

Research article

Marketing Challenges and Advertising Partner Selection: Exploring Advertiser-Agency Relationships in the Danish Media Industry

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Abstract:

Purpose: Agencies traditionally play the role of intermediaries between advertisers and media. Digital innovations and the rise of media platforms created multiple new channels to reach audiences and therefore provided opportunities and challenges for advertisers. In this research we map out advertisers' marketing-related challenges and explore how these challenges influence agency partner selection.

Methodology: Our study is based on a survey of 146 larger Danish advertisers, using a combination of open and closed questions. An inductive thematic analysis resulted in the identification of 13 different marketing challenges, that we linked to the use of different types of agencies. Closed questions were aimed at identifying for example whether advertisers aim for more in-sourcing, or out-sourcing of marketing activities to agencies.

Findings/Contribution: This research firstly reveals the challenges of advertisers in today's media market. Secondly, we discuss how agencies adopted new business models to answer different needs of their clients. Thirdly, the findings suggest that almost all surveyed advertisers use multiple agencies to solve their marketing challenges but prefer to maintain control over these agencies. The findings update what we know about marketing challenges for advertisers and suggest an altered academic perspective on the complexity around agency selection, and the role of the advertising agency.

Keywords: Advertisers; Advertising Agencies; Danish Media; Digital Agencies; Marketing Challenges; Media Agencies; Media Management

1. Introduction

Traditionally, the media market has been considered two-sided (Doyle, 2013; Barwise & Picard, 2015). Media provide content to audiences, and sell advertisement space, time, and attention to

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advertisers, in order to finance content production and generate income (von Rimsha, 2016; Wellbrock, 2016). Technological changes, including the emergence of web 2.0 and web 3.0, have transformed the media industry and consequently the advertising model (Fuchs, 2017; Küng 2008; Salamzadeh et al, 2019). Not only content provision is affected, but also advertising. The internet and online advertising have thus led to a new advertising paradigm (Perez-Latre 2007; Bugge 2009; Sinclair & Wilken 2009; Vernuccio & Ceccotti 2015). In this new paradigm, a digital advertising landscape has risen, and actors like Google and Facebook have been instrumental in disrupting the previous advertisement paradigm (Klopfenstein 2011; Young 2014). Some suggest that the efficiency of advertising is declining and has since the introduction of the internet been historically low (Cheong, De Gregorio & Kim 2014). In addition, the rise of a new digital media landscape increases complexity and uncertainty for advertisers, as they search for ways to understand advertising effectiveness in the new paradigm (Leeflang et al. 2014; Tolvanen, Olkkonen, & Luoma-aho 2013). Given these developments, the marketing challenges faced by advertisers have evolved from having mainly to do with understanding customers, to understanding and dealing with new technologies. Yet, contemporary marketing challenges for advertisers are only partially documented in academic literature. In particular, the role of agencies and the relationship between advertisers and agencies, remains largely unexplored in academic literature.

Agencies are the third type of actor in the media market. Advertisers wish to promote a product, service, or idea, typically in order to motivate consumption. Advertisers employ agencies for the development and production of the advertisement, and they employ media for exposing an audience to their message, as illustrated in Table 1. Sometimes advertisers deal directly with media, sometimes they do this through the agency. These three actors compose the institutional structure of the advertising industry (Arzaghi et al. 2012; Horsky 2006; Lynch 2019).

Table 1. Main actors in advertising ecosystem

| | |
|--------------------|---|
| Advertisers | Advertisers are the organizations, corporates, enterprises or any identity that pay money to promote their service, product, idea, brand and proposed value |
| Agencies | Hired by advertisers to develop the creative strategy and/or produce advertising content to broadcast, publish and share with media. |
| Media | Hired by advertisers to develop the creative strategy and/or produce advertising content to broadcast, publish and share with media. |

In recent years, we have seen the emergence of various new types of more specialized agencies, and the advertiser-agency relationship has changed (Taylor, 2017). In this paper, we argue that this is the result of a new set of marketing challenges, which have emerged thanks to digitalization and technological trends. Although existing literature in general terms recognizes the challenges posed by the new online environment, we have failed to identify any recent studies identifying these challenges from the perspective of advertising executives. There is also little academic literature exploring the relationship between advertiser and agency in the digital era. Our research purpose is therefore to uncover (1) what marketing challenges are perceived by such executives today, (2) how advertisers use agency partners, and (3) how the challenges influence the choice of agency partner.

