Ad Agencies’ Performance and Role in Providing Communication Services in Chile, Japan, and the United States

This study explores the relative importance of selected criteria in evaluating ad agency performance and the role which agencies play in providing marketing communication services of both a within-country and among-country nature. Findings are based on a survey of advertising executives working in major consumer/service organizations in the three countries. Criteria to evaluate agency performance included 13 subjects from “creative flair” to “involvement of top management.” The role which ad agencies play in providing marketing communication services was determined by the extent to which each of five services was sourced in-house, from the agency, or from some other outside source. Results indicated that perceptions were by no means uniform. More similarities existed, however, among managers in Chile and the United States than in Japan. Outcomes are discussed in considerable detail.

Today, as in 1984, Kaynak and Savitt’s observation on “the paucity of comparative studies on advertising” appears to hold true. Yet such studies have been reported as being central to the development of scientific understanding of this critical component of international marketing (Samiee and Jeong, 1994).

In this comparative study, advertisers of consumer goods and services in Chile, Japan, and the United States were queried about advertising agency performance and the sourcing of marketing communication services. Both topics have been given considerable attention in the literature: the former in both academic and practitioner circles, the latter primarily in the trade press—neither on a cross-cultural basis among these countries. The relationship between the two topics is obvious as advertising agencies traditionally have had a central role in providing communication services.

The principal research questions examined were:

1. In evaluating advertising agency performance, what is the relative importance of selected criteria within and among the three countries?

2. How would these findings compare with findings from previous studies?

3. What role does the agency play in sourcing various marketing communication services in the three countries? Would they be similar or different?

BACKGROUND

In what ways can prior research shed light on these topics? For the most part, studies published on factors affecting the client-agency relationship have been in-country in nature (Doyle, Corsjens, and Michell, 1980; Hotz, Ryan, and Shanklin, 1982; Kaynak and Ghauri, 1986; Michell, 1986; Wackman, Salmon, and Salmon, 1986; Verbeke, 1988; Smith, 1991; Henke, 1995; Michell and Sanders, 1995). The most important considerations in evaluating or affecting the client-agency relationship of six of the nine studies just cited are shown in Table 1. Observing Table 1, it is apparent that creative competency is the prime factor affecting the client-agency relationship. Rapport with and responsiveness of agency personnel, and the agency’s closeness to the client’s business, were also major considerations; however, these factors were not uniform across all studies. Managerial and media skills, cost consciousness, and fairness with agency charges were other considerations of importance.

In regard to the role of advertising agencies as a source for marketing communication services, the
increasing difficulty in reaching audience targets efficiently via traditional means such as network television in the United States and the growing importance of other communication vehicles such as direct mail and public relations/publicity activities has threatened the survival of the traditional full-service advertising agency. To counter these developments, agencies began to place greater emphasis on attempting to provide a bundle of marketing communication services (Lucaire, 1989; Tortoriello, 1991; Fizdale, 1994; Finn, 1994). During this same period, a "new marketing paradigm"—integrated marketing communications (IMC)—was being touted in academic circles (Schultz, Tenenbaum, and Lauterborn, 1995).

The idea of sourcing a variety of marketing communication services from a single agency was given much fanfare in the United States. Its acceptance depended on which side of the fence you were on: client or agency (Hume, 1993). While agencies were testing various forms of this concept, client reaction was cautious. As reported in one article, "one-stop shopping was not the solution because clients didn't want to put all their eggs in one basket" (Wells, 1993).

As for IMC, a 1993 survey revealed that "marketers' opinions of integrated marketing—and their actions—differed greatly from those of agency executives." In a poll of 200 agency and marketing executives, both the majority of marketers (83 percent) and agencies (65 percent) said it was "their responsibility to set strategy for and coordinate integrated (marketing) campaigns" (Fawcett, 1993).

