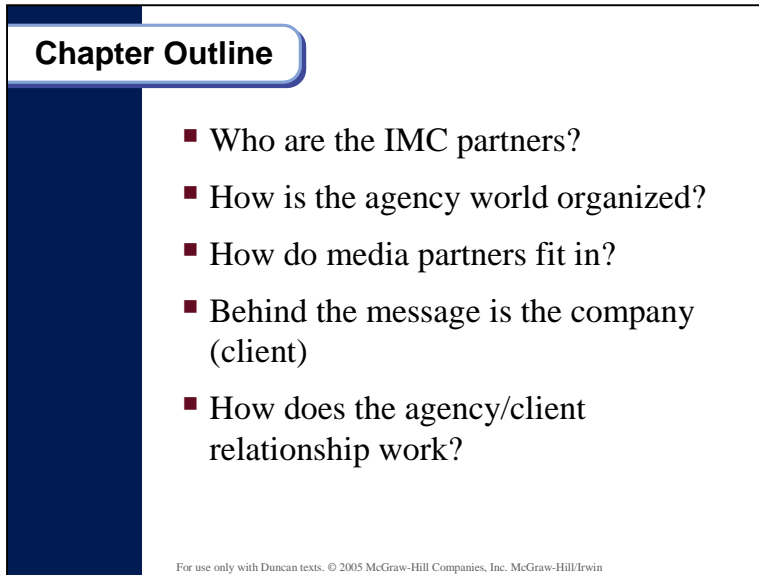# CHAPTER 2: IMC PARTNERS AND INDUSTRY ORGANIZATION

Chapter Objective
To discuss the key players in the IMC field and how they relate to one another.

Chapter Key Points
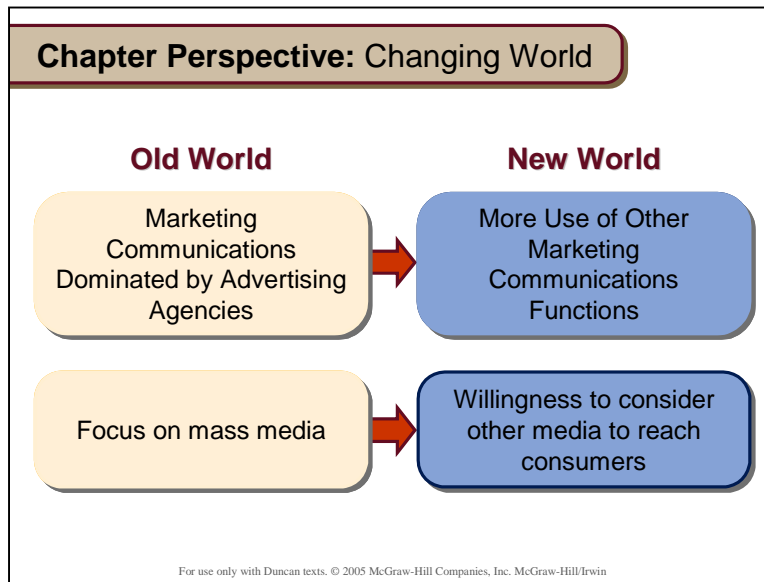This chapter addresses four fundamental issues:

Chapter Outline

- Who are the IMC partners?
- How is the agency world organized?
- How do media partners fit in?
- Behind the message is the company (client)
- How does the agency/client relationship work?

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1) How do different types of agencies perform their services?
   - The chapter identifies different types of agencies, ranging from those that provide a full range of services to those that specialize in certain areas and chapter introduces the concept of the "Golden Triangle" and identifies the key players in the industry.

2) Why are media important partners in marketing communication?
   - The chapter identifies different types of media entities and discusses how the media fit into the "Golden Triangle."

3) How is the corporate side of marketing communication organized?
   - The chapter discusses the different types of companies who serve as the third part of the "golden triangle": the clients who pay for the IMC messages.

4) What issues in agency/client relationships affect IMC?
   - The chapter discusses how agencies interact with their clients, including such issues as compensation, evaluation, and planning.

Chapter Perspective

Chapter Perspective: Changing World

Old World		New World
Marketing Communications Dominated by Advertising Agencies	→	More Use of Other Marketing Communications Functions
Focus on mass media	→	Willingness to consider other media to reach consumers

A question often asked by MC professionals is: "why IMC is so hard to do?" One of the main reasons is, integration must start with how a company and its agencies have organized the process for creating and delivering the brand messages.

Integration is an organizational challenge because there are so many participants involved in creating and delivering brand messages—the company, its agencies, the media, channel members, and the many MC support services.

