An Exploratory Study of Innovation in the Advertising Industry:
Innovation Dimensions, Innovation Process and Client Involvement

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Abstract

An exploratory study of innovation in the advertising industry: Innovation dimensions, innovation process and client involvement

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The advertising industry is characterised by high levels of innovation activity, while there is very rare research about innovation in advertising. Therefore, there is a gap in exploring the characteristics of innovation in advertising, how advertising agencies, clients, and consumers shape the innovation process together, and how clients and consumers are involved in the innovation process.

As literature about innovation in advertising is very rare, literature strands on innovation dimensions, innovation process, client involvement, and open innovation in KIBS are drawn on to analyse the innovation in advertising. Innovation process in the advertising industry is conceptualized as an interactive process shaped by the interactions among agencies, clients, and consumers. The innovation definition adopted in this study emphasizes the newness of the service to the involved people.

A qualitative methodology is adopted to study the innovation in the advertising industry. The fieldwork in this study was undertaken through interviews with fourteen advertising managers in the London and Manchester advertising companies. The data from the interview transcripts were analysed according to different themes. Deriving from the data, four different types of interactions with clients and consumers in the interviewed advertising companies appeared in this thesis.

The main findings in this thesis include three aspects. First, the innovation dimensions in advertising include seven elements, which are the creative content, media channel, technology, data, revenue model, client and consumer interfaces, combinations of creative content, and media channels. Second, the new advertisement development process contains the information collection, strategic planning, creative briefing, idea generation, idea selection, media planning, production, marketing test, releasing, evaluation, and learning stages. Third, the role of clients in the creative process can be divided into four patterns; the degree of open innovation is correlated with the analysis of the roles of clients and audiences.

This thesis contributes to service innovation knowledge by: conceptualizing the innovation dimensions in advertising; finding out the approaches of generating innovative ideas; uncovering the advertisement development stages and innovation process; analysing the roles of clients and audiences in the innovation process; linking the level of open innovation in the advertising industry to the interaction patterns with clients and consumers. Implications for practice concerns the approaches that advertising managers can draw on to boost the innovativeness of advertising. Policy implications include lessons for government to draw upon.

Key words: innovation dimensions, innovation process, client involvement
Declaration

I hereby declare that no portion of the work referred to in the thesis has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning.

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My thanks also go to the interviewees for giving me interview opportunities. They provided me a great deal of information which contributed to shaping the findings of my research. Without these kind interviewees’ valuable contributions, I would not be able to successfully get adequate data within the time frame.
The Author

Fengjie Pan graduated with Bachelor degree in Business Administration Management (2013), and then entered the full-time MPhil programme in Manchester Business School (2013). She became very interested in the service innovation in KIBS after reading some literature in this area and attending the course of “Service Innovation”, and then switched to the current research topic.

Fengjie has decided to continue her education in Manchester Business School. She has got her PhD offer and scholarship and is expected to begin her PhD life in MBS from September.
Commercial Confidentiality

The research for this thesis was conducted with the help and assistance of several advertising companies. In the work, these companies are identified by the letters ABC......N, in order to anonymise the information they provided. Some of the information was obtained from company websites. In order to maintain anonymity, these websites have not been identified as sources.
1. Introduction

1.1. Background of the study

The importance of innovation has been recognized at least since 1934 when Schumpeter discussed it as a key driver of growth. Through eight decades’ development, there are thousands of research studies about innovation, yet, there is rare research about innovation in the advertising industry (Miles and Green, 2008, Prpic and Shukla, 2013). Although through the report of ‘Hidden innovation in the creative industries’ an increasing number of researchers are paying their attention to the innovation in the creative industries, comparing with other industries, the research in this area is still undeveloped. According to the research of Miles and Green (2008), the high levels of innovation activity is the characteristic of the advertising industry, while much innovation activity is not recognized as such by advertising professionals. Chapain et al. (2010) also point out that the level of innovation in creative industries is higher than many other high-innovation sectors. In the digital economy, more and more advertising firms manage to make clients participate in the innovation process and take the clients as one of the sources of innovative ideas (Miles and Green, 2008). In order to produce effective advertising services, the mutual understanding and good relationship between advertising agencies and clients are the prerequisite (Marasco et al., 2013). For example, the advertising firm has to understand the brand, the culture and the corporate strategy before producing any innovative ideas. In-depth interaction between providers and clients can facilitate both parties’ involvement in the learning process and knowledge exchanges (den Hertog, 2000, Muller and Zenker, 2001). In addition, advertising agencies need to keep a good relationship with consumers (the audiences of the advertisement) who can be the co-creator of advertising. Many scholars have demonstrated that the positive relationship between the customer involvement and the company success (Enkel et al., 2005, Gassmann, 2006, Ogawa and Piller, 2006, von Hippel, 2005). Over the last two decades, with the increasing number of studies about service innovation, some researchers have tried to conceptualize the innovation process (Aarikka-Stenroos and Jaakkola, 2012, Gadrey and Gallouj, 1998), while the creative industries’ innovation processes are still not well understood (Chapain et al., 2010). As an advertising agency’s business is based on projects, and it acts as the intermediary between its clients and audiences, it will be interesting to study the specific innovation process in advertising companies. Thus, it
is important to conceptualize the innovation process in advertising agencies and find out the role of clients in each stage of the innovation process. These two points will be the main research activities of this thesis.

With the emergence of crowdsourcing platforms and communities, the advanced development of information technology and changes in consumer behaviour, brands are becoming more demanding, giving less time to advertising agencies to generate creative ideas and requiring more cost-effective advertisements. In other words, clients are paying more attention to reducing advertising spending with the expectation of getting higher quality of services. Thus, advertising agencies have to seek more efficient ways to produce advertisements, which has become one of the drivers of innovation in the advertising industry (Miles and Green, 2008). In order to meet clients’ needs, advertising agencies should facilitate the efficiency of their innovation process and enhance the effectiveness and innovativeness of the advertisements produced by them. Although Miles and Green (2008) demonstrate that there are many innovation activities in the advertising industry, the nature of innovation and how to define the innovation concept in advertising are still questions waiting to be solved. Besides, how they manage and organise their innovation process and how they interact with clients and consumers also need more researchers’ attention.

1.1.1. Why it is interesting to study the advertising industry

The advertising industry belongs to creative industries and can also be clarified as knowledge intensive business services. Bettiol et al. (2012) point out that as for the KIBS activities in design and communication, they can be analysed as creative industries. Advertising is also viewed as the intermediary building connections between the producer and the consumer (Leslie, 1997).

Advertising is critical in boosting distribution and sales of all industries, thus, it may influence the development of the entire economy (Bugge, 2009). The function of advertising is to inform and influence one or more people by any paid-for communication (Bullmore and Waterson, 1983). In the digital economy, advertising is the central of all the web-based businesses as the majority of websites, social media and the free search all rely on advertising to get profits (Advertising Association,
In addition, advertising can help firms to build up their brands to differ themselves from others and to increase the return on the firms’ innovations, especially for pioneering innovation (Srinivasan et al., 2009).

The importance of the advertising industry to the UK economy

The UK’s advertising economy is the second largest in Europe and the UK firms spent 16 billion on advertising in 2013, which contributed 100 billion to its GDP (Advertising Association, 2013). More importantly, the UK Internet advertising market is the largest in Europe and the third largest market in the world behind the US and China (Warc, 2014). The UK digital advertising spending has exceeded the TV advertising spending and become the largest one since 2011. According to Advertising Association (2013), the expenditure on advertising in the UK supports over 550,000 jobs and the export of advertising service surpasses 2 billion. Besides, the Advertising Association (2013) also points out that the advertising industry generates more than 115,000 jobs. The UK’s creative industries which are renowned all over the world depend on the advertising industry, which indicates that many firms on creative industries would disappear without the support of the advertising industry (DCMS, 2011). Therefore, the advertising industry is critical to the development of UK’s economy.

1.1.2. Current status of the advertising industry

With the rapid development of technology, advertising has changed a lot. In the dynamic environment, the evolution of the advertising industry is driven by six forces: the rapid rise of technological innovation, the exponential rise of digital media, the evolving consumer behaviour, globalisation, the changing of return on investment, and the changing role of brands and agencies (Deloitte, 2012). In this report, it states that the evolution of digital media has changed the roles of brands and advertising agencies as well as how they interact with consumers, thus, conceptualizing the role of clients in advertising agencies can help advertising companies and advertisers to work more collaborate and more efficient. In a recent report conducted by PWC (2014), the global Internet advertising spending is expected to overtake the spending of TV advertising in 2018, which highlights the importance of digital advertising and indicates that advertising companies have to adapt to the digital business environment.
One of the marked features of the UK advertising industry is consolidation, which means that there are many merger activities conducted by traditional communications companies in order to get the necessary assets and capabilities of doing businesses in the digital era (Miles and Green, 2008). Pratt argues that in the UK advertising industry, a critical shift is the competition in the UK advertising industry has focused on ‘creative’ output. The ‘creative’ advertising system has been driven by high economic pressure, lacking transparency and accountability (Pratt, 2006). Further, this fuels the rise of close and frequent relationship between advertisers and agencies for negotiating the content of advertisements and campaigns (Pratt, 2006) and highlights the importance of creative ideas in an advertising company’s business development. Thus, conceptualizing the nature of advertising innovation is the first step of helping advertising companies’ to develop more innovative and creative ideas.

1.1.3. The nature of the advertising industry

According to the illustration of the Institute of Practitioners in Advertising, advertising is to connect the most persuasive possible message to the right aspects of products or services at the lowest possible cost and convey such message to consumers (Jefkins and Yadin, 2000). It shows that the function of advertising is to make the most persuasive possible message at the lowest possible cost. When creating advertisements, the personnel of the advertising agency should work as a team (Jefkins and Yadin, 2000). For example, the design, layout, illustrations, and the typography all should produce resonance with each other.

The main departments in advertising agencies are: account service department, creative services department, media planning and buying department, and account planning and research department (Marketing association of Australia and New Zealand, 2002). The core activities to advertising agencies are consumer research and insights, management of client marketing activity or communication plans, targeting consumers, creating advertisements, promotions, public relations (PR) campaigns, and media planning, buying and evaluation (DCMS, 1998). The related industries include public relations industry, design industry, media industry, market research industry, etc.
1.2. Motivations to study innovation in the advertising industry

In a dynamic environment, the research about how customers and suppliers co-create value is critical to understand service innovation (Huarng and Ribeiro-Soriano, 2013). As for the criteria of evaluating advertising agencies, three related aspects are the most commonly used, which are the creativity of the advertising agency, business management and financial management capabilities (Cheong et al., 2013). In regard to how to measure the competitiveness of advertising companies, there are two significant indicators, which are the learning and growth and the agency’s internal processes (Poveda-Bautista et al., 2013). The indicator of learning and growth is correlated with the innovative capabilities of creative professionals in advertising agencies. The second indicator, internal processes, indicates that advertising agencies have to innovate both in the services provided to clients and in their processes. Thus, it demonstrates the importance of innovation related research in the advertising industry.

In today’s dynamic and competitive environment, how to keep innovative capability has been becoming an emergent issue to advertising agencies. Many advertising agencies have already realized the necessity of nurturing their employees’ creativity as employees’ creativity is the source of proposing new ideas (Poveda-Bautista et al., 2013). Meanwhile, the ability of how to present new ideas to clients and produce new ideas for clients is a form of innovation which involves both new ideas in advertising services and making procedures (Poveda-Bautista et al., 2013). Thus, the conceptualization of the innovation process and the role of clients can help advertising companies to understand themselves. Here is the importance of this study:

- Research about innovation in the advertising industry is rare. This research will contribute to the literature on advertising and to the knowledge about innovation in the services industries.
- The importance of innovation in the advertising industry is getting increasing attention. Many advertising projects depend on innovation. So, the research about innovation in this area can not only help researchers understand this special industry, but also help advertising professionals understand better their own industry.
The conceptualization of the innovation process and clients' role will help advertising firms know themselves better and help them improve the efficiency of their service process and find out the importance of clients in every stage of making advertising, which will contribute to better collaborations between them.

1.3. Theoretical underpinnings

This section provides some theoretical perspectives which this thesis draws on and relates to. The three main theoretical perspectives that this thesis draws upon are the “service-oriented” approaches, the service-dominant logic, and the theory of crowd capital.

Since this thesis is based on the advertising industry which belongs to the knowledge intensive business services category and the research about advertising innovation is relatively rare, the literature in this thesis mainly focuses on KIBS. Regarding to the innovations in KIBS, most of them are ad hoc innovation (Gadrey and Gallouj, 1998). Many scholars demonstrate the importance of client in KIBS firms’ innovation process (Sundbo and Toivonen, 2011, Alam and Perry, 2002, Slater and Narver, 1994), which manifests the interactivity attribute of the innovation process in KIBS firms. By searching the service innovation theories, “service-oriented” approaches proposed by Sundbo and Gallouj (2000) and the service-dominant logic developed by Vargo and Lusch (2004) can be used to guide the analysis of the innovation process and the interactions with clients in the innovation process. “Service-oriented” approaches focus on the specific characteristics of service activities and tend to be applied in the “purer” services fields which are characterized by their intangibility and co-production property with customers, for example, consultancy services (Sundbo and Gallouj, 2000). Service-dominant logic proposed by Vargo and Lusch (2004) symbolizes a reoriented philosophy and highlights the core role of intangibility, exchange processes and relationships. It shows that customers should be the co-creators of value, which emphasizes the interactions between service providers and customers (Payne et al., 2008). Payne et al. (2008) also argue that involving customers into the co-creation process and making them become the co-creator is the central of service-dominant logic.
As advertising companies’ frequent interactions with clients and consumers and the
trend of open innovation, this research also studies the current status of open
innovation in the advertising industry. The core of advertising is the content, which is
always generated by advertising professionals. However, with the trend of open
innovation, involving clients and consumers in the idea generation process can
provide more useful ideas to advertising companies, this can be explained by the
theory of crowd capital proposed by Prpic and Shukla (2013). The definition of the
theory of crowd capital is:

“...a heterogeneous knowledge resource generated by an organization,
through its use of Crowd Capability, which is defined by the structure,
content, and process by which an organization engages with the dispersed
knowledge of individuals –the Crowd.”

They explain that the crowd refers to any population of individuals, is the people
who can provide useful knowledge to the organization, and can be anybody, inside of
the organization or external to the organization. In this theory, the “structure”
component of Crowd Capability, which is always connected with the information
system-mediated phenomenon, means the organization’s functional units or the
geographical divisions. Organizations seek useful knowledge, information or data
from the crowd, all these things are the ‘content’ of Crowd Capability. Then,
organizations will use the internal procedures to screen, organize, and integrate the
knowledge, information, or data that they get from the crowd. Such internal procedure
is the “processes” of Crowd Capability.

1.3.1. Gaps and objectives

A first gap observed is that innovation research into the advertising industry is very
rare and thus we have little understanding about how advertising professionals’
perception about innovation in advertising. Hence, the first purpose of this study is to
examine the advertising professional’s perception about the nature of innovation in
advertising, to improve our understanding about innovation in the advertising industry
and to show how this industry change the things that they do.

A second gap observed in service innovation research is that there are relatively few
people researching the new service development process or innovation process. To
contribute to the knowledge in this area, this research will investigate how advertising
companies develop new advertisements to conceptualize the innovation process in advertising related firms.

As advertising companies are treated as the intermediaries between brands and consumers, the third purpose is to conceptualize the role of clients in the different stages of innovation process and to find out which stage advertising companies have the most frequent interaction with clients.

Due to the close interactions with clients and consumers and the trend of open innovation, it is necessary to investigate what the level of open innovation in the current advertising companies.

Driven by the purposes of this research, the main research question is: how do advertising companies develop new advertisements and how do they interact with their clients? To explore this question in-depth, Section 5.3 will display some sub-questions.

According to the objectives discussed above, the literature in this study focuses on the definition and dimension of service innovation, innovation process, client involvement, and open innovation (co-creation).

1.3.2. Research context

As mentioned above, the advertising industry is important to the UK economy, thus, in order to facilitate the development of the UK advertising industry, this research is located in the UK. This may limit the generalizability of the research results to other industries and countries as a result of the difference between different industries and between different countries.

As the UK advertising industry is dominated by advertising agencies located in London (Pratt, 2006), London is chosen as one of the main research places. Pratt (2006) points out that in the UK advertising industry, London advertising agencies dominate the national campaigns; regional agencies mainly serve for the regional markets. Thus, except London, Manchester, which has also gathered many advertising companies and is a very important advertising cluster in England (Chapain et al., 2010), is another research location. Due to the research period and the time limitation, the author just focused on these two areas.
In terms of the types of advertising companies, this research includes two types of advertising companies. One is the independent advertising company; the other is the subsidiaries of the four biggest advertising groups (WPP Group, Havas, Publicis Omnicom Group, and Interpublic). In order to get an overall overview of the UK advertising industry, this study includes both these two types of advertising companies.

1.4. The research approach in brief

As the research about innovation in the advertising industry is very rare, this study is by nature exploratory research. Exploratory research undertaken in a purposive, systematic, prearranged way to maximize our understanding and discovery of an area of social life (Stebbins, 2001).

This exploratory study has two main sections. First, it begins with an extensive literature review on innovation, the innovation process and the role of clients in the innovation process, with emphasis on KIBS and services in the creative industries. This is because, according to the definition of KIBS developed by Miles et al. (1995), advertising service is one of the subsections of traditional professional services (P-KIBS). Therefore, since there is little research about innovation in the advertising industry, focusing on the innovation research of KIBS and creative industries will help us to build a conceptual framework and give us some guidance.

Drawing upon these literature strands, this study considers that the interactions between clients and advertising firms and between advertising firms and consumers are very important to produce effective and innovative advertisements. Besides, such interaction is one of the important sources of innovation and plays a pivotal role in the innovation process. This thesis presents a conceptual analysis of the client based on the literature on service innovation, on customer involvement and on co-creation and open innovation in KIBS. Besides, another conceptual analysis is the innovation process in advertising which is based on the literature on the innovation process in KIBS and the advertising projects’ service stages. Guided by the literature review, a conceptualization framework is formed in section 5.2.
1.5. **Structure of this thesis**

The main body of this thesis is comprised by four main parts, which are the literature review related to the innovation, innovation process and role of clients in KIBS or creative companies (Chapter 2-4), the conceptual framework about the innovation process and role of client and research design (Chapter 5), the data analysis (Chapter 6), and the conclusion and discussion (section 7).

**Chapter 2** delineates the changes in the advertising industry and the nature of innovation in services, situating it in the context of the knowledge-intensive business services and creative services. It is mainly about the innovation dimensions in the knowledge-intensive business services industries and creative services industries, the types of KIBS, the types of innovation, and the nature of advertising innovation.

**Chapter 3** outlines the literature about the conceptualization of innovation process or value co-creation process in services industries, with emphasize on KIBS. From the literature, this chapter attempts to get some main steps of the innovation process in advertising agencies.

**Chapter 4** briefly reviews the interactions between producers and users or between service providers and clients. The focus of this chapter is the degree of involvement of clients in the innovation process and the role of the clients. It also involves the open innovation literature.

**Chapter 5** attempts to integrate the literature covered in Chapter 2-4, and then to analyse and characterise the innovation in the advertising industry, and to conceptualize the steps and interactions in the innovation process. Thus, this chapter is to build a conceptual framework and delineate the research design.

**Chapter 6** investigates the perception about innovation in advertising, innovation process, and interactions between advertising firms and clients and between advertising firms and consumers through interviews with the chief executive, managing director or creative director in some advertising companies in Manchester and London.
Chapter 7 delineates the main findings about this thesis and outlines the limitations and clarifies the main contributions of this research. It also concludes some further research directions in this research area and the implications for practice and policy.

Figure 1.1 outlines the structure of this thesis.
ID—Innovation dimension;

Source: Author
2. Literature review 1: The nature of innovation

2.1. Introduction

This chapter briefly reviews the nature of innovation. It is by reviewing relevant concept origins and relevant concept definitions.

Section 2.2 briefly introduces the main changes in the advertising industry. Section 2.3 outlines some key researchers perspectives about the nature of innovation in service sectors, which is to help clarify which activities can be divided into innovation in advertising. Section 2.4 concerns the definition of knowledge intensive business services and the types of knowledge intensive business services. Section 2.5 reviews the types of innovation. Section 2.6 delineates the innovation dimensions frameworks for service innovation, the creative industries and KIBS. Section 2.7 involves some perspectives about innovation in advertising from some researchers, professionals in advertising and managers in advertising agencies. Section 2.8 is the conclusion of this chapter.

2.2. Changes in the advertising industry

Before proceeding to discuss the nature of service innovation, we would like to briefly introduce the changes caused by digitalization in the advertising industry.

Digitalization brings both challenges and opportunities together to the advertising industry. In the dynamic digital environment, advertising agencies and brands are losing control of the content and media that audiences consume, while it also provides huge opportunities to engage with consumers (Steele et al., 2013). Although the significant changes in media has brought considerable opportunities to the advertising industry, the risk of losing money in advertising is also increasing (Sharp and Wind, 2009), which can be seen from the lower marketing satisfaction (over 70% of marketers felt that their companies’ marketing results did not reach their expectation) in 2013 (Fournaise Marketing Group, 2014). Companies should combine their digital channel ability with the long-term activities to ensure the long-term success. Rushing to new platforms will lead them to lose attention on their trade fundamentals. How to integrate digital into companies’ other brand-building activities is a challenge to many firms.
Advertising agencies need to embrace the digital media trends in order to survive in the digital environment. Digital media is playing critical role in consumers’ life, which induces the Third Wave of model of advertising agency (Hipperson, 2012). With regard to the blueprint of Third Wave agency model, it includes 8 elements, which are content, lifetime experience, integrated planning ability, real-time insight, the capability of incorporating quantitative with qualitative when analysing real time data, co-creation, optimise online media buying, and project management. From such a blueprint, the importance of consumer engagement is manifesting.

On the one hand, comparing to the TV advertising, the online advertising is less able to create emotional connections with consumers, which means it has less opportunities to make consumers resonate with the brand (Steele et al., 2013). On the other hand, Steele et al. (2013) demonstrate that the online advertising can indeed generate stronger brand connections, but the prerequisite is that the brand already has had some connections with consumers. In their research, viewing television is able to provide deeper impression and more easily absorptive content experiences to consumers. As a result, advertising agencies and brands can use online media and television together to generate more effective results. Although the proliferation of new media is accelerating, most of the consumers still pay more trust on the television information (Danaher and Rossiter, 2011), which can be identified by the comparison among the almost stable advertising spending in television, sharp declined advertising expenses in print media and dramatically increased advertising expenditure in digital media over the last decade. The combination of TV and digital influences the effectiveness of advertising to a large extent (Clift and Carruthers, 2013).

Digital platforms used in an innovative way with right content can effectively help organizations save money (Whiteside and Tiltman, 2013). For example, in the 2013 Warc\(^1\) Prize\(^2\), among the prize-winners, they used more social media than television in their advertisements, which was that 77% of cases used social media, while just 62% of them used television (Whiteside and Tiltman, 2013). These figures show the

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1 Warc (World Advertising Research Centre): A resource for information on global marketing. Warc.com is an online service offering advertising best practice, evidence and insights from the world's leading brands. (From the introduction in Warc Website: http://www.warc.com/AboutUs.info)

2 Warc Prize: A global case study competition awards a cash prize to the best examples of innovative marketing communications. It recognises innovation case studies in effective integrated communications. (From Warc Prize website: http://www.warc.com/Topics/WarcPrizes.topic)
importance of social media in innovative advertising and identify the changes happening in the advertising industry.

In traditional, the relationship between advertising companies and consumers was based on the model of “show-and-tell”, while in the digital era, such type of relationship is being changed as advertising companies’ close interaction with consumers (Deuze, 2007). Auletta (2005) argues that the “one way show-and-tell advertising” does not seem to fit well with the trend of the fragmentation of media audiences across different channels. The identify of media professionals tends to move towards a more responsive and interactive position (Deuze, 2007). Creative professionals in advertising cannot expect to control the storytelling through the media as it is becoming an increasingly participatory experience (Deuze, 2007). Deuze (2007) also gives several advertising cases (e.g. the ‘SubservientChicken.com’ campaign for client Burger King, done by Crispin Porter + Bogusky (CPB), one of the most talked-about innovative advertising agencies) to demonstrate the power of consumers. In a report published by Deloitte (2012), it points out that the evolution of digital media has changed the roles of brands and advertising agencies as well as how they interact with consumers.

With the trend of digitalization, many companies are treating digital as their core brand-building programmes, such as Unilever, Procter & Gamble and Nestle (Tiltman, 2014), and marketers have to regard digital platforms as the way and opportunity to strengthen the relationship between brands and consumers (Martin and Todorov, 2010). How to interact with clients and consumers through digital platforms and how to manage the relationships with them are attracting advertising companies’ and researchers’ attention.

With regard to the changes in the UK advertising spending, the UK Internet advertising spending has exceeded the TV advertising spending since 2011, which demonstrates the importance of Internet advertising in the current UK advertising industry. This also manifests the changes of digital technology bringing. The UK advertising expenditure in the last decades is outlined in Figure 2.1.
From the above description, there are many different types of changes in the advertising industry. The first one is about the media channels. The digital media channels are occupying increasing markets and attracting increasing attention. However, TV stills plays a very important role in people’s day-to-day life. The second one is the mechanism in the advertising industry. The third is the roles of advertising professional, clients and consumers. Furthermore, with the advanced development of technology, brands are changing their advertising strategies and advertising budget in every medium channel. Last, the sorts of service that advertising agencies provide also have seen some changes. Along with these changes is the upgrade of employees’ skills. In the digital era, skill upgrading and human capital are critical to the innovation processes of service sectors (OECD, 2005b). Accordingly, in the advertising industry, creative people have to upgrade their skills with the development of technology.

2.3. The nature of innovation in service sectors

While many economists had discussed the role of technological change in economic development, the pioneering analysis of innovation originates from 1934 (Schumpeter,
At that moment, the innovation concept conceptualized by Schumpeter (1934) covered five cases:

“The introduction of new goods...the introduction of a new method of production...the opening of a new market...the conquest of a new source of supply of raw materials or half-manufactured goods...and the carrying out of a new organization of any industry.” (p.66)

Then, with the development of innovation research, there are a variety of definitions of innovation. For example, Thompson (1965) stated innovation as:

“the generation, acceptance and implementation of new ideas, processes products or services” (p.2).

This definition emphasizes the organization’s capability of changing (Thompson, 1965). Van de Ven (1986) concludes innovation as:

“As long as the idea is perceived as new to the people involved, it is an ‘innovation’ even though it may appear to others to be an ‘imitation’ of something that exists elsewhere”.

This definition emphasizes the newness of the product or service to the involved people, which can be found some similarities with a recent innovation definition by OECD (2005a). Recently, in the OECD (2005a) report, innovation is broadly defined as:

“the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations” (p.46).

This report points out the minimum requirement for whether a product, process, marketing method or organizational method can be classified as an innovation relies on whether it is new or significantly improved to the firm. More importantly, regarding to the product, process, methods, or ideas, it can be developed by the firm and be developed by other organizations. What matters is whether it is new to the firm not where it comes from.

In fact, after Schumpeter (1934) emphasized the concept of innovation, it has been developed in more depth and classified as different types of innovation, such as service innovation, product innovation and process innovation, etc. The concept of service innovation often associated with the research of Miles (1993) and service
innovation has got increasing attention in the last two decades although in almost two decades ago, many researcher were in doubt about whether service firms innovated and how did they innovate (Sundbo, 1997). Actually, there were very sparse research about innovation in service firms in two decades ago, but the topic of service innovation has aroused many researchers attention (Sundbo and Toivonen, 2011), like the research of Miles (1993) which built the foundation for the significant growth of innovation research in service sectors. Up till now, the importance of service innovation is increasingly attracting attention and understood by more and more people (Sundbo and Toivonen, 2011).

Given that innovation is defined in a variety of ways, it is necessary to make a clarification of which one should be adopted in this article. According to the innovation definition mentioned above, the one that is suitable to be used in advertising is developed by Van de Ven (1986) that:

“As long as the idea is perceived as new to the people involved, it is an ‘innovation’ even though it may appear to others to be an ‘imitation’ of something that exists elsewhere”.

And the one appears on the OECD (2005a) report:

“the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations” (p.46).

This is correlated with the characteristics of advertising services. Firstly, all of the advertising agencies’ innovation purpose is to satisfy their clients. Secondly, in producing a new advertisement, what matters is whether it is new to clients and new to the targeted audiences. The method or the delivery channel may be first developed or utilised by other organizations. However, as long as it is new to clients or new to the advertising agency, it can be viewed as an innovation. In fact, as for the newness, it is easier to be recognized in industrial products than in services (Sundbo and Toivonen, 2011). Particular in the creative industries, the innovation is characterised by aesthetic feature (Stoneman, 2007) or content creativity (Handke, 2004a, Handke, 2004b), which increases the complexity and difficulty of defining innovation. Stuhlfaut and Yoo (2013) also point out that referencing to the judgement or criteria about innovation in advertising, it is a little bit subjective. Comparing with the
innovation in manufacturing firms, service innovations are easier to be copied and quicker to be implemented (Voss, 1992). Synthesizing these characteristics, it puts the innovation dimensions in advertising into questions.

However, all these perspectives are from innovation researchers’ angle, what advertising professionals’ perceptions about innovation in advertising is still ill-defined. Thus, one of the purposes of this study is to get the advertising professionals’ perceptions about innovation in advertising.

2.4. Types of knowledge intensive business service firms

According to the definition of KIBS in the study of Miles et al. (1995), KIBS are the services relying heavily on professional knowledge, which can be regarded as primarily sources of information and knowledge to their users, and their main clients are other businesses. The main functions of KIBS firms are to support the business processes of their clients and to help clients address their problems by applying relevant knowledge to clients’ businesses and problems (Miles, 2012).

Based on the above definition, there are two main types of KIBS: the ‘traditional’ professional services (P-KIBS) and the ‘new’ technology based service firms (T-KIBS) (Miles et al., 1995). P-KIBS, such as marketing/advertising, accountancy, legal services, are based upon specialised knowledge, while T-KIBS, such as computer networks/telematics, software, are associated with new technology and are less professionalised. Therefore, the literature review of this research focuses on P-KIBS.

2.5. Types of innovation

We now move from the definition of innovation to its characterisation. Innovations can be grouped into various types or described in terms of key parameters. For example, a standard classification of innovations is into product and process innovation. According to the innovation conceptualized by Schumpeter (1934), innovation can be grouped into five types: introducing a new good, introducing a new method of production, opening a new market, conquering a new source of supply, and carrying out the new organization of any industry. In the innovation research history, a standard classification of innovations is into product and process innovations. There were many researchers studying these two types of innovation from 1960s to 1990s.
(Utterback and Abernathy, 1975, Utterback and Suarez, 1993, Abernathy and Clark, 1985), while almost all of them focused on industrial innovation. Since this thesis mainly talks about innovation in services, it is worth specifying what the meanings of the different types of innovation in services are.

