

1. M3B3: The Traditional Advertising Agency Model

Advertising is a simple yet complex topic. There are many different forms and goals related to it. According to O'Guinn, Allen and Semenik (2009), advertising is paid communication by an organization that wants information circulated about their products or brand. It builds awareness and preference for brands. Advertising is mass mediated to certain consumers. This means that it is distributed through a communication channel that reaches more than one person. Advertising is also an attempt to persuade or create awareness and preference for brands (O'Guinn, Allen and Semenik, 2009: 9-10).

According to Business Directory (n.d.) an advertising agency is a "firm that creates new promotional ideas, designs print, radio, television and internet advertisements, books advertisement space and time, plans and conducts advertising campaigns, commissions research and surveys, and provides other such services that help a client in entering and succeeding in a chosen market". The advertising agency is an organization consisting of professionals who provide business and creative services to clients in the form of research, planning the strategy, the preparation and production, and planning, buying and placing of the advertisements as well as traffic and process management to keep production on schedule (O'Guinn et al, 2009; Jalil, 2011). The first advertising agency that was formed was *William Taylor* in 1786 (Mackay, 2004).

An advertising agency, sometimes referred to as a creative agency, is generally a company whose main function is to "conceive and create large-scale marketing concepts for its clients". Traditionally, they came up with the core idea for the creative campaign and created a series of advertisements which address the idea across different media. Traditional agencies especially focused on above-the-line marketing, which are ads that address a mass market through mainly television, print, radio and outdoor media (Anon, 2010). However, the explosion of digital marketing, often considered one of the below-the-line disciplines, has changed the nature of the traditional advertising agency. Increasingly these companies are being pushed by their clients to provide excellence in digital marketing as well as the more established mass market media (Anon, n.d).

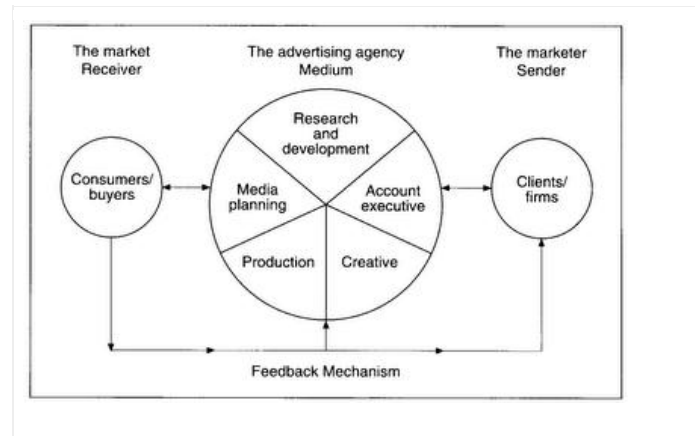
One significant characteristic to consider when it comes to the traditional agency model is the fact that the intent was to influence consumer decisions and persuade them to use certain products or brands. Mass media communication was used and messages weren't necessarily tailored to a specific audience. The traditional agencies aimed to influence what people thought about certain brands or products. This characteristic is threatened by the fact that consumers are more aware and educated and are less

influenced by what the media says. Every person is different and requires a different message to influence their consumption patterns. It is more about the relationships the brand builds than only the transactions. Technological advances and social networks have changed customer expectations in that they want timely and tailored communication (O'Guinn et al, 2009; Breed, 2010).

In the most traditional form of an agency the client approached the agency with an idea of what they require and a budget. For example, *Ford* may have approached an advertising agency to produce a TV advertisement for them with a budget of R6 million. The advertising agency would then give this task to the department that specializes in that field, which represents the siloed element of the traditional agency. This may cause the professionals working on it to not have a holistic and integrated mindset when it comes to the brand and creative executions. Agencies need to be able to sell stories across media channels. With siloed agencies, many departments compete with each other for funding, resources and time from other departments (Hoff, 2012).