2. Marketing Challenges and the Role of Agencies

In this section, we briefly outline the main marketing challenges identified in academic literature since the introduction of the internet in the mid-1990s. A summary of this discussion can be found in Table 2. We then introduce the literature on advertisers and their selection of agencies and media. We define a marketing challenge as an obstacle or difficulty that affects the efficiency of marketing operations. Such marketing challenges can be roughly divided into those stemming from the internal environment, external environment, or a combination of both. Marketing challenges are intimately

linked to changes to the business environment within which the firm operates. As advertisement often takes place via media, technological changes affecting advertising often stem from the media industry. In turn, wider technological trends affect the media industry. For example, new media devices, such as smartphones, tablets, or smart TVs, have affected media distribution, which in turn affects advertisement opportunities and success (Jensen & Sund, 2018; Rawolle & Hess, 2000).

In order to adapt to opportunities and threats linked to such new devices, all actors, including traditional media and advertisers, must revise their business models to continue to capture value from advertisement (Jensen & Sund, 2017; Picard, 2000). Whether a given advertiser is successful at such adaptation depends largely on how they manage associated marketing challenges, both internal to the organization, and external. It is these challenges we aim to explore in this paper.

Table 2. Generic marketing challenges identified in existing literature.

| Marketing-related challenge | Examples of references |
|---|--|
| Making strategic choices | Dev and Olsen 2000; Hughes 2003 |
| Developing new capabilities | Hughes 2003; Grönroos 1999; Dev and Olsen 2000; Colbert 2009; Vernuccio & Ceccotti 2015; Leeflang et al. 2014 |
| Finding the appropriate organisational design | Aaker 2010; Rangaswamy & Van Bruggen 2005; Alajoutsijarvi, Mannermaa and Tikkanen 2000; Hughes 2003; Grönroos 1999; Leeflang et al. 2014 |
| Determining the optimal media mix | Rangaswamy & Van Bruggen 2005; Vernuccio and Ceccotti 2015; Leeflang et al. 2014 |
| Sensing opportunities | Dev & Olsen 2000 |
| Understanding customers | Rangaswamy & Van Bruggen 2005; Hughes 2003; Dev & Olsen 2000; Colbert 2009; Vernuccio & Ceccotti 2015 |
| Brand performance | Aaker 2010; Colbert 2009; Leeflang et al. 2014 |
| Determining the appropriate distribution channels | Dev and Olsen 2000; Rangaswamy & Van Bruggen 2005 |

Internal challenges identified in existing studies fall into three clusters. The first cluster has to do with making strategic business model choices. For example, Dev and Olsen (2000) report how a travel-marketing think tank of 45 experts identified commoditization, diminishing brand loyalty, and high employee turnover as symptoms of the need to revisit the business model. This marketing challenge implicates the need to address the corporate strategy of the advertiser, not just the marketing department (Dev & Olsen 2000; Hughes 2003). Hughes (2003) discusses this in the context of e-banking, which challenged retail banks at the start of the new millennium, as they struggled to accommodate new online business models in their existing organizational structures.

A second cluster has to do with capability development. This cluster addresses continuous technological innovations within marketing and the corresponding capabilities required (Hughes 2003; Grönroos 1999; Vernuccio & Ceccotti 2015; Leeflang et al. 2014). For example, in a study involving almost 800 marketing executives, Leeflang, Verhoef, Dahlström and Freundt (2014) identified an increasing talent gap in analytical marketing capabilities within firms. Other capabilities needing to be developed are those related to keeping control of and capitalizing on opportunities within technology and IT (Dev & Olsen 2000; Colbert 2009).

A third cluster of internal challenges has to do with adopting appropriate organizational designs. Dimensions of organizational design include structure, incentives, collaboration, and power (Aaker 2010; Rangaswamy and Van Bruggen 2005; Alajoutsijärvi, Mannermaa, & Tikkanen 2000; Hughes 2003; Grönroos 1999; Leeflang et al. 2014). For example, Hughes (2003) found that retail banks responded to e-commerce by developing e-banking solutions, but also new organizational divisions to handle these solutions. There is a growing literature on incumbent business model innovation that discusses the tensions that emerge when adapting to new business models (Egfford & Sund, 2020; Sund, Bogers, Villarroel, & Foss, 2016; Sund, Villarroel, & Bogers, 2014). A classical organizational challenge also lies in the coordination between marketing and other departments, for example during product development, which often results in tensions (Leeflang et al. 2014).

