

CHAPTER 8: Advertising Organization

Lesson 29: Ad Agencies – A Look

Learning Objectives

- You will understand via this lesson the structure of an ad agency.
- It will give you an idea as to the type of role you might play in the organization.



It is estimated that advertising industry will be worth around Rs. 10,000 crores by the year 2001. Even discounting media inflation, it is a lot of business.

An advertising agency, (abbreviated to 'ad agency,') is a team of experts appointed by a client to plan, produce and place advertising campaigns in the media.

Advertising Agencies account for billings of Rs. 2000 crores per annum. The need for people grows in proportion to billing. It employs today 10,000 people. It will need twice this number. 2000. They are constantly in need of a diversity of talents both on the creative as well as product side.

## **Evolution & History of Advertising Agency**

Volney B Palmer in Philadelphia started the first Ad agency as a space broker in 1841. He acted as a simple agent, selling space for his client newspaper on a commission basis. He made no effort to help the advertiser prepare copy, design a layout and provide the many specialized services now performed by a modern agency.

Since then, the nature of an agency has changed considerably, but the method of compensation in the form of a fixed percentage of advertising billing continues in spite of the inherent defect of the system, for the agency generally recommends only a higher media budget than may be appropriate.

It was only by the beginning of this century that the agency started to prepare advertisements and deliver them through the advertisements media. Lord and Thomas was probably the first agency in the USA, with a reputation for creative work in advertising. It hired copywriters, who did a marvelous job. One of the famous advertisement deliveries of this agency was for a new washing machine. Other agencies also started adopting the new services; and soon many advertisement agencies had established departments for copywriting, artwork, layout design, media selection, etc.

Over the next several decades, the advertisement agency improved the quality of its services, besides offering additional new services at extra charge. Agency growth has never looked back since then. It has grown in size and influence through the years, demonstrating an ability to create effective advertising. Towards the end of the first half of this century, there were several large agencies offering a full range of advertising services. They produced effective advertisements by taking into account consumer psychology and human needs and wants. Creative advertising appeals effectively influenced consumers to buy the advertised products and services. In fact, advertising at this stage, became a part of the overall marketing mix, furthering the sales and marketing strategy.

An advertising agency is shortened as ad agency. Ad agency is a team of experts appointed by clients to plan, produce and place advertising campaigns in the media.

They are called agencies, because literally they are agents of the media who pay them the commission, and the media thus becomes the principal. Media pays commission to only accredited agencies (INS accreditation), The agency works for the client, but draws its sustenance from the media (nearly 75 p.c.).

### **The Working of Ad Agencies**

To begin with, the agencies started as one-man agents who booked space in the media. Even today, in our country, there are so many one-man agents who book space in the media. Soon the space booking was handed over to the contact-man, and creative wordsmiths adept at sloganising undertook the actual construction of the ad.

In the course of years, the ad agency became service-oriented, and was able to offer every possible service including marketing, market research (MR), and public relations (PR).

Ad agencies have evolved over a period of time. These days we have mostly studio-based agencies, some industrial and specialized agencies, and hot-shops who only plan creative campaign by engaging the services of freelancers.

At Madison Avenue, most of these large agencies of the world fiercely compete for new accounts, resulting in a shift of millions of dollars of billing from one agency to another. *Advertising Age* is an official publication of the American Association of Advertising Agencies (AAAA).

In India, advertising business is worth Rs. 8,000 crores. There were only 62 advertising agencies in 1958, which increased to 168 in 1978, more than 2.5 times the numbers in 1958. There are more than 500 ad agencies today. The oldest and largest advertisement agency in India is Hindustan Thompson Associates Ltd. The second largest advertisement agency is Lintas.

Mumbai is considered to be the Mecca of Indian advertising. These days agencies are also being set up at Bangalore, Madras, Hyderabad, Ahmedabad and Delhi.

In India the ad agencies are sole proprietary concern, partnership or private limited companies.

It is better to operate agencies on professional lines, rather than as a family. It is good to install MBO (Management By Objectives). An agency must necessarily plough back at least 75 % of its profits into business.

The advertising agencies are shifting from the creative mode to the marketing mode. Today the onus is on the agency to supply the client with data on his industry; the days of the clients briefing the industry are almost over. The agencies are expected to maintain database. There is a leaning towards software for optimizing media usage, and computerization of studio functions.

In India, the legal structure of ad agencies is that of a small proprietary concern or a big partnership. Sometimes, they are private limited companies, either big or small.

