

COMPARATIVE ANALYSIS OF ADVERTISING AGENCY
SYSTEMS IN MULTIPLE ENVIRONMENTS

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Abstract

TABLE 1

The purpose of this paper is to compare the role and functions of advertising agencies and client relationships in Turkey and Canada. The paucity of cross-cultural studies in advertising seemed to indicate a large potential gain from pursuing such studies as the present one. The two countries represent different stages of development. It is hoped that this study contributes to our understanding of advertising agency-client relationships such that advertising management in the two sample countries can be more effective.

REPORTED MEASURED MEDIA
ADVERTISING EXPENDITURES(a)
(IN MILLIONS OF U.S. DOLLARS)

	1968	1970	1972
Canada	623.2(b)	762.7(b)	908.5(b)
Turkey	43.5	41.2	62.0
	1974	1976	1977
	1.246.2(b)	1.737.3(b)	1.699.8(b)
	138.4	209.0	107.0

Introduction

Advertising as it is practiced in Turkey today is in a stage of rapid development as evidenced by the increased number of agencies and total billings in the last decade. In fact, the broader function of marketing management, of which advertising and promotion are an integral part has been accepted as a top managerial activity by a limited number of companies only within the last decade. Whereas in Canada, advertising has received significant attention as a managerial function since the end of World War II. For instance, in 1950 Canadian advertising revenues were \$235 million and represented 1.2% of the GNP. Today, advertising revenues approached \$3,753 million and represents 1.3% of the total GNP. Canada ranks sixth in total advertising expenditures behind the United States, Japan, West Germany, the United Kingdom and France. However, on a per capita basis, Canada ranks third behind the United States and Switzerland (MacLean-Hunter, 1978).

The emerging pattern in allocation of advertising expenditures is the pronounced rise in the level of expenditures as a percentage of the GNP in the low-income countries compared to the high-income ones(Hornik, 1979). In the former one, advertising expenditures generally run about 1% of the national income, while at the upper end it approaches 3%. Furthermore, many of the expenditure ratios are indicative of the systematic relations between economic development and advertising. It is firmly established that advertising expenditures are lower in developing countries than in the economically more advanced countries. This generalization holds in terms of both per capita advertising expenditures and advertising as a percentage of Gross National Product (Simon, 1970). Table 1 shows comparative figures of advertising expenditures for Turkey and Canada over a period of ten years(Starch Inra Hooper, 1979).

There is a progression in the structural aspects of marketing that causes the differences in the overall level of expenditures. For example, one country, Turkey, is developing whereas Canada is developed and per capita income of Turkey in 1977 was \$1281 compared to

(a) advertising expenditures in print, "outdoor and Transportation", cinema, radio and television, where these media are available for advertising.

(b) expenditures for cinema not reported.

\$8,970 per capita income in Canada. Furthermore, in the same year, advertising expenditures in Turkey totalled \$107 million compared to Canada where it was \$1,700 billion. In 1977, per capita advertising expenditures in Canada was \$99.00 whereas the corresponding figure for Turkey was \$3.51. The relationship of advertising expenditure to the GNP is 1.3% and 0.32% respectively.

In less-developed countries like Turkey, goods are purchased and marketed to meet a limited group of known needs and the prevailing seller's market conditions do not stimulate the need for advertising on the part of the sellers. Under such conditions, firms in these countries may be tempted to let their products sell themselves and they see relatively little need for advertising. In a developed country like Canada, however, these conditions change, creating the needs for advertising. Buyers have enough money as well as the intention to be selective in their purchasing, so advertising is used to influence them to buy the output of a particular maker. The purpose of advertising in a developed economy like Canada is to create brand insistence for products of a particular manufacturer or seller. When the producer is separated from the consumer by widening levels of middlemen, the producer often turns to advertising to stimulate demand. As products increase in complexity, buyers seek information to help them in their decision making. Consequently, sellers employ advertising to present facts and arguments to the consumer (James and Lister, 1980).

There are benefits to be derived from a comparative study of advertising utilizing developing and a developed economy. Such benefits can transcend themselves into more effective macro-managerial advertising decision making in both countries. The tremendous growth in international business represents one of the most dramatic and significant world events of the last decade. Hence, marketers have shown an abiding

interest in their international advertising performance. Firms, in their desire for expansion and faster growth, often move from developed to developing countries. However, such firms must be conscience of the differences and the degree of adaptation required to make the advertising in one country acceptable in another.

