CHAPTER 4

ADVERTISING AGENCIES

INTRODUCTION

Advertising agencies have played a significant role as one active participant in the advertising plans and campaigns they have grown with the times. An advertising agency may be defined "as a professional organisation of specialists to offer sources in advertising clients that on a commission or a fee basis, assists in planning preparing placing and checking the advertisements". It provides a specialised knowledge, skills and experience needed to generate effective advertising plans and campaigns layouts for advertisements, getting blocks made for layouts, placing the advertisements in suitable media choosing the description of brands, designing the package, undertaking market research and so on. In short, the role of an advertising agency is to plan, create, produce and place advertisements for its clients. Clients of advertising agencies profit making business enterprises and other organisations. The American Association of Advertising Agencies has defined advertising agencies as "An independent business organisation composed of creative business people, who develop, prepare and place advertising in advertising agencies media, for sellers seeking to find customers for their goods and services. An advertising agency has to come into existence as a highly specialised institution. It rendered advisory as well as active service to its clients, the advertisers.

An advertising agency is a service organisation. It is a profession body of specialist, which undertakes growing up and carrying out of advertising plans. An advertiser finds it easier to entrust planning and preparation of advertising to an advertising agency because it has a staff that specializes in different skills. Besides planning and executing the advertising campaign, the advertising agency also performs several other services like, preparing sales promotion materials,

advertising on marketing management or public relations, preparing and distribution messages, etc. The advertising agency works as an agent or consultant of the advertiser who is manufacturer, wholesaler or retailer. The agency works according to the instructions of the advertiser. However, it is not the agent in legal sense.

In industrial advanced countries a major portion of the publicity works is handled by such agencies. The development of publicity in those countries is mainly due to the wonderful work and influence of these agencies. Advertising agencies have come up in India in cities like Mumbai, Kolkatta, Delhi, Chennai and Bangalore. Some of the well-known advertising agencies in India are Everest Advertising, M.C.M. Lintas, Shilpa Vision, Impression, etc.

A highly refines and sound agency has many departments like contact, media, copy, art and visualization, production, finance and account research and public relations. The success of agency depends upon its ability to render several useful services to the advertisers.

Each department looks after a particular sphere of activity. All the departments are well co-ordinated.

The advertising agency has evolved to provide specialised knowledge skills and experience need to provide effective advertising campaigns. It provides a quality and range of service greater than any modern commercial world. There is a tendency towards specialisation. The advertising agency specialises on advertising methods and media. It provides expert services and guidance on marketing problems at low cost. Such an agency employs the services of highly experienced specialists in the art of advertising and had excellent facilities. An advertising

agency offers objective and competent advice; the agency has contact with numerous sources of essential information and as a result is better informed than the manufacturer. The firms advertising their goods may be experienced in planning and preparing advertising campaigns. Today in the days of specialization advertising agency in advertising methods and media decisions. It also provides services and guidance on advertising and marketing problems relatively low cost. It employs the services of highly experienced specialists in different aspects of advertising and provides various advertising facilities. The advertising agency establishes a link between advertise and media owners. An advertising agency provides competent advice. It has easy accent to and close contracts with numerous sources of initial information.

MEANING OF ADVERTISING AGENCY

An advertising agency may be defined as "a professional organisation that on a commission or free basis, assist clients in planning, preparing, placing and checking advertisements".

In the words of *William Stanton*, "An advertising agency is an independent company rendering specialised services in advertising in particular and marketing in general".

The American Association of Advertising Agencies defines an advertising agency as "an independent organization of creative people and business people who specialize in developing and preparing advertising plans, advertisements, and other promotional tools". The agency purchases advertising space and time in various media on behalf of different advertisers, or sellers—its clients—to find customers for their goods and services.

This definition offers clues as to why so many advertisers hire ad agencies. First, agencies are *independent*. They aren't owned by the advertiser, the media, or the suppliers, so they bring an outside, objective viewpoint to the advertiser's business—a state the advertiser can never attain.

The agency employs a combination of *businesspeople* and *creative people* including administrators, accountants, marketing executives, researchers, market and media analysts, writers, and artists. They have day-to-day contact with outside professional suppliers who create illustrations, take photos, set type, retouch art, shoot commercials, and record sound. They keep abreast of technological advances, price changes, and current production problems.

The agency provides yet another service by arranging and contracting for broadcast time and magazine or newspaper space. Because of its *media expertise*, the agency saves the client time and money.

Finally, good agencies have the savvy, skill, and competence to serve the needs of a variety of clients because of their daily exposure to a broad spectrum of marketing situations and problems.

Agencies work for their clients, not for the media or the suppliers; their moral, ethical, financial, and even legal obligation is to their clients. Just as a well-run business seeks professional help from attorneys, accountants, bankers, or management specialists, advertisers use agencies because they can create more effective advertising — and select more effective media —than the advertisers can. Today, almost all sizable advertisers rely on an ad agency for expert, objective counsel and unique creative skills — to be the guardian of their brands.

EVOLUTION AND HISTORY OF ADVERTISING AGENCY

Volney B. Palmer in Philadelphia started the first advertising agency as a space broke in a newspaper in 1841 that acted as a simple agent, selling space for his client newspaper on a commission basis. No efforts were made by him to help the advertiser to prepare copy, design a layout and provide the many specialised services now performed by a modern agency.

Since then there is considerable change in the nature of an agency, but the method of compensation in the form or a fixed percentage of advertising billing continues inspite of the inherent defect of the system, for the agency generally recommends only a higher media budget.

The agency started to prepare advertisements and deliver them through the advertisement media was only by the beginning of this century. *Lord and Thomas* was probably the first agency in the USA, with a reputation for creative work in advertising. It hired copywriters, who did a marvelous job. One of the famous advertisement deliveries of this agency was for a new washing machine. Other agencies also started adopting the new services; and soon many advertisement agencies had established departments for copywriting, artwork, layout design, media selection etc. Over the next several decades, the advertisement agency improved the quality of its services, besides offering additional new services at extra charge. Agency growth has been increasing since then. It has grown in size and influence through the years, indicating an ability to create effective advertising. There were several large agencies towards the end of the first half of this century, providing a full range of advertising services. They produced effective advertisements by considering consumer psychology and human needs and

wants Creative advertising appeals in an effective manner influenced consumers to buy the advertised products and services. In fact, advertising at this stage became a part of the overall marketing mix, furthering the sales of marketing strategy. In 1972, more than 20 agencies, each having billing of more than 100 million dollars, were established in the USA alone. The largest was *J. J. Walter Thompson*, which had 6,300 persons in its worldwide operations, having a total billing of 764 million dollars in 1972.

Most of these large agencies of the world fiercely compete for new accounts, resulting in a shift of million of dollars of billing from one agency to another. At Madison Avenue, in 1967, according to Advertising Age, there were 5,618 advertising agencies in the USA, with a total billing of about 7.5 billion dollars. Advertising Age is an official publication of the *American Association of Advertising Agencies (AAAA).* The actual business of an advertising agency may be much more than the figures given above, for reliable quarters feel that the statistics quoted by Adverting Age are much too conservative.

In 1998, in India, advertising business was worth Rs. 160 crores out of which Rs. 98.5 crores was in the press media i.e. Newspapers and Magazines; all the other media put together accounted for the remaining. In 1950 there were only 62 advertising agencies, which became 168 in 1978. In 1963 the number of publications registered with the Registrar of Newspapers increased sharply from 9,315 to 17,064 in 1977; The oldest and largest advertisement agency in India is Hindustan Thompson Associates Ltd., which had a gross billing of Rs. 13.50 crores in 1978-79 and employed 450 persons. The second largest advertisement agency is the Clarion Advertising Services Ltd., which had billing of Rs 8.15 crores and employed 420 persons in the same year. The top 10 advertising agencies put together had a share of Rs. 60 crores advertising business in 1978-79. In the USA,

the advertisement business is concentrated in only a few giant agencies. Only 4 % of the total number of agencies handled the bulk of billion – 70 % while 73 % of the agencies shared 8% of the total advertisement business. This was way back in the late sixties. But there is no substantive change in the picture.

FUNDAMENTAL TASKS OF ADVERTISING AGENCY

Advertisers and agencies must perform certain basic functions including *administration, planning, budgeting, co-ordination,* and *ad creation** .

ADMINISTRATION

Advertising organize and staff the department and recommend programs based on the company's marketing plans and budgets. They must thoroughly understand the major factors influencing the company's marketing activities. Advertising managers also analyze competitive advertising, evaluate their own ads, and establish procedures for handling inquiries.

PLANNING

Once or twice a year, advertising managers prepare formal proposals for management's approval. In the meantime, planning is a constant, ongoing process of defining and redefining goals and objectives, performing research, developing strategies, scheduling ads, and evaluating results.

BUDGETING

The advertising manager formulates the annual budget and presents it to top management. The manager then sees that staff people adhere to the budget. Exhibit shows which activities should be included in the budget.

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* *Advertising*, John Borvi.

CO-ORDINATION

Business activities usually fall into three broad functional areas : production, finance, and marketing. Advertising, like sales, is a marketing activity. The advertising manager must co-ordinate advertising activities with other marketing functions, as well as with production and finance activities. For example, sales and advertising people tell the production department which product and packaging features may improve customer satisfaction. They may consult with the accounting department for records on overhead, ad production, and media costs. And the legal department helps protect against trademark and copyright infringement and ensures ads are accurate and legal.

Advertising departments and agencies also supervise and co-ordinate outside advertising services such as the media and suppliers. The department or agency screens and analyzes the various services available, makes recommendations to management, and usually decides which services to use. The advertising manager then evaluates the work performed.

SOME ITEMS BELONG IN THE ADVERTISING BUDGET CHARGEABLE		
• Space and time costs in regular media. • Advertising consultants • Ad-pretesting services • Institutional advertising • Industry director listings	• Readership or audience research • Media costs for consumer contests, premium and sampling promotions • Ad department travel and entertainment expenses • Ad department salaries • Advertising association dues	• Local co-operative advertising • Direct mail to consumers • Subscriptions to periodicals and services for ad department • Storage of advertising materials

SOME ITEMS QUESTIONABLE DEBATABLE		
• Catalogs for consumers • Classified telephone directories • Space in irregular publications • Advertising aids for sales people • Financial advertising • Dealer help literature • Contributions to industry ad funds • Direct mail to dealers and jobbers • Office supplies • Point-of-sale material	• Window display installation costs • Charges for services performed by other departments • Catalogs for dealers • Test marketing programs • Sample requests generated by advertising • Costs of exhibits except personnel • Ad department share of overhead • House organs for customers and dealers • Cost of cash value or sampling coupons	• Cost of contest entry blanks • Cross-advertising enclosures • Contest Judging and handling fees • Depreciation of ad department equipment • Mobile exhibits • Employee fringe benefits • Catalogs for salespeople • Packaging consultants • Consumer contest awards

SOME ITEMS DON'T BELONG IN THE ADVERTISING BUDGET NOT CHARGEABLE		
• Premium handling charges • House-to-house sample distribution • Packaging charges for premium promotions • Cost of merchandise for tie-in promotions • Product tags • Showrooms • Testing new labels and packages • Package design and artwork • Cost of non-self-liquidating premiums • Consumer education programs • Product publicity • Factory signs • House organs for salespeople	• Signs on company-owned vehicles • Instruction enclosures • Press clipping services • Market research (outside produced) • Samples of middlemen • Recruitment advertising • Price sheets • Public relation consultants • Coupon redemption costs • Corporate publicity • Market research (company produced) • Exhibit personnel • Gifts of company products	• Cost of deal merchandise • Share of corporate salaries • Cost of guarantee refunds • Share of legal expenses • Cost of detail or missionary people • Sponsoring recreational activities • Product research • House organs for employees • Entertaining customers and prospects • Scholarships • Plant tours • Annual reports • Outright charity donations.

