

# International Journal of Innovative Research in Science, Engineering and Technology

(A High Impact Factor, Monthly, Peer Reviewed Journal)

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Vol. 8, Issue 3, March 2019

## The Commercial Aspects of Advertising Agencies

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### Abstract

An **advertising agency**, often referred to as a **creative agency** or an **ad agency**, is a business dedicated to creating, planning, and handling advertising and sometimes other forms of promotion and marketing for its clients. An ad agency is generally independent of the client; it may be an internal department or agency that provides an outside point of view to the effort of selling the client's products or services, or an outside firm. An agency can also handle overall marketing and branding strategies promotions for its clients, which may include sales as well. Typical ad agency clients include businesses and corporations, non-profit organizations and private agencies. Agencies may be hired to produce television advertisements, radio advertisements, online advertising, out-of-home advertising, mobile marketing, and AR advertising, as part of an advertising campaign. Globalization of advertising originates in earlier days of the twentieth century. American advertising agencies began as the process of opening overseas offices before the two World Wars and accelerated their globalization throughout the latter part of the twentieth century. McCann, an agency established in New York City in 1902, opened its first European offices by 1927. It was followed up with offices opening in South America in 1935 and in Australia in 1959. Companies such as J. Walter Thompson adopted a strategy to expand in order to provide advertising services wherever clients operated. In the 1960s and 1970s, English agencies began to realize the overseas opportunities associated with globalization. Expanding overseas gives potential to wider markets. In the early 21st century, management consulting firms such as PwC Digital and Deloitte Digital began competing with ad agencies by emphasizing data analytics. As of 2017 Accenture Interactive was the world's sixth-largest ad agency, behind WPP, Omnicom, Publicis, Interpublic, and Dentsu. In 2019 it purchased David Droga's Droga5 agency, the first major consultant acquisition of an ad agency.

**Keywords:** advertising, promotion, marketing, globalization, strategy, campaign, corporation, online

### I. INTRODUCTION

Studies show that successful advertising agencies tend to have a shared sense of purpose with their clients through collaboration. This includes a common set of client objectives where agencies feel a shared sense of ownership of the strategic process. Successful advertisements start with clients building a good relationship with the agencies and work together to figure out what their objectives are. Clients must trust the agencies to do their jobs correctly and accordingly with the resources they have provided. Breakdowns in relationships were more likely to occur when agencies felt undermined, subjugated, or even feel they don't have equal status. Traditionally advertising agencies tend to be in a position to take the lead on projects but results are best when there is a more collaborative relationship. Stronger collaboration happens in situations where a personal chemistry has been established between

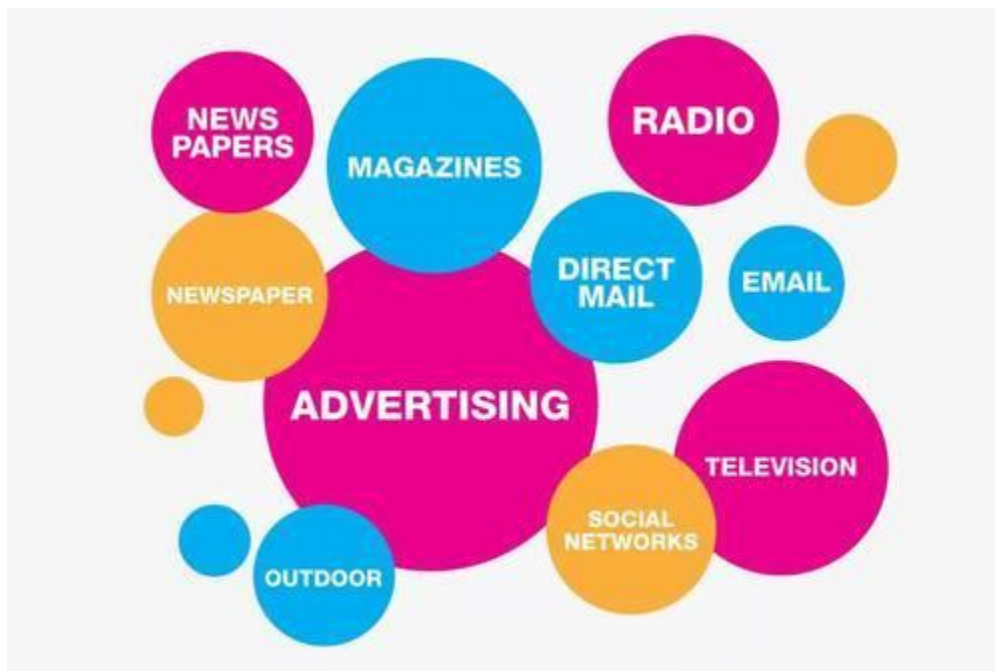
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both parties. Finding out similar likes and dislikes points of view, and even hobbies and passions. Personal chemistry builds with the length of the client relationship, frequency of meetings, and how far mutual respect goes between parties. This was one trait that advertising agencies were perceived to not always have. It was suggested that on occasions media planners and researchers were more closely involved in the project because of their personal relationships with their clients. Successful strategic planning is best when both parties are involved due to the bond between sides by understanding each other's views and mindset. [1,2]



