

ADVERTISING ON THE EDGE



The
Economist

In a recession, **budgets get**



Why do clients do this?



“When you say we need to save X million, the easiest, immediate place to get it is marketing. It is unspent and uncommitted.”

– Neil Sussman, Marketing Director, De Beers Diamond Jewellers

and because it's
a good
SHORT-TERM
FIX...



There is a sentiment that marketing spend can always be increased again later, without any lasting damage.

As you might
expect:

we don't think this is a good idea.

Why?

REASON 1:

Beacuse marketing is a part of
the ***solution***,
not the problem.

REASON 1: *Marketing is key*

79%

believe

*marketing is no longer dispensable.
It is a **key part** of the business plan.*

*Source: Advertising on the edge
Economist Intelligence Unit survey conducted on behalf of The Economist Group*

REASON 2: *because what you* **sacrifice** *now,*

you pay for later.

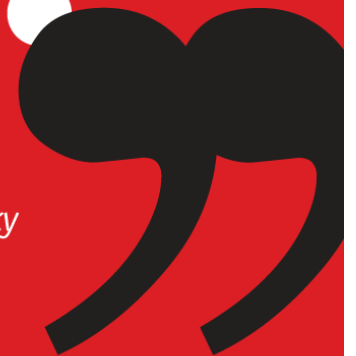
REASON 2: *Short term benefit, long-term risk*



If I stop advertising for two months, sales won't drop, but they will be hit three or four months down the line.

People tend to make this mistake in a recession.

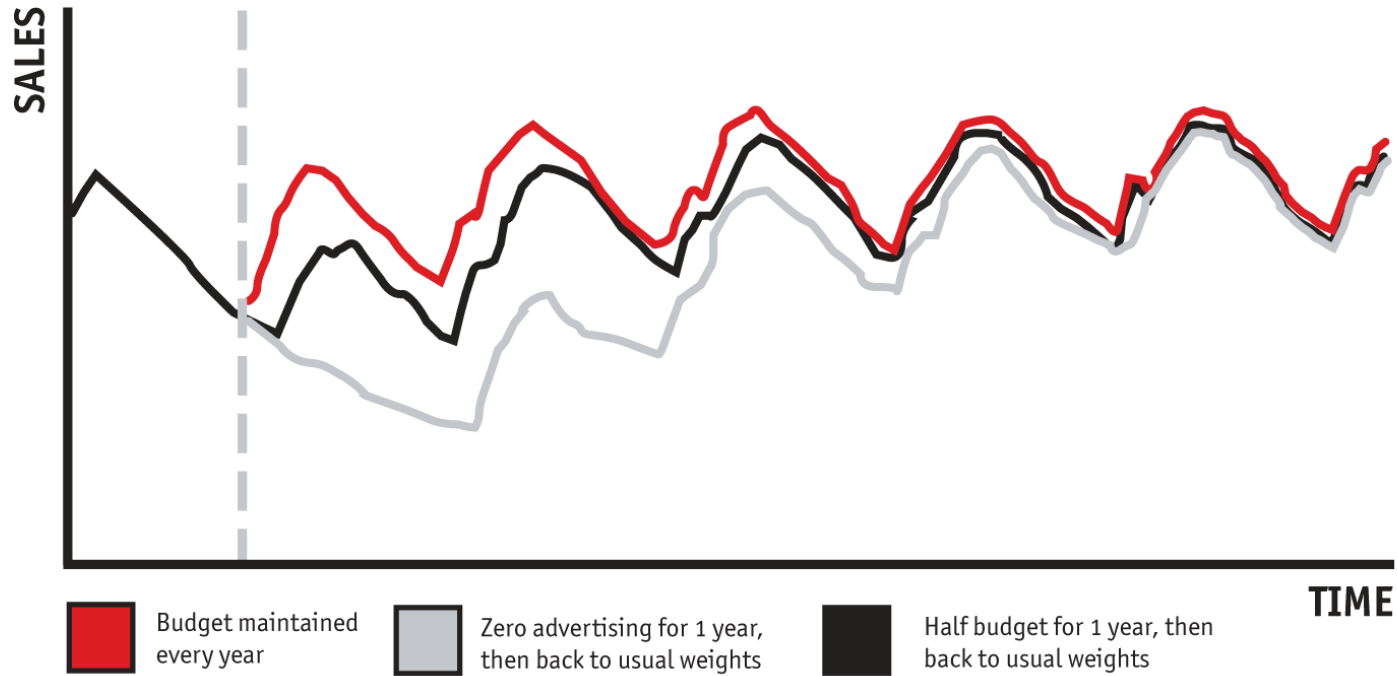
**IT IS THE WRONG
TIME TO CUT.**



- Vikram Mehra, CMO, Tata Sky

REASON 2: Short term benefit, long-term risk

Long term case history



	BUDGET SAVED	SALES FOREGONE	PROFIT FOREGONE	BOTTOM-LINE LOSS	TIME TO RECOVER
Zero budget year 1	£1.8m	£8.6m	£3.5m	£1.7m	5 years
Half budget year 1	£0.9m	£4.3m	£1.7m	£0.8m	3 years

