



media release

Tighter economy brings marketers to account

Companies are reviewing marketing budgets in response to weaker consumer sentiment and a tougher outlook, but they risk damaging both brand and advertising effectiveness because they do not understand how to get the most from their marketing dollar.

Darren Woolley of P3, one of Australia's leading advertising and marketing audit firms, says that while Chief Executives are placing pressure on marketing chiefs to cut spending or improve efficiency, the marketing department is often too close to the situation to deliver the right outcomes.

"There are four factors placing pressure on Chief Executives to review their advertising and marketing spend: declining consumer confidence, the impact of rising fuel prices across the board, the emergence of generic or home brands and shareholder demands for greater return on investment in marketing spend.

"The normal response to this is to unilaterally cut marketing budgets or maintain current spending levels but demand greater accountability. Both these approaches are wrong", he said.

Woolley, who was recently listed as one of the fifty most influential figures in Australian advertising, says that indiscriminate cuts are a blunt instrument that do not improve efficiency and will not help companies respond to the current economic environment.

"Chief Executives and marketing heads need to be able to answer three key questions if they want to maintain their brand and advertising effectiveness: Where can advertising or marketing be cut without affecting short term sales or long term brand value? Where can cuts be made while maintaining the effectiveness of the company's brand and approach to marketing? Where can cuts be made that won't adversely affect company goodwill or supplier relationships?"

"If they don't know the answers, brand damage is imminent".

It is at this point says Woolley, that most Chief Executives and marketing heads place the challenge in the 'too hard' basket, or just go ahead and make the cuts anyway.

Woolley says 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 overall efficiency to market of brand and advertising campaigns.

"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 50% increase in the value of your media buy.

"Similarly, moving from a retainer base, to a project base remuneration structure with strong performance incentives can deliver up to 20% greater advertising efficiency. Chief Executives drive performance based culture within their organisations, why not do it with suppliers?"



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Woolley also says that implementing fixed cost volume contracts with third party suppliers can deliver a minimum of 10% 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 to proportion 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 Chief Executives and marketing heads to think about driving more efficiency and improving effectiveness in their existing marketing chain”.

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.