

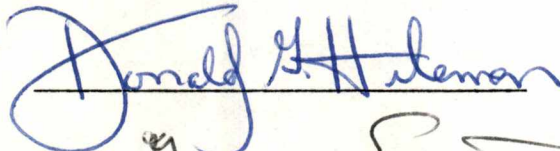
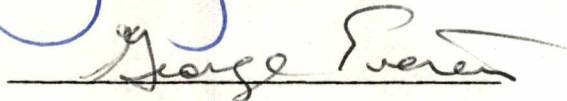
To the Graduate Council:

I am submitting herewith a thesis written by Seth M. Kerr entitled "An Examination of the Advertising Agency-Client Relationship: Criteria and Suggestions for Selecting an Agency." I have examined the final copy of this thesis for form and content and recommend that it be accepted in partial fulfillment of the requirements for the degree of Master of Science, with a major in Communications.

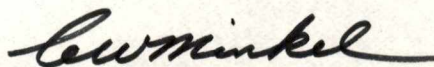


Alan D. Fletcher, Major Professor

We have read this thesis
and recommend its acceptance:

Accepted for the Council:



The Graduate School

7

AN EXAMINATION OF THE
ADVERTISING AGENCY-CLIENT RELATIONSHIP:
CRITERIA AND SUGGESTIONS FOR SELECTING AN AGENCY

A Thesis
Presented for the
Master of Science
Degree
The University of Tennessee, Knoxville

Seth M. Kerr
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DEDICATION

No project, great or small, has ever been undertaken without support from those behind the scenes. This Master's thesis is certainly no exception. My deepest and sincere appreciation goes to Dr. Alan D. Fletcher, for giving me the initial encouragement and confidence to tackle the assignment. Also, Dr. George A. Everett and Dean Donald G. Hileman for their guidance through the program. I can neither forget, nor hope to repay, Miss Margaret Cook, for making my adjustment to graduate life less traumatic (possibly the greatest help of all). I would also like to express my gratitude to Professor Richard Joel, Opal Lee, Dr. Jane Dunlap and Prof. DeForrest Jackson for making my year and a half as graduate assistant the most enjoyable and pleasant time one can have while learning the ropes. Finally, I would like to thank my parents, whose faith in my ability has never faltered and who allowed me to make one of the most important decisions of my life on my own. Thanks to all of you.

ABSTRACT

The purpose of this study was to determine, through a mail survey, how client companies select advertising agencies, what factors most contribute to that selection, client attitudes toward agencies, and suggestions for improving the agency-client relationship from the client point of view.

The leading national advertisers of 1982 were chosen as survey subjects. As a whole, this group spent almost 55% of all advertising dollars in the eight measured media. In a volatile economy, the one hundred leading advertisers poured \$14.8 billion into advertising. 45% of the advertisers responded to the survey, which consisted of 12 multiple choice questions specifically regarding the topics of research.

Response showed that while many different people were involved in the agency selection process, the company president most frequently made the decision, either alone or as head of a search committee. Several factors contributed to the selection process and, as hypothesized for this study, creative reputation and capability were most often cited by the advertisers as reasons for changing agencies.

A second hypothesis was supported as well in that large advertisers do not change agencies as often as smaller advertisers. The majority of clients responding to the survey reported that their current agency relationships have lasted more than ten years, and in many cases, more than twenty years.

The majority of responding client companies currently use an annual review of agency performance in order to maintain a healthy relationship. While some agencies have expressed a dislike for the system of agency reviews, many executives believe the process to be beneficial to both sides.

From the client's viewpoint, the agency-client relationship is a two-way street with both sides working in harmony. If the two sides take opposing views regarding specific problems rather than attempt to resolve matters through joint efforts, a split is most probable. By improving the levels of communication between the two corporate structures, developing mutual trust and understanding of problems and giving more information in assignments, the client believes any agency-client relationship can and will grow and prosper to mutual satisfaction.

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INTRODUCTION

Much has been written and even more has been said about the advertising agency-client relationship. Advertisers seek agencies with solid management structures and creative capabilities to help sell their products. Agencies, on the other hand, look for clients with strong growth records and a willingness to advertise to help assure future profitability. Relationships between companies and advertising agencies are occasionally built on less than stable foundations and industry "divorces" occur frequently. However, selecting the right advertising agency can assist the advertiser in postponing, if not preventing, a potentially damaging separation.

Selecting an agency is considered to be more of an art than a science. James B. Heekin, vice chairman of Carter, Achenbaum, Heekin, a New York-based marketing consulting firm which conducted a study of agency-client relationships, made the following observation regarding the agency-client union.

Picking the right agency can be riskier than is generally believed if it's true that advertisers usually change agencies more for people-related reasons rather than for performance-related reasons. (Kuzela, 1978, p. 91)

The study revealed several advertiser complaints regarding advertising agencies. Client companies charge that agencies are often "greedy, insensitive, intractable, unresponsive, and preoccupied with acquiring new business." Companies also charge that agencies "frequently change personnel, confuse advertising success with sales success, lavish too much attention on the client's upper management, don't listen, over-promise, and spread themselves too thin" (Kuzela, 1978, p. 91).

Guidelines for selecting an advertising agency are currently available from the Business/Professional Advertising Association, the Association of National Advertisers, and the American Association of Advertising Agencies. While the guidelines may not be necessary when planning to hire a top agency, they may be an important aid in the selection process.

In a 1974 presentation made to the Advertising Age Creative Workshop, the late Warren D. Stewart, former advertising director of the Celanese Fibers Marketing Company, senior vice president of Needham, Harper & Steers Advertising agency, and later president/chief executive officer of Watts Lamb Advertising, Cleveland, Ohio, offered his advice on selecting an advertising agency. Stewart's six-point procedure to selecting the right agency includes: establishing written criteria in advance and securing internal agreement to it, releasing the news, publishing your criteria, seeing only the agencies that meet your criteria, making a fully informative presentation to the finalist agencies and giving specific direction of what you will be looking for in their presentations, and asking each agency how it feels it can play a productive role (Stewart, 1974).

"An initial step (in selecting an agency) is to analyze why an agency is needed or why one should be replaced . . . and from that the real needs of the company can be determined," according to Don Freeman, president of the Freeman Company, Los Angeles, a group of marketing and communications advisers (Kuzela, 1978, p. 91). Freeman also points out that a company can approach the selection process from a basic marketing standpoint by measuring its own communications and marketing effectiveness, both internally and externally.

Paul Keye, president, Keye-Donna-Pearlstein, Los Angeles advertising agency, recommended another approach to selecting an advertising partner. Keye suggested that companies should look for the kind of advertising they admire and make some type of assessment as to whether their market can be enhanced by that work. He also recommended seeking agencies' opinions of other agencies and believes these assessments to be most accurate (Kuzela, 1978, p. 92).

Obtaining the right "chemistry" between agency and client personnel, according to Robert Crittendon, corporate manager of marketing communications, Beckman Instruments, Inc., Fullerton, California, is one of the four major considerations to weigh in choosing an agency.

This entails the client feeling that the agency takes a very honest, personal interest in its problems and is committed to doing its best work for the client. There must be a mutual trust and open communication between the two parties. We must not have a personality conflict which can develop into a serious obstacle to do good advertising work. Although clients rarely list money as the reason for changing agencies, I suspect that many splits are caused simply because the client felt he was not getting all that he was paying for. Or the agency may initiate the action because it is being systematically underpaid. The client, therefore, must define the compensation method while respecting the agency's right to make a fair profit. (Kuzela, 1978, p. 93)

Interestingly, not all client company executives adhere to the above guidelines. Peter Horner, director of marketing, Sierra Chemical Company, Milpitas, California, believes just the opposite: the agency should recommend the compensation package and be sophisticated enough not to overcharge or undercharge. Horner, basing his approach to selecting an advertising agency on five years of experience in product management with Procter & Gamble Company, Cincinnati, Ohio, submitted the following criteria as guidelines to choosing the perfect partner.

- * At least one highly qualified agency executive must coordinate and be held responsible for business with his firm.
- * The agency must demonstrate creative skills and pre-production capability in sales promotion.
- * The agency must demonstrate creative ability in advertising, along with strong skills in communicating to customers.
- * The agency should execute copy strategies prepared jointly with the client.
- * The agency should have the ability to effectively handle media requirements.
- * The primary motivation of the agency should be the desire to achieve the growth objectives of the client.
- * The agency must demonstrate the ability to learn from different businesses.
- * What are the overall professional work habits of the agency? Does it meet due dates and provide accurate estimates of the cost and timing of projects? Does it stay within budget? Does it have the courage to ask for the clarification of an assignment?
- * All confirmations must be in writing. (Kuzela, 1978, p. 92)

Clearly, selecting an advertising agency is not a simple task. Each company that chooses to advertise must ultimately select and agree on certain criteria to meet corporate objectives. There are possibly as many criteria available as there are advertisers.

While published material about selecting an advertising agency domestically does exist, very little information is available on the special criteria for choosing agencies abroad. Robert F. Roth, principal, International House, Oak Brook, Illinois, outlined ten factors that give broad general direction to the overseas agency search. Divided into two groups, Roth's factors included: services required, budgetary constraints, products and services marketed, and organizational set-up for foreign marketing. Roth's other factors related to the evaluation of a specific candidate-agency included: the agency's organization, the agency's methodology for handling international clients, the international thinking within the account

team, the account team's sensitivity to cultural differences, creative skills for international advertising, and the question of presentations (Roth, 1978, p. 44). Roth goes on to point out that both the agency and the advertiser are looking for more stability in their relationship and stresses that both parties must hold mutual respect for each other in order to perform effectively.

It is necessary to acknowledge that there are differences in choosing an agency domestically as well as internationally. For the purpose of this paper, however, only the domestic selection process will be reviewed. An examination of the agency-client relationship, the respective roles played by the advertiser and the agency, and the evaluation techniques currently being used by both parties would help in understanding the agency-client relationship and the selection of an advertising agency more fully.

The purpose of this study is to determine, through a mail survey, how client companies select advertising agencies, what factors most contribute to that selection, client attitudes toward agencies, and suggestions for improving the agency-client relationship from the client point of view.

CHAPTER I

THE AGENCY-CLIENT RELATIONSHIP IN PERSPECTIVE

The Client's Role in Advertising

Advertising in its simplest form is a people business, conducted by people and aimed toward other people. Consequently, the relationship between the agency personnel and the client management reflects the same virtues and similarities. At the hub of all this activity is the client. Without the client, there would be no advertising.

"Migratory is without a doubt an apt word to describe the advertising agency business and is even considered a sterling virtue," according to William Walker, director of marketing, Bacardi Imports Inc., Miami. There are migrations from account to account, from agency to agency, and, sometimes, from agency to client and vice versa. For that and other reasons, the agency business has been called a "transient jungle" by Walker and others (Walker, 1979, p. S-30).

The advertising agency depends on its clients for its livelihood and, conversely, the advertiser expects his agency to help him in promoting his product. The two entities must learn to work together productively. If for some reason dissension grows, the relationship, much like any marriage, will begin to suffer. Unless steps are taken to correct the problem, divorce becomes almost inevitable.

The client plays an important role in the relationship between an agency and its business. After all, it is the client's product or service which the agency is attempting to sell to the public. Many advertising agency executives agree on the fact that good clients

make good agencies. This line of thought concedes that the role of the client in developing effective advertising is pivotal and often decisive. Clients hire advertising agencies mainly for their creative advertising ability (Zeigenhagen, 1978, p. 42).

National advertisers know how critical advertising and marketing can be to their sales success. This becomes readily apparent in parity product advertising. Yet few client organizations seem to realize or stress the importance of the client as the advertising decision-maker in achieving the desired goal of "breakthrough creative", according to Raymond Trapp, president, Keller Crescent Advertising, Dallas. Through his experience on both sides of the agency-client fence, Trapp concludes that good clients get good creativity from their agency and suggests reasons why in examining the role of the client in the advertising process. He suggests that the client should

1. Share all data. Give your account executive access to key people and make him knowledgeable about your business.
2. Make your agency feel like a vital part of your team. The more the agency participates, the more it will understand your needs and be able to respond to them.
3. Communicate your goals to the agency and set clear and specific targets.
4. Start everyone on the same footing with an initial strategic planning session including all media, research, creative and executive teams.
5. Provide adequate time for creative development. Set a realistic due date.
6. Give creative people access to you and your key staff. Give them facts and encouragement. Stay open-minded and supportive at this point.
7. Reserve adequate time for the creative presentation.
8. Involve all key decision makers at the same meeting.
9. Insist on an agency recommendation. Listen carefully.
10. Be candid. Great sensitivity is required at this stage. Respect the creative team for their work.
11. Be courageous. Let your intuition work for you. Discuss the pros and cons openly.
12. Concentrate on the big picture. Are the ads on strategy? Do they project the right personality and

positioning? Is the key selling point dramatically communicated in each execution?

13. Reward excellent performance. Show respect and gratitude when necessary.
14. If you are unhappy with the initial creative effort, give the creative team a second chance. Review the strategic options and see where you went wrong.
(Trapp, 1981, p. 45-46)

It is entirely possible that the client can undertake his role and fulfill it admirably. The majority of clients are looking for good creative work and effective communications. There are times, however, when a client can misinterpret his role in the advertising process and become a burden to his agency. Richard C. Douglas, advertising manager, British Airways, New York, offers the following advice on how to be an indecisive client.

1. Make sure the environment for the presentation is right. Creating the properly tense mood at the meeting is crucial. Lots of interruptions, phone calls, people coming in and out of the room with bits of paper.
2. Show no emotion either positive or negative. Don't say anything. Lift an eyebrow once or twice. The best indecision makers are masters of the "diagonal nod." Practice this.
3. When the time comes to speak, the best advice is a weak compliment followed immediately by a qualifying statement or word. "Great, but . . ." is a prime example. "What about . . ." isn't bad. "Very close, but not exactly on target" might work as well. Use your imagination.
4. When in doubt send everybody back to the original marketing plan, research or strategy.
5. Always attempt to reshape the creative concept into something you are more familiar and feel safer with.
6. Keep the creative people redoing the advertising until everybody is worn out and the ideas seem very safe and non-threatening. Then ask why it took so long to come up with anything and if the campaign can start running next week.
(Douglas, 1979, p. 66)

Although presented in a light-hearted way, Douglas' list pointed out an important aspect of the agency-client relationship. Clients do not always seem to realize that they themselves may be hampering the agency's effort to serve them. The client's role requires him to work just as hard as the agency in achieving corporate objectives.

What does the client require of its agency? Nancy M. Day, director of marketing communications, M.A. Biproducts, Walkersville, Maryland, states that clients have very simple needs.

