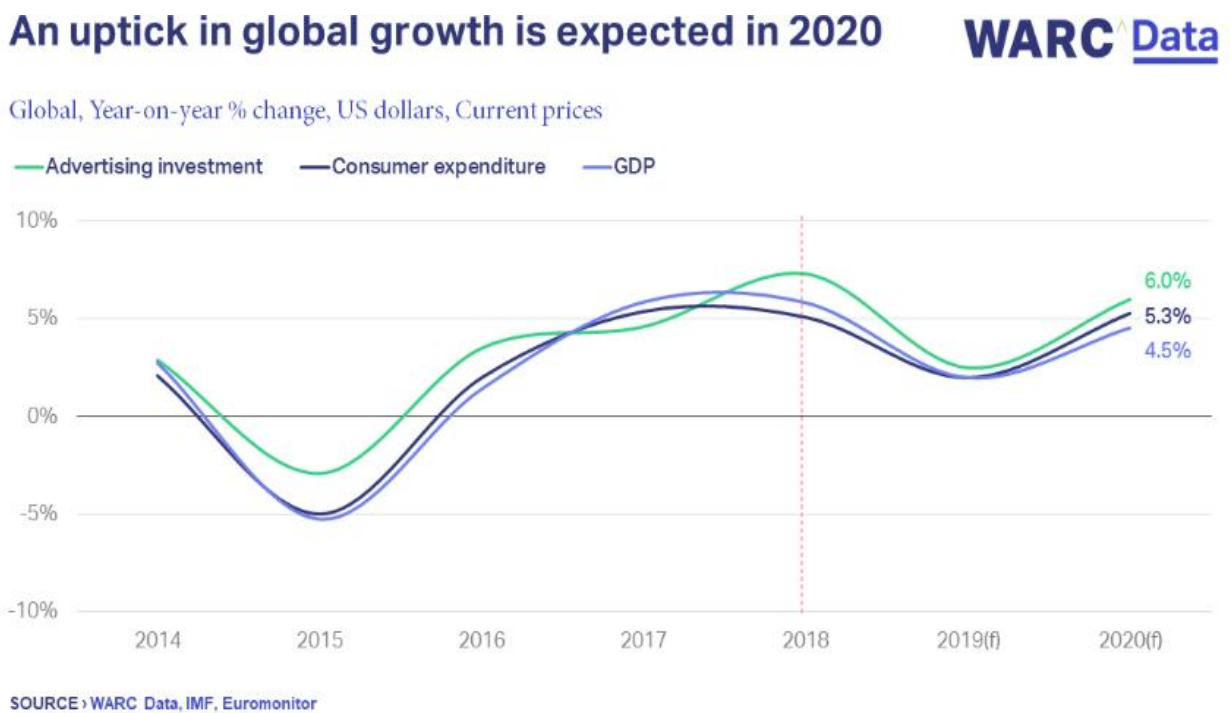


Figure 10 Foreseen Advertising Investments Compared With Consumer Expenditure And GDP, From WARC Data, IMF, Euromonitor

What is interesting for the scope of this dissertation is the rate of the foreseen growth for the end of 2020 that accounts for a 6 per cent. A part of the expected increment, in fact, is related to the advertising expenditures that would have occurred in the Oriental area of the globe, in order to promote the Olympic Games in Tokyo. Of course, the communication is a consequence of what is happening and for this reason, if the social and economic actions are reaching certain places, it will follow closely. From another report provided by the Imarc group, then, it is esteemed that the Global advertising market will reach in the 2024 a value of approximately 770 billion. The predicted growth is fueled by the incremental investments in the digital media proliferation and a wide part of the increase will be sustained by the countries that are expanding their economic valence.

Actually, the Olympics have been postponed and even other investments in the market will not take place anymore, this is the direct effect of the covid-19 flu. Relying on this, it is possible to affirm that for sure the previsions will not match what will happen in the reality, it is in fact highly probable that we will assist to a drop of expenditures in nearly all the businesses and this will affect particularly the advertising and communication industry. Not only the 6 per cent of growth will not be reached, but it is also difficult now to state if the curve depicted by the WARC will maintain its crescent path and positive rates as well.

The pandemic event will change the number of the market at least for some year, but unless there will be major turmoil in the following months, it will not mine the geographic trend of the industry, maintaining true the situation presented above. For this reason, in order to explain the expansion in the growing areas, it will be presented reports from “emarketer.com” which provide the projection of the size of the industry taken country by country.

The data are focused on the digital spending, being this side of the business that which will experience the higher increase in the future. However, looking at the provided percentages that explain the size of the total ad spending on media covered by the digital investments, it is possible to come out with some considerations about the growth that the domestic businesses are experiencing and about their attitude to embrace the innovation.

Relying on what has been presented at the beginning of the paragraph, the United States are the principal player when it comes to talk about the advertising industry.

For this reason, the U.S situation will be presented as a benchmark for the other two areas that will be examined. The comparison will be made with the Latin America, that is considered as a growing economy even if, during the time, it has failed to reach certain values that would have consolidated its importance in the Global board and with the China, which is nowadays a leading country for what concerns different aspects and which is contending the role of first power in the World to the America. China is already the second country in terms of investments even regarding the advertising environment and as the following projections report, it is empowering more and more this sector. For the sake of clarity, the data related to China are purified from the Hong Kong expenditures. With this premise it is possible to analyze the various configurations of the domestic industries starting from the 2018 with a five years prevision.

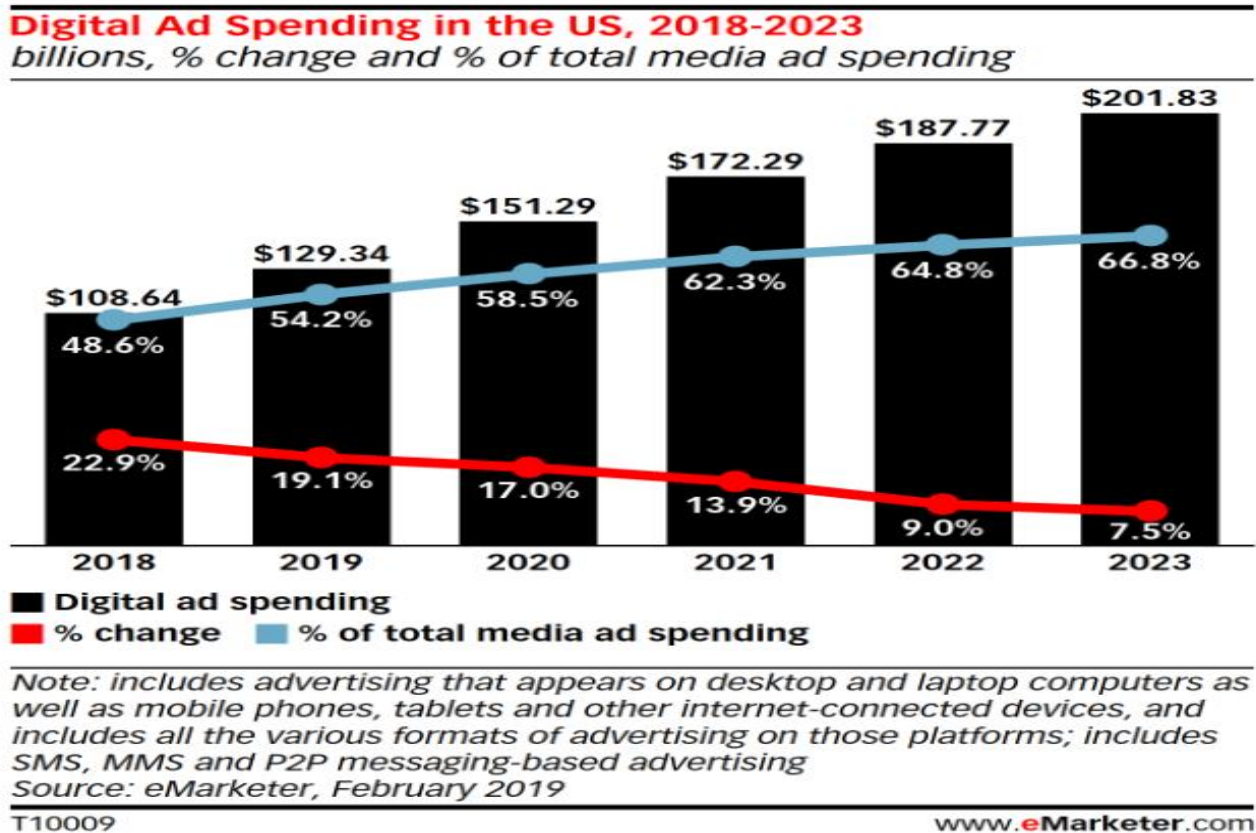


Figure 11 Digital Ad Spending In The USA 2018-2023, From eMarketer Study

Looking at the U.S. situation, this is of course a huge market, but at the same time, it is rising its importance by increasing the investments. A first element that stands out is the fact that following the projections, in only five years, the total amount of digital ad spending will almost double with a tremendous acceleration in the first three years. The study, released in February 2019, predicts that the related growing rate will not be less than 15 per cent until the end of 2021. Regarding the weight of the digital on the total media expenditures, instead, there is an esteemed positive path that will bring the 48 per cent in 2018 to reach almost the 67 per cent of the last year foreseen. To finish, as far as the total market is concerned, from these numbers it is possible to infer a growth of near 40 per cent in only five years, that is an indication of how much importance the business has.

Another time, the data tend to confirm the innovation related trend, putting the digital at the center of the activities. Even if this is well defined for the U.S.A., it becomes more evident when it comes to analyze the Chinese situation. The Asian country, in fact, is a giant in this field and it is pushing with a consistent might on it.

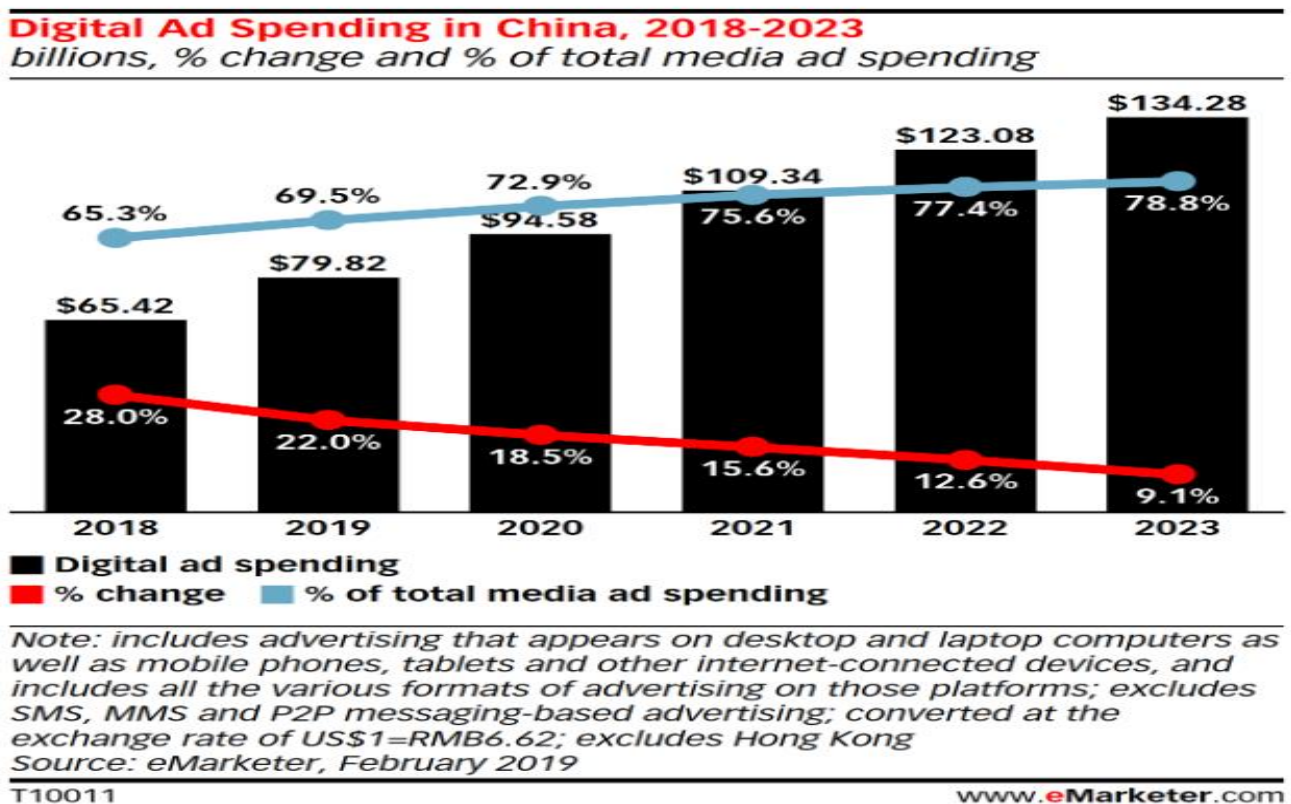


Figure 12 Digital Ad Spending In China 2018-2023, From eMarketer Study

China is the second country in the industry for what regards the market size, it is very focused on the digital, presenting a weight of this segment calculated on the total amount of investments that is constantly higher if compared to that related to America. It starts, in fact, with a value of 65 per cent in 2018 and rises up until reaching almost the 79 per cent foreseen in 2023. As written some lines above, this confirms the increasing trend of digital expenditures that has been reported and computed in the American environment as well.

The status of growing country for the China, is confirmed by looking at the percentages of the study, the yearly increment of the digital investments, in fact, goes under the 10 per cent only in the last period of the projection, accounting for a 9 per cent.

In both the countries, the just cited characteristic is depicted by a decreasing path. Actually, this tendency could be seen as a negative element, for this reason, more focus has to be put on it. At first, the percentages are constantly positive, this means that the industry is healthy and is experiencing a growth. Being the values of the rate on average higher than the 15 per cent, then, it is possible to conclude that the increasing trend is quite important. There is, anyway, another consideration to do related to a crossed analysis of the data. If we take, in fact, the total amount of expenses, it presents a tremendous uptick: the value more than doubles in five years, but increases yearly more or less with a constant value that is near to 15 billion and decreases to 11 billion only in 2023. This effect is explained by the fact that it is difficult to reach strong percentages of growth when the starting value is already quite high. By the way, this is a trend followed by the U.S industry too, that, instead presents a yearly increment of around 20 billion with a drop in the final period.

Even if all of the data presented above, are significant in order to explain the Chinese expansion in the advertising industry, maybe another measurement can be way more exhaustive for this purpose. From the previsions, in fact, it is possible to infer the growth rate of the market in relation to the total spending in each media. Considering the starting point in 2018, in a range of time of only five years, the market will manage to grow up of around 60 per cent, that is an impressive number, even bigger than the U.S. rate.

The expansion in the “hot areas” of the economy, anyway, is not restricted to the East, in fact, although with lower intensity, this process is involving even other countries. The next situation that will be reported is related to Latin America taken as a single. In this case, the study is focused on the mobile ad spending, calculating its projected values and its weight on the total digital spending.

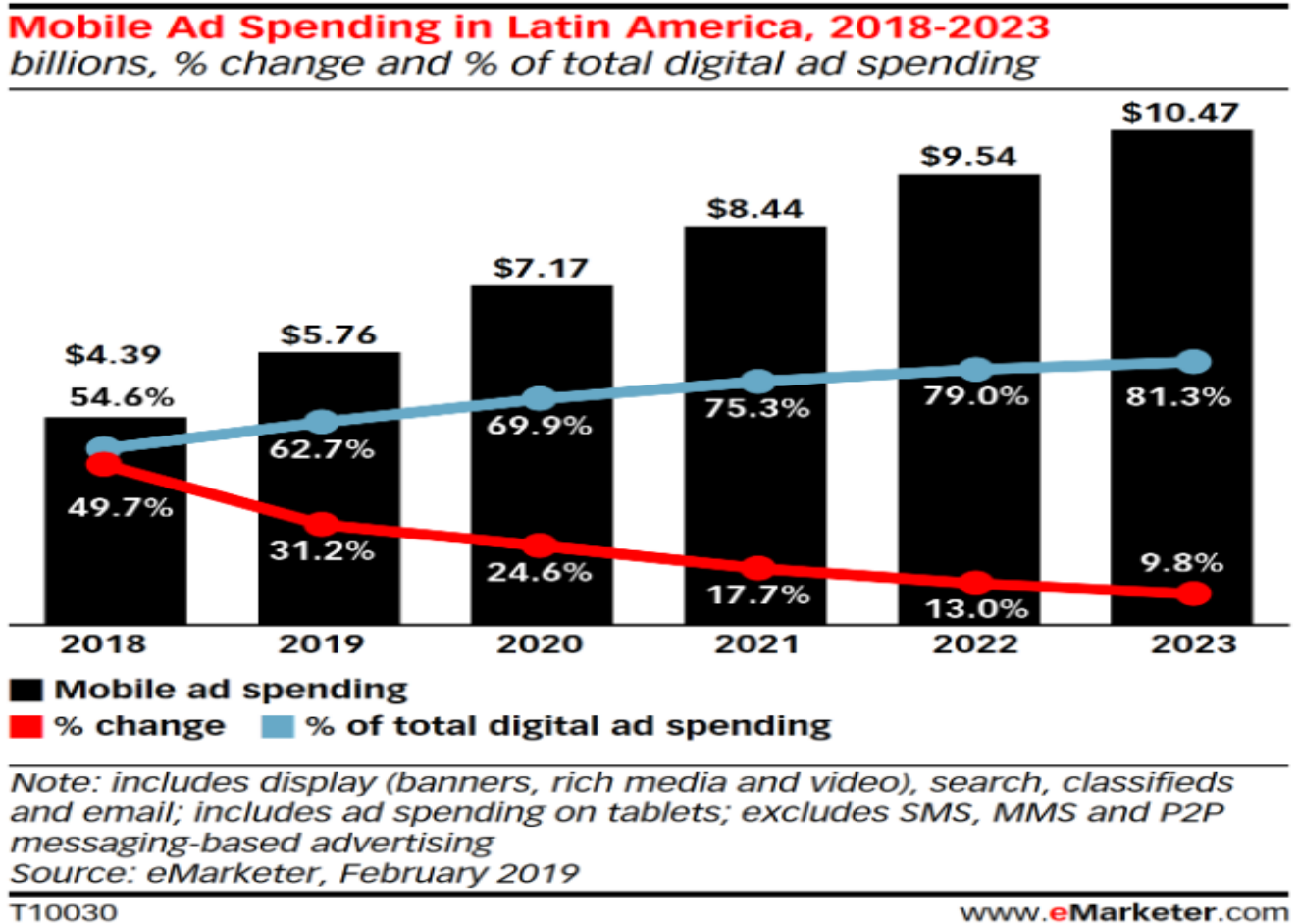


Figure 13 Mobile Ad Spending In Latin America 2018-2023, From eMarketer Study

In terms of absolute value, this is a smaller market, in fact, it is concerned to few billions of dollars spending. If from a point of view this is true, from the other, appears how much the area will invest in digital advertising, and in a particular way on the mobile ad side, experiencing consistent growth rates in the first years. Regarding the following years, the trend remains constantly positive even if with lower percentages.

