

## TREATING ADVERTISING AGENCIES CLIENTS AS VALUE CREATION PARTNERS: DIFFICULTIES AND IMPLICATIONS

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**Purpose:** Latest developments in service urge all type of institutions to think and act in terms of value co-creation rather than embedded-value traditional concept linked to good-dominant logic. Hitherto, this approach is well documented in theory, the operational capacity in practice of this new approach for institutions requires empirical evidence. In this work, we study b2b professional service as it represents a service sector where a co-creation approach with its clients is intrinsically needed by its nature. Particularly we deal with advertising agencies and aim at identifying the difficulties these agencies encounter when attempting to treat their clients as value-creation partners. We also analyze the consequences in the firm's value network of not overcoming these difficulties.

**Design/methodology/approach:** This paper presents multi-case study research on 20 top advertising agencies in Spain. Main data derives from *in situ* in-depth interviews with senior account managers.

**Findings:** A classification of clients is proposed: novice clients, control-concerned expert clients and integration-concerned expert clients. We also describe the *value depletion circle* (VDC) as an eventual detrimental consequence of dealing with certain types of clients.

**Research limitation/implications:** Similar research should be conducted on different sectors and in different countries in order to complete our findings. It would be interesting to apply different methodologies too.

**Practical implications:** The role of the interacting parties in the service process is paramount to successfully implement a value co-creation approach. The lack of control of an institution over its value-creation partners may turn the adoption of this approach a matter of chance. Different service relationships scenarios are described which can help institutions understand failure in their value co-creation purpose. The VDC definition highlights the risks of being passive when these failures occur.

**Originality/Value:** This paper focuses on a service traditionally featured by the need of clients' active collaboration in the service process. The analysis of the difficulties these companies have encountered for years and the evolution of the sector provide some practical insights for theory generation.

**Keywords:** Value co-creation, advertising agencies, clients' types, value depletion circle

**Paper type:** Multi-case study

## INTRODUCTION

In recent years value has become a central issue among marketing scholars and practitioners (Holbrook, 1994; Lapierre, 1997; Anderson & Narus, 1998; Tzokas & Saren, 2000; Gummesson, 2002; Mele, 2009,). Increasingly global and fierce competition has boosted the need for companies to find new ways to provide higher value to customers. To achieve a desired service outcome, service providers should engage clients in the service process to varying degrees (Grönroos, 2011). Value co-creation has been proposed as a means of increasing value to customers and providers (Normann & Ramírez, 1993; Hirvonen & Helander, 2001; Vargo & Lusch, 2004) and beyond that to a whole network of stakeholders (Gummesson et al., 2010).

Vargo and Lusch (2004) introduced service dominant (S-D) logic and caught the immediate attention of the marketing and service research communities worldwide. S-D logic has further matured in numerous subsequent articles by its originators (especially Vargo & Lusch, 2008 a, b) and others, among them Nenonen & Storbacka (2010), Ravald (2010), Ballantyne et al. (2011), and Brodie et al. (2011) who elaborate on value co-creation from different angles. S-D logic has initiated a transition from the now mainstream service management of the 1980s and 1990s to a novel view on service. It is essentially a synthesis and re-conceptualization of the best parts of the earlier literature and a rejection of non-viable parts. According to S-D logic, firms compete with customized solutions derived from the integrated resources of all those involved and performed through interaction in networks of relationships. In order to support this transition the generation of new theory is required (Saren et al., 2007, Gummesson, et al., 2010; Gummesson, 2011).

This paper focuses on value co-creation in a specific type of service: professional service. Its purpose is to examine the role of clients in value co-creation process in professional service firms (PSFs) by aiming at establishing a classification of clients according their characteristics. PSFs were chosen because their market offering – or ‘value propositions’ in the vocabulary of S-D logic – has intrinsic characteristics that are clearly conducive to value co-creation. For instance, a professional service is predominantly intellectual consisting of analyses, advice, opinion and action performed by a professional or a team who hold appropriate qualifications. The creation of a professional service often demands exhaustive and continuous client participation throughout the service process. It is further characterized by being knowledge-based with a high degree of customization and a strong relational component where active client participation is needed, by asymmetrical information and by the difficulty for the client to assess the value of the service even in retrospect, and by the client’s high perceived risk (Gummesson, 1981; Van Doren & Smith, 1987; Brown & Swartz, 1989; Lowendahl, 1997; Stewart, et al., 1998; Thankor & Kumar, 2000; Tzokas et al., 2001; Nätti & Ojasalo, 2008; Aarikka-Stenroos, et al., 2009; Díaz-Méndez, 2010).

The paper is dedicated to the value co-creation of PSFs and their clients. Although these are the two focal parties, we are well aware that both are members of a wider network context where several other actors influence the outcome as explained in many-to-many marketing (Gummesson, 2006). The value proposition of an advertising agency is business-to-business service, B2B, whereas other types of professional service can be predominantly business-to-consumer, B2C (e.g. medical service), or be either B2B or B2C (e.g. legal service). Both S-D logic and many-to-many marketing are systemic approaches that strive in the direction of comprehensive general theory, going beyond the B2B/B2C and goods/services differences and focusing on the commonalities and interdependencies between the categories (Gummesson & Polese, 2009; Barile & Polese, 2010). With this ambition we are also influenced by the B2B research of the IMP Group (Håkansson et al., 2009; Ford, 2011). We claim that the success of a PSF does not depend solely on the provider; the client’s collaboration is imperative (Donaldson et al., 2001). For this reason, we suggest that certain client characteristics are important determinants of the failure or success of a PSF’s value co-creation process. Consequently, service providers must be aware of the particularities that value co-creation entails on the client side.