Yet agency opinion was not uniform. A well-known, top-ten agency head reported on the findings of a survey among 22 of his major clients: "none of them wanted their agency to do anything other than great advertising. Integrated marketing is being driven, not by the mar-

### TABLE 1
Agency Evaluation: A Comparison of the Most Important Considerations from Selected Sources

<table>
<thead>
<tr>
<th>Year</th>
<th>Author(s)</th>
<th>Subject</th>
<th>Most Important Considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>Wackman, Salmon, and Salmon (US)</td>
<td>Same as above</td>
<td>—similar to above—</td>
</tr>
<tr>
<td>1988</td>
<td>Vereske (Holland)</td>
<td>Attributes crucial to the client-agency relationship</td>
<td>1. Good personal relationship with account service personnel&lt;br&gt;2. Agency charges fairly&lt;br&gt;3. Agency meetings are productive, efficient&lt;br&gt;4. Good creative work</td>
</tr>
<tr>
<td>1995</td>
<td>Henke (US)</td>
<td>Importance of ad agency evaluative criteria</td>
<td>1. Good creative skills&lt;br&gt;2. Good marketing skills&lt;br&gt;3. Good media skills&lt;br&gt;4. Proven track record of results</td>
</tr>
</tbody>
</table>

* A pretest study to the one above based on advertisers that recently switched agencies.
* Used 18 factors from an inventory derived by Wallack (1986) in a survey dominated by midwestern manufacturers with ad budgets under $1 million.
* A replication for most part of Wackman et al.'s predictors in a survey among large and small Dutch advertisers.
* Findings from a poll conducted every two years by a leading U.S. research firm among 600 leading national advertisers.
* A longitudinal survey among 151 clients with agency decision responsibilities and ad budgets of at least $5 million.
set but by academics” (Advertising Age, 1993).

Even though adherence to integrated marketing communications was being voiced by some academics (Schultz, 1993 and Duncan, 1993, 1994), academic research also produced mixed signals on the issue of where the direction of integrated marketing communication (IMC) activities should come from. One study indicated a majority of client communication or marketing managers believed that directing an IMC program should be a shared responsibility, while another (among primarily large corporations) indicated that the client alone should “direct” IMC activities (Duncan and Everett, 1993).

As the reader will have noted, the literature reviewed was obtained from English language publications and was based on U.S. and European experiences. However, advertiser-agency relationships exist worldwide and integrated marketing communications has become a topic of broad interest. It is for these reasons it was felt that a comparative study centered on the research questions posed earlier among three countries with different languages and cultures would help develop a better understanding of these aspects of marketing.

**METHODOLOGY**

The three-country survey data, upon which findings are based, was part of a broader study, different elements of which were published in the International Journal of Advertising (Griffin, McArthur, Yamaki, and Hidalgo, 1998). It involved these steps: first, a questionnaire was jointly constructed by the Japanese and U.S. researchers. The English version was prototyped by seven advertising/marketing executives for clarity and meaning. Based on their responses and suggestions, a second version was prepared and translated into Japanese by our Japanese author and independently back-translated by a native-speaking Japanese language teacher in the United States. Discrepancies in wording were corrected in the English and then the Japanese versions before fielding the questionnaire. Subsequently, our Chilean colleague, fluent in English as well as Spanish, and two assistants translated as accurately as possible the finalized English version into Spanish.

Samples were drawn from published lists of the top advertisers in terms of expenditures in each country. Sample sizes and response rates varied. In Chile a sample frame of 109 was drawn from a list of the top 130 advertisers. The survey conducted among these practitioners produced a response rate of 55 percent. In Japan the sample frame consisted of 360 of the 500 largest advertisers. The response rate there was 50 percent. In the United States, a stratified random sample of 53 groups was drawn from the Leading National Advertisers’ list of the top 1,000 resulting in a response rate of 22 percent.

As for nonresponse bias, in addition to the common assumption of randomly distributed response bias (Duncan and Everett, 1992), annual media budgets of respondents and nonrespondents in the three countries were compared. A two-tailed test of mean differences on this measure over the entire sample in each of the countries indicated that no significant differences existed between firms that responded and those that did not.

Because of the relatively low response rate in the United States, compared with those in Chile and Japan, a second method of evaluating nonresponse in the United States was used. Since there were three successive mailings of the questionnaire at approximately four-week intervals, a profile of early and late respondents could be compared. (Armstrong and Overton [1977] maintained that a profile of nonrespondents is likely to be more similar to late respondents than early respondents.) The means of the last set of respondents did not differ significantly from those of the first set when comparing the variables of this study.

