

## Marketing meddling sparks brain drain at chaotic Pepsi

Top talent exits in droves, citing micromanaging, no love from d'Amore

By NATALIE ZMUDA  
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IT ALL STARTED with Pedro the Dog. Early in 2008, Pepsi marketers were still figuring out their new top executive, Massimo d'Amore, recently named head of PepsiCo Americas Beverages. But they quickly got a taste of what was to

come as Mr. d'Amore did an end run around the brand's marketing team and then-Gatorade agency Element 79 by working with Peter Arnell to create a Super Bowl ad. The spot, which consisted of little more than a big, black dog lapping Gatorade from a bowl, was widely criticized.

Since then, an exodus of key marketing and brand executives has plagued a company once known for incubating top talent. Former executives and company insiders paint a picture of a dysfunctional organization that has lost its marketing mojo, where marketers are both

fearful and dissatisfied with a meddling and micro-managing culture. It's a far cry from Pepsi's glory days, when Ad Age, in a 2005 article, trumpeted it as a "fast-paced, act-first, get-permission-later culture that breeds executives who can fix problems and fill voids in a hurry."

The departed include: Dave Burwick, Chief Marketing Officer-North America Beverages; Cie Nicholson, senior VP-CMO, Pepsi-Cola North America; Rick Gomez, CMO-hydration brands; Russell

See PEPSI on Page 17

## Before you base your business plan on paid content, read this

By NAT IVES  
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FOR A MOMENT last week, it seemed like paid content was really on the march. Rupert Murdoch announced his intention to charge for every News Corp. news site. DirecTV, the second-largest pay-TV provider, was found in talks to launch a web-video service—for its paying subscribers. And a comprehensive new forecast reported that consumers were spending less time with media that's heavily subsidized by advertising—and more with media they pay for.

"No longer are newspaper- and magazine-subscription purchases and network prime-time viewing

the norm," said John Suhler, president and general partner at Veronis Suhler Stevenson, the private-equity firm that authored the forecast. "Instead they are declining and consumers are spending more time with media which they support and pay for, as opposed to ad-supported media. This development is a culmination of two decades of this secular shift towards consumer-controlled media and shows no signs of slowing."

Newspapers' print circulation is expected to fall from about \$10 billion this year to something more than \$8 billion in 2013. Consumer magazines, which typ-

See PAID MEDIA on Page 20

## How Bud Light lost its sense of humor—and, subsequently, sales

Wary of 3% drop for its biggest brand, A-B dials down 'drinkability'

By JEREMY MULLMAN  
jmullman@adage.com

FACING THE PROSPECT of the first negative sales year in the 27-year history of Bud Light, Anheuser-Busch is going for a little less "Drinkability" and a lot more laughs to reverse a 3% sales slide for the brand in the first half of the year.

The brewer's largest and most important brand was marketed for decades under the premise that people drink light beer to have fun, so light-beer ads should be funny—and the execution was often bril-

liant. Riding one pop-culture smash after another, from "Spuds MacKenzie" and "Yes, I Am" to "I Love You, Man" and "Real Men of Genius," Bud Light grew into the world's best-selling beer, a brand so big that today it accounts for nearly one in five brews poured in America.

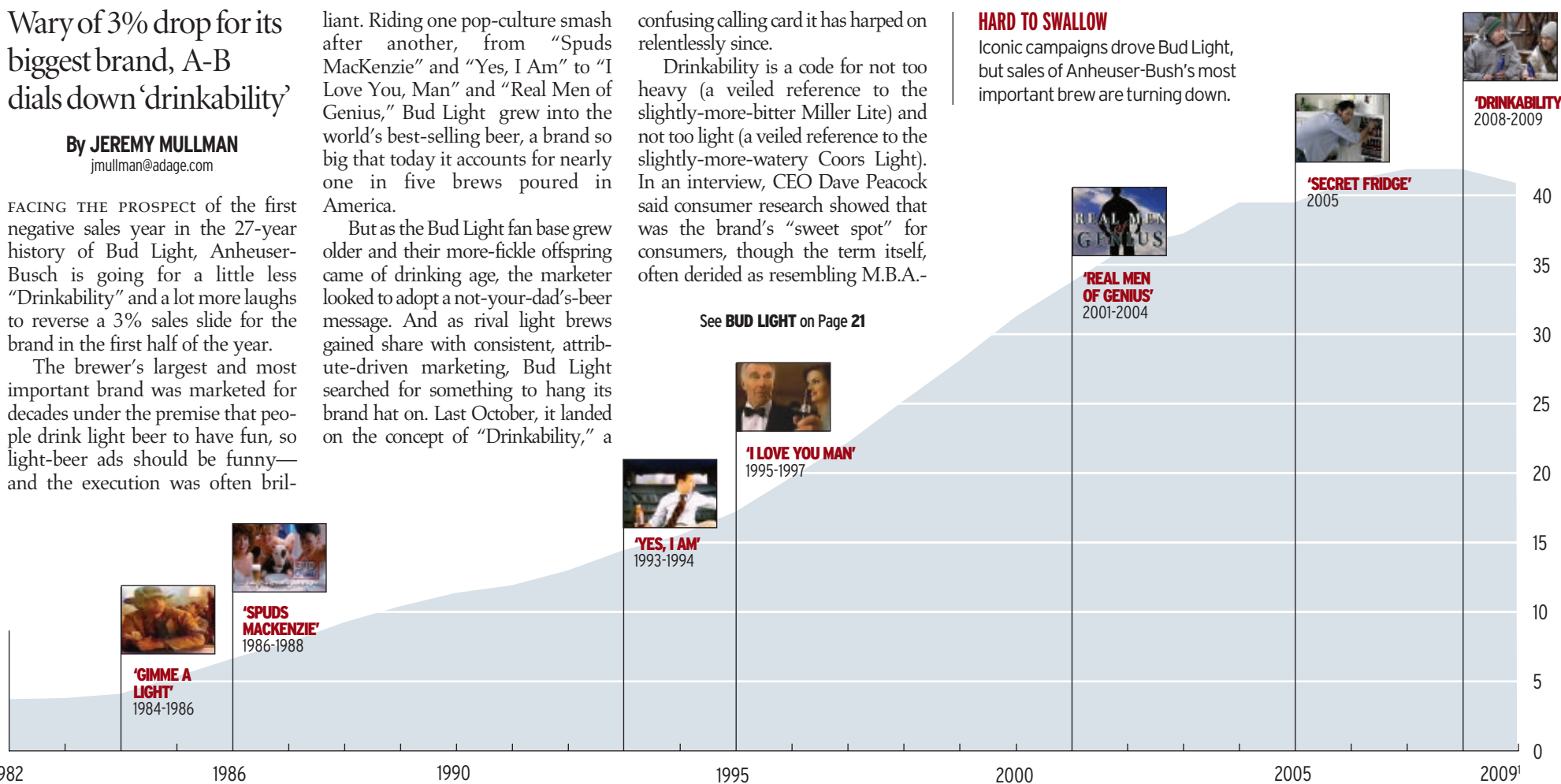
But as the Bud Light fan base grew older and their more-fickle offspring came of drinking age, the marketer looked to adopt a not-your-dad's-beer message. And as rival light brews gained share with consistent, attribute-driven marketing, Bud Light searched for something to hang its brand hat on. Last October, it landed on the concept of "Drinkability," a

confusing calling card it has harped on relentlessly since.

Drinkability is a code for not too heavy (a veiled reference to the slightly-more-bitter Miller Lite) and not too light (a veiled reference to the slightly-more-watery Coors Light). In an interview, CEO Dave Peacock said consumer research showed that was the brand's "sweet spot" for consumers, though the term itself, often derided as resembling M.B.A.-

See BUD LIGHT on Page 21

BARREL SHIPMENTS  
(IN MILLIONS)



Source: Beer Marketer's Insights. 1. 2009 estimate based on a half year of retail results.

crain

### What to expect in the second half

Ad Age surveys the experts. Hint: Don't celebrate just yet.

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### Mark Paup lights a fire under Zippo

CMO leverages social media to keep iconic brand relevant for its core user—Sean.

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## PROGRAMMING GUIDE FOR THE WEEK OF AUG. 10

Your map to highlights from Ad Age and Creativity

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### EDITORIAL: WHAT SHOULD GOOGLE DO?

One of the biggest unknowns stalking the Yahoo-Microsoft deal: What will Google do? Microsoft effectively ended Google's attempt to do a Yahoo deal last fall. Should Google return the favor by raising objections? In a word, no. Google needs this deal almost as much as Microsoft and Yahoo do.

### WNEK: TIME TO RETHINK CREATIVE DIRECTOR'S TITLE

Is it just me, or is the title "creative director" an impossible catch-all? Doesn't it simply encompass too much real estate for any one person to preside over? Coming up with overarching ideas requires a completely separate skill set from those necessary for executing those same ideas.

[ADAGE.COM/AGENCYNEWS](http://ADAGE.COM/AGENCYNEWS)

### JOHNSON: YOU'RE WELCOME TO OUR BUSINESS PLAN

You don't have to worry about people stealing your ideas because without a vision for implementation, they're worthless to anyone else. In that spirit, I'm going to share PJA's early-stage agency strategy for 2010. It's going to be hard enough for us to pull it off, so help yourself.

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### Next issue Aug. 24

There will be no print issue of Advertising Age the week of Aug. 17. The next print issue of Ad Age will be Aug. 24. In the meantime, keep up with the latest industry news, analysis, opinion, video and more on **ADAGE.COM**

## WHICH SIDE IS BETTER FOR YOU?

Marc Brownstein writes: "It's not easy being the college class of 2009. Graduating into the worst economy in generations has left many 22-year-olds wondering how to land a job and start a career. One of the first things I ask new college graduates is which side of marketing they want to work in—client side or agency side? It makes a big difference."

**SEE [ADAGE.COM/GENNEXT](http://ADAGE.COM/GENNEXT)**

## THINK OUTSIDE THE BOOKS

Adrienne Waldo writes: "I'm a big believer that marketing can't be taught from a book. It's an ongoing socioeconomic experiment, changing and evolving every day. If you're starting your fall semester with a textbook that was written in the spring, it's already outdated. Take control of your own education; get outside of the classroom."

**SEE P. 11**

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## LITTLE GUYS LOSE OUT AT WALMART?

For decades, Walmart championed small suppliers, but a drive to reduce the vendors it works with could shift the supply landscape and force smaller package-goods players to consolidate.

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What our readers are checking out

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- 2. MillerCoors Pressures IPG to Force Deutsch off A-B Roster**
- 3. Why Does 'Creative Director' Describe Two Very Different Jobs?**
- 4. 10 Years After 'Blair Witch,' Viral Movie Marketing Grows Up**
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# Why ad industry won't recover in second half

Though some bright spots ahead, recession triggers reset for business

By JUDANN POLLACK  
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IT'S NOT GETTING a lot better, but at least it's not getting any worse. And it probably won't ever get back to where it once was.

That's the marketing forecast for the second half of the year based on a temperature check of players in the media, marketing and agency worlds by Advertising Age. We found that there are pockets of

strength: online and PR, for example. Some package-goods players are ramping up spending, but many are doing so to take advantage of lower media pricing. The TV networks continue to struggle, and agencies are coming to grips with the fact that marketers will continue to squeeze them on fees with procurement (recession or no)—and that they have to come up with more-viable metrics.

On one point there seems to be almost universal agreement, and it was perhaps stated best by Robin Domeniconi, VP-sales at Microsoft: "Right now some of the budgets are being released more than they have

in the past [year]," she said, but "it's a reset. It's not like, 'Yoo-hoo, we're out of the recession.' This is about a new way of doing business."

"This current economy has stimulated a new marketing consciousness," said Laurence Boschetto, president-CEO, DraftFCB. "Clients are saying they want accountability for every dollar they spend, and they want cause and effect. Clients will continue to rally behind ideas that build business, and we as an industry have to accept that things will never revert back to the pre-reces-



BOSCHETTO

sion mind-set that wasn't totally focused on accountability."

That seemingly bodes well—or at least better—for some media. MaryLee Sachs, director of the worldwide marketing communications practice at WPP's Hill & Knowlton, said that when a turnaround does come, chief marketing officers "will continue to look for new avenues and means with which to connect with their core consumers most cost-effectively. This puts digital, earned-media opportunities and niche-targeted initiatives" at the forefront.

She added: "Some consumer values and buying habits may have changed irrevocably, so it will become increasingly important to foster brand relationships—ideally loyalty and advocacy—and this is more difficult to achieve through traditional TV push marketing."

Indeed, the outlook for TV isn't very bright. "In this environment, ad spending for the broadcast networks may stabilize in the second half of 2009, but it is more likely to remain difficult. Marketers continue to hold on to budgets longer and seek more flexibility in their buys,"

See **SECOND HALF** on Page 19



**WINNER:** Detroit did well with promo, and Ford seemed to benefit the most.

## Clunkers looks like raging success, but could spark auto sales crash later on

Marketers move metal, but at high cost and with danger of lull to come

By JEAN HALLIDAY  
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WHEN THE government's Cash for Clunkers program ran through \$1 billion before its first week was out, the Obama administration touted it as a success that boosted the industry's sales for the entire month of July.

But it wasn't just Republicans questioning the spin. Some auto experts, such as Peter DeLorenzo, founder and publisher of Autoextremist.com, worry that the program is poaching sales from later in the year, which will cause a virtual sales freeze in November and December. Mr. DeLorenzo called the roughly 200,000 new vehicles sold under the program "a short-term spike." When the program is over, he said, "I think

there's going to be a huge hang-over, because people will sit there waiting for the next [sales] gimmick. I just hope it's a steady transition, but my fear is it's a short-term feeding frenzy followed by a big giant lull."

Indeed, auto site Edmunds.com estimated that each new model sold cost taxpayers a whopping \$20,000 in the first round of the program, which resulted in a gain of only 50,000 unit sales. "The incremental sales are limited and at a considerable cost," said Jeremy Anwyl, CEO of Edmunds.com. "In effect, we are paying consumers to do something most would do anyway."

Art Spinella, president of CNW Marketing Research, said 1.2 million people were interested in Cash for Clunkers and the vast majority of them—700,000—said they needed to buy a vehicle anyway within several months. Mr. Spinella

See **CLUNKERS** on Page 21

## TV upfront tally slips to \$8 billion as networks take their chances on scatter

As prices fall 1% to 3%, the Big Five hold back up to 15% of inventory

By BRIAN STEINBERG  
bsteinberg@adage.com

THIS YEAR'S UPFRONT tally is estimated to be between \$7.8 billion and \$8.1 billion, down from last year's about \$9.23 billion. And for that you can thank Mel Karmazin.

In 2001, with the economy in decline and CBS still joined with Viacom, then-second-in-command Mr. Karmazin (now at Sirius XM Radio) ordered the Tiffany Network to hold back as much as 10% of its ad inventory from the upfront market, the better to sell it for higher rates later on when the financial landscape was more stable. The gambit was a

risky one. Indeed, not until the following year was it clear that the decision had gradually resulted in a positive for CBS: The network was ultimately able to secure additional revenue for time held in reserve.

This year, as the smoke surrounding the upfront marketplace begins to clear, it's evident that all five broadcast networks are trying a similar Hail Mary pass, holding back anywhere from 10% to 15% of their inventory to sell later on in the year—as "scatter" inventory that is purchased much closer to air date, often for a premium. "The last time we managed inventory like this was in 2002 and we ended up making a lot more money in scatter than if we had sold the inventory in the upfront,"

said Leslie Moonves, president-CEO, CBS Corp., in a conference call last week. He indicated CBS was seeing robust third-quarter demand for scatter in "core categories like retail, tele-



MOONVES

com, pharma and quick-service restaurants. And scatter pricing is up over last year's upfront which again bodes well for us going forward. And our third-quarter scatter dollars are up 30% from third-quarter

scatter last year."

Even so, media buyers report they did not see that sort of demand in the upfront market, when the networks typically try to sell 70% to 80% of their ad inventory for the coming season.

See **UPFRONT** on Page 20

## Plethora of promos will soon mob your TV screen

Tolerance of 'messy' media prompts testing of top-to-bottom ads

By BRIAN STEINBERG  
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THE TV SCREEN may be about to get it from all sides: TV networks and advertisers are quietly testing whether consumers will respond to promos and ads that run on the top and bottom sectors of the boob tube—while some of their favorite programs are airing.

Walt Disney recently disclosed that its ABC and ESPN TV networks are testing the efficiency of "upper-third messaging," or graphics that appear in the top third of the TV screen. This comes after IAC Corp.'s Ask.com search site ran "crawl" ads along the bot-

tom of the TV screen on selected networks earlier this year, marking one of the first times full-fledged advertising has run during a program, not just in the ad breaks that disrupt it.

In the past decade, consumers have developed a "capacity to accept multiple messaging all at once," said Adam Stotsky, president-marketing, NBC Entertainment. As a result, these types of promos have become "a given of the current TV landscape—cable and network," said George Schweitzer, president, CBS Marketing Group.

