



Making the Grade in the Interactive Space

We dug deeper on a smaller number of agencies to find the success stories of 2006, and who to watch in 2007

We've become a little more selective this year, as we chose just 10 interactive agencies to grade, down from 18 last year, in order to expand our analysis of each. In looking at the interactive agency landscape, we wanted to grade not just the largest agencies, but the ones that are defining the sector with the work they do. More often than not, these are the agencies that will compete against one another on pitches. **Numbers:** In many cases, we are restating revenue numbers from 2005, to reflect more accurate figures, and dug deeper to come up with true revenue numbers for 2006. Then, with the help of *Adweek* financial columnist Alan Gottesman, we evaluate the agencies on revenue-to-staff ratio and revenue gains as compared with interactive-industry averages (this year's aggregate average was about 25 percent) before determining a composite rank in both categories. Grades were determined for all 10 agencies. We also consider the revenue base for each agency in determining the grade. Naturally, if a shop has a large percentage increase in revenue, but is starting from a small base, its grade may not be as high as a larger agency with a smaller percentage increase. Wins and losses in this category are for retainer-based clients, unless otherwise noted. **Creative:** Grades are based on design, ease of navigation, user experience and the overall power of the marketing idea. They take into account more than the work described in each shop's creative section; space limitations prevent us from going into greater detail. **Emerging Media:** A new category, which replaces the former "Technology." This is where the continuing evolution of interactive advertising is most notable. Building microsites and running banner campaigns are no longer enough; clients are asking their agencies to help them push into new areas. We reward agencies for the boldness and success in doing so. **Management:** We rate how well executives run their business, including revenue growth versus competitors, personnel moves to and from the company, and strategic initiatives. We also consider what management has done to stay a step or two ahead in an ever-shifting market. **The final grade:** We use a numeric formula to average the other four marks. —*The Editors*

AGENCY.COM

NUMBERS F
Revenue down 5 percent to \$88 million; 2005 revenue adjusted to reflect addition of TBWA-affiliated offices in Europe in 2006. In the U.S., agency was hit with 20 percent decline; UK fared much better. Wins: E-Trade, Del Monte, Choice Hotels, Combos. Losses: Audible, CNN, Maidenform.

CREATIVE C+
Agency.com favors usability over flashiness. Overall work is solid but not standout. Its British Airways "Go With Those Who Know" online campaign is short on breakthrough ideas but long on helpful information, like a London events calendar and interactive map of BA-aligned hotels for discounts. A more experiential site for British Telecom's Hi-Def Chamber fares better, gauging voice pitch to show off product benefits of BT VoIP services.

EMERGING MEDIA B-
Agency's focus on user-friendly design gives it a leg up on many peers by ability to take content wherever users are. One area of particular innovation: turning underused banner ad space into engagement tools that mimic mini-Web sites. Food Network ads for "Feasting on Asphalt" show with multimedia ad units that read user's computer clock to show tune-in prompts. Turned banner into financial-planning tool for E-Trade, bringing its Web site savings and investment calculators to users without requiring clicks to a separate site. Choice Hotels' banners let users inscribe "coins" for "digital wishing well."

MANAGEMENT D
In the words of CEO David Eastman, 2006 was "very much a time of transition." Nearly all top U.S. management—then-CEO Don Scales, heads of San Francisco and New York offices, and media chief—left agency as it aligned with TBWA and focused less on Web design projects. Eastman arrived in New York in September, focusing instead during the first six months of tenure on expansion in Europe and Asia to support TBWA. U.S. operation suffered, shrinking to represent less than half of agency's revenue, compared to 70 percent a year ago. Picked up Combos thanks to TBWA intro, but alignment has yet to pay off much.

COMMENTS
Change is difficult, and Agency.com is definitely in the midst of a shift. While some blame Scales for Agency.com's predicament, Eastman was not able to fix it quickly enough. TBWA is shifting him back to London, where he will return to his previous role of running the office there and lead Agency.com's further international development plans.

