

Problems of Advertising Agencies in Peshawar

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Abstract

There is no huge industrial base in Peshawar. Most of the industries are either sick or closed and the operating units look for the short cuts to save most of the advertising cost, and for this reason advertising quality badly gets affected. Analysis of Primary, and secondary data of the study in hand describes the major problems for the advertising agencies in Peshawar which include bad debts, Late payments by the client and involvement of non-professional persons in advertising/publicity business. Such problems have restricted the advertising agencies to hire the services of the creative talent pool in the city, which resulted in the Brain drain of professionals to other parts of the country or to foreign countries. Advertising agencies also face major problem from the various associations, and the regulatory bodies of the trade-In addition to bad debts, and late payments the advertising agencies are also having pressures from clients or advertisers who expect other services free of cost like packaging consultancy, market research, website developments, and assistance at the distribution level which further increases the cost of advertising agencies. All these issues cannot be resolved with one go, but the efforts should be made to address all such problems. The starting points are the reduction of the risks of bad debts, and solve the problem of late payments particularly from government and government funded autonomous and corporate organizations and to increase in the commission rate from 15% to at least 25% for the advertising agencies by the media. The positive growth of advertising agencies and professional development of experts in the field will definitely contribute to the growth of business in Peshawar, which is need of the time to minimize the unemployment in the region.

Keywords: Advertisement, Advertising Agencies, Peshawar, Pakistan

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Introduction

Advertising grew alongside expansion in economy in 19th century. Advertising at that time was commonly in use for mail orders. In 1841, the first advertising business was established by Volney Palmer in Boston. At first advertising business was restricted to selling the newspaper space to the advertisers or clients. It is considered that the first full service agency was N.W Ayer. N.W Ayer was established in 1875 and was located in Philadelphia. It not only sold the space of the newspaper to the clients but also offered creative services to the advertisers (William R. Arnes, 1996).

Studies show that advertising spending has increased dramatically in the recent years. In 2007, spending on advertising has been estimated at over \$ 150 billion in the US and \$ 385 billion worldwide, and the later to exceed \$ 450 billion by 2010. (Huma Z. Mujeeb, 1999).

Robert W. Bly (1999), outlined that the main reason for the increase in spending is its management voice, communication, lower cost of selling, to reach the hidden buying influences, create primary desirability, search out unsuspected prospects, and the opening of new markets.

Advertising Agencies start flourished with the advancement of technology like the advent of Radio, TV Internet and advancement in printing technology. As compared to other business the remuneration of Advertising Agencies are different. Advertising Agencies earn through commission from Media that makes this business more unique and complex. Besides remuneration the organization structure is also complex as compared to Ordinary Corporation and Service Sector.

These differences make the problem of Advertising Agencies also unique and different as compared to other business. Some problems of Advertising Agencies are common and some are unique to this sector in Peshawar. The foremost problem of this sector in Peshawar is the lack of business and Industrialization in Peshawar.

That's why only five accredited Advertising Agencies by all Pakistan Advertising Association (APNS) are in operation in Peshawar out of to 113 in total in Pakistan.

Along with lack of industrialization and the limited advertiser base other factors that make agency business unattractive is the strict regulations from the regulatory bodies that include all Pakistan Advertising Association, the Pakistan Advertising Association and the Media.

The successes of Advertising Agencies are largely if not totally dependent on the sound and solid industrial base. Unfortunately most of the industries in Peshawar are either closed down or sick. The main industrial estate of Peshawar Jamrud Industrial Estate Peshawar is called the graveyard of industries.

(Khokar Shakeel 2007), Great creative comes out of great strategies, commenting on creativity, strategies, and understanding has concluded that:

- The role of agency is to understand the client business and provide its strategic solutions.
- Head of agencies should be thankful to the clients for highlighting problems otherwise due to lack of understanding business will be lost.
- If the agency cannot contribute value and creativity then they should not charge clients.
- The agency must try to ensure the result of each and every rupee spent.

He further argued that some agencies emphasis on the beauty of the ad but it is not necessary that every beautiful commercial should be good creativity, therefore, the agent should have true professionals like good bankers, courteous and caring doctors.

