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# The Effects of the viscosity of the client-agency relationship and the agency's expert power on the level of personalization in advertising campaigns

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**The Effects of the Viscidity of the Client-Agency Relationship and the Agency's  
Expert Power on the Level of Personalization in Advertising Campaigns**

by

Svetlana Y. Kirpichenko

A thesis submitted in partial fulfillment of the  
requirements for the degree of Master of Science in the  
School of Print Media in the College of Imaging Arts and Sciences  
of the Rochester Institute of Technology

December 2003

Thesis Advisor: Professor Franziska Frey

School of Print Media  
Rochester Institute of Technology  
Rochester, NY

Certificate of Approval

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Master's Thesis

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This is to certify that the Master's Thesis of

Svetlana Y. Kirpichenko

has been approved by the Thesis Committee as satisfactory  
for the thesis requirement for the Master of Science degree  
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**The Effects of the Viscidity of the Client-Agency Relationship and the Agency's Expert Power on the Level of Personalization in Advertising Campaigns**

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## **Glossary**

**viscosity** – a sticky or adhesive quality; characterized by a glutinous consistency

## **Abstract**

This study examines the effect of the viscosity of the corporate client-advertising agency relationship and of the expert power exercised by the agency on the level of personalization in the resultant print campaign. A phone survey of 250 advertising agencies nationwide provides statistical support to the findings. The results indicate that for those advertising agencies that perform a significant volume of work on a retainer basis, the expert power exercised by the agencies and the level of the viscosity of the relationship between the clients and the agencies are in close correlation to the level of personalization employed by the agencies. This suggests that clients are more likely to request a higher level of personalization if they have enjoyed a long-term relationship with an advertising agency, which has proven its competency over the course of many projects. It also suggests that a manufacturer of the digital color presses would be able to identify advertising agencies that are more likely to employ a high degree of variable data in their workflow. By inquiring if a particular advertising agency does a high volume of retainer-based work and by determining whether the agency regularly shows samples of previous work to its clients, a manufacturer of the digital color presses would be better able to identify prospective technology users. Overall, the proposed model is able to predict with 79% accuracy those advertising agencies that incorporate a high level of personalization in their workflow.

## **Chapter 1**

### **Introduction**

When Variable Data Printing technology was introduced in 1993, it was predicted that the new digital presses would revolutionize the Graphic Arts Communication Industry by dint of their ability to produce short runs, their quick make-readies, their fast turnarounds and their ability to personalize the message. However, mass utilization of Variable Data Printing promised by its inventors has yet to occur.

Several explanations for such poor market response to the new technology have been offered. For example, the high per-copy-price may discourage printing companies from investing in the technology. Also, insufficient client data necessary for personalization of the advertising message may be an obstacle to the selection of Variable Data Printing by account executives. Finally, while it is clear that corporate clients rely on the expertise of advertising agencies, it is not evident which particular type of agency has the most influence on the client's choice of print technology.

This study will concentrate on the corporate client-advertising agency relationship in order to determine whether the viscosity of the client-agency relationship and the level of expert power exercised by the agency have any effect on the level of personalization

employed by the agency. The outcome of the study will offer a better understanding of the client-agency relationship. This, in turn, will help manufacturers of digital color presses to better market the technology.

## **Chapter 2**

### **Review of Literature**

#### **Variable Data Printing**

Variable Data Printing is defined “as the ability to change text, graphics and images based on database settings such as demographics or individual profiles within a print job”.<sup>1</sup> When the technology was first introduced to the public in 1993, the features advertised included short-run capabilities, fast turnaround and virtually no make-ready.<sup>2</sup> In spite of these strengths and the additional allure of one-to-one marketing that Variable Data Printing offers, the technology continues to be under-utilized ten years later. Surveys conducted by WhatTheyThink.com, the leading on-line research firm in the graphic arts industry, reveal that although 46% of print buyers are either very or extremely interested in on-demand printing, only 21% are currently using Variable Data Printing. Earlier studies have suggested several reasons for the poor market response to the technology. Insufficient customer data collection on the part of the client and the high cost per piece of variable-printed publications are the most commonly cited.<sup>3</sup>

The success of any organizational purchasing decision depends heavily on the information available to the decision-makers.<sup>4</sup> Well aware that advertising agencies

represent the information link with corporate clients, manufacturers of digital color presses have targeted agencies. While observing that marketing digital color presses to advertising agencies has proved to be unsuccessful, Smith implies that the expert power of advertising agencies does not play an important role in a client's choice of print technology<sup>5</sup>. However, there is little data presented to support this argument.

Contradicting Smith's study, Brown and Stoops suggest that "expert sources of power may be most effectively used extensively in contractual channels".<sup>6</sup> "Contractual vertical marketing systems are those in which independent firms at different levels integrate their programs on a contractual basis to achieve systemic economies and increased market impact".<sup>7</sup> Brown and Stoops conducted their research in the retail industry where they studied the supplier-retailer relationship. In the corporate client-advertising agency relationship, the above statement could be translated into the following: The advertising agency has a legal agreement with its client to produce a printed piece. The client has the right to make the final decision as to whether or not Variable Data Printing will be used to produce the printed piece. According to Brown and Stoops, in this situation expert power exercised by the advertising agency could have a significant impact on the client's choice of print technology.<sup>8</sup>

Further review of other sources produced no evidence of existing research that addresses the effect of expert power exercised by an advertising agency and the client's resultant choice of print technology.

### **Concept of Power**

Previous studies identify power as the ability of one player to influence the decision-making process, beliefs and behavior of another player.<sup>9</sup> Research on power has been done in two major areas: the concept of power and the influence strategies used to translate power into actual influence.<sup>10</sup> The concept of five interpersonal power types was first introduced by French and Raven in 1959 and concentrated on "mere possession of power".<sup>11</sup> They described reward, coercive, legitimate, referent and expert power.<sup>12</sup> In 1970 Raven and Kruglanski added a sixth power type — informational power.<sup>13</sup>

*Expert power* is based on Person A's perception that Person B has special knowledge or expertise. *Referent power* results when Person A identifies with Person B and wishes to be similar to him. *Legitimate power* comes from Person A's belief that Person B has real authority and Person A is obligated to obey him. *Coercive power* is based on A's belief that B can punish him for disobedience. *Reward power* is based on Person A's ability to provide material or non-material rewards to Person B.<sup>14</sup> *Informational power* is based on A's ability to provide information previously not available to B.<sup>15</sup>



Research on influence strategies is more recent and provides “an important complement to research on power and influence by identifying a variety of influence strategies [...] and drawing attention to their antecedents and consequences”.<sup>16</sup> Frazier and Summers define six influence strategies: request, information exchange, recommendations, promises, threats and legalistic pleas.<sup>17</sup>