ROI defined as the increments revenue generated from advertising per unit of spend

REASON 2: *Short term benefit, long-term risk*

“If you turn off the engines of a plane flying at 36,000 ft, it does not drop out of the sky. Indeed, as far as the pilot and passengers are concerned, life continues as normal with the plane only very gradually losing altitude.

It’s exactly the same with brands..”

– *Moray MacLennan, **How to get ahead in a recession**,
IPA President, Chairman M&C Saatchi Europe*



REASON 3:

it can do serious

Damage  **TO A BRAND.**

REASON 3: *brand protection*



We will be investing in

brand-building

consistently for the downturn.



- Neil Sussman, Marketing Director, De Beers Diamond Jewellers

BRAND STRENGTH

Value to consumers is not based on price alone.

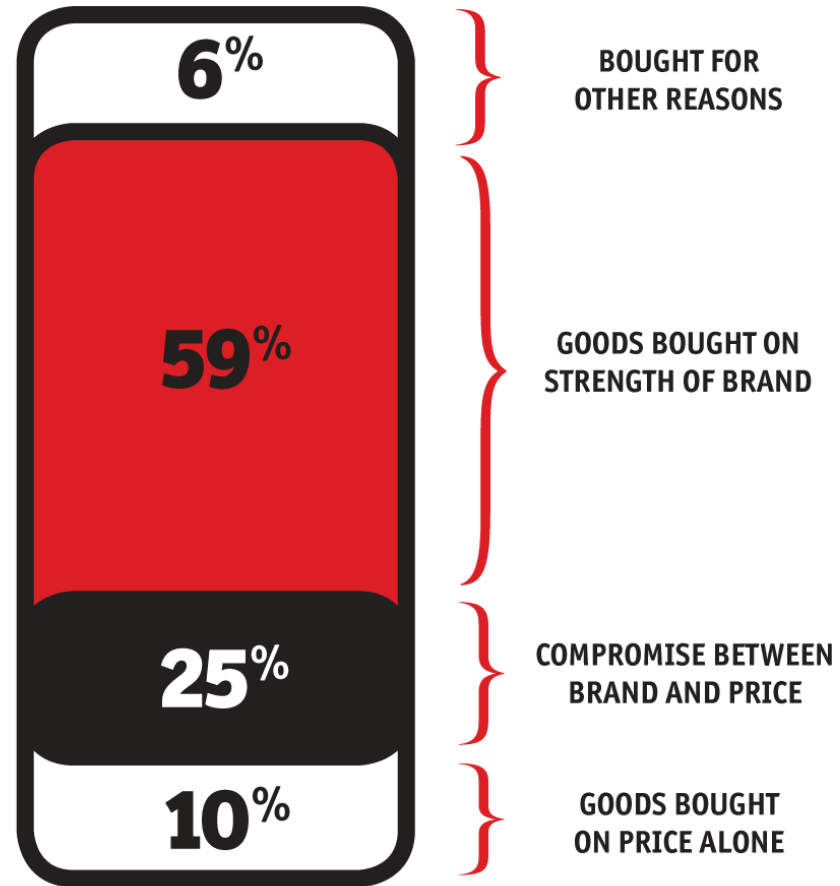


REASON 3: *brand protection*

Source: Milward Brown, BRANDZ UK 2007, 33 categories, 500+ brands, 6,000+ consumers

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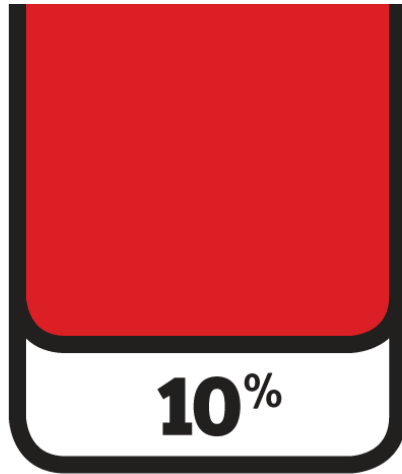
REASON 3: *brand protection*