All we ask is that our agency understand our market, effectively communicate our product's benefits to our customers, and generate fantastically creative programs that will increase sales. (Day, 1980, p. 49)

The agency that can perform these functions successfully is destined to maintain a happy working relationship with its client.

The Agency's Role in Advertising

How does the agency perceive its clients? Mel Rubin, chairman, Shaller Rubin Associates, New York, sees total agency involvement as a key to the campaign's overall success.

Many large advertising agencies become pigeonholed when they are involved only in the advertising aspect of a client's overall marketing concept. An agency whose involvement reaches into marketing and sales as well has a greater understanding of the product and its success potential. (Rubin, 1981, p. 18)

Just as client company executives can name the traits which make advertising agencies unacceptable, top agency presidents and chief executives are quick to point out the flaws of the clients they serve. While "talking behind the others' back" is never good for a relationship, both sides appear to have sincere hopes for improving the often tempestuous agency-client relationship.

In a recent survey, Advertising Age asked top agency personnel to name the characteristics or flaws that contribute most to bad advertising. Agency executives were asked to evaluate clients on the following flaws and check any others deemed important.

- * Reluctance to take a chance, a reasonable risk.
- * Too many client people involved in advertising decisions.
- * Procrastination in making decisions.
- * Excessive emphasis on short-term results at the expense of long-term image.
- * Too much control of advertising in the hands of product managers.
- * Too much reliance on research.
- * Too buttoned down and dull for an attempt to attract the public's interest.
- * Other (please specify). (1981, p. 49)

Of all these possible client flaws, the one most often mentioned was: "Too many client people involved in advertising decisions." Four agency presidents equated this with the attempt by the client to create "advertising by committee." The second most often mentioned flaw was "Reluctance to take a chance," followed closely by "Procrastination in making decisions," "Excessive emphasis on short-term results at the expense of long-term image" and "Too much control of advertising by product managers." "Too much reliance on research" placed sixth and "Too buttoned down and dull to attract the public's interest" placed seventh. Write-in characteristics were offered such as "Bad taste," "Failure to set goals," "Extreme parsimony in production costs" and "Wrong people in on creative decisions" (Kingman, 1981, p. 49).

The Advertising Age survey drew only one dissenting voice in the person of Eugene F. Novak, president/creative director, Rumrill-Hoyt, New York.

My answer to your checklist of traits is: None of the above. There is no such thing as a bad client; there are only bad communications. Most of the perceived faults in client behavior could be obviated by an annual review. Many of our clients have instituted a review of agency performance, insisting that we in return evaluate the performance of their advertising and marketing managers and their staffs. As a result, Rumrill-Hoyt and clients such as DuPont have had smooth relationships for 30 years. (Kingman, 1981, p. 52)

Yet, clients continue to be a source of major problems for the agency involved. In the advertising business, bad clients can be more responsible than lost projects for closing an agency. Many advertising executives note that while losing a client or prospect stops the costs, signing a bad client can often start the costs in terms of time, workload or strain.

How does an agency avoid the pitfall of becoming associated with a bad client? Robert H. LeFever, a Philadelphia-based financial consultant specializing in advertising agency management, claims the key is restraint. In examining any potential new business, agency management should ask itself: Will it improve our financial position? Will it improve our competitive position? How often has the account changed agencies? LeFever contends that an agency can take on a client with a shaky financial position but certain safeguards must be built into the arrangement. For example, the agency should require all costs be paid when the client approves cost estimates or have all clients billed directly (LeFever, 1979, p. 63).

In the agency-client relationship, the agency provides a necessary service known simply as "creativity." Many clients, some agency professionals complain, do not allow the agency to assist in the initial design process. Agency personnel do not believe they have to be in on every decision from the ground floor up, but one of the

more common arguments centers around agency participation in the planning and design stages. In most cases, problems in this area stem from a lack of communication and teamwork between agency and client (Gage, 1979, p. S-1).

There are certain demands an agency can make of its client to make its job easier and the results more successful, according to Nancy Day.

1. Demand to see the marketing plan. The client will never have an integrated promotional program unless the agency is fully informed of the marketing strategies, company objectives and direction.
2. Demand to talk to other people. Researchers, sales representatives, and product managers can give valuable insight to the agency.
3. Demand to understand the product. This is rather basic, yet many agencies try to create campaigns around products without knowing how the product works, having never seen the product.
4. Demand to be involved. Agency involvement in convention activities, sales functions, internal meetings, workshops, demonstrations, and similar activities would help the agency understand the products and the company.
5. Demand the ability to tell the client, "No." Do not compromise yourself to please the customer.
6. Demand to know the budget.
7. Demand the information you need.
8. Demand to smell the roses. The agency should be able to find out how successful the campaign was, how many leads the ad pulled, what the sales reps did, and what the sales reps thought. (Day, 1980, p. 49)

In an agency-client relationship, there will always be occasional misunderstandings and communication problems. However, if the agency's responsibilities to the client are clearly defined and the client correctly understands the agency's role, mistakes can be held to a minimum and successful advertising can be produced. The time it takes to provide the agency with the information necessary to do the job will more than balance the amount of time and money necessary to correct the results of a misunderstanding.

The Agency-Client "Chemistry"

The advertising agency-client relationship can be examined in more detail by looking at the "chemistry" between the two participants. Advertisers and agency people claim that there are vast differences between clients, between agencies, and between the people who manage the respective organizations. In the selection of an advertising agency, just as with the selection of a marriage partner, style and attractiveness play an important role.

The client looking for an advertising agency can find many examples of an agency's collective "personality." This personality or "style" is evident in social functions, new business presentations, informal meetings with clients and even telephone calls. Sometimes an agency's style turns up in the advertisements it creates, the media plans it draws up and the account team it sends out to work with clients. It is possible that these differences are not as pronounced as they were in the past; however, they still exist under close scrutiny.

Advertisers today are very conscious of how an agency operates and whether agency management style coincides with company management style. Take for example the words of one major advertiser.

The chemistry is important. We look for talent, but we also look to see how the agency people will react to our brand manager crazies. We want to know who's going to be concerned with our problems on a day to day basis and if we can get along with that person. ("What's Your Agency's Style?" 1979, p. 72)

If, for some reason, an advertiser misjudges an agency's personality, the resulting split can be as traumatic as a divorce. Changing agencies is like changing spouses in many ways. The process involves learning everything there is to know about how the new agency operates, learning the quirks and habits of the new people on the account, and knowing how to read those people and communicate to them effectively.

In a study conducted by Media Decisions a few years ago, both advertisers and agency people were asked to describe specific agency personalities. Several top agencies were described in the same way.

- * N. W. Ayer - very well run, strong employee communication, friendly, flexible, manages to avoid big agency bureaucracy.
- * Della Femina, Travisano & Partners - high marks for creativity, loose, fun to work with.
- * Wells, Rich, Greene; SSC&B; Norman Craig Kummel - agency power rests at the top, competent, sometimes inflexible.
- * J. Walter Thompson, Young & Rubicam, Benton & Bowles - formal, bureaucratic, set way of doing things.
- * McCann-Erickson, Needham, Harper & Steers - mix of personalities and styles, good research teams. ("What's Your Agency's Style?" 1979, p. 73)

Other top agencies were described differently by various clients, yet no uniform images were mentioned. Almost everyone who participated in the study agreed that middle and small sized agencies were more flexible and easier to work with than the top ten agencies. On the other hand, the larger agencies offer more services and marketing expertise than their smaller competitors ("What's Your Agency's Style?" 1979, p. 73).

Being able to work closely with your agency is one of the keys to a successful marriage. The relationship can be antagonistic but

also productive. One advertiser states that the relationship "doesn't have to be socially accommodating, but it does have to be professionally accommodating."

One agency vice president, in response, criticized what he sees as the relationship between the client and agency today.

Agencies are, by definition, supposed to come up with ideas for clients. But that's not true today. Most innovation comes from the client. And accountability comes more from the client than the agency.
("What's Your Agency's Style?" 1979, p. 156)

William M. Claggett, vice president/director of advertising and marketing services, consumer products group, Ralston Purina Company, St. Louis, and Jerry Della Femina, chairman, Della Femina, Travisano & Partners, New York, discussed their relationship between agency and client in Advertising Age. Although both men aired various gripes and problems with the relationship, they did agree that communication is the key ingredient in agency-client ties. The two men also agreed that an early warning system would allow for both the agency and the client to retrack. The pair, in conclusion, felt that trust and loyalty in the relationship would go a long way in making the marriage work ("Straight talk cements ad ties," 1979, p. 3).

When looking for the proper alliance, clients not only consider the "chemistry" but also the "professional attitude" of the agency in question. Agencies are constantly made aware of their dependence on the client's goodwill--to keep the business and keep their jobs. When this type of situation arises, many agency people are reluctant to say "No" to a client's requests. Letting the client have his own way will keep an account only so long claim many advertising executives.

There are some clients who thrive on this type of domination over their agency. The agency, in effect, becomes no more than an order shop carrying out the wishes of the client. Fortunately, there are clients who abhor this situation. These clients are secure enough not to hire "yes-men" and expect mature, professional judgment from their agencies. Allan M. Kaufman, president, Kaufman & Associates, a strategic consulting firm, Fairfield, Connecticut, includes the following items in his list of when to say "No" to a client: when he (client) wants you to take responsibility for a decision that should be his, when he wants to do something to punish or hurt a competitor rather than help himself, when he asks you to fire somebody you know is doing a good job, when he asks you to fake or fudge research results (or bills and expense receipts), when he asks you to lie for him, or when what he says he wants is obviously not what he needs (Kaufman, 1982, p. 30).

The chemistry between advertiser and agency is delicate and the balance between effective communication and professional integrity (as opposed to dishonesty and deceit) is difficult to maintain. With both sides working together constructively, the advertising function can prosper.

Evaluating an Agency's Performance

Once the client has selected an advertising agency, the question arises as to how to evaluate the agency's performance. Many clients assume that as long as the advertising is good and the product is selling there is no need for specific evaluative procedures. In many cases,

this might be true. However, a majority of clients have found that periodic reports help keep the agency on its toes and assure continued performance.

A growing number of companies have initiated and are issuing periodic "report cards" on their agency's performance. Some agencies worry that such judgments may end up being mainly punitive. These formal evaluations are becoming increasingly popular. In a survey of nearly 1,000 large corporations, pollster Lou Harris found that more than 60% were using such evaluations and that half the remaining companies were seriously considering doing the same ("Grading Madison Avenue," 1979, p. 88).

Clients favor the annual report card concept for several reasons. They believe the report provides a measure of accountability, helps build a solid business foundation, strengthens the agency-client relationship, and identifies any real problems that may exist.

Advertising agencies, needless to say, are less enthusiastic about the periodic reports. Most agencies support the evaluation concept in theory, yet many are unhappy with the techniques selected by their clients. Agencies argue that evaluations only serve to legitimize the subjective opinions of lower-level corporate management. The agencies also claim that annual reports shift the blame for a company's marketing failures to the agency.

The first company to attempt to deal with the idea of agency evaluation was Lever Brothers. In 1956, Robert Prentice, then a young researcher, was assigned to the design of a formal program which would objectively analyze the performance of Lever's advertising agencies. Prentice developed a series of open-ended questions about the agencies

which covered every service from creative and media to research and account management. Prentice then took the information gained through the questionnaires and was able to assess the strengths and weaknesses of each individual agency and identify potentially troublesome areas. The idea was slow to catch on due to the initial reluctance of the agencies to participate. During the past few years, however, more and more companies have come to view the evaluations as a way of reversing the trend of agency-client splits, which last year exceeded \$860 million in billings (MacDougall, 1982, p. 34).

Whether the evaluations are actually improving the relationship between companies and the advertising agencies is impossible to say and a highly subjective judgment to be sure. Yet few companies abandon formal evaluations once they have been adopted and most tend to use them more as time goes on. In the Harris poll, 65% of the companies that evaluated their agencies said the practice was "very important" in their relationships, and most of the rest stated that they were "somewhat important" ("Grading Madison Avenue," 1979, p. 93).

The increase in the number of agency "audits" used by clients took a dramatic shift upward as a result of discrepancies found by Ford Motor Company in their review of agency J. Walter Thompson's accounting procedures (Kanner, 1978, p. 78). The increase in agency audits also prompted changes in the way contracts between advertiser and agency were written (Kanner, 1978, p. 2).

When problems occur, it is most often due to inadequate client monitoring of the agency's activity. According to Robert W. Strickler, executive partner, Price Waterhouse & Company, New York, there are four principal safeguards to help agencies receive a clean

bill of health in audit situations. First, make sure every expenditure incurred on behalf of the client is approved in advance. Second, get every agreement documented in writing and store them safely in one place. Third, be sure that the possibility of cost overruns is cleared ahead of time. Finally, monitor the procedures to make sure people follow the contract (Kanner, 1979, p. 10).

When an agency-client relationship is based on the premise of equal partnership, rather than on a buyer-vendor basis, the marriages tend to last longer than the generally recognized industry average of four and a half years. The agency is in a position to contribute to the stability of the client relationship by allowing openness, collaboration, and mutual trust. Unfortunately, many switches are capricious. A Canadian study of 100 account changes showed that fewer than half were necessary and that dissatisfaction could have been avoided with a simple change in personnel or adjustment in corporate practice (Novak, 1979, p. 36).

While no one method of agency evaluation currently satisfies all of management criteria, several other means of evaluation are being tested. Some client managements turn to sales and profitability gains as yardsticks to measure agency performance. This approach has severe drawbacks because there exist market factors beyond the agency's control. Les Aaron, president, Leslie Aaron & Associates, Elizabeth, New Jersey, recommends a more rational approach to agency evaluation which he calls the Advertising Evaluation Matrix.

Aaron's matrix is a simple weighting system based on the client's needs and expectations. To use the matrix, the advertiser first lists all the qualitative factors it considers essential for

producing effective advertising. Once the criteria are established, weights are assigned according to relative importance. This, too, is highly subjective, but agency evaluation is inherently subjective. The matrix allows the advertiser to organize its attitudes and opinions about the services it requires and the agency's ability to meet those needs quickly (Aaron, 1981, p. 91).

Possibly the most difficult area of evaluation lies in agency compensation. How does a client know if he's paying his agency too much, or too little? The clients that really want to know are sitting down with their agencies and discussing the situation. While the American Association of Advertising Agencies (AAAA) does make information available on fee and commission structures, agency professionals agree that the responsibility for learning the compensation methods rests squarely with the clients.

The agency-client discussions, while not widespread throughout the industry, have become increasingly popular and beneficial to the maintenance of the relationship. According to several clients, the discussions follow a four-step process. Step One involves the agency explaining to the client the basics of its business. Step Two allows the client and the agency to agree upon a mutually acceptable profit margin. Determining just what services the agency will provide the client is essentially the third step. Step Four involves choosing a fee or commission system best suited to the account. Many clients who have gone through the process of compensation with their respective agencies have come away with more trust and confidence in the relationship (Douglas, 1978, p. 67).