Keeping in view the above mentioned perception on advertising, Advertising Agencies, the role of client, agency and professionals the study in hand is undertaken.

Objectives of the Study

- To understand the problems faced by the agencies due to government policies, unregistered agencies, Medias, and due to regulatory bodies like APNS.
- To analyze the extent of improvement in resolving the problems as compared to past decade.
- To find the possible solutions for the problems of Advertising Agencies in Peshawar.

Scope and Significance of the Study

The study in hand will be a valuable collection of the views, comments, and critiques of advertising and marketing professionals. This study will be a source of information about the Advertising Agencies enlisted in Pakistan, general problems in Pakistan and specific issues in Peshawar.

Limitations of the Study

The research is limited to the specific problems of Advertising Agencies in Peshawar. Though there is use of secondary data, but the primary sources of information i.e. collection of data is based on interviews with clients, Advertising Agency's professionals, media personnel like PTV, ATV, etc., therefore, the study of descriptive in nature, and statistical analysis have not been made.

Population and the Sample Size

There are one hundred and thirteen accredited advertising agencies in Pakistan. Out of these one hundred and thirteen advertising agencies only five are managing its branches in Peshawar, and none accredited advertising agency is Peshawar based.

All these five advertising agencies are selected for this study including some prominent non-accredited like Media Links, Advertising Booking Center (ABC), and Advertising Promotional Services (APS).

Data Collection

Secondary data includes the sources like reference books, publication of advertising agencies like blue book of advertising the yearly publication of Orient Advertising in Pakistan. For data collection the focus is also on the interviews of the professionals in the advertising trade and clients in the advertising magazines and journals like Aurora and Synergizer. Which are the popular advertising magazines of prominent group like Jang Group of Publication in Pakistan.

Websites of the leading advertising and advertisers are also considered for to know about their business organization setups problems, and opportunities. The major source of secondary data also includes the websites of regulatory bodies like all Pakistan Newspaper Society (APNS), and Pakistan Electronic Media Regulatory Authority (PEMRA).

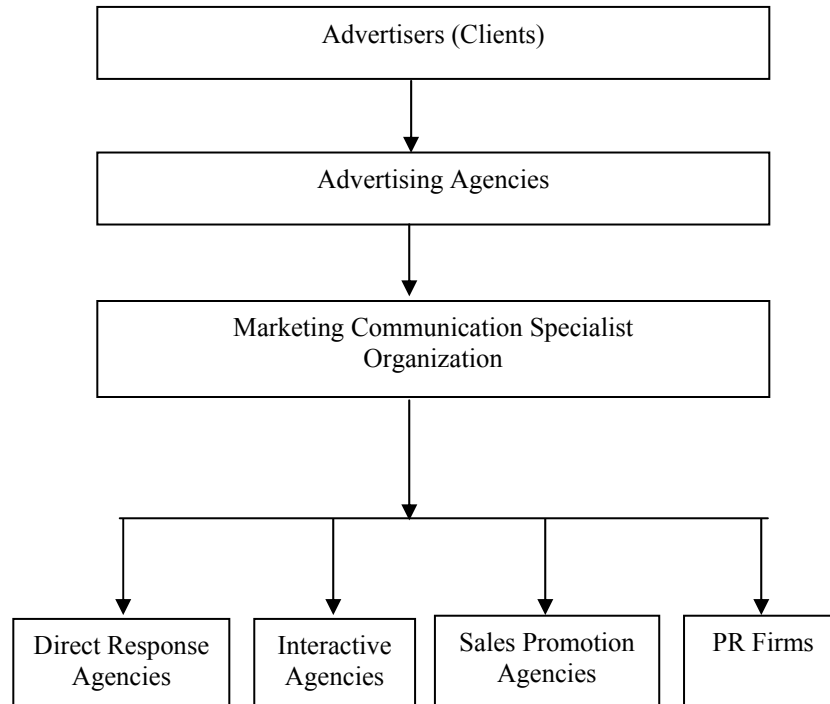
Literature Review

An Advertising Agency is a services business and is dedicated to creating, planning and handling advertising. It is independent from client and provides an outside point of view to the efforts of selling the clients' products or services along with the marketing, Branding, and sales promotion strategies for the clients.

