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RELATIONSHIP BUILDING AND MANAGEMENT

– Aligning the Advertising Agency-Client
Relationship

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Abstract

- Title:** Relationship building and management – Aligning the Advertising Agency-Client Relationship
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- Keywords:** Relationship building and management, Transaction cost, Network theory, Resource based theory and Advertising agency.
- Purpose:** In this research, we focus our attention concerning the degree of relationship between an advertising-agency and its client employing Kurzrock’s level of alignment. The Relationship Arena (RA) model has been designed to cater such agency-client relationship dynamism.
- Methodology:** In the design of the RA model, we mainly use a deductive approach. To corroborate the applicability of the RA model, we furnish this research with a multiple-case study involving a number of agencies and advertisers in Sweden.
- Theoretical perspective:** A specific relationship is dynamic due to the factors of transaction costs, network links, values and complexity, and importance of resources that moulds and affects a relationship.
- Empirical foundation:** We have decided to do a multiple-case study research, studying four advertising agencies (Eminent (Lund), Metod (Kristianstad), Navigator (Malmö)) and The Concept Factory (Malmö) and 10 different assigners.
- Conclusion:** Whether it is a short fling or a developing partnership with a client, a relationship needs to be aligned according to the mentioned environmental factors in avoiding a mismatch and thus the termination of a relationship.

Sammanfattning

Uppsatsens titel:	Relationship building and management – Aligning the Advertising Agency-Client Relationship
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Fem nyckelord:	Relationsbyggande och management, Transaktionskostnader, Nätverksteori, Resursberoende teori och Reklambyrå.
Syfte:	I den här undersökningen fokuserar vi på graden av relation mellan en reklambyrå och dess uppdragsgivare genom att tillämpa Kurzrock's nivå av allians. Relationsarenan (RA) har skapats för att fånga denna relations dynamism.
Metod:	Vi använder oss av en deduktiv ansats i formgivningen av RA modellen. För att även bekräfta RA modellens tillämplighet har vi använt oss av en multiple-case undersökning som involverar ett flertal reklambyråer och uppdragsgivare i Sverige.
Teoretiska perspektiv:	En specifik relation är dynamisk I förhållande till transaktionskostnader, nätverkets komplexitet och resurser som skapar och effektiviserar en relation
Empiri:	Vi har bestämt oss för att tillämpa en multiple-case undersökning, genom att studera fyra stycken reklambyråer (Eminent (Lund), Metod (Kristianstad), Navigator (Malmö) and The Concept Factory (Malmö)) och 10 stycken olika uppdragsgivare.
Slutsats:	Oavsett om en reklambyrå har en kort flirt eller ett utvecklat partnerskap med en kund, måste en relation <i>anpassa</i> sig med omvärldens faktorer så att en <i>mismatch</i> undviks.

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1 Introduction

This chapter will introduce to the reader the background and basic idea of this research, and why the subject of relationship building and management has been selected as the key concern in this thesis.

1.1 Background

As the concept of marketing transcends the basic activities of promotion and advertising, the issue on relationships has gradually become more embodied in marketing.¹ The value of relationships exceeds the value of exchanges.² With such marketing philosophy in use, interactions between purchasers/buyers and marketers/sellers (the dyadic view) has not only augmented but also intensified through the years. Interactions between the purchaser and marketer can differ depending on different management philosophies used by both parties. Specific relationships can be classified into categories such as dependency, independency, interdependency and mismatch.³ It is then vital to always maintain and build relationships where it benefits the parties involved.

In maintaining and building relationships, one should then recognize that relationships are dynamic. The dynamism in relationships simply tells us that relationships change over time. They also adapt to the actions of the buyer and seller. Placing the dyad in a context⁴ shows the dynamic nature of relationship. In this way we get to know the value of *relationship building*. On the other hand, the *importance of the environment* or the factors beyond the immediate context explains why relationships are dynamic. By taking these issues in mind, marketing can lead to increased profitability and make it easier for the interacting parties to manage their results and profits. The parties involved should then be more aware that there is a need to have a strong and clear strategy in relationship building. Marketing and relationship management should then be more of strategic nature if a company wants to increase its relative competitive position⁵.

¹ Grönroos, C. (1990,1992, 1993); Morgan, R. M. and Hunt, S. D. (1994); and Gummesson, E. (1996)

² Hougaard, S. and Bjerre, M. (2003) *Strategic Relationship Marketing* p.28

³ Sorensen, C. (1997) *Transaktionsomkostningsteori versus Relationship Marketing som Paradigme på Business-to-Business Markedet*

⁴ Hougaard and Bjerre (2003) p. 61

⁵ Hougaard and Bjerre (2003) p. 105

1.2 Advertising Agency in Relationships

As marketing’s involvement has also become more and more strategic in nature, this calls vividly for a more professional marketing process. This is where the advertising agencies come into the picture. Several marketing activities and functions are not performed by the employees of an organisation. Instead marketing services are provided by an external provider such as an advertising agency (ad-agency). The ad-agency becomes a part of a network that surpasses the organisation-market boundaries augmenting the significance of the ad-agency in a relationship with a specific organisation.⁶ This relationship is considered as the 29th R of the 30Rs in Relationship Marketing by Gummesson.⁷

Advertising agencies has a major role in increasing profitability for the client.⁸ The resources that can be acquired from an advertising agency’s competency and competitiveness ought to be exploited since an ad-agency can reinforce the marketing function by supplying a series of service. The agency might simply have more marketing power, capacity and ability.

An ad-agency can thus be seen as a middleman between the advertiser (company who purchases the advertising service) and the end-customers. Primarily, the agency should boost the sales of the client (or the advertiser), i.e. increasing profitability through the best-in-class marketing. But the ad-agency should also see to it that its client’s end-customers are satisfied with the commodity that is being marketed, i.e. the agency should successfully market the products towards the end-customers. Nevertheless, successful marketing does not only rely on a very competent and effective ad-agency. Needless to say, other factors are also in play. One crucial aspect is for the agency to be an integral part of its client’s business affairs. Thus, there is also a call for a healthy and mutual *agency-client relationship* to ensure minimal “break-ups”, “divorces”⁹ or mismatches which in turn minimises the cost of switching for both the agency and its clients. Successful promotion of the client’s goods or services, and the retention of well paying clients depend on a good and mutual agency-client relationship.

⁶ Gummesson, E. (2002). *Total Relationship Marketing – Marketing Mangament, Relationship Strategy and CRM approaches for the Network Economy*, p. 210

⁷ Gummesson, E. (1996) *Relationsmarknadsforing. Fra 4p till 30R*

⁸ Mathur L. K. and Mathur I., (1996); and Hozier, G. C. and Schatzberg, J. D. (2000)

⁹ Ford, D. (1980) “The Development of Buyer-Seller Relationships in Industrial Markets”

1.3 Aligning the Agency-Client Relationship – A predicament

The agency-client relationship is the heart of this research. But the general concept of agency-client relationship is still too broad. One obvious topic in such agency-client relationship is the purchasing of advertising services by the client. At the forefront of service marketing practice and other academic services, relationship marketing today is a concept indicating strategic importance.¹⁰ The applicability of relationship marketing stems from the distinctive characteristics of services and examples of these are intangibility, simultaneity and inseparability, i.e. they are consumed at the moment they are produced¹¹. These salient properties of services are connected with relationship marketing because they require interaction¹² in a customer-provider relationship such as that of the advertiser and the advertising agency.

Therefore, relationships, networks and particularly interaction are prominent key concepts regarding the issue of service marketing and management as well as relationship marketing¹³. This is the reason why we even associate the building and management of relationship in the purchase of an advertising service since relationships tend to take shape during the moment of truth¹⁴ or the service encounter¹⁵ as described by some academics. Another aspect to be considered in the purchasing of a service such as advertising is the importance for example of having a long-term view on the relationship as the advertiser purchases service from the agency.¹⁶

The subject can be further narrowed down by initially asking how to determine the right ad-agency. There has been for example some research on how to *select* and *choose* the right agency by looking at the client’s perspective.¹⁷ Connected to the process of selection, an advertising agency can have difficulties in segmenting different markets.¹⁸

¹⁰ Berry, L.L. (1995) “Relationship Marketing of Services – Growing Interest, Emerging Perspectives”

¹¹ Panayides, P. M. (2002) “Identification of Strategic Groups using Relationship Marketing Criteria: A Cluster Analytic Approach in Professional Services”

¹² Gummesson (2002), p.288

¹³ Gummesson (2002), p. 290

¹⁴ Carlzon (1987); Echeclerri (1999); Grönroos, C. (2000); Lowendahl, B. R. (2000); Normann, R. (2000); and Gummesson, E. (2002)

¹⁵ Parasuraman, A., Zeithaml, V. A. and Berry, L. L. (1985); Shostack, G. L. (1984 and 1987); Solomon, M. R., Surprenant, C., Czepiel, J. A. and Gutman, E. G. (1985); and Surprenant, C. and Solomon, M. R. (1987)

¹⁶ Grönroos (1993)

¹⁷ Cagley, J. W. and Roberts C. R. (1984); Harvey, M. G. and Rupert, J. P. (1988); Marshall, R. and Na, W. (1994); and Kim, S. F. and Waller, D. S. (1999)

¹⁸ Na, W., Marshall, R. and Son, Y. (2003) “How Businesses Buy Advertising Agency Services: A Way to Segment Advertising Agencies’ Markets?”

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Measuring the performance of an ad-agency by using a set of criteria has also been answered through a number of studies¹⁹. The development, retention and termination of agent-client relationships by using customer life cycle are other aspects that have been scrutinised to some degree.²⁰ Another ideal topic in agency-client relationships concerns the correlation of agency compensation and profitability for the client. There is for example a research on the ambiguity of compensation relative to profitability using Agency theory.²¹

All of these issues are important and they support each other in filling up the considerable area of agency-client relationships. Common to all the issues mentioned above is the topic of dynamic relationships. But there seems to be very lean research concerning building and managing dynamic relationships.

Linking to what has been told in the earlier section about dynamism; agency-client relationship will also differ as the advertising agency partakes in relationships with various clients (or advertisers) that have diversified and changing needs. It is then more vital to align different agency-client relationships. In this investigation, we are more interested in relationships which are not in its termination, “break-up” or “divorce” phase (since there are already a large amount of research in the field of dysfunctional relationships and its termination²²). Thus, we concentrate more on the management, maintenance, preservation or redevelopment of relationships; i.e. to avoid a mismatch in the relationship. For example, metaphors that can be used in an established, developing and expanding relationship are concepts such as “flirt” or “commitment”. The concept of arms-length versus partnership is neither alienating in this case.

Depending on the level or stage of the agency-client relationship, there will be less dialogue or more dialogue in the agency-client interaction which finally leads, respectively, to less interaction or more interaction. A more lucid organisational interaction between the advertising agency and the advertiser, i.e. characterising the service encounter in more concrete terms, is shown by using Kurzrock’s stepwise

¹⁹Zeltner, H. (1991); Lace, J. M. (1998); and Na, Marshall R. and Son, Y. W. (1999)

²⁰ Wackman, D. B., Salmon, C. T. and Salmon C. C. (1986); Hozier, G. C. and Schatzberg, J. D. (2000); and Lariviere, B. and Van den Poel, D. (2005)

²¹ Spake, D. F., D’Souza, G. and Crutchfield, T. N. (1999) “Advertising Agency Compensation: An Agency Theory Explanation”.

²² LaBahn, D. W. and Kohli, C. (1997) “Maintaining Client Commitment in Advertising Agency-Client Relationships”

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relationship approach – from being a “spectator” to being a “partner”²³. This will also be the basis of the model to be utilised later on in this research.

The value of relationship is beneficial for both the parties involved especially in the long run. But in order to genuinely secure such benefits in relationships, there exists a prerequisite. An ad-agency cannot harness the maximal prospects of the agency-client interactions if there is *mismatch of relationship*. Customer relationships should even be profitable for the advertising agency and a *dynamic relationship* should therefore be taken into consideration by both parties. There is then a critical requirement to align the relationship between the agency and its various clients.

1.4 Objective

The aim of this research will be on the design of a dynamic agency-client relationship model or as we will call it the Relationship Arena (RA) model. The main issue to be answered is *how the advertising agency can position in the relationship arena relative to its diversified clientele with changing needs* (and these needs are also possibly of agile nature). In answering this question, there are then two underlying objectives or concerns that ought to be taken into consideration in designing the RA. The establishment of the degree and level of agency-client relationship is one of them. This is to show whether an ad-agency is playing a vendor role (an arms-length relationship) towards the advertiser or if the agency is considered more as a partner by the customer.

Secondly, we unveil the environmental factors that are in play to aid us in visibly characterising the advertising agency-client relationship. We incorporate or integrate the theory of transaction cost economics (TCE) in the issue of relationship management and building which is normally supported by a network and resource approach²⁴. The agency-client relationship in a context and the environmental factors affecting the context are the two elements to be integrated in our model. Inferring to the RA model, a case study on a number of advertising agencies is presented to show the applicability and effectiveness of the model. A brief empirical study by looking at the advertisers’ perspective is also done.

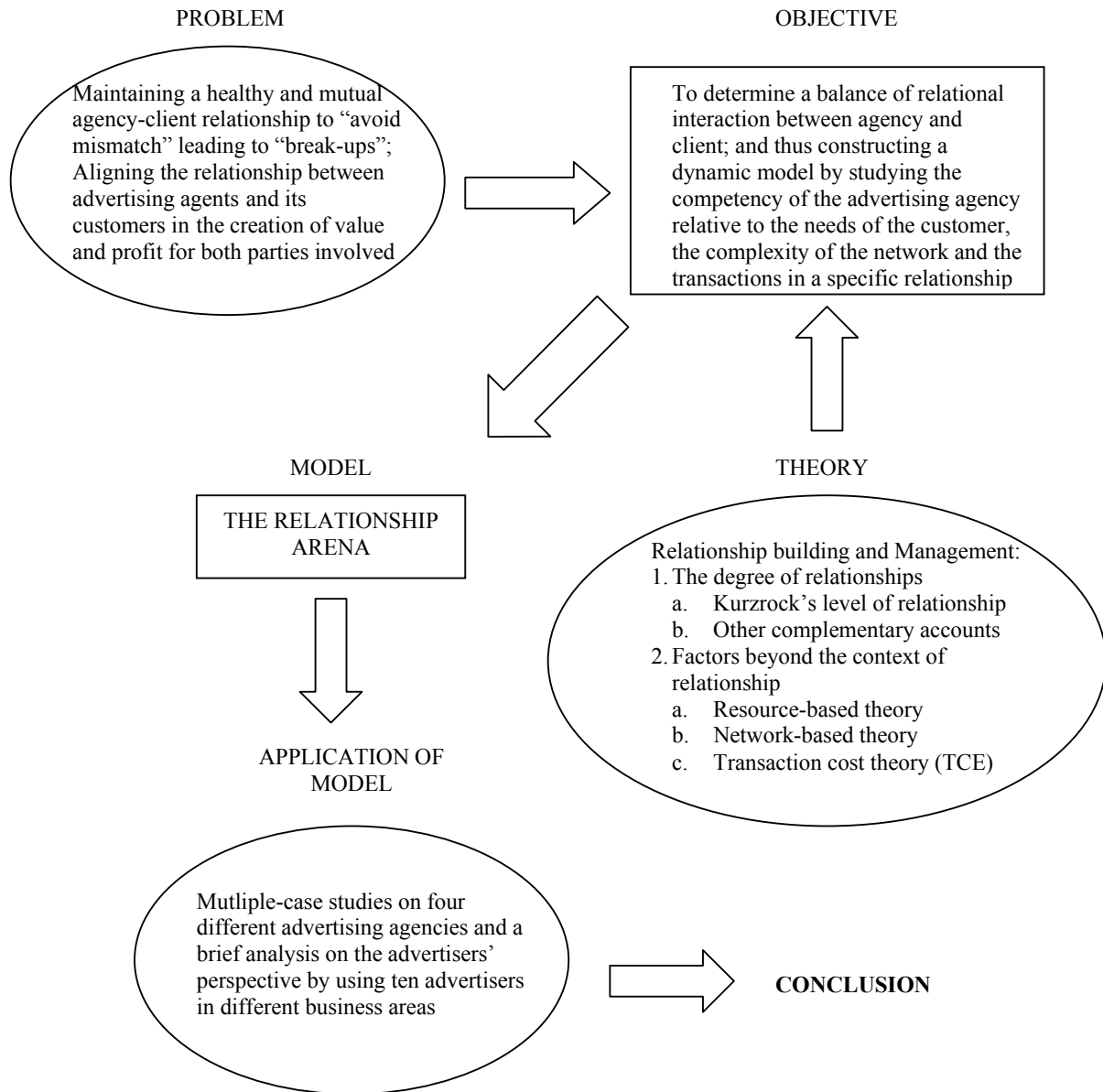
²³ Kurzrock, W. (1996) *The Sales Strategist*, Irwin, p.121

²⁴ Gummesson (2000), p.17

1.5 Disposition of the thesis

After this chapter, the following parts will consist of the research design and strategy, the theories or model that is relevant for this research, the design of our model, the presentation for our empirical data and some final remarks regarding our investigation.

Below is a rough illustration on how this research has been constructed.



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In chapter 2, the commencement of our investigation is introduced for the reader. We are aware that the success of most investigation relies on effective and efficient research design and strategy. Some of the design and strategy for the research are thus already discussed in concise details in this part while some of the complementary research processes in this investigation are presented in other relevant chapters. We consider this thesis as a journey of our work and thus some of the methodology is succinctly written in other specific chapters.

Chapter 3 will impart the reader with a basic and brief presentation to the model and theories that constitute the Relationship Arena (RA) model. The RA model spawns from the two important features: the level of alignment and the three environmental factors. There are even other complementary accounts that provide further aid in the designing of our model and we take them into consideration.

The RA model is based on the idea that relationships are dynamic. Too little a study has been conducted regarding dynamic relationships. This explains the need of a model that tally to such characteristics of an agency-client relationship. More explanation on the design of our model is presented in chapter 4.