*Request strategy* “refers to those situations where the source merely informs the target of the action(s) that it would like the target to take without mentioning or directly implying any specific consequences of the target’s subsequent compliance or noncompliance.” *Information exchange strategy* is defined as the “strategy whereby the source firm’s boundary personnel use discussions on general business issues [...] However, no specific target action is requested or otherwise indicated by the source firm.” *Recommendation strategy* is defined as the “strategy whereby the source firm’s boundary personnel predict that the target firm will be more profitable if the target follows the source’s suggestion regarding some specific action or set of actions.” “Under *promise strategy*, the source firm pledges to provide the target with a specific reward contingent on the target’s compliance with the source’s stated desires.” *Threats strategy* is used, when “the source communicates to the target that it will apply negative sanctions should the target fail to perform the desired action.” *Legalistic strategies* “refer to those situations in which [...] the nature of the formal legal contract and/or informal binding agreements between the parties either requires or suggests that the target perform a certain action”.<sup>18</sup>

Vikantesh, Kohli and Zaltman studied influence strategies in the buying center. They found a positive correlation between the influence strategy and the correspondent type of power. A statistically significant and positive relationship exists between information power and information exchange, expert power and recommendations, reinforcement power and promises and threats, and legitimate power and legalistic strategies. “The one exception relates to the use of request strategy, which was not found to be related to a source’s referent power”.<sup>19</sup> Applying the knowledge gained from the Vikantesh, Kohli and Zaltman study to the corporate client-advertising agency relationship, one might conclude that an advertising agency possessing expert power could use recommendation strategy to suggest that its client would benefit from using one print technology over another.

### **Expert Power**

In his study of bases of power in organizational buying decisions, Thomas discovered that the “key to buying center power is perceived expert power,” and it is more important in the buying decision than any other type of power.<sup>20</sup> Kohli further studied factors that influence behavior in the buying center where “multiple decision participants are included in the purchase decision process to ensure that all product parameters are evaluated during the assessment of the product’s ability to meet an organization’s needs”.<sup>21</sup> The results of Kohli’s study also suggest that expert power is the most effective persuasion tool. In addition, Kohli states that expert power has the greatest effect when exercised on large, viscid groups who are under no scheduling pressures and who are not

subjected to forceful attempts at influencing them.<sup>22</sup> “Viscosity refers to the extent to which the buying center members work together as a team as opposed to being fragmented and hostile toward each other. [...] In highly viscid groups, members work together to make the best possible decision”.<sup>23</sup>

The concept of viscosity is equally applicable to the corporate client-advertising agency relationship. In such cases the client and the agency together constitute the buying center, for it is together that they make decisions regarding the choice of print technology. The longer the relationship between the client and the agency has existed, the more amenable both sides are to working together, and therefore, the more viscid such a relationship is. In other words, the more retainer-based work the agency does for the client, the more likely that the client and agency will act as a team when choosing print technology.

Farrell and Schroder studied the effectiveness of influence strategies that an individual within a purchasing committee brings to bear on other committee members with regard to the selection of an advertising agency. Farrell and Schroder were able to establish a positive correlation between expert power and rational persuasion. It was noted in their study that an individual, pressing others to make a certain decision, “cited several examples of the work that a particular agency had produced.”<sup>24</sup> According to Farrell and Schroder, it is possible to identify whether an individual possesses expert power by inquiring whether or not that individual uses rational persuasion as his chief tactic. In other words, if an advertising agency tends to show samples of previous work when

communicating ideas about a new project, in all likelihood, the agency possesses expert power.<sup>25</sup>

In summary, outcomes of previous studies on the effect of expert power on buying decisions suggest that when exercised by an advertising agency in the low-stakes context of a viscous relationship with a client and when coupled with rational persuasion as a mild tool of influence, expert power should generally be successful at convincing clients to use Variable Data Printing.

## Endnotes for Chapter 2

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## **Chapter 3**

### **Hypothesis**

For advertising agencies that perform a significant portion of their work on a retainer basis, expert power exercised by the agency and the level of the viscosity of the relationship between the agency and the client are in direct correlation to the level of personalization in the resulting advertising campaign.

Positive outcomes of the testing of this hypothesis would suggest that clients are more likely to request a higher level of personalization if they have enjoyed a long-standing relationship with the advertising agency and if the agency has proven its competency through previous projects. A positive outcome would also suggest that manufacturers of digital color presses could use these criteria to identify agencies that are more likely to successfully implement high level of variable data in their workflow. By determining which agencies do a high volume of retainer-based work and regularly show samples of past work to clients, manufacturers would be better able to identify prospective technology users (Figure 1).