2.5.1. **Product, process, marketing, and organizational innovations**

In a report published by OECD (2005a), it specifies the meaning of product innovation, process innovation, marketing innovation, and organizational innovation. Product innovation refers to making goods or services which are new or significantly improved in regard to its existing or potential users. The term “product” here covers both goods and services. In services, the product innovation can behave in three forms. The first is in significant improvements in how the services are provided, such as improving the speed or efficiency. The second concerns that comparing with existing services some new functions or characteristics are added. The third form is by introducing an entirely new service.

Process innovation is about the new or significantly improved methods implemented in production or delivery, including significant changes in techniques, equipment and/or software. Process innovation is to reduce the unit costs of production or delivery, to increase quality, or to make or deliver new or significantly improved products. In services, process innovation concerns using new or significantly improved ways to create or provide services. For example, some services-oriented firms make significant changes in their equipment and software or in their procedures or techniques employed to deliver services.

Marketing innovation refers to implementing a new marketing method in product design, or packaging, product placement, product promotion or pricing. It is to better solve customer needs, open up or enter into new markets or newly positioning firms’ products on their existing markets. Marketing innovation contains significant changes in product design which are part of a new marketing concept, new marketing methods in product promotion by using new concepts, such as using a significantly different media or technique, and using new pricing strategies to commercialize firms’ products or services, like the first use the pricing strategy that a good or a service demand decides the price.
Organizational innovation is about using “a new organizational method in a firm’s business practice, workplace organization or external relations” (OECD, 2005a, p. 51). This type of innovation aims at decreasing firms’ administration costs or transaction costs to improve performance, boost workplace satisfaction, having the access to some non-codified external knowledge, or decreasing the costs spending in supplies. Organization innovation involves three aspects: implementing new methods for organizing routines and procedures for the conduct of work in business practices, using new method to design employees’ responsibility in workplace, and using new ways to organize the relations with other firms or public institutions.

2.5.2. Incremental and radical innovations

Another type of classification about innovation is by dividing innovation as incremental innovation and radical innovation. Freeman and Soete (1997) point out that all of the technological revolutions was based upon clusters of innovation which can be divided into radical and incremental innovations according to their “radicalness” to current technology. Radical innovations involve big changes, while incremental innovations involve small improvements. The discussion about radical innovations and incremental innovation can trace back to three decades ago. At that time, Abernathy and Utterback (1978) discussed the spectrum of innovators and patterns of innovation. They argue that the small, entrepreneurial organization and larger companies are specialised in the opposite ends of the innovation spectrum: incremental innovation and radical innovation, respectively.

2.6. The dimensions of service innovation in KIBS

With regard to the dimensions of service innovation, den Hertog (2000) proposed a four dimension model to analyse the diversity of service innovation. The four dimensions are service concept, client interface, service delivery system and technology. Comparing with innovation in products, innovation in services involves more intangible characteristics. Regarding to the service concept dimension, the key thing to judge the newness of service concept is whether it is new in its application within a particular market rather than whether it is new to the whole markets. Considering the client interface dimension, it is about the changes in the way service providers interact with clients. It may occur in the service design stage, production
stage, or consumption stage. The service delivery system dimension concerns the changes that allow service workers to perform better and develop and deliver better and more innovative services. The last dimension is about technology. It allows service providers to work more efficient and produce more effective services (Miles, 2008). den Hertog (2000) suggests that any service innovation involves some combination of these four dimensions. With regard to the characteristics of these four dimensions, service concept dimension concerns the intangible characteristics of service innovation; both client interaction and service delivery system emphasize the interactivity of service processes and the importance of interactions between service providers and clients; technology is one of the common dimensions in product innovation and places emphasis on the new IT innovation (Miles, 2008).

Based on the four dimensions of service innovation developed by den Hertog (2000), Green et al. (2007) proposed the “Diamond of innovation” model to conceptualize the innovation in the creative service industries and den Hertog et al. (2010) developed a six dimension model to frame the innovation dimensions in KIBS. The dimensions of the “Diamond of innovation” are process production, cultural product, user interface, cultural concept, delivery, and technology. The six dimensions model is about new service concept, new customer interaction, new business partner, new revenue model, new delivery system: personnel, organization, culture, and new delivery system: technological. Regardless of in the diamond model or in the six dimension model, innovation concept, delivery channel, customer interface, and technology, which are the core dimensions of service innovation, play critical roles in innovation dimensions.

Both these two models are closely related to the conceptualization of innovation in advertising.

Regarding to the characteristics of innovation in KIBS, Miles et al. (1995) point out that it has little relationship with R&D departments, most of the innovations are conducted on a project-specific basis and have a great technological content, it is easy for service providers to involve clients or other services into their innovation process, and it is liable to be affected by issues such as regulation and appropriability. Thus, most of the innovations in KIBS are organized on ad hoc basis. More importantly, the purpose of innovation in KIBS is to satisfy client-specific demands, which indicates that KIBS organizations are characterized by learning-by-networking and learning to
learn (Miles et al., 1995). In addition, according to the research conducted by Eric Reidenbach and Moak (1986) and Reidenbach and Grubbs (1987), the banks which have some awareness of innovation perform better than other banks which do not have.

The customer demand is diverse in professional services, thus, every innovation project should be customized to meet each specific client’s requirements and match with their business strategies (Martin et al., 1999). The situation in the advertising industry is the same. Every client has its purpose to invest in advertising; it may be for its new product or services, or for entering new market, or for its improved product or services, or for its brand, and so forth. However, no matter what is the basic desire to do advertising, the advertisement produced by advertising agencies should match with the client’s business strategy. Thus, all the advertisements should be customized to match with clients’ brand story.

2.7. What are the innovation dimensions in the advertising industry

2.7.1. Advertising creativity

There is a general unanimity among advertising textbooks, academic research and trade publications that creativity is one of the most important elements for advertising success (Smith et al., 2007). By concluding the literature about advertising creativity, Ang and Low (2000) point out that the dimensions of advertising creativity are novelty, meaningfulness and emotional content; West et al. (2008) suggest that by academics, it involves two dimensions: originality, newness, or novelty, and appropriateness. From the explanations of Ang and Low (2000), novelty is characterised by unexpectedness and differences of an advertisement from the norm; meaningfulness means the relevance to the message that the brand wants to convey; emotional content is about the feelings generated by an advertisement. In addition, from an empirical research conducted by Smith et al. (2007), the determinants of advertising creativity are originality, flexibility, synthesis, elaboration, and artistic value. These illustrations about advertising creativity almost all emphasize the newness of advertising content. They highlight that the advertising creativity is about the content of advertising.
Therefore, the concept of advertising creativity or creative advertising used in this research has the same meaning of the above illustrations: the newness of advertising content. By integrating the literature about advertising creativity and the definition of advertising, it is clear that having a creative idea is the first step of advertising innovation; another step is by commercializing the creative idea.

2.7.2. Innovation in advertising

Although the research talking about innovation in advertising is rare (Miles and Green, 2008), there were 66 articles about creativity in advertising from 1972 to 2008 (Sasser and Koslow, 2008). As discussed above, creativity is the first step of innovation. As for the research about advertising creativity, it can be divided into three aspects relating to the people who contribute to the innovative ideas, to the process which is used to generate innovative ideas, and to the place which influences the creative professionals’ working efficiency (Sasser and Koslow, 2008). The report on ‘Hidden innovation in the creative industries’ written by Miles and Green (2008) is almost the first systematic one of studying the innovation in advertising.

Innovation in the advertising industry is also an approach of advertising agencies’ differentiation strategy (Miles and Green, 2008). Differentiation strategy can definitely help advertising agencies get more competitive advantages in such a fierce completion environment. The ranking of innovativeness of advertising agencies in some international advertising innovativeness competition, such as Cannes Lions, the One Show, Campaign etc., is an important element influencing the choices of brands (Kuebler and Proppe, 2012). Therefore, these competitions are like the screening system helping companies find the proper agency for themselves. These competitions are good approaches for agencies to build their reputation, thereby attracting more clients. Thus, increasing the innovativeness of their advertisements is a feasible way for them to enlarge their businesses and build their reputation. More importantly, the U.K.’s Institute of Practitioners (IPA) in Advertising demonstrates that there is a close link between advertising innovation and effectiveness (Hall, 2010). The IPA claims that the advertising campaigns which get creative awards in some advertising competitions, they are eleven times more effective than the ones that do not win creative awards (Hall, 2010). The report concludes that the link between creativity and effectiveness hinges on two significant factors. One is about the emotional
communication model favoured by the most creative campaigns; the other is about the greater “buzz” effect generated by creativity. Consequently, when clients are choosing their agency, whether the agency has got some creative awards has become a critical criterion. Pratt (2006) also points out that, in the advertising industry, the ‘creativity’ or ‘innovation’ award plays a significant role in fostering innovative taste or fashion among creative teams and in the UK advertising industry, increasing attention has been paid on ‘creative advertisements’ which has become one of the significant elements in advertising competitions. This demonstrates the importance of innovation in advertising.

Poveda-Bautista et al. (2013) claim that advertising agencies should become innovative both in services to clients and in internal processes to improve clients’ response time and strategic decision making. The study of Poveda-Bautista et al. (2013) highlights the importance of new advertising content and innovative process of making advertisements. They also argue that advertising agencies’ employees’ ability of presenting new ideas to clients can be regarded as a form of innovation. Using new technologies can help advertising companies encourage their customers to take part actively in services innovation and in integrating the latest technologies to develop their advertising services (Poveda-Bautista et al., 2013), which signifies the importance of technology in advertising innovation. Zollo and Winter (2002) point out that the creative capability, new service capability and new technology use are the most significant indicators in measuring the competitiveness of advertising companies, which is correlated with advertising companies’ innovation capability. New services capability involves two types of innovation, innovation about the development of new ideas in advertising services and in the business procedures and organizational practices. The use of new technology shows the importance of active customer participation in service innovation processes and the importance of incorporating new technologies in the development of advertising services. Creativity capability is the core of developing novel and feasible ideas about advertising services. Advertising companies, therefore, have to pay their attention to creativity, innovation and the use of new technologies and emphasize the involvement of active clients in the innovation process.
However, in the 21st century, innovation in the advertising industry is becoming more complex as a result of digitalization (Mallia and Windels, 2011). Mallia and Windels (2011) claim that the prerequisite of innovation is to well understand the behaviour of consumers and brands. In the future, growth in the advertising industry will be driven by new forms of innovation which is closely related to the feature of the digital era and by increasing consumers’ awareness and purchase through new marketing channels (Greenberg, 2014). Advertising agencies need to control the capability of integrating physical products with digital services.

As for innovation in the advertising industry, it is not only closely related to the capabilities of advertising agencies, but also highly related to brands’ attitudes towards creative advertising (Sasser et al., 2013). This is because some of the clients like to try new things and share risks with the advertising companies and some others tend to follow the trend. Considering the importance of innovation in advertising, some big brands have realized its effect in their marketing effectiveness, such as General Mills, Coca-Cola and PepsiCo (Whiteside and Tiltman, 2013). Besides, innovation in advertising is not just about using the latest new technology (Wagler, 2013); it is about the engagement process of people, organizations and brands (Sheehan and Morrison, 2009).

According to the research conducted by Fournaise Marketing Group (2014), over 70% of global marketers’ performance did not meet the expectations of their managers in the last year as they focused too much their attention on new channels and spent less time on testing the relevance and attractiveness of advertising content. Without good combination of right content and channels, advertising would not deliver good results and meet clients’ expectations.

2.8. Conclusion

This chapter has reviewed the literature about the definition of innovation and the service innovation dimensions in KIBS firms and creative industries. Through the lens of ‘innovation dimensions’ and innovation characteristics in advertising, innovation in the advertising industry can be perceived as having marked links with technology, digital platforms, media channels, clients, consumers and the content. Through the literature reviewed above, what matters the most in advertising
innovation is the content. Creative content is the prerequisite of whether an advertisement can be perceived as an innovative advertisement.
3. Literature review 2: The innovation process

3.1. Introduction

This chapter attempts to provide an overview of the research studying the innovation process in service sectors and the general project stages in producing advertisements. Section 3.2 of this chapter reviews some innovation processes and different models of the new service development. Section 3.3 briefly outlines the general stages of producing an advertisement. Section 3.4 is the conclusion of this chapter.

3.2. The innovation process

Although the research on service innovation has seen a sharp growth in the last two decades, there is still little research concerning the innovation process in service sectors or the new service development process (Alam and Perry, 2002). This may be because the innovation process in service sectors is more intricate than the product innovation process in some degree. Ennew and Binks (1996) point out that unlike most development of new goods, service development has to involve customers in the process, which increase the complexity of the process.

In terms of the innovation process in the service industries, Barras (1986) proposed a “reverse product cycle”, with process improvements at first, then process innovation, and finally the product innovation. Specifically, “Reverse Product Cycle” has three main stages: at first, it concerns process improvements which are to facilitate the efficiency of existing services; then it is about process innovations which enhance the quality of existing services; the last stage involves the generation of new types of services which lead to product innovations.

Sundbo and Gallouj (2000) conclude that in service sectors, the service innovation system is a loosely coupled system and has four main characteristics. First, the customer encounter acts as the main driver force of service innovation. Most of the service innovations are small and non-reproduced changes. Many services are dependent on person-to-person contact. Last, the service innovation system is a relatively more loosely coupled organization system and is characterised by less R&D, much more corporate entrepreneurship, strategic guidance, and service professional trajectories. Such service innovation system can help researchers to find out the
Determining and structuring mechanisms in the service innovation process. Thus, it contributes to the conceptualization of innovation process in the service sector. Besides, with the rapid development of technology and rapid change of the business environment, the service innovation is becoming more systematic and tending to involve more technology. Considering the innovation in service sectors, Sundbo and Gallouj (2000) claim that most of them are ad hoc innovation, which is to solve clients’ problems and tends to be unreplicable.

In the service sector, most of the firms find it difficult to formalise and organize the innovation process in a systematic way (Sundbo and Gallouj, 2000). Miles (2012) argues that most of the KIBS activities are customized to specific clients, which indicates that the innovation process is difficult to organize in a linear way and organize exactly the same among different projects. Although it cannot be organized in a linear way, the innovation process in service sectors is tending to be more systematic and often based upon certain trajectories, particularly happening in service professional firms (Sundbo and Gallouj, 2000). Comparing with the innovation process in manufacturing firms, the innovation process in service sectors is less often organised systematically.

The success of innovation is highly dependent on the innovation process, which indicates that the prerequisite of reducing the uncertainty and risk of service innovation is the effective control of the innovation process (Zhang and Tao, 2007). Thus, identifying the innovation process is quite important for advertising agencies to provide better services to customers and gain more profits.

Research on the service innovation process and its management is relatively rare, but there are still some researchers studying the new service development process and conceptualizing the innovation process. For example, there are some researchers conceptualizing the innovation process according to the general production innovation process. The innovation process in service firms can be divided into four main steps: idea generation, transformation into an innovation project, development, and implementation (Sundbo, 1997). These four steps can be applied into most service firms’ innovation process, while there are many differences between firms in detail and it seems to miss many detail stages. Gadrey and Gallouj (1998), based on the study of the consultancy industry, segment the innovation process into four main steps,
which are: identification of problems (the preliminary study stage), studying the problem (the stage of collecting information), advice to the problem (doing recommendations), and implementation. Gadrey and Gallouj (1998) explain these stages in detail. In the preliminary stage, it is mainly about identifying problems from the initial formulations. In the information collection stage, service providers’ responsibility is to study the problem, search relevant information to solve the problem, do analysis, and apply some methods and technical tools to solve it. The next step is to provide some solutions to the client and do some recommendations about these solutions. Last, it is the implementation of the solution. Apart from these stages, some projects may have some follow-up projects and an evaluation step after the implementation step. Figure 3.1 describes these stages in detail.

**Figure 3.1 The innovation stages in the consultancy industry**

| Identification of the problem beginning from the initial formulations, sometimes vague or erroneous, sometimes precise and constraining. Preliminary study (sometimes). | Study of the problem, search for information, analysis and synthesis of information, application of methods and technical tools. Diagnosis. | Advice relative to the eventual application of the obtained results. Recommendations. | Implementation may include FOLLOW-UP of project and its EVALUATION. Even activities of ‘maintenance’ and training. |

Source: Gadrey and Gallouj (1998)

Martin et al. (1999) conclude that the first step of the innovation process in business-to-business service sectors is to define the scope of the innovation process, like the goals of the client. Then, it is critical to define clear roles for the employees both in the service provider and the client’s company.

However, innovation is not a linear process, especially in services industries (Voss, 1992). In practice, innovation is often an iterative process and may be rather chaotic (Sundbo, 1997). Sundbo (1997) also claim that innovation process in service firms is more likely to be seen as a search-and-learning process, which means that most of the processes is a trial and error or search process - but that conceptualizing the innovation (management) process can increase the odds of success and manage the process in a more proper way (Sundbo, 1997). The above two accounts, though, just
give us an innovation framework and do not show what exactly happen in every stage; they are too abstract to display much concrete information.

3.2.1. Some new service development models in the literature

As for the concrete new service development model, there are some researchers putting some effort in this area and dividing the innovation process into detailed stages (Bowers, 1989, Scheuing and Johnson, 1989, Alam and Perry, 2002). The first one is developed by Bowers (1989) for products, which includes eight steps: developing a business strategy, developing a new product strategy, idea generation, concept development and evaluation, business analysis, product development and testing, market testing, and commercialization. Almost at the same time, Scheuing and Johnson (1989) propose a more comprehensive new service development model for financial services, which has fifteen stages. These stages are formulating new service objectives, idea generation, idea selection, the development of concept, concept testing, business analysis, project authorization, service design and testing, process and system design and testing, market program design and testing, personnel training, service testing and pilot study, marketing test, launching the service and post launch evaluation. Based on these two models, Alam and Perry (2002) develop a new service development process incorporating customer-producer interactions into their model, which includes ten stages: strategic planning, idea generation, idea screening, business analysis, formations of a cross-functional team, service design and process system design, personnel training, service testing and pilot run, test marketing, and commercialization. This development stage is almost the same the one developed by Bowers (1989), while Alam and Perry (2002) develop two models based on the same ten development stages, which are the linear model of development process and the parallel model of development process. As for the parallel model, it means that service providers can conduct different development tasks at the same time. These two models are outlined in Figure 3.2.
Figure 3.2 The linear model and parallel model of service development stages

Source: Alam and Perry (2002)

Many researchers ((Jaworski and Kohli, 1993, Slater and Narver, 1998) suggest that the new service development process which is oriented by customers can have greater chances for new products or services to get success. In a further step, they incorporate the input of customers in each stage into the development model, which concerns that in every stage, what activities should be performed by customers. According to the new service development model developed by Alam and Perry (2002), there are ten stages:

1. Strategic planning
2. Idea generation
3. Idea screening
4. Business Analysis
5. Formation of a cross-functional team
6. Service design and Process system design
7. Personnel training
8. Service testing and Pilot run
9. Test marketing
10. Commercialization
1) Strategic planning: what customers should put is the feedback on financial data.

2) Idea generation: customers need to state their needs, problems, criticize the existing service, identify gaps in the market, provide a wish list about service requirements, and state new service adoption criteria. This is to give the service provider an overview of the client’s business.

3) Idea selection: customers need to make some suggestions about their sales guide and market size, what their desired solutions features, benefits and attributes are, judge the concepts and react to them.

4) Business analysis: customers have limited feedback on financial data. They may give some competitors’ data and other resources to help the service provider check the profitability of the concepts.

5) The formation of cross-functional team: customers need to make decisions together with service providers’ management team to select some appropriate team members.

6) Service design and process system design: they need to review and jointly develop the blue prints of the solution and check the service design and identify some fail points.

7) Personnel training: customers need to join in the mock service delivery process, act as a pilot customer and suggest some improvements.

8) Service testing and pilot run: customers will suggest some final improvements and design changes by participating in a simulated service delivery process.

9) Test Marketing: customers will make some comments on the marketing plan and their satisfaction of marketing mixes.

10) Commercialization: clients adopt the service as a trial and feedback overall performance of the service along with desired improvements, if any, and if they feel satisfactory, they will do some recommendations to other customers for the service provider.

From the description above, it can be seen that their model highlights the importance of selecting idea, service design and testing stages. The model is outlined in Figure 3.3.
**Figure 3.3 New service development stages and activities performed by customers**

<table>
<thead>
<tr>
<th>New service development stages</th>
<th>Activities performed by the customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Strategic planning</td>
<td>Feedback on financial data.</td>
</tr>
<tr>
<td>2. Idea generation</td>
<td>State needs, problems and their solution, criticize existing service; identify gaps in the market; provide a wish list (service requirements); state new service adoption criteria.</td>
</tr>
<tr>
<td>3. Idea screening</td>
<td>Suggest rough sales guide and market size; suggest desired features, benefits and attributes; show reactions to the concepts; liking, preference and purchase intent of all the concepts; help the producer in go/kill decision.</td>
</tr>
<tr>
<td>4. Business analysis</td>
<td>Limited feedback on financial data, including profitability of the concepts, competitors’ data.</td>
</tr>
<tr>
<td>5. Formation of cross-functional team</td>
<td>Join top management in selecting team members.</td>
</tr>
<tr>
<td>6. Service design and process system design</td>
<td>Review and jointly develop the blue prints; suggest improvements by identifying fail points; observe the service delivery trial by the firm personnel.</td>
</tr>
<tr>
<td>7. Personnel training</td>
<td>Observe and participate in mock service delivery process; suggest improvements.</td>
</tr>
<tr>
<td>8. Service testing and pilot run</td>
<td>Participate in a simulated service delivery processes; suggest final improvements and design change.</td>
</tr>
<tr>
<td>9. Test marketing</td>
<td>Comments on the marketing plan; detailed comments about their satisfaction of marketing mixes; suggest desired improvements.</td>
</tr>
<tr>
<td>10. Commercialization</td>
<td>Adopt the service as a trial; feedback about overall performance of the service along with desired improvements, if any; word of mouth communications to other potential customers.</td>
</tr>
</tbody>
</table>

Source: Alam and Perry (2002)

This model clearly states what inputs customers provide with which types of involvement in each stage. However, as this model is based on financial service
industries, it has some limitations when used in other industries. Although it cannot be used in the advertising industry directly, it can give some implications when studying what efforts should customer put in the new advertisement development process. More importantly, this model manifests the interaction between service providers and their customers, which builds some foundation for the research about the interactions between them. As, to a large extent, the innovation process in services is an interactive process in both external and internal (Sundbo and Gallouj, 2000). Regarding to the interaction with external, most of the interaction is with customers (Sundbo and Gallouj, 2000). Thus, the interaction with clients is a crucial element in the service innovation process (Edvardsson et al., 1994). However, their models do not identify what role of customer plays in each stage.

Although extensive interaction and collaboration play critical roles in knowledge intensive business services firms’ projects, little empirical research studies the mutual innovation process (Aarikka-Stenroos and Jaakkola, 2012). As Payne et al. (2008) point out that very little research is about how customers engage in co-creation. In the co-creation process, it is critical for suppliers to create effective dialogues or interactions with their clients. However, as suppliers have to rely on their clients to identify their needs, basic requirements and purposes, creating effective dialogues or interactions seems to be challenging to service suppliers (Aarikka-Stenroos and Jaakkola, 2012); besides, sometimes, it is difficult for clients to diagnose their needs and problems (Nordin and Kowalkowski, 2010, Tuli et al., 2007). In fact, many scholars claim that customers may lack the knowledge and skills to entirely understand of their needs (Lapierre, 1997, Mitchell, 1994, Miles, 2012), which means that they may have a vague vision of their needs and it is difficult for them to elaborate it. Thus, the service suppliers play critical roles in diagnosing clients’ problems and specifying their needs (Tuli et al., 2007). Co-creation is becoming increasingly popular in both product and service industries, yet the study about the collaboration process of co-creation is still very few (Aarikka-Stenroos and Jaakkola, 2012).

Aarikka-Stenroos and Jaakkola (2012) developed a value co-creation process based on some knowledge intensive business service firms. Instead of developing it into detailed stages, they organize the process into five main steps: diagnosing needs,
designing and producing the solution, implementing the solution, managing value conflicts, and organizing process and resources. Comparing with former models, it is simpler. The progress of this model is that it identifies both the roles of suppliers and customers in each stage and concludes what knowledge and resources service suppliers and customers put in the value co-creation model. In this model, they treat service suppliers as value option advisor, value process organizer, value amplifier, and value experience supporter. The roles of customers are co-diagnoser, co-designer, co-producer, co-implementor, co-marketer, and co-developer. Overall, customers act as co-creators in the whole process and have quite close interaction with service providers. Furthermore, they identify what resources supplier and customer put in the co-creation process. In terms of suppliers, they need to have the expert knowledge in their service areas and diagnosis skills to help their customer diagnose their problems and foresee potential risks. They also need to possess some basic facilities and professional equipment and have accumulated knowledge in that area. Regarding to the customer resources, they are divided into six categories: information on needs, information on context, industry expertise, production material, effort and time, and financial resources. With regard to the resource of information on needs, customers need to clearly illustrate their requirements, goals, schedule, and budget. Besides, they also need to give the information about their operational environment and what their previous solutions are. More importantly, as clients know their own industry quite well, such as its conventions and regulations, the input about their industry knowledge is also pivotal. This model is displayed in Figure 3.4.
Regarding to the determining elements in the innovation process in service firms, it is mainly driven by internal forces, such as employees, management and strategy, R&D etc. (Sundbo and Gallouj, 2000). However, the external actors, who are customers, competitor, suppliers, and public sectors, also play an essential role in the innovation process. Among these actors, customers play major importance.

3.2.2. Innovation patterns

Sundbo and Gallouj (2000) identified six innovation patterns: the classic R&D pattern, the service professional pattern, the organised strategic innovation pattern, the entrepreneurial pattern, the artisanal pattern, and network pattern.

In terms of the service professional pattern - which is likely to be of most interest to us here, the main driving force in the innovation process is individual expertise and competencies (Sundbo and Gallouj, 2000). In this pattern, firms tend to be medium size. They use their competencies and abilities to solve clients’ problems rather than sell product-services. These firms do not have formalised innovation structures. The innovation process can be regarded as a collective process and almost all the professionals are supposed to participate. The locus of innovation in the service professional pattern depends on the interface with the customer, which highlights the
importance of customer in service professional firms. The starting point of the innovation process in this pattern is the client’s problem.

The organised strategic innovation pattern is the most dominant pattern in service sectors and there is a tendency to move to this pattern within some professional knowledge service firms (Sundbo and Gallouj, 2000). In this pattern, the innovation process often begins with a free corporate entrepreneurial idea step, then guided by team work, and end with a test phase and marketing activity. It emphasizes both the employees’ role in corporate entrepreneurship and managers’ role in organizing and controlling the innovation process within the strategy framework.

### 3.2.3. The importance of the learning process in KIBS

The common features among knowledge intensive business services (KIBS) firms are providing knowledge intensive services, having strongly interactions with their clients, and serving as the function of problem solving (Muller and Zenker, 2001). KIBS firms are characterized by their human capital-intensive and know-how-intensive services, high degree of intangibility of the services, difficulty of the standardization of the services, and intensive interaction process between suppliers and clients (Strambach, 2001). Traditional, it is difficult for managers to organize and guide the innovation process in professional firms (Cahill, 1994).

Gadrey and Gallouj (1998) claim that the interface between professional service providers and users makes the traditional definition of innovation call into question and lets the difference between product and process innovation lose the usual meaning. Thus, they conceptualize three new types of innovation: ad hoc innovation, expertise-field innovation, and formalisation innovation. Ad hoc innovation is by creating and using synergies out of available knowledge and experience accumulated in the past to generate new solutions, new knowledge and higher-value knowledge for clients. It may be the new strategies or new legal solutions to clients. Most of the innovations in professional service, like consultancy and legal services, are ad hoc innovation (Sundbo and Gallouj, 2000).

One of characteristics of ad hoc innovation is that most of such innovation is specific to a particular situation and cannot be reproducible (Gadrey and Gallouj, 1998). However, this does not mean the knowledge and experience in one project cannot be
applied in other projects. Based upon the view of Gadrey and Gallouj (1998), the knowledge, experiences, tacit and special techniques accumulated from practice, and the methods that are used to transfer and produce knowledge can be reproduced in different projects. Thus, regarding to the professional service providers, how to learn from one project and apply what they learn are critical to their success, which demonstrates the importance of the learning process after every different project. To a certain extent, it also supports that implementation and evaluation of the solution is not the final step of the innovation process. Since in the knowledge intensive business services firms, one of the possible sources of innovation is from the learning process and the form of innovation is project by project, after the implementation and evaluation step, a learning step is good for knowledge intensive business services providers to accumulate different types of knowledge. Miles et al. (1995) also point out that the knowledge intensive business service is characterized by learning-by-networking and learning to learn. The fascinating thing about businesses in knowledge intensive business services sectors is that it deals with businesses in different industries, which indicates the accumulation of knowledge in different industries is correlated with the growth of these service firms in some degree. Consequently, learning plays a critical role in knowledge intensive business services firms' innovation processes.

3.3. Innovation process in the advertising industry

Having a thoroughly understanding of the innovative process inside advertising agencies will help them make more innovative advertisements and increase the innovative advertisements’ effectiveness (Hackley and Kover, 2007). Unlike other KIBS firms where the solution of the project is implemented mainly by the client’s firm, the advertising agency is responsible for the execution of the creative idea (Jefkins and Yadin, 2000). According to the perspective of Jefkins and Yadin (2000), the responsibility of an advertising agency is to plan, create and execute advertising activities for its clients.

3.3.1. The stages of developing advertising projects

In the traditional advertising industry, agency managers, account planners, creative professionals, media specialists, clients, and market conditions are all regarded as the filters of the creative advertising (Stuhlfaut, 2011). Creative directors, to be as the
supervisor of the creative process, have greatly influenced the direction of creativity (Stuhlfaut, 2011).

In an advertising agency, the core is the understanding of making creative stuff (Burgoyne, 2013). Burgoyne (2013) develops a framework for analysing the stages of advertising projects. However, this does not mean that these stages are always organized in a linear process. Before a project begins, the agency has to assess whether the project is right to the agency, which means the agency has to assess their resources and capabilities. Then, if the agency thinks it is right to take the project, it will begin the project steps. A key and usual step of getting a client account is by pitching where several agencies compete for one project (Pratt, 2006). Pitching is an opportunity for agencies to present their capability to clients and let clients trust them. Pratt (2006) demonstrates that the final selection of agencies to clients is based on the strategy and mode of presentation of the campaign rather than on cost. Besides, many companies change their agencies frequently, around every twenty months, to promote the pitch cycle (Pratt, 2006), which seems to be better for both parties to accumulate more new knowledge and resources, and in turn, generating more innovative ideas. In regard to the framework developed by Burgoyne (2013), the steps are as follows:

1) The first step is about defining the schedule and estimating cost. Both the engagement and agreement of agency members and clients’ staff are important to make the contract.

2) The second step concerns the creative brief, which is to brief the things that you plan to do, the challenges that you may be meet, and the changes that you may need to make about the time and the budget, then let the client sign off.

