

# **Ad agency-client relationship models: advantages and disadvantages**

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Ad agency-client partnership success is key for every agency, as well as every advertiser's business survival. However, not every one of today's partnerships operates in the same way. This investigation establishes and analyzes three current ad agency-client relationship systems, with the ultimate objective of discovering each model's advantages and disadvantages, for both the client and the agency. Through the study of recent literature, expert opinion and relationship agent interviews, these characteristics will be identified.

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El éxito de la colaboración entre agencias de publicidad y anunciantes es clave para la supervivencia del negocio tanto de las agencias como de los anunciantes. Sin embargo, no todas las colaboraciones o alianzas funcionan de la misma manera. La presente investigación establece y analiza tres tipos actuales de relación entre agencia y cliente, con el objetivo último de descubrir las ventajas e inconvenientes de cada modelo, para el cliente y para la agencia. A través del estudio de la literatura académica reciente sobre el tema, opiniones de expertos en el campo y entrevistas a agentes participantes en esta relación, estas características serán identificadas y valoradas.

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## Ad agency-client relationship models: advantages and disadvantages

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## 1. INTRODUCTION

It was not until the summer of 2013 that I discovered the variety and depth of the marketing industry. Having the opportunity to intern in one of the largest marketing communications agencies in the world, at the heart of the advertising business, New York City, allowed me to learn about realities about which I was not previously aware. The internship experience enabled me to question, wonder, meditate and explore these new discoveries, and become passionate about some of them.

I became extremely interested in ad agency-relationship models when I first heard about Team Detroit. The agency, firstly created to serve all Ford's advertising business, amazed me. How could an agency be created just for a single client? It made me realize the importance of marketing communications for clients as big as The Ford Motor Company. Then, I discovered that many other big advertisers, such as Colgate-Palmolive, had adopted this model. How could people wonder about students choosing advertising as a career path, when the biggest companies of the world, drivers of today's economy, spend huge quantities of money and time setting up teams and creating agencies for their own use?

While I was amazed by this model, I also started questioning it. Does it work well for clients and agencies? Does it facilitate their relationship? Why do some of the biggest companies worldwide hire many advertising agencies, and others do just the contrary? Why would a company prefer dealing with multiple advertising partners? When working just with a single agency, will it be better a dedicated agency or a regular one? All these questions came to mind. What was clear at the time, though, was that not any of these models was definitely successful or better than the others. Otherwise, the companies would have found out and they would have all adopted that specific model. Or maybe not. Perhaps they are not aware of the advantages and disadvantages of each system. Is the path of dedicated agencies

the path to follow or will this model be proven as a failure?

I devoted the last four months of my college life to investigating these questions, and this paper is the result of that inquiry.

## 2. METHOD

Through a review of the most recent academic literature about agency-client relationships, I sought the key variables and factors that define advantageous and disadvantageous partnerships. After describing these factors and putting them into context, I applied them to each of the models of today's ad agency-client relationships, in order to discover each one's key benefits and drawbacks, while exploring every model's characteristics and recent cases.

After researching information about the models proposed through various databases such as WARC, Business Source Premier or Communication & Mass Media Complete among others, it was concluded that almost no academic literature about this specific topic had been written. Consequently, trade publications and semi-academic literature was consulted for the purpose of the investigation.

Therefore, in order to find further and first-hand information about the three models, in depth interviews were carried out. The objectives of these interviews were: validating the characteristics of each model (previously obtained through secondary research), finding examples, advantages and disadvantages of every model, as well as collecting first-hand information about the cases studied in the paper.

The population of the research was experts in the field, ad agency executives and client executives. The nonrandom sampling techniques chosen were expert sampling and convenience sampling. The sample can be consulted on Table 1.

**Table 1: Interviewees**

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|--|
| <p><b>Experts:</b></p> <ul style="list-style-type: none"><li>• Editorial Director of <i>Anuncios.com</i></li><li>• Marketing Communications Consultant, former <i>Ad Age</i> Agency Reporter</li><li>• University Professor and former CEO <i>BBDO</i> Spain</li></ul> <p><b>Client executive:</b></p> <ul style="list-style-type: none"><li>• <i>Mondelez</i> Brand Assistant Manager</li></ul> <p><b>Agency executive:</b></p> <ul style="list-style-type: none"><li>• <i>Ogilvy &amp; Mather NY</i> Assistant Account Executive for IBM</li></ul> |
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The interviews were conducted personally, by phone and via email. Personal interviews lasted around one hour and phone interviews ranged from 15 to 30 minutes.

The results of the investigation were very satisfactory. The interviews allowed the author to obtain information about cases, examples, advantages, disadvantages, as well as validation of the models' characteristics. In addition, the interviews were extremely helpful to discover the agency and client perspectives on the corresponding models. Finally, the research provided diverse and opposed insights, which allowed judgments to be made and conclusions to be drawn.

Given more time, the research would have been different in some aspects. First, the sampling would have been broader in order to obtain more valuable conclusions. More experts, agency and client executives would have been interviewed. Second, no email interviews would have been conducted, since phone or personal interviews allow the interviewer to get much more information. Third, the interview channel would have been the same for all interviewees, in order to

unify the methodology. Finally, other techniques would have been used, like questionnaires, since they allow a higher reach. For example, 20 to 30 agencies and clients would have been surveyed in order to get more reliable conclusions.



### 3. AD-AGENCY CLIENT RELATIONSHIPS: CONCEPTUAL FRAMEWORK

Ad agencies exist to help clients promote their products and services. This basic principle implies that agencies depend on companies to exist, and companies depend on ad agencies to advertise themselves.

For the advertising agency, both revenues and salaries rely completely on customer satisfaction. That often leads to the thought of agency-client management focusing on agency performance, excluding the advertiser from it. However, campaign success not only depends on the agency's skills.

Every successful television spot entails a long work process that requires that the agency and the corporation follow several steps carefully. It is vital that the client explain his objectives and asks in a clear way. On the other hand, the agency must necessarily understand all specifics of the duty being carried out. In addition, to guarantee the success of the campaign, the company has to supervise its development at every stage. Finally, key to obtaining a satisfactory result is the agency's efficiency in meeting the goals set by the client.

Therefore, it can be concluded that an efficient relationship between companies and ad agencies is extremely necessary for both parties. This relationship is the primary responsibility of account managers in agencies and marketing managers in enterprises. However, every department in both parties should keep it in mind and try to improve it, since the agency's revenues will depend on it. By doing so, all departments are ensuring the company's return on advertising investment.

The importance of this relationship is appreciated by authors like Morrison (2013) who explains the revival of the Agency-Relations Director role, a person in the client side that "ensures that agencies and clients play nice together." Many big

companies are aware of how vital is to have a smooth tie with their advertising partners: “Agency liaisons are most common at large marketers with many brands or multiple business units, such as consumer-packaged-goods giants Mondelez, Kimberly-Clark, Procter & Gamble and Johnson & Johnson. But marketers like Target, American Express and Microsoft have also added agency-relations roles” (Morrison, 2013).

Ad agency-client relationship is consequently a key area of study within the advertising industry. Numerous authors have been researching the topic, carrying out studies to find out the ingredients for a healthy relationship between agencies and clients.

### **3.1. Agency-clients relationships: a recent literature review**

When researching the most recent academic literature about ad agency-client relationships, most relevant experts investigate factors affecting these partnerships. Another recurrent topic is the study of variables that help measure why a relationship is successful, or why disaffection between clients and ad agencies appears.

#### **3.1.1. Contextual factors that influence ad agency-client relationships**

Halinen (2002), in her book “Relationship Marketing in Professional Services”, carries out an extensive description of several contextual factors that shape and influence relationships between advertising agencies and clients. These include: environmental factors, company factors, individual and group factors; and task factors.

### *a. Environmental factors*

Halinen (2002) thinks of environment as a “surrounding network of inter-firm relationships between customers, suppliers, competitors and other actors in the industrial system” (p. 32). Accordingly, ad agency-client relationships are influenced by changes and behavior of these actors. Nevertheless, these relationships are not influenced by actors in the environment in the same way. Halinen (2002) distinguishes three different levels of influence: actors in the primary task environment, actors in the secondary task environment, and macro environment factors.

Actors in the primary task environment include those closer to agency and client, such as market research suppliers, media buying agencies, client’s customers, suppliers, media, photographers, final customers, etc. The secondary task environment refers to “organizations that are vertically connected with the focal agency-client relationship. It includes competitors and cooperating partners of both the agency and the client” (Halinen, 2002, p. 34). These can be: competitive agencies, complementary agencies, governmental institutions, etc. The third level is constituted by the macro-environmental factors such as “general social, economic, political and technological forces” (Halinen, 2002, p. 35) that generally influence and shape relationships between advertisers and ad agencies.

Finally, Halinen (2002) considers that the personal contact network of both parties staffers has to be taken into account when describing environmental factors influencing these business relationships. This is explained by the tremendous importance that referrals from previous clients, business colleagues and other personal contact networks have in the “initiation, maintenance and dissolution of agency-client relationships” (p. 35).

*b. Parties to the relationship: company factors and individual factors*

As well as the environmental factors that influence any business partnership, the attributes of companies and ad agencies are decisive to build a healthy relationship between them. Halinen (2002) considers that “relationship development between the agency and the client also depends on the characteristics of the parties involved” (p. 35). These company factors and specifics include: size, resources, capabilities, experience, manner of interaction, marketing strategies, structure, policies, etc. As a part of the company, we can also include the nature of companies’ employees, that will be equally key to determine the nature of the relationship.

First, the type of business relationship will depend on the size of the advertiser. According to Halinen (2002), a big company with resources is more likely to have a great influence on its customers and suppliers, while advertising agencies (generally smaller than big advertisers) tend to depend on the other party. However, “large-scale advertisers may also have smaller accounts and, conversely, small advertisers may have larger accounts” (Halinen, 2002, p. 36). Moreover, the author explains the results of a study carried out in the United Kingdom by Michell (as cited in Halinen, 2002, p. 36) that showed how big accounts tend to have longer relationships in time with their advertising partners than smaller clients.

On the other hand, agency size can influence the relationship in different ways. As the author points out, a client may “feel that it grows out of an agency. If the agency is not able to grow and diversify with its client, the relationship may break down” (Halinen, 2002, p. 36). However, a small agency may still have other strengths like “special expertise, flexible operations, personal attention or cheaper prices” (Halinen, 2002, p. 36). In other words, different sizes in clients as well as agencies have both advantages and drawbacks, and influence the relationship in different manners.

The second influencing factor considered by Halinen (2002) is the “organizational experience” (p. 36), understood as the knowledge a company or an agency has about that relationship, acquired from the familiarity with a specific partner or experience from similar past relationships. For example, an advertising agency may have a high level of “organizational experience” (p. 36) with an automotive advertiser either because they have had the account for ten years, or (in the case of a new account), because previously they had another car company account for several years.

Third, another characteristic in an organization that will shape the relationship between both parties is the kind of interaction it employs. By interaction the author is referring to “how the partners view each other and handle the relations between their respective interests” (Halinen, 2002, p. 37). She identifies three different types: “cooperative, competitive and command” (Halinen, 2002, p. 37). Cooperative is the ideal, and occurs when both parties share common interests. Competitive interaction implies that each party looks out its own interest and there is minimal cooperation. Finally, command interaction happens “when one party has a dominant position over the other” (Halinen, 2002, p. 37) and accordingly, the other party is dependent on the decisions of the dominant partner.

The fourth factor influencing the relationship is the marketing strategy to which each party adheres. Of course an advertising agency is affected when the client changes its marketing orientation. Equally true, however, is the shift that occurs when an agency changes its structure, its field of expertise, its teams, or its executives.

General organization structure also affects the way clients and agencies interact. Their employees, their policies or the communication media used will influence the quality of their alliance. Also, the structure of the agency or client group is vital to ad agencies-clients liaisons. When mergers or acquisitions happen

between agencies, accounts can be compromised. That is the case of the merger between Omnicom and Publicis, which arose some account conflict problems. Gabriel Beltrone (2013) affirms: “Omnicom CEO John Wren himself said he anticipates that some conflict-related difficulties will grow out of the merger.”