To corroborate our model a propos its applicability, multiple-case studies have been conducted and they are presented in chapter 5. We opted to use multiple-case studies in order to highlight the comparability of the empirical results. The results furnish the reader both findings from the ad-agencies and the advertisers.

Finally, chapter 6 summarises our research with some discussions put forward. We also debate about the use of our model, probable future research, and some demarcations helping the reader to see the inappropriateness of some theories in this particular research.

2 The Commencement of our Research

In this part of the thesis, we introduce to the reader the nature of our research, the mode of procedure and the reason to why the research design and strategy is built in a specific way.

2.1 Research Approach

There is no single correct approach in designing academic researches and investigations.²⁵ As it is coherently impossible to determine whether the egg or chicken came first, neither one of the deductive or inductive approach is better than the other. The answer to such problem depends on the nature of the specific research.

Truly, the implications of empirical findings can strengthen the validity and applicability of a theory. But sometimes, empirical data is so complex that it is simply impossible to generate or create theories and models out of the findings or observations. Designing a *general relationship model* out of empirical data, i.e. an inductive approach, is rather perplexing and perhaps impossible due to the intricate nature of business relationships. For this reason, the chosen theories (or the different lenses used) regarding relationship building and management have instead driven us in the process of primarily generating an explicit theoretical model regarding the alignment of agency-client relationship, i.e. a deductive approach, which is subsequently employed by gathering empirical data needed in this academic research.

Thus, this research is based on a deductive approach and is conducted in a normative state. Deductive approach suggests that theory guides research as opposed to theory as an outcome of research, i.e. inductive approach.²⁶ The direction of the chosen approach moves from a general issue (relationship building and management) to a more specific and specialised area (aligning the agency-client relationship). The design of the dynamic RA model to be introduced later can be seen as the bedrock in this research. This thesis will not be mainly a “fact-finding exercise”²⁷ since studying and collecting “facts” is not the ultimate goal. The observations and findings gathered from the advertising agencies and the advertisers direct us more in the path of enlightenment.

²⁵ Bryman, A. and Bell, E. (2003) Business Research Methods p. 13

²⁶ Bryman and Bell (2003), p. 3

²⁷ Bryman and Bell (2003), p. 9

We have opted to utilise a process of writing in which some of the methodology in the design of the RA model, the construction of the email questionnaire and questions for the interview, and the gathering of empirical data are also written and *criticised simultaneously* in some of the chapters as the process of our research moves on. This chapter will serve as a commencement to illustrate the initial plan in the process of design, the choice of perspective and the instruments used to undergo the research.

2.2 The Design Process of the RA Model

During the design of the Relationship Arena (RA) model and in the research process, comprehensive and intensive document studies are done. Various academic articles and literature are used as means of deepening our knowledge with regards to relationships in both marketing and service management.

The level of alignment by Kurzrock aids us in illustrating a more vivid picture of the agency and clients in a context of relationships. We first establish the degree and level of relationship. One way of doing this is perhaps to look at the general task of the ad-agency in relation to a specific client. The task can be of operative functions such as making promotional brochures or the function of an agency might depict some nature of passive advertising, i.e. agency accomplish tasks as they have been told by the advertisers. Agency might then play a vendor role. Or do they also play an active role and perform a more strategic function regarding product development or business analysis for the advertiser, i.e. in the levels between being a preferred provider and a partner? Other ways of establishing the level of relationship is by looking at the amount of risk sharing from the parties involved, the purchasing behaviour of the clients, communication links between the advertiser and the agency, etc. These concerns are vital in the process of operationalisation. The formation of the RA model and its translation into operational terms is further explained in the next chapters. This will also be more apparent as we study the agency-client relationship in a context.

Moreover, we apply three relevant theories (Resource-based, Network and Transaction cost theories) which primarily define the environmental factors affecting the agency-client relationship. In most studies relationship management and transaction cost economics are studied in separate entities. This research will try to use the broader definition of transaction cost economics and allow it to be a part in analysing

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relationship management and building. Thus, the complexity of networking by using the network theory; the importance of the resources utilised (theory according to the resource-base); and the frequency, specificity and uncertainty of the transaction or the exchange as emphasised in the transaction cost theory are taken into consideration in having a more dynamic view on agency-client relationship. The agency-client relationship in a context and the environmental factors affecting the context are the two elements to be integrated in our model, which finally determines the dynamic relationship management and positioning of the advertising agency given a set of clients.

Consequently, we opted to apply and test the RA model through multiple-case studies. In this manner, the proposed model is subjected to empirical scrutiny later in this investigation. The findings on this case study would hopefully support that the degree and level of agency-client relationship is affected due to the transactions of the parties, the networking and resources needed in this specific business environment. Some general insights from the clients’ perspective which concern the strategic positioning of the agency in our model are briefly studied. This is accomplished to render a critical and balanced view of such strategic positioning by the agency and to supplement the validity of our model.

2.3 Gathering of Data from Agencies and Advertisers

The design of the empirical part of the research involves the selection of appropriate advertising agencies and advertisers to study or the choice of perspective, and the research instruments utilised in the collection of the empirical data.

2.3.1 Choice of Perspective

The preliminary plan was to do a case study on a single specific advertising agency as to get more detailed information regarding the agency’s relationship strategy. However, we have instead decided to do a multi-unit or multiple-case study research, studying a number of advertising agencies to focus more on the comparability of the collected data. We will analyse the different ad-agencies as separate entities thus giving us a multitude of outcome. Since there is a need to examine the applicability of the dynamic model, we believe that it is more efficient to rely on comparative analysis than just using a single case company. The advertising agencies willing to help us in this research are all based

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in the south of Sweden and they are namely Eminent (Lund), Metod (Kristianstad), Navigator (Malmö) and The Concept Factory (Malmö). The companies are not randomly selected since these companies are recommended by the Advertising Association of Sweden and our supervisor. This has made the selection process easier.

In this comparative analysis, we have chosen to investigate more closely on the agencies’ relationship with their most important client. Moreover, the different agency-client relationships in each company are not expected to depict a characteristic of homogeneity as to deliberately exhibit the importance of dynamic relationships.

Relating therefore to dynamism, these advertising agencies are selected because we want to emphasise *variation* which is crucial for this investigation. These ad-agencies have also been the ones who showed great interest in our investigation. The differences among the advertising agencies are defined according to company size, number of customers, size of clients and segmentation strategies. Some important questions should then be answered during the course of the data collection. How huge are these advertising agencies? Do they have a diversified customer-base which operates in different business areas? Do all the agencies have a common value regarding long-term relationships? How do they then manage their interactions with their clients? These are only few of the general questions that are asked during the interview process.

The possibility in getting case advertisers and the sufficiency of time even allows us in providing a short insight from different advertisers. These advertisers do not need to be clients of the case companies. If the RA model is applicable in a general agency-client relationship setting, then any advertiser can also be a part of the research as long as they have an advertising provider. This process is accomplished to have a critical and balancing view in the analysis of the constructed model.

2.3.2 Research Strategy and Awareness of Method

The research instruments for data collection are chosen on the basis of the research objectives and the ease of collecting valid and reliable data. Measuring relationship quantitatively might be of problematic nature. Relationships can therefore be best described in qualitative terms. Due to this characteristic of a relationship, we adapt our research strategy and concentrate on qualitative method in collecting empirical data.

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One might reckon that there will be a clash between our research approach (deductive) and research strategy (qualitative method). Although using qualitative research strategy predominantly entails an inductive approach²⁸ it may seem perverse to introduce such categorical view between strategy and approach²⁹. Often, theory is used at the very least as a background to qualitative investigations³⁰. But due to the reasons implied above on relationships and the objective of this investigation, we have determined that using qualitative method is most appropriate for our research. The qualitative data are first derived from a series of emailed questions to the ad-agencies. Why? Due to the short span of time in this investigation, gathering the needed data is easily and effectively collected by sending an email questionnaire. Using the email is also more cost effective and gives some flexibility to the respondent in answering the questions.

When gathered data is insufficient and if we have been given the possibility, a personal interview has also been utilised as a means of a follow-up procedure. This method would provide the opportunity of triangulation³¹, which is of importance in the context of the study. A part of this strategy is that using email as the initial means of communicating with the advertising agency gives us more possibility to pose crucial questions wherein the respondents also have time to think about. This enables the respondents to answer the questions as accurate as possible without time stress and to avoid posing irrelevant questions that might actually be more apparent if the initial data collection process started with a personal interview. The follow-up interview will be more of a complementary procedure to squeeze out more information that is lacking from the initial data. As more than one method is employed in the collection of data, this can result in greater confidence in our findings³²

Using the key informant technique³³, key account managers or project leaders of the ad-agencies are emailed and then interviewed. The emailed questions sought to elude the manager’s or project leader’s point of view of the relationship with its diversified clients. The features of relationships acquired from the respondents are studied to help us construct the subsequent set of follow-up questions, which are done through the

²⁸ Bryman and Bell (2003), p.25 and 55

²⁹ Bryman and Bell (2003), p.26

³⁰ Bryman and Bell (2003), p.13

³¹ Bryman and Bell (2003), p. 291

³² Bryman and Bell (2003), p. 291

³³ Phillips, L.W. (1981) “Assessing Measurement Error in Key Informant Reports: A Methodological Note on Organisational Analysis in Marketing”

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personal interview. This strategy provided should improve accuracy of the relationship variables and the resulting validity of the research outcomes.

The questions outlined in the email³⁴ and the personal interview³⁵ follows a semi-structured pattern of interviewing as to provide a degree of flexibility and to begin the investigation with a fairly clear focus (alignment of agency-client relationship). Since we also have decided to do a multiple-case study research, a semi-structure interview would help us in ensuring cross-case comparability³⁶. As also stated earlier, we have decided to ask the agencies regarding their relationship with their major client as to provide basis for the comparative analysis. This will not affect the outcome of our research since we have postulated that relationships are dynamic and thus it should even show that the relationship of the four different advertising agencies with its major clients might vary. A response of useful questionnaires is attained and the data are subjected to qualitative and quantitative data analysis.

Regarding the quest for the advertiser’s point of view, we will mainly focus on email questionnaires sent to the purchasing manager, the marketing manager, the chief of information or perhaps the one in charge in purchasing the advertising service. One important thing regarding the emailed questionnaires to the advertisers is the fact that they have been allowed to give us a “feedback” on some of the questions for further clarification. The emailed questionnaires will sententiously provide us broad data on how the advertiser responds in the relationship strategy implemented by the ad-agency. Ten advertisers have given us the opportunity to further investigate on our chosen area of concern.

³⁴ See Appendix 1

³⁵ See Appendix 2

³⁶ Bryman and Bell (2003), p. 346

3 Elements in the Proposed Model

The theoretical background is presented in this chapter and the importance of the theories and models used is further discussed.

3.1 Agency-Client in a context – the dyadic relationship

3.1.1 Relationship alignment by Kurzrock

Stated earlier, relationships are rather dynamic than static. This is depicted by the changing pattern of the dyadic relationship leading us to discern the stages in a relationship. As of today, there exist numerous models that identify distinctive stages in the relationship development process. While some authors use to identify the stages in terms of simple roles such as clients, advocates, members, etc.³⁷, some use more descriptive terms such as expansion, commitment and dissolution³⁸. Despite the presence of other models, we have chosen to use Kurzrock’s relationship alignment because it lucidly depicts the development of customer-supplier relationship taking into account key functional indicators that are general in nature. Agency-client relationships can thus be portrayed in five different stages, ranging from “spectator” to “partner”.³⁹ These five levels are introduced in the figure below.

Figure 1. Characteristics of the five levels of alignment. Source Kurzrock, W. (1996) p. 122

ALIGNMENT LEVEL	Key Indicators	
	Tasks handled for the customer	Access to Customer
Spectator	Providing nothing	Limited, usually to gatekeepers of the company
Vendor	Providing small amount of goods and/or services to the customer	Limited, usually to lower levels and to gatekeepers of the company
Preferred Provider	Providing significant amount of goods and/or services to the customer	To low and middle levels of the company
Business Consultant	Providing consulting to help customer meet business goals	To all or most levels of the company
Partner (Ally)	Managing a function of a customer’s business: often contractual	To all levels of the company

³⁷ Kotler, P. (1997); and Christopher, M., Payne, A. and Baalatyne, D. (1991)

³⁸ Dwyer, R. F., Schutz, P. H. and Oh, S. (1987) “Developing Buyer-Seller Relationships”

³⁹ Kurzrock (1996) p. 121

These levels of alignment will be integrated with the environmental factors to design the dynamic RA model in the next chapter. In relation to the alignment level and the building and managing of relationships, we are aware that there is a necessity in employing other complementary theories to support the idea of a dynamic and continuing relationship.

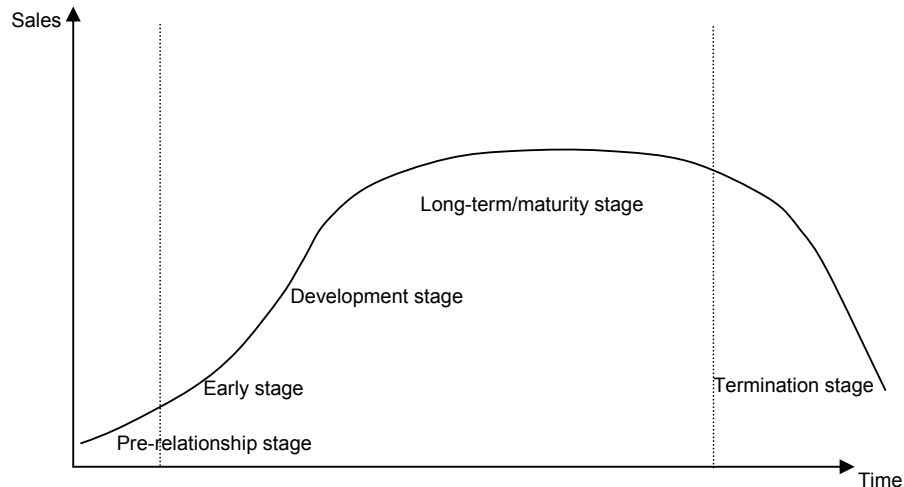
3.1.2 Other complementary accounts

There are some important issues that should also be remembered when studying a relationship that is worth building and managing for the advertising agency no matter where the agency is positioned in the level of alignment. We are going to present succinctly some of these issues concisely as a supporting case in the design of our model.

3.1.2.1 Managing a mutual and working agency-client relationship

Regarding the time aspect of a relationship, one could differentiate between the short-term and long-term perspective. Building and managing relationships commonly requires long-term thinking, but *not necessarily*. A helpful device in showing the time aspect of the agency-client relationship is through the Customer Life Cycle (CLC)⁴⁰. CLC clarifies for the reader in which stages we are going to concentrate on. The design of the RA model is adapted in accordance to the early, development, long-term and maturity stages⁴¹ (see figure 2) which will be further explored in the next chapter.

Figure 2. The Customer Life Cycle - CLC

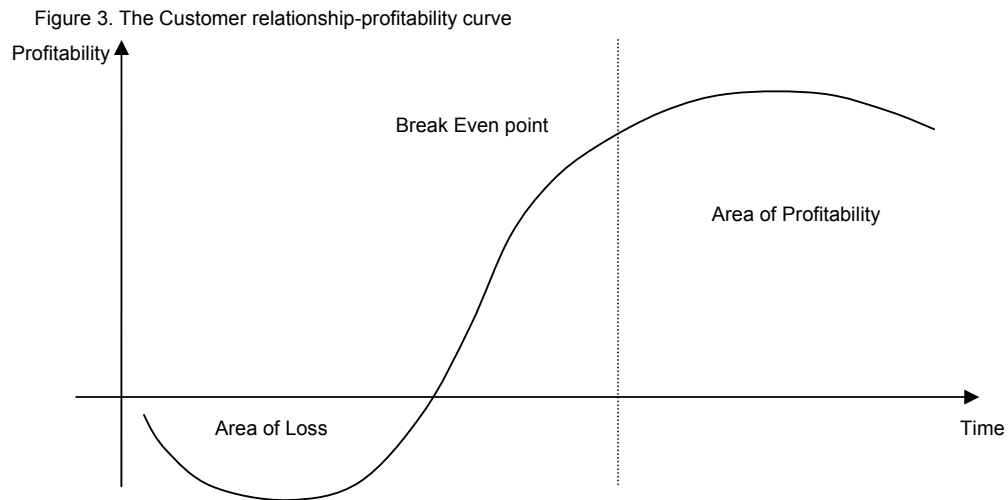


⁴⁰ Grönroos (1993)

⁴¹ Hougaard and Bjerre (2003), p.98

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Another important complementary account is the customer relationship-profitability curve (CRPC). Relationships are not only based on mutuality but also based on the benefits and profits that can be reaped⁴². Therefore, acknowledging the possible benefits is a prerequisite if a relationship is to be preserved, managed and redeveloped. The incentive for maintaining relationships by the advertising agency is clearly influenced by the profitability in the relationship. Again, we also adapt the designing of the RA model according to the area in the CRPC where it is *still* profitable for the agency to manage the relationship. Figure 3 illustrates the level of profitability over time with the breakeven point happening somewhere after reaching the area of profitability.⁴³



One final and crucial account in a working relationship is the presence and effectiveness of the agency’s Customer Relationship Management (CRM) defined as ‘the values and strategies of relationship marketing – with particular emphasis on customer relationships – turned into practical application’⁴⁴. The effectiveness of a CRM is shown through the fulfilment of promises as a key in achieving customer satisfaction, retention of customer base, and long term profitability.⁴⁵ Among the few functions of CRM are sales analysis, customer profile analysis, loyalty analysis, profitability analysis etc.⁴⁶ An advertising agency should then be aware of CRM’s implications and use it as a complementary tool in relationship building and management. Thus throughout this research, we keep in mind that utilising the functions of CRM is vital as it contributes to the success of maintaining healthy and profitable customer relationships.

