New technology and increasing competition have been the main drivers of change within the marketing communications industry. Client needs have evolved particularly as they search for lower costs and facilities to support integrated marketing communications. The media and communication agencies have been adapting to the changing environment, albeit very slowly at times.

Aims and learning objectives

The aim of this chapter is to introduce the communications industry, the various organisations involved and some of the issues affecting the operation of the industry.

The learning objectives of this chapter are to:

1. provide an introductory understanding of the nature of the communications industry;
2. consider the nature and role of the main types of organisations involved in the industry;
3. explore relationships and methods of remuneration used within the industry;
4. consider the principal methods and operations used within agencies to meet their clients’ needs;
5. examine industry issues in the light of the development of integrated marketing communications;
6. anticipate some of the future trends that might affect the industry.

For an applied interpretation see Mike Molesworth’s MiniCase on Branding the Tasu 24/2 subnotebook at the end of this chapter.
Introduction

The marketing communications industry consists of four principal actors. These are the media, the clients, the agencies (historically, the most notable of which are advertising agencies) and finally the thousands of support organisations, such as production companies and fulfilment houses, who enable the whole process to function. It is the operations and relationships between these organisations that not only drive the industry but also form an important context within which marketing communications can be understood. Figure 3.1 sets out the main actor organisations in the industry.

There is an argument that organisations should manage and develop their marketing communications 'in-house', that is, do it themselves. This could enable better control and lower costs. However, this argument is now very weak due to the increasing complexity and diversity of communication activities and the restructuring of organisations aimed at de-layering and hollowing out their organisations. It can only be through outsourcing that organisations experience increased levels of flexibility and gain access to the special skills and expertise necessary to engage audiences in competitive environments.

There is little or no room to maintain people with skills and expertise that are only drawn upon infrequently and where the notion of critical mass is important for media buying. Most observers argue that it could only be accomplished by agencies and others who are dealing with a large number of clients and who are, by definition, in constant touch with developments in the industry. In the field of media buying, for example, many would argue that it is unlikely that the necessary expertise could be developed in-house. The increased emphasis on accountability and efficiency means that it is necessary to outsource such activities in order to use expertise, specialised resources and take advantage of collective discounts from media houses. Marketing practitioners, therefore, need to use some of the other organisations in the communications industry. A level of interdependence exists which requires cooperative and collaborative behaviour if the system is to function efficiently.

The number of relationships that can be developed in this industry, as with others, is enormous. To further complicate matters, the slow yet enduring move towards integrated marketing communications (Chapter 9) requires participants to form new relationships and acquire new skills.
Dimensions of the UK marketing communications industry

It is useful to consider the size and value of the industry by considering the sums of money spent by clients on marketing communications. Some of these figures are acknowledged to be estimates, and there is some evidence of ‘double counting’ (one or more sectors claiming part of the overall spend for itself), so any figures produced cannot be seen as being totally accurate. That said, however, the total spend for advertising, as can be seen from Table 3.1, was £19 billion in 2006.

ViewPoint 3.1 Industry issues

In an article in 2005 the Director-General of the Incorporated Society of British Advertisers, Malcolm Earnshaw, referred to three main issues facing the marketing industry.

The first of these was the need for advertisers to defend their rights to advertise responsibly and not to be constrained by increasing legislation and government regulations. In particular, he referred to a then recent Government White Paper regarding food advertising and public health (obesity).

The second issue concerned the continuing consolidation in the media and the possible negative impact on clients in the advertising market.

The third issue referred to clients using the services of procurement specialists in order to drive down advertising costs with the consequent impact on agency margins and overall profitability. His argument is based on the need for agencies to offer better value to clients rather than to win pitches based on price alone.

At a more fundamental level consideration has been given to changing the number of minutes in each hour that ads can be screened on TV. The current average is seven minutes but Ofcom, the industry tzar, is thinking about raising this to nine minutes on the main commercial channels, ITV1, Channel 4 and Channel 5. Those in the industry are generally in favour as this will lower prices and attract a new raft of organisations who are able to advertise on television. Beale, (2007) reports that those outside the industry are not so keen, typified by headlines such as ‘ad nauseam’ (The Sun), and ‘It’s time to put the kettle on – again’ (The Times).

Sources: Earnshaw (2005); Beale (2007).

Question

If you had to write a fourth issue for Earnshaw to refer to, what would it be?

Task

Make a list of three reasons to support the extension to 9 minutes’ advertising in every hour and three against such a move.

The Institute of Sales Promotion claims that the growth of sales promotion has been ‘explosive’, but measuring the growth is difficult because there are no rate cards (price lists) and the breadth of activities that are attributable to sales promotion are many and varied. However, the Institute estimates that expenditure on sales promotion has grown from £9 billion in 1996, perhaps to £15 billion in 2003 and to £20 billion in 2006. Although not yet formally exceeding the spend on advertising, this area of activity is fast catching up and, despite published figures, it is widely believed inside the industry that sales promotion has already overtaken advertising in terms of the proportion of client spend, in particular sectors.
Estimates vary, mainly because of problems of definition, but of the other areas in the industry sponsorship has grown significantly. Estimates suggest that sponsorship was worth around £1 billion in 2007. Direct marketing spend had increased steadily as confidence has grown in the industry, although a downturn in the economy brought this increase to an abrupt halt with two years of little or no growth. However, Goften (2000) predicted a recovery and since 2005 investment and growth in direct marketing has continued, with expenditure on direct mail, the dominant aspect of the industry, rising to £2,322 billion (Direct Mail Information Service (DMIS)).

Other areas of the industry include public relations, which has experienced steady development and was worth approximately £4.0 billion in 2007 and exhibitions of which there were 944 in 2005, each over 2,000 sq ft and in total worth approximately £2.0 billion.

Expenditure patterns do change, albeit at different rates, and, given the domination of advertising and sales promotion, the overall balance is unlikely to change dramatically in the short term. However, it is clearly important for those responsible for the future and current planning of marketing communications activities to monitor trends, particularly those in the fastest growing sectors of the industry, in order to identify and target creative opportunities.

### Structure and development of the UK marketing communications industry

As with any industry, growth and development spawn new types and structures. Adaptation to the environment is important for survival. The same applies to the marketing communications industry, where, to take the advertising industry as an example, many different organisational configurations have evolved. Before considering some of the structural issues it is useful to understand the main types of organisation that populate the industry. These are set out at Figure 3.1. As with any industry, growth and development spawn new types and structures.

Clients can decide to undertake the communications functions in-house. However, this is both costly and inefficient, and most outsource their requirements. Of the four main groups the production and media houses require that the clients and agencies agree and specify campaigns in order that they are able to contribute. So, to some extent therefore, agencies and clients are the lead players in this industry.
Agency types and structures

The marketing communications industry consists of a number of different types of organisations whose purpose is to enable clients to communicate effectively and efficiently with their target audiences. Originally these organisations acted as agents on behalf of media owners who wanted to sell media time and space. The agents bought large chunks of media space at a discounted price and then resold it, in separate smaller parts, at much higher prices. This was basically a production and selling role but one that has changed drastically. These agents learned to work more closely with their clients and in doing so became more customer-oriented. As will be seen later, agents undertook two main roles, creative message design and media planning and buying. The media component has subsequently been spun off to specialist agencies and might be regarded as a direct function of the media owners yet again. However, the interest and drive towards integrated communications, including media neutrality, means that agents will probably assume new, more independent roles in the shape of the communications industry in the future. In addition to this White (2007) identifies several pressures working on agencies. These are the growth in importance of direct marketing, the increasing range of media and the need among large organisations for quasi-global ad networks. The result of this development is that a number of different types of agencies have emerged, all of which fulfil particular roles.

