



Factors affecting the selection of advertising agency

Case study: Spark Insight Advertising & Marketing Pvt. Ltd.

Aryal, Pawan

Laurea University of Applied Sciences
Laurea Leppävaara

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Pawan Aryal
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Pawan Aryal

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The advertising sector is one of the fastest-developing business sectors in Nepal. The development and welfare of the sector has been monitored by the Advertising Association of Nepal. Although during the past decade there has been significant growth in the number of agencies, the business volume has remained at a constant level. This situation has made the advertising market vulnerable, and competition between the agencies has become unethical.

Spark Insight Advertising & Marketing Pvt. Ltd. is a small sized advertising agency operating in the capital city of the country since 2008. The company provides various advertising services, such as printing, designing, and marketing. Since business customers are the main source of revenue, the company needed to ascertain the demand of the business firms and their perception towards advertising services. During February 2012, this research was initiated to determine the main factors affecting the selection of advertising agency.

The research was conducted using both quantitative and qualitative analysis. Structured questionnaires were distributed among selective business firms in the capital city, Kathmandu. The author discusses the opinions in regard to the importance of the different advertising factors in the empirical section. Qualitative method was applied to analyze interview questions and to present a hypothetical analysis.

Understanding the nature and characteristics of organizational customers was important to meet the requirements of this thesis. Therefore, such areas as organizational buying behavior, marketing communication, organizational decision making process, and b2b markets are considered in the theoretical section.

The results of this thesis imply that the quality of advertising services, such as design quality, print quality, as well as delivery time, are vital for business customers regardless of the pricing factor. Brochure publishing is an important service for the business firms, and the advertising company's website is the preferred communication channel to acquire the company's information.

Key words, business firms, organizational buying, advertising services, B2B markets

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1 Introduction

1.1 Background of the study

Many commonly held beliefs about small firms' growth are shaped by well-publicized stories about a few extraordinarily successful entrepreneurs. According to these stories, a firm's growth is propelled by the almost single-handed efforts of dynamic and hardworking entrepreneurs. At this point, some combination of investors and customers recognize the value of the entrepreneur's unique service idea and the business expands rapidly and becomes a household brand name. Despite the creativity, and diligence of many developing country entrepreneurs, few of their firms will ever experience substantial growth (McFarland 2008, 226).

In this era of competitive business, firms need to have such competence that would lead them towards business sustainability, or perhaps to their desired goal. The competence does not exist by itself. It comes from an effort and devotion from the management team. A copied plan or techniques even if presented in a different way may not create best value for any businesses. Currently, firms are trying to distinguish themselves from other competitors by adding essence of innovation in their products or services. Thus, innovation has become a very crucial factor for every business in order to grab attention from customers. "Innovations are changes and improvements that have positive outcomes with respect to customers, stakeholders, the organization, and other constituents. Such changes can be pivotal to the prosperity and longevity of an organization" (Rainey 2006, 17). However, innovation is not often efficient in small firms because of the limited investment in research and development sectors. However, committed management of such enterprises may explore the fact regarding the existing market competition, demand of customers, and more importantly the expectations of the customers that would provide a huge support to compete with big firms (Rainey 2006, 17).

"If a firm is not continually finding new and better ways to meet customer needs, reduce costs, and increase speed, it will soon be overrun by competitors that are doing those things" (McFarland 2008, 227). The business sustainability becomes convenient if such small firms could establish a way to understand the preference of the customers towards its products or services. The answer to questions such as, why the customers are interested to buy services from the

particular firm, which factors motivate them to buy, and how do they discover such firms have become crucial for the firms (McFarland 2008, 227).

1.2 Purpose of the thesis and problem statement

The main purpose of this thesis was to understand the perspective of organizational customers when selecting an advertising agency. Business customers consider various factors before making a decision in favor of an advertising agency, such as price, quality, delivery time, and company's size. The purpose of this study was to ascertain those factors that affect their decision making process. In addition, it was correspondingly vital for the researcher to study the preferred communication channel for buying companies. Therefore, the research objective was to provide such guidelines for the company, Spark Insight Advertising & Marketing Pvt. Ltd., Kathmandu, Nepal that would support to create a precise plan before approaching the buying companies.

The most significant challenge for a small firm is growth and survival in the competition. Other major concerns are government rules and regulations, economic uncertainty, upgrading to the new technologies, and access to adequate capital. In addition to this, threat from strong competitors from the same area of business. In most of the developing countries business markets seem to be volatile due to the fluctuated economic environment and changing government policies.

The situation is very complex for small firms in Nepal regarding the federal support and assist. Management of such firms has to create their own way of sustaining their business by understanding the demand of the customers (Mathema 2011).

There are 174 advertising companies registered under the Advertising Association of Nepal (AAN), operating in major cities of the country (adnepal.org.np). Besides that, there are nearly 200 advertising agencies operating without registration (Bhattarai, interview 13 August 2012). This has created complexity in the market and made competition more unethical. Only few of them are well established, and financially strong. Most of the companies are competing with each other in the capital city, Kathmandu. The reason is the growing urbanization since the past decade, and the market is rather sophisticated.

Spark Insight Advertising & Marketing Pvt. Ltd. is located in Anamnagar, Kathmandu. There are approximately 10 advertising agencies within the same city (Anamnagar) providing similar types of services. The thesis has evaluated the key elements that affect the choice of an advertising agency. The dissertation has also analyzed and responded to the following questions.

How the customers make their buying choices when selecting an advertising agency? What kinds of buying behaviour do companies have when selecting an advertising agency?

How the case company could improve its methods of approaching the organizational customers?

1.3 Research approach

The research approaches have been established by understanding the main purpose of the research, which was to comprehend buying behavior and preferences of the organizational buyers. Hence, the both qualitative and quantitative research approach has been applied. The quantitative approach has been applied to construct the survey responses and descriptive data. Similarly, qualitative research method has been used in order to analyze interview questions.

1.4 Theoretical approach

The objectives of this study were to evaluate the major factors that organizational buyers consider selecting an advertising agency. In order to meet the research objectives, the following theoretical areas have been discussed.

1. Nature of Business-to-Business markets
2. The organizational buying behavior
3. Varieties of the decision makers and their roles and influences in decision making process
4. Organizational decision making process and their buying behavior
5. Organizational communication channel

1.5 Limitation of the study

Although the research has reached its aims, there were some unavoidable limitations. First, because the study has focused on limited area of business of the surveyed companies, such as manufacturers, distributors, and wholesalers, this research was conducted only on a small size of population. Therefore, to generalize the results for larger groups, and to present the analyzed data in a convenient method for the case company, the study should have involved more participants from the similar focused group. The feedback from only sixteen experimental groups might affect the result of the study. Second, purpose of the case company, Spark Insight Advertising & Marketing Pvt. Ltd. is to acquire an attention from business customers with the help of this research. However, the situation is that the company has been managing its routine operations only with four employees. In such case, implementing the results of this study seems fairly unrealistic.

1.6 Structure of the study

This part of the study shows the actual classification of the whole study. Therefore, it is important to organize in different chapters, which are mentioned below.

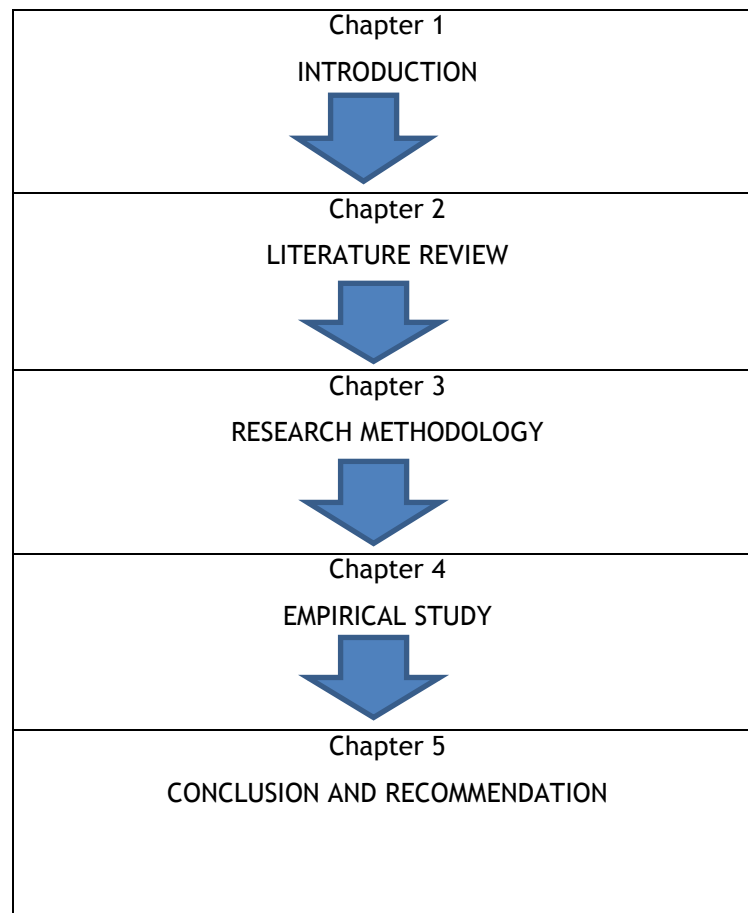


FIGURE 1 - Structure of the study

Chapter 1 (Introduction) - This chapter clarifies the background of the study, focuses on the current situation and emphasize on the importance of the study.

Chapter 2 (Literature review) - This chapter collects the evidence for the study from different books, internet sources, journals, and articles.

Chapter 3 (Research methodology) - The aim of this chapter is to explain the methods of research with the help of qualitative and quantitative means, re-search design, sampling units and sources of data.

Chapter 4 (Empirical study) - In this chapter the collected data from the respondents with table, charts, graphs is analyzed in order to find out the appropriate way of expanding the business.

Chapter 5 (Conclusions and recommendations) - Findings from literatures and surveys are presented to make the appropriate conclusions and provide logical recommendations.

