Agencies and clients: co-creation in a key B2B relationship

Abstract

This is an empirical study of co-creation in the context of the relationship between clients and their advertising agencies. This is the first study to conduct dyadic interviews with a number of clients and their agencies in examining the co-creation process. The study highlights the operant resources supplied by the actors involved, outlines the process of resource integration, identifies enablers to co-creation and offers a perspective on reciprocity of value exchange between actors. Implications for practice are put forward, demonstrating the benefits of applying Service-Dominant Logic as a framework for practical analysis of relationships in context.

Introduction and context

To date there has been limited research on how customers engage in co-creation (Woodruff, Flint, 2006; Payne et al., 2008) with most of the discourse having been at a level of abstraction far removed from practical analysis (Gronroos and Ravald, 2011). A number of authors have called for empirical work to verify and shape our understanding (Brodie et al., 2011), to create better practice and improve the theory (Gummeson, 2011) and to discover new knowledge (Sheth, 2011). The context for this study is provided by case studies of agencies and clients working within the marketing sector. Agencies and clients work closely together to create an output, such as a campaign or a design, and as such this provides a prime example of business-to-business (B2B) co-creation. It is a very important relationship that is central to communications within the marketing industry.The theoretical approach of the study relates to service-dominant logic (S-DL) (Vargo and Lusch, 2004) and the subsequent discourse. A framework around resource integration and value creation is used to analyse the data from 25 depth interviews, resulting in nine agency/client case studies. The findings are discussed and implication for practice and theory are put forward. As far as we are

aware, this is the first study to conduct dyadic interviews with a number of clients and their agencies in examining the co-creation process.

Theoretical framework

We adapted Hilton et al.s' (2012) model of resource integration to provide a framework for analysing co-creation between agencies and clients. S-DL emphasises the role of operant resources acting on operand resources in creating value (Vargo and Lusch 2004, Arnould et al., 2006; King and Grace 2008; Layton 2008) and on resource integration as the means by which value is created (Vargo and Lusch, 2011). In highlighting resource integration, S-DL highlights an important new area for investigation (Kleineltankamp et al., 2012). In order to get actors to commit resources a motivational value proposition (VP) is required (Maglio and Spohrer 2013; Frow et al., 2014). In S-DL, Foundational Proposition (FP) 7 states that suppliers cannot create value they can only offer value propositions. However, value may be derived by both the firm and customers (Babin and James, 2010) or by a number of stakeholders (Kowalkowski, 2011; Ballantyne et al., 2011; Frow and Payne, 2011). Following resource integration, our model suggests that the actors' resources will be modified. The transformation of resources is mentioned by Lusch and Vargo (2006), but this feature has not been investigated significantly.

At the centre of the theoretical framework is value realisation. The nature of value has been much debated within the marketing literature and is generally recognised to be complex and subjective (Sanchez-Fernandez and Iniesta-Bonillo, 2007). The notion of value co-creation can be seen to be problematic and has resulted in much academic discussion (Vargo and Lusch, 2004, Lusch and Vargo, 2006; Prahalad and Ramaswamy, 2004; Payne et al., 2008; Ballantyne et al., 2011). Hilton et al. (2012) suggest that while all actors might engage in service co-creation the service output will be experienced and evaluated by the actors in a wide variety of ways. This is consistent with Ramaswamy's (2011) argument that value is an evaluative judgement realised by individual actors

over time. Gummerus (2013) makes a similar distinction between value creation processes and value outcome determination. In B2B value can be seen to emerge from a complex series of interactions (Gronroos, 2011), it may well involve reciprocity (Ballantyne et al., 2011; Ford, 2011) and may involve a number of stakeholders (Frow and Payne, 2011). The actors will each have their own personal perception of how value is being realised, as a result of resource integration.

Method

We took a critical realist approach which in allowing for pluralism of perspectives (Van de Ven, 2007) was considered to be particularly appropriate for exploring a complex social phenomenon (Magee, 1985; Guba and Lincoln, 1994; Godfrey & Hill, 1995; Tsoukas, 1989). Qualitative research methods are well accepted within critical realism (Healy & Perry, 2000; Sammarra and Biggiero, 2008) and face-to-face interviews were considered to be the best way to achieve sufficient depth. A semi-structured framework was utilised (Easterby-Smith et al., 1991) to allow interviewees to develop their answers, while ensuring coverage of common themes. Case studies were constructed based on nine client agency relationships. Case studies are considered to be particularly useful where new perspectives are sought about an area in context (Bonoma, 1985; Johnson et al., 1999; Ghauri, and Gronhaug, 2002). Research protocols and processes were put in place to ensure dependable and confirmable findings (Lincoln and Guba, 1985). The interviews were recorded, transcribed and then analysed using NVIVO software. The collection, coding, sorting and analysis of data were carefully controlled (Miles and Huberman, 1994).