Full-service agencies

The first and most common type of agency (advertising) is the full-service agency. This type of organisation offers the full range of services that a client requires in order to advertise its products and services. Agencies such as J. Walter Thompson and Leo Burnett offer a full service consisting of strategic planning, research, creative development, production, interactive and media planning and buying. Very often these services are offered on a global basis but this does not mean a full service agency needs to be large, employing thousands of people. Some mid size agencies employing a couple of dozen people can offer a full service. Whatever the size, some of these activities may be subcontracted, but overall responsibility rests with the full-service agency. Further discussion of some of the issues concerning full-service agencies follows later.

Boutiques

A derivative of this type of agency is the boutique or creative shop, which often forms when creative personnel (teams) leave full service agencies to set up their own business. Boutiques provide specialist or niche services for clients such as copyrighting, developing creative content and other artistic services. These agencies provide clients with an alternative source of ideas, new ways of thinking about a problem, issue or product. Clients choose to use them because they either wish to use particular styles and approaches for their creative work or they want to generate a raft of creative ideas.

ViewPoint 3.2 It’s not advertising, it’s communication

Many aspects of the marketing communications industry have changed and are continuing to change. Some of these concern the nature and size of agencies. Many large dominant groups are emerging such as the four major organisations who recently pitched for Samsung’s worldwide branding account. These four – Interpublic’s using its FCB operation), Omnicom (using BBDO agency), WPP (using J. Walter Thompson and Red Cell) and Publicis Groupe (using Leo Burnett and Saatchi & Saatchi).
The fact that WPP won the account is not the point. These organisations evolved as advertising agencies but now they have transformed themselves into ‘communication partners’. This reflects the increasing attention given to relationship marketing, the development of integrated marketing communications and the relative decline in the dominance of advertising within the communications mix. Organisations now seek to communicate different messages and this involves using a variety of (neutral) media. The term ‘communication agencies’ or partners, suggests variety and flexibility and reflects a change in core business.

Apart from structural and name change the industry launched Social Professional in September 2007. This is a social network site designed specifically for all people working in the marketing communications industry. The free-to-use site was developed so that the industry had a facility in which to collaborate, network and communicate in a secure, moderated environment.

Among the main features are forums on a wide range of topics, including advertising, direct marketing, branding, sponsorship, reverse chronological ordering of blogs, an option to create an alter ego to encourage more honest debate and an RSS feed service to help users keep up-to-date with market developments.

Sources: Donohue (2007) plus various.

**Question**

Is use of the term ‘communication partners’ disingenuous when advertising continues to be core business?

**Task**

Visit the web site of one of the big four and determine the spread of their business activities.

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**Media specialists**

Similarly, media specialists provide clients with media services expertise. These organisations deliver media strategy and consulting services for both client advertisers as well as agencies. Their core business however, is focused on the planning, scheduling buying and monitoring of a client’s media schedule. Child (2007) reports that advertisers believe the role of strategic media planning is 50 per cent more important today than it was seven years ago. The key advantage of using a media specialist is that they have the capacity to buy media time and space at rates far lower than a client or advertising agency can procure them. This is because of the sheer volume of business that media specialists buy. Child also believes that there are some indications that clients believe it is more important to have a global media network rather than a global advertising agency.

Two main forms of media specialist have emerged: media independents, where the organisation is owned and run free of the direction and policy requirements of a full service agency, and media dependents, where the organisation is a subsidiary of a creative or full service organisation. The largest dependent in Britain is ZenithOptimedia, owned originally by Saatchi & Saatchi, and the largest independent is Carat.

**Digital media**

Digital media agencies have developed as a result of the huge and rapid growth of the digital media industry. The growth has come from two main areas. The first concerns the surge of online brands that hit the market full of expectation of transforming the way business is conducted. The second concerns established offline brands seeking to reach customers by adding interactive capabilities to their marketing channels.

The provision of Internet facilities has been the main area of work, mainly communication and business operations activities. This has been followed by WAP technology activity,
Web 2.0 and interactive television (see Chapters 25 and 26). The market appears to have formed into three main parts of a spectrum of activities. At one end are those agencies that are marketing-oriented and at the other are technology-based organisations. Real growth is likely to develop in the middle with organisations referred to as ‘interactive architects’ who can offer a blend of skills and consultancy services. Merger and acquisition activity has been intense, mainly a reaction to rapid industry growth, which was not capable of being sustained. The move towards what is referred to as ‘integrated marketing communications’ (see Chapter 9) has been accelerated by the greater efficiency and harmonisation that digital technology brings. However, one trend emerging from this changing environment is a polarisation on either traditional or digital work. There is a general absence of agencies that can work in both arenas (Grosso et al., 2006) and one of the outcomes of this skill shortage is that spending on online ads might slow.

A la carte

Partly in response to the changing needs of clients and consumers, many organisations require greater flexibility in the way their advertising is managed. Consequently these clients prefer to use the services of a range of organisations. So, the planning skills of a full service agency, the creative talent of a particular boutique and the critical mass of a media-buying independent provide an à la carte approach. This approach requires the client advertiser to manage the entire marketing communication process, an ‘in-house’ arrangement. This process enables improved flexibility yet demands strong management coordination and control as the process is more complex and problematic.

Other communication agencies

The agencies and organisations set out so far in this chapter have their roots and core business firmly set within the advertising part of the communications industry. In addition to these there are a swathe of other agencies each specialising in a particular aspect of the marketing communications industry. So, there are agencies that provide sales promotion, public relations, sponsorship, field marketing and direct marketing. Their structure and operations reflect the needs of their market specialism but they are based on the principles through which the advertising agencies operate.

Direct marketing agencies

Direct marketing has become a significant and influential part of the marketing communications industry. Direct marketing and direct response agencies create and deliver campaigns through direct mail, telemarketing or through a variety of offline and online media, which is referred to as direct response media.

One of the distinguishing elements of a direct marketing agency is the database. These agencies maintain large databases that contain mailing lists. This data can be merged and reconstructed to reflect a client’s target market. The agency helps to develop promotional materials and then implements the campaign through the data list. Direct agencies will either own or have access to a fulfilment house. These organisations fulfil customer orders, that is, process the order and take payment resulting from the direct marketing campaign, send out the ordered products and deal with after sales services as necessary.

Industry structure

The structure of the industry has inevitably changed through time. Some may argue that it has not changed enough, but the shape and size of the industry has developed. Over the last 20 years the size of the industry has increased in response to changes in technology, the
growth in the number of marketing communications activities and with it the real value of advertising, sales promotion, public relations and direct marketing. The rate of growth among these tools has been variable with only direct marketing showing consistent levels of real growth.

The configuration of the agency services industry partly reflects the moves made by the larger agencies to consolidate their positions. They have attempted to buy either smaller, often medium-sized competitors, in an attempt to protect their market shares or provide an improved range of services for their clients. See the section below on one-stop shopping. This has led to an industry characterised by a large number of very large agencies and an even larger number of very small agencies. These smaller agencies have formed as the result of people formerly employed in large agencies becoming frustrated with having to work within tight margins and increased administration leaving and setting up their own fledgling businesses. This is currently evident in the direct marketing part of the industry, according to Billings (2004). She argues that there are now two distinct structural models emerging: those DM agencies who are attached to advertising agencies (for example Elvis and Hall Moore CHI) and those which are entirely independent (for example, Barraclough Edwards Chamberlain and Nitro). This pattern was observed previously when media planning houses developed. Some were entirely independent and others, such as Zenith, were dependent upon a parent organisation.

