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# UNIT 16 FUNCTIONS AND STRUCTURE OF AD AGENCY

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## Objectives

After studying this unit, you should be able to:

- Explain : the evolution of advertising agency  
: Its role in the purchase process  
: the work. executed by an advertising agency:  
alternate agency structures
- Identify : division of work between agency and client:  
: pitfalls to avoid in account management
- Determine : the major advertising decision  
: ways to take these decisions

## Structure

- 16.1 Introduction
- 16.2 The Role of an advertising agency
- 16.3 Functions and structure of an advertising agency
- 16.4 The agency-client relationship and productivity
- 16.5 Preparing for the campaign:  
How the agency should understand the product and market
- 16.6 The Advertising Tasks
- 16.7 Summary
- 16.8 Self-Assessment Questions
- 16.9 Further Readings

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## 16.1 INTRODUCTION

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Major part of advertising execution function is being performed outside the organisation, through the medium of Advertising agencies, who over a period of time have attained specialisation in the creation, generation and execution of promotional communications. This unit discusses the division and flow of work within the ad agency and the. basic principles of managing, and developing a campaign.

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## 16.2 THE ROLE OF AN ADVERTISING AGENCY

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The role of the agency shall be discussed in two parts:

- a) As a part of the total process of product purchase by the target evidence.
  - b) The activities undertaken by the agency.
- A) Advertising can be illustrated as a five part process

**ADVERTISERS**

Who sometimes use

**ADVERTISING AGENCIES**

and are sometimes assisted by

**SUPPORT ORGANISATIONS**

Send their message through

**MEDIA (GENERALLY MASS)**

to potential

**CUSTOMERS**

of the product, service or idea promoted.

Fig 1: The Process of Advertising

When need for advertising is not too acutely felt, the client himself takes on the role of the advertising agency by designing messages for the target audience.

However, in today's complex market place the customer is faced with various product alternatives. Similarly the media through which he gets information about these products has increased in number as well as efficiency of transmitting messages. With this information explosion, the tastes, choices and needs of customers have become complex. The producer no longer finds it simple to cater to all consumers. Hence the concept of target audience becomes important i.e. the producer chooses a set of people whose needs he can cater to.

and are sometimes assisted by

**SUPPORT ORGANISATIONS**

In this complex interaction, the role of an advertising agency can be illustrated as follows :

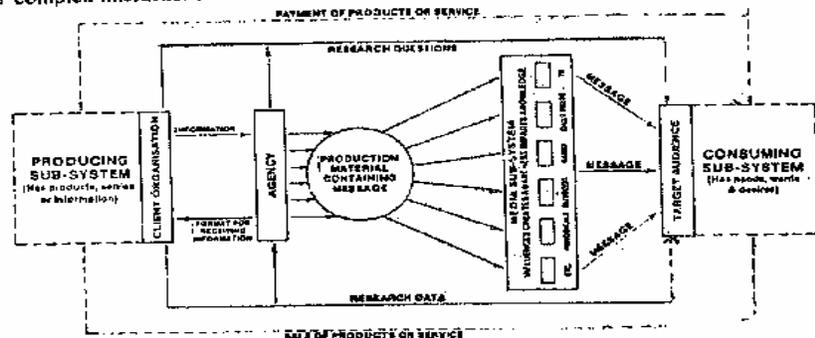


Fig. 2 : Role of Advertising Agency



The producing sub-system for advertising agencies consists of client organisations who offer products, services or information to be disseminated. The consumer sub-system consists of sets of consumers with different needs, wants and desires. The role of the client and agency is to identify a target audience for the product offered to this sub-system. Then there is the media sub-system which consists of various media vehicles and performs the role of providing knowledge, awareness and influencing the consuming sub-system.

The agency usually gives a client organisation a format for receiving information about his product or service. On receiving this information, the agency processes it. In case this does not contain adequate information about the target audience, the agency or client may undertake research to further supplement their information bank (The agency may also conduct research of pre-testing of the campaign before releasing it. It may conduct research for post-testing of the campaign to evaluate advertising effectiveness).

The processing of information received from the client enables the agency to broadly give two kinds of output: A) design of message to influence the target audience and motivate it towards a desired state of product purchase activity i.e. the consumer should move into the next higher stage in the AIDA hierarchy towards purchasing the product. B) choice of media. With limited budgets at the disposal of the advertising agency, it is not possible to use all the media available in the most desired manner. Hence a problem of choice exists. The media which influences the target audience the most is chosen and the intensity of exposure in the media is also allocated in accordance with its efficiency in influencing the target audience.

With the release of the product in the market place and the message in the chosen media, the target audience in the consuming sub-system undertakes purchase of the product or service and gives payment in lieu thereof thus completing the economic transaction.

B) In the structure shown above, the role of the agency in the economic sub-system of product purchase becomes clear. At this point it would be interesting to also look briefly upon the information processing role mentioned above. This information processing role, in a simplified manner is illustrated below.

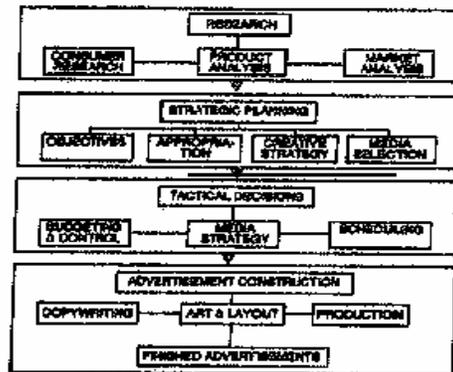


Fig. 3 : Advertising and Information Processing.

Source : Sandage, Fryburger & Rotzof 'Advertising Theory & Practice'

Before elaborating on the above, it is necessary for us to look at the advertising agency and understand its functions. A study of the functions of an agency will reveal how the processing role of the agency is broken up into different components and how these different components contribute to the end product of the agency.

### Activity 1

Study two advertising agencies with respect to a specific client each. How is the 'processing' role fulfilled by these agencies?

