

THEORITICAL

BACKGROUND

- 18 -

=: Theoretical Background :-

1. Introduction:-

With the profound impact of large scale selling methods, on one side and the keener competition on the other the responsibilities of a sales organisation have outgrown to their unusual proportions resulting into challenging task, such as atmosphere of specialisation and sophistication warranted the aid from specialised service agencies to relieve them from the gripped clutches, involving the decisions about delicate yet mammoth issues of advertisement, and these specialised units are advertising agencies that have been gaining much ground over a period of fifty years.

Advertising is the arch that supports trade activity and the keystone in that arch is the advertising agency.

a) Meaning:-

An advertiser firm may organise the advertising campaign through its own advertising department or may entrust this work to an advertising agent.

An advertising agent or an advertising agency is "an independent company rendering specialised services in advertising in particular and marketing in general.

An advertising agency is a group of advertising specialists plus marketing, merchandising, communication and allied personnel.

= 19 =

2. What is an Advertising Agency:-

An advertising agency may be briefly defined as an organisation formed for rendering to advertisers services such as preparing layouts for advertisements getting blocks made for layouts, getting advertisements made through suitable media, undertaking market research etc.

The advertising agency is a professional organisation of specialists operating under a system created by advertising media to which the advertiser entrusts drawing up and carrying out of his advertising plans.

Advertising Agency is a service organisation which has come to be accepted as a professional body that undertakes planning and preparation of advertising, it has emerged out as a highly specialised marketing institutions. It is a firm specialising in advertising that provides counsel relating to advertising and allied operations of its ~~xxx~~ ~~xxx~~ clients and actually prepares, buys space and time for and places a large part of the advertising of its clients. It may also perform other services such as, conducting market research preparing sales promotion materials, counselling on marketing management or on public relations preparing and distributing messages. Its work may be taken up by sole proprietors partnership firms or limited companies.

In advanced nations of fast changing west, a major portion of the publicity work is handled by such agencies for instance at present the U.S.A. has more than 4567 agen-

= 20 =

cies and England has 2170 units. The development of publicity in those countries is chiefly due to the wonderful work and influence of these agencies. Agencies have come up in India in cities like Bombay Calcutta, Delhi, Madras Bangalore and the like. As facts speak to day, India has 375 agencies of medium and small sizes, catering to the needs of Indian Manufacturers and dealers. The best examples in India are Clarion Mumbun. Everest Advertising M.C.M. Lintas Shilpi etc.

3. Need for an Advertising Agency:-

Most of the present day advertising is done by manufacturing firms and companies as they want to bring the fact of the existence of their goods to the notice of their prospects. They are very busy with their financial managerial administrative, production and selling problems. If they want to do the advertising themselves, they can. But for them the need for appointing an agency arises because of the following reasons.

1) For avoiding high cost on advertising :- Advertising is a specialised job. It requires the services of specialists such as copy writers, artists, ^{graphers} ~~photographers~~ and others to assist these persons. A manager becomes necessary to manage the departments. Space for accommodating all these is again needed, and space is a problem of very great importance in the modern expanding industries. If the staff is not fully employed, the remuneration paid to them turns

= 21 =

out excessive. For keeping fully employed unnecessary advertising is also made.

ii) For securing Expert services:- An agency can appoint expert artist, copy writers and other competent for the job. For it advertising service is a routine job and so it can afford to pay them. Because of continuous work even ordinary workers become efficient in due course. Numerous publishers of newspapers and magazines sent their dailies and periodicals free to recognised agencies. The advertising men have the advantage of reading advertisements in them and improving their art by instructing the advertising work to an ad. agency. The advertiser can benefit by the skill and knowledge of the agency.

iii) For selecting the Most suitable Media:- Many ad. agencies are members of the Ad Audit Bureau of Circulations limited. Consequently, they will be able to know the circulation figures of the newspapers and Magazines of publishers who are members of the bureau therefore member^{of} advertising agencies are in a better position to select the best media for advertising. Again, the agency executives know full well the editorial policies of each of the several publishers and hence can judge independently which publication is suitable for which particular advertisement.

iv) For getting the advertisements printed at the appropriate time:- Usually a client informs his agency the amount he sets apart for advertising during his accounting year. Bearing the amounts the different clients can spend for

= 22 =

advertising, the agency enters into contracts with newspapers Owners, postal contractors, Cinema ~~proprietors~~ proprietors and so on for the space or time required as the case may be on different dates. So an agency can publish the advertisements readily whenever wanted. But an advertiser has to wait till the newspaper manager can spare space for him. Further the agency can make adjustments in its programme and give priority to any particular advertiser according to the latter's need.

