

## Transforming Business: A Case Study of A to Z Advertising.

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**ABSTRACT:** *This case is about Mr. Avinash Gupta who has started his career as a serviceman in an advertising firm in Mumbai and excelled with dedication and sincerity towards his work. Through this case author has tried to put an example before the readers that how a small business like the advertising agency business require lot of brainstorming and rational decision making. As a Managing Director of A to Z advertising, Mr. Avinash Gupta is facing three hottest problems: first; the financial performance of A to Z advertising had not been very satisfactory in the last five years. Second; after putting all efforts total revenue is declining from year to year and third; business expenses are increasing swiftly. At the time of this problem Mr. Gupta panicked about his business and he is thinking on some strategic alternates regarding this business like first; to shut down this advertising agency business and skip to another business as suggested by his so called well-wishers. Second, to continue this advertising agency business with same name, same place, same staff and clients etc. and wait for good business time and third, to arrange any kind of business collaboration with any growing advertising agency or can look out for another feasible alternative. To get better solution of the business problems he hired 'Solutions Private Ltd. Mumbai, a professional marketing research agency', which has submitted a report at the instance of Mr. Gupta.*

**Keywords:** *Advertising agency, Financial Performance, Revenue, Business and Marketing Research.*

### INTRODUCTION

Mr. Avinash Gupta, Managing Director of "A to Z Advertising" firm was very serious after keenly reading some papers given by his subordinate. Actually, it was a report linked with advertising firm entitled 'Challenges towards A to Z advertising'. The report has been prepared by Solutions Private Ltd. Mumbai, a professional marketing research agency at the instance of Mr. Gupta. Three aspects related with A to Z advertising firm seek serious attention by Mr. Gupta. First; the financial performance of A to Z advertising has not been satisfactory in the last five years. Second; after putting all efforts, total revenue is declining year by year and third; business expenses are increasing swiftly. As a result, firm is going financially feeble day by day and is not able to meet its financial commitments timely. Due to the state of affairs, the prediction of future revenue became a serious problem for the entire marketing system as well as for the Managing Director of A to Z advertising firm. After observing the problem of Mr. Gupta related to his business, most of his friends, well-wishers and few subordinates in his agency suggested for shutting down this business. At the time of this problem Mr. Gupta panicked about his business and he started thinking on some strategic alternates regarding this business like first; to shut down this advertising agency business and skip to another business as suggested by his so called well-wishers. Second, to continue this advertising

agency business with same name, same place, same staff and clients etc. and wait for good business time and third, to arrange any kind of business collaboration with any growing advertising agency or can look out for other feasible alternatives.

In order to gain a deeper understanding of the situation and to obtain inputs which would help in this decision-making, the firm had commissioned a study to Solutions Private Ltd., Mumbai. As per the agreement, Solutions Private Ltd. has partially submitted their report (through four exhibits) after analysing the circumstances. Final report will be submitted soon to the client. Mr. Gupta was studying the marketing research report submitted by the agency carefully so that he could think about the best decisions for his business based on a sound diagnosis of the situation.

### A TO Z Advertising Firm: A Profile

A to Z is in advertising business since last 21 years. It has a good client base and the firm is run by Mr. Avinash Gupta. It was started by him with his savings of Rs. 1, 00,000 and a borrowed loan of Rs. 80,000 from his wife in 1992 in the city of Bombay today known as Mumbai. With years of dedication and hard work the organisation today enjoys a good reputation in the market. The firm hires some talented staff, and when needed, trains them to perform in the competitive market to serve its esteemed clients in the best of capacity. This is something which has made the

organisation survive even in adverse conditions. The organisation always believed in providing special attention to its clients needs and emphasize on developing long lasting relationships.

### **Start up of A to Z Advertising**

Avinash decided to change his long cherished dream of his own enterprise into reality. He knew that world is growing and new opportunities are waiting at every possible step in the new era of development. He decided to start his business career from the financial capital of India, Bombay (Mumbai). Finally, on March 4, 1992 on Wednesday, Avinash opened his own advertising agency namely 'A to Z advertising' in Bombay (Mumbai). There were some interesting logics to name his agency as A to Z Advertising. Avinash preferred to name his firm A to Z Advertising to denote his vision of covering every aspect of advertising in his services. Further, A was the first letter in his name Avinash and Z denoted to zeal for which he was famous during his career with 'Bull Advertising'. Thus, he created a one point solution for his client's advertising needs.

### **Early Years of Avinash's Career**

Mr. Avinash Gupta is a Management Graduate and got his first break in an advertising firm in Bombay (Mumbai) in 1984. He had started his first job for a salary of Rs. 3,000 per month which was a good salary to start with, as a fresher at that time. Avinash came from a small city of Ajmer in Rajasthan and was not familiar to Mumbai. Thus, he gave majority of his time to his organisation. He was involved with creative team during that time and also worked to add new clients to the organisation. With his hard work, determination and passion for his job, he became very popular among his peers and management within a short span of time.