3) The third step means the start of the project. In this step, the client needs to approve the estimate and pre-approve media plan.

4) The fourth step is the kick-off meeting, which means this is the first formal meeting between the project team and the client of the project. They will define the role of each member and decide whether any additional charges or changes in schedule are needed and the media plan.

5) The fifth step is the creative process. It is the idea generation and selection process.

6) The sixth step is the production process.
7) The seventh step is about the quality control and the release of the advertisement. It is to double check and test the advertisement.

Pratt (2006) concludes the formal stages of advertising projects in 6 steps: the pitch, the sign off, working up the idea, decision on content and campaign, budgets and making the advertisement. Figure 3.5 displays the stages of developing advertising projects developed by Ed Burgoyne in 2009, which was slightly different from the one that he developed in 2013.

**Figure 3.5 The stages of developing advertising projects**

Source: Burgoyne (2009)
3.4. Conclusion

This chapter has developed an understanding of the innovation process in service sectors which can be concluded as mainly including the preliminary stage, information collecting stage, idea generation and screening stage, implementation and evaluation stage. More specifically, the new service development stages include strategic planning, idea generation, idea selection, the development of the concept, concept testing, business analysis, service design and testing, implementation, and post launch evaluation.

The stages of advertising projects are described as ten general steps by incorporating the above literature: the pitch, the sign off, defining schedule and estimating cost, creative brief or strategy, approving the estimate and pre-approve media plan, idea generation, idea selection, idea production, the quality control, and the release of the advertisement.
4. Literature review 3: The involvement of clients in the innovation process

4.1. Introduction

Based on the understanding about the innovation process in Chapter 3, this chapter is to review the literature about the involvement of clients in the innovation process. Section 4.2 discusses the client involvement in the innovation process. Section 4.2.1 briefly outlines the interaction ‘touchpoints’ and types of relations between KIBS firms and clients. Section 4.2.2 concerns the relationship between clients and professional service providers. Section 4.2.3 involves the management of client involvement. Section 4.2.4 outlines some scholars’ findings of the intensity of the involvement of clients in the innovation process. Section 4.2.5 reviews some benefits of co-production to service providers and clients. Section 4.2.6 looks into the different perspectives of the role of clients in the innovation process. Based on the discussion from section 4.2.1 to 4.2.6, section 4.2.7 concerns the concept of open innovation, crowdsourcing, and user based innovation. Section 4.3.1 provides an introduction to the situation of collaborating between advertising agencies and clients to produce better advertisements. Section 4.3.2 is about the interaction about advertising agencies and consumers in the innovation process. Section 4.4 concludes this chapter.

4.2. The involvement of clients

4.2.1. Interactions between service providers and clients

In the innovation process of knowledge intensive business services firms, the client’s problem is the driven force and the starting point (Sundbo and Gallouj, 2000). According to some scholars’ perspective, innovation can be regarded as a process which derives from interactions and interplay among different actors (Doloreux, 2004).

The influence of customers’ involvement in innovation activities has attracted researchers’ attention in two decades ago (Urban and Von Hippel, 1988). And the importance of involving users in the innovation process is gaining increasing agreement (Sundbo and Toivonen, 2011). Many studies suggest that the customer-oriented process can generate superior service innovation and increase the success rate of the new service (Alam and Perry, 2002, Slater and Narver, 1994). Involving
customers in the service process can boost service innovation (Alam and Perry, 2002). Service providers cannot only just regard customers as information source to develop successful services, but also need to work very closely with them (Sundbo and Toivonen, 2011). Sundbo and Toivonen (2011) mention that involving users earlier in the innovation process, the more chance for the firm to get success. Matthing et al. (2004) also suggest that service providers should involve customers in the new service development process early and intensively as this can help them reduce the risk of being imitated and exceeded by their competitors. Users can be regarded as active players who play a pivotal role throughout the whole service life cycle (Kaasinen et al., 2010).

Miles (2012) points out that there are some “touchpoints” between KIBS firms and clients, which are where the interactions between them happen. The “touchpoints” occur in doing initial problem presentations, aligning understanding of problems, having interactions around features of problem and potential solutions, formulating solution and relevant tasks, adopting the solution, and in ongoing implementation. Figure 4.1 shows the “touchpoints” between KIBS firms and clients.
Innovation in business and professional services has a close relationship with the interface between clients and service providers (Gadrey and Gallouj, 1998). According to the perspective of Gadrey and Gallouj (1998), the interaction between professional service providers and clients can be a locus of and a source of innovation. Sundbo (1997) also argues that although in the strategic innovation paradigm, the innovation process is controlled by the top managers, innovative ideas are from everyone in the organization and also from external networks.

### 4.2.2. Relationships between clients and professional service providers

As for the relationships between clients and professional services, Tordoir (1995) grouped them into three categories: ‘sparring’, ‘jobbing’ and ‘sales’:

- Sparring relations are common in some types of KIBS firms, like consultancy. In the “sparring” relationship, the specialists in service providers usually combine their professional knowledge with the client-specific information,
knowledge, and perceptions to reach tailored judgement to the nature of the problem. Comparing with the other two types of relations, it is a two-way communication. Sometimes the service provider guides the client, while other times the client guides the service provider. Trust and a good interpersonal ‘chemistry’ play a major role in sparring relations.

- Jobbing relations are more common in the field where clients are also professionals in that field. In the ‘jobbing’ relationship, clients tend to define what the problem is and show their solution preferences, and then service providers usually execute the tasks set by clients.
- Sales relations tend to occur in standardized KIBS. In the ‘sales’ relationship, there is little interaction between service providers’ professionals and clients.

4.2.3. Management of client involvement

As discussed in section 3.3, most innovations in professional firms, like consultancy and legal services, are *ad hoc* innovation. Ad hoc innovation is often created in the interface between service providers and clients. The creation and success of *ad hoc* innovation lie in sparring type interfaces which can boost the understanding and acceptance for the innovation (Gadrey and Gallouj, 1998). More importantly, with regard to the effectiveness of *ad hoc* innovation, it is dependent on the quality of the professionals both in service providers and in client organizations and on the interaction between them (Gadrey and Gallouj, 1998). Some researchers (den Hertog, 2000, Muller and Zenker, 2001) suggest that in-depth interaction between service providers and clients can facilitate both parties’ involvement in the learning process and knowledge exchanges.

In knowledge intensive business services films, what matters to their clients is the effectiveness of the interface work rather than the productivity (Gadrey and Gallouj, 1998). Consequently, the skill of how to manage the service relationship between professional service providers and clients plays a critical role. Bettencourt et al. (2002) demonstrate that role clarity, motivation, and ability are three elements influencing the relationships between KIBS providers and clients. KIBS providers should define the nature of client’s roles and motivate them engage in the innovation process actively, and clients must have the necessary knowledge and abilities to perform their
role. In order to reach these aims, they proposed three strategies for creating high performance clients:

- **Client selectivity:** The take-all-comers approach is bad for the development of KIBS firms who require high levels of co-production in the problem solving process, thus, applying some screening criteria can help KIBS firms decide who should work with. KIBS firms should take into consideration some key issues or screening criteria:
  - (1) the project’s urgency within the client firm;
  - (2) what resources and how much budget the client firm has;
  - (3) what the client firm’s philosophy and organization culture are;
  - (4) what client’s goals and project objectives are;
  - (5) the level of complexity and customization of the solution;

- **Client training, education, and socialization:** Both KIBS firms and clients should behave proactively and provide useful information; KIBS firms should inform clients of what is expected of them; KIBS firms should provide opportunities for creating positive interactions with their clients, which can increase interpersonal linking, sharing and understanding of similarities between them.

- **Project leadership and client performance evaluation:** KIBS providers need to develop partnership relations with clients through changes in human resource management (e.g. by selecting, training and rewarding “transformational” leadership and partnership-building behaviours) and through evaluating the co-production performance with clients, like matching the authority levels and personalities of projects in both KIBS firms and clients, encouraging client self-evaluation and evaluating clients when completing a project.

In addition to the above strategies of enhancing the effectiveness of the co-production work, Hu et al. (2013) note that the adequate knowledge of customers in their respective professional fields, mutual trust between suppliers and customers, the connection and maintenance of professional networks that service providers have within non-competitors, such as clients, suppliers and strategic partners, and individual knowledge base in service providers’ employees are also the key factors in influencing the effectiveness of co-production.
Although currently, the importance of interface between service providers and clients is obvious, involving clients in the innovation process also has many difficulties. Sundbo (1997) argues that service firms are often not very efficient in involving their clients in the innovation process and utilising and building external networks. Furthermore, as the real innovation in service firms depends on the extent of standardization and technology involved (Easingwood, 1986), involving customers in the innovation process is difficult (Sundbo, 1997). Customers are also potential competitors to service organizations (Bitner et al., 1997), which increase the difficulties of building in-depth co-production relationship. Sundbo and Toivonen (2011) also claim that although user-based innovation is important, developing user-based ideas into realised innovation may meet many challenges and barriers. They also give many failure examples of user-based service innovation to demonstrate their argument.

4.2.4. The intensity of client involvement

It seems that there is a general unanimity of the importance of customer involvement, while views about the intensity of customer involvement vary. Gadrey and Gallouj (1998) point out some key variables which influence the intensity of interaction between service providers and users very much. The first variable relies on the types of service provided by service providers, which decides the type of relationships is “jobbing” or “sparring”. Regarding to the “jobbing” type of service provision, there is little interaction between service providers and users (except the internal experts’ supervision process). As in this situation, almost all of the tasks have been defined. On the other hand, “sparring” emphasizes the interaction between internal and external staff, which means they can work together as partners and there is dense interaction between them. With regard to another variable, it is dependent on whether the service provider should be responsible for the project’s implementation or not.

From the innovation process (preliminary stage, collecting information stage, doing recommendation stage, and implementation stage) developed by Gadrey and Gallouj (1998), there is a high level of interaction between clients and service providers in the first stage of the process as it involves the exchange of knowledge between them and diagnosis of problems. In the second stage, there is a low or moderate level of interaction between clients and service providers, except in the types of sparring
interaction. In the third stage of the innovation process, it has a moderate level of interaction. Then, in the last stage, there are two different situations. If clients and service providers have sparring type of interaction, there is a high level of interaction between them, whereas if it is the jobbing type of interaction, there is a low level of interaction between them. Also, *ad hoc* innovations are based on the same informational and cognitive input (Gadrey and Gallouj, 1998), thus, it highlights the importance of the information got in the preliminary stage. In business-to-business service innovations, the uncertainty of clients’ input has the potential to hinder its success (Martin et al., 1999), which also identifies that the intense involvement of clients in the preliminary stage or information collection stage is necessary. In contrast, customer is a core source of new ideas and may provide some inspirations to employees, then employees or managers develop the ideas into services or products (Sundbo, 1997). Thus, according to the research of Sundbo (1997), most of the customer involvement is in the idea generation stage and the prototype testing stage. Alam (2002) demonstrates that the intensity of customer involvement in service innovations can be seen on a continuum; he describes four different levels from passive acquisition of input from customers, through collecting information and feedback on specific issues, then to extensive consultation with users, and finally to inviting users to join the new service development team to do user presentation. Among these four levels, the intense of user involvement is gradually increasing, from the lowest to the highest. Möller and Törrönen (2003) argue that the frequency of interactions and interdependence between service suppliers and customers are positively dependent on the degree of the information asymmetry between them.

Doroshenko (2012) divide the service production process in KIBS firms into four steps:

- The preliminary stage in which service providers and clients negotiate with each other and sign the contract;
- The initial or preparatory stage;
- The main service production stage;
- The final stage in which service providers report and present solutions to clients;
Based upon the KIBS firms in Russia, Doroshenko (2012) investigated the actual and desired level of co-production between KIBS providers and clients. The results are that service providers have the highest level of co-production in the preliminary stage and the lowest level of co-production in the main service production stage with clients in both the investigation strands. Figure 4.2 displays the results of the actual and desired level of co-production between KIBS providers and clients.

![Figure 4.2 Actual and desired level of KIBS co-production](image)

Source: Doroshenko (2012)

4.2.5. The benefits of client involvement

With regard to the benefits of co-innovation, both suppliers and clients can benefit from the co-innovation process. Clients can get benefits in their customers’ growth and revenue-generating capacity (business growth opportunities and higher margins through premium pricing), in cost saving (lower operative costs and higher margins), in facilitating their perceptions about their suppliers (increasing mutual trust etc.) (Edvardsson et al., 2011). Customers’ involvement also generates great benefits in reducing cycle times, producing superior services, and doing user education to service providers (Alam, 2002). From the co-creating process, service suppliers can not only get the benefits of increasing the satisfaction of clients, keeping a good relationship with clients, but also acquire knowledge from clients to consolidate their knowledge.
base, further, applying the knowledge into other projects, which demonstrates that the knowledge flow in interactions between knowledge intensive business services and their client is in both directions (Hu et al., 2013). As for the knowledge bases of KIBS, it mainly means the combination of different types of knowledge, such as the knowledge in particular domains (e.g. technological domains), particular applications of technical knowledge and knowledge in client firms and sectors (Miles et al., 1995). Therefore, advertising firms can acquire knowledge about different industries from clients, which in turn helps them provide better services to other customers. Based on the above discussion, through the co-innovation process, KIBS firms will increase their competitiveness. Since the performance of the service perceived by clients is not only related to the projects’ solutions, but also relies on the experience from the co-creation process (Aarikka-Stenroos and Jaakkola, 2012), how to manage the co-creation process is also an important issue to increase firms competitiveness and influence their development.

### 4.2.6. The role of users in service innovation

Prahalad and Ramaswamy (2000) claim that before 2000, customers were regarded as passive audiences, while now customers are beginning to be treated as co-creators of value. They think that, in the digital era, customers are collaborators, co-developers, and competitors, and regard consumers as a new source of competence for companies. Consumers contribute their knowledge, experiences and skills, and their readiness to developing new services. Martin et al. (1999) point out that, in business-to-business services, service providers cannot produce the service unless the client has made the purchase. Unlike in product industries where the customer just has a singular role, in business-to-business services, the client plays a dual role in service consumption: one is as a customer; the other is as a co-producer (Martin et al., 1999). Thus, clients not only act as receivers and consumers of the service offered, but also are involved in the service innovation, production, and delivery process. Actually, such perspective is first developed by Normann (1991):

“...the client plays an interesting complex role in the service organization, since he not only receives and consumes the service but also serves as a component in its production and delivery. (p.21)”
In fact, customers have long been recognized as important actors in the service innovation process and may act as an information provider or as an co-producer, which is related to the service that they receive (Lengnick-Hall, 1996). Bitner et al. (1997) note that clients play three different roles in the co-production relationship with service providers. They may act as the provider of productive resources and can be regarded as “partial” employees to service organizations, as contributors to the service quality, satisfaction and value, or as competitors. Clients may also take different roles at different stages in the new service development process. For instance, clients may just act as co-producer or also take the quality control role (Martin et al., 1999).

Taking customers as informants can generate great benefits to service providers as it not only helps service providers to ensure the services’ success, but also has a high probability to increase customers’ loyalty (Sundbo and Toivonen, 2011). Here, the word “customers” has two different meanings. One means the client of the service provider; the other is about the consumer of the client.

Magnusson et al. (2003) also demonstrate that user involvement in service innovation can help service providers increase the quality of new service ideas and gain more valuable user information as long as it is properly managed through conducting some experiments between professional service developers in telecom services and its users. They propose that service providers cannot just ask their users’ needs and wants when they develop new services, but should treat their users as co-designers and invite their potential users to participate actively in the development process. Alam (2002) demonstrates that the user involvement can happen at different stages in the innovation process. Customers can be regarded as informants, active co-creators and a prototype-test population at different stages (Alam and Perry, 2002).

However, how about the roles of client and consumers in the different steps of new service development process or innovation process? In the value co-creation model developed by Aarikka-Stenroos and Jaakkola (2012), they conceptualize the roles of customer as co-diagnoser, co-designer, co-producer, co-implementor, co-marketer, and co-developer at different stages. Miles (2012) also points out that sometimes clients may be not sure of the nature of their business problems, in such condition, KIBS firms need to co-diagnose the problems with clients.
4.2.7. Open innovation, Crowdsourcing and User based innovation

In the fast-changing environment, firms do not only need to know how to engage with their clients, but also need to know how to encourage consumers to contribute to the service value. In addition, firms have to know how to utilize the external resources to revive themselves (Herstad et al., 2008). As the fierce competition, SMEs need to leverage on different companies, research facilities, customers and suppliers to create a dense innovation network which enables firms to acquire and share necessary knowledge and benefit from complementary competencies (Bullinger et al., 2004). In a report published by OECD (2005b), there are four groups of - sources of information - the internal sources, market sources, institutional sources and other sources. More specifically, the sources of information include from within enterprise, from other enterprises within group, from suppliers, from clients and customers, from competitors, from universities, from government, from conferences, journals, and from fair, exhibitions. Therefore, service providers are liable to seek useful knowledge from both internal channels and external channels. Figure 4.3 outlines the sources of information used by innovation firms in the service sector from 1998 to 2000.
Figure 4.3 Sources of information used by innovative firms in the service sector, 1998-2000

Source: OECD (2005b)

It can be seen from the Figure 4.3 that both manufacturing companies and service firms are using internal and external knowledge in providing products and services, which contributes to the formation of the open innovation trend. The term of “open innovation” was introduced by Chesbrough (2003). Chesbrough (2003) describes open innovation as an innovation paradigm shift from a closed business model to an open business model. In addition, Chesbrough et al. (2006) defines open innovation as:

“...the use of purposive inflows and outflows of knowledge to accelerate internal innovation, and expand the markets for external use of innovation, respectively. Open Innovation is a paradigm that assumes that firms can and should use external ideas as well as internal ideas, and internal and external paths to market, as they look to advance their technology.” (p.1)

By open innovation, company can be able to create and capture more effective value (Chesbrough, 2012). Chesbrough (2012) demonstrates that through opening the
business model, companies can save time as well as money, which help companies to resolve the problem of rising development costs and shorter product life cycles. Open innovation is popular in product industries. However, how to bring it to service industries is still a question. Chesbrough (2011) proposes three possible ways to foster open service innovation. One of the ways is by working closely with the service providers’ customers. Another way is by focusing offers on utility, rather than the product. The last way is by embedding the service provider’s company in its customer’s organization. Chesbrough (2011) also proposes a service value web (Figure 4.4) which is an iterative process and concludes possible customer involvement in the process.

Figure 4.4 A service value web

![Service Value Web Diagram]

Source: Chesbrough (2011) (Orange arrows represent points of possible interactions with customers.)

Along with the development of open innovation trend, the trends of crowdsourcing and user-based innovation are also getting increasing attention. Crowdsourcing, to be as an online, distributed problem solving and production model (Brabham, 2008), is coined by Jeff Howe and Mark Robinson in the June 2006 issue of Wired magazine (Howe, 2006b). Then, Howe (2006a) gives a simply defined definition of crowdsourcing, as follows:
“Crowdsourcing represents the act of a company or institution taking a function once performed by employees and outsourcing it to an undefined (and generally large) network of people in the form of an open call. This can take the form of peer-production (when the job is performed collaboratively), but is also often undertaken by sole individuals. The crucial prerequisite is the use of the open call format and the large network of potential laborers.”

Crowdsourcing emerged in recent years can be regarded as a model which has the capability of aggregating talent and leveraging ingenuity (Brabham, 2008). Through the past several years’ development, there are many pioneers using crowdsourcing to produce services or generate ideas, such as Thredless, iStodkphoto, InnoCentive, Converse, and many user-generated advertising contests.

The concept of “user-based service innovation” is conceptualized by Sundbo and Toivonen (2011). It emphasizes service providers’ understanding and acquisition of user needs and how to use this understanding in their service development processes, and in some situations, they will co-develop innovations with users. Sundbo and Toivonen (2011) point out that in a co-development service process, users maybe act as the original sources of innovation, partners, or further developers of certain existing innovations. With the advanced development of computing and communication technologies, the trend of user-centred innovation is becoming more powerful and common and the ability of users to innovate is improving thoroughly and quickly (von Hippel, 2005). von Hippel (2005) argues that the innovation by users can be treated as a necessary complement to and feedstock for manufacturer innovation and a load of qualitative observations and quantitative research documents that users act as the first developer of products and services. In addition, Hienerth et al. (2014) demonstrate that in terms of direct innovation spending per innovation developed, individual users are more efficient innovator than producer employees. Oliveira and von Hippel (2011) prove the significant importance of service innovation by users by conducting a quantitative study based on the field of commercial and retail banking services. Thomke and Von Hippel (2002) argue that by outsourcing a part of the innovation task to customers, companies can speed up the development of products and produce more suitable products to customer needs. Especially in developing a very novel product, the role of lead users is crucial to keep the success of the product (von Hippel, 1986) as they are at the leading edge of the market regarding to important market trends (von Hippel, 2005).
The development of open innovation, crowdsourcing and co-creation in the last decade is reshaping the advertising industry (Winsor and Wind, 2013). Winsor and Wind (2013) argue that if traditional advertising agencies do not change their culture, processes, structure, and business model to embrace open innovation, they will become increasingly irrelevant, just like the change occurring in newspapers. From their viewpoints, the open innovation model makes advertising agencies and brands exploit creative ideas from more relevant community by lower cost. They also claim that if advertising agencies want to get success, they have to embrace open innovation, rethink their business models and create new operating systems. Open innovation can not only speed the advertising making cycle, but also save cost for advertising agencies and produce more relevant services for brands and audiences.

4.3. The involvements of clients and audiences in the advertising industry

4.3.1. The involvement of clients in producing better advertisements

Miles and Green (2008) conclude that in product design, the user engagement tends to happen in the interaction with business clients than in the interaction with end-consumers. However, in advertising, both business clients and audiences are involved in the user engagement process as advertising agencies act as the intermediaries between consumers and clients. Regarding to how to involve clients in the innovation process, Poveda-Bautista et al. (2013) demonstrate that by using new technologies, advertising agencies can make their clients’ participate actively in service innovation. This highlights both the importance of new technologies in service innovation and the importance of clients’ involvement in the advertising innovation process.

When cooperating with consumers, companies need to be careful as many of the consumers do not know themselves well (Needham, 2008). Some agencies have realized such issue. For example, Leo Burnett, which is one of the largest advertising agencies in the world, expresses that the consumers do not really know what they want and what they can do (Needham, 2008). When consumers co-create with advertising agencies and brands, they have to have a good understanding of the agency and have some knowledge about the brand. The rise of ‘open source’ software provides many chances for consumers to innovate. The Internet, the advanced development of technology and the open source environment all contribute to the co-creation trend. For example, one of Apple’s advertisement, which was created by a
Leeds University student, and then revised by its advertising agency—TBWA (Needham, 2008), is a good integration of crowdsourcing ideas and professional skills. Some brands, like Microsoft, Doritos and Lego, are attempting to build continual communication with key consumers to keep a good relationship with them (Needham, 2008). From such an effort, brands, advertising agencies and consumers co-create with each other to make a better result.

However, co-creation is liable to happen in small and new firms as large corporations are afraid of losing control of consumers and facing some intellectual property problems which may do much damage to their long-building reputation (Needham, 2008). Needham (2008) points out, it is not the problem of whether consumers know your brands well or wants to co-create with you; it is about how to co-create with consumers and how to engage them in the innovation process. As a result, companies need to know how to empower consumers and who the potential and creative consumers are. In the future, large corporations have to enter to the co-creation trend as the best ideas do not always come from their advertising agencies or from clients’ marketing teams. Needham (2008) also claims that co-creation creates a revolution which is changing the way and structure of big and small brands and advertising agencies.

With the rapid change in the advertising industry, many marketers have realized the importance of co-creation (Whiteside and Tiltman, 2013). One of the most important successful examples is ‘Crash the Super Bowl’ which is held for crowdsourcing creative ideas for Doritos. Whiteside and Tiltman (2013) regard such activities as participation-driven innovation. Their research identifies that some brands and advertising agencies are trying co-creation or crowdsourcing as an effective approach to generate innovative ideas.

By co-creation, brands and advertising agencies not only get more ideas and increase consumer awareness of the brands, but also can generate word-of-mouth effect (Whiteside and Tiltman, 2013). According to a IBM survey including 1500 global CEOs, the competitiveness of the most successful companies in the world is that they understand the importance of co-creating their products or services with consumers and engaging consumers into their innovation processes (Warc, 2012), which highlights the significant importance of co-creation in the dynamic digital era.
Gehling (2008) claims that open innovation and co-creation seem to be suitable approaches for the development of advertising agencies in the digital era, while advertising agencies still need some time to embrace them completely. How to communicate with consumers in a better way will help companies to build their strengths. Although the importance of building connections with consumers is known to many companies, Gehling (2008) points out that open innovation or co-creation still seems to be a radical idea to them. Many advertising agencies’ attitudes towards open innovation or crowdsourcing are negative as the uncertainties and the shift to their organizations. According to a McKinsey Global Survey in 2007, the main challenge to the firms which implement open innovation is the capability of identifying enough talented consumers and successfully involving them into companies’ projects (Gehling, 2008). Consequently, addressing the issue of how advertising agencies engage consumers into the advertising innovation process is critical to companies who want to transfer successfully to open innovation.

However, engaging with clients in the innovation process does not a simple strategy to advertising companies. Aarikka-Stenroos and Jaakkola (2012) argues the issue of “superprofessionals” in the collaboration between professional firms with their clients by using an example in the advertising industry. They state that from the angle of service buyers, sometimes professionals feel too confident on their own views and of the evaluation system of how to select the best idea. In their research, they cite the words of an advertising services buyer:

“In some [advertising] agencies, they have such big egos that the customer doesn’t fit in the same room with them…As a customer, I have to fight for my right to express my opinion. I think that it's my duty to say what we want to buy and what we want to get without hearing them say that 'you are a stupid customer, you just don't understand how great this idea is’.” (Aarikka-Stenroos and Jaakkola, 2012)

On the one hand, these words demonstrate that in the collaboration process, advertising agencies and their clients may meet some conflicts. On the other hand, it identifies the importance of a good collaboration process in developing the best project solutions.

Although there is much collaboration between clients and agencies in the complex marketing environment, more than one-third of marketers searched by ANA research
prefer to describe the collaborating agencies as “vendors” or “suppliers” rather than “partners” (Beaulieu, 2013). In addition, 72% marketers in the survey of Avidan Strategies feel unsatisfied with agencies’ effort and think that their performance need to be improved (Beaulieu, 2013). Thus, there are some gaps between the performance of agencies and the expectations of marketers, which indicate that finding out the expectations of being marketers’ partners will significantly help to build their partnership.

4.3.2. The involvement of audiences in producing better advertisements

Currently, there are many discussions about the engagement with wide audiences in service design (Maglio et al., 2010), which indicates that service firms have to realize the importance of the creativity of audiences. With the culture convergence and digitisation, audiences are empowered by new technology and are involved in producing media content, which causes a paradigm shift happening in the way of producing media content (Jenkins, 2006). Indeed, it is the new digital environment endowing audiences’ power of shaping media content (Jenkins, 2006). In the digital era, audiences are easy to access to networked media, digital technologies and open sourced software, which give rise to user generated innovations, while the main driver of user generated innovations is the user generated content sites (Van Dijck, 2009). With the process of telling stories becoming more participatory and collaborative, it is emergent and essential for advertising agencies to understand the interchangeable and interdependent role of creative professionals and consumers (Deuze, 2007). Indeed, to some extent, consumers, to be as co-creators in the advertising innovation process, is increasingly influencing and shaping the identity of creative professionals. Van Dijk (2009) argues that the trend of participatory culture is attributed to users’ preference of sharing knowledge and culture among communities. There are many discussions about the engagement with wide audiences in service design (Maglio et al., 2010, Ross and Nightingale, 2003), showing the importance of the creativity of audiences cannot be neglected. Ross and Nightingale (2003) claim that in the digital era, audiences are far more active and interactive than in the broadcasting era. With the trend of culture convergence, creative professionals, characterised as culture creators, have to share and exchange their creative ideas with the people who were formerly clarified as the audience (Deuze, 2007).
According to the first *Adaptathon* on 3rd October 2013, which attracts over 170 delegates from advertising agencies, the importance of psychology and emotion is getting many agencies’ attention, which means that advertising agencies are expected to pay more attention to the way that they interact with each other rather than just focus on the advertisements that they produce (Bainsfair and Hay, 2014). In addition, from *Marketing 2020* survey data, the engagement with consumers in advertising agencies influences their performance, which causes that some of them outperform their peers (Kapelke, 2013). First, these firms are more likely to have clear business goals which direct their every marketing activity and to engage with consumers when need to make some important decisions, which demonstrate the importance of engagement with consumers and clear business goals in their marketing strategies.

One of the companies that engage with consumers successfully is PepsiCo. For example, in 2007, ‘Crash the Super Bowl’ launched by PepsiCo was a successful crowdsourcing competition which let consumers make commercials for the brand (Warc, 2012). As a matter of fact, in advertising, designing a campaign is a collaboration process from different specialist services, which means in the collaboration process, inputs and feedbacks from film production and direction, composition and photography, graphic design, lithography, printing, translation services, and legal advice services all contribute to the campaign (Grabher, 2001).

One the one hand, with the transformation of media, advertisers need to get used to collaborating with audiences, users or consumers to create the stories (Deuze, 2005). On the other hand, marketers should be careful in using consumer generated advertisements. According to some recently research, when consumers know the advertisement is created by consumers, they become more sceptical as they doubt about the ability of other consumers of making persuasive advertising messages (Thompson and Malaviya, 2013), which partly demonstrates the importance of advertising professionals and identifies the value of the advertising agency. However, user generated content is becoming quite popular in the digital era. Thus, it is significant for advertising agencies to improve their integrative capability to respond to the challenge. Integrating consumers’ creativity with professionals’ skills will get more promising advertising results.
Hoyer et al. (2010) claim that by successfully managing the consumer involvement and the co-creation process, firms usually get two main benefits, which is increasing efficiency by reducing operational costs and facilitating effectiveness by getting better understanding of consumer needs and enhancing innovativeness and learning capabilities (Hull, 2004, Payne et al., 2008, Prahalad and Ramaswamy, 2000).

4.4. Conclusion

This chapter has helped us build a better understanding of the importance of customer involvement in the innovation process, the different intensity of customer involvement at different stages, and the different roles of customers at different stages. Client involvement is critical to the degree of success of the final service. Not only can service providers benefit from client involvement, but also clients can gain many benefits from the involvement and the interaction between them. Client involvement is throughout the whole new service development process, but the intensity and the degree of importance of client involvement are different at each stage. Furthermore, owing to the different information that they provide at each stage and the different activities that they engage, the role that they play at each stage also varies. Based on the literature review about the involvement of clients, this chapter also sheds light on the concepts of open innovation, crowdsourcing, and user-based innovation.
5. Conceptual framework and research design

5.1. Introduction

This chapter elaborates the conceptual framework and research design of this research. Section 5.2 develops a conceptual framework. Based on the main research question proposed in Section 1.3, Section 5.3 develops a set of sub-questions. Section 5.4 copes with the research strategy adopted in this research. Section 5.5 clarifies the criteria for selecting companies and informants, data collection methods, and ethical considerations. Section 5.6 points out some validity threats to the conclusions of this research and discusses the approaches used to minimize them. Section 5.7 concludes this chapter.

