

Challenges for advertising agencies by new delivery systems



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Title of essay or assignment: WHAT HAS BEEN THE CHALLENGE POSED FOR ADVERTISING AGENCIES BY NEW MEDIA AND DELIVERY SYSTEMS?

This essay will firstly give a brief overview of the beginning of advertising agencies followed by a brief outline of the role of these advertising agencies. This will be followed by a discussion of about new media and its functions. The challenges that new media and delivery systems have posed for advertising agencies will be discussed and finally a conclusion.

Overview of the beginning of advertising agencies will be discussed followed by a brief outline of the role of advertising agencies.

Advertising agencies first became prominent in the late 1800s with a rising demand for advertising services from magazines and newspapers (Reference). The first known and acknowledged advertising agency was William Taylor from as early as 1786 followed by another prominent one in 1800 which was started by James 'Jem' White at Fleet Street in London. Agencies started in America in 1850 which placed client produced advertisements in newspapers (Reference). Agencies started operating on a global scale during the early twentieth century. One of the currently well-known advertising agencies that started in the 1850s is James Walter Thompson (JWT) (Reference). JWT first joined Carlton and Smith Agency; eventually purchasing the advertising firm in 1877 and renamed it JWT. Inorder to be to make the agency successful, JWT hired artists and writers; forming the first known Creative Department in any advertising agency. JWT was also the first agency to develop and leave a global footprint (Reference).
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Since then, several other agencies have been created. Whilst some have survived through adapting to current global technological changes, some have folded as a result of depleting advertising budgets. This will be discussed further within the essay.

Christian, (2014) asserts that advertising agencies usually operate independently from their clients and sometimes handle overall marketing and branding strategies and sales promotions for its clients. Businesses have for many years been reliant on advertising agencies which use advertising platforms such as television, newspapers, radio and magazines. Advertising agencies are services centred on advertising businesses. According to Hackley, (2010), advertising agencies create, plan and handle advertising for its customers. Advertising agencies may sometimes include marketing and undertake other promotional work for its clients (Hackley, 2010); and can sometimes also handle overall marketing and branding strategies and sales promotions for customers depending on the customer's needs (Hackley, 2010). In the beginning, advertising agencies did not create advertisements but simply brokered advertising space in magazines and newspapers. Advertising agencies have overtime added creative services to increase revenue. Their main role is to work with clients to develop advertising campaigns. They are staffed by copywriters, art directors, and media planners who create and place advertisements in what they deem as appropriate media for target audiences. Advertising agencies work within a company's advertising budget.

What is New Media and its functions

Advertising is becoming increasingly refined due to the introduction of new media. Chun and Keenan, (2006. Eds) refer to New media as products and services that provide information using various forms of electronic communication accessible the use of computer technology; it generally describes content that can be available on-demand through the Internet. New media enables people to view any content on various devices such as computers, laptops, tablets etcetera. This provides people with a way to immediately interact with the content and also enables people to share a lot of content online within a short space of time; this can be social networks or work related content with co-workers.

Heath and Bryant, (2000) state that the introduction of new media has posed challenges to traditional advertising agencies due to the growth of the Internet and mobile technologies. Lewis, (2010) concurs by suggesting that the introduction of new media has had significant implications for advertising industry as new media has become the preferred platform of advertising thereby usurping business from advertising agencies. Dewdney and Ride, (2006) state that one of the key features of new and emerging media technologies which are now being used to advertise are often portable and have the capability to reach a wider audience within a very short space of time. New media advertising is mainly cost effective as most of the advertising platforms are free; this is not the case with old media which has always been used by advertising agencies (Lindgren cited in Galloway, 2005).