V) For getting the advertising Material produced more quickly

For printing advertisements plates are required and they are made from layouts. As an agency has experts with it, it can very quickly finalise the layout and get plates made. It is always in touch with the different persons whose services are necessary. They can make film advertising also more quickly as they keep themselves acquainted with all the sources to be approached for the same.

vi) For getting advertising made more cheaply:-

Further it will be even cheaper financially for an advertiser to employ a recognised advertising agency. Publishers give to a recognised agency commission upto 15% of the billed amount. The agency considers such commission as its remuneration for the service it renders to advertisers. An advertiser will not be paid any such commission if he gives his advertisements directly to any publisher. Therefore by making

= 23 =

advertising through a recognised agency, an advertiser will be able to receive a good amount of ~~fraxsax~~ free service from the agency such as designing advertisements, writing copy, selecting the best media negotiating for space, supervising, printing and production, searching for hoarding sites and so on.

vii) For taking advantage of other services the agency gives:

Modern advertising agencies offer services of different types such as window dressing, market research sales promotion etc. There take a good amount of time if the advertiser himself does them through his own organisation.

4. Role and Importance:-

The role of an advertising agency is to plan create produce and place advertising for its clients. Clients usually are profit making business enterprises. But they may also be government departments, individual political candidates, associations or other organisations.

The professional services of advertising agencies are as necessary to clients as are other outside specialists such as engineering consultants, law firms, ~~for~~ accountants etc.

It is a creative business (i.e. to prepare advertisement)
a service business (i.e. to sell its services to clients)
a profitable business (i.e. to make money for itself)
It is an independent concern acting as a specialist in advertising. It acts as an agent or consultant of the advertiser who is a manufacturer, wholesaler or retailer. It

= 24 =

is not an agent in the legal sense. ~~Original~~ Originally it acted as a space broker for advertisement given to the media owner i.e. newspaper. Today they are advertising experts or specialists in planning, creating, and placing of advertising. They plan and execute entire advertising campaigns. They conduct market research also on behalf of business enterprises. They choose the necessary description or brands, design the package or labels on the package. They select the media of advertisement. They prepare entertainment as well as commercial spots for radio and T.V. advertisements.

5. Advantages:-

Advertising agency induce manufacturers to advertise. They help them in selecting and obtaining the means of advertising and in planning and writing advertisements.

Many large modern ad. agencies maintain staff composed of experts in various fields related to advertising such as copy-writing, layout, photography, display, printing, typography radio and film publicity marketing etc. ~~Actual~~ Actual composition of the staff varies according to the clients of the advertising agency. But services of other experts such as engineers, dietitians, bio-chemists etc. are obtained when required. Therefore even manufacturing firms having their own advertisement departments find the services of ad. agencies useful for following reasons.

- 1) The company cannot have all types of specialists such as copy writers, artists, design staff market research experts etc. The agency can have, these highly-paid speci-

= 25 =

alists on a permanent basis because their costs are spread over many advertisers. Hence it is economical and cheaper to use an advertising agency.

ii) The agency can take an ~~unbiased~~ unbiased or objective view of any advertising problems. The agency can see the product its merits and demerits through the eyes of the buyers who are also outsiders. This objectivity is not possible for an advertising department of the company.

iii) An agency is in contact with media owners of different types and enters into contracts for space for its clients so it can get the advertisements published at the appropriate times.

iv) As an agency knows the rates of space in different media, it can better advise the advertiser as to the ~~budget~~ budget the latter has to prepare for his advertising programme.

v) It can ~~free~~ free an advertiser from the botheration of contracting media owners of all types as and when necessary. It will select the most suitable media as it has a thorough knowledge about the different media.

vi) As the agency has the knowledge of the cost of the different media, it is in a position to distribute the amount of the advertisers publicity budget in a more appropriate way and see that the amount is not wasted. It can get film neon signs and radio advertising made in appropriate proportions.

= 26 =

vi) The agency will send its employees to the places where posters are pasted and get them replaced if they are torn. It changes the arrangements in the windows periodically. It writes the script for radio advertising. It will be in the lookout for the best locations for poster advertising. It follows the national and local events and takes advantage of them for boosting its advertising.

vii) It can do market research for the advertiser at a less cost as it does the same for different advertisers.

viii) It can design trade marks packages and labels wrappers for the goods to be sold and catalogues. It can do all types of jobs connected with printing.

ix) It can do sales promotion work:

x) It can design windows and arrange for a systematic arrangement of the things in the windows from time to time.

In this way an agency can render several sorts of services to manufacturers and other advertisers. But it may be noted that all the ad. agencies in the country cannot afford to render all the above services. Some agencies may be capable of giving some services only. It all depends upon the resources and the organisation the agencies have and maintain.

6. Advertising Agency and Operations:-

All advertising agencies, large or small are floated with a view to servicing the advertiser to support his

= 27 =

marketing efforts which efficient and effective advertising including production of advertising materials.

