

ADVERTISING AGENCIES IN KENYA:
THEIR NATURE AND OPERATIONS

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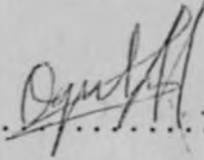
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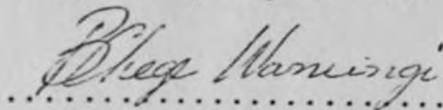
DECLARATION

This Management Project is my original work
and has not been presented for a degree in
any other University.



MARTIN OGUTU

This Management Project has been Submitted
for examination with my approval as
University Supervisor.



DR. CHEGE WARUINGI

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*A.A.A.A. refers to American Association
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ABSTRACT

The survey for this study was done between the 19th August, 1983 and 30th September, 1983. The population of interest included all advertising agencies operating in Kenya as of the above dates. A list obtained from the Marketing Society of Kenya was updated to include only those advertising agencies that were in operation at that time. This gave a total of 14 advertising agencies to be covered in a census survey. However, only 13 of them were interviewed.

The study was an exploratory one with two main objectives, viz.

- (1) To identify the nature of advertising agencies in Kenya, and
- (2) To explore the operations of advertising agencies in Kenya.

To address itself to these objectives the study sought to answer the following questions:

- (i) (a) How many types of advertising agencies are there in Kenya?
- (b) How are advertising agencies in Kenya organized?
- (c) Who owns advertising agencies in Kenya?
- (d) By what methods are advertising agencies in Kenya compensated for their work?

- (ii) What advertising agency services are offered by the advertising agencies in Kenya?
- (iii) What methods are used by advertising agencies to obtain new clients?
- (iv) Who determines the media chosen for an advertising campaign?
- (v) What do advertising agencies perceive as the causes for change of agency by clients?

Personal interviews using a structured questionnaire (see appendix A2) were used to collect data.

The findings were as follows: There were two types of advertising agencies in Kenya. These were full service (some 76.9 per cent of the agencies) and creative boutique (23.1 per cent) agencies.

Some 53.8 per cent of the agencies were organized on departmental basis, 38.5 per cent of the agencies on both departmental and group basis, and the remaining 7.7 per cent on group basis.

On ownership it was found that some 46.2 per cent of the agencies were Kenyan owned, 30.8 per cent were American owned, 15.4 per cent were British owned, and 7.7 per cent were Canadian owned. It was also found that while only 38.5 per cent of the agencies were branches of multinational organizations, 61.5 per cent

were national (that is, the agency operated in no other country apart from Kenya) agencies. Again, while 76.9 per cent of the agencies were under limited liability company ownerships, 15.4 per cent were owned by sole proprietors, and 7.7 per cent by partners.

The methods of compensation were as follows: 84.6 per cent of the agencies were compensated by media commissions, 61.5 per cent by service charges, 23.1 per cent by a composite of other methods, 7.7 per cent by fees, and 15.4 per cent by methods other than the above.

Although all advertising agency services were offered by the advertising agencies in Kenya, advertising planning, copy development, artwork, and media selection were the most frequently offered — by all the agencies. The other services were not as frequently offered.

The most frequently cited method used by advertising agencies in obtaining new clients was personal contacts and solicitations to prospective clients, followed by speculative presentation, then agency presentation and reliance on client's own approach. The rest of the methods were not frequently cited.

In 69.2 per cent of the agencies, the determination of the media chosen for an advertising

campaign was by both the advertiser and agency.

In 30.8 per cent of the agencies, it was determined by the agency alone. In none of the agencies however, did the advertiser alone determine such a choice.

The study also found out that dissatisfaction with the standard of agency creative work and dissatisfaction with the standard of agency account management were perceived by 76.9 per cent of the agencies in each case as causes for change of agency by clients. The other causes in terms of ranking by frequency of mention were personality conflict between the client and agency, and changes in the advertising personnel of the client company.

CHAPTER I

INTRODUCTION

Background

Success and effectiveness in advertising in most cases require the combined efforts of three types of institutions: the advertiser, the advertising agency, and the media owner. These form a three-cornered relationship.¹

The advertiser is the first party in the relationship, and it is him who possesses the advertising problem, for which he approaches the advertising agency to devise an advertising campaign.

The advertising agency as the second party occupies a middle position in the relationship. The American Association of Advertising Agencies has defined an advertising agency as an independent business organization composed of creative and business people who develop, prepare, and place advertising in advertising media for sellers seeking to find customers for their goods and services.² This is the definition adopted in this study.

The third party is the media owner and it is him whose medium of communication is used to carry the advertising message to the target audience. The advertising media is

¹Colin Gilligan and Geoffrey Crowther, Advertising Management (Oxford: Philip Allan Ltd., 1976), p. 61.

²Fredrick R. Gamble, "What Advertising Agencies Are- What They Do and How They Do It," New York: American Association of Advertising Agencies, Inc., 1968, p.4. Quoted in Dorothy Cohen, Advertising, (New York: John Wiley & Sons, Inc., 1972), p.290.

therefore defined as the means by which advertisers reach their prospective customers with advertising messages. Included in this definition are channels like radio, television, newspapers, magazines, direct mail, specialties, point-of-purchase advertising, outdoor advertising, nonstandardized signs, transit advertising, cinema or film advertising, and directory advertising.

It is with the second party in this three-cornered relationship, the advertising agency that this study is concerned.

In this study the meaning adopted for advertising is that of the Definitions Committee of the American Marketing Association which has defined advertising as "any paid form of nonpersonal presentation and promotion of ideas, goods, or services by an identified sponsor."³

It is possible for an advertiser to devise and place an advertising campaign without involving an advertising agency. This happens, for example, when the content of advertisements is decided at very short notice, or when the problem is as simple as that of putting a 'for sale' notice in a national or provincial newspaper or in such a simple advertising media as nonstandardized signs, or when the firm has its own highly developed advertising department staffed not only by experienced administrative and advertising personnel but also by specialized

³Report of Definitions Committee, Journal of Marketing Vol. 13, No.2 (1948), p. 205.

advertising experts. In most cases, however, and for the majority of business organizations the advertising agency plays a real and very important role in advertising. In such cases the advertising agency cannot be avoided as it brings together such specialists as writers, artists, media experts, researchers, broadcast producers, and various other experts whose combined efforts result in an improved efficiency of the advertiser's communication network.⁴ The advertising agency therefore offers to advertisers of both large and small sizes an opportunity to benefit from the attention of various specialists whose technical and special services are required for success in present day advertising.

Any advertiser with an advertising problem will naturally have to make two major types of decisions. First, he would have to decide whether to use an advertising agency or not. If he decides to use an advertising agency then his next decision would regard the selection of an advertising agency. This decision would take into account a number of factors such as services and type of agency to go for, expertise of the agency's personnel, method of agency compensation, and many other factors. These and other factors have been provided by Dorothy Cohen in her discussion of the selection of a new advertising agency.⁵ Obviously, the advertiser would be in a better position to optimise his decision if for each factor that goes into the selection process there

⁴Wright et.al., Advertising, 4th ed. (New York: McGraw-Hill, 1977), pp. 158-159.

⁵Dorothy Cohen, Advertising (New York: John Wiley & Sons, Inc., 1972), pp. 300-301.

were a number of agencies offering various alternatives to the advertiser. A review of the literature reveals that in both the U.K. and U.S. there is at present a wide spectrum of advertising agencies varying in size, services, and specialisation for the advertiser to choose from. In Kenya however, the situation is a little unclear. This study therefore, responds by investigating the nature and operations of advertising agencies in Kenya.

Statement of the Problem

In spite of the important role played by the advertising agencies in facilitating the process of mass distribution, very little is known about the nature and operations of advertising agencies in Kenya. The types of advertising agencies, their organization, the services they offer, how they obtain new clients, how they are compensated, and other similar issues remain a mystery to most people in this country. It was for the purpose of generating such information that this study was undertaken.

The Objectives of the Study

The two main objectives for this exploratory study were:

- (1) To identify the nature of advertising agencies in Kenya, and
- (2) To explore the operations of advertising agencies in Kenya.

In order to address itself to these objectives the study therefore sought to answer the following major questions:

- (i) (a) How many types of advertising agencies are there in Kenya?
- (b) How are advertising agencies in Kenya organized?
- (c) Who owns advertising agencies in Kenya?
- (d) By what methods are advertising agencies in Kenya compensated for their work?
- (ii) What advertising agency services are offered by the agencies in Kenya?
- (iii) What methods are used by advertising agencies to obtain new clients?
- (iv) Who determines the media chosen for an advertising campaign?
- (v) What do advertising agencies perceive as the causes for change of agency by clients?

Importance of the Study

While this study may be of value to any person interested in advertising agencies in Kenya, it is hoped its findings will specifically benefit the following: Producers, traders and marketers in general may find the study enlightening about the nature of the advertising agencies they are dealing with. The study likewise may be of value to media owners in understanding the advertising agencies they are dealing with, and also giving them insight as to the areas of their media business in which the

advertising agencies could be of help. Finally, the study may provide food for thought to the academicians and may be useful to them for purposes of future research.

Overview of the Report

This project report consists of five chapters. The first chapter, the introduction, gives some background information on the subject matter of the study, the statement of the problem, the objectives of the study, and the importance of the study.

The second chapter provides a review of the literature pertinent to the study. Covered is a review of the literature on the historical development, nature, and operations of the advertising agency business in Britain and America.

The third chapter deals with the design for the study specifying the population of interest, the people interviewed, and the data collection method.

The fourth chapter is mainly concerned with data analysis and findings.

The final chapter, the conclusion, summarizes and discusses the findings of the study, highlights the limitations, and concludes with suggestions for future research.

CHAPTER II
L I T E R A T U R E R E V I E W

Introduction

The literature reviewed here aims at identifying the nature and operations of advertising agencies in the societies where the advertising agency industry is highly developed, such as in Europe and America. The review focuses on the history of advertising agencies, the types of advertising agencies, the functions of the advertising agency, what advertising agency people do, how advertising agencies get clients, how advertising agencies work, how advertising agencies make money, and agency-client turnover. Most of the advertising agencies in Kenya are either branches of multinational agencies or independent agencies that have borrowed much from the European and American agencies. A review of the nature and operations of the advertising agency industry in the U.K. and U.S. would throw a lot of light on the advertising agency industry in Kenya.

History of the Advertising Agency

Insight into the nature and operations of modern advertising agencies can be gained by a brief look at the development and evolution of the advertising agency. The history of such development and evolution in Britain and America is reviewed in the following sections.

Development of the Advertising Agency in Britain

Gilligan and Crowther⁶ have traced the history of modern advertising agency in Britain back to the middle of the 17th century when the first recognisable press advertisements appeared. Several years later, in 1666, the London Gazette began publishing advertising supplements, offering an opportunity for businessmen to fight out for customers through their advertisements. However, such advertising supplements were more like public notices until early 18th Century when their format changed as a different approach to product promotion was adopted. This period according to Gilligan and Crowther marked the emergence of the first recognisable advertising agency, the Reynell and Son formed in 1812 in London.⁷ The range of services offered by this advertising agency remained limited until the second half of the 19th Century when for the first time they provided creative advice to their clients. This addition into their services was necessitated by increasing industrialisation at that time and the need thereby for businessmen to search actively for new markets. Many new newspapers had also been founded by this time. Not only were there many newspapers but many people had also gone into space selling business for newspapers. The general approach at this time was for newspaper

⁶Gilligan and Crowther, op.cit., pp. 61-63.

⁷Ibid., p. 62.

publishers to sell large blocks of space to space-brokers who then resold portions of newspaper space to companies wishing to advertise. Competition between space-brokers compelled them to increase the range of services they rendered to clients.⁸ Many brokers began to provide advice on slogans suitable for use in advertisements. This was eventually followed by another addition into their services, the introduction of illustrations into advertisements of which advertisers could avail themselves.

The formation of a number of 'creative' advertising agencies in the latter part of the 19th Century was soon followed by a steady but relatively unspectacular growth of advertising business.⁹ This growth continued up to the First World War. The rate of growth increased slightly between the two world wars but when the Second World War started in 1939 the advertising business suffered a severe setback. This was because many advertising practitioners had joined either the Ministry of Information or gone to the propaganda departments of other ministries.¹⁰

It was during this time that advertising agencies in the United States expanded rapidly and increased the range and scope of their services to include advice on various activities such as marketing, merchandising, market research, public relations and many others.¹¹ This had a strong influence on many British agencies which after the war followed suit. In 1965, the advent of commercial televisions in Britain led to the establishment of

⁸ Ibid.

⁹ Ibid.

¹⁰ Ibid.

¹¹ Ibid.

television departments in the larger British agencies.

As of late 1970s Gilligan and Crowther argue that:

During the past twenty years agencies have increased in size quite dramatically and many mergers have taken place. These two trends have in turn been reinforced by the movement into Britain of a large number of American concerns.¹²

Development of the Advertising Agency in the United States of America

In America as in Britain increasing industrialisation greatly stimulated the growth of advertising agencies. According to Borden and Marshall the development of advertising agencies in America was a product of industrial development.¹³ They argue that "as the function of advertising became increasingly important, it was natural that groups of specialists should evolve to handle this activity."¹⁴ The growth in importance of advertising was positively correlated with the growth in industrial development. Borden and Marshall have traced the history of the development of the advertising agency back to the year 1841 when Volney B. Palmer is said to have started the first advertising agency in Philadelphia.¹⁵ He started by soliciting advertisements for his father's newspaper. Eventually

¹²Ibid., pp. 62-63. See also D.S. Cowan and R.W. Jones, Advertising in the 21st century (London: Hutchinson of London, 1968), p. 15.

¹³Neil H. Borden and Martin V. Marshall, Advertising Management (Homewood, Illinois: Richard D. Irwin, Inc., 1959), p. 1021.

¹⁴Ibid.

¹⁵Ibid. John W. Crawford, Advertising, 2nd ed. (Boston: Allyn and Bacon, Inc., 1965), p. 10.

he not only sold space for his father's paper but became a space selling agent for other newspapers especially in Pennsylvania and New Jersey.¹⁶ It did not take long for him to expand his business to include publishers and merchants in other cities. In 1845 besides his Philadelphia branch he opened other branches in Boston, New York and Baltimore.¹⁷

According to Wright, Warner, Winter, and Zeigler it seems that Palmer was not the only one in this business. They argue that "around 1840 various men began to act as sales representatives for out-of-town newspapers in such metropolitan centres as New York and Philadelphia."¹⁸ Since Palmer's father was not the only newspaper publisher in America in 1840 and 1841 it is probable that people other than Palmer acted as sales representatives for other newspapers. What however might be true is that Palmer among them emerged as the most distinctive and popularly known space selling agent for newspapers. It is however true that by mid 1840s many people participated in space selling business for various newspapers.¹⁹ Crawford argues that Palmer's methods were imitated by his competitors whose number in the mid 1840s had risen greatly.²⁰ The relationship Palmer had initiated with

¹⁶ Crawford, op.cit., p. 10.
Borden and Marshall, op.cit., pp. 1021-1022.

¹⁷ Crawford, op.cit., p. 10.

¹⁸ Wright et.al. op.cit., p.159.

¹⁹ Crawford, op.cit., pp. 10-13. Borden and Marshall, op.cit., p.1022.

²⁰ Crawford, op.cit., pp. 10-13.

publishers and the way he was compensated for his services set a pattern which according to Crawford still exists. Palmer regarded the publishers (usually editors and printers) as his principals and believed that as their agent, he was authorized to make contracts with persons who wished to advertise in their papers.²¹ In addition it is said of Palmer that he:

Kept a large file of newspapers for inspection, assisted advertisers in selecting the particular papers to be used, and offered to help them with the writing of their advertisements. He made it plain, however, that he was working for the newspapers and stated that, if an advertiser dealt with his agency, the rates charged would be the same as those charged by the publishers.²²

Though this method of compensation survives to the present day, the modern advertising agency today represents the interest of its clients as much as or more than it represents advertising media.²³

In 1865 George P. Rowell introduced a new dimension, space wholesaling into advertising agency business.²⁴ Rowell and those who imitated him became space wholesalers for some newspapers. They contracted for large blocks of space at reduced rates, and resold to advertisers in smaller lots, at profitable rates. While wholesaling this way for some newspapers they continued to act as selling agents for the newspapers which they were representing.

²¹Ibid.

²²Ibid.

²³Ibid.

²⁴Ibid. Borden and Marshall, op.cit., p. 1022.