5.2. Conceptual framework

Miles and Huberman (1994) explain that:

“A conceptual framework explains either graphically, or in narrative form, the main things to be studied – the key factors, concepts or variables – and the presumed relationship among them. Frameworks can be rudimentary or elaborate, theory driven or commonsensical, descriptive or causal.” (P. 18)

A conceptual framework can help researchers condense and order information without overload (Miles and Huberman, 1994). This is because conceptual framework can help identify what matters more, which types of information should be codified. Smyth (2004) even argues that a conceptual framework can be regarded as a research tool as it can assist researchers in keeping the research on track. It is the heart of research as it connects the literature to the research goals and questions, guides the research design, and structures the discussions (Smyth, 2004). Therefore, this section proposes a conceptual framework which is based on the research questions, objectives and the literature review in the preceding chapters.

Before reviewing the different definitions of innovation and the nature of innovation in KIBS and the creative industries, Chapter 2 introduces the main changes occurring in the digital era in the advertising industry. Chapter 2 argued that delivery, service concept, client interface, service delivery system and technology are the important dimensions in the nature of service innovation; these indicate the important role of clients in the nature of advertising innovation.
As the review in Chapter 3 and 4 suggested, the innovation process in advertising companies is an interactive process, which is shaped by different actors and the interaction among them. The first actor in the innovation process is the employees in advertising companies. The second is the marketing staff in client companies. The last is the targeted audiences, usually the intended customers of clients. Here it is useful to draw from the service-dominant logic, which proposes customers as co-creators and highlights the interactions between service providers and customers (Section 1.3), and the “service-oriented” theoretical perspective, which highlights the role of co-production with customers in services (Section 1.3). Based upon the discussion of client involvement, Chapter 4 also discussed the degree of open innovation in the advertising industry. The importance of open innovation is getting increasing attention with the development technology and is attracting some clients and advertising companies’ attention.

Integrating the discussion above, a simplified conceptual framework for this study is presented in Figure 5.1.
The above conceptual framework (Figure 5.1) illustrates that the dimensions of innovation in KIBS and creative industries and changes in advertising companies all help to conceptualize the nature of advertising innovation. Guided by the service-dominant logic and “service-oriented” theoretical perspective as well as the literature of innovation in KIBS, we can see that the innovation process in service sectors is complex and always involves client involvement. As in the advertising industry, advertising companies act as the intermediary between targeted audiences and their clients, both targeted audiences and clients contribute to the development of advertising innovation. Therefore, this study not only discusses audience and client involvement, but also concerns the discussion about their role in the innovation process. The importance of open innovation has been realized in many industries, According to the definition of Chesbrough et al. (2006), open innovation is “the use of purposive inflows and outflows of knowledge to accelerate internal innovation, and
expand the markets for external use of innovation, respectively” (p. 1). Therefore, through the analysis of the level of audience and client involvement in the advertising innovation process, we can see the willingness and the level of advertising companies of using outflows of knowledge. The analysis about audience and client involvement in the innovation process can shape our understanding of the level of advertising companies using any outflows of knowledge when they innovate, which to some degree, can help to show the willingness of transferring their organization structures to embrace open innovation.

5.3. Research questions

Chapter 1 noted several gaps in the research field of innovation in the advertising industry. Because there are relatively few studies of the innovation process in advertising, and of the range of innovations in this sector, it is appropriate to conduct research that explores these phenomena, describing under-documented issues as well as relating these to what we know about innovation in other creative industries and KIBS. The main research question proposed is: how do advertising companies develop new advertising and how do they interact with their clients? According to the above literature review and the conceptual framework, the author developed some sub-questions to explore more in depth of the research topic.

Sub-question 1: The Advertising Innovation Nature Question

As discussed in Chapter 2, the definition of innovation used in this study is the one proposed by Van de Ven (1986) or the one developed by OECD (2005a). This thesis plans to make a contribution to conceptualizing the nature of innovation in advertising. In order to do so, it needs to address:

- What are the changes in the services provided by advertising companies over the last five years?
- What are the characteristics of advertising innovation?

Drawing from the innovation dimensions model in KIBS developed by den Hertog et al. (2010) and the innovation dimensions model in the creative industries proposed by Green et al. (2007), this thesis explores how far the advertising innovation dimensions fit in these two models. Therefore, the analysis focuses on:
• How far are the models of innovation dimensions developed by den Hertog et al. (2010) and Green et al. (2007) possible to be used in categorizing the advertising innovation dimensions?

Sub-question 2: Advertising Innovation Process Question

Based on the discussion in Chapter 3, the innovation process in service section is shaped in an unsystematic way (Sundbo and Gallouj, 2000). One of the characteristics of the innovation process in KIBS is that they always have close interactions with their clients (Muller and Zenker, 2001). This study investigates the interactive innovation process in advertising companies. Therefore, it has to solve small questions before achieving the purpose:

• What are the usual steps of producing new advertisements?
• Who is involved in this process?
• Who is in charge of each innovation stage?

After investigating the usual steps of producing new advertisements, the next step concerns the relevance of the innovation pattern developed by Sundbo and Gallouj (2000) and the advertisement development stages proposed by Burgoyan (2013)

• How far can the advertising workflow model developed by Burgoyan (2013) be applied to the UK advertising industry?

Sub-question 3: Client Involvement Question

Based on the sub-question 2 and the discussion in Chapter 4, innovation in service sectors can be regarded as a process which originates from interactions among different actors (Doloreux, 2004). In this study, the interaction mainly relies on the client involvement and partly involves audience involvement. Thus, in order to address the sub-question 3, here are some questions which need to be addressed at first:

• Where and how are clients involved in the innovation process?
• What activities should clients do in each stage?
• What is the intensity of client involvement at each stage?
• What is the role of clients at different stages in the innovation process?
• What is the involvement and role of consumers in the innovation process?

After having an understanding about the involvement of clients in the innovation process, the next part of analysis tests the degree of the usefulness of the model of the activities that clients need to do proposed by Alam and Perry (2002), the model about the level of co-production at each stage developed by Doroshenko (2012), and the framework about the role of clients developed by Aarikka-Stenroos and Jaakkola (2012):

• How useful can the model developed by Alam and Perry (2002) about what activities clients need to do in every new service development stage be applied in the model about client’s input in the new advertisement development stages?
• How far does the result based on Russia companies about the level of co-production in the innovation process developed by Doroshenko (2012) fit into the UK advertising industry?
• How far can the model about the role of clients in KIBS firms’ value co-creation process proposed by Aarikka-Stenroos and Jaakkola (2012) be applied into the advertising companies’ innovation process?
• How far do the advertising innovation process and relationships between advertising agencies and clients correspond to the service professional pattern proposed by Sundbo and Gallouj (2000)?

Drawing upon the analysis about the client involvement and the audience involvement in the advertising innovation process, this thesis explores the degree of open innovation in the UK advertising industry. Therefore, it also analyses:

• What is the degree of open innovation in the interviewed advertising companies?

By concluding the above description, an analytical framework is developed in Table 5.1.
Table 5.1 An analytical framework around our research questions

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<td>How useful can the model developed by Alam and Perry (2002) about what activities clients need to do in every new service development stage be applied in the model about client’s input in the new advertisement development stages?</td>
<td>“Service-oriented” theoretical perspective</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>How far does the result based on Russia companies about the level of co-production in the innovation process developed by Doroshenko (2012) fit in to the UK advertising industry?</td>
<td>“Crowd capital”</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>How far can the model about the role of clients in KIBS firms’ value co-creation process proposed by Aarikka-Stenroos and Jaakkola (2012) be applied into the advertising companies’ innovation process?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>How far do the advertising innovation process and relationships between advertising agencies and clients correspond to the service professional pattern proposed by sundbo and Gallouj (2000)?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>What is the degree of open innovation in the interviewed advertising companies?</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author
5.4. Research strategy

5.4.1. Epistemological stance

Epistemology is about what comprises acceptable knowledge in the research field (Saunders et al., 2011). This thesis adopts critical realism as the epistemological stance to try to find out the truth of innovation in the advertising industry. The ontology of critical realism is that a reality exists that is independent of human thoughts, beliefs or knowledge (though these are part of the reality) (Saunders et al., 2011). As Sayer (1992) argues that knowledge cannot be created in a vacuum, but must be developed with social practices. According to his perspective, we can get a clearer perspective and better understanding about the knowledge if we know the social practices and can critically reflect on those we are using.

5.4.2. Interviews

Elite interviewing is an research data collection method whose research targets are usually decision makers (Dexter, 1970). Elite interviews are particularly quite helpful when the purpose of the research is to understand complicated interactions, diffuse processes, perceptions and beliefs of people (Dexter, 1970, Miles and Huberman, 1994). Denscombe (2003) argues that if the research requires detailed information which can be gathered from a small number of interviewees, interviews are a reasonable option to be used to collect data. As this research is an exploratory study of innovation in the advertising industry, it is appropriate to use interviews to understand the managers’ perceptions of new advertising, and to reveal the innovation process and customer interface in their companies.

In addition to interview managers of advertising companies, the managers and employees in client companies and consumers are also possible respondents. Indeed, advertising clients may have different perceptions about advertising innovation and their involvement in the advertising innovation process, thus, interviewing them can help enhance the validity of the findings in this paper. Engaging with consumers can also assist in triangulating the data. However, owing to the resource limitations, the author only interviewed advertising managers and used the information from advertising companies’ websites and their reports as well as databases to triangulate
the data. Interviewing advertising clients and audiences can be treated as possible future research directions.

Advertising companies are geographically clustered (Chapain et al., 2010), and because of this and the limited resources available for conducting the research, this study decided to select only Manchester and London as the research areas. These are the two largest clusters of advertising firms in England (Chapain et al., 2010). Except the companies from Manchester and London, one of the interviewed companies is from Edinburgh. This is because when the author was doing interviews, one of the interviewed companies in Manchester recommended the advertising company in Edinburgh. Thus, one of the interviewed companies is from Edinburgh. The major criteria adopted to select the interview companies were: the company size, the company reputation and the company main business areas, and whether they have the experiences of getting some awards showing their innovativeness (details are in the Section 5.5.1).

5.5. Research design

Research design is a “blueprint” for answering research questions or testing relevant hypotheses (Bhattacherjee, 2012). As discussed above, this research is an exploratory study of innovation in the advertising industry. This was achieved by conducting semi-structured interviews with relevant managers in advertising companies.

5.5.1. Sample selection

The purposes of this study are to conceptualize the innovation dimensions in advertising, to conceptualize the interactive innovation process, and to investigate the status quo of open innovation in the advertising industry. Therefore, before starting to select interview companies and interviewees, features of the companies and interviewees need to be investigated to ensure the validity of the sample. Meanwhile, in order to get multiple perspectives, the interviewed companies need to include sufficient variation (Creswell, 2012).

This study selected fourteen advertising companies located in London and Manchester. Details of these companies are in Appendix 1. All the interviewees came from different companies. The contact information was obtained from advertising
companies’ websites and from ‘Campaign A list’ (Campaign, 2014). After getting their contact information, the author used emails to contact them. However, before sending emails to these potential interviewees, the author investigated their companies to ensure these companies met the criteria used in this study:

1. Firm age: The advertising companies should be established before 2008, as one of the interview questions is “What are the changes in the services provided by your company over the last five years”. This is to clarify the changes that the companies implemented over the last five years. In addition, the new advertising firms may be still in a business trial phase, which indicates their business strategies are still not confirmed. Thus, research questions in this thesis are not suitable for them.

2. Creativity: In order to ensure the interviewed companies’ innovative capability, the interviewed companies should have the experiences of getting creativity awards, like Cannes Lions, Campaign, Showcase, D&AD etc., almost every year.

3. The interviewed companies should include small, medium and large advertising companies to ensure the variety of advertising professionals’ perspective.

In terms of the interviewees, they also need to meet some criteria:

1. Job role: Interviewees in this study are managers in advertising companies who are able to tell the interviewer the full story about their company.

2. Job description: The job description of these managers is correlated with the creative department as creative content is the first thing and the core of every advertisement. They should also be included in the administration team to ensure that they know the full story about their company.

Thus, the first choice of interviewees is the director of creative department. The second choice is the managing director or chief executive who has rich experience in being creative director or managing the creative department before transferring to the current post.
When applying the above criteria to choose potential advertising companies, the size of the companies should include small, medium and large companies and these companies should include traditional advertising companies built in before 1998 and new types of companies established in the digital era.

5.5.2. Data collection methods

This study collected data from different methods and sources: in addition to interviews, it used published documents, databases, industry journals, and the information in companies’ websites. Through getting data from different sources, it can enhance the validity of the data (Yin, 2009).

Firstly, the principal method was interviews with advertising professionals. Kvale (1983) argues that the main purpose of an interview in qualitative research is to gather information about interviewees’ description about their life-world in terms of the meaning of the described phenomena. The format of the interview was one-to-one semi-structured interview. Semi-structured interviews can help interviewers do in-depth discussions with interviewees on the raised issues (Arksey and Knight, 1999). In order to help analyse the interview data in a consistent way, this research used a protocol to guide the interview (Yin, 2009). All of the interview questions are open-ended questions. The interview protocol was developed correlated with the research questions and in consultation with my supervisors (who have substantial qualitative research experience). After several rounds of revision, the first draft of the interview protocol was confirmed, and then used the drafted interview protocol to interview people. The interview protocol just acts as an interview-guide rather than containing detail interview questions and structured interview orders (Arksey and Knight, 1999). In a semi-structured interview, the order of asking interview questions is dependent on the interviewees’ answers and the answers are open-ended and emphasize on interviewees’ elaborating points of interest (Denscombe, 2003).

As discussed in section 6.5.1, there were three types of informants. They were creative directors, managing director or chief executives. The author treated the first three interviews as a pilot study. After that, the author made some minor changes to the interview questions and developed a new interview protocol (Appendix3). The

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3 During the late 1990s, around 1998, internet began to influence our life and business models to an extensive extent and digital advertising also began to get people’s attention.
duration of interviews lasted from 30 minutes to 80 minutes as this was controlled by the interviewees. When the interviewees were very busy, the researcher aimed to get at least the main interview questions answered.

The interview began with some general introduction to the topic, like the purpose and importance of the research. Next, the interviewees were asked to answer some predetermined questions which were in the interview protocol. Then, the interviewer would ask the second question according to the answer of the interviewee. All the interviews were recorded, and in the meantime, the interviewer would write down some key words or key sentences to help the analysis.

In order to enhance the reliability of the data set, the author transcribed all the interview recordings (Creswell, 2012) and organized these transcripts into a table according to different themes to help do data analysis.

Apart from the data collection of interview, this study also attempted to analysis the content of interviewed companies’ websites and their published documentations for checking the approaches that they use to produce advertisements, the advertising strategies that they use, and how they treat their clients and audiences.

When doing the analysis, some other documents were needed to get more in-depth analysis, such as the company reports, the company development strategy, and so forth.

5.5.3. Data analysis

The research data analysis method is dependent on the underlying epistemological position (King, 2014) and should take the conceptual framework in this thesis and the research questions into account. Thus, the research data analysis method adopted in this thesis is the template analysis.

Two rounds of analysis were implemented in this thesis. At first, the first three interviews were treated as a pilot study which was to do some tests and some revisions to the interview questions. After the first three interviews, there was an analysis process which was to identify whether there were any problems of the interview questions. After the first three interviews, the author found some problem
and did some revisions to the interview questions\textsuperscript{4} and the order of the interview topics.

Shortly after every interview, the interviewer transcribed the recording which resulted in many pages of transcripts. After transcribing the recordings, the next step is to codify the data and categorize them by different themes (Miles and Huberman, 1994). Thus, the interviewer carefully reviewed these transcripts to highlight the key issues, identify the stages and patterns.

In this thesis, the analysis consists of three major parts:

- **Innovation perception analysis:** this is about different advertising professionals’ perception about advertising innovation and what changes happened over the last five years in the interviewed companies. Through the analysis, both innovation researchers and advertising professionals will understand what can be perceived as new advertisements. The analysis of this part is in Section 6.2.

- **Innovation process:** this concerns the process of new advertisement development. Using the data collected from interviews, the general innovation process is conceptualized. The analysis about this part is in Section 6.3.

- **Interaction between the actors in the innovation process:** this involves the different interactions between actors in the innovation process. From the analysis of the interview transcripts, there are four different patterns about the interactions. This part also involves some analysis concerned the degree of open innovation in the interviewed companies. The analysis about this part is in Section 6.4.

### 5.5.4. Ethical considerations

Ethics is a major issue in qualitative research (Miles and Huberman, 1994). Miles and Huberman (1994) note that as qualitative researchers have some contacts with people, they have to consider their actions’ rightness and wrongness when they conduct their

\textsuperscript{4} After the first three interviews, the author tried to use different types of questions related to the nature of advertising innovation (e.g. In your opinion, what are the characteristics of new advertising services? Or which types of advertising can be divided as new advertising? Or what can be regarded as innovative advertising? Or how to produce innovative advertising? Or what are the forms of innovative advertising?) instead of asking directly (What do you think of advertising innovation? What are the characteristics of advertising innovation?) and changed the sequence of asking the question related to the nature of advertising innovation to the last one.
research. This study complies with the rules about ethical issues in Manchester University Business School.

Some important ethical issues needed to be taken into consideration. At first, before conducting the fieldwork, the author would send the participant information sheet (see appendix 4) and the consent form (see appendix 5) to interviewees or show these forms to them before the interview begins, and do some explanations to these forms, and then ask them to sign the consent form. Besides, before beginning the interview, the interviewer would ask the interviewee’s permission of recording the interview. All the interviewees were anonymized during the analysis. However, as for some important and interesting views, if the researcher wants to identify their name in the thesis, the researcher will ask the interviewees’ permission at first. It may be asked during the interview or may be by sending the permission email to them after the interview.

5.6. Validity

Although reliability and validity are more common to be used in quantitative research, now, it is beginning to be applied in the qualitative research paradigm (Golafshani, 2003). Regarding to the relationship between reliability and validity, Lincoln and Guba (1985) argue that a demonstration of the validity is adequate to judge that the research also has the reliability as there cannot have validity without reliability. Patton (2002) also suggests that the reliability can be regarded as the consequence of validity.

5.6.1. Three types of validity

According to the perspective of Yin (2009), there are three types of validity: construct validity, internal validity and external validity. Construct validity concerns the correctness of operational measures for the concepts being studied. Internal validity is for explanatory studies only. External validity deals with the generalization of findings.

In order to enhance the construct validity, this thesis tried to strengthen the logical link between different parts of the thesis, like among the conceptual framework, literature review, research questions, research design. As most advertising companies do not just do advertising campaigns, they also have media or public relation
businesses. Therefore, when doing interviews, the author defined the interview just about their advertising business.

External validity describes the generalization of a study’s findings. Exploratory work is characterized by developing generalizable insights and does not necessarily produce generalizable results. Through exploratory work, some phenomena and patterns can be found, yet, these phenomena and patterns are not in the sense that they will always be applicable, but in the sense that they may contribute to generate more general theories and introduce elements that need to take into consideration when designing studies based on larger or more representative samples or dealing with other sectors. Therefore, in order to keep the variety of interview answers and generalize the findings of this study, the research companies in this thesis included small companies, medium companies, and large companies and the author attempted to select different types of advertising companies, like the traditional companies or new types of advertising companies born in the digital era or direct marketing companies.

5.6.2. Two types of threats to validity in qualitative studies

Maxwell (2005) points out that in qualitative studies, there are two broad types of threats to validity: one is researcher bias; the other is the influence of the research on the individuals studied, often called reactivity. In order to rule out validity threats and increase the credibility of the conclusions in this study, the author adopted five of the strategies developed by Maxwell (2005): “rich” data, respondent validation, triangulation, quasi-statistics, and comparison. First, the author transcribed all the interviews, which could provide a full picture of what was going on (Becker, 1970). Through this way, the author could collect “rich” data which could help minimize the researcher bias when comparing with just taking notes of what the researcher felt was significant. After getting “rich” data, the author sent these transcripts back to the respondents to rule out the possibility that the interviewer misunderstood the meaning of what informants told the author and to identify the author’s bias. However, no responses were received. This might be because informants were very busy and had tight schedules at that period. As discussed in section 5.5.2, this study attempted to get supplementary material from the interviewed companies’ website or databases to identify the findings from the interview transcripts. Through this approach, the
interviewer can avoid in some cases that the interviewees just answered interview questions from their opinions rather than based on facts. Besides, by asking them to give some examples relevant to their answers, it can also help the interviewer justify whether interviewees told the truth\(^5\). Through these two ways, the answer can become more convincing as it reduced the risk of systematic biases due to just use one source of information and could triangulate the data. With regard to the strategy of quasi-statistics, it refers to use numerical results derived from the data to support claims (Becker, 1970). Therefore, the author counted the results’ occurrence times when doing data analysis. This study also did some comparisons between interviewees to identify advertising innovation characteristics and innovation process. Although the author put so much effort in ruling out validity threats, validity threats could not be eliminated and just could be minimized or reduced.

### 5.7. Conclusion

This chapter has identified the conceptual framework, the research design and data collecting method of this thesis. The conceptual framework has linked up each component of the thesis together and underpinned the research design strategy and data collection methods. The semi-structured interviews provide much useful information, which enable the author to conceptualize the advertising innovation dimensions, innovation process and the roles of clients and consumers. This chapter has also discussed the validity of the data and the approaches to enhance the data validity.

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\(^5\) Truth means that the answers of respondents were what really happened in their companies. Respondents answered questions from their companies’ position rather than from their own opinions.
6. Data analysis

6.1. Introduction

This chapter analyses the interview data. In accordance with the literature review and research questions, this chapter is divided into three parts: conceptualizing dimensions of advertising innovation, modelling the advertising innovation process, studying the involvements of clients and consumers in the innovation process, and exploring open innovation in different types of advertising companies. It is guided by the conceptual framework proposed in Section 5.2 and the literature review in Chapter 2-4.

Section 6.2 analyses the characteristics of advertising innovation and the changes occurred in advertising companies over the last five years to conceptualize the dimensions of advertising innovation. Section 6.3 concludes the advertisement development stages and the innovation process as well as who is in charge of every innovation stage. Based upon the findings in section 6.3, section 6.4 analyses the activities clients do in every advertisement development stage and conceptualizes the roles of clients and audiences. By integrating the findings in section 6.4.1-6.4.4, section 6.4.5 studies the level of open innovation in the interviewed advertising companies. Section 6.6 concludes this chapter.

6.2. The conceptualization of advertising innovation

One of the purposes of this research is to shed light on the nature of advertising innovation, which is an ill-defined area of research (Miles and Green, 2008). In order to do so, this study interviewed fourteen advertising companies and investigated advertising professionals’ understanding of advertising innovation. The focus is on the new or innovative advertisements, like what forms of innovative advertising can be.

Chapter 2 sets out the broad definition of innovation used in this study. As discussed in Chapter 2, the innovation dimensions in KIBS have been conceptualized by den Hertog et al. (2010), which includes 6 different dimensions—see also the approach of Green et al. (2007).
6.2.1. Characterizing the innovation in advertising companies

Chapain et al. (2010) claim that innovations in the creative industries is liable to be characterised by an ‘aesthetic’, ‘artistic’ or stylistic’ element. Stoneman (2009) points out that in the creative industries, there is very high increasing rates of soft innovation. He defines ‘soft innovation’ as “a concept that reflects changes of an aesthetic nature”. He also points out that soft innovation primarily involves changes in goods and services, which influences our sensory or intellectual perception and aesthetic appeal rather than functional performance. In order to conceptualize the nature of innovation in advertising, the respondents in this study were asked to explain the characteristics of innovative advertising or the forms of innovative advertising. The interviewed advertising professionals’ perspectives on innovation in advertising are in the following Table 6.1. These are just a part of the interviewees’ responses. The author identified distinctive ideas and counted the frequency of occurrence of these key points. There are twelve key points of their answers, which are:

- Good content or creative idea,
- Different combinations of different elements
- Creating stories connecting with the brand story
- Media channels used in new ways or different ways of delivery or new media channels
- Engagement with the brand and the consumer,
- Combination of creative ideas and proper media channels
- Using data
- Using technology
- Capturing targeted audiences’ attention and letting them feel fresh to the delivered message,
- Making a real change
- Leaving lasting and deep impression
- Generating the effect of word-of-mouth

These are described more fully in Table 6.1 and Table 6.2.
Table 6.1 The occurrence number of some key points of interviewees’ answers

<table>
<thead>
<tr>
<th>Categories</th>
<th>Companies</th>
<th>H</th>
<th>M</th>
<th>D</th>
<th>G</th>
<th>A</th>
<th>I</th>
<th>N</th>
<th>E</th>
<th>J</th>
<th>C</th>
<th>K</th>
<th>L</th>
<th>B</th>
<th>F</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Idea</td>
<td>Good Content (Creative Idea)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>14</td>
</tr>
<tr>
<td></td>
<td>Different combination of different elements</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Creating story connecting with the brand essence</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Media Channel</td>
<td>Media channels used in new ways (Or new media channel, or different ways of delivery)</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>11</td>
</tr>
<tr>
<td>User interface</td>
<td>Engagement with the brand and consumer or public</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>7</td>
</tr>
<tr>
<td>Combination</td>
<td>Combination of creative ideas and proper media channels</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>7</td>
</tr>
<tr>
<td>Data</td>
<td>Data (Personalization)</td>
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<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>4</td>
</tr>
<tr>
<td>Technology</td>
<td>Technology</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effects</td>
<td>Capturing targeted consumer’s attention and let them feel fresh</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Making a real change</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Leaving lasting impression</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Word-of-mouth</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<td>✓</td>
<td>✓</td>
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</tr>
<tr>
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<td>3</td>
<td>2</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(The capital letter identifies the companies details of whom are in the appendices 1 and 2. These key points were conceptualized from interviewees’ answers. The key points did not mean that they just had these key points.)

Source: Author

Table 6.2 The detailed meaning of the key points

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Meanings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good content (Creative idea)</td>
<td>Content is the core of every advertisement and the creativity of content decides the innovativeness of advertising in some degree;</td>
</tr>
<tr>
<td>Different combination of advertising elements</td>
<td>Making different combinations of advertising elements, like putting different music, dance, pictures, actors etc. together to make consumers’ feel fresh;</td>
</tr>
<tr>
<td>Creating the story connecting with the brand essence</td>
<td>The storyline used in advertising should match with the brand essence, should represent what the brand stands for;</td>
</tr>
<tr>
<td>Different ways of delivery or media channels used in new ways or new media</td>
<td>Using different ways to deliver the creative content: the creative idea can be delivered by new media channels or by using traditional channels in new ways;</td>
</tr>
</tbody>
</table>
The key points span two broad categories: innovation dimensions (idea, media channel, user interface, combination, technology, and data) and effects.

First, all of the interviewed companies agreed that the **creative idea** or good content was the most important element in innovative advertisements or new advertisements, thus, the creativity of idea is one of the dimensions of innovation in advertising. Three of them expressed the view directly that new advertising was about creating different combinations of different elements. Five claimed that innovation in advertising should create the story connecting to the brand’s culture. It is better to categorize these two points as the approaches to creating creative content as in the following quotations described:

“New advertising tries to put some strange things together... What people do every now and then is to put things together to create different combinations to attract people’s eyes, to find something just making people feel fresh. It’s quite similar to say that advertising is just about finding different combinations (weird and strange combinations) to attract people’s attention, to let them feel fresh...We have to find something inside to make the product
different. Then, we will provide some disruptive ideas.” (G: Executive Creative Director)

“Innovation is about the look, the message, and the way we engage the public... An advertisement is a combination of many things. An advertisement is all about the design, the words, the colour, and the brand identity...it’s a combination of everything to work.” (M: Owner)

“If you solve a problem with technology alone you’ll own that idea until someone improves the technology. But if you solve the problem with the brand story, it is untouchable.” (H: Company’s Website)

The approaches of creating innovative idea are outlined in Figure 6.1.

**Figure 6.1 The approaches of creating innovative ideas**

The second innovation dimension involves the **media channel**. It includes two main points: media channels used in new ways, as opposed to using new media channels. Eleven interviewees stated directly that new advertising or innovative advertising used by traditional media channels in new ways, or used new media channels.

“New advertising does not use traditional media in the same way; it finds ways to engage with people in non-traditional ways. So, it looks what people are doing.” (J: Chief Creative Officer)

“Innovative advertising is by using media channels in a different way... It’s about the clever combination of the story and the platform.” (K: Founder and Executive Creative Director)
“New advertising can be regarded as the one that targets people’s needs and capture people’s attention and uses new platforms to deliver the message.” (C: Creative Director)

“So, what is happening to the advertising business is the media mix. So, all the channels that we use have broadened and broadened and broadened, basically...So, what happens is we are able to reach those consumers more effectively by using more channels, by using differently media mix.” (A: Chief Executive)

User interface is another innovation dimension. It concerns the engagement with the brand and the targeted consumer or the public. Seven of them mentioned that new advertising was also about the engagement with the brand and the consumer. This can be explained by the following quotations:

“Led by the meaningful action and storytelling of a Brand and driven by the need and engagement of Consumer interaction...Through innovative use of technology and definition of the brand’s digital purpose we invent products, services and experiences that offer new ways to communicate and engage with customers.” (H: Company’s Website)

“Innovation is about the look, the message, and the way we engage with the public. How do the public react to the advertisement?”(M: Owner)

“The ways that we make those advertising budgets more and more effective is being smarter in the way we reach our customers, basically.” (A: Chief Executive)

The fourth innovation dimension concerns the combination of good content and proper media channels. In fact, “combination” also means the combination of creative content, media channels, technology, and brand essence together. There were seven interviewees expressing the perspective that new advertising should be the combination of really creative ideas and proper media channels.