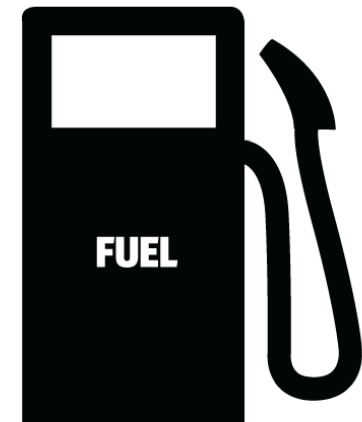
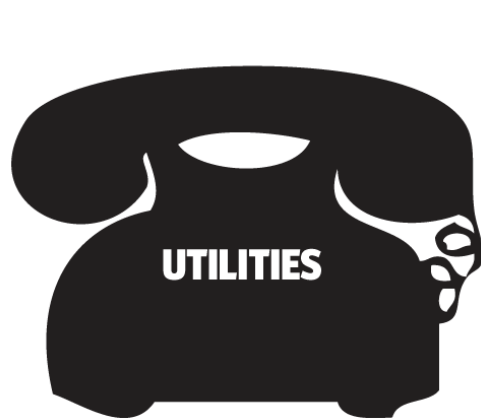
Most sensitive to
economic changes

Source: Milward Brown, BRANDZ UK 2007, 33 categories, 500+ brands, 6,000+ consumers

REASON 3: *brand protection*

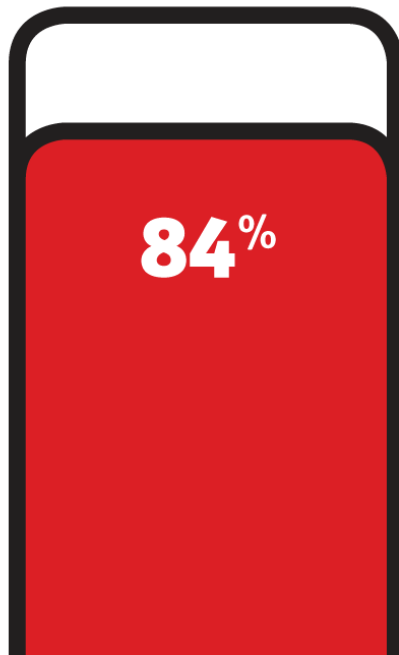


PRICE driven purchases:



Source: Milward Brown, BRANDZ UK 2007, 33 categories, 500+ brands, 6,000+ consumers

REASON 3: *brand protection*



BRAND driven purchases.

Source: Milward Brown, BRANDZ UK 2007, 33 categories, 500+ brands, 6,000+ consumers

REASON 4: *it's a*

golden

opportunity.

REASON 4: *gain market share*



Brands that ***increase advertising*** during a recession, when competitors are cutting back, can improve market share and return on investment at lower cost during good economic times...



- Prof John Quelch, Harvard Business School

REASON 4: *gain market share*



There's never a better time to steal market share than in a recession.

In the Great Depression, W K Kellogg continued marketing his cereals as all his rivals were cutting back; in doing so, he pulled ahead of Post Cereals in sales, a change that has never been reversed.

REASON 4: *gain market share*

**NOW IS THE TIME TO
GO IN FOR THE KILL.**

- Vikram Mehra, CMO, Tata Sky



REASON 4: *gain market share*

**GETTING INSIDE A
CUSTOMER'S HEAD**

This is a typical premium car customer. What voices does he have in his head?