Evaluating a Client's Performance

Just as there are no set rules for evaluating an advertising agency's performance, there are no established guidelines for evaluating a client's performance. Advertisers have designed report cards, matrices, and even screening questionnaires to determine whether the selected agency is the proper partner. While none of these techniques is used by a large number of agencies, the results of such techniques might prove interesting to agency executives. John Nazzaro, president, Provandie & Chirurg Advertising Inc., Boston, once outlined a hypothetical screening questionnaire to be sent to selected companies in an effort to evaluate their practicality as potential clients. Divided into three major categories, the questions concerned corporate business strategies, advertising philosophies and practices, and factual information about client products and/or services. The latter section asked questions about size, growth, personnel, financial information, and compensation practices (Nazzaro, 1979, p. 64).

Agencies can also conduct annual account reviews to determine whether a given account is still profitable. In many cases, accounts which are no longer financially rewarding are subsidized by large accounts which are very profitable to the agency. This practice of "account balancing" is extremely important if an agency does not want to be faced with possible bankruptcy in the event a relationship is terminated.

Working with an Advertising Agency

There is an intense interest among client company executives today in increasing the return they collect on advertising and measuring

the effectiveness of sales promotions. The client must not only be able to work with an agency to produce quality advertising, but also strive to cut costs and boost sales and billings. This requires working closely with the agency in marketing, media, research and creativity.

By working closely together, advertisers and agencies can improve their day-to-day working relationships, marketing productivity and return on advertising investment, and contribute to better and longer-lasting relationships. Robert M. Prentice, a management consultant to advertising and marketing executives, outlined some of the steps advertisers could take to improve relationships with their agencies in an Advertising Age article, "How to Reduce Tension, Improve Ad Productivity."

The advertiser must first define his needs--what he expects the advertising to accomplish, and what kinds of service and assistance he needs from his agency. The advertiser should recognize that advertising is both an art and a science. . . that he needs special people with creative sensitivity and skills to work productively with his agency. He must also provide an encouraging climate in which to work. The advertiser should make a periodic, objective evaluation of his agency's performance--and of his own working relationship with the agency. (Prentice, 1980, p. 72)

Following a sensible set of guidelines can reduce tensions and cut down on separations between clients and advertising agencies. Prentice went on to discuss some of the steps agencies could take to improve relationships with their clients.

First, the agency should convince its clients that it is a well-managed, businesslike organization--an organization with the specialized skills needed to blend the art and science of advertising in a way that will help both of them make money. As a second step, the agency should convince its creative people and its clients--assuming there will always be some of both who need convincing--that advertising's job is to PERSUADE. As a third step, agency management must make sure that the quality of its work does not slip and maintain

communication with its clients. Finally, the agency must demonstrate to clients that advertising DOES work and that it has a direct positive influence on sales, profits and return on investment. (Prentice, 1980, p. 71)

Advertising is a people business. Therefore, working with an advertising agency involves working with people. An evaluation of the agency staff can be beneficial to selecting the proper agency. Many client executives recommend examining an agency's top management, marketing and advertising departments, creative staff, account groups, research teams, and financial personnel in order to select the agency felt to be most compatible (Prentice, 1980, p. 71). If the evaluations are performed objectively and constructively, a working relationship can prosper and all the problems on both sides can be resolved before they cause a divorce.

The successful agency-client relationship is built on many foundations with complete mutual trust being foremost, according to Gregory D. Shorey, chairman, Shorey & Walter Advertising, Greenville, South Carolina. Shorey maintains that if a client has doubts about his agency's integrity, capability, or performance, then the seed for a termination has been germinated. Good agencies, Shorey believes, do not function as "job shops" (Shorey, 1981, p. 98).

Clients often become disappointed with their agencies because the advertising did not generate more sales. Some clients claim that this is due to agencies overselling the power of creativity during new business presentations. "Creative became a major complaint," claimed W. Robert Shimer, vice president, Vector Advertising, Wayne, Pennsylvania, in his agency's 1980 survey of industrial advertisers. "In fact, 45% of the respondents said their agency's creative contributions fell far short of expectations" (Kleinberg, 1980, p. 28).

In the course of his study, Shimer uncovered other reasons for client disappointment with advertising agencies. Clients claimed that agencies were too expensive, that agencies did not understand the client's business, that agencies were not properly skilled in technical matters, and that agencies did not pay enough attention to detail and follow-up. Interestingly, clients with below-average budgets relative to their agency's other clients cited more problems. Clients with larger budgets tended to communicate with their agency more frequently; however, budget size had no effect on overall client satisfaction with the agency (Kleinberg, 1980, p. 28).

When clients employ advertising agencies, many seldom have the opportunity to witness what goes on behind the scenes. In working with an agency, the client is primarily concerned with the creative product. Possibly, this is due to the fact that the finished creative product is what the customer sees and, consequently, uses to formulate his opinion of the company.

How can a client help his agency keep the quality of the creative product high? Richard C. Douglas offers the following suggestions in a client's view of creativity.

1. Provide your agency with the tools, information and environment necessary to do top creative work. This is a client's primary responsibility.
 2. Your agency may encourage artificial barriers by separating "creatives" and account people. As a client, suggest to your agency that all the people working on your account be brought together for strategy and review meetings.
 3. Demand that everyone working on your account be creative. Encourage teamwork and harmony among all agency members assigned to your account.
- (Douglas, 1979, p. 8)

Because the creative process is so crucial to advertising success, most clients admit that the approval process is critical in affecting almost everything about the advertisement. If a client hopes to maintain a healthy working relationship with the agency involved, an effective approval system is important. An approval system that is fast, that assures that good advertising will be run, and that involves as few people as possible might mean the difference between high quality and mediocre advertising.

Effective approval systems involve three steps. Step One requires that a clearly defined objective be established before any advertising takes place. Step Two suggests that approval levels be designed by spheres of influence, for example, corporate lawyers, researchers, technicians and consumer activists. Step Three allows for all advertising to be presented to the main spheres of influence, rather than a multi-member review board (Douglas, 1978, p. 48). While this approval system might not work for every agency-client situation, in many cases, the relationship is strengthened.

Creativity is not the only area in which clients must work closely with their agency. Many clients are concerned with the financial aspects of their agency's work and nowhere does this come into play more importantly than in media placement. As fees and billings continue to escalate, clients are becoming more concerned with efficiency and savings. Clients simply want more for their money and are willing to change tactics to achieve the desired results. Several clients are seriously studying the advantages of rearranging traditional seasonal patterns in media buying not only in television and radio but also in newspapers, magazines, outdoor and transit

advertising (DeWitt, 1978, p. 46). The end result of good media analysis and planning, as far as the client is concerned, is more return on advertising investment.

"It is the misunderstanding of what constitutes such costs that is the number one cause of controversy and disruption of the relationship," asserts Shorey in his Industrial Marketing article "An Agency Man's Manifesto" (Shorey, 1981, p. 98). Shorey provides the following guidelines to clients regarding creative service and production costs.

- * No production or media is undertaken by the agency without prior written approval for the described work and the preproduction cost estimate furnished to the client.
- * All elements of such production work will be procured by the agency, employing all of its expertise, at the best possible costs for the circumstances.
- * All preproduction cost estimates must have a contingency.
- * No production estimate will include tax (where applicable) or delivery charges, nor do they provide for any client changes or revisions to the job as first conceived.
- * It is understood that all agency staff time devoted (logged) to the production of a particular job will be charged to that job at the prevailing hourly rate of that professional function.
- * As production work progresses on approved work, we will bill progressively on the first of each month for all costs incurred in the preceding month. Terms are net 10 days.
- * It is understood that any and all actual outside supplier materials or services furnished on a production job will be marked up by the agency to insure the necessary gross margin income to the agency in procuring such outside materials or services.
- * Any prompt-pay cash discounts, rebates or volume discounts extended to the agency by a supplier will be made available to the client.
- * No scale of charges can be predetermined. Job comparisons will not be a fair basis for cost determination.
- * Deadlines require use of delivery services such as Purolator or Federal Express which are guaranteed, insured and often handled the next day. These are charged as encountered.

- * No agency mark-up is applied to tax, delivery charges, phone, source contact charges, postage or Qwip (telecopier) line charges. But such costs are charged. (Shorey, 1981, p. 99)

By following this "manifesto," Shorey points out that client conflicts have been avoided and successful agency-client relationships have prospered.

How can a client acquire more productivity through advertising by working with his agency? Malcolm McNiven, president, consumer research division, IMS International, New York, proposes two principal recommendations for saving money. First, establish a more rational way of determining advertising and promotional budgets than "last year's plus a little more." Second, review the agency-client commission arrangement and hire a consultant to see that advertising production money is well spent. Considering the potential long-run cost savings, the expense of hiring a consultant is minimal (Zotti, 1981, p. S-6).

Some agency executives are not too sure of McNiven's proposal. Richard Jackson, chief executive, Altschiller Reitzfeld Jackson Solin/NCK, New York, believes advertising effectiveness would be improved by spending more money, particularly on production. "Agency people bridle at the thought of having the client bring in a consultant to look over their shoulders" (Zotti, 1981, p. S-6).

How do consultants see their role in this classic controversy? Al Achenbaum, chairman, Carter, Achenbaum, Heekin, a New York-based marketing consultancy, feels that a consultant is brought in to enhance the relationship between the client and the agency and not to destroy the partnership. "I don't necessarily think excessively high

costs are a matter of dishonesty, but simply the agency's taking a rather cavalier attitude toward the client's money. Sometimes, they (the agency) spend it to make themselves look good whether it sells the product or not" (Zotti, 1981, p. S-6). In any event, successful agency-client relationships require hard work and a willingness to succeed on the part of both participants.

Developments in the Agency-Client Relationship

During the past several years, the agency-client relationship has undergone few major changes. There have been several interesting developments, however, since 1977. F. Kent Mitchel, vice president/director of marketing services, General Foods Corporation, White Plains, New York, sees certain principles of the agency-client working relationship remaining intact, just as they have for four or five decades. Mitchel believes that the need for agency-client relationships to be open and honest, the need for evaluations and objectives to be unbiased and well-planned, the need to be able to talk and work through potential problems, and the need to work together are going to be extremely important in the 1980's. Mitchel continues by stating that large agencies will grow larger through acquisitions and mergers and that small agencies will remain small through specialization. Finally, Mitchel sees new markets for advertising, such as government assignments and increased overseas activity, which will require an advertising agency to become more of a total communications service (Mitchel, 1980, p. 94).

As both agencies and clients become larger, the difficulty in resolving conflict problems is going to become much more immense. As the decade progresses, there must continue to be an honest

resolution of conflict between client and agency. The agency-client relationship is based on trust and if the trust is lacking, the relationship inherently suffers.

Malcolm MacDougall, president/director of creative services, SSC&B: Lintas, USA, New York, agrees that that agency-client relationship has always been built, in part, on the principle: "Produce or else." When the economy turns sour, there is bound to be an abnormal amount of disenchantment, and consequently, an abnormal number of agency firings and dismissals. MacDougall sees signs of "cronyism" returning to the agency selection process.

Some of the country's major advertisers have taken to firing their agencies as casually as George Steinbrenner changes managers. The casualty list for the year (1981) includes eight major airlines, six of the country's biggest restaurant chains, and nine large fast food accounts. There is evidence everywhere that things are getting out of hand. Advertisers are becoming trigger-happy. Firing the agency seems to be becoming more of a first impulse than a last resort. From the industry's point of view, it is not a pretty picture. (MacDougall, 1982, p. 34)

There are still good reasons that agencies and clients must try to improve the industry working environment. As clients budgets and finances get tighter in the early 1980's, there will be more pressure on advertising agencies to produce effective advertising. MacDougall suggests that this really calls for "a stronger partnership relationship between client and agency, as opposed to a fast deepening adversary relationship" (MacDougall, 1982, p. 35).

Another trend making ripples in the advertising waters involves competitive presentations made by advertising agencies to the clients. In some cases, the client company helps cover the agency's costs by

giving each competing agency money before the presentation is made.

This trend has alarmed several agency people, including Carl Nichols, chairman of the board/chief executive officer, Cunningham & Walsh Inc., New York.

I think it's one of the most serious problems the agency business faces right now. It's been brought about by a number of factors, to which clients are not entirely innocent. It's a frightening trend for any sensible advertising person. The current race is going on at Hallmark. Every one of the competing agencies was given \$100,000 and every one will have to spend \$200,000 or \$300,000 on top of that. The money is basically client-earned money, and it would be very hard for me to justify that type of expenditure rather than spend it on salary increases, profit-sharing and benefits to employees. (MacDougall, 1982, p. 36)

What does this mean to the smaller agencies who have chosen to remain small? Nichols sees nothing but trouble ahead.

The small agency today faces a myriad of problems. There are problems of continuous growth, constant inflation, higher costs of people and real estate. Most small agencies are not that wealthy, they don't have the financial reserves and their borrowing power is limited. There is a relationship between success and size, more so than I've ever seen before. The trend is toward clients wanting more facilities, bigger size and -- absolutely essential -- financial stability in an agency, that's where the small agencies are having a hell of a problem. An agency with even \$5 million worth of business can be in serious trouble if they lose just one account, and that's not true with a larger agency. I think there's a lot of trouble in store for small agencies that are not well financed, and the majority of them, unfortunately, are not. (MacDougall, 1982, p. 38)

Some client executives feel that a single person serving both the client and the agency might shorten the communication chain that has often proved too long and very fragile. This idea, although not currently in use, stands an excellent chance of working over the long-term, according to Don Kobrin, executive vice president,

Regis McKenna, Palo Alto, California. "Imagine, no clash of personalities, no conflict 'twixt ad manager and ae, no jockeying for control. The sociology of advertising would change for the better if one person, respected by both sides, did the job" (Kobrin, 1980, p. 51). In the role of ad liaison, the third party, as suggested by Kobrin, would be responsible for identifying communication objectives and gathering agency resources without succumbing to the pressures regularly applied to admen. In effect, the liaison's loyalty would fall not to the client or agency specifically, but to advertising.

Kobrin goes on to outline the liaison's principal duties as understanding the client's marketing objectives and communicating them to the agency, understanding the agency's advertising recommendations and communicating them to the client, negotiating a workable advertising program to be followed by both parties, and then channelling the resulting advertising to its natural and, hopefully, successful and profitable conclusion.

