Advertising Amsterdam: the rise and growth of an international advertising industry
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Citation for published version (APA):
Röling, R. (2011). Advertising Amsterdam: the rise and growth of an international advertising industry
Amsterdam: Universiteit van Amsterdam

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Chapter 1: Introduction

Introduction
1.1  A dramatic shift in marketing reality

The Hamburg based advertising agency Scholz & Friends produced a short animation film titled ‘a dramatic shift in marketing reality’ (accessible on YouTube) that depicts the history and changes in marketing from the 1930s until today (Scholz & Friends, 2009). It starts by showing how consumer life was easy and orderly until the early 1960s; there were only a few brands and it was easier to make choices. Advertisers and their agencies were focused on clearly communicating the Unique Selling Propositions (USPs) of brands. Rosser Reeves, one of the most influential figures in the history of (American) advertising, founded the USP approach in the 1950s, while working for the Ted Bates agency (Mayer, 1958; AdAge, 2009b). Through endless repetition, USPs have become embedded in the collective memory of consumers all over the world. One of the most memorable USPs by Rosser Reeves is for M&Ms: ‘melt in your mouth, not in your hand’. The Emmy and Golden Globe-award winning series ‘Mad Men’ showcases a typical early 1960s advertising agency from New York’s prestigious Madison Avenue. The main character, Don Draper, was modelled after Rosser Reeves and in keeping true to the original was an avid smoker (just like the rest of the agency). In one of the episodes Don Draper came up with the USP ‘It’s Toasted’ for their client Lucky Strike, which is still visible on a packet of cigarettes. However, the origins of this slogan in reality is already much older. This is just one example of the various USPs that are used in Mad Men.

During this period, the advertising industry, with its epicentre on Madison Avenue in New York, was a major contributor to growing American power by boosting sales of American products worldwide. It was also the period during which several American advertising agencies set the stage for the internationalisation of advertising by opening offices in other countries. Some of these offices were follow-ups of previous pre-World War Two established offices that closed during the war. The advertising industry was driven in particular by the big mass production companies and advertisements reached the consumers easily through the (printed) mass media channels. The 1960s was also the decade during which the number of TVs in Dutch houses quickly increased (in the US and the UK this increase happened earlier). During the 1960s, with a limited number of TV-channels, the media landscape was limited and controlled, markets were not yet saturated, and the targeted consumers were easily to reach. The film of Scholz & Friends also emphasised this fact: ‘1965: A coverage of 80% established with only three TV-spots’.

However, the 1960s also brought the spark of social change: individualisation, urbanisation,
increasing mobility, technological changes, and increasing incomes (Van Zanden, 1997). This era is often labelled as reflexive modernisation (Beck et al., 1994; Lash & Urry, 1994) or second modernity. While the first instance of modernity refers to the construction of nation states and an industrial society, second modernity is undermining these key pillars of the first instance of modernity. In the words of Ulrich Beck et al. (2002, p.2-3), ‘reflexive modernization seems to be producing a new kind of capitalism, a new kind of labour market, global order, a new kind of society, a new kind of nature, a new kind of subjectivity, a new kind of consumerism, and a new kind of everyday life’. As a result, society had to re-invent the rules of the game, adapting to the new emerging society: the ‘Risk Society’ (Becks, 1992). ‘Risk’ implies that one has to confront the problems resulting from social and techno-economic developments. One has to deal with risk on different levels, in society in general, with respect to nature and the environment, in business, and in personal life. Life in general became less clearly organised as there were more options available within reflexive modernism. For example, the advertising industry has to operate in consumer markets that are not clearly defined.

Increasing individualisation challenged the wide spread mass-marketing approaches of the American advertising agencies, in particular their focus on segmenting large consumer groups with broadly homogeneous tastes (Beckett & Nayak, 2008). There is one scene in Mad Men in which Don Draper is reading the newspaper while commuting by train. He looks surprised to one page-filling advertisement with a lot of unused white space. Once at the office, some of his colleagues are critiquing the now-famous ‘Think Small’ print advertisement for the VW Beetle and are gasping in astonishment at the wasted white space in the ad: ‘Pretty funny, huh? None of us would make that mistake, would we?’ However, this particular advertisement, created by American agency DDB, is now considered as one of the most influential advertisements in the history of advertising. It forms one of the foundations of a (partial) shift from a ‘hard-sell’ to a more creativity-inspired ‘soft-sell’ marketing approach. This new approach was not embraced immediately by the American advertising agencies, but rather by their counterparts across the ocean in Europe, particularly in London and in Paris. Some of the newly emerging European advertising agencies would beat the Americans at their own game. This development was also reflected in Mad Men: Sterling Cooper was bought out by English advertising agency Putnam, Powell and Lowe. The old-fashioned ad-men of Sterling Cooper also had to adapt to the production of television-commercials, a medium that they initially ignored.

