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Title: Understanding Industry Perceptions of the Advertising Agency's Business Model:
Rethinking an Industry that Prides Itself on Thinking Outside the Box

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Word Count: 11 574

*Submitted in partial fulfilment of Bachelor of Arts Honours in Strategic Brand
Communication at Vega School, a brand of the Independent Institute of Education (IIE) in
August 2020.*

ABSTRACT

According to industry articles (Moteshegwa, 2019; Lee, 2019 and Bianchi 2019), the advertising agency's model is 'broken'. This qualitative study's aim was to understand the perceptions of the 'broken' business model and determine whether ad agencies need to adopt disruption or change to their business model practices to be more competitive. This paper sought to understand if the ad agency model is truly 'broken' and the factors allowing ad agencies to differentiate themselves and be more competitive in the industry. The research problem was explored through a phenomenological approach and consisted of two sample groups. Semi-structured interviews were conducted and transcribed then data was collected and cross-sectioned through a thematic analysis. The most significant findings was the agreement of the participants, that the ad agency 'model' is 'broken'. In addition, the factors that were criticised were found to not be parts of the model itself. Furthermore, the criticisms did not align with the participants' recommendations for ad agencies to use in order to fix the supposedly 'broken' model. Ultimately, this suggested that both ad agency representatives and their clients were uncertain and that the perception that the standard ad agency model is 'broken' is not clearly substantiated.

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1. Chapter 1: Introduction

This research paper, reports on a qualitative study into the advertising agency model. The aim of this study was to understand if it was believed that the advertising agency model was really 'broken' and, if so, what in the model could still contribute to brand differentiation within the advertising industry. This chapter provides an introductory overview of the research topic and paper by foremostly contextualising the research problem, situating it within a rationale and providing a problem statement, purpose statement, as well as the research questions and their objectives.

1.1. Background and orientation (contextualisation)

Technological developments, increasing competitiveness amongst the clients of ad agencies, and rapidly evolving consumer habits are driving ad agencies to make decisive changes to their traditional advertising model and approaches (Stein, 2018). Today, even though the ad industry is profitable and growing, disruption has become a buzzword and is at the centre of industry competitiveness within the advertising, marketing, and branding.

Motshegwa (2019) argued that ad agencies needed to rethink their business model and operating structures to survive. Seedat and Moore (2020) also added that business models and disruption were key factors that assisted organisations to future-proof themselves and confidently manage disruption.

Miles (2018) asserted that advertising agencies needed to shift their business models to be efficient and valuable to brands. She proposed that advertising agencies adopt similar practices to that of the 'Hollywood Model' - where outsourcing talent based on the skills required for specific tasks is valued as essential expertise. Moreover, she explained that by using a production type of model, advertising agencies could increase efficiencies and effectiveness when delivering value to clients. From examining the characteristics of advertising, its business model, and potential weaknesses, it is clear that advertising agencies had to rethink and adapt to changes which directly impacted on their businesses and their future operations.

Although it is important to understand the points of disconnect regarding whether or not the ad agency model is 'broken', factors that may lead to brand differentiation and competitive advantage must be explored as maintaining a brand and value proposition are key factors within a business model (Klopper and North, 2011; Christensen et al., 2013).

This study was sparked by the desire to understand if the advertising agency model truly is 'broken', and if so, what would need to be fixed for ad agencies to better deliver value to their clients. Therefore, the goal was to examine the perceptions regarding the topic.

It explored business models and disruption as critical factors to provide a foundation of knowledge of these key concepts and identify gaps between the identified articles (See figure 1) and research that have indicated whether the current ad agency model or characteristics are 'broken'. The paper also aimed to understand which elements of the advertising model allowed agencies to be more competitive whilst differentiating their value-offerings amongst each other as a sub question.

1.2. Rationale

A brand is a social construct formed by various social spheres in a given society (Klopper and North, 2011). For advertising agencies, organisations which take pride in their brand, ad agencies play a valuable role in enabling them to develop and preserve meaningful identities while ensuring that there are clear brand differentiations amongst agencies. Critically, advertising agencies must be conscious of not diluting these identities and meanings in a way that makes their approach to all brands almost indistinguishable. Miles (2018) believed that the model was under threat as advertising agencies were not evolving quickly enough to meet the industry's unique demands. Motshegwa (2019) argued that advertising agencies needed to fundamentally rethink their business model and operating structures to survive in the future. Many advertising agency stakeholders and clients have discussed ways in which the ad agency model was 'broken' (Moteshegwa, 2019; Lee, 2019 and Bianchi 2019).

However, while article headlines referred to the ad agency model as being 'broken,' it is not clear if these criticisms were more about the specific characteristics within the model, rather than the whole model itself.

For example, AdNews (Miles, 2018) wrote: “The ad agency model is ‘broken’ – here’s why. Campaign Us posted “The ad industry’s ‘broken’ business model is breaking talent” (Kemp, 2019) and BizCommunity (Motshegwa, 2019) added: “Ad agencies of the future are building new models”. Figure 1 demonstrates the headings of articles that allude to the idea that the ad agency model is ‘broken’ or needs to be fixed. This table showcases the article headings, the factors being criticised (based on opinions from key industry representatives), and whether or not those factors fall within a business model structure.

PUBLISHER	YEAR PUBLISHED	ARTICLE HEADING	FACTORS BEING CRITICISED	FACTORS ARE PART OF A BUSINESS MODEL	FACTORS ARE WITHIN THE BUSINESS MODEL
HEADLINES THAT INCLUDE 'BROKEN'					
BizCommunity	2019	#BizTrends2019: Ad agencies of the future are building new models	- From retainers to value. - From lead agency to value partner. - From creative excellence to solutions excellence. - From brand-marketing specialists to value-chain specialists.		X
Campaign Live	2019	Welcome to 2019: The unsustainable ad agency business model. Business models are broken, leaders are toppling, agencies are consolidating. In-housing, predatory consultants and automation are ratcheting up the pressure.	- Cost to clients - Sustained talent		X
Minute Hack	2018	Why The Mad Men Ad Agency Model Is Broken	- Cost vs Price - Trust and transparency issues - Lack of Efficiency - Client / Value Led or Profit Led - Sustained relationships with clients and internal talent - Align to clients structure and needs - Agencies need to be more responsive and nimble		X
LinkedIn / AdAge	2018	The Ad Agency Model is Broken - Here's Why	- Timesheet Revenue Model = Hours spent and charged to clients - Costs to client and profit structures - Sustained and balanced talent within the ad agency - Offering value to client	X	X
Boston Content	2017	The advertising agency model is broken: here's one way to fix it	- Cost to client - Availability of resources - Provide less value due to time constraints - Becoming partner orientated and not service providers - Building deeper relationships with clients and not siloed.		X
Campaign Us	2019	The ad industry's broken business model is breaking talent	- Cultural challenges - Sustained and happy resources - Value to customers and employees - Staying relevant for both clients and employees		X
Forbes	2020	The Death Of The Agency Model: How Marketers Can Adapt	- Costly intensive and centred - Misalignment to the clients brands - Flexibility is required - Distributed ad agency model	X	X
Mumbrella	2016	Why the agency model is broken	- Wasted tools and resources - Agencies have a lack of transparency - Agencies need to challenge themselves to be more independent and competitive		X

Figure 1: Table of headlines that allude to the idea that the ad agency model is ‘broken’ or is in need of ‘fixing’.

HEADLINES THAT IMPLY 'CAN BE FIXED'					
PUBLISHER	YEAR PUBLISHED	ARTICLE HEADING	FACTORS BEING CRITICISED / THAT CAN BE FIXED	FACTORS ARE PART OF A BUSINESS MODEL	FACTORS ARE WITHIN THE BUSINESS MODEL
Schedule Blog	2020	What's Broken With the Traditional Marketing Agency and Client Relationship Model (and How to Fix It)	- Connecting the right agency with the right client is key - Extremely cluttered industry (the same ad agency) - Ad agency model is designed to be objective - The right resources are key		X
NetSuite	Unknown	RETHINKING THE AD AGENCY MODEL TOP STRATEGIES FOR THRIVING IN A CHANGING INDUSTRY	- Clients want transparency, efficiency and effectiveness - Clients want value for money - Agencies need the flexibility for their resources to innovate for clients		X
AdNews	2019	The challenges of the changing agency model	- Value over profit is key - Being business-solution focused for clients is key - Value for partnership over value for servicing		X
MediaInsider	2019	Agency Holding Company Model Is Broken -- And Fix Is Unclear	- Clients want agencies to be one with their brands - Efficiency and Effectiveness - Agencies need to be relevant and engaging		X
The Marketing Society UK	Unknown	The ad agency model is broken - but you can fix it	- Lack of trust to execute clients requests - High costs that seem vague - Lack of long-term commitment in adding value to clients business and not just execute a campaign		X

Figure 1: Table of headlines that allude to the idea that the ad agency model is 'broken' or is in need of 'fixing'.

Brierley (2005) examined the organisational structures and professional advertising practices within the advertising industry and explored the possibilities that could lead to the fall of ad agencies. He stated that fragmentation of the business model, separation of services, and compartmentalisation into separate functions such as creativity, media planning and buying and research may not benefit an ad agency and the industry as a whole.

Ad agencies are responsible for creating and maintaining functional differences, creating meaningful connections that allow various brands to differentiate themselves amongst their competitors, and telling compelling stories that drive brand-building relationships (Turnbull and Wheeler, 2014). Motshegwa (2019) believed that things were changing rapidly, and ad agencies needed to act fast. Based on his experience, he recommended that ad agencies implement the following shifts to sustain themselves in a time of global change: [1] from retainers to value, [2] from lead agency to value partner, [3] from creative to solutions excellence, and [4] from brand-marketing specialists to value-chain specialists.

However, these shifts emphasised the idea that ad agencies create value and differentiation for their clients but risk failing to do so for themselves.

The standard ad agency model can be considered complicated, rigid, and systematised as it requires many moving parts that operate in silos (Bennin and Kapoor, 2017: 5). For example, ad agencies, which adopted business models where retainer fees are agreed upon in advance (Agency Remuneration, 2012), do not allow for flexibility in services. Thus, the model is worth questioning.

Is it true that the ad agency model is 'broken'? Do ad agency stakeholders and clients believe that the model is 'broken'? Or do they believe that constructive change is required for ad agencies to offer greater value to their clients' businesses which requires ad agencies to be competitive and to differentiate themselves.

1.3. Problem statement

Accenture South Africa states that disruption is constant in every industry (Seedat and Moore, 2020). The consultancy reports that eighty-five per cent of South African organisations are more vulnerable to future disruption as they are too conservative and traditional (Seedat and Moore, 2020). With a focus on the advertising agency business model, Miles (2018) believed that the model is under threat as ad agencies were not evolving quickly enough to meet the industry's demands.

Many perceptions reflect that the model is 'broken' but the characteristics being criticised are rather pieces that fall within the overall model itself (See figure 1). The challenge was to identify and understand the perceptions of the supposedly 'broken' business model and/or its elements, to determine if ad agencies need to adopt disruption practices to be more competitive.

1.3.1. Why is the problem worth investigating?

This research problem was relevant as it could contribute to the limited studies, based on the advertising agency business model.

In addition, the study delves into how advertising agencies have made use of a standard business model that allowed for little brand and service offering differentiation within the industry (Davis, 2019), but clearly needed points of differentiation for competitive advantage.

The intentions of the researcher were to provide a deeper understanding of whether or not the current ad agency model is 'broken', which factors are deemed as broken, and uncover the points of differentiation for advertising agencies to be more competitive amongst each other.

1.3.2. Purpose statement

This study aimed to explore the current ad agency model to determine whether it is 'broken' as a whole or just individual parts within the model. Comparative analysis was undertaken by examining perceptions of the current ad agency model and determining if the business was best served by disruption or a new business model. Moreover, a proposed framework was discussed to determine what ad agencies could be improved on to differentiate and be viewed as value-adding partners rather than as service providers. Ultimately, the study assessed the degree of change that ad agencies needed to consider in their current business model to be more competitive and considered value partners.

1.3.3. Research questions

The purpose of the proposed qualitative study was to explore if participants believed that the advertising agency model is 'broken.' The research question was: "Do participants believe that the ad agency business model is 'broken' and which factors allow for ad agencies to be more competitive."

This exploration focused on whether or not ad agency stakeholders and clients believed that the model was 'broken' and if there were factors that they could improve on to be more competitive by doing a comparative analysis of ad agencies. To gain insight, qualitative interviews were conducted to explore and understand the perceptions of ad agency stakeholders and clients about the research questions.

As such, the primary research questions for this study were as follows:

Advertising Agency Stakeholder:

RQ1. Do participants believe that the ad agency model is 'broken'?

RQ2. Where do they think ad agencies can be more competitive to differentiate their brand through their business model?

Advertising Agency Clients:

RQ3. Do participants believe that the ad agency model is broken?

RQ4. Where do they think ad agencies can be more competitive to differentiate their brand, through their business model?

It was important that the above questions be tested for both sample groups as there is a relationship between advertising agencies and their clients. For example, ad agencies may believe that the standard model is the best solution for the clients and the clients may indicate differently. The aim was to identify the disconnect in perceptions from both advertising agencies and their clients in order to draw similarities.

1.3.4. Research objectives

To address the primary research question, the objectives investigated critical concepts of ad agencies, disruption, and business models. The objectives of this study were:

Advertising Agency Stakeholders Research Objectives:

1. To understand if participants think that the ad agency model is 'broken'.
2. To determine the factors that will allow ad agencies to differentiate themselves and be more competitive in the industry.

Advertising Agency Client Research Objectives:

3. To understand if participants think that the ad agency model is 'broken'.
4. To determine the factors that will allow ad agencies to differentiate themselves and be more competitive in the industry.

1.4. Conceptualisation (of key concepts)

The literature review discussed the following key notions: [1] the current and standard advertising agency business models; [2] the views that classify the ad agency model as 'broken'; and [3] disruption which means uprooting and changing how individuals think, behave, do business, and learn (Hagel III et al, 2008). The paradigm discussion provided a theoretical framework that addressed the lens from which the study was done. The aforementioned three key notions were used to provide a foundation of knowledge and identify gaps that may have indicated whether or not the current ad agency model and characteristics are flawed and potentially in need of disruption or a business model rebuild.

1.5. Overview of Research Methodology

The researcher used a qualitative research design that was conducted using a deductive approach. Qualitative data was collected by means of semi-structured individual interviews. Data was analysed using a phenomenological approach (specifically a hermeneutic approach) and thematic analysis to understand textual data and the data gathered from interviews. A detailed discussion on methodology is in Chapter 3.

1.6. Structure of the paper

The paper provided an introduction and identified the research problem in chapter one. In chapter two, the literature review consisted of a detailed discussion on key concepts of disruption and business models in relation to advertising agencies and in chapter three, dealt with the methodology on how data and research was collected and treated in the study. Thus, this document set the context for the purpose of this study and furthermore, reported how the researcher used the relevant research tools and knowledge to provide key findings and recommendations in chapter five.

2. Chapter 2: Literature Review

The literature review discussed the following critical notions mentioned in chapter 1. These key concepts were analysed to understand the gap between how ad agencies place emphasis on their brands and whether or not a new business model is needed.

In addition, while the primary focus of this section was the examination of the ad agency business model and the perceptions, the idea of what value ad agencies offer their clients was also a key concern.

2.1. Advertising Agencies:

Many headlines in industry literature indicate that the ad agency model is generally considered 'broken.' For example, AdNews (Miles, 2018) stated: "The ad agency model is 'broken' – here's why"; Campaign Us (Kemp, 2019) posted: "The ad industry's broken business model is breaking talent"; and BizCommunity (Motshegwa, 2019) shared that: "Ad agencies of the future are building new models".

Despite this, ad agencies still seemed to fulfil their role and were profitable (MarkLives, 2019). Omnicom and WPP are the largest advertising companies and house multiple leading ad agency businesses around the world. WPP predicted that the global advertising market would be worth \$628 billion in 2020 if not more compared to \$493 billion in 2016 (WPP, 2019; Letang and Stillman, 2016).

In South Africa, MarkLives (2019) noted Ogilvy & Mather South Africa and TBWA Group South Africa to be worth over an estimated R550 million in revenue in 2019. This view of a growing market and strong business growth indicates that there is a disconnect between the research problem and the perception of the ad agency model being flawed, as the industry is clearly sustaining positive growth globally and locally. Which begs the question: is the idea that the ad agency model is 'broken' true? What then, makes industry representatives think that the model is 'broken' and what factors classify it as 'broken'?

Ad agency leaders are faced with rapid change, the challenge of staying relevant and valuable, as well as offering value to their clients. There are a number of criticisms levelled at the advertising agency business model. One, ad agencies do not sufficiently offer value for money, value in servicing clients, and solution specialists that consider clients' value-chain (Motshegwa, 2019). Two, are perceptions that emphasise the value for money that cost structures account for in ad agencies—for example, retainers versus project-based fees.

Miles (2018) believed that hourly costs and timesheets prevented ad agencies from efficiently managing the value their resources provided. She explained that the inconsistencies lay in situations where ad agencies used junior talent at a lower cost, than an experienced resource which would cost more. In the long run, however, the junior talent spent more time to do the same work than an experienced person would and hence, could in fact, end up costing more (Miles, 2018).

Another perception was that ad agencies needed more resources that aimed to build relationships with clients and stakeholders – their clients wanted dedicated resources to care for their brands as much as they did (Alsheimer, 2019). Alsheimer (2019) explained that effectiveness and efficiencies lay in encouragement, adoption, collaboration, and integration of mindsets and abilities that allowed ad agencies to move away from the ridged and siloed ways of working that are criticised by industry leaders.

Lastly, disruption in the current ad agency model was required if the needs of clients were to be more appropriately met (Smith, 2018). Clients wanted a mix of specialists (from creative, strategy, media, and research) who could understand their broader business challenges, together with being forward-thinking in spotting opportunities to articulate creative solutions to business challenges (Smith, 2018). Disruption, in this context meant that ad agency partners needed to be more responsive and nimbler as their clients' requirements were constantly shifting (Smith, 2018).

Ad agencies' strength lie in creating value propositions for clients, defining clients' customer segments, and build on client relationships. These themes have been used to examine whether the ad agency model were flawed and defined what ad agencies could do differently.

2.2. Disruption:

Accenture South Africa's strategists and researchers suggest that eighty-five per cent of South African organisations are more vulnerable to future disruption as they are too conservative and traditional (Seedat and Moore, 2020). One of the reasons why advertising agencies are perceived as flawed is because they do not value disruption (Williams, 2013).

Therefore, disruption is needed for organisations, but also for ad agencies to be able to remain relevant in the market. As such, advertising agencies would need to continuously adapt to new trends and ways of working to be relevant to their customers. Adobe CMO.com Team (2018) predicted that the ad agency model of the future was one that continuously strategised for the future and valued change –ensuring that agencies recognised and adopted developing trends that allowed for efficiency and effectiveness. While a brand is an identity and experience, it is also an instrument to reduce risk (Klopper and North, 2011).

Brands are social constructs which sustain and differentiate themselves to appeal to people – brand differentiation assists organisations in continuously appealing and connecting with the relevant customer segments (Klopper and North, 2011). Ad agencies are vital strategists and creative thinkers in understanding the changing consumers' perceptions and behaviours, to take calculated risks that build and sustain brand trust (Kemp, 2019). Jean-Marie Dru, then CEO of the TBWA Worldwide ad agency group, had coined the term disruption in 1991 (Crain, 2016). It was not a term widely thought about in business or marketing, but was introduced to challenge brands to be more bespoke and braver in building strategies for their brands. Disruption is encouraged as a positive method for ad agencies and brands to reach consumers by defying conventions in their category (Dru, 1996).