The desire to turn the TV screen into more fertile promotional territory has taken on greater importance. With nearly 30% of U.S. homes with TVs slated to have DVRs by the end of 2009, according to Interpublic Group's Magna, couch potatoes

are better armed to breeze past traditional TV ads. Consumers also have a higher tolerance for messier media venues, whether they take the form of a cluttered, multi-screen computer desktop or sports programming and cable news shows with an abundance of onscreen information. All that provides justification for TV networks looking to run more-intrusive promotional entreaties.

Advertisers have already found that in-show ads, as they are sometimes called, are memorable to viewers. When Ask.com ran crawls at the bottom of the screen during Nascar races, the company found that the ads drove a "significantly" higher volume of queries to its search site than a traditional 15-second ad, said John Moore,

See **SCREEN** on Page 20



# Package goods get bigger again

Marketers that shrank products—though not prices—start to upsize

By JACK NEFF  
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THE SO-CALLED grocery shrink ray—which made thousands of products smaller in recent years without lowering their prices—has started to reverse, as more marketers deal back savings on commodity costs in the form of bigger packages or bonus products at the same price.

The shift is sure to fuel some cynicism, as it gives the appearance marketers are simply adding back what they took away in the first place. But so far only one marketer—Mission Foods—has been publicly called out.

And it's unclear many have made or will make direct or permanent reversals—tempting as it might be to return those 1.5-quart ice-cream tubs to the original half gallon and bill the addition as “33% more free!”

Marketers in household products are generally making packages temporarily bigger as part of limited-time promotions. And some products are simply responding to competition. Procter & Gamble Co.'s Pringles Super Stacks are clearly bigger than they've ever been, in a reaction to rival Frito-Lay offering “20% more free” across its lineup.



**SELLING POINT:** “Still the same amount of crackers.”

Newly upsized packages are particularly prevalent in snack foods and cleaning products, the latter movement led by Reckitt Benckiser, which adopted a “Big Brands, Big Savings” promotional platform this year across brands including Lysol disinfectants and Finish dishwashing detergent.

Why increase package sizes or offer bonus products instead of just reducing the price? Marketers and retailers both want to rekindle volume hurt by the recession, but neither wants to take a hit to the top line by lowering prices, said Sanford C. Bernstein analyst Ali Dibadj. He's seen the trend toward promotional upsizing start in food and extend into household and personal care, largely following the pattern of price hikes being partially dealt back.

Rob De Groot, Reckitt exec VP-

North America, Australia and New Zealand, said, “There's a reluctance to bring the prices back to where they were before on all sides.”

The package-goods industry went many years without substantial price increases, he said, and reversing list prices now would hurt all sides. RB is focusing its bonus offers on premium products to help trade consumers up or prevent them from trading down, he said.

But upsizing isn't without risk when it simply gives consumers back what they had in the first place. Mission Foods cut the number of tortillas in its 10-count pack by two last year, then added them back this year, touting the move with a “Now with two extra tortillas!” blurb. The blog Consumerist called attention to the move after a consumer tip last month.

In a statement, Mission Foods said the “extra tortillas” package was temporarily introduced in June, and a new package without the claim was in full distribution by Aug. 1.

Making all the upsizing easier is that Walmart, which earlier in the decade banned use of the word “free” in bonus offers as misleading, has relented—though it may not be a change in policy so much as a change in personnel, with new merchandising execs unaware of the old policy.

“I have inquired with members of our merchandising group and have not found anyone yet who is

aware we had such a policy,” a spokeswoman said in an e-mail.

Suppliers said Walmart made the move in 2002, and Walgreens complicated things two years later by insisting on having the word “free” on bonus packs, requiring many marketers to have two sets of packs.

It's not clear the tide has entirely turned. Rich Palesh, president of research firm Promodata, said analysts are tracking an even split between upsizing and downsizing.

Somewhere in between, Campbell Soup Co.'s Pepperidge Farm Goldfish recently introduced a new club-size pack with a nod to a year or two of others downsizing: “Still the same amount of crackers.”

Upsizing could be a mixed bag for marketers, said Thom Blischok, president-consulting and innovation for Information Resources Inc. On one hand, consumers stock up when they see deals. That's a change from earlier this year, when they were wary of buying extra even on sale. On the other hand, one theory behind bonus packs is that they expand consumption because people use more. But Mr. Blischok's research indicates consumers have gotten better at rationing.

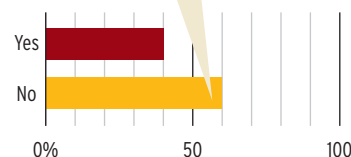
“The new conservative shopper will consume in the long term 6% to 10% less,” he said. “We're not seeing people return to indulgence. We're seeing them looking to get a better deal and extend their supply.”

## WHAT YOU SAY

**THE QUESTION:**  
WILL ZAPPOS BE ABLE TO MAINTAIN ITS MARKETING CULTURE UNDER AMAZON?

60%

said Zappos will have to give up some of its identity.



While the purchase of Zappos by Amazon may have seemed like the coming together of two great online retailers, the majority of those who responded to our poll said the spunky, customer-friendly Zappos culture would not survive the takeover.

Said Jennifer Muckelvaney, “There is no way they can maintain their identity. That's like saying my local burger joint could maintain their identity if McDonald's bought them!”

Some people just seem to have had bad luck with Amazon. Said Zappos fan Grace Amandes, “Zappos has the best customer service and selection. Amazon, not so much. When I order from Zappos and select the free shipping, I get my order in a day (sometimes it seems like elves deliver the order). When I select free shipping from Amazon, I'm lucky if I see my order in two weeks.”

Peter Altschuler wasn't quite so dramatic. “Amazon will, in time, decide to unify operations, and its own service options are antithetical to Zappos.”

Chris Sanborn said the unique Zappos brand “will slowly fall apart. I think the partnership will serve both companies well, but the Zappos culture will get consumed.”

But Roger Adams said Amazon deserves some credit. “If Amazon is smart, they will quickly realize that the marketing culture is Zappos. It would be a fatal error to buy a great company like Zappos and then eliminate their point of difference. I think Amazon is smart enough to realize that.”

Thomas O'Dea agreed: “The answer will tell us a lot about Amazon, and I'm betting they're smart enough to make an acquisition without feeling like they have to remake Zappos' culture.”

—KEN WHEATON

**NEXT WEEK'S QUESTION:**  
IS USING MORE SCREEN SPACE FOR PROMOS DURING TV SHOWS A GOOD IDEA?

To answer, log on to [AdAge.com](http://AdAge.com).

# As sales drop, fall brings big push for Gardasil vaccine

Merck ups marketing efforts as girls go for back-to-school checkups

By RICH THOMASELLI  
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THIS YEAR'S back-to-school shopping list: Pencils? Check. Notebooks? Check. Cervical-cancer vaccine?

Faced with declining sales for Gardasil, the controversial—and so far only—vaccine for prevention of human papillomavirus, Merck & Co. is planning to boost the drug's visibility during the key back-to-school shopping period beginning this month.

“As we move into the third quarter, we expect sequential growth as we leverage the back-to-school season,” Ken Frazier, Merck exec VP-president of global human health, told analysts during the company's most recent earnings conference call. Gardasil's second-quarter worldwide sales were \$268 million, an 18% drop from the second quarter of 2008. U.S. sales declined 28% compared with the second quarter of last year.

Mr. Frazier blamed saturation of



**AT SATURATION POINT?** Gardasil may have peaked among girls 13 to 18.

the market. The vaccine made its debut three years ago for girls and young women ages 9 to 26. Gardasil is administered in a series of three shots over six months and prevents four types of HPV—two types that cause 70% of cervical cancer and two types that cause 90% of genital-wart cases. But Gardasil is effective only when administered before the onset of sexual activity to prevent genital warts. Mr. Frazier believes the prime target of girls ages 13 to 18 has reached a peak.

“While we are by no means satisfied with the current performance, we are executing on our recently initiated programs and remain firmly committed to achieving greater vaccination rates in the 19-to-26 age group,” Mr. Frazier told analysts.

That means a ramp-up in spend-

ing—also noted by Merck executives during the earnings call—for Gardasil, which received \$98.6 million in measured-media spending in 2007 and \$95 million last year, according to TNS Media Intelligence.

Merck spokeswoman Pamela Eisele said increased visibility for Gardasil is not necessarily timed with back to school or back to campus. Nonetheless, Merck is participating in vaccination-day events with physicians' offices, clinics and nursing groups by offering supportive resources such as posters, mailers, consumer material and pocket cards that coincide with the time when kids and young adults typically get physicals before school starts in September.

“Resources were made available several months ago to support execution during the back-to-school time frame,” Ms. Eisele said, adding that vaccination-day events are not Merck-driven but include “customizable materials that health-care professionals can use to educate parents and the public.”

Merck has always been fairly savvy when it comes to target marketing of Gardasil. Its first TV campaign, from DDB, New York, ran with the tagline “One Less,” and

focused on young girls who intoned that they were “one less” patient who contracted HPV or cervical cancer. The current campaign is “I Chose” and appeals to the parents of those young girls. The spots still feature the original “One Less” theme and include an adult woman saying, “I chose to get my daughter vaccinated because I want her to be one less woman affected by cervical cancer.”

Merck also produced a spot last year that appealed to the elusive 19-to-26 age group Mr. Frazier spoke of—a 60-second ad based on “I Chose” that ran in theaters prior to the “Sex and the City” movie.

But Gardasil hasn't been without controversy. Merck came under fire after the vaccine's debut three years ago for what was considered heavy-handed lobbying of states to mandate the vaccine be given to girls ages 11 and 12.

The FDA, in fact, just might become Gardasil's new best friend as Mr. Frazier seeks to grow the market for the vaccine. The FDA is considering Merck's request to market and use Gardasil in boys and men ages 9 to 26 to prevent external genital lesions caused by four types of HPV, and for use in women ages 27 to 45.

# THE VIEWERS HAVE SPOKEN BET'S NUMBERS DON'T LIE

4 CONSECUTIVE QUARTERS OF VIEWER INCREASES<sup>1</sup>

**#1 Cable Network** among African-Americans<sup>2</sup>  
*18-34 FOR 38 CONSECUTIVE QUARTERS, 18-49 FOR 18 CONSECUTIVE QUARTERS*

**#1 Telecast on all TV**<sup>3</sup>  
among African-American households for July  
**TINY & TOYA**

**#1 Cable Telecast of the Year**<sup>4</sup>  
**BET AWARDS 09**

**#1 Gospel Series on Television**<sup>5</sup>  
**SUNDAY BEST SEASON 2**

**#1 Music Variety Show on Cable**<sup>6</sup>  
for 6 consecutive quarters  
**106 & PARK**

**Double Digit Gains** among total households<sup>7</sup>  
*18-34, 18-49*

**Double Digit Gains**<sup>8</sup>  
**MONDAY-SUNDAY PRIMETIME MOVIES**

Source: BET Corporate Market Research via The Nielsen Company. <sup>1</sup> Measurement: 12/29/97-06/28/09 (Live Data); Viewers 2+ Impressions (000) comparison to previous Quarter for all BET Quarters; BET Total Day Calculation (Mon-Sat 9am-4am & Sun 9am-11pm). <sup>2</sup> Measurement: 12/27/99-06/28/09, Adults 18-34 & 12/27/04-06/28/09, Adults 18-49 (Live Data); Black Adults 18-34 & 18-49 Impressions (000) Cable Network Mon-Sun Total Day Ranker by quarter; BET "Current" Total Day Calculation, CY06-present (Mon-Sat 9am-4am & Sun 9am-11pm); BET "Old" Total Day Calculation prior to CY06 (Mon-Sat 9am-4am & Sun 9am-5pm); All other Cable Nets' Total Programming Day (Mon-Sun 6am-6am). <sup>3</sup> Measurement: 06/29/09-07/26/09 (Live Data); Black Household Impressions (000) Cable & Broadcast Telecast Ranker Report. <sup>4</sup> Measurement: 12/29/08-07/14/09 (Live +SD GRPs); Viewers 2+ Impressions (000) Cable Telecast Ranker Report. <sup>5</sup> Measurement 03/30/09-06/28/09; (NPower Live Data); Viewers 2+ Impressions (000) Mon-Sun Trackage Report; Broadcast & Cable TV Programs within the "Devotional/Religious" Program Type plus all Sunday BET Gospel Programs. <sup>6</sup> Measurement: 12/31/07-06/28/09 (Live Data); Viewers 2+ Impressions (000) Mon-Sun Cable Programs comparing 106 Park to programs within the "Music Variety" Program Type; Excludes programs airing 2 telecasts or less. <sup>7</sup> Measurement: Q209 03/30/09-06/28/09 & Q208 03/31/08-06/29/08 (Live Data); BET Q209 Households, Adults 18-34, & Adults 18-49 Impressions (000) vs. BET Q208; BET Total Day Calculation (Mon-Sat 9am-4am & Sun 9am-11pm). <sup>8</sup> Measurement: Q209 03/30/09-06/28/09 & Q208 03/31/08-06/29/08 (Live Data); Viewers 2+ Impressions (000) comparison of Q209 Mon-Sun Primetime BET Movies (7pm-11pm) vs. Q208 performance. Further qualifications available upon request.

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# WHERE THE HOT SPOTS ARE AS EATING MOVES BACK HOME

Baking, coffee make a comeback; frozen pizza still going strong

By **EMILY BRYSON YORK**  
eyork@adage.com

IT TURNS OUT there's no recession in eating, though consumers keep looking for more bang for their buck by attempting to produce restaurant-quality results at home.

As a result, several long-lan-

guishing categories—such as baking and grocery coffee—have begun to rebuild share, and marketers are rushing to keep that going with new products, introducing items such as gluten-free cake and whole-grain muffin mixes. Left-for-dead brands such as Maxwell House and Folgers have also begun to gain share,

thanks to new marketing and more-cautious consumers.

Other premium grocery sectors have remained unfazed by consumer trade-down. One is specialty frozen pizza, an area where some scrimping might be expected, but which continues to boom. Here's a look at some at-home hot spots.

## BAKING



↑ **15%**  
Baking-category growth in past year

↑ **5%**  
Increase in household penetration since June

Even as moms become more time-starved, experts say they're still looking to connect with their kids through fresh-baked treats—and the down economy seems to be boosting the craving for comfort food. "Mostly when mom bakes, it's partly for herself and partly for her kids," said Duncan Hines VP-Marketing Lora Van Velsor, adding that mothers get a real kick out of giving their kids warm, homemade snacks.

In fact, she said, not only are more people starting to bake, but those who baked before are baking more. The baking category has grown 15% in the past year, and household penetration for overall baking products, which has been stagnant at 81% for three years, is up 1% for the year and up 5% since June. Ms. Van Velsor pointed to the economy as the reason for growth. "It's a better value to bake at home than buy bakery-priced goods," she said. Besides, "during tough economic times, people want to connect." And baking at home ties into an emotional need.

Moreover, it's not just mixes benefiting from the boom. This baking surge appears to be spurring the woebegone from-scratch baking category as well. General Mills reported sales of its Bisquick and Gold Medal flours up 20% during fiscal-year 2009.

## COFFEE



↑ **3%**  
Increase in Maxwell House sales

↑ **55%**  
Rise in Folgers sales

Thanks to belt-tightening, once-forgotten, pre-ground, grocery coffee is on the upswing. According to Information Resources Inc., total ground-coffee sales at grocery (excluding Walmart and club stores) are up 6% in the past 52 weeks to \$2.1 billion. According to the data, Folgers sales are up a stunning 55%, to \$563 million.

Procter & Gamble sold its Folger's coffee brand to J.M. Smucker last summer, and under new management, co-CEO Timothy Smucker said, the iconic brand experienced "significant sales growth" in March and April. He added that the category as a whole grew double digits in April. Though double-digit gains in such a mature category may be hard to replicate, he said, "this quarter's result in coffee solidifies our belief in the transaction and provides evidence that our ownership of Folgers will provide significant opportunities."

Two years ago, when Kraft CEO Irene Rosenfeld was beginning her turnaround plan, analysts and shareholders were clamoring for a Maxwell House divestiture. But Ms. Rosenfeld held firm, and promised that a reformulation, restaging and repackaging would do the trick. Looks like she was right: During last week's second-quarter earnings call, she said "solid performance in response to our quality improvements" had resulted in double-digit sales growth for the "Good to the last drop" brand. IRI shows Maxwell House sales up 3% to \$346 million.

## FROZEN PIZZA



↑ **12%**  
Rise in DiGiorno sales

↑ **10%**  
Sales increase for frozen CPK pizza

Kraft's prescient DiGiornomics campaign just about said it all. The ads compare time and money spent waiting for delivery pizza when a consumer could throw a DiGiorno in the oven for a fraction of the price. As package-food companies have improved frozen pizza technology, it's gotten harder for delivery chains to sell the more-expensive pies. Industry giants Domino's and Pizza Hut have struggled with price points and same-store sales in the tough economy, while the freezer aisle has stayed white hot.

Kraft also holds licensing rights to California Pizza Kitchen pizzas, and Ms. Rosenfeld noted in last week's earnings call that the company's frozen-pizza division is riding seven consecutive quarters of double-digit sales gains. DiGiorno alone grew 20% in the last quarter.