Indian advertising is a fragmented business. There are over 733 agencies accredited to INS. The top 25 account for 50% of all billings. In addition, there are many accredited agencies.

It is the top 25 agencies, most of which are headquartered in Mumbai, that set the pace and define the shape of the industry.

Agencies like HTA, Lintas, Clarion and O & M have shaped the entire advertising industry in the country. Many Indians firms are coming up, by importing Western ad techniques.

Many agencies die a premature death. Most people do not appreciate that an agency –like any other business - must be properly managed. It is simply not enough just to have great idea. In recent years, there has been a healthy trend towards sound management practices, especially financial planning and control.

This is a highly paid profession. It is a conspicuous high wage island. People operate on high profile. Their life-styles are opulent because of high expense accounts 'of

entertaining clients. They got their elitist brand due to this reason. But high salaries and freedom are necessary to attract talents.

Women have been an integral part of this profession. We have examples of Rhoda Meha; (OBM, Media Director), Nargis Wadia (Interpub, MD), Usha Katrak (ASP for many years), Tara Sinha (Tara Sinha Associates Delhi; Formerly, Clarion).

### **Let us look at the people working in an agency:**

**Accounts Executive:** It is a key career option in advertising agency. He is called an Account Director when he is a member of the Board. He is a link between a client and his staff. The marketing or advertising department of the client briefs him. He communicates this to the agency people.

He reaches out to different clients for seeking new business. Even clients who want an agency' to work for them contact the accounts executive. This business development work makes it virtually a marketing manager of the agency.

Do right-brained people make better account directors?

The faculties of logic and reason are supposed to reside in the left-brained people. While intuition and creativity are believed to be in the right. So far, accounts director was considered suitable if logical and systematic, i.e., left-brained. But if he has to motivate a team, he should be inspiring and creative too, i.e., right-brained.

**Copywriters:** They are the wordsmiths who do the wording of an advertisement. They are bright and talented. They have a flair for language. They contribute to the theme of an advertisement. Creation of successful copies for different clients establishes them in this field.

**Visualisers:** These are artists who put on paper what has been thought out by the

copywriter. They in fact design the ad.

**Creative Director:** He co-ordinates the copywriting and designing. He is a senior professional who is seasoned in an existing advertising agency set-up to take on this mantle.

**Production Department:** Persons of diverse talents like printing technology, DTP, photography, typography etc. are involved here.

**Media Planner:** He has to allocate the advertising budget amongst media. He has to select the appropriate media. He decides about the frequency, size and position of an advertisement. He decides about its publication date. He receives the tear-off copies from the media when the ad is published. He is guided by the media research, which he undertakes, or by research undertaken by an outside agency.

Media is the most professionalized department of advertising agencies.

**Marketing Research:** Modern agencies are integrated set-ups. They provide a range of marketing services. Research data become very useful as input to the creative process.

### **The Media**

Most of the media today sustain on advertising revenue. They sell space or time. While selling space or time, they have to convince the client about the reach of their media vehicle, the composition break-up of their readers and the pricing of their space/time selling. They monitor the market, survey their readers, and highlight their readers' demographic and geographic characteristics. They also maintain relationship with the media department of advertising agencies who buy space/time on behalf of clients.

### **Ancillary Services**

These are needed to produce/create advertisement. A whole range of services like

studio service, photographic service, printing service, gift item producers etc. fall into this category.

### **Freelancers**

These are professionals who work independently and have a successful track record. They are copywriters, jingle singers, radio announcers, artists, visualizers, technical writers etc.

In jocularly it is often said that:

***"Advertising is a funny business because it is not only a business - it is half a business, quarter a profession and quarter an art."***

Every business entity, irrespective of its size, ownership and kind of business, does take the help of advertising - the push that makes things happen. Advertising is a function of marketing, and pushes the product in the market for bigger sales. The different kinds of advertising have been discussed in the introductory chapter. Here, we shall be concerned with the study of the organization that plan~, produces and places advertising campaigns in the media and the internal organization of the advertising department. When a firm has decided upon an advertising programme as part of its overall promotion mix, it needs to have a system and an organization to implement it for the attainment of the desired objective. Firms do have an advertising and publicity department to manage the advertising function. In some small firms, there may not be a separate department in the name of advertising, but the function is either looked after by the marketing manager or the chief executive. The company's advertising department usually relies on outside experts, often the advertising agency which prepares the advertisement messages, selects appropriate media, and arranges to release them. The advertising department of a company has only a limited creative function, primarily a supervisory one. This department is merely a liaison point in the company for the agency, though it is responsible for the advertisement budget, and supervises the performance of the agency.