To reduce the possibility that observed differences among countries may be due to within-country variables (Samies and Jeong, 1994), findings to be presented are limited to those respondents who reported their core business involved a consumer product or service and consumer advertising was an assigned duty—characteristics of all Chilean respondents. In Japan and the United States, respondents whose core product was business/industrial, business service, or basic material were eliminated.

**FINDINGS**

**Evaluating advertising agency performance**

For advertising agency performance evaluation 13 criteria were used. These criteria were the same in 11 out of 13 instances—one wording change and one addition—as those used by a well-known U.S. research firm in a poll conducted every two years among 100 leading national advertisers (Smith, 1991). Respondents were asked to record their perceptions of importance on a five-point scale, one being “not at all important” and five being “extremely important.” Answers can be found in Figure 1.

The performance criteria are arrayed from top to bottom in the left-hand column of Figure 1 in order of importance. The solid line running from top to bottom represents the mean scores of the three countries combined on the scale shown at the bottom of Figure 1. The symbols rep-
resent the individual country means. To the right of each criteria are the results of the Tukey-Kramer test of mean differences where p < 0.05. For example, it was found that “creative work that sells” was significantly more important for U.S. and Chilean respondents than for the Japanese. The designation for this in the figure is “US & CHL > JPN.” (No conclusion can be drawn about any differences between the United States and Chile.)

The findings in Figure 1 can be ene

**Figure 1.** The Relative Importance of Selected Criteria in Evaluating Advertising Agency Performance

(* = results of Tukey-Kramer test of differences between countries, p < 0.05)

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In order to determine the relative importance of the 15 criteria on a combined and individual country basis, a vertical analysis was performed. A vertical inspection of the combined mean line suggests a three-way grouping of the criteria.

The top grouping is comprised of five criteria:
1. Creative work that sells
2. Really understands client's business
3. Creative flair
4. Develop creative strategy
5. Careful with client's money

The middle grouping consists of four criteria:
1. Cooperative in problem solving
2. Media planning
3. Media buying
4. Use research in strategy development

The bottom grouping also consists of four criteria:
1. Help with marketing plans
2. Provide full range of services
3. Help with new products
4. Involvement of top management

On an individual country basis, the Japanese respondent pattern exhibited considerable uniformity. The most important criterion was creative flair. The least important was involvement of top management.

The Chilean response resulted in a different pattern. The top five criteria listed in Figure 1, along with media planning, are the most important criteria. The remainder are of lesser importance, most notably, help with marketing plans.

The U.S. response follows the three-way mean grouping for the most part. The criteria, creative work that sells, is noteworthy in that it drew the highest individual mean score. At the other end of the scale, help with new products drew one of the two lowest individual mean scores.

In regard to findings of a horizontal nature, there are statistically significant differences all down the line as shown. Chile and the United States (vice versa) placed greater importance than did Japan on these criteria:
1. Creative work that sells
2. Really understands client's business
3. Develop creative strategy
4. Media planning
5. Involvement of top management and lesser importance on help with marketing plans

Japan and the United States placed significantly greater importance on being cooperative in problem solving and media buying than Chile. Chile and Japan placed significantly greater importance on help with new products than the United States. Other significant differences arose between:

- Chile versus the United States on creative flair
- United States versus Japan on being careful with client's money and use of research on strategy development

Sourcing of marketing communication services

When it comes to sourcing of marketing communication services, to what extent are they sourced in-house, from a full-service advertising agency (FSA), or from another source, e.g., creative boutique, media buying service, sales promotion agency, or public relations firms? Figure 2 provides the answers to this question on a country-by-country basis.

In all three countries, the majority of respondents indicated that the full-service agency (FSA) was their primary source for creative and media services. Differences, however, should be noted among countries. The sourcing of creativity from the FSA was most prevalent in Chile (76 percent) and least prevalent in Japan (55 percent). "In house" was of secondary importance in the three countries but of lesser significance in Chile than in the other two. While "other" creative sources were of tertiary importance in all instances, they were greater in Japan than in Chile or the United States.