Christensen (1997) coined the term disruptive innovation, describing innovation that created a new market and value network, eventually disrupting the existing ones, and leading to the displacement of organisations and services. Disruptive innovation is not a break-through innovation that makes good services better (Wessel and Christensen, 2012). It transforms a service that was historically complicated making it more accessible to a larger group of people (Christensen, 1997).

The critical characteristics of disruptive innovation within business are: [1] it sustains improvement to ensure a steady competitive advantage in an existing market; [2] it makes use of technology and a new business model that disrupts the existing market; [3] it ensures continuous improvement on existing services, and [4] it transforms industries leading to new market opportunities (Christensen, 1997).

More importantly, Christensen (1997) suggested that disruptive innovation was a holistic process of constructive change in business at a moment in time. His view on disruption was to allow organisations to break through the barriers in entering the market – to disrupt the clutter. It suggested that it was an action of disturbance. However, Dru (1996) believed that the term disruption innovation was the process of using disruption through various steps to achieve sustained innovation in the long-term.

Christensen (1997) suggested the use of disruptive innovation as a single goal to be achieved, whereas Dru (1996) suggested that disruptive innovation was a never-ending process of disruption to achieve sustained innovation.

Another interesting aspect of the concept of disruption was found in Kilkki et al.'s (2018) research. They provided an emotional perspective on the meanings of innovation and disruption which indicated why and how the words were used interchangeably. Innovation has a positive connotation, while disruption is a negative term, highlighting that it leans towards a feeling of destruction and innovation, encouraging constructive change (Kilkki, et al, 2018). Notably, Jean-Marie Dru (1996) intended for disruption to be seen as a positive process in advertising.

With regards to the standard advertising agency business model, it is perceived that it is under threat as ad agencies are not evolving quickly enough (BusinessLive, 2020). The challenge is to identify and understand if ad agencies need to adopt disruption practices. Innovation and disruption are buzz words and can often be used interchangeably.

Advertising agencies have adopted standard business models where retainer fees that cover planned scope of work monthly are agreed upon in advance. Essentially, clients purchase a certain number of hours reflecting the agency's estimated workload. Estimated staff costs, allowance for overheads, and an appropriate allocation for profit are considered in the fee structure (Agency Remuneration, 2012).

Agencies like Ogilvy & Mather, FCB, and Joe Public seem to have broken tradition as they are notable and hold a greater competitive advantage over others in the industry. It would seem that the dominant ad agencies maintained their stance through the quality of their services rather than the disruptive structural improvements that have reshaped the industry.

Interestingly, this suggests that these agencies are still creating value through the standard ad agency model and may not need disruption.

In an ever-changing world, corporations face the need to be more responsive and agile than ever (Deloitte, 2020). Ad agencies need to adapt quickly to support clients that experience high volumes of development and transformation (Bennin and Kapoor, 2017). Thus, disruption and innovation can assist ad agencies in creating new value by encouraging constructive changes that purposefully differentiate their brand and offering in an existing market to achieve competitive advantage.

Therefore, disruption is needed as it is seen as an opportunity to improve something (Bennin and Kapoor, 2017). It is a slower process and can be measured but organisations need to ensure the transition is not to the detriment of the business and its operations (Schroeck, Srinivasan, and Sharan, 2020). On the contrary, innovation is believed to result in rapid change as it is more dramatic and amplified (Linz et al., 2017). Ad agencies operate in a fast-paced environment with high demands from clients, showing that innovation can be considered a risk for agencies, which may damage their reputation in the industry (Nohr, 2018).

The above suggests that ad agencies are surviving within the current model. However, further research would need to be conducted to truly understand whether it is the standard advertising model that requires sustained and rapid disruption, or elements within it that would need to be revised to disrupt an agency's current position in the market successfully.

2.3. Business Models:

There is little academic research that defines what an advertising agency business model is and why it is most appropriate for an ad agency (Reinartz and Saffert, 2013). Ad agencies have evolved over time and now share similarities to those of a consultancy business model.

A consultant functions as a strategist or expert and their business model is based on offering advice and recommendations to solve a particular problem for clients (Christensen et al., 2013). Deloitte, Accenture, and PwC are examples of consultancies. Advertising agencies are experts in telling brand stories that allow organisations to differentiate themselves from competitors in the same category (Bennin and Kapoor, 2017).

On the contrary, ad agencies' focus is traditionally on creative implementation and execution, in contrast to consultancies focus, which is on a holistic strategy that solves business problems (Klopper and North, 2011; Christensen et al., 2013).

Ad agencies help clients bring brands to life that connect with their audiences' emotions and influence their lifestyles (Bennin and Kapoor, 2017). Moreover, they are required to shift from creative excellence to solutions excellence to provide more value and consideration for their clients' business challenges (Motshegwa, 2019). This aspect suggests that the line between consultancy and ad agency models is blurred as there is a growing need for both to solve business problems resulting in increased business efficiency for both agencies and their clients (Turner, n.d.).

It is essential to note the difference between business models and revenue models. While a revenue model addresses the financial system of a business, business models are used to consider value and customers that the businesses need to service (Zott et al., 2011). By separately defining the two semantic elements of "business" and "model", models are understood as a simplified description and representation of a complex entity or process (Zott et al., 2011).

Johnson, Christensen, and Kagermann (2008: 52) explain that business models "consist of four interlocking elements that, taken together, create and deliver value". These elements are customer value proposition, revenue structures, essential resources, and critical processes. They are the core of businesses and evolve as organisations adapt to industry changes to stay relevant (Johnson et al., 2008).

Advertising is ad agencies' discipline and the reason for their existence – agencies trade in ideas, creativity, research, and media support (Zhao, 2005). Klopper and North (2011) identified a brand as a value system and suggested that it was necessary to focus on current values that must continuously be redefined to adapt to changing consumer requirements.

If one of the roles of ad agencies is to help connect a brand's audience using stories, the standard business model structure could be limiting as their direct values contradict client value and growth spurred by disruption (Margretta, 2002).

Notably, this is an opportunity for ad agencies to explore by exploiting their expertise and advantage to earn the attention of potential clients while nurturing existing client relationships – a potential for unique brand differentiation.

By considering the potential need for disruptive innovation for the traditional ad agency structure, this paper's aim was to review a model that used key characteristics related directly to advertising expertise. Furthermore, this would allow for ad agencies to apply what they knew best to define their unique value offering in the industry.

The ad industry is a creative and dynamic environment and needs a framework that allows for flexibility and continuous improvement on diverse variables that may have an impact on their service offering and their businesses at any given time, rather than reconfiguring the business as a whole (Nohr, 2018). Taking this into consideration, the Business Model Canvas (BMC) was the selected framework for this study due to similarities to advertising agencies. The model aligns, most appropriately, to the ad agency industry as both allow for creative and innovative consideration within the business model and its parts, as well as the opportunity for flexibility in sustaining long-term differentiation and competitiveness (Osterwalder and Pigneur, 2010).

BMC is a framework that uses a flexible template for conceiving, completing, and assessing a business model (Osterwalder and Pigneur, 2010). This framework is beneficial to ad agencies as flexibility allows each organisation to adjust its business models as clients' needs evolve. The purpose of the Business Model Innovation technique was to encourage consideration for the whole organisation rather than as discrete, disconnected activities to avoid silo thinking (Osterwalder and Pigneur, 2010).

There are nine sections of the model that help organisations determine the kind of model they want to build. The model requires organisations to map out the nine sections on a single piece of paper, so each section is developed in consideration of the next.

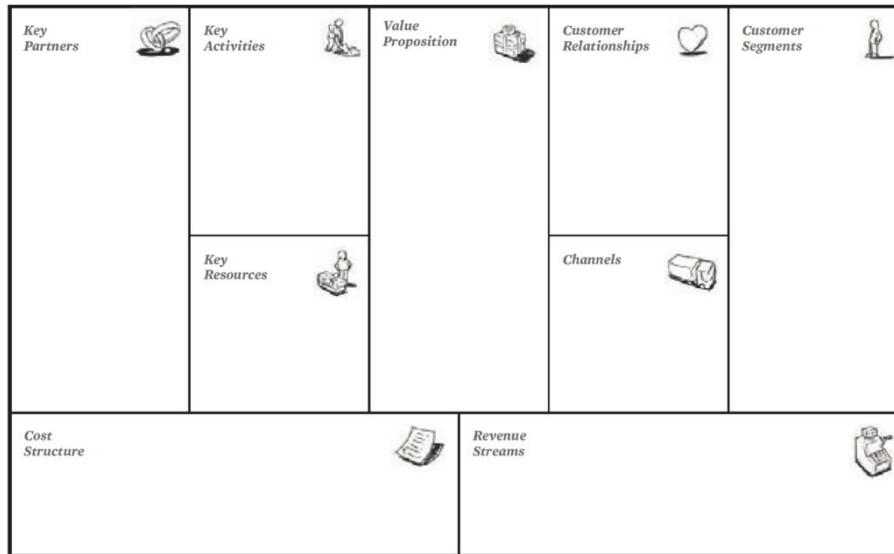
The Business Model Canvas

Figure 2: Business Model Canvas Template (Osterwalder and Pigneur 2010)

Holistically, each of these sections ensures that the business maintains relationships within each customer segment and defines the firm's value proposition to consistently deliver its services (Osterwalder and Pigneur, 2010). The nine-building blocks are:

BUSINESS MODEL CANVAS SECTIONS:	PURPOSE:
1. Customer Segments	Categorise clients based on similarities.
2. Value Proposition	What value the organisation will provide its clients.
3. Channels	How to communicate and distribute the services offered to existing and new clients.
4. Revenue Streams	Establishing different ways to service a client.
5. Customer Relationships	The various arteries that income can flow through to add to profits.
6. Key Resources	The most important factor, physical, financial, intellectual, or human resources that all the business to operate and engage.
7. Key Activities	The activities that perform critical tasks to engage with customers and earn a profit.
8. Key Partnerships	Partnering with other entities that can expand or protect an organisations market share in a highly competitive industry.
9. Cost Structure	Whether the firm is cost-driven, or value-driven businesses will determine a business's cost structure.

Figure 3: Business Model Canvas 9 building block descriptions (Osterwalder and Pigneur 2010)

This model was considered as a possible framework for ad agencies as its criteria was closely related to what ad agencies required to meet their customers' needs (Osterwalder and Pigneur, 2010). Ad agencies' strength as service providers lay within creating a value proposition, creating and building customer relationships, as well as customer segmentation (Nohr, 2018).

Notably, part of this study aimed to understand whether ad agencies believed that all these three areas added the most value, or if they were seldom within the cost structure and revenue streams. Some commonalities between how ad agencies could provide value to consumers and the BMC were:

1. **Customer Segments:** For brand building, effective segmentations must be measurable, accessible, substantial, and differentiable (Kotler and Armstrong, 2012). This aspect helps organisations create categories within the BMC.
2. **Value Proposition:** For Osterwalder and Pigneur (2010), in the BMC, a value proposition is classified as the value an organisation will provide. Kotler and Armstrong (2012) defined a value proposition in brand building as the way in which brands differentiated and positioned themselves in the marketplace. Both aimed to reach a competitive advantage. Differentiation is deemed as an essential part of a market strategy and a brand's differentiation is perceived by customers in order to be valued (Kotler and Armstrong, 2012). Notably, branding efforts are vital in organisations being distinct from one another and if ad agencies' ultimate goal is to maintain differentiation, value propositions is a key tool that needs to be adopted in maintaining a unique positioning in the marketplace (Kotler and Armstrong, 2012).
3. **Key Partnerships:** Klopper and North (2011) suggested that brands be viewed as part of a relationship because of the human personality attached to their identity and purpose. BMC allows for brands to leverage strong partnerships that add value to the businesses' offerings ultimately growing their personality to achieve competitive advantage.

The reason is that BMC allows ad agencies to use their expertise found within this framework and enable them to position and promote their brands as value partners rather than as service providers (Osterwalder and Pigneur, 2010).

BMC suggests that flexibility is warranted which allows ad agencies to continuously adapt as clients' demands evolve with changing global trends. The need for businesses to holistically plan who they are, what they offer, and how they offer is vital. It allows organisations to be agile and gain an advantage in highly competitive markets (Zott et al., 2011). Advertising agencies often encourage their clients to take visionary risks to “disrupt” their brand (Alsheimer, 2019). In fact, this would be the perfect time to take their advice and evolve in doing business that is different, valuable, and efficient.

The literature review analysed the characteristics of the advertising business model and concluded that there were potential areas of disruption within its current and standard ad agency business model. These potential areas of disruptions have been explored more through in-depth qualitative research.

3. Chapter 3: Research Methodology

As this study investigated the ad agency model and investigated what ad agencies could do differently or disrupt to be more competitive, an hermeneutic phenomenological methodology approach was considered appropriate. This was the researchers' formula for the systematic discovery of knowledge-intertwined ontological, epistemological, and methodological assumptions to answer a single question (Du Plooy-Cilliers, 2014).

This study used phenomenology as a lens to examine business models and disruption to gain knowledge about the experiences of how participants interpret and perceive the future of ad agency business models.

3.1. Research Paradigm

Paradigms are identified as a set of assumptions or beliefs about an essential aspect of reality – a way of framing what we know, what we can know, and how we can know it (Maree, 2016). These paradigms are the analytic lens in which to view the world and include a variety of methods that can be used to answer research questions (Maree, 2016).

Interpretivism begins when understanding the assumptions of human life and behaviour (Maree, 2016). Positivism was not appropriate for the study, as it was more empirical, objective, and tested casual relationships by measuring observable facts to understand social phenomena (Du Plooy-Cilliers and Cronje, 2014). The researcher had concentrated on the meanings that people assigned to situations and behaviours and the ways they used this to interpret the world (Maree, 2016).

Interpretivism is influenced by phenomenology, which is used to explore the everyday life of participants' experiences (Maree, 2016). This study has made use of phenomenology as a lens to explore the perceptions that deem the current ad agency model as potentially flawed and if it requires disruption to surpass the negative perception (Du Plooy-Cilliers and Cronje, 2014). The purpose was relevant to the study as there was a need to understand the levels of perceptions and interpret the findings to make sense of the bigger picture.

Using the four different positions (with methodology discussed earlier on) that make up a research paradigm, interpretivism was explored through each of the research assumptions below in context of this study:

3.1.1 Ontology:

An ontological positioning is a system of beliefs about the world around us – it refers to a researcher's beliefs about the nature of reality in gaining knowledge (Du Plooy-Cilliers and Cronje, 2014). Interpretivists' ontological position is that reality is relative and will be experienced differently by different people (Du Plooy-Cilliers and Cronje, 2014). For this study, the ontological assumption was essential in determining what is true about the research topic as multiple realities, experiences, and perceptions need to be explored to understand what is known (Du Plooy-Cilliers and Cronje, 2014). The aim was to determine the perceptions that classify the ad agency model as flawed and if it was believed that it is 'broken'.

3.1.2 Epistemology:

Epistemology examines the relationship between knowledge and the researcher during discovery – it refers to how we come to know what we know (Du Plooy-Cilliers and Cronje, 2014). Epistemology was vital to this study as it revealed the relationship between what was known about the ad agency model and what could be unravelled through discovery.

3.1.3 Metatheory:

A metatheory refines a researchers' thinking and findings and is used to explore assumptions and indications of the main theory (du Plooy-Cilliers, 2014). While interpretivists are more likely to use inductive theories to analyse their research findings they can also use deductive theories (du Plooy Cilliers, 2014). Deductive theorising is when a researcher formulates their hypothesis after creating their theory, and then tests their hypothesis to see if their original theory stands true (Maree, 2016). As this research study consisted of semi-structured interviews that employed a conversational approach, a deductive approach was conducted by using the research questions as the general conceptual framework to identify several themes within the text. These themes were grouped and coded in order to draw commonalities and disconnects from the information gathered in the interviews.

3.1.4 Axiology:

In research, axiology refers to what the researcher believes is valuable and ethical (Maree, 2016). Axiology's purpose is to explore values and how they influence research (Maree, 2016). Ethical considerations (discussed in detail further on) for the researcher included ensuring confidentiality for participants during interviews and that the data used was sourced from reliable sources (Maree, 2016). The comparative analysis reflects multiple perspectives between the text and interviews by cross-examining various perspectives and is not based on a single opinion. As the researcher's profession is in advertising, unsubstantiated opinions, and speculation was avoided and data analysed objectively.

3.2. Research approach

Qualitative research aims to understand the subjective meanings people attribute to social problems and human qualities (Payne, 2014). Deductive theorising was used for this study. This means that the study was conducted with a top down approach, moving from general theories and assumptions (Maree, 2016) about advertising agencies business model, to specific findings that tested if the theory, "it is believed that the advertising agency model is 'broken'" was accurate, or needed to be changed. The following research design outlines the structure of how the research process was conducted for this study.

Each aspect assisted the researcher in answering the proposed research questions: do participants believe that the ad agency business model is 'broken' and which factors allow for ad agencies to be more competitive. As this study was constructed from an interpretivist's viewpoint, each of the below approaches fit into the realm of an interpretivist study.

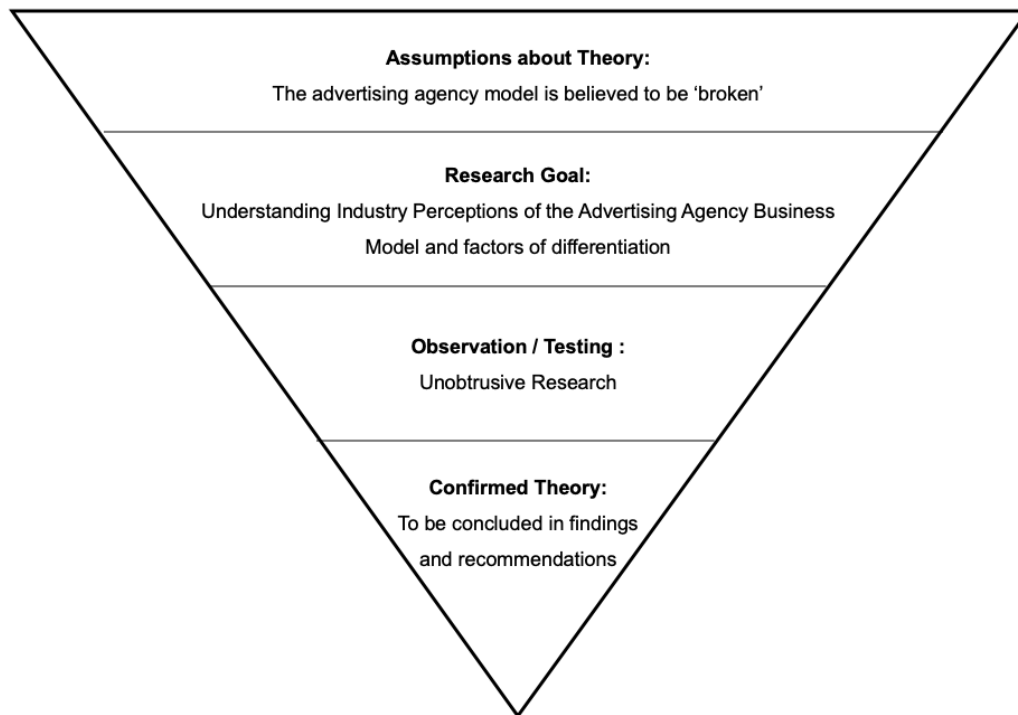


Figure 4: Deductive Theorising (Payne, 2014)

In attempt to increase trustworthiness of the study, the researcher employed a simple triangulation approach in the collection of data. Triangulation was used as a strategic method of validation between text and interviews and allowed the researcher to gain a wider base of knowledge when analysing data (Davis, 2014). Triangulation was essential to cross-check the characteristics being criticised in articles and interviews and find the commonalities or gaps in relation to the research question (Davis, 2014). For this study, communication methods chosen for unobtrusive research were triangulated to test the results between the content analysis identified in the literature review and the semi-structured interviews.