There are different types of advertising agencies ranging from the one-man advertising agency, the small complete agency to the large agency. All provide practically the same type of service but a major difference among them is that in a one-man advertising agency many of the departments are handled by one single expert.

In the small complete agency or the large agency there is more specialisation and a division of work is done departmentally. For example the media department in a large advertising agency would consist of media manager who is responsible for planning the media selection together with the assistants who are responsible for the execution of the media plan, namely buying of space or time in the given media, to see to it that advertising material is sent to the publications in time and the advertisements appear as per schedule. There are also clerks to check the advertisements that appear and to do the cuttings of these advertisements and send them to the billing department to pass them on to the client together with the bills thereof.

A large advertising agency is usually best equipped to service the client in all the facets of marketing research and advertising.

Apart from the advertising agencies, there are marketing and advertising consultants who work on a retainer or

= 28 =

Job work basis provide certain services to the clients who do not require or cannot afford a complete advertising agency service.

Running an advertising agency involves a lot of work continuously. The activities of an advertising agency can be listed as follows:

- 1) Securing the clients.
- 2) Making complete investigation of the clients business.
- 3) Preparing the marketing and advertising plans.
- 4) Creating the advertising themes and ideas based upon the plan.
- 5) Executing the advertising in its physical form.
- 6) Making media bookings and arranging for the appearance of the advertising in the various media.

How does the Advertising Agency Works ?

The directors of the ad. agency control the day to day workings, secure new business and keep constant contact with the existing clients. They spearhead the problems of the advertiser assisted by an account executive. The rest of the team, the planning group, is then assigned the work. The group consists of the art director, copy writer, research director, media manager, etc. who plan the campaigns.

This plans-board also functions during the progress of the advertising plan and here the purpose is to make

= 29 =

certain that the scheme is going according to plan and that the creative group is functioning properly and efficiently.

1. The Account Executive:-

The word 'accounts' in the agency sense means simply 'advertisers'. And an account executive is the man on the agency staff responsible for the handling, servicing and management of the clients' business, he is the vital link between the agency and the client. In the large agencies there are several such men, each servicing certain accounts often in conjunction with assistant account executives and the work is allocated to them according to their own particular ability. In larger agencies, an account supervisor heads the servicing of the clients and has ~~xxx~~ several ~~as~~ account executives working under him on various accounts.

2. Securing the client:-

The first concern of any agency is, of course to secure clients, to sell its services. Further more this selling must be a continuous process, not an occasional occupation, for clients may come and clients may go and so the progressive agency will be forever seeking new business, cultivating new "prospects" and will do so by a settled plan.

3. Selling Agency service:-

The next stage is to prepare a complete advertising

= 30 =

report based upon the data collected and to present this to the prospective client. In this report, it will be decided what is possible to achieve with advertising, what general methods of advertising could be used, the extent to which it should be used the cost of the agency service to the client.

A carefully written report based upon this data will be placed before the prospective advertiser without any material suggestions as to how the work will be carried out in detail and his acceptance of the general terms suggested will be awaited before further work is prepared. Some agencies, however submit a complete plan in detail, sometimes even a speculative campaign on invitation.

4. Collection of Relevant Data:

Having secured a new client, the next function of the agency is methodically to acquire all the available information concerning his business, his marketing plan & policy. A well considered questionnaire could form the basis of such information or data gathering. It may be divided into a number of sections, such as client's history reputation, prestige products, sales methods, markets competition finance, previous advertising results, product distribution and so on, with this data the account executive will visit the new client, talk with the heads of various departments and come away with a clear understanding of the aims and objects of the proposed campaign. The information thus

= 31 =

acquired will form the basis of the next function and the agency.

5. The Marketing and Advertising Plan:-

The data and knowledge so far obtained is analysed & the experience of ~~marketing~~ marketing & advertising acquired in handling many other campaigns is applied to determine the advertising Scheme to be recommended, so as to be in consonance with the marketing plan of the client. Even this marketing plan is checked by the advertising agency for viability.

With complete information before them the agency experts meet to prepare the advertising plan & the advertising ideas as a part of the client's total marketing plan.

6. Marketing and Market Research :-

Efficient advertising is based upon two main factors

1. Information and
2. Application.

The information can be obtained by asking the following questions " what is being sold ? To whom is it being sold ? when is it being sold ? Where is it being sold ? How is it being sold ?

The questions may appear elementary but they do, in fact, provide the solid foundation for the advertising plans. The questionnaire generally goes into considerable details, like form, size, weight, package, price etc, the market: sex, age, income-group etc, any seasonal variations,

= 32 =

methods and the advertising efforts so far.

