

## Private label winning battle of brands

Marketers face moment of truth as retailers' lines soar to historic sales high

By JACK NEFF  
jneff@adage.com

PACKAGE-GOODS BRANDS face their greatest crisis and strongest threat from private label since at least the early 1990s. And that's the good news.

The bad news is that this time could be a lot worse—more like the

U.K. or Canada in the 1970s than the U.S. in the 1990s, according to some industry watchers. They predict a structural slowdown in consumer spending that could last four to 10 years, which, combined with increasingly marketing-savvy and aggressive retailers, could conspire to push private-label shares to a dizzying high—as much as six times the roughly one-point gain already seen since the recession began in December 2007.

See **PRIVATE LABEL** on Page 21



**HEALTHY GAIN:** Over-the-counter drugs and health-care products, such as Walmart's Equate, were one of the fastest-growing segments for private label in 2008, according to Information Resources Inc.

## Guess which medium is as effective as ever: TV

By JACK NEFF  
jneff@adage.com

THE DRUMBEAT OF doom for TV advertising has sounded for more than a decade—DVRs, channel surfing, fragmentation, clutter, the flight to digital media ... Jay Leno

moving to prime time. Now the recession has even TV's most reliable moneybags of yore, such as Procter & Gamble and General Motors, yanking big wads of cash off the table.

Yet a funny thing is emerging from the smoldering ruins of what

may be the ugliest quarter TV has ever encountered financially: a growing body of evidence which suggests not only that TV advertising still works, but that it may be working better than ever. Analyses

See **TV** on Page 20

## Big spenders force shops, media to wait for payment

By JEREMY MULLMAN and RUPAL PAREKH  
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MARKETING'S NEW catchphrase: We'll pay you later. A lot later.

General Motors and Anheuser-Busch InBev are

among the major marketers that are asking advertising and media outlets to wait as long as 120 days to be reimbursed for production costs and media outlays, putting a painful burden on some shops. Many firms and trade groups are

See **DELAY** on Page 20

## Who will win, who will lose as GM, Chrysler shift focus

Yes, there will be cuts, but some media, digital and ad agencies will benefit

By JEAN HALLIDAY  
jhalliday@adage.com

WHEN GM AND CHRYSLER knocked on doors in Washington again last week to request another \$21 billion in federal loans, there wasn't much mention of marketing in the recovery plans they submitted, as it wasn't required.

But here's what you can discern from their documents: They will be

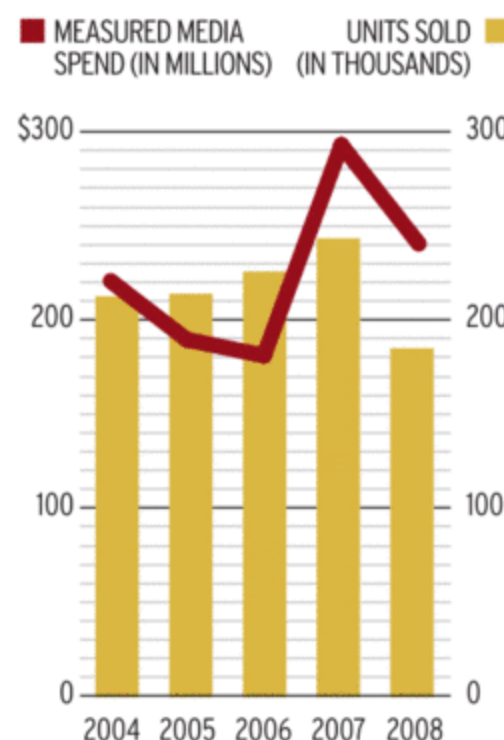
marketing fewer brands—and marketing them longer, beyond the launch phase; there will be more emphasis on fuel efficiency in messaging and product; and there will be more financial resources allocated to digital media.

Chrysler wouldn't discuss its spending plans beyond saying outlays "would be reduced in calendar-year 2009 compared to calendar-year 2008," though one executive close to the company said Chrysler will spend only \$125 million on media this year. If so, that's a dras-

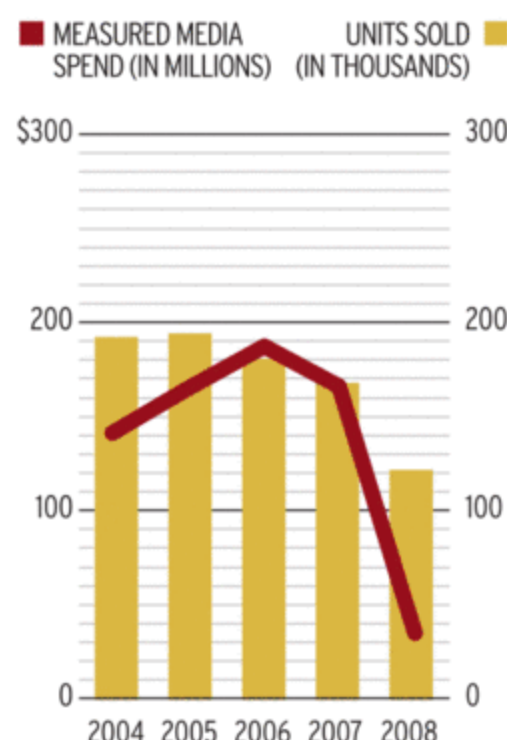
See **AUTOS** on Page 20

### Do you have to spend to sell?

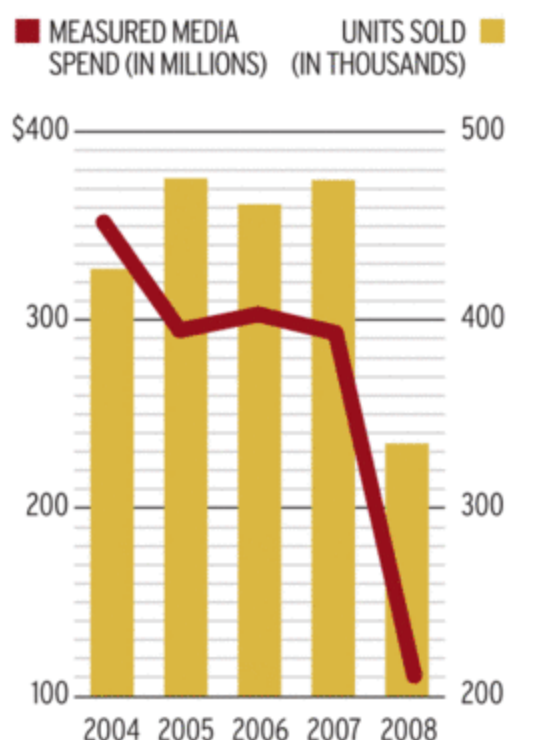
GM'S SATURN



FORD MOTOR CO.'S MERCURY



CHRYSLER'S JEEP



Sources: TNS, Automotive News Data Center

crain



### Mr. Madoff? You're in coach, row 23C

JetBlue riffs off anger with corporate greed; Garfield says it'll work.

PAGE 22



### Walter Isaacson on micropayments

Former Time editor defends his stance on charging for content.

PAGE 18





# PROGRAMMING GUIDE FOR THE WEEK OF FEB. 23

Your map to highlights from Ad Age and Creativity

IN THIS ISSUE

	P. 10				P. 11
--	-------	--	--	--	-------

ONLINE

	BLOG						BLOG								
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## EDITORIAL: WITH VIA, STARBUCKS FINDS ITS FOOTING

While Starbucks' launch of Via instant coffee may seem like the ultimate act of watering down a brand, the move might actually be the smartest the company has made recently. In effect, Starbucks may be waking up to reality and embracing its inner Walmart.

## CRAIN: MAKE PEOPLE NOTICE SELF-REGULATION

In the words of C. Lee Peeler, advertising self-regulation still remains "relatively unknown and underappreciated by the industry it serves." It has a "low profile in comparison to its value" to the advertising industry, says the NARC president-CEO.

## MORAN: BRA BAND THE VASSARETTES LACKS REAL VOICE

What's a Vassarlette? It's a line of underwear from Vanity Fair Brands. And the womens' wear company recently held some sort of talent competition to find ladies willing to play music while wearing bras from the collection.  
[ADAGE.COM/SONGSFORSOAP](#)

## JOHNSON: ARE YOU READY FOR DISRUPTION?

Today, agencies face their own disruptive technology in the form of Web 2.0 tools and social media. To pick one specific example, social networks such as Twitter can improve on a host of agency functions and often at a fraction of the cost.  
[ADAGE.COM/SMALLAGENCY](#)

## NEWS FROM ADAGE.COM

**Hewlett-Packard awarded its \$1 billion global media-planning and -buying business to Omnicom Media Group** after a review that included the incumbent, Publicis Groupe's ZenithOptimedia, which had been HP's agency of record since 2004. The pitch was originally for three HP divisions, Corporate, Personal Systems Group and Image and Printing Group, but was expanded to include its Technology Solutions Group as well.

**Bud.TV, one of the boldest, most groundbreaking and least successful online video plays by a major marketer, officially died.** Visitors saw a message that notified them the site was no longer available, thanked them for their interest and redirected them to A-B's branded sites for Bud Light and Budweiser.

**Comcast awarded its nearly \$250 million regional media-planning and -buying business to MediaVest** without a review, bringing the total amount of business the Publicis Groupe-owned agency handles for the cable provider to roughly \$500 million.

**Bartle Bogle Hegarty secured another spot on Coca-Cola's roster, winning creative duties for Sprite** after a shootout with Wieden & Kennedy, executives close to the matter said. Bartle Bogle also handles the Vitaminwater brand.

**The Magazine Publishers of America is canceling its big annual conference, which had been planned for Boca Raton, Fla., this October, and replacing it with a smaller agenda to be presented in New York.** The group also lost two more members last week, New York magazine and American Media.

## DISMISSED, DENIGRATED AND DEMONIZED: 'DECLINE OF MEN'

Short Order Dad Rob Rosenthal interviews Guy Garcia, author of "The Decline of Men: How the American Male Is Tuning Out, Giving Up and Flipping Off His Future." Garcia says that, "marginalized by society and maligned by the media, men are yearning for anything that tells them, or shows them, that they still matter. Meanwhile, a multibillion-dollar industry sells goods by reassuring males that they are virile and powerful and up to speed with the latest gear. Deep down inside, every guy knows he's Ironman, even if he's actually an ironing man."  
[ADAGE.COM/BOOKSTORE](#)

## HOLDING COURT WITH OGILVY, 'THE KING OF MADISON AVENUE'

Martin Bihl reviews Kenneth Roman's examination of David Ogilvy's life. "Like most bios of 20th-century business pioneers, it paints a broader picture of an industry's evolution, in this case advertising in America. Mr. Ogilvy is portrayed as a link between eras but also an agent of change. What's missing is a more critical analysis of his work, how it touched the masses and its lasting importance. One could argue this might make the book less accessible to the public, but let's be honest: The public cares a lot less about the inner workings of Adland than we wish they did."  
[ADAGE.COM/BOOKSTORE](#)

## IN THIS ISSUE



- 10 EDITORIAL
- 11 COLUMNS
- 12 CMO STRATEGY
- 13 MEDIAWORKS
- 14 DIGITAL
- 16 TALENTWORKS
- 21 GARFIELD

## HOW TO DIVERSIFY YOUR AD AGENCY

Jo Muse thinks "the masters of the advertising universe, and everything that's sweet in it, are getting punked by some crafty New York street fighters." He's got tips for fighting back.  
**SEE P. 8**

## MOST READ STORIES ON ADAGE.COM

What our readers are checking out

1. **Laid-Off Copywriter Turning Blog Into Job Site**  
[READ IT AT ADAGE.COM](#)

2. **Starbucks' New Instant Coffee Put to Taste Test**

3. **Anheuser-Busch Pulls the Plug on Bud.TV**

4. **Mobile Hotel Bookings Show ROI in Recession**

5. **Behind the Scenes of the McFlurry-'30 Rock' Deal That Wasn't**

## What's the best book you've read on marketing or media?

The top-business-book lists seem to include few advertising tomes, so we decided to ask our readers to help us compile the ultimate reading list for anyone in, or even just interested in, the marketing and media industries.

If you've got a book you think everyone else in the business should have read, or a book that you personally think about or refer back to again and again, let us know. We don't care how tangentially it's related to the business, we want to hear what it is.

Visit [AdAge.com/bookstore](#), where some of our editorial staffers offer their choices. You can vote by entering the name of your chosen book and the author in the comment field on the story, or you can simply e-mail your choice to the editor of the Ad Age Bookstore, Matt Kinsey, at [mkinsey@adage.com](mailto:mkinsey@adage.com).

We're not going to publish a long list of rules here. Let's keep it simple. The one thing we ask is that you don't vote for a tome that you authored. Other than that, let's hear it ...

## TO CONTACT ADVERTISING AGE / ALSO SEE MASTHEAD, PAGE 10

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# WANTED: ONLINE PAYMENT PLAN FOR PRINT

As everyone weighs in on how to save the business, the question is whether consumers will cough up for content they can get for free

By **MICHAEL LEARMONTH**  
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IT WAS AS IF the media woke up, saw its shadow and realized that the print world, including American capital-J journalism, is in mid-collapse. It's finally dawning that this isn't just about the economy, and it's not going to suddenly get better when the Dow finally starts chugging upward again.

Nope, this is about newspapers, and to some extent magazines, having their once-enviable franchises disintermediated by the web. Every publication now must compete with every other around the globe, many of which are willing to offer their content for free. They also face competition from thousands of aggregators, who take journalists' content, monetize it for their own profit, and, in many cases, give little or nothing back to its originators.

That's been true for years now, but the election is over, and we're still staring into an economic abyss that offers little hope that publications—not to mention TV and radio—will have time to manage decline while they figure out what's next.

What to do? The media grandees weighing in had plenty of solutions (micropayments! Pay walls! ISP taxes! Nonprofit status!), but they can be distilled into two distinct camps: those who believe that consumers can be made to pay—even a penny—for content and those who don't.

Unsurprisingly, those who come from print-media backgrounds, such as former Time Inc. editor Walter Isaacson (who made his case for micropayments in one of the smallest issues of Time in recent memory), fall heavily into the former group. Then there are those who've had a bad experience trying to charge for content, such as Slate co-founder Michael Kinsley, and those who make a living from the web, who believe it is lunacy.

See **NEWS FOR PAY** on Page 18

## It's not newspapers in peril; it's their owners

Dailies still make good money, but debt-laden publishers post losses

By **NAT IVES**  
nives@adage.com

FOR ALL THE apocalyptic news about newspapers, there's a distinction worth making: Newspaper owners are far more endangered than the medium itself.

Even as they take blow after

blow from recession and digital media, newspapers themselves still earn decent profits. They do even better outside big cities, which tend to get all the attention.

"Not a lot of papers are operating at a loss," said John Morton, the veteran industry analyst. "There are roughly 1,400 daily newspapers. We only hear about the top markets. That leaves at least 1,300 papers out there."

Publicly owned newspapers averaged an operating profit of

10.8% in the first three quarters of last year, Mr. Morton said. That's not the margin enjoyed by newspapers when they were monopolies, but it's not nothing either.

The owners, on the other hand, are variously posting huge losses, at least on paper; watching their stock prices plunge; and, crucially, struggling to make payments on debt they took on under projections that didn't pan out.

See **NEWSPAPERS** on Page 19

### Also inside



■ Hearst Magazines President Cathie Black writes that mags aren't endangered, just in transition. **P. 17**

■ Circulation is up in the U.K., but mostly thanks to custom pubs and other free titles. And newspapers are struggling. **P. 17**

■ Walter Isaacson is sticking by his theory that subscriptions or micropayments can save newspapers. The former Time editor talks to Ad Age about fixing the problem he helped create. **P. 18**

## Newsstand suffers as readers skip the store

Magazines' single-copy sales dropped 11.1% in second half of last year

By **NAT IVES**  
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IF MAGAZINES' RECENT, atrocious newsstand sales are any indication, this may not be the best time to ask people to pay for new kinds of content. They're already tapped out on established buys such as magazines.

Super-size gas prices last summer, which kept some shoppers out of stores, gave way to the full force of the ongoing recession, which made many want to stop shopping.

As a result, magazines' newsstand sales fell 11.1% in the second half of last year, according to the

Audit Bureau of Circulations, a drop that surpasses any in recent memory. Nineteen of the top 25 newsstand sellers posted declines. Only newsweeklies enjoyed a surge, buoyed by the long, but finally complete, presidential campaign.

Across the broader universe of magazines, including those not tracked by the audit bureau, newsstand sales fell 11.7% for the whole year, according to the New Single Copy, a newsletter published by circulation veteran John Harrington. The declines got worse as the year went on, from a 7.4% drop in the first quarter to a 14.9% plunge in the fourth.

"It's the worst that I've seen," Mr. Harrington said.

There's a lot of uncertainty

See **NEWSSTAND** on Page 17

### SINGLE-COPY BY CATEGORY

Newsweeklies were the only bright spot last year



CELEBRITY	NEWSSTAND SALES		CHANGE
	SECOND HALF '08	SECOND HALF '07	
In Touch Weekly	834,492	1,228,056	-32.1%
Life & Style Weekly	461,969	672,463	-31.3
OK	490,417	550,100	-10.9
People	1,472,149	1,428,760	3.0
Star	617,096	712,980	-13.5
Us Weekly	796,669	1,005,086	-20.7



NEWSWEEKLIES	SECOND HALF '08		CHANGE
	SECOND HALF '08	SECOND HALF '07	
Newsweek	106,114	92,576	14.6%
Time	137,610	102,277	28.3
U.S. News & World Report	42,676	33,757	26.4



SHELTER	SECOND HALF '08		CHANGE
	SECOND HALF '08	SECOND HALF '07	
Better Homes & Gardens	231,333	379,667	-39.1%
Domino	103,000	95,858	7.45
O at Home	287,500	334,557	-14.1
Southern Living	176,801	173,450	1.9



LIFESTYLE	SECOND HALF '08		CHANGE
	SECOND HALF '08	SECOND HALF '07	
Family Circle	789,500	976,821	-19.2%
Martha Stewart Living	326,900	391,416	-16.5
More	199,600	205,000	-2.6
O, The Oprah Magazine	626,000	836,770	-25.2
Real Simple	387,800	413,263	-6.2
Redbook	180,700	268,194	-32.6

Source: Audit Bureau of Circulations

## High Life's one-second spots yield 8.6% sales boost after Super Bowl

Miller credits hubbub around ads, which didn't even run in some markets

By **JEREMY MULLMAN**  
jmullman@adage.com

MILLER HIGH LIFE'S one-second Super Bowl ads that weren't created a sales bump that definitely was.

Sales of High Life popped 8.6% during the week after the Super Bowl vs. the same period a year earlier, and they were up nearly 5%



'HIGH LIFE': All Miller needed to say.

during the week before the game, according to ACNielsen.

The contrast between those numbers and the generally incremental gains the brand has been posting in

recent months makes it clear that the hubbub surrounding the brewer's one-second Super Bowl ads drove the surge. Not bad, considering the ads didn't even run in many large markets—including New York, Chicago and Los Angeles—because NBC directed its owned and operated stations not to run them.

"One of the big things for us [in making the ads] was that we thought we could sell more beer," said High Life Brand Manager Kevin Oglesby. "We definitely sold more beer."

Miller announced plans to air the ads—and placed a bunch of them online—on Jan. 20. The spots' inherent critique of spending so lavishly on advertising in a recession—"Paying \$3 million for a 30-second commercial makes as much sense as putting sauerkraut on a donut," a promotional website said—drew national notice, including coverage in USA Today and other major media outlets.