Exhibit

A CONSULTANT'S ROLE

In the first place, an advertising agency acts, as a consultant to its client, the advertiser, in formulating the advertising plans and translating them into advertising campaigns. The other role of the agency, namely placing the advertisements, arises from its traditional association with the media. The placement aspect has assumed great importance due to substantial increase in the media and attendant complexities.

CONTINUITY AND CONFIDENTIALITY

Advertising is the major continuous function of a business that is almost universally delegated outside the company. Advertising is basically oriented towards the goals and objectives of the advertiser and the corresponding future operations. There is an inherent element of confidentiality in advertising and it's implementation. An agency would need an intimate understanding of its client's business goals and marketing plans and modalities of organising and administering them. It will require an insight into the client's strengths and weakness regarding the advertising account it is handling. Hence, the relationship between the advertiser and its agency involves a considerably degree of confidentiality.

SERVICES RENDERED BY ADVERTISING AGENCY

In modern world advertising is a very specialised job. Now a days it is a profession. A question many times is asked as to why the people should employ an advertising agency. There is very simple and straightforward answer that it provides very useful services to the advertiser. Therefore the marketers, manufacturers and businessmen employ the advertising agency. Sometimes, smaller one's, have to depend upon the advertising agency. For their full advertising campaign some firms employ the advertising agency from the beginning to the end while some others rely on them only for some specialised activities i.e., media selection or message designing etc. The several services rendered by an advertising agency may be given as under: -

1. **Ad Agency is a Boon to Small and Medium Sized Units :**

   Advertising agency is a boon specially to small and medium sized business units because such units are financially unsound that they can establish an advertising department in the organisation and bear the expenses of such establishment, nor can they undertake the ticklish and both some work of contacting the media owners and employ other

specialists. On behalf of the advertiser, the agency undertakes the responsibility of designing advertising programme economically with all the benefits of carefree ness to the advertiser. Even large sized units that are bothered about establishing the advertising department, also take help of such agencies.

2. Timely and Satisfactory Work in the fields of publicity :

Agency is highly specialised. It has wider contacts with or the experts in the various activities of the publicity business. It also has wider links with media owners that facilitates the agency to enter into contract of time and space. Its highly specialised and experienced personnel's like photographers, lithographers, singers, announcer, copy-writers, printers, actors, etc. are always in the best service of the client and the duty of the agency director is to top the skill of these personnel's fully in the interest of the business. With these facilities, the quality of advertisement improves considerably and guarantees timely presentation of advertisements to the satisfaction of advertiser. An advertising agency has to provide satisfaction to the advertiser otherwise agency may lose the client.

3. Non-advertising Activities :

In modern age, the agencies provide a wide range of non-advertising and marketing activities. They assist in-selecting target consumer; determining prices and discounts; designing strategies. Such agency has become marketing specialists or consultants. In fact, some organisations virtually term the planning and directing of the marketing programme over to agencies. The non-advertising marketing services are performed by the agency itself or it arranges the specialists for such services. The company's decision to borrow the services of an any agency for non-advertising activities depends upon the following factors : -

(i) As contrasted with a stable environment its competitive environment is changing rapidly.

(ii) The agency has much knowledge about the product and the industry; and

(iii) The costs of agency services are lower than the costs of alternative sources.

Thus, advertising agencies provide a wide range of advertising and non-advertising services to their clients and thus they share the burden of their accounts. They take up the responsibility of carrying out the full advertising campaign. Recently, limited service agencies have sprung up that provide faster service at lower cost.

4. Proper Appropriate of Funds :

The agency provides assistance to the advertiser in appropriating the advertising funds economically because it knows the cost of advertising with each media and hence its experts staff can provide better advise the adviser in the allocation and best utilization of available funds. If such expert advice is not available, the common adviser may misapply the funds to his disadvantage due to the lack of through knowledge of advertising activities and their costs. Thus, the advertiser can utilize his available advertising funds for the benefit of the business.

5. Conducting Market Research :

Market Research work is undertaken periodically by the advertising agencies. Research department in their organisation is maintained to collect, analyse and interpret the market data in relation to various market segments, product, and other marketing activities. Research

dilemma is the greatest when the agency first takes a new case of advertising where it is urgent to get full acquaintance with the client's past history, present needs and future potential. The result of the research can very easily be applied by the agency in order to carry out the work more efficiently and for the benefit of clients such as better designing of advertising programme with a timely message can be presented that will result in better business to the client as well as to the agency.

Is it Need to use an Advertising Agency :

A question is asked whether it is necessary or essential to employ an advertising agency in every business to take up the job of advertising. In the light of the services rendered (advertising and non-advertising) by the agency the question may be answered very easily.

Usually, the big concern, establish an advertising department with their organisation under the headship of an experiences and expert advertising director or manager. In general, this department works independently in a typically big business but in most of the cases, it works under the marketing department. This department undertakes the full responsibility of undertaking the full range of advertising activities. Such companies do not engage the advertising agencies and, instead, employ the various experts and specialists in the company. But sometimes, this department does not perform the full range of advertising activities due to one or the other limitation- may be lack of perceived staff or time. In such circumstances even big companies take help of advertising agency or various independent specialists. The advertising department provides complete assistance to the executive of the agency so that the campaign becomes effective and possible.

For small and medium sized enterprises the case is quite different. They do take help of the advertising agencies to undertake their advertising campaign, for two reasons : -

(i) Small and medium units are financially unsound to carry the burden of establishing a separate department in the organisation for this purpose and employ a team of experts.

(ii) It is different to contact various experts and media owners.

The agencies share their anxiety and help them by providing a wide range of services of experts and experienced staff at reasonably economic rates. Thus, it is necessary for a small or medium sized industry to take advantage of the services rendered by such agencies.

The financial soundness of the advertiser, budget appropriations for advertising campaign, facilities provided by the agency and cost of agency services as compared to other alternative resources is very important in the decision whether it is essential for the advertiser to use an advertising. Thus, it can be concluded that it becomes essential for a small and medium sized unit to use the services of an agency while big industries can also take help of such agencies in selected areas considering various limitations experienced by them from time to time.

In general the following services are offered by the Ad Agencies:

1. Industrial photography in color and black and white.

2. Scheduling of advertisements in all national and regional dailies and periodicals, in English and various other languages.

3. Preparing write-ups, profiles, new releases, writing and editing for house journal and material for brochures, folders, etc.

4. Preparing visuals, art works and designs for various kinds of advertising. Conversion to blocks, matrices, stereos and art-pulls.

5. Designing of company emblems, logos and stationary.

6. Complete designing of prestigious folders, brochures, house journals, annual reports, magazine covers, sales, literature, cartons, etc.

7. Organising press conferences and co-ordinating publication of news items in various media.

8. Co-ordinating and supervising printing of stationary, folders, brochures, house journals, cartons, posters, hangings, etc.

9. Market survey, readership survey and publicity campaigns of all kinds.

10. Any other public relations work on behalf of clients on specific assignment.

FUNCTIONS OF AN ADVERTISING AGENCY

An advertising agency is an independent enterprise, which provides a series to its clients. It helps advertisers to create advertisements and place them with the appropriate media. An agency is purely a service business manufacturing nothing but selling its services. It generates ideas for making good advertising. Its assets are creative and expertise. It has nothing tangible except its office furniture. Advertising agencies are an important, and indispensable, aid in devising and implementing advertising strategy.

There is other co-operate function area, in which the use of outside help is so prevalent as in advertising. Consumer goods manufacturers mainly depend upon advertising agencies during the advertising decision process, perhaps because of acknowledged difficulty of developing advertising rather than being ignored. In the service of creating and preparing advertising for their clients at economic rates advertising agencies have specialised.

Media planning is one of the more important services provided by an advertising agency. They employ Media specialists for their clients in determining media mixes and schedules. The significant developments in the field on media planning have been the result of work of, and financial support by, these agencies. Advertising agencies also provide some other non-advertising services such as marketing research, public relations tasks, helping the client make decision regarding price fixations, package and product designing, distribution and presentation of advertising strategy to client.

Regarding other services, agencies study the products, markets competitors and the promotional problems of their clients. They work for them and attempt to build attractive and favorable image for their accounts brands. Agency's accounts executive or accounts representative is the liaison person who manages an account.

An advertising agency usually performs the following major functions:

1. Selection of prospects in every business :

Obtaining new clients is the most important function and it is the main task of advertising agency. The preference in selecting the clients is entrusted to those firms, which have sound values, able management, efficient operations products and services. The advertising agency should consider following points while selecting the prospects -

(i) The new clients should be growth companies and located nearby; because if an adviser's sales have been falling or if his advertising has been getting low ratings, may be, he will be more receptive to the idea of changing agencies.

(ii) The agency should not go after prospects that are directly competing with the present clients. An agency handling DCM

RATH Account would hardly try for Hindustan Liver's DALDA Account for the reason that the agency client relationship is very intimate and confidential. If both are competitors an agency may drop a small account to get a big one.

(iii) The advertiser's financial condition is the prime most consideration because the agency's credit relationship with a client is that of creditor and debtor. If the client is financially sound the agency will not find any difficulty in realising its bills.

SELECTION OF NEW CLIENTS

The following techniques are generally applied in getting new clients :

1. **Personal contact and solicitation :**

   The major technique, generally followed by the agencies to get new prospects is personal contact and solicitation. To contact new and new accounts the business of account executive.

2. **Change in an agency :**

   Change in an agency may be recommended to an advisor who likes a change because the other agency could not satisfy him. They may get tips from the media or media representative or trade journal.

3. **Contact through screening Questionnaire :**

   An advisor approaches a number of advertising agencies by posting an exploratory screening questionnaire. The advertiser will then select an agency out of those, which responded after going through their terms and conditions. The account executive may contact the adviser and convince him of their services and get the account.