Finally, the agency reputation is a key factor to this relationship. Since advertising services outcomes and results are difficult to measure, reputation and referral from clients are decisive characteristics to start a client-agency partnership.

Apart from the characteristics of both organizations, it is clear that the way their employees and teams interact and coordinate is vital to the agency-client partnership. Halinen (2002) differentiates several factors within this category: personality of the employee, capabilities and experience with the relationship, motivation, interaction style with the other party, inter-firm network of personal relationships and teamwork; and interpersonal inconsistency, which happens when individuals have different motivations and interests, not working for a common goal.

### *c. Task factors*

The last group of contextual factors influencing ad agency-client partnerships are task factors. The nature of the service that an agency is going to provide will determine and influence how both parties communicate and interact. According to the author, different variables will settle the nature of the task carried out: “the degree of innovation, importance, complexity, familiarity and frequency” (Halinen, 2002, p. 41)

First of all, agencies and clients will collaborate differently if the task requires high levels of innovation and creativity or if the service is more mechanical. Secondly, both parties will relate in a different way if the duty is highly

important (for example, a company name change), or if it is about a simple task (for example, media clipping). What constitutes “importance” is often determined by the degree of economic impact the task will have on both sides. Third, how complex the service is will affect the interaction, as well as how familiar teams are to the task. Finally, some services require to be developed with higher frequency than others. Following the same example, a name change will happen less frequently than media monitoring. Consequently, that will affect the way in which clients and agencies relate.

Other authors agree with Halinen (2002) about the key role that environmental factors play in advertising partnerships. Michell and Sanders (1995) carried out a study where they found seven factors that explain why clients develop loyal relationships with their advertising partners. In the article, the authors explain “while the reasons for break-ups in agency-client relationships tend to be specific, the reasons for loyal relations are more general” (Michell and Sanders, 1995, p. 9). These general reasons, according to the research they carried out in the United Kingdom in 1995, are “the business context, the organizational context, and the pervasiveness of general attitudes and policies toward suppliers, when compared with more situation-specific interpersonal and performance-related factors” (Michell and Sanders, 1995, p. 19).

In conclusion, this study agrees with Halinen (2002) that contextual and environmental factors are decisive in the development of relationships between advertisers and advertising agencies.

### 3.1.2. Variables for evaluating ad agency-client relationships

When studying ad agency-client relationship, one of the main fields of research is evaluation. Both marketing researchers and the industry in general need to know what constitutes a good relationship and what leads to its decline or

failure. Discovering these variables is consequently key to the success of partnerships between these two parties.

Michell (1986) defends how important it is for agencies and advertisers to audit their relations, in order to find out what is being successful and what could be improved in the way they relate. The researcher developed a study that included numerous American and British advertisers, in which they reveal the main reasons for their agency relationship break-up. The findings state that dissatisfaction with agency performance, changes in client policy, changes in client management, changes in agency management and changes in agency policy were the main reasons that caused dissatisfaction.

Regarding dissatisfaction in agency-client relationship, Beard (1996) points out role ambiguity as an important source of problems in advertising partnerships. Defined as a lack of clarity in the task the agency has to carry out, role ambiguity and its relevance was studied in 300 organizations. One of the interesting insights that this study offers is that these organizations find less role ambiguity in long-term relationships.

In contrast to short-term relationships, long-term relationships between advertising agencies and clients are often seen as solid and suitable. However, Grayson and Ambler (1999) argue the opposite. They published a study in which they explain the downsides of deep-rooted accounts. In their survey, they include numerous agencies and clients from the United Kingdom. The survey reveals that marketing relationships get worse over the years for several reasons. The authors explain that as agencies get comfortable, creativity decreases. Also, as both parties get closer and more similar, there is less fresh, new input to contribute. Finally, the article suggests a party may take advantage of the consolidated trust that had developed over the years.



As these studies point out, the variables that determine success or dissatisfaction in ad agency-clients relationships can be grouped in three types: variables related to the work standards, variables related to client's or agencies' policies, and variables related to client team's and agency team's behaviors.

When researching work standards, experts investigated how agencies and clients felt about: "standard of agency creative work, standard of agency marketing advice, disagreement over advertising objectives, relative sales weakness of campaigns" (Michell, 1986, p. 33). Other researchers evaluated work standards covering "failure to meet deadlines, lack of cost-consciousness, lack of clear-cut objectives, lack of timely, accurate information, lack of knowledge about marketing/advertising" (Hotz, Ryans and Shanklin, 1982, p. 40).

Regarding both parties' policies, the common variables were: "changes in marketing policies/strategies, increase/decrease in advertising budget, group or international group dictate, agency involved in merger/acquisition or development of conflicting accounts in agency" (Michell, 1986, p.33). Other authors recognized "unstructured or inflexible procedures, too much politics or too many approval levels" (Hotz, Ryans and Shanklin, 1982, p. 40).

Finally, teams and staff were evaluated in different ways: changes in personnel, client-agency personality conflicts, personnel turnover, quality of communications, attitude (defensiveness, indecisiveness), problem management or expectations management (Michell, 1986; Hotz, Ryans and Shanklin, 1982).

### **3.2. Criteria to establish three models of ad agency-client relationship**

By reviewing the most recent academic literature about ad agency-client relationship, experts in the field focused either on the contextual factors that

influence advertising partnerships, or on the variables useful to evaluate these relationships. For the purposes of this paper, external factors and evaluation variables are applied to analyze today's client-advertising agency relationship panorama.

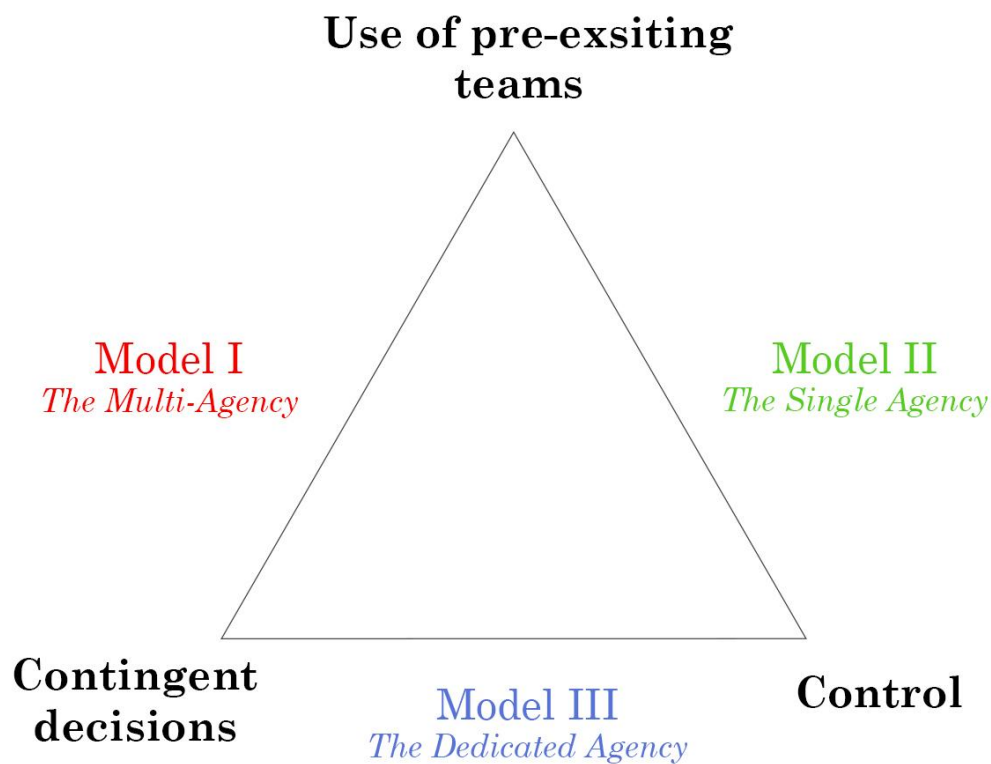
Dividing today's client-ad agency relationships into categories or models allowed for the application of the factors described by Halinen (2002), Michell and Sanders (1995), Michell (1986), Beard (1996), Hotz, Ryans and Shanklin (1982). That application, in turn, reveals the advantages and disadvantages present in each model.

To distinguish agency-client models of relationships, three factors will be used: (1) control, (2) use of pre-existing teams and (3) contingent decisions. Control relates to how close the relationship is between the agency and the client. Factors like the exclusivity of the agency or client, the length of the relationship and the engagement of both parties will lead to a higher or lower degree of control in the partnership. Use of pre-existing teams means whether the client is hiring existing agencies or creating them. Finally, contingent decisions relates to whether the client has a commitment with a single agency or has the opportunity to chose agencies or create teams according to its necessities or circumstances.

These factors were chosen because they imply big differences between models. Marketing partnerships where there is higher control are quite different from partnerships with less commitment. Equally, the freedom of contingent decisions differs from designed decisions with relation to advertising relationships. Eventually, the relationship will be substantially different if the client hires an established agency, which has its own procedures and policies, rather than investing in the creation of a whole new advertising unit for their own marketing efforts.

Using this criteria, we can find three distinct relationship models: the client that uses several advertising agencies, the client that employs one advertising agency, and the client that has its own advertising agency.

**Figure 1: Criteria to establish three models of ad agency-client relationships**



Model I: The Multi-Agency Model can be differentiated from the others using all of the mentioned factors. Firstly, since the company employs different agencies, it has looser control over them than other models. Second, its decisions are contingent. This means that the company determines to hire one advertising agency

or another depending on the circumstances. Third, it does hire established agencies, not creating any for its own use. Many big brands such as Coca-Cola or Kraft Foods use this model. These companies readily contract different advertising agencies for their different target markets and their different areas of business.

Model II: The Single Agency Model, represented by a company that employs one only advertising agency, has some aspects in common and some differences with the other two models. For the purpose of this paper, just the advertising accounts will be taken into consideration. Given today's specialization panorama, it is difficult to find cases of companies that do not employ different agencies for their different communication strategies: PR, media, social or digital, for example.

Having said that, it can be considered that both the company and the agency possess high control in the relationship, since the agency is the only advertising partner of the client. The company is highly committed to the agency because the latter is its main partner; simultaneously, the agency has dedicated a great portion of its resources and personnel to that client. Moreover, the company's and agency's decisions are not contingent. Since they each enjoy a pre-established commitment that is usually long standing, their decisions gravitate within a delimited field of action. Finally, the agency that the company hires is a pre-existing one. Therefore, the company is not funding an additional business for its own use. This second model is the case of IBM and Ogilvy. In 1994, it was reported that the technology company "would dismiss more than 40 agencies it has worked with around the world and move its entire account to a single shop, Ogilvy & Mather Worldwide" (Elliot, 1994).

Model III: The Dedicated Agency Model includes a company that creates an agency for its own use. Borrowing from Parekh (2012a) this model is labeled the dedicated agency. The company has ultimate control over the agency, since the agency is created and tailored only one client. This possibility for the client to chose

the teams that it wants to for its dedicated agency, depending on the circumstances, implies that its decisions are contingent. Also, as the advertising agency is not pre-existing, the company that starts it, sets the policies and procedures that best suit the company. This model of relationship is the case of Red Fuse or Team Detroit. The former serves all the Colgate-Palmolive's brands worldwide and the latter was created to serve Ford's advertising (Parekh, 2012b).

The lines between models may be sometimes diffuse. Certain characteristics are common for two or the three models. Also, some cases of relationships between clients and advertising agencies may fall into more than one category. Of course every business partnership, as every human relationship, is different. For that reason, it can be arduous to talk about strictly delimited categories or models, but a conceptual distinction between them can help Chief Marketing Officers and ad agency managers to make better decisions. With these criteria in mind, the principal advantages and disadvantages of each relationship model will be studied in the following sections of the paper.