According to IRI, frozen-pizza sales are up 5%. IRI showed DiGiorno and CPK sales up 12% and 10%, respectively, though, once again, the data exclude Walmart and club stores.

Sarah Grover, chief marketing officer at California Pizza Kitchen, said in an interview that sales and traffic have been problematic for the chain's 200 stores during the recession. And CPK generally fares better than its casual-dining peers. At times like these, she said, her company is particularly glad to partner with Kraft. "People are cooking at home and buying frozen products," she said. Fortunately, she added, "we have products at the grocery store."

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Sources (all data is U.S. only): (1) TV Viewers: Nielsen Media Research, NPOWER, 75% unification, 6 min. qualifier, P2+, M-Su Total Day 6a-6a, Avg. Mnthly 2009 Reach (12/29/08-7/26/09). Data based on Live+7 and +Same Day data streams. (2&3) TV/Web Users and TV/Web "Integrators": Nielsen TV/Internet data Fusion. TV networks matched with their corresponding network websites. (Avg. mnthly, Jan09-May09) – NPOWER Duplication report (Claim 2 based on "Combined" TV/Internet reach; Claim 3 based on "Both" TV/Internet Reach). Live TV viewing and Online Usage based on 6a-6a, 1 min. qualifier. P2+. Data based on calendar month (excluding HLN). (4) Total Minutes (Avg. monthly, Jan09-Jun09) – Nielsen NetView Home/Work Panel, CNN Digital Network. (5) Video Streams (Avg monthly, Jan09-June 09) - Nielsen VideoCensus Home/Work Panel, CNN Digital Network: News & Info Category. (6) Mobile Web Users: (Avg. Mnthly Jan09-May09)-Nielsen Mobile, Base: P13+ wireless data subscribers. Data based on CNN Digital Network. (7) Mobile Video (1Q09)-Nielsen Mobile Video Report, Base: P13+ mobile video viewers at the channel level of the last 30 days. (8&9) Audio & Video Podcast Users – Nielsen MegaPanel.

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# Walmart vendor cut likely to hit small players

Project Impact could mean supplier pairings or more 'orphan' brands

By JACK NEFF  
jneff@adage.com

FOR DECADES, Walmart championed small suppliers by giving them a shot at national distribution without crippling slotting fees. But its new drive to reduce the vendors it works with is almost sure to shift the supply landscape and force smaller package-goods players to consolidate or else.

The impact of Walmart's so-called Project Impact could be felt far beyond Bentonville. Not only could it spark midsize package-goods brands to pair up in an effort to create might, it could also have the opposite effect, leading marketers to put to pasture "orphan" brands rather than risk private-

equity funds snubbing them in the belief that even a collection of smaller brands will not be enough to earn space on Walmart shelves.

It's not just Walmart, of course; other major retailers have been pressing for streamlined assortments that put smaller marketers at a disadvantage. "More and more retailers want to work with fewer suppliers who have more scale," said Sanford C. Bernstein analyst Ali Dibadj. "The question is whether the pressure from the retailers is a sustainable pressure." If it is, he said, "even for medium-size [suppliers], having scale is going to be enormously important."

Undoubtedly the 800-pound gorilla of retail can bring a lot of pressure to bear. Under its new program, Walmart aims to reap more marketing funds from suppliers, is demanding that all in-store marketing displays be customized for the



**RACE FOR SHELF SPACE:** According to a Sanford Bernstein analyst, more retailers are seeking to work with fewer suppliers.

JOERAEDELE

chain and will require marketers to disclose the environmental impact of their products through a yet-undetermined standard and auditing system. All those mandates seem certain to favor large suppliers or seem disproportionately costly

for smaller ones to implement.

There is already some evidence that small players are losing out in the equation. According to an analysis by Sanford C. Bernstein of Walmart's "win-play-show" category reshuffling—in which higher-priority categories are getting more space and placement and lower-priority ones less—the low-priority "show" categories are disproportionately populated by smaller industry players.

Such was the case for Oil Dry Corp., maker of Tidy Cats litter, whose stock plunged more than 20% in a day last month when it announced it had lost its largest customer, Walmart. Oil Dry lost out to bigger, though by no means giant, competitors Clorox Co. (Fresh Step) and Church & Dwight Co. (Arm & Hammer).

The pressure to compete could be enough to overcome tight financial markets that have kept merger-and-acquisition activity relatively light of late, Mr. Dibadj said. The sector it could hurt is another M&A mainstay of the past two decades: the disposal of orphan brands from big marketers to private-equity-funded rollups. Private equity has already dried up for such highly leveraged deals since the fall financial crisis. But Walmart's stance on vendor reduction could make owning orphan brands unappealing even without leverage, since they now face a much tougher fight for survival at Walmart and elsewhere.

That increases the likelihood that underperforming brands will be discontinued without a serious attempt to divest them, which could also eliminate a source of cash for bigger marketers, such as Procter & Gamble Co., which is pulling the plug on Max Factor cosmetics in the U.S. rather than seeking a buyer.

Of course, pundits have been predicting for a couple of decades that the rise of big retailers would squeeze out smaller players. The reality has been that smaller or midsize players, ranging from Orange Glo, marketer of OxiClean (later sold to Church & Dwight) to Chattem to Alberto-Culver and Reckitt Benckiser, frequently outperform industry behemoths such

as P&G on the top line.

At least some of the success of smaller to midsize players in the face of all that punditry, though, stemmed from the way Walmart used to do business. It didn't charge the upfront slotting fees that made doing business with supermarkets particularly tough for startups. Instead, it based merchandising decisions on pricing, sales potential and local appeal of products rather than payments from marketers. And it encouraged new vendors, particularly because it relied on a steady stream of new products and variety.

Much of that has changed, however, under Walmart's Project Impact. It's likely never to charge slotting fees, but it has opened numerous opportunities for marketers to buy in-store and out-of-store advertising vehicles and coordinate merchandising with those buys. And it's taking a much tougher look at new vendors.

## 'M.B.A. MEETINGS'

"It pushes [Walmart] to the larger suppliers only, which is taking off their edge as well, but I guess they feel that helps them make better partnering decisions, rather than buying something they could truly own with the smaller suppliers who don't have the wherewithal to move that product along," said one industry consultant.

He said the complexity of doing deals has risen substantially too, noting that category and pricing analysts now sit in on most meetings with buyers to understand the full impact on inventory and total Walmart costs. "We call them M.B.A. meetings," he said, "because you have to have an M.B.A. to really understand."

Walmart is no longer looking to be an everyday-low-price player in all categories, and in some cases, suppliers and their representatives say Walmart has been willing to turn down lower prices even for vendors who couldn't initially supply the whole country. Walmart is, however, making exceptions for minority-owned vendors, who are much more likely to get a hearing and a trial in a small number of stores, they say.

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# How Epsilon quietly but successfully rose above the direct-marketing competition

Shop continues to grow as others sink, but it's not concerned about fame

By **MICHAEL BUSH**  
mbush@adage.com

ALTHOUGH IT DWARFS many much more famous agencies, Epsilon goes largely unheralded in the marketing world. Not that the agency takes offense.

With \$460 million in revenue in 2008, the CRM giant is bigger than the U.S. operations of ad institutions such as JWT, Y&R and DDB. And while other agencies were sucking wind this spring, Epsilon's second quarter was distinguished by 7% growth as marketers took big gulps of measurable, data-driven programs. But fame hasn't come with size, and self-promotion is one of the only things this rather confident group doesn't claim to have mastered.

"We're gradually changing that," said Bryan Kennedy, Epsilon president-CEO. "It doesn't bother us that we're not well-known. We're happy with where we are."

And where they are, according to one industry analyst, is sitting in leadership positions in some key areas, including database-management platforms and technology, e-mail, data, and loyalty programs.

"As a database company, I put them in the top three serving enterprise class customers," said Bruce Biegel, senior managing director at Winterberry Group, a management-consulting firm specializing in the advertising and marketing-services sector. "They have built an organization over the last six or seven years of considerable scale and made themselves a serious player in the database and digital side."

Prior to becoming part of Alliance Data Systems in 2004, Epsilon had four other owners, including American Express. After the ADS deal, Epsilon went on a shopping spree of sorts, snatching up some significant properties such as Bigfoot Interactive in 2005, DoubleClick's e-mail business in 2006 and Abacus, one of the largest providers of offline consumer data, in 2007. "From a competitive positioning, they are attractively positioned," Mr. Biegel said.

Mr. Kennedy said what distinguishes Epsilon from its competitors, which he identifies as everyone from Acxiom to Digitas to Rapp, is its quantitative, data-driven approach.

"We come at it from this almost math-oriented mindset," Mr. Kennedy said. "But we don't detract any value from what you might see in a very traditional agency setting, which would be the other side of the spectrum and more oriented around creative, the message and the brand. We debate internally on whether

## An Epsilon timeline

**1969:** Tom Jones and Hal Brierley found the agency, calling it Fraternal Systems. Its first client is Mr. Brierley's fraternity, Sigma Alpha Epsilon. At one point the shop repped 40 other fraternities, helping them convert their 3-by-5 information cards and Addressograph-plate alumni records to computer tape; communicate with alumni; and fundraise.

**1972:** The agency changes its name to Epsilon, which in higher set theory means "is a member of," as other groups such as PBS stations, symphonies, AARP and the Nature Conservancy came aboard as clients.

**1975:** Epsilon signs its first commercial client, United Red Carpet Club. It also signs the San Diego Zoo, with which it continues to work today.

**1982:** The agency creates Apple's first customer/mail-order database.

**1990:** Epsilon is purchased by American Express.

**1996:** AmEx sells the agency to three investors: Graylock, Bain ventures and Bob Mohr.

**2001:** Bob Mohr sells Epsilon to Relizon.

**2004:** Relizon sells the agency to Alliance Data Systems.

marketing is more of a science or an art. We believe it's both, and that's the perspective we bring."

In March of last year, the agency introduced Purple at Epsilon, its creative shop of 300 people. "We had significant creative capabilities that marketers were unaware of. That's why we launched it," said Steve Cone, the agency's CMO and one of its very first employees. Purple is run by David McRae, who said that along with creative services, the unit provides project, account and campaign management.

One of the main tools Epsilon uses for clients is Sonar. The idea behind it is to deliver the most meaningful content to consumers at very specific touch points. Through the tool the agency sets up rules and interaction scenarios, so instead of just pushing out marketing messages haphazardly, it waits for the specific interactions to occur between consumer and brand, and

when it does, the channel, which could be point of sale or online, immediately subscribes to the right message/offer and brings it forward to the consumer. Another tool is WebDirect, a web portal connected to data and creative that allows marketers to create and launch campaigns in 24 hours.

Epsilon has 2,200 employees spread across 22 offices worldwide, and its client list includes Pepsi, Hilton, AstraZeneca and Barnes & Noble, as well as some of the biggest global players in the consumer-package-goods, financial, tech and telecom verticals.

Mr. Kennedy said the agency pursues database marketing agency-of-record relationships but also does creative, digital, search marketing, banner, websites and branding. That expansion of services is evident in the evolution of some of its relationships.

Lawrence DiCapua, senior manager-CRM at Pepsi, said the relationship went from mass e-mail blasts to trying to break "this big chunk of people into segments." Epsilon works on all of Pepsi's carbonated and non-carbonated drinks.

"All of these brands have different identities, and they all have their own specific targeting criteria," Mr. DiCapua said. "Epsilon has tracked all the different behaviors of people interacting with several different e-mail programs and helped us map segmentation plans through behavioral targeting."

The agency is helping Pepsi figure out social media, an area Mr. DiCapua acknowledged he wanted nothing to do with at first, by including special offers inside e-mails consumers can share with friends on Facebook and MySpace. "We're in the middle of that test, and so far, so good," he said.

According to Adam Burke, former senior VP-customer loyalty for Hilton Hotels, the relationship between Hilton and Epsilon has become so close that one would be hard-pressed to tell who works for which side in a meeting. "The discussions tend to be very holistic, and you don't tend to see a clear delineation of who does what," Mr. Burke said. "That seamlessness is one of the biggest things I like about working with them." The agency manages Hilton's loyalty program, created the customer-service interface used at Hilton reservations and built the customer-segmentation framework it uses.

Hilton, like Epsilon's other top 100 clients, has been with the agency for more than nine years. "It's a great way to build a business, that long-term tenure vs. a flash in the pan that shows up for the next year or two with something that sounds exciting but just doesn't deliver," Epsilon's Mr. Kennedy said. "That's not what Epsilon's about."

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Reader comments from AdAge.com

■ "I had no idea Radio Shack was still around until I saw all these articles about their rebranding."

■ "Does the weight of the monkey on my back outweigh the burden of a runaway monkey in no one's control?"

VIEWPOINT

Edited by Ken Wheaton, kwheaton@adage.com

Do you have something to say?

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EDITORIAL

Why Microsoft-Yahoo deal could be good for Google

One of the biggest unknowns stalking the Yahoo-Microsoft deal: What will Google do? Microsoft effectively ended Google's attempt to do a Yahoo deal last fall. Should Google return the favor? In a word, no. Given the history, it will take some extreme discipline for the search giant to resist the urge to meddle with its Redmond rival. But it should resist, because Google needs this deal, almost as much as Microsoft and Yahoo do.

Why? Because for the first time, Google is finding itself in the regulatory crosshairs, and that doesn't feel good. Just ask Microsoft. Google's share of search queries in the U.S. is about 65%, but in Europe, it's much higher: close to 80% in Germany, the U.K and France, not to mention well over 90% in fast-growing markets such as India and Brazil. That looks a lot like market domination, even though Google argued in its bid to do a deal with Yahoo last summer that search isn't, in and of itself, a discrete market.

Every bit of Google's market share is deserved, but those gaudy percentages invite regulatory scrutiny which will only strengthen if Google goes nuclear in its bid to stop Microsoft and Yahoo. Already the FTC is investigating CEO Eric Schmidt's membership on Apple's

board, which he quit last week. And the last thing Google needs is increased scrutiny in its efforts to scan books and its stewardship of the reams of personal data reaped from web searches, e-mail text and ad targeting.

What's more, Google doesn't need to stop Microsoft and Yahoo to continue to win. Indeed, there's no proof that Bing—or anyone else—can dent Google's search share, especially if it stays focused on innovating. The bigger likelihood is that Bing consolidates the leftovers. Moreover, Google needs to listen to brand advertisers, who overwhelming want a stronger No. 2 player in search, and with good reason.

As we see it, Google has three options: fight the deal overtly; fight it quietly and hope to make sure it gets the full Department of Justice review; or just sit back and enjoy the fact that the feds are no longer focused on its own Yahoo or DoubleClick deal.

Unlike a few years ago, Google now has the savvy, the battle scars and hard-earned experience to know just how to make life tough for Microsoft, and it's studying the deal and its implications to come up with a strategy. This could be a huge opportunity for Google, if only it knows how to seize it.

READERS RESPOND

Debate rages over Lutz appointment

RE: "GM's Appointment of Lutz Shows No Respect for Marketing" (AdAge.com, July 27). Brilliant. Simply brilliant. Your points in regard to marketing at GM are spot-on (i.e., advertising is not broken, marketing is; no real story to tell; etc.), as are your comments (and Peter Drucker's) about the function of marketing in general.

To the latter, I just read a white paper by Heidrick & Struggles talking about the rise of the chief commercial officer position, and while I agree with some of the authors' comments, it still seems to come back to what you are saying: Companies don't need to invent a new chief officer position to get marketing done, what they need to do is grant the CMO the power and authority to do his/her job in the manner in which it needs to get done. By the same token, however, the CMO needs to be qualified and know what to do in the first place, as you point out in your article.

Not to pick on the automobile manufacturers, but I recently saw a Buick commercial in a movie theater waiting for the main feature to start, and it was 30 seconds of the most ridiculous advertising/branding I had ever

seen. I cannot imagine that anyone who would ever see that ad would say to themselves, "You know I think I'm going to buy a Buick tomorrow." Here's when the CMO is at fault: When they spend X millions of dollars on creative, and for what?

With so much written on the subject of marketing, I wonder why there is such resistance and/or misunderstanding to get it right. Will we ever know? Is it as simple as the right and left brains not being able to work in unison?

Roger Marquis  
New York

I agree with many of your points. However, with all the respect in the world, I must argue that your theory on positioning is today a rather antiquated and quaint concept at best. With R&D and technology moving at the speed of light, there is no one competitive advantage that can't be replicated and improved upon.

Sure, you can argue that once Volvo owns "safety" or BMW owns "driving" in consumers' minds, they have their position. But as is the case with Volvo and "safety," has owning the safety position in the market delivered a strong market share? Not really. Building a brand should be about communicating a specific voice around a set of guiding

principals, not a "position" that can easily be copied or, worse, become irrelevant to consumers over time.

John-Paul Aguirre  
New York

I think Al's off-base this time. GM's had decades of the "experts" running their advertising into the ground while they slept at the Peninsula in Chicago. GM should be so lucky as to have someone running their advertising that sleeps at the kind of hotel their consumers sleep at.

