Perfecting pitches

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As belts tighten, marketing teams are finding ways to do more with less

ONCE the glamour and the glitz of the Olympics have faded, American marketing bosses will face a sobering reality. Although America's advertising market is still forecast to grow this year—to $285 billion, up from $280 billion in 2007, according to Magna Global, a marketing-services firm—that is largely due to the fillip that it is getting from the games and the upcoming presidential election. When they are over, the outlook for advertising, and for the marketing budgets that pay for it, is bleak.

Several industries, including banking, telecoms and consumer goods, have already made deep cuts in their marketing budgets, which are typically one of the first areas to be chopped in a downturn. In response, marketing folk are looking for ways to save money and to get more bang for their remaining bucks.

Carmakers, collectively America's largest advertisers, have taken the biggest axe to their marketing budgets as they grapple with a fall in sales of gas-guzzling trucks. TNS Media Intelligence, a research firm, reckons that carmakers spent some $3.2 billion on marketing in the first quarter of 2008, 11.5% less than in the same quarter of 2007. And it expects that trend to continue. "Auto spend will be retrenched primarily around new-model introductions," predicts Jon Swallen, TNS's head of research.

Given this belt-tightening, car firms have been revisiting their marketing arrangements in order to save money. General Motors, which has just launched a new corporate advertising campaign, has asked its ad agencies to find ways in which it can cut some of the millions of dollars that it pays in fees. Its rivals in Detroit, Ford and Chrysler, no doubt have their marketing budgets under the microscope, too.

Coca-Cola is another big spender that is rejigging its marketing set-up. As part of the soft-drinks company's plan to save $400m-500m by the end of 2011, it is scrapping market-research deals with several different firms and replacing them with a global deal that it has struck with a single—and as yet unnamed—supplier. A Coke executive says that by putting its market-research business under one roof, it will reap savings and get extra services thrown in that it did not have under the prior deals.

As well as driving harder bargains with suppliers, firms are also being more selective about the channels they use to communicate with existing and potential customers. This favours the internet, which allows marketers to address focused audiences and quickly gauge the return on their investment. Most experts expect online ad-spending to keep rising this year, albeit at a slower rate than in the past, as spending on most other kinds of media shrinks.

For some marketers the downturn may even be a blessing in disguise. When the good times roll, a strong marketing message can be drowned out in the cacophony as brands compete for consumers' attention. But as weaker firms cut promotion in a slowdown, relatively strong rivals that maintain or increase their marketing spending can stand out more easily and steal market share. Bank of America in financial services and Verizon in telecoms are two firms that have been spending heavily on ads this year, even as many of their rivals have been cutting back.

Another reason for cheer in some marketing circles is that high energy and commodity prices have made it easier to push through price rises, even if companies do not need them because they have offset extra costs by operating more efficiently. “Some firms now have cover to raise their prices without alienating customers,” says Julie Hennessy, a marketing professor at the Kellogg School of Management at Northwestern University.

A few marketers are even looking to turn the downturn to their advantage by creating ads that play on consumers’ fears of soaring prices. These work best when the firms behind them are already associated with a low-cost positioning. For instance, AirTran Airways, a discount airline, recently boasted it now offered “fares cheaper than a tank of gas”. That deserves a gold medal for copywriting.

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