4. **The Advertising Agency to Advertise :**

Another techniques to get new accounts is for the advertising agency to advertise. The direct mail to some selective accounts may be the most suitable, confidential and economical method. It provides an opportunity to the agency to demonstrate its capabilities. The agency may advertise in trade journals.

2. **Advertising Planning :**

In big firms the responsibility of the planning is with the advertising departments headed by advertising manager. In effect a portion of that responsibility may be delegated to the agency if it is used. The agency besides assisting in the development of advertising plan itself, the agency must do considerable planning in carrying out its own functions of creating and placing advertising. The agency requires for this purpose a thorough knowledge of the firms products, its advertising history, market conditions, firm's distribution method, competitors products- their pluses and minuses, as job. This will help the advertiser who wishes to position the product in the mind of consumers.

For this purpose, the agency conducts extensive mark research for the client's product for ascertaining the extent of the market for the product and to decide who buys it, when, where, how, and why. The correct timing direction of the advertising campaign can be increased by such information. Competitor's activities are required to be taken into consideration in planning the advertising for the particular product. The agency must analyse marketing methods and distribution channels used in the past for the product for obtaining specific information regarding the business environment in which the advertising message is to operate. The advertising message should be relevant to the present and to such a nature that it is aesthetically acceptable to the consumer as well as to the trade.

Then the planning job is to decide or think about the advertising medium in which the advertisement is to appear. The agency knows the character of each medium besides audience figures and comparative costs. The advertising message must be adapted to the medium in which it is to appear. The message in different medium will be different and the impact of different media will be varying on different market segments for specific products. As the agency has background of product, market, distribution, and media knowledge, it can recommended advertising strategies for presenting the product to the prospective buyers. These ideas are presented to client for approval. The agency will carry them out after the approval.

3. Of Media Selection :

Media selection is the highly specialised function of the agency. The goal media selection is to choose the advertising medium or a media- mix, that will do the best and will appeal to the client's prospects. Securing the right audience is the most important factor in the media choices. So, in making a media choice several factors such as media cost, circulations, population to which it serves, audience, incomes and other relevant information must be asserted.

4. Creative Function :

The ads are created after the media choices are made. Specific advertisements are created. Copy is written: layouts are done: illustrations are drawn or photographed; advertising messages are prepared in correct mechanical form for running in the selected media and commercials are produced. These functions are performed by a varied group of creative people including writers, artists, designers, producer, and graphic art specialists. Creative function may be under one department or various separate departments for copy, art, broadcast and production may be established depending upon the nature and size of the business. Creativity involves a novel or infrequent expression, response or concept. Creativity in advertising must be oriented to and correlated with marketing

situation and serve as a communication problem solver. It may be described as presenting a product in a way that tempts people to buy it. The selling agencies personnel in the interest of advertiser generate the new ideas.

5. Marketing Functions :

Advertising agency also carries non-advertising marketing functions such as selection target consumer; determining prices and discount; designing products and packages. Developing channels of distribution strategy etc. and are called marketing specialist or consultants.

6. Research :

Research is one of the important functions of advertisement agencies to support the decision taken in the creative and media areas. The agency collects and analyses actual information about the product, market, competitors and buyers habits that may help the creative personnel to make better advertisements copy or message for client.

7. Co-ordination :

Co-ordination is synchronization and unification of activities. Coordination with client's sales force and distribution network to ensure the long run success of the advertising programme is one of the important functions of the advertising agency. Maximum sales from the combined efforts of salesmen, distributors or retailers - all assisted by advertising are aims of the activities of the agency.

Thus, an agency performs many important functions.

TYPES OF ADVERTISING AGENCIES

Advertising agencies are normally classified by the range of services they offer and by the type of business they handle.

FULL-SERVICE AGENCIES

The modern **full-service advertising agency** supplies both advertising and non-advertising services in all areas of communications and promotion. Advertising services include planning, creating, and producing ads, performing research, and selecting media. Non advertising functions run the gamut from packaging to public relations to producing sales promotion materials, annual reports, trade-show exhibits, and sales training materials.

Full-service agencies may be *general consumer agencies or business or industrial agencies.*

General Consumer Agencies : A **general agency** represents the widest variety of accounts, but it concentrates on consumer accounts—companies that make goods purchased chiefly by consumers (soaps, cereals, cars, pet foods, toiletries). Most of the ads are placed in consumer media—TV, radio, billboards, newspapers, and magazines—that are *commissionable* to the agency. General agencies get much of their income from commissions paid by the media for ads placed on behalf of clients.

General agencies include international superagencies and many other large firms in New York, Chicago, Los Angeles, Minneapolis, Montreal, and Toronto (Saatchi & Saatchi; Ogilvy & Mather; Foote, Cone & Belding; Ayer; Cossette Communication-Marketing; and Young & Rubicam) and thousands of smaller entrepreneurial agencies (Rubin/Postaer, Los Angeles; Ruhr/Paragon, Minneapolis, Geoffrey Roche & Associates, Toronto; BCP, Montreal; The Martin Agency, Richmond).

Profit margins in entrepreneurial agencies are often slim, but they are more responsive to the smaller clients they serve, and their work is

frequently startling in its creativity. Some entrepreneurial agencies carve a niche for themselves by serving particular market segments. These include agencies that produce ethnic specialty ads like Muse Cordero Chen, Mendoza Dillon, Castor Spanish International, and Burrell Advertising.

INDUSTRIAL AGENCIES

An **industrial agency** represents clients that make goods sold to other businesses; for example, computer hardware and software, smelting furnaces, locomotives, and radium counters. Business and industrial advertising requires highly developed technical knowledge and the ability to translate that knowledge into precise and persuasive communications.

Most industrial (also called **business-to-business**) **advertising** is placed in trade magazines and other business publications. These media are commissionable, but because their circulation is smaller, their rates are far lower. Since commissions often don't cover the cost of the agency's services, industrial agencies frequently charge the client an additional service fee. Although expensive, especially for small advertisers, failure to obtain an industrial agency's expertise may carry an even higher price in lost marketing opportunities.

Business and industrial agencies may be large international firms like Maclaren/Lintas in Toronto or like HCM/New York, which handles Ashland Chemical, IBM, and United Technologies. Or they may be smaller firms experienced in such special areas as recruitment (help wanted) advertising, health and medicine, or electronics.

SPECIALIZED SERVICE AGENCIES

In the early 90s, specialization blossomed, fostering many small agency-type groups called *creative boutiques* and specialty businesses such as *media-buying services.*

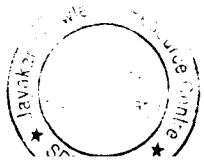
CREATIVE BOUTIQUES

Some talented specialists—like art directors, designers, and copywriters—set up their own creative services, or creative boutiques. They work for advertisers and occasionally subcontract to advertising agencies. Their mission is to develop exciting creative concepts and produce fresh, distinctive advertising messages. Creative Artists Agency, a Hollywood talent agency, recently acted as a creative boutique, using its pool of actors, directors, and cinematographers to create a series of commercials for Coca-Cola. But McCannErickson, which developed the "Always Coca-Cola" slogan, remains Coke's agency of record.

Because advertising effectiveness depends on originality in concept, design, and writing, advertisers value this quality highly. However, boutiques, although economical, usually don't provide the marketing and sales expertise full-service agencies offer. So boutiques tend to be limited to the role of creative suppliers.

MEDIA-BUYING SERVICES

Some experienced media specialists set up organizations to purchase and package radio and TV time. The largest of these **media-buying services**, Western International Media in Los Angeles, places over $720 million worth of media advertising annually for clients such as Walt Disney, Arco, US Air, and Times-Mirror.



Radio and TV time is "perishable." A 60-second radio spot at 8 P.M. can't be sold later. So radio and TV stations try to presell as much advertising time as possible, and they discount their rates for large buys. The media-buying service negotiates a special discount rate with radio and TV stations and then sells the time to ad agencies or advertisers.

As part of their service, media-buying firms provide their customers (both clients and agencies) with a detailed analysis of the media buy. Once the media package is sold, the buying service orders the spots, verifies performance, sees that stations "make good" for any missed spots, and even pays the media bills.

Compensation methods vary. Some services charge a set fee, others get a prescribed percentage of the money they save the client.

CONSIDERATIONS IN AGENCY SELECTION

A new advertiser may adopt the guidelines while selecting an advertising agency for the first time. Similar considerations will be relevant while selecting a second agency, say for handling another account or changing an agency. Those advertisers who are already in advertising business will be guided by their skill and experience.

(i) Range of services offered :

The first consideration for a potential advertiser, while selecting an agency, is the range of services offered. A typical advertising agency starts with the advertising instructions given by the client, which is taken through the stages of development of detailed plans, creating campaigns, giving the final form after processing through various stages involving artwork, photography etc., and arranging for placement in the various media agreed. An agency would sub-contract some production jobs such

as block making, printing and, in some cases, photography. However, the overall responsibility of the final output would depend on the advertising agency.

The Advertising agencies may provide the following types of additional services:

(ii) Assistance in Preparing or Reformulation Marketing Plans :

This may be a value of those clients who are not conversant with modern management approaches.

(iii) Sales Promotion :

Some advertising agencies may have specialised skills or experience in sales-promotion schemes directed at the target- market segment.

(iv) Merchandising :

Merchandising is a special area while point of purchase display material and other aids for attracting buyer attention may usually be included in overall advertising and sales promotion programmes. Apart from that merchandising may be used exclusively or in a comprehensive manner for certain clients or product groups as the dominant component of advertising programme.

(v) Marketing and Advertising Research :

There are research companies specializing in marketing research, advertising research, or both. Some advertising agencies may have a full-fledged research department, which can undertake specified studies. Normally, the adviser bears the cost. Some agencies may not incorporate a research department. They may, however, have a research team, which may undertake limited research as requested by the agency teams working on different accounts.

(vi) Product / Services Advertised :

The advertisers may be guided by the nature of the accounts handled by an agency in terms of product categories, such as consumer, industrial or engineering, and various types of services. The agency's experience of handling products / services which the advertiser would like to be advertised may be considered useful. However, an instruction must be given against stereotyping. Through extra interest and innovation an agency may, do an excellent job in handling a product range entirely new to it.

(vii) Specialised Services :

These services are offered by some advertising agencies, for example, for television or radio advertising or for technical or industrial advertising. Certain agencies may have some specialised services as part of their overall service package. A few may exclusively offer the specialised services.

(viii) Public Relations :

It should be noted that there is a certain area of overlap between advertising and public relations. Many organisational promotions - and-liaison activities are handled by the Public Relations Department of the Advertiser. In such cases Institutional advertising may form a part of the responsibility of the PR Department. Some agencies may offer services for the entire publicity for the client or the organisation.