⁴² Pompa, N., Berry, J., Reid, J. and Webber, R. (1995); and Garland, R. (2004)

⁴³ Hougaard and Bjerre (2003), p.99

⁴⁴ Gummesson (2002), p. 3

⁴⁵ Grönroos (1993)

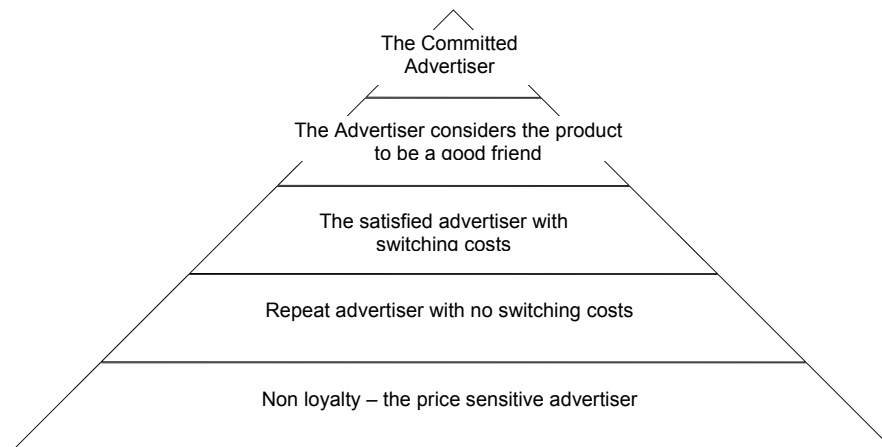
⁴⁶ Kelly, S. (2000) “Analytical CRM: The fusion of Data and Intelligence”

3.1.2.2 Some unique developments in a relationship affecting the alignment level

While profitable relationships should be managed continuously, the alignment and development of relationships even has some special cases, namely customer loyalty, the case of vertical integration and the outsourcing strategy by the client.

In the case of customer loyalty, relationship naturally develops as the growth of commitment and trust (attitude loyalty) towards the agency increases.⁴⁷ While the advertiser’s purchase of services (behavioural loyalty) also intensifies, it accelerates the degree of customer loyalty which accordingly can alter the relationship towards a closer bond. As such, the degree of loyalty can impinge in the way the agency manages the relationship. Depending where the client is positioned on the loyalty pyramid, the agency could form a specific relationship strategy for that certain client. The pyramid can be a supplement in the alignment of relationships by simplifying the process of customer classification based on a single customer’s loyalty level⁴⁸ (see figure 4).

Figure 4. The Loyalty Pyramid adapted to the agency-client relationship



Besides customer loyalty, vertical integration is also a unique case. The quality of an existing relationship fuels the occurrence of vertical integration.⁴⁹ Using the defensive motive, opportunism of the agency or a lack of motivation can sometimes lead to vertical integration.⁵⁰ On the other hand as we deal with efficiency economics, the strategic perspective assumes that saved transaction costs via insourcing exceed the

⁴⁷ Kumar, V. and Shah, D. (2004) “Building and Sustaining Profitable Customer Loyalty for the 21st Century”

⁴⁸ Aaker, D. (1991) *Managing brand Equity: Capitalizing on the Value of Brand Name*

⁴⁹ Hougaard and Bjerre (2003), p.148

⁵⁰ Hougaard and Bjerre (2003), p.148

eventual larger production plus exit costs.⁵¹ Vertical integration transpires in way that the advertising agency can be totally integrated in the customer’s business organization, replacing the relationship with a hierarchy.⁵² Considering this, the customer will demand full and exclusive attention from the agency.

Continuing the discussion, we can also consider the issue of outsourcing and connect it in aligning the agency-client relationship. It’s common for a company to outsource a part of its marketing function to an external provider. Though in some cases, companies opt to use turnkey outsourcing, i.e. the ad-agency will be responsible in executing the entire marketing function.⁵³ To what degree the client’s marketing function should be outsourced depends on the transaction costs present in the agency-client relationship and the magnitude of the client’s strategy based on core competency.⁵⁴ That’s why an agency should even take in to account the degree of outsourcing done by the client and adapt their relationship strategy according to the dynamic situation.

3.2 Factors beyond the immediate context

3.2.1 The value of networks on relationship (Network theory)⁵⁵

Value networks can interfere in the dyadic relationship between an ad-agency and its clients and therefore entails a broader range of concepts to analyze and understand relationship building and management.⁵⁶ The importance and influence of networking in the dyadic relationship is undeniable since networks are also structures of relationships.⁵⁷ Therefore, a firm needs to be a part of a robust network as it benefits the firm in the search for profitable future customers and in the reliance of the value created by a network of specialised companies for supporting operations. Network theory focuses on larger and more complex social processes. Although the complexity impinges on the dyadic context, there is a value that can be exploited from the network especially in the promotion of a stronger total value chain.

⁵¹ Hougaard and Bjerre (2003), p. 147

⁵² Hougaard and Bjerre (2003), p. 147

⁵³ Van Weele, A. J. (2005) *Purchasing and Supply Chain Management – Analysis, Strategy, Planning and Practice*

⁵⁴ Van Weele, A. J. (2005); and Arnold, U. (2000)

⁵⁵ Hedaa, L. (1991); and Håkansson, H. and Snehota, I. (1995)

⁵⁶ Ehret, M. (2004) “Managing the Trade-off Between Relationships and Value Networks. Towards a Value-based Approach of Customer Relationship Management in Business to Business Markets”

⁵⁷ Hedaa, L. (1991); and Håkansson, H. and Snehota, I. (1995); and Bengtsson, L. and Nygaard, C. (2002)

When dealing with services such as the ones provided by an advertising agency, interactive processes and network building are for example essential elements to market the advertiser’s products successfully. The ability to socially interact and adapt with the group of actors in a network is therefore of high relevance. Relationships can be viewed as mutually interdependent clusters of actor bonds, activity links and resource ties.⁵⁸ Together, these interdependent clusters can draw out the benefits from their mutual cooperation.⁵⁹ Interdependency is a key word in networking.

3.2.2 Utilising the Resources (Resource-based theory)

Closely linked to the value of networks are the resources present in these interdependent relationships. Informational resources⁶⁰ and a firm’s behavioural assets, such as relational resources and relational creative capacity⁶¹, are critical in any organization. The value of these heterogeneous, intangible and inimitable organisational resources reveals the competitive advantage of a firm. The cornerstone of the theory is that organizations are in need of different resources and they must interact with other organizations to acquire these resources and utilise them in the production process.⁶² An absence or inadequacy of the needed resources in a relationship can result in the demise to build stronger bonds. When it comes to advertising agencies, the primary resources that the clients want to obtain are services based on human capital. On the other hand, the agency is also in need of resources that the advertiser has which might come in the form of informational or relational resources as stated earlier.

3.2.3 The nature of transaction (Transaction Cost Economics)

While network view and resource-based view imply the use of interaction in a market, transaction cost theory (TCE) balances these two views as it deals with the imperfections of the market⁶³. Transaction cost theory has to do with the uncertainty, specificity and frequency of transactions. It’s the fear of risk and opportunism that drives organizations to come closer to each other and develop a relationship bearing in

⁵⁸ Ford, D., Gadde, L.E., Håkansson, H. and Snehota, I. (2003), *Managing business relationships*, p. 39

⁵⁹ Hougaard and Bjerre (2003)

⁶⁰ Barney, J.B. (1991) “Firm Resources and Sustained Competitive Advantage”

⁶¹ Hunt, S.D. (1997) “Competing Through Relationships: Grounding Relationship Marketing in Resource-Advantage Theory”

⁶² Bengtsson and Nygaard (2002), p.169

⁶³ Mudambi, R. and Mudambi, S. M. (1995) “From Transaction Cost Economics To Relationship Marketing: A Model of Buyer-Supplier Relations”

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mind the costs of contact, contract and control, and thereby reduce these transaction costs and create a competitive advantage.⁶⁴ Transaction costs (TC) can be exemplified in switching costs or the costs in changing an incumbent service provider (ad-agency in this research) to a new one. The basic aim in this theory is to illustrate ways in managing the risks and uncertainties that exist in a relationship, e.g. advertising agency and clients face risk and uncertainty with the specific investments bound in their relationship.

In the next chapter, we will go deeper in analysing the importance of the network, resource-based and transaction cost theory in our model.

⁶⁴ Hougaard and Bjerre (2003), p. 100

4 Designing the RA Model: An Analytical Task

With the theories briefly elaborated in the previous chapter, they constitute the spawning of the Relationship Arena (RA) model. The following sections provide for the reader in the design and analysis of our model.

4.1 Design phase no. 1 – Creating the Relationship Arena

While the degree of relationship illustrates the distinctive stages in the process of relationship development between an agency and the advertiser (the dyadic view), the external factors (such as external resources, networking and transaction costs) on the other hand provides the basis of a dynamic agency-client relationship. This means that these factors influence the relationship between the agency and the advertiser, and could even provide the natural growth and development of a relationship. ‘There is no such thing as a “standard relationship”... every relationship is unique in its content, its dynamics, in how it evolves, in how it affects the parties involved and in what it requires from them for success for each other’.⁶⁵ Therefore, relationship building and management ought not to be only based on independent strategy but should also be based on these prerequisites.

4.1.1 Putting the pieces together

Incorporating Kurzrock’s level of alignment with the three environmental factors requires some simplification procedure. The first of them is on the issue of dividing the different areas in the arena in order to set a specific relationship level. The use of *straight tilted or sloping lines* (instead of concaves, convexes etc.) in sorting out the areas simplifies the boundaries, e.g. as to where an advertiser starts becoming (or ends as) a preferred provider. It doesn’t matter if the agency was a vendor, business consultant or partner before turning into a preferred provider. The important issue is showing a theoretical boundary by taking into account the set of environmental factors or the proposal that will be presented later on. Straight lines simply ease up the designing of the RA model.

⁶⁵ Ford, et. al. (2003), p. 38

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Likewise, making use of downward sloping lines fairly depict that there is a certain maximum level of TC in combination to a particular level of network complexity and importance of resources, or vice versa. These identifiable combinations then correspond to a specific level of relationship alignment (a vendor, a preferred provider, a business consultant or a partner). Horizontal or vertical lines are simply not able to demonstrate dynamism in the RA model. Corroborating the validity of downward sloping lines is elaborated more in details in section 4.2.2.

A second simplification done in the model is the use of two dimensional axes instead of having three. The resource and network axis for example could have been separated into two and thus could donate to a three dimensional model. Perhaps instead of using the arena metaphor, we might talk about relationship “space”. But using the arena metaphor elucidates more clearly the development stages of a relationship.

Besides this, the complexity of a network and the importance of resources are more or less linked to each other. We can get back in discussing the value of networks in which important and beneficial resources are acquired in the network. A single company such as the advertising agency or the advertiser is not a complete organisation that has the ability to operate on the basis of its individual skills and resources.⁶⁶ The ad-agency or the advertiser alone might not have sufficient resources to meet the requirements of any customer and therefore is even dependent on the skills, resources and actions and intentions of other suppliers, distributors, customers and even competitors to fulfil those needs.⁶⁷ These are among the chief reasons why the complexity of a network and the importance of resources are established in the same axis.

In theory, relationship management focuses more on the resources that can be accessed from another partner and the other network of relationships that affects the dyadic relationship of the agency and the advertiser. The transactions or exchanges of goods and services are normally detached from the issue on relationship management⁶⁸. To give a degree of consensus in the design of the RA model, TCE is used side by side with the network and resource approach linking the three lenses in relationship building and management. TCE is thus considered as a key factor in determining the alignment of relationship between the agency and the advertiser.

⁶⁶ Ford, et. al. (2003), p. 6-9

⁶⁷ Ford, et. al. (2003), p. 6-9

⁶⁸ Grönroos, C. (2000) *Service Management and Marketing – A customer Relationship Management Approach*

4.1.2 Analysing the three theoretical backgrounds

4.1.2.1 Network complexity and the Importance of resources

The importance of the resources and the complexity of a network can influence the relationship of the agency and the client in various ways. We approach this issue by integrating these two external factors in the RA model. The development and utilisation of resources and capabilities can be linked to the multi-firm dynamics by looking at two of the three levels of analysis - the level of dyadic interactions between two organizations and the level of a network of interactions between multiple organisations.⁶⁹

All exchanges and interactions have an impact on the position of the parties in the network.⁷⁰ The dyadic nature between an ad-agency and its client can imply a simple and elementary character of the network and resources needed. Concentrating too much in the closed relationship of the dyad illustrates a monopolistic environment with a lack of network dynamics as an outcome.⁷¹ As a result, the advertiser will probably focus more on the goods and/or services provided by the agency rather than the maintenance of the relationship while the agency will perceive the advertiser as a source of income and nothing else.

The agency will consider customer interactions with irrelevant value in the acquisition of resources and capabilities.⁷² Specific relationship investments will not be made, decreasing the need for adaptation and the tying of resources⁷³. Therefore in a simple network, the ad-agency or the advertiser does not need to exhort the deployment of flexible process systems. Communication pattern might stagnate and thus also promoting a rather remote, limited and impersonal style of actor bonds and less co-ordination of activity links⁷⁴. Interaction is constrained among a few actors between the sales and purchasing administration of the agency and the advertiser respectively. As a result, interactions between the parties are weak and so as the agency-client relationship.

⁶⁹ Håkansson, H. and Snehota, I. (1995); and Skaates, M. A. and Seppänen, V. (2005)

⁷⁰ Grönroos (1993)

⁷¹ Humphries, A. and Wilding, R. (2003) “Sustained Monopolistic Business Relationships: An Interdisciplinary Case”

⁷² Skaates and Seppänen (2005)

⁷³ Ford, et. al. (2003), p. 40

⁷⁴ Ford, et. al. (2003), p. 100

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The relationship might then risk the injury of low continuity as the parties involved keep a low degree of trust and commitment.⁷⁵ From this causality, loyalty turns out to be low.

But as we look beyond the dyadic relationship context, the degree of network complexity also grows and so as the dynamism of the relationship. The advertiser is not only focused on the goods and/or services provided by the agency but also on the importance of the relationship and the network connected to it. Furthermore, the advertiser not only uses the marketing resources and capabilities of the agency but also some non-marketing abilities in the field of research and development, design, deliveries, and training. The same inference can be said about the agency as it sees the advertiser beyond monetary value. The customer is also considered as an important resource in acquiring assorted assets and capabilities vis-à-vis aspects related to functions and applications.⁷⁶ This way of thinking by the agency is also called interactive marketing function⁷⁷ and such thinking can result in better utilisation of resources. In order to profoundly tap into each others resources calls for a stronger and closer relationship and cooperation.

The complexity of the network augments as a progression in interaction between the agency and the advertiser occurs. Along these constant interactions, the bonds among the part-time marketers of the agency and the advertiser must intensify as other external parties get progressively involved. There is then a need in organising the work and linking the activities among these actors. ‘As network forms of organising work expand, organizations will need to build their capability to leverage not only their customer assets but also the value-creating knowledge and innovation assets spanning multiple relationships within their business network form’.⁷⁸ Such organisational task will require a relative high degree of information transparency and a formidable communication system. Intense information exchange is crucial in a very complex network.⁷⁹ The need for a more robust and stalwart dyadic relationship is then a must as the agency-client relationship is submerged in the sea of other relationships. To avoid drowning in this

⁷⁵ Ford, et. al. (2003), p. 100-104

⁷⁶ Gouthier, M. and Schmid, S. (2003) “Customer and Customer Relationships in Service Firms: The Perspective of the Resource-Based View”

⁷⁷ Grönroos, C. (1982) *Strategic Management in the Service Sector*

⁷⁸ Jaratt, D. (2004) “Conceptualizing a Relationship Management Capability”

⁷⁹ Uta, J. And Wehrli, H. P. (1994) “Relationship marketing from a value system perspective”

turbulent relationship and to reap the benefits of *synergy*⁸⁰ in a network will require high social competence, flexibility and responsiveness from the advertising agency.⁸¹

4.1.2.2 The nature of Transaction Costs

The costs of transactions (TCs) are based on the extent of the uncertainty in agency-client transactions, the frequency of exchange between the agency and the client and the specificity of investments made by the parties involved. The degree of relationship also depends on the composition of these costs. We are going to elaborate this further in the subsequent paragraphs.

Information is one of the key determinants in how high or low uncertainty transaction costs are. The unfamiliarity by the advertiser towards a specific advertising agency, the quality of the provided service or the price setting of an advertising service for example increases the uncertainty of the transaction.⁸² The severity of transaction uncertainty is also displayed when the agency is dealing with a single, large customer, or those with which it is unfamiliar, or for those for which it needed to embark on a sizeable effort prior to payment.⁸³ The agency will then try to interact more closely with a few customers to cope with such uncertainty thus the need for higher trust and commitment⁸⁴. Through stronger and closer relationships among the parties involved the expenses by the advertiser in time and money for *monitoring* the agency can be minimised. Information transparency will accordingly be a crucial issue as it decreases opportunistic behaviour and bounded rationality.

Like information transparency, trust is another crucial factor that illustrates the level of TC. Without the issues on vulnerability and uncertainty, *trust* will be unnecessary.⁸⁵ Such event arises because the trustor (either the agency or the advertiser) can monitor the other partner's actions. Interactions will then be weaker resulting to a more arms-length relationship. It does not mean however that the agency should always be looking at the possibility of stronger and closer relationship. In contrast, a closer relationship for the advertiser could mean more dependency towards the agency, or vice versa. An advertiser with high transaction uncertainty might be then inclined to limit its agency-

⁸⁰ Hougaard and Bjerre (2003)

⁸¹ Powell, W. W.(1990) “Neither Market nor Hierarchy: Network Forms of Organization”

⁸² Ford, et. al. (2003), p. 46

⁸³ Ford, et. al. (2003), p. 48

⁸⁴ Grönroos (1992)

⁸⁵ Grönroos (1993)

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dependence by having a low-involvement relationship but to the demise of trust and commitment which decreases actor bonds.⁸⁶ Using a similar situation, the agency might choose to lessen its dependency by not fully committing itself in a partnership.