An interesting evidence that comes out of the graphic, is one more time the relevance of the mobile for the future of the whole industry, it is possible to look, in fact, how the investment in this precise channel are increasing more and more during the years not only in terms of absolute values, but also in terms of percentage of total investments in digital advertising. Going deeper, the display ads, the search, the classifieds and emails, started from a percentage of relevance on the total digital ad spending of almost 55 per cent. In five years, the previsions state that this number will increase up to 81 per cent, that means that the largest part of investments will be due to the mobiles.

As far as the digital spending is concerned, instead, the Latin American market presents a relevant increase that accounts for more than 30 per cent. This is a signal of a series of countries that will strongly expand their investments in the advertising business. Even if the growth rate is quite important, however, its value is still really low if compared to that of the two bigger powers in the market, following the projections, in fact, America will almost double its expenditures in digital ad and China will more than double.

The geographic expansion is a theme of fundamental importance in the advertising industry and the data provided by the different studies analyzed in this paragraph, help to understand how this process is taking place.

3. BUSINESS MODEL CANVAS

3.1 - Generic Agencies In Comparison During The Time

In this chapter, we will discuss about the changes in the way of doing business by the communication agencies during the time. In order to do that, we will use the “Business Model Canvas” instrument, to discover the evolution of the activity related to the costumers, the resources and the partners. Relying on the information collected and previously reported I will provide a representation of the reality by completing the Business Model Canvas of the agencies, for each stage of the advertising industry. Subsequently, I will go more concrete and I will run the analysis for two companies operating nowadays, giving attention to their upgrades, done to meet the expectations of the clients.

Before starting, we need to list shortly the key facts of the industry in order to have a path to follow. Basically, we can find the following steps:

- Foundation of the first agency and advertising on newspapers
- Radio advertising
- Television enters the world of advertising
- Internet and new frontiers

Looking at the Business Model Canvas, we will a complete vision of the agencies business models, we will analyze their customer segments, their customer relationship, the channels that they adopt in order to reach their clients, the value proposed, the key activities that they provide, the resources that they need to carry on their business and the partnerships that they stipulate. At the same time we will highlight even the part related to the cost and revenues structure that will give evidences on how the target company realizes its profit. The aim of this analysis in to finding evidences on how the business models have changed in the various stages of the advertising industry’s history and are still changing following the evolutionary thrust that derives from the environmental innovations.

3.2 - Newspaper VS Radio

I will start the discussion taking in account what happened in the two first stages of the industry, stating what a communication agency did before the advent of the radio and which were the changes occurred when it came to produce radio advertising. I will present in this paragraph three different scenarios, that will provide a panoramic of the evolution of the business. Firstly, we will have a look on how the very first agency, the Volney B. Palmer worked, then I will compare its business model with that of the successive agencies which provided ads on the newspapers. Finally, I will explain what happened when radio entered in the industry.

We will consider agencies as specialized in a mean of communication, having in this way “newspaper advertising agencies” and “radio advertising agencies”. This was an effective situation and in the same way, we can find today communication agencies that focus their business on a specific channel. However, for the sake of clarity, we have to say that the following models can be combined in reality, resulting in companies that give to their clients the possibility to cover different channels with their commercial communications.










<p><i>Key Partners</i> </p> <p>Newspaper editors</p>	<p><i>Key Activities</i> </p> <p>Buy newspaper spaces</p> <p>Sell the spaces</p> <p>Find the most appetible newspaper</p> <hr/> <p><i>Key Resources</i> </p> <p>Awareness</p> <p>Exclusivity</p> <p>Networking skills (newspaper and companies)</p>	<p><i>Value Proposition</i> </p> <p>Possibility to find space for the advertising</p> <p>Possibility to have contact only with the agency, to put a copy on different newspapers</p>	<p><i>Customer Relationships</i> </p> <p>Personal assistance</p> <hr/> <p><i>Channels</i> </p> <p>Office</p>	<p><i>Customer Segments</i> </p> <p>Companies</p> <p>Privates</p>
<p><i>Cost Structure</i> </p> <p>Cost of newspaper spaces aquired by the editors</p>		<p><i>Revenue Streams</i> </p> <p>Selling of newspaper spaces to companies</p>		

Figure 14 Volney B. Palmer Business Model Canavas, Personal Representation Based On My Analysis Of The Subject

I based my analysis on the informations that I collected in regard the of the Volney B. Palmer agency. The first step is to consider the main function covered that in this case was based on the brokering activity, the society was basically an intermediary and for this reason the presented business model is not so complicated. I started with the description of the customer segment, the services offered by the agency were available as for privates who were in search of an advertising space for their communications, as for companies which need to advertise their products or their brand.

As said some lines above, I moved from the consideration of the brokering function of the company, this led me to have a clear vision of the key activities provided. The agency basically bought spaces from the newspapers and made them available to its clients, allowing them to place their communications. Therefore, the principal activities were the research of the spaces, the settlement with the newspapers and the selling of the spaces.

Analyzing the segment related to the partnerships, instead, I focused my attention on who could have been an added value for the agency. Of course the availability of spaces on different newspapers, particularly on those that were most known by the public, meant the possibility to charge higher prices and to stipulate more deals, for this reason the newspapers editors represent the principal figure in this sense.

Looking at the key resources segment, it emerges that there is not the need of so many assets on which relying. I based this consideration on the fact that the way to maintain a high quality in terms of services proposed for long periods was related to the capacity of the agency to build at first and to enhance then, the exclusivity and the awareness in the customers mind. In order to do that, the fundamental resource needed by the company has to be found in the networking skills of the employees, that translates in the capability to implement networks with the clients and the main editors as well.

For the customer relationship segment I detected a very simple situation that derives from the fact that there were only an assistance for what concerned the space to cover with the ad, but there weren't customized services. The aspect that, instead in my analysis is worthy of consideration is the configuration of the cost and revenues structure section. Here, for this agency and for the following examples, I put only the main sources faced, those that better characterize the

company. For this reason costs like “rent fee”, “salaries” and other expenses of this kind, will not be written in the model, even if are present for all the examined communication agencies. For this reason in the model I put the monetary effects of the main activities conducted by the Volney B. Palmer, particularly, the costs occurred are related to the finding procedures and the acquisition of the spaces in the various newspapers, while the revenues are focused on the sales of the just cited spaces.

As previously said, other agencies soon entered the market and N.W. Ayer And Son acquired Volney B. Palmer. These agencies worked with the newspapers and implemented a more complete and innovative business model.










<p>Key Partners </p> <p>Newspaper editors</p> <p>Artists</p> <p>Writers</p>	<p>Key Activities </p> <p>Find spaces on newspapers</p> <p>Create advertisings</p> <p>Plan the publication of the ads</p> <p>Maintain contacts with firms and editors</p> <hr/> <p>Key Resources </p> <p>Creative team</p> <p>Networking skills</p> <p>Financial resources</p> <p>Agency name</p>	<p>Value Proposition </p> <p>Possibility to find space on different newspapers, talking only with the agency</p> <p>Having an artistic and specialized team that works for the development of the ad</p> <p>Externalization of the ads creation</p>	<p>Customer Relationships </p> <p>Dedicated Personal Assistance</p> <hr/> <p>Channels </p> <p>Physical Channels</p> <p>Office</p>	<p>Customer Segments </p> <p>Companies</p> <p>Private</p> <p>Institutions</p>
<p>Cost Structure </p> <p>Cost of the space</p> <p>Cost of the artistic division</p>		<p>Revenue Streams </p> <p>Selling of the space</p> <p>Selling of the advertising</p> <p>Selling of services related to the advertising</p>		

Figure 15 N.W. Ayer And Son Business Model Canavas, Personal Representation Based On My Analysis Of The Subject

I think that the aspect that needs to be highlighted with this agency, is the fact that it operates no more as a mere intermediary, but has managed to add functions of contents creation, becoming a true communication agency. In order to do that, this

time I started by looking at the cost structure. I put in this section the cost of acquiring spaces on newspaper as happened for Volney B. Palmer, but the element of innovation here is brought by the cost of artistic division. This kind of agencies need in their team skilled employees in art and design fields, or creative partners like writers and artists because they act as professionals for what regards the advertising implementation and effectiveness.

I moved from this section to the “key activities”, the principal one, that if compared to what was the situation for the Volney B. Palmer puts in evidence the creation of a real industry. The main key activities are now the creation of the advertising and the delivery of all the related services, like the planning of the various publications. The client here gives only guidelines to the agency on how the ad should be, then the copy is created by the latter. Being this kind of agency strongly skilled on the communication side, there is the possibility that it acts even as a consultant for the advertising implementation for the clients. Anyway, this kind of consulting does not have the professional characteristic that in the contemporary years the communication agencies managed to reach. Regarding this last part, I will provide an example later, when I will analyze the various steps of the Wengage business model.

For what regards the key resources needed to carry on the business, it is important to build a strong name for the agency, this sort of branding procedure is fundamental to catch more and more clients. If the agency is capable to produce and release memorable slogans or advertisings it will be considered as good and so companies will ask for its products and services. The importance of the networking skills remains for these agencies as well.

The value proposed to the clients is linked to the new activities: for a company, now, is less demanding to advertise something, because it doesn't need to have proper resources in this sense, it has only to pay a commission to have the desired communication. This is an outsourcing strategy that offers the possibility of a consistent cost reduction. Other advantages offered are related to the ad released, in fact, it will be done by professionals of the sector and this will ensure a good quality.

Regarding the customer relationship part of the Canvas Business Model, of course there is an important change in respect of which are the customer relationships.

Here, there is a full service and a dedicated personal assistance, the agency works for the client and with the client. This means that the larger part of the services offered are customized on the basis of what is asked by who has ordered the creation of the advertising. Last thing to say is the fact that the typology of customers is wider, it accounts privates for a small number, but the core of the business is represented by the segment of the commercial companies. Anyway it is important to take in account the fact that even another kind of customer is served, there are in fact examples of institutions like the US Army, or politicians that have commissioned their own advertising to the agencies.

The analysis of this business model gives a complete visual of the features of the advertising industries in the newspapers era. To conclude the paragraph, instead, I will go through another stage of innovation, talking about what happened when the radio advertising began to gain importance. Here will be presented the business model adopted by the agencies that have acted in the radio environment from the so called “Golden Era” in 1930’s forward.










<p>Key Partners </p> <p>Radio editors Radio speakers Creative talents</p>	<p>Key Activities </p> <p>Sponsorship</p> <p>Direction and control of programs Creation of ads Selection and organization of airing spaces Talent scouting</p> <p>Key Resources </p> <p>Financial resources Artistic team Networking skills Agency name</p>	<p>Value Proposition </p> <p>Externalization of ads creation Professional creative service Inclusion of ads in programs with a high audience</p> <p>Possibility to have the company name linked to a program of success</p>	<p>Customer Relationships </p> <p>Dedicated personal assistance</p> <p>Channels </p> <p>Physical Channels Office</p>	<p>Customer Segments </p> <p>Companies Private Institutions Politicians</p>
<p>Cost Structure </p> <p>Research of new talents Cost of the artistic division Cost of airing space Program production</p>		<p>Revenue Streams </p> <p>Advertising creation revenues</p>		

Figure 16 Generic Radio Based Communication Agency Business Model Canavas, Personal Representation Based On My Analysis Of The Subject

Starting from the customer segment, the clients served are equal in respect of those of the newspaper agencies. Even for the relationship, we can state the same, the services are, in fact, customized following the request of each client in terms of ads creation and in terms of advice as well.

As far as key resources are concerned, there is a strong importance to have a good artistic team, in order to promote interesting programs for the people and maintain, or better, increase the audience. To do that, there is a higher need for financial resources, because of the activities that the agency has to do. Of course, even in this case, the agency brand is crucial.

Now, let's talk about the most innovative and different part, that is related to the key activities and to the value proposition segments. Actually, in this business model, is possible to find similarities in respect of the newspaper agency, these are linked to the creation of the ads and to the selection and organization of the airing spaces (that is almost the same the newspaper agencies do, but on another medium). However, going on with the analysis, it is possible to find other activities that are totally outside of what had been done until 1930's.

At first, there is the sponsorship of the programs. This practice permits to link the name of a company, or in general of a client to a precise broadcast. Of course, if the selected broadcast has a good success, it is easier for the sponsor to reach people, increasing the awareness and the future possibilities of sales. This is for sure an element of differentiation and this practice, as we will see then, will be used even by the television agencies.

However, there is a secondary activity that covers a crucial role, it is at the basis of the others and the core business itself relies on it: this is the direction and creation of programs. This means that the communication agencies of this type, act not only in the advertising market, they are, in fact involved in the artistic creation and definition of contents and broadcasting. This puts the agencies not only at the center of the advertising industry, but gives them a role of primary importance in the radio industry as well.

Searching for new talents and selecting the more skilled or planning the aim and the contents of the programs are only an example of what agencies have to do in

order to provide a high quality broadcasting. The reason why is simple, a good program means a higher potential for the ads: more people reached and more positive associations in the audience minds.

The key activities are of course linked to the value proposition. The clients can exploit the quality of the creative work done by the agencies, in this way they can reduce costs with an externalization strategy. At the same time, as stated before, they can improve some marketing related factors as the brand image or the awareness and attractiveness by linking their name to successful broadcastings.

Regarding the costs and the revenues of the radio advertising agency, a crucial role is played by the expenditure in the program and advertising production. There is then a series of costs that derives from services like talent scouting and airing space that can be included in the model as main sources of money requirement. To balance and overcome all of these costs, the agency charges prices for the advertising production and for all the services related.

3.3 - Television

The last kind of agency on which I will focus the attention is the “TV advertising agency”. For what regards the social media ads, website ads and all the other contemporary forms of ads, I will provide concrete examples in the following paragraphs, where I will analyze two communication companies with their Business Model Canvas. As written in chapter 2, the television was a sort of revolution for the advertising industry in terms of volume of money invested. Anyway, even if the possibility to use an audiovisual support has provided a new environment, the procedures of the agencies that act using this communication mean, are not so different from those found in the previous business model. Here there is the model of television agencies.









<p><i>Key Partners</i> </p> <p>TV channel owners</p> <p>Creative talents</p> <p>Singers</p> <p>Film makers</p> <p>Testimonials</p>	<p><i>Key Activities</i> </p> <p>Finding sponsorships</p> <p>Finding testimonials</p> <p>Producing and placing spots/jingles/promotional messages</p> <p>Organization of time of broadcasting</p> <hr/> <p><i>Key Resources</i> </p> <p>Creative team</p> <p>Graphic team</p> <p>Agency name and works</p> <p>Networking skills</p>	<p><i>Value Proposition</i> </p> <p>High quality of production</p> <p>Message transmission</p> <p>High degree of audience covering</p> <p>Externalization of ads creation</p> <p>Advices on communication strategy</p>	<p><i>Customer Relationships</i> </p> <p>Dedicated personal assistance</p> <hr/> <p><i>Channels</i> </p> <p>Office</p> <p>Web/Social (modern years)</p>	<p><i>Customer Segments</i> </p> <p>Companies</p> <p>Institutions</p> <p>Political party</p>
<p><i>Cost Structure</i></p> <p>Ads production</p> <p>Testimonials fee</p> <p>Broadcasting cost</p>		<p><i>Revenue Streams</i> </p> <p>Placement costs</p> <p>Payment for the ads and the services related</p>		

Figure 17 Generic TV Based Communication Agency Business Model Canavas, Personal Representation Based On My Analysis Of The Subject

This Business Model Canvas, appears very similar to that of agencies that work in the radio world. Anyway, there are some points that are peculiar of the television. For their nature, in fact, TV broadcastings are a mix of visual elements and sounds this means that agencies need to develop two aspects and mix them together, or simply select which one is the most appropriate for a specific communication.

This choice is reflected in the key activities and in the key partners of the agency. Testimonials are a very strong mean to catch the attention of the people, for this reason being able to find and then collaborate with the right sport personality, cinema celebrity or known person, can give to the spot a thrust making it better performing. Sponsorship is still a primary activity.

The market of advertising in television, works through different kind of productions. The most classical and widespread is the spot. This is a 30 second

short film produced with the aim to reach the audience with a message. In the creation of the spot, anyway, different creative and technical capabilities are needed. In fact, to vehicle the message, could be useful the creation of slogans or jingles, for this reason, the creative team has to be made by writers, musicians and various artists.