External marketing challenges can similarly be divided into three clusters. The first is focused on understanding customers and the service requirements in a constantly changing environment (Rangaswamy & Van Bruggen 2005; Hughes 2003; Dev & Olsen 2000; Colbert 2009; Vernuccio & Ceccotti 2015). This is in many ways the classical problem of marketing. Customer needs and behavior changes over time. As Dev and Olsen (2000) explain in the context of the hospitality sector, “hospitality marketers need to learn more about who customers are, why they buy, what they buy, and what motivates them to buy” (p.43).

The second cluster of external marketing challenges is brand performance, i.e. the vitality, performance, differentiation, and positioning of the brand portfolio (Aaker 2010; Colbert 2009; Leeflang et al. 2014). Leeflang, Verhoef, Dahlström and Freundt (2014) found that marketing executives are concerned with the effects of social media on customer behaviors, such as customer loyalty. New media challenge old branding activities and require the development of new metrics (Jensen & Sund, 2018). The third cluster is appropriate distribution and is focused on the optimal distribution strategy in a constantly changing environment (Dev & Olsen 2000; Rangaswamy & Van Bruggen 2005). For example, new digital sales channels have multiplied the number of possible distribution channels for many firms, adding complexity and the need to reach more audiences, on more communication channels (Dev & Olsen 2000).

Some challenges are more difficult to define as either external or internal, combining elements of both. One example of such challenges are those related to finding the optimal media mix, i.e. determining the best resource allocation to different media within the media mix (Rangaswamy & Van Bruggen 2005; Leeflang et al. 2014; Vernuccio & Ceccotti 2015). A new typology for media has emerged with the rise of the digital media landscape (Jensen and Sund 2017). The typology falls into three categories: paid media, owned media, and earned media (Corcoran 2009; Goodall 2009). Paid media, or traditional advertising, are activities where advertisers pay for advertising space, as with traditional media. Owned media refers to activity that advertisers generate in channels they control themselves, such as company websites or retail stores. Earned media refers to media activities generated by other entities, for example by word of mouth among customers. Media mix optimization has become much more complex than simply choosing between “bricks” and “clicks” (Gulati & Garino 2000).

A final set of challenges have to do with sensing opportunities (Dev and Olsen 2000). Early awareness of future technological innovations is a precursor to early exploitation of such innovations (Jensen & Sund 2017). There is an emerging literature within strategic management focused on the importance of developing sensing capabilities, defined as the ability to scan and monitor changes in operating environments and identifying new opportunities (Ellonen, Wikström, & Jantunen, 2009; Teece 2007). For example, the recent growth in programmatic advertising seen in streaming services and on social media represents an opportunity for much more accurate targeting, yet challenges the existing business models of advertisers, as they need to develop more targeted content, and more precise analysis (Jensen and Sund 2018). The ability to identify such technological trends in a systematic way, is associated with more long-term business success (Teece, 2007).

A steady stream of technological innovations and a digital convergence have affected the media industry over the past 20 years (Küng 2008). New devices such as smart phones or tablets, as well as web applications such as search engines, social media platforms, internet-rating sites, or YouTube, are now an integral part of the marketing landscape. Consequently, a range of new marketing constructs, like e-commerce, relationship marketing, and multichannel marketing, have been introduced (Hughes 2003; Grönroos 1999; Rangaswamy & Van Bruggen 2005). As the number of internet users has increased, to the point of the internet becoming ubiquitous, online marketing has moved from the periphery to the core for marketing and advertisers (Edelman 2007). Understanding the contribution of these innovations to advertising efficiency is a grand challenge for advertisers, especially since the evolution of innovations appears to be outpacing organizational learning capabilities (Cheong, De Gregorio & Kim 2014; Grönroos 1999).