“New is the channel. It’s always been about content. It’s just different types of content. So, it’s about the right content being in the right place. The right content for your right audiences...New advertising is about the engagement with the brand, positive engagement. The New channels allow you to do that. New advertising is about deep engagement.” (I: Director)

“Digital business idea is where it all comes together. Big business problems solved in new ways – through the confluence of brand strategy, creativity, technology and digital culture.” (J: Company’s Website)

Data is another innovation dimension. Four interviewees mentioned the importance of data in an innovative advertisement. In addition, because of the rapid development
of technology, advertising is becoming increasingly personalized. For instance, one of the interviewees introduced one type of innovative advertising – “flying poster”. The type of the advertising is poster, very traditional, while it connects with data and relies on the advantage of the plane to make it become very innovative. Here is a quotation about one of the interviewees’ answer to the effects of data:

“When I walk into the tube station, there is a digital poster which says two for one or donates…They recognize my phone and they know that I like donate. That’s get really interesting. They use my data to send me personal message…Making the personalization, especially in direct marketing.” (L: Creative Director)

“Agencies are looking at clients’ inside from data rather than looking at inside customers’ opinions; you look at numbers.” (N: Creative Director)

The final point about innovation dimension is **technology**. Although only three of the interviewees expressed this point directly or used the word, technology is critical to all of the advertising companies. It can be used to create more innovative content, create new media channels, make traditional media channels into new ways, find new ways to engage with consumers etc. More about the analysis of technology is in the section 6.2.2. The following quotations from two of the interviewed companies can explain this point:

“Through innovative use of technology and definition of the brand’s digital purpose we invent products, services and experiences that offer new ways to communicate and engage with customers.” (J: Company’s Website)

“But it's interesting that not always need new technology. Technology can be used in new ways… A lot of agencies now have innovation departments. So you have a kind of labs where you are looking at clients’ problems and then looking at how technology might solve it…So, you bring technology into the creative process much more.” (N: Creative Director)

Table 6.1 shows that there are several points about the effects of innovative advertising. The four key points are: capturing targeted audiences attention and let them feel fresh, making a real change, leaving lasting impression, and creating word-of-mouth effect. Five of them thought that the new advertising should capture targeted audiences attention and let them feel fresh to the advertising message. Regarding to the points of making a real change, leaving lasting impression, and creating effect of word-of-mouth, just one person described these. Following are some quotations from interview transcripts:

97
“New advertising can be regarded as the one that targets people's needs and captures people's attention and uses new platforms to deliver the message.”
(C: Creative Director)

“The broad definition about innovation in advertising is that the solution is not just communications...is by trying to find a solution affect the business, not just the message that comes out the business. Innovative advertising can create services... What’s innovation in advertising is creating more than advertising, is creating new service, new design or new products. The products are created by advertisements. Innovative advertising makes the message become real, makes a real change, and leaves a lasting impression. It’s something that exists for longer.” (H: Creative Partner)

Overall, the characteristics of innovation in advertising may include six elements, which are creative content, media channels used in new ways, linkage between advertising storyline and the brand essence, user interface, proper combination of creative ideas and media channels, data, and technology. Figure 6.2 displays the characteristics of innovation in advertising.

**Figure 6.2 The characteristics of innovation in advertising**

6.2.2. Changes in interviewed advertising companies compared to five years ago

As this study explores innovation in the advertising industry, it is essential that it can describe what changes advertising companies have made over the last five years. These changes are highly dependent on the development of technology. (Miles and
Green (2008) claim that advertising industry evolution is greatly shaped by technological advances; with the trend of digitalization, most of the changes in advertising companies are correlated with the development of digital technology. Table 6.3 sets out the changes noted by our interviewees, and Table 6.4 elaborates on these.

**Table 6.3 Changes in advertising companies when comparing with five years ago**

<table>
<thead>
<tr>
<th>Companies</th>
<th>F</th>
<th>L</th>
<th>J</th>
<th>N</th>
<th>C</th>
<th>D</th>
<th>E</th>
<th>G</th>
<th>H</th>
<th>K</th>
<th>M</th>
<th>A</th>
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<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
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<td>√</td>
<td>14</td>
</tr>
<tr>
<td>Employees skills</td>
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<td>√</td>
<td>√</td>
<td>√</td>
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<td>√</td>
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<td>√</td>
<td>√</td>
<td>14</td>
</tr>
<tr>
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<td>×</td>
<td>×</td>
<td>×</td>
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<td>×</td>
<td>×</td>
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<td>√</td>
<td>√</td>
<td>×</td>
<td>×</td>
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<td>×</td>
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</tr>
<tr>
<td>Interactivity of the advertising</td>
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<td>√</td>
<td>√</td>
<td>√</td>
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<td>√</td>
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<tr>
<td>Business Model</td>
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<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>3</td>
</tr>
<tr>
<td>Ways to get new businesses</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
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<td>Revenue model</td>
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<td>√</td>
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<td>√</td>
<td>√</td>
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<td>1</td>
</tr>
<tr>
<td>Personalized level</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
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<td>√</td>
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</tr>
<tr>
<td>Employment structure</td>
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<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
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<td>√</td>
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<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>1</td>
</tr>
<tr>
<td>Speed of generating creative ideas</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
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<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
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<td>6</td>
<td>5</td>
<td>5</td>
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<td>4</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

(“√” means that the company has had the change when comparing with five years ago. “×” means that the company has not found the change. “Blank” means that the company did not express directly to the interviewer whether it had that change or not, which indicates that the company may have other changes, but the interviewees chose to tell the significant ones.)

Source: Author
Table 6.4 The meaning of every change

<table>
<thead>
<tr>
<th>Changes</th>
<th>Meaning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Media channels (New advertising services)</td>
<td>Increasing the digital advertising proportion; providing new types of advertising, such as mobile advertising, social advertising;</td>
</tr>
<tr>
<td>Communication ways</td>
<td>The ways that the advertising company use to communicate with the client has been increased;</td>
</tr>
<tr>
<td>Employee skills</td>
<td>Employees in advertising companies have gained some new skills or improved their original skills;</td>
</tr>
<tr>
<td>Working process</td>
<td>The process that the advertising company uses to make a new advertisement;</td>
</tr>
<tr>
<td>Business model</td>
<td>Advertising companies’ business model: outsource some part of their businesses; provide some part of the production services which were outsourced to external organizations;</td>
</tr>
<tr>
<td>Collaborative level</td>
<td>The collaborative willingness of clients, the intensity of client involvement in the innovation process;</td>
</tr>
<tr>
<td>Ways to get new businesses</td>
<td>The approaches of getting new contracts or new businesses;</td>
</tr>
<tr>
<td>Interactivity of advertising</td>
<td>Advertising is becoming having more interactions with audiences;</td>
</tr>
<tr>
<td>Revenue model</td>
<td>Using new revenue models or creating new revenue streams;</td>
</tr>
<tr>
<td>Personalized level</td>
<td>Advertising is becoming more personalized;</td>
</tr>
<tr>
<td>Employment structure</td>
<td>What types of people the advertising company plans to employ;</td>
</tr>
<tr>
<td>Speed of generating creative ideas</td>
<td>The time that advertising companies used to generate creative ideas;</td>
</tr>
</tbody>
</table>

Source: Author (These are the author’s elaborations rather than interviewees’ own words.)

Therefore, it can be clearly seen from the table that when comparing with five years ago, all of the interviewed companies have had some changes in the media channels that they use. Basically, almost all of them have increased their digital advertising proportion and reduced the percentage of print advertising. They have begun to do
mobile advertising and social media advertising. They are embracing the trend of digitalization. This can be indicated by the following quotations:

“One of the changes is the growth of digital. Digital, mobile is been a huge growth. We are always been quite digitally focused, but that’s been a huge explosion. Even the traditional clients, now, are pushing their budget to digital.” (K: Chief Creative Director)

“We have more digital advertising service. Now, there are different channels. Social is growing, growing and growing. In the future, digital will continue to grow.” (I: Director)

“There are social media, digital channels, technology and so on. So, there are several different ways to get message transferred to audiences. This is the main change.” (E: Chief Executive)

“We do a lot more digital work, a lot mobile. The campaigns are more integrated.” (M: Owner)

Although almost all the interviewed companies’ digital advertising services are increasing, nine of them still have more TV advertising businesses than digital advertising businesses, which mean that the TV advertising is their main business. In fact, TV advertising is much more expensive than digital advertising. So, the figure means there are far more digital advertising in the advertising market and brands spend much more money on digital advertising. However, the Figure 2.1 in Section 2.2 shows that the UK digital advertising spending has surpassed its TV advertising spending since 2011. It seems that there are some gaps between what brands are doing and what advertising agencies are doing.

Along with the change of providing more or new digital services, advertising companies also have changed in their ways of communicating with their clients considerably. Compared with five years ago, advertising companies have more ways to communicate with their clients, which helps them work more efficiently and effectively. For example, currently, advertising companies can spend less money on transportation as a result of the advanced technology development of video conference. As two of the interviewees’ noted:

“The ways that we use to interact with clients also have got big changes. Now, we can use video conference, sky calls, phone calls, face-to-face meetings. So, we have much more opportunity to work differently and more efficiently.” (E: Chief Executive)
“Technology helps us work more efficiently and work further way, especially in the communication ways. For example, now, we do not need to spend so much money on transport. Video conference is very helpful!” (G: Executive Creative Director)

With the development of technology, it is obvious that employees in advertising companies have to learn some new skills or improve their skills to meet their companies’ development requirements. Changes in the media channels, communication ways and employee skills are the most significant changes in these companies when comparing with five years ago as a result of the rapid advances in technology. All of the interviewed companies have witnessed these three changes. (However, this does not mean that they only experience these three changes; just that these three changes are the most significant ones which they readily identify during the interview.) In addition to these obvious and significant changes, there are many other changes occurring in the advertising industry.

The fourth change concerns the level of collaboration between clients and advertising agencies. Four of the interviewed companies indicated such change. Along with the trend of digitalization, some new brands are springing up which embrace innovation and are very open-minded. Given that the popularity of social media and some new interaction networks, clients are behaving in more collaborative ways when working with advertising companies. This change upgrades the value co-creation level between advertising companies and clients into a higher degree, enabling clients to contribute more to the innovation process, and strengthen the relationship between the partners. In the words of two interviewees:

“A lot of clients want more collaborative way of working. We always have a very collaborative way of working. Now, we found there are some new generations of brands. New generation of brands are usually digital brand; they born in the digital age. And they don't want to work in the old fashion way. The old fashion way was advertising agencies and brand had very separate relationships. I think now, a lot of clients want more collaborative relationship, they want to work more closely with the agency, they want to develop strategies together, and they want to spend time with the agency. Formally very close relationship with your clients is much more beneficial than that in 5 years ago. I think a lot of our clients are entrepreneur; they set up their businesses and they are also the creative people. So, they want to be involved in every stage, they do not just handle it to the agency.” (K: Founder and Executive Director)
“Clients tend to behave more collaboratively. They wanted to pay you to take their problems away, fix it, and come back. But today, it’s not like that. Clients want to be involved in the process.” (N: Creative Director)

The above quotations also illustrate that traditionally, advertising companies and clients had very separate relationships. What other benefits might clients’ willingness of collaborating bring? Since clients in the digital era have more willingness of collaborating with advertising companies, it is more likely that they can build good relationships with each other, which will increase their trust. Further, this will assist advertising companies in getting more long-term business, which may influence advertising companies’ business model and business development strategies. Client companies born in the digital era may have more collaborative willingness, want to engage in the innovation process more and can be regarded as co-creator in a greater degree. These topics would be worth further research.

However, one of the interviewed companies said that their clients were not becoming more collaborative because their clients always had very collaborative.

“The way we work in our company is about collaborating with everybody. So, if clients don’t want to be collaborative, we won’t work with them.” (N: Owner)

This is in accordance with the management strategy-client selectivity proposed by Bettencourt et al. (2002). The strategy of client selectivity describes that KIBS firms should apply some screening criteria to decide who should work with rather than accepting all comers.

What changes that the social development brings are not only in the ways of producing new advertising and the services that they provide, but also in the purpose of advertising. In terms of the information that the traditional advertising conveyed, it could be categorized as one mode of communication – the passive message, but currently, what the advertising conveys is more of an interactive message rather than a passive message. Advertising companies cannot just push their work out like what they used to do, instead, they have to have conversations with people constantly. Interactivity has become one of the characteristics of advertising.

“The purpose of advertising has also changed. Now, the advertising is created for people, rather than sending and broadcasting it to people. It’s interactive message rather than passive message.” (F: Chief Executive)
“Nowadays, we do lots of work and go to lots of different places. Because of interactivity of social and digital media, we are not just pushing work out, we are actually having conversations with people” (J: Chief Creative Officer)

The next change involves the business model. There were three interviewees conveying this change. With the rapid development of technology, some companies manage to provide some of the advertising services that they outsourced before because they think that the rapid technology make them get more benefits by providing these services. Some other companies are able to outsource some of the advertising services as they think they are not so professional in these services areas, outsourcing these services can bring them more benefits. These changes enable advertising companies to work more efficiently and effectively. The following quotations can indicate this finding:

“We have restructured the business model. It is more fluid, has fewer people. The business model has changed. Now, we probably use more people externally. For example, five years ago, there was a digital department, but it did not improve the business a lot. So, it is better to outsource it.” (G: Chief Creative Director)

“With the advanced development of technology, we can produce some very simple TV advertising, while in five years ago we always employed external organizations to produce it.” (E: Creative Director)

Advertising firms thus have more options to decide whether they should outsource some part of their advertising services; and also they have more approaches to getting new businesses, more ways to reach their clients or customers - and clients also have more choices of finding satisfactory service providers. The following citation can illustrate this finding:

When comparing before, the changes are that there are much more people like to use research to find the company that they like to work with. So, many years ago, our company’s new businesses were mainly got by reputation and direct contact. This is because the explosion of internet which lets people easy to find a suitable potential company. (F: Chief Executive)

As for the above change, just one company conveyed it directly. This does not mean this change do not occur in other companies. Apart from the above changes, Company J also told the author that now, advertising effectiveness was used in some projects to determine how much the company would be paid. This indicates that change may happen in the revenue model. Company L’s advertising is becoming more
personalized and Company M’s employment structure has been changed. The following two quotations can illustrate the latter two changes:

“We are much more personal by using the data. Much more personal, much more interactive, I would say. Personalization is the key to us, that’s the most exciting thing about the future as well.” (L: Creative Director)

“And I think one of the big differences is people. Because, you know, in the past, older people have more experience about advertising, but in today, people like you far more like of social media...That’s why we have a bunch of senior experienced people, no one in the middle, and the people, a lot in your similar age. That’s how we work. They know so much about social media and about digital. That’s a big change. So, we give them a lot of responsibilities. So, some people in our agency are 23, 24, they are running digital campaigns.” (M: Owner)

The last change concerns the speed of generating creative ideas. Currently, the time advertising companies spend on the creative process has become less. Advertising companies have to accelerate the pace of generating creative ideas, which, in some degree, reflects the fierce competition in the advertising industry. Furthermore, this also mirrors the trend for clients to become more demanding. In the words of a Chief Executive:

“We have to do the creative process quicker. We have to use less time to make it more interactive and entertained...” (F: Chief Executive)

Therefore, there are twelve main changes among the interviewed companies, which occur in media channels, communication ways, business model, ways to get new businesses, collaborative level, interactivity of the advertising, employees’ skills, advertising personalized level, employment structure, the speed of generating creative ideas, and the revenue model.

When the interviewees described the changes that had taken place in their companies, some of them also conveyed what did not change. Seven of the interviewed companies expressed that in their companies, the working process was almost the same as what it used to be. The core of the process was always about creative idea. Advertising content is the most important part in advertising.

“The process is almost the same. It's still about the idea; the difference is about distributing it into different channels. It is about creation and content.” (I: Director)
Therefore, concluding the analysis about changes in the interviewed companies, we can see that almost all the changes are facilitated by new technology, which reflects the importance of technology in advertising innovation. From the analysis of changes, revenue model is one of the changes. In fact, revenue model can also be regarded as an innovation dimension in advertising, which can be illustrated by the following quotation from Company H’s website:

“Ideas can communicate in new ways and create the possibility of inventing new services, innovating new products, introducing new revenue streams.” (H: Company’s website)

Whether a new creative idea can be made become an innovative advertisement is related to the costs for developing it. When choosing media channels, one of the important discussion topics is the cost. Thus, new revenue models or new revenue streams brought by ideas is another innovation dimension in advertising.

Therefore, after adding the revenue model dimension, the model of innovation dimensions in advertising is described in Figure 6.3.

**Figure 6.3 The model of advertising innovation dimensions**

![Diagram of advertising innovation dimensions]

Source: Author
6.2.3. Conclusion

This section has addressed the first research question of this thesis, and the investigation areas are the nature of advertising innovation and advertising companies’ changes over the last five years. Firstly, it sets out some advertising professionals’ perceptions about innovation and conceptualizes their perceptions into the characteristics of advertising innovation, which includes seven main characteristics: creative content, media channels, advertising company – client interface and advertising company – consumer interface, data, technology, revenue model, and proper combination of ideas and media channels. Secondly, it demonstrates that most of the changes in the advertising industry originate from the advanced development of technology.
6.3. The conceptualization of the innovation process

This section discusses the advertising companies’ interactive innovation process. Chapter 3 discussed several different types of innovation processes and some detail stages of developing new services. Most of the development processes are based on the financial industry. The advertising industry is quite different from the financial industry and is regarded as the intermediary connecting its clients and audiences. In order to get the innovation process and new advertisement development stages in advertising firms, the interviewees in this study were asked to describe their companies’ stages of developing new advertisements.

6.3.1. The pitching process

Before proceeding to the discussion about the new advertisement development stages and innovation process, we would like to introduce briefly what approaches advertising companies use to get new advertising businesses. By analysing the interview transcripts, the author found five ways to be used to get new advertising businesses, which is outlined in Table 6.5.
Table 6.5 The ways to get new business projects

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<th>D</th>
<th>J</th>
<th>N</th>
<th>C</th>
<th>F</th>
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(“√” means that the approach was used by the company to get new projects. “○” means that the interviewee didn’t express that their company used the approach directly, while it can be found from their websites. “×” means that the interviewee expressed directly that the company did not use that approach. “Blank” means that the company did not express directly to the interviewer whether their company had tried that approach or not, which indicates that the company may have other approaches to get new businesses, but the interviewee just chose to tell the significant ones.)

Source: Author

The approach of getting new businesses by relationships with existing clients means that advertising companies can get repeat businesses from their existing clients with whom they have good relationships; but also their clients may recommend the advertising company to other companies. Sometimes, if the marketing people who keep contact with advertising agencies in client companies change their jobs and go to another company, they may recommend the advertising companies that they know to their new companies. Below are some descriptions about how advertising agencies get new business projects by existing relationships:

“The most successful is from growing the business from the existing projects. For example, if we do a good job in a PR project, they will introduce us to do a media job, or a creative job. It’s organic. We have relationships with our clients, then they will introduce us to other services that we have.” (I: Director)

“Maybe we start with working with one company, after eight months, the company may introduce us to another company.” (H: Creative Partner)
The “Intermediary” noted in this table refers to one type of data or consultancy agencies for firms wanting advertising. When such clients have some advertising projects, they will approach these agencies to ask them make some recommendations of potential advertising agencies on the base of their projects. Then, they will invite these potential advertising agencies to attend some meetings and take part in the pitching process. Most of the time, these agencies will choose four or five advertising agencies for clients and let them compete for the project. Twelve interviewed advertising companies got their new business projects through this way. Below was the quotation from one of the interviewees:

“Intermediaries are sort of data agency for clients. These intermediaries have the whole records of the advertising agencies, digital agencies. If clients have some problems, they will go to these middle men.” (H: Creative Partner)

In contrast, the owner of company M expressed directly that they did not use this approach and they very rarely needed to do pitches as they thought it was very expensive. This can be related to their company’s size – a small advertising company, thus, they cannot afford to bear the huge expense of doing pitches.

As a good reputation is built by advertising agencies, some clients contact these advertising companies directly. Eleven interviewed companies aimed at this approach. Below were some of the quotations from interview transcripts:

“Because we are a big company, people see the work we do; people will phone us and say ‘would you like to advertise my brand or my business?’ So, we call that inbound. So that’s business come in. And we are fortunate; we get quite a lot of inbound. So, people phone us.” (A: Chief Executive)

“We may have done a piece of work. Then people may call us and say I like that work, I want to do that kind of work for my clients.” (H: Creative Partner)

Another approach is called “outbound” when advertising companies contact their potential clients directly after they have accumulated some knowledge in their potential clients’ areas. Eight interviewed companies used this way. In the words of a chief executive:

“We actually send out our own communications. So, we will send out mailings; we will send telephone calls to seek new businesses, which are called outbound business activity.” (A: Chief Executive)
From the Table 6.5, it can be seen that intermediaries, relationships with existing client, reputation, and contacting clients directly are the most frequent ways to gain projects. With regard to the approach of participating in some events, like Campaign competition, Cannes Lions, advertising companies can build relationships with some new clients and leave a good impression on them. As two of the interviewees’ said:

“One of them is by attending many advertising shows, like Cannes Lions, D&AD, Campaign, and London advertising festival. We put some advertisements here, and there will be some people judge whether it’s good. If you win an award, that will help you build up your reputation. We also join some effective awards.” (J: Chief Creative Officer)

“By attending events, like joining the IPA, they will have serious events, we attend it and have a lot of opportunities to meet clients and may build personal relationships.” (I: Director)

Only two respondents stated that they got new business projects by attending some events, but all of the interviewed companies’ websites mentioned joining some advertising competitions or advertising festivals, presumably to build their reputation.

Most of these approaches do require pitching unless the clients of advertising companies trust them very much. Thus, pitching is one of the formal approaches for advertising companies to get new business projects.

“Almost 90% new businesses are by pitching. Once we have built relationship with the client, we don’t pitch again, except for some special organization, such as government. And once we begin to work for a client, it will keep going!” (E: Chief Executive)

However, how do advertising companies involve in the pitching process? If taking the approach of using “intermediaries” as an example, clients will approach intermediaries at first. Then intermediaries give a list about suitable advertising agencies to clients. Usually, clients choose three to five advertising agencies to do the pitching. If these advertising companies think they do not like to take the project, they can reject. Once these advertising companies accept to do the pitching, clients will give them some basic information about the pitching project, like what it is about, what the objective is. However, most of the pitching projects are tests. The real project for signing contract is different with the pitching project. It is because clients need to see whether they can work with advertising agencies before they give too
much their confidential information to them. The following quotations can identify this finding:

“...90% of your pitching projects never appear; pitching is just a test. Pitching is for getting whether the client can work with the agency.” (I: Director)

“Sometimes it tends to be like that the client likes the idea in the pitch, then just moves forward. Other times, the client would say that the pitch is a test. Then we will start the process again.” (G: Executive Creative Director)

Advertising agencies should show how they plan to do the work, what initial ideas they have, what approaches they are going to use. Below was an interviewee’s description about the pitching process:

“Brands approach the agency to recommend some of the best agencies to do that work. At first, it may be 5 agencies. These agencies will be called to go to a chemistry meeting. That is really to show your potential. So, there will be some presentations about the work that agencies did in the past that relevant to the brand’s project and talk about the brand and show we understand their brand. It’s a personal level, just to see that you can work with the people. Then, they will filter agencies. Normally, they will choose just three, then sending those agencies with the same brief, and then the agencies are asked to respond. We go back to do another meeting, show the work for the brief and answer. Sometimes between that, it’s called a tissue session that means you may have 5-6 different routes which are interesting. You use that session to get feedback from clients and start to understand where they hate and like. After that, you might do another presentation. At this time, there may just have two agencies. You may be asked to do just a part of the brief or change something. Then, they will have some conversations about costs. It’s just a quite long process, six weeks to six months.” (L: Creative Director)

From the above quotation, we can see that it is a very long process. In the pitching process, clients keep having meetings with advertising agencies to see what advertising agencies have done. Then, along with these meetings, they exclude some advertising agencies which do not produce satisfactory work. Before clients make the final decisions, the potential advertising agencies may need to experience several rounds of competition, but the competing agencies become less and less. Although pitching is very expensive, it is a very normal and valuable way to get new businesses. Most of the interviewees expressed that once they got a pitch, they got the client’s business for the long-term rather than for the project. One of the interviewees’ responses can illustrate this finding:
“If you win a pitch, basically, you win all of the accounts. It’s a very on-going business. If the brand has some newcomers come in and think it’s time to change something, and then they will fire you.” (J: Chief Creative Officer)

Pitching is very expensive, and as most clients do not pay for pitching, some small advertising companies cannot afford the pitching expenses. Below was a quotation from the interview transcripts:

“These pitches can sometimes cost us tens of thousands of pounds. They don’t pay. You invest a lot of money, but you get nothing. But usually, if your reputation is good, based on the work that you’ve done, it makes you win new businesses.” (J: Chief Creative Officer)

Therefore, advertising companies tend to develop long-term relationships with clients. Once they build trust with each other, clients may give their advertising projects to advertising agencies and do not require them to do the pitching and sign long-term contracts with them. In fact, this is one of the best ways to help advertising agencies keep their revenue flows. Below was one of the interviewees’ descriptions about his company’s revenue model:

“33% is the retained business. So, the client will pay fees to us every month to be their agency. Every single month, they will pay fees to our account handlers. Retain fees for administration and occasional new projects. Another 33% is about long-term clients. For example, they will give us projects twice a year; they may not need to pay administration fees to us every month. But they don’t go any other agencies. We are their agency, so we don’t need to do the pitching. The third type is the special projects, new business, you have to do pitch. It’s the new businesses. It’s the people we never met before. Just this one, we need to do the pitching. And this one can lead to the other two.” (H: Creative Partner)

6.3.2. The new advertisement development process

The new advertisement development stages were discussed in Chapter 3, where many stages were mentioned by practitioners and scholars ((Bowers, 1989, Alam and Perry, 2002, Scheuing and Johnson, 1989). From the interview transcripts, there were some key stages of developing new advertisements, outlined in Table 6.6 and explicated in Table 6.7.
### Table 6.6 The stages of new advertisement development process

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(“√” means that the company has that stage. “○” means that just sometimes the company will have that stage. “◎” means that the company may experience that stage, but the opportunity is very rare. “×” means that there is almost no chance for the company to experience that stage. “?” means that the research information got from the client is not very helpful to the advertising company.)

Source: Author

These results that the new advertisement development process depicted by our interviewees includes eleven stages: information collection, strategic planning, creative briefing, idea generation, idea selection, media planning, production, marketing test, releasing, evaluation, and learning stages. These basic stages of producing new advertisements are share by all of the interviewed companies have.
Table 6.7 Explanation of the advertisement development stages

<table>
<thead>
<tr>
<th>New advertisement development stages</th>
<th>Explanation of every stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information collection</td>
<td>In this stage, the main purpose of advertising companies is to get some basic information of projects, like the requirements, objectives, what works before, what the problem is, what they need to do, etc. If advertising companies think they do not get adequate information, they will do some research, through the Internet or by asking consumers’ opinions or observing consumers’ behaviour.</td>
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<tr>
<td>Strategic planning</td>
<td>After getting adequate information, advertising companies need to diagnose what the real problem is, what the real need of clients, what they need to do, what they can do, etc. It is to regulate the route for developing the advertisement. As one of the interviewees explained that: “The strategy is the thinking that the targeted company really want to be. If an old fashioned company wants to become a modern company, the strategy explains how they move from the old fashioned to a modern company. So, the strategy is the route making them move to their new brand.” (M: Owner)</td>
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<tr>
<td>Creative briefing</td>
<td>In this stage, it is the time to develop creative briefing, which is to guide the creative process and give some instructions to the creative people to develop more appropriate creative ideas. Also, in most of the interviewed companies, the creative people begin to join in the development process from this stage. One of the interviewees explained what was in a creative briefing as follows: “In a creative briefing, you will have some backgrounds of the company... what’s the issue facing the company, what it is the key message, what is the personality of the company, what is the language and voice we should use, who are the targeted audiences , what types of campaigns that the company is looking for etc.” (M: Owner)</td>
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<tr>
<td>Idea generation</td>
<td>Creative people need to generate some creative ideas based on the creative briefing and the information got in the first stage. This stage is the core of the whole process.</td>
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<tr>
<td>Idea screening</td>
<td>In this stage, it includes two detailed stages, which are presentation and</td>
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</table>
Presentation is about presenting creative ideas to clients and discusses these ideas with them. Test is to ensure creative ideas can attract consumers’ attention.

<table>
<thead>
<tr>
<th>Media planning</th>
<th>This stage is to make sure the media channels that clients plan to use.</th>
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<tbody>
<tr>
<td>Production</td>
<td>Up till this stage, almost everything about producing advertisements has been set done; what need to do now is about finding out the right producers and transferring the creative idea into an advertisement.</td>
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<tr>
<td>Marketing test</td>
<td>After production, some clients may require to do marketing test in order to avoid happening any problems after releasing.</td>
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<tr>
<td>Releasing</td>
<td>This stage is about releasing the advertisement.</td>
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<tr>
<td>Evaluation</td>
<td>Releasing is not the last stage. Evaluation also plays critical role in the development process. This is because only by evaluation can clients and advertising companies know whether the advertisement is effective or not. Also through evaluation, advertising companies can know which part needs to be improved and which part should keep. Clients can understand whether the advertising company is the right agency for them. Therefore, evaluation is a necessary step for both clients and advertising companies.</td>
</tr>
<tr>
<td>Learning</td>
<td>After evaluation, it is common in all of the interviewed companies that employees in the advertising project tend to share and discuss what they learn in the project, what new knowledge that they get from the project etc.</td>
</tr>
</tbody>
</table>

Source: Author

Therefore, by concluding the above analysis, the new advertisement development stages are outlined in Figure 6.4.
Figure 6.4 The new advertisement development stages

This does not mean the sequence of producing advertisements, and more discussion is in Section 6.3.7.

Source: Author
Although almost all of the interviewed advertising companies have the same basic development stages to solve problems for clients, there are still some differences among them.

At first, with regard to the opinions towards doing research, it varies among these firms. The main difference emerges in the information collection stage. In the information collecting stage, one of the interviewed companies thought that the information from the client was not so helpful; they preferred to collect information through their own research department. This company serviced premier brands. In contrast, one of the interviewed companies, which was a digital advertising company claimed that their clients gave them too much information, which way surpassed what they needed. The responsibility of their research department was to pick up the most relevant information from their clients rather than doing much research. Hence, they had very few opportunities to do research at the information collection stage. Except these two companies, another seven advertising companies thought that sometimes they did research to get supplementary information. The other two conveyed that they did not do research very much.

Another difference is who is involved in the information collection stage. This is correlated with companies’ organizational structure. Regarding to the fourteen interviewed companies, just three of them do not have account department. In these companies, their creative people will contact the client from the first stage and keep relationship with their clients. One belongs to the medium company category (around two hundred employees); one belongs to the small company category (only around thirty five employees); the last one is a company born in the digital era and has around sixty five employees. More discussion about their organizational structure is provided in Section 6.3.5. Another company, which tends to be classified as a direct marketing company, also lets its creative people take part in the information collection stage. In this company, creative people, account handlers, and strategic planning people collect necessary information together. The other companies all have account departments. Account people and strategic planning staff, together with marketing staff from the client company, will be involved in the stages of information collection, strategic planning, and creative briefing. Some interviewees of these companies said that the creative people would join in the project team from the
briefing stage. The task of creative people is to generate creative ideas. Of course, in addition to these staff, the financial employees, the project manager, etc. also need to participate in the meeting.

The third difference among the interviewed companies’ development stages happens in the idea selection stage. In this stage, after advertising agencies do their presentations, some of them will do tests to identify the effectiveness of the selected creative ideas. But one of the interviewed companies expressed that they did not believe in testing. Considering the testing stage, two interviewees expected that their clients would do the test by themselves, or by using independent research companies as they did not believe the test done by their advertising companies. (In contrast, the managers in these two companies did not think this was the best way to test whether the idea could be accepted and effective as the goal of research companies was to make money by doing research. The more research that they did, the more money they would earn.) As one of them expressed:

“I am very sceptical about using independent companies to do the test. The research company’s business is for money. So, what happens is that when you bring the work, it is not going well; they have to do more work, and then you will come back, and test another one. Every time they do a research study, they will get more money. They are not motivated to say things are good, they are motivated to say things are bad.” (J: Chief creative director)

Therefore, although almost all of the interviewed companies have the same advertisement development stages, there are many differences between their development stages.

