

BACK TO ADVERTISING BASICS



L. ROSS LOVE

At ACA's Annual Meeting Conference held November 12th in Montréal, the keynote luncheon speaker, Mr. L. Ross Love, Vice President Advertising, Worldwide, Procter & Gamble Inc., and Chairman of the Association of National Advertisers, U.S.A., spoke to delegates on the theme of getting back to basics by using advertising to build business. Excerpts from his excellent presentation follow.

"Socrates was the wisest man in Ancient Greece. He knew everything there was to know... and he knew everybody. He told everything he knew to everybody. They poisoned him."

With regard to building synergy within the advertising community, I am reminded of one of my favourite stories.

It's about a young boy who was told by the teacher to prepare his first essay for class. The subject was Socrates, the famous philosopher. Now, this is pretty heavy stuff for a nine year old and this youngster laboured long and hard to find just the right few words for his theme. Finally, he jotted down the following:

"Socrates was the wisest man in Ancient Greece. He knew everything there was to know...and he knew everybody. He told everything he knew to everybody. They poisoned him."

Having learned from this, I want to quickly confess that I don't know everything there is to know about our industry. And, I'm not going to tell you everything that I do know. As Socrates found out, that could be dangerous.

But then, if you listen to the prophets of doom around us and if you pay them any heed, you would hear these are dangerous times for the advertising business. You would hear that we represent a troubled industry struggling in a troubled economy, working for a lot of troubled companies.

You've read the headlines. "Whatever happened to Madison Avenue?" asks Martin Mayer's new book. The fall edition of *Business Quarterly* shouts "Madison Avenue at a dead end." And, in a cover story just a couple of months ago, *Business Week* asks in its headline "What Happened to Advertising?"

The underlying message in all of the books and articles is that advertising isn't doing the job it used to do... that advertising has become less effective and less important in selling goods and services.

Well, ladies and gentlemen, I do not believe that advertising is less important.

"...we need to re-focus our marketing organization on brand building...on our responsibility for creating and continually growing strong, profitable brand franchises."

What I believe is that we, as advertisers, are not doing as good a job as we need to in using advertising to build our companies' businesses. We, the shepherds of our brands, are not keeping the faith.

That's the bad news. The good news, and my message to you, is that we, as the advertisers, have the capability and the responsibility to lead the entire advertising industry "back to the future" (Yes, "back to the future").

We must re-capture a couple of basics.

First, we need to re-focus our marketing organization on brand building... on our responsibility for creating and continually growing strong, profitable brand franchises.

Second, advertisers should take the lead in re-establishing the advertising agency as a full partner in the business and, in the process, we should set higher standards for agency performance.

Let's turn first to brand building.

The one thing I have learned time after time during my career at Procter & Gamble is the power of advertising to build enduring brand franchises... and the need for sustained media spending year-in and year-out to maintain the vitality and profitability of a brand.

of our marketing resources and attention away from advertising.

What's the reason for this behaviour across so many companies and categories? Incredible pressure to deliver improved quarterly earnings. In some cases, this profit pressure has been fed by the tremendous merger and acquisition binge of the 1980's. In other instances, by the downturn in the economy.

In too many of these situations, I fear, the decision to go for the short-term fix is driven by people who don't understand brand building.... by accountants and financial people... and, God forgive us, by young marketing people who we've failed to train properly.

Jim Jordan, CEO of the New York based ad agency Jordan. McGrath Case & Taylor, said it best:

"We've been robbing Peter to pay Paul. We're robbing 1992 to pay 1991. At the last second, with the end of the fiscal year bearing down upon us, we blink. We cut the advertising. We deal. We discount. We ship carloads of product before the clock strikes doomsday. And yes. We make our numbers. And we start next year deep in the hole, having off-loaded so much product that nobody will buy more for the whole first quarter. And the only question left is, are we going to do it again? Are we going to rob 1993 to pay 1992? Are we in a permanent spiral of promotion?"

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Advertisers, in order to service the enormous debts they had taken on to acquire new brands, had to bleed the brands they'd acquired.

More and more, they sacrificed long-term equity to achieve short-term sales. More and more, they risked consumer loyalty to their own brands by replacing advertising, which can build loyalty, with promotions, which often diminish it.

