

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.

**you might not
expect:**

your clients don't think so either.

Why?

REASON 1:

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

REASON 1: *Marketing is key*

79%

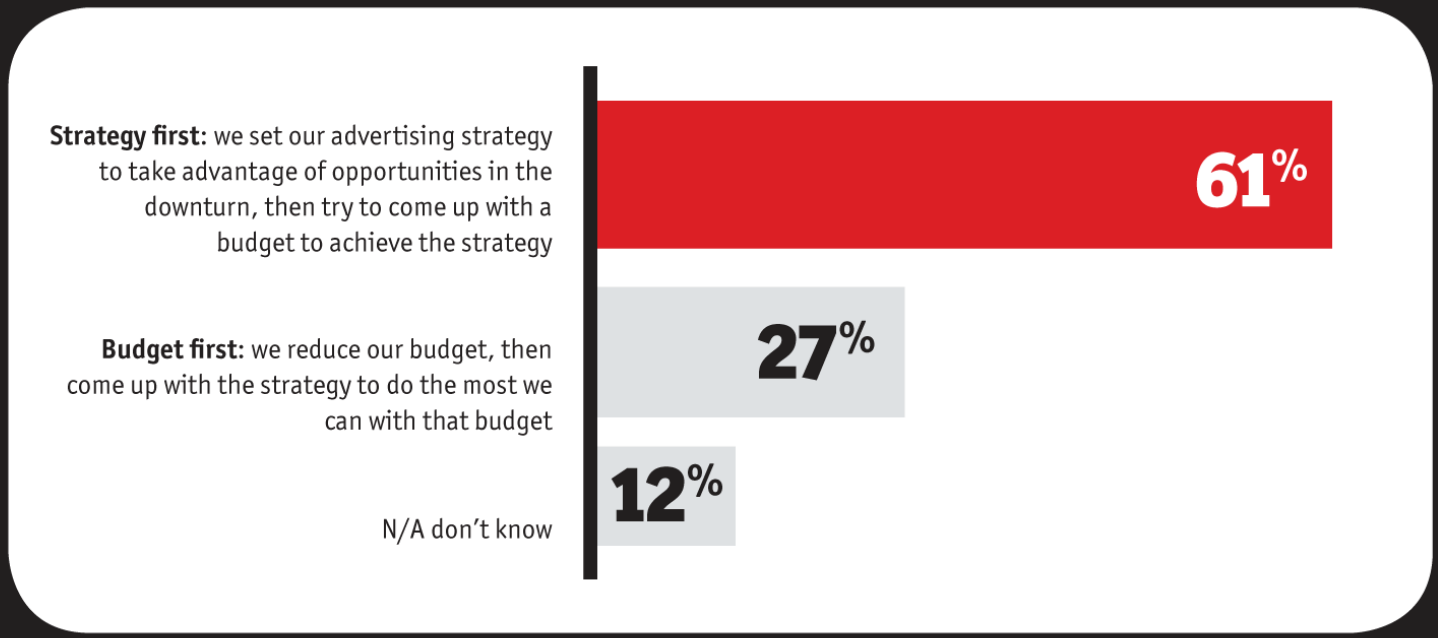
believe

*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 1: *Marketing is key*

Marketing is seen as more of a solution to help survive a recession than a budget line to cut.



*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.

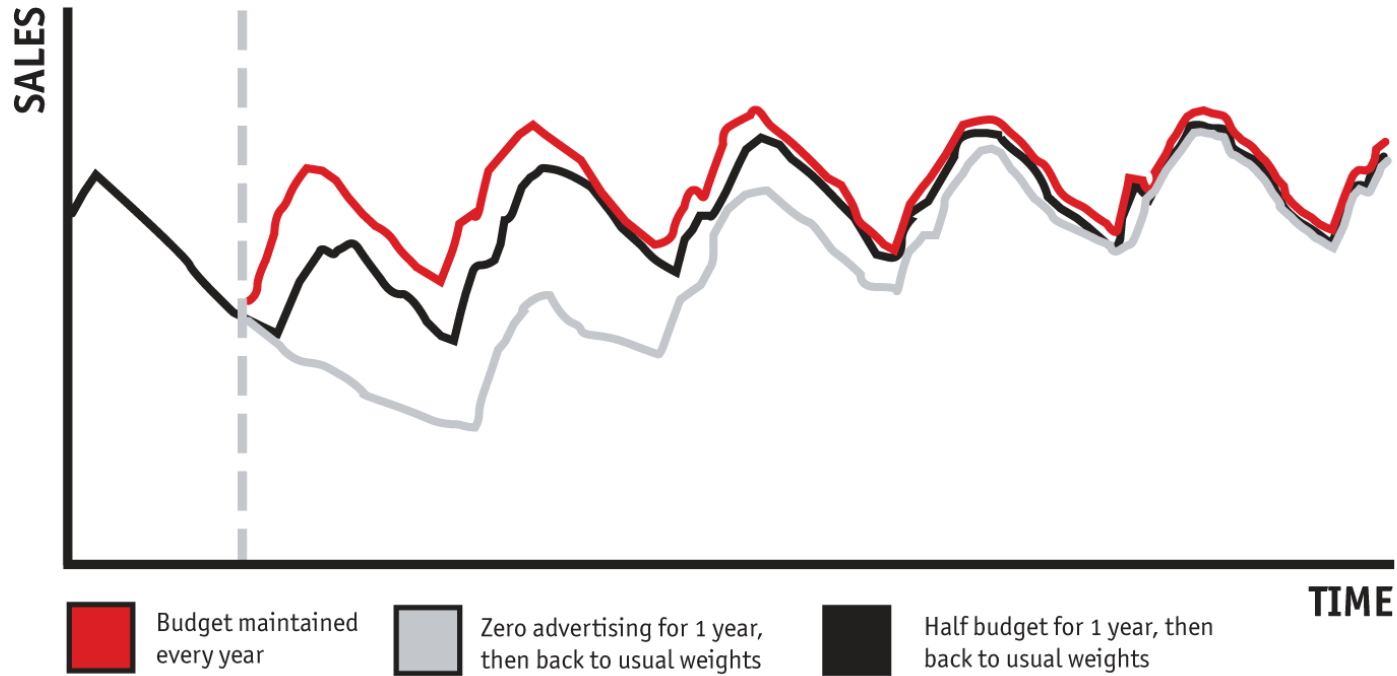
**IT IS THE WRONG
TIME TO CUT.**

- 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.