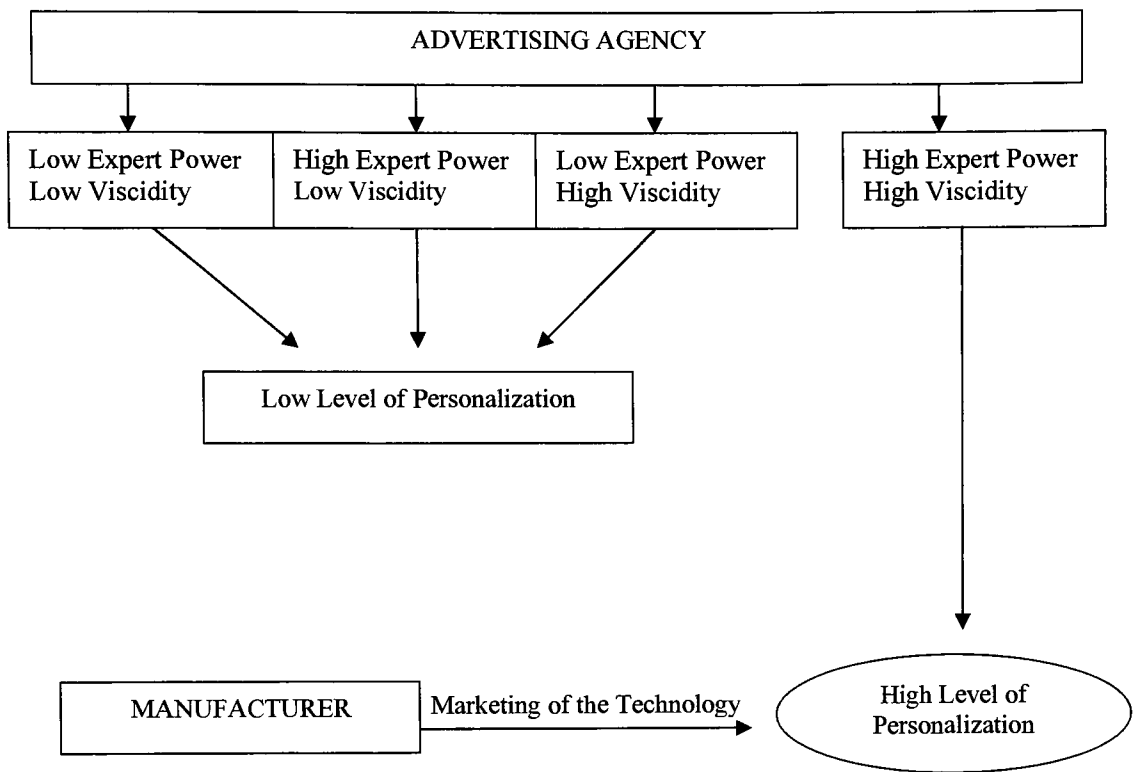


Figure 1. Hypothesis Structure

## **Chapter 4**

### **Methodology**

#### **Sample and Data Collection Procedures**

The first stage of research consisted of interviews with a corporate client and several advertising agencies. The interviews provided a preliminary understanding of the nature and dynamics of the relationship between the client and the agency (Appendix A). In the second stage, a telephone questionnaire was developed by the research team, which was, in turn, reviewed by academics familiar with the subject, as well as the participants of the initial set of interviews. The questionnaire was amended to address the feedback provided by both groups of reviewers.

An independent bureau then conducted the survey with 250 representatives of advertising agencies selected from the Redbook database. Several agency databases were considered; however, the Redbook database contained the most complete and reliable information about the agencies. The selection of the agencies surveyed was made randomly to eliminate any possible bias.

It was a requirement of the research that survey participants be employed in production activities at their respective advertising agencies. Because it was not possible to predict

the job responsibilities of the respondents prior to conducting the surveys, participants were screened during the survey to confirm their involvement with production work.

## **Measures**

The correlation between expert power exercised by an advertising agency, the viscosity of the relationship between an agency and a client, and the level of personalization in the advertising campaign were assessed in order to determine whether the advertising agencies' expert power and the viscosity of their relationship have any influence on the client's choice of print technology. To assess the level of expert power exercised by an advertising agency in the client-agency relationship, measures from previous studies were adapted.<sup>1</sup> A newly developed measure of the viscosity of the relationship between clients and agencies was also employed.

To assess the viscosity of the client-agency relationship, survey respondents were asked to assign a percentage value to the amount of work they perform on a retainer basis and on a project basis (Appendix B).

To assess the level of expert power exercised by the agency, respondents were asked to rate the statement "I have shown samples of printed communications material to clients to illustrate the capabilities of the new technologies" on a five-point scale (Appendix B).

To assess the degree of sophistication of personalization present in the workflow of the agency, respondents were asked to allot 100 points among five items to indicate how often they produced personalized communications and to what degree they were personalized (Appendix B). Later, a combined score describing the degree of sophistication of personalization (LP) present was calculated for each respondent based on the formula  $LP = a*1 + b*2 + c*3 + d*4 + e*5$ , where —

- a represents variable address and/or salutation
- b represents variable address and/or numerical information that goes into fixed fields, which do not change in size, shape, or location from record to record
- c represents variable address, text, and/or numerical information that goes into *dynamic* fields, which *can* change in size, shape, or location from record to record based on the amount of information or database conditions and programming
- d represents variable text or numerical information *and graphics*, which *are static images* inserted into a fixed field based on database conditions
- e represents variable text or numerical information *and variable graphics*, which are created dynamically based on database conditions and inserted into fields that can change in size, shape, or location

### **Endnotes for Chapter 4**

Farrell, M. A; Schroder, B, "Influence strategies in organizational buying decisions", *Industrial Marketing Management*, Jul 1996; Vol. 25, Iss. 4; 293-304.

## Chapter 5

### Results

The results of the research confirm, in part, the hypothesis of this study concerning the effects of the viscosity of the relationship and expert power on the level of personalization provided by an advertising agency.

Table 1. Initial Variables

Type	Name	Abbreviation
Independent Variable #1	<i>Show Samples - Expert Power</i>	<i>SS-EP</i>
Independent Variable #2	<i>Percent Time Retainer -Relationship Viscidity</i>	<i>PTR-RV</i>
Dependent Variable	<i>Combined Score - Level of Personalization</i>	<i>CS-LOP</i>

Descriptive statistical analyses of the *Show Samples - Expert Power (SS-EP)*, *Percent Time Retainer Relationship Viscidity (PTR-RV)*, and *Combined Score - Level of Personalization (CS-LOP)* variables (Appendix C) reveal the following:

1. Out of 250 participants 213, 233 and 106 respectively responded to the each of the questions. Eighty-six participants responded to all three questions.
2. The average rating of the statement “I have shown samples of printed communications material to clients to illustrate the capabilities of the new

technologies” that was used to assess the level of expert power was approximately 3.6 with a standard deviation of 1.45.

3. The average percentage value assigned to the amount of work that advertising agencies perform on a retainer-basis was approximately 48.3% with a standard deviation of 39.7%.
4. The average combined score of the Level of Personalization provided by advertising agencies was 220.2 with a standard deviation of 99.3.

The results of the Bivariate Correlation analysis (Appendix C) show no significant correlation between the dependent variable Combined Score - Level of Personalization (CS-LOP) and the independent variables Show Samples - Expert Power (SS-EP) and Percent Time Retainer - Relationship Viscidity (PTR-RV) (Table 1).

Table 2. Bivariate Correlation Test Summary of the CS-LOP, PTR-RV and SS-EP Variables

	CS-LOP	PTR-RV	SS-EP
CS-LOP	1.0	.103	.014
PTR-RV		1.0	-.036
SS-EP			1.0

The independent variables *Show Samples - Expert Power (SS-EP)* and *Percent Time Retainer - Relationship Viscidity (PTR-RV)*, do not reveal a diagonal linear pattern when plotted against the dependent variable *Combined Score - Level of Personalization (CS-LOP)*, which would be expected if the variables had a linear  $y = bx$  relationship. Instead,

the pattern is cloud-shaped, which supports the lack of significant correlation between these variables mentioned above (Figure 2 and 3).