Advertising agencies have historically played an important role in supporting advertisers, providing capabilities that advertisers may lack (Beard, 1996). Agencies are thus key actors in helping advertisers address marketing challenges. For advertisers, the usage of agency services is comparable to a traditional “make-or-buy” decision (Horsky 2006). The same marketing capabilities can either be developed in-house by advertisers or provided externally by agencies. The outsourcing or insourcing decision of marketing services depends on the one hand on a comparison of transaction and administrative costs. Where working with an agency represents higher costs than doing things internally, the internal solution will be preferred. On the other hand, the decision may relate to a wider concern about the contribution from agencies in the value creation process. The reason advertisers develop in-house capabilities is to reduce cost, increase control, and improve coordination of activities (Belch & Belch 2004). The primary reason for outsourcing is improved value creation via improved skills and capabilities in performing the marketing service (Horsky 2006; Knuth 2013)

Historically, the advertising agency has been seen as instrumental to the value creation process with advertisers (Arzaghi et al. 2012; Horsky 2006; Eagle & Kitchen 2000; Farmer 2015). An advertising agency is a “firm that specializes in the creation, production, and/or placement of the communications message and that may provide other services to facilitate the marketing and promotions process” (Belch & Belch 2004: 69). Up until the 1980s, advertising agencies typically were full-service, i.e. providing all the services relevant to advertisers. The increased fragmentation and complexity of the media landscape unbundled media buying from the advertising agency. Media buying departments transformed into independent media buying agencies and advertising agencies turned from “full-service-agencies” to “creative-agencies” (Horsky 2006; Belch & Belch 2004). Over the past two decades, media buying agencies have continued their development and changed from only buying traditional media to offering more advanced consultancy services in marketing, with a focus on digital media (Jensen & Sund 2018). As part of the new digital media landscape, a range of digital specialist agencies have also emerged as new actors within the agency world (Soberman 2009; Nabout et al. 2012; Vernuccio & Ceccotti 2015).

From the above, we identify three historical stages in the selection of agency partners for advertisers. In the first and original phase, we found the full-service advertising agency. In the second phase, a two-agency model emerged with “media” and “creative” as separate components of the value creation process. In the current third phase, additional digital agency actors are involved in the value creation process. The timing of the evolution from phase one to phase two depends on the specific market. For the Danish market, we would argue it was in the beginning of the 1990s in connection with the introduction of the peplemeter system for the measurement of TV-viewing (Jensen & Sund, 2017). The transition to the current third phase emerged in the second half of the 2000s, coinciding with the entrance of new digital actors like Google, YouTube, and Facebook, and the emergence of social media advertising (Lee & Lau 2018). During the three phases, the agency landscape has become more fragmented and heterogeneous. Originally, the creative advertising agency was the preferred partner or “lead agency” for advertisers, but with digital capabilities as a core competence, this is shifting towards more digital specialist agencies (Edelman 2007)

We conclude this section by reflecting briefly on the role of media. The purpose of an advertiser-funded media organization “is to provide an environment for the firm’s (i.e. advertiser’s) marketing communications message,” and the “primary objective is to sell itself as a way for companies (i.e. advertisers) to reach their target markets with their messages effectively” (Belch & Belch 2004: 70). The role of media organizations for advertisers in the value creation process implies reach of target audiences. Other factors, like marketing and brand management capabilities within media owners, have also been found to influence the role in the value creation process (Wirtz, Pelz & Ullrich 2011; Sommer & Marty 2015). Historically, the expectations of advertisers regarding media focused on reach and enhanced sales. With the rise of the digital media landscape, additional expectations, like engagement, recommendation, measurability and innovative service, have emerged. Future expectations may include more long-term relationships and a more customized and flexible dialogue (Tolvanen, Olkkonen & Luoma-aho 2013), but what exact marketing challenges need to be solved today, and what role both agencies and media play in solving these challenges, has not been explored in any recent studies. Given the speed with which the industry is evolving, gaining an up-to-date insight into these questions will help researchers better understand dynamics of this industry.