‘Transaction-specific assets (TSAs) are investments with little value outside the agency-client relationship which consists of multiple types and dimensions’.⁸⁷ Such specific investments encourage the reduction of suppliers which is the spawn of both risk and opportunities, ‘depending upon the level of safeguards built into the relationship and on the relevant norm of exchange’⁸⁸. Example of an investment in specific assets could be unrecoverables such as time and resources which can establish mutual dependence and serving as hostages against *opportunism*⁸⁹. TSAs can also be in the form of a specific relationship investment that could yield trust and greater competency.⁹⁰ The presence of TSAs can therefore intensify the tying of resources between the agency and the client’s organisation which builds stronger actor bonds and finally increases the cost in shifting or switching the incumbent advertising agency.⁹¹ But in a similar manner displayed in the uncertainty of transactions, an advertiser will also try to balance its dependency towards the agency and thus, the agency should take this issue into consideration.

Finally, frequent and repetitive transactions between the agency and the client also generate high TCs. The frequency of agency-client transactions does not however only convey that the interaction would develop into stronger bonds. Frequent transactions might as well portray repetitive arms-length point of contact. So again, this depends whether the customer is willing to be in a closer relationship with its agency.

Overall, the use of TCE concentrates on the needs to economise on the cost of transactions, including negotiating and enforcing contracts and internal control and management overheads.⁹² The agency should thus adopt appropriate forms of relationship management to minimise the risk associated with opportunistic behaviour. *Low TCs in general* does not need strong actor bonds, idiosyncratic activity links and tying of resources between the agency and the advertiser. On the other hand, *high levels*

⁸⁶ Ford, et. al. (2003), p. 48

⁸⁷ Lohtia, R., Brooks, C. M. and Krapfel, R. E. (1994) “What Constitutes a Transaction-Specific Asset? An Examination of the Dimensions and Types”

⁸⁸ Heide, J. B. and John, G. (1992) “Do Norms Matter in Marketing Relationships?”

⁸⁹ Williamson, O. E. (1996) *The Mechanisms of Governance*, pp.84, 369

⁹⁰ Mudambi and Mudambi (1995)

⁹¹ Grönroos (1992)

⁹² Humphries and Wilding (2003)

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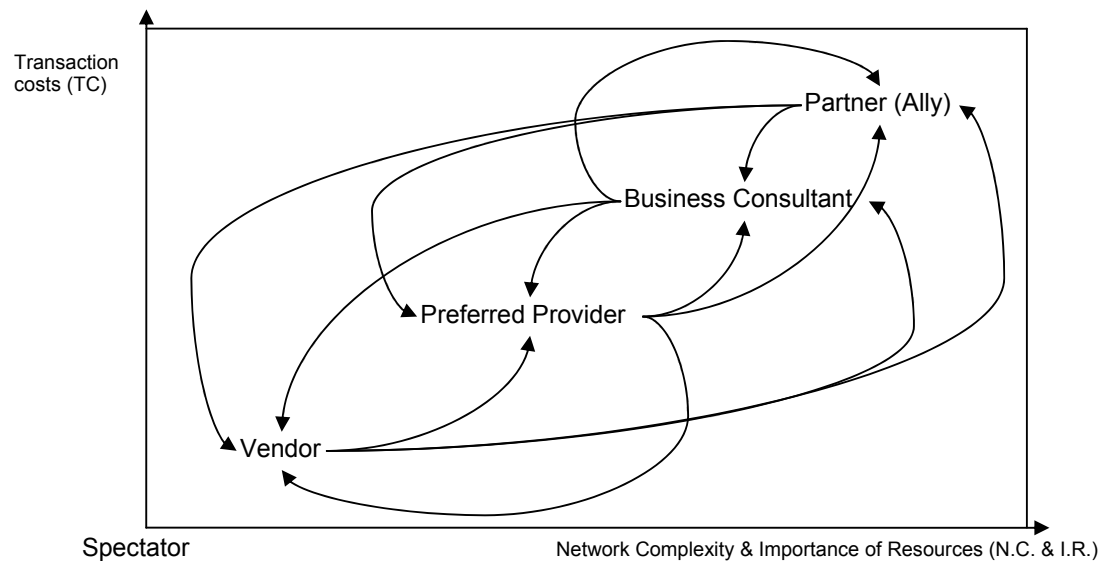
of TCs commonly implore for a stronger and closer relationship. The key in combining the nature of transaction costs, the complexity of the network and the importance of resource will be affected by the mutuality in the agency-client relationship

4.1.3 The proposed model as a Relationship Arena (RA)

The relationship as an arena is filled by a number of clients with different needs and requirements. Some relationships with an advertiser are often very static, i.e. specific clients and their needs are not that changing with regards to the service that should be provided by the agency. However, most times they are much more dynamic, i.e. the client’s needs are constantly changing. The advertising agency should then be willing to change its position in the arena depending upon the customer’s requirements.

If the current position of the agency relative to the advertiser is in a partnership level, this might not be the optimal positioning for the ad-agency when taking into account the CLC and CRPC. Perhaps they should descend to a lower level of relationship, for example as a vendor, due to a change in the demands and needs of the customer (see figure 5). And why is the spectator outside the Relationship Arena? This is explained later on.⁹³

Figure 5. The Relationship Arena Model



In clarifying the RA model further, the arena analogy is a fundamental aid to elaborate that the development of a relationship is not linear and not a random choice. The important benefit of an arena is the ability to shift positions depending on the current

⁹³ See section 4.2.2

external factors that are in play. The arena analogy is primarily adapted due to the dynamics in a relationship. There is not a specific stage or level of alignment in the arena that is most profitable. Consequently, it doesn't mean that the higher the stage in the RA model the more profitable the relationship is, i.e. being a partner may not be optimal for a specific relationship.

4.2 Design phase no. 2 – Operationalising the framework

Determining the indicators of whether an agency takes the role of being a vendor or a partner is a possible means of operationalising the constructed model or framework. These indicators are obtained on the basis of how they can give definition to the different degree or level of agency's relationship towards its clients. With these set of indicators, the immediate environmental factors such as the uncertainty, frequency, specificity of the transactions, the resources needed and the importance of networking will finally establish what optimal position the agency should take in the constructed framework.

4.2.1 Determining Variables

We will briefly show the helpful indicators or variables in this section that will also be used in gathering our empirical data. In the pursuit of determining these indicators, we have been inspired by a vivid description on relationship:

'You don't keep your wife faithful by playing around yourself... the success of relationship depends on issues of trust, accountability, and shared expectations and on remuneration arrangements that fairly recognized work undertaken'.⁹⁴

We concisely present below the variables which help us in determining the position of the advertising agency in the RA model vis-à-vis a specific client with specific needs. These indicators are chosen since they to some degree reflect and determine the level or the environmental factors and other relevant theories discussed in chapter 3.

BEHAVIOURAL INDICATORS

- Opportunity to leave – Is it easy to switch to a new agency? High switching costs?
- Agency's function – what functions does the agency play in the relationship?
Tactical and operational only? Or more strategic and problem-solving?

⁹⁴ Lynne, E. and Kitchen, P. J. (2000) “IMC, Brand Communications and Corporate Cultures – Client-Advertising Agency Co-ordination and Cohesion”

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- Involvement in R&D – how early or late the agency is involved in the product development phase; or is the agency involved at all in the advertiser’s R&D?
- Financial risk sharing – does the agency share financial risks with the advertiser?
- Productive meetings – how often and what parties are involved?
- Purchase behaviour⁹⁵ of the advertisers characterised by:
 - ✓ Share of Purchase (SOP) – share of a customer’s purchase vis-à-vis the total number of purchase,
 - ✓ Share of Visits (SOV) – number of visits to the company compared to the total number of visits⁹⁶,
 - ✓ Recency, frequency and monetary value (RFM) – how recently; frequently and the amount of spending exhibited by a customer⁹⁷; these first three purchase behaviours can also be linked to behavioural loyalty
 - ✓ Share of Wallet (SOW) – expenditure at an agency as a fraction of total category expenditure of the advertiser⁹⁸,
 - ✓ Past profit contribution (PCV) – based on past profit contribution of the customer; these last two purchase behaviour are somewhat linked to the CPRC
- How is the CRM of the agency? Are client accounts properly or poorly managed?⁹⁹
- Is there an integrated communication link between advertiser and ad-agency?
- Client review – are they multiple or minimum?¹⁰⁰ Multiple client review can slow approval process and dilute overall creative strategy.
- Issue on conflicts¹⁰¹ defined as the level of disagreement between the partners involved in a relationship – are there minor or major disagreements?
- 3C’s¹⁰² – Cooperation, Coordination and Collaboration
- Acquiescence – is there a presence of interdependency in the relationship?

ATTITUDE INDICATORS

- Shared values – do the parties in the relationship share common values regarding strategy, vision, culture and goals?
- Uncertainty

⁹⁵ Kumar and Shah (2004)

⁹⁶ Magi, A. W. (2003) “Share of Wallet in Retailing...”

⁹⁷ Hughes, A. M. (1996) *The Complete Database Marketer* (2nd Edition)

⁹⁸ Berger, P. D. and Nasr, N. I. (1998) “Customer Lifetime Value: Marketing Models and Applications”

⁹⁹ Waller, D. S. (2004) “Developing an Account-management Lifecycle for Ad Agency-Client Relationships”

¹⁰⁰ Waller (2004)

¹⁰¹ LaBahn, D. W. and Kohli, C. (1997); Michelle, P. C., Cataquet, H. and Hague, S. (1992); Frazier, G. and Rody R. (1991); Andersson, J. C. and Narus, J. A. (1990)

¹⁰² Humphries and Wilding (2003)

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- Client Commitment and Trust¹⁰³, also considered as the determinants of attitudinal loyalty
 - ✓ Commitment – enduring desire to maintain a valued relationship¹⁰⁴
 - ✓ Trust – willingness to rely on an exchange partner in whom one has confidence¹⁰⁵

4.2.2 The stages and propositions in Agency-Client Relationship

From the former chapter, Kurzrock’s model included the level of spectator. We transform the RA model in excluding the “spectator” role since it *does not show any interaction* between the agency and the advertiser. Signs of sales relationship do not exist. A spectator can however be outside the Relationship Arena. This role might merely be of significance when looking at the commencing phase of a relationship or at the pre-relationship stage of the CLC, i.e. during an initial agency-client contact or the rise of *attraction* between the parties involved. Referring back to our research problem, we are basically more interested in analysing existing agency-client relationships that can be managed and further developed (linking it once again to the early, development, long-term and maturity phases in the CLC). The relevant levels in the design of the RA model are mentioned below and the environmental factors in these different stages are also incorporated.

4.2.2.1 Vendor

Akin to this stage of the relationship is the metaphor of arms-length relationship. The advertiser here focuses on the product of advertising and nothing else.¹⁰⁶ Loyalty is low which makes the advertiser price sensitive. To adjust in this requirement of the advertiser, the agency’s role and task would chiefly require operative functions such as printing and production of promotional materials, simple web-design and other uncomplicated marketing communication tools.

¹⁰³ LaBahn and Kohli (1997)

¹⁰⁴ Moorman, C., Zaltman, G and Desphandé, R. (1992) “Relationships Between Providers and Users of Market Research: The Dynamics of Trust Within and Between Organizations”

¹⁰⁵ Moorman, Zaltman and Desphandé (1992)

¹⁰⁶ Kurzrock (1996) p. 122

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The investments made constitute a minimal character. There might be only superficial meetings¹⁰⁷ with the advertiser which will generate minimal exchange of information. An integrated communication system between the parties will then be less prioritised. In this way, superficial obligations and low importance of trust can be perceived by both parties. *Unconsciously*, client accounts might be managed poorly.¹⁰⁸ Conflict may arise between the ad-agency and the advertiser but this will mainly be an issue of pricing as advertiser concentrates too much on costs. Therefore, the agency does not *necessarily* need to know of the complicated network and resources outside the relationship since the interaction between the agency and the advertiser is of simple nature.

Although the simplicity of the network and the low degree of resources used in this network, the frequency of transaction might vary which can be connected to the advertiser’s purchase behaviour¹⁰⁹ such as the Share of Visits (SOV)¹¹⁰ and the recency, frequency and monetary value (RFM)¹¹¹. High SOVs and RFM can mean high TVs, or vice versa. We can for example differentiate between a long-term arms-length transaction which can be frequent and highly uncertain, and a short-term discrete and one-time exchange, which we also call a “one-night stand”. Despite the differences in the degree of transaction costs, the leeway and the prospect of a growing relationship and exchanges as well as more frequent transactions are taking place. Below is the proposal (P) as a vendor with the three factors in play.

P1: Taking into account the advertiser’s needs and requirements, the agency is a vendor when the degree of network complexity and importance of resources are in lower levels in combination with a specific transaction cost (TC) that varies from a low to high degree.

¹⁰⁷ LaBahn and Kohli (1997)

¹⁰⁸ Waller (2004)

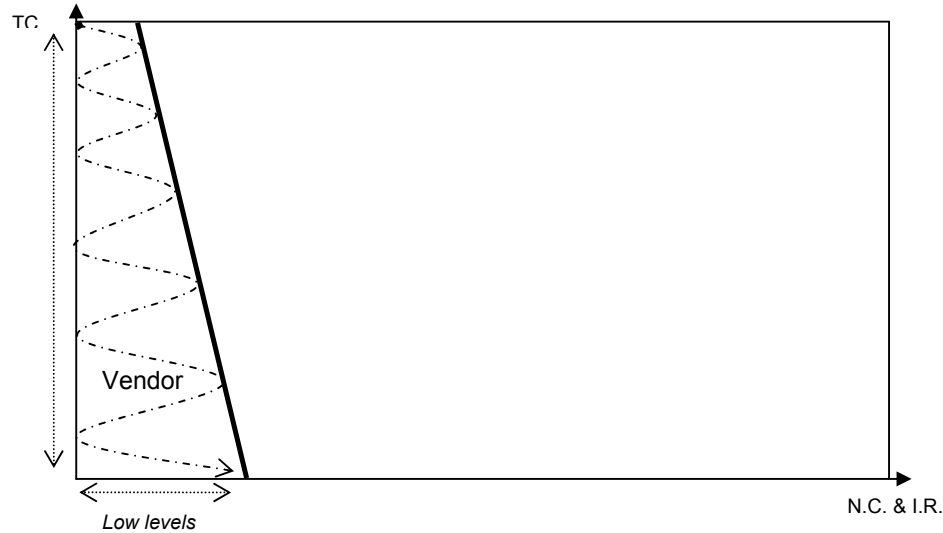
¹⁰⁹ Kumar and Shah (2004)

¹¹⁰ Magi (2003)

¹¹¹ Hughes (1996)

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Figure 6. Graphical representation of P1



In this area, there will be numerous and varying combinations of TCs, network complexity (N.C.) and importance of resources (I.R.) which is adapted to the proposal. For example, while network complexity and importance of resources might be in a specific level, there will be different levels of TCs. The same can be deduced when only looking at a specific level of TC and in combination of different levels of network complexity and importance of resources.

4.2.2.2 Preferred Provider

The agency is now chosen as the supplier of advertising services for the advertiser. Signs of a developing relationship are visible as the agency gets further access in the client’s organisation. The advertiser is not just mainly focused on the marketing service provided by the ad-agency but also on other value-added services.¹¹² This process instigates the commencement of specific investments and productive meetings¹¹³. However, the advertiser still maintains a few numbers of other agencies in case of an unforeseen crisis in the relationship.

To enhance the flow of information between the parties involved, a simple system of communication might be needed. The level of client review¹¹⁴ done by the agency will be high in this stage since trust is just building up. Thus, information transparency gains attention in this relationship. To ensure that the advertiser will stay with the agency, the

¹¹² Kurzrock (1996) p. 122

¹¹³ LaBahn and Kohli (1997)

¹¹⁴ Waller (2004)

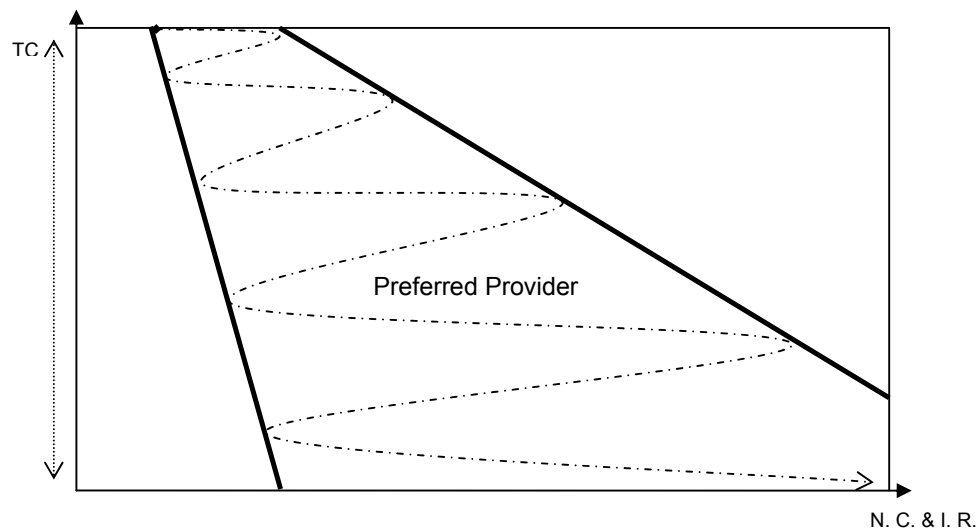
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agency should then be aware not only of its internal resources but also of the resources from its network of associates. This is necessary in supporting the ad-agency if some of the resources are not found in-house. The level of network grows while the resources needed to be acquired outside the ad-agency might augment, i.e. network complexity and importance of resources are higher.

The nature of transactions is also more specialised, i.e. agency feels the urge to develop an exclusive personal transaction structure for the customer. But TCs can still vary from low to high levels. The purchasing behaviour of the advertiser also changes. Besides SOV and RFM, Share of Wallet (SOW)¹¹⁵ and Past profit contribution (PCV) should be taken into consideration. “One-night-stands” is thus extremely rare or non-existent in this level since the transaction between the agency and the advertiser can either be numerous and recurrent in a short-term relationship or less frequent in a long-term relationship. Mutual interest in managing and building the relationship is openly displayed.