The Scholz & Friends animation shows that all kind of factors have made (marketing) life in today’s society less orderly and more difficult, e.g. emancipation, the media explosion, globalisation, the Internet, Web 2.0, and the knowledge society. Also, the number of brands
has expanded immensely. The animation illustrates that there were 600,000 different brands (of which many are exchangeable) in Germany in 2008; the failure rate of brands in this country is 70% (Scholz & Friends, 2009). During the past decades, the number of advertisements that a consumer has to process has increased significantly. The predictably organised world of brands and media channels of the mass production era has disappeared. Creativity and the innovative use of media channels have become more important for creating brand awareness. The large volume of advertising messages an average consumer is exposed to on a daily basis is generally referred to as ‘advertising clutter’ (Rumbo, 2002; Elliot & Speck, 1998). The number of advertisements one has to process (consciously or unconsciously) on a daily basis has massively increased since the era of mass-marketing. One source argues it has increased from a 500 a day in 1970 to roughly 5,000 a day in 2006 (Johnson, 2006). Consumers felt like they are under siege and are brand sceptic. The rise of the Internet and social media networks, has spurred new marketing approaches. Traditional advertising is increasingly being complemented or even replaced by interactive advertising, with consumers actively participating through online brand platforms. ‘Let’s get the people engaged again’, is what Scholz & Friends argue, which sums up the biggest challenge that advertisers and advertising agencies face today.

1.2 Amsterdam creative capital: a new hub in the international advertising industry

The shift in marketing had major implications for the international advertising industry. The industry needed to adapt to the saturation of mass markets and the new reality of a reflexive, digital and well-informed consumer society. The academic literature asserts that the international advertising industry is increasingly becoming polarised: large global network advertising agencies (GNAAs) vs. smaller flexible independent agencies (Du Gay, 1997; Leslie, 1997; Grabher, 2001). The GNAAs have emerged as the inventors of modern mass-marketing practices, while the independent agencies seem to be better at developing more innovative and more creatively endowed solutions that address the needs of the globalised reflexive consumer society (Röling, 2010). In a black-and-white view, the older GNAAs are generally depicted as traditional and rigid agencies, while the newer independents are depicted as the more creative and innovative and therefore better endowed to cope with this shift in marketing.
In 1992 a new office was founded by one of the most influential advertising agencies of the last decades: the independent agency Wieden + Kennedy. This Portland based agency opened an office in Amsterdam in response to their major client Nike’s opening of their EMEA (Europe, Middle East and Africa) headquarters in nearby Hilversum. The entry of Wieden + Kennedy had a significant impact on shifting the previous primarily national focus of Dutch advertising agencies. Wieden + Kennedy Amsterdam quickly became internationally acclaimed by winning prestigious advertising awards, for example at the Cannes Advertising Festival. One could argue that during the 1990s this particular agency positioned Amsterdam’s advertising industry on the international radar. A mix of branch offices from foreign independents or new founded agencies (some by Dutch professionals but also by foreigners) would follow the example of Wieden + Kennedy, including KesselsKramer, StrawberryFrog, Amsterdam Worldwide, BSUR, 180 Communications, 72AndSunny, AKQA, Taxi, Sid Lee, and Perfect Fools. This process did not remain unnoticed by influential figures in the international advertising industry, such as trend watcher and advertising executive Marian Salzman, who already in 2000 predicted that Amsterdam would become one of the future international centres for communications (O’Leary, 2000).

