Stay tuned for even more low-budget television commercial breaks

By **JULIAN LEE**

IF YOU thought a creative renaissance in Australian advertising was around the corner, think again. The ascent of the budget television commercial — typified by the incessant but effective Harvey Norman ads — appears likely to continue.

According to Darren Woolley, managing director of P3, an auditing and benchmarking consultancy, production budgets will come under pressure next year as marketers shave ad agency costs ahead of widely anticipated budgets cuts in the 2006-07 financial year.

Ad agencies can expect television commercial budget cuts of up to 12 per cent from June as client marketers are told to pare back costs, he says.

"(Clients) are going to have to meet their retainers and they know that they have to keep their media spend up," Mr Woolley says. "They would have already negotiated on that, so they will have to look at other areas, and production is one of them."

He says current production budgets are no longer justifiable when marketers are spending more on media other than free-to-air TV. In 2004 Australian advertisers spent $3.1 billion on the medium.

"What's the point in spending $1 million on production when you are only going to be spending $1 million on media?" he says. "It's a no-brainer when you make up (an image) and put it on the internet."

Based on conversations with his clients — which he says include 40 of the top 100 Australian advertisers — Mr Woolley is predicting a flurry of activity in the first half of the year as marketers spend up ahead of those anticipated budget cuts.

Executives from the advertising and production industries have labelled his forecast as nothing more than "crystal-ball gazing".

His predictions are in contrast to last week's forecasts of how much marketers will spend next year on mainstream media, from a conservative 4 per cent growth indicated by media buyer Harold Mitchell to the 9.3 per cent suggested by Fusion Strategy.

More controversial though is that Mr Woolley is recommending that clients negotiate directly with production companies to get a better deal, re-use existing footage to make new TV ads or wait another year before shooting a new one.

Observers say his advice could stifle the desire for more creative, ambitious ads.

The executive director of the Advertising Federation of Australia, Lesley Brydon, is dismayed at the prospect of agency margins coming under more pressure. The industry average is about 14 per cent but Ms Brydon says agencies are "struggling".

"Darren is all about cutting costs," she says. "Any further (cuts) will impact on quality."

The chief executive of DDB Australia, Nick Cleaver, says he sees no evidence of budgets being cut by his clients, which include Unilever and McDonald's. He refuted Mr Woolley's belief that agencies rely on a cut in the production budget for a substantial part of their income.

"We are not into making expensive TV commercials," he says. "Occasionally we do, but we are into leveraging creativity into any medium."

He adds that most of his revenue comes from fees, not from a percentage cut in production, which along with the now defunct media commission system has made up most of an agency's revenue.

High-rotation TV ads, comparatively low-cost but effective, could become more common if production costs are cut.