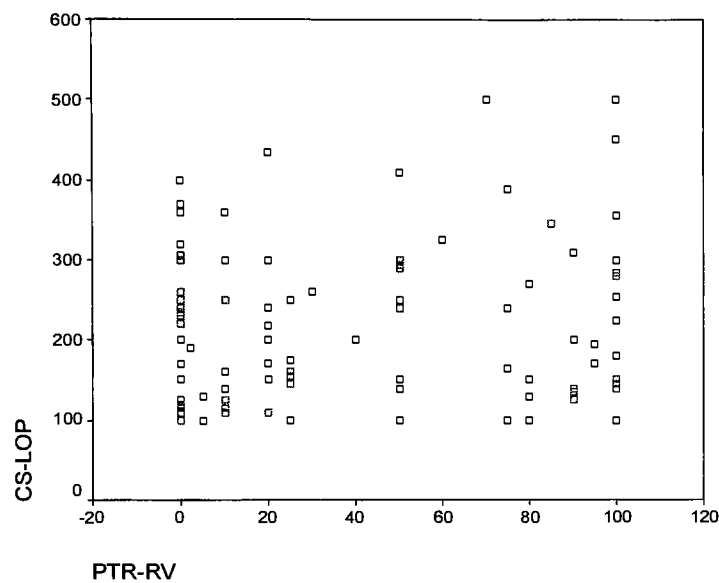


Figure 2. PTR-RV vs. CS-LOP

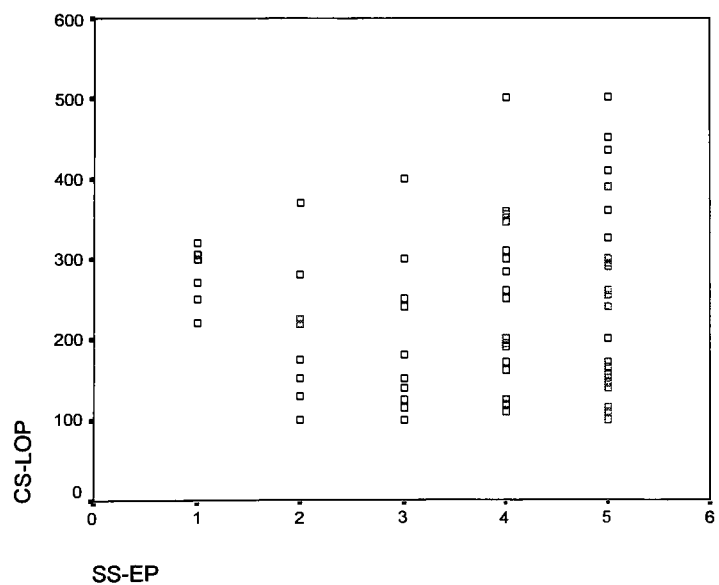


Figure 3. SS-EP vs. CS-LOP



It was proposed to group the data in “low” and “high” categories to assess whether any correlation between the dependent and independent variables existed.

To assess the viscosity of the advertising agency-corporate client relationship, a “low” or “0” viscosity value was assigned to respondents whose retainer-based workload was at least 1% and no more than 49.9%. A “high” or “1” viscosity value was assigned to respondents whose retainer-based workload was 50% or more. Respondents whose retainer-based workload was 0% were eliminated from the study altogether. It was concluded that such cases could follow two different scenarios:

1. The advertising agency had not been awarded any retainer-based work, and, therefore, did not have a viscid relationship with its clients. Such agencies would not be very successful at selling digital color presses to clients.

or

2. The advertising agency had been awarded some retainer-based work; however, the agency chose not to accept retainer-based work because of its billing system or some other organizational factor. Such an agency might or might not be successful at selling digital color presses to clients. Much would depend on the clients’ attitude towards the agency.

To assess the level of expert power exercised by the advertising agency over the client, a “low” or “0” expert power value was assigned to respondents whose answer was 1-3. A “high” or “1” expert power value was assigned to respondents who answered 4-5.

To assess the degree of sophistication of personalization present in the workflow of the advertising agency, a “low” or “0” personalization value was assigned to all respondents whose combined score for the first two options was higher than for the last three. A “high” or “1” personalization value was assigned to respondents who gave more weight to the last three options than the first two.

Table 3. Regression Model Variables

Type	Name	Abbreviation	Ratings
Independent Variable #1	<i>Expert Power</i>	<i>EP</i>	1-3 - “Low” or “0” 4-5 - “High” or “1”
Independent Variable #2	<i>Relationship Viscidity</i>	<i>RV</i>	1% - 49.9% - “Low” or “0” 50% -100% - “High” or “1”
Dependent Variable	<i>Level of Personalization</i>	<i>LP</i>	1-2 > 3-5 - “Low” or “0” 1-2 < 3-5 - “High” or “1”

The results of the Crosstab analysis of the three variables *Level of Personalization (LP)*, *Relationship Viscidity (RV)* and *Expert Power (EP)* show that out of 250 respondents involved in the study, only 63 (25.2%) were able to answer all three questions necessary for the research (Appendix D). Theoretically, a sample of 63 should be sufficient for the study, since only three variables were used to construct the regression model. However, some concerns about the ability to generalize the findings are still present.

The Crosstab analysis also shows that out of 63 qualified respondents —

- 21 (33.3%) have a high RV and a high EP

- 7 (11.1%) have a low RV and a low EP
- 14 (22.2%) have a high RV and a low EP
- 21 (33.3%) have a low RV and high EP

Seven high RV-high EP respondents (30%) provide a low LP, and 14 high RV-high EP respondents (70%) provide a high LP. All seven low RV-low EP respondents (100%) provide a low LP. Thirteen high RV-low EP respondents (93%) provide a high LP, and one high RV-low EP respondent (7%) provides a low LP. Five low RV-high EP (24%) respondents provide a high LP, and 16 low RV-high EP respondents (76%) provide a low LP (Figure 4).

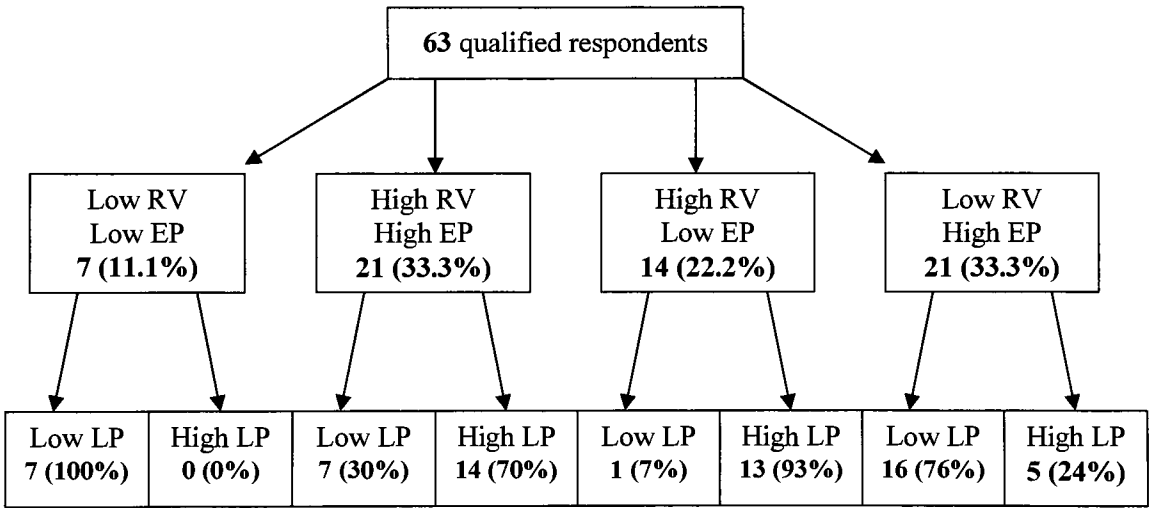


Figure 4. Crosstab Analysis Summary

The results of the Bivariate Correlation analysis (Appendix D) indicate a significant correlation (.267) between the dependent variable LP and the independent variable RV. Another significant correlation (.410) was observed between the dependent variable LP

and the independent variable EP. No significant correlation was found between the independent variables RV and EP (Table 2).

