



Examining the Spatial Organisation of KIBS: Evidence  
from British Advertising Agencies and their Clients

A thesis submitted to the University of Manchester for the degree of  
Doctor of Philosophy in the Faculty of Humanities & Social Sciences

2022

Gerald P. K. Chan

Alliance Manchester Business School

# Table of Contents

## Contents

Table of Contents.....	ii
List of figures .....	v
List of tables .....	vi
List of Abbreviations.....	viii
Abstract .....	ix
Declaration.....	xi
Copyright Statement.....	xii
Acknowledgements .....	xiii
Chapter 1: Introduction.....	14
1.1. What Are KIBS and Why Do Their Geographies Matter? .....	14
1.2. Existing Research – A Brief Historical Overview.....	17
1.3. Addressing the Gaps – Main Research Questions .....	20
1.4. Outline of the Thesis.....	22
Chapter 2: Theoretical Foundations and Research Overview.....	23
2.1. Overview of Knowledge-Intensive Business Services .....	24
2.1.1. Definition and Features of Knowledge-Intensive Business Services.....	24
2.1.2. Classification of KIBS – Drawing Some Boundaries .....	30
2.1.3. Advertising as a Knowledge-Intensive Business Service.....	35
2.2. Spatial Patterns of KIBS – Distribution and Organisation .....	36
2.2.1. The Emergence of KIBS within Global Cities .....	36
2.2.2. Agglomeration and the Spatial Distribution of KIBS .....	38
2.2.3. Intra-firm Agglomerations and the Spatial Organisation of KIBS .....	48
2.3. Examining the Geography of KIBS Procurement .....	52
2.3.1. Heterogeneity in KIBS and the Geographies of KIBS Use.....	54
2.3.2. Christaller’s Central Place Theory – A Hierarchical Approach to Investigating the Geography of KIBS Use .....	60
2.3.3. KIBS as Agents of Internationalisation – Alleviating Liabilities of Foreignness 65	
2.4. Distilling the Key Ideas in this Thesis.....	69
2.5. Papers Included in this Thesis.....	72

2.5.1.	Papers Included in the Thesis .....	73
Chapter 3:	Research Context and Methods .....	81
3.1.	Overview of Advertising.....	81
3.2.	History of contemporary British advertising.....	83
3.2.1.	American Agencies Move Eastwards – Growth of Contemporary British advertising in the early 1900s.....	83
3.2.2.	The Arrival of the ‘Second Wave’ and the Golden Age of British advertising 1960s – 1980s .....	84
3.3.	British Advertising Today.....	88
3.3.1.	Flexible Specialisation in Advertising.....	88
3.3.2.	The Organisation of Advertising Agencies.....	90
3.3.3.	The Geography of Advertising Agencies in the UK.....	92
3.4.	Data and Methods.....	100
3.4.1.	Data Sources.....	100
3.4.2.	Methods Breakdown.....	102
Chapter 4:	Research paper 1 .....	104
4.1.	Introduction.....	105
4.2.	Literature and Priori Expectations.....	108
4.3.	Data and Methods.....	114
4.4.	Findings .....	118
4.4.1.	The Locations of the Agencies’ offices .....	118
4.4.2.	Intra-National Trade in Advertising Services and Clients’ Procurement Behaviours .....	123
4.5.	Discussion and Conclusion .....	131
4.5.1.	Theoretical Implications.....	131
4.5.2.	Practical and Policy Implications.....	136
4.5.3.	Limitations.....	137
Chapter 5:	Research paper 2 .....	143
5.1.	Introduction.....	144
5.2.	Theoretical Foundations.....	145
5.2.1.	Global and World Cities – Advanced Producer Services as Agents of Internationalisation .....	145
5.2.2.	Liabilities of Foreignness and the Alleviating Role of APS.....	148
5.2.3.	The case of Advertising Agencies .....	150
5.3.	Source Data and Methods .....	162

5.4.	Findings .....	177
5.5.	Discussion and Implications .....	186
5.6.	Limitations and Avenues for Future Research.....	189
Chapter 6: Research paper 3 .....		190
6.1.	Introduction .....	191
6.2.	KIBS and their Spatial Organisation – a Literature Review .....	194
6.2.1.	Advertising as a C-KIBS sector – Exploring the locational patterns.....	194
6.2.2.	Intra-firm agglomerations: Examining their spatial implications .....	196
6.3.	The Advertising “Group” .....	201
6.4.	Examining the Spatial Consolidation of advertising agency groups in the UK.....	210
6.4.1.	London – The Heart of British Advertising.....	211
6.4.2.	Spatial Consolidation Strategies of Advertising Agency Groups .....	213
6.4.3.	Places in Space – the location of Advertising Agency Group Complexes .....	217
6.5.	Examining the spatial choices of agency groups .....	219
6.6.	Conclusion .....	228
Chapter 7: Concluding Discussion .....		233
7.1.	Discussion of Key Findings .....	233
7.1.1.	Spatial Distribution and Organisation of KIBS .....	233
7.1.2.	KIBS and the Geography of their Markets.....	236
7.2.	Contributions for Research.....	241
7.3.	Policy Implications.....	Error! Bookmark not defined.
7.4.	Limitations of the Thesis.....	244
7.5.	Future Research Avenues.....	247
Bibliography.....		249

Word Count: 54740

## List of figures

Figure 1: UK Net Imports of Selected KIBS Sectors 1997–2020 .....	16
Figure 2: KIBS as a Sub-Set of Producer Services (Bryson et al., 2008) .....	26
Figure 3: Range and Threshold of a Central Place.....	62
Figure 4: Breakdown of Publicis Groupe's networks. Source: Publicis .....	91
Figure 5: GVA of Advertising in the UK from 2010 to 2019 Source: ONS .....	93
Figure 6: Billings of Top 50 Creative Agencies in 2016 Source: Campaign.....	93
Figure 7: Map of Employment in Advertising Agencies Source: ONS .....	95
Figure 8: Advertising Employment in LEPs from 2009-2019.....	96
Figure 9: Employment in Advertising Agencies by Travel to Work Area and their Ad Agency Location Quotients .....	113
Figure 10: Relationship between Client Characteristics and Agency Choice .....	157
Figure 11 - Total Billings and Clients' Share of Agency Billings for 2012 .....	169
Figure 12 - Visualisation of £2.5m cut off.....	170
Figure 13: Top 100 Advertising Agencies in London from Campaign (2017) .....	212
Figure 14: Traditional working patterns versus transformed working patterns .....	226

## List of tables

Table 1: Previous Attempts at Defining KIBS (Chronological Order) .....	24
Table 2: Schnabl and Zenker's (2013) Classification of KIBS Activities in NACE 2 .....	32
Table 3: Matrix of Agglomeration Effects .....	40
Table 4: Building Blocks of this Thesis .....	72
Table 5: Synthesis of Papers.....	77
Table 6: Authorial Attribution of Research Papers.....	80
Table 7 - The Location of the Regional Agencies by TTWA, Aggregated Billings and Clients .....	119
Table 8 - The Extent of Client-Agency Co-location by Travel to Work Area.....	126
Table 9: The Classification of Client-Agency Dyads by Behavioural Groups .....	129
Table 10: List of Adjoining TTWAs used in the dataset.....	140
Table 11 – Fitting power curves to Ranked Top Advertisers by Billings data, various years. ....	165
Table 12 – Estimating Client’s Billings based on Agency Total Billings and Number of Accounts.....	168
Table 13 – Billings by Size Band and Agency Types (by Accounts and weighted by billings).....	172
Table 14 - Billings by Size Band and Client Types (by Accounts and weighted by billings).....	176
Table 15 - The Allocation Accounts by Client and Agency Types & deviations from “the expected” (by accounts) .....	180

Table 16 - The Allocation Accounts by Client and Agency Types & deviations from “the expected” (accounts weighted by billings) .....	182
Table 17 - The Allocation of Clients to Agency Types & deviations from “the expected”: Products .....	183
Table 18 - The Allocation of Clients to Agency Types & deviations from “the expected”: Services.....	185
Table 19: Comparison between intra-firm and inter-firm agglomerations.....	201
Table 20: Big 4 agencies and their major subsidiary advertising agencies .....	207
Table 21: Applicability of intra-firm agglomerations to KIBS.....	229

## List of Abbreviations

APS	Advanced Producer Services
BRES	Business Registry and Employment Survey
CBD	Central Business District
C-KIBS	Creative Knowledge-Intensive Business Service
DDB	Doyle Dane Bernbach
DKB	Differentiated Knowledge Base
FAME	Financial Analysis Made Easy
FATA	Foreign Assets as a Percentage of Total Assets
FSA	Full-Service Agency
FSTS	Foreign Sales as a Percentage of Total Sales
GUO	Global Ultimate Owner
HQ	Headquarters
ICT	Information and Communications Technology
IPG	Interpublic Group
KIBS	Knowledge-Intensive Business Services
LEP	Local Economic Partnership
LQ	Location Quotients
MAR	Marshall-Arrow-Romer Externalities
MBS	Media Buying Services
ME	McCann Erickson
MP	Marschalk Pratt
NACE	Nomenclature statistique des activités économiques dans la Communauté européenne
NAICS	North American Industrial Classification System
ONS	Office of National Statistics
P-KIBS	Professional Knowledge-Intensive Business Services
PR	Public Relations
PSF	Professional Service Firms
R&D	Research and Development
SME	Small and Medium Enterprises
T-KIBS	Technology-based Knowledge-Intensive Business Services
TTWA	Travel to Work Areas
UKSIC	UK Standard Industrial Classification Codes
UX	User Experience



# Abstract

The University of Manchester

Name: Peng Khoon Gerald Chan

Degree title: PhD in Business and Management

Thesis title: Examining the Spatial Organisation of KIBS: Evidence from British Advertising and their Clients

Date: 10 Feb 2022

The focus of this thesis lies in trying to understand the spatial organisation of KIBS. Through the British advertising industry's empirical lens, this thesis seeks to contribute towards the understanding of both the spatial distribution of KIBS and their spatial relationships with their clients. Included in this thesis are three research articles that seek to address these two focal points.

The first paper of the thesis contributes by mapping out the location of the top advertising outside of the largest metropolitan area – London, as well as to examine the spatial characteristics of their procurement. Through the use of a novel dyadic dataset, this paper contributes two main findings. Firstly, this paper shows that outside of Central London, advertising agencies are relatively footloose. It even identifies several top regional agencies located in unexpected places. This suggests that outside of London, agglomeration effects are not as critical as imagined within the literature. Secondly, this paper also contributes by highlighting the presence of ‘reverse Christallerian’ patterns of procurement behaviour which raises some questions surrounding the tradability of KIBS.

While the first paper 1 outlines the patterns of KIBS procurement, paper 2 examines forces that influence clients’ choice of advertising agencies. Building on the ideas of the Global City and liabilities of foreignness, this article seeks to demonstrate how the extent of internationalisation can influence clients’ choice of advertising. The findings suggest that a high degree of internationalisation amongst

clients increases their tendencies to fulfil their advertising needs from the most internationalised advertising agencies. Such exogenous forces pose a challenge to a line of inquiry within KIBS research that tends to assume demand for KIBS is localised.

Finally, the third paper investigates the spatial consolidation of advertising agency networks that is a trend that is currently transforming the British advertising landscape. Besides, this article also investigates new hotpots of advertising far away from the British advertising sector's traditional home of Soho and Fitzrovia. This article contributes by developing propositions surrounding the rationales and limitations of such a strategy.

# Declaration

I, Peng Khoon Gerald Chan declare 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.

In addition, I declare that for the three papers which collectively form this thesis, I was in charge of developing the ideas, collecting, and analysing data and drafting the papers.

## Copyright Statement

- i. The author of this dissertation (including any appendices and/or schedules to this dissertation) owns certain copyright or related rights in it (the “Copyright”) and s/he has given The University of Manchester certain rights to use such Copyright, including for administrative purposes.
- ii. Copies of this dissertation, either in full or in extracts and whether in hard or electronic copy, may be made only in accordance with the Copyright, Designs and Patents Act 1988 (as amended) and regulations issued under it or, where appropriate, in accordance with licensing agreements which the University has entered into. This page must form part of any such copies made.
- iii. The ownership of certain Copyright, patents, designs, trademarks and other intellectual property (the “Intellectual Property”) and any reproductions of copyright works in the dissertation, for example graphs and tables (“Reproductions”), which may be described in this dissertation, may not be owned by the author and may be owned by third parties. Such Intellectual Property and Reproductions cannot and must not be made available for use without the prior written permission of the owner(s) of the relevant Intellectual Property and/or Reproductions.
- iv. Further information on the conditions under which disclosure, publication and commercialisation of this dissertation, the Copyright and any Intellectual Property and/or Reproductions described in it may take place is available in the University IP Policy, in any relevant Dissertation restriction declarations deposited in the University Library, and The University Library’s regulations.

# Acknowledgements

This PhD journey has undoubtedly been one of the most challenging yet rewarding endeavours that I have embarked upon. Nevertheless, I have been blessed to have had several important people throughout the journey that made the completion of this thesis possible.

First and foremost, I would like to extend my sincere gratitude to my supervisor, Prof Bruce Tether, for whom I have the highest admiration and respect. I am extremely thankful for the patience that you have extended towards me and the tough but fair feedback that you have constantly provided. You are a source of inspiration and I will never forget the lessons and nuggets of wisdom you have provided me with. Thank you for making this PhD journey as bearable as possible. My gratitude is also extended to my former co-supervisor, Prof Marcela Miozzo, who encouraged me to begin embarking on this journey. I will also remember the wisdom you have imparted upon me.

I am also thankful for the friends and kindred spirits I have met throughout this journey. To my fellow musketeers Paul and Brian, thanks for providing a curious blend of intellectually stimulating discussions and constant laughter. To Nestor, it is with great regret you cannot witness the completion of this thesis, although I am sure you are in a better place right now. A shoutout to others such as Jihye, Dhruba, Steve, Yingyin, Yaomin, Wesley, Jie, Qun, and Yao; thanks for the joy and support you all have brought to my PhD life. To all I have missed, I sincerely apologise.

Special mention goes to the most adorable Yaoyao, a constant pillar of support over the years. I am looking forward to our reunion soon.

Finally, I would like to express my deepest gratitude to my family who have raised me up to where I am today. Your everlasting support has given me the strength to keep going. Looking forward for the chance to repay this debt of gratitude

# Chapter 1: Introduction

From the specialised law firms of the Magic Circle to the Big 4 advertising networks and accounting firms, a central theme amongst the largest knowledge-intensive business services (KIBS) firms is their location within the busiest and most prosperous urban and metropolitan regions (Rubalcaba *et al.*, 2013). The considerable presence of KIBS firms across global cities such as New York, London, Paris and Singapore highlights the extent to which their spatial choices and strategies are bounded by place and space.<sup>1</sup>

## 1.1. What Are KIBS and Why Do Their Geographies Matter?

What exactly are KIBS? Although there are a plethora of attempts to define KIBS, they are widely accepted as intermediate service firms that ‘apply knowledge to support their clients’ business processes – to provide solutions to problems that the clients are encountering’ (Miles, 2012). That is, not only are they users of knowledge, they are also simultaneously producers and sellers of knowledge (Pina and Tether, 2016). Over the last decade, the KIBS sectors have seen significant expansion. Within the UK, employment in KIBS sectors grew by approximately 15% from 2009 to 2019<sup>2</sup>. This surge can be attributed to the increasing specialisation of organisations (Miles *et al.*, 1995) brought about by the onset of globalisation. As a response to the organisational complexities created by the new macroeconomic environment, firms began focussing

---

<sup>1</sup> As observed in the spatial distribution of multinational KIBS firms and networks.

<sup>2</sup> Obtained from the Business Register Employment Survey (BRES) conducted annually by the ONS.

and channelling their finite resources on their core competencies (Hamel and Prahalad, 1990) and outsourcing management functions and activities that are costly to perform in-house or for which they do not have available expertise. By doing so, firms have been able to utilise their resources more productively.

With the ever-increasing emphasis on knowledge in the new knowledge-based economy (Aslesen and Isaksen, 2007), particularly in advanced economies, KIBS firms and sectors are increasingly seen as intermediaries of knowledge, responsible for the creation and diffusion of specialised knowledge (Corrocher and Cusmano, 2014; Muller and Zenker, 2001). Specialised knowledge provided by KIBS firms involved in market research, consultancy and design amongst others is critical to the generation of innovations (e.g. development of innovative business/organisational processes and products) (Simmie and Strambach, 2006). In addition, KIBS such as law and advertising firms also serve as bridges of internationalisation by helping foreign clients understand the differing regulations and socio-cultural contexts of local markets (Miles, 2005). As such, their contributions to the knowledge economy go beyond merely the employment opportunities they provide (Miles, 2005). This heightened importance of KIBS firms and sectors to the overall British economy, which has witnessed a progressive shift from an industrial economy to one that is more reliant on a knowledge-based service economy (Begg and Mushövel, 2016), is reflected in Figure 1, which outlines the growth in net exports of key KIBS activities from 1997 to 2020.

The key question, then, is why do their spatial patterns matter? As key components of regional and local innovation systems (Corrocher and Cusmano, 2014), KIBS have

the potential to drive regional innovation performance and economic growth. Indeed, Corrocher and Cusmano (2014) argue that KIBS feature strongly in high performing regions while a dearth of KIBS activity is a defining trait of poorer performing regions. Simply put, regions with high employment shares in KIBS sectors are characterised by relatively high productivity and thus higher wealth per capita (Backman, 2014; Zhang, 2016).

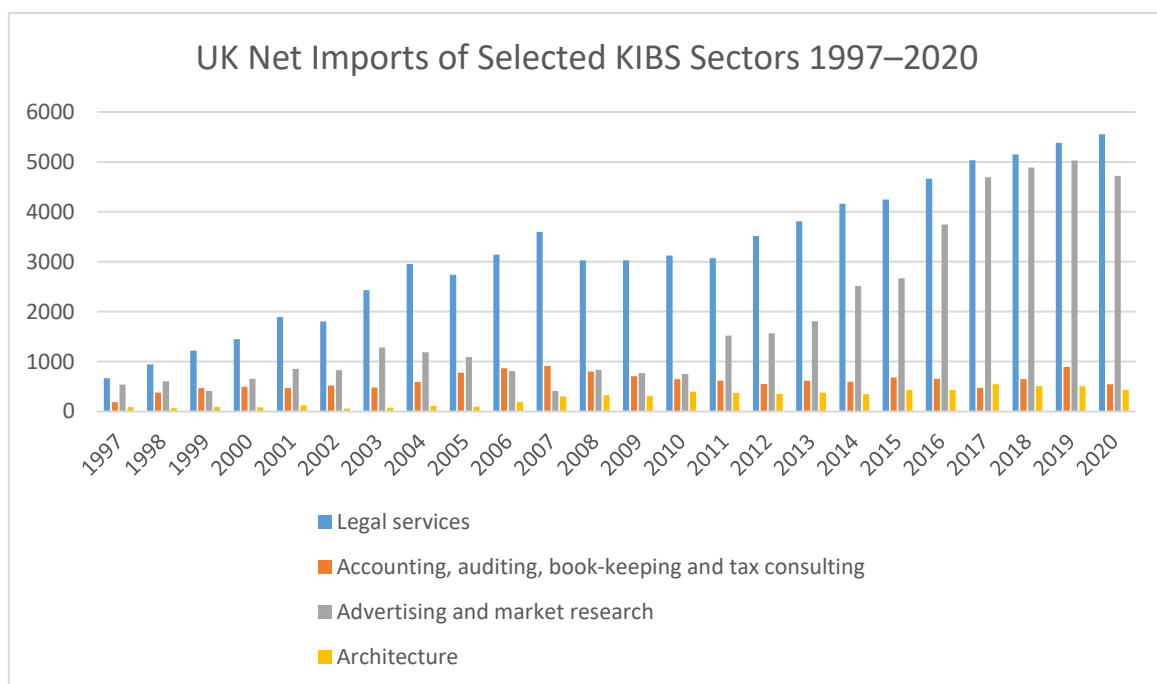


Figure 1: UK Net Imports of Selected KIBS Sectors 1997–2020

Despite the lack of consensus surrounding such a claim, the fact that KIBS tend to be located in the largest urban and metropolitan areas, as described above, suggests that the spatial inequalities that occur across Western Europe and North America (Cörvers and Mayhew, 2021; González, 2011; Logan *et al.*, 2021) can be partially explained by the spatial concentration of KIBS. Highly urbanised cities and metropolitan regions attract a ‘critical core of highly educated and productive workers, knowledge workers’



(Yigitcanlar et al., 2008, p. 6). This serves as a self-reinforcing circular mechanism whereby KIBS firms are lured towards these hubs with thick markets of such specialised labour, further exacerbating the spatial disparities of knowledge across regions (Shearmur and Doloreux, 2021).

On a more optimistic note, KIBS are also a possible tool for addressing these regional inequalities, as the development of carefully selected KIBS activities could lay the foundations of growth in lagging or rural regions. For instance, Shearmur and Doloreux (2021) demonstrate that KIBS can support the growth and success of emerging industries and clusters in rural areas through the provision of knowledge, particularly KIBS that are related to local know-how and the particular strengths of a cluster within rural regions. Clearly, the spatial distribution and strategies of KIBS warrant further investigation given the dire consequences that can emerge from such spatial inequalities (Rodríguez-Pose, 2018; Rodríguez-Pose *et al.*, 2021) and the potential of KIBS to address and alleviate these spatial imbalances.

## 1.2. Existing Research – A Brief Historical Overview

The origins of the earliest attempts at understanding the various spatial aspects of KIBS can be traced to the work of economic geographers across the UK, Western Europe (Van Dinteren, 1987) and North America (Beyers and Alvine, 1985; Coffey and Polèse, 1987; Polese, 1982), beginning in the early 1980s. Featured prominently within this body of literature are contributions surrounding two key themes. The first of these relates to understanding the locational and spatial choices of KIBS firms and

sectors. British economic geographers such as Marshall and Daniels quickly acknowledged the uneven spatial distribution of KIBS, which was led by London (Gillespie and Green, 1987), and turned their attention towards the KIBS in provincial regions outside of the Greater South East instead. The result was a series of works that mapped KIBS firms and sectors in northern and midland conurbations such as Manchester, Leeds and Birmingham, as well as the obstacles towards a rebalancing of KIBS representation (e.g. external control from head offices in London and the Greater South East) and the role that KIBS play for their local economies (Daniels, 1983; Marshall, 1983; Marshall *et al.*, 1987).

Extending and building upon the contributions in the first theme, scholars also sought to unpack the spatial elements of the demand for KIBS, which were reflected in the geography of their markets, and how this influenced the competitiveness of KIBS across various regions. The rationale behind trying to understand the geography of markets lies in the intangibility that is characteristic of services. As put forward by Miles *et al.* (1995, p. 6), services, unlike goods, ‘cannot be dropped on one’s foot’. An outcome of such an observation is that costs involved in the ‘transportation’ of KIBS offerings are conceptually different from that of goods and products. Thus, scholars such as O’Farrell *et al.* (1992, 1995) and Hitchens *et al.* (1994, 1996) were particularly interested in determining the extent to which the production and procurement/consumption of KIBS are geographically bounded. What do the geographical structures of their markets look like? To what extent is demand for KIBS

located in the periphery localised? These were the questions that they sought to answer<sup>3</sup>.

At the turn of the millennium, the concept of knowledge began taking its position as the centrepiece in economic geography research. Fittingly, research on KIBS within economic geography also began highlighting the role of knowledge in shaping their geographical outcomes. The idea is that spatial proximity facilitates face-to-face contacts and non-market interactions, which stimulate the *intra*-industry flow of knowledge, particularly stickier forms of knowledge, for example, tacit (Howells, 2002) and synthetic/symbolic knowledge (Asheim, 2007; Asheim and Hansen, 2009) across these KIBS firms. In addition to intra-industry knowledge flows, KIBS have been shown to benefit from the spillovers of *inter*-industry knowledge, which can only be found in places that can sustainably house a broad and diverse range of industries (Beaudry and Schiffauerova, 2009). Given that KIBS serve as ‘vectors of knowledge exchange’ (Shearmur and Doloreux, 2008, p. 336), the reasonable conclusion is that these firms benefit from the abovementioned knowledge flows and seek out knowledge-rich and ‘buzzy’ urban places (Storper and Venables, 2004), thus explaining the patterns of KIBS concentration at the top of the urban hierarchy that were observed by economic geographers in the 1980s.

---

<sup>3</sup> The conceptualisations of service tradability will be unpacked further in the next chapter.

### 1.3. Addressing the Gaps – Main Research Questions

Upon reflection on the literature related to the economic geography of KIBS, this thesis identifies several gaps and issues that, if addressed, can help further our understanding of KIBS and their spatial logic. Despite keen interest amongst economic geographers in the 1980s to the early 1990s, research on the locational choices of KIBS, particularly those located outside of the core regions, appears to have since gone out of fashion. Moreover, while the broader agglomeration literature has been very helpful in elucidating the spatial patterns of KIBS, it must be acknowledged that it is heavily focused on supply-side forces<sup>4</sup>, and demand forces are given significantly less attention. Building on the extant literature, the thesis addresses this gap in two ways. First, it investigates whether the spatial distribution of KIBS in provincial conurbations, as well as the geographic patterns of their procurement identified in the 1980s, remain valid today. Second, it presents an alternative demand-side explanation as to how KIBS firms located at the top of the urban hierarchy reinforce their competitiveness over regional KIBS firms – their ability to attract the largest and most internationalised clients.

The agglomeration literature also tends to assume KIBS firms as single-unit entities and focus on inter-firm relationships and exchanges within a cluster rather than intra-firm agglomerations. Intra-firm agglomerations here refer to ‘spill-in’ benefits (and frictions) accrued to firms when employees and sister business units are co-located or

---

<sup>4</sup> Examples include knowledge spillovers and shared infrastructure and resources.

located close to each other (Rawley and Seamans, 2020). KIBS firms today are presented with greater possibilities in terms of their spatial configurations due to advancements in information and communication technologies (ICT) and transportation technologies, which has reduced the costs of control and coordination (Langlois, 2003). These spatial choices include both tactical issues (e.g. office arrangements, which units to place together) and broader strategic considerations (e.g., centralisation versus decentralisation) (Tether *et al.*, 2012). These choices have clear strategic implications, and thus it is crucial to examine intra-firm agglomerations to expand our understanding of the considerations behind these complex spatial decisions. In addition, mindful of the coronavirus pandemic, which has turned remote working arrangements into the norm rather than the exception, the limited emphasis on intra-firm agglomerations also underplays the impacts of the pandemic and new working arrangements on the broader strategy and performance of KIBS firms. Thus, another objective of this thesis is to examine the differing spatial strategies of multi-unit KIBS firms.

To summarise the primary interests of this thesis, the following overarching research question, which seeks to address the abovementioned research gaps, has been developed:

*RQ: How are KIBS firm organised and distributed across space, and how does this relate to the spatial structure of their markets?*

## 1.4. Outline of the Thesis

This thesis is structured as follows: Chapter 2 provides the theoretical foundations concerning the role and emergence of KIBS and theories surrounding their spatial distribution. Chapter 3 provides an overview of British advertising, focusing on its history and development, and a brief discussion of advertising procurement. Chapters 4, 5 and 6 contain the three empirical papers that constitute the thesis's main original work.

## Chapter 2: Theoretical Foundations and Research

### Overview

Chapter 1 introduced the key objectives and questions that this thesis seeks to address. The goal of this chapter is to outline the theoretical foundations of the thesis. Based on the preliminary understanding of KIBS provided in Chapter 1, this chapter begins with an overview of knowledge-intensive business services (KIBS), which are alternatively referred to as advanced producer services (APS). By doing so, this section outlines the features of KIBS that will have an impact on their spatial organisation and distribution. This overview also includes the classification of KIBS which serve as broad reference frames which can be adopted to identify any particularities or variance in spatial patterns.

In the subsections that follow (2.2 and 2.3) a discussion of the critical concepts that will be adopted later in the thesis is presented. These concepts are classified based on the two major themes within the geography of KIBS – (1) their spatial distribution across place and space, and (2) the geographies of their use. This chapter is then concluded with a breakdown of the concepts used, and an overview of the three research papers that follow in Chapters 4,5, and 6)

## 2.1. Overview of Knowledge-Intensive Business Services

### 2.1.1. Definition and Features of Knowledge-Intensive Business Services

Ever since the concept of KIBS was introduced to the literature by Miles *et al.* (1995), there have been multiple attempts to try to define what they are. Table 1 provides a list of some of the more recognised definitions. Despite the lack of a unified definition of KIBS, a few observations surrounding their features, characteristics and functions can be observed from these definitions: they are (1) highly knowledge-intensive and (2) business-related services (see Figure 2) that (3) provide bespoke solutions based on knowledge and expertise.

Table 1: Previous Attempts at Defining KIBS (Chronological Order)

Definition of KIBS	Author(s)
Services that involve economic activities which are intended to result in the creation, accumulation or dissemination of knowledge.	Miles <i>et al.</i> (1995, p. 18)
Private companies or organisations; relying heavily on professional knowledge, i.e. knowledge or expertise related to a specific (technical) discipline or (technical) functional domain; and, supplying intermediate products and services that are knowledge based.	Den Hertog (2000, p. 10)
Enterprises whose primary value-added activities consist of the accumulation, creation, or dissemination of knowledge for the purpose of developing a customized service or product solution to satisfy the client's needs.	Bettencourt <i>et al.</i> (2002, p. 100)
Services that provide knowledge-intensive inputs to the business processes of other organisations.	Miles (2005, p. 39)
Business services that are knowledge based, both based on social and institutional knowledge or more technological knowledge.	Miozzo and Grimshaw (2005, p. 1420)
KIBS are mainly concerned with providing knowledge-intensive inputs to the business processes of other organisations, including private and public sector clients.	Muller and Doloreux (2009, p. 65)



Knowledge intensity here suggests that KIBS are intense users of knowledge and are simultaneously also brokers and intermediaries of professional knowledge and expertise, which are mainly embedded in human expertise (Kärreman, 2010; Miles *et al.*, 1995; von Nordenflycht, 2010). Examples of such knowledge include but are not limited to knowledge of regulations and laws, marketing expertise and management processes (Miles, 2012). Essentially, the core of these firms is to acquire, create and apply institutional, technological or social knowledge to serve their clients' best interests by providing a solution or performing specific tasks (Bettencourt *et al.*, 2002; Miozzo and Grimshaw, 2005; Muller and Doloreux, 2009). Business services here suggests that these firms provide these services, often embodied as specialist knowledge or expertise, primarily to other firms and organisations as an intermediate input within the entire production network rather than for the final consumption of individuals and households (Miles *et al.*, 1995).

Producer services	Business-related services	Professional services	<ul style="list-style-type: none"> <li>• Accountancy</li> <li>• Legal services</li> </ul>
		Knowledge-intensive business services (KIBS)	<ul style="list-style-type: none"> <li>• Personnel training</li> <li>• Headhunting</li> <li>• Management consultancy</li> <li>• Market research</li> <li>• Public relations &amp; marketing</li> <li>• Tax advisors</li> <li>• Technical services (engineering)</li> <li>• Computer services</li> <li>• Industrial design</li> </ul>
		Goods-related services	<ul style="list-style-type: none"> <li>• Distribution and storage of goods, wholesalers, waste disposal, transport management</li> <li>• Facility management</li> <li>• Installation, maintenance and repair of equipment</li> <li>• Administration, bookkeeping</li> <li>• Security services</li> <li>• Catering services</li> <li>• Couriers/telecommunications</li> </ul>
Financial and insurance services			
Consumer services that provide services for both final and intermediate consumption (health services, personal travel and accommodation)			

Figure 2: KIBS as a Sub-Set of Producer Services (Bryson *et al.*, 2008)

Because of the importance of these firms as knowledge brokers and key intermediaries within local production and innovation systems (Pinto *et al.*, 2015), they are often considered as engines of growth, productivity and competitiveness within the knowledge economy, including in peripheral regions (Desmarchelier *et al.*, 2013; Pinto *et al.*, 2015; Wood, 2006a).

If knowledge intensity separates KIBS from other business services, it is imperative to unpack what knowledge intensity means. As demonstrated by Starbuck (1992), there are many knowledge dimensions that complicate our understanding of knowledge intensity. First, he argues that knowledge in itself is a ‘stock of expertise’ (p. 716) and

not the flow of information into the company. Knowledge can thus be seen as asset stocks that can only be accumulated over time through the consistent processing and storage of information flows (see Dierickx and Cool, 1989). This suggests that knowledge-intensive firms comprise a deep pool of expertise that has been cultivated and expanded over a period of time. He also emphasises esoteric knowledge and expertise over common knowledge as a distinguishing characteristic of knowledge intensity. The rationale behind such an intuition is that value creation occurs through the domain of esoteric knowledge due to its rarity and inimitability compared to widely available common knowledge, which serves as a source of competitive advantage (Kärreman, 2010).

Furthermore, Starbuck argues that expertise within knowledge-intensive firms is not necessarily solely embedded in its human capital but can also manifest in its organisational routines and cultures. These routines serve as a form of organisational memory repository, whereby organisations deposit solutions and prior experiences that they can draw upon in the future (Becker, 2004). As Nelson and Winter (1982, p. 99) propound, the ‘routinisation of activities in an organisation constitutes the most important form of storage of the organisation’s specific operational knowledge’.

However, von Nordenflycht (2010) argues that knowledge for KIBS or, as he calls them, professional service firms (PSFs) are primarily embodied in their human capital. He asserts that Starbuck’s interpretation of knowledge intensity would mean that firms with strongly embedded routines (e.g., McDonald’s) would also be considered to be knowledge-intensive. Indeed, this creates an overly broad categorisation of knowledge

intensity that would include producer services that do not involve the assimilation and processing of complex non-standard and non-routine knowledge of an intellectual nature (Muller and Doloreux, 2009).

In terms of empirically measuring the knowledge intensity in KIBS, which is centred on human capital intensity, employee qualifications typically act as a proxy for intellectual skills (Kapyła *et al.*, 2011; Miles, 2005). It is worth noting, however, that such an approach is not without its weaknesses, as the use of formalised graduate employment privileges certain forms of knowledge, even in sectors such as advertising that value reputation and craft at least as much as formal education.

Given that the knowledge intensity in KIBS is embodied in their skilled labour, von Nordenflycht (2010) also stresses that these firms tend to be comparatively less capital-intensive. This indicates that the production of knowledge-intensive business services is comparatively less dependent on significant investments in non-human assets such as heavy machinery or inventory. Capital expenditure for these firms tends to include productivity-based office equipment such as computers and other ICT-related technologies. A consequence of the reduced capital intensity is that these firms are, in theory, more footloose, as their key assets (i.e. the skilled workforce and their laptops) are more mobile than heavy machines (Senn, 1993; von Nordenflycht, 2010).

Another element of KIBS is the intangibility that their service nature brings (Zeithaml *et al.*, 1985). Intangibility refers to the notion that service offerings are often immaterial and rarely take a physical form (Massini and Miozzo, 2012). This is also the

characteristic of services that is most commonly cited as the fundamental difference between manufacturers and service providers, with some authors even going as far as to suggest that intangibility determines whether an offering is a product or service (Bitner, 1990; Bitner and Hubbert, 1994; Zeithaml et al., 1996). Within the realm of KIBS, intangibility is most pronounced in providers of advice such as law firms and management consultants. It must be acknowledged, however, that although the procurement of certain KIBS may result in tangible outputs such as blueprints or prototypes, what clients are truly paying for is the intangible expertise behind these tangible outputs, which is difficult if not impossible to evaluate before consumption and procurement. The emphasis on knowledge and expertise makes it a challenge to ascertain the quality and value of KIBS providers and raises questions with regards to whether or not the provision of these ‘credence services’ can be detached from space.

A final feature of KIBS observed from the list of definitions is that KIBS are highly customised and adapted to the needs of their clients (Hipp *et al.*, 2003). The customisation of KIBS provision can arguably be explained by the uniqueness of client requirements as well as the difficulties in replicating service offerings due to the heterogeneous nature of services, which makes the standardisation and mass production of services difficult (Zeithaml *et al.*, 1985). In reality, however, KIBS have been shown to provide standardised offerings or customised versions of standardised services (Hipp *et al.*, 2000). Thus, there is a need to consider the variation in standardisation across KIBS sectors because the nature of their offerings have an

impact on how they are transmitted which subsequently will impact the spatial patterns of their use as discussed in 2.3.

In total, three broad service types of KIBS (with regards to their standardisation) can be distinguished: apart from the (1) customised and (2) standardised services mentioned above, there are also KIBS that are modular. Modularity within KIBS refers to an alternative service architecture whereby the service consists of several standardised modules that can be combined and mixed to obtain various service configurations (Zieba, 2018). Indeed, scholars have argued that the intangible nature of services implies that modularity is relatively easier to conceptualise and implement due to the lack of a physical interface (Baldwin and Clark, 1997; Papathanassiou, 2004).

It is evident that the nature of the service offering with regards to standardisation versus customisation has an impact on client-provider relationships, as the different service nature requires varying levels of customer interaction and involvement (Bettiol *et al.*, 2015). Thus, the extent of customisation plays a role in shaping the spatial patterns of procurement and will be discussed later within this chapter.

### 2.1.2. Classification of KIBS – Drawing Some Boundaries

Two of the biggest challenges in achieving a better understanding of KIBS are the inconsistencies and ambiguities that emerge from trying to identify them, i.e. what exactly are they, and which sectors should be considered as KIBS? As such, the classification of KIBS is an important endeavour to avoid confusion when applying a

familiar term – KIBS – that has been applied in many different ways (Miles *et al.*, 2018).

From an empirical perspective, the definition and demarcation of KIBS are mainly conducted based on official industrial classifications such as the North American Industrial Classification System (NAICS) in North America and the Nomenclature statistique des activités économiques dans la Communauté européenne (NACE) within Europe. Although these standardised industrial categories are commonly used within their respective contexts, the various studies of KIBS have shown variation with regards to which (sub)sectors should be considered as KIBS.

Within Europe, scholars such as Baláž (2004) have applied a broad approach to demarcating KIBS by including subsectors 64 to 67 and 70 to 74 within the NACE Rev. 1 classification. In contrast, others have opted for a much narrower approach. For instance, Miles (2005) defines KIBS as those belonging to subsectors within 72 to 74, with the exception of 74.6 (investigation and security services), 74.7 (cleaning services), 74.82 (packaging activities) and 74.83 (translation and secretarial services). Similarly, Muller and Zenker (2001) only considered sectors 72 and 74 in their study. Based on comparison of various studies, it can be observed that scholars (within Europe) agree that subsectors 72 to 74 within NACE Rev. 1 are widely accepted as KIBS sectors, disagreeing with others who adopt a broader approach to classifying KIBS (Zieba, 2018).

It is worth noting that the NACE classification underwent a major revision in 2008. Although few studies on KIBS have adopted this new classification scheme (Zieba, 2018), Schnabl and Zenker (2013) have provided a clear attempt at proposing a means of identifying KIBS sectors. Within their study, they have proposed that subsections 62 and 63 (i.e. newly created computing, programming and ICT services), as well as 69 to 73 fit within the definition of KIBS (see Table 2). This new classification comes with certain exclusions due to changes in industrial classification such as the repair of machinery (72.5 to 33.12) and office equipment (72.5 to 95.11), as well as some new inclusions such as the installation of computer hardware (30.02 to 62.09).

Table 2: Schnabl and Zenker's (2013) Classification of KIBS Activities in NACE 2

KIBS classification NACE Rev. 2	Description of section	Description of division
Section J, division 62	Information and communication	Computer programming, consultancy and related activities
Section J, division 63	Information and communication	Information service activities
Section M, division 69	Legal and accounting activities	Legal services and accounting related services
Section M, division 70	Information and communication	Activities of head offices; management consultancy activities
Section M, division 71	Professional, scientific and technical activities	Architectural and engineering activities; technical testing and analysis
Section M, division 72	Professional, scientific and technical activities	Scientific research and development
Section M, division 73	Professional, scientific and technical activities	Advertising and market research



Within North America, the NAICS is adopted as the primary industrial classification system. As with the NACE in Europe, there are certain codes that are widely accepted as KIBS: 54, which includes professional, scientific and technical services (analogous to Section M in NACE) such as advertising (5418) and legal services (5411), and some elements of 51, which includes information and cultural industries (equivalent to Section J) such as data processing services (5182). What is particularly interesting within North American studies, however, is the inclusion of sectors that are not considered as KIBS within European studies. For instance, Eberts and Randall (1998) and Shearmur and Doloreux (2008) consider supporting activities for transportation sectors (e.g., air and rail) and resource-based sectors (e.g. oil and gas extraction, mining and forestry) as KIBS.

#### 2.1.2.1. Mapping KIBS Classifications onto Industrial Codes

Reflecting upon the heterogeneity that exists across KIBS sectors (Malhotra and Morris, 2009; Pina and Tether, 2016), scholars have acknowledged that classification of KIBS is necessary (Zieba, 2018). Variations between KIBS have been shown to have spatial implications (Tether *et al.*, 2012; Tordoir, 1994); as such, it is important not to consider them as a homogeneous group and to understand how they differ.

Conceptually, the most popular approach to classifying KIBS has been to categorise them into technology-oriented KIBS (T-KIBS), which include research and development services as well as other IT and computing services, and the more traditional professional KIBS (P-KIBS) such as legal and marketing services (Muller and Doloreux, 2009; Zieba, 2018). Whereas T-KIBS provide scientific and technical

knowledge inputs, P-KIBS provide expertise based on ‘applied knowledge, routines and experience acquired and developed through interaction with clients and other markets sources’ (Doloreux *et al.*, 2019, p. 720). Similar to the definition of KIBS, the classification of KIBS into T-KIBS and P-KIBS has also been a contentious issue amongst scholars, with studies taking slightly different approaches to classifying KIBS. Based on NACE Rev. 1 classifications, commonly cited T-KIBS include business services that are involved in science and technological research (73.1), the management and processing of data (72.3 to 72.4) as well as IT and computing-related consultancies – both hardware and software (72.1 and 72.2 respectively). Meanwhile, KIBS that draw upon their professional knowledge of specialised management functions, such as legal, accounting and auditing (74.1) as well as advertising (74.4), have commonly been identified as P-KIBS (Chichkanov *et al.*, 2019; Zieba, 2018).

The classification of KIBS was further extended by Miles (2011, 2012) to include KIBS that deal with cultural and related aesthetic expertise (e.g. advertising, graphic design) (Miles, 2012). This extension reflects the overlap that takes place between KIBS and the creative industries. In the UK, the Department for Culture, Media and Sport (DCMS) has mapped out sectors that belong to the creative and cultural industries (DCMS, 2013). When mapping these sectors onto the demarcation KIBS sectors based

on the UK standard industrial classification (UKSIC) codes<sup>5</sup>, the following sectors overlap and can be classified as creative KIBS (C-KIBS)<sup>6</sup>:

- a. Computer programming and consulting activities (62.01 and 62.02)
- b. PR and communication services (70.21)
- c. Architectural activities (71.11)
- d. Advertising and media representation (73.11 and 73.12)

### 2.1.3. Advertising as a Knowledge-Intensive Business Service

Across marketing activities, advertising is one of the more commonly outsourced functions, i.e. outsourced to advertising agencies (Horsky, 2006). Advertising agencies offer a wide variety of services including ideating (art direction and copywriting) and coordinating the production of the final campaign, digital services such as user experience (UX) design, and data insights and intelligence<sup>7</sup>. Fundamentally, the expertise of advertising agencies lies in helping their clients develop a unique brand message, identify the best way to get the message across and execute the delivery of the message (Brierley, 2005).

From this description of advertising agencies' functions and activities, traits that correspond to the characteristics of KIBS can be observed. First, advertising agencies are characterised by the provision of bespoke intangible knowledge inputs (e.g. new

---

<sup>5</sup> Current UKSIC codes are based on NACE Rev. 2 classifications. See Table 2

<sup>6</sup> While industrial design meets the criteria of overlapping between KIBS and the creative sectors, the extent to which its subsector (74.1) is business services rather than retail services is debatable (Miles, 2018).

<sup>7</sup> See <https://leith.co.uk/services>

marketing campaigns and designs) that are tailored to their predominantly business and other organisational clients (Halinen, 2012). In addition, these inputs are highly knowledge-intensive – drawing upon creative routines as well as symbolic and cultural knowledge (Miles *et al.*, 2018) that are embedded within their skilled workforce (e.g. the artistic skills and vision of art directors and the creative writing ability of copywriters). Indeed, by most accounts presented earlier, advertising has consistently been considered a KIBS sector at the intersection of P-KIBS and C-KIBS, as they are part of the cultural and creative industries.

## 2.2. Spatial Patterns of KIBS – Distribution and Organisation

Beginning in the 1980s, economic geographers were amongst the first to examine the KIBS<sup>8</sup> sectors through systematic research (see for example, Coffey and Polèse, 1987; Daniels, 1983; Daniels and Holly, 1983; Marshall, 1987). From these discussions, two broad themes have emerged within the literature. The first is concerned with the KIBS firms' location, and the second discusses the geographies of their use. This subsection presents certain theoretical discussions within the two themes that are relevant for the studies presented within this thesis.

### 2.2.1. The Emergence of KIBS within Global Cities

The last thirty years have seen a transformation of global production systems from being predominantly local to being characterised by increasingly geographically dispersed global value chains and production networks organised along with an

---

<sup>8</sup> They were termed advanced producer services in these studies.

international spatial division of labour (Gereffi, 2014; Xin, 2017). Such a phenomenon reflects the increasing returns of the specialisation and spatial division of labour whereby the unbundling and geographical dispersion of production processes capitalises on the comparative advantages of places (Baldwin, 2006).

Beyond representing merely a ‘spatial fix’, whereby lead firms relocate production activities and facilities in search of greater profitability, scholars argue that this geographical reconfiguration of production represents an ‘organisational fix’, whereby, within the global production process, lead firms adopt flexible strategic postures such as incorporating contract manufacturing, which allows them to streamline their production processes and focus on their core capabilities and other high value-added functions (Ponte, 2020). While organisational fixes lead to differentiated spatial patterns of production, they are not about finding the ‘best’ locations but rather about reshaping organising principles and supplier relationships to achieve competitive advantage (Coe *et al.*, 2010).

A subsequent outcome of pursuing organisational fixes is the emergence of KIBS. As the coordination and managing of globally dispersed activities became increasingly more complex, large global firms began outsourcing a large share of their management functions such as accounting, legal and advertising to specialised service providers rather than conducting them in-house. Because of the need to provide services on an extensive geographical scale, some KIBS firms have themselves developed to operate through extensive global networks of affiliates or satellite offices (Sassen, 2004) to

integrate and connect globally dispersed business activities<sup>9</sup>. Specifically, Sassen (1991, 1994, 2000) asserts that the most complex and non-routine control functions of global lead firms are increasingly located within and performed by specialised business service suppliers based in global cities.

She further hypothesises that these global cities attract the agglomeration of specialised KIBS firms as they benefit greatly from the force of agglomeration, which will be discussed in the following subsection. Thus, the presence of thick markets of specialised KIBS suggests that global cities can be considered as strategic places ‘from where the world economy is managed and serviced’ (Sassen, 1988, p. 126), serving as ‘highly concentrated command points in the organization of the world economy’ (Sassen, 1991, p. 3). The global city network thereby manifests as an interconnected spatial division of labour (Massey, 1995), and the resulting relationship between places is one of varying degrees of strategic importance within the global economy, with the most complex, or ‘highest-level’ functions being undertaken in and coordinated from the major global cities that serve as strategic hubs in comprehensive global networks (Parnreiter, 2014; Sassen, 2002).

### 2.2.2. Agglomeration and the Spatial Distribution of KIBS

Similar to scholars of global cities, the early pioneers of KIBS research empirically demonstrated that the spatial distribution of KIBS firms and employment within these sectors tends to concentrate in the primary metropolitan areas, which can exacerbate

---

<sup>9</sup> For example, the Big 4 in advertising and accountancy, and the Magic Circle law firms operate transnational office networks.

spatial inequalities (Daniels *et al.*, 1992). For instance, Marshall *et al.* (1987) show that South East England had more than 40% of total employment within APS. Such a finding is also replicated in Gillespie and Green (1987) who showed a strong overrepresentation of APS employment (LQ=1.85). Outside of London and South East England, these studies show that the major provincial conurbations such as Manchester and Edinburgh are the stronger performers in terms of APS employment. Similarly, Wood *et al.* (1993) found that the location of APS showed a strong urban bias. Such patterns hold for other advanced economies such as Canada (Coffey and Polèse, 1987; Coffey and Shearmur, 1997) and Western Europe (Daniels *et al.*, 1992), where studies have shown that a significant proportion of APS are located within the most urban metropolitan regions, for example, Montreal (Coffey and Polèse, 1987; Shearmur and Doloreux, 2008) and primate European cities such as Paris (Boiteux-Orain and Guillain, 2004; Shearmur and Alvergne, 2002).

Against the backdrop of claims that ‘geography is dead’ due to the advancements in ICTs (Cairncross, 1997), one of the main observations amongst economic geographers is the tendency for KIBS sectors to continue centralising and clustering within the urban core of the highest-ordered metropolitan areas (Merino and Rubalcaba, 2013; Morgan, 2004), with a significant decay down the hierarchy (Shearmur and Doloreux, 2015a). This indicates that these highest-ordered metropolitan regions still provide specific endowments and advantages (van der Panne and van Beers, 2006) that lower ordered places do not. As argued earlier, Sassen (1991), for instance, attributes the location of KIBS sectors and firms to the agglomeration effects found in these places.

Within the literature, two strands of agglomeration economies that can be considered in terms of both supply-side and demand-side forces have been identified (see Table 3). The first strand of agglomeration economies has its roots in Marshall's (1890) 'industrial districts', in which externalities beneficial to the firm are accrued when a mass of closely-related and 'interconnected companies, specialized suppliers, service providers, firms in related industries, and associated institutions' (Porter, 2000, p. 16) are located in close spatial proximity (Campbell-Kelly *et al.*, 2010). This form of positive externalities relates to particular activities and industrial specialisation (Branzanti, 2014) and emerges through an accumulation of firms within a supply chain involved in the production or provision of a particular good or service.

Table 3: Matrix of Agglomeration Effects

	Marshallian	Jacobian
Demand-side externalities	Reduced search costs	Reduced coordination costs
Supply-side externalities	Thick labour markets and knowledge spillovers	Thick labour markets and supporting infrastructure

From a supply-side perspective, a key source of localisation economies (i.e. Marshallian economies) is the pooling of skilled labour in these clusters due to enhanced employment prospects. In other words, these agglomerations serve as a thick labour market that matches the expertise and skills of employees to an abundance of firms



seeking them. The availability of many possible employers also encourages workers to invest in deeper or more specialised skills.

The importance of facilitating the transmission of knowledge and expertise as a source of agglomeration economies also cannot be understated for the competitiveness and performance of KIBS. The concept of knowledge spillovers within Marshallian agglomeration externalities was expanded by the contributions of Arrow (1962), who related learning-by-doing to productivity growth, and Romer (1986), who emphasised the importance of increasing marginal productivity of knowledge for growth. Together, these are now commonly known as Marshall-Arrow-Romer (MAR) externalities (Glaeser *et al.*, 1992). The central argument of MAR externalities is that industrial co-location creates a knowledge-rich environment by enabling the spillover and transfer of intra-sectoral knowledge.

A key mechanism of intra-industry knowledge transmission is the increased opportunities for face-to-face social interactions. These non-market interactions take the form of informal occurrences (e.g. lunch appointments and chance encounters) (Shearmur, 2012) as well as professional business or networking events that happen within these clusters (Faulconbridge, 2007). Apart from enabling these non-market interactions, geographical proximity also facilitates inter-firm mobility, another important mechanism for intra-industry knowledge transfer (Fallick *et al.*, 2006; Kloosterman, 2008). When employees move from firm to firm, they bring with them their expertise and past experiences that help shape and sharpen their skills (Kekezi

and Klaesson, 2020). This knowledge and skill diffusion pattern is widely recognised within established clusters such as that of Silicon Valley (Saxenian, 1996).