Another way to advertise a company or a product, is with the promotional messages. This is a visual advertising that can be used during a program, at its beginning or at the end, it is very useful to put in evidence the sponsor of the broadcasting. There is then the teleshopping word. Here, we have programs that last some minutes and are exclusively made for the promotion and selling of a product. This advertising modality, was more effective in the past, even if today is still used. In the key activity of finding testimonials, we can for sure insert the capability of the agency to put messages in movies or music videos. This kind of communication is simple and very effective, because it allows to put a product or a brand into something that is well accepted by the audience, linking in the mind of the people the item that the agency wants to advertise with their favorite movie, TV series or song. Once the agency has done all this kind of procedures and has prepared the spot, it needs to do another step, that is strongly related to its revenues.

When it comes to the revenues streams, in fact, a fundamental role is played by payment of the client for the development of the advertising and for all the services related. Now, we know that every advertising is different from another. This is true because in the production of a short film, there is the possibility to use different technologies, different graphic effects and to have the participation of a different numbers of characters. All of the cited features, can cause an increase of the price. However, there is another thing to take in account in the pricing procedure of the agencies: the share. From this important feature of the television industry, derives the importance of the organization of time of broadcasting of the communication agency. It is easy to understand how a communication done in a channel that has more public, will be more effective and for this reason more expensive. The agency, then, has to take in account the time window of the broadcasting, charging more price for the transmissions in the peak hours.

Talking about the key resources, there are similitudes with what happens in the radio market, with a great role covered by the creative and graphic team. In this

world, the name of the company and works previously done, are very important. The acceptance of the advertising, in fact, is under the responsibility of the television channel, that will decide the feasibility of the broadcasting relying on aspects as the quality of the product or the content of the product. For this reason, the client will select companies with a good experience on the field, that can be certified by the portfolio of the agency's creations. For which regards the other areas of the Business Model Canvas, they are similar to the radio case.

With this last example, the work of the communication agencies before the entrance of internet in our everyday life has been covered, but for the sake of completeness, there is another way used in the industry to produce communications and advertisings for the clients. This is the practice that regards the placement of billboards and visual announcements in points of interest like stadiums or cinemas, all along the streets or on specialized road vehicles. Anyway, as everyone has been capable to connect and browse the web, the activities of the agencies have split in two typologies named "off line activities" and "on line activities". All the models presented until now, are about the first typology, in order to speak about the second one, it can be helpful to present a concrete example.

The following two paragraphs are one of the crucial parts of all the dissertation, because they allow to understand how a modern communication agency works, the complexity of its activities, its different channels coverage and the evolution path that it follows to adapt to the new trends of the industry.

3.4 - Wengage Business Analysis

As stated in the previous paragraph, we want now to enter in the on-line world of the advertising and we will do it presenting a modern agency that starting from its birth has based its work for the largest part on the digital communication. With this analysis we are entering in the contemporary era of the industry and we can immediately see how many changes occur. Regarding the core activity, in fact, there is a sort of modification, we are not talking anymore of a mere advertising announcement, but our focus is now on the word "communication". Almost everyone is connected and for this reason 30 seconds of message repeated for ten times in a day, are still useful but are not enough. What is needed today is a

constant communication with the people, sometimes a constant dialogue that can show the presence of the companies and of the brands at first and then can go deeper presenting specific products or services.

In order to do that, various platforms have to be considered and used, websites, Instagram pages, Facebook pages are only some examples of the channels needed for a professional digital communication. New important metrics have appeared, the number of interactions or the number of followers have taken somehow the same role of the television share for a certain program or a certain peak hour. The more follower a page has, the more it can advertise its products and the more effective will be the announcement.

At the same time, the communication is not more based on short messages or copies, but on a series of connected techniques that permit to tell a story. Storytelling is what people want. There are different scientific evidences, related to the stimulation of neurotransmitters, that show how a message or a brand, told with a good story, can catch the attention of customers and enter in their minds. Anyway, although it is true that the evolution of the advertising industry has coincided with a deeper knowledge in communication , the focus of this dissertation is on an economic point of view, for this reason, I will not be exhaustive on this kind of contents, referring to specialized sources for further information about that.

Wengage is a digital communication agency that gathers all the features presented above, providing a qualitative service in step with the times. It is a very young company, but the analysis of the changes in its business model occurred year by year, provides evidences about the continuous evolution of the advertising industry. In the following pages I will give a brief description of the company and of its relevant works. Then I will provide a more detailed elaboration of the Business Model Canvas of each year of activity that showed a consistent upgrade. It is highly probable that in the next years, with the further innovations that will occur, the current model will be adapted another time, following the changes of the trends.

The agency was born in Rome in 2014, at the beginning, started with a restricted focus on all that regards the sport area, but soon has widened the boundaries, adding to its portfolio other categories of clients. It is still a relatively small company, but it is gaining importance and market size with the time particularly in

the domestic environment. Evidences of this, are provided by the increase in the number of employees, that has transformed a team made up by three people in a bigger network that comprehends more than twenty workers. At the same time, in 2019, the agency managed to win the “Best Digital Agency Award” during the Social Media Week in Rome, a recognition that strengthen the valence of the company’s activities. With clients like Generali, Internazionali BNL d’Italia and Italia Olympic Team, Wengage covers an important role for the national communication business, anyway, as years passed it has succeeded in a boundaries expansion, working even for international companies like Peugeot or Ikea.

In terms of communication, there are different relevant works and strategies adopted by the agency that assure to its clients high performances and satisfaction. Examples are brought by the musical playlist provided for the Internazionali BNL d’Italia tennis tournament, or by some videos on the social network , related to how a tennis player lives during the competition. Wengage managed with success the communication for the Italian Olympic team in Rio 2016 and in Pyeong Chang 2018, using storytelling techniques and reaching high numbers of impressions, reactions, new followers and people reached.

At this point, once that a good overall picture has been provided, it is possible to go deeper and start to analyze in a more accurate way the business model of the company, paying attention to the various steps of its evolution. The first scheme that I will provide, represents my elaboration of which was the Business Model Canvas of the agency in its beginning stages in 2014 and 2015.










<p><i>Key Partners</i> </p> <p>Social media Testimonials Social media users</p>	<p><i>Key Activities</i> </p> <p>Find the client Social Media management Learn about what's going on in the World and about social network innovations Storytelling communication</p> <p><i>Key Resources</i> </p> <p>Communication skills Creative skills Technical skills Social media knowledge</p>	<p><i>Value Proposition</i> </p> <p>Professional communication Externalization of the social media communication side of the business Ad hoc contents Possibility to increase social media metrics organically</p>	<p><i>Customer Relationships</i> </p> <p>Dedicated personal assistance</p> <p><i>Channels</i> </p> <p>Physical point of touch Telephone number Web page Social media</p>	<p><i>Customer Segments</i> </p> <p>Companies or event organizers acting in the sport segment</p>
<p><i>Cost Structure</i> </p> <p>Salaries Physical and online infrastructure maintainance</p>		<p><i>Revenue Streams</i> </p> <p>Payment for the service offered to the clients</p>		

Figure 18 Wengage 2014 Business Model Canavas, Personal Representation Based On My Analysis Of The Subject

Starting the analysis from the customer segment, it is possible to understand how in the very first year of its activity, the agency selected a well defined strategy. As said before, in 2014-2015, the team was not so wide, for this reason, the company needed to specialize in a field and work in this direction. Clients in this time, all referred to the sport area, with the example of the communication campaign made for the tennis tournament Internazionali BNL d'Italia. Once the segment of reference is clear, is important to know which channels to use to reach the clients. This is a modern agency, so there are different points of contact that it can use. The website for example, it is very well refined, contains all the information about the company and the recall to the other channel used: there is the physical address of the office, the telephone number and all the social media contacts. We are talking about a company that is very skilled in the social media management, so Wengage has a great coverage for what regards its own social media pages. Now that the clients are reached, we need to spend some words about the customer relationship. Even in this case, as was for the other agencies, there is a dedicated personal assistance. This means that the services offered are customized to fit the

expectations and the goals of the customers. In this case, then, the relation is even stronger, this is due to the kind of activity requested to the agency. By managing the social media pages of the client, the agency, in fact, will take continuous decision (even many per day) and so a high degree of trust is requested here. The explanation of these three segments of the Business Model Canvas is fundamental to understand the strategy adopted by the company, the analysis of the following areas will be useful to explain even what is going on in the industry year by year.

The principal part of the model for this scope, is related to the key activities. As we said before, this is basically a digital communication agency, for this reason is specialized in the on-line advertising. This is an innovative element in respect of all the business models analyzed before, this is a very sectorial company and is complementary to the agencies that work using the off-line channels. Of course, there are basic activities like find the client, but the focus here is on the social media management. What does it mean? This activity includes a series of sub-activities that are necessary to reach a good communication on the social networks. The results are centered on reaching a high number of followers, impressions and visits to the profile and to the content. Content creation is a central task to meet the goal. When it comes to content creation, the creativity is always well accepted, the importance of the storytelling is high and the innovation is a winning tool. Practical examples are the creation of 3D order of play, the 360° directs or content related to the top players, for the tennis tournament. Of course, in order to do that, there is a series of related activities. Is important, in fact, to learn what is going on in the external environment, this means being informed about what will give views and needs to be implemented and what for sure must be avoided. At the same time, it means that the agency has to study the competitors and the social media pages that collected more consensus and success, in order to have a benchmark and a sort of inspiration. Content creation is a crucial part, but is not enough to cover all the social media management activity, in fact, there are other services included. These are the customer care and the harmonization of the principal social media channels. Regarding the first, it means to provide assistance to the clients and to cure the chat section. The second, instead, includes a series of activities that are needed to understand when, what and where is better to publish, following a certain line that gives consistency to the communication on each channel. As we can see, even in this case, there is a double function for the agency that needs to be skilled on an

operative and specific point of view and at the same time on a managerial point of view.

This business model, does not needs high financial capabilities, but is easy to understand how in order to provide a high quality service, the company employees must be very smart and skilled. As far as the key resources part is concerned, in fact, the crucial requirements are linked to the sphere of the human resources. At first, of course, a high degree of communication and creative skills is required. Passionate people that have a good talent and a great bent for the storytelling can foster the efficacy of the advertising campaign. Although soft skills cover a role of a primary importance, what differentiate a professional high quality company from the others, are the hard skills related to the market segment. For this reason, a deep knowledge of the social media channels is needed. This means be aware of how a social works, be able to understand and use the instruments provided by the social and be sure that the content published is the best content to fit the communication line of the social selected. There is then, a more technical part, that is related with the creation of the content. In this sense, are required graphic knowledges that make possible to use all the formats offered by the platform in an appropriate ways, the examples previously reported offer an explanation of this point.

Going on with the analysis of the Business Model Canvas, let's see what happens with the key partners of the agency. When it comes to produce certain contents, of course the company needs the presence and the collaboration of testimonials. Their contribution is similar to that in the television agencies: famous personalities expose their image to promote a message or a brand. In this specific case, examples could be tennis champions, who release catchy interviews to take the attention of the audience. With a personality, is easier to tell a story and exploit the potential of the storytelling technique so they are for sure an important partner. Now, testimonials are external partners, but a digital communication agency has partners that are strictly related to its operating channels. At first, there are the channels themselves. What does it mean? The activities of Wengage are basically centered on the social media, and the capacity to take from those the right stream of information, is crucial. Facebook, Instagram and every social media give useful notions about the audience that can make the difference if used in an appropriate way. Examples are Facebook instruments or insights, that provide a sort of mapping of the features and habits of the followers of the page. There is anyway

another important partner for the agency, this partnership is not stated by a contract, but provides lots of information for free. They are the social media users. Each time a user gives his reaction on a content, through a like or a comment for example, the company knows what the receiver of the message are thinking in that moment and so if the communication is performing well or not. At the same time, users have the possibility to use the chat and give other information.

The result of the agency's activities can be found in the value proposition section. A communication centered on the social media, is not an easy activity to carry on. To reach a strong communication on this kind of channels, in fact, is required a great consistency and a variety of publications in terms of kind and number of contents. This means that if a company wants to incorporate this activity in its functions, it needs to hire specialists and deal with high costs. In this sense, it is better for the company to externalize the activity and entrust the agency with this kind of task.

Of course, cost saving is not the only advantage for the client, in fact, the agency is highly specialized in digital communication and for this reason, it offers a professional service and high quality customized contents. The other opportunity proposed to the clients, is the possibility to increase organically the social media metrics. This means exploiting the agency service to have more followers, more likes and more reactions, that is crucial nowadays to increase the awareness in the mind of the people. All of this done in an organic way, that is without paying apps or automatic systems to do that with fake profiles.

To finish the analysis, we need to give a look at the revenues and cost streams of the company. From the cost side, the company does not have great investments to do, as said before, the required skills are related to the team capabilities and formation. For this reason, the main costs are the salaries of the employees and their eventual formation. Then there are costs needed to maintain the infrastructure: the rent for the office and so on. Thee revenues basically derive from the payment by the clients for the services offered.

This represented, was the situation in until 2015. However, Wengage has brought different updates during its life, so in 2016 things changed and more activities were added, giving a new Business Model Canvas to analyze.










<p><i>Key Partners</i> </p> <p>Locations owners</p> <p>Actors</p> <p>2015 partners</p>	<p><i>Key Activities</i> </p> <p>Consulting</p> <p>Video Production</p> <p>2015 activities</p> <hr/> <p><i>Key Resources</i> </p> <p>Audiovisual equipement and knowledge</p> <p>Strategic and environmental knowledge</p> <p>2015 resources</p>	<p><i>Value Proposition</i> </p> <p>Strategy suggestion by professionals of the sector</p> <p>High quality of video contents</p> <p>No need of buying video equipement</p> <p>2015 values proposed</p>	<p><i>Customer Relationships</i> </p> <p>Dedicated personal assistance</p> <hr/> <p><i>Channels</i> </p> <p>Physical poin of touch</p> <p>Telephone number</p> <p>Web page</p> <p>Social media</p>	<p><i>Customer Segments</i> </p> <p>Companies or event organizers related to the sport segment</p> <p>Institutions</p>
<p><i>Cost Structure</i> </p> <p>Audiovisual equipement cost</p> <p>Video production related cost</p> <p>2015 cost</p>		<p><i>Revenue Streams</i> </p> <p>Payment for 2015 services</p> <p>Payment for consulting and new kind of contents</p>		

Figure 19 Wengage 2016 Business Model Canavas, Personal Representation Based On My Analysis Of The Subject

In 2016 the agency experienced a quality updating and an increasing in quantity for which regards its core activities. Before starting to analyze this new business model, I want to clarify that all that the agency did in 2015, is still present in the 2016 model. For reasons of space, in the majority of the sections, I put the new elements and a recall of the previous one that are still valid. In the explanation, I will take for granted all said up to this point, so I will treat only the new elements occurred. In this year, new activities were added and this was possible thanks to a team composed by more people, the company, in fact, reached the number of four employees. As we will see later, this is only the beginning of the expansion, because in the following years, this number will increase in a continuous way.

Following the steps taken to explain what happened in 2015, it is possible to read this new business model starting with the first three sections: customer relationship, channels, customer segments. Regarding the first two, there is nothing to add in respect of what was said before. The customer segment, instead, presents an element of innovation. Wengage was born focusing on the communication related

to the sport, but as the business grew up, the company decided to push the boundaries and to work for another typology of client, from 2016, in fact, the agency is active even with the institutions.

The most interesting part for the scope of this dissertation related to the innovations and to the new trends of the advertising industry is the key activity segment, in fact, here we begin to see how the creation of contents become more and more sophisticated thanks to the new technologies. Moreover, simultaneously, this activity cannot stand alone anymore for the communication companies, indeed, for motivations related to environmental changes, it arises the need to offer other services that are linked to the managerial sphere. This premise, permits to analyze in a critical way the two new activities in the model.

One is the video production. Up to this moment, Wengage elaborate contents for social media, but from 2016, it decided to give to this contents a better quality pushing on the audiovisual side. The video production activity, consists in following each steps that leads to a video publication. It starts from the writing of the story and the preparation of the scenography and include the direction of the video. In order to give to the production the highest possible level of quality, all of this is integrated with the use of animations, graphic illustrations and editing. This activity, linked to the social media management, gives a powerful tool for a good promotion of the message.

Moving from this part of the business, that is related to the creative sphere and so to the intrinsic feature of the advertising, there is, then, a new service that is required to the communication agencies, that is the consulting. This is in line of one of the new trend that regards the industry. A consequence of the spread of digital, in fact, is that companies employees and consulting companies, have understood the importance of being skilled in this field and have increased their capacities. The result of that, is a rising competition from management consultants. The response of the communication agencies is to face this competition and start to offer services of strategic consulting. This service can be a factor of success for the clients, because they are now guided by an agency that knows all the secrets of the field and is able to give precious insights and advices. From this point, the agency enters in more technical aspects of the companies activity, giving guidelines related to the budgeting or other aspects of the campaign implementation. The strategy creation

is a crucial point for a firm, it is about setting the objectives and to control the outcomes time by time. Letting the communication agencies enter in this kind of procedure, gives an idea of the importance and consideration that these have gained.

Of course, new activities proposed, means new resources needed. To implement this new model, Wengage uses more financial resources, but the principal source for the activities consists another time in the skills of the working team. In order to produce videos, in fact, there is the need of new competences, related to the technical realization of the content. Resources related to the audiovisual field knowledge are at the basis of this kind of activity. At the same time this is not enough, because there is the necessity to rely on a professional equipment. For what regards the consulting, instead, the resources are another time the capabilities of the agency to have a managerial approach, knowledges about the strategy implementation and even an environmental view, that can give an idea of the situation on the market of reference and of the economic trend. Therefore, another time the information plays a fundamental role in the business model of the company.

Looking at what happens in the key partners segment, here the importance of the protagonist of the video becomes higher and higher. With a video production, there is the possibility to exploit its image in a very effective way. Figures like actors are required to have a high quality product. There is then the eventuality that in order to use the selected location in the video, a permission is requested. For this reason another partner that can play a central role for the activity, are the owners or those that have the rights on the locations.

What about the value proposed? Of course, along with the consulting function, there is the possibility for the client to exploit the agency's knowledge of the sector. This is a relevant point, because by doing that, companies can have a professional and specialized guidance for the strategy implementation, that can be a factor of success for a communication campaign development.