As a broad interpretation the industry consists of some large agencies, a large number of very small agencies and relatively few medium-sized agencies. Although ownership has been an important factor driving industry development, the current preference for loose, independent networks has enabled some large organisations to offer clients an improved range of services (IMC) and the small agencies a chance to work with some of the bigger accounts. Miln (2004) speculated that structural changes to the way in which clients and agencies work together would give rise to what he referred to as ‘new agencies’ who would provide a limited range of specific communication services, most commonly involved with the thinking around the creative or media elements, but would outsource or delegate the implementation to a third-party organisation. These organisations possess the core skills associated with project management and are better placed to fulfil this specialist role. The agency will remain responsible to the client for the implementation, but would be in a better position to continue advising about the overall communication strategy and media imperatives. The extent to which this has happened is questionable but the principles behind this thinking remain interesting, even if they require a change of cultural awareness and strategic reorientation.

One-stop shopping

As with most industries, the structure of the communications industry has evolved in response to changes in the environment. However, if there is a holy grail of communications it is an agency’s ability to offer clients a single point from which all of their integrated communication needs can be met. In search of this goal, WPP and Saatchi & Saatchi set about building the largest marketing communications empires in the world. According to Green (1991), Saatchi & Saatchi attempted to become the largest marketing services company in the world. The strategy adopted in the early 1980s was to acquire companies outside its current area of core competence, media advertising. Organisations in direct marketing, market research, sales promotion and public relations were brought under the Saatchi banner.

By offering a range of services under a single roof, rather like a ‘supermarket’, the one-stop shopping approach made intrinsic sense. Clients could put a package together, rather like eating from a buffet table, and solve a number of their marketing requirements – without the expense and effort of searching through each sector to find a company with which to work.

Green also refers to the WPP experience in the late 1980s. J. Walter Thompson and Ogilvy and Mather were grouped together under the umbrella of WPP and it was felt that synergies
were to be achieved by bringing together their various services. Six areas were identified: strategic marketing services, media advertising, public relations, market research, non-media advertising and specialist communications. A one-stop shopping approach was advocated once again.

The recession of the early 1990s brought problems to both of these organisations, as well as others. The growth had been built on acquisition, which was partly funded from debt. This required considerable interest payments, but the recession brought a sharp decline in the revenues of the operating companies, and cash flow problems forced WPP and Saatchi & Saatchi to restructure their debt and their respective organisations. As Phillips (1991) points out, the financial strain and the complex task of managing operations on such a scale began to tell.

However, underpinning the strategy was the mistaken idea that clients actually wanted a one-stop shopping facility. It was unlikely that the best value for money was going to be achieved through this, so it came as no surprise when clients began to question the quality of the services for which they were paying. There was no guarantee that they could obtain from one large organisation the best creative, production, media and marketing solutions to their problems. Many began to shop around and engage specialists in different organisations (à la carte) in an attempt to receive not only the best quality of service but also the best value for money. Evidence for this might be seen in the resurgence of the media specialists whose very existence depends on their success in media planning and buying. By 1990 it was estimated that in Britain 30 per cent of market share in media buying was handled by media specialist companies.

It is no wonder then that clients, and indeed many media people working in agencies who felt constrained, decided to leave and set up on their own account, feeling that full-service agencies were asking too much of their staff, not only in terms of providing a wide range of integrated marketing services generally, but also in giving full attention and bringing sufficient expertise to bear in each of the specific services they had to offer (account management, creative, production, media research, etc.).

The debate about whether or not to use a full-service agency becomes even more crucial, perhaps, for those in specialist areas. For example, a large number of business-to-business communication agencies have been set up by people leaving full-service agencies. They spotted opportunities to provide specialist services in a market area that at the time was under resourced, often marginalised or even ignored. In many ways it comes back to the quality of relationships. Arguments for the specialist agency were based on the point that, while there may be some convergence of approaches between consumer goods marketing and business-to-business advertising, it can be easier for a business-to-business advertising agency to do consumer advertising than it is to do the reverse.

As a general view, business-to-business shops survive on their ability to execute some very fundamental techniques for clients, such as direct mail or sales promotion. In contrast, the large, consumer goods-oriented shops, whose traditional skills are market research, planning and media advertising, often lack the core skills, initiative or expertise to deliver business-to-business marketing services.

The same has been said of direct marketing where there appears to be the same sort of disenchanted with the full-service agency. Criticisms include the exclusion of direct marketing experts from presentations to clients, a lack of education among mainstream agency types as to what direct marketing actually does or the complaint that clients do not want to be force fed a direct marketing subsidiary that may be incompetent or inappropriate. The experience of those involved in direct marketing has been further destabilised by the growth in the Internet. Direct mail has gained rather than lost because many online brands have used direct mail as off-line promotion to drive web site traffic. Telemarketing has flourished because call centres have repositioned themselves as multimedia contact centres and have extended their range of services.
There is a spectrum of approaches for clients. They can find an agency that can provide all of the required marketing communication services under one roof, or find a different agency for each of the services, or mix and match. Clearly the first solution can only be used if the budget holder is convinced that the best level of service is being provided in all areas, and the second only if there are sufficient gains in efficiency (and savings in expenditure) to warrant the amount of additional time they would need to devote to the task of managing marketing communications.

One area that has experienced significant change has been in media. Industry concentration and the development of global networks has shifted the structure and composition of the industry. Clients have responded by centralising their business into a single media network agency in search of higher discounts and improved efficiency.

As a general rule, the stronger the competitive forces, the lower the profitability in the market. An organisation needs to determine a competitive approach that will allow it to influence the industry’s competitive rules, protect it from competitive forces as much as possible and give it a strong position from which to compete. At the turn of the century media networks had yet to find a competitive form of differentiation although some were beginning to offer additional services as a way of trying to enhance brand identities (Griffiths, 2000). At the time the power of the media agencies, the low switching costs of buyers and the large threat of substitute products made this a relatively unattractive industry in its current form. This has changed. Media are now perceived to be much more important, much more significant than they used to be and as a result have developed increased market value.

One area that has experienced significant change has been in media.

In the 1980s full-service agencies employed creatives and media specialists. They rarely got on, with the media specialists eventually leaving to develop their own companies. The major agencies soon realised that this disintegration was not in their best interests and so promptly set about creating (buying) their own ‘dependent’ media companies. These were still kept separate from the creative agencies but remained wholly-owned, technically a full-service operation (once again) but never referred to as such.

Marquis (2007) observes the irony of Engine, an agency group who are looking to acquire a media planning and buying business. Engine consists of a collection of specialist businesses dealing in a range of communication activities. It might be argued that the core business is the advertising agency WRCS but the range of associated companies encompass a spectrum of marketing communication activities. These range from consumer PR, public affairs and digital to sales promotion, direct marketing, experiential marketing and sponsorship (www.theenginегroup.com/). The two key elements not in the portfolio are media planning and buying and this, Marquis argues, is critical if Engine is to have any credibility as a marketing communications ‘supermarket’.