In fact, as a recent GM owner and regular GM renter, I think the marketing stories about GM are already there. The cars have become excellent. Unfortunately their advertising has remained meaningless fluff, emptied of the significant stories that would make a difference.

Mr. Lutz may be the perfect individual to bring those stories out of development so that they reach the world.

At least he knows where the good stories are hiding. With good fortune, he'll find an agency (and a rarely skilled advertising manager) that knows how to treat the stories (and the consumer) with the respect they deserve. That's the key to a GM comeback.

Doug Garnett  
Portland, Ore.

Isn't it experienced marketing executives who helped get GM in this mess in the first place?

Dave Craig  
Toronto.

I always wanted to be Bob Lutz. Now I feel sorry for the man. He is an amazing talent and icon of the industry, but in this case he has been set up as the fall guy. There is no way GM is going to come out of this alive or at least severely mutilated. The company picked him not because he is best qualified but because he is a great man—and no one will have enough guts to argue with him. It can continue to do what it does worst. Marketing. It is business as usual. A 77-year-old to lead you into new media and new marketing? I want my (bailout) money back.

Kelly Sallaway  
Scottsdale, Ariz.

Editor's note: Al Ries' old partner Jack Trout felt compelled to weigh in on the debate as well. Read his column at AdAge.com/columns.

CORRECTIONS

RE: "Home of Blue Light Special Far From Singing Blues" (AA, July 27). For the most recent quarter, Walmart posted same-store sales gains of 3.6%, not a same-store sales drop of 4%.

AdvertisingAge

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**THE BIG TENT**

■ Peter Madden offers marketers a funny taxonomy of Facebook users.  
**SMALL AGENCY DIARY**

## COLUMNS

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

# Help Remedies overhauls OTC, pushes for better health care

LAST YEAR'S Idea Conference offered a glimpse of a brighter future for U.S. business. Among the speakers were Rob Kalin of Etsy; Blake Mycoskie of Toms Shoes; Tom Szaky of Terra Cycle; and Eric Ryan of Method.

Listening to them (which you can do at [idea2009.com](http://idea2009.com)), it was almost possible to imagine a revival of entrepreneurialism based on profitable, sustainable companies built on big ideas, real customer needs and a socially responsible outlook.

I had the same thought at the PSFK Conference in New York, where Richard Fine spoke about his then fledgling business Help Remedies. Help could loosely be described as a marketer of over-the-counter drugs (and bandages). But it's also one of those potentially category-changing offerings that tries to solve a problem.

"We wanted to work in something where there were real problems," said Fine, when we talked. "In health care you tend to have two extremes, professional marketers pushing product in unfriendly ways, sometimes frightening people into doing things, even inventing ailments or issues to get you to buy their product. At the other end of the

scale you have homeopathy, which is much friendlier but is also full of quackery. It was an area where we thought a little simplicity and friendliness could go a long way."

So Fine and partner Nathan Frank created six products: Help I Have A Headache; Help I Have An Aching Body; Help I Have Allergies; Help I've Cut Myself; Help I Have A Blister; and Help I Can't Sleep. They are packaged in biodegradable molded paper pulp and a plastic made primarily of corn. The packages are white, embellished only with the does-what-it-says product name and a clear description of the contents, such as "16 acetaminophen caplets (500 mg each)."

Each package contains the maximum dosage allowed of the drug most likely to treat the problem, plus the minimum possible amount of fillings and coatings. So, for example, the sleep aid doesn't also contain a painkiller, and the ibuprofen in the aching-body pill isn't covered in red dye. "They're incredible drugs that have saved millions," said Fine. "But they're not celebrated for what they are. We've covered them up with bad branding and

confusing messages. If you think about pain relief, there's two drugs, ibuprofen and acetaminophen, but there are 8,000 SKUs [stock-keeping units] on the shelf."

The confusion can even create issues that concern the FDA, said Fine. "There's acetaminophen in cold remedies, the consumer doesn't know it's there, and they take the cold remedy plus some Tylenol, so they end up doubling up."

All the Help Remedies cost \$4, making the headache pills a little more expensive than others on the aisle, and the allergy medicines cheaper than most of their competitors. (Five percent of all profit is donated to getting health care for people without it.) Each Help product contains "enough to get you through," but not hundreds of pills. "Because the incremental cost of adding pills to a bottle is low, manufacturers throw in hundreds, but that can encourage people to treat them like candy."

The products just started retailing late last month through Ricky's, Food Emporium and Target Red Hot Shop. They're also at Drugstore.com, on Virgin America airplanes and Help's own site, [helpinedhelp.com](http://helpinedhelp.com).

JONAH BLOOM



## 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?

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SMALLAGENCY

## CLEVELAND: BE WARY OF BACK-MONKEYS

Small agencies are great places to work for people like me. I like to get my hands dirty. For example, this morning I got up early and came to work so I could draw some storyboard pencils for one of my art directors. It was therapeutic to just sketch away. But therein lies a potential problem. If I take on my employees' problems, they don't learn, grow, gain confidence or feel gratified.

AS SEEN ON  
ADAGE.COM/  
GOODWORKS

## PADGETT: CREATE YOUR OWN CLIENT

The economy was in trouble. Unfortunately, the ax man (our CFO) didn't read the marketing manuals that say, "In time of peril, increase marketing and fight for the business that is out there." Instead we heard, "Don't spend a dime that doesn't directly add sales to the bottom line for the fourth quarter." What to do? How could we keep our core staff occupied and energized? By making a new client where there wasn't one!

AS SEEN ON  
ADAGE.COM/BIGTENT

## IMADA: LEARN FROM VISITING TEACHERS

If agencies can offer great internship opportunities for students and grads, then it makes perfect sense that these same agencies can offer internships for college and university faculty. Professors have a great deal of influence over students (and their parents) as they navigate the endless number of potential career opportunities ahead of them. And since a number of colleges lack departments that focus exclusively on advertising, visiting faculty members often gain valuable information about the advertising industry that is passed on to students and parents.

# Looking for a real education? Try thinking outside the books

AS COLLEGE STUDENTS or recent grads in the fields of advertising, marketing and PR, we're charging out into the work force armed with an arsenal of acronyms: IMC, CPM, SEO, CTR, the Four Ps. I could go on, but I'll spare you. Our education has turned our brains into a mushy alphabet soup of marketing terminology.

It's unfortunate that we spent the formative years of our marketing careers staring at color-coded note cards through blood-shot eyes, attempting to memorize definitions—many of which we would never see or say again.

I'm a big believer that marketing can't be taught from a book. Marketing is an ongoing socioeconomic experiment, changing and evolving every day. If you're starting your fall semester with a textbook that was written in the

spring, it's already outdated.

I don't want to undermine the importance of learning the nuts and bolts of marketing. You absolutely have to know the basics to be able to communicate in the industry. But it's not hard to memorize the definitions. It took me, at most, a year to learn the terminology and core principles. The next three years should have been spent putting those concepts into action—creating and analyzing real integrated campaigns from start to finish, conducting research, studying the marketplace and experimenting with the most current tools. Thanks to a handful of good professors and an amazing internship program, I feel that I received a good education.

But it wasn't earned just by going to class.

If you're a college student in a school that has you regurgitating acronyms day in and day out, I would recommend taking control of your own education outside of the classroom. Here are a few ideas:

- **Try to find an internship that allows you to be hands-on and creative.** The big companies look pretty on your resume, but a small company will give you some real responsibility, and you might even (gasp!) get paid. You've got four years—why not do multiple internships?
- **Start a blog or a Ning network.** Create a marketing plan for it, brand it, promote it and then analyze your successes and failures. Not only will you be putting things you've learned in class into action, it will be awesome for your portfolio.
- **If you have a good advertising**

**or marketing club at your school, join it.** If not, how about starting one?

- **Volunteer to help with marketing or fundraising for a local charity or nonprofit organization.**
- **At the very least, stay up on industry news and make sure that you're testing the latest marketing tools.**

Learning takes place inside and outside of the classroom, and some of the most valuable experiences probably won't happen until you roll up your sleeves and get your hands dirty.

A graduate of the Fashion Institute of Technology, Adrienne Waldo is a social-media-marketing consultant for a wide range of lifestyle and interactive clients. She blogs at [AdAge.com/gennext](http://AdAge.com/gennext) and [askamillennial.blogspot.com](http://askamillennial.blogspot.com)

ADRIENNE WALDO





More stories online at **AdAge.com**

■ Judy Shapiro on why it's still a creative heart—and not technology—that drives brand.

■ Professor Ronald Stampfl on how Kohl's, Carl's Jr. and others are staying at the top of the sales game.

# CMO STRATEGY

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

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## THE CMO INTERVIEW

ZIPPO

MARK PAUP



# ZIPPO REIGNITES BRAND WITH SOCIAL MEDIA, NEW PRODUCTS

In an effort to reverse sales slump, VP Paup plumbs diverse markets

By **MICHAEL LEARMONTH**  
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PARAGON OF RUST BELT manufacturing and an icon since World War II, Zippo wears its American-ness on its sleeve. So does its VP-sales and marketing, Mark Paup, who has spent his entire 15-year career at Zippo and now leads all sales, marketing, design and product development for the Bradford, Pa.-based company. A smoker who rides a Soft Tail Nightrain Harley, you could say Mr. Paup, 44, fits the psychographic of the Zippo consumer.

Mr. Paup started out in the Zippo Manufacturing Co.'s licensing department, where he cut deals with the likes of Harley Davidson, Nascar and Jim Beam. He later spent time building Zippo's overseas business in Europe, where it is a luxury brand and appears on bags, jewelry, pens and apparel.

Now reporting directly to CEO Gregory Booth and overseeing the

closely held company's \$6 million to \$10 million marketing budget, he's charged with finding new markets for the brand while weaving it tightly into subcultures beyond smoking, such as music and motorsports.

Social media is the focal point of Mr. Paup's marketing strategy right now. Proof positive of Zippo's continued brand relevance is its ubiquitous iPhone app, created by Moderati, which has been downloaded 5 million times. Zippo is actively participating in social networks under the handle ZippoDude1932, and it has launched a Facebook page, which is getting an app with a Twitter feed created by Buffalo-based indie agency 15 Fingers. But by far the most popular Zippo-themed Facebook page has nothing to do with the company. (Memo to Facebook user "Zippo:" The guys in Bradford would like to speak to you.)

But the question remains as to whether Zippo can participate in the

conversation with its core audience of 18- to 34-year-old males and whether that will translate to a needed sales boost. It's weathered the anti-tobacco movement, airline regulations that for years after 9-11 kept lighters off planes and floods of knockoffs from China, but the 67-year-old company's U.S. sales are down 7% so far in 2009, after remaining flat in 2008. The company, which produces 10 to 12 million lighters a year, laid off 117 employees in the past year.

Still, Zippo expects to sell its 475 millionth lighter this year. It continues to diversify its offerings, broadening its base in the United States beyond its core of smokers with "multi-purpose" lighters sold in places like Bed Bath and Beyond. It even has a line of outdoor products planned, to be sold in outlets such as Dicks, REI and True Value.

In an interview with Ad Age, Mr. Paup discussed Zippo's new markets and how it's capitalizing on brand

Flame is our core competency, but we've already proven we can move into other flame-related products. Our biggest success has been with the female audience.

affinity on Facebook and Twitter.

### Zippo is synonymous with lighters; can the brand be something more?

Flame is our core competency, but we've already proven we can move into other flame-related products. Our biggest success has been with the female audience in accounts like Kohl's, Target, Yankee Candle and Bed Bath & Beyond. These would be establishments that would not be selling Zippo pocket lighters. We've done a lot of research that tells us we can extend into the outdoor market in various categories in flame, such as heat- and safety-related gear, barbecuing on the patio, and possibly grills.

### How do you increase lighter sales when smoking is in steady decline, or is that no longer the goal?

Lighter sales are what feed us every day. We know it is a declining market, but it is still a large market. Our objective is to continue to drive and increase our share in a declining market. If we can do that there is still a healthy, viable business for us.

### How is the effort to have 50% of your revenue come from non-smoking products by 2010 going?

We were sidetracked a bit. We're moving into camping; we bought Zippo Fashion Italia and W.R. Case & Sons Cutlery Factory. There was also a major development in our core lighter business, the Zippo Blue Butane Lighter. We wanted to make that in the United States, but it took us longer to develop than we anticipated. This is a much higher-end refillable butane product that appeals to a cigar smoker. But it wasn't a great time to introduce new products in the market. We could have gone to Asia and easily sourced this product, but we wanted to make sure we could stand by it with our lifetime guarantee and say it was made in the USA.

### Who is the Zippo buyer and how do you reach that person?

We call him "Sean," an 18- to 34-year-old high school grad with maybe some college. He loves music, doesn't go anywhere without his iPod. That is the universal lifestyle we look at and what ties it all together. It is a place in which we can stay relevant, engaged and in support of their lifestyle, and they will support our brand. [To cultivate that target,] we started several years ago with the concept for the Zippo Hot Tour. With it, we were supporting bands and they could upload music to our website and they could vote on it. We sponsored the rock stage for several years. This year we tied in with Live

Nation in 10 markets for 200 shows. ZippoEncore.com, a partnership with Rolling Stone and Shinedown, further ties Zippo to music. We're also giving away a Harley and the company is offering two exclusive Harley Davidson lighters on the site.

### Your iPhone app was released last September and has become one of the Apple Store's most popular. Does it have staying power?

We do see people continue to use it and recommend others to get it as well, which is encouraging. There is a novelty factor, and there may be a short period when they actually use it. We are looking to release an update before year-end with a concert mode, a left-handed version, and perhaps trying to monetize it—by upselling some designs that aren't available on the free version that we license with artists or brands or other properties.

### Your official Facebook page is dwarfed by one set up by Zippo fans. Have you tried to work with your fans on Facebook, and perhaps partnering with them, as Coca-Cola did earlier this year?

We are discussing that and contemplating that right now. We haven't been able to contact him, but we're checking with Facebook to see if we can reach out to that individual who started that. You want to be amicable with the person that started that page because they have an audience of 25,000 Zippo fans and could speak poorly of Zippo if you make the wrong step. However, Zippo is our brand and our trademark, and we want to be careful with how people use it.

### Zippo has a huge profile on YouTube. Have you thought about how it can leverage video on the web?

Some guy started zippotricks.com; we engaged with that person, who was from Norway, in 2003. He created a platform where you could upload and vote on videos. But in the end we became concerned that the age group was getting to the point where we didn't want to be promoting playing with fire. We backed off and turned it back over to him and it became lightertricks.com. We didn't want to put our thumbprint on it.

### Is there any evidence that your social-media presence has affected sales?

It is challenging to measure the return because in most cases we are selling through wholesalers and retailers and a lot of those retailers we don't know. It's hard to measure sales as a result of the coolness of the iPhone app. We do see some nice increases this year in our online sales, which are up more than 20%.



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## MEDIWORKS

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

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# Revealed: Twitter is a tambourine? Plus, how to save YouTube

Ad Age readers respond and give Media Guy ideas (involving Harry Potter, vampires and Paula Abdul)

IT'S BEEN A while since I've run a Media Guy R.A.W. (Reader Appreciation Week) column. The response I get—comments, e-mails and tweets, not to mention articles and blog posts by reporters, bloggers, etc., around the world—is hugely appreciated and often pretty overwhelming. So this week I've decided to share the wealth by highlighting a small handful of gratifying, entertaining responses to this column:

## TWITTER IS A TAMBOURINE

Commenting on one of my recent columns about Twitter, Dr. Michal Ann Strahilevitz, professor of marketing at Golden Gate University, had this to say about the supposed triumph of certain social media (such as Twitter, as used by Ashton Kutcher) over mainstream media (such as CNN, which Kutcher claimed to have vanquished, because he collected 1 million Twitter followers slightly faster than the cable news behemoth): "In the big scheme of things, this 'war' is not even really a major contest. We just have a new toy in the world of mass communications. Sort of like a tambourine. Cute, fun instrument, but by no means the end of the piano."

Yes, exactly! I love it! Twitter is a tambourine. Which makes Facebook, I dunno, an accordion? LinkedIn is, perhaps, is a sousaphone. And Google is one of those giant, gut-thumping drums that symphony orchestras use when they do John Williams programs. Oh, and YouTube is, of course, a keyboard ... played by a cat.

## HOW TO SAVE YOUTUBE

In May I wrote a column titled, "The Coming End of YouTube, Twitter and Facebook Socialism," about how, basically, a certain group of high-profile Web 2.0 companies obviously can't survive forever with their current strategies (of spending way more money than they take in). The column was inspired, in part, by a Silicon Alley Insider piece titled "YouTube is Doomed," by Fliqz CEO Benjamin Wayne, who riffed provocatively

on a spring Credit Suisse report that put YouTube's estimated 2009 losses at nearly half a billion dollars. Jeff Bach of Stoughton, Wis., offered this comment:

"It could be that I am missing something simple, or maybe I'm a true doofus hillbilly, but at the moment I cannot see why implementing an upload fee for UGC [user-generated content] ... is such [a] bad idea for YouTube.

"a. An upload fee would give immediate revenue.