2 Literature Review

2.1 Nature of Business-to-Business marketing

A simple concept of business markets is that the customer is an organization. An organization buys the same products or services as an individual customer does. Thus, marketing of products and services to organizations is referred to as business-to-business marketing. “The key distinguishing feature of business marketing is the nature of the customer, rather than the nature of the product. Although there are products that are bought only by organizations and not by final consumers, there are many products that are bought by both organizations and consumers” (Ross et al. 2011, 6).

In B2B marketing, a supplying company deals with buying companies that require a significant amount of information during their buying process. The exchange of information continues between the two parties until the buyer company finds the solution for their needs. There are multiple buyers involved in B2B marketing. The perception and need of each of these buyers is different, even though there is an ultimate target to buy predetermined products or services. Each buyer in the buying committee, at each stage of their buying process, has specific needs. Sometimes the personal need evolves out of nowhere that a marketer might want to be aware of, especially in the developing countries. Mapping marketing content to the buying cycle is a key advantage in ensuring the right assets available for each of the buyers involved (Steven 2009).

2.2 Business Market structure and marketing practice

The structure of business market is significantly different from the consumer market, considering the different dimensions. Business markets are more complex as compared to consumer markets. Series of procedures need to be followed either in the commerce transaction between the organizations, or in buying products or services. There may be only few buyers for a selling company on which the company’s wellbeing relies. This case is more often for small companies who reluctantly own the only particular market segment (Steven 2009).

In business markets, there is a systematic process of selling products or services. The process for instance, finding a company who is ready to buy, under-

standing the buying needs, understanding the individual needs of the buying center, convincing with the formatted proposal, and more. Personal selling and use of relationships are extensively used in business markets. A marketer, therefore, has to be prepared with well-argued plan that satisfies the organizational need. Effective marketing in business markets is a very challenging task. Business marketing research is very limited because of the preset long term relationship between the organizations, which slightly discourages the promotional strategies of firms (Ross et al. 2011, 11).

2.3 Organizational buying behavior

The growing competition in business to business marketing these days have fetched the importance of understanding organizational buying behavior among business marketers.

Understanding the dynamics of organizational buying behavior is very crucial for a marketer. It helps them to identify the profitable market segments, locate buying influences within the segments, and reach the organizational buyers responding their needs with valuable offers efficiently and effectively. A business marketer could establish a foundation for responsive business marketing strategies with knowledge of a wide array of forces that influence organizational buying behavior. The forces are described in the following figure (Michael & Thomas 2004, 59).

2.3.1 Forces influencing organizational buying behavior

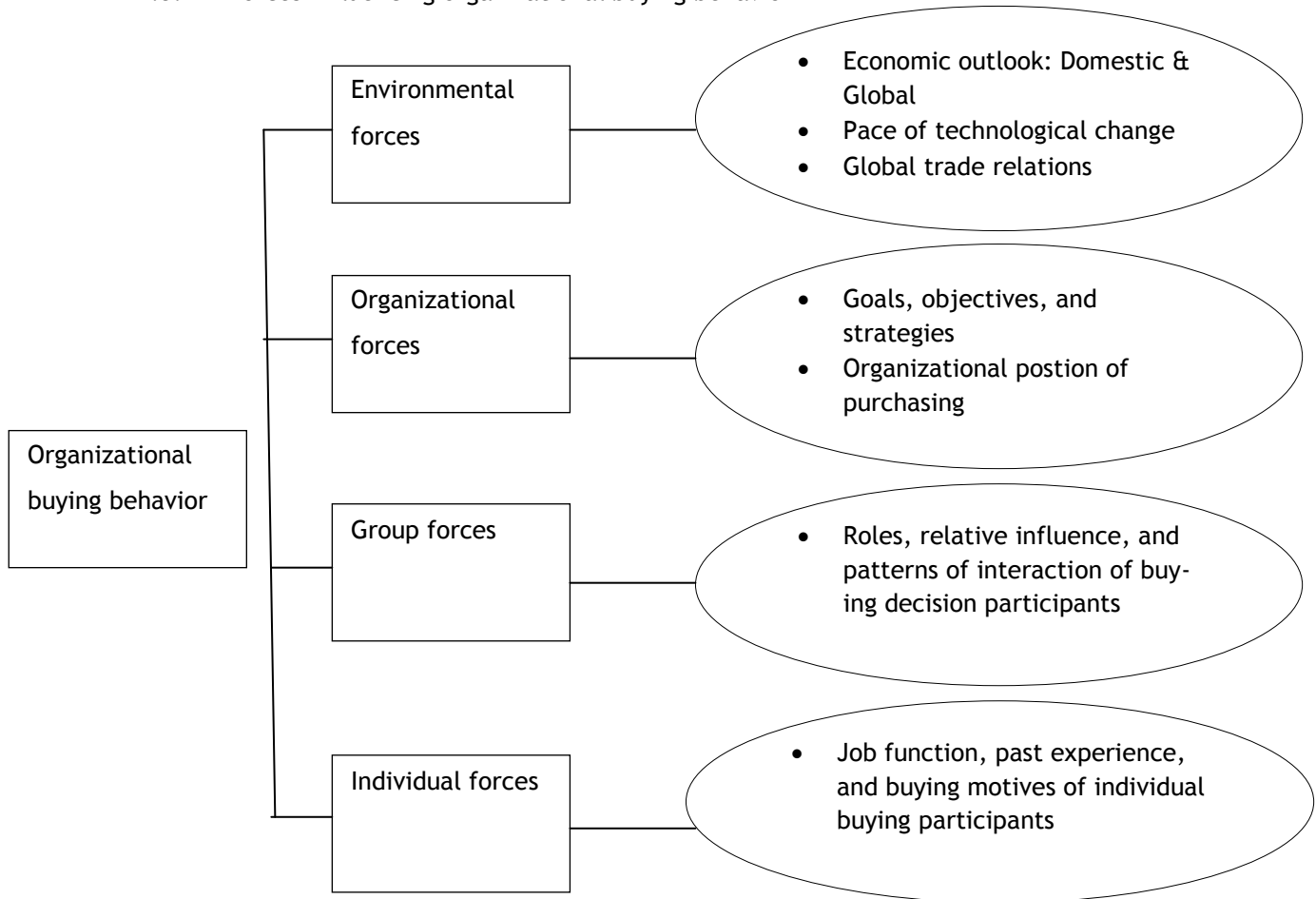


FIGURE 2 - Forces influencing organizational buying behavior

Source: Business Marketing Management: B2B (Michael & Thomas 2004, 68)

a) Environmental forces

Environmental forces mostly entail the influences of economic change and technological change in regard to the organizational buying behavior (Michael & Thomas 2004, 74).

b) Economic influences

The economic fluctuations of a country such as change in interest rates, rise or fall in price of commodities, may influence organizational buying behavior in some extent (Michael & Thomas 2004, 74).

c) Technological influences

Technological change has a great effect on organizational buying behavior. Rapid change in technology can restructure an industry by which organizational buying behavior can be altered (Michael & Thomas 2004, 74).

d) Organizational forces

Organizational forces entail the goals and objectives of the organization. Centralized or decentralized structure of the organization effects the organizational positioning of purchasing. In most of the cases, centralized structure purchasing is more strategic and specialized. A marketer also needs to understand the buying motive of an organization in order to find out whether it is aligned with the long term strategy of the firm or only cost cutting (Michael & Thomas 2004, 75).

e) Group forces

The group forces refer to the members of the organization and its stakeholders in the buying process. The decision making process is influenced by several members of the organization especially in a completely new-task buying situation. A marketer can achieve the desired target if, the criteria set by the members of the organization for evaluating prospective suppliers are pursued (Michael & Thomas 2004, 75).

f) Individual forces

Organizational buyers consist of different individuals differing evaluative criteria to make a decision. The criteria are affected by individual observation, their way of communication, their educational background and more. It is important for a marketer to be aware of the individual perceptions of the buying situation and prepare for the responsive marketing strategy. For instance, every organization receives the information through different communication channels, such as word of mouth, personal sales, the internet, trade advertising and more. An active market could be enthusiastic to know that what communication channel draws interest to an individual organization buyer (Michael & Thomas 2004, 75).

2.3.2 The buying center

The concept of the buying center is that there is an involvement of individuals sharing goals and risks arise from the purchasing decision. The concept is also an integral part of the group forces. A buying group evolves only during the specific purchase situation. Participation of different individuals in the center is important due to the organizational nature of buying in which a process buying is significant rather than a solitary act (Michael & Thomas 2004, 76).

a) Buying center influence

According to Michael & Thomas 2004, 76, there are five different roles that the members of the buying center anticipate throughout the procurement process.

b) Users

Users represent the personnel who will be entertaining the products or services and may have an insignificant impact on the purchase decision. In some circumstances, the users may develop product specification and initiate purchase decision (Michael & Thomas 2004, 76).

c) Gatekeepers

Gatekeepers refer to those who receive and control the information of the selling company. The received data will be reviewed by the other members of the buying center. For instance, the control of the printed information, such as advertisement, controlling the salesperson by determining who will speak to which individuals in the buying center, would be the role of gatekeepers. In most cases, a purchasing agent acts as a gatekeeper by opening the gate for some suppliers and closing it to others (Michael & Thomas 2004, 77).

d) Influencers

Influencers refer to the technical departments, such as engineering, R&D, quality control. They affect the purchasing decision for the assessment of the suppliers by setting buying specification. In some cases, influencers could be the individuals from outside of the buying organization (Michael & Thomas 2004, 77).

e) Deciders

Deciders make the final purchase decision after receiving the information of selling companies, and their data evaluation. The deciders are those who have formal authority to make the buying decision. They could be, such as chief executive officer, president, managing director, depending on the nature of the buying organization (Michael & Thomas 2004, 77).

f) Buyer

The buyer has the formal authority of actually buying the products or services from the selected supplier. The buyer generally is a purchasing agent who implements all the procedures of buying in associated with a purchase order (Michael & Thomas 2004, 78).

