CHAPTER 6
CONCLUSION

This chapter gave an overview of the study, discussed the implications of the results to the advertising industry and included some recommendations to resolve the problems that were brought to light by the study.

6.1 Overview of the Study

The study examined the global competencies of local advertising agencies and the factors that provide sustainable competitive advantages in a global environment. The study was conducted among full service agencies in Malaysia, selected through the membership roll of the Association of Advertising Agents of Malaysia and the 1998 Malaysian Advertising Directory. The final sampling list presented a census of all full service agencies in Malaysia A self-administered questionnaire comprising of six pages of questions on the respondents, the corporation and measures of success in the form of billings, staff and client numbers, new business pitches, extent of computerisation, awards won and corporate strategies, were mailed out to the organisations. Completed questionnaires were made from two weeks to two months later.

The study yielded results that showed there were no statistical differences in selected practices and philosophies of local and international agencies that were believed to contribute to success, except in the areas of:

- Ease of attracting talented staff
- Need for full service agency
- There are no conflicting accounts
- Assignment of responsibility is clear
- Strategies for economic downturn- Costs and active marketing and promotions
6.2 Implications of the Study

The first significant difference between local and international agencies, "ease of attracting staff", can be explained by the fact that the international agencies are perceived to offer a variety of benefits that attract staff such as proper training, a broader range of experience from working on small domestic accounts to large international accounts, opportunities to learn both local and international media and research, opportunities to work with international creative and account servicing team and to work overseas and job stability. The latter is now questionable as demonstrated by Saatchi & Saatchi Malaysia which shifted its Malaysian office to Singapore during the recent economic downturn, resulting in a massive cut in staff size from over a 100 employees to only a skeletal staff of 30. Local agencies do offer the same range of benefits albeit on a smaller scale and in different degrees. However, they differ distinctly from international agencies in the lack of opportunities of overseas training and secondment and of course, the glamour of being with the top agency in town.

The second, "need for full service agency", was rated more important by local agencies. This could be attributed to the fact that many local agencies being small are not able to offer the full range of services often provided by an international agency, will tend to rate this more importantly for their lack of it. The types of services include full media services with media profiles and ADEX, research capabilities and below-the-line capabilities. These services are provided either in-house or from affiliated companies. Some examples include Ogilvy One Worldwide (direct marketing) and Ogilvy Public Relations Worldwide Malaysia, subsidiaries that provide support for the parent advertising agency, O & M; Grey with Grey Direct and Grey PR (M) Sdn Bhd and Bates with Zenith (media specialist) and other support from direct marketing and below-the-line subsidiaries.

International agencies also offer company-wide linked expertise and knowledge such as creative and network-linked information (media or
brand), all obtainable at a price. Some proprietary tools such as the BBDO’s "universe of emotions" measurement and Hakuhodo’s Sei-Katsu-Sha (translated - an individual), a micro target technique that looks at the values, dreams and daily lives of individuals to gain consumer insights, are used to provide competitive edge for the agency. It is for these criteria that many clients, even those in the domestic market, look for when selecting an advertising agency. Many international agencies have developed these resources into capabilities and built them into core competencies and competitive edges, over the years. These proprietary tools of the creative development process serve as methods of service differentiation between the local agencies and the international as well as between the international agencies themselves. Unfortunately, local agencies have neither developed any differentiating process nor access to the privileged circle with the exception of media which can be provided by specialist media houses.

The third significant difference, “there are no conflicting accounts”, could be attributed to the fact that local agencies, being small, will not jeopardise an existing account by taking on a conflicting account that may result in the loss of one or both of the clients. On the other hand, the international agencies have enough clout to dictate the handling of conflicting accounts such as FCB’s Colgate and Darlie toothpaste accounts which were handled concurrently over many years, with the clients’ knowledge. Although Colgate has shares in Darlie, Darlie is an autonomous brand marketed and promoted separately.