The results specifically highlight the role of clients in the value co-creation process and long term consequences of applying a wrong value creation approach. The contribution of this paper

is threefold. *First*, it analyses theoretically the role of client in the service co-creation process. *Second*, our study develops a classification of PSF clients into four categories: *novice clients*, *control-concerned clients*, and *integration-concerned expert clients*. *Third*, we explain how dealing with complex clients may generate a vicious circle, *the value depletion circle*, which in the long run can seriously damage the sector image.

The paper is structured as follows. We first look into the role of clients in the service co-creation process centered on professional service; this constitutes our problem definition and motivates our choice of research methodology: a multi-case study on advertising agencies operating in Spain. The following core section of the paper consists of a discussion and conceptualization of the findings. The last parts comprise a summary, implications for academia and practice, and suggestions for future research.

## 1. Role of clients in the service co-creation process

### 1.1. Clients behaviour

Clients' participation has been highlighted in the literature as a requirement to enable successful service delivery translated most times in terms of client satisfaction. Their participation is especially necessary in some service. Obviously the service a cinema offers requires less client participation than the service offered by lawyers' office. In this sense, Büttgen and Ates (2009) aimed at classifying service according its degree of clients' participation and the level of interaction required resulting in the classification depicted in Table 1:

Table 1: Typology of service based on extent of customer participation

Extent of Interaction	high	<ul style="list-style-type: none"> <li>• Hair Dresser</li> <li>• High Class Restaurant</li> <li>• Scan Services</li> <li>• Plumbing Services</li> </ul> <p style="text-align: right;"><b>Type 2</b></p>	<ul style="list-style-type: none"> <li>Psycho Therapy •</li> <li>Driving Classes •</li> <li>Language Travel •</li> <li>Fitness Training •</li> <li>• Lawyer</li> <li>Weight Watchers •</li> <li>Program</li> </ul> <p style="text-align: left;"><b>Type 1</b></p>
	low	<ul style="list-style-type: none"> <li>• Dry Cleaning</li> <li>• Cinema</li> <li>• Mail Services</li> <li>Standard •</li> <li>Software</li> </ul> <p style="text-align: right;"><b>Type 4</b></p>	<ul style="list-style-type: none"> <li>• Online Banking</li> <li>• Self-Service Restaurant</li> <li>Food •</li> <li>Discounter</li> <li>Do-it-Yourself •</li> <li>Furniture</li> </ul> <p style="text-align: left;"><b>Type 3</b></p>
		low	high
		Extent of Customer Activity	

Source: Büttgen, M and Ates, Z (2009) Customer participation and its effects on service organisations: An institutional economics perspective, SDL Naples Forum Capri Italy, June.

According to this classification, professional service would fit in *clients type 1* where both extent of customer activity and interaction are needed. This group embraces all service where clients' satisfaction depends highly on themselves, that is, service where clients represent one more input to the process. Education service is a good example: a successful education service is not viable unless students follow teachers' instructions; moreover, the service quality will depend as well on the quality of the input (resource), the skills of students as for intelligence, analytical ability, discipline, working spirit, etc., will determine the final outcome quality. In this particular case, service quality responsibility is shared between teachers and students (remaining the rest of actors invariable) falling mostly on the student. This fact invalidates most students' satisfaction surveys as a teaching quality control measure (Díaz-Méndez and Gummesson, 2012).

There is a lack of empirical research into problematic customer behavior. According to Büttgen and Ates (2009, p. 20) problematic customer behavior "can range from simply being uninformed or careless, through a lack of willingness to cooperate, self-centeredness, a lack of politeness, aggression, disruption of the service processes and disturbance of other customers, up to immoral or fraudulent behaviour (Hoffman and Bateson, 1997; Lovelock, Vandermerwe and Lewis, 1999; Lovelock and Wright, 1999)". As for value co-creation literature problematic customer behavior has also been underlined when asserting that value co-creation is "a collaborative process of co-creation between parties" (Vargo & Lusch, 2008c, p. 256), most problematic behavior could be included into a sole category of "non collaborative attitude".

Client attitudes have been addressed in the literature in different fields (e.g. Allan, 1987; Walker, 1998; Soetanto & Proverbs, 2002; Karlsen et al., 2011). In professional service, where client participation is needed, that is, there is no room for clients' indifference; they can be allocated on a scale where one extreme represents a controller client and the other a collaborative client. Allan (1987) considers both controlling and collaborative attitudes to be positive in the course of a relationship as long as a controlling attitude is related to giving directions and explaining their policy to the professional, and a collaborative attitude involves providing advice, access and resources. In this regard we disagree with the author since a collaborative attitude apart from providing advice, access and resources also implies giving directions and explaining the company policy to the professional. We consider then a controlling attitude to be non collaborative rejecting the professional creativity and limiting the application of the professional's specialized knowledge. This happens when the client considers him/herself as skilled as the professional. Most times these situations take place when the client representative is not who purchased the professional service but represents his/her company in the interaction.

Some studies point clients' behaviour as the origin of most clients' dissatisfaction, particularly for a lack of collaborative attitude (Bitner, et al., 1999); although positive client' behaviour, especially in professional service, is not the only guarantee for a successful value co-creation process, specialized knowledge plays a decisive role in the process too.