D+

AKQA

NUMBERS B+
Revenue up 42 percent to \$101 million. Wins: McDonald's, Smirnoff, Johnnie Walker, Target, Fiat, Comcast. Added project work for Dell, Microsoft Windows, Gucci Group, Sky Broadband. Expanded work for Coca-Cola. Losses: Integrated Palm Treo account to Y&R, SF, in a review. Best revenue percentage gain, but off small base, brings down grade.

CREATIVE B
Hipster-insider Sprite "Sublymonal" site ties to TV show *Lost* is intentionally bizarre, with an addictive viral puzzle using clues hidden in ambiguous video and audio. Xbox site for Gears of War videogame goes beyond sampling to allow users a real taste of gaming experience. Global Coke site mixes upbeat, exuberant graphics in a series of consumer video competitions, but navigation is awkward and site failed to grab strong viral interest.

EMERGING MEDIA B-
Fun holiday promotions for Coke offered personalized Christmas cards via mobile phones, while another let YouTube users create and submit video holiday greetings. YouTube commissioned six popular video bloggers to participate. Useful "Results for Real Life" campaign for online directory Yell.com used buses equipped with GPS tracking to display targeted ads for merchants, which changed as buses traveled into various neighborhoods. Palm's cutting-edge Treo campaign used interactive signs in big-city bus shelters that were activated by mobile phone text messages.

MANAGEMENT B+
CEO Tom Bedecarré's strategy of stockpiling international creatives and pursuing large global clients succeeded with big global wins from McDonald's, Smirnoff and Johnnie Walker. Opened an office in Shanghai ahead of the 2008 Olympic Games. Fledgling New York office grew from 30 to 50 staffers and launched Coke's global site in 40 countries (outpacing growth in other offices). Lost Kate Everett-Thorp, head of interactive advertising. Hired Dan Rosen as head of new division AKQA Mobile in February.

COMMENTS
Shop spurned ad holding companies to sell a majority stake to private equity firm General Atlantic in Feb. 2007, for estimated \$200 million-\$250 million. Set to open new office in Amsterdam in May. Equity deal puts shop in interesting position: unencumbered by having to work with sibling agencies and able to make acquisitions and win business without conflict worries.

B

AVENUE A/RAZORFISH

NUMBERS A
Revenue up 26 percent to \$268 million. 2005 revenue adjusted to account for acquisitions in United Kingdom, Australia, China and Germany. Key wins: Coors; added creative to media duties for Best Buy; analytics for Wal-Mart; Washington Mutual creative. Losses: none. Sixth-best percentage revenue gain, but off largest base, lifts grade.

CREATIVE C+
Top goal in 2006 was improving creative acumen to match analytics firepower. Redesign of NYTimes.com was early Web 2.0 makeover, making smart use of latest social media tools like blog links, comments and RSS feeds, while not sacrificing ease of use. Early Coors work with "Dirk Buckner's Taste the Cold" microsite uninspired use of Web animation and a rudimentary Flash adverage to the young male demo. Red Bull site, targeting same crowd, also fizzles. Standard Life video tutorial is smarter, livening up dry subject with witty characters.

EMERGING MEDIA C+
Another priority for the shop was the formation of the three-person emerging media group in November. An early success was a banner campaign for Levi's that uses broadband video in a novel way, making it appear a model is walking onto the page and looking through a mirror at the user. The executions smartly straddle line between eye-catching and intrusive. Biggest boost in new media channels may come from expansion abroad, where agency network is gaining experience in mobile campaigns for Ralph Lauren and Swiss sandwich maker Hilcona.

MANAGEMENT B
In his first full year as worldwide president, Clark Kokich oversaw an international expansion, which was rewarded by extending Weight Watchers and Starwood from U.S. to UK, while UK client Samsonite expanded to U.S. Added more than 100 staffers to creative ranks, but still has work to do to make agency synonymous with creativity and risk-taking in new media platforms.