1. LOCATION OF AGENCY OFFICE

The location of the office of the agency is the main consideration in the choice of an advertising agency, particularly in a country like India. A maximum

communication, including personal meetings, is needed at various stages of decision making in the development of advertising plans and material. Hence, it becomes rather essential for the potential advertiser to have ready access to the agency and preferable one, which has an office in the same town or city. Lack of convenient access to an agency comes in the way of going in for the advertising of many advertisers. Some agencies allow a certain periodically of visits to their clients as a part of their normal service. Such arrangement is convenient and economical in terms of time and expenses for the agency, as long as it is in the same location. For additional visits by their executives agencies may charge the client if required, potential outstation advertisers and distinctly at a disadvantage as the costs of regular and additional visits may be an inhibiting factor in the decision to use the services of an advertising agency. If they need to advertise and keep within their budget constraints, they sometimes prepare the campaigns themselves and release them directly, or for the placement of advertisments use an agency only.

2. 'LARGE' VS. 'SMALL' AGENCIES

A distinction may be made between 'large' and 'small' agencies. **Jefkins** has enumerated possible advantages and disadvantages of large and small agencies.

EVALUATION OF LARGE ADVERTISING AGENCY

Advantages of Large Advertising Agency :

1. Attraction of best brains.
2. Wide contracts and international links.
3. Better professional facilities generally.
4. Better studio facilities.
5. Market research and media buying

Disadvantages of Large Advertising Agency :

1. High costs
2. More impersonal
3. Certain lack of individiual attention
4. Risk of client being 'lost' in a large agency.
5. Lack of co-ordination between departments.

EVALUATION OF SMALL ADVERTISING AGENCY

Advantages of Small Advertising Agency :

1. Personal touch and attention.
2. Close-knit team giving individiaul attention.
3. Production Speed.
4. Awareness of client's problems.
5. Flexibility.
6. Greater accessibility due to shorter chain of command.
7. Enthusiasm.

Disadvantages of Small Advertising Agency :

1. Certain lack of experience in moire sophisticated advertising.

2. Lack of the latest and best technical facilities.

3. Fewer staff might result in fewer ideas.

4. A small agency might tend to be dominated by a large account.

3. STEPS IN SELECTION

From the point of view a new advertiser, the first step consists in compiling basic data about advertising agencies from published sources (see the chart). There are two main publications in India, which give useful particulars about advertising agencies. The information is updated every year in these annual publications.

Sr. No.	Agency	Financial Year	Capitalised billing (Rs. in Million)
1.	Hindustan Thompson	July 1981 - June 1982	235.0
2.	Clarion Advertisement	April 1981 - March 1982	153.3
3.	Lintas India	1981	118.9
4.	Ogilvy Benson & Mather	June 1981 - May 1982	103.0
5.	Chaitra Advertising	April 1981 - March 1982	76.5
6.	Ulka Advertising	July 1981 - March 1982	74.8
7.	Everest Advertising	1981	65.0
8.	R K Swamy Advertising	July 1981 - June 1982	61.0
9.	Rediffusion Advertising	1981	60.0
10.	Sistas	April 1981 - March 1982	55.0

NOTE : The Directorate of Advertising and Visual Publicity of the Government Of India are excluded.
Source : Solus, 16 (4) July - August 1982.
Exhibit : Ad agency billings for the top tea agencies in India in 1981.

According to IENS PRESS Handbook (The India and Eastern Newspaper Society, New Delhi)

The following information about the agencies accredited with the Society.

1. Name of the agency.
2. Address of registered office, head office and branch office,
3. Year of accreditation with IENS.
4. Names of proprietors, management personnel and senior executive.
5. Capital Investment.
6. Advertising turnover in the preceding year.
7. List of accounts handled by the agency, classified by branch offices of agencies, which have branches.
8. Information regarding international affiliations and offices of the agency, if any

According to Press and Advertising Year Book (INFA Publications, New Delhi) Names and addresses, of agencies accredited with the India and Eastern Newspaper Society as well as non-accredited agencies and limited information about management personnel, including these in branch offices. In addition to this, brief particulars of agencies providing audio-visual services exclusively and outdoor –hoarding construction are provided. An annual review of advertising includes figures on gross advertising business of about 200 accredited agencies for two preceding years.

Published information can be useful in making a shortlist of agencies out of which the potential advertiser may make the final selection. The various considerations indicated above may be used as guidelines in short listing the

agencies. Advertising campaigns released by these agencies can show the creative approach of the agency. Agencies can be directed to send profiles and details regarding organisation.

In order to make a short list a potential advertiser may use informal channels of information such as views of other advertisers. Such consultation is most useful.

The potential advertiser will be a well adviser to do some homework of collecting data and information at the initial stage of short listing, otherwise he may be unduly influenced by the opinion of other advisers. In screening stage a certain degree of objective is essential.

Detailed data about the agencies under active consideration should be obtained through a questionnaire. Data may be obtained on the following:

1. Size of the agency and its corporate structure.

2. Organisational set-up and number of employees.

3. Profile of key personnel.

4. Services offered by the agency.

5. Terms of business.

6. Accounts held and periods for which they are held.

7. Growth of agency's billings.

8. Case histories of some campaigns.

At the final stage of selection, it will be necessary for the potential client to visit the agencies in their offices. The first meeting may be held with the key personnel. Later, depending on the outcome of the first round of meetings, detailed discussions should be held with the person who is likely to handle the account. Before arriving at a final decision, all doubts should be clarified. Informal feedback for this purpose may be obtained both from the clients as well as ex-clients of the concerned agencies.

THE AGENCY PROSPECTIVE

Advertising agencies would also welcome a professional approach to agency selection. They have more at stake regarding their own operations looked at from the financial as well as human resources management angles. Hence, agencies would corporate with potential clients in providing them necessary information and details. For selecting an agency sometimes, agencies may themselves provide guidelines to potential clients. Everest Advertising Private Limited has included in its comprehensive brochure an Agency Selection Chart. This chart lists eleven overall criteria and nine specific criteria, which a client may use in evaluating the finally short listed agencies on a six-point scale.

AGENCY SELECTION CHART

CRITERIA

Overall

Understands problems

Creative

Management

Ability

Reputation

Compatibility

Stability

Other accounts success

Service-oriented

Lowest outflow of key personnel

Lowest loss of clients

Specific

Able to produce original creative ideas

High level of understanding of client's marketing problems

Uses research intelligently and selectively

Has a cost effective media department

Gives personal attention to client at senior level

Has a systematic approach to new product development

Has a facility for producing below-the-line material

Flexible in meeting client's changing requirements

Growth-oriented but not at the expense of existing clients.

Courtesy : Everest Advertising Pvt. Ltd.

CO-ORDINATION WITH THE AGENCY

After proper selection appointment of the agency, and allowing for constraints, if any, the client should take the initiative in providing the agency its trust and confidence. Only then it will be possible to bring the best out of the agency in terms of its creative talent and other skills and also to obtain the maximum co-operation. Ogilvy attaches considerable importance to reassuring the agency. It will not be able to produce good advertising under an environment of fear. He cites the example of the advertising manager of Food Company refusing to be visited by David Ogilvy. The Advertising Manager rightly held the view that Ogilvy visit might be misconstrued by Ford's existing agencies and unnecessarily alarms them.

Ogilvy as well as Webster, highlight the need for giving all necessary information to the agency and briefing it thoroughly. If the agency has to collect the information to compensate for inadequacy and inefficiency of the advertising manager, this leads to delays and inefficiencies in producing the advertising. At the same time, Ogilvy administers a warning to advertisers not to meddle in the creative work of the agency. The agency's creative acumen should be honored. There should be smooth and straightforward process of approval if approval has to be sought at various levels problems can arise. Finally, the client must appreciate that an agency's growth is as desirable as his own.

CHANGING THE AGENCY

Sometimes it is essential for an advertiser to change its agency or one of its agencies. This situation may take place even when a through selection process has been used and the various guidelines for liaison and co-ordination with the agency have been followed properly. Webster has pointed out some possible reasons for considering a change in the agency.

1. A change agency may require when a higher standard of creativity is sought.

2. A change is also indicated when account handling is inefficient and the required follow up and feedback is lacking.

3. Some times it may be possible for the agency to remedy such a situation by changing the account team.

4. When the client is looking for an agency, which has more knowledge regarding the client's business and markets.

5. When the agency has become rather complacent owing to long association or other reasons. Unless a steady level of enthusiasm in account handling is maintained, good advertising cannot be produced.

6. If an agency keeps on chasing new accounts, there is a genuine cause for concern for the client. Such an agency will not have adequate commitment to the existing clients.

7. If an agency cannot retain good personnel, and teamwork is lacking, a change may be considered. However, certain turnover in staffing is inevitable and perhaps necessary.

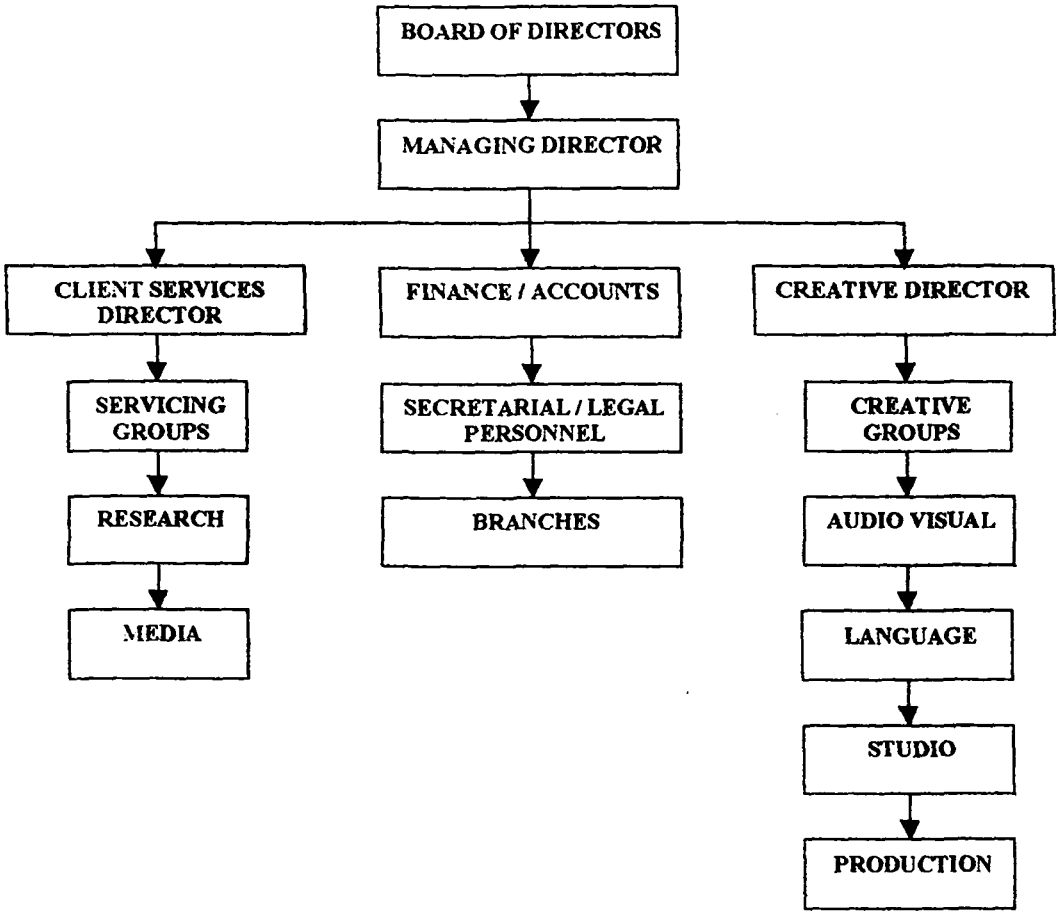
In any of the above situations, or a combination of these, the client must ascertain fats and discuss matters clearly. If the situation can be remedied, it would be desirable for both parties. If there is genuine need for a change, the agency must appreciate the client's point of view and agree to the parting of ways as professionals.