One of the strengths of this research lies in obtaining dyadic interviews with executives from a number of clients and their agencies. Sampling was purposive in actively selecting companies with the potential to provide rich information related to the purpose of the study (Miles and Huberman, 1994; Marshall and Rossman, 1995; Patton, 2002). The validity of the research comes from accessing knowledgeable interviewees (Rubin and Rubin, 1995) to provide context rich data that

enhances insight and understanding (Silverman and Marvasti, 2008). In the first place, clients were approached and once the client agreed to take part their agency was then approached. The case studies covered four very large clients; one large/medium client; and two SME clients. The agencies included two large full service agencies; five medium sized agencies that tended to be more specialist and two in-house agencies. Twenty five interviews were conducted with seven clients and eighteen agency executives. Obtaining multiple interviews with people in agencies provided the opportunity to get feedback from both those on the creative and account management sides of the business. Two of the clients gave us access to two of their agencies and so we were able to construct nine separate cases each based on the relationship between a client and an agency.

Findings

Our research study contributes a rich example of co-creation in a b2b context focussing on the way that the actors integrate their resources. The study highlights the operant resources supplied by the actors involved and suggests that the balance of input of resources between client and agency will vary greatly. Our study outlines the process of resource integration in co-creation between clients and agencies. A number of factors are identified as enablers to successful co-creation: openness, motivation and timescales. There are connections here with the relationship marketing literature on commitment and trust (Morgan and Hunt, 1994; Fullerton, 2003) and how trust is built up over time through a combination of hard and soft processes (Gounaris, 2005). Vargo and Lusch (2008a) see S-DL as a way of encompassing different strands of marketing, including relationship marketing and our study suggests that it would be fruitful to re-engage with some of the foundational ideas of relationship marketing in considering the newer concept of resource integration. The case studies show clearly that value is created for all the actors. It cannot just be seen as created for the customer. Our research confirms that growing body of evidence that value is reciprocal amongst the actors involved (Babin and James, 2010; Ballantyne et al., 2011; Ford, 2011) and therefore it needs to be understood in relation to all stakeholders (Frow and Payne, 2011; Kowalkowski, 2011).

However, value is seen differently by the actors involved. While the output is valued by all, the emphasis on what is important in this respect often differs between agency and client. Furthermore, the client may emphasise efficiency for expenditure, while the agency may value the return for the work put in. These different perspectives are in line with the relativist ontological approach (Ballantyne et al.,2011) that value is phenomenological (Vargo and Lusch, 2008b) and supports Hilton, et al.s' (2012) contention that the while service is co-created, value will be experienced in varying ways by the actors involved.

The concept of resource modification has received little attention in the S-DL literature, but our research suggests that resource modification would benefit from further exploration. The collaboration process enables clients to become better clients with respect to briefing, creative judgement and managing the client-agency relationship, all of which require operant resources. Further research is needed on how resource integration modifies resources and how organisations might make the most of co-creation opportunities to enhance the resources of their employees.

Implications

The case studies demonstrate that there are many practitioner issues underlying the effective working of the agency-client relationship in integrating resources to co-create outputs. For new clients, whether it is a young brand manager in an established company or a director or manager in a company new to using agencies there often seems to be a lack of understanding of how to act as a client and of knowing what information would be useful to the agency. While the client may be highly proficient in the technical aspects of running their business judging creative work requires a different set of skills and many of the clients that we interviewed found this to be challenging. It could also be argued that successfully managing an agency relationship requires professional skills in itself and considerable insight into the way an agency works. For example, to get the best out of an agency the client needs to have some understanding of the time needed to get good creative work.

Client companies can take steps themselves to train and support employees dealing with agencies. However, it is also in the interest of agencies to educate their clients into how to get the best out of them, but this does present a challenge in terms of how they position this with clients. The language of co-creation may be useful in this in positioning the relationship as an equal co-creative one rather than in the traditional concept of agency and client. The case studies suggest that openness is an important factor in successful co-creation. There has to be trust on both sides. Both sides should feel able to challenge the thinking of the other and bring up tensions and misunderstandings without feeling that they are risking the ongoing relationship. This can be particularly challenging for agencies in dealing with client politics and hierarchies, where the ultimate decision maker is not necessarily the everyday contact with the company. Agencies in the case studies were often treading a fine line between giving the client what is expected and coming up with fresh and new ideas. A better understanding of this tension by clients might be helpful in avoiding agency complacency and the need to change agencies to get new creative work. Keeping agency personnel motivated seems to be an important factor in getting good work. Finally, in most of the cases there was little formal evaluation of the co-creation process jointly between agency and client. There is a case that putting this in place would be helpful to both sides in encouraging an open dialogue and improving the process on an ongoing basis.

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