COMMENTS
The marriage of metrics- and response-focused Avenue A and Web design rollup Razorfish has worked better than most imagined. The challenge for the agency will be making sure its disparate offerings do not lose out to more focused providers. Google's DoubleClick buy validates parent aQuantive's marriage of tech, agency and ad network divisions; often seen as model for digital marketing services company of the future.

B

CARAT FUSION

NUMBERS C-
Revenue up 20 percent to \$48 million. Wins: Reebok, New Line Cinema, Atom Entertainment, Therative, Ernst & Young, West Marine. Losses: Kodak, Gateway. Agency did not distinguish between project and retainer.

CREATIVE C+
Under new president Scott Sorokin (who started in business as a creative), work shows promise. Highlight is Adidas site, for which the shop showed ability to build interesting, easy navigation. Online scrapbook to celebrate "Pistol Pete" Maravich, with flipping pages, a fun way to get acquainted with "Pistol Pete" line. Adidas running site packs a lot of info into a simple, elegant navigation scheme. Game to promote Wachovia Championship more realistic than most online golf fare. Mitchum Man-O-Meter is standard frat-boy humor.

EMERGING MEDIA B+
Shop is clearly fluent in emerging media. An early adapter to MySpace, it created areas on the site for Adidas, Kodak and Motorola. For Alberto-Culver, it leveraged the TRESemme brand's sponsorship of *Project Runway 3* through podcasts, in addition to blogs and mobile. Agency also used gaming in 2006 for Schick, Progressive Direct, KIA and Wachovia, producing some of it in-house.

MANAGEMENT B-
Shop saw a fair number of key executives leave in 2006, which agency attributes to a change in strategy: under CEO Carat Americas David Verklin, Carat Fusion is aligned more with offline units than in the past. Strategy still evolving, and while new business slower than competitors, the year would have had a different complexion if shop had retained share of the \$570 million Wal-Mart business. It won it, and lost it, as bystander in the Julie Roehm scandal. Departees included Cory Treffiletti, svp, engagement architect, who left in March; Greg Smith, evp, media insights, planning and analysis, who left for Neo@Ogilvy in July; and Renny Gleeson, svp, managing director, who went to Wieden + Kennedy in November. Key hire is Sorokin, who joined in April from MRM Worldwide, replacing Toby Gabriner, who left in November 2005.

COMMENTS
Carat Fusion had a solid, but not blockbuster, year—it should focus on taking better advantage of the hot online advertising market. Best assets are its media and database savvy: Citadel, a proprietary "relational data warehouse" incorporates online and offline data to measure effectiveness, and the agency can leverage tools such as iSEBA, a search engine marketing optimization technology, used throughout Isobar, Carat's interactive holding company.

C+



DIGITAS

NUMBERS **B-**
Revenue up 26 percent to \$196 million. Wins: Procter & Gamble (named to interactive roster), General Motors (domestic AOR), Home Depot (interactive), Whirlpool (lead interactive agency), InterContinental Hotels Group (relationship marketing AOR). Losses: Ameriprise (shop still does project work), BestBuy, Federal Express. Fifth-best revenue gain, but coming off second-largest base, lifts grade.

CREATIVE **B-**
Work isn't always flashy, but generally delivers. American Express nine-day "Going Once" promotional effort—which used steadily declining prices as lure for consumers to buy travel packages—big, differentiating idea. IBM's Executive Interaction Channel, aimed at the C-suite, makes finding interesting content across a wide variety of topics simple, with minimal navigation. Pontiac site puts configurator front and center, and integrates all car pricing and customization information into one screen.

EMERGING MEDIA **B-**
Digitas launched one of YouTube's first, and most high profile, advertising programs: the YouTube Underground, sponsored by Cingular, a Web-based battle of the bands. For last year's AmEx sponsorship of the Tribeca Film Festival, agency let users employ cell phones and iTunes to distribute and subscribe to series of consumer-generated, 15-second films.

