CHAPTER – I

Introduction and Objectives of the study

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INTRODUCTION AND OBJECTIVES OF THE STUDY

1.1 INTRODUCTION TO THE STUDY

The success of a company’s advertising program depends on the everyday status of the links between the advertiser and the agency. The cubs in the advertising industry are invariably told to consider the advertiser-agency relationship to be as sanctimonious as that between a man and a woman within a marriage. Every advertiser-agency relationship is unique because no two advertisers have the same needs and resources. Both partners need to make constant adjustments and pitch in equitably if they want to sustain the relationship and make it grow. In certain cases, where the relationship has grown harmoniously over a long period, it can flourish for decades. But if at any point, the two partners stop seeing eye to eye and a confrontationist attitude develops, it is the brand that ultimately suffers.

The relationship between the advertiser and the agency is a little like two plus two equals five: when the combination clicks, it can produce exciting, creative and effective advertising that goes beyond merely getting the job done. Only a few relationships stretch beyond decades to become a legend viz., advertiser Lever Brothers has been with J.Walter Thomson agency for over 90 years and Kelloggs has been with Leo Bernett for over 40 years. In the Indian context, Horlicks has been with HTA for 60 years, Asian Paints with O&M for 15 years while Rediffusion is handling the Colgate account for the past 23 years. On the contrary, Hero Puch has gone from Ulka to Mudra to HTA to Trikaya grey to Rediffusion to Enterprise within eight years. Escorts’ bike account has shifted from HTA to Everest to Headstart to Akshara to Mc.Cann. So most advertisers and agencies face the task of starting new relationships more often.
One major goal of the advertising manager as well as the agency is to make the relationship an enduring one, which may depend upon the quality of services that the agency provides. There must be an honest desire on the part of both the advertiser and the agency for the relationship to be a long lasting one. All concerned should strive consciously from the very beginning to build a solid and satisfactory relationship based on mutual trust, respect and need for each other.

Changes occur in every relationship, unfortunately, some of them may damage the advertiser-agency relationship. Lipman[1986] is sure that, while changes cannot be avoided, the way they are handled determines the future relationships, good advertisers create a sense of partnership with the agency, and ask for the agency to get totally immersed in the client’s business. A good client does not treat the agency as a superior treats a subordinate, but rather as an equal partner, as a part of the client’s own marketing organisation. A two-way evaluation after an advertising campaign would also reveal potential problems in the advertiser-agency relationships. It is usually considered a good idea for the client to have a system of regular performance reviews, in which latent sources of dissatisfaction on both sides can be aired and it is hoped, resolved.

A good agency is perceived to be one with a strong desire to have its clients succeed, so that it customarily does more than is expected and it is the one that is a real pleasure to work with. The more complicated the product and the greater the number of local cultures involved, the greater the degree of local advertising expertise required. Every situation is different. There is no one way of working together, usually the co-operation between the advertiser and the agency is adopted to suit the specific situations and countries involved.
Advertiser-agency relationship cannot be viewed as static and may be viewed as one proceeding through an advertiser life-cycle involving four phases –

The pre-relationship phase
The development phase
The maintenance phase and
The termination phase (see Figure - 1)

Fig. - 1
Advertiser-agency relationship life cycle

Each stage has unique characteristics that ultimately affect the longevity of the relationship. Only the time-span of these phases varies from relationship to relationship. The pre-relationship phase is concerned with the new agency selection, the development and maintenance phases are concerned with quality
of advertiser-agency relationship, advertiser-agency loyalty and agency performance evaluation, the termination phase includes agency switching.

The weakening or termination of a relationship between an advertiser and an agency is an ever present possibility and it represents a serious and costly problem for both the advertiser and the agency. A study on the perceptions of the advertisers and the advertising agencies regarding advertiser-agency relationship would go a long way in preventing the sudden severing of relationship between them.

1.2 STATEMENT OF THE PROBLEM

Every advertiser-agency relationship is an unequal one and is perceived as a series of ignition points where sparks occur regularly to generate constructive explosion of energy. Due to its nature of being highly subjective, trying to measure the success of a relationship becomes problematic and cumbersome. Misunderstandings, misconceptions and conflicts can strike and bring down shutters on a relationship at any time. Any advertiser-agency relationship is subject to the influence of both the internal and external factors that are beyond the control of the agencies. Differences in backgrounds and objectives of the agencies too, pose a problem in identifying and understanding their client’s perspective.

Retention of current accounts is the major problem threatening an agency but the agencies appear to have little knowledge and understanding of the causes of the client dissatisfaction. This lack of knowledge leaves the agencies in a desperate state, particularly ill-equipped to identify the signals of vulnerability, anticipate emerging client disenchantment and forestall potential account losses. Advertising agency’s failure to address the possible gaps between the agency and the advertiser perceptions would ultimately increase a relationships vulnerability to dissolution. In fact, the poor comprehension of
their client's perspective may be mainly responsible for the persistence of known causes of client disaffection.

Except for the largest agencies, most have an uneven distribution of business with a very small number of accounts contributing the 'core' of the agency's turnover. It is the moves of these core accounts that make or break advertising agencies. A study that aims to bring out the perceptions of advertisers, differences in advertisers' and agencies' perceptions towards developing and sustaining a successful advertiser-agency relationship would be of immense use to both the advertisers and the agencies. Hence the problem of studying the advertisers' and advertising agencies' perceptions towards factors leading to successful advertiser-agency relationship was taken up for this research. The results of this study would go a long way in overcoming the perceptual differences between the advertisers and the agencies, to make a success story of every advertiser-agency relationship.

To study the nature of success of an advertiser-agency relationship (see figure - 2) the researcher has decided to study the following:
Factors leading to successful advertiser-agency relationship

**Relationship Life Cycle**

- Pre-relationship phase
- New agency selection
- Development phase
- Quality of agency relationship
- Maintenance phase
- Advertiser-Agency loyalty
- Successful advertiser-agency relationship
- Agency performance evaluation
- Agency switch
- Determinants of agency-switch.

- Factors considered by advertisers in new agency selection
- Factors influencing the quality of advertiser-agency relationship
- Factors leading to advertiser-agency loyalty
- Factors considered in agency performance evaluation
1.3 THE BROAD OBJECTIVES

The broad objective of this research is to study the perceptions of advertisers and advertising agencies towards the factors leading to successful advertiser-agency relationship.

1.4 THE SPECIFIC OBJECTIVES

The specific objectives of this study are:

1. To identify the advertisers’ perceptions regarding the factors leading to successful advertiser-agency relationship.
2. To study the perceptual differences between the advertisers and the advertising agencies towards the factors leading to successful advertiser-agency relationship.
3. To find out whether the duration of advertiser-agency relationship has any bearing on advertisers’ perceptions towards the factors influencing the success of advertiser-agency relationship.
4. To study the influence of the nature of the business of the advertisers on their perceptions towards the factors influencing the success of advertiser-agency relationship.
5. To determine whether the type of products handled by the advertisers have any influence on their perceptions towards the factors influencing the success of advertiser-agency relationship.
6. To identify the predictors of agency switch.

To accomplish the above objectives, the following hypotheses are postulated and tested.

H1: The duration of advertiser-agency relationship and advertisers’ perceptions towards factors leading to successful advertiser-agency relationship are independent.
H2: The nature of the business of the advertisers and their perceptions towards factors leading to successful advertiser-agency relationship are independent.

H3: The type of products handled by the advertisers and their perceptions towards the factors leading to successful advertiser-agency relationship are independent.