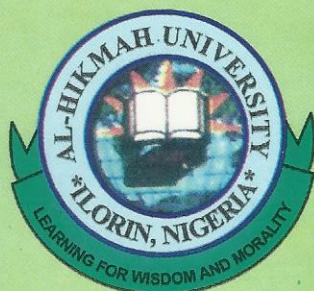


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Essence and Operations of Advertising Agencies

by

Patrick Udende and R.O. Adegoke

Abstract

The paper discusses that agencies are set up to counsel, plan, prepare and execute promotion programmes on behalf of their clients. Anchored on the General Systems theory, it shows that in order to establish an agency, registration, a functional office, professional and skilled personnel in advertising and equipment are imperative. The paper posits that an agency is not self-sufficient; it depends on services of creative boutiques. Against the backdrop that agency's performance is undermined by certain factors like inability to meet dateline, irregular power supply and low patronage occasioned by high commission, the paper recommends among other things meeting datelines, improvement in source of power supply, and that full-service agencies in particular should charge reasonable and affordable commissions to encourage teeming advertisers to enjoy their creative expertise.

Key words: Advertising agency, compensation, clients

Introduction

By dint of common sense, it is glaring that business activities have increased in scope, numbers and operations. Consequently, for firms and organizations to carve a niche in the competitive market share, they need to vigorously intensify their strategies and tactics. One of these strategies, which have markedly distinguished them from competitors, is their use of advertising agencies which work, to creatively package a concept and execute same on behalf of their clients.

From their inception in different countries at different times, advertising agencies, which are either creation of organizations (in-house agency/units) or independent ones (external agency) have increasingly blossomed in response to the ever expanding demand of the business community. Between the two, advertisers seemed more inclined to external agencies.

Reasons organizations may prefer the use of external agencies to relying on in-house advertising and public relations unit are advanced by Nwosu and Wamuche (2006, p.128) to include the following:

1. The agencies have more specialists with varying experience on their staff than any client can afford. As a result, clients are in good position to gain from these professionals.

- ii. Because agencies are bulk and regular buyers of media space, they are in better position to buy media space at the lowest price.
- iii. The agencies are better placed to coordinate advertising with other marketing communications activities of the firm. This is particularly so when the firms are into Integrated Marketing Communication, IMC.
- iv. Due to the fact that agencies are independent of the client organizations they serve, they have every reason to be objective in terms of providing advice to their clients.
- v. Due largely to the diverse jobs handled by agencies, and the fact that they are staffed with specialists of diverse experience come to bear on the jobs they handle on behalf of clients.

Irrespective of whether advertisers rely on in-house departments or advertising agencies or combined, what is striking is not only their expertise to counsel organizations but to also carefully plan, creatively design and diligently execute an idea on behalf of an organization for a fee. On account that agencies are better placed to coordinate advertising with other marketing communications activities, Baines, Egan and Jefkins (2004, p.64) pointed out that a number of advertising agencies including Saatchi & Saatchi now offer public relations services as they aspire to create full-service communications agencies.

The perceived or real success recorded as a result of the invisible activities of the advertising agencies is not challenge-free. Most of them are handicapped by sound financial base such that they are unable to procure state-of-the-art facilities as well as the desired number of experienced personnel depending on their respective sizes. Since they have not lost sight of these drawbacks, the tendency is to interface with other professionals to remain afloat.

Conceptual Clarification

Advertising agency: An advertising agency is a service firm or organization which specializes in planning and executing promotional programmes for its clients. Belch and Belch (2001, p.78), Doghudje (1999, p.41) and Dominick (1999, p.403) construe advertising agency as an independent business organization composed of creative and business people who specialize in developing, preparing and placing advertisement for their clients. Frederick (1970, p.4) adds that the agency also purchases advertising space and time in various media on behalf of different advertisers, or sellers to find customers for their goods and services. The essential elements that define an advertising agency and perhaps emphasise their role and relevance are identified by Nwosu and Nkamnebe (2006, p.127) to include:

- i. Independent organization;
- ii. Creative and business people;
- iii. Purchase of advertising space and time; and
- iv. Acts on behalf of different advertisers.