P2: A preferred provider is suitable for an agency when the degree of network complexity and importance of resources are higher than that of the vendor but lower than that of the business consultant. Given the degree of these two factors, these will be combined with a specific level of TC. The level of TC can however still vary from low to high. Network complexity and importance of resources can vary from moderate low to higher levels.

Figure 7. Graphical presentation of P2



¹¹⁵ Berger and Nasr (1998)

4.2.2.3 Business Consultant

With some characteristics from being a preferred provider, the agency as a business consultant can be seen as the incumbent provider of an advertising service. The agency is also more engaged in the client’s business processes and activities and has further insight in the quest for improving the customer’s business. Importance of having a “monogamous” relationship is becoming an escalating concern. Resources provided by the advertising agency will consist additionally of consulting beyond products and client development.¹¹⁶ Advertiser might even allow the agency to be involved in the long-term strategic planning.

The communication system is certainly more developed in this level than the agency being a preferred provider. In this way, client accounts will be better managed and the level of client review declines since the flow of information is better than that of a preferred provider. Conclusively, trust and commitment among the parties are building up which positively impinge on the agency-client cooperation, coordination and collaboration.¹¹⁷ Nonetheless in order to remain market-oriented, both agency and clients must incessantly focus on the renewal of its resources and such renewal is only possible by looking beyond both the advertiser’s and agency’s own internal organisation. Resources can be tapped in the wider network of relationships. Thus the level of network complexity augments and so as the importance of resources.

The level of TC in this stage will vary from moderate level to very high levels. Transactions are specific as the agency’s access to the customer is in most or all levels of the customers business. Stated earlier, information transparency is higher in this stage in comparison to the level of transparency as a vendor or a preferred provider. Bounded rationality decreases and thus the opportunity to leave will be more difficult increasing the cost of transactions, i.e. switching costs.¹¹⁸ Notwithstanding the inconclusive level of uncertainty in this relationship, trust and commitment develops even more causing acquiescence between the agency and the client.

P3: With a higher level of TC (from moderate to high levels) and a specific combination of higher network complexity and importance of resources than that of the preferred

¹¹⁶ Kurzrock (1996) p. 122

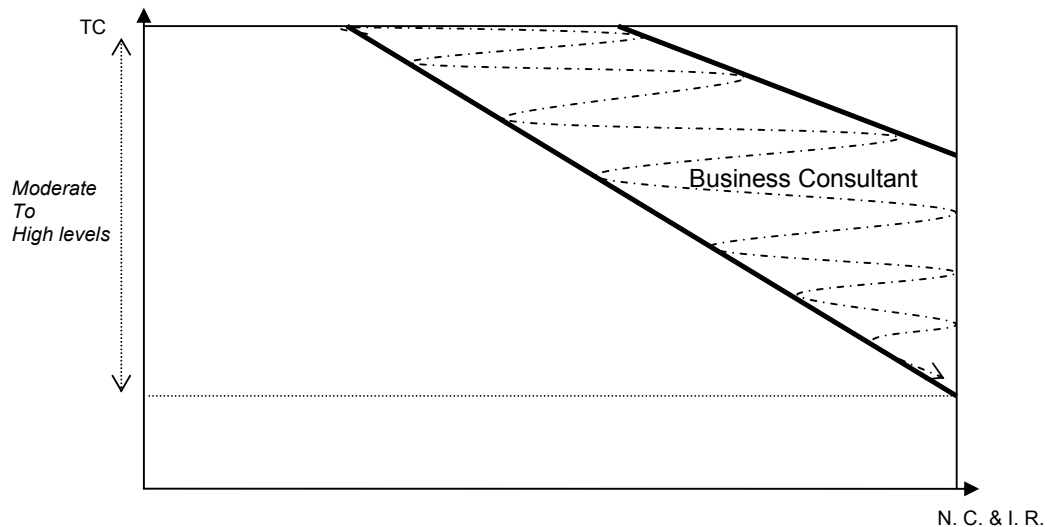
¹¹⁷ Humphries and Wilding (2003)

¹¹⁸ Morgan and Hunt (1994)

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provider (but lower than that of a partner), an ad-agency can be considered as a business consultant.

Figure 8. Graphical presentation of P3



4.2.2.4 Partner (or eventually turn to an Ally)

In this level of relationship alignment, the agency can be considered as an integrated part of the customer’s business structure. The relationship can also be analogous as having full commitment or partnership from the parties involved. There is no space for having a “polygamous” relationship at all in this stage.

In addition to some of the functions of a business consultant, an ad-agency plays the role of partner when resources are shared and managed from both organisations.¹¹⁹ The advertiser sees the ad-agency in this level as knowledge intensive provider of professional services.¹²⁰ The ad-agency’s capabilities can include marketing, technological, managerial and other non-marketing capabilities. The advertiser might even acknowledge the agency to be involved early in the development of a new product. As resources are shared, trust as well as commitment between the parties elevates. In addition, shared values are established, client accounts are almost impeccably managed and the intensity of client reviews is virtually of negligible nature due to the surmounting trust in the agency-client relationship. As resources are integrated in the agency-client relationship, interaction between the agency and the client will be extremely intricate affecting the complexity of the network.

¹¹⁹ Kurzrock (1996) p. 122

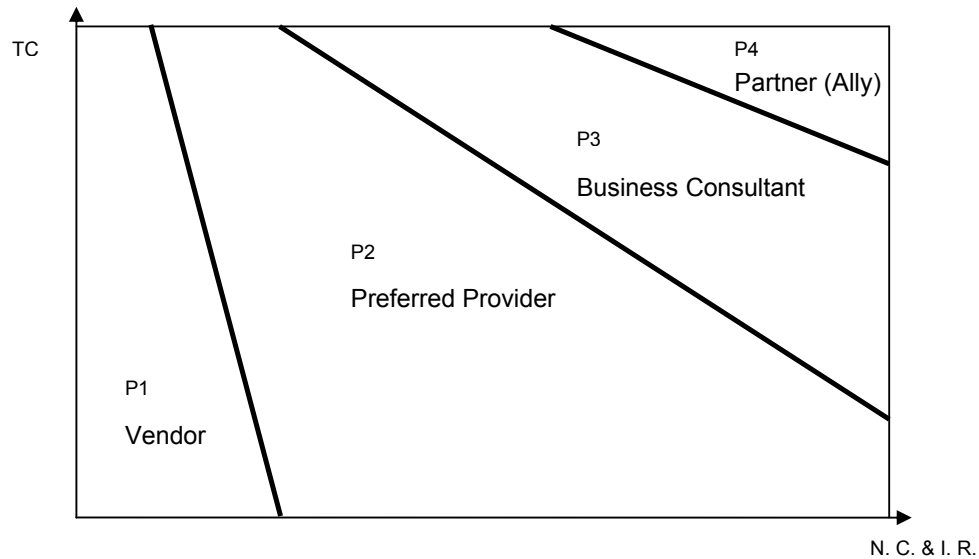
¹²⁰ Alvesson, M. (1995); Elfring, T. and Baven, G. (1996); Løwendahl, B.R. (2000); and Skaates, M. A. and Seppänen, V. (2005)

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The ad-agency improves the specialised transaction structure furthermore, to the point where it becomes idiosyncratic.¹²¹ As a partner, financial risks are shared. Share of Purchase (SOP) from a specific advertiser is also large.¹²² In effect, switching costs will also be astronomical. To one extreme, there is a high probability that the marketing function of the customer is solely transferred to the agency (turnkey outsourcing). To the other extreme, *vertical integration* (hierarchy)¹²³ might be a remedy as the costs of transactions are abnormally high.

P4: Very high levels of TC in combination with also very complex network and importance of resources necessitates the agency to be a partner (or even ally) for the advertiser.

Figure 9. The Relationship Arena Model



What differs between a partner from a business consultant, a preferred provider or a vendor depends on the combination of the three external factors. We can explain this by simplifying some assumptions. First, there should be a very high TC since it is one of the preconditions in the RA model in order for an agency to be in the partner position. If we then make the TC high, a higher network complexity and importance of resources ($NCIR_{\text{partner}}$) than that of a business consultant ($NCIR_{\text{business consultant}}$), preferred provider ($NCIR_{\text{preferred provider}}$) or a vendor ($NCIR_{\text{vendor}}$) will position the agency as a partner.

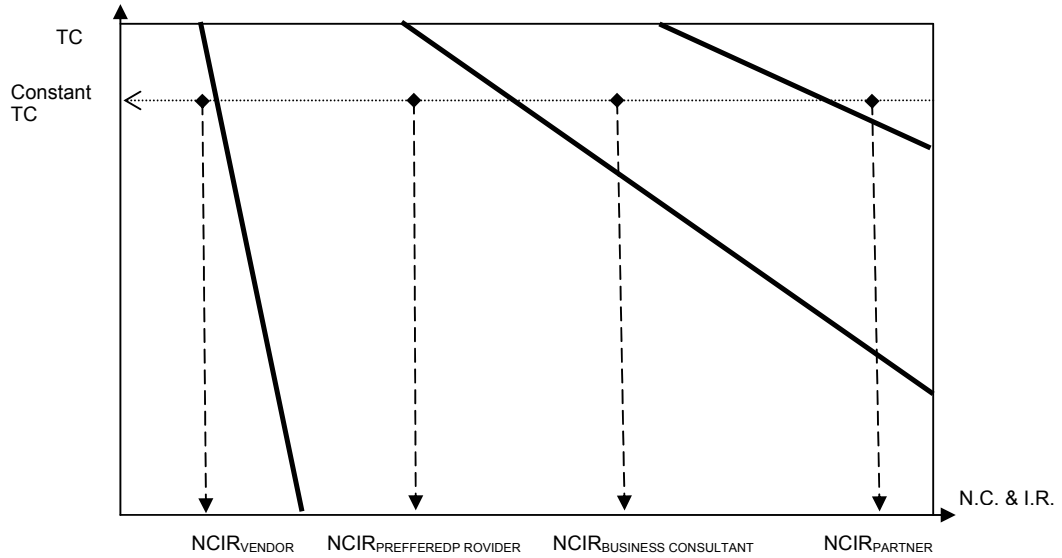
¹²¹ Hougaard and Bjerre (2003), p. 174

¹²² Kumar and Shah (2004)

¹²³ Mudambi and Mudambi (1995)

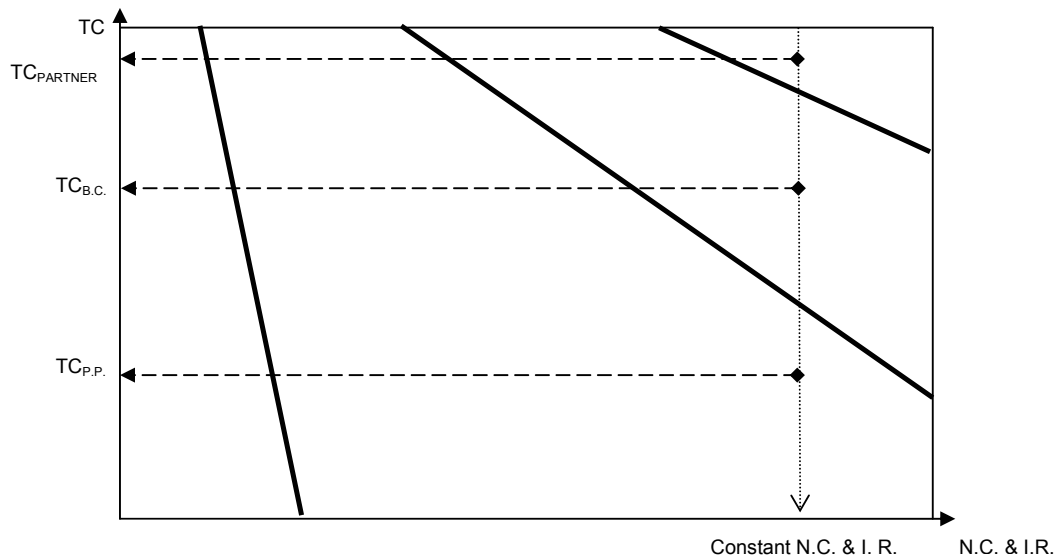
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Figure 10. The RA model with a high constant TC



Using the same deduction, an agency is positioned as a partner in the RA model when the level of network complexity and importance of resources are constant and high in combination to a higher level of TCs ($TC_{Partner}$) than that of a business consultant ($TC_{B.C.}$) or a preferred provider ($TC_{P.P.}$). The degree of network complexity and importance of resources ought to be high since it is one of the preconditions in the RA model if an agency is to position itself as a partner. The high level of these two factors excludes the vendor in such analysis since the vendor is limited to very low levels of network complexity and importance of resources.

Figure 11. The RA model with a high constant level of N. C. & I. R.



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The process of simplification here explains merely for the reader in vivid details that it needs a specific *combination of the three environmental factors* in order to determine where the agency should position itself in the RA model. As stated earlier, agency-client relationships are dynamic. In the next chapter regarding the empirical data however, we analyse and study the factors simultaneously and *not per se* due to the more complex nature of the data.

5 Multiple-case studies: Findings from the Agencies and Advertisers

From the design process in the former chapter, this chapter will start the journey of showing the RA model’s applicability through the collected empirical evidence.

5.1 The cases on the Advertising Agencies

5.1.1 A brief presentation of the Ad-gencies

Metod

With the owners Peter Roslund and Börje Bengtsson, the spawning of Metod Reklambyrå AB in Kristianstad began in 1989. The company has many years of admirable experience in the publishing business with a steadfast mission to be Sweden’s leading advertising agency in the communication of books and reading.¹²⁴ As of today, Metod has 7 associates.¹²⁵ The company largely generates its income from consumer goods and has a number of renowned customers in Sweden including Bokkompaniet, Exlibris, and JB-Gruppen to name a few.¹²⁶

The Concept Factory

The commencement of The Concept factory (TCF) in Malmö was led by Jonas Malmsten in 1995. Mr. Malmsten began collaborating with Joachim Lindgren a year after the start. The agency’s focus is on web-design and brand marketing strategy with a group of clients operating in the area of IT, medicine and health care.¹²⁷ From having a few number of employees, TCF has now 17 employees and is continuously growing due to the success of the company.¹²⁸

¹²⁴ <http://byraboken.reklam.se/>, 2005-12-02

¹²⁵ Interview with Mr. Bengtsson

¹²⁶ <http://byraboken.reklam.se/>, 2005-12-02

¹²⁷ <http://www.tcf.se/>, 2005-12-02; and results from questionnaire

¹²⁸ <http://www.tcf.se/>, 2005-12-02

Navigator Communications

The establishment of the ad-agency Navigator Communications in 1985 was led by Jan Berg, Leif Limton and Mats Limton.¹²⁹ Navigator utilizes its own unique mechanism of ”Building brands through trinity” meaning that they bring together three parts in their strategy: information, learning and marketing communications. Navigator today comprises of 17 employees with a various range of creative talents and specialties. Navigator’s customer base is operating in different business areas with a couple of them in the medical industry. The company’s achievements are emergent as the presence of other international clients also augments.¹³⁰

Eminent

The owner Niclas Ek, founded Eminent in 1997. The capacity and competence of this ad-agency stretches in the areas of sales, marketing communication and creative expression thanks to the group of inventive and productive working force and network of the company.¹³¹ The customers of Eminent are operating in different business areas with different business needs. These advertisers expect concrete and immediate results as well as innovative solutions and Eminent provides their customers with the desired service they need.¹³²

5.1.2 From the E-mail questionnaires to the Personal Interview – A concise background

We have given the privileged to send questionnaires to four successful and distinctive ad-agencies and to do follow-up interviews with two of these four ad-agencies. While the answers from the email questionnaires have furnished us a broad perspective on the agencies’ relationship towards their most important customer, the follow-up interviews with Metod and Navigator have been prominent in many aspects. Firstly, it complements tremendously to the answers we received earlier by mail. Secondly, it provides us an initial result that is sufficient for examination and comparison. Finally, it has demonstrated an existential gap of misinterpretation between the emailed questionnaires and the interview responses. The analysis of the empirical questions will be explored in more detail later on.

¹²⁹ <http://byraboken.reklam.se/logic.lasso?-session=BBWeb:82EB91681d58d271811XoYv461E1>, 2005-12-02

¹³⁰ <http://byraboken.reklam.se/logic.lasso?-session=BBWeb:82EB91681d58d271811XoYv461E1>, 2005-12-02

¹³¹ <http://www.eminent.biz>

¹³² <http://www.eminent.biz>

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We have discovered that the person subjected to the questions have read them in another perspective, which made the outcome a bit misleading. But these misinterpretations have fostered the development and reformation of the questions for the personal interview. Overall, the answers and the interview have been to a great satisfaction. The answers have been mostly well in line of the criteria’s for a certain level of involvement. To be more precise, we could see a consistent pattern pretty early on in the interview, telling us more or less the level of involvement between the agency and its customers.

Another interesting observation have been how well received our research was. The executives we have contacted and interviewed were very interested and enthusiastic about the topic. They have also stated the huge importance of client relationships in the advertising business ascertaining that our research problem imprints a key concern in their business affairs.

5.1.3 Multiple-case Reporting

5.1.3.1 The Partners

The Concept Factory (TCF) and Metod are two of the agencies that fall into the category as a partner according to our own interpretation. While both the agencies have answered our questionnaires, the results from the interview with Metod have further helped us in a complementary way. Metod is well accustomed to their clients and also consider itself as a partner to their clients¹³³. TCF tailors solutions for a particular customer and consider itself as a prolongation of their customer’s own marketing department¹³⁴. Both companies clearly pointed out that client relationship is a key factor to their success; that close collaboration and interdependency (or acquiescence) are the building blocks of their successful client relationship. In fact during the interview with Mr. Bengtsson, he referred to their clients as a “family” which is a strong and meaningful word in analysing Metod’s stance towards its clients.

