B2B Relationships in the Advertisment Business

A study of advertising agency-client relationships
Abstract

In the complex business environments of today, firms are in need of external expertise in order to achieve a competitive edge. The increased complexity is partly due to technological development and facilitated global access affecting most markets. Therefore, marketing activities have increased importance in a firm’s core strategy. Being able to communicate to customers in a creative and more direct way is vital in order to survive in a global battlefield. One interesting question is how one should involve external expertise in achieving successful marketing in an effective manner. There seem to be difficulties in maintaining long-term agency-client relationships and one could question why? Quite often one finds clear differences reflecting role definition and what the parties expect of each other.

The purpose of this thesis is to analyse the relationship between advertising agencies and their clients. The authors aim to investigate how companies use external influence/advertising agencies in their marketing communication process and identify the crucial factors leading to success/failure of agency-client relationships.

A pre-study was made in order to get an understanding about the actual situation on the field, and gave us the interest in investigating the agency-client relationship. Then, a qualitative multiple case studies have been made and gave a relatively good insight in the agency-client relationship. Insight in where the relationships are lacking and where improvement is needed.

The authors discovered that why agencies and clients fail in their relationships, many times is a result of miscommunication and misunderstandings. Attitudes towards each others field of operating and lack of dialogue seem to be the reasons why this appears. They need to meet at a level somewhere in between the points at the present, hence need for agencies to have a deeper understanding than present client desire and for agencies to be able to adjust to client needs, and correlating their abilities. The key is communication. A lot of the improvements is up to agencies in mediating and marketing themselves in a more efficient manner than today. Advertising agencies are often failing in establishing an effective communication process with their clients.
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1 Introduction

In this chapter the authors will introduce the reader to the background and problem that the purpose derives from.

1.1 Background

The global business environment to day is turbulent and competition is high, no company today can exist in isolation, each is dependent for its survival on customers, services, finance, suppliers among others. All actors are affected by the actions of their competitors or by those with which they co-operate. (Ford, 1998)

There is a trend for companies to focus more time and resources on their core business. Thus, companies outsource many functions surrounding their core business. The search for competence from external partners, leads to an increased role for B2B relationships and more opportunities for companies delivering related services and expertise (Kasper, Helsdingen and Gabbot, 2006). These relationships can involve value-added services from suppliers of raw material for production as well as competence input through consultancy.

The increased complexity of business environments of today is partly due to technological development and facilitated global access, which affects most markets (Kasper, Helsdingen and Gabbot, 2006). Therefore, being able to communicate to customers in a creative and more direct way seems to be vital in order to survive in a global battlefield. Additionally, more and more operations a company is involved in, internally and externally, can be seen as marketing efforts (Grant, 2002). This has lead to increased focus on customer retention, market economics and of customer relationship economics. These trends reinforce the change in mainstream marketing (Grönroos, 1997), and there has definitely been a paradigm shift towards relationship focused marketing as Kotler (1992) noted (cited in Grönroos, 1997).

The literature on relationship marketing has mainly focused on B2B markets, proving the trend of business relationship. While, the B2C market is characterised by the company’s actions and the consumers reactions, the B2B market put more emphasis on interaction (Ford et al. 1998). Within B2B markets there is a distinction between industrial goods and services, and the implications of relationship marketing between these two fields differ. The service sector is influenced by intangible attributes and customer participation making the process of relationship building more complex (Grönroos, 1990). For instance, relationship building strategies differ widely between a manufacturing firm looking for a supplier of a specific component for production and a consultancy firm trying to approach a prospected client.

The increased focus of business relationships, new opportunities for the service industry and a more important role for marketing should be an ideal situation for the advertisement business. Advertising agencies are categorized as consultancy firms and are placed with both need for customization and high need for differentiation in a service matrix (Ford et al. 1998 and Gabbot, 2006). The complexity lies within the strategic placement and relationship marketing in an overall strategy. Buchanan and Mitchel (1991) state that companies need to realize that their expectations of agency performance are not met.

The advertising agencies should be experts in building brands; more often they are just able to adapt to the shift in attitudes of marketing as a concept. The literature within this field has been accurate.

1.2 Problem discussion

Globalisation seems to be the overall trend in business. More and more companies get more and more focused on their core business in order to stay competitive. Functions
that are not core business will be outsourced to other companies. As an alternative, companies buy more and more services from expert companies. Businesses today also have a tendency to become more relationship oriented than in the past. The relationship focus has also been a distinctive trend in marketing theory and one could reflect upon how the industry-related firms have coped with this change.

The severe competition of today has also forced companies to spend more effort and financial resources on marketing activities. Hence, marketing has become a central part of any organisations overall strategy and it is therefore interesting to see how this is implemented and how companies involve external partners, agencies, in achieving effectiveness.

Advertising agencies core competence is assisting companies in their marketing activities. Within the B2B market agencies are to achieve effective relationships for their clients, creating a desirable network for them through relationship marketing strategies. Companies, the clients, does not seem to get the desired effect of their external input from agencies and the authors consider it essential to try to understand why. What are the main factors contributing to the success or failure in an agency-client relationship?

Through theoretical discussion and empirical research the authors aim to identify essential factors that lead to success/failure in the relationship between advertising agencies and their clients.

### 1.3 Disposition

**Chapter 1: Introduction:** The background leading to the problem discussion is presented, which has formed the purpose of the thesis.

**Chapter 2: Theoretical framework:** Here the authors start with discussing theories which aims to broaden the readers understanding for the problem. The chapter will then after gradually be narrowed down to discuss theories that answer more direct to the purpose of the thesis. The chapter ends with a theoretical summary and the research questions, which will help the authors answer to the purpose and guide the reader.

**Chapter 3: Method:** Here the method that has been chosen to carry out the study is presented and motivated. The reader will also be guided through the data collection and work up.

**Chapter 4: Empirical findings:** In this chapter the empirical findings of the study is presented.

**Chapter 5: Analyze:** The authors will in this chapter analyze the result by answering the research questions through a discussion based on theories in relation to the reality and authors reflection.

**Chapter 6: Conclusion:** The authors conclusions drawn will answer the research questions and theory.

### 1.4 Purpose

The purpose of this thesis is to analyse the relationship between advertising agencies and their clients. The authors aim to identify critical factors leading to success/failure of agency-client relationships.

### 2 Theoretical framework
Regarding the topic of the thesis, it is essential to introduce the reader to fundamental concepts facilitating the understanding for the theories used to analyze the empirical findings. The theoretical chapter will start off from a broad perspective describing relationship marketing and the differences among industrial goods and services. Hence, the reader will be able to see the role of consultancy in a theoretical manner from a broad viewpoint. Later on, the role of strategy will be linked to B2B relationships and the reader will see the client perspective on the need to integrate external competence into the corporate strategy. Finally, the agency-client relationship theory will end the theoretical chapter displaying the relationship from the agency perspective.

2.1 Relationship marketing

In business of today regardless whether a company is manufacturing a product or if it is providing a service, building and maintaining relationships has become a central focus. Philip Kotler, cited in Grönroos (1997), concluded that “companies must move from a short-term transaction-oriented goal to a long-term relationship-building goal”.

This acknowledgement is mentioned as a paradigm shift from transactional to relationship focus of marketing, which is noted by many authors in the field. However, the definitions of the theoretical term, relationship marketing, are broad and somewhat diffused. Hougaard and Bjerre (2003), state that today there is no commonly excepted theoretical foundation to relationship marketing. The origins, complexity of problems studied, research methodologies between different paradigms of relationship marketing differ widely. According to Bruhn (2003) “Relationship marketing covers all actions for the analysis, planning, realization and control of measures that initiate, stabilize, intensify, and re-activate business relationships with the corporation’s stakeholders - mainly customers - and to the creation of mutual value”.

Another viewpoint is to describe it as follows; “Marketing is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by mutual exchange and fulfillment of promises” (Grönroos, 1994) Similarly but in other words, “Relationship marketing is marketing seen as relationships, networks and interaction” (Gummeson, 1996).

The desired outcomes of relationship marketing activities are however commonly agreed upon by researchers in the field, namely customer loyalty and positive customer word of mouth communication (Hennig-Thurau, Gwinner and Gremler, 2002).

Thus, there is no doubt that relationship building is one of the main factors discussed today. The main question is how one should conduct this theoretical viewpoint and how it affects different type of organizations. First, it is essential to differ between B2C and B2B when reflecting upon relationship marketing (Hougaard and Bjerre, 2003). Most research of relationship marketing concerns industrial goods and service segments separated from classical consumer goods marketing. Only recently, theories have emerged relating the relationships between firms to brands (Bruhn, 2003). In a B2C market many times the company has a direct contact with all with its customers. The company tries to find out which customers are segments through market research and communication is done by different media channels, telephones or mail. In contrast, B2B relationships are highly interactive. Each interaction between companies in a B2B environment is critical to the success of the total relationship between the companies. And every interaction is affected by what has happened before and will affect what happens in the future (Ford, 1998).

2.1.1 B2B Relationship marketing

In business relationships the involved partners are rarely to be found at the same time, however the effects and outcomes of a company’s relationship will depend on what it makes
out of them. Ford (1998) claims there is no such thing as B2B standard relationships. The content and the consequences of a relationship will vary from case to case: the partners can vary in their importance to each other, they might expect different things from each other and they will have different previous experience, both in that relationship and in others. Moreover, B2B markets are not random structures, where everyone can do business with everyone else at any moment, if only the price and product is right. Instead, B2B markets are the outcome of organisation by those involved in the network of business relationships (Ford, 1998).

B2B relationships are influenced by internal and external factors according to Hougaard and Bjerre (2003);

**Internal**

- Episodes, product or service
- Information exchange
- Social exchange, relationship atmosphere
- Financial exchanges
- Balance, power and dependency
- History and experiences
- Expectations

**External**

- Alternative partners
- Industry dynamics
- Role in the business system
- Opportunities to change activity in the business system

Within B2B relationship marketing there is a distinction between industrial goods and the service sector. The intangible quality of services is the main difference making service relationships more complex. Also it is difficult to measure the productivity and quality of a service compared to industrial goods. This contributing to that relationship marketing aspects differs among the two fields (Bruhn, 2003).

According to Ford (1998) relationships have always mattered in B2B marketing and defines a successful relationship within the industrial sector as; “When in a typical industrial scenario, a buyer and a supplier has economic consequences that go beyond the exchange of product and a transfer of money in a single transaction”. Moreover, a company may choose to buy from a certain company for many reasons, not just because it has good products at a reasonable price. Instead, it may be that the relationship provides secure delivery, flexibility, prompt delivery, correct product knowledge, flexibility in production etc.

The important insight here is that “manufacturers will have to realize that they too are part of the service economy” (Grönroos, p.4, 1990), saying that in order to differentiate itself, it is superior quality compared to competitors is to offer customers value adding services and deliver them in a competitive marketing like manner. Hence, the individuality of products and services that a company offers only in terms of technology.
All in all, we can conclude that relationship marketing is essential in both industrial and service sector in B2B markets. But the abstract nature of some services makes them more complex and stress interpersonal relationships at a higher level.

2.1.2 Relationship marketing in the Service sector

This thesis will focus on the service industry and more specifically the relationship between advertising agencies and their clients. As argued previously, there are many significant differences between building relationships both between B2C and B2B, as well as between industrial goods and services. Grönroos (1990) summarizes the main characteristics of the service industry:

- Services more or less intangible
- Services are a series of activities rather than things
- Services are to some extent produced and consumed simultaneously
- The customer participates in the production process of services

Similarly, services are characterized by high integration and interaction usually involves direct personal contact due to personal contact attributes as buyer-seller. Further, services are seen as more complex than industrial goods and are neither storable nor transportable. Risk and involvement of customer and barriers to switching are both elements that are higher in services than for industrial goods. (Bruhn, 2003)

These arguments can function as a platform for explaining the importance of strong relationships within the B2B service industry. Customer relationship management and marketing are vital strategic ingredients leading to good economic results in the service industry. Within the service industry the creation of value adding through successful customer relationship management and marketing leads to form a prospect into a customer, a customer into a client, a client into a supporter and finally a supporter into an advocate of the firm. (Kasper, Helsdingen and Gabbot, 2006) Having this mindset allows the company to emphasize quality as it is perceived by the customers (Grönroos, 1990).