The video production part presents almost the same circumstances, the agency, in fact, guarantees a high quality professional product that is difficult to replicate without certain knowledges and certain equipment. Another value proposed, then, regards the cost saving. If in the previous year savings were about the activities

outsourcing, now there is even a saving related to the externalization of the ownership of all the technical items needed to produce the videos.

To end the Wengage 2016 Business Model Canvas analysis there is the explanation of the costs and revenues structure. As said before, the agency needs now more financial resources to cover the costs: producing videos has an operative cost for each content created. At the same time the equipment is a source of expenditure. From the revenues side, there are now two segments. The oldest one related to the core business, that incorporates all the activities related to the digital communication and to the content creation, adding the new one of video production. And the new source of revenues, that is linked to the consulting services provided to the clients.

In a period of two years, the first modifications to the business occurred, this is due to basically two factors, one is related to internal features of the company, the other, instead is linked to the environmental changes. The agency, in fact, in the first years of activity has performed well, this has provided it with a higher economic capacity and at the same time has contributed to build a strong name and to enhance the importance of the brand. This situation created the opportunity of new investments and of an expansion both in terms of employment and in terms of businesses covered.

Anyway this is only a cause of the situation, to be precise with the explanation of what really happened, it is important to give a look to the other side of the medal. The truth is that in the last years, we are in a specific era in which changes are faster and faster and everyone need to adapt to them very rapidly. This consideration become vital when it comes to the firms, because for them, being not able to follow the steps of the industry could probably mean the death. Wengage did exactly that, finding a potentially damaging trend and facing it with the adaptation of the activities performed.

This consideration remains true for all the upgrade made by the company in the years. Just the time to penetrate the new segment in a proper way and to consolidate the agency power and Wengage is ready to expand its frontiers another time.

The next business model I will present is relative to the 2018, it incorporates other innovations in more than one segment.










<p><i>Key Partners</i> </p> <p>Influencers</p> <p>2016 Partners</p>	<p><i>Key Activities</i> </p> <p>Digital PR</p> <p>Influencer marketing</p> <p>2016 Activities</p>	<p><i>Value Proposition</i> </p> <p>Improvement of awareness and attractiveness for the brand or product through the influencers network</p>	<p><i>Customer Relationships</i> </p> <p>Dedicated personal assistance</p>	<p><i>Customer Segments</i> </p> <p>Sport sector</p> <p>Institutions</p> <p>Corporate sector</p>
<p><i>Key Resources</i> </p> <p>Networking capabilities</p> <p>2016 resources</p>		<p>Find the best match between the product and the right testimonial</p> <p>2016 values</p>	<p><i>Channels</i> </p> <p>Physical channels</p> <p>Digital channels (website/social media/e mail)</p>	
<p><i>Cost Structure</i> </p> <p>More employees</p> <p>2016 Cost</p>			<p><i>Revenue Streams</i> </p> <p>Revenues for event promotion</p> <p>2016 Revenues</p>	

Figure 20 Wengage 2018 Business Model Canavas, Personal Representation Based On My Analysis Of The Subject

In 2018 Wengage experienced an explosion in its employees number, this is mainly due to the amount of business that it managed to reach, its team, in fact, increased up to almost twenty employees. This change in number can be explained of course by looking at the new activities done by the agency, even if it is relevant to underline that a large part of the new workers have been hired in order to consolidate and improve the services offered in the previous years as well. As it is possible to see, in fact, in 2018 there were different initiatives taken by Wengage, that placed more and more emphasis on the video production side. This was possible by implementing a more sophisticated correlation between the usage of the

available technologies and capabilities and the exploitation of the different functions of the covered channels like Facebook.

Another explanation related to the need for more employees, relies on the customer segment of the Business Model Canvas of 2018. Looking at it, in fact, a new kind of client served by the agency appears. Until this moment, Wengage had worked for institutions and for the sport area entities, from this year, instead, it started to penetrate even the corporate sector. This is, actually, a big innovation, because it means for the agency to enter in a new field with a different customer base to reach. The consequence of this expansion is the need for the implementation of new communication contents, leaving the comfort zone that has previously generated good performances.

If this segment presents a new element, there are two parts of the Business Model Canvas that does not show any variation in respect of the previous representation. The channels used and the customer relationship implemented, in fact, remains almost the same. There is, indeed, a prevalence of the digital side coverage for what regards the points of touch and the offering of highly customized services for the relationship implementation. This consolidates what has revealed to be a winning strategy for both the agency and the client.

The advertising industry presents a high degree of innovation and its principal stars, the communication agencies, need to adapt to the new trends provided by the environment. In the last decade influencers have taken the scene, imposing their authority in terms of communication. In a brief time, this figure has reached the notoriety through the people and in a particular way through the social media users. This is an opportunity to be seized by a communication agency that wants to keep up with times like Wengage. For this reason, among the 2018 key activities there is the influencer marketing. Actually, this is a complex job, because it consists in finding the right influencer for the client needs. Each influencer, in fact, has a certain personality and deals with certain contents. The agency works to find someone that can fit perfectly with the product offered and advertised. This is crucial in order to build and develop a strong brand image in the mind of the customers.

Another thing to take in account are the characteristics of the influencer's audience. Knowing the segment reached if a potential collaboration is activated, gives to the

agency information about the advantages of a communication campaign centered on the influencer. Once the selection phase is done, there are all the procedures of networking and of the implementation of the communication.

An example of a successful influencer marketing strategy made up by Wengage is the project “guida tu” for Anas, in which a travel blogger presented a series of beautiful Italian places. Actually, this is an example of a good storytelling and entertainment as well. In fact, the influencer pretended to be captured and the places visited were selected by the viewers.

The steps to cover in order to build a strong brand image for a company are different and Wengage offers another service that permits to the clients to perform well in this field. The digital public relations care is not only centered on the influencers collaboration, but is related to all the networking activities needed to exploit potential partnership and to appear in public.

These new activities requires good networking capabilities as key resource and of course the key partnership of figures like the influencers and the talents. The value proposition, instead, is centered on marketing aspects like the possibility to enhance the awareness and the attractiveness of the clients brand. Another key value proposed is the communication of the brand identity, done in a correct way, through the professional selection of the right influencers and partners.

To finish the business model analysis, there is not much to say about the cost and revenues structure. Basically the new costs are related to the new employees hired for the enrichment of the services offer. About the new stream of revenues, instead, it is useful to mention an increase in the received payment for the communication contents that need the presence of the influencers and a new line of incomes that derives from the event promotion activity.

In few years Wengage managed to deal with so many types of client and to do so many kind of activities. This is how a performing company acts in a changing environment. The last business model that I will present explains the contemporary stage of the agency’s evolution. In the model there will be reported the offer of services in the years 2019 and 2020. It is important to underline that this is not the conclusive stage and for this reason, this is not the definitive business model. The story of Wengage, in fact, teaches that the agency has a predisposition for upgrades

and improvements, implemented following the industry's requirements. With this premise let's analyze the actual Business Model Canvas.










<p><i>Key Partners</i> </p> <p>Newspapers</p> <p>Television</p> <p>Radio</p> <p>Softwares for the SEO related procedures</p> <p>2018 partners</p>	<p><i>Key Activities</i> </p> <p>Web marketing</p> <p>Press office</p> <p>Media relation</p> <p>2018 activities</p> <hr/> <p><i>Key Resources</i> </p> <p>2018 resources</p>	<p><i>Value Proposition</i> </p> <p>Creation or consolidation of the brand reputation</p> <p>Relationship with press and television</p> <p>Improvement of SEO placement</p> <p>Professional copyright pieces</p> <p>2018 values</p>	<p><i>Customer Relationships</i> </p> <p>Dedicated personal assistance</p> <hr/> <p><i>Channels</i> </p> <p>Physical channels</p> <p>Online channels</p>	<p><i>Customer Segments</i> </p> <p>Sport area</p> <p>Institutions</p> <p>Corporate</p> <p>Companies</p>
<p><i>Cost Structure</i> </p> <p>Acquisition of the softwares</p> <p>2018 cost</p>		<p><i>Revenue Streams</i> </p> <p>Revenues for web marketing function</p> <p>Revenues for the press office and media relation care</p> <p>2018 revenues</p>		

Figure 21 Wengage Actual Business Model Canavas, Personal Representation Based On My Analysis Of The Subject

Another time it is possible to find a consolidated trend in segments like customers type, customer relationship and channels. For this reason, it is better to start the analysis with some concrete innovations. New key activities are in fact offered by Wengage, some of them are provided to have a better coverage in terms of functions related to the communication side, while the others are required by the environmental adaptation.

With regard to the first category of activities, the agency inserted in its business, services of press office and media relation. As far as media relation is concerned, it is useful in order to enhance the communication power of the clients. This service is not so different from the fundamental activities proposed by the agencies analyzed in the previous two paragraphs, in fact, Wengage builds networks with the

principal media in order to promote the brand or the message of its clients. The same importance is covered by the press office, that consists in the organization of conferences in terms of both schedule planning and topics to cover.

Something that has not yet been presented in this dissertation, is the web marketing activity. Actually this is a service that incorporates various tasks and covers a crucial role in the optic of reaching the highest number of people. At first, there is the web development. A good website can make the difference and when it comes to create it, it is important to take some parameters in account, features like the “F-shape” of contents or the avoidance of the so called “death corner”, can give to the client strong communication advantages. There are then two tasks that are strictly correlated to the innovation in the industry.

One is the SEO optimization. This activity is based on the parameters of website positioning of Google. The searching engine, in fact, uses an algorithm that permits to give a rank to the online pages. This rank will provide the position on the screen of the site after the user has done a research with a keyword. This practice is at the same time a threat and an opportunity for the companies, because only the first three results are those which receive the highest number of visits. SEO optimization function tries to find ways to meet the requirements of the algorithm placing the website in the first positions of the rank.

The second task that goes in the direction of the innovations is the app development service. It is crucial to have an app for a company that wants to be in contact with its customers in every moment. This respects the trend of the advertising industry to put more and more focus on the mobile content production, apps, in fact, are at the basis of the smartphone usage. Anyway, they are not limited to that specific channel, indeed now have been implemented even for other platforms, for this reason their development is an activity as new as important. To conclude with the sub-tasks of the web marketing service, there is the copywriting, that regards the redaction of articles for blogs or for the website. Along with the new activities, those proposed in 2018 are consolidated, there is a crescent attention on the multimedia contents and gamification, by using augmented reality and virtual reality tools.

Regarding the key resources, they are almost the same required in the previous years. Of course, in 2019 Wengage registered another increase in the number of

employees, but it is quite normal when a company expands its business and its power. Even all the other skills required need to be updated and strengthened. For this reason, in the model, I put “2018 resources”, in fact, there are not new kinds of resources, but all the olds in a new version.

The key partner section for this year business model is interesting. As said before, it provides a sort of recall of the off-line agency models. In fact, here, it is possible to find newspapers, radio and television broadcasters, this is due to the media relation activity. In order to be precise, all of these partners are selected on the national area, giving an idea of the dimension of the business. There are, then, the softwares needed to provide the web marketing function. For the SEO optimization and for the apps development, the agency needs to use online softwares that give tools to accomplish the tasks, all of this on the basis of a deal between the parts.

It is now the moment to take in account the value proposition part. For the clients there are various advantages that derive from the services offered. One can be the creation of a network with the traditional media, this will foster the brand awareness and reputation. There are then all the effects of the web marketing activity, like gaining positions in the Google chart or the possibility to rely on a professional copywriting production, without forgetting the advantage to have the job done when it comes to the app development.

The new activities bring with them a good source of revenues, while require quite affordable cost to be provided. This can be seen in the cost-revenues structure. The only new cost that appears, in fact, is that related to the acquisition of softwares, paid with fees to the owner.

As said before, Wengage will keep upgrading its business model, in order to compete on the communication and advertising market. From its birth, it managed to serve different clients, starting from a specific segment for then reaching all kind of customers. Very interesting is the fact that now, the agency covers different lines of business: the creation of content, the marketing side and the consulting activity. Only the first is specific of the advertising industry, the other are activities related that Wengage has needed to add. Even in the creation of contents, then, it is possible to have an idea of how the agency has improved this activity to better match the expectations and the new trend of the industry. Wengage is a company that works mostly in a national environment, in the following paragraph I will

present an international agency, showing how it works, to understand how it deals with the environmental innovations.

3.5 - Publicis Communication Analysis

The agency that will be analyzed in this paragraph is the French Publicis Group. This is a multinational company with a big turnover. It covers a central role in the world advertising industry, being one of the first three agencies with the highest net revenues. As the name of the company states, Publicis is not a single company but is a network, organized as a group. This is a recurring design theme for the agencies of this size and so can be considered as a consolidated trend for the multinational agencies that work in the advertising industry. Looking for a while the Publicis competitors, in fact, it is possible to recognize the same organizational structure: WPP and Omnicom are the other two “biggs” in the sector and both of them provide different kind of services through different companies. Actually, this is quite normal, the cited agencies, in fact, work in different areas of the planet, have many clients and reach very high numbers in terms of profit and employment.

Giving a glance to the statistics of Publicis, thus, it clearly appears the size and the importance of the group. Adding up all the controlled companies, in fact, the group business stretches for more than 100 countries, covered by more than 330 offices. It is present in all the continents, with prevalence in Europe, while regarding the U.S.A., its coverage is not so wide. All of these numbers translate in a total of almost 84.000 employees, making Publicis an important player in the employment field. The other characteristic to take in account in order to have an idea about the market size, then, is the amount of revenues. In 2019, the agency managed to reach 8.969 million of Euros in net revenues, this states the economic valence of the group, and by induction, that of the industry since Publicis is only the third player in a chart based on the net revenues.

It is very interesting to have a panoramic of the main key points of the evolution of the agency, this procedure, will give an idea of how it has followed the industry’s trends year by year. From the first years of its birth, in fact, the agency was able to enter in various business activities, covering different channels and even today, the group remains one of the most innovative in the business.

Publicis was founded in 1926 in Paris, by Marcel Bleustein, in this first stage of the agency's life, the activity of its creator played a role of a primary importance. This is more or less the same situation faced for the analysis of the Volney B. Palmer, where the personality and the initiative of Mr. Palmer was crucial for the business implementation.. It is possible, from this point to have a look at the first Business Model Canvas for the agency. Actually, it appears very similar to that presented in the paragraph 5.2. related to the "newspapers agency", for this reason I will not present it here again. Of course, that was a sort of sample, so when it comes to explain what happens for a specific company, it needs some adaptations. In this case a peculiar element needs to be added in the value proposition segment. At that time in France, in fact, communications was focused on giving commercial information in order to persuade the client to buy the product. Publicis instead, was one of the first agencies to create slogans. This turned in a search by the agency to build a sort of durable relationship between its client and the relative customers. Of course this is a great advantage for the advertised company, because it can strengthen its image and influence towards the people. This is, though, for sure a feature that has to be added to the value proposition part.

As years passed, innovations occurred to the business model of the agency. In 1929, in fact, in time with what was happening in the industry, Publicis started to penetrate the radio segment and received the permission to broadcast advertising for the French radio. Some year later, in 1935 when the government established that no broadcasting was anymore allowed in the public radio station, the agency bought a private one, in order to continue its advertising activity. This is the "Golden era" period and for the sector, this channel has a crucial role.

In this period of time, anyway, Bleustein beefed up the number of the services provided and gave the birth to another company named "Cinéma et Publicité". This was another agency that took care of the creation of advertising contents for the cinema diffusion. Now, this was a separate agency from Publicis, but at this stage, as said before, the figure to take in account is the founder, for this reason, this is a sort of rudimental group created to provide communication services. At the same time, the newspapers activity was enhanced by creating strong networks with French print agencies. This was possible because Publicis started to buy a huge number of advertising spaces in different newspapers. Adding up all of the

characteristics cited above, the pre-World War scenario of the Bleustein companies, presented a Business Model Canvas similar to the following one:










<p><i>Key Partners</i> </p> <p>Newspapers</p> <p>Radio broadcasters</p> <p>Cinemas</p>	<p><i>Key Activities</i> </p> <p>Radio advertising</p> <p>Slogan creation</p> <p>Newspaper advertising and space intermediary</p> <p>Creation of spot for cinema</p> <hr/> <p><i>Key Resources</i> </p> <p>Financial resources</p> <p>Audiovisual equipment</p> <p>Creative/artistic/networking skills and talents</p>	<p><i>Value Proposition</i> </p> <p>Communication of contents and brand image</p> <p>Professional contents in terms of spots, radio broadcasting and newspaper advertising</p> <p>Possibility to find a space for the ads</p>	<p><i>Customer Relationships</i> </p> <p>Dedicated personal assistance</p> <hr/> <p><i>Channels</i> </p> <p>Radio</p> <p>Cinema</p> <p>Newspaper</p> <p>Physical points of touch</p>	<p><i>Customer Segments</i> </p> <p>Companies</p> <p>Institutions</p>
<p><i>Cost Structure</i> </p> <p>Cost of the audiovisual equipment</p> <p>Cost for the advertising space in newspaper</p> <p>Cost for the radio broadcasting</p>		<p><i>Revenue Streams</i> </p> <p>Revenues for ads creation (each channel)</p> <p>Revenues for the newspaper space</p>		

Figure 22 Publicis Pre-World War Business Model Canvas, Personal Representation Based On My Analysis Of The Subject

Here it is possible to see how there is a sort of fusion of the various off-line channels models. The clients are institutions and companies, served with a high level of customization. This is possible through the various activities previously reported. At this regard, an example could be the creation of the slogan for the Brunswick fur, that in English is “Wildly fashionable furs”, while in French is “Le fourreur qui fait fureur”. I decided to present this model, because it is a good starting point for the aim of the dissertation. This is, in fact, the first setup of the Publicis group business and it is very interesting to compare it with the contemporary form that I will provide in the following pages.