"b. An upload fee would cut down on the frivolous uploaders of cat videos and so reduce bandwidth costs.

"c. An upload fee would decrease the amount of content against which no one advertises.

"So what if their usage drops off?! If I were YouTube, I would be happy to make some amount of money off a smaller user base rather than my current half-billion loss off a huge user base. The users that go elsewhere become someone else's zero-revenue problem."

Jeff, not only are you no doofus hillbilly, you're a reasonable, logical heartlander—from my home state of Wisconsin, no less—who's good at math, and I love you for it. By the way, it's worth pointing out to naysayers who question the efficacy of an upload fee: A certain company called eBay had no problem at all getting huge while imposing all manner of what are, basically, upload fees.

## HARDWARE BECOMES MEDIA

In June I published a column titled "How the \$0 Netbook Might Just Help Save the Media Industry," in which I noted that consumer-level computer hardware, thanks to the netbook phenomenon, was rapidly trending toward \$0. "If hardware becomes a virtually free commodity," I wrote, "hardware makers have to think and act like media companies—which we're seeing already with cellphone carriers—by bundling the hardware experience with a media experience."



**NETPAL:** Disneyfied netbook blends hardware with media experience.

Several readers have pointed out that since my column ran, Disney announced a partnership with netbook pioneer Asus to offer the Disney Netpal—available in "Princess Pink" or "Magic Blue." It's not cheap (\$349 at Toys 'R' Us, starting this week), but it probably doesn't need to be, given that Disney has always been good at extracting sizable sums from parental wallets. What's interesting about the Disney Netpal, though, is that it supplies a Disney-fied computing environment for kids on a grown-up netbook (i.e., it's not just a Disney-branded toy), complete with a Disney browser (tricked out with parental-control settings), a Radio Disney widget, etc. In other words, the hardware experience has been bundled with ... a media experience.

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## VAMPIRES ATTACK HARRY POTTER!

I've been heartened by the response to a new offshoot of this column called Dumenco's Trendrr Chart of the Week, in which I've partnered with Trendrr, a social-media trend-tracking service, to chart a set of pop-cultural/media trends each Friday. What's been particularly fun: watching readers use social media to get the word out about it. For instance, hundreds of readers have tweeted links, resulting in thousands of additional readers coming straight to the charts (and a No. 1 Most Read ranking at AdAge.com for the more recent chart).

OK, yeah, my cheeky headlines—like "If Harry Potter Got Swine Flu, Would Twitter Self-Destruct?" and "Vampires Attack Twitter! (Twitter Lives to Tell About It)"—are shameless linkbait. But I make no apologies—especially for my upcoming Trendrr Chart of the Week, titled, "Vampires Attack Harry Potter and Paula Abdul while Susan Boyle Covers Michael Jackson's 'Thriller.'" Stay tuned.

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## WATER COOLER

BY ANN MARIE KERWIN

## Never can say goodbye—why Paula isn't really gone

*Even though the pain and heartache seems to follow me wherever I go/Though I try and try to hide my feelings/They always seem to show/Then you try to say you're leaving me, and I always have to say no/Tell me why is it so ... that I ... Never can say goodbye...*

Until, that is, you don't get paid as much as Simon Cowell, or Ryan Seacrest, or even Randy Jackson. Then you can tweet about your heartbreak at leaving the top-rated show, all because they didn't treat you right. Paula Abdul, the third judge on Fox's "American Idol," wants some respect. Sure, she's had her loopy moments—she may have critiqued a song that wasn't actually sung once, and she may have given some interviews on early morning shows that were a bit incoherent. But she's also the only one to notice which contestant is "a beautiful, beautiful girl, who looks beautiful tonight," which is what you say after Randy tells them their performance was "a little pitchy." And she's the one who tells Simon to shut up, and smacks him when he needs it. And did she or did she not put on a brave face when producers ushered in a bona fide stalker? You think Kara DioGuardi's going to put up with that? She'll just throw on a bikini and show you who's a wannabe. Or Posh Spice? Sure, go ahead, see if Posh will put up with it. (*Every time I think I had enough, I start heading for the door./There's a very strange vibration, that pierces me right to the core./It says turn around you fool, you know you love her more and more/Tell me why ... is it so ... don't wanna let you go.*) So she will not be shimmying in her seat this season, or standing up for a contestant who just did a cover of, say, "Never Can Say Goodbye." But given the plethora of competition shows popping up like mushrooms looking for a smidgen of Idol's success, someone will want her. Already, Fox's other burgeoning hit, "So You Think You Can Dance?" has made noises about luring Paula. And hey, Idol's been known to recycle before, and, well, it's hard to say goodbye. (*I keep thinking that our problems soon are all gonna work out/But there's that same unhappy feeling, and there's that anguish, there's that doubt/It's that same old dizzy hang up. can't live with you or without/Tell me why ... is it so ... don't wanna let you go.*)



**GOODBYE GIRL:** Abdul won't be returning to "American Idol" this season.

## THE HEAT INDEX

Weekly rating (0-10) of sizzle and fizzle

10

**LEE AND LING** Most heartwarming pic? Current TV's Euna Lee greeting her 4-year-old daughter. Runner up? Laura Ling getting kissed by her mom.

8

**SAM SIFTON** Just became incredibly popular man to go have lunch with, as The New York Times culture editor steps into the new role of food critic.

6

**'WHO WANTS TO BE A MILLIONAIRE'** ABC plans on airing 11 nights this month of a Regis Philbin-hosted version of the show that once saved its ratings.

3

**TWITTER** First U.S. Marines, then the NFL and now ESPN have all cracked down on their rank and file's ability to update their followers 140 characters at a time.



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What marketers should know about the hot, hyperlocal mobile start-up Foursquare.

Bing is about to get bigger, thanks to its deal with Yahoo. So can its users find your brand on it?

## DIGITAL

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# Getting personal with mobile marketing can boost sales, loyalty

From potty training to changing tires, brands are moving away from coupons and toward CRM

By RITA CHANG  
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FOR SMALL CHILDREN, there are few life changes bigger than learning how to use the toilet. It's a time when both tots and their parents can be in need of a little positive reinforcement and a morale boost.

Kimberly-Clark's Huggies brand is trying to help, and engender loyalty at the same time, with an ambitious 3-week-old program that uses the mobile phone—and points to where mobile marketing may be headed.

The company rolled out the first part of the campaign with on-pack stickers instructing moms to text "potty" or "bigkid" to a shortcode to receive their potty-training kit. The message directs them to a website designed for their phone, with resources to help with the potty-training process. There, moms can sign up to receive a potty-training kit and get information on the second part of the campaign, which launches this week and involves arranging for Disney characters to call parents' phones at a designated time. When the call comes in, parents are asked to hand the phone to their child so that character can congratulate them on their potty training. The last phase of the program will allow moms to access more Disney voices and messages by entering a proof of purchase.

"What makes mobile work is the recognition that the consumer is in charge," said Bryon Morrison, presi-

dent of Omnicom's mobile agency, Ipsh, which handled the Huggies effort. "This program allows moms to engage with multiple mobile channels and online... and then builds the relationship by continuously optimizing the program and adding more value for each interaction."

Advertisers from Domino's Pizza to Victoria's Secret have begun building out mobile-marketing infrastructures that deliver value and convenience for customers in an effort to keep them engaged and loyal to the brand. And for categories such as diapers, where parents can end up spending a few thousand dollars over several years, such relationship building is especially key.

But driving loyalty is more about delivering value beyond price, and most mobile customer-relationship-management programs still focus too much on coupons and SMS alerts about new products. Done correctly, CRM programs spur purchases without compromising price points, and can often reinforce pricing, because the brand is selling benefits and personalization.

"Coupons are almost exactly the opposite of CRM—[coupons are] not used to drive repeat purchase over time, they're designed to spur trial among non-users and to promote usually new-product introductions based on price," said Eric Bader, managing partner of mobile-mar-

keting firm Brand in Hand, Procter & Gamble's mobile agency of record.

Mr. Bader said his agency's CRM billings have shot up this year from virtually zero last year, with one of its recent bookings a \$150,000 project with a major university that involves using mobile to manage the entire student life cycle, from recruitment to application, acceptance, enrollment and attendance. Meanwhile, Group M's mobile agency, Joule, has seen revenue double from a year ago for mobile-CRM initiatives, according to CEO Michael Collins.

One of the more proven mobile CRM initiatives is BMW's 2-year-old German program that lets customers purchase snow tires, which the government mandates. The carmaker sends customers in its database pictures of their car model, in the correct color, plus winter-tire recommendations and prices. Customers see

how the tires would appear on their car, and can set up an appointment with the dealer right from the message. In the two years BMW has run the program, about a third of the customers who receive the messages have bought winter tires through BMW, according to Marc Mielau, the carmaker's head of digital media.

Said Mr. Mielau, "CRM is really about engaging the customers and taking their data, their behavior and other learnings in order to design better products and services."



**MORRISON:** "What makes mobile work is the recognition that the consumer is in charge."



**BADER**

STEVE RUBEL

ON DIGITAL COMMUNICATIONS

## In a 'content snacking' age, will ads still be welcome?

Media consumption is changing. You don't need me to tell you that. But you may be unaware just how much it's shifting as we embrace "the stream."

What's the stream? It's a way of consuming content as a continuous feed of brief bits, singles, 10-minute videos, tweets and status updates. It reflects the societal shift from analog to digital. And it's a natural fit for the web, where attention spans are minuscule.

Streams are everywhere. The Facebook newsfeed and Twitter are two prime examples. However, streams aren't just on social networks. You can spot them on sites such as Muck Rack or Timeswire from The New York Times ([nytimes.com/timeswire/](http://nytimes.com/timeswire/)). They are places where, when the news is important, it finds you.

As it becomes the primary way we interact with content, streams threaten longer formats such as TV shows, articles, albums or books. Over time, we will find we're no longer a nation that eats media meals. Rather, we're all-day content snackers—which means we become more source-agnostic, too.

This dawned on me recently as I considered how my own habits have changed.

For years I would engage long-form content such as books or audio books in continuous blocks of time. I enjoyed each sitting like a fine meal. But that was back in the day when I would be disconnected for hours at a time—or the mobile experience was poor.

Nowadays, however, thanks to my iPhone, the web is always on. I find it all too tempting to dip into Facebook or FriendFeed for a quick fix of the stream. Yes, the net ate my books.

Now, granted, I am an "edge case"—an early adopter. Still, if you think about your own patterns, I believe you will agree that streams may be taking over. Sound scary? I can understand it might, and I promise a future column devoted to tips on "keeping up" and managing your stream (vs. your stream managing you).

But as marketers, the age of the stream will force us to get more creative about how we break through. It's unclear if ads will be welcome. If they are, they will need to be brief, useful and funny. Otherwise, they will just get in the way and be ignored.

### STEVE RUBEL ...

is a marketing strategist and blogger. He is senior VP-director of insights at Edelman Digital.



PHOTO BY JC BOURCART

## Media Morph: Best Buy's 3-D Ad



### WHAT IT WAS:

Everyone's heard the hype about augmented reality—a technology where a user holds a coded piece of paper up to a webcam to generate a 3-D image on a computer screen. It's cool, but the jury's still out on whether it's a fad or a real marketing opportunity. Last week BestBuy embedded an augmented-reality code

in its Sunday circular ad. When users held the front page of the circular up to their webcams, it triggered a 3-D image of a Toshiba notebook, which they could explore from various angles.

**THE NUMBERS:** The weekly insert was sent to BestBuy's normal circulation of 43 million, and, on Sunday, about

6,500 tried out the augmented reality bit—more than double the company's expectations. In fact, 78% of the people that actually went to the site wanting to see the image had a webcam. To be sure, that's not a huge number—and should temper the expectations of smaller marketers, with less distribution, who decide

to dabble in AR.

About 12% of those who tried out the AR ad ended up clicking through to other pages: the Twelpforce page, the Next Class computing page or the site for the Toshiba computer itself. In the future, said Spencer Knisely, director-brand identity, print and design at Best Buy, the retailer should be able

to find out who actually made a purchase after being spurred on by AR, using cookies.

Best Buy is also studying the "secondary bounce"—will it attract additional traffic throughout the week as people who tried it out forward it?

**THE FUTURE:** "We have the opportunity now, having proven

that it did work, to go to our manufacturer partners and asking if they have an interest in expanding the kind of messaging you can deliver," said Mr. Knisely. "Ultimately the front cover is a fixed amount of real estate. ... But if you get yourself to the cover, this can be a portal to lots of other messaging."

—ABBEY KLAASSEN



## More on AdAge.com

■ Pepsi's CMO of North American Beverages, Dave Burwick, has stepped down. He will be replaced by Jill Beraud.

■ Mike Segrue, global chief client officer at Kinetic Worldwide, is leaving the out-of-home communications agency.

## PEOPLE &amp; PLAYERS

Edited by Anna Baskin, [abaskin@adage.com](mailto:abaskin@adage.com)

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## NEW YORK: TIMES TALKS

The New York Times hosts "Food & Film: A Conversation With **Nora Ephron**, **Meryl Streep** and **Stanley Tucci**," in honor of their new movie "Julie and Julia." (From l.) **Alexis Buryk**, senior VP-advertising, The New York Times; Ms. Streep; **Denise Warren**, senior VP-chief advertising officer, the New York Times Media Group, and general manager, NYTimes.com; Ms. Ephron; and Mr. Tucci.



## SAN DIEGO: SAYING GOODBYE TO COMIC-CON

Syfy and Entertainment Weekly team up for a party to wrap up Comic-Con weekend. (From l.) **Blake Callaway**, VP-brand marketing, Syfy; "Ghost Whisperer" star **Jennifer Love Hewitt**; **Jess Cagle**, managing editor, Entertainment Weekly; and "Ghost Whisperer" star **Jamie Kennedy**.



## SANTA MONICA, CALIF.: SUUNTO WATCHES LAUNCH

Los Angeles magazine celebrates the launch of Suunto Watches' Elementum collection. (From l.) **Sari Tuschman**, editor in chief, Los Angeles; former NBA star **John Salley**; **Alison Miller**, publisher, Los Angeles; and **Nate Randle**, director-marketing, Suunto Watches.



## PASADENA, CALIF.: TELEVISION CRITICS ASSOCIATION

Comedienne **Mo'Nique** joins BET execs at the network's segment of the Television Critics Association press tour. (From l.) BET Networks Chairman-CEO **Debra Lee**; Mo'Nique; and BET President-Original Programming **Loretha Jones**.



## PASADENA, CALIF.: FORTUNE BRAINSTORM

Fortune magazine holds its annual Tech summit. (From l.) **Andy Serwer**, managing editor, Fortune; **Stephanie Mehta**, assistant managing editor, Fortune; **Randall Stephenson**, chairman, president and CEO, AT&T; and **Mark Ford**, president, Fortune.



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

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## PEOPLE ON THE MOVE



Gleason

**Sean Gleason**, who has been behind everything from the Pizza Hut logo to the "Nothing diet about it" Diet Dr Pepper campaign, has been named chief marketing officer of Dave & Buster's. Mr. Gleason most recently served as senior VP-marketing and communications for Dr Pepper Snapple Group. Before that he worked for Pizza Hut, holding positions including division marketing director and director of field marketing, ending his tenure as VP-marketing communications. Advertising Age named Mr. Gleason a 2008 Media Maven.



Grignon

**Perianne Grignon**, another 2008 Ad Age Media Maven, has joined the Online Publishers Association as senior VP-marketing. Previously, Ms. Grignon was VP-media strategy and digital innovation for Sears Holdings, where she developed a partnership with "ABC's Extreme Makeover: Home Edition." Other previous roles include director of media strategy at AT&T and exec VP-director of media and new technologies at Bates Worldwide.



Knight

Cash4Gold has selected former eBay and PepsiCo executive **David Knight** as its senior VP-international marketing and expansion. Mr. Knight recently helped Cash4Gold expand into the U.K. At eBay, Mr. Knight held the position of VP-international marketing and later became VP-internal communication. Before that he spent more than 19 years in various positions at PepsiCo, including VP-international marketing for Gatorade.



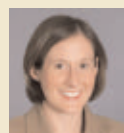
Balis

Martha Stewart Living Omnimedia hired **Janet Balis** as exec VP-media sales and marketing. Ms. Balis comes to MSLO from Digital Media Strategies, a company she founded in January 2008. Before that Ms. Balis spent eight years at Time Warner, serving most recently as senior VP-sales development for AOL Media Networks.



Jacobs

Mercury Media named **Barry Jacobs** VP of its Santa Monica, Calif., office. He will be responsible for growing the agency's short-form-direct-response-TV business on the West coast. A veteran of the direct-response industry, Mr. Jacobs led Initiative Media in the 1990s, leaving in 1999 to start his own agency, Camelot Media. He later partnered with E&M, a New York-based agency specializing in short-form direct-response advertising, before joining Mercury.



Panchula

Brand.net has tapped **Cindy Panchula** as VP-finance. Ms. Panchula joins Brand.net from Goldman Sachs, where she spent more than 10 years, most recently as VP-equity capital markets and technology, media and telecom investment banking. During her tenure there, she led initial public offerings for technology companies including Baidu, Shopping.com and DataDomain.