## 4. MODEL I: THE MULTI-AGENCY

### 4.1. Elements, characteristics and examples

One of the reasons big companies hire different advertising agencies is that their business and divisions are numerous and complex. Companies like Ikea, Coca Cola and Adidas set up different accounts that are usually spread among different advertising agencies. These accounts are acquired in order to solve different communication necessities such as campaigns for a specific product, campaigns for specific markets and campaigns for different countries. Companies hiring more than one advertising agency comprise the first model of client-ad relationships: **The Multi-Agency Model**.

The Coca-Cola Company uses different advertising agencies for the different products in its portfolio. For example, the account for Coke Zero is handled by Droga5 (Morrison, 2012) while the account for Fanta resides with Ogilvy & Mather (Zmuda, 2011a) and for Vitaminwater with Crispin Porter + Bogusky (Zmuda, 2011b). Following the example of Coca-Cola, the company also employs different advertising agencies for its specific target markets. Thus, the Coke US Hispanic account was trusted to Ogilvy & Mather (Business Wire, 2013; Parpis, 2009). Finally, Coca-Cola uses different advertising agencies in different countries in order to adapt its message locally. For instance, the multinational company also hires Sra. Rushmore for its communications in Spain (Anuncios.com, 2013).

However, different types of relationships or models of collaboration can be distinguished among companies that hire more than one advertising agency. Clark (2013) states “one way is for brands to take their business to a single network agency, and ask it to build a team from across the group. That's simple and quick for the brand.” These multi-agency companies, according to Alex Csergo, executive of Proximity Beijing and working for Volkswagen China, “don't want 10 agencies

and a re-pitch every 12 months” (as cited in Clark, 2013).

As an adaptation of the multi-agency model, Pepsi could fall into this category, but in a particular way. The company has started a unique version of the multi-agency model for which it has created Galaxy:

Galaxy is a small team of only a handful of execs with backgrounds in account planning and management specifically. That group, working with Pepsi execs, evaluates projects presented by the brand and determines which agency or mix of talent within the Omnicom network is best suited for the job (Zmuda, 2013).

In other words, every communication need that the company has is communicated to this group of executives, which will decide which Omnicom agency will be the best one to carry out the task. According to Jackman, PepsiCo’s president of global beverages, this model would work better than a dedicated agency because, as Zmuda (2013) states, “[Jackman] wasn't interested in creating an entity within Omnicom that lived and breathed the Pepsi brand alone; he prefers those contributing to Pepsi advertising have exposure working on other big brands, from autos to fashion.” Jackman adds:

We're really benefiting from a much more expanded gene pool than if we created a whole group of people that only worked on Pepsi. And they're working on the teams, in the environments they've chosen. They're embedded in the agencies they've chosen to join (as cited in Zmuda, 2013).

This version of the multi-agency model, however, has a clear drawback:

The Omnicom agency that may be selected for a Pepsi/Galaxy project may be busy with its permanent clients, it can take up to 18 months for staff

schedules to clear up enough to bring them together on a new Pepsi ad (Edwards, 2013).

The time it takes for an agency to devote its resources to the new campaign could be a huge disadvantage for this model, especially compared to the majority of advertisers' approaches:

At most companies, the marketing chief picks an ad agency to work with on a permanent, ongoing basis and the agency creates a dedicated account team to work with that client. The advantage of the arrangement is that the client can get work done quickly because she is working with a group of people who know the business well and are permanently up to speed (Edwards, 2013).

Following Clark (2013), another means of collaboration for companies is to create a team formed by professionals in different agencies. "That takes more time, but offers more options and can simplify management of marketing teams. And that is where the industry is heading" (Clark, 2013). This kind of partnership would be the origin of the third model discussed in this paper, the "dedicated agency" or agency created by the client to serve its advertising needs. According to Estok, an Australian consultancy Navigare executive:

The increasingly common practice [of teams formed by professionals in different agencies] is a result of messaging fragmentation. Clients are responding by insisting on multiple agencies, giving them both nimbleness and access to a broader range of skills. It is a relatively new phenomenon. In the pre-digital era, brands might have engaged one or two agencies. Two to three years ago, there wasn't even a thing called a social media agency. These days social media is a specialisation" (as cited in Clark, 2013).

However, Clark and Estok (2013) agree that this model has its difficulties.



When referring to collaboration with a competing agency, the latter points out that it “is probably one of the most unnatural things that you can ask an agency to do” (as cited in Clark, 2013). The author and the consultant provide some insights to make it work:

Estok says one of the keys to a happy collaboration is to 'quarantine the output'. In other words, set out defined roles and make sure they aren't rewarded by the volume of output. 'Only by creating the atmosphere of trust, making sure revenue is safe, output is safe, and it is not going to be one agency pitching against another. Once all of that is secure, then everyone can work on the idea' (Clark, 2013).

An example of this model of collaboration is the mentioned agency Proximity. It works with five other agencies on the Volkswagen account. “Proximity acts as the 'steering' agency holding the master agreement. One part of its role is to help manage the complexity. Because of company procurement rules, every agency is on a separate contract, specifying a scope of work” (Clark, 2013). The agency’s managing director states that “KPIs are linked to delivery of that work - for example, to be number one in social media, or to be the most-talked-about brand” (as cited in Clark, 2013).

The third version of the multi-agency model that Clark (2013) discusses is the “joint venture”, closely related to the third category cited as “The Dedicated Agency” that will be analyzed later in this paper. This model consists of several agencies teaming up to work for a client. It is the case of “Jim Beam's three main agencies - Germany's Jung von Matt, The Works in Australia, and Strawberry Frog in the US” that “decided to band together in response to the firm's brief for its first global campaign” (Clark, 2013). According to one of the The Work’s executives, “the joint venture is cost-efficient and provides the expertise and insight the client needs. By creating a joint venture, there are no issues over who gets what revenue,

and no need to hire extra staff” (as cited in Clark, 2013).

A second case of “joint venture” is Commonwealth, the two-agency team formed by Interpublic’s McCann Erickson Worldwide and Omnicom’s Goodby, Silverstein & Partners that Chevrolet set up for its advertising in 2012 (O’Leary, 2013). However, Halliday (2013) reported the experiment was not very successful:

GM is negotiating with the Detroit-area office of IPG’s McCann Erickson Worldwide to take the reins of Chevy’s global creative, which it shares with Omnicom Group’s Goodby, Silverstein & Partners in San Francisco. The two shops from different holding companies formed Commonwealth a year ago in a 50-50 venture for the brand’s account in most parts of the world. Many pundits predicted Commonwealth’s demise because of its unusual corporate structure, including me.

According to Benner (2013), one of the reasons for the direction change is that GM executives were “dissatisfied with the partnership's inability to handle the increasing workload”. However, it cannot be ignored that, among other reasons, collaboration between rival shops makes the success of “joint ventures” problematic at best.

Finally, Clark (2013) emphasizes the relevance of the client role: “Whatever the purpose of its multi-agency team, it has to take leadership, set the direction, manage the team's performance and be the arbiter of disputes. It also has to ensure rules of engagement” and since “it is part of the team,” it “must make sure it is sharing information and ideas and playing its role.”

## 4.2. Advantages

As any other advertising business relationships, benefits and drawbacks can be found in the multi-agency model. Regarding the different contextual factors studied and, according to the different variables to evaluate client-agency relationships seen in the introduction, we can see advantages and disadvantages of this model that relate to environmental factors, interaction, marketing strategies, organizational structure (Halinen, 2002), work standards, companies' policies and teams (Michell, 1986; Hotz, Ryans and Shanklin, 1982).

A primary advantage relates to work standards (Halinen, 2002). Oliver, former BBDO Spain CEO and Chairman, argues that having different agencies in different countries allows them to have more freedom of action and to be able to personalize the message sent to the public at a local level. It is obvious that, in order to drive sales and get to a target audience, the message has to resonate with its public. This task is therefore more easily carried out if the advertising agency is set in the country or region of message diffusion. Following the example of Coca-Cola, Oliver wonders what would happen if Coca-Cola's advertising directions were enforced from Atlanta (where the company's headquarters are located) to deliver messages all over the world. "What if the communication strategy in Cataluña has to focus on 'Sardanas?' Probably in Atlanta they do not know what a 'Sardana' is" points out Oliver (personal communication, February 26, 2014, author's translation).

Also, according to a study developed by the Association of National Advertisers and a consulting firm working for the advertising agency industry, advertisers are "disappointed with marketing integration" and prefer the specialization that several agencies can offer them (O'Gorman and Shelton, 2004, p. 48). Therefore, the work resulting from the specialization that this model offers is preferred by advertisers.

Referring to the variables found in the introduction and in relation with the freedom of action and local adaptation of the message of the multi-agency, it could be deduced that this model is stronger than others in factors such as “standard of agency creative work” or sales strength of campaigns (Michell, 1986, p. 33).

Finally, Wellington (2006) analyzes the benefits that the multi-agency model brought to Midas. According to the author, the model offers “a clear strategic focus”, being able to “clearly define agency scopes”, the possibility of “frequent and open agency feedback” and “training and strategic engagement of agency partners” (p. 22). The author defines the main advantages of the system:

The biggest advantage is, of course, the opportunity to build a team of the best agencies to deal with your specific strategic and tactical needs. Each agency on your roster is selected based on their strengths and talent rather than their relationship to another agency. With this model a client should be able to craft an agency team that offers the best and brightest thinking in every discipline (Wellington, 2006, p. 24).

Wellington (2006) agrees, therefore, with work standards being one of the primary advantages. However, the author also adds the convenience of being able to choose agencies with similar marketing strategies (Halinen, 2002) and needs.

### **4.3. Disadvantages**

The first disadvantage relates to the contextual factors of interaction, marketing strategies, organizational structure and task complexity (Halinen, 2002).

Although freedom of action impacts in a good way the creativity and campaign results (Oliver, personal communication, 26 February, 2014), it entails

certain structural chaos. As Halinen (2002) states, interaction means “how the partners view each other and handle the relations between their respective interests” (p. 37). It can be implied therefore, that a multinational client that sells in over 50 countries and employs 50 other agencies will have a complicated job interacting with all of them. That is why Csergo stated, as cited above, that some agencies like Volkswagen “don't want 10 agencies and a re-pitch every 12 months” (as cited in Clark, 2013).

Wellington (2006) also agrees with interaction being a key disadvantage in the multi-agency or what he calls the “unbundled” model:

The biggest drawback to the unbundled model is that the client must take on the role of the ‘hub’ between marketing disciplines that traditionally was filled by the agency account team. By extension, the client must also take on the responsibility of encouraging collaboration between agencies that may not be naturally inclined to work together (p. 24).

However, the interaction problem can be solved if the different agencies that the client hires are all under one agency group. WPP's CEO Sir Martin Sorrell (2004) agrees that interacting with different agencies can be troublesome: “Even if you have all these companies working harmoniously and collaboratively towards the same communications solutions, the complexity of their contact points across disciplines, across geographical boundaries would be nightmarish” (p. 21). However, if all partner agencies belong to the same group, the interaction gets easier for the client:

One of the key benefits that a parent or holding company offers clients is that they take care of the co-ordination and integration. But the work, however, will always be the dominant consideration. Integration and coordination are becoming an increasingly important number-two priority. You

can have one key contact responsible for making things happen across all the disciplines and throughout all the territories, as you would if you were appointing a direct marketing agency to handle a one-off campaign in one country. All the additional complications caused by the number of disciplines and the number of countries become the group's problem. Not the client's (Sorrell, 2004).

When agencies do not belong to the same group, their interaction leads to another drawback: higher costs. According to Halinen (2002), a highly complex organizational structure is needed to interact with all of the advertising agencies. The client is compelled to hire more personnel and invest capital just to be able to facilitate relationships with its advertising partners.

Marketing strategies (Halinen, 2002) get more numerous and complicated too. Whether the different agencies exist to handle different products, different markets or different countries, both advertising agency and client have to work together to maintain the client's objectives and strategies without creating inconsistencies or conflicts. Therefore, the existence of multiple agencies leads to higher task complexity as well (Halinen, 2002).

Equally disadvantageous is the client's obligation to process different agencies' policies (Halinen, 2002). Since the different agencies employed by the client may belong to different holding companies and groups, or may just have different procedures and policies, the overall management of the advertising relationships gets more complex.