Going on with the evolution of the agency, there are different key facts to mention. Publicis, in fact, was closed during the Second World War years and reopened as pace was restored. In this second period of activity, the agency faced several change. For a motivation related to the government rules, it was forced to leave the radio advertising, relying more on the other channels. Following then the industry’s

evolution, in 1968 entered even in the television advertising business. With this upgrade, it managed to reach a complete coverage of the off-line channels, this permitted to the agency to reach the second position in terms of revenues for the French industry.

In the following years, Publicis started act in order to expand its size and enter in the international market environment. This strategy lasted various years and has gone through different stages in order to be completed. The first was in 1970 when the company went public on the Paris Stock Exchange.

From this moment, different deals and operation of acquisition were implemented by the agency. At the basis of these, there were the decision to purchase consolidated networks, that could give immediately a wider dimension and a great expansion in the international market. This objective was accomplished at first by buying in 1972 -73 companies like Intermarco and Farner, that permitted the creation of a first network that stretched for 14 different countries. In the 90ies Publicis managed to gain more capillarity in different places of Europe by acquiring the network Countries as Italy, Germany, Netherlands, and UK were interested by this acquisition.

Another important acquisition regarded the Britannic “Saatchi & Saatchi”. In this case, the advantage for the Publicis expansion was related even to the US. The acquired network, in fact, in the 90es, was one of the most important advertising group in the World. During the years, it had completed various deals even in the American market and for this reason, its stocks were sold in London, Paris and New York Stock Exchange. All of these events, combined with the takeover of Bcom3 that was another important network, brought the Publicis Group to reach a degree of expansion that has been maintained during the time.

In all of this period of acquisitions and expansion, the group enriched its service offer by adding to the business model both activities related to the core business and other kind of activities. In the 80ies, in fact, it managed to cover sectors like financials, health or technology consultancy and strengthened the marketing and advertising related sectors.

Another relevant point was the approach to internet in the first years on 90es, this gave the start for a path of digitalization, that has been completed in the first years

of 2000. From 2006, in fact, Publicis acquired different internet related companies, this permitted to the group to implement one of the most influent digital network in the World. Along with the takeovers, in fact, in this sense can be mentioned an important partnership with Google, that states the focus given to the online sector.

Looking at this brief resume of the historical point of interest of the group, it is possible to understand how Publicis has tried to reach during the years a high degree of innovation. In fact, it managed to compete in the market following the new trends in each “communication era” and sometimes acted as precursor. This approach has permitted to provide nowadays a large number of services to the customer, presenting a very articulated business model. For this reason, I will analyze the contemporary Business Model Canvas of Publicis splitting it segment by segment, so that it is possible to give the right importance to each part.

The first part to present is the customer segments served. Here is possible to find different kind of clients in different part of the planet:

- Companies
- Banks
- Institutions
- Corporate

For what regards the corporate and companies sector, the group is capable to cover the requests of clients involved in markets that are completely different one from each other. Through the customers, in fact, there are examples of businesses like transport, supermarkets, hotels, apparel and fashion, telecommunications, beverage and food, automotive and so on.

Of course, being Publicis the third communication group in the World, it is not a surprise to find big names of the market in its customer segment. During the years, in fact, it has managed to work with Coca-Cola Company, Carrefour, British Airways, Hermès and Nestlé, just to name a few.

There is then, the other category of clients, represented by the most institutional players. Examples are brought by the Norwegian Salmon Commission in terms of institutional no profit association and for what regards the financial sector by the European Central Bank or by the UBS.

Although looking at the name and at the kind of clients can give an idea of the strength and of the importance of the agency, it is at the same time good to understand the geographic coverage that the group managed to reach during its lifetime. There are in this sense different relationships with European clients and this means that the core location is based in the old continent, anyway, this doesn't implies that the activity is restricted to few countries. At the basis of this statement there are mainly two reasons. At first, examples of clients like The Coca-Cola Company, provide the evidence that even firms headquartered outside Europe, in this specific case in U.S.A., purchase services from Publicis. The second aspect to consider, is maybe even more significant to explain the expansion of the group: the vast majority of the companies served, in fact, act in foreign markets, reaching those that have now a high degree of growth in terms of both employment and total turnover generated. For this reason, the communication group, has been capable to expand and consolidate its activities in places like Asia or South America. This is a practice that respects one of the nine new trends of the Creative Industries presented by David Hesmodhalg, for him, in fact, the players in this kind of industries tend to move closer to the center of economics action. It is well known that the BRICS countries are crucial in this sense and China in a specific way is for some years now the focal point of the economic growth. This last part, will be better discussed then, when it will be time to talk about the partnership of the group, because there are some interesting deals that have enhanced Publicis valence outside the Europe.

Talking about the channels used by the group to reach the customer segments, there is a series of online and offline ways in which Publicis is in contact with the clients:

- Offices
- Website
- Digital platforms

Although the presented channels are almost the same used by other agencies, even of smaller dimension like Wengage, in this case there is a different and more sophisticated strategy related to their usage. Starting with the offices, in fact, it is immediately possible to find a first element of differentiation. An international

agency has the necessity to have access to various countries and even if with the globalization and the technological progress this is now possible through the digital channels, it is unthinkable to don't have a physical point of touch available for the clients in the zones with a high degree of interaction. For this reason Publicis has followed a strategy based on the opening of offices in the countries reached in order to increase the presence and capillarity of the group. The goal has been accomplished and this is possible to see in an image taken from a document released by Bcom 3 group that provides informations about the innovations of Publicis group. In the image, the red points are indicators of the presence of the communication group.



Figure 23 Publicis Offices In The World, From "Worldwide Publicis" Website

The digital part, instead, is based on the innovation research and on the care for the usability. This is another important factor, because the digitalization and the omnichannel coverage of the markets are new trends for the advertising industry. To match the requirements of these trends, Publicis has organized its group in a modular way, dividing its business in four communicating hubs. The functions covered by the hubs will be better explained then, in the key activities part, but for now what is interesting is the fact that the client can access to each hub in a singular way or can select those in which he is more interested. By doing that, the integration and the connectivity is ensured.

Another element to take in account is the geographic diversification of channels even for what regards the virtual area. As happens in the real world, with the

presence in different parts of the world with different offices, the group has web specific web pages for the countries covered. The same is for the social media accounts.

When it comes to talk about the customer relationship, this is for sure an important segment for Publicis. The relationships with the clients are extremely personalized, in order to take the customer at the center of the activity. The bigger is the client, the higher degree of importance it covers for the group, there are in fact no doubt that the most known companies can enhance the market power of the agency. As stated for the channels, the possibility to customize the hub choice, gives different kind of relationships, providing some that are more solid in terms of time. However, the way to better understand this part is to look at which are the activities done by the group.

It is now the time to look at the key activities part and deal with all of the services offered by Publicis, trying to detect those that show a connection with the new trends of the advertising industry. The first thing to take in account, is the fact that there is a segmentation of the group activity in four macro areas, or hubs. Let's have a look to them:

- Publicis Communications
- Publicis Sapient
- Publicis Media
- Publicis Health

Each hub has a core competence at its basis that is developed by a variety of networks in the same way, each network is composed by different companies that work together in order to reach the same objective.

Starting from the Publicis Communications area, this hub is composed by eight networks and is focused on the creativity at the service of communications. The group is capable to offer each kind of service related to the advertising world, helping the client through the entire realization of its communication strategy. The networks at the service of Publicis, in fact, work to create high quality videos, this means to cure the production and post production, the selection of talents and testimonials and the editing. This is in line with the new trend of the industry of using more and more audiovisual contents. Along with the video sector, there are

then other activities related to the music and images care: all that is related to their quality, their possibility to reach the clients and their related licensing, is maintained by the networks.

The macro area, is very wide and up to this moment has been presented only the most operative part. There are, in fact, other services offered that are linked with the strategic implementation of the marketing campaigns of the companies. In this sense, the group acts more as a consulting company, giving advices on the timing, modality and contents of a communication strategy. Even this point represents an example of what is taking more and more importance in the market and the fact that the third group in the world adopts this kind of activity, validates what has been said for the analysis of the Wengage 2016 Business Model innovation. The size of Publicis, however, permits to the agency to carry on another activity that is related to the data. Looking at the BBH (a network owned by Publicis) website, in fact, is presented an article that states the importance of the data comprehension. The communications hub, is interested in the detection of the data, in their right analysis and in the usage of the results in order to implement a winning marketing strategy in terms of communication effectiveness and of contents delivered. This series of activities is already functional for companies that want to beat the competition, but in the future it will be a vital lighting up a trend that is developing not only in the advertising industry, but even in all the other markets.

The networks interested in Publicis Communications, then, are even involved in the digital life of their clients, providing some insights and tools to reach a positive performance through this kind of channel. Focusing more on this activity, can be interesting for the scope of this dissertation. A point of innovation, in fact, is the progressive digitalization of the industry, that will increase more and more in the following years. For this reason, the online segment of activities is gaining a tremendous importance and Publicis services provide an evidence of that.

The focus on the technological and digital world, anyway, is exacerbated in the second hub Publicis Sapient. This one is formed by three networks which activity is basically centered in helping the clients in all that regards the new digital needs. Actually this is a very innovative segment and for this reason it is interesting to give a look to the activities that it covers. This hub, in fact, is highly concerned in the usage of the Artificial Intelligence, to give to the people the possibility to live

an immersive experience. The same goal is reached by the group, by increasing the correlation of the various channels of the client, in order to increase its omnichannel valence. All of this can be done thanks to the development and usage of softwares and tools that is of course something of totally different for what was done until a short time ago.

Actually, as is possible to understand from the terms used and the activities proposed, these services are more related to the marketing sector and not to the mere advertising development. This confirms the tendency for the communication agencies to enter in other connected sectors, focusing more and more on the managerial size of the business.

There is then the third hub, named Publicis Media that takes care of the media used by the clients to promote the communication strategy and is formed by five networks. Basically, the key activities here are the production of the media content, the study of the data and insights in order to better perform, the service of marketing consulting and strategy implementation, the SEO optimization and all that is related to the web marketing. Actually these activities are very similar to those provided by Wengage, this is due to the fact that this is a field very similar to the core business of the Italian agency. Another time, therefore, what is done in a domestic innovative reality, is still done by a big international group. This is another example that states the importance of the digitalization as one of the principal sources of new trends to follow for the communication agencies. In this sense, in fact, the online media will cover in the next years a role of increasing importance and the capability to exploit some tools, like the big data, the Artificial Intelligence and the high download speed that the 5G will provide, can be a factor of success for the agencies and for the companies. For this reason, along with all the activities just named, there is another one, that is crucial for the future of the group, this is the research and development. Through the study of the new technologies, in fact, the group is capable to understand how to bring innovations to the contents proposed, how to find new ways to communicate and advertise and for this reason how to compete in an environment that is in a state of continuous evolution.

The last hub is Publicis Health, this is a specialized segment and it is formed by four networks. The activities provided by the hub, are not so different from the communications related one. The real element of innovation here has to be found in

the point of view at the basis of the services offered. Through the work of this hub, in fact, the group gives to the clients the possibility to develop advertisements and contents related to the human health and welfare. Even if this is not something new in terms of technologies or channels used, it provides a way for the agency to meet the requirements of a trend that is taking more and more importance in each industry, affecting in a particular way the communication side of the various companies. In the recent years, in fact, all the companies have implemented strategies to affirm and show their interest in themes linked to the social responsibility and the tendency is that if a company succeeds in doing that, it increases its appeal through the customer, reaching a higher generated turnover in the future. Part of the social responsibility strategy, is based on the human health care and looking at the situation deeply, it appears that this is a matter of customer perception. For this reason, for the companies is crucial to be perceived as responsible by the clients. This is the motivation why a professional group that works in the communication sector, can enhance the appeal of the firms. Looking all of this from the point of view of Publicis, this is of course a new need to satisfy and succeeding in doing that, increases the performance and the reputation of the agency. For this reason, the group has developed a specific hub to take care of the health theme, adding another element of innovation, dealing in this way with the changing context of its business.

All of the activities presented up to this moment deliver a wide value proposition that covers different aspect of the clients business touching almost all the possible types of value to which the Business Model Canvas is referred. In terms of newness, in fact, the clients can have access to services based on the last technologies and trends as results from the group approach to the business through all the four hubs. Of course, then, Publicis guarantees a high degree of performance and customization on all the services provided. As said for the channels, another value to the customer is the usability, in a specific way, the possibility to deal with the group's points of contact and offers without great efforts. The possibility, then, to let a professional qualified group to take care of the marketing and communication part of the business, is for the company another point that adds value. This is true even for the services that are content related, even for those that are more centered on the managerial and strategical side, because this situation

guarantees a cost reduction due to the externalization of some activities, without experimenting a loss in performance.

Let's now analyze the key resources segment. In this part of the business model, there is the possibility to find various differences in relation to what was said for Wengage. This is mainly due to the fact that this is an international company and needs a higher amount of resources. At first, a very high amount of capital is requested in order to implement all the physical channels coverage and in order to acquire data and new technologies. The group, needs then, a center of research where developing ways to exploit the advantage of this kind of acquisitions. This means that a crucial role is played by the hard skills of the employees, this happens in all the hubs, but mainly in the Publicis Sapient and Publicis Media segment. At this level, then, the brand become a resource of a tremendous valence, this is due to the fact that in the customer minds, there is the perception that the third biggest group in the world, will for sure provide services and product of a certain quality reaching a certain performance. The other resources needed are basically the same needed by the Italian agency, but of course adapted to the volume of business related to Publicis.

Being the group active worldwide, a relevant role is played by its partners, in fact, to deliver all the activities and the related value for the clients and for the group itself, Publicis needs to implement collaborations. For this reason, the key partners segment of the Business Model Canvas, in this case, can give further information about how an international communication agency structures its business nowadays. In this sense, there are different scopes beside each partnership that can be basically divided in the following:

- Operating partnerships
- Strategic partnerships
- Clients

At first, I want to clarify the position of the clients in this list. Being customers of the group, they are not partners in an effective sense, but their presence is important for the implementation of the activities and for a better exploitation of the key resources. Under this point of view, working for companies or for institutions that cover a role of primary importance in the international environment gives to the

group an added value, enhancing its brand reputation. This situation, basically produces two effects, the first, more direct, is the fact that more and more companies will trust in the capabilities of the group, this will produce new clients and will strengthen the fidelity of the historic customers. This, produces a second effect that is related to the perception of the partnership in the Business Model Canvas, in fact, the consequence is the brand reinforcement and the possibility to rely on more financial resources. This will facilitate and permit the conduct of some crucial activities like the research and development for example.

Regarding the operating partners, this is a set of all the people or companies that permit to the group to provide its services in a qualitative way. This is not so different for what has been said for Wengage, in fact, all the actors, sport personalities, influencers and testimonial, are part of this segment. For Publicis, then, the possibility to collect data has a great importance, so, all the softwares and platforms that provide this service can be considered as key partners of the group. There is then to consider that even if with Publicis Sapiient and Publicis Media, the agency has a great power for what regards the innovations and the technologies, these are fields that need collaborations, for this reason, in the key partnerships segment for sure some technological companies has to be placed. I will provide some examples of this kind in the next lines when I will talk about the third category, the reason has to be found in the duality of goals in this partnerships.

When it comes to the strategic partnerships, this is a very interesting segment, it is in fact at the basis of the success in the implementation of some business lines. This kind of deals are relevant particularly in reference to the geographic expansion and penetration of the group activities and another time, they are in line with the trend of the industry of focusing more and more on the area that are experimenting an improvement in the economic parameters. A fundamental area in this sense, is the Oriental part of the World and the country that in the last years has managed to reach a privileged position is the China. Talking about this situation, there are different deals that states the tendency of the advertising industry to reach this place, regarding not only Publicis, but even direct competitors like WPP.

Anyway, looking at the situation with the perspective of the French group, a key fact is the partnership stipulated with Tencent, a Chinese internet giant. This deal was announced in 2016 and it has multiple intents. It is related to the geographical

expansion strategy, giving to the group the possibility to create “ad hoc” contents for the Chinese market. At the same time, a collaboration with a so important player in the digital and technological world, permits Publicis to implement startups and to conduct technical research jointly, reaching new frontiers in a specific way for what regards the virtual reality and the artificial intelligence field. By the way, related to the just cited intent, another partnership with another Chinese company can be named, this is the case of the collaboration with the “Institute of Computing Technology”, that is based on big data and emotional modelling. To conclude, then, the analysis of the deal with Tencent, another factor has to be taken in account, with this partnership, in fact, the communication agency has been allowed to access to the Tencent’s data. This is a relevant source of competitive advantage that can bring to better performances. This is true because of the crescent importance of the data collection in the contemporary and future era, as said different times in the previous pages and chapters of this dissertation.

In order to confirm the trend linked to the investment in the evolving areas, it is possible to cite another collaboration stipulated by the group, this is done to penetrate the African market and consists in the partnership with the Troika Group. This deal has allowed the creation of a strong network in a specific way in Nigeria, with the proposition of Publicis services in one of the country with the highest expected growth in the next years.

To conclude the Business Model Canvas analysis, there is the part related to the costs and revenues. On the expenditures side, there are different elements to consider, like all the resources needed for the implementation of the various offices, for the researches, for the virtual platforms maintenance, for the data acquisition through partnerships and softwares or for the equipment required for the video and content creation.

Looking at the revenues side, instead, there are all the received payments for the services offered, basically the stream of incomes are linked to the advertising creation and releasing, to the consulting, to the marketing and strategic advices and to the care of the media and digital pages and contents of the clients.

Comparing this business model with that at the beginning of the Publicis activity, it is easy to understand how the various innovations occurred in the world and in the advertising industry, affected in a strong way the business of the group. Some

activities have lost their importance and others started to be the most required, forming the core of the services provided.