From a demand perspective, the clustering of various KIBS sectors provides a wide range of suppliers, which attracts more clients towards the agglomeration due to the reduced search costs, especially if procurement or provision of the service requires face-to-face co-production (McCann and Folta, 2009). The overall implication is that a particular agglomeration gains a reputation as a hub for the particular sector that is akin to that of Silicon Valley for the high-technology sector (Saxenian, 1996). In addition, the increased competitive pressures that characterise Marshallian localisation economies also enhance the performance of firms within the cluster through incentivising innovation and knowledge exchange (Kekezi and Klaesson, 2020; Porter, 1990), thus furthering the overall strength of the cluster.

Although such localisation economies are useful in explaining why KIBS firms might concentrate in space, they do not inform us where these agglomerations emerge. Do these agglomerations all centralise at the urban core, e.g., central business districts (CBDs), of large metropolitan areas, or are they distributed across suburban economic centres outside of traditional CBDs?

The distinction between clusters in suburban locations versus those at the metropolitan core can thus be attributed to the presence of additional externalities that provide benefits to firms that locate within the traditional CBDs and core and large metropolitan areas (Beaudry and Schiffauerova, 2009). Unlike localisation economies

that focus on specialisation, these urbanisation or Jacobian economies (Jacobs, 1969) emphasise diversity as a driver for the concentration of KIBS at the top of the urban hierarchy (Faggio *et al.*, 2017). Besides the spillover of localised knowledge, KIBS firms also benefit from inter-industry knowledge spillovers that are generated through the diversity found within highly urbanised places (Kekezi and Klaesson, 2020). Jacobs (1969) argues that these inter-industry spillovers facilitate recombinations of knowledge across industries that are critical for innovations. For example, advertising agencies can apply new artistic and musical techniques assimilated from other creative industries such as the music and film industries that are close to them.

The highly urbanised (i.e. Jacobian economies) environments of large metropolitan areas also act as magnets for what Florida (2002) calls the creative class, which adds vibrancy to these areas. It is essential to point out that Florida's conceptualisation of the creative class goes beyond workers involved in aesthetic and cultural production (e.g., advertising, architecture, design). He incorporates a wide range of creativity, including professionals who execute specific tasks through creative problem-solving (Florida, 2003) that describe most KIBS employees. According to Florida (2003), the melting pot of tolerance, diversity and abundance of high-quality experiences found in these cities provides a climate that aids the formation of thick labour markets for talent and cannot be easily replicated through place attractiveness policies (Houston *et al.*, 2008). Given that KIBS sectors are highly dependent on workers skilled in the production and provision of expert services, the presence of thick markets for skilled labour is crucial for the competitiveness and success of KIBS firms.

Apart from providing a conducive environment for thick labour markets to thrive, large cities also provide supporting infrastructure, both hard and soft, enabling KIBS firms to thrive. For instance, the urban core of metropolitan areas benefits from highly-connected and robust transportation networks, resulting in increased accessibility and inter-region integration (Cervero, 2001). Furthermore, locating within a large metropolitan area and particularly within its centre can provide a reputational advantage (Shearmur and Alvergne, 2002). Such a reputational advantage is precious in the context of credence goods, which are difficult if not impossible to evaluate before consumption. As de Brentani (2001) recognises, the intangible, immaterial nature of KIBS outputs poses challenges for providers as they may find it challenging to convince their clients that their offerings are superior compared to those of their rivals. Therefore, signals such as the office location's reputation can be valuable to KIBS providers (Fombrun and Shanley, 1990). Indeed, Daniels and Bryson (2005) observed that firms in first-tier cities such as London have a reputational advantage over their counterparts in second-tier cities like Birmingham (within the UK). In particular, Daniels and Bryson (2005) identified qualitative reputational advantages arising from locating in London when compared to Birmingham as being especially beneficial when extending into new geographic markets and serving as a barrier to competition external to the city.

From a demand perspective, locating within CBDs has been shown to maximise a KIBS firm's access to markets, i.e. forward linkages (Boiteux-Orain and Guillain, 2004; Shearmur and Alvergne, 2002). Such an argument is based on the bid-rent logic of

Alonso (1960) whereby client headquarters that require access to urban amenities are likely to locate within these central locations (Capello, 2014). In addition, the diversity of KIBS sectors found within metropolitan cities indicates the presence of a wide array of KIBS sectors, which provides a single centralised location within which clients can manage all their outsourced business service functions. This reduces the coordination costs involved in procuring business services through the creation of a ‘shopping mall’ effect – a single location where clients fulfil most of their KIBS needs.

However, despite the advantages of locating within the core of large metropolitan areas, there is empirical evidence (see for example, Boiteux-Orain and Guillain, 2004; Coffey *et al.*, 1996) suggesting that KIBS activities have been decentralising away from traditional CBDs towards suburban centres and ‘edge cities’ (Garreau, 1991). There are a few possible explanations for the suburbanisation of KIBS. First, it can be argued that the intra-metropolitan decentralisation of KIBS to urban peripheries mirrors the increasing suburbanisation of headquarters (Gordon and Richardson, 1996a, 1996b), indicating that a significant proportion of clients are no longer located within CBDs (Shearmur and Alvergne, 2002). At face value, such a phenomenon seems to represent the decline of the CBD, as KIBS firms decentralise away from the metropolitan core and form localised agglomeration clusters within suburbs (Coffey *et al.*, 1996; Shearmur and Alvergne, 2002). Nevertheless, studies also suggest that closer inspection of the intra-metropolitan locational patterns reveals significant differences across various KIBS sectors. For instance, Romero (2019) showed that sectors such as legal and accountancy services are centralised near the metropolitan core. More importantly for

this study, they also show that KIBS related to creativity, i.e. C-KIBS, are highly centralised near the top of the urban hierarchy. This seems to be congruent with the expectations that proximity to urbanisation agglomeration economies found in the metropolitan core is of significant importance to firms engaging within creative and cultural industries (Arzaghi and Henderson, 2008; Gong and Hassink, 2017). What was particularly interesting about the findings for advertising, however, is that while they are in close proximity to the metropolitan core, they do not seem to be concentrated. This was also demonstrated by Shearmur and Alvergne (2002), who showed that while advertising agencies are strongly present within Paris, they do not concentrate within Central Paris, but in the immediate areas just outside Central Paris. Thus, it would be expected that any attempt at mapping advertising agencies should exhibit similar tendencies.

In contrast, these same studies show that T-KIBS are less likely to locate within the central business districts. Instead, these sectors are likely to locate within the urban peripheries when compared to the more traditional P-KIBS. For instance, Boiteux-Orain and Guillain (2004) show an overrepresentation of T-KIBS sectors (research and development, data processing and engineering services) within the inner and outer rings of the Île-de-France region. Similarly, Shearmur and Alvergne (2002) also observed the dispersion of T-KIBS sectors (e.g. computer services, research and development, engineering consultants, as well as laboratories and analysis), whereby they settle and concentrate around the Jouy-en-Josas – a high technology cluster to the south-west of Paris.

Beyond Paris, similar observations were identified in other major metropolitan areas as well. In his study, Romero (2019) showed that T-KIBS firms such as scientific research and engineering consultants amongst others are on average located further away from the CBDs of New York, Los Angeles, Chicago, London and Madrid than the traditional P-KIBS. The fact that T-KIBS are concentrated outside the CBDs suggests that these sectors benefit more from localisation effects than urbanisation effects (Shearmur, 2012) and seek out technopoles and university towns that are rich in technological knowledge (Coffey and Shearmur, 2002; Fernandes and Ferreira, 2013; Wyrwich, 2019).

At the risk of oversimplification, it should be argued that instead of being in decline, the KIBS base in CBDs is increasingly specialised (Halbert, 2004; Shearmur *et al.*, 2007; Shearmur and Alvergne, 2002) whereby certain KIBS sectors (e.g. advertising) are centralised within the metropolitan core while (e.g. T-KIBS sectors) others are dispersed to suburban peripheries to account for growth in KIBS sectors that CBDs cannot absorb (Coffey *et al.*, 1996; Coffey and Shearmur, 2002). Interestingly, although they do not explicitly make such an assertion, this centralisation of highly specialised services within the metropolitan core coupled with the decentralisation of less ‘sophisticated’ services to suburbs and urban peripheries (Illeris, 1994) reflects the relevance of central place theory, which is discussed in section 2.3.

### 2.2.3. Intra-firm Agglomerations and the Spatial Organisation of KIBS

It was argued earlier that the developments in ICTs have supported the coordination of activities across space and facilitated the dispersion of certain service activities (Tether *et al.*, 2012). KIBS firms are thus presented with more possibilities regarding their spatial configurations. For instance, back-office functions that do not require frequent face-to-face interactions with clients or access to specialised expertise can be dispersed to locations where rents and wages are comparably lower, while front-office and headquarter functions remain within service-oriented urban metropolitan cores. Alternatively, KIBS firms can also organise according to the geographic markets they serve through the organisation of branch office networks, with each branch focusing on their local or regional markets (Thierstein *et al.*, 2008). This is especially observed in KIBS segments whose main client base is predominantly local as discussed in the next section. Yet, despite these spatial possibilities, there are also centripetal forces that drive KIBS to retain all their functions within a single site, with evidence that the benefits of co-location decrease with geographical distance (Lavoratori *et al.*, 2020). These forces are henceforth known as intra-firm agglomeration forces.

While there have been extensive studies devoted to examining how localisation economies lead to the clustering of firms, these studies generally focus on the forces of clustering between firms (inter-firm agglomerations), while the co-location of business functions and establishments within multi-unit firms have received considerably less attention (Lavoratori *et al.*, 2020; Woo *et al.*, 2019). Specifically, within the domain of



KIBS, there have been few attempts at understanding how these forces influence their spatial considerations, as most research on intra-firm agglomerations has been conducted on retail services such as hotel chains and manufacturing sectors. This subsection reviews these intra-firm agglomeration forces and explicates their relevance for KIBS.

The agglomeration of multi-unit firms can be considered from two perspectives: the co-location of (1) vertically related and (2) horizontally related units. The former relates to the co-location of units that are connected vertically along a production chain. In contrast, horizontally related units operate in competition with each other despite being part of the same parent company. It must be noted, however, that, unlike retail services, there are few KIBS sectors that have competing subsidiary business units, with the advertising sector being a rare exception<sup>10</sup> (Grabher, 2002). Thus, there are some questions that are raised with regards to their applicability.

With regards to the sources of intra-firm agglomeration, there are intra-firm agglomeration forces that apply to the co-location of both vertically and horizontally related units within a multi-unit firm. The first relates to the operational synergies that emerge from geographic co-location between units of the same parent firm, which in turn enhance their operational efficiencies (Chatterjee, 1986). One way such operational synergies occur is through the reduction of transactions costs involved in monitoring and coordinating activities that are dispersed across space (Lavoratori and

---

<sup>10</sup> The organisational structure of advertising agency networks is covered in Chapter 3.

Piscitello, 2021). For instance, geographic separation has been shown to inhibit communications, as ICTs have been shown to be imperfect substitutes for face-to-face interactions (Ceci and Prencipe, 2013). Furthermore, the supervision of projects and employees over distance is also more challenging due to potential opportunistic behaviour (e.g. shirking) and multiple conflicting lines of authority (Eden and Miller, 2004). Indeed, there is evidence for the idea that firms have sought to co-locate their units as a response to avoiding and reducing these communication costs, although these studies are primarily focussed on manufacturing firms (Aarland *et al.*, 2007; Gray *et al.*, 2015; Henderson and Ono, 2008).

Beyond the reduction of transaction costs, the co-location of units also benefits from the sharing of physical assets (e.g. specialised plants and machinery), support services and even employees (Alcacer and Delgado, 2016; Alcacer and Zhao, 2012; Lavoratori *et al.*, 2020). The more efficient use of these shared resources is thus a commonly cited source of savings in operational costs (Alcacer and Delgado, 2016; Rawley and Seamans, 2020; Woo *et al.*, 2019). More importantly for KIBS, the geographic proximity brought about by the co-location of business units facilitates knowledge spillovers between these units.

While both intra- and inter-firm agglomeration can bring about knowledge spillovers, as argued earlier, the distinction is more apparent when viewing it from the perspective of knowledge flows across horizontally related sister units. In contrast to knowledge spillovers between rival firms, which are frowned upon and even actively avoided (Alcácer and Chung, 2007), knowledge leakage between competing sister units within

the same geographic market is encouraged (Alcácer and Chung, 2007). The rationale is that while these horizontally related sister units compete, they are also collaborators and can benefit from the coordinated mutual exchange of knowledge and expertise. Thus, the co-location of horizontally related sister units is more likely to generate greater knowledge externalities than the inter-firm agglomeration.

Last, the coordination of competition is identified as a source of intra-firm agglomeration that is unique to the co-location of horizontally related business units. Just as the inter-firm agglomeration brings about increased localised competition, the presence of rivalrous sister units also contributes to increased localised competition.

The difference, however, is that strategic responses to competition between sister units are coordinated by the holding group or parent company (Phelps and Fuller, 2000), which provides them with the ‘capacity to go beyond local rivalry’ (Woo *et al.*, 2019, p. 1762). The implication of such formal coordination of competitive response is that sister units are less likely to partake in intense competition as well as prevent units from engaging in opportunistic behaviour such as price undercutting. As argued earlier, there are not many KIBS sectors that have subsidiaries that are in competition. Thus, it is likely that the formal coordination of competition is unlikely to be a factor for KIBS sectors with the exception of advertising.

In sum, the intra-firm agglomeration perspective argues that the differing strategic forces between inter-firm and intra-firm relations result in additional benefits for co-

location of business units (both horizontal and vertical) within multi-unit firms that go beyond the positive externalities of agglomeration highlighted in subsection 2.2.1.

### 2.3. Examining the Geography of KIBS Procurement

The extent to which services and especially knowledge-based services can be procured across space is another crucial theme that economic geographers and other scholars have been interested in (Beyers and Alvine, 1985; Daniels, 1984; Marshall, 1983). On the one hand, the idea that services ‘cannot be dropped on your foot’ (Gummesson, 1987, p. 22) suggests that KIBS are to an extent ‘weightless’ from a Weberian (1909) standpoint, and as such, transportation costs in these sectors are largely insignificant (Pratt, 2000). Based on this logic, it would appear that KIBS are not limited by geographic proximity, can easily be procured and provided across space, and permanent co-location of client and provider is not necessary (Torre, 2008a).

On the other hand, there are suggestions that the provision of business services is geographically bounded despite the advancements in communications technologies due to the need for trust and co-production, which are supported by face-to-face interactions (Alcacer *et al.*, 2016; Leamer and Storper, 2001; Storper and Venables, 2004). In addition, as Howells (2002) and Morgan (2004) point out, the transfer of knowledge and expertise which these KIBS firms provide is also spatially constrained to a certain extent due to tacit components that cannot be easily codified and exchanged across distance. Thus, this view dictates that a certain degree of co-location between KIBS firms and their clients is required (Gertler, 2003).

Which of these two opposing views is an accurate representation of the geographies of KIBS procurement? Perhaps the most plausible answer is that these two views serve as opposite ends of a continuum on which different forms of KIBS fall according to their tradability (Gervais and Jensen, 2019). Such an explanation seemingly also matches the empirical reality of service use, which demonstrates that KIBS use is not necessarily constrained by space and the need for proximity (Aslesen and Jakobsen, 2007). van Dinteren (1987) for instance observes that different industries demonstrate varying levels of local service use, often with conflicting findings due to their different methodologies, contexts and spatial scales (Harrington *et al.*, 1991).

For instance, Marshall (1983) and van Dinteren (1987) agree that legal, accounting and insurance services tend to be locally oriented, while computer services are most commonly sourced from a distance. In contrast, they disagree upon the spatial markets for advertising agencies, with Marshall suggesting a smaller proportion of regional exports, while van Dinteren argues that advertising agents are regional exporters of their services. These findings are congruent with the prevalent view in the KIBS literature, which argues that these firms and sectors have distinct characteristics and should not be seen as a homogeneous block (Malhotra and Morris, 2009; Pina and Tether, 2016).

If this is a true representation of the geographies of KIBS productions, two critical questions emerge: (1) Which KIBS sectors are more likely to be local? and (2) If procurement is local, is it aspatial and haphazard, or does it follow a particular spatial logic? These two questions will be explored in the following subsections.

### 2.3.1. Heterogeneity in KIBS and the Geographies of KIBS Use

With regards to the first question, it can be argued that the observed differences in service use localisation amongst the various KIBS sectors can be explained by the heterogeneity that exists between them. One of the first attempts at exploring how heterogeneity between business services impacts spatial realities was by Pieter Tordoir (1994), who argued that the nature of the transaction between business services has spatial implications due to the varying needs for physical proximity. He attributed the heterogeneity of transactions to the nature of the client–service provider interactions, of which he developed three different types: jobbing, sales, and sparring. Services of a jobbing nature tend to be more routinised and are often functions of the production process or operations that have been outsourced. They generally do not require frequent interactions between clients and firms, especially after the initial phases where the specifications are discussed and at the end where the service is completed and handed over to the client (Gadrey and Gallouj, 1998). The reduced need for interaction suggests that proximity to clients is less crucial for firms providing such services. These services do not require physical co-location and can be replaced by temporary co-location when necessary at various service touchpoints (Torre, 2008b).

Sales-based relationships are similar to jobbing relationships, but they take a more extreme form of standardisation. These services are often developed and sold as ‘turn-key’ solutions rather than undertaken as a task specific to an individual client’s idiosyncratic needs. As these services are highly technical and demonstrate product-like characteristics, they can be easily traded across space.

In contrast, KIBS that demonstrate a sparring nature often involve many back-and-forth interactions with their clients, whereby the client is highly involved in the production and consumption of the service. This is primarily associated with the need for strong interpersonal relationships and frequent face-to-face interactions between KIBS providers and their clients. As such, sparring service providers tend to be located near their main client base. Tordoir cites management consultants as examples of such KIBS providers, as they work closely with their clients to diagnose problems and identify solutions to those problems.

In addition to the nature of the interactions, Tordoir also argues that frequency of use moderates clients' tendencies to search further afield to fulfil their KIBS needs. The intuition behind this assertion is that for frequently used services, clients tend to seek out local providers to reduce the search and transportation costs that arise when procuring over distance (Harrington *et al.*, 1991). Thus, firms are more likely to seek out nearby KIBS providers to minimise such costs. While, as argued earlier, jobbing services can be fully provided across space, those that are frequently used, such as general legal services, are more likely to be locally sourced, as firms are generally unwilling to constantly incur transportation costs for routinised services.

While Tordoir (1994) provided an intuitive framework to understand the varying degree of localisation across KIBS procurement, there have been newer attempts at classifying heterogeneities amongst KIBS that can prove helpful. One such attempt is the idea of differentiated knowledge bases (Asheim, 2007; Asheim and Coenen, 2005; Boschma, 2018). Given that KIBS are primarily involved in providing expertise

through the process of creation, production and application of knowledge (Muller and Doloreux, 2009), a key input underpinning the nature of the service provided stems from the knowledge exchange mechanism. As knowledge involves mutual exchange and shared learning between agents (Gertler, 2003; Howells, 2002), it is fair to assume that its transfer impacts the geographies of KIBS as agents that are distributed across space. Indeed, the connection between knowledge, innovation and economic growth has been at the forefront of economic geography since the late 20<sup>th</sup> century, with no evidence of this waning (Audretsch, 1998; Audretsch and Belitski, 2020; Gertler, 2003; Stuetzer *et al.*, 2018). However, one aspect that has been largely overlooked is the transmission of knowledge between clients and their KIBS providers. A prominent and highly influential attempt to classify knowledge was developed by Michael Polanyi (1961), who proposed that knowledge should be viewed along a continuum of the tacit-codified dimension. Tacit knowledge can be best understood through his famous aphorism that ‘we can know more than we can tell’ (Polanyi, 1966, p. 4). This puts forward the idea that certain knowledge types cannot be codified and embodied in a series of instructions or procedures (Howells, 1996). Therefore, the development and transmission of tacit knowledge often entail ‘learning by doing’ (Arrow, 1962), which tends to be enhanced by physical co-presence (Gertler, 2003). Codified knowledge, on the other hand, can be transmitted via formalised sets of written or spoken instructions, or rules, and its development does not require a similar level of co-location. Consequently, tacit knowledge tends to be sticky and constrained by geography, while codified knowledge is more freely transmitted across space and distance.



Such a view is increasingly being questioned, with some arguing that this continuum takes an over-simplistic approach to understanding knowledge (Boschma, 2018). As a result, new typologies of knowledge have been identified to obtain a more detailed understanding of the role of knowledge and its impact on economic geography (Martin and Moodysson, 2013). One such framework is the synthetic-analytic-symbolic (SAS) conceptualisation developed by Asheim and his colleagues (Asheim and Coenen, 2005; Asheim and Hansen, 2009; Asheim, Coenen, *et al.*, 2011). This originated in the regional innovation systems literature and was developed to understand better the differentiating needs of clusters depending on their varying knowledge bases. Asheim and colleagues (Asheim and Coenen, 2005; Taylor and Asheim, 2001) argue that a weakness of the tacit-codified continuum is its lack of specificity and that a knowledge base approach with each base having a mix of tacit and codified elements is a more accurate representation of reality.

Based initially on Kant's analytic-synthetic dichotomy, the framework first consisted of analytic and synthetic knowledge, with symbolic knowledge added in later works (Boschma, 2018). Asheim and his colleagues (Asheim, 2007; Asheim and Hansen, 2009) go on to suggest that an analytic knowledge base involves logical reasoning and recognised empirical testing methods. The creation of knowledge in this specific knowledge base often relies on principles and laws built upon previous work. The result is often the generation of universally recognisable models with formalised methods codified in patents and publications. Due to the regulated nature and consistency of this knowledge base, analytic knowledge tends to be more codified and easily shared

across distance (Asheim, 2007). This knowledge base maps to the services of a jobbing nature identified earlier, whereby it is less cumbersome to decompose the task, with each part demonstrating a certain level of independence from the others. Thus, it can be expected that the provision of KIBS with a predominant analytic knowledge base is more likely to be aspatial, as the location of these providers is not the highest priority for clients.

On the other hand, synthetic knowledge is mainly pragmatic and involves the application and recombination of existing knowledge to solve specific and existing problems. Because of the context-specific nature of synthetic knowledge, it often requires inductive or exploratory experimentation and learning by doing and interacting with partners (Asheim, Boschma, *et al.*, 2011). Compared to analytic knowledge, synthetic knowledge is more experience-oriented and involves more ‘know how’ than ‘know why’ knowledge. This indicates that synthetic knowledge has a more substantial tacit component and is more likely to be procured and fulfilled locally.

The latest addition to the framework, and arguably their most valuable contribution is symbolic knowledge. Symbolic knowledge involves the appreciation, manipulation and generation of aesthetic symbols and artefacts (Asheim *et al.*, 2007). Firms drawing upon symbolic knowledge often shape and manipulate meanings within cultural contexts. The underlying subjectivity that defines this knowledge base indicates that such symbolic knowledge and expertise are often highly tacit (Pina and Tether, 2016), and the exchange of such information and knowledge requires intense interactions between client firms and their KIBS providers.

While the first iteration of knowledge bases by Asheim and his colleagues focuses on individual knowledge bases, differentiated knowledge bases 2.0 (DKB2.0) emphasises that firms do not draw solely on a single type of knowledge base, but instead a combination of knowledge bases (Boschma, 2018). For KIBS providers whose knowledge combinations draw significantly from an analytical knowledge base, we would expect a lower degree of co-location with their clients due to the lack of sensitivity to distance and relative ease of transmission. In contrast, for KIBS providers whose knowledge combinations include a strong element of synthetic knowledge, a greater significance is placed on face-to-face communication and bi-lateral knowledge exchange to develop customised solutions.

When it comes to KIBS firms whose combination of knowledge bases is primarily based upon symbolic knowledge, the spatial patterns become more complicated. On the one hand, the subjective and informal nature of symbolic knowledge indicates a geographically bounded relationship between KIBS providers and their clients. On the other hand, the emphasis on symbolic cultural production also suggests a greater appreciation and understanding of local contexts, symbols and values. This means that clients are likely to be disadvantaged by their 'foreignness' (Gaur *et al.*, 2011; Zaheer, 1995) when entering foreign markets due to lack of understanding and appreciation of the nuances surrounding these socio-cultural rules (Kanso and Nelson, 2002). Indeed, insensitivity towards these norms has resulted in brands committing major *faux pas* in

their international marketing campaigns<sup>11</sup>. To overcome such liabilities of foreignness, clients might turn to local KIBS providers who are better placed in developing a more effective localised campaign, even if it means that they are not ‘close by’ (e.g. cross-border procurement). Further discussions on KIBS and their role in alleviating liabilities of foreignness is presented later in 2.3.2.

As a whole, these perspectives have been useful in understanding the extent of localisation within KIBS procurement. However, they do not deal with the second key question – when procurement is non-local, does it follow a specific pattern or is it haphazard? To address this question, it is useful to understand the contributions of Christaller’s central place theory.

### 2.3.2. Christaller’s Central Place Theory – A Hierarchical Approach to Investigating the Geography of KIBS Use

One of the main advantages of Christaller's (1933) hierarchical approach to investigating how the geography of service use maps onto the urban system is its emphasis on markets. Unlike other functional approaches, such as the specialised network perspective (see for example, Meijers, 2007; Taylor, 2004; Taylor *et al.*, 2010), which focus on the geographies of *production*, the central place approach focuses on the geographies of *consumption*. This distinction is critical for this thesis, as it places

---

<sup>11</sup> See <http://textappeal.com/cultureshocks/10-of-the-biggest-marketing-faux-pas-of-all-time/> for examples of major mistakes in international advertising.

the clients' choices at the forefront of its analyses, which allows for a greater understanding of the spatial factors behind the procurement of KIBS.

Christaller's (1933) central place theory begins by removing locational factors with the assumptions of isotropic space and even distribution of clients with consistent purchasing power. Key to the development of the theory is the concept of central goods (which includes services). Central goods, as per Christaller, are produced and sold at one (or a few) locations but are needed and consumed at many dispersed places throughout space. The settlement areas that provide these central goods to surrounding areas are known as central places, and the area that the central place serves is known as its *sphere of influence* (Capello, 2014).

Following the logic that travelling for consumption generates disutility, it stands to reason that beyond a certain distance, consumers are no longer willing to travel to consume or purchase the central good, as it becomes too costly to do so. This was not lost on Christaller, as he incorporated this into the construction of his model by defining the maximum distance that individuals will travel to procure and consume the good as the *range* of the good. Thus, the *range* serves as the upper limit of a central place's sphere of influence with regard to a specific central good (see Figure 3).

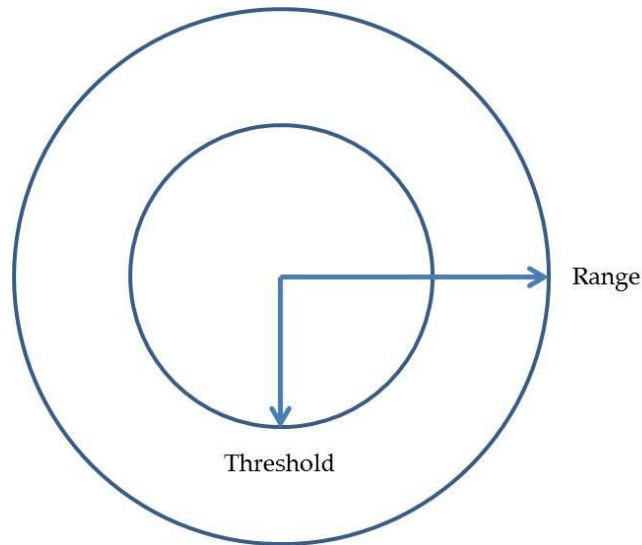


Figure 3: Range and Threshold of a Central Place

The willingness of consumers to overcome distance is only one half of the equation (demand-side). Whether or not a central good or service is offered in a central place is also dependent on the willingness of a vendor to provide it (supply-side). To this end, *the threshold is defined as the minimum population* required to bring about the provision of a particular good or service within a central place. Hence, *threshold* can be viewed as the lower limit of a central place's sphere of influence with regards to a particular central good (see Figure 3), and the range must be at least equal to or greater than the threshold; otherwise, the good/service will not be viable and will not be produced.

Following the argument that these central goods are not identical, Christaller distinguished them according to various 'orders', ranging from lower- to higher-ordered central goods based on their range and thresholds. Higher-ordered commodities refer to those that clients consume less frequently but are more willing to travel further to procure (Shearmur and Doloreux, 2015b); these have more extensive market ranges.

Due to the reduced frequency of consumption, a larger threshold is also required to support the provision of such commodities and services. As such, these offerings also demonstrate lower demand density (demand per square kilometre). Due to the lower density of demand combined with clients' or consumers' willingness to overcome the economic distance, there would be fewer distribution points for such outputs (Parr, 2017), with the provision of these higher-ordered goods reserved for the few central places of the highest orders

In contrast, lower-ordered central goods are consumed more frequently, which reduces the threshold, and they are more likely to be procured locally due to customers being less willing to travel to procure them. The high demand density and low willingness to travel indicate that there will be more distribution points. Therefore, the provision of these lower-ordered central goods occurs evenly across various central places, including those of the higher and highest orders. Simply put, a successively inclusive spatial hierarchy is observed whereby the lowest-ordered central places host a limited array of goods and services that only serve local markets (smaller ranges), whereas a wider range of central goods, including those that tend to be consumed locally and those for which consumers/clients are willing to travel significant distances, is located within the higher-ordered central places. At the risk of oversimplification, the client–agency dyad distance can be seen as a function of how critical the service is to the client (Shearmur and Doloreux, 2015b).

By synthesising the points within the theory, two main expectations with regards to the procurement of KIBS can be generated. First, lower-ordered KIBS, particularly

those that are frequently used will be procured locally. The intuition behind such an expectation is that clients are often unwilling to travel for KIBS offerings that are not critical to their success. As such, they try to avoid incurring transport and search costs by fulfilling their needs locally. In contrast, higher-ordered KIBS that are infrequently used are expected to be procured from a distance, specifically from up the urban hierarchy, i.e. from nearby higher-ordered central places serving their hinterland within their sphere of influence. For instance, highly strategic and specialised business services that are infrequently used are provided at higher-ordered central places because they require a larger threshold (due to the infrequency of use) and clients are willing to incur additional costs to procure these services that are critical to their success but unlikely to be found in their local markets. To a certain extent, such expectations are comparable to those of Tordoir (1994), who also demonstrated that the nature of service relationships plays a role in shaping the geographies of their use. The major exception to these patterns is clients that are located at the top of the urban hierarchy. For these clients, most (even all) KIBS are likely to be procured locally, as these highest central places are expected to cover a wide range of KIBS sectors and providers (Shearmur and Doloreux, 2015b).

This leaves just one unresolved issue – how are higher-ordered KIBS quantified? One way this has been done is by relating it to the sectors' ability to support their client's innovation efforts (Wood, 2006b). Within their study of KIBS use in Quebec, Shearmur and Doloreux (2015b) show that KIBS that support their clients' technical and marketing innovation efforts (e.g. technology access, patent preparation and marketing



services) are more likely to be procured up the urban hierarchy in Montreal – reflecting the relevance of central place theory in explaining the spatial realities of KIBS markets and consumption. A second more abstract and qualitative approach by Aslesen and Jakobsen (2007) has been to consider higher-ordered KIBS as those that are of strategic importance to their clients and lower-ordered services are those that are highly standardised and routinised. Their study found that firms are willing to travel to Oslo from the rest of the country for critical services due to the importance of selecting service providers that provide specialised and ‘state of the art’ capabilities (p. 194).

### 2.3.3. KIBS as Agents of Internationalisation – Alleviating Liabilities of Foreignness

It was demonstrated earlier in this chapter that KIBS firms play a critical role in the management and coordination of globally dispersed activities through supporting their clients’ international interests via their global network of affiliates and subsidiary offices. Yet, as Parnreiter (2014) claims, very little attention has been paid to the direct relations between these firms and their clients, and the mechanisms by which the flows of KIBS contribute to the governance of their clients’ international activities are even less understood. Indeed, it is often implicitly accepted within the literature that multinational enterprises seek out highly internationalised agencies within global cities at the top of the urban hierarchy without consideration for other possibilities outside these agglomerations of KIBS in cities.

A possible explanation for this implicit assumption is the ability of internationalised KIBS within global cities to contribute towards the governance of cross-border activities by alleviating ‘liabilities of foreignness’ (Zaheer, 1995). It has been acknowledged within the international business literature that firms are presented with additional tacit and social costs when operating in foreign markets and environments (Denk *et al.*, 2012). Building on the cost of doing business abroad concept of Hymer (1976), Zaheer (1995) identifies three main sources of liabilities when operating in foreign environments. Demonstrating that liabilities of foreignness can have negative impacts on foreign unit performance, previous empirical studies have shown that foreign subunits of multinational firms are more likely to face increased lawsuits (Mezias, 2002), reduced economic performance (Miller and Parkhe, 2002) and higher exit rates (Hennart *et al.*, 2002) when compared to local firms.

The first source of liabilities of foreignness relates to challenges arising from the complexities of managing and coordinating cross-border economic activities. Apart from the increased transportation and travel costs, firms also incur transaction costs involved in the coordination of activities between headquarters and their foreign subsidiaries. Indeed, as observed within this chapter, the concept of increased coordination costs is a recurring theme when discussing the management and control of economic activities across space.

Second, foreign firms are also presented with uncertainties when operating in a foreign environment. This unfamiliarity is often manifested in the lack of familiarity and awareness of local institutions, including regulatory frameworks (e.g. local legal and

accounting regulations) and cultural norms (e.g. consumer preferences and working patterns), which can cause potentially costly mistakes (Denk *et al.*, 2012). The final source of liabilities of foreignness is the discrimination by host governments (via economic nationalism), rival firms and the general public via differing standards of legitimacy. An example of these different standards was demonstrated by Kostova and Zaheer (1999) who showed that because of the relative lack of embeddedness within a host country when compared to local firms, foreign firms are expected to do more to build and maintain trust, goodwill and reputation within their host country. Indeed, a lack of legitimacy can bring about disadvantages such as difficulties in exchanges and gaining access to knowledge from host country firms (Schmidt and Sofka, 2009) as well as in conducting negotiations whereby trust is required (Eden and Miller, 2004).

If the role of KIBS within global cities is to facilitate the internationalisation of their clients, then part of their role to serve as agents for internationalisation is to alleviate or reduce these liabilities of foreignness. In their study of global cities and how they alleviate liabilities of foreignness, Goerzen *et al.* (2013) highlight the role that KIBS firms play in limiting and reducing these costs. First, they build upon the idea that KIBS with global office networks can better support their clients across multiple geographic markets and jurisdictions. Thus, the presence of global KIBS networks can reduce the need to import services from clients' home countries or incur additional costs involved in searching for and negotiating with new KIBS providers. For example, rather than hiring multiple advertising agencies across various geographic markets, multinational clients can engage a single networked advertising agency (i.e. within the

Big 4 advertising networks) to develop, manage and execute their regional and even global advertising campaigns (Sinclair and Wilken, 2009). Ultimately, using existing KIBS suppliers across geographic markets can also smoothen the process of managing these external relationships due to enhanced familiarity derived from prolonged and sustained working relationships – highlighting the importance of strong cooperative ties and previous experiences in establishing trust and facilitating knowledge exchange between KIBS suppliers and their clients (Landry *et al.*, 2012; Yu *et al.*, 2014).

Second, Goerzen *et al.* (2013) propound that highly internationalised KIBS within global cities helps multinational clients address the difficulties arising from uncertainty and the lack of familiarity with the host country environment. They do so by providing and supplying their foreign clients with advice and expertise that helps them better navigate the competition and regulatory frameworks within the host countries. More importantly, for these multinational clients, the highly internationalised KIBS firms have the experience, capabilities and expertise needed to support and coordinate global business operations, which non-internationalised KIBS do not. Simply put, highly internationalised KIBS firms serve as partners that are both globally and locally knowledgeable (Goerzen *et al.*, 2013). Finally, they argue that the use of internationalised KIBS suppliers can also help to secure legitimacy within host countries through their credibility. This is particularly true for KIBS firms that are involved in helping clients comply with local regulations (e.g. audit) as any issues with compliance are more likely to be magnified.

Taken together with the other mechanisms of alleviating liabilities of foreignness, the ability to alleviate liabilities of foreignness does seem to suggest that foreign firms are likely to fulfil their specialised business service needs from the specialised networked KIBS providers that are found in global cities at the top of the urban hierarchy, with the caveat of KIBS heterogeneity applied<sup>12</sup>. However, the lack of empirical focus on the spatial procurement patterns of KIBS amongst multinational firms suggests that scholars have implicitly accepted the role of KIBS with global networks of affiliates as default suppliers of specialised business services for multinational firms without questioning the particular choices that are presented, i.e. do they always seek out these globalised KIBS networks? Furthermore, the focus on KIBS within the international production system fails to recognise the role of smaller national and regional KIBS firms that are often disconnected from these global production networks. As such, it does not fully explain the complex spatial organisation and patterns of these agencies. This thesis addresses these gaps by focussing on the spatial relationships between firms and their clients, as well as agencies located outside the largest global cities.

#### 2.4. Distilling the Key Ideas in this Thesis

In keeping with the traditions of research into the geography of KIBS, the broad themes of this thesis lie in the spatial distribution of KIBS as well as the geographies of their use.

---

<sup>12</sup> See 2.2.2., which notes that KIBS exhibit different spatial distribution patterns, with T-KIBS dispersing outside the top of the urban hierarchy.

With regards to the spatial distribution of KIBS firms, this thesis, like other studies interested in this phenomenon, draws on the ideas of agglomeration economies. However, this thesis applies the ideas of agglomeration differently, which works towards achieving a better understanding of KIBS and their location. First, unlike other studies that focus on the ability of agglomeration forces to draw KIBS towards the largest metropolitan areas (e.g. Quebec, Paris, London), this thesis extends the logic of agglomeration economies to secondary cities and investigates whether they benefit from similar, if not scaled down, advantages found in the largest metropolitan regions as predicted by (Wagner and Grove, 2020).

Second, this thesis also builds upon the ideas of intra-firm agglomeration. However, instead of examining intra-firm agglomerations from the perspective of retail services and manufacturing firms (i.e. co-location of horizontally related units), this thesis applies the concept to a KIBS sector – advertising – and investigates the forces of intra-firm agglomerations that apply to their spatial strategies.

In relation to the geographies of KIBS demand, like Shearmur and Doloreux (2015b), this thesis adopts a hierarchical approach to understand the spatial patterns surrounding the procurement of KIBS. Building on the hierarchical logic of Christaller (1933), i.e. either shopping locally or up the urban hierarchy, this thesis contributes by investigating the role of secondary centres within the urban hierarchy, specifically, whether these places serve as key hubs of KIBS. In addition, this thesis builds on the ideas surrounding the ability of KIBS to alleviate liabilities of foreignness. It does so

by providing empirical support for the assumption within the literature that multinational firms have preferences for large, networked agencies within global cities.

Finally, this thesis also acknowledges the heterogeneity that exists between KIBS sectors and its ability to impact their spatial distribution and the geography of their use. Thus, rather than applying broad categories of KIBS (e.g. T-KIBS vs P-KIBS vs C-KIBS), this study focuses on a single KIBS sector. By focusing on a single sector, this study can provide a closer investigation.

A summary of these theoretical building blocks and how this thesis builds upon them is provided in Table 4.

Table 4: Building Blocks of this Thesis

Theme	Concept	What this thesis takes from these concepts	How these concepts were used
Spatial Distribution	Agglomeration Economies (2.2.2/2.2.3)	1. Agglomeration forces that shape the location of KIBS	1. Extending the logic of agglomeration beyond the largest metropolitan regions
		2. Agglomeration forces between multi-unit firms, and how they differ from inter-firm agglomeration forces	2. Extending the concept of intra-firm agglomerations to KIBS
Spatial Distribution/ Geographies of KIBS Use	Heterogeneity of KIBS (2.1.2/2.3.1)	1. Heterogeneity exists within and between KIBS and can influence their spatial distribution and geographies of their use	1. Applied the relationship between KIBS heterogeneity and their spatial distribution as well as the geographies of their use to predict and interpret the patterns within advertising
Geographies of KIBS Use	Central Place Theory (2.3.2)	1. The hierarchical nature of KIBS use 2. The notion that procurement of KIBS is not necessarily local	1. Extending the consideration of hierarchical patterns of KIBS procurement to places outside of the highest-ordered metropolitan regions
Geographies of KIBS Use	Global Cities and KIBS (2.2.1/2.3.3)	1. Role of KIBS in alleviating liabilities of foreignness	1. Building on the idea of liabilities of foreignness towards understanding the influence of firms' internationalisation on the type of KIBS providers they select

## 2.5. Papers Included in this Thesis

This thesis's core comprises three self-contained research papers, presented in Chapters 4, 5 and 6. These can be read separately, but together seek to investigate the spatial dynamics of a KIBS sector – advertising – including location, use and tradability, and spatial strategies. The choice to focus on a single KIBS sector (advertising) was deliberate given the heterogeneity within KIBS sectors (and firms). As argued earlier,



the wide variation between KIBS sectors has meant that it is more meaningful to examine the intricacies of particular sectors in great depth. If repeated over several sectors, this would then provide a thorough basis for understanding the overall spatial dynamics of KIBS as a whole. A synthesis of the papers is presented in Table 5, while the authorial attribution of these three papers is presented in Table 6.

### 2.5.1. Papers Included in the Thesis

Research Paper 1: ‘Intra-National Trade in an Advanced Producer Service: Insights from the (Surprising) Locations of Leading Non-Metropolitan Advertising Agencies and their (Low) Dependence on Local Clients’.

While research on KIBS within the field of economic geography has grown considerably over the last two decades, studies on the locational choices of KIBS appear to have gone out of fashion since the early 1990s (see for example, Daniels, 1991; Marshall and Wood, 1992). Building on the literature surrounding the spatial distribution of KIBS, this contributes by examining the location of KIBS outside leading metropolitan regions, which has been the focus of scholars researching this subject (e.g. Paris and Montreal). Specifically, it focuses on the location of the largest non-London advertising agencies.

Furthermore, much of the emphasis on KIBS agglomeration research has focussed on supply-side factors, while the contributions of demand-side forces to agglomeration are less well understood. This research paper addresses this gap by investigating the spatial dimensions of KIBS use. Building on the logic of Christaller’s (1933) central place

theory, which maps the geography of markets onto the urban system, Research Paper 1 addresses this gap by mapping the spatial distribution of advertising agencies (as a KIBS sector) located outside the highest-ordered place (i.e. London), as well as examining the geographies of their demand from a hierarchical perspective.

The research questions of this article are as follows:

*RQ 1a: Where are these non-metropolitan advertising agencies located?*

*RQ 1b: To what extent are their clients local?*

*RQ 1c: To what extent does the procurement of advertising from non-London agencies exhibit 'Christallerian' hierarchical patterns?*

Research Paper 2: Advertising Agencies as Agents of Internationalisation – Examining the Choice of Networked Versus Non-Networked Advertising Agencies in the UK.

While Research Paper 1 examines the spatial patterns of advertising procurement, Research Paper 2 focuses on clients' advertising procurement choices, specifically the extent to which a client's internationalisation influences its selection of advertising agency by 'type'.

Building on the idea of 'liability of foreignness' (Zaheer, 1995) and the ability of KIBS as agents of internationalisation to alleviate such liabilities, this article develops the notion that global agency networks' capabilities and experiences in managing the nuances of global advertising campaigns are a vital attraction for the most internationalised clients. Addressing the lack of empirical grounding within the extant

literature to support the implicit assumption that multinational clients use KIBS with global networks of affiliates, this research paper seeks to verify whether these highly internationalised clients are more likely to procure their services from these providers.

In addition, it argues that the client-serving abilities of these global agency networks, which in the UK are almost entirely based in central London, strengthen that city's position as the premier hub of advertising in the UK and as a significant global hub. Thus, the following research questions were derived:

*RQ 2a: To what extent are highly internationalised clients more likely to select London-based agencies?*

*RQ 2b: To what extent are highly internationalised clients more likely to select agencies that belong to global advertising agency networks?*

Research Paper 3: 'Building Intra-firm Agglomerations: Examining the Changing Spatial Organisation of Major Advertising Agency Groups in London.

Motivated by the findings in Research Paper 2, this paper is interested in how the largest global advertising agencies organise themselves spatially and organisationally to coordinate and manage their clients' global activities. In order to better serve these large global clients, the large advertising networks have since begun a process of spatial consolidation that involves reconfiguring both their organisational as well as spatial structures, i.e. manifest in the formation of 'villages'. This is despite the advancements in ICT and transportation technologies that have made the fragmentation of functions across space possible.

Building on the ideas of intra-firm agglomeration, this research paper examines the locational choices of the largest global advertising agency networks in London. Specifically, it is interested in understanding the extent to which intra-firm agglomerations apply to advertising and broader KIBS sectors. In doing so, it investigates how the forces of intra-firm agglomeration manifest within the spatial consolidation of subsidiary agencies as well as generate a better understanding of why these developments are taking place.

Thus, the research questions for this paper are as follows:

*RQ 3a: How have intra-firm agglomerations manifested in the spatial consolidation of KIBS?*

*RQ 3b: How do KIBS benefit from intra-firm agglomeration?*

*RQ3c: Are there any potential dangers to such spatial consolidation?*

Table 5: Synthesis of Papers

Research Paper	Questions and research objectives	Theoretical framework	Data and methodology	Key Results	Implications
1	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> <li>To examine the locational patterns of KIBS (via advertising)</li> <li>To examine the extent to which KIBS procurement is tradable across space</li> <li>To investigate if the extent to which the procurement of KIBS follows a hierarchical pattern</li> </ul> <p><u>Research Questions:</u></p> <p>RQ 1a: Where are these non-metropolitan advertising agencies located?</p> <p>RQ 1b: To what extent are their clients local?</p> <p>RQ 1c: To what extent does the procurement advertising from non-London agencies exhibit ‘Christallerian’ hierarchical patterns</p>	<p><u>Location of KIBS outside London</u></p> <ul style="list-style-type: none"> <li>Agglomeration externalities are likely to result in an urban bias in KIBS location.</li> <li>This implies that outside of London, the secondary cities are expected to be the secondary hubs of advertising.</li> </ul> <p><u>Geography of KIBS use outside central London</u></p> <ul style="list-style-type: none"> <li>Central Place Theory (Christaller 1933) posits that procurement of KIBS should either be local or up the urban hierarchy (especially for ‘higher-ordered’ services)</li> </ul>	<p><u>Data:</u></p> <ul style="list-style-type: none"> <li>Client-agency dyads from Campaign magazine’s list of top 30 regional advertising agencies (2008-2017)</li> <li>Postcodes of top 30 regional and their largest clients (2008-2017)</li> </ul> <p><u>Methodology:</u></p> <p>Explorative analysis of client-agency dyads</p>	<ul style="list-style-type: none"> <li>Non-London agencies tend to locate in large cities, including the national capitals</li> <li>However certain locational anomalies discovered.</li> <li>They were found in fringes of major cities and more surprisingly in rural areas.</li> <li>Significant proportion of client-agency dyads do not reflect Christallerian patterns</li> <li>Some of these dyads even reflect procurement behaviour down the urban hierarchy</li> </ul>	<ul style="list-style-type: none"> <li>Presents a challenge to the importance of agglomeration in explaining the location of KIBS</li> <li>Shows that the procurement of KIBS need not always be hierarchical i.e. procuring KIBS down the urban hierarchy</li> </ul>

Research Paper	Questions and research objectives	Theoretical framework	Data and methodology	Key Results	Implications
2	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> <li>• Provide empirical support to the assumption that multinational firms have preferences for KIBS with global networks of affiliates and satellite offices</li> <li>• To unpack the role of KIBS in coordinating globally dispersed activities</li> </ul> <p><u>Research Questions:</u></p> <p>RQ 2a: To what extent are highly internationalised clients more likely to select London-based agencies?</p> <p>RQ 2b: To what extent are highly internationalised clients more likely to select agencies that belong to global advertising agency networks?</p>	<ul style="list-style-type: none"> <li>• Liabilities of foreignness suggest that firms face additional costs when operating in foreign markets</li> <li>• Given the ability of global KIBS providers to alleviate liabilities of foreignness (Goerzen, 2013) highly internationalised clients are more likely to select these agencies with global networks of affiliates</li> <li>• Because of the reduced search costs when procuring KIBS from global city due to convenience brought about by demand-related agglomerations (McCann and Folta, 2009) foreign clients prefer KIBS providers in global cities.</li> <li>• Perceived quality of London-based agencies serves as a benefit of origin (Amankwah-Amoah). Thus, foreign clients which are less locally embedded are more likely to trust KIBS providers in global cities.</li> </ul>	<p><u>Data:</u></p> <ul style="list-style-type: none"> <li>• Client-agency dyads from Campaign magazine's list of top 100 advertising agencies (2008-2017)</li> <li>• Billings data of agencies' 5 largest clients from (2008-2011, 2013 - 2014, 2017)</li> </ul> <p><u>Methodology:</u></p> <p>Chi-squared tests</p>	<ul style="list-style-type: none"> <li>• Large agency networks are more likely than average to serve global clients</li> <li>• In contrast, regional independent firms more likely to serve local domestic markets</li> <li>• London-based independents are successful in winning foreign multinational accounts (inbound internationalisation) but are less likely in winning accounts of British clients that are highly internationalised (outbound internationalisation)</li> </ul>	<ul style="list-style-type: none"> <li>• There are differences in procurement patterns amongst clients seeking to enter a market (internationalisation) vs clients that seek to expand abroad (outbound internationalisation)</li> <li>• Empirically justify the widely accepted claim that multinational firms</li> <li>• The ability of KIBS to alleviate liabilities of foreignness contributes towards the governance of global economic activity</li> </ul>

Research Paper	Questions and research objectives	Theoretical framework	Data and methodology	Key Results	Implications
3	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> <li>To examine the spatial organisation of advertising agencies.</li> <li>To examine the relevance of intra-firm agglomerations in understanding the spatial organisation of KIBS</li> </ul> <p><u>Research Questions:</u></p> <p>RQ 3a: How have intra-firm agglomerations manifested in the spatial consolidation of KIBS?</p> <p>RQ 3b: How do KIBS benefit from intra-firm agglomeration?</p> <p>RQ3c: Are there any potential dangers to such spatial consolidation?</p>	<ul style="list-style-type: none"> <li>Urbanisation agglomeration economies explain advertising agencies' preference locating in central London</li> <li>The forces of intra-firm agglomeration incentivise KIBS firms to consolidate spatially</li> <li>These forces include the generation of operational synergies, enabling smoother collaborations, and facilitating knowledge spillovers.</li> </ul>	<p><u>Data:</u></p> <ul style="list-style-type: none"> <li>News articles and interviews from trade magazines</li> <li>Postcodes of advertising agencies belonging to Big 4 Advertising agency groups</li> </ul> <p><u>Methodology:</u></p> <p>Case study through qualitative analysis of secondary material</p>	<ul style="list-style-type: none"> <li>Advertising agency networks are undergoing a process of spatial consolidation</li> <li>The different networks have varying approaches to spatial consolidation</li> <li>This spatial consolidation can be attributed to operational synergies, the need for enhanced collaboration, and knowledge spillovers.</li> <li>This suggests that KIBS firms can benefit from intra-firm agglomerations.</li> <li>These spatial transformations are reflecting a shift in organisational transformations as well.</li> </ul>	<ul style="list-style-type: none"> <li>First study trying to understand the role of intra-firm agglomerations in explaining the spatial choices of KIBS firms</li> <li>The findings suggest that the debates surrounding the centralisation vs decentralisation within KIBS needs to be examined further</li> <li>These findings also have managerial implications for KIBS firms planning to emulate the strategy of consolidation (e.g. benefits and disadvantages)</li> </ul>

Table 6: Authorial Attribution of Research Papers

Task	Paper 1		Paper 2		Paper 3	
	PhD Student	Supervisor	PhD Student	Supervisor	PhD Student	Supervisor
Paper Formulation/Idea Generation	✓		✓		✓	
Data Collection	✓		✓		✓	
Data Analysis	✓	✓	✓	✓	✓	
Drafting	✓		✓		✓	
Comments and Feedback		✓		✓		✓



## Chapter 3: Research Context and Methods

This chapter aims to contextualise the studies undertaken in this thesis, specifically by providing background on the advertising industry and the procurement of advertising by clients. It begins with an overview of what advertising is. This is followed by a brief overview of modern British advertising history, which outlines how the advertising sector in the UK got to where it is today. The chapter then continues with an overview of the British advertising industry today and concludes with a summary of the data and methods used in this thesis

### 3.1. Overview of Advertising

While there are numerous perceptions regarding advertising (Tellis and Ambler, 2007a), advertising can be broadly defined as the process of delivering messages persuasively (Bachnik *et al.*, 2018) to achieve the desired behavioural outcomes in the intended target audiences (Brierley, 2005).