## *1.2. Clients knowledge*

Clients frequently lack the expertise required to assess the quality of a professional service even after it has been delivered, which may create a sense of insecurity for the client (Gummesson, 1981; Mitchell, 1994; Halinen, 1997; Thankor & Kumar, 2000; Díaz-Méndez, 2010). This risk gets intensified for two reasons: a professional service usually entails an important investment and the results from the service may involve crucial consequences.

As a professional service is knowledge-based, PSF clients expect a specialized solution to their particular problem with clear added value from their provider. This assumes an interactive process in which the client briefs the PSF properly to provide the necessary information for starting the value co-creation process. Then we base the client influence on the value co-creation process also on the degree of expertise and specialized knowledge the clients have about the professional service they are purchasing. We primarily study information asymmetry,

when clients have little knowledge about the professional service and/or the PSF has little knowledge about the specific business of the client; and information symmetry expertise, when clients have a high specialized knowledge of the service and the PSF understands the client's business.

### ***1.3. Information asymmetry***

When PSF clients lack the knowledge to identify and describe their problem the provider must interfere or that clients ask them to do so (Gummesson, 1981; Howden & Pressey, 2008; Aarikka-Stenroos et al., 2009). This transfers responsibility onto the provider with potentially detrimental consequences for client satisfaction. PSFs often find that clients are not willing to pay for a restatement of their needs but expect the PSF to deliver the solution to what they believe is their problem. The clients' lack of awareness of their actual problem gives rise to insecurity. It gets intensified by the fact that clients rarely possess the knowledge to assess whether what they are buying is worth its cost – even after the purchase (Howden & Pressey, 2008; Ploetner, 2008).

Information asymmetry arises as a particular problem in the value co-creation process of PSFs since the unbalanced positions of the buyer and seller make the involvement of the client as an active participant in the service system difficult (Wilkie & Moore, 2006; Aarikka-Stenroos et al., 2009). Asymmetrical information causes reluctance of clients to provide the PSF with the resources needed to elaborate a proper value proposition and the lack of specialized knowledge may imply a lack of trust. "If customers are not aware of their own needs and best options, they are also unable to communicate reliable information about their problem" (Aarikka-Stenroos et al., 2009: 4). Asymmetrical information stands out as an inherent feature of professional service. Hence, the PSF has to learn to manage asymmetry in order to reduce negative effects.

### ***1.4. Expert clients***

According to Løwendahl (2005, p. 41) "...professional services may be bought by highly qualified professionals, and this is particularly true of professional business services, as firms often develop their own in-house expertise as buyers to match the expertise of the suppliers." Information then is more or less symmetrical. Such clients have the ability to collaborate closely with the PSF in a joint problem solving effort at a high level (Løwendahl, 2005). Although this is seemingly ideal, we suggest that it may become a threat if the client does not share a value co-creation approach. The expert client may wish to take charge of the professional decision making thus consigning the PSF to a mere provider of recommendations instead of a partner in value creation. The PSF then faces a difficult scenario since its potential as a highly skilled PSF is not being appreciated and effectively exploited. As an example it resembles a construction company with resources to raise high buildings but is assigned only to make small alterations. The expertise of clients has not been treated as a value-creation difficulty in the marketing literature so far. In a hypothetical extreme situation where all clients were experts, PSFs would be useless for them. In this sense, Løwendahl (2005, p. 41) warns that PSFs should "make certain that they remain one step ahead of their clients with the necessary competence to continue to deliver value added."

Some authors underscore that "in professional services, both expert and novice customers can contribute to the value creation process with their industry and even substance knowledge" (Aarikka-Stenroos et al., 2009, p. 9). Although this contention may be accepted in theory, its validity in practice needs to be qualified with empirical evidence.

At the briefing stage the PSF faces different types of clients and it is crucial for the provider to identify an appropriate client strategy in each individual case. With this purpose the PSFs must gather and manage information about their clients, and based on their experience categorize them and define the best practice in each case (Løwendahl, et al., 2001). Knowledge about customers is a subject of increasing concern in the literature (Hirvonen & Helander, 2001; Forstenlechner et al., 2007; Nätti & Ojasalo, 2008; Saren, 2011). Empirical research is needed to better understand the effects that different types of clients produce on relationships and value creation processes in different professional service contexts.

## 2. Research methodology

In order to investigate the role played by clients in the joint value creation process we have performed multi-case study research and made a qualitative analysis and interpretation of advertising agencies. Case study research is a suitable methodology when investigating complex phenomena and their contextual interdependency from which to generate theory (Eisenhardt, 1989; Dey, 1993; Gummesson, 2000; Yin, 2009).

The empirical data are limited to a single substantive area, the professional service sector, and within it to advertising agencies and a single country. Our ambition is however, to open up for adapted applications in a more general context; going in the direction of more formal theory (Glaser & Strauss, 1967). In-depth case study research can uncover mechanisms that may be found in other professional service sectors as well as in service management and marketing in general (Plakoyannaki et al., 2008). In doing so, we lean on the current frontline of theory developments in marketing and service management, especially S-D logic and the network and systemic approach of many-to-many marketing.

