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Organizational Buying and Advertising Agency-Client Relationships in China

Gerard Prendergast, Yizheng Shi and Douglas West

The 1980s and 1990s have seen the development of an interesting, diverse, and relevant body of literature on the advertising agency-client relationship. In recent times, an area of focus has been the application of organizational buying behavior principles to companies that are purchasing advertising services from advertising agencies. However, little is known about the application of such theories in the context of a developing country. After examining the literature relating to China's advertising industry and the application of organizational buying behavior principles in the advertising industry, this article reports on a survey of 200 firms in Shanghai. The results unexpectedly show that advertising agency power in the campaign development process is not related to the nature of the advertising task (new task, modified rebuy, straight rebuy) at hand. In addition, bottom-up processes give agencies the weakest power, and the client buying process is dominated by marketers, the salesforce, and public relations, with top managers the primary deciders.

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Introduction

On the basis of empirical research of advertising clients, this article applies organizational buying theory to advertising agency-client relationships in China. Then, the article makes recommendations for improving such relationships. This research is of value to multinational advertising agencies that want to operate in the now-liberalized Chinese advertising industry because the literature on agency-client relationships tends to involve research that has been conducted in developed countries (and little is known about agency-client relationships in developing countries such as China). Establishing a good client relationship is the starting point for any advertising agency wishing to do work in China.

Developing Country Context

Why is it important to study advertising agency-client relationships in the context of a developing economy? The marketing environments of developed and developing countries are different (Kaynak, Kucukemiroglu, and Odabasi 1994; Raymond and Lim 1996). We cannot assume that the Western model of advertising agency-client relationships can automatically be applied to a developing country context, because comparisons among firms that advertise in countries at variant levels of market development have identified continuing differences. For example, developing countries tend to have (1) restrictions on media, (2) changing market conditions (cultural, political, legal, and social), and (3) lower levels of competition (Shao 1996). To take the last point, there is much less competitive intensity in developing countries. As a consequence, recipients of direct mail in developing countries tend to pay closer attention to its content, because they are not cynical and detached and do not think of it collectively as "junk mail." Advertisers in developing countries may also face problems with foreign exchange limits, greater restrictions on hiring foreign workers, and greater restrictions on the advertising of sensitive products (such as tobacco, alcohol, and condoms). There are also greater economic (high inflation and exchange rate fluctuations) and political concerns

for advertisers doing business in developing countries. Of particular concern politically are such issues as the urge to shorten the learning process of advertising skills and know-how and the effect of foreign advertising on local culture (Ha 1996).

China Context

Apart from its classification as a developing country, there are three other reasons for examining advertising agency-client relationships in China. First, the "newness" of advertising in China warrants choosing this country as the research location. Advertising is part of the "new" China, and therefore, little is known about advertising agency-client relationships in China. Second, the mere scale of the Chinese market, and its growth (see *China Statistical Yearbook* 1997), makes China of interest to multinational firms, including multinational advertising agencies. It is generally agreed that the Chinese market offers enormous potential, but for "outsiders," it is difficult to identify how to take advantage of it. Third, this difficulty is accentuated by China's cultural uniqueness. Compared with the West, China is considered a "high context" culture (Hall and Hall 1990). In a high context culture, personal relationships with friends and family are more important, and these personal relationships can be extended to affect business relationships. Because of such societal influences, Western models of buying behavior may not fit perfectly.

Turning to advertising proper, the key development in China came in July 1993 when the State Administration of Industry and Commerce and the State Planning Commission jointly pronounced a program for speeding up the development of the advertising industry (Zhao 1996). One of the policy measures of the program was to adopt the Western advertising agency system. Advertising companies were given an exclusive right to deal with and work as advertising agents for their clients. Media are allowed to produce and release advertisements but not to work as advertising agents. The purpose of this reform was to establish an open, fair, and competitive market. An accompanying surge of foreign advertising agencies and media shops followed this reform in the early to mid-1990s. Figures on the rise of Chinese media expenditures are imprecise but can be collated from the Chinese advertising trade magazine, *Zhongguo Guanggao* (*China Advertising Yearbook* 1990-1997). The indications are that advertising expenditures have increased by almost twenty times between 1990 and 1997. The figures break down expenditures on advertising by originating companies, (e.g., 27% of expenditures on

advertising in 1990 were by newspaper companies and 19% by advertising agencies). Bearing this in mind, over the period 1990-1997, the share taken by advertising agencies grew enormously from one-fifth to two-fifths of the total. The shares originating from the press, television, magazines, and radio have broadly remained the same, whereas outdoor and transport media have rapidly lost share.