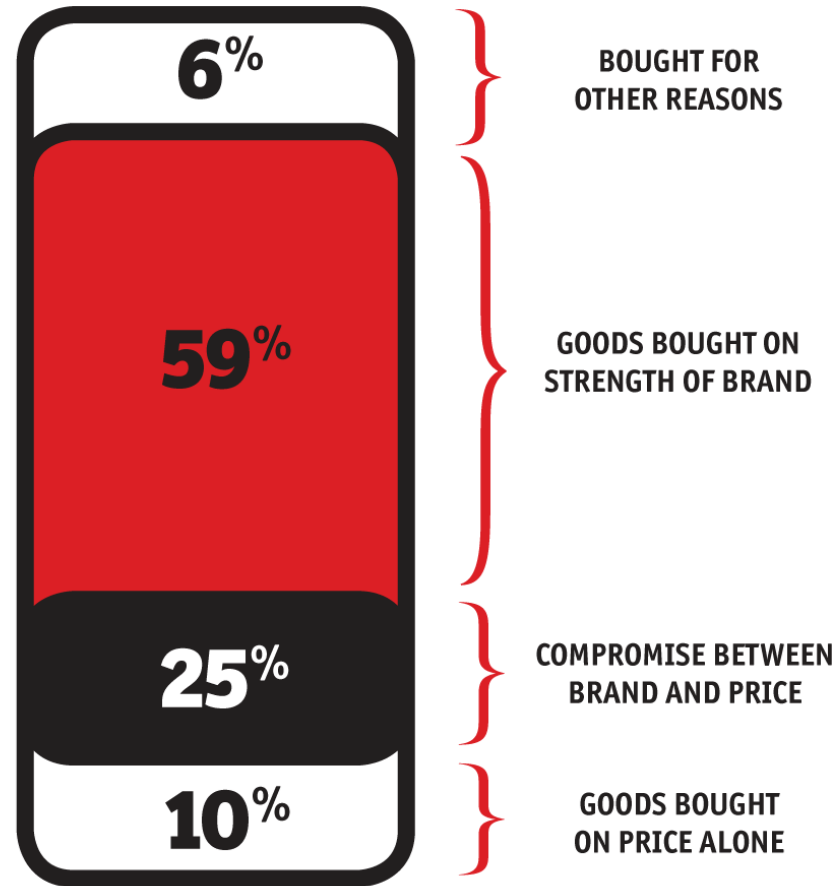
REASON 3: *brand protection*



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

BRAND STRENGTH

REASON 3: *brand protection*



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

BRAND STRENGTH

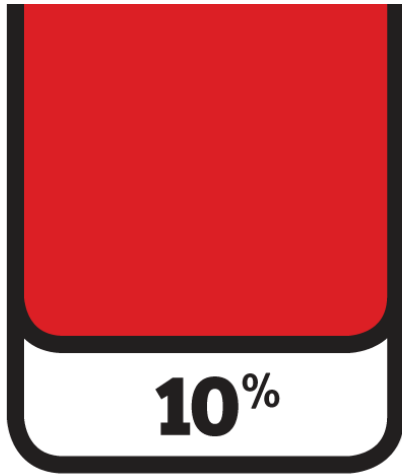
REASON 3: *brand protection*



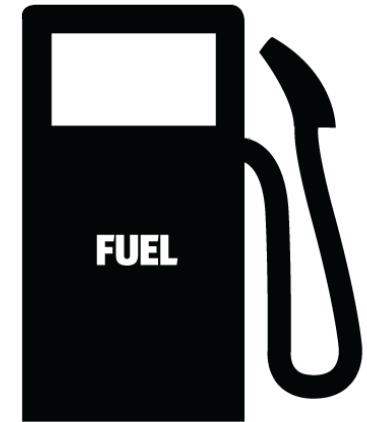
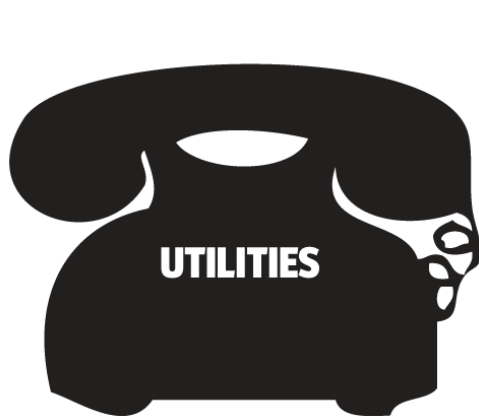
Most sensitive to
economic changes

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

REASON 3: *brand protection*

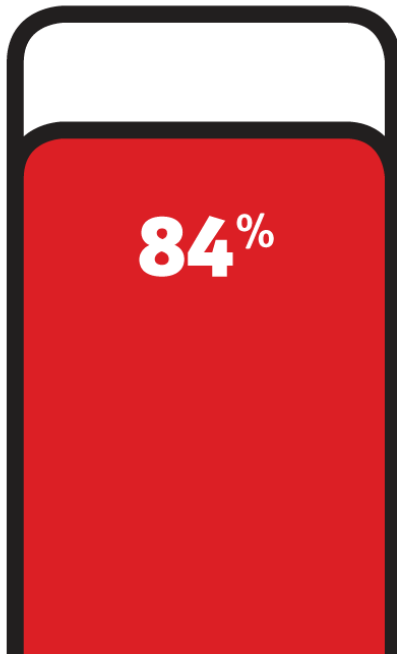


PRICE driven purchases:



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 3: *brand protection*



Consumers in a downturn buy brands they associate with *quality* and *longevity*.



- Neil Sussman, Marketing Director, De Beers Diamond Jewellers

REASON 3: *brand protection*

IT'S EASY TO SEE

**WHY
BRAND IS
IMPORTANT:**



COKE'S MARKET CAP.
INCLUDING BRAND VALUE:
\$120 BILLION

COKE'S MARKET CAP.
NOT INCLUDING BRAND VALUE:
\$50 BILLION

Source: The Brand Gap

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?