Advertising agencies and their partners consist of different specializations roles just like in any other business (O'Guinn et al, 2009). These roles form part of different departments and can be split into sub departments, combined or even named differently depending on agency size, type and specialization. Roles include those such as account planners and managers, marketing specialists, account executives, media buyers, art directors, chief executive officers, chief financial officers, chief technological officers, public relations specialists, creative directors, copywriters, sales promotion and events planners, direct marketing specialists, strategists, radio and television producers, web developers, researchers, interactive media planners, artists and technical staff or creative editors to name a few. These fields and roles can be internal to an agency or outsourced (O'Guinn et al, 2009; Anon, 2010; Jalil, 2011; Hussian, 2012). What these roles are called and how they are operated is also dependent on the agency and its transformation from traditional to a more contemporary format.

Image 1.1 Structure of Advertising Agency.



(Jalil, 2011)

The managing director is generally in charge of the agency and all its accounts. The account management department deals directly with the client and is the link between the client and the agency. The account management department consists of account executives, account managers and account directors. They are the link between the many departments within the agency and the clients who pay the bills. This is where the workflow starts. They were traditionally referred to as “suits.” There are constantly battles between the account services department and the creative department. This department negotiates between the agency and clients. They make efforts for contract renewal and strengthen the firms’ client support. They are responsible for coordinating with the creative department, media production staff that are all behind the campaign and ensure the client is happy with what is being done throughout the campaign by giving progress reports, holding meetings and gaining feedback. Upon completion of the creative work they ensure the production and placement of the advertisements and payment of all final accounts throughout (Jalil, 2011; Hussain, 2012). The account management department is also involved with briefing the rest of the agency on what is required from client. The next department involved in the process is the account planning or marketing services department. They usually consist of account managers and researchers who combine research and strategic insight. It can be described as “the discipline that brings the consumer into the process of developing advertising” (Jalil, 2011; Hussain, 2012).

The next department that may be involved with the campaign is dependent on what the brief requires such as sales promotion or public relations, however this is only in large companies. After this department looks at what they require the creative department is responsible for the product. The agency is usually as good as the creative work it produces. The roles in this department are varied and usually include art directors, copywriters, designers, production artists, associate creative directors, web designers and creative directors. In many traditional agencies the copywriters and arts directors are paired up and work as a team. The production department is also heavily involved with the creative

department and is responsible for the creation of the products. Another department involved with the creative department is the editing department which ensures all work is top quality and refined (Jalil, 2011; Hussain, 2012). Media planning and buying are responsible for procuring the advertising time and space required. They are usually closely involved with the creative department - who comes up with the initial ideas -as well as the client and the kind of exposure they want. This department is usually steered by a media director. In the more contemporary model this department is outsourced to media companies (Jalil, 2011; Hussain, 2012).

Internal services department make relations between the internal employees for effective control over all advertising completion process. This department can be divided into the traffic department which regulates the work flow in the agency, finance and accounts department which is in charge of money coming in and going out as well as the human resources department (Jalil, 2011; Hussain, 2012).

The agency's compensation is another important characteristic to consider when looking at the traditional agency model (Enslin, 2012). The traditional compensation model worked on a commission based system and was dependant on media spend (O'Guinn et al, 2009). The majority of the budget, roughly 75%, went towards buying media space and planning the media activities. The media conglomerate or production house receives the money and pays the agency a certain percentage of the total amount they received for the production and airing of the advertisement. This percentage is roughly 16.5%. This is how the traditional agency model received an income. So in other words, the more money the agency spends on media, the more money the agency would make. Their incentive therefore would basically be to try to spend as much money possible on media to receive a higher income and profit in the end, so the more expensive the advertisement the better it is for them. This enabled them to calculate their income easily and plan agency budgets accordingly. The rest of the client's budget is paid to the creative team for their creative idea or concept that was executed in the advertisement.