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## 16.3 FUNCTIONS AND STRUCTURE OF AN ADVERTISING AGENCY

### A) Functions & flow of work

Though advertising agencies may follow the departmental structure or the Group System as a structure, the broad functions remain essentially the same.

The functions of an agency are broadly broken up as follows:

1. Account Services
2. Creative Services
3. Media Services
4. Administration and Accounts



Fig. 4 : Functions of an Agency

This is the simple agency structure. A more comprehensive agency structure would consist of:

1. Account Services
2. Market Planning and Research Services
3. Media Planning Services
  - a) Planning
  - b) Media buying
4. Creative Services
  - a) Copy
  - b) Art

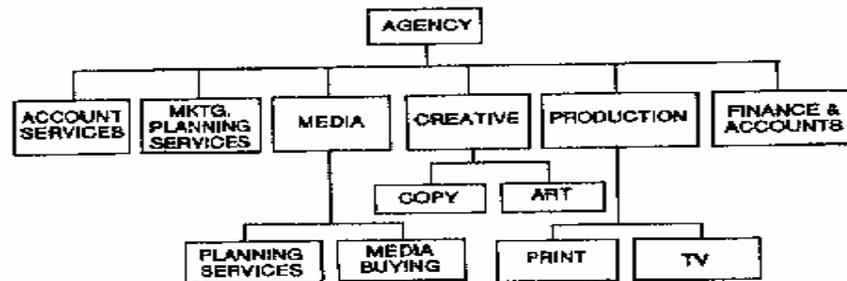


Fig. 5 : Comprehensive Agency Structure

- 5) Production Services
  - a) Relating to television
  - b) Relating to print
  - c) Other
- 6) Finance, Administration and Accounts.

A client is known as 'Account' in an agency. Hence client services are called Account Services and Client Servicing executives as Account Executives (AEs).

The Account Executive along with the Market Planning Service has to work out the advertising 'brief' out of the information received from the client. The brief is the basic document on which the client and the agency must agree upon. The brief is the conversion of the clients marketing strategy into the advertising plan. For working out this document, the Account Executive should have some basic knowledge of practical marketing. We shall elaborate upon this later and discuss how the marketing plan is converted into an advertising brief.

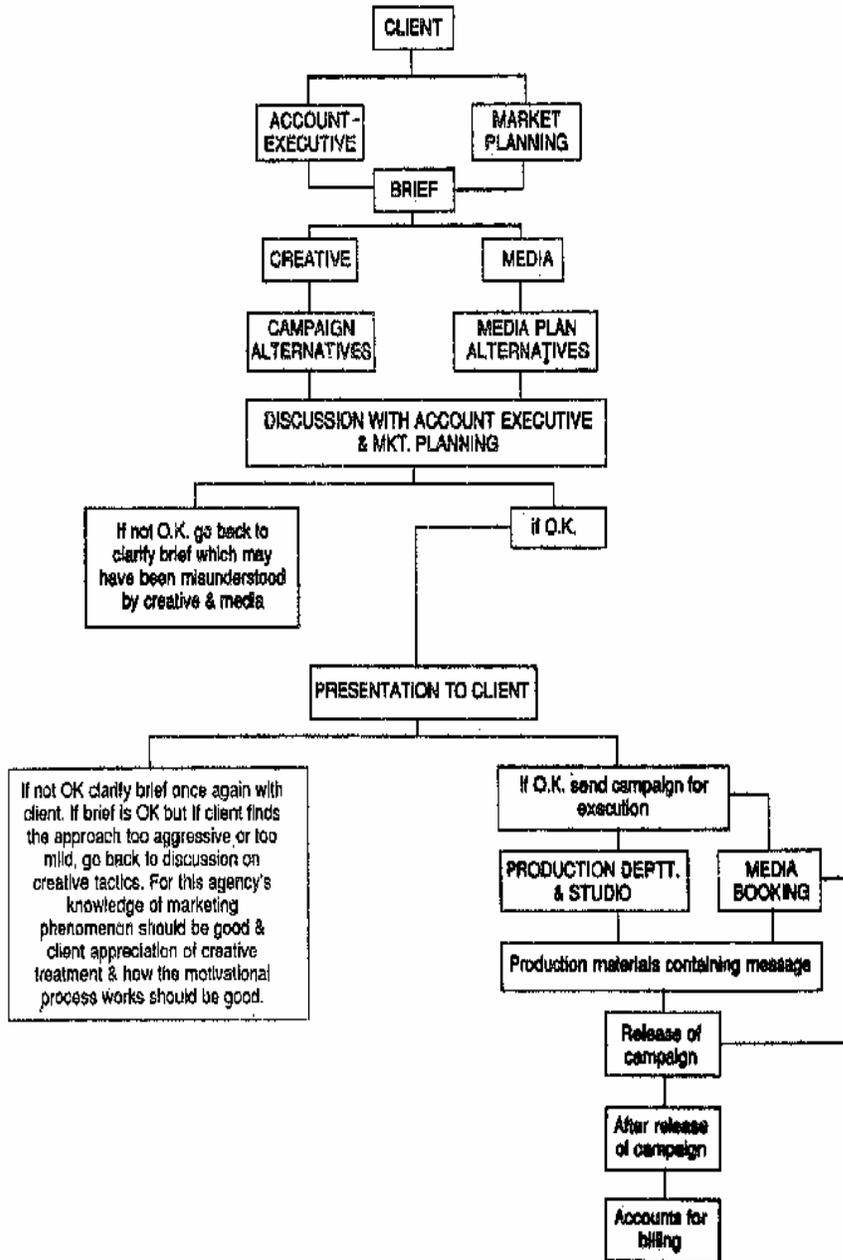


Fig. 6: Flow of Work

The brief is handed over to the creative who works out some alternative approaches in which the message can be communicated. The media planning works out the media mix choices available. The stage is now set for a meeting with AEU and Market Planning who test the output on the brief given and jointly a decision on which campaign and media plan is to be presented is taken. Agencies also present some or all the creative alternatives, giving the final choice to the client.

