



Ammani Krishna

Advertising Decision Making Process

Advertising options with specific reference to corporates' choice of advertising agencies



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Chapter-1

Introduction

Advertising is fascinating and provocative. Advertising creates customer awareness of the product and builds positive psychological associations that can enhance the buyer satisfaction. Consumer's interest is provoked and sustained in the product. The purpose of advertising is to make potential buyers respond more favourably to the firms offering. Advertising provides information to customers, creates and modifies their desires and supplies reasons to prefer a particular product. Captivating and persuasive advertisements create wants and by passive compulsion consumers are made to buy the product. Advertising creates demand and there by accelerate the growth in the gross domestic product. Advertising also helps society by improving competition, lowering prices, encouraging more product choices, supporting the media and providing information. However advertising has been accused of harming society as it creates an unnecessary hype for the products and also manifests wants for superficial products and services. Advertising seems to go beyond merely selling products or ideas and can shape social trends and attitudes in powerful ways.

The chief functions of advertising are: differentiating products, communicating product information, urging product use, expanding distribution, boosting brand preferences and loyalty and reducing sales cost. Advertising performs certain specific functions in industrial marketing, namely; awareness building,

comprehension building, efficient reminding, lead generation, legitimisation and reassurance.

Advertising can be classified according to target audience (consumer/industrial), geographical (regional/national/international), media (print/electronic etc.) and purpose (product/services). Advertisements can be also classified on the basis of objectives sought to be accomplished. Institutional advertising is done for long term build up of the corporate image. Brand advertising for securing a place for the brand in evoked set of brands of the consumers. Information is disseminated about a sale, service or event through classified advertisement. Announcement of a special sale is known as sales advertising.

An integrated communication process is central to the way advertising reaches its audience. The advertising message is encoded into words or pictures that could be understood by the audience. One or other media carries the message to the audience.

Once the target group receives the message, they decode it and interpret its meaning. If the sender of the message had selected symbols that are familiar to the receiver the received message will be the same as the sent message. Integrated marketing communications is a strategy of coordinating and integrating all of firms marketing efforts as well as its promotional communications to convey a consistent unified message and image to target audience.

Advertising is more important in markets where products are alike, the product is in the introductory or maturity stages of product life cycle, when sold on mail order business or on self service basis. Advertising is considered to be the most important promotional tool in consumer marketing and personnel selling is the most important promo tool in industrial marketing. The other two elements of promotion mix, namely sales promotion and publicity are considered equally less important in both industrial and consumer markets.

Advertising takes many forms and reaches people where they live, work, play and buy. Advertisers are people or organizations that seek to sell products or influence people through advertising.

The major decisions called for in advertising are; how much should be spent for overall company advertising, what message and mode of presentation should be used, what media should be used, how should advertising be phased during the year, whether the firm should go for outside advertising agency and what are the best methods for knowing what advertising company is accomplishing. Advertising costs depend on creative development time, production elements such as production quality, multiple size requirements, publication insertions, photography and illustrations. Well defined objectives, clear input, communication, planning and scheduling the campaign are essential to control costs and accomplishing the tasks in time.

Advertisers opt for appropriate media namely, print, broadcasting, outdoor, cinema, point of purchase (POP), transit, internet and direct marketing for advertising their products. Direct mail is the most common medium for direct marketing. A catalogue showing pictures descriptions and prices are mailed to the prospective customers, which could be used by the customers to place orders for the product. Another form of direct marketing is direct response advertising that supports a direct marketing effort by urging the target audience to take action. Telemarketing is a fast and convenient way to reach many people to promote products or raise funds via direct telephone contact with consumers. Television and radio advertisements are a good way to persuade the audience. Advertisers using print media release advertisements in news papers and magazines to reinforce brand awareness. Most common forms of out door advertising are poster panels, painted bulletins, spectaculars and kiosks. Transit advertising is placed inside or outside public transportation vehicles, in train or bus stations and on platforms or in airport terminals. Point of purchase advertising is done through counter displays.

The challenges and opportunities of advertising today include better local and global targeting, enhanced creativity, new media horizons and results driven advertising. There has been rapid and continuous change in the market place and consequently in the practice of advertising. There has been a dramatic acceleration in

the pace and nature of change. This has been technology driven and is a knowledge oriented process. It has potential to widen and deepen accesses to information cutting across socio-economic lines. Technology is bringing buyers and sellers together with the proliferation of the delivery systems.

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Advertisers and advertising agencies are key partners in the advertising process. Few advertisers can afford to keep many advertising specialists on staff, so hiring an independent advertising agency is a cost effective way to gain access to professionals who can enhance the advertiser's knowledge and experience. Independent agencies work with many advertisers and many industries, so they know

about what works and they can be objective. They can also recruit and retain talented professionals.

The advertising department of the advertiser decides to use an in-house agency when the management wants to control all advertising functions, to keep the agency focused on its needs, to keep costs down and improve coordination.

The advertising agency has four main functions; account management, which links the agency and the client; creative services, which include copy writing, art direction and production tasks; marketing services which include research and media tasks; and agency management, which includes human resources and financial tasks. The full service advertising agencies offer the entire services essential to develop, create and execute advertising for their clients. Limited service agencies offer selected advertising services, such as creative support or media planning and buying. Advertising agencies earn their income through media commissions, fees, markups and incentive based compensation.