Advertising partnerships in a multi-agency panorama may be challenging, also, because different environmental factors are taking place in each client-agency relationship. Every partner has different influences from the primary task environments (for example, suppliers or media agencies), secondary task

environments (for example, competitors and cooperating partners) and macro-environmental arenas (for example, different social, economical, political and technological systems) that will impact each relationship (Halinen, 2002). In other words, agencies working in different countries or targeting to different markets will be influenced in different ways by the environmental actors that Halinen (2002) describes.

Aprais (2004) developed a study that appointed some agency complaints related to this model, among them role ambiguity, which was previously identified by Beard (1996) as a main factor of dissatisfaction in marketing relationships. The investigation studied 2,500 relationships and found that agencies were not satisfied with the way clients “managing their multiple communication agencies, with lack of clarity about roles and responsibilities, and a culture of uncertainty appearing as the norm” (Child, 2012, p. 17). Some of the testimonies included executives claiming that “clients expect collaboration to happen, but then expect us to pitch against each other on every new project”; “It is a free for all, and then clients wonder why ideas aren't integrated”; “They don't lead, but do not appoint any one agency to do so either” and “If there are 'rules of engagement', the client usually breaks them” (as cited in Child, 2012, p. 17).

Finally, several researchers suggest the human factor may become more prevalent (Michell, 1986; Hotz, Ryans and Shanklin, 1982). Since the advertising teams that deal with the client get multiplied, there is more space for problems such as “changes in personnel, client-agency personality conflicts, personnel turnover, quality of communications, attitude (defensiveness, indecisiveness), problem management or expectations management,” which may take place in both parties (Michell, 1986, p. 33; Hotz, Ryans and Shanklin, 1982, p. 40).

However, although the disadvantages may seem more numerous than the advantages, the importance and relevance of each one should be taken into account.

Whether a company is multinational, has a diverse product portfolio or targets its communications to different markets, it most likely needs to count with different advertising agencies. The key to the issue relies in the undeniable importance of the message adaptation and freedom of work, that allows agencies to create more meaningful advertising and therefore drive more sales, which is the ultimate objective of any communication investment.

#### **4.4. Case: Kraft / Mondelez and its agencies**

An exploration of an example of the Multi-Agency Model may answer questions about how this model works in a real-life situation. Mondelez International, former snacks division of Kraft Foods, is the biggest producer of chocolate and cookies in Europe (Storm, 2012; “Mondelez Quiénes Somos”, n.d.). The company split from Kraft Foods in 2012, and now forms “a bigger, sexier snack foods company with more than 80 percent of its business in fast-growing markets abroad” (Storm, 2012). Although they are a separate company, they still follow Kraft’s philosophy of having a roster of agencies and “cherry-picking agency partners, showing a particular interest in smaller shops” (Parekh, 2012).

According to a Mondelez Assistant Brand Manager, every one of the company’s brands works with a different number of agencies, depending on its needs for every project. This specific executive works with five advertising agencies. Some of them are used for specific communication activities, like producing flyers, graphic design work or magazines placements, and others, usually the biggest ones, are used for creative projects (Mondelez Assistant Brand Manager, personal communication, March 25, 2014).

The interviewee argues that the key to procuring great results from the multi-agency system is pitching agencies against each other. They hold business



itches for big or annual projects, and chose the agency that offers best ideas.

I consider business pitching one of the main advantages of working with more than one agency. From my experience, it stops the agency from setting expensive fees. Otherwise, if the agency gets used to the client, they ask for higher fees. Also, competition between them makes them be more creative in order to win the pitch (Mondelez Assistant Brand Manager, personal communication, March 25, 2014, author's translation).

Although they hold business pitches, the executive clarifies that collaboration still happens. "Very often, several agencies collaborate on a project doing different things, apart from the main agency [that won the business]. For example, a creative agency can plan an event or a concept, and for details like merchandising, another agency handles it" (Mondelez Assistant Brand Manager, personal communication, March 25, 2014, author's translation).

Although collaboration among different agencies might be seen as tricky or sensitive (Child, 2012), Mondelez's executive doesn't consider it a problem:

Even if they [agencies] don't have a good relationship between them, they don't show it to the client. The last thing they want to do is give its client the impression that they do not collaborate well, mainly because they would lose money (Mondelez Assistant Brand Manager, personal communication, March 25, 2014, author's translation).

The interviewee argues that the main disadvantage of the model is organization and management. However, he does not consider it very relevant, since "the difference between dealing with one agency or four is not big enough". He thinks the cheaper fees that they get from business pitches make up for the slight higher costs that managing different agencies entails.

Also, different agencies' policies (Halinen, 2002) does not represent a problem for the executive either. "We are aware that every agency is different, and we know that we can't expect the same from a big agency that from a small one", states the respondent.

The Mondelez staffer concludes that they prefer this system to any other one. According to him, the company can chose the most convenient agency for every project, change assignments if something does not go well, get better prices and creativity thanks to business pitching. Hence, he considers necessary to have a roster of agencies, "without going too far [with the number of shops], but having a minimum of competition and diversity" (Mondelez Assistant Brand Manager, personal communication, March 25, 2014, author's translation).

## 5. MODEL II: THE SINGLE AGENCY

### 5.1. Elements, characteristics and examples

The second model, called “The Single Agency” in the schemata offered in Section One of this paper, comprises clients that have all their advertising business in a single agency. For the purpose of this paper, only advertising strategies will be considered. If agencies that hire one agency for all its communications strategies or “below the line” strategies (advertising, PR, media, social, etc.) were studied, few or none examples would be found. The closest case would be IBM and Ogilvy, since the technology company decided to move its whole communications business to one agency (Elliott, 1994). However, this strategy is, reported by Elliott as “the largest shift in advertising history” (1994), is quite rare.

According to Parekh, Marketing Communications Consultant and former Ad Age reporter, the Single Agency Model is an almost extinct paradigm: “It’s a model that years ago existed at a time when there were many fewer multinational corporations. There were also many, many, many fewer advertising agencies. I am talking about the 50s, 60s, even in the 70s” (Personal communication, March 24, 2014). Parekh submits, one of the main reasons why the model is not as common anymore is media proliferation:

In the 50s, 60s, 70s, you know, at that time you could hire one advertising agency with the catch-all that would handle everything. And everything at that time meant print advertising and outdoor advertising, billboards and things like that. And television, radio as well... Those were the channels. I think the original channel that shook things up in the agency world was TV, but those were the major agencies that have been around, like BBDO, Ogilvy, MccAnn, Grey... But these sorts of agencies that have been around for several decades they all built up their media departments in order to be able to

handle broadcast. At that time, you have to remember that media buying was not separated, it was all handled by the main agencies. But now, new channels have emerged, like of course the internet. We are also talking about digital, about mobile, and social media. What has happened is that clients have the feeling that they need a specialized shop to handle this kind of work. A traditional agency, that has been around for a while, may not be able to quite understand all the nuances and all the needs that are required both to create [copy] as well as to place it in that kind of medium (Parekh, personal communication, March 24, 2014).

The interviewee argues that there are so many new needs and projects to work on, “that not one agency can be really the expert on.” However, she comments on an example of a company having all its advertising in one agency, that recently terminated: S.C. Johnson. The multinational company manufactures famous products such as Raid or OFF!, as well as many other cleaning supply goods (“S.C. Johnson Products”, n.d.).

Parekh states that the multinational’s advertising account was handled for many years solely by DraftFCB. Several years ago, however, that situation changed:

Clients are hesitant to trust all their advertising to a single agency. The feeling is that it doesn’t give them enough leverage. They want to have at least two, because they find that having at least two allows them the ability to be competitive with pricing, because they have the two agencies that are competing. They also find that agencies bring better ideas because again, what they may do is pitch these two agencies against each other to have to come up with ideas. And so, when S. C. Johnson decided that they were going to put their account into review, they ended up splitting it between BBDO and Ogilvy (Parekh, personal communication, March 24, 2014).

Torrejón, Editorial Director of Anuncios.com, argues conversely, however, that several examples of agencies that hire an “only advertising agency” can be found:

If we are talking about the advertising account, there are a lot of clients that just work with one agency. For instance, nearly all automotive, Spanish national food companies (Calvo), distribution channels, toy makers, etc. In general, if you look at a national company that is also concentrated in one sector, it will most likely hire an only advertising agency (Torrejón, personal communication, March 13, 2014, author’s translation).

On the other hand, Torrejón thinks that it would be difficult to find a company that hires just one communications agency for all kinds of communications media:

If we are talking about the entire communication budget, including the so-called “below the line”, digital communications, public relations, etc., then I think that not even IBM is the case. You would need to look for small advertisers. (Without considering the fact that the media area is usually separated, although it might be under the same group as the creative agency). (Torrejón, personal communication, March 13, 2014, author’s translation).

Hence, it is obvious that this model will be the normal premise for small advertisers, whose business are not big enough to spare among different advertising agencies. As Parekh (personal communication, March 24 2014) states, there are “small business that can’t yet afford to hire many different agencies and that are not big enough to have the needs for having different agencies for different projects”. Among small advertisers, we may find, as Torrejón (personal communication, March 13, 2014) points out, national businesses that operate in single countries, like Spain. Additionally, among even smaller advertisers, we may

find companies that use a single marketing agency for their advertising, PR or digital efforts. It is therefore, less usual to find this agency model for international and bigger clients.

However, in 2006, one of the world's biggest advertisers, Procter & Gamble, adopted a system that can be related to this model: the Brand Agency Leader or BAL (Precourt, 2010). This strategy consists of placing "one executive and one agency put in charge of a brand's entire marketing" (Parry, 2009). According to the author, every P&G's brand is under a single agency. Old Spice serves as one example.

It was gradually moved into Wieden & Kennedy following positive results, rather than shifted all at once. For some brands, the BAL is working entirely with other agencies from the same group, for other brands it is a mix of group and non-group agencies. In each case, the BAL reports to the Brand Franchise Leader, who approves the strategy and spend client-side (Parry, 2009).

Which model best characterizes P&G is open for debate. Since every P&G's brand can be managed by one or a mix of agencies, it can be considered as an example that falls into both the second model of this paper and the third. It could also relate to the multi-agency model, since several agencies may work for a brand, but in that sense it leans more towards the dedicated agency approach given the tailor-made aspect of the Brand Agency Leader.

Finally, Parekh (personal communication, March 24, 2014) considers that there is a "little twist" on the single agency model, which she finds "fascinating": the semi-inhouse model. "Its actually a hybrid of a client-own advertising agency. So, for example with Cheil, from Korea, and Samsung. So, Cheil is part owned by the client, Samsung". The author also mentions a second example of this sub-model and

its characteristics:

There is another example which is Hyundai and Innocean. What you are seeing there is a change in those kinds of agency in the last couple of years, where the client is actually encouraging the agency to go out to win other kinds of business for two reasons: one, they want it for revenue perspective, since they part-own the agency and they want to make money out of it, and secondly, it is because of the desire of the agency to be able to go out and look for better talent that may want to work on different kinds of businesses (Parekh, personal communication, March 24, 2014).

## **5.2. Advantages**

The first advantage of this model relates to work standards (Michell, 1986; Hotz, Ryans and Shanklin, 1982). According to Oliver, this model works well with large companies and brands, that spread a consistent message all over the world . In other words, the results and work produced by the brand's only advertising partner can be effective if the objectives are the same worldwide. However, Oliver points out that just a few brands aim to deliver the same message across boundaries. Therefore, the work results of this model would be just convenient for a limited amount of multinational brands.

Wellington (2006), when analyzing the advantages and drawbacks of both unbundled and bundled agency models, points out that working with an only advertising agency may offer convenience in keeping communications centered with the lead agency account team (p. 24). This would mean, therefore, that the model is beneficial when looking at ease of interaction (Halinen, 2002).

The organizational experience (Halinen, 2002) can be considered as one of the

main advantages of this model. Since the client works exclusively with the agency, the relationship between both parties will have the experience and knowledge that this approach generates.