While TCF’s longest (and still continuing) relationship is about 9 years, Metod has even longer client relationships in contrast to other agencies. Some agencies might believe that there is a lifespan for agency creativity, i.e. all creativity is exhausted after a certain time. Although TCF is highly aware of its network of partners according to Mr. Malmsten, the creativity and innovative ideas from TCF seems to suffice so far. Metod,

¹³³ As given by Mr. Bengtsson’s answer (in behalf of Metod) to question no. 12 of part II in Appendix 1

¹³⁴ As given by Mr. Malmsten’s answer (in behalf of TCF) to question no. 12 of part II in Appendix 1

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on the other hand, believes that when creativity is lacking, restructuring the project organization and using its broad network of supporting associates will create further possibilities for continuous success. This occurs since the ad-agencies can tap into their own and their supporting associates’ capabilities and capacities. Generally, restructuring the project organization is also shared by other agencies¹³⁵ and so does Metod. However, Metod reckons that no relationship can be too long. The agency’s average client relationship is approximately 6 to 7 years which is actually more than the general average agency-client relationship in Sweden¹³⁶. Apparently like TCF, Metod does not only have a close relationship with its clients but also with its network of associates. These two agencies are cognisant of the important resources that can be tapped in the complex network of relationships. TCF employs almost every day the competence from some of their subcontractors whom they also consider as *partners*.

Metod and TCF as a partner also actively shares financial risk with their customers. We construe that they are making a profound effort in building partnerships and maintaining a strong customer relationship. Approximately taking the words out of Mr. Bengtsson himself, ‘we don’t make referrals like “they” or “customers”; there is no “us” or “them”; it’s just “we”.’ To support such deduction from us, the result in the questionnaire and the interview respectively back up the high and specific relationship investment made by TCF and Metod (as well as their clients). The above issues clearly determine TCF’s and Metod’s attitude concerning agency-client relationship and thus also affecting their behaviour towards the clients, or vice versa. It seems like the ties of experience, camaraderie and trust, i.e. the bonds¹³⁷ between the agencies and their clients, enable them to cooperate and work very closely. Communication, cooperation, coordination and collaboration between Metod and its most important clients (as well as TCF) are highly discernible during the research process.

Furthermore, both agencies throw gatherings for their customers. Sometimes, Metod tailors gatherings for each individual customer which according to Mr. Bengtsson can give some personal touch. These social gatherings are however limited due to the complications brought about by the Swedish legal system regarding gifts that might be

¹³⁵ Alvesson, M. and Köping, A-S (1993). *Med Känslan som Ledstjärna – En studie av reklamarbete och reklambyråer*, p. 89

¹³⁶ Alvesson and Köping (1993), p. 89

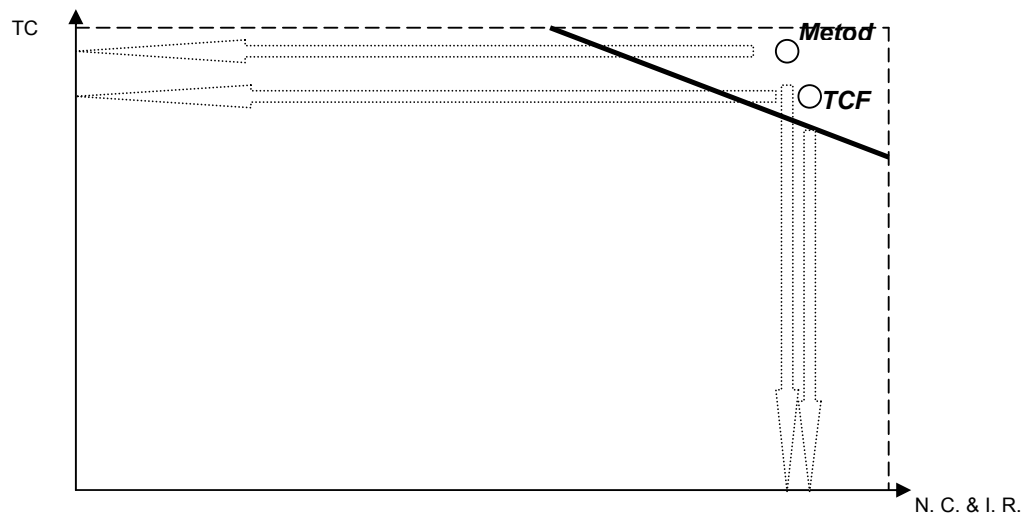
¹³⁷ Ford, et.al. (2003), p. 39

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perceived as bribes. In addition, Metod has developed an integrated e-communication system linking them closer to the customers and allowing the customers to edit orders online. The customers can not however make the physical changes themselves without the consent from Metod. TCF has also some kind of integrated e-system and is used in certain periods.

The complexity of network, importance of resources and transaction costs are high as indicated by the interviewees’ answers. Productive meetings and business affairs are frequent and continuous and so as the high SOVs and RFM. Exchange of information is intense between TCF and its clients. Commitment and trust is necessary according to Metod due to the very high uncertainty in switching. Finally, TCF and Metod are involved in the early phase of their client’s product development and utilises intensely the resources in their network.

Figure 12. Conjecturing the position of *Metod and TCF in the RA model* (An approximation)



5.1.3.2 The business consultants

The two companies that go under the classification business consultant are Navigator and Eminent. We perceived early in the research period that both ad-agencies position themselves as a business consultant in the RA model. There were many factors that indicated that Navigator and Eminent have a high involvement with its clients.

First of all, both of the ad-agencies communicate openly and incessantly with their clients. Navigator focuses on having a close commitment and trust in their relationship

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with their advertisers. In comparison, Eminent emphasises on the coordination of activities and collaboration with their advertisers.

Looking also at the transaction between these two ad-agencies and their important clients, the productive meetings are often and recurrent and an average degree of specific investment in maintaining the relationship occurs. Their average relationship with their clients is approximately 3-5 years. Irrespective the average years of relationship, both agencies have long relationships with a few of their clients ranging from 8 to 20 years. These factors imply that the level of transaction costs in Navigator and Eminent’s agency-client relationship is relatively high (and perhaps slightly lower than that of Metod and TCF).

Navigator has a very sophisticated system in which the customers can make online changes. Compared to Metod and TCF, Navigator actually gives more consent to the clients to make smaller physical changes themselves. Through this specific behaviour affecting their attitude, Navigator shows high involvement due to the freedom and trust they extend to their customers.

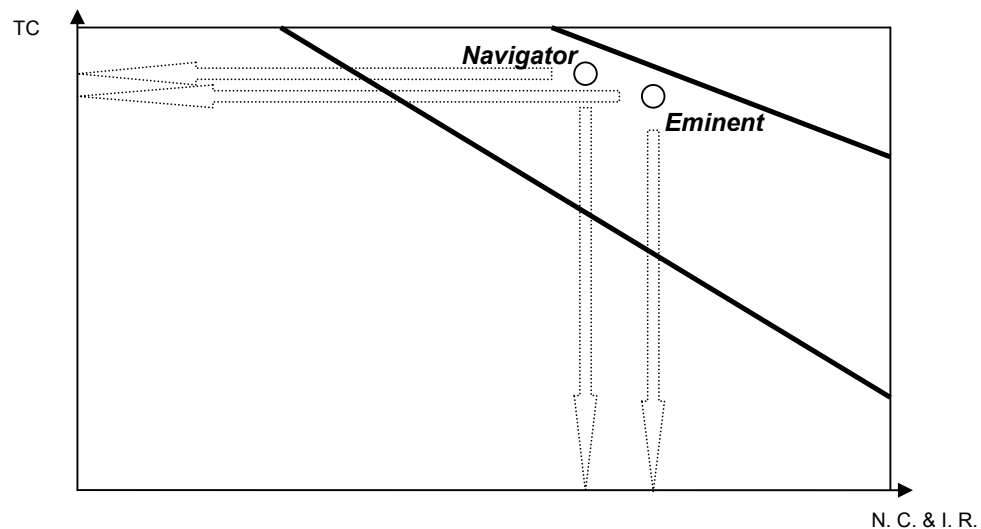
Both Navigator and Eminent host seminars for all clients regularly. In these events, Navigator updates the clients on world wide changes, trends and current proceedings. In connection to these social gatherings, Eminent sees this as an opportunity to strengthen further their network of associates. This is crucial for Eminent since they are involved most of the times in their clients’ R&D. Eminent specialises in design technology and brand management allowing the company to be involved early in the early phase of a client’s product development.

Finally, we have deduced that both Navigator and Eminent fit as a business consultant in the RA model vis-à-vis their important clients. However, the stance of Navigator regarding its client relationship seems to be more restricted. We felt that the company does not regard itself as a partner. Navigator is cautious in sharing financial risks and may indicate that the agency can be highly involved in a relationship but not further than a partner level. Stated earlier in chapter 4, sharing financial risks in a relationship imply that the parties are more ready to go into partnerships. They make a clear distinction between the agency and the advertisers.

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But it is worth noting that Navigator still make a tremendous effort in maintaining their position as a business consultant and keeping them on a courteous and professional level. Another obvious characteristic found during the interview was the issue on the tying of resources between Navigator and its clients in which there has been a clear appointment of dedicated staff to work on a certain advertising account with the client. While Navigator transfers knowledge to its clients, Navigator also learns from its clients. Interestingly, our opinion with regards to Navigator as a business consultant is also shared by the agency.¹³⁸ Eminent in comparison to Navigator has an inclination to *relocate* in the relationship arena as a partner. This can be further corroborated through the answer of Mr. Ek in which he considered the company becoming a partner to valuable clients.¹³⁹ As an addition, Eminent is more prone in sharing financial risks but in occasions where acquiescence and open dialogue flourish.

Figure 13. Conjecturing the position of *Navigator and Eminent in the RA model* (An Approximation)



¹³⁸ As given by Mr. Berg’s answer (in behalf of Navigator) to question no. 12 of part II in Appendix 1

¹³⁹ As given by Mr. Ek’s answer (in behalf of Eminent) to question no. 12 of part II in Appendix 1

5.2 The cases on the Advertisers

5.2.1 Brief introduction of the advertisers and the result

To also provide us a balancing perspective in the application of our model, we have chosen 10 different companies utilising the competence of an advertising agency. These companies are of different sizes and operate in varying business areas. Since this research intends to show the dynamism in relationship, the variety in the advertisers is necessary. These companies need not to be the clients of our advertising agencies since the RA model should also be applicable despite the fact that the following advertisers are not clients of the agencies in this study. While two of the participating companies chose to be anonymous in our research, a number of these companies such as RFSL Malmö, Sandvik SRP, Pass AB, Lunds Energi, Explit and a couple more didn't have any trouble in specifying their participation.

In the questionnaire sent to the advertisers, each of the questions signifies the indicators of being a vendor, preferred provider, business consultant or partner depending on the answers. Questions 1 – 4, 8 and 9 affects the level of TC while questions 4 – 8 signifies the degree of network complexity and importance of resources.¹⁴⁰ Please note that each question approximately characterises the environmental factors and are the products of our own interpretation. We are aware that others might think that these factors can affect the outcome differently.

The results gathered vividly reveal that the advertisers entail their advertising agency to be a preferred provider, a business consultant, or a partner. Out of the 10 advertisers, 4 of them (RFSL Malmö, Explit, Ideon Innovation and Pass AB) distinguish their advertising agency as a preferred provider. Some 4 more of the advertisers (Lunds Energi, Halmstads Bokhandel and two anonymous companies X and Y) think of the agency as a partner. The last 2 advertisers (Sandvik SRP and Playground Music) regard their agency as a business consultant.

¹⁴⁰ Appendix 3

5.2.2 Analysing the result

In analysing the outcome of our research regarding the advertisers’ point of view, we have given attention to the different environmental factors and how this impinges on the decision of the advertiser regarding its choice of ad-agency. In this matter, the ad-agency must then adapt according to the specific requirements of the clients depending on the nature of the transaction costs, the complexity of the network and the importance of resources. Connecting the dots together, the overall result gave us high costs of transaction in the agency-client relationship and low to average R&D involvement of the agency. But these results do not mainly determine the position of the agency in the RA model since there are still other environmental factors in play.

5.2.2.1 High Transaction Costs (TC)

The number of service providers, i.e. ad-agencies, and the frequency of meetings and contact between the agency and the client can show the level of TC. A single supplier of an advertising service, i.e. single sourcing, would indicate a relatively high TC due to the difficulty in switching to a different supplier. On the other hand, a large number of selected ad-agencies indicate low TCs because the advertiser can switch easily. The amount of shared financial risks by the parties involved also depicts the level of TC. In complement to the number of suppliers, frequent meetings and contact between the parties involved (purchase behaviour) is also an indication of high TC.

In the research done with the advertisers, all of them choose to have a relatively close relationship with a sole provider of an advertising service which might actually increase the costs in switching. There are two issues that can be connected to having a sole provider. The first one is the relationship investment. Although all the advertisers in the research require to having a sole ad-agency, the results in question no. 8¹⁴¹ show that the investment done by the advertisers in their relationship with the specific agencies *still varies*. From this, we can deduce that the burden of investing in relationships generally lies heavier on the agencies. Secondly, financial risk sharing by the agency is *not* of high importance as indicated by the collective answer. Although this is the case, it does not mean that TC is low. On the contrary, TC can be extremely high. Maybe not obliging the agencies to share financial risks is a way of counteracting the already high dependency of the agencies towards the advertisers.

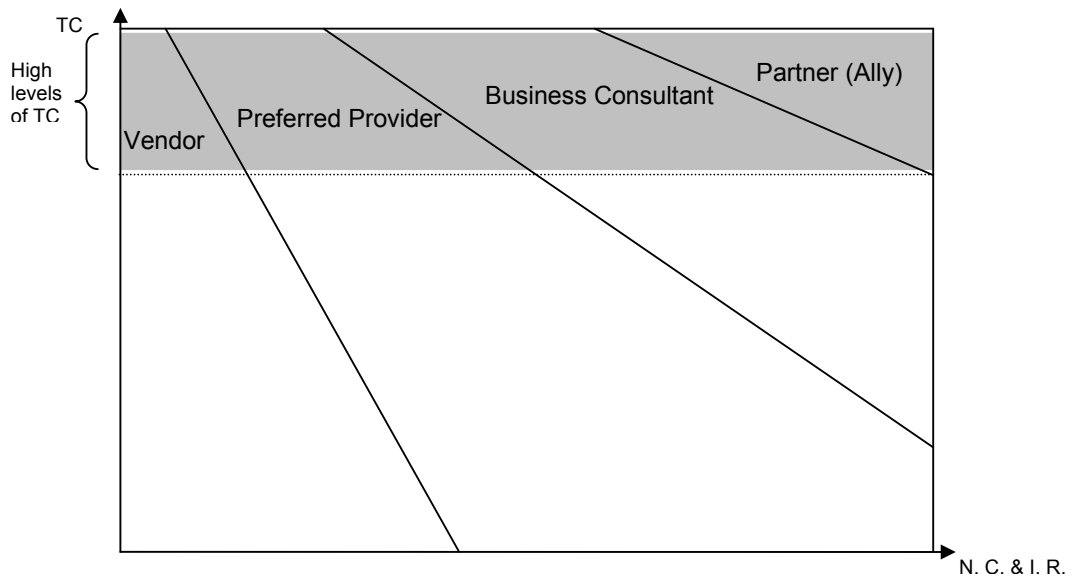
¹⁴¹ See Appendix 3

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Another common result from the advertisers’ answers showed that the exchange of relevant information and the point of productive contact or meetings during the project phase are regular and repeated (behaviour indicator). This indicates that the TC is also high.

TC in agency-client relationship is then generally considered high taking into consideration some indicators of attitude (depicting high loyalty, trust and commitment) and behaviour (portraying regular number of productive meetings, purchase behaviour and risk sharing). Low degree of transaction cost might not be existential in our research study since the product provided by the ad-agencies is classified as a service. According to studies, the purchase of services entails repeated and intense interactions between the purchaser and the provider.¹⁴² This is also somewhat corroborated in our research study. Intense interactions breed high transaction costs. With high levels of TC however, the agency-client relationship can still vary due to the varying degree of network complexity and importance of resources. This is shown as the advertisers in our research consider their specific agencies in different relationship alignment.

Figure 14. The Resulting RA Model taking into account the advertisers’ perspective



¹⁴² Grönroos, C. (1990, 1992 and 1993); and Normann, R. (2000)

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With high levels of TC and relatively low to medium degree of network complexity and the importance of resources, four of the advertisers consider their chosen ad-agency as a preferred provider. According to question number 4 and 6¹⁴³, the answers by the advertisers seem to depict a network that is less complicated since the agency’s access to a specific advertisers’ organisation in our research is limited and the communications between the parties involved mostly occur in a simple fashion by telephone and/or e-mail. The results also showed that the advertisers exploit the resources from the agency to a medium degree as the focus of these advertisers are mainly on the final product of the advertising and on some value-added services.

While a couple of the advertisers (RFSL Malmö and Pass AB) might be satisfied of how their agency is positioned as a preferred provider, Explit and Ideon Innovation seem to be interested in developing the relationship further. The answers of the advertisers in question number 8¹⁴⁴ illustrate this phenomenon. RFSL Malmö and Pass AB seem to imply “disinterest” in managing and developing the relationship since there are no specific investments made in managing the relationship. Conversely, the other two advertisers are more willing to develop the relationship due to their inclination to invest in the relationship. Moreover, the agency’s access to Explit’s organisation according to the research is in higher levels, i.e. communication also takes place among part-time marketers from both parties, which creates an incentive to also build and develop the relationship to a higher level.