In 1867 Carlton and Smith (subsequently the J. Walter Thomson Company) and other agents "began to contract annually with the publications they represented, to pay a lump sum and take over most of the risk and management of the entire advertising space in the papers and in the rising number of magazines which began to make their appearance after the civil war."²⁵

Borden and Marshall also report that:

In order to fill advertiser's desires, an agent, while acting as an independent wholesaler of space in certain papers, had to place orders for space in other papers in which he owned no space. He demanded a commission from the publisher on such orders; or, if necessary, he placed the order with the agent controlling the paper and sought a commission from the agent. Thus commissions were paid to agents both on the space sold on a wholesaling basis and on space bought for a specific client's needs from the publisher or the agent owning space rights in the publication.²⁶

Advertising agencies then not only prepared suitable advertising copies for advertisers but also helped in the selection of suitable media in which to place such advertisements.

In about 1875 George P. Rowell again pioneered another change in advertising agency business, in which agencies instead of bidding on advertisers' lists began to buy space solely in the advertisers' interests, disclosing to the advertiser the prices paid to publishers.²⁷ According to the Rowell plan the agent bought space at the lowest price obtainable in those publications listed by the advertiser. For his service

²⁵Crawford, op.cit., p. 13.

²⁶Borden and Marshall, op.cit., p. 1022.

²⁷Ibid., p. 1023.

however, the agent received a commission which was allowed by the publishers on space purchases.²⁸ N.W. Ayer and Son Agency then devised a plan in which the advertiser was billed for the net rate (after all commissions, rebates, and special price concessions were deducted).²⁹ The advertiser then paid the agent a commission on this cost of space for the services performed.

While some agents worked solely for the advertisers' interests according to the new plan, the old method of bidding on advertisers' lists persisted upto about 1900, when the new method became dominant. Even though the advertising agents had evolved into space buying agents for advertisers, rather than accepting the net-cost-plus-commission plan established by Ayer, most of them followed the Rowell plan of obtaining their income from the commission which media owners continued to grant to them.³⁰

Yet another group took a different direction by becoming true selling agents for selected lists of publications.³¹ These firms are now known as media representatives. They represent the media (newspapers, magazines, radio or television stations or any other media) for whom they sell. While they seek business from advertising agencies for the accounts of the agencies' clients, they are paid on a commission basis by the media owners they represent.

²⁸ Ibid.

²⁹ Ibid.

³⁰ Ibid.

³¹ Ibid.

The above developments in the advertising agency industry led to competition among advertising agencies being placed to a greater degree on service to the advertiser.³² This emphasis on service was the spring board for the introduction of varied agency services to the advertiser. N.W. Ayer and Son is reported to have engaged in a market analysis in 1897 to determine a proper media list for the Nichols-Shepard Company.³³ Earlier in 1884 N.W. Ayer and Son had engaged in full planning and preparation of advertising campaigns.³⁴ In these ways it spearheaded the introduction of varied services in advertising agency business.

Competition compelled advertising agencies to devise ideas and make copy suggestions to advertisers.³⁵ Often agencies availed themselves of the services of free-lance copy writers. By 1890 agencies began to assume into their normal services the writing of advertising copy which by the end of the 19th Century was handled by a distinct department, the copy department. The agencies however relied on the help of the printer and the engraver for layout and typography work needed.³⁶ The speical

³²Ibid., p. 1025.

³³Ralph M. Hower, The History of Advertising Agency (2nd ed.; Cambridge, Mass: Harvard University Press, 1949), pp. 72-74.

³⁴Ibid., p. 79. Borden and Marshall, op.cit. p. 1025.

³⁵Borden and Marshall, op.cit., p. 1025.

³⁶Ibid.

artist and layout man did not come into being until about 1900 and only several years later were they to be found in agencies as part of the agency personnel.

Since the beginning of the 20th Century agencies in America have undergone drastic changes as Borden and Marshall observe:

With the advertising agency plan clearly crystallized and with agencies more and more accepting responsibility for offering full plans and for preparing, as well as placing, advertisements, the trend has been strong for agencies to offer more and more service and to become not just advertising counsel but marketing counsel as well. As the volume of advertising has become larger and the billings of agencies have grown, the size of their service departments has grown, particularly during the past three decades. The number of services offered and the competency in the services vary, of course, among agencies.³⁷

Borden and Marshall continue by arguing that because of this trend toward the offering of more services, there was a trend in the 1950's toward the mergers of agencies. This was because more services added substantially to agency overhead.³⁸ As mergers, agencies could spread such overhead expense among a large number of accounts.

Evolution of the Advertising Agency

From the above history of the development of the advertising agency certain trends have been discernible in the

³⁷Ibid., p. 1026.

³⁸Ibid., p. 1027.

evolution of advertising agency services which Wright and his colleagues summarize in the following three main stages.³⁹

Space Broker Stage: This was the first stage in the evolution of the advertising agency. It started by agents merely soliciting advertisements for the newspaper which they represented. This soon developed into advertising agencies acting as simple agents selling space for their client newspapers on a commission basis.

Eventually, some agents bought a set number of pages from a given newspaper and then resold to advertisers in smaller portions with the aim of making a profit. Agents were solely concerned with trying to sell media space and time to the advertisers. In trying to do this they resorted to the strategy of price cutting as advertisers sought the lowest possible price. During this stage in the evolution of advertising agency, planning of advertising and development of the best possible media schedule for advertisers were little emphasised and therefore it was not surprising that the field of advertising at this time was characterized by inefficiency.

Standard Services Stage: This was the second stage in which the agent became a buyer of space for the advertiser as opposed to being a seller of space to the advertiser. The agent's representation and responsibility were reversed. Instead of representing and being responsible to the publisher whose media space he sold to the advertiser, he was now representing and

³⁹Wright et.al. op.cit., pp. 159-161.

responsible to the advertiser for whom he bought media space from the publishers.⁴⁰ An agreement was made with the advertiser in which the advertiser promised to place all their advertising through the agency. The agency on the other hand would buy space for the advertiser only at established rates as published by newspapers and magazines. This arrangement compelled agencies in their competitive struggle for clients to take on such duties like copywriting, artwork, layout, media selection, and research. These are now considered normal (standard) agency services. Several years later agencies improved the quality of their services and added more services including helping clients to solve their other nonadvertising problems.

Marketing Services Stage: This was the third stage in which agencies offered more varied and highly skilled services to the clients, taking consumer psychology into account when creating advertisements. Agencies also furthered the role of advertising in the marketing mix by coordinating it with other marketing procedures. The agencies rather than handling the clients' advertising problems also concerned themselves with the clients' marketing problems. From this stage evolved the full-service agency typical of most large advertising agencies. The full-service agency renders to clients much more services than the marketing service agency would.

⁴⁰C.A. Kirkpatrick, Advertising (Boston: Houghton Mifflin Company, 1959), p. 516.

Types of Advertising Agencies

Agencies are usually categorized according to: (1) the nature, variety and number of services offered, (2) method of offering services and charging clients for the services, and (3) ownership of agency. Accordingly, Wright and his colleagues identify the following four major types.⁴¹

Full-Service Agency

Agencies in this category are usually of large size and are therefore able to effectively offer to their clients as many a variety of services as possible. They have a large size of billings as well as many accounts and employees.⁴² They are known as full-service agencies because they offer nearly all of the normal agency services required for the preparation and placement of advertisements. These include all of the creative and media services required by advertisers. Often these agencies are independent of advertiser ownership. Their compensation is largely based on media commission.⁴³ Full-Service agencies have the advantage of catering to nearly all the advertising needs of their clients and hence have better chances of survival.

Boutique Agency

These agencies which are sometimes known as the creative

⁴¹Wright et.al., op.cit., pp. 170-171, 161.

⁴²Billings represent the amount of money billed by the agency to its client companies for advertising expenditures.

⁴³James E. Littlefield and C.A. Kirkpatrick, Advertising (Boston: Houghton Mifflin Company, 1970), pp. 431-432.

boutiques perform only the creative function. They developed as a result of the advertisers' obsessive interest and concern with the creative aspect of advertising in the 1960s. Because the clients tend to want the usual agency services, boutique agencies, specialised as they are have failed to satisfy the diverse advertising needs of clients. Therefore many successful boutique agencies are changing to full-service agencies.

A la Carte Agency

These are agencies which sell each service of the agency to clients on an optional basis. They charge a separate fee for each service desired by the client. Their compensation in this case being based more on service charges than on media commission.⁴⁴ Wright and his colleagues argue that this type of agency may be referred to as the "department-store" or "smorgasbord" agency.⁴⁵

In-House Agency⁴⁶

This type of agency is owned outright by the advertiser and operates under his direct supervision. Like full-service agency it performs all of the creative and media services. The difference being that while the full-service agency renders

⁴⁴Ibid.

⁴⁵Wright et.al., op.cit., p. 170.

⁴⁶See also Littlefield and Kirkpatrick, op.cit., pp. 441-442; Cohen, op.cit., p. 313.

service to independent clients, it renders service to its owner and only occasionally does it add other accounts to supplement the owner's account. It has the advantages of keen attention to the owner's advertising problem and reducing the total cost of advertising to the owner as like the full-service agency it receives the media commissions. However, the in-house agency has the following disadvantages. It does not have the scope of problems and experience that independent advertising agencies have. It offers to the owner only an inside and limited point of view instead of the outside and broad point of view. It is easily faced with the serious problem of inbreeding and the accompanying danger of a decline in bold, vigorous thinking. Lack of keen competition results in less incentive to do outstanding work. The agency lack independence and objectivity in the execution of its tasks. Finally, some media may refuse to recognise it for commissions. In-house agencies in most cases are resorted to by companies which are heavy users of television advertising.

Though six kinds of advertising agencies have been identified by some marketers, the above four are the most popular. The type of agency as the following section of the review will indicate, determines to some extent the kind and number of services an agency will provide to clients.

⁴⁷Wright et.al. p. 170.

The Functions of the Advertising Agency

Modern advertising agencies perform the following three basic functions to their clients.⁴⁸

1. They help the client plan the advertising campaign.
2. They prepare the advertisement for the client.
3. They help in the placement of the advertisement in the most suitable media.

The plan of the advertising campaign cannot be realistically developed in isolation of the client's marketing mix. It is an integral part of the overall marketing plan and must therefore be developed in conjunction with other aspects of the overall plan. It is only after a thorough plan of the advertising campaign has been made that the advertisement can be prepared. This requires a decision on the creative strategy to be used so as to achieve the objective for which the advertisement is made. The objectives could be to create awareness, interest, desire, or purchase of the advertiser's products.⁴⁹ After the advertisement has been prepared the agency may undertake to select for the client those media that "will convey the advertising message in the most effective manner to the target market at the lowest cost possible."⁵⁰

⁴⁸Gilligan and Crowther, op.cit., p. 63.

⁴⁹Simon Broadbent, Spending Advertising Money, 3rd ed. (London: Business Books Ltd., 1970) pp. 34-35.
 Ibid., pp. 16-17. William J. Stanton, Fundamentals of Marketing 6th ed. (London: McGraw-Hill, 1981), pp. 402-3.
 Philip Kotler, Principles of Marketing (New Delhi: Prentice Hall of India, 1982), pp. 502-3.

⁵⁰Ibid., p. 63.

Over the years the three basic functions of the advertising agency have been expanded to meet the needs of clients in the markets that have become highly competitive. Though a wide range of services are today attributable to agencies Dorothy Cohen argues that "some agencies have specialized so that they may stress one area of expertise over another. The extent of services offered by the agency generally depends upon its size and its particular composition, or the kinds of people who make up the specific agency,"⁵¹ The following range of services are offered by most British and American advertising agencies to their clients.⁵²

Research

The advertising agency often finds it necessary to collect information to aid it in the formulation of an advertising plan for its client and for creative and media decisions. It engages in three main kinds of research namely: internal research within the client's own business; general research using government departments, libraries, among others; and field research by mail or personal visits to consumers, salesmen, middlemen, and others. In recent years the scope of the advertising agency research has expanded to cope up with

⁵¹Cohen, op.cit., p. 298.

⁵²Ibid., pp. 298-300. Littlefield and Kirkpatrick, op.cit. pp. 424-427. See also appendix B-Agency Service Standards of the American Association of Advertising Agencies.

the expanded needs in both marketing and advertising research. Today research information is needed by agencies not just for their clients' advertising plans and for creative and media decisions only, but also to enable them to effectively provide other services including marketing services to their clients. The expanded need for research information make it necessary at times for agencies to resort to independent specialized research organizations for such information. These research organizations have emerged in response to the expansion in research information need.

Planning

Drawing an advertising plan is a very important function in agency operation and usually requires the cooperation of both the agency and the client. An advertising plan is part of the overall marketing plan of the client and relies a great deal on research information. In drawing such a plan the agency must do or ensure the following: first, viable advertising objectives must be set for the plan; second, strategies to achieve such objectives must be determined; and third, the agency will usually have to provide alternative budget proposals to help the client determine how much should be spent on advertising.

Copy

The writing of the advertisement copy was one of the earliest functions to be added to the responsibilities of the advertising space salesman. The development of an advertising

copy "is the heart of all advertising"⁵³ and therefore assumes prominence in advertising agency role. For this reason the copy department is one of the largest groups in the agency organization structure. Writing copy is a creative function and includes the preparation of artwork, and print and broadcast production. Cohen observes that "copywriters frequently work in conjunction with artists in the preparation of print advertising, and copy writers, art directors, and broadcast producers usually combine their efforts in the preparation of broadcast selling messages."⁵⁴

Art

Included under artwork are both the preparation of the illustration and the design of the layout for an advertisement. Artwork like copywriting and media selection is a basic function of advertising agencies. Again like copywriting it is a creative function and can be performed by the agency personnel qualified in the job or otherwise use may be made of outside specialists. The layout refers to the placing of all the elements of an advertisement (the copy and the illustration) in the desired positions for print media. For television this technique is called 'storyboard' and presents for the client, agency, and outside

⁵³Littlefield and Kirkpatrick, op.cit., p. 424.

⁵⁴Cohen, op.cit., p. 298.

supplier a visualization of the way in which the advertisement is to appear. According to Richard Busby this function is of utmost importance in advertising.⁵⁵

Media Selection

This is another basic function of advertising agencies and like copy and artwork requires expertise to carry out. According to Littlefield and Kirkpatrick "copy and art are joined by media to complete the trio of core functions of advertising agencies."⁵⁶ The availability of various media and alternative schedules and ways of communication within each medium requires specialized skill to make an efficient decision in the choice of the advertising medium or combination of media which will do the most effective job of reaching the client's prospects. This according to Cohen obviously requires knowledge of the characteristics of the available media, their coverage, and an understanding of the target market to be reached.⁵⁷ The agency should be able to "select what it considers to be the best media, contact the various media, execute contracts, and pay media bills."⁵⁸ Costs become an important consideration in all these.

⁵⁵Richard Busby, "How to make the best use of characters in advertising" Advertising and Marketing, vol. 16 No.1 (Spring 1979), p. 25.

⁵⁶Littlefield and Kirkpatrick, op.cit., p. 425.

⁵⁷Cohen, op.cit., pp. 298-299.

⁵⁸Ibid.

Cost estimates made by the agency are presented to the client for approval. Other factors to consider besides rates are circulation, population, audience, income, and other relevant information. Such statistical data is often applied to computer to produce media models which aid in media selection.

Print Production

Print production people in the agency convert the artwork and copy into the printing plate used to produce the finished advertisement. Contact with printers, typographers, typesetters, photoengravers and other outside suppliers is usually required for print production people to facilitate them in their work. Before final printing plates are made, proofs of advertisements will usually be submitted to the clients for approval. Littlefield and Kirkpatrick refer to this function as mechanical production and they emphasize that the department has the task of transforming the copy, illustrations, and layout into a satisfactory printed advertisement.⁵⁹ The manager must work closely with the copy director and the art director. He also uses various commercial firms such as typesetters "to put copy into type, photoengravers for engravings, electrotypers for duplicate plates to be sent to publications, and commercial printers for printing."⁶⁰

⁵⁹Littlefield and Kirkpatrick, op.cit., p. 426.

⁶⁰Ibid.