Parekh (personal communication, March 24, 2014) considers this model advantageous in terms of efficiency. According to the expert, not dealing with multiple agencies leads to advantages like not handling multiple fees and not needing “someone re-negotiating those contracts”. Also, the advertising reporter argues that another important advantage relates to how employees and teams interact (these factors were previously identified by Halinen, 2002, as key to marketing relationships):

Another thing that is really, really important is collaboration. If you’ve got multiple agencies, it is important for your ad program that they all work together very well, and one of the biggest complaints that you will hear from CMOs who have a number of main agencies is that those agencies don’t necessarily work well together and don’t collaborate well (personal communication, March 24, 2014).

Finally, Torrjeón (personal communication, March 13, 2014) considers that hiring multiple advertising agencies for a single brand is “always a mistake.” Therefore, it can be concluded that the advertising editorial director sees the single agency approach as a more beneficial client-agency partnership model.

### **5.3. Disadvantages**

It can be thought that one of the main benefits that a single agency offers is integration. Since they offer all services under one roof, the work results should be consistent, coherent and integrated. However, some experts defend the opposite:



Integrated communications can be seen as the attempt by agencies of all kinds to secure more business by bringing together a number of separate communication disciplines, in the hope that by doing so turnover can be increased as clients put more (or all) eggs in the one basket; or that the different margin structures of different businesses can magically meld, so that one and one can equal three or even four; or maybe that offering clients whatever they want makes it difficult or impossible for them to take their business anywhere else. It has not proved to be the case. Clients have, in most instances, refused to place the entire clutch of eggs in any basket (Griffiths, 2002).

Consequently, Griffiths (2002) reports some discord takes place in the client's marketing strategies and the agencies' ones, factors identified by Halinen (2002) as key for a successful relationship.

Parekh also mentions the danger of "putting all your eggs in one basket." "Is that one agency really going to do what you need? Are they really going to be able to get the best talent for you? Those are the concerns on the flips sides" (personal communication, March 24, 2014).

Wellington, (2006) apart from admitting one of the model's advantages, states that it has "some significant drawbacks" (p. 24). The author argues that the system implies the client sourcing many or all of its "marketing services within the same agency family or holding company, but the quality of those resources may not be consistent and may not match your specific needs" (p.24). In other words, the organizational structure (Halinen 2002) of the agency chosen may be not convenient for the client's objectives, which may lead to the work standards (Michell, 1986; Hotz, Ryans and Shanklin, 1982) being negatively affected.

#### 5.4. The IBM & Ogilvy Case

20 years ago, the technology giant IBM decided to bring all its advertising business to a single agency, Ogilvy & Mather. According to Maddox (2004), it was a significant move “because it changed the ways in which IBM worked with its agency partners, aligned its internal communications and defined itself as an integrated global business”. As mentioned in earlier sections of the paper, the company dismissed over 40 agencies to work with the multinational advertising agency.

During the last 20 years, both agency and client have made changes to adapt their business to each other. For example, Ogilvy had to resign some competing technology clients, including Microsoft and Compaq (Maddox, 2004). The author points out that the client also adapted itself to Ogilvy, since they changed its entire agency model structure. “To ensure that Ogilvy is able to function as a strategic partner, IBM provides access when needed to its very top management, including Kohnstamm and Chairman-CEO Sam Palmisano”. As one of its executives states, “it is a very multilayered relationship, not just in advertising but as a partner in strategy, in business, advertising, direct marketing and campaign development” (as cited in Maddox, 2004).

However, as mentioned earlier in the description of this model, not even IBM can be cited as a client that invests all its communications budget in a single agency, since nowadays IBM employs another agency partner, Publicis’ digital agency Rosetta. However, IBM&Ogilvy’s partnership is one of the most significant cases for a long, loyal and strong relationship between partners.

Hubbard, Ogilvy Assistant Account Executive working for IBM, considers that the relationship is still this strong nowadays because the client trusts them after 20 years, it is a long-standing relationship, and it is subsidized (personal communication, March 25, 2014).

According to her, the key advantages for being the main partner of the client is that it is “easier to collaborate with different parts of the agency” rather than collaborating with third parties:

Often we have to work with other agencies in order to get something done, and that makes it complicated and hard. Working on the same floor as everyone else streamlines everything that we need to get done with access to every part of the agency (Hubbard, personal communication, March 25, 2014).

However, Hubbard also finds some disadvantages in being the main agency of the client. For example, she points out that “some parts of Ogilvy are more expensive than a third party vendor”. Also she argues that “many people do only work on IBM and it makes them a bit anxious.” Finally, the executive explains how there is a “lot of overlap between what ogilvy does and what they do in house” (Hubbard, personal communication, March 25, 2014).

The Ogilvy executive points out how she is happy being part of this model, although it may “take out some of the competitive nature with agency life.” Finally, she also considers that their system is pretty similar to the third partnership model described in this paper, the Dedicated Agency:

IBM's headquarters are about 30 minutes upstate, so it makes sense that most of the team is here in the New York office. There is an established IBM team that's multidisciplinary, so it works the same way [as a dedicated agency], it's just not named (Hubbard, personal communication, March 25, 2014).

## 6. MODEL III: THE DEDICATED AGENCY

### 6.1. Elements, characteristics and examples

Not all client-agency relationships are represented by the two models previously discussed. Some relationships are better represented by a third model called “The Dedicated Agency” (Parekh, 2012a). This model includes advertising agencies that are specifically created to serve one client. The dedicated agency is characterized by the client having tight control of the work (Oliver, personal communication, February 26, 2014) and is usually originally formed by collaborating agencies or teams, as described by Clark (2012) that end up forming a dedicated agency.

WPP is the “head of the league” in the dedicated agencies or what is sometimes called the “team agencies” arena. “In a team scenario, instead of pitching a single brand like Ogilvy & Mather or AKQA or Wunderman, WPP promises a client an integrated marketing unit tailored with talent from across its agencies” (Parekh, 2013). The examples and cases are numerous. Parekh reports:

Over the past 18 months, a sluggish period for new business, the team approach helped WPP reel in lucrative accounts including GlaxoSmithKline, Samsung, Bank of America, Chinese telecom Huawei and luxury fashion brand Chanel. The teams range in size and structure; some are merely partnerships between a couple of WPP shops, but others are amalgamations of staff from numerous agencies, with their own offices, websites and monikers like Hudson Rouge, for Lincoln; Cavalry, for MillerCoors; and Red Fuse, for Colgate. WPP says there are now more than 30 of these teams. (Parekh, 2013)

As mentioned in the introduction of this paper, the lines between models are diffuse, and some cases may fall into more than one model. That is why Parekh

(2012a) considers agency teams within a group, as WPP, to be dedicated agencies, while Clark (2012) classifies them as simply a way that several agencies collaborate.

The Dedicated Agency is reported to be “the model du jour” (Parekh, 2012a). In other words, the model is fashionable and *in crescendo*, as WPP continues to use it:

The acceleration of the team approach is no coincidence. WPP has over the past few years grown more proactive with its model; it doesn't wait for business to come its way. It spots and approaches big clients with sketches for what a potential team could look like (Parekh, 2013).

However, the group led by Martin Sorrell is not the only one in the market. Parekh reports, “WPP has been by far the most aggressive in promoting the team approach, but it's hardly alone and other agency-holding companies are showing increased interest” (Parekh, 2013). Interpublic also uses this model. The holding company set up an advertising unit for Mastercard and won a team pitch to serve all Cadillac brand marketing (Parekh, 2013).

On the other hand, Publicis was an early adopter of the dedicated agency system, since it created a whole unit for Fiat in 2003. At the time, the new Fiat agency was reported to be called “Fiat Coordination Center” and consisted “of 35 people from various Publicis Groupe agencies” dedicated to the automotive brand (White & Galloni, 2003). The agencies included Leo Burnett, D'Arcy Masius Benton & Bowles, Arc and Starcom MediaVest. The new unit's objective was to “handle the creation of the most important Fiat brand campaigns for Europe, with input from local agencies” and with the intention “to create more cohesive, effective marketing campaigns” (White & Galloni, 2003).

MDC Partners, Crispin Porter + Bogusky and Anomaly's holding company, is also a part of this movement. Its CEO, Miles Nadal, stated that "while the majority of pitches are individual-agency-led, MDC will continue to provide that synergistic approach when an integrated solution is best for the client" (as cited in Parekh, 2013).

Finally, as mentioned in the previous chapter of this paper, Procter & Gamble's Brand Agency Leader could be considered a similar example of a dedicated agency approach. However, given its peculiarities, it falls more easily into the "more than one" agency model category, what this paper is calling The Multi-Agency Model.

Despite the fact that several successful precedents can be found, the dedicated agency model is not always a safe bet. There have been some cases of failed dedicated agencies. The example of Enfatico, the WPP agency dedicated to Dell, may be the most relevant one. Consequently, a carefully planned approach is needed for a dedicated agency to succeed. Parekh (2009) admits that despite Enfatico's failure, the model "can still work."

Parekh (2009) describes several points that are key to the dedicated agency's success. First, she argues that is vital to evaluate the client's "values, culture and philosophies" rather than focusing on its "revenue figure and promises of exclusivity". According to her, those values must be in line with the team in order to succeed. The expert also recommends specialization, since "it's impossible to be best-in-class in everything" and she brings up the fruitful case of RIOT, Adidas' advertising digital agency. Advertising executives should consider this thought when setting up a dedicated agency, because it can be understood that this model equals generalization. While it seems that an agency of this kind should provide all services to its client, Parekh (2009) claims the contrary—specialization—is at the heart of the success of this model. Moreover, the author suggests that

overestimating the importance of the client, resting attention to the agency's employees is a big mistake. "Happy and constantly challenged workers lead to better product" and when working just for one client, the agency should "rotate staff to work across many brands or take on as many different responsibilities as possible to recruit top talent and retain it." Finally, Parekh (2009) recommends avoiding exaggerations and making promises the partnership won't be able to keep:

Claiming that you're reinventing the wheel or the agency model will only lead to more scrutiny, not to mention expectations that are impossible to live up to (...) Don't loudly, and publicly, make promises on things like a staffing-up schedule unless you are 110% sure you will make good on them (...) Create your own internal timelines and do your best to stick to them (Parekh, 2009).

## **6.2. Advantages**

The first of the advantages of the dedicated agency model relates to the group of variables of the parties' policies, specifically the budget or cost (Michell, 1986, p.33). Oliver (personal communication, February 26, 2014) affirms that one of the main reasons to adopt this model is the relative cost in coordination and management. If the client only has to contact one agency manager who is always available to him, the management of the agency is obviously easier than in other models. Easier management leads to reduced costs, since the client needs therefore less personnel to deal with the advertising partnership. Also, since the dedicated agency will be most likely located nearby the client headquarters, the trips and management expenses get lower too.

According to Steve Blamer, former ad executive, this advantage is the main reason why clients and agencies chose this model:

The answer isn't about talent, resources, or anything besides compensation. Everyone is under tremendous stress to reduce cost, and you can cut a deal with a holding company that's cheaper and it's just that simple. This move back is all under the camouflage of integration and a coordinated effort. Bullshit. It's about money. And by the way, the holding companies are more than willing to cut fees by consolidating all their business in one location (as cited in Parekh, 2012a).

In fact, it is possible that this model not only reduces costs but also increases earnings. This is the case of WPP, which in 2010 “attributed \$2 billion of its \$14 billion in overall revenue, or about 14%, to such teams.” The figure increased in 2012 “to \$7 billion in 2012 -- more than 40% of the holding company's \$17 billion in revenue” (Parekh, 2013).

The second main advantage of this strategy relates to the contextual factor of interaction. This model facilitates cooperative interaction, which is the ideal kind of interaction and happens when both parties share common interests (Halinen, 2002). As a P&G spokeswoman explains, it gives clients “an opportunity to look all the way across the network and to collaborate across the network” so that they “can identify opportunities and tackle any problems” (as cited in White & Galloni, 2003). Also, the P&G executive thinks that “there's greater focus on addressing issues quickly, with speed and efficiency” (as cited in White & Galloni, 2003). Parekh (2012a) states that “the feeling of many CMOs is that a singular point of contact for all, or at least a bulk, of a company's marketing needs is easier than working across disparate agencies.”