Our empirical study comprises 20 large advertising agencies operating in Spain of which 14 are multinationals and 6 are local. We initially approached 43 agencies which comprised 97% of the market. Out of these, 20 agreed to participate in the study representing approximately 60% of the controlled advertising investment (InfoAdex). As we were interested in the relationship with clients, senior account managers (SAM) were selected as informants. The SAMs represent the formal link between the client and the agency. The protocol we followed involved three stages

(1) One week of *in situ* interviews and observation by one researcher in a leading agency in Barcelona in order to get to know the daily work of agencies.

(2) A 2.5-hour focus group consisting of three academic experts in advertising agency management and one manager of a high ranked multinational advertising agency and another of a small agency. This helped to develop a semi-structured guide for the conduct of subsequent in-depth interviews.

(3) 20 in-depth interviews lasting an average of 1.5 hours performed *in situ* in Barcelona, Madrid and San Sebastian. All were tape-recorded and later transcribed. The interview guide themes included how the advertising sector is perceived, description and assessment of the interviewee's position, internal agency relationships, service quality attributes and client satisfaction, advertiser-agency relationships, descriptions of the clients, expectations management and compensation system. The interview guide was designed to maximize interviewee freedom to answer and make sure all themes were discussed. In most cases the interviewees provided the researcher with additional secondary information, such as printed internal reports, company presentations and press reports.

Analyzing and interpreting data is a most critical part of theory generation in both quantitative and qualitative research. Among the strategies recommended for qualitative research (Eisenhardt 1989; Gummesson, 2005; Corbin & Strauss, 2009) we selected the following. We take both an inductive and a deductive approach, by which we mean that extant literature and theory have been compared with our empirical data but we did not force the data into preconceived categories and concepts and the inductively derived data have been given priority. Each advertising agency is treated as a separate case and we made both within-case and cross-case comparative analyses of similarities and differences between the data. Data collection, analysis and interpretation are in part simultaneous and tentative conclusions are drawn underway; therefore we prefer the designation data generation as the actual theory generation process starts at an early stage. In presenting the conclusions we have defined concepts and categories, in part as structures such as matrices and graphs. Appendix 1 provides details of the salient characteristics of the 20 agencies and their managers.

### 3. Findings

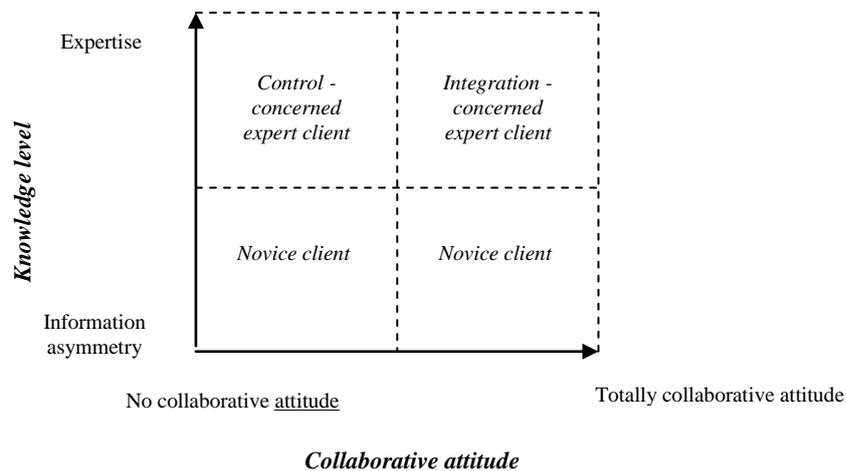
This section reports and discusses the results of our empirical research. It is structured around two main findings: (1) Classification of clients and (2) The value depletion circle.

#### 3.1. Classification of clients

SAMs were asked to describe their clients through open-ended questions and could express themselves freely with no time constraints. They were further asked some specific questions about their clients (See Appendix 2.1.).

These interviews allowed us to identify four basic types of clients with whom advertising agencies often deal: (a) the low involved novice client, (b) the highly involved novice client, (c) the expert wishing to take control of the service, and (d) the expert looking for a partner willing to integrate resources. This classification of clients is further structured in the matrix in Figure 1.

FIGURE 1  
Classification of clients by knowledge level and collaborative attitude



Source: the authors

Client attitudes were highlighted by all SAMs to be paramount in order to achieve the service aims, make the relationship work and generate client's satisfaction, that is, in order to co-create value in the S-D logic sense. This attitude ranged from a total collaborative to a total controlling attitude, Our research defines the controlling attitude as a behavior leading to make all the decisions of the service process with no room for creativity and professional advice. Thus, controlling attitude has a negative nature in this study.

Clients can also be allocated on a scale where one extreme represents an ignorant client and the other an expert client. In between there can be many grades with the risk of considerable asymmetry between the professional's knowledge and that of the client. Our study shows how PSF clients located at both extremes may become a major problem for the value co-creation process.

Information gathered from SAMs helped us to describe the main features of the four types of clients which are presented in Table 1.