However, it is not only advertising that has flourished since the early 1990s. The cultural industries in general have been experiencing dynamic growth in Amsterdam and in other cities in the Netherlands. ‘Dutch Design’ in interiors, products, graphics, and architectural design, enjoys a strong reputation worldwide (Betsky & Eeuwens, 2004). Especially the Design Academy in Eindhoven yielded many renowned designers. An article in the New York Times mentions the quality of this academy and Dutch designers: ‘the best international design used to be Italian, from the Brionvega television of the 1960s to the sleek Cappellini sofas and Boffi kitchens of the last decade. But increasingly it is Dutch product designers who are making waves, especially students from a school in the southern Netherlands called Design Academy Eindhoven, which employs an unusual academic curriculum to create an education that values both the highly conceptual and eminently practical’ (Treffinger, 2003).

Some graduates of the Design Academy Eindhoven have matured into leading designers, such as Marcel Wanders, Hella Jongerius, Jurgen Bey, Tord Boontje, Maarten Baas, or the design platform Droog Design. There are also several world renowned Dutch (landscape) architects and urban planners. This group of successful architects has also been called the ‘Superdutch generation’, including, next to Rem Koolhaas’ OMA, offices such as MVRDV, Kees Christiaanse, UN Studio, and NL Architects (Lootsma, 2002). Amsterdam is also an emerging fashion city. Although the Netherlands’ major fashion education is based in the city of Arnhem, most fashion designers settle in Amsterdam and this industry exhibits
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1.3 Contribution to which debates?

The cultural industries are one of the key focal points of the economic policy of the municipal government of Amsterdam. It recognises that the cultural industries contribute substantially to economic output and, as one of the fastest growing sectors, are therefore very important for the growth of the economy in general (Rutten et al., 2004; Deinema & Kloosterman, 2009). In Amsterdam, several (semi-)governmental organisations seek to stimulate innovation, establish cross-fertilisation, organise network events, facilitate housing, and provide advice on entrepreneurship in the cultural industries. Also, the government actively lobbies to attract foreign advertising agencies to Amsterdam; the best example is the successful wooing of the Canadian agency Taxi. This multiple award winning agency was teetering between London and Amsterdam for their first European office. The municipal government organised, together with Peggy Stein from Bureau Pindakaas and the Miami Ad School, a meeting called ‘Meet Paul Lavoie’ (the founder of Taxi). He was invited to visit, experience the city and to network with people from the international advertising community in the city. In the end, Paul Lavoie opted for Amsterdam (Van Nierop, 2008; Adformatie, 2009a).

The cultural industries have become popular among policymakers as one of the key industries in urban economies in a post-industrial society. Western economies have witnessed a gradual shift away from mass production economies towards knowledge and information based economies. Knowledge and information have become the key source of productivity (Castells, 1989; Dunning, 2000; Scott, 2007). Processes of globalisation and technological change produced ‘a geographic shift of locations of manufacturing, and service activities are transforming the employment scene in adverse ways for many people, notably less educated and less skilled blue-collar workers although there has been very considerable job volatility among white-collar workers as well’ (Dicken, 1998, p.1). In particular, several Asian countries...
have emerged as the manufacturing nations of the global economy, while the old industrialised countries have transformed predominantly into knowledge-based service economies. The transition from a production-based economy into a service-based economy was accompanied with an increasing importance paid to aesthetics; this spurred the rise of cultural industries. The increasing importance of aesthetics is linked to the so-called ‘experience economy’: ‘Today consumers unquestionably desire experiences and more and more businesses are responding by explicitly designing and promoting them’ (Pine & Gilmore, 1999, p.97).

The cultural industries are important drivers of the culturalisation of everyday life and function as producers of experiences. Pierre Bourdieu (1984, p.366) used the term ‘cultural intermediaries’ to describe groups of worker who provide symbolic and aesthetic goods and services. Bourdieu distinguished between cultural intermediaries and ‘new’ cultural intermediaries. In the first group, he placed producers of cultural programmes on radio or television, journalist-writers, and editors of influential newspapers and magazines. The second group is comprised of practitioners active in design, packaging, sales promotion, PR, marketing and advertising. As the role of advertising agencies is to act as intermediary between production and consumption, the new experience economy mandated change in advertising, along the lines of providing an exciting experience and entertainment. Thus, the advertising industry is transforming from a producer service industry into a cultural industry.