Broadcast Production

Cohen argues that while in the early days of television, broadcast production was prepared by the advertising agency, today "shows are more frequently purchased from networks, broadcasting stations, or independent show producers."⁶¹ She continues to argue that the creative work on both radio and television commercials is however done by agency men and women. Their work involves the preparation of the storyboard for television, the choice and design of props, costumes, scenery, and the like that are used in broadcast. "The actual mechanical production of the commercial may be done by an outside producer under the supervision of an agency TV producer."⁶² Littlefield and Kirkpatrick however argue that at time commercials may be produced and supervised by the copy staff.⁶³ Concerning broadcast work they continue to argue that "The agency can produce a client's program, buy a complete packaged show for him, or buy time for him on a participation show. The broadcast department sometimes buys television and radio time, the media department sometimes does this buying."⁶⁴

⁶¹Cohen, *op.cit.*, p. 299

⁶²*Ibid.*

⁶³Littlefield and Kirkpatrick, *op.cit.*, p. 425.

⁶⁴*Ibid.*

Traffic Control

This relates to the internal function of the advertising agency. It becomes quite a vital function particularly when the agency grows in size. Traffic controls the timing of copy, artwork, radio and television commercials, plates, and electrotypes so that these are prepared on schedule. It also ensures that client and legal approvals are obtained, and that final material is issued to reach each medium on or before deadline. Cohen describes it as "a coordinating as well as a control function and sees that the activities of the various departments are accurately intertwined."⁶⁵

Account Management

This function ensures that some continuing and close contact is maintained between the agency and client to promote communication and understanding between the two. The agency appoints a contact man, the account executive to maintain such liaison. The role played by the account executive is clearly expressed by Littlefield and Kirkpatrick as follows:

The account executive studies his client's circumstances and problems, discusses them with the client, plans an advertising program he thinks appropriate and submits this program and its individual advertisements for client approval. His major and continuing

⁶⁵Cohen, op.cit., p. 299.

duty is to plan advertising which will keep the client happy - or at least keep the client. There is much conferring between account executive and client, by telephone, by mail, in person. In these contacts, the agency man tries to grasp the client's attitudes and preferences and the thinking responsible for them.⁶⁶

The account executive besides trying to interpret the client to the agency, also represents his agency to the client to whom he also tries to interpret the agency attitudes and reasoning. He is ready to help the client's advertising manager sell the proposed advertising program to client management.

In medium and small size agencies, the principals, partners, officers or even president of the agency typically serve as account executives. It is not uncommon for them to involve themselves in the writing of some copy. In the larger agencies, however, there are officers specially assigned to work as account executives. There are also employee type of account executives. Remuneration for account executives may be on salary or commission basis. In larger agencies there may be an account group consisting of several account executives headed by an account supervisor. One client or several clients may be assigned to account executive(s). Littlefield and Kirkpatrick observe that an account executive may or may not have an assistant and that he may or may not be expected to spend some time in a search for new accounts (clients).⁶⁷ In most cases the work of the account executive

⁶⁶ Littlefield and Kirkpatrick, op.cit., p. 424.

⁶⁷ Ibid.

begins after the new client has been signed. This would depend on the policies of the agency and the prevailing circumstances.

Accounting

Accounting acquires added significance in agency operations than in most business. This is so because of the following common assignment to an agency's account department which Littlefield and Kirkpatrick expresses very clearly when they observe that an account department of the agency has:

to check on the appearance of advertisements in media, to check media invoices against orders, to pay media bills (on behalf of the client), to bill clients and collect from them, to look after such matters as records, book-keeping and office routine.⁶⁸

The head of the accounting department in advertising agencies is often the treasurer or the controller.

New Business

It has been argued that the average tenure of accounts in the agency business in any part of the world is approximately four to eight years.⁷⁰ New business should therefore be secured for replacement. While some agencies hire contact men for the task, others engage in what Cohen refer to as "house"

⁶⁸Ibid., p. 426.

⁶⁹Ibid.

⁷⁰Cohen, op.cit., p. 300.

advertising which aims at selling the agency's services to prospective clients.⁷¹ This topic is reviewed more thoroughly in the section titled "How Agencies Get Clients" in this chapter.

Public Relations

Public relations and publicity operation is usually found in the larger agencies. The public relations department has the responsibility of building stronger relations between clients and their publics like customers, employees, middlemen, stockholders and plant cities.⁷² These publics are communicated to through institutional or corporate advertising and publicity. It is also through this department that the agency does some public relations job for itself with its two publics, prospective clients and present clients. Littlefield and Kirkpatrick argue that the agency may, if it likes, set up its public relations activity as a separate but subsidiary corporation, the clients in this case being its advertising clients or non advertising clients.⁷³

Merchandising-Sales Promotion

These two functions may be organized differently by different agencies. While some agencies may organize them

⁷¹Ibid. .

⁷²Littlefield and Kirkpatrick, op.cit., p. 426. .

⁷³Ibid. .

under separate departments some agencies may merge the two functions within the marketing department. Sometimes they are housed in the research department. Merchandising and Sales Promotion functions are concerned with activities that are not strictly advertising, but are promotional in effort. Cohen argues that "some agencies provide merchandising for their clients, that is, they create sales-promotional materials, aid in dealer-cooperative advertising campaigns, execute point of purchase display, help develop contests, and so on."⁷⁴ On the other hand Littlefield and Kirkpatrick provide the following list of possible interests and activities of an advertising agency's merchandising department: consumer matters such as contests, premiums, consumer education, consumer services and others; marketing matters such as product and package development, labels, pricing, channels, competitors activities, marketing trends and others; Dealer matters such as direct mail to middlemen; point of purchase advertising, retail promotions, merchandising clients' advertising to dealers, and others; selling matters such as trade shows, displays, and exhibits at sales conventions, sales training and simulation, sales meetings, sales literature and others.⁷⁵

Cowan and Jones divide agency functions into primary, secondary and tertiary functions.⁷⁶ The primary functions

⁷⁴Cohen, op.cit., p. 300.

⁷⁵Littlefield and Kirkpatrick, op.cit., pp. 427-8.

⁷⁶D.S. Cowan and R.W. Jones, Advertising in the 21st Century (London: Hutchinson, 1968), p. 22.

include account handling functions such as creative services, and media planning and buying, and functions dealing with technical production, and accounts. The secondary functions are copy testing, marketing, marketing and media research, public relations, sales promotions, print, and overseas. On the other hand tertiary functions include market information and economic forecasting, operational research, and new product development. Cowan and Jones however observe that methods of testing the effectiveness with which the agencies execute these functions to their clients are however very crude and largely subjective.⁷⁷

What Advertising Agency People Do

The services and functions of advertising agencies show clearly what kinds of people work in advertising agencies. Kirkpatrick visualizes the people of an advertising agency as "...a group of advertising specialists plus marketing, merchandising, communication, and allied personnel."⁷⁸ Therefore like the functions of agencies the kinds of people that work in advertising agencies can be divided into three classes according to the work they do. The three classes

⁷⁷ Ibid., pp. 22-23.

⁷⁸ Kirkpatrick, op.cit., p. 514.

as we have seen are related to the primary, secondary and tertiary functions of advertising agencies. Concerning the skills and talents required in advertising agencies he goes on to argue:

The successful advertising agency is a combination of creative ability (to prepare advertisements), selling ability (to sell its services to clients), and business ability (to make money for itself)..... The agency offers clients an assortment of specialists and experts few clients could afford to have as company employees. It offers a breadth of experience no one client can match, experience with different products, media, markets, channels, conditions, problems, and solutions to problems.⁷⁹

Therefore for agencies to function effectively they will require the following types of people.

Research People⁸⁰

These are required for the research functions of the agency. They will be people trained and experienced in research work of various types. Specialists in market research will be useful in finding out where people are who can buy the advertiser's product and also in evaluating the effectiveness of a given advertising campaign. Specialists in media research will be useful in finding out the things people read, what they watch on television, and what kind of people they are. Research

⁷⁹Ibid., pp. 514-516.

⁸⁰Littlefield and Kirkpatrick, op.cit., pp. 425-426.

specialists in the testing and the evaluation of the content of advertising messages and their effect on those people who see and hear them will also be required. Specialists in the social and behavioral sciences researches will provide useful information on human behavior regarding why people do what they do, why they buy what they buy and the like. Research information is useful in obtaining new clients, advertising planning, preparation of copy, artwork, media selection and in the effective provision of other agency services.

Marketing and Merchandising People

Market analysts and merchandising specialists are required to "advise the advertiser, and men engaged in research into the size and composition of markets and audiences and into the kind of human behavior that makes us buy what we buy."⁸¹ The information these people provide become very useful too in advertising planning, copy preparation, media selection and in the provision of sales promotion and other non-advertising services which agencies provide to clients. Market analysts are sometimes used instead of special market research people. Suitable for this work would be people who have trained and qualified in marketing. Such manpower would be provided by graduates of colleges of marketing, faculties of commerce and other institutions offering

⁸¹Crawford, op.cit., pp. 34-36.

intensive marketing courses. Those who have gained experience by working as marketing men for companies would also be quite useful.

Media People

Media analysts are required to study media, collect and analyze media information. They must be "men skilled in comparing and evaluating the audiences of the various advertising media so that the advertiser can reach the greatest number of prospective customers at the lowest possible cost."⁸² Special training to impart the above skills is necessary. Those who have had experience working with various media would also be quite useful as employees of the agency's media department. Information provided by the media analysts is of value in advertising planning, media selection and scheduling advertisement exposures. Media analysts may be used to provide information that media research specialists would be required for.

Advertising Planners⁸³

Specialists in planning advertising are required to coordinate and utilize the various research information, and market and media analysis in developing an effective advertising strategy for the client. Special training would be required for people who are to work as advertising planners.

⁸²Ibid.

⁸³Borden and Marshall, op.cit., p. 1028.

Those with experience in marketing work or qualified in marketing from relevant institutions would also be useful in this work.

Copywriters

These are specialists employed in the copy department and who "combine a skill with words and a talent for writing with the ability to create ideas and to visualize them so that they can be pictured."⁸⁴ These people should be able to think and write effectively. They should be imaginative people and resourceful in ideas to be able to present a product "in a way that people want to buy it."⁸⁵ Sales-minded people who are experienced in personal selling or in reporting can be quite useful as writers. Qualifications in journalism and in language use such as provided by schools of journalism and institutions or departments of language study would provide the required training.

Artists

These specialists like copy writers are creative people who work mainly with space advertising. They should be able to visualize printed advertisements, prepare layouts, and produce or buy artwork or photographs which illustrate

⁸⁴Crawford, op.cit., p. 34.

⁸⁵Wright et.al., op.cit., p. 164.

the advertisement.⁸⁶ According to Crawford the people included here are "art directors who translate ideas into photographs or drawings or paintings, and the layout men who arrange the advertising message so that it is easy and inviting to read."⁸⁷ Photographers, fine artists and those trained in design work would provide the needed skill in this type of work.

Radio and Television Specialists

These people are required in "programming and in writing the specialized kind of spoken messages and the combination of sight-and-sound known as 'commercials'."⁸⁸ They are broadcast men whose responsibility concern program production and supervision. They or the copy department may be required to take responsibility over commercials. The broadcast department benefits from personnel who have had training or experience in radio and television work. Journalists and photographers would again be useful here. Besides these people, the broadcast department may also make use of actors, and singers and musicians if the advertising messages are to be broadcast by radio or television.⁸⁹ While the actors would speak the lines, the singers and musicians would make

⁸⁶ Littlefield and Kirkpatrick, op.cit., p. 425.

⁸⁷ Crawford, op.cit., p. 34.

⁸⁸ Ibid., p. 36.

⁸⁹ Ibid.

music which catches the attention and interest of the target audience.

Print Specialists⁹⁰

Messages which are to appear in print would require the expertise of the following people. Graphic arts specialists prepare the message for publication. Skilled engravers transform pictures made by photographers or drawn or painted by artists into millions of tiny dots known as engravings, "through the magic of the engraver's camera and the highly developed skills of using etcher's acids and burnishing tools."⁹¹ Typographers change the words from a typewritten manuscript into lines of letters cast from molten lead. Electrotypers combine pictures and type into a metal mold for reproduction of millions of copies on paper through the printing processes.

Account Executives

These are agency administrators specifically assigned the task of managing the client-agency relationship. The importance of their role in the agency organization is made clear from the following observations: "One of the most

⁹⁰Borden and Marshall, op.cit., 1028. Wright et.al., op.cit., p. 164. Littlefield and Kirkpatrick, op.cit., p. 426. Ibid.

⁹¹Crawford, op.cit., p. 36.

difficult organizational problems of agency is to develop or obtain broadgauge account executives fully versed in advertising and equally skillful in appreciating and in sympathetically handling the client's problems and views."⁹² The account executive therefore has to be a jack-of-all-trades on whose shoulders the agency-client business depends. He must be a person who is both an experienced administrator and advertising expert for him to be effective. He should be a person well trained in human relations skills, conceptual skills and technical skills of agency business.

Sales People

These though may be agency administrators are charged with the responsibility of winning new business for the agency. They do this by trying to sell the agency to prospective clients.⁹³ For them to be successful in getting new clients they must be good salesmen by qualification and/or by experience. A thorough knowledge in marketing obtained from a university or any other institution would be of great value. The senior and top executives of the agency are often chosen for this work of getting new business.

⁹²Borden and Marshall, op.cit., p. 1028.

⁹³Wright et.al., pp. 168-169.

Accountants

More qualified accountants are required to man the agency's accounting department than would be required by any other business. This point is made more clearly by Cohen when she argues that accounting has:

added significance to an agency. Since the agency is responsible for payment to media, rather than the client, it becomes particularly important to keep accurate accounts of billing, to check the appearance of advertisements, and to maintain records of payments.⁹⁴

There are several colleges and institutions which prepare people for various accounting professional examinations. Graduates of these colleges and institutions are potential employees for the advertising agency accounting function.

Traffic Controller

The traffic controller by his function is also involved in agency administration. Specifically, he is involved in a coordinating as well as a control function. He has to ensure that the activities of the various departments in the agency are accurately intertwined. Of his responsibility Cohen argues that he has to "see that copy, artwork, radio and television commercials, plates, and electrotypes are prepared on schedule, that client and legal approvals have been obtained, and that final material is issued to reach each medium on or

⁹⁴Cohen, op.cit., p. 300.

before deadline."⁹⁵ By the nature of his job therefore, a traffic controller should be a person well read in systems analysis and the working of organizational systems, from relevant programmes.

Other Agency People

Besides the above specialists, agencies also employ other people, administrators and non administrators for various functions. For its other administrative functions like personnel, finance and others it would need people qualified and experienced in relevant professions.

Large agencies with several hundred accounts would be in a position to have most if not all of these specialists to function among the staff of its employees. On the other hand small agencies with a few accounts and a limited amount of billings per annum, would in some of these services rely on the services of independent special-service groups. Free-lance artists, photographers, copywriters, package designers, public relations counselors, and independent market research firms have often been used this way.⁹⁶

As the foregoing literature review indicates, the number and size of an agency's accounts greatly determine its ability to employ various specialists required for its functions.

⁹⁵Ibid., p. 299.

⁹⁶Wright et.al., pp. 174-175.

How agencies obtain such accounts is the concern of the following section of the review.

How Advertising Agencies Get Clients

Given that the average tenure of accounts in the agency business is four to eight years, securing new business (new clients) for replacement is of importance to agency survival.⁹⁷ This is even more so for the modern advertising agencies characterized with the problem of high agency-client turnover.⁹⁸ The task of securing new clients is usually assigned to the agency top executives such as the agency owners, principals, partners, and other top officers.⁹⁹ In some agencies part of this responsibility could be left to the account executive. Whoever has this responsibility in an agency, the methods by which advertising agencies can resort to in securing new business are strictly controlled.

Agencies are not ordinarily supposed to advertise their services as a means of obtaining new clients. Therefore the methods advertising agencies use to secure the type of customers they need becomes of utmost interest. To obtain the type of customers it wants, a planned and organized

⁹⁷Cohen, op.cit., p.300.

⁹⁸Ibid., p. 303. Peter Doyle et.al., "Signals of Vulnerability in Agency-Client Relations," Journal of Marketing, Vol. 44 (1980), pp. 18-23.

⁹⁹Littlefield and Kirkpatrick, op.cit. p. 421.

program is desirable of the advertising agency. This program must start by defining the type of new client desired.

Types of Clients Agencies Look for

Agencies often have target clients whom they would like to serve. Usually these are advertisers with the following characteristics.¹⁰⁰

- (1) The client must portray able management, efficient operations, and products or services of sound value.
- (2) The client should be one with whom the agency would agree on such issues as policies, standards, advertising, marketing, and agency-client relations and responsibilities.
- (3) The client should have an advertising fund of a certain size, and should be capable of generating to the agency a certain minimum of billings.
- (5) The client should show signs of growth and should be conveniently located for easy reach by the agency.