Many observers naturally assumed that barb was aimed at Miller's traditional foil, Anheuser-

Busch, which boasted 4 minutes and 30 seconds of ad time during the game. But Miller executives insist the ads were merely an attempt to broadcast the brand's value-oriented sensibility and not a shot at A-B or anyone else.

NBC, however, wasn't buying it. The Super Bowl network apparently viewed the ads as disparaging to advertisers willing to pay up for the game during a year when fewer were and directed its owned and

See **HIGH LIFE** on Page 21



# Marketers demanding ratings for each TV ad

C3 system not enough say those now looking brand-specific figures

By **BRIAN STEINBERG**  
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WHEN MARKETERS, ad buyers, TV networks and Nielsen lurched toward a mid-2007 agreement that allowed payment for TV ads to be based on the number of people who watched them—not on the viewership of the shows they interrupted—it was seen as a landmark. Less than two years later, marketers are already pressing for an even-more granular measurement: how many watched *their* ads.

Current commercial ratings—known as C3 because they measure three days' worth of viewing—hinge on figuring out how many viewers didn't skip past an "average commercial minute" in a particular program. Marketers would rather payment be based on the viewership of each commercial. The amount Nike paid would depend on the number of people who watched its latest iteration of "Just Do It," while the amount of cash McDonald's would fork over would be based on how many actually saw one of its burgers in a TV spot in real time.

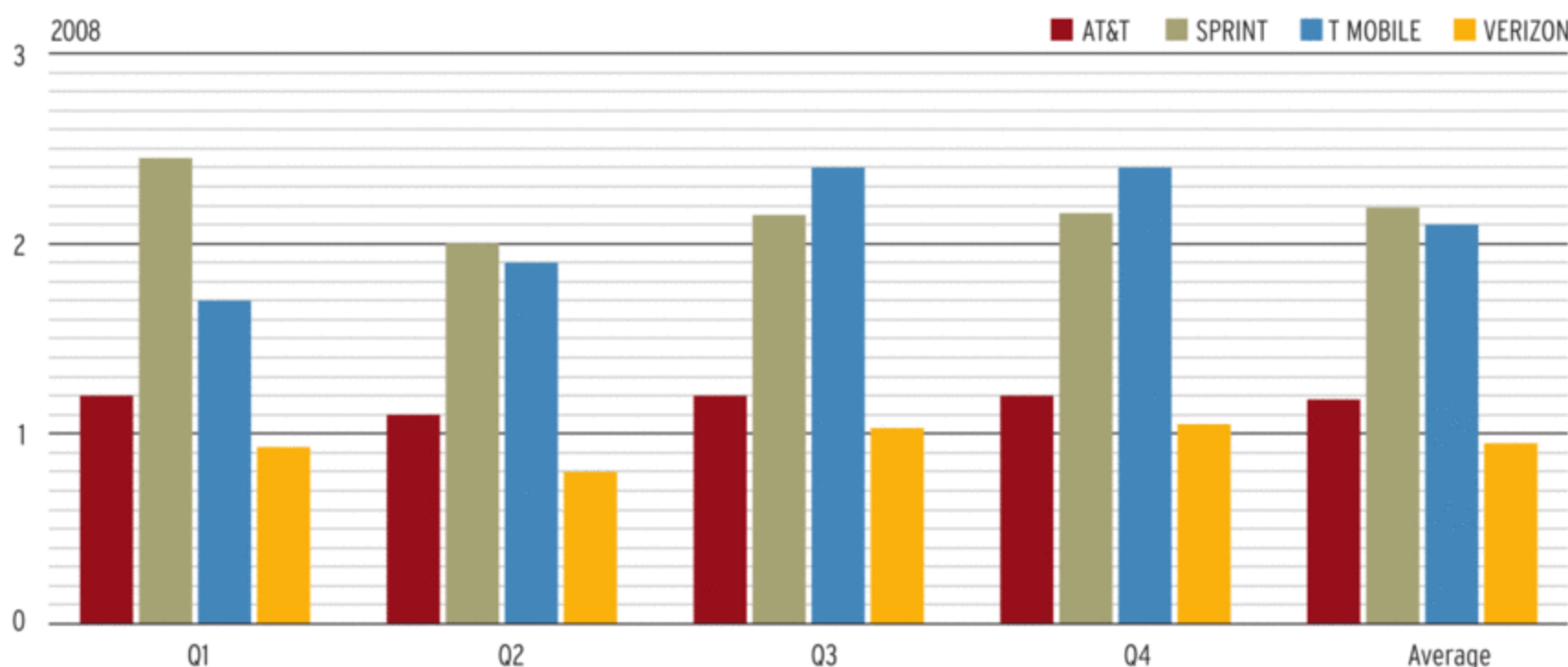
What's wrong with the current data? At a time when the web is revealing so much specific information about the relationship of consumers and their reactions to ads, marketers feel TV ought to do the same.

"There is so much more data available now" about whether the

See **BRAND** on Page 22

## CUSTOMER ATTRITION AMONG TOP FOUR U.S. WIRELESS CARRIERS

Verizon Wireless continues to maintain the industry's lowest churn rates. On balance, Sprint recorded the highest customer turnover for the year among contract customers.



# WIRELESS-PHONE COMPANIES FIGHT RISING CHURN RATES

Promotions abound as customers jump on best offers around

By **RITA CHANG**  
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WITH CHURN RATES rising among subscribers, wireless-phone companies are pouring on the promotions and marketing spending in hopes of keeping cost-conscious consumers in the fold.

There are no hard numbers on how consumers react in a recession when it comes to cellphone service. Brand switching rose during the last major downturn, in 2001, but that period isn't considered comparable since fewer people owned mobile phones and they were considered less of a necessity (see related story). But there is anecdotal evidence, at least, that consumers might be willing to jump on the best offer this time around, as churn rates in 2008 rose for both Verizon and T-Mobile. Sprint alone shed 1.3 million customers in the fourth quarter. Switching rates for AT&T, with its white-hot iPhone, were largely unchanged (see chart).

"Most industries will not expe-

## A look at the last downturn

What can marketers learn from the last recession when it comes to churn rates? Not a lot.

During the last downturn, which the National Bureau of Economic Research says began in March 2001 and ended in November 2001, the wireless-subscriber base was still growing. The year ended with about 20% more U.S. wireless subscribers than the year before, according to the Telecommunications Industry Association. Historically, phone subscriptions (landline and wireless) have been among the last

consumer items to be cut when the economy is down, said Arthur Gruen of Wilkofsky Gruen Associates.

AT&T's and Verizon's churn rates were high in 2001 compared with subsequent years, but in those days, mobile phones were nowhere as entrenched as they are today. Moreover, operators have since become adept at managing churn through add-on services and investments in their networks, and consumers now have prepaid services as a fallback.

—RITA CHANG

rience growth during this period, so achieving growth must be at the competition's expense," said Bill Morgan, Sprint's senior VP-marketing. "To lure switchers, companies would be wise to maintain as healthy a marketing budget as prudently possible."

But the most spending doesn't always mean the least churn. AT&T outspent Verizon by some

\$200 million last year yet posted higher churn rates (see chart). In 2008, wireless leader Verizon, which still maintains the lowest churn in the industry, spent \$2.2 billion in measured media, excluding outdoor and national radio spots, vs. AT&T's \$1.9 billion.

Nonetheless, Verizon is cover-

See **CHURN** on Page 21

# Why the click is the wrong metric for online ads

Mere mouse move can't measure influence; that's good news for publishers

By **ABBEY KLAASSEN**  
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THE GREAT PARADOX of the web is that it's an interactive medium and everything can be measured. And that's wonderful—unless you're measuring the wrong thing.

In the past several months, there has been increasing evidence that

the most easily measured metric on the web, the click, is not the right metric to use for many advertisers. And that's good news for publishers struggling to monetize their content with online ads.

Simply put, many advertisers in the past gave most of the credit for a sale or conversion—which in the web world could include anything from visiting a website to printing an online coupon—to the last ad clicked

## Fixing online ads

Part of a series

on or seen by a consumer. But that means brand-focused sites such as NYTimes.com and MarthaStewart.com and even social-media sites such as Facebook and MySpace lose credit because they are often not where a consumer will see that last ad. And when they lose credit, they lose advertisers, and when they lose ad revenue, well, you've read that story.

"Publishers have a lot to gain," said Steve Kerho, VP-analytics,

media and marketing optimization at Organic. Mr. Kerho has been doing lots of analysis on how online-display ads affect search and conversions and found that in some cases, a display ad can increase a search ad's click-through rate 25% to 30%. If he had simply measured the clicks from search, he would have missed the display ads' influence.

The evolution toward better attribution models has been occur-

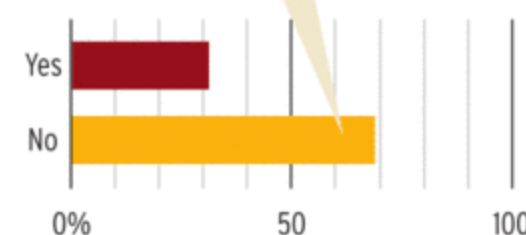
See **FUNNEL** on Page 22

## WHAT YOU SAY

**THE QUESTION:**  
DO YOU THINK YOU ARE GOING TO SEE ANY BENEFIT FROM THE ECONOMIC STIMULUS?

69%

said the stimulus plan would be no help to them.



Lawmakers say their freshly passed \$787 billion stimulus package of government spending and tax cuts will resuscitate our flat-lining economy, yet doubt abounds: 69% of respondents in this week's poll said they don't think they'll get anything out of it.

"Any bill that has a provision to save a species of ground squirrel and that creates work [as opposed to] jobs is no stimulus package," said **Mary McManamon** at Lake Erie College. "How about taking the funds earmarked for Acorn and put them to some use? Oink, Oink."

"It's a giant boondoggle larded up with massive amounts of pork, and every politician who supported it should be dumped," said **Vaughn Sink**.

"I'm one of those people who have worked very hard and lived within my means," said **Peter Rogers**. "This stimulus bill is for those who haven't, and we now have to cover even more for them now. Adam Smith, where are you?"

**Karen Marvel** at Brand Hub disagreed. Even though she said she expects "nothing direct," she said, "If it gets people relaxing and spending, then it will definitely help my business."

"It's hard to throw three-quarters of a trillion bucks into the economy without it being felt," said **Bob Fiddler**. "The question is whether it will be big enough or well-directed enough to break the back of the recession over time."

**Stephanie Strickland** at Saber Solutions said the only thing she's getting from the bill is "a better understanding of why my grandfather used to hide money in coffee cans buried in the yard."

—MAX LAKIN

**NEXT WEEK'S QUESTION:**  
WHAT'S THE BEST BOOK YOU'VE EVER READ ON MARKETING AND MEDIA?

To answer, go to  
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# Redbox rakes in green in tough times

Cheap DVD rentals in convenient spots are big hit with belt-tighteners

By **BETH SNYDER BULIK**  
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THOSE WALLET-FRIENDLY \$1 DVDs dispensed by big, red boxes at McDonald's, Walmart and other retailers have catapulted to the top impulse buys in the front of the

store. And all those singles are adding up to a big chunk of change for Redbox parent Coinstar.

"It's convenient and it's inexpensive," said Infonetics Research analyst Jeff Heynen. "Every time I go to the grocery store, there's a line in front of the Redbox."

Even as sales of DVDs slide—they were down 9% to \$14.5 billion last year, according to Digital

## BRIGHT SPOTS

Part of a series

Entertainment Group—Redbox rentals increased 180% to \$400 million in 2008, driven by new units, though even existing units posted robust 52% same-store-sales growth. Chief Operating Officer Paul Davis, who will become Coinstar's CEO in April, predicted in a fourth-quarter earnings call with analysts that Redbox sales will climb another 80% this year to

reach \$650 million to \$700 million.

Coinstar, whose original business was converting spare change into cash for grocery-store shoppers, is bullish enough on the Redbox concept that last week it bought out McDonald's subsidiary GetAMovie's 44% interest.

Redbox estimates it already has more than a 9% market share of DVD rentals, but Mr. Davis said that share can go much higher, as evidenced in two of Redbox's more-

established markets, Houston and Denver, which each have 20% market share. Coinstar also owns the smaller DVD Express.

It's not just Redbox that is benefiting from the recession. Though Digital Entertainment Group said DVD rentals, including kiosk sales, were flat last year at \$7.5 billion, video-rental-measurement firm Rentrak reported that rentals were up 4% in the fourth quarter of last year.

Gary Lancina, Redbox's VP-marketing, acknowledged that the economy is having an effect on Redbox's success, but added, "Redbox was doing well before the economy turned south. In hard times, great brands with great value propositions will continue to do well."

While the \$1 price is certainly a big draw for Redbox, its allure also includes convenience, location and new releases, which are added every Tuesday. Redbox users also can return the movies to any machine, and they can go online to see the contents of a particular box and reserve a movie for later pickup.

Mr. Lancina, whose background



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Source: MRI Doublebase 2008



**BOX SCORE:** Front-of-store locations in Walmart, McDonald's draw customers.

includes a stint as a senior brand manager at S.C. Johnson, said Redbox has established itself as a brand, just like a bar of soap. "It's a 6-foot-tall package," Mr. Lancina said. "It has to do the same thing as a package good. We have to use that to grab consumers' attention, engage them and want to interact with the product."

"Being cheaper doesn't always mean success," said Forrester analyst James McQuivey. "They're at the front of the Walmart, and people are in a shopping and saving mode, and they think, 'OK, sure, one more dollar.'"

One Redbox devotee is Michael Lantz, who founded the indie Inside Redbox website in 2005, when there was just a smattering of boxes—five in his local Salt Lake City test market—as a place to share Redbox stories. Now there are 10 boxes within a mile of his home, and the site logs 250 to 300 new members daily.

Mr. Lantz said the low price is the main attraction for most of the people he talks with, and, in fact, one of the site's popular draws is a weekly free-rental code. Redbox sends the codes each week in text messages to customers. Mr. Lancina calls it "Free Movie Monday" and sends the codes to customers who provide a mobile-phone number.



# How one agency is doing more for jobless

## Toronto shop assembling teams of freelancers for Just One Project

By **MARISSA MILEY**  
mmiley@adage.com

AFTER SEEING ADVERTISING job losses mount in its home city of Toronto, an independent agency is trying to mitigate the devastating effects of the recession in Adland.

In late January, Huxley Quayle von Bismark, a 1-year old Canadian agency with a staff of 10, launched an initiative to bring new business to recently laid-off advertising profes-

sionals. The effort, called Just One Project, invites major advertisers to give "just one project" to a freelance staff assembled by the agency.

HQVB partner Andy Shortt said the company has been flooded with e-mails, portfolios and résumés since the recession hit Canada in late November. At first it was disheartening. "As much as we would have liked to hire everybody ourselves, we couldn't," he said. But then Mr. Shortt and his partners started to think about the possibility of doing exactly that through Just One Project.

"You can't be an industry leader if you don't care about what happens to the people who make up the

industry," Mr. Shortt said. If his agency could help keep out-of-work ad people afloat for a month or two on a project, he was all for it.

### HUNDREDS OF RÉSUMÉS

In the few weeks since Justoneproject.ca went live, more than 300 laid-off professionals have responded, and two national media companies have offered special deals for advertisers that assign projects to the initiative, Mr. Shortt said. Aegis Group's Genesis Vizeum is also working with HQVB to negotiate media buying for the project.

Assignments through Just One Project are intended to be in the

\$15,000 to \$20,000 range, just enough for freelancers to have some livelihood and not be a threat to ad agencies with multimillion-dollar accounts. HQVB will charge about \$125 per hour: \$100 per hour for the freelancers and \$25 per hour to cover its in-house costs.

For the most part, Mr. Shortt has received kudos from agencies around the world. Closer to home, some agencies have argued that the project is undercutting general-market fees.

"The goal here is not to deprive other people of work," Mr. Shortt said, noting that Just One Project seeks work that is small and that the initiative has turned down at least

one advertiser's request to bid.

HQVB is sorting through résumés for its first project, the launch of ConnectInPrivate.com, a secure online network for file sharing. It expects to announce the creative team this week.

While Mr. Shortt said he and his business partners, Chris Hall and Mark Tawse-Smith, are trying to help out those in need, he added, "We believe that if you do good things, good things happen to you."

HQVB has worked with Travel Alberta International; the Ontario Art of College & Design; Toronto Community Foundation; and Vincor Canada, part of Constellation Brands.

## NIKE'S PHIL KNIGHT ON SHOW BUSINESS VS. SHOE BUSINESS

Founder turns to Wieden to market 'Coraline'

By **CLAUDE BRODESSER-AKNER**  
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PHIL KNIGHT easily could have hung up his track spikes by now. Instead, the 70-year-old billionaire founder of Nike has teamed with his company's longtime ad agency, Wieden & Kennedy, to successfully market the first animated film shot entirely in 3-D, "Coraline."

The movie, produced by Mr. Knight's Laika and distributed by Universal Pictures' Focus Features, is based on a Neil Gaiman graphic novel adapted and directed by Henry Selick ("The Nightmare Before Christmas"). Mr. Knight's son Travis served as chief animator. Laika is an animation company that specializes in feature films, commercials, music videos and short films. Mr. Knight first invested in the company in 1998 and officially took control in 2003.

That "Coraline" opened to an impressive \$16 million in its first weekend is a testament to what Mr. Knight calls "pinwheel" marketing: niche promotion and publicity working in concert with traditional Hollywood movie marketing.

Wieden identified some 15 niche demographic "spokes," then set about courting the knitting aficionados, comic-book geeks, collectible mavens, emo rockers, crafts makers and casual gamers that would help "Coraline" open to \$7 million more than Focus initially projected for its first weekend.

**You're worth \$10 billion—**

[Interrupts, laughing] Well, not lately.

**The point is, Hollywood usually salivates when rich guys like you express even a passing interest in getting into film. Whose advice did you solicit before you bought Laika, and what did they tell you?**

The honest truth is nobody. It was just kind of a question that was thrust upon me. The old Will Vinton Studios had very suddenly become insolvent. In maybe 72 hours, I had to decide whether I was going to save it or let it go bust. I just went off to the mountaintop by myself and said, "Well, I guess I'll try and salvage this."

**Why'd you want to save it?**

My son worked there and loved it. I'd gotten to know some of the people. I just thought there was something that was worth saving.

**Let's talk about "Coraline." It's not typical for someone to tell a Hollywood studio, "Hey, you're releasing this, and, by the way, we've got our own agency to sell it." How did Universal and Focus Features react to that?**

[Laughs] You should see video of those meetings.

**Really?**

The original agreement was that Focus would do the advertising, but in some of the early meetings, it was clear that we had a difference of opinion on the advertising—"target audience" being one. They were used to doing "data" advertising: They wanted to push this more as a kiddie film, because that's what the data told them. And Nike and Wieden & Kennedy together had grown up with what I call "emo-



tional essence advertising"—the essence of the product is its emotional core, and you push that. It was two very different approaches, and it kind of became clear in some of those early meetings that we had a very strong difference of opinion. And to Focus' credit, they said, "OK, why don't you guys try it?"

**So what's the difference between the shoe business and show business?**

One is a risky business, and the other is just plain gambling. [Laughs] But I do think there's some commonality. I think there's such a thing as managing creativity. And we've approached the marketing similarly between two companies [Nike and Laika]: The most important marketing tool is the product itself. Everything comes out of that.