Table 4. Bivariate Correlation Test Summary of the LP, RV and EP variables

	LP	RV	EP
LP	1.0	.267	.410
RV		1.0	-.158
EP			1.0

Based on the strong correlation established among the LP, RV and EP variables, the relative importance of the expert power exercised by an advertising agency and the level of the viscosity of the relationship between the agency and its client with regard to the degree of personalization provided by the agency was investigated by constructing the following binary regression model:

$$\text{Predicted Probability of HLP} = \frac{e^{(k + b_1 \text{EP} + b_2 \text{RV})}}{1 + e^{(k + b_1 \text{EP} + b_2 \text{RV})}}$$

Where

HLP is a “high” or “1” level of personalization,

EP is expert power,

RV is relationship viscosity,

k is a constant to be estimated and

$b_{1,2}$  are parameters to be estimated.

The cut-off value for a “low” level of personalization was 0.5.

The regression analysis was conducted using the Enter method — all the variables were entered into the model at the same time.

The following portion of the discussion is based on Regression Model #1 presented in Appendix E. Based on the outcomes of this regression model, the  $b_{1,2}$  parameters and a constant were calculated. The following equation results from the regression model:

$$\text{Predicted Probability of HLP} = \frac{e^{(-4.539 + 3.357EP + 1.892RV)}}{1 + e^{(-4.539 + 3.357EP + 1.892RV)}}$$

The probability of an advertising agency providing a “high” or “1” level of personalization is low when either or both the expert power and the relationship viscosity of a respondent is “low” or “0”. The probability of an agency providing a “high” or “1” level of personalization is high only when both the expert power and the relationship viscosity of a respondent are “high” or “1”.

This model is approximately 84% accurate at predicting when advertising agencies are not likely to implement a high level of personalization in their workflow. When predicting which agencies are likely to implement a high level of personalization, the accuracy is slightly lower — 70%. The model is least reliable when predicting the level of personalization for agencies with a high relationship viscosity and a low expert power rating. If these factors conformed to the equation, the level of personalization at such agencies would be low; however, in 13 of 14 cases the data indicate a high level of

personalization. Overall the model has an accuracy of 79.4% in its predictions. The Nagelkerke R Square of the model is 0.407.

As noted earlier, twenty-three advertising agencies whose retainer-based workload was 0% were eliminated from the final study. A second regression model was built to support their elimination. Regression Model #2 (Appendix F) shows that after adding the 23 agencies with the 0% retainer-based workload, the regression model was still valid; and the ability to predict the likelihood that advertising agencies would provide a low level of personalization improved from 84% to 87.7%. It should also be noted that the ability to predict the likelihood that advertising agencies would provide a high level of personalization declined from 70% to 48.3%. With the inclusion of the 23 previously eliminated agencies, the overall prediction accuracy of the model declined from 79.4% to 74.4%. Fourteen (60.8%) of 23 cases were predicted to result in a low level of personalization and, indeed, they did. The remaining nine (39.2%) cases were predicted to result in a low level of personalization, but, surprisingly, they resulted in a high level of personalization. The Nagelkerke R Square decreased from 0.407 to 0.078.

The number of employees, the annual billings and the media mix of the twenty-three agencies eliminated from the study were compared to test the dual nature of the 0% retainer-based workload of such companies (Appendix G). The findings of this test support the exclusion of these agencies from the final regression model. The sizes and the

annual billings of the twenty-three agencies varied greatly. The average number of employees for these agencies was 236.22 with a standard deviation of 1039.75. The average annual billings were \$6,281,178 with a standard deviation of \$13,503,547.8. The agencies were asked to name the top three services that their agencies provide. No single service was named by a majority of the agencies. Media planning / buying and graphic design were the two most common services; 47.8% cited them as their primary services. Creative development was the second most common response with 30.4% of agencies citing it as their primary service. Digital branding / Web development and Direct Marketing placed third at 26.1 percent.

## **Chapter 6**

### **Summary and Conclusions**

This study examined the effect of the viscosity of the relationship between an advertising agency and a corporate client and the expert power exercised by the agency on the level of personalization that the agency provides. The analysis of the raw data indicated failure of the hypothesis which posited that in the case of agencies that perform a significant volume of work on a retainer basis, the expert power exercised by the agencies and the level of the viscosity of the relationship between the agencies and their clients are directly related to the level of personalization provided by the agencies. However, when grouped into “low” and “high” categories, the data clearly support the hypothesis. Also, when grouped in these categories, the data support the earlier claim of the significance of the influence of the advertising agencies’ expert power on their clients’ purchasing decisions.<sup>1</sup> The study also reinforces the earlier discovery that expert power has the greatest effect when exercised on large, viscid groups who are under no scheduling pressures and who are not subjected to forceful attempts at influencing them.<sup>2</sup>

### **Theoretical implications**

The findings of this study suggest that for those agencies that perform a significant volume of work on a retainer basis, a high level of expert power exercised by the



agencies and high viscosity of the relationship between the agencies and their clients result in a high level of personalization employed by the agencies, and that a low level of expert power and low viscosity result in a low level of personalization. This implies that clients are more likely to request a higher level of personalization if they have enjoyed a long-term relationship with the agencies and that these agencies have proven their competency through earlier projects. It also implies that it is possible to determine whether or not an advertising agency is likely to incorporate a high level of personalization in its workflow by assessing the strength of the expert power of the agency and the longevity of the relationship between the agency and the client. This study also suggests that a high level of expert power in a low viscosity relationship will not trigger the client's choice of a high level of personalization.

### **Managerial implications**

This study offers manufacturers a more efficient way to market Variable Data Printing technology. By asking advertising agencies whether or not they show samples of their work to clients on a regular basis and by determining the percentage of the agencies' work that is done on a retainer basis, manufacturers will be better able to identify the agencies that are more likely to use a high level of personalization in their workflow. This, in turn, will help manufacturers allocate their marketing budgets more effectively. More time and money can be spent on those agencies that are likely to provide a higher level of personalization.

## **Recommendations for Further research**

The study suggests several directions which merit further research in the assessment of the roles of the viscosity of the relationship and expert power on the level of personalization in ad campaigns.