The whole chapter goes in this direction, it assesses the various evolution of the business models for the advertising industry's players. The first three paragraph are important to have the basis of how an average company works, but is with the last two paragraph that a deeply comprehension of the adaptation to the new trends is provided. Wengage and Publicis are two consolidated realities that act as players for the industry at different levels. However, even though between the two, there is a big difference in terms of market size served, the same spirit of innovation is shared, this permits to the industry to keep increasing its importance as a Creative Industry at first and as a sector in the worldwide market in a more expanded sense.

4. A PROFESSIONAL POINT OF VIEW

4.1 - The Subjects of The Interview and The Motivation of Their Choice

This last chapter is dedicated to some interviews to professionals of the sector, conducted in order to understand their opinions about how the agencies are facing the changes in the external environment and how they perceive the future of the industry. The first interview that will be presented has as its protagonist Edoardo Di Luca, a young entrepreneur that is now in charge as CEO and co-founder at COSE Agency. The second person that I interviewed, instead, is Vito Carlucci, he is not a manager, but he has been in the sector for almost 20 years and works for Italiaonline. Before looking at their answers, I will report the activity of the interested companies and provide an explanation of why I decided to select them for the dissertation.

COSE is a communication agency that is involved in the advertising and events fields, one of its main features is to rely on an integrated strategy in order to provide its services and products. Going deeper in the explanation, this agency has a diversified offer that includes the branding, the web development, the media production, the social media and all the procedures needed to create and promote an event. All of the services offered follow a well defined value chain that is based on the analysis of the market, the strategy implementation and planning, the production and the control. At the basis of all of these steps, of course, there is the creativity and the various competences of the team. This is a young company, the average age of its employees is 29 and it is strongly focused on their digital skills.

The strength of COSE relies on its capacity to cover a wide amount of activities and sector, this has allowed the company to work for the innovation of more than 50 brands. Looking at the clients, it is possible to find Vittoria Assicurazioni,

Campari, Toy Room Rome, Monaco, Spartito s.p.a. and others. I focused the attention on these clients because they provide an example of the portfolio diversification that the agency does: only looking at these five companies, we can recognize the coverage of the assurance sector, the food and beverage sector, the toy sector and the hotellerie. At the same time, appears even how the company works in different geographic areas and for clients that are linked with markets of different dimensions. COSE is based in Rome and the collaboration with Toy Room Rome explains the coverage of a more domestic market, while Campari is for sure a name that refers its business at least to the whole Italian Country.

An example of what the agency does is reported by the project implemented for the communication of the restaurant Cantieri Bistrot in Rome. For this client COSE has rethought the logo, innovated the web site and implemented a market strategy based on the contents production, providing at the same time a multichannel integrated management for the online (social media in particular way) and offline points of touch.

Now that it's clear what the agency does, I can report the motivations at the basis of the choice. I selected COSE for different factors that can give an added value to the intent of this dissertation. The scope is to find the changes in the business models derived from the trends of the industry and I think that an agency of this kind can provide different evidences in this sense. It has been established that the digitalization is a factor that will cover a fundamental role for the innovation and COSE is a young company, made up by young people that are skilled in this field. At the same time, the agency is active even on the offline sector and this is very interesting when it comes to do all the possible comparisons, like the budgets invested in a physical and traditional channel or that invested in the newest web based channels. By the way, looking at the interview this dualism will be a point of reflection for the effects of the Covid-19 on the business. Another motivation has to be find in the diversification of services, particularly on the strategy implementation function: this is an activity that is strictly linked to the consulting, that is one of the trend that I think it is more worth to investigate. Looking at the LinkedIn page of Di Luca, I was captured by the fact that he has lived in China for some times, this means that he has developed a vision that can rely on the experience gained in one of the most advanced country in terms of economy and technology, for this reason I think that his advice on what will happen in the future

can have a high valence. The last motivation that drove me in this choice is the fact that COSE can be considered a competitor of the previously analyzed Wengage, an interview to the CEO gives other evidences related to the sector of the agencies that compete mostly in a domestic market, completing the findings that came out by analyzing the Wengage business model.

The second person interviewed works for Italiaonline that is an important company in Italy, active in the digital marketing and communication field. The first thing to underline is the fact that this agency is organized as a corporation and has a great offices coverage for what regards our Country. It has managed to reach very important numbers becoming the biggest Italian internet company, in fact, it deals with 28 millions of users and with around 222,000 firms (clients). This agency is strongly focused on the online side of the business, this feature can be detected even by looking at their slogan, that is “Piacere di connetterti” or in English “Pleasure to connect”. When it comes to analyze its business, though, this is for sure an element of primary importance that has to be considered along with the focus on Italy. The economy of the country is mostly based on small size and medium size firms that represent the segment of reference targeted by Italiaonline. The agency, pursues the objective to digitalize its target.

Italiaonline can rely on a very strong network that allows the company to provide different activities covering all of the digital communication market. The agency owns the services of PagineBianche, PagineGialle and Tuttocittà: telephone directories that now are transforming from physical to digital; Libero and Virgilio that are two email platforms; a great variety of portals that provide the possibility to access to different functions, examples are brought by SiViaggia active in the travels environment, Buonissimo in the food, QuiFinanza in the economics and finance and so on; 50 media agencies and 600 consultants. Basing on this, it appears clear the high degree of diversification adopted by the company, it covers the area of content production, SEO and SEM management, copywriting, consulting, web marketing, web design and branding. The related value chain starts from the study of the market and the creation of the strategy, goes through the implementation step, that gathers all the promotion activities and ends with the control and fine tuning operations.

A particular characteristic of Italiaonline is its commitment with the so called programmatic advertising, a procedure that through the data collection and the profiling of customers is able to provide strongly targeted contents, increasing the costs saving and the communication efficacy. Looking at the performances generated by the agency, this is a segment that is pursued in a very effective way, in fact, everyday almost 4.7 millions of users use the agency services and generate more than 75 millions of page views.

Another important strength of the company relies on its partners that allow to Italiaonline an assistance when it comes to give an added value to its advertising production. Examples in this sense are “UPDAY” for Samsung, an app that provides news, this is a very important partner because gives to the agency a very required skill, that is the capacity to produce contents that fits with the mobile display; “Dailymotion” that allows a coverage for what regards the video contents, including the live and on demands products; “Via Michelin” that gives informs about the traffic and the itinerary, it appears very important when it comes to use services of client tracking that facilitate a better profiling.

All of the information reported until this moment provide the basis for my choice. I was very interested in speaking with someone that works in a company similar to the just presented one, it was quite impossible to have an interview with a manager, but Mr. Carlucci, who works in the web marketing sector as employee said that he was available to share his point of view. One of the motivations of my interest in Italiaonline is the fact that this is a big national company, the bigger in its sector, this is very important for the development of the dissertation because the analysis of the related answers permits to have a double and complete optic if considered along with those linked to COSE that is a small agency. The high degree of specialization in digital services and production is another important factor, as said before for COSE, digitalization is a very relevant trend and the possibility to speak with someone that focuses its job exclusively on this segment of the business was for me worthy of consideration.

4.2 - The Interviews

Edoardo Di Luca, CEO & Co-founder at COSE Agency

Can you tell about the business model adopted by COSE?

“Well we can start saying that COSE works basically in two sectors, that are the digital and the events. The agency was born in this way because of internal needs related to the background. Our objective is to provide an integrated communication through 360° processes and to do that we have to operate on all the marketing levers. Let’s do an example: we take a client X, that can be a firm or a brand (the brand can be even a person, like a singer), we have no sector constraints, for this reason, we need to learn and to be skilled in different field, being able to connect all with the channels that we want to use. With our activity, we’ve reached a high degree of portfolio’s diversification, this because we want to exploit the high potential of the market. We are active in various sectors, examples are hotellerie, food, fashion, events and so on, this means that everytime we approach to a new reality, we need to run a sector analysis.”

Do you think that the approach with the clients is changed in the last years? If yes, how has it affected the agencies business models?

“I think yes, a lot is changed. Before a firm, or in general terms a client, did less and separated marketing activities. This means that for example, if it needed the implementation of the web pages, through the marketing office it commissioned the work to a web agency, at the same time, if it needed to organize an event, it addressed events agency and so on. The firms basically outsourced their activities to different agencies. Now the situation has changed, from the very first touchpoint you can understand which are the client needs and going deeper, it appears that it has more necessities. For this reason a fundamental part of our activity is to do operations of up-selling and cross-selling, in order to take care of different aspects of the client’s business and increase our profits. This is possible because nowadays all is connected: the web platform interacts with the social, the social interacts with the copy and with the spots or the events. For this reason you need to have a large number of capabilities, a wide offer and a good level of flexibility and integration. At COSE, for example, we have a professional for each department that has to communicate and work together with his peers.”

And what about the channels adopted?

“For sure the channels have changed, the traditional means have been somewhat abandoned. Take for example Rai or Mediaset, some years ago they didn’t have an online platform, now they do and people watch less the traditional TV. For what concerns the communication, the ads have been transferred on the web and on social and the budgets have been revised. Today we invest less on TV (that has high costs) and on radio.”

Looking at the various sources that I considered for this thesis, I found that one of the principal trends for a communication agency is to provide a consulting activity. Do you agree with this statement?

“Of course yes! The consulting today is at the basis of our activity. You see, it is very important to create a project, this will lead to a consolidated relationship with the client., in order to do that we are interested in the creation of strategies and digital infrastructures. The only way to achieve this is by doing consulting.”

Unfortunately we are living in a very particular period that is threatening the global economy. How do you think the Covid-19 flu will affect your sector?

“It depends on your core business. Talking about COSE, we operate for a 50% online and for a 50% offline. I can tell you that starting from February we experienced lots of cancellations related to our event department, this has in part affected the digital as well. In general I think that for what regards the digital, it depends on which services you provide, for example who does only e-commerce has for sure increased its revenues. At the same time, it depends on your clients: in the food, some have suspended the contract, others have opted for a budget reduction; hotels are not invoicing anymore and for this reason different projects are now impossible, for example, after the decree, one of our important client in the Amalfi Coast doesn’t answer anymore to the phone. Anyway I think that there are even some positive effects. What was supposed to happen in ten years for what regards the digital, is instead happened in only two months, people now have become aware of its potential. This is for sure an advantage for who works in this

sector, personally we received lots of requests for quotes even if with a low conversion rate. Anyway there are voices that important investments will be done from China and America in Italy on the digital side.”

We have almost concluded our interview. To finish, can you give me your POV on what will happen in the next 5-10 years?

“This is a good question. I think that ten years from now some important levers will develop. I think that the tool on which we need to put our attention is the Virtual Reality, that even today is very particular. To let you understand how we can use it in the advertising, imagine that you have a visor provided with the virtual reality, it works as a tourist guide, while you are visiting Rome an insertion appears. Consider that this is only a way to use this tool, through virtual reality we can produce a parallel world. In my opinion this won’t be an upgrade of an existing market, this will be a completely new market.”

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Vito Carlucci, employed as web marketing specialist at Italiaonline

How much do you think the digital influences the agencies activity? Have the business models somewhat changed due to the digital?

“I think that nowadays the digital is the most important part of the business. Talking about Italiaonline, the 85% of our revenues came from the web, well of course we offer even paper products but they are not so important in terms of the total business. By the way I can tell that there is a sort of geographic diversification in Italy, areas like Lombardia, Veneto, Liguria, Emilia Romagna are strongly interested in digital services, while the Southern regions give less importance to them, anyway, as I said before, the digital is a consolidated reality and is gaining more and more credits. To answer in more general terms, there are different examples that states how the activity is going digital, just think to Facebook or Instagram or to the e-commerce websites, through the searching engines you can find almost everything! Of course the effects of these dynamics on the business

models of the agencies is very relevant. Everyone, today, needs to implement products and services that can be used on the various display and all of the players have to understand how to improve in doing this. The agencies are looking more and more for resources connected to new technologies like the Artificial Intelligence. Take for example the Smart TV, now for us is possible through the “switch service” to send a targeted message to the selected person. Another example can be the e-marketing, we basically have four functions that are “Search; Collect to Action; Remarketing; Display”, these helps to attract the relevant researches on the website and to follow the person who did the research in order to collect data. Other essential services that have to be provided by the agencies are the SEO and SEM, from 2008 Google changed the algorithm and now for example you need to buy the Adwords.”

Looking at the various sources that I considered for this thesis, I found that one of the principal trends for a communication agency is to provide a consulting activity. Do you agree with this statement?

“Yes I do! In our agency we have a huge number of consultants, if I’m not wrong around 600 only for the Public Administration. They are nowadays necessary because of their expertise. In my opinion you can’t do without them in the web marketing world.”

Unfortunately we are living in a very particular period that is threatening the global economy. How do you think the Covid-19 flu will affect your sector?

“Well, frankly I don’t think it will damage the sector, paradoxically it could provide more work. Think to the fact that our clients are the firms, lots of them will have to equip with the implementation of a strong e-commerce in order to face this situation. Sectors like the food and beverage, the textile and the leather are only some examples, even radios and TVs will rely more on apps or streaming, if the agencies will be able to capture all of these new requests, they will increase their revenues.”

We have almost concluded our interview. To finish, can you give me your POV on what will happen in the next 5-10 years?

“I think that the future is digital. To connect with the previous question, just think to the app “Immuni”, it is basically an alert service, this is a technology already used by the agencies to advertise products. This procedure is implemented thanks to the Artificial Intelligence and is improving year by year, even if is not yet at full capacity. My only concern about that is related to the data control that can be a problem for all of us, anyway at the moment it is impossible to predict what will happen in this sense. The tendency is the digitalization, take Coca-Cola, some years ago they relied a lot on gadgets, now they push on YouTube. I don’t want to assess that the traditional activity will disappear, but the budget will be focused more and more on the digital side. The same is more or less for the channels, the paper-based advertising has been almost abandoned privileging the e-publishing.”

4.3 - Considerations

The final section of this chapter is focused on the examination of the received answers in order to come out with point of views that confirm or deny the findings presented until this moment. In this sense, I can assess that what has been said goes in the same direction of the results presented after the analysis of the business models of Wengage and Publicis.

As I said before, one of the motivations for the selection of COSE Agency is the fact that this is a company very similar to Wengage, knowing about its business can give additional informations on how this kind of agencies compete in the market. I had lots of things to ask and not so much time, but considering what I’ve just said, I decided to spend a question to go deeper in this particular section with Di Luca, this is the reason why I asked about the COSE business model. The answer is very interesting, because by assessing the fact that COSE works both online and offline, the CEO highlights the necessity for the communication agencies to rely on a diversified portfolio. Anyway, from this first answer appears the high importance of the digital sector, this because Di Luca assesses that one of the main features of

COSE is to give attention to the integration of channels and activity, that of course can be reached relying mostly on all the online tools available. In the previous chapter appeared the path of expansion followed by Wengage that started from a more specialized segment (sport) and then expanded its business to a vast variety of areas, this trend is confirmed by the COSE model with Di Luca that presents examples of the covered fields to let me understand the importance of diversified skills and flexibility for a communication agency.

At this point I tried to figure how the variety of clients reached and activities provided by the agency is connected with the customer relationship and I asked this to him. The answer has a great valence, because the CEO revealed some insights of the market and explained the mechanism at the basis of the transformation in this precise segment of the agencies business models. I used the two first question to have a better visual of the COSE business model exploiting the opportunity to speak with its CEO and co-founder. Even this contextualization, anyway has provided relevant material for the thesis. It was interesting to learn the fact that clients today tend to outsource different functions to only one communication agency, in contrast with what happened in the past. I think this is an element of relevance, because it affects the majority of the segments of the agencies business if we take the Business Model Canvas tool. It permits a more customized customer relationship, even adopting strategies of up-selling and cross-selling as stated by Di Luca. It increases the resources and partnerships needed to provide the services: if the agency wants to exploit the potential of each client, in fact, it has to learn new skills and to rely on external helps that permit a coverage of the different sectors. This, of course affects the costs that are higher due to the acquisition of the resources but at the same time permits to reach extraordinary results in terms of revenues. In terms of value created and communication efficacy, this can be seen in a negative way, because in general less specialization often means less quality, anyway, this is not the case: commissioning all the activities to a single agency gives to the communication an added values that can be found in the fact that this permits to follow a strategy with consistency in all of the different channels, reaching a degree of integration otherwise difficult to achieve.

These two questions were thought properly for COSE, the others, instead are needed to understand which are the new trends, how they affect the business models and the perspective vision of the professionals, for this reason, I will

present the relative considerations analyzing the answers that came out from the different sources together.

However before doing that, I think that is relevant to add another element of focus, that this time is linked with Italiaonline. We know that this agency is strongly committed with the digital, for this reason I asked to Carlucci a deeper explanation on how the digitalization is affecting the advertising industry. With its answer he basically confirmed the fact that nowadays a relevant role for the agencies is played by their capacity to provide SEO and SEM services, to adapt the content to the various display and to have a good communication on the most important social media.

In the interviews appears how the digitalization is a fundamental aspect to follow in order to reach the success. Carlucci treats this argument using an operations related point of view, presenting the various activities that an agency has to provide and the resources needed for the implementation of the services. Di Luca, instead, being a CEO and the owner of the company, concentrates his attention more on the strategy to adopt when it comes to work in the digital segment, presenting the integration of the channels as a priority for the business. I think that this double vision results very interesting because it shows that the technological process foster deep changes in the agencies, covering different steps of their activity from the strategical and planning step to the final operative one.

A point of investigation for this dissertation consists in the channels used by the communication agencies, particularly if the changes in the external environment have forced the players to adopt new channels or better, to abandon some. I was very curious to collect professional advices related to this argument because in the analysis of the data provided in the chapter about the new trends, while I expected the positive results linked to the usage of mobiles, social media and digital channels in general, I was quite surprised by the fact that the investments in traditional means like TV or radio are still high. Looking at the scenario depicted by the answers the situation proposed by the data is going to change, the interviewed, in fact assessed with a certain conviction that the wider part of the budget is allocated and will be allocated more and more in the production for the digital channels. Personally, I share this perception, because people nowadays are not so addicted with radio and TV but prefer other forms of entertainment or other sources to learn

about the daily news. In this sense, the answers gathered give another point that explains better why the traditional channels will experience a decrease in investments. The TV operators, in fact, are themselves adapting their business model to the new technologies and requirements and for this reason, they are providing online and on-demand services that are linked with the digital segment. This of course affects the way of doing advertising by posing more appeal on ad hoc contents for the online and streaming platforms, a procedure that moves huge investments from the traditional channels to the digital.