This thesis will focus on consultancy as the service type through analyzing the relationship between advertising agencies and their clients. Service as consultancy involves a high degree of customer contact. Therefore, high degree of customization leads to an increase of efficiency (Doyle, 2002). Lovelock (1983) classifies services according to extent to which service characteristics are customized and extent to which customer contact personnel exercise judgment in meeting individual customer needs. Advertising agencies are placed in the matrix as having a high degree on both these aspects. Kasper, Helsdingen and Gabbot (2006) has a similar matrix for classifying services but defines four different service types according to the degree of customization and degree of differentiation:

- **Standard core services**: Low degree of customization and Low degree of differentiation
- **Standard augmented services**: Low degree of customization and High degree of differentiation
- **Customized core services**: High degree of customization and Low degree of differentiation
- **Customized augmented services**: High degree of customization and High degree of differentiation
According to Kasper, Helsdingen and Gabbott (2006), an accountant is placed as a customized service and some may claim that an advertising agency would be placed in the same category. However, the authors argue that the abstract nature of marketing activities and the broadness of services an advertising agency can deliver will stress a move towards a customized augmented service with demand for high customization and high degree of differentiation, i.e. a delivery of the core service plus additional services.

2.2 The strategic planning process and the role for external influence

This section will be reflected from the client point of view in the agency-client relationship. The aim will be to increase the readers understanding for how B2B relationships affect the involved companies at several levels, both internally and externally. Hence, internal strategic choices and directions are characterised by its relationships with other counterparts where there lies a mutual interest for co-operation. This stresses the importance of the link between internal corporate strategy and the use of external consultancy, the efficiency of the trade is to a great deal dependent of the relationship. Especially in a B2B context where the trade is of an abstract nature and regardless the price the products success at the marketplace is hard to forecast. (Ford, 1998)

Grant (2002) approaches the same issue through his reasoning that everything a company does can be seen as marketing efforts. This proves a viewpoint of a linkage between all company operations and stress close co-operation between the corporate strategy and the marketing strategy.

Furthermore, even though economic profit is the main goal for all companies and that it will characterise the strategy, within B2B markets price is an important element but if relationships matters, the companies evaluate other factors more as security, low failure rates etc. And in an advertising agency-client-relationship where complex services are being traded, these above discussed elements and issues are highly relevant.

Furthermore, Ford (1998) stress that the strategy of a company is not merely made by the management and strategic planners, but as well all big and small choices made by any of those who work within the company. Including those they make when they interact with their counterparts in other companies. If a company understands the importance and consequences of business relationships, it can improve the process of its strategic development. In order to do so, the company will need to take a balanced view of the role and effects of its relationships.

Similarly Grant (2002), stress the importance of strategy as a forming link between the company and its external environment. The external environment includes the whole range of economic, social, political, and technological factors that influence the company’s decisions and performance. Furthermore the task of the strategy, then, is to determine how the company will deploy its resources within its environment and fit in with its local and global, which also means to organise itself to implement that strategy. (Grant, 2002)

Ford (1998) stress there are two extreme approaches a company can take to developing their strategies: The first of these is to disregard the existence of relationships, the.market. This approach means that the company only takes an overall view of its market and tries to develop a competitive strategy to exploit it as a totality. However, this strategy, which is based on a simplified picture of the market that fails to take account of the company and others. It fails to take account of the impact of relationships on the working of the market or the company, and of its need to develop strategy for the relationships, those, or the ones it should seek to develop (Ford, 1998).
The second approach strongly emphasis relationships, but in a disjointed way. Ford (1998) states there have been a steady stream of articles and statements from managers that emphasis the importance of having “good” relationships with customer and suppliers. But in many cases these declarations are inspired by the idea that B2B relationships can be like good, co-operative interpersonal relations. Developing “good” relationships often seem to be regarded as a panacea for most of the strategic problems a company might face.

2.2.1 Three levels of strategy

Smith, Berry and Pulford (1998) states that the marketing communication strategy can not exist in isolation from the marketing strategy, which are directly linked to corporate strategy. As well they describes three levels of strategy (figure 1). Planning can be carried out by using either a top-down, bottom-up approach or a mixture of these at each of the three levels, the latter being most preferable. The involvement of the different organisational levels suggests that there is an effective sequence of planning in which the development of marketing communication strategy proceeds after a proper consideration of both corporate and business strategy. This would be the ideal situation according to Smith, Berry and Pulford (1998).

However there are situations where marketing managers, together with their agencies, use the bottom-up planning. The agency is called on to develop the marketing communication strategy, in this way the agency separates the marketing communication strategy from the corporate planning. In many cases they lack knowledge about the company’s corporate strategy or it may...
be very limited. In all situations marketing communications must be developed with an awareness of its fit within the overall strategic planning framework (Smith, Berry and Pulford, 1998).

In order to further explain the function of the three levels of strategy model, the SOSTAC planning system will be applied. SOSTAC is an acronym for Situation, objective, strategy, tactics, action and control (Smith, Berry and Pulford, 1998). The different factors are defined as:

**Situation**: an analysis of a company’s past performance in terms of its marketing results, environment among others. Most important is to identify the key issues that affect the company’s future. **Objectives**: long and short term objectives; marketing objectives e.g. sales and shares; communications objectives e.g. awareness, positioning. **Strategy**: a summary of how to achieve the above objectives, how do we get there? **Tactics**: what communication tools should be used, how much will be spent on each one. The basic details of strategy. **Action**: what are the requirements to put each tool into action? What internal activities must occur in order for the communications tool to be created and on time? **Control**: measurement, control and knowing whether you are on target or not. (Smith, Berry and Pulford, 1998)

According to Smith, Berry and Pulford (1998) the SOSTAC framework can be applied at each level of the planning hierarchy, hence SOSTAC applies equally at the corporate level, the marketing level and the marketing communication level. The principal of the system is that management objectives have to be linked into corporate objectives in a direct and distinct way. At each level one can consider the two elements of objectives and strategy. Objectives are the end result and strategies are the means of achieving the objectives. Moreover, the whole process can be seen as an end/means hierarchy. Since, the means (strategies) at one level become the ends (objectives) at the next level down. In other words, strategies cascade down to the next level of planning as an objective (Smith, Berry and Pulford, 1998).

However, it is not necessary that all factors of the SOSTAC planning system are applied at each of the three levels, but works as a guidance of what factors to take into consideration.

According to Kotler (2005) the role of marketing in relationships to other units in the company vanes, some look at it as the most important function while others claim it to equal with other units. Regardless what point of view one has the marketing plays an important role in the strategic planning. Sometimes it might be difficult to distinguish between the corporate strategy and the marketing strategy, since there are many similarities. The role of marketing within the strategic planning in the company is to assist with relevant information which the strategic planning demands. Marketers should work together with the other units in the company in order to achieve the comprehensive strategic goals (Kotler, 2005).

Kotler (2005) discuss four important aspects when developing the strategy:

- analyse the company’s environment and appreciate the threats and opportunities
- analyse the company’s strengths, weaknesses, competencies and the need for these
- construct goals for the different units in the company
- put the strategies into concrete plans of action to be planned and followed up

Another perspective is of Porter (2004) who stresses the company has to be unique and different from the competitors on the market in order to create a competitive advantage for the term basis. How this should be carried out is linked with how the company chooses to perform their activities and how well these are suited to the strategies. Porter (2004) states that competencies and resources are useless if they can not be used in creative and constructive processes in the company and it is only within this context the company’s activities can be described as competitive advantages. In order to achieve this enterprises have to look at the company as...
a whole. How well the activities and resources co-operate and the outcome of it creates competitive advantages (Porter, 2004). Another important part is the ability to make choices. He stresses that the company has to be able to deduct activities, hence the strategy should also set the limit for not “doing too much” (Porter, 2004).

Kotler (2005) and Smith, Berry and Pulford (1998) emphasise similar elements in terms of not isolating the marketing process from the overall corporate strategy, which many times seems to be the case, even though it is not management intention. Porter (2004) on the other hand put more emphasis on developing the strategy with market competition as an objective, but as well underline the importance of looking at the company as a whole. Furthermore, activities and resources should be evaluated in terms of efficiency and contribution to competitive advantages, defined as the company’s ability to make choices. Which is in line with Ford (1998) who stresses the choices a company makes at all levels will affect the strategy and in a B2B context as well the relationships. However, they all draw the same conclusion that separated levels in the company should be integrated and strategy at all levels i.e. corporate, marketing and marketing communication should reflect the company’s image, values and goals.

With these scholars perspectives as support, the authors stresses that by allowing the agency to be more involved in the company’s strategic planning, both parts would gain benefits, the company would get an external perspective on their current situation and the agency would get a clearer picture of how the company aims to be perceived which in turn will affect the efficiency and result of the assignment.

2.2.2 Integration of external competence

The debates in communication studies and in marketing have arrived to the same conclusion: There should be less focus on functionalism and production and more on relationships and meanings. (Duncan and Moriarty, 1998)

Interactivity is a hallmark of the paradigm shift in both marketing and communication. If relationships are the objective, then impersonal mass communication must be supplemented, especially in business-to-business and service categories, by personal customised communication that by definition is interactive. (Duncan and Moriarty, 1998) At a corporate level, interaction is very much in keeping with other business practises, such as total quality management, which requires that everyone involved in the process, should be made a partner in its outcome. Similarly, Guillen (1994) argues that interactive communication is fundamental to successful teamwork, particularly in lean management models of organisation.

A communication-based model of relationship marketing recognises that everything a company does (and sometimes does not) sends a message that can strengthen or weaken relationships. This implies that communication has several managerial implications. These implications apply to three areas: corporate focus, processes, and organisational infrastructure. It is more cost-effective to sell to current customers than new ones; it is also more cost-effective to sell to current customers than new ones. Interactions are often defined as only sending messages as in one-way communication, and not responsiveness and shared understanding, which are two crucial factors in building relationships. A process should be in place to facilitate a persistent dialogue with customers and this design should be in place for both the company and the target audience. There should as well be a process for incorporating the mission of the company into all operations as a continually re-affirm what the company stands for. (Duncan and Moriarty, 1998)

Integration is a systematic process that requires certain organisational support elements. One infrastructure element is to ensure that managers have a view of the entire business, but requires (1) knowing the strengths and weaknesses of the company and how the respective area
affects these, (2) understanding how the company works and how communication impact is created at various contact points, and (3) understanding and respecting the strengths of the various marketing and marketing communication functions. (Duncan and Moriarty, 1998)

The more a company can do to strengthen customer and other stakeholder relationships, the more cost-effective its marketing effort will be (Duncan and Moriarty, 1998). Furthermore Duncan and Moriarty (1998) state that relationship marketing literature often fails to include the communication process as a critical dimension in relationship building, focusing instead on elements such as trust and commitments, which are seen as products of communication.

The different levels must be linked together, therefore as shown in the model by Smith, Berry and Pulford (1998) the company should start at the top of the triangle and work its way downwards as the marketing communication strategy can not exist isolated from the corporate strategy. The agency would gain many benefits by having a throughout understanding for the process as a whole. With this knowledge they also have a better starting point to create a dialogue with the company which in turn will lead to a more effective co-operation and performance of the agency. (Smith, Berry and Pulford 1998)

Duncan and Moriarty (1998) stress the importance of integration between different sections within the company as well as integration of external competence, furthermore communication is seen as an essential factor in order to increase the level of integration. This is as well an interesting factor to consider when analysing what could be the factors that leads to success/failure in a agency-client relationship.

2.3 Agency-Client Relationship theory

The authors will discuss and reflect upon advertising agency-client relationship using a model as a platform and applying related theories. The model of advertising agency-client relationship by Douglas W. LaBahn, Chiranjeev Kohli (1997) displays the different aspects that contribute to success or failure of relationships, based on the process and outcome of each factor. Hence, the authors find the model a suitable platform highlighting the important issues relevant to the topic of the thesis. This section should be reflected from the agency point of view.

![Diagram](https://www.print-driver.com)

**Figure 1.** Conceptual model of advertising agency-client relationship.
2.3.1 Trust and Commitment

Commitment is a key variable for ongoing B2B exchange relationships to be successful. Thus, committed business partners are able to achieve better outcomes by co-operating to adapt to changing business conditions. Further, “a relationship with a committed client allows an agency to specialise on the clients’ marketing communication needs and develop strategies to capture long-term market opportunities” (Douglas, LaBahn, Kohli, p.499, 1997). Similarly, commitment is stated as “a desire to develop a stable relationship, a willingness to make short-term sacrifices to maintain the relationship, and a confidence in the stability of the relationship” (Anderson and Weitz, p.19, 1992).