Many discussions of advertising today typically revolve around advertising as a business management function. This is not entirely unexpected as the Industrial Revolution played a crucial role in modern advertising development (Brierley, 2005). Industrialists needed to generate demand and develop new markets for their mass-produced products, accompanied by developments in mass printing significantly accelerated the demand for and advertising (Turow, 2018). Consumers today are inundated with advertisements across various media ranging from digital (e.g. social media and search engine optimisation) to traditional (e.g. TV, radio, and newspapers)

(Tellis, 2004). Surrounded by the noise within the hyper-competitive space for consumers' limited attention, firms seek to increase awareness and demand for the firm's offerings and shift consumer behaviour and preferences between competing brands or products (Bloch and Manceau, 1999).

However, corporate firms are not the only entities to engage in advertising. The ability to manipulate perceptions (e.g. changing mindsets) and drive behavioural change (e.g. casting votes) has also found its way into the electoral democracy process. Saatchi & Saatchi's iconic and successful campaign ("Labour is not working") for the Conservative Party in the 1979 General Election heralded a turning point in British electoral history, marking the arrival of American style political advertising to British politics (Campaign, 2014). Governments and non-profit organisations have also harnessed advertising's potential to enact behavioural change amongst citizens to further their domestic policy or organisational agendas, respectively, e.g. campaigns dedicated to raising awareness of health and environmental issues<sup>13</sup>. The British government most recently directed an emotionally charged appeal that called on the British public to reflect on their actions during the Covid-19 pandemic and how it impacts the National Health Service (NHS).

---

<sup>13</sup> See <https://www.campaignlive.co.uk/the-work/sector/government-non-profit/5837> for summaries of recent examples.

## 3.2. History of contemporary British advertising

### 3.2.1. American Agencies Move Eastwards – Growth of

#### Contemporary British advertising in the early 1900s

While advertising in Britain was by no means a new phenomenon, and modern advertising techniques can be traced to the Victorian era (Fletcher, 2008), the arrival of the American agencies in London, which followed the international expansion of their clients, drove a transformation of British advertising. Moving away from reciprocal contractual agreements between British and American agencies, the American agencies began establishing their own satellite offices in London to serve their American clients in the UK market<sup>14</sup> (West, 1988). This presence was pioneered by J. Walter Thompson establishing a London office as early as 1899, with others following: e.g., McCann Erickson opened a London office in 1927. The expansion of American full-service agencies (FSAs) also continued throughout the post-war period, not only with the establishment of satellite offices but also with the acquisition of indigenous British firms (Lash and Urry, 1994). This period of British advertising was marked by the domination of full-service agencies headquartered in Madison Avenue, New York, that settled alongside the smaller independent British advertising agencies.

Despite government effort to prop up the advertising industry during the two World Wars, i.e. propaganda, the growth of advertising in Britain (and elsewhere) was severely curtailed, with British agencies suffering more than their American

---

<sup>14</sup> There was no reciprocity as British agencies were less able to expand into the American market.

counterparts due to various regulations and controls (West, 1988). This imbalance in constraints between British and American agencies in the post-war period allowed the US agencies to extend their influence within the British advertising through acquisitions of British agencies (Grabher, 2001). The British advertising landscape was in effect mainly under the influence of Madison Avenue.

### 3.2.2. The Arrival of the ‘Second Wave’ and the Golden Age of British advertising 1960s – 1980s

In the late 1950s, a creative revolution led by revolutionaries such as Bill Bernbach, Jack Tinker, and Mary Wells had begun to take shape within Madison Avenue (Nixon, 2017). Rather than focus on the scientific techniques of market research and selling, which had defined the advertising giants, such as Ogilvy and McCann Erickson, these mavericks emphasised creativity, both in terms of their aesthetics and copywriting (Grabher, 2001). Breaking away with the norms of advertising agencies then, this new logic of advertising which remains till this day, required the presence of a unified ‘creative team’, with art directors and copywriters working closely together to develop a campaign rather than separately without much room for coordination and discussion (Tungate, 2007).

By the late 1960s, the ‘second wave’ of advertising (Lee, 1993) eventually made its way to the UK. This new take on advertising came when experimentations were taking place in the British music and visual arts industries and allowed for the generation of newer and more innovative styles and mediums of expression (Tungate, 2007). This

shift was primarily welcomed by advertisers increasingly seeking to ‘stand out’ within their increasingly competitive markets (Leslie, 1997a). This degree of stylistic experimentation suited the smaller British creative agencies<sup>15</sup> which thrived in the new creative environment.

Armed with their brand of wit and humour that is traditionally symbolic of British culture, British advertising styles eventually detached themselves from American styles, which often took a more scientific and methodical approach to selling (Grabher, 2001; Tungate, 2007). This began a process of ‘de-Americanisation’ as British styles began to flourish and exert their influence on their often less dramatic American counterparts (Schwarzkopf, 2013). By 1974, British advertising had cemented its place as the global leader in aesthetic creativity with its numerous global advertising awards (Fletcher, 2008).

It was not until the 1980s where the tide began to turn on the American multinationals. Alongside the creative triumphs carried over from the 1970s (Fletcher, 2008), British advertising prospered as the profits and market shares of indigenous British advertising agencies surged. It has been estimated that the top 50 British agencies' income rose by approximately 80% between 1980 to 1989 (Grabher, 2001). Driven by this success, British advertising agencies began emulating the Madison Avenue behemoths and formed their own ‘superagencies’ by acquiring American advertising agencies. The

---

<sup>15</sup> Amongst these creative pioneers is Collett Dickenson Pearce (CDP) which nurtured the careers of many internationally acclaimed admen including Sir Frank Lowe, Charles Saatchi, David Abbott, and Sir John Hegarty.

‘emancipation’ from the influence of Madison Avenue behemoths was truly complete in 1987 (Grabher, 2001) with the hostile takeover of J. Walter Thompson – one of the largest, oldest, and most established American agencies by Sir Martin Sorrell’s WPP, an ambitious British upstart agency network. WPP would acquire Ogilvy & Mather two years later, on route to becoming one of the world’s largest advertising networks.

This era also witnessed a transformation in the structure of the media buying landscape, particularly the emergence of specialist media agencies. The production execution of successful advertising campaigns relies on two inextricably related components working closely together in tandem: The message (what needs to be conveyed and how is it done) and the channel (where the message is projected), which correspond to creative and media functions of advertising respectively (Nelson-Field, 2020). The formation of independent media agencies which specialise in the placement of advertisements was not new. Indeed the first advertising agencies such as Volney Palmer that emerged in the mid-19<sup>th</sup> century were primarily ‘space brokers’ (Pope, 1983; Tellis and Ambler, 2007b). Before the 1930s, firms had the option to either bundle their creative and media functions via a dedicated advertising agency or to split these functions by placing an ‘advertising consultant’ in charge of creating ad copy or doing it in-house, while engaging an independent media agency to place their campaign (Brierley, 2005).

All this changed in 1932 with the enshrinement of a cartelistic set of trade practices by the FSA-dominated Institute of Practitioners in Advertising (IPA), known as the recognition system (Arzaghi *et al.*, 2012). The recognition system's introduction was a

response to the increasing price competition brought about by these media independents who were returning a more significant proportion of the media rebates back to advertisers<sup>16</sup> (Pratt, 2006). Part of this system was a ‘no rebating clause’ which prohibited the rebating of media rebates to clients, i.e. all commissions<sup>17</sup> were required to stay within the advertising agency, which removed the price competitiveness of specialist media agencies. Agencies also could only receive this commission if they were ‘accredited’ by the media companies (Fletcher, 2010). In 1941, the recognition system further mandated that agencies create and produce ad copy that effectively precluded the unbundling of media buying services (Fletcher, 2008), a move that entrenched the profitability and dominance of FSAs.

The enactment of requirements meant that media buying functions resided within the media departments of FSAs and were often relegated to an afterthought within FSAs behind the creatives (Foster, 2018); necessary but unexciting. Frustrated with the neglect taking place in the FSAs, David Green established Media Buying Services (MBS) in 1970, which pioneered the trend towards independent media agencies' (Foster, 2018; Lee, 2018). Recognising that media functions were not loss leaders (Fletcher, 2010), Green, the former media group head at Garland-Compton, believed in media independents' potential profitability. There was, however, still a giant barrier to his ambitions – the recognition system. Understanding the limits of what could be

---

<sup>16</sup> The procurement of advertising in the early days was conducted based on commissions (from billings) where media owners gave agencies rebates in return for buying advertising space.

<sup>17</sup> As part of the recognition system, industry-wide commission rates were set at fixed rates to remove price competition.

accomplished, he set out to work around rather than against the system. Green pitched his firm to the FSAs as a subcontractor rather than a competitor media agency, similar to creative agencies which took on creative work from FSAs that did not have the spare capacity (Fletcher, 2008). Doing so did not contravene the recognition system as they operated under the flag of their recognised FSA partners and took a commission, which meant that there was no rebating of commissions to advertisers. Eventually, more media independents were established, and these started attracting top media employees who were frustrated with being treated as second-class citizens within the FSAs, thus enhancing the capabilities of these media independents (Fletcher, 2008). The recessions driven by the 1973 oil crisis further enhanced the demand for media independents as advertisers opted to reuse old advertising copy, which reduced the need for FSAs (Brierley, 2005). The recognition system eventually crumbled in 1976 with the Restrictive Practices Act's introduction, which deemed the fix commission rates anti-competitive, and agencies were free to negotiate commission rates with media owners and remuneration with their clients. Consequently, the unbundling of media and creative functions began taking place within the advertising sector, and fees that allowed remuneration to be tied to results became the default mode of payment for media services.

### 3.3. British Advertising Today

#### 3.3.1. Flexible Specialisation in Advertising

An outcome of the unbundling of advertising services (Horsky, 2006) and increased demand for innovative advertising campaigns is the emergence of flexible specialisation



within the advertising sector (Leslie, 1997a) instead of the traditional FSA. Flexible here refers to a Post-Fordist production system comprised of a network of firms specialising in particular functions and the traditions of the division of labour while the combination of firms participating in the production process can be altered (Christopherson and Storper, 1989). This form of organisation can be described as a separation of tasks (specialisation) between interchangeable specialist parts (flexible) via various subcontracting mechanisms. This form of production “represents a particular point on the continuum of options for organizing production, at whose poles are complete vertical integration and disintegration” (Storper and Christopherson 1987, p. 105) which balances the trade-off between the loss of potential profit and revenue streams with the spreading of risks inherent in the creative production process.

Within the advertising domain, this separation is observed in the emergence of specialist creative and media agencies as outlined earlier, and even specialist marketing functions (e.g. PR and Digital agencies) that provide clients with multiple options with regards to how they approach the execution of their advertising campaign. The relationships between clients and these agencies can also either be short or long-term. Such flexibility allows clients to make the necessary changes if expectations are not met, or another specialist agency can provide better value. It must be noted that clients have the option of fulfilling their needs through a mix of unrelated specialist agencies or specialist agencies within the same agency network that can provide a wide range of bespoke services according to clients’ needs. These choices will be addressed further in Chapter 6.

### 3.3.2. The Organisation of Advertising Agencies

The acquisition-led growth outcome up to this point has resulted in the increased market concentration amongst the agency networks, particularly the Big 4 advertising and marketing communications groups: WPP, Omnicom, Publicis, and Interpublic. From 2008 to 2017, more than two-thirds of agencies that made it to *Campaign's* list of the top 30 advertising agencies (in terms of billings) belonged to advertising agency networks. This is because these large agency networks have expanded their capabilities beyond the production of advertisements (both traditional and digital) to broad areas of what is considered marketing (e.g. public relations, product design, brand management, etc.). This was primarily the outcome of the wave of acquisitions which has been viewed as the most efficient manner of growing capabilities (Grabher, 2001). It is also this wide range of capabilities across various specialities that they can provide clients with more customised services. At the risk of oversimplification, the FSAs, which dominated the earlier era of British advertising, have been supplanted by 'supergroups' that often encompass independently-run sub-networks across various specialised functions (see Figure 4 for the example of Publicis) (Pratt, 2006).

What is particularly interesting about these groups is that they are organised in a heterarchical fashion whereby the subsidiaries retained their unique identities and operate as independent entities, thereby retaining their agility and reflexivity. Unlike traditional alliances, agencies within the same holding group are often characterised

by rivalry, competing and pitching against each other for projects<sup>18</sup> (Grabher, 2001) while at the same time drawing on a pool of common and shared back-office functions and supported by the administrative and financial resources of the holding company (Fletcher, 2008).

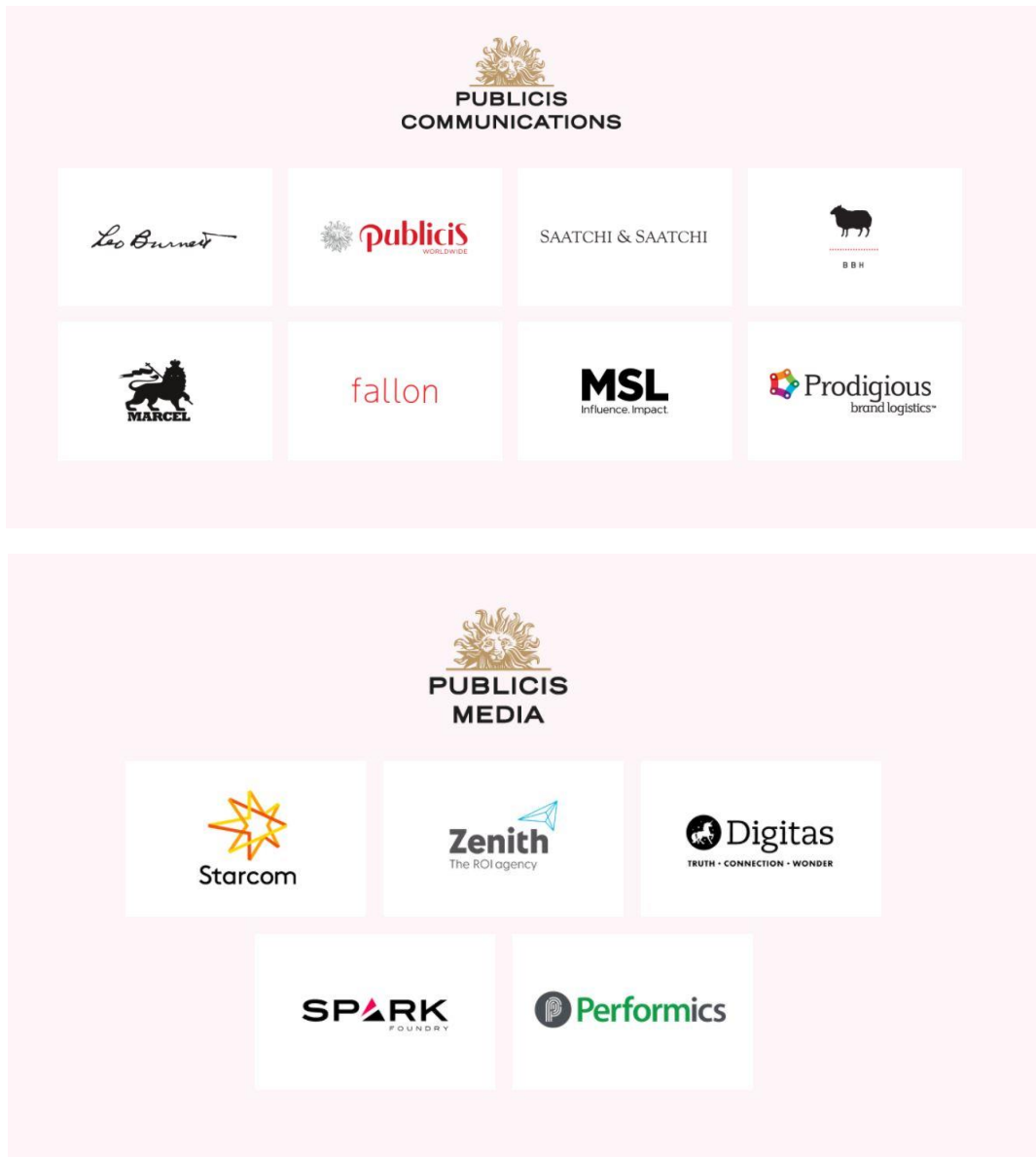


Figure 4: Breakdown of Publicis Groupe's networks. Source: Publicis

<sup>18</sup> see e.g. <https://www.mumbrella.asia/2018/01/ogilvy-wins-changi-airport-creative-account-from-jwt>

An advantage of such a structure is that it allows these agencies to bypass the issues arising from issues of exclusivity arising from account conflicts. It has been a longstanding practice amongst advertising agencies not to serve more than one client within each industry at a time, i.e. advertising agencies will have to drop existing client accounts if they secure another client within the same industry (Tungate, 2007). Allowing subsidiary agencies to retain their agencies allows them to maintain a broader and deeper roster of clients. Furthermore, Grabher (2001) also argues that allowing acquisitions to retain their creative philosophies and identities. Creative philosophies are the shared guiding principles for creation and ideation shared across the agency (West and Ford, 2001). By protecting this shared belief of how “advertising works” (p. 78), the heterarchical structure reduces the risk of creative talent departures who often take clients along when they leave.

### 3.3.3. The Geography of Advertising Agencies in the UK

Like most other KIBS, the advertising sector has benefited from structural transformations within the British economy that has resulted in deindustrialisation and the shift towards a service economy (Greenhalgh and Gregory, 2001; Martin *et al.*, 2016). Exports of advertising almost tripled from about £2.8bn (2008) to almost £8bn (2017), while imports of advertising have almost doubled to about £4bn (ONS, 2020) in the same period. Meanwhile, the advertising industry’s Gross Value Added (GVA) to the British economy has also been growing at a relatively steady pace (See Figure 5) since 2010.

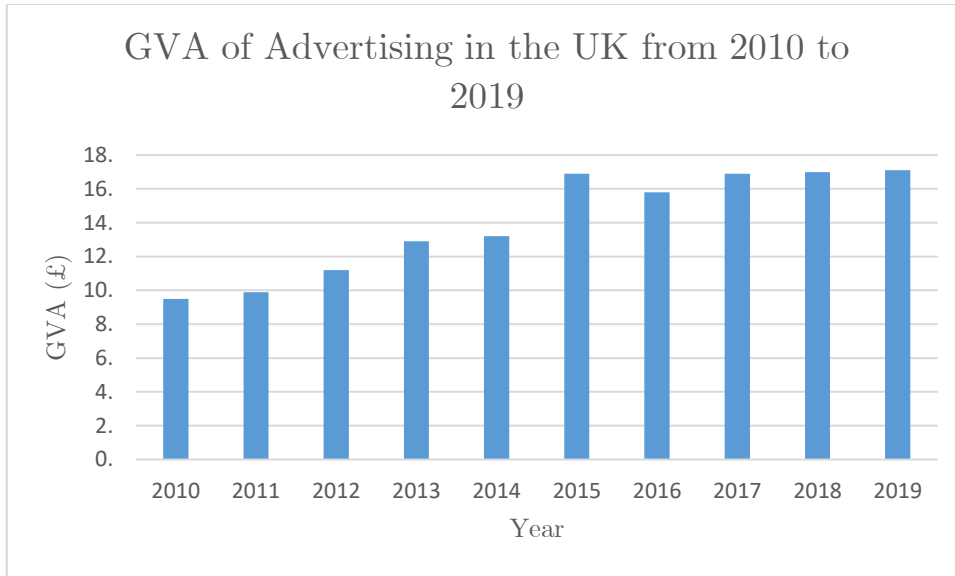


Figure 5: GVA of Advertising in the UK from 2010 to 2019 Source: ONS

However, the distribution of this growth has been unequal. It is estimated that the 25,000 IPA agencies, representing around 10% of all advertising agencies in the UK, handle about 85% of all advertising billings in the UK (IPA, 2020a, 2020b). An examination of billings amongst the top advertising agencies also shows that billings amongst advertising agencies decrease exponentially down the ranking list (see Figure 6).

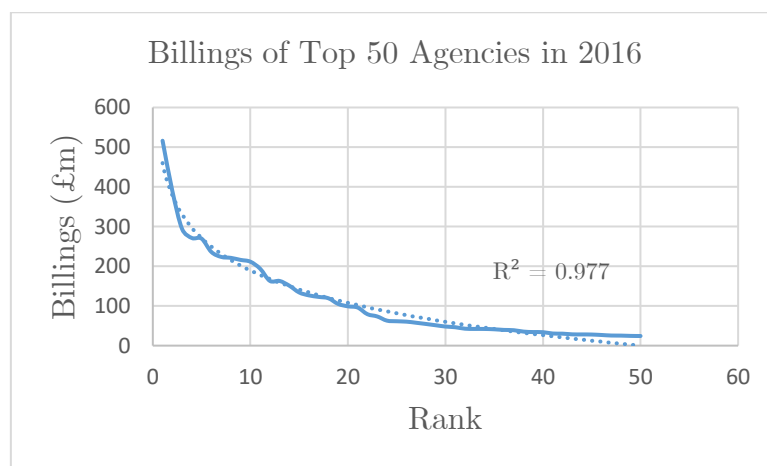


Figure 6: Billings of Top 50 Creative Agencies in 2016 Source: Campaign

Like many other KIBS sectors that benefit from the effects of agglomeration, the British advertising sector is also highly concentrated within London and the Greater South East. Figure 7 highlights the disparities in advertising employment within London and the Greater South East Region, with Leeds and Manchester being the rare Northern exceptions.

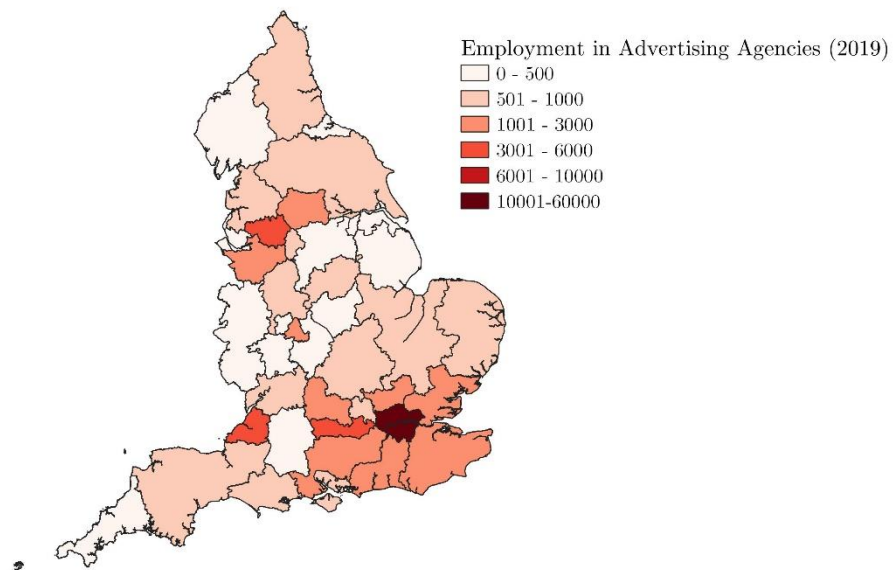
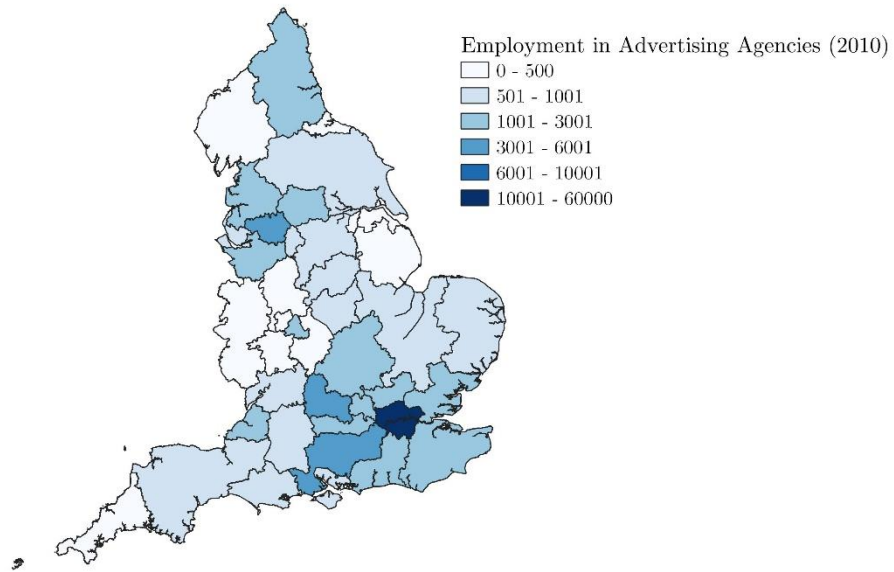


Figure 7: Map of Employment in Advertising Agencies Source: ONS

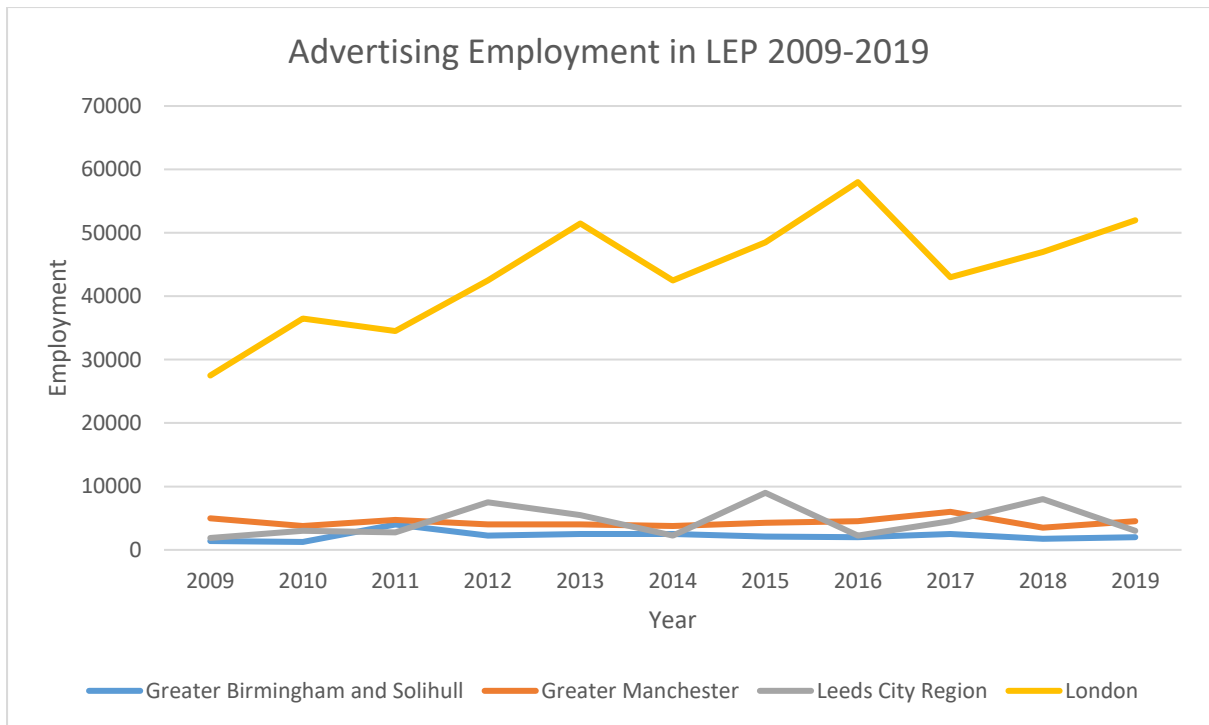


Figure 8: Advertising Employment in LEPs from 2009-2019

On average, London alone accounts for almost half of total employment within advertising agencies in England, and their lead is only continuing to grow (See Figure 8). Much of the British industry's expansion in the last decade is driven by growth in London.

In contrast, employment growth of advertising in secondary British cities has been comparably stagnant, with the Greater Manchester Local Economic Partnership (LEP) region performing the best of the rest. Interestingly, the Greater Birmingham LEP region has not been able to gain any ground on Greater Manchester. One explanation for such a phenomenon could be that its relative geographical proximity to London suggests that the region has become a de facto hinterland that poses some challenges for establishing an indigenous advertising agency base as clients in Birmingham procure their services from London (Daniels and Bryson, 2005). Such a conjecture raises some



questions surrounding the tradability of services, some of which are addressed in Chapter 4.

Why are advertising agencies amongst the most spatially concentrated KIBS sectors in the UK (Gardiner and Sunley, 2020)? The focus on symbolic creativity exemplified by creative industries that have been shown to agglomerate (Chapain and Sagot-Duvaurox, 2018; Lazzeretti *et al.*, 2008) could provide some clues. The spatial agglomeration of creative industries is also considered at two different angles within the literature (Chapain and Sagot-Duvaurox, 2018). On the one hand, there are scholars who view the creative industries through the lens of creative clusters (i.e. localisation effects), and on the other, there are scholars who conceptualise the creative industries via their location on the metropolitan hierarchy (i.e. urbanisation effects). While there are some commonalities between the agglomeration forces that result in the clustering of KIBS and creative industries, the following discussion highlights the forces that are peculiar to advertising.

While the concept of localisation economies apply to KIBS, the concept has recently been incorporated into the study of creative clustering (Gong and Hassink, 2017). A key reason is that this clustering allows for an increase in the productivity of resource use. This occurs through firms sharing specialised infrastructure and specialised inputs towards the production of advertising, such as studios and filming facilities that are located within the cluster (Chapain *et al.*, 2010; Potts, 2011).

These specialised suppliers which provide expertise creative KIBS firms lack, also enhances the flexibility and coordination of the creative production industrial complex. This is because creative KIBS firms can alternate between establishing long term partnerships or subcontracting a mix of various suppliers on a project-by-project basis (Christopherson, 1989; Christopherson and Storper, 1986). This improvement in coordination within the creative KIBS production network can be attributed to the increased possibility for frequent face-to-face interactions throughout the production process, particularly when resolving the more complex issues that emerge (Asheim *et al.*, 2007; Nachum and Keeble, 2003). The mixing and matching between various stakeholders can often provide the “fresh perspectives and novel approaches” (Grabher 2002, p. 253) required to produce creativity.

Besides, creative sectors such as advertising have also exhibited tendencies to cluster together within metropolitan areas. A major reason these sectors value located at the top of the urban hierarchy in New York, London, and Los Angeles is that these highest-ordered cities and metropolitan areas continue to be acknowledged as hubs for creativity (Casadei and Lee, 2020). This creates a knowledge-rich ‘buzzy’ environment encompassing a wide range of creative industries required for the generation of novelty (Lorenzen and Frederiksen, 2008). The production of advertising can benefit by drawing fresh inspiration from the creative offerings of other creative sectors (such as TV show production) and even new creative production techniques (e.g. music and video production). As these creative sectors often possess common cognitive frames based on a shared symbolic knowledge base, the co-presence of various related creative

sectors can stimulate innovations within the creative KIBS sectors (Asheim, Boschma, *et al.*, 2011; Frenken *et al.*, 2007). Hence, not only do individual creative KIBS sectors tend to agglomerate, but they also demonstrate a strong preference to cluster with other creative sectors as well. Since the large cities and urban metropolitan areas are the only large enough places to support multiple creative sectors, these sectors will eventually gravitate towards these highest-ordered places.

Recent research has shown that beyond exhibiting a preference for high-ordered places, advertising, like other creative industries, have been shown to cluster at a finer geographical scale within these urban creative clusters, i.e. microclusters (Siepel *et al.*, 2020). Rather than regions, the unit of analyses of these micro geographies often takes districts or even neighbourhoods. These micro geographies are exciting because microclusters in creative clusters have provided different operating environments from those outside recognised creative clusters. Siepel *et al.* (2020) report that microclusters outside recognised creative clusters are shown to have a positive effect on growth, i.e. firms located in microclusters outside established creative clusters are leveraging the benefits of proximity to overcome the lack of access to resources such as skills, amenities and markets that can be found in creative clusters. They also argue that the firms in different microclusters also face different barriers that will require different forms of interventions. Within London the most famous of these microclusters is Soho. A discussion of Soho and microclusters of advertising can be found in Chapter 6.

### 3.4. Data and Methods

#### 3.4.1. Data Sources

This thesis's primary means of data collection is gathering information published annually in *Campaign* – the leading trade magazine for advertising in the UK. The use of annual ranking lists published in trade journals follow studies such as Greenwood *et al.* (2005), Knox and Taylor (2005), and Tether *et al.* (2012) that have previously used these lists to examine KIBS firms. As part of its annual review of British advertising agencies, *Campaign* publishes a list of the top 100 creative advertising agencies in the UK based on annual billings as tracked and reported by Nielsen. For the top 30 agencies, *Campaign* also provides the identity of these agencies' five largest clients ranked by their billings. In addition to this top 100 list, *Campaign* also publishes a list of the top 30 regional agencies, again, based on their billings for the year. By regional, *Campaign* refers to advertising agencies located outside Central London. Like the top 30 creative agencies, the top 30 regional agencies' list also comes furnished with the top 5 clients of each agency by billings. Combining these 'league tables' and joining the records from 2008 to 2017 inclusive, the whole dataset contained 2680 client-agency dyads after excluding observations with missing or incomplete information. Of these 2680 dyads, 1087 were unique clients.

Following the identification of these client-agency dyads, the dataset was furnished with further client and agency related variables. The first step was to identify the locations of the agencies and their clients. Through searching through the advertising agencies' archived websites, the post codes of the head office and secondary offices were

identified. For the clients, their locations were represented by the address of their British head office. This assumption is made based on the rationale that advertising agency decision-making is an elaborate process involving pitches (Turnbull and Wheeler, 2016) that are likely to be conducted at headquarters. These clients' postcodes were then obtained from the Financial Analysis Made Easy (FAME) database and cross-referenced with secondary sources on the internet. The following variables were then collected:

For Chapter 4, after obtaining the postcodes for both agencies and their clients, these postcodes were then mapped onto Travel to Work Areas (TTWAs) which are defined as an urban commuting area that fulfils two conditions (1) at least 75 per cent of the resident economically active population works in this area and (2) at least 75 per cent of the workforce live in the area. A key advantage of TTWAs is that an economic approach to dividing places rather than an administrative one (e.g. Nomenclature of Territorial Units for Statistics). The locational quotients of these TTWAs were then obtained from the UK Business Register and Employment Survey (BRES). While locational quotients do not fully reflect the urban hierarchy, i.e. smaller places that 'punch above their weight', it does allow us to identify these 'specialised functional centres' (Parr, 2017) that do not fully conform to the traditional definition of central places.

Additional variables in Chapter 5 and 6 include identifying the ownership status of the agencies. This was done through searching through the websites of the agencies as well as secondary news sources. Special care was made to ensure the year of any acquisitions

was recorded. In addition, to augment the estimation of billings of client accounts for Chapter 5, the number of client accounts was obtained from the individual ‘school reports’<sup>19</sup> of the agency, as well as client billing data from the list of top 100 advertisers published by *Campaign* where available.

### 3.4.2. Methods Breakdown

In Chapter 4, the first step was to map the clients’ and agencies’ location to their respective TTWAs. After mapping the agencies and clients to their respective TTWAs, the straight-line, i.e. ‘as the crow flies,’ distance between them was then calculated. For agencies with multiple offices, the distances between the client and the nearest clients were also calculated. The next step of the exercise was to compare the locational quotients, which measured the TTWAs’ relative strength in advertising to examine the procurement behaviour. This was done by classifying them into four types of procurement behaviours: (1) Shops up, (2) shops down, (3) shops far, and (4) shops locally.

Chapter 5 begins with estimating individual client-agency billings as this data was not provided by *Campaign*. Observing that advertising billings decline following a power function, a power function was then fitted to the data. The next step involved categorising agencies based on their ownership and location and clients based on their extent of internationalisation. To categorise the extent of internationalisation, the authors independently classified them based on the scale of their operations. The

---

<sup>19</sup> School reports are the annual analyses of the top advertising agencies provided by *Campaign*.

authors then compared their classifications and discussed any disagreement, making changes to classifications if deemed necessary. This is followed by developing the expected distribution client-agency observations within each dyadic client-agency classification as weighted by estimated billings across the various billing bands. Within each of the billing bands, chi-square tests were performed to compare the expected outcome with the actual outcomes.

Chapter 6 maps out and tracks the location of the Big 4 advertising agency network villages. While interviews might have been useful in understanding the rationales behind the spatial consolidations, it would have been a challenging task for a PhD student to obtain elite interviews with the management of these global agency networks. As such, the decision was made to focus on mapping out this new spatial phenomenon.

## Chapter 4: Research paper 1

### Intra-National Trade in an Advanced Producer Service: Insights from the (surprising) locations of leading Non-Metropolitan Advertising Agencies and their (low) Dependence on Local Clients

Peng Khoon Gerald Chan and Bruce S. Tether Alliance Manchester Business School,  
University of Manchester, UK

#### Abstract

This paper aims to contribute to understanding the economic geography of advanced producer services by (1) examining the locations of leading non-metropolitan advertising agencies and by (2) examining the extent to which their services are traded over distance. We do this by drawing on a novel database which reveals that many advertising agencies locate in ‘surprising places’, which theory would not predict. Furthermore, by analysing a set of nearly 600 client-agency dyads, we show that producer services are often traded over distance, a finding that contradicts that assumption procurement is predominantly local. These findings indicate that outside of central London, the UK market advertising, specifically high-value advertising, is remarkably aspatial and “footloose”.



Keywords: Advanced Producer Services; Advertising Agencies; Location; Central Place Theory; Geography of Demand; Services Trade; Tradability of Services

#### 4.1. Introduction

That advanced producer services<sup>20</sup> (APS), or ‘Knowledge-Intensive Business Services’ (KIBS), are highly concentrated in or near the centres of the largest cities is well known (Merino and Rubalcaba 2013; Shearmur and Doloreux, 2015a&b). Furthermore, at least before the Covid-19 pandemic, this phenomenon has been remarkably resilient, despite technological possibilities and cost-based motivations for dispersal. Certainly, in the UK, London is the preeminent location for APS, its advantage having increased since the 2008 financial crisis (Tether, 2019). Of APS, advertising is among the most spatially concentrated; Gardiner and Sunley (2020) report that London now accounts for almost half of all UK employment in the ‘advertising and marketing industry’, up from 41% in 1991. Other “world cities”, including New York, Tokyo and Paris, are also centres of advertising (Leslie 1997; Grabher, 2002; Faulconbridge, 2006, 2007; Arzaghi and Henderson, 2008).

The spatial distribution of APS matters because of the opportunities these businesses provide and their broader influence on the economy and society (Brenner *et al.*, 2018; Muller and Zenker, 2001). Overall, for at least three decades, these activities have been among the fastest-growing in advanced economies in terms of income, value-added and employment; they also tend to be providers of higher-paying, “better quality” jobs

---

<sup>20</sup> The term APS is used here rather than KIBS because the paper is oriented to the geography literature which tends to prefer the former, although both terms are used.

(Fingleton, 2013; Gabe, 2009). Regions with high shares of employment in APS are characterised by relatively high productivity and prosperity, whereas regions under-represented in APS tend to be significantly poorer (Backman, 2014; Corrocher and Cusmano, 2014; Zhang, 2016). Nevertheless, APS are also important because of their wider economic, social, and cultural significance, including setting rules in accountancy, interpreting statutes in law, shaping environments in architecture, and manipulating meanings and desires in advertising. Being home to the largest and most influential firms in these sectors enhances the significance of largest cities as global hubs, which make and shape economy and society far beyond their physical confines (Sassen, 2002; Taylor *et al.*, 2014)

The spatial distribution of APS also raises questions about the geography of the markets in which these firms are active, including, on the supply-side, the market for talent and, on the demand-side, the market for clients. Services are understood to be less easily traded over distance than physical and digital goods due to both how they are produced and consumed ('jointness in production' requires that workers and sometimes also clients come physically together to places of service production). This is particularly true for service relationships that are 'sparring' in nature (Tordoir, 1994), where frequent and interpersonal exchanges occur within the service provision process. However, even before the Covid-19 crisis forced the rapid growth in homeworking, it was evident that APS are traded over distance, and therefore not "untradable" (Bennett and Smith, 2002; Gervais and Jensen, 2019), although the extent to which they are traded, especially over long distances, remains opaque.

In this article, we address the following research questions: (1) Where are the largest non-London agencies based? (2) To what extent are their clients local? (3) To what extent do the procurement of these non-London agencies exhibit Christallerian tendencies?

To address these research questions, this paper begins by examining the location of leading non-London UK advertising agencies among “travel to work areas” (TTWAs) and then, drawing on a novel data source, examines the locations of 64 leading non-London based agencies. To shed light on the extent to which advertising is traded (and thus tradable) over distance, this paper also draws on these agencies’ most important clients’ locations, thereby revealing the extent to which leading clients are local. If clients are typically not-local, this suggests agencies are relatively footloose with respect to their locations (Meliciani and Savona, 2015; Wernerheim and Sharpe, 2003), an insight which is significant in the context of the present UK government’s desire to rebalancing or “levelling up”, the UK economy (Tether, 2019).

The article is presented as follows: Section 2 draws on prior conceptual literature to develop *a priori* expectations concerning non-London advertising agencies’ location. It also provides a brief empirical overview of the location of advertising agencies in the UK. Section 3 presents the data and methods used to examine the location of leading “Regional Agencies”. Section 4 presents the findings, while Section 5 discusses the findings.

## 4.2. Literature and Priori Expectations

Advanced producer services (APS) are primarily an urban phenomenon and are especially highly clustered at the centres of the largest cities. Evidently, the advantages of choosing these locations must outweigh their disadvantages, including more significant congestion, longer commuting times for workers, and higher wages and office rents for employers.

Typically, the largest cities are considered to have multiple, inter-connected advantages that are difficult, if not impossible, for smaller places to replicate. These include urbanisation economies, which arise from the abundance and variety of economic activities (Jacobs, 1969). Diversity, rather than specialisation, leads to inter-industry knowledge spillovers, the cross-fertilization of ideas, and the generation of new ideas. The largest, most cosmopolitan and best-connected cities have the greatest diversity and fastest circulation of ideas (Cervero, 2001). Urbanisation economies are considered vital in advertising, as it feeds off connections with current and emerging trends, with “buzz” and the zeitgeist (Asheim *et al.*, 2007). Furthermore, the media organisations through which advertising is disseminated are also primarily located in the largest cities and co-locating close to these has provided advantages arising through face-to-face interactions and social networking (Grabher, 2002). Network centrality and geographical proximity combine to advantage centrally located firms, while locating away from the city centre is considered increasingly costly (Rosenthal and Strange, 2003; Alcácer and Chung 2007).

As magnets for APS, the centres of the largest cities also generate localisation advantages for businesses within the same industry (Marshall, 1890; Malmberg and Maskell 2002). A large concentration of firms, such as advertising agencies, encourages the formation of a specialised labour market (Nachum and Keeble, 2003), and indeed the further development of specialised skills. The cluster's aggregated activities also encourage the development of specialised inputs and support services, not viable elsewhere, which typically locate close by. Furthermore, tacit knowledge (Faulconbridge, 2006; Howells, 2002) circulates “in the air” (Marshall, 1890), accelerating the diffusion of effective ideas. The relative ease with which employees can transfer between firms also encourages knowledge diffusion within the industry (Beaudry and Schiffauerova, 2009).

The largest cities are also centres of demand for business-to-business services, and locating close to buyers and rivals confers advantages (McCann and Folta, 2009). For, when suppliers in the same industry are located close together, this reduces buyers' search costs, especially if the process of selection involves face-to-face interactions. Such face-to-face meetings are crucial when procuring hard to evaluate, intangible services (or “experience goods”) such as advertising (d'Andria, 2013). Put simply, advantages arise from “shopping” in a location with a greater number and variety of sellers (“the shopping mall effect” - McCann and Folta, 2009). Furthermore, the largest cities, such

as London, are typically also home to the wealthiest, most influential, and attractive buyers<sup>21</sup>.

Central Place Theory (Christaller, 1933) can also help explain why “high-order” APS concentrate in the centres of the largest cities (Fischer 2011; Mulligan et al. 2012; Parr 2017). The theory, which brings together both supply and demand, has two core tenets: market range and threshold. ‘Threshold’ relates to supply and refers to the minimum volume of demand required for firms to generate sufficient returns and sustain the provision of a service in a particular place. “Market range” relates to demand and is the maximum distance that buyers are willing to travel to procure the service; buyers’ willingness to travel to procure a service is inversely related to their frequency of using the service. The two concepts interact to establish the spatial extent of markets; that is, markets are established where the market range is equivalent to or greater than the threshold (Shearmur and Doloreux 2015a&b). Providers are assumed to choose the optimal location at the centre point of each spatial market. High-order services are those that clients procure infrequently (i.e. larger *threshold*), and where clients are more willing to travel further, despite travel costs to procure (i.e. larger *range*). Thus, there will be fewer distribution points with suppliers agglomerated in larger, central places (Parr, 2017), with each distribution point covering a large area<sup>22</sup>. In Christallerian terms, advertising is, in general, a relatively infrequently procured, “high-

---

<sup>21</sup> London is, among other things, is a centre of corporate control; head-offices of large UK corporations are highly concentrated in or close to central London

<sup>22</sup> Or at least as near to the centre of these large cities as they can afford, following Alonso’s assumptions of urban land use (Alonso 1960; Alonso 1969; Capello 2014)).

order service”, and therefore advertising agencies can be expected to be located in larger cities. The advantage of these largest cities will be still more significant if, contrary to Christaller’s assumption, demand is not evenly dispersed across space but rather concentrated in these same cities.

Aside from urbanisation, localisation and demand-based advantages, providers of APS locating in the largest cities may also benefit from collective reputation effects (Glückler, 2007), including an ‘advantage of origin’ (Amankwah-Amoah and Yaw, 2017). Advantages or liabilities of origin arise when goods and services are difficult to evaluate prior to consumption, and buyers rely on signals, including location, as proxy indicators of quality (Bebko, 2000). London-based professional service firms have been found to enjoy a reputational advantage over those located in “second-tier” cities, such as Birmingham (Daniels and Bryson, 2005; Glückler, 2007).

Both individually and collectively, these various factors explain why APS, such as advertising agencies, concentrate in large and dominant cities. Based on these theories, we might anticipate that outside of London, the main centres of advertising in the UK will be the country’s leading secondary cities, and especially those sufficiently far from London that the travel costs required to access London-based agencies will be sufficiently high to encourage provincial suppliers to develop. Moreover, theory suggests advertising agencies will tend to locate in or close to the centres of these major secondary cities. Furthermore, in accordance with Central Place Theory, we can anticipate that when clients do not procure advertising locally but select more distant

agencies, they will tend to “shop up”; that is, procure advertising from agencies located in “higher-ordered” places within the urban hierarchy.

## 2.1 An Empirical Overview of the Location of Advertising Agencies in the UK

To contextualise the reality of the locations of leading non-London advertising agencies in the UK, we begin with evidence from the Office for National Statistics’ Business Register and Employment Surveys (BRES) over the 2015-2018 period<sup>23</sup>. This recorded an average of 109,000 people as employed (including the self-employed)<sup>24</sup> in advertising agencies (SIC 7311) in Britain, over this period<sup>25</sup>, with, on average, 44% of these working in London’s Travel to Work Area (TTWA)<sup>26</sup>. London’s median location quotient (LQ) for advertising agencies was 2.57, implying that it has two-and-a-half times the employment in advertising agencies as ‘expected’ if this workforce were distributed nationally in accordance with employment in all industries<sup>27</sup>.

Manchester, as might be expected as a major “secondary city”, is second, with, on average, 6,000 people working in ad agencies; its median LQ is 1.26. Third by employment is “Slough and Heathrow”, a TTWA adjacent to London (median LQ: 1.38). Leeds, a major northern city is fourth, with a median LQ (2.35) remarkably

---

<sup>23</sup> Accessed via NOMIS. As the annual findings from the BRES survey can be volatile, we use medians over the four-year period.

<sup>24</sup> Specifically, the self-employed registered for VAT or Pay-As-You-Earn (PAYE) schemes; not otherwise

<sup>25</sup> Northern Ireland is not included

<sup>26</sup> Travel to Work Areas are relatively self-contained labour markets. Specifically, based on the most recent census (2011), they areas in which at least 75% of the resident workforce is employed and, among everyone working in the area, at least 75% also live in the area. The UK has 228 TTWAs.

<sup>27</sup> Note that this is considerably higher than London’s strength in other professional services (i.e. SIC Section M) excluding advertising agencies (LQ 1.67). See Table 10



close to that of London, while fifth-placed Oxford's LQ (2.86), surprisingly, exceeds that of London. Sixth-placed Bristol, the largest city in south-west England, also had an LQ above unity (1.67).

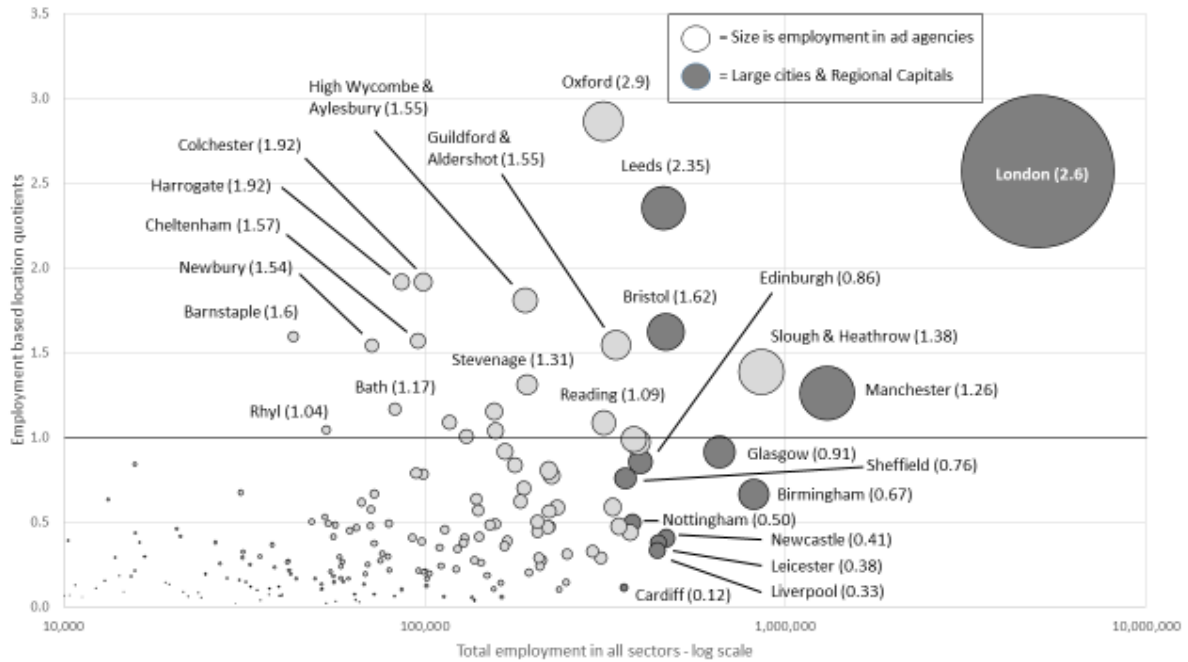


Figure 9: Employment in Advertising Agencies by Travel to Work Area and their Ad Agency Location Quotients

While there is evidently a positive relationship between a city's (or strictly TTWA's) size and its advertising agency LQ (see Figure 9), there is also substantial variation, with several major cities, including Birmingham (0.67), Cardiff (0.12), Edinburgh (0.86), Glasgow (0.91), Leicester (0.38), Liverpool (0.33), Newcastle (0.41), Nottingham (0.50), Sheffield (0.76) and Southampton (0.48) having LQs below unity, implying relative weaknesses in advertising. Meanwhile, several smaller cities and towns, including Blackpool, Bournemouth, Brighton, Cheltenham, Colchester, Guildford and Aldershot, Harrogate, High Wycombe, and Stevenage, had both substantial numbers employed in advertising and high advertising LQs. These were

mostly, but not always (Blackpool, Cheltenham, Harrogate), in the south-east of England relatively close to London. Overall, the BRES findings suggest some urbanisation effect, with advertising agencies tending to be ‘over-represented’ in the largest cities, yet several major cities have far smaller ‘than expected’ ad-agency employment. The relative over- and under-representation of advertising in different TTWAs also suggests some degree of inter-regional (or inter-TTWA) trade in advertising services (Harrington *et al.*, 1991), although this data source has no evidence on client’s locations, and so cannot shed light on over what distance advertising services are traded. To better understand the geographies of non-London advertising agencies, their leading clients’ locations, and the extent to which advertising services are traded over distance, we constructed a firm-level database of larger “Regional Agencies” and their clients.