Kobrin is not alone in his theory that a third party can be beneficial to maintaining the agency-client relationship. As early as 1978, Heekin suggested the use of a "marriage counselor" when agency-client ties were on the rocks ("Third party urged to cool agency, client woes," 1978, p. 38). While the idea of a third party/liaison has been discussed among both client and agency executives, the reality of the service has not yet come to pass.

Although the third party idea holds some merit, several clients have initiated their own corrective methods for improving the agency-client relationship. Mark Controls Corporation, Evanston, Illinois, found a new way to give marketing managers insight into the

marketing communications process. Along with their agency, Zylke & Associates Inc., Glenview, Illinois, Mark Controls set in motion a series of seminars conducted by the agency for upper and middle management personnel.

The seminars, held in late September and prior to the determination of departmental budgets, encouraged individual participation and assured personal attention. Split into two day-and-a-half sessions, the presentations were made by eight members of the agency's staff. David Fish, corporate director of advertising, saw this avenue as being the most effective way to prepare marketing managers for their jobs after lengthy discussions with several of the agency's key personnel.

We tried to minimize the philosophy and concentrate on those problems and situations that our marketing managers are most likely to encounter--to offer insights that will help them make intelligent decisions. How to prepare objectives, how to budget properly, what should and should not be expected of advertising--that sort of thing. ("Agency holds marketing classes for client execs," 1977, p. 22)

Topics addressed during the seminars included buying motivations, advertising economics, the uses and potentials of market research tools, and insights into the industrial trade media. Later, in the afternoon sessions, the agency covered sales promotions, training devices, graphic arts technology, and planning costs.

What type of reaction did the seminars receive among Mark Control's executives? Said one in his critique, "Whatever I've learned about advertising in the past has been gleaned a grain at a time. I've never had the subject explained from a professional perspective before, or with this kind of totality. It's going to make

a great difference in my confidence about managing the communications function." Another suggested that the group reconvene in a year to determine how closely executive performance matched corporate objectives ("Agency holds marketing classes for client execs," 1977, p. 28).

As is clearly evident, there has been some development in improving the agency-client relationship during the past few years. Although some of the practices have yet to gain industry-wide acceptance, a few are already being tested with certain small degrees of success. It is important to note that both sides are making an attempt to correct any difficulties in their relationship so both might prosper.

Review of the Existing Research

Suprisingly little significant research has been done on why companies switch their advertising agencies. Though the advertising trade press is full of speculation about account changes, a review of both the United States and European literature fails to uncover any major studies examining this problem in depth. On the surface, advertising agencies appear to have little knowledge or understanding of the causes of client dissatisfaction leading to separation. The obvious lack of knowledge leaves advertising agencies in the precarious position of being unable to recognize signals of vulnerability, anticipate client disenchantment, and forestall potential account losses.

In a 1978 study of U.K. advertisers and their agencies regarding the account switching problem, strikingly different perceptions of the reasons for the breakdown were identified. The research also suggested that the split between client and agency was a process of "creeping disenchantment" preceded by clear signals of vulnerability (Doyle, 1980, p. 18).

For the purpose of his study, Doyle hypothesized that both performance and interpersonal differences would account for the breakup between advertisers and their agencies. The model postulated three major reasons for breakdowns: changes in client or agency policy, changes in client or agency management, and dissatisfaction with agency performance. The study design included all advertisers identified as changing their agency between January 1976 and September 1977. From the 515 agency changes during the period given, 210 mail questionnaires were returned providing a 40.7% return rate. The second stage was an identical questionnaire sent to the advertising agencies which had lost the business for these 210 accounts. Eighty-four usable responses were obtained from the agencies (40.0%). The questionnaires were directed to the organizations' chief executive and the covering letter requested forwarding the questionnaire to the manager most closely involved with the account. On the client side, 9% of the questionnaires were completed by the chief executive, 22% by the marketing director, 25% by the marketing manager, 18% by the advertising manager, 6% by marketing service managers, and 19% by other managers. For the advertising agencies involved, 39% of the respondents were chief executives, 41% were account directors, 2% were creative directors, 2% were account executives, and 15% held other titles.

Results of the study clearly indicated a marked disparity of views. Advertisers saw unsatisfactory creative production as the single main reason for shifting an account. Agencies, in sharp contrast, tended to lack clear views regarding certain project assignments. Consequently, the agencies blamed shifts in client policies and personalities for the resulting severance. Account losses became rationalized as "fate" or client perversity in order to maintain internal agency morale (Doyle, 1980, p. 19).

Ultimately the relationship between client and agency is an unequal one, according to Doyle's research. The advertiser has more freedom to choose, set the budget and structure strategies and objectives than the agency. Thus, the task of the agency is to understand and match the expectations of its "consumer." The agencies' lack of this "marketing orientation" is the main finding of the study (Doyle, 1980, p. 22). Many relationships become quite complex and personal over time. Ryan and Colley (1967) concluded that "much of the trouble in a company's relations with its advertising agency has little to do with the inherent capability of the agency."

On the basis of an intensive survey of leading advertisers, we have come to the conclusion that much of the trouble can be corrected through preventive maintenance, consisting primarily of systematic performance appraisal. (Ryan and Colley, 1967, p. 66)

The fundamental purpose of such an appraisal, according to Ryan and Colley, is to search for improvement opportunities, spot weaknesses in the performance as early as possible, and take corrective action before further deterioration sets in. Some common principles have been identified and guidelines set forth for the appraisal form.

1. Keep it simple. The advertiser would be well advised to avoid an evaluation project that becomes too complex and cumbersome.
2. A calm, objective look, not an atmosphere of panic, is needed. It is difficult, if not impossible, under emotionally charged circumstances to maintain any degree of objectivity and to get at the real causes of poor performance.
3. Appraise regularly. Management should lay down a policy of regularly scheduled appraisals, assign specific responsibility for the job, and insist that the schedules be met. Certainly the evaluation period should be timed so as not to conflict with high-priority time periods -- budget time or sales meetings, for example.
4. Make the agency (or agencies) a partner in the appraisal effort. An effective system...must not be allowed to deteriorate to a situation in which junior executives with limited advertising experience sit in judgment on the agency.
5. Review findings on a confidential basis with the agency. Ask the agency if it agrees with your conclusions and, if not, why. Then develop an action program which both agency and client agree on. (Ryan and Colley, 1967, p. 69-71)

As a direct result of their survey involving 150 advertising managers of leading corporations and other company people in close contact with advertising agencies, Ryan and Colley concluded "there is no such thing as a poor advertising agency." Almost all agencies involved hold high ratings in some areas of high capability. In addition, "there is a lot of poor advertising cluttering up the airwaves." What is the cause for mediocre advertising? The study concludes that either the client and the agency are mismatched, or the client and the agency have not yet learned how to collect their respective resources (Ryan and Colley, 1967, p. 73).

Research in the advertising agency-client relationship area most likely does not exist due to the fact that many executives believe little can be learned from such studies. Many others simply

do not have the time or make an effort to participate in such research. After careful examination of the trade literature, actual survey research revealed how accurately account changes were presented in the media and how fairly the reasons behind the switches were reported.

During an American Academy of Advertising Conference in 1978, Robert S. Boyd discussed the subject of account switching and why clients dismiss agencies. In subsequent articles, Boyd outlined the reasons behind broken long-term relationships (Boyd, 1980). In Boyd's studies, the client companies surveyed were seen as either the initiators or the terminators of the relationship.

The published views concerning differences, especially those that resulted in an irrevocable break, are often clouded and buried in obfuscation with the rhetoric of charges and counter-charges. Sometimes an advertising agency will terminate the relationship for very practical reasons, but more often than not it is the client who makes the decision to switch. (Boyd, 1980)

The Boyd study proved one additional fact. Everyone has a theory on why agencies and clients go their own ways. There seems to be a preoccupation in some circles on the subject, yet so little significant research exists in any formal manner. The advertising business has often evoked the description "show business." The unusual amount of interest in the relationship may simply mirror society's desire to uncover the worst in any given "affair."

CHAPTER II

METHODOLOGY OF THE STUDY

The Time Period Studied

The purpose for a survey of United States manufacturers concerning their views on the advertising agency-client relationship thus established, parameters for the intended research had to be determined. The following questions were addressed in planning the survey: "What time period should the survey cover?" "Which advertisers should be surveyed?" and "What type of survey methods would be most effective in achieving the research goals?"

Since the majority of manufacturers in the United States have several product lines, it becomes probable that more than one advertising agency would be involved with one or more lines. In an effort to simplify the survey, and improve the response rate accordingly, the information about agency-client relations had to be readily available to the respondents, most likely through personal recollection. Therefore, questions were directed at the most recent agency switch in the company's history, no matter which product line was in question. In cases where agencies have been employed for many years, the last agency switch may have been several years ago or never at all. In view of this fact, no limits were placed on how much time had elapsed since the most recent agency shuffle.

The time period of the study decided, attention was then given to determining which group of advertisers in the United States would be surveyed.

The Sample

The Standard Directory of Advertisers (1981) lists more than 17,000 manufacturers in the United States. Fortunately, the majority of annual billing dollars is represented by the 100 largest advertisers. In the eight measured media calculated by Advertising Age's 100 Leading National Advertisers (September, 1982), the one hundred leading advertisers account for just over half of all advertising dollars invested. Therefore, the controlling interest of the advertising industry could be most efficiently represented by selecting the largest advertisers in a purposive sample.

The basic assumption behind purposive sampling is that with good judgment and an appropriate strategy one can hand pick the cases to be included in the sample and thus develop samples that are satisfactory in relation to one's needs. (Selltitz, Jahoda, Deutsch & Cook, 1962, p. 520)

Considering the time and financial limitations of this study, a purposive sample would, therefore, be more effective than a random sample in accomplishing the research goals. For example, if each of the over 17,000 advertisers had an equal chance of being selected, the survey would probably include many smaller companies whose advertising budgets would not be nearly as representative of the total annual billings figures.

Therefore, the one hundred leading national advertisers, listed in the Advertising Age 100 Leading National Advertisers issue, with 1982 advertising spending of over \$35,000,000, were selected to be surveyed because of their high aggregate representation of the total expenditures for 1982.

The Sample Return

Of the sample of 100 leading advertisers, 45 companies responded for a survey return rate of 45.0%. The majority (88.9%) of the corporations responding returned the completed questionnaire within the three weeks specified in the accompanying cover letter. Six organizations returned the questionnaire with a letter explaining their policy concerning outside research projects and participation in non-company sponsored endeavors. The original return rate was 51.0%, but it was adjusted to include only usable responses.

In terms of geographic headquarters location, the plurality (33.3%) of the participants responding were based in New York City. The Midwest contributed 22.2% of the total response. New Jersey provided 15.6% of the survey respondents. The South was well represented, comprising 13.3% of the sample return. The New England states added 11.1% to the total response. The West supplied the remaining 4.4% to the survey total (see Table 1).

Of those responding, 33.3% listed advertising budgets for 1981 between \$50 and \$99 million. A slightly smaller group of advertisers, 22.2%, showed advertising budgets in excess of \$200 million for the year ended 1981. Companies spending between \$150 and \$199 million and those spending between \$100 and \$149 million in advertising media were equally represented with 15.6% each of the total responses received. Advertisers spending less than \$50 million in 1981 rounded out the survey response, claiming 13.3% of the sample (see Table 1).

TABLE 1
THE SAMPLE RETURN BY ADVERTISER PROFILE

Advertiser Profile	Frequency	Percentage of Total Response
<u>Location</u>		
New York City	15	33.3
Midwest	10	22.2
New Jersey	7	15.6
South	6	13.3
New England	5	11.1
West	2	4.4
<u>Advertising Dollars Spent in 1981</u>		
Over \$200 million	10	22.2
\$150 to \$199 million	7	15.6
\$100 to \$149 million	7	15.6
\$50 to \$99 million	15	33.3
Under \$50 million	6	13.3
<u>Advertising Budget Change from 1980 to 1981</u>		
Increase over 30%	3	6.7
Increase between 20% and 29%	9	20.0
Increase between 10% and 19%	14	31.1
Increase between 1% and 9%	10	22.2
No increase or decrease	1	2.2
Decrease of 1% to 5%	4	8.9
Decrease of 6% to 10%	2	4.4
Decrease over 10%	2	4.4

Companies agreeing to participate in the survey experienced a strong 1981 consumer spending surge and, as a possible consequence, 80.0% of those respondents raised advertising budgets to further help sell their respective products. Budget increases ranged from 1.0%, in one case, to 77.4% for the year, with 31.1% of the advertisers boosting advertising expenditures between 10% and 19%. An additional 22.2% raised spending levels between 1% and 9% while another 20.0% of the survey respondents added between 20% and 29% to their respective advertising outlays. 6.7% of the survey respondents raised their spending by over 30%.

If companies could not increase their budgets, some kept advertising levels the same. In fact, 2.2% of the respondents used precisely the very program in place the previous year. On the other side of the coin, 17.7% of the survey respondents chose to decrease spending during 1981. Of the survey total, 8.9% shaved budgets by 1% to 5%. Advertisers trimming expenditures between 6% and 10% and those cutting back over 10% each represented 4.4% of the total survey response (see Table 1).

The Questionnaire

The original draft of the questionnaire was administered anonymously to several national and regional clients of Bagwell and Associates Advertising, Inc., a Knoxville-based advertising, marketing and public relations firm specializing in consumer and financial advertising. Suggestions for improvement from top-level executives were incorporated into the final draft before the questionnaire was printed and distributed. The sampling of the

proposed questionnaire, while rather small, was very beneficial in determining how individual questions would be interpreted by the client executives.

In its final form, the questionnaire consists of three major sections. The first section contains questions directed specifically at the advertising agency selection process. The second question examines current corporate attitudes toward advertising agencies, and section three allows the respondent to suggest and describe possible ways to improve the agency-client relationship. A fourth section, designed to accumulate classificatory information, was omitted due to the length of time already involved in completing the questionnaire and the number of published documents containing the same information.

Questionnaire section I, "Agency Selection," was constructed and designed to obtain information on individual respondent selection criteria, thus addressing and answering the second research goal. Questions were posed to determine who makes the final decision in the selection process, what factors contribute most to that decision, the number of agencies initially considered during a review, and how many "finalists" actually make presentations. These questions were administered in order to solicit a measurable response from survey participants.

Questionnaire section II, "Client Attitudes Toward Agencies," was constructed to provide data on current attitudes and perceptions advertisers have toward their respective advertising agencies, thereby addressing the first research goal. Question #6 of this section, in particular, explored the perceived strengths and

weaknesses of the agency's experience and expertise from the client's point of view. This question also allowed for individual comments and suggestions as well as gripes and grievances to be aired. In all, 24 of the 45 respondents (53.3%) utilized the space provided.