Trust is believed to be the second key variable in exchange relationships related to client disposition. The term trust is somewhat diffuse when used in a business relationship context and although many authors agree upon its importance to business relationships the definitions of how it is so crucial, often vary. Belief and behavioural intention is one way of describing components of trust. Another way of describing trust could be to emphasise reliance and confidence between partners. Douglas et.al (p.500, 1997) defines client trust as “the client’s willingness to rely on the agency’s judgement, advice, and behaviour”. Pruitt (1981) suggests that a party will be more willing to take on high-risk, coordinated behaviors if trust exists. Similarly, Anderson and Narus (p. 45, 1990) state, “Once trust is established, firms learn that coordinated, joint efforts will lead to outcomes that exceed what the firm would achieve if it acted solely in its own best interests”.

However, not all researchers share the opportunistic view of the effect trust and commitment has on agency-client relationships. Developing trust and commitment with a client will not always lead to a positive effect of client’s use of the agency’s services. This pinpoints an essential consideration for agencies when reviewing the success or failure of a client. (Grayson and Ambler, 1999)

Bruhn (2003) divides commitment into three different types; emotive commitment, continuance commitment and obligation commitment. The latter type symbolizes a type of forced commitment that may result in a negative effect on the relationship.

On the other hand, increasing the quality of work and the agency-client relationship overall depend largely on the presence or absence of trust between the parties, and trust is closely correlated with commitment. (Waller, 2004)

Similarly, when both commitment and trust are present, they produce efficiency, productivity, and effectiveness. Commitment and trust are important aspects in agency-client relationships in pushing clients towards an incentive to maintain and further develop the relationship to their external partners. (Morgan, Robert, Hunt, Shelby, 1994)

2.3.2 Agency performance and Service quality

Studies of why relationships terminate point towards agency performance as the most frequent reason given by clients for switching agencies. Agency performance has been defined as the quality of the agency’s creative work and the effectiveness of the implementation of advertising campaigns. It is important within the context of agency-client relationships to reflect upon the agency’s standard of creativity and the implementation to measure performance. (Douglas et. al, 1994)

Creative quality is defined as the client’s perception of an agency’s level of creative performance, which is a crucial aspect of an advertising agency’s overall performance. Referring to the level of work performed, the model one should mirror the agency’s standard of creative work and which its agency executes the clients’ advertising campaigns as a measure of agency performance. Meaning, the agency’s tendency to operate within agreed
upon advertising strategies, meets deadlines, and stay within the budget limitations. Just as poor performance by the agency reduces client satisfaction, high performance build client trust and commitment. Service quality, superior service performance is suggested to increase customer satisfaction and loyalty. (Douglas et. al, 1997)

However, difficulty in objectively measuring the outcomes of advertising campaigns has forced clients to rely heavily on behaviour-based methods when analysing agency performance. The traditional advertising commission structure, for instance, tie agency compensation to media purchases. On the other hand, this method does little to control the creative quality of the ads placed in the media. Further, it may intensify goal conflicts by making it in the agency’s self-interest to argue for larger advertising budgets, even though such budgets might not be strategically justified (Bergen, Shantana, Dutta, Orville and Walker, 1992).

2.3.2.1 Expected values and experienced values

Grönroos (1994) states the expected service is a function of the customer’s past experience and personal needs and word of mouth communication, in other words it is influenced by the marketing communication activities of the firm. The experienced service is the outcome of a series of internal decisions and activities. Management perceptions of customer expectations guide decisions about service quality specifications to be followed by the organisation, when service delivery takes place. The key is to narrow the quality gap between the expected and experienced outcome of a specific service, which puts emphasis on understanding and delivering tailor made service process solutions. Ex; if the expectations are unrealistic, the total perceived quality will be low even if the experienced quality in an objective viewpoint is good. In service management, total perceived quality is determined by the gap between the expected and experienced quality.

Beard (1999) states that clear communication of information and role-clarification is important aspects in order to successfully maintaining an agency-client relationship. This implies that the level of communication determines how well the expected outcomes from a client’s perspective match the experienced outcomes.

Beard (1996) claims lack of similarity between agency and client expectations to create client dissatisfaction in terms of agency performance.

Similarly, Grayson and Ambler (1999) discuss the importance of expectations in the agency-client relationship in their discussion of opportunism/loss of objectivity and level of interaction. They found trust to be associated with lower opportunism/loss of objectivity, which provided lower interaction terms. Further, trust was found positively correlated with rising expectations, which in turn meant higher levels of involvement, interaction and commitment. This statement further supports our previous discussion of the diffuse concept of trust, but more importantly it stresses the need for superior communication in relationships in order for agency values to meet experienced outcomes.

Waller (2004) claims attitude sharing to be a sign of a good relationship between an agency and its client. This refers to whether the agency’s project team have the same attitudes towards marketing related topics. Effective communication are hand in hand in order to achieve mutual understanding and a well functioning working relationship. One could conclude from his reasoning the need for aligning expected values, objectives and expertise in order to achieve mutual attitudes which leads to higher levels of interaction, involvement and commitment. In later stages of the relationship these abilities will promote successful performance outcomes for both parties.
In contrast, being too similar in terms of reasoning regarding previously discussed desired outcomes where expected values meet experienced values can be damped. (Kent Grayson, Tim Ambler, 1999)

However, in order for the agency to match client expectations of speed, flexibility and creativity there is a crucial need for corresponding desire and willingness to provide solutions outside the agency’s traditional expertise of service. This stresses value adding in both personal and structural meanings, which once again promotes communication as the key to improvement. Further, this is achieved through working proactively and being able to adapt to changing market needs and client expectations which is essential especially in environments where the alternative specialists are on the increase. (Mark Durkin, Margaret-Anne Lawlor, 2001)

The goal of increasing customer satisfaction can be counter productive leading to higher expectations and by definition leading to decreased satisfaction. Decreasing expectations leads to increasing chances of happiness. This brings a service paradox that less profitable customers are frequently the most satisfied and vice versa. The key is to promote prime loyalty, calculated along the marginal contribution it can provide and the costs of an increased expectation level. (Hougaard and Bjerre, 2003)

Related to behavioural aspects of client-agency relationship is Buchanan and Michell, (1991, p. 68) statement; "many failures occur because of unmet expectations on the client side". The main reasons are:

- Agencies oversell their abilities due to lacking confidence about their relationship with the client
- Agencies are not concerned with determining or even acknowledging their clients needs
- Lack of communication between agency and client.

2.3.3 Working relationship

Superior working relationships are characterised by productive interaction and harmonious relations, which are essential to a client’s intention to continue the relationship. In that sense, productive interaction is defined as the extent to which agency-client interactions are effective. Conflict is seen as the level of disagreement present in the relationship. However, conflict may be necessary, in a productive manner, in order for a working relationship to develop positively. In that sense, the relationship between conflict and productive interaction would be positive. (Douglas W. et.al, 1997)

Good personal relationships with key personnel at both ends and the effectiveness of the meetings between the client and the advertising agency are attributes related to tradeable factor that are crucial for agency-client relationships. (Cagley and Roberts, 1992)

Further, one could conclude that efficient co-ordination and productive meetings increase client satisfaction. Research has also shown that quality interaction is highly valued by clients. In contrast, disagreement between agencies and clients over advertising goals, objectives, and strategies is perceived to be highly undesirable and has been known to lead to premature termination. (Douglas W. et.al, 1997)

In order for an agency to act in an efficient manner it is important not only to be able to establish relationships, but also how to end them. The cost of building relationships with your customers affects the effectiveness of resource usage. More resources can be utilized and of better use if unprofitable relationships are terminated. However, the presence of the lack of alternative partners is a notable factor, which forces companies to stay in relationships.
even though they prefer to end them. Hence, if there are few qualified partners available network actors may pressure partners to remain in an undesirable relationship in order to protect their own interests. (Halinen and Tahtinen, 2002)

Durkin and Lawlor (2001) state four reasons of why relationships end;

- lack of trust
- the agency being pre-occupied with larger accounts
- inappropriate agency staff being appointed to the account
- The agency’s failure to understand the nature or ethos of the client’s business.

2.3.4 Agency and client behaviour

The behavioural aspects of the client and agency are important in order to determine what the client and agency can do to improve the working relationship and the outcome obtained. For example, a client that is sceptical towards new ideas may affect the quality of its advertising agency’s creative performance. Agency accessibility and responsiveness are frequently mentioned by clients when evaluating the strengths and weaknesses of their agencies. Thus, we define agency accessibility as the extent to which an advertising agency’s key personnel are approachable and easily contacted which stresses the need for superior communication. (Douglas W. et.al, 1997)

An advertising agency’s willingness to offer a perspective to which the client may disagree is defined as agency assertiveness. This element is perceived as highly desirable by clients and should precipitate more productive interaction, higher creative quality, and better implementation. “An agency that questions its client’s decisions will uncover and resolve more key issues before they become major problems” (Douglas W et.al p.502, 1997).

Similar support for the importance of an agency’s assertiveness and accessibility for the working relationship to function in a smooth and efficient manner is claimed by Durkin and Lawlor, (2001). How quickly, speed, and how well, quality, the agency copes with problems that arise correspond with the agency’s level of overall competence. Hence, these aspects lie on the agency in achieving effective management of the relationship, thus a well-skilled project manager on the agency side is highly desirable.

The extent to which clients key decision-makers are approachable and easily contacted is defined as client accessibility. These permit an agency expeditiously share creative ideas and obtain approvals necessary for implementation. Agencies experience frustration when clients are difficult to consult. Client accessibility and responsiveness therefore enable more creative thinking and smoother implementation. (Douglas W. et.al ,1997)

The client’s tendency to remain uncertain about implementing a potentially beneficial marketing communications programs is defined as client indecisiveness. Agencies need clear direction and well-specified client goals to operate effectively. (Douglas W. et.al, 1997).

2.3.5 Long- and short term relationships

When discussing the influences of agency-client relationships it is essential to categorise the type of relationship. Hence, the nature of the relationship is often not permanent but changes over time. Here one can stress the need for mutual understanding between agency and client
regarding the present and future objectives of relationship development. (Halinen and Tahthinen, 2002)

Both agency and client should share similar views on whether a long- or short-term focus is preferred. Since aspects like productive interaction and involvement take time to develop they are most influential when both parties agree upon long-term commitment. In contrast, trust is found to be more influential in short-term relationships. Thus trust is claimed to be important in the early stages of the relationship in order to move to more committed stages of development. Hence, long term relations cultivate dynamics, which bound the positive impact of trust, commitment and involvement. The reason for the latter statement is based upon the assumptions that long term relationships may imply that the agency and client loose the ability to be objective, since the increased need for acquiring high level of experience with each other. Further, this can lead to parties being too similar in terms of “thinking” and therefore constructive creativity may decrease. It is therefore one can see long term alliances to create one party, mostly agency, taking advantage of the generated trust and act opportunistically on it. (Grayson and Ambler, 1999)

Harrison (1975), cited in Waller (2004), claims relationship types to differ through the assumption that many agency-client relationships are influenced by “game playing”. This implies that the type of relationship depends largely on the strength or experience of the players. Further, this can result in advertising being a secondary role to the game playing when problems/conflicts occur. The result can often be agencies staying in a poor relationship only for profit or job security reasons. In order to improve relationship terms and limit the impact of game playing the parties need to develop the chemistry between agency and client key personnel, strengthen communications and improve the relationship overall.

2.4 Theoretical summary and authors reflections

In business of today regardless whether a company is manufacturing a product or if it is providing a service, building and maintaining relationships has become a central focus. There are differences within the B2B industry between industrial goods and services in terms of relationship complexity. Relationships within the service industry are characterized by intangible attributes making them more complex to analyze. There is a greater need for customization and personal matching. Advertising agency-client relationships are categorized as a highly augmented service with high need for customization and differentiation.

