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media release

Smarter marketing in a tighter economy

With weaker consumer sentiment and higher fuel costs driving a tighter outlook, CEOs and CFOs are taking the red pen to the corporate balance sheet looking at ways to reduce operating costs. Marketing and advertising spend is often the first target, but across the board cuts can actually end up costing a company more as a result of fewer and poorer quality campaigns.

Companies may actually reduce their advertising costs without compromising quality by identifying and eliminating waste. Taking this approach, marketing heads can become the CEOs champion by achieving more, for less.

Darren Woolley of advertising and marketing audit firm P3, said this week that while CEOs are looking to cut costs, marketing heads can act now by improving advertising efficiency and effectiveness as well as delivering what CEOs are looking for in a tighter economic climate.

"As the economy slows down and revenue starts to decrease, it's natural for the CEO and the CFO to review corporate expenditure, and this will no doubt include marketing and advertising.

"The need for review is in part being driven by rising fuel prices and a softer economy, but it is also a result of more generic or home brands on the market, as well as shareholder demands for greater return on investment in marketing spend.

"In my experience, the CEO will call in the Head of Marketing, sit down and tell them the budget has just been cut by 10 per cent or more, and while cutting activity or lowering quality are the obvious choices, both of these approaches are wrong", he said.

Woolley, who was recently listed as one of the fifty most influential figures in Australian advertising, said that across the board cuts are a blunt instrument that can damage agency relationships, do not help to improve the efficiency of the marketing department and will not really help companies respond to the current economic environment.

"When the red pen meeting comes, it is much better for the CEO and the Marketing Head to have a conversation built around three questions: Where can advertising or marketing be reviewed without affecting short term sales or long term brand value? Where can changes be made while maintaining the effectiveness of the company's brand and approach to marketing? What can be done that won't adversely affect company goodwill or supplier relationships?

"If they don't know the answers to these questions and the CEO still decides to cut the budget, brand and relationship damage is almost a certain outcome".

Woolley said however, that all is not lost. In his experience, working with many of Australia's top 100 advertisers, there are solutions that can improve the cost effectiveness of marketing spend, improve advertising accountability and improve the overall efficiency of brand and advertising campaigns.

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"The smart approach is to achieve better value for money by identifying and eliminating waste hidden within the process. We have made a business out of helping marketing heads and companies do just that, so it says to me that there is generally scope to deliver the sorts of outcomes the CEO is looking for without adversely impacting on product or advertising quality.

"A simple way of reducing costs is to plan better. Media planning and buying on a minimum of three months, if not six months in advance, can deliver up to a 35% increase in the value of your media buy.

"Similarly, moving part or all of your relationship from a retainer base, to a project base remuneration structure with performance incentives can deliver up to 20% greater advertising efficiency."

Woolley also said that implementing fixed cost volume contracts with third party suppliers can deliver up to 25% improvement in cost effectiveness, benefiting the marketing bottom line.

"The issue is not whether the marketing or advertising spend should be cut, or by how much. The issue, in a tighter economic environment, is where and how to leverage your spend.

"Cutting marketing activity is false economy and a recipe for long term disaster", he said.

"It is far smarter in the current economic environment for CEOs and marketing heads to think about improving efficiency and effectiveness in their existing marketing chain. Leave the red pen in the drawer."

Ends.

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About P3

P3 is a consulting company with a national network of more than 30 industry professionals that helps people to achieve commercial purpose through creative process. P3 works with some of Australia's largest advertisers to help them gain maximum value from their marketing expenditure. Leveraging their extensive knowledge of the marketing and advertising industry, P3 provides benchmarking, training and auditing services that assist marketing professionals to make more informed decisions about their investment across a broad range of marketing communications including agency remuneration, television and print production, media buying, PR, interactive advertising and Direct Marketing. P3's client base includes more than 40 of Australia's Top 100 Advertisers.