3. Materials and Methods

The purpose of our study was to identify the current perceived marketing challenges advertisers face and the key partners they identify in the value creation process. Given that marketing decisions, including partner selection, are based on marketing executives’ subjective perceptions, rather than an objective reality, it is these perceptions that we wished to capture. To create as exhaustive a list of marketing challenges as possible, we surveyed a large group of advertisers. The respondents in the survey were the “marketing responsible”. These were respondents identified as being responsible for the advertising and marketing budget within their organization. The assumption is that they have a central position in assessing the marketing challenges for their organization and have knowledge of which agencies and media are vital in resolving the challenges. The respondents all worked for advertisers in the Danish media market. This market is characterized by a relative high ad expenditure per capita and a high broadband penetration. The latter creates sophisticated digital media consumption. Finally, the media expenditure has a relatively high share of print advertising and a corresponding lower share of television advertising.

In order to reach these executives, we collaborated with MyResearch, a Danish agency research company specializing in quantitative studies of advertisers and agencies in the Danish market. They conduct a yearly image survey among Chief Marketing Officers. This survey has been conducted since 2008 and is well known by respondents, who subsequently get access to results through a report made available by MyResearch. Of the 704 respondents who took part in the image survey, 430 accepted that they would be approached for the subsequent survey analyzed in this paper. They were approached via their email address, held by MyResearch, and 146 respondents completed the

questionnaire. Consequently, the response rate was an impressive 34%. This can be explained by the fact that the yearly survey is well known by respondents, and that they had pre-agreed to fill in the survey.

The methodology was inductive, and we therefore started with an open question aimed at eliciting the biggest perceived marketing challenge for the advertiser (“What is the biggest marketing challenge that your company faces?”). We followed up with a closed question asking for the type of agency best at solving the biggest marketing challenge (“Which type of agency is best in helping to resolve the biggest marketing challenge that your company faces?”). In defining the various types of agencies, we used a local yearly financial report, “Bureau rapporten,” published by the trade magazine “Bureaubiz”. It provides an overview of 250+ agencies in the Danish marketplace. It categorizes the agency landscape into six different types of agencies: creative, media, digital, PR, direct marketing, and design (see Table 3). The typology groups the agencies after their core specialist competencies. Creative agencies are specialized within creativity. Media agencies are specialized within media. Digital agencies are specialized within different digital marketing services. PR agencies are specialized within public relation. Direct marketing agencies are specialized within response marketing. Finally, design agencies are specialized within designs. Some agencies have multiple specializations.

Table 3. Agency typology

| | |
|--------------------------------|---|
| Creative agency | Focus on the creative side of campaigns, such as visual identity |
| Media agency | Specialized in planning and buying of media insertions |
| Digital agency | Specialized within different digital marketing services, such as search optimization and social media |
| PR agency | Specialized in public relations |
| Direct marketing agency | Focus on the optimization of response, such as direct mailings |
| Design agency | Focus on design elements, such as packaging |

Finally, we included a question to address which type of media is best at resolving the biggest marketing challenge (“Which media is best in helping to resolve the biggest marketing challenge that your company faces?”). Based on a report from the Danish agency association “Kreativitet & Kommunikation” on media expenditure, the different types of media respondents could choose from were TV, other traditional media besides TV, Google, Facebook, display/banner advertising, and other media. The questionnaire also addressed advertisers’ way of working with agencies (insourcing/outourcing, one or multiple agencies) plus advertiser characteristics (marketing budget and organizational marketing structure).

The sample is likely to over-represent medium and larger advertisers. According to MyResearch, smaller advertisers tend to focus on a specific local market, and thus, smaller advertisers may contain a disproportionate number of traditional retailers. Larger advertisers tend to have a national scope and are represented across all categories. Furthermore, larger advertisers tend to work with more agencies. Consequently, the sample is not representative of small advertisers, but somewhat representative of large and medium-sized advertisers from the Danish market, who focus on national advertising and are used to working with several types of agencies. The survey was conducted over a one-month period. Two reminder mails were sent to non-reacting respondents. The first was sent after one week, and the second after two weeks.

To increase reliability, the two authors independently coded responses to the open question. Following this, each code was compared and discussed. In some cases, the response was very short, like “digital”. To categorize this sort of response, the two coders discussed, interpreted, and decided the categorization of the specific marketing challenge. A respondent’s marketing challenge could be

grouped into multiple categories. An example of this is "user journeys and data gathering" where the response was coded as both the marketing challenge "customer journey" and "data".