In terms of advertising categories, the greatest growth was experienced in the consumer goods sector, which saw its share, compared with the services and industrial sectors, rise from approximately one-third to more than half of the total. Spending on consumer goods advertising was at 24.019 billion yuan (US\$2.893 billion) in 1997, which represents more than 50% of the total.

Table 1 shows the number of companies providing advertising services in China. A note of caution: It must be recognized at the outset that trying to get an accurate figure for the number of advertising agencies is difficult because of both political and definition difficulties. The estimates presented in Table 1 were collated from *Zhongguo Guanggao* (1990-1997), as were the advertising expenditure figures. Indications from the magazine's figures are that the number of firms providing advertising services increased nearly sevenfold between 1991 and 1997 from 13,000 to 86,000. Within this overall growth, advertising agency numbers rose from just over 1,000 to 29,000, a rise from one-tenth to more than one-third of the total. Furthermore, *Zhongguo Guanggao* estimated that, by the mid-1990s, professional agencies employed approximately 500,000 people.

Unfortunately, the data for multinational agencies are sparse, but approximately 550 foreign agencies in China were recorded in the mid-1990s. As would be expected, they operate in the form of joint ventures holding majority shares. Top brands, such as Coca-Cola, National, and IBM, use their services to coordinate campaigns and reduce the risk of "going with locals."

Advertising Organizational Buying in China

Most studies examining the factors that affect relationships between agencies and their clients have largely focused on the United States or United Kingdom. There have been several studies that apply organizational theory frameworks (Johnston and Lewin 1996) to the agency-client relationship. For example, Bergen, Dutta, and Walker (1992), Ellis and Johnson (1993), and Helgesen (1994) use various parts of organizational theory to focus on specific facets of the

Table 1
Numbers of Advertising Shops and Agencies

| | RAF† | | Agencies | | MNAs‡ | | Total | |
|------|----------|---------|----------|---------|----------|---------|----------|-------|
| | <i>n</i> | % Total | <i>n</i> | % Total | <i>n</i> | % Total | <i>n</i> | Index |
| 1991 | 11,800 | 91 | 1,200 | 9 | na | - | 13,000 | 100 |
| 1992 | 16,700 | 85 | 3,000 | 15 | na | - | 19,700 | 152 |
| 1993 | 31,800 | 74 | 11,000 | 26 | na | - | 42,800 | 329 |
| 1994 | 43,000 | 69 | 18,400 | 30 | 560 | 1 | 62,000 | 477 |
| 1995 | 48,000 | 67 | 22,700 | 32 | 550 | 1 | 71,300 | 548 |
| 1996 | 52,900 | 67 | 25,700 | 33 | na | - | 78,600 | 605 |
| 1997 | 57,000 | 66 | 29,000 | 34 | na | - | 86,000 | 662 |

Sources: *Zhongguo Guanggao* (China Advertising), 1990-1997. Data have been rounded up.

† Registered advertising firms by the Chinese state allowed to produce advertising. These are primarily media and transport companies, such as television and radio stations and railway and bus companies.

‡ Multinational advertising agencies.

Notes: na=not available.

agency-client relationship. The overall result of this has been a rather fragmented platform of literature for applying organizational theory concepts to the agency-client relationship (Davidson and Kapelianis 1996). West and Paliwoda (1996) attempt to integrate this fragmented work by examining agency-client relationships from an organizational buying perspective. In particular, their study examines organizational decision making and its application to advertisers "buying" advertising agency services from the perspectives of task, process, and power and the buying center.

Task. Adapting Webster and Wind's (1972) industrial-buying classifications of "new buy," "modified rebuy," and "straight rebuy" agency tasks may be classified as follows:

- New task: Completely new advertising;
- Modified task: Familiar advertising task, but there is a need to modify; or
- Straight rebuy: Repetitive placement of advertising.