Major changes have taken place in the way the three players in the "golden triangle" interact. This chapter discusses the major players who need to be integrated as partners in brand relationship building. It will close with a discussion of cross-functional planning and monitoring which is the tool that managers use to create integration within the organization.
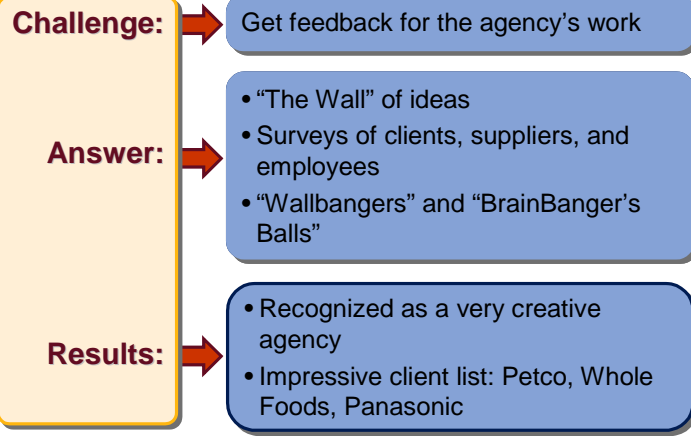
IMC in Action: The Phelps Group

Opening Case: Phelps Group

Opening Case: Phelps Group

Challenge: → Get feedback for the agency's work

Answer: →
- "The Wall" of ideas
- Surveys of clients, suppliers, and employees
- "Wallbangers" and "BrainBanger's Balls"

Results: →
- Recognized as a very creative agency
- Impressive client list: Petco, Whole Foods, Panasonic

Challenge: How to encourage employee, client and consumer feedback

Answer: The implementation of a series of "outside the box" practices
- "The Wall" of ideas where employees are encouraged to add their critiques
- Surveys of clients, suppliers, and employees
- "Wallbangers" and "BrainBanger's Balls" to encourage discussion and constructive criticism of work in progress

Results:
- The Phelps Group is now recognized as a very creative agency
- They have developed an impressive client list including major advertisers like : Petco, Whole Foods, and Panasonic.

Discussion Starters:
1) How do you feel when a student or professor asks to critique something you have written, like a homework assignment or a paper?
2) Even though it might make you uncomfortable at first, how often to their comments point out ways that you could improve the assignment?
3) Think of an advertisement you have seen on TV or in a magazine, and offer a critique of how you would change it to make it better.

Lecture Outline

I. <u>Who Are The IMC Partners</u>?
    A. Three key players comprise the "golden triangle"
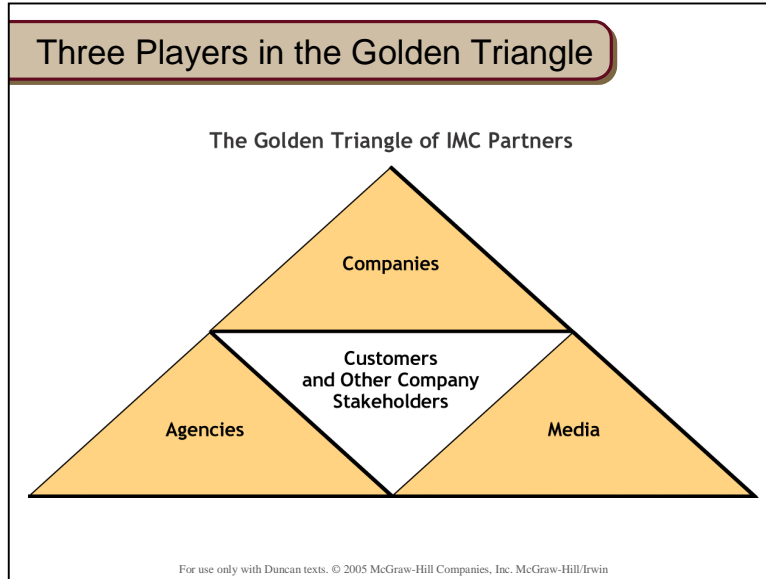
A. The organizations who want communicate with consumers about their brands

B. The agencies who help the companies prepare their marketing communications messages and help select the appropriate media to communicate the message

C. The media who provide the channel of communication for the marketer's messages

IMC in Action: Mall of America

IMC in Action: Mall of America

IMC In Action: Mall of America

Challenge: → Promote Mall of America's 10th anniversary

Answer: → An IMC campaign featuring:
- The theme: "Celebrating a decade of fun"
- Effort to involve as many media partners as possible

Results: →
- USA Today front page story
- CBS Sunday Morning piece
- AP story carried by 30 newspapers