Whether the full-service agency model of the 1980s is a suitable structure through which to deliver integrated marketing communications in the twenty-first century, is a separate debate. However, it is probable that the commercial sophistication of media agencies today precludes the reinstatement of a truly full-service operation. Engine is thriving as a group and demonstrates not only the need for new models of operation but also reflects the redundancy of the full-service approach.

Source: Adapted from Marquis (2007).

**Question**

How do you think the acquisition of a media planning agency would add value to Engine’s operations?

**Task**

Search and list the top three media houses in your country or region.
Finer segmentation to determine markets that permit higher margins and a move to provide greater differentiation among agencies, together with a policy to reduce the threats from substitute products, perhaps through more visible alliances and partnerships, has helped to enable the industry to recover its position and provide greater stability. It is interesting to note that many leading agencies have moved into strategic consultancy, away from the reliance on mass media, where a substantially higher margin can be generated. Many direct marketing companies have evolved out of sales promotion agencies. According to Goften (2000), both have tried to reposition themselves with the sales promotion houses adopting a wide variety of promotional activities and direct marketing agencies moving their focus of business activity to one that is either oriented towards ecommerce or customer relationship management. The signs are in 2008 that these two disciplines are moving towards each other again, many undertaking tasks in each other’s traditional domain.

Selecting an agency

In the areas that have traditionally dominated marketing communications, advertising and sales promotion, there has never been a shortage of advice on how to select an agency. Articles informing readers how to select an agency (Young and Steilen, 1996; Woolgar, 1998; Finch, 2000; McKee, 2004; Bruce, 2006) appear regularly, and there are a large number of publications and organisations to assist in the process.

The process of selecting an agency that is set out below appears to be rational and relatively straightforward. Readers should be aware that the reality is that the process is infused with political and personal issues, some of which can be contradictory. Logically the process commences with a search, undertaken to develop a list of potential candidates. This is accomplished by referring to publications such as Campaign Portfolio and the Advertising Agency Roster, together with personal recommendations. The latter is perhaps the most potent and influential of these sources. As many as 10 agencies could be included at this stage although six or seven are to be expected.

ViewPoint 3.4

**Relationships matter more than pitches**

When Rob Murray was appointed as Marketing Director for Wickes, the building and DIY supplies store, he had to appoint an advertising agency to help bring about the changes he had determined needed to happen. In his previous position at Ryvita he had used the agency MWO who had proved successful for all parties.

Murray appointed MWO to the Wickes account, worth £10m a year, without a pitch, and just a little bit of support from procurement consultants. Based on the successful relationship and the known operations and processes, Murray felt the strength of the relationship was important and was not something that could be replicated by the many other agencies, all of whom could also produce good ads.

Martin Glenn at Birds Eye Iglo is reported to have appointed Abbot Mead Vickers BBDO with whom he worked when at PepsiCo, while Jim Hytner appointed Walker Media when at Channel 5 and Barclays. Agency/client relationships do matter.


**Question**

Should it be mandatory that all agency appointments be made as a result of a fair and equal pitching process?

**Task**

Pick two brands of your choice, go to their web sites and find out how long their current agency has been with the brand.
Next, the client will visit each of the short-listed candidates in what is referred to as a credentials presentation. This is a crucial stage in the process, as it is now that the agency is evaluated for its degree of fit with the client’s expectations and requirements. Agencies could develop their websites to fulfill this role, which would save time and costs. The agency’s track record, resources, areas of expertise and experience can all be made available on the Internet from which it should be possible to short-list three or possibly four agencies for the next stage in the process: the pitch.

In the PR industry agencies are selected to pitch on the basis of the quality and experience of the agency people, its image and reputation and relationships with existing clients. In addition, Pawinska (2000) reports that the track record of the agency and the extent of its geographical coverage are also regarded as important.

To be able to make a suitable bid the agencies are given a brief and then required to make a formal presentation (the pitch) to the client some 6–8 weeks later. This presentation is about how the agency would approach the strategic and creative issues and the account is awarded to whichever produces the most suitable proposal. Suitability is a relative term, and a range of factors need to be considered when selecting an organisation to be responsible for a large part of a brand’s visibility. A strategic alliance is being formed and therefore a strong understanding of the strategic objectives of both parties is necessary, as is an appreciation of the structure and culture of the two organisations. The selection process is a bringing together of two organisations whose expectations may be different but whose cooperative behaviour is essential for these expectations to have any chance of materialising. For example, agencies must have access to comprehensive and often commercially confidential data about products and markets if they are to operate efficiently. Otherwise, they cannot provide the service that is expected. However, it should be noted that pitches are not mandatory, and as Jones (2004) reports, nearly one-third of clients move their accounts without involving pitches. One of the reasons for this is the increasing cost involved in running the whole process, as much as £50,000 according to Jones. Indeed Wethey (2006) questions the whole validity and efficacy of the pitching process. He argues that many pitches are a waste of resources (time and money), that too many agencies devote too much of their resources chasing new business, that pitches do not solve client problems and that the whole process is often unrealistic.

The immediate selection process is finalised when terms and conditions are agreed and announced to the contestants and made public, often through press releases and the use of trade journals such as Campaign, Marketing and Marketing Week.

This formalised process is now being questioned as to its suitability. The arrival of new media firms and their need to find communication solutions in one rather than eight weeks has meant that new methods have had to be found. In addition, agencies felt that they were having to invest a great deal in a pitch with little or no reward if the pitch failed. Their response has been to ask for payment to pitch which has not been received well by many clients. The tension that arises is that each agency is required to generate creative ideas over which they have little control once a pitch has been lost. The pitching process also fails to give much insight into the probable working relationships and is very often led by senior managers who will not be involved in the day-to-day operations. One solution adopted by Iceland and Dyson (Jardine, 2000) has been to invite agencies to discuss mini-briefs. These are essentially discussion topics about related issues rather than the traditional challenge about how to improve a brand’s performance. Issuing the mini-brief on the day eliminates weeks of preparation and associated staff costs, and enables the client to see agency teams working together.
Agency operations

Most communications agencies are generally organised on a functional basis. There have been moves to develop matrix structures utilising a customer orientation, but this is very inefficient and the low margins prohibit such luxuries. There are departments for planning, creative and media functions coordinated on behalf of the client by an account handler or executive.

The account executive fulfils a very important role in that these people are responsible for the flow of communications between the client and the agency. The quality of the communications between the two main parties can be critical to the success of the overall campaign and to the length of the relationship between the two organisations. Acting at the boundary of the agency’s operations, the account executive needs to perform several roles, from internal coordinator and negotiator to presenter (of the agency’s work), conflict manager and information gatherer. Very often account executives will experience tension as they seek to achieve their clients’ needs while trying to balance the needs of their employer and colleagues. These tensions are similar to those experienced by salespersons and need to be managed in a sensitive manner by management.

ViewPoint 3.5

Online creative marketplaces

New technology has been used to assist different aspects of campaign management. A large majority has been supplier-driven but more recent contributions have attempted to enable both clients and agencies to participate more equally in the campaign development process. For example, an online marketplace called BootB has been developed with the express intention of enabling clients to reach a whole range of creative talent around the world. The site enables clients to bypass agencies and to make direct contact with a whole range of creative talent, not accessible through a single or roster agency.

Clients post their briefs on the site, in 12 languages, for a range of marketing communications activities, including viral, PR, advertising and direct mail campaigns. Anyone in the world, individuals, groups and even agencies, are then free to submit their creative designs to the site and if chosen, are paid professional fees from an account holding the budget.