### 4.3. Data and Methods

To develop firm-level insight into the locations of leading advertising agencies based outside central London, we built a database drawing on information published in *Campaign*, the UK’s leading trade magazine for the industry. Published continuously since 1968, *Campaign* has, since the 1990s, published an annual ranking of the UK’s “Top 100 Advertising Agencies”, based on billings, as recorded and collated independently by Nielsen, an information services company. Between 2008 and 2017 (inclusive), *Campaign* also published a separate listing of the UK’s ‘Top 30 Regional Agencies’, again on the basis of aggregated annual billings sourced from Nielsen. “Regional” is defined as any agency not headquartered in central London. In addition

to each agency's annual billings, *Campaign* also reported the names of the five largest clients (by billings) for each of the top 30 agencies on both the national and regional lists<sup>28</sup>.

For our purpose, the Campaign rankings and additional information are attractive because:

1. They use an industry-recognised measure of activity and success (billings). Ideally, we would also want other information, such as agency income and employment, but this is not available nor provided consistently in publicly available information elsewhere, such as in company accounts.
2. The rankings' longstanding nature means they have gained legitimacy within the advertising industry and are scrutinised by industry insiders, increasing the pressure for accuracy.
3. The information is compiled independently by a third party; it does not rely on self-reporting, which can be prone to gaming.
4. The identification of the most important clients is particularly valuable, as it allows us to identify and map client-agency relationships (as dyads), and therefore gain insight into the demand-side of advertising and the geography of trade in advertising services.

In utilising information published in a respected trade journal, our method is similar to that of Greenwood et al. (2005), Knox and Taylor (2005), Hitt et al. (2006) and

---

<sup>28</sup> 1322 of the possible 1500 client names are provided (88%).

Tether et al. (2012), among others, all of whom have sourced data published in trade journals to studying firms in various advanced producer service sectors.

That *Campaign* published a separate list for “Top Regional Agencies” is particularly notable and was motivated by the national list's dominance by central-London based agencies. Between 2008 and 2017 the highest ranking achieved by any Regional Agency in the national rankings was 21st; central London based agencies have consistently monopolised all top 20 positions. Furthermore, “Regional Agencies” never contributed more than three of the Top 30 on the national list.

In total, we identified 64 unique ‘Regional Agencies’ as appearing at least once in the Top 30 listings between 2008 and 2017; 52 of these also appeared at least once in the national Top 100 (10 in the Top 30). We began by identifying the locations of these agencies' head offices, using their annual accounts, other official submissions to Companies House<sup>29</sup>, and, using the WayBack Machine internet archive, the locations disclosed on their archived websites. Some agencies had moved during the 2008-2017 period, although all remained head-quartered within the same Travel to Work Area (TTWA), and a few had multiple offices, including some with central London offices. For each agency, on an annual basis and using full postcodes, we recorded its primary office location, plus the locations of any additional offices.

Using Campaign’s listings, we also developed a database of the agencies’ major clients. Specifically, for each client, we used Companies House and other information sources

---

<sup>29</sup> These records were accessed primarily through Bureau van Dijk’s “Financial Analysis Made Easy” database

to identify the full postcode location of the firm’s UK headquarters (HQ) on an annual basis<sup>30</sup>. Here we took particular care to ensure that the recorded location was not a “brass plate” but rather the location of head-office functions. We did this by accessing the archived websites of these companies via the Wayback Machine. By definition, our study includes only clients with relatively high absolute advertising expenditures. Their mean billings through the agencies included in our study was a little over £2 million per annum (median £1.15m). Given the significance of this expenditure, and the observation that commitments to advertising tend to be strategic, we assume that the selection of which advertising agency to commission was taken by the clients at their head offices.

Having obtained full postcodes for both the agencies and clients, we then:

- 1 Matched these postcodes to “Travel to Work Areas” (TTWAs). This enabled us to link the locations of the agencies and their clients to other data, including the BRES data reported above.
- 2 Converted the postcodes into longitude and latitude coordinates and used these to calculate the direct, “as the crow flies” distance between agency and client<sup>31</sup>. For all agencies with more than one office in a given year, we calculated both the distance between the agency’s head office and the clients’ HQ and that between

---

<sup>30</sup> We were unable to locate UK headquarters for 32 clients. These were mostly European firms selling directly into the UK market.

<sup>31</sup> Strictly, we used the centroid locations of the postcodes. The UK has about 1.7 million postcodes. Each, on average, includes about 15 closely-located addresses. In almost all cases the postcode centroid location and the true location of the agency or client differs by, at most, a few hundred meters. Manual check were used in the rare cases where postcodes related to large, sparsely populated rural areas.

the client's HQ and the nearest of the agency's set of offices, thereby also identifying the location of the nearest office to the client.

We use this information to report and discuss the agencies' locations (4.1), including their head offices and any additional offices. After which (in 4.2) we use the 590 unique client-agency dyads in our dataset to examine both the distances over which advertising services are apparently traded and the extent to which advertising procurement conforms to the behaviours that Central Place Theory would predict; i.e. the extent to which clients' procure advertising from agencies in their own locality ("shop locally"), or "shop up" by procuring advertising from a relatively proximate but stronger location for advertising. Behaviours not aligned to Central Place Theory include "shopping down" and "shopping far". We explain these categories further in Section 4.4.2.

## 4.4. Findings

### 4.4.1. The Locations of the Agencies' offices

The agencies' only and head-offices were located in 30 different TTWAs, including 11 in Manchester, 7 in Leeds, 6 in Newcastle, 4 in Edinburgh and 3 in each of Glasgow, Sheffield and Tunbridge Wells. Aggregated billings were highest in Leeds, followed by Manchester (Table 7).

As anticipated, large cities, including national and regional capitals, feature prominently, especially among the agencies located in the north and west of the UK. In Scotland, all the agencies in our dataset were in Edinburgh, Glasgow or Aberdeen,

the country's three largest cities, while Belfast and Cardiff accounted for all the agencies based in Wales and Northern Ireland, respectively.

Table 7 - The Location of the Regional Agencies by TTWA, Aggregated Billings and Clients

Agencies Head-Office by TTWA	unique agencies database	Agency-year observations on database	Aggregated billings over the 2008-17 period (£m)	Total number of client dyads identified
Manchester	11	43	743	98
Leeds	7	36	878	59
Newcastle	6	26	365	49
Edinburgh	4	21	321	51
Sheffield	3	19	445	37
Tunbridge Wells	3	18	236	38
Glasgow	3	9	78	22
Cardiff	2	16	405	30
Barnstaple	2	13	367	19
Birmingham	2	5	69	9
Belfast	2	6	76	12
Preston	2	7	61	9
Elsewhere	18	83	1,052	158

One agency had its head-office in each of the following TTWAs: Aberdeen; Bath; Blackburn; Bournemouth; Brighton; Chester; Coventry; Crawley; Doncaster; Leicester; London (Dartford); Norwich; Slough & Heathrow; Southampton; Stevenage & Welwyn Garden City; Street and Wells Wolverhampton

However, several of the agencies located within the TTWAs of the major northern cities were not, as expected, located in or close to the centres of these cities but in more peripheral locations. The Leith Agency, for example, is located in the port of Leith, rather than in Edinburgh city centre; TBWA/Manchester is in a residential

suburb about 6 miles (10kms) south of central Manchester; the Home Agency is in a country house on the fringes of Leeds; and McCann Manchester is also in a country house, Bonis Hall, located in a rural area some 15 miles (25kms) south of the city centre; this countryside campus provides work for about 370 people<sup>32</sup>.

Also notable here is while agencies were found to be located in smaller cities and towns in northern England (Blackburn, Chester, Doncaster, Preston (2)), none were based in larger cities such as Liverpool and Hull.

Further south, in the Midlands of England, only two surprisingly small agencies (by billing) were based in Birmingham. As Birmingham is considered to rival Manchester as the UK's second-largest city which is expected to have a sizeable professional services sector, it might have been expected to host several prominent "Regional Agencies". No agencies were located in Nottingham or Derby, two other large midlands cities, and while a few agencies were based in Coventry, Leicester and Wolverhampton, overall, the number and size of agencies in the Midlands seem relatively weak, perhaps suggesting the region tends to be overshadowed by London to the south.

A few agencies were based in South-West England (one in Bath; another in Bournemouth, and another (surprisingly) in the village of Chilcompton, roughly 15 miles (25kms) south of Bristol. Also, remarkably, two were located in Barnstaple, a

---

<sup>32</sup> The complex has its own pub, swimming pool and, allegedly, ghosts. Also notable is that in 2009 McCann established an "innovation hub" in central Manchester, but two years later closed it and relocate the 80 staff to Bonis Hall. McCann apparently preferred to co-locate all their staff (a localisation advantage) over being in central Manchester (an urbanisation advantage). <https://www.thedrum.com/news/2011/09/27/mccann-manchester-closes-city-centre-office-and-brings-metro-staff-back-bonis-hall> [Accessed 23 June 2020].



town close to the north Devon coast, approximately 70 miles (110kms) south-west of Bristol, and not close to any other city. One of these, Bray Leino, was among the largest Regional Agencies by billings, ranking second in the regional list for several years<sup>33</sup>. Its website recognises the unusualness of its location, stating:

*Forty years ago, we started up in north Devon, in a little village by the sea.*

*There was no internet. There was no M5 (motorway). There was no certainty that building a full-service creative agency anywhere outside of London could even be done. But we did it anyway*<sup>34</sup>.(Bray Leino, 2019)(Bray

Leino, 2019)(Bray Leino, 2019)

The remaining “Regional Agencies” were located in the south-east of England, close to London, including a small cluster of three in Tunbridge Wells (a rather conservative small town, one near Dartford,<sup>35</sup> one in Windsor, another in Hitchin to the north, and one in the small village of Droxford, Hampshire, about 12.5 miles (20kms) east of Southampton. All of these seem surprising choices for where to locate and grow an advertising agency, especially one that can win and serve relatively large clients by billings. More understandably, one agency in the South-East was in Norwich, a relatively isolated city in East Anglia, while another was in Brighton, a bohemian city on the south coast.

---

<sup>33</sup> The presence of these two agencies helps to explain why Barnstaple has a relatively high location quotient for advertising agencies.

<sup>34</sup> <https://www.brayleino.co.uk/about-us> [Accessed 23<sup>rd</sup> June 2020]. The website records that the business was started by two friends who had been employed in London advertising jobs and hints that these connections were crucial to the establishment and survival of the business. It does not say why they chose to locate in Barnstaple.

<sup>35</sup> And inside the London TTWA, but outside central-London.

In general, the agencies' locations align only partially with our *a priori* expectation; alignment to expectations is certainly greatest for agencies based in Scotland and Northern Ireland, while alignment with expectations generally diminishes with increasing proximity to London.

These analyses only consider each agency's head office, and agencies might choose to establish several spatially dispersed offices to enhance their proximity to geographically dispersed clients and/or to take advantage of localisation and/or urbanisation economies or other place-based resources such as reputation.

We, therefore, searched for the locations of any additional offices the agencies may have had. We found that two-thirds of the "Regional Agencies" in our dataset (44/64) only operated a single office throughout the period (i.e. 2008-2017). Presumably, for the majority, a single office, with all work co-located, was considered the best organisation arrangement. Of the 20 agencies with more than one office, most (14) had just one. Interestingly, ten of these were in central London; the others being in central Manchester, two in Leeds (but both outside the city centre) and in a village in Essex, about 40 miles (65kms) north of central London. Six agencies had two or more additional offices. Cardiff-based Golley Slater had the most developed office network, with up to eight offices, including some in "expected places" such as central London and central Edinburgh, but also some in "surprising places" such as rural Cambridgeshire and Gloucestershire.<sup>36</sup>

---

<sup>36</sup> Barnstaple based Bray Leino had the second most extensive office network, with up to five additional offices, including, perhaps understandably given the relative remoteness of Barnstaple, one in central-

It is particularly notable that a quarter (16/64) of the “Regional Agencies” chose to have a central London office. Overall, however, including the additional offices does not change the mixture of both ‘predictable’ (i.e. aligned with theoretical priors) and ‘surprising’ (i.e. contrary to theoretical priors) places in which these relatively large and successful regional advertising agencies chose to locate their offices. By often locating their secondary offices away from the city centres and away from any evident clusters of other advertising or creative businesses, these agencies appear to be eschewing any urbanisation and localisation advantages that they might otherwise access. In summary, these theoretically important supply-side factors appear to have had a rather weaker influence on the location of these relatively large and successful regional agencies than we had anticipated.

#### 4.4.2. Intra-National Trade in Advertising Services and Clients’ Procurement Behaviours

Next, we examine the extent to which the agencies most important clients were relatively close to them. Close proximity of clients would indicate that proximity of demand is an important factor in choosing where to locate and grow an advertising agency. A lack of proximity would instead indicate that advertising services can be traded over distance.

---

London and others near central-Bristol and Edinburgh. In total we recorded 39 “additional offices”: 16 in central London, 4 in Leeds’ TTWA, two in each of Birmingham, Cambridge, Edinburgh, Manchester and Swindon’s TTWA, and one in each of Banbury, Bournemouth, Bristol, Chester, Glasgow, Newbury Newcastle, Norwich, and Slough and Heathrow’s TTWAs.

Overall, the regional agencies in our database had 538 identified clients and, after excluding 15 foreign-owned clients for which we found no UK head-office,<sup>37</sup> there are 590 unique client-agency dyads. There are more dyads than clients because some clients split their business between agencies, and some accounts were moved between agencies. The client-agency dyad is the unit of analysis in the following analysis<sup>38</sup>.

Among the 590 dyads, the largest number of clients were based in the London TTWA (124, 21%), followed by Manchester's (44, 7.5%), Slough and Heathrow (29), Edinburgh (21) and Leeds (18)<sup>39</sup>. Overall, clients were located in 102 of the UK's 229 TTWAs.

Because our interest is in the distance over which advertising services are provided and the procurement behaviours of the clients rather than the locations of their head-offices, we investigated the extent to which clients sourced their advertising locally, or from places relatively close by, higher in the urban hierarchy, both of which are behaviours conforming to Central Place Theory. To do this, we first matched each client with the closest office of its chosen agency, ensuring the office existed in the year in which the dyad first appears in our dataset. This paired 507 of the dyads with the agency's head-, and typically an only office, while 83 pairings were assigned to another agency office.

---

<sup>37</sup> These were mainly EU based businesses selling direct into the UK market.

<sup>38</sup> Some dyads appear for only one year, others for several years. The analysis here treats each dyad equally.

<sup>39</sup> Others were located in: Glasgow (16); Birmingham (14); Newcastle (14); Warrington and Wigan (11); High Wycombe & Aylesbury (10), Liverpool (10); Aberdeen; Belfast; Bradford (all 9); Blackburn; Luton; Portsmouth; Sheffield; York (all 8); Crawley; Leicester; Milton Keynes; Nottingham (all 7); Coventry; Doncaster; Guildford and Aldershot; Harrogate (all 6); Bristol; Huddersfield; Oxford; Peterborough; Wakefield and Castleford (all 5). Between one and four clients were located in seventy other TTWAs.

Most commonly, these ‘additional offices’ were in London (50 dyads), Leeds (14), Bristol (4), Manchester (4) and Birmingham (3).

Next, we coded whether the client’s HQ and the selected agency office were located in the same TTWA and, failing this, whether the client’s HQ and selected agency office were located in adjoining (i.e. bordering) TTWAs. We also categorised the TTWAs, including dividing between (1) London, (2) the ‘Large cities and regional capitals’ (Edinburgh, Glasgow, Belfast, Newcastle, Leeds, Sheffield, Manchester, Leicester, Birmingham, Bristol and Cardiff), and (3) other locations (Table 8).

This analysis found that only a fifth of clients’ head-offices were located in the same TTWA as their chosen agency’s nearest office, with a further 14% being located in an adjoining TTWA; two-thirds were located further away, implying relatively long-distance relationships.

Procurement within a TTWA was highest in Belfast, followed by London<sup>40</sup>. On the other hand, ‘non-provincial’ clients, defined as those located not only outside the same TTWA as their agency, but also outside all adjoining TTWAs, accounted for the majority of the dyads for the agencies located in all TTWAs at least ten dyads, except for those in London, Belfast and Tunbridge Wells.

---

<sup>40</sup> Largely due to our assigning London clients to an agency’s additional London offices when this existed.

Table 8 - The Extent of Client-Agency Co-location by Travel to Work Area

Agency TTWA	Total	% In same TTWA (A)	% in adjoining TTWAs (B)	% neither A nor B.
All	590	21%	14%	65%
London	64	48%	25%	27%
Manchester	102	24%	10%	67%
Leeds	64	14%	16%	70%
Newcastle	41	27%	2%	71%
Edinburgh	38	34%	0%	66%
Sheffield	31	10%	3%	87%
Glasgow	22	27%	5%	68%
Leicester	19	11%	11%	79%
Cardiff	17	12%	0%	88%
Belfast	12	58%	0%	42%
Birmingham	10	10%	10%	80%
Other TTWAs ex. the above	264	10%	20%	70%
Tunbridge Wells	34	3%	47%	50%
Bournemouth	21	10%	10%	81%
Bath	20	0%	5%	95%
Brighton	20	0%	15%	85%
Elsewhere	76	14%	28%	58%

We also found no evidence that agencies based in TTWAs with a stronger advertising presence tended to benefit from longer reach than agencies based in TTWAs with a weaker advertising presence. This is shown in Figure 9, which also incorporates data on the distances between the London-based agencies and their clients. Indeed, the

clients of the central London-based agencies tend to be closer to them than are the clients of the regional agencies. Except for agencies based in Scotland and Northern Ireland, where higher billing clients tend to be closer, the pattern is essentially unchanged whether the data is weighted<sup>41</sup> by the amount the client bills through the agency or not. This indicates that, in general, the economic value of the dyad is not related to the physical distance between agency and client.

To examine the regional-agency-client dyads further, we categorised the clients as follows:

1. “Shops locally”: The clients and agency are located in the same TTWA
2. “Shops up”, meaning that the client sources its advertising from an agency located in a stronger, close location for advertising than its own TTWA. This category is then subdivided as follows:
  - a. The client uses a London-based agency (London being at the top of the hierarchy)
  - b. The client uses an agency based in the large city or regional capital and the one closest to its head office.
  - c. The client uses an agency based in another TTWA that is not a large city or regional capital, but which is both stronger in advertising than its own and is located close by (usually adjacent).

---

<sup>41</sup> Weighted = dyads weighted by the estimated billings of the client through the agency.

3. “Shops far”, that is, the client does not use an agency located in the nearest stronger location for sourcing advertising (categorised to 2 above). Instead:
  - a. The client is located in one large city/regional capital but uses an agency located in another.
  - b. The client is not located in a large city/regional capital and sources its advertising from an agency located in a large city or regional capital that is not located close by.
  - c. The client is not located in a large city/regional capital and sources advertising from an agency in a distant TTWA that has a similar or higher advertising strength than its own TTWA.
4. “Shops down”, meaning that the client is based in a TTWA with a stronger advertising presence than the TTWA in which its agency is based. This includes:
  - a. London-based clients using agencies based in other large cities/regional capitals
  - b. London-based clients using agencies based in other TTWAs.
  - c. Large city/regional capital-based clients using agencies based in other, smaller TTWAs
  - d. Clients based in other TTWA using agencies based in TTWAs weaker for advertising than their own locality.

If the agency had more than one office, we assumed that the client used the agency’s closest office. The resulting categorisation is reported in Table 9.



Table 9: The Classification of Client-Agency Dyads by Behavioural Groups

Type by client behaviour	# of Dyads and Share of Dyads	Sub-type	# of Dyads and Share of Dyads	Median direct distance
1: “Shops locally”	123 (20.8%)	1	123 (21%)	4 kms
2: “Shops up”	101 (17.1%)	2a	33 (6%)	70 kms
		2b	56 (9%)	39 kms
		2c	12 (2%)	32 kms
3: “Shops far”	200 (33.9%)	3a	37 (6%)	69 kms
		3b	107 (18%)	176 kms
		3c	56 (9%)	104 kms
4: “Shops down”	166 (28.2%)	4a	38 (6%)	262 kms
		4b	53 (9%)	147 kms
		4c	37 (6%)	91 kms
		4d	38 (6%)	110 kms

Categories 1 and 2 - “Shops locally” and “shops up” - are behaviours that conform to Central Place Theory; together, these account for 38% of the dyads. The average dyad distances are, understandably, generally modest. “Shopping far” implies that the client is engaged in a more distant relationship than it need be (which implies some higher costs to maintain the relationship); 34% of the dyads are so classified. Lastly, “shopping down” implies “reverse Christallerian” behaviour. That is, rather than “shopping up” to locations of stronger advertising presence, these clients are sourcing advertising from locations that are weaker in advertising than their own TTWA. Interestingly, we find that over a quarter (28%) of the dyads were classified as “shopping down”.

Overall, our analysis suggests that advertising-client relationships are frequently long distance, at least in the context of the UK, which is a relatively small and highly urbanised country. The median direct regional-agency client dyad distance (based on the nearest office) is 43 miles (70kms): 23% of the dyads were under 20kms (12.5 miles), while 42% were at least 100kms, and 22.5% were at least 200 miles (161kms).

The geography of service use has rarely been directly investigated (Shearmur and Doloreux, 2015b), so there are only a few studies with which to compare our findings. One is Bennett and Smith (2002), which studied the market for business advice to small and medium-sized enterprises (SMEs) in the UK and found that while most links were short (61% under 20kms), a minority were long distance (22% over 100kms, 8% over 200kms)<sup>42</sup>. Another is Shearmur and Doloreux's (2015a) study of knowledge-intensive business services (KIBS) use by manufacturers in the state of Quebec, Canada. They found that outside of the major cities, most users of KIBS are non-local. However, unlike the present study, they found that the vast majority of non-local KIBS use involves procuring up the urban hierarchy.

Aside from being relatively unconstrained by distance, the client-agency relationships in our analysis seem relatively unconstrained by the agency's location. Agencies evidently do not have to be located in the centres of large cities or regional capitals to win business, including from far-away clients. In short, while being located in central

---

<sup>42</sup> Several differences between Bennett and Smith's study and our own are likely to explain why they found more local procurement, including that they focused on SMEs, which are presumably more likely in general to procure locally. They also include London, which presumably has higher proportion of local relationships, even if its overall reach is greatest. Beyond this, the declining cost of travel and telecommunications has probably encouraged the lengthening of relationships.

London is clearly advantageous, outside of central London, an array of different places within the UK do not appear to have substantial advantages or disadvantages, at least in clients' revealed preferences.

## 4.5. Discussion and Conclusion

### 4.5.1. Theoretical Implications

We consider that this paper makes two primary contributions, the first being to the literature on the geography of advanced producer services. In particular, the paper contributes insights into the extent to which one of these – advertising agencies – is “footloose” (Meliciani and Savona, 2015; Wernerheim and Sharpe, 2003). The second is to the literature on services trade and tradability, especially intra-nationally (Gervais and Jensen, 2019; Harrington *et al.*, 1991).

Conceptually, the arguments of urbanisation and localisation economies highlight the advantages of clustering near or at the top of the urban hierarchy. In addition to the thick markets for specialised labour (Coffey and Shearmur, 1997) and inputs that can be found in these places, their dependence on knowledge indicates that they are likely to benefit from knowledge-rich and ‘buzzy’ environments where they can assimilate knowledge from sources more easily i.e. knowledge spillovers (Gallego and Maroto, 2015; Storper and Venables, 2004). Furthermore, urbanised cities also represent the highest-ordered central places that have larger spheres of influence. Thus, locating within these places allows advanced producer service firms to maximise the size of their markets. The urban bias that advanced producer services are described to have thus

suggests that the attractiveness of a location for KIBS should decrease down the urban hierarchy.

Moreover, cultural and creative sectors – which include advertising, in particular, have been shown to seek out urban agglomeration economies by concentrating within or close to metropolitan cores (Bakhshi *et al.*, 2015; Lazzeretti *et al.*, 2008). As argued earlier, this is due to the importance of gaining access to creative and cultural trends and knowledge by remaining plugged into the local cultural zeitgeist. Taken together, the combination of these two arguments would suggest that it is very likely that large advertising agencies – advanced producer service firms that exhibit traits of creative and cultural industries, should theoretically be located in metropolitan areas, particularly at the core of these metropolitan areas.

Yet, the presence of relatively large and successful non-metropolitan agencies at the fringes of these major secondary cities, in smaller cities and towns (mostly not renowned for their creativity or professional services) and even, more surprisingly, in rural areas suggests that the “gravitational pull” towards the centre of cities that arises through agglomeration economies is weaker than theory suggests. It can be argued, then, that the value of agglomeration economies in explaining the locational patterns of advertising agencies, and perhaps the wider advanced producer services sector, may have been overemphasised in the literature. While it is premature to completely discard the importance of clusters and localisation, the findings from this study hint at the potential for more spatial choices outside the urban core of metropolitan areas for APS firms without incurring a significant disadvantage.

Our second contribution is providing insights into trade in services and the tradability of services over distance. Studies on intra-national trade in services are insightful because they reveal the extent to which services are traded over distance in the absence of various barriers to international trade. There are however remarkably few such studies in recent years (exceptions include Bennett and Smith 2002; Lejour and de Paiva Verheijden 2007; Shearmur and Doloreux 2015a; Gervais and Jensen 2019).

Broadly speaking, earlier studies beginning from the 1980s (see for example Marshall 1983; O'Farrell et al. 1992; Bennett et al. 2000) on interregional trade of APS have shown high levels of local procurement (Bennett and Smith, 2002). This emphasis on localisation of APS procurement is often attributed to the difficulties in transmitting tacit elements of knowledge and expertise over distance (Aslesen and Isaksen, 2007; Howells, 2002) as well as the importance of localised knowledge which suggests that clients are more likely to prefer and rely on local APS providers (Cooke and Leydesdorff, 2006). However, our analysis of the client-agency dyads indicates that long-distance relationships in the provision of advertising services are commonplace and that agencies are not generally highly-dependent on clients located close by. Such a finding suggests that client-agency interactions are not significantly constrained by distance and builds on the argument that proximity between APS providers and their clients are not limited by geographic proximity i.e. the geography of APS use is much more complex than the network approach leads us to believe (Shearmur and Doloreux, 2015b)

Indeed, scholars have shown that it is important to highlight the variance in tradability across KIBS sectors which skew the extent of interregional trade. In terms of

interregional trade within the advertising sector, results from earlier studies were mixed, and different studies have had different interpretations (Harrington *et al.*, 1991). On one hand, Beyers and Alvine (1985) study on business services within the Central Puget Sound Region (consisting of Seattle, Tacoma, and four satellite cities) revealed that the local region contributed almost half of advertising agencies' revenue, with an additional 24% of coming from the other regions within the state of Washington. On the other hand, there also are studies like ours which find that the procurement of advertising is less locally oriented than average. Similar to our findings, Van Dinteren (1987) showed that advertising agencies were amongst the most regional export-oriented sector amongst the business services he studied, with more than half of advertising agencies' revenue coming from beyond 30km. An explanation for this phenomenon is the varying methodologies in classifying the 'region' which will have an impact on what is considered as 'local' and regional 'exports (Van Dinteren, 1987).

More recent studies into the geography of KIBS procurement which focus on the linkages between clients and KIBS providers (rather than export volume), however, have been more consistent with the findings in this study. One such attempt at understanding the geography of KIBS procurement was the study conducted by Bennett and Smith (2002). Although their findings showed that the procurement is predominantly local, with a mean distance of about 17km, they acknowledged that clients in their sample – consisting of small businesses, were seeking out advice surrounding smaller and localised marketing initiatives. I.e. the procurement of advertising is still expected to be sourced widely across space. Likewise, Shearmur and

Doloreux (2015a) also showed that providers of marketing services that are connected to client innovation are more likely to be procured from distance.

Like Shearmur and Doloreux (2015b), our study also takes a Christallerian approach as it is useful in understanding the geography of markets and consumption rather than production. There is, however, a critical difference between our study and theirs. Within their study, they showed that the use of KIBS were either local or in the case of KIBS services closely related to innovation, up the urban hierarchy as per Christaller's predictions. Their findings likely reflect the willingness of clients to travel towards the highest-ordered central places to gain access to providers of specialised APS firms.

Unlike their study which showed that the procurement of marketing services is likely to happen up the urban hierarchy, this study identified procurement patterns of marketing services that go against the expectations put forward by the logic of Christaller's Central Place Theory (Christaller, 1933). What was particularly intriguing was that there was a considerable number of client-agency dyads that demonstrated a 'reverse Christallerian' pattern – whereby the procurement of advertising takes place down the urban hierarchy. Such a finding is particularly interesting because they suggest a certain degree of irrationality in clients as these firms are incurring additional costs by searching beyond their local markets, but not going to higher-ordered central places to gain access to specialised APS providers. To our knowledge, this is the first study to identify such a pattern and challenges the theory's ability to explain the spatial patterns of KIBS procurement.

Given that the conflicting patterns emerge despite being focussed on the same subsector (advertising and marketing), it is unlikely that these disparities emerge due to the specificities of the advertising sector. Instead, a more likely explanation for these disparities is the unipolarity of London as a centre for advertising within the UK, whereby outside central London, there are no discernible hotspots of advertising and a less hierarchical spatial structure. Thus, while we believe that a Christallerian perspective has merits, it is not sufficient to fully explain the spatial relationships between KIBS providers and their clients. Thus, it is important to understand the extent to which a Christallerian view can explain the geography of KIBS markets, and the scenarios where it is particularly useful.

#### 4.5.2. Practical and Policy Implications

The findings from this study raise certain practical considerations for APS firms and policymakers. The first of which relates to the recognition that leading advertising agencies can be reasonably successful in peripheral places. This suggests that APS firms, even those that are traditionally associated with locating at the top of the urban hierarchy, are not constrained to locating within the central business districts of major cities. While it may be folly to locate in extremely inaccessible places – inaccessible both physically and digitally – and folly to locate in places with poor reputations, it seems that everywhere else is “in the game”. Indeed, they are presented with greater spatial choices that allow them to survive and thrive outside of the highest-ordered central places, and locations, therefore, can potentially be selected for lifestyle and cost reasons.



Concerning the contributions towards policy, this study suggests that policymakers need to consider factors other than agglomeration externalities (see for example DLUHC, 2022) as the dominance of major metropolitan cities likely extends beyond these agglomeration-related explanations. For instance, the dominance of major metropolitan cities such as London could be due to their strategic role as global cities in servicing the global economy (Sassen, 1991b). If indeed global cities' dominance is sustained by the presence of international APS networks within them, it is unlikely that any attempts at inorganically creating APS clusters outside these global cities will reverse the dominance as global clients which are often the largest spenders on APS are unlikely to move their business out of global cities.

#### 4.5.3. Limitations

We end with a note on the limitations of this study. While we consider this study has validity, we also acknowledge that it has limitations. In particular, it is confined to one advanced producer service industry, to one country and to one period of time. Given the heterogeneity of APS and the nature of their relationships with their clients (Coffey *et al.*, 1996; Romero, 2019; Tordoir, 1994), it should be expected that the geography of APS use will be different when examining other APS sectors (e.g., technical APS sectors). Thus, we caution against generalising these findings across APS sectors. Indeed, there is a need for more such studies that are based on the dyadic spatial relationships between clients and their APS providers.

Moreover, it is confined to an analysis of larger and, by one measure, the most successful non-metropolitan advertising agencies. Most advertising agencies in the UK are much smaller businesses and may well be much more oriented to smaller and more local clients. This said, in further data analysis, we found that the average distance between client and agency does not diminish systematically with the ranking of the agencies – such that higher-ranked agencies that handle larger accounts by billings tend to be more distant from their clients than the lower-ranked agencies. And nor did we find that the average distance between client and agency tends to vary with the ranking of the client (i.e. agencies' first clients do not tend to be nearer or more distant than their fifth client). Nonetheless, caution is urged with respect to generalising these findings to other advanced producer services, to other countries, and to other time periods.

The phenomena observed in this study have raised certain interesting questions regarding the geography of KIBS and their use, which provides opportunities for future research. First, the presence of agencies in remote places presents a puzzle: How do firms in these 'unexpected places' overcome their relative inaccessibility and lack of access to agglomeration benefits. Investigating this puzzle will build upon our existing understanding of how firms decide on their locational choices, as well as understanding the factors necessary for smaller towns, and the KIBS firms within them to thrive.

Secondly, the focus of this study is on the extent to which the markets for regional agencies are local. Like other studies of the nature (see for example Van Dinteren 1987; Shearmur and Doloreux 2015a), the characteristics of their clients (e.g. size and degree

of internationalisation), the characteristics and subsequently the needs of these clients they serve have not been fully explored. Future work can incorporate these elements and further examine whether the characteristics of the clients of regional agencies differ from the characteristics of the clients of the global London agencies i.e. how do client characteristics influence the way they select their APS providers.

Similarly, this study also did not factor in the nature of the service being provided to clients. It would be useful for future work to consider the differences in the types of work that is being done by these agencies to determine if a spatial division of labour (Massey, 1995) exists within advertising as well as other APS sectors.

Table 10: List of Adjoining TTWAs used in the dataset

Agency TTWA	Adjoining TTWAs
Aberdeen	(7) Arbroath and Montrose, Dundee, Pitlochry and Aberfeldy, Aviemore and Grantown on Spey, Elgin, Turriff and Banff, Peterhead
Barnstaple	(3) Minehead, Exeter, Bideford
Bath	(3) Bristol, Swindon, Trowbridge, Street and Wells
Belfast	(3) Newry and Banbridge, Craigavon, Ballymena
Birmingham	(6) Dudley, Wolverhampton and Walsall, Burton on Trent, Coventry, Leamington Spa, Worcester and Kidderminster
Blackburn	(6) Manchester, Preston, Lancaster and Morecambe, Skipton, Burnley, Halifax
Bournemouth	(3) Southampton, Salisbury, Poole
Brighton	(3) Eastbourne, Crawley, Worthing
Cardiff	(4) Bridgend, Swansea, Merthyr Tydfil, Newport
Chester	(6) Wrexham, Rhyl, Birkenhead, Warrington and Wigan, Crewe, Shrewsbury

Coventry	(5) Birmingham, Burton on Trent, Leicester, Northampton, Leamington Spa
Crawley	(7) London, Tunbridge Wells, Eastbourne, Brighton, Worthing, Chichester and Bognor Regis, Guildford and Aldershot
Doncaster	(7) York, Hull, Scunthorpe, Worksop and Retford, Sheffield, Barnsley, Wakefield and Castleford
Edinburgh	(5) Livingston, Dunfermline and Kirkcaldy, Berwick Galashiels and Peebles, Motherwell and Airdrie
Glasgow	(5) Dumbarton and Helensburgh, Falkirk and Stirling, Motherwell and Airdrie, Kilmarnock and Irvine, Greenock
Leeds	(6) Harrogate, York, Wakefield and Castleford, Huddersfield, Bradford, Skipton
Leicester	(9) Nottingham, Grantham, Peterborough, Corby, Kettering and Wellingborough, Northampton, Coventry, Burton upon Trent, Derby
Manchester	(9) Stoke on Trent, Crewe, Warrington and Wigan, Preston, Blackburn, Halifax, Huddersfield, Barnsley, Buxton
Medway	(4) London, Tunbridge Wells, Ashford, Canterbury

Newcastle	(4) Sunderland, Durham and Bishop Auckland, Hexham, Blyth and Ashington
Norwich	(7) King's Lynn, Cromer and Sheringham, Great Yarmouth, Lowestoft, Ipswich, Bury St Edmonds, Thetford and Mildenhall
Preston	(7) Liverpool, Blackpool, Lancaster and Morecambe, Skipton, Blackburn, Manchester, Warrington and Wigan
Sheffield	(5) Barnsley, Doncaster, Worksop and Retford, Chesterfield, Buxton
Slough and Heathrow	(4) London, Guildford and Aldershot, Reading, High Wycombe and Aylesbury
Southampton	(7) Bournemouth, Salisbury, Andover, Basingstoke, Guildford and Aldershot, Portsmouth, Isle of White
Stevenage and Welwyn Garden City	(4) London, Luton, Bedford, Cambridge
Street and Wells	(7) Bath, Trowbridge, Blandford Forum and Gillingham, Yeovil, Bridgewater, Weston super Mare, Bristol
Tunbridge Wells	(6) Medway, Ashford, Hasting, Eastbourne, Crawley, London
Wolverhampton and Walsall	(5) Telford, Stafford, Burton on Trent, Birmingham, Dudley

## Chapter 5: Research paper 2

### Advertising Agencies as Agents of Internationalisation – Examining the Choice of Networked Versus Non-Networked Advertising Agencies in the UK

Peng Khoon Gerald Chan and Bruce S. Tether Alliance Manchester Business School,  
University of Manchester, UK

#### Abstract

Advanced producer services (APS) have long held a crucial place within studies of global and world cities, and scholars such as Sassen have argued that these firms play an integral role in the coordination of the global economy. Considering the role that advertising agencies play in alleviating liabilities of foreignness based on a novel dyadic dataset, this paper investigates the extent to which highly internationalised clients prefer global advertising agencies as a response to the need for alleviating such liabilities. We find that highly internationalised clients are more likely than average to select agencies that belong to global agency networks which tend to be based in London. In contrast, independent agencies outside London are more dependent on UK based clients. Ultimately, we consider that globalisation has strengthened the position of global agency networks and highly metropolitan global cities.

Keywords: Advanced Producer Services; Knowledge-Intensive Business Services (KIBS); Liability of Foreignness; Global Cities; Advertising Agencies

## 5.1. Introduction

This paper investigates the selection of advertising agencies by firms, differentiated by their extent of internationalisation. Within international business research, Advanced Producer Services (APS) have been considered as ‘bridges’ of internationalisation, connecting economic activities that are geographically dispersed across national borders (Goerzen *et al.*, 2013); they also support the command and control functions of the largest and most powerful firms (Sassen, 1991b). Global City and World City Network researchers, in particular, have placed APS firms at the core of their analyses – viewing them as strategic nodes and networks within global production systems (see for example. Brown *et al.* 2010; Taylor *et al.* 2014; Derudder and Parnreiter 2014). Our analysis contributes to this tradition by building on Sassen’s concept of “the Global City” (Sassen, 1991; *c.f.*, Massey, 2007).

Much of the work conducted by Global City scholars have focussed on (1) the role of APS firms and sectors in sustaining and developing global production networks as well as (2) providing competing explanations for how these sectors coordinate the global economy from ‘Global Cities’ (see Parnreiter 2010). Our empirical focus is on client-agency interactions, which have received remarkably little empirical attention despite being a central feature of Sassen’s conceptualisation (Parnreiter, 2014). Drawing on a novel dataset incorporating the top advertising agencies in the UK and their largest



clients, we examine the extent to which international clients procure their advertising services from international advertising agency networks. The rationale for such a proposition is that the management of global advertising campaigns arguably requires the expertise and experience that advertising agencies with international office networks can provide.

The remainder of the paper is structured as follows. Section 2 provides the theoretical foundations, including a short primer on Global Cities and APS, and a discussion of how the internationalisation of advertising can be expected to influence agency choice. Section 3 introduces the data examined in this paper and explains the methods used to analyse the data. Section 4 provides the analysis and findings. Finally, section 5 concludes the paper by discussing and contextualising the findings.

## 5.2. Theoretical Foundations

This section seeks to provide theoretical support to investigating the relationship between the extent of a client's internationalisation and their preference for APS providers. Specifically, it builds on how the largest APS firms with global networks of affiliates within global cities are better placed to support their multinational clients through alleviating the liabilities of foreignness that their clients face.

### 5.2.1. Global and World Cities – Advanced Producer Services as Agents of Internationalisation

Within the context of a hierarchy of 'World Cities', Friedmann (1986) first highlighted the significance of advanced producer services, their markets and client interactions. It

was Sassen (1991), however, who developed the idea that advanced producer services are core phenomena of ‘Global Cities’. In her analysis which also highlighted the increasingly uneven global spatial structure, Sassen agreed with Friedmann that the management and governance of the global economy are primarily carried out in major cities, but her analysis was less concerned with command and control itself than with how these phenomena result in uneven spatial developments. She argues that the increasing geographical dispersal of economic activities brought about by globalisation has made command and control functions increasingly complex (Sassen, 2004). As a response, firms began outsourcing a variety of management functions such as specialised legal services and advertising to specialist APS rather than performing them in-house (Aarland *et al.*, 2007; Miles, 2005; Sassen, 2004). APS firms thus play a crucial role in the integration and coordination of a firm’s globally dispersed activities (Parnreiter, 2014; Sassen, 2000).

As agents, APS act in support of their clients’ interests, which, in the context of advertising, involves, *inter alia*, gaining and maintaining market access and supporting and enhancing their clients’ competitiveness in national and international markets. Some APS firms have themselves expanded significantly, developing national and international office networks of the type studied in the World Cities literature (Beaverstock *et al.*, 1999; Taylor, 2001, 2004; Taylor *et al.*, 2014). The largest APS, such as “the Big 4 accounting firms” and “Big 4 advertising groups”, have become global businesses, supporting their clients in multiple jurisdictions worldwide, and operating through extensive office networks, organised hierarchically with networks of the head,

primary, satellite and affiliate offices located around the globe. These networks thereby manifest an interconnected spatial division of labour (Massey, 1995) whereby the resulting relationship between places is one of varying degrees of strategic importance within the global economy, with the most complex, or ‘highest-level’ functions being undertaken in the major global cities which become strategic hubs in comprehensive global networks (Parnreiter, 2014; Sassen, 2002).

In keeping with these theoretical foundations, much empirical attention has been paid to the office networks of APS firms, and how these both reflect and enact the hierarchy of world-cities - the most important cities are revealed to have the highest network centrality (Taylor, 2004; Taylor *et al.*, 2014). However, the theory also rests on the selection of APS providers by clients. Is it true, for example, that the largest and most influential international businesses predominantly utilise networked APS firms located primarily in ‘hub cities’, and in so doing, provide the flow of financial, social and relational capital that enable these firms to maintain their leading positions? In contrast to the extensive attention paid to the office networks of APS firms, very little empirical attention has been paid to the direct links between APS firms and their clients, despite the significance of these to Sassen’s theory of Global Cities (Parnreiter, 2014). Here we explore a potential determinant behind the choice of APS providers – the alleviation of liabilities of foreignness.

### 5.2.2. Liabilities of Foreignness and the Alleviating Role of APS

The notion that firms face additional costs when operating abroad in foreign environments was introduced by Hymer (1976) and reflect a set of ‘liabilities’ of being foreign in a host country. Zaheer (1995) considers that there are three main sources of these liabilities. (1) Challenges related to the *complexity* of managing operations across spatial distance (2) *Uncertainties* due to the unfamiliarity of the host country’s environment, and (3) Challenges related to *discrimination* by host governments, firms, and clients.

Complexity refers to the increased costs that emerge due to the geographic distance between headquarters and their foreign subsidiaries. Apart from increased transportation and travel costs, there are also coordination costs involved in the management of foreign subsidiaries and business activities. For instance, distance has been shown to impede communications as information communication technologies (ICT) which are often adopted to execute cross-border communications are poor alternatives to face-to-face contact, particularly in terms of building trust and common ground between participants (Ceci and Prencipe, 2013; Henttonen and Blomqvist, 2005). Broadly speaking, geographical dispersion increases the costs of coordination as monitoring and control become more complex (Lavoratori *et al.*, 2020). Uncertainty, meanwhile, refers to the lack of familiarity with the local contexts such as legal regulations and cultural norms. Potential consequences of such uncertainty include costs of mistakes through creating cultural faux pas (Matusitz, 2010) as well as struggles with legal and regulatory frameworks of host countries (Wu and Robert,

2016). Finally, discrimination refers to the different standards of legitimacy that multinational firms face when compared to domestic firms. For instance, they are expected to do more for the local communities than domestic firms to build their reputation and goodwill within the host country (Kostova and Zaheer, 1999). Thus, firms incur additional costs to establish and maintain legitimacy when operating in a foreign environment (Eden and Miller, 2004).

Despite their importance for a firm's internationalisation, there have been limited attempts at understanding the role that APS firms play in alleviating liabilities of foreignness. Surprisingly, our attempts at searching for studies surrounding this topic yielded only one result. So how do APS help to alleviate liabilities of foreignness? One way by which they do it is through reducing the uncertainties involved in operating within foreign markets by providing advice about the local environments and how to navigate around them (Goerzen *et al.*, 2013). APS providers thus serve as play an interpretive role for their foreign clients by translating the local contexts and intricacies for them. For example, APS firms such as law and accounting firms support their foreign clients by supporting their compliance with local regulatory frameworks. In addition, APS also help their foreign clients better understand and relate to local markets and their cultural contexts. Advertising agencies and public relations firms are examples of such APS.

APS also help alleviate liabilities of foreignness by reducing the need to import these specialised services for their home countries (Goerzen *et al.*, 2013). To support their clients' needs in multiple jurisdictions worldwide, APS firms themselves have expanded

significantly, developing national and international office networks (Beaverstock *et al.*, 1999; Taylor, 2001, 2004; Taylor *et al.*, 2014). As such, clients can work with the same service provider across geographic markets which reduces the complexity of coordination. For example, clients can hire a single advertising agency to run and manage global advertising campaigns, reducing the coordination of these activities to a single point of contact<sup>43</sup>. Finally, Goerzen *et al.* (2013) also suggest that foreign firms can enhance their legitimacy by engaging highly global and recognised APS firms as it creates a sense of credibility and trust locally. For instance, the use of Big 4 audit services has been shown to increase the credibility and trustworthiness of a firm (Lee and Lee, 2013; Niskanen *et al.*, 2010).

### 5.2.3. The case of Advertising Agencies

Advertising agencies undertake a variety of activities for their clients, the most obvious being the development (creative function) and placement (media function) of advertisements intended to raise awareness of and promote their clients' products, services or broader messaging, to influence the behaviours of target audiences (Saleem and Abideen, 2011). Advertising agencies can also advise clients on new product and service development suitable for the local market, including through the adaptation of products/services to local market tastes or preferences (Vrontis and Thrassou, 2007). Thus, advertising agencies help their clients build and maintain market share, including through the development of brands (Bachnik *et al.*, 2018). As Faulconbridge

---

<sup>43</sup>See <https://www.campaignasia.com/article/wpp-wins-majority-of-4-billion-coca-cola-business/473781>

*et al.* (2011, p. 3) put it, in a consumerist world, the role of advertising is to: “develop, sustain, and spread markets for products (and services)”.

In the context of international and indeed global businesses, advertising agencies can also aid foreign clients by overcoming, or mitigating, any liabilities of foreignness they may experience. Disney’s struggles with the establishment of Euro Disney near Paris (Branen, 2004), its first theme park in Europe, is an example of the need to adapt a concept or product to the prevailing local cultures, practices and norms of the host countries, rather than import these wholesale and without adaptation (Matusitz, 2010; Packman and Casmir, 1999).

Done effectively, advertising extends well beyond the manipulation of symbols (Lash and Urry, 1994) to include understanding and being able to influence consumer culture (Slater, 1997), including how this varies across space and the varied tastes, preferences and prejudices of different socio-economic and generational groups. Much of this socio-cultural knowledge is tacit and therefore requires that advertising agencies are “plugged in” to the local cultural zeitgeist. Indeed, this helps to explain the substantial degree of ‘localness’ in the production of advertising: it is much harder to develop advertising for the French market in London than in Paris, for example (Taylor *et al.*, 2014).

Advertising agencies sell their knowledge and capabilities to their clients, including both domestic and foreign clients. Particularly if liabilities of foreignness apply, foreign clients’ need for such knowledge is greater, as they will not have ready access to it. Foreign clients, however, can reduce such liabilities of foreignness by hiring an agency

familiar with the market and consumer cultures, and proficient at creating appropriate messages and manipulating them accordingly (Goerzen *et al.*, 2013).

By way of illustration, take the effective manipulation of the German-owned supermarket Aldi's image in the UK market. Aldi, a long-established German firm, entered the UK market in 1990 as a “discounter”; that is, as a seller of cheap products. Shopping at Aldi soon attracted some social stigma in the UK market. Furthermore, it made the mistake of relying on weekly catalogues which although effective in Germany, was not something that British shoppers were accustomed to. To build its presence in the UK market, Aldi needed to address this. With the aid of its advertising agency, McCann Manchester, Aldi abandoned its longstanding tradition of not advertising in the mass media (Ritson, 2012). Instead, it has used mass media advertising and other marketing efforts to emphasise its “Britishness”, by, for example, selling: “fresh, affordable, Great British food”, displaying the Union Jack prominently in its shops, becoming a major sponsor of “Team GB”, the national Olympic team and sponsoring ‘British’ television shows (e.g., the “Great British bake-off”). It has also aligned its house-brand products with favourite British brands, with the tagline: “like brands, but cheaper” (Faull, 2017). The message to British shoppers is clear: it is patriotic to shop at Aldi (Chahal, 2015). The campaign has been successful, and shopping at Aldi no longer carries a widespread social stigma. Aldi and its management certainly deserve credit for this transformation (Rice, 2019)<sup>44</sup>, but the role of McCann

---

<sup>44</sup> <https://www.theguardian.com/business/2019/mar/05/long-read-aldi-discount-supermarket-changed-britain-shopping>



Manchester - its advertising agency in providing advice and guidance that is appropriate to the British context should also be recognised. Indeed, their contributions have been recognised within the advertising industry through the award of several prizes (Ireland, 2020; WARC, 2019).

The German car manufacturer Audi provides a second example highlighting how advertising agencies can help their clients to alleviate liabilities of foreignness by enhancing and magnifying the perceived advantages of their client's country of origin country in the local markets (Kaplan *et al.*, 2010; Kotler and Gertner, 2002). In Britain (and elsewhere), Audi using the now-famous slogan "Vorsprung Durch Technik", a phrase their British advertiser, Sir John Hegarty (of BBH), taken from a faded poster at the car manufacturer's factory (Rice-Oakley, 2012). While most Britons do not know what the phrase means, it sounds good and emphasises the "Germanness" of Audi cars. While in other contexts, "Germanness" might be a liability, in engineering-based manufacturing, "Germanness" is a virtue; it is generally associated with high quality and proficiency in the mind of the British consumer. The slogan has been so successful that Audi has used it globally for 40 years and have trademarked it<sup>454647</sup>.

---

<sup>45</sup> By using these two examples, we do not mean to suggest that British consumers have an entirely homogenous view of either Aldi or Audi. Our aim is to briefly outline how the perceptions of these two firms/brands has been manipulated by advertising

<sup>46</sup> <https://www.theguardian.com/world/2012/sep/18/vorsprung-durch-technik-advertising-germany>

<sup>47</sup> <https://www.autoblog.com/2011/06/03/audi-celebrates-40-years-of-vorsprung-durch-technik>

These and other examples illustrate how advertising agencies aid their clients by manipulating their image in host country markets and providing deeper understandings of these environments (Kaynak, *et al.*, 1994).

### *The Organisation of Advertising Agencies in the UK: Networks and Locations*

Before discussing the selection of advertising agencies by major clients (specifically in the market for UK advertising), we discuss the organisation of advertising agencies in the UK and distinguish between the “types of agencies” available to the client. The advertising agency industry is among the most geographically concentrated in the UK (Campos, 2012)<sup>48</sup>, being very substantially overrepresented in Central London. For the purpose of this paper, our interest is focused on the largest advertising agencies in the UK, and their largest clients. The largest agencies are very highly concentrated in Central London: of the top 30 agencies by billings nationally between 2008 and 2017, at least 27 were primarily based in Central London<sup>49</sup>.

The second dimension of our interest is whether the agencies are “independent” or belong to larger agency networks. At one end of this spectrum, there are agencies that belong to large, highly internationalised, even globalised, advertising groups. “The Big Four” among these groups are Interpublic, Omnicom, Publicis and WPP. Dentsu is comparatively global but has a relatively weak presence in London (unlike the Big Four), while other international groups, including Cheil and Havas, form something of

---

<sup>48</sup> See [http://www.ons.gov.uk/ons/dcp171766\\_272232.pdf](http://www.ons.gov.uk/ons/dcp171766_272232.pdf)

<sup>49</sup> Chan and Tether (2021) examine further the locations of leading advertising agencies located outside of Central London

a second division, being smaller and less globalised, but still highly international. Agencies that belong to these international networks that have a presence in the UK are overwhelmingly based in Central London. Predominantly, agencies belonging to these networks have a single UK office, although a few (such as McCann, owned by Interpublic) have secondary offices located outside of Central London.<sup>50</sup> As such, the spatial configuration or architecture of these businesses is quite different from that of other advanced producer services such as the Big 4 accountancy and management consultancy groups<sup>51</sup> which have networks of offices within countries as well as internationally.

At the other end of the spectrum are the “independents”. Independent are owner-managed, almost always by exclusively, or near exclusively, UK-based owners who might previously have been employed at the larger networked agencies. They are typically, but not always, single-site businesses. Few independents have international offices outside of the UK<sup>52</sup>. “Independents” can and do thrive in Central London, where they are often in direct competition with the big-network agencies. Indeed, some of the most renowned advertising agencies – such as St. Luke’s and Adam & Eve - are (or were) Central London based “independents”.

---

<sup>50</sup> There are also a few “stand alone” agencies that belong to these agency networks that are not based in Central London, such as TWBA Manchester (part of Omnicom), and Cheetham Bell (owned by WPP). These are much smaller than the London based agencies.

<sup>51</sup> PwC, Ernst and Young, KPMG, Deloitte

<sup>52</sup> Some of the larger “Independents” such as Mother, Wieden and Kennedy, Iris, and M&C Saatchi do have international offices networks. Most independents do not. London based independents especially tend to be single-site businesses without secondary offices elsewhere in the UK.

“Independents” dominate outside of Central London, although, to some extent, this is by default because few of the networked agencies have offices located elsewhere in the UK. Most “regional independents” are also single site, although a few (such as Golley Slater) have developed networks of offices, almost entirely confined to the UK; this typically includes a presence in Central London.

The vast majority of the agencies can be classified into one of five types: Central London-based international agency networks that belong to the “Big 4”; Central London-based international agencies that belong to other networks); Central London based independents, Regionally-based independents; and Regionally-based network-owned agencies. The last of these is a relatively small set<sup>53</sup>. Generally, we can consider clients wishing to procure (big-budget) advertising in the UK are mostly making two simultaneous choices: they can select a “networked” or “independent” agency, and a London or a regional agency. In the next section, we consider the factors influencing this choice.

### *Internationalisation of Advertising and its Influence of Agency Choice*

Our central proposition is that advertising agencies, as advanced producer services, can act as agents of internationalisation (Sassen, 1991b), particularly through their role in alleviating liabilities of foreignness. To examine this, we focus our attention on the relationships between the origin (or nationality) of the client (the UK or ‘foreign’)

---

<sup>53</sup> Beyond these, there are some harder to classify agencies, such as foreign-owned agencies that are internationalised but not part of agency networks, and agencies that are part of UK based groups and which may have a small presence in overseas markets but are nowhere near the size and scale of the “Big 4”.

and its engagement in internationalised activities (internationalised or non-internationalised) (See Figure 10). Client types include foreign-owned firms selling into the UK market (i.e. inbound internationalisation); UK-based clients that are also active in international markets (i.e. engaged in outbound internationalisation) and clients, predominantly UK-based, not engaged in internationalisation.

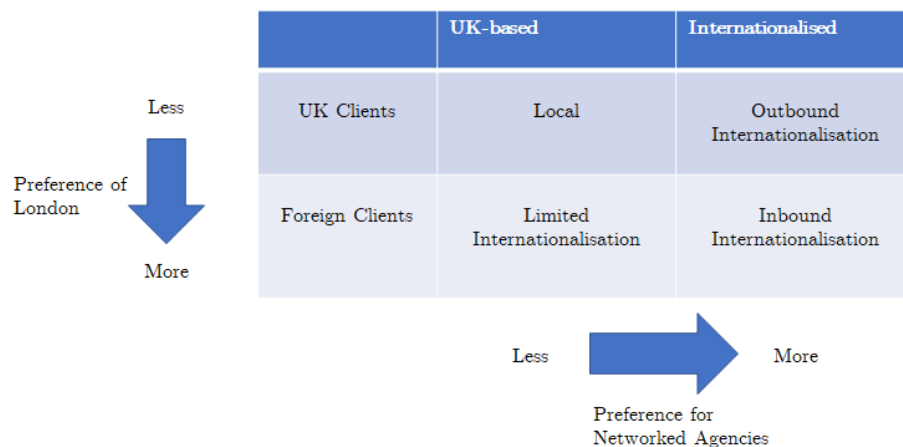


Figure 10: Relationship between Client Characteristics and Agency Choice

As agents of internationalisation, advertising agencies, like other APS can be expected to assist especially clients with their internationalisation efforts through overcoming liabilities of foreignness. We have shown earlier by way of examples (Aldi and Audi) that advertising agencies achieve this through playing three crucial roles: (1) Advising clients by providing an understanding of local demand, (2) developing creative and appropriate positioning strategies based on the understanding of clients’ brands, as well as (3) implementing and executing these campaigns and strategies. What this implies is that to reduce *uncertainty* involved in operating within foreign markets multinational firms advertising in foreign markets require their advertising agencies to not only have the creative skill and an understanding of the local market and its

cultural contexts, but also its expertise, experience and track record in handling complex international accounts (Henke, 1995). Thus, networked global agencies, which have expanded globally and realigned their internal structures adopt a global posture (Leslie, 1995) are better positioned to assist highly internationalised firms with their inbound internationalisation efforts due to their experience in handling multiple international marketing campaigns.

Moreover, the theoretical debates surrounding the internationalisation of advertising have suggested that the right mix of standardisation (to ensure consistency) and local adaptation (to cater to cross-border cultural differences) is key for the implementation of a successful international advertising campaign (Kim *et al.*, 2020). Because of their extensive office networks across global cities, the globally networked agencies are better positioned to assist their clients with a ‘think globally and act locally’ strategy (Dumitrescu & Vinerean, 2010, p. 149) whereby the core brands and products/services are designed centrally and adapted, where necessary, to local market needs, accompanied by localised advertising campaigns which fine-tune the appeal of the product to the needs or tastes of the local market, possibly through the development and promotion of specific to the market brands (O’Barr, 2008).

Furthermore, internationalised clients will tend to use agencies within the same agency network across different countries, enabling both the sharing of knowledge about the products and brands in multiple markets, coupled with the ability to fine-tune to the various local conditions (Grein and Gould, 1996; Gupta and Govindarajan, 2002). It is important to note, that beyond inbound internationalisation, the extensive office

networks also facilitate outbound internationalisation. I.e. networked global advertising agencies can tap on their global expertise to aid UK-based firms with their regional and even global marketing campaigns. In this context, the globally-networked advertising agency adds value through their multi-national office network, which serves as ‘bridges of internationalisation’ in a way that single-country independents cannot match (Sinclair and Wilken, 2009). In addition, because of their scale, the large networked agencies also have specialist services that they can make available to their clients and are therefore better placed to manage the larger-scale and possibly more complex global campaigns of the highest advertising spenders (Yuksel and Sutton-Brady, 2007). These specialist services are likely to aid clients with both inbound and outbound internationalisation (Faulconbridge, 2007). From the perspective of alleviating liabilities of foreignness, these advertising agency groups with their extensive network and wide array of supporting services globally and reduces the coordination costs involved in managing international marketing campaigns i.e. reduces *complexity* of managing cross-border activities.

These arguments help explain why we anticipate that foreign-owned firms, and especially those with highly internationalised, if not global brands, are likely to prefer networked agencies when procuring their advertising efforts within the UK. The same arguments also apply, albeit to a lesser degree, to highly internationalised UK-based firms engaged in outbound internationalisation. Networked agencies are likely to have a better knowledge of foreign markets, including helping the client to identify which are more or less attractive.

Considering the role that global agency networks play in alleviating liabilities of foreignness, we anticipate that after controlling for clients' advertising spend,

1 – Internationalised foreign-owned clients are especially likely to use networked agencies, and their preference for networked agencies will increase with the extent of their internationalisation.

2 – Internationalised UK based clients will also show a preference for networked agencies, with this preference increasing with their extent of internationalisation.

How then can the independents compete, or to which clients are they more likely to appeal? Independents are likely to appeal especially to UK-based clients without international activities, as they have no, or much less need for the additional knowledge and expertise of the networked agencies, and<sup>54</sup> they are also less likely to require the specialist services of the networked agencies as they are not burdened by the competitive disadvantage brought about by liabilities of foreignness. When such requirements are not needed, the cost of the service becomes a key factor in the procurement process (West, 1997). In addition, because the independents are simpler organisations, their top managers and creative talent can be focused on their clients, possibly providing a more tailored service. Independents may provide more specific client attention, which larger agencies networked might not. By extension:

---

<sup>54</sup> Admittedly some can still benefit from this, especially if they are heavily exposed to foreign competitors.



3 – Clients with little or no internationalisation are expected to show a preference for independent agencies.

While the discussion above identifies an essential advantage of networked agencies over independents, especially for clients with highly internationalised brands, it does not explain why these businesses might prefer agencies located in Central London over those based elsewhere in the UK. Concerning this, we expect they prefer Central London agencies for two reasons. The first relates to reduced search costs due to the convenience of Global Cities like (Central London) (Goerzen *et al.*, 2013). As well as being a hub-city for advertising London provides a wide range of business (and leisure) services that are unsurpassed elsewhere in the UK. This is the “shopping mall” effect that arises through the agglomeration of services (McCann and Folta, 2009) whereby firms fulfil all their APS needs from a single location.

The other reason relates to quality or perceptions of quality. Because London is the UK’s premier hub for advertising culture (Nachum and Keeble, 2003; Pratt, 2006), it draws in creative talent, further reinforcing the city’s advantage. Especially among foreign clients, agencies located in central London may enjoy a ‘benefit of origin’ (i.e. the inverse of a ‘liability of origin’, Amankwah-Amoah and Yaw, 2017; Ramachandran and Pant, 2010). While clients may reduce their advertising spending by using agencies located elsewhere, the reduction is likely to be small relative to the overall cost of advertising, the reduced convenience, and the possible reduction in quality.

Foreign-owned firms that are not extensively internationalised may also prefer independents, and especially London based independents. This is especially the case if they are focused on expanding in the UK market rather than in many national markets. They are likely to look to their advertising agency for expertise on the UK market, and the additional expertise and services of the extensively networked agencies are not attractors for them. We suggest that foreign-owned firms may favour Central London independents over those located elsewhere for reasons including convenience and real or perceived quality advantages, as discussed earlier.

Taking stock of the arguments and reasoning outlined above, we anticipate that:

4 – With the exception of the most internationalised UK-based firms which have preferences for the global agency networks (predominantly located in Central London), foreign firms are more likely to fulfil their advertising needs from Central London.

### 5.3. Source Data and Methods

To examine the relationships between “types of client” and “types of advertising agency”, we draw on data published in the *Campaign*, the UK’s leading trade newspaper for the advertising industry. For each year between 2008 and 2017 (inclusive), *Campaign* published an annual listing of the 100 largest agencies in the UK by aggregate billings (i.e. the “Top 100”). Alongside this, it also published a list of the “Top 30 Regional Agencies”, the leading non-central London-based agencies, again ranked by aggregated billings. For the 30 highest ranked agencies nationally, as well as all of the Top 30 Regional Agencies, *Campaign* also published the names of each agencies’ five largest

clients by billings<sup>55</sup>. *Campaign* did not, however, publish the individual annual billings of each of these clients through these specific agencies.

We could treat this set of agency-client dyads across this time period as a simple sample. However, doing so risks comparing very different entities, because it is evident that the billings of largest clients which utilised the highest-ranked agencies were certain to be very much higher than most of the billings of the clients of the “Top 30 regional agencies”, none of which ever ranked higher than 20<sup>th</sup> nationally. Furthermore, we do not know the identities of the 6<sup>th</sup> and subsequent clients of the agencies, the billings of the largest of which would almost certainly have been large enough to have them included among the identified clients had they been represented by a smaller agency. To reduce these problems of selection, we sought to estimate the individual annual client-agency billings.

To do this, we started with data on the billings of the Top 100 advertisers nationally, data for which was published intermittently in *Campaign*, and which we have for five of the ten years of our study, as well as for 2018<sup>56</sup>. We started by matching these data to the client-agency-year records but discovered that some clients’ spilt their billings between agencies, so it would be wrong to allocate all of these billings to one specific agency, and there was no obvious way of splitting the billings between agencies. The

---

<sup>55</sup> As a few of the Top 30 Regional Agencies were also included in the Top 30 nationally, this means for each year we have the aggregated billings and identities of up to five largest clients data for between 57 and 59 agencies annually, or 581 agency-year records, providing a potential dataset of 2,905 client-agency-year dyads. However, for a few agency-year records clients were not disclosed (36), and fewer than five clients were reported in some cases (187 potential dyads), leaving 2,682 actually revealed client agency year dyads.

<sup>56</sup> For a seventh year we have data on the Top 50 advertisers, rather than the Top 100.

other problem was that each year we were seeking data on up to 300 clients billing through specific agencies, and this data provided, at best, a third of that<sup>57</sup>.

We noticed, however, that the advertising billings of the Top 100 nationally tend to decline following a power function (see Figure 6), and we fitted power functions of the form:  $B_n = \gamma Rank_n^{-\alpha}$  to each year's data, seeking estimates for  $\alpha$  and  $\gamma$ . The results are shown in Table 11, which shows that  $\alpha$  is approximately 0.6 over the period. We then used the estimates of  $\alpha$  and  $\gamma$  to calculate the estimated billings of the  $n$ 'th ranked advertiser, where  $n$  ranges from 1 to  $N$ . Comparing these estimated billings with the 'real' reported billings among the Top 100 found that the estimates fitted the data well (see Table 11), although the function typically over-estimated the billings of largest advertisers (i.e.  $n = 1$  to 5). For most years, the mean absolute difference between the estimated billings and those reported was around 5%, and the estimated billings were within 10% of the reported billings for around 90% of the cases<sup>58</sup>.

---

<sup>57</sup> In fact less than a third, because some of the Top 100 advertisers appear to not to use advertising agencies, but to instead use internal advertising departments.

<sup>58</sup> The fit was less accurate for 2013, with a mean error of 8% and only 71% of the differences being within 10%.

Table 11 – Fitting power curves to Ranked Top Advertisers by Billings data, various years.

Year	Number of advertisers	$\gamma$	$\alpha$	$R^2$	Absolute % difference between estimated and reported billings is within 10%?	Mean absolute % error	$5^{-\alpha}$
2008	100	269.9	0.591	0.984	83/100	5.2%	0.386
2009	50	235.8	0.550	0.981	46/ 50	4.8%	0.413
2010	100	289.3	0.635	0.987	92/100	5.3%	0.360
2011	100	288.0	0.594	0.982	87/100	4.8%	0.384
2013	100	349.7	0.625	0.958	71/100	8.0%	0.366
2014	100	296.8	0.572	0.988	91/100	4.7%	0.398
2017	100*	291.6	0.594	0.976	86/100	5.7%	0.384
2018	100	238.9	0.535	0.995	98/100	2.3%	0.422

Data for 2012, 2015 and 2016 is not available. \* Data for 2017 is only available indirectly, by calculating from increases/decreases relative to 2018

Assuming within agency billings tend to follow a similar pattern, that is, decline from the largest client by billings following a power function, we then estimated the annual billings of each agency’s five largest clients. We did this in the following way:

First, using the imputed value for the power, we estimated the billings of the  $n$ ’th ranked client relative to the largest client by billings ( $RB_1 = 1$ ) as a general power function applicable to all agencies and based on estimates for the power derived from our analysis of the Top 100 largest advertisers data. Specifically, this involved applying the power function,  $RB_n = Rank_n^{-\alpha}$  with values for  $\alpha$  derived directly from estimates based on the annual Top 100 advertisers data or from interpolated data where annual data was not available. Our estimates of  $\alpha$  ranged from 0.635 (in 2010) to 0.550 (in 2017), showing a slight decline over time (with an overall mean over the decade of

0.60). Across this range, the differences in relative billings for the  $n^{\text{th}}$  ranked client are small. For example, relative to the highest billing client which has a relative billings of 1, the billings for the 5<sup>th</sup> ranked clients is highest at 0.413 when  $\alpha$  is 0.550 and lowest at 0.360 when  $\alpha$  is 0.635; an absolute difference of about five percentage points.

Next, where available, which was the case for about half the agencies in our sample, including almost all of the largest agencies (i.e. those in the national Top 30), we utilised data on the total number of client accounts that each agency had served in the year. This data was published annually by *Campaign* in their agency “School Reports”. Where data on the number of accounts was not directly available, we estimated this using either the number in the previous or next year (where available), or on the basis of the number of accounts served by agencies with similar total billings. That the number of accounts data was generally available for the highest-ranked agencies was particularly valuable, as the estimated value of these agency’s top clients’ billings is particularly large and sensitive to the number of clients served by the agency, as Table 11 shows.

We then estimated the billings ( $EB$ ) for agency  $j$ ’s  $n^{\text{th}}$  ranked client in year  $t$  by multiplying the agency’s total billings ( $TB$ ) for that year by the  $n^{\text{th}}$  ranked client’s estimated relative billings as a proportion of the relative billings of all clients (i.e. 1 to  $N_{jt}$ , where  $N$  is the total number of clients served by agency  $j$  in year  $t$ ). Thus:

$$EB_{njt} = TB_{jt} \times \frac{RB_{nt}}{(\sum_1^N RB_{nt})_j} \quad \text{where } 1 \leq n_{jt} \leq N_{jt},$$

Table 12 illustrates this, based on an alpha of 0.6 and allocates an agency's notional total billings of £100 million depending on the number of clients served. As the number of clients' served increases, the billings assigned to the  $n^{\text{th}}$  client declines (while total billings remain constant).

To check whether the billings estimated for specific clients through specific agencies were realistic, if not wholly accurate, we checked our estimated agency-client-year specific billings with the actual total billings of clients reported for the Top 100 advertisers. We found that the data matched reasonably well, and in particular, our estimated billings rarely exceeded the reported actual total annual billings of the clients, which makes sense because clients quite frequently split their billings between agencies.

Table 12 – Estimating Client’s Billings based on Agency Total Billings and Number of Accounts

Ranked by billings	Relative billings	Agency – total number of clients: (and allocation assuming £100m total billings)				
		3 clients	5 clients	10 clients	20 clients	50 clients
1 <sup>st</sup>	1.00	1.00 ( £45.8m)	1.00 (£33.4m)	1.00 (£22.5m)	1.00 (£15.6m)	1.00 (£10.0m)
2 <sup>nd</sup>	0.66	0.66 ( £30.8m)	0.66 (£22.0m)	0.66 (£14.8m)	0.66 (£10.3m)	0.66 ( £6.6m)
3 <sup>rd</sup>	0.52	0.52 ( £23.8m)	0.52 (£17.3m)	0.52 (£11.6m)	0.52 ( £8.1m)	0.52 ( £5.2m)
4 <sup>th</sup>	0.44	n.a.	0.44 (£15.5m)	0.44 ( £9.8m)	0.44 ( £6.8m)	0.44 ( £4.4m)
5 <sup>th</sup>	0.38	n.a.	0.38 (£12.7m)	0.38 ( £8.6m)	0.38 ( £5.9m)	0.38 ( £3.8m)
10 <sup>th</sup>	0.25	n.a.	n.a.	0.25 ( £5.6m)	0.25 ( £3.9m)	0.25 ( £2.5m)
20 <sup>th</sup>	0.17	n.a.	n.a.	n.a.	0.17 ( £2.7m)	0.17 ( £1.7m)
50 <sup>th</sup>	0.10	n.a.	n.a.	n.a.	n.a.	0.10 ( £1.0m)
Aggregated rel. billings		2.18	3.00	4.45	6.41	10.05

Next, we assigned the estimated billings to the agency-client-year dyads. Figure 11 provides an example of how this data maps onto the agencies’ aggregate annual billings. The year shown is 2012, and the top 35 agencies are ranked by their reported total annual billings (as reported by *Campaign*). At the bottom of each column, shown in black, is the estimated billings of each agency’s largest client. The various shades of grey then show the estimated billings of the second, third, fourth and fifth clients. The remaining blue part of the column represents billings assigned to the agency’s 6<sup>th</sup> and



subsequent ranked clients, for which we have no further information, including client names. The grey line with black dots shows the share of each agency's total billings for which we have estimated the five largest clients were responsible. This increases from about 25% for the first ranked agency to a little under half after the 15<sup>th</sup> ranked agency.

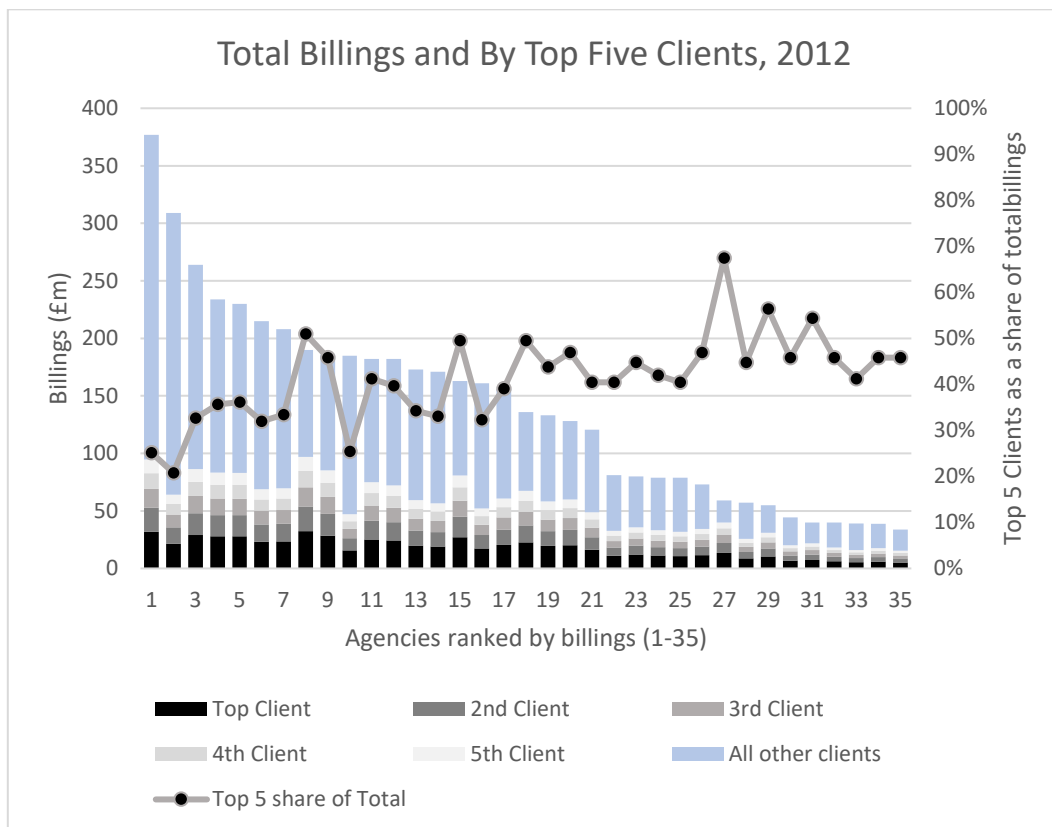


Figure 11 - Total Billings and Clients' Share of Agency Billings for 2012

Ultimately, we consider that these estimated billings are sufficiently accurate for our purposes. In particular, over the 2008-2017 period as a whole, our estimates indicate that the top five clients of the 19 top-ranked agencies always billed at least £2.5 million annually through these specific agencies, and typically all five of the largest clients of the 29 highest ranked agencies (by aggregate billings) also billed at least £2.5 million

annually through these agencies. Interestingly, some clients were also estimated to have billed at least £2.5 million through lower-ranked agencies, including some of the Regional Agencies. Because any client billing less than £2.5 million annually is very unlikely to appear among the “five largest clients” of the highly ranked agencies, we use this figure as the threshold (i.e. cut off) for the analysis below.

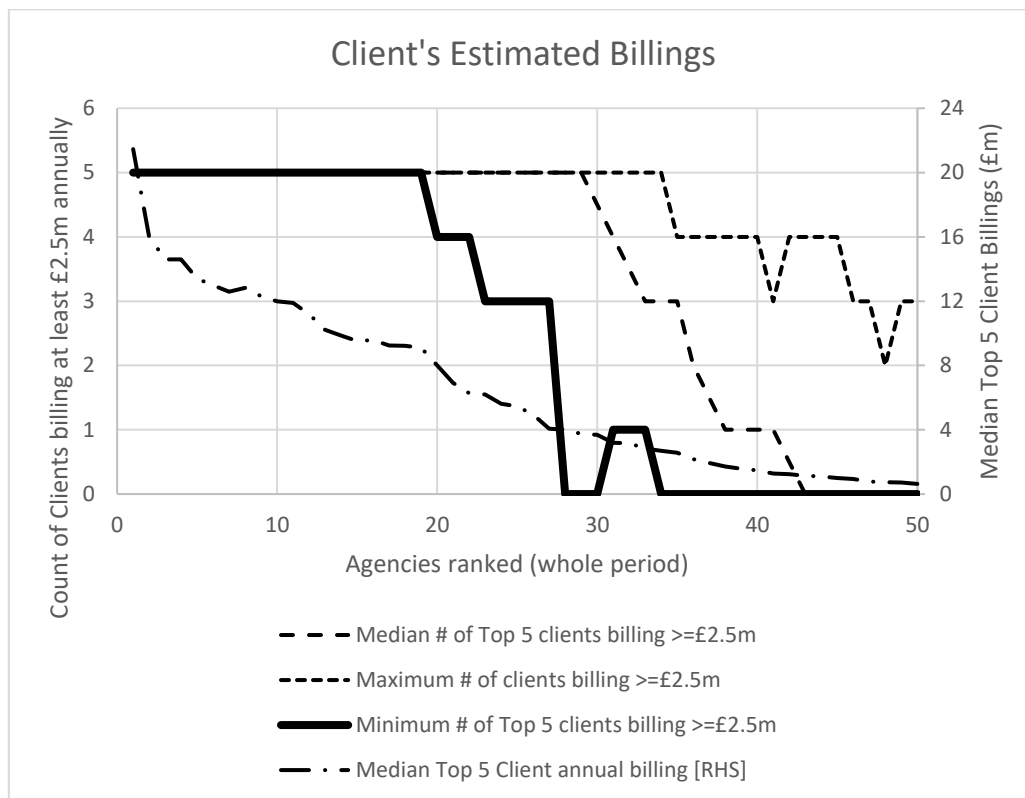


Figure 12 - Visualisation of £2.5m cut off

This process led us to identify 1,704 agency-client year dyads for clients billing at least £2.5million annually. The names of 33 of these clients were not disclosed, so our analysis is based on 1,671 client-agency-year dyads for which we have the identities of both the agency and the client. Our next step was to categorise the agencies and the clients.

The agencies were divided between those based in central London and those based outside central London. This information was provided in *Campaign's* identification of “Regional” and, by default, “not-Regional” (i.e. central-London) agencies. In our investigations, we found this categorisation was correct. It is with noting that the “Regional Agencies” were distributed across the UK and were certainly not all, or even mainly, based in the UK’s major secondary cities, such as Birmingham and Manchester<sup>59</sup>. Most but not all agencies are single-site businesses, at least within the UK.<sup>60</sup> For the purpose of the present paper, we simply divide between London-based and Regionally-based agencies.

For each of these, we then sub-categorised them based on their ownership or membership of advertising groups. At one end of this spectrum, there are those agencies that belong to “the big four” advertising groups (i.e. Interpublic, Omnicom, Publicis and WPP). All four are highly internationalised, essentially global advertising businesses that own large numbers of individual advertising agencies. Beyond these, there are smaller advertising groups, such as Cheil, Denstu and Havas, which are smaller and less globalised but still highly internationalised. Because outside of London, the presence of “the big 4” and these smaller networked groups is weak, we combined them into a single category in relation to the Regional Agencies while leaving them separate for London. At the other end of the spectrum were the independent agencies, which do not belong to wider networks or groups. These tend to be single-site

---

<sup>59</sup> Their locations are examined in detail in Chan and Tether (2021a).

<sup>60</sup> The organisational architectures of the advertising agencies groups is explored in greater detail in Chan and Tether (2021b)

businesses without a presence in any overseas market. A small number of agencies could not be categorised to any of these groupings and were therefore excluded.

Table 13 – Billings by Size Band and Agency Types (by Accounts and weighted by billings)

	All	Small: Up to £2.5m	Medium: >£2.5m to £6.5m	Large: >£6.5m to £11.5m	Very Large: >£11.5m
All Accounts	2,712	1,032	573	559	548
London: Big Four	794	3	121	318	352
London: Other Networks	261	0	83	101	77
London: Independents	307	6	110	94	97
Regional: Independents	1,246	945	234	45	22
Regional: Non-Independent	104	78	25	1	0
Weighted billings (£m)	18,798	1,026	2,488	4,967	10,317
London: Big Four	9,885	6	606	2875	6,398
London: Other Networks	2,718	0	402	888	1,428
London: Independents	3,266	14	487	823	1,942
Regional: Independents	2,725	904	899	373	549
Regional: Non-Independent	204	102	94	8	0

(193 potential accounts are “missing” due to non-reporting of clients’ names)

Table 13 shows the number of agency-client-year dyads identified as belonging to each of these five types of advertising agency (3 types in London, 2 in the “Regions”). These are also categorised by estimated billings, with those billing over £2.5million being divided into three roughly equal bands (by agency-client-year observations). The lower half of this table also shows the allocation weighted by the estimated billings derived earlier. Among other things, this shows that the 548 “very large accounts” which billed over £11.5 million annually accounted for nearly 55% of all the estimated billings.

With regard to the classification of the clients, we started by dividing between those that were UK owned firms<sup>61</sup> and those that were ‘foreign owned’. This categorisation was not problematic as the Global Ultimate Owner (GUO) - the holding or parent company or was easily identified on FAME. Next, we sought to distinguish the extent to which each of these was internationalised. The most commonly seen measures of internationalisation within the literature are ratios such as foreign sales to total sales (FSTS) and foreign assets as a percentage of total assets (FATA) (see for example Nielsen and Nielsen 2013), or indices which comprise a mix of these ratios (Ramaswamy *et al.*, 1996). The rationale behind such measures is that it allows for the examination of a firm’s foreign composition (Marshall *et al.*, 2020)

However, for this study, the data needed to compute these ratios and indices (e.g., sales and export data) was not available for many of the companies across a large number of countries within our sample. This is partially explained by fact that unlisted companies, particularly the smaller ones are not required to publicly disclose their financial statements. Therefore, such an approach would not have been feasible for this study.

Instead, we built a method of classifying client internationalisation based on a variation of international scope (Marshall *et al.*, 2020), with both authors independently scoring the firms by internationalisation. At one end of this spectrum, firms could be operating

---

<sup>61</sup> Included here were firms registered, presumably for tax purposes, as being owned in a UK dominion or protectorate, such as the Channel Islands, Isle of Man or Gibraltar.

only in the UK with no overseas activities; at the other, the business could be a global brand. The 4 categories which we classified the clients into are as follows.

1. On one end of the continuum, there are clients that are primarily focussed on the British market, with little to almost no presence in overseas markets. The international presence of these clients is largely limited to the sales of products via retail stores.
2. This next set of clients are slightly more international than the first, but their international activities are primarily restricted to the UK with limited presence in markets within another major region (e.g., North America, Asia Pacific, Europe).
3. Clients within this category are present in many more international markets than the previous sets, with a significant presence in another major overseas region. However, they cannot be recognised as widely acclaimed brands that have a strong global presence.
4. The final category consists of clients that have a strong presence in most international markets across multiple major overseas regions and have brand equities that are globally recognisable. Because of their recognisability, these brands are often protected by trademarks as a pre-emption from exploitation (e.g., imitation and counterfeiting).

After individually coding the clients and classifying them into the four categories, the authors then compared the inter-rater reliability of this exercise. Inter-rater reliability refers to measures adopted to assess if the classification of categorical data across two

or more raters is consistent with each other (Gisev *et al.*, 2013). Although such methods are more prevalent in psychology and the medical sciences, within the field of KIBS and innovation, Pina and Tether (2016) have adopted a similar approach in classifying categorical data.

With regards to per cent agreement, the individual categorisations of the clients very largely agreed, especially at the extremes (i.e. wholly the UK oriented or globalised), which constitute almost 80% (132/169 matches) of all client-agency-year observations. Some of the intermediate classifications were often more problematic and required discussion to resolve; however, they constitute only about a fifth of the dataset. The authors then calculated the kappa index ( $k$ ), a measure of inter-rater reliability (Gisev *et al.*, 2013) which takes into consideration the proportion in agreement due to chance ( $p_e$ ), and the proportion of observations in agreement ( $p_a$ ). The kappa index for this exercise was computed to be almost 70% and after it is weighted for the degree of disagreement, the weighted Kappa index rose to 73%

$$k = \frac{(p_a - p_e)}{(1 - p_e)}$$

Table 14 shows the distribution of the accounts by billing bands and degree of internationalisation. Also shown is the distribution once each is weighted by estimated billings.

Table 14 - Billings by Size Band and Client Types (by Accounts and weighted by billings)

	All	Small: Up to £2.5m	Medium: >£2.5m to £6.5m	Large: >£6.5m to £11.5m	Very Large: >£11.5m
All Accounts	2,674	1,007	574	549	544
UK client: focused on UK	1369	675	305	194	195
UK client: largely UK market	197	94	55	27	21
UK client: international mkts	100	21	30	20	29
UK client: global markets	148	9	20	48	71
For. client: focused on UK	69	36	9	16	8
For. client: largely UK market	105	51	19	22	13
For. client: international mkts	138	39	40	36	23
For. client: global markets	548	82	96	186	184
Weighted billings (£m)	18,640	1,010	2,491	4,879	10,260
UK client: focused on UK	7,618	669	1,306	1,729	3,914
UK client: largely UK market	977	110	216	230	421
UK client: international mkts	1,001	22	132	174	673
UK client: global markets	1,889	7	93	431	1,358
For. client: focused on UK	333	37	34	146	116
For. client: largely UK market	587	51	85	182	269
For. client: international mkts	894	38	175	299	382
For. client: global markets	5,341	76	450	1,688	3,127

(231 potential accounts are “missing” due to non-reporting of clients’ names and the exclusion of miscellaneous agencies)

Next, we examine the relationship between the type of client and the type of agency, both coded above. Because the “small” clients with billings under £2.5million annually are overwhelmingly associated with “Regional” agencies (2,029 / 2,058), and especially “Regional Independents” (1,849 / 2,058), we exclude these from this phase of the



analysis, including only those that billed at least £2.5m annually<sup>62</sup>. The analysis that follows takes the allocation of accounts by size as given and asks whether the types of clients associated with these accounts are distributed as chance would lead us to expect, or otherwise.

## 5.4. Findings

By analogy, consider this. Playing cards are dealt to a set of players, with the different players among this set guaranteed to receive cards with differing profiles by value. Player A, for example, is guaranteed to receive a disproportionately large share of high-value cards, while Player B is guaranteed to receive a disproportionately large share of low-value cards. What remains open is whether the distribution of these high and low-value cards by suit (i.e. Clubs, Diamonds, Hearts and Spades) follows the distribution that we would expect by chance or not.

Table 15 shows the observed distribution of client-agency dyads by billing bands across the five types of agencies. For each cell, it also shows (in grey) the difference between the observed number of accounts and the number “expected,” assuming the distribution of accounts by client type (within a billing band) was random. Among the “medium” billings-band (£2.5m to £6.5m), for example, we see that Regional Independents have 26 more client-year observations with UK owned clients focused wholly on the UK market than would be “expected” had clients in this billing-band been distributed

---

<sup>62</sup> It is important to recognise that this is because our data is based on the five largest clients of each agency included in the dataset in a particular year, as explained above. London agencies will certainly have “small” accounts, but we cannot identify the clients behind these accounts.

randomly, and that this surplus is essentially offset by these agencies having 23 fewer than expected client-year observations for foreign-owned clients active in global markets.

For each of the three size-bands by billings, chi-square tests show the allocation of clients to agencies departs significantly from that which could be expected to arise were clients to select agencies of different types “by chance”.

Looking at the data in more detail, we see that the Regional Independents consistently have more than their “expected number” of UK owned and UK focused (hereafter UK:UK clients), and this is offset by deficits relative to their “expected number” of UK owned clients active in global markets (UK:Global), and foreign-owned firms active in global markets (Foreign:Global).

By contrast, the London-based Big-4 agencies have lower than “expected” numbers of account-year observations for UK:UK clients, and this is mainly offset by higher than “expected” numbers of Foreign:Global observations. Interestingly, the London-based Big-4 agencies are not consistently in surplus in holding UK:Global accounts. By contrast, the London-based agencies which belong to the other, smaller networks are consistently in surplus regarding UK:Global accounts, while in deficit (relative to their “expected observations”) for UK:UK clients.

London-based independents are also interesting. These appear to be disproportionately successful in winning smaller Foreign:Global accounts (i.e. accounts billing £2.5m to £6.5m annually), and to a lesser extent UK:Global accounts within this billings-band,

while having fewer than “expected” UK:UK accounts. On the other hand, London-based independents have about the expected distribution of very large foreign client accounts, while among UK clients tend to be more successful in gaining those oriented to the UK market.

It might be observed that most of the deviations from “the expected” distributions are small, and this is true. Relative to some of the observed counts, the differences can however, be large. For example, Regional-Independents could be “expected” to have 3 “very large” UK:Global and 7 Foreign:Global account-year observations, but in fact, they have none of the former and just one of the latter. Similarly, Regional-Independents could be “expected” to have 4 “large” UK:Global and 15 Foreign:Global account-year observations, whereas they achieved none of the former and three of the latter.

Another way of showing the significance of this difference is by weighting the accounts by their estimated billings. This is shown in Table 16 for all account-year observations that are billing at least £2.5million annually. We can see in particular that the London-Big 4 have a substantial aggregate surplus over the “expected” distribution arising from Foreign:Global accounts”, London-Other network agencies have a substantial surplus in the UK:Global accounts while Regional-Independents processed nearly half a billion pounds less than “expected” in billings from UK:Global and Foreign:Global accounts combined.

Table 15 - The Allocation Accounts by Client and Agency Types & deviations from “the expected” (by accounts)

Medium Billings		UK-owned clients			Foreign-owned clients			
>£2.5m to £6.5m	UK	<---	--->	Global	UK	<---	--->	Global
All	293	55	29	19	9	19	40	96
London – Big Four	55	7	7	4	2	7	10	27
London – Oth Net	40	4	4	4	0	3	9	14
London – Indep.	36	12	8	8	1	2	7	34
Regional – Indep.	146	30	10	10	4	7	14	16
Regional – Other	16	2	0	0	2	0	0	5
Difference from “expected” allocation								
London – Big Four	-7	-5	1	0	0	3	2	7
London – Oth Net	-1	-4	0	1	-1	0	3	1
London – Indep.	-21	1	2	4	-1	-2	-1	15
Regional – Indep.	26	7	-2	-5	0	-1	-2	-23
Regional – Other	3	0	-1	-1	2	-1	-2	1
Large Billings		UK-owned clients			Foreign-owned clients			
>£6.5m to £11.5m	UK	<---	--->	Global	UK	<---	--->	Global
All	191	27	20	48	15	21	36	184
London – Big Four	99	14	9	23	12	11	22	116
London – Oth Net	31	3	4	17	2	2	8	34
London – Indep.	35	2	5	8	1	3	5	30
Regional – Indep.	26	8	2	0	0	5	1	3
Regional – Other	0	0	0	0	0	0	0	1
Difference from “the expected” allocation								
London – Big Four	-9	-1	-2	-4	4	-1	2	12
London – Oth Net	-5	-2	0	8	-1	-2	1	0
London – Indep.	4	-2	2	0	-1	0	-1	0
Regional – Indep.	10	6	0	-4	-1	3	-2	-12
Regional – Other	0	0	0	0	0	0	0	1

Very Large >£11.5m	UK-owned clients				Foreign-owned clients			
	UK	<---	--->	Global	UK	<---	--->	Global
All	194	21	29	70	8	13	23	183
London – Big Four	111	12	18	47	4	11	16	128
London – Oth Net	24	2	7	16	2	1	3	22
London – Indep.	41	5	3	7	2	1	4	32
Regional – Indep.	18	2	1	0	0	0	0	1
Regional – Other	0	0	0	0	0	0	0	0
Difference from “the expected” allocation								
London – Big Four	-13	-1	-1	2	-1	3	1	11
London – Oth Net	-4	-1	3	6	1	-1	0	-4
London – Indep.	7	1	-2	-5	1	-1	0	0
Regional – Indep.	10	1	0	-3	0	-1	-1	-6
Regional – Other	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Differences from “expected” rounded to the nearest whole number.

Chi<sup>2</sup> Medium = 78.8 (28 d.f.) Sig 0.1%; Chi<sup>2</sup> Large = 64.6 (28 d.f.) Sig 0.1%; Chi<sup>2</sup> V. Large = 42.8 (21 d.f.) Sig 0.1%

To provide further insight, we divided the whole dataset into three sub-periods (2008-2010; 2011-2014; 2015-2017). This revealed no strong differences between the sub-periods – all revealed significant differences between the observed and “expected” distributions broadly in line with those for the period as a whole<sup>63</sup>.

We also classified the accounts by the clients' primary output, in particular dividing between “product-based” clients and non-product or service-oriented clients. These two sectors present differently (See Tables 17 and 18). The advertising of products is dominated by foreign-owned firms, which account for three times the number of client-

<sup>63</sup> The chi-square test values for each of these sub-periods were 79.8, 90.9 and 74.8 respectively, all of which are significant at the 0.1% level.

year observations (and 3.2 times the aggregated billings) of UK owned clients. Moreover, Foreign:Global clients dominate, accounting for 60% of account-year observations and two-thirds of aggregated billings. London-based agencies and especially those belonging to the Big-4 are particularly successful in representing these clients. By contrast, Regional Agencies, and especially independents, could be “expected” to have 50 client-year accounts but actually had a third of this total. They are also less likely than “expected” to represent UK:Global clients, which are more likely to be represented by London-based other networked agencies. Regional independents tend to represent UK-based clients focused on selling to the UK market.

Table 16 - The Allocation Accounts by Client and Agency Types & deviations from “the expected” (accounts weighted by billings)

All Billings >£2.5m	UK-owned clients				Foreign-owned clients			
	UK	<---	--->	Global	UK	<---	--->	Global
All	6,859	868	977	1,862	288	529	856	5,230
London – Big Four	3,195	391	529	1,129	181	371	516	3,387
London – Oth Net	933	82	248	485	47	45	156	700
London – Indep.	1,420	159	132	237	40	44	128	1,008
Regional – Indep.	1,251	230	68	11	13	69	56	107
Regional – Other	60	6	0	0	8	0	0	28
Difference from “expected” allocation								
London – Big Four	-509	-56	-21	27	21	83	64	390
London – Oth Net	-122	-53	102	204	0	-37	20	-112
London – Indep.	168	1	-47	-101	-11	-51	-26	68
Regional – Indep.	454	110	-29	-126	-16	10	-51	-353
Regional – Other	20	1	-6	-11	6	-3	-5	-3

Table 17 - The Allocation of Clients to Agency Types & deviations from “the expected”:  
Products

(Unweighted)	UK owned clients				Foreign owned clients			
	UK	<---	--->	Global	UK	<---	--->	Global
All	56	20	15	72	3	21	68	396
London – Big Four	14	4	5	40	2	11	29	241
London – Oth Net	3	2	4	17	0	2	16	60
London – Indep.	4	3	2	15	0	4	10	77
Regional – Indep.	33	10	4	0	0	4	13	16
Regional – Other	2	1	0	0	1	0	0	2
Difference from “expected” allocation								
London – Big Four	-16	-7	-3	2	0	0	-7	31
London – Oth Net	-6	-1	2	5	0	-1	5	-3
London – Indep.	-6	-1	-1	2	-1	0	-2	7
Regional – Indep.	26	8	2	-9	0	1	5	-33
Regional – Other	1	1	0	-1	1	0	-1	-2
Weighted	UK	<---	--->	Global	UK	<---	--->	Global
All	370	98	120	926	22	146	481	4,532
London – Big Four	173	35	43	548	18	74	247	3,022
London – Oth Net	23	8	35	235	0	18	129	606
London – Indep.	20	12	15	143	0	33	55	808
Regional – Indep.	147	40	27	0	0	21	50	89
Regional – Other	7	3	0	0	4	0	0	7
Difference from “expected” allocation								
London – Big Four	-57	-26	-32	-27	4	-17	-52	206
London – Oth Net	-35	-7	16	89	-3	-5	53	-107
London – Indep.	-40	-4	-4	-7	-4	9	-23	73
Regional – Indep.	126	35	20	-52	-1	13	23	-164
Regional – Other	6	3	0	-3	4	0	-2	-7

Differences from “expected” rounded to the nearest whole number. Chi<sup>2</sup> (unweighted): 240.8 (28 d.f.) Sig 0.1%

Services, which here means everything else other than products, but which includes a large number of retailers, presents a different pattern. UK-owned firms account for nearly 90% of the service account-year observations, and within this UK owned firms focused only on the UK market account for over 60%, both of observations and aggregate billings. Global clients, including both foreign and UK-owned, account for just 13% of observations and 15% of aggregated billings. However, while – as expected - internationalisation and globalisation is considerably less developed in services compared with products, we again see that the London-based networked agencies are more likely than “expected” to represent the most highly internationalised and global UK-owned clients; and the Big 4’s agencies dominate the representation foreign-owned clients.



Table 18 - The Allocation of Clients to Agency Types & deviations from “the expected”:  
Services

(Unweighted)	UK-owned clients				Foreign-owned clients			
	UK	<---	--->	Global	UK	<---	--->	Global
All	622	83	63	65	29	33	31	67
London – Big Four	251	29	29	34	16	18	19	30
London – Oth Net	92	7	11	20	4	4	4	10
London – Indep.	108	16	14	8	4	3	6	19
Regional – Indep.	157	30	9	3	4	8	2	4
Regional – Other	14	1	0	0	1	0	0	4
Difference from “the expected”								
London – Big Four	-16	-7	2	6	4	4	6	1
London – Oth Net	-3	-6	1	10	0	-1	-1	0
London – Indep.	-3	1	3	-4	-1	-3	0	7
Regional – Indep.	21	12	-5	-11	-2	1	-5	-11
Regional – Other	1	-1	-1	-1	0	-1	-1	3
Weighted	UK	<---	--->	Global	UK	<---	--->	Global
All	6,486	769	856	935	267	384	374	699
London – Big Four	3,022	356	486	581	164	297	269	365
London – Oth Net	909	73	213	249	47	28	26	95
London – Indep.	1,400	147	116	94	39	11	73	200
Regional – Indep.	1,102	190	41	11	13	48	6	18
Regional – Other	53	3	0	0	4	0	0	21
Difference from “the expected”								
London – Big Four	-314	-40	46	100	27	99	77	5
London – Oth Net	-79	-44	83	107	6	-30	-31	-11
London – Indep.	147	-2	-49	-87	-13	-63	1	65
Regional – Indep.	241	88	-73	-113	-22	-3	-44	-75
Regional – Other	4	-3	-6	-7	2	-3	-3	16

Differences from “expected” rounded to the nearest whole number. Chi<sup>2</sup> (unweighted: 72.8 (28 d.f.) Sig 0.1%

## 5.5. Discussion and Implications

We started this paper by observing that advertising is one of the most unevenly distributed industries geographically, certainly in the UK, but also elsewhere. For the UK, at least this is particularly true of big-budget advertising, which central-London based agencies dominate. But why is this? In this paper, we have examined one reason for this, which relates to “globalisation”, of both “inbound” and “outbound” internationalisation. In particular, we have demonstrated that even if the distribution of accounts by value is accepted as a given, foreign-owned firms and especially those that are more highly internationalised are much more likely to select London based agencies and especially those that belong to international agency networks than chance would predict. UK firms that are highly internationalised (i.e. engaged in “outbound internationalisation”) are also disproportionately likely to select London-based agencies, especially those that are part of international agency networks. By contrast, “Regional Agencies”, which are dominated by independents rather than networked agencies, are very heavily dependent on UK based clients, wholly or predominantly serving the UK market.

This illustrates one way by which processes of globalisation have favoured London based agencies. However, beyond this, the implication is that liberal policies which allow, if not encourage mergers and acquisitions and market consolidation have also favoured London agencies, and a UK owned firm that is acquired and which previously placed its advertising through a regional agency is likely in time to move its account to a London based agency.

In the context of the present UK government's desire to "level-up" the UK economy, which refers to the desire to reduce the extent to which "left behind places" are disadvantaged while not at the same time hindering better off places (and London in particular) (DLUHC, 2022), our analysis in points to clear tension in policy objectives, because policies which encourage trade liberalisation, and which take a laissez-faire approach to mergers and acquisitions, including takeovers by foreign investors, have clearly favoured London in relation to advertising services and probably other corporate professional support services, consolidating and enhancing that city's position as a hub of command and control in an increasingly globalised economy (Sassen, 1991b). In other words, these policies have "levelled up" London, exacerbating differences with the rest of the UK economy. We suggest that attempts to "level up" the economy without understanding why London has gained its preminent position are likely to be futile.

From a wider theoretical perspective, we consider that our exploratory study contributes by providing empirical support to the commonly held claim within the world/global cities literature that highly internationalised multinational firms coordinate their activities and management functions in global cities via the APS firms that reside within these places. In doing so, we advance our understanding of the role the APS firms play in the governance of globalisation processes. Specifically, we suggest that the alleviation of liabilities of foreignness can potentially contribute to the connection and coordination of globally dispersed activities. We argue that there is still a lack of understanding in these governing mechanisms and that further

investigation is required to unpack the role that APS play in shaping economic globalisation

In addition, this study contributes to the APS literature by challenging the notion that APS are inherently ‘good’. Research into APS has constantly expounded the merits they bring to their immediate location (Corrocher and Cusmano, 2014) as well as their contributions towards economic growth, and innovation (Chichkanov *et al.*, 2021; Muller and Doloreux, 2009; Wood, 2006a). Yet, this study has emphasised the primary function of KIBS – to serve their clients’ needs. Arguably, what is in the best interests of their clients is not necessarily in the best interests of the place in which they are active. Broadly speaking, the support and coordination of their foreign clients’ activities help these clients achieve a level of embeddedness within the local economy and place them in a competitive position which could arguably harm the productivity and competitiveness of local industries (Zhou *et al.*, 2002). The negative impact of KIBS is more apparent and direct when considering Mossack Fonseca’s (law and corporate service firm) role in enabling tax evasion and offshore profit shifting that was exposed by the revelations of the Panama Papers (Nerudova *et al.*, 2018).

We conclude the discussion with a comment regarding the generalisability of the results across various APS sectors. While there have not been studies that sought to relate the role of APS in alleviating liabilities of foreignness, we agree with Goerzen *et al.*'s (2013) view that APS firms across most, if not all, APS sectors reduces the *complexity*, *uncertainty*, and *discrimination* when operating in foreign environments. As such, we have reason to be optimistic that the findings and patterns observed in this study can

apply to most APS sectors. We strongly encourage that more studies are undertaken to understand the role of APS as conduits of internationalisation and globalisation.

## 5.6. Limitations and Avenues for Future Research

Like all studies, ours has room for improvement. First, although we propose that liabilities of foreignness when operating in foreign markets can potentially explain the choice of advertising agencies by highly internationalised firms, the empirical testing of such an assertion was not an objective of this study. A possible extension would be to unpack the mechanisms that drive these clients' agency choices. Particularly, we believe that the subtle conceptual differences between inbound and outbound internationalisation could have an impact on advertising agencies' role as 'bridges of internationalisation' – i.e. advertising agencies perform different roles when serving clients seeking inbound versus outbound internationalisation.

We also acknowledge the measurement of internationalisation can be improved upon. Instead of a categorical classification, future studies can incorporate other forms of measures surrounding the intensity (e.g. foreign sales as total sales) as well as the extent (e.g. geographic scope) of internationalisation (Ietto-Gillies, 2010). The most ideal scenario would also be to acquire the actual size of each account for increased accuracy, however, that is an arduous task due to the lack of reporting, especially for smaller accounts and clients that split their accounts across multiple advertising agencies.

## Chapter 6: Research paper 3

### Building Intra-firm Agglomerations: Examining the changing spatial organisation of major advertising agency groups in London

Peng Khoon Gerald Chan and Bruce S. Tether Alliance Manchester Business School,  
University of Manchester, UK

#### Abstract

This paper contributes to our understanding of advertising agency networks and their spatial organisation. Like most creative and cultural industries, advertising agencies agglomerate within the largest metropolitan areas. However, while much is known about the aggregate, macro pattern of firm agglomerations, much less is known about intra-firm agglomerations; i.e. the extent to which agencies owned by the same parent agglomerate or cluster in space. This study contributes to the nascent literature on intra-firm agglomerations by examining the recent trend of spatial and organisational consolidation amongst the largest global advertising agency networks in London. We find that these global agency networks have different approaches to their spatial structures and real estate strategies. While WPP and Omnicom have opted for single-site campuses located outside the traditional heartland of advertising in London - Soho, Interpublic and Publicis have maintained a dispersed structure with agencies in

multiple sites across London. Ultimately, we observe that the geographic landscape of advertising in London is currently undergoing a spatial transformation.

**Keywords:** Advanced Producer Services; Knowledge-Intensive Business Services (KIBS); Location; Microclusters; Clusters; Organizational Design

## 6.1. Introduction

The objective of this study is to understand the spatial organisation of KIBS. This study considers that the spatial organisational of firms can be viewed from two perspectives: (1) place – the location and distribution of KIBS, and (2) space – the manner in which they are organised spatially. This study analyses these issues through the empirical lens of the advertising sector in London.

In addition to mapping out and investigating the distribution of advertising agencies in London, we attempt to examine the spatial organisation of advertising agencies. Building on the ideas of intra-firm agglomeration, this paper examines and then conceptually analyses the spatial organization of advertising groups, particularly as manifest in London. An advertising group comprises a set, or network, of creative agencies and other businesses, such as media buyers and market research businesses. Over the last few decades, the largest of these groups, including IPG (Interpublic), Omnicom, Publicis and WPP, have grown, both organically and by acquisition, to become very large businesses. A feature of these groups is that businesses within them,

including their creative agencies, often operate in competition with their “sister agencies” within the same group<sup>64</sup>. This is not dissimilar to hotels, many of which are owned by hotel groups (Woo et al., 2019). This intra-group competition raises interesting questions about where these “sister agencies” can and do locate. Should they locate close together in order to maximise access to shared resources, such as media buying, market research and digital specialists that provide pooled resources from within the advertising group to all of its agencies? Or should they locate away from each other, thereby maintaining a spatial separation that helps to differentiate particular agencies and maintain greater independence from sister agencies, including in the eyes of clients?

The decisions concerning the spatial location of advertising agencies belonging to advertising groups, and indeed the wider spatial configuration of the groups, are therefore more complex than the locational and spatial choices typically examined in the literature. The existing literature has overwhelmingly focused on the locational choices of independent firms, which are in direct competition with one another (see for example Flyer and Shaver 2003; Alcácer and Chung 2007; Alcacer and Chung 2014) or considered the spatial organisation of the firm from a single entity perspective (see for example Alcacer 2006; Aarland et al. 2007; Gokan et al. 2019). A rare example of an exception to this the aforementioned study of hotel locations by Woo et al’s (2019), which considers the location of “sister hotels” owned by the same corporate group.

---

<sup>64</sup>see <https://www.mumbrella.asia/2018/01/ogilvy-wins-changi-airport-creative-account-from-jwt> and <https://www.mumbrella.asia/2017/06/bbh-ogilvy-lose-audi-creative-account-china-leo-burnett>



In this paper, we focus on the London locations of advertising agencies belonging to the world's four largest advertising groups: IPG (Interpublic), Omnicom, Publicis and WPP (Springer, 2018). We focus on these four because all have a significant presence in London. The next largest group worldwide, Dentsu, has a much smaller presence in London. We focus on London because it is, by far, the dominant location for advertising agencies operating in the UK<sup>65</sup>.

The paper has four main sections. The first presents a review of the literature surrounding the intra-firm agglomerations. This is followed by a discussion of the emergence of the advertising agency network group and their rationales. The third section examines the location of London based agencies belonging to “the Big Four” advertising groups between 2008 and 2019. We show that there has been movement in agencies' location over this decade and highlight, in particular, the emergence of advertising “villages”<sup>66</sup>, which are small places in which the groups are increasingly co-locating their agencies and other business units. We also observe some differences in the extent and place of co-location among the four groups. Finally, the last section discusses the rationales of intra-firm agglomeration that are applicable to co-locating of subsidiary agencies and considers some of the potential consequences of this decision.

---

<sup>65</sup> While this research could be extended to other major global hubs for advertising, such as New York and Tokyo, this is a task for future research, and it may be that the patterns found for London are not replicated elsewhere.

<sup>66</sup> Refer to <https://www.havasgroup.com/who-we-are/villages/> for a brief elaboration on Havas' villages

## 6.2. KIBS and their Spatial Organisation – a Literature Review

In this section, the spatial organisation across both place and space is explored. It begins with the examination of the intra-metropolitan patterns of KIBS and unpacks the expectations for advertising. This is followed by the implications of intra-firm agglomerations on KIBS' spatial patterns.

### 6.2.1. Advertising as a C-KIBS sector – Exploring the locational patterns

Beginning in the late 1990s, there has been considerable interest in trying to understand the location of KIBS firms *within* metropolitan areas rather than the distribution of KIBS activities *across* regions (Romero, 2019). Taking inspiration from the work of scholars such as Gordon and Richardson (1996b, 1996a) and (Garreau, 1991) who have argued for the suburbanisation of economic activity, researchers interested in the intra-metropolitan location of KIBS are concerned with two main questions. The first of these questions is whether or not the location of KIBS is undergoing a process of decentralisation away from the central business districts (CBDs) and metropolitan core to suburban areas such as ‘edge cities’ (Garreau, 1991). The second question relates to the patterns of these dispersion, assuming these patterns are proven to be accurate. Do they disperse in a haphazard manner, or do they decentralise in a polycentric manner i.e. dispersed to a few specialised nodes (Coffey *et al.*, 1996)?

While there have been empirical evidence to suggest that KIBS firms are decentralising away from CBDs (see for example Giuliano and Small, 1991), more recent evidence

has suggested that the benefits of urban locations still remain (Shearmur and Doloreux, 2008), and that certain KIBS are more likely to locate within the metropolitan core (Romero, 2019). This suggests that the intra-metropolitan patterns of KIBS are complex and require closer investigation. A good starting point to tackling these issues is through unpacking the ideas of urbanisation agglomeration economies (Jacobs, 1969) to explain the preference for urbanised areas i.e. CBDs. Urbanisation economies primarily suggest that the co-location of economic activity within urbanised places provide certain benefits for the firms that reside within them (Shearmur, 2012). These benefits take the form of inter-industry knowledge spillovers (Kekezi and Klaesson, 2020), supporting infrastructure (Cervero, 2001), as well as a cosmopolitan environment that attracts highly a highly specialised labour market (Florida, 2003).

However, the agglomeration of firms within urban areas has been acknowledged to bring about negative externalities such as increased congestion costs and rents (Higano and Shibusawa, 1999). Thus, the spatial dilemma presented to KIBS firms can be described as a cost-benefit analysis whereby sectors that benefit from urbanisation economies are more likely to stay within CBDs while those that do not are more likely to disperse out of the CBD towards suburban locations. Indeed, most studies show that the heterogeneity across KIBS subsectors result in differing intra-metropolitan distribution patterns. One of the common findings within these studies is the agglomeration of KIBS related to creativity (C-KIBS) at the top of the urban hierarchy (see for example Boiteux-Orain and Guillain, 2004; Romero *et al.*, 2014; Shearmur and Alvergne, 2002) which also reflects the tendencies of creative industries to cluster at

the top of the urban hierarchy due to the presence of supporting institutions and more importantly the clustering of other creative industries on top of the urbanisation forces presented earlier (Gong and Hassink, 2017; Grabher, 2002).

Now that it has been ascertained that advertising firms which exhibit the traits of C-KIBS are likely to cluster within the metropolitan core, our attention now turns to the location of these firms at a finer geographical scale i.e. their spatial patterns within the urban metropolitan core. Recent research has started to emphasise the importance of micro-geographies when trying to understand the spatial distribution of economic activity within urbanised environments (Rammer *et al.*, 2020). Boix *et al.* (2015) in particular argue that within the urban core of large cities, the distribution of localised microclusters across are likely to exhibit a multicentric pattern due to cost pressures that make the concentration of firms within a single point unfeasible.

### 6.2.2. Intra-firm agglomerations: Examining their spatial implications

While much of the agglomeration literature has focussed on the two agglomeration externalities between rival firms, agglomeration forces that emerge from the geographic co-location business units of multi-unit firms i.e. intra-firm agglomeration have remained largely unexplored, with particularly within the field of KIBS. This distinction between inter-firm and intra-firm agglomeration raises two interesting questions – Do they differ? And if they do, how do the two types of agglomeration force differ? To further unpack the mechanisms of intra-firm agglomeration, we

distinguish between two types of intra-firm agglomerations – (1) vertical and (2) horizontal intra-firm agglomerations. Vertical intra-firm agglomerations refer to the geographic centralisation of business units and functions within a parent company. In contrast, horizontal intra-firm agglomeration here refers to agglomeration forces that relate to horizontal relationships i.e. emerging from the geographic co-location of sister units within a parent firm that are in competition with each other. These forces are heavily featured within retail services sectors such as hotels and restaurants as demonstrated by Woo *et al.*, (2019). Here we explicate how these intra-firm agglomerations manifest.

Advances in ICT during the past three decades have significantly eased communications across space, which has enabled firms to split their functions and locate units in various places. Firms in theory thus, are able to optimise by dispersing activities to lower cost places while keeping critical management functions (headquarters) in service-oriented metropolitan areas (Aarland *et al.*, 2007). However, the benefits of vertical intra-firm agglomeration mean that firms are partially, or even fully centralised into a single location. The main advantage of geographical centralisation is the reduction coordination costs and increased ease of oversight and control (Alcacer and Delgado, 2016; Lavoratori *et al.*, 2020). Despite the rapid improvements in technology which have made it easier to coordinate and control economic activities across space, the geographic co-location of activities has shown to be beneficial to coordination. By intuition, it should be easier to monitor and coordinate geographically proximate units compared to dispersed establishments.

Empirically, Henderson and Ono (2008) showed that the separation of a firm's headquarters from its manufacturing increases the coordination costs involved in managing activities at the manufacturing plant, and that significant benefits are required in order for the separation of management and production to be worthwhile. Hence, the increased ease of coordinating and monitoring activities across business units is arguably a mechanism by which intra-firm agglomerations influence performance of multi-unit firms (Rawley and Seamans, 2020).

Another source of vertical intra-firm agglomerations is the more efficient use of shared assets which include physical assets such as machinery, logistic support, and even specialised teams and employees (e.g. sharing of R&D personnel) (Alcacer and Delgado, 2016; Lavoratori *et al.*, 2020). In addition to sharing assets, the geographic proximity of intra-firm activities can result in knowledge sharing across the various units through strengthening the linkages between them. For instance, the flow of information, and expertise across various related functions such as R&D, manufacturing, and design can enhance the overall productivity and performance. Close linkages between these functions were credited as a key factor for Japanese firms' success in rapidly driving products from initial design stages to production (Clark *et al.*, 1987). More recent evidence provided by Tecu, (2013) also showed that intra-firm knowledge spillovers are crucial for innovation as R&D units were more productively when located in close proximity to production functions.

Up to this point we have only explored the sources and impact of vertical intra-firm agglomerations. However, it is important to note that some of these vertical intra-firm

forces apply to horizontally linked sister units as well. In contrast to the competitive perspective of inter-firm agglomerations, knowledge flows between competing sister units within the same geographic market is often encouraged and a goal between multi-unit firms (Alcacer and Zhao, 2012; Rawley and Seamans, 2020). This is largely because while competition exists between sister units, they are not purely rivals but are collaborators as well. Woo *et al.* (2019) for example cite the potential for sister hotels competing in a geographical market to create new localised routines. Examples of such routines include the coordination of activities during regional events that are not observed and useful in other geographical markets. Besides sharing knowledge Woo *et al.*, (2019) show that geographically co-located sister hotels also benefit from internal resource sharing which reduces costs of logistics as well as stock-out risks. Moreover, co-located sister units, particularly those within the same brand can also benefit from sharing non-tangible assets such as marketing and other related brand-building activities.

There is, however, a source of externalities that is unique to horizontal intra-firm agglomerations – the coordination of competition. Just as the inter-firm agglomeration brings about increased localised competition, the presence of intra-firm contribution can contribute to overall localised competition as well. However, the difference in the nature of intra-firm versus inter-firm competition suggests that the competitive responses to reduce the intensity of competition should also vary. One way in which they are different is the degree of coordination that takes place within multi-unit firms that gives them the “capacity to go beyond local rivalry” (Woo *et al.*, 2019, p. 1762).

An example of this is observed within the hotel industry, whereby when hotels are overbooked, hotels can bypass local rivals and send them towards hotels belonging to the same chain/group (Woo *et al.*, 2019). Moreover, as Phelps and Fuller (2000) argue, the coordination of intra-firm relations within multi-unit firms are undertaken by headquarters, the positive implication is that when competition between sister units become too intense, headquarters can intervene, and also prevent opportunistic competitive behaviour e.g. price undercutting. This implies that the negative effects of increased localised competition are likely to be less significant for intra-firm competition than for inter-firm competition.

In summary, the co-location of sister units within multi-unit firms generates intra-firm benefits that are fundamentally different from inter-firm agglomeration (see Table 19). More importantly, the theoretical discussion above has shown that intra-firm agglomeration is based on internal asset sharing and is less likely to generate diseconomies when compared to inter-firm agglomeration i.e. through spillover mechanisms (Woo *et al.*, 2019). These intra-firm agglomeration forces thus have clear implications for the spatial choices of multi-unit firms, whereby they serve as drivers for geographical centralisation and consolidation.

It is worth noting, however, that prior studies into the co-location of multi-unit firms are conducted through the perspective of consumer services e.g. hotels and restaurants (see e.g. Kalnins and Lafontaine 2004; Woo *et al.* 2019; Rawley and Seamans 2020) where place is important for the provision of the offering, and manufacturing firms (see e.g. Henderson and Ono 2008; Alcacer and Delgado 2016; Lavoratori *et al.* 2020).



Meanwhile, studies on the co-location of knowledge-intensive business service (KIBS) firms that belong to the same corporate group have, to our knowledge, received no prior attention. Building on these studies we expect that the benefits of intra-firm agglomeration apply to KIBS, which can potentially contribute to explaining the spatial behaviour of KIBS.

Table 19: Comparison between intra-firm and inter-firm agglomerations

	Intra-firm agglomeration	Inter-firm agglomeration
Operational synergies	Operational efficiencies and cost savings achieved through sharing key resources and activities	No sharing of resources or activities
Knowledge spillovers	Knowledge spillovers between sister units are encouraged	Knowledge leakage to competitors is undesirable
Enhanced collaborations	Co-location provides a physical interface for frequent and effective collaborations	Collaborations between competitors are less likely
Protection from competition	Formal coordination of competition which reduces competitive pressure and opportunistic behaviour	Non-formal coordination of competition which is less stable than formal coordination.

### 6.3. The Advertising “Group”

Advertising agencies have a long history in the UK; Nevett (1982) records the earliest agent of which any record remains to be William Tayler, who was active towards the end of the 18<sup>th</sup> Century. By the first decade of the 20<sup>th</sup> century, there were around 300 agencies in London. Most were very small and were primarily engaged in brokering advertising space rather than creating adverts. Advertising expanded considerably in the UK after the mid-1950s, with the ending of food rationing, the diffusion of television,

and the emergence of the consumer economy. The early 1960s also saw the international expansion of US advertisers; Nevett (1982, p. 195) records that “In London, they sometimes set up their own operations from scratch, but more often they bought out existing British agencies”.

The ‘advertising group’, as it exists today, emerged in the early 1960s, with the formation of the Interpublic Group (IPG); this served as a holding company for McCann-Erickson (ME) and their latest acquisition, Marschalk & Pratt (MP). The 1954 acquisition of MP marked the first time that an acquired agency was not entirely subsumed into the acquirer, or became part of a new combined entity with a single identity, as had been the case with the merger between H. K. McCann and Alfred Erickson in 1930 (Edwards, 2012). Maintaining a set of agencies with separate identities but under common ownership can be considered an organizational innovation, and this was the brainchild of Marion Harper, the president of ME. It was a solution to the problem that advertising agencies are not permitted to represent clients that are direct rivals, and therefore the merger of agencies often required the giving up of accounts where conflicts of interest arose (Tungate, 2007). Besides, having a second agency enabled ME as a group to serve and attend to generally smaller clients that were not so attractive to McCann-Erickson. For this strategy to succeed, however, Harper needed to convince clients that ME, Marschalk & Pratt, and any other agencies which subsequently came under common ownership were being run as independent entities, with strict confidentiality practices. Despite initial scepticism from within the

industry, ME lost only two clients as a result of the acquisition, while MP lost one; the majority of clients remained loyal (McDonough and Egolf, 2003).

In 1960 the two agencies were formally brought under a holding company: Interpublic, which went on an acquisition spree in the following years. Interpublic presented itself to clients as “a group of independent, competitive service companies, under a central business management” (McDonough and Egolf, 2003). Clients would have a direct relationship with a particular agency and would also benefit from the additional resources available to their agency arising from it being part of the broader Interpublic network (Ducoffe and Smith, 1994).

However, the model had been demonstrated, and formation of the modern advertising group, with its structure of ‘independent’ creative agencies combined with strong central management and shared support functions, was advanced further by the formation of Omnicom and the growth of WPP.

Omnicom was formed by the merger, in 1986, of three long-established agencies on the fringes out of the global top 10 – BBDO (which had been established in 1891), Doyle Dane Bernbach / DDB (est. 1949), and Needham Harper (est. 1925). These three agencies came together to form Omnicom partially to avoid their own acquisition, and partially to improve their financial performance, including through achieving economies in the provision of back-office functions. At the time of its formation, Omnicom became the world’s largest advertising group (Tungate, 2007).

Like Interpublic before it, Omnicom emphasized creativity and the uniqueness of its agencies, taking a ‘hands-off’ approach to their management and granting them the freedom to pursue their own creativity (Tungate, 2007). Its group management team has maintained a relatively low profile, preferring to let their agencies claim the limelight (Farmer, 2019). In addition to incorporating traditional, mass-market advertising (‘above the line’), Omnicom expanded into media and digital agencies and various support functions and less glamorous below-the-line advertising (i.e. advertising campaigns promoted in non-mainstream media with the focus on fostering direct relationships with target customers). At the time of writing, Omnicom is comfortably the second-largest advertising group globally.

The mid-1980s also saw the arrival of WPP. Martin Sorrell had been the finance director at Saatchi & Saatchi, a very high-profile agency that had grown rapidly, both organically and by acquisition, to become the UK’s largest agency. Rather than take up the position as CEO of Saatchi & Saatchi (Kleinman, 1987), because he knew he would always be subservient to the Saatchi brothers in that role, Sorrell decided to take control of Wire & Plastic Products, then a publicly-listed manufacturer of shopping carts, which he intended to transform into a global marketing services company (Tungate, 2007). Sorrell became CEO of WPP in 1987 and quickly embarked upon an aggressive growth strategy, utilising financial leverage and issuing debt on WPP’s operating business. Eighteen businesses were acquired within two years, primarily active in unglamorous “below the line” marketing functions (Sorrell, 2016). However, in 1987 WPP launched a hostile takeover bid for J. Walter Thompson, an

old established giant of the industry, 13 times larger than WPP by revenues. Before this, hostile bids were rare in advertising due to the risk that ‘the talent’ would walk out the door. Sorrell and WPP succeeded however and two years after acquiring JWT launched another hostile takeover bid, this time of Ogilvy & Mather, another Adland giant.

When the economy went into recession in the early 1990s, WPP found itself overleveraged and struggled to meet its debt repayments (Ghobadian and O’Regan, 2011). According to Sorrell (2016): ‘It was a come-to-Jesus moment, and it forced me to reconsider what we needed to do to fuel our growth.... That brush with oblivion made us take a hard look at the organization. We came to the conclusion that we needed to justify the parent company’s existence; otherwise, it would only make sense to split up the business<sup>67</sup>’ One of the ways that WPP has harnessed the strength of the group is through their human resources initiatives such as the organisation of training programs available to all employees within the network, as well as rotating employees across the various WPP agencies.

After recovering, WPP continued its growth and further consolidated its position as the world’s largest advertising group with the acquisition of Young and Rubicam in 2000; Y&R was then the fourth largest group in the world.

Unlike WPP, Publicis Groupe (hereafter Publicis) has a long history in advertising, having been founded in 1926 by the French entrepreneur and advertising pioneer

---

<sup>67</sup> <https://hbr.org/2016/07/wpps-ceo-on-turning-a-portfolio-of-companies-into-a-growth-machine>

Marcel Bleustein-Blanchet. By the mid-1980s, Publicis was the largest agency in France. In 1987 Maurice Lévy took over as Chief Executive, a role he held for 30 years. After forming what became a troubled alliance with Foote, Cone & Belding (FCB), which raised Publicis-FCB to become the 6<sup>th</sup> largest advertising group worldwide, Lévy, like Sorrell, engaged in an acquisition spree which has included renowned agencies such as Saatchi & Saatchi and Leo Burnett, as well as digital specialists, such as SapientNitro. In 2013, Lévy also proposed a spectacular merger between Publicis and Omnicom, which would have resulted in the combined entity becoming the world's largest advertising group; this one failed to materialise, however. One challenge for this merger was that Publicis operates a more centralised business model than Omnicom. Today, these four companies are the most prominent advertising groups globally, each with a substantial portfolio of advertising agencies (see Table 20 for a selected list of the agencies owned by these groups).

Table 20: Big 4 agencies and their major subsidiary advertising agencies

Group	Major subsidiary agencies
WPP	JWT Wunderman
	VMLY&R
	Ogilvy
	Grey
Omnicom	BBDO
	DDB
	TBWA
Publicis Groupe	Bartle Bogle Hegarty
	Leo Burnett
	Saatchi & Saatchi
	Fallon Worldwide
	Publicis Worldwide
Interpublic	McCann Worldgroup
	MullenLowe
	DraftFCB

Conceptually, advertising groups can be considered to be organised in a ‘heterarchical manner’, as identified by Grabher (2001), where the autonomously run business units within the corporate entity are marked by diversity and even rivalry. The rationale for such internal diversity can be considered from two dimensions – creativity and account conflicts (Grabher, 2001).

According to West and Ford (2001), a central feature of an advertising agency is the creative philosophy that embodies the firm. This philosophy defines how the agency operates, the type of styles adopted, and ultimately how other stakeholders view the firm. Indeed, the strategic importance of a firm's perceived creative prowess and reputation is widely acknowledged, and agencies place a premium on being unique and standing out (Heinke, 1985; Leslie, 1997b; Mitchell *et al.*, 1996). Likewise, any action or event that results in damage or a decline in the agency's standing could have severe repercussions.

While it is not evidently demonstrated that independence bolsters creativity, smaller agencies are typically associated with increased agility and creativity (Ghobadian and O'Regan, 2011). Thus, the separation of ownership and control is a common theme amongst the Big 4 advertising agency groups, with the group's central management taking a 'hands-off' approach to the creative approaches and philosophies of their agencies as far as possible.

Grabher (2001) attributes this association between size and creativity to the nature of the work carried out in larger agencies/agency networks. First, he argues that risk-minimisation is of paramount importance for large accounts, with a pragmatic emphasis on analytics and statistical techniques rather than creative idealism (Hackley and Kover, 2007). Secondly, as global clients turn towards an approach of thinking globally and acting locally with regards to international marketing (Dumitrescu and Vinerean, 2010), a significant proportion of the creative work within large agency networks is reduced to adapting global campaigns towards local contexts. This local



adaptation of globalised advertising campaigns provides little room for creative input and expression, which can potentially be in conflict with the ethos of creative advertising professionals (Hackley and Kover, 2007). This reduced creative freedom combined with the decreased risk appetite for creativity generates a perception that agency (network) size is correlated with creativity.

At the same time, membership of the advertising group provides access to resources, knowledge, expertise, and media buying savings generated by the scale of the group and which would not have been available to independent agencies of similar size. Also, being part of an agency network provides the financial backing and assurances associated with holding companies (Schwarzkopf, 2013).

Furthermore, this diversification (and rivalry) can be seen as a means to disentangle the subsidiaries from each other and serve as a means to resolve the conflicts of exclusivity, thereby allowing the advertising group to obtain a wider set of clients; this was the original motivation for establishing Interpublic. As a whole, clients seem satisfied that sister agencies are sufficiently independent as to not experience conflicts of interest.

One way advertising groups emphasise their agencies' individuality and independence is by allowing competition and rivalry between them for clients. Apart from trying to stimulate enhanced performance by encouraging competition, this element of rivalry can aid in delivering the perception that, at least in account management, each independently run agency is free from the control of its corporate parent.

Furthermore, a structure that supports and even encourages internal diversity and rivalry also serves to minimise the destabilising effects of mergers and acquisitions (Cartwright and Cooper, 1994). If the acquired agency maintains significant autonomy, then its employees are not forced to adapt to a different culture, resulting in an exodus of staff with the consequential a loss of expertise and, with that, client accounts.

Another aspect influencing the organisational structure of advertising groups is the project-based nature of advertising (Strambach, 2008). The unbundling of advertising tasks which began in the 1980s has allowed clients the option of fulfilling their advertising requirements for the project from various independently-run specialist agencies within the network rather than procuring the entire project from a single full-service agency (Horsky, 2006).

Here, advertising groups can achieve an advantage over their independent rivals as they can draw on their specialised agencies and functions to provide complete ‘set meals’ (full-service campaign), bespoke packages, and unbundled, ‘a la carte, options’ – granting clients the flexibility the appropriate suite of services to best fulfil their needs.

#### 6.4. Examining the Spatial Consolidation of advertising agency groups in the UK

In this section, the spatial distribution and organisation of advertising is presented and discussed. Similar to (Leslie, 1997b) who examined similar issues i.e. the spatial changes taking place amongst advertising agencies, this paper builds a case study through using

a variety of secondary sources to narrate and investigate the spatial transformation of advertising. These sources include leading trade magazines for marketing such as Campaign and The Drum. The advantage of using articles from these magazines is that they provide the latest news on spatial moves and acquisitions as well as interviews by leading managers of the largest global agencies who provide the rationales for the strategic spatial choices they make. In addition to these news articles and interviews, this paper also utilised press releases and information from the websites of these global advertising agencies. Finally, the mapping of agency location within central London was done through collecting postcodes of the subsidiary agencies that were retrieved from the agencies' archived websites via the Wayback Machine.

#### 6.4.1. London – The Heart of British Advertising

Like most KIBS, advertising industries tend to agglomerate within metropolitan areas. In addition, they have shown a propensity to locate within global cultural hubs (Casadei and Lee, 2020). In the case of the UK, the British advertising industry is very concentrated in London – both the largest metropolitan area in the UK as well as a global hub for culture within the UK, with all four advertising agency groups headquartered in, and having a considerable presence in London.

When the spatial distribution of advertising agencies within London are examined closely, it is found that the clustering of advertising firms also takes place at a much finer geographical scale (i.e. within Central London districts): Two main microclusters of advertising firms within Central London can be identified. The first is in the



In recent years, however, advertising agencies have begun leaving Soho (Caffyn, 2016), due to redevelopments, rent inflation, and developing other creative hotspots such as Shoreditch within central London. However, Soho and Fitzrovia still retain their position as the largest advertising microcluster in London.

#### 6.4.2. Spatial Consolidation Strategies of Advertising Agency Groups

In recent years, industry watchers have noticed that advertising agency groups are consolidating their subsidiary network and are beginning to co-locate their subsidiary marketing networks and/or agencies (Caffyn, 2016). This development seems to have been pioneered by the introduction of 'villages' by Havas, a medium-sized international agency group, which brought together agencies from across all disciplines, working together from a single location to service their clients. The notion of 'villages' as exemplified by a partnership amongst a localised community of agencies, each with their designated working area, specialisations, and skillsets, seems to have resonated with the major advertising groups, some of which were quick to develop their own interpretations of advertising 'villages', embodying a 'departmental store' of advertising agencies where clients can 'shop' for the services that they need.

Ironically, while Omnicom Group arguably adopts the most 'hands-off' approach amongst the four major agency groups, it was in 2016 the first of the Big 4 agency groups to begin the process of spatially consolidating their agencies<sup>68</sup>. With the leasing

---

<sup>68</sup> See <https://www.campaignlive.co.uk/article/omnicom-plots-new-london-hq-offer-south-bank-mega-office/1300208>

of two neighbouring buildings on Bankside, south of the River Thames, Omnicom laid out its spatial strategy to incorporate their various agencies across various functions and domains into a single campus. Among the first agencies to move in were TBWA\London and Abbott Mead Vickers BBDO (AMV BBDO), Omnicom's flagship agency in the UK. All of Omnicom's media agencies, including OMD and PHD, also relocated to the new Bankside campus (Spanier, 2019). Adam&Eve/DDB, together with the rest of the UK DDB network (Tribal and Gutenberg Global), however resisted the move to Bankside and remained in their Bishop's Gate offices. Industry observers speculated that the tension and rivalry between Adam&Eve/DDB and its sister agency AMV BBDO might have played a role in the decision not to physically co-locate the two agencies (Foster, 2014). Lucky Generals, which is Omnicom's latest acquisition (via TBWA), also remained in Clerkenwell. Apart from Omnicom's above the line communications agencies, their below-the-line and through-the-line<sup>69</sup> agencies have also mostly moved into the Bankside offices with some exceptions e.g. Portland which had recently moved into new offices on the Strand; and the Adelphi network which is located in Wimbledon, away from Central London.

Publicis Groupe has followed suit, and their spatial consolidation strategy was marked by the relocation of Saatchi & Saatchi from Charlotte Street, which had been their home for 40 years, to Holborn in 2017, a move was spurred by the Charlotte Street building being slated for redevelopment. In 2018 Leo Burnett moved into the Chancery

---

<sup>69</sup> Through-the-line advertising incorporates both elements of above-the-line and below-the-line strategies.

Lane complex from their Kensington Village, a perhaps surprisingly distant location from the centre of London's adland. Bartle Bogle Hegarty (BBH) has not, however, made the move to Chancery Lane; which seems to be because their influential founder has a strong preference for Soho (Magee, 2015) and has been able to resist the Group's desire to consolidate spatially.

There are some notable differences in the spatial consolidation strategies of Omnicom and Publicis Groupe. While Omnicom has sought to bring a majority of their subsidiary agencies into a single complex, which interestingly, is south of the river Thames, whereas London's business district has traditionally been north of the river, Publicis Groupe's strategy has involved developing three major 'villages' across London. While the first, Chancery Lane / Holborn complex, has housed their more established creative-focussed agencies, the second office on Baker Street is headlined by Publicis and its associated agencies across a range of marketing activities e.g., digital agency Poke and retail specialist Arc.

Publicis' third complex is based in what was formerly BBC's Television Centre in White City, West London, approximately 5 miles (8 kilometres) from Soho. Before the move in late 2018, Publicis Groupe's media agencies were distributed all across Central London, with Starcom and Mediavest (now known as Foundry) at Farringdon, Digitas in Spitalfields, and Zenith in Fitzrovia. With the latest move, all six of Publicis Groupe's media companies are located at Television Centre, with each agency

occupying a floor in the building presumably as a means of maintaining separate identities<sup>70</sup>.

Compared to Omnicom and Publicis Groupe, WPP and Interpublic have been slower in spatially consolidating their agencies. Both are however, now doing so and creating their own ‘villages’. WPP’s spatial consolidation strategy seems likely to follow that of Omnicom’s rather than Publicis’. Interesting WPP has also chosen to relocate to south of the river Thames, moving its headquarters and some agencies (including Ogilvy) into Sea Containers House on the South Bank. It has also secured the lease for One Southwark Bridge, which is also south of the river and a short walk away (Labiak and Shone, 2018; Oakes, 2019). Like Omnicom, WPP appears to be building a single campus or “village” and relocating their agencies to this.

On the other hand, Interpublic seems to be mirroring Publicis’ approach in maintaining more than one centre. From the beginning of 2020, Publicis’ began moving 11 of its London-based agencies that belong to the McCann Worldgroup network into a single office complex at Bishopsgate, in Central London (Gwynn, 2018). However, it has also consolidated in another location - The Bailey, between Blackfriars and Farringdon, into which IPG Mediabrands, the media arm of the IPG and other agencies have been moved. With this move, Interpublic has divided their complexes based on their functions and seek to maximise the externalities by physically grouping their media functions.

---

<sup>70</sup> NB: <https://www.publicisgroupe.com/en/news/press-releases/publicis-media-moving-to-iconic-former-bbc-television-centre>



### 6.4.3. Places in Space – the location of Advertising Agency Group Complexes

Besides the differences in their spatial strategies, these complexes' location choices are also noteworthy and different. We have already remarked upon Omnicom and WPP's perhaps surprising choice to locate south of the river in Southwark away from London's central business district and the traditional heart of advertising in Soho and Fitzrovia. Relating this to the predictions of (Boix *et al.*, 2015), this expansion away from the traditional microclusters of Soho and Fitzrovia can be partially explained by the increased cost pressures within these traditional places, and alternative locations within central London are being sought out. However, it is worth noting that Southwark does have cultural institutions as well as a substantial number of firms within creative industries, including the headquarters of ITV. This location is not, therefore, evidently unattractive to creative workers; Omnicom and WPP seem to be betting that the reputations, previous track record and clout of their agencies can establish and bring about a creative advertising presence in the area while avoiding the higher rent costs that are associated with Soho and Fitzrovia.

On the other hand, Publicis Groupe has taken more conventional approach in selecting locations for their two creative-focussed complexes, with Baker Street a short distance from Fitzrovia and Soho in neighbouring Marylebone, while their Chancery Lane complex is located in midtown Holborn. The moving of Publicis Groupe's media agencies to White City is interesting, however, given that it represents the physical detachment of media functions from the other creative functions. Like Southbank,

White City is undergoing a planned regeneration driven by creativity, culture, and innovation (Cowan, 2016). However, while such a location is attractive for their young and professional workforce, it seems less than ideal for serving clients based in Central London, as face-to-face interactions become relatively more inconvenient. The group will also have to manage the potential challenges that might arise by being outside the ‘buzz’ and losing access to the ‘noise’<sup>71</sup> (Grabher, 2002; Storper and Venables, 2004) amongst their counterparts across the main microclusters in Central London.

There are two possible ways to interpret such a spatial decision. Firstly, this could be a subtle hint that media functions which concern themselves with the execution of advertisements are perceived to have, at least by the Publicis Groupe, a relatively reduced symbolic creative burden when compared to their creative counterparts who are more deeply involved in the ideation and conceptualisation of advertisements. Thus, media companies could potentially be less affected by the loss of access to ‘buzz’ and ‘noise’ which are highly critical for the flow of aesthetic and symbolic knowledge (Asheim *et al.*, 2007; Pratt, 2006), and have lesser need to be located within the key advertising microclusters of Central London. Speculatively, the execution nature of media functions could also mean that most of the tasks related to media work are essentially ‘performed’ behind the scenes with few physical touchpoints, which makes it largely independent of location, i.e. more tradable across space. If such an assertion is true, distances between clients to media functions do not matter as much.

---

<sup>71</sup> ‘Noise’ is the manifestation of information sources that take the form of rumours, information on the latest trends, and even strategic misinformation (Grabher, 2002)g

Alternatively, the other plausible interpretation is that ‘buzz’ is not as geographically concentrated as expected such that being in a slightly peripheral location like White City does not come at a significant cost in terms of losing connection to ‘buzz’

In summary, it appears that an agency group’s overall spatial integration strategy can be represented as a two-step process that begins with the extent of the integration whereby the group determines whether it prefers a single or multi-campus structure. The next step is to decide the specific location of the complex(es). Locating in the traditional hubs of advertising might provide certain localisation and urbanisation externalities that might not be accrued if located outside the cluster. However, such a benefit comes with costs in the form of higher rents, wages, and congestion (Richardson, 1995; Wheeler, 2003). Compared to single-site agencies, locational decision-making for multi-site agencies provides a certain degree of flexibility (and complexity) in terms of location choice for the multiple complexes whereby the firm optimise their mix of locations within or out of the advertising hubs. This involves deliberating about the distribution of particular functions and subsidiary agencies.

## 6.5. Examining the spatial choices of agency groups

The tendency for increased co-location among the diverse and rival subsidiary business units within advertising agency groups suggests that such a spatial agglomeration creates certain benefits (as discussed earlier). This section examines the spatial consolidation of the Big 4 advertising networks, from the perspective of intra-firm agglomeration and the elements that apply to this pattern of spatial behaviour.

Building on the idea that increased operational synergies arise from intra-firm agglomeration (Rawley and Seamans, 2020; Woo *et al.*, 2019), the pursuit of cost-efficiencies and operational synergies have been a rationale for the spatial consolidation of advertising agency groups. Indeed, part of Omnicom's rationale for spatial consolidation was "to improve efficiency throughout the organisation, particularly in the areas of real estate portfolio management, back-office services, procurement and IT services" (Spanier, 2019).

An example of such operational synergies arising through the agency group structure is the possibility of geographically centralising and streamlining back-office functions, including administrative functions such as finance (e.g., billings and budgeting), legal and human resource functions across the group into a single shared services centre. A 'shared services' centre here refers to a centralised administrative unit which provides transactional services (including back, middle, and even front-office services) for the entire group (Soalheira and Timbrell, 2014). By aggregating these administrative functions into a shared services centre within the agency group, these functions can be carried out more efficiently, and agencies will be allowed to focus on what they are best at – being creative.

Nevertheless, acknowledging the presence of a centralised shared services centre can only partially guide us in understanding the spatial options that are presented to the advertising groups – that there is a centralisation of transactional services. These agency groups still have to decide on the location(s) of the local shared service centre i.e. are these shared service centres geographically co-located within the

campuses/villages or will they be decentralised to lower-cost locations? In the case of the Big 4 advertising agency networks, the preferred option has been to consolidate these functions into campuses within London<sup>72</sup>. Evidently, there are other factors apart from cost (e.g. operating environment and HR availability) that are behind the deliberation of locating shared services centres. A potential explanation for why these agency networks find it advantageous to locate in London is the presence of suppliers of supporting businesses e.g. specialised legal services that cannot be performed in house (Aarland *et al.*, 2007). This compounded with the local scale of the UK shared services centre (i.e. only serving London agencies, and possibly other UK-based subsidiary agencies) indicates that the decentralisation of select shared services is not the most efficient, and that centralising all these activities into the campus is a more convenient spatial solution.

In addition, the co-locating subsidiary agencies and supporting services into ‘villages’ also contributes to overall operational efficiencies as it allows infrastructural facilities such as meeting rooms, workspaces, and production studios to be shared across the business units, thereby increasing the efficient utilisation of these resources. This increased efficiency has resulted in the significant reduction of agency networks’ office footprints in London (and beyond)<sup>73</sup>.

---

<sup>72</sup> Publicis’ shared services organisation Resources is located in the White City Campus

<sup>73</sup> See <https://www.campaignlive.co.uk/article/publicis-media-move-uk-agencies-white-city-complex/1464572> and <https://therealdeal.com/2020/12/21/ad-giant-wpp-to-cut-ny-real-estate-footprint-by-700k-sf/>

*“By gradually consolidating our people into our campuses, we’re able to produce more efficient workplaces with better facilities for our people to give them a reason to come into the office” –Mark Read, WPP CEO*

Furthermore, taking over a large office complex (as a point of reference, Omnicom’s office complex spans 370,000 square feet) can increase these groups’ bargaining power when negotiating for discounts on rent (Colwell *et al.*, 2006), Meanwhile the reduced office footprint from spatial consolidation have resulted in overall cost savings from rent as well (Warrington, 2021)<sup>74</sup>.

Apart from these operational efficiencies, the intra-firm agglomeration of subsidiary agencies also brings about dynamic efficiencies. As argued earlier, a key imperative and benefit of consolidating business units into a single location has to do with fostering closer collaborations across the various subsidiary agencies within the group as it “not only reduces costs but also brings people into closer physical contact and enables collaboration” (Sorrell, 2016). Beyond sister agencies and shared services, there are also certain non-administrative specialised back-office functions such as research, analytics and production support which are intertwined into the creative production process. Given that these functions support the various subsidiary agencies and contribute to the groups’ overall strategic performance, these functions are also likely to be centralised into the ‘village’.

---

<sup>74</sup> See also <https://www.hok.com/design-annual/2021-reframing-a-sustainable-future/wpp-office/>

While the centralisation of horizontal and vertical subsidiary ‘sister’ agencies cannot by itself guarantee these stronger collaborations, the co-presence of these subsidiaries and their employees provides a physical platform whereby these working relationships can develop. In addition to the enhanced convenience and possibilities for informal interaction, these closer formal collaborations can also lead to enhanced sharing of knowledge and best practices across co-located campuses. In the ideal situations, the ‘village’ provides a knowledge-rich environment whereby the sharing and subsequent recombination of knowledge will increase the overall knowledge stock within the organisation and strengthen the agencies within the ‘village’. Additionally, another benefit of co-locating the various agencies into a localised campus is the ease of sharing and transmitting routines. Creative routines – a set of actions undertaken to generate novel and creative ideas, play an important role within creative industries (Rawley *et al.*, 2018). These creative routines typically have a substantial tacit component which involves demonstration and imitation. As such the co-location of agencies provide a channel whereby these routines and best practices can be transmitted and shared effectively (Woo *et al.*, 2019). Within an inter-firm perspective of agglomeration, the flows of such routines and knowledge to competitors are generally seen as undesirable<sup>75</sup>, yet as argued earlier, knowledge spillovers between horizontally linked sister units are not only discouraged but encouraged. Indeed, one of the objectives of co-locating sister

---

<sup>75</sup> Recall that Sister agencies compete in a heterarchical structure (Grabher, 2001)

agencies is to provide a conducive physical interface where learning agencies can “collaborate and learn from each other”<sup>76</sup>.

Such benefits (i.e. enhanced knowledge spillovers and sharing of creative routines) from intra-firm agglomeration is a strong justification for the spatial consolidation of advertising agency groups. Nevertheless, it also begs the question, why are they only consolidating now? Why did this not happen a long time ago?

In addition to generating synergies across the group, a plausible explanation, unique to advertising, for why these ‘villages’ are slowly becoming the norm is the increasing importance of improving the modern client experience. One of the main challenges facing advertisers is the increasing complexity of managing multiple advertising channels. New digital channels which require differing strategies have emerged alongside traditional media (Danaher *et al.*, 2020). Advertisers today thus require a wider variety of specialised expertise to manage and execute their campaigns across differing channels.

The co-presence of various services and functions creates a demand-side ‘shopping mall’ effect whereby clients can fulfil their advertising from a single location rather than searching in different places. Simply put, presence of various functions involved along (e.g. media) and across (e.g. digital, PR, direct) the production of advertising within the ‘village’ reduces search cost i.e. demand side agglomeration (McCann and Folta, 2009) and makes it more convenient for clients to access the full range of expertise.

---

<sup>76</sup> See <https://www.wpp.com/news/2021/09/wpp-opens-its-new-campus-in-milan>



Such a view is justified by Chris Read, the current chief executive of WPP who has put forward the argument that the formation of such campuses provides clients with more convenient access to the entire suite of WPP's expertise and specialised resources. Indeed, the consolidation of agencies into "campuses ... provide our clients with easier access to our expertise"<sup>77</sup>.

However, while agency groups recognise the value that having an extensive 'menu' with a wide range of services brings, according to industry sources there is a recognition amongst agency groups that their existing structures, with a plethora of subsidiary choices, can be daunting for the client<sup>78</sup>, especially when communication between client and agencies become complex due to having multiple points of contacts. Therefore, advertising agency groups are beginning to simplify their operating structures and streamline the various functions while keeping the clients as the central focal point<sup>79</sup>. Such moves entail grouping subsidiary agencies into smaller clusters based on specialisations such as communications and media, and even merging agencies to simplify the portfolio and achieve a more streamlined structure, while ensuring that clients are able to benefit from the group's talents and expertise<sup>80</sup>. To implement this while retaining the benefits of flexibility and subsidiary independence, such transformations have required substantial changes to working patterns (See Figure 14),

---

<sup>77</sup> See <https://www.wpp.com/news/2019/07/wpp-invests-in-new-manchester-campus>

<sup>78</sup> See <https://www.wpp.com/news/2018/12/wpp-presents-strategy-for-growth> and <https://www.lbbonline.com/news/the-power-of-one-approach-advantages-of-the-new-agency-business-model-2>

<sup>79</sup> See <https://www.thedrum.com/opinion/2018/03/27/the-power-just-one-how-simplification-may-be-paying-one-holding-group>

<sup>80</sup> See <https://www.publicisgroupe.com/en/services/the-power-of-one>

including reducing the points of contact to a single individual or small team<sup>81</sup> which represents the agency network and takes the client through the entire advertising production process and which, in keeping with each client's specific requirements - coordinates across the various subsidiary agencies and functions involved in the project, navigating between the various subsidiaries agencies involved. Only by transforming both the organisational structure and working patterns can agency groups provide a tailored, efficient and seamless experience for their clients, whilst retaining elements of internal diversity and rivalry within the group. Such a transformation of the organisational structure warrants closer integration amongst the various subsidiary agencies and is likely a key driver of spatial consolidation amongst these agency groups.

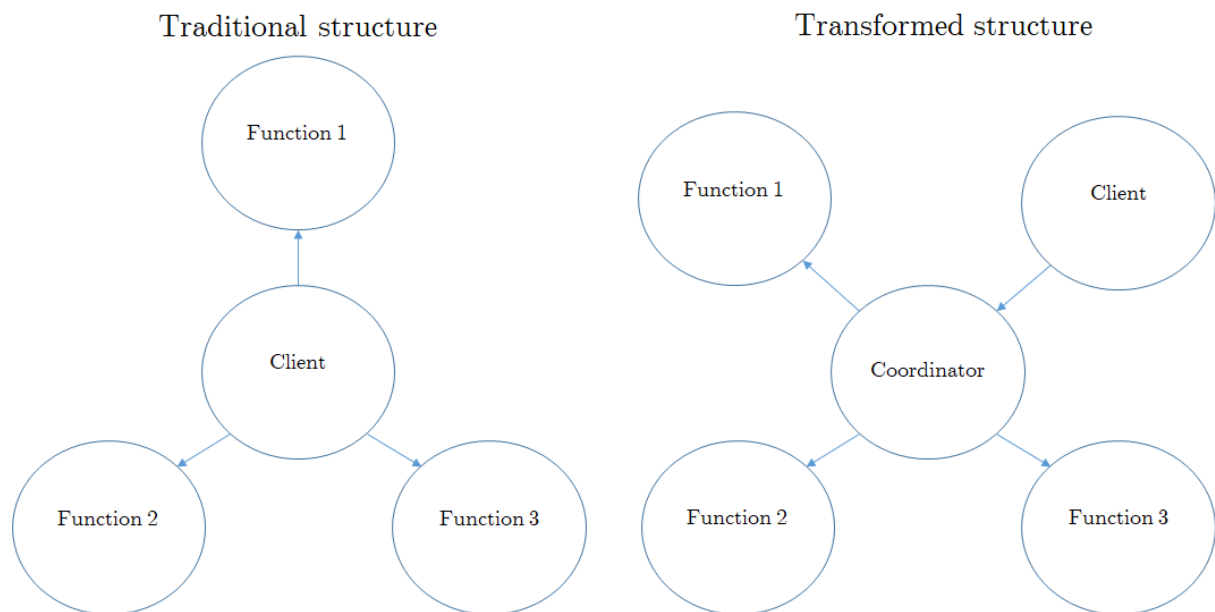


Figure 14: Traditional working patterns versus transformed working patterns

---

<sup>81</sup> Both Publicis Groupe and WPP have Global Client Leaders to serve this role

This locational and operational streamlining of subsidiaries as a response to the changing competitive landscape of advertising is in part to retain holding company's role as a coordinator of activities across the network (Sinclair, 2020). Moving beyond a competitive model towards one of cooperation, holding agencies have adapted accordingly by creating and coordinating bespoke project teams across subsidiary units within the network to manage their clients' global campaigns e.g. TeamX by Omnicom (for Mercedes), and OpenX by WPP (for Coca Cola). The close integration within the network emphasises the importance providing a geographically proximate platform for collaboration. I.e. Spatial and organisational consolidation work in tandem rather than being independent strategies.

We end this section by considering some potential dangers surrounding the spatial consolidation of advertising agencies. Earlier in the article, we highlighted the importance of an advertising agency's individuality and its creative reputation. Yet there is concern that the spatial consolidation of agencies into campuses raises the possibility that agencies will slowly lose their distinct identities over time<sup>82</sup>. Indeed this concern is not lost on agencies, and they are aware of such a danger. As a response, firms have ensured that subsidiary agencies get their own unique area (e.g. entire floors and building extensions) which allows them to express their unique cultures and brand identities.<sup>83</sup>

---

<sup>82</sup> See <https://www.bizjournals.com/chicago/news/2018/10/03/ddb-chicago-moves-to-new-address-as-omnicom-group.html>

<sup>83</sup> <https://www.campaignlive.co.uk/article/publicis-media-move-uk-agencies-white-city-complex/1464572>

In addition, while geographic proximity can facilitate gains from knowledge spillovers, the tight intra-group agglomeration runs the risk of insularity and spatial lock-in. That is when the agencies in the seemingly buzz-filled ‘village’ constantly looking inwards as an easier fix for inspiration and ideas, rather than seeking outwards and dealing with the noise (Grabher, 2002) beyond the ‘village’. However, it should be noted that this only happens when the allure of convenience overly incentivises the lack of openness on the part of co-located intra-group agencies (Boschma, 2005). Consequently, outward-looking ‘villages’ that continuously search for knowledge sources beyond its gates despite the presence of strong internal buzz are less likely to be afflicted by such a phenomenon. Agencies within ‘villages’ are thus advised to avoid or alleviate spatial lock-in through establishing linkages outside the ‘village’

## 6.6. Concluding Discussion

Over the last decade, changes in spatial strategies and locational patterns have been observed within the advertising industry. While we also examine changing placial choices of these agency networks in this article, we focused our attention on arguably the most pronounced of these transitions - the spatial consolidation of advertising agency groups. Building on this phenomenon, the key contribution of this paper is to focus discussion on intra-firm agglomeration which has received very little attention in comparison with inter-firm agglomeration.

While intra-firm agglomerations is not a new concept (see for example Alcacer and Zhao 2012; Alcacer et al. 2015), previous studies have focused on consumer services

(hotels and restaurants) and manufacturing, and we believe that to the best of our knowledge, we are the first to explore these ideas in the context of a KIBS sector. Within this study, an attempt was made to identify the intra-firm agglomeration forces that apply to KIBS (see Table 21). We show that the pursuit of operational and strategic synergies (i.e. knowledge spillovers and enhanced collaborations between subsidiary units and functions) were the key considerations of spatial consolidation amongst the global agency networks.

Table 21: Applicability of intra-firm agglomerations to KIBS

	Relevance for KIBS
Operational synergies	KIBS firms do benefit from co-locating to achieve operational efficiencies. They do so mainly through sharing resources and supporting services.
Knowledge spillovers	Knowledge spillovers between subsidiary units and business functions are a key driver for the spatially consolidating and centralisation of subsidiary units and functions
Enhanced collaborations	Enhanced collaborations between subsidiary units are a key motivation for their co-location and centralisation.
Protection from competition	Localised competition amongst subsidiaries is unique to advertising and are unlikely to exist in other sectors. Further investigation into other sectors is required.

Meanwhile, we note that some caveats apply with regards to the formal coordination of competition. Specifically, it needs to be noted that the organisational structure of global advertising agencies is unique, whereby there are not many KIBS sectors where subsidiaries are competing with each other. The key contribution here is that KIBS are likely to benefit from the mechanisms of internal resource sharing brought about by intra-firm agglomeration while the role of demand-side intra-firm agglomeration

forces (i.e. management of intra-firm competition) for the wider KIBS sector is less clear.

This suggests that the spatial considerations between the centralisation and decentralisation of KIBS functions are influenced by centripetal agglomeration forces. Conceptually, the spatial possibilities presented to KIBS can be viewed as a two-step decision process. Firstly, they will have to decide between decentralisation for cost savings that emerge from seeking out lower-cost locations, and centralisation to benefit from intra-firm agglomerations. The next decision then, is if decentralisation is chosen, which functions should be decentralised. Most discussions regarding the second question have considered this problem through the dimensions of front- and back offices (Immergluck, 2001; Miles *et al.*, 2021; Tether *et al.*, 2012) whereby routinised back-office functions which require less face-to-face contact are decentralised while specialised functions and front-office functions which require face-to-face contact with clients are centralised.

However, the observations from this study suggest that the spatial of KIBS firms are more complex than a front- and back-office dichotomy. Instead, any analysis of a firm's spatial strategy needs to incorporate the nature of interactions between functions as well. That is to say, certain functions can benefit from locating close together despite being on opposite ends of the front- back-office dichotomy. An example of this is media research functions within media and advertising networks. Despite being considered a back-office function which per expectations is a likely candidate for decentralisation, media research is a critical in the media planning process and is crucial for providing

the expert inputs needed by media planners (client-facing function) in order to build a coherent media strategy for their clients (Soberman, 2005). Therefore, while media and advertising networks can achieve cost savings by decentralising media research functions, the gains from co-locating them with client-facing functions can potentially outweigh these cost savings. Thus, more effort is needed to research and understand these complex spatial decisions if we want to obtain a better understanding of how KIBS firms organise across space.

While the four largest advertising groups in London have slightly varying interpretations of spatial consolidation, they have each created one or two ‘villages’, within central London. These changing spatial strategies, in conjunction with the increased integration and streamlining of the activities contained within these agency groups reflect the arrival of another transformation in the advertising production process: the move towards ‘one-stop shops’, where services are provided by agencies but co-ordinated at the group level.

The changes have not only brought the subsidiary agencies physically closer together, but it has also brought them to new places slightly removed from the traditional advertising heartlands of Soho and the West End of London.

In this exploratory paper, we have sought to document and understand the spatial changes that are taking place within the advertising activities of major groups in London. Limitations of this paper include that it is confined to one KIBS sector – advertising – and one city – London. It would be interesting to see if the same or

similar changes are happening in advertising in other hub cities or if the findings in this study are particular to the advertising industry. The extent to which these or similar changes are happening in other KIBS sectors is an open but interesting question. The largest firms in some other KIBS sectors such as law and architecture are much smaller than the largest firms in advertising, whereas there are other KIBS sectors, notably accountancy and engineering consultancy in which there has been consolidation such that there are a few giant firms with increasingly global presence. Parallel studies on the spatial structuring of these activities, and the extent to which there have been changes similar to those observed here for advertising would reveal the extent to which these patterns are specific to advertising (in London) or can be generalised.



## Chapter 7: Conclusion

The objective of this concluding chapter is to reflect on the key findings and contributions of the thesis and acknowledge the limitations and room for future research. The chapter is organised as follows: It begins by discussing the finding surrounding the spatial distribution and organisation of KIBS as well as the geography of their markets, following which, a contextualisation of these findings and how they fit into the broader literature is presented. Next, the chapter provides a discourse of practical policy implications. Finally, the thesis is concluded by highlighting the limitations and offering certain streams of research that can build upon the work carried out in this thesis.

### 7.1. Discussion of Key Findings

#### 7.1.1. Spatial Distribution and Organisation of KIBS

So what has been learnt about the location of KIBS? Within the context of British advertising, evidence from Campaign magazine's annual list of top advertising agencies finds that there are two 'distinct Britains' when it comes to the spatial distribution of advertising activity – London (and the Greater South East) versus the rest. It comes as no shock or surprise that in addition to the significant difference in employment figures (see Chapter 3), London is also home to most of the largest advertising agencies within the UK. Reflecting on the insights generated by early British economic geographers (Daniels, 1984; Marshall, 1983), it is clear that little has changed since the 1980s, with London retaining its dominance in KIBS activity and employment despite

the increased spatial possibilities brought about by advancements in ICTs, of which KIBS are intense users (Tether *et al.*, 2012).

Motivated by such unevenness in the distribution of KIBS, Research Paper 1 sought to understand the spatial distribution of advertising agencies in the ‘other Britain’. The evidence shows the major cities in the North of England and the capital cities of the three other constituent countries (Scotland, Wales and Northern Ireland) are home to a significant proportion of the top regional agencies. This is congruent with the findings of Shearmur and Doloreux (2008), which show that KIBS employment in Canada has, as a whole, become more centralised in the largest urban centres and that the distribution of KIBS jobs decreases (significantly) down the urban hierarchy. *Prima facie*, it is fair to argue that agglomeration forces, particularly of the Jacobian variety, have made these predominantly urban secondary cities tenable for housing the largest non-London agencies. Yet, the evidence also points at some peculiarities that seem to contradict the logic of a spatial hierarchy.

Going against the theoretical grain, Research Paper 1 shows that many agencies appear to locate in ‘surprising places’. These places are considered surprising because they do not fit into the traditional mould of where large and established KIBS firms are expected to be, i.e. highly urbanised centres. Examples of these surprising places include civil parishes and market towns such as Chilcompton and Barnstaple, which are not known to be urban economic powerhouses. Correspondingly, the findings also show a lack of top regional advertising agencies in secondary cities such as Birmingham and Liverpool, which are primarily urban and are expected to possess some (albeit

scaled-down when compared to London) agglomeration-related pull factors for KIBS (Wagner and Growe, 2020). If agglomeration factors are said to be conducive for KIBS firms as suggested by agglomeration theory, these two findings are perplexing as they appear to indicate that (1) KIBS firms can remain successful despite the lack of said agglomeration forces and (2) agglomeration forces alone might not be sufficient to explain the regional clustering of KIBS firms and sectors.

Additionally, if intra-industry spatial proximity is said to facilitate the generation of localisation advantages, predominantly through flows of intra-industry learning and knowledge exchange, then these KIBS firms are expected to locate close together and form microclusters (Rammer *et al.*, 2020). Because of the importance of such knowledge flows to KIBS firms, these micro-agglomerations are more likely to occur within the central business districts of the city due to the accessibility and concentration of commercial activity within the area as hypothesised by bid-rent theory (Alonso, 1969). However, it was also found in Research Paper 1 that several of these largest regional agencies were not located within or close to these commercial districts, instead choosing to locate in residential suburbs, rural country houses and at the fringes of the city. In contrast, Research Paper 3 showed that the London-based agencies are primarily located in central London, particularly around the boroughs of Soho and Fitzrovia, which are traditionally considered the spiritual home of British advertising. What these contradictory findings suggest is that there does not seem to be a second major micro-agglomeration of advertising outside central London; thus, the arguments of a spatial

hierarchy seem to be less reflective of the British advertising sector when viewed through the lens of their micro-geographies.

Research Paper 3 also examined a recent shift in the spatial organisation of advertising firms – namely the spatial consolidation amongst agencies within agency networks, specifically amongst the Big 4 advertising agency networks. Such moves do not happen without reason, and it is reasonable to believe that the co-location of sister agencies, as well as shared supporting services and infrastructure, brings about certain benefits. Building on the logic of intra-firm agglomeration, these advantages possibly include operational synergies through the co-location of shared supporting services as well as infrastructure (Woo *et al.*, 2019). Beyond operational synergies, the co-location of sister agencies aids in the facilitation of intra-firm knowledge spillovers (Rawley and Seamans, 2020), which is arguably even more important for advertising – a knowledge-intensive business service.

Lastly, we argue that the importance of having a reputation of creative autonomy is an important concern for advertising, and the spatial consolidation of agencies could potentially lead to the perceived loss of creative autonomy. Last, Research Paper 3 also warns firms against being too parochial and inward-looking to prevent themselves from being too insular (Boschma, 2005) rather than benefitting from creative ‘noise’ that takes place within central London (Grabher, 2002) and beyond.

### 7.1.2. KIBS and the Geography of their Markets

In addition to understanding the spatial distribution and organisation of KIBS, this thesis also examined the geography of their markets. By pairing and matching the top regional agencies to their five biggest clients, Research Paper 1 finds that the procurement of advertising, at least from the largest regional advertising agencies, is surprisingly unbounded by geography. For one, the reach of these regional agencies goes beyond their local markets, with the median regional agency–client dyad distance being 43 miles, and almost 25% of the dyad lengths being at least 200 miles. One of the issues that emerges when trying to contextualise such a finding is the inconsistencies in the evidence that has been provided, particularly when it comes to advertising (Harrington *et al.*, 1991). For instance, while the results from Research Paper 1 follow that of van Dinteren (1987) and Marshall (1983) who argue that advertisers show a moderate to strong dependency on regional exports, evidence from Beyers and Alvine (1985) suggests that the procurement of advertising is generally restricted to local markets. While these inconsistencies are not fully explored, possible explanations given are the differing approaches of classifying ‘local’ procurement due to the varying spatial scales where these analyses carried out (Harrington *et al.*, 1991). However, another key takeaway from the review of Harrington *et al.* (1991) is the differing spatial patterns of procurement across the various KIBS sectors. In terms of advertising, this would be represented by the relative separation of production and consumption of services, as the creative production (e.g., art direction and copywriting) is predominantly carried out independently by the advertising agency, with input and adjustments from clients often coming before creative production and signing off on

the campaign take place. Where the findings of this thesis disagree with the claims of Tordoir (1994) is that instead of being ‘organized in a network of front and back offices, whereby only the front offices are located close to business markets’ and ‘client interaction (by an account manager) is operationally and often physically divided from production work (p. 330), advertising agencies in the UK are predominantly single site, even to the extent of spatial consolidation as demonstrated above.

The limited dependence on local markets can also be partially explained by the willingness of clients to travel for a particular service. If advertising is indeed of strategic importance for clients (Michell and Bright, 1995), they will be more willing to overcome the friction of distance to fulfil their advertising needs (Aslesen and Jakobsen, 2007), resulting in longer client–agency distances. A client’s ‘willingness to travel’ insinuates that the search for an agency is a deliberate one, which raises two spatial questions of interest to his thesis: (1) From where do clients fulfil their advertising needs? and (2) Does the procurement of advertising follow a spatial pattern, or is it sporadic?

These two issues were considered in Research paper 1 from the perspective of a spatial hierarchy. When investigating the hierarchical nature of advertising procurement amongst the regional agencies through the theoretical lens of Christaller’s central place theory, Research Paper 1 identified the presence of ‘surprising’ procurement behaviours that do not conform to the expectations set out by Christaller (1933). From the data, only about a third of client–agency dyads match these expected shopping behaviours, i.e. ‘shopping up’ and shopping locally. This suggests that clients are travelling further

than necessary in the search for their advertising agencies, as they are not predominantly sourcing their advertising within the TTWA, or where advertising agencies are not available locally, seek out the agency in the nearest TTWA. More strikingly, the findings also show the presence of a ‘reverse Christallerian’ procurement pattern, whereby instead of procuring services up the spatial hierarchy as suggested by Christaller (1933) and empirically demonstrated by (Shearmur and Doloreux, 2015b), clients seek out agencies in TTWAs that have a weaker presence of advertising agencies, the implications being that clients travel further to fulfil their advertising needs when there are more variety and options that can be sourced locally.

Research Paper 2 examined the extent to which a client’s outlook towards internationalisation impacts the type of advertising agencies that it chooses. By comparing the observed distribution of client–agency pairs with the expected distribution (controlling for estimated billings) via Chi-squared tests, the findings show that across all billing bands, foreign-owned firms, which tend to be more internationalised, are disproportionately more likely to select London-based agencies. By contrast, UK-based clients, and especially those that mainly serve the UK national market, are more likely to fulfil their advertising needs through regional agencies, the vast majority of which are independents. With regards to London-based independents, the results are a little more intriguing. They show that London-based independents appear to be successful in winning the smaller accounts of highly globalised international clients while having the approximate expected distribution of the largest

foreign clients. To a lesser extent, they were also more likely to serve the smaller accounts of internationalised UK firms.

Overall, in accordance with the arguments of Sassen's (1991, 1994) global city, the findings demonstrate how the globalisation of clients has led to the city of London becoming a major hub for advertising agencies. The idea that firms located in central London are better able to secure the largest and well-established accounts, rightfully or otherwise, introduces another dimension to the spatial choices of KIBS firms. This suggests that locating in central London affords KIBS firms certain advantages such as place reputation premiums (Daniels and Bryson, 2005) that are often overlooked in the agglomeration literature. Place reputational premiums here refer to the set of positive ideas attributed to London (Cleave and Arku, 2015) and agencies within them as a signal of excellence and quality.

Taking the findings of this thesis across both themes in totality, what this suggests is that beyond the traditional supply-side agglomeration forces that are widely discussed within the agglomeration and KIBS literature, these agglomeration explanations alone are insufficient in trying to achieve a complete understanding of the spatial distribution of KIBS and the geographies of their use. Firstly, there is a need to understand demand-related factors that shape the locational choices of KIBS i.e. patterns of KIBS procurement which shape the locational advantages of certain privileged places (e.g. global cities). Secondly, there are other intangible place-based advantages such as reputational premiums (Glückler, 2007) beyond knowledge spillovers that need to be studied at greater detail.



## 7.2. Contributions for Research

Four contributions can be identified from this thesis. First, the research contributes to a better understanding of the spatial dimensions surrounding KIBS use. This addresses a gap in the recent KIBS and agglomeration literature, which tend to assume that demand for KIBS is localised and inferred from their locations (Shearmur and Doloreux, 2015b). Research Paper 1 challenges this assertion by demonstrating that client–agency relationships are not constrained by distance (intra-nationally), which echoes the findings of research conducted in the 1980s (see Harrington *et al.*, 1991). By mapping the client–agency dyads to the urban hierarchy, the paper also identifies the presence of KIBS procurement behaviours across and even down the urban hierarchy, which, to the author’s knowledge, has not been covered within the extant literature. Research Paper 2 builds upon the idea that physical distance is often overemphasised in the selection of KIBS by highlighting another factor (degree of internationalisation) that influences clients’ choice of advertising agencies.

Second, the use of client–agency dyads as the unit of analysis is an original approach to examining service use. Such a dyadic approach allows for the comparison of client characteristics with that of their KIBS providers. In principle, the use of dyads can be applied to studies that seek to examine how other client characteristics such as age, market concentration and industry classification can influence the geography of KIBS use.

Third, this thesis also reveals certain intricacies surrounding the spatial distribution of KIBS that have not been thoroughly studied. The first of these relates to the mapping of KIBS location outside the largest metropolitan areas, which has not garnered much attention amongst economic geographers despite the widespread consensus that KIBS in non-urban regions can contribute towards innovation, firm performance and growth within their regions (see for example, Pinto *et al.*, 2015; Shearmur and Doloreux, 2021). Within this dissertation, Research Paper 1 highlights certain patterns of locational choices that contrast with the expectations of bid-rent theory and KIBS' preference for cities, while Research Paper 3 provides a closer examination of the changes in micro-geographic locational patterns that are currently taking place within the advertising landscape in central London and across the UK.

Last, while much has been theorised about inter-firm agglomerations, few have studied the agglomerating effects of business units. Another contribution of this thesis is towards the conceptualisation of intra-firm agglomerations for KIBS. Harnessing the logic of inter-firm agglomeration, Research Paper 3 presents the rationales of, and the risks involved in spatially consolidating subsidiary business and business units. By focussing on intra-firm agglomerations, this thesis further contributes to our understanding of the spatial distribution of business office networks, which can be further applied to other sectors.

### 7.3. Implications for Policy and Practice

The observations made in this study provides certain valuable insights for advertising firms and the wider KIBS sector. Specifically, this study contributes by highlighting the various spatial possibilities which related to their location and spatial organisation that are presented to advertising firms. Firstly, it demonstrates that firms can thrive outside the largest metropolitan places without suffering from significant disadvantages. Thus, firms do not need to be fixated on locating near or at the top of the urban hierarchy, particularly smaller spinoffs that focus on regional and national markets i.e. non-global KIBS first. Instead, these firms can choose to locate outside the largest metropolitan places for lifestyle and cost regions.

Secondly, this study has highlighted the importance of intra-firm agglomeration in understanding the spatial centralisation and consolidation of KIBS firms. What this suggests is that firms need to be aware that co-locating activities can bring about synergistic benefits that might be worth incurring extra costs for. As such, the decision for firms to decentralise activities goes beyond cost and client interaction considerations i.e. KIBS firms need to consider the interactions between and across functions before making any decisions with regards to spatial strategy.

Beyond contributions to research and practice, this thesis also has policy implications. Since 2010, one of the key policy agendas of the British government has been to ‘spatially rebalance’ the UK economy by simultaneously balancing the need to address regional inequalities across the country whilst protecting the agglomeration advantages

that have strengthened the position of London and the Greater South East (Martin, Pike, *et al.*, 2016). Their spatial intervention strategy focuses on enhancing connections between cities and thereby enhancing spatial agglomeration effects in lagging areas, particularly the cities in the North of England (Martin and Gardiner, 2018).

However, while empirical work has demonstrated a relationship between agglomeration economies and regions' economic performance, this thesis cautions against expecting 'levelling up' through agglomeration economies alone. The relative success of advertising agencies in unexpected places suggests that although useful, urbanisation and localisation advantages might not fully explain London's competitive advantage. In addition, policies designed to encourage the agglomeration of KIBS in secondary places may well lead to a reshuffling (e.g., growth of Manchester at the expense of Leeds, or vice versa) but not a fundamental change. In order to help lagging regions level up, a more thorough understanding of central London's extraordinary advantages is required. The forces of globalisation identified in Research Paper 3 is a starting point for identifying other potential exogenous forces that result in domestic spatial inequalities.

#### 7.4. Limitations of the Thesis

Like any academic endeavour, this thesis is by no means without limitations. In this subsection, I reflect on these limitations before turning to avenues for future research. A first issue is the generalisability of findings: Beginning with Miles *et al.* (1995), who first distinguished between technologically-based T-KIBS and professional P-KIBS

(Freel, 2006), research into KIBS has begun to show an appreciation of the heterogeneity that exists amongst KIBS (see for example, Consoli and Elche-Hortelano, 2010; Pina and Tether, 2016; Shearmur and Doloreux, 2021; Tether *et al.*, 2012). As argued in Chapter 3, the heterogeneity amongst KIBS brings into question any single unified explanation for the spatial distribution and dynamics of KIBS and their markets. Hence, the choice was made to focus on a single sector despite the potential lack of generalisability. This means that while the findings within this thesis might provide valuable insight, some of the findings might not hold when applied to KIBS sectors with differing characteristics (Tordoir, 1994). To what extent do the findings from this thesis apply to other KIBS sectors, and where do the similarities end? Extant literature on various creative industries has shown a tendency of creative industries to cluster (Chapain and Sagot-Duvaurox, 2018; Gong and Hassink, 2017), particularly within metropolitan areas such as New York, London and Los Angeles (Casadei and Lee, 2020). Such a phenomenon can be partially explained by the project-based nature of creative industries (Storper and Christopherson, 1987), which benefit from the agglomeration of specialist suppliers, institutions and infrastructure (Chapain *et al.*, 2010; Nachum and Keeble, 2003), as well as the strong presence of creative and cultural expertise that can be found in these metropolitan regions. It is thus reasonable to argue that other creative KIBS such as architecture and design firms are likely to show similar levels of concentration at the top of the urban hierarchy.

Where production and consumption of a service are less disjointed, as in the case of auditing and accountancy, the importance of proximity is likely to differ as place

becomes more important in the provision of the service, and the results from this thesis will have less predictive power, with shorter client–agency dyads expected. Similarly, the nature of the service relationships can influence the generalisability of the findings across KIBS sectors. Summarising part of Tordoir’s (1994) argument, services such as management consultancy that have sparring tendencies might be more likely to also exhibit shorter client–supplier dyad lengths that go in contrast to the findings in this thesis.

Furthermore, this thesis only focuses on the UK, where economic activity is highly centralised within London (Martin, Pike, *et al.*, 2016). The predictive power of the findings could be limited when compared to countries where the distribution of economic activity and governance institutions are more polycentric in nature. For instance, countries such as Canada and Germany with multiple economic regions have their hinterlands, which could affect the procurement behaviours and patterns of clients. In these cases, the predictions of Christaller are more likely to be relevant and present as evident from the work of Shearmur and Doloreux (2015b).

A second issue is the categorisation of internationalisation used in Research Paper 2: The classification was a two-step process where both authors independently classified the extent of internationalisation amongst clients, after which the classifications were compared, and differences discussed. While our initial classifications agreed on three-quarters of the clients (132 out of 171 matches), two issues are noteworthy. First, while we found it relatively straightforward to classify foreign international firms (inbound internationalisation), the classification of internationalised British firms was more

problematic. This was because many UK firms that are primarily focused on UK markets have had small but varying amounts of internationalisation. Second, the presence of digital-business clients (e.g., price comparison websites) also added a layer of complexity to the classification process because although they can be accessed globally, they have certain key markets. Given the opportunity to redo this exercise, it might be worthwhile to adopt alternative measurements of internationalisation, such as the ratio of foreign sales to total sales, where the relationship between internationalisation and agency choice can be examined in greater detail.

## 7.5. Future Research Avenues

By investigating the spatial organisation of advertising agencies and their markets, this study contributes towards the ultimate puzzle of understanding the geography of KIBS and the patterns of their use. Addressing this thesis's limitations, future studies can extend this line of inquiry into other KIBS sectors. Piecing together these individual 'jigsaw pieces' and comparing them will allow us to have a more holistic understanding of the puzzle. An example of how this can be applied to future research is through trying to understand how different knowledge base combinations amongst KIBS can have spatial implications for their production and consumption. This would entail further investigation into the extent to which the different types of knowledge involved influence the need for spatial co-location between KIBS providers and their clients.

Future work can also seek to derive more detailed explanations for the phenomena that have been identified in this thesis. First, the presence of advertising agencies in

unexpected places such as Barnstaple raises two sets of key questions: (1) Why do these firms eschew the localisation and urbanisation advantages that come with locating within central London? What variables affect a KIBS sector (or firm's) ability to assimilate the benefits of agglomeration? Does this indicate that there is a clear spatial division of labour within KIBS sectors? (2) How do these firms in 'unexpected places' overcome the lack of localisation and urbanisation advantages? What strategies have these firms employed? Answering these questions will allow us to unpack further the role of agglomeration advantages at the firm level and identify other forces that drive the spatial choices of KIBS firms.

In addition, while this thesis has proposed certain rationales and limitations for spatial and organisational consolidation amongst advertising agency networks, these propositions should be empirically tested through the means of surveys or interviews. As this spatial transformation is still currently underway, it is challenging to examine the outcomes thoroughly. Future research can investigate the effects of this phenomenon and compare the efficacy of the various strategies. There is certainly much more to learn regarding KIBS location and the geographies of their procurement, but these are interesting questions.



# Bibliography

- Aarland, K., Davis, J.C., Henderson, J.V. and Ono, Y. (2007), “Spatial Organization of Firms: the Decision to Split Production and Administration”, *RAND Journal of Economics*, Vol. 38 No. 2, pp. 480–494.
- Alcacer, J. (2006), “Location Choices Across the Value Chain: How Activity and Capability Influence Collocation”, *Management Science*, Vol. 52 No. 10, pp. 1457–1471.
- Alcacer, J., Cantwell, J. and Piscitello, L. (2016), “Internationalization in the Information Age: A New Era for Places, Firms, and International Business Networks?”, *Journal of International Business*, Vol. 47 No. 5, SI, pp. 499–512.
- Alcacer, J. and Chung, W. (2014), “Locational Strategies for Agglomeration Economies”, *Strategic Management Journal*, Vol. 35 No. 12, pp. 1749–1761.
- Alcácer, J. and Chung, W. (2007), “Location Strategies and Knowledge Spillovers”, *Management Science*, Vol. 53 No. 5, pp. 760–776.
- Alcacer, J. and Delgado, M. (2016), “Spatial Organization of Firms and Location Choices Through the Value Chain”, *Management Science*, Vol. 62 No. 11, pp. 3213–3234.
- Alcacer, J., Dezsó, C. and Zhao, M. (2015), “Location Choices Under Strategic Interaction”, *Strategic Management Journal*, Vol. 36 No. 2, pp. 197–215.

- Alcacer, J. and Zhao, M. (2012), “Local R&D Strategies and Multilocation Firms: The Role of Internal Linkages”, *Management Science*, Vol. 58 No. 4, pp. 734–753.
- Alonso, W. (1960), “A Theory of the Urban Land Market”, *Papers in Regional Science*, Vol. 6, pp. 149–157.
- Alonso, W. (1969), *Location and Land Use: Towards a General Theory of Land Rent*, Harvard University Press, Cambridge, MA.
- Amankwah-Amoah, J. and Yaw, D.A. (2017), “Toward a Construct of Liability of Origin”, *Industrial and Corporate Change*, Vol. 26 No. 2, pp. 211–231.
- Arrow, K. (1962), “The Economic Implications of Learning by Doing”, *Review of Economic Studies*, Vol. 29 No. 3, pp. 155–173.
- Arzaghi, M., Berndt, E.R., Davis, J.C. and Silk, A.J. (2012), “The Unbundling of Advertising Agency Services: An Economic Analysis”, *Review of Marketing Science*, Vol. 10 No. 1, pp. 1–53.
- Arzaghi, M. and Henderson, J.V. (2008), “Networking off madison avenue”, *The Review of Economic Studies*, Vol. 75 No. 4, pp. 1011–1038.
- Asheim, B. (2007), “Differentiated Knowledge Bases and Varieties of Regional Innovation Systems”, *Innovation: The European Journal of Social Science Research*, Vol. 20 No. 3, pp. 223–241.
- Asheim, B., Boschma, R. and Cooke, P. (2011), “Constructing Regional Advantage: Platform Policies based on Related Variety and Differentiated Knowledge Bases”,

*Regional Studies*, Vol. 45 No. 7, pp. 893–904.

Asheim, B. and Coenen, L. (2005), “Knowledge bases and regional innovation systems:

Comparing Nordic clusters”, *Research Policy*, Vol. 34 No. 8, pp. 1173–1190.

Asheim, B., Coenen, L. and Vang, J. (2007), “Face-to-Face, Buzz, and Knowledge

Bases: Sociospatial Implications for Learning, Innovation, and Innovation Policy”,

*Environment and Planning C*, Vol. 25 No. 5, pp. 655–670.

Asheim, B. and Hansen, H. (2009), “Knowledge Bases, Talents, and Contexts: On the

Usefulness of the Creative Class Approach in Sweden”, *Economic Geography*, Vol.

85 No. 4, pp. 425–442.

Asheim, B.T., Coenen, L. and Moodysson, J. (2011), “Constructing Regional

Advantage: Platform Policies Based on Related Variety and Differentiated

Knowledge Bases”, *Regional Studies*, Routledge, Vol. 45 No. 7, pp. 893–904.

Aslesen, H.W. and Isaksen, A. (2007), “Knowledge intensive business services and

urban industrial development”, *The Service Industries Journal*, Vol. 27 No. 3, pp.

321–338.

Aslesen, H.W. and Jakobsen, S. (2007), “The Role of Proximity and Knowledge

Interaction Between Head Offices and KIBS”, *Tijdschrift Voor Economische En*

*Sociale Geografie*, Vol. 98 No. 2, pp. 188–201.

Audretsch, D.B. (1998), “Agglomeration and the Location of Innovative Activity”,

*Oxford Review of Economic Policy*, Vol. 14 No. 2, pp. 18–29.

- Audretsch, D.B. and Belitski, M. (2020), “The Role of R&D and Knowledge Spillovers in Innovation and Productivity”, *European Economic Review*, Vol. 123, pp. 1–24.
- Bachnik, K., Nowacki, R. and Szopiński, T.S. (2018), “Determinants of assessing the quality of advertising services - The perspective of enterprises active and inactive in advertising”, *Journal of Business Research*, Vol. 88, pp. 474–480.
- Backman. (2014), “Human capital in firms and regions: Impact on firm productivity”, *Papers in Regional Science*, Vol. 93 No. 3, pp. 557–575.
- Bakhshi, H., Davies, J., Freeman, A. and Higgs, P. (2015), *The Geography of the UK's Creative and High-Tech Economies*, London, available at: [https://eprints.qut.edu.au/215382/1/geography\\_uks\\_creative\\_high-tech\\_economieswv20151.pdf](https://eprints.qut.edu.au/215382/1/geography_uks_creative_high-tech_economieswv20151.pdf).
- Baláž, V. (2004), “Knowledge-intensive business services in transition economies”, *Service Industries Journal*, Vol. 24 No. 4, pp. 83–100.
- Baldwin, C.W. and Clark, K.B. (1997), “Managing in an age of modularity”, *Harvard Business Review*, Vol. 75 No. 5, pp. 84–93.
- Baldwin, R. (2006), *Globalisation: The Great Unbundling(S)*, Helsinki, available at: [https://repository.graduateinstitute.ch/record/15561/files/Baldwin\\_06-09-20.pdf](https://repository.graduateinstitute.ch/record/15561/files/Baldwin_06-09-20.pdf).
- Beaudry, C. and Schifffauerova, A. (2009), “Who’s right, Marshall or Jacobs? The localization versus urbanization debate”, *Research Policy*, Vol. 38 No. 2, pp. 318–

- Beaverstock, J. V, Smith, R.G. and Taylor, P.J. (1999), “A Roster of World Cities”, *Cities*, Vol. 16 No. 6, pp. 445–458.
- Bebko, C.P. (2000), “Service intangibility and its impact on consumer expectations of service quality”, *Journal of Services Marketing*, Vol. 14 No. 1, pp. 9–26.
- Becker, M.C. (2004), “The concept of routines twenty years after Nelson and Winter (1982). A review of the literature”, *Industrial and Corporate Change*, Vol. 13 No. 4, pp. 643–678.
- Begg, I. and Mushövel, F. (2016), *The Economic Impact of Brexit: Jobs, Growth and the Public Finances*, No. 67008, London, available at: <https://www.lse.ac.uk/european-institute/Assets/Documents/LSE-Commission-on-the-Future-of-Britain/Hearing-11-The-impact-of-Brexit-on-jobs-and-economic-growth-summary.pdf>.
- Bennett, R.J., Bratton, W.A. and Robson, P.J.A. (2000), “Business advice: The influence of distance”, *Regional Studies*, Vol. 34 No. 9, pp. 813–828.
- Bennett, R.J. and Smith, C. (2002), “The influence of location and distance on the supply of business advice”, *Environment and Planning A*, Vol. 34 No. 2, pp. 251–270.
- Bettencourt, L.A., Ostram, A.L., Brown, S.W. and Roundtree, R.I. (2002), “Client Coproduction in knowledge-intensive business services”, *California Management*

*Review*, Vol. 44 No. 4, pp. 100–128.

Bettiol, M., Di Maria, E. and Grandinetti, R. (2015), “Service customisation and standardisation in combinatory knowledge-intensive business services”, *International Journal of Knowledge-Based Development*, Vol. 6 No. 3, pp. 241–260.

Beyers, W.B. and Alvine, M.J. (1985), “Export Services in Postindustrial Society”, *Papers in Regional Science*, Vol. 57 No. 1, pp. 33–45.

Bloch, F. and Manceau, D. (1999), “Persuasive advertising in Hotelling’s model of product differentiation”, *International Journal of Industrial Organization*, Vol. 17 No. 4, pp. 557–574.

Boiteux-Orain, C. and Guillain, R. (2004), “Changes in the Intrametropolitan Location of Producer Services in Île-De-France ( 1978-1997 ): Do Information Technologies Promote A More Dispersed Spatial Pattern?”, *Urban Geography*, Vol. 25 No. 6, pp. 550–578.

Boix, R., Hervás-Oliver, J.L. and De Miguel-Molina, B. (2015), “Micro-geographies of Creative Industries Clusters in Europe: From Hot Spots to Assemblages”, *Papers in Regional Science*, Vol. 94 No. 4, pp. 753–772.

Boschma, R. (2005), “Proximity and Innovation: A Critical Assessment”, *Regional Studies*, Vol. 39 No. 1, pp. 61–74.

Boschma, R.A. (2018), “A Concise History of the Knowledge Base Literature:

- Challenging Questions for Future Research”, in Isaksen, A., Martin, R. and Trippel, M. (Eds.), *New Avenues for Regional Innovation Systems - Theoretical Advances, Empirical Cases and Policy Lessons.*, Springer, New York, pp. 23–40.
- Branen, M.Y. (2004), “When Mickey loses face: Recontextualization, semantic fit, and the semiotics of foreignness”, *Academy of Management Review*, Vol. 29 No. 4, pp. 593–616.
- Branzanti, C. (2014), “Creative Clusters and District Economies: Towards a Taxonomy to Interpret the Phenomenon”, *European Planning Studies*, Vol. 23 No. 7, pp. 1401–1418.
- Bray Leino. (2019), “About Us”, available at: <https://www.brayleino.co.uk/about-us> (accessed 4 September 2019).
- Brenner, T., Capasso, M., Duschl, M., Frenken, K. and Treibich, T. (2018), “Causal Relations Between Knowledge-Intensive Business Services and Regional Employment Growth”, *Regional Studies*, Vol. 52 No. 2, pp. 172–183.
- Brierley, S. (2005), *The Advertising Handbook*, 2nd ed., Routledge, London.
- Brown, E., Derudder, B., Parnreiter, C., Pelupessy, W., Taylor, P.J. and Witlox, F. (2010), “World City Networks and Global Commodity Chains: Towards a World-Systems’ Integration”, *Global Networks*, Vol. 10 No. 1, pp. 12–34.
- Bryson, J.R., Taylor, M. and Daniels, P.W. (2008), “Commercializing ‘Creative’ Expertise: Business and Professional Services and Regional Economic

- Development in the West Midlands, United Kingdom”, *Politics and Policy*, Vol. 36 No. 2, pp. 306–328.
- Caffyn, G. (2016), “See ya, Soho: How London’s media map is changing”, *Digiday*, available at: <https://digiday.com/uk/see-ya-soho-londons-media-map-changing/> (accessed 7 June 2020).
- Cairncross, F. (1997), *The Death of Distance: How the Communications Revolution Will Change Our Lives*, Harvard University Press, Cambridge, MA.
- Campaign. (2014), “History of Advertising No 90: ‘Labour isn’t working’ poster”, *Campaign*, available at: <https://www.campaignlive.co.uk/article/history-advertising-no-90-labour-isnt-working-poster/1281255> (accessed 19 June 2020).
- Campbell-Kelly, M., Danilevsky, M., Garcia-Swartz, D.D. and Pederson, S. (2010), “Clustering in the Creative Industries: Insights from the Origins of Computer Software”, *Industry and Innovation*, Vol. 17 No. 3, pp. 309–329.
- Capello, R. (2014), “Classical Contributions: Von Thünen, Weber, Christaller, Lösch”, in Fischer, M.M. and Nijkamp, P. (Eds.), *Handbook of Regional Science*, Springer, Berlin, Heidelberg, pp. 507–526.
- Cartwright, S. and Cooper, C.L. (1994), “The Human Effects of Mergers and Acquisitions”, in Cooper, C.L. and Rousseau, D.M. (Eds.), *Trends in Organizational Behaviour*, Vol. 1, John Wiley & Sons, Chichester, pp. 47–62.
- Casadei, P. and Lee, N. (2020), “Global Cities, Creative Industries and their



Representation on Social Media: A Micro-Data Analysis of Twitter data on the Fashion Industry”, *Environment and Planning A*.

Ceci, F. and Prencipe, A. (2013), “Does Distance Hinder Coordination? Identifying and Bridging Boundaries of Offshored Work”, *Journal of International Management*, Vol. 19 No. 4, pp. 324–332.

Cervero, R. (2001), “Efficient Urbanization: Economic Performance and the Shape of the Metropolis”, *Urban Studies*, Vol. 38 No. 10, pp. 1651–1671.

Chahal, M. (2015), “Why Aldi is celebrating its Britishness”, *Marketing Week*, available at: <https://www.marketingweek.com/why-aldi-wants-to-celebrate-its-britishness/> (accessed 20 December 2020).

Chapain, C., Cooke, P., De Propris, L., MacNeill, S. and Mateos-Garcia, J. (2010), *Creative Clusters and Innovation: Putting Creativity on the Map*, London.

Chapain, C. and Sagot-Duvaouroux, D. (2018), “Cultural and creative clusters – a systematic literature review and a renewed research agenda”, *Urban Research & Practice*, Routledge, pp. 1–30.

Chapain, C. and Stachowiak, K. (2017), “Innovation Dynamic in the Film Industry: The Case of the Soho Cluster in London”, in Chapain, C. and Stryjakiewicz, T. (Eds.), *Creative Industries in Europe: Drivers of New Sectoral and Spatial Dynamics*, Springer, Cham, pp. 65–94.

Chatterjee, S. (1986), “Chatterjee, S., 1986. Types of synergy and economic value: The

impact of acquisitions on merging and rival firms”, *Strategic Management Journal*, Vol. 7 No. 3, pp. 113–139.

Chichkanov, N., Miles, I. and Belousova, V. (2019), *Conditions for Innovation in KIBS: Evidence from Russia*, No. 92, Moscow, available at: [https://www.researchgate.net/profile/Ian-Miles-2/publication/330567872\\_Conditions\\_for\\_Innovation\\_in\\_KIBS\\_Evidence\\_from\\_Russia/links/5c4f30a0a6fdccd6b5d00666/Conditions-for-Innovation-in-KIBS-Evidence-from-Russia.pdf](https://www.researchgate.net/profile/Ian-Miles-2/publication/330567872_Conditions_for_Innovation_in_KIBS_Evidence_from_Russia/links/5c4f30a0a6fdccd6b5d00666/Conditions-for-Innovation-in-KIBS-Evidence-from-Russia.pdf).

Chichkanov, N., Miles, I. and Belousova, V. (2021), “Drivers for innovation in KIBS: evidence from Russia”, *The Service Industries Journal*, Vol. 41 No. 7–8, pp. 489–511.

Christaller, W. (1933), *Die Zentralen Orte in Suddeutschland*. Jena: Gustav Fischer, Translated, by Carlisle W. Baskin, in 1966 as *Central Places in Southern Germany*, Prentice-Hall, New Jersey.

Christopherson, S. (1989), “Flexibility in the US service economy and the emerging spatial division of labour”, *Transactions of the Institute of British Geographers*, Vol. 14 No. 2, pp. 131–143.

Christopherson, S. and Storper, M. (1986), “The City as Studio; The World as Back Lot: The Impact of Vertical Disintegration on the Location of the Motion Picture Industry”, *Environment and Planning D*, Vol. 4 No. 3, pp. 305–320.

- Christopherson, S. and Storper, M. (1989), “The Effects of Flexible Specialization on Industrial Politics and the Labor Market: The Motion Picture Industry”, *Labor Relations Review*, Vol. 42 No. 3, pp. 331–347.
- Clark, K.B., Chew, B.W. and Fujimoto, T. (1987), “Product development in the world auto industry”, *Brookings Papers on Economic Activity*, Vol. 3, pp. 729–781.
- Cleave, E. and Arku, G. (2015), “Place branding and economic development at the local level in Ontario, Canada”, *GeoJournal*, Vol. 80 No. 3, pp. 323–338.
- Coe, N.M., Dicken, P., Hess, M. and Yeung, H.W.. (2010), “Making connections: Global Production Networks and World City Networks”, *Global Networks*, Vol. 10 No. 1, pp. 138–149.
- Coffey, W.J., Drolet, R. and Polèse, M. (1996), “the Intrametropolitan Location of High Order Services: Patterns, Factors and Mobility in Montreal”, *Papers in Regional Science*, Vol. 75 No. 3, pp. 293–323.
- Coffey, W.J. and Polèse, M. (1987), “Trade and Location of Producer Services: A Canadian Perspective”, *Environment and Planning A*, Vol. 19 No. 5, pp. 597–611.
- Coffey, W.J. and Shearmur, R.G. (1997), “The Growth and Location of High Order Services in the Canadian Urban System, 1971–1991”, *The Professional Geographer*, Vol. 49 No. 4, pp. 404–418.
- Coffey, W.J. and Shearmur, R.G. (2002), “Agglomeration and Dispersion of High-order Service Employment in the Montreal Metropolitan Region , 1981 – 96”, *Urban*

*Studies*, Vol. 39 No. 3, pp. 359–378.

Colwell, P.F., Munneke, H.J., Colwell, P.F. and Munneke, H.J. (2006), “Bargaining Strength and Property Class in Office Markets”, *Journal of Real Estate and Financial Economics*, Vol. 33, pp. 197–213.

Consoli, D. and Elche-Hortelano, D. (2010), “Variety in the Knowledge Base of Knowledge Intensive Business Services”, *Research Policy*, Vol. 39 No. 10, pp. 1303–1310.

Cooke, P. and Leydesdorff, L. (2006), “Regional Development in the Knowledge-Based Economy: The Construction of Advantage”, *The Journal of Technology Transfer*, Vol. 31 No. 1, pp. 5–15.

Corrocher, N. and Cusmano, L. (2014), “The ‘KIBS Engine’ of Regional Innovation Systems: Empirical Evidence from European Regions”, *Regional Studies*, Vol. 48 No. 7, pp. 1212–1226.

Cörvers, F. and Mayhew, K. (2021), “Regional inequalities: causes and cures”, *Oxford Review of Economic Policy*, Vol. 37 No. 1, pp. 1–16.

Cowan, K. (2016), “White City Place: A Kinetic Brand for London’s Creative White City”, available at: <https://www.creativeboom.com/inspiration/white-city-place-a-kinetic-brand-for-londons-creative-white-city/> (accessed 7 March 2021).

d’Andria, D. (2013), “The Economics of Professional Services: Lemon Markets, Credence Goods, and C2C Information Sharing”, *Service Business*, Vol. 7 No. 1,

pp. 1–15.

Danaher, P.J., Danaher, T.S., Smith, M.S. and Loaiza-Maya, R. (2020), “Advertising Effectiveness for Multiple Retailer-Brands in a Multimedia and Multichannel Environment”, *Journal of Marketing Research*, Vol. 57 No. 3, pp. 445–467.

Daniels, P. and Bryson, J. (2005), “Sustaining business and professional services in a second city region”, *The Service Industries Journal*, Vol. 25 No. 4, pp. 505–524.

Daniels, P.W. (1983), “Business service offices in British provincial cities: location and control”, *Environment and Planning A*, Vol. 15 No. 8, pp. 1101–1120.

Daniels, P.W. (1984), “Business Service Offices in Provincial Cities: Sources of Input and Destinations of Output”, *Tijdschrift Voor Economische En Sociale Geografie*, Vol. 75 No. 2, pp. 123–139.

Daniels, P.W. (1991), “Some Perspectives on the Geography of Services”, *Progress in Human Geography*, Vol. 15 No. 1, pp. 37–46.

Daniels, P.W., Van Dinteren, J.H.J. and Monnoyer, M.C. (1992), “Consultancy services and the urban hierarchy in Western Europe”, *Environment and Planning A*, Vol. 24 No. 12, pp. 1731–1748.

Daniels, P.W. and Holly, B.P. (1983), “Office Location in Transition: Observations on Research in Britain and North America”, *Environment and Planning A*, Vol. 15 No. 10, pp. 1293–1298.

DCMS. (2013), *Classifying and Measuring the Creative Industries*, London, available

at:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/203296/Classifying\\_and\\_Measuring\\_the\\_Creative\\_Industries\\_Consultation\\_Paper\\_April\\_2013-final.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/203296/Classifying_and_Measuring_the_Creative_Industries_Consultation_Paper_April_2013-final.pdf).

Denk, N., Kaufmann, L. and Roesch, J.-F. (2012), “Liabilities of Foreignness Revisited: A Review of Contemporary Studies and Recommendations for Future Research”, *Journal of International Management*, Vol. 18 No. 4, pp. 322–334.

Derudder, B. and Parnreiter, C. (2014), “Introduction: The Interlocking Network Model for Studying Urban Networks: Outline, Potential, Critiques, and Ways Forward”, *Tijdschrift Voor Economische En Sociale Geografie*, Vol. 105 No. 4, pp. 373–386.

Desmarchelier, B., Djellal, F. and Gallouj, F. (2013), “Knowledge intensive business services and long term growth”, *Structural Change and Economic Dynamics*, North-Holland, Vol. 25, pp. 188–205.

Dierickx, I. and Cool, K. (1989), “Asset Stock Accumulation and Sustainability of Competitive Advantage”, *Management Science*, Vol. 35 No. 12, pp. 1504–1511.

Van Dinteren, J.H.J. (1987), “The role of business-service offices in the economy of medium-sized cities”, *Environment and Planning A*, Vol. 19 No. 5, pp. 669–686.

DLUHC. (2022), *Levelling Up the United Kingdom*, London, available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/203296/Classifying\\_and\\_Measuring\\_the\\_Creative\\_Industries\\_Consultation\\_Paper\\_April\\_2013-final.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/203296/Classifying_and_Measuring_the_Creative_Industries_Consultation_Paper_April_2013-final.pdf).

tachment\_data/file/1052706/Levelling\_Up\_WP\_HRES.pdf.

Doloreux, D., Shearmur, R. and Assche, A. Van. (2019), “Combined Innovation and Export Strategies of KIBS in Different Regional Settings”, *Industry and Innovation*, Vol. 26 No. 6, pp. 715–740.

Ducoffe, R.H. and Smith, S.J. (1994), “Mergers and Acquisitions and the Structure of the Advertising Agency Industry”, *Journal of Current Issues & Research in Advertising*, Vol. 16 No. 1, pp. 15–27.

Dumitrescu, L. and Vinerean, S. (2010), “The Glocal Strategy of Global Brands”, *Studies in Business and Economics*, Vol. 5 No. 3, pp. 147–155.

Eberts, D. and Randall, J.E. (1998), “Producer services, labor market segmentation and peripheral regions: the case of Saskatchewan”, *Growth and Change*, Vol. 29 No. 4, pp. 401–422.

Eden, L. and Miller, S.R. (2004), “Distance Matters: Liability of Foreignness, Institutional Distance and Ownership Strategy”, in Hitt, M.A. and Cheng, J.L.C. (Eds.), *Theories of the Multinational Enterprise: Diversity, Complexity and Relevance - Advances in International Management*, Vol. 16, Emerald Publishing Limited, Bingley, pp. 187–221.

Edwards, J. (2012), “McCann Dropped ‘Erickson’ From Its Name”, *Business Insider*, 23 October, available at: <https://www.businessinsider.com/mccann-dropped-erickson-from-its-name-2012-10> (accessed 29 May 2020).

Faggio, G., Silva, O. and Strange, W.C. (2017), “Heterogeneous Agglomeration”, *The Review of Economics and Statistics*, Vol. 99 No. 1, pp. 80–94.

Fallick, B., Fleischmann, C.A. and Rebitzer, J.B. (2006), “Job-hopping in Silicon Valley: some evidence concerning the microfoundations of a high-technology cluster”, *The Review of Economics and Statistics*, Vol. 88 No. 3, pp. 472–481.

Farmer, M. (2019), *Madison Avenue Manslaughter: An inside View of Fee-Cutting Clients, Profit-Hungry Owners and Declining Ad Agencies.*, LID Publishing, London.

Faulconbridge, J.R. (2006), “Stretching Tacit Knowledge Beyond a Local Fix? Global Spaces of Learning in Advertising Professional Service Firms”, *Journal of Economic Geography*, Vol. 6 No. 4, pp. 517–540.

Faulconbridge, J.R. (2007), “Exploring the role of professional associations in collective learning in London and New York’s advertising and law professional-service-firm clusters”, *Environment and Planning A*, Vol. 39 No. 4, pp. 965–984.

Faulconbridge, J.R., Taylor, P.J., Nativel, C. and Beaverstock, J. V. (2011), *The Globalization of Advertising Agencies, Cities and Spaces of Creativity*, 1st ed., Routledge, Oxford.

Faull, J. (2017), “How Aldi rose through the ranks to become one of the UK’s biggest grocers”, *The Drum*, available at: <https://www.thedrum.com/news/2017/02/08/how-aldi-rose-through-the-ranks->



become-one-the-uk-s-biggest-grocers (accessed 21 December 2020).

Fernandes, C. and Ferreira, J.J. (2013), “Knowledge spillovers: cooperation between universities and KIBS”, *R&D Management*, Vol. 43 No. 5, pp. 461–472.

Fingleton, B. (2013), *European Regional Growth*, Springer, Cambridge.

Fischer, K. (2011), “Central Places: The Theories of von Thünen, Christaller, and Lösch”, in Eiselt, H. and Marianov, V. (Eds.), *Foundation of Location Analysis*, Springer, London, pp. 407–505.

Fletcher, W. (2008), *Powers of Persuasion: The Inside Story of British Advertising 1951-2000*, Oxford University Press, Oxford.

Fletcher, W. (2010), *Advertising: A Very Short Introduction*, Oxford University Press, Oxford.

