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iCrossing Takes On World's Omnicoms

Digital Agency Wants Big Marketers to Bypass Filter of Holding Firms

By EMILY STEEL

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Nearly two years ago, Don Scales butted heads with his bosses at Omnicom Group, the largest ad holding company in the world by revenue, and wound up quitting. Omnicom wanted Mr. Scales, who was running its digital arm, Agency.com, to report to one of Omnicom's traditional ad agencies. He refused.

Now Mr. Scales is going after Omnicom again, but this time in a different capacity.

Mr. Scales is the chief operating officer of iCrossing, a rising independent digital agency. Most big marketers still use ad holding companies like Mr. Scales's former employer as a clearinghouse for their advertising needs, both traditional and digital. Mr. Scales wants to sever those decades long relationships. His goal is to get companies like Coca-Cola and Procter & Gamble to go directly to a digital-only company like iCrossing for all their online marketing, rather than let the ad holding company be the filter.

iCrossing is still a long way from achieving that. So far, the company has been able to persuade only one major marketer, printer company Epson America, a unit of Seiko Epson of Japan, to take this route. It counts among its clients Coca-Cola, Toyota and Travelocity, though those companies use iCrossing mainly for its search marketing and Web-development work rather than for fast growing functions like social media or online video advertising.

Still, Mr. Scales' company has been gaining steam in other ways. In July, it received \$62 million in investment from a group led by Goldman Sachs Group and Oak Investment Partners. iCrossing has bought four specialist agencies in the past 14 months, and is now one of the biggest independent digital-marketing companies by revenue. iCrossing's fee revenue was about \$110 million in 2007, up from \$63 million in 2006.

Toyota has worked with iCrossing for four years, using the company to help redesign its Web site, and says it is pleased with the results. But Toyota says it doesn't envision shifting all its interactive work to iCrossing.

"That work is handled by [Publicis Groupe's] Saatchi & Saatchi," says Allen Vaught, interactive marketing manager at Toyota. "That is the agency we have used for 30-plus years."

iCrossing's aspirations -- and the obstacles it is running into -- highlight one of the hottest issues on Madison Avenue these days: Who will get the largest share of the fast-growing market for online ads -- the big ad holding companies or the smaller digital-only agencies? Ad holding companies tout their years of experience working with marketers and their ability to offer efficiencies because of their size, while digital-only agencies play up their greater familiarity with the online world.

Mr. Scales became chief operating officer of iCrossing in 2006, just six weeks after he resigned from Agency.com. At the time, iCrossing was a \$20 million company that specialized in search marketing. Its specialty was helping advertisers drive more traffic to their Web sites by increasing their visibility in the results pages of search engines.

Since then, the company has tried to become a full-service agency. It does everything from create search ads to design marketing campaigns on social media and mobile devices. Some analysts say iCrossing's decision to branch out into other areas of marketing may, in hindsight, turn out to have been the wrong move.

"It could be difficult for them to go to the market and say they are both a search provider and an agency," says Brian Haven, an analyst with Forrester Research, based in Cambridge, Mass.

iCrossing argues that it uses its expertise in search to make its other offerings more compelling. For instance, it recently redesigned Web pages for Lincoln Educational Services, which offers programs for career training in fields such as automotive, culinary, beauty and health care. iCrossing designed the site so that visitors see different home pages, depending on what they searched for.

Mr. Scales has an unorthodox background for a Madison Avenue executive. The 52-year-old has degrees in chemical engineering and mathematical physics from Rice University, as well as a Harvard M.B.A. and started his career as a management consultant at Arthur D. Little. In 1996 he took an executive job at a tech start-up called Exe Technologies. Three years later, he became chief executive of eJiva, an Internet-focused software company.

Since joining iCrossing, Mr. Scales has brought over several midlevel executives from Agency.com. In the past couple of years, he has been heavily involved in iCrossing's acquisition strategy and in integrating the new companies. This year, Mr. Scales, who spends most of the week on the road, says he is on the prowl for more acquisitions in areas such as online video, media planning and buying, and mobile.

Mr. Scales, known among his staff for his sense of humor, sends out weekly emails called "Don's Download" that highlight the best work of the week. He also lets the creative teams at the agency design the newsletter and play with his picture. He has appeared as Johnny Cash, Shrek and Elvis.