

# Advertising Business

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Virtually every business organization (and many nonbusiness organizations) uses advertising in one form or another. For the manufacturer of private brands, advertising may be entirely unnecessary. For the corner grocery store, advertising may be precluded by the size and location of the market. For many other companies, a sales letter, a point-of-sale sign, or a simple circular is all the advertising they will do. However, our concern here is with the national advertiser of consumer products.

## 1. The Advertiser

Most modern businesses have an advertising department. The title of the person responsible for managing this department and the exact range of his or her responsibilities will vary from company

to company. Some companies have an advertising manager; others a director of advertising; still others a vice-president for advertising. But regardless of title, the person responsible for the firm's advertising effort performs certain functions that are common to all.

### 1) Responsibilities of the Advertising Manager

The advertising manager is responsible for planning the company's advertising. This planning cannot be delegated to the company's advertising agency because the advertising plan is an integral part of the firm's marketing plan. As such, it must be coordinated with production, with finance, and of course, with marketing. Such coordination can only be accomplished by a person in the company who has ready access to all the other departments of the company. How high in the corporate hierarchy the advertising manager sits depends on the company and the importance its management attaches to the advertising effort.

If advertising is a subfunction under marketing or sales, the high-level executive is typically a vice-president of marketing or sales or a manager or director of marketing. If advertising lies outside the marketing or sales department, it is most often the responsibility of general management, such as the president or an executive vice-president at corporate headquarters, or of a division manager at that level.

Advertising managers help select and evaluate the agency. We say help select because in many instances the choice of agency is considered so important that top management participates in the selection process. Advertising managers then supervise the execution of the advertising plan by the agency. They work closely with the agency in the development of the budget, the media schedule, and the creation of the individual advertisements. An important aspect of advertising managers' jobs involves selling the advertising plan to the top management of their firms. They must also work closely with the sales department to be sure that the firm's advertising effort will benefit both the sales force and the distribution network.

Some large companies operate with individual product managers, who may also supervise the tasks of advertising under the direction of a general advertising manager. In some organizations, the product manager for a particular brand serves as a liaison between the production department and the sales department. Under such an arrangement, there is a separate advertising manager for each product line who reports to the general advertising manager as well as to the product

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## **2) The Advertising Department**

Large national advertisers usually maintain their own fully staffed advertising department as well as retaining the services of an agency. Very large advertisers, in fact, will employ several agencies as well as their own very large advertising department. The advertising department, in addition to coordinating and supervising the work of the agency, will tend to work on the myriad of little advertising jobs such as packaging direct-mail advertising, point-of-purchase materials, displays, sales literature, trade shows and dealer aids that can be done more efficiently within the company.

Large advertisers that employ more than one advertising agency will designate one of those agencies as agency of record. The agency of record will coordinate the media schedules of the various agencies to be certain that the advertiser is receiving the most advantageous rate. For example, if agency A places six pages of advertising in magazine X and agency B (agency for a different product of the same company) also places six pages in the same magazine X. The advertiser is entitled to receive the rate for twelve pages of advertising, which is lower than the rate six pages.

## **2. The Advertising Agency**

There are now more than 7 000 advertising agencies in the United States, with headquarters and branch offices in every major city in the country. Although some of these agencies are very small with only one or two employees, among these many are multinational corporations with thousands of employees in branch offices located throughout the world.

### **1) The Development of the Agency**

Today's full-service agency evolved from the business of the publisher's agent, who had acted as a broker of advertising space in newspapers and magazines. The agent actually represented the media, not the advertisers. There were no published advertising rates until 1875, when N.W. Ayer, working for the advertiser rather than the media, provided information on the rates charged by the newspapers and religious magazines he represented. Gradually, agents began to become more interested in helping the advertisers with copy and art services. The space brokerage business was dealt a final blow in 1887, with the establishment of the American Newspapers Publishers Association. Newspapers that joined the ANPA began to publish their advertising rates and to provide advertisers with information about their circulation. The era during which blocks of newspaper space sold to brokers, were peddled at whatever price they could get had ended.

