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Reaching the connected consumer

Best practices in advertising effectiveness

How leading consumer companies are rethinking their advertising dollars

June 2012

“The 30-second spot just doesn’t cut it anymore. To really connect with consumers, you have to change.”

Gary Fayard, Executive Vice President and CFO, The Coca-Cola Company, February 22, 2012, Consumer Analyst Group of New York Conference

It's a brave new world for global advertisers

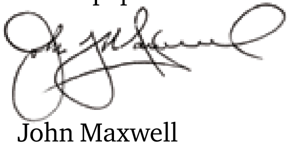
Since the financial crisis and its recessionary aftermath, companies have gradually been transforming many of their business processes—including finance, IT, and supply chain—but marketing has tended to be viewed as a sacred cow. Standardized media planning processes and roles are frequently absent from the marketing organization in global companies and their supporting agencies. But creative disruption has arrived.

The media landscape is undergoing a sea change. Customers have become digital consumers, social media has emerged as both an advertising platform and a customer feedback loop, advertising spending is slowing but inexorably shifting from traditional to online channels, and media expenditures are gradually migrating from developed to developing countries.

This last point will be the most important one for big, global consumer packaged goods companies. Ad spending, long-term, follows the consumer purchasing power. Looking forward 15 or 20 years, instead of one billion people on the planet possessing the income to pursue all the accoutrements of a better life, three or four billion people will have such aspirations. India, China, Brazil; these countries are undergoing the type of economic transformation that South Korea, Japan, and the nations of Europe experienced after World War II—but they are blazing through the stages much faster and on a much greater scale, largely because technology is driving the free flow of information and ideas.

As companies enter these markets to communicate their brand stories, the art will not only be in the telling, it will also be in the efficient use of advertising dollars across these far-flung markets. This paper just begins to scratch the surface of how consumer goods–focused companies can start to alter their advertising strategies to meet the challenges of a world filled with technologically savvy, emerging market consumers.

One might understandably wonder why PwC is publishing a paper about consumer companies and their advertising campaigns. Our firm has an excellent international team of professionals who have been helping consumer goods companies better manage their global media spending and track advertising budget ROI. In fact, each year PwC publishes our iconic *Global Entertainment and Media Outlook*. While we don't produce Super Bowl ads for our clients, we have, through our experience working with some of the world's top consumer-oriented companies, developed nine best practices in advertising effectiveness that we share in this paper. Thanks for reading, and we hope you find this report insightful.



John Maxwell
Global Retail and Consumer Leader
PricewaterhouseCoopers LLP

It probably comes as little surprise to chief marketing officers (CMOs) at the world's largest consumer brands that, in a recent study conducted by the Association of National Advertisers,[1] a vast majority of marketers confirmed that they are under pressure to squeeze more value from their advertising dollars. According to the survey, 77 percent of respondents said they had been asked to control spending in 2010; that number jumped to 84 percent for 2011.

The irony, however, is that many top executives of the world's biggest companies fully understand the value that advertising in all its varied forms can bring. This awareness is particularly acute at consumer packaged goods (CPG) companies, where building powerful brands makes the difference between a perennially strong organization and its also-ran competitors.

As illustrated in Exhibit 1, seven of the world's 10 biggest media spenders are CPG companies, including the top three: Procter & Gamble, Unilever and L'Oreal.

As for 2011, global spending on advertising rose 3.6 percent[2] over all, down from its 7 percent gain in 2010 but still healthy growth. Exhibit 2 includes a breakdown of how those advertising dollars were allocated by medium. While television still dominates, digital spending is now approaching, and even surpassing, magazine advertising spending at many companies.

Not only are big advertisers spending more, they're investing ad dollars in far-flung locales. According to Publicis Groupe's ZenithOptimedia, for example, China eclipsed Germany in 2010 as the world's third-largest ad market.[3] Of the other BRICs, Brazil was the sixth-largest market, Russia was 11th, and India, 16th.[4] In fact, by 2014, total ad spending in emerging markets is expected to surpass that in the US.[5]

1 *Advertising Age* Datacenter.