According to Michael D. Hutt & Thomas W. Speh, there are several major stages of the organizational buying process initiating from problem recognition, followed by supplier search and selection, and performance review as the final stage. A marketer can play an active role after the buying organization moves forward from problem recognition stage. An active marketer can trigger initial awareness of the problem and contribute the organization by effectively solving that problem order (Michael & Thomas 2004, 78).

2.3.3 Major elements of organizational buying behavior

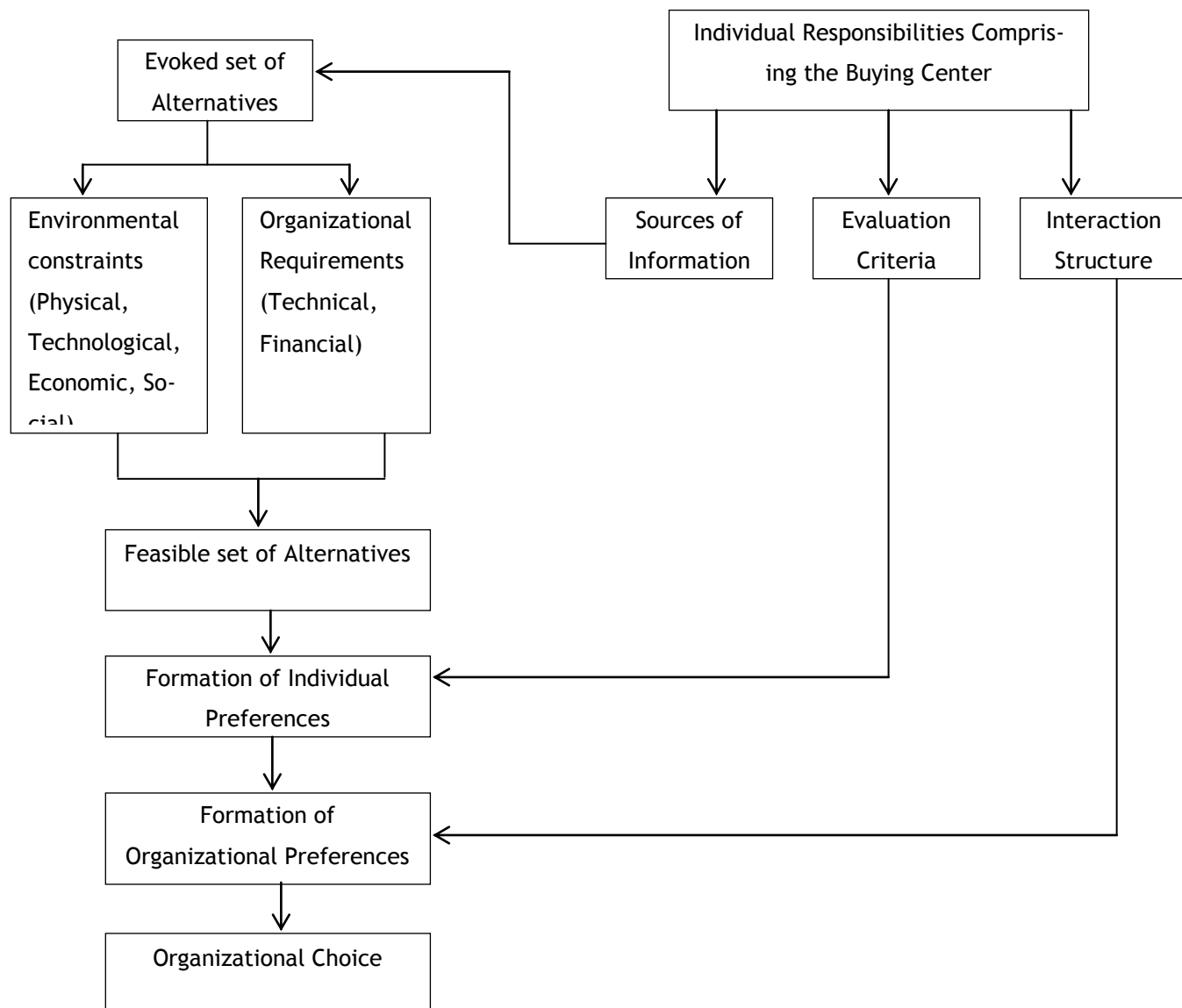


FIGURE 3 - Major elements of organizational buying behavior

Source: Jean M. and Gary L. Assessing Response to Industrial Marketing Strategy. 1978. p. 22

Evoked set of alternatives is an alternative product or service that happens to appear in a buyer's mind. Similarly, environment constraints and organizational requirements limit the product or service alternative that satisfy organizational needs. Then only, the remaining product becomes the feasible set of alternatives for the buying organization. Subsequently, individual preferences are expressed in relation with the interaction with the members of the buying center. Those preferences are turn into organizational preferences and choice for making the buying decision. A marketer can play an active role to influence the or-

ganizational buying behavior by understanding the major elements of the buying process (Jean M. & Gary L. 1978, 22).

Organizational buying process is very complex. The process is influenced by many members of the buying center. The complexity slows down the purchasing process and actually supplying the products or services often take a long time. Nevertheless, the transaction value of the business is relatively high, and a relationship emerges between the organizations (Ross B. et al. 2011, 11).

2.4 Organizational buying vs. Consumer buying

The following table shows the differences in the buying process of organizations and consumers.

TABLE 1

Buying step	Organizational buying	Consumers
Problem recognition	Plans purchase on a routine basis	Random purchase
General need description	Objective, cost-benefit analysis	Concern with total cost
Product/service specification	Precise description	Description in terms of benefits
Supplier search	Extensive search	Limited search, area specific
Supplier selection	Made after extensive evaluation of the objectives	Limited analysis
Order-routine specification	Routine calculation of the date, time, and place of delivery	No routine
Post-purchase, performance review	Extensive comparison made, and feedback given at source regarding quality management	Little comparison regarding cost and quality

Source: Tom McKaskill. Marketing Strategies. Organizational Buyer Behavior. 2011

2.5 Variations in the purchase process

There are different stages in the decision making process which might not be sequential. Time boundaries, or input efforts, may bring variations in the purchasing process. The main reason is the degree of risks associated with the purchase decision. Since risk is an inherent feature in the business markets, the buying organization may have to deal with the different consequences of a negative decision. Thus, the organization's buying decision can vary depending on the following three different buying situations (Ross et al. 2011, 38).

a) New-task buying

The new-task buying situation is completely different for a buying organization because the organization would have no previous experience in buying the product or services. In this case, the organization needs a huge amount of information before the proceeding the purchase process (Ross et al. 2011, 38).

b) Modified re-buy

Modified re-buy refers to the situation in which the organization has some previous buying experiences and also familiar with the supply markets. There are various factors that force the organization for the divergence. The key cause is normally the company's dissatisfaction with the current suppliers. There can be two types of re-buying situations, which is as follows (Ross et al. 2011, 39).

i. Simple modified re-buy

In this case, the buying company is already familiar with the supply markets. This implies that the company may limit the information search of suppliers, and has standard buying procedures. The buying organization may also have limited choice of suppliers because the product has significant importance for the company (Ross et al. 2011, 39).

ii. Complex modified re-buy

A complex modified re-buy is the purchase situation in which the buying company has the choice of a large number of suppliers. The company has to follow with the standardized and extensive procedures such as, negotiating with different suppliers, demanding quotations, sophisticated analysis to evaluate the proposal, and the observance to established procedures. The buying organization has choice set of possible suppliers, which means, the company has detail observation on costs and prices. In this situation, an in-supplier's effort is to convince the decision-makers to move from modified to straight re-buy. Likewise, an out-supplier's effort should be trying to stay in modified re-buy situation. It would be helpful if the supplier could disclose the fact that led the buyers to search for new alternatives (Ross et al. 2011, 39).

c) Straight re-buy

Straight re-buy involves purchases of minor importance to satisfy recurring needs of the organization. As in the modified re-buy, the buying organization is familiar with the supply markets. Therefore, searching for new information of suppliers is narrowed down. The buyer's previous experiences from the supply markets indicate that the company has developed criteria which limit the standard of the suppliers' evaluation (Ross et al. 2011, 40-42).

In organizational buying activities, the decisions are made by people, not the organizations. The buying center involves different personnel who have not completely rational. The business marketer needs to understand the factors that draw an attention of the key members of the buying company (Ross et al. 2011, 45).

2.6 Understanding of Marketing Communication

Basically the aim of marketing communication is to send a consistent message to target audiences in order to achieve the firm's objective. The marketing company sells the image of the company during communicating with the audiences. Therefore, more attention should be paid in undertaking the actions that help to enhance the corporate image (Schultz 1996).

The marketer must have the absolute communication plan to ensure the formulated message is communicated properly to the targeted audiences. “The important point is how the members of that audience integrate the information. It may be that they:

- arrange the messages as the marketer intended,
- ignore the messages and materials,
- put them together in a way that the marketer never considered which could even be harmful to the organization (Schultz 1996).”

2.7 Communication objectives

Most of the communication objectives are associated with the readiness state of buyers. It helps marketers decide to use various marketing communication tools in the marketing program (Anderson & Narus 2004).

Communication objectives	Potential customers	Communication tools Target customers
Awareness	Leads	Advertising, Direct Mail, Publicity, e.g. conferences
Interest	Enquires	Brochures, Videos Recorded demonstrations, Website, Trade shows
Prospects	Evaluation	Telemarketing, Field sales visit
Trial	New customers	Inside sales call
Purchase	Established customers	Transactional and Relationship, sales teams

Source: Anderson & Narus 2004. Business Market Management.

2.7.1 Awareness

At this stage, a company directs its communication campaign to the potential customers in order to generate leads in a particular market segment. The awareness is developed when all the customers recognize the image and product/service aspect of the company. Different types of communication tools are applied such as advertising, public relationship, and direct mail (Anderson & Narus 2004).

2.7.2 Interest

At this stage, the marketing company tries to acquire attention from the potential customers by reflecting on such as products, services, or company's image. The objective of the company at this point is to generate the interest to its potential customers to make enquiries about the company's essential information. The communication tools such as brochures, catalogues, trade shows, online information, and so on (Anderson & Narus 2004).