Involved advertising account planners are seen to contribute towards successful agency-client collaboration. Planners of advertising agencies tend to be capable of creating a very powerful, trusting relationship with their clients because they were seen as intellectual prowess, seniority, and have empathy in the creative process.

All advertising agencies are called that because they are acting as agents for their principals which were the media. They were then, and are now, paid by the media to sell advertising space to clients. Originally, in the 18th century, and the first half of the 19th, advertising agencies made all of their income from commissions paid by the media for selling space to the client

Although it is still the case that the majority of their income comes from the media, in the middle of the 19th century, agencies began to offer additional services which they sold directly to the client. Such services can include writing the text of the advertisement.

The use of creativity by agencies is "unexpected" because so much advertising today is expected. This will capture the attention of audiences, therefore the message is more likely to get through. There have been many

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advertisements that have surprised audiences because it was not normal for them to see that in an advertisement of that nature. The best use of creativity is when the agencies make consumers think about the product or brand. The type of creativity is distinctive communication which is breaking through the clutter.



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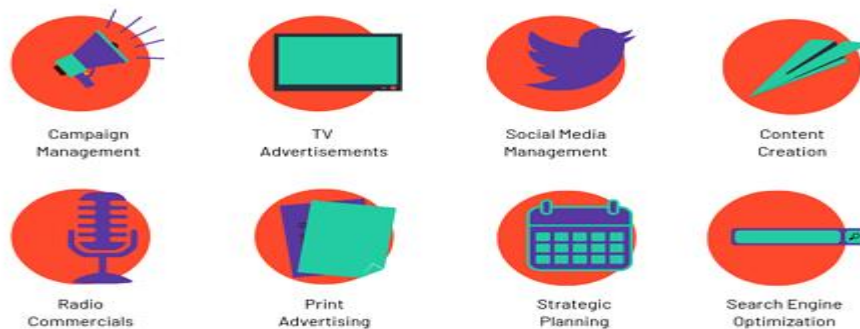
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**Online advertising**, also known as **online marketing**, **Internet advertising**, **digital advertising** or **web advertising**, is a form of marketing and advertising which uses the Internet to promote products and services to audiences and platform users. Online advertising includes email marketing, search engine marketing (SEM), social media marketing, many types of display advertising (including web banner advertising), and mobile advertising. Advertisements are increasingly being delivered via automated software systems operating across multiple websites, media services and platforms, known as programmatic advertising.

Like other advertising media, online advertising frequently involves a publisher, who integrates advertisements into its online content, and an advertiser, who provides the advertisements to be displayed on the publisher's content. Other potential participants include advertising agencies who help generate and place the ad copy, an ad server which technologically delivers the ad and tracks statistics, and advertising affiliates who do independent promotional work for the advertiser.

