AN ASSESSMENT OF THE QUALITY OF ADVERTISING AGENCY ADVICE TO SMALL BUSINESS

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ABSTRACT

This manuscript reports the results of a national survey of advertising agencies who have small business clients. The mail survey to a national sequential sample of 500 agencies sought to evaluate the quality of advertising assistance provided to small business clients based on the agencies understanding of how advertising strategy should be developed. The results of the study indicate that the advertising agencies correctly responded to only 82% of the questions. This demonstrates the need for small businesses to judiciously select their ad agency in terms of the agency's knowledge of marketing concepts related to advertising strategy development.

INTRODUCTION

It is generally agreed that most, if not all, small businesses need to advertise. Hodgetts and Kuratko (1998) said, "In fact, it is virtually impossible for a small businessperson to sidestep the use of advertising." Siropolis (1997) stated that advertising is the centerpiece of efforts to reach and influence customers, and Ryans (1996) said that advertising is "a key activity to the success of any business." Therefore, developing an advertising strategy is an important aspect of a small business manager's marketing management responsibility.

While acknowledging the importance of advertising, many small business people feel uncomfortable developing their advertising strategy and recognize the need to engage outside assistance. Most entrepreneurs are not advertising experts, and outside sources have the potential to improve advertising strategy development if chosen well and used properly. "Most small businesses must rely on others' expertise in creating promotional messages" (Broom, Longenecker, and Moore, 1983). Outside sources include advertising agencies, media sales representatives, and other management and technical assistance programs such as the Small Business Institute, Small Business Development Centers (SBDC) and the Service Corps Of Retired Executives (SCORE). Often, the choice of small businesses for assistance in advertising strategy development is an advertising agency.

Due to the expense of an advertising agency and other factors, some small business people think that an ad agency is a luxury and that small business people should do as much as possible for themselves (Hodgetts and Kuratko. 1998). Whether a small business develops its own advertising strategy or uses outside assistance, the small business manager should be active in the advertising program (Anderson and Dunkelberg, 1993). Even if a small business person decides to use outside assistance, he/she should still have a knowledge of advertising and should be in control of the program (Hatten, 1997).

Ad agencies can make substantial contributions to the advertising strategy of small firms. However, the quality of advertising assistance depends on the competence of the ad agency personnel and their willingness to work with small businesses. If the quality of advertising assistance is poor, the small business would not benefit fully from the agency's help.

The quality of advertising agency assistance is often related to splits between clients and agencies. Buchanan and Michell (1991) pointed out that unmet expectations from the client viewpoint caused the failures in the relationships. Dissatisfaction with the performance of the agency was cited as the most common reason for agency changes (Michell, Cataquet, and Hague, 1992). Poor communication (Bourland, 1993) and a good personal relationship (Wackman, Salmon, and Salmon, 1987) were found to be related to a client's satisfaction with its agency. Beard (1996) said that client role ambiguity is significantly correlated with client satisfaction in client-agency relationships.

Korgaonkar et al. (1984, 1985) surveyed advertising agency executives and advertiser executives concerning factors correlated to successful advertising campaigns. They found that correlates of successful campaigns vary with intended outcomes and that the groups' responses had similarities and differences. Both groups believed message, media, resources, and agencyclient relationship were factors significantly related to successful campaigns. The groups differed in their views as to the significance of product uniqueness and competition.

Murphy and Maynard (1996) studied the cognitive conflict between ad agencies and their clients by comparing judgment profiles concerning attributes each group typically wanted to see in a good advertising campaign. The findings indicated that agencies and clients "think very much alike," but "they often believe they do not."

PURPOSE

Although the current literature examines ad agencies and advertisers in different ways, a void exists in the small business area concerning understandings of basic strategy. Therefore, the purpose of this article was to determine the potential quality of assistance provided by advertising agencies to small businesses by assessing ad agencies' understanding of advertising strategy development based on marketing concepts and applications. It is important to determine the understanding of strategy development of those who are responsible providing advice to those making decisions. Small business firms are interested in producing a superior advertising program and a better bottom line. Advertising agencies are interested in providing quality assistance and customer satisfaction. Both small business and agencies can both better achieve their goals if they have more knowledge about the quality of advertising assistance.

In addition, if improvements can be made through better education and training, professional associations can provide important opportunities for their members to do a better job. College and university teachers can also benefit from knowing how to train their students better.

METHODOLOGY

A national sequential probability sample of 500 advertising agencies with less than 50 employees was drawn from USA Business Directory. 1998. A letter which requested assistance and provided instructions, questionnaire, and postage-paid envelope were sent to the sample. The letter requested that a person in the agency who dealt with small businesses respond. Two months later, a follow up letter and questionnaire was sent to non-respondents. The follow up returns were not statistically different from initial responses.