An advertising manager has to co-ordinate with the marketing and sales function, so that the advertising efforts may be fully integrated with the firm's marketing and sales strategy. He has also to perform the managerial task of formulating advertising strategy and planning advertising through the advertising agency. The agency often assists the advertising manager in programme formulation.

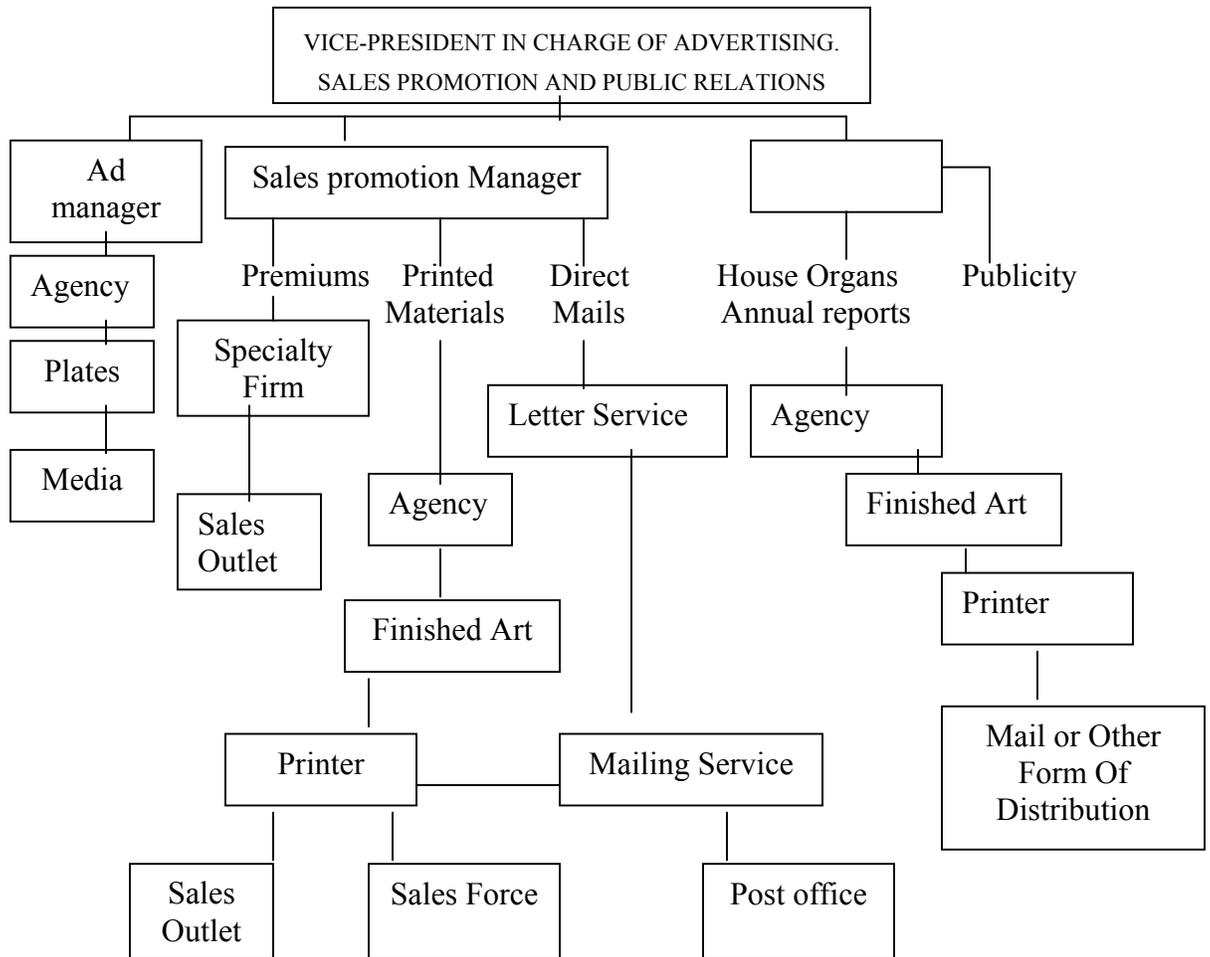
Very importantly let us look at the function of a very important person in the organization - the advertising manager. We shall also look at the various ways the he could run the agency and the organization structure of an ad agency.