(7). Media Planning:-

With a complete understanding of the class of prospective customers to be addressed gathered of course, from a close scrutiny of the account executive's report and the research man's investigations as well as the comments and ideas of copywriters and visualisers, the media manager will now suggest the media to be used, right upto the decisions on the number and frequency of insertions, the size of space and the costs per insertion will also be settled.

(8). Advertising Plan:-

The costs and expenditure involved in press releases, radio, outdoor advertising, films T.V., direct mail, dealer aids and any other media used, and printing and production will be calculated and costs will be given in detail, with this and the information obtained from various other members of the agency's executive staff, the account executive will ultimately draft the complete advertising plan and submit this with the copy platform or the advertising theme with design layouts and copy suggestions to the new client for his approval. It is possible that some time may be devoted to discussion about and perhaps modification of the plan. With the approved advertising plan before him the account executive has now to set in motion the work of executing the plan by producing the advertising for publication in whatever form and medio it is to appear.

- 33 -

(9). The creative Department:-

It is in this department that the "idea " or theme behind the advertising campaign is born and complete advertising plan is executed with all its advertisements, posters, leaflets, booklets, show cards, etc. The department comprises of visualisers; or " ideamen" creative artists and copy writers and their duty is to create advertisements that compel attention, create interest and also a desire to possess the product and if possible to create action, in short, to persuade people to buy.

(10). Creative Advertising:-

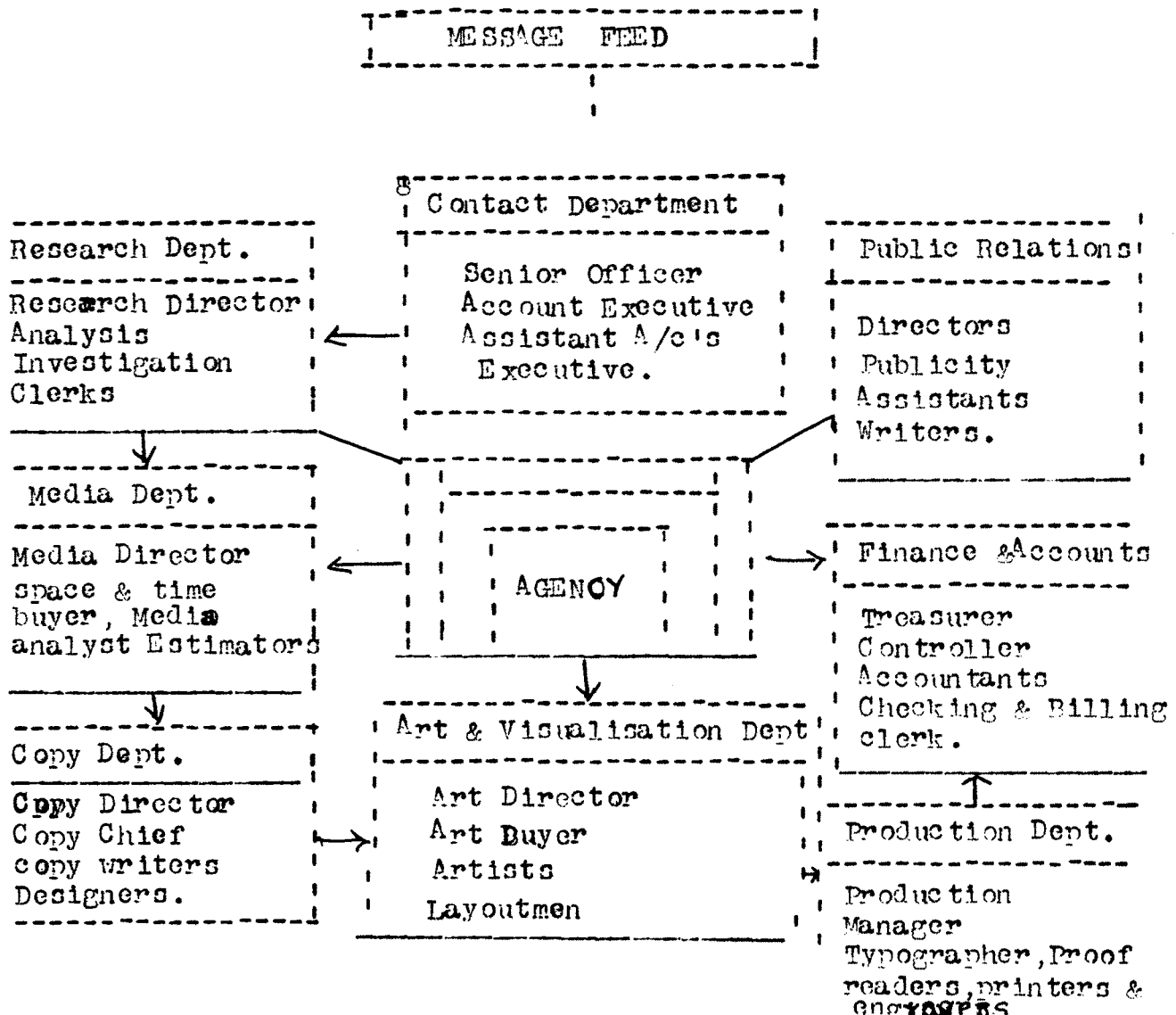
The next function, that of creating the advertising in its physical stage, will proceed immediately after the approval of the plan or scheme has been given. This will consist of writing final copy, making finished ~~artworks~~ artworks blocks, completing the designs of printed literature, having letters for mailing duplicated, obtaining finished poster designs and similar activities, like preparation of radio, jingles advertising films, television commercials etc.