2.7.3 Evaluation

In the evaluation stage, role of the buyer is vital. The buying companies will evaluate the services, products and image of the supplying company from the information available from the alternative suppliers. After the evaluation, some of the supplying companies will be eliminated. The customers interested in those companies become potential suppliers in the particular target segment. Telemarketing, field sales visits, and more importantly company websites are assumed effective communication tools at this stage (Anderson & Narus 2004).

2.7.4 Trial

A supplying company at this stage uses communication tools that might be able to stimulate the target customers for placing trial orders. Now, the company might be able to acquire new customers in the target segment. The obvious communication tool at this stage before the order placement will be personal selling (Anderson & Narus 2004).

2.7.5 Purchase

This is the final stage of the communication objectives in which a company becomes the potential supplier, and there will be established customers (Anderson & Narus 2004).

“These various stages of the state of buyer readiness represent a linear progression that is assumed to be essentially rational and over which the marketer has control (Schultz 1996)”. However, buying organizations may not necessarily attract to the every stage of communication because they are the active recipients of the messages. So, the marketer needs to understand the timing and type of messages that customers would prefer.

2.8 Summary of the theoretical discussion

The author has considered such as books, internet, and articles as the key sources in order to understand the organizational buyers' characteristics. Organizational buying is a complicated process as an adequate amount of formalities has to be followed to make a buying decision. Organizational buyers need a significant amount of information before making a buying decision. Organizations do not make decisions itself; people who represent the organizations are the decision makers. The people have needs that have to be satisfied. A business marketer has to try to understand those individual needs of people who are active participants of decision making process. These are the practices in B2B marketing.

There are different types of forces that influence organizational buying behavior. Those forces are individual force, environmental force, economical force, organizational force, and group force. Each of the forces has its own characteristics and demand. A successful marketer is the one who can understand the influence of each force and response them accordingly. Besides, understanding the concept of the buying center is most important for a selling company. Buying center consists of persons from different departments of the organization. For instance, technical department is responsible for analyzing technical features of the product. Likewise, finance department examines the cost structures. Therefore, a selling company must be aware of these concepts before stepping forward.

There are many steps that organizations follow before placing a purchase order. The process starts with the problem recognition, followed by actual need analysis, cost analysis, suppliers search and so on. Organizational buying is very complex and prolonged process. Nevertheless, the transaction value of the business is relatively high, and a relationship emerges between the organizations. There are different types of buying situation in an organization, such as new-task buying, modified rebuy, and straight rebuy. A supplying company may try to understand the different types of buying situation and their demands. For instance, an organization buying a new task implies that suppliers have to provide adequate information about features of the product or service. After the selection, the supplier may have the opportunity to access in the modified re-buy situation, and eventually to the straight re-buy situation. In the straight re-buy, the buying organization knows the impact of the suppliers which simplifies the situation to select one supplier.

When a business marketer communicates it has to be ensured that there is essential information for the target audiences. Marketing communication also means selling the image of the company. It is not necessary that the audience perceives the message in the same way as the marketer wants. They may accept or ignore the messages. Therefore, a marketer must plan for the communication process and choose the right communication channel as per the company's objective.

2.9 Theoretical framework



FIGURE 4 - Theoretical framework

3 Research Methodology

3.1 Introduction

Research methods and research methodology are two different aspects. Research methods may be defined as all those methods that a researcher uses during the course of studying the research problem. For instance collection of data to obtain desired solutions, use of statistical techniques for analyzing the data, and evaluation of the analyzed data to maintain the accuracy is defined as research methods. On the other hand, a systematic and definite way of solving the research problems is defined as research methodology. Research method is part of a research methodology. There are many dimensions of research methodology. A researcher has to answer the question that why the particular method is being used in order to justify the entire theme of the study (Rajendra 2008, 4).

3.2 Research approach

The main purpose of the research was to comprehend buying behavior and preferences of the organizational buyers. Therefore, the survey research approach is implemented in order to gather descriptive information. This is widely used and flexible method for primary data collection. In addition, qualitative research method has been used in order to analyze interview questions (www.pathways.cu.edu.eg).

3.3 Participants

The main target population was the big business group, manufacturing company, and distributors or dealers who are the most frequent customers for advertising agencies. Total 25 questionnaires were distributed among the target population within the capital city, Kathmandu. Only 16 organizations have participated in the survey. Remaining 9 participants refused to give feedback explaining their confidentiality issues. However, among the research participants, a couple of organizations are multinational and owns more than 40 companies by each.

3.4 Collection of data

The primary surveyed data was collected on 16 June 2012 by using the mailing address of the researcher because the research is being conducted in a different country. Some of the surveyed companies have denied disclosing their annual turnover, even could not find in the companies' website. Interviews could not be performed effectively because of many difficulties to get an appointment. One interview appointment was attained with the president of advertising association of Nepal, Mr. Raj Kumar Bhattarai on 22 June 2012.

3.5 Reliability and Validity

The larger samples produce essential reliability in survey results. However, to sample the entire target population would not be essential. Less than 1 percent of total target population would help to achieve reliable results, sincerity in a sampling procedure. Among the target population, the researcher had aimed 25 organizations, but only 16 organizations have participated in the survey. Therefore, the limitation in the sampling size may not provide the reliable results. However, the analyzed data has produced interesting results for the case company. It is anticipated that the observed data would help to achieve predetermined objective. In addition, the questionnaires formed were simple and precise which eased the survey participants to have a clear understanding of the theme (Kotler P. et al. 2009, 204).

3.6 Data analysis

The collected data have been systematically analyzed by the establishment of categories. The application of the categories refers to such as establishing raw data through coding, tabulation and drawing statistical inferences. Coding is an important operator through which categories of data are transformed into symbols that may be tabulated and counted. Therefore, the collected data have been analyzed with various statistical measures.

The survey research method has been substantiated for this research. The descriptive analysis has shown some important insight for the company to understand the perception of organizational customers. Similarly, the graphical presentation of the data has been supportive to distinguish different aspects of the different customers towards various given factors. It was also necessary for the researcher to understand opinions of some selected huge business organization. Those organizations have extensive areas of business in different parts of the country. Therefore, establishing a relationship with such organization has always been a major interest of the researching company.

4 Empirical study

The empirical study starts with discussion of the company's current situation, structure, and financial position. Then, the study continues with the discussion of Nepalese advertising history, followed by analysis of the observed data from the survey.

4.1 The company's overview

Spark Insight Advertising & Marketing Pvt. Ltd. was established in February 2008. The main objective of the company is to sell services to its clients by publishing advertisement; designing and printing brochures and calendars. In the advertisement publishing business, the company acts as a mediator between the clients and newspaper companies and gets commission from the clients. This is the practice in the Nepalese market to publish an advertisement. If customers directly visit the newspaper companies and deal for an advertisement they have to pay rather higher charge to publish. Contrary the advertisement companies offer considerable agency discount to the customers. The company is also an authorized marketer of Coca-Cola, entitled only for Kathmandu valley.

The company suffered operating loss for two years from the year of establishment. That was probably because the company was new to the market where already such types of numerous big companies were competing with each other. Despite every drawback in the beginning, the company has obtained good reputation in the market in the past two years. There has been a rise in annual turnover, and increase in operating profit of the company. The main stream of the marketing has been personal linkage and word of mouth marketing since the beginning. The company acquired the recognition lately in the market, and started earning some profits. In the beginning, the company started with two personnel, owner himself and one technical person. The owner himself was responsible for the financial transactions and client services, and both were involved in marketing activities. The company's steady growth might have been affected by the lack of personnel.

In the first two years, the turnover of the company was very pity. The company happened to deal with only few clients, and was far away from breakeven

point. The only supportive and persistent client seemed to be Coca cola. The turnover during the period was approximately Nepali Rupees Five Million per year (Fifty Thousand in Euros) in which, the profit margin was rather diminutive. Because of the huge competition in the field of advertising, companies have to compete by offering exceptional discounts. For instance, the competitive discount for the paper advertisement in Nepal these days that the companies offer would be 28% and only 2% remains as commission. The profit accounts at a minimum level regardless of the good figure in annual turnover. Since the last two years, the company earned proper recognition in the market and has been able to maintain its annual turnover more than Ten Million Nepali Rupees per year (One hundred thousand euro).

More than 90 percent of the company's clients entail schools and colleges. They bring varieties of businesses to be published in newspapers such as, vacancy announcement of employees, and admission information for upcoming students. In addition, there are occasional businesses such as, school calendar publishing, brochures printing, visiting cards printing and more. The company acquires very little profit from these types of advertisements. Television advertisements are rewarding for advertising agencies; but, the advertisements are erratic from such educational institutions.

Considering the Nepalese advertisement markets, there is uncertainty of sustainability of the company. However, only few commercial clients, if acquired, would be beneficial for the company's profitable growth.