### **Overview of Avinash's Career Graph**

Avinash started his career by chance when he met Mr. A.S. Mathur who had been working as a manager with an advertising agency for more than fifteen years. The friendly atmosphere of the agency and his good rapport with the manager then, Mr. A.S. Mathur prompted him to be a part of this team. In few years, he was a part of 'Bull Advertising' which caters to clients confined in Mumbai. Avinash joined as a trainee and worked hard to learn every aspect of his work. He would

spend almost 12-14 working hours daily and learned all ifs and buts of the trade. He became well versed with his job and soon started taking various initiatives which proved to be beneficial for the organisation. He made trips to various parts of Maharashtra to make new clients in various cities like Nagpur, Aurangabad, Kolhapur, Nasik and particularly Pune. Within 6 years of his career he helped his organisation grow and his agency too reciprocated by giving him ample raise and promotions for his efforts. By the end of 1990, Avinash became the senior manager reporting only to Mr. A.S. Mathur who was the general manager in the firm. By end of 1990 the firm too had flourished increasing the staff strength to 67 from a meager 8 people in 1984.

### **Land Mark Year**

Bull Advertising flourished and grew. Year 1991 was the land mark year for Indian economy due to the finance minister Dr. Manmohan Singh's historic move in favor of liberalization. The scenario of the market changed dramatically with many global players gearing to enter the Indian market. Avinash looked at it as an opportunity and decided to start his own business.

### **THE INDIAN ADVERTISING MARKET**

Advertising is a leading communication power and fundamental marketing device helping to sell goods, services, images, and ideas through a channel of information and urging. It is an extremely observable force in the society. Today all of us get many advertising messages daily. Now it is imperative for the success of any type of business and industry.

In early time Indian advertising industry working at small scale but as time evolved it operated as a full-fledged industry. Its work as tertiary sector in Indian economy widened their borders and focused on creative aspects, capital employed and personnel involved in advertising industry. Quickly, the Indian advertising industry changed their scope from niche to global market. Some advertising agencies have come up with wonderful concepts and they have transformed the advertising industry. Some top advertising agencies working outstanding i.e. Ogilvy and Mathew, McCann Ericson India Ltd. etc. Now a day's Indian advertising industry enlarge their line of functions and make available host services to

their clients like media buying, creative conceptualisation, marketing research, branding and public relation services.

As per the report published by the Internet and Mobile Association of India (IAMAI) and IMRB international that the online advertising market in India will touch Rs. 3575 crore (577.97 million) by March 2015, a 30% rise from Rs. 2750 crore (US\$ 444.59 Million) in March, 2014. Of the current Rs. 2,750 crore (US\$ 444.59 million) digital advertisement market, search and display contribute the most - search advertisements comprise 38 per cent of total advertisement spends followed by exhibit advertisement at 29 per cent, as per the study. The Internet's share in total advertising revenue is likely to grow twofold from eight per cent in 2013 to 16 per cent in 2018, as per a joint report by Confederation of Indian Industry (CII) and PricewaterhouseCoopers (PwC). Online advertising, which was estimated at Rs. 2,900 crore (US\$ 468.84 million) in 2013, could jump threefold to Rs. 10,000 crore (US\$ 1.61 billion) in five years, increasing at a compound annual rate of 28 per cent. Also, according to the report, Indians paid Rs. 25,200 crore (US\$ 4.07 billion) to access the internet in 2013, a figure greater than Rs. 22,300 crore (US\$ 3.61 billion) the print media garnered in subscription and advertising.

#### REFERENCES

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#### WHAT LIES AHEAD?

There are several business questions which A to Z advertising has to find answers in order to survive in such a highly competitive market. After reading this case try to give your answers on the basis of partial report submitted by Solutions Private Ltd. and general understanding about advertising industry of India. Some questions are as follows:

1. The financial performance of A to Z advertising firm is going down during the last five years. Try to find out the main reasons for this financial down fall.
2. Calculate net profit of last five years of A to Z advertising firm.
3. Assume yourself as managing director of Solutions Private Ltd., what kind of suggestions would you give to Mr. Avinash Gupta for the betterment of his business.
4. Calculate the rate of commission charged on revenue by different advertising agencies and try to find out whether there is a significant difference between the rates of commission charged by different agencies.