In case the campaign is approved, it is handed over to the studio and production. The Studio undertakes final artwork and production gets the material prepared for handing over to the media. In the Indian context, this can be an elaborate procedure especially for a national launch. Very often a large campaign has to be converted into vernacular. Coordination with 8-10 language translations can be a complex task. Sometimes the nuance of the original copy, as written in English, can not be literally translated as no parallel exists in vernacular,



Hence the copy concept has to be explained to all the language translators so that transcreation can be undertaken instead of transliteration. For television, the agency usually contacts independent film producers to execute the TV film. Similarly for radio, independent producers services are used by the agency. For hoardings, there are a couple of parties in every city who have been awarded outdoor contracts by local municipalities. These constitute the hoarding suppliers.

Agency work is usually deadline oriented. To ensure that deadlines are met many agencies have one or few people looking after 'traffic' with the primary responsibility to ensure that no deadline is missed. In addition, some agencies had 'new client development' department with the primary responsibility of 'pitching' for new business.

## **B) Agency Services and Suppliers**

The above description gives us a good idea about agency services. A comprehensive list of services offered by an advertising agency would read as follows:

Planning Advertising and Communication Strategies keeping in view the client's product-service, business environment, competitive trends and growth plans.

Planning and execution of creative strategies within the framework of the above mentioned over-all strategy.

Preparation of Media Plans after identification of target audience and the media to which it is exposed. Implementation of the media plan through the booking of appropriate space-time with publications, outdoor media, T.V., radio, cinema etc.

Production control and supervision in print, P.O.P., film, television and radio.

Promotion Planning and Execution.

Public Relations.

Market

Research.

Advertising Research including Pre-Testing/Post-Testing of campaigns and determining advertising effectiveness. .

Though the agency does not participate in the 'line function' of marketing, some agencies have started offering various 'staff function' support service like :

Developing Marketing Strategies by:

- a) Defining Marketing Objectives.
- b) Generating alternative Marketing Mix options.
- c) Creating conditions for implementing the choosed Marketing Mix.

Designing and Evaluating Marketing Information Systems.

Review and Design of Marketing Structure.

Planning for new product development (determining market potential for new products, plans for test marketing, etc. and also pre-testing of new products).

Development of an Annual Marketing plan, giving operational content to the strategy of the company by setting out the marketing tasks to be performed in a specific, time-bound manner.

Some agencies also undertake the following kinds of Market Research :

- a) Descriptive Research.
- b) Predictive Research
- c) Causative Research.

Lately, some agencies also offer the following services :

- a) Direct Response Advertising
- b) Public Issues Management
- c) Show window displays (for retail chains and outlets).

In the Indian context, Public Issue advertising has shown rapid growth in the past few years with the boom in capital markets. The agency services involved include knowledge of statutory regulations, liaison with brokers and press, arranging brokers conferences and press conferences etc.

### Supplier Organisations

The usually used supplier organisations of an agency are listed below :

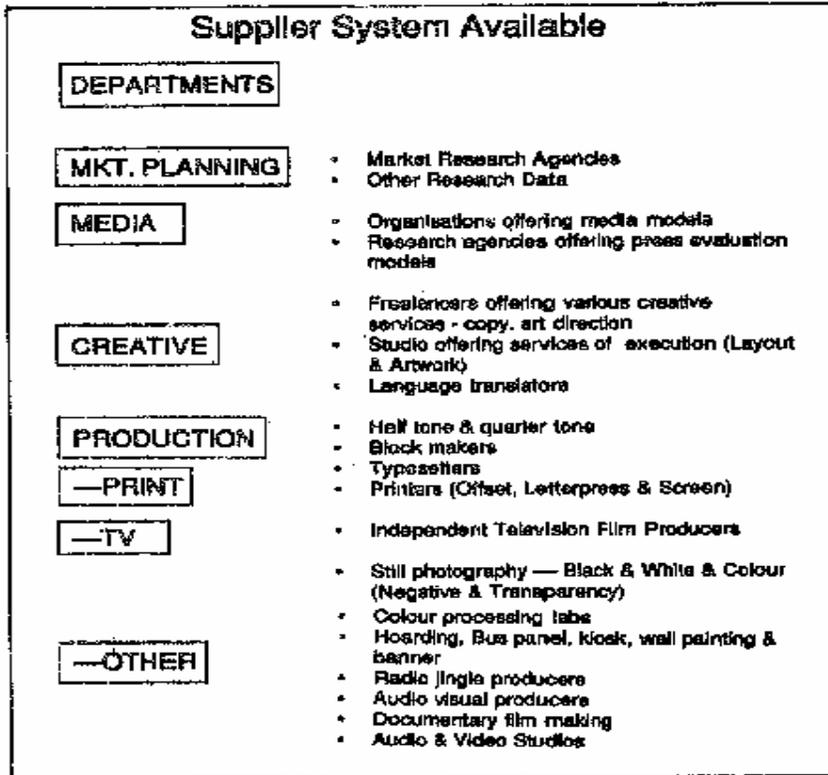


Fig. 7 : Supplier System Available

### C) Popular Agency Structure

**i) Small agency structure:** The daily business operations of a small agency are usually supervised by the owner or branch manager who may be incharge of new business development as well. Client contact is partly handled by him, assisted by account executives. The account executives are important members of the team and can participate in the creative function as well. They may produce creative concepts and even write copy. The art department executes the layouts with an in-house art director or with assistance from a freelance art director. The small agency may have a media buyer, though sometimes the account executives also purchase time and space for their accounts.

The organisation in medium of large agencies is more formal. The two popular structures' followed by their are the departmental system or group system.

**ii) The departmental structure:** In this structure each of the agencies function i.e. client servicing, creative, media, production and accounts is a different. (as shown in the first figure). Each department will be called upon to perform its own speciality. But for the client servicing the same people in creative, media and accounts will do work for all the clients. This may give uniformity of creative output, an opportunity for everyone to work on all accounts but may not give collective responsibility to a group of people for an account.