The advertisers or clients are usually profit-making business enterprises as well as government departments, individuals, political candidates, associations or other organizations.

Theoretical Framework

This paper finds relevance in the General Systems Theory which deals with interface of corresponding sub-systems. According to Stichweh (2011), and Anaeto, Onabanjo and Osifeso (2008, p.147), the theory was propounded in 1976 by Ludwig von Bertalanffy. The basic assumptions of this theory are that a system is characterized by the interactions of its components and the non-linearity of those interactions. This approach sees an organization as a unified, purposeful, result-oriented system made up of inter-related parts, working towards achieving a common goal. That is probably why Nwabueze (2011, p.25) maintains that "it is an integrated theory that emphasizes synergy in management of an organization i.e. instead of dealing with the various departments of an organization as separate parts, they should be seen and planned for as a whole." This implies one part of a system enables us to know something about another part and a change in the system will affect other system components and the environment.

The study of systems theory which has been used extensively in diversified fields by people like linguist Banathy (1991, 1996), ecological systems with Odum (1984), organizational theory and management with individuals such as Senge (1990, 2000), follows two general approaches. One is cross-sectional which deals with the interaction between two systems. The other is developmental which deals with the changes in a system over time. Anaeto, Onabanjo and Osifeso (2008, p.149) who laid emphases on closed and open systems elucidate:

A closed system is one where interactions occur only among the system components and not with the environment. An open system is one that receives input from the environment and/or releases output to the environment. The basic characteristic of an open system is the dynamic interaction of its components, while the basis of closed system is the feedback cycle. Open systems can tend towards higher levels of organization, while closed systems can only maintain or decrease in organization.

In his contribution, William R. Ashby cited in Newson, Turk and Kruckeberg (2010, p.119) asserts that all life forms, social as well as biological, are organized for dynamic interaction to sustain life. This portends that communication is the lubricant that keeps the intricate machinery of any organizations moving. That it creates mutual understanding and objective information which are requisite elements to a successful agency.

Typically, therefore, a system's control centre directs behavior towards a goal and system mechanisms are used to change system behavior when feedback suggests that the goal is not being met (Wiener, 1954). Systems theory embraces an organization and all parts of its publics. The idea is that all parts of a system are interrelated and function as an organized whole that is greater than the sum of its parts. Apostle Paul acknowledges this in the Christians' holy book (the Bible) while writing to the people of Corinthians. This is captured in 1 Corinthians 12 from verse 12 to the end of the chapter that, "...For the body itself is not made up of only one part, but of many parts... God himself has put the body together in such a way as to give greater honour to those parts that need it. And so there is no division in the body but all its different parts have the same concern for one another..."

Applying systems theory in this context, one recognises the fact that the existence of advertising agencies is to complement activities of other businesses. By virtue of their operation, there is a plethora of personnel in different departments involved in the job of an advertising agency. Each has a functional role to play. For example, before any message is created, research department conducts research about a product or service to be advertised so as to ascertain its qualities and market performance of the product or service. Armed with facts about the product or service, the creative department which is manned by visualisers and copy writers initiates and develops the concept known as the message. Actual production of copy is the duty of production department. Advertisement created is therefore, handed over to the media department for placement. Administration/Finance and account departments are responsible for the daily running and handling of financial matters of the advertising agency respectively. Independent and unique as the duties of these departments may appear, collectively, they aim at achieving one objective – to satisfy their clients by planning, writing and publishing or broadcasting a creative message for such clients. In doing this, as Baran and Davies (2009, p.173) conclude, ongoing mutual adjustment is possible, ultimately leading to the achievement of a long-term objective.

Administrative/Finance Department: Administrative/Finance department is responsible for the overall management and human resource management of the agency as well as handles financial matters of the agency.

Accounts or Client Service Department: This department deals with financial matters in the agency. It also does the general liaising between the many different members of the agency's team and the clients. Besides, it handles the clients' records especially the contact report which is a document that shows the business transactions between the agency and its clients.