**Are you cognizant of Laika as a brand the same way you were about Nike? Because there's a saying in Hollywood: People don't watch channels or studios; they watch shows and movies.**

Yeah, I think that's basically true, and that's the big difference with the footwear and apparel business. I do think there is a brand element to [Laika], too, but the key is making great movies.

**You have the resources to bring any story you want to the screen. Is there anything you want to make into a film?**

I don't see myself that way. I didn't sit down and say, "Hey, I want to make movies!" Our objective is to be a good company, and we're not there yet.

## Laid-off copywriter wants to get you back to work too

Erik Proulx is turning his blog into job site that will match talent and agencies

By **JENNIFER ROONEY**  
jrooney@adage.com

JOB SEEKERS, take heart: Erik Proulx plans to set you up.

The former senior copywriter at Arnold, Boston, is transforming his 3-month-old blog for the advertising industry's growing pool of unemployed, Please Feed the Animals, into what he hopes becomes the de facto industry site where job seekers and agencies can find each other.

"It is going to become a match-making site for out-of-work advertising talent and hiring agencies," he said. "It's going to be totally free. Nobody's going to have to pay once they log on. And if you're an agency, it's free to look for talent." And unlike other job sites, it will be specific to advertising.

Mr. Proulx credits Teresa Rad, director of art production at TBWA/Chiat/Day, New York, and a former colleague at Lowe, New York, with the idea of transforming the blog, which has garnered more than 1,000 readers since Mr. Proulx's first post Nov. 7, into a job-search site. "Having read the blog and being involved in what was transpiring on the blog and hearing about all my friends getting laid off, I thought I just really wanted to turn it around and figure out a way to help people get work," Ms. Rad said.

Web developer Skookum, Concord, N.C., has signed on to add needed functionality, providing about \$30,000 to \$40,000 of work pro bono, Mr. Proulx said. He is targeting an early- to mid-April launch date.

Mr. Proulx, 37, worked at Arnold for two and a half years, first on the Fidelity Investments account and then on the Volvo account,

before being laid off in October. Previously he was a freelancer at StrawberryFrog in New York.

A day or two after losing his job, he had the idea of developing a blog for out-of-work agency talent. "I wanted to vent to somebody," he said. "And it wouldn't have been helpful to do it to anybody at Arnold, and my wife could only hear so much of it." So he started Please Feed the Animals "as a way to digest my own feelings."

### NOT THE FIRST TIME

It wasn't the first time he'd been laid off; he'd gone through the experience twice before—the result, he said, of employers either losing accounts or, in one case, shutting down. So he felt he brought a unique and helpful perspective to the blog.

"I've sort of developed a bag of tricks over the years: how to do freelance, how to approach creative recruiters, which headhunters are good to use and which ones have less-than-stellar reputations, looking outside of the traditional agency structure to find your next paying gig," he said. "It became a way for me to pass along what I've learned and have people write in with their own experiences."

He's freelancing for business-to-business agency PJA in Boston while building out the blog, and said he'll continue to manage the site even if he secures a full-time job.

"I'm not trying to make any money off of it," Mr. Proulx said. "At most, I'll charge agencies to post jobs in the help-wanted section."

He said the site would accept a few ads upon relaunch. "Any advertising revenue would go to Skookum and a designer who is giving me tons of his time," he said. "If any financial windfall comes upon Please Feed the Animals, I'd like to be able to give the money to the people who have given me their time."



# HOW TO WIN THE DIVERSITY BATTLE

If you want results, reinvent yourself and spend time out of your comfort zone

By JO MUSE

MAKE NO BONES about it: Advertising is a career for the strong of mind and spirit, and for those who think winning should occur swiftly and without great ceremony. I learned what it takes to be successful in this crazy business from my teenage years in Southwest Detroit. At least, that's where I learned what it took to act hard, fight dirty, and win street fights with death blows and large doses of bravado. But with the problems multinational-holding-company executives are facing, it seems the masters of the advertising universe, and everything that's sweet in it, are getting punked by some crafty New York street fighters.

Being an adman, I would like to see my guys emerge victorious. To do that will take shifting their perspective and relearning how to fight like they mean it. So in the spirit of winning the diversity war, here are five things advertising-agency-holding-company CEOs can do to handle this diversity business overnight.

## 1. FIRE YOURSELF!

Well, not really. Just your tendencies. Reinvent yourself as a man of courage and great conviction. If your shareholders had a CEO who really got that treating diversity as a business issue is the right approach, some of the insane internal pressures to fix the situation would be eliminated.

If you have a good eye for global populations, national race and ethnicity concentrations, and consumer-market indices, you could wake up tomorrow and say something like, "I love the smell of diversity in the morning." Then grab your general's helmet and head to the office with a new sense of

accountability and personal responsibility. Your staff would rise to the occasion, because the general gave the order. And if your agency won or saved an account because of some brilliant, yet darker-skinned idea maven, the business case for diversity in your business would have his name in the byline. That is an instant change any CEO can make. It just takes a commitment to action, and taking credit for something everyone knows is right: employment fairness. And having a deeper value for the idea that diversity of thought leads to creative brilliance anyway.

No doubt doing what I'm suggesting seems unnatural and perhaps too liberal, but I'm sure that during your finest hour, you, too, had learned more from stepping out beyond your comfort zone than staying inside it. Today's world requires more than the insulated

environment you've grown used to. It requires stepping into a fight instead of walking away from it.

Doesn't it seem just a little odd to you that one woman, Nancy Hill, president-CEO of the American Association of Advertising Agencies, stood up for you at the latest hearing, and the tone and texture of the problem seemed to shift. You, in your current moral and spiritual composition, are a poor match for the courage, nerve and passion of a New York City Council. Get off it. Now is the time to find in yourself the moral fortitude to match up with those who stand against you. Step away from the safety of the crowd you now stand in. Approach the accusers with the power of your conviction and the will to make change where you stand.

It may not be Global Holding Company CEO 101, but it is what's wanted and needed for your organization and the industry.

## 2. STOP FEARING YOUR CLIENTS.

At least don't be so pathetic about it. Clients like to see courage, too. I haven't met one yet who didn't want his agency to make him look like the great innovator. You know, that kind of corporate greatness that causes promotions or creates distinction in the executive suite. Oftentimes they don't know how you did it. You just have to actually show some leadership—instead of waiting for the opportunity to serve them by just taking orders. What if a senior executive for a multinational holding company told a client that diversity was good for the business—not based on some sort of Harvard Business Review case study, but because he felt in his personal experience it was the right thing to do.

You should also have a pretty focused plan for how the agency would go about doing it—without lowering standards or doing less-than-excellent work. It bothers me a lot that some of us think that skin color (or where someone went to school) determines great effort and accomplishment. Nonsense. A great idea has never cared what color its parents were. And the guy who says this first and means it is going to see his stock price rise exponentially. Tell your clients what you stand for. Fearlessly.

The mistake many CEOs make is not recognizing that what the Human Rights Commission is looking for is a little accountability. That's why Nancy Hill did us all a huge "solid" by showing up at the hearing and speaking honestly and passionately about inclusion and the opportunity we all have to make a difference.

If a few of you invested some skin in this game of advocacy and



**MUSE:** Advertising is for those who think winning should occur swiftly.

stood up for accountability in open court, the world you live in would change around you. Top-notch CEOs at some world-class companies have done just that and turned things around. Terrance Lanni of MGM Mirage stood up and said things would change. Rick Kovacevich of Wells Fargo said his company would commit to supplier diversity. Lee Iacocca stood up for the New Chrysler. All these men took a stand, and things changed. Be the man, and your world will step up to your promise. And your clients will admire your gumption and courage.

## 3. LEAVE HOME!

I know the country's nice. And the uptown flat is even better. But it helps determine the kind of culture you manifest in your workplace at large. Do agency executives live in a corporate culture that values diversity? Of course not! Most of you guys who run ad agencies don't live among the average, multicultural consumer. You live largely isolated from people of color. And you bring that isolationism to work every day.

Spend more time out of the executive dining room and more time at the deli counter looking, feeling, and, yes, smelling some of the customers that help pay for those million-dollar cribs on the hill.

If you really want diversity in the company to be valued, you've got to bring that value in. The culture of most advertising agencies is already bent against it. There are wonderful ways to show cultural respect and multicultural intelligence and still be a fine advertising agency. Just ask somebody in any shade of black, brown or yellow—preferably someone who isn't already in advertising. They'll have lots to say. Write it down and work on a response and plan to change the culture of your organization.

I suggest doing this before the agency starts hiring a bunch of underqualified black people, and then watches them fail just to prove that they shouldn't have been hired in the first place.

## 4. STOP HIRING MINORITIES!

Is it possible this is what got you into trouble from the start?

## Check out other stories in this series

A look at previous articles that ran as part of our Black History Month focus

### Marketers Shouldn't Bypass African-Americans

■ Marketers make mistake by failing to expressly target nearly \$1 trillion market

### For Diversity Officers, No Good Deed Goes Unpunished

■ Those struggling to increase minority head counts come in for criticism

### Sanford Moore Speaks Out

### Do Ethnic Shops Have a Future?

■ It may be far in distance, but integrated Madison Ave could spell end for some

### Meet One of the Pioneering Blacks in the Ad Industry

■ Georg Olden's career at BBDO, McCann wasn't about race—until the end (an excerpt from Jason Chambers' "Madison Avenue and the Color Line")

For links to all of these stories and to keep up on the latest news, analysis and opinion regarding diversity in the advertising industry as well as multicultural marketing, go to [ADAGE.COM/BIGTENT](http://ADAGE.COM/BIGTENT)

Someone told you it was good to hire more minorities, and it just felt wrong—unfair to people who aren't minorities. I bet that's how it began. In many urban centers in America, non-minorities are fast becoming the minority. What I mean is that the quest for qualified talent is not about race, ethnicity or being a minority. It's about talent, pure and simple. Not only are qualified people of color out there, they are available and looking for opportunities to excel in the advertising business. To discover people of color, all we have to do is stop seeing differences and look for commonalities. I suspect someone told you guys that it's hard to find qualified minorities. They were just making excuses for not looking in the right places. Try looking for qualified and passionate people, wherever you can find them. I run one of the most multicultural advertising agencies in the business, and I haven't looked for a minority

yet. Well, maybe a few white males from Ivy League schools on occasion.

## 5. GO BACK TO WORK.

Not to the boardroom or shareholder meetings. I'm suggesting you go back to your chosen profession before you made the big time. Was it media? Creative? Account management?

Try going back to the basics of the business and experiencing what makes the business one of the coolest places to work on the planet.

Once you're back in touch with the brilliance of the business, take a trip to a historically black college or university or an urban college and give a speech for the Advertising Education Fund. You'll learn something. Jerry Della Femina once said that being in advertising was the most fun you can have with your clothes on. He's right. We have to do a better job of letting students in on the secret. Don't worry about the fact that your skin color will probably be in contrast with that of the student body. Watch their faces. They will be looking at you with all the wonderment and excitement that comes from a student when he or she meets an inspired professional. Most CEOs give talks to shareholders and look almost dead doing it. These talks should be invigorating.

You can make a difference in diversity of employment immediately, one school, one student at a time. Have your agency's senior executives do more campus visits as well.

Find the right advocate for diversity in your organization—and not a black woman. For goodness' sake, choose an executive from the boys' club who not only knows what must be done but knows how to speak the language of those who have not taken to the notion of diversity. The conversion must flourish within the white-male ad community, not outside it.

Those are my five things a CEO can do to instantly change the ad business as we know it. It isn't hard stuff. It just takes a manner of conviction and action that currently isn't being commanded in the executive suites of some of the finest advertising organizations in the world. Shame on you for letting a few slick, passionate politicians get the drop on you in a dark alley. I thought you guys were better than that. This game of persuasion is about walking the walk, talking with moral authority, and then throwing a chair or two in the mouth of the charging crowd. When they spread, run like hell.

Jo Muse is chairman-CEO of Muse Communications.

**Black History Month**

*Last in a series*



# Taking stock of successes and stumbles

The keys to winning at retail: spend, target and emphasize value

By NATALIE ZMUDA  
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WITH THE ECONOMY in a tailspin, the retailers that are flourishing—and floundering—may surprise you. Everyone knows low-price leader Walmart is the recessionary darling, but what other marketers are seeing their strategies pay off, and which ones are not?

Ad Age decided to look at varied categories for common threads and found a few that point to higher sales: Keep spending, target your marketing and look for ways to offer value.

CONTRIBUTING: EMILY BRYSON YORK,  
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### How to reach those finicky recessionary consumers

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### Just what is 'shopper marketing' anyway?

■ Major consumer-products companies lavish at least \$2 billion a year on it, but there's still no consensus on how to measure its effectiveness. Find out why on AdAge.com.

## BEST-POSITIONED

### APPAREL RETAILER: AMERICAN APPAREL



The company known for its provocative—some call it unseemly—ads posted a 3% increase at stores open at least a year in December, followed by a 2% increase in January, and it did so without discounting.

"American Apparel is driving the industry's best sales performance at full price," said Todd Slater, an analyst with Lazard Capital Markets. "We see American Apparel as one of the top-growth retail brands." Marketing spending is also up, even as major retailers cut. Last year American Apparel spent \$16 million on measured media, quadrupling the \$4 million it spent in 2007, according to TNS Media Intelligence.

Its young, hip, urban target could care less about whose feathers are ruffled by a few nude photos. "American Apparel's family is young adults who live in cities," said a spokesman. "Their rents are going down; if they're looking for a car it's cheaper than ever; and they didn't have a stock portfolio to begin with. There's a lot of retailers out there saying that the sky is falling, but this emerging class of young adult urbanites that make up the bulk of our target audience is still buying."

### GROCERY STORE: KROGER



Kroger managed a 6% increase in stores open at least a year during the third quarter, and analysts said the grocer has narrowed the pricing gap with Walmart to less than 10%. Last year Kroger offered consumers 10% off if they spent their tax rebates at the chain, and it offered gas discounts and free groceries in exchange for points earned through its loyalty-card program.

The retailer is also using a lot of direct marketing. For example, data from its loyalty-card program are being used to send unique coupon offerings to specific households. "We understand and appreciate that no two customers are alike," said David Dillon, Kroger's chairman-CEO. "Some may live in the same city, some in the same neighborhood and even on the same street, but we know that they don't have the same shopping habits. This level of personalization is a direct link to our customers [that] no other U.S. grocery retailer can replicate."

### SPECIALTY RETAILER: GAMESTOP



Consumers still splurge on must-have games and game systems, even as they cut back on discretionary purchases, and GameStop has been a primary beneficiary: Sales at stores open at least a year jumped 10% between Nov. 2 and Jan. 3.

The retailer has a built-in value proposition: Old games can be traded in for credit toward new games. "Game Advisors" are employed at each location, and the pointed tagline "Power to the Players" helps GameStop stand apart from competitors such as Best Buy, Walmart and Target. "Because we're the only specialty retailer within the space, the look and feel of our advertising, overall, leverages that," said Ashley Fick, divisional VP-brand marketing. GameStop spent \$18 million on measured media in 2008, up 5% from 2007, according to TNS Media Intelligence. "The industry is well-poised for a strong 2009," said NPD analyst Anita Frazier. "There were a lot of new hardware systems sold last year and during the holidays, and folks will need games to play on those systems in 2009."

### DRUG STORE: CVS



Unlike much of the retail category, the chain posted a 2% rise in revenue during the third quarter, and sales at stores open at least a year have handily beat competitors'. In November and December, same-store sales rose about 6%.

Still, CVS has lowered its marketing spending. Measured media spending declined 10% to \$140 million in 2008, according to TNS Media Intelligence.

Rob Price, the chain's senior VP-marketing and advertising, pointed out that not all of the retailer's programs are captured in measured-media data. Its massive ExtraCare loyalty program, for example, is not tracked. That program, which counts more than 50 million cardholders, has spawned more targeted marketing efforts, with promotional offers at the register, coupons, e-mail and direct mail.

"We have one-to-one marketing to millions of customers, where we can have a very personalized conversation," Mr. Price said. "In our media selection, we've been very careful to pick not only the right demographics but also the right programming environment, so that our message resonates.... We're not just advertising for awareness but for activation."

## WORST-POSITIONED

### APPAREL RETAILER: ABERCROMBIE & FITCH



Like American Apparel, Abercrombie also uses sexy advertising, and it too held the line on pricing. But the latter backfired for Abercrombie, whose sales dropped at an alarming rate. In June, sales at stores open at least a year declined a relatively modest 3%; by December, sales at the teen retailer plummeted 28%, followed by a 20% decline in January.

Abercrombie & Fitch's performance, which has been described alternately as "tragic" and "grim" by analysts, is notable as the retailer failed to adjust to the current promotional environment. Much is due to its target—largely suburban teens with less disposable income than American Apparel's primary customer. But analysts said promoting is just not a part of its DNA. Abercrombie built its reputation as an aspirational teen hot spot for \$30 T-shirts and \$90 jeans, and delivered positive results to Wall Street, but it is now facing a new recessionary reality. "We do not anticipate management to waver from its strategy of protecting Abercrombie & Fitch's brand equity," said Richard Jaffe, an analyst with Stifel Nicolaus. "We believe this will result in greatly reduced earnings and sales in 2009 and 2010."

### GROCERY STORE: WHOLE FOODS



Whole Foods is a victim of its own success. The company built a brand on being a highbrow haven for urban elites, attributes that have lost their sheen in the light of an economic collapse. In the first quarter, Whole Foods's same-store sales fell 4%, down from recent years when the company boasted double-digit increases. Last year, the chain sold a 17% stake in the company to Leonard Green & Partners for \$425 million.

The chain is trying to bite back by way of its "Real Deal" newsletter, with coupons and recipes to feed four people for less than \$10. It's also experimenting with TV advertising, at least in the Chicago market. Overall, however, the chain seems to have cut its already meager advertising budget. According to TNS Media Intelligence, Whole Foods spent \$5.5 million in measured media in 2007 and only \$4 million in 2008.

Whole Foods spokeswoman Libba Letton disputed the notion that it is among the worst-positioned brands in retail and said Whole Foods is benefiting from the trend toward more meals at home.

### SPECIALTY RETAILER: POTTERY BARN



The posh home-goods store saw sales at stores open at least a year fall 28% during the third quarter. Marketing spending has also plummeted 63% to \$2 million in 2008 from \$5 million in 2007.

While overall demand for home goods has deteriorated, Pottery Barn, which is owned by Williams-Sonoma, seems particularly hard hit. "Though the housing market certainly has had an unfavorable impact, merchandising missteps and knockoff products in the mass-merchant channel may have impaired consumers' desire to pay premium prices for Pottery Barn," said R.J. Hottovy, Morningstar analyst. "Refinements to the brand's assortment, in-store presentation and catalog circulation strategy have had mixed results so far."

Pottery Barn seems determined to turn the tide with heavy promotional activity. Its website now prominently displays sales and free-shipping promotions. It's rolling out a more lucrative private-label credit-card loyalty program and a one-year same-as-cash financing offer. The chain is also relying on increased digital marketing, outreach programs and decorating classes.

### DRUG STORE: RITE AID



It was so busy getting bigger by purchasing Brooks and Eckerd stores that Rite Aid let competitors pick off customers. "Our competitors were pretty active in going after our customers during the conversion activities. And so we need to really get these customers back into our stores so that they can see the experience is very positive," said Rite Aid CEO Mary Sammons.

Ms. Sammons said additional marketing is slated for certain stores to help that process along. According to TNS Media Intelligence, Rite Aid increased its measured media outlays 15% to \$50 million in 2008. Even though it's now the third-largest drugstore in the U.S., Rite Aid's budget is a fraction of the \$140 million CVS spent last year.