This site signals a change in the way creative work is developed and has ramifications for agency structures and operations.

Kickfire developed one of the first marketing resource management (MRM) systems, designed specifically to enable organisations to manage the development processes associated with campaigns.

The software application provides for a large degree of ubiquity and freedom as suppliers and clients can work on marketing projects regardless of location. Using a specific password-protected web site, parties can share data and documents, develop schedules, allocate individuals to particular tasks, check project progress and produce relevant and timely reports.

The system uses digital asset management functionality to store logos, images and copy that can be utilised by all participants. Public relations activities are also assisted as there are templates for writing press releases. This helps develop coordinated marketing communications through the promotion of image consistency and usage.

Sources: Adapted from Anon. (2007); Murphy (2002).

Question

To what extent should agencies use amateur advertising content?

Task

Visit BootB. Can you make a contribution?
Once an account has been signed, a client brief is prepared that provides information about the client organisation (Figure 3.2). It sets out the nature of the industry it operates in together with data about trends, market shares, customers, competitors and the problem that the agency is required to address. This is used to inform agency personnel. In particular, the account planner will undertake research to determine market, media and audience characteristics and make proposals to the rest of the account team concerning how the client problem is to be resolved.

Briefing is a process that is common across all client–agency relationships in the communication industry. Regardless of whether working in direct marketing, sales promotion, advertising, public relations, media planning and buying or other specialist area, the brief has a special importance in making the process work and the outcomes significant. However, the importance of preparing a brief of suitable quality has for some been underestimated. With agencies having to brief themselves and some briefs insufficiently detailed, a recent joint industry initiative sought to establish common working practices. The outcome of the process was a briefing template intended to be used by all across the communications agencies in the industry. Eight key headings emerged from the report and these can be seen at Figure 3.2.

In addition to the role of account handler, which might be regarded as one of traffic management, is the role undertaken by account planners (or creative planners). The role of the account planner has been the subject of a recent flurry of debate (Collin, 2003; Grant et al., 2003; Zambarino and Goodfellow, 2003). The general conclusion of these papers is that the role account planner, which has been evolving since the beginning of the 1960s, has changed as the communications industry has fragmented and that a new role is emerging in response to integrated marketing communication and media neutral planning initiatives (see Chapter 9 for details about these concepts).
The traditional role of the account planner, which began in full-service agencies, was to understand the client’s target consumers and develop strategies for the creative and media departments. As media broke away from full-service agencies so the role of the account planner shifted to the creative aspect of the agency work. Media planners assumed the same type of work in media companies although their work focused on planning the right media mix to reach the target audience. With the development of integrated perspectives and the move towards a broader view of a client’s communication needs so there is an expectation that the planning role will evolve into a strategic role. The role will be to work with a broad range of marketing disciplines (tools) and media but not to brief creatives or media planners directly (Collin, 2003). As media broke away from full-service agencies so the role of the account planner shifted to the creative aspect of the agency work.

Creative teams comprise a copywriter and an art director, supported by a service team. This team is responsible for translating the proposal into an advertisement. In a full-service agency, a media brief will also be generated, informing the media planning and buying department of the media and the type of media vehicles required. However, the vast majority of media planning work is now undertaken by specialist media agencies, media independents, and these will be briefed by the client, with some support from those responsible for the creatives.

In recent years, partly as a response to the growth of new media, a raft of small entrepreneurial agencies has emerged, to exploit the new opportunities arising from the digital revolution. Many of these are run without the control and structures evident in large, centralised agencies. While dedicated teams might theoretically be the best way to manage a client’s project, the reality in many cases is the use of project teams comprising expert individuals working on a number of projects simultaneously. This is not a new phenomenon, but as a result many people are multi-tasking and they assume many roles with new titles. For example, the title head of content has arisen to reflect the significance of content issues in the new media market. Project managers assume responsibility for the implementation phase and the coordination of all aspects of a client’s technological facilities. In addition, there are positions such as head of marketing, mobile (increasing focus on WAP technology), production and technology. The result is no hierarchies, flat structures and flexible working practices and similar expectations.

Relationships

The nature of the relationships that exist in the industry shapes and influences the strategies and operations. There are a vast number of relationships that form between various clients and agencies, disciplines and within individual organisations.

Client/agency relationships

If the briefing process provides the mechanism for the agency operations, it is the relationship between the agency and the client that very often determines the length of the contract and the strength of the solutions advanced for the client.

There are a number of agency/client relationships that have flourished over a very long period of time, and some for several decades. Sclater (2006) refers to the agency BBH, which was established in 1982. The agency started with three key clients, Audi, Levi’s and Whitbread (now InBev UK) and all three are still working together over two decades later. Similarly WCRS has had a long-term relationship with BMW, since 1979. There are a huge number of other
accounts who have excellent relationships that have lasted a long time, see Table 3.2 for a snapshot of some of the more longer public agency/client relationships.

However, these appear to be in the minority, as many relationships appear to founder as clients abandon agencies and search for better, fresher solutions, because a contract expires, the client needs change or owing to takeovers and mergers between agencies, which require that they forfeit accounts that cause a conflict of interest.

From a contextual perspective these buyer/seller relationships can be seen to follow a pattern of formation, maintenance and severance, or pre-contract, contracting process and post-contract stages (Davidson and Kapelianis, 1996). Clients and agencies enter into a series of interactions (West and Paliwoda, 1996) or exchanges through which levels of trust and commitment develop. Hakansson (1982) identified different contexts or atmospheres within which a relationship develops. These contexts had several dimensions: closeness/distance, cooperation/conflict, power/dependence, trustworthiness and expectations. Therefore, the client/agency relationship should be seen in the context of the network of organisations and the exchanges or interactions that occur in that network. It is through these interactions that the tasks that need to be accomplished are agreed, resources made available, strategies determined and goals achieved. The quality of the agency/client relationship is a function of trust, which is developed through the exchanges and which fosters confidence. Commitment is derived from a belief that the relationship is worth continuing and that maximum effort is warranted to maintain the relationship (Morgan and Hunt, 1994). The development of new forms of remuneration (see p. 89) based around payment by results, also signifies a new client focus and a willingness to engage with clients and to be paid according to the success and contribution the agency can provide (Lace and Brocklehurst, 2000).

The way in which clients use multiple agencies to fulfil the whole range of communication tasks does not encourage the establishment of strong relationships nor does it help the cause of integrated marketing communications. The use of roster agencies means that marketing teams have to manage more agencies, often with reduced resources. This means that agencies get a smaller share of the available budget, which in turn does not help agencies feel comfortable (Child, 2007).

Poor relationships between agencies and clients are likely to result from a lack of trust and falling commitment. As it appears that communication is a primary element in the formation and substance of relational

<table>
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<tr>
<th>Agency</th>
<th>Clients since</th>
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<tr>
<td>BBDO</td>
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</tr>
<tr>
<td>Grey Advertising</td>
<td>GlaxoSmithKline (1955, 21 brands), Procter &amp; Gamble (1956, 31 brands)</td>
</tr>
</tbody>
</table>

Source: Adapted from Sclater (2006).
exchanges, clients might be advised to consider the agencies in their roster as an extended department of the core organisation and use internal marketing communication procedures to assist the development of identity and belonging.