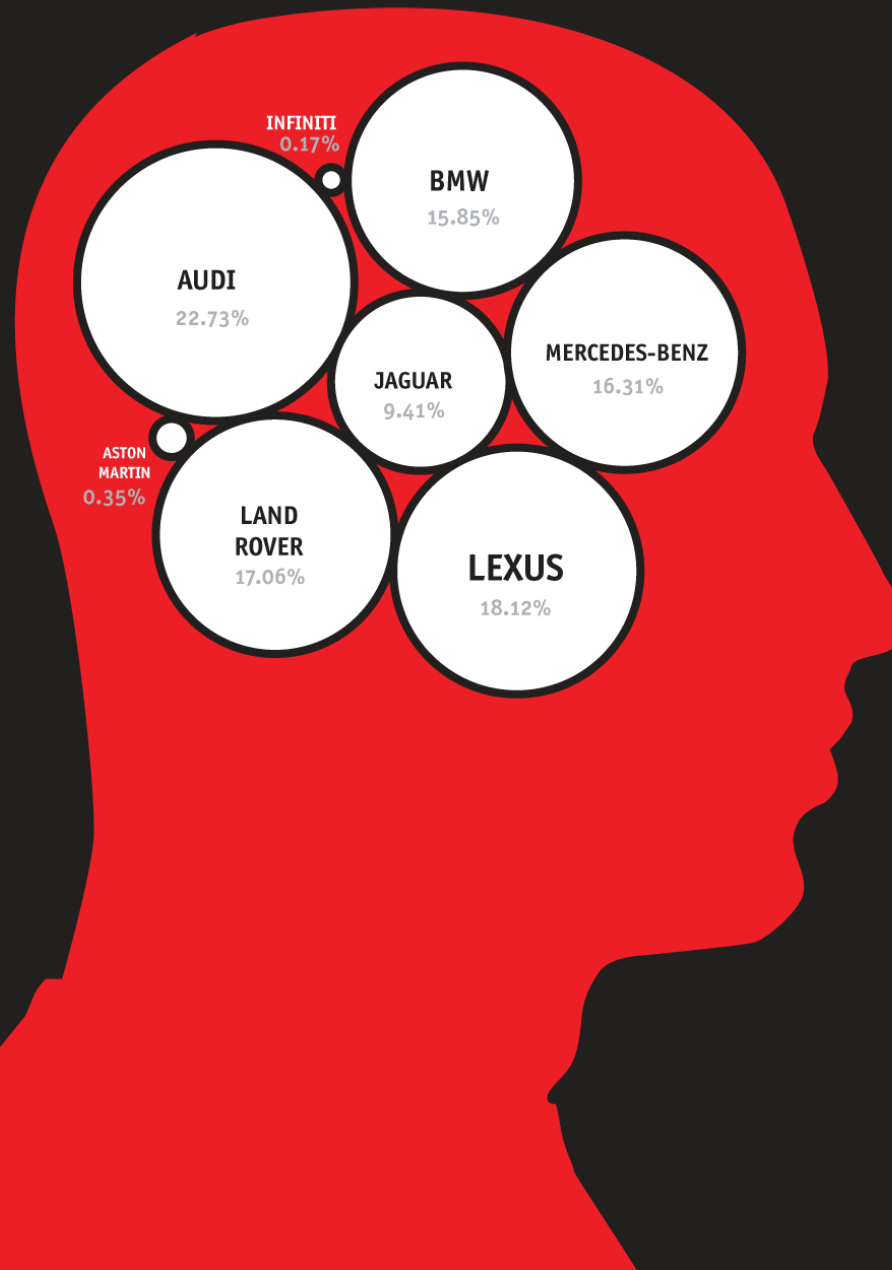


REASON 4: *gain market share*

SHARE OF VOICE

This is the adspend for 2008 (to date) for most premium car manufacturers.

Now imagine in a downturn every company cuts its marketing spend by 10% – except for BMW.