### 6.3.3. The innovation process

After examining these accounts of stages of development stages, we should relate this to the analysis of innovation processes. As discussed in Chapter 3.2, Sundbo (1997) conceptualizes the innovation process as four stages: idea generation, transformation into an innovation project, development, and implementation; Gadrey and Gallouj (1998) demonstrate that the innovation process in the consultancy industry should contain four main steps, which are identification problems (the preliminary study stage), study the problem (the stage of collecting information), advice to the problem (doing recommendations), and implementation. By integrating these conceptualizations of the innovation process with the development process of new
advertisement, the innovation process in the advertising industry can be conceptualized as falling into five phases: the problem definition phase, the creative process, the production phase, the implementation phase, and evaluation and learning phase. The problem definition phase is the first stage of the innovation process and is to collect information, diagnose problem and get what advertising companies need to do; thus, it includes three development stages, which are the information collection stage, strategic planning and creative briefing stages.

The creative process is to get the creative idea for the advertising project, which includes the stages of idea generation and idea screening. However, how do creative professionals come up with creative ideas? Usually, copywriter and art designer will seat together and brainstorm. After they have some routes to design the creative idea, they may choose to present these routes to clients to get what they hate and like. Then, after they get some creative ideas, they will let creative director choose the best one.

Two of the interviewees’ descriptions can illustrate the finding in some degree:

“We have a quite traditional set up where we have a concept team. People working in the team are copywriter and art writer. They work together. They will be given a brief. And on the brief will be proposition, then the kicking ideas around together. Then, they draw up concepts and show them to the creative director who make a selection and offer new directions, then they will do more work... We have a thing of Fusion. Fusion is a little bit like Ignite, but the brief is already there. We fusion again, all of the stakeholders will be in the room together, clients, account people, planners, and creative people. Fusion is where the issues are discussed, briefly put in, everyone works on it intensely for two days, and then at the end of the two days we will have a whole bunch of concepts.” (N: Creative Director)

“They will take the creative brief and brainstorm, brainstorm, brainstorm. Then, they will come up with ideas. Then they will present it to me. I will choose the best idea. In the next step, the planners and account person who wrote the brief see the work that I selected. It's just for double check for absolutely the idea expressed the right thing. They don’t approval creative idea, that’s my role. Then, myself, the planner, the account people, we will go back to the client, present ideas and do recommendations...” (L: Creative Director)

However, in the process, how do people involve in the process and share their ideas? From a interviewee’ description, creative people tended to sit together and brainstorm at first, after they knew the idea development directions, these people may divided into several groups to develop the draft of creative ideas; after several hours or some
days, they seated together again and did presentations. Then, they discussed all the creative ideas and developed some further directions of developing ideas. After that, they would develop creative ideas again on the basis of new directions.

“What tend to happen is the brief goes in, and they creatively work on it for a couple of hours, then come back and present. Everyone will come in and go away again for a couple of hours...They will do some loose presentations. The presentation might be how this thought, might be lines, might be pictures, and might be a paragraph description. It’s quite loose, nothing set in stone.”  
(N: Creative Director)

In the production phase, the task is to ensure that the media channels and producers are aligned with the task of transforming the creative idea into a new advertisement. This obvious includes media planning and production stages. Media planning may also appear in the problem definition phase, as some clients may have the priority of using some types of media channels and show their preference in the problem definition phase to guide the creative process. In some advertising companies, media planning is an integral part of the creative process. Therefore, although the media planning stage is put behind the idea selection stage in the above model, it does not mean that it is always sequentially discussed after identifying the creative idea. It can be developed alongside the idea generation and screening. In the word of a creative director:

“Sometimes, a media plan has already existed; your effects will just have to a kind of colour in a concept. Other times, you come up with the conceptual idea, and then you will drive where the best media for that.”  
(N: Creative Director)

Transforming the creative ideas into advertisement is not the final step of the innovation process as an innovation includes the commercialization dimension. Therefore, the aim of the releasing stage is to commercialize the advertisement, to release the advertisement, and to get responses from targeted audiences. The development stages in this phase are test and releasing stages. Although not all projects need to do test after the production stage, it is also a very important stage using to get things right. Every time, advertising companies may do tiny changes to see the effects before releasing the advertisement. Taking a direct marketing case as an example:
“...we will use one style in one market. Especially in direct marketing, we will have like one piece, and then we will test different variations of that piece in different markets. So, that might be really tiny changes. It could be the font type of pictures, or the size of the type, or colour, or types of the letters. It comes testing, testing and testing. Then, you find the best way. It is tiny steps. But over time, you get quite a big difference.” (N: Creative Director)

The implementation stage is the last phase of most innovation processes in other industries, while in the advertising industry, evaluation is critical to assess whether the project is successful or not, which may decide the payment that advertising companies can get. This is because in some projects, the payment hinges on the effectiveness of advertisements. Evaluation is correlated with what they can learn and need to improve from the project. Therefore, the last phase of the innovation process is evaluation and learning, which contains evaluation stage and learning stage. The innovation process in advertising companies is thus as portrayed in Figure 6.5.
6.3.4. The importance of innovation stages

How important are different innovation stages. The findings show that the problem definition phase and the creative process play critical roles throughout the process.

Most of the interviewed firms agreed that the problem definition phase (information collection, business analysis, and strategic planning) and the creative process (idea generation and idea selection) were the most important stages. Firstly, in the problem definition phase, advertising companies should collect information at first, diagnose what the problem is, and develop the briefing to generate creative ideas. If the advertising agency does not pick up the right information, it cannot identify the business problem appropriately. If it does not get the right problem, it cannot get the right strategy to develop the right creative idea and the right media channels. As one of the respondents noted:

“The most important stage is at the very beginning because you need to get the foundations of the business. If you don’t get the information right, you don’t get the brief right. Then you get no chance to produce satisfied advertising. You need to identify the client’s business properly, get the right consumer inside, and understand what your product is, what it does, and what it stands for.” (K: Founder and Executive Creative Director)
All of the interviewees expressed the idea that the content in advertising was the key, on which every other part was built. As one of the respondents noted:

“...It is still all about good idea. The content is the king. So, if the content is not good, people will not spend time on it. The key thing is if you make interesting stuff, really interesting stuff, that will bound your customers. When you come up with an idea, an idea for a brand, you can manifest it come to life in many ways. But how to come up with the ideas is the most difficult thing.” (C: Creative Director)

The media planning stage is also considered as important since it sets the direction of what is needed in the production stage, another important element of determining the success of advertisements. The remaining stages were not clearly cited as of equivalent importance, and further research might use questionnaires to ask advertising managers’ opinions of various aspects of importance in relation to the different stages.

6.3.5. Organizational structure of advertising companies

Before proceeding to discuss the management of the innovation process, we would like to briefly introduce the organizational structure of the interviewed advertising companies as how advertising companies’ innovation process management patterns are related to their organizational structures. The detail information of interviewed companies is outlined in Table 6.8:
Table 6.8 Information about departments of the interviewed companies

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<th>Main Departments</th>
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<td>Planning or Research Department</td>
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<td>43</td>
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</tbody>
</table>

(“√” means that the company has that department. “◎” means that in that company, its departments are set according to its services. It has four departments, which means it provides four different types of services: advertising, media buying, media planning, and public relation. In every department, it has its own planning people and other special roles. “○” means that in that company, it does not have separate departments. Every employee sits together and works collaboratively. The difference is their work responsibility. One thing should be remembered about this table is that some big companies just chose to tell the interviewer the important departments in their companies; they have other departments, but as the time limitation, they could not explain more about it. Thus, “Blank” does not mean that the company does not have that department.)

Source: Author

These results show that the account department, the strategy and planning department, creative department, and production department can be classified as the main and basic departments in advertising companies. Most of the interviewees mentioned these four departments.

Specifically, only three companies do not have an account department. As for the company D, it not only does not have an account department, but also does not set the role of account handlers. This is related to the company’s development strategy and
culture: it encourages its creative people to contact its clients directly. Its managers believe that through this way, they can produce better advertisements and work more efficiently and effectively. (Its success identifies that this approach fits very well in the company.) In addition, its Creative Partner told the interviewer that it would be useless to set an account role in their company. Below was what their creative partner said:

“Just the advertising agencies are very addicted to set an account department. Our company believes that everybody in the agency should have relationship with the client... we don’t find the account people in other comparable industries, such as film, design, digital companies. The account people are just a role. They just need to keep the relationship with clients. It’s not the case here. All the creative people need to contact with clients... It is not one person’s role to contact with clients. The contact with clients is not assigned to one person.” (D: Creative Partner)

In regard to the company I, two reasons explain why it does not have an account department. First, it is a small company which only around 35 employees. Second, the company managers believe that the tasks of account handlers can and should be handled by the creative professionals as they can get the first hand information. As their director said:

“...the creative people are more capable of arranging meetings with clients, so, they don’t need someone else to do it.” (F: Chief Executive)

The situation of the last case, company K, is quite different with the other companies - it does not set any departments. It has the account staff, the creative staff, the production staff etc., working together collaboratively in project teams.

There are some other departments, such as finance department, media department, administration department, media or art buying department, public relation department and digital services department. Companies that have these departments may not have mentioned them because of limited interview time. (The company may also have these departments, but the interviewee chose to tell the interviewer the main departments in their companies.) Another possibility is that the tasks of these departments have been integrated into other departments. For instance, in some companies, the task of media department may be integrated into the production department.
6.3.6. The management of innovation process

The management of the innovation varies across companies, or so our interviews indicate. Advertising companies’ innovation process management patterns are related to their organization structures. Firstly, in the problem definition phase, the work is mainly done by the account department and the planning department. As a consequence, account handlers and planning staff will manage the first stage of the innovation process and the account director and strategic planning director takes the management role. Planners take the responsibility of producing the creative briefing. The creative process is definitely the responsibility of the creative department, thus, creative professionals are the main ones who are highly involved in this stage. The creative director needs to ensure everything goes smoothly and effectively. The next stage is the production stage, including media planning and production. Decisions about media channels involve collaboration across different department. When deciding the media channels, creative staff, account handlers, media staff and marketing staff in client companies should discuss all the details of the decision. Account people may well arrange the meeting, but media staff plays the pivotal role in this process (e.g. the media director is in charge). In the production stage, the production director takes the main role. The following stage is the implementation stage. If the company needs to do some tests after the production, the planning department will handle it and feedback the information to other departments. If the company does not need to do testing, the production department will keep managing this stage. The last stage is the evaluation and learning. It is another stage which works highly collaboratively. Almost all the people in the project team need to attend the meeting in this phase.

Apart from the above information, the most important management roles in the innovation process are the project manager and the account director. Almost all of the advertising projects have a project team, and the project manager is responsible for this team. Account director is in charge of the account department. Account handlers keep close interaction with clients and are responsible of arranging meetings with clients. Therefore, with regard to who is in overall charge of each innovation stage, account director and project manager will do the management work throughout the process, or creative director and project manager if the company does not have the
account department. Other managers are just responsible for managing the work their departments are involved in. The following quotations illustrate these findings:

“They will take the creative brief and brainstorm, brainstorm, brainstorm. Then, they will come up with ideas. Then they will present it to me. I will choose the best idea. In the next step, the planners and account person who wrote the brief see the work that I selected. It’s just for double check for absolutely the idea expressed the right thing. They don’t approval creative idea, that’s my role. Then, myself, the planner, the account people, we will go back to the client, present ideas and do recommendations... Through the whole process, we will have project manager, who is assigned to each client. They should manage the project. They normally only manage for making sure the project moves on at the right stages and making sure the right meeting happening around time and the right people in that meeting and all these meetings are met at the right stage and making sure the work would produce in time and deployed in time. Then, the account director, who also knows all the key timings and also need to make sure those things happen...My role is to look the creative brief and think about which creative team is the right team to work it and chose the best idea... We are involved and only manage our own work.” (L: Creative Director)

“In the project team account handlers will keep the relationship with the client. Account handlers will lead the project team, but they would involve all of other related people in the project team, like planners, creative professionals.” (E: Chief Executive)

“Project manager and account manager have a kind of blurred line in the title. We also have traffic people who run the creative results. Project manager tends to be internally focused. But account people would manage the client expectations. Then, they are kind of meshing with project management people to manage clients’ expectations through the way the agencies running and the resources allocated. And the project manager also will work with traffic people who actually work with creative director.” (N: Creative Director)

All in all, the innovation process of typical advertising companies is displayed in Figure 6.6.
Figure 6.6 The innovation process and the management of innovation process

Innovation Process

Information collection
Strategic planning
Creative briefing

Idea generation
Idea selection

Media planning
Production

Marketing test
Releasing

Evaluation
Learning

Management

Problem definition phase
Chief planning director

Creative Process
Chief creative director

Production phase
Chief media planning and production directors

Implementation phase
Chief planning and production directors

Evaluation phase
Project manager

Source: Author
6.3.7. Non-linear innovation process

The model is idealised. Most of the time advertising agencies do not follow the stages in a linear sequence. The stages may go forwards and backwards. The first type of situation occurs inside every innovation phase. For example, in the preliminary stage, if advertising companies find that they do not get adequate information, they will go back to the information collection stage. Figure 6.7 briefly shows the forwards and backwards situations.

**Figure 6.7 Iterative processes in the problem definition phase**

In fact, in the creative process, almost all the projects need to experience several rounds of idea generation. As one of the respondents described:

“…Sometimes you get the idea right on your first presentation. Yeah! That’s great! Well, that’s the best as it’s efficient. The clients feel happy and you also feel happy. Sometimes you need to go backwards and forwards, backwards and forwards, and then get it right. Most of times in the middle, it needs two or three meetings to get things right.” *(G: Executive Creative Director)*

The Figure 6.8 displays the backwards and forwards happening in the creative process.
From the above diagram, there are some backwards and forwards arrows. The dotted arrows mean that, sometimes, advertising companies need to do the test. The basic stages are idea generation and presentation stages. Most of the companies need to experience these two stages several times to get things right.

It is the same in the production and implementation phase. If in the production stage, advertising companies and clients feel something wrong with media channels, they will back to the media planning stage to discuss which media channels are better. In the implementation stage, if in marketing test, they find something wrong, they will back to the preceding stages. They may need to back to media planning stage, idea generation stage or information collecting stage. Thus, there can be jumps between the innovation phases, which is the second type of difference between different innovation processes.

Taking the stages in every innovation phase as a whole, any changes in any stages in every innovation phase can be regarded as the change of that innovation phase. Therefore, if advertising companies get some very creative ideas in the briefing stage, they may skip the creative process and jump to the production phase. If advertising companies find that in the idea generation stage, they need more information, they will back to the information collection stage. If in the media planning stage, the media
people think it is difficult to find some good combinations between the creative idea and clients’ preferred media channels, the creative people may need to generate some creative ideas again. Or, in the implementation stage, they may find that the advertisement cannot satisfy consumers, so, they need to find the reason and back to the idea generation stage or media planning or production stage. Another big leapfrog may happen in the pitching process. Sometimes, if what the clients want the advertising company to do is the same as the project used in the pitching process, it is highly possible that the company does not need to experience the problem definition stage and creative stage; it will jump to the production stage. However, the probability of happening this is very low as most of the clients tend to use a different project in the pitching process and do not give too much detail information about their projects to advertising companies due to information confidentiality. Also, sometimes advertising companies may not need to go through the pitching process, usually because their clients already have had good relationships with them and trust them.

In conclusion, the non-linear process is outlined in Figure 6.9 and explicated in Table 6.9.
The idea generated in the pitching process satisfied the client. If the client changes their minds, the process will need to back to the first stage.

The link of applying what they learn into new projects.

Change mainly depends on the Marketing test’s result.

Both changes in the media planning and production stages can make the project start again.

Source: Author
Therefore, in all likelihood, the innovation process is a non-linear process - which corresponds to the descriptions in other sectors. Advertising companies may repeat one stage again and again, or they may leave out some stages and jump to the targeted stage. There are so many combinations of different innovation stages, but the five main innovation stages - problem definition stage, creative process, production, implementation, and evaluation and learning - are the basic elements of innovation in advertising companies. In some projects, advertising companies may just need to
experience some of these five stages, to others, they may have to experience all of the stages to finish the project work.

6.3.8. Conclusion

The analysis in this section has addressed the second research question about how to conceptualize the advertising innovation process. Therefore, the main contribution of this section lies in the innovation process.

Firstly, based on the description of advertising professionals and the literature review in Chapter 3, the author developed a development model which includes eleven detail stages: information collection, strategic planning, creative briefing, idea generation, idea screening, media planning, production, marketing test, releasing, and evaluation and learning.

Then, based on the advertisement development model and the innovation process literature in Chapter 3.2, the advertising innovation process emerges. In the advertising innovation process, there are five innovation phases, which are the problem definition phase, the creative process, the production phase, the implementation phase, and evaluation and learning phase. This section also identifies who is in charge of these innovation stages.

However, as the unsystematic and non-linear innovation process attributes of service innovation, it is necessary to develop a non-linear innovation model which can show the innovation procedures’ differences between different projects. As a result, this section develops a non-linear innovation model which can help researchers get a clearer perspective of the advertising innovation process.

This section also shed light on how creative people come up with creative ideas and what happen in the creative process in some degree.
6.4. Interactions between advertising agencies and clients

This study has focussed on the conceptualization of the innovation process and on how advertising companies involve their clients in innovation activities. The previous section discussed the advertising companies’ innovation process, with focuses on the conceptualization and management. This section investigates the interactions between clients and advertising companies and between advertising companies and consumers. It addresses the third main sub-question about how advertising companies interact with the client and consumers. For this purpose, it investigated clients’ involvement at every stage and the intensity of client involvement as well as what role they played in every stage. In addition, it also displays some information of consumer involvement in the preliminary stage and creative process. The analysis in this part is of interest in furthering the understanding of the advertising company-client interface and how these shape their collaboration relationships.

This section intends to make three contributions. Firstly, exploring how clients are involved in every stage - rather than just in some important stages - and how the intensity of client involvement varies across interview companies (which may be because of the differences of company size, company development strategy and company characteristics.) The second contribution aims to get a clear perspective on the role of clients in different stages. The last one is to shed light on the consumer involvement in the advertising innovation process.

Section 6.4.1 briefly outlines the client involvement at each stage and their input. Section 6.4.2 concludes which stage has the most intense client involvement. Section 6.4.3 concerns the role of clients in every stage. The next section (6.4.4) presents a simple analysis of consumer involvement. Based on the analysis from section 6.4.2 to 6.4.4, section 6.4.5 concerns the level of open innovation in the interviewed advertising companies, following by the conclusion (6.4.6) of this part of analysis.

6.4.1. Client involvement at various stages

Overall, client involvement is very important in every stage - especially in the stages of identifying problems, creative briefing, idea generation, idea selection, and media planning. For example, one of the interviewees expressed the importance of clients in the innovation process as follows:
“They are the most important thing. Without them, you wouldn’t have businesses.” (C: Creative Director)

The activities clients do in every stage and how they are involved in every stage are almost the same among the interviewed companies. The main difference is in the creative process.

First, in the problem definition phase, the advertising company needs to collect some basic information from the client, like their objectives in the advertising project, what the product or service is, what worked before, what did not work, who are their competitors, what their competitors do, what their time scale is, what their budget is, how to measure the success of the advertisement, what their ambitions are, why they exist, what their brand stands for, etc. Then, the advertising agency needs to analyse their business, requirements and identifies the client’s problem to come up with an advertising strategy which guides the route of the advertisement, and finally to write the creative briefing. This is mainly done by some working meetings or workshops or by phone discussions, organized by the advertising company.

“The project team will spend some time to work with them to understand their needs, what works in the past and what does not work.” (E: Chief Executive)

“Once we got the business, we do workshops with clients. The marketing people will set down with our employees to discuss the basic things...So, when we get the contract, we will have working meetings to get inside about what they really want, what they really need, then we develop a brief.” (I: Director)

“First of all, we will spend much time on fitting ourselves to the client’s business to understand their needs, their problem, what they want. The strategic director will normally arrange some workshops for a day where key people from the brand and the strategy director will get together. They will spend a day to understand what the brand stands for, the essence of the brand, what they are, what the points of difference, and what they believe.” (K: Founder and Executive Creative Director)

To identify what a brand really needs and what the problems are, customers should have a clear understanding about their brands. The following quotation indicates this:

“It is very important that they have a better understanding of their existing markets. Their understanding of where they are successful and where they are not successful and have the knowledge of what they are doing that we need.” (B: Managing Director)
After the client company and the advertising company sign the creative brief, the next stage is the creative process, which includes the idea generation stage and the idea screening stage. In most of the interviewed companies, the creative ideas mainly come from their creative professionals. Occasionally, the client and the targeted audiences may generate some very creative ideas which can be used to produce the advertisement. Clients will give feedback and suggestions to the ideas generated by the advertising company, signing off some files. Following this stage is the idea screening stage, which has a strong link with the idea generation stage. In this stage, advertising companies will do some presentations to show the creative ideas that they generate. Most of the time, the presentation is done by account handlers instead of creative professionals. If clients think the idea is good, the idea will be developed to an advertisement. If clients feel unsatisfied to the idea, advertising companies will start again. If clients are not sure whether the idea can be accepted by their customers, they will run some tests by employing independent research companies as they do not believe their advertising companies or let advertising companies do the research.

Regarding whether test should be done to select the potential idea, here are some of the perspectives:

"The client company will use independent company do test, they don’t trust us, so, they will give it to external companies." (J: Chief Creative Officer)

"The consumers are very important. The consumers are the most important. But if you understand your consumer, and you have talked to them! Our job is to make something that, we believe what we can do is relevant and interesting to the consumer, the consumer doesn’t know! If you show something to consumer, their opinion may be negative! But if you show something to them and don’t ask their opinions, you may not be negative. Just Like if Henry Ford had asked people what they wanted, they would say fast horse. Because they couldn’t imagine a car, so you have to do it and believe what you are doing!" (B: Managing Director)

In contrast, as for this view, Magnusson et al. (2003) argue that as for technology-based self-services, the service providers do not need to ask users what they want as the services involves too much technology knowledge, and the end users do not know what they want and cannot imagine it. However, in regard to non-technology-based services, involving users in the service development process can not only help their own professionals develop more qualified new service ideas, but also can gain more valuable user information (Magnusson et al., 2003).
After the idea has been confirmed, it is the time to discuss what media channels that the client plans to use. In this stage, advertising companies and their clients have to have some working meetings to discuss the media channels. Clients have to specify how much budget that they have and which types of consumers that they plan to reach. Advertising companies will give them some media channel combinations and let them make the final choice. Some clients will use some independent consultant companies to help them make the best decision to save money; some may do this by themselves. The following quotations illustrate these findings:

“Then, we will have meetings with the client to find out how much money they want to spend on media and creative. Like, what media channels do they like to use?” (K: Founder and Executive Creative Director)

“They will use consultancy to evaluate the cost, sometimes they have internal consultancy. And they try to save money.” (J: Chief Creative Officer)

“The central idea is capable of working in every channel. Then you look at what kind of budget clients got. Then you have some priorities and decide the best match of the channel and the budget. When we decide the concept, then we need to agree on what channels it should use.” (I: Director)

Once the media channels have been confirmed, advertising companies need to decide whether they are capable of producing the advertisement, whether they should employee some external employees or companies to produce it. In this stage, the main task of clients is to make sure that they feel satisfied with every single detail and sign lots of related documents. Therefore, advertising companies will have many meetings with clients to discuss every single detail in the advertisement. For example, for a TV advertisement, they need to agree on who are the actors, where is the location, who should be the photographer, etc. During this stage, if clients feel unsatisfied with some parts of the advertisement, advertising companies will need to revise it, edit it. It is like a “check and edit” process. Here are some descriptions about this:

“They just keep close on it. It’s about the detail. The detail is important. They want to see every single detail to ensure everything is perfect. So, you have lots of meetings with the client to make sure everything from the casting of the actors, locations, advertising elements, pictures, etc.” (K: Founder and Executive Creative Director)

“We have many conversations with the client in the production stage. For example, when doing a TV commercial, there are so many things need to discuss with each other. TV Commercial costs a great deal of money. It's better to get the things done step by step.” (D: Creative Partner)
“For example, in a TV commercial, we have month to find the right director, at this period, we do not have too much interaction with the client...After finding the proper director, we will recommend the right director to the client. We tend to work with digital company regularly and work as partners. In the choosing stage, we do not have too much communication with the client. As soon as the TV commercial, website, poster goes into production. We will have a lot of conversations with the client. For example, in a TV commercial, there are many communications with each other. As TV is a very big thing, once it has been produced, changing it would add much more money. So, the employees in the client company are involved much in this stage. Once beginning to work with photographer, the things will go straightforward. But we also need to involve the client in the process. As we need to get the client sign materials, meet with photographers, do cast session, etc. So, they are quite involved.” (G: Executive Director)

After the production stage, it is the implementation stage which includes marketing test and releasing the advertisement stages. The majority of the interviewees stated that around 30% of the new advertisements need to do tests before release. Clients do not have too many activities to engage in this stage. If they do not need to do a test, advertising companies will put the advertising into media directly. If they want to do some tests, advertising companies will do some tests at first, and then feedback the effects of the tests to their clients. As one creative director describes:

“Sometimes we do tests for some clients, sometimes we don’t. It depends on how big, how much money, how the risk adverse or not risk adverse they are. In general, the more money the brand plans to spend, the more research and the more level to control the project. It tends to be dependent on the budget and the types of client.” (C: Creative Director)

Following the implementation phase is the evaluation and learning phase. After releasing the advertisement, both the client and the advertising company need to evaluate the effects of the advertisement. Clients will feedback some relevant information to advertising companies and have meetings with them. Only by evaluation can advertising companies know whether the advertisement works, which parts that they need to improve and how they can improve, what they can do to keep relationships with clients, what they can learn to apply in other projects, etc. Furthermore, sometimes, the advertising commission is correlated with the effectiveness of the advertisement. Thus, this stage is very important. After evaluating the advertisement with clients, the employees in the advertising companies will have some meetings to learn what they can learn from this project, what new knowledge that they get, which part needs to be improved, etc.
Therefore, the clients’ input in the new service development process is outlined in Figure 6.10.
Figure 6.10 The clients’ input in the new service development stages

Innovation Process

Problem definition phase

Information collection

Strategic Planning

Creative Briefing

Creative process

Idea generation

Idea selection

Production phase

Media Planning

Production

Implementation phase

Marketing test

Implementation

Evaluation phase

Evaluation

Learning

Clients’ input

Provide client brief, product or service information, business information, advertising requirements, competitors information, market information, what works before, what does not work, what the brand essence is, what their ambitions are, who their targeted audiences are, how to measure the success of the advertisement, industry knowledge;

Criticate the creative ideas, suggest desired feature and attributes, suggest improvements of how to further develop the creative ideas; show their preferences (what they hate and like) of idea concepts; comments on the creative ideas;

Show their preference of media channels; identify the final media channel combinations; show their preference to the detail of the advertisement, like the director, actors, locations, etc.; ensure every single detail of the advertisement is in the right direction; sign off documents; comments on every single detail;

Suggest some improvements, make suggestions of doing marketing test or not;

Evaluate the effectiveness of the advertisement; collect sales and customers’ awareness information, feedback the information to the advertising company; make some suggestions to the advertising company;

Source: Author
6.4.2. **Intensity of client involvement**

One the one hand, there was a general unanimity of the importance of client involvement, but the intensity of client involvement is different between stages in some advertising companies. On the other hand, in some other companies, the intensity of client involvement is almost the same in every stage before releasing the advertisement as such companies try to involve the client in every stage in the new advertisement development process. It is more likely to happen in new types of advertising companies and digital advertising companies. Table 6.10 outlines the information of the most intense stages of client involvement.

**Table 6.10 The most intense stages of client involvement**

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<tr>
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(“√” means the most intense client involvement stage. “Space” does not mean that in that stage, the company does not engage with the client. It means the intensity of client involvement in that stage is not the most intense one.)

Source: Author

From the above table, it can be seen that there is a general unanimity that at the beginning of the innovation process, in the problem definition phase, the client involvement is the most intense. As in this stage, advertising companies need to co-create with clients to identify the needs and goals of clients, where the problems are, and what clients’ customer needs. Especially in terms of some inexperienced clients who are not so good at clearly explaining what their real problems are and what kind of advertisement that they want, advertising companies have to co-diagnose their business problems with them. The following descriptions can illustrate this:
“In the preliminary stage, the employees will have some broad discussions with clients to set the goals, tasks, deadlines, and get some basic information from clients. We are trying to involve them in every point, especially, when we come up with strategy. The client is very heavily involved in producing proper strategy; it’s the foundation. In this step, the involvement with your client is the most. After the strategy, it’s the brief!” (D: Creative Partner)

“In this stage, the briefing, we have the most frequent and close interactions with clients as there are a lot of things needed to make sure. It is about answering of questions or solving problems.” (B: Managing Director)

In the problem definition phase, both the advertising company and the client need to build mutual understanding with each other, to diagnose the problem and to develop an advertising strategy and sign off the creative brief. Thus, keeping close interaction is the best way to achieve the best result.

Five interviews stated that they also had very close interaction with clients in the creative process, but clients were involved much more at the idea selection stage than the idea generation stage. Four of the interviewed companies mentioned that clients also were involved very much in the production stage. Just one of them indicated that clients were involved very frequently in the evaluation stage.

Three companies indicated that the involvement of client was very intense in the problem definition phase, creative process and production phase. This reflects their corporate strategy: these companies seek to involve the clients into the process as much as possible. One of these companies’ business strategies was explained as “We are founded on the basic principles of friendship, respect and trust… We are actively involved with them every day; we describe this as being ‘in their business’. By following this approach and working in a collaborative style, we provide leadership and guidance, which in turn delivers the results they are looking for.” (E: Companies’ Website)

6.4.3. Role of clients

The third purpose of this study is to investigate what role clients play at different stages in the innovation process. Regarding to the role of clients in the various stages of the development process, opinions vary. However, all of them agreed on the importance of clients in the whole new service development process. The difference is in the degree of the importance, the frequency of the interaction with each other, and
role’s positioning. In terms of the role of clients, it strongly links with what clients do in every stage and advertising companies’ business culture and development strategy. The main difference in the role of clients among the interviewed companies emerges in the creative process.

First, the majority of the advertising companies regard their clients as partners. They also think that their clients treat them as partners rather than service suppliers. In the words of a chief creative officer:

“Our clients almost work with us like partners. The worse clients may treat us like a supplier.” (J: Chief Creative Officer)

According to the descriptions of the activities that clients undertake in the information collection stage, they act as information provider at first, then serve as co-diagnoser to identify what their needs and what their problems are. These two roles can get a general unanimity among the interviewed companies.