CHANGING THE CLIENT

Some times an agency has to change its client. This could be because in the agency's honest assessment, it is not doing a good job for the client. It may obligatory for agency to resign an account if it is not making a satisfactory profit out

of client. A situation, although not common, may arise when the client is causing good staff to leave the agency, say by the manner of treatment meted out to them. It would be prudent for the agency to resign such an account.

Exhibit : Organisation Chart

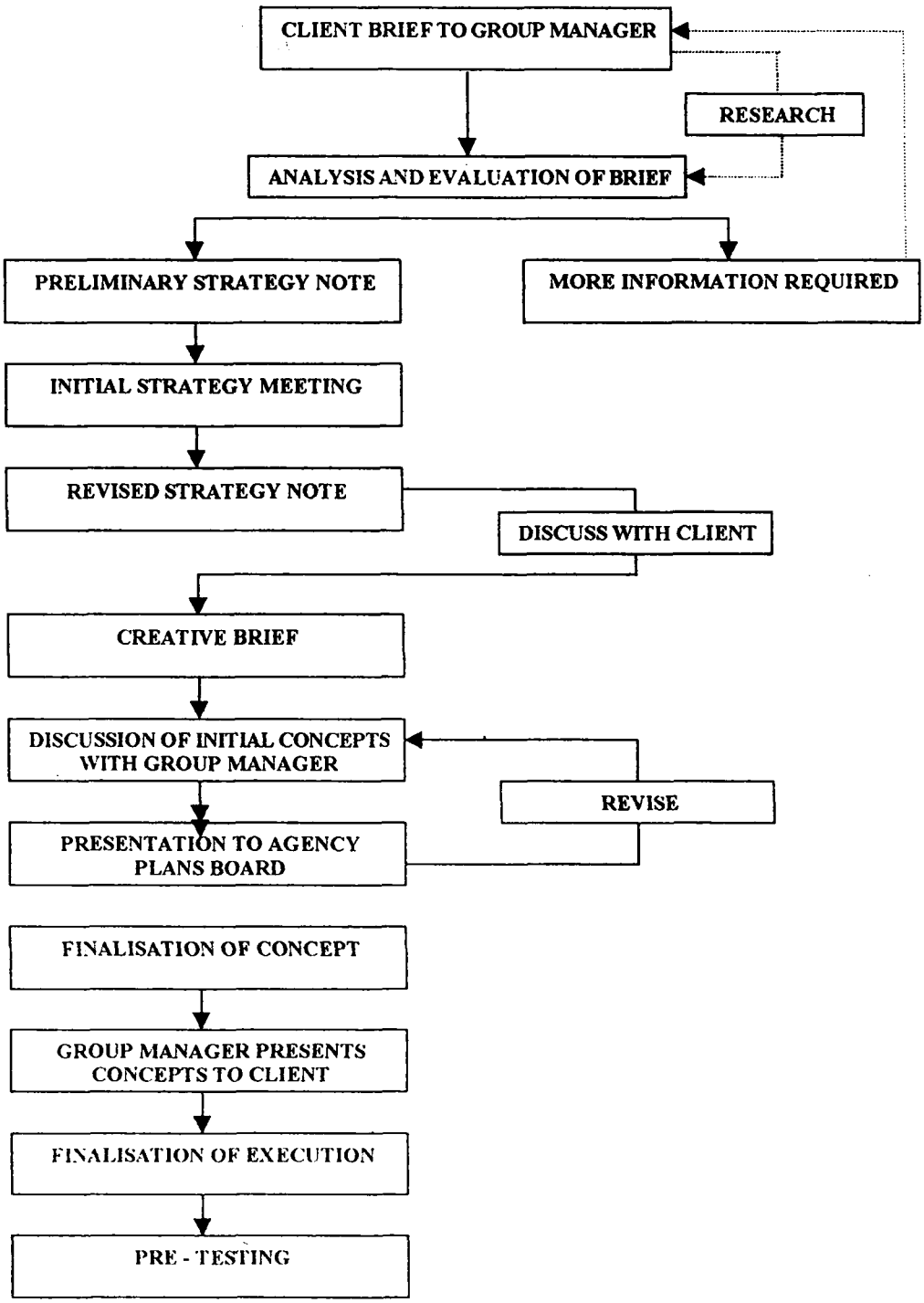


CONCLUSION

The relationship between an advertiser and its advertising agencies represents professionalism to the core. Similarly the compatibility in terms of culture and style of the two parties and concerned person is highly facilitatory to a fruitful relationship. The advertising agencie's courage and candidness can contribute a

lot in getting the client to appreciate the constructive use of a creative approach. It is in the interest of the client to provide the required reassurance to the agency so that communication is uninhibited. The selection of an agency by a potential client has a degree of mutuality. A well-considered and wise selection can pave the way for a productive relationship.

Exhibit : Creative Process Policy



ORGANISATIONAL STRUCTURE

In the beginning, advertising agents of an Advertising Agency, were simply agents and to sell space in a medium was there main job. But today they have occupied a pivotal position in the marketing process that they are sometimes called marketing agents. With ever-increasing competition, advertising agents have extended the range of their services. They have organized themselves as big business houses.

In any business, formal organisational structures are required with multifarious activities. The following chart shows the organisation of large advertising agencies personnel delegation of authority and co-ordination of activities.

The authority relationship of a large advertising agency may also be shown in the following way-

The smaller agencies do not have elaborate organisational structures, but they usually provide the same functions, sometimes through delegation to special service groups. In big agencies too, the titles may differ from agency to agency, the major operational responsibilities may be classified as creative services, account management, research and promotional services.

The structure of the advertising agency can be arranged on departmentalized basis or on a group basis. In the departmentalized form, all main departments including copy, art media, production and research are available to each account executive to use in advertisement carrying out each client's programme. In the group approach, which is used by all big companies, specific individuals are entrusted to a team, which does the planning, creative work, media buying, and similar activities for client assigned to the group. Other groups, or team looks after different accounts. In effect within the framework of the large agency several small agencies are created.

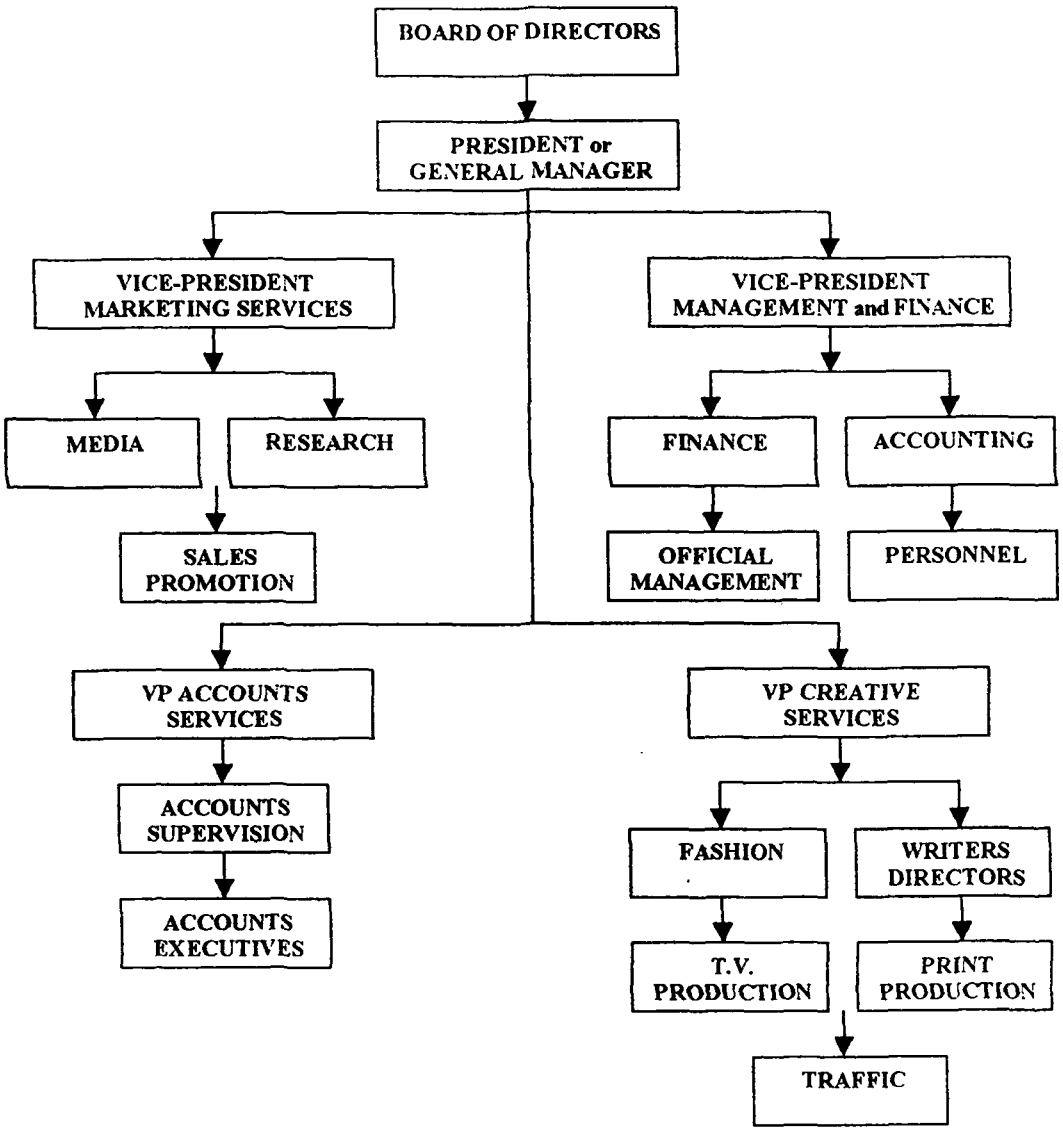


Fig. : Advertising Agency Organisation Chart

Many big agencies maintain plan boards or review board consisting of departmental heads or senior specialists, representing the main departments of the agency. The main function of this board is to review or criticise the work performed by its various departments. It, thus reassures clients that they are receiving the services of skilled personnel in the agency.