Background

It has been argued that there is a close similarity of Turkish TV commercials to those of Western countries including Canada(Karp and Gorlick, 1974). This similarity lies partly in the themes used in advertisements and partly in the techniques of presentation. Intuitively, one would have expected these two aspects of advertising to be different in two different socio-economic and cultural environments. However, similarities might be explained by the fact that most Turkish advertising agency owners and/or managers were American educated; thus, they have developed advertising themes, copy and gimmicks similar to the ones used in North America(Yavas and Rountree, 1980).

Whether in a developed or developing economy advertising seeks to perform certain basic functions. These include informing, influencing and persuading. Therefore, the larger meaning conveyed to most people is that receivers of any advertising message, however different their cultures and traditions may be, seek to improve their knowledge of the company and its products to facilitate their decision making. For this reason, a major challenge for Turkish and Canadian businessmen is to devise increasingly more efficient ways of informing consumers about products and services, increase the efficiency of the exchange transaction process and deliver an improved standard of living to society. In this process of transformation, the role of advertising is to bridge the communication gap between consumers and the businessmen. Themes and technique of presentation are augmented in this task by good advertising agency-client relationships.

Companies which manufacture goods for sale in a developing country like Turkey have naturally made use of promotional techniques which have originated elsewhere. In practice, the techniques of promotion have been applied by multinational companies in environments different from those in which they were initially developed. In a less-developed environment like Turkey, the consumer is likely to be more affected by individual brand promotions, whether in the form of advertising, personal selling or point of purchase display, than his counterpart in a more wealthy society like Canada where consumers have developed a certain skepticism about advertising.

Research Methodology

This descriptive research study compares advertising agency-client relationships in two diverse cultures. The paucity of comparative studies in advertising seemed to indicate a large potential gain from pursuing such studies as the present one. The two countries

involved represent different stages of socio-economic, cultural, technological, marketing and advertising development. It is hoped that this study will contribute to our understanding of advertising agency-client relationships such that advertising management in the two countries can be more effective.

The data for the Turkish part of the study were collected in the summer of 1979 in the two largest cities of Turkey namely Istanbul and Ankara. Extensive interviews were held with owners and/or managers of the four leading advertising agencies of Turkey which accounts for more than 65% of the total billings.* Additional information was gathered from the Turkish Advertising Association and the State Planning Organization. Canadian data were collected in 1979-80 from various sources including the four largest advertising agencies.**

Functions of Advertising in a Developing And a Developed Economy

One of the definitions of the word marketing is the delivery of a standard of living to society(McCarthy, 1979). In the same spirit, advertising may be defined inter alia as the means by which, through the mass media, messages about higher standards of living are communicated to society. Both functions may be viewed as positive forces for the betterment and advancement of people's lives and in the building, strengthening, and modernizing of a nation(Hendon, 1975). However, from a business perspective, advertising has different impacts on individuals in the two countries studied. Different impacts arise from differences in stages of development and affluence in the respective countries and the needs of the people.

As a country such as Turkey moves from a stage of underdevelopment to a stage of development such as in Canada's case, a need develops for the public to be informed about what companies exist and the products they produce(Karp and Gorlick, 1974). Because of the prevailing sellers' market conditions in Turkey, many private and public companies do not advertise at all. They trust individual salesmen to carry out the whole marketing function on their own, unlike in Canada. The reason for this difference is that source credibility looms larger in the decision process of consumers in less-developed countries where each decision assumes a higher risk and consequently the fear of failure is greater. Many Turkish companies which do advertise, unlike many Canadian companies, have no clear goals. They have no precise sense of what their advertisements are designed to accomplish or the part

*The four leading Turkish advertising agencies are Ilancilik, Yeni Ajans, Manajans and Moran.

**The four leading Canadian advertising agencies are MacLaren, J. Walter Thompson, Foster Advertising and Cockfield Brown.

they are to play in a marketing and promotional program. The type of advertising copy used by most Turkish companies does not really tell what the products cost, where they can be obtained, what the consumer is to do with them or what their quality is (Mesci, 1974). This is due to the production stage of marketing in Turkey where the emphasis is on generic products and the demand for most consumer and industrial products exceeds the total supply. Competition is not as fierce as it is in Canada where there is great differentiation of products which are assisted in this process by advertising.