This method however, questions the agency intentions and integrity when it comes to what the client requires compared to what the agency provides. The reason or strategy behind what the advertisement entails might not match up with what the client requires (Enslin, 2012; O'Guinn et al, 2009). Clients are aware of these issues and pick up on them more easily than in the past. Another traditional method was to use mark-up charges where the agency billed the client on a certain percentage of what the media spend was, which had the same implications (O'Guinn et al, 2009). The third way a traditional agency compensation model works is compensation is based on how many hours the agency puts into working

on a campaign this works better than with the previous two, but limits the amount of expertise and time because of limited budgets at times (Quirk eMarketing, 2008).

The traditional agency model relied heavily on above the line media such as television, radio, print and outdoor advertising considering the compensation model as mentioned above (Enslin, 2012). However, the world of advertising and the amount of channels available to consumers is increasingly becoming more complex and consumers are faced with many new ways of consuming information and media. With all the different mediums and touch points they are exposed to the relevance of the traditional mediums used for certain brands with specific objectives that drove advertising are being questioned and consumers expect more (Breed, 2010). The proliferation of media from above to below and through the line has created new advertising and engagement options with consumers which has led to media clutter and fragmentation of messages. This has reduced the effectiveness of advertisements as consumers are more aware and can choose what they want and don't want to consume. They have control of what information they receive and believe when it comes to products and brands. For example, *blogs* and *TiVo* have empowered consumers and has decreased the impact of traditional advertising in the consumption process (O'Guinn et al, 2009).

There are typically three types of traditional advertising agencies. Worldwide networks, such as BBDO and Saatchi & Saatchi, operate a global network, and comprise of local branded offices in many different countries. They primarily serve multinational clients such as *Ford* or *Procter & Gamble*, who require a consistent marketing message across countries. Another type of agency called "micro-networks" or sometimes multi-hub creative networks, are more contemporary. They are similar to the major worldwide networks, but operate a smaller network. They tend to offer a tailored service for more demanding multinational clients. They are usually known for their excellent creative work. *M&C Saatchi* is such an example. Sometimes a client would approach them to generate the concept for a global marketing campaign, which will then be executed or adapted for local markets by the regional offices. The majority of advertising agencies, however, have the form of a third type of agency, standalone companies. They usually operate only in their own country, although they may have links to agencies in other markets. Larger ones offer a wider range of services and skills beyond the creative advertising, such as research for example. If this is the case, they may refer to themselves as "full-service agencies". Other smaller agencies such that fall under this type are more entrepreneurial in nature and specialise in out-of-the-ordinary creative concepts and are sometimes referred to as creative boutiques. As the industry and business needs have evolved, agencies have taken on more specialised roles. Types of agencies have evolved from the traditional agency model. One such type is an interactive

agency which uses technology and new innovative ideas to come up with creative concepts. Media buying and in house agencies have also evolved. The last agency type is full service agencies, which are large agencies that deal with all phases and functions of advertising, from research to finance. Different people are found in different specializations (Anon, n.d).

The traditional agency model is still being used in many advertising agencies effectively and ineffectively. The traditional agency model is definitely threatened by factors mentioned and the fact that the industry and consumers are constantly evolving.

2. M3B4: The future proof agency model

With the changes in technology, markets and the mind sets of consumers, advertising agencies need to be aware of what successful strategies entail and how to execute these. Business leaders in any industry may try to avoid the idea that their business model may be or should be changing. But the undeniable truth is that over time business strategies in a given industry converge. Companies in similar industries usually start adopting similar practices so it is not surprising that the advertising agency has done the same. "Advertising" refers to paid media, and "agency" connotes the idea of commissioned agents. This is not how advertising agencies should be known, especially not in this day and age. The reality is that the traditional agency model is not as effective and does not work the way it used to (Williams, 2004). The future agency model would have to adapt to changes and offer clients more value than before. It would have to re-examine its resource models. The future agencies cannot merely be suppliers of services but would have to engage with clients as if they were business partners (Lodge, 2011). According to Lodge (2011), global CEO of Ogilvy & Mather, Miles Young said "We seek to raise our client engagement beyond just producing solutions, to the level of diagnosing and solving business problems. By getting involved in the overall direction of a company means that accountability in all departments of the client become essential". Future proof model agencies need to understand the total value chain and a zero-based approach fully. This is crucial in order to create steps to rectify internal and external deficiencies. being built are then more clearly defined and understood by all stakeholders and the foundations to build equity are employed.