A key issue in a new task has been how advertisers choose their agencies. What are the criteria involved? Larger firms have been found to prefer associations with agencies similar in size and capability to themselves. Agencies and advertisers tend to agree on the importance of the majority of attributes in agency selection (Cagley 1986; Cagley and Roberts 1984). Top advertisers also have been shown to appreciate agency creative and media roles but place less emphasis on research (Gagnard and Swartz 1988). Furthermore, the main factors in winning accounts were positive recommendations by satisfied clients, personal contacts with top management, and presentations (Wills 1992).

Modifying familiar campaigns to provide something innovative but not necessarily new to the world is the mainstay of many agencies' work. Although *Advertising Age* and other journals tend to focus on account changes, the predominant routine of most agencies is to modify previous work (Beltramini and Pitta 1991). The modified task is a significant aspect in how the advertising agency-client relationship changes over time, and the topic remains controversial. There is some evidence in the United States that relationship factors become increasingly important over time compared with more tangible performance measures (Wackman, Salmon, and Salmon 1987). However, in the Netherlands, performance evaluations did not change over time, and social bonding was not an issue (Verbeke 1988). Cultural factors between the United States and Western Europe may be at play here.

At the straight rebuy stage, the agency-client relationship is routinized, and the chances of conflict are heightened. The agency's added value and influence is probably at its lowest ebb, and a variety of factors have been observed to trigger a breakdown (Durden, Orsman, and Michell 1997). These factors might include unsystematic performance appraisal (Ryan and Colley 1967), changes in agency personnel or disagreement over the agency's role (Hotz, Ryans, and Shanklin 1982), or dissatisfaction with agency performance, especially the creative work (Michell, Cataquet, and Hague 1992; Durden, Orsman, and Michell 1997). However, the creative abilities of the agency, though initially important, diminish over time as the focus of the client changes dramatically to performance dimensions involving the agency's ability to get results (Henke 1995).

How does the agency task literature relate to China? The nature of the advertising task may be an important factor in the Chinese agency-client relationship. Clients involved in new tasks in China are likely to have close relationships with their agencies, because the need to reduce perceived risk will be paramount. This is particularly the case when clients are launching new products and/or entering a new market. However, China is a transitional economy, and as in similar economies, the level of advertising knowledge and experience will be relatively low (Jancic and Zabkar 1998). Compared with agencies in the United States and Western Europe, Chinese agencies may have relatively little influence over the different stages of the tasks or at least be equally unsure. To test the direction, the following hypothesis is offered:

- H1: Agency influence in China will be greatest at the new task stage, moderate at the modified stage, and weakest at the straight rebuy stage.

Processes and Power. Organizational processes have a major impact on marketing. For example, Hotz, Ryans, and Shanklin (1982) find that indecisiveness and too many approval levels within the client organization generally lead to ineffective advertising campaign planning, indecisive goals, compromise on key decisions, and watered-down creative ideas. Top-down approaches tend to lead to more focused marketing and advertising because a relatively small group of managers can deal directly and have greater autonomy to act (Hanmer-Lloyd and Kennedy 1981; Piercy 1987; West and Hung 1993). Recent trends in team working and knowledge management have begun to empower more people and reduce the influence of bureaucratic and hierarchical organizations (Pfeffer and Veiga 1999). Moreover, when organizations move toward IMC (integrated marketing communications), it is often necessary to bring more individuals into the decision-making process in a consensus-type arrangement, and thus the concentration of power is diluted (Phelps, Harris, and Johnson 1996). Thus, power may be applied differently in the bottom-up or top-down processes and be affected by the use of IMC. However, compared with power, it is doubtful that IMC is an issue in China where basic and mainly explicit advertising knowledge is being built.

