CHAPTER – III

Review of related literature

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CHAPTER – III
REVIEW OF RELATED LITERATURE

This chapter presents a critical review of related literature on advertiser-agency relationship. While scanning the past studies, the researcher could identify four major areas in the advertiser-agency relationship. The available literature are grouped under the following headings and are discussed in this chapter.

I - Studies on advertiser-agency relationship
II - Studies on pre-relationship phase
III - Studies on development and maintenance phases
IV - Studies on termination phase

3.1 STUDIES ON ADVERTISER-AGENCY RELATIONSHIP

Dimingo and Edward[1987], perceive the relationship between an advertising agency and its clients as, “a hard-headed, results-oriented marriage intended to produce specific, measurable results”. The relationship between client and agency is an unequal one and agency’s job is not to judge the needs of its clients but to meet them. Several researchers like Cagley and James[1986], Holtz et.al.,[1982] and Ryan and Howard[1987], have attempted to define the advertiser-agency relationship, to compare advertiser perceptions to agency perceptions and identify factors that lead to agency selection or to a good advertiser-agency relationship. Henke[1995], concludes in her paper the existence of distinct stages of development in the advertiser-agency relationship in which the initial focus on creative potential shifts to performance and service skills. On the contrary Willem[1988], perceives that it is very difficult to develop a clear operational definition of stages in a relationship. Therefore a relationship is perceived as a continuous process, which might be interrupted by misunderstandings, conflicts etc., and it can terminate at any moment. Measuring the success of a relationship is
problematic in that it is highly subjective: necessarily there is no need for any relationship between the increase in sales or profits and the longevity of an advertiser-agency relationship. Thus it is contended that a successful advertiser-agency relationship, atleast from the advertisers point of view, is one in which the client is satisfied with the agency’s overall performance.

Artzt and Edwin[1994] and Michell and Sanders[1995], feel macro factors such as the business environment, mergers, organisation size and product category can have a dramatic effect on advertiser-agency relationship. Though these factors are beyond the control of the agency, agency’s service behaviours can be directed positively.

Rhea and Massey[1989], are convinced that the agency productivity suffers when the clients do not furnish the agency with clear-cut objectives; when they are indecisive and when client directions are inconsistent, inaccurate or untimely. This brings out the importance of having common and compatible objectives between the advertiser and the agency. Michell and Sanders[1995], have concluded that advertisers engaged in long-term relationships treat agencies as equal business partners, and such advertisers gauge the benefits they gain from long-term relationships as outweighing problems posed by short-term difficulties.

Willem[1988], in his paper confirms that the advertising agencies dramatically over-evaluated the attributes which are crucial in maintaining the relationship from the perspective of their clients. Ryan and Colleys’s[1967], US study conclude that “much of the trouble in a company’s relations with its advertising agency has little to do with the inherent capability of the agency”. They are also of the view that in emphasizing the deficiencies of the agency, the advertisers are no doubt avoiding self-criticism.
Cagley and Roberts[1984], in their paper conclude that larger firms prefer to associate themselves with agencies similar in size and capability. On the other hand, smaller firms employ smaller agencies. They also add that product classification has little practical effect upon perceptions and the producers of consumer goods place greater emphasis upon the range of agency’s services than the industrial goods producers, due to variation in complexity between consumer markets and industrial markets. Industrial-goods producers attach greater importance to “sales promotion ideas and capability” than consumer goods producers. Michell et al.,[1985], in their paper on “Advertising in France”, vouch that the outcome of an advertising campaign depends on the everyday status of the links between the two partners and the precise definition of their respective tasks, rather than the inherent characteristics of the agency itself.