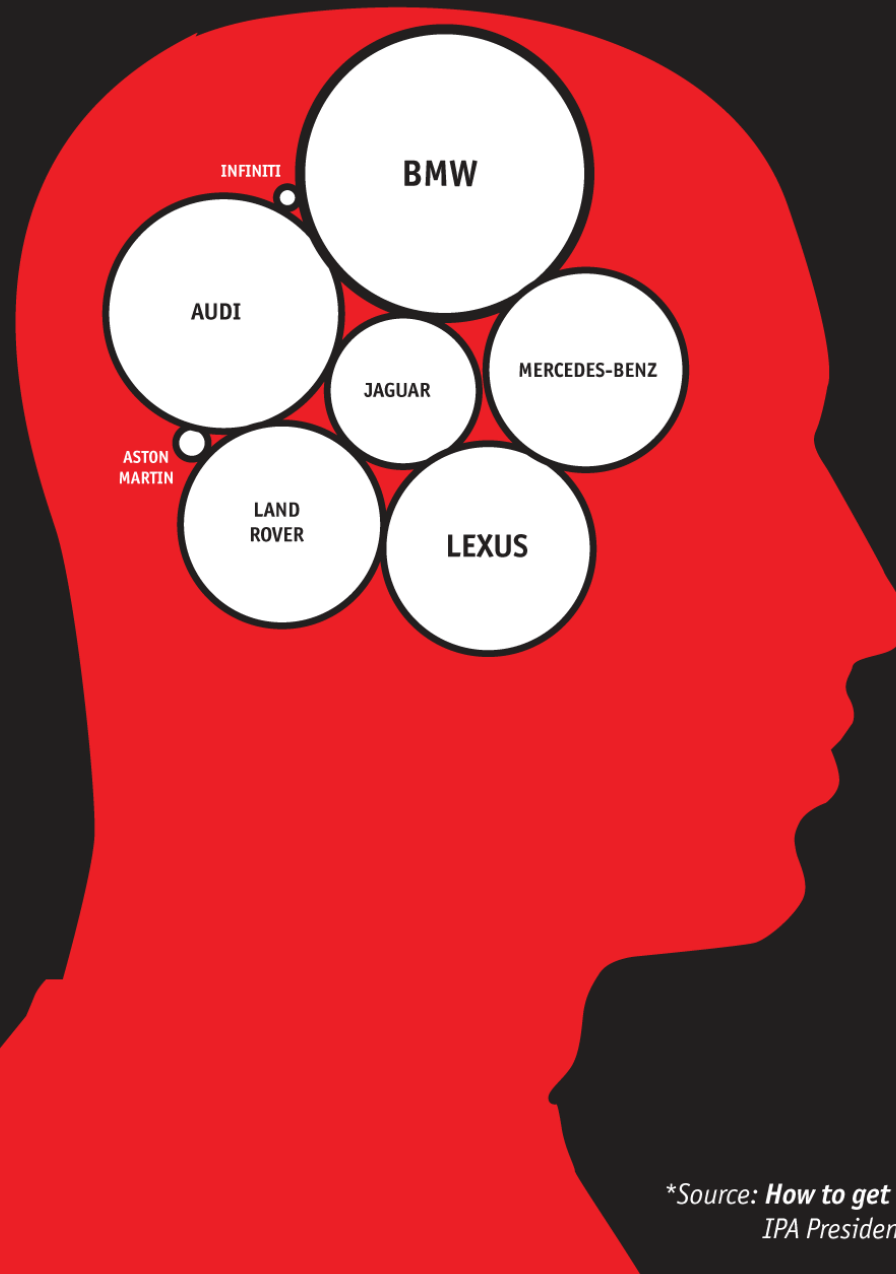
Source: Nielsen Media Research, 2008

REASON 4: *gain market share*

SHARE OF VOICE

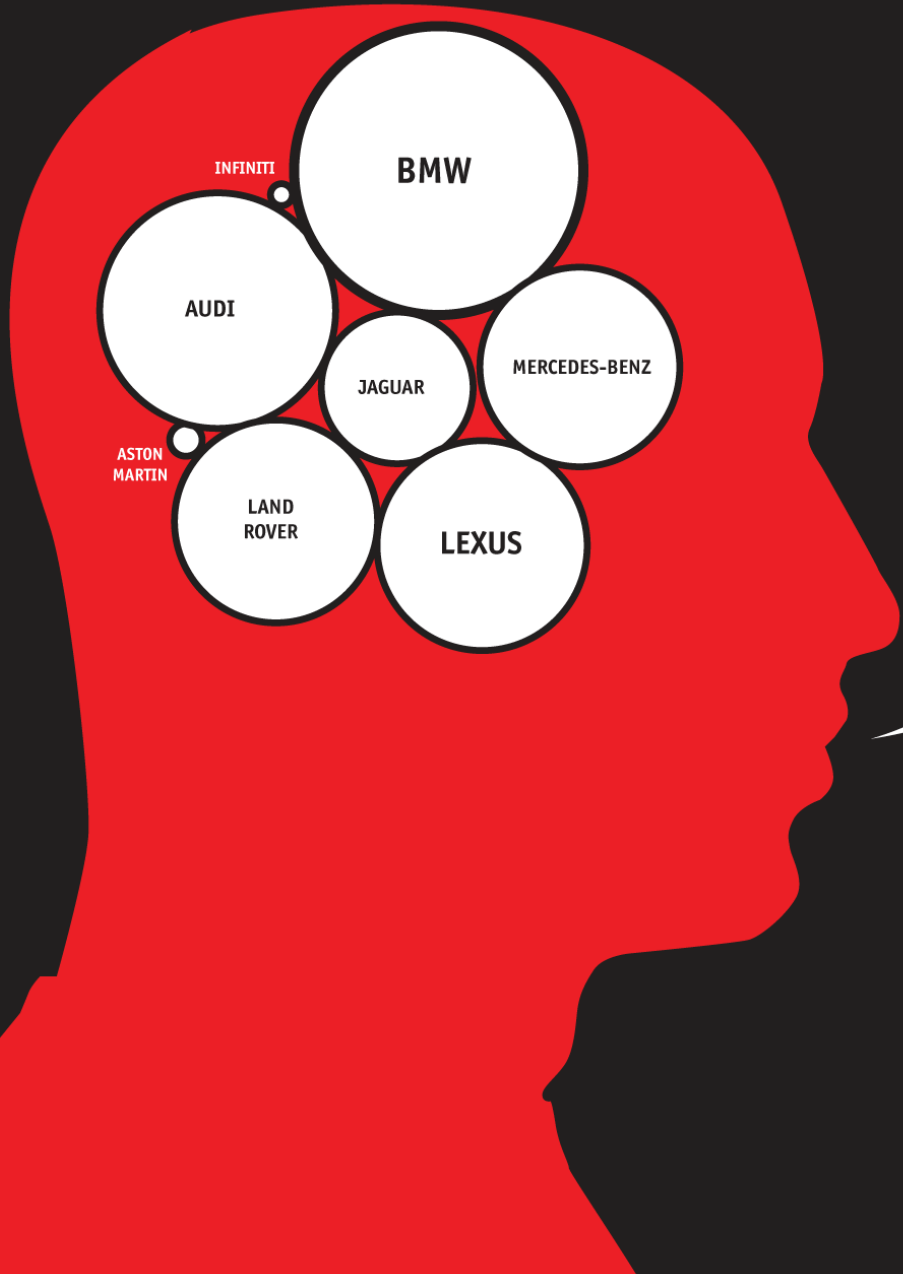
BMW edges clear of all competitors – and is now the ‘top of mind’ premium car brand.