Challenge: How to promote the mall's 10th anniversary

Answer: The mall's in-house marketing communication staff implemented an IMC program focusing on the theme "Celebrating a Decade of Fun" featuring:
- Satellite media birthday feed to TV stations
- Press kits including news releases
- Contests, giveaways and events
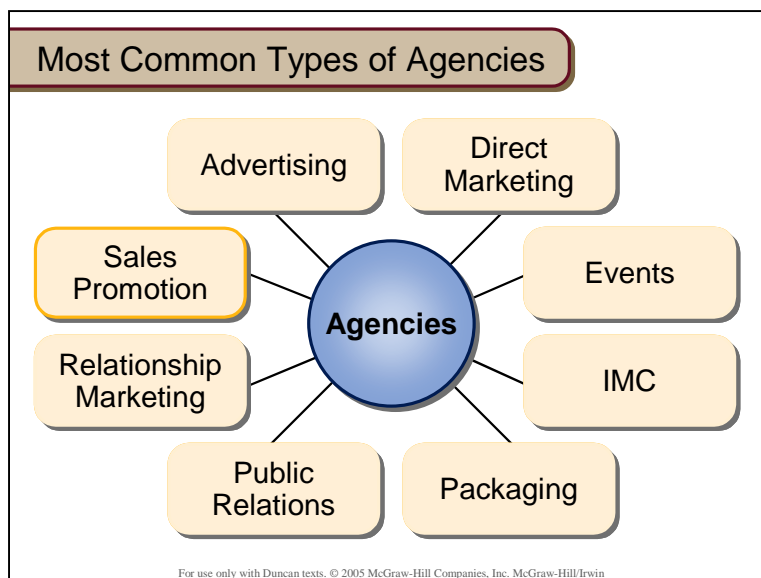- Advertising with the "Celebrating a Decade of Fun" message

Results:
- USA Today front page story
- CBS Sunday Morning piece
- AP story carried by 30 newspapers nationwide

Discussion Starters:
1) How many students have heard of the Mall of America? How many have visited?
2) Have any of the students worked in a mall?
3) For those that have, ask them how their mall is promoted and describe, if possible, the structure of the mall's marketing communications department.

II. How Is The Agency World Organized?

Most Common Types of Agencies

- Advertising
- Direct Marketing
- Sales Promotion
- Events
- Relationship Marketing
- IMC
- Public Relations
- Packaging

Agencies

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A. Advertising agency types
1. Full Service
- An agency the provides some or all of the following services
  A. Account management: the liaisons between the agency departments and the agency's client (the marketer)
  B. Creative services: the people who develop the messages
    A. Copywriters develop the words
    B. Art directors develop the visual aspects of the message
  C. Media: the people who place the message in the most appropriate media vehicle to reach the intended target audience
    C. Media planners determine the objectives and strategies for reaching the target audience
    D. Media buyers negotiate and buy the media
  D. Research: the professionals who try to understand the needs of consumers and to help the other departments of the agency develop the most appropriate message to reach them
  E. Account planning: use research and customer insights to bring a strong consumer focus to the planning of the creative message

2. Creative Boutiques
- An agency of creative specialists, usually writers and designers, who work for clients and other agencies

3. Freelancers
- Independent creative people who are self-employed and take on assignments from an agency or a marketer on a project-by-project basis

4. Media Buying Services
- Agencies that specialize in buying time and space on television stations and print media
  – Usually work on a commission of 2-4% of the value of the media they place

5. Product Placement
- Agencies that arrange for paid verbal and/or visual brand exposures in entertainment programming

6. Specialist Agencies
- Agencies that focus on specialty areas such as pharmaceuticals, sports, and high tech industries

7. Ethnic Agencies
    - Agencies that focus on individual ethnic groups
        – African-American
        – Hispanic
        – Asian

8. In-House Agencies
    -A department within a company that is responsible for producing some or all of that company's marketing communications

B. Direct Marketing Agencies
- Use databases and technology to help clients acquire and build profitable, long-term relationships with their   customers

C. Events Agencies
    - Specialize in organizing events on behalf of companies and brands.

D. IMC Agencies
    - Manage the strategic use of a variety of marketing communication tools to create strong brand relationships.

E. Packaging Agencies
    - Design the "face" of the brand so customers can recognize it in a store.

F. Public Relations Agencies
    - Counsel companies on public opinion and how to better manage their relationships with various stakeholder groups to create a platform of trust.

G. Relationship Marketing Agencies
    - Specialize in helping clients build relationships with its channel partners and employees, as well as its customers

H. Sales Promotion Agencies
    - Design and manage such promotions as premium offers, sweepstakes and contests, and in-store merchandising materials and displays.

TALES FROM THE REAL WORLD

In an attempt to attract new clients, some ad agencies have jumped on the IMC bandwagon and now position themselves as "IMC agencies."
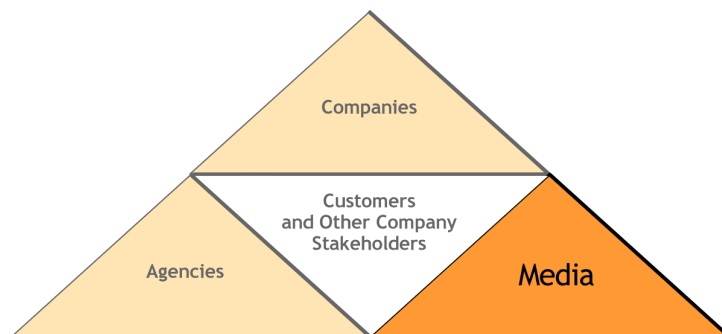
In the real world, it's important to look deeper: some of these agencies simply say they can handle IMC but really don't have the organization or experience to adequately address all the IMC functions

