
UNIT 17 MANAGING CLIENT AGENCY RELATIONSHIPS

Objectives

After reading this unit you should be able to:

- evaluate the importance of marketing applications to advertising agencies, under the changed Indian advertising scene;
- apply the general concepts of marketing, to advertising industry;
- identify the various styles of growth in the context of ad agencies;
- discuss the content of growth strategies for ad agencies;
- explain the positioning and competitive strategies for ad agencies.

Structure

- 17.1 Introduction
- 17.2 Application of Marketing Concept to Agency Set up
- 17.3 Agency Growth : Style and Conduct
- 17.4 Agency Positioning and Strategy
- 17.5 Size of the Client Influencing Strategy
- 17.6 Size of the Agency Influencing Strategy
- 17.7 Summary
- 17.8 Self Assessment Questions
- 17.9 Further Readings

17.1 INTRODUCTION

With services sector showing the highest rate of growth in our economy, it becomes imperative to look closely at the marketing of services as a discipline. A study of the share of services sector in the developed world shows that with the process of development, the share of the services sector increases rapidly. Services not only employ 2 out of every 3 Americans working in the private sector but also contribute over 60% of the GNP. In all developed countries the share is over 50%. The need to look at the marketing of services in India, therefore, is both timely and productive.

The growth of study of modern medicine around 1700 witnessed a movement from panaceas to specific diagnosis and the search for specific remedies against specific ills. Similarly the study of services marketing can benefit more by concentrating on specifics, focussing at smaller sub-groups of services business and identifying what can be done with the marketing variables in each of these fields.

With the advertising business in India crossing the Rs.1,000 crore mark, with many new small agencies entering the market, some even closing shop and brand casualties increasing, the need to look at the marketing concepts that apply in this industry is stronger than ever before. If advertising is looked upon as the brand building activity, then future brands need to be invested in by studying the marketing of professional advertising services. An attempt in this direction is being made here.

This attempt shall be broken up into 3 parts.

- A) Application of the general concepts of marketing of services to the advertising industry
- B) Identifying the style and content of agency growth
- C) Understanding Agency Positioning and Strategy

17.2 APPLICATION OF MARKETING CONCEPTS TO AGENCY SET UP



The 4 Ps:

Kotler defines generic marketer as one creating value through configuration, valuation, symbolisation and facilitation. In an advertising agency scenario this includes the design of the advertising services package, whether the services offered are inhouse or from freelancers, the range of services offered an intensity of service offering of each of the services in the range. Valuation is the media commission earnings of an agency which are fixed at 15% (until an agency offers unethical discounts). However, valuation of other services in its package can vary as can its art charges. Symbolisation is what the agency is perceived as by its target audience. Alternate symbolisation alternatives can include positioning by size, by creative talent, by auxiliary services, by markets etc. Facilitation has more to do with accessibility of service and ease with which client can tap each of the service offerings of the agency. The production consumption interaction in advertising allows for direct distribution only.

Three More Ps:

The above four concepts correspond broadly with the 4Ps of marketing. However, in the marketing of services 3 more Ps are important. These are personnel, physical facilities and process management. Though these three Ps deal with the preparation of the service, they are as important as the other 4Ps. This is so because the consumer is very often taking part in the shaping of the service offering. The production and consumption interaction is a unique characteristic of the service industry. Consumers can influence not only accessibility of a service but also communication about it. A dissatisfied consumer, research proves, will influence a large number of people to abstain from using the service. The process management and physical facilities are critical as they work together every time to prepare the service for the consumer.

Service: A Non-standardised Product:

Factories have set formulas for ingredients so that the consumer knows exactly the type of product he is going to consume. For an advertising agency, there is usually no standardised product. When an agency is called by client for consultation on a problem, the solution to the client's problem may well lie with the 3 other Ps (Product, Price, Place), than with promotion. Interaction between client and agency may bring out the fact that advertising is not the right tool to use at this point of time. Should the client's problem lie in the area of promotion, the solution may demand market research or it may need a Direct Marketing campaign instead of media releases. Hence a good client servicing person in an advertising agency cannot be given a pre-determined product to sell,

Service: Where Product Quality Needs Renewal On Every Purchase:

While all products produced by a factory may meet pre-determined quality norms, in the service industry giving the consumer consistent quality may not be as easy. This is because the service has to be renewed with every purchase.