Sandvik SRP and Playground Music perceive their agencies as a business consultant. Taking into account the high TC, the degree of network complexity and importance of resources in the relationship is from medium to high degree. These advertisers also acquire consulting services apart from the final product and some value-added services. Like the preferred provider, the agency as a business consultant has access to a higher level of the advertiser’s organisation. Sandvik SRP and Playground Music answered that their ad-agencies’ project leader or key account manager communicate with other part-time marketers in the advertisers’ organisation. These advertisers even reckon that a good personal relationship, not only between full-time marketers but also between part-time marketers, is the most important variable in predicting satisfaction.¹⁴⁵

¹⁴³ See Appendix 3

¹⁴⁴ See Appendix 3

¹⁴⁵ From the empirical results supported by the works of Wackman, D. B., Salmon, C. T. and Salmon C. C. (1986); Moorman, Zaltman and Desphandé (1992); Moss Kanter (1994); Gulati (1995); and Palmer (2001)

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Lastly, four of the remaining advertisers (Lunds Energi, Halmstads bokhandel, X and Y company) rendered an answer in the ad-agencies’ relationship to them as partners. The advertisers are ready to share and manage resources from both organisations and they have shifted their focus away from the final product and value-added services. The communication system has also developed as the advertisers are more attached to the ongoing project through an electronic system built by the agency to complement the elementary employment of telephone and email. Part-time marketers from both sides are interacting. This is needed as the complexity of the network has grown. Investments made by these advertisers in relationship building are relatively high compared to that of the other advertisers. This is perhaps done to uphold a strong relationship in the nexus of other relationships in the network.

5.2.2.2 Involvement in Research and Development – a resource-based view

While TC in the agency-client relationship is quite high, there is also an intriguing observable fact regarding one of the indicators connected to the importance of resources namely the involvement of the ad-agency in the advertisers’ Research and Development (R&D) or product development. This is asked in questions no. 9 and 10.¹⁴⁶ Although some of the advertisers have chosen to manage and share resources from both organisations, the advertisers’ agencies are either involved in a later stage of product development or not involved at all. There are two possible reasons to such an incident.

The agency’s access to the company organisation is one of the reasons to why the involvement of the agency in the advertiser’s product development is low. Since most of the advertisers’ agencies have only limited access to the advertisers’ organisation according to the results gathered, this restricts the agencies’ ability to take part in other activities or functions of the advertiser’s organisation. Part-time marketers such as engineers or designers are usually involved in non-marketing functions such as R&D. This is why it is important to extend the communication beyond the key account manager of the agency and the advertiser’s responsible purchaser of the service. As the agency gets more involved in the R&D function of the advertiser, it intensifies further the agency’s role in strategic endeavours.

¹⁴⁶ See Appendix 1, part II of the email questionnaire

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The advertisers in our research are not necessarily clients who are fully aware of some other benefits from the external provider. A final rationale to the low degree of R&D involvement might then be due to the fact that the advertisers have blindly acknowledged the full potential of the agencies’ resources. Ad-agencies are knowledge intensive companies and such resources in these agencies need to be exploited. Even though the clients are not yet aware of such formidable source of knowledge from the ad-agencies, the burden of informing the advertisers lies again on the agencies.

It was initially proposed that the less the involvement in R&D and other product development activities, the more it is preferable to position the ad-agency as a vendor or a preferred provider. Some of the advertisers consider nonetheless their agencies as business consultants or partners. Why? Relationships are still affected by other various key indicators which influence the environmental factors and the level of relationship alignment in unprecedented ways.

5.3 A summary of the empirical results

When reviewing the results, we can see that the proposals from the previous chapter are applicable empirically. Firstly, there were no results from the agencies or customers indicating a vendor relationship. This might be due to the fact that agency-client relationship has *generally high TC*¹⁴⁷. Moreover, the interaction of the client and the agency in the purchase of the service necessitates relatively high awareness of resources and the complexity of a network which is indicated through the findings in our research. The case companies didn’t perceive their organization on the vendor level as implied by their answers. Since there were no findings in this level, we simply chose not to focus further in analysing this lowest level of involvement.

Secondly, there were four advertisers who wanted their agencies as a preferred provider basing their decisions on high level of network complexity and importance of resources. As mentioned before, agency-client relationship has relatively high level of TC. But the level of resource and network still separates them. These four customers indicated such variation in how they perceive their specific ad-agency. On the other hand, the results from all the agencies in our research did not indicate low levels of network complexity and importance of resources in their answers. Indicative of this incident is thus the result

¹⁴⁷ See Figure 14

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that none of the agencies in our multiple-case study considered themselves as a preferred provider. This proves, as mentioned earlier, that the burden of building relationships lies heavier on the agencies than their customers. After all, it's quite logical that the provider of the service (ad-agency) should work harder than the purchaser (advertiser) even if both parties will gain from the relationship. It is not intrinsically uncommon that the agency will follow in the direction where the customer goes.¹⁴⁸ After all marketing is supposed to concentrate on satisfying the customer as long as there is mutual understanding between the parties.

Thirdly, the answers from two of the advertisers (Sandvik SRP and Playground music) and agencies (Navigator and Eminent) regarding their agency-client relationships indicated medium to high level of network complexity and importance of resources in combination with the high TC. We have deduced and predicted, by taking into account the different indicators, that the results implied a level of business consultant in the RA model. Worth noticing is that overall, we shared our opinions with our interview subjects regarding on what level to place them although they are not aware of the criteria or the indicators. We firmly believe that our interview subjects simply have a good self perception regarding in their agency-client relationship.

Lastly, four customers (Lunds Energi, Halmstads bokhandel, X and Y company) and two agencies (Metod and TCF) fitted in the highest level of involvement which is the partner level. This has strengthened our fourth proposal regarding the very high levels of TC as well as the importance of resources and network complexity. It seems like our interview subjects in this category also have a vivid picture concerning their relationship with their agencies or vice versa. The agencies and the advertisers acknowledge the fact that resource ties ought to be maximized. They also recognise that activity links entails strong communication system and actor bonds require intense and many contacts between full-time marketers as well as part-time marketers.

¹⁴⁸ Ford, et. al. (2003), p. 87

5.4 Analysis of the empirical questions

During the process of research, we have apprehended the intricate, obscure and/or theoretical nature of some questions particularly for the ad-agencies. A few questions have been misunderstood leading to an alteration of the interviewees’ answers during the follow-up interview. Besides this, the difficulty in approximating the right answers in the email questionnaires has been an important revelation as to show that some answers needed to be scrutinised in a different angle. There was also the issue of some questions being too theoretical to grasp empirically. We have then ascertained the discrepancy of some of the questions’ significance and value for the research. Reviewing the questions for further scrutiny is presented henceforth.

To begin with, the questions regarding integrated network system have a symptom of theoretical complexity.¹⁴⁹ All four ad-agencies have either misinterpreted the questions or been uncertain on this issue. During the follow-up interviews, answers have been clarified after explaining in detail the content of this question. We feel that the issue on integrated communication network (such as EDI or other integral systems) is important since it regulates the freedom for customers to edit orders, among many things, and is thereby a very important indicator of agency-client relationship. However, given the theoretical difficulty of the questions and misinterpretation and uncertainty from our interviewees, we critically confront the empirical results from these questions.

Another concern in the questionnaire confers on whether or not the agencies give preferential treatments in the form of discounts.¹⁵⁰ We have suspected early on that our interview subjects might not be prone to answer that question possibly due to its sensitivity. Two agencies answered no (with no explanation) while the rest answered yes although one of them stated that it might occur on particular circumstances. During one of the follow-up interview, we caught some signals that preferential treatment still occurs despite the answer in the email questionnaire. Preferential treatment can occur in one way or the other. Referring to these reasons, we opted to put less emphasis on this question due to its lack of credibility.

There were also a couple of questions relating the subject matter of opportunistic behaviour. First of all, it is difficult to define what opportunistic behaviour is. Everyone

¹⁴⁹ See Appendix 2, question nos. 3,4 and 5

¹⁵⁰ See Appendix 2, question no. 7

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acts opportunistic in some sense which can also reflect the behaviour of organizations. A fine line exists between acting opportunistic *in an unconscious manner* and doing it *strategically* to the point that it can be unfavourable for building closer relationships. But to yield such result has been a hinder. The results have been difficult for comparative analysis being a causality of different interpretations by the interviewees. We suspect therefore that this question have been hard to grasp. We decided then to lower the value in analysing the results from these questions.

The last issue of scrutiny was the question debating on the view of conflict.¹⁵¹ To begin with, the word *conflict* might be interpreted in different ways by the interviewees. As one interviewee said, ‘it is a very strong word’. Conflict can be construed as a negative or a positive term. As an effect, we have amassed different and even erratic answers. Some said that conflicts are just a way of expressing, debating, and reviewing the different party’s opinions. Others said that conflicts are the dead end of colliding opinions which leads to termination of relationships. It seems therefore, that some perceive conflict as one of the first stages of a debate, whereas others se it as the ultimate stage of a debate. Again, we are putting less emphasis on this question.

Apart from these specific subjects, we would also like to supplement some critical view concerning the last question on the questionnaire. This question asks the agency on what position in the involvement level they consider themselves to be. It should be noted that we have not given in any circumstance the interview some hints regarding our criteria for positioning the agency in its relationship with the clients. We ascertain that the answer in this last question is based on their self-perception and criteria. It is therefore interesting to dissect and compare whether or not we, the researchers, share the same view with the case agencies themselves. During the early phase of this research, we had concerns regarding the outcome of this particular question. But it turned out that our own insight and the agencies’ self-perception illustrated the same outcome concerning the matter of agency-client relationship.

¹⁵¹ See Appendix 2, question no. 11 and 12

6 Aligning the Advertising Agency-Client Relationship - Concluding Remarks

In this culminating part, we explicitly offer the reader some discussions, implications, demarcations and final remarks as to the outcome of this investigation.

6.1 Discussions and Implications

This study integrates two crucial elements in the building and management of agency-client relationship into a comprehensive framework corroborated by the case studies conducted in this investigation. These two elements are the level of relationship and the environmental factors that affect the relationship. Indicating where the agency should position itself in the RA model relative to its diversified clientele resolves some of the imperative strategic problems in building and managing agency-client relationships. The result of this study has even immediate implications for advertising, marketing and service education as well as relationship marketing research.

6.1.1 Implications for Advertising, Marketing and Service Education

New relationships can be costly and difficult to manage.¹⁵² Customer retention should then be incorporated in the corporate goal of an ad-agency. Although most of the agency-client relationship in Sweden lasts 4 years in average, this is considered to be long enough when taking into account the process of switching and developing a new relationship which take up to 2 years¹⁵³. In these 4 years, agency-client relationship could easily lead to a static moment. This research indicates the evocative stance that agency-client relationships are rather dynamic. Both advertiser and ad-agency have to “mutually agree” on what kind of relationship to harness in order to reap the profits in agency-client interaction. Most importantly, a major part of the responsibility lies on the ad-agency in managing and building the agency-client relationship

For the school of marketing, this study corroborates that relationship is certainly of paramount value. Firstly, agency-client relationships need to be managed and built in avoiding mismatch that could result in relationship termination. Secondly, the

¹⁵² Waller, D. S. (2004); Mathur, L. K. and Mathur, I. (1996); and Buchanan, B. and Michell, P. (1991)

¹⁵³ Waller, D. S. (2004); Mathur, L. K. and Mathur, I. (1996); and Michell, P. C. N. and Sanders, N. H. (1995)

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possibility of incorporating TCE with the conventional theories such as network and resource-based theory used in relationship marketing has proven to be indispensable. Relationship marketing distinguishes the use of TCE in terms of a single or simple exchange. But using TCE can also show the *series of multiple exchanges* resulting to the commencement of interactions. Finally, dynamic agency-client relationships exhibit varying degree of network complexity and importance of resources in relation to high TCs. The levels vary from moderate to very high levels depicting more complex activity links, intensified actor bonds, and imperative resource ties.

Connected to the dynamism of agency-client relationship is also the immediate impact of relationships in the service education. Each business sale and purchase of service is not an isolated event. It is a part of a continuing relationship between a service provider and a customer¹⁵⁴. There are numerous interactions occurring before and after a purchase of the advertising service have taken place (illustrated by the empirical results in this study). The nodes of agency-client contact are actually repetitive, numerous and frequent resulting in very high levels of TCs. Lots of people (full-time marketers as well as part-time marketers) from different functions of the agency’s and client’s organisation are likely to be involved in the process of developing and fulfilling the offering traded between them. Business marketing and purchasing of services comprise of interaction also from the people performing functions such as design, development, finance and even logistics.¹⁵⁵ Market interaction between a service provider such as of the ad-agency and the purchaser (the advertiser) is intricate and multifaceted. This strengthens further the characteristic of agency-client relationships as dynamic.

6.1.2 Implications for Relationship Marketing Research

This paper contributes to research by providing guidelines and definitions on how an agency should position itself vis-à-vis a specific advertiser. A model has been designed to cater the dynamic characteristic of agency-client relationships. In the pursuit of a dynamic agency-client relationship, an agency can be considered as a partner, a business consultant or a preferred provider depending on the specific combinations of the environmental factors. Having an arms-length relationship or the level of a vendor has not been illustrated in the result and implying that low-involvement relationship such as that of a vendor is not suitable in agency-client relationships.

¹⁵⁴ Ford, et. al., (2003), p. 4

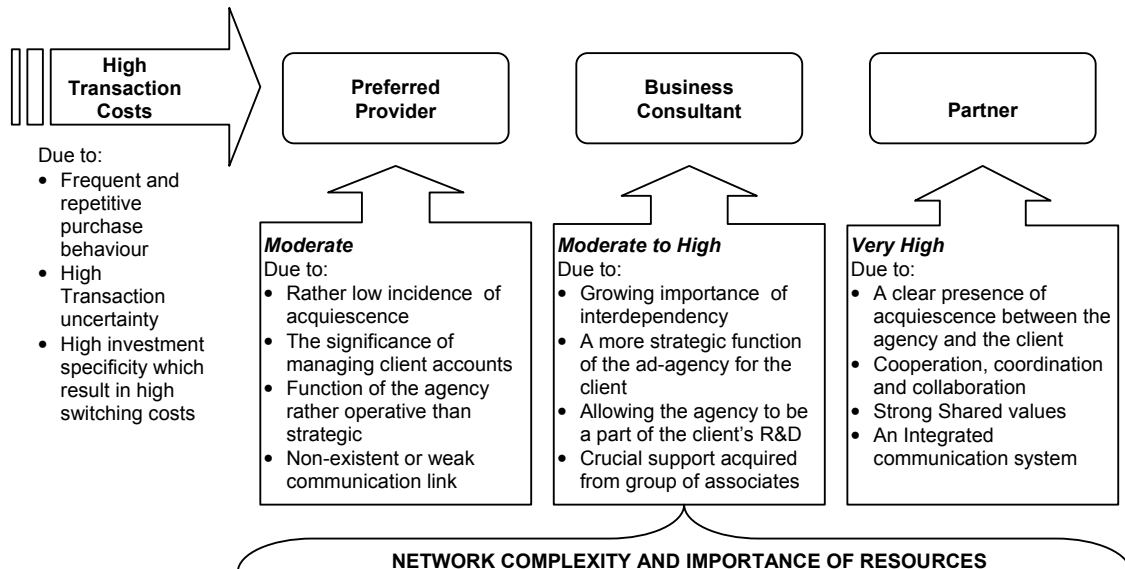
¹⁵⁵ Ford, et. al., (2003); and Van Weele, A. J. (2005)

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As a partner, very specific investments are made in the relationship and adaptation is highly regarded as an inevitable factor to coordinate activities resulting in cooperation and collaboration. These adaptations create high interdependencies¹⁵⁶ and as this occur, it is highly improbable for the advertiser to change between relationships. In this level, integrated communication system is a must in improving the agency and the advertiser’s operations moreover. Thus, communication in this level is highly intense. All these characteristics are illustrated in the gathered results from our case agencies and advertisers.

Although coordination, cooperation and collaboration might not be the top priorities of the parties involved, trust and commitment are critical factors if an agency is to be considered as a business consultant. The high transaction uncertainty in the relationship drives them to prioritise these two factors. Transaction uncertainty augments even more as the relationship gets longer. The varying degree of network complexity and importance of resources on the other hand breed activity links and resource ties that are more or less of average or high nature. What makes an agency a preferred provider is the fact that the level of network complexity and importance of resources is lower than that of the business consultant.

Figure 15. The Agency-Client Relationship Alignment



¹⁵⁶ Ford, et. al., (2003), p. 101

6.2 Applicability of the RA model

With the current results, the RA model fairly applies as exposed to empirical evidence. Despite the data showing the high TCs in the agency-client relationship, one can ponder upon whether it will provide similar result when the model is used in a different study. The RA model would perhaps even be applicable and germane not only regarding the specific purchase of advertising service but also other kinds of services, i.e. financial, medical, etc. A more interesting research study can also comprise of the purchase of mere goods and/or goods in which value-added services is included.

6.2.1 A critical stance concerning the RA model

There are some factors which are difficult to determine in our model, e.g. the *size* and *quality* of the network. An explanation to this is the impediment in setting a network boundary due to the interdependency of nodes and threads of a network.¹⁵⁷ Network can be deemed as a very theoretical and abstract term causing some degree of difficulty in practical application. Besides the abstract nature of a network, untying the nodes and threads sets more hurdles on the way. The second of the three network paradoxes¹⁵⁸ tells us as well that relationship building is not merely of a strategic issue done by the ad-agency or the advertiser. Relationship can also define and develop the agency-client interaction.¹⁵⁹ Perhaps, a network should be meticulously defined and put into concrete terms before making a very thorough process of operationalising.