III.   How Do Media Partners Fit In?
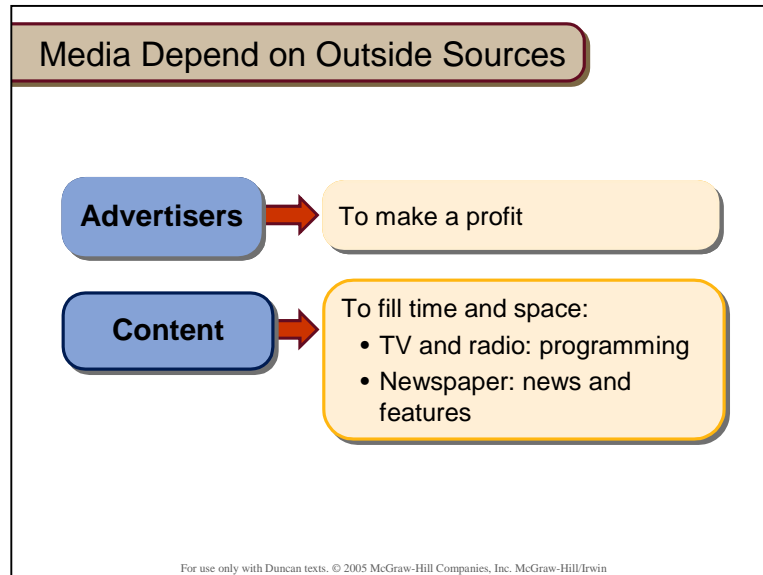   A. 2nd part of golden triangle

2nd Part of Golden Triangle: The Media

The Golden Triangle of IMC Partners

Companies

Customers and Other Company Stakeholders

Agencies

Media

    i. *The vehicles through which marketing communication*
       messages are carried to (and from) the target audiences.
         a. Examples: radio, TV, newspaper, phone, etc.
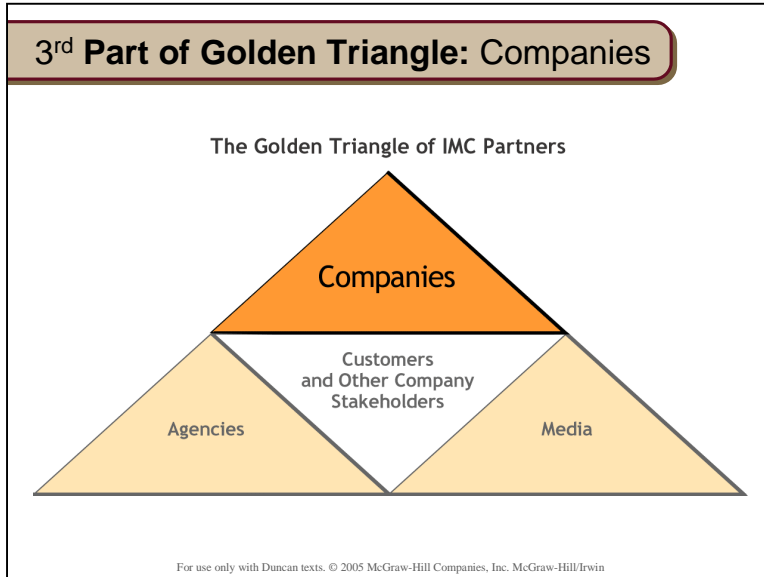
B. Media depend on outside sources

<figure>

Media Depend on Outside Sources

Advertisers → To make a profit

Content → To fill time and space:
- TV and radio: programming
- Newspaper: news and features

</figure>

    i. Advertisers
        a. For revenue and to make a profit
   ii. Content
        a. To fill time and space
           a. TV and radio: programming
           b. Newspaper: news and features

C. The media world has changed dramatically
     i. New technology is creating new media vehicles
       - Examples: websites, wireless messaging
    ii. Other new types of media
       - Examples: Place-based media in schools, in-flight
          videos, gas pumps and almost everywhere else
   iii. Media are providing clients and agencies with more feedback
      on their consumers
   iv. Media conglomerates are growing
      - As a result of Telecommunications Act of 1996
    v. All media are trying harder to differentiate themselves
      - Example: Viacom, AOL Time Warner are now
   household names

IV. Behind The Messages And The Media Are the Clients
    a. 3rd part of golden triangle

3rd **Part of Golden Triangle:** Companies

The Golden Triangle of IMC Partners

Companies

Customers
and Other Company
Stakeholders

Agencies

Media

    b. The advertiser who initiates and pays for the marketing
       communication.
       a. 2 types of marketing efforts