The concept of power has several dimensions. Overall, power may be wielded at the micro (bargaining, persuasion, and confrontation) and macro (power over others) level in any organization (Mintzberg and Lampel 1999). Thankfully, evidence suggests that power is a readily recognized and understood concept by businesspeople; power refers to the ability to bring

about chosen outcomes. According to Mintzberg (1983), power is something everyone seems to know about except the "experts." Such an approach is consistent with the finding that managers have a clear understanding of the meaning of power (Bacharach and Lawler 1980; Pfeffer 1981; Piercy 1987). The assumption here is that agency power is a structural variable within sanctioned areas that relate to the ability of the agency to influence the outcome of campaign planning. As such, it does not include maneuverings external to the campaign process.

Linking processes and power for top-down decision making, the implication is that the agency will have considerable power over the decision making because of its expertise and closeness to a small group of managers representing the client. In the bottom-up model, the number of parties involved in the client decision-making unit is likely to be far greater, relationships more distant, and the implementation of more stringent agency performance measures more probable. This will shift the balance of power toward the client. However, there may be significant differences in China. In the Chinese transitional economy, it is possible that there will be an "overhang" from the previous command-based hierarchical power structures. This might mean that even if the Chinese client has a bottom-up decision-making process, the client will retain significant power over the campaign process. All things considered and in the interest of being able to frame the issue, the following hypothesis is offered:

- H2: The level of Chinese advertising agency power is influenced by the direction of the decision-making process; agency power will be least in bottom-up processes.

Buying Center. From the perspective of the marketing literature, the buying center incorporates the five roles of user, buyer, influencer, decider, and gatekeeper (Webster and Wind 1972). The model or classification subsequently has been modified to include, in some cases, approvers and initiators (Webster 1991). These new additions to the model create considerable overlap: approvers with deciders and initiators with gatekeepers.

Individuals within the client company may assume one or more of these roles and have a direct or indirect influence on the agency-client relationship. Users are the most easily identified by an agency and are likely to be marketers or in public relations (PR). They may wish to have greater involvement with the development of the creative strategy than agencies often appreciate (Cagley 1986). Buyers and senior managers may be easily identified but can often be

more conspicuous than their real importance to advertising decisions. Influencers may cover a wide group of people, such as finance directors, production managers, and lawyers, who help establish relationship criteria and direction. The decider may be the buyer but in many organizations may involve someone removed from day-to-day advertising activities (principally top management) whose criteria are likely to be less well informed and far more subjective than those of the marketing personnel. In addition, they may involve issues of prestige or making judgments based on an agency's client roster, a kind of dissonance-reducing behavior that seeks reassurance or safety. Gatekeepers, who control the access of information to the buying center (either positively or negatively), may include marketers, PR, sales, secretaries, and receptionists. Senior and top managers also may channel information on agencies that they have gathered.

The question here is to what extent these buying roles are applicable to Chinese advertisers and whether they are diffused or concentrated across the key functional areas. For example, what buying roles do Chinese marketers hold compared with top management or the salesforce, and how do these compare with roles in the United States? The answer will greatly inform advertisers and agencies seeking to develop the Chinese market. Thus, in addition to the two previous hypotheses, the following research question is offered:

RQ1: How are the different buying roles diffused across the separate functional areas in Chinese companies (namely marketing, top management, salesforce, PR, finance, and research and development [R&D])?

Method

Two hundred executives from Shanghai advertisers that used agencies were interviewed. A brief explanation on the choice of Shanghai is required. The survey was conducted in Shanghai because, though second to Beijing in advertising spending with \$5.3 billion, Shanghai is the center of advertising in China and was the location for the first four foreign advertising agencies (Xu 1995). Furthermore, Shanghai is more "Chinese" than the Guangdong province (incorporating Guangzhou and Shenzhen) because the latter is strongly influenced by Hong Kong. It is often referred to as a "leading indicator" for the rest of China, that is, what happens in Shanghai can be expected to happen in the rest of China at some later date (Fan 1989; Nathan 1985; Shi 1991).

A key respondent technique was applied in which we interviewed the senior manager most responsible

for advertising within the organization in Shanghai. Directories of firms were used to select the sample, and a spread was chosen between industrial and consumer firms. Quota sampling was used to achieve a cross-section (size, turnover, product) of the census of Chinese firms. Data were collected by means of face-to-face interviews. This was preferable to a mail survey because, in China, such surveys culturally are regarded with suspicion and consequently receive appallingly low response rates. The interviewees were telephoned first to secure their cooperation. A local university in Shanghai was utilized for this stage of the research because of its strong industry contacts and *guanxi*. This approach, combined with offering respondents a free copy of the research results, resulted in a cooperation rate of more than 50%.