The fourth significant difference, “assignment of responsibilities is clear” is rated more important by local than international agencies. This could be attributed to the local agencies’ need for better management styles.

The last significant difference is the strategies for economic downturn where local agencies use costs-related measures and the international agencies use marketing and promotions to increase the agency’s revenue. The former calls for restrictions and austerity controls which reflect the
natural reactions by local agencies to contain costs rather than pass the costs to clients. This would mean a risk of losing the client but would have demoralising effects on the staff. The latter strategies are more positive strategies that reflect the confidence of international agencies with steady accounts and financial resources. The financial resources of international agencies come in the form of regional budgets that will enable the Malaysian office to operate according to goals rather than be driven by cost constraints.

With local and international agencies sharing the same basic beliefs - there are few differences in the general philosophies and limited practices of "success" - local agencies seem well in place to compete with international agencies. They should be moving into important things such as a bigger stake of the domestic advertising industry as well as play a major role as the moving force of the industry.

However, figures based on Adnan (1994) showed that local agencies contributed to only 30 percent of the advertising revenue in Malaysia compared to the 70 percent contribution by international agencies.

<p>| TABLE 6.1 |
| 1992 TOP NINE AGENCIES AND TOTAL ESTIMATED MEDIA BILLING |</p>
<table>
<thead>
<tr>
<th>Advertising Agency</th>
<th>Estimated Media Billing (RM)</th>
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<tbody>
<tr>
<td>1. McCann Erickson</td>
<td>84.4 million</td>
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<tr>
<td>2. AMC</td>
<td>80.4 million</td>
</tr>
<tr>
<td>3. O &amp; M</td>
<td>73.6 million</td>
</tr>
<tr>
<td>4. DYR</td>
<td>71.3 million</td>
</tr>
<tr>
<td>5. Leo Burnett</td>
<td>64.5 million</td>
</tr>
<tr>
<td>6. BSB (Bates)</td>
<td>60.3 million</td>
</tr>
<tr>
<td>7. Lintas (Ammirati Puris Lintas)</td>
<td>60.1 million</td>
</tr>
<tr>
<td>8. J. Walter Thompson</td>
<td>58.2 million</td>
</tr>
<tr>
<td>9. AP: FCB (FCB)</td>
<td>51.2 million</td>
</tr>
</tbody>
</table>

Source: Adnan Hashim (1994)

It is also observed that local agencies both in billings and reputation are again international agencies.
This is again evident in Adnan (1994) (see Table 6.1) and in the Malaysian Kancil awards (Figure 2.3) where more than half of the winners were the international agencies.

were not the prime movers in the Malaysian advertising industry. They do not handle the major domestic advertisers such as TDC or MAS, let alone the top ten international spenders in the country.

From the survey, it is also noted that less Malaysian top agency personnel had overseas exposure. These observations suggest that local agencies are still not as successful as international agencies and therefore their ability to compete globally comes into question.

It is suggested that some of the constraints faced by the Malaysian advertising industry are:

*Lack of Network*

Malaysian local advertising agencies lack a network of intra-organisation resources to tap into the information and past learnings and experience of branch offices and affiliates. The findings from the study has indicated that Malaysian advertising agencies are looking at regional or international alliances or partnerships (see Table 5.12). The benefit of an international network is its ability to offer information for a competitive edge. It can be illustrated in the following example taken from the author’s observations. An international advertising agency, pitching for an international account, can access the head office resource library on the account’s corporate profile, past campaigns as well as competitors in other countries. Should the head office handle a similar account, the agency could also tap on the experience of the account service and creative team to enhance their knowledge of the account being pitched. Here, in this scenario, information can be classified as truly global. As these types of information are also classified confidential, local agencies would not be able to tap it even if they were willing to pay for it, putting them at a disadvantage during the business pitch.
A related problem is that more advertisers, even the small companies, are planning or projecting international markets (Rothenberg, 1998). Malaysian companies are not the exception to this, either. Global advertisers would require global advertising agencies to create standardised advertising that can be used globally. This can be achieved more efficiently if the agency is able to tap into an international network to access timely and accurate information on indigenous consumer insights, cultural factors or competitive data. Local agencies do not have this network to provide or use global information to their advantage. This explains why Malaysian advertisers such as MAS and TDC use international rather than local agencies. Even EON who is handled by a local agency, Bloomingdale, locally, uses separate agencies in overseas markets.