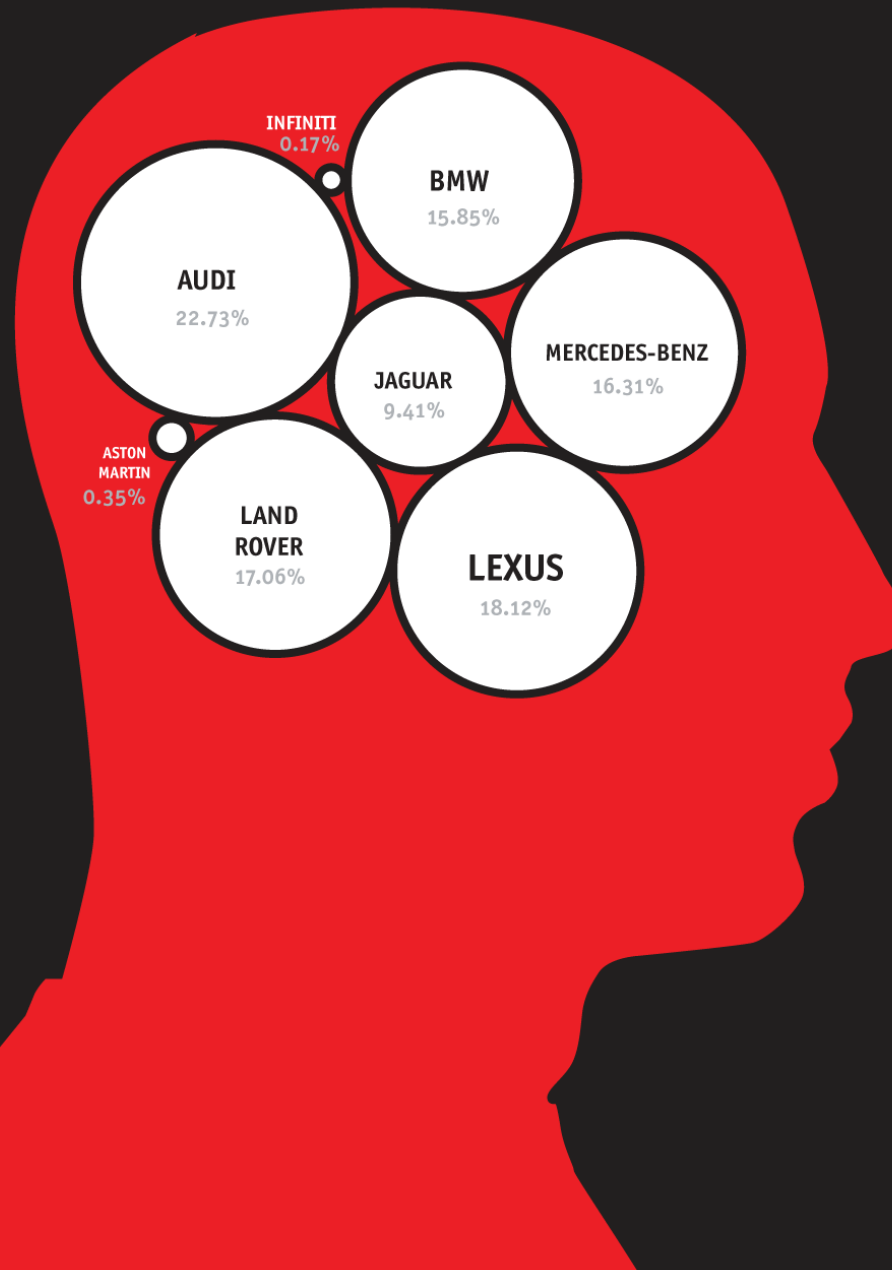


REASON 4: *gain market share*

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.



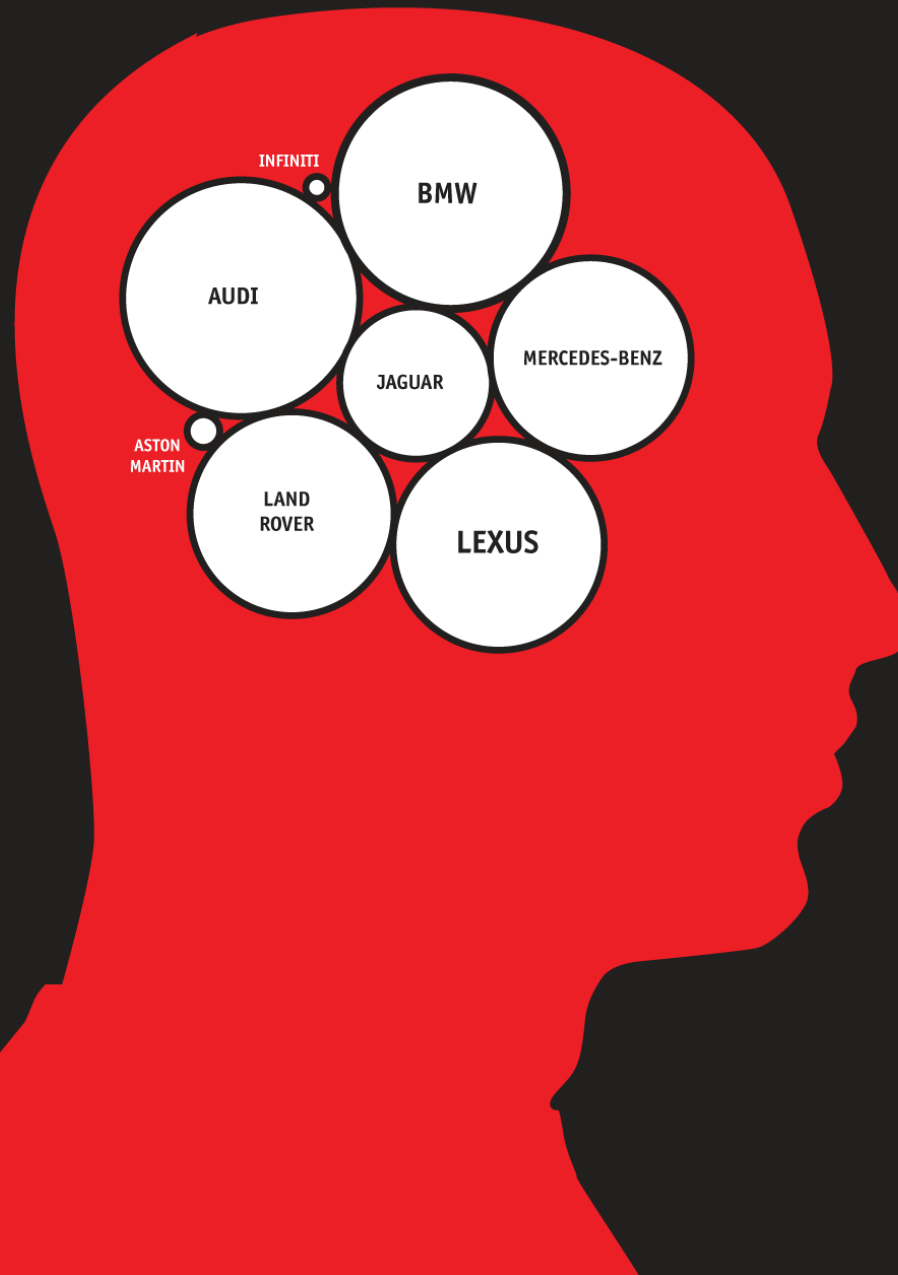
Source: Nielsen Media Research, 2008

REASON 4: *gain market share*

SHARE OF VOICE

BMW edges closer in SOV to Audi and eclipses Mercedes-Benz and Lexus.