As for media, the highest percent of sourcing came from the FSAs in all instances: Chile, 70 percent, and Japan, 65 percent, in contrast to the United States, 56 percent. "In-house" was of secondary importance among all three countries but to a lesser degree in Japan than in Chile or the United States. Note that "other" sources were of minimal significance in all three countries, particularly in Chile.

The predominant source for sales promotion was "in-house," particularly so in Chile, 80 percent, and in the United States, 69 percent. In both countries the FSA and "other" were of limited importance. The situation was different in Japan. "In-house" (40 percent) and the FSA (37 percent) shared the lead as the principal source followed by "other" (23 percent) which also had greater significance than in either of the other two countries.

As in the case of sales promotion, the public relations response patterns were similar in Chile and the United States: "in house" led as the prime source—71 percent in Chile, 68 percent in the United States, followed by "other," and then the FSA. In Japan "in-house" and the FSA shared the lead position, 42 percent and 41 percent, respectively, followed by "other" (18 percent).

With respect to advertising research, the response patterns were again similar. The two more important sources in Chile and
the United States were “in house” and then the FSA with a lesser but not insignificant role played by “other” sources. In contrast, the predominant source in Japan was the FSA (53 percent) followed by “in house” and “other” of roughly equal but lesser significance.

**DISCUSSION**

**Evaluating agency performance: current versus previous findings**

In the review of literature it was found that creative work was the dominant consideration when evaluating agency performance and when switching from one agency to another. Findings of this study are consistent with previous literature in this respect. If anything, creativity may be even more important to advertisers in this study, as evidenced by results shown in Table 2. It can also be observed that three of the four top criteria in the current study—creative work that sells, really understands the client’s business, and careful with the client’s money—are the same as those reported by Smith in 1991 (see Table 1).

As for other top-ranking considerations, a major difference existed in the prior studies between two factors: interorganizational relationships and being close to the client’s business. In this current work, understanding of the client’s business was clearly number two in importance in all three countries. (This is construed as being close to the client’s business.)

Caution is needed, however, in making comparisons in instances where terminology and languages differ. For example, the 1995 Henke study reported that “good marketing skills” was of prime impor-
TABLE 2
Advertising Agency Evaluation: A Comparison of the Most Important Considerations in Chile, Japan, and the United States

<table>
<thead>
<tr>
<th>Chile</th>
<th>Japan</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>client’s business</td>
<td>1. Creative flair</td>
<td>1. Creative work that sells</td>
</tr>
<tr>
<td>1. Really understands</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Creative work that sells</td>
<td>2. Creative work that sells</td>
<td>2. Really understands</td>
</tr>
<tr>
<td>3. Developing creative</td>
<td>3. Really understands</td>
<td>3. Careful with client’s money</td>
</tr>
<tr>
<td>strategy</td>
<td>client’s business</td>
<td></td>
</tr>
</tbody>
</table>

... whereas in this study “help with marketing plans” in the United States was of a relatively low priority. A company could expect that its agency would possess the former trait without calling on it for help with plans development.

Comparison of evaluative criteria among countries
Within-country results could be a reflection of cultural differences among advertising executives in the three countries. For example, responses of practitioners in Japan show more uniformity than practitioners in Chile and the United States with respect to the importance of various criteria in evaluating advertising agency performance. Clues to this behavior can be found in these observations:

- A higher value in business organizations is placed on “maintaining order or harmony than on individual expression” in Japan (Reed, 1983).
- There was an overriding drive to avoid disagreement among employees in a large Japanese advertising agency (Shiff, 1989).

By temperament, then, it may be more difficult for Japanese practitioners to give lower ratings and make sharper distinctions than practitioners in the other two countries. This possibility notwithstanding, implications of the significant differences in the importance of various criteria among countries are discussed below.