We then grouped challenges into internal, external, or mixed, to facilitate comparison with challenges we had identified in existing literature. The method of joint coding we used to code issues as internal, external, or both, eliminated the possibility to measure interrater reliability. However, in an extension to the analysis we asked three colleagues without any involvement in the research project to code the issues independently. We then tested interrater reliability pairwise using Cohen's Kappa, calculated for 4 categories: internal, external, mixed, or missing, which was a category used when the answer of the respondent was unclear or there was no response. Measures of Cohen's Kappa were between .179 and .476, indicating slight to moderate interrater reliability (95% CI, $p < .0005$). We had hoped for higher agreement, but none of the three colleagues were experts in the media industry, or the field of marketing, so we took this result as a very rough indication that it was possible to categorize challenges as we had done.

4. Results

In total, 187 responses (from 139 respondents since seven out of the 146 respondents did not respond to the question with a specific challenge) were clustered into 13 different (but not completely independent) marketing challenges. After the initial clustering was completed, all the responses were checked for their actual belonging to the specific cluster once again. This was done to ensure consistency and to optimize the validity of the clustering of the various marketing challenges. We identified thirteen different generic marketing challenges for advertisers, based on our coding: media mix, technology, communication, capabilities, organizational design, branding, customer journey, resource constraints, social media, segments, data, globalization, and product development. These are found in Table 4 and are briefly discussed in the first subsection below. Findings concerning the use of agencies are subsequently discussed in the second subsection.

4.1. Marketing challenges

The first challenge we identified was to do with the media mix. The challenge is about determining the optimal media mix in a changing and more fragmented media landscape. It includes the allocation of resources across owned, paid, and earned media, plus digital marketing opportunities and traditional media. Finding the right media mix was the most commonly stated marketing challenge for advertisers in our sample. One respondent wrote that "*with an older target group (60+) we are challenged by the need to have both a big presence offline (flyers, print advertisements) and an increasing expectation of the younger part of the segment to be present online as well, in connection with technical solutions, on all platforms*".

Challenges related to technology were almost as commonly cited. Technology covers developing and successfully implementing an IT-based marketing automation platform. One respondent wrote that their challenge was "*to implement an automated marketing solution and afterwards getting the full rewards in terms of leads*", while another mentioned the challenge of "*data integration and implementing a digital marketing platform*". A related set of challenges, which we nevertheless categorized in its own category, were those concerning data. Data challenges relate to the management of data driven marketing in terms of gathering, enrichment, and conversion into actionable customer knowledge, as well as legal matters.

Table 4. Generic marketing challenges identified in our study.

| Marketing-related challenge | Percentage of respondents ¹ |
|------------------------------|--|
| Managing the media mix | 18.5% |
| Technology | 14.4% |
| Marketing communication | 14.4% |
| Missing capabilities | 13% |
| Organizational design | 13% |
| Branding | 10.3% |
| Mapping the customer journey | 8.9% |
| Resource constraints | 8.2% |
| Social media | 7.5% |
| Segmentation | 7.5% |
| Data driven marketing | 6.2% |
| Globalization | 3.4% |
| Product development | 2.7% |

¹ NB: one respondent may have mentioned several challenges.

Communication challenges were another category, which was about making communication work in terms of increased sales, brand awareness, generation of leads, or customer penetration. A separate, but closely related challenge, was dealing with social media. Social media challenges relate to developing and managing a strategy for social media and content marketing.

Missing capabilities were also mentioned frequently and includes having sufficient capabilities to keep up with development within digital marketing and technology. One respondent mentioned the *“need to update our in-house capabilities so that they match the needs in relation to social media, content and so on”*. Another mentioned the capability to *“manage many channels, digitalization, and content at one time”*. Many respondents appeared to struggle with keeping up with technological developments and identify missing internal capabilities as a stumbling block in this regard. We identified resource constraints as a linked, yet distinct challenge, focused on limited financial and organizational resources compared to complexity and ambitions.

Organizational design was also mentioned, and related to restructuring, power balance, and lack of internal alignment across marketing, sales, IT, markets, and HQ. One respondent mentioned the need to *“secure a quick time to market when we also have to align our strategy, development, and implementation in a large organization with many stakeholders”*. Some respondents who were part of international firms, mentioned the difficulties of coordinating across markets.