3.3. Research design

The research design addresses research questions, goals, conceptual framework, methods, and validity to ensure coherency in a study (Nieuwenhuis, 2016a). As the conceptual framework of interpretivism drove this study, a fitting research design was considered. In contrast to interpretivism, a quantitative approach explains research questions through objective statistical examinations (Maree, 2016). A quantitative approach is not relevant to interpretivism specifically as interpretivism is concerned with subjective meanings (Goldkuhl, 2012). As the researcher explored perceptions through analysing, interpreting, and discovering participants beliefs hermeneutics was valuable in being able to identify the embedded meaning (Bezuidenhout & Cronje, 2014).

To analyse the data, the design utilised qualitative interpretation namely hermeneutics. Hermeneutics aims to do a deep read of material to discover embedded meanings (Bezuidenhout & Cronje, 2014). It is specifically interested in language, where meaning is developed by facilitating “the particular language used by participants, or people under observation, and some version of the theoretical language of the subject of the research study” (Davis, 2014: 117).

As this study was particularly concerned with interpreting perceptions and whether or not they showed that the ad agency model is ‘broken’, a hermeneutic phenomenological design was used. In addition, the transcripts for interviews were used to identify themes amongst texts in analysis.

3.4. Population and sampling

The unit of analysis is the primary entity analysed in the study (Maree, 2016). For this study, this included professionals within the branding, marketing and advertising industry, more specifically, those who have engaged with an advertising agency.

As the research question attempted to understand if participants believed that the advertising agency model was ‘broken’, the critical characteristic of the population was that they needed to have sufficiently engaged with an advertising agency.

Therefore, the selected populations were: [1] advertising agency stakeholders such as those in managerial positions who were involved in business decisions and [2] clients – marketing / branding managers within organisations that sought and partnered with advertising agencies for support.

Firstly, advertising agency stakeholders were crucial as the research problem identified directly with their world view of being immersed in the everyday operations of an ad agency. As the advertising agency model is standardised across most of the ad industry, the researcher had interacted with representatives found within ad agencies in order to conduct a complete comparative analysis and accurately understand the general perceptions in the industry.

Secondly, clients could provide an outside-in perception of their experiences with ad agencies. Both populations' responses allowed for the researcher to compare and contrast perspectives to identify whether or not the advertising agency model was 'broken', and the areas of improvement based on their beliefs and experiences.

For this study, a sample was a group of people taken from a larger population of the advertising and marketing industry (Maree, 2016). This ensured that the findings were generalised to the population as a whole (Maree, 2016).

Non-probability sampling was utilised because selecting samples is based on the subjective judgment of the researcher, rather than random selection to investigate the research questions from a more in-depth and humanistic perspective (Pascoe, 2014). In this case, the researcher's profession was in advertising and thus had access to various members in the industry and clients alike. Due to the time constraints, the researcher was unable to draw random probability. Therefore, not all members of the population had an equal chance of participating in this study unlike in probability sampling (Maree, 2016).

Both convenience and purposive sampling methods were used in this study. Convenience sampling has been chosen because the respondents were readily available and due to the time limits enforced for the study (Pascoe, 2014). Specifically, interviews were controlled and did not exceed a one-hour time frame to allow the researcher to collect adequate data.

The researcher had not considered selecting a sample that represented the entire population because of its efficiency, cost-effectiveness, and ease of availability of the participants. Purposive sampling was also applied because, even though the participants were convenient to access, they were chosen based on specific characteristics and credibility relevant to this study (Pascoe, 2014).

The disadvantage of this sampling technique is that the preconceived notions of a researcher can influence the results (Maree, 2016). Thus, this research technique allowed for some ambiguity.

3.5. Data collection

Qualitative research is an approach used to understand why a specific phenomenon operates and it does so by exploring the deeper understanding of a phenomenon (Du Plooy-Cilliers, 2014). In this case, the proposed phenomenon was to understand if the advertising agency model was 'broken' and what ad agencies could do to be particularly competitive. The aim of this research proposal was to collect research data used to examine: [1] knowledge and experiences around ad agency models; and [2] the relationships from both advertising agency stakeholders and clients in order to understand the clear points of disconnect and differentiation.

As these characteristics are part of ad agencies' services, participants were able to allude to and draw insight as to how ad agencies can use these skills better on their brands.

On the contrary, there was a possibility that the framework would not resonate and participants could have indicated that there was mostly a need for disruption (based on the identified characteristics), and constructive change in specific areas of their businesses. In this case, the researcher needed to anticipate evaluating what those areas of disruption and constructive changes were and draw conclusions to the research problem. Therefore, both ideas of disruption and business models needed to be explored in-depth with participants to unearth any potential disconnect that the broader industry and clients may have perceived about the advertising agency model.

A combination of field and unobtrusive data collection methods was utilised for this study. Field data consisted of semi-structured interviews to explore the participant's beliefs, attitudes, and opinions based on their experiences which was guided by a set of open-ended questions that allowed for conversation (Du Plooy-Cilliers, 2014). It is important to remember that the nature of phenomenon is constantly shifting due to their situational surroundings, meaning that phenomenological studies have the potential to change as a study progresses (Zahavi, 2018). Unobtrusive research has been helpful with this limitation.

To ethically gather data, the interviewer had requested that all participants complete a consent form and acknowledge that the interview was being recorded. Data from the in-depth interviews were transcribed. Both methods (semi-structure interviews and content analysis) assisted the researcher in identifying themes and patterns relevant to answering the proposed research questions.

The researcher's participation ranged from hosting to recording sessions, which was virtually documented, recorded, and transcribed due to the current world health crisis (Covid19 restrictions).

The interview schedule that was used for the researcher to conduct the semi-structured interviews can be found in Annexure C. In Annexure B are the signed consent forms from each of the individuals who participated in the interviews for this study.

3.6. Data analysis

Data analysis is the process of transforming data into findings. The researcher was able to immerse herself into the data and identify key themes and distinct patterns that directed the results to an answer to the research problem (Du Plooy-Cilliers, 2014). Maree (2016) states that the hermeneutic approach is a process of analysing and cross-referencing data between text and what is being said. Both the content from the transcribed interviews and existing content was cross-examined to determine if there was a disconnect between what ad agency stakeholders and their clients deemed as points of the ad agency model being 'broken' and potential areas that require improvement. Concerning the theoretical framework, Business Model Canvas consisted of characteristics that enable ad agencies to frame their area of expertise to be of greater value and competitive.

Content analysis was used to draw existing generalised themes currently being criticised in the industry and compared to the knowledge gained from the semi-structured interviews. The goal was to test whether or not the broader perception from the industry articles and key industry leaders, resonated with the idea that the advertising agency model was 'broken,' and if not, identify the disconnect based on the interview findings.

As this research study consisted of interviews, a deductive approach was conducted using the research questions and interview questions (along with the knowledge gained in the literature review), as the general conceptual framework in being able to identify several themes within the study which have been grouped and coded problem (Du Plooy-Cilliers, 2014). The inductive approach was not used as the research paper aimed to test a generalised sentiment rather than a specific topic based on existing theories and data (Du Plooy-Cilliers, 2014).

Unobtrusive data consisted of content analysis methods that included opinions and articles of industry leaders in ad agencies and brands. The content analysis applied in figure 1 assisted in cross-examining and identifying themes in the literature review and interviews to test if it is believed that the advertising agency model is 'broken.'

Furthermore, this study did not aim to test behaviors, interactions, and body language that could be identified in multimodal conversation analysis. Therefore, conversation analysis was used to identify subjective ideas within the interviews to gain a better and clearer understanding of the various perspectives of the participants (Du Plooy-Cilliers, 2014). This was applied by ensuring that the questions made less use of formality and encouraged participants to share experiences which in turn encouraged responses based on personal perceptions and not general knowledge.

3.7. Limitations and delimitations

Below are the limitations specific to this study:

1. **Covid-19:** The novel Covid-19 pandemic was a limitation as lockdown regulations did not allow for face-to-face interviews. Therefore, interviews were conducted on digital platforms such as Zoom, Skype, and Microsoft Teams.

2. **Time constraints:** The due date of the report limited the time available to investigate the research problem and measure change or stability within the sample.
3. **Lack of prior research studies on the topic:** Previous research was focused on creativity within advertising rather than the advertising model (Devinney et al., 2017). Therefore, there was little prior research relating directly to the research topic. However, this limitation thus served as an opportunity to encourage the need for further research.

Below are the delimitations specific to this study:

1. **Access to participants:** Due to the restrictions enforced by the Covid-19 pandemic, access to people, organisations, and documents were difficult to obtain. Furthermore, participants in influential positions (for both ad agencies and clients) were not willing to discuss the topic at hand or share essential details about the organisation that this study was attached to.
2. **Sample size:** Due to the limitation of having access to a sufficient number of participants, the sample size was still relatively small, which resulted in a difficulty to find significant relationships in the data. A reasonable population size was required to identify a trend and a meaningful relationship in the data to adequately answer the research question. Furthermore, the small sample size may not necessarily be representative of the sample group and further research will be needed to validate the findings.
3. **Bias:** As the researcher's profession was in advertising, strong unfounded opinions should have been avoided, and data analysed objectively.

4. Chapter 4: Findings and Discussion

This chapter details the findings from the data collection described in Chapter 3. Data was analysed using semi-structured interviews and the findings are discussed below.

4.1. Findings

The interview schedule comprises of the questions asked during the interview and how they are relevant to the research questions, as well as participant information to justify their selection for this research (Appendix C). The interview questions focused on ad agency stakeholders and their clients, where only four participants were interviewed. Regarding the research questions, there were four main areas the below findings reported on: [1] what the ad agency model was and its value; [2] the three areas of commonalities between how ad agencies provide value to consumers and the Business Model Canvas; [3] the areas that highlight factors that hold the most value and whether or not there were other areas of differentiation ad agencies could consider, and lastly; [4] whether the participants believed that the ad agency model was 'broken' and why.

1. What is the current ad agency model and its value?

The first question posed to the participants encouraged them to offer their own definitions of the ad agency model.

What is the ad agency Model?		
COMMON THEMES	CODE	NUMBER OF RESPONDENTS WHO AGREED (out of 4)
- "Ad agency model is not flexible enough"	A-1	4
- "It is very outdated"	A-2	2
- "It has now become very segmented and very siloed"	A-3	2
- "Very process driven approach to creative"	A-4	4
- "The model is a stock-standard structure that is a line of reporting"	A-5	3

Figure 5: Respondents answers that describe what the ad agency model is to them.

The results above show that all participants were able to provide responses that were true to the idea of business models. The participants mentioned that the structure that ad agencies used to serve their clients were part of the standard ad agency model explained in the literature review and began to indicate that there was some frustration with the model in their respective roles.

Factors like: “exchange of resource time (Participant 3)”; “stock-standard model (Participant 2)”; “very process driven (Participant 2)”; “very segmented and siloed (Participant 4)” are clear descriptions that describe what respondents believe the ad agency model is and how the model serves their clients.

Moreover, ad agencies are organisations that are considered experts in strategy and creativity. Four of the five participants believed that the core value of ad agencies rely in their ability to serve in creativity and creative support in solving marketing and branding problems. While one participant mentioned that if ad agencies had the right internal structures, to allocate resources efficiently and effectively, ad agencies would be able to deliver the most relevant work to their clients in a short space of time. Other areas of the discussion emphasised the support in being able to track trends in client’s industries, as well as clients having access to the production and people resources to execute on and supply creative requirements.

What is valuable about the agency model?		
COMMON THEMES	CODE	NUMBER OF RESPONDENTS WHO AGREED (out of 4)
Creativity	B-1	4
Efficiency	B-2	2
Trend Watching	B-3	1
Production and Execution Resources	B-4	4
Want ad agencies to be an extension of their marketing teams	B-5	4

Figure 6: Respondents answers to what they find most valuable about the ad agency model

Furthermore, each client participant was asked what value they received from their ad agencies and each ad agency participant was asked what value they provided to their clients. The responses indicated the following:

[1] Ad agencies that are able to successfully support their clients’ needs through particular services and resources and [2] the need for ad agencies to be an extension of their clients corporate teams that provide services beyond the marketing, branding, and advertising support. Phrases such as: “personal relationship” (said participant 1); “finding the right person for the right job” (said participant 2); “custodians of the brand” (said participant 3); and “act as a marketing partner” (said participant 4) all relate to factor one and showcase that ad agencies are meeting the expectations of clients in providing a service.

However, only one respondent gave an indication that even though a particular ad agency delivers, they needed to shift from supplying creative solutions to solving business problems with creativity.

2. The three areas of commonalities between how ad agencies provide value to consumers and the BMC

a. Value Proposition:

One of the questions posed to the participants was if they could recall *ad agencies having unique value propositions that differentiate themselves from agencies alike*. All answered “no”. Some of the responses included:

Value Proposition		
Participant 1 (Client)	- “Smaller agencies are seemingly challenging the bigger agencies in standing out more interestingly.”	C-1
Participant 2 (Ad Agency Director)	- “Agencies have moved into a space where awards are their business cards more than the value proposition.”	C-2
Participant 3 (Client)	- “When driving consideration having a value proposition is an important aspect in choosing an ad agency”	C-3
Participant 4 (Ad Agency Director)	- “At the core, service offering and model is not different or articulated in too many different ways.” - “It is fair to call the market saturated in the sea of sameness.”	C-4

Figure 7: Respondents answers based on value proposition

In addition to the above, participants were asked if they believe that ad agencies should put the same emphasis of helping their client manage their brands, own their own agency brands. All respondents implied that it was necessary for ad agencies to place emphasis on their individual brands. The responses were as follows:

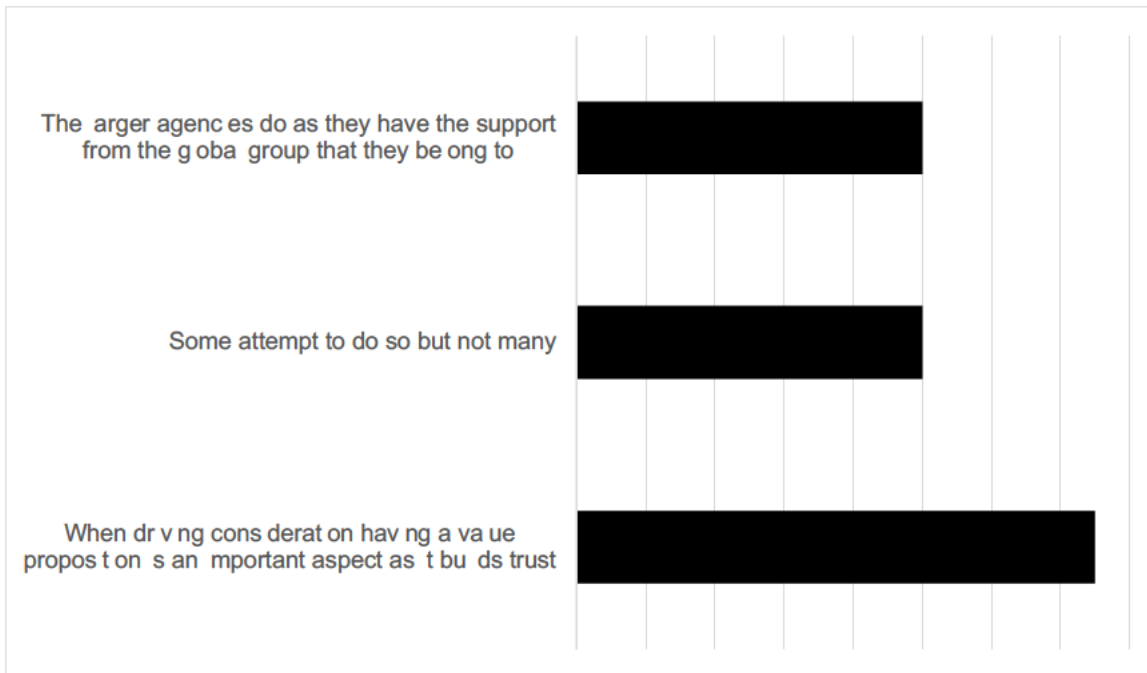


Figure 8: Comparison of respondents most common answers in the need for ad agencies to nurture their own brands

When probed on the idea of what value ad agencies needed to provide for their clients, respondents recommended the following areas of growth that ad agencies should consider pursuing:

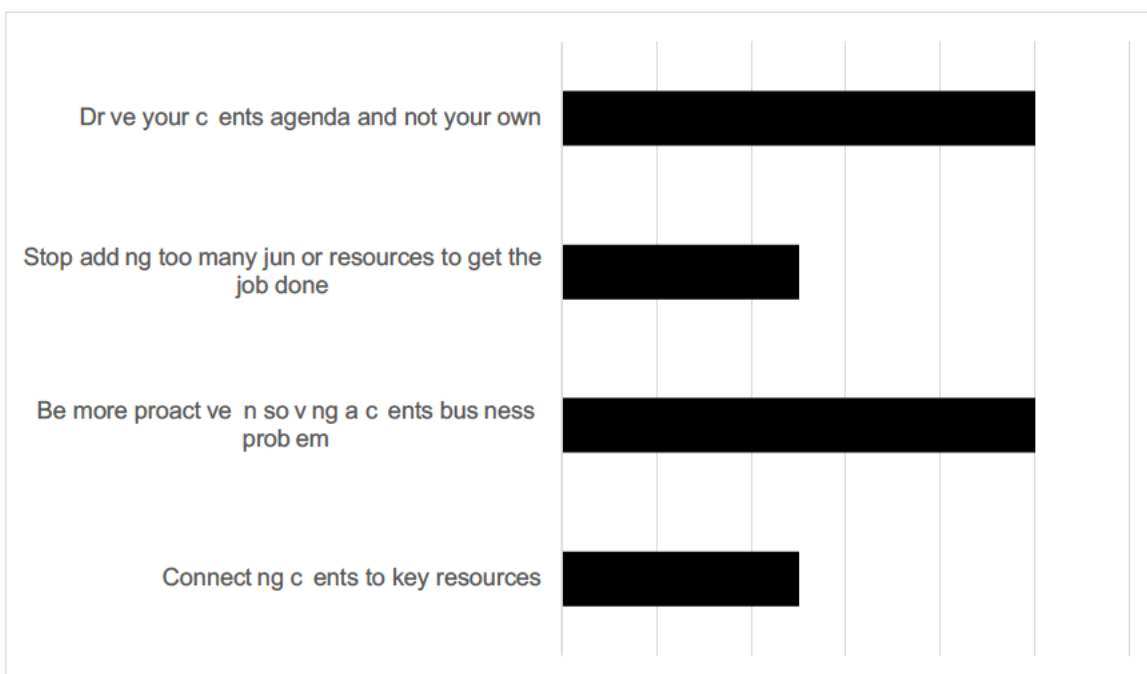


Figure 9: Most common areas of growth that ad agencies should consider

b. Customer Segmentation:

The question was: *Do you think ad agencies could gain competitive advantage by specialising in particular industries or markets?*

Most responded no as it was not practical for a business. One participant responded with yes it is a good idea, and another responded adding that it was not a sustainable idea from a problem solving perspective. The answers are explored in further detail below:

Customer Segmentation		
Respondents who advised that it is not a practical from a business perspective (Participant 2 and 3)	- "There is a risk of becoming siloed." - "In the short run it will help dominate a certain area of expertise." - "It will be hard to gain clients trust and business in the long run." - "Sounds like a good idea but practically, it isn't." - "For business continuity, ad agencies need a diverse portfolio to service."	D-1
Respondents who advised that it is a good idea (Participant 1)	- "This would benefit clients in partnering with agencies that understand their category"	D-2
Respondents who advised that it is not a good idea from a problem solving perspective (Participant 4)	- "The agency can have a similar approach to every problem"	D-3

Figure 10: Respondents answers based on value proposition

c. Key Partnerships:

Respondents mentioned that sometimes clients had more than one ad agency that serviced their organisation's needs. For example, one participant said that the organisations ad agency portfolio included a creative specialist agency, a digital marketing agency, and another in media planning and buying.