One last point to be made is the increasing age gap between those in the industry, both agency and client, and their audiences. Those people that produce marketing communications tend to be under 35 and the average age of those targeted to receive the communications is rising. Curtis (1999) reports that Reg Starkey, a creative partner of Prime Advertising, Marketing and Research, claims that this may increase the chance of misunderstanding older consumers and that this error of interpretation can become a self-fulfilling prophecy.

ViewPoint 3.6  Some come and some go

When Maleon, a building services company searched for agencies to help them with their various marketing tasks, it was word-of-mouth that led them to one agency to fulfil one role and the credentials/pitching selection route that found another. Part of the process involved asking the agencies whether they understood the brief and the client proposition. In many cases the larger agencies had not taken the proposition on board correctly, a sign perhaps, that they were not fully engaged with their prospective client and not a good sign for future relationships. Maleon found greater success with mid-sized agencies who empathised with Maleon’s needs.

At the other end of the spectrum Timex, the well-known watch brand, held a 30 per cent market share in the United States, where it sells more watches than the next 18 best-selling brands combined. In 2002, Timex USA decided to end its 16-year relationship with its lead agency Fallon Worldwide. According to Timex spokesman Jim Katz: ‘After 16 years, we feel we wanted to see what else is out there.’ The account was thought to be worth around £6m at the time of the dissolution.

Sources: Various, including Allen (2008).

**Question**

Should clients be advised to only seek agencies of a similar size and market standing?

**Task**

Make a list of the characteristics you feel make for a longer-lasting client-agency relationship.

**Marketing and public relations**

A further example of the potential problems that can arise in the industry concerns the role and structural position within organisations of public relations, relative to the marketing function. The issue concerns where in an organisation public relations should be located and more importantly, to whom they should report.

The role that public relations should assume and its structural position within an organisation have become increasingly complex and a source of much debate. Traditionally, public relations has been regarded as a function of public affairs or corporate communication, which reports directly to the CEO. Control over the activities of public relations is direct and the purpose is to convey appropriate information about the corporate entity and to create goodwill and understanding with other stakeholders. To that end, public relations was seen as separate to and distinct from marketing. A publication by the Public Relations Educational Trust (1991) declared that ‘PR is NOT Marketing’. The substantiation for this is based on an interpretation of marketing, one that is strictly profit-oriented. This does not reflect reality, as self-help groups and organisations such as the NHS and charities would not be able to practise marketing if such a narrow perspective were supported.
Kotler and Mindak (1978) set out five ways in which organisations can manage the marketing and public relations functions. These are depicted in Figure 3.3. It can be seen that the structural relationship of marketing and public relations can range from the traditional view, where they are separate and totally unconnected, fulfilling different roles, through various other forms where one subsumes the other, to model E. Here, both share an equal and mutually supportive relationship. In this form, both recognise the need to segment markets and to provide different satisfactions. Each function needs the support of the other and both have similar needs in terms of understanding the attitudes, perceptions and awareness held by each market or stakeholder. Internal conflict is effectively reduced, and this in turn facilitates the transmission of consistent, positive and coordinated messages to all stakeholders.

Kotler and Mindak highlight these key relationships well, but the models can also be used to depict the development of public relations and marketing in organisations. For example, local authorities have for a long time had a public relations department, but only recently have they begun to appoint marketing managers in response to their changing responsibilities, environments and new competitive orientation. Hospitals are having to focus on market needs rather than the needs of internal experts. Many are increasing the level of public relations activities and are also introducing marketing as a distinct function, partly to assist the necessary change in culture.

Many private sector organisations are making a transition from model C to model D or E, depending upon their experiences and organisational culture, market environments and the perspective of the CEO and senior management team towards the roles of public relations and marketing.

The level of interest and strength of voice given to integrated marketing communications has been a force for bringing these two disciplines together. Increasingly campaigns are being used in a coordinated way and public relations is used in conjunction with the other marketing communication instruments. Clients are not normally structured internally so that they have an integrated communications department, and until the benefits of this type of approach are recognised, it is likely that the gulf between these two functions will continue.
Agency remuneration

One factor that has a significant impact on the quality of the relationship between the parties is the remuneration or reward for the effort (added value) the agency makes in attempting to meet and satisfy the needs of its client. One major cause for concern and complaint among marketing managers is the uncertainty over how much their marketing communications programmes will finally cost and the complexity surrounding the remuneration system itself.

There are three main ways in which agencies are paid. These are commission, fees and payment by results (PBR). These are often supplemented by bonuses (see Figure 3.4). Very rarely is a single method used within a contract.

Traditionally, advertising agencies were paid a commission by media owners for selling space in their publications. A figure of 15 per cent emerged as the norm and seemed a fair reward for the efforts of the agency. However, as relationships between agencies and clients strengthened, it seemed only reasonable that the clients should feel that agencies should act for them (and in their best interests), and not for the media owners. A number of questions were raised about whether the agency was actually being rewarded for the work it did and whether it was being objective when recommending media expenditure. As media independents emerged, questions started to be asked about why media agencies received 3 per cent and the creative agency received 12 per cent.

Client discontent is not the only reason why agency remuneration by commission has been called into question, and alternatives are being considered. In times of recession marketing budgets are inevitably cut, which means less revenue for agencies. Increasing competition means lower profit margins if an agency is to retain the business, and if costs are increasing at the same time, the very survival of the agency is in question. As Snowden stated as long ago as 1993, ‘Clients are demanding more for less.’ She went on to say, ’It is clear to me that the agency business needs to address a number of issues; most important amongst them, how agencies get paid. It is the key to the industry’s survival.’

During the early 1990s there was a great deal of discussion and energy directed towards non-commission payment systems. This was a direct result of the recession, in which clients cut budgets and there was a consequent reduction in the quantity of media purchased and hence less revenue for the agencies. Fees became more popular, and some experimented with payment by results. Interestingly, as the recession died and the economy lifted, more revenue

Figure 3.4 Remuneration methods in the marketing communications industry
resulted in larger commission possibilities, and the death throes of the commission system were quickly replaced by its resurrection and revival. It is likely that there will continue to be a move away from a reliance on the payment of commission as the only form of remuneration to the agency.

The use of bonuses is widespread but whereas the intention is to reward excellent work, some agencies see bonuses as a means by which fees are reduced and as some clients refuse to pay the impact on relationships can be far from positive (Child, 2007). It is likely that there will continue to be a move away from a reliance on the payment of commission as the only form of remuneration to the agency. Fees have been around for a long time, either in the form of retainers or on a project-by-project basis. Indeed, many agencies charge a fee for services over and above any commission earned from media owners. The big question concerns the basis for calculation of fees (and this extends to all areas of marketing communications, not just advertising), and protracted, complicated negotiations can damage client/agency relationships.

For many, payment by results seems a good solution. There are some problems, however, in that the agency does not have total control over its performance and the final decisions about how much is spent and which creative ideas should be used are the client’s. The agency has no control over the other marketing activities of the client, which might determine the degree of success of the campaign. Indeed, this raises the very thorny question of what ‘success’ is and how it might be measured. Despite these considerations, it appears that PBR is starting to become an established form of remuneration with over 30 per cent of agency–client contracts containing an element of PBR. Lace (2000) explains that this is due to the inadequacies of both commission- and fee-based systems in the ‘new age of cost cutting and accountability’.

A different way of looking at this is to consider what the client thinks the agency does, and from this evaluate the outcomes from the relationship. Jensen (1995) proposed that advertising agencies should be regarded as an ideas business that seeks to build brands for clients. An alternative view is that agencies are advertising factories, where the majority of the work is associated with administration, communication, coordination and general running around to ensure that the advertisement appears on the page or screen as desired.