Mehta[1994] says, “we often extend ourselves from purely delivering the advertising function, to providing strategic marketing inputs.’ Seth[1997], believes that the advertisers need focussed ‘marketing inputs’ which most of the leading agencies do not provide. Thus the advertising agencies must be empowered to craft the client’s entire marketing plan. Khan[1996] opines that advertisers feel safer with large creative agencies, on the contrary, Harris[1996-97] states that the advertisers are happier in dealing with smaller agencies, as they appear to save on costs and give more attention to clients, but tend to forget economies of scale and better creative. Kumar[1996] complains, the criteria for final selection are often not clear, leading to a lot of unnecessary pitching. Foltz[1990] states, Partners and Shevak, a small advertising agency seized a major client from Young and Rubicam by establishing a reputation for quality and dedication, which includes making clients feel comfortable and important, willingness to work on special marketing assignments and coming up with money-saving strategies for their clients.
Anonymous[1988] and Anonymous[1983] feel that the advertisers should ignore the siren songs sung by competitive agencies who want his account. Talking informally with a competing agency will kill-off his agency’s enthusiasm instantly and probably with great finality. From then on, instead of getting the best of the agency, the ad manager will receive what the agency thinks he wants to hear and what the agency thinks it can ‘sell’. They also perceive that an advertiser who does not expect and reward an agency for fresh thinking is usually going through terrible advertising. The agency can contribute effectively if only the advertiser and the agency work hard to develop the right kind of relationship.

Anonymous[1981] is sure that a good advertiser accepts occasional agency mistakes – which will always occur, with good humor; an agency that never makes mistakes is probably not trying hard enough to be fresh in its creative product. Katz[1987] feels that ‘personal chemistry’ between the advertiser and the agency is the most important factor influencing the advertiser-agency relationship. Marshall[1982], perceives good chemistry can create opportunities between the two and can overcome most problems. Poor chemistry creates problems. It goes without saying that constant and open communication is the key to the understanding and mutual respect essential to a good relationship. Elliott[1992], advocates through his paper that few advertiser-agency relationships last for ever. Although some deteriorating relationships can be improved by the threat of a change, either side may actually want a change. He also adds that agency pay is a major source of tension for both partners as agency management may believe that the advertiser is asking for more than what he is being paid for.

Sometimes large advertisers have reduced the overall number of agencies they work with, a change that does not always reflect disappointment with agency performance but may simplify the advertising process or lower the
overall cost to the advertisers. Ames[1985] and Namara[1986] with one accord conclude that the most controversial reason for making a change in the advertiser-agency relationship is a conflict over a competing account. They also add that the best way to handle perceived conflicts is (i) to hammer out an initial agreement about the types of competitors and products the agency can handle and (ii) to encourage discussions between agency and advertiser to settle any potential conflict that may arise during the relationship.

Advertising Age[1990] reports that seldom in its less than 200 years of history has the advertising agency been in such turmoil as in these last years of the twentieth century. Traditional means of payment, organization, services, competition and market segmentation are changing. Clients are being squeezed financially and they are searching for savings. Anonymous[1973] perceives that the emerging advertising approaches visibly affected traditional full service advertising agencies, who got the message that the ‘advertisers’ needs are changing and that the agencies should be prepared to meet these changing needs or the advertisers would find another way to solve their problems.

3.2 STUDIES ON THE PRE-RELATIONSHIP PHASE

Much of the work on the advertiser-agency relationship has focussed on the pre-relationship phase, the period in which an advertiser chooses an agency. This agency search can result from structural changes in the client organisation or dissatisfaction with the current agency [Morgan1974]. While there are no systematic, routinised procedures which clients can follow to select agencies, some clients do not thoroughly investigate the range of agency prospects and instead, they simply select agencies that mirror their personality and existing strengths rather than provide complementary services and strengths, which generally leads to less productive relationships [Weilbacher(1981), Newsome (1980), Chevalier and Catry(1978)].
The advertising agency selection process, from the point-of-view of either an advertising agency or an advertiser, large or small, can be a risky and somewhat expensive process. For example, investments in "speculative" presentations can run as high as $50,000 says, Alsop & Ronald[1984] in their paper. Wackman et.al.,[1986-87], have identified through their research that, the advertisers while selecting a new agency primarily look for strong creative ability, knowledge and experience in the advertisers market. The factors such as reputation of the agency, size, location and services provided are considered to be secondary. A study by Cagley[1986] shows that while selecting the agency, the clients place high weightage on the quality and number of people assigned to the account, creative abilities, a perceived similarity of objectives and operating styles, the degree of understanding displayed by the agency of the client’s business and the agency’s reputation. Also important are the agency’s size and stability, its servicing and media buying abilities. They also add that the situational importance of these factors varies according to clients and situations.