An update that nowadays appears fundamental for the business models of the agency relies in the fact that consulting is now a key activity. Analyzing Wengage and publicis, both of them added this service in their offers, in my opinion this is a relevant point in strategical terms, so I decided to spent a question in order to better investigate this. The answers related to the consulting activity importance were positive and the interviewed affirmed that this is now an essential activity. As just said, I expected this kind of answer and I think that what has been said by Di Luca is the key to comprehend why consulting has gained so much importance in the last years. This activity creates a sort of linkage between the agency and its clients, and this creates advantages in both of the parties. Looking at the customer, it can rely on advices provided by experts in the sector, exploiting their capacity to understand the best kind of production needed and the best strategy to implement. The client will give insights and data to the agency, that in this way will be able to elevate the quality and the efficacy of its services. This last point, then, is a big advantage even if considered with the agency perspective, because the fact that it can have private specific informations increases its database and data collection capacity and at the same time strengthen the linkage with the client, fostering the loyalty process. Looking at what Di Luca said about the relationship with the clients, it is clear how the managers are interested in strategic movements in order to increase their revenues, in that precise answer he said that for him it is important to offer to the customers a wide amount of services, doing cross-selling and up-selling. Consulting is a way to facilitate and improve this process, it permits, in fact to design a plan for the customer and to follow it, the plan can consist in a production diversified through different channels.

The covid-19 is an event that is hitting the global economy and being the advertising industry strongly linked to all of the other industries, there are no doubt

that this situation will produce effects even on the communication agencies. At the time when I am writing this dissertation we are in the very first stages of the event and for this reason it is difficult to find evidences that can explain the situation with a certain degree of certainty. Considering this assumption, though, I think that maybe the most influential source in order to have an idea of what will happen in the industry is the opinion of the professionals of the sector. I expected a foreseen negative scenario, with losses for the agencies due to the fact that the crisis for the various companies doesn't permit them to do high investments in advertising and communication. The answers, instead are quite surprising but very interesting because they highlight what is really happening and what can be the element of success for the agencies. The professionals present a dualism in terms of the nature of their activities, from their opinion, the sector won't be affected in equal measure and in equal way but the effects will be different depending on the online or offline production. This differentiation appears clear comparing what Di Luca and Carlucci said: COSE is active in both segments and in fact its CEO assessed that they are already experiencing a decrease in the offline activity with different cancellations, but at the same time said that agencies that are concerned only on the digital part of the business have now a good opportunity to increase their results. The confirm of this opinion came from Carlucci, who assessed that the covid-19 will not damage the sector, this answer has to be contextualized, in fact Carlucci works for Italiaonline that as I said in the presentation of the interviews is a company that bases the majority of its business on the digital sector. The fact is that advertising is so important for the commerce that firms wouldn't have it any other way, but if the final customers now purchase more and more by using the e-commerce and the online channels, it means that the majority of communications will be transferred online. From the answer provided by Di Luca, then, appears how this is a process that will increase its strength in time particularly in countries like Italy, in fact he is sure that as a consequence of the covid-19 we will experience a speed up in the process of digitalization of our lives and so of our economy.

The last question to the professionals was aimed to understand what they think will happen in the next future, which are the levers to take in consideration and how the communication agency will face the evolution. The spread opinion is related to the proliferation and diffusion of the Artificial Intelligence and the Virtual Reality. The

two technologies are strongly connected with the implementation of some services, like the programmatic advertising or all the communication that are directed to a precise target and are at the basis of the big data collection procedure. I think that the tip given by Di Luca is something that has to be better discussed: the CEO stated that in his opinion the possibility to use the Virtual Reality opens the door to a completely new market. This kind of technology is already used, but the impression is that companies are exploiting only a little part of its full potential, so it is highly probable that the progress in this field will trigger a new kind of competition through the advertising industry players. If new activities will emerge in other industries, like the tour with visors, it will be profitable for the agencies to put their ads in this kind of channels, in order to do that, it is predictable that they will study new ad hoc strategies and contents. The other point that caught my attention was expressed by Carlucci, when he said that he is worried about the possible implications that will derive from a strengthening of the data catching capacity of the companies and their ability to improve the procedures of follow-up and tracking of the clients. This is basically a concern that is focused on ethic factors, but I think that is worthy to consider because it can trigger some political and social mechanisms that then would have an impact even on the economic action of the various agencies. We all know that a regulation exists in order to protect the privacy and the sensible data, the implementation of new technologies could somehow bypass the actual rules forcing the authorities to introduce others. This is why a high level of flexibility is required in this field, only in this way, in fact, companies will be able to respond to each possible new situation deriving from a change in the regulation.

The possibility to speak with managers and professionals of the advertising sector was very important in my opinion to the aim of this dissertation. Their answers have clarified some points and have highlighted some possible important changes in the future of the communication agencies. To conclude it is possible to assess that the consulted professionals have confirmed the trend reported until this moment and have explained the derived changes in the business models depicting a situation of conformity with the findings based on the analysis of the two agencies that I made in the previous chapter.

CONCLUSIONS

This dissertation is aimed at the comprehension of how the various trends that have occurred in the advertising industry, have managed to affect the agencies business models and how they will keep affecting the activity. The history tells that the channels used are a relevant point for the investigation, the evolution of the technology, in fact, has provided the possibility to adapt the services and the contents to different means like newspapers, radio, TV and now, with the digital era it is forcing the agencies to expand one more time their horizon. Other aspects to consider are linked to socio-political events like the globalization or to economic factors like the penetration in evolving markets. In this particular moment, then, it appears important to look at the effect of the Covid-19 flu on the industry and on its players.

Through the analysis of the changes in the agencies business models and through direct interviews to managers and professional of the sectors, this research presents some interesting findings and gives guidelines of what is expected to happen in a near future.

Looking at the evolution of Wengage and Publicis and listening to the CEO of COSE and to an employee of Italiaonline, appears how the diversification of the activities is a crucial point for the agencies, both in a domestic and in an international environment. In more specific terms, all of these sources present the consulting as a must-to-have service to provide, consulting is present in the “Key Activities” section of the analyzed Business Models Canvas and is defined fundamental by the professionals.

Regarding the role of the technology, there are basically two evidences that come out from the study. The first is that the companies are adopting more and more new channels linked to the digital and decreasing their investments in the traditional channels. The second, instead, is more interesting in an evolutionary perspective and states that the new frontiers for the advertising rely on the Virtual Reality, Artificial Intelligence and Big Data collection. This statement is presented by the personal point of view of the interviewed professionals, confirmed by some of the new services provided and resources needed by the companies and reinforced by

some strategic operations, like the partnership established between Publicis and Tencent.

The just cited event, then, provides another evidence as well. Through the all examined companies, Publicis is the bigger and the more international one, looking at its business, it is possible to detect a high degree of geographic diversification and a trend of expansion in countries that are experiencing an economic growth, the principal example is China. The operation with Tencent highlights this aspect and confirms the data provided in chapter 3 regarding the Chinese situation of the advertising industry's investments.

It is early to assess with certainty how the business of the communication agencies will be affected by the consequences of the Covid-19, anyway it is sure that the pandemic event is playing and will play a role of primary importance for the global economy. This study provides some considerations related to the cancellations of important events, that in a revenues perspective would have fostered a growth for the advertising sector, but this is not enough to have a clear picture. The most relevant sources in this sense are the answer of the professionals who basically present a sort of dualistic situation. In their opinion, based on their experience and on the results of their agencies in the period interested by the Covid-19, the online based business won't be affected or will experience positive results due to the fact that the companies will be more focused on their e-commerce channels. The offline based business, instead, has been hit by cancellation on orders and is now a suffering segment.

This leaves rooms for some questions: will the agencies change their business models one more time to face this situation? If yes, will they suppress their offline activity or will they adopt other strategies? It will be very interesting to look at the answers in a future study that relies on punctual evidences in term of numbers and business models analysis. At the same time, the considerations proposed by the professionals for the future are related to a sector that has different points that need yet to be explored and developed, for this reason it's possible that to match the new technological requests, the agencies will have to upgrade their models even adopting some unforeseen solutions. A research in the next years will explain better how the advices will take shape and become concrete.

The advertising, being at the basis of the commerce, is strictly connected with all the other industries. The forces that affect the various sector of the economy affect at the same time the communication and the factors that modify the customers behaviors modify at the same time the way to reach them. For this reason the agencies business models need continuous upgrades, making the advertising sector one of the most interesting to study in order to detect the effects of the new trends.

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INTERVIEWS

- E. Di Luca, *CEO & Co-Founder at COSE Agency*
- V. Carlucci, *Web Marketing Specialist at Italiaonline*

SUMMARY

Introduction

This dissertation has the objective to analyze the influence of the advertising industry trends on the business models of the communication agencies. The importance of this kind of study relies on the fact that the advertising is the fourth in terms of revenues of the Creative Industries that account for a 3% of the World's GDP with a total of \$2,250 billion of incomes. The work is basically structured in two parts, the first is related to the trends of the advertising industry, that are the starting point for the innovative thrust, while the second that represents the core of the thesis, consists in the analysis of the business models transformation.

The first chapter will regard the story of the advertising, basically it will be a sort of a brief travel from the first forms of advertising to the situation of the recent years. The second chapter regards the new trends that are occurring, they will be analyzed through the evidences proposed by studies of the sector. The third section will provide at first an analysis of the business models of generic agencies considered according to their channel coverage. The business models analysis will rely on the knowledges gathered and will be provided through the Business Models Canvas tool. The motivation at the basis of this choice has to be found in the multisectoral nature of the transformation that has involved the industry and the communication agencies, with modifications that have occurred in different areas of the business. In this part, there will be provided study cases related to two communication agencies: Wengage and Publicis. The final chapter will consist in the presentation of two interviews made to professionals of the advertising industry, one will be with the CEO and co-founder at COSE and the other with an employee at Italiaonline.

The Story Of The Advertising

Advertising is a fundamental practice for the commerce and for the whole economy, for this reason it has been adopted different times in the years, in fact, there are examples of rudimental forms of ads in the ancient societies like Egyptian, Greeks and Romans. However it is possible to assess that the turning

point is the use of the print occurred in the first middle of 1400. With this new technique, the world experienced the rise of books and newspapers that provided more space for the advertising communications.

The birth of the actual industry occurred some centuries later, when in 1841, in Philadelphia, the Volney B. Palmer agency was founded starting basically as a space broker. Some years later, the company was acquired by the N.W. Ayer & Son and is with this advertising agency that the current business model, made its appearance in the history. N.W. Ayer & Son, introduced the so called “open contract” which was related to the billing and to the way of working of the agency. In addition to offering the space, this new company, in fact, offered the creation of the copy, relying on the work of professional artists and writers.

With the advent of the radio in the 1920’s the agencies started to penetrate in a new segment by using this channel. They upgraded their services in order to provide products of a significant value to their clients. In the so called “Radio’s Golden Age” occurred in the 1930’s radio gained a huge audience base. The most interesting part, is that the larger piece of the programs on air at that time, were directed and controlled by the advertising agencies: the hiring of the talents, the disposition of the guidelines for the show, the selection of the airtime for the transmission and a series of other activities, were all under their supervision.

With the television, then the advertising industry received another thrust, this new channel surpassed newspaper as principal mean of information, accounting in 1977 for the 20% of the total advertising expenses in US. It has maintained for many years the status of most important advertising channel, in fact, only in 2017, TV advertising spending felt down, this was due to the entrance in the broadcasting market of other platforms. In the recent years the advertising is highly focused on the online channels that are related to the social networks, the websites and all of the communication that can be done by the use of the new technologies. Artificial Intelligence and Virtual Reality, for example, are gaining more and more importance and companies are directing their investments in this direction. The possibility to rely on a huge choice for which regards the touchpoints, then, forces the agencies to pursue a strategy of integration, providing a multi-channel and omni-channel production.

Regarding the actual configuration of the industry, there are basically two considerations to do, the first is that the business has experienced a constant growth during the years and it is still following this trend, while the second regards the fact that this is a quite large market in terms of total expenditures. Looking at the 2018, it appears that the spending in advertising accounted for around \$550 in billion, meaning that the advertising industry was responsible for the 0.64% of the total World's GDP, with an intensity that will increase with each probabilities in the following years.

Talking about the operative advertising production, this role can be covered by the marketing function of the various companies, but most commonly it is outsourced and commissioned to the communication agencies. The industry is basically dominated by three groups that are WPP, Omnicom and Publicis, they have different offices all over the World and during the time have managed to increase their size. The biggest groups reveal some indications about where the industry is mainly located, in fact, it is possible to assess that the U.S.A. is by far the biggest market, accounting for a total of nearly \$230 in billion, followed by China with \$87 in billions and by Japan with \$43 in billions. The other important market is in Europe, leaded by the UK with \$27 of investments in billions.

An important feature of the advertising agencies, as stated before, is represented by their ability to provide services adopting a large amount of channels, having contents created ad hoc for the newspapers, radio, TV and all the new kind of digital points of contact like the social media profiles or the mobile screens. The market, nowadays, is basically dominated by the television and internet production, with the other traditional means like radio, press and outdoor that complete the picture, this is a trend that will consolidate in the future, increasing the importance of the online.

The New Trends

There are different aspects to analyze that in the recent years are managing to change the way in which the agencies compete, the most important is maybe the spread of the digital in the advertising. In order to understand what is happening in this sense, the measure on which focusing the attention is constituted by the

spending in the digital segment of the market made yearly all over the world. We can rely on actual data for the 2018 that place the total spending for the digital advertising at \$283 in billion, if compared with the \$543 in billion spent in all the industry, this number confirms the previously presented evidence related to the dominance of the digital and offline production. occurred in the environment are provoking upgrades in the business models of the players. The growth expected from the 2019 forward assumes high absolute values and if respected, will almost double the sector's expenses in only five years, from a total of \$333 in billion to \$517 in billion.

When it comes to talk about the digitalization of the industry, it is necessary to state which are the changes that this new kind of configuration of the market brings, in this sense, the agencies business models are affected in different segments of their activity. The value created will be different because through the data acquisition the company will deliver personalized and ad hoc advertising, at the same time, then the channels used will refer to the digital side of the business. This means that new strategies are studied in order to collect and analyze data and new company functions are implemented with this scope. Even the key partnerships segment is interested, in fact, the most influencing groups, could have access to the database of companies that work in the data sector by stipulating deals or collaborations. If from a side this situation will enhance the cost structure of the companies, from the other will give higher capabilities, improving the quality of the service offered. All of these innovation will translate in Big Data acquisition, customized ads, use of Artificial Intelligence and Virtual Reality in order to have a qualitative service and in partnerships with figures like influencers or technological companies. This will give a role of primary importance to the video production, the social media management and to the vocal researches.

The Italian environment can be presented by looking at two studies: the first that will be considered was made by Tradelab in 2019 with the intent to define how the Italian advertising industry would have looked like in 2020. The second, instead, are the data gathered by Nielsen on what is effectively the situation in the first months of the new year. According to Tradelab, the previsions for all the 2020 are about a 30 per cent of growth for what regards the digital advertising market and comparing these speculations with the effective data prompted by Nielsen, it is possible to state that this is a correct tendency, even if a little bit too optimistic.

From the projections, then, it appears that the trend related to the mobile advertising encounters a large acceptance. According to the paper, in fact, a great number of agencies, equal to the 79 per cent already bases its communication on the mobile platforms. The most used point of contact are the social media, that require specific strategies to the agencies, with the paid researches that are at the same time experiencing a growth. The offline channels, instead, are receiving less investments, but are still adopted, with the television that is maintaining a certain importance, even though it is a costly channel.

There is then to take in account another tendency that is emerging and that is modifying the various business models: the companies are more and more internalizing the advertising production or are stipulating partnerships with the agencies in order to receive consulting services. Of course, this enhances the competition that the agencies have to face and makes the consulting a fundamental activity to provide for the industry's players. Other findings proposed by the study, confirm the role of the costs to face, nominating as a factor of influence the economic proposal made by the potential partner. There are then other criteria of a lower importance, but still considered fundamental, like the performance estimates, the used technology or the GDPR compliance.

Regarding the worldwide environment, the U.S. is the country that has experienced the highest expenses for the advertising production, but the numbers relative to the China are very interesting, because a great turmoil is hitting the Asian area is nowadays. A first element that stands out in the U.S. is the fact that following the projections made by eMarketer research, in only five years, the total amount of digital ad spending will almost double with a tremendous acceleration in the first three years. The study, released in February 2019, predicts that the related growing rate will not be less than 15 per cent until the end of 2021. Regarding the weight of the digital on the total media expenditures, instead, there is an esteemed positive path that will bring the 48 per cent in 2018 to reach almost the 67 per cent of the last year foreseen. To finish, as far as the total market is concerned, from these numbers it is possible to infer a growth of near 40 per cent in only five years, that is an indication of how much importance the business has.

China is the second country in the industry for what regards the market size, it is very focused on the digital, presenting a weight of this segment calculated on the

total amount of investments that is constantly higher if compared to that related to America. It starts, in fact, with a value of 65 per cent in 2018 and rises up until reaching almost the 79 per cent foreseen in 2023. The status of growing country for the China, is confirmed by looking at the percentages of the study, the yearly increment of the digital investments, in fact, goes under the 10 per cent only in the last period of the projection, accounting for a 9 per cent.

Business Models Canvas

The trends reported, along with the development of the various channels technologies, has allowed the agencies to modify their business models. In this chapter I decided to report the changes by elaborating on my own the Business Models Canvas of generic at first and then specific communication agencies, on the basis of data and informations gathered.