Advertising Agencies vary in size and its minimum is free lancer agency, two person shops and major is like McCann Erickson, Omnicom group, WWP group and Havos etc. Advertising Agencies have artists, writers, Photographers, researchers, media analysts, and other skilled

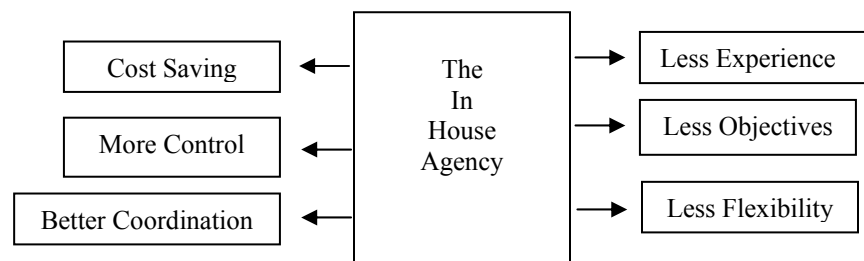
manpower. Geoffray Pracourt (2008), mentioned that the digital revolution is readily reshaping the advertising world by changing consumer interact with the media and advertising. He argues that bold language and ever bolder challenge of driving a new future of advertising project.

Belch and Belch (2003), highlighted the participants in IMC process as:



The researcher has also worked on pros and cons of in house agencies and the problems of related losing agencies, which lead to lose clients due to poor performance, unrealistic demands, personality conflicts of artists, writers and other personnel changes in the agency, payment conflicts and changes in policy.

The model presented by the researcher showing positive and negative aspects of the in house is as under:



There is a continuous debate among the researchers regarding acquiring the services of agencies. Some prefer to hiring the services of other specialists rather than hiring an agency services. While the other argues that most of the business find it easier to use an agency. Those who favor hiring specialist services based their arguments on lost of control, larger client are favored over the smaller client, and problems in media related issues, lack of cost accountability, and instability of the smaller firms. The other group that is in favor of hiring the services of advertising agencies argue that, agencies have in-depth knowledge and skills to execute the cost effective and profitable advertising, agencies are able to coordinate different important marketing and distribution tasks with advertising, can buy time and space cheaply for the clients advertising, and the ability of high caliber people and cost effectiveness.

The biggest problem in Pakistan advertising history is media fragmentation. Shoaib (2007) wrote about Media inflation 'The more the channels Less the viewers' the average Media inflation in Pakistan is 21 %, and industry estimation were 31 % in the year 2007, Shoaib Siddiqui, General Manager Pakistan Continental Biscuits wrote in his article that the four older TV channels (PTV, ARY, Geo, and Indus) have tremendously increased their rates as much as up to 60 %.

According to recent studies, web advertising is different from mass media and is like direct marketing. The web advertising is tactical campaign rather than thematic campaign and the other major difference is the target audience. These studies further identify the following benefits to advertising.

- 24 hours Distribution.
- Track Audience.
- Reduce Lead Time.
- Flexible, and
- Full Message Delivery

John Orr Young, (1948) in the discussion on the role of advertising agencies has certified that, it is easy to create agencies, what counts is the real motive power of the agency, the creative potency.

David Ogilvy (1998) identified four major problems of advertising agencies:

- (i) Focus on price rather than affective ads.
- (ii) Interested in winning awards, instead of selling power in advertising.
- (iii) Economic gain is top priority instead of creativity.
- (iv) Agencies are making same mistakes again and again, that cost a lot of money and loss of the client.

Ogilvy has concluded that clients are hard to get and for retain clients, he identified tips.

Wahenda Javed (2007) argues for keeping minimum customers up to 10 to reduce problems like payment by customers. Because of many clients agencies are just throwing ads to market, and the talents don't stay with agencies and don't learn.