The third research goal was addressed by the inclusion of Questionnaire section III, "Suggestions for Improving the Agency-Client Relationship." In Question 10, a list of potential trouble areas and suggested tactics to be used by agencies, clients, and/or both for improving their present and future relationships was detailed. In an Advertising Age Editorial Sounding Board Report (1979), many of the possible improvements listed were described. Advertisers, or in this case respondents, were instructed to indicate which of the methods listed would be most beneficial in maintaining or strengthening their own agency-client relationships.

Respondent reaction to the survey as a whole was most favorable. Complimentary remarks such as "Enjoyable questionnaire, nice break in routine," "About time someone decided to ask our thoughts," and "Talk about timing, just began a new review ourselves," were samples of the volunteered comments received with regard to the questionnaire. Several companies chose not to participate in the survey, citing company policy or lack of time as reasons for their non-participation. No negative comments were received from any of the respondents who did choose to participate in the research.

Several executives sought to elaborate on their answers in the space provided and in the margin areas. Many of the views expressed were qualified as personal opinion only and not part of

corporate ideology. All comments received, whether positive, supportive, approving or illustrating, exhibited the respondents' interest in the study.

Data Gathering

The questionnaire was printed on 8½" by 11" heavy stock paper using a high quality commercial copier. A cover letter, explaining the need for the survey and details for its return, was included with each questionnaire. Both pieces, along with a stamped, self-addressed business reply envelope provided by the College of Communications at the University of Tennessee, Knoxville, were folded twice and addressed to either the director of marketing or the director of advertising of each corporation in the sample, as listed in the Advertising Age 100 Leading National Advertisers (September, 1982). The one hundred questionnaires were mailed on January 17, 1983, approximately three weeks before the February 4, 1983 deadline specified in the cover letter.

The mail survey technique was chosen over telephone interviews and personal primary research for several reasons.

By its very nature, the questionnaire is likely to be a less expensive procedure than the interview. It requires much less skill to administer than an interview; in fact, questionnaires are often simply mailed or handed to respondents with a minimum of explanation. Further, questionnaires can often be administered to large numbers of individuals simultaneously; an interview, on the other hand, usually calls for questioning each individual separately. Questionnaires can be sent through the mail; interviewers cannot. Without a given amount of funds, it is usually impossible to cover a wide area and to obtain information from more people by means of personal interviews than from a questionnaire. (Selltitz et al., 1962, pp. 238-239)

Since the companies being surveyed were located across the country and cost and time were limiting factors, face-to-face and telephone interviews as data-gathering methods became unfeasible.

In an effort to minimize question ambiguity, each item was carefully worded so that the questions would convey the same meaning to all one hundred potential respondents. This points to another inherent advantage to conducting mail surveys. The highly confidential nature of the research topic might well have been impeded in face-to-face or telephone interviews.

In addition to such factors as time constraints, cost limitations and questionnaire impersonality, a mail survey was selected over other data-gathering methods because it could also be directed to specific executives within the corporation (Wright, Warner, Winter and Zeigler, 1977, pp. 534-535). Busy executives were given the opportunity to pass the questionnaire along to other knowledgeable corporate staffers if necessary or, on the other hand, take more time at their leisure in responding to the questions.

There are drawbacks with any data-gathering method, however, and a low return rate is the most serious problem facing mail survey research. On many wide scale research projects encompassing literally thousands of recipients, the proportion of returns is low, varying from 10% to 50% (Selltitz et al., 1962, p. 241). While conceding that return rates may vary drastically, Fletcher and Bowers (1983, p. 108) set 30% as the minimum acceptable return rate in most cases.

To assure a higher return rate, many steps were taken. Notices reminding respondents to return their completed surveys were mailed to each company on February 4, 1983, the deadline date given for returning the questionnaire. Self-addressed and stamped envelopes were included in the original package with the questionnaire. The questionnaire was neatly printed and probable answers were listed below each question so that respondents could easily and quickly check their responses. The cover letter (see Appendix), sent to each executive on University of Tennessee Department of Advertising letterhead stationery to signify survey sponsorship, promised a copy of the survey findings upon request.

Another drawback in gathering data by mail is the possibility that the person who actually answered the questionnaire may not have been the intended addressee. Due to the respondent interest in the timeliness of the survey topic, however, this limitation was overcome. It was determined that 69.8% of the addressees themselves completed the questionnaires and other staff members answered the remaining 30.2% of the questionnaires.

CHAPTER III

FINDINGS AND DISCUSSION

The Situation

In any agency-client relationship there are many sides to the question of why the participants decide to go their respective ways. As earlier hypothesized, a lack of open communication and differing views on how to deal with related business problems seem to be two major reasons for severing the bond.

It is the purpose of this study to survey client companies on their agency selection process and examine their criteria for choosing an advertising agency. The account switching problem is indeed severe to those laboring in the business. However, little significant research has been collected on the "how to" aspects of the selection process and the "why" reasons behind agency shifts.

The Agency Selection Process

Survey respondents, in order to maximize questionnaire completion and elicit survey response, were asked questions dealing with their most recent agency shift and the criteria used in choosing the new agency. Examining the most recent change allowed executives to answer specific questions through personal recollection. No time restrictions since the last review were placed on the respondents as many agency-client relationships among the leading national advertisers and the largest advertising agencies were perceived to last longer than the industry average.

When asked who makes the final decision regarding the selection of an advertising agency, 28.9% of the survey respondents indicated that the company president or chief executive officer held responsibility for the decision to make a switch. Special committees, appointed by the president or reporting directly to him, selected the agency in 20.0% of the reviews. A committee system with the president participating directly, referred to as an executive committee, was used by 8.9% of the respondents in selecting an agency. In 6.7% of the responses given, the advertising manager alone made the final decision in the selection process. The chairman of the board (4.4%), division managers (4.4%) and sales/marketing managers (4.4%) also held responsibility in making the final selection decision, according to those surveyed (see Table 2).

In two-thirds of the responses (66.7%), the decision to select an advertising agency was handled either directly or indirectly by clients' upper management personnel. Other management mentioned as participants by the respondents included the senior advertising director, the director of marketing communications, brand ad hoc committees, the director of communications, executive vice presidents, division presidents, a vice president of corporate communications, brand directors, the marketing services manager and a vice president for marketing services. Grouping these multiple titles under any one heading is difficult, given a lack of job descriptions.

While some client companies establish specific criteria prior to a review, a few key elements are often evaluated and given priority over lesser factors. Perceived problems in creativity, media scheduling, research or account service can key an advertising

TABLE 2
CLIENT PERSONNEL RESPONSIBLE FOR AGENCY SELECTION

Client Personnel	Frequency	Percentage of Total Response
Company president or ceo	13	28.9
Special committee (excluding president)	9	20.0
Executive committee (including president or ceo)	4	8.9
Advertising manager	3	6.7
Chairman of the board	2	4.4
Division manager	2	4.4
Sales/marketing manager	2	4.4
Other	10	22.2

agency search. While many factors determine how an agency will be selected, specific criteria assist those charged with directing the selection process.

An advertising agency's creative reputation was listed most often by 77.8% of the survey respondents as a contributing factor when choosing an agency. The agency's top management reputation (37.8%), the agency's key contact personnel (37.8%) and the agency's full service capabilities (37.8%) were listed as other key contributing factors in why clients select certain agencies. In addition, 26.7% of the sample listed the agency's background and experience in client service as a major consideration in contributing to the agency selection process (see Table 3).

Several other factors also contributed to the selection of an advertising agency. The impact of the agency's initial presentation (24.4%) and the agency's experience in the client's particular product line (22.2%) were regarded by clients as criteria worthy of examination when choosing an agency, while the agency's interest in the client's product, the agency's ability to communicate effectively with client management and the agency's office location were each listed by 8.9% of the respondents as factors which contributed to the selection of an advertising agency. The agency's compensation and payment practices were listed by 4.4% of the respondents as a contributing factor to the selection process.

During a typical review, it is not uncommon for companies to evaluate more than one agency. In many cases, agencies may be asked to make speculative presentations of their creative work or

TABLE 3
FACTORS CONTRIBUTING TO AGENCY SELECTION

Contributing Factor*	Frequency	Percentage of Respondents Listing Factor	Percentage of Total Response
The agency's creative reputation	35	77.8	26.3
The agency's top management reputation	17	37.8	12.8
The agency's key contact personnel	17	37.8	12.8
The agency's full service capabilities	17	37.8	12.8
The agency's background and experience in client service	12	26.7	9.0
The impact of the agency's initial presentation	11	24.4	8.3
The agency's experience in the client's particular product line	10	22.2	7.5
The agency's interest in the client's product	4	8.9	3.0
The agency's ability to communicate effectively with client management	4	8.9	3.0
The agency's office location	4	8.9	3.0
The agency's compensation and payment practices	2	4.4	1.5

*Respondents were instructed to check three as factors that most contributed to the selection of an advertising agency. Some respondents checked fewer than three factors. The 45 survey respondents checked a total of 133 responses.

capabilities presentations outlining their approach to the client's advertising, marketing and/or communications programs. By reviewing several shops, the client can then make a well-informed decision in choosing a new partner.

When the one hundred leading national advertisers were asked how many agencies they considered during their most recent agency change, 57.8% of those responding to the survey had considered from three to five agencies in the preliminary examination. Another 22.2% of the survey group considered one or two advertising agencies before making a selection. Only 6.7% of the respondents reviewed or considered from six to nine agencies during their most recent shift (see Table 4).

Major corporations, particularly those making up the leading national advertiser group, have several product lines and large advertising budgets. Therefore, some account changes are simply reassignments from one of several agencies the client may have in its employ at any given time. An advertising account reassignment would not necessarily require a client to go through a full scale review process. This may explain why 4.4% of the respondents did not consider any agencies before making their most recent account change.

Once a full scale review is in progress, clients use the process to eliminate those agencies whose experience and expertise do not match the company's requirements. In this elimination process, the agencies that are perceived to be most compatible become "finalists" for the account about to be shifted. After the initial consideration, 77.3% of the survey respondents reported

TABLE 4
AGENCIES INITIALLY CONSIDERED IN SELECTION PROCESS

Number of Agencies Considered	Frequency	Percentage of Total Response
None	2	4.4
One or two advertising agencies	10	22.2
Three to five advertising agencies	26	57.8
Six to nine advertising agencies	3	6.7
More than ten advertising agencies	0	-
Have not switched agencies during time period surveyed	2	4.4
Did not respond	2	4.4

narrowing their choice to one or two agencies during their most recent shift, while 17.8% evaluated from three to five agencies in the final examination before choosing a new shop. No survey participants reported having more than five contenders while 4.4% of the respondents indicated they had no competing agencies prior to making the agency selection (see Table 5).

Client Attitudes Toward Agencies

A majority of the one hundred leading national advertisers participating in the survey reported good to excellent working relationships with their respective advertising agencies. All of the clients in this survey group currently employ at least one advertising agency and no company surveyed was without an agency.

In response to the question "How many agencies do you currently employ?", 55.6% of the respondents reported using between two and five agencies for all business. An additional 22.2% indicated ten or more agencies under contract, while another 13.3% listed from six to nine agencies working on various product assignments. Overall, 91.1% of the participating advertisers are utilizing the services of multiple advertising agencies. Only 8.9% of this survey group reported having one advertising agency for all business (see Table 6). As many agencies have grown and become experienced in certain areas, they become more specialized and, consequently, are hired primarily for that expertise.

Account longevity is both financially rewarding and professionally satisfying to the agency as well as the client. Long-term relationships have prospered because both groups work

TABLE 5
AGENCIES INVOLVED AS FINALISTS
DURING SELECTION PROCESS

Number of Agencies	Frequency	Percentage of Total Response
None	2	4.4
One or two advertising agencies	33	73.3
Three to five advertising agencies	8	17.8
Six to nine advertising agencies	0	-
More than ten advertising agencies	0	-
Did not respond	2	4.4

TABLE 6
AGENCIES CURRENTLY EMPLOYED

Number of Agencies	Frequency	Percentage of Total Response
One agency for all business	4	8.9
Two to five advertising agencies	25	55.6
Six to nine advertising agencies	6	13.3
More than ten advertising agencies	10	22.2

together to achieve desired goals and objectives. Among currently existing accounts, 37.8% of the survey respondents have maintained their agency-client ties four to nine years on the average.

Relationships averaging ten to twenty years were noted by 31.1% of the survey participants. Other companies (20.0%) reported average relationships of over twenty years with their agencies. In all, 88.9% of the agency-client relationships examined have been in effect longer than the industry-acknowledged average of four years, while only 11.1% of those surveyed have had their current agencies under three years (see Table 7).

While the advertising agency performs several functions for its clients, most agencies have single areas of strength or experience and tend to specialize to some degree in those areas. Clients were asked "In what area of client service did the agency's major strength lie in terms of experience and expertise during your most recent agency review?" Overwhelmingly, creative production was most often mentioned as the major reason for changing agencies. In fact, 71.1% of the survey respondents agreed that creative superiority was a key element in the selection of a new advertising agency. General marketing and communications skills were perceived as areas of strength during the selection process held most recently by 17.8% of the respondents. Production of collateral materials and the agency's full service capabilities were each listed by 4.4% of the respondents as areas of strength, while traffic and financial controls, research techniques and execution, and media buying and placement were each listed by 2.2% of the respondents as areas of agency strength (see Table 8).

TABLE 7
AVERAGE LENGTH OF AGENCY-CLIENT RELATIONSHIP

Number of Years	Frequency	Percentage of Total Response
One to three years	5	11.1
Four to nine years	17	37.8
Ten to twenty years	14	31.1
Over twenty years	9	20.0

TABLE 8
CLIENT PERCEPTION OF AGENCY STRENGTH
DURING MOST RECENT SELECTION PROCESS

Area of Agency Service*	Frequency	Percentage of Respondents Indicating Strength	Percentage of Total Response
Creative production	32	71.1	62.7
Marketing and communications skills	8	17.8	15.7
Collateral materials	2	4.4	3.9
Others:			
Full service capabilities	2	4.4	3.9
Traffic and financial controls	1	2.2	2.0
Research techniques and execution	1	2.2	2.0
Media buying and placement	1	2.2	2.0
Public relations skills	0	-	-
Did not respond	4	8.9	7.8

*Respondents were instructed to check only one area as the agency's major source of strength. Three respondents gave equal weight to several areas in the form of multiple response.

Suggestions for Improving Agency-Client Relationships

Client management, agency personnel, media and trade press reporters and industry-watchers alike have collectively offered suggestions on improving the agency-client relationship. Trade magazines and the business press often record account switches without ever fully examining the reasons for the change. In other instances, much is made out of reported philosophical differences or conflicts between agency and client upper management while the real reasons for the change might be more obvious on the surface. In any event, client companies control advertising expenditures and ultimately must make the decision to switch or not to switch advertising agencies if things begin to turn sour. Therefore, opinions of industry observers will remain simply opinions and receive no further discussion.