The question, *do you think there is value in ad agencies leveraging key partnerships that allow for competitive advantage*, was posed to participants. Most participants agreed that there was value in key partnerships as collaboration and integration were needed now more than ever. One respondent disagreed with having multiple agencies but found value in integration and collaboration within a single and dedicated ad agency. Some of the responses included:

Those that agreed:

Key Partnerships		
Participant 1 (Client)	-“The magic comes when everyone doesn’t get precious over their creative”. -When ad agencies “work together is when the real magic happens”.	E-1
Participant 2 (Ad Agency Director)	-“Key strategic partnerships not only allow for agencies to be more resource conscious and financially conscious but it also allows for the best possible client result” -“When you force it in-house it dilutes what that specialist can offer”	E-2
Participant 4 (Ad Agency Director)	-“Agencies need to get a lot better in collaborating in delivering competitive advantages for their clients. In fact, collaborating is the only way to deliver best in class and not mediocre solutions for the clients”	E-4

Figure 11: Respondents that agreed to the value of key partnerships for ad agencies

Those that disagreed:

Key Partnerships		
Participant 3 (Client)	-“From a client’s view it is just a pain to manage multiple agencies (There are time delays, additional costs and inefficiencies)” -“There are missed opportunities if there are multiple agencies, versus one that is open to speaking to each other internally.” -“It comes back to integration and the comfort it brings by not being responsible to get everyone on the same page – if it comes from one point, you will always have someone invested in making it work for the client”	E-5

Figure 12: Respondents that disagreed to the value of key partnerships for ad agencies

Based on the participants experiences, ad agency stakeholders and clients of the future want to work better in partnerships to achieve a more concentrated level of value in reaching the clients’ goal. The above shows that there is more of a need for integration and collaboration whether that is applied internally within one agency or across-multiple partners.

3. Areas of differentiation:

In addressing the areas of differentiation, the research question of *Where do they think ad agencies can be more competitive to differentiate their brand, through their business model* was addressed. The questions were:

- *Of value proposition, customer segmentation and key partnerships, which holds the most value in allowing ad agencies to differentiate themselves in a highly competitive market?* (Participants were not limited to one answer)

75% of the participants found that value proposition held the most value in allowing ad agencies to differentiate themselves in a saturated market.

However, as value proposition falls at the core of brand differentiation (Kotler and Armstrong, 2012), customer segmentation and key partnerships are interlinked and almost equally important.

The respondents suggested that if all three areas of the business model were used cohesively, ad agencies would be able to maximise their services in delivering optimum value to their clients. Some of the key responses were:

Areas of differentiation		
Participant 1 (Client)	- "They are all interconnected and value proposition is at the core."	F-1
Participant 2 (Ad Agency Director)	- "When you are actively integrated in the business and delivering the value you have promised, everything else should fall into place because they depend on each other in delivering on value" '- "Your value proposition is only as good as the service you can provide as an agency"	F-2
Participant 3 (Client)	- "The value proposition is in the forefront but a value proposition is achieved by adding the other two factors"	F-3
Participant 4 (Ad Agency Director)	- "Outside of the creativity and strategy piece, there are some core skills in the ad agency world that can be applied to the client side to help ad agencies service clients"	F-3

Figure 13: Respondents answers to the purpose of the three areas of differentiation identified

A quarter of the respondents claim that key partnerships are more important than customer segmentation and value proposition. A participant stated that the core purpose of the creative agency is to deliver creative artifacts and partnerships. Ad agencies are able to go back to their roots and focus on their core values for existence reason for being if they are united with the right kind of partnerships".

- Do you believe that there are any other areas depicted in the model where agencies can differentiate themselves?

Most respondents had not mentioned other areas of differentiation. However, previous comments from the overall interview were reiterated. One respondent suggested that a hybrid model be evaluated in order for clients to have a dedicated resource from an ad agency. Some of the additional remarks were:

Other areas of differentiation		
Participant 1 and 3 (Client)	- "Agencies need to make a shift to provide more "commercially driven creative" / what is the commercial objective of your creative"	F-1
Participant 3 (Client)	- "Maybe to look at other models that allow for the agency resource to be part of the clients team. I.e. a hybrid model" - "It is difficult to recommend as a client as agencies operate in such a outlined industry"	F-2
Participant 2 (Ad Agency Director)	- "Agencies should consider streamlining their internal organisation and upsizing their agency in senior resource by making sure there is a consistency in client service as a top priority and not just those who are responsible for communicating between client and agency"	F-3

Figure 14: Respondents answers to identifying other areas of differentiation

Based on the above responses, participants showed little concern about areas of the ad agency model to allow for more value but rather functional pieces that ad agencies needed to evolve to, adapt to, and grow to a stage of offering value to their clients.

4. Do participants believe that the ad agency model is broken and why.

The final purpose of this section was to determine the answer to the key question that sparked this study - *Do participants believe that the ad agency model is 'broken'*. As seen in chapter one and two of this paper, many articles strongly suggested that the ad agency model was 'broken'. But did this hold true amongst the participants? All respondents believed that the advertising agency model was broken. When the researcher clarified the term 'broken', all respondents were sure that the model was 'broken' and that it needed change. One responded strongly suggested that the model was 'broken' and that there was a need for a new model that would bring on a new age of ad agencies. Some of the key answers to the question were:

Clients of ad agencies responses:

Clients of Ad Agency Model Responses		
Participant 1 (Client)	-“I think it is broken but not gone forever. It does need to be tweaked”.C4	G-1
Participant 3 (Client)	-“The environment is changing, and personally struggling a lot with the ability to be more agile. It is broken in the sense that there is no change in processes to deliver at the pace we need to deliver against, hence there is a need to be explore certain in-house capabilities to deliver things more quickly” -“The piece that needs to be reorganised is the ability to integrate and be agile in supporting commercial objectives of the business”	G-2

Figure 15: Clients of ad agencies responses to identify if they believe the ad agency model is broken

Ad agency stakeholder responses:

Ad Agency Stakeholder Responses		
Participant 2 (Ad Agency Director)	-“Instead of calling it broken, it should be temporarily out of order.” -“Integration is far more achievable and effective and streamlined (without and within the agency which filters through the agency)”	G-3
Participant 4 (Ad Agency Director)	-“Yes it is broken. The actual confirmation of that is what we are seeing now in the market, where clients are taking the lead on buying creativity and they are appointing people like CMOs and inter-marketing teams and using the agency as production partners.” -“The ad agency model is not fixable and reinvention is needed. I believes that there is going to be a new model that defines the agency way of doing.” -“The model is going to be redefined in a way that agencies become value players again with production capabilities as a secondary service with key partners to execute.” -“There is definitely an acknowledgment and acceptance that things need to change in the local market and in the agency behaviour but nothing is changing at the moment”	G-4

Figure 16: Ad agency stakeholder responses to identify if they believe the ad agency model is broken

The diagram below indicates respondents' answers in relation to each other:

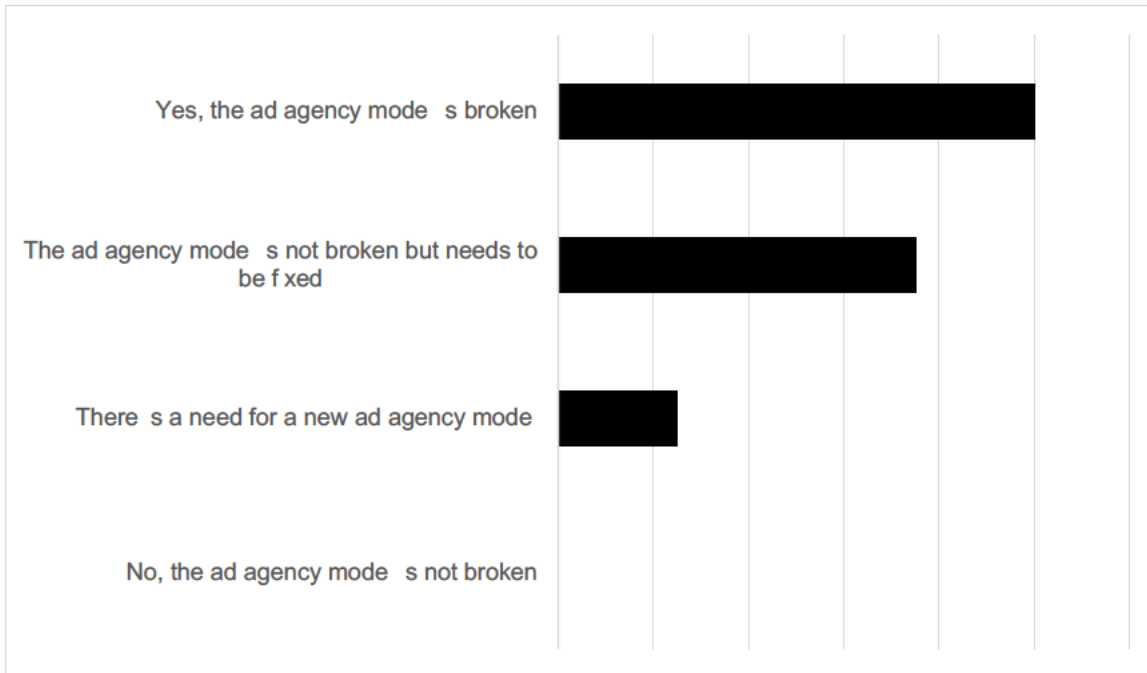


Figure 17: Comparison of respondent's explanations as to why the ad agency model is 'broken'

To conclude this chapter, here are some key findings from the research:

1. What is the current ad agency model and its value:

- Both ad agency stakeholders and clients believed that the ad agency model is overly complex and siloed.
- There is a misunderstanding of what the business model is versus the departments within an ad agency.
- Clients are looking for agencies that are also efficient and effective in their processes and services.
- Clients of ad agencies depend on agencies to solve business challenges with the support of creativity second.

2. The three areas of commonalities between how ad agencies provide value to clients and the BMC:

- Ad agencies need to consider having a unique value proposition and nurture their brands as they do for their client.
- Ad agencies need to diversify their customer segments (clients).
- Key partnerships are valuable in ensuring integration and collaboration.

3. Areas of differentiation:

- Value proposition, key partnerships and customer segmentation are all equally important in ad agencies allowing for differentiation and a greater competitive advantage.
- There are no other clear areas of differentiation that are specific to a business model. However, areas of differentiation lie within and require ad agencies to pivot in becoming value-suppliers.

4. Do participants believe that the ad agency model is broken:

- Both ad agency stakeholders and their clients believe that the ad agency model is 'broken' and is in need of reinvention.

4.2. Validity and reliability / trustworthiness

Interpretivists speak openly about their values and those of their participants (Du-Plooy-Cilliers, 2014). Therefore, it was essential for the researcher to consider values like ethics because accuracy of research results was crucial to persuade readers that findings were credible and worthy of contribution to the academic field (Du Plooy-Cilliers, 2014). As this study was testing perceptions, the findings and contributions should be trustworthy and deemed credible.

Qualitative studies are measured on the criteria of trustworthiness and credibility as the research was based on cause and effect (Du Plooy-Cilliers, 2014). In this case, the research analysed a generalised statement to determine whether it was true or not based on participants' unique and individual experiences.

In research, trustworthiness is further divided into sub-categories: [1] credibility, [2] transferability, [3] dependability, and [4] confirmability (Du Plooy-Cilliers, 2014).

1. **Credibility:** Credibility asks the researcher to link the research study's findings with reality to demonstrate their truth. One way to ensure credibility is achieved is to use triangulation of research methods (Du Plooy-Cilliers, 2014) which, in this study, made use of text and interviews to draw commonalities and themes relevant to the research problem. In addition, as the study was time-limited, the researcher was not able to build credibility by spending extensive time with participants.

2. **Transferability:** Transferability refers to the degree to which the findings described in one study are applicable or useful to theory, practice, and future research (Du Plooy-Cilliers, 2014). This study requires further research in providing a fairer sample representation and detailed and deep understanding due to the illimitations addressed. Purposive sampling ensured that the group of participants fit the research context but are not a full representation of the broader population.
3. **Dependability:** Dependability refers to the consistency and reliability of the research findings and the degree to which research procedures are documented, allowing someone outside the research to follow, audit, and critique the process (Du Plooy-Cilliers and Cronje, 2014). The data was documented, themes and differentiations were grouped, compared and coded in order to cross-analyse the results that led to the concluding answers of the research question.
4. **Confirmability:** Confirmability is relevant to credibility (Du Plooy-Cilliers, 2014). To achieve confirmability, researchers must demonstrate that the results are accurately linked to the conclusions in a way that can be followed and replicated (Du Plooy-Cilliers, 2014). As the researcher's profession was in advertising, biasness was prevented ensuring the results were based on the experiences and preferences of the research participants. Furthermore, limitations and ethical considerations (in Chapter 5) had been openly discussed to account for biases.

By analysing various texts and interview transcriptions, this study meticulously tested and documented the findings in multiple contexts to increase the confidence in the evidence it had endeavored to produce. However, the researcher has aimed to but could not guarantee to ensure that the findings were confirmable.

5. Chapter 5: Conclusion

This chapter details the final conclusions, implications and evaluations of the study and reflects on the key data collected in Chapter 4.

5.1 Concluding answers to the research questions

The aim of this study was to understand the perceptions about advertising agency business models and their points of differentiation. The intentions of the researcher was to provide a deeper understanding about the key factors and provide knowledge that may indicate whether or not the ad agency model was 'broken' and uncover the factors of differentiation which would allow advertising agencies to be more competitive amongst each other. Ultimately, the study assessed the degree of change that ad agencies needed to consider if their current business model was to be more unique in their brand propositions, more competitive, and considered as value partners.

The research from both the literature review and interviews showed that both clients of ad agencies and ad agency stakeholders believed that the model was 'broken'. Furthermore, the findings from the interviews showed the continuation from the insight gained from the articles (Figure 1) – the ad agency model was believed to be 'broken' but the characteristics being criticised did not represent the model itself but rather elements of the model. Both ad agency clients and ad agency stakeholders recommended changes to the model that had no relation to the actual structure of the standard ad agency model of today. From both sample groups, the results suggested that both ad agency stakeholders and their clients were uncertain about what the ad agency model truly is and what their individual unique and defined purposes are. Furthermore, the research suggests that the term 'business models', in relation to ad agencies, is misused as the articles (in figure 1) and respondents refer to the departments within an ad agency as the model itself. Interestingly, the words disruption and innovation are similarly misused.

Furthermore, each sample expressed that the three key areas (value proposition, customer segments, and key partnerships) in the Business Model Canvas framework could improve ad agencies' ability to focus on differentiating themselves and be more competitive in the industry. Both samples had similar 'complaints' and remarks for advertising agencies to offer the value clients needed in the long-term. Clients of ad agencies were looking for brand custodians (teams within ad agencies) who were dedicated to working with their brands.

More importantly, clients of ad agencies felt that there was a lack of integration, collaboration, and support in solving commercial objectives that could help the business grow in the long term – they wanted to trust ad agencies to allow their brands to make an impact on and within their market. Interestingly, these complaints did not align with what the ad agency model structure was but rather suggested an alternative approach in how ad agencies serviced their clients.

For ad agency stakeholders, the frustration was in not being able to service their clients based on their expertise--creativity. However, they were hopeful in knowing that the model was going to be redefined in a way that agencies would become primarily, value players with creative capabilities as a secondary service with key partners to execute. Having a unique value proposition is key in ad agencies being able to differentiate amongst each other.

In summary, the following research questions and objectives were reached for both samples:

RQ1. Do participants believe that the ad agency model is broken?

Objective: To understand if participants think that the ad agency model is ‘broken’.

It could be said that the objective was reached through research showing that participants agreed that the ad agency model was ‘broken’. In addition, participants showed that there was a need for change and that the model could be fixed. However, as argued in industry articles, the participants criticised elements of ad agency model that did not make up the model itself. This shows that there was a disconnect in both sample’s understanding what the ad agency model is and its purpose.

RQ2. Where do they think ad agencies can be more competitive to differentiate their brand, through their business model?

Objective: To determine the factors that will allow ad agencies to differentiate themselves and be more competitive in the industry.

It could be said that the objective was reached through research showing that respondents acknowledged that there was a lack of brand differentiation amongst ad agencies.

However, participants highlighted that a value proposition was key in allowing brands to communicate their value difference amongst each other. This suggested that as much as ad agencies took care in their clients brands, they should have put the same emphasis in nurturing their own brands in order to gain competitive advantage.

5.2 Implications of findings for future practices

The relevance of this research proposal was to understand whether ad agency stakeholders and their clients believed that the ad agency model was 'broken', as well as the importance for ad agencies to differentiate themselves. It highlighted the importance of value propositions for ad agencies and the need for brand differentiation to ensure that the industry can be clearly defined and valued.

Thus, this study, raised awareness about the importance of having a unique value proposition for ad agencies to ensure that there is a defined purpose for the advertising industry and the individual ad agencies in servicing their clients. In addition, the contribution from the research was crucial because there was limited academic literature that defined the purpose and value of ad agencies and the model, and added to the body of knowledge, where it was lacking.

5.3 Conclusions

In conclusion, this study showed that the industry and its clients are aware and agree that the ad agency model needs to be redefined in a way that allows them to primarily become value partners with creative capabilities as a secondary service. There is no need for a new business model but rather an operational model, that allows ad agencies to be agile, more integrated and more collaborative whether it is within their agencies or with other agencies and partners alike.

This study, also, showed that there was a greater need for disruption – a need for constructive change that would allow ad agencies to make the transition from being creative service providers to value partners.

The ultimate disconnect was in the understanding of what the ad agency model actually was, and which parts of the model needed reinvention to clearly define, or even redefine the ad agencies role amongst their clients and each other.

There is a universal agreement between both ad agency stakeholders and ad agency clients (within the sample) that the ad agency model is 'broken' but there seems to be no clear agreement on what the problem is – as if the respondents knew that it was broken, but did not know how to fix it or clearly state where reconfiguration was needed.

As an industry described as complicated, rigid, and systematised (Bennin and Kapoor, 2017: 5), this study showed that there is a likelihood of brand identity cannibalism due to a lack of competition amongst ad agencies. It seems that the advertising industry is experiencing some kind of an identity crisis due to a lack of a defined brand differentiation in a sea of sameness. From the findings, it is evident that the best possible solution is for ad agencies to adopt disruption practices but most importantly to begin to adopt distinctive value propositions which allow for brand differentiation. By doing so, the field of competition will allow for ad agencies and their clients to evaluate what about the standard ad agency model is 'broken' or is of value.

Due to the limited number of respondents, the results of this study would need to be further investigated and tested amongst a larger sample that represents the general population of ad agency stakeholders and their clients.