The chain reported its sixth straight quarterly loss in December. "Rite Aid and Brooks and Eckerd have been industry laggards with tepid top-line growth during the last few years," said Mitchell Corwin, senior stock analyst at Morningstar. The combination of two struggling chains, he said, has not yet created a compelling whole.



Reader comments from AdAge.com

■ "I'm sure advertising hasn't stopped you from buying lipstick, overpriced underwear and high heels."

■ "If you're taking your life lessons and personal image from 30-second commercials, you've got serious problems."

VIEWPOINT

Edited by Ken Wheaton, kwheaton@adage.com

Do you have something to say?

Send letters to the editor and corrections to Viewpoint@AdAge.com or to Advertising Age, Viewpoint, 711 Third Ave., New York, N.Y. 10017. Please limit letters to 250 words. Ad Age reserves the right to edit letters. COMMENT DIRECTLY AT ADAGE.COM

EDITORIAL

Starbucks' instant coffee is best idea it's had in a while

While Starbucks' launch of Via instant coffee may seem like the ultimate act of watering down a brand, the move might actually be the smartest the company has made recently. In effect, Starbucks may be waking up to reality and embracing its inner Walmart.

Claims of Starbucks PR reps and devoted fans to the contrary, the coffee purveyor long ago quit being a niche provider of a premium experience served up by knowledgeable baristas. What it is now is a reasonably comfortable third space that offers up predictable and slightly overpriced beverages in every corner of the country and beyond. Most times they're clean, and sometimes the staff is knowledgeable and friendly. But experiences may vary.

And that's fine. There's nothing wrong with being a U.S. powerhouse. When consumers want everyday low prices, they look for Walmart. When consumers want a hamburger, they drive through McDonald's. And when they want coffee, they think Starbucks.

But it's almost as if Starbucks has been unwilling to recognize what it's become. Indeed, the past few years have seen a rash of misguided attempts by the company to be everything from an arbiter of taste in the realms of music and movies to a hectoring social network. Perhaps

most foolish has been talk of Starbucks returning to its roots.

Sure, the company can close hundreds of stores, switch back to manually operated machines, pay its employees a great deal more, go back to buying its beans from Peet's, and once again become that quirky little coffee shop. Let's see how the stockholders react to that.

Like any other fast-service establishment, the first order of business for Starbucks is to keep costs down while staying on top of customer service (read: less time in those infernal lines).

Beyond that, it should continue to bend to wider market forces by selling more of those sweet Frappuccino things, offering blends a little more palatable to the average American (Pike's Place), licensing products for retail outlets and, yes, offering instant coffee.

As of Wednesday afternoon, the company had fielded requests for more than 200,000 free samples of Via through online channels and planned on giving away 2.5 million. That doesn't exactly scream niche, now does it?

Old-school fanatics may whine about the "purity" of the brand. But they'll probably do it while standing in line behind everyone else at Starbucks.

READERS RESPOND

Having another go at Go Daddy ads

RE: "Gone Daddy Gone: Heinous Ads May Cost Go Daddy Customers" (AA, Feb. 16). Good ads are about the right message to the right target audience, driving results. They're not all about high-level branding and, unless it is a 1970s Coke ad, ads are not about sending a pleasing message to all audiences. It appears that Go Daddy has been successful as it drove results based on a number of metrics. That you are not in their target demo is unfortunate, as it is unfortunate that you find the ads offensive. Ads that feature men as ninnies, for products in which women are the primary decision-making demos, turn me off. As is your choice with Go Daddy, I don't buy from those advertisers. Assuming the ads do resonate with women and they buy the advertisers' products, their marketing plans work—good for them, and, in parallel, good for Go Daddy.

James Darcangelo  
Media, Pa.

Honestly, all you women out there, get a real problem. So you're telling me that a girl dancing on top of her desk makes your skin crawl? Obviously you haven't been out and about any time recently, because that is what the typical

business woman dresses like on the weekends when she is out partying with her girlfriends. So to me you're just a bunch of hypocrites that don't have anything else to complain about. And let's be honest: You're girls; that's what you do—complain!

Derek Goldstein  
Synchronicity Marketing  
Santa Ana, Calif.

I don't think the article suggests that women are being oppressed by these ads or that they should be banned. Nor does it bemoan the lack of choice.

It simply says that Go Daddy acquired at least one customer—the writer—through simple top-of-mind awareness and retained her largely through apathy, despite growing annoyance. But the latest round of ads has tipped the balance so that now, despite the inconvenience and potential cost, that customer is deserting the brand with extreme prejudice.

Perhaps the lazy and apathetic customer base will always outweigh the active-interest customer base. In which case, you go (creepy, raincoat-wearing) daddy, go.

Kate Boydell  
Brooklyn, N.Y.

I could not agree more! Just this past week I was looking to secure some new web addresses. Go Daddy was my first thought (it has

been quite successful at establishing awareness); however, I could not stomach using its services. It communicates to customers like they are brainless slugs not capable of making intelligent decisions, thus using cheap antics is all it takes.

No thanks!

Steve Chandler  
Nashville, Tenn.

Many of those [defending the ads] are missing the point. The fact that a large percentage of TV audiences do not find GoDaddy's ads offensive is irrelevant and does not mitigate the harm the ads are causing. To say otherwise is like saying it's OK to run ads that are demeaning to black people simply because they only represent 13% of the U.S. population. Heck, if the ads are effective at selling product to lots of white people, then what's the problem? Right? That's a narrow-minded and socially irresponsible attitude.

I happen to agree with the author and plan on moving my domain and web-hosting service (also currently with GoDaddy) to another provider when my contract expires at the end of the year. So that makes two of us. How many thousands of others will do the same—or not consider GoDaddy at all?

Joanne Froh  
Milestone Media  
Romeo, Mich.

I have some empathy for your comments—I really do. I'm sorry those ads get under your skin. And I'll also admit that I'm a Go Daddy reseller—certainly not because of the ads, but because that outfit provides the best service there is for my clients and me.

You call them on the phone, they answer it! There's a thought for others in their field. They have great systems, good prices and what many (including me) think are offensive ads. So what choice am I going to make? I'm going for the great service, quality systems, and good prices—in spite of the ads.

So I'm sorry you have to face this frustration, but I'm staying with Go Daddy.

By the way, some folks might not like you harping over this, and they might think such behavior reflects on Advertising Age. Maybe some will cancel their subscription, or go on a rant about Ad Age being a bit too touchy about it all. I'm not one of them, but any time someone goes out there and makes a fuss, there are those who vent. I hope your next domain registrar will answer the phone, give you good service, save you some money and not offend you in any way. In these times, we all need a little comfort, don't we?

William H. Thompson  
Thompson Group Marketing  
Walnut Creek, Calif.

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**SMALL AGENCY DIARY**

■ Behind the scenes of the McFlurry-“30 Rock” product-placement deal that really wasn’t.  
**ADAGE.COM/ADAGES**

## COLUMNS

Edited by Ken Wheaton, [kwheaton@adage.com](mailto:kwheaton@adage.com)

## Want to successfully target boomers? Aim for the head

LENORE SKENAZY



ABS. FLAB. CORONARIES.

Gripped by the fear of looking bad or dropping dead—often considered equally undesirable—we have spent the last 30 years or so obsessing about the Big Three (above). We toned, tanned, jogged, lifted weights, dieted every which way and guzzled fancy water. Too bad we totally forgot about the parts of our body we *really* need to keep ship-shape:

Eyes. Ears. Brains.

At last, however, our priorities seem to be shifting. “Health from the neck up” is the new catchphrase, and the minute you stop to think about it you realize: Of course! Why did we spend so much time worrying about our thighs instead of our eyes? Which is going to let us drive later on? While we’re at it, which do most of us need more: perfect pecs or a brain that can remember its Yahoo password? And what about paying some attention to our ears?

Not “rears.” I said: Ears. *Ears!* Those things on the side of our

head that weren’t invented by Steve Jobs!

“People are living longer and seeing diseases that are very debilitating but not necessarily life-threatening,” says Carol Davies, a partner at the innovation consultancy, Fletcher Knight. She’s talking about everything from macular degeneration to deafness to dementia. Naturally, she adds, “there’s a desire to avoid them.”

In other words: Now that we’ve got those longer lives we were angling for, how are we going to make them fun till they’re done? And I ask not just because my mom has Alzheimer’s and now I worry every time I forget a phone number, but because ... aw, heck. That’s exactly why I ask.

Well, first off, says Davies, we are going to start eating, doing and buying everything possible to keep our brains buff. Maybe you’ve already seen the new drink Brainiac. It looks like Vitaminwater. In Europe, meanwhile, Unilever is selling a margarine chock full of

the fatty acids and vitamins that are said to stimulate mental development. Right now, it’s targeted at kids. But Unilever: come *on*. Our mental capacity starts going south at 20- something. Time to target the post-college crowd.

In fact, targeting Gen Z is a great way to keep the category from suffering from the prune problem. You know. The way an otherwise delightful health product can get saddled with sad and sickly associations. After all, young people are as eager as anyone for brain boosts. That’s why they’re popping Ritalin at college. So aim for that crowd with your brain tuner and wink to everyone older that this’ll help ‘em, too.

What also helps, says Dr. Gary Kennedy, director of geriatric psychiatry at Montefiore Medical Center in the Bronx, is learning an entirely new skill. That’s why, decades after he graduated from school, he’s taken up Spanish. Video games seem to have a similar salutary effect, at least on the

above-30 crowd that has to learn new skills to master the games. So new experience—whether virtual or real—can all be pitched as brain toners.

As for eyes: I know that I paid some ungodly extra sum to add a coating to my glasses to keep out damaging rays. A product like that—I don’t have to eat it, slather it on or do anything, really—was worth \$100 to me. Protect people’s eyes and you’re golden.

Ears? It’s hard to think of any great ideas beyond plugging them, especially at Metallica concerts. But Lorraine Mignault, an author and inventor in Winnipeg, points out that certain vitamins keep the ear wax healthier, and healthier wax = better hearing. Good luck coming up with a jingle. (“That’s not an earring/ That’s the wax that ruined my hearing!” Maybe not.)

Anyway, think from the neck up and consumers are all ears. And eyes. And brain.

[lskenazy@adage.com](mailto:lskenazy@adage.com)

## Self-regulation shouldn’t be advertising’s best-kept secret

RANCE CRAIN



AS IF YOU NEEDED another sign that times are tough, here’s a fairly reliable measure: The number of cases handled by the advertising industry’s best-kept secret—self-regulation—are on the rise.

Last year the National Advertising Division of the Council of Better Business Bureaus handled 214 cases, up 22% from 2007. And in 2008 ad challenges, in which one advertiser challenges a competitor’s claim, rose 31% to 81 cases.

Why the increased activity? It’s a deadly fight for share of market out there, and in down times advertisers tend to revert to hard-hitting comparative advertising. NAD’s purpose is to substantiate these kinds of attack ads, and it can do it faster and cheaper than litigation can.

The Federal Trade Commission seems to like the idea of letting advertisers settle their own disputes. When the National Advertising Review Council, the body that sets the policies and procedures for the NAD to

enforce, started 38 years ago, then-FTC Chairman Bob Pitofsky wasn’t an early convert.

“If the truth be known,” he said 10 years ago, “there was some skepticism about how the whole thing would work. The FTC had been burned time and time again by unkept promises of self-regulation by other industries. But this group has proved the skeptics wrong. Today, advertising has the best self-regulatory system of any industry in the country.”

The outgoing chairman of the FTC, William Kovacic, is also a fan. But the current crop of FTC commissioners don’t seem as convinced, although they seem somewhat willing to give self-regulation a chance. In issuing guidelines for online behavioral advertising, FTC Commissioner Jon Leibowitz said the industry needs to do a better job of “meaningful, rigorous self-regulation, or it will certainly invite legislation by Congress and a more regulatory approach by our commission.” A joint industry

task force quickly seized on that statement as an endorsement for self-regulation, and said it supported FTC’s goal of a “comprehensive and effective self-regulatory program.”

But in spite of rhetoric, advertising self-regulation still remains “relatively unknown and underappreciated by the industry it serves,” in the words of C. Lee Peeler, president-CEO of the National Advertising Review Council. By “underappreciated,” he means that self-regulation has a “low profile in comparison to its value” to the advertising industry.

Even financial support comes from a relatively small group. There are about 150 corporate supporters, 50-plus law firms, 10 or fewer ad agencies and a dozen associations, Mr. Peeler told me.

So why is NARC the best-kept secret in the business? “That’s the puzzle,” he said. “When self-regulation is working well, it goes relatively unnoticed. The work of NAD is really very workman-like.”

An exception, Mr. Peeler said, is the children’s food and beverage initiative, which a recent survey shows has “pretty good recognition among parents and very strong support from children’s food and beverage advertisers.”

The Children’s Advertising Review unit, as it’s called, gets support from about 100 children’s advertisers. But when the NARC strategic planning group reached out to key stakeholders last year, they were consistently told there were relatively low levels of awareness of NARC and its programs among advertisers, and especially among agencies.

I guess we’re part of the problem because Mr. Peeler said the trade press doesn’t do a very good job of covering case settlements or other NARC activity. Mr. Peeler, who worked for the FTC for 33 years before joining NARC in 2006, gently lifted us off the hook when he said that “we don’t have winners and losers, but participants and supporters of the process.”

## Catch up with our blogs

What are our Small Agency Diarists worrying about this week? What’s going on under The Big Tent? Do our Songs for Soap bloggers think your commercial works?  
**ADAGE.COM**

AS SEEN ON  
**ADAGE.COM/  
SMALLAGENCY**

## M. MARTIN: THRIVE IN THIS RECESSION

We all know it’s going to be a tough year ahead. The difference is that “tough” in no way must equate to “bad.” Let’s talk about how we as challenger agencies can do more than survive. Let’s talk about how this economic crisis becomes the pivotal opportunity that will enable us to accelerate our growth, to get in front of the clients we want to work with and show a new agency model—a better experience and simply better results. Forget survive. Let’s talk thrive.

AS SEEN ON  
**ADAGE.COM/BIGTENT**

## DUNN: YOUNG SPEAK OUT ON DIVERSITY

For all the fascination with youth in our industry, the fact is our opinions have been and still are noticeably disregarded when compared with those of people who are presumably more important. When will our elders see past finding immediate solutions to their personal problems and collaborate with all who are affected, to find a sustainable solution that benefit all involved? I’m tired of our voices being overlooked and disrespected by people who pretend to value our opinion as we attempt to present new ideas that solve old problems.

AS SEEN ON  
**ADAGE.COM/  
SMALLAGENCY**

## BROWNSTEIN: MAKE YOUR OWN STIMULUS

So far, I don’t see much of the money from the stimulus bill coming our way. Especially to smaller shops. But we can’t exactly wait, either. So I’ve prepared my own stimulus plan for our industry. Here’s what I believe we should do to grow our businesses in the next couple of years.



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# CMO STRATEGY

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## THE CMO INTERVIEW

JILL MCDONALD

MCDONALD'S



# MCD'S OPENED DIALOGUE TO TURN ITSELF AROUND

U.K. marketing chief based new foods, looks on consumer insights

By **EMMA HALL**  
[ehall@adage.com](mailto:ehall@adage.com)

MCDONALD'S IN THE U.K. has just had its best ever year and despite—or perhaps because of—the economic climate, its chief marketing officer for U.K. and Northern Europe, Jill McDonald, is in a bullish mood: She's expecting to come out of the recession serving more customers than going in.

The fast-food giant won't divulge exact marketing budgets, but Ms. McDonald is in charge of a growing media budget that already exceeds \$45 million in the U.K. alone, and that excludes spending on production, merchandising, promotions and agency fees.

Ms. McDonald joined McDonald's three years ago after 16 years at British Airways, most recently as general manager for glob-

al marketing and in-flight business. She has been at the center of the U.K. company's dramatic turnaround, achieved by a more confident, open dialogue with consumers, more-healthy food options and heavy investment in new-look restaurants.

In an interview with Ad Age, she discusses how McDonald's is faring amid the credit crunch, and why she works so closely with others in the C-suite.

**How is McDonald's doing in U.K. and Northern Europe?**

We are up 8.5% in Europe. In the U.K., 2008 was by far the strongest year McDonald's has ever had, and that's on the back of comparable sales, not opening restaurants wildly. In terms of penetration, 70% of the population and 80% of families visit us. Frequency is growing ahead of penetration—we had 2 million

more customer visits a month last year than the previous year. We serve two million customers a day.

Three years ago [when I joined], we really took a step back and looked at what we needed to do, because 2005 hadn't been a good year for the business or for the brand.

We fixed the basics in restaurants in terms of processes and we franchised more—when people own a restaurant they tend to run it particularly well—and the banks are still happy to lend our franchisees money.

Once the basics were in place, we invested in things like the new look and feel of the restaurants and improved the nutritional content of the food, reducing salt, fat and sugar and only using white chicken breast, free-range eggs and organic milk.

Since we introduced Rainforest Alliance coffee beans, we are selling 10 million more cups of coffee than

“Three years ago, we really took a step back and looked at what we needed to do, because 2005 hadn't been a good year for the business or the brand.”

we were a year ago, up 20%.

**Tell me about the restaurant “McMakeover.”**

It's all about ensuring that McDonald's is seen as a modern, relevant, progressive burger company.

There's a lot less red and plastic, and lots more greens and purples coming in, as well more natural materials, more use of wood. We don't want to go for a cookie-cutter approach; we want variety.

**How do you feel about advertising to children?**

I'm a mother of two young boys, 7 and 6, and they have always enjoyed McDonald's, so I've always been connected with the brand.

We do a lot of talking to parents about what they feel is appropriate because there's no point appearing on a television set in a front room if it is really going to irritate parents. Our customers are really clear that McDonald's is a treat in their kids' lives and it helps them out.

We do have great licensed characters, and 94% of parents want us to keep offering the toy. It's easy to make fries fun, but we need to make sure we use the licensed characters to make healthy food fun—in the “Bee Movie” window we had pineapple and grape bags that looked like bumble bees.

In the U.K., you can only advertise to children food that is not high in fat, salt and sugar. Nearly 80% of our Happy Meals are not high in fat, salt and sugar, including the most popular combination, so we are advertising balanced food choices to kids.

**Do you feel McDonald's is permanently under attack over the obesity issue?**

Obesity is genuinely a real problem and it's ridiculous to pretend it's anything otherwise. It is our lifestyle that is the problem—but a brand that is as big as McDonald's and has a lot of families visiting it does have a role to play.

We don't want to tell people what to do, but we provide customers with nutritional information so they can make informed choices ([make-up-your-own-mind.co.uk](http://make-up-your-own-mind.co.uk)).

Also, nutritional science does advance, so we can continue to preserve the taste that people love while reducing the saturated-fat content, so that's a role we can play to help make realistic small changes that people can stick to in their daily lives.

**Has the credit crunch affected your marketing plans?**

We are in a very good place because of the investment we've already put in and our affordability. We are going to

be increasing our advertising budgets quite significantly this year.

As I sit here now, the marketing plan I put in place for 2009 back in the autumn I haven't had to change because we are close enough to consumers to understand what we think we need to do. But it would be silly of me to sit here and say it ain't going to change this year at all.

We have put in place extra consumer tracking to ensure that we can really sense if there is a change in consumer attitude and mindset, so we can as far as possible see that before we see behavioral change.

**Are you opening or closing restaurants in 2009?**

We are planning to open up to about 20 restaurants, and we're not planning on making any closures. We recruited about 4,000 people in the third quarter last year.