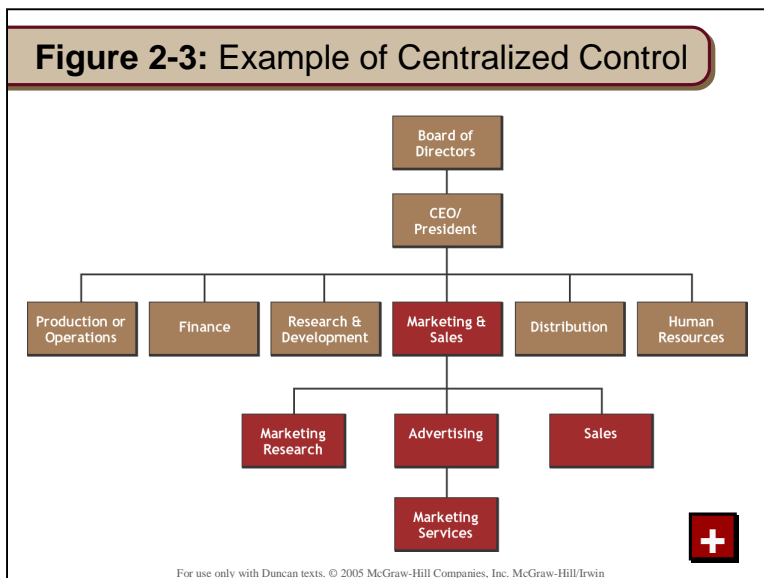Two Types of Marketing Efforts

B2B

B2C
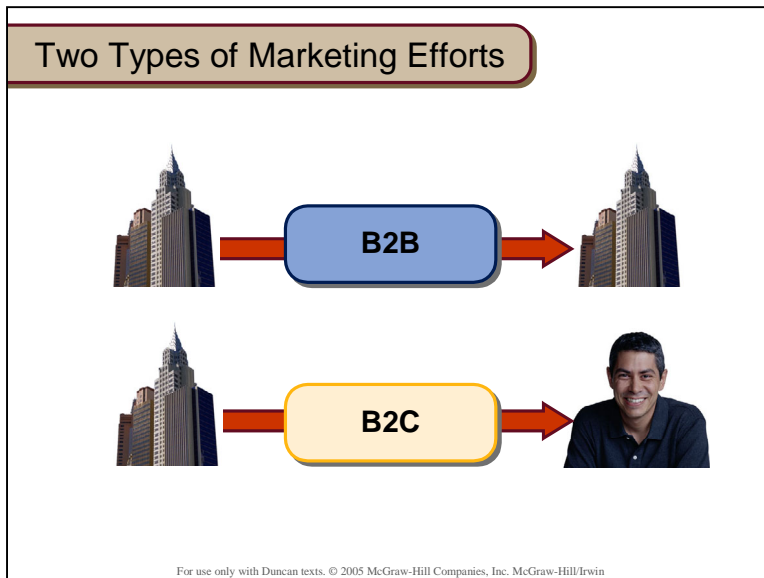
i. B2C (Business-to-Consumer)
ii. B2B (Business-to-Consumer
   1. Some firms do both:

a. Example: Nike:
   1. B2C: Niketown stores selling shoes directly to consumers
   2. B2B: Nike's relationships with shoe retailers like Foot Locker

b. 2 ways of controlling the message
   i. Centralized

- When there is a single authority for all marketing
communication messages.
ii. Decentralized

Figure 2-4: Example of Decentralized Control

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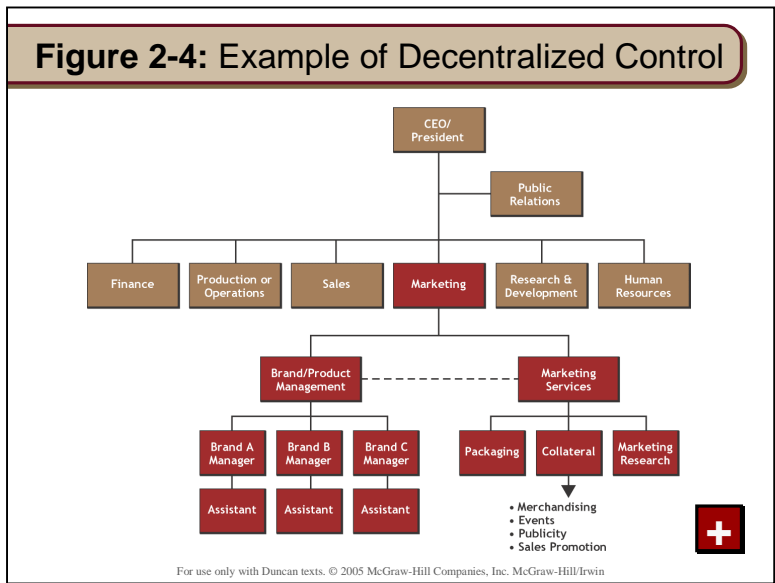
- When management responsibility is assigned by brand
or geographical region.

IMC in Action: Selling America?

