The CMO's survival guide

5 ways to keep growing in a downturn

Wavemaker | campaign

Conquer stagflation with the power of Precision media

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After a 12-year tour of duty at an investment bank, working through some particularly turbulent financial markets, the 'global recession' has become a familiar acquaintance. As a contraction takes place, the measurable 'velocity of money' becomes sluggish, belts tighten across the world, and wealth is created and disposed of far less readily. This is the recessionary inertia that characterises the end of the business cycle, and in this environment, advertising dollars must go further if brands are to break through to consumers.

Economists describe the macroeconomic backdrop as one of 'negative jaws', squeezing consumers and corporates alike: input cost inflation (including Media) up, the cost of risk up, volatility up, and interest rates up. Meanwhile GDP per capita down, real wages down, consumer discretionary spending down, business and consumer confidence down.

In the boardroom, the CFO is duty-bound to offset this pressure, and often the knee-jerk reaction is to fund mitigation through the easy-to-cut Advertising & Promotion (A&P) line of the income statement. In a recession, the CMO's voice is therefore at risk of being drowned out, and their crucial investments diluted.

There are several profound reasons why brands should avoid cutting marketing spend to protect profitability:

01 Businesses that spend more on A&P as a percentage of their annual turnover grow organic sales 30% faster, as a rule[1]

02 Brands that increase the ratio of A&P to sales show a substantially better operating margin performance through time, than those who cut this ratio[2]

03 According to a McGraw-Hill study of the early 1980s recession, companies that maintained or increased their advertising spend in 1980-81 grew over 50% faster in 1982 than those who cut spend and grew over three times faster by 1985[3]

However, if such sacrifice is unavoidable – and even if it's not – there is a more elegant way to moderate the negative jaws and simultaneously add a razor-sharp tool to the CMO's recession-time arsenal – Addressability.

Simply put, Addressability is where brands use data to 1) personalise creative, 2) learn what resonated with audiences and 3) apply those learnings to future campaigns. This was once quite clumsy and intrusive, but today, when well-done, it is subtle and salient. It asks the question of personalisation: 'So what?' The resulting relevance at scale presents two bountiful reservoirs of value for adoptees.

The first reservoir is media value. While full funnel in scope, Addressability drives performance above all else, delivering a meaningful improvement in Cost Per Outcome (CPO) so that advertising works both smarter and harder. Data is even more prized during a recession; while in a bull market rising tides lift all boats, in a bear market one must evidence what is working – or face the budgetary guillotine. By fuelling *demonstrably* sharper performance, brands can either:

a) Maintain a flat media spend but drive improved KPIs (on average, +24% across GroupM Addressable work) so that they work to offset inflation on a CPO basis

b) Trim media spend to protect the bottom line, but adopt an Addressable approach and maintain (or perhaps even still increase) the absolute number of click-throughs

[1]P.19, 'The Importance of A&P', Deutsche Bank Research, 2010
[2]P.21, 'The Importance of A&P', Deutsche Bank Research, 2010
[3]P.22, 'The Importance of A&P', Deutsche Bank Research, 2010

As an example, let's assume the fictional WaveCo controls $10m of annual digital media spend, and averages 1.00% CTR on their digital advertising. If our Addressable approach were to improve that by our mean average 24%, to 1.24% across the WaveCo plan, the company has saved the extra $2.4m they'd have needed to spend to achieve that (all other things being equal). The ROI of the activity often ranges into the hundreds of percent and can be funded from the reduced media spend, an excellent way to improve performance while protecting precious capital. And with data-led evidence as to precisely which features within each creative is performing for each audience, we can predict top-quartile adverts, underweight bottom-quartile performers, and redirect this spend to reduce wastage. This is a knock-out advantage of the 'warm start' in the Media discipline – one begins with an evidence-led hypothesis which has yielded success in the past.

The second reservoir is deep, and houses production efficiencies. By co-crafting a suite of brand-approved templates that define certain elements as dynamic (eg copy, call-to-action, video, product and font colours) and fix others as static (eg brand guidelines, logo position and sizing), Addressability provides a mechanism to create new variants, fast. Changing languages, prices, offers, messages, locations (among other elements) is as easy as a tweak of the data feed, and on average brings 20% improvement to asset production costs, not to mention time efficiencies and real-time updates across channel and platform. It is a rapid, flexible, economical approach to production of personalised static and video assets for digital channels, with the added bonus of being able to discover, empirically, what is connecting with which audiences and customers.

Max House, Global MD of the Addressable Content Practice at Hogarth, the world's largest creative content production specialist observes: "Through Hogarth's production partnership with Wavemaker we've re-coupled the disciplines of media, data, content and technology to deliver an incredibly potent product on behalf of our shared clients. We not only drive sustainable performance uplifts across channel and platform, but when executed at scale, we deliver meaningful and durable efficiencies in non 'working media' costs like production.

To give you just one example – we've enabled several entertainment clients to derive maximum value from their rich creative asset libraries and audience frameworks (without the need for origination), facilitating full-funnel, omni-channel deployment of content. Our leading automation technology scales creative ideas across channels, platforms and devices with incredible efficiency, and this precision approach lets us speak to consumers with relevancy, all the way along their path to purchase."

It is this rich blend of 24% sharper media performance and 20% intelligent production efficiencies that can turn an economic headwind into a financial asset for marketeers – all the while helping to foster digital transformation and deliver a more scientific approach to knowing more, guessing less[4]. By applying Addressability to more of your media dollars, we forge progression out of recession.

[4]Please remember that past performance may not be indicative of future results

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