### **The Advertising Manager**

The advertising manager usually works under the marketing manager for effective advertising. However, in some organizations, he may function directly under the higher management. Whatever may be the hierarchical levels, the advertising programmes should be in conformity with ~total marl planning. Product managers and brand managers have also to co-ordinate with the advertising department for appropriate advertising efforts, so that a particular product or brand may receive adequate promotional support. The hiring of an advertising agency is a function of the advertising manager. If the agency has to be changed, the advertising manager to that effect makes the recommendation to the higher management.

In a large corporation, the advertising staff is employed for different product/brand like Product or brand managers develop the advertising and promotion needs of their products or bran! Similarly, sales managers determine the kind of advertising support they need for sales, and distribution managers inform it of the advertising support they require. A manager, who is known as the advertising manager, coordinates all these requirements. He sets the advertising objectives al communicates them to the agency. In a typical, large-size organization, the advertising manager reports to the vice-president in charge of advertising, sales promotion, publicity and public relation with a view to determining an effective total promotion mix. The advertising manager and r department work closely with the agency in the preparation of the ad budget, the media schedule the

creation of individual ads and the schedule of their release. Very large organizations may hire services of more than one ad agency to cater to the varying nature of their advertising jobs.



Organization of a Typical Advertising Department

## **Organization Structure of Advertising Department**

All major advertisers maintain an advertising department. The structure of the department however may vary from one organization to another, as each one tries to develop a form, which is most suited to one's requirements. The principal forms of organizational structure are based on (i) sub functions of advertising, such as copywriting or artworks (ii) communication media (iii) geographical spread (iv) product and (v) end users.

Irrespective of the specific form, the advertising department has to perform several functions. Principal among these are setting advertising goals, plans and budget, selecting the outside ad agency, maintaining contacts, providing support to the marketing staff and monitor the functioning of the ad agency. Selecting the ad agency is one of the important tasks of the advertising department. Several criteria, including experience, size, track record and the quality of the personnel, are considered in the selection process.

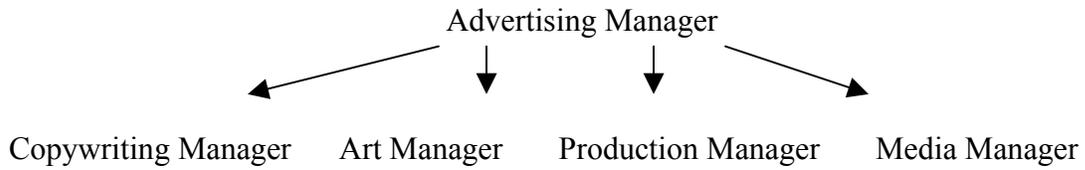
As you know, there are different categories of advertisers. Depending upon their functions, each organization develops its own structure, of which advertising department is a part. What is important in this connection is to analyze the functions an advertisement department is expected to perform.

## **Organization is a Manufacturing Unit**

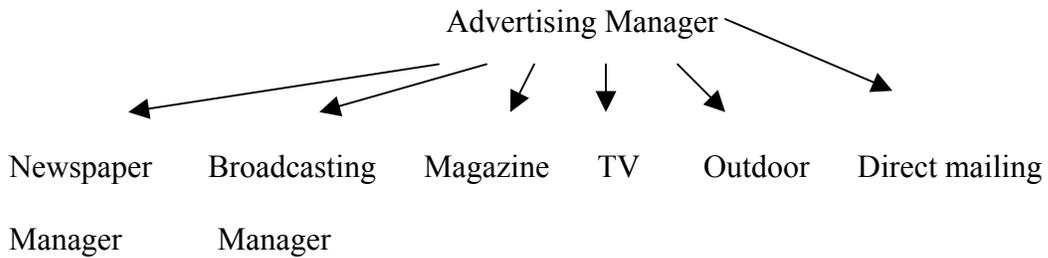
Manufacturing firms carries out bulk of advertising. It is therefore, necessary to understand the various principles on which the advertising department can be organized in manufacturing units. The basic principles are:

### **(a) By Sub-functions of Advertising**

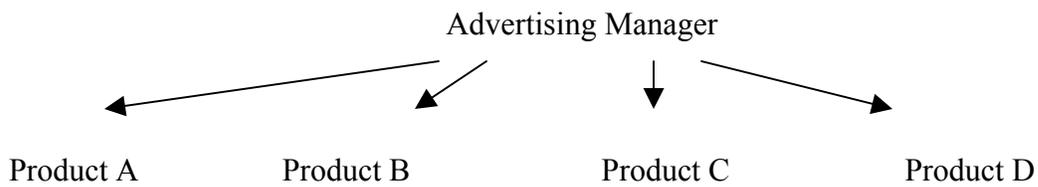
Advertising as a function can be segmented into its various components, such as, Copywriting, Art Production and Media. A specialist who in turn reports to the advertising manager can handle each component.