2 PwC, *Global Entertainment and Media Outlook, 2012-2016.*

3 *Advertising Age,* "Where's the Growth in Marketing? Follow the BRIC Road," December 4, 2011.

4 Ibid.

5 Ibid.

52%

of Brazil's population has entered the middle class, a jump from 36 percent over the past decade.

Exhibit 1: Media spending worldwide (in $ millions)

TOP 10 RANK				TOTAL		
2010	2009	Advertisers	Headquarters	2010	2009	% Change
1	1	Procter & Gamble Co.	Cincinnati, OH	$11,426	$8,697	31.4
2	2	Unilever	London, UK/Rotterdam, The Netherlands	6,620	6,129	8.0
3	3	L'Oreal	Clichy, France	4,984	4,493	10.9
4	4	General Motors Co.	Detroit, MI	3,592	3,221	11.5
5	5	Nestle	Vevey, Switzerland	3,186	2,671	19.3
6	6	Toyota Motor Corp.	Toyota City, Japan	2,857	2,395	19.3
7	7	Coca-Cola Co.	Atlanta, GA	2,455	2,355	4.3
8	9	Reckitt Benckiser	Slough, UK	2,429	2,238	8.5
9	10	Kraft Foods	Northfield, IL	2,343	2,109	11.1
10	8	Johnson & Johnson	New Brunswick, NJ	2,323	2,324	-0.1

Source: Kantar Media

Exhibit 2: Media spending in the US (in $ millions)

TOP 20 RANK				TOTAL			BY MEDIA				
2010	2009	Advertisers	Headquarters	2010	2009	% Change	Magazine	Newspaper	Television	Radio	Internet
1	1	Procter & Gamble Co.	Cincinnati, OH	$4,614.7	$3,915.1	17.9	$1,096.9	$202.7	$1,851.8	$17.7	$168.8
2	3	AT&T	Dallas, TX	2,989.0	2,787.0	7.2	49.3	214.9	1,515.9	144.4	139.6
3	4	General Motors Co.	Detroit, MI	2,869.0	2,460.9	16.6	409.6	245.6	1,202.6	56.0	240.0
4	2	Verizon Communications	New York, NY	2,451.0	3,020.0	-18.8	87.1	291.0	1,106.1	154.3	169.2
5	19	American Express Co.	New York, NY	2,222.6	1,365.0	62.8	63.2	130.3	227.8	45.8	132.0
6	5	Pfizer	New York, NY	2,124.1	2,097.0	1.3	333.3	65.9	831.3	32.1	46.4
7	7	Walmart Stores	Bentonville, AK	2,055.3	2,037.6	0.9	191.9	45.2	524.3	80.6	58.0
8	9	Time Warner	New York, NY	2,044.3	1,873.5	9.1	260.4	96.8	698.6	31.9	63.2
9	6	Johnson & Johnson	New Brunswick, NJ	2,026.5	2,060.9	-1.7	293.4	40.8	805.0	6.7	49.8
10	10	L'Oreal	Clichy, France	1,978.8	1,838.6	7.6	566.1	38.9	536.5	0.6	8.9