The questionnaire guiding the face-to-face interviews examined company demographics and the application of organizational buying concepts to their advertising agency-client relationship, following the format of West and Paliwoda (1996). The questionnaire was originally written in English, translated into Chinese, and then back-translated to English to ensure accuracy of translation. The questionnaire was then pretested on a pilot sample of 10 advertising clients in Shanghai.

Power. Respondents were asked to place the power of their advertising agency (in relation to advertising planning) on a scale from 1 to 4, where 1=very powerful, 2=powerful, 3=somewhat powerful, and 4=not powerful. This was a subjective measure, aimed at getting a ranking of power measures rather than an exact measure of power. It utilized a Likert scale, showing that power is on a spectrum.

Advertising Tasks. Respondents were asked to classify the nature of their agency's advertising task. There were three options, and multiple responses were possible:

- (1) New task: completely new advertising;
- (2) Modified task: familiar advertising task, but there is a need to modify; or
- (3) Straight rebuy: repetitive placement of advertising.

Decision-Making Process. Respondents were asked to describe the decision-making process for promotional management in their company. Respondents had to choose one of the following four options or state how their process differed:

- (1) Bottom-up: Manager(s) in subunits (e.g., sales, finance) are responsible for establishing the promotion campaign.
- (2) Bottom-up-top-down: Manager(s) in subunits are responsible for establishing the pro-

motion campaign. Top management adjusts the campaign to conform with overall goals.

- (3) Top-down: Top management establishes the promotion campaign independently of subunits.
- (4) Top-down-bottom-up: Top management establishes the promotion campaign. Subunits adjust the campaign to conform with their goals. A final campaign is coordinated by top management.

Buying Center Roles. Respondents were asked to indicate the "buying center roles" of various groups (top managers, marketing, finance, salesforce, PR, R&D) in their organization. They were able to choose from five roles:

Users: people who use the services of an agency on a regular basis in their organization,

Buyers: people who are formally empowered with the authority to negotiate with the agency,

Influencers: people who directly or indirectly influence the selection of agency (e.g., define selection criteria),

Deciders: people who formally or informally determine the final selection of the agency, or

Gatekeepers: people who guide flows of information regarding the selection of the agency.

If they desired, respondents were able to choose multiple roles for a single group in their organization.

Results

It can be seen in Table 2 that the respondents represented the hoped for cross-section of companies in terms of sales. Just over one-third of respondents were relatively small firms with sales of less than 2m RMB (Renminbi) to 10m RMB (US\$0.25m to US\$1.2m), one-third from medium enterprises of greater than 10m RMB to 100m RMB (US\$1.2m to US\$12m), and one-third from large companies with sales in excess of 100m RMB (US\$12m+). Self-perceptions of size within industries were provided by respondents, and these also may be seen in Table 2. Nearly three-quarters viewed their firms as medium to large, less than one-tenth regarded themselves as small, and nearly one-fifth believed their firms were very large. In terms of operational areas, Table 2 shows that just more than one-quarter of respondents sold their goods or services locally. Another quarter operated in more than one province, and just fewer than one-third were national. A little less than one-fifth of the sample had international operations. A detailed breakdown of respondents by market is also provided in Table 2. Clothing, toiletries, and cosmetics companies provided over one-quarter of the

sample (consisting mainly of 70 clothing companies, as the textiles sector is a dominant industry in the Shanghai area). The business sector, represented by corporate/industrial/finance/office sectors, came close behind textiles, with 66 respondents, reflecting Shanghai's position as a trading and financial center of China. The other industries represented in the survey ranged from 44 companies in the agriculture/food industry to 12 publishers. Collectively, they provide the hoped for cross-section of Chinese industry.