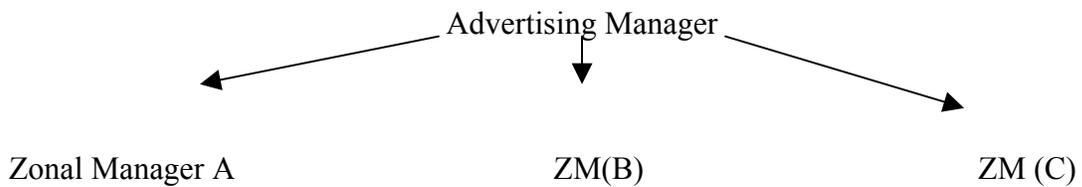
**(b) By Media**



**(c) By Product**



**(d) By Geography**



**(e) By End User**



## **Reporting Structure:**

The advertising manager has to report to somebody who is higher up in the organizational structure. To whom the advertising manager would depend upon how much importance advertising is given to the total operations of the firm. There are several alternatives.

These are:

- Report to the Chief Executive (Chairman/MD.)
- Report to the Director (Marketing)
- Report to the divisional head if the firm is a multi-division firm and responsibility is delegated at the division level.

## **Centralization or Decentralization**

Should advertising be done on a centralized basis or should the responsibility be delegated to lower levels - say product or geographical divisions?

Centralized Advertising Activity has been defined as that which - is located at or directed by headquarters, reporting to corporate sales or marketing head or in top management.

In operation it gets the necessary product, market, and budget information from the divisions and then controls the execution of the various programmes by:

1. Providing the needed information and guidance to the advertising agency and other services;
2. Then reviewing and approving the completed work before getting division approval

A Decentralized Advertising Activity is operated and controlled by individual units located in each major division, usually reporting to a division head or to a division marketing or sales head. The division advertising, sales and marketing people and control both the 'what' and 'how' of the advertising job, getting only advice and counsel plus miscellaneous services from a central advertising function.

In practice, however, it has been found that most companies follow the centralized pattern of advertising organization. There are at least two important reasons for it.

1. It is difficult to transfer the tasks of preparation and execution of creative advertising from to the many without loss of efficiency to a great extent.
2. Most companies entrust their advertising work to outside agencies and it is more convenient with them in a centralized way.

## **Interface with other Departments**

Advertising and, therefore the people, manning the advertising department, do not function in a vacuum. Advertising is a tool of marketing. It is done to achieve a specified short-term or long term goal. The advertising staff, therefore, must actively interact with other departments most importantly, marketing and sales. The interaction has to be intensive to draw up a coordinated plan, of which advertising is a part. In fact, not only the advertising department, but also the outside advertising agency it may have employed, would have to be actively associated with the formulation of the marketing plan.

In companies, which realize the importance of advertising in its proper perspective, the advertising department gets useful inputs from sales, product and brand managers; from Marketing heads, General managers and top management and also from many others in the engineering and manufacturing departments who provide valuable advice in respect of appeals to be focused and also other advertising matters.

## **Functions of the Advertising Department**

Just as the organizational structure of an advertising department varies, the activity profile also is subject to change from one organization to another. Kleppner has identified 14 activities, which include all the major functions an advertising department in a manufacturing organization is supposed to carry out. These are:

1. Determine in consultation with top management the advertising goals, the advertising budget, and the advertising plan.
2. Help select the advertising agency.
3. Set up a plan of activity, allocating which work *is* to be done by the agency and which by the advertiser. Establish with top management the internal division of such non-commissionable duties as sales promotion, research and public relations.
4. Transmit the policy and problems of management to the agency; keep it informed of changes in marketing strategies and other related areas.

5. Decide upon the proportion of the appropriation to be assigned to different tasks in the advertising programme depending upon the importance of these tasks.
6. Approve the plans for advertisements by the agency and by others who work on the advertising problems.
7. Prepare, purchase and *issue* sales material - point-of-purchase displays and direct mail, including receipts, dealer advertising *service*, premiums (unless company has separate premium departments).
8. Prepare, issue and control billing of corporate advertising.
9. Keep the sales force informed of forthcoming advertising.
10. Prepare portfolios of advertising for the salesman's use in showing advertising to the trade and to other distributors.
11. Work with the sales department in preparing special programmes.
12. Prepare instruction manuals for those who will sell and use the product; all in all, do everything possible to make the most effective use of the advertising investment.
13. See that all mail enquiries are answered with mailings as required.
14. See that all bills are properly checked; keep an account of funds and prepare proper reports for management.