Today’s marketing is not only about promoting a new product or service, it is also about communicating values and culture to the potential customer and other stakeholders. Therefore it is needed to involve corporate strategy when constructing the marketing strategy and marketing communication strategy. The marketing communication strategy can not exist in isolation from the marketing strategy, which in turn is directly linked to the corporate strategy. Development of the marketing communication strategy has to be based on the overall corporate strategy, it is crucial that it fits with the overall strategic planning framework (Smith, Berry and Pulford 1998). A top down approach of the triangle is to prefer, the parts should gain both parts the agency have a deeper insight in the corporate strategy. It will lead to a more effective cooperation and performance of the agency if they are more involved in the corporate strategy. (Smith, Berry and Pulford 1998)

Duncan and Moriarty (1998) states that one should emphasize relationship and meanings more than productivity and functionality. The relationship between the agency and the client should be based upon trust and commitment (Waller 2004). Trust and commitment are important components but the critical dimension in relationships lies in the communication. Trust and commitment are just products of communication. (Duncan and Moriarty 1998)
important factors in agency-client relationships are linked to the working relationship, client and agency behaviour, agency performance and client disposition (Douglas et al., 1997). It is essential for the agency to ensure that the client expectations are met by the experienced values.

2.5 Research questions

What motives does a company have when involving an advertising agency and what level of involvement is desired by both parts?

Is there a difference of how Agencies and their Clients perceive the elements contributing to marketing communication?

What are the main factors contributing to the success or failure in an agency-client relationship?

3 Method

In this chapter the authors will describe the choice of method that has been used to carry out the study and explain why this method is accurate for our topic.

By explaining the choice of method and way of approach you guarantee that the research has been carried out in a scientific and reliable way. This also gives another group or person the possibility to repeat the investigation under similar conditions in order to control the origin result. Choice of method can also give an explanation to why you reached the conclusions you did and the lack of methodical analyses can diminish the reliability of the report (Backman, J. 1985).

3.1 Epistemology

There are two recognised scientific directions, positivism and hermeneutic or a combination of these two.

According to the positivism your conclusions must be based on reliable knowledge. Reliable knowledge is what we already know and what we can understand with our five senses or be able to discuss with human logic. (Eriksson and Wiedersheim-Paul, 1999)

Hermeneutic is a qualitative way of approaching a study, where interpretations of the material you collected through interviews and field study is central. The hermeneutic perspective is based on a pre-understanding; by which you create a dialog with relevant sources, hence you use the pre-understanding as a platform for questions and problems, which will be addressed in the investigation material. The interpretation of the dialog is later used to create a deeper understanding, which can be the starting point for next dialog. (Eriksson & Wiedersheim-Paul, 1999)

The authors have chosen the hermeneutic scientific direction for the study. Furthermore, the analysis and conclusions drawn will be based on the authors interpretation of the material.

Within the hermeneutic perspective there are two ways of approaching. A Deductive approach is when you create a hypothesis, which you test on the facts being analysed, carries out inductive approach. The data will build your theory. (Eriksson and Wiedersheim-Paul, 1999) The deductive approach allows you to draw conclusions, which are regarded as logical and consistent. Meanwhile, inductive approach allows you to draw conclusions based on observations and interpreted an
leads to theory and the constructing of models. An inductive approach is commonly used together with a qualitative method. (Jacobsen, 2002)

The purpose of the thesis is to analyse the relationships between advertising agencies and their clients, the authors will observe relationships between three agencies and two of their clients. In order to create theories and models, which will be the base for a hypothesis, the authors need to possess a sufficient amount of pre-knowledge. Therefore the authors find an inductive approach to be the most applicable for our topic.

Referring to figure 4, the authors observations and interpretations from the field of study, supported by theory allow us to generalise the result.

\begin{figure}[h]
\centering
\includegraphics[width=0.8\textwidth]{figure3.png}
\caption{Figure 3}
\end{figure}

3.2.1 Data collection

There are two kinds of information one can base your report on, primary data and secondary data. Primary data is information which comes directly from the source e.g. an interview or observation. The collecting of primary data is often time consuming and expensive, whereas secondary primary data is highly reliable and will respond to crucial questions(Patel and Davidsson, 2003) Primary data collection is mostly used due to more accessible information about the problem, therefore you need to collect the necessary data and material in order to fulfil the purpose of your study. The most commonly used methods to collect primary data are through interviews, observations and question forms. (Patel and Davidsson, 2003)

Secondary data is information, which is already accessible through different sources such as articles, statistical reports, books etc. While using secondary data, Davidsson (2003) stress the importance of being critical to what has been written there and what criteria information has been collected, why and under which conditions are questions to keep in mind when evaluating a source of information. (Patel and Davidsson, 2003)
For this study the authors will use primary data in terms of interviews and observations. Since the topic is dealing with human behaviours and perceptions, the best way to achieve a reliable result is to collect the data directly from the actors in the investigated field.

### 3.3 Research method

#### 3.3.1 Quantitative and qualitative research

There are many methodical ways to carry out a study; two of them are quantitative and qualitative method.

Qualitative methods permit the evaluator to study selected issues, cases or events in depth and detail (Patton, 1987). A qualitative study describes the whole context in which the investigated problem exists. The purpose is not to explain the topic but to describe it, and create an understanding for the topic. Qualitative studies are open for new knowledge and mostly carried out by a deductive approach (Jacobsen, 2002).

Quantitative methods use standardized measures that fit diverse various opinions and experiences into predetermined response categories. The advantage of quantitative methods is that it measures the reactions of a great number of people to a limited set of questions. Thus facilitating comparison and statistical aggregation of the data. By contrast, qualitative methods provide detailed data about a much smaller number of people and cases. (Patton, 1987)

The reason why the authors choose qualitative method is because this method will provide deeper and more revealed answers, which are essential regarding the nature of the topic, hence human behaviour. The respondents will get the opportunity to answer the questions with their own words instead of filling in a survey. This indicates that the study is limited in the amounts of respondents since the method is more time consuming. On the other hand the respondents are highly relevant for the purpose which contributes to an accurate result.

### 3.4 Case study

A case study investigates a contemporary phenomenon within its real-life context. When discussing the design of a case study Yin (1994) states that every type of empirical research has an implicit, if not explicit, research design. The design is the logical sequence that connects the empirical data to a study’s initial research questions and ultimately, to its conclusions. One can look at the research design as a “blueprint” of research, dealing with at least four problems: what questions to study, what data are relevant, what data to collect, and how to analyse the results. The main purpose of the design is to help to avoid the situation in which the evidence does not address the initial research questions. Moreover the research design also defines the domain of generalizability, that is, whether the interpretations can be extended to larger population or to different situations (Yin, 1994).

*Generalising from case study to theory.* Yin, (1994) discuss two types of generalisation, “statistical generalisation” and “analytic generalisation”. Within statistical generalisation an inference is made about a population on the basis of empirical data collected for a study. The study may contain more than a single case, hence multiple cases, which should be considered like multiple experiments. Under these circumstances a method of generalisation is analytic generalisation, in which a previously developed theories is used as a template with which to compare the empirical results of the case study. If two or more cases support the same theory, replication can be claimed (Yin, 1994).
The evidence from multiple cases is often considered more compelling and the overall study is therefore regarded as being more robust. Every case should serve a specific purpose within the overall scope of inquiry. A major insight is to consider multiple cases as one would consider multiple experiments. That is to follow replication logic. The logic underlying the use of multiple-case studies is the same. Each case must be carefully selected so that it either (a) predicts similar results (a literal replication) or (b) produces contrasting results but for predictable reasons (a theoretical replication) (Yin, 1994).

In order to attain a reliable and accurate result, the authors agreed that the use of a multiple-case study would be the most applicable way to carry out the study. Yin, (1994) states that if you aim to study a single organisation and your research questions have to do with the organisations relationships with other organisations, their collaborative nature, for example. And such questions can be answered only by collecting information directly from the other organisations and not merely from the one you started with. If you chose to not do so, you can not draw accurate conclusions about interorganisational partnerships. (Yin, 1994)

3.4.1 Selection of agencies and respondents

The agencies which are participating in our study are based in Jönköping and Norrköping. The reason why these were chosen is firstly because of the geographical nearness since there was a stress to have the possibility to meet them in person. Secondly, the authors had personal contacts that made it easier to establish a contact with these agencies. Additionally, in order to enable for comparisons between agencies with similar size and surroundings. The authors claim that the advertising business has a distinct culture, which can be hard to understand if you are not a part of it. On the other hand this facilitates to see patterns and aspects, which someone within the business might not be able to see. By comparing agencies with similar backgrounds and field of operating, the conclusions drawn from the study will gain credibility. The questions were asked similarly to the actors but still presented as an open-ended-nature approach.

3.5 Qualitative interviews

Interviews are an essential source of case study evidence since most case studies are about human affairs. Human affairs should be reported and interpreted by interviewees, and well-informed respondents can provide important insight into a situation (Yin, 1994).

According to Yin (1994) the interviews can take several forms. Most commonly is the use of an open-ended nature, in which you can ask the respondents for the facts in a matter as well for the respondent’s opinions about events. In some situations you may even ask the respondent to propose his or her own insights into certain occurrences and may use such propositions as the basis for further inquiry (Yin, 1994).

A second type of interview is focused interview. In this case the interview is planned for a short period of time. In such cases, the interviews may take an open-ended form but assume a conversational manner, but you are more likely to be following a certain set of questions. The major purpose of such an interview should be to verify only confirm certain facts that you already think has been established (Yin, 1994).

The third interview method mentioned by Yin, (1994) is based on more formal questions, as a formal survey.

For this study the authors will use the data collected with three agencies and two of their clients. Since the purpose of the study is to investigate relationships, which may have many factors in the human behaviour, structured questions might limit respondents’ answer and will a
fect the reliability of the results. By using an open-ended nature approach the respondents will speak more openly about the topic and hopefully provide answers that are not expected or given.

In order to get an overall understanding of the situation there was a need to first interview the agencies and as well ask if they had any examples of what they considered a good relation and what would be considered a less successful relation. With their permission the authors then contacted the clients mentioned to get their perspective.

The first interviews, lets call it pre-study, with the agencies were made personally and the participating people were the authors and one of the key personnel at each agency. The pre-study was conducted with agency A and B. The purpose of the thesis evolved after analysing the information of the pre-study. The interviews took approximately 1 hour. For the empirical material related to the evolved purpose the authors contacted an additional agency, namely agency C. The interview with agency C was an in depth conversation between one of the authors and their project manager, lasting for approximately an hour. The pre-study with Agency A and B gave plenty of information and for the second interview with these a 40 min telephone interview was conducted to gain more specific information. When interviewing the clients, these were contacted to set up a telephone meeting and were informed what type of questions was to be asked. Therefore, the authors made sure that the clients were well prepared (see appendix 2). The authors could therefore ensure 30-40 min of discussion relating to specific aspects about their view on marketing and their relationship to advertising agencies.

The collected data from the interviews has not been recorded, instead the authors have taken notes during the conversations and then afterwards compared our interpretations. The authors are aware of the fact that the interviews have provided data that open up for further investigations and questions, but focus will be on only presenting the data that is relevant for the purpose of the study.

3.5.1 Reliability

The purpose with using qualitative methods is often to create an understanding rather then draw general conclusions, which reliability and validity stresses. Östbye (2004) though stresses that the concepts, applied in the right way, are useful even within qualitative research. Reliability involves the quality in the collection, work up and analyse of the data. Methodical reliability is according to Östbye (2004), relevant within qualitative research.

In order to create reliability in our study the authors have investigated agencies with similar backgrounds and which are operating within the same fields. The result from the interviews has been carefully worked up and we have had the possibility to call back and confirm facts with the respondents as well as their statements. Furthermore, the participating agencies and clients in our study have asked to be anonymous, in order to fulfil their preference the presentation of them in the empirical findings is limited.

3.5.2 Generalisation

As a part of the reliability problem is as well the level of generalisation, hence how the result of the investigation can be generalised or not (Östbye, 2004). As a base for our selection decides the selection. Is the units selected representative for the area aimed to investigate? In our study this concerns the selection of advertising agencies, their clients and respondents in these units. Factors as geographical placement, size, type of clients, background and age are factors that can influence the result. However, the authors still consider the selection of respondents to be representative for the purpose of the study, which is to analyse the relationship between agencies and
their clients and as well investigate the use of external influence in the clients marketing communication process.

The respondents at the agencies have all several years of experience within the advertising business and from different agencies. As well they have all positions in the company that allows them to have full insight in the whole process and are personally in contact with most of the clients. The respondents from the clients are responsible for the marketing section in the company, furthermore the interview situations has been similarly performed, which makes them representative to answer accordingly to the purpose.