Helmig

**Maggie Helmig** was appointed senior VP-business development of InVentiv Selling Solutions. In her former post as president of Eden Communications, Ms. Helmig led business-development efforts in physician and patient education and consumer-marketing campaigns. Previously she was senior VP-business development for Harrison Wilson & Associates, a medical education and advertising agency, and before that was executive director of advertising at Ciba Pharmaceuticals.



Hersam

The Competitor Group named **Andrew Hersam** exec VP-media. Mr. Hersam most recently was exec VP-chief revenue officer of Westwood One. Before that he spent five years at Rodale, serving as VP-publishing director of Runner's World Media Group. He also spent six years as the New York advertising director of Sports Illustrated.

## More on AdAge.com

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# Pepsi

From Page 1

Weiner, VP-colas marketing; Jim McGinnis, VP-marketing, Tropicana; Todd Magazine, president-Gatorade; Jeff Urban, senior VP-sports marketing, Gatorade; Matt Knott, VP-marketing, Gatorade; Susan Wagner, VP-Pepsi-Cola North America; Meena Mansharamani, senior VP-innovation and insights, Pepsi-Cola North America; Chuck Maniscalco, CEO, Quaker, Tropicana and Gatorade.

One former executive described the past 18 months as a "blood bath." Voicemail at the company's Chicago office is outdated as quickly as it's updated.

In the meantime, in 2008, volume at Pepsi Beverages Americas was down 3%, while sales slid 1%. In the most recent quarter, volume fell 6% and sales were down 7%. At Coca-Cola, volume declined 1% and sales increase 6% for full-year 2008 at its North American beverage business. During the second quarter, Coke's volume slid 1% and sales 2%.

PepsiCo maintains that its initiatives are on track. And it says turnover in the marketing division is mirrored across the company in "all functional areas," ranging from supply-chain management to human resources. In October of last year, the company announced it would shed 3,300 jobs. The majority were lost from the North American beverage business, said Julie Hamp, senior VP-communications at PepsiCo. But the company counters that it has brought in new talent, such as Jill Beraud, who hails from Limited Brands; Sarah Robb O'Hagan, a Nike veteran; Tom Silk, who was a senior marketing director for the "Guitar Hero" franchise; and Jennifer Storms, former senior VP of Turner Sports Marketing and Programming. New executives have also been brought in from McKinsey & Co., DuPont and Dr Pepper Snapple Group.

"It's a period of change. A lot of people deal with change and go along with change better than others," Ms. Hamp said. "Through times like that you're going to have some talent refresh."

But several former executives, who would not want to be identified, said they left the company in part because Mr. d'Amore's tight control over the brands has led to a chasm between those who agree with his views and those who don't. For example, executives said Mr. d'Amore has had a firm hold on the Gatorade brand since his arrival, and the "G" rebranding effort was the fruit of his collaboration with TBWA/Chiat/Day, Los Angeles.

As a result of ensuing Wall Street scrutiny—in the first half, Gatorade volume dropped 18%, according to Beverage Digest—PepsiCo CEO Indra Nooyi is said to be involved day-to-day on the Gatorade business. By most accounts, this has led to further alienation of the brand's marketing middle management.

## What G isn't is a sales success

Gatorade maintains that "What is G?" is right on track, despite plummeting sales, consumer confusion and reports that creative is back on the drawing board.

PepsiCo restaged its iconic Gatorade brand earlier this year. According to Beverage Digest, Gatorade's volume plummeted 18% in the first half of 2009, when the effort, from TBWA/Chiat/Day, Los Angeles, asked and then answered "What is G?"

Executives say Gatorade is continuing to evolve, with changes being made to the brand's marketing, advertising and even product offerings.

During a call with investors last month, PepsiCo Chief Financial Officer Richard Goodman described Gatorade as an area where "we have work to do." But Gatorade Chief Marketing Officer Sarah Robb O'Hagan said the beverage's restaging is right on target.

"The transformation is a long journey we started in 2009," she said in an interview. "And really our focus this year was broadening our perspective on athleticism."

When asked if Gatorade would have cratered worse without the restaging, Ms. O'Hagan said, "None of us know." Sales, she said, "are just another dynamic in play." She added that Gatorade searches hit a five-year high in January, and the brand has generated three and a half times as much social-media interest as in 2008.

Two decades ago, Gatorade owned about 90% of the market, but its share slipped below 80% earlier this decade. In the past six months, however, Gatorade lost four full points and now claims only 75% of the market. Coca-Cola-owned rival Powerade, meanwhile, climbed to 24% market share by volume during the first half of this year after spending the past year at 22%.

Ms. O'Hagan declined to comment on the changes she said were coming to Gatorade's marketing by early 2010 but did say they will include a new slate of products, presumably geared at a variety of sports-related needs and usage occasions.

Executives close to the matter said Gatorade won't revert to previous creative, as Tropicana did earlier this year when its own rebranding was deemed a disaster.

—EMILY BRYSON YORK AND NATALIE ZMUDA

"Enough already," said a former executive. "Are you going to hold me accountable for the decisions? In which case, I should be empowered to make them."

PepsiCo declined to make Mr. d'Amore available for comment, but Ms. Hamp disputed the stories. "Massimo runs the organization as a team organization. People are fully empowered, and that's why they come work here," she said. "One person isn't going to make all the decisions around the brand."

That view is backed up by Robert Lewis, VP-worldwide packaging innovation and equipment development, who said he's been intimately involved in the changes made at the company as a part of Mr. d'Amore's team, which he says also includes executives from marketing and brand management. "Not only do I have the ability to speak out, it's expected that I speak out," he said. "We did go through a transition, in terms of people understanding what the change means in their lives, but we've turned a corner."

Still, others close to the company said Mr. d'Amore continues to shut out many of the executives who have spent years, sometimes decades, shepherding various PepsiCo brands. Indeed, the departure of Mr. Burwick, a Pepsi fixture and respected executive, was a particular blow for many inside and outside the company. (Mr. Burwick declined to comment for this story.) "They've lost a lot of institutional knowledge and a lot of deep bottler connections," said another former executive. "I'm talking to a lot of

headhunters, and they seem to indicate that they don't view Pepsi the same way that they used to."

Mr. d'Amore has managed to deflect criticism stemming from the Tropicana rebranding disaster and the lack of a turnaround at the Gatorade brand, the executives said. Tropicana packaging was redesigned earlier this year but was quickly pulled and changed back to the original orange-and-straw motif amid a consumer outcry.

Ms. Hamp defended the Tropicana rebranding, while acknowledging a "slight dip in sales." Sales plunged 20% at supermarkets, drug stores and mass merchants, excluding Walmart, between Jan. 1 and Feb. 22. But PepsiCo said sales fell only 14% including retailers Information Resources Inc. doesn't track.

Ms. Hamp said, "Massimo is definitely, at the end of the day, responsible for and accountable for the North American beverage business." She also said, "The people responsible for Tropicana are the ones driving the brand and helping Tropicana to reposition itself."

Given the sweeping changes made to Pepsi's stable of brands, there's a growing consensus that accountability rests at the top. For that reason, Ms. Nooyi is said to be taking a more hands-on approach to Pepsi's marketing. "Massimo couldn't do any of this without Indra's support," said one former executive. "People very much want [Ms. Nooyi] to succeed. But there's a lot of churn and a lot of upheaval, and at some point, when do the benefits of that come?"

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Leading indicators

**AD SPENDING:** The recession may be ending, but the media slump continues. Ad forecasters expect spending to fall in 2010, following drops in 2008 and 2009. That would mark the first time since the Depression that media spending has dropped for three straight years.

Guessing the future of marketing spending is tough given the fragility of the economy, decline of print media, proliferation of media and non-media options (Facebook, promotions), and predilection of marketers to hold off spending decisions as long as possible.

Forecasts are all over the board. Interpublic Group of Cos.' Magna is most pessimistic near-term, betting media companies' U.S. ad revenue will plunge 14.5% this year. WPP's Group M figures on a 4.3% drop in media spending this year—but, ominously, a bigger decline (6.5%) in 2010. Publicis Groupe's ZenithOptimedia foresees a 10.6% drop this year, a 2.7% decline in 2010 and then only a weak recovery—just 1.4% growth—in 2011.

**RECESSION:** The business-cycle contraction is in its 21st month, making this the longest recession since the Depression. Given positive signs on employment, gross domestic product and other indicators, there is an excellent chance the National Bureau of Economic Research, arbiter of recession dates, will determine that the recession ended sometime in the second half of 2009.

The bureau won't make such a decree until well after the fact, when it has data in hand; in July 2003, it ruled the previous recession had ended in November 2001.

**GDP:** The economy shrunk at an annual rate of 1% in the second quarter, better than expected—and a sharp turnaround from GDP's first-quarter plunge of 6.4%, the worst since 1982.

During this recession, the economy has contracted 3.9% from its peak (the second quarter of 2008) to the present. Forecaster IHS Global Insight said that makes this the most severe recession in the post-World War II period.

Economists expect GDP to turn positive this quarter; the consensus among economists surveyed by Bloomberg is 1% growth, rising to 2.2% by the second quarter of 2010. IHS Global Insight predicts GDP will top 3% by the end of 2010; that's in line with average GDP growth for the past 25 years (3.2%).

**EMPLOYMENT:** The unemployment rate eased to 9.4% in July from 9.5% in June, the first drop since April 2008. July's job losses (247,000) were

the lowest in nearly a year.

Still, job losses are expected to continue even as the economy begins to recover; it looks like another "jobless recovery," at least for a few quarters. Economists figure the unemployment rate will peak above 10% in early 2010. The nation already has lost 6.7 million jobs in this recession.

The ad industry—advertising, marketing services and media—has cut 163,400 jobs, or 10% of staff, during the downturn, according to Ad Age DataCenter's analysis (AdAge.com/adjobs). But media-job cuts in June were the lowest since last November, and ad-agency employment shows signs of stabilizing.

**CONSUMER SPENDING:** Real (after-inflation) consumer spending fell a worse-than-expected 1.2% in the second quarter. Meanwhile, revised government data show that 2008 consumer spending was weaker than previously reported.

Consumer spending accounted for 70.6% of GDP in the second quarter, consumers' highest share of GDP since before World War II. That high percentage is more a reflection of weakness elsewhere in the economy (for example, depressed business spending) than a sign of robust consumer activity.

Still, consumers are spending. Car sales have surged in recent weeks as consumers take advantage of the government's "Cash for Clunkers" incentives. There are signs of life in the housing market, too—and every house that gets sold means trips to Home Depot and the furniture store to turn a house into a home.

To be sure, the consumer economy is fragile, and spending growth is likely to remain weak as the economy digs out of recession.

**STOCK MARKET:** The stock market (Dow Jones Wilshire 5000) has soared 55% from March's bear-market low. The market is still 34% below its late 2007 all-time peak, but it's recovered a significant share of recession losses.

All sectors in the Ad Age/Bloomberg AdMarket 50 index (AdAge.com/admarket50) have rebounded. AdMarket media stocks have rocketed an average 160% since March (though the group is down 42% from late '07).

Agency stocks have jumped an average 51% since March. AdMarket marketer stocks surged an average 66% over that period.

Investors are betting on a solid recovery. But at this stage, Wall Street seems more optimistic than Main Street and Madison Avenue.

—BRADLEY JOHNSON

How this ad recession compares

Declines and recovery in ad spending and jobs for recent recessions

RECESSION	START OF AD-SPENDING DECLINE	START OF AD-SPENDING RECOVERY	START OF AD-JOBS' DECLINE	AD JOBS HIT BOTTOM	AD JOBS PASS PRE-RECESSION LEVEL
JULY '90 TO MARCH '91	Weakness apparent starting October '90; sharp decline begins January '91	January '92, 10 months after recession ended	November '90, four months after start of recession	February '92, 11 months after recession ended	November '94, 44 months after recession ended
MARCH '01 TO NOVEMBER '01	January '01, two months before start of recession	May '02, six months after recession ended	December '00, three months before start of recession	January '04, 26 months after recession ended	Industry has not returned to pre-recession bubble peak
DECEMBER '07 TO ...	March '08, three months after start of recession	NA	November '07, a month before start of recession	NA	NA

1. Advertising and related services. Source: Ad Age DataCenter analysis of data from Bureau of Labor Statistics, National Bureau of Economic Research and WPP's TNS Media Intelligence

THE GREAT RECESSION

Facts about the downturn that began in December 2007

**GDP**

Economy has shrunk 3.9% from its peak to current level, the most severe decline in the post-World War II period

**UNEMPLOYMENT RATE**

9.4% in July, vs. 9.5% in June, the first drop since April '08. Projected to peak in early 2010 above 10%, the highest since 1983

**JOB LOSSES**

Six of the 10 biggest monthly job losses since World War II have occurred in this recession. But July losses were the lowest since August '08

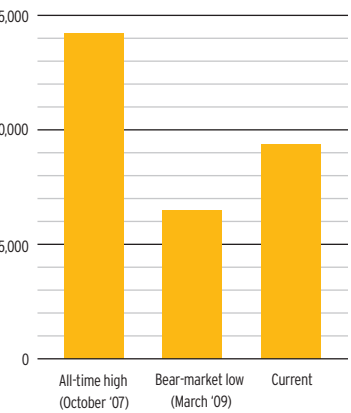
**DURATION**

Entering its 21st month, making it the longest recession since the Depression

Source: Bureau of Economic Analysis, Bureau of Labor Statistics, IHS Global Insight, National Bureau of Economic Research

BULLS AND BEARS

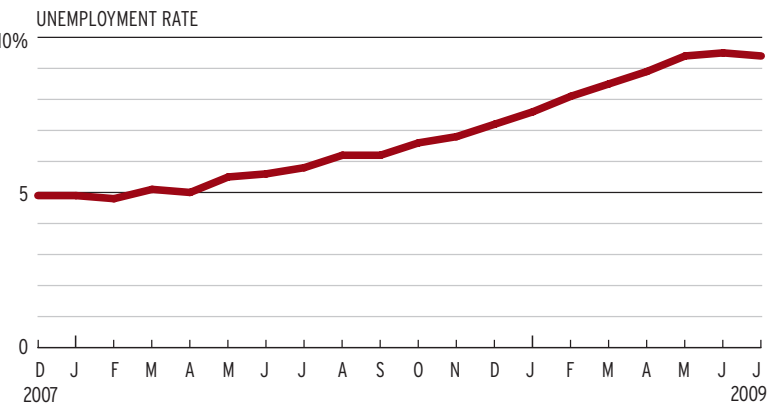
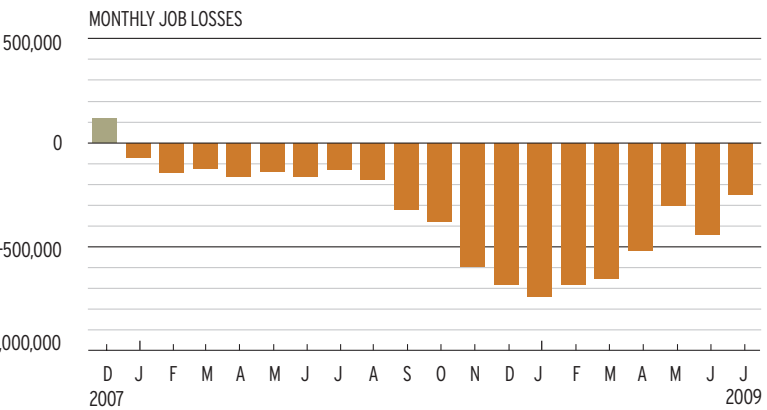
The Dow Jones Industrial Average has surged since March but remains far below its pre-recession peak



Source: Bloomberg

U.S. EMPLOYMENT

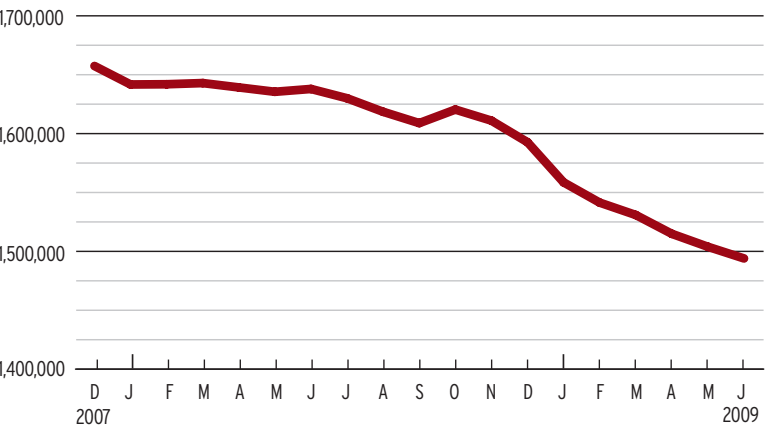
Another "jobless recovery"? The number of jobs lost each month is falling, but it will take time for millions of unemployed Americans to find work. The nation's unemployment rate likely will climb higher even as the economy begins to recover



Source: Bureau of Labor Statistics

AD-INDUSTRY JOBS

The U.S. ad industry—advertising, marketing services and media—has cut 163,400 jobs, or 10% of employees, since the start of the recession



Full data: AdAge.com/adjobs. Source: Ad Age DataCenter analysis of Bureau of Labor Statistics data



# Second half

From Page 3

said Christopher Vollmer, partner and leader of global media and entertainment at Booz & Co. "They also have more and more options—whether it's cable, digital or other below-the-line marketing services. This will not make it any easier for broadcast to get growth going."