Bovee et.al., in their book convey that the advertiser’s are particular about agency’s competence (with respect to quality work, creative advertising and service capability), expertise (knowledge about clients industry, product and markets, previous experience in related line), reputation (image), compatibility and cost consciousness while selecting a new agency. The advertisers make use of limited literature available in marketing/ advertising, that provide guidelines to selecting an agency. These literature focuses on the following:

i. Investigation of possible factors leading to satisfaction or dissatisfaction of current relationships [Herbert(1979)].
ii. Description of the selection process [Hanon and Mark(1977)]
iii. Presentation of "ideal" criteria [Campbell and Roland(1970), Nylen and David(1980)] or various check lists [Barry and Roberts(1979)].

Agencies do not have adequate literature, other than the above, to know the expectations of the clients. Brown and Joseph[1983] in their paper, have recommended agencies to use their own perceptions in identifying the clients' desire and feel that ideally, perception and reality will coincide, but it is not guaranteed. There is a perspective that suggests that if the right agency is chosen initially, everything will be alright in the future. Studies conducted by Cagley and Roberts(1984), Cagley[1986], Cawson and David(1980) and Hanon and Mark(1977), counsel the clients to study their own needs first and then select an agency that is likely to cater to their needs satisfactorily.

The findings of the study conducted by Cagley and Roberts[1984], strongly affirm the "people factor" as an important criterion measure in the selection process employed by a majority of advertisers surveyed. The other key elements that emerge out of his study are personnel quality, reputation, integrity, mutual understanding and agreement, inter-personal compatibility and synergism.

3.3 STUDIES ON THE DEVELOPMENT AND MAINTENANCE PHASE

Literature on these two phases of the advertiser-agency relationship does not differentiate between the two. Researches on these two phases have mainly focussed on two particular aspects: inventories of factors that make the relationship productive or unproductive [Krugman and Ferrell(1981)], or the role of agency reviews/audits in maintaining client-agency satisfaction [Novak(1979) and Prentice(1983)]. The findings of the study conducted by Henkee [1995], suggest that the initial focus of the advertiser on the creative skills of the agency shifts dramatically to the agency's efficacy.
Labahn [1996], through his study, sought to find out whether advertising agencies' poor standing with advertisers might be attributed to agency service behaviours. As a step towards developing stronger and mutually rewarding advertiser-agency relationship, he has finally given recommendations to advertising agencies on using client service behaviours to strengthen advertiser-agency relationship. Michell and Sanders [1995], through their research, have charted the determinants of client loyalty. Wackman, et.al.,[1986], through their studies have tried to understand the development and maintenance of client-agency relationship.

Michell and Sanders[1995], conclude in their paper that effective responses to minor failures by agencies can prevent such problems from becoming critical incidents that lead to the breakup of the relationship. Moorman et.al.,[1992 and 1993], have shown that, as agencies earn their client’s trust, interactions become more productive and clients become more committed to their agencies. Michell[1987], has stated that a client's disclosure of information is critical to its agency's development and implementation of effective advertising campaigns. Helgesen and Thorolf[1994], note that agencies often struggle to obtain sufficient marketing information from clients. Henkee[1995] have stated that an agency's assignment and retention of key personnel on a clients account are clear signal that the agency respects the client and desires to enhance the relationship.