There are also agencies who solicit for clients only within product classifications or within industry types which they know or with which they have dealt in the past. It should also be noted that agencies would seldom accept a client whose

¹⁰⁰Littlefield and Kirkpatrick, op.cit., p.. 421.

line of business is in direct competition with that of a client it is already handling.

The weight a particular agency would give to each of the above factors in selecting or accepting a client would of course vary among different agencies.

Techniques for obtaining new clients

Advertising agencies obtain new clients by one or more of the following.¹⁰¹

Advertiser making the move: An advertiser may approach the agency by mailing an exploratory, screening questionnaire to the agency, and then pursue the agency for service depending on his satisfaction with the information obtained about the agency. An agency may also be approached by an advertiser as a result of the agency having been recommended to the advertiser by another agency who for one reason or other cannot handle the advertiser's account. Alternatively an advertiser could approach the agency as a result of tips obtained from media or media representatives, and from news stories in trade publications. Clients may also be brought to the agency by an account executive who has approached the agency for a job.

Advertisement by the agency: The most suitable medium is by direct mail to the desired clients because it is selective, confidential, economical and gives the agency an opportunity

¹⁰¹ Ibid., pp. 421-424.

Wright et.al., p. 168. Derrick R. Cawston, "Pitching and Spinning or how to choose and use your ad agency," Advertising and Marketing, Vol. 17 No.2 (Summer, 1982) pp. 2-6.

to demonstrate its advertising capabilities. Trade papers may also be an appropriate medium. It should be noted here that some agencies because they are too busy serving clients may have no time to advertise themselves. Probably some agencies do not advertise because they feel that it would be unprofessional for them to do so.¹⁰²

Personal Contact and solicitation by the agency: The agency top officials make contacts with prospects in clubs, business groups, professional societies, alumni groups, meetings, and associations. During such contacts the agency officials have to make aggressive personal selling of the agency. This is a major and most effective method of soliciting for clients.

Speculative Presentation: By this method the agency in attempting to get an account submits suggested copy, art work, illustrations, complete advertisements, detailed schedules, or the findings of market surveys - all free to the advertiser. Such a presentation is often very costly to the agency for the creative effort and demonstration materials used. Hence some agencies will often decline from making such presentations even though an advertiser may demand it. It should also be noted that since the agency lacks information on the prospective advertiser's business, product or service, personnel, and problems it cannot do a good job in the presentation. The outcome may prejudice the advertiser against the agency. Other arguments against the speculative

¹⁰²Ibid.

presentation are that the advertiser may think that the agency can be talked into doing extra jobs free; the brains, money, and time used in constructing the speculative presentation could be used in serving present clients; an undesirable advertiser could be influenced and obtained as a client; and in a speculative presentation the advertising agency is giving away what he does and should get paid for, his stock in trade.¹⁰³

The function of getting business should be handled well as the growth and prosperity of the agency depends on it. How the function is handled by the agency would depend on a number of factors internal and external to the agency.¹⁰⁴ While some agencies would aggressively solicit new business, others would discuss the possibility only on invitation preferring to stand on their reputations of past performance as the principal means of securing new clients.

After a new client has been obtained, the task of effectively serving him and ensuring his continued relationship with the agency becomes of utmost importance. The organization required and how the work is done is the subject matter of the next section of the review.

How Advertising Agencies Work

The advertising agency like any multifunctional business often adopts a formal organization structure to enable it

¹⁰³Wright et.al., p. 168.

¹⁰⁴Ibid.

effectively carry out the various functions for which it has been formed.¹⁰⁵ The degree of elaborateness of an agency's formal organizational structure would in most cases depend on its size. Wright and his colleagues observe that though smaller agencies do not have elaborate organizational structure their essential functions are usually provided, although these (functions) may be consolidated into fewer departments, or even delegated to special-service groups independent of the agency itself.¹⁰⁶ Whether elaborate or not it is within its formal organization structure that the advertising agency executes its services. That structure and the procedure applied by the advertising agencies in executing the agency services to their clients is the basis of the literature review in this section.

Organizational Structure

The type or pattern of organization within an advertising agency usually takes one of the two basic forms viz. departmental organization or group organization.¹⁰⁷ However, for each, several adaptations and variations can be found. No one form is superior to the other. Whichever form an agency adopts would be determined by its size, functions performed for clients, and its personnel.¹⁰⁸ While smaller

¹⁰⁵Wright et.al., p. 165.

¹⁰⁶Ibid.

¹⁰⁷Littlefield and Kirkpatrick, op.cit., p. 428.

¹⁰⁸Ibid.

agencies usually organize on a departmental basis, larger agencies use the group approach mostly.¹⁰⁹ However, it is not uncommon to find smaller agencies using the group form of organization and larger agencies using the departmental form of organization.

Group Organization: Here each client has a team or group of individuals serving his account. The same group handles a client's advertising problem through all stages, for example, it would do the planning, creative work, media buying and similar activities. While an agency would have several of such units or work groups, each group would be handling a number of clients. Wright and his colleagues argue that "in effect, several small agencies are created within the framework of the large agency."¹¹⁰ On the functioning and structure of such groups Littlefield and Kirkpatrick argue:

Each group reports to an account executive or to a group head and clears its plans through agency executives. Although all groups do not include just the same talents, the core of practically all groups consists of the account executive, a copy writer, and layout artist from the art staff. New groups can be set up as new clients are added.¹¹¹

¹⁰⁹Wright et.al., p. 165.

¹¹⁰Ibid.

¹¹¹Littlefield and Kirkpatrick, op.cit., p. 428.

Littlefield and Kirkpatrick continue to argue that common in group-type agencies is the plans board.¹¹² A plans board is usually made up of senior executives with broad experience. Often it is composed of the account executive plus the heads of copy, art, media, research, and mechanical production units. Included in the duties of a plans board are the selection of campaign themes, the design of campaigns, the drafting of advertising programs, and the supervision of advertising strategy.¹¹³ Usually work groups have to clear their plans with a plans board.

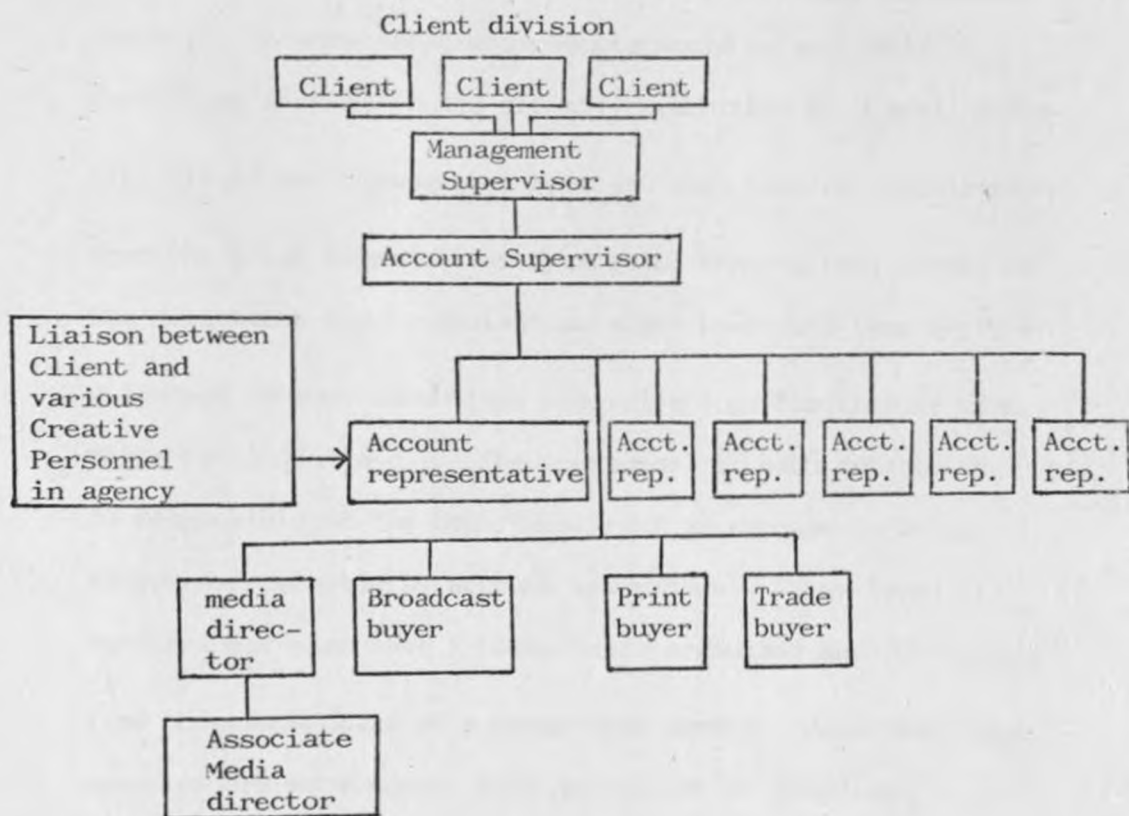
It should be noted here that organization by group is relatively rare and that it lends itself easily to larger agencies than to smaller ones. In fact for a very small agency which finds it impossible to departmentalize its structure, the agency itself will work as one group, a single group based agency as opposed to a multigroup form of the very large group based agencies.

¹¹²Ibid.

¹¹³Ibid.

The organization chart of a group based advertising agency would be more or less as shown in Figure 1.

Figure 1: Advertising agency Organization Chart
(group structure)



Source: Dorothy Cohen, Advertising (New York: John Wiley & Sons, Inc., 1972). p. 297.

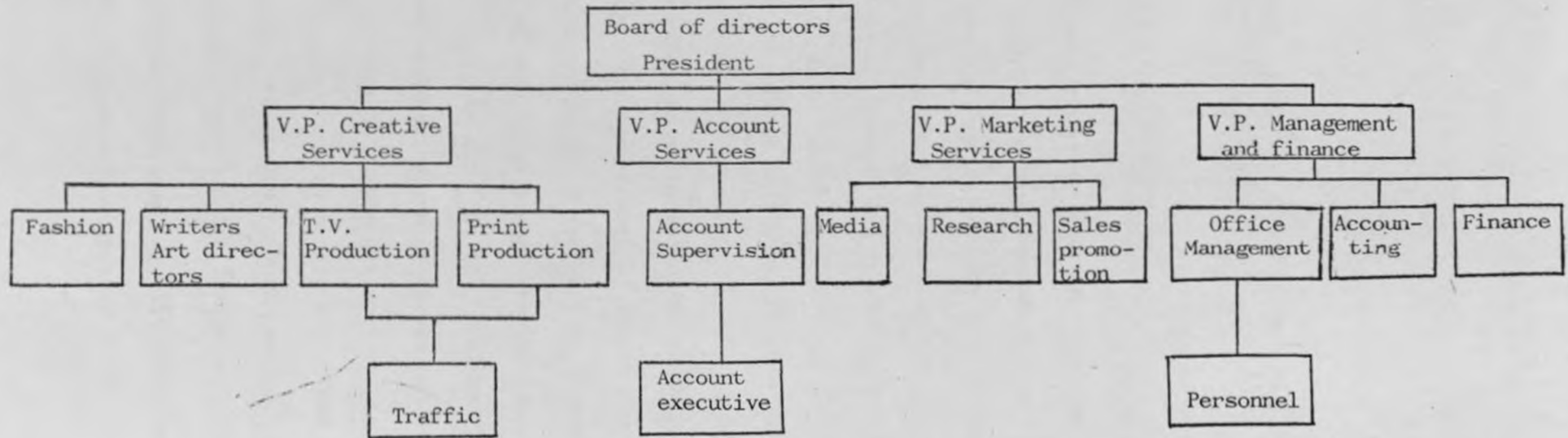
Department Organization: Here each major advertising agency function has a separate department and is headed by a specialist in that particular field.¹¹⁴ Such a head usually has the title of Vice President in the USA. Each client is served by the various departments of the agency (through the account executive to whom these departments would be available to facilitate service to the client) rather than by a small group. Littlefield and Kirkpatrick contrast this type of organization from the group organization by arguing that "a copy writer in the department-type organization might work with four or five different account executives and write copy for four or five different products."¹¹⁵ The personnel of each department is responsible to the department head as opposed to being supervised directly by account executives. These types of agencies may also have a plans board organized and functioning like the plans board of a group-type agency. Department type agencies are more common than group-type of agencies.

The organization chart for this type of agency would be more or less as shown in Figure 2.

¹¹⁴Ibid.

¹¹⁵Ibid. Wright et.al. p. 165.

Figure 2: Advertising agency organization chart
(functional structure)



Source: Dorothy Cohen, Advertising (New York: John Wiley & Sons, 1972), p.296.

Administrative Personnel: These give direction to departmental operations.¹¹⁶ Among the administrative personnel for example will be the creative (copy) director, art director, research director, media director, office manager, and so on. Often the agency will have at the top of its structure the president, whose responsibility is to see that the agency operates in a businesslike fashion. If the agency is quite large the president will be responsible to a chairman, who in turn would be responsible to a board of directors. There might also be at the top, an executive committee, for policy making. Besides these there will often be a number of vice-presidents. These are usually department or group heads, or might be responsible for important accounts.

Ownership: Regarding ownership of the agency Wright and his colleagues state that stock of the agency may be held privately by key executives or sold to the general public.¹¹⁷ While the former would be a private company the latter would be a public company. Alternatively, agencies could be owned singly by an individual, sole proprietorship, or could be owned by two or more individuals who have willingly come together to form a partnership.¹¹⁸

¹¹⁶Ibid. _____

¹¹⁷Ibid., p. 168.

¹¹⁸Cohen, op.cit., p. 290.

Client Service Procedure

The account executive and the traffic controller play key roles in the execution, coordination and control of services to the client.¹¹⁹ A client with his advertising problem is immediately assigned to an account executive. The client from that moment is represented by the account executive who would then ensure that the client is fully served. It is his duty to ensure that the various departments or specialists execute their functions accordingly to the account whenever their services are called for. The traffic controller on the other hand has the responsibility of coordinating and controlling the provision of the various services to the account. He must ensure that the various services to the account are performed according to schedule. Richard Botwood in his description of "how Young and Rubicam made the most of their invitation to create a new advertising campaign for a new account - Ideal Toys"¹²⁰ highlights the important part played by traffic control in developing an advertising strategy to a client.

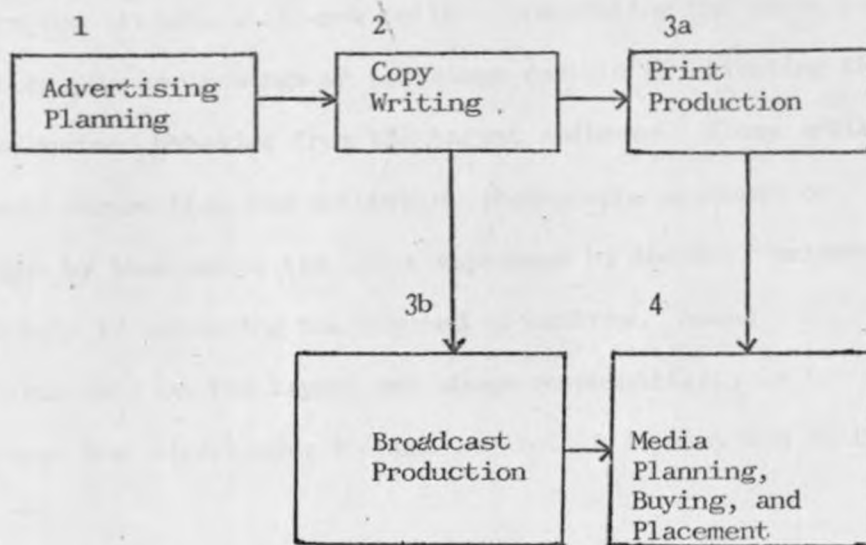
In handling a client's advertising problem the flow of agency services to the account is as shown in the

¹¹⁹ Littlefield and Kirkpatrick, op.cit., pp. 424-426 .

¹²⁰ Richard Botwood, "For one agency, at least, it is an Ideal Start to the year," Advertising and Marketing, vol. 13 No. 4 (Winter 1976), pp. 46-48.

chart below.¹²¹

Figure 3: The process involved in the production of an advertisement.