Because a service has to be created every time the customer demands it, there is a production consumption interaction while the demand is being fulfilled. As service is usually given personally, the interpersonal dynamics between the people offering the service and the consumer has to be nurtured so that the renewal of the service meets certain norms of both service quality and consumer satisfaction. In advertising, agencies giving good creative inputs may also be changed by clients because servicing may not be able to create a positive experience in the client's mind. The production consumption interaction in such a case does not meet client's demand of service quality, hence consumer dissatisfaction is expressed. An appreciation of the renewal aspect of service brings out the importance of people and process (Two of the Three new Ps).

Service: An intangible

With no physical ownership rights existing on the offering to the customer, no transfer of ownership can take place as in a tangible product. Also, unlike a physical product, they can't be evaluated easily by taste, smell feel etc. While the agency's output may help to

sell physical products (sometimes services too) of the client, the agency has no physical product itself to sell. Its physical products at best may be artworks, which by themselves have no value. Alternatively the agency could be considered as selling time and space on the air and in the press. Evaluation of its service, however, can only be done overtime by the response it generates. There are no tangible ways of measuring it today. Activity 1

Visit an advertising agency and collect information to analyse the way the 7Ps have been applied to the service.

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17.3 AGENCY GROWTH: STYLE AND CONTENT

A) Content/philosophy Of Growth

Agency growth is a dependent variable. The business philosophy of a good agency defines its growth, as a dependent variable of the client's growth. Thus the primary task of an agency is to make its client's products grow. In the long run when planning for growth of the agency, it becomes very important to develop skills that nurture and foster the growth of the client organisation.

- Hence though physically agencies may execute artworks, write copy, produce films, plant for media buying and provide routine servicing to clients, this is only the outer manifestation of its real business.
- The real job of the agency is to build brands, increase market share, penetrate new markets, influence product development and planning, understand, participate in and may be, even influence marketing strategies. The job again, may not end here.
- A client organisation is different from a brand. It may have needs of corporate communication-which may have to be identified and then fulfilled.
- The client as a corporate identity may be evolving. The agency could participate in its process of identifying new markets, new products and new business. Thus an agency should grow not only with the brands that it helps to build but also evolve and grow with its client organisations.

Style of Growth

As with marketing of any business firm, there are three objectives that professional firms also seek: Sufficient demand, sustained growth and profitable volume.

To achieve these objectives professional firms need to market themselves. The three styles of marketing for an agency (as for any professional firm) can be : minimal, hard-sell and

Minimal Marketing : Minimal marketing is practiced by many firms offering professional services. These firms dislike thinking of themselves as businessmen, instead state that they are motivated by service. They think of marketing as a salesman's job and look down on business solicitation. They believe that their good work will get more clients.

Hard Sell Marketing: Hard sell marketing is at the opposite end of the spectrum to minimal marketing. It reflects a total sales orientation, offering price discounts, bad mouthing competition, offering referral commissions and indulging in practices bordering on violating. professional codes of ethics. This approach forgets like any sales oriented

approach, that there is more to business than attracting clients. Marketing involves a discipline of identifying and cultivating a market, choosing targets, developing services, formulating plans etc.



Professional Marketing: This approach to marketing of professional services is in consonance with the professional code of ethics. Such an approach involves

- planning for long-range marketing objectives and works out strategies to match
- training staff to improve the efficiency and effectiveness of marketing and personal selling
- allocating time and budget to support marketing activity
- ensuring that quality of professional services offered currently does not suffer as marketing activity is increased.

Such effort is usually preceded by gathering data about the market. Strategies are evolved thereafter. These strategies may include "service" or "market" specialisation. Specialisation in any particular service/range of services may give an agency a cutting edge with clients who are looking for those services. Similarly specialising in certain type of markets (say "public issues" market) may pre-empt segments of the market to the agency. Another strategy may be of expanding services to current clients.

Activity 2

Study the advertising scene in India by looking at agency profiles reported in magazines like A &M, Business Today, Business India, etc. Analyse the patterns of agency growth to give examples of minimal marketing, hardsell marketing and professional marketing.

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17.4 AGENCY POSITIONING AND STRATEGY

1. Positioning

One way defining Positioning of an advertising agency could be:

"Bringing the right people together and making them work effectively for a brand". This is an incomplete definition for it ignores the 'consumer benefit' approach or the clients point of view. Clients have specific needs when searching for agencies. Agencies have more strengths in certain areas. Symbolisation (or positioning) is the 'value added' dimension agencies give to these strengths so that the client perceives them as fulfilling his specific needs.