Financial Resources

As the financial resources of local agencies are limited, their ability to own and offer various services are also limited. Limitations come firstly in the form of credit extension in media to clients, especially in broadcast medium which requires a substantial bank guarantee upfront. With four TV stations (RTM, TV3, MetroVision and NTV7) and two satellite stations (ASTRO and MegaTV), the initial capital outlay will drain a local agency’s financial resources.

The second limitation is the reduced ability to pitch for too many new business as they consume resources and time. Staff are channeled from their daily revenue-generating activities to pitches. An over emphasis on pitching can reduce productivity and drain staff morale unless the success rate is high and the pitches are supplemented by the outsourcing of work.

In light of the tight financial resources, local agencies must exercise caution in sending home-grown creative for awards in order to build the agency’s reputation and boost staff confidence and motivation. Subscribing to media information and setting up information sources on competition and the
external environment in general are also financially draining. Despite their importance to create high quality work, these areas are often neglected.

These situations lead to a Catch-22 scenario as pitches, awards and information sources are necessary to build up an agency's future business as proven by researcher by Verbeke (1989) and Henke (1995).

The cost-conscious attitude of local agencies is also evident from the survey- the use of cost-related strategies to compensate for reduced revenue during the current economic slowdown- supports the financially-strapped attitudes of local advertising agencies.

**Human Resource**

The survey has shown that local agencies find it difficult to attract talented staff due to a number of reasons. Firstly, local agencies, being small, usually handle small domestic accounts and most of the time, work with limited media. This scenario limits the learning experience of staff- no exposure to international accounts, media or markets, creative training limited to only print ads and not a broad range of media including TV commercials which are expensive to produce, no market or advertising research exposure and limited media exposure. Talented staff will find themselves hard pressed to develop an all-roundedness to their careers.

Most local agencies will limit training although it brings in long term benefits as training is expensive and takes staff away from their daily activities of generating revenue. However, training in skill enhancement in judgemental skills is critical in people-based consultancy services (Lovelock, 1996).

A possible reason for the lack of training could come from the lack of trainers and training materials. In international agencies, these items are more readily available from the head office.
Most conspicuously, the lack of reputation of an agency, either creative or strategic, will not pull in talented professionals. They are aware that the firm's product mix will not provide "pacesetters" challenging state-of-the-art work or significant projects (Lovelock, 1996) to increase learning and experience.

**Account Stability**

International agencies have their main accounts realigned from their parent organisations. Examples from Adnan (1994) and an industry professional include the Colgate-Palmolive account with Dentsu, Young & Rubicam, American Express with Ogilvy & Mather and Benson & Hedges with Bates. These accounts bring in substantial billing ranging from no less than two million Ringgit a year, giving the international agencies a steady income. With their bread and butter secured, international agencies are free to pursue other accounts and compete with local agencies for local accounts. In contrast, smaller local agencies cannot penetrate into the international accounts.

A study by researcher Michell (1988) supports the above point in that the results showed that the bigger the client and the account and the bigger the agency, the higher the likelihood of the account being maintained.