With regards to the importance of resources, an agency or an advertiser chooses to use the competence of their associating companies if their resources are more or less similar to each other in capturing scale advantages.¹⁶⁰ Another is that activities are utilised because the resources complements each other. Resources should thus be seen not only as a supplement but a complement, or vice versa, to the other activities or functions of an agency or an advertiser. Regarding the issue on R&D in the former chapter, the result shows that the advertisers do not intensely involve their ad-agency in the product development phase. This can conceivably be explained by the fact that the advertisers might only view the resources from an agency to be of complementary value. What the advertisers should realise is that there is also a supplementary value from an ad-agency's

¹⁵⁷ Ford, et.al., (2003), p. 18

¹⁵⁸ Ford, et.al., (2003), p. 23

¹⁵⁹ Ford, et.al., (2003), p. 8 and 27

¹⁶⁰ Ford, et.al., (2003), p. 42

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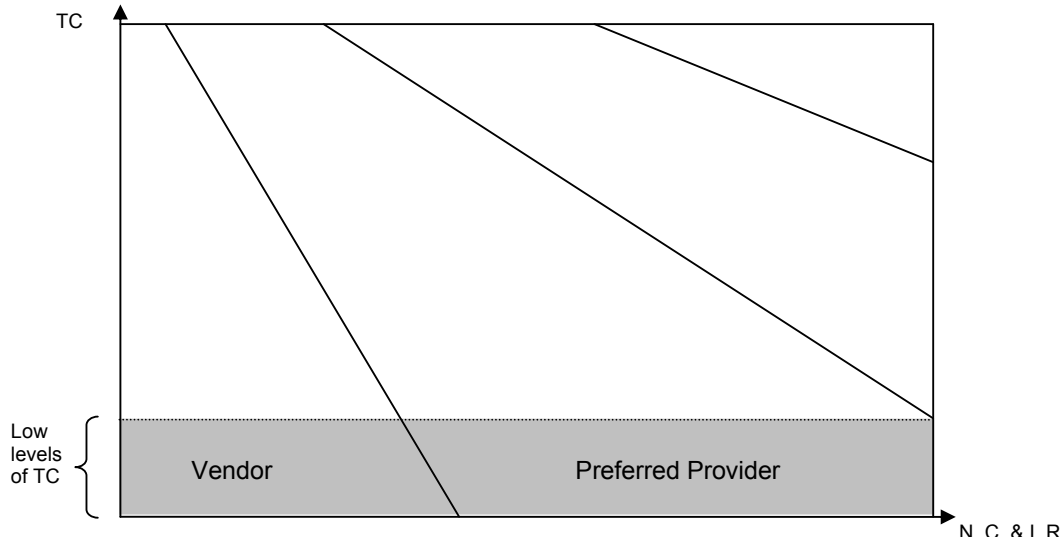
resources. We emphasise persistently and strongly that it is the ad-agency’s responsibility to reveal the capacity of the agency and the benefit it can furnish for the advertisers.

6.2.2 Future Research

In this research, the discussion has been on the central topic of the environmental factors as determinants in aligning the agency-client relationship. An interesting case to be further studied would also be on the coalescence of time aspect and these environmental factors. Time is also a defining feature of a relationship.¹⁶¹ The time dimension of a relationship has been minimally tackled in this study. Perhaps a more focus on it would be an auxiliary factor in refining the RA model. Time can also affect the positioning of the parties involved in the RA model. But how will it affect the alignment of relationship? Does a long term interaction result naturally to partnerships?

Earlier in this essay, we have tersely debated about the nature of interactions. Although the varying degree of network complexity and importance of resources, long term agency-client interactions may not specifically lead to having a partner level (or perhaps even a business consultant) if transactions are infrequent, unspecific and with low transaction uncertainty, i.e. very low levels of transaction costs (See Figure below). We can take for example that a relationship might centre on just a single transaction but it could take years before a deal is made or delivery is complete.

Figure 16. RA model where there is long term interaction but still low levels of TC



¹⁶¹ Ford, et. al. (2003), p. 38

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As stated above, long-term agency-client relationship might illustrate a lower level of alignment. However, transaction uncertainty may increase over time.¹⁶² This can support the notion that the longer the relationship is the better to pursue a partner level (or even a business consultant level). What about the short run? Future research can be based concerning these issues.

Some other crucial issues for future research focuses on integrated communication network, preferential treatment, opportunistic behaviour and conflict. These were some of the concerns during our research process in which we lowered the value as the results have been scrutinised due to some empirical anomaly as elaborated in chapter 5.4.

6.3 Demarcations

Although there are also some other important problems regarding agency-client relationship, we believe that our focus regarding the three environmental factors and the level of alignment can furthermore help the readers in understanding relationships. In showing our awareness regarding some of the demarcated topics, we present below the reasons to why we have chosen not to entangle them with our main subject.

Firstly, the reasons to why some companies are not employing the services from an advertising agency will not be explored in this essay. We feel that such concern is beyond the area of our research. As pointed out in the introductory part, the heart of this essay concerns on the continuity of agency-client relationships and thus we always bear in mind the importance of an ad-agency’s service provided to the customer.

A second important issue on agency-client relationship concerns the unbalance of power between the parties involved. Without the balance of power, “game-playing”¹⁶³ befalls the agency-client interaction due to the stronger and dominating player. As an effect, mutual dependency or interdependency vanishes. Relationships may not reach higher levels of alignment and agency-client interactions might decrease which can eventually be replaced by a simple exchange. Therefore, the advertiser and the ad-agency ought to be aware that mutuality in the relationship is a must. As such, Agency, Political and Conflicts Theory are not applicable in our research since these theories discuss more on the unbalance of power.

¹⁶² Mudambi, R. and Mudambi, S. M. (1995); Ford, et. al. (2003); and Hougaard, S. and Bjerre, M. (2003)

¹⁶³ Waller (2004)

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Performance compensation is the third topic not discussed in this research despite its importance in agency-client relationships. Agency theory can aid a researcher in studying agency-client compensation. Since this issue is not relevant in our research so is agency theory. We assume that in mutually dependent relationships, the right amount of compensation occurs openly since both the agency and the advertiser have *mutually agreed* on such term. Fourthly, why relationships end or why collaborations are terminated is also irrelevant in this study although this issue is important for studying relationships in general. As stated earlier, our investigation focuses more on the preservation of manageable and profitable working relationships and to avoid mismatch.

Lastly, there is also the issue on cultural differences affecting relationships in general. A significant theory that can be used in such investigation is the Institutional theory. This theory is able to illustrate differences in the need and roles of an ad-agency in different cultural contexts. Culture can also be a key factor why some relationships last and others do not. The mismatch of cultures between the interacting partners might probably cause the mismatch in the relationship and thus, termination might be unavoidable in this case. In the same way, the homogeneity of culture between the interacting agency and client could also be one of the factors why relationships can last. Cross-cultural comparisons in relationship are however not studied in this essay. Perhaps this can also be the commencement of a future study.

Although the focus of this investigation relates to the management and building of a working relationship and therefore the aim to construct an optimal relationship model, we are impartially aware that not all relationship could last. A “break-up” or “divorce” might be the last way out due to *unresolved* conflicts between the agency and the client. Cross-cultural and national differences in the relationship might even be a decisive factor whether the management and building of a relationship will succeed.

6.4 Concluding remarks

Due to the meagre research concerning dynamic relationships, we direct this essay in the pursuit of aligning agency-client relationships. The vivacity of relationship grows more and more in the marketing and service literature. As an additional material in educational purposes and empirical research, this investigative effort shows why relationships are important, why it needs to be developed and why it needs to be incessantly managed. This is because relationships, as specifically shown in the service encounter between an advertiser and an ad-agency, are dynamic. The offerings of ad-agencies differ even if they have similar products because they aim to solve different advertiser problems and have different relationships with their customers. As a conclusion, such dynamism in agency-client relationship compels different alignment levels. We cater the readers a concrete model that can be strategically and empirically employed. But relationship alignment in the business context is not merely about strategy. It also requires basic (business) instincts, which is associated to the relationships every human being is surrounded of. Sometimes, these basic instincts are easy to overlook.

APPENDIX 1

EMAIL QUESTIONS FOR ADVERTISING AGENCY

I. GENERELLA FRÅGOR:

1) Reklambyrå: _____

2) Namn: _____

3) Befattning: _____

4) Inom vilken bransch är era kunder verksamma?

- Dagligvaruhandel
- Medicine
- Building and Construction
- IT/Telecom
- Financial Services
- Annat _____

5) Har ni olika förhållande med olika kunder?

Svar: _____

6) Vilka sorters förhållanden känner ni att ni har med era kunder? Uttryck gärna fritt eller med egna tankar.

Svar: _____

7) Hur utvecklar ni dessa förhållanden med era kunder?

Svar: _____

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8) Satsar ni medvetet på att underhålla/bygga kundförhållanden?

Svar: _____

9) Hur långa är era kundförhållanden i snitt? _____

10) Längsta kundförhållandet? _____

11) Kortaste kundförhållandet? _____

12) Hur definierar ni en ytterst viktig kund?

Svar: _____

II. FRÅGOR RÖRANDE UNDERSÖKNINGSPROBLEM

Några av följande frågor riktar sig till reklambyråns förhållande med sin främsta eller viktigaste kund.

1) Är ni medvetna om ert nätverk och hur långt sträcker ert nätverk? (Storleksmässigt)

- Medveten om både kundens och eget nätverk
- Enbart medveten om kundens nätverk (kundernas kunder och leverantörer)
- Enbart medveten om eget nätverk av samarbetspartner
- Ej viktig

Kommentar: _____

2) I förhållandet till er främsta kund, hur fungerar informationsbytet via ert nätverk?

- Informationsbytet händer ofta, är ganska öppen och mängder av information utväxlas
- Informationsbytet händer då och då, är relativt öppen och endast en vald mängd av information utväxlas
- Informationsbytet händer sällan, är obetydligt öppen och endast en vald mängd av information utväxlas
- Informationsbytet är väldigt minimalt och det gäller bara uppgifter som önskas dela med sig av kunden för en viss projekt

Kommentar: _____

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3) Använder ni er av sociala tillställningar för att underhålla kundrelationer med er främsta kund?

- Ja, det händer ofta
- Ja, det händer ibland
- Ja, det händer sällan
- Nej, inte alls

Kommentar: _____

4) Ordet ”Interdependency” (mutual dependency) används oftast när man också pratar om relationer. Hur viktigt är det att ha ömsesidigt beroende med er främsta kund?

- Ganska viktigt
- Viktigt
- Mindre viktigt
- Inte alls viktigt

Kommentar: _____

5) Hur kontinuerliga affärer har ni med er viktigaste kund och hur ofta träffas ni?

- Kontinuerliga affärer och träffas ganska ofta
- Kontinuerliga affärer och träffas ibland
- Kontinuerliga affärer men träffas sällan
- Kortvariga affärer och träffas varierande

Kommentar: _____

6) Hur mycket investerar er främsta kund för att behålla förhållandet med er samt hur villiga är ni att också ömsesidigt investera och bygga på förhållandet?

- Specifik och hög grad av satsning eller investering på kunskaper om förhållandet, information systems, tillgångsförbindelser mellan parterna eller skräddarsydda erbjudande
- Specifik och lagom mängd av satsning eller investering - ” -
- Specifik och minimal grad av satsning eller investering - ” -
- Ej specifik och väldigt minimal grad av satsning eller investering - ” -

Kommentar: _____

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7) Har ni någonsin känt er mer benägna att agera opportunistiskt i ett förhållande med er främsta kund?

- Ja, det har funnits tillfälle där vi känt oss mer benägna att agera opportunistiskt
- Nej, eftersom vi vill vara mer än att vara det företaget som levererar marknadsföringstjänster utan vi vill kunna ge konsultjobb för kunderna
- Nej, eftersom vi vill att förhållandet ytterligare ska utveckla i ett närmare samarbete eller ett partnerskap
- Nej, vi känner oss mycket trygga i vårt förhållande med våra viktigaste kunder och vill underhålla förhållandet så gott vi kan
alls viktigt

Kommentar: _____

8) Hur gör ni när idéerna tar slut eller vilken ansträngning kommer ni att tillämpa för att se till att uppgifterna som reklambyrå fått från den viktigaste kunden verkställs?

- Skicka det vidare till en samarbetspartner
- Anställer mer folk
- En viss grad av omstrukturering, eventuellt anställer folk som har kompetensen eller skicka projektet vidare till en samarbetspartner om kompetensen eller kunskapen finns inte inom reklambyrå
- Gör om grupper eller omstrukturerar och anställer mer folk som har kompetensen, eller skicka projektet vidare till en samarbetspartner om svårigheterna uppstår att finna den kompetens eller kunskap som behövs

Kommentar: _____

9) Hur pass nära är reklambyrå till främsta kundens Research and Development?

- Medverkar i kundens Research and Development
- Medverkar ibland i kundens Research and Development
- Medverkar sällan i kundens Research and Development
- Medverkar i ytterst lite grad eller inte alls

Kommentar: _____

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- 10) Vid utvecklingsfasen av den främsta kundens nya produkt eller pågående förbättring av produkt, hur tidigt i fasen är ni involverade?
- Ganska tidigt i utvecklingsfasen
 - Någonstans i mitten av utvecklingsfasen
 - I senare delen av utvecklingsfasen
 - Ganska sent eller inte alls involverade

Kommentar: _____

- 11) Hur viktigt är det med gemensamma värderingar med er främsta kund?
- Ganska viktigt
 - Viktigt
 - Mindre viktigt
 - Inte alls viktigt

Kommentar: _____

- 12) Vilken av följande nivå kännetecknar bäst det förhållandet ni har med er främsta kund?
- som säljare
 - som preferred provider
 - som business consultant
 - som partner

Kommentar: _____

TACK FÖR DIN MEDVERKAN!

APPENDIX 2

INTERVIEW QUESTIONS FOR ADVERTISING AGENCY

- 1) Hur ofta och när använder ni er av samarbetspartners kompetens?
Svar: _____

- 2) Har ni enbart lokala kundförhållanden, d v s kunder som är verksamma i Sverige?
Svar: _____

- 3) Hur pass bra kommunikationskanaler har ni med er främsta kund? Har ni ett integrerat nätverk- eller kommunikationssystem?
Svar: _____

- 4) Om ni då har ett integrerat system, kan även kunden göra ändringar oberoende från byrån?
Svar: _____

- 5) Hur pass bra kommunikationskanaler har ni med era övriga kunder? Kan de även använda sig av det systemet som används främst av viktiga kunder?
Svar: _____

- 6) Med vilka övriga kunder känner ni att ni också har ett ömsesidigt beroende? Är det på lika villkor? Anser ni att det är även användbart med dessa övriga kunder?
Svar: _____

- 7) Finns det rabatter/fördelar för er viktigaste kund?
Svar: _____

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- 8) Har ni någonsin känt att en ny kund agerat mer opportunistiskt än en gammal?
Svar: _____

- 9) Delar ni finansiella risker med er främsta kund (t ex om man går över budget)?
Svar: _____

- 10) Hur pass nära förhållande med en viktig kund känner ni att ni behöver ha för att dela risker?
Svar: _____

- 11) Hur uppstår konflikter eller vad är bakgrunden till konflikterna med er främsta kund?
Svar: _____

- 12) Vad är en nyttig/produktiv konflikt för er? Kan det motivera er? Vad är en negativ konflikt? Mer negativa konflikter i svaga förhållanden?
Svar: _____

APPENDIX 3

EMAIL QUESTIONS FOR ADVERTISERS

Företag: _____

Namn: _____

Befattning: _____

FRÅGOR OM RELATIONER MED REKLAMBYRÅN:

- 1) Hur länge behåller ni samma reklambyrå?
 - Mellan 1-2 år
 - Mellan 3-4 år
 - Mellan 5-6 år
 - Mer än 6 år

- 2) Hur många reklambyråer har företaget kontakt med?
 - Fler än 3 reklambyråer med ett relativt ”obundet förhållande” till alla
 - 2-3 reklambyråer med ett relativt ”obundet förhållande” till alla
 - 2-3 reklambyråer där företaget samarbetar nära och ofta med en av dessa reklambyråer
 - En reklambyrå som företaget har ett nära samarbete med

- 3) Hur ofta har ni kontakt eller hur ofta kommunicerar ni med reklambyrån under ett pågående projekt?
 - Endast vid början och slutet av projektet
 - Sällan och bara när information som ska användas i projektet fattas och önskas av reklambyrån
 - Ibland och när vi anser att det behövs uppdatera reklambyrån om förändringar
 - Vi utbyter väsentliga information ofta under projektets gång

- 4) Hur kommunicerar ni med reklambyrån om eventuell förändring behövs i projektet?
 - Genom telefon eller email
 - Genom telefon, email och även ett ”varningssystem” som finns hos reklambyrån
 - Genom ett externt system (t ex en hemsida) där både parter kan kontrollera vad som utförts och ändrats
 - Genom ett integrerat och inbyggt kommunikationssystem mellan parterna

- 5) Vad fokuserar ni mest på när ni använder er av en reklambyrå?
 - Endast slutprodukten
 - Slutprodukten och värdeskapande tjänster (value-added services)
 - Förmågan av reklambyrån att även utföra konsultjobb
 - Samordning av resurserna från både parter

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- 6) I vilken nivå har den nuvarande reklambyrån tillgång till företagets organisation?
- Begränsad och kommunikationen sker huvudsakligen mellan reklambyråns projektansvarig/projektledare och företagets marknads- eller informationschef
 - Begränsad men kommunikationen kan ske mellan reklambyråns projektledare och andra relevanta nyckelpersoner
 - I nästan hela företagets organisation och kommunikation blir mer öppen mellan parterna
 - I hela företagets organisation, dessutom kommunicerar företaget även till andra nyckelpersoner i reklambyrån
- 7) I vilken grad medverkar den nuvarande reklambyrån vid företagets produktutveckling?
- Reklambyrån medverkar ytligt vid företagets produktutveckling
 - Reklambyrån medverkar i ett senare skede av produktutvecklingen
 - Reklambyrån medverkar i ett mellan skede av produktutvecklingen
 - Reklambyrån medverkar ganska tidigt i utvecklingsfasen
- 8) Hur mycket investerar ni för att underhålla relationen med den nuvarande reklambyrån?
- Ingen investering görs alls
 - Minimal investering görs
 - Måttlig nivå av investeringar görs
 - Betydande och specifika investeringar görs
- 9) Hur viktigt är det för er att den nuvarande reklambyrån även delar vissa av riskerna i förhållandet, t ex finansiella risker?
- Inte alls viktigt
 - Mindre viktigt
 - Ganska viktigt
 - Mycket viktigt
- 10) Vilken av följande 'position' kännetecknar bäst er nuvarande reklambyrån i förhållandet till er som uppdragsgivare?
- som säljare (vendor)
 - som preferred provider
 - som business consultant
 - som partner

TACK FÖR DIN MEDVERKAN!

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