In 2016, Internet advertising revenues in the United States surpassed those of cable television and broadcast television. In 2017, Internet advertising revenues in the United States totaled \$83.0 billion, a 14% increase over the \$72.50 billion in revenues in 2016.<sup>[4]</sup> And research estimates from 2019's online advertising spend puts it at \$125.2 billion in the United States, some \$54.8 billion higher than the spend on television (\$70.4 billion).

## Full Service Advertising Agencies Provide:



Many common online advertising practices are controversial and, as a result, have been increasingly subject to regulation. Many internet users also find online advertising disruptive and have increasingly turned to ad blocking for a variety of reasons. Online ad revenues also may not adequately replace other publishers' revenue streams. Declining ad revenue has led some publishers to place their content behind paywalls. [3,4]

The first widely publicized example of online advertising was conducted via electronic mail. On 3 May 1978, a marketer from DEC (Digital Equipment Corporation), Gary Thuerk, sent an email to most of the ARPANET's American west coast users, advertising an open house for a new model of a DEC computer. Despite the prevailing acceptable use policies, electronic mail marketing rapidly expanded and eventually became known as "spam."

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The first known large-scale non-commercial spam message was sent on 18 January 1994 by an Andrews University system administrator, by cross-posting a religious message to all USENET newsgroups. In January 1994 Mark Eberra started the first email marketing company for opt in email list under the domain Insideconnect.com. He also started the Direct Email Marketing Association to help stop unwanted email and prevent spam.

Four months later, Laurence Canter and Martha Siegel, partners in a law firm, broadly promoted their legal services in a USENET posting titled "Green Card Lottery – Final One?"<sup>[20]</sup> Canter and Siegel's Green Card USENET spam raised the profile of online advertising, stimulating widespread interest in advertising via both Usenet and traditional email. More recently, spam has evolved into a more industrial operation, where spammers use armies of virus-infected computers (botnets) to send spam remotely.

Display advertising conveys its advertising message visually using text, logos, animations, videos, photographs, or other graphics. Display advertising is ubiquitous across online systems including websites, search engines, social media platforms, mobile applications and email. Google and Facebook dominate online display advertising, which has become highly concentrated market, with estimates that they were responsible for 70% of overall US digital advertising revenue in 2016. The goal of display advertising is to obtain more traffic, clicks, or popularity for the advertising brand or organization. Display advertisers frequently target users with particular traits to increase the ads' effect



Search engines often employ visual cues to differentiate sponsored results from organic results. Search engine marketing includes all of an advertiser's actions to make a website's listing more prominent for topical keywords. The primary reason behind the rising popularity of Search Engine Marketing has been Google. There were a few companies that had its own PPC and Analytics tools. However, this concept was popularized by Google. Google Ad words was convenient for advertisers to use and create campaigns. And, they realized that the tool did a fair job, by charging only for someone's click on the ad, which reported as the cost-per-click for which a penny was charged. This resulted in the advertisers monitoring the campaign by the number of clicks and were satisfied that the ads could be tracked[5,6]

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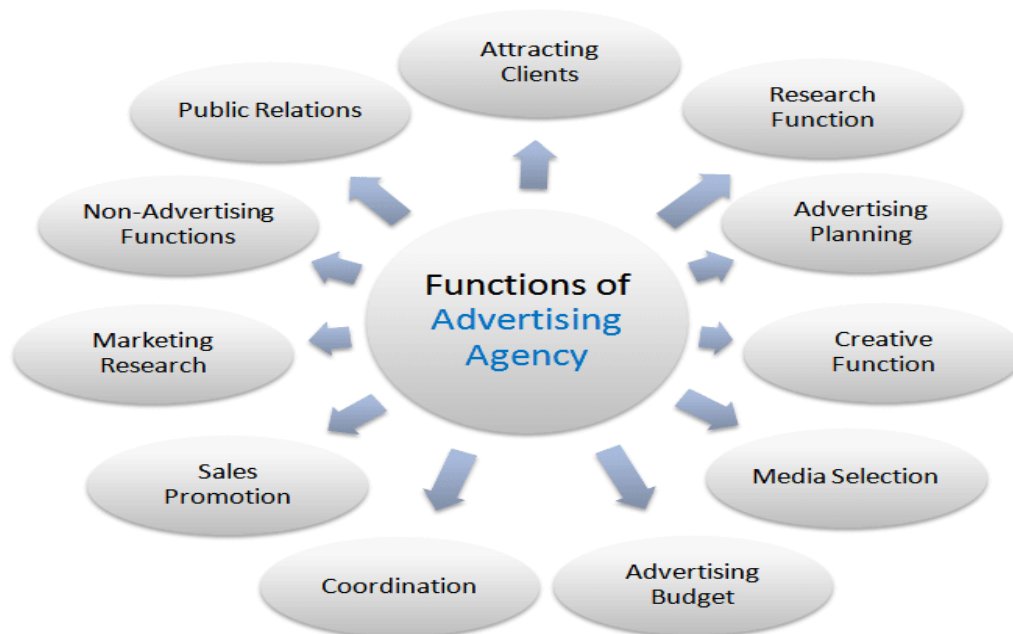
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## II. DISCUSSION