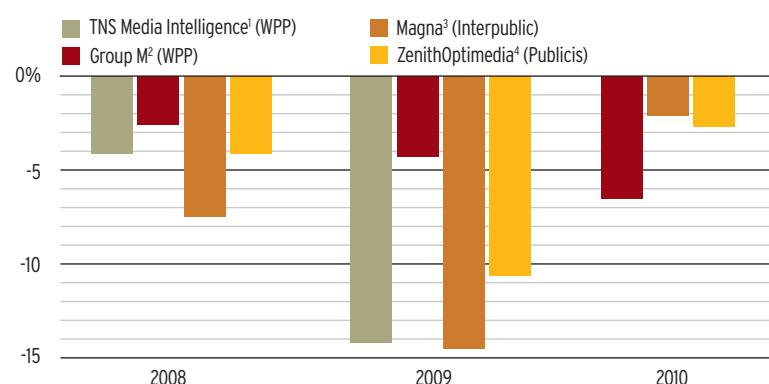
In fact, early reads on this year's broadcast upfront marketplace suggest that total dollars committed were off by as much as 15% or more, meaning that the five broadcast networks took in something akin to \$7.8 billion to \$8 billion for prime-time inventory, compared with the about \$9.23 billion they secured for their prime-time ad slots in 2008. While softer pricing played a role, part of the falloff is due to the fact that there was less volume, as networks held more inventory to sell in the scatter market. Cable volume could be off as much as 10% or more, media buyers said, meaning that total dollars committed to cable in the upfront would come in at about \$6.75 billion, compared with about \$7.5 billion last year.

"Media-spend trends can only go up and will be accelerated by the dramatic drop in pricing across all media," said Linda Sawyer, CEO of Deutsch. "TV and online will recover fastest, print the slowest, as their decline is less economic and rather a fundamental, long-term shift."

At least the second half won't be as brutal as the first, said Stephanie George, exec VP of Time Inc. and president of Time Inc. advertising sales and marketing. "In categories like auto, retail, pharmaceutical, finance and even some luxury, the second half is better than the first."

## U.S. AD SPENDING

Change vs. previous year. Forecasts vary, but the consensus is ad spending will fall for three consecutive years—2008, 2009, 2010—for the first time since the Depression.



1. TNS 2009 figure is first-quarter '09. Measured media spending; excludes paid search and broadband video. 2. Summer (June) 2009 forecast for media spending. Group M's growth rate for marketing services (direct mail, market research, sponsorship, PR), 2008-2010: +3.8%, -3.4%, -1.9%. 3. July 2009 forecast for media-company ad revenue. Includes yellow pages and direct mail. Excludes Olympics and political advertising; add those in, and figures would be -6.4%, -15.5% and -0.4%. 4. July 2009 forecast for media spending. ZenithOptimedia's growth rate for marketing services (direct mail, telemarketing, promotion, PR, events, 2008-2010): -0.5%, -5.9%, -1.7%. Source: companies.

Another potential bright spot is package goods, where several signs point to a spending rebound in the second half, thanks to a combination of lower commodity costs and relief from profit pressure on U.S.-based marketers from a stronger dollar.

Two marketers that already have seen pressure from commodity costs lift and face relatively little foreign-currency impact—Clorox Co. and Church & Dwight Co.—both hiked ad spending considerably last quarter and vowed to continue spending increases into the second half. Likewise, Colgate-Palmolive Co. plans to increase its marketing spending after three quarters of taking savings in media costs to the bottom line instead of increasing media weight.

Bigger fish, too, appear poised to ramp up spending. Irene Rosenfeld, chairman-CEO at Kraft Foods, said: "We delivered strong, broad-based results in the first half and raised our full-year outlook. What's more,

we're reinvesting a portion of that upside in incremental advertising and consumer spending to increase our share of voice. As a result, we expect 2009 [advertising and marketing] to increase as a percentage of net revenue, even though advertising rates have come down."

### DIGITAL-SHO OPTIMISM

P&G, which is projecting \$1 billion in lower commodity costs and relief from foreign-exchange pressure in the fiscal year that started July 1, expects to plow the savings in roughly equal parts into increased support for its core business, increased new product activity and price reductions to narrow gaps with competitors in categories such as laundry. "We're using foreign currency to help to bolster investment plans," Chief Financial Officer Jon Moeller said on an Aug. 5 conference call.

Digital agencies are pretty optimistic as they continue to steal share from their traditional-agency

counterparts. "AKQA and other digital agencies are better-positioned than traditional agencies to benefit in the second half of 2009 as marketers continue to shift spending to digital channels," said Tom Bedecarre, CEO of San Francisco-based AKQA.

In the first and second quarter, many marketers were unwilling to gamble on the next 30 days, let alone do any long-range planning. But that is shifting now that it's becoming clear that the freefall is over, and along with it some of the fear of the unknown. Bryan Wiener, CEO of independent digital agency 360i, said he's seen a shift among marketers in the past 30 days. "They are adjusting to the economy as the new normal and have come out from under their desks to figure out: 'How do we grow our business in this stagnant economy?'"

"As clients consider what will help them succeed in this business climate, it is clear that an area of keen interest for them—and growth for us—is digital and social media," said Ray Kotcher, senior partner and CEO of Omnicom Group's Ketchum. "Along with that, clients are more interested than ever in research and measurement, using these tools to help them assess, in real time, what is working and adjust plans accordingly."

There's that accountability issue again, which sometimes can be a euphemism for "squeeze" when it comes to agency fees. Jim Tsokanos, president, North America of Publicis Groupe's MS&L, said: "The biggest issues that are facing agencies still are budget cuts vs. lost accounts; clients still have a high expectation despite cutting budgets (more for less); buyer's market for new business. While there seems to be more action, the process and time

to close have been extended significantly. Also, budgets/rates are far less than they were a year ago."

In fact, particularly for agencies, there is a consensus that there's got to be a better way. "I feel we could be facing an inflection point in our industry," said Phil Cowdell, head of North America for WPP's Mindshare. "The often contradictory forces of procurement-driven cost reductions and the marketing departments' calls for more, smarter and better [approaches] will create an increasingly uncomfortable and potentially less effective operating zone for agencies. The only viable way forward is to shift from the procurement-oriented benchmarks of input measures such as CPMs [or cost per 1,000 viewers] to more output-oriented measures such as cost per hand-raiser and cost per lead. We need to move away from pure cost to a more-considered value equation."

"We are seeing a paradigm shift in our industry taking place as agencies grapple with how to deal with the new realities and manage costs to revenues. The industry is in for a fundamental, enduring reset over the next 10 years," said Jim Heekin, chairman-CEO, Grey Group. "Agencies are going to have to reshape themselves and focus on the services that have the most leverage with clients: superlative creative ideas, strategic planning, multichannel communications. I'm actually optimistic that new media such as social networks will give us great opportunities to help clients build brands across platforms and be valued and paid accordingly."

And if all else fails, there is plan B. "My contingency plan is to open a falafel stand," said David Sable, vice chairman-chief operating officer at WPP's Wunderman. "There's always a market for that."

## MARKETPLACE

TO ADVERTISE OR FOR MORE INFORMATION CONTACT: KATE MORTON AT 212-210-0475 OR KMORTON@ADAGE.COM

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# Upfront

**From Page 3**

Money from fast-food advertisers was relatively flat, the one bright spot in this year's haggling. Ad dollars from sellers of package goods and telecommunications services were flat to down. Meanwhile, pharmaceutical marketers held back somewhat, retailers seemed mixed (though some pushed to spend for the coming holiday season) and automotive and financial services spending was down significantly.

The combination of lower overall spending and the networks' decision to hold back a larger portion of ad inventory has resulted in an upfront marketplace that Advertising Age estimates ranges between \$7.8 billion and \$8.1 billion. Add to this the fact that most networks agreed to rollbacks in the price of reaching 1,000 viewers, or CPMs, in the 1% to 3% range, according to media buyers. NBC, owing to greater ratings shortfalls, has been offering CPM rollbacks in the negative mid-to-high-single-digit range, buyers said.

The numbers shouldn't be taken as gospel. Each year, various TV-industry sources quietly whisper upfront results to the media, also making certain to cast aspersions on the data coming from rival fonts of information. The numbers are inexact, and advertisers can cancel or reallocate a portion of the money they commit in the upfront quarter by quarter. Even so, the numbers are often read as a barometer of the relative health of broadcast TV, and even the economy as a whole.

This year, the final tally is tougher to divine. Few if any of the regular TV-industry sources would offer guidance. Based on interviews with media buyers, Wall Street analysts and other executives, Ad Age has attempted to take a rough stab at individual network performance.

Volume at News Corp.'s Fox could be down as much as 10% to 12%, which would put Fox's

## UPFRONT COMMITMENTS

How much did they get? Projected upfront dollar commitments for prime time by network.

	2009	2008	% DECREASE
CBS	\$2.13-2.25B	\$2.5B	10-15%
Fox	1.72-1.76B	1.95B	10-12%
ABC	2.13B	2.5B	15%
NBC	1.52-1.61 B	1.9B	15-20%
CW	308-337M	350 - 375M	10-12%
Totals	7.8-8.1B	9.2B	10-15%

Source: Ad Age estimates

upfront commitment total between \$1.72 billion and \$1.76 billion, compared with approximately \$1.95 billion in 2008. In a recent conference call, News Corp. CEO Rupert Murdoch declined to answer questions about overall performance but said Fox "would rather keep availability for scatter than to lower our rates."

CBS, meanwhile, should see total dollars committed fall 10% to 15% to between \$2.13 billion and \$2.25 billion; last year, the network secured approximately \$2.5 billion. Mr. Moonves said CBS expects to sell around 65% of its inventory in the upfront, compared with 75% to 80% last year.

### TOTALS DOWN

ABC, which has yet to indicate whether it is nearing completion in upfront negotiations, could see its upfront total down as much as 15%. If that's the case, ABC would have secured approximately \$2.13 billion in commitments, down from \$2.5 billion a year earlier. In a recent conference call, executives at Walt Disney said they were "comfortable" with ABC's upfront process and that they "anticipate selling less of our inventory in this year's upfront than in recent years."

It's possible to roughly estimate that NBC saw upfront commitments for its overall schedule decline between 15% and 20%, according to a person familiar with the situation. Using those figures as

a guide, commitments for the network's prime-time schedule could fall to between \$1.52 billion and \$1.61 billion, compared with approximately \$1.9 billion in last year's upfront. The company's decision to sell less prime-time inventory—about 10% less, according to the person familiar with the situation—would play a role in the lower volume. Last year, NBC sold about 80% of its inventory in the upfront.

Other factors related to the drop in volume would include the fact that NBC isn't broadcasting the Super Bowl this year; it's got a five-nights-a-week program featuring Jay Leno that is expected to bring in fewer ratings at 10 p.m. than scripted dramas once shown at that time; and it also has less traditional prime-time inventory to sell overall due to its coming Winter Olympics broadcasts.

At the CW, the broadcast network owned jointly by CBS Corp. and Time Warner, volume was down 10% to 12% from the approximately \$350 million to \$375 million it secured last year, according to a person familiar with the situation. This person said the network, known for its broadcasts of "Gossip Girl" and "America's Next Top Model," sold about 65% of its inventory, down from approximately 75% to 80% in last year's market. As such, the CW could have secured approximately \$308 million to \$337.5 million in commitments.

# Screen

From Page 3

director-ideas and innovations at Interpublic Group's Mullen, the agency that negotiated placement of the ads. Use of the crawls continues to be a "key" strategy, Mr. Moore said.

Likewise, ABC has discovered that a mix of content and advertising can drive recall as well as a viewer's purchase intent. When ABC's "Good Morning America" laced an ad into a graphic that contained national weather information—the ad ran in the middle of the screen, while weather info appeared along the borders—the results were hard to ignore. ABC found that aided recall of the advertiser was 24% higher when the ad was shown in the weather graphic vs. when it was shown in a traditional commercial break. Unaided recall was an average of 29% higher.

TV executives say they want to show appropriate care, even as they continue to test new ideas that will appeal to new viewer willingness to encounter ads mixed in with programs. "While I think viewers can handle a lot, that doesn't mean they necessarily want to," said Peter Seymour, executive VP-strategy and research for Disney Media Networks. Programmers will have to "find that balance," he added.

Already some programmers have tried things onscreen that have raised eyebrows. Last summer, TBS ran a promo for its "Bill Engvall Show" that had Mr. Engvall click a remote to stop the action of a show running over his head so attention had to be paid to his pitch. NBC took things a step further: The Peacock has run ads for movies such as "American Gangster" and "Evan Almighty"—produced by an NBC Universal sibling studio—during first-run episodes of "Heroes."

Key to the success of these gambits is whether or not the pro-

**"As long as people find them valuable, they'll tolerate them. And if they don't find the value, they'll reject them with technology. We'll figure out a way to block them like they have online."**

mos add any value to the viewing experience, said Amy Sheil, director of analytics and message planning at Crispin Porter & Bogusky. Sponsoring a graphic overlay of sports information during a baseball game could be a welcome method for an advertiser to get onscreen in a nontraditional way, she said. Indeed, TV executives say in-show promos could be more welcome during news and sports programming than during original scripted fare.

"As long as people find them valuable, they'll tolerate them," Ms. Sheil said. "And if they don't find the value, they'll reject them with technology. We'll figure out a way to block them like they have online with pop-up blockers."

Some networks have already demonstrated restraint. ESPN recently tested an online ad format known as a "full-screen transparency," in which a translucent ad was placed over video of a sports match. A viewer could still see the action but couldn't avoid the commercial message. In a recent presentation, Disney executives said they found that the "transparency format was particularly prone to risking adverse effects among viewers."

You'll no doubt see more over time. Crispin's Ms. Sheil said she expects a long period of testing. "A few will get it right and a lot will get it wrong."

# Paid media

From Page 1

ically offer readers cheap subscriptions and rely on advertisers for most of their profitable revenue, got about \$9.8 billion in circulation revenue last year, Veronis Suhler said. That figure will be \$9.7 billion in 2013. Meanwhile, subscribers spent about \$55 billion on basic pay TV last year, but will be paying \$72 billion by 2013. And video games and internet access will continue to grow as well.

But while it's clear that paid content's campaign will advance, it's also apparent it will not deliver spoils for everyone.

For one thing, Veronis Suhler considers every website that you call free—The New York Times, People.com or TMZ for example—to

be paid media. That's because Veronis Suhler looks at what people pay to access a particular medium, not where those dollars actually go. Web-access revenue may climb from \$17 billion last year to \$21 billion in 2013, as Veronis Suhler forecasts, but that money isn't reaching The Times, People or TMZ.

"In the cable TV model, the money you pay to Comcast trickles up to the content providers, so you are paying for your content as well as your access," said Chris Anderson, editor in chief of Wired and author of the new book "Free," an examination of modern pricing opportunities and threats. "In the internet model, you are not. It's closer to the telephone model: You pay for your line but not the information you receive over it."

So cable and the web are thriving because they offer specialized content for which people will pay—but in the case of the web, content providers still overwhelmingly depend on advertisers for revenue.

For another thing, Mr. Murdoch may be overstating his plans—or over-estimating the demand for some of his sites. News Corp. is going to have a hard time charging for, say, the New York Post's site, whose content competes with free offerings from Gawker, Gothamist, the New York Daily News and plenty of others.

Maybe Mr. Murdoch has a clever plan that gets around that. Until we see one, however, it looks like specialized professional content, like his Wall Street Journal model online, will remain the chief win-



SUHLER

ning front for paid content.

Taunton Press, for example, says it has more than 80,000 people paying for memberships on sites from Fine Cooking, Fine Homebuilding or Fine Woodworking.

The sites use a 'freemium' model: There's some free content, but you have to pay for access to, for example, intricate long-form video on specific projects, most magazine articles, or experts who will answer members' questions. "Anything that's not a commodity," said Jason Revzon, VP-interactive at Taunton Press. Prices vary, but people who aren't subscribing to the print edition of Fine Cooking, for example, pay \$29.95 for annual subscriptions to the site.

Specialized content that's disappearing under the old models, in particular, can find new individual buyers, said Tyler Brûlé, founder of global-news magazine Monocle.

Subscribers get 10 issues for a hefty \$75, or \$125 at today's exchange rate.

"Without us even having to articulate it on the page, people have said, 'I'm paying a premium for Monocle because news gathering in the old sense is an expensive business.'"

Again, this isn't necessarily a portrait of paid content taking over the world. Monocle says it has about 11,000 subscribers.