### D) The Group System

This system is very useful when agency becomes large. An accounts executive in a large agency may find that the departmental system is not giving him commitment of individuals in creative and media to a specific account as these departments are reportable on all accounts. Hence the agency is divided into a number of "little" agencies or-groups; The group consists of account executives, copywriter, art director, media buyer and any other specialist that may be needed. The primary responsibility of the group is the 3-4 accounts which this group is allocated to give wider exposure to group members, the accounts may be shifted among groups. This may give the client some benefit of fresh thinking within the understanding that client. and agency have developed.

However, that form of agency structure which enables the agency to provide the best service is the one that would be implemented.

#### Activity 2

Contact one large and one small advertising agency. Study them to find out :

- a) the functions performed by the agencies
- b) the flow of work, from acceptance of brief to release of campaign

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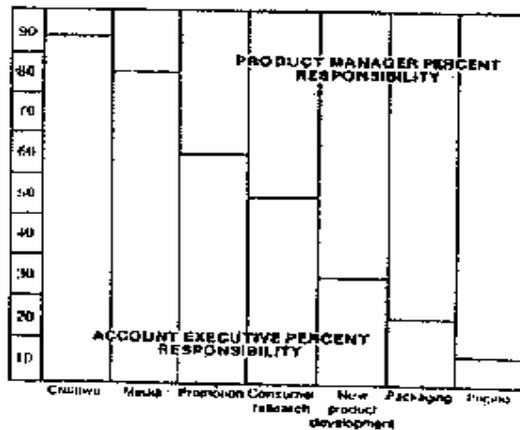
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## 16.4 THE AGENCY-CLIENT RELATIONSHIP AND PRODUCTIVITY

### a) Division of work

The division of work between agency and client can be summed up as follows:



**Fig. 8 : Division of work between Account and Product Management**

Source: Sandage, Fryburger & Rotzoll 'Advertising Theory & Practice'.

### b) Advertiser-Agency Productivity: Some pitfalls

Advertising is an intangible product. Measuring contributions of various people on client and agency side to productivity is difficult. In fact, measuring and predicting the productivity of advertising is itself subjective. However, some studies have clearly pointed out the factors ' that hinder a productive relationship between an agency and client. These are the pitfalls to be avoided.



Weilbacher in "Auditing Productivity" has listed the following factors in advertiser-agency relationship that hinder productivity. In client organisations it identified the following factors:

### **Quality of staff factors**

- Too many unproductive/unnecessary meetings.
- Not giving agency enough lead time.
- Inability to plan ahead.
- Unwilling to experiment/take risks.
- Inability to adhere to schedules.
- Company unfamiliar with agency cost constraints.
- Too much reliance on research/not enough use of judgement.
- Company unwillingness to take a position.
- Unwillingness to listen to other points of view.
- Too much "change for change's sake".
- Lack of candour.
- Failure to show initiative.
- Failure to ask the right questions.
- Unable or unwilling to set priorities. .
- Failure to operate with agreed upon strategy.
- Too many "make work" projects.

### **Organization factors**

- Company has too many levels of approval.
- Too many important decisions made by "juniors".
- Unnecessary duplication of agency work at company.

### **Management participation factors**

- Client unwilling to commit sufficient funds.
- Too much personnel turnover.
- Not enough senior management involvement.

### **Communication factor**

Failure to follow established lines of communication.

To provide a more productive relationship the same study recommended that advertisers periodically review and evaluate the agency's performance across a broad spectrum including:

Does the agency organize itself effectively to work with the advertiser?

Does it staff the account with compatible, productive people?

Does the advertising process with its attendant work flow move smoothly ahead?

Does the agency remove irritants in the relationship as they appear?

Is there evidence of agency involvement in and powerful thinking about the client's business ?

Does the agency's creative and media work respond to the needs and perceptions of the client organization ?

Does creative and media work proceed smoothly through advertiser review processes, or is there continual bickering about and acerbity in the presentation of the. agency's work?

Do all of the agency's departments make a distinct contribution to the advertiser, or are some departments inept or ineffective

### **Activity 3**

With respect to your own organisation, or any other organisation that you are familiar with, describe the division of work between the organisation and the agency. Also comment upon factors that you think are inhibiting productivity of this relationship, in each case.



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## 16.5 PREPARING FOR THE CAMPAIGN

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How the agency should understand the product and market:

Before embarking upon advertising, it would be useful if the agency could devote some time on understanding the product and the market. Such an exercise is essential especially when the agency is beginning work on a new account.

Such an exercise should ideally start with a comprehension of where the product fits into the business policy matrix of the client i.e. whether it is classified as a "star", "cash cow" "oil well" or "Dog". This is important at times. Occasionally it may happen that even though the market is showing fairly reasonable rate of growth, the client may be disinvesting from the product and industry. This happens when the alternate new ventures he is concentrating on have far more potential for the future. International movements of technology and products usually follow this pattern. Take the latest case of even Korean and Taiwanese Corporations showing a keen inclination to opt out of the global 35.5 cm (14") Black and White television market. This keenness is motivated by a desire to free resources for high technology areas where rates of growth are far more promising. The point of raising this issue here is that when an agency is entrusted with a product that is as "oil Well" for the company, there may be an unwillingness on part of the client to allocate higher funds to it. That may not be due to lack of understanding of the market but due to inertia and conflict of interests with ongoing brands which are bringing a good cash flow. It is important for the agency to make a forceful presentation for higher allocation of budget for the product, may be at the cost of cutting its own budget for an on going product.

At the next stage it would be useful to apply the concepts of product management that have been discussed earlier in this course.

A study of the stage at which the product is in its product life cycle would be vary revealing in relation to the marketing strategies which will be appropriate. This could naturally make clear the advertising objectives to be set.