To investigate the applicability of organizational buying theory to China's advertising industry, the interviewees from sample firms were asked several questions regarding their buying behavior when they used advertising services. Respondents first were requested to indicate the predominant nature of their advertising task. Table 3 shows that nearly half of these sample firms use their agencies to undertake a modified task, just less than one-third to create a new task, and just more than one-fifth for straight rebuys. This indicates that, though Chinese firms have gained some degree of advertising experience, the relationship between advertising clients and advertising agencies has not been stable; only a small proportion of respondents reported that the tasks were straight rebuys. Respondents then were asked to rate the power of their agencies during campaign development, from 1 for "very powerful" to 4 for "not powerful." The power means in Table 3 suggest that agencies were perceived as having the same amount of power: on the high side of somewhat powerful to not powerful. To determine if there were any significant differences in these power means, a one-way ANOVA was performed on the complete set of task categories. The results indicated that the null hypothesis of equal population means cannot be rejected ($F(7, 192) = .51, p > .83$). Chinese advertising agency power in the campaign development process is not related to the nature of the advertising task at hand. Thus, the hypothesis that agency influence should be different in terms of the type of advertising task was not supported.

In terms of client management of the campaign process, respondents were asked to indicate the direction of their campaign development process. The results are shown in Table 4. Pairwise comparisons indicated that there was a significant difference in agency power according to the direction of the decision-making process ($t(199) = -3.34, p = .001$). Agency power was perceived to be the lowest in bottom-up decision making (mean = 3.14), whereas it was the greatest in the top-down-bottom-up process (mean = 2.58). Thus, Hypothesis 2 is supported; the level of Chinese advertising agency power is influenced by the direc-

Table 2
Breakdown of Respondents†

| | <i>n</i> | <i>%</i> |
|-------------------------------------|------------|------------|
| <i>Sales (million RMB Yuan)</i> | | |
| <2 | 22 | 12 |
| 2-10 | 43 | 23 |
| >10-50 | 43 | 23 |
| >50-100 | 19 | 10 |
| 100+ | 62 | 33 |
| <i>Total</i> | <i>189</i> | <i>100</i> |
| <i>Size</i> | | |
| Small | 18 | 9 |
| Medium | 83 | 42 |
| Large | 60 | 30 |
| Very large | 37 | 19 |
| <i>Total</i> | <i>198</i> | <i>100</i> |
| <i>Geography‡</i> | | |
| Local/city community/province | 84 | 27 |
| 2+ provinces | 77 | 24 |
| National | 103 | 32 |
| International | 54 | 17 |
| <i>Total</i> | <i>318</i> | <i>100</i> |
| <i>Market‡</i> | | |
| Clothing/toiletries/cosmetics | 106 | 26 |
| Corporate/industrial/finance/office | 66 | 16 |
| Consumer appliances/equipment | 51 | 13 |
| Agriculture/food | 44 | 11 |
| Drinks/tobacco | 40 | 10 |
| Retail/mail order | 33 | 8 |
| Consumer/travel/entertainment | 19 | 5 |
| Automobiles | 15 | 4 |
| Pharmaceutical | 15 | 4 |
| Publishing | 12 | 3 |
| <i>Total</i> | <i>401</i> | <i>100</i> |

†Eleven respondents did not provide sales figures, and two did not estimate their size.

‡ Multiple responses.

Table 3
Campaign Task by Agency Power†

| <i>Task</i> | <i>N</i> | <i>%</i> | <i>Power</i> |
|---------------------------------------------------------------|-------------|------------|---------------|
| | | | <i>[mean]</i> |
| New task: Completely new advertising | 71 | 30 | 2.77 |
| Modified task: Familiar advertising task but a need to modify | 115 | 49 | 2.77 |
| Straight rebuy: Repetitive placement of advertising | 51 | 21 | 2.76 |
| <i>Total</i> | <i>237‡</i> | <i>100</i> | |

† Power was scored as follows: very powerful=1, powerful=2, somewhat powerful=3, and not powerful=4.

‡ Multiple responses of 200 clients consistently using advertising agencies.