**Are you shifting toward more online advertising?**

Around 9% of our spend is online and that won't fluctuate wildly; it's round about the right level. We are a mass marketer, so TV does remain a really good medium for us to use. We recruited Razorfish last year, and I just want to experiment and have more fun with online.

**Do you have the CEO's ear and what kind of relationship do you have with the CFO?**

[U.K. CEO Steve Easterbrook] works very closely with the senior execs that help him lead the business—the CFO, the COO, chief people officer and myself. Steve has been with the business since 1993 and has a fantastic understanding of how all areas of the company operate. He also has an instinctive understanding of our customers and genuinely puts the customer at the forefront of his thinking—this is a great advantage for marketing. Steve has a finance background rather than a marketing background, so our skill sets complement each other and he gives me space to develop marketing strategy and tactics. But his informed insight means he is able to challenge constructively and help identify the best way forward. We also both have young children and it is good to work closely with someone who understands the challenges of balancing a demanding role with family life. I also work very closely with our CFO, Brian Mullins, and we will discuss and challenge each other on a wide range of topics from media strategy through to pricing and supply chain. It's a really strong partnership—we are all very clear about what we are trying to achieve and value each other's experience and perspective.



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■ Need inspiration for your next breakthrough idea? CMDglobal's Idea of the Week appears every Thursday.

# MEDIAWORKS

Edited by Ann Marie Kerwin, [akerwin@adage.com](mailto:akerwin@adage.com)

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# We hate you! The year's most despised celeb brands so far

Spinning the unspinnable: Sorry, flacks, but in the blog age, nobody really 'controls' images anymore

REMEMBER WHEN celebrity publicists were all-powerful? When the likes of Pat Kingsley, the founder of PMK (which McCann Erikson snatched up in 1999, later cross-breeding it with another agency to produce PMK/HBH), could spin the media to gain favorable coverage for clients? Kingsley was "Dr. No," the über-flack who figured out that she had the power to bully the press into submission, demanding magazine covers and writer approval, because for awhile she seemed to hold all the cards: access to some of the most bankable names in Hollywood, most notably Tom Cruise. If you weren't nice to *all* of her clients, you weren't going to get *any* of them.

It's all over—and not just because Kingsley, 76, announced last month that she was leaving PMK/HBH, though she's still hanging on to a few old favorite clients, including Will Smith.

Until recently, our collective experience with the contemporary narrative arc of celebrity had us believing that the old Fitzgerald saying—there are no second acts in American life—had been roundly disproved. From Kate Moss's post-drug-pic career boost to Mickey Rourke's comeback to VH1's "Celebrity Rehab," we tend to think that even the most down-trodden celebrities will inevitably get a second (and third and forth ...) chance to redeem themselves and get warmly embraced, once again, by fans. But lately, we've seen a number of celebrities do major damage to

their brands in ways that seem irredeemable—that no degree of publicist-driven spin can reverse.

Part of it may be that the celebrity sins we've been witnessing lately are simply more grave. But it's really more about the fact that nobody "controls" celebrity brands anymore—except the twittering, blogging, chattering public.

Who, lately, has reached the point of no return? My shortlist:

#### 1. Chris Brown

Alleged girlfriend beater. Apologizes, sort of, in the pussy-est possible way, saying, "I am seeking the counseling of my pastor, my mother and other loved ones and I am committed, with God's help, to emerging a better person." Good luck with that, buddy. I'm sure God is real happy that you hired Paris Hilton's publicist to help rehab your image.

#### 2. Bernard Madoff

A Wall Street celebrity—Wall Street royalty—who managed to disappear \$50 billion ... and all he's got to show for it is Graydon Carter's haircut!

#### 3. Christian Bale

Rage-o-holic verbally assaults the director of photography on the set of "The Terminator" in a leaked audiotape: "Seriously, man we're fucking done professionally." Yes. Yes, we are. Hell, Bale even made Peter

"Family Guy" Griffin cry! See [tinyurl.com/dyp5ma](http://tinyurl.com/dyp5ma) (NSFW).

#### 4. Alex Rodriguez

Last week, Rodriguez pulled out the old me-and-my-stupid-cousin-didn't-really-know-we-wuz-doing-steroids excuse. Oh, *smoooooth*. Even Obama got pissed about A-Roid—and he *never* gets mad.

#### 5. Rod Blagojevich

As much for The Hair as the bribe-mongering.

#### Bonus round: The bankers

If you weren't scammed by Bernard Madoff, you've definitely been scammed by the jet-setting, office-decorating, bonus-guzzling geniuses who (still!) run America's mostly insolvent banking system. They really were celebrities in their own minds—and roughly up until mid-2008, let's not forget, America's business

media treated them as such, with hagiographical chronicles of their "visionary leadership." Anyway, their collective, pathetic congressional testimony a few weeks back sealed the deal: *We will always hate you*.

Who'd I miss? E-mail me ([sdumenco@adage.com](mailto:sdumenco@adage.com)) or leave a comment on the online version of this column. I'll quote from the responses in a future Media Guy.

## Media Guy's Pop Pick 'Man on Wire' on DVD

Our columnist's current media obsession

Leading up to Oscar Sunday, I didn't have a lot of horses in the race. Sure, Mickey Rourke's performance in "The

Wrestler" is terrific, but the film itself is hokum. That overbaked misery biscuit, "Revolutionary Road"? Way to cliché-ify a literary treasure, Hollywood.

"Slumdog Millionaire"? Awesome soundtrack, dopey story. And so on, for the most part—except for "Man on Wire," the best-doc nominee that, in my book, was the overall best film of 2008. A surprisingly moving, funny, weirdly inspiring telling of Frenchman Philippe Petit's astonishing Aug. 7, 1974 feat—he

tightrope-walked between the twin towers of the World Trade Center, in a heart-stopping stunt that took eight months of secret planning—the film's

now out on DVD. As of this writing, I don't know if it won the Oscar. Whatever—it's already a classic. I'm randomly giving away a copy of "Man on Wire." To be eligible, send me an e-mail ([sdumenco@adage.com](mailto:sdumenco@adage.com)) with "Man on Wire" in the subject line on or before March 23.

—S.D.



**POWER OUTAGE:** Former über-flack Pat Kingsley got out just in time.

## WATER COOLER

BY NAT IVES

## Reader's Digest hopes DIY mag will flourish in recession

Here at Ad Age, a title that was started during the Great Depression, we're all for counterintuitive moves. So last week's revelation that Reader's Digest Association will launch a home-improvement magazine called Fresh Home in the midst of a housing meltdown made us sit up and take notice. Didn't Condé Nast just close Domino?

RDA has already introduced one title into the teeth of recession this year, a quarterly called Purpose Driven Connection, part of a platform built around the Rev. Rick

Warren. The launches may appear ill-timed, what with the media business is under siege, but in each case the company has a plan. It hopes Purpose Driven Connection and its extensions beyond print will find a ready foothold in existing evangelical networks. Fresh Home will benefit from a very different tactic: adopting and adapting much of its editorial content from a sibling title in Australia.

"The majority we were able to repurpose," said Alyce Alston, president of the home and garden group at Reader's Digest Association. "You could call it cheap, or you could call it smart."

The company also hopes Fresh Home's focus on thrifty, do-it-yourself projects will appeal to young homeowners even in an uncertain economy. "Does that resonate right now for consumers?" Ms. Alston said. "It went off the charts."

The first issue will include 33 ad pages from marketers including Ikea, Elmira Stoves and Benjamin Moore, which is using the title to help introduce a brand called Ben.

"The shelter category is pretty cluttered," said Tracy Baird, VP-media director at the New York office of Cramer-Krasselt, which handles the Benjamin Moore account. "There's a lot of the traditional feel in the category. Fresh Home brings a fresh perspective to that—a much more youthful, much more contemporary, much more fun feel and edit."

The quarterly will start out with a paid circulation of 300,000, sold through subscriptions and on newsstands, including distribution at chains such as Walmart, Home Depot and Safeway. Ms. Alston said she hopes Fresh Home will eventually publish six or 10 issues a year.



**A MAG FOR THE TIMES?** New shelter title focuses on thrifty DIY projects.

## THE HEAT INDEX

Weekly rating (0-10) of sizzle and fizzle

**9** **JOHN MALONE** Liberty Media Chairman plays white knight to Mel Karmazin's Sirius XM, with all the usual Malone conditions imposed for rescue.

**6** **JEFFREY IMMELT** General Electric CEO makes smart PR move of the week by declining \$11.7M bonus, saying company's performance did not warrant it.

**4** **PLAYBOY** Newly appointed CEO Jerome Kern says company "is open" to sales talks for the magazine. No word on whether mansion and pajamas are on the table.

**1** **DONALD TRUMP** Two weeks before "Celebrity Apprentice," Trump Entertainment Resorts files for bankruptcy. Board tells him and Ivanka, "You're fired."



## More stories on AdAge.com

■ Even in recession, companies will invest in and experiment with new media when the ROI is clear.

■ DigitalNext: A week teaching digital strategy at Miami Ad School lends hope for the future.

## DIGITAL

Edited by Abbey Klaassen, [aklaassen@adage.com](mailto:aklaassen@adage.com)

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# Marketers adapt as social networks attract older users

Increasingly popular with the 35-plus set, Facebook, MySpace become mainstream marketing vehicles

By **MICHAEL LEARMONTH**  
[mlearmonth@adage.com](mailto:mlearmonth@adage.com)

SOMETIME IN 2007, the recent grads that made up the core of Facebook came to a doleful realization: Yup, mom and all her friends are on Facebook. The following year it got worse: The once-exclusive club of the young was completely infiltrated by colleagues, bosses, neighbors and others who might not be amused when little Johnny gets tagged in a photo getting totally ripped with his pals.

Social networking is no longer a youth phenomenon. As Facebook marches toward 52 million U.S. users (170 million worldwide), the site is beginning to look like, well, America. Which is to say, it looks a lot older. As of January, more than 50% of Facebook users and 44% of MySpace users in the U.S. were over 35 years old, according to ComScore estimates. The single biggest age demographic in the U.S. on both Facebook and MySpace is now between 35 and 44. Indeed, Facebook says its fastest-growing demo is 55-plus.

That's to be expected, and largely due to the fact that both Facebook and MySpace don't have a lot of growing room left among the younger set. According to Pew Internet and American Life data, 75% of online adults 18-24 already have a profile on a social network. "For those to grow, they'd have to have aged," said Deep Focus CEO Ian Schafer. "It's from growth and expansion to ubiquity."

Generally, somewhere between

growth and ubiquity is when uncool usually starts to set in. Facebook CEO Mark Zuckerberg backpedaled fast over a privacy flap last week (see DigitalNext, below), but the story, which broke on the Consumerist blog, made the NBC Nightly News, a sure sign that Facebook's niche status is over.

So far, Facebook's aging demos haven't turned off the college set: It's the most popular website on campus above Google and Yahoo, according to an Anderson Analytics poll of college students last fall. MySpace has taken a bit of a tumble in the eyes of college students, falling to No. 4 this year from No. 2 last year school year and No. 1 during the 2006-2007 school year.

Even as Facebook ages, users are still exposed to the activities of their friends, and Facebook has added features such as Facebook Connect to encourage users to take those connections with them as they move on to other sites. "Social networking is so engrained into the lifestyle of college students that it wouldn't be any less cool because their parents and grandparents are there," said eMarketer analyst Debra Aho Williamson.

So what does it mean for marketers that social networking is getting older? For Facebook, the upside is they're now being considered for a wider array of marketing budgets. "A

year ago, they thought about it as a place to reach people in college or high school; now we're talking about moms, or reaching families looking to go on vacation," said Kevin Barenblat, CEO of ContextOptional, which has implemented Facebook campaigns for Guinness, Microsoft and the Los Angeles Times.

Because of its entertainment focus, marketers still see MySpace as primarily a youth play. Facebook has more users with incomes above \$60,000 than MySpace, indicating an older, wealthier audience, according to research from Hitwise. "MySpace has evolved into an entertainment portal with a social-networking component to it," said Scott Symonds, executive media director at AKQA.

But as social networking becomes more ubiquitous, age demographics become a less important filter than stated interests and other factors. "We don't care if a person is 42 or 24; if they are friends with a band I am sponsoring, that's an opportunity," Mr. Symonds said.

Just as social networks become more of a mainstream marketing vehicle, marketers are watching to see if the phenomenon ebbs, particularly with the young. "There are too many examples of things that were totally cool, became commercial, and then became totally uncool," said Chad Cielcel, president of WhittmanHart Interactive.



SYMONDS

facebook Home



Lisa is now

News Feed Status Up

Showing stories from Group

**WHAT'S NANA UP TO?**  
The college set may be alarmed to see relatives in news feed.

DANNY SULLIVAN

ON SEARCH MARKETING

## Google, Yahoo prepare to tighten grip on search ads

Few types of advertising can be so precisely measured as search. Yet few types of advertising also give so little control to advertisers. It's as if you are driving a car equipped with GPS, a fancy engine-computer reporting miles-per-gallon and other stats. But if you try to steer, you discover this fully-equipped car is following a track.

I exaggerate, but not much. You can alter ad copy and test for best variations, but style guides can be limiting, and you only have 25 words to work with. And where you show up on the page depends not only on how much you're willing to pay but also on the "quality" of your ad—as defined solely by Google. Sometimes, you might not show up at all if Google decides showing no ads or fewer ads for a search might better serve its users. Don't get me wrong. There are good reasons for some of these rules. But there are a lot of them—both written and unwritten ones that live inside the "black boxes" of the ad auction systems.

Now Google and Yahoo alike are doing things that further limit control. At Google, a "SearchWiki" system allows users to move unpaid editorial listings to the top of search results—or remove them entirely. It's being tested with AdWords in an experiment involving a small number of users, Google says. Unlike with editorial results, the test only allows users to delete ads, not promote them higher on the page.

For individual users, this might be great. They can merrily nuke ads that displease them (it only happens for results they see; it doesn't remove ads shown to others). For advertisers, it's more loss of control.

If the experiment becomes a standard feature, it might benefit some advertisers. There are a lot of cruddy ads. If users are able to explicitly shun those, it could make life easier for quality advertisers.

Last year Yahoo issued new terms giving itself the right to alter ads or even create new ones for advertisers, without actually asking them first. When these superpowers were noted by some advertisers early this year, an outcry ensued. Yahoo responded with a blog post that basically told their "blogger friends" not to worry their pretty little heads about it. Only 2% of advertisers had been subject to such changes, and only 20% of those objected when they were informed of them after the fact.

Did Yahoo really need to seize the right to alter ad copy that was previously approved? Are there any inalienable rights left to advertisers?

### DANNY SULLIVAN ...

has been covering the search-marketing industry for more than a decade and is editor in chief of SearchEngineLand.com.



PHOTO BY JASON MEYER

## DigitalNext: Facebook's blunder

facebook Home Profile Friends

### Terms of Use

Date of Last Revision: September 23, 2008

Welcome to Facebook, a social utility that connects people (collectively, "Facebook" or "the Service") (collectively, "us", "we" or "the Company"). By accepting these Terms of Use (together the "Site") or by posting have read, understand and agree to be bound by not you are a registered member of Facebook. We or delete portions of these Terms of Use at any time to these Terms of Use on this page and will indicate Your continued use of the Service or the Site after of Use. If you do not agree to abide by these or as

Facebook inadvertently made the news on President's Day when Consumerist reported a change in the social network's terms of service. In short, Facebook's new terms indicate that it owns all the data that users upload to their system. It even goes a step further to suggest that it may "retain archived copies of your user content"

even if you terminate your account. CEO Mark Zuckerberg felt it necessary to personally respond to the concerns, noting that Facebook's terms are consistent with those of many web-service providers. (Later in the week he returned the terms to their former, more innocuous language.)

The issue here isn't whether Facebook's

privacy policy is appropriate. Thinking that deleting a picture from Facebook or a post from your blog erases it from the internet is naïve at best. Facebook's new terms merely reflect this reality in the inartful, insulting language that only a team of lawyers could craft.

The problem that Facebook has at this

point is one of perception. The company did the bare minimum to publicize the changes: It mentioned them on its blog, which most users are unaware of. As a result, it appeared to be sneaking an unpopular change into its terms of service in the dead of night.

Regardless of your individual perspective, there has never been a

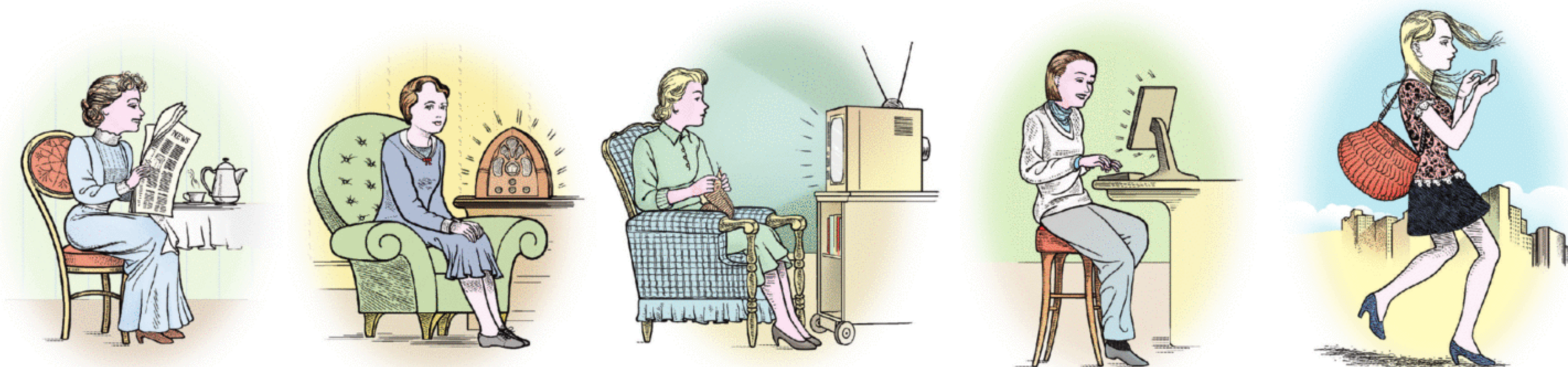
lower barrier to produce and distribute content for others to see. With that emerges a new responsibility for people (and companies as well) to think about their digital footprint. While I'd like to think that it's common sense, we've all seen that's not the case. The irony is that Facebook sent up a red flag to its users saying, "Be careful what

information you surface online and how you surface it," and then fell into the same trap its terms of service were warning users against.

—JOSH STYLMAN

Josh Stylman is managing partner at Reprise Media. Follow him on Twitter @jstylman. A longer version of this post ran on [adage.com/digitalnext](http://adage.com/digitalnext).





# The Evolution of Marketing

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**Dan Schiappa**, General Manager, Mobile and In Game Advertising, Microsoft



Dan is the General Manager for Mobile and In Game Advertising for Microsoft Corporation. In this role Dan leads the development efforts of the mobile advertising business and the Massive in game advertising team. Dan was previously the GM of Strategy and Corporate Development for the Entertainment and Devices division where he led strategic efforts around mobility, gaming, music and video. Dan also served as General Manager of Windows Security where he led the core security efforts for Windows Vista and Windows Server 2008. Prior to Microsoft Dan was the CEO of Vingage Corporation, a Sony funded company that provided industry leading media server technology. Dan has also held strategic and technical roles at Eastman Kodak/PictureVision, Informix Software and Oracle Corporation.