MANAGEMENT **B-**
Agency ended 2006 on better note than seemed possible in July, when negative headlines caused stock of holding company, Digitas, Inc., to tumble. As part of second-quarter earnings announcement, Digitas, Inc. CEO lowered company's forecast, in part because Digitas agency lost three accounts totalling \$10 million-\$15 million in revenue. CEO David Kenny and president Laura Lang moved swiftly, ousting Chicago managing director Barbara Mousigian (office lost two accounts). Digitas, Inc. let go 50 employees across its offices in third quarter. By year's end, Digitas was restaffing as new business and organic growth from clients led to rebound. Though GM cut spending, shop recouped some lost revenue by winning automaker's AOR business late in the year.

COMMENTS
Publicis Groupe's acquisition of holding company for \$1.3 billion in January is already paying off, with Publicis CEO Maurice Levy calling the Digitas agency the centerpiece of his holding company's digital buildout. Agency (along with traditional sister shops), won Oral-B in April, which P&G global marketing officer Jim Stengel says is "a pilot effort" of aligning brands with one agency group.

B-

MODEM MEDIA

NUMBERS **D**
Revenue up 12 percent to \$95 million on restated 2005 numbers. The slowest growing of the three Digitas agencies acquired by Publicis late in 2006. Key client Delta spent the year in bankruptcy, restructuring its business; account spend declined nearly 14 percent. Fared better outside U.S.: new business assignments from HP in Europe and Middle East. Added small account wins with Barilla, Shell, Subway and Wells Fargo. Lost Royal Bank of Scotland, concluded project work for Revlon.

CREATIVE **C+**
Many of Modem's clients are in utilitarian areas, like b-to-b, travel and packaged goods, but shop brings them to life in new and unusual ways. "Tea Runner," a viral video, was its biggest hit, mimicking the European craze of "free running" in an office setting, driving home the notion of mobility and flexibility for HP laptops. Work for Delta to reach skiers is more workmanlike, giving users ability to produce snowboard tricks in banners with an info-heavy microsite that marries air deals with resort details. Banner pushes for Kraft and Turbo Tax is typical fare.

EMERGING MEDIA **C+**
President Martin Reidy wants Modem to be the Web 2.0 agency, as proficient in widgets as Web sites. Early success in viral video like "Tea Runner" shows potential, but 2006 was mostly marked by small experimentation. Mini success story came from Dice.com, which tapped into conversational marketing with simple but smart idea: Let IT pros complain about their jobs. Modem's banners took in feeds of "Why your job sucks" from banners and used them as content in the ad unit.

MANAGEMENT **C-**
In first full year after Modem merged the Digitas and Modem London and San Francisco operations, bolstered media practice with opening of New York office. Added AKQA vet Christine Bensen in San Francisco. Improved creative chops with hire of Wheel's Chris Clarke in London. HP expansion gives shop presence outside London in mainland Europe and Middle East.

COMMENTS
The outlook for Modem is uncertain in the wake of the Publicis acquisition. With Digitas absorbing MBC to form Digitas Health, Modem is the extra digital asset. Publicis plans global expansion for Digitas, but is mum on Modem. One possibility is tying it closer to Publicis USA, although an outright merger would be difficult due to client conflicts.

C-

MRM WORLDWIDE

NUMBERS **C**
Revenue up 23 percent to \$170 million. Retainer wins: GlaxoSmithKline, 21st Century Insurance, Sovereign Bank. Named one of four Unilever global digital shops. Retainer losses: Maybelline.

CREATIVE **C+**
Work won't blow anyone's socks off, but not an embarrassment, either. Clarification.com, for Microsoft's Windows Vista, humanizes the software behemoth by using *Daily Show* regular Demetri Martin to inject some humor into promoting a boring operating system. Intel work takes similar humor tack—obsoletepc.org shows people turning their old PC parts into piñatas, skateboards and so forth while also sharing information about where old computers can be donated or recycled. Priceless.com's "Priceless Picks" for MasterCard extends long-running campaign by letting consumers offer their own priceless experiences. Partnership with Flickr to create the Nikon Stunning Gallery yields some beautiful user-submitted pictures.

