



OUTLINE ON

"MARKETING IN TROUBLED TIMES"

1. There is a growing consensus that we are entering, or have already entered, a period of significant downturn. Evidenced by;

- significantly reduced propensity for banks lending to one another
- unprecedented level of cooperation between global central banks trying to make up the shortfall

2. The communications industry is gearing up to defend the importance of investment at times of crisis:

- IPA "Advertising in a recession" event, Mar '08
- Significant noise about the issue in global trade press
- AdAge's own recent "tips for surviving in tough times" (that included 'don't cut that budget')

3. The arguments being put forward are very much in line with the "rules of the road" from previous recessionary periods:

- the 'importance of market share and maintenance' in preparation for any upturn
- the 'linear relationship' between share of market (SOM) and share of voice (SOV)
- the opportunity cost of not taking advantage of others leaving the media market

4. This thinking is misguided on a number of fronts

- these 'rules of the road' are now less appropriate, with the effectiveness of traditional types of investment having diminished by 20+% since the last recession
- SOV 'management' is increasingly difficult based on the fragmentation of contact points, and
- there is an increasing array/long tail of alternative contact points with comparable levels of ROI, and
- consumers are 'digitally tooled-up' and connected like never before. Bad news can travel further & faster.



5. It is also important to recognise the wider actions undertaken by successful brands in times of crisis

- brands that successfully navigated significant downturns in the past did so via a combination of product innovation and "doing the right thing" in terms of comms investment (not just 'spend maintenance')
- e.g. Coca Cola responded to Asian market meltdown in 90's with re-introduction of RGB packaging (returnables) and a refocus on 'pervasive' messaging
- e.g. Unilever responded via a significant rethink in terms of smaller pack size and POS promotion.
- Adage recently highlighted how previous recessions spawned lasting product innovations (from "airline loyalty programs to fast-food value menus")
- Put simply, these brands took advantage of the 're-framing of value' from the consumer perspective.

6. New rules, combined with the best of the old

- We need "appropriate consumer contacts" (not just weight of spend)
- we need product innovation that reflects new consumer values
- We need a shift in emphasis from "ROI" focus to "ROI+Risk management"
- e.g. P&G now buying contact 'options', minimising risks
- e.g. Coke now building a 'marketing options/risk management tool'
- the 'risks' are now greater and the 'rewards' less assured
- Naked is getting significant traction around analysing receptivity modes of consumers and building 360 degree contact strategies for clients such as KC and COI
- The "brand management" system itself was born of recession (P&G in the early 30's). We have to be true to those roots.

7. "Total Contact Planning" as a critical necessity

- Spending on alternative media hit \$73.4 billion in 2007, a 22% increase over the previous year (Adage)
- Brands now, more than ever, need agencies that do not have a 'modus operandi' in line with the old rules, and
- Brands now need tools and processes that specifically address the more difficult "risk and reward" issues faced.