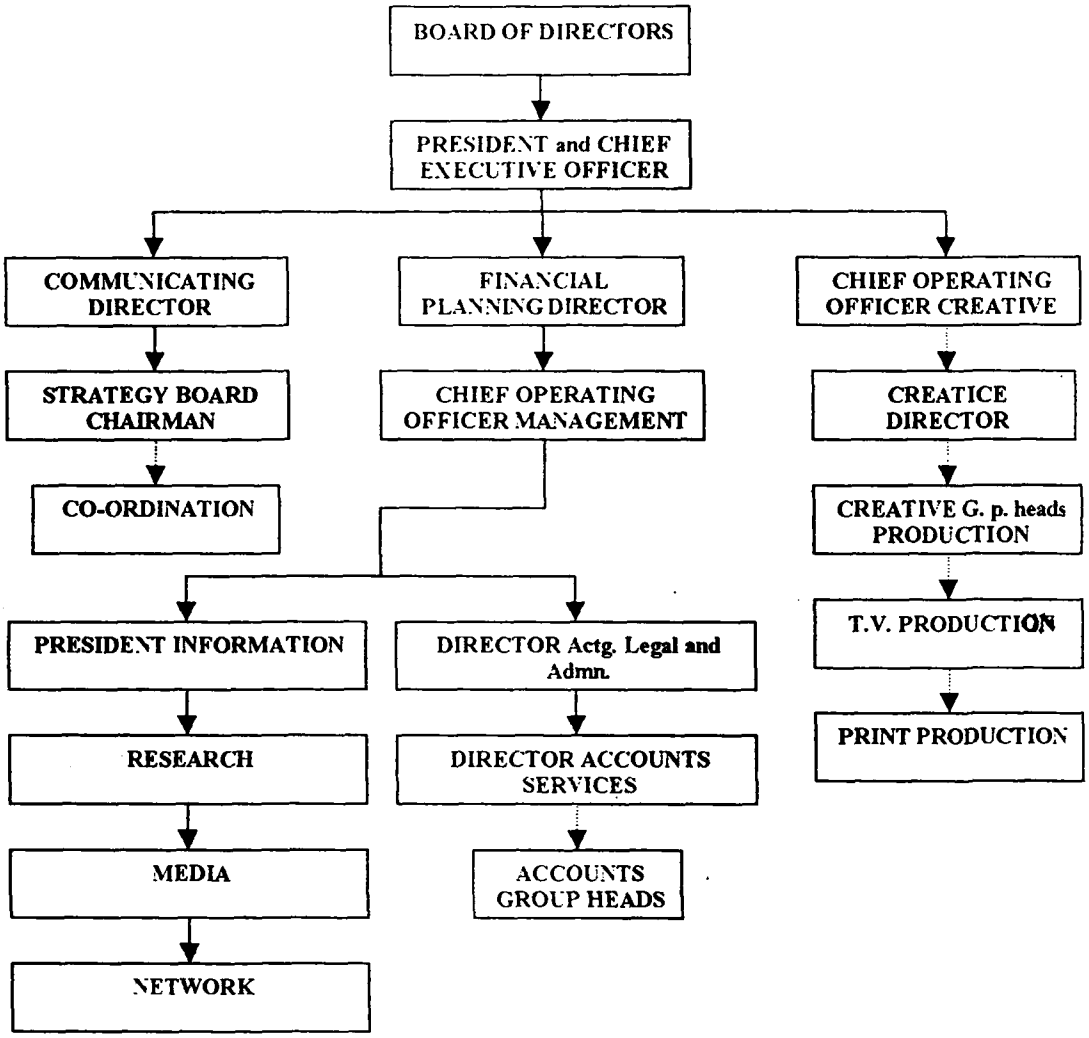


Fig. : Organisational Chart of a Large Advertising Agency

FUNCTIONAL DEPARTMENTS OF AN ADVERTISING AGENCY

The organisation of an advertising agency may be divided into various departments entrusted with a specialised function to be performed under the control of Director or Vice President or Manager. The main departments in an agency are-

1. Reception :

In every orgaisation, reception section is essential. This section is very important as it directs, the visitor or the client to the proper department or towards the person concerned. So the visitors or the clients are getting proper guidance. In an advertising agency also reception section is very important. This section helps to save the time to the customers as well as people in the advertising agency. It also helps to avoid confusion in the mind of the customers and saves the time of media people who are busy with different types of tasks which has been undertaken by them or which has been assigned to them.

2. Contract Department :

The head of this department is known as the contract man or Account Executive. The three basic tenets of the department are creation, sustaining and extension. It brings new business and on the other hand tries to maintain the existing business. The Account Executive is the key man of the department who acts as a link between the agency and the clients. The good services of the agency towards clients count much as far as the maintaining of existing accounts is concerned. It helps in getting new business from them.

3. Media Department :

This department is under the supervision of a Media Director/Manger. This department is assigned with the work of selection of media for the advertiser according to client's direction or to the budget allocated for this purpose by the client or to the purpose it serves best to client's product. This department keeps detailed record of media rates, information data, cost coverages etc. Under these circumstances it selects the best possible media. It chooses the channels of communication through which the message is communicated to the masses or target consumers. The media analyst and estimator decide to approximate kind and number of potential customers and then to choose the media that get the message to them.

4. Copy Department :

The head of this department is known as the copy chief or Copy Manager/Director. Copy is the heart of all advertising. The department has to prepare the copy for advertisement purposes. It is specialised function and headed by copywriters work under the copy director who performs the work of writing the copy. The staff of this department needs imagination and sales minded. This department works in close contact with the art department.

5. Art Department :

This department is also known as creative department. Art Director is the head of this department. Art department works more closely with the copy department as copy and art make the advertisement. In fact, these two departments supplement the work of one another. An art director under whom a number of artists, studio managers, layout men, visualizers etc., work generally as head of Art department. Art department prepares visuals and layouts for press advertisements, posters, calenders, painted bulletins, car cards and other outdoor publicity materials. Big art departments engage full time artists to undertake such works. In many cases outside skilled artists are hired to take up specialised job. Hence, the art director has to know about the local artists and their talents.

6. Printing and Production Department :

The head of this department is the production manager. Production department is mean to transform copy, illustrations and layouts into a satisfactory printed advertisement. This department works closely with copy department and art department. The manager of production department undertakes the responsibility of type setting, engraving, electrotyping and finally printing the copy in the press. Otherwise the job is assigned on contract basis to outsiders. This department has to obtain products of works, despatch the material to the printers and publishers at appropriate times.

7. Research Department :

This department is under a Research Director. This department of advertising agency is engaged in the study of the effects of sales activities at the last point of distribution of particular product. The research director takes assistance of analysts, investigators, marketing assistants statistical clerks and librarians. All these persons help in research work. This department is equipped with a research staff and investigators who continue in them a specialised knowledge of conducting market surveys, knowledge of statistics, economics, sociology, psychology and other branches of humanities. The department collects and scrutinizes published records and goes into sample surveys to compile explanatory graphs, charts and reports which serve as a source of valuable information to other department in the task of planning and executing the advertising programme. Such market research is carried on permanently in respect of various products. It gives details about various aspects like expenditure, returns, selection of media etc. Research may enable the agency to get more business by making stronger presentation to more desirable clients. It helps better advertising for clients. The contact department makes extensive use of such research outcome while contacting to his clients and convince them.

8. Public Relation Department :

This department is important as the growth and survival of an advertising agency depends very much upon the public opinions. The department establishes and maintains mutual understanding between the organisation and the public. The destiny of the agency is decided by the public opinion. It raises morale of the agency personnel and goodwill for the company. Public Relation Director who is to struggle hard to maintain always-high opinion about the firm heads the department. Thus, it performs a liaison work between the clients and various sections of the public, customers, employees, middlemen, and shareholders.

9. Radio and Television Production Department :

This department is under the supervision of T.V. Director or Radio Director. The agency produces its own programme and communals. Agency man may write the script, select talent, cast them, direct rehearse and produce the show or the commercial announcements. However, many outside organisations offer these services.

10. Finance or Billing and Collection Department :

This department is headed by a cashier or an Accountant. This department is responsible for maintaining accounts, billing and collecting the dues from its clients, verifying the appearance of advertisements in different media in individual cases, checking media invoices against orders, paying the bills to the media owners and looking after all the routine matters regarding accounting, recording etc. The checking department has to ascertain whether the advertisement has appeared in the media booked or not.

An agency maintains the above departments but the nomenclature and the number of departments may differ from agency to agency depending upon the size of the business. The agency may take help from outsiders or specialists instead of establishing a full-fledged department or only one department may carry out the activities of two or more deparmtents.

DEVELOPMENT OF NEW AGENCY SYSTEM

Agencies grew in size, offering more varied and specialised services. Later, for catering the needs of oversees clients, and as more multinational corporations came into being the advertising agencies acquired a multinational character. Similarly, some other forms of agencies came into existence. They are the boutique agency, the *a la carte* agency, and the in-house agency. Copywriters and directors, instead of being tied-up with single agency set-up their own shop to sell the creative function at a fee. These shops have come to be known as creative "boutique". In and *a la carte* agency, each service is sold on an optional basis at an individual fee. The advertiser, as its name implies, owns the in house agency, in fact, this is nothing but the advertising department of a company.Large corporations have in-house agencies, which operate and control the entire advertising programme by themselves. When corporations have a variety of products and services to sell and multidivisional set-up, to have the in-house agency is very economical.