Positioning by Size

A client may be looking at a "big" or a "small" agency. The positioning statement for a "big" agency includes "full infrastructural back up, many branches, the ability to think and act big, benefit of experience of handling many product categories etc." Positioning statement for a "small" agency includes "Flexibility, personalised service and attention, innovation, quick turnaround time, time and ability to go that extra mile for a client and his product etc."



Activity 3

Talk to a few big clients, who use advertising agencies regularly for their promotional activities. What are the criteria these clients use to select ad agencies?

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Positioning by Talent

It must be remembered here that an agency has to offer full fledged services. However its positioning may be decided by the strength it creates in one particular area,

"Creative oriented". The client may be looking for agencies which are capable of delivering strikingly different creative output. This positioning can cut across the size barrier. The "small" agency too can position itself in this slot, earning the label as "creatives hot shot" for itself.

Clients may find strikingly different creative output very suitable in product categories where technology has matured and no distinct product advantages exist. A client may need to bank upon creative to create a "communication difference".

"Marketing input oriented". Some agencies may have strengths of having good brand thinkers. This, then, becomes the point of differentiation for the agency. Clients, too, may look for such agencies with whom they can discuss marketing strategies. The benefit offered by this positioning to the client is a better interpretation of the marketing concept into advertising.

"Others". Other alternatives could be based on talent in the agency. For example an agency may be able to offer good "servicing input", another may have excellent "media planning" skills etc.

Positioning By Auxiliary Services

Agencies can position themselves by offering additional services like in-house "market research" services. Further alternatives are "Direct Marketing", "Public Relations" etc. These package of services can help give an agency the extra edge with clients whose usage level of such services are high, The synergy of advertising with market research or direct marketing is the consumer benefit offered by agencies choosing this positioning alternative.

Positioning by Markets

It is possible for an agency to position itself by markets, too. Some agencies in India specialise in "public issue" *advertising*. Their positioning in this segment is so strong that few consumer product launches are done by these agencies while the bulk of the public issues business in the country is diverted to them. There are also some agencies whose bulk of the business comes through publishing "Tender Notices" of public sector undertakings. This is another example of specialisation by markets, It is possible for agencies to specialise in industrial products advertising or retail advertising.

Positioning by Price

Though professional code of ethics do not allow any discounting practices on media commission earnings, some agencies position themselves by offering discounts to clients.

Activity 4

Look at the advertising agency that you studied for Activity 1. Can you analyse the positioning the agency has sought to achieve? What are the alternative positions for this agency, looking at its infrastructure, resources and markets?

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17.5 SIZE OF THE' CLIENT INFLUENCING STRATEGY

The nature of inputs required from an agency vary with the size of the client and the brand. Different expectations from agency in entrepreneurial, medium size and dominant brand positions are discussed here.

- (a) **Client: Entrepreneurial:**
Agency Task: "Nurturing of new brand"
"Create positioning"

When the client is young and small he is launching a new product/new established market. This is an entrepreneurial phase for the client. The services the client demands of the agency must be able to comprehend the growth pangs of an entrepreneurial organisation and even though such brands usually bring low levels of billing, an agency must devote time to their needs which are usually unique and require an entrepreneurial decision making streak in the agency as well. Quick decisions and quick reflexes of an agency are critical as entrepreneurial marketing is like guerilla warfare. Such tactics, if backed by sound marketing thinking at client/agency end usually lead to success and rising brand shares. The basic agency task is however to create a brand positioning strategy for the client. Quick responses of client and agency as they fine tune the positioning in the market place are critical.

The demands from various departments of the agency for an entrepreneurial client, are as follows:

- Servicing:** Personalised to the enterprenuer. Decision Making: Quick, based on gut feel.
- Servicing person:** Should be senior, capable of thinking on his feet. Must have knowledge of Account Planning.
- Media Planning:** Should focus on low cost, unconventional media.
- Account Planning:** Should be capable of evaluating if client's gut feel meets marketing logic
- Creative:** Should never let the focus shift from the brand positioning in the flood or ideas coming in.
- Client Focus:** In early entrepreneurial phase may be survival. Agency should understand this.

- (b) **Client: Medium Size**

Agency Task: "Strengthen brand postioning" to build brand leader.

Two scenarios are discussed here;

- i) When client's growth is faster than the market growth.

Here the focus moves to one of strategic planning for a brand to become a leader. Even when a brand has succeeded in an entrepreneurial set-up, the agency for its 'next phase of growth may have to alter its style as the client may enter new markets and segments by now and even though servicing may still be personalised, account planning will need to be more formalised keeping many more variables in mind, which, at an entrepreneurial risk-taking stage may have been ignored. The basic agency task here is to strengthen brand positioning to build a brand leader.



ii) When market growth is faster than clients growth rate.