Oliver et.al.,[1989] opine that the client's perception that its advertising agency is fairly compensated and is providing a good value, supports the development of client trust and lasting relationships. Moorman et.al.,[1993], in their paper state that client feelings of friendship, mutual attraction and congeniality are also expected to encourage the development of client trust. Labahn[1996] thinks that further research is necessary to understand client
intentions to continue the relationship or to expand the scope of its advertising agency's duties. He also stresses the necessity for researching into the perceptual gaps of advertisers and the agencies to identify the 'gaps' that have the severest consequences on a client-agency relationship.

Wackman and Boylan[1985], have mentioned about the interest shown in developing training programmes for agency and client personnel and a system for both monitoring and strengthening client-agency relationship. Wackman et.al.,[1986-87], say that "unfortunately in many instances, agencies are blind to the problems that are developing in the relationship and, therefore are caught by surprise when the break occurs". Doyle et.al.,[1980], have identified large 'gaps' in the perceptions of the advertisers and agencies, which are the often-repeated reasons given for termination of clients. Wackman et.al.,[1986-87], conclude that better agency service and the building of better relationships between the agency and the advertiser personnel are needed to strengthen the advertiser-agency relationship.

An understanding of the dynamics of the relationship under stress is important to both advertisers and agencies, as new agency selection process involves time consuming briefings, gradual development of rapport and trust with the new agency, says Quinn[1978]. Newsome[1980], believes that the whole process of switching and development of a new fruitful partnership may take up to two years. Morgan[1974], argue that it was in both parties' interest "to try again and again to get back to the proper footing". Hallatt[1979], defines the real business of an agency as "keeping clients happy".

From the agency's viewpoint, maintenance of existing accounts is of vital importance. Loss of a number of highly visible accounts over a short period often leads to a knock-on effect, difficult to reverse among other clients, feels Michell[1986]. He has also identified "dissatisfaction with agency
performance" as the most important factor influencing the client-agency relationship in the US. Hallatt[1979] feels, as a service industry offering an "intangible" product, advertising has the problem that "it is extremely difficult to measure quality". Michell and Sanders[1995], in their research paper on "Loyalty in client-agency relations" have found out that loyal relations are influenced by a range of variables such as - the external environment, organizational factors, interpersonal and performance factors.

Small Wood[1973] confirms that variations and uncertainties in markets are likely to have a marked effect on organization's operations, which in-turn may influence the client-agency loyalty. Pugh et.al.,[1968], have concluded that "formalized decision-making may make relationships more predictable and hence easier to manage. Levine and White[1971] and Holtz et.al.,[1982], agree that the general policies of the advertisers have a marked effect on client-agency loyalty. Mills[1975], opines that the development of compatible objectives on both sides would improve loyalty. Partners may continue to deepen relationships so long as anticipated benefits exceed costs, says Altman and Taylor[1973).

Loyalty appears to be enhanced if the staff have mutual trust for one another and professional competency, say Czepiel and Gilmore[1986], in their working paper. Frankel[1976], in his Ph.D. thesis views that high performance in itself appears to develop team spirit with more effective account groups able to reconcile different functional perspectives. Ulrich[1989], reveals through his paper that unity may be further increased if common goals are shared between an organisation and its suppliers. MacNeil[1980], Souder[1981], Corey and star [1971] Thamshain and Wileman[1975], Majora[1970] and Walton and Dutton [1969], through their researches have identified that general attitudes and policies toward suppliers (agencies) are crucial to continued relations leading to loyalty. Sharmon[1981], Ogilvy[1977] and Bernstein[1974] conclude that
Interpersonal characteristics of the advertiser and the agency have a positive influence on the client agency loyalty. Harrison[1975] and Boase[1977], have stressed the importance of personal chemistry for the success of a client-agency relationship.