Because of the media clutter, proliferation and the increase in media platforms the future proof agency model has to adapt and ensure it considers all these platforms for an integrated strategy and to ensure the targeted consumer receives and remembers the right message (O'Guinn et al, 2009). The future proof agency needs to understand the brand and the consumer that it wants to serve. This is why research is such an important factor to consider. Agencies at the moment are focusing a lot of time and effort on research and gaining insight on the industry the brand finds itself in, its competitors, how the brand is used, why the brand and its competitors are used or not used, the customer's perception of the brand and price/value relationship, the consumers, as well as the sales and customer service experiences with the brand and it's competitors to name a few. This research allows those working on the campaign to gather useful insights that could be converted into marketing messages or brand improvements. For example, the "Got Milk" campaign is a good example to look at (Williams, 2004). The idea of this campaign originated from the moustache milk moustache consumers get when drinking milk (Creativecriminals, n.d.).

Crowdsourcing is going to become an important source of research for the future proof agencies. Crowdsourcing is “the process of appealing to the general public in an open forum to reach a goal as an alternative to delegating the task to an employee or outsourcing to a specific third party”. Crowdsourcing is a way to involve our customers in the development of new value propositions \ It is another way of gaining insightful research on brands and what people would notice and respond to when it comes to communication. *Idea Bounty* is based on the principles of crowdsourcing. The website allows brands to post a brief asking for creative ideas and offer a reward for the best submission. To ensure the most creative ideas are executed the future agency should compensate and award people for their ideas to ensure they are motivated to provide them. Sharing creative ideas could allow people to build on each other’s’ ideas and it could even evolve into an industry transformation (Quirk e Marketing, 2008). An advertising agency is only as good as its creative executions.

Traditionally agencies have the mindset that they only had to do what the clients asked of them. For example create a television advertisement. They thought they were only supposed to be involved in the external areas of marketing revolving around brand awareness and preferences (Williams, 2004). However, a brand or organisation would not approach you if they had successful marketing efforts The new agency model, needs to set clear strategic objectives after extensive research has been done and insights gathered. “You do not service the client, you service the brand” (Enslin, 2012). This is not saying that one should ignore the brief the client supplied, but if research points out that something else is required the agency needs to have the confidence and courage to speak up and do something about that. This is what sets the best apart from the rest. These objectives have to be specific, measurable, accurate, realistic and time bound. The new agency model or new consultants do not use media buying to determine their income received for rendered services as clients and the industry have realized integrity and honesty are important when it comes to work and services rendered, therefore they work with objectives. The ideal model will compensate the agency based on objectives met and how successfully these objectives have been satisfied by the strategy and execution thereof. In other words, if the strategy and execution thereof do not meet the required objectives set by client and agency together as aimed for, the agency will not get fully compensated. If the agency exceeds goals or objectives they may be given an incentive. If they underachieved they would have to reimburse the client. No South African agency works with this reimbursement system, however. Some agencies do still work with the traditional model (Enslin, 2012).

They thought hard marketing such as pricing, distribution, the product and distribution were the client's domain. However these days and especially in the future there should be a link between soft marketing and hard marketing. The customer experience has to be improved at all points of contact with the brand not only regarding the television advertisement (Williams, 2004). Agencies have started adapting to this through 360 degree marketing. The role of the future agency is to move from helping clients create and place marketing messages to helping clients evaluate and strengthen the relationship that their customers have with the brand—at all points of contact. This role is broader and more valuable and has to do with much more than traditional advertising. These points of contact are continuously increasing and evolving, so it is important for agencies to stay up to date. The agency's role shouldn't just be to promote the brand but to help create a positive and authentic brand experience for the consumer (Williams, 2004).