Source: *Advertising Age* Datacenter

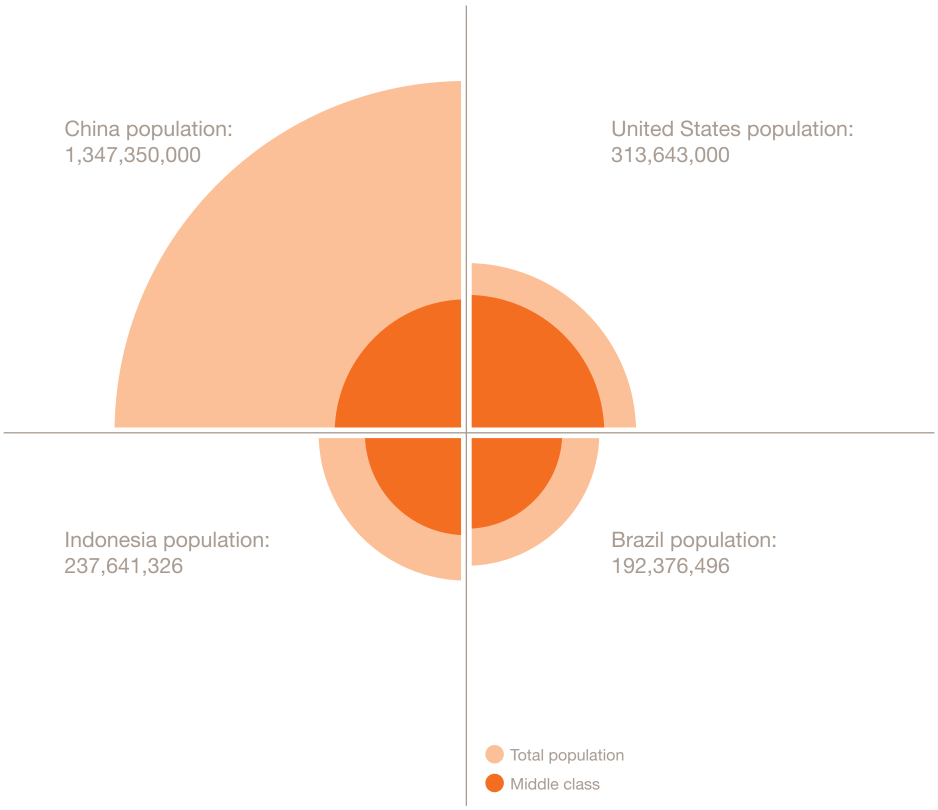
Exhibit 3: Advertising dollars spent by region in 2011 (in $ billions)

Source: *Advertising Age* Datacenter

#3

China eclipsed Germany in 2010 as the world's third-largest ad market.

Exhibit 4: Millions of potential consumers entering the middle class could mean fertile ground for CPG companies, but the companies must deliver the right advertising message



But the picture is far more complex for advertisers when one delves into these markets' respective demographics. Just one example: for all of China's growth as an advertising market, the most coveted demographic cohorts for advertisers, those included in the 15-44 age group, are in decline in China. At the same time, the country is experiencing 18.3 percent growth in the 45-plus age group. In addition, the recent cooling of growth in China has many believing that standard-issue 9 percent growth in China is an artifact of the past, and that the transition of wealth from state-owned enterprises to consumer households is going slower than anticipated.

Now, contrast China with Brazil. In the past decade Brazil's middle class as a total percentage of population has jumped from 36 percent to 52 percent. In the coveted 15-44 age group, Brazil is experiencing about 8 percent growth per year.[6] In just one example of how an exploding middle class can affect an entire industry, Brazil's cosmetics market experienced 18.9 percent year-over-year growth from 2010 to 2011. The industry saw revenues of more than $43 billion in 2011, up from $36 billion in 2010.[7]

Another country that provides extremely fertile ground for CPG companies, and thus their advertising efforts, is Indonesia, which has the fourth-largest population in the world at 240 million. As opposed to some other emerging economies, Indonesia's has a lot in common with those of developed countries like the US when it comes to domestic consumption. Fully two-thirds of the Indonesia economy is based on domestic consumption. That reality, coupled with the fact that half the population is below the age of 30, means Indonesia should see very strong advertising growth—and provide good ROI for advertisers—over the next few years.

As far as individual companies, P&G spent more than 70 percent of its media budget outside of the United States in 2010, the last year for which full data is available. P&G's percentage increase in emerging markets media spending was significant: in Asia-Pacific spending increased 68 percent, in Latin America 41 percent, and in Africa 23 percent.