In developed countries such as Canada, advertising copy in general contains more writing and technical information due to a higher level of literacy and education. On the other hand, in developing countries such as Turkey, advertising copy contains very few technical arguments. There are a number of reasons pertaining to this fact. Comparative shopping practices are very low in Turkey and the general level of education is not high. Unlike in Canada, most of the advertising copy used by the Turkish agencies are persuasive in nature rather than being informative. However, there is a movement for more information in company advertising dealing with product content and labelling. This has caused a decline in comparative advertising and an increase in informative advertising. This illustrates that most Turkish advertising agencies do not appreciate fully the expectations and needs of people on the receiving end of their messages. Consequently, advertising is often misdirected and the target audience is not reached efficiently.

Structure of Turkish and Canadian Advertising Agencies

Whereas advertising agencies in Turkey are classified as commission agents by the Turkish Chambers of Commerce; in Canada, there is no official body which classifies an advertising agency in a similar manner. However, Canadian advertising agencies operate both on a commission and fee basis. In Turkey, advertising agencies concentrate solely on the advertising function whereas in Canada advertising agencies also perform certain ancillary functions to advertising such as market research and a fairly well rounded variety of services. These ancillary functions are more prevalent in the case of larger Canadian advertising agencies. This indicates that advertising agencies in Turkey are still at an early stage of development and more important it indicates the greater impact of regulation in the case of Turkey (Milton, 1976).

In Turkey, advertising agencies are generally concentrated in the largest cities where some 80 per cent of the manufacturing activities take place. Whereas in Canada advertising agencies are found in areas of market concentration. In 1961, there were some ten advertising agencies operating in Turkey in addition to forty radio time and press space buyers. In addition to this, there were artists' studios for illustrations and sign production which included all the facilities for making neon signs. During this early period, most of the large Turkish companies,

both private and public, prepared their advertising copy themselves and relied on advertising agencies to a limited degree. The Turkish Press Advertising Authority (Basin Reklam Kurumu) was established by law in 1960 to assume control over the allocation of state advertising in the press.

Today, advertising practices, as an organized activity, is in a process of rapid change and the number of advertising agencies has proliferated in the last decade. There are now at least fifty specialized advertising agencies carrying out the advertising activity and capable of fully satisfying the needs of any firm which wants their goods or services advertised. The current (1977-1978) Istanbul Telephone Directory lists in the yellow pages the names of ninety-seven firms under the title of advertising agencies. The number for Ankara, the Capital, is seventy-six. Also included in this number are the firms that deal exclusively with radio advertising, serigraphy, outdoor billboard production, film/slide production for cinema advertising and small scale commission-based on firms that place classified ads in the newspapers. In 1977, for example, 90 per cent of the total 815 million T.L. worth of press advertising was billed by only nine leading advertising agencies of Turkey. Of the total 815 million T.L. press advertising, government advertisements summed 26%, classified advertisements 3%, and the commercial advertisements accounted for 71%.

In Canada, Standard Industrial Classification under advertising agencies include billboard and outdoor display services, advertising on transportation facilities, sign painters, commercial artists and direct mail and door-to-door advertising firms. In 1960, there were some 131 advertising agencies operating in Canada. Today, there are over 300 agencies operating in Canada which produced a total of \$3,753 million dollars worth of gross revenues in 1980 (MacLean-Hunter, 1980). The transnational advertising agencies have moved into and virtually taken over the advertising markets in most provinces of Canada. Furthermore, the rapid growth in advertising activity has meant heavy pressures on the mass media which serve as the critical link between the manufacturers and the eyes and ears of the consumer. The expansion of production and advertising budgets surpassed the available time and space in the media. Media costs are driven up, leaving the transnationals as the major buyers of valuable media time and space (Janus and Roncagliolo, 1979).

Performance of Advertising Agencies in Turkey and Canada

The four leading Turkish advertising agency managers interviewed believe that advertising is defined often by their clients as originality, novelty or something new and different. However, this has little connection with the overall objectives of their company's advertising policies. Thus, Turkish advertising clients often confuse mere novelty with sound marketing communication. Creativity in advertising is linked to benefits sought by the consumer, not what appeals to the advertiser

seeking advertisements that simply look different or startling. Canadian advertising agency managers are very concerned with the effectiveness and efficiency of advertising as opposed to mere novelty in advertising.

Some executive members of the Turkish Advertising Association have indicated that many companies' advertising and marketing policies are unduly conservative. That is, they are apt to advertise only if their competitors do and/or in the manner of their rivals. The lack of independent advertising initiative among some Turkish businessmen seems to suggest one reason for the high product mortality and business failure among indigenous businesses in Turkey which do not try to differentiate themselves or their products. For this reason, advertisements of the future in less-developed countries should be informative in nature but limited to company and the benefits it provides (Leff and Farley, 1980).