Survey respondents were asked whether annual agency performance reviews or audits were conducted in order to maintain a healthful agency-client relationship. In response to that query, 33 out of the 45 responding advertisers (73.3%) indicated that annual reviews are presently being used and have proven effective in keeping the relationship operating at peak performance. The remaining 26.7% of the respondents do not presently use reviews. Some client company executives, when interviewed informally during the preparation of the questionnaire, believed reviews had a negative effect, claiming that the review process itself often placed an unnecessary burden on the agency involved.

With so much time, talent and production involved in creating advertising, what can the two sides do to improve the existing relationship? Does the responsibility of maintaining a healthful relationship lie solely with one side or the other? This study presented to the survey group, the one hundred leading national advertisers based on dollars spent in the eight measured media for 1982, a number of suggestions the client might follow in order to improve the working relationship, and asked them to indicate which suggestions would be beneficial in their opinion. Next, clients were asked to indicate suggestions for the agencies that might assist them in servicing the client's accounts more effectively. Finally, respondents were asked to indicate suggestions that both groups, working in unison, could comply with in order to benefit both parties. While some generalizing of answers is apparent given the questionnaire design, a few respondents offered their own views and suggestions in the additional space provided.

In this study, clients listed most often the suggestion for aiding the agency-client relationship as improving their own corporate strategies, objectives and direction. An even 60.0% of the respondents agreed that improving the relationship must begin internally as a client responsibility. Involving the agency more thoroughly in all aspects of corporate planning was listed by 53.3% of the survey respondents as a suggestion for improving the relationship. Trying to consolidate corporate approval levels and being more candid with the agency about account problems were each listed by 40.0% of the respondents as beneficial suggestions for improvement. Survey respondents also believed that planning frequent evaluations

of corporate advertising and marketing programs (31.1%), demonstrating more decisiveness (13.3%) and budgeting more money for all advertising needs (11.1%) would be beneficial suggestions for improving the agency-client relationship from the client point of view. Finally, not expecting too much or the impossible from the agency (8.9%) and tightening the budget for more efficient performance (4.4%) were believed to be beneficial suggestions for the client if a healthy agency-client relationship remains an advertiser's intention (see Table 9).

Suggestions in the form of additional comments were given by several respondents. Giving the agency enough time to do their best work, improving communications through all departments, keeping the agency actively involved in the strategic planning stages of product marketing, making sure the agency fully understands their creative assignments, giving clearer direction, and stimulating a mutual desire to build business were all offered as suggestions that would be beneficial to a client in maintaining or improving present and/or future agency-client relationships.

Survey respondents believed the agency should take a closer look at its own role in the relationship and work harder to make the union a successful one. In answer to the survey question "What should agencies do to improve the working relationship," 48.9% of those surveyed thought that the agency should show more concern for client costs and not perform work or suggest increased budgets in order to inflate their own revenues. Taking more care in filling account assignments was a suggestion for agencies listed by 40.0% of the respondents as beneficial to the agency-client

TABLE 9

CLIENT SUGGESTIONS FOR CLIENTS ON IMPROVING THE
AGENCY-CLIENT RELATIONSHIP

Suggestion*	Frequency	Percentage of Respondents Listing Suggestion	Percentage of Total Response
Improve (client's) corporate strategies, objectives and direction	27	60.0	21.8
Involve agency more thoroughly in all aspects of corporate planning	24	53.3	19.4
Try to consolidate corporate approval levels	18	40.0	14.5
Be more candid with agency about account problems	18	40.0	14.5
Plan frequent evaluations of corporate advertising and marketing programs	14	31.1	11.3
Demonstrate more decisiveness	6	13.3	4.8
Budget more money for all advertising needs	5	11.1	4.0
Not expect too much or the impossible from the agency	4	8.9	3.2
Tighten budget for more efficient performance	2	4.4	1.6
Other	6	13.3	4.8

*Respondents were instructed to check three as beneficial to the advertising agency-client relationship. The 45 survey respondents checked a total of 124 suggestions.

relationship. Survey respondents believed the agency should demonstrate more understanding and flexibility in dealing with clients and their personnel (37.8%), decrease the turnover of account personnel (35.6%), and avoid over-promising (20.0%) if improvement of the relationship is necessary.

Clients listed other suggestions for agencies sincerely interested in working to serve their accounts as efficiently as possible. Tightening the agency structure (13.3%), decreasing involvement in client politics (13.3%), scrutinizing agencies that have unusually good client relationships (6.7%) and increasing contact with clients (4.4%) were also approved as suggestions for improving the agency-client relationship by the survey respondents (see Table 10).

Suggestions respondents offered in the open-end blank under "Others" point to creativity as a major area of concern if agencies wish to cement the agency-client ties. Survey participants who listed additional suggestions believe that agencies should be on time with projects, pay more attention to details and follow-up, be more stubborn in presenting ideas, spend time working in the client's business, show initiative with creative suggestions rather than responding to client requests, search for ways to increase and improve creative and marketing contributions, improve creative strategic thinking, and give the client what the agency thinks they ought to have rather than what he thinks he needs. One respondent suggested that the agency should not always tell the client what he wants to hear. Participants, as a whole, showed a sincere desire to work by offering such a diversity of opinion to agencies.

TABLE 10
CLIENT SUGGESTIONS FOR AGENCIES ON IMPROVING THE
AGENCY-CLIENT RELATIONSHIP

Suggestion*	Frequency	Percentage of Respondents Listing Suggestion	Percentage of Total Response
Show more concern for client costs	22	48.9	19.8
Take more care in filling account assignments	18	40.0	16.2
Demonstrate more understanding and flexibility in dealing with clients and their personnel	17	37.8	15.3
Decrease turnover of account personnel	16	35.6	14.4
Avoid over-promising	9	20.0	8.1
Tighten agency structure	6	13.3	5.4
Decrease involvement in client politics	6	13.3	5.4
Scrutinize agencies that have unusually strong client relationships	3	6.7	2.7
Increase contact with clients	2	4.4	1.8
Other	12	26.6	10.8

*Respondents were instructed to check three as beneficial to the advertising agency-client relationship. The 45 survey respondents checked a total of 111 suggestions.

After examining both parties individually, respondents were instructed to indicate which suggestions would be beneficial to both the agency and the client in improving the agency-client relationship. Improving all levels of communication between the two corporate structures was listed by 73.3% of the respondents as being beneficial to the agency-client marriage. Developing a mutual trust and understanding of problems (62.2%), giving more information on both sides (37.8%) and increasing top level management activity (26.7%) were also indicated by respondents as beneficial suggestions for improving the agency-client relationship. In addition, 22.2% of the respondents believe that developing a better perception of agency-client financial needs and resources will benefit both parties (see Table 11).

Suggestions offered by respondents in the open-end blank under "Others" included developing a better mutual creative planning process, having a periodic review of mutual performance, showing more merited respect for one another, being more open and honest about problems, making an effort to stimulate agency contributions to all aspects of the client's business, and understanding the creative needs of the client and see to it that those needs are being met.

In reviewing the advertisers that chose to participate in the study, the food industry was the most visible in terms of the number of respondents to the questionnaire, followed by the toiletries/cosmetics industry (see Table 12). These two industries also reported the largest number of recent account switches among the survey respondents (see Table 13).

TABLE 11

CLIENT SUGGESTIONS FOR BOTH CLIENTS AND AGENCIES ON
IMPROVING THE AGENCY-CLIENT RELATIONSHIP

Suggestion*	Frequency	Percentage of Respondents Listing Suggestion	Percentage of Total Response
Try to improve all levels of communication between the two corporate structures	33	73.3	31.1
Develop mutual trust and understanding of problems	28	62.2	26.4
Give more information on both sides	17	37.8	16.0
Increase top level management activity	12	26.7	11.3
Develop better perception of agency-client financial needs and resources	10	22.2	9.4
When problems occur, turn to an impartial third party for advice and consultation	0	-	-
Other	6	13.3	5.7

*Respondents were instructed to check three as beneficial to the advertising agency-client relationship. The 45 survey respondents checked a total of 106 suggestions.

TABLE 12
INDUSTRIES REPRESENTED BY THE
100 LEADING NATIONAL ADVERTISERS OF 1982

Industry*	Number of Companies	Number of Respondents	Percentage of Industry Response
Food	19	6	31.6
Toiletries/Cosmetics	11	4	36.4
Miscellaneous	10	5	50.0
Automobiles	8	4	50.0
Wine, Beer, Liquor	6	4	66.7
Drugs	6	3	50.0
Communications/Entertainment	6	1	16.7
Tobacco	5	3	60.0
Airlines	5	2	40.0
Soaps/Cleaners (and Allied)	5	1	20.0
Appliances/TV/Radio	3	3	100.0
Retail Chains	3	3	100.0
Photographic Equipment	3	2	66.7
Gum/Candy	3	1	33.3
Chemicals	3	1	33.3
Soft Drinks	2	1	50.0
Telephone Service/Equipment	2	1	50.0
Totals	100	45	-

*Industry groups appear in accordance with the "100 Leading National Advertisers of 1982" issue of Advertising Age.

TABLE 13
CATEGORY INVOLVING RESPONDENTS'
MOST RECENT ACCOUNT SWITCH

Category*	Frequency	Percentage of Total Response
Toiletries/Cosmetics	6	13.3
Food products, Restaurants	5	11.1
Wine, Beer, Liquor	4	8.9
Smokers Requisites, Tobacco	4	8.9
Travel, Transportation, Lodging	3	6.7
Automobiles	3	6.7
Electronics, Radios and Television Sets	2	4.4
Office and Data Processing Equipment	2	4.4
Optical, Photo and Scientific Equipment	2	4.4
Pharmaceuticals	2	4.4
Apparel	1	2.2
Cleaning Agents	1	2.2
Coffee, Tea	1	2.2
Media	1	2.2
Movies, Amusements, Entertainment	1	2.2
Corporate Advertising	1	2.2
Soft Drinks	1	2.2
Gasoline, Lubricants	1	2.2
Household Appliances	1	2.2
Did not respond	3	6.7
Totals	45	

*Categories appear in accordance with the "100 Leading National Advertisers of 1982" issue of Advertising Age.

CHAPTER IV

SUMMARY AND CONCLUSIONS

Summary

The advertising agency-client relationship appears to be on steady ground. The leading national advertisers responding report good working arrangements with presently employed agencies and believe mutual trust, respect and open communication to be vital links in maintaining a productive relationship. The majority of those responding believe the present advertising agency-client affiliation to be conducive to producing satisfactory advertising work.

According to local practitioners interviewed prior to the survey, the advertising business among the nation's leading companies is built on strong personal ties and close friendships. The very nature of the business itself requires close working relationships and this fact is reflected in the study. In making the final agency selection decision, 62.2% of the respondents revealed that the company president or chief executive officer, his committee, or special appointed upper management had the last word in the hiring process. Evidence, therefore, suggests that a change in corporate management at the top of the organizational ladder may precipitate a change in advertising agencies.

The creative reputation of an agency, by far the most visible component of overall service, is the most often indicated criterion in the selection process among advertisers with

million dollar advertising budgets. Given the number of messages or exposures the average person will encounter in a lifetime, creativity that breaks through the advertising clutter will be much more effective in selling a particular product or service. Hence, while key contact personnel, top management reputation and full service capabilities are of equal importance to larger advertisers, creativity in conceptualization, graphic design and implementation is more likely to land the agency a new account among the leading national advertisers.

The actual advertising agency selection process can take a day, a week, a month or even a year to complete. The leading national advertisers, as a study group, spend a great deal of time and energy in determining their own advertising and communications needs and then beginning the agency selection process. Once the criteria are established, the review can begin. Many agencies when informed of an agency or account review welcome the challenge of competition, while other agencies might resign the account (citing a variety of reasons either personal or professional) before a formal review begins. The leading national advertisers surveyed utilize the review process as a periodic evaluation of the agency's performance. As survey results indicated, 73.3% of the companies responding presently use an annual agency performance review or audit of the agency in order to stimulate agency service.

Of the 45 leading national advertisers responding to the survey, less than 10.0% employ only one advertising agency for all present business. With large budgets and diverse product lines,

the majority of advertisers (91.1%) employ from two to twenty agencies. This is consistent with the idea that certain agencies are hired for their expertise in certain areas, such as restaurant/fast food, banking and financial, industrial, consumer products or travel/tourism. A corporation with many holdings will benefit by utilizing the best agencies for each particular product line or service.

The leading national advertisers also reported long lasting relationships with the respective advertising agencies. In many cases, the present relationships have been maintained for over ten years on the average. Collectively, the 45 companies responding to the survey from among the one hundred leading advertisers made fewer moves or switches between agencies than their smaller-budgeted counterparts, but as expected, each move involved more billing dollars for the fortunate agency winning the new business assignment.

The basic purpose of the study was to determine clients' perceptions and solicit suggestions for improving the agency-client relationship. Of the group surveyed, those reporting believed that internal organization was most important in strengthening the relationship and, once clear strategy and direction were given, agency involvement would prosper accordingly.

Although clients found many gripes with agencies, the complaint most often listed dealt with finances. Of those surveyed, 48.9% believed the agency could improve the relationship by showing more concern for client costs. This grievance might best be explained by the tightening of the economy and the hope of clients to get the

most from their advertising dollars. The advertising agency that recognizes this fact and works within set boundaries may be best able to survive the client "switch-blade."

Clients also believed that the two sides must work together in order to improve the agency-client relationship. Suggestions for improving communication levels, developing trust and understanding of problems, and giving more information were approved most often by those participating in the study. Individual comments offered by the respondents in the spaces provided on the subject of strengthening the relationship were general in nature, for the most part, with no specific complaints being put forth.

Conclusions

Top client management is very active in making the decisions regarding the final selection of an advertising agency among the leading national advertisers surveyed. In some instances, the chief executive officer will choose an agency on his own based on prior work experiences. In other cases, a special committee will be formed to select a shop which meets the organization's criteria. This committee will often receive input from various management personnel at different levels of responsibility. Once the criteria are established, the selection process will be put in motion.

Several factors determine which advertising agency will be chosen to handle a specific assignment from one of the leading advertisers. While creativity is stressed more than any other single aspect of agency service as a selection criterion by the respondents, a combination of services will most likely result in one agency being chosen before another agency.

The selection process generally begins with a number of advertising agencies pitching the particular account to be reassigned by the client company. Through the process of elimination, based on predetermined requirements, the client will then hear presentations from a handful of "finalist" agencies believed to be best suited to handle the account in question.