Social media marketing is commercial promotion conducted through social media websites. Many companies promote their products by posting frequent updates and providing special offers through their social media profiles. Videos, interactive quizzes, and sponsored posts are all a part of this operation. Usually these ads are found on Facebook, Instagram, Twitter, and Snapchat. Mobile advertising is ad copy delivered through wireless mobile devices such as smartphones, feature phones, or tablet computers. Mobile advertising may take the form of static or rich media display ads, SMS (Short Message Service) or MMS (Multimedia Messaging Service) ads, mobile search ads, advertising within mobile websites, or ads within mobile applications or games (such as interstitial ads, "advergaming," or application sponsorship). Mobile advertising is growing rapidly for several reasons. There are more mobile devices in the field, connectivity speeds have improved (which, among other things, allows for richer media ads to be served quickly), screen resolutions have advanced, mobile publishers are becoming more sophisticated about incorporating ads, and consumers are using mobile devices more extensively. Email marketing may be unsolicited, in which case the sender may give the recipient an option to opt out of future emails, or it may be sent with the recipient's prior consent (opt-in). Businesses may ask for your email and send updates on new products or sales.



Content marketing is any marketing that involves the creation and sharing of media and publishing content in order to acquire and retain customers. This information can be presented in a variety of formats, including blogs, news, video, white papers, e-books, infographics, case studies, how-to guides and more.

Considering that most marketing involves some form of published media, it is almost (though not entirely) redundant to call 'content marketing' anything other than simply 'marketing'. There are, of course, other forms of

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marketing (in-person marketing, telephone-based marketing, word of mouth marketing, etc.) where the label is more useful for identifying the type of marketing. However, even these are usually merely presenting content that they are marketing as information in a way that is different from traditional print, radio, TV, film, email, or web media.[7,8]

An **advertising campaign** is a series of advertisement messages that share a single idea and theme which make up an integrated marketing communication (IMC). An IMC is a platform in which a group of people can group their ideas, beliefs, and concepts into one large media base. Advertising campaigns utilize diverse media channels over a particular time frame and target identified audiences. The campaign theme is the central message that will be received in the promotional activities and is the prime focus of advertising campaign, as it sets the motif for the series of individual advertisements and other marketing communications that will be used. The campaign themes are usually produced with the objective of being used for a significant period but many of them are temporal due to factors like being not effective or market conditions, competition and marketing mix. Advertising campaigns are built to accomplish a particular objective or a set of objectives. Such objectives usually include establishing a brand, raising brand awareness, aggrandizing the rate of conversions/sales. The rate of success or failure in accomplishing these goals is reckoned via effectiveness measures. There are 5 key points at which an advertising campaign must consider to ensure an effective campaign. These points are, integrated marketing communications, media channels, positioning, the communications process diagram and touch points.

In marketing, **branded content** (also known as **branded entertainment**) is content produced by an advertiser or content whose creation was funded by an advertiser. In contrast to content marketing (in which content is presented first and foremost as a marketing ploy for a brand) and product placement (where advertisers pay to have references to their brands incorporated into outside creative works, such as films and television series), branded content is designed to build awareness for a brand by associating it with content that shares its values. The content does not necessarily need to be a promotion for the brand, although it may still include product placement.