Creativity Among these five criteria in the top third in terms of importance, the Chilean and U.S. responses were similar with the exception of “creative flair.” This could be traced to a more pragmatic, less flamboyant style of North American practitioners who sought above all else “creative work that sells.” In contrast, the Japanese placed less importance on this and the other top five criteria with the exception of “creative flair,” siding with the Chileans in this respect. Possible explanations for this are based on these observations about advertising in Japan:

- “Advertising in the first place is created to please the prospect as opposed to making a direct sale”... The more it pleases, the more likely it is to move the product (Wagenaar, 1980).
- Creative people... tend to talk about advertising more as an art than as a tool to sell a product (Wagenaar, 1980).
- “Advertising is not a science... all advertising should be handmade” (Miyamura, 1993).
- “The Japanese really believe that TV advertisers are ‘coming into the living-rooms’ of viewers and as such they are guests with the responsibility to be good company. That means they should be lively and entertaining, not pushy” (Reed, 1983).

Understanding the business: When it comes to “really understands clients’ business” the Japanese again depart from U.S. and Chilean practitioners on this major criteria, placing significantly less importance on outsiders’ conception of their firms’ raison d’etre.

- As just explained, the message is designed to entertain rather than sell... reducing the need to understand the business.
- Japanese advertising might be viewed “as lart pour lart and not particularly effective in translating a specific point in strategy” (Wagenaar, 1980).
- From a top management perspective “the best creative companies such as Suntory, Shiseido and Matsushita have been led by (the ideas of) the founders and their followers” (Yamaki, 1994a). For agency involvement in the creation of advertising it might be better to understand a company’s corporate philosophy than the businesses in which it is engaged. In Shiseido’s case, its founder’s basic design concept involving the “fusion between European style and Oriental beauty” has guided all forms of communications as the com...
pany pursued the “dual goals of economic prosperity and cultural advancement” (Shiseido, 1980).

Strategy
The “development of creative strategy” on the part of advertising agencies is another criterion where its importance was significantly less in Japan than in the Western countries. Possible reasons for this include:

- A related finding of this study: nearly one-fourth of the Japanese advertisers reported that agencies were not involved in the preparation of creative strategy. That figure dropped to 8 percent among U.S. respondents and to 4 percent among Chileans.

- In Japan different approaches are used in different media. Campaigns change throughout the year. Different agencies are used for different media. Different writers and art directors work on TV and print (Wagenaar, 1980).

- At one of Japan’s largest agencies some clients’ communication strategies ask for little more than “something impactful” (Schiff, 1993).

- Clients’ strategies can be “cumbersome documents” reflecting the views of an all key participants and “give more respect to general direction and feeling of strategies rather than specific, due partly to the number of people involved in the approval of creative executions, and to concern over what the consumer will think of the ad once it is in the market” (Wagenaar, 1980).

- In Japan the very foundation of its existence as a society is based on a “rice culture” that requires cooperation in order to engender harmony and produce a satisfactory result (Reed, 1983). This is reflected in the facetious comment of a Western copywriter speaking of his Japanese agency colleagues: “Ask someone a favor and the response is worthy of the Eagle Scout badge for cooperation” (Schiff, 1993).

- The similar importance attached to this criteria by the U.S. respondents is in keeping with the findings from the literature review and reflects the need on the part of U.S. agency personnel to maintain a good working relationship with the client in order to keep and grow the business.

Media
When it comes to media, the three countries have well-developed media infrastructures. However, important differences exist in the number and size of markets within each country, in the nature of viewing, listening, and reading habits, and in media as advertising vehicles. Yet these factors do not explain why there were significant differences with respect to “media planning” and “media buying.” The reason may simply be the relative importance that respondents in the three countries placed on these two criteria in relation to all other criteria. One factor to account for the greater importance the Japanese placed on media buying on the part of their agencies as compared with the United States and Chile could be due to the absence of media-buying services (Yamaki, 1994a).

Cooperation
Focusing on the four criteria of mid-range importance, a significant difference existed between Japanese and U.S. practitioners on the one hand and the Chileans on the other hand with respect to “cooperation in solving problems.”

Research
The “use of research in strategy development” was relatively unimportant for all our respondents—somewhat more so to the Japanese, particularly versus U.S. practitioners. The general lack of importance may be found in this thought strategy development can be considered a sequential activity coming after research has been completed.