New media advertising has the ability to promote visual marketing which is appealing to the consumer as compared to old media advertising which
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mostly in print form; and also enables content delivery on demand by consumers depending on the target audience (Las Vegas Review Journal, 2016). New media enables clients to develop blogs or webpages that provide up-to-date information on their products or services within seconds whereas advertising media have to plan in advance and schedule release of information following availability and purchase of advertising space. Within new media delivery systems, customers can subscribe to news feeds by receiving alerts to sales or company events directly to their electronic gadgets (reference). Companies with an online presence can also advertise their business on other popular websites to direct unique visitors to their company's webpage or use influencers to draw business towards their products. Whilst advertising agencies can also use influencers, it takes longer for advertisements to be seen on print media. In addition, new media has the ability and capacity to facilitate person-to-person communication through the availability of multimedia messaging through MMS, text messaging, SMS, emailing, SMS, online chatting and instant messaging, online forums and blogging within a short space of time; whereas old media used by advertising agencies is usually more of 'story -telling' and 'rarely delivers specific calls to action' (Streten, 2013). Advertising agencies use a one way form of communication whereas new media offers a two way communication with target audiences hence businesses now rely more on new media as it is easy to reach prospective new clients (Hausman, 2012) (Owen, 1999). This poses a massive challenge to advertising agencies as the amount of time taken to reach the same number of prospective clients will be much more. New media has brought about change to service provision in areas as diverse as dating, delivery of higher education courses and how

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people do their banking and the advantage is that this can be set for specific target audiences and therefore most companies will prefer this type of advertising as the target audience will be reached faster in comparison to traditional advertising; for example, when advertising adult content on television, this can only be advertised after watershed times and by then, some of the target audiences will not be watching or might miss the adverts (Bennet, 2003).

Advertising agencies have been known to work as a link between smaller businesses which cannot often afford personal marketing teams and therefore companies, especially smaller ones turn to new advertising platforms as these are usually free (Inc. com, 2016). Advertising agencies have for many years focused predominantly on traditional media advertising, alongside television media (Brooks, 2012). However, new media has dramatically changed the role that print advertising plays in an agency's overall strategy and therefore advertising agencies have to now determine the new role for print, if any leading to the agency's further predicament. New media enables advertisers to quantify the increased revenue to clients which is a challenge to advertising agencies as their revenues cannot be accurately quantifiable (Hausman, 2012). New media, for example, Instagram, has the provision for advertisers with business insights, to understand their followers and client's engagement with the advertising campaigns (Instagram Business Tools, 2016) whereas advertising agencies do not have this provision especially if advertising on print media.

Advertising agencies will need to master brand advertising and marketing and so as to be able to quantify the increased revenue to clients. In addition,

agencies will need to work to focus more on the customer than its client in order to somehow match new media delivery systems. This is likely to be costly for the agency as they need to train staff and change the rest of their planned advertisements (Reference)

The challenges that new media and delivery systems have posed for advertising agencies

New media has dramatically changed how advertising works and are continuously presenting several challenges for advertising agencies. Some of the hurdles encountered by advertising agencies include using new media and delivery systems to deliver financial outcomes for clients, and they effectively integrate new media delivery systems such as Facebook, Instagram and twitter into inclusive campaigns and use these to convince clients that experts in social media can effectively deliver better results than doing so in person. Willott, (2011) suggest that changes in both technological and consumer behaviour have led to significant implications for the advertising industry. He argues that new media has given rise to the need to revisit advertising strategies and to the development of new ways of customer engagement for marketers during the communication process. Deuze, (2005) states that whilst engaging customers in advertising activities, new media has forced agencies to rethink new creative possibilities therefore creating challenges for advertising agencies as they have been used to a certain way of advertising which has always suited their business without taking the consumer into much consideration (2007). Therefore, it in this sense that new media has created both opportunities and challenges to advertising agencies and practitioners as they need to rise to the challenge <https://assignbuster.com/challenges-for-advertising-agencies-by-new-delivery-systems/>

of new media delivery systems by working in a way that will surpass or match or new media advertising.

Falls (2009) suggests that advertising agencies are trying to figure out social media and if they want to continue to offer various marketing services to clients, then it is important to evolve and embrace some tenets of new media and adjust advertising strategies. He indicates that some agencies are adjusting by hiring smart new media thinkers; however there are still many that still operate in the same way they did before the introduction of media which has taken over the world of advertising. Falls, (2010) further states that many ad agencies have not yet figured out Interactive advertising; for example, Web 1.0 followed by Web 2.0 and many agencies and their respective creatives (art directors, copywriters, designers) and clients services teams are still not trained to think digitally. He argues that the problem is that there is a culture clash between advertising agencies and new media advertising and the issues can be said to both philosophical and tactical. (Kaplan and Haenlein, 2010). Philosophically, Falls, (2010) suggest that advertising agencies use a one-way communication system aimed at large groups of customers as compared to new media delivery systems which offer a two-way communication system; this requires listening and speaking. He further argues that new media can be deemed a multiple-way communication system as brands can speak and listen to customers and also observe or watch whilst other customers communicate with each other. Agencies' creatives and strategic planners have to try and include similar communication systems however this will take a long time to achieve and can be costly as they have to either engage staff that are familiar with new

media or train their existing staff on how new media works which may not be cost effective (Kaplan and Haenlein, 2010). It can be argued that new media delivery systems are customer focussed as it offers value for money to customers whereas advertising agencies are more business focussed and do not offer to build a relationship with the customer (Coghlan, W. 2007).