As the chart shows, the process involves four main stages. Stage 1, advertising planning marks the beginning of real work on the client's problem. At this stage the advertising planning specialists make use of information from various researchers and analysts to devise an advertising plan for the client.¹²²

In stage 2 the work is handled by the copy writers whose job is to translate the plan into ideas capable of eliciting the desired behavior from the target audience.

¹²¹Littlefield and Kirkpatrick, op.cit., pp. 424-428.

¹²²Researchers and analysts here comprise market, media, social and behavioral science researchers and analysts.

From the copywriting stage the work may move into either stage 3a or stage 3b depending on whether the advertisement is intended for print or broadcast media. If it is to appear in print it will go into print production where the artists will work on it - translating the ideas into photographs or drawings or paintings capable of eliciting the same desired behavior from the target audience. These artists should ensure that the artwork or photographs produced or bought by them match the ideas expressed by the copy writers and help in achieving the desired objectives. Among the artists will be the layout men whose responsibility is to arrange the advertising message so that it is easy and inviting to read.

On the other hand, if the advertisement is for broadcast, the radio or television specialists instead of the artists will work on it. These specialists will produce or supervise the production of the desired program such as "commercials." They are to ensure that the specialized spoken messages and the combination of sight-and-sound in the program are such that they would help in achieving the desired objectives.

Finally, in stage 4 the work would move into the hands of the media specialists who would be in charge of buying the media space or time, deciding on the exposure schedule and frequency, and then placing it for advertisement.

After the fourth stage, it would remain for the agency research men to evaluate later the effectiveness of the particular advertising campaign in achieving the desired objectives.¹²³

It is not just important how advertising agencies interact with clients for services, but the financial basis of such interaction is of equal importance to the relationship. The next section of this review considers the methods and problems of agency compensation.

How Advertising Agencies Make Money

This section of the review covers the methods by which agencies are compensated for their work and the problems associated with such methods.

Methods of Agency Compensation

Like any other business organization agencies are in business to make money for the services they render in advertising. They are compensated according to the following major methods.

¹²³Charles Ilsley, "How effective in the short or long run is advertising research?" Advertising and Marketing, vol. 16 No. 4 (Winter 1979/80), pp. 19-21.

Media Commission Method: This method which is the most established has been for decades the largest single source of revenue for recognized advertising agencies. Under this method the agency bills the advertiser at current media rates on all advertising placed by the agency in commissionable media.¹²⁴ The media then bill the agency at these same rates less 15%. The difference is retained by the agency as agency income. For noncommissionable media, an amount necessary to provide the agency with a sum of 15% of gross billings, before cash discounts, will be added by the agency to the media charge.¹²⁵ All discount offered by media are transferred to the client. A major weakness of this method is that it is neither equitable nor reasonable. The 15% commission would, for example, be too much for a company that does a great deal of national television advertising, and too little for another with large amounts of print advertising in small publications or spot television advertising in selected markets. McNiven consequently argues that "the commission rate should be consistent with the expense incurred by the agency for the services wanted."¹²⁶

Service Charges: By this method service charges are added by the agency to the cost of materials and services bought for

¹²⁴Cohen, op.cit., pp. 304-305.

¹²⁵Ibid.

¹²⁶Malcolm A. McNiven, "Plan for more productive advertising," Harvard Business Review, vol. 58 (March-April, 1980), p. 135.

clients. Agencies in this case would add 15 or 17.65% to the cost of artwork, photography, plates, mats, printing, and other advertising ingredients.¹²⁷

Fees: These are based on the time and skill required in the performance of certain creative functions.¹²⁸ Examples here are the agency's creation of non-commissionable advertising, catalogues, and window displays, and the fee added when media commissions are too small to pay the agency for the job of preparing the advertisements. Kirkpatrick argues that "agencies serving some industrial and some financial accounts charge fees according to the amount of service rendered."¹²⁹ He concludes by a remark that the fee pattern is neither standardized nor uniform among agencies, for example, certain services which are rendered free by some agencies may be charged at cost or at bargained fees or even at profitable fees by other agencies.¹³⁰

According to McNiven some advertisers base agency fees on hours spent plus a reasonable profit level.¹³¹ He continues to argue that these fees change as assignments change, and that such arrangement generally results in a better

¹²⁷Kirkpatrick, op.cit., p. 533.

¹²⁸Ibid.

¹²⁹Ibid.

¹³⁰Ibid., p. 534.

¹³¹McNiven, op.cit., p. 135.

relationship between the agency and client. He also argues that a similar approach is to charge a guaranteed profit level that puts a minimum and maximum profit range on the agency's fee. His conclusion is that both systems tend to increase the productivity of advertising dollars, since the compensation to the agency is adjusted to match the services required by the client.¹³²

Variations and combinations of the above three basic methods of compensation could be used to form other methods. According to Kirkpatrick these include "fee with commissions credited against it; fee plus commission; cost; cost plus a percentage; cost plus a fee; flat fee per job; retainer fee."¹³³

McNiven argues that the establishment of in-house agencies is another method of reducing agency compensation.¹³⁴ In-house agencies he argues can buy advertising directly and would internally handle media planning and buying. Creative advertising development and production could likewise be handled internally by specialists in the in-house agency or bought from small agencies called creative boutiques. However he continues to argue that:

It is possible to reduce expense this way, but there is also the risk of reducing the quality of advertising programs. Developing good advertising is a difficult process, so a company which intends to do it internally should hire real experts. Media planning and buying are more easily accomplished internally and are a company's best bet for in-house development.¹³⁵

¹³²Ibid.

¹³³Kirkpatrick, *op.cit.*, p. 534.

¹³⁴McNiven, *op.cit.*, p. 135.

¹³⁵Ibid.

Compensation Problems

Two methods of compensation, the media commission and fee methods have been criticized for their shortcomings. However, the most criticized has been the media commission method. Doubts have been held as to its equitability and reasonableness as a method of compensation. The chief complaint as Cohen puts it "has been that the agency appears not to be reimbursed for the quality of its efforts but rather payment is made on the basis of the amount of advertising time and space that is bought."¹³⁶ The fear therefore is that the agency would encourage its clients to place more advertising in media minding more about its financial interests than for the client's interests. Though this fear is generally dismissed as untenable a big question still remains "as to the merit of a practice which appears to provide compensation which bears little relationship to the success or quality of the efforts put forth for this payment."¹³⁷ A similar point is expressed by Kirkpatrick when he argues that "it is odd for an advertising agency to be hired by, to represent, to work for the advertiser-yet be paid by media."¹³⁸

This dissatisfaction with the commission method of compensation led the Association of National Advertisers

¹³⁶ Cohen, op.cit., pp. 308-309.

¹³⁷ Ibid.

¹³⁸ Kirkpatrick, op.cit., p. 534.

in the U.S. to conduct a study aimed at evaluating the commission method versus the fee method of compensation.¹³⁹ They came out with a number of advantages and disadvantages of the two alternative methods. Among the advantages raised for the media commission were that it results in greater agency income for the long-run good of advertisers and media owners; provides funds for improvement of skills for advertisers benefit; makes it easier to attract new advertisers; eliminates need for bargaining; provides incentive for agencies to be outstandingly creative for survival; works and simple to apply; rewards the agency in proportion to the use made of its ideas; creative standards of agencies may not be influenced by fluctuating needs of clients; makes services of large agencies available to small advertisers or by enabling small agencies to exist and serve them; eliminates price cutting and price wars among agencies and eliminates need for detailed costing of agency operations. Among the disadvantages were that it encourages agency recommendations which may not be in the best interest of clients; results in automatically higher agency compensation regardless of agency's success, and costs; keeps weak agencies in existence; and founded on the myth that agencies still serve media. In addition the following disadvantages are of particular

¹³⁹Albert W. Frey and Kenneth R. Davis, The Advertising Industry (New York: Association of National Advertisers, 1958), pp. 211-216.

interest. Media commission provides compensation not necessarily related to service rendered; neglects effectiveness of agency's efforts; is illogical in that cost of space and time, the base for the commission, may have no relationship to quality of the advertising produced; rewards agency on basis of "how much" rather than "how well" money is spent. Media commission leads to strained relationship between agency and client by creating uncertainty as to true financial relationships. Media commission leads to clients asking for services not really required, and to agencies introducing new services not really required, in an attempt to justify the 15 percent. Finally, media commission is not strictly honest as it promotes the delusion that the advertiser is getting something for nothing; tends to make media and agencies reluctant to conduct unbiased research that might react to their immediate detriment; and makes media subservient to agencies.

On the other hand the study raised the following advantages for the fee method. It brings compensation into line with quantity and quality of service; makes for good morale and attracts good talent to the agency; enables agency to concentrate attention on increasing clients' sales, not billings; leads to unbiased counsel in all phases of client marketing operations because recommendations do not affect agency earnings;

eliminates bickering over extras and services; provides better psychological climate for client and agency to work in; insures that every account is profitable for the agency over a period of time; is professional, fees are paid in accordance with skill provided; necessitates close cooperation between advertiser and agency and so on. Among the disadvantages were that fee method: involves too much difficulty and time in arriving at satisfactory fee; leads to price cutting and poorer quality of advertising and thus damage to the entire advertising structure; puts advertiser in too strong a bargaining position, in which his judgements may hurt himself - he being "penny wise and pound foolish;" calls for excessive expense in setting up and operating procedures necessary for costing client services properly; fails to allow for adequate compensation of outstanding creative work-a value cannot be placed on such work; makes clients less receptive to new ideas since they feel the cost directly; involves negotiating by people whose talents are primarily "creative" and who are thus at a disadvantage; and will make for chaos during the period of changeover from the commission method and may even mean the end of advertising agencies.

Though as the above study indicated none of the two methods is without weakness, Adam Knowles in attempting to forecast the future of advertising agencies argues that the replacement of the commission system by a fee relationship and the emergence of specialised media broking will mean that "increasingly the absolute size of the turnover of an account

through an agency will not necessarily guarantee it a commensurately high revenue."¹⁴⁰ In addition he argues that the fee method would make agencies more genuinely involved as:

The implications are also reassuring. The agency, being paid, in a sense, by results, will have very much greater freedom and strength to recommend that which is right not merely that which is acceptable or fashionable. The agency will have a far more interesting place in the client's spectrum of services, be far more genuinely involved, able to be far more realistic, and therefore less likely to be fired for reasons of personality clash, or the inevitable minor slip-up than obtained during the 70s.¹⁴¹

He goes on to argue that in a market in which, increasingly, the agency will be paid less by the size of account and more by contribution, three further changes are likely: "First, overall billings will cease to be a measurement of agency success; second, agencies will have to become less specialised in terms of the nature of accounts they handle and; third, because account size as defined by turnover will become irrelevant, the undoubted skills that the business has, will be available to a far greater range of manufacturers."¹⁴² He is optimistic that fee method will eventually replace the commission method because as he argues "already clients are demanding that agencies be remunerated by virtue of their contribution to the clients' objectives, rather than their willingness to place

¹⁴⁰ Adam Knowles, "Repositioning the advertising agency for the 1980s," Advertising and Marketing, vol. 16 No.4 (Winter 1979/80), p. 16.

¹⁴¹ *Ibid.*, pp. 17-18.

¹⁴² *Ibid.*

a hefty media budget."¹⁴³

The media commission as a method of compensation to agencies raises a lot of criticisms and dissatisfaction particularly among agency clients. It has a high potential of straining the relationship between the client and the agency, and is in fact one of the major factors contributing to the problem of agency-client turnover, as the following section of the review will indicate.¹⁴⁴

Agency-Client Turnover

Though certain surveys both in the U.S. and U.K. have indicated that a relatively small number of accounts, about 2.5% change their agencies annually, the loss of an account is potentially disastrous to an agency.¹⁴⁵ Such a loss, particularly of core accounts can lead to the collapse of an advertising agency. Therefore it would be in the interest of any advertising agency to try to retain its current accounts (clients). This however is not easy and according to Doyle and his colleagues, "the retention of current accounts is perhaps the key problem facing an agency."¹⁴⁶

¹⁴³Ibid.

¹⁴⁴Frey and Davis, op.cit., p.158.

¹⁴⁵Doyle et.al., op.cit., p. 18. John J. Humpal and Henry G. Meyer-Oertel, "Measuring change in the Advertising Agency Business," Journal of Marketing, vol. 31 No. 1 (1967), pp.56-59.

¹⁴⁶Doyle et.al., p. 18.

In their study Doyle and his colleagues identified the following reasons as major causes of a client's decision to switch the account: changes in client policy, changes in agency policy, changes in client management, changes in agency management, and dissatisfaction with agency performance.¹⁴⁷ Albert W. Frey and Kenneth R. Davis on the other hand have identified: lack of understanding of the function of the advertising agency, especially by top management of the client company; lack of confidence in agencies and unwillingness to make plans and data available to agencies; and failure by clients to establish sound and well defined advertising objectives, plans, procedures, and leadership as the reasons on the client's part that contribute to a strained relationship between the agency and the client.¹⁴⁸ On the agency's part they identify: failure by the agency to establish well-defined standards for the measurement of its performance; agency organization that does not permit control of performance; and methods of compensation as contributors to such a strained relationship.¹⁴⁹ Littlefield and Kirkpatrick also argue that the advertiser-agency turnover problems can be explained from the following reasons.¹⁵⁰

¹⁴⁷Ibid., p. 19.

¹⁴⁸Frey and Davis, *op.cit.*, p. 157.

¹⁴⁹Ibid., p. 158.

¹⁵⁰Littlefield and Kirkpatrick, *op.cit.*, pp. 448-450.

- (1) The relative ease with which the divorce between the two can be accomplished in most cases has contributed to the advertiser-agency turnover.
- (2) The fact that neither party can conclusively evaluate the performance of the agency has in some cases led to a change in relationship between the two.
- (3) In some cases agencies find it necessary to resign unprofitable accounts.
- (4) Since it is unwise for the agency to attempt to serve competitive clients, they may have to resign a small account in favour of a new but larger account that is in competition with the smaller account.
- (5) The decision by an advertiser to use a new medium with which his present agency prefers to have no dealings or if he requests for a service his agency does not supply, could justify a change for the advertiser.
- (6) Differences in opinion between the two parties regarding advertising strategy and tactics often lead to a change in relationship.
- (7) Failure between the top management of the two parties to achieve the rapport necessary for both to work together satisfactorily may lead to a break up in relationship.

- (8) Some companies merely change agencies in the belief that there is some merit in doing so.
- (9) Personnel changes in either party may lead to a change in relationship.
- (10) Weak planning on the part of either can also lead to a change in relationships.
- (11) New arrangements may be inevitable if either client or agency finally concludes that the other is unreasonable and is going to remain unreasonable.
- (12) Loss of confidence in the competence or in the fairness of the other may also lead to a change in relationship.
- (13) A client who is unhappy with the position of his brand in the market will in some cases shift to another agency.
- (14) Often agencies claim that politics, nepotism, and "connections" account for their loss of certain clients.
- (15) Agencies are also convinced that when the management of a company is replaced, the new managers often fire the present advertising agency as a way of demonstrating their administrative talents.
- (16) Agencies also contend that they have often been dismissed by advertisers, who in such cases have used them as a scapegoat to cover up mistakes of the advertiser's making.
- (17) Agencies say they sometimes have to resign certain accounts owing to too much direction, or too much supervision, even dictation, by the advertiser; or the advertiser insisting on advertising that was freakish, unsound, or in violation

- of good public relations; or the agency found its hands tied so tightly that it could not do a good job.
- (18) If the advertiser considers his agency as an outsider and their relationship not more than temporary, he may refuse to supply information essential as a foundation for profitable advertising. This may lead to a conflict and change of relationship between the two.
- (19) Advertisers often charge agencies that advertising is "poor" when the advertiser's sales fall off or when his advertisements get low "ratings." Thus they will charge the agency of incompetence, ruts, staleness, ignorance, or lack of understanding.
- (20) Sometimes advertisers complain that the agency's service department perform poor quality services, or that the agency's top executives treat them carelessly and with neglect.
- (21) The advertiser may even complain that the agency's budget recommendations are shaped by self-interests and that the agency eventually ends up spending the dollars wastefully. This dispute and the belief that a new agency would at least be equally good but less costly have contributed to a break-up in relationship.
- However, the authors conclude by a remark that, "it is probable that more changes result from the advertiser's dissatisfaction with his present agency..."¹⁵¹ As is evident

¹⁵¹Littlefield and Kirkpatrick, op.cit., p. 450.

therefore, the problem has many causes of both endogenous and exogenous nature to the agency. Unfortunately however, advertising agencies tend to feel that the break up in relationship is caused only by factors external to the agency. Their tendency is to see a client's decision to switch the account as somehow exogenous and unexplainable.¹⁵² This is because advertising agencies appear to have little understanding of the causes of client dissatisfaction. Such a lack of knowledge Doyle and his colleagues argue "leaves agencies particularly ill-equipped to identify signals of vulnerability, anticipate emerging client disenchantment, and forestall potential account losses."¹⁵³ Doyle and his colleague continue to argue that agencies could minimise the problem of account losses if they could sensitize themselves to client dissatisfaction and develop a greater marketing orientation toward them, and if the agency could initiate a formal and systematic post mortem to identify the reasons for which an account has been lost.¹⁵⁴

¹⁵²M. Chevalier and B. Catry, "Advertising in France: The Advertiser-Agency Relationship," European Journal of Marketing Vol. 10 (Jan., 1978), pp. 28-34. P.C. Harper, "The Agency Business in 1980," Advertising Age, Vol. 19 (Nov. 1973), p.33.