Media Department: Media department is responsible for media selection and message placement. That is it plans and buys the space where the advertisements are eventually placed. This could be in the newspapers, magazines, posters, television, radio, cinema, etc. media planners or schedulers are sometimes separate from media buyers, who negotiate and ultimately buy the space from the media owners.

Production Department: The job of this department has to do with the mechanical aspect of producing copy after the creative department might have done all the necessary work on the advertisement. Many agencies subcontract various parts of the production as in hiring a studio, camera crew or photographers, director, editing suites etc.

Creative Department: This department develops the concepts that drive all the advertising campaigns. Those who work here work long hours under extreme pressure to deliver unique creative ideas that attract attention, build brands and win customers. The creative department consists of visualisers, art directors and copywriters. Among those that make-up creative department, copywriters deserve some commentary because of their pivotal role.

Copywriters develop the verbal message. That is the words within an advertisement read or spoken by an imaginary person. This, Wright (2000) elaborates thus:

Copy of a newspaper advertisement includes not only the reading matter headlines, subheads, picture, captions, seals, logotypes, slogans and body text but also pictures, trademarks borders and other illustrations or visual symbols. Copy for a television commercial includes not only the words to be spoken by the characters in the script, but music, sound effects, illustrative materials, actions and camera cues.

In developing the copy, copywriters are guided by what and how the product is made, what it does, how it can be identified, how much it costs, for who it is made besides other essential facts. They work with art director who is responsible

On the other hand, a brand character statement might be phrased thus: *Target offers the selection and value typical of a mass merchandiser in stores that have the elegance and flair of a department store.*

This done, it beholds on the creative team to do justice to the brief. It develops a message strategy and begins the search for the big idea without which, as Ogilvy cited in Doghudje (1999, p.42) concludes, will pass like a ship in the night.

Advertisement Production

Whether for print or broadcast, once an advertisement is designed, written and approved by the client, it is turned over to the agency's print production manager or broadcast producers. For print advertisements, the production department buys type, photos, illustrations and other components and works with the printers, engravers, and other suppliers. For a broadcast commercial, production people work from an approved script or story board. They use actors, camera operators, and production specialists (directors and editors) to produce a commercial on audio tape (for radio) or on film for video tape.

Armed with the nature, value of the creative brief as well as how advertisements are produced, it is expedient to back it with an appraisal of few copies developed by some agencies on behalf of their clients.

Case Study 1

In the billboard advertisement strategically mounted in a partly lush, navy-blue sky and busy highway background as shown below, the message is simple. The product in question is a razor blade. The advertiser imaginatively emphasizes on the sharpness of the blade as it appears to easily and smoothly cuts through an object in form of steel. This however, looks exaggerated as it would be more convincing for it to be used either for shaving or barbing. The text in the advertisement is economical. It has Super Max as headline and Super Stainless as words in the copy. The repetitive use of "Super" implicitly reinforces another somewhat excellent attribute of the blade. In the same way, "Stainless" conveys the impression of a rust-free brand.



Case Study 2

The advertisement for Seaman's. It visualizes the headline says. The simplicity of presentation which is seniority, the characteristics of an old man's neck, the stiff business suit (2008, p.76). These are the grand old man's first of

Case Study 3

In the political advertisement, the headline is creatively im- creatively selected and and the picture. The symbol about the free of the Social Democratic Convention (NRC) which