Table 4
Process by Agency Power

| | <i>N</i> | % | <i>Power</i> [mean] |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-----|------------------------|
| <i>Bottom-Up</i> : Manager(s) in subunits are responsible for establishing the promotions campaign. | 35 | 18 | 3.14* |
| <i>Top-Down</i> : Top management establishes the promotions campaign independently of subunits. | 35 | 18 | 2.89 |
| <i>Bottom-Up/Top-Down</i> : Managers in subunits are responsible for establishing the promotions campaign. Top management adjusts the campaign to conform with overall goals. | 71 | 37 | 2.82 |
| <i>Top-Down/Bottom-Up</i> : Top management establishes the promotion campaign. Subunits adjust the campaign to conform with their goals. A final campaign is coordinated by top management. | 50 | 26 | 2.58 |
| <i>Total</i> | 191 [†] | 100 | |

*Significantly different mean ($t(199) = -3.337, p = .001$) by pairwise comparisons.

[†] There were nine nonrespondents.

Notes: Power was scored as follows: very powerful = 1, powerful = 2; somewhat powerful = 3, and not powerful = 4.

Table 5
Direct and Indirect Roles in Selecting an Agency[†]

| | <i>Users</i> % <i>n</i> =200 | <i>Buyers</i> % <i>n</i> =114 | <i>Influencers</i> % <i>n</i> =238 | <i>Deciders</i> % <i>n</i> =212 | <i>Gatekeepers</i> % <i>n</i> =109 |
|--------------|------------------------------------|-------------------------------------|------------------------------------------|---------------------------------------|------------------------------------------|
| Top managers | 6 | 11 | 14 | 68 | 14 |
| Marketing | 25 | 39 | 25 | 19 | 24 |
| Finance | 8 | 11 | 14 | 2 | 6 |
| Salesforce | 31 | 16 | 17 | 2 | 20 |
| PR | 17 | 19 | 17 | 5 | 24 |
| R&D | 14 | 4 | 13 | 3 | 12 |
| <i>Total</i> | 100 | 100 | 100 | 100 | 100 |

[†] Multiple responses.

tion of the decision-making process, and agency power is weakest in bottom-up processes.

Table 5 shows the direct and indirect roles in selecting an agency according to job functions. Respondents were asked who participates in the various aspects of selecting the agency at what stage. The functional areas covered were top managers, marketing, finance, the salesforce, PR, and R&D. These areas were then linked to Webster and Wind's (1972) well-known buying center roles. Users, those most easily identified by agencies, proved to be predominantly the salesforce (31%), marketers (25%), and PR (17%). Top managers were surprisingly insignificant as users, with only 6% of citations. Buyers, the people

formally empowered to negotiate with the agency, proved to be mainly marketers (39%) and PR (19%), closely followed by the salesforce (16%). Influencers were primarily marketers (25%), with the salesforce and PR next with 17% each. The people who formally or informally determined the final selection of the agency, deciders, were overwhelmingly top managers (68%), followed by marketers (19%), with all other functional areas having little impact here. Gatekeepers, those either negatively (e.g., restricting access) or positively influencing the flows of information in agency selection, were largely seen to be marketers and PR, both with 24%, followed by the salesforce with 20%. These findings are more or less

similar to those of West and Paliwoda's (1996) research, except that top managers were not viewed as buyers and influencers but predominantly as deciders by Chinese firms.

Discussion

Two hypotheses and one research question were offered here. The first hypothesis examined agency influence depending on the stage of task, the second the level of agency power by the direction of the decision-making process, and the research question looked at the diffusion of the client buying center for agency services. Looking at the specific hypotheses, H1 is rejected; agency power and influence were not greatest at the new task stage. It was expected that agencies would have greatest influence at the new task stage when risk is at its highest, but the differences with other stages were not statistically significant. This finding is not completely surprising, because research findings in developed countries also show that advertising agencies are not able to dominate the campaign development process. Furthermore, advertising agencies in China are not as specialized as their counterparts in developed countries (Wang 1996). Many Chinese firms think that they understand the market and their customers better than advertising agencies do. Consequently, Chinese clients tend to dominate the campaign development process while advertising agencies mainly perform the technical tasks. Finally, a new task can be when either the agency is new to the client or the task is totally different than previously. In both cases, the Chinese client does not appear to be confident in the ability of the agency to develop a successful advertising campaign.