EMERGING MEDIA **C+**
Most obvious symbol of MRM's emerging media capabilities is stewardship of the IPG Emerging Media Lab. Shop is making strides on working in a variety of emerging-media elements. For the Army, with its youth target, efforts have included MySpace, podcasts and ring tones. With General Motors, for which it is European emerging media partner, the Opel Corsa launch used media ranging from blogging and mobile to instant messaging.

MANAGEMENT **C+**
MRM didn't make major headlines in 2006, but grew at a steady clip. Shop is taking on more visible role within IPG, leading digital task force. Greg Johnson, the shop's evp, global innovation, was central to the creation of the IPG Lab, and agency shows initiative in partnering with social networking site Vox to build new ad model. Major additions to CEO Reuben Hendell's team include Paran Johar, evp, digital marketing, North America, from Tribal DDB and Tim Cunningham, evp, strategy, North America, from Digitas. Biggest departure was Scott Sorokin, global account lead on Intel, who left for Carat Fusion in April.

COMMENTS
In an explosive year for online advertising growth, MRM had a strong year. Now a global network on par with more established rivals, a few big wins in 2007 would solidify MRM's status.

C+

ORGANIC

NUMBERS **B**
Revenue up 40 percent to \$98 million. Double-digit growth in key clients DaimlerChrysler, Bank of America, Sprint. Had a solid new business year. Wins: Chevron, iVillage and Samsung, plus 30 project wins including eBay Motors, Sony Pictures and Condé Nast's ShopVogue redesign. Lost: Sirius.

CREATIVE **B+**
With mantra of creating "exceptional experiences," Organic typically balances usability with bells and whistles. Redesign of ShopVogue.com recreates the ads-as-content experience of high-end glossy fashion magazines. Adds click-to-buy, save-to-favorites and send-to-a-friend functionalities to products within ads. Showcased power of online video to change all categories with Bank of America's "Business 24/7" small-business site. Rather than BofA talking at visitors, site showcases real small-business owners.

EMERGING MEDIA **A**
Organic established itself as a leader in social networking, thanks to early adopter entertainment and auto clients. Showed the potential of MySpace for viral marketing by drawing 3 million users to add "X-Men" as a friend. Created first YouTube brand channel by linking Fox's *Prison Break* with Paris Hilton. Used MySpace and Facebook for several engagement campaigns beyond media buys, using them as online hubs for its "Uncharted" concert series rather than a brand site. Took immersion to new level through Jeep Lost Experience alternate reality game, creating a parallel storyline around the mysterious Hanso Foundation. Took cues from LonelyGirl15 phenomenon to let users participate in the experience, while integrating Compass into storyline.

MANAGEMENT **B+**
CEO Mark Kingdon committed shop to helping clients navigate Web 2.0 social-networking, user-generated content craze. Several top executives were poached, but capable replacements were brought in. Established group dedicated to emerging platforms including social networks, video on demand and gaming.

COMMENTS
At a time when some interactive shops are looking for a point of differentiation, Kingdon has Organic squarely focused on building off its signature work, which marries consumer insights and measurable results. Stands to benefit from DaimlerChrysler shifting marketing online, but could still be at risk from carmaker's shaky future.

B+

R/GA

NUMBERS **B**
Revenue up 33 percent to \$91 million on restated 2005 estimates. Continued steady growth from Nike, Verizon and Nokia. Wins: L'Oreal global assignment, Legg Mason, Corbis; expanded Nike into Canada. Losses: none.