4.2 Nepalese advertising history

Nepalese advertising industry has not gained substantial growth. However, advertising trends these days have shown that the industry is in an emerging state. Nepalese advertising since its primitive stage can be divided into two parts, which is described below;

a) Ancient advertising

The ancient advertising has started from the practice of publicizing notices from the kings. Those customs were in the form of 'jhyali pitaune', 'Top Padkaune', 'Bigul Fukne', etc. It is believed that the beginning of ancient advertising

ing in Nepal had also been in the non-commercial form as it was in the history of world advertising. In the form of a commercial advertising, the people used to shout aloud and sell their products in the 'Haat bazaar'. This can be explained as the beginning stage of commercial advertisements. The development order of Nepalese advertising had started from voice to picture medium, and graphical to the script medium (www.adafaa.org 2009).

b) Modern Advertising

The development order of Nepalese modern advertising has the same record as that of world advertising. The evolution of Nepalese modern advertising began from print advertisement, followed by radio, television advertisement and eventually emerged to the cyber medium (www.adafaa.org 2009).

c) Print Media

As the history of modern advertising of Nepal in print media, the then P.M. of Nepal Janga Bahadur Rana brought Gidde Press from his official visit to Great Britain in B.S. 1908 (1851 AD). The press used to print envelopes, tickets and government papers. The credit for printing the first advertisement goes to the Manoranjan Press, situated in Thahiti, Kathmandu in B.S. 1919 (1862 AD). (www.adafaa.org 2009).

d) Advertising on Radio

The history of radio broadcasting began in B.S. 2002 (1945 AD) when the first test transmission of radio was performed from Nepal Electricity Authority, Kathmandu. The Nepalese radio, still known as 'Radio Nepal,' was started in B.S. 2007 (1950 AD) (www.adafaa.org 2009).

e) Advertisements on Television

Nepal Television began its test transmission in B.S. 2042 (1985 AD). Advertisements occupy approximately 16% of the total broadcast time of Nepal Television, including 53% national and the rest are international advertisements. Now days, perhaps because of its audio-visual beauty, television advertisements are emerging as the prime medium of advertising (www.adafaa.org 2009).

f) Advertising on the Internet

Online advertisement has not made a significant impact in Nepalese advertising. However, growing pace of information technology has a noticeable effect on Nepalese advertisements (www.adafaa.org 2009).

g) Advertising in Other Media

Other media of advertising such as, hoarding board, brochures, trade displays, wall writing have become a significant medium of advertisements in Nepal (www.adafaa.org 2009).

4.3 SWOT Analysis

	Strength	Weakness
Opportunity	<p>Adequate reserved capital by the owner</p> <p>Motivated and experienced employees</p> <p>Reasonable price in the services</p> <p>Convenient location of the company (at the heart of the capital city)</p> <p>Satisfactory market recognition; working as an authorized marketer of big client Coca Cola.</p>	<p>Volatile market, unethical competition, uncertainty of long term relationship with clients.</p> <p>Very few employees, difficulties to deal pressure during rush period; hence, negative impact on delivery time.</p> <p>Single ownership company, a wrong decision may not be in favor of the company.</p> <p>The company does not have its own webpage.</p> <p><u>Weakness into opportunities</u></p> <p>Commitment on quality of the services.</p> <p>Motivating the employees, appreciate their effort and reward them for managing the work pressure.</p> <p>Focus on teamwork. Prior discussion with employees before making any decisions.</p> <p>Create an official webpage presenting essential information of the company.</p>
Threat	<p>Existence of competent competitors with in the same location.</p> <p>Existing customers may look for the better alternatives.</p> <p>Threat of survival.</p>	<p><u>Weakness and Threat</u></p> <p>May not compete in price and quality with bigger companies who might have advanced technology, such as printing machine.</p>
	<p><u>Threat into strength</u></p> <p>Try to ascertain how the customers are being benefited from the competitors.</p> <p>Offer better and consistent services.</p>	<p>Probabilities of, such as losing customers and endure massive loss.</p>

TABLE 3 - SWOT analysis

4.4 Descriptive analysis overview

TABLE 2

Data Analysis		Total number	Mean	Standard Deviation	Coefficient of Variance (%)
<u>1st Set</u> What are the important factors when choosing an advertising agency	very competitive prices	16	3.75	1.00	26.67
	design quality	16	4.88	0.50	10.26
	print quality	16	4.88	0.50	10.26
	previous experiences	16	4.69	0.48	10.21
	size of the agency	16	3.94	1.00	25.34
	the agency well is known in the market	16	4.31	0.95	21.95
	delivery time	16	4.75	0.68	14.38
	recommendation of agency's clients	16	3.00	1.26	42.16
	the agency's employees' professionalism	16	4.69	0.60	12.84
	long term relationship	16	3.81	1.22	32.08
	personal relationship with the agency	16	2.56	1.46	56.94
<u>2nd Set</u> How important are these services of advertising agency	newspaper ad	16	4.38	0.96	21.88
	television ad	16	4.38	1.09	24.86
	radio commercials	16	3.75	1.34	35.78
	brochures publishing	16	4.13	0.89	21.46
	calendar publishing	16	3.56	1.46	40.96
	logos design	16	3.56	1.41	39.66
	billboard sign design	16	4.38	1.26	28.76
	trade shows	16	4.31	1.35	31.36
<u>3rd Set</u> How important are the communication channels to get the information of agencies	television ad	16	3.00	1.59	53.05
	radio ad	16	2.00	1.37	68.31
	newspaper ad	16	4.31	1.01	23.52
	agency's website	16	4.44	1.03	23.23
	personal selling	16	3.69	1.14	30.87
	personal recommendation	16	3.13	1.36	43.52
	exhibitions	16	3.88	1.31	33.81
	emails from the agencies	16	2.38	1.15	48.31
	direct mail ad	16	2.13	1.02	48.22

4.4.1 Discussion

The descriptive data is analyzed with only sixteen survey sample. Nevertheless, the statistics reflect some rational structure that may guide the company to attain the desired goal.

Table 2 refers to the descriptive data that were analyzed from the questionnaires. To present the discussion, business customers' perception is considered as a dependent variable. The table consists of different factors in three different sets which are considered as independent variables.

The coefficient of variance has been calculated to understand how intently the discernments from the different customers are correlated when assessing the different factors. In the first set of analysis, the table shows that the design quality, print quality, and market experience have the least value of the coefficient of variance 10.26%, 10.26%, and 10.21% respectively. These are the most significant factors for business customers when choosing an advertising agency. This is followed by the agency's employees' professionalism (12.84%) and the delivery time (14.38%). The observed statistics explains that organizational buyers are not substantially concerned regarding the size of an advertising agency (25.34%) and the pricing factor (26.67%) when making the decision in favor of the agency. Among the factors in the first set, the data reveals that the factor personal relationship of business customers with agencies (56.94%) is observed as the most insignificant factor when choosing an advertising agency.

In the second set, the observed data reveals the interest of the business customers towards the newspaper advertisements and brochures publishing with the coefficient of variance of 21.88% and 21.46% respectively. Similarly, the interest in a television advertisement is closely followed with 24.86%. These three factors seem most significant when buying services from advertising agencies. Unlike newspaper and television advertisement radio commercials (35.78%) have been rather outdated due to changes in people's preferences. Nevertheless, there has been a remarkable increase in F.M. services all over the country. Billboard sign design (28.76%) has appeared to be another frequent buying factor for organizational buyers. Indeed, now-a-days this has been fashioning to big enterprises displaying product's advertisements in a huge hoarding board in the main junctions of the city. The factor calendar publishing (40.96%) can be seen least importance for the big industries or enterprises as they do not publish in large volume for mass distribution. The story would be

different for colleges who print the calendars for mass distribution to attract new students.

Similarly, in the third set, the customers' response in the choice of various communication channels has been observed. The statistics explains that agencies' website and newspaper advertising are most suitable channels for business customers in order to acquire the information of advertising agencies. The data also indicates that the other mediums of communication are in the least preference, exceeded the rank by radio advertisement (68.31%).

4.5 Chart analysis

4.5.1 Important factors for choosing an agency for big business groups

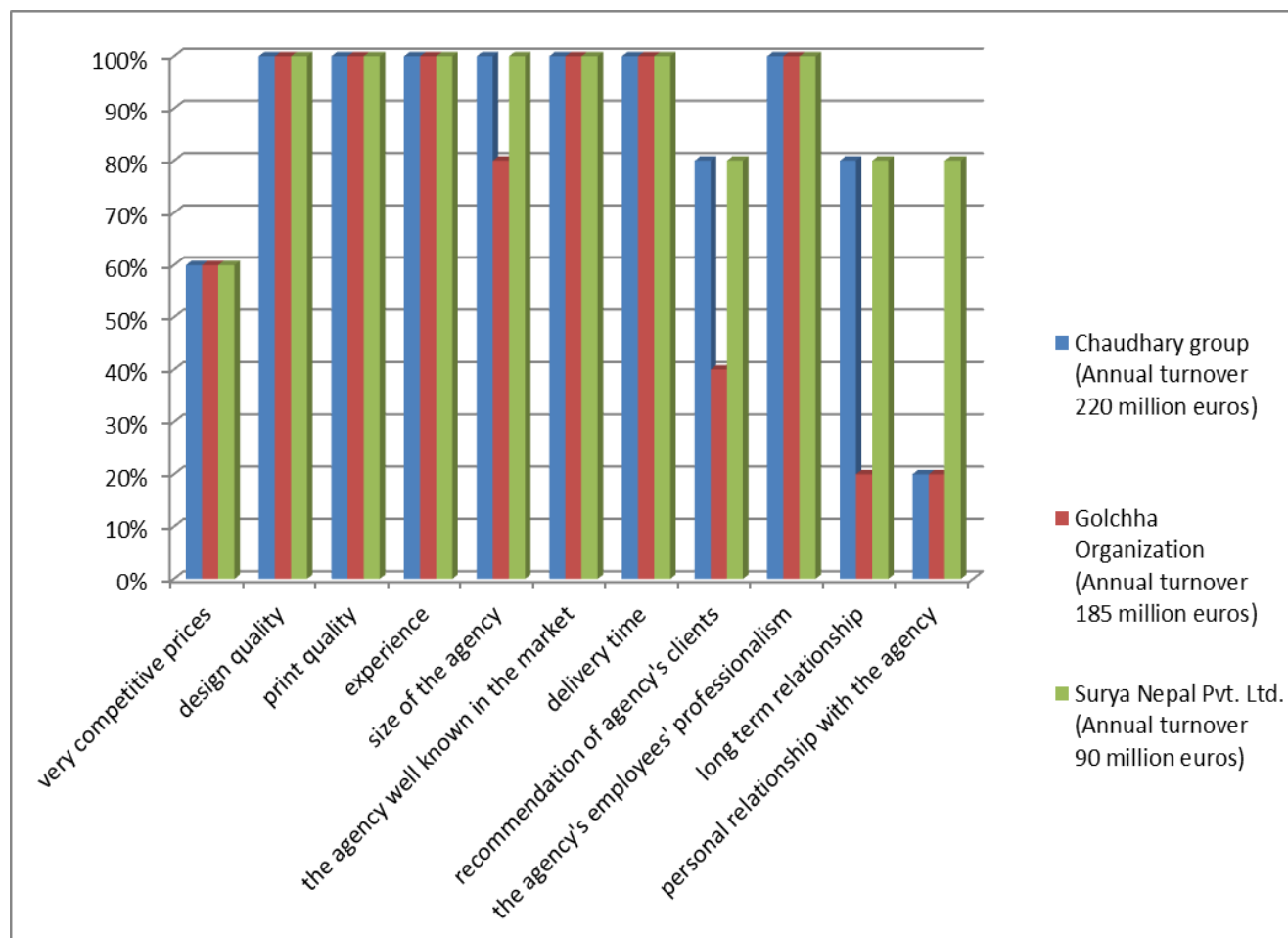


FIGURE 5 - Important factors for choosing an agency for big business groups

In the above chart, response from three big businesses group in regard to the factors that affect the choice of an advertising agency has been analyzed. Since the groups consist of numerous companies under the umbrella of each company, the researcher aimed to observe that what factors the groups would perceive when choosing an advertising agency. The analyzed chart indicates the importance of six factors that an agency should possess. The organizations' comprehensive emphases are on, such as design quality, print quality, delivery time, market experience, and employees' professionalism. These factors are closely followed by size of the agency as another important factor for the organizations.