A total of 56 advertising agencies responded to the survey, a response rate of 11.2 percent. The respondents had varying degrees of experience. Slightly less that 29 percent had 10 years or less experience in the business, and 71.4 percent had more than 10 years. Education levels were fairly high with only 5.4 percent having high school or less. Almost 18 percent had some college, 39.3 percent had college degrees, and 37.5 percent had advanced degrees. Type degrees held included 26.8 percent, business; 25 percent, communications; and 48.2 percent, management education.

Advertising agency respondents ranged in age from 5.4 percent being 30 or less to 55.3 percent being 31 to 50 and 39.3 percent being 51 to 70. Respondents were 73.2 percent male and 23.2 percent female (two declined to answer). Of the firms responding, 75 percent had 10 or fewer employees; 17.9 percent had 11 -20 employees; and 7.1 percent had 21 or more employees.. The responses for gross sales were that 50.9 percent had $250,000 or less, and 49.1 percent had from $250,001 to $500,000. None of the responding firms had more that $500,000 in sales. Responses were returned from 30 states from all sections of the country, a broad geographic spread.

Respondents were given a series of statements about advertising and strategy development and were asked to express their degree of agreement or disagreement with each statement. Twelve statements were used in the survey. These statements are fundamental concepts.

FINDINGS

The survey results were summarized into frequencies. The following tables and discussions contain the findings of the survey. Shown below are the 12 statements along with responses to each statement.

STATEMENT 1: Audience identification planning should be general.

SA	A	D	SD	NR
3.6%	17.9%	41.1%	32.1%	5.4%

Advertising agency responses to this assertion indicate that 21.5 percent responded incorrectly. Audience identification should be specific for the small business client. That is necessary so that the appropriate message and media may be selected. General definitions may cause inefficient messages and wasted media coverage. The majority of agencies, 73.2 percent, responded correctly.

STATEMENT 2: A major long term advertising objective should be to teach customers about your firm.

SA	A	D	SD	NR
25.0%	57.0%	12.5%	5.4%	0.0%

On this assertion, a majority of agencies, 82 percent, responded correctly. It is significant that 17.9 percent responded incorrectly. The correct response indicates a strategic orientation to advertising.

STATEMENT 3: Advertising is only one of several methods firms should use to communicate with markets.

SA	A	D	SD	NR
53.6%	44.6%	1.8%	0.0%	0.0%

Advertising agency respondents understand that promotion involves more than just advertising. The vast majority, 98.2 percent, responded correctly. Personal sales, sales promotion, publicity, and public relations play an important role in small business promotion activities.

STATEMENT 4: Because advertising is an art, it cannot be planned and should be spontaneous.

SA	A	D	SD	NR
1.8%	5.4%	14.3%	78.6%	0.0%

Only 7.3 percent of the agency respondents incorrectly agreed with this assertion. While creativity and fresh approaches should not be ruled out, advertising like most small business management planning and decision making activities are amenable to logic. The majority, 92.9 percent, correctly disagreed with this assertion.

STATEMENT 5: Advertising message should be designed to communicate with everyone.

SA	A	D	SD	NR
7.1%	3.6%	51.8%	35.7%	1.8%

Message strategy should be consistent with target markets and audience identification. Everyone is not a good definition of either. Ten percent plus of the respondents incorrectly agreed with this assertion. The majority of respondents, 87.5 percent, correctly disagreed.

STATEMENT 6: The most successful advertising messages emphasize benefits customers will get out of products and services.

SA	A	D	SD	NR
35.7%	53.6%	8.9%	0.0%	1.8%

Agency respondents overwhelmingly, 86.3 percent, correctly agreed with this assertion. Some, 10.7 percent either incorrectly disagreed or were uncertain about the correct response. College textbooks, professors, and professional advertising groups typically emphasize the importance of benefits emphasis in advertising message formulation.

STATEMENT 7: Choosing a medium that reaches the most people is one of the most important decisions in advertising planning.

SA	A	D	SD	NR
16.1%	26.8%	46.4%	8.9%	1.8%

This assertion is wrong. Again, modem marketing and advertising strategy development emphasize targets. A majority, 55.3 percent, correctly disagreed with this assertion. Almost 33 percent of the respondents incorrectly agreed with the assertion. Advice based on the concepts implied by the wrong answers would not be good.

STATEMENT 8: Direct mail, brochures, door knocks, and flyers are generally better media for small business than for large business.

SA	A	D	SD	NR
3.6%	35.7%	2.9%	50.7%	7.1%

The responses by the agencies - 53.6% incorrectly disagreed may indicate a desire to "push" media on small businesses. Such an approach may be a holdover from the days of "20 percenters." These "other" media are often good ones for small businesses who need to reach niche markets. Any media should, of course, be consistent with audience and message.

STATEMENT 9: Attempts to evaluate the results of advertising are a waste of time and money.