Work standards (Michell, 1986; Hotz, Ryans and Shanklin, 1982) play an important role in the advantages of this model too. According to the president of a consulting firm working for the Fortune 500, “client organizations are running very



lean and have little tolerance for inefficiency among their agencies, especially if they do not work well together” (as cited in Parekh, 2012a). This means that the dedicated agency facilitates the work, avoiding risks of failed collaboration between agencies, which ultimately result in poor work.

The CEO also highlights another advantage of this model: the lack of role ambiguity (Beard, 1996). The consultancy director argues that the dedicated agency offers “better clarification of who does what”, which “is a good thing” (as cited in Parekh, 2012a).

Oliver (personal communication, February 26, 2014) considers that the team approach entails simpler organizational structure (Halinen, 2012). Given the fact that the agency is created to serve the client, the structure of the advertising unit will be adapted to serve the needs and specifics of that client.

Also, the organizational experience (Halinen, 2002) has to be considered as one of the key advantages of this model. Obviously, an agency that is created to work exclusively for one client will be familiar and experienced with the client, and viceversa.

Finally, several researchers have concluded that policies will not be a problem in this model, since the dedicated agency will be set up based on the characteristics of the client (Michell, 1986; Hotz, Ryans and Shanklin, 1982).

### **6.3. Disadvantages**

In spite of all these advantages the team approach is seen by some professionals in the field as less than opportune. As would happen in the single agency model, Parekh (2013) reports that creative employees in advertising

agencies produce better work since they are stimulated by client diversity. “Single-client agency structures are a controversial topic in adland, with critics pointing out that the best talent, creatives especially, prefer to work on a range of accounts, not just one client” (Parekh, 2013). Blamer defends the same argument: “Creative people join an agency to work on lots of different things, to work on different kinds of business. When assigned to a team, creative people feel stifled and locked in” (as cited in Parekh, 2012a).

This lack of account variety not only affects the work standards, but also the staff working at the agencies (Michell, 1986; Hotz, Ryans and Shanklin, 1982). Parekh (2012) reports that “some agency executives wonder whether dedicated client shops will attract the top-tier creative talent that major marketers want on their accounts, since it's more difficult to recruit staffers to work on a single piece of business.” When reporting about Dell’s dedicated agency failure, the author stated that “it's not easy attracting top-notch talent to a shop that's focus is just one client, and keeping good talent in such an insular culture is even harder-so there have to be measures that allow for some variety” (Parekh, 2009). According to experts in the field, just marketers with exceptional products and variety will attract talent to their single-client agencies, but those cases are the exception (Parekh, 2009). Anderson considers this aspect as a disadvantage as well: "The biggest limitation of a single-client agency is that agency’s most creative employees and strategists like to be stimulated by the issues that exist in agencies that have multiple clients” (as cited in Parekh, 2009).

Parekh (personal communication, March 24, 2014) also admits that this disadvantage does not impact everybody and clarifies why this is an issue for dedicated agencies:

I am sure there is [sic] plenty of very talented folks who work within those agencies, but I think that particularly for a creative mind, in this business,

specially at time when the creative people are constantly seeing opportunities to make more money, and do something more technologically exciting in Silicon Valley, and being recruited by places like Google and Facebook... In order to keep those kinds of minds interested, there is just a tendency when you are creative, you need to have your muscles exercised in a variety of ways, and working just with one client can get a little bit “still,” that’s what I think most creatives would say. So, the fear in an agency like that would be that the creative turnover is pretty high (personal communication, March 24, 2014).

In addition, Anderson does not see lower costs as an advantage, since “the thing about advertising and marketing communications isn't just about cost; it's about value for the cost” (as cited in Parekh, 2009).

According to Jack Trout, Trout & Partners president, the secondary task environment (concept described by Halinen, 2002), could be negatively affected by the model (as cited in White & Galloni, 2003). Blamer argues that clients within the dedicated agency network could think “You set up one of those for them. How come you're not setting one up for me? Are they more important than I am?” (as cited in White & Galloni, 2003).

Also, future relationships between clients and ad agencies may be deteriorated by this model. Parekh (2013) reports how an anonymous Chief Marketing Officer argued that “in five years agency networks like BBDO, McCann, Y&R and Saatchi & Saatchi will matter less.” The executive stated: “The agency model is really dead. I don't need all these different agencies working for me. I don't want it to be about [agency brands]. I just need less overhead and more efficiency” (as cited in Parekh, 2013). This mentality is what is making some professionals worry about the future of ad agency-client relationships. “Numerous staffers at shops like Ogilvy & Mather, JWT and Grey fear the value of their agencies' rich heritage and unique philosophies is fading” (Parekh, 2013). A publicist working at

one of WPP's agencies affirms: "If it continues to go down this path, and clients go directly to [Mr. Sorrell] for solutions rather than the heads of agencies, it's absolutely going to start tarnishing the brands" (as cited Parekh, 2013).

Not only professionals from the agency side are displeased by this new model. As cited previously in the paper when describing Mondelez's case, some clients, as Kraft Foods, do not believe in dedicated agencies. "The company has instead shown a preference for cherry-picking agency partners, showing a particular interest in smaller shops" (Parekh, 2012a). Kraft Food's director of global strategic agency relations thinks that "price isn't about how many agencies you have; it's about who you're working with and how you're collaborating to get great work done together efficiently" (as cited in Parekh, 2012a). The executive adds:

What matters to us is matching each of our businesses with the agency that best fits its needs and presents us with great creative work and strategic approach. We look at what our each of our partners can bring to the table to deepen our connection with our consumers (as cited in Parekh, 2012a).

Hence, according to Kraft, as well as other advertising professionals earlier mentioned, work standards (Michell, 1986; Hotz, Ryans and Shanklin, 1982) are better met by the multi-agency model.

#### **6.4. The WPP case**

As previously described, WPP is one of the pioneers and key proponents of the dedicated agency model or team approach, along with Publicis (White & Galloni, 2003). WPP, however, is an interesting case because it has examples of great success, such as Team Detroit or Red Fuse, and failure cases, such as Enfatico.

The origin of this practice in WPP dates to 2004, when the group created an agency for the bank HSBC. The network's CEO, Sir Martin Sorrell claims that "most of our competitors at that time pooh-poohed the idea of putting together teams" (as cited in Parekh, 2013). "He said that he's never shied from being hands-on with clients and rearranging WPP's resources in order to win business, while his competitors have preferred to step back and let the agencies handle bringing in accounts" (Parekh, 2013).

According to the Parekh, there are several advantages of this model that Martin Sorrell is pitching to various advertisers:

There is a feeling that when there it is so much to handle within an advertising program you can get stuck by having so many multiple points of contact, and then it is all about wanting more efficiency. There needs to be a single place to go that is more efficient in terms of someone that is a point of contact to handle all of your advertising needs. And, on top of that, more importantly, [there needs to be] a single point where you are negotiating revenue, and the fee that you are willing to pay (...) I think it does have a lot to do with it, rather than a CMO having to be constantly renegotiating contracts with a million of agencies, I think it can get pretty complex. Rather than sending a multi-year contract with one agency, or maybe a yearly contract, because at least you feel you have that one place to go (Parekh, personal communication, March 24, 2014).

Leadership is also key for this model to work and it is one of the strengths of WPP's strategy:

"Mr. Sorrell serves as the undisputed head of the league, but he's got a lineup of big-time coaches, too. Among them, Satish Korde, president-CEO of Team Detroit -- the shop built in 2006 for Ford that's widely regarded as the

most successful example of the dedicated agency model. Previously, Mr. Korde was a global client director at WPP charged with replicating such teams for many of its largest clients, including Allianz, Shell and Kimberly-Clark. There's also George Rogers, director of global business development at WPP and former head of Team Detroit. Together, they're scheduling client meetings and dialing-for-dollars any prospects who'll listen” (Parekh, 2013).

WPP has, among its group of agencies, several successful “team players”. The first of them is the mentioned Team Detroit, founded in 2006 to serve Ford. It was formed by joining teams from Ogilvy, JWT, Young & Rubicam, Wunderman and Mindshare. Nowadays, they also serve few other clients apart from Ford, such as The Sports Authority or Carhart. However, most of its work is dedicated to Ford and Lincoln Models (“Team Detroit”, n.d.). Other automotive dedicated agencies are Team Mazda, set up in 2010, and Team Lincoln, in 2012 (Parekh, 2013). Currently, the latter has changed its name for Hudson Rouge, and it is now a luxury-advertising boutique focused on its sole client, The Lincoln Motor Company (“Hudson Rouge”, n.d.).

Another remarkable example is Red Fuse. Founded in September 2012 to serve Colgate-Palmolive, it is still dedicated only to that client. At the time, it was a major move and was reported in the following way:

After nearly 30 years of partnering with individual WPP agency brands, such as Y&R and MEC, it is moving all of its advertising under a single roof and P&L at the holding company. WPP will relocate the hands working on Colgate-Palmolive throughout the organization to a unit called Red Fuse, which will service the parent company of Ajax, Irish Spring and Speed Stick (Parekh, 2012c).

However, as said before, not all WPP’s dedicated agencies have been as

successful as those described. Sir Martin Sorrell admits its failures through a metaphor: “It’s not to say that when you make an omelet you don’t break some eggs” (as cited in Parekh, 2013). He refers to Enfatico, the custom agency for Dell that did not prosper and was “quickly folded into WPP’S Young & Rubicam” (Parekh, 2013).

Parekh (2009) describes the causes of its breakdown. First, a reason “it could do nothing about: a global economic meltdown that left an environment inhospitable to these kinds of experiments.” Also, the author argues that the creators’ lack of commitment with the project worsened the situation: “Mark Jarvis and Casey Jones, the Dell marketers who asked for the agency concept that would become Enfatico were both gone from Dell a year after the agency was founded.” Other of the reasons for the failure was the agency’s “loudness,” since they overpromised achievements that would have been complicated to accomplish: “It proved to be too ambitious, attempting to scale up to 1,000 staffers in a year.” Since they proclaimed high goals, the public opinion followed their steps closely, making their success even more difficult. An ad executive familiar with the experiment stated:

They came out of the starting gate with this announcement that they are going to reinvent the modern agency of the future, so that was a little braggadocio and opened them up for criticism. They had a groundswell of disgruntled [former Dell] agencies, and a lot of noise and negativism in the blogosphere (as cited in Parekh, 2009).

In conclusion, it can be said that, having its advantages and drawbacks, the model has proved success for some clients and agencies. However, it has to be carefully planned, studying the suitability of the team approach for each client, not overpromising and offering agencies’ professionals the variety and diversity they need.

## 7. CONCLUSIONS

After reviewing the main variables and factors that affect client-business relationships, and assessing what experts and agents in these relationships have to say, it can be concluded that some variables are more relevant than others. As it can be seen in Table 2, when analyzing the models, experts refer to interaction and work standards as the main representative advantages or disadvantages.

**Table 2: Main advantages and disadvantages of the three models of ad agency-client relationship models**

| <b>Environmental factors</b>   | <b>Model I</b> |              | <b>Model II</b> |              | <b>Model III</b> |              |
|--|----------------|--------------|-----------------|--------------|------------------|--------------|
|  | Advantage      | Disadvantage | Advantage       | Disadvantage | Advantage        | Disadvantage |
| Primary task environment, secondary task environment and macro-environment |                | X            |                 |              |                  | X            |
| Organizational experience  |                |              | X               |              | X                |              |
| Interaction  |                | X            | X               |              | X                | X            |
| Marketing strategies   | X              | X            |                 | X            |                  |              |
| General organization structure   |                | X            |                 | X            | X                |              |
| Employees and teams  |                |              | X               |              |                  |              |
| Task: complexity   |                | X            |                 |              |                  |              |
| <b>Variables</b>   |                |              |                 |              |                  |              |
| Role ambiguity   |                | X            |                 |              | X                |              |
| Work standards   | X              |              | X               | X            | X                | X            |
| Policies   |                | X            |                 |              | X                |              |
| Teams and staff  |                | X            |                 |              |                  | X            |

Hence, it can be said that a model that facilitates ease of interaction and produces good work would be a safe bet for agencies and clients. However, none of these three models offer interaction and work standards as simultaneous



advantages. Model I: The Multi-Agency Model has a clear drawback with regard to interaction, since it is always going to be more difficult to deal with multiple partners than interacting with one. Model II: The Single Agency Model facilitates interaction, but it fails when it comes to work standards, since a single agency may not be able to meet all the needs a company has. Model III: The Dedicated Agency facilitates interaction since it is a single agency as well. However, according to some experts, it fails at providing good work due to the lack of assignment variety that creative minds require.

