

Relationship Marketing on the Market of Advertising Agencies

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Abstract— In today's competitive business environment, to achieve and retain business success, it is essential to devote sufficient attention to building business relationships. Recognition of factors, influencing the success of business relationships, has long been a topic of professionals and those who are interested in this field. When getting in touch with a customer, the company aims to establish a strong relationship with the customer, to win indifferent customers and to create customer loyalty. Based on the factors above, we found it important to determine the perception of the importance of factors which determine contacting customers the most from the customers' point of view in the market of advertising agencies. Regarding further successful cooperation, it is essential to address customers with a proper campaign. Therefore, this paper aims to identify emerging customer groups when building relationships in the advertising market, thus facilitating the realization of personalized campaigns.

Keywords- *developing a business relationship, life cycle models, advertising agency, client groups*

I. INTRODUCTION

In several fields of the economy there exist cooperation between the economic players. Their operation is affected by a number of factors. The nature of the relationship, of course, significantly affects the factors influencing the quality of the relationship. The agency-client life-cycle theory is a process oriented approach, which emphasizes that cooperation of the parties and development of relationships are affected by many factors. In addition to objective criteria, a number of subjective factors, such as the change of the customer's attitude to relationships, can cause significant changes in the process of

cooperation. To have a good relationship between advertisers and agencies is very important, so that promotional campaigns can operate smoothly. Termination of a relationship means considerable time, money and energy costs. A new campaign should be created, and it is time-consuming to find a new agency and build trust. [1] This paper tries to define the various customer groups in the field of advertising agency-client relationships during the development of business relationships.

II. LIFE CYCLE MODELS USED IN RELATIONSHIP MARKETING

In the field of trade relationships, two theoretical trends can be distinguished - life cycle theories of cooperation between business partners and theories of development of relationships. Life cycle theories are commonly used and are popular models because of their simplicity and informational nature. Life cycle theories divide timely development of business relationships into various periods based on the relationship's life expectancy. Models discussing evolutionary theories of business relationships are based on the laws of nature, and in most cases, they are deterministic. This model is the description of the natural evolution of each variable from their formation to their termination. In practice, however, it is not probable that business relationships could develop in this way [2]. The most frequently used lifecycle models in the literature of relationship marketing are shown in the table below.

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TABLE I. LIFE CYCLE MODELS USED IN THE FIELD OF RM BY VARIOUS AUTHORS

Author of the model	Phases and components of development	Approaches and concepts
Gummesson (1979) Buying-selling model [3]	*first steps *decision-making process *selection of an expert * project realization * subsequent phase	Buying-selling interaction, which emphasizes the decision-making process when selecting the right company (Input-output approach)
Grönroos (1982) Three-phase model [4]	* initial phase * purchase phase * consuming phase	This model starts with the marketing planning process, followed by the implementation of a three-phase approach (input-output approach)
Edvinson (1985) Sales' lifecycle [5]	* phase of contacting * phase of decision-making * trial order * maintenance phase and re-ordering	This model deals with marketing of export products (Input-output approach)
Wackman (1987) Lifecycles of organizations [6]	* phase before the relationship * development phase * maintenance phase * phase of the termination of the relationship	Testing of the factors influencing the successful cooperation in each phase of the lifecycle. (Input-output approach)
Yorke (1990) Supplier-client relationship model [7]	* ignorance * interest * initiative * commitment * integration	Testing the benefits, advantages and disadvantages of the offers, as well as the supplier services (approach of change)

Source: [8]

Per a number of authors in the field of advertising industry, advertising agency-client relationship is nothing more than a long-term cooperation, a long-term relationship. Despite this definition, most scientific papers do not pay heed to the development of agency-client relationships. Experts focus on the examination of factors influencing the development of agency-client relationships. [9]

III. THE PURPOSE AND METHODOLOGY OF OUR RESEARCH

Before our research was carried out, of course, we had set a number of objectives. Our primary and most important goal was to set up a life-cycle model that can be applied in practice, and which may override existing segmentation of life-cycles. The segmentation of the clients is very important for the implementation of the successful marketing actions and working out of the personal marketing proposals. Our model identifies the groups of clients in a special entrepreneurial environment, on the fields of the market of advertisement. The business relations of this market are based on the creative cooperation, where the future success of the relation is not easily identifiable because beyond of the objective viewpoints,

the subjective attitude of the partners plays a big role during the future common cooperation

When setting up the model, our aim was to identify the clients of agencies, similarly to consumer groups (innovators, early adopters, the majority, laggards) already well-known in a number of product life-cycle research.