Now imagine instead of keeping the same budget, BMW had increased its SOV by 10% through bigger adspend:

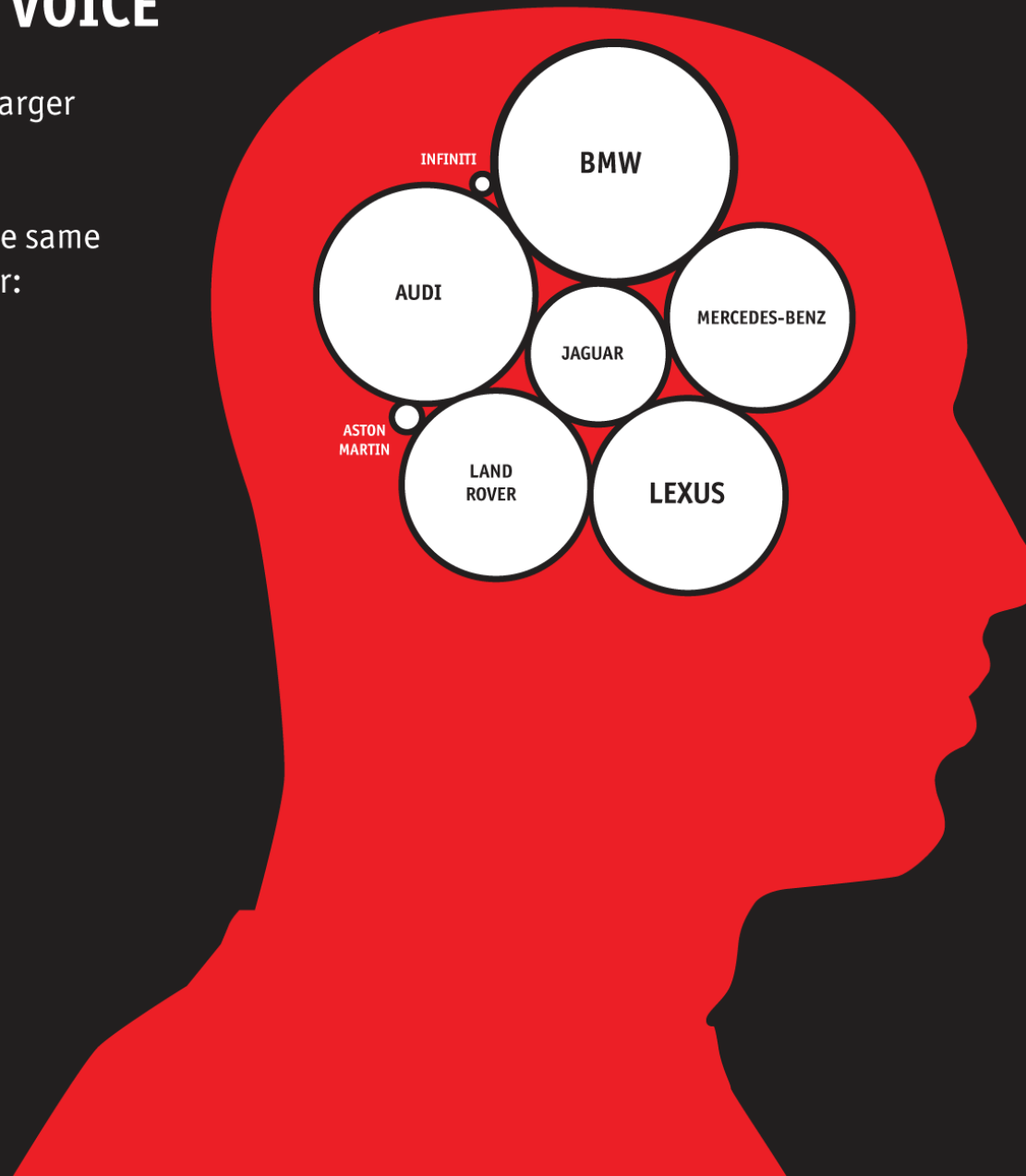


REASON 4: *gain market share*

SHARE OF VOICE

BMW is now just larger than Audi.

And if they did the same the following year:

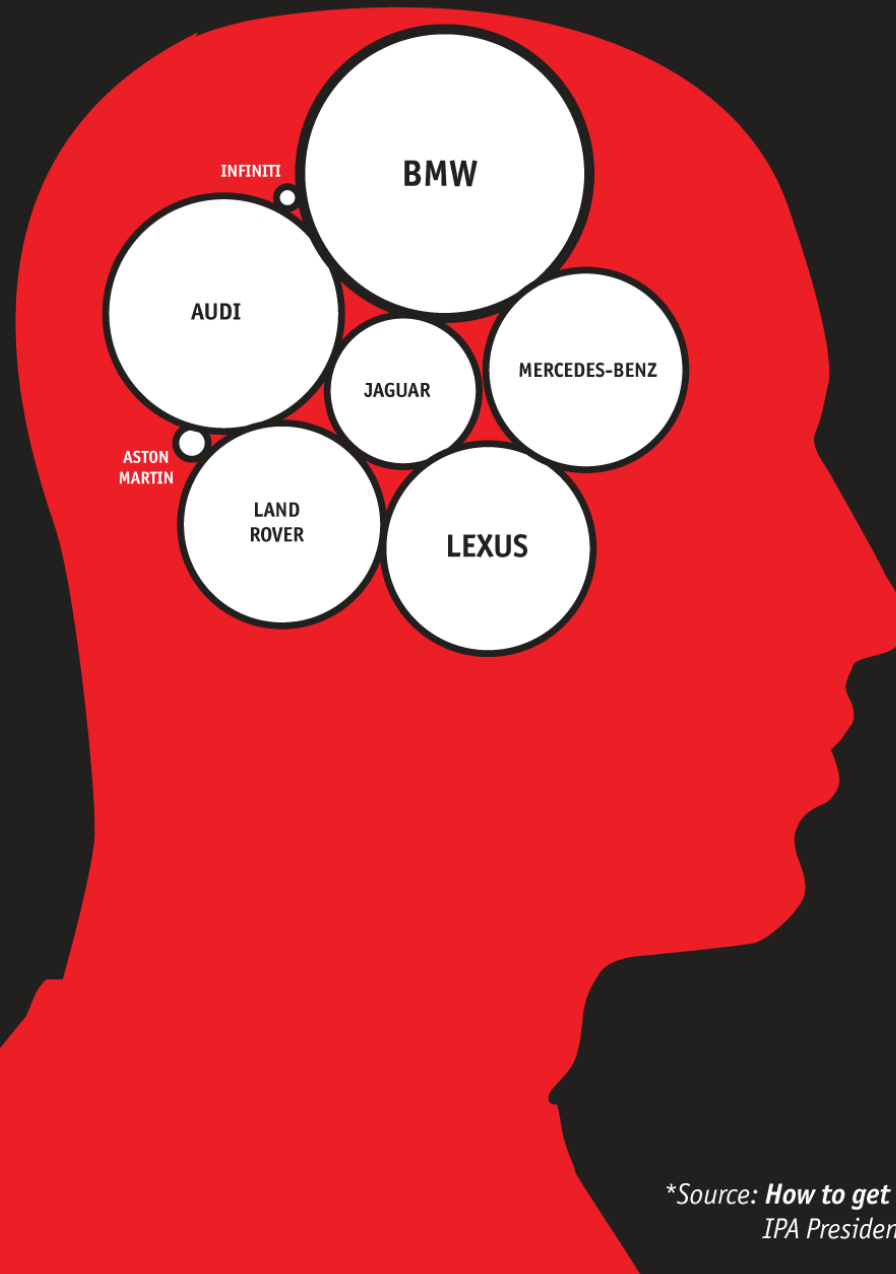


REASON 4: *gain market share*

SHARE OF VOICE

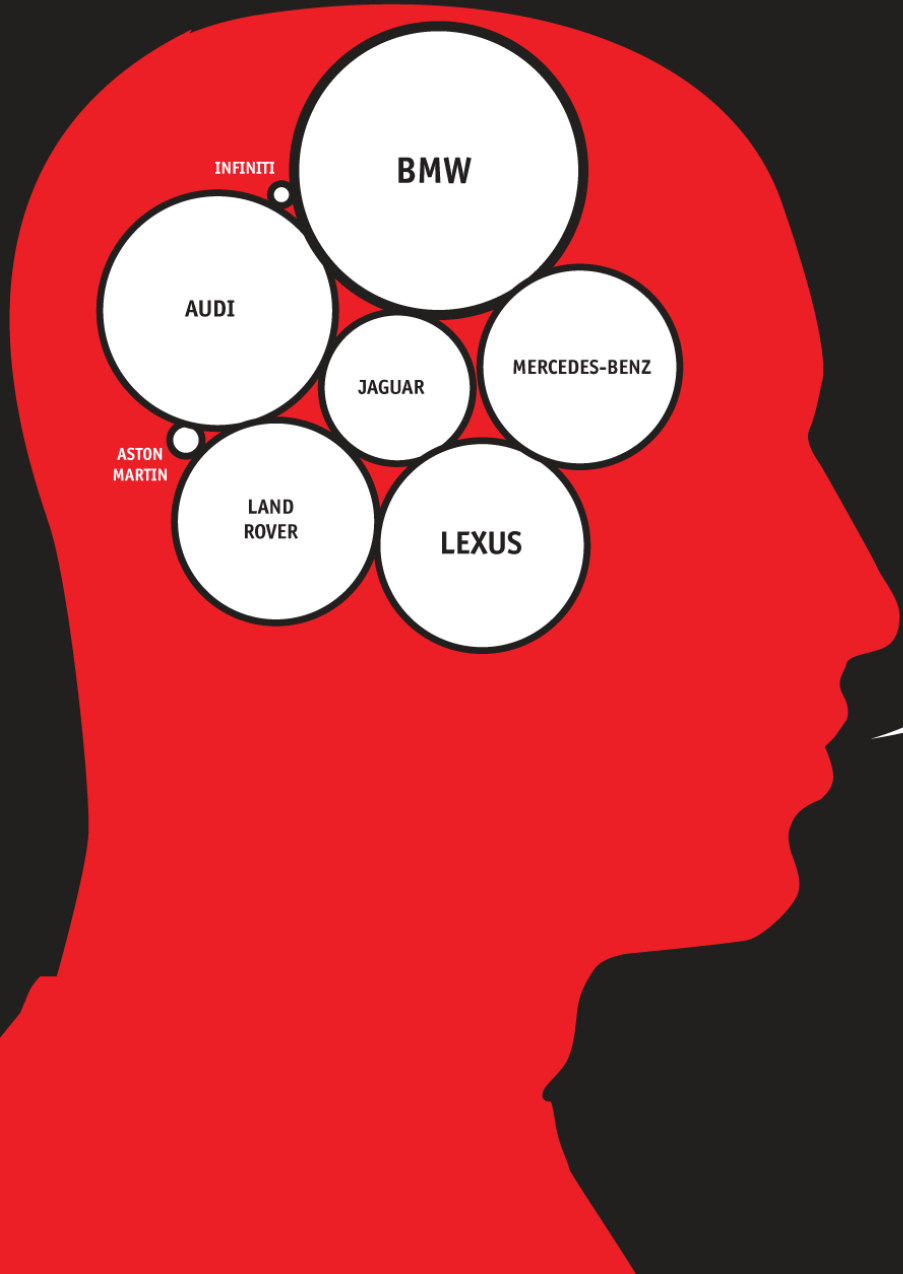
BMW edges clear of all competitors – and is now the ‘top of mind’ premium car brand.

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

REASON 4: *gain market share*

A **GOOD ADVOCATE** of keeping a *consistent presence*:

BMW

Consistent advertising for BMW over a long period of time has built an exceptionally strong brand.