Media brands need to be subtle about paid content and its limits, as well as its opportunities, said Josh Macht, group publisher at the Harvard Business Review, which offers material outside its online pay wall and lots more behind it. "If we don't want to be only ad-supported and we really want to find our way to a paid model, I don't think the question is, 'Would you pay \$5 for this?' The question is, 'What do you need us for and what are we best at?'"



# Bud Light

From Page 1

speaking, has been on the Budweiser bottle for decades and often was raised during focus groups.

The push was a marked departure from the focus on sophomoric humor that drove Bud Light's sales since its 1982 launch, and it also marked a departure from decades of positive sales trends. According to Information Resources Inc., retail sales of Bud Light declined 3% in the first half, and the trend seems to be accelerating, as sales dropped 7% during the crucial July 4 holiday period.

"The execution just hasn't been great," said veteran beer-industry consultant Mike Mazzoni, a former A-B executive. "It's not impacting their target market."

And, in fact, a study by online research firm Zeta Interactive found it might be hurting it. Zeta's research indicates that since launching the campaign, Bud Light's total online chatter had both decreased and grown more negative. "It's starting to become detrimental to them," said Zeta CEO Al DiGuido.

A-B executives counter by saying their own research shows Bud Light dominates the total share of online chatter about light beers, and they say surveys of social media show drinkability seeping into conversations about beer.

Now, A-B is dialing down drinkability in coming spots and returning to its roots. "We're going back to that familiar Bud Light voice," said Mr. Peacock. "The work will reference drinkability, but it won't be as drinkability heavy."

Asked if, given the sales declines, he had any regrets about the campaign, Mr. Peacock said he did not, because now that the heavy-handed explaining of drinkability is out of the way, the brand can get back to

being funny again in the spots launching later this month.

To be sure, more than marketing is to blame for the iconic brand's predicament. The weak economy has caused many drinkers of so-called premium beers such as Bud Light to trade down to cheaper brews. Among its peer light beers, Bud Light's long-time archrival Miller Lite has seen even steeper volume declines while the best performing big brand of late, Coors Light, is still growing, but at a markedly slower rate. What's more, the impact of the economy has been particularly felt in convenience stores, which rely on lower-income drinkers than other channels and have traditionally been Bud Light's stronghold.

But most wholesalers and analysts say there's more than just the economy at work here. Bud Light, more than any other beer brand, was built by image advertising from agency of record DDB, Chicago, that kept the brand in step with pop culture. Now, like the Gap or any other mainstream brand sold on image, it is stumbling a bit as it pitches to the children of its original loyalists.

The brand's total shipments last year were flat for the second time in four years, a trend that prompted A-B to get a bit more serious with its drinkability approach. The other reason a new platform was essential, Mr. Peacock said, was that many of the brand's 21- to 27-year-old target drinkers grew up watching their parents drink Bud Light, and generation gaps have historically posed a problem for big brands. Schlitz, Pabst, Miller High Life and Budweiser are all examples of huge brands that never recovered from spirals resulting, in part, from being rejected by younger drinkers. And none of those brands leaned on image advertising to the same extent of Bud Light.

"We've seen that in this industry again and again," said Mr. Peacock. "We felt like we had to

capture [younger drinkers] with that product attribute."

Early returns, however, haven't been good. Sales are down, and the brand has gone about four months without fresh creative, one of the longest stretches in its history, in part because DDB has had a difficult time getting work through the exhaustive, metric-heavy pre testing demanded by A-B's new cost-conscious parent company, Anheuser-Busch InBev. The process, derided by two executives familiar with it as a restrictive, "color-by-numbers" approach to creative, has been one factor in the new-work drought, Mr. Peacock acknowledged. But he also said the marketer wanted to "give a little room" to a summer promotion involving a branded party-cruise sweepstakes, and also to offshoot Bud Light Lime, which has had summer ads in heavy rotation.

The ads will also be aired in slightly different venues, with more investment in prime-time, cable and late-night programming, partially at the expense of the sports programming that dominates A-B's media budget. A-B spent \$234 million in measured media for Bud Light last year, according to TNS Media Intelligence.

Despite the TV-heavy buy, however, Mr. Peacock acknowledged that, ultimately, the way to break through with a new generation of Bud Light drinkers in the way that "Wassup?" once did probably doesn't involve a TV.

"What drives pop culture doesn't necessarily emanate from television anymore, it comes from digital," he said, raising the case of "Britain's Got Talent" star Susan Boyle, who rode online viral videos to international stardom this year, and also "Swear Jar" and "Dude," two cases where A-B got traction online with repurposed television content. "That's something we're trying to leverage and trying to understand more."



## GARFIELD'S ADREVIEW

BY BOB GARFIELD

### Famous Footwear makes a misstep in trying to go glam

Yikes. What do you get when you combine a banal and utterly generic media campaign that says absolutely nothing about you brand with a social-media element destined to generate no interest within ... whadyacallit ... society?

You get the Famous Footwear campaign from Campbell-Mithun, Minneapolis, an effort with a germ of an idea, very strong production values and seemingly no understanding of why it is empty—and doomed—in both the traditional realm and the digital one.

The germ of the idea is this: What if they could take the stupid brand name of the discount-shoe chain that isn't Payless and somehow give it at least a hint of cachet—a tall order for a chain called Famous Footwear. Yeah, the "famous" refers to the famous-name brands sold therein, but it still comes off as one of those silly attempts to glamorize the, ahem, pedestrian.

Like the sandwich place in Ardmore, Pa., called Lunchmeat Villa. Or the beauty salon in Fort Lee, N.J.: Hair and Nail Expo. Or Vancouver, B.C.'s Salmon Village. Or any Carpet Palace anywhere. Or, for that matter, the product our own late father manufactured: Aristocrat paper plates. (We swear to God.)

So why not try to make the "famous" in Famous Footwear famous? That's the concept behind the "Make Today Famous" campaign. In old media and new, it contemplates ways to make every day a *truly special one*. Oops. Excuse us for a moment ...

There. We feel better now. Once you let go and puke it out, it's such a relief.

Anyway, the agency employed director Peggy Sirota to shoot various lovely montages of pretend normal-people *carpe*-ing their *diems*. There's a fashion model playfully jumping into a swimming pool fully clothed, there's two fashion models having a frisky feather-pillow fight, there's three fashion models in formal wear dancing on a dinner table, there's a lyrical, blonde fashion model playing guitar and twirling on the street, and a there's a glamorous momma fashion model dressed for the clubs bathing her (but probably someone else's) little boy.

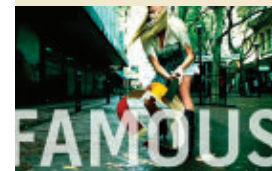
Very uplifting. Only two problems: 1) The examples have nothing whatsoever to do with "famous" according to any definition of the word. 2) The montage could just as easily be for JCPenney, Tampax or Abilify, the anti-psychotic drug for those whose anti-depressants simply aren't doing the job.

That's the gist of the old-media campaign. Online, Famous Footwear asks us to consider ways in which we might make a given day "famous." They prime the pump with a montage of people offering suggestions like "by running in my first marathon," "I wanna be a ninja," "I would get my laundry done," "I'd grow five inches," "I'd do a tap dance for you" and so on. Perhaps you notice what all of these flights of fancy have in common:

They have nothing to do with fame.

This may explain why after three weeks of soliciting video uploads, Famous Footwear's site was overflowing on Friday with exactly three (3) ... that is, before the videos vanished from the site altogether. It was, they say, a temporary technical glitch, but no big deal either way. Without the videos handy, we'll all still get through the day famously.

#### REVIEW: FAMOUS FOOTWEAR



**AGENCY:**  
Campbell-Mithun  
**LOCATION:**  
Minneapolis

# Clunkers

From Page 3

also said very few of the vehicles traded in under the program were primary household vehicles.

The program was extended last week when the Senate okayed backing it with \$2 billion in additional funding.

According to the latest data available from the government on Aug. 5, nearly half the new vehicles sold under the program were from Detroit's Big Three, which tallied a combined share of 45%.

Depending on who was counting, four of the top 10 models were Detroit metal: Ford Focus (No. 2); Ford Escape (No. 7); Dodge Caliber (No. 8) and Chevrolet Cobalt (No. 10). The Toyota Corolla was tops, with the brand's Prius hybrid in fourth and Camry in fifth.

But according to research by auto site Edmunds.com last week, the Ford Escape SUV was the best-selling model and two pick-ups were in the Top 10: GM's Chevy Silverado and

Ford's F-150. The discrepancy arrived because Uncle Sam considers each of the six versions of the SUV (as well as different versions of the trucks) to be a separate model, while Edmunds tallied all Escape model sales. By Edmunds' count, eight of the top 10 spots were held by U.S. vehicles—four for Ford, two each for GM and Chrysler.

"Ford has gotten an enormous boost out of this program," said Mr. Spinella, who said positive word-of-mouth was cited as the No. 1 reason, at 21%, why consumers bought a Ford. (WPP Group's Team Detroit, Dearborn, Mich., handles.)

But Mr. Spinella said the real winner is Hyundai Motor America, which jumped the gun by advertising in early July that it was offering the tax credits ahead of the government's July 24 start date. "That is just smart marketing," Mr. Spinella said. (Innocean Worldwide Americas, Irvine, Calif., handles Hyundai.)

Not everyone believes those who have bought vehicles under Cash for Clunkers would have done

so without the campaign. Axiom's Tim Longnecker, VP of the auto and tech practice at the online-marketing-services firm, said he doesn't think the program has encroached on sales from later in the year, because the traded-in models were 10 years or older, representing a different kind of buyer than the type that comes into the market every three to five years.

And automakers still have a huge opportunity to aggressively market by e-mail, mobile or U.S. mail to consumers who expressed interest in the program but did not participate.

Clearly the maximum government credit of \$4,500 attracted buyers, said Edmunds.com, which reported that the industry's average incentive in June was \$2,869 per vehicle and \$2,706 in July.

Mr. Longnecker said he doesn't suggest that every carmaker now offer incentives of \$4,500 per vehicle. "The automakers have to try to figure out how to continue to create some level of bounce in the market."

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WORK OF THE WEEK

Edited by Teresa Iezzi, [tiezzi@creativity-online.com](mailto:tiezzi@creativity-online.com)

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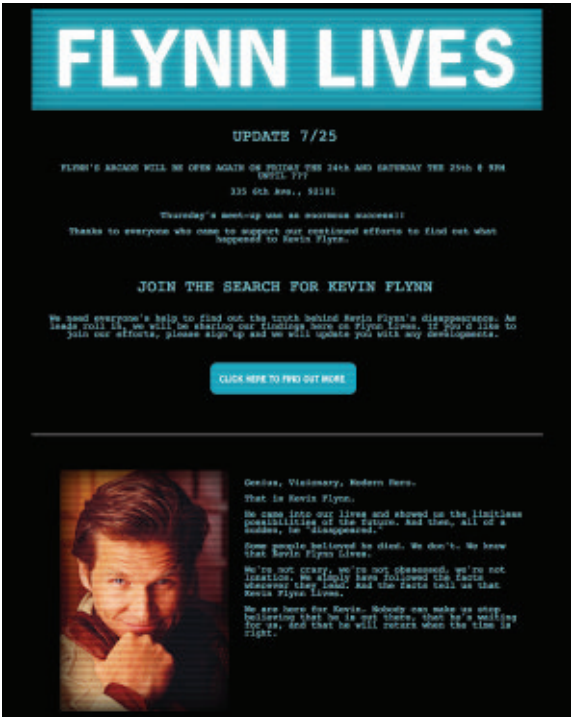
CREATIVITY TOP FIVE

On this week's episode of Creativity's Top Five, Mother, London, recruits illustrator Robert McGinnis—he of classic James Bond poster fame—to lend his sultry 60s style to Stella Artois; artist Jimena Oddi and director Jorge Jaramillo create visuals as frenetic and eclectic as the N.A.S.A. track it showcases; Grolsch challenges your sobriety with a mobile app; 42 Entertainment executes another ARG success at Comic-Con, this time for the “Tron: Legacy” film; and Best Buy brings its customer service to the Twitterverse.

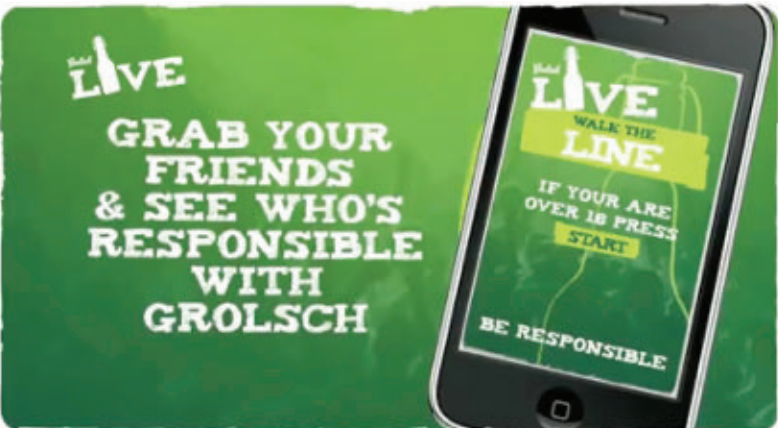
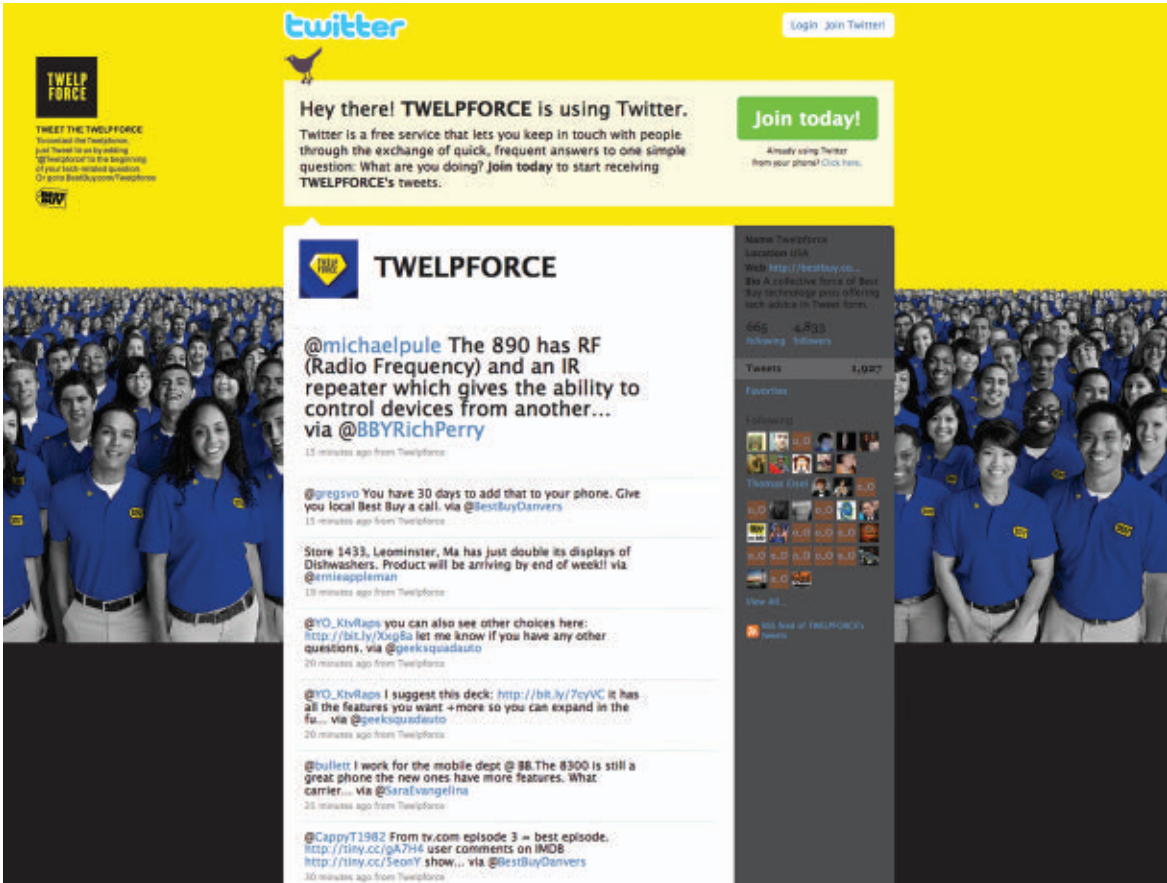


STELLA ARTOIS  
'4% PIANO'  
MOTHER, LONDON  
Illustrator: Robert McGinnis

TRON  
'FLYNN LIVES ARG'  
42 ENTERTAINMENT



BEST BUY 'TWELPFORCE'



GROLSCH  
'WALK THE LINE APP'  
MARVELLOUS



N.A.S.A. 'WHACHADOIN?'  
SQUEAK E. CLEAN PRODUCTIONS  
Artist/designer: Jimena Oddi. Director: Jorge Jaramillo. Director of photography: Santiago Melazzini. Producer: Susan Applegate. Producer: Tito Melega.



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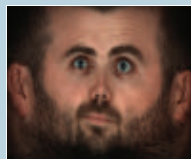
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