

# Chapter 3

## Organizing for advertising and promotion: The role of ad agencies and other marketing communication organizations (part 2)



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# Specialized service



Promotional planning

Creative research

Tie-in coordination

Fulfillment

Premium design and manufacturing

Catalog production

Contest/sweepstakes management

# Specialized service

Strategy  
development

Public  
affairs

Special  
events

Generating  
publicity

News releases,  
communication

Managing  
crisis

Lobbying

Research

Coordination  
w/promotional  
areas

# Specialized service

## Direct-Marketing Agency Services

Database  
management

Media services

Direct mail

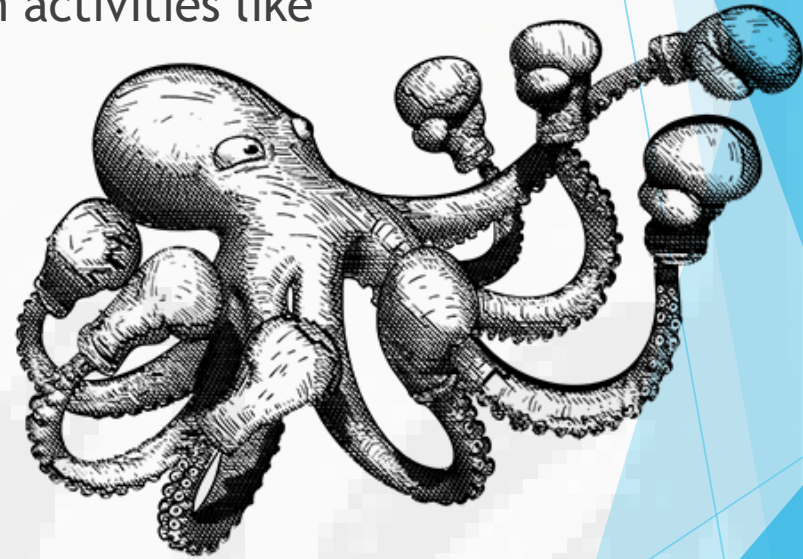
Creative capabilities

Research

Production

# Specialized service

- ▶ Sales Promotion Agencies
- ▶ Helps the advertiser in coordinating the sales promotion activities like
  - ▶ Contests
  - ▶ Sweepstakes
  - ▶ Refund/Rebate
  - ▶ Premiums
  - ▶ Incentive offers
  - ▶ Sampling programs
- ▶ Often works with client's advertising agencies.



**M U L L E N L O W E**  
**W I N S T O N S A L E M**

# Specialized service

- ▶ Public Relation firms
  - ▶ Develops and implements to manage the organization's publicity, image and affairs with the consumers and other relevant publics including employees, supplier, stockholders etc.



# Specialized service

## **Interactive Media Creation**

Websites

Banner ads

Search engine optimization

Mobile marketing

Social media campaigns

Digital media

# Agency compensation

Commissions from media

Fee, cost, and incentive-based systems

Percentage charges



# Commissions from media

- ▶ Usually 15%
- ▶ For outdoor advertising, the commission is  $16\frac{2}{3}\%$
- ▶ There is a 2% cash discount upon early payment
- ▶ Negotiated commission average from 8-10%

# Fee, Cost and Incentive based system

- ▶ Fee Arrangement: There are 2 basic types of fee arrangement
  - ▶ Fixed fee method: basic monthly fee
  - ▶ Fee commission combination: media commissions received by the agency are credited against the fee.
  - ▶ If the commissions are less than the agreed on fee the client must make up the difference

# Fee, Cost and Incentive based system

- ▶ Cost-Plus agreement: based on cost of work + agreed on profit margin
- ▶ Incentive based compensation:
  - ▶ Value based: If results are more than the agreed upon matrix
- ▶ Percentage charges: Adding a markup percentage charges to various services the agency purchase from outside providers.

# Evaluating agencies

- ▶ **Financial audit:** Focuses on how the agency conducts its business,
  - ▶ to verify costs & expenses,
  - ▶ the number of personnel hours charged to an account
  - ▶ payment to media and outside suppliers

## Financial Audit

Verify costs, expenses

Personnel hours billed

Payments to media

Payments to suppliers

# Evaluating agencies

- ▶ Qualitative audit focuses on:
  - ▶ Agency's effort in planning, developing and implementing the client's advertising programs and considers the results achieved.

## Qualitative Audit

Planning

Program development

Implementation

Results achieved

# Why agencies lose clients

- ▶ Poor performance/service
- ▶ Poor communication
- ▶ Unrealistic demands by clients
- ▶ Personality conflicts
- ▶ Personnel changes
- ▶ Change in size of client & agency
- ▶ Conflicts of interest
- ▶ Declining sales
- ▶ Conflict compensation philosophies
- ▶ Changes in the policies
- ▶ Disagreement over marketing and/or creative strategy
- ▶ Lack of integrated marketing capabilities

# How agencies gain clients

- ▶ Referrals
- ▶ Solicitation
- ▶ Presentation
- ▶ Public relation (Pro Bono)
- ▶ Image and reputation (Effe awards)



Thank you