Unlike conventional forms of editorial content, branded content is generally funded entirely by a brand or corporation rather than a studio or a group of solely artistic producers. Examples of branded content have appeared in television, film, online content, video games, events, and other installations. Modern branded marketing strategies are intended primarily to counter market trends, such as the decreasing acceptance of traditional commercials or low-quality advertorials.

**Sales promotion** is one of the elements of the promotional mix. The primary elements in the promotional mix are advertising, personal selling, direct marketing and publicity/public relations. Sales promotion uses both media and non-media marketing communications for a pre-determined, limited time to increase consumer demand, stimulate market demand or improve product availability. Examples include contests, coupons, freebies, loss leaders, point of purchase displays, premiums, prizes, product samples, and rebates.

Sales promotions can be directed at either the customer, sales staff, or distribution channel members (such as retailers). Sales promotions targeted at the consumer are called **consumer sales promotions**. Sales promotions targeted at retailers and wholesale are called **trade sales promotions**.

Sales promotion includes several communications activities that attempt to provide added value or incentives to consumers, wholesalers, retailers, or other organizational customers to stimulate immediate sales. These efforts can attempt to stimulate product interest, trial, or purchase. Examples of devices used in sales promotion include coupons, samples, premiums, point-of-purchase (POP) displays, contests, rebates, and sweepstakes.[9,10]

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## III. RESULTS

Advertising agencies fall into two broad categories: full-service ad agencies and specialized agencies.

Full-service, or integrated, agencies offer a complete range of ad-related services across all media and markets. They may use multiple tactics – such as advertising, email and social media – in an integrated marketing initiative.

Agencies may have the following types of specialties:

- Branding. These firms widen the marketing scope beyond your products or services. They are focused on your company – specifically on establishing, cultivating and maintaining a strong public image or “brand” for your business in the marketplace.
- Direct marketing. These agencies focus on “direct response” media – which are communications tactics that have a built-in way for consumers to respond to you. This can include mail pieces such as letters or postcards, email marketing that drives consumers to your website, and/or telephone marketing in which trained callers phone a predetermined set of prospective customers.
- Digital marketing/new media. These companies develop ad campaigns designed for the Internet and other digital media. Their tactics may include banner advertising, viral campaigns and email marketing, as well as campaigns in other media such as mobile advertising and video.
- Social media. A hot subset of digital marketing agencies, these firms focus on using blogs, Facebook, Twitter, LinkedIn, Tumblr and other social media to communicate with customers. These agencies monitor social networks regularly. Establishing and maintaining online relationships with customers and prospects is a priority for them.
- Shopper activation/shopper marketing. These agencies offer promotion and marketing strategies and services to engage retail shoppers. They typically use multiple in-store media and technologies to create programs along the entire “path to purchase.” This drives customer trial, loyalty and purchase frequency.
- Public relations. These firms focus on helping the public understand your company and its products. Creating a strong image of your company to the outside world is a major focus for them. Their tactics can include press releases, events, media talk shows, articles and columns in trade publications.[11,12]

Advertising agencies are ubiquitous, ranging from a one-person office in rural America to London-based WPP, the world’s largest ad agency, with annual earnings in excess of **\$20.8 billion**. Knowing what advertising agencies can do and how they work is vital in launching or growing your small business. Although many companies are doing more of their own in-house marketing and promotion, the insider knowledge and skill of advertising agency executives keeps them relevant and indispensable.