The ad manager in charge of an advertising department has both managerial and operational functions. He is responsible for interacting with agencies and the media. He pays attention to outdoor aids. He takes part in campaign planning and media planning. He frames an ad budget, and allocates it. He is responsible for broadcast media. He gets POP prepared. He *is* the man behind SP and merchandising. He maintains press relations, and PR functions. He brings out a house-journal. He is appointed on the basis of his knowledge of advertising and journalism, his knowledge of the industry, his management background, and his marketing background. He maintains a good clientagency relationship so essential for the success for the campaigns.

## **FUNCTIONS OF ADVERTISING AGENCY**

### **Accounts Executive or Director: Key Executive of Agency**

The agency's key executive is Accounts Executive (he is accounts director when he is a member of the Board in case of a limited agency).

Account in advertising parlance means a client. Thus Hindustan Lever is an account for Lintas, or ITC is an account for Lintas. This accounts executive is a link between the agency and client.

### **Functions of Accounts Executives**

He understands what the client wants. He has to get this done through his agency. The marketing or sales or advertising department of the client briefs him. He communicates this to the agency people. He is also called client service executive. **Account Planning or Client Servicing.**

An ad agency's primary function is to create advertising, and account-planning function provides a basis for this. Account Planner has to perform a number of functions

1. Planning the objectives of the advertising: Here he makes use of skills of analysis, synthesis, logic and insight.
2. Selecting and evaluating research feedback on the basis of which the team makes judgments and takes decisions.
3. Making the objective and the feedback relevant and stimulating to the rest of the team particularly the creative.

An account planner may not head the account team mayor. But the above function should be attended to. It is better to invest a separate person with the composite responsibility. The positive use of research is establishing a dialogue between the creative team and the consumer is a valuable contribution that' a planner can make.

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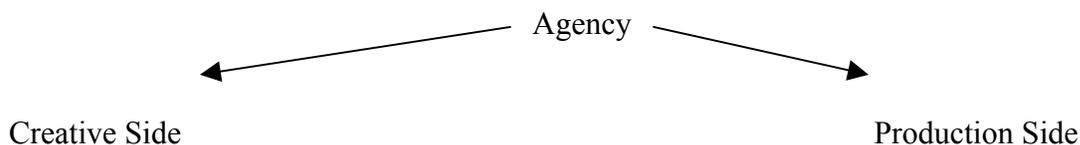
consumer is a valuable contribution that' a planner can make.

The importance of account management in client-agency relationship is on the decline. Successful account managers are true experts on their client's brand and competitions, and have a clear point of view. Clients talk to them, and use them as sounding boards. The client seeks their advice.

They are also used as surrogate brand managers, especially for getting things done. Account managers lacking expertise face the threat of extinction.

Planning in agencies conforms to brand responses - the desired responses that a brand's advertising should generate. But when we advertise, apart from brand responses we also generate advertising responses, - effects on our target audience like amusement, education, entertainment moving effect etc. Many times, these advertising responses are an essential part of what the brand is offering the consumer. Failure to see advertising responses makes our planning remote and ineffective.

Modern days agencies have two major sections.



The two sides are supplementary to each other. Now the **creative section** has a team of bright, talented copywriters who do the wording of an advertisement. **Copywriters** contribute to the theme of an advertisement, like a college girl asking another the secret of her flawless complexion, and as an answer coming to know that it is *Clearasil* Cream. Now this is called *copy platform*. These copywriters report to their head, who may be called **Copy Chief' or Chief' Copywriter**.

But merely the copy is not enough. The **visua/iser** puts on paper what has been thought out by the copywriter. He in fact designs the ad. He takes the help of layout artists,

typographers' and finished artists who prepare the final artwork. As you will see, creative energies of copywriters must be coordinated with the design energies of the visualisers. The person who performs this role is called the **Creative Director**. So now we can put here the organizational structure of the Creative Section of an ad agency.