¹⁵³Doyle et.al., op.cit., p. 18.

¹⁵⁴Ibid., pp. 22-23.

Conclusion

From the foregoing literature review, a number of points stand out clearly. The first one being that the literature on the development of US advertising agencies is not quite clear as to the exact date when the first recognizable advertising agency came into existence. However, the year 1840 or even a little earlier emerge as more probable dates than 1841 when Palmer is said to have made the first start into advertising agency business. Second, advertising agencies in their evolution have passed through three major stages beginning with the space broker stage, then the standard services stage, and ending with the marketing services stage which typifies most full-service agencies today. Third, to date four major types of agencies have emerged namely the full-service agencies, the creative boutiques, the a la carte agencies, and the in-house agencies. Fourth, agencies today offer to their clients quite a number of services which may be broadly categorized into three major functions viz.

- (1) the primary functions such as creative, media, technical production, and account services;
- (2) secondary functions such as copy testing, marketing, marketing and media research, public relations, sales promotions, print, and overseas; and
- (3) tertiary functions such as market information and economic forecasting, operational research, and new product development.

For lack of specialists an agency may have to buy one or more of these services from outside individuals or organizations as most small agencies do. Fifth, the agency may get a new client by any one of the following ways: the advertiser making the approach by contacting the agency for a service; or a client may be won over by the agency's advertisement through direct mail or in a trade paper; or top executives may be instrumental in securing clients through meetings with prospects in clubs, associations, and the like; or a client may be won over by the agency's speculative presentation to him. Sixth, to facilitate the agencies in the performance of their tasks they are often organized on a group basis, or departmental basis, or a mixture of departmental and group kind of structure. Seventh, agencies are compensated through the media commission method, or service charges to clients, or fees by clients, or a combination of any two or all of the three methods. Though none of these methods is perfect, media commission method enjoys wide popularity. Finally, it becomes clear from the literature that the agency-client relationship is usually strained from several sources of both an internal and external nature to the agency.

CHAPTER III

M E T H O D O L O G Y

The Population

The study was a census survey aimed at investigating the nature and operations of advertising agencies in Kenya. All the advertising agencies in Kenya are members of the Marketing Society of Kenya. A list obtained from the Society was updated as to include only those advertising agencies that were in operation during the time of the study. This gave a total of fourteen advertising agencies. All of them were situated within the boundaries of the city of Nairobi. Since the number of advertising agencies available was small, it was decided to cover all of them in the survey. It was also felt that a census survey would provide a more accurate picture of the advertising agencies in Kenya for an exploratory study such as this one. A total of 13 advertising agencies were surveyed as one proved to be unco-operative.

Data Collection Method

The questionnaire (see appendix A2) consisted of five sections, each section pertaining to a major question raised in the objectives of the study. The five sections were used to collect data as follows:

Section 1 - data on media decisions, Section 2 - data on agency services, Section 3 - data on the methods used in getting new clients, Section 4 - data on agency-client turnover problem, and Section 5 - data on the nature of advertising agencies in Kenya.

The questionnaire consisted mainly of closed-ended questions and some open-ended questions. The questions were developed from a study of the pertinent literature and interviews with a sample of agencies.

In preparing the questionnaire which was used in the final survey, first an initial questionnaire was developed and pre-tested on a sample of agencies. After the pre-test the questionnaire was adjusted and restructured on the basis of what was experienced during the pre-testing and its outcome. A final version of the questionnaire was then developed and used in the interviews.

Personal interviews with various advertising agency executives were conducted by the author. Though the questionnaires could have been sent by mail to the various agencies, it was nevertheless decided to have it administered by personal interviews in order to cut down on the possible nonresponse rate. For a census survey of only 14 agencies a high nonresponse rate could result in the study not giving the kind of picture a true census should give. Owing to the small number of agencies, it was possible to conduct personal interviews.

One questionnaire per agency was administered. In each agency the following executives were interviewed: The Chief Executive or Managing Director, the Media Director, the Account Executive and other executives who were deemed by the agency to be in possession of the required information. First the Chief Executive or Managing Director of the agency was contacted and then through his assistance other executives were interviewed as was necessary.

CHAPTER IV

DATA ANALYSIS AND FINDINGS

Data in this study is summarized and presented by use of tables. While the major method of analysis is by use of proportions, in some cases the findings are rank ordered.

This chapter treats the data analysis and findings under two major sections. While the first section presents data which seek to establish the nature of advertising agencies in Kenya, the second section presents data relating to some of their major operations.

The Nature of Advertising Agencies in Kenya

In this section, a number of issues relating to the nature of the 13 advertising agencies were considered.

Table 1 shows the period when the advertising agencies started operations in Kenya. The table

Table 1: Period of establishment of advertising agencies in Kenya.

Period	Number of Agencies	Proportion of Agencies
Before 1963	3*	23.1%
1963 - 1967	0	0.0
1968 - 1972	3	23.1
1973 - 1977	4	30.8
1978 - 1982	3	23.1
After 1982	0	0.0
Totals	13	100.1

*The three agencies were established in Kenya in the years 1938, 1954 and 1958 respectively.

indicates that most of the existing advertising agencies started operations in Kenya in the mid seventies, the 1973 - 1977 period. In the period 1963 - 1967 no advertising agency was established in Kenya. This was the period just after Kenya obtained her political independence. However, by this time three advertising agencies were already in operation. These were established during the colonial period. The earliest one having been set up way back in the year 1938 and the second and third being set up in the years 1954 and 1958 respectively. Only one of these agencies was of foreign origin, a British multinational. The remaining two were local advertising agencies, one a multinational¹⁵⁵ and the other a national agency.¹⁵⁶ For details of the other advertising agencies see appendix E.

Table 2 shows the size of advertising agencies in Kenya. The table indicates that the largest number of advertising agencies in Kenya employed from 21 to 30 people, followed by those that employed from 11 to 20 people. Only one agency employed over 40 people. This shows that the advertising agencies

¹⁵⁵ Though was originally incorporated in Kenya had established branches in other countries.

¹⁵⁶ A national agency refers to an advertising agency operating in no other country apart from Kenya.

Table 2: Number of employees that worked for the advertising agencies.

Number of Employees	Number of Agencies	Proportion of Agencies
Under 11	1	7.7%
11 - 20	4	30.8
21 - 30	5	38.5
31 - 40	2	15.4
Over 40	1	7.7
Totals	13	100.1

in Kenya judged by the number of employees that worked for them were relatively small in size, at least by the standards of the advertising agencies in America and Britain.

The advertising agencies interviewed for this study employed a total number of 296 people. Of these about a third, 102 people worked for advertising agencies of Kenyan origin and another 100 people worked for those of American origin. Agencies of British and Canadian origins employed a total number of 82 and 12 people respectively. This indicates that only about a third, 34.5 per cent of the advertising agency people were employed by local advertising agencies, the bulk, 65.5 per cent of the people in the industry worked for foreign advertising agencies. The analysis further indicated that of the 296 agency people, while 166 worked for multinational agencies only

130 people worked for agencies which were not multinationals.

Table 3 shows the advertising agencies categorized by their types. As the table indicates, there were only two types of advertising agencies in Kenya namely, the full service agencies and the creative boutique

Table 3: Types of advertising agencies in Kenya.

Type of Agency	Number of Agencies	Proportion of Agencies
Full service agencies	10	76.9%
Creative boutique agencies	3	23.1
A la Carte agencies	0	0.0
In-house agencies	0	0.0
Others	0	0.0
Totals	13	100.0

agencies. The full service agencies were by far the largest number, 76.9 per cent of the agencies. The implication is that except for the three creative boutique agencies, most advertising agencies in Kenya, rather than specializing in a few advertising functions, tried to provide all the advertising agency services. The advertising agency literature indicates that creative boutique agencies find it difficult to survive and soon adopt the full service agency

perspective in order to survive and thrive in the business.

Table 4 shows how the advertising agencies in Kenya were organized. The table indicates that the largest number, 53.8 per cent of the advertising agencies in Kenya were organized into departments on the basis of major agency functions. A reasonable number, 38.5 per cent of the agencies were organized both according to department of major agency functions and

Table 4: How advertising agencies in Kenya were organized.

Basis of Organization	Number of Agencies	Proportion of Agencies
Departmental	7	53.8%
Both Departmental and Group	5	38.5
Group	1	7.7
Totals	13	100.0

¹⁵⁷ group basis. Only one of the 13 agencies was organized purely on a group basis. The literature reveals that usually agencies are organized into departments of major agency functions, though purely group based agencies, and agencies organized on both departmental and group bases are also quite common.

¹⁵⁷ Group basis of organization occurs when an agency is organized on the basis of groups whose functions are more or less identical to each other.

Table 5 shows the number of agencies by country of origin. The table indicates that local or Kenyan owned agencies were by far the largest of

Table 5: Number of advertising agencies by country of agency origin.

Country of Origin	Number of Agencies	Proportion of Agencies
Kenya	6	46.2%
United States of America	4	30.8
Britain	2	15.4
Others*	1	7.7
Totals	13	100.1

*The only other country of origin indicated was Canada.

any one single country of origin. About half, 46.2 per cent of the agencies were of Kenyan origin. The second largest number, 30.8 per cent of agencies were American owned. Only two agencies were British owned. The only other group was comprised of one agency, which was Canadian owned. Further analysis indicated that of the 13 advertising agencies only five were owned by multinationals while eight were national agencies.

Table 6 shows forms of advertising agency organizations in Kenya. As the table indicates, the largest number, 76.9 per cent of advertising agencies in Kenya were limited liability companies. Only

Table 6: Forms of advertising agency organizations in Kenya.

Form of Organization	Number of Agencies	Proportion of Agencies
Limited Liability Companies	10	76.9%
Sole Proprietorships	2	15.4
Partnerships	1	7.7
Others	0	0.0
Totals	13	100.0

15.4 per cent and 7.7 per cent of the agencies were owned as sole proprietorships and partnerships respectively. There was no other form of ownership of the advertising agencies.

Table 7 shows the methods by which agencies were compensated. As the table indicates, the largest number, some 84.6 per cent of the advertising agencies mentioned media commission as one of the methods by which they were compensated for their work. The second most popular method was service charges which was mentioned by 61.5 per cent of the agencies.

Table 7: Methods by which advertising agencies were compensated for their work.

Compensation Method	Number of Mentions	Proportion of Agencies Mentioning Item
Media Commission	11	84.6%
Service Charges	8	61.5
A composite of other methods*	3	23.1
Fees	1	7.7
Others**	2	15.4

N = 13

*A method which combines any two or all of the following three basic methods: media commissions, service charges, and fees.

**Other methods mentioned were studio production and advertising origination charges.

The table also indicates that agencies were hardly compensated by the fee method. Only one agency mentioned fees as one of the methods by which it was compensated for its work. These findings were in line with what the literature indicates.

However, as table 8 shows, media commission was given the first rank by the largest number, 76.9 per cent of the advertising agencies as the method by which the agency was most compensated for its work. The only other method relied upon by some agencies was the composite method which was ranked number one by only 23.1 per cent of the agencies. Service charges, fees or any other method were not relied upon by agencies as a method of compensation.

Table 8: Method by which an advertising agency was most compensated for its work.

Compensation Method	Number of Mentions	Proportion of Agencies Mentioning Item
Media Commission	10	76.9%
A Composite of other methods	3	23.1
Service charges	0	0.0
Fees	0	0.0
Others	0	0.0
Totals	13	100.0

The Operations of Advertising Agencies in Kenya

This section presents findings for four major aspects of advertising agency operations investigated in this study.

Table 9 shows the type of services offered by agencies in Kenya. The table indicates that advertising planning, copy development, artwork and media selection were offered by all the advertising agencies in Kenya. Television and radio production services were also relatively popular and were offered by 84.6 per cent of the agencies. The least popular services were evaluation of advertising campaign effectiveness and market research which were offered by only 53.8 per cent and 46.2 per cent of the agencies respectively. The only other services offered were

Table 9: Services offered by advertising agencies in Kenya.

Type of Service	Number of Agencies	Proportion of Agencies
Advertising Planning	13	100.0%
Copy Development	13	100.0
Artwork	13	100.0
Media Selection	13	100.0
Television Production	11	84.6
Radio Production	11	84.6
Print Production	9	69.2
Marketing Advice	9	69.2
Market Analysis	8	61.5
Public Relations Advice	8	61.5
Evaluation of Advertising Campaign Effectiveness	7	53.8
Market Research	6	46.2
Others	4	30.8

N = 13

film production and what the agencies referred to as supervising and directing services. Only 30.8 per cent of the agencies offered these other services. The data however indicates that all the major advertising agency services were available among the advertising agencies in Kenya.

As table 10 shows, ten agencies responded to the question which sought to find out why some of the services were not offered by the agency. The other three did not respond as they offered all the agency services to their clients. The two most important

reasons which explain why some services were not offered by some agencies were that, while some

Table 10: Most important reason why an advertising agency did not offer some of the advertising agency services.

Reason	Number of Mentions	Proportion of Agencies Mentioning Item
Agency trying to specialize	3	30.0%
Agency not supposed to perform the services	3	30.0
Lack of competent employees	1	10.0
Clients do not request for the services	1	10.0
Services offered by other agencies	0	0.0
The services would be too costly for clients	0	0.0
Lack of facilities	0	0.0
The services would be unprofitable for the agency	0	0.0
Others	2	20.0
Totals	10	100.0

N = 10

agencies were trying to specialize, others considered that the agency was not supposed to perform the services.

Each of these reasons was ranked number one by 30 per cent of the responding agencies. Lack of competent employees and clients not requesting for the services were also mentioned in the first rank but only by one agency each. Only two agencies mentioned other reasons as being most important explanations in their cases. Lack of facilities, the cost of the services, unprofitability of the services, and the fact that other agencies offered the services emerged in the study as immaterial reasons.

Table 11 shows the methods used by the agencies in Kenya to obtain new clients. The table indicates

Table 11: Methods used by advertising agencies in Kenya to obtain new clients.

Method	Number of Mentions	Proportion of Agencies Mentioning Item
Personal contacts and solicitations to prospective clients	11	84.6%
Speculative presentation to prospective clients	7	53.8
Agency presentation to prospective clients*	6	46.2
Clients let to approach the agency on their own	6	46.2
Direct mail advertisements to prospective clients	3	23.1
Advertisements in trade papers	2	15.4
Others	1	7.7

N = 13

*Agencies mentioned it as a better alternative to speculative presentation. Here the presentation is made only to clients who have shown definite interests in the agency.

that the largest number, 84.6 per cent of the advertising agencies mentioned personal contacts and solicitations to prospective clients as one of the methods they used to obtain new clients. The second widely used method was speculative presentation to prospective clients. It was mentioned by 53.8 per cent of the agencies. Agency presentation and letting clients to approach the agency on their own both ranked third. Advertisements in trade papers was the least used method. Most agencies said that professional ethics forbade them to advertise (see also appendix D). This is in line with what the literature suggests. Only one agency indicated that it used another method besides the popularly known ones. It referred to the method as international in-house method.

Further analysis to determine the most important method used by an agency, indicates that personal contacts and solicitations to prospective clients is the most widely relied upon method. It was assigned the first rank by 61.5 per cent of the 13 advertising agencies. While agency presentation this time ranked second, speculative presentation to prospective clients ranked third. These were assigned the first rank as methods which these agencies most relied upon by only 23.1 per cent and 15.4 per cent of the agencies respectively. No first rank was assigned to the rest of the methods. This implies that those other methods were merely used to supplement other methods but no agency relied on any of them as the main method.