If the ‘ideas business’ view is accepted then the ideas generated add value for the client, so the use the client makes of the idea should be rewarded by way of a royalty-type payment. If the ‘factory concept’ is adopted, then it is the resources involved in the process that need to be considered and a fee-based system is more appropriate. Both parties will actively seek to reduce costs that do not contribute to the desired outcomes. These are different approaches to remuneration and avoid the volume of media purchased as a critical and controversial area.

**Agency structures and IMC**

The development of integrated marketing communications has been mentioned earlier and although the concept is subject to considerable debate and uncertainty the underlying good sense inherent in the concept resonates with clients and agencies. As a result the influence of IMC on agencies and clients should not be underestimated.

In order for messages to be developed and conveyed through an integrated approach, the underlying structure supporting this strategy needs to be reconsidered. Just as the structure of the industry had a major impact on the way in which messages were developed and communicated as the industry developed, so the structural underpinning needs to adapt to the new and preferred approaches of clients. Kitchen et al. (2007) report that a survey incorporating well-established PR and advertising agencies, found resistance towards the integration of certain working practices. These, the authors conclude, need to be refashioned in order that
the agencies working practices enable all the promotional disciplines to be incorporated in an integrated manner.

The use of outside agencies that possess skills, expertise and purchasing advantages that are valued by clients is not new and is unlikely to change. However, the way in which these outsourced skills are used and how they are structured has been changing. Aspects of client–agency relationships are important and are considered in Chapter 7. What is important at this stage is a consideration of the way in which those organisations who provide outsourcing facilities and contribute to a client’s IMC can be configured to provide optimal servicing and support.

Clients who seek a marketing communications campaign which draws on more than one marketing communications discipline, have a basic choice of four main options. These are set out in Table 3.3.

None of these four approaches can provide a perfect solution and the variety of integrated possibilities reflects the different client structures and cultures and consequently the different needs and relationships that need to be satisfied (Murphy, 2004). The mini-group option is a relatively recent development and can include the use of product development, research, design and interactive services. This means that this approach serves a broad range of needs, typical of smaller client organisations whose budgets do not match those of mainstream firms.

Gronstedt and Thorsen (1996) suggest five ways in which agencies could be configured to provide integrated marketing communications. The research is centred upon US-based advertising agencies, so, while not immediately transferable to the European, Asian or other regional markets, their proposals provide a base from which other agencies might evolve in other geographic markets.

The models are presented in Figure 3.5, and although the authors acknowledge that a mix of forms could be identified, one particular form tended to dominate each agency. The forms denote a continuum, at one end of which is a highly centralised organisation that can provide a high level of integration for a variety of communication disciplines. Staffed by generalists with no particular media bias, these organisations are structured according to client needs, not functional specialisms. Total integration is offered at the expense of in-depth and leading-edge knowledge in new and developing areas.

At the other end of the continuum are those providers who group themselves in the form of a network. Often led by a main advertising agency that has divested itself of expensive overheads, the independent yet interdependent network players each provide specialist skills under the leadership of the main contractor agency. One of the two main weaknesses associated with this model concerns the deficiency associated with communications across the players in the

<table>
<thead>
<tr>
<th>Type of agency</th>
<th>Explanation</th>
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<tbody>
<tr>
<td>Integrated agency</td>
<td>A single agency that provides the full range of communication disciplines.</td>
</tr>
<tr>
<td>Complementary agencies</td>
<td>The client selects a range of different agencies, each from a different discipline and self manages or appoints a lead agency.</td>
</tr>
<tr>
<td>Networked agencies</td>
<td>A single group agency is appointed (e.g. WPP or Interpublic) who then appoints agencies within their own profit-oriented network.</td>
</tr>
<tr>
<td>Mini-group agencies</td>
<td>Clusters of small independent specialist agencies who work on a non-competitive basis for a client.</td>
</tr>
</tbody>
</table>
Figure 3.5 An overview of the five agency structures
Source: Gronstedt and Thonson (1996). Used with kind permission from WARC.
network. This horizontal aspect means that individual members of the network tend to identify with their own area of expertise and advance their specialism, possibly at the expense of the client’s overriding requirements. The other main weakness concerns the transitory or temporary nature of a member organisation’s involvement within such networks. Therefore, the level of potential integration is possibly weakest in this model, although the level of expertise available to clients is highest at this end of the continuum.

One of the essential points emerging from this research is that there seems to be a trade-off between levels of integration and the expertise provided by different agencies. Clients who want to retain control over their brands and to find an integrated agency where all the required services are of the exact level and quality demanded may be expecting too much. The inevitability of this position is that clients may choose to select marketing communication expertise from a variety of sources, and the integrated agency may well lose out.

Furthermore, environmental factors should not be ignored, and it may be that clients in the future will state their preferred structural requirements at the pitching or client briefing stage of the agency–client relationship. Increasingly, agencies may well be required to mix and match their structures and provide structural flexibility to meet the varying needs of their clients.

A further point concerns global branding and the standardisation/adaptation debate when considered in the light of IMC. One argument is that standardisation is the only way in which IMC can be achieved. However, as it is generally accepted that there are few examples of truly standardised global brands, does that suggest that IMC is not possible for global brands? A strong counter-view is that globalisation encourages integration where it matters, at the point of implementation. Furthermore, to have adaptation, there must be strong internal integration between head office (and business/marketing strategies) and those responsible for local adaptation and implementation. For example, Fielding (2000) shows that many Japanese and Korean advertising messages emphasise product-related information, whereas many Western brands require an emphasis on the development of brand personality and character. If such a difference is to be overcome and IMC is to succeed, a consistent core message and local or regional flavour need to be delivered.

Summary

In order to help consolidate your understanding of the marketing communication industry, here are the key points summarised against each of the learning objectives:

1. **Provide an introductory understanding of the nature of the communications industry.**

The structure of the industry is similar in most countries but the relationships and operations will inevitably vary. However, the marketing communication industry in Britain has evolved slowly, with the large agencies seeking to bring a range of communication skills and facilities together within a single group. Mid size and small agencies still maintain a functional orientation (e.g. advertising, promotion or public relations).

2. **Consider the nature and role of the main types of organisations involved in the industry.**

The agencies broker or facilitate the communication needs of clients, while media houses plan, buy and monitor media purchases for their clients. Production facilitators ensure the processes work by making videos, providing fulfilment or staging events. All deliver specific value to the industry and have different roles to play.
3. Explore relationships and methods of remuneration used within the industry.

Relationships between clients and agencies are of critical importance and part of their trust and commitment is reflected in the remuneration agencies receive for their contribution. There are three keys methods: commission, payment by results and fees. These are normally combined within a contract.

4. Consider the principal methods and operations used within agencies to meet their clients’ needs.

The processes used to select agencies are fairly standardised and are based on search, filtering, pitching, selecting and contracting. Once established, the operational procedures are based on briefings, and there are three main ones: the client, creative and media briefs.

5. Examine industry issues in the light of the development of integrated marketing communications.

Various agency solutions have been developed to meet client needs for integrated marketing communications. These range on a continuum where at one end is a highly centralised organisation that can provide a high level of integration for a variety of communication disciplines. Total integration is offered at the expense of in-depth and leading-edge knowledge in new and developing areas. At the other end of the continuum are providers who group themselves in the form of a loose network. Often led by a main advertising agency that has divested itself of expensive overheads, the independent yet interdependent players in the network each provide specialist skills under the leadership of the main contractor agency.