3.5.3 Validity

According to Östbye (2004) validity is one of the most central concepts within the qualitative research. He states that validity even can include reliability as well as level of generalisation. In order for the research to be valid the authors need to know that the agencies and clients opinions about the relationships they are currently involved in are being investigated. This is guaranteed by asking relevant questions for the purpose.

The agencies and clients were represented by one person, which means that there is a risk that the information given to us has been filtrated. This is a validity problem that the authors are aware of and have taken into consideration in the interpretations and analysis of the results.

Another validity aspect is the selection of clients who have been chosen by the agencies. Initially when the clients were contacted, the authors did not mention that they had been in contact with their agency, as this information might give the impression that the authors were investigating on behalf of the agency. However, when the interview was performed, questions were asked which revealed that the relationship we were discussing was the selected agency in our study.

4 Empirical findings case studies

The actors in our study are representatives from advertising agencies and companies whom turn to them. We will refer to the actors in this study as Agency A,B,C and Client A,B,C.

4.1 Agency A

Agency A is a medium-sized advertising agency with sixteen employees which operates merely in the Jönköping region with surroundings. The agency was founded twelve years ago by people who all had long previous experience within the business, therefore founding their own agency was a natural step for all of them. A larger part of the employees are operating within a business-to-business environment. The interview participants were Peter, the founders and Art Director at Agency A (personal communication 2006-12-01).

4.1.1 Desired involvement in Client

When establishing new contacts with clients, agency A never contact clients if they had not had any previous contact. Most commonly they have worked with a client through a personal contact person/s who handles the contact with the agency moves on, then agency follow with the person and through him/her they get introduced to a new client.

Agency A stresses that relationships occurs between people and not by formalism therefore it is common in the business that employees who work for one agency, as well bring
the client with them. This might not be a strategic move by the employee, but its is a fact that despite satisfaction in terms of performed assignments, the client tend to value personal relationships more.

Agency A always works strategically with clients, it takes time to build a relation and it is first after a couple of years you can see the results. Agency A says there are cases were you measure the results in pure sales, but that is only for a short-term basis. Their focus is to establish client relations whom they can work strategically with in a long-term basis and these results can only be measured after a longer period of time. It takes time to build a trademark and that is what we are doing, states Agency A.

Agency A states they don’t have any so called “bad” relations with any clients, they got clients who they just started working with and therefore they are still in the process to create trust and mutual understanding for each others goals and visions. However, the agency’s goal is always to be involved in the strategic marketing planning with the client. The pure advertisement production is the result of good communication and mutual understanding.

Agency A experience that the reason why it is more difficult to reach mutual understanding with some clients is because the client does not have their goals and visions clearly defined, which makes it difficult to reasoning what they want to achieve with the marketing. As well some clients don’t have any interest in working strategically with any advertising agency. Their interest lies only in using the agency for advertisement production. In these cases the results can only be measured in pure sales.

Furthermore, Agency A states they put much effort in marketing themselves. For example, they send out newsletters to current clients were their previous work can be viewed and many times new clients contact them after have seen their newsletters. It happens very seldom that they contact new clients. You are never better than your most recent assignment in this business, states Agency A.

### 4.1.2 Successful relationship

Agency A defines the relationship with client A2 as an example where they have created a constructive dialogue with understanding for each others way of working. Client A2 has clear defined goals with their marketing and they know what image they want to create for their customers. Agency A explains as well that they do not expect the client to present a mission finished to produce when they come to them but it is of great importance that the client has a realistic picture of what they want to achieve and also allows the agency to step in and take care of the parts that they are hired to do. With client A2 there exist commitment and trust which contributes to a more efficient collaboration. Agency A1 underlines though that they are constantly working for enforce the relationships with all their clients, there is always room for improvements.

### 4.1.3 Client-relationship stressing for improvements

Agency A is currently in what they refers to as the introduction phase with client A1 and it is in their interest to establish a relationship on a long-term basis. However, they experience difficulties in reaching mutual understanding, which they claim the clients lack of understanding for the agency’s working process to be the reason. As well as undefined goals for their marketing. Agency A claim it would be appreciated if the client had their goals more clearly described, which would facilitate and give the agency a better platform in helping the client design their marketing in this direction. Agency A as well states that the lack of understanding in the working process many times contributes to unrealistic expectations of the result of the mission.
4.2 Client A1

Client A1 is a company with twelve employees, which produces plastic articles for industrial use. They have sixty years of experience within the business and their customers are mainly industrial companies in the Nordic countries and Balticum. Currently they are in an expanding process and aiming for the north European market. The interview was conducted with the market director who has several years of experience at this position in the company but as well from other companies, which operates within business-to-consumer markets. (Personal communication, 2006-11-23)

4.2.1 Use of external consultancy in marketing activities/Involvement of agency

When discussing how much influence the advertising agency has in the strategic marketing planning in the company, Client A1 state the agency has no influence at all. First the idea and goal with the marketing are stated within the company and first at this stage they contact the agency with their idea in order to get a cost proposal. Client A1 says the use of advertising agencies is only for pure production purpose. However, client A1 think agencies could contribute with valuable input concerning the strategic marketing planning, but up until today client A1 has never experienced a relation with any agency that has reached a dimension where they felt it could be valuable to involve the agency at an earlier stage in the process. Client A1 stresses the importance of trust and commitment as the key to a successful collaboration.

Client A1 experience that advertising agencies in general are lacking in communication. Client A1 states the agencies have their way of communicating, which is very business specific. Client A1 experience as well that the agencies prefers to run their own race. Client A1 states that many times the agencies do not realise that the client has a different background than themselves and therefore it can be necessary to adjust the “language” in order for the client to understand it correctly, hence the conversation would have a valuable outcome or both parties.

4.2.2 Funding marketing activities

Client A1 states they don’t have a set budget for marketing, since the need of marketing varies a lot within their business. As well client A1 states that sometimes they can come up with a marketing idea, which they think is genuine and believe in. And if they decide to go through with it or not are decided after a cost calculation. Client A1 says what they can spend on marketing has a roof, but they never set a strict marketing budget since they think that might limit the creativity within the company. And that is not the way client A1 wish to work with marketing.

4.2.3 View on current agency-client relationship

When client A1 establish a contact with a new agency, the decision to continue is or not is if the agency manage to gain their respect. Client A1 states it is of very high importance what the agency accomplished for other clients, which is relevant is if they can understand their problem and what they want to achieve with their cooperation.

Client A1 states it is all about what kind of “feeling” the agency gives them, if they feel that the discussion has a good ”flow”, then they have a platform to build further. Client A1 states that A1 says it is very seldom they are being contacted by agencies offering them their favours, it is client A1 who takes the first step to get in contact with the agencies.

Client A1 turns to various agencies depending on the nature of the work. Sometimes they have a few agencies, which they have returned to since they feel there is a trust between them. Client
A1 states further that even if the assignment is of a nature that would be a new challenge for the agency in particular, if trust is present then they are confident that the agency will do a satisfying work.

### 4.3 Client A2

*Client A2 is a leading Swedish family owned company within the shoe industry with approximately 1000 co-workers and operates in the business-to-consumer market. They have 36 years of experience within the industry and during the years they have expanded hugely and are today a well recognised brand with 142 branches in the Scandinavian countries and are constantly aiming to expand. The interview was made with the marketing director for Scandinavia. (Personal communication 2006-11-21)*

#### 4.3.1 Use of external consultancy in marketing activities/Involvement of agency

Client A2 has during the years developed a clear image that they wish to be perceived as by their customers, therefore it is crucial for them that the agency is well aware of what message they want to communicate to their target market. Client A2 says the marketing strategy is set internally within the company and even though they have established good relations with agencies, it has never been an option to involve the agency in the strategic marketing planning. Most likely the agency could contribute with some valuable input but it has so far never been desirable to have any external involvement in the companies marketing and cooperate strategic planning. Client A2 states that a good relation with the agency on a long-term basis is always a goal, but what is a determinate factor is the personal relations they developed with people within the agency. Client A2 states as well that a continually relation is not significant with increased integration in the company.

#### 4.3.2 Funding marketing activities

Client A2 has a set budget for marketing, which is set on a yearly basis. The budget does not state exact amounts for every project, but there is a certain roof, which can not be exceeded. Client A2 explains that within the fashion industry there are two seasons per year, spring and autumn, therefore the marketing is more intense during these periods. Hence the marketing budget is more or less divided between these periods.

Client A2 states the marketing strategy is directly linked to sales and this how they measure the success of an assignment. Client A2 states further that since two years back there has been a steady increase in sales, which they don’t think is a result of improved marketing, but rather increased buying interest from their customers. Furthermore Client A2 underline that this increase does not merely concern their sales but the business as a whole.

#### 4.3.3 View on current agency-client relationships

Client A2 is involved with several advertising agencies and have been working with them for a long time. Client A2 has many years of experience within the agencies and has experienced that relationships with some agencies have failed to communicate in a satisfying way. Client A2 states that this is not having their goals and visions clearly defined, which Client A2 underlines are very well defined, but rather the lack of personal chemistry with people within the agency. They have a clear picture of how they want the assignment to be carried out and their expertise help to design it, and that is the main reason why they turn to the agency for their marketing requirements. Therefore it is of great importance that they can have a constructive dialogue with the personal...
who deal with their assignment, states Client A2. With the agencies Client A2 are currently working with there exist good personal chemistry and dialogue.

4.4 Agency B

Advertising agency B is a medium sized agency, defined by comparing to other Swedish-based agencies, operating on the Swedish market. The agency is a family owned business, which according to their managing director contributes to their flexibility as an organisation. Their staff consists of skill-differented personal adding together expertise within psychology, engineering, culture and art, economics, design and leadership/project management. The key personnel attains many years of experience within the advertising business. However, there is a mix of experienced “oldies” and motivated “youngsters”. The Interview was conducted with the managing director of Agency B (personal communication, 10-11-2006)

4.4.1 Desired involvement in client

Agency B’s objective is to gain profit through long term relationships with their clients. In the advertising business they claim that short-term relationships are very expensive for their clients, due to high research and consultancy costs in the early stages of the process. However, they state that the switching cost affects them in a similar manner, because of the uncertainty of client quantity. Agency B strive to achieve long-term relationships were they can be part of the whole marketing process; development of strategy, creativity and production/implementation of communication tools.

According to the MD of Agency B, many times prospected client objectives are to involve an advertising agency in the two latter stages of the marketing communication process. Hence, Agency B claims clients believe their own capability regarding strategic marketing aspects to be sufficient. However, Agency B stresses that one needs “small” clients too in order to be a profitable agency. Additionally, the agency pointed out that pure advertisement production with a low degree of involvement in the client’s image, culture and identity will not create similar quality of agency performance.

Agency B consider that a major source of relationship failure is due to client lack of knowledge concerning essential marketing concepts. They claim it is often a sense of a one way process where there is a distinctive gap of opinions between the agency and the client.

4.4.2 Successful relationship

The chosen client B1 with whom Agency B claims to have achieved a successful and opportunistic relationship with, is described as a mutual long term relationship where both parties have well-defined roles. Further, the agency finds themselves to have influence on client strategic marketing choices as well as creativity and implementation of campaigns. Furthermore, the agency feels they have achieved the desired involvement.

Agency B claims to deliver the whole basket of marketing services to this client and therefore state their relationship to be on a long-term basis. The agency find client B1’s progression thinking and attitude towards marketing to be especially interesting in dealing with this client’s branch.

4.4.3 Client-Relationship stressing for improvement

The relationship with client B2 is desired to be improved since Agency B note the client to be neglecting their efforts to assist them. They find their role in the agency-client relationship and are aware of agency competition for the specific client.
One reason is mentioned to be the “out of date” industry client B2 is operating in, which is described as a slow changing branch. Agency B define client B2 to have broad knowledge about marketing and advertising. However, they are dissatisfied with only being a part of the pure production/implementation stage and having very limited creative input. Agency B wants to develop a better relationship through deeper involvement and more creative input.

4.5 Client B1

Client B1 is operating in the Swedish port industry with a history stretching back to the beginning of the 1900’s. There is a focus on imports/exports and a stress for internationalisation and B2B relationship building. The interview was made with the domestic marketing manager of Client B1 (personal communication 29-11-2006)

4.5.1 Use of external consultancy in marketing activities/Involvement of agency

Client B1 describe the initial phase in the development of a marketing strategy to be handled internally and no external competences are utilized. During this process Client B1 create their core strategies based on company identity, image and vision, potential market entries, positioning and possibilities of market-share gains.

