

Integrated Marketing Communication
Prof. Vinay Sharma
Department of Management Studies
Indian Institute of Technology – Roorkee

Lecture – 24
Advertising Agencies

Welcome back, friends; now, I will be taking you through the world of advertising agencies. How does the advertising world work? Who are the major players? A brief history of advertising agencies, when did it start? How did it start? As per the known records and data, you can go to different articles and websites to understand this, which is fascinating.

Because in due course of time, this industry has become not only the primary industry, but it is one of those industries which supports almost every other business and industry which is the most significant important element of the advertising world. And then, we will be looking briefly into what kind of awards are related to the advertising world, wherein some of the famous campaigns which I will name.

So, this can broadly be divided into two portions, pre-internet and post-internet. So that is where the most extensive Demarcation line comes in as far as the ad world goes. You would realize in due course of time that there was a period when many agencies with different functionalities were available worldwide. Some were serving a specific purpose, purchasing space and time for clients.

While some focus on creatives only, some focus on research and market research and understanding elements, and some focus on different functions. But in due course of time, we will see that whole of this world has consolidated at large. And you have five or six larger groups wherein they hold those umbrellas, which has many different kinds of advertising agencies are under their structure.

So, in pre-internet era, ads were delivered to various media outlets through representatives who sold and re-sold advertising space with a markup. So, there was always a percentage related to agencies. And there are several bodies, globally and nationally, wherein almost all the agencies become members. That is how you assure the credibility of agencies working for different media houses, modes, vehicles, and customers' client-side.

Because lots of money gets transacted, lots of issues come in. So, there are kinds of review board bodies and their governing councils and bodies in different countries which have different kinds

of structures. William Taylor opened his office in London which is today acknowledged as the first advertising agency in history in 1786. And as I told you this was a time when William Taylor and his associates or company used to focus on the purchase of space or where the clients would advertise.

That is what the main job was; they were not involved in the creative part of designing the advertisements. Although, we need to realize that creativity has given an impetus and fascination to the advertising world. Otherwise, you would not remember advertisements, and if you did not remember how the response would get generated and how the companies would hire advertising agencies.

So definitely, it is there, but then lots of negotiations and work goes on as hiring the space and engaging the space goes. So, we will go quickly through these kinds of things. And there is a lot in the book which I have referred and there are other sources as well. So, keep referring to those chapters and other sources, and you will get many insights into how this works.

Palmer opened the first agency in America on American soil in 1840. As I told you when I was talking about the history of advertising, particular focus was given to the USA. So, USA was going through the industrial revolution. The advertising world in the USA grew very fast, although, as we can see, it started in Europe in 1786. And N.W Ayer and Son, a prototype of modern media agencies came in wherein they started focusing on several other functions apart just from negotiations and media buying.

So that is where, for example, Palmer used to purchase space in advance and then sell it to the customers, whosoever wanted that. So, it has short business for the newspapers or those modes, and they got the money, and he used to sell it on premium getting his margins. So, there were not several regulations associated with this business earlier. But today, you have lots of regulations and governance on this element.

What should be the maximum margin? How far can you negotiate? So, several forms are associated with this.

Before, internet agencies were to go to businesses were all offline advertising efforts. And after the internet, AdTech companies gained momentum. Now, these AdTech companies started focusing on getting connected with the consumer response in real-time; if someone sees my ad, what is that person's response? Is it ending up somewhere in the immediate search for a particular kind of product, or is he passing on that advertisement to someone, and who is that customer?

I can track that customer through some methods, basically, some identification marks which I can monitor. And if the customer is registered with me, then I can, as I have talked about this earlier. AdTech companies are focusing on individual customers, their databases, and their habits. So, they go through what you are going through as far as their message or different kinds of messages go, and then they keep customizing the kinds of messages you want.

And then they might analyse where you would end up as far as your purchases go. And this data is given to the companies, and those companies, start focusing on you as a future customer. A simultaneous response analysis, a simultaneous forecast analysis, a forecast-based analysis, and a simultaneous element of augmenting the creativity associated with the message you are being sent are done.