4.5.2 Important factors for choosing an agency for rest of the organizations

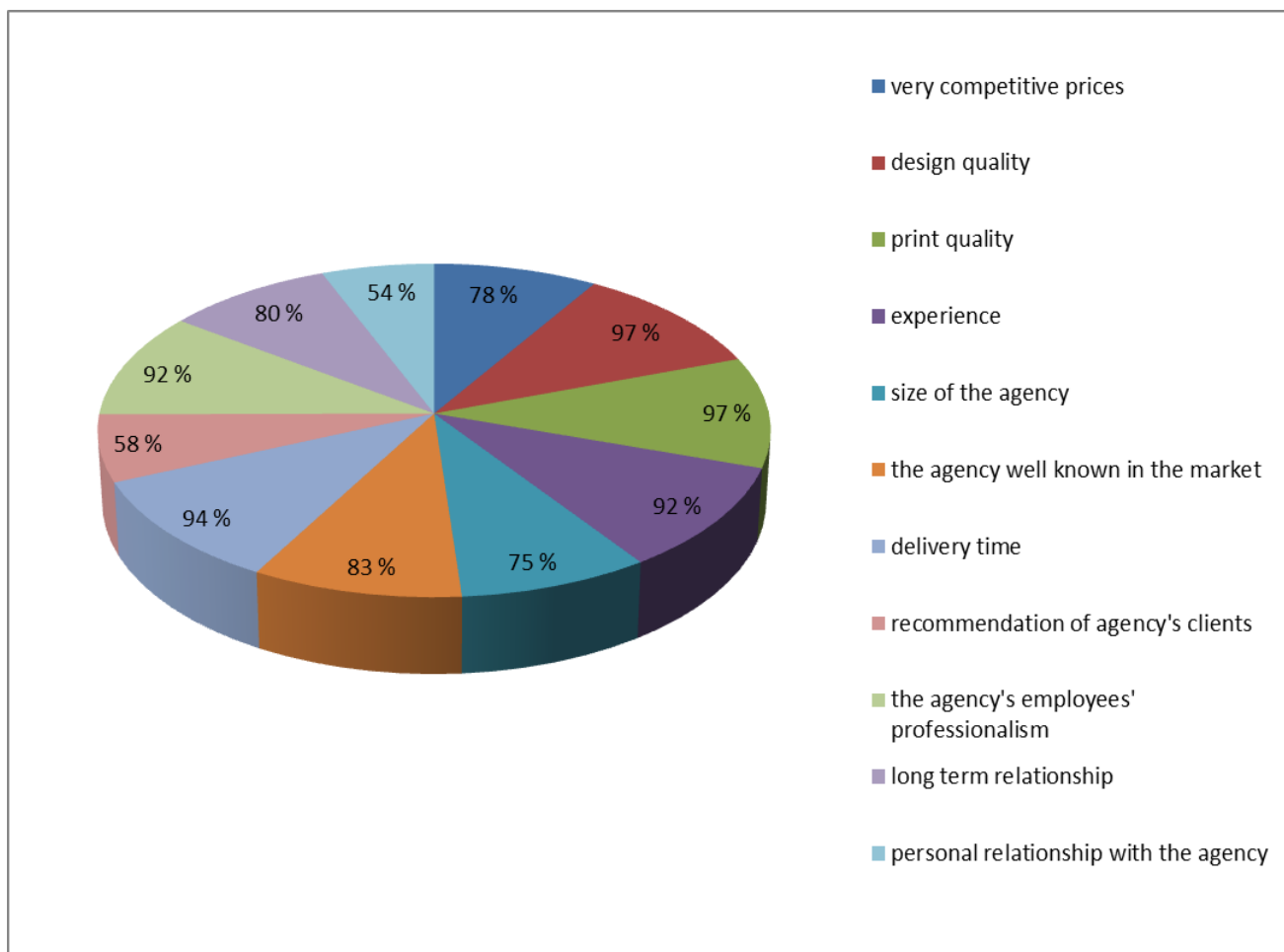


FIGURE 6 - Important factors for choosing an agency for rest of the organizations

In the given pie chart, the analyzed percentage explains the significant factors when choosing an advertising agency as considered by the rest of the surveyed companies. Similar to the first chart, the opinions of the companies remain same in regard to the design quality, and print quality. The analyses disclose a clear statement that the price factor is not so important for big or medium size of companies when choosing an advertising agency. Rather, the companies emphasize at other important factors, such as quality in the services, market reputation, and employees' professionalism.

4.5.3 Important advertising services for the companies

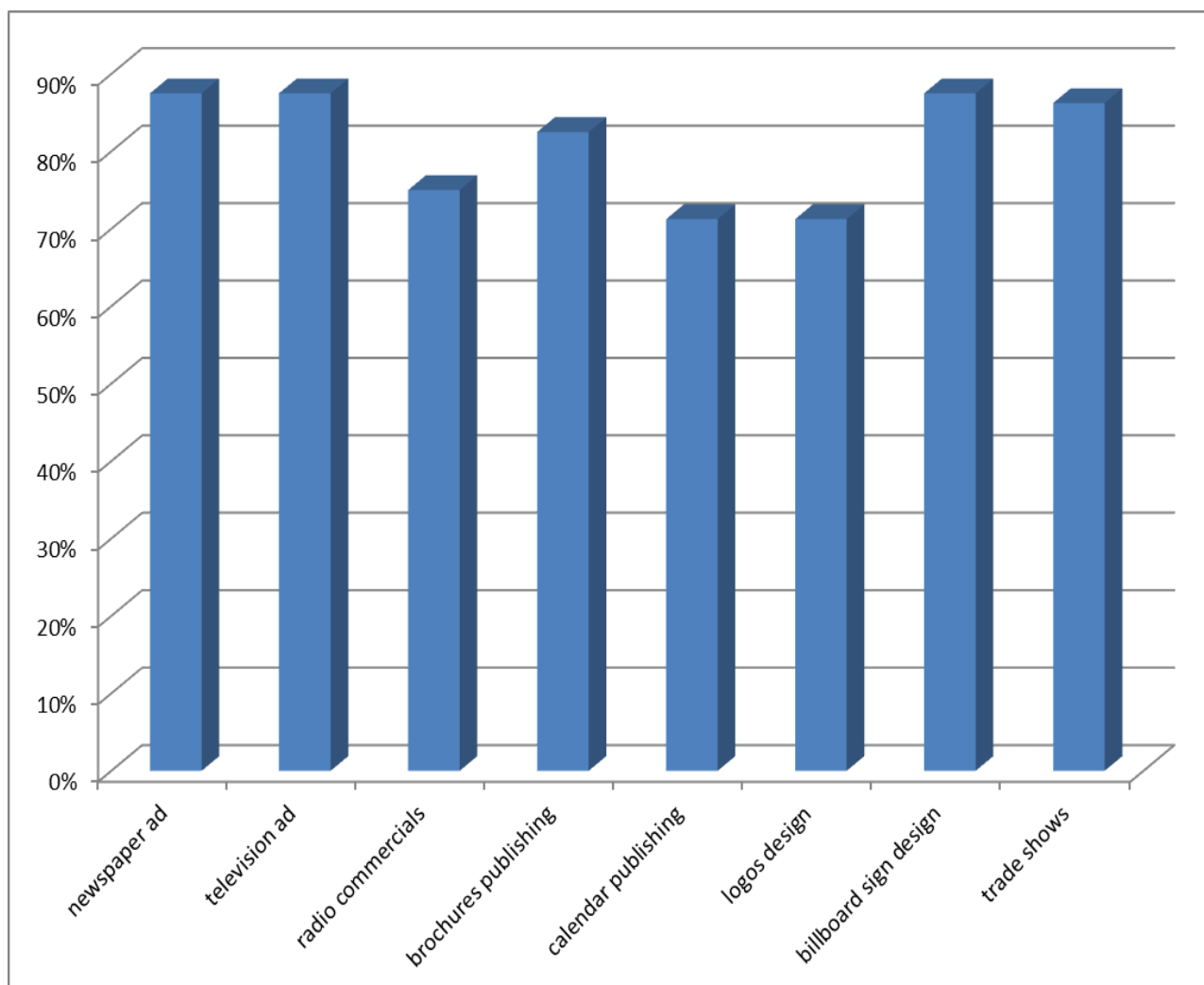


FIGURE 7 - Important advertising services for the companies

The above chart reveals the important advertising services that the companies would buy to accomplish their usual advertising needs. The most aspired services according to the business customers are newspaper advertisement, television advertisement, billboard sign design, brochures publishing, and trade shows. In Nepal, the billboard sign advertisement has widely being used on the roof of houses in the main streets, believing that the large number of people may notice the display. The other services, such as newspaper or television advertisement are very common, rather most important advertising medium. However, it depends on the size of buying company because of the cost of tele-casting or publishing the advertisement. The other advertising services, such as radio commercials, and brochures publishing are also important for the business

customers, are being consistently used, however, not in priority unless the lack of an advertising budget.