When you cut price, when you flood the country with coupons, you build a new kind of loyalty: loyalty to the bargain, not loyalty to the brand. How can you expect consumers to be loyal to your brand when your advertising gives them nothing to be loyal to?

How can you expect them to be loyal to your brand of coffee or soft drink or cat food when you yourself are teaching them to regard coffee or soft drinks or cat food as commodities?

Every dollar that goes into deals, every dollar that goes into

It has been easy for me to hold this conviction in the overwhelming power of advertising... because I have experienced it firsthand, over and over again. In our business, I know the correlation between effective advertising and profitable growth isn't 50%... it isn't 75%... it is 100%. In 22 years I have not seen a single Procter & Gamble brand sustain profitable growth for much more than a year without great advertising.

This experience has led to a philosophy toward advertising at Procter & Gamble... one which I believe many companies share. We believe passionately in advertising. We believe it is our most important marketing tool — the very lifeblood of our brands.

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As a result, the principle responsibility of our brand managers — and, I believe, most marketing managers — is to develop and run great advertising... advertising that increases sales, market share and profit in the near term... while building brand equity and paving the way for continued growth longer term.

That responsibility for the long-term health of the business is indeed an important aspect of our stewardship. You and I and our marketing people inherit brands/trademarks of some value. While they are entrusted to our care, we are obligated to make deposits into their brand equity accounts... not just live on the balance created by our predecessors.

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Through great advertising, we increase the value of brands — increasing awareness, interest, relevance, confidence, quality and value impression in the consumer's eye. Our brands get welcomed, as friends and helpers, into the homes and lives of thousands of people. That's what ensures future sales and profit growth. That's what Brand Building is all about.

Sounds good, huh. Well, as we all know, there's been a fly in the ointment for quite a while. This "fly" goes by the name of "excess promotion" and "price cutting". This is the culprit that has many of our brands losing value through frequent withdrawals from the brand equity account. This is the culprit that has diverted so much

As David Ogilvy is fond of saying, our slogan for advertising should be "We Sell Or Else". David is offended by so-called creative people, who are more interested in entertaining than in selling. He calls them "show-offs" and considers their work "pretentious".

In Jim Jordan's words:

"Selling a lot of goods is simply not very high on the agendas of a lot of advertising agencies. The truth is that more copywriters and art directors in agencies create advertising for their reels than they do for their clients.

The work they do is often designed more to sell the creative person to his next agency than it is to sell the product to the next customer. Many creative people recommend the stuff they think will look best on their reel without regard to its potential effect on their client's sales."

Jim went onto say that you cannot count on your agency, even the agency management, to have its priorities straight. I worry that in some companies salesmanship is starting to get confused with showmanship. You must know, they are not the same thing. You can survive and even prosper without showmanship. You cannot prosper — you cannot even survive — without salesmanship.

My last comment on the point is that we also must demand experienced, quality agency people work on our business. And, we must insist that they stay on long enough to really learn our business and to make a sustained contribution. Agency people can't make a significant contribution if they aren't as knowledgeable about the business as we are — and that takes time.

We also need to ensure the agency's top management gets back to managing the client's business, rather than the agency's. We need the type of visionary product and strategy thinking from them that typified their contribution in the 60's and 70's.

Well, as I said earlier, amid all of the naysaying, there is good news. Advertisers have the capability to elevate advertising to its rightful place as the key ingredient in building our businesses. It simply takes commitment and a return to our old faith.

It falls to us to take the lead in sustaining faith in the power of advertising within our companies and across the industry.

marketing strategy, rather than expect them to develop it.

They often dictate content of the advertising and sometimes the format, rather than daring the agency to breakthrough with persuasive brilliance. They don't seek the agency's ideas for product advances and image-enhancing promotions.

You see, if they did these things, they would discover the business building power of having a true creative partner.

They would learn, as I and many of you have learned, that a highly motivated agency is a resource worth investing both time and money in.

That's right, an agency should be viewed as an investment... not as a cost. Those who scrape to pay as little as possible... to find the lowest cost creative... are as penny wise and pound foolish as the patient who seeks the least expensive brain surgeon.

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The sales and profit return on a great advertising idea can be almost infinite relative to the investment in the agency to come up with it. Just ask Unilever about the profit generated by Dove's "One Quarter Cleansing Cream". Ask McDonald's what "You Deserve A Break Today" was worth. Ask Phillip Morris about the Mariboro Man. And, to get in a plug for Procter & Gamble, because of one of our agencies, there are more of you out in the audience today who feel "Zestfully Clean".