SA	A	D	SD	NR
1.8%	5.4%	32.1%	57.1%	3.6%

Evaluation of advertising has become an important aspect of advertising strategy management. While measuring the direct impact of advertising is difficult, it is important that a system for evaluating advertising strategy and the components of that strategy before and after implementation be developed. Only 7.2 percent of agency respondents incorrectly agreed, and 3.6 percent were uncertain about this assertion. The majority, 89.2 percent, correctly disagreed with this assertion.

STATEMENT 10: Determining how much to spend on advertising should be among the last decisions in advertising strategy development.

SA	A	D	SD	NR
1.8%	5.4%	46.4%	46.4%	0.0%

The marketing approach to advertising strategy development focuses attention on audiences, objectives, messages, and media first. Small business advertisers should ask who do I want to communicate with, what do I want to accomplish, what message is needed, what media can carry the message to the audience effectively and, then, how much will the communication cost. This approach makes the small business advertiser assign priorities to audiences, objectives, messages, and media. If the amount indicated by this "task" approach to budgeting is beyond the firm's financial capacity, cutting lower priorities is easy. Developing a budget first may lead to too much or too little advertising. About 93 percent of the agencies incorrectly disagreed with this statement.

STATEMENT 11: Some advertising during normally low sales periods should be done to keep your name in the public's mind.

SA	A	D	SD	NR
33.9%	55.4%	10.7%	0.0%	0.0%

Most, 89.3 percent, advertising agency respondents correctly agreed with this assertion. Continuity advertising is a good idea for small businesses. Some small business advertisers incorrectly attempt to overcome normal seasonal declines in sales by increasing advertising. Such tactics probably waste valuable advertising dollars and do not change consumer behavior.

STATEMENT 12: When the economy is down, advertising expenditures should be reduced but not eliminated.

SA	A	D	SD	NR
8.9%	39.3%	42.9%	5.4%	3.6%

This is a variant of the temporal dimension of advertising. In principal, advertising expenditures may increase during the downturn of the business cycle to help reduce inventory. After that goal has been accomplished, advertising can be reduced to conserve resources. It is appropriate, however, to maintain some advertising for continuity. Advertising agency respondents were about evenly divided on this assertion.

The responses produced additional interesting information. The ad agencies were questioned about their opinions concerning the quality of advice given by media sales representatives to small businesses. Media sales representatives are sometimes selected by small business people as an alternative to ad agencies. While two thirds of the agencies agreed that media sales people are an important source of information on advertising, only about 52 percent of the responding agencies believed that media sales representatives provide good help when formulating an advertising plan. Perhaps, they believe that the media person is more interested in selling time or space than assisting.

Advertising agency respondents, 91.1 percent, agreed that while ad agency personnel are trained in creative message planning, the small business manager should be clear about what is to be communicated to the audience. Agency personnel should work with the small business advertiser in the formulation and implementation of message and media strategy. Having an agency does not relieve the small business manager from the responsibility of having a clear understanding about what needs to be done.

Most agency respondents believed that they are not too expensive for most small business to use. These responses were expected, indicating that most respondents think that small businesses can benefit from their services. However, what was surprising was that a relatively large number, 37.5 percent, of the agencies agreed that they are too expensive for most small business to use. This result is intriguing when considering the relatively small size of the responding agencies.

SUMMARY, IMPLICATIONS, AND LIMITATIONS

The responses by a majority of advertising agencies were correct on nine of the statements and incorrect on two. On one of the statements, there are a tie. Therefore, the agencies had a score of 82 percent.

There are several implications of this study. Small business people should be concerned by these statistics and differences and judiciously evaluate advertising agencies to make sure the agencies understand advertising strategy development and have the experience necessary to provide the assistance needed by the particular small business. It is possible that the small business person may be dealing with people who do not fully understand the advertising strategy development process; the small business manager with little knowledge may not be able to detect this lack of understanding by agency personnel. Cagley (1986) said advertising agency selection can be a "risky and

somewhat expensive process", and switching agencies can be costly. The small business firm that makes the correct agency selection will potentially decrease costs and increase sales and profits, resulting in a competitive advantage.

Advertising agencies also suffer from failed agencyclient relationships. The results of this study should encourage agencies to develop better communication, relationships, and understandings with the small business client, which could lead to better performance and customer satisfaction. The role of the advertising agency is to add perceived value to the advertiser's product (Wells, Burnett, and Moriarty, 1998). The creation of value can be better achieved if the agency is knowledgeable about advertising and marketing principles. Also, agencies should be aware that many agencies perceive the service of agencies to be too expensive for most small business.

The results give professional associations some basis for providing continuing education and other programs for their members. Educators should also heed these results and take steps to improve the educational experience of marketing, promotion, and advertising students.

Limitations to this study should be noted. Given the number of responses, one would not be prudent to widely generalize. The population included only the United States. Additional strategy statements could have been included on the survey. Also, other potential influencing factors were not evaluated.

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