A brief overview of the product-market integration would provide useful long-run inputs to the advertising strategy. Boree and Arens in 'Contemporary Advertising' have recommended a study of the product market, distribution, pricing, promotion vis-à-vis competition along this structure;

1) **The Industry**

- **Companies in industry** : total sales, strength, etc.
- **Growth patterns within industry**: primary demand curve, per capita consumption, growth potential.
- **History of industry**: technological ' advance trends etc.
- **Characteristics of industry**: distribution patterns, industry control, -promotional activity, geographic--characteristics, profit patters, etc.

2) **The Company**

- The company story: history, size, growth,.profitability, scope of business, competence in various areas, reputation, strengths, weaknesses, etc.

3) **The. Product or Service**

- The product story: development, quality, design, description, packaging, price structure, uses (primary, secondary, potential), reputation, strengths, weaknesses etc.
- Product sales features : exclusive, non-exclusive differentiating qualities, product's competitive position in mind of consumer, etc.
- Product research: improvements planned.

4) **Sales history**



- Sales and sales costs by product, model, sales districts, etc.
  - Profit history.
- 5) **Share of market**
- **Sales history industry wide** share of market in rupees and units.
  - **Market potential:** industry trends, company trends, demand trends.
- 6) **The Market**
- Who and where is market, how has market been segmented in the past, how can it be segmented in future, what are consumer needs, attitudes, and characteristics ? How, why, when, and where do consumers buy ?
  - Past advertising appeals which have proved successful or unsuccessful in speaking to consumer needs.
  - Who are our customers, past customers, future customers? What characteristics do they have in common? What do they like about our product? What don't they like ?
- 7) **Distribution**
- History and evaluation of how and where product is distributed, current trend.
  - Company's relationship with and attitudes of members of the distribution channel toward product/company.
  - Past policies regarding trade advertising, deals, co-op advertising programmes, etc.
  - Status of trade literature, dealer promotions, point-of-purchase, displays, etc.
- 8) **Pricing policies**
- Price history : trends, relationship to needs of buyers, competitive price situation,
  - Past price objectives : management attitudes, buyer attitudes, channel attitudes, etc.
- 9) **Competition**
- Who is the competition ? Primary, secondary, share of market, products, services, goals, attitudes. What is competition's growth history and size ?
  - Strengths of competition : sales features, product quality, size, etc. Weaknesses of competition.
  - Marketing activities of competition : advertising promotions, distribution, sales force, etc. Estimated budget.
- 10) **Promotion**
- Successes and failures of past promotion policy, sales force, advertising publicity.
  - Promotion expenditures : history, budget emphasis, relation to 'competition, trend.
  - Advertising programmes : strategies, themes, campaigns.
  - Sales force : size, scope, ability, cost/sale.

Harry Hansen has given a simplified structure which many agency executives not familiar with marketing can find useful.

Listed below are characteristics of five product groups and their marketing mixes.

Listed below are characteristics of five product groups and their marketing mixes.

Part A : Product Group Characteristics					
PRODUCT GROUP					
	I	II	III	IV	V
Product Examples	Cigarettes, Candy Bars, Razor Blades, Soft drinks	Groceries, Branded drugs and cosmetics, Hardware products, Industrial supplies	Radio and television sets, household appliances, Women's suits, Auto tyres, Sporting equipment	High-quality cameras, Autos, High quality furniture, farm machinery	Electric generators, Steam turbines, Electronic Equipment, Machine Tools



Product Characteristics

1) Unit Value	Very Low	Low	Medium to high	High	Very high
2) Significance of each individual purchase to consumer	Very Low	Low	Medium	High	Very High
3) Time and effort spent purchasing by consumers	Very Low	Low	Medium	High	Very High
4) Rate of technological change (including fashion)	Very Low	Low	Medium	High	Very High
5) Technical complexity	Very Low	Low	Medium to High	High	Very High
6) Consumer need for service (before, during, after sale)	Very Low	Medium to High	Medium	High	Very High
7) Frequency of purchase	Very High	Medium to High	Low	Low	Very Low
8) Rigidity of consumption	Very High	Medium to High	Low	Low	Very Low
9) Extent of usage (number and variety of consumers and variety of ways in which product provides utility)	Very High	Medium to High	Medium to High	Low to Medium	Very Low

Part B : Characteristics/Marketing Mixes

Product Group	Product Policy	Distribution Policy	Promotional Policy	Pricing Policy	
				Control over price	Price Variations
I	Only one, or very few varieties	Intensive	Sold almost entirely by consumer advertising	Very Little	Stable
II	Few varieties	Moderately intensive	Sold primarily by consumer advertising	Slight	Slight
III	Several varieties	Some selectivity	Consumer advertising and personal selling both needed; neither predominant.	Moderate	Moderate

Product Group	Product Policy	Distribution Policy	Promotional Policy	Pricing Policy	
				Control over price	Price Variations
IV	Many varieties	Considerable selectivity	Sold primarily by personal selling	Significant	Significant
V	Different for each sale	High selective or direct sale to customers	Sold almost entirely by personal selling	Substantial	Substantial

Source : Adapted from Gordon E. Miracle, "Product characteristics and Marketing Strategy", *Journal of Marketing*, Vol. XXIV (January 1963), pp. 18-24.  
 Reproduced from Harry Hansen, "Marketing".



**Activity 4**

Analyse with respect to the last promotion campaign released by your organisation (or any other organisation that you are familiar with) how the product group characteristics described above have affected the promotion mix of the company.

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**16.6 THE ADVERTISING TASKS**

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The major decision areas in advertising are:

- Setting advertising objectives
- deciding how much to spend on advertising (budgeting)
- deciding where and how often to spend it i.e. the media to be used and frequency of exposure (Media Planning)
- deciding when to spend i.e. how to phase advertising during the year
- deciding what to say (Message design)
- Finally, measuring how well we have spent the advertising rupee i.e. Advertising Research.

**a) Setting advertising objectives**

When clients and agencies advertise to "keep their brand presence in the market" or "to create brand goodwill" it is an unhealthy sign. It shows a failure to define precise advertising objectives. When defining advertising objective, the management should be clear about what it seeks to achieve out of the year's advertising campaign and even out of specific advertisements. III-defined goals make measurement of advertising results impossible.