To achieve our research objectives, we first formulated our research question:

Who are the customers? Can different groups be created from them?

After having formulated our research question, our hypothesis was set:

There are distinct client groups in the initial stage of the life-cycle model.

Inductive approach was chosen as a research method, since hypothesis testing and analysis of the relationships are the objectives of our research. Single cross-sectional survey was suitable for us, because the data were taken only once on one sample [10]. In the empirical research, we used a previously tested and successfully applied questionnaire in Hong Kong, which was submitted by professor Fam, one of the leaders of the research. Respondents had to answer 33 statements to evaluate the initial stage of cooperation, for which a semantic differential scale was used. This anonymous survey was conducted online. From one e-mail account, only one filling out was allowed. Since our research assesses the advertising market of two countries, the questionnaire was sent out in Slovak and Hungarian languages depending on the country. Questionnaires were filled out between December 2014 and February 2015. A database was necessary to construct to collect data regarding advertising agencies in the two countries. By the help of webpages listing agencies and associations of advertising agencies in the two countries, we managed to create the database. Then we sent out our online questionnaire, that included contact information of 637 companies, and asked the representatives of the agencies to pass on their clients' address lists to make our questionnaire available for them as well. We therefore can say that the snowball method, from the non-random sampling techniques, was our chosen method. 2648 companies received our questionnaire including 637 advertising agencies and their clients. Because of invalid e-mail addresses, 23 e-mails returned undelivered. After having filtered incorrectly or semi-completed questionnaires, 339 completed questionnaires were available. The sample size is 339 companies, so the willingness to respond was 13.1% in three months. This ratio is quite realistic. Respondents are either reluctant to participate in such surveys or they fear that their competitors will get their released data. One-third of the respondents are agencies (114 companies) and two-thirds of them are the clients (225 companies). 153 respondents from Hungary and 186 respondents from Slovakia took part in our research.

After having checked the received data, we selected the required statistical methods, which were completed using SPSS software. To prove or disprove our hypothesis, we had to have a look at several questions.

IV. RESEARCH RESULTS

During the examination of our hypothesis we would like to find out whether the analyzed companies can be grouped or not regarding the variables in the questionnaire determining the initial phase of cooperation. Our hypothesis states that

H: There are distinct client groups in the initial phase of the life cycle model.

Before the test of our hypotheses we summarize the factors, which are the most important during the formation of the business relations of ad market.

Table 1: The influencing factors of the formation business contacts on ad market.

	Average		Dispersity		t-test			
	SK	HU	SK	HU	t	df	sign. (2-sides)	average difference
accuracy	4,63	5,25	0,86	0,73	3,609	166,672	0,000	-0,62
experience	4,8	4,62	0,93	1,07	-2,479	175,000	0,014	0,18
interpersonal relations	4,99	4,88	1,01	1	0,147	175,000	0,883	0,11
creativity	4,84	5,07	0,98	0,96	0,472	175,000	0,637	-0,23
resources	4,74	4,98	0,89	1,14	1,691	128,203	0,093	-0,24
survival capacity	5,03	5,23	0,92	0,9	1,643	175,000	0,102	-0,20
client handling	4,59	5,15	1,02	1,02	1,397	175,000	0,164	-0,56
stability	4,59	4,79	1,05	0,96	-0,470	175,000	0,639	-0,20
willingness to share information	4,99	5,07	0,98	0,95	-0,366	175,000	0,715	-0,08
conserving stability	4,99	5,12	0,95	0,95	1,712	175,000	0,089	-0,13

Source: Own research

We identified 10 factors altogether. The clients' groups had to consider the importance of a certain factor during the introduction phase of the relationship of the agencies. in the survey. We used a 7grade scale for this purpose. According to the table above it can be seen: the experience and the interpersonal relations are little bit more important in Slovakia, the other factors are more important in the Hungarian sample In the case of dispersions we can state, that our analyzed groups had the very similar viewpoints After t-probes we can state: the factors (preciosity and experience) were significantly different between these two countries. So, the practice of the ad's market is not relevantly different between of Hungary and Slovakia.