Branding was also mentioned. This includes brand management across markets in terms of positioning, performance, equity, and awareness. One respondent mentioned the challenge of managing *“branding of a firm that delivers services to both B2B and B2C (private, public, and business)”*. Another mentioned the need to *“drive footfall in shifts from tactical marketing to a more branded universe – and creating relevant content for this”*.

Customer journey (and customization of this journey) was mentioned in the context of understanding customer behavior when customers are in the market for a product or service and identifying their relevant communication touchpoints. One respondent mentioned, *“our biggest challenge must be the interplay between data-driven marketing towards our existing customers (CRM) and anonymous customers (adspace via programmatic, search etc.), the way we enrich data and increase the probability of a relevant interaction, dialogue or such”*. A related category of challenges was those related to segmentation. Segments relates to the efficient segmentation of markets as well as the determination of the point of differentiation of a relevant target group. A respondent for example

mentioned the challenge of “*establishing an effective contact to the young segments without the use of permissions*”.

A few respondents mentioned challenges that seemed to relate to globalization, typically to do with management and growth across multiple markets. Finally, product development was mentioned only by a few respondents, and is defined as developing and innovating the product portfolio (in mature markets). The six most frequently cited marketing challenges - media mix, technology, communication, missing capabilities, organizational design, and branding - represented 2/3 of all the marketing challenges identified by these Danish advertisers. The challenges we categorized as internal marketing challenges represent 39% of all marketing challenges. Those we categorized as external represent 35% of all marketing challenges. The remaining 26% (media mix, social media, and data) of the marketing challenges we categorized as a combination of external and internal. There thus appears to be a fairly equal spread of internal and external challenges. Almost 2/3 of the marketing challenges identified (media mix, technology, capabilities, organizational design, customer journeys, social media, and data) can be more or less directly linked to recent technological changes or innovations. Technological trends therefore appear to be the most top-of-mind for marketing executives as they deal with a changing environment.

4.2. Advertisers and their choice of agency partners

Advertisers work with at least six different types of agencies in their value creation: digital, creative, media, direct marketing, PR, and design. The most important partner in value creation for advertisers is the digital agency. Twenty-eight percent of the advertisers in our sample state that the digital agency is best at resolving the biggest marketing challenge. The creative agency (23%) and the media agency (14%) are the second and third most important partner for advertisers. These three types of agencies (digital, media, and creative) are the preferred partner in 2/3 (65%) responses (see Table 6). Direct marketing, PR, and design agencies are a key partner in only 7% of the cases. Eleven percent of the respondent's state that an agency other than one of the six types is their key partner. This indicates that the landscape of agency actors is even more heterogeneous than the six agency types mentioned. The variety of agency actors is also supported by the fact that 17% of the respondents replied “don't know” to the question.

Only two of our 146 respondents indicated that they do not use agencies at all, and only three respondents indicated using only one agency. An overwhelming majority thus use more than one agency. A full 77% of the advertisers in our sample coordinate the activities among the different agency types themselves. The remaining 20% either work with a one-stop-shop model (i.e. one agency provides all the services needed (13%)) or appoint one of the agencies to a lead-agency role (i.e. leading the coordination across all type of agencies (7%)). From this pattern, it appears that advertisers dedicate a significant amount of internal resources to managing agency relationships. As we discussed in an earlier section of this paper, there used to be only one type of agency. Today, the market includes multiple agency partners. This evolution leads us to the conclusion that the greater diversity among agencies goes hand in hand with advertisers spending an increasing amount of resources on using and managing agency relationships.

For advertisers, the usage of agency services is a “make-or-buy” decision. One question in the survey addressed the question of whether advertisers intend to do more in-house, or to outsource more. The findings regarding the in-sourcing or out-sourcing of agency services suggest that there are split perceptions of this. This is found in Table 5. However, almost 60% of the advertisers asked indicate that they intend to adjust the balance between in-sourcing and out-sourcing of agencies services, which supports the conclusion that a significant amount of resources is dedicated to managing agency relationships. It suggests that a majority of the executives in our sample see a need to make changes to their current relationship with agencies.

We tried to find correlations between media types and agency types that are best at resolving marketing challenges. However, given the many non-responses for media types, the resulting sample sizes for each cross-tabulated category of agency and media were so low that the results were not statistically significant.

