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From Transaction Marketing To Relationship Marketing: Profiling Activities Throughout The Customer Relationship Life Cycle of Top Advertising Agencies.

Conventional empirical research in marketing have largely been based on manufactured products' context. On the other hand, in services, the marketing function is extensively performed throughout the organisation, where the number of "part-time marketers" often exceeds the number of market researchers, sales personnel and communication experts. Gronroos (1994) asserted that should marketing be defined from the activity perspective, that is, merely based on the "Four P" model and the marketing mix paradigm, then this will surely constrict the growth of marketing knowledge.

A shift has occurred from transaction marketing to relationship marketing (Christopher, Payne & Ballantyne 1991, Gronroos 1994). More applicable for consumer packaged products and consumer durables, transaction marketing focuses more on short-term sales, market share objectives and large, price sensitive retail markets, with an emphasis on efficient orchestration of marketing mix tactics. With more focus on single sales, it is more oriented towards product features, where quality is usually a primary concern of production (Christopher, Payne and Ballantyne, 1991). Also, there tends to be little emphasis on both customer service and customer commitment, possibly arising from limited customer contact with final users. On the other hand, relationship marketing, deemed more relevant for services and industrial

products, focuses more on customer retention and long-term customer welfare as well as the use of interactive marketing supported by the marketing mix. Here, the more select, identifiable market comprises customers who are less price-sensitive but are more discerning about the quality of interactions. As such, orientation shifts away from product features to product benefits, since the quality of customer contact, customer service and customer commitment are all highly emphasised.

Rather than restrict it to the production domain, quality is the concern of all organisational members. Here, rather than rigidly viewing it as activity-oriented, marketing as a philosophy, permeates throughout the organisation, where exchange relationships between the company and its clients are given priority. In successfully managing these relationships, the challenge to the company concerns bringing into closer alignment, the three critical areas - marketing, quality and customer service (Christopher, Payne and Ballantyne, 1991). For companies in these industries, interface among marketing, operations and personnel exert a strategic importance, especially for nurturing creativity and entrepreneurship, as well as for initiating successful new service development processes (Mohd. Salleh, 1992, 1993).

Customer Relationship Life Cycle in Advertising Agencies

In defining "advertising services" from the services marketing perspective, insights from Lovelock (1991)'s classification schemes are made. A "membership relationship" is said to prevail between advertising agencies and their clients, arising from the continuous delivery of services rendered. Advertising services are highly customized to meet clients' specific needs, where the extent of judgement exercised by agency members in changing the service specifications is indeed high; concurrently, high customer contact also prevail. The agencies operate as a single-site operation with agency members more often going out to meet clients in delivering the service rather than clients coming to the agency. The industry is not subject to wide demand fluctuations as faced by transport services. The human element is a high component of the service product, since the nature of the advertising service product is one where there is an intangible action made (communication) aimed at people's minds.

The study examines the applicability of Gronroos' (1983, 1990) concept of "customer relationship life cycle" in practice. Specifically, it investigates this cycle within which emerges the dominance of relationship marketing. This is also linked to Gronroos's "three-stage model", in describing the nature and determinants of advertising agencies' services to their client organisations. This cycle is figuratively illustrated in the shape of a wheel and comprises three stages - the initial stage, the buying process stage and the consumption process stage. Gronroos's "three-stage model" is presented in the form where both traditional and relationship marketing activities are used to handle the dynamics of the marketing process in advertising agencies. The basic premise underlying this model is to foster and nurture sustaining agency-client relationships.

The initial stage, where the traditional marketing function dominates, is aimed to stimulate interest for the agency and its services. The second stage, the buying process, is where both the traditional and interactive marketing functions prevail. It serves to translate general interest into initial purchase. The final stage is the consumption process, where interactive marketing dominates the relationship marketing realm in the marketing strategy continuum. Here, the objective is to create cross-sales, research and other supportive services, ultimately towards nurturing enduring customer relations.

Research Objectives and Data Collection

Procedure

The conceptual framework of this study is based upon the premise that an agency's clients do not exist by chance and will remain as clients indefinitely; they have to be continuously solicited in a pro-active way, nurtured and retained (Berry 1983, Gummesson 1987, Peters 1988). Thus, the following research questions are investigated: (1) How do advertising agencies seek new clients/accounts and develop agency-client relationships? and (2) what factors hinder the progression of agency-client relations, throughout the customer relationship life cycle of these agencies?