Cluster analysis method with SPSS was used for testing our hypothesis. At first, with Ward's method we determined the ideal number of clusters that justifies the creation of two groups in the initial phase of the relationship. Because of the small samples and our pre-researches showing the similar practices in Hungary and Slovakia, we did not consider important to make separate clusters from the Hungarian and Slovakian samples. 81% of the companies belong to the first cluster and the remaining 19% belong to the second one. The first cluster includes 144 companies (81% of the sample).

TABLE 2. THE MOST IMPORTANT FACTORS CREATING THE FIRST CLUSTER

	1.Cluster	Average
survival capacity	5,32	5,10
Preciosity	5,30	4,89
Conserving stability	5,23	5,05
willingness to share information	5,20	5,04
interpersonal relations	5,19	4,97
Client handling	5,19	4,82
creativity	5,15	4,95
resources	5,11	4,84
experience	4,96	4,74
stability	4,90	4,68

Source: own

Whether a corporate group finds the agency's market research capabilities, business growth, international relations and project records equally important, which all belong to the factor group measuring the precision of the agency. When selecting an agency, they find the size of the agency, its product range, received awards, workforce stability and assistance in long-term business strategies the least significant criteria. From the above-mentioned results and from the table we can conclude that this group finds precision of the advertising agency and its experience important, however, they consider stability and stability preserving measures less important in the initial phase of the relationship. Based on these things, our first cluster was named risk evasive cluster that requires precision and experience.

Our second cluster is a small group of clients with 33 companies (19% of the sample). Identify the Headings

TABLE 3. THE MOST IMPORTANT FACTORS CREATING THE SECOND CLUSTER

	2. Cluster	Average
willingness to share information	4,33	5,04
Conserving stability	4,24	5,05
survival capacity	4,12	5,10
creativity	4,03	4,95
interpersonal relations	4,00	4,97
experience	3,80	4,74
stability	3,70	4,68
resources	3,69	4,84
Client handling	3,21	4,82
preciosity	3,14	4,89

Source: own

When selecting an agency, the agency's willingness to share information is very important to the second cluster,

namely to avoid making bad business decisions or to be informed about the current global market trends. Whether the agency has international relations or the top management takes part in decision making is almost not important to them at all. Since neither international relation, business growths, project registers nor account managing are important criteria, they were named risk-takers that does not require precision and are hungry for information.

Based on the research, our hypothesis - There are distinct client groups in the initial phase of the life cycle model – is proved.

V. SUMMARY, LIMITS OF THE RESEARCH, EXPEDIENCE OF THE RESULTS

In this paper the life cycle models of business relationships were presented based on the works of various authors. Based on our research, we can state that even though several authors in their work emphasize the aspects of long-term business relationships, demonstrations of the life-cycle models of the agency-client relationships and the analysis of the most important factors affecting certain life stages are less present in their scientific work. In our primary research, it was important to determine whether we can differentiate the various customer groups, as if the agency is aware of the need to simultaneously work together with even more types of clientele, it can come up with personalized marketing campaigns. Based on our research that was carried out in the Hungarian and Slovak markets, we can say that we identified two groups in the initial phase of relationships. The first group does not really want to take business risks, while companies of the second group, on the other hand, can and willing to take risks. Precision work of the agency is less important to them. Our first risk-evasive cluster should create less risky low-budget campaigns, while our risk-taking cluster can be easily addressed with higher uncertainty factor campaigns.

In our research, we aimed to interview all agencies operating in the two countries. Since not all the agencies and their partners responded, the sample size was not complete. This may cause the distortion of the results. Division of the Slovak and Hungarian samples and their separate analysis were not carried out. That will be the next phase of our research process.

Our results draw agency managers' attention to building partnerships based on rational arguments, to continual and thorough measuring and documenting of the success of the agencies, and to the formation of the right internal and external information systems.

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