Therefore, philosophically, it can be argued that agency creative staff are being asked to all of a sudden master and undertake new methods of advertising and communicating which is in contrast to everything they have learnt in their careers. This has a direct impact on agencies as it directly impacts staff morale and can be counter effective. Looking at the issues from a tactical view, Falls, (2010) states that advertising creatives have always primarily focussed on traditional media and therefore are not web savvy. For most of the employees, during the traditional advertising era, there were technological or electronic designing classes. Advertising was more art focussed which means the agency directors and designers were and still are more art focussed than technological. Traditional advertising is more linked to storytelling whereas web savvy specialists emanate from a technological era hence are experienced at interactive or digital communication and work production. Falls, (2010) further states within advertising agencies, creative teams usually brainstorm to create their advertisements and are usually not part of the creative process and told what to input in their creative pieces by someone who makes the decision whereas those from the new media era are part of the creative process and therefore become part of the decision making process. (Reference). In addition, new media revolves around content creation, however, advertising agencies are incapable and ill

prepared to create and produce the volume and type of content necessary
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for delivery systems such as Facebook, blogs, YouTube, Instagram and twitter, to name a few. New media on the other hand produces immediate quick conversational and responsive content whereas advertising agencies have to proof read several times and given the go ahead to publish.

Advertising agencies buy advertising space and place advertisements for their clients and this is for a certain period of time however in new media, any posts last as long as the user likes and therefore are available to be viewed by more people generating possible new clientele (Reference). This has resulted in advertising agencies realising massive plummeting revenue figures. Due to advertising revenue falling due to plummeting readership and circulation, agencies have been forced to let some of its staff go which has endangered the quality of the newspapers and worsened the situation for advertising agencies (Currah, 2009a). Staff turnover has had a huge impact on advertising agencies due to loss of jobs due to most work which was manually done in old media being done technologically/electronically.

Gregory, (2012)'s research into how new media was impacting on advertising agencies indicates in the recent global recession in addition to new media appears to have left a massive impact on advertising agencies and their employees. Gregory, (2012) states several agencies had to downsize or lay off most of their employees while other employees moved to different industries because they were unsure about their jobs. Learmont, (2008), reports that according to a web based advertising agency media analysis of US Department of Labour employment statistics and news reports, advertising agencies in the United States shed more than 30, 000 jobs in 2008 in order to remain viable. However, in shedding these jobs, the

agencies are likely to encounter further challenges as the laid off staff have the knowledge of how advertising works and therefore can get together and start their own competitive agencies that utilise new media and therefore pose more challenges as their customers will follow them in top their new businesses as they will already have a working partnership.

These changes resulted in high turnover at other competing corporations; therefore, this weakened client ties to advertising agencies as most employees that individual clients had developed working relationships with had left the advertising agencies and therefore took their businesses elsewhere. Clients were unsure if these advertising agencies would continue trading which could negatively impact their businesses if the agencies went out of business (Gregory, 2012). Advertising agencies need to have consistent and trusting relationships with their afloat otherwise a non-consistent relationship makes it easier for clients to take their business elsewhere. Inorder to overcome McCabe, (2012 in Gregory, 2012) states that "..... it's difficult to maintain consistent creative approaches and media buying strategies when writers, art directors and media buyers don't remain agency employees beyond one airing of an advertising campaign," This mainly results from low staff turnover following agencies retrenching staff go due to low clientele leading to agencies losing their income base. Most business that was traditionally handled by advertising agencies has now mostly been taken over by new media advertising. Business owners appear to prefer this type of advertising as they argue that whilst there are certain challenges in using new media for business advertisements, these are outweighed by the opportunities in terms of cost, longevity of displayed

advertisements, reaching target audience on a wide scale (e-marketer, 2016): for example, advertising on Facebook also advertises on Instagram meaning you place one advert on one delivery system and it appears on other delivery systems using Instagram's hashtag system.