Wasey Ijaz (2007), debated that advertising agencies need to come out of their complacency and start preparing for more hazardous future. He further commented that if one lacks motivation in advertising industry particularly the top tier advertising agencies one is shocked to see how weak is the ground it stands on. Client interference often leads to a drop in motivation level of the creative team at agency and quality of advertising suffers. He further states that today employee's look for advertising career prospect and opportunities for training and developing. Agencies unfortunately do not provide this kind of supportive environment.

Today clients are increasingly asking for the effectiveness in the communication process, customized solutions, innovations, brand benefits and therefore creative agencies need to deepen their understanding of media. Bose Partab (2008), the creative agency in the media world. Riaz Yasir (2008), also moved with proposal to media has to:

- Change the way media is planned and bought.
- Invest in proprietary research, especially in areas where information is lacking, like psychographics.
- Provide training of the day to the staff.
- Move from conventional media planning to communication planning.
- And be transparent.

Advertising Agencies in Peshawar

The numbers of Advertising agencies are proportional to the business in any region of the country. Unfortunately the problems with Industrial and business sector did not permit so far the business of advertising agencies as compared to other provincial capitals of Pakistan.

There are one Hundred and thirteen Accredited advertising agencies in Pakistan. Unfortunately only five of these One Hundred and Thirteen operates its branches in Peshawar. And there is not a single advertising agency which is Peshawar based or having its head office in Peshawar that is accredited by APNS.

Besides Accredited Advertising agencies there are many non accredited advertising business in Peshawar. These non Accredited

agencies face many problems from the regulatory bodies, including APNS, the most important to mention. The Accredited agencies consider these non accredited agencies a major threat for them.

Non Accredited agencies also face many problems unique to them. Like they are not entitled to advertise and run the government advertising. And government sector is the largest advertiser in Peshawar.

There are also Advertising Agencies in Peshawar that is called Limited Services Agencies. Their services are Limited to certain Medias like Billboards, Banners and Flayers to mention few. Apollo being considered the richest in such limited sector agencies that is only limited to Billboards.

There are certain Advertising Services that is also limited to creating and the Creative Process of the advertising and not involved in the execution of the advertising. Such Advertising in Peshawar is common and serving clients that are only interested in running their advertising through cable TV Networks or on the Internet.

Result and Discussion

Problems from the Market itself

The business of advertising will grow with investment and industrialization. But due to the uncertainty from the government side and frequent changes in the policies, people are only interested in investing in property. This investment is considered as dead investment and generally there are no such benefits from such kind of investment like circulation of the capital, employment, and economic development in large.

Bad Debts

Like other sectors advertising agencies also face the problems of Bad Debts. Accredited advertising agencies need to clear their bills of Media within sixty days after running the adverting on behalf of the clients. No matter client is paying within sixty days or not. The Non-Accredited advertising agencies run advertisements for their clients and will have to pay in cash from their own and keep on waiting for realization..

The Creative Process

Behind the success of advertising agencies there are creative people. They are responsible for advertising planning and execution. Creative people are highly demanded people around the world. In other major cities creative jobs in advertising agencies are the highest paid jobs. Unfortunately in Peshawar creative people are not paid according to their work and capabilities. Even in some cases creative personnel are also held responsible for chasing orders and unrelated assignments. On this

created an environment for people look for the opportunities in other cities and countries. Therefore, Brain Drain and Poor Quality of finished advertisements is in practice.

There is no concept of account planning and creative process. The client is generally not motivating the agency in creative process and often reluctant to provide any information relating to sales, profits, past experiences with the advertising and the regulatory bodies.

Conservative Market

Peshawar is one of the most conservative markets of the country and often resists to change. Even though the change may be for good. Advertising agencies in Peshawar are generally using the same tools that are outdated and are no more popular in other advertising agencies of the other cities. Sometimes it is too strange to find such outdated tools in the local branch of advertising agency that has been dropped by the other branches of same agencies in other cities.

To mention the most important tool for the advertising agencies are the advertising software. Around the world Photoshop is now used for designing the advertising. But after five years since other agencies shifted from Corel Draw to Photoshop, most of the advertising agencies including the largest one in Peshawar are still using the coral draw. Being the fact that it is not compatible with different software like illustrator and indesign etc.