Where a medium-size brand has been dormant for a long period of time in a market which is otherwise growing at a healthy rate, it may be useful for the agency to use some entrepreneurial concepts in both product and promotion design to make the brand an active player again. Repositioning of a brand becomes the major brand building task of the agency. The client should be motivated to relook at pricing and distribution strategies by the agency.

The focus for different departments of the agency for a medium size client are as follows:

- Servicing:** May be personalised still. But agency should meet second line marketing people to receive market feedback directly (In non-entrepreneurial situation: It is hierarchical & partly personalised).
- Decision Making:** Agency should promote formalised decision making based on Account Planning recommendations. To dilute focus on gut feel only.
- Media Planning:** Has to think of using mass media judiciously. For building brand leaders, Media Dominance Strategy has to be worked out.
- Account Planning:** Should be the key agency focus so as to heighten brand positioning or to "reposition" a slow moving brand.
- Creative:** To make brand distinction totally different from others, it should use media differently or design the message differently.
- Client Focus:** It must be made long term here by agency advice.

c) Client: Market Leader

Agency Task: "Maintaining" dominant brands

When brands are dominating ones in their product category, and market share can be increased only marginally, with the category itself nearing maturity stage, the key function is of maintaining brand shares. The focus is on "pre-emptive" strategies and not "attacking" strategies. Competitors' strategies have to be pre-empted and defensive mechanisms worked out. Aggressive strategies at this stage may drain more financial resources than they can generate. The brand positioning has to be guarded here against imitators.

The focus of various departments of the agency for a large size client is outlined below:

- Servicing:** Formal, following hierarchical structure.
- Decision Making:** Formalised.
- Media Planning:** The key input to strategy here is Market Intelligence (what the competitors plan to do) so as to pre-empt. Client's marketing has to participate in this.
- Account Planning:** Defensive strategy for brand position
- Creative:** Focussed for those target audiences which competitors are planning to tap. In other media, reminder level to be maintained.
- Client Focus:** Defensive for brand position and share offensive for competitive threats.

Viewing the above analysis according to the stage of the product life cycle of the product life cycle of the product would generate the following conclusion:

A. "Create Brand Positioning"

Entrepreneurial needs in servicing, planning and execution.

B. "Strengthen Brand Position"

Account planning needs dominant.

Or

If brand not moving well: "Reposition" it.

C. "Guard Positioning"

Maintenance for dominant brands.

Activity 5



Select an agency which caters to several clients. Analyse the 'Agency Task' with respect to each type of client. How would you say the task varies between clients, if at all.

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17.6 SIZE OF AGENCY INFLUENCING STRATEGY

The strategy options for small, medium and large size agencies are discussed here.

The Small Size Agency

Small agencies by their very size usually do not have very large brands to work on. The agency focus then largely becomes entrepreneurial, where the agency should have an ability to select clients whose products have a USP which is capable of becoming a benefit, highly desirable to a particular target audience in the market. At this stage, agency strategy involves a search for the right clients i.e. the agency should catch the entrepreneur who has a good product. The success of the brand then become the success of the agency. However, faulty selection and non-payment by the client is a risk. Hence mortality rate of small agencies is higher than for medium and large scale agencies. The other alternative strategy for a small size agency could be to offer some specialised services. Clients, irrespective of size, needing strengths in certain service areas would find such agencies useful. For example, agencies having good studio facilities could cater to clients who have needs of printing or other work requiring high quality artwork.

In case a small agency has a large brand, its revenues become largely dependent on the brand. This is both a constraint and an opportunity. The constraint is that the brand portfolio of the agency is very narrow. Hence the agency could become over dependent on the brand. Such dependence may hamper giving professional advice, especially when it is unpleasant for the client. The opportunity is that the success of the brand is the key of the agency's success. If the agency realises this fully and establishes a healthy professional working relationship with the client it could be mutually very beneficial. The agency would devote its fullest energies to the success of the brand, giving a growing brand the attention it deserves. In the long run, it would be advisable for the agency to diversify its client mix, for recessionary market conditions in the agency's major brands market and subsequent financial involvement would be unmanageable for a small agency.