**TABLE 1**  
**Characteristics of the different types of clients**

<b>Types of clients</b>	<b>Main characteristics</b>
<i>(a) Low involved novice client</i>	<ul style="list-style-type: none"> <li>- Vulnerable to information asymmetry.</li> <li>- Incapable to brief the professional properly.</li> <li>- High degree of implicit and fuzzy expectations.</li> <li>- Pretend self-confidence in decisions making.</li> <li>- Higher possibility in making wrong decisions.</li> <li>- Weak criteria when assessing the offering.</li> <li>- Inflexible attitude towards professional creative advice.</li> <li>- Failure responsibility mainly vested on the professional.</li> </ul>
<i>(b) High involved novice client</i>	<ul style="list-style-type: none"> <li>- Vulnerable to information asymmetry.</li> <li>- Incapable to brief the professional properly.</li> <li>- High degree of fuzzy expectations.</li> <li>- Lack of confidence in making decisions.</li> <li>- Higher possibility in making wrong decisions.</li> <li>- Weak criteria when assessing the offering.</li> <li>- Search for resources integration.</li> <li>- Collaborative and flexible attitude.</li> <li>- Active participation in the co-creation of value</li> <li>-</li> </ul>
<i>(c) Control-concerned expert client</i>	<ul style="list-style-type: none"> <li>- Straight forward briefing.</li> <li>- High degree of implicit expectations.</li> <li>- Inflexible attitude towards professional creative advice.</li> <li>- Professional deemed as a simple provider of ideas.</li> <li>- Failure responsibility mainly vested on the professional.</li> </ul>
<i>(d) Integration-concerned expert client</i>	<ul style="list-style-type: none"> <li>- Proper briefing capability.</li> <li>- Search for resources integration.</li> <li>- Collaborative and flexible attitude.</li> <li>- Professional deemed as a partner.</li> <li>- Active participation in the co-creation of value.</li> </ul>

*Novice clients* , whether they hold a collaborative attitude or not (clients *a* and *b*), are vulnerable because of information asymmetry. It makes them incapable of briefing the professional properly, instead offering fuzzy expectations (Ojasalo, 2001), which in the long term will cause dissatisfaction. Novice clients are more likely to make counterproductive decisions and they usually lack the experience required to make a reasonable assessment of the provider's service quality. Both types of novice clients are difficult clients for professionals to deal with.

Informants claimed the main characteristic novice clients featured was basically their limited knowledge regardless their attitude. They admitted that those collaborative ones made the processes more fluent but still lack the knowledge to assess properly the offering.

*Control-concerned expert clients (c)*, represents those who feel confident to control the service process considering the PSF as just a provider of a routine service. They usually make straightforward briefings, have a high degree of implicit expectations, show an inflexible attitude toward the advice of the professionals, and have a tendency to blame failure on the PSF. Finally, *integration-concerned expert clients (d)*, are those whose profile fits the ideal client for genuine value co-creation since they embrace all characteristics required for a collaborative and fruitful business relationship. They see the professional as a partner instead of a mere provider, they search for resource integration, and base final service assessment on the joint work done.

Clients' characteristics have implications for their involvement in the value co-creation process. Even if the agency pursues a joint value creation objective, novice clients (a and b) and control-concerned clients (c) may impede the process. The former may do it mainly because of lack of specialized knowledge and the latter because of lack of collaborative attitude. We will refer to these clients as *complex clients* and can be defined according to the S-D logic lexicon as those clients who do not integrate or misuse operant resources.

*Novice clients* (a and b) were found to be very common in the advertising sector. This phenomenon was called *juniorization* by the professionals. The SAMs agreed that it was difficult to work with such clients regardless their attitude. Løwendahl (2005) contends that PSFs may specialize according to the expertise of their clients. Dealing with novice clients requires high pedagogical skills. Those specialized in expert clients could accomplish joint problem solving at a high level but even the most successful agencies find all four types among their clients.

Expert clients were preferred by 90 per cent of the informants but in this category the respondents also met some difficulties as the following quotes illustrate:

*"It is much easier to deal with experienced people that really know our profession instead of acting like they know."*

*"Sometimes we find marketing managers that want to direct our work."*

*"Clients demand results and it is not easy to make promises in this sector, where not all depends on our work."*

*"Each client is different and there are many factors to take into account when describing them; but I can say I prefer-open dialog with clients with high marketing knowledge as long as they allow us to make our job."*

All of the advertising agencies expressed concern about how their clients perceive the value of their service, tracking down this issue as the main problem of the advertising sector.

*"Advertising agencies are not what they used to be. Time ago, when the agency's representative visited the client's company it was like a party. Nowadays this has changed and we have become a common supplier...Advertising used to be full of glamour and now it is practically the other way around."*

This reduction in perceived value of agencies is closely related to the evolution of the service they render. Since the 1990s advertising has experienced a loss of image as a consequence of advertising saturation and loss of efficacy. Alternative ways of advertising are being tested to overcome this problem. Informants also linked this to the difficulties in measuring advertising campaign results. Although there are methods of measuring results, this is always a complex task due to the multitude of intervening variables such as the economic and political situation, fads, other marketing strategies (e.g. distribution, quality, price, and image) and temporal carry-

over effects (Halinen, 1997). Therefore, it does not seem justified to attribute the fulfillment of the briefing objectives only to the campaign. But practice shows that when an ad campaign has not achieved its goals, advertisers usually “penalize” the agency even by finishing the relationship. On the other hand, when a campaign successfully achieves its objectives the agency is not given a bonus since it is supposedly what the agency is for. Sometimes, however, it may be part of the agreement that the fee is related to the outcome. One informant said the following concerning a very successful campaign in Spain which generated a great impact in the media:

*“The client congratulated us, but we did not get any extra reward for it. Obviously the result of the campaign was absolutely unexpected, as you know, it was a ‘tremendous hit’ but the client just told us that that was what they paid us for...But for us, it was a very motivating experience.”*