**APPENDIX**

**Table 1: Statement of Profit & Loss of A to Z Advertising**

Particulars	2010-11 Amount (Rs.)	2011-12 Amount (Rs.)	2012-13 Amount (Rs.)	2013-14 Amount (Rs.)	2014-15 Amount (Rs.)
Travelling & conveyance expenses	4,00,000	4,15,000	4,35,000	4,50,000	4,95,000
Rates & taxes	60,000	60,500	62,000	64,000	65,000
Insurance premium paid	44,000	46,000	47,000	49,000	51,000
Advertisement & publicity expenses	4,00,000	4,20,200	4,31,000	4,55,000	4,86,000
General expenses	51,500	54,300	96,800	1,59,000	1,63,000
Depreciation of office equipments	70,000	68,000	66,000	67,000	64,000
Discount	32,000	31,300	34,000	36,000	33,000
Designers fees	56,000	59,000	64,000	68,000	72,500
Commissions received	40,00,000	38,60,000	34,85,000	32,95,000	30,45,000
Commission paid	60,000	61,500	60,000	68,000	77,500
Sundry debtors	12,60,000	13,45,000	12,85,000	11,95,000	13,05,000
Repairs & maintenance	76,100	78,300	92,200	99,300	1,05,100
Miscellaneous expenses	2,94,000	2,96,000	2,96,800	2,97,000	2,99,000
Salaries, wages & bonus	12,84,000	13,26,000	13,74,350	14,08,200	14,11,300
Total revenue earned	4,00,00,000	3,86,00,000	3,48,50,000	3,29,50,000	3,04,50,000
Auditors fees	1,25,600	1,29,000	1,32,350	1,36,700	1,39,600
Rent paid	6,00,000	6,00,000	6,60,000	6,60,000	6,60,000
Staff advances	12,14,000	10,82,00	17,52,000	16,84,000	15,08,00

Source: Firm Records

**Table 2: Total Revenue Earned by Some Advertising Agencies Competitive to A to Z Agency**

Name of the Agency	2010-11 Amount (Rs.)	2011-12 Amount (Rs.)	2012-13 Amount (Rs.)	2013-14 Amount (Rs.)	2014-15 Amount (Rs.)
Stylish Advertisers	3,01,11,250	3,11,49,367.1	3,43,90,604	3,59,02,069	3,97,20,567.4
Neha Advertising	98,57,272.73	1,01,35,814	94,71,627.91	90,30,697.67	1,07,29,000
Jyoti Advertising	1,99,11,111.1	1,89,64,444.4	1,86,96,000	2,16,46,303	2,26,58,490.6
Total Advertising	1,02,20,545.5	1,14,50,952.4	1,24,55,000	1,33,79,487.2	1,53,73,684.2
Komal Advertising	67,10,000	59,90,769.23	67,64,000	73,20,000	78,69,166.67
Excellent Advertising	34,59,714.29	42,45,454.55	45,96,923.08	49,26,868.04	57,55,737.70
KLC Advertisers	55,27,692.31	62,65,974.44	65,27,346.94	68,70,833.33	76,29,787.23
Ambience Designers	4,31,08,571.4	4,28,78,571.4	4,02,51,428.6	4,55,44,615.4	5,35,88,333.3
Svetlana Advertising	1,62,31,111.1	1,65,57,062.1	1,75,95,294.1	1,75,56,470.6	1,82,27,878.8

Source: Primary Probe made by Solutions Private Ltd.

**Table 3: Commission Earned for the Last Five Years of Some Advertising Agencies Competitive to A to Z Agency**

Name of the Agency	2010-11 Amount (Rs.)	2011-12 Amount (Rs.)	2012-13 Amount (Rs.)	2013-14 Amount (Rs.)	2014-15 Amount (Rs.)
Stylish Advertisers	24,08,900	24,60,800	25,62,100	26,02,900	28,00,300
Neha Advertising	10,84,300	10,89,600	10,18,200	9,70,800	10,72,900
Jyoti Advertising	17,92,000	17,06,800	16,82,640	17,85,820	18,01,350
Total Advertising	11,24,260	12,02,350	12,45,500	13,04,500	14,60,500
Komal Advertising	8,72,300	7,78,800	8,45,500	8,96,700	9,44,300
Excellent Advertising	4,84,360	5,60,400	5,97,600	6,19,800	7,02,200
KLC Advertisers	7,18,600	7,84,500	7,99,600	8,24,500	8,96,500
Ambience Designers	30,17,600	30,01,500	28,17,600	29,60,400	32,15,300
Svetlana Advertising	14,60,800	14,65,300	14,95,600	14,92,300	15,03,800

Source: Primary Probe made by Solutions Private Ltd.

**Table 4: Average Commission (Media Wise) Earned for the last five years by some Advertising Agencies Competitive to A to Z Agency**

Name of the Agency	Print Media Amount (Rs.)	Audio-Visual Media Amount (Rs.)	Internet Media Amount (Rs.)	Total Amount (Rs.)
A to Z Advertising	21,22,200	10,61,100	3,53,700	35,37,000
Stylish Advertisers	7,70,100	8,21,440	9,75,460	25,67,000
Neha Advertising	4,18,864	3,97,921	2,30,375	10,47,160
Jyoti Advertising	6,13,803	6,13,803	5,26,116	17,53,722
Total Advertising	4,94,294	4,68,946	3,04,182	12,67,422
Komal Advertising	3,64,358	3,55,683	1,47,479	8,67,520
Excellent Advertising	2,37,149	2,96,436	59,287	5,92,872
KLC Advertisers	3,37,990	3,21,896	1,44,854	8,04,740
Ambience Designers	9,00,744	7,80,645	13,21,091	30,02,480
Svetlana Advertising	5,48,917	5,48,917	3,85,726	14,83,560

Source: Primary Probe made by Solutions Private Ltd.

Note: Print media includes newspaper, magazines and outdoor advertisements etc. Similarly audio visual media includes mainly television and radio.