Advertising or communication agencies participate in the introduction of new products, attempts to penetrate new markets and participate in periodic review processes. Firms entering into new foreign markets heavily rely on advertising agencies to provide an intimate knowledge of the local culture and business transaction norms. They are also utilizing the services of the advertising agencies for

designing web site to have access to international markets through internet. Agencies experienced in media planning will develop schedules based on principles of frequency and reach that ensure, that the target market receives multiple impressions through a variety of marketing vehicles, media and publications. The development of a creative and catching campaign theme that can be integrated into all elements of marketing mix-public relations, web, trade shows, direct marketing, channel programmes and internal communications is often best developed by an advertising agency.

For an advertiser selection of an ideal agency is a problem of multi criteria decision making. Most of the advertisers look at the qualifications of several agencies and short list the agencies and invite them to make speculative presentations and explain their capabilities.

Another important issue of advertising is agency client relationship. Agency client conflicts stem from the agreement that agencies would not work for more than one advertiser in a particular product category, and the client's information should be held in confidence.

The challenging competitive environment of the market calls for adopting innovative marketing strategies in building the brand image, gaining the confidence

of the customers and reaching a larger customer base. Usually firms entrust advertising to specialists namely advertising agencies.

The search and selection of an ideal advertising agency is an arduous task and advertiser has to pay a very high price for wrong selection. The capabilities of the agency are estimated on the basis of the size of the firm, number of clients, number of permanent employees versus contract employees, the proximity of the location, the ability of the agency to understand the client's nature of market and technology, the agency's reputation, experience and talents of the people working in various departments, how much time it devotes to the account, the team structure and their specific responsibilities, the range of services provided, its past campaigns and their results and opinions of other clients. One of the bottle neck factors that is to be considered is how well the advertising agency is tuned to the client's perception and how well it is able to maintain warm relationship with the client.

This study is focused on various aspects of selection of an advertising agency as it has been found that it is the least researched subject and there is scope for building an objective mathematical model for the selection of an ideal advertising agency. Besides the issue of selection, various other issues of advertising which are briefly mentioned in the above paragraphs are elaborated, debated and conclusions drawn in the following chapters.

Chapter 2

Review of Literature and Research Design

Regarding agencies role, Chakravarthy says agencies just have to deliver 'strategic reassurance'. However Shantakumar⁴ believes that advertising is no longer insurance but it is the cutting edge and it works (**Aresh Shirali** 1998).

Alyque Padmasee says 'I fear that the sun has set on the fun'. Thereby meaning that the current trend is that the clients are demanding 'hard- selling advertising'. This has snapped the lid down on fantasy (**Aresh Shirali** 1998).

' You do not go into the next millennium with one leg in 1985' according to Dennis Joseph 6, executive creative director of Hindustan Thomson Associates(HTA)(**Aresh Shirali** 1998).

Talking about the importance of account planner **Balakrishnan** (2002) said, an account planner meant bringing in a professional who would be proactive in ensuring that the right steps in the advertising development process are taken.

Jeff Goodby, Co Chairman and Creative Director of Silverstein & Partners, has built one of the best account planning departments in the business said that the

account planners were the 'most interesting, well-rounded people, in an agency. Clients tend to tilt towards them, especially in the early stages in the advertising process. However, the relationship between an account planner and the creative team, he said, has deteriorated, to the extent that planners are often too scared to approach them(**Brand Equity 2003**).

Agencies are always on the look out for more business and there is lot of competition among the agencies. The agencies are willing to reduce the cost to any extent to grab the account. A report in **Brand Equity (2002)** reveals that when an agency from among the top ten bagged one account for a fee of Rs 4 lakh, it was undercut by one of the top three agencies, which agreed to do the said job for Rs 90,000.

Leo Bograt (1984) says that in a competitive economy, the success of a company often hinges on its ability to master the strategy of advertising. And the mastery, in turn, depends on the company's ability to assemble and to apply information.

According to **Bovee and Arens (1989)**, account executive is responsible on one hand for mustering all the agency's services for the benefit of the client, and on the

other hand for representing the agency's point of view to the client, the account executive is often caught in the middle.

Advertising agencies build brands for various clients, but rarely advertise for themselves to seek business. This according to a survey conducted by **Bovee and Arens** (1992) is due to 'advertising is not very effective'; 'there is no agreement on advertising theme'; and 'they have never budgeted for advertising'.

Some clients ask the agencies to commit all its resources and loyalty to itself for a certain period. **Bovee and Arens**(1992) question whether it is ethical to ask an agency to commit all its resources and loyalty to single account, particularly when a client spreads its business among a number of advertising agencies.

Buchaman and Michel (1991) have reported that selecting a new agency consumes much time and attention, as does creating a new working relationship.

Chin-Tsai Lin and Pi-Fang(2002) have developed a new model to choose an advertising agency, which is an extension of above mentioned Davis Model. The model comprises of two stages; the first stage being Grey Relational Analysis and the second being Analytic Hierarchical Process.