When this work is completed there are layouts to be prepared for the press, printing instructions with blocks and mass to be sent out and various other matters leading upto the publication of the advertising in its materials form to be attended to. The final artworks as also the block pulls are submitted to the client for his final approval before despatch.

= 34 =

7. Departments of Ad.Agency: And its Organisation :-

A highly refined and sound agency has many departments well within the broad framework of the organisation. A typical organisation takes the following shape with the departments like contact, copy Art production, media, Accounts checking, Billing, Research and Public relation. A brief explanation is essential as to how each department functions to complete the work of agency. At the same time, the adjacent chart given below shows a graphic picture of agency & its working at a glance.



$$+ 42 = 35 =$$

A well established ad. agency has several departments and each department performs a particular kind of specialised work. In small agencies, the same person may also do the work which a number of persons in a big agency do. On the basis of its functions an agency organisation may be divided into following departments.

a) Contact Department:-

Contact dept. struggles to get new business on the one hand and tries to continue the existing business. Thus creation, sustaining and extension -- these three are the basic tenets of this unit. The dept headed by senior officer who guides and plans for Accounts executive. "Accounts executive" is the keyman who acts as a liason between the agency on the one hand and clients on the other. It is he who comes in closer contact with the advertiser, collects pertinent information and gets approval for his plan on his behalf.

b) Media Dept.:-

After making the advertisement plan, the agency proceeds to select the best possible medium. Media selection is the task of choosing the channels of communication through which to distribute the advertising message, therefore these channels are to be geared to the needs of market. The media analyst and estimators are to decide the approximate kind and number and potential customers and then to choose the media that get the message to them. The space and time buyers negotiate, prepare Schedules for insertion and study the effectiveness of publicity. This department may include a media director, space buyers, time buyer, media analyst and Estimators.

= 33 =

c) Copy ~~Department~~ Department:-

It ~~may~~ be headed by a copy director and have copy chiefs and copy writers. It prepares copy for all publication and direct advertising working closely with the art dept. in this responsibility. Copy dept. is specialised in preparation of advertising copy. The copy director coordinate the work of writing the copy, with the assistance of copy Chief and copy writer. The advertisement copy is the heart of advertising programme as it contains the ~~xxx~~ message. Copy writing is not a child's play that requires imagination, flair and fluency in the language, knack of presentation. He is to write not as per his free will but as required by copy director. Any way theme of the copy is the outcome of his interest mood and ability.

D) Art and Visualisation department :

The art- director heads this department assisted by artists, art buyers, layout men and visualisers. Art director gets prepared visuals and layouts for press advertisements posters, calenders, painted bulletins, car cards and other outdoor pieces many a times full time artists are employed to undertake such work. Some agencies hire the artist(outside) these should be close alliance and cooperation between the department and art and copy as they supplement the work one another.

e) The Mechanical Production department:-

When a copy or an illustration is ready, the agency proceeds to the next step of mechanical production. Normally all agencies use outside units for these production services. This production department is looked after by production manager, who moves to the typographers

= 37 =

or type-setters to have " copy-set" in type; later to the photo-engraver of the illustrations. Finally he moves to the electrotyper for electro types; mats or other duplicate material in such quantities as needed. Here the work of proof reader is crucial and unavoidable.

6. Finance Department:-

It is divided into Financing accounting and checking. The accountants are responsible to maintain accounts as and when transactions take place. Clerks engaged in filling & collecting the dues from the customers. An important part of the ~~agency's~~ agency's service is checking, to ascertain whether the advertisement in the newspaper, cinema etc. actually appeared on the days for which it was Scheduled, whether it appeared correctly; whether the text was properly printed in case of press advertising as the illustration was clearly reproduced. The checking section goes on verifying the production and publicity and each individual case may be of press medium or outdoor or radio or T.V. or cinema etc. The aim is to see that such publicity is really helping the advertiser. It is interested in realising the goals of publishing whether the advertisement is to appear today or after a couple of days or a week or a month.