Client B1 states that external competence is brought in to influence strategies through specific market knowledge. For this purpose business-specific consultants are utilized. However Client B1 says that these type of external usage is rare.

Further, Client B1 explains that the next step is to constructively find creative solutions of how to meet the strategic objectives. In this process the Client B1 sees a need for external influences, and an advertising agency is seen as an important source of success. Client B1 describes the agency’s creative implementation to be highly valued in terms of communicating the creative solution to customers. Client B1 mentions that the company’s image has gained an ability to communicate their qualities and competences more efficiently through their agency’s, Agency B, development of their graphical profile. Regarding the degree of agency involvement, Client B1 states that it is determined differently according to campaign objectives. Some assignments include agency in “the whole process”, from creative idea process to implementation. However, some cases where basic print ads are needed the job is completed internally with only the actual production is handed to external parties.

4.5.2 Funding marketing activities

When determining the funds necessary for communicating the above mentioned objectives, client B1 says that one must distinguish between advertising and marketing budgets. Client B1 claims that marketing is intangible and diffuse and therefore not easy to measure. Prior to determining the advertising budget however, Client B1 calculates a certain part of the budget each year according to “affordable” reasoning. Thus, the limited budget sets the tone for the potential creative width in realizing stated objectives of advertising campaigns. Furthermore, Client B1 mentions that a large portion of the advertising budget is “spent” on external competences where an agency has an important role in creativity and implementation/production.

Client B1 describes advertising efforts as a cost, due to the difficulty in measuring the effectiveness of campaigns. Hence, Client B1 claim to stick to a “maximum limit” when evaluating Agency performance. The importance of advertising and the link towards sales performance is acknowledged by Client B1 but also critically. A restricted viewpoint on the advertising budget. When companies advertise budget size over a
year period Client B1 state that there is a notable decrease in funds. This is explained by Client B1 to be a result of increased alternative channels to communicate, more concentrated customer focus and well established relationships with external parties involved in advertising activities.

4.5.3 View on current agency-client relationship

Client B1 says that a long term relationship is attained with current agency, agency B, and well defined roles are established. The relationship is described as being built on interactive communication where mutual understanding is the objective and so far it has been successful. However, Client B1 is hesitant in involving an agency too close, hence a good business partner is desired and “friendship” is seen as destructive development of the agency-client relationship. Occasionally, Client B1 find communication difficulties in the relationship, which is proved by difficulties in understanding why the agency is stressing for certain aspects to be of crucial importance. Internally, Client B1 seems to have difficulties in sharing a common view on what is considered as marketing and what is not. This is seen as a hinder creating difficulties in determining the budget for advertisement.

4.6 Client B2

Client B2 is one of the leading manufacturers of wood-containing printing paper in Europe. Total turnover is approximately SEK 8 800 millions. Average number of employees is 2500. Overall business concept is: production, marketing and development of wood-containing printing papers. Client B2’s paramount goal is to achieve good long-term profitability, at least on a level with its adopted profitability targets. This is fundamental for the positive development of the business and is the single most important factor in the security of all employees. The interview was conducted with communication manager at Client B2 (personal communication, 29-11-2006)

4.6.1 Use of external consultancy in marketing activities/Involvement of agency

Client B2 is active on the global market and the company stresses that there is an increased role for marketing and advertising. The firm has one central marketing division/unit with 45 employees. However, Client B2 emphasizes that “the whole company” is involved in the company’s marketing strategy and the internal marketing division is responsible for the strategy.

Client B2 claim to have a well developed marketing division, which in collaboration with the sales division and top management create visions, goals and objectives for marketing strategies. These aspects are considered to be handled internally with very limited external involvement. When Client B2 determines the marketing strategy for a given period, is based on analyses of sales budget, current market outlooks, potential market entry, competitor activities and trends. The company states that external input is first considered during the initial stage, where the focus is put on the creative performance related to advertising strategies. According to Client B2, the role here is to coordinate the internal project group with the agency and the project group. Further they state, that their marketing focus is on improving competitive advantages, are built on their long-term relationships through service marketing and just-in-time delivery. In this stage, Client B2 describe the role of advertising agencies is to help create the overall network. This is stated to be important for the company in order to enable more efficient services, communication with customers through internet, homepages, intranet etc. Client B2 also mentions that a typical “task” for an agency is translating brochures into several languages. Regarding the agency competence Client B2 states that they are looking for creative and additional services.

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full-service agency. Client B2 states that for their agency-relationships they have an objective to educate the agency to increase their knowledge about their business and objectives.

4.6.2 Funding marketing activities

According to Client B2, the size of the marketing budget is determined after their corporate strategy is set. The Client states that first projected sales, long term goals and objectives are defined and in turn these provide a platform for the creative marketing process. Client B2 sets goals and objectives first, based on visionary outcome of a campaign, and then try to match the marketing budget accordingly. Further, Client B2 describes that the creative process combined with the implementation plan determines the size of marketing budget. The overall marketing strategy and viewpoint, is described by Client B2, to link to all levels of company. This is also included in the marketing budget, through development and training of sales personnel, which is viewed on as crucial marketing efforts. Client B2 emphasizes that “even workers on the floor” are important marketers of the company.

Moreover, Client B2 explains that marketing is seen as an investment and is calculated with a certain risk percentage similar to a purchase of new technology. Further, Client B2 claim to have a quite flexible view towards marketing spending, thus “some trade shows are essential to attend even though it might not have been planned”. Client B2 also mentions that there is usually a budget push at product launches and that the company realizes the connection between sales, marketing, and advertising spending.

4.6.3 Current agency-client relationship

In terms of agency selection, Client B2 states that they involve different agencies depending on the campaign outlook. Agencies are carefully selected based on competence and graphical location. Thus, agency involvement is very different from case to case. According to Client B2, the reason for having several agencies appointed is to create a competitive environment, which they claim to result in, increased agency performance.

Client B2 highlights that since the company operates on a global basis, they demand agencies to have knowledge of different cultures. Thus, Client B2 stress that the vital agency competence is to be able to produce appropriate ads relating to print quality, colours, acceptance which are factors that differ among countries. Client B2 further mentions that personal matching is important in relationships, emphasizing the important role for the project manager at the agency to function as a communicative link between the company and agency. Client B2 is looking for down to earth associates with “reality grip” and state to have encountered many advertising agencies who oversell their abilities. The focus for Client B2 is on appointing an agency with specific competence related to B2B-environments and cultural differences.

4.7 Agency C

Agency C is a merger of two companies with a long history within the creative marketing. The company is a merger of a traditional advertising agency and a web-design bureau, which combined gives the agency a wider range of expertise. The firm claim to enhance a wide range of competences provided by the merger, which is both creative design and technology. The merger has also resulted in a relatively large agency, compared to other English agencies, with 50 employees. This provides a good platform for serving as a full-service agency for large clients accounts. The main focus for Agency C, is to attract B2B projects were there is not approach. Their vision is to attract the largest client’s present in the region, have superior competence compared to competing agencies in the region and compete for the most attractive B2B-agents for the company. The interview was conducted with the project manager at Agency C (personnel reference: 1-12-2006).
4.7.1 Desired involvement
Agency C state they are striving to attract clients that have a focus on exports and expanding their business on a global basis. The main objective for client relationships is described to have deep strategic involvement. Agency C states that there is a desire to be involved in “all three steps of the marketing communication process”. Thus, Agency C mentions a strive to be involved in a client’s strategic decision making process, creative input and finally production/implementation of communication tools. Agency C claim that clients only interested in basic advertisement production cannot “afford” the agency’s services. Hence, Agency C emphasize that in order to achieve professionalism strategic involvement at all levels are a must, even for basic print-ads.

4.7.2 Successful relationship
When asked to pick a client relationship where the agency was satisfied with their role and were they feel to achieve their objectives, Agency C named Client C1. Their relationship with Client C1 is described to have a long-term focus with emphasis on clear role definition and mutual understanding. Agency C claims to have attained the relationship due to their successful performance and relationship maintenance. There is a presence of trust and reliance enabling for strategic as well as creative involvement, according to the agency. Hence, agency C claims to be assisting on both marketing and advertising activities.

4.7.3 Client-Relationship stressing for improvement
The relationship with Client C2 is seen as positive and with long-term focus from both ends. However, there is a demand to be more strategically involved from the agency side. Agency C sense trust from Client C2, but there is a willingness to be a part of strategically important decision making. Agency C states that there is a feeling of not being able to meet the client’s expected outcomes and full usage of agency competence.

4.8 Client C1

Client C1 offer cleaning solutions and corresponding systems for professional B2B users. The history of the company stretches over 30 years and today employs approximately 160 employees and is operating in 12 different countries. Client C1 is part of a larger group which is Germany-based dealing with similar products within B2C markets. The group has around 28,000 employees and is active in 44 countries. The interview was made with the international marketing manager at Client C1 (personal communication, 11-12-2006).

4.8.1 Use of external consultancy in marketing activities/Involvement of agency
When discussing the desired level of involvement, Client C1 was agreeable to be involved as early as possible in the marketing communication process. There is a stress, from Client C1’s perspective, through deep involvement, quality interaction in creative phase and finally through production/implementation. Involvement on a long-term basis is seen as a crucial objective in order to achieve the marketing objectives in a successful manner accordingly. This is further emphasized through Client C1’s reasoning of an agency as a consultancy firm instead of, commonly described, pure advertising producers. The international strategy for Client C1 was developed together with one agency, Agency C, in Sweden and than adopted to foreign agencies. Client C1’s appointed agencies outside Sweden work as production partners. If the production part of the project.
4.8.2 Funding marketing activities

Agency C1 states that the marketing and advertising budget is set jointly and with common consideration among the company group. The size of the budget is set according to percentage of projected sales for the coming 12-month period, hence Client C1 stress that there is a clear correlation, in terms of reasoning, between marketing efforts and sales. However, Client C1 highlights that from the marketing division point of view the budget determination can often seem quite strict and with little room for flexibility in budget stretching during a given period. There is a claim though from client C1, when new opportunities in communication channels appear useful, as when Internet was first seen as a marketing investment, company management are willing to loosen their tight grip of the marketing wallet. In general 1/3 of the marketing budget for Client C1 goes to consultancy investment through appointed advertising agency. Finally, when discussing the marketing budget, Client C1 mentions that marketing is not viewed as an investment throughout the organisation but mainly from the marketing divisions point of view.

4.8.3 Current agency-client relationship

Client C1 views the current agency relationship as very positive. There is a sense of trust and commitment. There is awareness and understanding for each others strengths as well as weaknesses which proves a well established communication process. Currently, Client C1 uses one agency for the domestic market, which is involved at all steps of marketing communication development; strategic, tactical, creative and production/implementation. Client C1 states that a constructive dialog through creative reasoning in a 2-way feedback process is common in the working relationship with their advertising agency. The relationship with Agency C has lasted 4-5 years and is described to have a long term focus. Client C1 claims that the company sees positive results of involving an agency at an early level and consider agency consultancy as an investment. The only negative aspect mentioned by Client C1, regarding the agency, is the sense of agency lacking in performing the additional creative edge.

4.9 Client C2

Today client C2 is one of the world’s leading manufacturers of heavy trucks and buses. Industrial and Marine Engines is another important business area for Client C2. The company also markets and sells a broad range of service related products and financing services. Client C2 is an international corporation and has operations in more than 100 countries. The number of employees is more than 28,000. The interview was conducted with the domestic marketing manager at client C2 (personal communication, 12-12-2006).

4.9.1 Use of external consultancy in marketing activities/Involvement of agency

Client C2 states that advertising activities are to be handled by the internal units. However a situation arises and external expertise is needed then cooperation to use consultants is considered. The level of involvement varies from day to day in the different areas of the company. However, Client C2 mentions that there is a constricted attitude towards long term relationships with agencies. One reason to the uncertainty of strategic competence is mentioned by Client C2 to be because of the company’s complexity of products and diverse accessible markets. “Agencies are seen as having difficulties understanding these complexities and coping with them”. Further, Client C2 sees marketing activities as complicated and external help is denied; however agency involvement is limited to communication assistance. Since Client C2, strategic marketing issues are handled strictly internally, their external agencies are viewed by Client C2 as a “purchase” of specific services, rather than a creativity input, design and
production of communicative tools. An example of a typical advertising agency basic task Client C2 mentions; updating the firm’s graphical profile or designing copy material in a cost-efficient way. According to Client C2, in B2B advertisement an agency having a competent copy is seen as highly important, if this is not the case there will be no involvement at all. Branding is a concept that Client C2 considers to be handled in-house.