4.5.4 Importance of advertising services for the selected companies

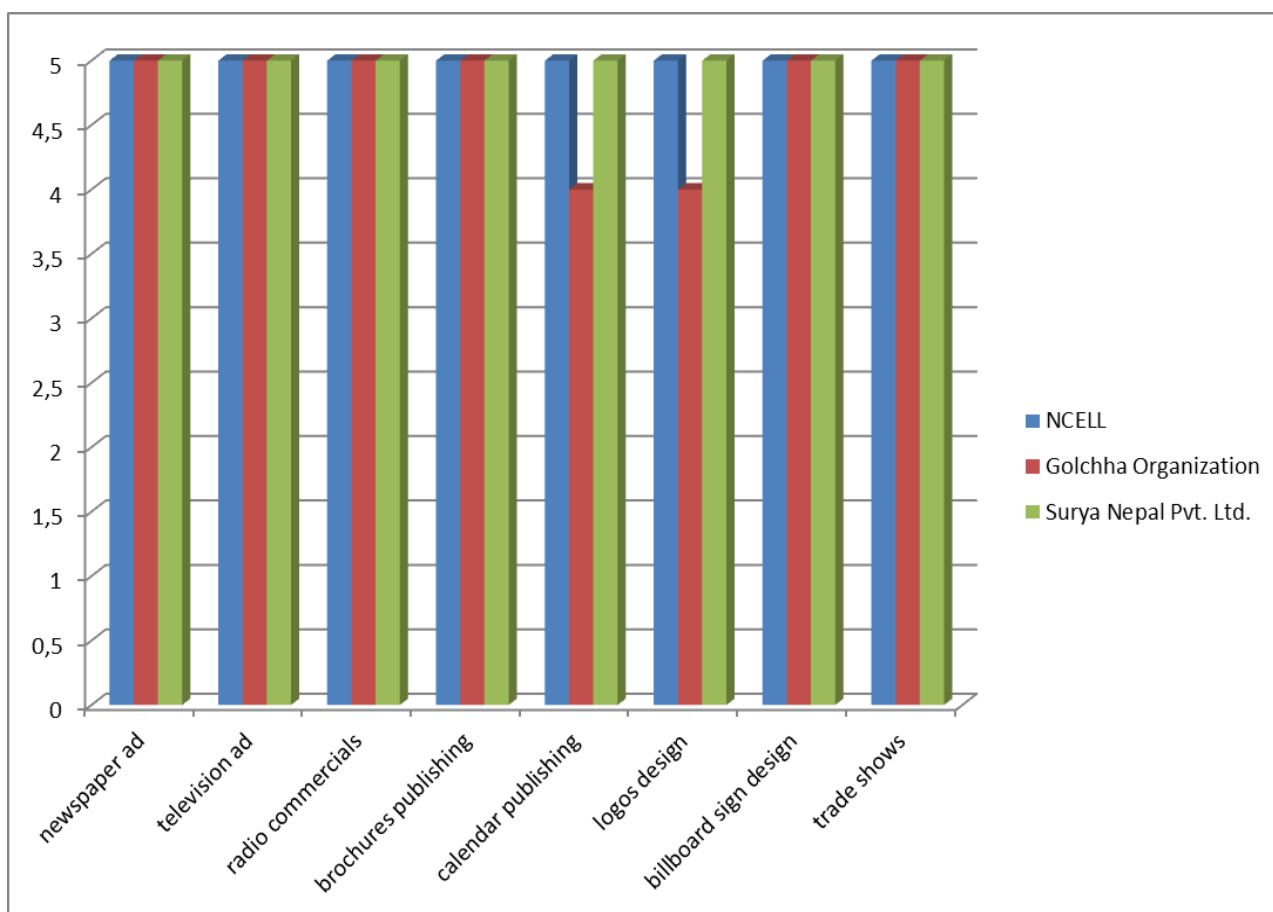


FIGURE 8 - Importance of advertising services for the selected companies

The above chart is analyzed on the basis of three giant companies operating in Nepal for decades. NCELL is a mobile operating company and internet service provider. It has approximately 500 employees, having annual turnover of nearly 70 million euros. The company has succeeded to overcome the monopoly of the only mobile operator Nepal Telecom. Golchha Organization is one of the two huge companies of Nepal operating for more than four decades. There are more than 30 companies registered under the umbrella, having annual turnover of nearly 185 million euros employing 15000 people. Contributing in the welfare and the development of the nation by various means, the company's area of business covers numerous sectors in the country, such as manufacturing and distribution of pulp and paper, sugar, jute products, confectionary, steels and

many more. The other big company is Surya Nepal Pvt. Ltd., having annual turnover of nearly 90 million euros, employing 1500 people. It is the manufacturer of Nepal's most demanded cigarettes, and also the manufacturer of readymade garments. These are the only three companies who have acknowledged the significant importance of all the advertising services.

4.5.5 Companies' assessment on communication channels

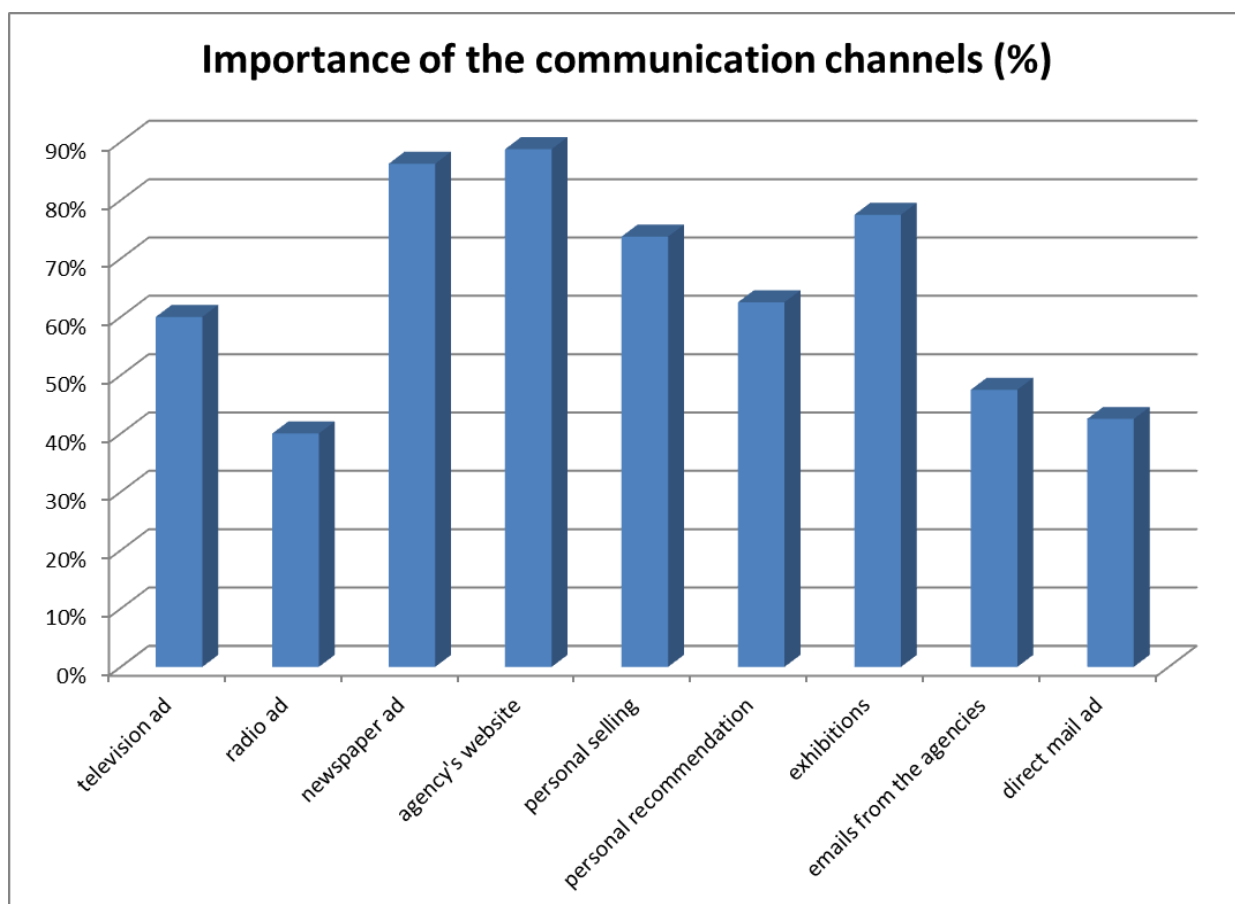


FIGURE 9 - Companies' assessment on communication channels

The above chart summarizes the importance of communication channels to the business customers in order to acquire the information of advertising agencies. The agency's website is the most preferred communication channels to the organization with more than 90% vote. The information technology has become prevalent in the Nepalese market. Internet access has become indispensable from small to big organizations. The companies could easily find the necessary

information from the website. Newspaper advertisement is another chosen communication channels with more that 80% vote. Some of the companies have indicated personal selling and personal recommendation as the important communication channels. Establishing a personal relationship with companies is a common aspect in Nepalese business market. The other communication channels, such as radio and direct mail advertisement does not seem effective to the organizations.