Due to the hours people spend on their mobile phones, emails and browsing social networks, a little time is now spent reading newspapers and magazines and usually by the older generation who still prefer traditional media advertising, advertising agencies that have remained afloat have had to completely change the way. Most customers would like to skip commercial and therefore prefer to use new media delivery systems which enables them to skip commercials and view whatever interests them. Epstein, (2015) states that advertising agencies and brand advertisers are still focussing on the short slots they that traditional media has used since the inception of traditional advertising because this is what they have always known and been good at. However, due to their reluctance to adapt to the changes brought by new media, the agencies are failing to reach their target audiences as the audiences have now been swept away by the new media and service delivery systems (Choi, (2011). Therefore, it can be argued that despite these changes and challenges being encountered by agencies, they are still inept to adapt to the changes that are ruining agency efficacy. Advertising agencies have become rigid to the ways to they practice such that they have been increasingly slow to adapt to the new media ways of practice (Haughteling, 2015) This could be a result of the way advertisements have been formulated in the past and because they have over the years successfully operated in this way, agencies do not see the

need to adapt and evolve to the advertising trends brought about by new media and delivery systems. Haughteling, (2015) suggests that the big successful advertising agencies such as Omnicom, IPG[1], Saatchi and Saatchi and WPP to name a few, have adapted and focussed more upon its digital functions and in so doing, shuffled their teams to suit current trends and laid off excess staff and hired already qualified personnel who are adept in using new media. However, with all the changes the agencies have undergone, these have not altered the fundamental threats faced by advertising agencies in this era of rapid technological change resulting from the excellence of new media (Beeching and Wood, 2007). If agencies are ill-equipped to handle the demands of digital media, new partners who are ready to rise up to the challenge will continue to usurp business from the agencies and additional challenges will be realised by agencies and affect their efforts of trying to remain afloat and in competition. In addition, brands can directly partner digital influencers who have hordes of new media followers and play an important role in matching brands, manufacturers and clients as they help to coordinate broader campaigns (Benkler, 2006).

Whilst advertising agencies place advertisements that aims to reach a wider group of customers, new media involves individually tailored person to person marketing (Hausman, 2012). New media uses targeting tools which enables advertisers to pay only for advertisements that they feel prospective clients who might be interested in the advertised products (Allen, 2015).

Magazine advertising campaigns are commonly produced beforehand and are usually scheduled for months which does not satisfy the consumer's need for new content on a regular basis (Hausman, 2012). New media on the

other hand produces and immediately issues out regular new content on a regular basis. In addition, O'Guinn et al., (2012) state that advertising agencies have periodical subscription fees as compared to new media which is mostly free or cheaper which results in new media having the urge over advertisements placed by advertising agencies. Therefore, this poses several challenges for advertising agencies as they lose regular and prospective clientele to new media platforms which offers them much more for less payments. In addition to the above, advertising agencies do not completely.

Conclusion

In conclusion, it is apparent that the rise of new media has posed challenges for advertising agencies in that major changes have been realised within the advertising industry as a whole and to the role of advertising agencies in particular. Coghlan, W. (2007) states that advertising agencies work as a link between clients and consumers however the speed with which new media delivery systems avails new content on various platforms cannot be matched by platforms used by advertising agencies. New media continues to lead in the advertising setting and research shows that it still has a capability to gain further momentum with the next few years as more and more delivery systems are being introduced which appear to be favoured by both the customers and clients (Reference). New media advertising has opened a whole new wide world of opportunities for clients as more and more customers are engaging well with new media. Digital media use is global and is increasingly overtaking agencies time spent watching TV and reading newspapers in on the decline. Internet use now accounts for double the time spent using traditional media (Meeker 2015). New media is getting stronger; <https://assignbuster.com/challenges-for-advertising-agencies-by-new-delivery-systems/>

for example, Instagram, one of the new media delivery systems is expected to reach at least \$3.8 billion business by 2020 (D'Onfro, 2016). In contrast, advertising agencies are having to lay off staff due to a decline in clientele and moreover their advertising budget is increasingly decreasing due to a decline in their profit margins.

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