IMC In Action: Selling America

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Challenge: Improve America's image after 9/11/2001

Answer: Implement an IMC campaign
-        Booklet produced in 14 languages
-        Program to teach English in Middle East colleges
-        Radio Sawa, an Arab-language version of Voice of America

Results: Too early to tell

Discussion Starters:
1) How many students believe that we should try to change America's image?
2) How many students think that this effort will succeed?
3) What other actions should the U.S. take to help "sell" itself?

▷ **INSTRUCTOR IN-DEPTH INSIGHT: HOW MUCH DO COMPANIES SPEND?**

How much a company spends on marketing communications is heavily influenced by the following:
• Product category
  Companies in highly competitive product categories such as cars, cosmetics, computers, and beverages are more likely to spend more on marketing communications than companies who sell specialized products such as spices, lawn care services, and industrial goods and services.

- Size of category

  Generally speaking, the larger the number of potential customers, the larger the MC budgets simply because there are more people to reach. Products used by only a small percent of consumers or businesses, such as hot sauces and garden hoes can't justify large MC budgets; they depend on retail store distribution to sell their products.

- Number of products

  The more products a company makes or the more services provided, the more likely they are to spend heavily. Kraft and General Mills have a wide range of brands, most of which have multi-million dollar MC budgets.

- Geographical area

  The more cities and countries in which a company sales its brands, the more it generally spends since there are more prospects and customers to reach.

- Business model

  Some companies have business models that depend heavily on marketing, others less so. For example, wallpaper and paint are used in nearly all homes. Nevertheless, the business models of most of these companies call for relatively little marketing spending.

V.   How Does the Agency/Client Relationship Work?
   a. Compensation Types

Agency/Media/Company Compensation

Commission: A payment that represents a percentage of a client's total media spending

Cost of media advertising:	$5 million	(100%)
Amount agency bills to client:	$5 million	(100%)
Amount agency pays media	$4.25 million	(85%)
Amount agency keeps	$750,000	(15%)

Commission = $750,000

i. Commission
- *A payment that represents a percentage of a client's total media spending*
    Example:
    Cost of advertising: $1 MM (100%)
    Amount agency bills to client: $1 MM (100%)
    Amount agency pays media $850,000 (85%)
    Amount agency keeps as $150,000 (15%)
        its commission

ii. Fees
    1. *A fixed payment based on standardized hourly charge.*
        a. Agency bills just like a mechanic or a lawyer

iii. Retainers/Markups
    1. *Retainers are an arrangement in which a client contracts to work with an agency for a year or more and pay that agency a certain amount*
        a. Agency bills a flat annual amount like car insurance

    2. *Markups are a percentage profit margin that an agency adds to the work of a supplier*
        a. Agency adds 10% markup to its cost of a printing job just like a retailer adds a markup to its cost of buying clothing

b. Evaluation
    i. 2 types
        1. Quantitative
            - Audit of agency records

        2. Qualitative
            - Client rates agency on responsiveness, thoroughness, record of meeting deadlines, cooperativeness, etc.

c. Cross-Functional Planning
    - *A process for planning and monitoring brand relationships that involves all departments that directly or indirectly "touch" the customer.*

      d. Marketers are increasingly turning to integrated agencies
          - They handle all MC functions

Insight: Cross-Functional IMC Teams

Some basic principles for managing cross-functional teams:

- <u>Long-term focus</u>: Keep team members in place for an extended period rather than assembling them for ad hoc projects
- <u>Constant contact</u>: Frequent meetings are important; however, members can also keep in constant contact via email
- <u>Work space</u>: Assigning a cross-functional team its own work space helps keep team members informed
- <u>Support from the top</u>: Top management must support the idea of cross-functional planning by providing adequate resources

Successful team management is an art, and an art that's very important in the IMC environment. For example, the IMC agency The Phelps Group has pioneered the use of self-managed, cross-functional teams in marketing communication agencies. The unusual thing about these teams is that they are directly responsible to the client rather than to the agency's top management. The agency's culture is nonhierarchical. Instead of having managers who oversee the work of the group, the team itself provides its own leadership. The approach works because of the agency's effort at creating a corporate culture that values freedom, responsibility, and trust.

Some basic IMC principles to managing cross-functional teams are as follows:

- *Long-term focus:* Keep team members in place for an extended period rather than assembling them for ad hoc projects. It takes time to develop team expertise and learn how to resolve group conflicts.

- *Constant contact:* Frequent meetings are important; however, if intranets or internal e-mail systems are available, members can keep in constant contact and minimize the number of face-to-face meetings.

- *Work space:* Assigning a cross-functional team its own work space helps keep team members informed. When General Motors integrated its corporate communication program, it established a "war room" where team members could meet, post schedules, and track progress.

- *Support from the top:* Top management must support the idea of cross-functional planning by providing the necessary support systems, such as flexible budgeting, information sharing, compensation, rewards for teamwork and relationship building, and continuous monitoring of customer and other stakeholder perceptions.
- *Compensation:* In an integrated, cross-functional program, people should be rewarded not just for sales but for relationship-building activities and for activities that eliminate turf battles. Most compensation systems are based on performance—people are rewarded according to what they do for, or bring in to, the company.