6. Anticipate some of the future trends that might affect the industry.

The industry is changing, with some areas changing faster than others. Technology has had a big impact and it is likely that further consolidation among the large groups will attempt to cut costs and retain clients. Legislation and regulation will continue to be challenging issues as the industry seeks to ward off consumer and government attacks on their activities.

Review questions

1. Who are the main types of organisation that make up the marketing communication industry?
2. Identify some of the issues that prevail in the industry.
3. Write notes for a presentation explaining the different types of agency available to clients.
4. Outline the arguments for and against using an agency.
5. What factors should be taken into consideration and what procedures might be followed when selecting an agency?
6. What problems might be encountered in agency/client relationships?
7. What are the basic dimensions for the development of good agency/client relationships?
8. Write brief notes about the briefing system.
9. Explain the commission payment system, and outline alternative approaches.
10. How can an organisation best acquaint itself with the relevant controls in a chosen area of marketing communications?
Four months ago Tasu’s first laptop computer, the 24/2 – initially developed as a cheap computer for schools, but never sold as such – was successfully launched as a consumer product in Europe. This was just three months after going on sale in Taiwan where it is manufactured and where Tasu are based. The laptop’s name comes from its tiny dimensions (just 24cm wide and 2cm high) and despite having all the functions of a ‘full-size’ laptop, it costs just under £200 ($250). Prior to this product Tasu were manufacturers of PC components, often sold under different brand names, and so outside Taiwan the Tasu brand was almost unheard off prior to the 24/2’s launch.

The international rollout was rapid and focused on distribution, mainly through specialist online retailers (Tasu have no retail distribution systems of their own). However, supply of the computer to Europe was extremely limited. Marketing activities for the European launch were also limited with no real launch budget and little time to prepare. In fact the whole European 24/2 team, who are based in a small office in the United Kingdom, had been set up in a rush. The launch focused on the development of the dedicated multi-language European web site that shows specifications, price and retailers, and allows warranty registration (with the offer of email product updates). The web site also contains a series of press releases – about one every two weeks – mainly relating to stock levels and units sold. A press launch was also organised, with 100 review machines being sent to major newspapers, technology magazines and high-profile technology websites. Most of these resulted in favourable reviews (even *The Register*, a site that is renowned for its cynicism, has been largely positive about the 24/2).

However, even before the European launch online buzz generated huge anticipation among technology enthusiasts. Actually, the online hype was so great that many Taiwanese versions of the 24/2 found their way to Europe via eBay prior to the European launch, so there was an established and growing number of blog posts from owners before the official launch date. At launch there was even a dedicated and independent UK-based ‘24/2user forum’ (set up by an entrepreneurial IT specialist) with over 2,000 registered members and content in four European languages (although English dominates). This grew to nearly 20,000 members and nearly 200,000 posts at the end of the first European quarter. At the same time *Youtube* had over 700 videos of the 24/2 including reviews ‘unboxings’ and ‘how to’ guides. And there was also an established 24/2 ‘fan group’ set up on *Facebook* by a user. Most computing and technology forums had an established thread discussing the 24/2 well before the machines were available to order in Europe.

After the first quarter European sales approached 500,000 units and everyone in the European office thought that the launch had been a tremendous success. Although stock was arriving weekly, supply was still short and most retailers still had a waiting list of eager customers. Blog activity continued and was generally positive and the independent 24/2 user forum was growing daily, providing amazing product support and valuable feedback to the Tasu marketing team.

Following the euphoria of the launch success the European team started discussions about future marketing communication strategy. Sam Brandt, the European sales manager made it clear that he saw no reason to spend money on advertising given the low stock and continued demand. However Elsbeth Quest, the marketing director was less convinced that sales would remain buoyant and pushed for a larger marketing budget and a large online campaign. Things came to a head at a heated strategy meeting. Elsbeth highlighted the imminent arrival of competition in the form of other cheap, small subnotebooks as a key reason to spend money, positioning Tasu as a market leader and innovator. She also presented evidence from online research that she had commissioned that showed that although awareness and reputation was high among innovators, most European computer users had still not heard of Tasu and the 24/2. She noted that an analysis of the log files for Tasu’s web site seemed to confirm that most traffic came from specialist technology sites that ‘ordinary’ users are unlikely to visit. She pointed out that there are future product launches planned for the year and beyond, and that Tasu therefore needed to focus on building the brand in Europe. She stated that she wanted an online awareness campaign based on banners on key sites, and more complex sponsorship arrangements to aid branding. In particular she suggested sponsoring the independently run user forum, after all the money is there and profits are good.
Elsbeth claimed that a budget of £500,000 (€700,000) for the rest of the year would be a reasonable amount based on margins and sales.

Sam remained unconvinced. His technical background and regular use of the sites that discuss the 24/2 suggested to him that sponsorship was likely to undermine the reputation that had been gained among the tech-savvy users. His belief was that it was the customers that had built this brand and that it was best left that way. He argued that if anything, marketing effort should go into supporting retailers to ensure that they continue to stock and promote the 24/2. He noted that some were concerned by the lack of supply and outstanding customer orders that might potentially damage their reputation with their customers, and he pointed out that increasing demand at this stage would only compound such problems. He dismissed the need for marketing, highlighting that on several occasions he had been approached while using his 24/2 in cafes and on the train. He felt that because it was used in public and was highly visible the machine ‘sold itself’. He pointed to forum discussion and even a Youtube video (‘how my 24/2 got me a date’) to show that word-of-mouth and word of ‘mouse’ are all that are needed. He was therefore convinced that sales would continue to grow without intervention. He again stated his belief that money should go into increasing the sales force, into improving distribution, and into new product development for the local market.

After an hour of increasingly heated argument Sam and Elsbeth became openly hostile. Sam suggested that the marketing role was pointless and that Elsbeth did not understand the product, the market or its users. Elsbeth replied by suggesting that 24/2s only ‘sold themselves’ because of the PR launch and website, and that Sam clearly had no idea how to build a brand – like all salespeople he was only interested in short-term gain. Eventually the director of European operations intervened. Winston Chen suggested that a specialist consultant should be employed to review the situation and then to prepare a strategy document. Elsbeth and Sam were both convinced that such a report would support their view, so the two managers agreed.

However Winston thought that both managers had done a good job and was worried about the potential consequences of the consultant’s report. He did not want to lose either manager over this. So fearing the damage to relationships that the results of the consultancy might cause he secretly briefed the consultant not to ‘humiliate’ either manager.

Today, two weeks later, the consultant, Janice Merrit presents her initial analysis. Sam and Elsbeth are both pleased, but slightly disappointed at the same time. Janice suggests that they are both right! She suggests that Sam’s sensitivity to blogs, to trade reviewers, to the retailers, and especially to online communities, is very important. But she also agrees with Elsbeth that Tasu should not leave branding and awareness entirely to the user and that it would be useful to take a longer-term view of Tasu’s online strategy including long-term relationships with customers and brand building activities, in particular among potential customers who do not necessarily get involved with technology blogs and forums. Winston is delighted, the heat taken out of the discussion, the team can now prepare a strategy together.

**MiniCase questions**

1. Following the consultant’s conclusion, what type of agency might be best suited to meet Tasu’s needs?
2. How should Tasu select an agency and what are the key issues that the newly appointed agency should address?
3. How might Tasu reward the agency for their hard work?
References