Case Study 2

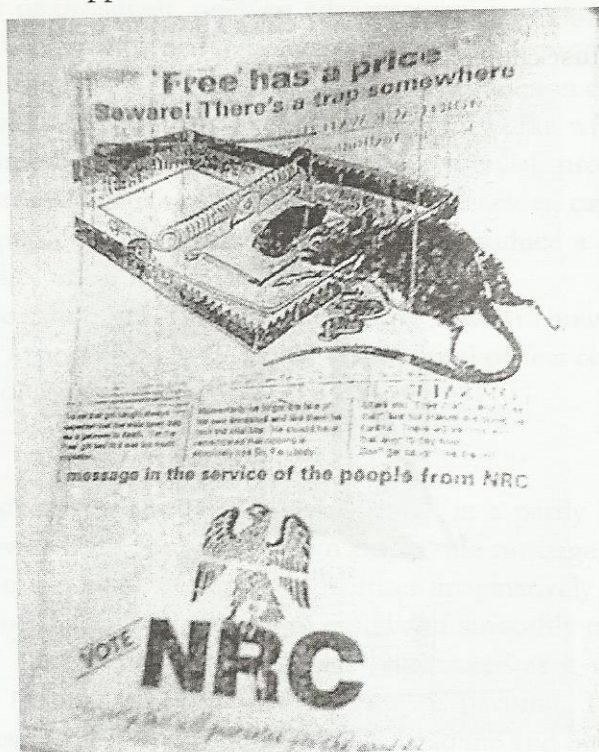
The advertisement below, culled from Popoola (2008, p.76) is about a brand, Seaman's. It visualizes the headline and imaginatively interprets what the copy headline says. The creativity in this advertisement lies in the picture. There is simplicity of presentation in the picture, headline and body. Using the copy platform which is seniority, the elders drink, the bottle is creatively decorated with the characteristics of an elder including the elder's cap on its head, the beads round its neck, the staff beside it and the elder's type of sandals underneath (Popoola, 2008, p.76). These are all marks of an elder showing that the drink is really a grand old man's first choice.



Case Study 3

In the political advertisement below also used by Popoola (2008, p.77), the copy headline is creatively interpreted by the picture and the words in the body copy creatively selected and used to support the message being put across by headline and the picture. The synergy between headline, picture and body copy leaves no doubt about the free education, health and some other facilities as promised by the Social Democratic Party (SDP), being a rival party to National Republican Convention (NRC) which placed the advertisement during the 1993 electioneering

campaign in Nigeria (Popoola, 2008, p.77). Despite the fact that the name of the party is not mentioned in the advertisement, it is clear that it was the party to which the advert was referring to. The advertisement posited that if SDP succeeded in making free, the essential facilities being promised, Nigerians will be asked to pay some certain imposed levies, and that the promises of free this and that were like baits which SDP wanted to use to entangle the Nigerian citizenry later. As evident in the advertisement, the mouse trap was SDP, the bait stood for the promises, while the trapped rat represented Nigerians.



Ways Advertising Agencies Get Clients

Many ways advertising agencies get clients might exist but we shall consider just the followings:

Presentations: Anything from simple discussion of the agency's philosophy, experience, personnel, and track record to a full-blown audio-visual presentation of a proposed campaign. This is crucial because some advertisers want to see what the agency will do before they sign on (speculative presentation). Some agencies build their presentations around the work they have already done, to demonstrate their capabilities.

Networking and Community Relations: Some agencies cash on people their employees know socially in a community. Those that work for charities or nonprofit organizations use similar opportunity to gain visibility and respect.

Referrals: This is from existing clients, friends, review consultants or even other agencies. Unlike in developing countries where agencies claim to be jack of all trade and masters of all, in the developed countries most agencies have the tendency to specialize. Therefore, if the needs of an advertiser are beyond their scope of operation, they refer advertisers to those competent to meet their demands.

Advertising and Soliciting for New Business: Some agencies advertise, write letters or make phone calls with a view to attracting patronage. This option is often resorted to by agencies that are hardly known.

Ways Advertising Agencies Make Money

Media commission: This is the amount charged on space or time agencies purchase on behalf of their clients. For example, a national price for a full-page colour magazine advertisement is ₦100,000. The magazine bills the agency, and the agency in turn bills the client for the ₦100,000. The client pays that amount to the agency, and the agency sends ₦85,000 to the magazine, keeping its 15 per cent commission (₦15,000).