Firstly, the validity of the model proposed in this study should be tested on a larger sampling of advertising agencies. At least 250-300 agencies should participate in any future study in order to validate the model. Also, a larger sampling could better contribute to the development of a fuller profile of the agencies that are most likely to sell Variable Data Printing to clients. Further research will also help to determine whether or not such advertising agencies have specific qualities in common such as company size, revenue, types of services offered, and type of business they most often serve (business-to-business, business-to-consumer). Such information would offer manufacturers of the digital color equipment greater precision in identifying the agencies to whom they should market their systems. Due to the fact that the model developed in this study is only 79.4% accurate, other factors in the agency-client relationship that affect the client's choice of print technology should be studied.

Secondly, the study suggests a need for further research on advertising agencies with a 0% retainer-based workload. They have been eliminated from this study because of the possible dual nature of the 0% retainer-based workload. It was suggested for future

studies that such advertising agencies should be divided into the following subcategories and studied separately:

1. Advertising agencies that have not been awarded any retainer-based work, and, therefore, do not have a viscous relationship with their clients;  
and
2. Advertising agencies that have been awarded retainer-based work, but do not accept it, because of their billing system or some other organizational factor.

Thirdly, the present study only partially supports the proposed hypothesis that for the agencies that perform a significant volume of work on a retainer basis, the expert power exercised by the agency and the level of the viscosity of the relationship between the agency and its client are directly related to the level of personalization employed by the agency. The raw data do not support the hypothesis at all. However, when grouped into “low” and “high” categories, the model has an overall accuracy of nearly 80%. Such outcomes suggest that the measures of expert power and relationship viscosity should be further researched and developed.

## **Endnotes for Chapter 6**

- <sup>1</sup> Brown, J. R., Stoops, G. T., “Sources of Marketing Channel Power: Differences Across Channel Types, in Marketing Channels: Domestic and International Perspectives”, Harvey, M. G. and Lusch, R. F. (Eds.), 1982, The University of Oklahoma, 59-66.
- <sup>2</sup> Kohli, A., “Determinants of Influence in Organizational Buying: A Contingency Approach”, *Journal of Marketing*, Jul 1989; Vol. 53, Iss. 3; 50-66.

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## **Appendices**



## **Appendix A**

### **Interview Summaries**

## **Interview Summary 1 – Corporate Client**

On Tuesday, February 4, 2003, the research group interviewed the Vice President of North American Sales of a local manufacturing company. The interview helped to shape the group's theory regarding the dynamic between the corporate marketing executive and the advertising agency and the corporate marketing executive and the printer relative to the choices of print technologies. Also, the interview provided insights on the preferences corporate marketing executives have today between print and non-print marketing programs and their perspectives on the best media options for specific types of campaigns.

According to the interviewee, the company is a vertically integrated manufacturing company that produces measuring devices used in process and quality control. The company exports 60% of what it produces, which makes the company the largest exporter in the area. The company employs approximately 605 people — 255 locally and 350 worldwide. The company is privately owned with corporate revenues of \$60 - 80 million per year.

The company's advertising budget is broken down into the following areas: trade shows and sales literature, which includes multimedia CDs, direct mailing and Web advertising. Fifty percent of the company's entire marketing budget is devoted to trade shows; the

other 50% is divided between print advertising in trade magazines and Web marketing development. The company does very little direct mailing due to the low response rate (2%) it has experienced.

Since 1992, the company has managed all its marketing and advertising efforts internally. Currently, the company employs three full-time graphic designers who execute all the necessary design, scanning and retouching of images, as well as high-resolution PDF creation, thus eliminating the need for assistance from an advertising agency. The company outsources its printing to a number of local printers. In the majority of cases printers are chosen based on price and occasionally based on the ability to provide special services.

The interviewee noted that the rapid development of the Internet has affected the company primarily in the area of printed matter. Sales leads that used to come from trade magazines are now gathered through their Website. Customers look for information on the company's Website, where all the technical literature is available in PDF format. Customers also prefer to receive quotes and equipment specifications via e-mail.

Currently, there is not much personalized marketing being done at the company, largely because of the versatile nature of the equipment available. Niche marketing could actually bring about a decrease in sales. Therefore, all the equipment is marketed as general, all-purpose equipment. However, the interviewee was quick to add that

personalization could still be implemented; for example, tailored messages could be sent to clients based on a particular industry or information requested about a specific piece of equipment. A centralized database would be critical for successful personalization. The interviewee acknowledged the lack of such a centralized database at the company. Different servers for each database and a lack of communication among employees slow the process of incorporating personalized marketing into the workflow. When asked to identify the most appropriate medium for personalization, the interviewee responded: “The Internet.” He stressed the cost-efficient nature of the Web in personalization.

## **Interview Summary 2 – Advertising Agency**

On Tuesday, December 10, 2002, the research group interviewed the Director of Business Development, the Managing Director and the Account Director of a large direct marketing firm. The interview helped to shape the group's theory regarding the dynamic between the corporate marketing executive and the advertising agency and that of the advertising agency and the printer relative to decisions about print technologies.

According to the interviewees, their company has been in business for over 13 years. The company helps clients use direct marketing in the overall sales process. The firm possesses a strong product management capability for large-scale production programs such as credit cards and sends out approximately 150-200 billion pieces of direct mail each year. The company provides strategic expertise to its clients and is focused specifically on direct marketing. It is not involved in PR or general advertising.

When asked to describe the process of creating a direct mail campaign, the interviewees outlined several necessary steps. The process begins with identifying the client's objectives. A series of meetings with the client is arranged, and a written agreement with the client, called a *briefing*, is created. The briefing outlines the client's objectives and its target audience. Also, the key selling points are established: Why would someone want the product? How will the product be sold? At this stage of the process clients with a

lower level of experience typically accept the agency's proposals. However, if a client is more familiar with the process, there can be a significant exchange of ideas between the client and the agency that almost always results in a superior advertising campaign. After the briefing, the team, consisting of the creative department, the production department, the account management department and possibly technicians from the data end of the business, meets. The creative department decides what the emotional hook for the target audience is. The production department and data processing technicians make sure that the proposed campaign is technically feasible. And the account management department decides what can be implemented within the limits of the budget.

The interviewees insisted that the production manager is a critical player in the process of creating and executing a direct mail campaign. The production manager needs to stay current on industry standards and to be on the look-out for new technologies, production techniques, and print vendors. The interviewees suggested that in approximately 50% of cases the client allows the agency to oversee the production process and to bid the project out to print vendors. This is another responsibility of the production manager. The print provider and the production manager typically have a long-standing relationship; this is a key factor in the awarding of the job. The interviewees acknowledged that their production manager awards jobs only to known and trusted print vendors. The production manager must also have a strong background in databases. He must be capable of conducting a formal data audit, and he must understand what data the programmer needs and what the expected outcome is. The production manager also needs to understand how

to test data output and whether the programmer has executed correctly. In addition, the production manager needs to know how to create test scenarios because each and every piece of variable print in the campaign cannot be audited.