Among the leading advertisers, agency-client relationships are of lengthy duration. As the agency learns the client's business, it becomes in effect an extension of the marketing/advertising department. In a sense, by learning intimately the client's operations, the agency attains some degree of job security. A major piece of new business might require an agency to hire additional staff, expand existing department responsibilities, relocate personnel and increase research and development budgets. However, the agency cannot afford to be careless in planning and achieving its own goals and objectives for growth. The agency that understands the whims of its clients will be more prepared in the event of a split than its competition.

Annual performance reviews or audits of an advertising agency's work are commonly used among the survey respondents. This periodic evaluation benefits both the agency and the client as is seen to serve as a detection device for locating potential problems and aiding in their correction. While the practice of an annual or periodic review is not yet industry-wide, each client company responding to the survey maintains some form of internal control.

The majority of those surveyed appear generally pleased with the respective advertising agencies at this point in time.

While many of the respondents would hesitate to report negatively, their participation alone indicates a willingness to improve the present working relationship between the advertising agency and the client. Once the initial groundwork has been done between the two groups, a successful union built on trust and mutual understanding becomes more of a reality.

In selecting an advertising agency, the client, regardless of size, should first examine his needs, goals, objectives and marketing strategies. Once this has been accomplished, the agency search can begin. To improve the chances of selecting a compatible partner, an examination of the agency's experience in a particular product field will help determine whether the agency could productively handle the assignment. While personal friendships may play an important role in the selection process, the concerned client will sacrifice those friendships for strong product knowledge if sincerely wishing to promote a product or service. Once the relationship is established, mutual trust through the exchange of information and discussion of potential problems must be maintained. If and when problems arise, both parties should take an active role in determining the cause and working to alleviate the trouble. The trust and understanding that results from improved agency-client relationships will help make advertising, and the industry as a whole, more effective and more efficient.

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APPENDIX

College of Communications

THE UNIVERSITY OF TENNESSEE, KNOXVILLE, TENNESSEE 37916

Department of Advertising
(615) 974-3048

January 17, 1983

Mr. W. E. Forbis
Vice President, Sales
The Procter & Gamble Company
P. O. Box 599
Cincinnati, Ohio 45201

Dear Mr. Forbis:

Selecting an advertising agency is one of the most difficult decisions facing an advertiser.

Research on selecting an advertising agency is being conducted through the University of Tennessee Department of Advertising and the Communications Research Center. The 100 leading national advertisers are being surveyed to determine their views and opinions on the agency-client relationship.

Your help is needed in the answering of the enclosed survey questionnaire. Your response to this questionnaire and returning it in the self-addressed stamped envelope constitutes your agreement to participate in this research. The questionnaire can easily be completed in less than 15 minutes. Copies of the survey report will be made available, upon request, early in September, 1983.

Should the demands on your time preclude a personal response to the survey, I would appreciate if you would direct the questionnaire to a knowledgeable staff member of the company who could reliably answer it. The completed questionnaire should be returned no later than February 4, 1983.

Your cooperation is vital to the completion of this important project. Thank you for your time and attention in this matter.

Sincerely,

Seth M. Kerr
Graduate Assistant

Enclosures

A SURVEY OF AGENCY-CLIENT RELATIONSHIPS

Name (Title) _____ Company _____

(For publication purposes): May I have permission to quote you by name? _____ Yes _____ No

Would you like to receive a copy of the final report resulting from this questionnaire? _____ Yes _____ No

I. AGENCY SELECTION

1. Within your company, who makes the final decision regarding the selection of an advertising agency? (Check one)

___ Chairman of the board
 ___ Executive committee
 ___ Company president
 ___ Special committee
 ___ Sales/Marketing manager
 ___ Advertising manager
 ___ Division manager
 ___ Other(s): _____

2. Which three of the following factors most contributed to your selection of an advertising agency? (Check only three)

___ The agency's background and experience in client service
 ___ The agency's experience in the client's particular product line
 ___ The agency's creative reputation
 ___ The agency's top management reputation
 ___ The impact of the agency's initial presentation
 ___ The agency's key contact personnel
 ___ The agency's compensation and payment practices
 ___ The agency's office location
 ___ The agency's full service capabilities
 ___ The agency's interest in the client's product
 ___ The agency's ability to communicate effectively with client management
 ___ Other(s): _____

3. The last time you moved an account, how many agencies did you consider? (Check one)

___ None
 ___ 1 or 2 advertising agencies
 ___ 3 to 5 advertising agencies
 ___ 6 to 9 advertising agencies
 ___ more than 10 advertising agencies

4. After the initial consideration, how many agencies were "finalists" the last time you moved an account? (Check one)

☐ None
☐ 1 or 2 advertising agencies
☐ 3 to 5 advertising agencies
☐ 6 to 9 advertising agencies
☐ more than 10 advertising agencies

II. CLIENT ATTITUDES TOWARD AGENCIES

5. How many advertising agencies do you currently employ? (Check one)

☐ One advertising agency for all business
☐ Two to five advertising agencies
☐ Six to ten advertising agencies
☐ More than ten advertising agencies

6. During your most recent advertising agency selection process, in what area of client service did the agency's major strength lie in terms of experience and expertise? (Check one)

☐ Media buying and placement
☐ Creative production
☐ Research techniques and execution
☐ Public relations skills
☐ Marketing and communications
☐ Collateral materials
☐ Other(s): _____

7. Among your currently existing accounts, how long have the agency-client relationships been maintained on the average? (Check one)

☐ Less than one year
☐ One to three years
☐ Four to nine years
☐ Ten to twenty years
☐ More than twenty years

8. In what category was your most recent account switch? (Check one)

☐ Apparel	☐ Machinery and Supplies
☐ Associations, Institutions, Unions	☐ Media
☐ Automobiles	☐ Movies, Amusements, Entertainment
☐ Banks, credit agencies	☐ Office and data processing equipment
☐ Cleaning agents	☐ Optical, Photo and Scientific equipment
☐ Coffee, Tea	☐ Paper, Packaging, Containers
☐ Department stores, mail order houses, retail chains	☐ Pharmaceuticals
☐ Electronics, Radio and Television sets	☐ Public Utilities
	☐ Smokers Requisites, Tobacco

(continued on next page)

- | | |
|---|--|
| ☐ Food products, Restaurants | ☐ Soft drinks |
| ☐ Furnishings | ☐ Sporting goods |
| ☐ Games, Toys | ☐ Tires, Tubes, Molded rubber, |
| ☐ Gasoline, Lubricants | ☐ Plastic products |
| ☐ Household appliances | ☐ Toiletries, Cosmetics |
| ☐ Industrial chemicals | ☐ Travel, Transportation, Lodging |
| ☐ Insurance | ☐ Wines, Liquor, Beer |

III. SUGGESTIONS FOR IMPROVING THE AGENCY-CLIENT RELATIONSHIP

9. Does your company currently use an annual agency performance review or audit in order to maintain a healthy agency-client relationship?

☐ Yes ☐ No

10. Which of the following suggestions would be beneficial in maintaining or improving present and/or future agency-client relationships for your company? (Check three in each group)

Client should:

- ☐ Plan frequent evaluations of corporate advertising/marketing departments
- ☐ Involve agency more thoroughly in all aspects of corporate planning
- ☐ Budget more money for all advertising needs
- ☐ Tighten budget for more efficient performance
- ☐ Place less blame on the agency for product failure
- ☐ Improve (client's) corporate strategies, objectives, direction
- ☐ Be more candid with agency about account problems
- ☐ Demonstrate more decisiveness
- ☐ Try to consolidate corporate approval levels
- ☐ Not expect too much or the impossible from the agency
- ☐ Other(s): _____

Agency should:

- ☐ Tighten agency structure
- ☐ Show more concern for client costs
- ☐ Demonstrate more understanding and flexibility in dealing with clients and their personnel
- ☐ Decrease involvement in client politics
- ☐ Decrease turnover of account personnel
- ☐ Avoid over-promising
- ☐ Scrutinize agencies that have unusually good client relationships
- ☐ Take more care in filling account assignments
- ☐ Increase contacts with clients
- ☐ Other(s): _____

Both agency and client should:

- ☐ Develop mutual trust and understanding of problems
- ☐ When problems occur, turn to an impartial third party for advice
- ☐ Give more information on both sides
- ☐ Try to improve all levels of communication between the two corporate structures
- ☐ Increase top level management activity
- ☐ Develop better perception of agency-client financial needs and resources
- ☐ Other(s): _____

100 LEADING NATIONAL ADVERTISERS
FOR 1982

(Total ad dollars in millions: 1981)

Rank	Company	Advertising Budget
1	Procter & Gamble	\$ 671.8
2	Sears, Roebuck & Co.	544.1
3	General Foods Corp.	456.8
4	Philip Morris Inc.	433.0
5	General Motors Corp.	401.0
6	K mart Corp.	349.6
7	Nabisco Brands	341.0
8	R. J. Reynolds Industries	321.3
9	American Telephone and Telegraph Co.	297.0
10	Mobil Corp.	293.1
11	Ford Motor Co.	286.7
12	Warner-Lambert Co.	270.4
13	Colgate-Palmolive Co.	260.0
14	PepsiCo Inc.	260.0
15	McDonald's Corp.	230.2
16	American Home Products Corp.	209.0
17	RCA Corp.	208.8
18	J. C. Penney Co.	208.6
19	General Mills Corp.	207.3
20	Bristol-Myers Co.	200.0
21	B.A.T. Industries PLC	199.3
22	Coca-Cola Co.	197.9
23	Johnson & Johnson	195.0
24	Chrysler Corp.	193.0
25	Ralston Purina Co.	193.0
26	U. S. Government	189.0
27	Unilever U.S.A.	188.9
28	Anheuser-Busch Cos.	187.2
29	Heublein Inc.	187.0
30	Dart & Kraft	177.0
31	Esmark Inc.	175.0
32	Gillette Co.	171.9
33	Beatrice Foods Co.	170.0
34	Consolidated Foods Corp.	166.4
35	General Electric Co.	164.7

Rank	Company	Advertising Budget
36	H. J. Heinz Co.	\$ 160.2
37	Warner Communications	159.0
38	International Telephone and Telegraph Co.	153.0
39	Norton Simon Inc.	149.9
40	Richardson-Vicks	149.0
41	Seagram Co. Ltd.	145.0
42	Loews Corp.	141.4
43	Time Inc.	141.1
44	American Cyanamid Co.	138.0
45	Chesebrough-Pond's	136.2
46	CBS Inc.	134.0
47	Pillsbury Co.	131.0
48	Schering-Plough Corp.	119.8
49	Mattel Inc.	110.6
50	Revlon Inc.	106.6
51	Toyota Motor Sales	106.2
52	Gulf & Western Industries	106.1
53	E. I. du Pont de Nemours & Co.	105.0
54	Kellogg Co.	102.1
55	Eastman Kodak Co.	101.0
56	Quaker Oats Co.	95.6
57	Trans World Corp.	95.2
58	Union Carbide Corp.	90.0
59	Sterling Drug Co.	89.7
60	SmithKline Corp.	89.3
61	Nestle Enterprises	88.0
62	Nissan Motor Corp., U.S.A.	87.9
63	CPC International	87.0
64	Xerox Corp.	84.2
65	North American Philips Corp.	83.9
66	American Brands	82.2
67	Volkswagen of America	81.0
68	Clorox Co.	80.8
69	Mars Inc.	78.4
70	Brown-Forman Distillers Co.	78.0
71	American Express Co.	76.0
72	Greyhound Corp.	75.6
73	Miles Laboratories	72.1
74	Campbell Soup Co.	70.8
75	UAL Inc.	70.6

Rank	Company	Advertising Budget
76	American Motors Corp.	\$ 70.0
77	Beecham Group Ltd.	69.1
78	American Honda Motor Co.	68.3
79	S. C. Johnson & Son	66.6
80	MCA Inc.	63.6
81	Wm. Wrigley Jr. Co.	63.5
82	Kimberly-Clark Corp.	62.4
83	Pfizer Inc.	59.0
84	Exxon Corp.	58.1
85	Jos. E. Schlitz Brewing Co.	56.8
86	Hershey Foods Corp.	56.5
87	Eastern Air Lines	54.1
88	Polaroid Corp.	51.8
89	American Airlines	51.5
90	Columbia Pictures Industries	47.5
91	Delta Air Lines	44.5
92	Borden Inc.	44.0
93	Liggett Group	43.5
94	MortonNorwich Products	42.5
95	Hiram Walker Resources Ltd.	42.3
96	Noxell Corp.	41.1
97	Jeffrey Martin Inc.	41.0
98	International Business Machines Corp.	40.7
99	American Broadcasting Cos.	40.0
100	Canon U.S.A.	36.5

SUMMARY OF LEADERS' SPENDING
BY CATEGORY

1981

Category	Leaders in \$	%	Total
Newspapers	\$ 932.4 million	36.5	\$ 2.56 billion
Magazines	\$ 1.61 billion	50.0	\$ 3.22 billion
Network television	\$ 4.29 billion	76.7	\$ 5.60 billion
Spot television	\$ 1.81 billion	43.0	\$ 4.22 billion
Farm publications	\$ 26.4 million	14.4	\$ 183.0 million
Network radio	\$ 137.7 million	61.3	\$ 224.7 million
Spot radio	\$ 405.6 million	45.3	\$ 896.0 million
Outdoor	\$ 235.1 million	66.0	\$ 355.9 million
All categories (8)	\$ 9.45 billion	54.8	\$ 17.25 billion

1980

Category	Leaders in \$	%	Total
Newspapers	\$ 758.8 million	34.7	\$ 2.18 million
Magazines	\$ 1.36 billion	47.8	\$ 2.85 billion
Network television	\$ 3.90 billion	75.7	\$ 5.15 billion
Spot television	\$ 1.73 billion	44.1	\$ 3.91 billion
Farm publications	\$ 24.1 million	14.9	\$ 161.5 million
Network radio	\$ 109.7 million	57.4	\$ 190.9 million
Spot radio	\$ 361.7 million	47.2	\$ 764.9 million
Outdoor	\$ 201.7 million	65.2	\$ 309.5 million
All categories (8)	\$ 8.44 billion	54.4	\$ 15.52 billion

Sources: LNA, PIB, BAR, Radio Expenditure Reports, IOA, RAB,
AGRICOM, Media Records