It is essential that advertisers know the limitations of advertising in order to adapt their expectations to reality. SAMs claimed that this problem gave rise to the complex client type (b), *control-concerned expert client*. The client does not allow the agency to deploy all its resources for successful problem solving, hence hindering the value creation process. The expert client is usually found in big companies with a highly developed marketing department with resources to build up their own global marketing strategy. These clients brief the agency to make a small and quite straight contribution to their already defined marketing or communication strategy. Although they purchase an agency service they want to take control of it and thus their involvement in the service system consists of leading the process:

*“Some clients just require our services for us to provide them with a creative idea for their campaign. The strategic work is already in-house done and our capacity as marketing consultant is not required at all.”*

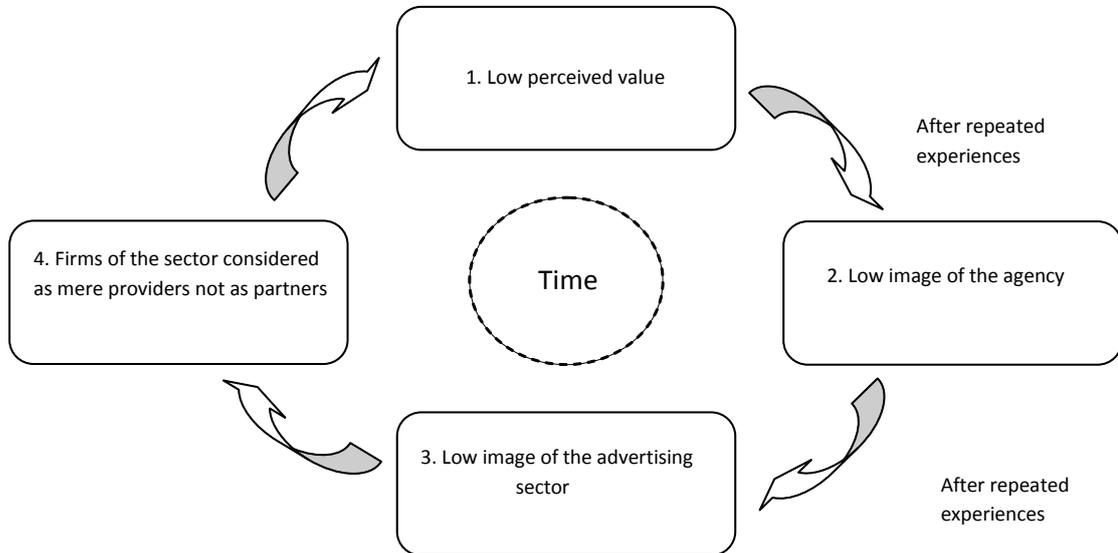
Client type (d), *integration-concerned expert clients*, represent the ideal client to accomplish co-creation of value as they contract advertising agencies in order to integrate resources and make the most of the professionals skills. They fit the *resource integrator* as expressed in the ninth foundational premise of S-D logic (Vargo & Lusch, 2008a): “All social and economic actors are resource integrators.” A resource integration view underpins the value co-creation approach (Baron & Warnaby, 2011). In the professional service context, this client type possesses the two main resources considered in this article to be required in a client for value co-creation: knowledge and a collaborative attitude.

All SAMs agreed that they mostly encounter the problem related to their clients’ perception of value in novice clients (‘juniorization’) and control-concerned expert clients; they consider these clients unable to properly assess service value. Thus, SAMs transfer the problem responsibility only indirectly onto clients. The agency holds part of the responsibility from the moment they made mistakes in the management of relationships with these clients. If agencies do not take charge of the problem they will be pressed by clients to achieve impossible goals and will consequently fail and be punished. For advertising agencies to regain the respect of advertisers, clients must feel convinced that agencies render a valuable service that contributes to their business success but also that agencies are not solely responsible for the return of the advertising investment.

### **3.2. The value depletion circle**

Our study on advertising agencies highlights how dealing with complex clients described may generate a vicious circle embracing serious consequences for the agencies image through value destruction. We call this circle, *the value depletion circle* (figure 2), which in the long run may seriously damage the sector image by changing the service nature from a partner-like relationship to a mere buyer-seller transaction.

FIGURE 2  
The value depletion circle in PSF



Source: the authors

It depicts how repeated failure in the long term can generate detrimental consequences, not only for the companies involved in unsuccessful service deliveries, but also for the sector as a whole. Once this has happened and PSFs start to be considered as simple providers of ideas, it is difficult to recover a status of being original consultants.

The value depletion circle is linked with the notion of value destruction which has been little studied in the literature (Plé, et al., 2009). We found that dealing with complex clients, those who do not integrate or misuse operant resources, usually resulted in frustration as the clients revealed that they perceived the service to be low value, thus not co-creating value and contributing to value depletion. The reasons brought out in our study were that clients lack the technical knowledge to assess the service, that client expectations of results were not met, or that the advertising service was not really considered important. With the aim to look into perceived value in more detail some questions were asked (see Appendix 2.2).

Client types (a), (b) and (c) are those with the lowest value perception of advertising agencies. The interviewees explained that, as the client's marketing departments were becoming more and more specialized, the role of advertising agencies in their marketing strategies was being consigned to a *staff* status rather than the original *partner* status, as expressed in this quote:

“We notice that more and more clients do not see us as full service agencies, as we used to be; instead they come to us as if we were standard component providers of an industrial sector. However, they still expect from us more than what agreed and paid for.”