Share of Voice is closely related to Share of Market*, so this positive messaging would earn BMW a bigger market share.



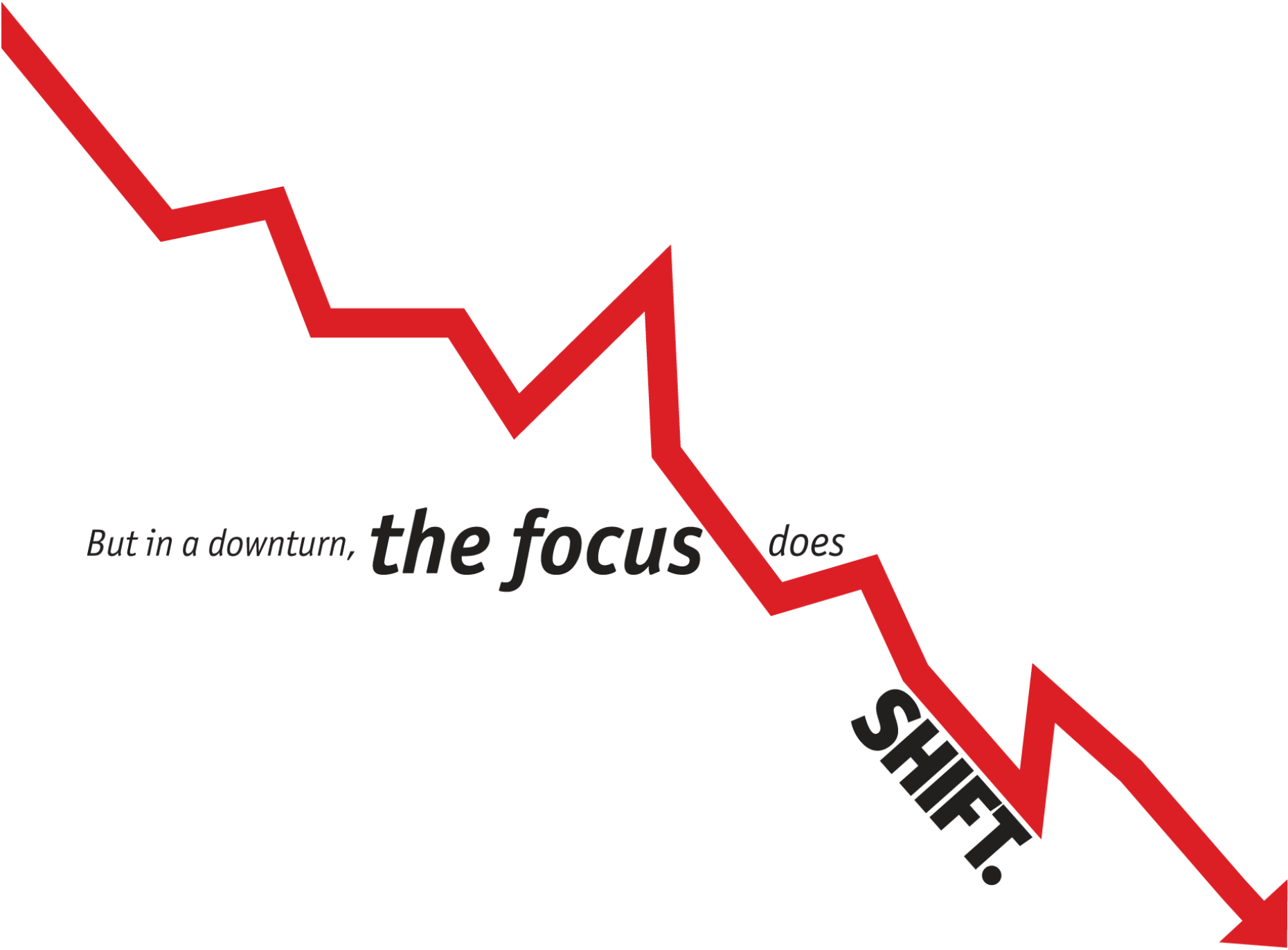
**Source: How to get ahead in a recession, Moray MacLennan, IPA President, Chairman M&C Saatchi Europe*