Michell and Sanders[1995], in their paper conclude that, while the reasons for breakups in advertise* agency relationships tend to be very specific and the reasons for loyal relationships are more general. Their findings reveal actual account characteristics as the most important reason for remaining loyal. General attitudes and policies toward suppliers come next. Broader factors such as general business environment and client organizational structure are ranked lowest. Kaynak et.al.,[1994], point out in their paper that the clients evaluate the performance of their advertising agencies differently, depending on the duration of their relationship with them as well as the structural characteristics of the company. Kingman[1981], Douglas[1979], Bullmore[1978], O'Reilly (1978), have emphasized the importance of creativity in successful client-agency relationship. Harper[1971], predicts that full-service agencies need to restructure themselves into functions individually required by clients to maintain the relationship.

3.4 STUDIES ON THE TERMINATION PHASE

Doyle et.al.,[1980], study on "signals of vulnerability in Agency- Client Relations," found out striking differences in perceptions of the advertisers and the agencies. Advertisers perceived unsatisfactory agency performance as the main reason for agency switch, whereas the agencies tended to lack clear views and blamed outside factors such as idiosyncratic shifts in client marketing policies and personalities for the breakdown. They have also reported that the primary reason for UK advertisers to switch agency was dissatisfaction with agency performance with respect to "creative skills" and "not being close enough to client's business". These findings were acknowledged and accepted.
by Michell et.al.,[1992], in their study and they point out that the agency's poor comprehension of their client's perspective may be partially responsible for the persistence of known causes of client dissatisfaction.

Termination of the relationship between an agency and a client is an ever-present possibility. The obvious reason for concern, of course, is the considerable cost such terminations entail for both the agency and the client company. From the agency's point of view, terminations would not be so costly and devastating if they could be anticipated and planned for. Heekin in his unpublished manuscript argues that the majority of agency firings are based on people-related reasons rather than performance-related reasons. He has found out that agencies were fired just as often when sales were increasing as when they were decreasing. Raphael[1981], claims that many more accounts are lost for personal or political reasons than for inferior agency performance. That is, neither the inherent abilities of the agency nor the success of the advertising may be as important as the quality of the day-to-day links between client and agency account personnel.

Michell[1983], indicates through his paper, that there appears marked differences in account-switching trends between different industries and product categories. Michell et.al.,[1985], have identified several important agency account characteristics, common over time and between countries, that will lead to disharmony-poor marketing advice, agency not close to client business, weakness of campaigns, unfulfilled full-service needs and conflicting accounts.

Newsome[1980] points out, though major costs in both time and money are involved in changing agencies, there seems to be no propensity among clients to reduce the rates at which they switch agencies. Martindale[1984], has criticised that agencies do not appear to learn from their own or other agencies
losses and rarely monitor the service level offered to clients. The study by Michell et.al.,[1985], have found out the deepening intensity of client disaffection and hence places more emphasis on the measurement of service quality by the agencies. "Dissatisfaction with agency performance" was perceived to be the main reason for switching agencies. The results of the above study, both across time and between countries, point to a consistent picture in the clients' perceived reasons for switching agencies. O'Leary[1987], in his article to Ad week tells, for an advertising agency the loss of an account is a trauma that can reduce its revenues and damage its reputation.

Buchanan and Michell[1991] point out that, the discontinuity in promotional strategy caused by a change in agency can weaken the brand's image. Morgan[1974] suggests that, failure of client-agency relationship entails substantial costs for both parties and so must be avoided if possible. Michell [1986] found out that, despite the costs involved, client-agency relationships appear to fail frequently. Articles in the trade press by Stewart[1985], Gloede and William[1985] and Zeltner and Herbert[1979], have indicated that many failures occur because of unmet expectations on the client side. Buchanan and Michell[1991], through their study sought to measure the association between the structural factors in an client-agency relationship and its risk of failure. Mc.Carthy[1978], had pointed to the extension of account conflict into corporate conflict, where not only the domestic billings but the worldwide billings can be at stake, due to acquisitions. Hunt[1971], has suggested that the combination of product proliferation and the "no conflict" rule has resulted in many of these new products going to small and young agencies.