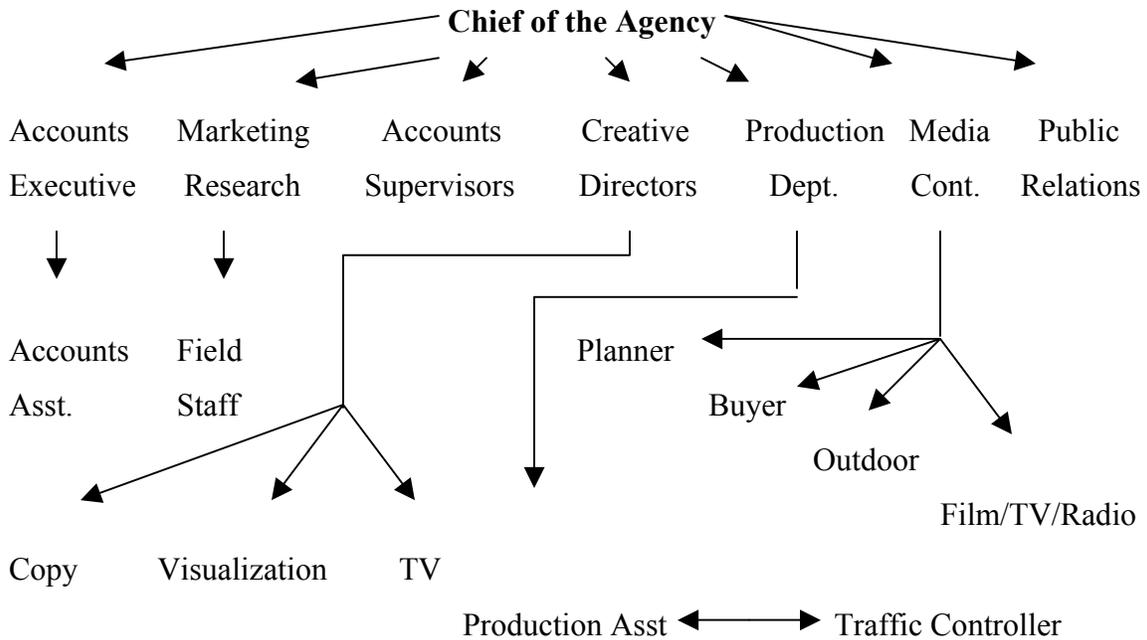
Now we shall come to the studio-based **production department**, which delivers a complete approved ad copy. This department is in charge of the **production manager** who has several assistants. For prints ads, these people do typography, lettering, blocks, stereos, and electros. They also supply text and artwork for photogravure process. Production manager organizes the workflow (copy and artwork proofs and corrections - final copy as per time schedule). In larger agencies this workflow is under the control of a traffic controller. Some part of the production work can be bought from free-lance sources.

After this the **Media planner** understands the budget and how the ad is to allocated in various medias.

In addition to this the agencies also have a **Marketing Research Department**, which does product research, consumer research, positioning studies, price and distribution research, sales and packaging research and motivational research.

The **administrative manager**, with office, **accounts and finance** functions are few of the other departments. Some agencies have a separate **Public Relations cell**. So this is what an agency looks like.