The Commission Rate for the Advertising Agencies

Worldwide the commission rate for advertising agencies is fixed that is 15 % of the total billing. This is the only source of advertising agencies that they earned from Media. This fifteen percent is the earning of advertising agencies. Within this advertising agencies are covering all their costs like payrolls, fixed and variable cost. Even though advertising agencies are demanding to increase the commission rate, clients are not even willing to give that even 15 % which is the only source of revenue for advertising agencies. In most of the cases because of the competition advertising agencies are forced to cut their commission to the level of 5 % to 10 %. So in most of the cases advertising agencies are not even getting 15 % commission which is fixed worldwide from the Media for creating and running advertizing for the clients.

Lack of Advertising Research

There is very limited advertising research within and outside advertising agencies. Not even a single advertising agency in Peshawar maintains Research and development section that could be responsible for the

improvement of the whole advertising process. There are world leading research firms with the established offices in Pakistan like Gallup and A.C Nelson. A.C Nelson also maintains its branch office in Peshawar. These research firms' conduct marketing, and advertising research, conduct Media and Demographic studies, but often their reports are so costly that small advertising agencies in Peshawar cannot afford them.

The current Media findings conducted by Gallup are priced for Rs. 1 million that no local agency in Peshawar can easily afford. This is one of the major problems and it results in poor and risky advertising that is only based on the guesswork and may not always achieve its objectives.

No Specific Data

There is no or limited data available to advertising agencies, which can be used to create better advertising. Therefore in most of the cases advertising agencies has to conduct the primary research that is often very expensive and time consuming. Beside this, they don't have any technical and sound analysis procedure to test the advertising before launching to avoid costly mistakes and failures. The data used for cost per thousand, gross rating point, and split run, that is circulation, reach and frequency are often unavailable or ignored by the advertising agencies especially in Peshawar.

Supporting and Facilitating Organizations

For data and support for the advertising agencies there are organizations in Pakistan having their branches in Peshawar. But either their studies are very costly like in the case of Gallup, or may not be trusted by the advertising agencies.

To know about the circulation of the Newspaper, media decisions, there is Audit Bureau of circulation (ABC), but according to the most of the advertising agencies in Peshawar their data is misleading and untrustworthy.

Payments to Media & Suspension of the Advertising Agencies

The advertising business is basically run on credit basis. At least from the client side, but clients or advertisers are not willing to pay unless the advertisement is run.

Problems from the Clients

Besides late payments, advertising agencies also find clients or advertisers to cut their commission rate and interfere in creative process. Advertising agencies in Peshawar especially find the interference from

the government departments in cutting of their commission rate and creative process, which ultimately affect creativity.

Beside this, advertising agencies are also held responsible for the deeds for which they are not responsible. The misprinting or problems or poor printing has nothing to do with the advertising agencies but the clients penalize advertising agencies [for such faults].

Changing of Advertising Agencies

The changing of advertising agencies is very simple, easy and frequent practice for the clients in Pakistan and especially in Peshawar. Though in many cases advertising agencies may render best services to the clients or advertisers, but advertisers may not achieve their objectives because of other non-advertising reasons like poor quality of product, service, distribution problems or mismanagement.

Even though advertising agencies provide to clients best service, change of advertising agencies have been noticed, which has affect of the long creative process, increased research cost and moral of the agency personnel. In some cases the changes in the management of the corporation results in changing of the agencies, without any solid reasons behind.

Media Buying Houses

As most of the advertising budget is consumed by Media, advertisers are more attracted towards the offer of media buying houses that can buy space and time for the advertisers at comparatively lower prices. In this case the advertisers compromise the quality of the finished advertisement. On the other hand advertising agencies face unrealistic competition from a sort of unrelated sector. Some agencies manage to establish the media buying houses. It added to their cost and change of focus.

Availability of Best Media

This problem is not specific to Peshawar. This problem is common almost everywhere in the world. Best Medias that cover most of the market with their message are very expensive. The prominent positions are also not available because of the long-term contracts with the major advertisers like EMAAR group etc.