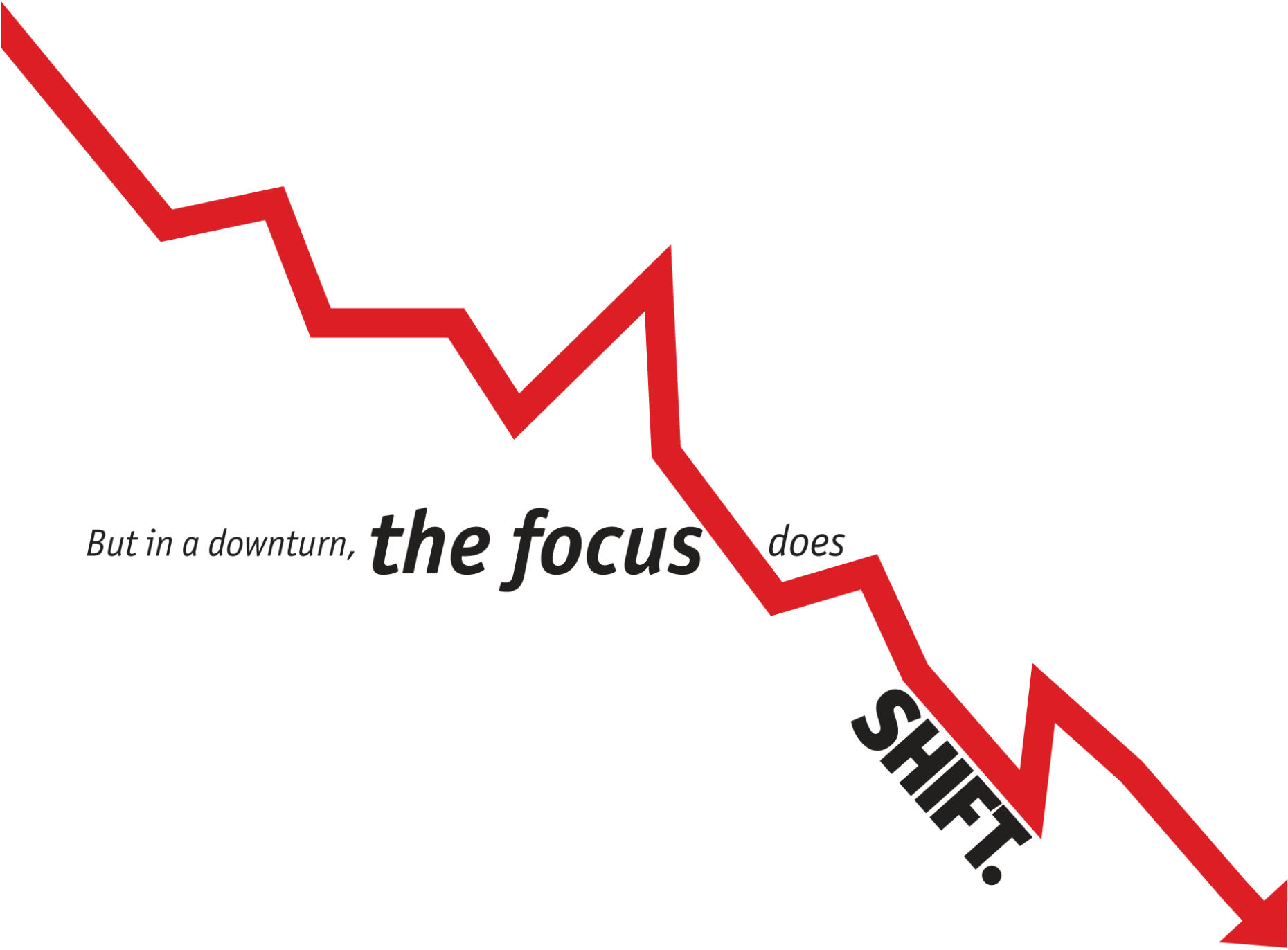
We say that a person whose behaviour is inconsistent from day to day (one day jolly, but the next day sad; one day confident, but the next day insecure) has a disturbed personality. But we say a person whose behaviour is consistent day in and day out has a strong personality.

It follows that consistent advertising campaigns are more likely to build strong brand personalities in reality, even if the research deck is stacked against demonstrations of their effectiveness.

This case history also suggests that the so-called 'death of brands' which has excited some commentators has been greatly exaggerated. It shows that high consumer demand for the BMW brand helped BMW (GB) and its dealers to sell more cars, at high margins, than would be expected.

Source: IPA





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

SHIFT.

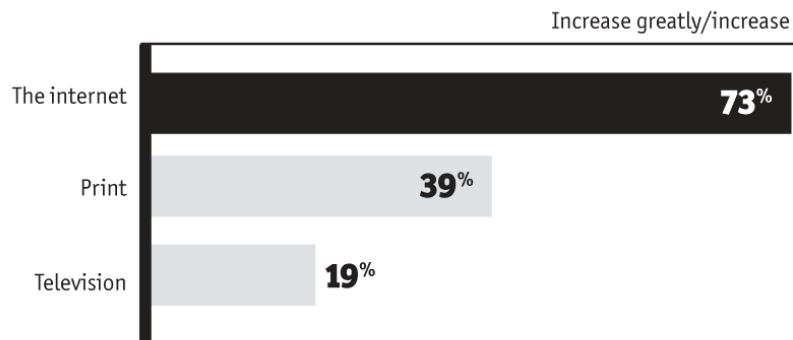
THE SHIFT *towards accountable media*

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

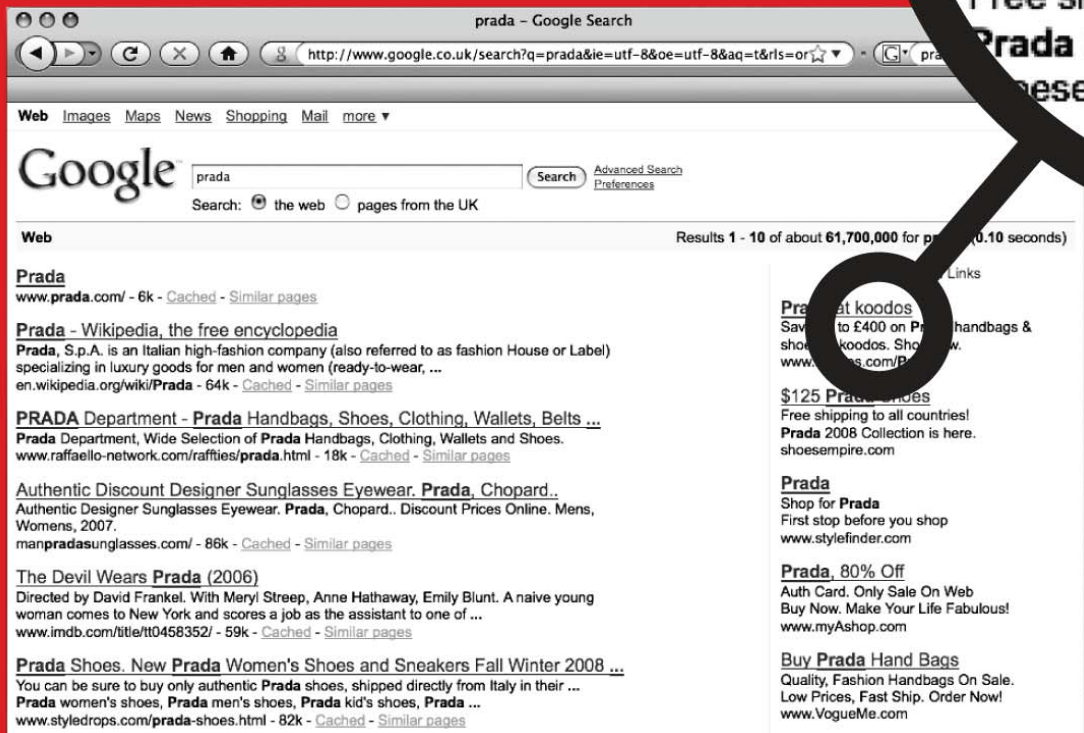
THE SHIFT *towards accountable media*



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.