CREATIVE **B+**
R/GA remains the home of beautiful design work with technology firepower to make it experiential branding. Combining design heritage with traditional storytelling still a work in progress. Nike Women Rockstar Workout is innovative use of video on Web, allowing users to click within videos to direct own experience. While engaging, it can sometimes feel directionless. R/GA is much more at home with the beatbox mixer site it built for Verizon, using tech know-how to meld video, music and consumer interactivity to show off power of broadband connections. Nokia work was similarly technically excellent, fitting with high-end customer base for the Nseries camera.

EMERGING MEDIA **A-**
R/GA does not build out a MySpace page. Rather it looks to creative uses of new technologies, such as mobile. Nike+ was a hit because it was not advertising as image building, but advertising as utility: R/GA created software that transfers runners' mileage to the Web, then added a social networking site that made it even more useful. A similar ethos behind a "bluecasting" campaign for Nokia let passersby download local maps to their cell phones from outdoor ads.

MANAGEMENT **B+**
CEO Bob Greenberg has made bolstering shop's storytelling cred a priority, made evident by hiring creatives with traditional experience like Berlin Cameron United vet Taras Wayner. Took first tentative steps outside New York base, establishing a London outpost to serve the Nokia account. Made moves to diversify shop by quietly starting a media practice during the year. It also launched a mobile and emerging-media platforms group under vp and ecd Rich Ting.

COMMENTS
When asked who he considers R/GA's peers, Greenberg is more apt to name Crispin than Avenue A/Razorfish. Yet R/GA in 2006 was still in competition with Web agencies for most pieces of business. Its Nike+ work, however, shows how agencies can blur the line of branding and product to create useful applications consumers want, rather than messages they avoid.

B+

TRIBAL

NUMBERS **A-**
Revenue up 35 percent to \$160 million on restated 2005 estimates. Wins: Unilever, GlaxoSmithKline (named to global digital rosters); Novartis diabetes treatment, Lenscrafters, United Technologies, AMD, EchoStar (all domestic AOR); PepsiCo's 7Up, Mirinda (international digital AOR). Losses: J.C. Penney, Home Depot. Third-largest percentage increase off fourth-largest revenue base lifts grade.

CREATIVE **A-**
Agency excels at integrating brands with pop culture. Creative highlighted by shaveeverywhere.com for Philips Norelco's Bodygroomer, which used raunchy humor to explain why men shave everywhere; received major media pickup. For VW Polo in the U.K., leveraged car's "short, but fun" positioning by licensing 30-second send-ups of popular films starring cartoon rabbits. McDonald's "Fantasy Fan Kit" incorporates logos, mascots and "jeerleaders" to up trash talk among fantasy sports fans.

EMERGING MEDIA **C**
Shop certainly employs its share of emerging media, but not particularly strong in this area. For VW Eos, Tribal created showroom with purchase info and dealer search downloadable to cell phones. Clorox, in Times Square during holiday season, allowed users to interact with snowflakes. Mashup of Nike Germany and Google Earth interesting way to illustrate where gravity-defying moments in sports history have occurred throughout globe.

MANAGEMENT **B**
Robust new business, award-winning creative obscured management missteps. CEO Matt Freeman blundered in September, when he got caught denying Tribal was doing project work for Wal-Mart to shield work another office was doing for J.C. Penney, causing Wal-Mart to remove shop from its \$570 million review. Biggest missed opportunity came in November, when the long-time McDonald's shop lost the pitch to become the chain's first global digital agency to much smaller AKQA. Departures included Paran Johar, L.A. general manager, who left in May to join MRM Worldwide; and Scott Johnson, ecd in Dallas, who joined Draft FCB in November. Growth led Freeman to open an Atlanta office in February, and delegate to newly appointed managers heading Asia-Pacific, Europe, east and west coast operations.

COMMENTS
Agency continues to grow, but failure to win McDonald's business and Wal-Mart gaffe should keep Freeman on his toes in 2007. With plans to expand further in Asia and Europe in 2007, appointing new level of regional executives a smart first step.

B