The interviewees described their experience creating a variable data direct mail piece for one of the variable data equipment manufacturers. The goal of the campaign was to attract potential customers to the company's booth at the Direct Marketing Association tradeshow. The interviewees faced two major challenges. The first and greatest challenge was to introduce the audience to the capabilities of a digital press without actually displaying the press at the booth. The second challenge was to convince potential buyers that this particular press was superior to any other on the market. Pre-show mailings were sent to all registered attendees with variable name, address, and job title. The mailing attracted 500 prospects who completed surveys at the booth during the tradeshow. Based on the information culled from these surveys, follow-up mailings containing 33 variables were created and sent to the 500 prospects. Overall, the interviewees rated this particular campaign very successful. They added that the campaign taught them that some of the responses could be quite unpredictable, negating the likelihood of producing completely automated variable data processes.

## **Appendix B**

### **Questionnaire**



1. What percentage of campaigns that you work on are project contracts versus those that are on retainer?

□□□%      Project contracts  
□□□%      Retainer

2. Using a 5-point scale where 1 means “Completely Disagree” and 5 means “Completely Agree,” please indicate the extent to which you agree or disagree with the following statements.

I have shown samples of printed communications material to clients to illustrate the capabilities of the new technologies.    □

3. Please distribute 100 points among these five items to indicate how often you produce personalized communications and to what degree they are personalized.

- a      Variable address and/or salutation    □□□%
- b      Variable address and/or numerical  
information that goes into fixed fields –  
the fields do not change in size, shape, or  
location from record to record    □□□%
- c      Variable address, text, and/or numerical  
information that goes into *dynamic* fields  
-- the fields *can* change in size, shape, or  
location from record to record based on the  
amount of information or database  
conditions and programming    □□□%
- d      Variable text or numerical information *and*  
*graphics* – the *graphics are static images*  
inserted into a fixed field based on database  
conditions    □□□%
- e      Variable text or numerical information *and*  
*variable graphics*—the graphics are created  
dynamically based on database conditions  
and inserted into fields that can change in  
size, shape, or location    □□□%

## **Appendix C**

Descriptive statistical analyses and the Bivariate Correlation Analysis of the Show Samples - Expert Power (SS-EP), Percent Time Retainer - Relationship Viscidity (PTR RV), and Combined Score - Level of Personalization (CS-LOP) variables

## Descriptive statistical analyses

**Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
CS-LOP	106	100.00	500.00	220.1792	99.27075
PTR-RV	233	.00	100.00	48.2704	39.78021
SS-EP	213	1.00	5.00	3.4554	1.44527
Valid N (listwise)	86				

## Bivariate Correlation Analysis

**Correlations<sup>a</sup>**

		CS-LOP	PTR-RV	SS-EP
CS-LOP	Pearson Correlation	1	.103	.014
	Sig. (2-tailed)	.	.345	.896
PTR-RV	Pearson Correlation	.103	1	-.036
	Sig. (2-tailed)	.345	.	.739
SS-EP	Pearson Correlation	.014	-.036	1
	Sig. (2-tailed)	.896	.739	.

a. Listwise N=86

## **Appendix D**

### **Crosstab Analysis and the Bivariate Correlation Analysis of RV, EP and LP Variables**

## Crosstab Analysis

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
RV (0 - low, 1 - high) * EP(0=1-3 - low; 1=4-5 - high) * LP(0=1,2 - low; 1=3-5 - high)	63	25.2%	187	74.8%	250	100.0%

RV 0 - low, 1 - high) \* EP (0=1-3 - low; 1=4-5 - high) \* LP (0=1,2 - low; 1=3-5 - high) Crosstabulation

LP (0=1,2 - low; 1=3-5 - high)				EP (0=1-3 - low; 1=4-5 - high)		Total
				.00	1.00	
.00	RV (0 - low, 1 - high)	.00	Count	7	16	23
			% within RV (0 - low, 1 - high)	30.4%	69.6%	100.0%
			% within EP (0=1-3 - low; 1=4-5 - high)	35.0%	69.6%	53.5%
			% of Total	16.3%	37.2%	53.5%
		1.00	Count	13	7	20
			% within RV (0 - low, 1 - high)	65.0%	35.0%	100.0%
			% within EP (0=1-3 - low; 1=4-5 - high)	65.0%	30.4%	46.5%
			% of Total	30.2%	16.3%	46.5%
	Total		Count	20	23	43
			% within RV (0 - low, 1 - high)	46.5%	53.5%	100.0%
			% within EP (0=1-3 - low; 1=4-5 - high)	100.0%	100.0%	100.0%
			% of Total	46.5%	53.5%	100.0%
1.00	RV (0 - low, 1 - high)	.00	Count	0	5	5
			% within RV (0 - low, 1 - high)	.0%	100.0%	100.0%
			% within EP (0=1-3 - low; 1=4-5 - high)	.0%	26.3%	25.0%
			% of Total	.0%	25.0%	25.0%
		1.00	Count	1	14	15
			% within RV (0 - low, 1 - high)	6.7%	93.3%	100.0%
			% within EP (0=1-3 - low; 1=4-5 - high)	100.0%	73.7%	75.0%
			% of Total	5.0%	70.0%	75.0%
	Total		Count	1	19	20
			% within RV (0 - low, 1 - high)	5.0%	95.0%	100.0%
			% within EP (0=1-3 - low; 1=4-5 - high)	100.0%	100.0%	100.0%
			% of Total	5.0%	95.0%	100.0%

## Bivariate Correlation Analysis

Correlations<sup>a</sup>

		LP (0=1,2 - low; 1=3-5 - high)	RV (0 - low, 1 - high)	EP (0=1-3 - low; 1=4-5 - high)
LP (0=1,2 - low; 1=3-5 - high)	Pearson Correlation	1	.267*	.410**
	Sig. (2-tailed)	.	.034	.001
RV (0 - low, 1 - high)	Pearson Correlation	.267*	1	-.158
	Sig. (2-tailed)	.034	.	.216
EP (0=1-3 - low; 1=4-5 - high)	Pearson Correlation	.410**	-.158	1
	Sig. (2-tailed)	.001	.216	.

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\* Correlation is significant at the 0.01 level (2-tailed).

a. Listwise N=63

## **Appendix E**

**Summary of Regression Model #1**  
**(Advertising Agencies with Retainer-based work = 0% excluded)**

## Summary of Regression Model #1

**Case Processing Summary**

Unweighted Cases <sup>a</sup>		N	Percent
Selected Cases	Included in Analysis	63	25.2
	Missing Cases	187	74.8
	Total	250	100.0
Unselected Cases		0	.0
Total		250	100.0

a. If weight is in effect, see classification table for the total number of cases.