VI. <u>Final Note</u>

Final Note:

IMC is driving the need for closer agency-client relationships

- Fallout: some marketers are consolidating their relationships with fewer agencies
  - IBM cut 70 agencies from its $500 million account

A.   IMC is driving the need for closer agency-client relationships
- Fallout: some marketers are consolidating their relationships with fewer agencies
  - IBM cut 70 agencies from its $500 million account

Answers to Review Questions

1) Agencies

a.   What is a full-service agency? How does it differ from a boutique?

Answer: Full service agencies attempt to provide a wide range of service for their clients including research work, the creation of marketing communications messages, the placement of these messages in the media and account management services (which include strategic

planning). A creative boutique focuses only on the task of creating the messages.

b.   What is an agency network?
     Answer: Agency networks, such as the WPP Group, are conglomerates which offer many services in addition to advertising, including public relations, sales promotion, direct marketing and other services.

c.   In what ways do agencies specialize?
     Answer: Many agencies specialize in certain fields, such as B2C and B2B. Other specialty areas include sports, different ethnicities, and high technology.

d.   What is an in-house agency, and in what situations is it used?
     Answer: An in-house agency is a department within a company that is responsible for producing some or all of that company's marketing communications. In-house agencies are typically used when the company feels that they can save money and have more control of the message.

e.   What kind of suppliers do agencies use? What services do they provide?
     Answer: Agencies often turn to other companies that provide specialized support services including those that focus on brand image, call centers that help with telemarketing, design studios providing graphic arts assistance, fulfillment houses that specialize in getting products to consumers, internet firms that often design and manage web sites, production houses that manage video and photo shoots for ads, and research companies that provide market research data.

f.   How do commissions and fees differ?
     Answer: Commissions are simply the percentage of the total media cost (often 15%) that agencies "keep." For example, if a client purchased media valued at $5 million, an agency would "keep" $750,000 (15%), and pay $4.25 (85%) million to the media vehicle. Fees are simply the hourly charges that some agencies charge their clients. This arrangement is very similar to the way lawyers bill their clients.

g.   Why are companies increasingly implementing performance-based compensation plans for MC agencies?
     Answer: Clients feel that this motivates the agencies to work harder to achieve their communication objectives. Under this type of arrangement, agencies could receive a bonus if the client's objectives are exceeded.

h.	Which of all the agency jobs described appeals most to you? What skills and abilities do you have that might make this job a career for you?
	*Answer:	Student answers will vary widely on this question. It might be helpful to ask students which of the areas they would be interested in, starting with some of the traditional full service agency functions like creative services, media, research, and account management.*

i.	Describe three ways agencies approach cross-functional management.
	*Answer:	In the "Tale of Two Companies" box, GE employed three concepts that facilitated successful cross-functional management. First, they encouraged open lines of communications at all levels; second, they developed flexible and quick-responding teams of individuals from different departments; and third, they empowered these teams to act in the best interests of the company—and not just their individual department.*

2) Media

a.	What recent changes in the media world that affect the operation of MC programs?
	*Answer:	First, new technology has created entirely new media vehicles, such as internet websites and wireless messaging. Second, other new types of media are proliferating, including new place-based media in schools, in-flight videos, gas pumps and almost everywhere else. Third, many vehicles are providing clients and agencies with more feedback on their consumers than ever, including detailed market research data. Fourth, media conglomerates are growing as a result of the Telecommunications Act of 1996. And finally, all media are trying harder to differentiate themselves as evidenced by the fact that Viacom, and AOL Time Warner are now household names.*

b.	What are place-based media, and how do they work?
	Answer: Place based media work because they tend to be located in places where consumers are, at least temporarily, a "captive audience." Traditionally, place-based media were found in sports arenas and transportation hubs, but they are expanding everywhere—even into public restrooms.

c.	Why should media consider themselves to be brands?
	*Answer:	With the explosion of entertainment options for consumers, media vehicles, like brands, face the growing need to differentiate themselves from the competition if they are to survive. The Disney Corporation is a good example of this. They own both media vehicles (Disney Channel, ABC, ESPN), but are also recognized by their unique brand name (Disney Stores, Disney movie merchandise).*

3) The Corporate Side

a.   Identify the departments commonly found within a company.
      Answer: Many large companies are often divided into strategic business units
      which can be based on product types, brand lines, or even by
      geography. An example of this type of division would be the Oscar
      Mayer division of Kraft Foods (which, in turn is owned by Altria).

b.   Why are there departmental silos and turf war problems in traditional
      organizations?
      Answer: Silos are a typically human response to some corporate structures.
      They emerge when departments begin to see themselves as distinct
      fiefdoms within the overall organization and become competitive
      with one another for corporate resources. This competitiveness
      sometimes degenerates into turf wars which are counterproductive
      for the organization and its employees.