### Other panels include:

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- >> **Driving Mobile Content Sales** – Ensuring Fundamentals
- >> **Social Networks and Mobile Communities** – More Promise than Reality?
- >> **The Appeal of Texting:** What is the Future?
- >> **Mobile Search:** A Driving Force

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Edited by Jennifer Rooney, [jrooney@adage.com](mailto:jrooney@adage.com)

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## PEOPLE ON THE MOVE



Fujimoto

**Greg Fujimoto** was appointed to the new post of CMO at New York-based advertising agency Gotham. Mr. Fujimoto brings with him 20 years of account-side and new-business experience, mainly at McCann Erickson, New York. At McCann, he worked on brands including Intel, Microsoft Xbox, Lowe's, AT&T, Sprint and Wyeth Pharmaceuticals.



Hartness

PlaySpan, the gaming industry's first publisher-sponsored in-game commerce network, has hired **Eric Hartness** as CMO. Mr. Hartness comes to PlaySpan after almost nine years with Electronic Arts, where he was most recently VP-marketing for its Redwood Shores studio and hit games such as "Harry Potter and the Order of the Phoenix" and "The Simpsons Game." Previously, he led EA's digital-distribution and subscription businesses.



Giacco

**Alex Giacco** became president of promotional-marketing firm Ohana Cos. Previously, Mr. Giacco created and built the growth-markets-development team for Bank of America Card Services and its predecessor, MBNA, where he developed programs including the award-winning Caremark Rewards.



Rodriguez

**Tatiana Rodriguez** was promoted from VP to senior VP-programming and creative strategy for Nickelodeon Latin America. In this role, she will continue to oversee the operations and programming for the network and, in addition, will work with ad sales to facilitate opportunities for integrated sales and marketing partnerships. Ms. Rodriguez was instrumental in the launch of Nick Jr. Latin America, as well as "ISA TKM," the network's first tween telenovela.



Jones

**Mark Jones** was promoted to senior VP-Viacom Brand Solutions for MTV Networks International. Mr. Jones joined Viacom Brand Solutions in October 2006 from ZenithOptimedia. He spent 12 years at Optimedia, the last six of them as senior VP-worldwide media director of the global Hewlett-Packard business. Before moving to the U.S., he managed key international businesses from the London office of Optimedia. He spent several years before that in the U.K. media department of Ogilvy and Mather.



LaMontagne

**Theresa LaMontagne** joined Carat as senior VP-data analytics and insights. She most recently served as director-media and sales research at Yahoo, overseeing U.S. media and ad-sales research. Before that, she worked with BBDO/OMD as associate director-communication insights.



Wiley

Universal Studios Hollywood appointed **Xiomara Wiley** senior VP-marketing and sales. Ms. Wiley has been with Walt Disney Parks and Resorts since 1995 and most recently served as VP-marketing for Disneyland, overseeing marketing strategies for both the Disneyland and Disney's California Adventure theme parks. Before that, she served as interim VP-marketing for the Hong Kong Disneyland Resort during its first year of operation.



Mikalis

Pandora Media named **Brian Mikalis** to the newly created position of VP-performance sales. Prior to joining Pandora, Mr. Mikalis was director-business development at AdReady, a Seattle-based advertising-technology company. Before that, he led sales teams for AOL in both San Francisco and Los Angeles. While serving as director of sales and business development, he created AOL's first performance program for direct-response advertisers, managing partnerships with some of the largest online advertisers.

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## Sears Corporation

## VP Chief Marketing Officer - Home Fashions

Sears Holdings Management Corporation provides corporate services to Sears Holdings Corporation (NASDAQ: SHLD) and its family of companies. Sears Holdings Corporation, the parent company of Kmart and Sears, Roebuck and Co., is the nation's fourth largest broad-line retailer with over \$50 billion in annual revenues and approximately 3,800 full-line and specialty retail stores in the United States and Canada. We are the leading home appliance, lawn & garden and tools retailer in the U.S. and operate the largest home services business in the nation. Key proprietary brands include Kenmore, Craftsman and DieHard, and a broad apparel offering including such well-known labels as Lands End, Jacyln Smith, Martha Stewart Everyday and Joe Boxer, as well as the Apostrophe and Covington brands. We are committed to improving the lives of our customers by providing quality services, products and solutions that earn their trust and build lifetime relationships. The Business Unit CMO role serves as one of the Business Unit President's top business leaders to help drive business strategy, plan, and results. The incumbent translates business strategy into marketing strategy and plan and is the key decision maker for Business Unit marketing plans with alignment of the BU leadership team and Format marketing teams. This role collaborates with SHC senior marketing team/marketing resources to assure execution excellence and works as a change agent within the BU Leadership Team to drive transformational change within the BU.

## DataXu, Inc

## Director of Client Services

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Account Supervisor  
McKinley, Watson Corporation

The Account Supervisor will work out of the NJ office as primary client contact on our Samsung Information Technology business. You will liaise with other members of the account management and creative teams to ensure all advertising campaigns for the various client product lines are strategically correct and meet global branding and local client marketing objectives. Builds and manages client relationships daily; acts as a key client contact. Participates in long-range planning projects to enhance the client's business opportunities. Ensures quality and timely work on advertising campaigns for the client's various product lines within predetermined budgetary guidelines. Manages and trains Account Executive. Monitors and is responsible for account profitability. Ensures productive and problem free working relationships among creative and account management teams, outside vendors and client. Analyzes consumer profiles and demographics to identify and understand preferences; designs programs to respond to the needs of the client, ad agency and the consumer. Works directly with team members (account, media and creative) to ensure understanding of campaign strategy and the production of market effective advertising. Develops custom-tailored marketing plans for the client's various product lines. Creates customized and creative brand concepts for existing and new products. Interviews candidates for open office positions; recommends successful interviewees for further consideration to the SVP. Keeps current on industry and agency trends, innovations and changes through the scanning of trade journals/professional literature and affiliations with professional organizations.

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# Despite recent events, the American magazine is not an endangered species

We've seen downturns like this before, and we can recover yet again

*"The recession has led to a transformation of the magazine industry, and publishers must adapt to doing business in a permanently altered marketplace."*

THIS CANDID assessment appeared in Advertising Age in October. Of 1991.

Recovery quickly followed. And it was more than partial. At Hearst, in the next 17 years, we saw advertisers make many of our issues thicker than Chicago-style pizza and, in a supposedly saturated field, a few months ago found an audience for our newest magazine, with the Food Network. We used the internet—the "disruptive" technology that some speculated would put magazines out of business—to drive online visitors to our print properties, selling 2.2 million paid subscriptions in 2008, a 42.6% increase over the previous year.

Now, once again, the economy

has hit the wall. This time, as our national distress cuts across all sectors, a self-immolating print media has taken to reporting on itself in doomsday terms. I can understand why. If saving replaces spending, if Detroit never sells another car, if durability comes to define fashion, if the internet becomes the new mall—in a scaled-down America, any combination of factors could lead more magazines to go out of business.

According to the Magazine Publishers of America, only 32 magazines suspended publication in 2008—an infinitesimal percentage of the 19,500 magazines currently published in the U.S. While more casualties are surely ahead, the American magazine is not an endangered species.

## READERSHIP IS UP

Sure, single-copy sales are down, but that is largely due to the fact that in this economy, people are making fewer trips to the store, where magazines are often an impulse purchase. Despite that, 43 million copies were sold at the newsstand in 2008, and total circulation was flat vs. 2007, at 345 mil-

lion. People are still reading magazines.

In fact, last year saw 715 magazine launches, 224 more than 20 years ago. Since 2000, newspapers have lost readers and network TV has lost viewers, but magazine readership is up 14%. And yet no one reports the good news about our industry.

As someone who's been in this business through several of these cycles, I vividly recall how each downturn was the worst ever and how recovery invariably required a miracle. In fact, the next downturn is always the worst, and some of the recoveries have been spectacular.

Everything has a life cycle. In creative endeavors, however, it's not wise to link success or failure to larger events. No sane publisher would have launched a magazine in 1933, the low point of the Depression, when unemployment was a stunning 25%. But that's when Esquire was born. People made its debut in 1974, with the Dow falling and inflation and unemployment rising. Those two magazines have survived and prospered regardless of competition or economic flux.



CATHIE BLACK

As for disruptive media, new technologies certainly seduce audiences. But it's too glib to say TV "killed" Life, Look and the Saturday Evening Post, just as we can't credit the internet for the empty seats at today's magazine conferences.

## WHY WE NEED MAGAZINES

While People may have lost 11.2% of its ad pages since 2005, it's still the advertising leader in the magazine industry, with 3,422 ad pages last year. Esquire recently created a "window" cover that led readers to teasers for articles and a nonintrusive advertisement. Smart content trumps widgets every time.

Magazines explore trends; evaluate ideas, products and culture; and help their readers lead smarter, more satisfying lives. In essence, magazines chronicle change. In a time of incessant change, they're the one kind of medium that should be expected to adjust and survive.

So the first key to success for magazines in these dark times is an agnostic approach to form. For me, no media experience is as satisfying as a quiet hour with a glossy magazine; for others, pleasure comes on a

Kindle or iPhone. In time, there will be e-newspapers and magazines. It's really about the brand and what the brand stands for.

In 1933, a year when every dollar mattered, The New Yorker's founders, Harold Ross and Raoul Fleischmann, published a Code of Ideals for their magazine. Ignoring the economy, they boldly announced, "Great advertising mediums are operated for the reader first, for profits second." They got their priorities right: When you truly serve the reader, the advertisers will come.

In this crisis, we can expect to see a fair amount of desperation—and flashes of genius—from magazines that risk change and innovation. And we can anticipate fresh shock when any magazine shutters.

Let's just hope the failure-obsessed media coverage occasionally devotes a paragraph to the magazines that are smartly changing their business without violating their first commitment to readers who, month after month, can't seem to do without them.

Cathie Black is president of Hearst Magazines.

# Newsstand

From Page 3

about how much "normalcy" will return after the recession lifts. Newspapers aren't likely to regain their pre-recession levels, before cyclical challenges compounded their struggle.

But magazines' newsstand calamity will probably reverse itself. Newsstand sales recently seemed to find stability after

many years of decline, only to be depressed anew by the recession. "It had kind of leveled and kind of stabilized for three or four years," Mr. Harrington said. "So this appears to be not so much a trend that has to do with distribution changes or demographics or something else. If there's a recovery, you'd hope that it at least moves back to 2007 or 2006 levels."

Unless, perhaps, some other medium starts charging for content too.



NEWSSTAND SALES			
FASHION AND BEAUTY	SECOND HALF '08	SECOND HALF '07	CHANGE
Allure	224,550	255,229	-12.0%
Cosmopolitan	1,779,100	1,896,641	-6.2%
Elle	317,436	351,900	-9.8%
Essence	268,948	266,120	1.1%
Glamour	612,000	747,014	-18.1%
Harper's Bazaar	153,200	178,289	-14.1%
In Style	740,384	700,112	5.8%
Lucky	246,167	256,361	-4.0%
Maire Claire	298,000	341,023	-12.6%
People StyleWatch	527,000	548,600	-3.9%
Self	300,633	351,317	-14.4%
Shape	300,117	355,864	-15.7%
Vanity Fair	401,298	388,678	3.2%
Vogue	416,000	415,214	0.2%



MEN	SECOND HALF '08	SECOND HALF '07	CHANGE
Esquire	105,500	105,011	0.5%
GQ	232,667	242,408	-4.0%
Maxim	406,290	433,576	-6.3%
Men's Health	508,518	540,150	-5.9%

# U.K. magazine circulation up, while papers struggle

In the U.K., it's not all bad news for print. Overall magazine circulation grew 3.7% in the last six months of 2008 to more than 81 million, according to figures released Feb. 12, although free magazines and custom-publishing titles account for much of the rise.

All the major magazine publishers saw circulations slide, and advertising revenue is going in the same direction. Vogue, for example, is seeing a 20% drop in ad pages for its February, March and April 2009 issues.

"Last year, flat was the new up," said Vanessa Clifford, head of press at Mindshare U.K. "Now everyone thinks they've done brilliantly if they have only a 5% decline. My clients are not shifting spend away from press ... but budgets are down, and they are looking for value."

Circulation in the women's lifestyle and fashion sector was up 7.4%, mostly due to free newcomer ASOS.com, a print magazine that promotes a website. The name means "As Seen On Screen" and is all about mimicking the fashions of favorite celebrities. Many titles held steady, and two—Condé Nast's Vanity Fair and Hachette Filipacchi's Red—hit record numbers.

In the second half of 2008, falling home prices dulled consumers' interest in the shelter category. Of 24 titles in the sector,

19 saw circulations fall.

Unlike in the U.S., newsstand sales account for most of the circulation of major titles—84.9% for Cosmopolitan and 69.6% for Vogue, for example.

Three U.K. women's magazines closed in 2008. Eve was a "middle youth" title that launched in 2001 but never really caught on, while New Woman was an established younger-women's monthly that suffered a 45.3% sales decline in the first half of 2007 and never recovered. Women's news weekly First launched in 2006 but also never took off.

Condé Nast is brave enough to launch two new titles in the first quarter of this year: fashion biannual Love and a U.K. edition of Wired.

Clare Rush, U.K. head of magazines at Mediaedge:cia, said Wired will have to fight hard for advertisers. "They are charging a lot for what the product is," she said. "Commercially it will be incredibly tough—it doesn't fit on the fashion and grooming schedule. Do we need it or can we live without it?"

Wired, launching in April, will not confirm any advertisers, but Love has already sold pages to top fashion brands including Chanel, Prada, Dior, Gucci and Ralph Lauren.

The picture for newspapers is bleaker. Newspaper ad revenue fell 11.68% in 2008. At the Daily Mail & General Trust, ad revenue fell 23% in January 2009 at its national

newspaper division and 40% for its regional newspapers.

News International, publisher of The Times and The Sun, just cut 65 jobs.

At other newspaper groups, the Financial Times has axed its sports coverage; a Russian oligarch bought the loss-making London Evening Standard; and two rival newspaper groups—Independent News & Media and Associated Newspapers—are sharing an office to pool back-office resources.

"There is a lot of choice with newspapers," said Mindshare's Ms. Clifford. "Clients are going for the most targeted titles and are more likely to go for a half page instead of a page."

Like Americans, Brits are still reading their papers but online instead of in print. U.K. newspapers collectively rank in the top 10 most viewed sites alongside Google, eBay and Facebook.

In France, President Nicolas Sarkozy has announced plans to give all French teenagers a one-year free subscription to a newspaper of their choice on their 18th birthday. The \$770 million project—in which newspapers will cover the cost of the free copies while the government pays for delivery—is an attempt to boost dwindling readership and lure teens back from the internet.

—EMMA HALL



# MAKING THE CASE FOR MICROPAYMENTS IN NEWS

Former Time editor talks about fixing a problem he helped create

By NAT IVES  
nives@adage.com

IN HIS RECENT Time cover story on saving newspapers, Aspen Institute President-CEO and former Time Editor Walter Isaacson pushed papers to start charging for online content, because online-ad revenue will never be enough. He pleaded guilty during an interview with Ad Age, however, to helping create the predicament: He once ran the old Pathfinder network of Time Inc. sites, which never followed through on plans to charge for content. But simple subscription or micropayment models, Mr. Isaacson argued, could and should still be introduced today—and not just for newspapers.

**As soon as your cover story came out, a lot of newspaper types immediately took out the long knives and started talking about why paid content won't save newspapers. Does the skeptical mind-set necessary to be a journalist make it harder for journalists to find a new model?**

I don't know. I think we've seen a lot of people trying to find a new model. I was actually encouraged by the various ideas that came out, even though some people don't like micropayments. I was encouraged that it engendered so much discussion. The exact solutions I propose aren't the ones that will end up being the best possible solutions.

**You talked about a traditional newspaper model supported by three revenue sources: newsstand sales, subscriptions and advertising. The web, you point out, has only advertising, which right now is a disaster. But subscription fees typically cover only the cost of paper and delivery. Ad revenue underwrites everything else necessary to produce the content. Is the web model really so different?**

Different types of newspapers and magazines all have different balances of the revenue stream, but they tend to have three revenue streams. Clearly any one of those streams doesn't turn a profit, so you could say, "Well you'll never make

a profit just on subscription revenue." Of course not. Still, it's nice to have three streams of revenue even if one of them is not going to cover everything.

**The fundamental difficulty seems to be the loss of newspapers' old monopolies. How can newspapers charge for content when there are so many sources for the same or similar content, not always of lower quality?**

A lot of people won't want to pay for a Washington Post story they feel they can eventually get from the Associated Press or a Reuters story that will say essentially the same thing. But we're not talking about a lot of money. I'd certainly pay a quarter or a dollar to read The Washington Post or to find out what Ethan Bronner of The New York Times is finding in Gaza. And,

yeah, I could probably save myself a quarter or a dollar if I wait until someone rewrote the story. But eventually I suspect the AP, which is owned by the newspapers, maybe they'll start charging aggregator sites for the use of AP. There are various models that could work.

But you're right, there are a lot of people who won't pay a quarter for today's New York Times if they can download a wire-service report for free later. And there are some people who will.

The reason this comes to pass is if you look at the amount of revenue you're now going to get from web advertising this quarter, it's probably not enough to pay for even the costs of putting up a website. If advertising revenue were going to continue to shoot upward each year, we wouldn't have to have this discussion.

Look, I plead guilty. I helped start the Time Inc. sites 10 years ago, 15 years ago.

**And Pathfinder was going to try to charge for content, but didn't, right?**

Web advertising started growing exponentially. So it was like, hey, let's get as many eyeballs as possible, and we won't have to charge. And if that were going to continue to happen, that's a great model. I still think it's useful to have some reader revenue, but that's a more philosophical point.

By the way, this is not just to save old media; this is to incent new media. It's to incent new people who don't just want to do it for the ego kick, like having a blog or because they really love to contribute to their community, who feel the need to get paid for it. It's an incentive to anybody who creates any intellectual property, whether it's a game or a video, to have some system where people can pay for it. And maybe it's voluntary, maybe you don't have to pay for it, but people like me would pay for it.



## News for pay

From Page 3

"Consumers won't pay; it's just that simple," said MSNBC.com President Charlie Tillinghast. "They'll read amateur blogs and everything else first before they pay for general news and information. Those are the physics of our business."

Easy for Mr. Tillinghast to say: MSNBC was built from the ground up on the free model, augmenting licensed content from the AP, Reuters and NBC News with content produced by a small newsroom supported by online revenue.

But even those who could theoretically be saved by a paid online model aren't buying. Mort Zuckerman, who said his New York Daily News was profitable until last year, is similarly pessimistic that a pay model of any type will save newspapers. "I think it's a wonderful idea, if it would be possible. I just don't think it is. The market will simply not accept it," he said on the "Charlie Rose" show, which appears on public broadcasting.

The backdrop for the debate is this: 77% of the members of the Association of National Advertisers say they are planning to reduce their media budgets this year, meaning nuclear winter for the media won't end until 2010 at the earliest. Meanwhile, print is most afflicted by budgets shifting online. Newspaper web traffic increased 12% in 2008, but online revenue started to decrease in the second quarter of 2008 for the first time since the Newspaper Association of

America started keeping track. Online ad revenue at The New York Times was down 12.7% in December.

Those who believe a pay model can save newspapers hold out a few shining examples, including The Wall Street Journal and the Financial Times. But beyond publications that can be classified as a business expense for most of their readers, the ranks of those that have been able to charge for content grow very thin.

### STEADY CIRC IN ARKANSAS

Then there's the Arkansas Democrat-Gazette, whose owner and third-generation newspaper publisher, Walter E. Hussman Jr., has been charging for access to its website (\$4.95 a month) since it was launched in 1998. Since then, he said, while most newspapers have lost circulation, the Democrat-Gazette has remained steady.