In the case of the Japanese, however, there is a different explanation. As Kobayashi (1985) pointed out, “When Japanese marketers make decisions they tend to give more weight to their experience and intuition than to numbers.” From a creative person’s perspective, marketing information or data from marketing research is not believed (Yamaki, 1994a). Most advertising creative people use “instant ideas,” not marketing research results (Amatsu, 1994).

Plans and Products
Among the criteria at the low end of importance were those that involved “help with marketing plans and new products.” Chilean and U.S. respondents placed considerably less importance on these criteria than did the Japanese. Answers from the former two countries suggest that advertisers are not particularly interested in having agency personnel become involved in these aspects of marketing. As for the Japanese response, an explanation for this stemmed from Yamaki’s observations (1992, 1994a, 1994b) about the meaning of “marketing” in Japanese firms. Such functions as sales and advertising are conducted independently of each other. Product managers, seldom found in client organizations, could be young and talented but colleagues in other functional areas don’t necessarily follow their recommendations. Marketing is looked on as scholastic and theoretical and marketers’ recommendations are not widely accepted by practical business managers. Marketing is most often considered a “desk plan.” The empirical impressions and recommendations of one’s within-group colleagues would generally carry more weight than theoretical notions from a different group (Nakane
Internal versus external sourcing. The amount of sourcing internally for all five types of services, particularly sales promotion and public relations, was extensive. Companies in the three countries were doing more than retaining control; they had internalized all these functions, but not to the same degree. For example, the extent of sourcing of sales promotion internally was greater in Chile than in the other two countries. In contrast, the Japanese relied to a lesser extent on in-house sourcing and to a much greater extent on FSA sourcing for sales promotion, public relations, and advertising research.

Judging from the response of the Japanese, it might appear that practitioners in that country had grasped the concept of integrated marketing communications (IMC) and agencies were vying with clients to become the lead source. However, at the time the survey was conducted, IMC was barely perceptible in Japanese marketing circles (Yamaki, 1996).

Sourcing advertising research. As for advertising research, it encompasses both creative and media activities. Media research is largely a numbers exercise and a customary assignment for agencies. Creative research is more subjective. Agencies are not usually permitted to be the principal arbiters of this function, particularly if it involves their own work. However, results from this study—assuming that creative and media research are more or less equally divided—show this to be the case in Japan. The agency was the dominant source. The implication here, based on the previously reported disdain and mistrust in research for creative purposes in Japan, is for advertisers who don’t really care about it or give it much credence to pass this assignment on to their agencies.

Sourcing questions remain. When it comes to sourcing of media services, a larger percentage from “others” would have been expected in the United States due to the growth of media buying (and planning) services. This could also be said of public relations because of the long-standing establishment of this professional service group in the United States.

SUMMARY

To the extent that these findings represent the beliefs of large advertisers of consumer products and services in Chile, Japan, and the United States, the notion that full-service advertising agencies can be the source and integrator for marketing communication services other than their core products—creative and media—is not supported. This was further substantiated by the relatively low importance attached to criteria that included helping with marketing plans, providing a full range of services, and helping with new products.

At the same time, it cannot be said that practitioners in Chile, Japan, and the United States were homogeneous in their thinking about the advertising topics studied in this report. The Japanese placed more importance on full-service ad agencies for providing multiple marketing communication services and attached differences in importance to various ad agency performance criteria. While differences were also found between Chilean and U.S. advertisers, the distinctions were not nearly as pronounced as between either of these groups and the Japanese. This suggests that further investigation of these topics among these and other western and eastern cultures could lead to a better understanding of the similarities and differences with respect to the management and conduct of marketing communication services.

Despite any shortcomings which readers may find in this study, clues have been uncovered on how advertisers in the three
... the notion that full-service advertising agencies can be the source and integrator for marketing communication services other than their core products—creative and media—is not supported.

countries view their relationships and divide communication responsibilities with their agencies and other suppliers. This could be useful in the modeling of new sourcing and performance evaluation constructs.

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