So that is how the attic world is working. And lots of AI and lots of data science are being used. And then thanks to engineers and computer science graduates and AI and data scientists, being produced by institutions like Indian Institute of Technology Roorkee, where I am standing at this moment. So, these kinds of engineers and technologists are working day in and day out on these kinds of things.

So, AdTech companies allow brands to run online advertising campaigns with precise targeting and collect a large amount of user data, as we have discussed.

Now, looking into the types of advertising agencies, there are integrated marketing agencies and those integrated marketing agencies focus on solutions instead of service delivery. Balance the various tasks and sort the necessary portfolio works and certifications. And their main functionalities are multi-disciplinary, wherein integrating different marketing functions is the mainstay.

Then there are specialist marketing agencies; they provide a particular set of services, for example, creatives only, or a particular client-based kind of market review. So, independent agencies, for example, work on media buying. Their focus is only on the negotiations with different modes of media on purchasing space and time.

And several other elements depend upon what kind of budget the organization has as we have discussed that earlier. There are internet agencies for internet advertising focusing on internet modes only. When I say that there are internet agencies, that means they are tracking the internet usage by specific customers who are being targeted by x kind of a product.

So, if you are the marketer and you have a target in mind, you tell them, and they will tell you where your target is, actually at this moment, what kind of sites they are watching. How do you

reach them? And that is why they are called Internet agencies. So, they know how to negotiate with those modes, they will fetch you a prize, and you can go for that. This is a simplistic view, but this is how things are.

Business-to-business advertising agencies are also there. So, just not focusing on consumers but business a business kind of promotions, so that is how they are divided based on the core services they serve.

In-house marketing agencies have been a mainstay in due course of time all along. The simple reason is that when an organization grows massive and targets many customers, its ad spends high. So, there are two things they want to do- not only influence the creatives directly; they want their team to think creatively about reaching their target. They involve external support, but most importantly, they want to rationalize their budget.

And they want to take advantage of the margins which would go to other media negotiators. So, they do it for themselves. When we are talking of billions, at least millions of dollars or rupees, then margins are substantial. So that is where in-house marketing agencies, almost all the large organizations started coming up with their in-house marketing agencies; some developed their own, and some hired exclusively for themselves.

So that is how this started working, and that also supported the focus understanding of the agencies if they are from outside, but they are serving only one client. For example, BBC was created by the BBC content factory by Coca Cola and if I am not wrong, Falcon by Hindustan Unilever and there are several others.

Then there are global marketing consultancies. Today you have multinational brands, almost all the companies who are into business with the large portfolios, or one single product or few products, being marketed around the world. So, they want to have a deeper understanding of the customers everywhere.

Who is going to provide them with people who understand global markets? There are specific consultancy companies around the world that have that kind of an understanding of knowledge and database. Their teams are working day in and day out for these things. And that is where global marketing and consultancy companies come in; they give you a more extensive understanding and help you position your products with customization everywhere in this world.

For example, KFC might be positioning itself differently in India, and their agency would be telling them how to do that. Sometimes, if you find a multinational product doing good, you may give some credit to their agency, and if it is not doing well, you may distribute the fault amongst

them and their agencies as well. So that is how things are.

There are creative boutiques and small teams, including artists, copywriters, and designers; they only offer creative and artistic services. And focus on the development of a creative idea into message themes. For example, catchword and the naming group, and so on. And one thing, these creative boutiques are sometimes related to developing creatives, but they are sometimes explicitly associated with the music and jingles you would infuse in advertisements. So, they are serving that purpose as well.

Then there are digital organizations focusing only on digital media, public relations organizations, and social media experts. Now, this has become a vast domain; probably, it would have started from somewhere wherein one of the individuals like you who is taking this kind of an integrated marketing communication course gets interested in advertising.

And on the other side, you are already interested in social media usage, and you are tracking how people interact through social media. You develop an insight to develop a database, use other databases, and then you start advising people that our social media companies are coming up. And large organizations started taking help from these kinds of organizations.

I remember a vast multinational organization in the electronics and mobile phone space hired a person interested in writing blogs for them. And then he was tracking how his blogs were being responded to. And this person was specifically hired to support this kind of a thing.