Mr. Hussman acknowledged that the fee has cost the paper scale online—his website is third in the market behind two local TV stations—but that's fine with him. Newsprint ad rates are \$35 per thousand readers compared with \$1 online. That's partly because advertisers have five or six options for print advertising in Little Rock, compared with thousands of options online, from Yahoo to Google to local blogs. Craigslist hasn't made much of an inroad in Little Rock because Mr. Hussman made classifieds free in 1979.

"I always ask people, 'When was the last time you bought something from looking at a banner ad?'" he said.

While charging for website access has preserved the Democrat-Gazette's print business, keeping it in roughly the state it was in 1998, Mr. Hussman is running up the white flag in local online advertising to Google and Yahoo. "Clearly they have lost less circulation, but they aren't building much of an online marketplace," said newspaper analyst Ken Doctor of research firm Outsell.

But Mr. Hussman isn't worried about losing a few \$1 CPMs to Yahoo. "So what? If we want the traffic, we can get it in an instant," he said. "The traffic does not translate into revenue."

Is anyone outside the Democrat-Gazette successfully charging for general news content? "The reality is no," said Randy Bennett, senior VP at the Newspaper Association of America.

The pro-pay advocates argue that demand for news has never been higher. Indeed, traffic to newspaper websites was up 12% in 2008. MSNBC had 45 million unique visitors in January, probably the largest audience for any single news outlet ever.

But certain news categories, such as sports, business, national and international news, have been commoditized, and differences in quality haven't been enough to get people to choose to pay over free alternatives. "If we were to charge for our content, someone would be out there with the same content—not as good or as deep but a percentage of our quality—and would offer it for free, and we would lose overall reach," said Forbes.com CEO Jim Spanfeller.

**"If we were to charge for our content, someone would be out there with the same content—not as good or as deep—and would offer it for free, and we would lose overall reach."**

Wall Street Journal managing editor Robert Thomson said the problem is that while Google is great at getting people to content, it does nothing to distinguish quality. "And if you are going to get people to pay for content, you have to encourage them to make qualitative decisions about that content," he said on PBS's "Charlie Rose."

In the past two weeks, plenty of industrywide solutions have been proposed, including a tax on the \$30 a month most internet service providers charge for web access, similar to the TV taxes in the U.K. that support the BBC. Editor & Publisher columnist Steve Outing endorsed a start-up, Kachingle, that would allow people to pay a monthly fee to access participating websites.

Collective schemes have been mulled since at least 1995, when nine newspaper chains, including Knight Ridder, Gannett, Hearst and the New York Times, launched New Century Network to compete with Microsoft.

But assuming that the horse is out of the barn and publishers must

convert to an online world supported by ads, is it possible? Online publishers say yes, and while it won't be dollars for pennies, as NBC Universal CEO Jeff Zucker is famous for saying, it will be dollars for nickels and dimes. The businesses are simply going to have to get a whole lot smaller.

In addition to the generally crummy economy, the display-ad model that funds newspapers online is broken, which is reflected in their slowing growth rates. That's partly because the bottom fell out of mid-market banners, the ads that fall between low-end direct-response ads and high-end branded advertising and account for half of revenue at some publishers.

Mr. Tillinghast laid that partly at the feet of publishers themselves and trade associations such as the Interactive Advertising Bureau, which pushed for standardized ad formats that commodified banners and created even more competition in the form of ad networks.

IAB President Randall Rothenberg took issue with that assessment. "Standards allowed the market to scale, and grew it from nothing to \$20 billion market in about a decade," he said. "If you were to remove standards from interactive advertising, the marketplace would collapse overnight."

Ironically, just as they're pushing down ad rates, networks have become critical to newspapers' ability to compete with Yahoo and Google locally and move their own unsold inventory. Yahoo even operates an ad network for papers called Apt to allow them to increase their local scale.



## Newspapers

From Page 3

Some owners even borrowed that money to double down on newspapers, which aren't engines of growth even when their balance sheets are healthy.

More newspaper owners will probably follow Tribune Co., where Sam Zell's rescue attempt has failed, into bankruptcy protection. Some papers will be handed to lenders. There will be fire sales.

But there's no reason for newspapers themselves, whoever owns them, to stop the presses. Most operations are plenty profitable.

And demand for their core product—news—is growing, as shown by the soaring traffic to newspaper websites. Those web surfers don't bring the same ad rates that print readers do. But the business of newspapering has a longer bridge to the future than it often seems.

Take a look at Lee Enterprises, which operates papers primarily in midsize markets but reported an \$889 million net loss for the 12 months ended Sept. 28. Its loss primarily reflected a huge accounting write-down as the company adjusted its estimated value. It's not that \$889 million of cash flowed from the coffers just to make payroll and keep the presses running.

Strip out the accounting charge to look at the real dollars Lee papers collected and spent. Its operating profit for those 12 months topped 20%. That's a better return than Carlos Slim is getting on his 14% loan to The New York Times Co., which finally suspended its dividend payments last week to shore up cash flow.

### DEFENDING DEBT

Lee, moreover, bought itself more time late last week by reaching agreements with lenders to refinance \$306 million of debt tied to its 2005 purchase of the St. Louis Post-Dispatch. The publisher of the Southern Illinoisan, a Lee paper, used the occasion to distinguish between Lee's finances and his paper's health, telling readers that the refinancing and related moves "quashes ill-considered speculation that Lee's debt obligations could somehow impair the ability of The Southern Illinoisan to continue serving readers and advertisers."

In a similar fashion, McClatchy is freezing pensions and hunting another \$100 million in budget cuts. The company, publisher of papers including the Sacramento Bee and the Fort-Worth Star Telegram, is struggling under more than \$2 billion in debt, much of which it assumed in 2006 to buy Knight Ridder—doubling down on newspapers at a cost of \$4.6 billion.

But look past the interest, taxes, depreciation, amortization and charges such as severance; they matter, but they affect the owner's balance sheet more than they reflect newspapers' viability. McClatchy's underlying newspaper portfolio just delivered a 21.5% operating profit

margin.

The country's biggest newspaper publisher, Gannett, is rolling in layoffs and busily writing down its own estimated value. But excluding one-time charges such as severance and write-downs, its newspapers—from big markets such as Phoenix to small towns such as Ithaca, N.Y.—produced an 18% operating profit margin last year.

Scripps is trying to decide whether to sell or shut down the Rocky Mountain News in Denver, which lost \$16 billion in 2008. But its overall newspaper portfolio, perhaps better typified by the Naples Daily News in Florida, last week

reported a 2008 operating profit margin of 9.8%.

Even the newspapers owned by Tribune, which entered Chapter 11 last December because it took on too much debt going private, returned a modest 5.4% operating profit in the first three quarters of last year.

The bigger markets, to be sure, are struggling more. "Smaller markets tend to have relatively high margins because you're more of a quasi-monopoly," said Alexia Quadroni, an analyst at J.P. Morgan. "The New York Times is going to have low margins because of its high expense base. The Boston Globe's margins have deteriorated

meaningfully in recent years, just because of the ongoing weakness in that marketplace."

And even if newspapers aren't the walking dead, they're obviously the walking wounded. Public newspaper companies were reporting operating profit margins averaging 21% as recently as 2006, according to Ken Doctor, a longtime newspaper executive turned industry analyst for Outsell. "At that point it had been dropping about a quarter percent, a third of a percent, each year for three years," he said. "It had been a slow drop in relatively good economic times. Now we know 2009 is going to be worse

than 2008."

We don't know how much advertising will return to newspapers once the recession lifts, Mr. Morton pointed out. "In all previous recoveries from recession, newspapers were able to recapture almost everything they lost," he said. "It has since become much more competitive for eyeballs and advertisers. I'm sure it won't be 100%."

All that probably means today's newspaper owners won't all be in the business much longer. Many will exit one way or another, following the Chandlers, who once controlled Knight Ridder, and the Bancrofts, who once owned Dow Jones.

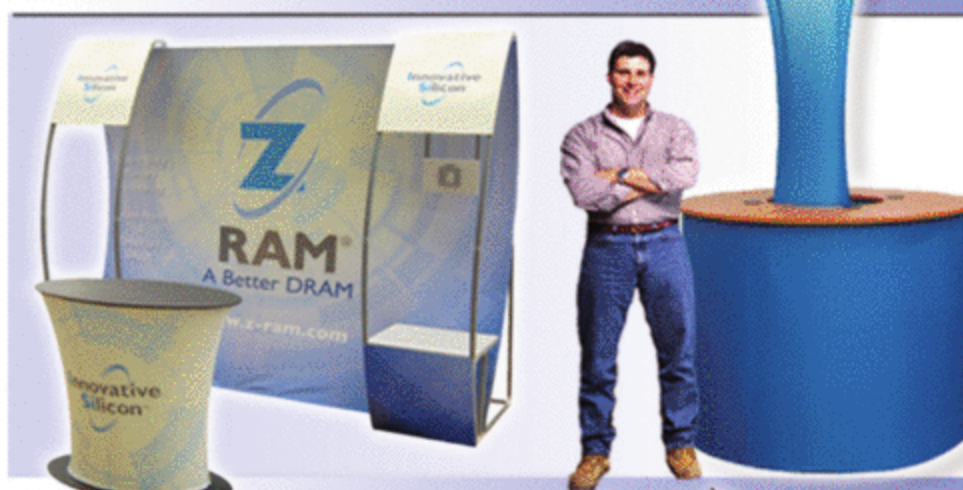
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# Delay

From Page 1

vowing to resist these changes, saying the companies are essentially bullying their media and advertising vendors into making them no-interest loans. But it's hard to know what they could do, other than walk away from the marketers in question.

A-B provided a taste of some of the battles to come when, earlier this month, it told all its client TV, radio, cable and other media-outlet partners that it would be taking 120 days to fill invoices going forward. It previously paid bills every 30 days.

In a letter dated Feb. 5, A-B noted its new status as the world's fifth-largest consumer-products company in the world, and it warned, "If you are not able to work with the change in payment terms, we may have to consider an alternative supplier."

That not-so-veiled threat angered agencies and media owners. "They're using the interest on that float to pay down their own loans," said Mary Collins, CEO of the Media Financial Management Association, an association of media outlets. "My members aren't banks. Running this campaign is going to create a cash-flow problem for them." In a letter to members, the

MFMA called the move "an egregious use of power being wielded in a difficult economic environment."

A-B has been converting all of its suppliers to the 120-day model, and holding on to cash longer will certainly spit off interest that helps the newly merged brewer service its \$45 billion debt.

A-B said in a statement, "Our decision to adopt new payment terms for supplier invoices comes after a month-long review of our global payment policies and ensures that Anheuser-Busch's payment practices are consistent with those in place globally for A-B InBev. The new terms will help us better man-

age our business."

The brewer is not the only mega marketer attempting to force such changes on its vendors. Cash-strapped General Motors recently shifted to a 70-day model that has inspired even greater vitriol from ad producers, who are required by labor law to pay their own crews within 10 days and can ill afford to float the cost of pricey auto shoots for seven times that long. Add to that the very real question of whether GM will be operating out of bankruptcy, if at all.

"GM is a prime example of going to something that is so ignorant and out of the norm that it shows that they clearly don't understand the

business of advertising maybe almost as much as they don't understand their own business," said Matt Miller, president of the Association of Independent Commercial Producers. A GM spokeswoman said the changes were made to help the company operate more efficiently and transition to "new realities."

All of that figures to stiffen some backbones when it comes to marketer demands to elongate pay cycles. "As a small agency, we can't float the giant companies we are working for. They should float us to some level," said Mike Liebowitz, CEO of digital agency Big Spaceship.

CONTRIBUTING: JEAN HALLIDAY

# TV lives

From Page 1

by people and companies that have studied or made bets on advertising effectiveness for years find no evidence that all of the problems TV advertising faces have done anything to render it less effective.

A seven-figure ethnographic study due to be released next month by the Nielsen Co.-funded Council for Research Excellence from research firm Sequent and the Center for Media Design at Ball State University appears set to punctuate that point, finding that TV remains the dominant medium even for reaching youth, despite the inroads of digital and social media, according to a person familiar with the research.

If time shifting, ad skipping or clutter really were rendering TV less effective, then it should show up in marketing-mix analyses that

have been done since the early 1990s as a lower average sales lift per gross rating point over time.

It doesn't, according to Media Marketing Assessment (MMA), a unit of Aegis Group's Synovate. "We haven't seen a significant trend in the erosion of effectiveness of TV," said Douglas Brooks, senior VP of MMA. In fact, MMA, which reports to clients each year on its findings regarding aggregate TV effectiveness, has seen a slight uptick in effectiveness in recent years.

MMA also has found a surprising spillover effect for TV in digital media: About a third of search queries for brands studied are driven by offline advertising, particularly TV—a higher proportion than that driven by online-display advertising, Mr. Brooks said.

Leonard Lodish, a marketing professor at Wharton and one of the authors of the 1995 "Why Advertising Works" study has discovered equally surprising results.

He's found that TV advertising actually became more effective, not less, after 1995, in a paper published in 2007 by the Journal of Advertising Research, soon to be updated in a study now awaiting publication by the same journal.

He got at the findings differently than MMA, and with less statistical modeling required, by using data from Information Resources Inc.'s BehaviorScan markets and other matched-market tests that compared different levels of spending in different test markets. Specifically, the average volume lift from incremental TV spending has increased since 1995, according to the study by Mr. Lodish, Wharton colleague Abba Krieger and University of Houston marketing professor Ye Hu.

One reason could be that commercial avoidance, fragmentation and clutter actually increased the reward from spending more. But the study also found a similar, if smaller, improvement since 1995 in volume

lift for brands when they had any amount of TV vs. having none at all.

Despite the improved effectiveness since 1995, more than half the advertisers (16 of 29) in the study still lost money by running their TV ads. "The ones that did make a profit, though, did very well," said Mr. Lodish, to the extent that on the whole, advertisers in the study made a profit from their TV ads after 1995, but lost money before 1995.

That's obviously a serious caveat to the value of spending on TV. The other caveat is one that other marketing-mix analysts also report from client work that creative quality makes a big difference, in many cases explaining more about success and failure than media choices.

Mr. Lodish said he still doesn't really know how TV advertising effectiveness could have increased since 1995. Mr. Brooks can't really explain it either, though he has a theory that the highly analytical clients using marketing-mix mod-

eling or matched-market tests may compensate for the impact of DVRs, fragmentation and clutter by making smarter bets.

"When the fish get finicky," he said, "it makes you a better fisherman. The presentation of the bait and how it's delivered—getting it in the right spot at the right time—becomes critical."

The other question Mr. Brooks often hears these days is whether recession historically has caused the average sales lift per GRP to decline. The answer, at least based on data from the relatively mild recession of 2000-2001, is no.

Looking for even more evidence? Executives at A. Eicoff & Co., a unit of WPP Group's Ogilvy & Mather that's one of the biggest direct-response TV shops in the U.S., said response rates from its TV ads haven't deteriorated at all over the years. "The death of TV has been exaggerated," said William McCabe, the shop's senior VP-business development.

# Autos

From Page 1

tic cut, considering the company spent \$1.2 billion in measured media in 2006, \$1.1 billion in 2007 and \$719.3 million in 2008, according to Ad Age DataCenter analysis of TNS Media Intelligence data, which exclude outdoor and national spot radio.

But GM, which earlier promised to slash marketing spending by \$600 million in the next four years, said once it's eliminated four of its eight brands, there will be greater spending behind the quartet left.

It all adds up to this: What first might appear a losing situation for many in Adland could still yield some winners among creative, media and digital agencies, along with certain social-media providers and websites.

## FEWER MODELS

Both carmakers dropped more models in their latest trip to Washington. GM said it will have just 36, down from the 40 it had planned earlier, by 2012, mainly under the Chevrolet, Cadillac, Buick and GMC brands.

Chrysler will eliminate another three models: the Dodge Durango

SUV, its Chrysler sibling Aspen and the Chrysler PT Cruiser. Chrysler earlier said it was dropping four: its PT Cruiser convertible, Crossfire and Pacifica, along with the Dodge Magnum.

Even so, GM argues that its marketing spending per brand and nameplate will actually improve, since the dollars will be spread among fewer brands and the four remaining marques will face less competition from their soon-to-be-former siblings: Hummer, Saab, Saturn and Pontiac, which will get a severe lineup cut.

A spokeswoman said the four-brand approach "will allow for regular cadence of new, great products and the ability to better focus our reduced marketing resources on the cars, trucks and crossovers that really generate profit."

## FUEL-EFFICIENT MESSAGING

Creative will also likely feature more fuel-efficiency messaging, said Tony Kuhn, executive partner of consultant Kelmenson, Davis & Associates. He said fuel efficiency is high on the list of priorities for car buyers, who believe the cost of gas will rise again.

GM plans to use its sale events this year to spotlight product attributes including quality and fuel economy, not just discounts, Mr.

LaNeve said.

As for Chrysler, "For the 2009 model year, 73% of our product lineup offers improved fuel economy compared to last year's models," the spokeswoman said. "At one time, the message was further down in the creative, but now fuel efficiency ranks among the top messages that consumers want to see."

## THE DRIVE TO DIGITAL

Tucked in GM's hefty 117-page plan is a statement that the company "will continue to lead the industry in digital and search-marketing capability." A GM spokeswoman elaborated: "You'll continue to see more digital and social-media activation as integral parts of our advertising and marketing efforts, because it's cost-effective, efficient and allows for deeper customer engagement on their terms."

Both GM and Chrysler are looking to influence prospects close to purchase, roughly three to six months out, said Scott Miller, CEO of product and marketing consultant Synovate Motoresearch. The marketers can get better return on investment online, where they can identify prospective new-vehicle buyers and try to drive them to

showrooms earlier, he said, which would benefit third-party auto-shopping sites, social sites and auto blogs.

"We are focused on our interactive lead strategy," the Chrysler spokeswoman said. "We increased our leads from 270,000 in 2007 to 605,000 in 2008, which resulted in thousands of incremental sales. To achieve this increase, we made it easier for customers to submit a request for information on our own Chrysler, Jeep or Dodge site, and we now have the industry's leading third-party lead-acquisition and distribution system."

## LAUNCH 'EM AND KEEP 'EM

Steve Wilhite, president of Jumpstart Automotive Media, Mr. Wilhite said automakers are likely to support their brands beyond the so-called "launch 'em and leave 'em" approach. "They need to intelligently support products over their life cycles, since they won't have the [research-and-development] budgets for the kind of product proliferation that had existed," Mr. Wilhite said. He said intelligent spending vs. the same big-budget, mass-media tactics is the way to go.

None of that bodes very well for national TV spending.

## Winners/losers

### SHIFT TO FEWER MODELS:

**WINNERS:** Campbell-Ewald (Chevy); Modernista, (Cadillac); Burnett (Buick and GMC); Starcom MediaVest (media for all four GM brands). BBDO Detroit, (creative for Chrysler); Omnicom's PHD (Chrysler media)  
**LOSERS:** Deutsch, Los Angeles, (Saturn's creative); McCann Erickson, Birmingham, Mich., (Saab); Modernista, Boston, (Hummer); Leo Burnett, Detroit and Chicago (Pontiac); BBDO Detroit, Troy, Mich. (Chrysler, Jeep and Dodge)

### SHIFT TO MORE DIGITAL MEDIA:

**WINNERS:** Local TV stations; third-party car sites Edmunds.com and KBB.com; Facebook; Google; GM's search partner SMG Search; Martin Retail Group which handles a chunk of GM's media buys for regional dealer ad groups; Velocity, an affiliate of Campbell-Ewald; Digitas, Buick and GMC's digital agency; Organic, Chrysler's online agency.  
**LOSERS:** National broadcast and cable TV networks; print media.