This does.



New media are less effective at brand building.

**To feel and be absorbed in
a brand, you need to**



**look,
touch,
feel *it.***

*In Vogue or Tatler, it is an environment you
are putting the advertisement in.*

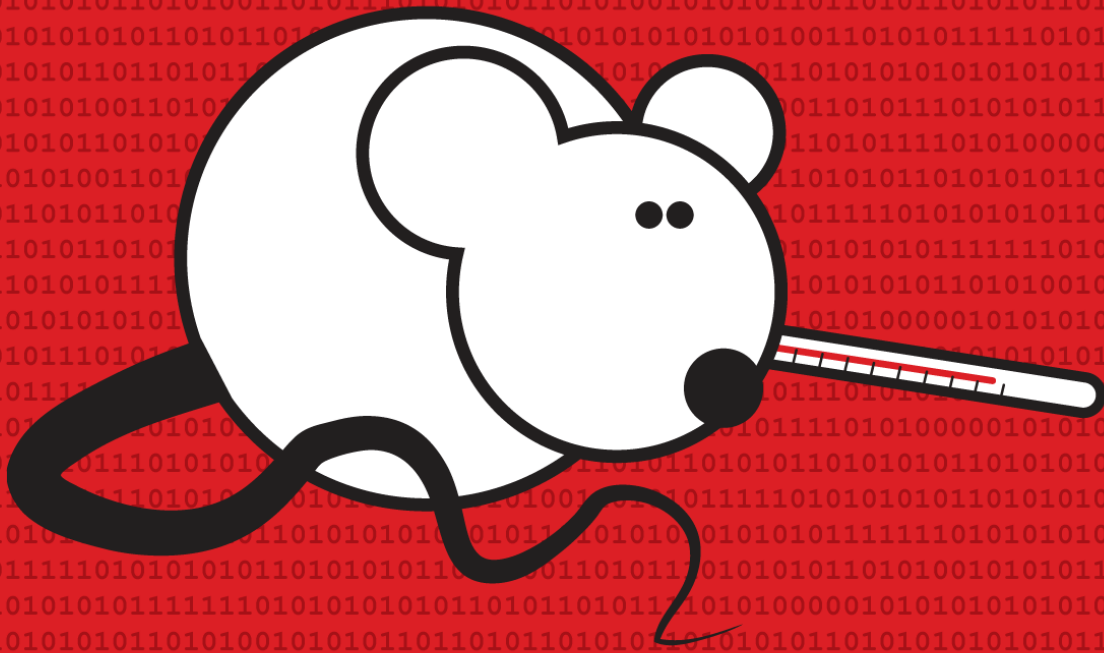
*– Neil Sussman, Marketing Director,
De Beers Diamond Jewellers*



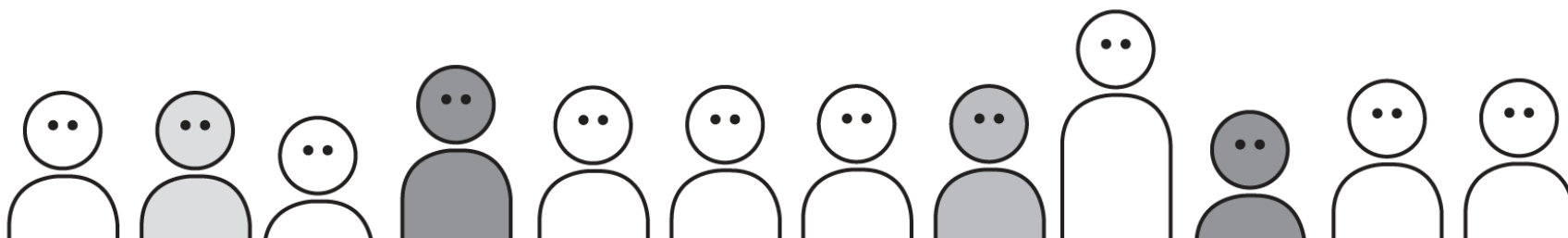
THE SHIFT *towards accountable media*

However, print is also improving
its **ACCOUNTABILITY.**

The Economist has a selection of
research-based measurable responses.



THE SHIFT *towards accountable media*



THE READER PANEL:

We can conduct research online using **The Economist's Online Reader Panel** to measure effectiveness of a campaign in *The Economist*. The Panel is managed by an independent agency: **Fox Insight**.

Clients can ask up to 12 questions of our readers. Support and advice is available from researchers at the London office to formulate research objectives.

We provide a bespoke presentation that gives clients insight into the effectiveness of their campaigns in *The Economist* and *Economist.com*.

THE SHIFT *towards accountable media*

READING & NOTING:

Recall of specific articles and sections in The Economist are measured. Respondents are asked what they remember seeing or reading in that issue.

Readers are also invited to comment on the ads which can give great insight to clients, offering clear learnings on their campaign – from the benefits of the ad positioning to how well competitors performed.

Advertisers who take part can be provided with the results and copies of the final hardbound or electronic report.





To get to the top, you need to reach the

right people.



We've introduced the right people to you before.
We call them *The Ideas People.*

The Ideas People *are* **influencing**
the rest of the world.

85% will make a point of telling people about a product that impresses them.

The fact that they pass on messages and influence others multiplies your message, and makes your money work harder.



Source: The Ideas People, The Economist 2006

The Ideas People *are*

Companies turn to The Ideas People for guidance during a downturn.

59% have been asked for advice or opinions from other departments in the last 6 months.

They are most valued by their company and therefore least likely to lose their jobs.