Diageo CEO Paul Walsh recently described the geographic dispersion of his company's ad spending at an industry conference this way: "Our marketing spending was up again, 10 percent in this first half [of the fiscal year]…the bulk of this increased investment, over 70 percent, was targeted at emerging markets where we see the greatest opportunities for growth."[8]

Whether advertising dollars are spent in the emerging markets or the US, the massive scale of today's advertising investment demands more discipline around the process. No longer are advertisers accepting of the old notion that half of all ad spending gets wasted and that it's impossible to determine which half. Rather, brand owners are striving for greater efficiency and transparency in how they plan and budget their media campaigns, put them into place, and analyze their effectiveness. At every step in the process, accountability is the key.

Given the competition for their attention in the digital age, many consumers are quick to recognize "advertising as interruption" for what it is. This new reality raises the bar for what passes as compelling content: Ads must entertain and, more importantly, engage consumers as never before.

The goal is to manage the process better while at the same time making advertising messages more relevant to today's media-savvy consumers. Given the competition for their attention in the digital age, many consumers are quick to recognize "advertising as interruption" for what it is. This new reality raises the bar for what passes as compelling content: Ads must entertain and, more importantly, *engage* consumers as never before.

No one would dispute the notion that advertising strategy—from messaging to media planning—has to transform as times change. As Coca-Cola Executive Vice President and CFO Gary Fayard said at a recent industry conference, "You've got to change your marketing mix, you've got to change what you're doing, because consumers are somewhat liquid, and they evolve, and they are changing all the time with what they're looking for. And to connect with those consumers, you've got to change your marketing."[9]

For global advertisers, the time is now to realign business models governing media spending, or risk letting external forces shape them. Our PwC team that helps some of the world's biggest brands better manage their global media spending and track advertising-budget ROI has put together nine best practices in advertising effectiveness.

6 Eurasia Group presentation, Larry Cristini, May 7, 2012, ANA Finance Conference.

7 ft.com, May 17, 2012.

8 Consumer Analyst Group of New York Conference, February 22, 2012.

9 Ibid.

$35b

The projected amount for global spending on mobile apps by 2015.

Smart phones, tablets and digital readers vie for consumers' attention along with the Internet, television, radio and old-fashioned ink-on-paper editions of newspapers and magazines. Unlike in eras past, there are no simple gold standards in advertising currencies today.

Best practice 1: Forge a two-way relationship with agencies based on sharing risks and rewards

One aspect of the marketer/agency dynamic with which most CMOs will be familiar is the ad agency as vendor, as opposed to strategic partner. But in a world where CMOs are now asked to watch every dollar, more and more advertisers are viewing their agency relationship as a potential two-way partnership where the fates of both brand and agency are inextricably linked, tied together based on ROI of the campaign. Sharing risks and rewards means that advertisers can reap the benefits as ad agencies are able to drive down costs and achieve operational efficiencies.

Even compared with a few years ago, agencies have improved their expense planning around accounts, and there is likely plenty of room for more efficiency. Establishing regional or global service centers, they can substantially drive down the cost per transaction. Minimizing use of expensive freelance talent (sometimes used even when full-time staffers on the creative side are "on the bench") and taking a hard look at general administrative costs are others. Efficiencies gained could be reinvested by the agency to produce more high-value work. At PwC, we've come up with 35 metrics for agency operations, garnered from benchmarking against law firms and other professional services firms. Advertisers, as part of their negotiations with their flagship agencies, can certainly start these types of discussions.

But it's not a one-way street. Agencies can reap benefits from changes their clients make. Some consumer products companies are reorganizing their marketing departments so they aren't so "siloed," enabling more transparency into how much is being spent and in which promotional media. The result is often more clarity in advertising goals, a better brief for the agency—and sometimes even a bigger advertising investment.

For example, in 2010, Estee Lauder embarked on an initiative to improve advertising investment tracking and ROI. As a result, the company wound up increasing both television and digital advertising by 60 percent, reallocating dollars originally earmarked for trade promotion. According to President and CEO Fabrizio Freda, speaking at a recent industry event: "Often what gets consumers to our counter in the first place is our advertising behind our latest innovations, which we have ramped up. We spent over 60 percent more on TV and digital last year, and funded it in part by cutting back on promotions."[10]

10 Consumer Analyst Group of New York Conference, February 22, 2012.

Best practice 2: Find the right mix of traditional and digital advertising

The current advertising landscape bears little resemblance to that of just a generation ago, having been transformed in recent years by the proliferation and fragmentation of delivery channels. Smart phones, tablets and digital readers vie for consumers' attention along with the Internet, television, radio and old-fashioned ink-on-paper editions of newspapers and magazines. Unlike in eras past, there are no simple gold standards in advertising currencies today.