TOP 25 NEWSPAPER ADVERTISERS
1981

Rank	Advertiser	Expenditures	
		1981	1980
1	R. J. Reynolds Industries	\$ 142,344,700	\$ 113,099,600
2	Philip Morris Inc.	90,602,700	77,624,200
3	General Motors Corp.	65,502,100	52,209,100
4	Loews Corp.	49,591,300	45,624,400
5	B.A.T. Industries PLC	45,909,600	13,644,800
6	Ford Motor Co.	31,989,700	24,379,500
7	Chrysler Corp.	30,955,700	21,320,600
8	RCA Corp.	29,536,900	25,122,100
9	Eastern Air Lines	23,670,000	20,160,700
10	Delta Air Lines	21,653,100	20,409,900
11	American Telephone and Telegraph	21,530,600	19,180,900
12	American Airlines	20,068,100	17,477,600
13	UAL Inc.	19,034,400	16,245,200
14	Pan American World Airways	17,984,300	13,902,300
15	Time Inc.	17,825,300	10,901,200
16	Trans World Corp.	17,354,100	17,546,100
17	CBS Inc.	15,822,600	14,969,100
18	Warner Communications	13,324,000	1,728,300
19	American Brands	13,243,100	16,816,500
20	Seagram Co. Ltd.	12,758,300	18,042,600
21	Toyota Motor Sales	11,229,100	7,023,300
22	American Broadcasting Cos.	10,270,300	11,899,800
23	General Electric Co.	10,065,400	12,128,400
24	Norton Simon Inc.	9,925,500	5,461,800
25	Dart & Kraft	9,788,100	6,683,300

Source: Media Records

TOP 25 MAGAZINE ADVERTISERS
1981

Rank	Advertiser	Expenditures	
		1981	1980
1	Philip Morris Inc.	\$ 102,835,100	\$ 79,326,700
2	R. J. Reynolds Industries	89,264,400	118,530,200
3	Seagram Co. Ltd.	67,598,500	70,624,500
4	General Motors Corp.	65,437,100	55,478,600
5	B.A.T. Industries PLC	61,167,800	32,823,900
6	Sears, Roebuck & Co.	59,725,500	32,057,700
7	Ford Motor Co.	55,077,200	35,918,500
8	General Foods Corp.	37,165,200	34,170,100
9	Loews Corp.	36,486,400	38,210,100
10	Time Inc.	36,455,200	35,611,800
11	Procter & Gamble Co.	35,737,400	37,162,300
12	American Telephone and Telegraph	35,167,200	34,521,100
13	American Brands	34,947,000	34,233,900
14	Dart & Kraft	31,175,900	27,538,200
15	CBS Inc.	29,652,000	29,833,200
16	RCA Corp.	27,329,500	24,176,800
17	Chrysler Corp.	25,197,200	16,387,300
18	E.I. du Pont de Nemours & Co.	25,190,400	21,701,600
19	Volkswagen of America	24,473,500	21,708,600
20	Bristol-Myers Co.	23,646,500	18,386,700
21	Hiram Walker Resources Ltd.	23,230,600	17,572,400
22	Johnson & Johnson	22,516,600	18,359,700
23	Norton Simon Inc.	21,486,000	17,278,100
24	Warner Communications	21,001,700	3,859,500
25	Liggett Group	19,788,200	12,524,500

Source: Leading National Advertisers
(Farm publications excluded)

TOP 25 NETWORK TELEVISION ADVERTISERS
1981

Rank	Advertiser	Expenditures	
		1981	1980
1	Procter & Gamble Co.	\$ 393,236,000	\$ 361,077,500
2	General Foods Corp.	238,297,900	201,488,400
3	General Motors Corp.	146,919,100	123,498,900
4	American Home Products Corp.	131,449,800	123,911,900
5	Ford Motor Co.	113,900,600	125,701,500
6	Bristol-Myers Co.	109,983,900	106,061,100
7	Philip Morris Inc.	99,558,800	97,377,900
8	Johnson & Johnson	97,132,300	90,471,500
9	Unilever U.S.A.	95,192,000	74,111,800
10	Sears, Roebuck & Co.	88,002,000	86,951,500
11	General Mills	86,408,500	75,751,000
12	Warner-Lambert Co.	76,834,200	63,167,100
13	Gillette Co.	76,429,900	59,509,700
14	Anheuser-Busch Cos.	73,612,500	65,423,500
15	American Telephone and Telegraph	68,926,800	57,388,100
16	PepsiCo Inc.	68,788,100	88,822,100
17	Richardson-Vicks	67,624,700	49,885,200
18	Kellogg Co.	67,260,000	59,803,200
19	Ralston Purina	66,713,500	73,386,200
20	Coca-Cola Co.	61,023,500	57,897,300
21	Nabisco Brands	60,046,300	39,151,400*
22	Pillsbury Co.	59,265,500	53,254,900
23	Sterling Drug	55,410,700	57,406,800
24	Beecham Group Ltd.	54,912,900	43,523,800
25	Chrysler Corp.	54,874,400	65,289,900

* Prior to merger with Standard Brands which, in 1980, spent \$ 5,942,100.

Source: Broadcast Advertisers Reports (supplied to LNA)

TOP 25 SPOT TELEVISION ADVERTISERS
1981

Rank	Advertiser	Expenditures	
		1981	1980
1	Procter & Gamble Co.	\$ 128,360,400	\$ 135,275,400
2	General Foods Corp.	84,034,900	83,436,100
3	General Mills	83,036,100	65,464,100
4	McDonald's Corp.	75,272,400	70,715,700
5	PepsiCo Inc.	69,767,500	57,949,500
6	American Telephone and Telegraph	59,759,800	50,772,600
7	Coca-Cola Co.	47,758,900	47,726,300
8	Dart & Kraft	44,106,300	33,188,900
9	Unilever U.S.A.	42,949,900	38,502,500
10	American Home Products Corp.	40,376,700	36,433,400
11	Toyota Motor Sales	38,616,400	33,035,600
12	Mobil Corp.	33,641,500	33,117,600
13	Pillsbury Co.	32,590,600	31,915,600
14	Mars Inc.	32,217,700	29,545,200
15	Anheuser-Busch Cos.	31,486,800	24,197,800
16	R. J. Reynolds Industries	30,361,400	8,183,600
17	Time Inc.	30,025,200	30,380,700
18	Warner-Lambert Co.	29,822,000	21,311,300
19	Heublein Inc.	29,743,700	17,888,100
20	International Telephone and Telegraph	27,614,700	30,677,200
21	Nestle Enterprises	27,199,900	25,600,800
22	A. H. Robins Co.	25,701,700	32,383,400
23	Nabisco Brands	25,252,400	13,313,800*
24	Revlon Inc.	23,372,500	22,310,600
25	Gulf & Western Industries	23,160,400	12,464,800

* Prior to merger with Standard Brands which, in 1980, spent \$ 10,629,500.

Source: Broadcast Advertiser Reports (supplied to LNA)

TOP 25 FARM PUBLICATION ADVERTISERS
1981

Rank	Advertiser	Expenditures	
		1981	1980
1	Elanco Products Co.	\$ 6,621,400	\$ 4,593,600
2	Monsanto Agricultural Products	5,996,600	5,048,000
3	Ciba-Geigy Corp.	5,484,300	3,629,200
4	Deere & Co.	4,822,600	4,393,500
5	American Cyanamid Co.	4,282,400	4,077,900
6	International Harvester Co.	4,082,500	3,854,800
7	Stauffer Chemical Co.	3,940,100	2,862,400
8	E. I. du Pont de Nemours & Co.	3,105,000	2,352,400
9	Ford Motor Co.	2,920,700	2,579,100
10	Mobay Chemical Corp.	2,743,600	1,586,700
11	Sperry New Holland	2,371,500	2,228,800
12	U.S. Government	2,252,900	751,000
13	Pfizer Inc.	2,232,200	1,596,300
14	Dow Chemical Co.	2,105,700	2,050,500
15	Shell Chemical Co.	1,898,300	1,603,300
16	Upjohn Co.	1,759,400	1,810,800
17	Massey Ferguson Inc.	1,622,600	1,283,000
18	FMC Corp.	1,582,100	1,864,700
19	Northrup King Co.	1,483,700	1,305,000
20	Union Carbide Corp.	1,477,100	1,582,900
21	Mobil Corp.	1,454,000	1,925,500
22	Allis-Chalmers Corp.	1,442,000	1,225,400
23	Diamond Shamrock Corp.	1,435,100	1,051,800
24	DeKalb Agresearch	1,410,000	1,534,400
25	Pioneer Hi-Bred International	1,384,200	1,280,000

Source: Agricultural Marketing Information Service (AGRICOM).

TOP 25 NETWORK RADIO ADVERTISERS
1981

Rank	Advertiser	Expenditures	
		1981	1980
1	Nabisco Brands	\$ 10,554,900	\$ ----- *
2	Sears, Roebuck & Co.	10,340,200	5,366,500
3	Jeffrey Martin Inc.	8,459,500	7,436,000
4	American Telephone and Telegraph	7,299,500	5,936,900
5	U.S. Government	7,293,900	3,249,700
6	Warner-Lambert Co.	6,061,400	4,878,300
7	Dow Jones & Co.	5,611,900	3,418,500
8	General Foods Corp.	5,582,000	4,194,200
9	General Motors Corp.	5,428,000	3,718,500
10	Wm. Wrigley Jr. Co.	5,166,700	1,478,300
11	Phillips Petroleum Co.	5,155,000	3,279,700
12	Cotter & Co.	4,922,900	5,693,100
13	Ford Motor Co.	4,368,600	5,559,800
14	Sterling Drug	4,321,500	6,699,700
15	Campbell Soup Co.	4,280,400	2,923,300
16	American Home Products Corp.	4,135,100	3,471,800
17	Anheuser-Busch Cos.	3,825,100	2,554,800
18	CBS Inc.	3,260,300	3,443,100
19	McDonald's Corp.	3,255,400	41,900
20	Hartz Mountain Industries	2,848,800	3,162,100
21	Schering-Plough Corp.	2,745,900	3,958,900
22	K mart	2,635,600	2,160,200
23	General Electric Co.	2,513,200	2,765,100
24	MortonNorwich Products	2,291,600	3,459,800
25	State Farm Mutual Auto Insurance Co.	2,257,000	1,835,500

* Prior to merger with Standard Brands which, in 1980, spent \$ 450,000.

Source: Broadcast Advertisers Reports (supplied to LNA)

TOP 25 SPOT RADIO ADVERTISERS
1981

Rank	Advertiser	Expenditures	
		1981	1980
1	Chrysler Corp.	\$ 50,760,500	\$ 49,366,600
2	Anheuser-Busch Cos.	34,432,200	27,399,700
3	General Motors Corp.	32,431,100	32,159,400
4	Ford Motor Co.	32,199,600	19,599,000
5	Philip Morris Co.	18,113,200	11,107,300
6	American Telephone and Telegraph	16,367,100	11,942,200
7	U.S. Government	13,374,900	12,708,200
8	Coca-Cola Co.	12,480,500	9,988,400
9	PepsiCo Inc.	11,416,600	8,649,600
10	Delta Air Lines	10,310,200	8,044,500
11	Greyhound Corp.	8,766,000	2,552,100
12	Jos. E. Schlitz Brewing Co.	8,343,300	5,894,400
13	UAL Inc.	8,421,300	8,148,900
14	Adolph Coors Co.	8,274,000	3,197,600
15	K mart	7,884,400	8,549,400
16	Southland Corp.	7,804,600	8,131,700
17	Nissan Motor Corp. U.S.A.	7,666,800	5,850,400
18	Fotomat Inc.	7,472,700	5,792,900
19	Van Munching & Co.	7,155,600	5,501,900
20	Eastern Air Lines	6,697,800	5,342,100
21	American Airlines	6,763,600	7,977,400
22	MCA Inc.	6,446,600	4,899,600
23	General Foods Corp.	6,422,600	5,473,400
24	Dart & Kraft	6,200,100	5,495,700
25	Sears, Roebuck & Co.	6,181,900	2,543,400

Source: Radio Advertising Bureau and Radio Expenditure Reports

TOP 25 OUTDOOR ADVERTISERS
1981

Rank	Advertiser	Expenditures	
		1981	1980
1	R. J. Reynolds Industries	\$ 50,253,900	\$ 42,563,200
2	Philip Morris Inc.	41,809,000	31,491,200
3	B.A.T. Industries PLC	27,793,200	26,169,300
4	Loews Corp.	25,041,000	21,676,100
5	Seagram Co. Ltd.	13,445,700	11,652,000
6	American Brands	10,086,000	10,787,700
7	National Distillers and Chemical Corp.	7,373,000	5,931,900
8	Hiram Walker Resources Ltd.	7,128,700	5,109,700
9	Heublein Inc.	6,307,500	6,904,700
10	Brown-Forman Distillers Corp.	6,226,600	5,578,900
11	General Motors Corp.	3,809,000	7,972,200
12	McDonald's Corp.	3,682,800	3,185,100
13	Rapid-American Corp.	3,432,000	3,161,400
14	Coca-Cola Co.	2,878,000	3,035,400
15	Liggett Group	2,874,300	2,037,400
16	Norton Simon Inc.	2,510,100	2,254,600
17	Eastern Air Lines	2,403,700	1,910,700
18	Jos. E. Schlitz Brewing Co.	2,328,400	387,400
19	Beatrice Foods Co.	2,149,100	123,300
20	Holiday Inns	2,126,800	2,031,100
21	Nippon Gakki Co. Ltd.	2,089,500	982,700
22	Anheuser-Busch Cos.	2,058,600	1,311,400
23	Bacardi Imports	2,009,000	1,592,900
24	Schering-Plough Corp.	1,816,800	1,388,300
25	Toyota Motor Sales	1,775,100	1,542,500

Source: Institute of Outdoor Advertisers and the Outdoor Advertising Association of America (supplied to LNA).

VITA

Seth Montgomery Kerr was born in Flawil, Switzerland on February 8, 1958, adopted, and brought to the United States on December 17, 1958. His family moved from El Paso, Texas to Cookeville, Tennessee in 1962, where he attended school and graduated from Putnam County Senior High School in June 1976. That same month, he entered Tennessee Technological University and, in March 1980, received a Bachelor of Science degree in Business Administration as a Marketing major.

The author became interested in advertising and in the fall of 1980 entered the Graduate School at The University of Tennessee, Knoxville. During his course of study, he served as a graduate assistant in the Department of Advertising (1981-82), held the position of Market Research Director with J.P. Hogan & Company Advertising (1981-82) and worked as an Account Executive with Bagwell & Associates (1982-83). He completed the Master of Science degree program in Communications in December of 1984.

At the time of this writing, Mr. Kerr resides in Dallas, Texas where, after a brief stint with Keller-Crescent/Southwest, he joined DBG&H Unlimited, Dallas' fifth largest advertising agency, as Account Supervisor responsible for new business development and client services. He is also a member of the Dallas Advertising League, the Young Republicans of Dallas and Lambda Chi Alpha Fraternity.

Mr. Kerr plans to continue his career in advertising agency account management with major national agencies responsible for a variety of challenging national accounts.