Also, as it can be seen by studying every model's case, agents working in different systems have their own perspective about them. Kraft senior executives, as well as the junior executive consulted, are satisfied with Model I: The Multi-Agency Model. Although the interviewee recognizes some weaknesses that could be improved, he considers vital for companies to work with more than one advertising partner (Mondelez Assistant Brand Manager, personal communication, March 25, 2014). The same direction is followed by the Ogilvy executive working for IBM. According to her, it is a model that works for both the agency and the client (Hubbard, personal communication, March 25, 2014). Finally, researching WPP's dedicated agencies, successful cases can be also found. It could be therefore concluded that the specifics of every company require either one model or other.

However, Parekh reveals an interesting insight when considering why some companies choose a specific model. She affirms that it is not all about the specifics of the company, but in most cases about the company's CMO preferences:

I think that at the of the day, it is a people business and you have to remember that the decisions ultimately come down to the CMO and the CMO's preferences or the CEO, Chairmans... A lot of it is about personal preferences... (Parekh, personal communication, March 24, 2014).

In order to explain her point, she shares a couple of examples that illustrate how the selection of a model depends on CMOs or C-Suite inclinations. The first example is Enfatico, previously mentioned in the paper. The dedicated agency for Dell was created by marketing managers that left before the agency was even open. When new marketers arrived to the client's management, they did not want that model anymore. The same happened with GM and its joint venture Commonwealth, also previously mentioned. When new management arrived to the automotive company, the joint venture model was terminated.

This phenomenon is obviously a reality in the marketing industry, but it should not be that way. Marketers should have a clear strategic direction based on the specifics of their businesses, that could be occasionally modified depending on the circumstances and changes in the industry environment. And, these direction changes should have a long-term perspective and not be made depending on the actual person in charge of managing the company or its marketing departments.

Moreover, company's CMOs should pay attention to successful trends. As previously mentioned when analyzing the dedicated agency, it can be seen how the model is *in crescendo*. These CMOs should pay also attention to little changes in tendencies too. For example, the dedicated model has proven to be advantageous in numerous ways, winning over the other models. However, it has a clear drawback: lack of client variety that affects work standards, teams and staff. Marketers should realize, if they have not already, that this drawback has been resolved by a more recent trend: dedicated agencies that have started to take over new clients. As discussed with Parekh (personal communication, March 24, 2014), it is a clear tendency, and agencies like Team Detroit have successfully taken this direction.

This new model of dedicated agency could be a safe option for the future. Even though it is clear that, for some companies, the multi-agency model works perfectly, building up efficient communication and management structures that

make interaction easier could prove as convenient for several agencies.

Finally, it can be also concluded that the single agency model, for big corporations, is practically dead. Although it seems to work for few companies, they are not real single agencies anymore. Former single-agency clients are either dividing their assignments among two or more agencies (like S.C. Johnson), or hiring small agencies to help the main one with the requirements of new technologies and fragmented media (like IBM).

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## **APPENDIX**



## 1. Notes from meeting with Xavier Oliver, University Professor and former Chairman and CEO BBDO Spain, February 26, 2014.

Reflexiones charla sobre relación agencia-cliente con Xavier Oliver

### Introducción

- Ejes para la distinción de modelos: tight control + loose control

### Modelo I

Ventajas

- Bueno para distintos países y modelos locales. Permite tener distintas agencias en los países de destino y mandar un mensaje personalizado.

Inconvenientes

- Más costes en management y coordinación que en otros modelos.
- No se ha de imponer la comunicación en las distintas agencias desde los headquarters. Hay que dejar libertad de acción a las diferentes agencias en distintos países. ¿Qué pasaría si directivos de Coca-Cola desde Atlanta tuvieran que decidir qué se hace en el Corte Inglés en Cataluña con las Sardanas? Si la estrategia de comunicación tuviese que centrarse en las Sardanas, en Atlanta no tienen ni idea de qué son.

### Modelo II

- Llamar a David Torrejón de Anuncios.com para preguntarle sobre casos modelo II.
- McAnn con Shell.
- Solo funciona con grandes marcas que transmiten el mismo mensaje en todo el mundo. Son muy pocas.

### Modelo III

Ventajas

- Menos estructura
- Menos coste en coordinación y management
- Agencia cerca de los headquarters.

#### Inconvenientes

- Comunicación menos específica por países.
- HSBC primera agencia dedicada.
- Seguidamente, DDB con Texaco. Se puede buscar el caso de Omnicom University - Bapson.
- Solo funciona con grandes marcas que transmiten el mismo mensaje en todo el mundo. Son muy pocas. No es el caso de Coca Cola.

#### Teoría péndulo

- Se da la corriente de más anunciantes creando dedicated agencies a la vez que aumenta la especialización y las agencias pequeñas especializadas van triunfando. ¿Por qué se da esto? Por la teoría del péndulo. Unos están en un extremo, y otros en otro. Si no les va bien se pasan al otro extremo. Es muy difícil permanecer en el medio del péndulo.

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#### Debate Centralización:

Casos en que centralización ha fracasado:

- Martini: se destrozó al centralizar.
- Lays: Ruffles, tuvieron que volver a onduladas.
- Procter & Gamble redujo su cartera de productos.

**2. Email interview transcript, David Torrejón, Editorial Director Anuncios.com, March 13, 2014.**

**Me:** Estoy analizando tres modelos de relación agencia-cliente: I. El anunciante que contrata a varias agencias de publicidad, II. El anunciante que tiene todo su negocio publicitario en una sola agencia y III. El anunciante que tiene una "dedicated agency" o agencia creada expresamente para su negocio.

Estoy teniendo dificultades para encontrar casos del segundo modelo, el anunciante que tiene todo su negocio en una sola agencia. Aparte del ejemplo de Ogilvy e IBM, ¿conoce algún otro caso?

¿Qué opinión le merece este sistema frente a los otros dos restantes?

**Torrejón:** Intento ayudarte con lo que sé. Si hablamos de la cuenta de publicidad, hay muchos clientes que solamente tienen una agencia. Por ejemplo, casi todos los de automoción, empresas nacionales de alimentación (Calvo), cadenas de Distribución, jugueteras, etc. En general, si buscas una empresa nacional y concentrada en un sector, será más probable que tenga una sola agencia de publicidad a su servicio.

Si hablamos de todo el presupuesto de comunicación, esto es, incluyendo el llamado below the line, la comunicación digital, las relaciones públicas etc., entonces no creo ni que IBM cumpla la premisa. Habría que irse a los pequeños anunciantes. (Y eso sin contar con que el área de medios está normalmente desgajada, aunque puede estar en una empresa del mismo grupo que la agencia creativa).

**Me:** ¿Cuáles consideraría las principales ventajas y desventajas de este sistema de única agencia, frente a la contratación de varias?

Creo que repartir una misma marca entre más de una agencia es SIEMPRE un error.

Si se trata de repartir las marcas de un fabricante entre diversas agencias la cosa cambia y puedo hablar por experiencia directa.

Las ventajas son el mantener una cierta tensión competitiva y que el departamento de marketing aprenda de dos formas de ver la comunicación que nunca serán idénticas. Siempre hay mayor transferencia de conocimiento cuando hay más cabezas implicadas. Además, se puede convocar a las agencias de diferentes marcas para nuevos proyectos (una nueva marca, un lanzamiento) sin necesidad de sacar información confidencial a terceros y de forma más sencilla.

Las desventajas, principalmente la multiplicación de interlocutores que hace menos eficiente el tiempo del departamento de marketing. También una desventaja económica, pues siempre se podrán conseguir mejores condiciones si se concentran las marcas en un solo interlocutor.

**3. Phone interview transcript, Rupal Parekh, Marketing Communications Consultant and former Ad Age Agency Reporter, March 24, 2014.**

**Me:** Yes, I will send it along. So I am having some trouble finding examples of the second model, the client that just hires one advertising agency. I have been able to find some cases of small companies, but multinational companies tend to hire more than one advertising agency.

**Parekh:** Right, so the reason why you are having trouble finding examples of that model is because... they are almost extinct at this point.

**Me:** Okey

**Parekh:** It's a model that years ago existed at a time when there were many fewer multinational corporations... you know... there were also many many, many fewer advertising agencies... I am talking about the 50s, 60s, even in the 70s. There is a couple of factors that drive why you won't find any examples... really truly any longer... One of them, without a doubt, is media proliferation. So the idea that in the 50s, 60s, 70s, you know, at that time you could hire one advertising agency with the catch-all that would handle...

**Me:** Everything

**Parekh:** Yes, and everything at that time meant print advertising and outdoor advertising, billboards and things like that. And television, radio as well... Those were the channels. I think the original channel that shook things up in the agency world was TV, but those were the major agencies that have been around, like BBDO, Ogilvy, McAnn, Grey... but these sorts of agencies that have been around for several decades... they all built up their media departments in order to be able to

handle broadcast. But at that time, you have to remember that media buying was not separated, it was all handled by the main agencies. But now, new channels have emerged, like of course the Internet. We are also talking about digital, about mobile, and social media. What has happened is that clients have the feeling that they need a specialized shop to handle this kind of work... because you know, a traditional agency, that has been around for a while, may not be able to quite understand all the nuances and all the needs that are required both to create an ad as well as to place it in that kind of medium. As well, in the past decade media buying has gone to specialized agencies, like big multinational firms, the large media agencies and the large media agency groups. Thanks to their scale, they are able to get better rates for their clients. That is the first of the main reasons why we don't see the notion of just hiring one advertising agency. But you are right, for small business that can't yet afford to hire many different agencies and second they are not big enough to have the needs for having different agencies for different projects, so you have those examples. One of the last examples of a company having all its advertising in one agency, that just recently terminated is SC Johnson. Are you familiar with it?

**Me:** Is that anything related to Johnson&Johnson? Or not at all?

**Parekh:** No... not at all. They sell household products. They make products that you will probably be familiar with them. They are more US but they are pretty Global. SC Johnson, they are based in the US. Their advertising has handled for many, many years solely by DRAFT FBC and in the past couple of years what happened, which is related what I think is the second reason why you don't see examples of this any longer... the second reason is that clients are hesitant to trust all their advertising to a single agency the feel is that it doesn't give them enough leverage. They want to have at least two, because they find that having at least two allows them the ability to be competitive with pricing because they have the two agencies that are competing. They also find that agencies bring better ideas because again, what they may do is pitch this two agencies against each other to have to

come up with ideas. And so, when SC Johnson decided that they were going to put their account into review, they rounded up splitting it between BBDO and Ogilvy. You will find a lot out there about it. Its one of the last major examples.

And I think, again, with so many agencies and so many different projects to work on today, to have all one in a big overarching program in order to keep your brand awareness out there... in order to engage with costumers.. in order to create ads on every platform, I just think that today there is too many different needs that not one agency can be really the expert on, let's say, be the costumer service agency while also being the mobile agency. It's really distrained. For example, at Apple does so much of their advertising in house but for many many many years they work with TBWA but also for tiny projects here and there they work with a couple of other small shops, but you don't hear about it that much. For example they work with an agency called Eleven in San Francisco, they work with an agency in Minneapolis called Mono, you just don't hear about it that much. Many companies work with many partners for different parts of their businesses.

**Me:** What I took into consideration for my project it is just advertising accounts though. With today's new social media, mobile proliferation, companies need different agencies for all those tasks, also for PR, media... since it would be so difficult to find an example of a company that just hires one agency for all the below the line projects, I decided to limit it to advertising accounts and projects, not PR, not media... just look at the companies that chose to have one agency for all their advertising projects. I am looking examples of clients that hire just one averting agency, for example, although, as you said, is difficult.