Whereas in Turkey advertising agencies are directed and managed mostly by a single proprietor, in Canada advertising agencies are part of large multinational advertising units. Recently, with increased specialization and division of labour in the manufacturing sector of Turkey, advertising agencies have realized that they must plan and coordinate their activities to maintain their volume of business. In the early stages this movement was rather slow and advertising agencies had functional specialization of technical and administrative activities. Today, one could easily observe the improved specialization in the activities of large Turkish advertising agencies like Man-Ajans and Fulmar along functional and product lines. Perhaps in the future as the economy develops and very large companies emerge, one could expect specialization along customer lines also, as is the case in developed countries like Canada.

Whereas competition for clients among advertising agencies in Canada is fierce, most advertising agencies in Turkey get more business than they can handle. Turkish agencies try to maintain the status quo and are not interested in growth opportunities. This attitude is explained for the most part by the constraints imposed by the Turkish Radio and Television Authority, a semi-government agency which fixes the total advertising time allotment for each advertising agency on its sponsored and spot announcement advertising programs. For instance, each advertising agency is only allowed to place a maximum of ten minutes in any advertising network.

Advertising Agencies - Client Relationships

Advertising agencies use one of three different methods in obtaining their advertising jobs. These are: a) Advertising agency finds the client, b) The client comes to an advertising agency, c) Sub-contracting. However, there are differences in the mix of these three factors in the two countries. In Turkey, most advertising companies use a combination of these methods. The sub-contracting system is used when the agency which had obtained the job originally does not have the specific time and media program slot which

is desired by the client. In this case, another advertising agency which has the advertising time in that slot is given the job. This is different in Canada where the Canadian Radio and Television Corporation might stipulate the total advertising time but not the allocation of that time among advertisers.

Large Turkish advertising agencies are the only ones able to place advertisements directly with the mass media because of a size requirement for direct placement. These agencies accept notes from clients but pay in cash to the media owners. The agencies receive a rebate from the media in proportion to the quantity and size of the advertisements placed. In the division of the commission which generally amounts to 25% the large agencies, who alone are allowed to place advertisements directly, retain 5-10% of the commission and pass on 15-20% of the rebate to the small member agencies who had received the original assignment. Nevertheless, these may, in turn, allow a rebate to the advertisers. While the smaller agencies through this system are assured of 15-20% commission which would not have been received otherwise, major agencies nevertheless get an extra 5-10% commission on a ready copy. The system provides the major agencies with a number of new accounts, frequent appearances on mass media and consequently a certain degree of dominance in the market. This system persists through passing rebates down the line in a form of a hierarchy; thereby enabling agencies at the bottom to work with little or no capital. This creates a potentially dangerous chain of financial dependence. Advertisers, of course, perform other services in which case they charge for services rendered on a cost-plus-fee basis. In Canada, on the other hand, there is some sub-contracting of work but not as extensive as in Turkey where the size constraint operates.

In order to achieve the advertising goals of the client, there has to be a very good coordination and effective communication between the advertising agency and its client. When we look at the relationships from a client's perspective, most advertising clients in Turkey require low cost advertising and want to see the immediate positive effect of advertising on their companies' sales. The expectations of clients both in Turkey and Canada is that the advertising expenditures and programs would increase their sales. However, there is a difference in the time factor of this expectation, that is, Turkish companies expect immediate results whereas Canadians, being more knowledgeable about advertising and having more experience with it, are not as obsessed with the immediacy of the results except in special cases. Thus, advertising campaigns which have a longer time dimension are more prevalent in Canada than in Turkey.

According to the latest report of the Turkish advertising agencies, most advertising agency executives believe that Turkish advertising clients should have a clearer idea of whom they are trying to reach, the composition of their markets and media audience (Gorus, 1978).

Many Turkish advertising clients do not know what their advertising is going to achieve in the market place. In Canada, the clients are much more definite about what they want their advertising to achieve and they have a much clearer view of their customers. Their advertising plan and program are derived from their larger marketing plans.

Services Offered By Turkish and Canadian Advertising Agencies

In the development of advertising agency systems, there seems to be a life-cycle phenomenon (Mitchell, 1979) whereby agencies go through a three-stage process. These stages are: boutique type agency stage, specialty type agency and full-service agency stage. The first, boutique stage consists of small agencies entering the market to provide a specific function that being the creation of advertisements. The second stage involves an expansion of the service to include not only the creation of the message but also the placement of it. The final stage involves even more activities covering the market such as marketing research, testing of concepts and consumer profile analysis. The full-service agencies may have specialty type departments as well as boutiques (Figure 1).