Some managers in the company look on short-term sales to measure the impact of the advertising campaign, others look upon it as building the company's image and hence look at its long-term impact on sales. Both these points of view will always remain in the client organisation. What is needed before embarking upon advertising tasks is a clear statement of advertising objectives.

The advertising objective statement usually reads like "to establish 20 percent preference for brand X among Y million housewives by next year." The Y million housewives are the target audience defined separately through a market segmentation exercise. The statement of segmentation may read as "The target audience is Y million housewives in the age group of 25 to 35 years with a monthly income of Rs. 2500 and above, education of metric & about & residing in A class metro towns of India".

A secondary target audience say women between age group of 35-45 and 15-25 may also be defined.

Such an explicit statement of objective helps the client and the agency to research at any point of time, say after an year, how effective the advertising has been in achieving the results. Sometimes the objectives can be defined even more specifically "To create brand awareness measurable by aided recall in 50 per cent of the target audience, to create interest and inclination to buy measurable by unaided recall and stated brand preference in 20 per cent of target audience." Such a statement makes measurement of results easier.

Russel Colley identified 52 broad marketing communication goals that companies adopt and towards which advertising may contribute.

**b) How much to spend**

The question of how much to spend on advertising should be treated in principle as part of

the larger question of how much to spend on promotion. The share of advertising budget will depend on how much is the share to advertising tasks within the promotional programme. Kotler has aptly described the four common methods of setting advertising budgets as;

#### **Affordable method**

Here the company's advertising budget is set on basis of what the company can afford. Joel Dean has suggested that everything above a respectable return on capital can be spent on advertising.

The weakness of this approach is that it ignores the current opportunities the firm has which advertising can exploit. It does not look upon advertising as an investment that has to be planned for the long-run. Also the arbitrariness involved in allocating the budget is likely to percolate to allocations among products and territories.

#### **Percentage-of-sale-method**

Here advertising budget is set as a specified percentage of sales. Experience shows that companies following this method usually set aside between 2% to 5% for advertising expenditure. Though this method links advertising to selling price and profit per unit, it has been criticised for being based on the circular reasoning of viewing sales as the cause of advertising rather than the result. Availability of funds rather than availability of opportunity determines advertising. Experimental anti-cyclical advertising is ruled out. Also the exact percentage to sale cannot be decided theoretically.

#### **Competitive Parity Method**

This views competitors advertising expenditure as the norm to be used in setting the company's advertising budget. The logic is that competitors expenditures represent the collective wisdom of the industry. But the collective wisdom of the industry may not be "wise".

#### **Objective and Task method**

This reverses the trend of the first three methods where budgets were set first and allocations for products and territories made later. This method builds up the total of advertising appropriations required for products and territories to meet certain objectives. This total would give us the desired expenditure level.

Thus this approach requires each executive to (i) define his advertising objectives preferably as numerically stated goals (ii) outline the tasks that must be performed to achieve the objectives (iii) estimate the cost of performing these tasks. The sum of these costs is the appropriation request: The sum of all appropriation requests is the advertising budget.

The one flaw is that this method fails to question whether the objective is worth pursuing in terms of cost. The real solution is to evaluate objectives in light of their costs and choose the more productive objective. This would make it logically sound when expenditures are set with reference to marginal revenues and cost.

Kotler has also discussed the sales response and decay models, communication stage models, adaptive control models and competitive share models. The sales response and decay models attempt to measure the direct relation between advertising expenditure and sales. Given the shape of the sales/advertising curve, the profit-maximising advertising outlay can be determined. The communication-stage models decide the budget by seeing its effects on several intermediate variables that link advertising expenditures to ultimate sales. It is more useful when used with a microlinkage advertising model called Decision Mapping via Optimum Go-No Networks. Adaptive control Models make the assumption that parameters of sales response to advertising are not stable but Change through time. Advertising expenditures should be set each period in such a way as to yield information about current level of the sales response parameters. Competitive share models assume that market shares in the long run will tend to equal marketing-effort shares. A businessman would express this as "to get a 10 per cent share of market, you have to spend roughly 10 per cent of all marketing funds.

#### **c) Where and how often to spend the budget**

For Media planning, the first clue is given by the target audiences' media habits. The product itself is an important factor in choosing the media. New products whose usage has to be explained are best shown by demonstration. The tea bags usage for example was attempt to measure the direct relation between advertising expenditure and sales. Given the shape of the-Sales/advertising curve, the profit-maximising advertising outlay can be determined. The communication-stage models decide the budget by seeing its effects on



demonstrated on TV with the slogan of "dip, dip, dip". Hence television is an important medium for such a product. For colour film where quality of colours captured is to be shown, colour magazines will be a good media. For local advertisers, hoardings and local newspapers will be found more useful than other media.

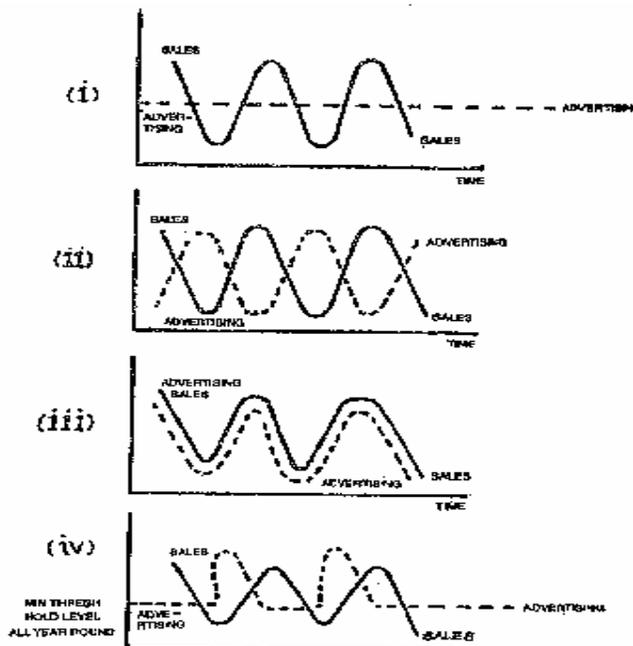
Though television is an expensive medium, if we have a national product it may become very cost effective as its cost-per thousand will become low.