I aim to make a twofold contribution with this PhD dissertation. On the one hand, it is a study of the international advertising industry in Amsterdam, which can provide in-depth understanding of one very important cultural industry that is a key employer in the city. This can further provide directions for enhancing public policy aimed at stimulating the cultural industries in Amsterdam and the Netherlands in general. On the other hand, this study will focus on examining the processes of internationalisation of advertising and the impact of globalisation on Amsterdam's advertising industry. Therefore, this study will contribute to enhancing the international/global position of the Amsterdam Region, to the body of academic literature dealing with these subjects and to the general discourse on globalisation and the role of global cities as central nodes.
1.4 Research questions & methodology

This dissertation will address the following research question:

How is Amsterdam’s international advertising industry embedded in the local context and connected to the global context?

In economic geography, the concepts of ‘local’ and ‘global’ have developed as two interrelated concepts. The local refers to cities, or city-regions, that have emerged as the central nodes in the global economy (e.g. Friedman, 1986; Sassen, 1991; United Nations, 2001; Taylor, 2004). Manuel Castells (2001, p.553) distinguished between ‘a space of places’, or localities, that are connected through ‘a space of flows’, or networks. These places (or cities) have become intertwined through electronic and interactive networks, for example through financial networks or international production networks. A few attempts have been made to draft a hierarchy of global cities, for example Immanuel Wallerstein’s world-system model (Wallerstein, 1976) and John Friedmann’s distinction between primary and secondary global cities (Friedmann, 1986). The most extensive studies on the formation of such world and global cities, which are embedded in interlocking networks of offices of advanced producer service industries, have been made by the Globalisation and World Cities (GaWC) research group of Peter Taylor. Saskia Sassen (1991, p.5) argued that a global city is distinguished by its services and financial goods. According to Taylor, the main advertising centres in the world (based on local billings) are New York, Tokyo and London. Amsterdam’s billings were comparable to cities such as Frankfurt, Sydney, or Toronto (Taylor, 2006a). One of the goals of this study will be to uncover the role of Amsterdam’s advertising industry within the global advertising industry and how its local industry is interrelated with other advertising centres in the world.

Further, it is stressed that the local (i.e. city/region) is important for the clustering of economic activities. Already in the early 20th century, Alfred Marshall observed the
importance of the local for industrial production in England and Germany (Marshall, 1920). Marshall’s ‘industrial districts’ were generally a collection of towns and factories that specialised in the production of one specific good, such as textiles or cutlery. With the gradual shift from mass production towards a production system based on flexible specialisation, from the 1970s onwards, the local clustering of economic activities became even more important (Piore & Sabel, 1984). The clustering of firms that rely on each other for specialised input (in the form of products, goods, services, or knowledge) have been identified in a wide range of different industries: car production (Fujita & Child Hill, 1995); the motion picture industry (Storper & Christopherson, 1987; Scott, 2005); the music industry (Leysbon, 2001); artisan production in (Third) Italy (Murray, 1987; Garofoli, 1991); and also in advertising (Grabher, 2002). This type of flexible specialised industrial district is also referred to as neo-Marshallian districts (Amin & Thrift, 1992; Nachum & Keeble, 2003). It is also emphasised that local clusters should be open to the outside world through global connections, or ‘global pipelines’, which are particularly important for access to new knowledge and innovation (Bathelt et al., 2004).

Next to the main research question, additional three sub-questions will be addressed:

**Research sub-question one:**

*To what extent can Amsterdam offer an environment that is favourable to attracting internationally competitive advertising agencies?*

**Research sub-question two:**

*How can the role of creativity for the advertising industry be explained and what is its relationship to growth of the local advertising industry?*

**Research sub-question three:**

*How is the production of advertising campaigns by international advertising agencies in the Amsterdam Region organised from an economic-geographical perspective?*
The research methodology used to answer these questions is a combination of different techniques. This study should be considered as a ‘single case study’, which is defined by John Gerring (2004, p.342) as ‘an intensive study of a single unit for the purpose of understanding a larger class of (similar) units’. This study will also shed light on the development of cultural industries in other global cities. It will provide insight in the international development in this case of Amsterdam’s advertising industry and also in the developments in this particular industry worldwide.