Client C2 states that they quite often find agencies to be “incompetent” when it comes to strategic marketing planning and therefore agencies are seen as basic craftsmen performing communication-specific tasks predetermined by the company.

### 4.9.2 Funding marketing activities

When generalizing the view of marketing, Client C2 has the opinion that marketing activities are seen as an investment, similar to a purchase of a machinery park, and not as a cost percentage of sales. According to Client C2 this explains the flexible view of setting budget according to pre-identified goals and objectives and not the other way around. When calculating and analysing marketing funds Client C2 state the key-word towards advertising agencies to be cost efficiency, i.e. pure purchase of services.

Client C2 explains that a long-term sales plan is usually set for a 5 years period, reflecting what is needed to be achieved. This leads to a variety of agency usage, and as Client C2 mentions sometimes a specialized agency is desired such as an event agency. However, Client C2 claim that switching-costs related to agency usage are high and therefore the budget corresponds to long-term relationship focus. Additionally, Client C2 emphasises a long term relationship approach due to the complexity of the company’s products that take time to learn.

### 4.9.3 Current agency-client relationship

According to Client C2, several advertising agencies are used for communication purposes, hence competition among agencies is argued to lead to increased quality and avoids an agency to become “too comfortable” in its role. Through multi-input the competitive environment among the different agencies is stated by Client C2 to provide a creative platform and maintain the quality of work. Client C2 view their current agency relationships to have a long term focus, since it is argued that it takes time to build a well functioning relationship due to the complexity of Client C2’s products and agency adoption to the business. Client C2 describes current agencies to be assigned to perform basic advertisement production with creative input. Hence, Client C2 claims B2B communication needs to be narrow and more direct and which stresses for very task-specific competence.

### 5 Analysis

In this chapter we will analyze the results from the empirical findings, answering questions with further guidance supported by theories chosen.

What motives does a company have when involving an advertising agency and what level of involvement is desired by both parts?

Generally, agencies seem to have an ambition to attain stable, which is often neglected by their clients. The stress for strategic involvement in a client’s marketing communication process is shown to be a common aim among the interviewed agencies.

All three interviewed advertising agencies claim their objective regarding their relationship with their clients is to be a part of the marketing strategy, creative development as well as implementation.
and production of communication tools. None of the agencies claim themselves as being a pure “production” agency, all agencies state their strength to be within strategy and creativity. This is in line with the arguments made by Smith, Berry and Pulford (1998) through their discussion that the marketing communication strategy can not exist in isolation from marketing strategy which are directly linked to a company’s corporate strategy. Thus, agencies desire a top-down approach referring to the “pyramid” model. Moreover, agencies stress the importance of integrating a company’s goals, vision, image and identity in all marketing communication activities in order to achieve desired quality of performance. In contrast after interviewing the six chosen clients, the authors got the perception that the ideal top-down approach stated by Smith, Berry and Pulford (1998) and the agencies, is not desired by the clients.

Another similar viewpoint is Duncan and Moriarty (1998) who support the arguments stated by Smith, Berry and Pulford (1998) through stressing the importance of integration between units within the company, but as well integration of external competence. Indicating that a deeper involvement of the agency would improve the marketing communication process and that companies should look at the whole picture, instead of dividing the company into separate sections that are being handled by managers, who have very limited integration with other sections in the company. Although most clients claim their internal departments to have a well functioned cooperation, yet the authors get the impression that the marketing and marketing communication decisions are taken relatively independent by each section and other sections are satisfied with that procedure. One can speculate if that is due to unwillingness in trying to grasp the marketing topic or if the attitude among companies is that everybody should focus on what they do best?

A majority of the interviewed clients are redundant to this reasoning and often what they are looking for regarding agency involvement viewed from the pyramid model is involvement at the lowest level in the pyramid. In fact it seems only Client C1 has a desire to involve the agency in the strategic planning process and relationship building on a long-term basis is a crucial objective for Client C1. This indicates that Agency C’s perception of their relationship with Client C1 actually is in line with the clients. Furthermore, both emphasis trust, clear role definitions and mutual understanding of objectives to be the key factors.

An interesting aspect is that Client C2 is the second after Client C1, who doesn’t hesitate to use external consultancy when needed, even though there is an uncertainty towards the agency’s capabilities in terms of involvement in the strategic marketing planning, which Client C2 as well states is due to the complexity of their products. According to Beard (1999) clear communication of information and role-clarification are important aspects in order to successfully maintain an agency-client relationship. It seems Agency C is the agency that has been most successful in co-ordinating their objectives with the clients referring to the aspects stated by Beard (1999).

The remaining four clients A1, A2, B1 and B2, are quite reluctant to cooperate with the agency, for other purposes than pure advertising production. Client A1 can not see the client’s perspective of the agency at an earlier stage, but claim the reason to why they see it so far is due to lack of trust and mutual understanding and Client A1 put the agency responsible for this issue. Beard (1999) states further that the level of communication determines how well the expected outcomes from a client’s perspective match the expected outcomes. What is clearly apparent, the problem is caused by miss-communication.

Client B2 distinguish slightly from A1 and B1 in terms of integration within units in the company, which as well is stressed by Smith, Berry and Pulford (1998) to be a primary factor leading to successful marketing communication. However, Client B2, when they ones involved, are one to one relationship and is in contrast to client A1, A2 and B1, find it crucial that the agency is well aware of their
overall business objectives. Hence Client B2 wish to have much involvement from the agency but not until they are at the pure advertising strategy phase.

Client A2 is the only client who merely operates on the B2C market, which may influence their marketing strategy and desired involvement from the agency. Ford (1998) argues that B2C markets is characterised by the company’s actions and the consumers reactions, while the B2B market put more emphasis on interaction. Client A2 has as a main goal with their marketing to catch the customers attention (reactions), therefore stressing the importance of the agency’s understanding of how they prefer the assignment to be carried out. However, Client A2 further claims agency involvement in the strategic marketing planning not to be desirable, which would be beneficial for them regarding increased understanding for marketing objectives by the agency. Client A2 underlines the importance of a good dialogue and personal chemistry as key factors for maintaining co-operation with an agency, but still does not wish to develop the relation towards higher integration in the company. One gets the impression that Client A2 has identified which key factors they value in the relationship with the agency, but even though these are present, Client A2 is quite determined in their statement to not involve the agency on a strategic level.

An interesting aspect is that five out of our six interviewed clients claim the purpose of involving an advertising agency is mostly reflecting production and implementation of communication tools, which is the last step in the “pyramid” model reflecting the marketing communication strategy (Smith, Berry and Pulford, 1998). Hence, five relationships fail to match according to relationship objectives. Only one of the interviewed clients, Client C1, promotes the need for involving an advertising agency for strategy, creativity and production/implementation. Thus the relationship between Agency C and Client C1 was the only one where the agency’s desires were met by the client’s motives.

Although there seem to be diversified perceptions regarding the benefits of deeper involvement. All agencies seem to have a clear picture of what the benefits of deeper involvement would be, both for themselves and their clients, which regarding to the authors can be viewed from two perspectives; for the pure working process a deeper level of involvement would most likely increase the efficiency and quality of the work. Secondly one can deny that deeper involvement also equal more profit for the agencies and likewise the clients hesitation might stem from the cost factor of deeper involvement. Not claiming that the cost factor is merely the reason for not integrating and agency deeper into the company’s strategic decisions, but regardless if the client has a firm marketing budget or a more flexible, it is a fact that it is an expense for every company. Therefore, which might be unconsciously, but the clients act up on this fact by being reluctant to deeper integration.

And adding that the general perception among the clients is that the advertising industry is of a complicated nature and its purpose and working processes are many times hard to grasp, then one can from a client point of view understand the hesitation of deeper involvement from the agency. Though the involvement of an agency is rather seen as a means to an end as a tool to reach the company’s internal goals instead of realizing the agency as an agency can contribute with as a communication pipeline between the company and its target costumers.

It seems the agencies are pushing hard for deeper involvement, which is not necessarily a problem a majority of the clients don’t mind to establish a relationship on a long-term basis but seem to be satisfied with the agency only being involved in the advertising production. Though most of the clients can imagine the benefits of involvement at an earlier stage in the pyramid, one can notice that there is a lack of confidence and security regarding the deeper involvement on a strategic level. On the other side read between the lines, the agencies coherence of the clients needs seem to be poor in some situations. The agencies tend to take over the situation, but rather that their industry specific expressions and way of
working is unfamiliar to the client. Hence the client gets the feeling of being more of a spectator of the assignment instead of the feeling of mutual understanding and positive exchange of knowledge.

The authors are given the impression that communication and clear role definition are factors leading to a compensated level of agency involvement. Hence agencies would realize why clients are hesitant of them being too involved. And clients might see the opportunities and performance increasing with higher level of strategic involvement.

Is there a difference of how Agencies and their Clients perceive the elements contributing to marketing communication?

The authors find it fundamental to analyse whether advertising agencies and their clients share similar attitudes towards what is to be considered as marketing efforts and why it is important. According to Waller (2004) sharing attitudes on marketing as a concept is essential in order to provide good terms for the working relationship. Through analysing the clients view on and what determines the marketing budget, one can draw conclusions concerning their view on the marketing concept as a whole. The essential aspect here is whether a company views marketing as an investment or as a cost. Additionally, the authors want to see if the marketing strategy is correlated with the overall strategy as Smith, Berry and Pulford (1998) and Duncan and Moriarty (1998) state.

As mentioned previous, when analysing the empirical findings, the three interviewed agencies seem to share similar views on the issue, through stressing strategic involvement in client marketing strategy as well as in the corporate strategy. The agencies seem to agree that this viewpoint is necessary in order to deliver a high level of performance, regardless what the task may be. This viewpoint awake the question what the unspoken motives may be for the Agencies. One can from an agency point of view see the reason why they find it necessary to be incorporated in their clients marketing and corporate strategy planning, hence business wise it would be strategically more convenient to evolve existing customer relations rather than try to capture new ones. Indicating that it is more profitable to keep existing customers, since capture new ones would be a marketing expense for the agency, with no guarantee of future profit. This argument is supported by Duncan and Moriarty (1998), hence it seems the scholar point of view in this matter is very much in line with the empirical findings. Even though all agencies state higher level of performance to be the main reason, which naturally is essential. However a combination of both seems most likely to be the main motive for the agencies. Therefore the authors can also generalize the agencies view on marketing to be marketing as an investment.

Regarding the client viewpoint on marketing as an investment, one could expect a majority of the clients to state marketing efforts to be an investment. And as well that increased financial input would equal increased performance from the agency. The authors get the impression that marketing viewed as a good investment is based on other factors than just performance. As mentioned previous Waller (2004) claims attitude sharing to be a key to success within the relationship between an agency and its client. This refers to whether the agencies key personnel share the same attitudes towards marketing as the clients. As mentioned previous Waller (2004) states the performance of the agency and level of satisfaction of the client are strongly connected to shared attitudes. Likewise Beard (1990) claims understanding agency and client expectations to create client dissatisfaction in terms of agency performance. Reffering to these statements one can wonder if the financial input from the clients will affect the agency’s performance if crucial attitudes regarding marketing topics are not shared. Does a flexible budget equal higher agency performance or is it simply a matter of good communication between the parties?

What follows is an analyse of each relationship in terms of the three discussed aspects.
Client A1 has a flexible budget for marketing, since they claim the need of marketing varies a lot in their business. There is a mindset from the client side that marketing is an investment and strongly correlated with the company’s overall strategy. Surprisingly Client A1 seems to have a very clear idea of what they want to achieve with their marketing and as well one gets the impression that Client A1 posesses good knowledge regarding marketing topics. Despite this Client A1 is resistant to agencies ability to work up a marketing idea that would be to their satisfaction, stating that they already know what they want when the Agency is contacted. In this sense, Client A1 views the agency as a pure production tool, where they deliver the creative idea blueprint and expect the agency to produce it. One could have expected that a flexible budget would equal more flexibility and creative space for the agency, but interestingly Client A1 states the reason for having a flexible marketing budget is to not hinder the creativity within the company. Client A1 admits though that if an agency gain their trust, then they are confident in the agency’s performance regardless of the task. Client A1 mention trust, committment and good “flow” in the conversation to be crucial factors for evolving a relationship further with an agency. Hence it seems Client A1 is open to strategic involvement but one gets the impression that Client A1 believes the scenario where an agency would posses all these factors is most unlikely to happen.