Though Media planning is discussed separately in the course, we can state here that alternative media can be compared on a cost-per-thousand criteria. This criteria suffers from many weaknesses. Hence computerised media selection models were made. In the Indian context the earliest and most well structured model is Dr Mote's model. In the advertising market place Press Evaluation Models are also available.

**d) When to spend**

1) The phasing of advertising is also a decision to be taken by the agency.

Assuming that the sales cycle follows a cyclical seasonal pattern. Some alternatives of advertising timing are shown in figure



**Fig. 9 : Time Pattern of ad expenditure**

In (i) the advertising expenditure is kept constant throughout irrespective of the cyclical nature or seasonality. This helps keep consumer awareness alive even in the sales through. Alternative (ii) is an innovative alternative when maximum advertising is done during the lowest sales period. This approach may be useful in making consumer demand less cyclical in the long run. This approach may not apply, to seasonal products for e.g. no amount of advertising for woollens in summer can bring demand to what it is in winter months. Anti-cyclical advertising can at best only play on the theme that summer is the right time to buy winter products because you get them at a bargain. Alternative (iii) is found to be quite popular among advertisers. Through it gives advertisers return for the advertising rupee in the short run, no long-term thinking to steady the demand pattern is made. Alternative (iv) is based on the thinking that 'a minimum threshold level of advertising should be maintained throughout the year. This helps in making demand non cyclical in the long run. The thrust of advertising is made just before the demand begins to look up.

The assumption is that this is the time when potential consumers begin to think about the product purchase.

Advertising at this time would have the maximum impact because rate of growth of demand is to be the highest. When rates of growth of demand drop advertising is also curtailed. Since there is a time-lag between advertising and sales hence advertising peak comes before the sales peak.

2) Kotler has discussed Forrester's and Knehn's approaches to help the advertiser determine seasonal timing for advertising budget. Knehn's model is for frequently purchased, highly seasonal, low cost grocery products. He showed that appropriate timing pattern depends upon the degree of advertising carry over (an advertising carry over of .75 implies that current effect of past advertising is 75% of its level last month) and the amount of habitual behaviour in customer brand choice. Forrester, on the other hand, suggests that lagged time relationships of advertising on awareness and sales be studied. Sales also have a lagged impact on advertising expenditures. He recommended that these time relationships be studied for the individual campaign and formulated mathematically into a digital computer simulation model.

**Activity 5**

Study the television ads of one consumer non-durable, one durable and one service product. What are the variations in advertising timing patterns in these cases? What reasons do you think justify the timing patterns in each case?

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**e) Deciding What to Say'**

A critical decision facing the account executive in the agency and the client is to judge the output of agency's creative after a marketing advertising brief have resulted in the creative brief given to the agency's creative department.

Kenneth Rowan and Iave Mass in their book 'How to Advertise' have given 17 strategy checkpoints which the client and agency should keep in mind when designing and evaluating the creative strategy. These read as follows:

**1) Make the Creative Strategy fit the Marketing Plan**

All the 4Ps of Marketing should be in harmony. Advertising should not take off in a different direction that one than the product, price and packaging are going.

Take the example of a moped. It is an economy vehicle targeted to those who cannot afford other two-wheelers and find the bicycle below their dignity. The product and price are talking the language of economy. Hence advertising claims of low fuel consumption like 80 kms/litre make more sense than trying to make a sole claim to how good it looks.

Another good example of harmony between creative strategy and marketing plan is Eureka Forbes Vacuum cleaners, The company decided upon the marketing of this product directly to consumers through their sales force. Given this marketing brief, the campaign instead of concentrating on the product alone, tried to position the Eureka Forbes Sale8man as a friendly person who is an "uncle" to the children at home. To overcome the housewives by



some direct selling companies. The purpose of the Eureka Forbes campaign was only to briefly interest the customer with the product and to create a helpful predisposition towards the company's sales force when they knock at the door. If the company had gone through dealer network, the focus of the campaign would have been totally descriptive towards this new product in the Indian market.

## **2) Keep your objectives reasonable**

Take the case of iced tea. The Indian consumer was in no mood to change his habits or take the case of a company who tried to give canned food over a decade ago when the proportion of working women was not so large and the joint family system was still prevalent. The Indian customer refused to change his habit.

A good campaign should address itself to a specified target audience and not to everybody. Over ambition destroys a good campaign. Similarly don't try to sell a product for all occasions. Attempting to change people's habits is not advisable. Asking people to change their brand is simpler.

## **3) Make your strategy easy to use**

The Maha Cola strategy for example could read as follows:

Offer the brand loyal Campa Cola customers in North India an incentive to try Thums Up. The incentive should be such that one can't refuse. Ultimately the customer should take notice and finally try the product. Repeated trials of our product would change consumers taste.

The marketing strategy gave a bigger cola drink while advertising called it Maha Cola, comparing it visually with the usual smaller bottle. The baseline summed it up as 'More Cola, Same Price - The Bigger refresher'.

The strategy should be as clearly defined as possible. It should not leave any room for misunderstanding. It should be precise and crisp and yet should give an idea of the backup rationale.

## **4) Be Single minded**

An example is the Superphone campaign which launched their office intercom with a simple headline which made the most important product advantage very clear. It read "If you want to talk, you don't have to walk".

In best ideas are usually simple. This comes from giving the copywriter a good single-minded proposition about the product.

## **5) State a business Objective**

Help the customer focus in on what action he should take after hearing your message. Do you want the consumer to increase product usage? A good example is increasing the product usage of a shampoo from the hair to the full body. Another objective could be widening the market. The latest television advertisements of a popular shampoo show its usage for school going girls increasing the size of the target audience for shampoos.