**Parekh:** Yes, it is difficult. I will think about an example, but these are the reasons why you are not going to find as many examples. I will think about it though... What you are going to find, rather than using one advertising agency, is using one holding company...

**Me:** Yes, that is what I found. Like using just WPP, or Omnicom...

**Parekh:** Correct. Like for example Pepsi, uses Omnicom... But its not like having one account in one of their agencies, what you hear is those different agencies to have to pitch the business on an on-going basis but all of the businesses is within Omnicom.

**Me:** Ok. And... obviously one of the main drawbacks of having to use different advertising agencies is the cost, having bigger managing infrastructure... do you think the solution to that, then, is to have a dedicated agency? Instead using an only advertising agency, they create or use a dedicated agency, so that they can enjoy the benefits from the multi-agency model but have lower costs and be easier to manage at the same time?

**Parekh:** Yes, that is the selling point of the dedicated agency. What you just described is part of the pitch that Martin Sorrell has gone out to various advertisers... And it is something that we are seeing arising... It is certainly a trend and it is exactly because of what you just said, which is that there is a feeling that when there it is so much to handle within an advertising program you can get stuck by having so many multiple points of contact, and then is all about wanting more efficiency, is having a single place to go that is more efficient in terms of someone that is a point of contact to handle all of your advertising needs. And on top of that, more importantly, a single point where you are negotiating revenue, and the fee that you are willing to pay. You know, I think it does have a lot to do with it, rather than a CMO having to be constantly re-negotiating contracts with a million of agencies, I think it can get pretty complex. Rather than sending a multi-year contract with one agency, or maybe a yearly contract, because at least you feel you got that one place to go. However, the danger there is to put all your eggs in one basket, is that one agency really going to do what you need? Are they really going to



be able to get the best talent for you? Those are the concerns on the flip sides. But yes, that is why you would see everyday more of the dedicated agencies.

There is a little twist on that model, and I don't know if you are mentioning it, but it would be important for your project. It is a fascinating one. It's actually a hybrid of a client-own advertising agency. So, for example with Cheil, from Korea, and Samsung. So, Cheil is part owned by the client, Samsung.

**Me:** So it is then semi-inhouse?

**Parekh:** Yes, exactly, semi-inhouse.

**Me:** Great, I will do a little research on that.

**Parekh:** Yes, it's worth at least mentioning it because it is fascinating to think of the implications. There is another example which is Hyundai and Innocean and what you are seeing there is there's been a change in those kind of agency in the last couple of years where the client is actually encouraging that that agency goes out to win other kinds of business for two reasons: one, they want it for revenue perspective, since they part-own the agency and they want to make money out of it, and secondly, is because of the desire of the agency being able to go out and look for better talent that may want to work on different kinds of businesses.

**Me:** So you think that one of the main drawbacks of dedicated agencies is that the staff just breathes the client, and that is going to discourage them from working there?

**Parekh:** Yes... Well I don't think that is something that impacts everybody... I am sure there is plenty of very talented folks who work within those agencies, but I think that particularly for a creative mind, in this business, specially at time when

the creatives are constantly seeing opportunities to make more money, and do something more technologically exciting in Silicon Valley, and being recruited by places like Google and Facebook... in order to keep those kinds of minds interested, there is just a tendency when you are creative, you need to have your muscles exercised in a variety of ways, and working just with one client can get a little bit still, that's what I think most creatives would say. So, the fear in an agency like that would be that the creative turnover is pretty high.

**Me:** So, where do you see the future, keeping more the first model, more than dedicated agencies, and of course more than the only agency?

**Parekh:** I think that ultimately all these models are going to exist, I don't really see them being one that triumphs over the others. I think that at the of the day, it is a people business and you have to remember that the decisions ultimately come down to the CMO and the CMO's preferences or the CEO, Chairmans... A lot of it is about personal preferences.. So what you often you see is that one CMO would have worked at a large multinational... like the example of Dell... (2007, Enfatico with multi-year contract, created by marketing department that ultimately left the company before the project could get off the ground, and when new marketers came in, they didn't necessarily want the model) Example of GM, first wanted dedicated agency (Commonwealth) that new CMO finally didn't want. So I think you are going to see these models following this, because it really comes down to how a particular company or CMO wants to work.

**Me:** Since I am trying to find advantages and disadvantages of every model... What would you find as the main advantages of the second model?

**Parekh:** The main advantage would be in terms of efficiency, not having to deal with multiple agency relationships. You also probably no are dealing with multiple fees and you don't need someone re-negotiating those contracts. Also another thing that is really, really important is collaboration. If you've got multiple agencies it is

important for your ad program that they all work together very well, and one of the biggest complaints that you will hear from CMOs who have a number of main agencies, is that those agencies don't necessarily work well together and don't collaborate well together so if you've got a single agency or if they are owned by the same parent company, those aren't main concerns as if you had a media agency that is at Omnicom, a creative agency is Havas, and a PR agency at MDC, then you begin to have issues of collaboration.

**Me:** Do you think that this can happen also at a dedicated agency, since they are usually originated by a gathering of different teams, like Team Detroit?

**Parekh:** Well, but I think some of it comes down to the support that you have from clients, and Team Detroit is a model that has endured. So if Ford wants all this agencies under one roof, they are going to be collaborative to serve the client. And also, they are owned by the same parent company, and they have their own office, so its a little bit different. And two, you have to remember that Team Detroit evolved...

**Me:** Yes, they now have other clients.

**Parekh:** Yes, they handle many other clients.

**Me:** Team Detroit has other clients... Is that a trend?

**Parekh:** Yes, it is a trend. Yes, I think it is definitely a trend.

**Me:** So in conclusion, maybe the advantages of the single agency model are the same as the dedicated agency ones? One single point of contact, cost-efficiency, and so on... So if you want to enjoy those advantages, you may just go for the dedicated agency?

**Parekh:** Yes, I think those are the main drivers. I think it comes down to either that or best-in-class, working with many different agencies for your needs.

**Me:** Ok, perfect. Thanks so much. It is so interesting, I would be talking for hours.

**Parekh:** Well, you are very, very, very well versed on the subject, so its going to be a very great project.

**Me:** Oh, thank you.

**Parekh:** Good luck!

**4. Phone interview transcript, Mondelez Assistant Brand Manager, March 25, 2014.**

**Yo:** Puedes empezar contándome con cuántas agencias trabajáis y por qué trabajáis con ellas.

**BAM:** Según la categoría y marca varía. Dentro de Kraft hay varios marketing managers, pero yo te puedo hablar de la experiencia con mi marca.

**Yo:** Sí, tu cuéntame de tu caso.

**BAM:** Pues nosotros trabajamos, depende de cada proyecto... pero con cinco agencias.

**Yo:** ¿Y por qué necesitáis más de una?

**BAM:** Dependiendo del proyecto usamos una agencia u otra. Hay algunas que están en nómina de la agencia. Si quieres hacer una acción específica, como unos flyers, acudes una agencia de nómina que está para eso. Si quieres salir en una revista acudes a la agencia que se encarga del diseño gráfico. Unas son más de imprenta, otras de diseño gráfico, otras de página web... Hay otras más creativas, las más grandes y conocidas sobre todo. Tu decides con que agencia decides trabajar según el proyecto que tengas. Igual un brand manager tiene que trabajar más con las creativas, y un assistant más con las de diseño gráfico.

**Yo:** Entonces va en función del medio o proyecto que vas a hacer.

**BAM:** Sí, pero aún así hay competencia entre ellas, según el proyecto que vayas a hacer. Se suele hacer un concurso de agencias y cada uno presenta lo suyo y luego elige el brand manager en cuestión, que agencia se ocupa de todo.

**Yo:** Y este sistema de ponerlas a concurso, ¿es para obtener mejores resultados, que el trabajo sea más creativo, obtener mejores precios...?

**BAM:** Pues lo considero una de las principales ventajas de trabajar con más de una agencia. Desde mi experiencia sirve para que las agencias no se te suban a la parra con los precios, porque si se acostumbran al cliente y al final te suben los precios. Y también la competencia hace que sean más creativos, para ganar los concursos.

**Yo:** Vale, ¿en que casos hacéis estos concursos?

**BAM:** Pues para campañas anuales, proyectos más grandes, se suele hacer un plan y tu decides lo que haces. Aunque en muchas ocasiones en el mismo proyecto colaboran varias agencias que se encargan de distintas cosas, aparte de la principal. Por ejemplo una agencia creativa puede planear un evento o un concepto, y para detalles como merchandising otra agencia se encarga de eso.

**Yo:** Y esta colaboración que se da, ¿supone una desventaja?, ¿se dan problemas de colaboración?

**BAM:** En realidad son competencia... pero aunque no se lleven bien no dan esa imagen al cliente. Lo último que van a hacer es darnos a nosotros como empresa la imagen de que no están colaborando bien, porque perderían dinero. Y bueno, los inconvenientes en realidad nuestros de trabajar con varias agencias es principalmente la organización. Igual cada una quiere tirar por su lado... pero en mi caso suele salir bien todo.

**Yo:** ¿Y veis que cada una tiene políticas diferentes? ¿A la hora del contrato por ejemplo?

**BAM:** La verdad que no suele suponer una dificultad, porque somos conscientes de que cada agencia es diferente. Yo de políticas no sé pero sé que no se le puede pedir lo mismo a una agencia pequeña que a una grande...

**Yo:** ¿Y crees que el dinero que se puede ahorrar tu empresa al convocar concursos, ya que las tarifas bajan, se lo gasta luego en organizar y gestionar varias agencias?

**BAM:** No, no, sin duda sale mejor de precio tener más de una agencia. Además si una campaña no sale bien tienes la libertad de cambiar. Y además ellas se motivan al competir... creo que no tener más de una es un error. Porque además si hablamos de cuatro agencias, cinco agencias, son poquitas. El gasto de gestionarlas no es tan grande, es sencillo. De una agencia a cuatro no hay tanta diferencia a la hora de la gestión y a la hora del resultado del trabajo sí que se ve una diferencia.

**Yo:** ¿Entonces consideras que no sería mejor para tu empresa tener solo una agencia?

**BAM:** Sí, yo opino que tiene que haber un número de agencias, no pasarse, pero que tiene que haber competencia y diversidad.

**Yo:** Es decir, ¿tu trabajo como manager tampoco cambiaría tanto si trabajases con una agencia en vez de cinco?

**BAM:** Cambiaría, sería más fácil, pero igual la calidad del trabajo disminuiría.

**5. Email interview transcript, Jen Hubbard, Ogilvy Assistant Account Executive working for IBM, March 25, 2014.**

**Me:** ¿Why do you think IBM has all its advertising business in Ogilvy?

**Hubbard:** Because they trust us at this point and it's a long-standing relationship and it's subsidized.

**Me:** ¿What are the main advantages of being the only agency for the client?

**Hubbard:** It's easier to collaborate with different parts of the agency... Often we have to work with other agencies in order to get something done, and that makes it complicated and hard. Working on the same floor as everyone else streamlines everything that we need to get done w/ access to every part of the agency.

**Me:** ¿What are the main disadvantages of being the only agency for the client?

**Hubbard:** Some parts of Ogilvy are more expensive than a third party vendor, many people do only work on IBM and it makes them a bit anxious. There's a lot of overlap between what Ogilvy does and what they do in house.

**Me:** ¿Would you prefer IBM to have a larger roster of agencies? ¿Why?

**Hubbard:** Not really, though it takes out some of the competitive nature w/ agency life.

**Me:** ¿Would you think a dedicated agency for IBM (a WPP unit created just for IBM, like Team Detroit, for example) would work better? ¿Why?

**Hubbard:** Ummm, I think the reason Team Detroit works so well for Ford is because they're in a centralized location (Detroit) where both headquarters are. IBM's headquarters are about 30 mins. upstate, so it makes sense that most of the team is here in the New York office. There is an established IBM team that's multidisciplinary, so it works the same way it's just not named.