The study is more explorative than affirmative, because there is limited knowledge in the academic literature about the advertising industries in smaller cities such as Amsterdam. The three main research techniques include a historical literature review (both academic and business literature), qualitative interviews with respondents from the industry (Appendix 1 & 2), and the statistical data collection. In total, twenty-two semi-structured interviews were conducted with senior level advertising executives, both from GNAAs as well as from independent international advertising agencies. Data regarding firms and employment was collected from different research reports and from a database on employment and firm statistics in the Netherlands (LISA). For the final empirical chapter a unique dataset of advertising campaigns was collected from the major Dutch advertising business magazine Adformatie. The dataset contains 340 advertising campaigns produced between the years 2003 and 2008 by international advertising agencies from the Amsterdam Region, and it offers key information regarding the advertising agency, the client, the scope of the campaign (whether national or international), the media channels, and the subcontracted external creative partners.

1.5 Research outline and introduction to the chapters

In this final section of the introductory chapter a brief outline of the structure of this dissertation and the outline of the individual chapters will be presented. The dissertation will start by outlining the theoretical background of this study, which is followed by two chapters that will describe the historical evolution of the international advertising industry and the historical evolution of the Dutch advertising industry respectively. These three chapters will lay the foundation for the four subsequent empirical chapters.
Chapter 2 will give an overview of the main background issues and the accompanying theoretical concepts. One of the most important world-transforming forces of the last decades is globalisation. Global cities have emerged as the central nodes within the new global economic world order. Advertising is one of the key service industries; both a driving force and a large beneficiary of globalisation. Advertising is considered both an advanced producer services industry and a cultural industry. The industry is organised in dense networks of external creative specialists who produce the advertising campaigns, which all together constitutes the ‘project ecology of advertising’ (Grabher, 2002).

Chapter 3 will present the historical evolution of the international advertising industry, from the early 20th century up to today. This evolutionary process is categorised in four different phases, which are called ‘the waves of advertising’. The first two waves (one American, the other European) are grounded in the provision of mass-marketing techniques for the internationalising mass production companies. The typical exponents of these first two waves have developed into large global network advertising agencies. On the other hand, the last two waves have brought the rise of smaller, flexible and more creative advertising agencies. The exponents of these two waves are the independent advertising agencies. These two different exponents of the four different waves will be a central focus in this dissertation.

Chapter 4 will present a brief history of the Dutch advertising industry from the end of the 19th century up to today. This chapter will be subdivided in two parts; the first part will cover the evolution of the industry until World War Two, while the second part will cover the post-World War Two era. Overall, the development of the industry was crucially shaped by technological and institutional change. The Americans, as the pioneers of advertising, and later also the British played an important role in shaping the advertising industry in the Netherlands.

Chapter 5 will map the cultural economy and the advertising industry in the Netherlands and in Amsterdam. The cultural industry appears to be primarily concentrated in the so-called North Wing area of the Randstad, with Amsterdam as the cultural epicentre of the country. The largest concentration of advertising agencies and professionals is found in Amsterdam and adjacent Amstelveen.

Chapter 6 will examine the (geographical) organisational structure of both the global network advertising agencies and the independent agencies. The first group is generally organised in ‘Groups’ of a mother advertising agency and specialised daughter companies that deal with different tasks, such as interactive advertising, direct marketing, or public relations. These local groups are part of widespread worldwide office networks, which again
are managed by large holding companies owned by shareholders. The second group is organised in small intra-office networks (sometimes in only one office location).

Chapter 7 will focus on the role of creativity in the advertising industry and how this is institutionalised through a large variety of (inter)national advertising awards. By winning awards, both the advertising agencies and the individual creative professionals enhance their reputation. On the agency level, this will generally result in attracting additional clients, while on the individual level it regularly produces spin-off agencies.

Chapter 8 will examine the geography of production, i.e. the project ecology of the international advertising industry in the Amsterdam Region. The central unit of analysis is the project, i.e. the campaigns developed by the research population of international advertising agencies from the Amsterdam Region. A dataset of advertising campaigns will provide insight in the production networks of both the global network advertising agencies and the independent agencies. In the dataset a distinction is made between client networks and creative networks (such as film production companies, post-production companies, photographers, and sound studios).

Chapter 9 will close by highlighting the answers to the research questions, emphasising the general contribution of this study to the literature on economic geography, and the implications and opportunities for future research.