REASON 4: *gain market share*



Know of any good cars?

I hear BMWs are good



*But in a downturn, **the focus** does*

SHIFT.

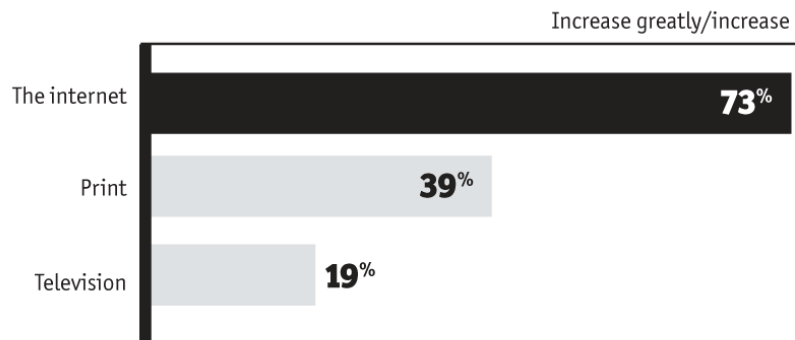
THE SHIFT *towards accountable media*

The biggest shift in a downturn is towards accountable media - this typically means a greater spend ***online.***



THE SHIFT *towards accountable media*

Internet spend is expected to increase more than any other medium:



Source: Advertising on the edge
Economist Intelligence Unit survey conducted on behalf of The Economist Group

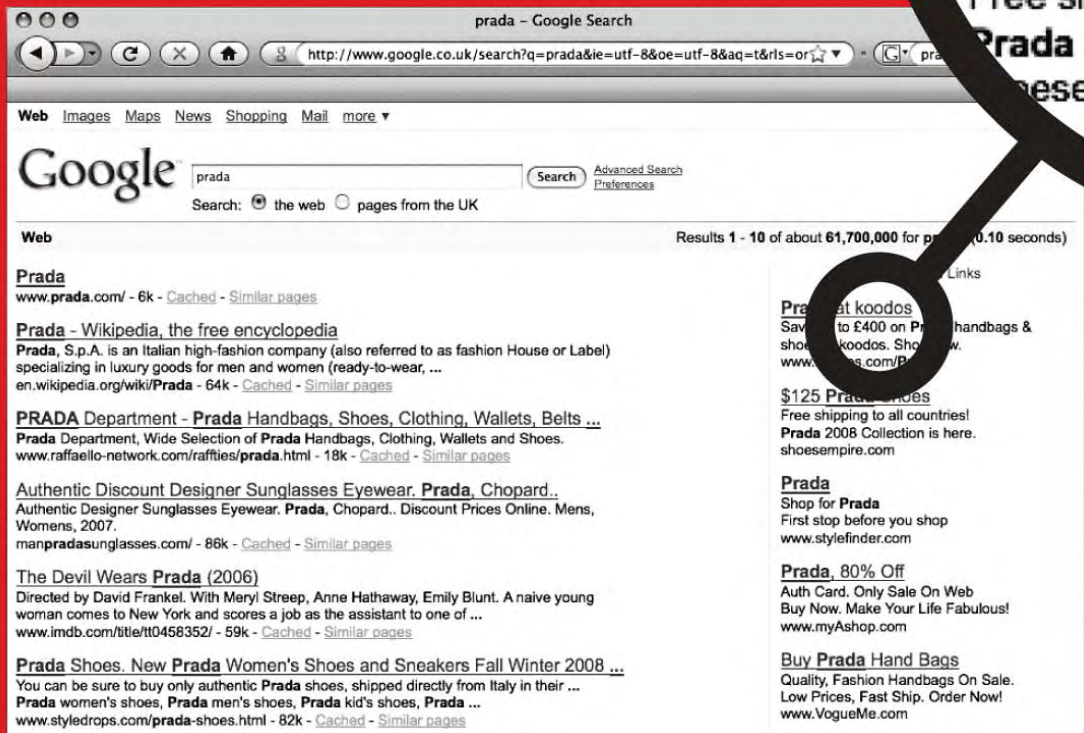
THE SHIFT *towards accountable media*



But online campaigns will continue to rely on brand-building advertising in other media.