7) Research Department:-

Some of the ad. agencies have their own research sections to have continual studies of the effect of sales activities at the end of point of distribution of a particular product. The normal tendency, however is to use the outside research organisations as it is more economical and reliable. If the agency itself ~~does~~ does the work

= 38 =

research director has a tremendous quota of task who does so, with the assistance of marketing assistant analyst investigators statistical clerks and librarians. These persons are trained in research and are capable of placing directly and evaluating the information relating to the product. The greatest lacuna in ad. service in India to-day is the lack of such research facilities and findings.

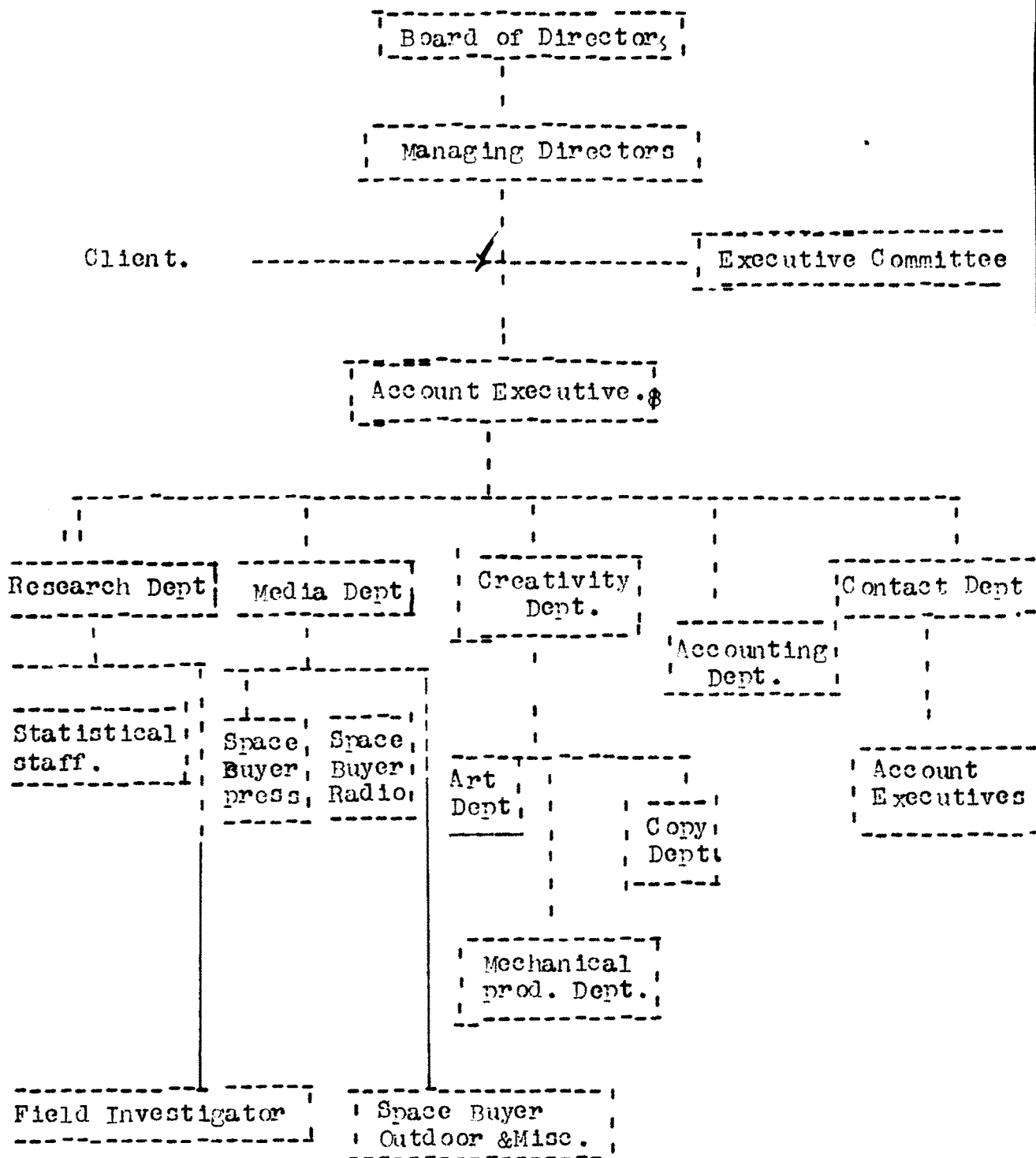
b) Public Relations Department:-

The public cooperation or opinion is the very basic foundation for cheerful subsistence in these days of fad, cult and fashions. The birth, growth and survival are largely ~~department~~ dependent on the public opinion, support and feelings. It is public opinion that decides the destiny of the enterprise. Public relation is the practice of deliberate planned and sustained effort to establish and maintain mutual understanding between the organisation and the public. Public relations approach is the product of publicists and advertising men.