5. Discussion

Our results point in three directions and offer a contribution for theoretical development of this subject in future research efforts. Firstly, we have documented some of the challenges that face advertisers today, confirming that some of the traditional challenges, such as branding, managing the media mix, or missing capabilities, continue to be relevant. Nonetheless, this survey also uncovered a range of new challenges linked to social media, data-driven marketing, and in general technology. What these new challenges mean for the relationship between advertisers and agencies remains an under-researched theme (Leefflang et al, 2014; Taylor, 2017).

Secondly, and not surprisingly, agencies have followed their clients into the digital age, adapting their own business models from serving only the traditional market, to embracing multi-channel communication and multi-platform strategies (Edelman 2007; Kassaye, 1997). We also found that there are multiple different types of agencies in today's advertising market. For this reason, the decision tree of advertisers is becoming more and more complicated and heterogeneous. With a single type of agency, the advertiser faces a simple make-or-buy decision. With two agency types, Horsky (2006) identifies eight specific decisions since it is a make or buy decision for both the advertising and the media-buying agency. In today's market, the complexity for advertisers has grown even more.

Thirdly, we found that different agencies are preferred for solving different challenges. Heo and Sutherland (2015) report that advertiser–agency relationships are shorter in duration than in the past. Our results cast a light on this issue. We found that today, most larger advertisers prefer to employ multiple agencies and agency types, rather than look for a one-stop-shop. Whilst this suggests a greater outsourcing in general, the management of these agencies remains internal. Advertisers gain in negotiation power and retain control by coordinating the multiple agencies themselves. This setup makes it easier to hire and fire agencies, perhaps explaining the observations of Heo and Sutherland (2015).

6. Conclusions

In this paper, we have begun exploring the under-researched area of advertiser–agency relationships in the digital era (Taylor, 2017). We document how this relationship may be linked to a widening set of marketing challenges due to digitalization. We also document how the agency landscape has changed to include more types of specialized agencies. Advertisers today outsource a wide range of marketing-related activities to agencies, but seem to keep control through internal coordination, perhaps diminishing the negotiation power of agencies, and leading to shorter relationships (Heo & Sutherland, 2015).

Through a survey of 146 Danish advertisers, we inductively identified key contemporary marketing challenges and linked these to the choice of agency and media partners. We found that most of the identified marketing challenges are internal and emerge from recent technological innovations. Key agency partners in the value creation for the advertisers we surveyed are somewhat different from what the academic literature suggests. Historically, the advertising agency has been instrumental in the value creation process (Arzaghi et al. 2012; Horsky 2006; Eagle & Kitchen 2000; Farmer 2015). We found that today, advertisers select between at least six different types of agencies in their value creation: creative, media, digital, PR, design, and direct marketing agencies. We also found that almost all advertisers we surveyed employ multiple agencies and agency types in solving

their marketing challenges. Only a small minority use a one-stop-shop solution, most preferring to coordinate agency work themselves. Advertisers are thus investing in building their own digital capabilities. Given the above findings, we suggest a need to re-examine what we know about the advertising ecosystem, not just in terms of how value is created, but also in how various actors old and new appropriate value in the system. Such a re-examination can help media employing a dual market model as they attempt to attract advertisers (Godes, Ofek, & Sarvary 2009).

6.1. Research Limitations

There are some limitations to this work. Firstly, although the survey method yielded a larger sample and at a lower cost, than an interview-based method would have done, it also limited the quality of the open answers. With a more detailed interview approach the data from each individual respondent would have been richer. Secondly, the authors had no way of triangulating the responses. Thirdly, as previously mentioned, the sample was biased towards larger advertisers, that were more likely to employ agencies.

6.2. Suggestions for future Researches

Future research could examine in more depth how advertisers choose agency partners in the digital era, as well as the new determinants of success of the advertiser-agency relationship (Duhan & Sandvik, 2009). There is mounting evidence that advertising spending alone does not generate higher profits, but only does so when aligned with the advertiser's overall strategic position in the market (McAlister, Srinivasan, Jindal, and Cannella 2016), and when linked to value creation through new product development (Tackx, Rothenberger, & Verdin 2017). What is the role of the agency in this context? Could agency performance help explain advertisement effectiveness? Could advertisers' agency management capabilities? Such questions remain to be explored.

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