When we examine the so-called life-cycle phenomenon of advertising, Canadian and U.S. advertisers seem to follow a "specialty shop-full-service agency-specialty shop" trend, the latter stage being manifested through the shift of advertisers to creative boutiques and the like. When the cycle is expanded by comparing it to the apparent trend in Turkey and other developing countries we see that advertisers are set to follow the full circle rather than skip the "full-service agency" step.

One would expect that a large advertising agency, given the size, managerial expertise and research capabilities, would be qualified to advise and assist the client concerning the specifications of distinct qualities for any product as well as the marketing strategies to adopt. In a study by Deligonul (1980) 51% of Turkish advertising agencies contacted indicated that they studied clients' products fully in order to determine their distinct advertisable qualities. Thirty-five percent of the agencies reported that they studied market positions of rival products and 45% of the agencies reported that they conducted activities to study present markets.

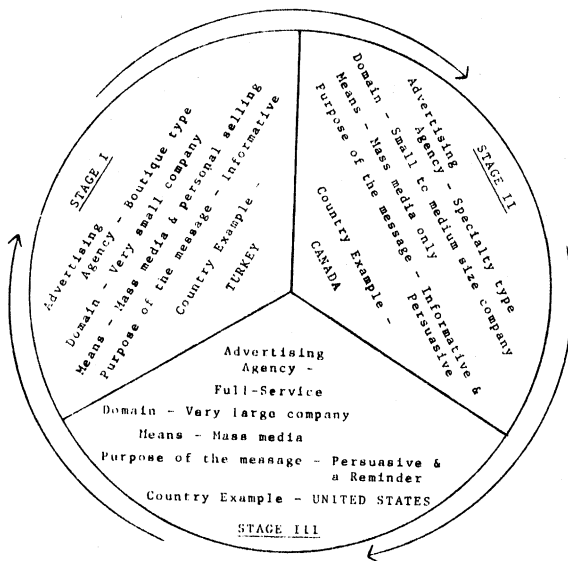
Both in Turkey and in Canada, the effectiveness in planning an advertising campaign is heavily dependent on the quality of findings and analysis of the research and studies to which reference has already been made. This information helps not only in the formulation of a campaign plan but also in other areas of marketing. Therefore, it is essential for the advertiser and the advertising agency alike to take responsibility and to work in close collaboration to maintain the flow of high quality information. This had been a moot point not too long ago, since the research methods utilized by the Turkish agencies generally involve simple analysis of secondary data or simple tests conducted in local, small scale panels. Some large Turkish advertisers however, have redeemed themselves from this deficiency by subscribing to marketing research programs carried out by independent marketing research companies. In Deligonul's study (1980), it was reported that all advertising agencies drew up campaign plans complete with schedules, timings and estimated costs.

Almost all Turkish advertising agencies provide creative services. These cover not only copy writing, designing, layouts, typography and script writing but also point-of-sale displays, exhibitions, package designing, and other similar activities. About 10% of the Turkish advertising agencies have the resources and facilities to offer full production service in a way such that they can carry out all phases of production from beginning to completion. It is generally believed that the quality of the creative services in Turkish agencies has improved since the establishment of an Advertising Department in the Academy of Fine Arts. This class of services is the main one Turkish agencies hope to emphasize to clients.

It is very important that an advertising agency should be in a position to give the advertiser unbiased advice on the choice of media best suited to meet the client's specific goals. Ninety percent of the agencies reported that they had an adequate knowledge of the media. However, their "knowledge" was based largely on past experience and intuitive evaluation. Turkish agencies offered services on arrangement of the booking and purchase of time and space. Also, 85% of the agencies offered services which included routine matters of voucher checking and arranging payments direct to media suppliers. Some 80% of the advertising agencies supervised, checked and verified advertising campaign

FIGURE 1

LIFE-CYCLE PHENOMENA OF ADVERTISING AGENCIES IN DIVERSE CULTURES



implementation.

When we look at the system in Canada, almost every agency admitted having adequate knowledge of the media. Canadian advertising agencies collect the billings and remit the appropriate amounts to the media.

Summary and Conclusions

In general, it would seem that there are some factors which should account for differences in advertising agencies-client relationships in a developing and developed economy. However, these differences, although significant in absolute terms, were not as large in relative terms. This was in part accounted for by what might be considered a contamination factor or demonstration effect resulting from Turkish advertising agency manager's and/or owner's North American education. Nevertheless, there were differences in terms of certain advertising functions performed and the attitude of businessmen in the two countries to the practice of advertising.

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