Now, let us go to another fascinating thing, global advertising groups. WPP, Martin Sorrell initiated that in 1971, and their principal subsidiaries are J. Walter Thompson, then Ogilvy, Young and Rubicam, Kantar, Hill and Knowlton, and Tempus Group. WPP's clients include over 300 fortune 500 and half of NASDAQ 100 companies.

And that is in 2001, that is the correct data. So, it is a significant achievement if you are serving 300 of the fortune Global 500. And the group has more than 3000 locations in over 112 countries; the data is enormous. So, go to this website, and see how their affiliates work with brands such as Nestle, Chanel, Volkswagen, Google, and Facebook.

And I told you about a beautiful campaign recently Facebook has launched on the web; I told you about the Pooja Didi campaign a few sessions back. So that is working very well, and that was COVID specific campaign.

This is how WPP agencies are, so look into this chart; you would find the Ogilvy group, Gray group, and others. And you will know in due course of time if you are further interested in

knowing about these organizations working under the WPP umbrella. You would appreciate that some of these focus on specific tasks, as we have discussed.

You can correlate these with the differentiation we have gone through in terms of the functionalities of advertising agencies. Some of them are full-service agencies, some of them are specifically into creatives essentially, and some of them are mainly into client service and client acquisition and so on.

And then comes Omnicom, which Maxwell Dane initiated in 1944. And look at the revenue in 2020, huge. The primary subsidiaries are BBDO, DAS, DDB Worldwide, Omnicom Media Group, and TBWA and they have 1500 plus agencies associated with 5000 clients in more than 70 countries.

And if we go into the details of this subsequent chart, you will find individually about these agencies one by one through different web sources and their websites, you will realize the main functionalities they are going through.

Then again, this is Publicis, and it was initiated in 1926 by Marcel Bluestein-Blanchet. 9.7 billion euros in 2020, massive. Bartle, Bogle Hagerty, and you can read other names. They are in several countries. Publicis Group has a slight difference compared to others regarding their organization. They have been organized into four parts, communications, media, sapient, and publicist health. And they have broadly categorized their functionality.

So, this is how they are doing essentially. Leo Burnett, a very successful agency, is associated with Publicis, and Starcom is also there. And then Publicis sapient is also there as a part of Publicis sapient itself. Interpublic Group was initiated in 1930, has five major networks, FCB, IPG, Mediabrand, McCann, a very successful one and others which have high global revenues.

It might be monotonous if I keep telling you about the group itself.

But this is one of the last large groups I wish to mention, Dentsu, and it was initiated in 1901. Now, one thing you would realize in common in all five cases is their long history. They have gone for large consolidations and differentiated themselves into different functionalities serving clients almost in totality.

Even if they have specific functions per agency, within the internal structure, their client enjoys all the facilities. Some agencies are full-service agencies giving all the benefits to all the clients.

And then there is Dentsu Aegis Network, including 360i, Gravity Media, Posterscope, and so on.

What are the services broadly? Content creation, television advertisements, large ad campaigns, strategic planning, social media management, web development, search engine optimization, which is famously called SEO, radio commercials, graphic designs, and several other marketing functions played by them. To break the monotony for the past seven-eight minutes, I have been talking straight about what these groups are basically.

But I told you because you may dwell into those further and reach their websites and try to find out what they are doing. And most interestingly, which are the campaigns they are associated with.

So here is a glimpse of an association, Ogilvy is associated with Castrol's, caring for the actual engine, Fevikwik, very famous campaign, 'Todo Nahi Jodo'. This is one of the most beautiful campaigns India has seen. Asian paints 'Har Ghar Kuch Kehta Hai', mentioned this earlier as well. Ponds 'Googly, Woogly Woosh' was so famous. You know all the young daughters started clipping on the cheeks of their mothers after this advertisement.

Gujarat tourism, I mentioned in the last section also, 'Kuch din to Gujaro Gujarat mein' Mr. Amitabh Bachchan, the icon was party of this.

And McCann's 'Happy Dent Palace', Paytm's 'Sweet Change'. All these are very famous advertisements that brought in that product to the masses basically and children and adults equally they started liking that product.