The following phase is the creative process (idea generation and idea selection stages). In this stage, the role of clients is quite different among these companies. In terms of who contributes to generating creative ideas, the majority of the interviewees suggested that in the creative process their creative professionals dominated most of the idea generation. Although the main responsibility of generating creative ideas is the creative professionals in advertising companies, clients play different roles in this stage with this prerequisite. There are four different patterns:

- In the first type of pattern, advertising companies serve some special brands, like the luxury/premium brands which serve rich and educated people, and tend to control the idea generation role and almost generate creative ideas by themselves. One company belongs to this pattern, company B. The following quotation can help to explain their role in the creative process:

  “Clients don’t spend too much time on generating ideas with us; they have their own day-to-day businesses. We don’t come up ideas with the client.” (B: Managing Director)

- In the second type of pattern, advertising companies collaborate with their clients, while their clients do not so actively participate in the idea generation stage and have the role of giving good feedbacks and suggestions, which
means that advertising companies lead the idea generation stage and sometimes clients may contribute some brilliant ideas. This is more likely to occur in some traditional advertising companies. The companies belonging to this category are the company A, company C, and company G. In the words of these companies’ managers:

“Sometimes, creative people will communicate with consumers directly, but not all the time. And some of their ideas may be very creative and can be used in the project. So, in 80% of the cases, the research department’s employees communicate with consumers directly. Sometimes, client may also be involved in this process... so, in some degree and some situations, they will be regarded as co-creators.” (A: Chief Executive)

“In general, the client wouldn’t know how to think, the way we think. Not so many ideas from clients. But occasionally, they may have good suggestions.” (C: Creative Director)

“In the creative process, they are not involved too much. For example, they are just like the customers of hairdressers. One day, they say that they want to make their hair like this or that. And they just sit on the chair and let the hairdressers do all the things. Then, after done, they will say it’s not like that, they want to redesign this part or trim that part or something else. Then, they pay for it. Actually, it also depends on clients. Some of them may guide the creative process and give marks to the creative ideas. Some good clients will give some suggestions to the idea. They may say to this idea; you can do something on this part or that part or revise here or there.” (G: Executive Creative Director)

• In the third type of pattern, clients are involved in the idea generation stage actively and have very close relationship with advertising companies. In this situation, clients can be treated as co-creator in some degree. The companies born in the digital era tend to belong to this pattern and some traditional advertising companies which have very close collaboration with their clients and try to make their clients participate in the creative process actively can also be classified as this category. Many interviewed companies belong to this category: companies D, E, F, I, J, K, L, and M. The following quotations can illustrate why these advertising companies are classified into this category:

“We communicate very much to our clients in every stage! We co-create advertising with our clients and consumers. It’s very different with other companies! The employees in the client company can also generate some very creative ideas. They know about their products, their consumers, markets, and competitors. All these will lead to the generation of ideas. We also think that consumers can generate some very creative ideas which can
be used in the project solutions. Such as the social media, Twitter...Now, it’s the two-way communications. Nowadays, the exciting thing is that there are so many ways to connect consumers.” (D: Creative Partner)

“We speak to clients every day. During a campaign, every meeting should have a report and every week should have progress reports and there are regular face-to-face meetings. So, we have daily contact. The face-to-face meeting times depend on the needs of clients... Most of the creative ideas come from our employees rather than the employees in client companies and consumers.” (E: Chief Executive)

“We have very often interactions with both the client and the customers of the client. In the idea generation stage, the employees in the client company may help to develop great advertising ideas, or may hinder to develop great ideas, or may provide some creative ideas to our employees. The relationship of the client company, the advertising company and the consumer is like an eco-system.” (F: Chief Executive)

“Then we hold a lot of “tissue” meetings, throughout all of the concepts, we share them at first, get their feedbacks and further develop a couple of routes. Most of the work is generated internally. The clients will have input... Occasionally, the ideas are from clients. In the creative process, sometimes, the creative people may contact consumers directly...We also accept the ideas generated by consumers, such as in some social media, like Facebook, we will look at what the consumers are doing, what are their attitudes, opinions, what ideas do they have. But, we don't ask consumers to design an advertisement; we may do this in the future.” (I: Director)

“Our clients almost work with us like partners. The worse client may treat us like a supplier...We will debate things with them, they will listen to us and we will also listen to them.” (J: Chief Creative Officer)

“The client will have ideas what they think we should be doing, but they won’t necessarily have the creative ideas. We will definitely take on board what they say, but our job is to turn thought to an ad. That’s a big leap...The client definitely co-creates the advertising, they are your partners.” (K: Founder and Executive Creative Director)

“The term “consumer” doesn’t cut it for us. We see that people are dreamers, walking around with a head full of ideas about who they want to be, the life they want to live and the world they want to live in. The most successful brands are those that speak to those dreams. We create ideas that people love to engage with and share because they tap directly into their dreams.” (Company K’s Website)

“Some clients are quite traditional. Some of them are really collaborative. That’s good, we like it. But they wouldn’t do come up with the actual idea. We can talk about the relevant message. They participate very actively.” (L: Creative Director)
“The way we work is about collaborating with everybody. So, if clients don’t want to be collaborative, we won’t work with them.” (M: Owner)

- In the fourth type of pattern, clients co-create creative ideas with advertising companies which means advertising companies can integrate these ideas with their skills to produce better advertisements. In this regard, clients definitely can be treated as co-creator. In the idea selection stage, advertising companies and clients need to decide the decision together. As a consequence, clients act as co-selector. The companies falling into this pattern category in our sample are a digital advertising company (H) and a traditional integrated agency (N).

“It involves both the client and the consumer in the creative process at an early stage. So, they can be regarded as co-creators. Sometimes the client’s employees are very creative, such as the sales people. So, the best clients are the ones that share their view with the agency to creative better work.” (H: Creative Partner)

“Sometimes, we will be given a brief, we work on it, and then we come back. Other times, we have a process called Ignite, which we get all stakeholders together. The client’s marketing team, the client’s product team, media partners, data partners and us, we take all of those business issues and all work up together and come up with the brief... We have a thing of fusion. Fusion is a little bit like Ignite, but the brief is already there. We fusion again, all of the stakeholders will be in the room together. So, clients, account people, planners, creative people. Fusion is where the issues are discussed; briefly put in; everyone works on it intensely for two days, and then at the end of the two days we will have a whole bunch of concepts.” (N: Creative Director)

In the above category, we can see that traditional advertising companies can be classified into the last three patterns, which highlights that traditional advertising companies are transferring their working style and are becoming more collaborative.

The production phase includes media planning and production stages. The involvement of clients also plays pivotal role in this phase. In the media planning stage, advertising companies and clients will co-design and co-decide media channels (sometimes, in this stage, some consultancy may also join in the meeting). In the production stage, as clients need to keep informed to every single detail and sign off a multitude of files, they can be regarded as document approver.

The next phase is about implementation, which includes marketing test and releasing stages. Clients are not involved very much in this stage as most details have been
established. As discussed above, just around 30% of the advertising campaigns need to do a marketing test. If there is a marketing test, clients will give some suggestions to how to revise the advertisement according to the effect of the test. Otherwise, the advertisement will be released directly after clients sign off the final documents.

In the evaluation and learning phase, clients can be treated as co-evaluator; this stage is one of the important stages in the new advertisement development process. Only by evaluation can clients understand the effectiveness of the advertisement and decide whether they should keep relationships with advertising companies or not. Also, only by evaluation can advertising companies understand where they need to improve.

Overall, the role of clients is showed in the Figure 6.11.
Figure 6.11 The role of clients in the new service development stages

**Clients’ input**
- Provide client brief, product or service information, business information, advertising requirements, competitor information, market information, what works before, what does not work, industry knowledge;
- Criticize the creative ideas, suggest desired feature and attributes, suggest improvements of how to further develop the creative ideas; show their preferences (what they like and hate) of idea concepts; comments on the creative ideas;
- Show their preference of media channels; identify the final media channel combinations; show their preference to the detail of the advertisement, for example, the director, actors, locations, etc.; ensure every single detail of the advertisement; sign off documents; comments on every single detail;
- Suggest some improvements, make suggestions of doing marketing test or not;
- Evaluate the effectiveness of the advertisement; collect sales and customers’ awareness information, feedback the information to the advertising company.

**Innovation Process**
- Information collection
- Strategic Planning
- Creative briefing
- Idea generation
- Idea selection
- Media Planning
- Production
- Marketing test
- Implementation
- Evaluation
- Learning

**Role of clients**
- Information provider
- Co-diagnoser
- Document approver; Suggestion maker
- Co-creator
- Co-selector
- Co-designer
- Document approver; suggestion maker
- Suggestion maker
- Co-evaluator

Source: Author
6.4.4. The involvement and the role of consumers

Consumers – by which we mean the targets of the advertising, not the client who commission the advertisements - are mainly involved in four stages: information collection stage, idea generation stage, idea selection stage, marketing test stage, and evaluation stage. As the hoped-for “end users” of the advertisement, consumers are the ones who decide the final effectiveness of the advertisement. As a result, they are absolutely important in the new advertisement development process.

In the information collection stage, if clients do not provide adequate information to advertising companies, advertising companies will do their own research, which includes the research about clients’ competitors and customers. At this point, it is mainly about getting audiences’ opinions towards brands or products and services. Thus, consumers act as information provider in this stage.

In the idea generation stage, audiences have different roles among the interviewed companies. In this stage, the role of consumers is correlated with the role of clients. In some advertising companies, consumers are not involved very much in this stage, while in some others, they think the involvement of consumers is critical to generate creative ideas. Regarding to the former, the majority of the creative ideas in their companies are generated by their employees. Sometimes, they may let consumers provide some information to help generate better ideas. With regard to the latter, companies tend to treat consumers as co-creators. They use consumers as a source of generating creative ideas and believe that they can have the ability of coming up with good ideas. In one of the interviewed companies, consumers act as the main idea generator in some of its advertising campaigns. The following stage is the idea selection stage. Most of the companies indicated that they had many more interactions with consumers in the idea selection stage than in the idea generation stage. The objective of idea selection stage is to screen the best creative ideas. Especially when there is a test stage, advertising companies have to know what consumers think to the ideas generated by them. Here are some of the quotations which can illustrate these findings:

“In our company, a good idea can come from account handler, creative professionals, planners, anybody. It’s not just the creative people. Everybody is expected to come up with great ideas. We only use our audiences to verify
and qualify whether we get it right. So, we won’t get ideas from our audiences, but consumers and clients can give us some feedback to help creative professionals generate more effective ideas and choose the best idea. And consumers have more functions in idea selection stage than in idea generation stage.” (C: Creative Director)

“We also think that consumers can generate some very creative ideas which can be used in the project solutions. Such as the social media, the twitter ……Now, it’s the two-way communications. The exciting thing is that there are so many ways to connect with consumers.” (D: Creative Partner)

“We also accept the ideas generated by consumers, such as in some social media, like Facebook, we will look at what consumers are doing, what’s their attitudes, opinions, what ideas do they have.” (I: Director)

In the evaluation stage, the reaction of consumers is the best proof of whether the advertisement is effective or not. If clients and advertising companies want to get a clear perspective of what happens to the advertisement, the best way is by contacting targeted audiences and collecting the data about targeted audiences.

Among the above four stages, consumers are involved very much in the innovation process before the production phase. This is may be because that in advertising companies before they proceed to the production stage, they have done adequate research and communications with consumers. As one of the managers noted that:

“Involving consumers is very rare after the idea has been identified. As before production, we have communicated a lot with consumers. So, after the idea selection stage, it is not so necessary to put too much energy on communication with consumers! You should be confident that you are doing the right thing.” (B: Managing Director)

In addition, some of the interviewees think that involving consumers earlier in the process will get better creative ideas and produce greater benefits to clients. According to one of the interviewee’s opinion:

“The creative people will deliver the creative ideas generated by them to consumers or engage them in the process at an early stage. Through this way, the benefits of digital ideas that you can get can achieve maximum.”

This is consistent with the statement of Sundbo and Toivonen (2011) that involving users earlier in the innovation process, the better results that the company can get and the more chances for success.
Regarding to the role and importance of consumers in the innovation process, it is also correlated with the firm’s business and development strategy. Consumers, clients and agencies should be analysed as a whole. They always keep close interactions with each other. A model (Figure 6.12) can illustrate their relationships.

**Figure 6.12 A model of the relationship among clients, advertising agencies, and consumers**

![Figure 6.12](image)

Source: (One of the interviewed companies’ websites)

Advertising agencies act as intermediaries in the relationship loop. According to this agency’s perspective, advertising is led by the action and storytelling of the brand and driven by the interaction of consumers, which signifies the importance of the collaboration among them. In addition, one of the interviewees described the relationship as:

“The relationship of the client company, the advertising company and the consumer is like an eco-system. At first, the customers have a need, and then the client company has the capability to fill the need. The advertising company is to create the connection between the company and the customer, or is to tell customers that the company can fill their need. And to get targeted audiences reaction to the potential creative ideas, the planning and strategy department may do some research by themselves or employ external organizations to do the research.”

Therefore, the role of consumers in different stages is outlined in Figure 6.13.
Figure 6.13: The role of consumers in the new service development stages

- **Consumers’ input**
  - Provide their opinions towards brands or products and services;

- **Problem definition phase**
  - Sometimes, advertising companies let consumers provide some information to help generate better ideas or they need to co-create creative ideas with advertising companies or advertising companies may reply on their opinions of how to generate creative ideas;

- **Creative process**
  - Provide their opinions towards the ideas generated by advertising companies’ creative professionals to help them screen the best idea;

- **Production phase**
  - Provide their opinions to the advertisement; suggest some improvements; show their preference;

- **Implementation phase**
  - Tell advertising companies how they think of the advertisement; suggest some improvements; show their preference and expectations to further advertisement;

- **Evaluation phase**
  - Source: Author
6.4.5. The level of open innovation

“Open innovation” practices also vary across the interviewed companies. The broad definition of open innovation by Chesbrough et al. (2006) in section 5.2 is “*Open Innovation is the use of purposive inflows and outflows of knowledge to accelerate internal innovation, and expand the markets for external use of innovation, respectively. (p.1)*” The focus of this definition is on the source of knowledge. Consequently, according to the above analysis about client involvement, advertising companies have to use both the internal knowledge about advertising projects and the external knowledge from their clients and targeted audiences. There is no doubt about the contribution of clients and consumers in the innovation process. The difference between companies is the degree of their contributions. As a result, in terms of the sources of knowledge contributing to the innovation process, advertising companies are embracing the open innovation paradigm or they are working collaboratively with clients, targeted audiences, and clients’ data and media partners. According to the analysis in section 6.4.3, most of the interviewed companies’ clients take part in the innovation process actively. The traditional advertising companies are transferring to work in a more collaborative style. Some traditional advertising companies’ clients are in a highly collaborative degree, while some others do not want to participate in the process very much. In terms of the open innovation degree, the digital advertising company has the highest. For example, the company H, which is a digital advertising company, has very close interactions with both clients and consumers. It regards both clients and consumers as the basic information flows and itself as an intermediary between clients and targeted audiences. It is not just advertising companies embracing the open innovation trend, but also clients tend to become more collaborative and are more likely to engage in innovation activities.

On the other hand, Chesbrough et al. (2006) also defines open innovation as “*a paradigm that assumes that firms can and should use external ideas as well as internal ideas, and internal and external paths to market, as they look to advance their technology. (p.1)*” Here, ‘idea’ can have different meanings. If just treating it as knowledge or information, the condition will be the same as the above. If taking ‘idea’ as the creative idea generated in the creative process, there are just a very small number of the interviewed companies’ businesses using the idea generated by clients
and consumers, which has been analysed in the section 6.4.3. This is because advertising companies think generating creative ideas is their responsibility rather than clients’ or targeted audiences’. They also believe that generating creative ideas is the value of their existence and the reason that clients should pay for them. Hence, in regard to the second type’s meaning of open innovation – partly outsource the responsibility of generating creative ideas, advertising companies also need some more time to identify its value.

According to the above description about the involvement of clients and consumers, only a small number of advertising companies treat them exactly as co-creators. They are more likely to be regarded as information providers or idea stimulators in the idea generation stage rather than as co-creators.

By synthesizing the analysis about the roles of clients and consumers, both advertising companies and clients are attempting to adapt to the trend of open innovation. In terms of the level of open innovation, it is from the lowest to the highest from the first pattern of advertising companies classified in section 6.4.3 to the fourth pattern.

Interviewees’ opinions about crowdsourcing vary. Eight interviewees expressed their opinions directly about it. Firstly, two of them are pretty sceptical about crowdsourcing (Traditional big advertising companies). Another four of them think it is possible to use it in the future. One of them feels sceptical about this approach as he thinks it needs too much time in screening the potential ideas. One of the interviewed companies, a digital advertising company, is using the open innovation model. It is growing very quickly and has got the recognition of WPP. Therefore, some advertising companies are attempting to use the open innovation approach, but they also need more time to identify the benefits that they can get and whether it is valuable for them to transfer. The following quotations can explain their feelings:

“Crowdsourcing idea; actually, it’s not good... It has been proved many times that the results of crowdsourcing haven’t worked very well.” (J: Chief creative director)

6 WPP is a multinational advertising company and it is the largest advertising company in the world by revenues (Wikipedia).
“I think it’s really hard to know how that works. A couple of years ago, there was a fashion about crowdsourcing ideas. Then, it’s kind of disappeared. Because I think it is unfocused, not professional...I like that idea, but I don't know how it would be practical. I don’t know how crowdsourcing would be work. I imagine it would take weeks and months to sift through rubbish to try to find out one good idea. You don’t have time to do that.” (K: Founder and Executive Creative Director)

“That’s great! Co-creation, using your customers and getting them into the communications is fabulous. In the future, we will also try to use it. You have to bring your customer in...Yes, We are. We are beginning to use it. Brands are quite interested in that. Again, it’s asking bringing the clients into the work we do. You bring the customers; the relationship feels stronger with the brand. That’s very important.” (L: Creative Director)

With regard to the digital advertising company that is using the open innovation model, here is a case which can show how they operate an advertising campaign:

- The digital advertising company was awarded an advertising project from a big retailer. The project was a special campaign in a summer holiday and aimed to help the targeted consumers save money. By asking targeted customers and their families to co-create activities, the advertising company helped targeted families save a lot of money along with many interesting and exciting different activities. The targeted consumers designed all these activities. In fact, once there were some activities created by the targeted customers, these activities had the function of inspiring other consumers to create more content for more targeted audiences. This campaign was a responsive campaign and had great success.

6.4.6. Conclusion

This section has discussed the interactions between advertising companies and clients, which is to address the third research question. It includes the discussion about the client involvement, the intensity of client involvement and the role of clients in different stages of the innovation process. It also involves the discussion about consumers’ involvement and their role.

First, the analysis of this part describes what activities clients do in every advertisement development stage and in which particular stages advertising companies have the most intense interaction with clients. The finding shows that in
the problem definition stage, most of the advertising companies have the most intense interaction with clients. The purpose of identifying clients’ input in every stage is for conceptualizing their role. In the digital era, clients tend to treat their advertising companies as partners instead of service suppliers. They always co-decide every single piece of advertising projects with advertising agencies. However, regarding to their role in the idea generation stage, there are four patterns. The first pattern is that clients are liable to trust their advertising companies. These advertising companies also tend to trust their professionals. The second pattern is that clients do not engage in the idea generation process actively, thus act as suggestion makers. The third pattern is that clients engage in the idea generation stage actively, which indicates that they are good suggestion makers and can help creative people generate creative ideas. In this pattern, clients can be regarded as co-creator of creative ideas to some degree. The last pattern is that clients are treated as co-creator of creative ideas as they actively participate in the idea generation stage and think of what kind of suggestions and ideas they can provide.

As advertising companies are treated as intermediaries who connect clients and consumers, the involvement and role of consumers have also been discussed. From the description of advertising professionals, with the rapid development of technology, there are increasing approaches to connect with consumers and involve them in the innovation process, which not only enriches the information sources, but also enhances the effectiveness of advertisements. The importance of consumer involvement and the role of consumers vary: some interviewees think that involving consumers earlier in the innovation process can get better results, while some others think that involving consumers in the innovation too much may produce negative effects. With regard to the former one, consumers are treated as co-creators.
6.5. Synthesis

This chapter explores the innovation dimensions in advertising, the advertising innovation process shaped by agencies, clients and audiences, the roles of clients and consumers in the innovation process, and the level of open innovation in the interviewed advertising companies.

Content and media channels play imperative roles in determining whether an advertisement can be regarded as an innovative advertisement or not, which highlights the importance of content innovation and delivery innovation in advertising. The dimensions of advertising innovation include creative content, media channels, client and consumer interfaces, proper combinations of ideas and media channels, revenue model, technology, and data.

The analysis shows that the innovation process is shaped by agencies, clients and consumers. It is an interactive, non-linear process. It cannot be controlled by agencies. Clients’ inputs are crucial to decide the effectiveness of advertisements. Although different projects follow different procedures, demonstrating the characteristic of service innovation – customization, the basic process for producing advertisements is the same. The development stages are information collection, strategic planning, coming up the creative briefing, generating creative ideas, selecting creative ideas, planning media channels, producing the advertisement, conducting marketing tests, releasing the advertisement, evaluating the effectiveness and weaknesses of the advertisement, and learning from the project. The innovation process has five phases. The first phase is the problem definition which consists of information collection, strategic planning and coming up with the creative briefing stages. The second phase is called the creative process which concerns the idea generation and idea selection. The third phase is the production stage constituted by media planning and production stages. The fourth phase is the implementation stage which includes marketing test and releasing the advertisement stages. The last phase is the evaluation and learning stage which deals with how to evaluate the advertisement and what can learn from the advertisement.
The findings point out that the role of clients is correlated with the types of advertising companies. Comparing with traditional advertising companies, the advertising companies born in the digital era tend to regard their clients and audiences as co-creators to a higher degree, especially in digital advertising companies. It seems to be decided by the characteristics of digital advertising. Comparing with the traditional types of advertising, digital advertising is more interactive and is changing the advertising essence to become more responsive.

The current status of open innovation in the interviewed companies is related to the findings of the interactions with clients and consumers. The digital advertising companies’ open innovation level is the highest one among the four patterns (Section 6.4.3). Some types of traditional advertising companies’ degree of open innovation are also very high, while some traditional advertising companies do not embrace the open innovation trend to a high degree.
7. Conclusion and discussion

7.1. Introduction

This thesis sets out to explore the nature of innovation in advertising, new advertisement development processes and how advertising companies interact with clients in the process, which are driven by the importance of the advertising industry to the UK economy and the lack of awareness and research about innovation in the advertising industry. Thus, it addresses a gap in the literature about innovation in the advertising industry, which is an ill-defined field of research, and how clients are involved in innovation activities.

As research on innovation in the advertising industry is an undeveloped area, this study provides an exploratory analysis of advertising firms. Innovation in this study is understood in terms of newness to the involved people. The innovation process is perceived as an interactive process which is shaped by three different actors: the employees in advertising companies, the employees in client companies and the consumers.

This study conceptualizes the nature of innovation in advertising and explains what innovative advertising looks like. The thesis also contributes to conceptualizing the innovation process in advertising and demonstrating a link between the digitalization of advertising companies and whether they regard their clients as co-creators in the innovation process. The case of a digital advertising company is used as an example to demonstrate the difference of openness between traditional advertising companies and digital advertising companies.

In addition to the contribution to understanding the innovation process, the interview conducted in this study also contributes a plenty of descriptive data about advertising companies’ innovation activities and their interactions with clients and consumers.

Section 7.2 answers the research questions based on the results in Chapter 6. Section 7.3 discusses the limitations of the research and the areas for future research. The last section (Section 7.4) outlines some implications.
7.2. Review of key findings and contributions

This section answers the research questions in Section 5.3 and identifies the main contributions according to the data analysis results.

Sub-question 1: The Nature of Advertising Innovation

As discussed in Chapter 6.2.1, the approaches of creating innovative content are by making different combinations of advertising elements to create content newness and by creating stories with brand essence. The characteristics of advertising innovation include creative content, media channels, engagement with targeted audiences and clients, technology, data, and proper combination of ideas and media channels. Therefore, the nature of advertising innovation is mainly dependent on the degree of idea creativity, the newness of media channels, how to match creative idea with new media channels (media channels which is new to the client company or old media channels used in new ways), and user interface.

Section 6.2.2 summarized some main changes occurring in advertising companies when comparing with five years ago. It includes changes in media channels, in communication methods, in employees’ skills, in business models, in collaborative level with clients, in the ways to get new businesses, in the interactivity degree of advertising, in revenue model, in employment structure, in the speed of generating creative ideas, and in the degree of personalised message. Almost all of these changes are driven by technology development, which demonstrates the importance of technology in advertising companies and that technology is a very important innovation dimension in advertising.

There are some similarities among the model developed in Section 6.2.3, the innovation dimensions model developed by den Hertog et al. (2010) and the model proposed by Green et al. (2007). Both the model developed by the author and den Hertog et al. (2010) have the dimensions of new service concept, new consumer interaction, new revenue model, and new delivery system. Regarding to the models developed by Green et al. (2007) and the author, they also have four same dimensions: delivery, user interface, technology, and concept. Therefore, the modes of innovation dimensions proposed by den Hertog et al. (2010) and Green et al. (2007) can be regarded as fitting well with the nature of advertising innovation.
Firstly, the newness of creative ideas in the nature of advertising innovation can get support from both the existing models. Then, another advertising innovation characteristic – media channel - also corresponds to both models. As from the changes occurring in advertising companies, the development of technology also plays critical role in advertising innovation, it also can be regarded as one of the advertising dimension. Technology is also one of the innovation dimensions in the previous models. One of the changes is about revenue models which is also regarded as one of the innovation dimensions in KIBS in the model developed by den Hertog (2010), thus, it demonstrates the importance of revenue model. Furthermore, the above three models all mention the dimension of user interface.

Apart from the similarities with the existing models, the innovation dimensions in advertising also have some particular features. For example, it takes the different combinations of creative content and media channels or advertising elements (music, picture, actor, location, etc.) into consideration and emphasizes the degree of match between the creative idea and the delivery channel. In addition, it also takes the dimension of data into consideration.

Therefore, this thesis contributes to shaping an understanding of the nature of advertising innovation. Furthermore, it also contributes to the understanding of some changes occurring in advertising companies. Regarding to the innovation dimensions in advertising, it may include seven elements: creative idea, delivery channel, user interface, data, technology, revenue model, and the degree of match between the creative idea and the delivery channel. The findings in this part not only finds some evidence from previous models about innovation dimensions in service sections, which identify the validity of the findings to some extent, but also highlights some particular features in the advertising industry.

**Sub-question 2: Advertising Innovation Process**

Another main part of this thesis focuses on how to conceptualize the innovation process in advertising companies, which is one of the undeveloped areas of research in service sectors. The analysis about this part is in Chapter 6.3, where we show that the innovation process in advertising companies has some similarities with the
existing literature - and also some differences. The chapter also structures different combinations of service innovation stages into one model.

In order to answer the research question, it is necessary to determine the new advertisement service development stages, which contains eleven stages:

- Information collection
- Strategic planning
- Creative briefing
- Idea generation
- Idea screening
- Media planning
- Production
- Marketing test
- Releasing
- Evaluation
- Learning

To some extent, this new service development process fits quite well with the one developed by Alam and Perry (2002), but it adds some new stages (e.g. the information collection stage, evaluation stage, and learning stage). This is related to the bespoke nature of advertising innovation: the creative concept plays the core role in advertising innovation and learning enable them to accumulate what they learn from projects, then apply it to other projects. Thus, information collection stage is highly important for creating the creative concepts, and evaluation and learning stages are necessary for advertising companies to utilize their innovation and enhance their innovation capability.

The advertising workflow model developed by Burgoyan (2013) is useful to identify some significant steps of producing new advertisements, but we also notice that the description of every step is obscure to some degree and needs some clarification; so the new advertisement development model developed by the author is organized in a more structured and clearer way.

Based on the new service development process above and innovation process literature in section 3.2, the innovation process shaped by different actors includes
five stages: the problem definition phase (information collection, strategic planning and creative briefing stages), creative process (idea generation stage and idea screening stage), production phase (media planning stage and production stage), implementation phase (marketing test and releasing), and evaluation and learning phase (evaluation stage and learning stage). The advertising innovation process tends to be similar to the one developed by Gadrey and Gallouj (1998) which bases on the consultancy industry. However, the innovation process proposed by Gadrey and Gallouj (1998) did not identify the non-linear possibilities. The sequence of innovation stages in advertising may be different among projects as a result of the difference among projects. By taking every innovation stage as a whole, this study suggests some explanations to the non-linear innovation process. It explains in which circumstances advertising companies need to leave out some stages, in what other conditions advertising companies need to go back to the preceding stages. Innovation in advertising is always a trial-and-error process, which is to satisfy clients and attract consumers’ attention.

The non-linear innovation process also indicates that organizational innovation is always alongside advertising innovation and highly related to the client involvement. As in different projects, clients may have different requirements, advertising companies need to adjust their innovation methods, management approaches, and production approaches to satisfy their clients. For example, in terms of who should be involved in the information collection stage, it is highly dependent on the information and the extent of collaboration that clients can provide. Furthermore, advertising innovation can also trigger new methods for evaluating and implementing the creative ideas, especially with the development of technology. As the complexity of the non-linear innovation process, immediate and frequent communication between advertising agencies and client is required, which can lead advertising agencies to seek new methods or use new platforms to ensure their close collaboration.

Another finding in this part is about who manages every innovation stage. There are two different patterns regarding to this finding. The first pattern features the advertising companies which have account departments. In the case of such type of companies, account people always have the responsibility of arranging meetings with clients in every stage, thus, they are involved in every stage. In terms of the
innovation activities conducted in every innovation stage, different departments are involved. In the first innovation phase, the strategic planning department should take the responsibility of managing. Then, the creative department is in charge of the creative process. In the production phase, the production department takes the main role. If the company has separate media planning and production departments, both these departments should take the responsibility of managing this stage. If the implementation stage involves a marketing test, both strategic planning and production department need to do the management work. Otherwise, it is managed by the production department. Considering the second pattern, it concerns the advertising companies which do not have an account department or divide the account people separately into every other department. In these companies, activities are the same as the first pattern except that creative people are the ones who connect clients in every stage instead of account people. Regarding to the management role who exactly manages these activities, it should be the administration people in every department, like chief account director, chief strategic director, chief creative director, and chief production director. These managers only need to manage the work involved their departments. The project manager and account director are the people who take the main management role throughout the innovation process and are involved in every stage. As most of the advertising companies have explicit division of labour and departments, different stages may involve different managers. If these managers do not have close collaboration with each other or have different understanding towards the same concept, this will influence the effectiveness of the service. Therefore, through the above description of how these managers in charge of the innovation process, the importance of the close collaboration between managers is highlighted. In order to create appropriate innovative ideas and effectively implement innovative ideas, managers should communicate regularly as they are the ones who lead the directions of their employees’ creativity and may need to set up a platform for them to share their ideas.