Ten senior account managers/executives from the five largest international Malaysian advertising companies were personally interviewed in-depth to profile "the best practices" in servicing clients. The five agencies are drawn from ten

largest Malaysian ad agencies shortlisted based on the largest advertising billings, as reported in *Asian Advertising and Marketing* (April 1992). Out of 146 ad agencies listed in the Art Directory, 1989, 75 are identified as those offering comprehensive advertising services.

Malaysian advertising agencies fall into three categories: (a) multinational agencies such as McCann Erickson, J.W. Thomson, Leo Burnett and Ogilvy & Mather (b) local, including bumiputera agencies such as Idris Pawan Chik Associates, Idris Associates, Reka-Reka Advertising and RA Advertising and (c) the mergers of the above groups such as Wings-BBDO Worldwide and AMC-Melewar Zecha Communications. With total Malaysian advertising spending which currently exceed RM1 Billion a year, the multinational ad agencies, mostly American, currently dominates the industry both in terms of company size and billings. Apart from international agency policies, natural factors acting as entry barriers into this oligopolistic agency market in Malaysia are (a) economies of scale, (b) diversity in the quality and range of services offered, (c) non-price competitive elements, and (d) agency reputation (Mohamed Helmi, 1993).

The personal, in-depth executive interview method is preferred in view of the exploratory and descriptive nature of this study towards conceptual model-building. Only agencies within the list of those with largest billings were sampled. Another sampling criteria is long-term customer experience demonstrated through reputable, performance record in the ad industry. These internationally-linked agencies have more than seven years' track record in industry, thereby experienced in handling long-term customer relationships and offering more comprehensive agency services.

Selection of these agencies is based on the following rationale: (a) suitability of using a homogeneous sample for marketing theory development (Calder, Phillips and Tybout, 1981) and (b) sampling agencies with large comprehensive operations and wide experience, facilitates building "a best practices model". This is in line with the two-pronged objective of this study of describing customer relationship activities in the context of advertising services, as well as enriching and developing further, the customer relationship life cycle model.

Two senior executives were interviewed from each agency to assure both content validity and criterion validity.

Seven of the ten executives consented for the discussions to be tape-recorded; where this was not possible for the remaining three, sufficient hand-written notes taken facilitated the data recording. The executives were requested to describe the activities they actually undertook throughout the process of servicing their clients' needs, from the initial act of acquiring a new account until generation of repeat and cross-sales. Factors that hinder the process at each stage were then probed. Any differences in the type or range of services extended which might vary from account to account were also explored. A content analysis of the interview transcripts was made.

Findings

The factors emerging as inputs and inhibitors in the perpetuation of this cycle are depicted in the following Figure 1.