As table 12 shows, the largest number, 61.5 per cent of agencies mentioned that they relied most on the method which was appropriate in obtaining the type of client desired. The method being the most convenient for the agency ranked second, being mentioned by 30.8 per cent of the agencies. Only one agency gave as its main reason the explanation that the method was

Table 12: Main reason why a method was most relied upon by an agency.

Main Reason	Number of Mentions	Proportion of Agencies Mentioning Item
Type of client desired can be obtained	8	61.5%
Most convenient method for the agency	4	30.8
Quickest method in obtaining a new client	1	7.7
Relatively inexpensive method to the agency	0	0.0
Others	0	0.0
Totals	13	100.0

quickest in obtaining new clients. Again as the table shows, any other reason apart from the above three were not important in explaining why an agency relied most in a particular method of obtaining new clients.

This study found out that media like radio, television, newspaper, magazines, cinema or film,

directory advertising, and outdoor advertising were all dealt with by all the 13 advertising agencies. However, direct mail and transit advertising media were dealt with by only ten and nine agencies respectively. Only six agencies indicated that they dealt with other media other than the above nine. These other media were: below the line and point of sale materials, exhibitions and shows, neon signs, live promotions, and give-away items like T-shirts and pens.

As table 13 shows, only five agencies responded to the question which sought to find out why some of the media available were not dealt with by the agency.

Table 13: Main reason why an advertising agency did not deal with some of the media available.

Main Reason	Number of Mentions	Proportion of Agencies Mentioning Item
Clients do not require use of those media	3	60.0%
The agency considers that use of those media do not require agency services	2	40.0
The agency trying to specialize on some media	0	0.0
Lack of personnel who can prepare ads for those media	0	0.0
Preparation of ads for those media is costly	0	0.0
Others	0	0.0
Totals	5	100.0

N = 5

The rest of the agencies felt they dealt with all the available media. The only two main reasons given as explanations as to why the agency did not deal with some of the media available were that clients did not require use of those media and that the agency considered that use of those media did not require agency services. While three agencies indicated the former, two agencies indicated the latter reason. Hence the explanation that clients do not require use of those media emerges in this study as the most important reason of the two. The rest of the reasons were not important as the table indicates.

Table 14 shows that the media chosen for an advertising campaign was mostly determined by both the advertiser and agency. This was mentioned by the

Table 14: The person who determines the media chosen for an advertising campaign.

Decision Maker	Number of Mentions	Proportion of Agencies Mentioning Item
Both the advertiser and agency	9	69.2%
The agency	4	30.8
The advertiser	0	0.0
Totals	13	100.0

majority of the respondents, 69.2 per cent of the advertising agencies. The only other determinant

of the media chosen was the agency. This was however mentioned by only 30.8 per cent of the agencies. The findings suggest that though the agency has powers to determine media choice independently of the advertiser, the advertiser cannot make such a decision without compromising with the agency. In their comments however, most agencies indicated that the usual practice was for the agency to approach the advertiser with media proposals and then compromise with the advertiser. In a few cases however, the agency may place an advertisement in a medium or media combination without consultation with the advertiser. The agencies further said that in cases where the advertiser was bent on dictating media against the agency's best judgement, they had often had no other option but to withdraw from the contract, for the agency's interest.

Table 15 shows what advertising agencies perceived as the causes for change of agency by clients. The table indicates that dissatisfaction with the standard of agency creative work and dissatisfaction with the standard of agency account management were perceived by most agencies as the causes for change of agency by clients. Each of the reasons was mentioned by 76.9 per cent of the agencies. Personality conflict between client and agency, and changes in the advertising personnel of the client company both ranked second, being mentioned by 46.2 per cent of the agencies as causes for client switching

Table 15: What advertising agencies perceived as the causes for change of agency by clients.

Cause	Number of Mentions	Proportion of Agencies Mentioning Item
Dissatisfaction with standard of agency creative work	10	76.9%
Dissatisfaction with standard of agency account management	10	76.9
Personality conflict between client and agency	6	46.2
Changes in the advertising personnel of the client company	6	46.2
Changes in the top management of the client company	5	38.5
Relative image weakness of ad campaigns prepared by the agency	5	38.5
Dissatisfaction with standard of agency marketing advice	3	23.1
The decision by the client company to decrease its ad budget	3	23.1
Politics in the Management of the client company	3	23.1
Dissatisfaction with standard of agency media buying	0	0.0
Others	0	0.0

N = 13

of agencies. While dissatisfaction with the standard of agency media buying was not perceived by any agency as a cause of

clients changing agencies, dissatisfaction with the standard of agency marketing advice, the decision by the client company to decrease its advertising budget, and politics in the management of the client company in this study emerges as also being relatively immaterial as in each case only 23.1 per cent of the agencies perceived them as causes.

The interesting point however in these findings was the way in which the perception of the agencies in this study deviate from what the literature holds. Unlike in the literature, these findings suggest that the advertising agencies in Kenya were realistic enough in their perception as to the causes of change of agency by clients. The majority acknowledged that weaknesses inherent in the standard of agency performance were responsible for clients abandoning agencies. The literature on the other hand suggests that agencies are not ready to acknowledge their own weaknesses but instead shift the blame to factors within the client companies and from without the agency. In this study, two factors within the client company namely the decision by the client company to decrease its advertising budget and politics in the management of the client company have even ranked very low, being mentioned by only a few agencies as causes of the agency-client turnover problem.

Conclusion

The foregoing findings bring to light a number of points about the nature and operations of the advertising agencies in Kenya. The following were found about their nature. The largest number, 77 per cent of the existing advertising agencies were set up in Kenya during the 1968 - 1982 period. In the period 1963 - 1967, just after Kenya obtained her political independence no agency was set up. Most of the agencies, about 69.3 per cent of them employed from 11 - 30 people, quite a small number of employees by the standards of agencies in Britain and the United State of America. The advertising agencies in Kenya were of two types, the full service and the creative boutique agencies. Full service agencies comprised 76.9 per cent of the agencies. Except for one agency, most of these agencies were either organized on a departmental basis or on both departmental and group basis. Most of the agencies were either Kenyan owned or American (U.S.A.) owned. Limited liability companies comprised 76.9 per cent of the agencies. Media commissions and service charges were the most frequently mentioned methods by which the agencies were compensated.

Investigations into the operations of the agencies found the following. All agencies offered advertising planning, copy development, artwork, and media selection services to their clients. The other services were not

offered by all agencies. Two reasons most frequently mentioned for not offering certain services were that, while some agencies were trying to specialize, others considered that the agency was not supposed to perform the services. Most, 84.6 per cent of the agencies relied on personal contacts and solicitations to prospective clients as a method for obtaining new clients. The most frequently mentioned reason for relying on a particular method was that the method was appropriate for getting the type of client desired. All the advertising agencies dealt with the following media: radio, television, newspaper, magazine, cinema or film, directory advertising, and outdoor advertising. However, some of the available media were not dealt with by some agencies. For some agencies, this was because clients did not require use of those media, while for others it was because the agency considered that use of those media did not require agency services. In 69.2 per cent of the agencies the media chosen for an advertising campaign was determined by both the advertiser and agency. In only 30.8 per cent of the agencies did the agency alone determine the choice. Finally, most of the agencies perceived that the causes for change of agency by clients were dissatisfaction with the standard of agency creative work, and dissatisfaction with the standard of agency account management.

CHAPTER V
C O N C L U S I O N

This final chapter, the conclusion, summarizes and discusses the findings, mainly in relation to the major questions raised in the objectives of the study. The chapter also highlights the limitations of the study, and concludes with some suggestions for future research.

Summary and Discussion

Four major questions were raised for the first objective of the study. The questions sought to identify the nature of the advertising agencies in Kenya with respect to the types of advertising agencies available, the way in which they are organized, their ownership, and the methods by which these agencies are compensated for their work.

Regarding the types of advertising agencies in Kenya, the analyses show that there were only two types of advertising agencies, namely, the full service agencies and the creative boutique agencies. The full service agencies however comprised the largest number, 76.9 per cent of the agencies, while the creative boutiques were only 23.1 per cent of the agencies. The literature suggests too that full service agencies are the dominant types in Britain and America and the

argument provided is that the nature of the market is such that unless an agency renders as many services as possible, its survival would be but short-lived. This is the fate most creative boutiques have faced forcing them to adopt more or less the full service agency perspective.

Concerning how the advertising agencies in Kenya were organized the analyses indicated that about half, 53.8 per cent of the agencies were organized on a departmental basis. Each major agency function being assigned to a separate department. Slightly over a third, 38.5 per cent of the agencies were organized on both departmental and group basis, and only 7.7 per cent of the agencies were organized on a purely group basis. Here again the findings were consistent with the literature pertinent to the study. According to the literature, departmental and departmental-group are popular bases of agency organization, found in large and small agencies alike. A purely group basis is convenient mainly for the very large agencies. Most of the advertising agencies in Kenya, however, were relatively small in size.

Ownership of advertising agencies in Kenya was considered on three bases namely ownership in relation to country of origin of the agency, whether multinational or national, and form of organization of the agency.

The analyses show that nearly half, 46.2 per cent of the agencies operating in Kenya were local or Kenyan owned. Nearly a third 30.8 per cent were American owned, while 15.4 per cent and 7.7 per cent were British and Canadian owned respectively. Agencies of foreign origin therefore comprised about half, 53.8 per cent of the advertising agencies operating in Kenya. The analysis also indicated that of the 13 advertising agencies, the greater number, 61.5 per cent of agencies were under multinational ownerships, while only 38.5 per cent of them were nationally owned.

The analyses show that the 13 advertising agencies fell into three forms of ownership. By far the largest number, 76.9 per cent of the agencies were under limited liability company ownerships, while only 15.4 per cent and 7.7 per cent were owned by sole proprietors and partners respectively. There was no other form of ownership of these agencies.

Concerning the methods of compensation, the analyses show that 84.6 per cent of the agencies were partly compensated by media commissions. Some 61.5 per cent of the agencies were partly compensated by service charges, 23.1 per cent partly by a composite of other methods, 7.7 per cent partly by fees, and 15.4 per cent were partly compensated by other methods namely studio production, and advertising origination charges. The indication here was that about six

different methods were used by clients to compensate these advertising agencies. This study suggested that media commission was the most dominant method by which the advertising agencies in Kenya were compensated for their work. This finding was consistent with the literature in the field. Nearly all the advertising agencies in this study used media commissions as one of the methods by which they were compensated. In contrast only one agency (7.7% of the agencies) used fees as one of the methods by which it was compensated.

An investigation as to what method an agency relied on most found that only two of the above methods, that is, media commission and a composite of other methods were relied upon by agencies for their compensation. While media commission was the main method of compensation in 76.9 per cent of the agencies, a composite of other methods was the main method in only 23.1 per cent of the agencies. The rest of the methods were supplementary and in no agency was any of them relied upon as the principal method of compensation.

Like in the first objective four major questions were raised for the second objective of the study. The questions sought to explore the operations of advertising agencies in Kenya with respect to the services they offer to clients, the methods they use in obtaining new clients, the determination of the media chosen

for an advertising campaign, and what the advertising agencies perceive as the causes for change of agency by clients.

The analyses shows that all the major advertising agency services were offered by the agencies in Kenya. These were advertising planning, copy development, artwork, media selection, television production, radio production, print production, marketing advice, market analysis, public relations advice, evaluation of advertising campaign effectiveness, and market research. In addition, two other services namely film production and what agencies referred to as supervising and directing services were offered. The first four services were the most popular. They were offered by all the agencies. Television production and radio production were next in popularity and were offered by 84.6 per cent of the agencies. Third in popularity were print production and marketing advice offered by 69.2 per cent of the agencies. Market analysis and public relations advice were fourth in popularity and were offered by 61.5 per cent of the agencies. Evaluation of advertising campaign effectiveness and market research were the least in popularity being offered by only 53.8 per cent and 46.2 per cent of agencies respectively. Only 30.8 per cent of the agencies offered other services other than the above twelve. As suggested in the literature the

first four services were the most popular because they are the primary advertising agency services and are quite basic to the operations of an agency

Two reasons namely the agency trying to specialize and the agency considering that the services were not for the agency to perform, ranked first among the most important reasons, as the explanations for why an advertising agency did not offer some services. The reasons, lack of competent employees and clients not requesting for the services were among those mentioned as being most important in explaining why an agency did not offer certain services.

Regarding the methods used by the advertising agencies in Kenya to obtain new clients the analyses shows the following methods, arranged in order of their popularity: personal contacts and solicitations to prospective clients, speculative presentation to prospective clients, agency presentation to prospective clients, letting clients approach the agency on their own, direct mail advertisements to prospective clients, advertisements in trade papers, and the international in-house method. However, investigations as to the most important method relied upon by an agency in obtaining new clients found that only three namely personal contacts and solicitations, agency presentation, and speculative presentation were relied upon. The most widely relied upon was personal contacts and

solicitations which was the main method for 61.5 per cent of the agencies. Agency presentation and speculative presentation were the main methods for only 23.1 per cent and 15.4 per cent of the agencies respectively. These findings suggested that although the other methods were used as supplementary methods, none of them was relied upon by any agency as the main method of obtaining new clients.

Investigations as to why a method was relied upon by an agency found the following main reasons, arranged in order of their popularity:

(i) because the type of client desired can be obtained,
(ii) it is the most convenient method for the agency and,
(iii) it is the quickest method in obtaining a new client.
These were mentioned as the main reasons by 61.5 per cent, 30.8 per cent, and 7.7 per cent of the agencies respectively.

The analyses shows that in 69.2 per cent of the advertising agencies, the decision as to which medium or media combination to place an advertisement was made by both the advertiser and agency. The study found that the usual procedure was for the agency first to make media proposals and then seek to compromise with the advertiser over the choice of media for the placement of an advertisement. This finding was consistent with the literature in the field. The analyses also shows

that while in 30.8 per cent of the agencies the media chosen for an advertising campaign was determined by the agency alone, in no agency did the advertiser alone determine such a choice. The implication here was that even though media choice decisions were joint decisions, in some agencies the agency was free to choose as it pleased and could even dictate to the advertiser what medium or media would be appropriate. In no agency did the advertiser have such powers. In their comments the agencies indicated that it would be in the interest of the agency to withdraw from a contract where the advertiser tried to assume dictatorial powers over media choice.

This study also found that all the advertising agencies dealt with radio, television, newspapers, magazines, cinema or film, directory advertising, and outdoor advertising media. The rest of the advertising media available in Kenya were dealt with by only a portion of the agencies in varying proportions. It was found that while eight agencies dealt with all the media available in Kenya only five agencies did not deal with all the media. Three of the five agencies gave as their main reason for not dealing with some of the media the explanation that clients do not like use of those media. The other two agencies indicated that in their consideration use of those media do not require agency services.

Regarding what the advertising agencies perceived as the causes for change of agency by clients the study found that dissatisfaction with the standard of agency creative work and dissatisfaction with the standard of agency account management ranked highest among the ten reasons cited. The other reasons arranged in order of the frequency of mentions were: personality conflict between client and agency, changes in the advertising personnel of the client company, changes in the top management of the client company, relative image weakness of advertising campaigns prepared by the agency, dissatisfaction with the standard of agency marketing advice, the decision by the client company to decrease its advertising budget, and politics in the management of the client company. This shows that advertising agencies in Kenya were more realistic in acknowledging that weaknesses in their standard of performance cause change of agency by clients. According to the number of agencies that mentioned a reason, those reasons that were related to causes within the agency ranked highest, while those reasons that were related to causes within the client company ranked lowest. In these respects the findings of this study differed greatly from the literature. The literature suggests that advertising agencies are not ready to admit that factors within the agency cause change of agency by clients, but are more inclined to shift the

blame to factors from without the agency or within the client company.

Limitations

This study was constrained by the following limitations.

One agency which refused to cooperate in the study was ignored and excluded from the census. This left a population of 13 agencies instead of the 14 advertising agencies in Kenya. The generalizations from this study are therefore somewhat constrained to the extent that data from one agency was lacking.

Although one of the objectives of this study was to explore the operations of advertising agencies in Kenya, time became a major constraint limiting the scope and depth of the study. Therefore other important areas of agency operations like marketing and media research, advertising planning, functions of major agency people, the process involved in the production of an advertisement, and other features were not specifically dealt with in the study.