To summarize one can conclude that regarding marketing as a concept, Agency A and Client A1 share similar attitudes even though this relationship was described as need for improvement by both parties.

Client A2 has a set budget for marketing which is set on a yearly basis. The budget does not determine the exact amount every project can cost but they have a certain roof which can not be exceeded. Their view on marketing is more of a cost based approach than investment, and there is no correlation between the overall strategy, even though they mention the correlation between marketing spending and sales. In that sense Agency A and Client A2 have parted view on marketing. Interestingly this relation was considered as the successful relationship. And yet they have quite distinct views on each others role in this relation, though Agency A claims the relation with Client A2 to be at a desired level for the Agency, where strategic involvement are present. It seems both parties are quite satisfied with the actual outcome of the relation, yet their perception of level of integration is strongly different. In other words, Agency A has the perception that the relation with Client A2 is successful in terms of desired integration in the company. Meanwhile Client A2 as well views their relation as successful, but stating that Agency A is not strategically involved and that it is not desirable nor nothing they are aiming for in the future.

Agency B claims that the objective is to be strategically involved in the relationship with clients regardless what the task may involve. Thereby the Agency’s view on marketing correlates corporate strategy and marketing strategy. Agency B sees marketing as an investment but claim that often their clients do not share this view. Agency B even states that clients often lack knowledge of basic marketing concepts. Comparing this view on the successful relation to Client B1, which was mentioned as the successful client relationship, the perception is quite different. Firstly, Client B1 divides between advertisement and marketing efforts as a cost and their reasoning displays no correlation with the company’s overall strategy. The authors can conclude that even though both agencies describe the relationship as very positive their view on marketing as a concept and correlation with other company functions differ widely.

The relationship between Agency B and Client B2 was described as in need for improvement by the agency. However, when comparing their view on marketing as a concept and very similar attitudes. Client B2’s argument that “even workers on the floor” are important marketers of the firm is very much in line with Grant’s (2002) view that can be seen as marketing efforts. Client B2 further describes
marketing strategy is to link all levels of the company. This is in line with the Agency view on the important linkage which they claimed their clients often lack. Overall, Client B2 views marketing efforts as investments with strong correlation to the company’s overall strategies and which would be an ideal viewpoint if one compares this to all three agencies.

When analysing the relationship between Agency C and Client C1 there seems to be quite similar views on marketing as whole, at least between key personnel. Client C1 even mentions that they have seen positive results when linking marketing strategy to the corporate strategy as their Agency, Agency C, promoted. Mainly, there seem to be a clear understanding of what the other party considers of the concept of marketing, which is in the authors opinion vital. This relationship was described as very positive by both parties.

Between Agency C and Client C2 there seem to be clear similarities in terms of viewing what is considered to be marketing and what is not. Client C2 has a quite progressive standpoint towards marketing and sees it as an investment similar to the agency. The client views marketing quite similar to Grant’s (2002) statement that all operations of a company should be seen as marketing. Both parties seem to stress the correlation between the overall strategy and the marketing strategy, however the main issue here is the parted view, as mentioned earlier, on agency involvement and competence.

When summarizing, Client view on marketing differ. Half of the clients have a restricted view towards funding marketing activities and the goals and objectives are set after the budget determination. In contrast, the other half of the clients see marketing efforts as an investment and set their marketing budgets according to what they want to achieve with strategy, goals and objectives for a given period. The latter corresponds to the agency view on marketing. The view of integration of all areas of company’s business activities is stated by Duncan and Moriarty, (1998) arguing that everything a company does is marketing and thus marketing is viewed as an investment.

Very interestingly, all three clients stressing for the importance of integrating as many aspects as possible of the company strategy to marketing communication strategy where also the three mentioned by agencies as client-relationships they wish to improve. Why is this the case? Is it that companies that focus a lot on marketing efforts and seem to have broad knowledge of the area in-house is more sceptical to agency involvement and competence in general?

The authors can conclude that having similar views on the concept of marketing is not a critical factor leading to success. Ironically, the analysis shows the connection to be the other way around.

**What are the main factors contributing to the success or failure in an agency-client relationship?**

What really determines the success or failure of a relationship? When should a relationship be identified with the terms, objectives and outcomes? Is it possible to find similar patterns in these types of relationships? The authors will try to identify a number of success factors through analysing the empirical findings and theoretical framework.

Most of the empirical findings seem to prove client trust and commitment as key factors for whether to establishing and developing an agency-client relationship or not. However, the results from our empirical findings show that the presence of trust and commitment alone is not directly influence the success or failure of a relationship in terms of performance, but only as setting reasonable terms to develop upon, hence as a platform necessary for developing this. This is accordingly to Grayson and Ambler (1999) who state that developing trust and commitment with a client will not always lead to a positive effect of client retention. Further, this pinpoints an essential consideration for agencies...
ure of a client. This seems to be the problem with Agency A and B, the authors found that when the agencies claim they have achieved a successful relationship there is as much improvements and “work” needed as for the desired improvable client-relationships mentioned. This highlights the aspect of mutual understanding between agency and client in determining what defines successful relationship as a crucial factor.

An interesting observation is the positive chemistry generated between key-personal, between Agency B and Client B1, which is a good platform to improve upon. Although one can sense the hesitant view from Client B1 in the relationship of becoming too “friendly” as it can dampen the level of agency performance. Grayson and Ambler (1999) state being too similar in terms of “thinking” can cause constructive creativity to decrease. It is therefore one can see long term alliances to create one party, mostly agency, taking advantage of the generated trust and act opportunistically on it. The authors sense that this may often be true in agency client relationships.

Similar findings is seen between Agency C and Client C1 and maybe the only finding in that case that can be seen as an aspect creating a hinder. Hence, Client C1 stress for additional creative edge from the agency. It might be the case that the agency and client have become too similar in terms of thinking, which can cause the creative process to somewhat stagnate. Often this argument is reversed, where clients feel agencies are pushing too much towards creativity and innovation and moving further away from assignment objectives. The latter statement the authors could sense from the other cases.

Additionally, the level of chemistry generated between agency and client key personnel forming a linkage between the partners is of crucial importance. Douglas et.al. (1997) argues for productive interaction as an important ingredient in enabling for increased quality of the working relationship and stresses the importance of communication. Also with reflection to communication and role clarification the relationship between Agency C and Client C1 seem to be the only relationship achieving efficiency.

Beard (1999) states that clear communication of information and role-clarification are important aspects in order to successfully maintaining an agency-client relationship. This implies that the level of communication determines how well the expected outcomes from a client’s perspective match the experienced outcomes. The authors found that this aspect was shown to often being a lacking factor in the examined relationships and should be considered as a factor contributing to a successful relationship. Also in this case the authors refer to the case between Agency C and Client C1 determining a succes factor.

Reflecting upon the fact that Client B2 and C2 both use several agencies based on creating a competitive environment for maintaining agency quality of work. One could conclude that the way of working with their agencies affects the role definition and does not promote trust and commitment. Instead this act appears to be creating a communication gap in both reporting one. However, one can also understand the need to put pressure on the agencies to self-glorified advertising agencies. On the other hand, one could argue that superior management can be achieved through higher quality of interaction and increased level of agency involvement. Relating to the first part of the analysis, regarding the level of agency involvement, most of the relationships examined are lacking mutual understanding and clients do not seem to achieve the desired affect they stress in appointing an agency. Similarly, agencies fail to communicate how they desire to deliver the desired affect. Through an improved process the parties could “meet” half-way through higher quality of communication and clear role definition.

Another argument of the role definition problem is related to the fact that the agency relationship behavior of clients is because of the
unmet expectations on the client side”. Hence, it closely corresponds with the authors case study where clients often seem to feel agencies overselling their abilities. The authors speculate whether this is in order to “steal” as much money as possible from consultancy fees or is it lack of agency self-reflection of competence?

Although the three interviewed agencies were to select one successful client and one where they stress for improvement the authors only found one of the six examined relationships to be successful. This was found to be the relationship Agency C-Client C1, where client and agency share similar views on the relationship through awareness and acceptance of each others roles and objectives regarding relationship outcomes as well on the aspect of strategic involvement, which the authors define as successful. Therefore, our conclusions drawn will be reflected by the factors that the authors see in this particular case, Agency C-Client C1.

A solution with relevance to our empirical findings is the stress by Durkin and Lawlor (2001) for agencies to work outside their traditional area of expertise in order to provide value adding both structural and personal wise. Agencies are after all delivering a service to their clients. Further, as Kasper, Helsdingen and Gabbot (2006) claim, the agency as a service should involve high customization of the core service and differentiation through additional services adding value to the relationship. This theoretical assumption was not found in the examined cases of this thesis, however the authors find it to be a crucial aspect for advertising agencies to consider and could be an essential factor deciding the success or failure of an agency-client relationship. Meeting the client’s expectations, having clear roles definitions in the relationship and that the agency is willing to work outside their traditional area of expertise providing additional service, seem to be vital factors leading to a successful relationship.

Looking closer at our above described success factors the authors argue that there is one common denominator, namely communication. This because the authors argue that superior communication seem to be fundamental in order to achieve all the success factors identified.

6 Conclusion

From the results of our study we can draw the conclusions that advertising agencies should pay more attention to the individual needs of their clients and not use a standardized relationship-building-strategy, which do not apply on all clients. Each client has different aims and expectations of an agency-relationship and the agencies would gain increased value in putting more emphasis on tailor made solutions. Another way of describing it is by viewing the clients as any market segment where the agencies have to do a market research in order to find out what is desirable from the target segment and adjust their marketing strategy in that direction. The authors have noticed that agencies often lack in marketing themselves which is ironic, considering the fact that their objective is to be communication experts.

Furthermore, the authors discovered that why agencies and clients do not work well together many times is a result of miscommunication and misunderstanding towards each others field of operating and lack of dialogue which is one of the reasons why this appears.

Additionally, agencies often experience that client goals description are not well defined which hinder them from creating a constructive dialogue. Clients are often not able to express their desired affect from their assignments given to advertising agencies, proving the absence of expectations matching experiences. The main reasons contributing to this fact can be the capability among agencies in adjusting their way of working in accordance with client needs. Additionally, the parties have different views of what they desire as a result of their different positioning and their different positioning in the “pyramid” model. Clients are working for assistance in the final
part of the model, regarding implementation and production of communication material and
the agencies desire to be operating with their clients based on a top down approach being in-
volved in strategic decisions, creative idea phase and implementation and production of com-
munication tools. They need to meet at a level somewhere in between the current positions,
ence need for agencies to have a deeper understanding than present client desire and for
agencies to be able to adjust to client needs, and correlating their abilities. The key is communi-
cation and the latter conclusion drawn is based upon the one successful relationship between
Agency C and Client C1. A lot of this is up to agencies in mediating and marketing themselves
in a more efficient manner than today. This will increase awareness and acceptance for roles as
well as providing a solid platform to develop upon.

Thus the authors find the critical factors for success to be clear role definitions, ability for
agencies to “work” outside their core services, the match of experienced and expected out-
comes and the understanding of each others position in the pyramid model. The solution to
this is seen to be improved communication.

Advertising agencies are often failing in establishing an effective communication process with
their clients, hence the authors can claim the paradoxical fact that advertising agencies are defi-
cient in marketing themselves.
References


Appendix 1

Interview guide agency

The interviews with the agencies were open discussions around these four subjects:

1. Company’s background?

2. View on current relationships with clients?

3. Desired involvement with the client?

4. One successful relationship and one which need to be improved

Appendix 2

Interview guide Clients

These questions were mailed before the interview with the clients, and the interviews was conducted as an open discussion linked to these aspects, mainly point 2-5

1. The company background?

2. What is the goal, co-operating with an advertising agency? Imagine a model shaped like a pyramid, were strategy is at the top, creativity in the middle, and production/implementation at the bottom.

3. How is the marketing budget set? Is it linked to sales, targets, vision or strategy?

4. Describe the overall marketing strategy today?

5. Please describe the co-operation with your external marketing consultants. What is negative and what is positive?