The overall conclusion of this study, aimed at understanding if the participants truly believed that the ad agency model is 'broken', the research showed that there was a large disconnect in understanding between what the ad agency model is and the elements that are being criticised. The overall results of this paper successfully concluded the research questions. However, it also unearthed new questions that could be explored further.

5.4 Ethical considerations

Ethics is essential as it represents the researcher's professional code of conduct and showcases the integrity that needs to be maintained to conduct research that can be trusted (Blackstone, 2012).

Notably, this study included the following ethical considerations:

1. Ethical Clearance: Researchers had ensured ethical clearance was provided prior to conducting the research and ensured it was done in a respectful manner.
2. Full consent was obtained from each of the participants before interviews by signing a consent form.
3. The protection of the privacy of research participants was ensured by not mentioning confidential information about the organisations or the interviewees.
4. An adequate level of confidentiality of the research data was ensured by generalising information specific to the organisation or interviewee. This was done by ensuring the participant that if they were not comfortable sharing detailed information with the research it could be generalised.
5. The anonymity of individuals and organisations participating in the research had been ensured by not announcing any names of both the participant and their related organisations.
6. Any type of communication concerning research was done with honesty and transparency from both the researcher and interviewee.
7. Falsifying information: the researcher did not deliberately alter data of the analysis and there was no avoidance in the laborious aspects of analysing the data (Louw, 2014).
8. Distorting results: this is closely linked to falsifying information and required that the researcher refrain from overemphasising certain aspects of the data that they might have preferred or providing incorrect information that would have distorted the interpretation of the findings (Louw, 2014). Even though this can be difficult in unobtrusive studies as the data being analysed already exists from other sources (Blackstone, 2012), the researcher had taken extra precaution in ensuring that they speak truthfully about all information collected from the participants.

9. Bias: Even though biasness is removed due to the use of unobtrusive research (Strydom and Bezeidenhout, 2014), the researcher still ensured that their own bias did not influence the research (Louw, 2014). As with falsifying information and distorting results, if the researcher for example found that if their chosen model did not fit the research problem, they could not change it to show that their method was most effective (Louw, 2014).

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Annexures:

A: Ethical Clearance Form



15 July 2020



Student name: Shailini Parbhoo Narsing

Campus: Vega Bordeaux



Re: Approval of Bachelor of Arts (Honours) in Strategic Brand Communication Proposal and Ethics Clearance



Your research proposal and the ethical implications of your proposed research topic were reviewed by your supervisor and the campus research panel, a subcommittee of The Independent Institute of Education's Research and Postgraduate Studies Committee.



Your research proposal posed no significant ethical concerns and we hereby provide you with ethical clearance to proceed with your data collection.



There may be some aspects that you still need to address in your proposal. If this is the case, feedback will be provided to you in writing. You will need to address these aspects in consultation with your supervisor.

In the event of you deciding to change your research topic or methodology in any way, kindly consult your supervisor to ensure that all ethical considerations are adhered to and pose no risk to any participant or party involved. A revised ethical clearance letter will be issued in such instances.

We wish you all the best with your research!

Yours sincerely,

Peet Engelbrecht
Supervisor



Dr. Helena van Wyk
Campus Postgraduate
Coordinator – RESM8419

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CONDITIONS TO BE FULFILLED IN RELATION TO RESEARCH

Permission is granted to proceed with the above study subject to the conditions listed below being met and may be withdrawn should any of these conditions be flouted.

Please note: The panel has not considered the merits, accuracy or ethical soundness of the research. The only merits examined are the use of The IIE as a sample.

Permission is granted subject to the following conditions:

1. The researcher(s) will need to obtain informed consent in writing from all of the participants in his/ her sample if the study is not anonymous.
2. The researcher(s) may only use the data collected for research purposes and in no other way.
3. Photographs of human subjects may only be taken if relevant to the research, informed consent was obtained, and even with informed consent, the photographs may not be published on any online platforms.
4. The researcher is responsible for supplying and utilising his/her own research resources, such as stationery, photocopies, transport, faxes and telephones and should not depend on the goodwill of the institutions and/or the offices visited for supplying such resources.
5. No names or identifying information of participants may be used within the research and the research must be voluntary.
6. Please make it clear that the information will not be used punitively in any way and participants may in no way be counselled/advised based on this.

The Independent Institute of Education Pty Ltd, its associated companies, employees, contractors, representatives and directors, are indemnified against all claims which may arise in connection with or as a result of any loss, damage or injury to you as a researcher entering into an agreement with a participant in the course of your research, provided that such loss, damage or injury is caused by the gross negligence or intentional act(s) or omission(s) of The Independent of Institute Education Pty Ltd, its associated companies, employees, contractors, representatives and directors.

Wishing you the very best of luck.

Yours sincerely,



Campus Postgraduate Coordinator – RESM8419

Dr. Ria van Zyl

National Post-graduate Coordinator – IIE-Vega

The Independent Institute of Education

B: Informed Consent Form

Participant 1 :

EXPLANATORY INFORMATION SHEET AND CONSENT FORM FOR PARTICIPANTS

To whom it may concern,

My name is Shailini Parbhoo Narsing and I am a student at Vega. I am currently conducting research under the supervision of Helena van Wyk and Peet Engelbrecht to test whether it is truly believed that the ad agency model is 'broken', by looking specifically at ad agencies. I hope that this research will enhance our understanding of the importance of ad agencies and the business model, and consequently apply these concepts to be able to contribute to the academic body of knowledge on these concepts.

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Signed:
Carolyn Purdy
Brand Manager

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C. Interview Schedule

Participants Positions with the Industry:

1. Brand Manager of an FMCG Company: Falls with the client of ad agency sample
2. Director of an Ad Agency: Falls within the ad agency stakeholder sample
3. Brand Manager of a Construction and Mining Company: Falls with the client of ad agency sample
4. Director of an Ad Agency: Falls within the ad agency stakeholder sample

Section 1: Introduction	
Researcher Guide	Example
Introduce yourself and provide information that may be relevant to the interviewee & provide a brief description of your research	Good morning, my name is Shai and I am a Vega student completing my honours in Strategic Brand Communication. Thank you for taking the time to participate in this research study, it is very much appreciated. My research broadly deals with the relationship between the advertising agencies model and the potential areas of improvement.
Establish the purpose of the project	More specifically, I am interested in understanding the perceptions around if the ad agency model is broken and which areas can help ad agencies be more competitive.
Establish how the information will be used.	This interview will assist me in collecting data on your perceptions of whether or not the ad agency model is broken and identifying areas that can help ad agencies be more competitive. The aim

	is to understand the perceptions of the model(s) and how ad agencies use it to benefit their brands. All the information that I gather is confidential, and any specific confidential information will be generalised to protect you and your organisation.
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Section 2: The body of the Semi-Structured Interview	
Context:	Research Questions Link:
Set the stage for the interview by starting with easy, introductory questions that establish the participants' credibility.	1. Tell me a bit about yourself: - What is your name? - What ad agency are you at? - What is your professional role? 2. In your opinion, can you describe what the standard ad agency model is? 3. From your experience, what do you think is valuable about the agency model? 4. What do you understand by this statement / can you describe what it means from your perspective: the ad agency model is broken?
Central questions: Ensure that the questions relating to the 3 factors of Business Model Innovation /	<u>Value Propositions:</u> - What value does your ad agencies currently offer to its clients as a brand?

Canvas (2018) are asked and sufficiently answered by participants: • Customer Segments • Key Partnerships • Value Proposition	- From your experience, have ad agencies had value propositions that differentiated them to be more competitive? - One of the things ad agencies are experts at is helping companies brand themselves. Do you think ad agencies apply the same emphasis on their brands as much as they do for their clients? And why? - The business model canvas asks organisations to clearly identify what their value proposition is. What would you recommend ad agencies do more or less of to increase the value they offer to their clients? - What do you think ad agencies need to do more of to differentiate their brands in a saturated industry? <u>Customer Segments:</u> - Do you think ad agencies could gain competitive advantage by specialising in particular industries or markets? - To what extent do you think ad agencies need to specialise in particular approach to solving brand problems? <u>Key Partnerships:</u>
--	--

	- Do you think there is value in ad agencies leveraging key partnerships that allow for competitive advantage? - How important are key partnerships in protecting and preserving, or even increasing an ad agencies power in the industry? <u>Summary question:</u> - Of value proposition, customer segmentation and key partnerships, which holds the most value in allowing ad agencies to differentiate themselves in a highly competitive market? (You do not need to limit your answer to one option) - We've covered segmentation, value proposition and key partnerships. Do you believe that there are any other areas depicted in the model where agencies can differentiate themselves?
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Section Three: Close	
Closing Remarks	Example
Establish that the interview is coming to an end	- Lastly, in your opinion, do you believe that the ad agency model is broken? If yes, why? If no, why not and which aspects within the

	ad agency model provide the most value for servicing businesses? That brings us to the end of the discussion. Is there anything else that you would like to add? Anything that you feel that we did not cover?
Provide the participant with a specific example of how their insights have contributed towards the data or insight.	Thank you for your input, this interview has really deepened my understanding and provided valuable data.
Give last opportunity for questions from participants.	Before we sign-off, do you have any last questions?



Speaker 1: Cool. So just to acknowledge that you're being recorded and confidentiality, so brand names, persons names, any confidential information will either not be mentioned or generalised. So, tell me a little bit about yourself.



Unless you want to know other stuff about me?

o yeah, that's kind of me in a nutshell.

Speaker 1: All good, all good. From your experience, what do you think is most valuable about Ad agency and their model?

Speaker 2: So, I think it's actually quite interesting for me because on the time I've been on the brand we've gone through probably about four agencies in two and a half years. And prior to me joining the brand, we were signed on with quite a big agency that was multinational. And what we were finding is that they've provided the strategic direction. But it all came down to having that special FMCG environments. Being able to be agile and adapt your plans and adapt your strategy to have tactical in store in elements. And also drive an integrated approach. So, there came with the benefit of like having great ideas, big thinking for our brand, but when it came to like adapting to those tactical things that definitely something I had to learn from - to change agencies. But I think in my course, from what I've recognized in terms of what works from the agency model is that it definitely brings in creative thinking. Because especially on the time side, we don't always have the time to be creative and also be trend watching as much as agencies are. So, it definitely keeps the pulse within the brands which I find to be key.

Speaker 1: Okay, cool. So, I'm going to read you a statement and tell me what you understand by it or describe what it means for your experience. The Ad agency model is broken.

Speaker 2: So, I do agree with that statement and the reason being is that time and time again, and me coming from quite a creative studying background, where we were exposed to all the multidisciplinary that go into agencies. I came into a client will thinking, great so I've got the creative juices, I got the understanding of graphic design and all of that type of stuff. But then I was struggling to understand why I wasn't getting that connection within the client side. And the reason being is I've seen it all the time. I've seen agencies come in with a pitch and being so excited about this new world thinking that we're going to take the brand into this new kind of space that's never been done before in the category. And then it fails when you get feedback and give feedback to our agencies saying these are our business objectives in the short term, as well as the long term, this is what we need to go back to.

And what I'm kind of noticing is that the bigger agencies, they want to have this focus on kind of having the creative idea, bringing that to life, but then trying to translate that into business objectives at the end of the day is where those agency models of big agency models tend to fall flat. So what's happened with me in terms of my experiences that we've not actually gone to smaller bespoke agencies that have core business areas that they focus on and we get them to work together, which we find as actually helping us a lot better in terms of driving an integrated approach, rather than going to kind of these one stop shop and big multinational agencies who think they can do everything, but then when it comes down to actually delivering the business objectives, I think that that's where the concept of the agency model is broken. It's probably sitting in those bigger multinet kinds of agencies.

Speaker 1: Okay, cool. So, I've identified from research there are three important sectors on a business model that directly relates to agents. I'm going to ask you a couple of questions and then we can talk through it. So, what does your brand and agency relationship currently offer to the services that you give.

Speaker 2: So, what it definitely is, is that with my current agency, I feel, I mean, this is a bespoke agency assess quite small. I feel we've got a lot more of a closer relationship. They breathe and live the brand and they feel that they're responsible for the brand as much as we are, which actually makes my job as a brand manager so much easier because I don't feel like I have to do everything. Because I know that I've got a team that is so inherently kind of ingrained in the brand that they kind of will go over and above the business needs, that they feel that all of a sudden, they pickups a trend or a consumer complaint that we need to address. They're willing to pivot. And I'm finding that more now during this kind of lockdown that they're willing to do that a lot more and to address those needs and what we find that tends to go over and above what we actually briefed them for, which is something that I find very unique in terms of an agency.

Speaker 1: Okay, cool. From your experience, can Ad agencies have a value propositions that differentiates themselves and lets them be more competitive compared to others.

Speaker 2: Yeah. So, I think my biggest learning as I've mentioned is that it's trying to find your niche, trying to find your area of expertise, because I think gone are the days where people are wanting to go to Ad agencies that say, we can do everything. Because it's kind

of you want to speak to the experts and you want to have that relationship. So, I think having a value proposition now truly owning your niche and owning where you want to be is what will set you apart in terms of kind of the agency model.

Speaker 1: And do you think agencies have don't that thus far, big and small?

Speaker 2: I think the smaller agencies are challenging the bigger agencies because I know that we work with non-agency in the industry. And what I found was that they claim that they had this beautiful value proposition of shopper marketing and how brands can connect with shoppers and consumers. And it was, we're going to bring in our digital team, we're going to bring in this team, we're going to bring in this. And when it came down to the execution, it like fell flat. And time, time, again, we try to figure out why, we re-checked our briefs, even ask them if we need to re-assess our briefs. And I think it just got caught up in this, like there were so many people involved in terms of a bigger agency on our brief for our black tea Ad that we ran two years ago. That we lost the essence of running an integrated approach. Whereas we gave the same brief to another smaller agency and they got it. They understood the smaller tactics to do. They weren't like swayed by the fact that they need to win awards. So, they didn't even come in and saying like, when we got the pitch from smaller agency, they didn't come in and say, we've got X amount of Lories and that's why we are who we are. It was the fact that the owner was a really influential guy within the advertising space. And we didn't even know who he was in terms of corporate space, but like, it wasn't built on the fact that they won awards. It was built on the fact that they want to make good work for clients, and they want to drive commerce. So, I think that was where, kind of the synergies connected.

Speaker 1: Okay, cool. One of the things Ad agencies like experts' ads is helping companies brand themselves, do you think Ad agencies should place emphasis on their own brands.

Speaker 2: That's a good one. So, I think like the bigger agencies definitely do because they've obviously got like the expertise and like the army and the collateral to like to give this whole brand an effect. Whereas I think the smaller agencies, like you get some that are like great that I've spoken about previously. So, we've managed to find a really great one, but then you do get some who claim that they're branding experts, claim that they want to nurture your brand. And then they come into like kind of meeting and their own branding is not something you would trust. So, I think it is something that agencies need to do. Is like treat like the whole personal brand mantra, like we make sure that your brand is something that people can believe in and actually like, say, oh wow, I would actually want to work for that agency. But also, I trust them with my brand because I think it's got a big stance to pay.

Speaker 1: Okay, cool. What would you recommend Ad agencies do more or less of for their clients?

Speaker 2: I think like definitely providing like that creative flair a\on strategy. Because I think on the client side, we get so focused on the insights and the data and tracking sales. Yet we don't necessarily bring in that creative juice, which we tend to lack sometimes. So, I think

that's definitely something that agencies do give us. And then just keeping us relevant because we can't do everything as a client and sometimes our internal resources are so limited. Also, by, in terms of like IT infrastructure, which I'm finding is also quite interesting in terms of how that impacts digital marketing. So, I think, and you have your own IT policies that you've got to adhere to. But then also that's not necessarily consumer facing. So, I think agencies definitely give you that all rounded kind of consumer facing kind of benefits that we can't necessarily do on our own. So yeah, I think that, and also just in terms of connecting us to the right people, like influencers and kind of PR and all of that type of stuff. We wouldn't get that exposure without an Ad agency. So, I think that's key as well.

Speaker 1: Okay. Do you think Ad agencies could gain competitive advantage by specializing in a particular industry or market? So, for yourself, if you are working with Milo for example, do you look at brands alike in that industry only or have departments that specialize in industries and markets.

Speaker 2: I think that's actually quite a cool suggestion because I think it would definitely give you that unique stance. If you were able to be within your agency, you had like teams that understood the consumer inside and out, understood the consumer's journey. Because what I do find is that especially working on a category such as feminine care it took us a very long time to get an agency to understand our category. And it was so difficult for us because no matter how many brand induction sessions we did with them, consumer insight reports, we did with them. They still didn't understand the category. No matter how much research they did, they still didn't get it. And I think that just goes to show that if you do have agency or teams that do have an area of expertise in a specific, even if it might not be so tailored, but maybe something like food and broader categories, that definitely would help. Because I think that will be reduce the kind of briefing time process, but also ensure that you're getting rid of activation's that will work and not necessarily putting a TV Ad into and say a brand that was never seen on TV. So, it definitely would help.

Speaker 1: And what extent do you think Ad agencies, need to go to, to do that? Do they need to keep it within what they currently do and do it well? Or do they need to start looking elsewhere to partner with other brands and companies to enhance that specialization?

Speaker 2: So, I think it's definitely possibly like finding people that are experts in those areas and trying to bring them in and build it together. And I know that there's some examples of like big multinational companies where they've got in house agencies that are the experts and they work on their accounts for years. But I definitely think it's about trying to find experts or maybe not necessarily the experts, but people who could provide you with the necessary knowledge and insights so that you aren't kind of going down a rabbit hole thinking you've got the insight and then you come out of it and you realize that actually it was completely down a different track. So, I think yes, speaking to those specialists would definitely help.

Speaker 1: Okay, cool. And do you think there's value in Ad agency leveraging key partnerships or becoming more partnership with new agency? Or just agencies being able to partner with others, whoever that Ad agency is to get the job done.

Speaker 2: I think what I've seen definitely now is the magic comes when everyone doesn't get pressures over their brief or over their artwork or over their creative. And I think it's when they say actually, we're not specialists in, like for instance, on the desk we did a salon activation in the informal trade. And we wanted to sign on to salon owners and hairstylist within the informal trade, but our strategic agency does not have the contacts does not have the expertise with that activation. So, we managed to actually bring them together. And now that they've actually decided to form like a mini partnership where they're actually working together to develop and deliver the strategy and activation. So, I think there's definitely the magic happens when agencies don't get pressures about their kind of role and about their strategy. And especially their creative. Because I know some agencies feel like our creative is the best, we can't change it. Because I think that's when real magic happens when they work together.

Speaker 1: Cool. And how important do you think protecting and preserving those partnerships are for competitive advantage from an Ad agency perspective? Do you think it's important? Do you care about that as a client?

Speaker 2: Yeah, so I think it's very important because I think that also just goes to show that you are a trusted partner with your key partners, but also you aren't hopping and bopping between like you don't value them, maybe go to someone else. So, I think it is pivotal to make sure that your kind of as an Ad agency, making sure you are growing those partnerships as important as you are growing your relationship with your client, because both of them are equally as important as each other.

Speaker 1: Okay, cool. And so, out of the value proposition, customer segmentation, key partnerships which holds the most value for you and in agencies differentiating themselves and holding that power and sustaining that power? You don't need to pick one, just -

Speaker 2: It was value proposition -

Speaker 1: Customer segmentation. So that would be servicing specific industries and markets and then your key partnerships.