4.5.6 Personal selling/ recommendation

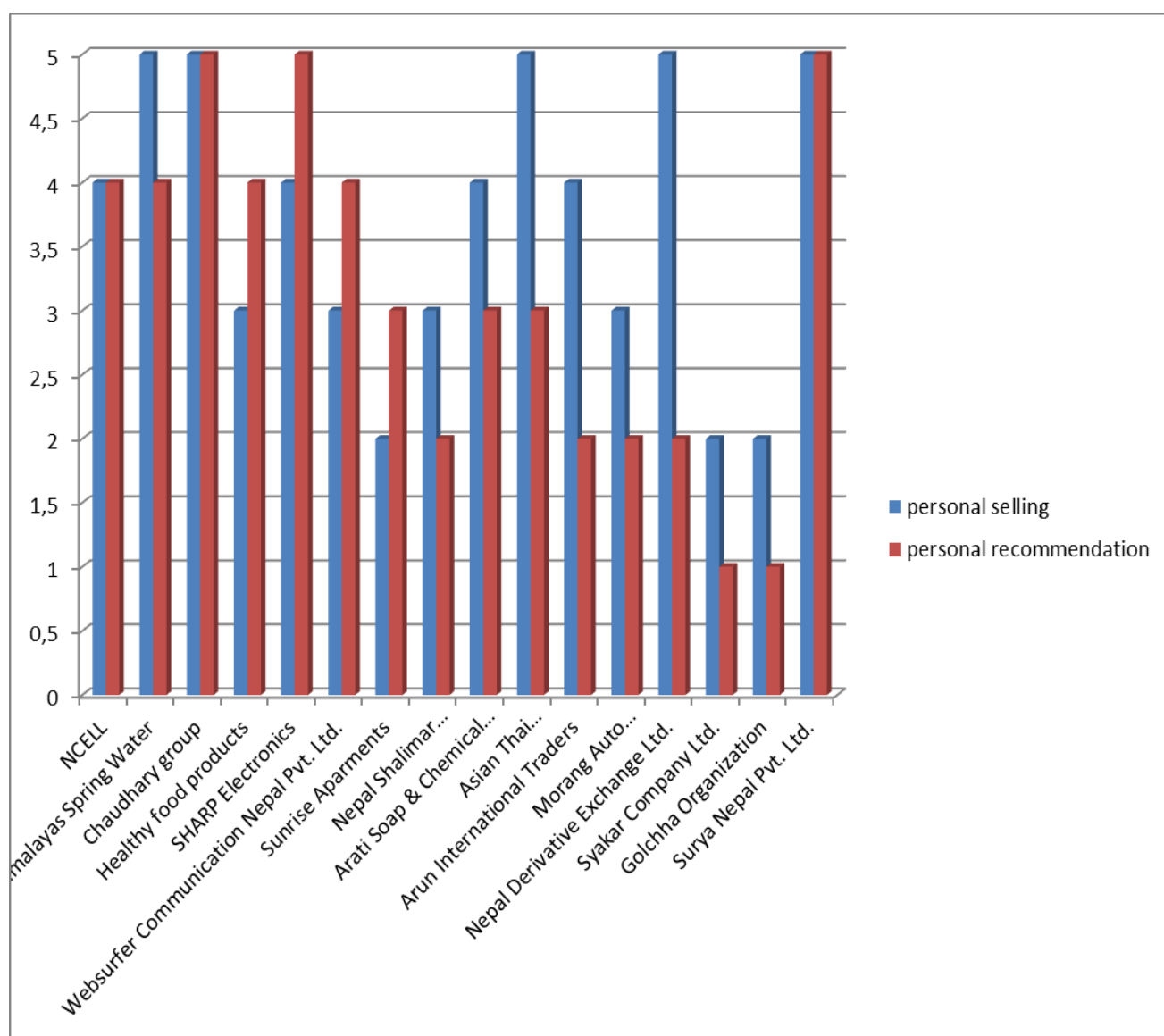


FIGURE 10 - Personal selling/ recommendation

The above chart reveals which of the companies prefer personal selling and personal recommendation as an important communication channel. The chart explains that two giant companies Chaudhary Group and Surya Nepal Pvt. Ltd. have revealed the importance of the two communication channels. Chaudhary Group is one of the two multinational organizations having more than 40 companies under its umbrella. The company has an annual turnover of nearly 220 million euros, employing more than 6000 people. The areas of the business have been biotechnology, healthcare, hotels and more, and also the manufacturer and distributor of cement and automobiles, and more. Similarly, Surya Nepal Pvt. Ltd. is the manufacturer and distributor of cigarettes and ready-made garments. By understanding the opinion of such huge companies in the subject, the researching company could try to establish a relationship through different approaches, such as approaching through friends, colleagues, relatives who are closely associated with the companies.

4.6 Risk factors in the advertising industry and possible solutions

The increasing number of advertising agencies without registration at Advertising Association has created an unethical environment in the Nepalese advertising markets. It is simply because of less attention from the government towards the advertising industry. There are not such specific criteria set for the registration. Simply complete the form, pay required government fees and it is registered. The business volume of the agencies seems to be the same since last five years, but the number of agencies is growing like mushrooms in a wild land (Bhattarai, interview 13 August 2012).

With the realization of impact of such problem, Advertising Association of Nepal, together with Nepal Media Society and Television Broadcasters of Nepal are working on regulating some criteria to be eligible to register an agency. The association is collaborating with concerned government authorities in order to formulate comprehensive advertising and media policy. The policy is aimed at fine tuning the advertising industry as per the best international practices, which can go a long way in creating a healthy advertising climate (Bhattarai, interview 13 August 2012).

In addition, the association is trying to implement clean feed system to increase revenues of both the advertising industry and the nation as a whole. Clean feed is the transmission of broadcast content without advertisement. If the idea is implemented, foreign pay channels will not be allowed to transmit advertisements in Nepal. This would create an additional Nepali Rupees 1.5 billion advertisement market in a year (Bhattarai, interview 13 August 2012).

5 Conclusion and recommendation

The purpose of this thesis was to ascertain important factors that affect the choice of an advertising agency. The target group of the research was only organizational customers because the company's revenue entirely relies on the business from those customers. Due to the sample size limitation the researcher may not have achieved the absolute data reliability. However, some interesting statistics have been revealed through which the research could be concluded.

The design quality and print quality have been given high priority when choosing an advertising agency. Price of the services has not been considered as an important factor. The current situation is that the company often lowers its price when placing a bid, with the thought that numerous customers in hand with low profit margin. This may be beneficial some retail businesses. However, the observed data explains the other way. Quality in services always comes first regardless the price of the services or size of the company. The quality in services also entails on time delivery. The company has an experience of losing a customer because of long delay in the service. In order to maintain design quality the company has to motivate its employees in different ways, such as train with updated graphics technology, provide good incentives for long working hours, participate in decision making process. It is a small sized company, and its entire business depends on a handful of employees. Motivating employees is fairly an investment for the company that eventually produces a good return.

Print quality depends on the both machine condition and paper quality. The company lowering its printing price indicates that low standard papers will be used. Since the quality is demanded, the company should focus on, the proper maintenance of the machine and using high quality papers. Keeping the printing standard is very important for the company regardless the raise in price. The data revealed that one of the most important services for the companies is brochures publishing. Therefore, the company must emphasize on the printing qualities in order to retain such customers. In addition, the employees need to be trained in order to acquire the knowledge of advanced technology, such as advanced graphic software training, and effective marketing training. This way the performance quality of the employees would be enhanced, and the company could earn the desired market reputation.

The organizational customers' preferred communication channel is the company's website. The company had a huge disadvantage at this point because it did not have a website. It has recently contracted an experienced IT expert to develop an advanced website. In this part, as discussed with managing director of the company Mr. Nirmal Rayamajhi, the company should provide all the possible information that a buying organization might want to know, unlike many of other companies' website in Nepal. Regarding additional features in the webpage, such as online invoicing and payment discussion with the IT person is in progress.

5.1 Theoretical linkage

The main purpose of this thesis was to understand that how organizational customers make a decision when selecting an advertising agency and what factors affect their decision making process in Nepalese advertising market. In order to support the objective of the thesis, such areas as organizational buying behavior, organizations' decision making process, nature of B2B markets, and marketing communication are considered in the theoretical section.

The questionnaire was formed in a way that revealed the importance of different factors, such as price, design and print quality, and advertising services for various business firms, as well as their preferred communication channels. The observed responses have been discussed in the empirical section which is inter-related with the chosen theories. The empirical study and its effect have been enhanced by the theories. It was important for the researcher to understand the characteristics of organizational buyers and influence of proper marketing communication. For instance, the survey responses reveal the preferred communication channel for business firms in order to acquire an agency's information. In this case, the knowledge of the allied theory would help the researcher to step further with proper communication plan.

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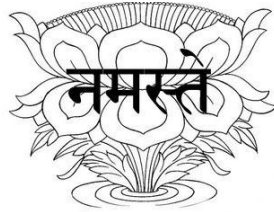
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Questionnaire



As a part of a Business Management Thesis at
Laurea University of Applied Sciences, Finland
I am conducting a survey for a small advertising company of Nepal in order to study
important factors in the choice of an **advertising agency**.

Thank you for taking a moment to answer the following questions.
All the answers given will be treated with full confidentiality.

Name of organization

Address


Area of business

Number of employees

Annual turnover

What are the important factors for your company when choosing an advertising agency?

Please rate the factors on the scale of 1-5, where 1 = Not important and 5 = Very important.

Please 
on your
answer

	1	2	3	4	5
Very competitive prices					
Design quality					
Print quality					

Experience (in the advertising field)					
Size of the agency					
The agency is well-known in the market					
Delivery time					
Recommendation of agency's clients					
The agency's employees' professionalism					
Long term relationship					
Personal relationship with the agency					

How important are the following advertising agency services for your company?

Please rate the factors on the scale of 1-5, where 1 = Not important and 5 = Very important.

✓
Please
on your
answer

	1	2	3	4	5
Newspaper advertisement					
Television commercials					
Radio commercials					
Brochures publishing					
Calendar publishing					
Logos design					
Billboard sign design					
Trade show displays					

Please rate the importance of following communication channels to get information of advertising agencies

Television advertisement					
Radio advertisement					
Newspaper advertisement					
Agency's website					
Personal selling					
Personal recommendation					
Exhibitions					
E-mails from the agencies					
Direct mail advertisement					

Who makes the decision in the choice of the advertising agency?

a) Managing Director

b) Buying group consisting several people

Names	Job title

c) Sombody else

Name/Names	Job title

If you would like to make some additional comments to the above questions please write them below.