Likewise it was not possible to explore deeply enough certain areas covered in the study. Media decisions, for example, could have been explored further to find out how the advertising agencies in Kenya decide on time, frequency, and total number of advertisement exposures.

Suggestions for Future Research

Owing to limitations in time other important areas of agency operations were not explored. It is suggested that future research should direct its efforts toward the exploration of how the advertising agencies in Kenya handle their marketing and media research functions, advertising planning function, the process involved in producing an advertisement, and the evaluation of advertising campaign effectiveness.

Future research should also concentrate more on those areas not adequately explored by the study. Media scheduling decisions would be such an area, where future research should try to find out how the advertising agencies in Kenya decide on the time, frequency and the total number of advertisements for a particular advertising campaign. Such a study could go further to explore how the agencies perceive different types of audiences and the impact this has on their advertising schedules.

The study investigated what the advertising agencies perceive as the causes for change of agency by clients. Whether the clients themselves perceive the same or different causes is an issue to be resolved by future research.

UNIVERSITY OF NAIROBINOTE TO RESPONDENTS

Dear Respondent,

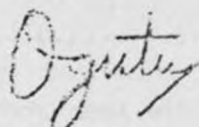
Most people in this country neither know the meaning nor the work of advertising agencies. In order to overcome this general lack of knowledge this survey aims at studying the nature and operations of advertising agencies in Kenya. It is toward this end that this questionnaire calls for your assistance in providing the necessary information.

Neither your name nor that of your agency is required and you are assured that the information you provide will be treated in the strictest confidence. At your request, a summary of the results will be sent to you.

Your co-operation in the exercise will be highly appreciated.

Thanking you in advance,

Yours sincerely,



MARTIN OGUTU

INTERVIEW QUESTIONNAIRE

In each of the following questions, please answer according to the instructions given.

Section 1: Media Decisions

1. Which of the following advertising media does your agency deal with? Tick all the relevant ones only. If some have been left out write them in the space for "others..."

a) Radio ()	b) Television ()
c) Newspapers ()	d) Magazines ()
e) Cinema or Film ()	f) Directory advertising ()
g) Transit advertising ()	h) Outdoor ()
i) Direct mail ()	
j) Others..... ()	

2. If your agency does not deal with some of the media available, which of the following could be the main reason? Tick the main reason only. If the main reason for your agency has not been provided, then write it in the space for "other..."

a) Your agency is trying to specialize in the use of some media only ()
b) Your agency deals with clients who do not require the use of those media ()
c) Your agency lacks personnel who can prepare advertisements for those media ()
d) Your agency considers that use of those media do not require the services of an advertising agency ()
e) Your agency would find the preparation of advertisements for those media costly ()
f) Other.....

3. Who in most cases determines the medium or media combination which your agency uses for a particular advertising campaign? Tick one only. Comment briefly on how your agency arrives at such media decisions.

- a) The advertiser ()
 b) Both the advertiser and agency ()
 c) The agency ()

Comment.....

.....

Section 2: Agency Services

4. Which of the following services does your agency offer to its clients? Tick all the relevant ones only. If some have been left out write them in the space for "others..."

- a) Market Research () b) Market Analysis ()
 c) Advertising Planning () d) Copy Development ()
 e) Artwork () f) Media Selection ()
 g) Television Production () h) Radio Production ()
 i) Print Production ()
 j) Evaluating advertising campaign effectiveness for clients ()
 k) Assist clients on their marketing problems ()
 l) Assist clients on their public relations problems ()
 m) Others

.....

5. If your agency does not offer some of the services, then from the following reasons rank in terms of importance only those reasons which explain why. Indicate the rank by writing a number in the appropriate bracket, for example, the most important reason would have the rank (1). If some reasons have not been provided write them in "others ..." and indicate their ranks.

- a) The agency is trying to specialize in some services only ()
- b) Those services are offered by other agencies ()
- c) The agency lacks employees who can perform those services ()
- d) The services would be too costly for the clients ()
- e) The agency lacks facilities required for the performance of those services for clients ()
- f) Clients do not request for those services ()
- g) The agency is not supposed to perform those services for clients ()
- h) These services would be unprofitable for the agency ()
- i) Others ()
- ()
- ()
- ()
- ()

6. Are all the activities required in rendering services to your clients performed by the employees of your agency?

- a) Yes () b) No ()

7. If your answer to the above is no, please specify below the services for which your agency contracts outside specialists.

.....;,
.....;,
.....;,
.....;,

8. Please, list the various kinds of training programs which your agency organizes (include both local and overseas in-house programs run by the agency) for its employees.

.....
.....
.....
.....
.....

9. Please, list the various kinds of training programs which the employees of your agency have gone through in schools, colleges, polytechnics and other institutions.

.....
.....
.....
.....
.....

Section 3: New Business

10. How do the following, rank in importance as methods which your agency uses to obtain new clients? For example, the method most used by your agency should have the number (1) in the bracket. If some methods have been left out for your agency write them in "others..." and indicate their ranks. Do not rank the methods not used by your agency.
- a) Your agency makes advertisements in trade papers ()
 - b) Your agency makes direct mail advertisements to prospective clients ()
 - c) Your agency makes speculative presentations to prospective clients ()
 - d) Your agency makes agency presentations to prospective clients ()
 - e) Your agency makes personal contacts and solicitations with prospective clients ()
 - f) Your agency makes no efforts to get new clients but lets clients approach the agency on their own ()
 - g) Others: ()
 - ()
 - ()
 - ()
 - ()

11. Which of the following is the main reason which explains why your agency relies on the method you have given the first rank? Tick one only. If the main reason has not been provided write it in the space for "other..."

- a) It is relatively inexpensive to the agency ()
- b) It is the quickest method of obtaining a new client ()
- c) It enables the agency to obtain the type of client it desires to have ()
- d) It is the most convenient method for the agency ()
- e) Other.....
.....

12. If your agency does not use some of the available methods of getting new clients, please briefly explain why.....
.....
.....
.....

13. Who are your clients? Please provide a list of them.....
.....
.....
.....
.....

14. If your agency is a multinational, are your multinational clients in Kenya the same clients you have in your branches in other countries?

a) Yes () b) No ()

If yes, please give examples of such clients

.....
.....
.....
.....
.....

15. If you are a local agency, do you find any problems in obtaining multinational firms as clients?

a) Yes () b) No ()

If yes, please explain briefly.....

.....
.....
.....
.....
.....
.....
.....

Section 4: Agency - Client Turnover

16. Which of the following factors do you think cause clients to discontinue their relationship with agencies? Tick all the relevant ones only.
- a) Dissatisfaction with the standard of agency creative work ()
 - b) Personality conflict between the client and the agency ()
 - c) Dissatisfaction with the standard of agency account management ()
 - d) Changes in the top management of the client company ()
 - e) Relative image weakness of advertising campaigns prepared by the agency ()
 - f) Changes in the advertising personnel of the client company ()
 - g) Dissatisfaction with the standard of agency marketing advice ()
 - h) The decision by the client company to decrease its advertising budget ()
 - i) Dissatisfaction with the standard of agency media buying ()
 - j) Politics among the management of the client company ()
 - k) Others.....
.....

Section 5: Nature of the Agency

17. How do the following, rank in importance as methods by which your agency is compensated for its work? For example, the method by which your agency is most compensated should have the number (1) in the bracket. If some methods used by your agency have been left out, then write them in "others..." and indicate their ranks. Do not rank the methods not used by your agency.
- a) Media Commission ()
- b) Service Charges ()
- c) Fees ()
- d) A method which is a composite of two or all of the three basic methods ()
- e) Others:.....()
 ()
 ()
18. If there are certain methods by which your agency is not compensated, please explain why.....

19. Which one of the following bases of agency organization best describes your agency? Tick one only and comment briefly.

- a) Your agency is organized into departments on the basis of major agency functions ()
- b) Your agency is organized on the basis of groups whose functions are more or less identical to each other ()
- c) Your agency is organized both according to departments of major agency functions and group basis (as in alternatives 'a' and 'b') ()

Comment.....

.....

.....

20. What kind of organization structure does your agency have? Please provide a copy of the organization chart if one is available.....

.....

.....

21. This advertising agency is (Tick one only. If it is not one of the three indicate what it is in the space for "other...")

- a) A sole proprietorship ()
- b) A partnership ()
- c) A limited liability company ()
- d) Other

22. Which one of the following types of agencies does your agency belong to? Tick one only. If its type has not been provided write it in the space for "other..."
- a) Creative boutique agency ()
- b) Full-service agency ()
- c) A la Carte agency ()
- d) In house agency ()
- Other.....
23. Does any manufacturer or advertiser share in the ownership of your agency? (a) Yes (b) No ()
24. Your agency is a multinational (a) Yes () (b) No ()
25. From which country did your agency originate?.....
-
26. In which year was your agency established in Kenya?.....
27. The total number of people employed by your agency within Kenya are..... number of employees.

Appendix B

AGENCY SERVICE STANDARDS of the American Association of Advertising Agencies

FIRST ADOPTED OCTOBER 9, 1918—MOST RECENTLY, REVISED FEBRUARY 15, 1956

Agency Service consists of interpreting to the public, or to that part of it which it is desired to reach, the advantages of a product or service.

INTERPRETING to the public the advantages of a product or service is based upon:

1. A study of the product or service in order to determine the advantages and disadvantages inherent in the product itself, and in its relation to competition.
2. An analysis of the present and potential market for which the product or service is adapted:
 - As to location
 - As to extent of possible sale
 - As to season
 - As to trade and economic conditions
 - As to nature and amount of competition
3. A knowledge of the factors of distribution and sales and their methods of operation.
4. A knowledge of all the available media and means which can profitably be used to carry the interpretation of the product or service to consumer, wholesaler, dealer, contractor, or other factor.

This knowledge covers:

Character	
Influence	
Circulation	Quantity
Physical Requirements	Quality
Costs	Location

Acting on the study, analysis and knowledge as explained in the preceding paragraphs, recommendations are made and the following procedure ensues:

5. Formulation of a definite plan.
6. Execution of this plan:
 - (a) Writing, designing, illustrating of advertisements, or other appropriate forms of the message.
 - (b) Ordering the space, time or other means of advertising.
 - (c) The proper incorporation of the message in mechanical form and forwarding it with proper instructions for the fulfillment of the contract.
 - (d) Checking and verifying of insertions, display or other means used.
 - (e) The auditing and billing for the service, space and preparation.
7. Co-operation with the sales work, to insure the greatest effect from advertising.

THE ABOVE OUTLINE of agency service has been made by the Association more clearly to define what it is, so that advertisers and media may know what to demand and agencies may know what may be expected of them in dealing with the problems of advertising.

An individual agency is, of course, free to determine with its clients what services it will perform.

The above delineation of the fundamentals, however, may serve a useful purpose and shows what types of services should be offered by applicants for membership in the Association. The more clearly agency service is understood by those who offer it and by those who receive it, the more adequate and intelligent advertising service will become, and those equipped to render a complete and effective service will be encouraged in doing so.

Outline of agency service. (American Association of Advertising Agencies)

CREATIVE CODE

American Association of Advertising Agencies

The members of the American Association of Advertising Agencies recognize:

1. That advertising bears a dual responsibility in the American economic system and way of life.

To the public it is a primary way of knowing about the goods and services which are the products of American free enterprise, goods and services which can be freely chosen to suit the desires and needs of the individual. The public is entitled to expect that advertising will be reliable in content and honest in presentation.

To the advertiser it is a primary way of persuading people to buy his goods or services, within the framework of a highly competitive economic system. He is entitled to regard advertising as a dynamic means of building his business and his profits.

2. That advertising enjoys a particularly intimate relationship to the American family. It enters the home as an integral part of television and radio programs, to speak to the individual and often to the entire family. It shares the pages of favorite newspapers and magazines. It presents itself to travelers and to readers of the daily mails. In all these forms, it bears a special responsibility to respect the tastes and self-interest of the public.

3. That advertising is directed to sizable groups or to the public at large, which is made up of many interests and many tastes. As is the case with all public enterprises, ranging from sports to education and even to religion, it is almost impossible to speak without finding someone in disagreement. Nonetheless, advertising people recognize their obligation to operate within the traditional American limitations: to serve the interests of the majority and to respect the rights of the minority.

Therefore we, the members of the American Association of Advertising Agencies, in

addition to supporting and obeying the laws and legal regulations pertaining to advertising, undertake to extend and broaden the application of high ethical standards. Specifically, we will not knowingly produce advertising which contains:

- False or misleading statements or exaggerations, visual or verbal.
- Testimonials which do not reflect the real choice of a competent witness.
- Price claims which are not true.
- Comparisons which unfairly disparage a competitive product or service.
- Claims insufficiently supported, or which distort the true meaning or practicable application of statements made by professional or scientific authority.
- Statements, suggestions or pictures offensive to public decency.

We recognize that there are areas which are subject to honestly different interpretations and judgment. Taste is subjective and may even vary from time to time as well as from individual to individual. Frequency of seeing or hearing advertising messages will necessarily vary greatly from person to person.

However, we agree not to recommend to an advertiser and to discourage the use of advertising which is in poor or questionable taste or which is deliberately irritating through content, presentation or excessive repetition.

Clear and willful violations of this Code shall be referred to the board of directors of the American Association of Advertising Agencies for appropriate action, including possible annulment of membership as provided in Article IV, Section 5, of the Constitution and By-Laws.

Conscientious adherence to the letter and the spirit of this Code will strengthen advertising and the free enterprise system of which it is part. *Adopted April 26, 1962*

Endorsed by

Advertising Association of the West, Advertising Federation of America, Agency-World Publishers Association, Spanish and Portuguese Publishers Association, Association of Advertising Agencies, Association of National Advertisers, Magazine Publishers Association, National Publishers Association, National Newspaper Advertising Association, National Television Advertisers Association, National Association of Broadcasters, United Representatives Association, U.S. and Foreign Trade Association, National Association of Broadcasters, United Representatives Association, U.S. and Foreign Trade Association

Advertising agencies have an interest in proper as well as profitable advertising. (Courtesy: American Association of Advertising Agencies.)

III — Advertising Agencies

1. Every advertising agency shall carry on its profession and business in such a manner as to uphold the dignity and interests of the Society.
2. Every member shall refrain from canvassing advertisers or prospective advertisers in such a way as to reflect detrimentally upon advertising agents as a whole or this society or any advertising agent in particular.
3. No member shall pay or undertake to pay or allow to an advertiser or his agent or representative, the whole or any portion of his commission resulting or to result to such member from any advertising medium, nor promise to procure, nor undertake to procure advertising space or facilities free, nor charge to any advertiser at a reduced rate, nor supply free or partly free to any advertiser, any advertising material, including finished drawings, or other art work, photography, blocks, stereotypes, matrices or the like, typesetting or printing, nor defray in whole or in part the salary of an employee of an advertiser, nor grant any allowance, discount or the like, nor render any service having the effect of rebating the commission allowed by an advertising medium. The sharing of commission allowed by and/or with another advertising agent recognised as an advertising agent by this society shall, however, be permitted.
4. That where advertising bears no commission from the advertising medium, a member shall charge a service free to the advertiser of not less than the standard rate of commission on the amount of all orders placed by such a member on behalf of such advertiser, with the exception of company reports, notices, and prospectuses, save in the case of charitable religious or similar publications which yield no personal profit to their organisers.
5. That any member seeking a new advertisement or new advertisements for a medium of which he is owner or part-owner or representative or from which he holds a contract to solicit advertisements as from other advertising media, shall recognise the Agent then handling the account or holding such account and shall pay him a commission of not less than the standard rate on any contract he may obtain.

Appendix E

DETAILS OF ADVERTISING AGENCIES IN KENYA

Name of Agency*	Multi-national	Country of Origin	Year of Establishment in Kenya	Number of Employees
1 _____	Yes	Kenya	1938	22
2 _____	No	Kenya	1954	12
3 _____	Yes	Britain	1958	48
4 _____	No	Canada	1970	12
5 _____	No	Kenya	1970	16
6 _____	No	America	1972	23
7 _____	Yes	Britain	1974	34
8 _____	No	America	1976	15
9 _____	Yes	America	1976	30
10 _____	No	Kenya	1977	21
11 _____	No	Kenya	1979	9
12 _____	Yes	America	1981	32
13 _____	No	Kenya	1981	22

*Names of agencies were not disclosed for reasons of anonymity.

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