# Private label

From Page 1

Clearly, the marketing and pricing decisions marketers make now could go a long way toward shaping how their brands fare for the balance of a difficult recession. "One thing you don't want to do is create a consumer who shifted to private label and then have to spend a lot to get them back," said Kimberly-Clark Corp. Chairman-CEO Tom Falk at the Consumer Analysts Group of New York last week.

He wasn't alone. At the CAGNY conference in Boca Raton, Fla., a number of package-goods executives acknowledged the growing threat from private label. But all of them felt it would be their competitors who would lose share.

"Of course there's a shift to private-label at this point," said Procter & Gamble Co. Chairman-CEO A.G. Lafley on Feb. 19. "But it's not nicking us."

It depends on how you define a nick. Mr. Lafley has conceded that P&G is losing share in such bedrock categories as laundry detergent and toilet paper, to value brands in the former case and private label in the latter. And the company missed its long-term organic sales growth target by two points last quarter at 2%.

P&G's principal rivals, Unilever and L'Oreal—the former growing faster than P&G last quarter, the latter slower—both scrapped earnings goals for 2009 this month, leaving the door open to cut prices or hike advertising to combat weak volume and private label, said Sanford C. Bernstein analyst Ali Dibadj. P&G, by sticking to its earnings and margin targets, may have a harder time doing that and face

## General Mills, Kraft ally with stores

Some major marketers are finding ways to work with—rather than against—private-label products, with store displays that showcase their offerings side by side.

At the Consumer Analysts Group of New York conference last week, General Mills executives said they are working with retail customers on Old El Paso-branded taco stations where consumers can presumably stock up on store-brand cheese, vegetables and meat to complement their kits. General Mills CEO Ken Powell said the programs have been so successful that some grocers are considering permanent installations in the shopping aisles.

Kraft has developed a program with Meijer to provide stations that pair Kraft lunch meats and cheeses with Meijer-branded bread. When asked if that sort of thing helps when retailers quibble on price, Kraft CEO Irene Rosenfeld said, "Well, it certainly helps when you can promote their products as well." Besides, she added, "you've got to make a sandwich with bread, and we don't make bread."

—EMILY BRYSON YORK

more pressure on its market shares.

What's particularly surprising of late is the drift toward private label has been occurring even in categories where it was never a factor before, such as feminine protection or skincare, Mr. Dibadj said.

All in all, private-label market shares grew 0.8 percentage points to 21.9% of volume and 0.7 points to 17.1% of dollars in all package-goods categories and retail channels last year including Walmart, according to Information Resources Inc.

More troubling for marketers, the pace accelerated over the course of the year and reached all income ranges. For example, private-label grew only 0.1 point in the first quarter but 1.3 points in the fourth quarter among households earning more than \$100,000 annually, according to IRI.

At the same time, volume is shrinking in staple categories where that once seemed impossible, with

unit sales of shampoo, for example, down 7.7% last year in all channels, including Walmart.

"Portion control is in," said Thom Blischok, president-consulting and innovation at IRI.

So is private label, he said, though he declined to compare the current situation either to the U.S. in the 1990s or the U.K. in the 1970s, saying it's likely to be different, and possibly worse by some measures.

In some ways, the past year has been like a high-speed replay of the late 1980s and early 1990s, with a series of price hikes followed by consumer flight to private label, and some advertisers cutting media spending and hiking promotional spending to combat declining volume.

Over time, however, package-goods players corrected this through a series of restructurings to cut costs. P&G led an effort to restrain promotion spending and

increase ad spending. That, combined with an improving economy, has held private-label shares largely at bay since the mid 1990s.

But this time around could be harder on manufacturers for several reasons. First, after all those waves of cost cutting, package-goods marketers are already a lot leaner. That makes P&G more agile, Mr. Lafley said. But it could also mean less fat to cut to fund stepped-up advertising and product-development, said Mr. Dibadj.

Retailers are also a lot bigger and smarter than in the 1990s, with most major players having hired top consumer-package-goods marketers to lead their own efforts.

In 1990, Walmart was in the early stages of a massive national expansion but built its basic consumer proposition on selling branded merchandise at better prices than competitors. Today, Walmart's growth curve has flattened, and the giant, now with its own set of CPG-trained marketers, is starting to look to private-label growth for profit, much like its even-slower-growing competitive set. Walmart is preparing a spring rollout of its revamped Great Value bargain brand and has staffed up to begin development of improved house brands at premium tiers.

"It is like the U.K. and Canada in the 1970s," said Burt Flickinger, principal of consulting firm Strategic Resource Group, noting a combination of retailers poised to aggressively push private label with an economy that could see constrained consumer spending for much of a decade.

"There is no previous period that exactly parallels where we are today," said Mr. Blischok, who believes consumer spending could

remain weak for four to eight years and lead to a "downturn generation" that learns to scrimp and save permanently, including buying more private label.

But the threat to brands goes beyond that. "Retailers have been talking about destocking, taking out the No. 3 or No. 4 brands, for more than a decade," said Clorox Co. Chairman-CEO Don Knauss at CAGNY. "We're finally starting to see that happen." Walmart, particularly, is aggressively looking to winnow brand assortments and category footprints in some cases, he said.

Likewise, Ian Friendly, chief operating officer-U.S. retail at General Mills, said in a conference with reporters at the meeting, "I wouldn't want to be the No. 4 chocolate-cake maker."

Executives of Kraft, Kellogg, General Mills, Con Agra and Sara Lee all said that advertising will be a key component of keeping their brands top of mind, and Mr. Lafley noted that P&G brands have pumped out a combined 100 separate "value messages" in advertising to argue for their superiority over private label in recent months.

But the response to the downturn also has become increasingly promotional. In one case in December, a mommy blogger bragged of how she combined P&G coupons, rebates and drug-store promotions to buy two bottles of Olay Regenerist facial cleanser for free and get \$8.66 in cash back.

"We're starting to train consumers that the deal price is the only price," Mr. Blischok said. "We're pumping out the morphine of deal, deal, deal. And we need to be talking value."

CONTRIBUTING: EMILY BRYSON YORK

# Churn

From Page 4

ing it flanks. The carrier, known to compete on quality rather than price, has taken steps within the last week suggesting that it was not above bringing value into the equation. It's now letting customers on its higher-priced plans choose up to ten people they can talk to without the clock running against their minutes. The feature is a variation of the MyCircle service first launched by Alltel, which Verizon acquired late last year.

In the same week, Verizon announced two new prepaid-calling plans, one for heavy users and one for infrequent users, and awarded unlimited weekend minutes to customers of a prepaid plan designed for moderate users. Meanwhile, Verizon Communications, the company's fixed-line unit, has a \$5 monthly plan ready to launch that lets customers receive calls but only dial 911 and Verizon customer service.

"Clearly, consumers will be cost-conscious," said Chetan Sharma, a telecommunications consultant. "Giving them more flexibil-

ity and choices with plans will help."

A Verizon spokeswoman said promotional plans for the friends and family service would be "significant" to include national TV, store promotion, newspaper ads, but would not say when the campaign, from creative agency McCann Erickson, New York, would break.

T-Mobile, meanwhile, is also eyeing ways to keep customers on the hook. According to published reports, the No. 4 U.S. carrier last week launched an unlimited \$50 calling plan on a test basis in the San Francisco area before a national rollout expected later this year. This offering is aimed at current subscribers who are vulnerable to bolting to the \$50 unlimited prepaid plan offered by Boost, Sprint's prepaid unit.

Sprint's recession-fighter is clearly Boost, which last week unwrapped the "Unwronged" campaign to promote its straight-up \$50 prepaid plan while taking shot at other prepaid plans that add on charges such as activation and roaming fees. The campaign, which portrays egregious situations such as pigs eating ham, will run on

mainstream channels including ABC, NBC and Fox as Boost seeks to reach a broader audience. The move marks a break from its strategy of tapping more hip or irreverent outlets such as MTV and Comedy Central, which will also run the new spots. The creative agency is 180 Amsterdam.

But an even better tool to reduce brand switching than marketing is service, said analysts. "Churn is a lot more about customer care and experience than about marketing," said Charles Golvin, a Forrester analyst.

Thus, analysts believe Verizon is doing all the right things to get its customers to stay put. Its extension of the Alltel MyCircle—rebranded as the Friends and Family feature—should gain the carrier some loyalty points. "It's a nice differentiator from AT&T," said Bill Ho, an analyst with Current Analysis.

"They're not giving away the store but they're rewarding the higher-priced subscribers. You want to protect that higher dollar customer base you have. It engenders loyalty. It lets customers think: 'I got something for nothing.'"

# High Life

From Page 3

operated affiliates not to run the commercials, which were set to run via spot buys all over the country. (A-B is the official malt-beverage sponsor of the Super Bowl broadcast and, as such, is the only beer advertiser allowed to make national buys during the game.)

As a result, millions of fans in major markets missed seeing the ads they'd read about beforehand. But that development doesn't seem to have hurt sales, considering the 8.6% gain in the week following the Super Bowl was among the highest the brand has registered in two years, according to Nielsen.

The one-second ad still managed to run in more than 100 markets nationwide. Created by Saatchi & Saatchi, the ad featured the populist beer-truck driver played by actor Windell Middlebrooks quickly shouting the words "High Life."

Mr. Middlebrooks' character first appeared in 2007 spots created by High Life's former agency,



MIDDLEBROOKS: Star of one-second ads.

Crispin, Porter & Bogusky. In those, he was seen confiscating the brand from French bistros and gourmet grocers. Crispin lost the account when it resigned the Miller business later that year, but Saatchi kept Mr. Middlebrooks and evolved the character further. In one recent spot, he barges into a ballpark luxury suite, demands to know what the score is and confiscates the beer after none of the clueless suits in the suite can tell him.

High Life sales, which fell four straight years until the introduction of the campaign, have been generally stronger since. "Clearly the campaign is a cornerstone in this turnaround," Mr. Oglesby said. "Our positioning rings even more true right now in consumers' minds."





## GARFIELD'S ADREVIEW

BY BOB GARFIELD

### A little clever schadenfreude may fill up some airline seats

So mean. So funny. So zeitgeist. So smart.

JetBlue, the high-frills discount airline, is making a big show of welcoming a new category of customer: the corporate swine, chastened by federal bailouts and shamed out of the gilded business life.

You know, those privileged executives whose lavish perks in no way whatsoever have a material affect on earnings, much less the economy at large, but who have come to represent all the wanton greed, rapacity, cupidity and self-indulgence that got us into the current economic nightmare.

Not because it's really their fault. The blame resides mainly not with Corporate America but with Wall Street, sleazy mortgage brokers and laissez-faire government. But these C-suite guys are rich, and we're not, so we hate the sons of bitches. And now, in a bit of cow-out-of-the-barn PR, they're flying commercial.

To everyone's delight but their own. This, ladies and gentlemen, is the definition of schadenfreude. O, how the mighty have fallen! Hee hee hee.

Hence JetBlue's puckish rolling out of the red carpet, down the longest airplane aisle these titans have seen in a good long while.

*Greetings, Bigwigs, Muckety-Mucks, Private Jetters, Big Cheeses, Head Honchos, Captains of Industry, Big Spenders, CEOs, CFOs, CMOs, C Whatever Os, Hedge Funders, Investment Bankers, Moguls, Tycoons, Robber barons, Capitalists... Welcome Aboard!*

So reads the web headline on [jetblue.com/deals/welcomebigwigs](http://jetblue.com/deals/welcomebigwigs), where the copy goes on to enumerate the airline's many attractive features—from leather seats to DirecTV to important business destinations—all in the most smart-assed way possible.

To wit: "JetBlue's fares start at very low prices. Let's just say, they're way, way, way less than the \$5,300 an hour you used to pay for your private jet. Now, in exchange for these shareholder-friendly prices, you'll have to share the plane with strangers. Just think of it as jetpooling, only we find the other people for you."

And: "JetBlue offers service to many of the places where you need to conduct business. Places like Bermuda, the Bahamas, St. Maarten, Aruba and West Palm Beach."

And: "On JetBlue, we give you unlimited snacks and sodas for free. We want to repeat that. FREE."

Similar ads were placed in The New York Times, Wall Street Journal and elsewhere to the same ostensible target customers in the same derisive tone. Needless to say, however, JetBlue has no strict interest in getting auto execs from Detroit to Washington. (Buffalo-JFK-Dulles, \$189 each way with a two-to-three-hour layover). It's just an opportunity to remind all the rest of us that there is a cheap, comfortable alternative to the expense and degradation of Delta, America, USAirways, United, Northwest, Continental et al.

Meanwhile, by so snarkily abusing the dignity of the corporate aristocracy, it gets credit for defending our own. Here's how we're supposed to do the math: "No, a three-hour JFK layover is no fun, *but these folks hate Rick Wagoner*. The enemy of my enemy is my friend!"

Effigy Marketing, you could call it. Think it's childish and unproductive? Don't be so quick to dismiss the power of negative thinking. This is a country that, in a bizarre nose-thumbing to the most prominent member of the Coalition of the Iraq Unwilling, substantially boycotted French fries.

Yeah, there are bankruptcies and foreclosures everywhere, but nobody ever went broke overestimating the enmity and resentment of the American people.

#### More on AdAge.com

■ Need a daily dose of cynicism? Read Bob's blog at [ADAGE.COM](http://ADAGE.COM)

## Ratings

From Page 4

first commercial in an ad break is better than the second, third or fourth, said Ed Gold, advertising director for State Farm Insurance. "The technology is there. As marketers who are under more and more scrutiny" concerning "what our plans truly deliver, actual commercial ratings for my specific ad in a specific pod position will give me an even truer idea of the value for the price paid. This is where we need to get to."

For every push, however, there is a pushback. Even as marketers say they are clamoring for more TV-ratings precision, Nielsen isn't certain they are willing to pay for it. While anyone can poke around in Nielsen's data and cobble together a better picture of specific commercial viewership, standardizing the process would require investment in technology that allows Nielsen to encode each ad so it can be tracked.

"We're open to discussing that with the industry, to see whether there's a demand for doing that, but at this point, the marketplace seems to prefer the average commercial minute," said Nielsen spokesman Gary Holmes. Encoding "would require a lot of work, and it would also require some kind of cost-benefit analysis to see whether the benefits would outweigh the investment."

In other words, Nielsen has been down this road before. Tight-fisted advertisers trying to muddle

though a difficult economy have already pulled back on media spending, so how willing will they be this year to spend money on the research that helps justify that spending? Marketers pay a lot of lip service to the ideal of linking every dollar they spend to sales boosts, lead generation and market-share increases. But many of Nielsen's recent efforts to create a market in this area have floundered.

Project Apollo, an effort by Nielsen and Arbitron to use a portable electronic device to track consumers' exposure to commercials and media and subsequent purchase behavior, had backing from major marketers such as Procter & Gamble. It was scrapped in February 2008. The companies cited an inability to secure sufficient commitments from clients. More recently, Nielsen said it was suspending an effort known as Prism that was designed to help clients track the effectiveness of in-store promotional efforts. Walmart Stores had ended its support of the initiative in December 2008.

#### 'INTERIM STEP'

Interest in getting more-precise TV ratings isn't on the wane, said Bob Liodice, president-CEO of the Association of National Advertisers, which revived the commercial-ratings debate at a recent industry conference. Current commercial ratings represent "an appropriate interim step," he said, but "the industry is going to get there with or without Nielsen."

The next ratings milestone is likely to come from a nontradition-

al source, suggested network executives and media buyers. Without a central source of data like Nielsen, each marketer will be left to cobble together its own measures with specific media outlets.

David Poltrack, chief research officer at CBS Corp., envisions a time when advertisers make use of brand recall data as well as information that attempts to link consumer purchase information to TV commercials. But distilling the information will be up to the advertiser, not based on a widely-accepted system. "The issue is, 'will it ever become currency?' and that is where I don't think it's going to happen," he said. Instead, "the negotiating process is going to become a lot more complex. There's going to be a lot more creativity in placing the ads and in combining ads that are relevant to the same people to effectively increase the audience that stays through the commercial."

Nielsen owns Nielsen IAG, a company that measures consumer response to and recall of ads and product placements, which could play a greater role as this sort of data becomes more essential to judging the success of commercials. Media buyers also point to the emerging availability of data from set-top boxes that shed light on viewer behavior from one second to the next.

"There's more nuance to be gotten from these other methodologies, and we should be looking at them rather than trying to get something out of the ratings that we can't get anymore," said one media-buying executive.

## Funnel

From Page 4

ring over the past several years. Yet by some informal estimates, as many as half of all online advertisers are still measuring using rudimentary models, such as the click, which is hurting publishers.

John Squire, chief strategy officer of web-analytics firm Coremetrics, which today is launching a service that helps marketers give proper credit to their many online ads, likens it to an offline example: You're headed to the supermarket and on your way in you see the big sign in the window advertising ground round for \$3.99 a pound. You need some anyway, so you buy it. In the online world, which measures the last ad seen, that sign alone would be given credit for your purchases in the store. But it's quite likely that you were going shopping in the first place because you saw something in the weekend circular that you wanted to buy or maybe you heard a radio ad. Under the last-ad-attribution model, the circular is worth, at worst, nothing, and at best far less than the ad for ground chuck in the storefront.

"[Online advertising] is not, by any stretch, always direct-response advertising," said ComScore CEO

Online advertising  
"is not, by any  
stretch, always  
direct-response In  
the offline world,  
media analysts  
don't think of an  
immediate reaction  
to TV or print ad."

Gian Fulgoni, whose report, "Wither the Click," has been making the rounds in the marketing industry since he introduced it in December at a Wharton Business School conference. "In the offline world, media analysts don't think of an immediate reaction to TV or print ad."

The ComScore research, which studied 139 online ad campaigns by marrying data from its panel of U.S. internet users with shopper data, found online ads, even when they didn't result in a click, increased a consumer's likelihood of making a purchase at an advertiser's retail store by 17% and increased visits to a marketer's website by an average of 40%.

Microsoft's Atlas has been tout-

ing an alternative to last-ad accounting for the past year and research it's introducing today found that in the final two days before a sale or conversion, consumers see an average of five and a half ads. In the 90 days leading up to a sale consumers see 18 ads for a product.

"Virtually any seller that's not a search engine or affiliate [network] is not getting the proper credit for their ads," said Esco Strong, market research manager at the Atlas Institute. "There's a disconnect in terms of the actual work that's delivering people through that [sales] funnel and the sale and there's a disconnect in how advertisers are measuring their ads and planning their campaigns."

Randy Rothenberg, the CEO of the Interactive Advertising Bureau, calls it "blunt-force mass buying combined with direct-response measurement metrics."

One solution for publishers? Organic's Mr. Kerho suggests they embrace analytics to help clients figure out how much to put in each bucket.

"Come to the table with solutions to reach the right audience with the right solution at the right time," he said. "There isn't a client we sit down with that isn't about analytics and optimization."





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1. New York Daily News	4,830,417
2. Los Angeles Times	4,751,056
3. Chicago Tribune	3,422,434
4. Washington Post	3,053,155
5. Atlanta Journal-Constitution	2,577,561
6. Newsday	2,558,779
7. Houston Chronicle	2,396,994
8. Newark Star-Ledger	2,263,715
9. Philadelphia Inquirer	2,261,899
10. Boston Globe	2,239,365

\*Source: Audit Bureau of Circulation