Speaker 2: Yeah. So that is a bit of a tricky one to pick one because I think the way I kind of see it like a Venn diagram, they're all interconnected. But I definitely would say at the core of it, it's about the value proposition because essentially if they do have some value proposition and making sure that they're unique within the market, but also remain true to who they are honest and transparent and all those things. I think having an honest partnership relationship with both the agency, as well as the partners is pivotal. But then also in terms of the segmentation being transparent and honest and saying the fact that

we're not experts in this, therefore we need help with that. And don't come to us and expect that from us because I think that's where it would help. So, I definitely think it is maybe not equally weighted across all three, but all three are definitely important to play.

Speaker 1: And do you think that value proposition is kind of hold hands with the other two because of trust factor. If you say something like that and it's kind of feeds into each

Speaker 2: Yeah. So, I think what I'm just finding now, especially during COVID is there's this whole thing of like, people want to go to who they trust. And I think it's going to come up, especially out of wherever we're going to go out in this new world. But what I'm finding now, especially reading a lot of reports is that people are now turning to people they trust. They're so nervous to go to people, or new agencies that, that claim they can do everything. But then don't necessarily have that trust factor in terms of saying we're not experts in everything. So yeah, I definitely think trust and transparency are definitely key to have with your client and agency relationship. Because that's what I'm finding now, especially with the agency I'm working with, is that if they say to me, we can't get those Facebook campaign out by this date because of these certain sectors, then I know where, and I don't have certain expectations, I can adjust my hand. So, I think it's definitely having that really close relationship that's built on trust.

Speaker 1: And do you think vulnerability from an agency perspective is also at the end of the day Ad agencies are businesses and they do need to make money, but for them to come and say to a client, sorry we cannot help you with this creative and do this creative. Do you appreciate that?

Speaker 2: So, I'm finding like, I'm definitely one of those brand managers that doesn't - like I want to work in a relationship with you, like a working relationship of like we're in this together. And if I've briefed you incorrectly, you've got to tell me. And it's not kind of like the fact that the client has the final say. I think it's definitely the fact of having this working relationship where you are cultivating and building a brand together. And so, I definitely appreciate the kind of vulnerability of an agency saying, like, we're not the experts. I'm not claiming to be, and then invest millions behind the campaign. And then we get asked why the return on investment isn't where it should be. And then we realized that actually the creative should have been tweaked in this way, or it should have been activated in this way. So, I definitely appreciate that from an agency perspective.

Speaker 1: Okay, cool. And do you think besides value proposition, partnerships and segmentation, do you think there are any other areas Ad agencies need to focus on?

Speaker 2: I think agencies definitely - it's not to say that agencies certainly do not have a place in the world and I never, I think that would be so sad to see happen within the kind of marketing environment where agencies get into in-house and kind of everything just disappears from that perspective. So, I definitely think that agencies do bring the creative kind of element to our world and our society. And I think they definitely challenged brands to think about their purpose. So, I know that that's something that's definitely another aspect of Ad agency. Is that they are at the heart and pulse of what is creative and what keeps

consumers going in terms of their psychographics and demographics. And they understand how shoppers think and I definitely think that agencies do need to exist. It just might not necessarily be in the form of like a whole conglomerate of like a TBWA or a Macon or those agencies that claim that they they're experts in everything. Because I think I'm yet to kind of see a campaign come out of those agencies where in terms of South Africa, where they've actually managed to hit the ground running with all the elements happening. And yeah, I think that there's definitely a space to pay before the fact that you guys have create a spa and I've definitely seen how agencies have challenged us to say, what's your business in some elements of your business? Why don't you think about it like this? Or what is the purpose of your business? Which is relevant because I think that challenges, the more kind of dogmatic process driven people in a timed world where they're focused on processes, this is the way I'd always be. And it does bring in fresh blood or fresh thinking into the business.

Speaker 1: And do you think from a positioning point of view that Ad agencies now need to become more solution - business focused rather than just giving you creative support.

Speaker 2: Yeah. So, with that being said, like, I'm definitely am thinking in terms of the way the agency relationship is now. I really do think businesses need to shift in terms of giving businesses more commercially driven creative, if that's even like a thing. So, making sure that, because I think that's an ongoing thing within marketers that are on the client side and marketers that are on the agency side. Because on the client side, we have constant questions around why is this not driving sales? What is the commercial objective of your creative? Which is so difficult because it's the essence of the right brain and the left brain. They're two different signals. But I think definitely if an Ad agency and I've seen it. When we bring in Ad agencies to talk to our CFO or talk to our general manager and say like, we can bring this solution to life.

That's when all of a sudden, they actually realized, hang on, there's a commercial objective linked to this. I'm going to buy in, but we recently launched a campaign that was built on like a commercial objective as well as a business kind of need and being driven by consumer insight. And we launched this platform, which is digitally centric, but it was probably the cheapest campaign we've done today. I think has cost us 6,000 rand a month to run it compared to running a TV ad. That's almost three and a half million rand. You can't guarantee who sees a TV ad. You can't really guarantee the link to sales. So, I think that's just an example of a comment from our general manager where he said the campaign you're doing now, that's like a tenth of the costs. That's driven on driving needs within the business has been one of the base campaigns we've seen to date. Compared to when we went to him and we said, you've done this TV ad. Like, what do you think? And he was like, yeah, okay, cool. Like, it's pretty, it's awesome. But it doesn't necessarily deliver on the return on investment. And we spent like 3.5 million rand doing that. So yeah, I think it's weighing up those kinds of comes up in the business. Because I know that there's some multinational brands like coca cola who can afford to do and that within the client side also have dedicated departments like sponsorship and above the line. And within a smaller client like ours, we've

also got one department doing branding for one brand. So, I suppose it also at the end of the day, depends on the client side in terms of how their models match up as well.

Speaker 1: Okay. So, I know we touched on this a bit earlier, but in your opinion, do you believe that the Ad agency model is broken? And if yes, why, if no, what aspects of the Ad agency model provide the most value for your business or your brand that you work?

Speaker 2: So I think after like unpacking it with you and thanks Shai, I think it's certainly made me think about it a lot more in detail, but I think it's about having - I definitely do think it is broken still, but I think it just needs to be tweaked. I don't think that it's broken and gone forever. And that's, we are done with agencies. I think there's just some way, somehow there needs to be a broader discussion between the client relationship from a brand management perspective with agencies. So, I think it's down to having those open honest conversations. That if something isn't working for the client and also not working for the agency, you need to have those relationships where you can say, I don't like the way you guys are doing this, lets pull it together. And so, yeah, I think it's definitely having that open and honest relationship with your Ad agency and building it together. Because at the end of the day, I think more now than before, when we come out of this, business brands are going to meet solely online in some markets. And we're going to have to have agencies and clients working together to deliver that. Because it's gone are the days of having so much activity happening for your brands and the investment needed. So, I definitely think it's not broken. It just needs to be tweaked. But yeah, it's just comes down to having that relationship and building it together.

Speaker 1: Okay, cool. That's pretty much it. Anything else you want to say comment on or ask about?

Speaker 2: I think it's a really cool topic that you're like venturing down. Because I know that I can't remember when it was. I remember that I read an article that - I think the Uber logo, that old one, it was designed in house and there was like a massive kind of like raffle across the Ad agency world. Like how can Uber like take their logo in house? And even like with Instagram, I think they also managed to tweak their logo in house. So, I think it's going to be interesting to see, like if you take this topic and chat to someone who owns a startup, because I think with startups and those like new digital sturdy companies, like they've got new thinking. They're coming in with kind of people of our age who are fresh out of university. And I would love to understand like, do they give to have agencies come in? Because they might not necessarily have the budgets to, so do they land starting doing it in house? Because it's an interesting thought because if that goes around saying that Uber and Instagram and I would love to know where TED Talk got their logo and their advertising collateral. But like, I think it's a very, very interesting topic Shai, and I think that's something that's really cool to kind of unlock. So, I'd love it, if you could send me your final paper, because I'd like to understand where you get to.

Speaker 1: I totally will. Thank you.



Speaker 1: So, I'm going to record the session, if you can just acknowledge that you're being recorded just sake if people ask, for the research. And basically, so thank you for taking the time to do this interview, firstly. And as I've explained that my research deals with the relationship between advertising agency model and potential areas of improvement and better competitive advantage currently in a saturated industry. So, I'm really looking at the perceptions around the advertising agency model and which areas people think are broken, which aren't broken and then kind of really digging into the research to understand, is it the model that's broken or is it pieces within the model that's needs fixing? So, it's not necessarily 100% broken. So, tell me a bit about yourself, your name, your agency, or your consultancy and your professional role.

[REDACTED] After spending 15 years in a through the line agency, I felt the need to sort of like turn things on its state, break away giant and gain some additional experiences to try and work with some new talent. And so, I started the consultancy that mainly focuses on either servicing a client direct, servicing a client in collaboration with another agency or servicing a client alongside a group of other specialists' freelancers. So that is essentially where I'd find myself in, at the moment. Servicing clients within the banks, the experiential and the activation spaces, that's my specialty.

Speaker 1: Cool. So, to start kicking off in the Ad agency and the reason for this interview. In your opinion, can you describe what the standard Ad agency model is?

Speaker 2: Firstly, I think it's a bit outdated. If I look back at sort of like the glory years of advertising, you know, the word integration comes to mind, there was always an integrated offering. You know, it was sort of like your Ad agency was your one stop shop. It was, you know, they would look after your strategy. They would look after your creative. They would look after the PR you know; they would inform the media buy. And I feel that throughout the years that's become very segmented, very siloed, very top heavy from a client perspective. I mean, from a client's point of view, I step into an Ad agency. I would love to meet with my key account director, my key account manager and the creative director. Now, you know, if a client steps into a status, they sit with seven sort of like agency heads or five agency heads

in a meeting, you know, one for digital, one for social, one for media, one for experiential, one for creative.

So, I feel that Ad agencies these days, does not sit within an integrated market. I think it's become too segmented. And I feel that there's still a very sort of like process driven approach to create if you may. If I think of traffic departments, I've never understood the need for a traffic department. You know, I feel a key account manager should be able to take a project from beginning to end. So not only is your business as advertising submitted into different agencies, but there's so many different departments and layers within the agency that it needs to sort of like run through before you turn anything out. And I think, you know, the more you segment a campaign, the more diluted the strategy becomes. So that's where my mindset is at on agency models today.

Speaker 1: Okay, cool. And from your experience, what do you think is most valuable about the Ad agency model?

Speaker 2: I think what's most valuable about the Ad agency model is the efficiency in which some agencies are run. You know, I think today more so than ever, people are time poor, deadlines are becoming shorter. Turnaround times are becoming ludicrous. You know, we sit within an industry that everything needs to happen yesterday. So, I think if an agency is well structured and efficient in its approach, I think that's the most valuable part of the agency.

Speaker 1: Okay. And do you think Ad agencies are too reactive, too much or too little, or do you think that the model has now become kind of no one's brave enough to challenge it just yet. So, people are just kind of running as they learn to swim

Speaker 2: For me, the thing is I think it also has to do with the environment, not just the agency environment, but the business, you know, of clients. You know, I guess I do think we're too reactive, but also it depends on the economies of scale within your agency. How much time, how much resource can you allocate to being proactive? You know, what is your capacity to set and work on campaigns that's not briefed in, that doesn't have a bottom line attached to it. That doesn't have a client paying for that development. You know, it all boils down in what luxury of resource does this agency have. I don't blame agencies for being reactive and not so proactive. I think it's just the general economic environment that we find ourselves in. But yes, I do think where we're too reactive. I would love to see a lot more proactive work, you know, instead of waiting for a pitch to come put a piece of work out there to make the client come to you.

Speaker 1: Cool. And from your perspective, what do you understand by the statement the Ad agency model is broken? Can you describe it?

Speaker 2: I agree with it. Look, I don't think it's repairable, but I do think it is currently broken. And as I mentioned earlier, you know, I think the fact that it's, it's become so segmented and so niche in agency approaches. You know, I think that's the biggest downfall

and I'm not saying that each agency should hire all of the skills to make them integrated, but you know, it's not an add on resource now I'm fully integrated because I've got a digital space. Integration does need to come from full time staff, integration can come from collaboration on certain projects. So, your approach can be integrated. Your agency doesn't need to be integrated, but I feel that integrated approach is what's lacking at this point in time and which is causing longer turnaround times, a lot more room for miscommunication. You know, I feel the more people that are involved, the bigger the chances of a ball being dropped, you know, so I really do think that agencies, before agencies are streamlined and I think the agency is going to be - the current agency model is broken yes.

Speaker 1: Okay, cool. So, I've kind of identified three core areas of an advertising agency in relation to what they do as an agency, what they offer for their clients and holistically as what business models look at over the board. So those three key things are customer segmentation, key partnerships and value proposition. So, I'm going to work through them in a couple of questions you can add in at any time as well. And so, the first one is what value does your agency offer to its clients?

Speaker 2: I would say my value proposition is the skill set I will bring to the type of - really, is getting the right person for the right job. I think it's in layman's terms. It's as simple as that, you know, is I'm not bound by a specific creative director, a specific art director, you know, those I can change up depending on what the client requires. I think that's my value proposition is not being tied into a set of resources.

Speaker 1: Okay. And from your experience, have Ad agencies had value propositions that differentiated them to be more competitive?

Speaker 2: I don't think like the past five years, you know, I think agencies have moved into a space where awards are sort of like their business card, you know, more so than value propositions. This is the amount of Lories we have, or this is the amount of Cannes Lions we have, you know, so I don't think clearly defined value propositions has been offered by agencies these days. No.

Speaker 1: Okay. One of the things Ad agencies are experts at, is helping companies brand themselves. Do you think Ad agencies applied the same emphasis on their own brands as much as they do for my clients?

Speaker 2: Some do, definitely. If I think back on an agency that I was previously at they spent great time and effort on their brand appearance. You know, how they market themselves, the tonality, etc. I think a lot of truly South African agencies also, you know, like completely South African owned local I think they have far more flex, obviously from a brand positioning and marketing, self-brand positioning and marketing point of view, than the larger groups. I think more agencies can do separately; I do think there are some that really apply that methodology to sort of like self-brand.

Speaker 1: Okay. What would you recommend Ad agencies do more or less of to increase the value they offer to their clients?

Speaker 2: I think, agencies and it touches back on a previous question of yours. I think agencies could be more proactive. More proactive in development work, more proactive in possibly acquiring additional skill to really add value to a campaign, etc. But I think like the short and sweet of it is agencies could be more proactive in their approach in general, whether it be applied to branding and marketing themselves, whether it apply to winning new business, whether it apply to diversifying their current client portfolio into additional services. I think that's always great; you know, agency can start off with the client essentially servicing them just on creative, but nothing stopping that agency from winning additional bits of that business, the social media, the media, the PR. So being proactive in all aspects I think could be beneficial.

Speaker 1: Okay. So that leads me to my next point. What do you think Ad agencies need to do more of, to differentiate a brand in a saturated industry? So, if you had to think of a sentence or a word, if you could tell the industry as a whole, stop doing this, what would it be? What is that one thing that you just want to go stop, please just stop.

Speaker 2: I would stop adding too many junior resources on a specific client. Junior resources are always great, but it becomes clunky, you know, so I would start spending money on seniority and skill set. That's what I'd start doing at an agency.

Speaker 1: Do you think Ad agencies could gain competitive advantage by specializing in a particular industry or market? So, say for example, we look at a job public you're specializing in FMCG. If you look at an Ogilvy, you specialize in shopper marketing. Can you think that there's competitive advantage in that?

Speaker 2: Yes and no. I think in the short run, definitely, but I think again, you run the risk of being siloed into, oh, that is an FMCG agency, you know. So, what if the retail segment completely collapses? How quickly can that agency bounce back and start sort of like positioning themselves in specializing in banking or specializing in the motor vehicle industry? You know, I think you're stuck between a rock and a hard place. Yes. In the short run. It definitely has because you'll be dominating a certain sector, but we've all now seen for instance, like this pandemic has as taught me, like if I was just specializing in events, I would most probably not have an agency after the spending. You know, so yes, in the short run it's gained me great clients, great brand exposure, etc. But if I didn't have any other skill set, if I've only been specializing in events for the past five years, it's going to be very difficult to be gaining a nonevent client trust in whether I would be capable of doing that. So, I think it's a tricky situation.

Speaker 1: What if we take that one step further? Like how clients have their various departments that service within a whole marketing department, what if Ad agencies applied that to themselves? So, having a department that works on and specializes in FMCG and banking in events and PR

Speaker 2: From a financial and from an upscale point of view, I don't know how many agencies sit with in that fortunate position to just launch an internal department specializing in a certain segment. I think that's what you ideally want to end up but knowing that you've got specialists and a diverse range of clients that will be able to support that upscale you know. I'm a firm believer and I really believe in this collaborative movement is, I do think that in the short run, one can form strategic partnerships with specialists in specific areas. Not necessarily, it can be with other agencies. It can be with freelancers, it can be with fixed term contract workers but allowing yourself to venture into specialist environments, but also, in a method and an approach that's financially viable to your agency. I mean, I can have an agency that specializes in FMCG, but I'd like to specialize in banking a sort of like CSI. But for me to now launch two departments to specifically look at that whilst I didn't have the business to sustain that, could hurt me in the long run.

Speaker 1: Okay, cool. And to what extent do you think Ad agencies need to specialize in a particular project and solving brand problems? So, what orientation or pivot point did they need to make from just being an advertising agency with creative support? Do they need to become value driven for the business solutions? Do they need to be value driven in terms of just the creative sport? What extent, what does that scale look like?

Speaker 2: I think that scale is more holistic than just a single approach at the same time. I think first of all, any Ad agency primary focus should be achieving client's objectives. So, if their current client base dictates objectives of not only a creative solution, but also strategic and result driven solution, then that is what the agency would need to provide. So, I think it all boils down back to the client, you know, not only your current clients, but you know, every agency has a Wishlist of clients, you know, that they'd like to diversify into. So, I think you need to, and again, it falls down to proactivity. So, what are we as agencies doing proactively to be geared up for a future possibility or a future goal with an agency? So, I think there's several things that one should look at. You know, it's not just your value proposition, it's not just you know, your unique selling proposition. It is all encompassing. How am I going to service this client from a communications point of view, not just a great piece of print design or a great TVC, but how I help and how am I gearing up my agency to achieve the client's objectives.

Speaker 1: And does that mean the agency needs to start shifting their thinking to more of a business solution creative approach?

Speaker 2: Definitely. Definitely. I think each agency needs to have the fundamental mindset and understanding of what is it that the client's business does and how can we as agencies improve that not being biased towards a specific execution, a TVC is not going to fix everything, you know. I think, and that's where agencies sometimes have to step back from what they are personally trying to achieve with this piece of communication, as opposed to what their clients are trying to achieve. So, I definitely think business first, creative second.

Speaker 1: Cool. and do you think there's value in Ad agencies leveraging key partnerships that allow for them to have competitive advantage against each other?

Speaker 2: Definitely, I cannot campaign for that enough. Like I believe that key strategic partnerships not only allow agencies to be more resource conscious and financially conscious, but it also allows for the best possible client results. You know, like if a specialist skill is required, I believe that it's the responsibility of the agency to make sure that they, as the agency can support that partnership in getting the right person in and then in return, obviously getting the best results for the client.

Speaker 1: Okay. And how important is that key partnership in protecting and preserving and maybe even increasing Ad agencies power in the industry?

Speaker 2: I think it's super crucial. I really think if you, as agency always strives for delivering the best result for the client and getting the best people into achieve that result, I think it will be difficult to compete with an agency like that.

Speaker 1: Cool. So, of value proposition, customer segmentation, and key partnership, which holds the most value in allowing Ad agencies to differentiate themselves in a very highly competitive saturated market. You don't need to pick one, you can be all three, it can be one, you can add another one onto it.

