

Producer Services Firms in Globalising Cities: the Example of Advertising Firms in Stockholm

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Abstract

This paper departs from prevailing ideas in current discussions about the critical role of advanced producer services for globalising cities. Saskia Sassen's concept of global cities focuses on the function of advanced producer services and their role in the development of the central core of cities, i.e., the central business district (Sassen 1991, 1995). Peter Taylor and the research network GaWC have explored the global system of city-regions in empirical studies and contributed to conceptual development of the idea of globalising cities (<http://www.lboro.ac.uk/gawc/>).

The objective of this paper is to understand conceptually how one particular advanced producer service industry, the advertising industry, develops. The analysis considers this industry in the context of globalisation and post-modern economies. Advertising activities have consolidated into transnational organisations through holding companies and groups. The requirement from the side of clients not to be served by the same agency as its competitors means that the advertising agency offices have remained relatively modest in size (Taylor 2006). Advertising firms are a special case among professional business services in several aspects. This business is bridging what may be labelled the informational intensive post-industrial industries and the sign-intensive post-modern industries. Advertising plays an important role in the development of the post-modernisation of the economy in terms of the growing importance of sign-values of commodities. Advertising involves the production of sign-values. Advertising firms have recently faced fundamentally changing conditions. Globalisation of markets, new media for campaigns, new techniques, etc. have required and led to development of new solutions for clients' marketing campaigns.

The empirical analysis of the advertising industry in Sweden, and in Stockholm especially, in this paper is based on secondary sources including statistical data, firm directories, and business journals. The conclusions point towards the multi-scaled relations of advertising agencies. Relationships with clients tend to be local or national. At the same time, there are international intra-organisational connections and flows, which in an international arena influence the development of creative ideas as well as the forms and media for the distribution of advertising campaigns.

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Cities in globalisation

This paper has developed from the core idea that spaces of flows have become basic processes and elements in the development of the space economy and cities:

The space of flows refers to the technological and organisational possibility of organising the simultaneity of social practices without geographical contiguity. However, the space of flows does include a territorial dimension, as it requires a technological infrastructure that operates from certain locations, and as it connects functions and people located in specific places (Castells 2000, p. 14).

Castells (2000) distinction between the ‘space of flows’ and the ‘space of places’ is a framework for the conceptualisation of cities as territories or nodes versus networks of flows. The ‘space of flows’ refers to distant connections and interrelations while the ‘space of place’ concerns localities and the localisation of meanings and functions (Castells 2000, p. 14). Castells’ (1996) argument is that networks are the basic morphology in our contemporary society. Network means space of flows and space of flows ‘carries’ different types of ‘cargo’: goods, capital, information, technology, images, sounds, and symbols.

Bouchet (2005) considers how the city loses materiality as information technology develops, with his supposition being compatible with Castells’ thesis on the network morphology of our society: ‘Community is replaced by networks, and the city scatters more than it brings together’ (Bouchet 2005, p. 11). Bouchet contrasts the city of today with the city of the early 20th century analysed by Simmel in his influential texts on the urban society. This comparison is summarised in a table from which excerpts are translated and presented below.

Table 1: The city

In Simmel’s time (1903)	Today (2003)
Metropolis and physical space	Cybercity and cyberspace
Railway and buildings	Internet and network
Production and energy	Information and knowledge
Inhabitants and community	Commuter and subjectivity
Hinterland	Global connection

Source: Bouchet 2005, p. 63. Excerpts and translated

A seminal work in research on the development and role of major city-regions in the social and economic development of western world societies is *Cities and the Wealth of Nations* (1984) by Jane Jacobs. Import replacing is argued by Jacobs to be the ‘root of all economic expansion’ (1984, p. 42). The economic dynamism of cities is conceived of as the outcome of the closely related processes of innovating and import replacing.

Any settlement that becomes good at import-replacing *becomes* a city. And any city that repeatedly experiences, from time to time, explosive episodes of import-replacing keeps its economy up-to-date and helps keep itself capable of casting forth streams of innovative export work. (Jacobs, 1984, p. 41)

According to Jacobs’ (1984) analysis, cities inevitably lose jobs. This may be because other cities change roles from customers to producers, because enterprises move mature economic activities to more peripheral locations, or because production becomes obsolete. Thus, the economic dynamism of major cities may have affected other cities or peripheral regions. Thus, Jacobs’ conceptualisation of the mechanisms of import-substituting cities produces theses about factors producing uneven development. This conceptualisation also effectively illustrates the mutual interdependence between the external and internal relations of cities. In this mutuality, flow of trade is presented as the trigger factor. Given the time context of

Jacobs' writing, the national systems of centre and periphery rather than the global system of city regions are in focus. She explicitly stresses that 'replacements of domestic imports are quite as important to the expansion and development of economic life...' (Jacobs, 1984, p. 43) as international trade is. She produces arguments for the requirement for vital and strong development of major city regions in nation states as an important factor generating economic growth of the national economy as a whole.

A city is internally related to the 'outside' via interconnections, which involve flows of information, persons, and goods. This understanding of cities may be associated with the discourse on the 'relational turn' in economic geography, in which the central argument is that processes and elements, including places and regions, are only possible to understand and explain through a consideration of their external relations (Smith 2003; Yeung 2005). Amin and Thrift (2002) argue that cities have to be seen as sites in spatiated economic networks. Although cities at different levels of the urban hierarchy and cities of different characters are all involved in spaces of flows in the context of a globalising capitalism, their roles in this structure may differ. That is to say, their roles may vary from initiating, developing, and controlling, to being the receiving part of the communicated or transported information, goods, or services (Massey 1991).

This conclusion about the importance of the situation (in relation to site) of places and cities is widely acknowledged and discussed by a large number of authors. A major trend in this discourse is that the geographical scale in focus has changed from the national to the international and global scales (cf. Robinson 2005). Concepts such as 'world cities' (Friedmann 1986), 'global cities' (Sassen 2001), and 'globalising cities' (Marcuse and van Kempen 2000) have emerged. Although these concepts share a basic connotation with the transnational urban network, they are also divergent in terms of their distinct meanings and theoretical conceptualisation. (Derruder 2006, p. 5). 'The world city hypothesis is about the spatial organisation of the new international division of labour' (Friedmann 1986, p. 67), and it is expressed through seven interrelated theses involving statements of the global control functions of world cities and how these functions are related to a city's development. World cities formation brings social costs in terms of social polarisation. Friedmann's (1986, 1995) world-city concept is related to Wallerstein's world-systems analysis (Derruder 2006, p. 7) and is thus also a political framework. Taylor (2004) explores this topic of the critical role of cities in the contemporary 'metageographical transition' (p. 192). Saskia Sassen's concept of global cities focuses on the function of advanced producer services and their role in the development of the central cores of cities, i.e., the central business districts (Sassen 1991, 1995). In Table 2 below, Derruder (2006) has summarised the meanings and implications of the two concepts: 'world cities' and 'global cities'.

Table 2: The concepts of 'world cities' and 'global cities'

	World cities	Global cities
Key author	Friedmann	Sassen
Function	Power	Advanced servicing
Key agents	Multinational corporations	Producer service firms
Structure of the network	Reproduces tripolar spatial inequality in the capitalist world-system	New geography of centrality and marginality cutting across existing core/periphery patterns
Territorial basis	Metropolitan region	Traditional CBD or a grid of intense business activity

Source: Derruder 2006, p. 9

Similarly, the different concepts for the interconnections – for instance hierarchy, network, and positionality – often mirror different theoretical and conceptual understandings. The

concept of hierarchy may have connotations of stable and general structures, for instance, in elaborations of the hierarchy of world cities (Friedman 1986). The idea of plural networks of cities is conceptually developed by Allen et al. (1999, p. 5) as ‘various networks with different paths of development’ (quoted in Taylor 2005). The concept of multiple networks is developed for empirical study by Taylor (2005) in which economic, cultural, political and social connections are separately elaborated. Sheppard (2002) has argued for the term ‘positionality’ as a concept that draws ‘attention to how connections between places play a role in the emergence of geographical inequalities within the global economy...’ (p. 319).

The concept of ‘globalising cities’ as mentioned above has been defined through a criticism of the strong focus of earlier work on the major worldwide metropolitan areas. The alternative argument is that ‘non-global cities’ do not exist and hence studies on global structures and processes may involve cities of different sizes. In such a broad approach, the concept of cities in globalisation is relevant (Taylor 2006b) and this is also the title chosen above for the introductory section of this paper.

Measurement of flows and positions

Studies within this framework that stress the importance of networks and spaces of flows for the development and change of cities require relational data (about the situation), rather than data about spaces of places (the site).

Short et al. (1996) criticised the world city literature for its lack of relational data, with this research field being described as ‘impressionistic’ (Alderson & Beckfield 2004, cf. Smith 2003). A similar argument from Taylor (2004) is that the world cities literature is characterised by ‘theoretical sophistication and empirical poverty’ (p. 33). This ‘finding’ has been the main starting point for the research work developed within the framework of the Globalization and World Cities – Study Group & Network (GaWC).¹ Extensive studies of the global geography of city networks have been carried out in this context, and a database has been produced covering 315 cities on a global scale, and how they are involved in the global networks of transnational firms (Taylor, no year).

It is difficult to find studies focussing on Swedish cities that use relational data. Different studies conducted over a long period by Gunnar Törnqvist (1970, 1993–96, 1997) appear as the most comprehensive work on relations and flows in a Swedish context. Törnqvist has elaborated on the connections and flows from the basis of different sets of data that include variables such as the international travel patterns of Swedish researchers; the international travel patterns of staff from manufacturing companies in Sweden; trade; the geography of Swedish transnational corporations; the reporting of foreign affairs in the Swedish news media and of Swedish affairs in the international media; migration; telephone usage patterns; the geographical spheres of Swedish civil servants, artists, and industrial entrepreneurs; air travel patterns; and the infrastructural systems for rail, roads, and water transportation links. In these studies of relations and flows, Törnqvist stresses the role of the city.

The Öresund Institute has recently (Olshov 2006) published a report that considers the situation of the Nordic capitals in a wider international and world city network, and with a special interest for the Öresund region, which bridges the national border between Denmark and Sweden. This region comprises the Copenhagen area (in Denmark) and Malmö/Lund (in Sweden). The report comprises an article that uses the results from the GaWC inventory of the position of city regions, which places Stockholm in a higher position than Copenhagen.

¹ The GaWC Study Group & Network is located in the Geography Department at Loughborough University, in the UK. Professor Peter Taylor is the founder and codirector of GaWC, together with Jon Beaverstock. This study group maintains a web site where projects, publications, models and data and partners are listed.

However, this is restructured from the basis of the delimiting of city regions and the argument that Copenhagen is part of the larger functional region of Öresund. When this is considered and the data on air travel and co-authored research publications are included in the analysis, Copenhagen (and the Öresund region) assumes a more prominent position in the world-city network than that of Stockholm (Matthiessen 2006).

The same report (Olshov 2006) also provides an analysis of the location pattern in Nordic nations of large transnational firms (found in the Forbes list). The selection of sectors comprises different manufacturing sectors, transport, and IT software. The main conclusions from this study were that: (1) the establishment of offices to cover the Nordic market as a whole had increased, and (2) that Stockholm and Copenhagen dominate as the chosen sites for such an office location.

Table 3: Nordic cities

2004 Global connectivities (Proportion of highest)		2000-04 Change in connectivity (Relative to the global network)	
Stockholm	0.444	Malmö	+0.401
Copenhagen	0.386	Bergen	+0.269
Oslo	0.281	Helsinki	+0.259
Helsinki	0.249	Oslo	+0.126
Gothenburg	0.136	Stockholm	-0.058
Malmö	0.101	Århus	-0.112
Århus	0.087	Gothenburg	-0.206
Bergen	0.071	Copenhagen	-0.586

Source: Evans and Taylor (unpublished)

The most recent results for Nordic cities from the GaWC inventory (soon to be published by Evans and Taylor) gives Stockholm and Copenhagen the highest scores for ‘connectiveness’, although these major Nordic cities have lost out in positional terms over the period 2000 to 2004 and in terms of their relationship to the global scale.

Aim and method

This paper is written in the context of a larger research project in which the quantitative extensive methods developed in the GaWC research will be applied and adjusted for the Swedish context. Although quantitative extensive methods for social science research tend to have validity problems, they produce important knowledge in the form of overviews and pictures of the general patterns of development. The data generated by the GaWC research group are based on the location pattern of the office networks of large transnational corporations in advanced producer service industries. Validity becomes a question about whether these networks really represent spaces of flows between cities. This question forms an important background to this paper. Before we conduct our extensive studies on the Swedish cities in networks, we want to ground our research in a qualitative understanding of what our quantitative data measures.

Thus, the aim of this paper is to understand the spaces of flows of advanced producer services. The paper will consider the advertising industry, with a focus on advertising agencies. The geographical context is Sweden in general, but much attention is devoted to Stockholm.

The empirical data for this paper are secondary sources including statistical data, firm directories and Swedish business journals (primarily the magazine *Résumé*, which covers media and market communication). This paper is a work in progress and the sources for this paper will in due course be complemented by additional secondary data and also primary data from interviews and/or questionnaires of actors in the sector.

The pre-conceptualisation of the study area that has guided my perception when studying the literature and the empirical sources may be summarised in three points. The first sentence in the paper is the main idea guiding this study and the research project in which it is written. This sentence included the words: ‘the core idea that spaces of flows have become basic processes and elements in the development of the space economy and cities’. The argument around this thesis has been developed above. Second, the idea is that the qualitative characterisations of an economic activity have implications for its external relations, and inversely, external relations have implications for the character of an organisation. Thus, the qualities and spatialities of relations of firms are analysed through the qualities of the sector and the firms. This is also the reason the analysis needs to be limited to one particular economic activity. Third, the pre-conceptualisation involves the assumption that firms/workplaces/economic activities in professional business/cultural services typically have multi-scalar relations. Thereby the composition and mix of local, national, and international relations becomes an important issue to understand. However, it is not relevant to ask if the advertising sector is local *or* international.

Advanced service activities

For a background to my pre-conceptualisation of the importance of the qualities of activities for their spatialities and my idea of the multi-scalar relation, I will briefly introduce a discussion in the literature on the definition of advanced producer services sectors and the debate on the spatialities of such activities.

The definition and delimitation of which activities and industries that are included in the industrial sector of advanced producer services varies between studies. The quantitative data of the GaWC includes producer services that are highly skilled and knowledge based. The sectors involved are accountancy, advertising, banking/finance, insurance, law, and management consultancy (Taylor 2004). Many other studies on advanced producer services in addition to these sectors also involve technical consultancy, ICT (information and communication technology) consultancy and computer services. In my own work (Hermelin 1997) I have preferred to use the term ‘professional’ rather than ‘advanced’ or ‘knowledge intensive’ (as in KIBS, i.e. knowledge intensive business services). ‘Advanced’ and ‘knowledge intensive’ are difficult terms to define compared to ‘professional’. Professional means ‘a person who has a job that requires special training and brings a fairly high status’ (Collins Cobuild 1987) and this special training frequently involves an education programme at university or other advanced schools. This label also stresses the importance of the labour force for this sector.

Looking at a slightly wider category comprising the financial sector, advanced producer services, cultural services, and amenities, all of which are growing industries in the globalising economies and industries with strong urban concentration, in the Stockholm region in 2002, they employed 230,000 persons. This represented close to one-quarter of the working population of the county. In central Stockholm, these sectors employed one-third of the total workforce. During the period 1993 to 2002, the growth in these sectors corresponded to half of total employment growth in the Stockholm region (Hermelin 2007). Lundquist et al. (2006) concludes that the engine for economic growth in Stockholm has shifted since 2000, from manufacturing industries to producer services.

Face-to-face and ICT

Since early research on service activities began, it has been widely agreed that supplier–client interaction is a major factor in the tendency of services to co-locate with markets. The need for face-to-face contact between client and supplier is found to be a requirement for many service activities.

Whether or not developing communications technologies may reduce the need for face-to-face meetings and consultancy work carried out on the clients' premises depends on a number of conditions. ICTs have provided organisations with a whole new type of flexibility in terms of work hours, work patterns, and workplaces. Contracting out special tasks such as teleservices, programming, engineering, accountancy services, and booking services as well as the use of temporary work arrangements are some of the ways in which restructuring has taken place. This affects many of our service products. ICTs certainly represent a technologically important condition for networked organisational models. Nevertheless, communications technology have their limits, not least because they are unable to transmit body language fully and other non-verbal cues that play a vital role in face-to-face meetings and may therefore not decrease the need for such interaction. Individuals still need to socialise as part of a process of face-to-face interaction to create loyalty and trust, and communicate in an informal atmosphere. In reality, face-to-face communication supports ICTs, rather than ICTs replacing the need for personal contact when services are produced and delivered. Professional business service activities, however, also involve the exchange of routine and standardised information that is adequately transferred by computer and communication technologies. Moreover, the proportion of standardised vs. complex information that is sensitive to human factors communicated between parties in a network is not set at one level for all transactions between two parties. Rather, when firms in the professional business services sector progress towards the later phases of the 'service life cycle' (Tordoir 1995) they may gradually move towards standardisation, with the result that the production commodities can be transferred without extensive face-to face contact (Hermelin and Rusten 2007).

Internationalisation

Internationalisation of the professional business service industries has strongly progressed in recent times. Service firms have consolidated into major transnational corporations and the service trade is expanding. The international expansion of service firms in industries such as law, accountancy, advertising, and engineering was initially in response to the needs of their transnational clients in manufacturing. More independent internationalisation of service corporations became more common from the 1980s (Bryson et al. 2004, p. 206). According to UNCTAD (2006, p. 267) the estimated world outward FDI (foreign direct investment) by stock increased for business services from US \$53,179 million in 1990 to US \$2,499,062 million in 2004. In other words, the outward FDI in 2004 was 45 times larger than in 1990. The outward investment in business services tends to concentrate in major cities. This is an important factor behind the development of global cities and their functions as command and control centres (Bryson et al. 2004, p. 210).

Roberts (2006) presents a typology of different modes for delivery of knowledge-intensive management services in relation to trade and the flows of services commodities across national borders. This illustrates a range of aspects of trade in services. A feature of services, and knowledge-intensive or professional services in particular, is that production and delivery involving face-to-face interactions between suppliers is embodied in persons. Another point to make from this typology is that this example from the management consultancy services stresses the importance of intra-firm transactions.

Table 4: Modes of international service delivery in consulting services

Mode of service delivery	Examples
Cross-border trade	Client access to online database services, transfer of files and documents including reports and manuals
Movement of customers	Workshop for clients, e.g., training on the premises of consulting firm in the home country
Temporary movement of producers	Consultants working on location, e.g., monitoring the implementation of projects
Delivery through the establishment of affiliates abroad	Local affiliates acting as consultants, occasionally with direct support from parent firm
Intra-firm service transaction	Training, intermediate inputs including access to databases and centre of excellence, staff rotation

Source: Adapted from Roberts 2006

According to UN statistics (for EBOPS²), Sweden's exports in the service trades increased by 100 per cent in the period 2000 to 2005. During the same period, the importation of services increased by 50 per cent. Table 5 below shows the value of service imports and exports and the difference between exports and imports for the 10 countries in the EU that have the largest export surplus. The United Kingdom is by far the largest trading nation in services. Sweden's export surplus in services is sixth among the EU countries. This rank exceeds the size of the Swedish economy in relation to other EU countries. Table 5 also shows that the volume of exports from Sweden is small and the large trade surplus relies on a small volume of imports.

Table 5: Trade in services (EBOPS) US \$1000⁷

Country	2005 imp	2005 exp	exp-imp 2005
UK	160,847,776	203,436,273	42,588,498
Spain	65,745,966	93,942,384	28,196,419
Greece	14,773,732	34332210	19,558,478
Luxembourg	24,945,607	40746415	15,800,808
France	106,208,088	116,243,890	10,035,802
Sweden	35,446,885	43,792,941	8,346,056
Netherlands	84,628,677	92,182,839	7,554,162
Austria	45,365,414	50,525,331	5,159,917
Portugal	10,075,093	15,175,339	5,100,246
Denmark	37,939,708	42,614,590	4,674,882

Source: UN service trade statistics

The advertising sector

The advertising sector is most often included in the professional producer services sector. Nevertheless, advertising sits somewhat at odds in this category. The professionals in this sector tend to be less frequently university educated, having instead educational backgrounds in arts, media, and/or communication. Advertising is a business service and also a cultural or creative media industry that produces aesthetic expressions and sign-values (cf. Lash and Urry 1994) that are communicated through different media formats.

Thiel (2005) describes first and second waves in advertising. A transformation that occurred between these waves involved changing relations between the business and creative

²For a description of this classification, see, for example, UNCTAD: <http://www.trademap.org/services.php>

components of advertising activities. The second wave, which started from the 1970s, has involved strengthening of the role of creativity in advertising. The development of the advertising industry is very closely related to the development and success of American 20th century capitalism and the American economic hegemony in the global economy. Advertising campaigns create want and convert these into needs. It has stimulated a strong growth in consumption so that ‘capital is realised globally’ (Taylor 2006b).

In its dualistic combination of business elements and creative/art work, the advertising agency ‘mediates between different “world of action”, that is between the artistic world of ideas and the business world to which these ideas have to be sold’ (Thiel 2005:53). A successful advertising agency depends on its creative professionals: ‘they embody the industry’s “raw material” in the knowledge they put into the production of the commodity’ (Taylor 2006b).

The advertising sector is globally dominated by a few large holding companies/groups, the majority of which are based in the USA. The advertising agencies in these groups are independent of one another and may be servicing competing clients. ‘There is a division of knowledge work: the holding companies do the strategic managerial work and the advertising agencies provide the creative design...’ (Taylor 2006b). This creative work and the media through which the campaigns are communicated remain largely national. This is because of different cultures in different national consumer markets, but also organisational factors, such as the fact that TV, radio, and press media are nationally based (Pratt 2006; Taylor 2006b). In the national economies, the advertising industry tends to be concentrated in the major metropolitan areas and the international connectivity of cities through the advertising sector is found to be highly concentrated in the national centres (Taylor 2004, p. 83).

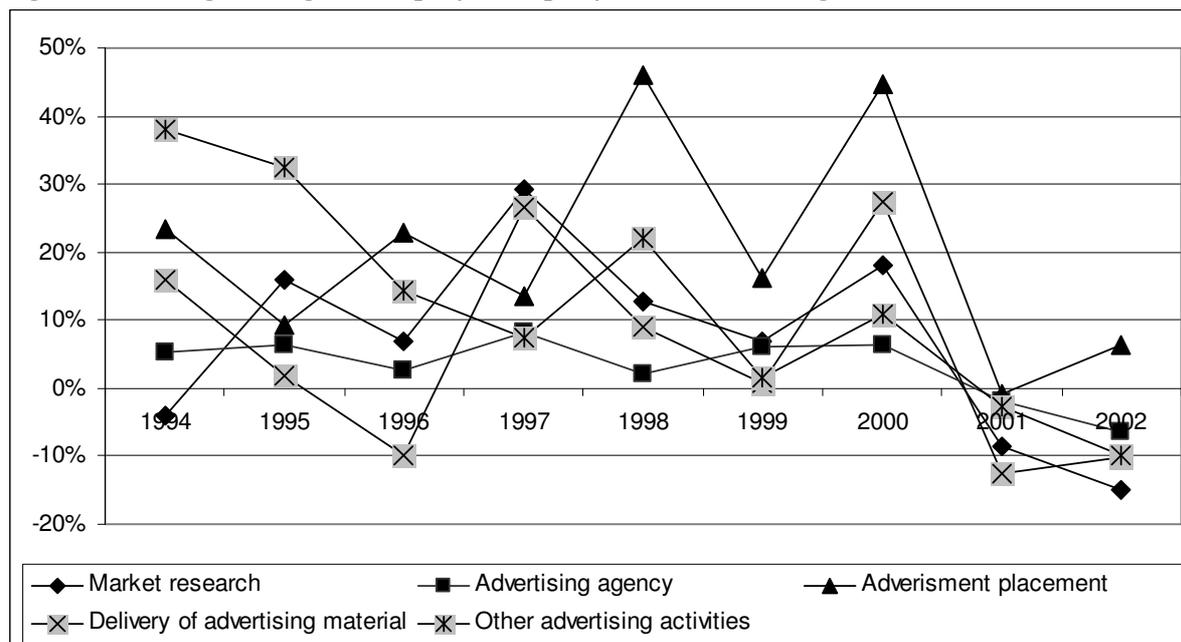
Sweden, and especially Stockholm

Society has been increasingly permeated by advertising. The growth of commercial films in television has been particularly evident. Advertising has also expanded into a wider range of market strategies. This means that advertising in its wider meaning involves firms and employees from different industries. The diagram below shows five industries in the NACE-categorisation that are involved in the development of the advertising industry workforce. These industries are market research, advertisement placement, other advertising activities, advertising agencies, and delivery of advertising material. This taxonomy nevertheless omits important categories not possible to identify in industrial statistics. These may include personnel such as film workers in commercial films, and PR consultants (public relations).

In 1993, advertising and marketing in Sweden employed 16,000 persons. In the investigated period of 1993 to 2002, employment peaked at slightly less than 31,000 employees in the year 2000. In the period between 2000 and 2002, the number decreased by 10 per cent to 28,000. This means that over the period 1993 to 2002, employment in the sector increased by 70 per cent. The advertising and marketing sector is a small sector and the number of employees in 2002 corresponded to less than one per cent of the total employment in the country.

The diagram below illustrates how the development in advertising and marketing in Sweden has varied among different industries. The most homogenous development path was between 1999 and 2000 with an increase in all sectors. This was followed by a decrease in all sectors between 2000 and 2001. The advertising and marketing sector is highly sensitive to and dependent on the status on the business cycles. The decrease of employees in Sweden should be understood in the context of the general economic slowdown in the global economy including other EU countries. The collapse in 2001 of the dot.com boom was particularly critical for the marketing and advertising sectors (Eurostat, EU).

Fig. 1. Percentage change of employment per year in advertising industries and in Sweden



Source Statistics Sweden

With reference to Stockholm County in the same period (1993 to 2002), the development in the capital area was relatively close to the national average. There are however also deviations from the overall national level of development. Stockholm lost shares of employment to other regions in the country. For the sector as a whole, aggregating the five industries in the diagram corresponds to a decrease from 49 per cent of national employment to 46 per cent at the end of the period. Looking at the different subsectors, relative losses have particularly been in market research and advertising, where more routine activities are most apparent in placement and delivery. For the advertising agency in the core sector, the share for Stockholm at the beginning is almost the same at the end of the period, at 45 and 46 per cent, respectively. There are reasons to believe that new and growing activities in relation to PR and communication consultancy are particularly strong in Stockholm. These are activities not included in the statistics. Thus, the picture of Stockholm is that it keeps its stronghold in the advertising sector in Sweden with almost 50 per cent of employees in this sector.

Spatial relations of advertising agencies in Sweden

The spatial relations of economic activities involve a number of different contacts and flows. These may be inter- or intra-organisational relations. The intra-organisational relations involve contacts between different offices in the same corporation, formalised network organisation, and relations with the firm's staff. The most important inter-organisational relations are with client firms, but there are also contacts with suppliers, business associations, governmental organisations, etc. From the basis of secondary empirical sources, I will try to outline the constitution and pattern of such relations of advertising agencies in Sweden.

Organisational relations

According to a firm directory (Affärsdata) and data on advertising agencies in Stockholm, only 23 advertising agencies have 20 or more employees. The largest agency has 67 employees. This sector is thus characterised by small workplaces. A majority of these 23 agencies (13) belong to networks. These networks differ in size from minor networks with three workplaces in Sweden and Denmark to the major international USA groups including

Omnicom and McCann. Most of the major international groups are present in all Nordic countries. BBDO has four different agencies located in Stockholm. Agencies in groups are cooperative and tend to combine for 'pitching' activities (competing for new clients) (*Résumé* 2006/10, no. 41, p. 12). The Vice Director of BBDO Europe has indicated that he wants the agencies in his network to communicate more and to build international teams (Willebrand 2006/9, no. 38, p. 17).

Although the major groups dominate the advertising market, the impression is that the advertising sector also comprises competitive, innovative, creative, and newly established small individual firms. One illustration of this is a Swedish web agency with the name 'Perfect Fools' that soon will establish an office in New York. This agency employs 17 persons. According to their plans, they will have three persons in New York plus persons from Stockholm who will also work there for short periods. Today, the agency's client base includes approximately 15 per cent foreign clients (Lindholt 2006/12, no.50–52, p. 15).

Another illustration of the possibilities for competent and experienced professionals in advertising to act independently is Joakim Jonason (one of the most high status persons in advertising in Sweden) who sold his firm 'Paradiset' to the British DDB before leaving Sweden. After five years in Germany and in England he now lives in San Pedro in Spain, where he runs his business 'Ansjovis'. Björn Borg is one of his clients. (Veckans affärer 2007).

Employee relations

Learning on the job and moving between employers are important elements of training and career development in advertising. The flow of employees between agencies is however not without complications: 'This has also led to much individual rivalry and poaching of stars for "dream teams".' (Pratt 2006: 1898). Key employees may also leave their employer to set up new agencies. This frequently involves whole groups of experts and may have critical implications for the former employer. Employment changes by individuals with high-ranked competencies in this business are frequently reported on in the business journal *Résumé*. The following is one example:

DDB Stockholm continues to pick profiles from Lowe Brindfors. It was decided last week that the star copywriter Johan Holmström will move over to DDB. He will be in the company of his former VD, Lars Axelsson (Willebrand 2006/11, no.49, p. 7, translated into English).

Since the contacts between client firms and the supplying advertising agency are frequently as much related to persons as to particular advertising agencies, losing key employees also frequently means losing clients.

The production of advertising campaigns is project based and involves intensive teamwork. These teams involve different competences of the project manager, the planner, the production manager, the creative director, the art director, the copywriter, the designer, and the editor. In order to create a creative and relevant advertising campaign, it is important to generate a good working climate in these teams. The importance of the feeling of shared norms and ideas is illustrated through an interview with an advertising agency in California with the name 'Stockholm Design'.

This agency has eight employees who all come from Sweden and speak Swedish. The owner says: 'I think it helps that we all come from Sweden. Our design is in general more pure, clean and straight... But this is not the only reason why we only employ persons from Sweden, since it is our experience that it does not really work in the office if some speak Swedish and some speak English (Ljungaeus 2006/10, no. 40, p. 38, translated into English).

Clients and sale relations

Although I do not have any extensive sources for the geography of the clients of the advertising agencies, the national dominance of the market for advertising agencies in Sweden appears certain. This means that the clients are in Sweden, regardless of whether they belong to transnational corporations or are Swedish owned. By contrast, production companies producing commercial films seem to be more internationally oriented, with much of their production made abroad for international clients.

Swedish advertising agencies' agreements with international clients for advertising campaigns have news value and are reported in the media. For instance:

Lowe Brindfors won the global pitch for the sun oil Piz Buin. ... The pitch regarded all markets with stress on Europe and Asia (de Faire 2006/11, no. 45, p. 10, translated into English).

In hard competition Weber Schandwick [owned by a US group] won its first large assignment when Proffice chose to use this agency for its advertising in the Nordic countries (de Faire 2006/11, no. 45, p. 27, translated into English).

Ogilvy [US group] won the DHL-pitch for the European market. The deal involves 24 countries and Ogilvy agencies in these countries may expect to have jobs in this context (de Faire 2006/11, no. 46 p. 8, translated into English).

Spain has engaged Saatchi & Saatchi of Stockholm for the assignment to market the Canaries as a tourist destination (*Resumé* 2006/9, no. 38, p. 7, translated into English).

International agencies are prestigious and as illustrated above, small agencies may also be international when the relations within organisations are considered. The quotation from a web site of an agency given below is an example of how a small agency wants to communicate its image and qualities to an international market.

We are a truly internationally oriented brand communications agency. Our staff members come from around the world, and our clients operate on every continent. ... We're not one of the giant multinational marketing and advertising agencies. And surprisingly, that enables us to be more truly international. We're agile and efficient. We can react faster, get more involved. And we have a mindset that reflects our global client list. (<http://www.dowellstubbs.com/> 2007-08-07)

There are broker services for clients buying advertising campaigns and marketing services. One entrepreneur in this service declares that such agencies are common and well established in countries such as the USA, Great Britain and in most of Europe. Sweden by contrast has low demand for broker services and the client firms prefer to handle their procurements of advertising through their own organisation. An interviewee with an interest in broker services for advertising maintained that personal contacts have large influence when the agency is employed by the client firms (Lindholm 2006/10: no. 40, p. 10).

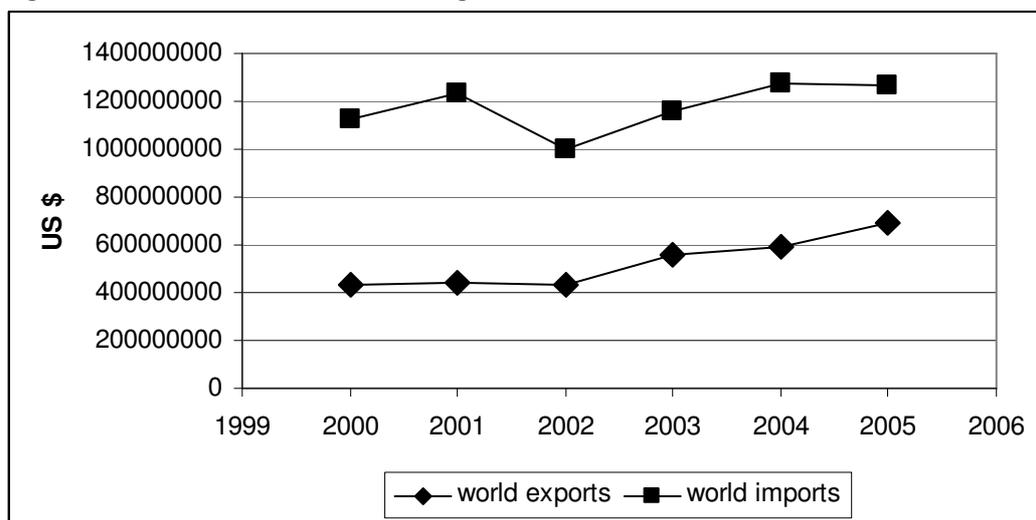
Another institution that may have a role in the organisation of the market for advertising is the media audits. This is a pool that the clients of advertising agencies may join in order to compare their costs for advertising and media communication. These institutions have developed as clients increasingly consider advertising as an investment that will bring revenues (Willebrand 2006/11, no. 46, p. 25).

Trade

According to UN statistics on service trade, Sweden has a trade deficit in advertising. This indicates that advertising firms in Sweden in aggregate have weak connections with clients abroad. In 2000, exports in advertising equalled 28 per cent of imports. In 2005, exports had

become relatively larger and corresponded to 55 per cent of the value of imports. This pattern of a trade deficit contrasts with the trade balance in services as a whole, for which Sweden's exports were approximately 90 per cent of the imports in 2000 and 25 per cent higher than imports in 2005. Thus, the situation in advertising with very small exports is an exception to the development of business services in general. It also runs counter to a strong tradition in Sweden with large international trade flows and strong positions both in trade and in foreign direct investments.

Fig. 2. Sweden's trade in advertising, 2000–2005



Source: UN service trade statistics

Marketing

The success of advertising agencies depends on their ability to build confidence and develop a good reputation in their markets with their current and potential clients. The purchase of professional services frequently implies risk-taking and the decision to purchase a service often depends upon an element of trust in the supplier–client relationship. To begin with, there is no (service) product to be examined prior to exchange. Furthermore, in many cases, there is scarcely any possibility of checking the quality of the service ex post. Moreover, once the services are supplied, they cannot be returned if the client is dissatisfied, although it might be possible to achieve remediation through the supply of additional services (Hermelin 1997). Even if the output from the investments in advertising and marketing is less well known, firms choose to buy such services for large sums. ‘There is a saying in advertising: I know that half of my investment in advertising is wasted. The problem is that I do not know which half’ (Schultz 20070419, translated into English).

The tradition of competition in this industry, whereby the best advertising campaigns are rewarded, may be understood as a way to rank advertising agencies qualitatively. These competitions are national and international. Media reporting on the advertising sector is very much focused on the results from such competitions and the resulting rankings of agencies. In these contexts, the best campaigns are those that the different juries judge to have the strongest creative and aesthetic qualities. The following is an example of media reporting on Swedish advertising agencies that considers the role and outcome from such competitions.

The Göteborg agency [Forsman and Bodenfors] is on a shared eighth position worldwide of the most-awarded agencies...Forsman and Bodenfors has never denied their desire to compete. This agency has one employee who on a full-time basis checks competitions and the statistics on which agencies receive different awards. Such

awards are incentives both for the employees in the winning advertising agencies and for their clients. In the last competition year, Forsman and Bodenfors has had most success from its web-based advertising campaigns (Lindholm 2006/8, no. 35, p. 16, translated into English).

There are several claims in the business press that Swedish agencies such as Forsman and Bodenfors, above, have strong international positions in web-based advertising campaigns. This refers to large and small agencies. (*Résumé* 2006/10, no. 40, p. 7; Willebrand 2006/9, no. 38, p. 16). The web-based advertising campaign is a dynamic and relatively young form of advertising and in this context it is interesting to note that the international advertising groups of Leo Burnett and BBH recently opened offices in the cyberworld 'Second Life' (Andersson 2006/10: no. 41, p. 33).

Conclusions

The aim of this paper has been to understand the space of flows of the advertising industry. The methods used have been a review of the literature and an analysis of empirical data. In these conclusions, the results from the empirical analysis will be related to the literature review. This paper is a work in progress and the results will be further developed and grounded in additional sources that will include primary data from interviews and/or questionnaires among actors in the advertising sector. Therefore, at this stage the four major conclusions presented below are tentative.

First, the advertising sector in Sweden is *strongly concentrated in the major city of Stockholm*. The empirical data illustrate a number of underlying factors contributing to the production of this pattern. Large cities offer a large labour market, which is important for professionals as it offers potential alternative employers, and it is important for employers to be able to recruit skilled staff. In addition, large cities offer proximity to a large market with many client firms and organisations. Major national cities are attractive places for inward foreign direct investments of international groups in advertising.

Second, looking at the organisational forms of advertising agencies in Sweden and in Stockholm, the development of *large international groups in advertising is evident*. More than half of the larger agencies located in Stockholm belong to international groups. Looking at the advertising sector from a 'service life cycle' (Tordoir 1995) model, this sector seems to involve both young and mature activities. Small new individual firms are established in competition with the agencies belonging to the large transnational groups. This situation may also be understood from the division of labour in the large groups, which leaves the creative responsibility to individual agents. Thus, the mode for organising the work with the design of individual advertising campaigns in the transnational groups' agencies may be rather similar to the small individual agencies. According to my sources, the most apparent economies of scale derived from the large groups seem to be in the more general management strategies and for bidding on new jobs that involves cooperation in pitching.

This leads into the third major conclusion, which is about the *national character of the advertising campaigns* that is also permeating the transnational organisations. The market and the media for the distribution of advertising campaigns still remain largely national. Nevertheless, this situation is not fixed or all-embracing, as agencies aim to expand in an international market with international clients.

The fourth point relates back to Thiel's (2005) description of the *second wave* of the advertising activities. The dominant picture drawn from the empirical sources for this paper is that advertising agencies compete and rely on their *creative capacity and creative skills*. Firms try to expand in the international market presumably for business reasons, but also to gain prestige and therefore advantage over competitors. To compete and win clients in the international market through creative capacity gives the agency an enhanced reputation. This

strong focus on creative qualities puts individual professionals in focus and underlines the importance of gaining awards from competition between advertising campaigns.

So what would be the short answer to the question for this paper: What is the geography of the relations of the advertising industry? The short answer is that *the relations and the spaces of flows are multi-scaled*. The local scale dominates (but is not exclusive) for the relations with employees and clients. The national scale dominates (but is not exclusive) for the media through which the advertising campaigns are spread and for contacts in the sector through business organisations and competitions. The international scale dominates (but is not exclusive) for the intra-organisational relations and the ‘reference spheres’ for agencies in the sector.

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