Media Fragmentation

Compared to availability of best Media, and its prominent positions, Media fragmentation is another major problem for advertising agencies and advertisers. Not long ago client would have reach to the whole

Pakistan market with PTV. Now there are more than forty TV channels and two hundred and ninety five daily weekly and monthly registered publications in Pakistan. This demands high advertising budget and more Media research costs.

Lack of Creative Hot-Shops

Creative hot shops are always considered as the most important facilitating agents for both the clients and advertising agencies. There is not even single creative hot-shop in Peshawar to which advertising agencies could refer for ideas and generation of creative ads, that's one of the most important reason, why advertisers with excellent advertising budgets take their accounts to other cities. Euro Sausages in Peshawar is among one of many.

No Accountability

In the countries like United Kingdom advertising claims are often proved and government authorities take strict action against the Bait and Switch type of advertising. According to one research when twenty-two professions are asked to rate twenty one blamed advertising agents. Only the car dealers were considered as more fraud compared to advertising agents.

One can imagine the respect of advertising agents and agencies in Pakistan where no such regulatory body exists which can weigh the advertising claims. Therefore, a fair deal of Bait and Switch type of advertising practices exists which irritate consumers, clients and advertising agencies and are forced to create such advertisement by the advertisers.

The Lack of Incentive Based System

This problem too is not specific to Peshawar. Incentive based system is the most motivating remuneration system for the advertising agencies. But it is very limited in practice around the world and no advertising agency in Peshawar is getting paid on the incentive based system, but is based on the performance of the advertising in achieving the advertising objectives. In most of the commercial situations the objective are sales, profit and market share.

By Passing of Advertising Agencies by Media

One of the biggest hurdles in the development of the advertising agency business in Peshawar is by passing of advertising agencies by Medias. Media often bypass the advertising agencies and accept the advertising directly from major clients like advertisers. Advertisers are also

interested in such practices as they save 15 % commission for themselves, compromising a lot on the quality of the finished advertisement.

Increasing Media Cost and Media Inflation

Increasing Media costs also add fuel to the fire for advertising agencies and advertisers. Some Medias including the most prominent one has increased their advertising rates by more than 60 % in the last seven years.

This results in limiting the client or advertiser base in the whole country including Peshawar.

The average Media inflation in Pakistan is 21 % and industry estimation were 31 % in the year 2007, Shoaib Siddiqui, General Manager Pakistan Continental Biscuits wrote in his article that the four older TV channels (PTV, ARY, Geo and Indus) have tremendously increased their rates as much as up to 60 %.

Conclusion and Recommendations

Besides many other problems, this study focuses on sixteen major problems of advertising agencies in Peshawar.

Based on primary and secondary data, the major and most alarming problem of advertising agencies in Peshawar is bad debts and delayed payments by the clients. Especially, from the government sector. As the industrial base in Peshawar is limited enough, no advertising agency in Peshawar can ignore the government account. The payments from the clients are always delayed and in the case of government accounts, sometimes it may take even year.

The payment processes are too slow, especially in the case of government accounts and there are more departments involved other than the advertisers in releasing the payments by the government department. The most important to mention is information department.

To resolve this major problem, there is a need of prompt payment to advertising agencies and elimination of other departments in releasing the payments in the case of government accounts. If not possible to full extent, the Media should share the risk with the advertising agencies and the credit period should be extended for different accounts. Media should also help in resolving the major issue of Bad Debts of advertising agencies.

Another issue is the quality of advertising. As advertising agencies lack the resources because of limited clients and industries, these results in advertising agencies with limited resources and

equipments. The result or outcome is the poor quality of finished advertisement, even if the idea is good.

For better creative process, clients like Euro are transferring its account to other cities like Islamabad and Lahore, etc. to resolve this issue advertising agencies in Peshawar, even with the small setup and limited resources can outsource the creative process and execution of the creative process. Some advertising agencies in Peshawar, with the head offices in Karachi also complaint that even their head offices are not fully supporting their regional branches.

There is almost no research in advertising, in Peshawar. Therefore all advertising agencies rely on the guess work and compromising the quality of advertising. To resolve this issue, client should support advertising agencies to conduct research for their accounts. This is also the responsibility of business and advertising schools of the country to facilitate the research in this field.

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