Speaker 2: Look, I think value proposition will always be in the forefront of that, but that's achieved, you know, by adding the other two because you're never going to have the perfect value proposition stand alone to do all types of clients. You know, your value proposition is only as good as really the service that you can provide as an agency. And whether that be with your internal resources or through key strategic partnerships you know, like that's flexible, but value proposition will always be the leader for me in that.

Speaker 1: Okay. So, are there any other areas that you think of a business model in your perspective that agencies can use to differentiate themselves?

Speaker 2: I think, you know, like for me it boils down to the key strategic partnerships and to your value proposition. I believe if agencies can streamline their internal organization a bit more, you know, what I hear from a lot of clients sometimes is they feel that sometimes the team is too big, you know, their agency team is too big. So, for me, it is really upsizing your agency in terms of senior resource. Yes, obviously having your mid weights and your juniors there, but making sure that consistency in terms of client service is also a top priority, you know, that the person you put on that client's account, do you know that they're going to be there at least for the long run. You know, I believe that once you start up-scaling in terms of mid-weights and juniors in servicing your clients directly, they sometimes see a very high staff turnover. So, I believe in putting your best people in front of clients, making sure that your client's service and your client service channel is consistent. I think that's also something that agencies can start paying a little bit more attention to.

Speaker 1: Okay, cool. So, after our discussion and everything that we've spoken about, do you still believe that the Ad agency model is broken, and which aspects do you rethink as a list of priority for Ad agencies to start questioning and thinking about?

Speaker 2: I think instead of calling it broken, I would say that it's temporarily out of order. I think it is fixable. I think first of all I think we should start having a more medium to long-term approach to how they develop their agency from the inside out. You know, not to looking at just the now, but looking at the tomorrow and the day after. I think agencies should be more prone to collaboration and key strategic partnerships. And I do believe that you know, in doing so, in forming those key strategic partnerships, I believe that really, that golden word of integration is far more achievable, you know, and far more effective and streamlined. So, in a nutshell, that's it.

Speaker 1: Cool. And that integration that you speak about it's within the agency and outside of the agency, but obviously within, through the agency.

Speaker 2: The agency will always be the face of that service to the client, you know, and I think that's where sometimes egos are bruised is, they feel that you know, me bringing in like the best digital specialist into my creative agency makes me look weak. No, it doesn't, it really makes you look stronger because you are going okay, what do I, as lead agency need to do to achieve my client's objectives? And if that means that I should bring in somebody from the outside, etc., good on you. That's the captain steering the ship because they're making sure that they can achieve the client's objectives.

Speaker 1: Yeah. Cool. Is there anything else you would like to add something we didn't cover?

Speaker 2: No, I think I think this is a great thesis. I'm so glad that you chose this topic. I really think that it's way overdue. And I really wish you all of the success on this Sher. I really think it's right. And thank you so much for the opportunity.

Speaker 1: Thank you for taking the time. I will definitely share my findings with you if I think they're impressive enough.

Speaker 2: Thank you so very much.

Speaker 1: Enjoy your week.

[REDACTED]

[REDACTED]

Speaker 1: So, thank you so much for taking the time to participate in this. My research broadly deals with the relationship between advertising agents' models and their potential areas of improvement or competitive advantage. So, both specifically, I'm interested in understanding the perceptions around if the Ad agency model is broken and which areas agencies can utilize or start using to be more competitive in such a saturated market. So basically, I just want to identify areas that can help agencies be more competitive and understand the perceptions from different Ad agency stakeholders. So, it's owners of Ad agencies kinds of Ad agencies, and then within the agency itself. So, all information is confidential and brand names, person names will all be generalized, or I'll use mock names. So, anything you don't want to answer, you can just raise your hand and say, no, thank you. Up to you. So, first question is, tell me a bit about yourself. What is your name what Ad agency do you work, what is your professional role?

[REDACTED] o, we currently have three agencies supporting, one creative agency, one digital agency, and one the media agency, sorry the creative agencies is actually the through the line sort of lead agency. We also do all of our events. So, three currently on supporting us.

Speaker 1: Cool. In your opinion, can you describe the what the standard Ad agency model is?

Speaker 2: Wow. That's quite a broad question

Speaker 1: Would what does it entail? How does it function from your experience? What does that model look like?

Speaker 2: So, the model is obviously based on exchange of creative IP from the Ad agencies. So, to fulfill a specific need on the client side in terms of changing customer behavior. So, the model is based on exchange of resource time to provide the service of developing creative concepts, Ad campaigns and promotional activity to support a business need. Whatever you, if you need more detail.

Speaker 1: From your experience, what is most valuable about that agency model?

Speaker 2: I guess it's the ability to unpack a concept independently. So outside of business bias and really the creative input that then addresses whatever the business wants to

achieve. So, what I mean by that is we can say we run an Ad that we are going to have slash prices by 50% as an example. But it's really how the value for me in the agency model is how you are able to take a concept and dramatize it in a way that grabs attention and actually changes customer behavior. So, for me this agency can really form a customer insight to deliver on a creative concept. That's when the challenges come in for me personally.

Speaker 1: From your perspective, when you hear that the Ad agency model is broken, what do you understand by that? What can you describe that goes through your mind when you hear that statement?

Speaker 2: Sure. I'm going to jump around quite a lot, cause I've gone down a path around creativity where there's a lot more in the model than just that, understanding that it's the resource time and everything that goes around. That's obviously currently the model is there's a standard structure that support. So, you've got a time service person who deals with the traffic of department or deals with studio and production and all of that. So, a couple of things come to mind when you talk about agency model being broken. I think number one for me is the way that the environment has changed and the fast paced nature of digital and the application of an agency process that isn't agile enough for that quick turnaround that's required in today's day and age, hence so many organizations are bringing capability in house to quickly be able to deliver and get out to market.

So that's one of the things that's a challenge. The other thing that I find really, really tough to deal with is the concept of retainer based versus project based, because in my experience over the last sort of what's it now, 13 odd years on client side there's pros and cons to both models, but I struggle with retainer models because it feels like within just kind of in the box that we're given and we're not really stepping out of ourselves to get billings. I think when there's an incentive for the team working on the other side, it's sometimes brings more to the table than just this, okay. I'm employed on an hourly basis and I'll deliver whatever I need to deliver within the frame.

Speaker 1: So, do you think that those pieces of the model are broken, or do you think they're just not flexible enough for Ad agencies inclines to find a common base where they can work together?

Speaker 2: Yeah. It's also another interesting question. I have to think about these before I just give you a straight answer. I do think it has to do with the flexibility but in the same breath it's really hard to place enough value, especially when it comes to the digital execution to having all of that sit outside it with an agency.

Speaker 1: Okay.

Speaker 2: Am I answering your question?

Speaker 1: Yes. Yes. I've identified from business models, three areas that Ad agencies use for their clients. And then what business model entails. So those are the common characteristics that Ad agencies and business models can kind of be experts in and align on. And so, the three positions, are customer segments, key partnerships and value propositions. So, I have a couple of question that touches on all three and we'll work through those. What value does your Ad agency currently offer to your client brand?

Speaker 2: What value do I offer to our client brand?

Speaker 1: Yes.

Speaker 2: So, I probably would suppose that, and this is all obviously from my sort of subjective opinion. They are differently, I feel like I trust them to be the custodians of the brand. So, The owners of the brand personality. I'll probably sort of probably put it at that. It's a difficult question. Value is quite an interesting word for me always. I would put it at that. And then yeah, so, like I said, in the beginning, it's the creativity aspect that you don't sort of find in the corporate environment.

Speaker 1: And do you think that creativity supports your business objectives entirely or is it solely, here's the marketing comes objective, figure out something that aligns to it.

Speaker 2: So, at the moment, so currently that's where it stops. So, it's a purely creative exercise. So, if I had to give an account of what the current experience is, we're not thinking past what we're appointed to do or the agencies. So, for example, there's no new executions on the table. So, this is kind of what I meant when I said you're just thinking within the frames and the guardrails that we provided. Whereas when an agency scope is a little bit broader than three accounts people, and one production person, and we just churning out work and the model is switched to be more of a non-retainer or project based where we're chasing additional revenue streams for the business. I believe that people will start wearing different hats. Because then you might find things like ecommerce platforms or I'm using silly examples now, but additional items that wouldn't necessarily be on the marketing and comms brief. come through proactively.

Speaker 1: Okay. And when you think of value, does your preference lie in a business orientated or commercial objective that your agency needs to reach? Or would it just lie in a marketing comms here as an Ad, just speak the message to the audiences. If you had to up weight them, you'd like to have, but at the moment you have,

Speaker 2: So, sorry, just read that again.

Speaker 1: So, would it be the business solution/commercial objective or your traditional marketing comms objective of just creating an Ad to speak to audiences? If I had to simplify it a bit more, it's your business solution focus on one hand and then your creativity to speak to audience on the other hand.

Speaker 2: I think it's obviously; I mean we all like to have our cake and eat it. So, it's obviously a bit of both. At the moment we have purely the creative support without the business kind of the integration into the commercial aspects of the business and how we sort of manage and track against that but is something that I'm even personally trying to get to by starting to share more business results and really trying to have integrated discussions.

We only just had offers to one last week. But it would definitely be of more value. But that would also mean access to information and more integration into the business from the agency side. Yeah.

Speaker 1: Okay. Cool. And from your experience, have you worked or met or seen any Ad agencies that have value propositions that differentiate themselves from others and allow them to be a bit more competitive? So, from a branding point of view on Ad agencies, have you seen any unique propositions and that they use to sell these skills to you.

Speaker 2: Not recently. I have to say not recently. There was an agency when I was still at Verticam, but they started as our sponsorship agency, so but they ended up being like this weird activation agency that just always owned every new thing that we executed. They just owned it from, it was all sort of proactively brought as ideas and then executed on. And it was everything from in-store experiences to 360 cameras at rugby games from the center of the field and, you know, some really innovative stuff that they would bring. And then they ended up just owning a much larger piece of the pie than they were initially contracted to. So, but recently I can't say that I've seen any differentiation in terms of agency proposition.

Speaker 1: Okay. So, we know that Ad agencies are experts in helping companies brand themselves. Do you think Ad agencies applying that same emphasis on their brands as much as they do for yours? Do you think they should?

Speaker 2: Our current agency, creative editor, actually, I can definitely see their teams of owning that and also visibility in the media. And the thought leadership component is driven quite sort of consciously and deliberately. I think the larger agencies have the brand just by sheer nature of the customer base, if I can get that. I think that they do a good job of it. Is that the question?

Speaker 1: Yeah. And do you think it's important for them to have that emphasis on owning and nurturing they own brand like the skills are for clients?

Speaker 2: I do think so. If I just think of driving consideration, it's a very important aspect. For me who was asked for example, to do biz community to all of these these assets. So, if agencies are actively managing their own brands it will definitely help with their future consideration and the business grows. Is it important for me as a client? No.

Speaker 1: So, what would it be then for you as a client when looking at an agency?

Speaker 2: Good question. So, I guess I've just contradicted my own statement on the previous question. So, if I look at agencies, are we talking like if I had to look at them from the outside, or what's important for me in terms of our relationship?

Speaker 1: I think if we take it from zero based and an agency that's good for your business and the comparison between, you're looking for a good packet of sweets. So, you look at the branding, if its Manhattan's then it is a trusted brand. does that same apply to the agencies? And if not, what do you need to know of them? And what do you need to consider that's beyond just their brand. You want to build a relationship and for you to trust them with your brand.

Speaker 2: Yeah. So definitely the branding exercise from there, does help with that initial consideration like I mentioned. When it comes to the agency that I want to appoint, there's a lot of emphasis for me on the pitch process and what comes out of that and the understanding of the business. I do think that they demonstrate capability to provide adequate and what'd you call it almost dedicated support is probably one of the most important things. And I know that's why Barloworld Equipment, went with quite a small agency, even though it's a big account, they deliberately chose to go with a small agency because they felt that they would have better, more dedicated support.

Speaker 1: So that takes me to my next question. What would you recommend Ad agencies do more or less of to increase the value that they offer their clients? So not necessarily the agency you work with now, but from your experience.

Speaker 2: Just for me, it goes back to the integration into the business. I think often especially creative agencies have a tendency to just dress up the doll and put it on stage and they pride themselves in wonderful, beautiful creatives and everything. But like we spoke about a little bit earlier you know, that commercial value is what's becoming more and more important, being able to demonstrate your return on investment, being able to really understand the impact of your activity. So that would probably be the most important aspect. And it's always tricky because the current example is a billing for hours spent on the business, which is understandable. So, it's a catch 22 because time's dangerous and having to just pay you to come and sit in a meeting with them. So, finding that balance on the commercial model, that makes sense, and also able to provide resources that are truly invested and can spend time with the business stakeholders to understand the value of activity, you know.

Speaker 1: So that's the value side of it, what do you think Ad agencies need to do more or less of to differentiate their brands in such a busy cluttered market.

Speaker 2: Yeah, it's tough. Highly competitive, really is. So, it's an interesting question. What they should do more or less of. It would probably be storytelling, like, because I guess it's about the relationship at the end of the day. And if I had to go back, I think one of my first really ceremonies that I went to a long, long, long time ago, I vividly remember the Nando's

guys and I vividly remember how integrated and how solid the relationship was. It almost like they were one company and it was all relationship based. I know in today's governance, busy environment, it's quite difficult. But the stories of partnerships do tend to resonate. That's one thing I can point out, but it's tough. Like I don't even really have an answer to that. I suppose you can advertise yourself. But yeah, that would probably be that -

Speaker 1: Do you think differentiation comes in what they offer or what the industry says, oh, hey, this agency can actually deliver on XYZ. Because I think at the end of the day, some of the comments I've heard before and read online is that agencies almost trade on the same stock standard. You say, Ad agencies, you can list a whole bunch. But when you say what differentiates, or which agency stands out the most is the creative currency that they have. That differentiates from one person.

Speaker 2: Yeah. I guess it's directly linked to what they deliver for the brands that they serve. If they're able to elevate a brand to really stand out and to cut through the clutter that's I guess what differentiates them at the end of the day.

Speaker 1: Okay. Cool. So, do you think Ad agencies could gain competitive advantage by specializing in a specific industry or market? Do you think it's wise to do that? So, for your example, your agency specializes in construction and mining and then move to a new slate FMCG. Do you think it's a good idea?

Speaker 2: I can understand why it would sound like a good idea, but just from a PRA wearing a PR business hat, I don't think so. I mean, we've now over the last two, three months in our industries have just crashed. So, from a business continuity perspective, I would say diversify the portfolio. And I don't mean - we were actually talking about it yesterday. I was talking to somebody about recruitment processes that are just, you know, we going to a section where job description says, we want to 10 years' experience in furniture as an example, non-negotiable. You immediately close yourself off to cross industry knowledge and bringing new thinking into own environment. So, for those two reasons, I would say no.

Speaker 1: Okay, and if we take it one step further, then the agency has departments within its structure that specialize. Do you think that's worth it or is it also placing it in a dangerous place?

Speaker 2: No, I think that's worth it because then at least you have the knowledge sort of centers of excellence. And again, you can then sort of grow strength across the teams. But definitely from an agency point of view, I would say diversity is good.

Speaker 1: Okay. And to what extent do you think Ad agencies need to specialize in a particular project when solving a brand problem? So, if you're a creative agency, are you solely just expected and hired for great creativity? Do you need a balance? What does that scale look like to you? That agencies need to specialize in something for your needs.

Speaker 2: So, my personal preference is to have one full-service agency. I know it's a hard but it's from a client point of view. It's just a pain to manage two or three agencies in a single stable it creates time delays at additional costs.

Speaker 1: Okay, cool. And does that preference come from an integration point of view, so integrate within your own agency where you're comfortable and its ease of access versus integrating with multiple agencies that may not know what's happening on one side or one agency is doing, what does that integration look like from a one stop shop?

Speaker 2: Sorry, I'm not following.

Speaker 1: The integration that you speak about, you find that you dislike the many agencies on the one hand, and then on the other hand, you prefer that everyone be under one roof in a full-service agency. And is that because the integration is a lot smoother in a full-service agency than it is grouping three random agencies together.

Speaker 2: Yeah, definitely. I mean, it's challenging in every way. So, from briefing something through, from getting alignment on the execution of it from to execute creating it. So, it's across the spectrum that it's challenging. Also, just, you know, I find that as an example, sometimes something is led by - a creative idea could be led by a specific media opportunity as an example. So those things are also kind of missed in the process when agencies are just kind of fighting for the thing that they need to look after.

Speaker 1: Yeah. Okay. So earlier you spoke a lot about partnerships and the emphasis of the importance rather of having those partnerships with your agency. Do you think that there is value in Ad agency leveraging those key partnerships, whether it's internally or externally and to almost kind of team up with the right people to get ahead of the game, to differentiate themselves because they can partner with trusted people and other agencies?

Speaker 2: Definitely. I think it's one of the things that they can leverage if you know what I mean. It's one of the key leverage points, I think.

Speaker 1: Okay. And do you think you look to agencies to have their partnerships instead of you looking for a media agency and a digital agency, if it comes from that one point and you trust this one thing, the arms that reach out are a lot easier for you to trust it.

Speaker 2: Yeah. It just, again, speaks to the integration piece and the kind of comfort that you're not trying to get everyone on the same page and ensure that, you know, you kind of have somebody invested in making the whole thing. Especially, I guess there's some bias in the fact that I have quite a small team and, you know, we need quite a lot of help, but yeah.

Speaker 1: Okay. And how important is that for you, that your agency protects and preserves those partnerships? Is it something you would consider; would you ask for it? Do you look for it? Does its kind of just stop at you trust this agency, you know they must have good partnerships?

Speaker 2: I guess for me at the moment you just kind of trust. So that's where I am at the moment. But it is an important thing to, I guess actively sort of look at and discuss with them.

Speaker 1: Cool. So, all of that proposition, customer segmentation and key partnership, which holds the most value in allowing agency to differentiate themselves in such a highly competitive market. You don't have to pick one, you can pick two, you can add -

Speaker 2: I'll pick customer value because I think that drives the other components. If you get what I'm saying. So, I think when you are actively integrated in the business and you are delivering value and you are, I guess for me, that's where the magic would happen and then everything else is as a result of. Because then you have good stories to tell in terms of your own PR and all of that, the assumption would be that you are able to execute on the stuff that you are. So, for me, it's probably around the commercial value.

Speaker 1: Okay. And do you think that there are any other areas besides those three in the business model that agencies can use to differentiate themselves based on their - we look and generalize, it's likely based on what agencies offer and do how they're described, is there anything else that you think should have done.

Speaker 2: Nice questions Shai, they make you think. You should have done this in the morning. I mean, I guess it's hard, right? Because we all sort of look at the model with one lane. So, you're not sort of forcing yourself to look at it. What can I do differently? Just give me one minute to think about it. I don't know. I guess, you know, you could explore models, different models. And I actually thought about this at one point. I can't remember when, where you almost provide an inhouse but agency. And I'm sure a lot of people do it, a lot of people almost positioned their teams with client or whatever you could explore or, you know, inhouse sort of agency, but it's not, you know what I mean. So, like a virtual sort of set up for the client. But then again, you run the risk of sort of getting too sucked into a business where an agency is kind of protected in it's a little creative bubble. So, I guess a hybrid model of that would be quite interesting. Yeah, it's difficult to differentiate in such a sort of outlined and prescribed industry. So yeah, I mean, can't think of anything else at this point.

Speaker 1: Okay. That's cool. Now, lastly, in your opinion, do you believe that that agency model is broken?

Speaker 2: So, for me, it's probably because of like I said, in the beginning, the environment is changing, and I know personally I'm struggling a lot with the ability to be more agile. So, it's broken for me in the sense that we were not changing processes or set ups to deliver at the pace that we need to deliver. Hence, we might be exploring emails, capability to deliver certain things more quickly. And on the other side the commercial billing side that becomes

quite painful, but predominantly for me, I think that there's a huge threat on agencies because of digital and the way our clients are going to want to deliver and be more agile.

Speaker 1: Okay. And do you think it's broken, or it's kind of out of order? For me, if you look at definitions, broken is something that you can't fix, out of order, you can fix. Is it tweaking?

Speaker 2: It might be out of order because I was thinking that there's still value in a true capability to think out of the box and to think creatively. It's that piece of integration with the business, that piece of agility for me, that needs to be re-panel boated. It needs to be reorganized.

Speaker 1: Okay, cool.

Speaker 2: So, I guess it's fixable.

Speaker 1: Cool. So that's pretty much it, all the questions I have for you, is anything else you want to raise or ask about? Something we didn't cover that you'd like to talk about.

Speaker 2: Well, it's quite interesting. Like I said, you made me think about quite a few things in terms of the value and all of that. I mean, I wish you all the best with feel with your thesis. I'd love to see it.

[REDACTED]

[REDACTED]

Speaker 1: So, thank you for doing this interview with me for my research study. So basically, my research broadly deals with the relationship between advertising agencies their model and potential areas of improvement. So more specifically, I'm interested in understanding the perceptions around whether Ad agencies and their clients believe that the Ad agency model is broken. And where are the areas of differentiation and competitive advantage? So basically, all the information I collect is confidential. Any names, person name, brand names will be generalized or blocked out. So, to protect all the organizations and findings. So, I have a couple of questions. Tell me a bit about yourself, your name, what Ad agency you're at, what is your professional role?

[REDACTED]

[REDACTED] o, take care of all of the business and marketing strategy from a high-level point of view for our clients, as well as any kind of digital leading initiatives for them.

Speaker 1: Okay, cool. And in your opinion, can you describe what the Ad agency model is, what it consists of, how it functions?

Speaker 2: So I think, you know, there's probably been some kind of two parts veering in the traditional sense of a model, but ultimately there's one angle that says the Ad agency model is one where Ad agencies seek to deliver creative marketing solutions for clients via the means of marketing campaigns, creative thinking and production and executional skills to make all of that stuff come to life. And then there's the less traditional but somewhat non-new as well approach of performance marketing. And I think that model is all around one of optimization and acquisition and almost improvements of what's client's ventures are in marketing. So, you know, very much driven by big media agencies and performance marketing agencies. Whereas the other side of the boat is driven a lot by the, through the line or above the line agencies.

Speaker 1: Cool. And from your experience, what do you think is most valuable about the Ad agency model?

Speaker 2: I definitely think the value lies in creativity. And I think the reason for that is, it's not just on the industry side, or on the marketing side at the client base, there isn't any room for creativity, but there definitely is something around the environments and the culture's created by agencies to stimulate creative thinking and also to challenge creativity for their

clients in a non, almost non entrenched way. And when I say entrenched, you know, on the client side, all the constraints are known. And I think what that does is it puts anyone thinking about solutions in a mind strain around constraints, and that doesn't lead to the most innovative or groundbreaking things. And I think agencies approach creativity without those traditional constraints. And I think that's the value of what the agency should be bringing at the core. I think, you know, there's other value in things like production and you know, kind of roll out services that are difficult to manage from a human resources perspective on the client side, but definitely not difficult to do in themselves, you know, get a 23 year old, you can do all levels of digital production now. But maintaining that individual from a human resources perspective is probably the hardest thing to do from a client point of view.

Speaker 1: Okay, cool. And from your perspective, what do you understand by the idea that the Ad agency model is broken? Can you explain how you would interpret that if you read it what is your reaction and your thoughts around that?

Speaker 2: So, I think it's a good way to frame it. I don't think it's wrong or untrue. And it's probably, you know, I always say the agencies have created the problem for themselves. You know, the model is not about creativity anymore. The model is about maximizing revenue and it's moved away from delivering for clients based on an agency's passion. It's more about taking everything off the table that's for offer. So, you'll find agencies that started off as being very conceptual creative agencies are now termed full-service agencies with purely an attempt to grab all the revenue available off the table. And I think it's stimulated one by the agency chasing that, and not staying true to themselves, but also by the clients driving down the value of creativity in terms of what agencies can earn for thinking. And I think that's, what's broken for me, you know, the agency model where you have to maximize revenue in other areas of business that you don't specialize in or doesn't require creativity at its core just to survive. So, you can do the job of adding the creativity where it's needed.

Speaker 1: Okay. So, I've identified three common areas within the business model and aligned to what Ad agencies offer. And it's kind of, it's three factors that kind of make what a business model is and also what agencies are and do. So, I'm going to work through a couple of questions. The first one is what value does your Ad agency currently offer to its clients as a brand? So, this would be speaking to the value proposition section of the model.

Speaker 2: So, like I said, the value that our agency puts on the table is we act as a marketing partner and extension of your business's marketing arm, and we bring an astute level of strategic thinking and creativity on furthering your efforts with customers or clients. And so that's predominantly it.

Speaker 1: Okay. And from your experience, have Ad agencies had value propositions that differentiate themselves to either be more competitive or to stand out in such a saturated market?

Speaker 2: I think the value prop has always been similar. You know, I think they've always been about benefiting clients in their marketing or business efforts. There're nuances in how

that's delivered either via through creativity or via performance in niche ways. But I think at the crux of it they're very much the same. There was definitely an emergence at one point where there were, agencies putting significant value propositions that led with technology at its core. So, guys who had marketing automation or platform-based services from an agency point of view, and that's the thing they've traded on as a core offering, but I don't think at the core, the service offering or the model is different or articulated in too many different ways. Speaker 1: Then do you think that's why the market is so saturated and cluttered that everyone is kind of just adopting the same model, but the difference is the creativity currency?

Speaker 2: Yeah, I think that's it, I think that's one of the things, but I think he must also remember that the ability to deliver those things, essentially you rely on people and, you know, the thing we sell is our people's time, which is essentially the difference from one agency to the next. So, you know, you're only as good as your people regardless of what your model is or regardless of what you're putting out there. And I think the core differentiates us in the saturated market is where the great people lie. Because, you know, no matter how you structured and no matter what you do from an enabling environment perspective great people deliver great creativity. And I think that's for me is the leading differentiator. Outside of that, it is fair to call the market saturated in the sea of sameness.

Speaker 1: Okay, cool. And one of the things that Ad agencies are expert in is helping companies brand themselves. Do you think Ad agencies apply the same emphasis on their own brands as they do for clients? So not just influence emphasis, but also care.

Speaker 2: I think absolutely not. I think Ad agencies are extremely poor at keeping their own house in order, their own brand in order. And I think if you delve into it, you'll realize that the amount of emphasis placed on awards and having credentials behind you far outweighed the emphasis on, you know, actively marketing and building the brand via the methods they would preach to their clients. So, you would go to a client and do a strategic view on how to mature the brand and how to drive, build the most equity in the brand. And I think for Ad agencies, they've defaulted to currency in awards, which means equity in the brand. And I think there's lots of other ways to do it.

Speaker 1: Okay. And what are those other ways that you recommend, what do they look like for you? What does the winning, strong, unique brand from an Ad agency perspective?

Speaker 2: I think it's very much about involvement and engagement. And I think there's a couple of brands right now that are putting themselves out there for what they're adding to their value to their client's business versus what they've been awarded for in terms of the marketing campaign. So, I mean, the likes of Accenture interactive, who are a pretty powerful shop in London they aren't necessarily the most awarded agency, but they are probably the most impactful agency in terms of what they've implemented and what impacts they've managed to deliver on. And I think the story of impact is becoming a lot more powerful than the story of awards. You know, the Accenture, for example, can claim to have done work with the public sector and communities and driving change and economies,

whereas you know, a Droga5 for all their greatness. And even though they owned by extension now come with we've won amazing awards for amazing Ads.

Speaker 1: Yeah. Okay. And what would you recommend Ad agencies do more or less of to increase the value they offer to their clients?

Speaker 2: I think, you know it's been quite a big topic. I think it's about driving more of their client agenda than their own agenda. And I think, you know, this whole awards discussion always leads to the space where agencies sometimes want to sell work that will make them famous versus have the impact for their clients. And I think if you can drive massive impact for your clients and make your clients stand tall, the impact will talk for itself. And more people will want your services based on what you've done. The banking sector gets it, right. You know, the banking sector doesn't talk too much about the awards, but what they talk about is their deals or their accomplishments. And I think, you know, to sum it all up, drive your client's agenda and not your own agenda.

Speaker 1: Okay. And what do you think Ad agencies need to do more or less of to differentiate the brands in such a saturated market?

Speaker 2: I think they need to be opinionated about the world and not just creativity. So, you know, creative leaders and industry leaders in the Ad space, a very opinionated about what real creativity is or what good creativity is, but I think agencies need to start behaving like everyone else in the world and start having opinions about what's going on in society. What's happening in the world. What's happening in the real business marketplace, outside of just what's happening in the creative economy, let's call it that. So, I think it's more about worldly awareness and being opinionated and becoming strategically minded about what's going on in the world and in their clients' worlds and less about the advertising world.

Speaker 1: So, we've touched on value propositions. The next one is about customer segments. Do you think Ad agencies could gain competitive advantage by specializing in particular industry or market? So, for example, if you get an Ogilvy, they kind of specialize in FMCG.

Speaker 2: Yeah. I definitely think there is an advantage there, there's a disadvantage as well, but I'll talk about the advantages first. I mean, if you look at a - there's different areas or different verticals of specialization, you can specialize in sector or an industry like FMCG, retail, alcohol, and those sorts of things, but you can also specialize in type of client. So, for example, demographics are specializing in B2B specifically. That has massively, massively done wonders for that agency in terms of their offering. They're definitely have the best because they think about B2B in the authority and regardless of the sector or industry, they come up tops when working on how to target key accounts marketing, how to do one on one business with other big businesses and the likes. But then again, you know, you've got the likes of retroactive or one of retroviral companies that's specifically a sports marketing business. One of the owners is Brian Havana. And obviously with a background in sports knows how to talk about things like in endorsements. And there's a specialized need in

attracting sponsors. And, you know it's a different service sets and there's definitely an opportunity there for specialized agencies to grow. I think the disadvantages are sometimes a very similar approach to every problem. And I think that's why nonspecialized agencies will sometimes break the mold for clients because they can talk about what's happening in other industries and apply that to their specific need. You know, unfortunately your customer is your customer, or your consumer is a consumer in multiple industries just because they don't consume your product in that industry, or they may consume your product in that industry. Doesn't mean they're a consumer of other products and other industry. And I think that's a disadvantage of being specialized only. But like I said, I think there's advantages and disadvantages, and I think it's easier for the specialized agencies to capitalize more on applying out of the industry, not only specialization knowledge, than for the non-specialized agencies to specialize, it's very difficult.

Speaker 1: And do you think it's worth agencies exploring an option of having departments that specialize in different industries and sectors, so like you would have on your client side in the marketing, you have a group responsible for, if you look at banking, the wealth portfolio for the e-commerce portfolio and so on. Do you think Ad agencies could specialize in their own way and departmentally?

Speaker 2: So, it's been done, before companies like Grey, have had a specific agency team that looked after health. So, anything to do with healthcare, hospitals, pharmaceuticals all fell into that team, but it needs to be sustainable. And I think clients and what they're willing to pay have made that very unsustainable. So, you know, all it does is it means that those teams have to take on other work across other teams and become non-specialized again. So, I think there's definitely advantages in it, and I think there's still if you can tangibilize it for your clients in a way that they're willing to fund it. It'll definitely be advantageous for them. Because, you know, the big agencies will definitely bring the structured creativity to the table, but the specialized teams will focus it for that need.

Speaker 1: Okay. And what extent Ad agencies need to specialize in a particular approach in solving a brand problem? So top line would be strategic support, creative support, or a bit of both, or a full-service support, or is it something along the lines of thinking from business solution to a creative solution or value driven? What is that degree of change and pivoting that agencies need to consider in solving these brand problems?

Speaker 2: Yeah, so I think the current approach is that you know, strategic thinking and then creative execution or creative delivery of tangibilizing that thinking. But I think, you know, you've mentioned it now. They definitely need to pivot into the business solution as well. Not that they need to change the business, but, you know, they should change the brand. Shouldn't only mean changing how you market the brand, you know, the brand to be reflective of the behavior within the organization and how their organization does business. And because of that, creative agencies should definitely have an opinion and an approach to how business brings brand to life.

Speaker 1: Okay. And so key partnerships are kind of key in all kinds of Ad agencies, whether they own sub brands within their house, or they team up with suppliers that they need support from. Do you think there is value in leveraging those key partnerships and sustaining competitive advantage?

Speaker 2: Yeah, I definitely do. I mean, from everything I said, I think it's the only way to go, you know, just because again, you try and force that thing in house. It becomes a diluted version of what that specialist can offer. And I think agencies need to get a lot better at collaborating with other agencies, as well as specialists and suppliers to deliver competitive advantage for their clients. You know, I think for agencies becomes a competitive advantage if they bend down the right suppliers because, you know, in some niches they're only a few of them. And, you know, forming and partnering and collaborating on those initiatives are extremely, extremely useful. And I think it's the only way to deliver a best in class and not mediocre for the clients. You know, we've seen agencies trying to build a specialist skill and take suppliers out of the equation and all its led to kind of itty-bitty kind of watered-down solutions to what that supply could actually put on the table.

Speaker 1: And what is the one thing that is most important or really stands out for you in that integration and collaboration, if you think of it as a person integration and collaboration, what is that personality and that function that really means a lot in getting the job done for an Ad agency.

Speaker 2: Are you talking about an individual's role?

Speaker 1: Or agencies teaming up with other agencies. So, you can have like inter agency statuses, I know that happened every week but not much comes out of that or there's too much confusion or you have three different production supplies and you've kind of got to fish out. What is that key thing you would look for in an integration and collaboration process?

Speaker 2: I think its accountability or shared accountability because, you know, you can integrate all you like the problem right now is that each agency is accountable for only its piece and not each other's pieces. So, I think it's about setting the KPIs and benchmarks for integration upfront and giving and sharing the ownership. I think the best models are aware. You see creative agencies, media agencies, and PR agencies all coming to the table, but are all accountable for the same end goal. You know it shouldn't be any or value shouldn't be placed any longer on what media brings to the table or what creative brings to the table. And neither should remuneration either. I think, you know, ultimately if there's a campaign cost, the right set of individuals or agencies or parties should be chosen and given the accountability to deliver that thing, to be remunerated in whatever way they see fit only at the end outcome desired through everyone's efforts.

Speaker 1: Okay, cool. So, we've looked at value proposition, customer segmentation, and key partnerships, which holds the most value for you in allowing Ad agencies to differentiate themselves.

Speaker 2: I really think its key partnerships and why I say that is you know, if you look to the core purpose of the creative agency it's to deliver creative or Ad agencies. And as soon as you can let go of some of the work and partner with the right people to deliver that in a specialized manner, you get to go back to your roots and focus on delivering. What is your core reason for being, and I think partnering is everything right now? You know, there's only so much, you know your organization is only so flexible and only so fit in its adoption of new technologies, new services as well as new revenue streams. You know, it's so easy to tilt the model to breaking point when trying to do something new. And that's why the agency model spits out so many or rejects so many different service offerings. You've got to be open-minded, now's not the time to want to do everything yourself. I think the agencies who collaborate with the right partners are going to be massively advantageous in the future.

Speaker 1: Okay. And do you believe that there are other areas of the business model that Ad agencies can use to differentiate themselves?

Speaker 2: Absolutely. I think there's definitely some thinking around, you know outside of the creativity and strategy piece where it naturally goes, there's some creative thinking in planning and project management and all of those things that are core to the agency world that can be applied in the client side as well. So, I mean, let's take approaches like agile, you know, what it wasn't developed from an agency perspective, there's lots of agencies that have adopted it and implemented it really well. And they could definitely be adding value to the client side with running processes and projects in an agile manner. So, I think there are, especially in the planning side and even on the finance side, I think, you know, creative agencies had to become really creative with the finances as well in terms of staffing you know, global networks and the global marketplace for talent. And I think some of the methods of recruitment methods of keeping staff can also be applied on the client side. So yeah, I think if you dig enough there's definitely pieces of the agency model that you could leverage to differentiate.

Speaker 1: Okay. And lastly, do you believe that the Ad agency model is broken?

Speaker 2: I do. I think it is broken. I think the actual confirmation of that is what we see now is a market where clients are taking the lead on buying creativity. And they're appointing people like CMOs and internal marketing teams and using the agency as production partners instead of using the agencies as creativity actors, and people who bring bespoke thinking to the table. And it's just verification for me that the model is broken. You know, if you rewind to the seventies, Ad agencies were sitting at boardroom tables at a CEO level, you know, talking to them about what's going to drive their growth for the next six months. And now they're sitting, you know, on the side of the table looking a 26-year-old marketing manager and the face asking them what they want on their digital banners. It's a totally different thing. And that for me is the confirmation.

Speaker 1: Okay. And do you think it's fixable? Because on one hand, if you look at definition, broken you can't fix what you've broken. But on the other hand, there's something that could be out of order or fixable.

Speaker 2: Yeah. I don't think it's fixable. I don't think you can do things to absolutely fix it. I think reinvention is needed. I think, you know, it's going to be a new model on the table that forever defines what's the agency, if we even call it, that is going to be. Like I referenced them before what Accenture buying Droga5 is very interesting, you know, they could have done it the other way. They could have positioned it as Droga5 with Accenture's technology arm, but what they've positioned it as is Accenture who drove the five's creativity. And the fact that they've renamed it to Accenture makes you think that the model is going to be one off or the model is going to be one a lot higher up the value chain talking and sitting at the CEO and CMO table, and then coming down and delivering into the CMOs space. So yeah, I think that the model is going to be redefined in a way where agencies become value players again with production capabilities and all of those things as a very niche, secondary using partners to execute.

Speaker 1: And do you see that shift? I mean, we're not future tellers and we can't read into the future, but do you think that shift is starting to click now or are we starting to see it or people talk about it a lot more, or do you think we still have a long way to go before it really hits the industry that change is needed?

Speaker 2: I spent some time in China last year at one independent conference. So basically, it's the biggest conference of independent agencies in the world. And some of them were there with big corporate clients, like the CMO of Nike in Asia. And the one thing that they all jointly agreeing on is that the CMO needs to be almost elevated within the business and the agency needs to sit at a different table. So, there's definitely talk about it in the international market. And I think there's definitely an acknowledgement and acceptance that things need to change in the local market and in the agency behavior nothing's changing at the moment.

Speaker 1: Okay. that brings us to the end of our discussion. Is there anything else you'd like to add or say, or feel like we didn't touch on?

Speaker 2: No, I think that was everything on the top of my mind. I think, you know, agencies are going to face a massive learning curve in their ability to adapt again. They've been very good at that over the years, they've adapted when the whole digital revolution came around and the.com boom, before that. They've adopted some things in e-commerce. But I think the biggest challenge is them to adapt, to not put on, but to shed. And I think that's the difference. In the past, they've always adapted to take on more services, more work in the strive for more revenue, but they've now got to adapt to shed some of that weight. You know, you want to see Wieden Kennedy, working on amazing creative ads, again, not worrying about social media posts and you know, who copy checks, emails that are going to customers. You know, it's not where the value should lie. There should be more specialists for that. So, yeah, that's pretty much where I think the industry needs to go.

Speaker 1: Okay, cool. And that's all.

D. Research Report Summary Table

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