c.   Define cross-functional management.
      Answer: Cross-functional management uses a process for planning and
      monitoring brand relationships that involves all departments that
      directly or indirectly "touch" the customer.

d.   Why is cross-functional planning a necessary ingredient of integrated
      marketing communication?
      Answer: There are four primary benefits of cross-functional management for
      marketing communications. First, it ensures that all brand messages
      in the organization are consistent with one another. Second, it helps
      the organization to make sure that its "big idea" is integrated in all
      its messages. Third, it helps the organization coordinate the timing
      and scheduling of all of its messages. And finally, it helps the
      organization allocate budget resources to opportunities that emerge-
      while minimizing turf battles over the budget.

e.   Find an organizational chart for a company with which you are familiar.
      Analyze the structure of the company and explain how it organizes marketing
      and marketing communication functions.
      Answer: Students will have many different responses for this question. It
      might be helpful to either download or create the organizational
      structure of your academic institution as a case study. This type of
      information may be easier to secure, and students may find it more
      relevant than a corporation they may not have heard of.

4) The Agency/Client Relationship

a.   What are the four main ways agencies get compensated? Explain the differences.

Answer: Part of this question is answered in Question 2 (f) above, which identifies the first two types of compensation, commissions, and fees, and explains the differences between the two. The other two typical forms of compensation are retainers and markups. A retainer is An arrangement in which a client contracts to work with an agency for a year or more and pay that agency a certain amount. It would be similar to paying your annual premium for car insurance: you know the insurer is there to service you, even if you do not have an accident. A markup is a practice in which an agency provides a client with a service that the agency actually secures from one of its suppliers. An example would be an agency adding a 20% markup to the cost of a project performed by a printer at a cost of $50,000. The agency would bill their client $60,000 for the job representing its cost of $50,000 plus a $10,000 markup ($50,000 X 20%).

b.   Explain how cross-functional planning would work on both the client and the agency sides of the business.

Answer: Cross-functional planning is defined in Question 3 (c) above and it works for the client side of the business because it helps coordinate every part of the organization the touches its customers, for example from the corporate public relations spokesperson to the sales person working in the organization's retail store in the mall. Cross-functional planning can also work on the agency side of the business as well, however, because several different functions within an agency have the potential to touch the agency's customer: the client. Specifically, cross-functional planning could help coordinate the interaction of creative people, media planners, research experts, and account management professionals as they work with a client on a major project.

c.   Why do experts recommend that the client should take leadership in driving integration?

Answer: It is important for clients to take the lead in mandating integration because studies have determined that ad agencies, in particular, are reluctant to integrate other marketing communication agencies into cross-functional planning. But the integration problem is not restricted to advertising. Many non-advertising agencies realize that they are always competing with ad agencies for budget allocations yet are often considered second-class MC players by both ad agencies and clients. As a result, the client must offer strong top-

down leadership that encourages all these players to integrate—or else.

d.   What changes do agencies have to make in order to be able to offer integrated services?

Answer: There are three types of changes that agencies have made. First, some agencies have simply "added on" new functions to their original roles, such as an advertising agency adding direct marketing professionals to their staff or acquiring an existing direct marketing agency. Second, some agencies can "reinvent" themselves by making a fundamental strategic decision to focus on the entire range of marketing communications tools. An example of this approach would be the Phelps Group discussed early in the chapter. Finally, an agency can operate as the lead agency with a team of supporting agencies specializing in fields like public relations and sales promotion.

Chapter Challenge

Writing assignment suggestions
Identify an MC agency about which you would like to know more. Look up the agency in the trade press (conduct an electronic search in your business school library), contact the agency's PR department for any brochures it might have produced, and look up the agency on the Web. Analyze the following:
1. What is the agency's area of business (i.e., its marketing communication specialty)?
2. How is it organized? What departments does it include? Is it part of a network?
3. What is its philosophy of business?

Presentation assignment suggestion:
Partner with someone else in your class. Take turns conducting mock interviews for a job in an MC agency. Present your interviews to the class.

Internet Assignment:
Choose one of the agencies mentioned in this chapter and go to its website. From what you find on that site, develop a profile of the agency addressing the following points:
1. What is the agency's focus, specialty, or area of business? What services does it provide its clients?
2. What is the agency's philosophy of business?
3. How is the agency organized?

IMC Plan Team Assignment
Ask students to complete the attached form as part of the semester-long project for a local not-for-profit organization. This form asks students to volunteer for the different roles professionals play in a "real world" full service agency.

IMC Final Project Checklist #2

Due Date:_____

☐ **Agency Name**

☐ **Agency Organization**
Discuss the roles each of your teammates would like to play in your agency based upon those discussed in the chapter, and list each member's name, role, and explanation for their decision below:

~ **Account management**

~ Team member(s):

~ Explanation:

~ **Creative services**

~ Team member(s):

~ Explanation:

~ **Media**

~ Team member(s):

~ Explanation:

~ **Research**

~ Team member(s):

~ Explanation: