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ABSTRACT

An overview of the international expansion of advertising agencies based in the United States is presented in the first part of this paper. The various types of strategies used by the agencies in their expansion efforts are discussed along with some of the problems they have faced. The second part of the paper focuses specifically on the expansion of these agencies into Latin America. Data is presented on agency billings from 1960 to 1977 and the volume of billings of American agencies is compared with that of local agencies in Brazil, Venezuela, Mexico, and Argentina to demonstrate the dominant position that the American agencies occupy in the advertising industries of each of those countries. The effect of American advertising on the development of Latin American mass media systems is also discussed. (Author/FL)

Multinational Advertising Agencies in Latin America

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One of the most profound and well documented developments since World War II has been the growth of multinational corporations as global business enterprises devoted to the production and distribution of their products on a world scale. The expansion and operation of multinational corporations however was and is only possible in the context of an international system of communications devoted to their needs. As Warren J. Keegan points out in his study of international marketing "...multinational corporations could not exist in their present form without an extensive transportation and telecommunications network. The improvement and expansion of the technological capabilities will allow even further extension and growth of multinational enterprises." (14, pg. 548)

However these global enterprises not only must create world systems devoted to their informational or production needs, but they must likewise create world systems devoted to the marketing of their products. Multinational advertising and multinational advertising agencies represent a new form of communication system that is as important to multinational corporations as the computer and the satellite. Yet advertising is distinct from other forms of communication necessary to multinational corporations in that it is a form of mass communication which measures its success by the extent to which it can change the consumption patterns of large numbers of people. Its channels are the mass media and its effects go far beyond its function of sales promotion. This paper will examine the recent growth of multinational advertising agencies in an attempt to define some of the characteristics of their expansion. More important however, as advertising has often been cited as one of the major factors in the American dominance of mass communications in the developing world, this paper will further examine the growth and some of the characteristics and consequences of multinational advertising agencies in an important region of the developing world, Latin America.

While American advertising agencies had set up offices in other countries as early as 1899, previous to 1960 overseas advertising agency activity was characterized by a slow rate of expansion limited to a small number of American-based multinational agencies. The decade of the 1960's, however, witnessed phenomenal growth in the overseas advertising business. A study of fifteen large American multinational agencies (35) showed that in the forty-five year period 1915-1959 these agencies opened or acquired a total of fifty overseas branch offices. In the following twelve year period 1960-1971 a total of two hundred and ten overseas branch offices were opened or acquired, a four-fold increase in the number of foreign offices. According to one estimate (20, pg. 56), in 1960 American multinational agencies had billings outside the United States and Canada of $380 million. By 1970 multinational agency billings outside the United States totaled $1.8 billion and comprised 18% of the total billings of American advertising agencies (10.1 billion).[1] By 1977 foreign billings had increased to $5.8 billion, comprising 30% of American agency total billings ($19.4 billion). Gross income from overseas advertising business totaled $755.8 million, comprising 26% of the total gross income ($2.9 billion) for all agencies in 1977. Among the ten largest American agencies, foreign billings in that year accounted for 49% ($4.2 billion) of their combined total billings ($8.5 billion) and foreign gross income accounted for 50% ($627.1 million) of the combined gross income ($1.3 billion) of these ten agencies. Thus today, particularly for the larger multinational agencies, the foreign advertising is as important, if not more important as the domestic.

The major motive behind the international expansion of American agencies was the need to service corporate clients who themselves were expanding overseas. Two of the largest U.S. agencies, J. Walter Thompson and McCann-Erickson had large overseas networks as early as the 1920's with offices in Europe, India and Latin America. Their foreign operations were mainly oriented to providing advertising service to their respective clients General Motors and Esso, both early examples of multinational corporations. However up until the 1960's an agency's decision to expand overseas was motivated largely by what could be called defensive reasons. When a domestic client started to expand overseas, the agency was faced with the alternatives of either allowing a local agency overseas to handle the account (an option both the agency and client usually found unacceptable), allowing an American agency that already had an international network to handle the account, or opening or acquiring an overseas branch. Initially when multinational clients were the exception rather than the rule, the second alternative was the most common practice; but with the increasing importance of the overseas market to the client, allowing another agency to handle a client's international business became a risk. A good example of the dangers involved was illustrated when the D'Arcy agency which handled the advertising for Coca-Cola was unable to provide advertising service to Coca-Cola's overseas branches. The client turned to the McCann-Erickson agency to handle its international business. However it was not long before Coca-Cola dropped D'Arcy altogether, giving McCann-Erickson both its international and domestic advertising account (29).

While defensive motivations characterized multinational agency expansion before 1960, the vast growth of multinational agencies during the 1960's was characterized more by offensive motivations (35). By the early 1960's the vast post-war growth in domestic advertising volume had begun to taper off and while the United States remained (and will remain into the indefinite future) the world leader in terms of advertising dollars spent, total advertising volume would grow at approximately the same rate as the Gross National Product. Thus for many agencies during the 1960's the prospects and growth rates abroad, fueled by the development of new foreign consumer markets, became very attractive. By going overseas, not only could agencies service their domestic clients who themselves were going multinational, but they could also compete for the foreign accounts of other American-based multinational firms and for the advertising accounts of local foreign firms. In addition to the attraction of greater growth, there was also the attraction of higher profits. Overseas the salaries of advertising staff in the 1960's were as much as 70% lower than in the United States and the demand for sophisticated fringe services such as market research, package design and the like were not as great. Average agency profits during the 1960's were often twice of what they were in the United States (29, 18). Setting up offices overseas had the further attraction of freeing an agency from a total dependency on the level of performance of the American economy as a whole. During the 1970 recession domestic advertising billings declined one percent while the foreign billings of multinational agencies increased thirteen percent. The combined total domestic billings in 1970 of the ten largest multinational agencies declined $103.4 million from the previous year while their combined foreign billings increased $272.3 million (12).

In expanding overseas multinational agencies utilized one of four different strategies: either an agency started a foreign office from scratch, acquired an existing foreign agency, acquired or merged with another agency that already had a network of foreign branches, or acquired either a majority or minority interest in an existing foreign agency. Very large multinational agencies like J. Walter Thompson and McCann-Erickson who were well established overseas before World War II traditionally established their foreign offices from scratch, a strategy that had the advantage of giving the home office greater control and freedom in bringing in their own people and creating an agency tailored to the needs of the home office, or, in short, allowing the agency to develop their "own type of operation" which would give their whole foreign network greater uniformity in quality and expertise. The disadvantage of this method was that it took about five years for the foreign branch office to become profitable and full investment costs were usually not fully recovered until after eight years (20, pg. 60). Other large agencies such as Ted Bates which went international in the early 1960's tended to acquire hundred percent ownership in existing individual foreign agencies. The advantage of this method was that the multinational agency was in a position to acquire an ongoing, presumably profitable, enterprise with an already existing list of clients to which the multinational agency could add their own. The disadvantage of this strategy, however, was that the multinational agency usually acquired a staff with local advertising perspectives, techniques and habits that may not have been appropriate to the needs of the head office. A third manner for acquiring overseas branches was for a large American agency to either acquire or merge with an already existing multinational agency. For example in 1964 the American agency Ogilvy, Bensen & Mather merged with a British agency that had offices in Europe and Canada to form Ogilvy & Mather International. Leo Burnett, the Chicago-based agency, bought the twenty-one foreign offices of the London Press Exchange in 1969, making it the world's sixth largest agency. In a similar move that same year, SSC&B Inc. bought a forty-nine percent interest in Lintas, the London-based agency that had twenty-six offices around the world. Generally these three strategies for expansion were costly, requiring a large initial investment. In order to finance these types of large scale expansion, a number of agencies had to go public, selling shares of stock in order to raise the necessary capital. Among those agencies that have gone public are J. Walter Thompson, Doyle Dane Bernbach, Grey Advertising, Ogilvy & Mather International, Foote, Cone & Belding and the Interpublic Group of Companies (the holding company of McCann-Erickson), all agencies with large international networks.

The fourth method of acquiring a foreign office was to buy an interest in an existing firm, a course of action that involved less initial investment required with the other three strategies of expansion. While partial interest in an existing foreign agency gave the multinational agency the capability of servicing an international client (which was often the initial reason for this type of acquisition), it also meant a smaller amount of control. There was, however, a tendency once a multinational agency had partial interest to increase its interest towards total ownership (35).

Along with the financial and organizational issues involved in international expansion, multinational agencies were also faced with numerous problems stemming from operating in different cultural environments. One of the major problems facing multinational agencies was the issue of the use of internationally standardized advertising campaigns for products that were marketed internationally versus developing advertising campaigns specifically for each national market (7, 8, 9, 10, 22, 23). The attraction of international standardized advertising to multinational agencies is obvious. In utilizing a standardized campaign, an agency would save on the cost of not having to develop a different campaign for each national market. Equally important, a successful international campaign creates an international identification for the product, it becomes something that is "known throughout the world." The very successful "Put a Tiger in your Tank" campaign for the gasoline products of Esso is perhaps the most notable example of how a standardized advertising campaign could create an image for a product that spanned numerous cultures.

The argument for international standardized advertising was based on the assumption that cultural differences among nations were not as significant as the similarities and that consumers and potential consumers throughout the world shared the basic goals and desires to which standardized advertising could appeal. As noted in the mid-1960's by one proponent of standardized advertising Arthur C. Fatt, then head of Grey advertising,

> "The key word is 'universal.' A campaign suitable for international use must promote a product of universal appeal. But what are universal appeals?
>
> "Most people everywhere, from Argentina to Zanzibar, want a better way of life for themselves and for their families. The intensity of this aspiration varies not only with the country but with the specific segment of a country.
>
> "The desire to be beautiful is universal. Such appeals as 'mother and child,' 'freedom from pain,' 'glow of health,' knows no boundaries.
>
> "In a sense the young women in Tokyo and the young women in Berlin are sisters not only 'under the skin,' but on their skin and their lips and fingernails, and even in their hairstyles. If they could, the girls of Moscow would follow suit; and some of them do." (10, pg. 61)

However there are numerous examples of standardized campaigns that failed. A multinational agency passed on to this Italian branch office an advertising campaign that centered around the splendours of ancient Rome only to find that such an appeal evoked memories of Mussolini and the whole campaign failed (18). And while those in the head offices of multinational agencies tend to be more optimistic about standardized advertising, research conducted on the use of standardized advertising by multinational agencies (7, 8, 23) generally show that branch managers of multinational agencies, those confronted with the actual process of producing ads for specific countries, will more or less use whatever they feel will work in a particular market. Much of the material emanating from the home office is rewritten, redrawn or completely scrapped and redone in order to fit the character of the local market. However this should not suggest that multinational advertising is produced in such a manner that it perfectly complements or reflects the culture of the society in which it is used. While most of the branch managers do not support the concept of standardized advertising in its extreme form, the great majority do feel that "basic appeals" such as beauty, health, family, the good life, etc. can be successfully utilized in a number of different markets (7). Furthermore it should be noted that advertising is trying to persuade people to buy products that in themselves have cultural connotations. As these "basic appeals" are translated into specific advertisements they usually reflect an American version of such desires: "beauty" is translated into buying Lady Clairol shampoo, "health" is translated into buying a fancy packaged box of Kellogg's dry cereal, and so on.

A lack of "cultural fit" with regards to advertising is probably most noticeable in non-Western lesser developed countries. A study of advertising content in the Philippines in which nine cultural parameters such as male-female roles, social class, racial images, etc. were defined and compared to the corresponding images in advertising content concluded that "...the advertising portrayals is almost wholly the antithesis of the actual culture." (19) As could be expected the findings showed that the cultural content of the Philippine print-media advertising reflected more Western notions of the defined cultural parameters. Thus even when advertising managers profess to be truly sensitive to a local culture, the entire institution of international advertising, the products which it sells and its basic consumerist message act against the creation of a complementary image of the society in which it operates.

As with any rapid economic expansion, elements of inefficiency and bad judgments are rampant. While the 1960's were characterized by large number of American agencies making the decision to expand overseas, the decade of the 1970's is a period of consolidation and retrenchment. While the combined yearly billings of multinational agencies continued to increase, many of the smaller multinational agencies with perhaps two or three offices overseas withdrew from the foreign market due to the fact that in order to be a successful multinational, an agency needs offices in almost all of the important countries of Europe, Latin America, and the Far East, a requirement that all but the largest multinationals are prepared to meet. In 1970 Advertising Age listed fifty-eight agencies that had international billings; by 1977 that number had dropped to thirty-six. The very large multinationals like J. Walter Thompson and McCann-Erickson will remain and continue to grow. Owing to further consolidation and mergers, advertising industry representatives forecast that (18) there will be as few as eight large multinational agencies handling the international accounts of multinational clients. While that projection may perhaps be extreme, it nevertheless points up the fact multinational agencies will continue to grow as an important form of international mass communication.

While the bulk of multinational advertising activity is located in the developed countries-68% of the combined total foreign income of the top three multinational agencies in 1977 were from their operations in Western Europe, Japan, and Canada- multinational agencies conduct a substantial amount of business in the developing countries of the world. While in the Western countries and Japan multinational advertising operates within the context of an already existing consumer society with high living standards and levels of consumer spending and with economic and political stability relatively assured, in developing countries multinational agencies face an entirely different set of problems associated with low levels of consumer spending, unequal income distribution and economic and political instability. Moreover the social, economic, and political consequences and effects of multinational advertising, a very modern and sophisticated form of mass persuasion, are far different than what they are in the developed countries. An examination of the growth of multinational advertising in Latin America and a consideration of the problems and consequences involved with agency growth and activity in that region would serve to illustrate some of the issues associated with multinational advertising and developing countries.

Historically Latin America has been a very important area of North American economic activity and investment. As early as 1870 North American companies had invested both money and skill at one time or another in every Latin American country (4, pg. 7). While in 1880 the book value of direct North American investment amounted to approximately $100 million, by 1897 this amount had tripled and by 1914 it had grown to $1.7 billion, making the United States the largest foreign investor in Latin America after Great Britain ($3.7 billion) (32, pg. 14). The bulk of American investment was in extractive industries such as mining (43.5%) and oil (10%) with other large investments in agriculture (18.7%) and railroads (13.7%). Prior to World War I the majority of these investments were in Mexico and Cuba, however the War restricted the flow of European investment capital into the region, thus providing an opportunity for North American businesses and capital to greatly enlarge the scope and extent of their investments. By 1929 the United States held 40% ($3.5 billion) of all foreign investment in Latin America, a figure which accounted for approximately 41% of total North American world wide investments (4, pg. 10). Likewise in filling the void left by European investors during the War, the locus of new North American investment shifted from Central America and the Caribbean to Colombia, Venezuela and South America in general. The Depression and World War II temporarily halted the expansion of U.S. investment, but the decades after World War II saw a tremendous upsurge with total value of U.S. direct investment growing from $3.1 billion in 1946 to $8.2 billion in 1961 and by 1970 to $12.3 billion (36, pg. 252). Along with this growth there was a shift in investment patterns, with much of the new capital going into investments in the manufacturing sector. In 1945 U.S. investments in Latin American manufacturing accounted for approximately 14% of North American investment in the region. By 1966 the manufacturing sector held 31% of all U.S. investments (36, p. 255). By 1977 with U.S. investments totaling $18.7 billion, investments in the manufacturing sector totaled $9.3 billion or 50% of total U.S. investment in the region (33, pg. 28).

The significant aspect of this brief overview of North American economic activity in Latin America is the manner in which the shift in the nature of U.S. investments and economic activity reflect the changing needs and nature of the U.S. economic system as a whole.. Prior to World War I major North American investments were in agriculture, mining and oil, reflecting the need on the part of North America for raw materials and agricultural goods. After World War II manufacturing investment began to become important, reflecting the need on the part of American business for new markets and outlets for profitable capital investments. The rise of multinational corporations after World War II was a response both to the need for even greater investment opportunities plus the need to produce and market consumer and industrial goods as the major form of economic enterprise.

As the nature of North American activity and investment changed, so also did the communication needs of American and other foreign interests in Latin America. During the period when raw material extraction and agricultural production were the major forms of foreign business enterprise in Latin America, a significant portion of foreign investments were in railroads, railroads that were built to serve the needs of foreign capital by linking the major mining and agricultural production sites to port facilities. One of the earliest uses of radio in Latin America was the radio link built by the United Fruit Company between Costa Rica and Panama. With the rise of multinational corporations engaged in manufacturing and marketing activities in Latin America, the need quickly arose for one of the major necessary communication complements of such activities, advertising.

Just as there was a tremendous rise in American based multinational investments in the manufacturing sector in the 1960's, there was likewise a vast increase in the investments and billings of multinational advertising agencies. Table 1, based on information from Advertising Age's annual survey of foreign advertising agencies, summarizes the increase both in billings and in the number of offices established by American multinational advertising agencies in Latin American countries (only the first office opened in each country is counted). In 1960 there were eighteen offices of multinational agencies with total billings of approximately $19 million. These figures for the most part represent the presence of the J. Walter Thompson and McCann-Erickson agencies, both of which had established offices in Latin America before World War II. By 1970 there were a total of sixty-nine multinational agency offices with total billings of approximately $257.5 million, a thirteen and a half times increase since 1960. By 1977 total multinational agency billings had increased to $462.7 million, an approximately 80% increase over 1970 while the number of offices had declined to fifty-six, thus representing the continual growth of agency billings and the consolidation that was occurring among some offices. Although multinational agencies were active in every Hispanic country of Latin America except Paraguay, the bulk of their business was concentrated in Brazil, Venezuela, Mexico and Argentina, the combined total billings of these four countries comprising approximately 90% of the total Latin American multinational billings in 1977. Furthermore among multinational agencies the bulk of the billings was concentrated in the larger agencies. Although there were fifteen multinational agencies operating in Latin America in 1977, the five largest J. Walter Thompson, McCann-Erickson, Kenyon and Eckhardt, Leo Burnett, and Grey Advertising accounted for 66% of the total billings and 64% of the total income of multinational agencies. The two largest agencies J. Walter Thompson and McCann-Erickson together accounted for 40% of the total billings and 39% of the total income of Latin American multinational agencies.

While the overall billings of American multinational agencies in Latin America have grown steadily through the years, the billings of individual countries sometimes have experienced periods of decline. While this is generally due to devaluations of the local currency (such as in Mexico in 1976), which reduce the dollar amount of the reported billings, other factors often play an important role in the significant fluctuation of multinational agency billings. For example in Mexico the subsidiary of the multinational agency Needham Harper and Steers, Romero Needham S.A., had billings of $8.4 million in 1975. However in 1976 the president of the subsidiary, a Mexican who had earlier merged his own agency with Needham to form the subsidiary, resigned and again set up his own agency, taking with him from Needham all of the key executives and 75% of the subsidiary's billings. Faced with this situation Needham closed down its Mexican office (21).

Often more important however are the economic and political conditions of the various countries which affect the local advertising business. For example multinational agency billings during the Allende government in Chile declined drastically from $9 million in 1970 to $.4 million in 1974. Due to the unfavorable political and economic environment, the countries two largest multinational agencies McCann Erickson and J. Walter Thompson (whose combined 1970 billings totaled $7.1 million) closed their Chilean offices. In 1975 after the military coup replaced Allende, J. Walter Thompson opened its Chilean office and by 1977 it reported billings of $6.7 million. In addition its public relations unit had taken an assignment from the Chilean military junta of improving the junta's world wide image (15).

Multinational advertising agency billings in Argentina declined precipitously from $41.7 million in 1970 to $12.6 million in 1975. This decline was due to a number of factors such as the high rate of inflation in Argentina during those years, a series of currency devaluations, an unstable climate for foreign investment and legislation passed during the brief Campora government limiting the amount of ownership a multinational advertising agency could hold in agencies in Argentina. However the March 1976 coup brought into a power a government committed to taking strong measures to improve the economic climate for foreign investment (16). In May 1976, in his first public appearance since the March coup, Junta President Jorge Rafael Videla addressed the 25th World Congress of the International Advertising Association being held in Buenos Aires. Centering on the need for self-regulation within the advertising profession, he compared the advertising profession to the development of government, noting that "there is no democracy without freedom. But without responsibility, there is nothing, only disorder and chaos." (1) By 1977 multinational agency billings had climbed to $44.6 million. Similarly as in Chile, the Argentine government engaged Burson Marsteller, the public relations unit of the large multinational advertising agency Marsteller Inc., to undertake a world wide campaign to improve the image of the government (13).

While it is possible to get a definite picture of the growth and size of American based multinational advertising agencies in Latin America, it is more difficult to place their activities in the perspective of the total Latin American advertising agency business. In most of the latin American countries locally owned and operated advertising agencies, some of them quite large, do a fair amount of business. Unfortunately there are no reliable figures reporting the total amount of advertising agency billings (both multinational and local agencies) in any one country. A rough comparison however can be made based on the agency billings reported in Advertising Age's annual survey of foreign agencies. While these listings are by no means complete, they have become in recent years a reliable guide to the largest and most important agencies in each country.[2] Overall 1977 Latin American agency billings totaled $686.8 million, of which multinational agency billings comprised $462.7 million (67%) and local agency billings $224.1 million (33%).[3] In that year total income of all Latin American agencies amounted to $122.6 million of which multinational agency income comprised $78 million (64%) and local agency income $44.6 million (36%). In looking at the figures for the four countries where the bulk of the multinational agency investment and business is located, Argentina, Brazil, Mexico and Venezuela (Table 2), multinational agencies account for more than half the billings and income in each of these four countries. Multinational agency share of billings and income is lowest in Mexico (54% and 55% respectively) and highest in Venezuela (94% and 93% respectively).

While a listing and comparison of billings may give a general idea of the degree to which multinational agencies dominate advertising in Latin

TABLE 2

MULTINATIONAL AND DOMESTIC AGENCY BILLINGS AND INCOME IN ARGENTINA BRAZIL, MEXICO, AND VENEZUELA, 1977, (US $000,000)*

	Argentina	Brazil	Mexico	Venezuela
Multinational Agency Billings	44.6 (72%)	239.0 (64%)	62.5 (54%)	69.8 (94%)
Domestic Agency Billings	17.6 (28%)	131.9 (36%)	52.4 (46%)	4.7 (6%)
Total Agency Billings	62.2 (100%)	370.8 (100%)	115.0 (100%)	74.5 (100%)
Multinational Agency Income	7.1 (76%)	43.9 (58%)	9.3 (55%)	10.7 (93%)
Domestic Agency Income	2.3 (24%)	31.5 (42%)	7.6 (45%)	.8 (7%)
Total Agency Income	9.3 (100%)	75.4 (100%)	16.9 (100%)	11.5 (100%)

*Because of rounding, column figures do not necessarily total.

America, this says little about the effect of these agencies on the whole of national advertising. Because of their high level of creative sophistication and innovation, multinational agencies more or less set the criteria by which all advertising production and services in a country are measured. Not only must Latin American national agencies provide the services multinational agencies provide such as marketing and audience research, they must also reproduce the quality and style of multinational advertising in order to remain competitive. Geraldo Alonson in explaining why his agency Norton, one of the biggest national Brazilian agencies, was becoming part of International Needham Univas noted, "It is important to establish an international connection with an American agency. It's not reasonable for us to keep our position in Brazil without knowledge from the U.S." (2) Another very important way in which multinational agencies affect national advertising practices is through their dominance of national and regional advertising associations. Often multinational agencies are the driving force behind the creation of such associations and set the criteria for agency accreditation.[4] Thus the effect of multinational agencies in Latin America goes far beyond their dominance in billings. In a very real sense through the transference of skills, practices and outlooks, they shape the style, method and purpose of all Latin American advertising.

While much of the products advertised by multinational agencies are aimed at the relatively small upper and middle classes of Latin American countries, there has been a great deal of interest in recent years to advertise and market goods aimed at lower -lowest income groups who make up the majority of the population in most Latin American countries. While these sectors live in poverty their aggregate disposable income makes them an attractive market for low priced goods and appliances. Reviewing a report of the Peruvian Ministry of Labor concerning the slums of the cities of Peru, the Journal of Marketing noted "...established conventional retailers have so far tended to decry the existence of such shanty towns, or ignored them altogether. This is probably a mistake, because residents of shanty towns have relatively low housing costs, they can therefore spend most of their income on food, home appliances, and textiles. This is exactly what the report shows: Lima slums are vastly understored. Consumers are eagerly waiting for an opportunity to turn their respectable amounts of discretionary income into mass produced and mass distributed goods and services." (27)

The introduction of installment purchasing in many larger cities of Latin America has greatly facilitated the sales of appliances, especially televisions among the large segments of the urban poor. A marketing study done in Sao Paulo, Brazil showed that 67% of the market consisted of persons with less than $500 annual per capita income and roughly 85% of their purchases of appliances and televisions were financed through installment credit (5). Packaged food products and soft drinks are other products that are heavily advertised among the lower income segments of the population. American brands of soft drinks have replaced domestic brands (which were often of higher nutritional value), as the most popular drinks. In Mexico American brands control about 75% of the soft drink market with Coca Cola alone supplying app. 42%. In Brazil which had a strong domestic soft drink market that was based on the country's large orange crop, Coca Cola and Pepsi have already captured 40% of the market and foresee tremendous future growth (17, pp. 113-114).

Questions about the overall effects of multinational advertising on the cultures of Latin America are difficult to frame, much less answer.[5] One could perhaps envision the creation of an international consumption community (28), consisting of segments of the population, mostly upper and upper middle classes, of each country who regularly consume similar products according to the promptings of similar advertisements. Members of such communities would have more in common in terms of consumption preferences and cultural perspectives with similar consumers in other nations than with their fellow country-people of a different class, thus contributing to a process of national disintegration. On the other hand one perhaps could see the effects of the activities of multinational agencies as contributing toward a general process of cultural homogenization (24, 25) that would destroy a country's capability of producing and maintaining viable and meaningful national culture and would reflect a country's incorporation into the international system of dominance and dependence.[6]

While the overall effects of advertising on national cultures is an issue that requires much further research and discussion, the role of advertising in shaping modern mass communication systems in Latin America, particularly broadcasting, is much more clear and defined. Along with North American multinational corporations both North American advertising and broadcasting corporations were attracted to the Latin American market. In the 1930's both NBC and CBS began developing programs for shortwave broadcasting and local station rebroadcasting in Latin America with the hope of creating a Latin American radio network of affiliated stations on which time could be sold to major North American corporations who were doing business in Latin America (6). Up until 1939 however FCC regulations prohibited commercial shortwave broadcasting and both networks devoted their efforts to non-commercial broadcasting of popular American radio programs such as the "Ford Sunday Evening Hour," "American School of the Air," "Calvacade of America," and broadcasts of the New York Philharmonic, thus building the organizational aspects of a Latin American Network plus an audience. In 1939 the FCC changed its rules prohibiting commercials and both networks began to sell time to American advertisers. NBC presented one of the most successful of these early programs in February 1940 when it broadcasted the Joe Louis-Arturo Godoy heavyweight fight sponsored by Standard Oil of New Jersey.

However World War II stopped any further development of this commercial broadcasting and the U.S. government gradually came to dominate the programming to these Latin American networks as part of an effort to counter Axis propaganda in South America. This led to government dominance of the international airwaves after World War II and most of the international programming eventually ended up in the hands of Voice of America. The two major networks did not contest this transition to government dominance after the war as it was then evident that with the advent of television, most of their effort and capital would have to go into developing television broadcasting and programming in the U.S. Nevertheless the efforts of NBC and CBS in trying to organize commercial networks in Latin America on which they could sell time to American advertisers prefigures similar efforts twenty-five years later with regards to television.

Although television was developed in Latin America mostly by local initiative and capital, of the major networks it was ABC which took the greatest interest by giving technical assistance to many of the new developing stations. ABC likewise began early experimentation with Latin American programming with the production of the show "Meet the Professor" (in Spanish), but ran into conflicts with their customer stations concerning the nationality of the professor as each country wanted the professor to be of its own nationality; the program was soon dropped. Also at this time (the early 1950's) ABC entered into association with private interests in Mexico for the production of soap operas for Mexican television (11, pp. 13-14).

Although both NBC and CBS had earlier experience in Latin American broadcasting with their radio networks, ABC took the greatest initiative and action in trying to develop a Latin American network of stations. This was primarily due to the fact that ABC was in the weakest position with regards to U.S. network television and saw a profitable opportunity in overseas expansion. NBC and CBS, along with Time-Life, Inc. later in the 1960's attempted expansion into Latin American broadcasting, but this proved to be unprofitable and they later withdrew although both networks still maintain interests in a number of production companies.

In 1960 ABC invested in five Central American television stations, one from each of the five Central American countries, and formed the Central American Television Network (CATVN). However equity investment was not the main thrust or goal of ABC's efforts as the network was more interested in constructing a network of closely affiliated stations to whom it could sell its own programs. ABC provided financial support, technical and administrative services, personnel training, a program buying system, and also acted as the stations sales representative. Advertising sales for CATVN were centralized through ABC International with the hope of selling advertising time on a bloc basis to American companies doing business in Latin America. Later in 1968 ABC formed the LATINO network which included affiliated stations in Venezuela, Ecuador, Uruguay, Argentina, Chile, and Mexico with the same type of centralized sales system. ABC thus attempted to centralize three essential and profitable tasks; program buying, sales representation, and network planning. The way this worked, according to one account was that "...ABC (could) sell Batman to an advertiser and then place Batman along with designated commercials in any (ABC) Worldvision country where the advertiser wants it to appear." (30, pg. 33) In effect ABC was attempting to create a centralized world wide advertising network, which conflicted with what multinational agencies were trying to do. As one report in Television (1966) noted "...ABC's approach is the reverse of what the agencies are doing. ABC is attempting to create a single world-wide medium that an international advertiser can buy in a centralized way, while advertising agencies are attempting to spread their services around to bring them closer to the variety of media around the world. Both, however, are banking on the existence of a sizable group of international companies with marketing plans that cover large portions of the globe." (30, pg. 61)

In this conflict between ABC's centralized advertising system and the multinational agencies decentralized system of advertising, it was the methods of the multinationals that finally prevailed as the branch offices were able to offer more careful consideration and planning in tailoring the ads of their multinational clients to specific markets. Eventually ABC withdrew from the function of a centralized sales representative although it is still active in program selling and maintains an interest in a number of production companies. Although the major networks did not initiate or totally develop Latin American radio or television, they had a significant influence on their development as primarily commercial media. It was the profitable opportunity of selling American programs to Latin American stations and advertising to multinational corporations that prompted American networks in their expansion into Latin America; and although their hopes of creating a centralized Latin American broadcasting system did not materialize, their efforts did have a crucial effect on the manner in which Latin American television developed.

Today advertising, shaped and encouraged by multinational advertising agencies is a very important part of the Latin American communication system. It was the demands of advertising, particularly the advertising of multinational corporations that shaped the commercial development of television in Latin America. The overwhelming majority of Latin American radio and television stations, both private and government owned are financed through advertising revenue (31). The advanced and sophisticated Latin American multinational agencies are the major utilizers of broadcast advertising, expending on the average of 65% of their advertising budget in 1977 on radio and television advertising with some agencies as much as 90%. Together with local broadcasting station owners and multinational corporate advertisers, multinational agencies form a tight and powerful interest group that make any attempt to alter the existing structure of the Latin American mass media in line with more general social or cultural goals problematic.

Notes

1. Unless otherwise indicated, data on agency billings and income have been compiled from Advertising Age's annual survey of domestic and international agencies which is reported in the annual International Agency and Domestic Agency issues of Advertising Age for the years selected.

2. In 1972 there were approximately 28,000 advertising agencies in the United States. 96% of these agencies reported billings of under $1 million each and accounted for 24% of total billings. Twenty-five agencies, with billings over $100 million each, accounted for 47% of total billings and almost 18% of total employment (34, pg. A-16).

3. Excluding Uruguay whose local agencies reported only income. Furthermore such figures do not seem reliable.

4. At the 25th World Congress of the International Advertising Association (IAA) noted above, representatives of Latin American advertising agencies created a Latin American Secretariat within the IAA to assist the development of the advertising profession in Latin America. Heading the new Secretariat was Mauro Salles, president of the Brazilian agency Mauro Salles/Inter-Americana Publicidade, a branch of the multinational agency Kenyon and Eckhardt (3).

5. As noted by Salinas (24), mass communication research concerning the questions of international communication imbalances have yet to successfully address the issues involved in the effects of such imbalances on the national cultures of developing countries. For a discussion and tentative formulation of such issues see Salinas (24), Salinas and Paldán (25), Schiller (26) and Sunkel and Fuenzalida (28).

6. The assumed effect of advertising and consumption on muting or supplanting political or social unrest does not go unnoticed among some advertising agency executives. In Brazil for example, where an authoritarian government has been in power since 1964 and where 64% of the population is under twenty-five, Pepsi-Cola, in challenging the dominance of Coca-Cola in the soft drink market, utilized a strategy that would make consumption a pseudo-political act. The Mauro Salles/Inter-Americana agency, a branch of Kenyon and Eckhardt, which handled the Pepsi account, adapted the standard "Pepsi Generation" theme, but with one significant change: in Brazil it was the "Pepsi Revolution." Explained the agency executive who handled the account, "In this country the youth don't have protest channels; the present generation didn't receive any political or social education. It is protest through consumption. The teen-ager changes from the old fashion Coca-Cola and adapts Pepsi, the Pepsi with the young and new image, and he is happy, because he is young and young people drink Pepsi." (17, pg. 122).

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