

# STRATEGIC APPROACH TO ADVERTISING AGENCY MANAGEMENT—A COMPARATIVE STUDY

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The advertising industry in India has witnessed phenomenal growth over the past decade. The underlying causes are many and include use of TV as an advertising medium, proliferation of sponsored programmes on TV and Radio, increased use of advertising by Government, public and private sector undertakings and service industries for floating issues in the capital market, for promoting social causes and the high degree of competition in the manufacturing and trading sectors of the economy.

The growth of this industry can be analysed from the point of view of increase in the number of agencies over the years, or the increase in the industry turnover as well as from the number of persons employed in this industry—all of which show a steadily increasing curve.

The advertising industry along with its expansion has also been influenced by a host of environmental changes, which have made the operating environment extremely dynamic and complex for the agencies. This in turn has made their management a key factor for achieving success. The agencies are moving from being mere middlemen for space and/or time between advertisers and media to organisations providing a full range of services to their clients including research, strategic planning, sales promotion, exhibitions, public relations, direct marketing, etc.

The immediate environment of the advertising industry has become increasingly complex—the clients are demanding greater accountability from their agencies for making their advertising effective. The consumer is more assertive regarding his wants and rights. The competition is cut-throat. The working of the agencies and their output is subjected to close scrutiny by the media publics as well as other regulatory agencies.

The industry is facing far reaching changes in its demographic and socio-cultural environment. With new target segments emerging—working women, children, rural consumers, younger people, nuclear families etc. advertising agencies are required to reorient their message and media strategies.

The economic environment too is changing with more emphasis being given to consumption vis-a-vis saving, thus leading to an increase in the disposable income of the consumers. The capital market has been booming—giving an impetus to financial advertising. The technological environment is moving towards greater sophistication and specialisation with respect to both machines and men.

The political environment has recently become more supportive of industry. The liberalisation policy of the Government has aided in fostering competition. The Governmental machinery has also woken up to the potentialities of using the services of professionals for attaining their ends.

The legal environment on the other hand has become more stringent with a large number of laws regulating the working of the agencies.

The advertising industry itself has also experienced major changes in its internal structure. The number of agencies has increased considerably. Major agencies are spreading their operations countrywise by opening additional

branch offices. Delhi has emerged as one of the most popular cities for locating agency offices. The turnover of the industry which was almost Rs. 1500 crores at current prices in 1990 and has exhibited a growth rate of 102 percent between 1984 and 1988 and 50 percent between 1988 and 1990(1).

In order to survive and grow in such a dynamic environment and to successfully overcome the problems such as laxity in payment by clients, personnel problems, turnover of staff, speculative advertising, etc.—the agencies need to adopt a strategic approach to management. Even the advertising industry in USA when faced with similar changes in its environment in the late 70's and early 80's responded by adopting a strategic approach in their planning and management.

### **The Present Study**

A study was conducted to identify the manner in which this concept has been adopted by their Indian counterparts in order to handle the changes taking place in their macro and micro-environments.

The data for this purpose were collected both from secondary as well as primary sources. For collecting primary data, a survey of key executives in 9 selected advertising agencies viz. Pressman Souhbhagya, Jupiter, Arms, Lintas, Eastern DELTA FN/XIII and Fusion was conducted in June-August 1990. These agencies were selected on a judgemental basis and included large as well as small ones; agencies specialising in services advertising along with those having a broader portfolio. An agency having a foreign tie-up was also included in the sample.

**Strategic Concepts—An Operational Framework**—For the purposes of the study, the concept of strategic management was operationalized in terms of the following components:

(A) *Environmental scanning of both :*

- (a) External environment in terms of opportunity and threats, and
- (b) Internal environment in terms of strengths and weaknesses relating to structure, resources and organisational climate of the firm.

(B) *Long-term planning requiring :*

- (a) Long-term orientation in planning.
- (b) Determination or review of corporate mission after an evaluation of the factors mentioned in step (A) which provides the reason for the corporation's existence.
- (c) Determination or review of objectives stating what is to be accomplished and when in quantifiable terms.
- (d) Laying down the strategies indicating the manner in which the mission and objective are to be achieved.
- (e) Specifying policies to provide guidance for decision-making throughout the organisation.
- (f) Periodic review of progress towards achievement of mission and objectives.

### **Findings of the Study**

All the agencies studied have been found to have realised the need for a strategic approach in their planning and management. The importance of

research, client-satisfaction, environmental monitoring as well as building up key strengths like manpower excellence, creativity, production is well understood by most of them.

However, a dichotomy seems to be apparent in the degree of formality and the manner in which the principles of strategic management have been operationalized by the different sample members.

A few agencies seem to be still relying mostly on financial planning in the form of budgets and other financial targets—target market share, target ROI, target growth rate in billings, etc. The environmental analysis, assessment of internal strengths and weaknesses as well as formulation of strategies is on an intuitive level and success depends on the competence and ability of the CEO and other executives in this respect. These agencies can be said to be in the stationary phase in the adoption of strategic management.

The other set of agencies appear to have entered the advanced phase of the adoption of strategic management. The planning here is forecast based. A comprehensive and systematic monitoring of the environment is undertaken, internal capabilities are assessed and then formal strategies are devised to take advantage of opportunities and meet threats and problems effectively. The profiles of these two sets of agencies are described below :

### **Profile of an Agency in Evolutionary Phase**

This agency is likely to lack a formal system for monitoring either one or both of its environments—internal and external. Main reliance is on verbal information acquired from clients, suppliers, competitors, etc. and that to in an unsystematic and ad-hoc manner.