Leo Burnett, McDonald's McAloo Tikki, established McAloo Tikki as an essential product in the Indian burger scene. Procter and Gamble's Shiksha campaign, Mr. Anupam Kher was also seen as a renowned film actor of our country. The story of Bitu to the 75-year-old student and Padhega India, Badhega India are some of the famous awards in the world of advertising.

Cannes Lions Awards, the Spikes Asia, Clio Awards, D&AD Pencils, Effie Awards, One Club, Pitcher Awards, YoungGuns International Award, Shorty Awards, and so on. And let me now push on to the last portion of our discussion about agency structures.

This is associated with the range of skills and services they can offer, and it also depends upon the scale of the agency. The larger it is, the greater the range of specialist skills it can afford to employ. And that is why the considerable consolidation has probably occurred in terms of these five major groups, which I have mentioned, Dentsu in the last from Japan. And you would realize that they have become global not only because the companies they represent have become

global in due course of time.

But the regions they represent have also been traversing into active globalization participation. Plus, the consumer has been very active in the regions to which they have belonged. So, all those things have been, which we have talked about in terms of the history of advertising, integrated marketing communication, and the history of these agencies go hand in hand.

Industrial Revolution was coming in the 1930s, so in the 1930s, some of these groups got impetus and went high, going stronger. And in the 1970s in India, some things were going on the positive side in terms of economic development, some of the agencies started working on that kind of growth. So, history of advertising history of agencies, history of economic development can have a commonality.

If you look at it, you will watch these preceding videos and then correlate those things with your understanding and surf the websites and data you will find. That would be fascinating when we will start working on this.

And this is a general structural model which talks about where it all belongs to. So, go through this there you have advertisement managers and customer service section wherein creative service in production, film, radio, and press are associated with advertisement manager. And then customer consulting and customer complaining and or let us say feedback or those kinds of things; they are associated with this kind of section.

And again, these are different kinds of structures wherein advertising agencies work. So, it is a metrics model wherein you have differentiated functions up to the head of technology and head of the production and from the head of Client Services to the creative director or one may play two different kinds of rules and so on.

There is a pod system wherein some organic approach is utilized. These traditional account managers go for specific elements of business, planning, creatives, and project management. The main objective of this model is to shorten approval process times, the time which is utilized in the approval process, eliminate extraneously, lags in as far as the decision making goes.

So, to enhance the system's efficiency, there are now search engine optimization agencies. And we divided the history of advertising agencies and the advertising world into two aspects of the internet, pre-internet and post-internet. And here comes a vital role of advertising agencies; you may talk about traditional organizational structures or pod systems or whichever way you want to look at it.

But search engine optimization agencies are the mainstay now, playing a vital role in due course of time.

Wherein website analysis, structure optimization, content production, social media management, and conversion rate optimization are done. And you see, I have repeatedly been talking about that how AI and data sciences are being used here and how to direct connectivity with the client and analysing the continuous interaction of the client with the messages you are throwing is being done with as far as such kind of expertise which these agencies they have.

So, surf into those and keep on dwelling on those, and we may touch upon these kinds of elements later on when we talk about digital modes of advertising and internet advertising as well. We would specifically focus, at least for a while, on search engine optimization.

Then there are creative agencies we have discussed; our direction is associated with that copywriting, brand design, user design, web design, and so on.

And then, there is an element of video production. You see, at this moment, I am recording this video for this, and video production is associated with the art of video production which is associated with this recording as well. You see, this video production involves so many things, and we can talk about it at length, but to understand, how to work upon efficiently in terms of the copy which has been developed and other elements to record and take you to take those to you.

And the last part of it, there are several kinds of organizational structures, but there can also be a geographical element to the structure. For example, all these conglomerates have their headquarters, the CEO sitting somewhere, and then they have their regional heads, then their subheads, and then they might have their functional heads.

And that is how that whole umbrella works. So, let me stop here as far as this segment goes. I will be coming back to you with the planning part next time wherein I want you to read that beforehand if you can, from the advice sources, and I want you to sit on that recording video with an understanding of integrated marketing communication which we have developed till now so that you may have a view of how IMC planning is done. Goodbye for now. Thank you.