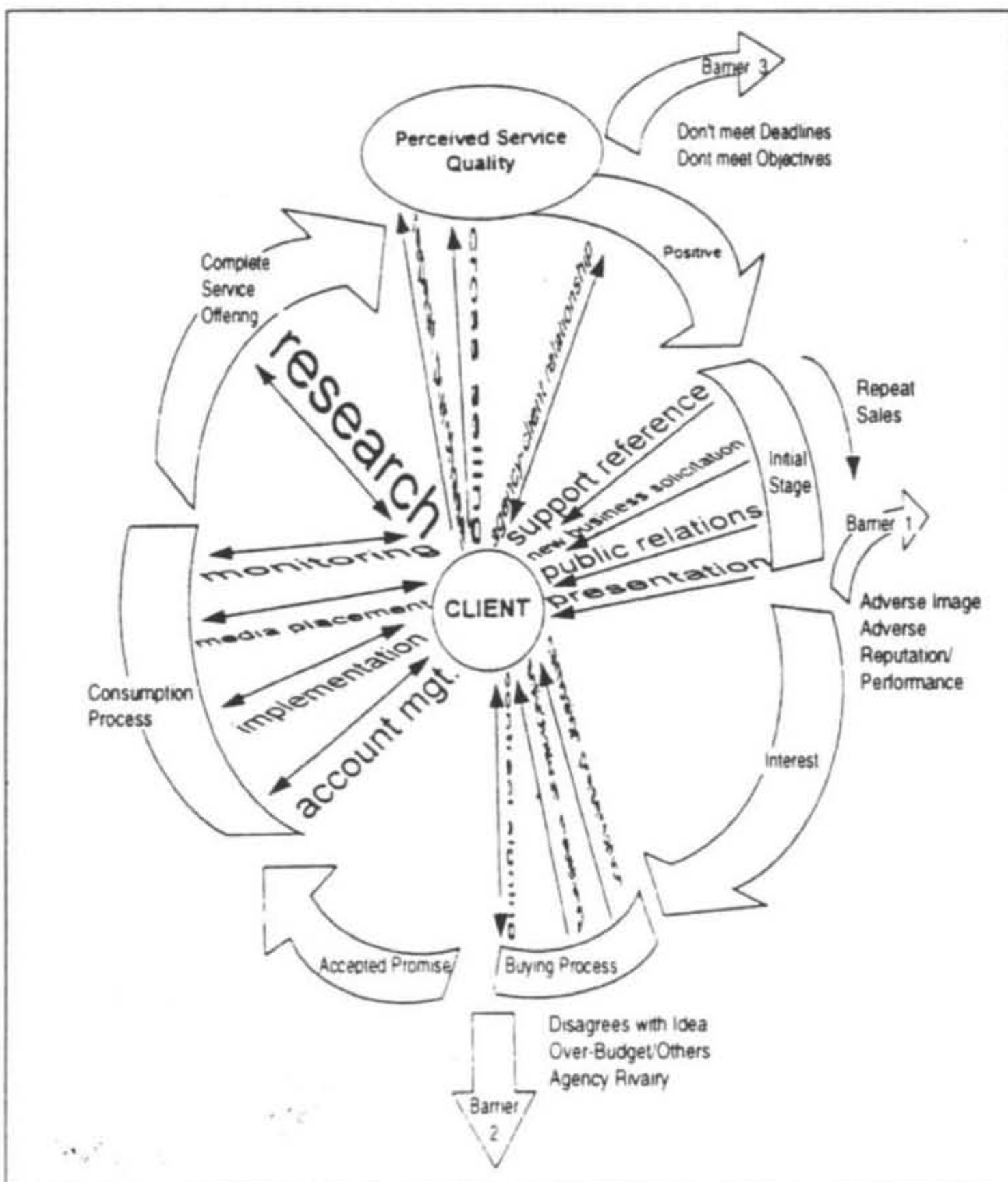


FIGURE 1
The Customer Relationship Life Cycle of Top Advertising Agencies in Malaysia: Inputs and Inhibitors

The Initial Stage. This research has identified several activities undertaken by the advertising agency in the process of recruiting and servicing clients throughout the customer relationship cycle, but recruiting clients particularly, for this initial stage of the cycle. All respondents agreed that the agency's image as indicated by its performance record is a key factor that promotes relationship-building. This also determines how well the client knows the agency at this stage. Four activities are identified here: support reference, new business solicitation, public relations and presentations.

Support reference manifests in at least one of several ways. A satisfied client may have recommended the agency to another organisation, hence illustrating the strength of ad agency reputation which usually flourishes through word-of-mouth communication, a characteristic of professional services marketing. In another situation, an agency procures a client through a recommendation from another ad agency. This occurs possibly, when the recommending agency has been requested by a prospective client to develop a campaign, but due to some reason (for instance, prohibition against handling directly competing accounts in the agency's portfolio), this could not be fulfilled. Therefore, another suitable agency is invited.

New business is solicited through several channels. As in other professional services (for example, architect, legal or management consultancy firms), this is conducted through advertising in particular industry/professional magazines and mailing out letters and corporate publications of the agency (possible with multinational-type agencies). Follow-up efforts of certain "leads in the market" are also made. The last alternative depends heavily on the extent of aggressive image selling and image creation initiated.

Respondents believed that public relations is the best source of recruiting new clients, where their reputation is also enhanced in the process. Here, the agency seeks to be active in conducting press publicity, writing newspaper/magazine commentaries or articles, participating in corporate or government activities, sponsoring or organising social campaigns, besides being highly active in the advertising fraternity and professional organisations. There are also several agency managing directors who are active members of social welfare associations such as the Rotary Club, the Lion Club and the Malaysian Red Crescent.

A presentation is usually made to the prospective client as a campaign proposal, in the act of bidding for the account. This proposal presentation can be quite elaborate and depending upon the contract size, the agency has to absorb all costs going into its preparation in the event of being unsuccessful. Agencies are invited to make such campaign proposals through participation in a competition organised by the client or where several identified agencies are hand-picked to make a presentation to aid the client's decision in selecting one that best meets its interests.

Barrier 1: A barrier or obstacle in this initial stage of the customer relationship cycle can thus be conceived as: (a) should the ad agency does not have a satisfactory or acceptable image and (b) should the agency lack a good track record in service performance.