The agency's organisation structure is the facility of the art studio within the agency. A small agency or space-broker may not have an art studio. Hiring an outside artist in that case does the artwork. But, in our understanding of the modern agency, everyone has welldeveloped art studio. Many large pharmaceutical companies do have their own art studios, where product literature is prepared for distribution among medical professionals. The organisation of a typical art studio is as under :

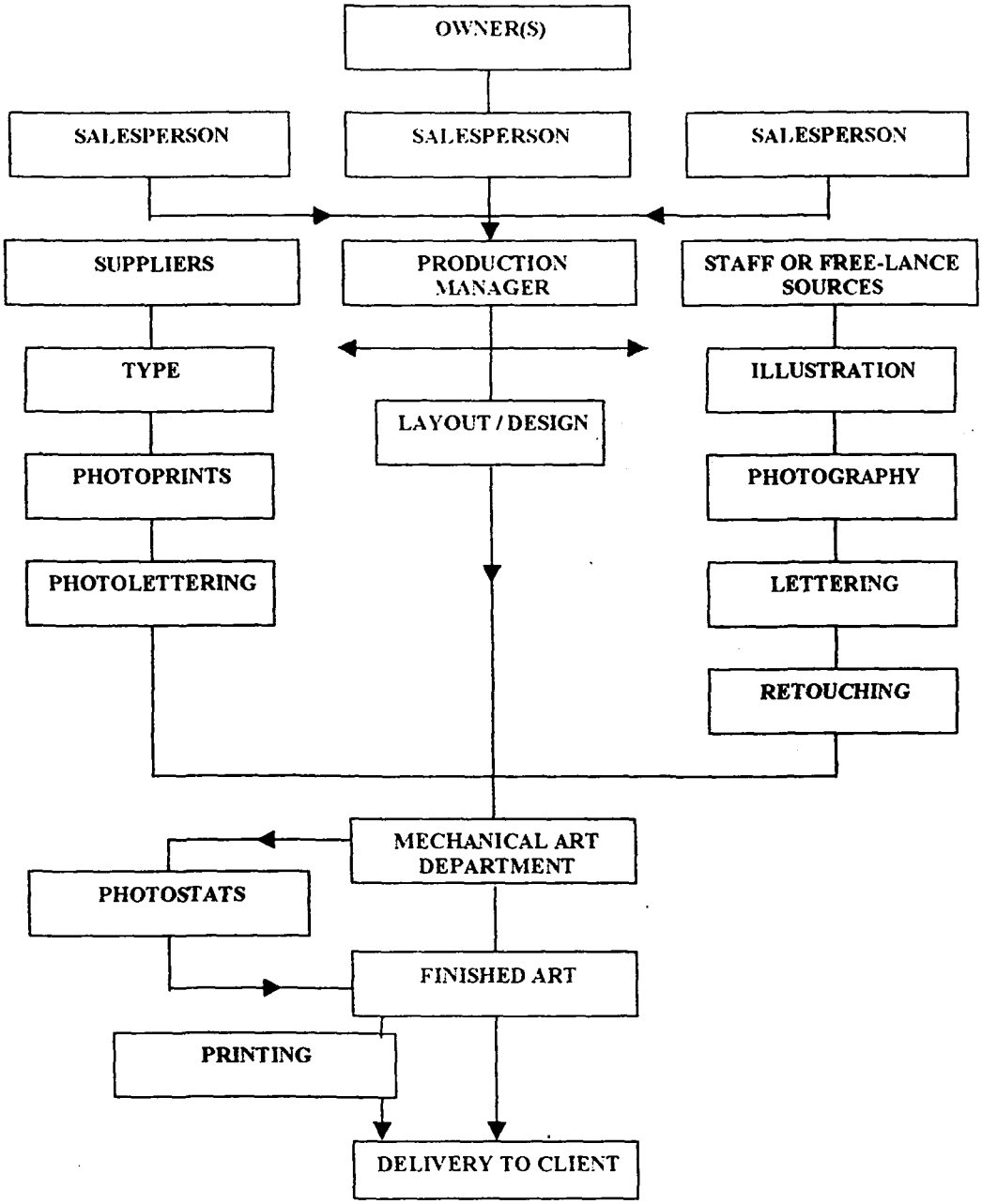


Fig. : The organisation of a typical art studio

Hindustan Thompson Association (HTA) is the largest (it is a 50-year old agency), and it is also the largest in Asia, excluding Japan. Among the others, Rediffusion and Frank Simons is the most creative; the OBM, Everest and Chitra are the most stable. Clarion and Lintas are the most marketing-oriented agencies. But the all rounder is undoubtedly the HTA.

HOW ADVERTISING AGENCIES GET CLIENTS

To succeed, advertising agencies need clients. Clients come from referrals. advertising, or solicitation, or because of the agency's reputation.

Referrals

Most good agencies get clients by referral—from existing clients, friends, or even other agencies. The head of one company asks another who's doing her ads, and the next week the agency gets a call. If a prospective client presents a conflict of interest with an existing client, the agency may refer the prospect to another agency.

Media reps frequently refer local advertisers to an agency they have a good relationship with, so it's important for agencies to maintain cordial relations with their existing clients, the media, and other agencies. Agencies often "put the word out" when they're looking for new business.

Soliciting and Advertising for New Business

Lesser-known agencies can't rely on referrals and must take a more aggressive approach. An agency may solicit new business by advertising, writing solicitation letters, making "cold" calls on prospective clients, or following up leads from sources in the business. Today, more agencies are advertising themselves.

One of an agency's principals usually solicits new business. But once a prospect is found, staffers may help to prepare a presentation.

Reputation And Community Relations

Agencies frequently find that the best source of new business is a good reputation. Many agencies submit their best ads to competitions to win awards and gain notoriety. Some agencies work *pro bono* (for free) for charities or nonprofit organizations.

Agencies may assist local politicians (a controversial practice in some areas) and become active in the arts, education, religion, or social circles. Some agencies sponsor seminars, others become active in advertising clubs or other professional organizations. All these activities help an agency become known and respected in its community.

Presentations

Once an advertiser is interested in an agency, it may ask the agency to make a presentation—anything from a simple discussion of the agency's philosophy, experience, personnel, and track record to a full-blown audiovisual show complete with slides, films, sample commercials, or proposed campaigns.

Some advertisers ask for or imply that they want a **speculative presentation**, meaning they want to see what the agency will do for them before they sign on. But most agencies prefer to build their presentations around the work they've already done to demonstrate their capabilities without giving away their ideas. Invariably, the larger the client, the bigger the presentation.

The presentation process also allows the agency and the advertiser to get to know each other before they agree to work together. Advertising is a people business, so human qualities—mutual regard, trust, and communication—play an important role.

THE ADVERTISERS (CLIENTS)

While every successful business uses advertising, the size and function of a company's advertising department depends on a variety of factors. And so does the way the department is organized and managed.

THE ADVERTISING DEPARTMENT'S ORGANISATIONAL STRUCTURE

I. LARGE ADVERTISERS

The advertising department's organizational structure depends on the unique circumstances of the company. Large companies tend to use two basic management structures: *centralized* and *decentralized.*

CENTRALISED ORGANISATION

General Mills, one of the 20 largest national advertisers, operates a vast advertising and marketing services department with 350 employees and a $538 million annual advertising budget under its "Company of Champions" culture.

General Mills' Marketing Services, located at corporate headquarters in Minneapolis, is really many departments within a department. As a **centralized advertising department**, it administers, plans, budgets, and co-ordinates the promotion of more than 50 brands. It also supervises 26 outside ad agencies and operates its own in-house agency for new or smaller brands.

Organized around functional specialties (market research, media, graphics, copy), Marketing Services consults with General Mills' brand managers and consolidates many of their expenditures for maximum efficiency. The media department, for example, is involved in all media plans and dollar allocations with the various marketing divisions. The production and art services department handles package design for all brands and graphics for the company's in house agency. Marketing Services creates effective ad programs for a wide variety of products and brands from one central spot.

Centralized advertising departments are common in large organizations because they are cost-effective and because they help to maintain continuity in the company's communications programs. Typically, an advertising manager

reports to a marketing vice president. Other than this consistent feature, companies organize the department in one of five ways:

1. By product or brand.

2. By subfunction of advertising (such as sales promotion, print production, TV/radio buying, and outdoor advertising).

3. By end user (consumer products, industrial products).

4. By media (radio, television, newspapers, and so forth).

5. By geography (western advertising, eastern advertising).

DECENTRALISED ORGANISATION

As companies become larger, take on new brands or products, acquire subsidiaries, and establish divisions in different regions or different countries, a centralized advertising department becomes impractical. In a decentralized system, departments are assigned to divisions, subsidiaries, products, countries, regions, brands, or other categories that suit the company's needs. The general manager of each division is responsible for its advertising.

Procter & Gamble, a 157-year-old, $29-billion company, sells over 200 different consumer products internationally including such market leaders as Tide, Ivory soap, Pampers, Duncan Hines cake mixes, and Crest toothpaste.

The nation's second-largest advertiser with expenditures exceeding $1.7 billion annually, P&G has eight consumer product divisions, five industrial product divisions, and four international divisions. Each division is set up almost like a separate company with its own research and development department, manufacturing plant, advertising department, sales force, and finance and accounting staff. Every brand within a division has a brand manager, two assistant

brand managers, and one or two staff assistants. P&G believes this system ensures that each brand gets the single-minded drive and personal commitment necessary for success.

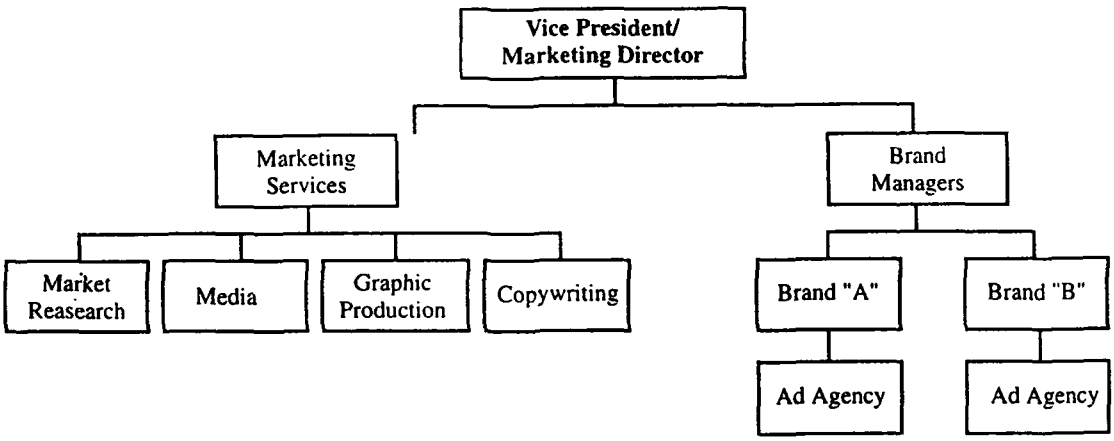


Fig. : General Mills has a centralised advertising department like the model above

Each P&G brand manager has his or her own ad agency to develop and create the brand's media advertising. The division's advertising department helps co-ordinate sales promotion and merchandising programs across brands, and the corporate advertising department's media and research supervisors provide statistical information and guidance.