The public relations director is to struggle hard to have always high opinion about the firm. Once the image is lost, the whole business comes to stand still, therefore his task is to have survey of public opinions if spoilt or misrepresented, correcting the same. Here publicity assistants and writers help him a good deal.

An organisation chart as shown below is shows how an ad. agency can be organised. This is suggestive only as the final structure selected must depend on the size of the agency, its financial resources and the services it offers.

= 39 =



A suggested Organisation structure of an Advertising Agency.

= 40 =

8. Why to Employ Advertising Agency ?

Very often there arises a pertinent question as to why one should employ ad. agency ? The answer is simple and straight forward, the real metal of an agency is dependent on its ability to render several useful services to the advertisers. A brief study of the services rendered by an agency is sufficient to pinpoint the much warranted answers.

Services rendered by an agency:

(1). Timely and satisfactory work:

Ad. Agency is highly specialised in the held of publicity that has wider and deeper contacts with media owners, that facilitates the entering of contracts both for space and time. Again it affords to employ experts and veterans in the field of advertising like photographers, lithographers, block-makers printers, artists, painters, actors, singers, annuouncers, who are fully and timely tapped by the agency directors. With such ready made and deliberate facilities, the quality and of advertisement improves to a greater extent, and gurantees timely presentation.

(2). Advertiser is freed and given the benefit of economy :-

Ad. agency is really a boon especially for the small and medium sized units because neither they are in a position to meet all expenses of securing space or time nor, they can undertake, the work which is ticklish and bothersome. The ad. ing programme is designed at economical terms by the agents with all the benefits of carefreeness.

(3). Sound appropriation of funds:

= 41 =

Agency, being the pool and experts, is fully aware of the cost of each media, as such it is able to allocate the available funds on various items in publicity budgets. This results into best resource allocation and utilisation. Thus the common advertiser may miss apply the funds to his disadvantage due to the lack of thorough knowledge whereas agency does it most appropriately in a diversified and pragmatic way to have best result.

(4). Conducting Market research :

Research is accepted as one of its functions, Research dilemma is the greatest when the agency first takes ~~xxx~~ a new case of advertising where it is urgent to get fully acquainted with the clients past history present needs a future potentials market research work involving study of product & people and methods of marketing will be done at economical rates as full time seasoned staff is available. The research department is well equipped with collection analysis and interpretation of the market data.

(5). Additional Services: -

In addition to the usual services already described, one finds a willingness on the part of many agencies to day to assist the clients with other dynamic activities of distribution. Modern agencies do the special work of packing, designing of merchandising sales, training preparation of sales and service literature, designing of merchandising displays, public relations and publicity. It may be pointed out here that the agency should justify such delicate work by doing it more satisfactorily than the manufacturer or dealer or competing experts.

In a nutshell ad. Agencies have been able to carry most of the burden created by rapid flourishing of advertising business. These have forfeited themselves to accept the challenge by reaching out higher refinement and diversification of services so far rendered.

9. Selection of an advertising agency:-

Since handing over the whole burden to the shoulders of agents is a very crucial and delicate dilemma involving huge spendings, the advertising experts have given certain check lists consisting of many points to be clarified before selection of a particular agency is done, selection of an ad. agency should be based on the detailed study and closer ~~acquit~~ acquaintance rather than casual or random approach such haste will result in much waste, in due course, certain factors can be considered to select a sound agency.

Factors of consideration:

(1). Knowledge and judgement:

Perhaps, the first point is that the advertiser should see that the agency has profound knowledge and rich and meaningful imagination, so as to view and visualise the advertising problems of the advertiser, in the light to his entire distribution framework. The top management of advertising company must welcome and respect the counsel and judgement given by such agency at conference table.

(2). Financial Soundness:

The agency is considered as the best, if it is ~~able~~ able to run the business on sound lines with business like practices

= 43 =

which is at the same time free from the "deals" or "blue-Sky" promises." It has a financial integrity. Financial integrity is the hallmark of its functioning as finance is the lifeblood of any business undertaking irrespective of its nature.

(3). Experience and reputation:

The agency to be selected should have long standing experience in the problems, that ~~xxx~~ are either parallel or peculiar to the business of advertiser. It is so because lack of experience, entails the danger of mistakes and unwanted trial and error experimenting. At the same time it must enjoy good "standing in field of agency services which is indicated by its recognitions.

(4). Records of average billing:-

If the agency is really popular and reliable it will have maximum number of clients. The accounts and other records will show how much it charges and earns. It also reflects the results of its jobs undertaken. It is a sound unit, it accepts scheduled number of job pieces, thus avoiding haphazard and unsatisfactory results telling very badly upon the fame of such a unit.