<p><i>Key Partners</i> </p> <p>Radio editors Radio speakers Creative talents</p>	<p><i>Key Activities Sponsorship</i> </p> <p>Direction and control of programs Creation of ads Selection and organization of airing spaces Talent scouting</p> <p><i>Key Resources</i> </p> <p>Financial resources Artistic team Networking skills Agency name</p>	<p><i>Value Proposition</i> </p> <p>Externalization of ads creation Professional creative service Inclusion of ads in programs with a high audience</p> <p>Possibility to have the company name linked to a program of success</p>	<p><i>Customer Relationships</i> </p> <p>Dedicated personal assistance</p> <p><i>Channels</i> </p> <p>Physical Channels Office</p>	<p><i>Customer Segments</i> </p> <p>Companies Private Institutions Politicians</p>
<p><i>Cost Structure</i></p> <p>Research of new talents Cost of the artistic division Cost of airing space Program production</p>		<p><i>Revenue Streams</i> </p> <p>Advertising creation revenues</p>		

Figure 24 Generic Radio Based Communication Agency Business Model Canavas, Personal Representation Based On My Analysis Of The Subject










<p>Key Partners </p> <p>TV channel owners</p> <p>Creative talents</p> <p>Singers</p> <p>Film makers</p> <p>Testimonials</p>	<p>Key Activities </p> <p>Finding sponsorships</p> <p>Finding testimonials</p> <p>Producing and placing spots/jingles/promotional messages</p> <p>Organization of time of broadcasting</p> <hr/> <p>Key Resources </p> <p>Creative team</p> <p>Graphic team</p> <p>Agency name and works</p> <p>Networking skills</p>	<p>Value Proposition </p> <p>High quality of production</p> <p>Message transmission</p> <p>High degree of audience covering</p> <p>Externalization of ads creation</p> <p>Advices on communication strategy</p>	<p>Customer Relationships </p> <p>Dedicated personal assistance</p> <hr/> <p>Channels </p> <p>Office</p> <p>Web/Social (modern years)</p>	<p>Customer Segments </p> <p>Companies</p> <p>Institutions</p> <p>Political party</p>
<p>Cost Structure </p> <p>Ads production</p> <p>Testimonials fee</p> <p>Broadcasting cost</p> <p style="text-align: center;">Placement costs</p>		<p>Revenue Streams </p> <p>Payment for the ads and the services related</p>		










Figure 25 Generic TV Based Communication Agency Business Model Canvas, Personal Representation Based On My Analysis Of The Subject

The first BMC presented is related to a generic agency that works in a radio environment, the areas of the model that cover a role of primary importance are the key activities sector, the key partners and the value proposition. The radio, in fact, permits to the agencies to develop the broadcastings, doing that by selecting and organizing the airing spaces and run activities of talent scouting. Another important activity is linked to the sponsorship, a practice that allows to link the name of a brand with a radio broadcasting. Of course changes in the activity segment bring more values proposed, like the possibility to outsource the ads exploiting all the advantages that comes from a professional campaign. The partners needed are the radio editors, the radio speakers and the creative talents, all these figures permit the implementation of an effective radio advertising.

The second BMC, represents the generic television agency. TV broadcastings are a mix of visual elements and sounds, this means that agencies need to develop two aspects and mix them together. This choice is reflected in the key activities and in the key partners of the agency. Testimonials are a very strong mean to catch the attention of the people, but at the same time figures like singers and other personalities are strongly required. As happens for the radio, a fundamental partner is the TV channels owner, that is the person that will allow the broadcasting of the ads. For which regards the key activities, instead, there are different ways to provide the communication. The most classical and widespread is the spot. This is a

30 second short film produced with the aim to reach the audience with a message. Another way to advertise a company or a product, is with the promotional messages, a visual advertising that can be used during a program, at its beginning or at the end, it is very useful to put in evidence the sponsor of the broadcasting. There is then the teleshopping word. Here, we have programs that last some minutes and are exclusively made for the promotion and selling of a product.

Talking about the key resources, there are similitudes with what happens in the radio market, with a great role covered by the creative and graphic team. In this world, the name of the company and works previously done, are very important because is on these parameters that the selection of the agency to which commission the work is made.

<p><i>Key Partners</i></p>  <p>Social media Testimonials Social media users</p>	<p><i>Key Activities</i></p>  <p>Find the client Social Media management Learn about what's going on in the World and about social network innovations Storytelling communication</p> <p><i>Key Resources</i></p>  <p>Communication skills Creative skills Technical skills Social media knowledge</p>	<p><i>Value Proposition</i></p>  <p>Professional communication Externalization of the social media communication side of the business Ad hoc contents Possibility to increase social media metrics organically</p>	<p><i>Customer Relationships</i></p>  <p>Dedicated personal assistance</p> <p><i>Channels</i></p>  <p>Physical point of touch Telephone number Web page Social media</p>	<p><i>Customer Segments</i></p>  <p>Companies or event organizers acting in the sport segment</p>
<p><i>Cost Structure</i></p>  <p>Salaries Physical and online infrastructure maintainance</p>		<p><i>Revenue Streams</i></p>  <p>Payment for the service offered to the clients</p>		










<p><i>Key Partners</i></p>  <p>Newspapers Television Radio Softwares for the SEO related procedures 2018 partners</p>	<p><i>Key Activities</i></p>  <p>Web marketing Press office Media relation 2018 activities</p> <p><i>Key Resources</i></p>  <p>2018 resources</p>	<p><i>Value Proposition</i></p>  <p>Creation or consolidation of the brand reputation Relationship with press and television Improvement of SEO placement Professional copyright pieces 2018 values</p>	<p><i>Customer Relationships</i></p>  <p>Dedicated personal assistance</p> <p><i>Channels</i></p>  <p>Physical channels Online channels</p>	<p><i>Customer Segments</i></p>  <p>Sport area Institutions Corporate Companies</p>
<p><i>Cost Structure</i></p>  <p>Acquisition of the softwares 2018 cost</p>		<p><i>Revenue Streams</i></p>  <p>Revenues for web marketing function Revenues for the press office and media relation care 2018 revenues</p>		

Figure 26 Wengage 2014 Business Model Canavas, Personal Representation Based On My Analysis Of The Subject ;Figure 27 Wengage Actual Business Model Canavas, Personal Representation Based On My Analysis Of The Subject

In order to have a clear idea of what a communication agency does and evolves its activity, it is useful to select an actual agency and provide an analysis of its business model through the time. The case studied are Wengage and Publicis. The two BMC presented above, are linked to Wengage, the first in the first year of activity in 2014, the second, instead, is the actual business model.

At the starting point, the company was basically focused on the sport segment, since the beginning Wengage was strongly concerned with the digital environment, pushing on the webpage and on the social media. The main activity proposed was the social media management, provided thanks to the communication, technical and creative skills. Even the selection of the partners went in this direction, with testimonials, social media and social media users as main characters of the key partnerships segment.

The very important aspect for the aim of this thesis is to infer the changes occurred in the five years of Wengage activity, this is possible by making a comparison with the actual BMC. With regard to the category of key activities, the agency inserted in its business, services of press office and media relation. As far as media relation is concerned, it is useful in order to enhance the communication power of the clients, Wengage builds networks with the principal media in order to promote the brand or the message of its clients. The same importance is covered by the press office, that consists in the organization of conferences in terms of both schedule planning and topics to cover. The web marketing activity, then is a service that incorporates various tasks and covers a crucial role in the optic of reaching the highest number of people. At first, there is the web development, followed by the SEO optimization and the app development. All of these activities are strongly related with the digitalization that is covering the advertising industry, agencies now need to implement their business models more and more on this aspect in order to be competitive in the market and Wengage follows this direction. Other trends that have forced Wengage to adapt are the crescent importance of the video production, that requires the agency to develop good skills in this sector and the tendency of the company to internalize the ads. The latter is a trend that has been presented in this dissertation when the Italian environment was analyzed, it has managed to strongly impact the business models of the agencies making crucial for them the implementation of the consulting activity.

Of course this can be pursued only by a research of more resources and partnerships, in this sense it become fundamental the development of different capabilities and resources, examples are the SEO and internet skills, the capability to read and receive the Big Data and the possibility to conclude deals with the key partners.

The agency is now working on all of the channels and for this reason it has to implement a wide network that can allow to operate in different sectors. In this sense partnerships with the social media or the TV and radios can be a key factor. At the same time, it remains crucial the linkage with influencers and personalities.

The next step is looking at a bigger company in order to see the effect of the trends in a global environment. The group that I selected is Publicis, it is the third of the world in terms of size. Even in this case, the analysis of the BMC gives informations on how the activity is affected by the trends of the industry. It is possible to find different kind of clients in different part of the planet: Companies; Banks; Institutions; Corporate, with the group that is capable to cover the requests of clients involved in markets that are completely different one from each other. Publicis has different relationships with European clients and this means that the core location is based in the old continent, anyway examples like the collaboration with Coca-Cola in America and the intent to expand the business in the world areas that are experiencing a huge economic growth like the China, states how the group is interested even in a geographic diversification.

Talking about the channels used by the group to reach the customer segments, there is a series of online and offline ways in which Publicis is in contact with the clients: Offices; Website; Digital platforms. The group opened offices in the countries reached in order to increase the presence and capillarity of the group for what regards the physical point of touch. The digital part, instead, is based on the innovation research and on the care for the usability. This is another important factor, because the digitalization and the omnichannel coverage of the markets are new trends for the advertising industry.

When it comes to talk about the customer relationship, this is for sure an important segment for Publicis. The relationships with the clients are extremely personalized, in order to take the customer at the center of the activity. The bigger is the client,

the higher degree of importance it covers for the group, there are in fact no doubt that the most known companies can enhance the market power of the agency.

The key activities are basically divided through four hubs: Publicis Communications; Publicis Sapient; Publicis Media; Publicis Health. Publicis Communications is capable to offer high quality videos, curing the production and post production, the selection of talents and testimonials and the editing. This is in line with the new trend of the industry of using more and more audiovisual contents.

Other services are linked with the strategic implementation of the marketing campaigns of the companies. In this sense, the group acts more as a consulting company, giving advices on the timing, modality and contents of a communication strategy. The Communications hub, is interested in the detection of the data, in their right analysis and in the usage of the results in order to implement a winning marketing strategy in terms of communication effectiveness and of contents delivered.

The focus on the technological and digital world, anyway, is exacerbated in the second hub Publicis Sapient. This hub is highly concerned with the usage of the Artificial Intelligence, to give to the people the possibility to live an immersive experience. The same goal is reached by the group, by increasing the correlation of the various channels of the client, in order to increase its omnichannel valence. All of this can be done thanks to the development and usage of softwares and tools that is of course something of totally different for what was done until a short time ago.

There is then the third hub, named Publicis Media that takes care of the media used by the clients to promote the communication strategy and is formed by five networks. Basically, the key activities here are the production of the media content, the study of the data and insights in order to better perform, the service of marketing consulting and strategy implementation, the SEO optimization and all that is related to the web marketing.

The last hub is Publicis Health, this is a specialized segment and it is formed by four networks. The activities provided by the hub, are not so different from the communications related one. The real element of innovation here has to be found in the point of view at the basis of the services offered. Through the work of this hub,

in fact, the group gives to the clients the possibility to develop advertisings and contents related to the human health and welfare, matching the crescent requests of an increased social responsibility for the firms.

Let's now analyze the key resources segment. At first, a very high amount of capital is requested in order to implement all the physical channels coverage and in order to acquire data and new technologies. The group, needs then, a center of research where developing ways to exploit the advantage of this kind of acquisitions. This means that a crucial role is played by the hard skills of the employees, this happens in all the hubs, but mainly in the Publicis Sapient and Publicis Media segment. At this level, then, the brand become a resource of a tremendous valence, this is due to the fact that in the customer minds, there is the perception that the third biggest group in the world, will for sure provide services and product of a certain quality reaching a certain performance.

Being the group active worldwide, a relevant role is played by its partners that are of three types: Operating partnerships; Strategic partnerships; Clients. Regarding the operating partners, this is a set of all the people or companies that permit to the group to provide its services in a qualitative way. This is not so different for what has been said for Wengage, in fact, all the actors, sport personalities, influencers and testimonial, are part of this segment. For Publicis, then, the possibility to collect data has a great importance, so, all the softwares and platforms that provide this service can be considered as key partners of the group. When it comes to the strategic partnerships, this kind of deals are relevant particularly in reference to the geographic expansion and penetration of the group, looking at the situation with the perspective of the French group, a key fact is the partnership stipulated with Tencent, a Chinese internet giant, that permits to gather more data and at the same time to expand the activity in the Asian market.

A Professional Point Of View

In order to have a better understanding of what is going on in the industry and its players, I personally did two interviews to professionals of the sector. The first to Edoardo Di Luca, CEO and co-founder at COSE agency and the second to Vito Carlucci, web marketing specialist at Italiaonline.

Di Luca assesses that one of the main features of COSE is to give attention to the integration of channels and activity, that of course can be reached relying mostly on all the online tools available. The CEO focuses its attention particularly on the flexibility of its agency which is a fundamental characteristic that allows the linkage with a wide amount of customers.

A point of investigation for this dissertation consists in the channels used by the communication agencies, particularly if the changes in the external environment have forced the players to adopt new channels or better, to abandon some. Looking at the scenario depicted by the answers, the wider part of the budget is allocated and will be allocated more and more in the production for the digital channels. Personally, I share this perception, because people nowadays are not so addicted with radio and TV but prefer other forms of entertainment or other sources to learn about the daily news. In this sense, the answers gathered give another point that explains better why the traditional channels will experience a decrease in investments. The TV operators, in fact, are themselves adapting their business model to the new technologies and requirements and for this reason, they are providing online and on-demand services that are linked with the digital segment. This of course affects the way of doing advertising by posing more appeal on ad hoc contents for the online and streaming platforms, a procedure that moves huge investments from the traditional channels to the digital.

The two interviewed agree with the importance of the consulting activity. It creates a sort of linkage between the agency and its clients, with advantages for both of the parties. The client will give insights and data to the agency, that in this way will be able to elevate the quality and the efficacy of its services. This point is a big because the fact that the agency can have private specific informations increases its database and data collection capacity and at the same time strengthen the linkage with the client, fostering the loyalty process. Looking at what Di Luca said about the relationship with the clients, it is clear how the managers are interested in strategic movements in order to increase their revenues, in that precise answer he said that for him it is important to offer to the customers a wide amount of services, doing cross-selling and up-selling. Consulting is a way to facilitate and improve this process, it permits, in fact to design a plan for the customer and to follow it, the plan can consist in a production diversified through different channels.

Another important part is concerned with the covid-19 pandemic flu. Its effects cannot be measured at the moment and for this reason, it appears important what the professionals think. The answers are quite surprising but very interesting because they present a dualism in terms of the nature of their activities. From their opinion, the sector won't be affected in equal measure and in equal way but the effects will be different depending on the online or offline production. This differentiation appears clear comparing what Di Luca and Carlucci said: COSE is active in both segments and in fact its CEO assessed that they are already experiencing a decrease in the offline activity with different cancellations, but at the same time said that agencies that are concerned only on the digital part of the business have now a good opportunity to increase their results. The confirm of this opinion came from Carlucci, who assessed that the covid-19 will not damage the sector, this answer has to be contextualized, in fact Carlucci works for Italiaonline that is a company that bases the majority of its business on the digital sector.

The last question to the professionals was aimed to understand what they think will happen in the next future, which are the levers to take in consideration and how the communication agency will face the evolution. The spread opinion is related to the proliferation and diffusion of the Artificial Intelligence and the Virtual Reality. The two technologies are strongly connected with the implementation of some services, like the programmatic advertising or all the communication that are directed to a precise target and are at the basis of the big data collection procedure. I think that the tip given by Di Luca is something that has to be better discussed: the CEO stated that in his opinion the possibility to use the Virtual Reality opens the door to a completely new market. The other point that caught my attention was expressed by Carlucci, when he said that he is worried about the possible implications that will derive from a strengthening of the data catching capacity of the companies and their ability to improve the procedures of follow-up and tracking of the clients. This is basically a concern that is focused on ethic factors, but I think that is worthy to consider because it can trigger some political and social mechanisms that then would have an impact even on the economic action of the various agencies.

Conclusions

This dissertation is aimed at the comprehension of how the various trends that have occurred in the advertising industry, have managed to affect the agencies business

models and how they will keep affecting the activity. The history tells that the channels used are a relevant point for the investigation, the evolution of the technology, in fact, has provided the possibility to adapt the services and the contents to different means like newspapers, radio, TV and now, with the digital era it is forcing the agencies to expand one more time their horizon. Other aspects to consider are linked to socio-political events like the globalization or to economic factors like the penetration in evolving markets. In this particular moment, then, it appears important to look at the effect of the Covid-19 flu on the industry and on its players.

Looking at the evolution of Wengage and Publicis and listening to the CEO of COSE and to an employee of Italiaonline, appears how the diversification of the activities is a crucial point for the agencies, both in a domestic and in an international environment. In more specific terms, all of these sources present the consulting as a must-to-have service to provide, consulting is present in the “Key Activities” section of the analyzed Business Models Canvas and is defined fundamental by the professionals.

Regarding the role of the technology, there are basically two evidences that come out from the study. The first is that the companies are adopting more and more new channels linked to the digital and decreasing their investments in the traditional channels. The second, instead, is more interesting in an evolutionary perspective and states that the new frontiers for the advertising rely on the Virtual Reality, Artificial Intelligence and Big Data collection.

It is early to assess with certainty how the business of the communication agencies will be affected by the consequences of the Covid-19, the most relevant sources in this sense are the answer of the professionals who basically present a sort of dualistic situation. In their opinion, based on their experience and on the results of their agencies in the period interested by the Covid-19, the online based business won't be affected or will experience positive results due to the fact that the companies will be more focused on their e-commerce channels. The offline based business, instead, has been hit by cancellation on orders and is now a suffering segment.