## **6) Decide where your business is going to come from**

This implies not only understanding who your target audience is but also understanding from which other products market can you steal your share. This is especially so when your product is no longer new and needs to bring new consumers in the market for its growth.

Take the example of Rasna. It identified children as the primary target audience and used children to bring in adults too in the target audience. When rates of growth of product began to stagnate their TV film showed a child stating that the father when he comes back home from work will not settle for tea or coffee but for Rasna. Clearly, they sought to try a dig at the tea and coffee market. But considering that they are fighting habits, their success would, be slow.

## **7) Understand your target audience**

A good campaign goes beyond product attribute to understanding the customer. Doesn't Charles Revlon say "In our factories 'we produce cosmetics, but in our drug stores we sell hope". A good creative execution can look beyond price barriers, beyond age and income. A study of consumer attitudes and usage patterns helps the copywriter talk directly to the target audience.



A good example is 'Lalitaji' of Surf who could talk across Nimia's price barrier to attitudes Advertising Agencies of those housewives who don't want to buy cheap apples for their family but will select only the best apples.

#### **8) Make a meaningful promise**

For advertising to do its job, the products benefit or promise to the customer must be strong and meaningful.

Surf's claim that 1/2 kg. of Surf equals a kilogram of ordinary washing powder is an example of the forceful promise.

#### **9) Support your promise**

Making a promise alone is not sufficient. Support the promise preferable with evidence or demonstration. Billions of dollars and millions of rupees have been spent advertising six adjectives : white, cool, power, refreshing, relief. But why should the consumer believe you?

Colgate tooth powder tries to visually demonstrate its superiority over local brands of black 'dant manjan' which it tries to position as coal. Gold Cafe tries to demonstrate the superiority of its coffee over other brands in its Gold Cafe challenge ads.

#### **10) Set yourself apart**

A critical element to success is the ability to find a vacant niche in the market. Avoid a positioning which is exactly the same as your competitors. If your product is in the same general area as the competition, build in some element that will set your brand apart.

Positioning can be done on many variables. Even usage. Take the example of tiles. All tile manufacturers are now positioning themselves as designer floor tiles. A vacant slot exists in the usage. Tiles can also be used for house exteriors. This is a very large segment and would provide a new brand with a new positioning slot.

A product can even position itself on distribution. Tea City is one such example. It consists of a chain of retail outlets selling different types of tea of a company with sub-branding. Only tea is available at these shops. That sets you totally apart from competition.

#### **11) Give your product a distinctive personality**

This is hard to do. It implies giving your product a personality that goes beyond the product itself, its an aura that helps set the brand apart from others.

Onida achieved this in the television market. Its devil gave the brand a long-term personality.

#### **12) Advertise what's important, not what's obvious**

Its obvious what Milkmaid is. But its not so obvious' what it can do. Hence the campaign of Milkmaid informs you about what all Milkmaid can do for you.

#### **13) Think ahead**

Try and be first with a product. Onida success lay in the fact that it was among the first brands to introduce the 'vertical' look television. Later Videocon's success lay in its early introduction of the flat square TV offering 'corner-to-corner' excitement and the 'picture-in-picture' Television.

#### **14) Keep your strategy up-to-date**

Realise that the world is changing. Analyse your product and its positioning and see where it's open for attack. Otherwise, one fine morning there will be an HCL to challenge Modi Xerox copiers.

#### **15) Don't change your strategy without good reason**

coca Cola lost to Pepsi Cola when it changed its product and strategy,, forcing it to revert back to the earlier strategy. Taking a hard look at the all parts of the business is essential before changing the strategy.

#### **16) Put the strategy in writing**

IA written strategy will guide you when you fall in love• with a campaign which is creative but doesn't position the product where you wanted it to be positioned. The first question to be asked of any advertisement is "Is it on strategy ?



## 17) Have a better product

This is actually the first point.: But it's been placed here to highlight that a better product almost always wins in the end.

### f) Determining Advertising Effectiveness

If all the marketing tasks have been executed as planned, the sales graph after a time lag is the best determinant of advertising effectiveness.

To measure advertising effectiveness in the short run, say immediately after the campaign, we need to go back to our advertising objectives. Well defined advertising objectives make the research objectives easy to formulate. The concepts of market research apply to advertising research and need not be repeated here.

Memory tests are frequently used in advertising research. Memory tests are broken into two categories : those stressing recognition and those stressing recall. Philip Kotler describes these as follows :

The recognition test, probably the most widely used to copy tests, consists of a respondent's thumbing through a magazine and reporting which advertisement he recognizes from a previous exposure. Various precautions are taken to minimize the respondent's inaccuracies and biases.

The recall test is less subject to careless response, in that the subject is not shown in any advertisements. In the unaided form of the test, he is asked, "What advertisements have you noticed recently?" In the aided form of the test he is asked, "Do you remember the ... advertisement?" High recall is taken as a sign of the advertisement's superior attention getting power.

In addition to these standard methods, some agencies now use electronic devices to record voluntary and involuntary reactions to various advertisements and parts of advertisements.

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## 16.7 SUMMARY

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Beginning in 1841 as a space setting business advertising agency business today is a flourishing industry, specialising in creation and execution of promotional communication. The unit explores the basis of client agency relationships, describes the division and flow of work in an ad agency. The stages involved in the preparation of an ad campaign have also been discussed to provide an overview of the entire process of advertising.

## 16.8 SELF-ASSESSMENT QUESTIONS

Comment upon the role of an advertising agency in modern day marketing situation ?

What are the patterns of work division between a client and an agency. Explain with reference to (a) an established consumer durable (b) a newly introduced soft drink.

Explain the flow of work in an advertising agent.

How is the promotion policy affected by product characteristics ?

What are the various timing patterns used in advertising. How do these vary over product classes? Explain with examples.

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## 16.9 FURTHER READINGS

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Sandage C. H. and Fryburger Vernon, Advertising Theory and Practice, Richard D. Irwin Inc. Homewood, Illinois.

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