The Buying Process. Once the agency succeeds in gaining the project, it performs a full-fledged campaign presentation, which culminates in attempting to solve the problem(s) identified, planning and implementing the creative campaign and media execution. It is through this activity that the client's interest in the agency is first stimulated. If the client is impressed by the presentation in terms of meeting the campaign objectives desired, and the ad budget proposed is acceptable, then the contract will be signed. This sets the stage towards purchasing the agency's services. However, if the prospective client is still indecisive owing to several reasons, then the agency will follow-up with face-to-face solicitation meetings, until an agreement is reached between the two parties. This buying process stage conforms with Gronroos' "three-stage model", where the agency adopts both the traditional marketing as well as relationship marketing strategies. The next phase in the customer relationship cycle, "the accepted promises" stage then sets in.

Barrier 2: The negative factors that may impede or obstruct the continuance of the cycle at this stage, thus are: (a) when the client disagrees with the proposed campaign presented, (b) when the proposed budget far exceeds client's allocations and (c) with intensive competition from other agencies simultaneously presenting campaign proposals.

The Consumption Process. Once promises have been made by the agency, it is timely here to fulfill them. Agency members

will work closely with the client in organising and executing the advertising campaign based on the terms agreed upon. Here, the agency members endeavour to gain frequent customer contact as the client's agreement has to be obtained on every aspect of campaign execution - advertising strategy, ad copy and design specifications, media scheduling/placement and other details. This is to avoid undesirable events which can occur throughout the process of effectively monitoring and managing the account.

Once the advertisements have been produced and placed in the media, they are monitored and controlled by the agency. The full delivery of agency services is made once the cycle reaches this stage. It is at this stage that the degree of service quality rendered by the agency will determine the client's actual perception of the agency, be it positive or negative. If it is positive, the agency may still be retained to undertake other jobs, affiliated or different to the present one (repeat purchase). Similarly, the agency may be offered other jobs such as extension in the media campaign, post-tracking studies or other research-related activities, as well as executing campaigns for the client's other goods and services (cross-selling). Henceforth, agency-client relationships will be maintained and nurtured further. These findings conform with Gronroos's model. Once this prevails, the cycle will begin once again.

Barrier 3: Two factors act as barriers to the continuance of the customer relationship cycle at this stage: (a) if the agency is unable to meet with the specific deadlines in the campaign execution and (b) if the campaign fails to meet its objectives (through poor overall service quality rendered), as can be indicated for example, through product sales or degree of campaign awareness which fell short of client's expectations.

Implications For Management And Research

In sum, the service marketing process as captured through the conduct of advertising agency services in this study, is found to basically conform to both Gronroos's "three-stage model" and his customer relationship life cycle concept. For the first time, these two ideas are integrated in one framework and their applicability in illustrating the dynamics of the progression from transaction marketing to relationship marketing, is thus shown here. At least for nurturing agency-client relation-

ships in the advertising services context, it indeed serves as a good descriptive model of "the best practices". To study its specific applicability to other professional services particularly, or other service industries, generally, certainly demands further research.

The inhibiting factors or barriers towards propagating an enduring agency-client relationship, as it progresses from one stage to another stage in the cycle in advertising agencies, are thus found in this study and these contribute towards enriching the conceptual model of customer relationship life cycle in the advertising agency context, as an extension of Gronroos's (1983, 1990) generic model.

More detailed future research in this area can revolve around studying the following propositions: The nature of the service process of advertising agencies exerts influence on the following:

- 1) the range and depth of services required by their client organisations
- 2) the expenditure of their client on the advertising campaign
- 3) agency-client relations thus developed
- 4) the personnel factors in agency-client relationships and
- 5) the agency staff's degree of professionalism in services delivery and vice versa.

The above can be restated more specifically as follows. In the advertising agency-client relationship process, two sets of inhibiting factors moderate between the agency and the client. The first set of factors, the external barriers are (a) the range (breadth and width) of advertising services delivered to the client by the agency and (b) the client's expenditure (budget). The second set of factors, the internal barriers are found to be (a) the nature of agency-client relations itself, (b) the individual personnel factor affecting services delivery and (c) the professionalism of the agency staff.

Basically, service marketing activities of the advertising agencies studied are found to conform to Gronroos's (1983, 1990)'s customer relationship life cycle model. This finding has thus implied a rich agenda for future research. In sum, the Malaysian advertising agency sector provides a good illustration of the need for a paradigm shift towards relationship

marketing as a strategic marketing strategy, especially pertinent for services.

Note

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