For new college grads, P&G's brand manager development program is known as the Marine Corps of marketing. Apprentice brand managers learn the statistics of their brand's performance, work on store displays, develop sales projections, help plan advertising budgets, and co-ordinate with other sections of the division's advertising department: media, copy, art and packaging, sampling and couponing, and legal. They learn how market research helps to determine the package, scents, sizes, and colors people want, how product research improves the brand, and how the sales force tries to muscle more shelf space.

This decentralized brand manager system, a sacred cow at P&G for many years, was criticized in the 80s for no longer satisfying the needs of a rapidly changing marketplace and for being too product-oriented rather than market oriented. P&G reviewed the system and grafted onto it "category" **brand managers**, "future" brand managers (for products planned for the future), and regional marketing managers. Brand managers used to compete with each other under the old system; now the company uses teams that include manufacturing, sales, and research managers who all work together for the common good. While the system is still decentralized, many activities are becoming centralized for economy, efficiency, and control.

For large, multidivision companies, decentralized advertising is more flexible. Campaigns and media schedules can be adjusted faster and easier. New approaches and creative ideas can be introduced more easily, and sales results can be measured independently of other divisions. In effect, each division is its own marketing department, and the advertising manager reports to each division head.

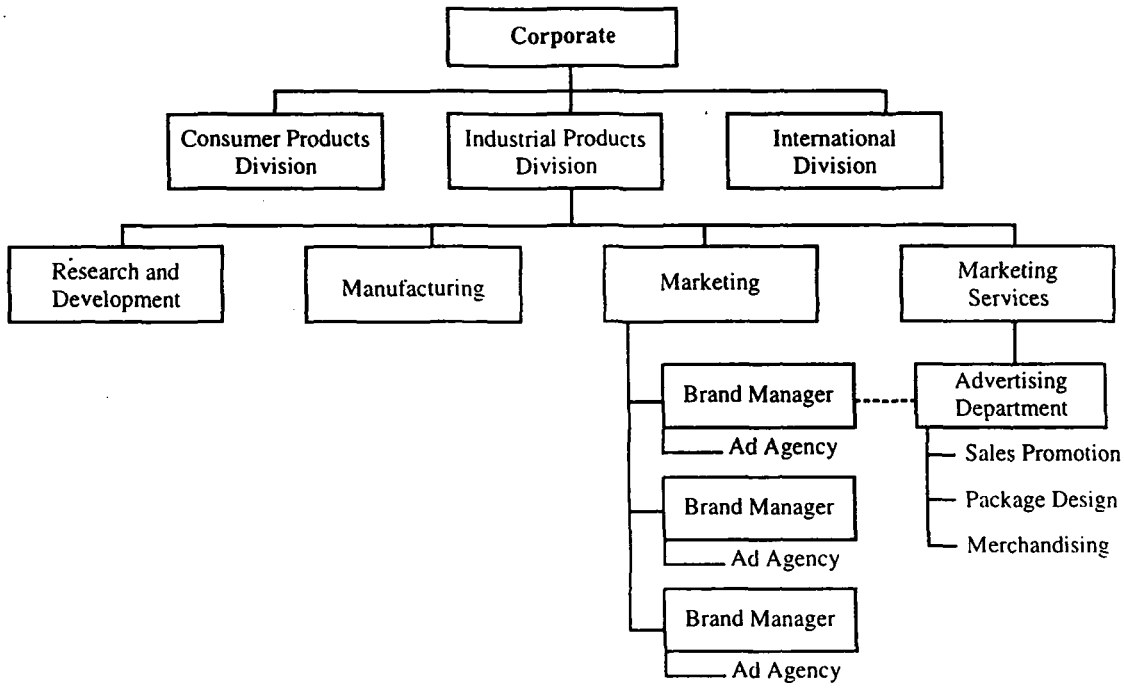


Fig. : In a decentralised department, each division is its own marketing department

But decentralized departments tend to concentrate on their own budgets, problems, and promotions rather than the good of the firm as a whole. Ads may lack uniformity, diminishing the power of repetitive corporate advertising. Rivalry among brand managers may deteriorate into secrecy and jealousy. And some branch managers even resist using the same corporate logo.

Most companies blend centralized and decentralized structures to fit their own particular needs.

The In-House Agency

To save money and centralize their advertising, some companies set up a wholly-owned **in-house agency** (or house agency). The house agency does all the work of an independent full-service agency including creative tasks, production, media placement, publicity, and sales promotion.

Advertisers with house agencies hope to save money by cutting overhead, keeping the media commission, and avoiding markups on outside purchases.

Advertisers think they get more attention from their house agencies. House agencies know the company's products and markets better and can focus all their resources to meet critical deadlines. To respond as fast, outside agencies often have to hire free-lance help for significant extra cost.

Many companies think management has better control of and more involvement in the advertising when it's done by company people — especially "singlebusiness" companies whose products and services are similar.

Inspite of these advantages, companies may sacrifice considerably more than they gain. First, in-house agencies may provide flexibility at the expense of creativity. Independent agencies offer experience, versatility, and diverse talent. In-house agencies have trouble attracting and keeping the best creative talent.

The biggest problem for in-house agencies is loss of objectivity. By reflecting the internal politics, policies and views of corporate management, the advertising becomes company- rather than consumer-oriented.

II. SMALL ADVERTISERS

A small retailer—say, a hardware, clothing, or electronics store—may have one person in charge of advertising. That person, the **advertising manager**, performs all the administrative, planning, budgeting, and co-ordinating functions. He or she may lay out newspaper ads, write ad copy, and select the media. However, unless the manager is also a commercial artist or graphic designer, he or she won't design the actual ads, set type, or do pasteup.

A chain of stores might have a complete advertising department to handle production, media placement, and marketing support services. Such a department needs artists, copywriters, and production specialists. The department's head usually reports to a vice president or marketing manager.

BASIC PRINCIPAL OF AGENCY – CLIENT RELATIONSHIP

These principles are as follows :

(i) **No advertising of competing product :** The agency avoids advertising a close substitute competing product. The client, too, avoids engaging the services of another competing agency;

(ii) **Client's agreement to bear all the expenses towards advertising :** The agency receives the green signal from the client for all the expenses incurred on his advertising;

(iii) **Benefit of cash discount (by media) to the client :** If media grants any cash discount, it is passed on to the client;

(iv) **Prompt payment of bill** : The agency keeps the media commission for itself, and the client undertakes to foot the bill promptly;

(v) **Media lapses** : The media is not taken to task for media lapses in terms of scheduling, positioning, etc.

BASIC PRINCIPALS OF AGENCY-MEDIA RELATIONSHIP

These principles are as follows :

(i) **Agency's responsibility for payment to media** : The agency alone is responsible for payment to the media.

(ii) **Receipt of commission** : The agency does not allow any cut from the commission received from the media to go to client;

(iii) **Uniform policies for all the agencies by media** : The media do not discriminate amongst the agencies dealt with, and follow uniform policy for all the agencies.

(iv) **No alteration in the advertising material** : The media do not alter the advertising material without the prior consent of the agency.

FACTORS IN SELECTING AGENCY

The following factors are relevant in selecting agency :

(i) Suitability;

(ii) The rates charged;

(iii) Infrastructure of Agency;

(iv) Agency's Imaginativeness;

(v) Agency's Image;

(vi) Proven track record;

(vii) Management.

VARIOUS REASONS FOR CLIENT'S TURNOVER

When an advertiser leaves one ad agency and switches over to another, it is known as client-turnover. The various reasons for client's turnover are:

1. **Unprofitable account :** The account is not profitable;

2. **Change :** Change for the sake of change;

3. **The Change in the Staff :** Staff changes also lead client-turnover;

4. **Politics and Nepotism :** Politics and nepotism result in client-turnover;

5. **Easy Separation :** Separation of client and agency is an easy thing to bring about;

6. **Interest of the advertiser in a new media :** The advertiser is interested in new medium with which the present agency is not familiar;

7. **Ad Strategy :** The client and agency perceive the ad strategy in a drastically different manner;

8. **Non-linking of Ad Turnover :** When the client does not like the ad programme conceived by the agency;

9. **Lack of Confidence :** Loss of confidence between client and ad agency;

10. **Unreasonableness :** Perceived unreasonableness of the other party;

11. **Lack of Co-ordination :** Lack of co-ordination between the top executives of the client and the agency;

AGENCY COMPENSATION

The method of paying the agency has been a subject of much discussion now-a-days at almost all the meetings of advertisement agency associations and advertisement clubs. There are, basically, three methods in practice. They are:

1. **Commission System :**

   Commission system is the most common and the oldest system of remuneration. The agency is paid a fixed commission by the media on the advertising bill for the advertisement space bought by the agency. This fixed rate of commission is 15% in the USA as well as in India. Though the rate varies from country to country, the rate 15% is almost universal. The popular criticism of this method is that the agency is always tempted to recommend for several deliveries through expensive media for drawing larger remuneration.

2. **Fee System :**

Fee system came into effect following a controversy between an advertiser and an agency. The former argued that 15 per cent commission was too high rate; whereas the agency took the stand that it was un-remunerative for the many services rendered to the client. The fee system is used in TV advertising; when once the commercial is created, it may be used over long time. A flat fee is paid to the agency for the specialised services performed by it.

3. **Service Charges :**

Service charges are added to the cost of materials and services bought by the agency for the client in artwork, photography, typography, plates etc. Normally, it is cost plus 15%. Practically, one of above systems of compensation, or a combination of the fee-and-media-commission plan, or a method by which commissions granted by the media are credited against professional fees, is used.

In the case industrial advertising, involving the preparation of catalogues and sales materials, and retail advertising, point-of-purchase materials for advertising and direct mail pieces do not usually involve a commission. Here, mostly the fee basis of compensation is employed. In the case of new product, advertising on special fee basis the agencies are remunerated.

The agency-advertiser relationship is like the physician-patient or the lawyer-client relationship; the patient pays the physician's fee, whether he gets relief or not.

However, the quality of the physician's services will be ultimately reflected in the number of patients visiting him, or the volume of business he has. But there is no direct link between the fee paid and the effectiveness of medical treatment to an individual patient. As a patient, he is entitled to get an effective cure in return for the fee he has paid. The lawyer too, takes the fee, irrespective of the judgement in the case. However, he faithfully argues the case for his client. This raises the question of the efficacy of the remuneration method of advertising. The ideal and desirable method must relate compensation to its effectiveness in some form or the other. Only such a method will have greater acceptability among the advertisers. Not only this, such compensation method will encourage the growth of a greater measure of professionalism in advertising. This, however, looks simple but difficult to implement, because the necessary condition for the success of any such compensation plan is to find methods for measuring advertising effectiveness. Once, this has been achieved, it would not be difficult to correlate it with the compensation payable to the agency. The possible future methods of compensation, using suitable scales for measuring the effectiveness of advertisement, can be devised.

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