Markups: In the process of creating an advertisement, the agency normally buys a variety of service or materials from outside suppliers, for example, photos and illustrations. The agency pays the supplier's charge and then adds a markup to the client's bill, typically 17.65 per cent of the invoice which becomes 15 percent of the new total. For example, a markup of 17.65 per cent on a ₦8,500 illustration bill yields a ₦1,500 profit. When billing the client, the agency adds the ₦1,500 to the ₦8,500 for a new total of ₦10,000. When the client pays the bill, the agency keeps the ₦1,500 (15 per cent of the total i.e. $8,500 \times 17.65\% = 1,500$

$$8,500 + 1,500 = 10,000)$$

Fees: Beyond packaging advertising copy, clients expect agencies to solve other problems. Fee system is either by fee-commission combination or straight-fee/retainer method. In the case of fee-commission, the agency charges basic monthly fee for all its services to the client and retain any media commission earned. In the straight-fee arrangement, agency charges for all services either by hour or by month, and credit any media commission earned to the client. There is a new type of agency compensation by client if campaign succeeds in specific, agreed upon goal or guaranteed results. This is more or less a bonus offer by the client.

Shortcomings/Challenges of Advertising Agencies

Low patronage due to financial constraint on the part of advertisers:

Particularly, local advertisers use advertising agencies less extensively. Many advertisers simply do not spend enough money on advertising to warrant hiring an agency. Some large agencies do not accept local advertisers because their budgets are too low to support the agency's overhead.

Inability to meet deadline due in part to epileptic power supply: Running an advertising agency in Nigeria, for example, is not easy. One problem is regular public power outage which means advertising agencies rely on backup generators. In 2009 TBWA\Concept spent over 7m naira on diesel for its backup generator (<http://www.economist.com/node/18621345>). Agencies that cannot afford steady stand-by generators risk keeping to deadline and this is one of the greatest drawbacks of an agency. An agency which misses a deadline for a monthly magazine, for example, is an indication that the agency will have to wait another month before it can run the advertisement, much to the client's displeasure. The problem could also be due to logistics. If it is on failings of the agency, and it becomes a recurring decimal, signals sent out to numerous advertisers or would-be clients is that of disappointment and no client would want to be disappointed.

Paucity of qualified staff: Particularly in-house departments of organisations have difficulty in attracting and keeping the best creative people, who tend to prefer the variety and challenge offered by independent agencies. Even some of the independent advertising agencies lack highly skilled personnel and this makes advertisement to become insipid and unattractive to customers. Additionally, their failure to maintain constant and open communication with clients leads to loss of some clients.

Recommendations

Advertisers should not undermine the advantage they stand to enjoy from services of advertising agencies and patronize them. Even big time advertisers should resist the temptation to rely on in-house agency/unit which ability to deliver is questionable. They should deploy resources to engage advertising agencies which professional experience, versatility and talent will come to bare for the overall interest of the advertiser. In this way, advertising agencies will be vigorously and intensively patronized signaling a boom in the business of advertising agencies. On their part, agencies should charge moderate charges in form of commission and fees to attract high patronage as exorbitant fee scares willing advertisers with small accounts.

Advertising agencies should always make adequate provision for all logistics including alternative to public power supply, which is undoubtedly disruptive. This in place, traffic department of the agency should effectively coordinate all phases of production and make sure everything is completed before client and media deadlines. The reason for this is that one of the greatest sins in an advertising agency is a missed deadline which no client would be pleased with.

Agencies should ensure they engage competent staff, who should routinely undergo fresher professional courses for quality assurance, and maintain constant communication with their clients. In some cases, loss of clients which might have established a long standing relationship with an agency is as a result of poor quality delivery and poor communication. Advertisements that meet specification and staff who ensure constant, open communication are crucial to healthy relationship.

Summary and Conclusion

The paper looked at advertising agency as an independent organization comprising creative persons who specialise in planning, preparing and executing other promotional activities on behalf of their clients. The agency does this with the assistance of some creative boutiques. This could be at local, national or international level. We have also seen how and what it takes to establish and manage an advertising agency. Profoundly, registered members, office and equipment are an imperative. Also, different departments make up an advertising agency depending on the financial strength of the agency. The use of three case studies brings to the fore typical product of an advertising agency.

The article did not lose sight of the fact that some companies, however, develop in-house agencies in order to save money by keeping agency commission for themselves at the risk of creativity and productivity. Whether an advertiser relies on an advertising agency, in-house department or both, advertising agencies by their nature are plagued with certain limitations or challenges that call for attention. The article concludes with some recommendations which if adhered to by advertising agencies can enhance their operations as well as satisfy the needs of their clients.

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