### **2) The Organization of an Advertising Agency**

Successful advertising agencies, like most business organizations, depend on the efficient operation of such day-to-day internal functions as accounting, personnel, and administrative management. Though most agencies are started and run by creative or marketing people, the agency must succeed as a business, not simply as a "hot shop" or a winner of advertising awards. In fact, after an advertising agency is established, much of its growth comes from the increased advertising expenditures that result from the higher sales volume that it has helped the advertiser achieve. Other growth must come from new business, from mergers, from acquisitions, and from

the tremendous expansion of foreign billings. The foreign billings of American agencies have increased over 100 percent in the past ten years. Today, every major agency in the United States has operating branches in every important world market.

The organization of the agency will differ with its size, the kind of services it provides and the requirements of its clients. The agency may operate on a departmentalized basis, with the usual departments, including account service, market research, copy, art, media, production, traffic, and public relations.

The account service department consists of account executives, each of whom works with one or more clients on a regular basis. The account executive maintains client contact; that is, he or she is the person who provides the liaison between the various departments of the agency and the advertising manager of the client company. This is not to say that other members of the agency staff are not involved in client-agency discussions, but generally only the account executive provides continuous contact. To the agency, account executives bring the objectives desired by the client. To the client, they bring the agency's recommended budget, the proposed media schedules and the creative suggestions of the agency staff. All the departments of the advertising agency work together toward a common goal—a deadline for the presentation of their recommendations for the client's advertising program.

from studios and free-lance artists as needed.

### **3) What does an Agency Do**

A full-service agency performs creative services, of course, but those creative services incorporate many other important contributions to the advertiser's marketing program as well. The agency begins by providing an objective viewpoint. All too often, a firm's marketing problems may be obscured by internal politics, vested interests and traditional attitudes.

Basically, the full-service agency's marketing experts study the client's product or service and objectively analyze its strengths and weaknesses relative to those of competing products. The media department applies a knowledge of available media that might be utilized to carry the advertiser's message. The creative department develops ideas that will transmit the advertiser's message with persuasive impact and then produces the individual ads and commercials. The media department will analyze the media and select those that will be most effective in delivering the message to the target market. The media department, working with the advertiser's budget, contracts with the various media for space and time. They issue instructions to the media in the form of an insertion order and verify the insertion; that is, they make certain that the ad did appear in print or that the commercial was aired as specified. Administrative services within the agency oversee both the billing to the advertiser and the payment to media and suppliers and perform the other necessary administrative chores common to every business.

For some agencies, these functions may represent only the tip of the iceberg. Many agencies also provide marketing counsel and create brochures, catalogs, and stockholders' reports. They design packages and trademarks. They perform or supervise important market research. They often prepare and implement publicity and public relations programs.

In general, retailers do not employ advertising agencies. There are two reasons for this: (1) the nature of the retail operation which allows very little time for the creation of the advertisements, and (2) the distinction made by newspapers and other media between retail advertising rates and national rates. Retail rates are lower, and therefore the media do not pay the agency a commission for placing this type of advertisement.

#### **4) Innovations in the Agency Business**

Up to this point we have been discussing the full-service agency. Most agencies today are full service, that is, they make available to their clients a range of advertising services. Naturally, with the larger agencies, the range is wide indeed. With smaller agencies, the range is narrower, but full services nevertheless for the clients they serve. Recently, small creative services known as boutique agencies have come into existence. We expect to find a wide range of merchandise in a department store and a wide range of styles, sizes, and colors in every department. But in a boutique—a small store—we expect to find only a very narrow range of expensive, highly styled merchandise in a limited size range. So it is with the boutique agency: It offers advertisers very creative, very limited, and very expensive services.

Other agencies like firms include independent media-buying services, which purport to obtain the best media buys. There is also à la carte service, in which the advertiser negotiates for the use of certain services of a full-service agency, such as a package design or a one-time program. But none of these agency services represent a threat to the full-service agencies, whose billings continue to grow year after year.

Over the years, advertising agencies have organized networks—generally loose affiliations of small and medium-size agencies. Networks were originally founded as trade associations in which small operators could get together to discuss common interests, but the member agencies soon began to trade work assignments, particularly when one agency was involved in buying space in newspapers or time on radio or television in unfamiliar areas. An agency in Minneapolis, for example, might have an assignment that involved advertising in the New York and San Francisco markets. Which newspaper would be most appropriate? Which radio station? Which television station? The local agency, very knowledgeable about local media, could, in effect, become the branch office for the agency in Minneapolis, making that agency's services national in scope.