I think what we most need, as we re-establish the agency as a partner, is to set higher standards, particularly for the advertising which we choose to run.

"Advertisers have the capability to elevate advertising to its rightful place as the key ingredient in building our businesses."

There is an awful lot of ineffective, just plain bad, advertising running out there. Truly outstanding advertising can, and should be expected to, have a significant effect on sales and market share trends. We should settle for nothing less.

We should evaluate our advertising, as well as agency performance, against the delivery of hard business goals.

Now I'd like to share with you a few thoughts on my second point.

It is time for advertisers to take the lead in redefining the client/agency relationship. We need to reestablish the agency as a full partner in the business and, in the process, set much higher expectations for agency performance.

In general, during the decade of the 1980's, there was a significant deterioration in the way clients viewed agencies and vice-versa.

The change in the relationship was brought on by a series of events.

The agency mega-mergers had a tremendous effect on client attitudes. They made it appear that agencies were more interested in building their own businesses than in building their clients' businesses. Conflicts created by the mega-mergers led to numerous agency resignations, ending long-standing client relationships.

"...too many advertisers fail to involve their agency in the nuts and bolts of the business. They hand their agency the marketing strategy, rather than expect them to develop it."

Agencies buying agencies for hundreds of millions of dollars, paying off previous owners with additional millions, gave clients a feeling that agencies had made windfall profits, and were grossly over-compensated. As accounts were moved and senior people retired, many long-term personal relationships fell by the wayside. In net, the agency mega-mergers ripped-off huge chunks of the bond which had been built between client and agency over many decades.

There also were serious shifts in the foundation on the client side. Client mergers created conflicts which forced many breaks in long-standing agency relationships... and forced agencies to develop strategies for choosing among clients.

My point to you is that it is now time to once again approach our agencies as partners capable of broad, substantial contribution to the business. We must stop treating them as mere suppliers who are there simply to fill orders.

I remember when I was first promoted to Brand Manager at Procter & Gamble. My boss sat me down and gave me his "ten commandments" for successfully managing a brand. The very first commandment — and the only one I still remember today — was "Love thy agency... for only they can lead you to the land of great copy and share growth."

He was right, of course... and throughout my career my brands have benefited from that advice.

Today, however, too many advertisers fail to involve their agency in the nuts and bolts of the business. They hand their agency the

promotions, is a dollar that devalues a brand. And it is not just a temporary devaluation. Once you have begun a price-cutting cycle, it is very hard to stop. Consumers get used to it. The trade gets used to it — to the point where they feel cheated if it isn't there.

And price — which is how you measure commodities — takes precedence over value, which is how you measure brands.

In a commodity market, there is not a lot of value to brands."

I can only say "Amen" to Jim Jordan's words. They match our experience at Procter & Gamble.

To be clear, there is a place for price promotion in the marketing mix. Advertising, even great advertising, doesn't work in a void. The product or service must be right (of good, competitive quality) and so must the pricing. In total, the brand must deliver satisfaction and value to the consumer.

But, in that context, over time strong advertising is the key driver of volume and profit growth. Price promotion can, in moderation, effectively reward a brand's users for their loyalty, but, it is advertising that generates those users and sustains their loyalty.

"We must sell, with passion, the ability of effective advertising to deliver profitable growth and increase equity."

We have found that heavy reliance on promotion generates additional short-term business at an exorbitant cost. Consumers who buy because of price are far less profitable customers and are simply unlikely to remain loyal. The "net effect" is a short-term volume bump, accompanied by dilution of profit margins.

What's worse is that heavy promoting often leads to a response by competitors that triggers an escalation of promotion activity in the category... a spiral that ultimately hurts everyone's bottom line.

Again, I say, we the advertisers need to re-focus our marketing organizations and the senior management of our companies on our responsibility for building, as opposed to "milking", our brands. We must create much more of a balance between the need to meet month-to-month sales targets and our obligation to generate profitable long-term growth. We must sell, with passion, the ability of effective advertising to deliver profitable growth and increase equity.

If we... no if you are successful in moving your company to compete on the high ground, the competitive advantage of fundamentally stronger brands will be yours. And, over time, there will be a visible resurgence in the use of advertising as a foundation for successful business.