THE SHIFT *towards accountable media*

The problem with online:
Does this enhance Prada's
fashion-house reputation?



THE SHIFT *towards accountable media*

This doesn't build brands.






PRADA

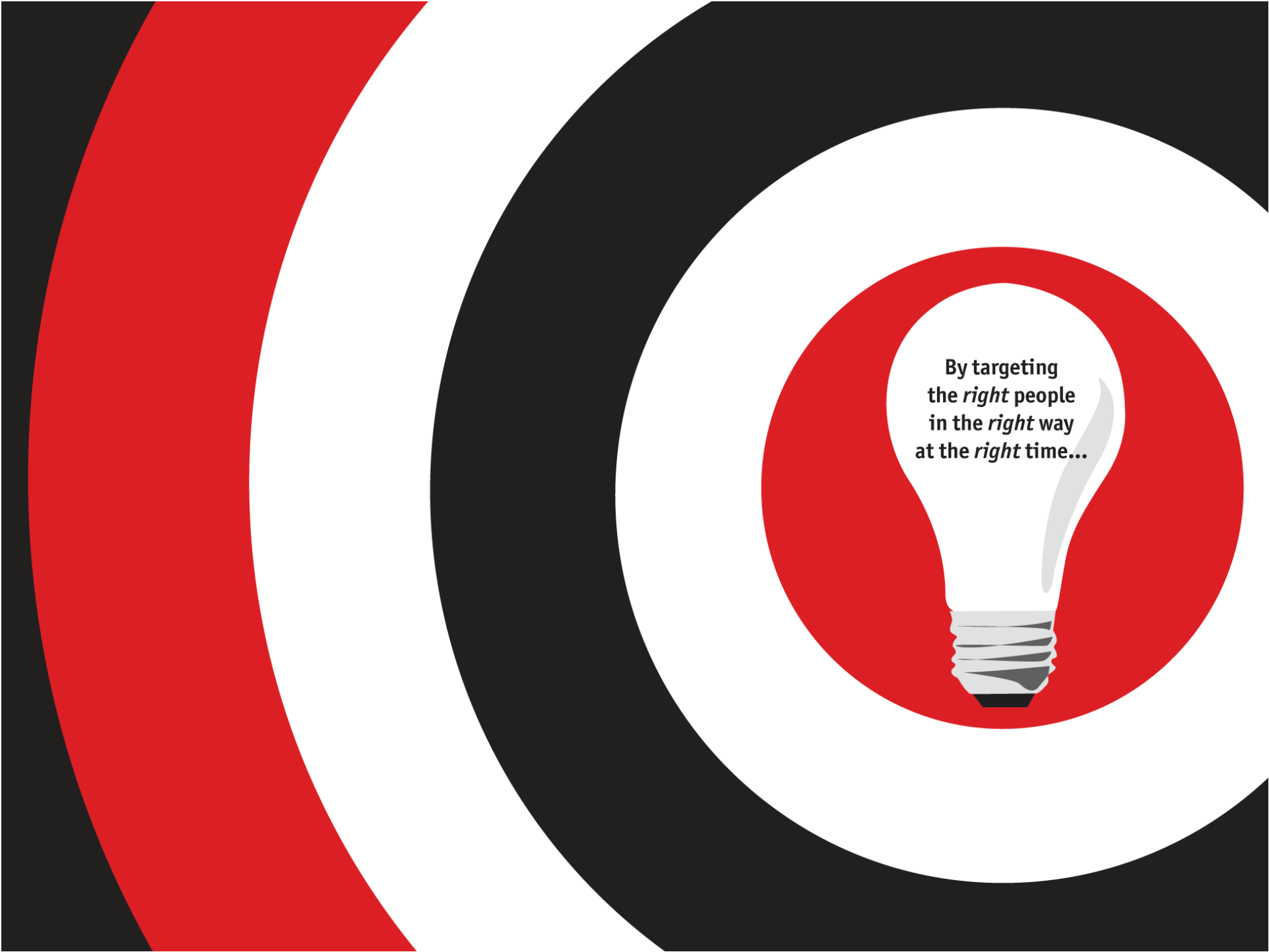
This does.



By focusing on
the brand...



By *talking* when
everyone else
is silent...



By targeting
the *right* people
in the *right* way
at the *right* time...



...you can gain an *edge*
over your competition and...

...you can step away from the **brink.**