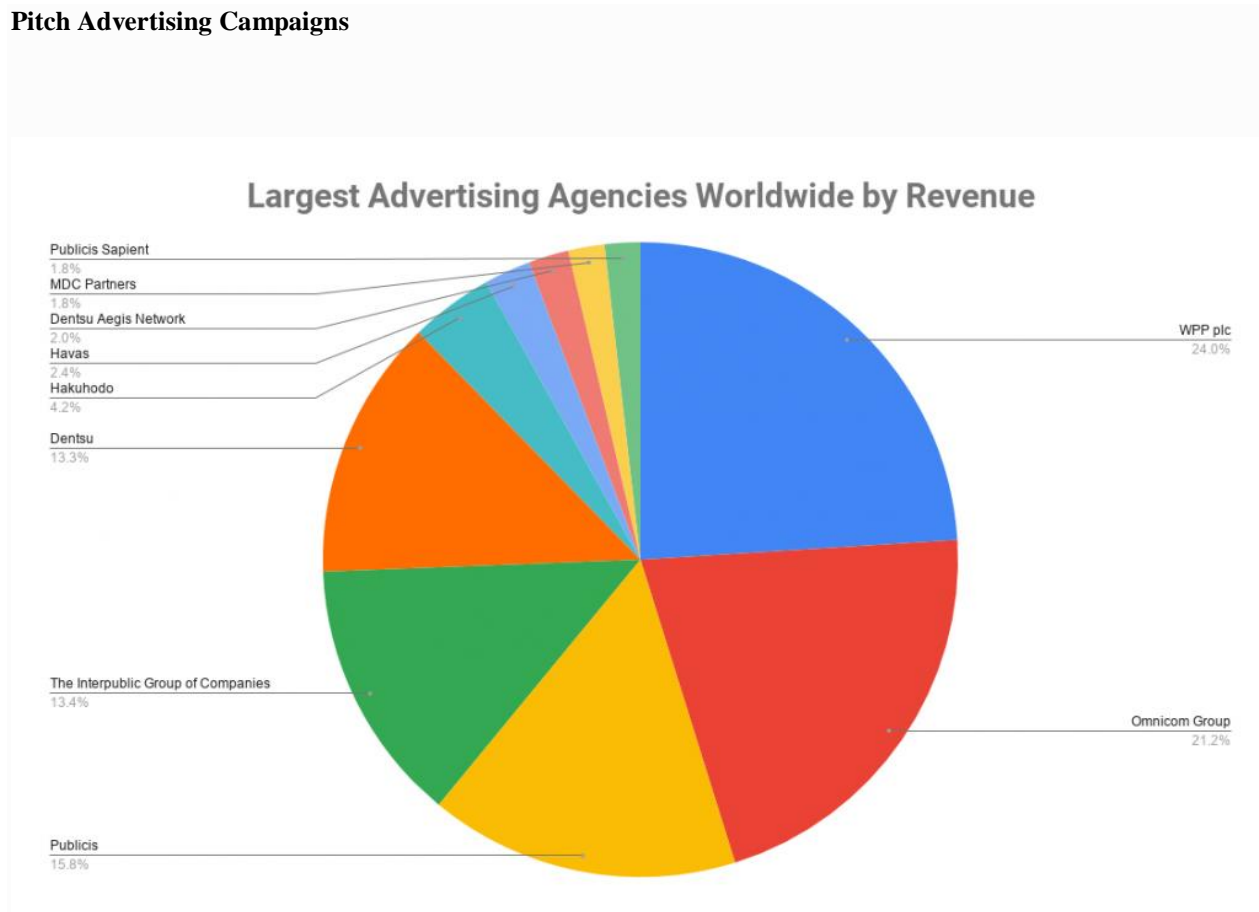
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## Pitch Advertising Campaigns



Even big companies with their own advertising departments and graphic artists generally rely on an outside ad agency to develop their ad campaigns and purchase ad space, according to Matrix. Ad agencies advise clients on how, when and where to launch or push existing products. Contracted ad agencies will manage an ad campaign from start to finish, if desired. Because ad agencies can be readily dropped by the client, advertisers must be progressive and good at what they do.

Landing accounts starts with making an advertising sales pitch to clients. The hit television show, "Mad Men," gave the public a look at how ad agencies pitch advertising campaigns. Modern ad agencies are no less competitive, but without the melodramatic, soap opera flair. Instead of grooming clients at martini lunches, today's advertising sales representatives use data analytics, market comparisons and sales projections to make their case.

