

Marketing atl btl

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Neither VI 2 Group nor Winterer Group (nor any of their officers, employees, representatives or controlling persons) make any representation as to the accuracy or completeness of this report or any of its contents, nor shall any of the foregoing have any liability resulting from the use of the Information contained herein or otherwise supplied. Executive Summary " All the successful models we grew up with don't work. It used to be brands had all the power, and then they got sidelined by promotions. . Now it's become a consumer republic again.

The consumer is boss - there's no more mass market - and is driving the flow of information. " Kevin Roberts, CEO, Chitchats & Chitchats Worldwide " I believe today's marketing model is broken. We're applying antiquated thinking and work systems to a new world of possibilities. " Jim Steel, COM, Procter & Gamble In a market rapidly adapting to changes in technology, available information and eighteen consumer demand, the words of Roberts and Steel ring true: traditional, brand-oriented advertising is no longer the primary driver of customer behavior.

Whether it's reflected in dwindling print newspaper circulation or the stagnant market for network television commercials, significant evidence suggests focus on reaching a broad population with emotionally-oriented appeals, to a "below-line" approach that stresses targeted, customer-centric communications, measurable results and concrete return-on-investment. We believe that the metaphorical "line" separating marketing philosophies (often dotted, but never precisely defined) is reflected in three key qualities that separate today's emerging promotional methods from the top-down advertising monologue of the past.

Acting in concert, they embody the universal elements of successful below-the-line marketing efforts:

- ; Perception - The extent to which a consumer feels that he or she is engaged as an active participant in a marketing dialogue, rather than a target of an aggressive direct sales or branding effort
- ; Interaction - The extent to which consumers are empowered to respond to marketing communications via preferred channels that are both convenient and accessible
- ; Insurability - The extent to which a marketer can track the results of an individual initiative, determine commensurate return-on-investment and adjust future campaigns to provide for an enhanced chance of success

Above-the-Line Media... Are tailored to reach a mass audience
Below-the-Line Media... Are targeted to individual consumers, based on their expressed needs and preferences
Issue a "call-to-action," inspiring specific customer
Establish brand identity or reinforce emotional activity or tailored messages about concepts surrounding a product or brand
a product or brand
May or may not drive customer response

These yearly and quarterly [interactive] ad spending gains point to a sea essential element of daily life for more and more individuals. " David Hellmann, Senior Analyst, marketer, September 2005 The statistics are stark: spending on interactive marketing is growing at a pace not seen since the " bubble" days of 1999. According to marketer, spending on online advertisements - a unique medium that offers reach and brand exposure along with the one-to-one benefits of BTL marketing - will reach \$12. 9 billion in 2005, representing an increase of more than 34 percent from 2004 spending. By 2009, annual online expenditures should hit \$22. 3 billion, reflecting an average annual growth of nearly 21 percent since 2002.

But the " sea change" to which Hellmann alludes isn't limited to the interactive sphere. Gains are being realized among virtually all media that provide the BTL advantages of perception, interaction and insurability. Whether in direct mail (projected growth 7. 5 percent in 2005, according to the Winterer Group), promotions (3. 7 percent, according to PROMO Magazine) or e-mail marketing (31 percent, according to Superstructures), recent spending and marketer commentary indicate a real and growing preference for tactics based on established data and quantifiable results. The world's largest marketing service providers, likewise, are adapting to the business imperative of one-to-one communications.

Many local advertisers now concentrate on the use of pre-printed inserts, highly targeted mail advertising programs and increased spending for online marketing efforts that are more orientations than persuasive in nature. " Robert Cone, SSP/Director of Forecasting, Universal McCann, June 2005 While

spending on virtually all marketing media is expected to grow over the next few years, the budgetary bottom line, not surprisingly, mirrors these channel-specific shifts. With the exception of 2004, which featured both a Summer Olympics and a U. S. Presidential election - two events which uniquely fit the mass-communications 7 model of TTL marketing - spending growth on above-the-line efforts is expected to fall or remain stagnant for each year within the 2003-2007 timeshare.

During that pan, spending on all above-the-line advertising media is expected to grow by an average of 5. 5 percent per year. Below-the-line spending, by contrast, should grow by approximately 7. 8 percent annually. Consider those numbers, and the sea change looks like a truly oceanic movement of marketing emphasis. Trends Impacting TTL and BTL Marketing Budgets Expenditure estimates say a lot about where sophisticated marketers are focusing their efforts, but they don't address the more fundamental question of why. Why, after so many years of success with above-the-line methods, are marketers finally relationships? And why do customers appear so willing to accept this new communications philosophy?

The following seven trends explore the factors, both external and internal, that are contributing to this emerging marketing emphasis. (I. E. " one-size-fits-all") marketing messages. In 1990, ethnic minorities in the United States commanded \$647. 4 billion in annual consumer spending, or about 15. 6 percent of total expenditures. By 2001, that proportion had shot up to nearly 19 percent - some \$1. 3 trillion, according to American Multinational Marketing. Clearly, the influence of multicultural Americans, with their widely

disparate preferences, customs and even languages, is growing along with their representation in the general population. Today, approximately 25 percent of the U. S. Population is of African, Asian or Hispanic descent.

But by and large, above-the-line marketing messages are still crafted for consumption by the larger population - ignoring the cultural sensibilities of many and threatening to reawaken the kind of cross-cultural snafus now amortized in business legend. Included in this infamous group are the ill-fated Latin American launch of Coverlet's Nova brand (" no VA" means " doesn't gain Spanish) as well as the ambiguous wording of the " Got Milk? Campaign in Mexico (which caused some to interpret the message as " Are you lactating? "). Escalating life expectancy and the coming-of-age of the Baby Boom generation are heightening the impact of older Americans, as well. Just like multicultural consumers, this unique sub-population will require targeted, relevant marketing communications in the years ahead. 8 Growing consumer sophistication heightens the demand for channel-agnostic communications.

Advances in marketing and communications haven't just served to benefit marketers - consumers, too, have learned to exploit technology, information and available media channels for their benefit. Among other capabilities, the sophisticated modern consumer is adept at: ; Using the Internet to compare product prices ; Screening out unwanted outbound telemarketing calls (or telemarketing calls altogether - through participation on the National Do-Not-Call list) ; Skipping past television commercials - the lifeblood of above-the-line marketing - with Tivoli and other digital video recording technologies ;

Bypassing traditional print advertisements through online newspaper subscriptions and opt-in " headlines" e- mails that provide a selected snapshot of relevant news with only a fraction of the advertising interference.

Collectively, these practices speak to the active participation of consumers in the marketing process, a phenomenon made possible by the same innovations that many marketers expected would cement their authority in systematically lives. They demand marketing responses that are concise, relevant multiple channels (say, researching available products online and then completing the purchase in-store) are exposed to a consistent fundamental buying experience. Widespread marketing " clutter" diminishes the impact of commercial messages that onto address specific and individually relevant consumer needs. Rapid advances in the quality of available marketing media have had at least one deleterious effect: a saturated media consumption landscape, plus a resultant consumer backlash against advertising messages that are perceived as intrusive or otherwise irrelevant.