## Block 0: Beginning Block

**Classification Table<sup>a,b</sup>**

Observed			Predicted		Percentage Correct
			LP(0=1,2 - low; 1=3-5 - high)		
			.00	1.00	
Step 0	LP(0=1,2 - low; 1=3-5 - high)	.00	43	0	100.0
		1.00	20	0	.0
Overall Percentage					68.3

a. Constant is included in the model.

b. The cut value is .500

**Variables in the Equation**

	B	S.E.	Wald	df	Sig.	Exp(B)
Step 0 Constant	-.765	.271	7.999	1	.005	.465

**Variables not in the Equation**

	Score	df	Sig.
Step 0 Variables EP	10.585	1	.001
RV	4.487	1	.034
Overall Statistics	17.694	2	.000

## Block 1: Method = Enter

**Omnibus Tests of Model Coefficients**

	Chi-square	df	Sig.
Step 1 Step	21.594	2	.000
Block	21.594	2	.000
Model	21.594	2	.000



### Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	57.149	.290	.407

### Classification Table<sup>a</sup>

Observed			Predicted		Percentage Correct
			LP (0=1,2 - low; 1=3-5 - high)		
			.00	1.00	
Step 1	LP (0=1,2 - low;	.00	36	7	83.7
	1=3-5 - high)	1.00	6	14	70.0
Overall Percentage					79.4

a. The cut value is .500

### Variables in the Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1	EP	3.357	1.117	9.022	1	.003	28.689
	RV	1.892	.682	7.687	1	.006	6.631
	Constant	-4.539	1.209	14.095	1	.000	.011

a. Variable(s) entered on step 1: EP, RV.

## **Appendix F**

**Summary of Regression Model #2**  
**(Advertising Agencies with Retainer-based work = 0% included)**

# Summary of Regression Model #2

## Block 0: Beginning Block

Classification Table<sup>a,b</sup>

Observed			Predicted		
			Level of personalization (0=1,2 - low; 1=3-5 - high)		Percentage Correct
			.00	1.00	
Step 0	Level of personalization	.00	57	0	100.0
	(0=1,2 - low; 1=3-5 - high)	1.00	29	0	.0
	Overall Percentage				66.3

a. Constant is included in the model.

b. The cut value is .500

Variables in the Equation

	B	S.E.	Wald	df	Sig.	Exp(B)
Step 0 Constant	-.676	.228	8.777	1	.003	.509

Variables not in the Equation

	Score	df	Sig.
Step 0 Variables EP	2.224	1	.136
RV	2.204	1	.138
Overall Statistics	4.861	2	.088

## Block 1: Method = Enter

Omnibus Tests of Model Coefficients

	Chi-square	df	Sig.
Step 1 Step	5.007	2	.082
Block	5.007	2	.082
Model	5.007	2	.082

Model Summary

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	104.930	.057	.078

**Classification Table<sup>a</sup>**

Observed			Predicted		
			LP (0=1,2 - low; 1=3-5 - high)		Percentage Correct
			.00	1.00	
Step 1	LP (0=1,2 - low; 1=3-5 - high)	.00	50	7	87.7
		1.00	15	14	48.3
Overall Percentage					74.4

a. The cut value is .500

**Variables in the Equation**

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1	EP	.853	.524	2.644	1	.104	2.346
	RV	.779	.477	2.669	1	.102	2.180
	Constant	-1.594	.515	9.569	1	.002	.203

a. Variable(s) entered on step EP, RV.

## **Appendix G**

### **Number of Employees, Annual Billings and Media Mix Comparison**

## Number of Employees, Annual Billings and Media Mix Comparison

### Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Q328	23	0	61000000	6281178	13503547.866
Q324	23	0	5000	236.22	1039.753
Valid N (listwise)	23				

### Number of Employees at this Location (23 advertizing agencies with 0% retainer-based workload)

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 0	3	13.0	13.0	13.0
1	1	4.3	4.3	17.4
2	1	4.3	4.3	21.7
3	2	8.7	8.7	30.4
5	3	13.0	13.0	43.5
6	2	8.7	8.7	52.2
7	1	4.3	4.3	56.5
9	2	8.7	8.7	65.2
10	1	4.3	4.3	69.6
11	2	8.7	8.7	78.3
14	1	4.3	4.3	82.6
16	1	4.3	4.3	87.0
60	1	4.3	4.3	91.3
250	1	4.3	4.3	95.7
5000	1	4.3	4.3	100.0
Total	23	100.0	100.0	

### Annual Billings (23 advertizing agencies with 0% retainer-based workload)

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 0	3	13.0	13.0	13.0
200000	1	4.3	4.3	17.4
350000	1	4.3	4.3	21.7
500000	1	4.3	4.3	26.1
550000	1	4.3	4.3	30.4
850000	1	4.3	4.3	34.8
1000000	2	8.7	8.7	43.5
1250000	1	4.3	4.3	47.8
2000000	1	4.3	4.3	52.2
2500000	1	4.3	4.3	56.5
2642100	1	4.3	4.3	60.9
3000000	1	4.3	4.3	65.2
3200000	1	4.3	4.3	69.6
4800000	1	4.3	4.3	73.9
4825000	1	4.3	4.3	78.3
6800000	1	4.3	4.3	82.6
8000000	1	4.3	4.3	87.0
10000000	1	4.3	4.3	91.3
30000000	1	4.3	4.3	95.7
61000000	1	4.3	4.3	100.0
Total	23	100.0	100.0	

**Q500. Graphic Design: Q500. What are the primary services your agency provides?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	NO TO Graphic Design	12	52.2	52.2	52.2
	Graphic Design	11	47.8	47.8	100.0
	Total	23	100.0	100.0	

**Q500. Media Planning/ Buying: Q500. What are the primary services your agency provides?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	NO TO Media Planning/ Buying	12	52.2	52.2	52.2
	Media Planning/ Buying	11	47.8	47.8	100.0
	Total	23	100.0	100.0	

**Q500. Creative Development: Q500. What are the primary services your agency provides?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	NO TO Creative Development	16	69.6	69.6	69.6
	Creative Development	7	30.4	30.4	100.0
	Total	23	100.0	100.0	

**Q500. Digital Branding/ Web Development: Q500. What are the primary services your agency provides?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	NO TO Digital Branding/ Web Development	17	73.9	73.9	73.9
	Digital Branding/ Web Development	6	26.1	26.1	100.0
	Total	23	100.0	100.0	

**Q500. Direct Marketing: Q500. What are the primary services your agency provides?**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	NO TO Direct Marketing	17	73.9	73.9	73.9
	Direct Marketing	6	26.1	26.1	100.0
	Total	23	100.0	100.0	