The perception of low value of advertising service is a general problem for the sector. Its declining image has long been recognized in the literature (Bloom, 1984; Van Doren, et al, 1985; O'Donohoe et al, 1991; Kotler et al., 2002) and it prompted us to investigate its origin. Specific reasons given from the interviewees were basically related to the consistency of the outcome of advertising and client expectations: saturation, lack of effectiveness, and lack of tools to measure the results of the advertising service and wrong expectations (see further Table 2).

TABLE 2

### Possible causes of the value perception problem

Causes	SAM quotes
Advertising saturation	<i>"...advertising saturation has contributed to a large extent to the loss of prestige of everything related to advertising"</i>
Lack of advertising effectiveness	<i>"I think the tendency nowadays is that companies tend to trust again more and more on advertising potential but this tendency is still in its premature stage. Lately advertising effectiveness is being very questioned (...)"</i> <i>"Advertising added value is not understood by the market yet. The fact that in crisis periods advertising budget is the first to be cut down is an evidence of that"</i>
Lack of tools to measure results	<i>"We can measure results, there are tools to do so although not 100% reliable"</i> <i>"There is no way to quantify advertising outcomes accurately"</i>
Wrong expectations	<i>"Clients must know we are not the only responsible of the service success"</i> <i>"...(clients) still expect from us more than what agreed and paid for"</i> <i>"I think our service remains undefined in clients' minds nowadays"</i>

As mentioned the outcome of a campaign is also caused by a complex set of other influences; this is a classic dilemma. Even so, if a campaign has not achieved expected results, the client is inclined to blame the advertising agencies thus reducing their capacity to provide added value. Further, because of tough competition and lack of collegiality in the advertising sector, agencies accept assignments almost in despair during recessions. The heterogeneity of the activities they perform may have also contributed to the loss of reputation.

Our study underlines the difficulty in measuring service outcome as the main cause of the clients' low value perception of agencies. It is an intrinsic characteristic of professional service, as Aarikka-Stenroos et al. (2009, p. 5) state: "in many professional services, the service offering may be rather unspecified, at least in terms of exact output." If the unspecified nature of the outcome is an intrinsic feature of most professional service, measures should be applied to counteract its undesirable effects. A consequence of the repetition of this scenario of the clients' low value perception along time and in most firms, the global image of a professional field may be gradually damaged through a vicious circle which is difficult to break, that is, the *value depletion circle*.

## 4. Conclusions

Co-creation of value redefines the long established view of the roles of provider and client and their behaviors. This involves moving from seeing the two as separate parties to seeing them as co-creating partners. Through the process of resource integration, marketing and service become more efficient for all those involved in a focal network. This has gradually stood out in a series of research streams that have inspired the developments during the past few decades: service management, the IMP B2B research, relationship marketing, CRM, and recent generalizations in S-D logic and the systemic and network approach of many-to-many marketing. The dichotomies goods/services and B2B/B2C have moved their focus from differences to commonalities and interdependencies.

Our research has primarily addressed two aspects of the value co-creation process in PSFs: (1) the role of clients in the value co-creation process (2) a classification of clients in PSFs and (3) the consequences of dealing with certain types of clients.

Our results suggest a classification of PSF clients into four categories from a knowledge and attitude perspective: (a) low involved novice clients, (b) high involved novice clients, (c) control-concerned clients and (d) integration-concerned expert clients. Types (a), (b) and (c) feature a lack of resource integration or/and a misuse of operant resources, they hinder the value co-creation process and are called complex clients. Complex clients usually experience frustration after the service what gives rise to a low value perception of the PSF. In this process value is being destroyed instead of co-created. Our study on advertising agencies leads us to conclude that for a successful value co-creation process clients need to meet two requirements: collaborative attitude and specialized knowledge. Collaborative attitude allows resource integration and specialized knowledge provides resources. The lack of any of the two increases the probability of low value perception. They represent a serious dilemma which PSFs need to overcome since dealing with these clients on a continuous basis may cause irreparable damage not only for a particular PSF, but also for the image of the whole sector.

The process through which value is being reduced to the extent of giving rise to a decline of a sector is called here *value depletion circle*. For a long time advertising agencies have experienced a general decline of their image and informants pointed to their clients' inability to assess service value as the main reason. When a vicious circle is already in the making, the ability to end this process would depend on how far it has reached a destructive stage. The process may have been lengthy which usually means that there is also a long way back to a desired state.

## 5. Managerial implications

The first obvious implication of this study is that clients' perceptions of value must be actively managed by the agencies. An effort has to be made to stop the negative effect on the clients' perception of the advertising sector and one preventive strategy against this vicious circle is to control the determinants of the dissatisfaction.

Our study highlights that value co-creation depends on the actions and decisions of all parties in a relationship, not just on the supplier. This implies that the value co-creation approach may not be applicable to all companies because PSFs cannot force a client to get involved. Active client participation is needed in order for a PSF to render service of desired or acceptable quality but results highlight that client participation is not enough for the smooth running of a business relationship. Specialized knowledge and a collaborative attitude are also required and these factors are out of the PSF's control. Therefore, PSFs can only learn to deal with different types of clients by setting the stage for an optimal value co-creation situation. In this sense, the proposed classification of clients and their characteristics may be helpful for managers to guide the relationship to satisfactory result through the professionalization of expectations management.