The advantage of international accounts is that they operate on a long term contract period unlike the Malaysian advertisers. Telekoms and TDC, being two of the largest accounts in the country, are required to open the accounts for tenders every two years to at least three bidders. Long term contracts are efficient and profitable to both the advertiser and the agency (Wackman et al, 1987) as the initial effort, time and money expended in the learning stage is allowed to reap results. With short term and volatile contracts, agencies cannot commit their resources and time with a whole-heartedness as with long term contracts. They cannot simply hire and then dismiss the staff when the contract expires in two years time for example, as it gives the agency a reputation as a fickle recruiter. Volatile accounts also make it
difficult to plan long range, thus affecting decision-making. These factors place local agencies at a disadvantage to international agencies.

6.3 Recommendations

The study has brought to light some of the factors that are important for local advertising agencies to cope with globalisation: human and finance resources, reputation and networks. Although globalisation is inevitable and corporations should start building and preparing themselves, local agencies still have an option not to globalise. Instead they can practise niche marketing to serve domestic advertisers or service the Malaysian markets of transnational Malaysian companies. However, local agencies who wish to embark on a global path could take up some of the following recommendations made in this paper.

Human Resource
As advertising is a people-based service industry, it is imperative that human resource is given a prominent role. Human resource is critical to build as well as promote the image of the agency to the market. For an agency to maintain stability, staff loyalty is important. This can be achieved through improved staff benefits to attract talented professionals. Training and career development plans should be set in place. With an increasingly open economy, it is important that local agencies ensure that their top personnel are aware and where possible, exposed to overseas training to inculcate a more global view in their decision making.

Reputation of the Agency
The most critical goal for an advertising agency is to build a reputation as an agency strong in a competence such as creative or strategic thinking. A strong reputation will attract talented professionals who will in turn, help to build the business. It also attracts new businesses which will provide additional revenue to the agency and challenging work for the staff. Despite
the questions raised on the validity of measures in advertising awards, the awards are currently still the better alternative to build a reputation for an agency.

**Network**

Key to competing globally is access to information that is timely and accurate. This can be achieved through developing regional partnerships or affiliation with international agencies. However, the prerequisite to the setting up of these types of networks is a strong corporate reputation either as a creative or financially stable organisation.

Networks are efficient systems as the learnings from one branch can be disseminated to others (Zakon, 1988). The sharing of resources between members of the network will amortise the cost of initial capital outlay as well as costs for regular maintenance or updates. Development of its own network will require time and will take up a substantial amount of the local agency’s financial and human resource. This is beyond the capability of the local agencies. These are the competitive edges an international agency holds over local agencies—resources that are inimitable as they have taken time and experience to build up.

6.4 **Limitations of the Study**

The sample size is small as the total population is small and limited. There are only 63 accredited or full service agencies, of which 16 are international agencies. It would be better to study the full service agencies as a whole rather than break up between local and international agencies.

There were no direct quantitative figures to support the successes of the agencies although questions were incorporated in the survey. Assessment
of success were based on market reputation and incomplete as well as not up-to-date billing figures.

An exploratory study to collate the factors for successful globalisation should be initiated to ensure that all the factors are compared and analysed.

6.5 Suggestions for Additional Research

Interviews with the key decision makers of international and local agencies would provide a better understanding of the corporate strategies and decision making in a globalised world. Similarly, a more in-depth study of selected full service agencies is recommended to establish the success factors that are required for globalisation.

The current study looked only at the agencies' point of view. For a more rounded perspective, future studies on the advertisers' view should be solicited as to their needs and uses of advertising agencies in the wake of globalisation.

Future studies should also look at the opportunities of local agencies using advertising specialists such as creative boutiques, media specialists or direct marketers to provide a more complete range of services. As some of these specialists are owned by international agencies, a section on whether this will jeopardise the business of local agencies should be included.

6.6 Conclusion

Local advertising agencies subscribe to practically similar practices and philosophies with international agencies. Although this means that local agencies are in the right frame of mind to compete globally, implementation is an issue. Their ability to compete globally is
disadvantaged by poor account stability, financial volatility, poor networks and weak reputations. Until local agencies overcome these disabilities, they will not be able to compete successfully with international agencies on a global level.