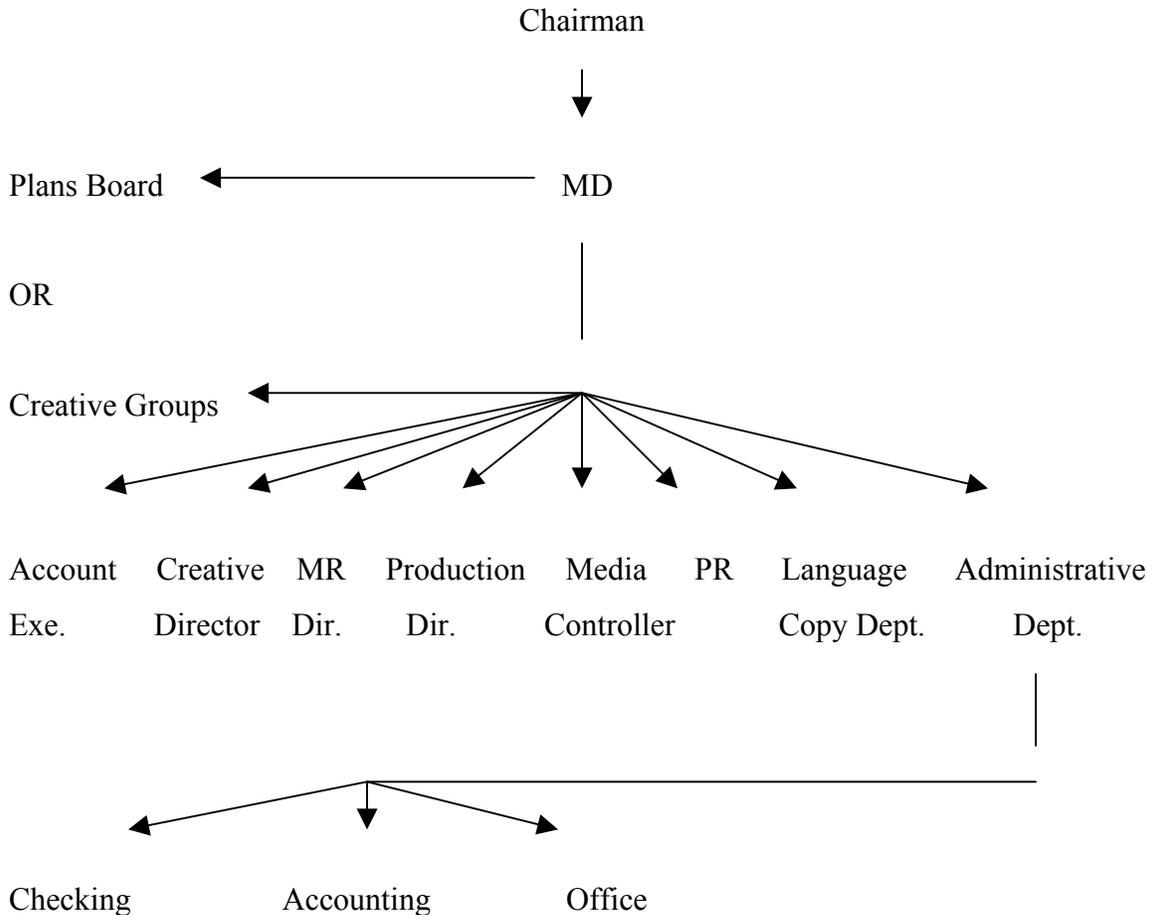


The top management of an ad organization consists of a Plan Board. This comprises of a committee of department heads, be it media, accounts, PR, creative, etc. it plans campaigns by consensus.

The other is the Review Board. This committee reviews and criticizes a campaign, which it has not planned or created.



The overall structure of the top management looks something like this:



**New Business**

The agency, like any other business organization, has something to sell. The business of the agency should, therefore, grow so that, at any stage, its volume of business may justify its facilities for the services that are offered by it. Moreover, growth is one of the desirable requirements of any business. It is, therefore, logical to have a separate cell in the agency, which is responsible for the growth of business. This growth may be achieved either by increasing the business with the present accounts or by getting new accounts. The first is within the jurisdiction of the account executive, while he may look after the second in a small agency. In large agencies, the top management assumes this responsibility. It has a few executives who are exclusively hired for developing new accounts. Some agencies aggressively solicit new business by themselves engaging in advertising.

They highlight the agency's competent personnel, the resources and the facilities at their

disposal, the influential accounts they service and the successful -advertisement campaigns they have handled.

### **Development of New Agency System**

Agencies grew in size, offering more varied and specialized services. Later, in order to cater to the needs of overseas clients, and as more multinational corporations came into being; advertising agencies acquired a multinational character. Simultaneously, some other forms of agencies came into being. They are the boutique agency, the *a fa carte* agency, and the *in-house* agency. Copywriters and art directors, instead of being tied up with a single agency, set-up their own shop to sell the creative function at a fee. These shops have come to be known as creative "boutiques." In an *a fa carte agency*, each service is sold on an optional basis at an individual fee. The advertiser, as its name implies, owns the *in-house* agency. In fact, this is nothing but the advertising department of a company. Large corporations have *in-house* agencies, which operate and control the entire advertising programme by themselves. For example, Reliance has Mudra, Malhotras have Bharat Advertising, Golden Tobacco has Govan Advertising and Lohia Machines have Shrishti. By contrast, Lever which promoted and owned Lintas Worldwide diverted its holdings and in India too, the Hindustan Lever followed suit.

As Sajid Peerbhoy rightly remarked 'An *in-house* agency can hardly be sacked.' Here, objectivity and creativity may also suffer. When corporations have a variety of products and services to sell and have a multi-divisional set-up, the *in-house* agency is very economical to have.

Before we go into a discussion of agency compensation, one more salient point regarding the agency's organization structure deserves detailed description. This is the facility of the art studio within the agency. A small agency or space-broker may "not have an art studio. Hiring an outside artist in that case does the artwork. But, in our understanding of the modern agency, everyone has a well-developed art studio.