Converting research into insights to aid strategy is crucial. Future proof agencies will have to put a lot of focus and resources on strategy and ensure it is followed through all execution and touch points. If the agency of the future is an expert in brand relationships, it needs strategy or brand planning to help understand how consumers relate to and interact with brands. Agencies need to pay more attention to cohesive contact planning and helping clients understand how consumers "consume" information and media about the brand. Instead of developing "media plans," agencies need to develop "brand exposure plans." Instead of media planners, they need "brand contact planners" (Williams, 2004).

Crispin Porter & Bogusky's work BMW Mini Cooper is a great example of this. Everything is considered a potential medium for the message. In the agency of the future, media is no longer a stepchild of creative. Media is part of the creative function. Media expertise becomes an important source for information ideas with the creative departments of agencies.

The traditional advertising agency structure needs to evolve from a vertical or siloed structure to a more horizontal structure where the departments mentioned in M3B3 work together to create the best solutions for the client. Departments and functions within an agency need to evolve to the agency culture, size and personality. Outsourcing and collaboration are also things the future agency will have to focus on. Agencies should learn that they cannot always do everything themselves and should rather focus on what they are best at and outsource or collaborate with others to ensure the best possible solution for client. It is also important for agencies to find new ways to measure the success of their efforts (Lodge, 2011; Madeley, 2012). Agency departments have to become more integrated and

employees need to work together rather than in separate departments to ensure the certain message they want to communicate for a particular brand is understood and executed cohesively throughout.

Experiential marketing is another important thing for the future proof agency model to look at. It refers to “actual customer experiences with the brand/product/service that drive sales and increase brand image and awareness. It’s the difference between telling people about features of a product or service and letting them experience the benefits for themselves. When done right, it’s the most powerful tool out there to win brand loyalty” (Hauser, n.d). Building lasting relationships with consumers to ensure a loyal base and excellent experience with the brand is crucial. Experiential marketing allows customers to engage and interact with brands, products, and services in sensory ways that will resonate with them more than simply providing information or advertising that may get lost in cluttered spaces. The personal experiences experiential marketing creates help consumers connect with the brand and gain an interest in it (Hauser, n.d). A brand is most engaging when it tells, illustrates or represents a story that the consumer connects with in a creative way (Madeley, 2012).

Corporate social responsibility and sustainability are two very important factors the future agency model will consider. Clients look at these factors when deciding on who to partner with and use for services. Not only do clients find it important but potential employees as well. No one wants to work for a company that does not show social responsibility these days. Pride in the company you work for is important to the workforce, especially those under the age of twenty five (Madeley, 2012).

The future proof agency model will also have to adapt to technology, constantly as it evolves almost daily. Therefore investing in research and development regarding technology and focusing on digital and mobile touch points is crucial (Lodge, 2011). Even experiential marketing is evolving into a more digital format. Consumers can experience experiential marketing efforts and can gain interest and exposure to the brand without being where it happens because of the internet and social media such as *YouTube* (Chen, Luo, Ching, and Liu, 2008). Technology is allowing advertisers to tailor messages to specific consumers and the future agency model will definitely have to adapt to this technology when considering their strategy and executions.

A good example of what the future agency model should start developing towards is *Anomaly*, an international. They have started developing a new model. They “blur the borders providing traditional marketing services and working as a business development partner”. They aim to develop intellectual property for the client and themselves. “ These leaders are strategic rudders of the clients they serve”.

According to a partner there, Car; Johnson, they “would rather invent the next VitaminWater than do the ads for VitaminWater.” While half of *Anomaly's* business is doing client work, the other half is building brands from scratch (Lodge, 2011).

The reality however, is that because of the constant changes happening in the world, there will never be a true set future proof agency model. A future proof agency model is one that adapts to consumer and market changes and technological trends. The future proof agency model would not be coined with the terms “advertising” or “agency” and would be agile and fluid in its structure. It would break free from any stereotypical roles and there would never be a “one size fits all” model (Lodge, 2011). The development of agencies and the future agency model will be most exciting to watch transform and learn from the developments. The future model will be visionary and strive ahead to try predict the future.

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