The Table 7.1 describes the information about the management of advertising innovation process.
Table 7.1 The management of the innovation process

<table>
<thead>
<tr>
<th>The first pattern</th>
<th>Innovation</th>
<th>Management role</th>
<th>The second pattern</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Chief) Account director and Project manager</td>
<td>Problem definition phase</td>
<td>(Chief) Strategic director or Planning director</td>
<td>(Chief) Creative director and Project manager</td>
</tr>
<tr>
<td></td>
<td>Creative process</td>
<td>(Chief) Creative director</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Production phase</td>
<td>(Chief) Production director or (and Chief media planning director)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Implementation phase</td>
<td>(Chief) Production director or (and Chief strategic planning director)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Evaluation and learning phase</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Author

Therefore, this study not only contributes to the literature of innovation process and new service development literature, but also shapes the non-linear innovation process model. Apart from this contribution, it also discussed the important stages of the innovation process. With regard to the important stages, the problem definition stage and creative process can be regarded as the most important stages. As discussed in Section 6.3, content is the king. Both these stages serve for developing good ideas. The problem definition phase is to diagnose the problem and the creative process is to develop the creative idea, thus, both of them are the most important stages. This does not mean the other stages are not important. Other stages are also very important, but these two are the most important ones. It also contributes to the innovation process management knowledge. In addition, this study highlights the importance of evaluation and learning phase. Through the evaluation and learning phase, advertising companies can realize what works in their projects and what does not work, where they need to improve, which types of management methods are more appropriate for their clients, and which area they need to put more efforts. Besides, they can accumulate different types of knowledge (special knowledge of industry, regulations in different industries, different preferences of different industries and so forth) through their interaction with clients. Then, they can apply the knowledge (e.g.
industry knowledge, industry preference, the effectiveness of new innovation methods, new media channels, the changes in management roles etc.) to other projects to enhance the effectiveness of their innovations.

**Sub-question 3: The Client Involvement**

Another aspect of the findings in this thesis concerns the discussion about the interactions with clients and consumers. It involves the discussion of client involvement and role in every stage, the intensity of client involvement, and consumer involvement and role. These are analysed in Section 6.4.

The activities that clients do at every stage is showed in detail in Section 6.4.1, which has some similarities with the model developed by Alam and Perry (2002) about what activities clients need to do in every stage. However, the model about clients’ input in every stage developed by the author adds in many advertising particular features.

Regarding the role of clients in every stage, they can be regarded as information provider, co-diagnoser, suggestion maker or co-creator, co-selector, co-designer, file approver and suggestion maker, suggestion marker, and co-evaluator, which has some similarities with the role of clients (co-diagnoser, co-designer, co-producer, co-implementor, co-marketer, and co-developer) conceptualized by Aarikka-Stenroos and Jaakkola (2012).

As the analysis of this part is built on the interactions between advertising companies and clients and between advertising companies and consumers, it is also correlated with the types of advertising companies. In regard to the client role, the difference among the interviewed companies lies in the idea generation stage.

The findings show that there are four patterns in the role of clients in the idea generation stage. Companies who are born in the digital era and have more digital advertising business tend to treat clients and consumers as co-creators in a greater degree. This can be illustrated by the degree of interactivity of digital advertising. Compared to other types of advertising, digital advertising is more interactive, especially when it involves social media. Detailed information about the four patterns is outlined in Table 7.2.
<table>
<thead>
<tr>
<th>Patterns of the interactions with clients and consumers</th>
<th>Client role</th>
<th>Consumer role</th>
<th>Degree of client regarded as co-creator (In the idea generation stage)</th>
<th>Degree of client regarded as co-creator (In the whole process)</th>
<th>Types of advertising companies</th>
<th>The degree of intermediary role of advertising companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising companies control the idea generation stage completely</td>
<td>Suggestion marker</td>
<td>Information provider</td>
<td>None</td>
<td>Low</td>
<td>The company serve for special brands (such as for premier brands)</td>
<td>Low</td>
</tr>
<tr>
<td>Advertising companies lead the idea generation stage</td>
<td>Good suggestion marker</td>
<td>Good information provider</td>
<td>Good suggestion marker</td>
<td>Good information provider</td>
<td>The advertising companies born in the digital era and some traditional advertising companies</td>
<td></td>
</tr>
<tr>
<td>Advertising companies-led (Clients engage in the process actively)</td>
<td>Good suggestion marker and co-creator</td>
<td>Good information provider and co-creator</td>
<td>Good suggestion marker and co-creator</td>
<td>Good information provider and co-creator</td>
<td>Digital advertising company and some traditional advertising companies</td>
<td></td>
</tr>
<tr>
<td>Collaborative</td>
<td>Co-creator</td>
<td>Co-creator</td>
<td>High</td>
<td>High</td>
<td></td>
<td>High</td>
</tr>
</tbody>
</table>

Source: Author
In the first pattern, advertising companies almost control the idea generation stage, it suits for the advertising companies serving for special brands. Such companies have more confidence about their own work and tend to believe themselves than someone else. In the idea generation stage, ideas almost all come from the employees in their creative department. In other stages, the collaboration between advertising companies and clients is lower than other types of advertising companies.

With regard to another two patterns, which are the advertising companies leading the idea generation stage and the advertising companies leading the idea generation stage with clients joining in each stage actively; clients can be regarded as co-creators in some degree. The degree of the latter is higher than the former as clients participate actively in the latter. As for the former, it is more likely to be conducted by the traditional advertising companies, while regarding to the latter, it tends to occur in the advertising companies which born in the digital era and some traditional advertising companies which have made some quick changes to adapt to the digital trend.

The collaborative pattern concerns the two-way channels of communication between advertising companies and clients and between advertising companies and consumers. Advertising companies belonging to this pattern act exactly as the intermediary between clients and consumers and work very collaboratively with clients and consumers. Such type of working style tends to take place in the digital advertising companies which almost exclusively do digital advertising; thus, they emphasize more on the interactivity of advertising and the working style.

Therefore, the contributions of this study are to find out the interactions between advertising companies and clients and between advertising companies and targeted audiences and take the difference between different types of advertising companies into consideration to develop different patterns of interactions and how these influence the role of clients and consumers. In addition, through the analysis of the interaction with clients and targeted audiences, this study also contributes to our understanding of co-creation. It reflects that co-creation can be shaped in different forms and levels. There is no best practice. The level and form of co-creation should be determined by companies’ organizational structure, their resources, their working style, corporation culture and so forth. This can also be applied in other industries.
Regarding to the intensity of client involvement, it demonstrates that in advertising companies, all of the interviewed advertising companies agree that they have the most interactions with clients in the problem definition (preliminary) phase. Some of them also think that in the creative process or the production phase, they also involve their client the most, but most interviewees stated that they did not have too much interaction with clients in the creative process when comparing with the interaction in the problem definition phase. The finding about the intensity of client involvement confirms the arguments of Gadrey and Gallouj (1998) and Martin et al. (1999) and also partial identify the applicability of the actual and desired level of KIBS co-production trend developed by Doroshenko (2012).

The interviewed advertising agencies fit the service professional pattern proposed by Sundbo and Gallouj (2000) to some degree. First, their employees’ expertise is the core of shaping the innovation process. Second, advertising agencies do not have formalised innovation structures, and their innovation processes are correlated with the characteristics of projects. Third, their innovations are highly dependent on the interaction with clients and are driven by clients’ problems.

Section 6.4.5 investigated the open innovation status quo and advertising professionals’ perspectives about crowdsourcing. The results show that there is a link between the interaction patterns (Table 7.2) and the open innovation degree. The degree of open innovation in the interviewed companies is showed in Table 7.3.
Table 7.3 The current status of open innovation in the interviewed companies

<table>
<thead>
<tr>
<th>Patterns of the interactions with clients and consumers</th>
<th>The degree of open innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising companies control the idea generation stage completely</td>
<td>Low</td>
</tr>
<tr>
<td>Advertising companies lead the idea generation stage</td>
<td></td>
</tr>
<tr>
<td>Advertising companies-led (Clients engage in the process actively)</td>
<td>High</td>
</tr>
<tr>
<td>Collaborative</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author

In terms of the perspectives towards crowdsourcing, two of them held sceptical opinions; another four expressed that their company may try it in the future; one thought it as a useful tool, but just didn’t know how to make it efficiently; one is using this approach.

Therefore, this study contributes to understanding the open innovation degree in advertising companies. As showed above, the degree of open innovation is from the lowest to the highest from the first pattern of interactions to the fourth pattern. It also addresses an important issue about how advertising professionals think about crowdsourcing in some degree.

7.3. Limitations and areas for future research

7.3.1. Generalizing the research results

Although the research companies in this study are all located in the UK, the research results can also be applied in other countries to some degree as most of the interviewed companies are international companies, which indicates that they almost have the same organization structure with their subsidiaries. The research results can also be used in other creative industries to some extent, like the media industry and the public relation (PR) industry.
7.3.2. Research limitations

This thesis has three limitations: the first is about the number of interviewed companies; the second is that it just interviewed advertising companies; the last is that it did not test the findings.

This study interviewed fourteen advertising companies and the author divided them into four categories, which indicates that in every category, the number of companies is very limited. This is limited by the fieldwork time. The second limitation is that all of the data was from the interviews with managers in advertising companies. As the main part of this research lies in the interactions with clients and consumers in advertising companies, it should also choose some client companies and some consumers to ask their perspectives about their role in the advertising innovation process and the characteristics of innovative advertising. Maybe regarding to clients’ participation in the innovation process and their roles, managers in the client companies have different views with the managers in the advertising companies. The author tried to find some other documents from their websites or databases to identify what the interviewees said. The third limitation is that the findings of this study are just based on interviews and the information from these advertising companies’ websites, thus, using some quantitative surveys to get more responses from advertising professionals can make these findings more convincing.

7.3.3. Areas for further research

As for the areas for further research, these are related to the limitations of this research. Firstly, in regard to the finding about the innovation dimensions in advertising, it could be used to design empirical study by using some quantitative surveys. With regard to the findings about the innovation process and interactions, it also can be used to do empirical studies.

Secondly, as the limitation of the number of interviewed advertising companies, interviewing more advertising companies and doing more in-depth interviews can increase the validity of this study and improve the value of the findings. Interviewing the ex-employees who were working in the advertising industry but left now can be one way to help enhance the validity of this study.
Thirdly, as in this study the interview companies are exclusively advertising companies, further research can include some clients, consumers and “intermediaries” who help clients find the suitable agencies for their projects.

Fourthly, given that the more ideas a service firm can get, the more opportunities to develop a successful one, it is important for firm to have a clear and comprehensive screening process (Alam and Perry, 2002). Thus, conceptualizing the screening process and analysing the detail activities in this process is also an area for further research.

Fifthly, this research is just based upon the advertising industry in the UK. It is possible to extend the research to more countries. Although the largest four per cent of firms in the advertising industry occupying almost eighty per cent of turnover (Miles and Green, 2008) and these largest companies are international companies which implement the same corporate culture into their subsidiaries, advertising is correlated with the local culture which may affect innovation processes and management approaches.

Sixthly, the advertising industry is one of the sub-industries of creative industries and advertising services belong to knowledge intensive business services. It is very likely that some other knowledge intensive business services firms, such as design firms or some legal services related firms, also involve clients in their innovation process. Therefore, it is valuable to undertake extended research in other industries.

### 7.4. Implications for policy and practice

#### 7.4.1. Implication in practice

This study contributes to understanding of the innovation dimensions in advertising. It has shown the importance of content innovation and delivery innovation in advertising innovation. Content and delivery channels are the two important elements in advertising innovation dimensions. The innovation dimensions of advertising provides a model to explain the important elements of innovation in advertising and also throws light on where should advertising agencies pay more attention to. Some specific ideas can be suggested. Advertising managers should invest in some training programmes for creative people to nurture their creativity and support them to join
some big advertising events to help them learn from other excellent creative professionals. Although both content and media are the two most important elements in advertising innovation, content comes in the first place and guides the media planning in some degree. Therefore, advertising managers should help their creative people and media person nurture their integrative capability. Advertising managers should also make their employees keep abreast with the development in technologies due to the close correlation between technologies’ development and advertising innovation.

The study provides insights on how advertising agencies develop new advertisement and conceptualize the innovation process. The innovation stages are the common stages among different advertising companies and are the basic stages to produce new advertisements. However, it does not mean that there is a structured process for every project and all projects should experience all these innovation stages before coming out. As innovation in advertising is a trial-and-error process, the innovation process has little chance of being a linear process. The best process is the one adapting to the particular characteristics of different projects rather than applying one successful process into every project. Therefore, there are some practical lessons for advertising managers about how to manage the innovation process and apply the innovation process. First, in order to produce advertising efficiently and effectively, at the beginning of every project, advertising managers should start with the basic innovation stages, but with the progress of projects, they should change their innovation process to adapt to the characteristics of every project rather than insist on following the sequence of the basic innovation process. Second, advertising managers should pay attention to the evaluation and learning stage which does not show too much importance in other industries’ innovation process as most of the advertising contracts are long-term contracts, this innovation stage is the connection point from one project to another project. The third point is for clients. As most of the advertising agencies have long-term relationships with their clients, it is better for clients’ business development if they can regard advertising agencies as partners instead of advertising service suppliers. To be as partners, both clients and advertising agencies closely monitor each other’s long-term business development rather than focusing on each project separately.
7.4.2. Enhancing the awareness of the importance of client involvement

This study calls for more attention to be paid to involve clients in the innovation process. Clients are one of the important actors of shaping the innovation process. Their involvement is correlated with the success of advertisements. Therefore, there are some lessons to be drawn from the relation of advertising agencies with clients in terms of how their relations can influence the effects of client involvement. This study also indicates that clients are showing more willingness of collaborating with agencies to a certain extent in the digital era and in digital advertising companies or in the ones emphasizing more on digital advertising companies, the involvement of clients in the innovation process is becoming more intense and the level of open innovation is becoming higher. In addition, with the trend of digitalization, it is expected to have more digital advertising in the future. All these new phenomena form a new trend in the advertising industry: the involvement of clients in the innovation process will become increasingly important. Based upon this new trend, a practical recommendation would be for traditional advertising companies whose clients take part in the innovation process passively to produce advertisements to work more collaboratively with clients. There are some approaches that can achieve the goal. These companies can organize some workshops in one day to co-diagnose problem or co-create ideas with clients’ employees. By arranging more meetings in the creative process to get feedback from clients more frequently can also strengthen their relationship ties.

7.4.3. Risks of involving clients in the innovation process

Although with the development of digital advertising, the involvement of clients in the innovation process is becoming increasingly important, there are also some risks. As discussed above, some creative directors expressed directly that the marketing people did not know what creative people thought and there was a big jump between the thinking style of marketing people and the thinking style of creative people. These differences increase the difficulty of producing innovative advertisements more efficiently and to elicit some interest conflicts. As the people from agencies and clients tend to have different opinions towards one advertising idea, it increases the negotiation time between them, which may influence the progress of producing advertisements. Furthermore, since they have different attitudes towards the same
idea and different interests, it is likely to cause more conflicts between them when they have more collaborative meetings. The third risk is about the professional knowledge. When having more intense collaboration with the marketing people of clients, the marketing people will become more professional. Therefore, clients may decide to do advertisements by themselves rather than by using advertising agencies.

7.4.4. Implications for policy

As discussed in the introduction chapter, the advertising industry is critical to the development of UK economy. In order to help the development of the advertising industry and help creative professionals produce more innovative advertisements, here are some recommendations for policy makers:

- As the importance of content innovation and delivery innovation in advertising innovation, universities/business school/ art and design colleges can organize some programmes or activities to help creative professionals enhance their innovative capability. These programmes can be about teaching the relevant knowledge to help them nurture their content and delivery innovation capability or providing a place for advertising professionals to share their innovative knowledge and capability.

- Considering that the innovation research about advertising innovation is very rare, research councils can provide some grants to attract researchers’ attention and facilitate the research in this area.

- In order to assess companies’ innovativeness, in manufacturing firms, the level of R&D can be regarded as a good indicator. However, the measurement about advertising companies’ innovativeness should be different with manufacturing firms. The policy makers can develop a special set of criteria for evaluating advertising agencies’ innovativeness. As human resources are the sources of innovation in advertising companies, the criteria should take their innovative skills into consideration.

- As the significant influence of Nesta Research in the UK, Nesta Research can call for papers about innovation research of the advertising industry to attract researchers’ attention.
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## Appendices

### Appendix 1: Information about the interviewed companies

<table>
<thead>
<tr>
<th>Company Code</th>
<th>Interview Position</th>
<th>Established</th>
<th>Location</th>
<th>Number of Employees</th>
<th>Duration</th>
<th>Interview Date</th>
<th>Independent or not</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Chief Executive</td>
<td>1973</td>
<td>Manchester</td>
<td>300</td>
<td>75 mins</td>
<td>01/05/2014</td>
<td>Part of Interpublic Group</td>
</tr>
<tr>
<td>B</td>
<td>Managing director</td>
<td>1998</td>
<td>London</td>
<td>50</td>
<td>45 mins</td>
<td>06/05/2014</td>
<td>Independent</td>
</tr>
<tr>
<td>C</td>
<td>Creative director</td>
<td>2001</td>
<td>Manchester</td>
<td>50</td>
<td>50 mins</td>
<td>08/05/3024</td>
<td>Part of WPP</td>
</tr>
<tr>
<td>D</td>
<td>Creative Partner</td>
<td>1996</td>
<td>London</td>
<td>220</td>
<td>60 mins</td>
<td>14/05/2014</td>
<td>Independent</td>
</tr>
<tr>
<td>E</td>
<td>Chief Executive</td>
<td>1987</td>
<td>Manchester</td>
<td>85</td>
<td>30 mins</td>
<td>19/05/2014</td>
<td>Independent</td>
</tr>
<tr>
<td>F</td>
<td>Chief Executive</td>
<td>30 years ago</td>
<td>Manchester</td>
<td>50</td>
<td>45 mins</td>
<td>23/05/2014</td>
<td>Independent</td>
</tr>
<tr>
<td>G</td>
<td>Executive Creative Director</td>
<td>1964</td>
<td>Manchester</td>
<td>140</td>
<td>71 mins</td>
<td>27/05/2014</td>
<td>Part of Omnicom Group</td>
</tr>
<tr>
<td>H</td>
<td>Creative Partner</td>
<td>2007</td>
<td>London</td>
<td>100</td>
<td>62 mins</td>
<td>29/05/2014</td>
<td>Part of WPP</td>
</tr>
<tr>
<td>I</td>
<td>Director</td>
<td>2004</td>
<td>London</td>
<td>Around 35</td>
<td>65 mins</td>
<td>06/06/2014</td>
<td>Independent</td>
</tr>
<tr>
<td>J</td>
<td>Chief Creative Officer</td>
<td>1948</td>
<td>London</td>
<td>320</td>
<td>67 mins</td>
<td>06/06/2014</td>
<td>Part of WPP</td>
</tr>
<tr>
<td>K</td>
<td>Founder and Executive Creative Director</td>
<td>2006</td>
<td>London</td>
<td>65</td>
<td>35 mins</td>
<td>10/06/2014</td>
<td>Independent</td>
</tr>
<tr>
<td>L</td>
<td>Creative Director</td>
<td>2000</td>
<td>London</td>
<td>160</td>
<td>59 mins</td>
<td>30/06/2014</td>
<td>Independent</td>
</tr>
<tr>
<td>M</td>
<td>Managing director</td>
<td>2002</td>
<td>Edinburgh</td>
<td>20</td>
<td>80 mins</td>
<td>10/07/2014</td>
<td>Independent</td>
</tr>
<tr>
<td>N</td>
<td>Creative Director</td>
<td>1981</td>
<td>London</td>
<td>326</td>
<td>42 mins</td>
<td>16/07/2014</td>
<td>Part of Omnicom Group</td>
</tr>
</tbody>
</table>
### Appendix 2: Profile of the interviewed companies

<table>
<thead>
<tr>
<th>Company Code</th>
<th>Information about the interviewed company</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>It is regarded as the UK’s largest and most successful integrated marketing communications agency and has a national and international client base and a digital innovation hub. Its business approach is by looking to understand and solve the client’s business problem and harness the most appropriate channels to engage with consumers in a compelling way. It is very successful and has won a load of awards, which include “Creative Circle Award”, “Grocer Award”, “Campaign Big Award”, “Ross Award”, “IPA effectiveness Case Studies” and so on.</td>
</tr>
<tr>
<td>B</td>
<td>It is an independently owned global creative and branding agency. It only serves for premier brand, which means that it is for prestigious international clients across sectors from fashion to transport, culture to government. Thus, what it does is quite different with other advertising companies and it knows the educated and rich consumers very well. Its advertising strategy is by treating clients’ products beautifully, but in a real way and by understanding what the real story is behind the brand.</td>
</tr>
<tr>
<td>C</td>
<td>It is a leading Manchester advertising agency. The idea that it produces can work whatever the channel.</td>
</tr>
<tr>
<td>D</td>
<td>It is a very successful advertising company and grows very quickly. This agency has a reputation for campaigns beyond traditional advertising and for different organizational structure with traditional advertising agencies. It has pioneered a creative culture where all employees work directly with clients, including the creative teams. It does not have account department. It has got many advertising related awards. The ideas created by this company can spread beyond traditional advertising. It likes to try something new.</td>
</tr>
<tr>
<td>E</td>
<td>This agency is a communications agency, creatively-focused and commercially-aware. It is very proud to have been the most awarded agency outside of London. Its independence means that it can be nimble and adapt quickly to industry developments – investing in areas that will benefit clients. Its focus is on creativity and 'game changing' ideas. It cares passionately about its clients. It is actively involved with them every day and it describes this as</td>
</tr>
</tbody>
</table>
being 'in their business'. By following this approach and working in a collaborative style. It provides leadership and guidance, which in turn delivers the results that it is looking for. Its successes are based around collaboration and sharing. Furthermore, it thinks that owing to its independence, it will focus on its clients and help them meet goals instead of delivering returns to shareholder.

<table>
<thead>
<tr>
<th>F</th>
<th>It is an independent advertising agency, delivering creative outcomes by communicating strategically and creatively through words and images. From the company’s opinion, creative outcomes come from bringing strategy, insight and ideas together and the creative process is all about exploring how to bring these things together in the most effective way. The focus of this company is that every campaign that it does will have a spark which resonates with the target audience that it is trying to communicate with. Besides, this agency has begun the process of adopting the brand pillars (it is about how the exercise brought them to life and how it will embed these values in to the ‘how it does what it does’) in to its DNA. However, as a small company, it usually follows the trend rather than setting the trend.</th>
</tr>
</thead>
<tbody>
<tr>
<td>G</td>
<td>This agency is a full service creative communications agency with a group of multi-channel communications specialists working with local, national and international brands. This company strives to develop ideas that help clients find a completely original way of presenting their brands to the world. Together it analyses the limitations of conventional thinking in any given market, then it challenges those conventions. This company calls this DISRUPTION. Then once it has disruptive brand idea, it will set about the task of how best to tell the world. In essence, it judges everything that exists between a brand and its consumers as media and therefore an opportunity to influence behaviour. So it works closely with their clients to define the most relevant consumer touchpoints.</td>
</tr>
<tr>
<td>H</td>
<td>It is an industry-leading digital advertising agency based in London, UK. Its creative work has been awarded and recognised by One Show and Advertising Age. The agency’s innovative work addresses a wide range of business, commercial and communications challenges for an international client base. It always tries new ways to solve the problems that keep the clients up at night.</td>
</tr>
</tbody>
</table>
It is able to realise the full innovative potential of digital creativity upon not just marketing, but business itself. The advertising in this company is led by the action and storytelling of Brand and driven by the interaction of Consumers. Collaboration is core to its DNA and work and at the heart of its growth. It thinks big business problems can be solved in new ways – through the confluence of brand strategy, creativity, technology and digital culture. These are ideas that might create new services and new products, or connect people to brands in new ways. This agency executes through innovative platforms, products and creative content fit for the mobile and social world. This agency believes that advertising campaigns can be created by consumers and is using this approach. Although it is new, it has got many famous awards.

I

It is a London based advertising, media & public relations agency with a wealth of experience across many markets regionally, nationally and globally. It belongs to the same network with company E. Thus, It also works very closely with clients and almost has the same corporation culture with company E.

J

It is an international advertising agency and is the UK’s top advertising agencies. Its principle is by aligning itself to the commercial objectives of its clients. It has to produce breakthrough creative work that is also effective. It develops work that runs across all channels. In this company, their passionate belief is that their job is to sell their client’s brand.

K

It is an international advertising agency and is the UK’s top advertising agencies. Its principle is by aligning itself to the commercial objectives of its clients. It has to produce breakthrough creative work that is also effective. It develops work that runs across all channels. In this company, their passionate belief is that their job is to sell their client’s brand.

L

This is an agency born in the digital era. It regards consumers as dreamers, walking around with a head full of ideas about who they want to be, the life they want to live and the world they want to live in. It thinks that the most successful brands are those that speak to those dreams. At the heart of this company, it creates ideas that people love to engage with and share because it taps directly into their dreams. It creates campaigns that deliver emotion at every point of interaction, because to move products you have to move people.
<table>
<thead>
<tr>
<th>M</th>
<th>This is a small agency, which has got more than 150 awards. It is an award-winning digital, advertising, design agency based in Edinburgh (but the interview location was in London.) Most of its employees are senior, talented people who can react quickly and take advantage of the opportunities as they arise.</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>This is an integrated agency. It believes in creating real-time, brand-building, problem-solving, useful customer journeys across all channels that are measurable, trackable and accountable. It belongs to the Omnicom Group. It creates brand, digital and direct experiences that change people’s behaviour. The work produced by them should deliver measurable impact and win awards and it should be beautiful and emotional and do something rather than just say something.</td>
</tr>
</tbody>
</table>
Appendix 3: Semi-structured interview protocol

I. Overall issues

- Introduction: this research is an exploratory study of innovation in the advertising industry. I would like to discuss your perspectives about the characteristics of innovative advertising, the stages of producing new advertisements in your company and your company’s interaction with clients.
- Signing consent form;
- Main objectives:
  - To understand advertising professionals’ perception about the characteristics of innovative advertising
  - To understand the process using to produce advertisements
  - To understand the interactions with clients and consumers
  - To explore the degree of open innovation

II. Background information about advertising companies

- What is this company’s organizational structure?
  - How many departments in your company?
  - How many employees in your company?
- What types of advertising does this company produce?
  - How about the proportion of every type of advertising?

III. About the process of producing advertisements

- Contract:
  - What approaches does this company use to get new advertising businesses?
  - How long do most contracts last? (Project by project or long term)
  - Whether the project for the contract is the same as the one used in the pitching process?
- Process and roles:
  - What are the following stages after signing the contract?
  - Who is involved in every stage?
  - Who is in charge of every stage?
  - Can you explain more about the creative process?
- Whether do creative professionals contact clients directly in collecting information stage?
- Where do creative ideas come from?
- Whether does this company co-create ideas with clients?
  (Example)
- Whether does this company co-create ideas with consumers?
  (Example)
- Whether do clients participate actively in the creative process?
- What activities do clients do in every stage?
- Which stage does this company have the most intense interaction with clients?
- Does this company have any strategy of involving clients in the stages of producing advertisements?
- What communication approaches does this company use to contact clients?
- What role do clients play in every stage?

IV. Changes
  • What are the changes in the services provided by this company over the last five years?

V. Characteristics of innovative advertising
  • In your opinion, what are the characteristics of new advertising services? Or which types of advertising can be divided as new advertising? Or what can be regarded as innovative advertising? Or how to produce innovative advertising? Or what are the forms of innovative advertising?
Appendix 4: Information page sent out to interviewees

Information page for interviewees participating in MPhil research projects

You are being invited to take part in an MPhil research project. Before you decide it is important for you to understand why the research is being done and what it will involve. Please take time to read the following information carefully and discuss it with others if you wish. Please ask if there is anything that is not clear or if you would like more information. Take time to decide whether or not you wish to take part. Thank you for reading this.

Q1: Who will conduct the research?

The name of the researcher: Fengjie Pan

School: Business School of Manchester University (Manchester Business School, the University of Manchester, Booth Street West, Manchester, M15 6PB)

Q2: Title of the Research

Title: An exploratory study of innovation in the advertising industry: innovation dimensions, innovation process and client involvement;

Q3: What is the aim of the research?

The aim of the research:

1. To find out the advertising professional’s perception about the nature of innovation in advertising, to improve our understanding about innovation in the advertising industry and to show how this industry change the way that they do things and the things that they do;

2. To conceptualize the innovation process in advertising related firms;

3. To conceptualize the role of clients in the different stages of innovation process and the intensity of client involvement;

Q4: Why have I been chosen?
Some of the participants are the directors of Manchester advertising firms. Some of them are in London. And some of the participants are the secretary or personal assistant of directors. I plan to conduct around 15 interviews.

Q5: What would I be asked to do if I took part?

As research method is interview, what the participant need to do is answering questions (No confidential questions) asked by the researcher.

Q6: What happens to the data collected?

After the data collected, the researcher will use template analysis method to analyse the data.

Q7: How is confidentiality maintained?

All the audio-taped records are just for getting accurate notes about the interview. It is for getting better interview results. The records are only used in analysis and will be destroyed after the research analysis. If the participants like, the researcher can also send them the notes of the interview record. If there are any inaccuracies which you would like to correct, or any views or information which you would prefer to be anonymised, the researcher would be pleased to carry this out. The research claims all the interview content is just for research. It cannot be used in any other places and for any other purpose.

Q8: What happens if I do not want to take part or if I change my mind?

It is up to you to decide whether or not to take part. If you do decide to take part you will be given this information sheet to keep and be asked to sign a consent form. If you decide to take part you are still free to withdraw at any time without giving a reason and without detriment to yourself.

Q9: Will I be paid for participating in the research?

Sorry, all the participation is voluntary and the researcher does not provide any payment for participation.

Q10: What is the duration of the research?
Duration of the interview: around 1 hour interview.

Q11: Where will the research be conducted?

Some of the research is conducted in Manchester. And some of the research is in London. Most of the interviews are in the participant’s company.

Q 12: Will the outcomes of the research be published?

The researcher plans to publish the outcome of the research!

Q13: Contact for further information

If you have any questions about the study please do not hesitate to ask me. Please contact me via email fengjie.pan@postgrad.mbs.ac.uk or by phone +44 07565156053.
Appendix 5: Consent form signed by interviewees

An exploratory study of innovation in the advertising industry
Innovation dimensions, innovation process and client involvement

CONSENT FORM

If you are happy to participate please complete and sign the consent form below

1. I confirm that I have read the attached information sheet on the above project and have had the opportunity to consider the information and ask questions and had these answered satisfactorily.

2. I understand that my participation in the study is voluntary and that I am free to withdraw at any time without giving a reason and without detriment to any treatment/service.

3. If you would like to be sent a copy of the notes of the interview for your review, for example, to anonymise any information, please indicate here.

I agree to take part in the above project.

Name of participant Date Signature

Name of person taking consent Date Signature

--------------------------------------------
--------------------------------------------

200