Doyle et.al.,[1980], have opined that future research should identify which gaps have the severest consequences and that which need immediate attention. Then practical and cost efficient means for reducing these discrepancies could be identified, tested and implemented. Rhea and
Massey [1989], through their paper suggest, to enhance the understanding of advertiser-agency relations future studies and panel discussions should look at differences in advertiser and agency perceptions by product/service classification (industrial Vs consumer), the length of advertiser-agency relationship and its effect upon advertiser-agency relationship.

3.5 REVIEW -A COMPRENDIUM

The above review of literature on the ‘advertiser-advertising agency relationship’ provides thought-provoking insights into the subject. Various researchers have tried to identify the factors that may lead to a successful advertiser-agency relationship. Since every relationship is unique in itself the researchers were unable to arrive at an exhaustive list of factors.

The contributors to the Indian advertising have expressed their concern towards the boom experienced by the advertising industry due to the onslaught of liberalization. They have also brought-out the changes /developments taking place at the advertiser and agency organizations and their influence on the advertiser-agency relationship. Very limited literature in the form of articles in magazines is available regarding advertiser-agency relationship in India. Hence most of the studies/research papers taken-up for review have ‘west’ as their origin. This makes their application difficult in Indian conditions.

To start with, the studies pertaining to advertiser-agency relationship were scrutinized. Here the researcher perceptions concerning the advertiser-agency relationship, the expectations of advertisers from their agencies and the methodology that can be administrated to ensure a successful advertiser-agency relationship were revealed. Next the reviews pertaining to the pre-relationship phase were examined. Here the difficulties faced by the advertisers in selecting a new agency and the hardships that the agencies go-through to sign a new client were brought out. Most of the researchers have insisted the advertisers to
go in for a need-based agency selection process. 'People factor' was perceived to be an important criterion, along with other factors like —creative ability of the agency, common objectives, agency reputation, media-buying ability, quality of servicing and agency’s size while narrowing down on an agency.

Studies on development and maintenance phases of advertiser-agency relationship were reviewed next. Most of the researchers have concluded that, the ability of the agency to perform, trust worthiness, building better relationships, the business environment, advertiser/agency organizational factors, inter personal factors, organizational policies, common goals, personal chemistry and account characteristics to influence in evolving a loyal advertiser-agency relationship. Researchers like Michelle and Sanders conclude, while the reasons for break-ups in advertising agency relationships tend to be very specific, the reasons for loyal relationships are more general. Labahn[1996] strongly feels, further research is necessary to understand advertiser intentions. He also cites the necessity for researching into the perceptual gaps of the advertisers and the agencies. Another important finding from the review is that Kaynak et.al.,[1994], point out that the agency performance evaluation criteria employed by the advertisers vary with the duration of the advertiser-agency relationship.

The last part of the review was concerned with the Termination phase of the advertiser-agency relationship. Here researchers had attempted to identify the possible causes for termination of advertising agencies by their advertisers. Thereby trying to reduce the number of agency switches. Most of the researchers have concluded that, factors like unsatisfactory agency performance, poor creative skills, people related reasons, poor marketing advice, agency not close enough to client’s business, weakness of ad-campaigns, unfulfilled full-service needs and conflicting accounts are the main factors leading to agency switch.
Researchers like Rapheal[1981], claim that many accounts are lost for personal or political reasons than for inferior agency performance. Michelle [1983], has indicated through his paper that there exist substantial differences in account switching trends between different industries and product categories. Hence from the review of available literature it is clear that all these studies were administered and are applicable only to west. The findings of these studies are not fully applicable to the Indian conditions. Most of the studies conducted earlier pertained to any one of the stages in the advertiser-agency relationship life-cycle and hence are unable to furnish a consolidated picture on the elements that contribute to a successful advertiser-agency relationship. This has lead the present researcher to pursue a detailed study on all the elements that contribute to a successful advertiser-agency relationship.