The results show that agency power is different among the four types of management structure, though the influence of agencies is generally not very strong. This finding is consistent with previous findings that advertising agencies generally do not dominate the campaign development process (Hotz, Ryans, and Shankln 1982). Hypothesis 2, that agency power would be weakest in bottom-up processes, is supported by the findings. This result is contrary to the findings of West and Paliwoda (1996). The plausible explanation is that, in developed countries, a top-down structure is too rigid to allow managers at lower levels to interact with advertising agencies and thus reduces the influence of agencies. Nevertheless, enterprise reforms in China since the early 1980s have delegated great autonomy to Chinese firms in their daily operations, and company directors are supposed to be responsible for the performance (Deng and Dart 1999).

As far as the roles of managers in different functional areas in selecting an agency is concerned, most surprising of all was that the deciders are overwhelmingly top managers, whereas managers at lower levels in other functional areas play other roles, such as users, buyers, gatekeepers, and influencers. This is consistent with the finding that, in the top-down approach, agencies are more powerful.

These overall results reveal that China's top managers are responsible for most major advertising decisions ranging from agency selection to campaign planning. This is different from the situation in developed countries where advertising decision power within firms is generally delegated to managers at lower levels. This may be explained by the infancy of the Chinese advertising business and the lack of formalization of management styles.

Recommendations and Conclusion

This study has examined the organizational buying process and its application to advertisers buying advertising agency services in China from an organizational decision-making perspective. The results show that the relationships between advertising clients and advertising agencies are different than those in developed countries. These findings are of particular interest to advertising agencies currently operating in (or interested in entering) the Chinese advertising market, because China will further open service markets (as a requirement for entry into the World Trade Organization), including the advertising sector.

Agencies trying to bid for a contract with Chinese clients should not adjust their relationship strategies with clients according to the nature of the tasks at hand. Instead, agencies should try to influence the deciders within their client firms. Chinese top managers are the most important decision makers in campaign planning, as well as in advertising agency selection, with marketing personnel second. So advertising agencies should focus their marketing efforts on top managers but for prudence also recognize the importance of Chinese marketing departments because they play crucial roles as influencers, buyers, and gatekeepers.

Agencies faced with a top-down client campaign planning process should seek ways to let their word be heard by the top management. Even in the bottom-up situation, in which advertising campaign planning is initiated by managers at lower levels, agencies still must establish a good relationship with top management for their sanction. In China, important advertising decisions are normally made by top management; thus, the strategy of marketing directly

to top managers will increase the chance for an agency to be selected and enhance its power in campaign development. However, further research is needed into the impact of the decision-making process on advertising agent-client relationships. Johnston and Lewin (1996), in their integrated model of organizational buying behavior, include the additional construct of "decision rules," that is, formalized decision-making guidelines versus "decide-as-you-go" approaches. It seems that the decision process in China during the transitional period can be described as the latter. Nevertheless, this study does not directly address this issue, and the evidence is limited. The effect of such client decision rules on the advertising agent-client relationship in China is worthy of exploration.

Finally, communicating effectively with different groups of the buying center within client firms is an important issue. As indicated previously, this study identifies two important groups: top management and the marketing department. Communications with these two groups in China should be emphasized from the initiating pitches to the final campaign development. In Western countries, these would be straightforward groups to reach directly by personal contact, the telephone, or agency newsletter. In China, however, it may not be so simple. Marketing is a relatively new function in China, so marketing procedures are less formalized. On the contrary, personal relationships (i.e., *guanxi*) in China are established through various informal channels, such as the introduction by friends and managers of other client firms that have a close relationship with the targeted client firms. Consequently, word of mouth is an important communication channel through which the message can reach the buying center of client firms more effectively. Therefore, agencies should use local partners to identify various parties within the Chinese firm, patiently establish their reputation, and use their existing clients as references to promote their services.

Although organizational buying theory has seen applications in Western countries, its applicability in the context of an emerging market economy such as China is relatively unknown. China, due to its political, economic, and social history, is perhaps one of the most confused parts of the world in terms of advertising. The result of this confused history is that it is very difficult to understand relationships in the Chinese advertising industry. This article has thrown some light on the relationship by providing new data and findings on the Chinese advertising business.

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