Medium Size Agencies

A medium size agency **should invest in tomorrow** with small brands that it builds into leaders. It should have a **balanced client mix**. With more than a couple of brand leaders bringing the front, half a dozen or more, major brand players in their market and handful of small clients who have a potential for becoming leaders tomorrow. The advantage of the medium size agency is clear. It is neither too big to be unaffected by a change in any client's health nor is it too small to avoid offering comprehensive advertising services. Its product portfolio, should consist of "today's bread winners" who are some large brands as well as "tomorrows bread winners" which are small brands the agency is nurturing to become brand leaders. The key benefit a medium size agency offers its clients (its positioning statement) is that it is not too big for its clients to lack personalised agency attention. Neither is it too small to avoid investing in full fledged infrastructural support services. Therefore it can claim to offer the best of both worlds to a client.



Large size agencies

A large agency must heighten its positioning as a leader. This can be done by setting industry standards. A leading agency, for example, produced an Urban Market Index and Rural Market Index which not only helps other agencies but also clients in their planning. Another strategy is to help in creating better training facilities to train professionals for advertising. This creates goodwill as many students may move to client organisations. It also helps to attract the best talent, hence preserving the pre-eminent place for the agency in the long run. This could also be done through organising seminars for both agencies and clients. Yet another strategy could be to create industry standards in auxiliary services like market research by setting up independent companies to handle these services. Such services can be used by both clients, and other agencies. The basic strategy is to help improve the quality of inputs for the advertising profession. The leading brands naturally choose the largest agencies. Hence a large agency's client list reads like a who's who of brands. The advantages of such a scenario are obvious. The disadvantages need looking at. Due to the size of such agencies, it becomes unviable to handle brands who generate turnovers below a certain size. This leads the "innovator entrepreneurs" who are creating new product categories and attacking new markets to look elsewhere. It therefore makes eminent sense for large agencies to set up smaller "sister" agencies who can not only handle such clients but can also pick up competitive brands to the parent agency's brands. The latter is identical to a "multi branding" strategy used by dominant companies to maximise market share in large markets. The launch strategy for these "sister" agencies could well be a positioning stance that is the antithesis to the larger parent agency. If the larger agency is perceived as one following classical rules of advertising, "the sister agency could well be a maverick". This would get both type of clients and brands and diversify the product/client mix of the group. Such an antithesis positioning would be useful when a larger growing segment of brands have a potential of succeeding using such a positioning stance. Usually the antithesis positioning of the smaller agency is "better servicing", "more time for client" etc. The positioning also reflects itself in clients chosen: they could be smaller say retail v/s manufacturers etc.

Activity 6

Select an agency, who has a market leader in any product/service category as a client. How does this agency enable the market leader to maintain dominant position; offset competitive threats.

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Activity 7

In attempting the activities of this chapter, you have studied different types of agencies. Segment these according to sizes, small, medium and large and analyse the kind of growth strategies followed by each of them. Comment upon the variance in strategies followed.

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17.7 SUMMARY

In short, unlike factories, which have standardised products, advertising is a dynamic situation where every output of the agency is different from the previous one. The production consumption interaction not only calls for direct distribution but is the prime determinant of the output. Advertising is a business of managing people: clients, on the one hand and agency personnel on the other. The key task is to maintain enthusiasm and a desire for excellence among all of them. Advertising is a game of bringing out the differences among two products, and creating a USP for a brand by giving a consumer benefit to the dissimilarities. An agency must develop this ability to make a difference for a brand and therefore for itself. That is what successful agency positioning and agency growth are all about. An agency, in the final analysis is known by the brands it builds

17.8 SELF ASSESSMENT QUESTIONS

How do the marketing mix elements relate to advertising agencies? Explain by giving specific examples.

What is the significance of service characteristics like non-standardisation, perishability and intangibility for ad agencies? Explain in detail.

Contrast the minimal marketing, hardsell marketing and professional marketing approaches in the context of ad agencies. Which of them do you consider most relevant looking at the advertising scene in India today?

What do you understand by 'Positioning'? What are the positioning alternatives for ad agencies? Explain with the help of examples.

How do strategies and client focus vary according to the type of client and the agency size? Illustrate your answer with suitable examples.

17.9 FURTHER READINGS

For those of you who would like to delve further in the field of marketing of Advertising Services, the following books are indicated.

Maister David H., *Professional Service Firm Management, 4th ed.*, (Boston, MA: Maister Associates, 1989).

Philip Kotler and Paul N. Bloom, *Marketing Professional Services* (Englewood Cliffs, N.J. : Prentice-Hall, 1997).

Wilson, Aubrey, *The Marketing of Professional Service* (London : McGraw Hill, 1972).