Our classification of clients provides managers with useful tips on how to prevent client dissatisfaction. At the beginning of a business relationship service providers do not know the profiles of their clients but should make an effort to establish them. That is why first meetings are critical to avert potential dissatisfaction. The sooner the provider identifies the type of client, the greater the probability to anticipate client behavior and to prevent mistakes.

In this scenario, considering both theory developments and our empirical work, we suggest a short term practical solution for PSFs as the professionalization of expectations management. By objectifying the professional offering's expected outcome (Lindberg & Nordin, 2008) at the beginning and also during the relationship, the PSF reduces the risk of low client-perceived value. In other words, most difficulties that are derived from the value co-creation process in professional service when dealing with complex clients can be overcome through expectations management.

## 6. Future research

The paper has explored the mechanisms and difficulties in the co-creation of value that PSFs encounter. Type of client has stood out as the central factor when PSFs try to implement a value co-creation process, because client involvement requires a certain level of specialized knowledge and a collaborative attitude. We have proposed a classification of clients of the professional service of advertising agencies. We have also pointed to the existence of a value depletion circle that affects a whole professional sector. Tracking down the possible variables defining client types and a possible value depletion circle in other professional sectors would enable the design of a more generalized theoretical model.

It is further important to recognize that the dyadic relationship addressed in this paper is only one element of multi-party relationships. Advertising agencies are part of a network of other specialized agencies, photographers, printers, website designers and other providers. Clients and agencies are embedded in a network context, for example, retailers to combine their ads with other sales promotions activities. Thus, in merging value and networks it would be useful to perform research of a broader value-creating network in advertising, and indeed in other sectors.

Finally, in recent years' websites, Internet sales and social media have become a growing part of advertising and changed the configuration between traditional offline advertising and novel online advertising. It is also changing the type of expertise needed in advertising agencies and the clients' need for external assistance. This is not limited to advertising agencies; it concerns many types of PSFs in different ways. Further research is required in order to identify what consequences this may have for co-creation, the integration of resources and the value propositions. Empirical evidence through in-depth cases study research and hypotheses testing will also be needed to further substantiate a new service logic for PSFs and make it theoretically more solid as well as actionable for practitioners.

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### Appendix 1. Advertising agencies participants' characteristics.

A	1	2*	3	4	5	6*	7*	8*	9	10	11	12	13	14	15*	16	17	18	19	20*
E	60	10	38	60	85	40	24	16	100	150	90	60	100	82	35	115	120	150	-	35
EA	20	2	12	20	30	7	5	5	13	17	28	15	21	25	7	17	40	30	-	8
AG	36	29	38	38	33	32	34	38	34	37	35	40	45	35	32	39	33	50	40	41
EX	14	5	15	14	11	8	8	15	11	18	13	18	20	14	3	18	11	28	17	17
Em	-	2	8	9	4	4	4	9	4	6	8	12	6	4	2	8	3	23	8	9
AC	5	8	4	8	2	4	3	6	2	5	8	4	9	8	6	4	6	3	5	7
TA	-	-	-	-	15	-	12	12	15	15	30	30	14	15	16	20	25	40	-	-
GF	5	4	3	3	4	4	2	10	4	1	5	6	2	4	7	4	19	30	5	6
PP	5	-	60	50	-	-	-	-	-	40	-	60	20	40	-	30	-	-	-	-

A= Agency; E= Agency Employees; EA= Employees in Accounts Department; AG= Interviewees age; EX=Experience years; Em= Experience in that manager position; AC= Number of accounts managed by the interviewee. TA= Total agency's accounts; GF= Number of accounts representing the main body of agency income PP=Percentage of income represented by the previous accounts. \* = Spanish capital agency.

### Appendix 2. The interview guide

**Appendix 2.1.** – Section of the interview guide concerning the agencies' clients.

**Appendix 2.2.** - Section of the interview guide concerning perceived value.

- |  |
|--|
| <ul style="list-style-type: none"><li>➤ What is the function you think your agency plays in the marketing strategy of your clients?</li><li>➤ Is it clear from the beginning of the relationship what the client can expect from the agency?</li><li>➤ Have you ever told a client you were not the proper service firm to solve its problem? How often? Tell a case, please.</li><li>➤ Which of the following types of clients is more critical of the agency's service: 1. marketing expert clients; 2. clients with little marketing knowledge; 3. new clients, regular clients, or off and on client</li><li>➤ How would you classify your clients?</li></ul>              |
| <ul style="list-style-type: none"><li>➤ Which are the main problems advertising agencies have to face at present?</li><li>➤ Could you describe the profile of those clients who usually show less satisfaction?</li><li>➤ Could you describe the profile of those clients who usually do not demand full service?</li><li>➤ In your opinion, what are the reasons of the declining image of advertising agencies?</li><li>➤ How do you define the quality of a service?</li><li>➤ What variables do you think your clients take into account in assessing the quality of the advertising agency service?</li><li>➤ How do you know whether your client is satisfied?</li></ul> |

**Appendix 2.3.** – Section of the interview guide on expectations.

- |  |
|--|
| <ul style="list-style-type: none"><li>➤ What types of expectations are frequent among the advertising agencies' clients?</li><li>➤ Is it clear for your clients from the beginning of the relationship what can be expected from your agency's service (your value proposition)?</li><li>➤ Do you formalize the value proposition?</li><li>➤ Have you ever told a client you could not solve their problem? If yes, how often?</li></ul> |
|--|