A clear and explicit mission statement is often missing. The objectives are mainly of a financial nature. Such an agency also lacks clearly formulated and formally expressed strategies for achieving its pre-determined goals.

Marketing research for clients as well as for its own purposes is of a low priority here, indicating a distinct lack of long-term planning and concern for the environmental changes which are forcing most agencies to apportion a large part of their budgets to research in order to know the target audience better, develop more effective campaigns, keep in touch with the environment as well as be able to furnish concrete evidence to the client of the effectiveness or otherwise of the campaign designed by the agency.

Building up of strengths and competences in key areas is more or less ignored. Training of personnel is all but ignored. On-the-job experience rather than professional qualifications is given more weightage at the time of recruiting. This is so when increasing competitiveness in the environment necessitates a higher degree of creativity and efficiency among the personnel of an agency—an agency's people being its most important asset as for any other service industry.

Client servicing is fast becoming an area of critical importance in retaining clients for a long period. However, an agency in the evolutionary phase does not give it the attention it deserves. Often, a formal programme for training account servicing personnel in handling clients is missing.

The important developments in the environment—increasing size of rural markets, emergence of youth, children and working women as target markets,

\*Some authors have also used a 3-phase classification to describe the different stages of adoption of strategic management for more details, to see Reference(3)

fragmentation of audience, movement of consumer bodies and women organisations have a barely perceptible impact on the copy or creative strategies of the agency. Similarly, the improvements in ad-production techniques are often not incorporated in the development of campaigns.

A similar short sightedness and lack of systematic planning is also exhibited in the way common problems like late payments by clients, etc. are handled by the agency. No policy or programme seems to exist to handle such recurring problems.

No attempt is made by the management to create a distinct organisational climate which would serve as an intangible link between the agency and its people. Dissemination of information to the employees regarding the agency's activities is rare.

Thus, a typical agency in the evolutionary phase exhibits a distinct lack of formal, systematic and long term planning and orientation in its functioning. The planning in such an agency would be at an intuitive level carrying with it its concomitant risks and weaknesses.

### **Profile of agency in the Advanced phase**

This agency has a formal system for monitoring both its internal as well as external environment. A comprehensive set of sources is used for collecting such information including internal agency reports, publications, talking to clients, suppliers, competitors, employees and others as well as by conducting marketing research.

The information gathered through its monitoring system helps the agency to design strategies and policies to help it in achieving its objectives while adapting to the environment.

Such an agency, normally has a well-defined mission statement which explicitly states the direction the agency intends to take in the future. The objectives include qualitative goals as well, including providing a target range of services, being the leader in creativity, etc. among others.

Quite often a separate planning department may be found in such an agency to aid the decision makers in this task.

Such an agency is intensely concerned with its environment and the changes taking place therein. The copy and the creative strategies are suitably modified to increase the effectiveness of the message. Modifications and improvements in the production techniques are incorporated to attain a higher level of creativity in the development of campaigns. Strategies are designed to take advantage of high growth potential areas like government advertising, public sector advertising, etc.

Long-term plans are formulated to deal with the threats in the environment, competition being one of the critical factors such as agency recognises the demand of the clients for a higher degree of accountability for ad-effectiveness. Plans are formulated and executed to ensure client satisfaction on all counts. Training is provided to account-servicing personnel to enable them to maintain healthy relations with the client. The management realises that a climate of trust and rapport, is the most important factor contributing to long term relationships with clients. Periodic reviews of relationships with clients are conducted to ensure their continued association with the agency.

The agency realises the importance of building up strengths in key areas in order to have a competitive edge. It tries to ensure a high degree of competence and specialisation in the staff both by recruiting of trained executives with specialisation in this field as well as by training new recruits

in accordance with a pre-determined programme. This strategy ensures the building up of a reservoir of competence to act as a strength in the face of environmental challenges.

Marketing research is considered a vital function in this agency. Research is conducted on behalf of the clients in areas like Media research, measurement of ad-effectiveness Research, regarding the marketing-mix effectiveness, target market research, strategic planning for client as well as for agency's own ends such as identification of new business opportunities, gathering information about an unfamiliar product area, studying consumer behaviour, scanning environmental changes and competitors' activities.

A long-term orientation is also visible in the handling of problems like late payments by clients, etc.

Active steps are taken by the management to create a distinct organisational climate to encourage participation and a feeling of belonging in the employees. Information is disseminated to the employees regularly regarding the activities of the agency.

Finally, to ensure that the objectives are achieved, a formal system for periodic reviewing of progress towards achievement of objectives is also present.

### **Factors Affecting Strategic Orientation**

The differences in the approach of the two sets of agencies can mainly be attributed to their size and collaboration with a foreign agency. The agencies with larger turnover seem to have advanced from the evolutionary to the advanced phase in the adoption of strategic management. A similar effect is also seen in the case of agencies with a foreign collaboration as a consequence of imbibing their work cultures and ethos. Interestingly, the percentage of professionally-qualified executives does not appear to be significantly different for the two kinds of agencies. Similarly, the product category being handled by the agency also seems to be having no impact on the degree of strategic orientation of an agency.

### **Conclusions**

The agencies in the advanced phase of the strategic management process exhibit a growth rate in their billings which is higher than or commensurate with the industry's growth rate of 15 to 20 percent per annum. They have a larger percentage of their clients staying with them for a period of 5 years or more. They are the agencies which are either market leaders in their segments or are strong contenders for market superiority in the future.

The other agencies, therefore, would also do well in emulating them in their functioning. This would enable them to achieve not only their present targets but to aim even higher in future.

### **References**

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