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## **Design Captivating Ads**

The creative team can make or break an ad agency. Designing clever ads with powerful impact requires collaboration on the part of talented art directors, creative directors, artists, copywriters and web designers. Synergy happens when creatives bounce innovative ideas off one another and strategize ways of grabbing audience attention, while differentiating their product in the marketplace.

Cogs notes that the creative team may meet with clients to gain a better understanding of the company's needs, expectations, requirements and goals of an ad campaign. Ad images and messages are then developed to target market audiences across multiple platforms. Adjustments can be made during the campaign based on real-time feedback.[11]

## **Analyze Consumer Behavior**

The top five ad agencies in the world are WPP, Omnicom Group, Publicis Group, Interpublic Group and Dentsu, according to World Atlas. The common denominator between the top five ad agencies is their ability to mine and interpret marketing data that reveal emerging trends in consumer preferences and buying.

For example, CompaniesHistory.com indicates that ad executive Sir Martin Sorrell of Wire and Plastic Products, or WPP, acquired various marketing research firms throughout the company's history, which helped to identify untapped markets around the globe. WPP is known for creating transformative ad campaigns for clients that are highly effective.

Winmo reports that the WPP company list includes industry leaders such as Chanel, Google and Facebook. WPP also owns iconic marketing and public relations agencies like Ogilvy and the Grey Group, which also specialize in image creation, direct marketing and brand development.

## **Manage Ad Rollout Strategies**

Advertising agencies draw on years of experience and the results of marketing segment research when purchasing traditional media and digital media ads. Traditional media such as billboards and print ads still have a purpose, but Matrix projects that 50 percent of U.S. advertising dollars will be spent on digital media in the near future. To see a strong return on investment (ROI) on digital spending, advertising executives must know how to use keywords to drive internet traffic and effectively leverage social media platforms.

Ad agencies with the right digital marketing skills can help clients gain an online presence, engage with customers and convert interest in products to sales. Benefits of digital advertising include relatively low cost compared to traditional media. Further, digital ad strategy can be easily modified if the client's priorities or goals change.

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An advertising agency's reputation rides on its account management and creative capabilities. That puts its people at the center of its success. Like their counterparts in other industries, ad agency HR departments handle benefits administration, compensation and staffing. However, the retention and recruitment challenges they face have a more direct impact on profitability. In an industry transforming from traditional print and television formats to digitally driven, technology-based platforms, ad agency management increasingly needs an HR department that can help its business respond to this new environment.

## IV. CONCLUSIONS

Advertising agency human resources professionals focus on filling positions with individuals who fit the agency's personality, share its client philosophy and bring a proven ability to deliver ideas and designs that translate into brand-building, sales-generating advertising. HR develops job specifications for the recruitment firms they employ based on input the hiring manager provides. The HR department not only must fill open positions to ensure consistent client service levels, it also must plan future needs and recruit accordingly.

Balancing workload against needed manpower requires planning. When an account's activity slows, HR has to reassign responsibilities without jeopardizing the account team's ability to get up to speed again when business resumes and without demoralizing team members. When a client drops an agency, HR and senior management must decide if positions should be eliminated or redesigned to prepare for future projects. New business ventures or expansion into new market segments such as mobile advertising create opportunities that, if planned for, HR's talent management can enhance.

It is commonly expected that someone seeking a career in advertising is somewhat familiar with the current advertising marketplace. As such, a possible interview question is, "What is an ad campaign that hasn't worked, and why hasn't it?" The interviewer wants to see that you have some basic familiarity with advertising and get a sense for your intuition and analytical skills with ads. Select a campaign with which you are very familiar and that you can state with confidence did not work well and why.

Team skills are necessary for an ad account executive. While you generally operate between the ad team and the client representatives, you need to share the vision of each party with the other party. Additionally, you must have good rapport with your agency's creative teams to communicate the vision and needs of the client effectively. A possible interview question related to teamwork is, "Have you ever been in a situation where you have led a team?" In response, you should share a clear example of when you had to communicate important messages between the client and the team, how you did so effectively and what the results were.[12]

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