(5). Size and adequacy of agency staff:-

The size of the agency refers these to the range of services that it can render to the advertiser. Normally an advertiser is interested in knowing about the facilities about copy preparation, art, media, research sales promotion merchandising window display etc. The adequacy of staff relates to the number and ~~xxx~~ quality of employees, specialists employed

= 44 =

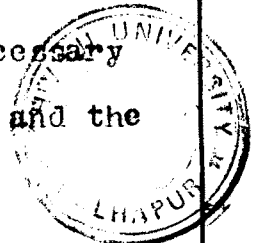
to undertake the job so entrusted. The turnout of work largely lingers on the activities of these specialists.

(6). Timely completion of work:

For business community, time is fortune or money again victory of an advertisement is dependent not only on how well it is ~~at~~ planned, designed, presented but when it is brought to the notice ^{of} ~~and~~ general public. There are several cases. Where the agents have given the publicity during off season that resulted in not only wastage of money but also reputation of the advertisers that is why the ~~principles~~ always look to this factor.

In time it must be pointed out that this selection procedure is not based on any hard and fast rules. These are the canons that help to weigh and judge agency of its metal in the field ^{of} ~~and~~ publicity. These factors may differ widely from author to another as there is always scope for improvement.

Thus, the selection of an agency is quite important. An advertiser cannot follow the method of trial & error in the selection of agency without some hazard. An agency must first become familiar with the business of the advertiser before it is able to advise. It is necessary to provide the agency with a great deal of confidential information about the sales, manufacturing costs, problems regarding distribution of the product etc. The advertiser would not like this information to be made available to a number of agencies. It is therefore necessary to exercise all the care at the time of the selection and the appointment of an advertising agency.



= 45 =

10. Remuneration of Agency:-

The discussion on ad. agency is incomplete without reference to the concept of compensating the efforts put in by the agencies. In fact the agency should be very careful ~~and the basis of compensation. This is of vital importance and the~~ to define just what services it performs for the clients and the basis of compensation. This is of vital importance because of ever increasing services being rendered by agencies and the natural need for income to provide them.

Today agency costs have gone up materially by the additions of staff of specialists emergence of new media extension of additional services. It is estimated by panel of experts that out of total income $2/3$ is paid for the salaries of experts and others, who have contributed to work; the remaining $1/3$ is earmarked to cover rent, travel taxes and other expenses plus expected profit. Even though they get something like 15% of the total cost of the bill the net profit hardly works out 1% to 3%. In fact maintaining reasonable profit margin has become a difficult problem. The agencies are meeting this challenge through better management, cost contract and arranging with their clients for reasonable compensation for the special services rendered.

Methods of compensation:

So far, there are two ways of compensating the agency services viz. a) Commission basis b) Percentage basis c) Fees basis.

= 46 =

a) Commission basis:-

Under this method the agency receives an amount equal to 15% of the cost of media, time or space as the case may be. The commission is paid by media owners to the agencies and as such agencies do not demand anything from their clients unless they render special kind of services. In fact, the advertising agency collects the full bill and pays back to the media owner after deducting its 15% commission

For instance:

On agency occupies a time in radio publicity at a cost of Rs. 5000/- the bill is collected from the advertiser and it gives back to the radio medium owner Rs. 4250/- after deducting its commission of Rs. 750/- being 15%. Were the bill is sent ~~xxx~~ by publisher to the advertiser. If the publisher gives to the agency any cash discount on the prompt payment of Rs. 4250/- the agency ~~pass~~ passes it on to the advertiser if the latter pays promptly to it.

If the agency spends, say Rs. 500/- for ~~art~~.work and plates, this the advertiser has to pay to the agency in addition by way of reimbursement.

If the agency takes extra troubles for getting this work done it may charge 15% on this Rs. 500/- for such service it comes to Rs. 75/-

Therefore the total amount that the advertiser spends is = (5000 + 500 + 75) = Rs. 5575/- The net income to the agency is = Rs. 750 + 75 = 825/-.

The ad. agency thus prepares a detailed bill for Rs. 5575/-

= 47 =

and sends it to the advertiser for payment. It also sends to him the bills it has received from the publishers, the newspaper cutting containing the advertisements, the bill it makes for the special services it renders for the perusal of the advertiser.

The commission method is popular with ad. agencies because they straightway get 15% commission on the publisher's bills.

b) Fees basis :- As per fees method, the agency is paid a lumpsum for the services that it renders to the advertiser. Here commission is collected from the publisher or media owner. The bill sent by the publisher to the advertiser is less by the amount of the fees set by agency. Under any circumstance the agency is compensated.

Of these two commission method is very popular as it is straight forward and simple. In the U.S.A. of course due to peculiar situation, fees method is in vogue. Some times a cocktailing is done of both the methods to the benefit of both parties.

...