Florida, R. (2002), *The Rise of the Creative Class: And How It's Transforming Work, Leisure, Community and Everyday Life*, Basic Books, New York.

Florida, R. (2003), “Cities & the Creative Class”, *City & Community*, Vol. 2 No. 1, pp. 3–19.

Flyer, F. and Shaver, J.M. (2003), “Location Choices Under Agglomeration Externalities and Strategic Interaction.”, in Baum, J.A. and Sorenson, O. (Eds.), *Advances in Strategic Management*, Vol. 20, Emerald Publishing Limited, Bingley, pp. 193–213.

- Fombrun, C. and Shanley, M. (1990), “What’s in a name? Reputation building and corporate strategy”, *Academy of Management Journal*, Vol. 33 No. 2, pp. 233–258.
- Foster, S. (2014), “Omnicom Confirms Southwark Agency Move but Leaves Adam&Eve Behind in Paddington”, *More About Advertising*, available at: <https://www.moreaboutadvertising.com/2014/11/omnicom-confirms-southwark-agency-move-but-leaves-adameve-behind-in-paddington/> (accessed 24 March 2021).
- Foster, S. (2018), “Remembering media pioneer Paul Green”, *More About Advertising*, available at: <https://www.moreaboutadvertising.com/2018/02/remembering-media-pioneer-paul-green/> (accessed 19 April 2020).
- Freel, M. (2006), “Patterns of Technological Innovation in Knowledge-Intensive Business Services”, *Industry & Innovation*, Vol. 13 No. 3, pp. 335–358.
- Frenken, K., Van Oort, F. and Verburg, T. (2007), “Related Variety, Unrelated Variety and Regional Economic Growth”, *Regional Studies*, Vol. 41 No. 5, pp. 685–697.
- Friedmann, J. (1986), “The World City Hypothesis”, *Development and Change*, Vol. 17 No. 1, pp. 69–83.
- Gabe, T.M. (2009), “Knowledge and Earnings”, *Journal of Regional Science*, Vol. 49 No. 3, pp. 439–457.
- Gadrey, J. and Gallouj, F. (1998), “The Provider-Customer Interface in Business and Professional Services”, *Service Industries Journal*, Vol. 18 No. 2, pp. 1–15.

- Gallego, J. and Maroto, A. (2015), “The Specialization in Knowledge-Intensive Business Services (KIBS) across Europe: Permanent Co-Localization to Debate”, *Regional Studies*, Vol. 49 No. 4, pp. 644–664.
- Gardiner, B. and Sunley, P. (2020), *The Changing Spatial Distribution of Employment in Creative Industry Clusters in England, 1991-2018*, London, available at: <https://pec.ac.uk/research-reports/changing-spatial-distribution-of-employment>.
- Garreau, J. (1991), *Edge City: Life on the New Frontier*, Doubleday, New York.
- Gaur, A.S., Kumar, V. and Sarathy, R. (2011), “Liability of Foreignness and Internationalisation of Emerging Market Firms”, in Geisler Asmussen, C., Pedersen, T., Devinney, T.M. and Tihanyi, L. (Eds.), *Advances in International Management: Dynamics of Globalization: Location-Specific Advantages or Liabilities of Foreignness?*, Vol. 24, Emerald Publishing Limited, Bingley, pp. 211–233.
- Gereffi, G. (2014), “Global value chains in a post-Washington Consensus world”, *Review of International Political Economy*, Vol. 21 No. 1, pp. 9–37.
- Gertler, M. (2003), “Tacit knowledge and the economic geography of context, or the undefinable tacitness of being (there)”, *Journal of Economic Geography*, Vol. 3 No. 1, pp. 75–99.
- Gervais, A. and Jensen, J.B. (2019), “The tradability of services: Geographic concentration and trade costs”, *Journal of International Economics*, Vol. 118, pp.

331–350.

Ghobadian, A. and O'Regan, N. (2011), "Building from Scratch a Marketing Services Giant by Acquisition: Case Study and Interview with Sir Martin Sorrell, Chief Executive of WPP", *Journal of Strategy and Management*, Vol. 4 No. 3, pp. 289–300.

Gillespie, A.E. and Green, A.E. (1987), "The Changing Geography of Producer Services Employment in Britain", *Regional Studies*, Vol. 21 No. 5, pp. 391–411.

Gisev, N., Bell, J.S. and Chen, T.F. (2013), "Interrater agreement and interrater reliability: Key concepts, approaches, and applications", *Research in Social and Administrative Pharmacy*, Vol. 9 No. 3, pp. 330–338.

Giuliano, G. and Small, K.A. (1991), "Subcenters in the Los Angeles region", *Regional Science and Urban Economics*, Vol. 21 No. 2, pp. 163–182.

Glaeser, E., Kallal, H., Scheinkman, J.A. and Shleifer, A. (1992), "Growth in cities", *Journal of Political Economy*, Vol. 100 No. 6, pp. 1126–1152.

Glückler, J. (2007), "Geography of Reputation: The City as the Locus of Business Opportunity", *Regional Studies*, Vol. 41 No. 7, pp. 949–961.

Goerzen, A., Asmussen, C.G. and Nielsen, B.B. (2013), "Global Cities and Multinational Enterprise Location Strategy", *Journal of International Business Studies*, Vol. 44 No. 5, pp. 427–450.

Gokan, T., Kichlo, S. and Thisse, J.-F. (2019), "How do trade and communication

- costs shape the spatial organization of firms?”, *Journal of Urban Economics*, Vol. 113, p. 103191.
- Gong, H. and Hassink, R. (2017), “Exploring the clustering of creative industries”, *European Planning Studies*, Routledge, Vol. 25 No. 4, pp. 583–600.
- González, S. (2011), “The North/South divide in Italy and England: Discursive construction of regional inequality”, *European Urban and Regional Studies*, Vol. 18 No. 1, pp. 62–76.
- Gordon, P. and Richardson, H.W. (1996a), “Beyond Polycentricity: The Dispersed metropolis, Los angeles, 1970-1990”, *Journal of the American Planning Association*, Vol. 62 No. 3, pp. 289–295.
- Gordon, P. and Richardson, H.W. (1996b), “Employment decentralization in US metropolitan areas: is Los Angeles an outlier or the norm?”, *Environment and Planning A*, Vol. 28 No. 10, pp. 1727–1743.
- Grabher, G. (2001), “Ecologies of creativity: the Village, the Group, and the heterarchic organisation of the British advertising industry”, *Environment and Planning A*, Vol. 33 No. 2, pp. 351–374.
- Grabher, G. (2002), “The Project Ecology of Advertising: Tasks, Talents and Teams”, *Regional Studies*, Vol. 36 No. 3, pp. 245–262.
- Gray, J. V, Siemsen, E. and Vasudeva, G. (2015), “Colocation Still Matters: Conformance Quality and the Interdependence of R&D and Manufacturing in the

- Pharmaceutical Industry”, *Management Science*, Vol. 61 No. 11, pp. 2760–2781.
- Greenhalgh, C. and Gregory, M. (2001), “Structural Change and the Emergence of the New Service Economy. ”, *Oxford Bulletin of Economics and Statistics*, Vol. 63, pp. 629–646.
- Greenwood, R., Li, S.X., Prakash, R. and Deephouse, D.L. (2005), “Reputation, Diversification, and Organizational Explanations of Performance in Professional Service Firms”, *Organization Science*, Vol. 16 No. 6, pp. 661–673.
- Grein, A.F. and Gould, S.J. (1996), “Globally integrated marketing communications”, *Journal of Marketing Communications*, Vol. 2 No. 3, pp. 141–158.
- Gummesson, E. (1987), “The new marketing—developing long-term interactive relationships”, *Long Range Planning*, Vol. 20 No. 4, pp. 10–20.
- Gupta, A.K. and Govindarajan, V. (2002), “Cultivating a Global Mindset”, *Academy of Management Perspectives*, Vol. 16 No. 1, pp. 116–126.
- Gwynn, S. (2018), “McCann Worldgroup unveils plan to relocate 1,200 staff to new Bishopsgate office”, *Campaign*, available at: <https://www.campaignlive.co.uk/article/mccann-worldgroup-unveils-plan-relocate-1200-staff-new-bishopsgate-office/1497557> (accessed 8 June 2020).
- Hackley, C. and Kover, A.J. (2007), “The Trouble with Creatives: Negotiating Creative Identity in Advertising Agencies”, *International Journal of Advertising*, Vol. 26 No. 1, pp. 63–78.

- Halbert, L. (2004), "The decentralization of intrametropolitan business services in the Paris region: patterns, interpretation, consequences", *Economic Geography*, Vol. 80 No. 4, pp. 381–404.
- Halinen, A. (2012), *Relationship Marketing in Professional Services: A Study of Agency Client Dynamics in the Advertising Sector*, 2nd ed., Routledge, London.
- Hamel, G. and Prahalad, C.K. (1990), "The Core Competence of the Corporation", *Harvard Business Review*, Vol. 68 No. 3, pp. 79–91.
- Harrington, J.W., MacPherson, A.D. and Lombard, J.R. (1991), "Interregional Trade in Producer Services: Review and Synthesis", *Growth and Change*, Vol. 22 No. 4, pp. 75–94.
- Heinke, L.L. (1985), "A Longitudinal Analysis of the Ad Agency-Client Relationship: Predictors of an Agency Switch", *Journal of Advertising Research*, Vol. 35 No. 2, pp. 24–30.
- Henderson, J.V. and Ono, Y. (2008), "Where do manufacturing firms locate their headquarters?", *Journal of Urban Economics*, Vol. 63 No. 2, pp. 431–450.
- Henke, L.L. (1995), "A longitudinal analysis of the ad agency-client relationship", *Journal of Advertising Research*, Vol. 35 No. 2, pp. 24–30.
- Hennart, J., Roehl, T. and Ming, Z. (2002), "Do exits proxy a liability of foreignness?: The case of Japanese exits from the US", *Journal of International Management*, Vol. 8 No. 3, pp. 241–264.

- Henttonen, K. and Blomqvist, K. (2005), “Managing distance in a global virtual team: the evolution of trust through technology-mediated relational communication”, *Strategic Change*, Vol. 14 No. 2, pp. 107–119.
- Den Hertog, P. (2000), “Knowledge-intensive business services as co-producers of innovation”, *International Journal of Innovation Management*, Vol. 4 No. 4, pp. 491–528.
- Higano, Y. and Shibusawa, H. (1999), “Agglomeration Diseconomies of Traffic Congestion and Agglomeration Economies of Interaction in the Information-Oriented City”, *Journal of Regional Science*, Vol. 39 No. 1, pp. 21–49.
- Hipp, C., Tether, B.S. and Miles, I. (2000), “The incidence and effects of innovation in services: Evidence from Germany”, *International Journal of Innovation Management*, Vol. 4 No. 4, pp. 417–453.
- Hipp, C., Tether, B.S. and Miles, I. (2003), “Effects of innovation in standardised, customised and bespoke services: evidence from Germany.”, in Tidd, J. and Hull, F.M. (Eds.), *Service Innovation - Organisational Responses to Technological Opportunities & Market Imperatives*, Imperial College Press, London, pp. 175–210.
- Hitchens, D.M.W.N., O’Farrell, P.N. and Conway, C. (1994), “Business Service Use by Manufacturing Firms in Mid-Wales”, *Environment and Planning A*, Vol. 26 No. 1, pp. 95–106.
- Hitchens, D.M.W.N., O’Farrell, P.N. and Conway, C. (1996), “Manufacturing Use of



- Business Services in the Two parts of Ireland”, *Tijdschrift Voor Economische En Sociale Geografie*, Vol. 87 No. 2, pp. 124–135.
- Hitt, M.A., Bierman, L., Uhlenbruck, K. and Shimizu, K. (2006), “The Importance of Resources in the Internationalization of Professional Service Firms: The Good, the Bad, and the Ugly”, *Academy of Management Journal*, Vol. 49 No. 6, pp. 1137–1157.
- Horsky, S. (2006), “The Changing Architecture of Advertising Agencies”, *Marketing Science*, Vol. 25 No. 4, pp. 367–383.
- Houston, D., Findlay, A., Harrison, R. and Mason, C. (2008), “Will Attracting the ‘Creative Class’ Boost Economic Growth in Old Industrial Regions? A Case Study of Scotland”, *Geografiska Annaler: Series B, Human Geography*, Vol. 90 No. 2, pp. 133–149.
- Howells, J. (1996), “Tacit Knowledge”, *Technology Analysis & Strategic Management*, Vol. 8 No. 2, pp. 91–106.
- Howells, J. (2002), “Tacit Knowledge, Innovation and Economic Geography”, *Urban Studies*, Vol. 39 No. 5–6, pp. 871–884.
- Hymer, S. (1976), *The International Operations of National Firms: A Study of Direct Foreign Investment*, MIT Press, Cambridge, MA.
- Ietto-Gillies, G. (2010), “Conceptual issues behind the assessment of the degree of internationalization”, *Transnational Corporations*, Vol. 18 No. 3, pp. 59–83.

- Illeris, S. (1994), "Proximity Between Service Producers and Service Users", *Tijdschrift Voor Economische En Sociale Geografie*, Vol. 85 No. 4, pp. 294–302.
- Immergluck, D. (2001), "The Financial Services Sector and Cities: Restructuring, Decentralization, and Declining Urban Employment", *Economic Development Quarterly*, Vol. 15 No. 3, pp. 274–288.
- IPA. (2020a), "Why choose an IPA Agency?", available at: <https://ipa.co.uk/membership/why-choose-an-ipa-member-agency/> (accessed 24 March 2021).
- IPA. (2020b), *2019 IPA Agency Census*, London, available at: <https://ipa.co.uk/news/agency-census-2019/>.
- Ireland, T. (2020), "TAMI Awards 2020: Grand Prix Winner & Winner of Best Ongoing Use of TV", available at: <https://www.tamireland.ie/grand-prix-winner-aldi-and-mccann-manchester/> (accessed 22 February 2021).
- Jacobs, J. (1969), *The Economy of Cities*, Random House, London.
- Kalnins, A. and Lafontaine, F. (2004), "Multi-unit ownership in franchising: evidence from the fast-food industry in Texas", *RAND Journal of Economics*, Vol. 35 No. 4, pp. 747–761.
- Kanso, A. and Nelson, R.A. (2002), "Advertising Localization Overshadows Standardization", *Journal of Advertising Research*, Vol. 42 No. 1, pp. 79–89.
- Kaplan, M., Yurt, O., Guneri, B. and Kurtulus, K. (2010), "Branding places: applying

- brandpersonality concept to cities”, *European Journal of Marketing*, Vol. 44 No. 9/10, pp. 1286–1304.
- Kapyla, J., Laihonen, H., Lonnqvist, A. and Carlucci, D. (2011), “Knowledge intensity as an organisational characteristic”, *Knowledge Management Research & Practice*, Vol. 9 No. 4, pp. 315–326.
- Kärreman, D. (2010), “The Power of Knowledge: Learning from ‘Learning by Knowledge-Intensive Firm’”, *Journal of Management Studies*, Vol. 47 No. 7, pp. 1405–1416.
- Kaynak, E., Kucukemiroglu, O. and Yavuz, O. (1994), “Advertising Agency/Client Relationships in an Advanced Developing Country”, *European Journal of Marketing*, Vol. 28 No. 1, pp. 35–55.
- Kekezi, O. and Klaesson, J. (2020), “Agglomeration and innovation of knowledge intensive business services”, *Industry & Innovation*, Vol. 27 No. 5, pp. 538–561.
- Kim, S., Luk, K.Y., Xia, B., Xu, N. and Ying, X. (2020), “Brand name and ethnicity of endorser in luxury goods: does a glocalization strategy work in China?”, *International Journal of Advertising*, Vol. 39 No. 6, pp. 824–842.
- Kloosterman, R.C. (2008), “Walls and bridges: knowledge spillover between ‘superdutch’ architectural firms”, *Journal of Economic Geography*, Vol. 8 No. 4, pp. 545–563.
- Knox, P.L. and Taylor, P.J. (2005), “Toward a Geography of the Globalization of

- Architecture Office Networks”, *Journal of Architectural Education*, Vol. 58 No. 3, pp. 23–32.
- Kostova, T. and Zaheer, S. (1999), “Organizational Legitimacy under Conditions of Complexity: The Case of the Multinational Enterprise”, *Academy of Management Review*, Vol. 24 No. 1, pp. 64–81.
- Kotler, P. and Gertner, D. (2002), “Country as brand, product, and beyond: a place marketing and brand management perspective”, *Journal of Brand Management*, Vol. 9 No. 4, pp. 249–261.
- Labiak, M. and Shone, E. (2018), “M&G Real Estate buys One Southwark Bridge for £115m as WPP Signs 20-year Lease”, *Property Week*, available at: <https://www.propertyweek.com/news/mandg-real-estate-buys-one-southwark-bridge-for-115m-as-wpp-signs-20-year-lease/5099829.article> (accessed 8 June 2020).
- Landry, R., Amara, N. and Doloreux, D. (2012), “Knowledge-exchange strategies between KIBS firms and their clients”, *The Service Industries Journal*, Vol. 32 No. 2, pp. 291–320.
- Langlois, R.N. (2003), “The vanishing hand: the changing dynamics of industrial capitalism”, *Industrial and Corporate Change*, Vol. 12 No. 2, pp. 351–385.
- Lash, S. and Urry, J. (1994), *Economies of Signs & Space*, Sage Publications, London.
- Lavoratori, K., Mariotti, S. and Piscitello, L. (2020), “The role of geographical and

- temporary proximity in MNEs' location and intra-firm co-location choices", *Regional Studies*, Vol. 54 No. 10, pp. 1442–1456.
- Lavoratori, K. and Piscitello, L. (2021), "Geographical Boundaries of External and Internal Agglomeration Economies", in Colombo, S. (Ed.), *Spatial Economics Volume II - Applications*, Pal, Cham, pp. 221–250.
- Lazzeretti, L., Boix, R. and Capone, F. (2008), "Do Creative Industries Cluster? Mapping Creative Local Production Systems in Italy and Spain", *Industry and Innovation*, Vol. 15 No. 5, pp. 549–567.
- Leamer, E. and Storper, M. (2001), "The economic geography of the internet age", *Journal of International Business Studies*, Vol. 32 No. 4, pp. 641–665.
- Lee, H.-L. and Lee, H. (2013), "Do Big 4 audit firms improve the value relevance of earnings and equity?", *Managerial Auditing Journal*, Vol. 28 No. 7, pp. 628–646.
- Lee, J. (2018), "Media agency pioneer Paul Green dies", *Campaign*, available at: <https://www.campaignlive.co.uk/article/media-agency-pioneer-paul-green-dies/1456445> (accessed 19 April 2020).
- Lee, M.J. (1993), *Consumer Culture Reborn*, Routledge, London.
- Lejour, A. and de Paiva Verheijden, J.-W. (2007), "The Tradability of Services within Canada and the European Union", *The Service Industries Journal*, Vol. 27 No. 4, pp. 389–409.
- Leslie, D. (1997a), "Flexibly Specialized Agencies? Reflexivity, Identity, and the

- Advertising Industry”, *Environment and Planning A*, Vol. 29 No. 6, pp. 1017–1038.
- Leslie, D. (1997b), “Abandoning Madison Avenue: The Relocation of Advertising Services in New York City”, *Urban Geography*, Vol. 18 No. 17, pp. 568–590.
- Leslie, D.A. (1995), “Global Scan: The Globalization of Advertising Agencies, Concepts, and Campaigns”, *Economic Geography*, Vol. 71 No. 4, pp. 402–426.
- Logan, T., Hardy, B. and Parman, J. (2021), “Long-run analysis of regional inequalities in the US”, *Oxford Review of Economic Policy*, Vol. 37 No. 1, pp. 49–69.
- Lorenzen, M. and Frederiksen, L. (2008), “Why do Cultural Industries Cluster? Localisation, Urbanisation, Products and Projects”, in Cooke, P. and Lazzeretti, L. (Eds.), *Creative Cities, Cultural Clusters and Local Economic Development*, Edward Elgar, Cheltenham, pp. 155–179.
- Magee, K. (2015), “Hegarty on Soho, sacrifice and the secret of life”, *Campaign*, available at: <https://www.campaignlive.co.uk/article/hegarty-soho-sacrifice-secret-life/1351375> (accessed 8 June 2020).
- Malhotra, N. and Morris, T. (2009), “Heterogeneity in professional service firms”, *Journal of Management Studies*, Vol. 46 No. 6, pp. 895–922.
- Malmberg, A. and Maskell, P. (2002), “The elusive concept of localization economies: Towards a knowledge-based theory of spatial clustering”, *Environment and Planning A*, Vol. 34 No. 3, pp. 429–449.

- Marshall, A. (1890), *Principles of Economics*, Macmillan, London.
- Marshall, J.N. (1983), “Business-service activities in British provincial conurbations”, *Environment and Planning A*, Vol. 15 No. 10, pp. 1343–1359.
- Marshall, J.N., Damesick, P. and Wood, P.A. (1987), *Understanding the Location and Role of Producer Services in the United Kingdom.*, *Environment and Planning A*, Vol. 19.
- Marshall, J.N. and Wood, P.A. (1992), “The role of services in urban and regional development: recent debates and new directions”, *Environment and Planning A*, Vol. 24 No. 9, pp. 1255 – 1270.
- Marshall, V.B., Brouthers, L.E. and Keig, D.L. (2020), “RIMS: A new approach to measuring firm internationalization”, *Journal of International Business*, Vol. 51 No. 7, pp. 1133–1141.
- Martin, R. and Gardiner, B. (2018), “Reviving the Northern Powerhouse’ and Spatially Rebalancing the British Economy: The Scale of the Challenge”, *Developing England’s North*, pp. 23–58.
- Martin, R. and Moodysson, J. (2013), “Comparing Knowledge Bases: on the Geography and Organization of Knowledge Sourcing in the Regional Innovation System of Scania, Sweden”, *European Urban and Regional Studies*, Vol. 20 No. 2, pp. 170–187.
- Martin, R., Pike, A., Tyler, P. and Gardiner, B. (2016), “Spatially Rebalancing the

- UK Economy: Towards a New Policy Model?”, *Regional Studies*, Vol. 50 No. 2, pp. 342–357.
- Martin, R., Sunley, P., Tyler, P. and Gardiner, B. (2016), “Divergent Cities in Post-Industrial Britain”, *Cambridge Journal of Regions, Economy and Society*, Vol. 9 No. 2, pp. 269–399.
- Massey, D. (1995), *Spatial Divisions of Labour: Social Structures and the Geography of Production*, 2nd ed., Palgrave, Basingstoke.
- Matusitz, J. (2010), “Disneyland Paris: a case analysis demonstrating how glocalization works”, *Journal of Strategic Marketing*, Vol. 18 No. 3, pp. 223–237.
- McCann, B.T. and Folta, T.B. (2009), “Demand- and Supply-Side Agglomerations: Distinguishing between Fundamentally Different Manifestations of Geographic Concentration”, *Journal of Management Studies*, Vol. 46 No. 3, pp. 362–392.
- McDonough, J. and Egolf, K. (2003), *The Advertising Age Encyclopedia of Advertising*, Fitzroy Dearborn, New York.
- Meijers, E.J. (2007), “From Central Place to Network Model: Theory and Evidence of a Paradigm Change”, *Tijdschrift Voor Economische En Sociale Geografie*, Vol. 98 No. 2, pp. 245–259.
- Meliciani, V. and Savona, M. (2015), “The determinants of regional specialisation in business services: agglomeration economies, vertical linkages and innovation”, *Journal of Economic Geography*, Vol. 15 No. 2, pp. 387–416.



- Merino, F. and Rubalcaba, L. (2013), “Are Knowledge-Intensive Services Highly Concentrated? Evidence from European Regions”, *Tijdschrift Voor Economische En Sociale Geografie*, Vol. 104 No. 2, pp. 215–232.
- Mezias, S.J. (2002), “Identifying liabilities of foreignness and strategies to minimize their effects: The case of labor lawsuit judgments in the United States”, *Strategic Management Journal*, Vol. 23 No. 3, pp. 229–244.
- Miles, I. (2005), “Knowledge intensive business services: prospects and policies”, *Foresight*, Vol. 7 No. 6, pp. 39–63.
- Miles, I. (2011), “From knowledge-intensive services to knowledge-intensive service systems”, *International Journal of Services Technology and Management*, Vol. 16 No. 2, pp. 141–159.
- Miles, I. (2012), “KIBS and Knowledge Dynamics in Client-Supplier Interaction”, in Di Maria, E., Grandinetti, R. and Di Bernardo, B. (Eds.), *Exploring Knowledge-Intensive Business Services*, Palgrave Macmillan, London, pp. 13–34.
- Miles, I., Belousova, V. and Chichkanov, N. (2018), “Knowledge intensive business services: ambiguities and continuities”, *Foresight*, Vol. 20 No. 1, pp. 1–26.
- Miles, I., Belousova, V., Chichkanov, N. and Krayushkina, Z. (2021), “The Impact of the Coronacrisis on KIBS Sector”, *Foresight and STI Governance*, Vol. 15 No. 1, pp. 6–18.
- Miles, I., Kastrinos, N., Flanagan, K., Bilderbeek, R., Den Hertog, P., Huntink, W.

and Bouman, M. (1995), *Users, Carriers and Sources of Innovation*, Manchester,  
available at:

[https://www.research.manchester.ac.uk/portal/files/32800224/FULL\\_TEXT.PDF](https://www.research.manchester.ac.uk/portal/files/32800224/FULL_TEXT.PDF).

Miller, S.R. and Parkhe, A. (2002), “Is there a liability of foreignness in global banking? An empirical test of banks’ X-efficiency”, *Strategic Management Journal*, Vol. 23 No. 1, pp. 55–75.

Miozzo, M. and Grimshaw, D. (2005), “Modularity and innovation in knowledge-intensive business services: IT outsourcing in Germany and the UK”, *Research Policy*, Vol. 34 No. 9, pp. 1419–1439.

Mitchell, P.C.N., Cataquet, H. and Mandry, G.D. (1996), “Advertising Agency Creative Reputation and Account Loyalty”, *Creativity and Innovation Management*, Vol. 5 No. 1, pp. 38–47.

Morgan, K. (2004), “The exaggerated death of geography: learning, proximity and territorial innovation systems”, *Journal of Economic Geography*, Vol. 4 No. 1, pp. 3–21.

Muller, E. and Doloreux, D. (2009), “What we should know about knowledge-intensive business services”, *Technology in Society*, Vol. 31 No. 1, pp. 64–72.

Muller, E. and Zenker, A. (2001), “Business services as actors of knowledge transformation: the role of KIBS in regional and national innovation systems”,

*Research Policy*, Vol. 30 No. 9, pp. 1501–1516.

Mulligan, G., Partridge, M. and Carruthers, J. (2012), “Central place theory and its reemergence in regional science”, *The Annals of Regional Science*, Vol. 48 No. 2, pp. 405–431.

Nachum, L. and Keeble, D. (2003), “Neo-marshallian clusters and global networks: The linkages of media firms in central London”, *Long Range Planning*, Vol. 36 No. 5, pp. 459–480.

Nelson-Field, K. (2020), *The Attention Economy and How Media Works*, Springer, Singapore.

Nelson, R.R. and Winter, S.G. (1982), *An Evolutionary Theory of Economic Change*, Harvard University Press, Cambridge, MA.

Nerudova, D., Solilova, V. and Litzman, M. (2018), “International tax planning within the structure of corporate entities owned by the shareholder individuals through Panama Papers destinations”, *Development Policy Review*, Vol. 38 No. 1, pp. 124–139.

Nevett, T.R. (1982), *Advertising in Britain*, Heinemann, London.

Nielsen, B.B. and Nielsen, S. (2013), “Top Management Team Nationality Diversity and Firm Performance: A Multilevel Study”, *Strategic Management Journal*, Vol. 34 No. 3, pp. 373–382.

Niskanen, M., Karjalainen, J. and Niskanen, J. (2010), “The Role of Auditing in Small,

- Private Family Firms: Is It About Quality and Credibility?”, *Family Business Review*, Vol. 23 No. 3, pp. 230–245.
- Nixon, S. (2017), “Looking westwards and worshipping: The New York ‘Creative Revolution’ and British advertising, 1956–1980”, *Journal of Consumer Culture*, Vol. 17 No. 2, pp. 147–166.
- von Nordenflycht, A. (2010), “What is a professional service firm? Toward a theory and taxonomy of knowledge-intensive firms”, *The Academy of Management Review*, Vol. 35 No. 1, pp. 155–174.
- O’Barr, W.M. (2008), “Global Advertising”, *Advertising & Society Review*, Vol. 9 No. 4.
- O’Farrell, P.N., Hitchens, D.M.W.N. and Moffat, L.A.R. (1992), “The Competitiveness of Business Service Firms: A Matched Comparison between Scotland and the South East of England”, *Regional Studies*, Vol. 26, pp. 519–533.
- O’Farrell, P.N., Hitchens, D.M.W.N. and Moffat, L.A.R. (1995), “Business service firms in two peripheral economies: Scotland and Ireland”, *Tijdschrift Voor Economische En Sociale Geografie*, Vol. 86 No. 2, pp. 115–128.
- Oakes, O. (2019), “MediaCom to Move into Old FT Building as WPP Builds South Bank Campus”, *Campaign*, available at: <https://www.campaignlive.co.uk/article/mediacom-move-old-ft-building-wpp-builds-south-bank-campus/1661239> (accessed 8 June 2020).

- ONS. (2020), *UK Balance of Payments, The Pink Book: 2020*, London, available at:  
<https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/bulletins/unitedkingdombalanceofpaymentsthepinkbook/2020>.
- Packman, H.M. and Casmir, F.L. (1999), “Learning from the Euro Disney experience: A case study in international/intercultural communication”, *Gazette*, Vol. 61 No. 6, pp. 473–489.
- Papathanassiou, E.A. (2004), “Mass customization: management approaches and internet opportunities in the financial sector in the UK”, *International Journal of Information Management*, Vol. 24 No. 5, pp. 387–399.
- Parnreiter, C. (2010), “Global cities in Global Commodity Chains: Exploring the Role of Mexico City in the Geography of Global Economic Governance”, *Global Networks*, Vol. 10 No. 1, pp. 35–53.
- Parnreiter, C. (2014), “Network or Hierarchical Relations? A Plea for Redirecting Attention to the Control Functions of Global Cities”, *Tijdschrift Voor Economische En Sociale Geografie*, Vol. 105 No. 4, pp. 398–411.
- Parr, J.B. (2017), “Central Place Theory: an Evaluation”, *Review of Urban & Regional Development Studies*, Vol. 29 No. 3, pp. 151–164.
- Phelps, N.A. and Fuller, C. (2000), “Multinationals, Intracorporate Competition, and Regional Development”, *Economic Geography*, Vol. 76 No. 3, pp. 224–243.
- Pina, K. and Tether, B.S. (2016), “Towards understanding variety in knowledge

- intensive business services by distinguishing their knowledge bases”, *Research Policy*, Vol. 45 No. 2, pp. 401–413.
- Pinto, H., Fernandez-Esquinas, M. and Uyarra, E. (2015), “Universities and Knowledge-Intensive Business Services (KIBS) as Sources of Knowledge for Innovative Firms in Peripheral Regions”, *Regional Studies*, Vol. 49 No. 11, pp. 1873–1891.
- Polanyi, M. (1961), “Knowing and being”, *Mind*, Vol. 70 No. 280, pp. 458–470.
- Polanyi, M. (1966), *The Tacit Dimension*, Doubleday, New York.
- Polese, M. (1982), “Regional demand for business services and interregional service flows in a small Canadian region”, *Papers of the Regional Science Association*, Vol. 50 No. 1, pp. 151–163.
- Ponte, S. (2020), “Green Capital Accumulation: Business and Sustainability Management in a World of Global Value Chains”, *New Political Economy*, Vol. 25 No. 1, pp. 72–84.
- Pope, D. (1983), *The Making of Modern Advertising*, Basic Books, New York.
- Porter, M.E. (1990), “The competitive advantage of nations”, *Harvard Business Review*, Vol. 68 No. 2, pp. 72–93.
- Porter, M.E. (2000), “Location, Competition, and Economic Development: Local Clusters in a Global Economy”, *Economic Development Quarter*, Vol. 14 No. 1, pp. 15–34.

- Potts, J. (2011), *Creative Industries and Economic Evolution*, Edward Elgar Publishing, Cheltenham.
- Pratt, A.C. (2000), “New Media, the New Economy and New Spaces”, *Geoforum*, Pergamon, Vol. 31 No. 4, pp. 425–436.
- Pratt, A.C. (2006), “Advertising and Creativity, a Governance Approach: a Case Study of Creative Agencies in London”, *Environment and Planning A*, Vol. 38 No. 10, pp. 1883-1899.
- Pratt, A.C. (2011), “Microclustering of the Media Industries in London”, in Karlsson, C. and Picard, R.G. (Eds.), *Media Clusters: Spatial Agglomeration and Content Capabilities*, Edward Elgar Publishing, Cheltenham, pp. 120–135.
- Ramachandran, J. and Pant, A. (2010), “The Liabilities of Origin: An Emerging Economy Perspective on the Costs of Doing Business Abroad.”, in Devinney, T.M., Pedersen, T. and Tihanyi, L. (Eds.), *The Past, Present and Future of International Business & Management Vol 23*, Emerald Publishing Limited, Bingley, pp. 231–265.
- Ramaswamy, K., Galen Kroeck, K. and Renforth, W. (1996), “Measuring the Degree of Internationalization of a Firm: A Comment”, *Journal of International Business Studies*, Vol. 27 No. 1, pp. 167–177.
- Rammer, C., Kinne, J. and Blind, K. (2020), “Knowledge proximity and firm innovation: A microgeographic analysis for Berlin”, *Urban Studies*, Vol. 57 No. 5,

pp. 996–1014.

Rawley, E., Godart, F.C. and Shipilov, A. (2018), “How and when do conglomerates influence the creativity of their subsidiaries?”, *Strategic Management Journal*, Vol. 39 No. 9, pp. 2417–2438.

Rawley, E. and Seamans, R. (2020), “Internal agglomeration and productivity: Evidence from microdata”, *Strategic Management Journal*, Vol. 4 No. 10, pp. 1770–1798.

Rice-Oakley, M. (2012), “Vorsprung durch Technik – ad slogan that changed how we saw Germany”, *Guardian*, available at: <https://www.theguardian.com/world/2012/sep/18/vorsprung-durch-technik-advertising-germany> (accessed 29 November 2020).

Richardson, H.W. (1995), “Economies and Diseconomies of Agglomeration”, *Urban Agglomeration and Economic Growth*, Springer International Publishing, Berlin, pp. 123–155.

Ritson, M. (2012), “Brand equity is dead. Long live Aldi!”, *Marketing Week*, available at: <https://www.marketingweek.com/brand-equity-is-dead-long-live-aldi/>.

Rodríguez-Pose, A. (2018), “The Revenge of the Places that don’t Matter (and What to Do About it)”, *Cambridge Journal of Regions, Economy and Society*, Vol. 11 No. 1, pp. 189–209.

Rodríguez-Pose, A., Lee, N. and Lipp, C. (2021), “Golfing with Trump. Social capital,



- decline, inequality, and the rise of populism in the US”, *Cambridge Journal of Regions, Economy and Society*, Vol. 14 No. 3, pp. 457–481.
- Romer, P.M. (1986), “Increasing Returns and Long-Run Growth”, *Journal of Political Economy*, Vol. 94 No. 5, pp. 1002–1037.
- Romero, V. (2019), “The Intrametropolitan Geography of Knowledge-Intensive Business Services (KIBS): A Comparative Analysis of Six European and U.S. City-Regions”, *Economic Development Quarterly*, Vol. 33 No. 4, pp. 279–295.
- Romero, V., Solís, E. and De Ureña, J.M. (2014), “Beyond the metropolis: new employment centers and historic administrative cities in the Madrid global city region”, *Urban Geography*, Vol. 35 No. 6, pp. 889–915.
- Rubalcaba, L., Gallego, J., Gallo, M. and Garrido, R. (2013), “Business services location and market factors in major European cities”, *Cities*, Vol. 31, pp. 337–348.
- Saleem, S. and Abideen, Z. (2011), “Effective advertising and its influence on consumer buying behavior”, *European Journal of Business and Management*, Vol. 3 No. 3, pp. 55–67.
- Sassen, S. (1988), *The Mobility of Labor and Capital: A Study in International Investment and Labor Flow*, Cambridge University Press, Cambridge.
- Sassen, S. (1991a), *The Global City: New York, London, Tokyo*, Princeton University Press.

- Sassen, S. (1991b), *The Global City: New York, London, Tokyo*, Princeton University Press, New Jersey.
- Sassen, S. (1994), *Cities in a World Economy*, Pine Forge Press, Thousand Oaks.
- Sassen, S. (2000), *Cities in the Global Economy*, edited by Paddison, R. *Handbook of Urban Studies*, Sage Publications, London.
- Sassen, S. (2002), "Introduction: Locating Cities on Global Circuits", *Global Networks, Linked Cities*, Princeton University Press, London, pp. 1–36.
- Sassen, S. (2004), "The Global City: introducing a Concept", *Brown Journal of World Affairs*, Vol. 11 No. 2, pp. 27–43.
- Saxenian, A.L. (1996), "Beyond boundaries: Open labor markets and learning in Silicon Valley", *The Boundaryless Career: A New Employment Principle for a New Organizational Era*, Oxford University Press, New York, pp. 23–39.
- Schmidt, T. and Sofka, W. (2009), "Liability of foreignness as a barrier to knowledge spillovers: Lost in translation?", *Journal of International Management*, Vol. 15 No. 4, pp. 460–474.
- Schnabl, E. and Zenker, A. (2013), *Statistical Classification of Knowledge-Intensive Business Services (KIBS) with NACE Rev. 2*, No. 25, Karlsruhe, available at: [http://www.evoreg.eu/docs/files/shno/ResearchNote\\_25\\_classificationKIBS\\_SCE\\_AZ\\_9\\_jb.pdf](http://www.evoreg.eu/docs/files/shno/ResearchNote_25_classificationKIBS_SCE_AZ_9_jb.pdf).
- Schwarzkopf, S. (2013), "From Fordist to Creative Economies: the De-Americanisation

- of European Advertising Cultures since the 1960s”, *European Review of History*, Vol. 20 No. 5, pp. 859–879.
- Senn, L. (1993), “Service activities’ urban hierarchy and cumulative growth”, *The Service Industries Journal*, Vol. 13 No. 2, pp. 11–22.
- Shearmur, R. and Alvergne, C. (2002), “Intrametropolitan patterns of high-order business service location: A comparative study of seventeen sectors in Ile-de-France”, *Urban Studies*, Vol. 39 No. 7, pp. 1143–1163.
- Shearmur, R., Coffey, W. and Dube, C. (2007), “Intrametropolitan employment structure: Polycentricity, scatteration, dispersal and chaos in Toronto, Montreal and Vancouver, 1996-2001”, *Urban Studies*, Vol. 44 No. 9, pp. 1713–1738.
- Shearmur, R. and Doloreux, D. (2008), “Urban Hierarchy or Local Buzz? High-Order Producer Service and (or) Knowledge-Intensive Business Service Location in Canada, 1991-2001”, *The Professional Geographer*, Vol. 60 No. 3, pp. 333–355.
- Shearmur, R. and Doloreux, D. (2015a), “Knowledge-Intensive Business Services ( KIBS ) Use and User Innovation: High-Order Services, Geographic Hierarchies and Internet Use in Quebec ’s Manufacturing Sector”, *Regional Studies*, Vol. 49 No. 10, pp. 1654–1671.
- Shearmur, R. and Doloreux, D. (2015b), “Central places or networks? Paradigms , metaphors , and spatial configurations of innovation-related service use”, *Environment and Planning A*, Vol. 47 No. 2, pp. 1521–1539.

- Shearmur, R.G. (2012), “The Geography of Intrametropolitan KIBS Innovation: Distinguishing Agglomeration Economies from Innovation Dynamics”, *Urban Studies*, Vol. 49 No. 11, pp. 2331–2356.
- Shearmur, R.G. and Doloreux, D. (2021), “The Geography of Knowledge Revisited: Geographies of KIBS Use by a New Rural Industry”, *Regional Studies*, Vol. 55 No. 3, pp. 495–507.
- Siepel, J., Camerani, R., Masucci, M., Ospina, J.V., Casadei, P. and Bloom, M. (2020), *Creative Radar: Mapping the UK’s Creative Industries*, London, available at: <https://www.pec.ac.uk/research-reports/creative-radar>.
- Simmie, J. and Strambach, S. (2006), “The contribution of KIBS to innovation in cities: an evolutionary and institutional perspective”, *Journal of Knowledge Management*, Vol. 10 No. 5, pp. 26–40.
- Sinclair, J. (2020), “Cracking under pressure: current trends in the global advertising industry”, *Media International Australia*, Vol. 174 No. 1, pp. 3–16.
- Sinclair, J. and Wilken, R. (2009), “Strategic regionalization in marketing campaigns: Beyond the standardization/glocalization debate”, *Journal of Media & Cultural Studies*, Vol. 23 No. 2, pp. 147–157.
- Slater, D. (1997), *Consumer Culture and Modernity*, Polity Press, Cambridge.
- Soalheira, J. and Timbrell, G. (2014), “What is Shared Services?”, in Bondarouk, T. (Ed.), *Shared Services as a New Organizational Form.*, Emerald Publishing

- Limited, Bingley, pp. 67–84.
- Soberman, D. (2005), “The complexity of media planning today”, *Journal of Brand Management*, Vol. 12 No. 6, pp. 420–429.
- Sorrell, M. (2016), “WPP’s CEO on Turning a Portfolio of Companies Into a Growth Machine”, *Harvard Business Review*, Vol. 94 No. 7, pp. 33–36.
- Spanier, G. (2019), “Omnicom Moves OMD and PHD UK Offices to Bankside”, *Campaign*, available at: <https://www.campaignlive.co.uk/article/omnicom-moves-omd-phd-uk-offices-bankside/1668820> (accessed 7 June 2020).
- Springer, P. (2018), “Advertising, agencies and globalisation”, in Hardy, J., Powell, H. and MacRury, I. (Eds.), *The Advertising Handbook*, 4th ed., Routledge, London, pp. 200–215.
- Starbuck, W.H. (1992), “Learning by knowledge-intensive firms”, *Journal of Management Studies*, Vol. 29 No. 6, pp. 713–740.
- Storper, M. and Christopherson, S. (1987), “Flexible Specialization and Regional Industrial Agglomerations: The Case of the U.S. Motion Picture Industry”, *Annals of the Association of American Geographers*, Vol. 77 No. 1, pp. 104–137.
- Storper, M. and Venables, A.J. (2004), “Buzz: Face-to-face Contact and the Urban Economy”, *Journal of Economic Geography*, Vol. 4 No. 4, pp. 351–370.
- Strambach, S. (2008), “Knowledge-Intensive Business Services (KIBS) as drivers of multilevel knowledge dynamics”, *International Journal of Services Technology and*

*Management*, Vol. 10 No. 2/3/4, p. 152.

Stuetzer, M., Audretsch, D.B., Obschonka, S.D., Gosling, S.D., Rentfrow, P.J. and

Potter, J. (2018), “Entrepreneurship culture, knowledge spillovers and the growth of regions”, *Regional Studies*, Vol. 52 No. 5, pp. 608–618.

Taylor, M. and Asheim, B. (2001), “The Concept of the Firm in Economic Geography”,

*Economic Geography*, Vol. 77 No. 4, pp. 315–328.

Taylor, P.J. (2001), “Specification of the World City Network”, *Geographical Analysis*,

Vol. 33 No. 2, pp. 181–94.

Taylor, P.J. (2004), *World City Network: A Global Urban Analysis*, Routledge, London.

Taylor, P.J., Derudder, B., Faulconbridge, J., Hoyler, M. and Ni, P. (2014), “Advanced

Producer Service Firms as Strategic Networks, Global Cities as Strategic Places”,

*Economic Geography*, Vol. 90 No. 3, pp. 267–291.

Taylor, P.J., Hoyler, M. and Verbruggen, R. (2010), “External urban relational process:

Introducing central flow theory to complement central place theory”, *Urban*

*Studies*, Vol. 47 No. 13, pp. 2802–2818.

Tecu, I. (2013), *The Location of Industrial Innovation: Does Manufacturing Matter?*,

No. 9, Washington, DC, available at:

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2233366#](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2233366#).

Tellis, G.J. (2004), *Effective Advertising: Understanding When, How, and Why*

*Advertising Works*, SAGE Publications, London.

- Tellis, G.J. and Ambler, T. (2007a), “Handbook of Advertising”, in Tellis, G.J. and Ambler, T. (Eds.), *The SAGE Handbook of Advertising*, SAGE Publications, London, pp. 3–16.
- Tellis, G.J. and Ambler, T. (2007b), “A Brief History of Advertising”, *The SAGE Handbook of Advertising*, SAGE Publications, London, pp. 17–34.
- Tether, B.S. (2019), *Mind the Gap: Regional Inequalities in the UK’s Creative Industries*, No. 1.
- Tether, B.S., Li, Q.C. and Mina, A. (2012), “Knowledge-bases , places , spatial configurations and the performance of knowledge-intensive professional service firms”, *Journal of Economic Geography*, Vol. 12 No. 5, pp. 969–1001.
- Thierstein, A., Lüthi, S., Kruse, C., Gabi, S. and Glanzmann, L. (2008), “Changing Value Chain of the Swiss Knowledge Economy: Spatial Impact of Intra-firm and Interfirm Networks within the Emerging Mega-City Region of Northern Switzerland”, *Regional Studies*, Vol. 42 No. 8, pp. 1113–1131.
- Tordoir, P.P. (1994), “Transactions of professional business services and spatial systems”, *Tijdschrift Voor Economische En Sociale Geografie*, Vol. 85 No. 4, pp. 322–332.
- Torre, A. (2008a), “Temporary geographical proximity for business and work coordination: when, how and where?”, *Regional Studies*, Vol. 42 No. 6, pp. 869–889.

- Torre, A. (2008b), “On the role played by temporary geographical proximity in knowledge transmission”, *Regional Studies*, Vol. 42 No. 6, pp. 869–889.
- Tungate, M. (2007), *Adland: A Global History of Advertising*, Kogan Page, London.
- Turnbull, S. and Wheeler, C. (2016), “Exploring advertiser’s expectations of advertising agency services”, *Journal of Marketing Communications*, Vol. 22 No. 6, pp. 587–601.
- Turow, J. (2018), “The Development of the Modern Advertising Industry”, in Hardy, J., Powell, H. and Macrury, I. (Eds.), *The Advertising Handbook*, 4th ed., Routledge, New York.
- Vrontis, D. and Thrassou, A. (2007), “Adaptation vs. standardization in international marketing – the country-of-origin effect”, *Innovative Marketing*, Vol. 3 No. 4, pp. 7–20.
- Wagner, M. and Growe, M. (2020), “Regional Urbanization and Knowledge-Intensive Business Activities (KIBS): An Example of Small and Medium-Sized Cities in the Greater Stuttgart Region (Germany)”, *Urban Science*, Vol. 4 No. 1, pp. 1–18.
- WARC. (2019), “Long-running Aldi campaign wins Euro Effie Grand Prix”, available at: <https://www.warc.com/newsandopinion/news/long-running-aldi-campaign-wins-euro-effie-grand-prix/42794> (accessed 22 February 2021).
- Warrington, J. (2021), “WPP commits to London headquarters despite plans to slash office space”, *City A.M.*, available at: <https://www.cityam.com/wpp-commits-to->



london-headquarters-despite-plans-to-slash-office-space/ (accessed 8 January 2022).

Weber, A. (1909), *Über Den Standort Der Industrie*. JCB Mohr, Translated, by Carl J. Friedrich, in 1929 as *Theory of the Location of Industries.*, University of Chicago Press, Chicago, IL.

Wernerheim, C.M. and Sharpe, C. (2003), “High Order’ Producer Services in Metropolitan Canada: How Footloose Are They?”, *Regional Studies*, Vol. 37 No. 5, pp. 469–490.

West, D. (1988), “Multinational competition in the British advertising agency business”, *Business History Review*, Vol. 62 No. 3, pp. 467–501.

West, D. and Ford, J. (2001), “Advertising Agency Philosophies and Employee Risk Taking”, *Journal of Advertising*, Vol. 30 No. 1, pp. 77–91.

West, D.C. (1997), “Purchasing Professional Services: The Case of Advertising Agencies”, *International Journal of Purchasing and Materials*, Vol. 33 No. 2, pp. 2–9.

Wheeler, C.H. (2003), “Evidence on Agglomeration Economies, Diseconomies, and Growth”, *Journal of Applied Econometrics*, Vol. 18 No. 1, pp. 79–104.

Woo, H.-S., Cannella, A.J. and Mesquita, L. (2019), “How intra- and interfirm agglomeration affect newunit geographic distance decisions of multiunit firms”, *Strategic Management Journal*, Vol. 40 No. 1, pp. 1757–1790.

- Wood, P. (2006a), “The regional significance of knowledge-intensive services in Europe”, *Innovation: The European Journal of Social Science Research*, Vol. 19 No. 1, pp. 51–66.
- Wood, P.A. (2006b), “Urban Development and Knowledge-Intensive Business Services: Too Many Unanswered Questions?”, *Growth and Change*, Vol. 37 No. 3, pp. 335–361.
- Wood, P.A., Bryson, J. and Keeble, D. (1993), “Regional Patterns of Small Firm Development in the Business Services - Evidence From the United-Kingdom”, *Environment and Planning A*, Vol. 25, pp. 677–700.
- Wu, Z. and Robert, S. (2016), “Does Imitation Reduce the Liability of Foreignness? Linking Distance, Isomorphism, and Performance”, *Strategic Management Journal*, Vol. 37 No. 12, pp. 2441–2462.
- Wyrwich, M. (2019), “New KIBS on the bloc: the role of local manufacturing for start-up activity in knowledge-intensive business services”, *Regional Studies*, Vol. 53 No. 3, pp. 320–329.
- Xin, T. (2017), “Fragmentation of Production”, in Richardson, D., Castree, N., Goodchild, M.F., Kobayashi, A.L., Liu, W. and Marston, R.A. (Eds.), *Encyclopedia of Geography: People, the Earth, Environment and Technology: People, the Earth, Environment and Technology*, John Wiley & Sons, New York, pp. 1–6.

- Yigitcanlar, T., O'Connor, K. and Westerman, C. (2008), "The making of knowledge cities: Melbourne's knowledge-based urban development experience", *Cities*, Vol. 25 No. 2, pp. 63–72.
- Yu, M., Saleem, M. and Gonzalez, C. (2014), "Developing trust: First impressions and experience", *Journal of Economic Psychology*, Vol. 43 No. 3, pp. 16–29.
- Yuksel, U. and Sutton-Brady, C. (2007), "From Selection To Termination: An Investigation Of Advertising Agency/Client Relationships", *Journal of Business & Economic Research*, Vol. 5 No. 1, pp. 31–40.
- Zaheer, S. (1995), "Overcoming the Liability of Foreignness", *Academy of Management Journal*, Vol. 38 No. 2, pp. 341–363.
- Zeithaml, V.A., Parasuraman, A. and Berry, L.L. (1985), "Problems and Strategies in Services Marketing", *The Journal of Marketing*, Vol. 49 No. 2, pp. 33–46.
- Zhang, C. (2016), "Agglomeration of Knowledge Intensive Business Services and Urban Productivity", *Papers in Regional Science*, Vol. 95 No. 4, pp. 801–818.
- Zhou, D., Li, S. and Tse, D.K. (2002), "The impact of FDI on the productivity of domestic firms: the case of China", *International Business Review*, Vol. 11 No. 4, pp. 465–484.
- Zieba, M. (2018), *Understanding Knowledge-Intensive Business Services - Identification, Systematization, and Characterization of Knowledge Flows*, edited by Bolisani, E., Handzic, M. and Suleyman, S., Springer, Cham.