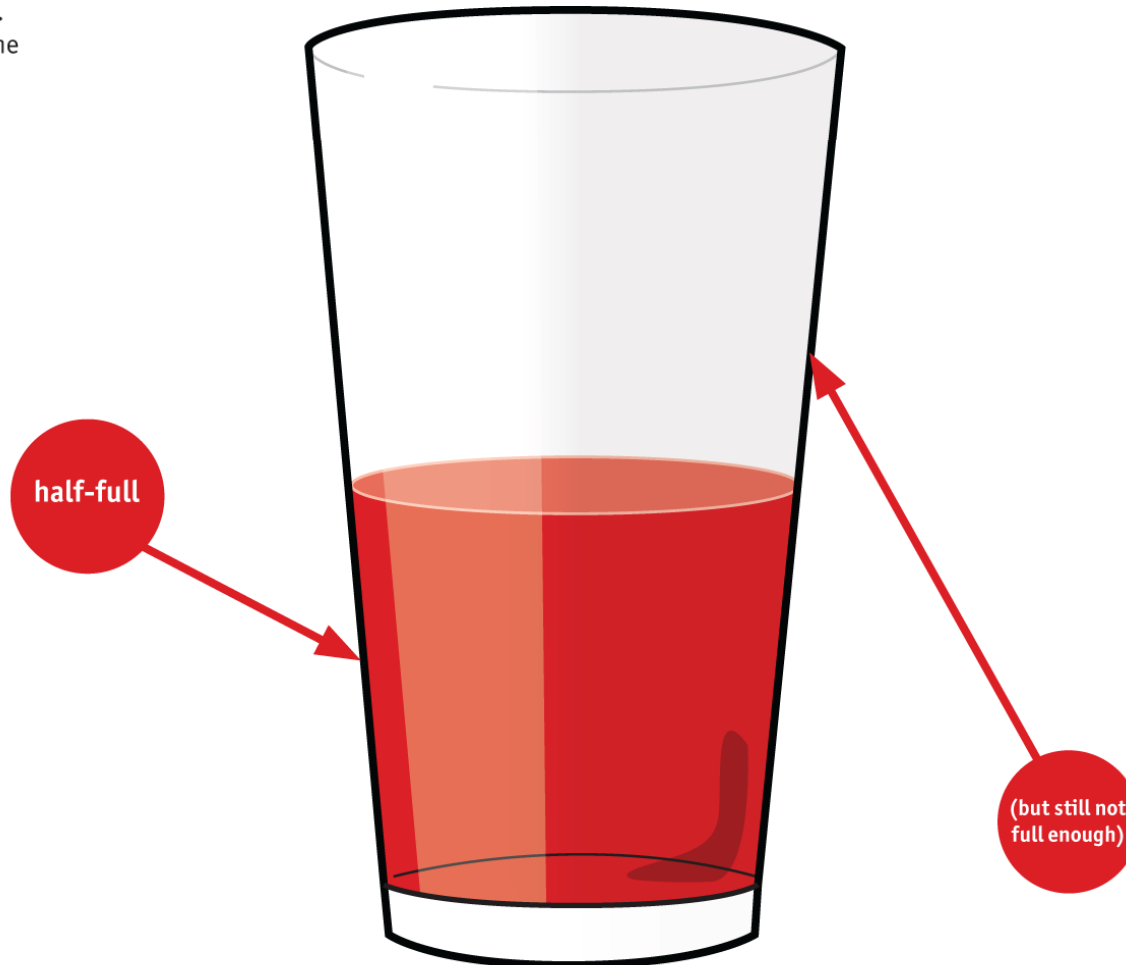
valued...



The Ideas People *are* **Optimists...**

Attitudinally they are optimists, they are entrepreneurs and they see opportunities in the toughest of times.

They're not afraid of change. They're too busy changing the world themselves.






... and The Ideas People *are*
STILL **spending.**

The Ideas People embrace the challenges a recession throws up.

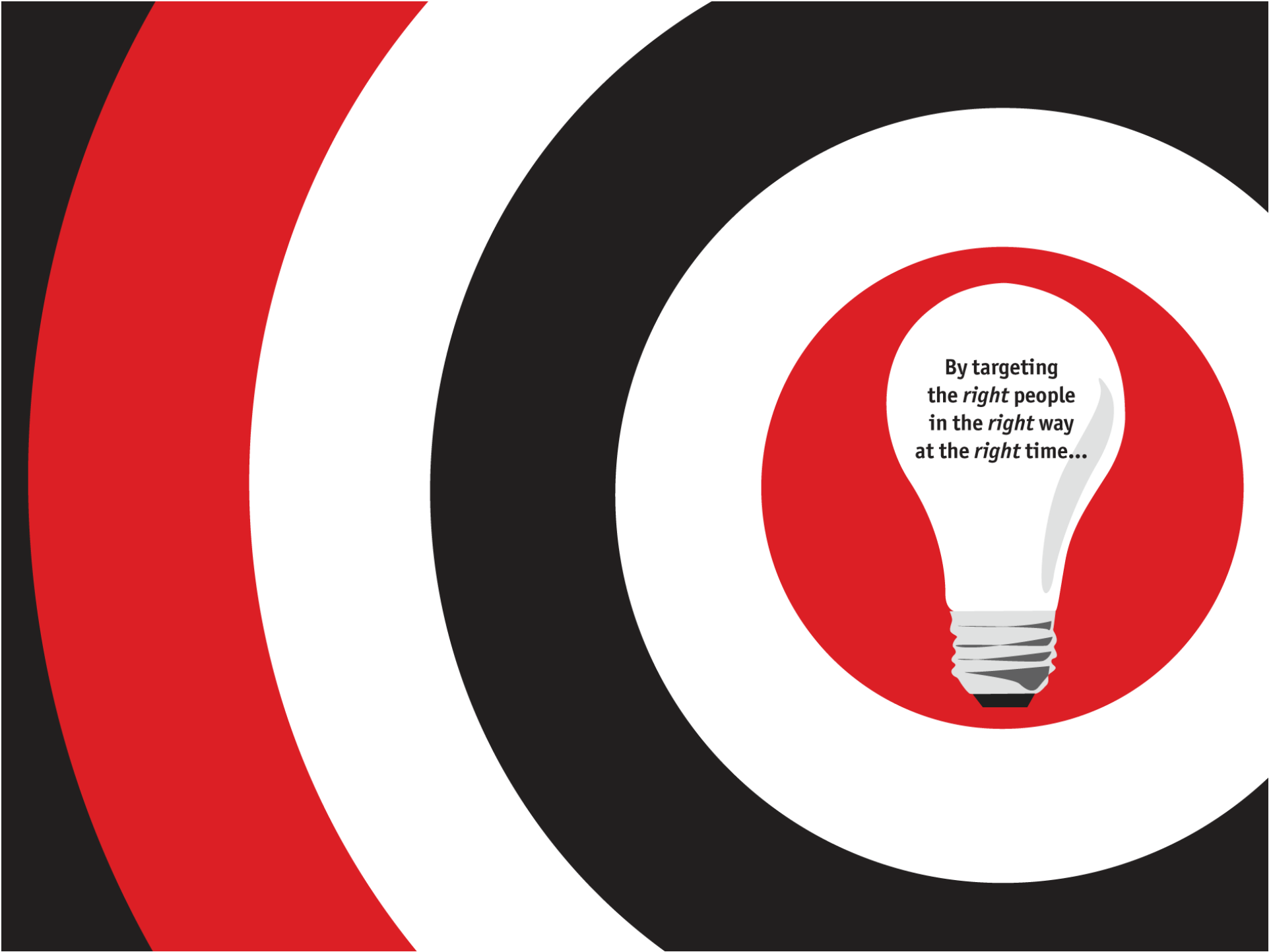
Job safety cushions them from the pain of recession – and if you've got it, now's the time to spend it.



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.**

