

Does size matter in business?

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Following on from my last muse: 'Are media agencies on the way out? Again?

<https://lnkd.in/eKVPFwx>' I started thinking. Suppose you've done everything I proposed: got a view on what you want to be; got some data and some refreshed skills and then worked out some inventive ways of using the data, what then?

Full steam ahead to programmatic-ville... well, when media owners decide to totally reinvent the way they trade and invest in the tech to make it happen anyway. Sounds ace.

Frictionless trading with much less reliance on staffing levels, working 24 hours a day with no holidays or pension contributions. Loads of room to drive improved business performance for clients and ourselves. Huzzah, (note to self, learn some programming skills). But wait...

Neutering the behemoths?

... there's a chance that this could be another issue for the big boys/girls. Currently size really does matter. When price and quality is determined by who has the biggest stick it's the major players that hold sway. But when, in a fully programmatic world, the price is determined by demand then potentially scale becomes an irrelevance. At that point it will be all about who bids most, whether it be TinyTimMedia inc. or MightyMouseMedia inc. Now there's a challenge. If we don't have scale then what have we got? Samson with short hair... That democratization of opportunity potentially makes for quite a turbulent time in our industry.

But DOES it really mean that? Could scale still matter in this environment?

Potentially...here's my view of how scale will always matter:

Scale funds investment

The tech required to deliver this media world requires some chunky investment. Let's leave aside the sterling efforts of procurement at minimizing the margin that agencies make and try to imagine that the larger you are the greater the potential investment pot for NPD supporting this requisite tech revolution. (Try harder!)

Tough for medium sized agencies to manage this – maybe impetus for more consolidation with Agency Groups mustering up all they can afford to invest. Maybe... Equally, breaking into this market requires a backer with long arms and bulging pockets, so even if someone were to get some VC to invest, the media agency would have had to give away most of their business to even get started. And where's the fun in that for start ups?

Maybe the threat may come from media owners themselves. If I was one of the larger data-rich media owners I'd be thinking about how I could build a supply-side trading desk to flog my inventory and maximize my yield. Then I'd hardly need any sales teams either... These are the chaps with REAL scale, and their scale really matters.

Scale creates exclusivity

Maybe it won't all be about price. Maybe exclusive inventory is what matters. Those with the biggest stick could reasonably negotiate greater access to inventory, with more granular detail, updated more frequently or with more flexibility on targeting taxonomies. So, an exclusive deal with DunnHumby (I know, fat chance) could be an interesting way to leverage scale. Come on DH...play nicely!

Scale creates a different sort of value

Maybe scale brings exclusive interfaces with media-owner systems. Maybe scale will generate value in other ways, with things like access to programming engineers or data storage and processing charges reductions in return for big spends. New, broader negotiations required here with traders needing to learn the value of these additional services.

Scale creates priority It is also feasible that large agency groups look to get first dibs on inventory: possibly via a “first-look” arrangement; possibly via a “weighted-bid” arrangement where a big spender’s bid is worth 20% more than a low spending agency. Maybe.

Yep. Scale will always matter.

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