According to Nielsen, by 2015 the ratio of time spent watching television to using the Internet will be 79:21, while in 2011 it was 83:17. In 2015 the way consumers will access the Internet will also look much different than it does today, with the smart phone accounting for 40 percent of Internet traffic, computers 34 percent and tablets 26 percent.

Global spending on mobile apps is projected to soar from $7 billion in 2010 to $35 billion in 2015. The Internet is expected to surpass newspapers as the world's second-leading advertising platform, behind television, by 2015—a watershed that, given technology's rapid pace of change, may strike many people as long in coming.

As consumers spend more time on digital experiences, advertising enjoys an expanded value proposition. Those consumers can be reached more often and via more touch-points. By applying analytics to individuals' browsing behaviors, advertisers and their agencies can now identify specific individuals more likely to take the desired decision—and to spread the word among their friends and contacts, digital and otherwise.

And if a shared ad takes off, it can generate returns out of all proportion to the investment, especially if integrated across media. In China, PepsiCo's Bringing Happiness Home campaign—featuring Pepsi, Lay's and Tropicana—was delivered simultaneously on TV, online, in-store and at people's homes. Two weeks into the campaign, its main 10-minute mini-movie had been viewed over 100 million times.[11]

Clearly, companies are starting to change their mix of advertising based on these trends. The growth of digital advertising is driving a shift away from traditional measures of audience size to more sophisticated metrics of consumer engagement. The more engaged a consumer is with an ad, the more likely he or she is to purchase the product.

11 PwC, *Global Entertainment and Media Outlook, 2012-2016.*

"With the growth in social media, Facebook, Twitter, blogs, and smart phones to name a few, consumers are becoming more connected. These changes in demographics and connectivity give us many new opportunities to interact, influence and engage consumers."

Larry Young, CEO, Dr Pepper Snapple Group, February 22, 2012, Consumer Analyst Group of New York Conference

At General Mills, for instance, the company's digital advertising spending has increased 50 percent between FY07 and FY11, a rate of growth that is not atypical at big consumer companies.[12] In a recent interview for a joint PwC/Grocery Manufacturers of America (GMA) report, General Mills CFO Don Mulligan said of "Millennials," that most desirable of advertising demographics: "If you're not reaching them through their mobile device, you're not reaching them. To tap into that group, we have to have greater digital capabilities and, particularly, mobile capabilities, whether it's advertising or social networking. That's where we have put quite a bit of our investment over the past several years. We've found it to be high return both in terms of the effectiveness of the advertising and the fact that you're reaching a more rapidly growing demographic."

Frito Lay's Doritos brand seeks common ground in its television, social media, and "big event" marketing. Several years ago, Doritos famously invited its customers to shoot its Super Bowl ad and send in their versions for consideration. The campaign has been a hit from the first. In January 2012, in the days after Super Bowl XLVI, Nielsen reported that Doritos was the most open company about Super Bowl advertising and the most-liked advertiser in the Super Bowl. Brand Bowl also ranked Doritos as the number one brand in the Super Bowl, with the most recall of any spots. "The Doritos brand has captured this insight and has turned to consumers to generate Super Bowl advertising," said Pepsi CFO Tom Greco at a recent industry event. "It gives consumers the chance to be heard and discover on the world's largest stage and it helps build the Doritos brand as consumers celebrate their distinctive passion for the brand…But the real driver of this effort is the online and social buzz this program created."[13]

At Colgate-Palmolive, engaging to build its brands is one of its top strategic initiatives for 2012. Two big ways it is doing this are by increasing geographically targeted media investments and more effectively using digital media. For example, between 2006 and 2012 (projected), the share of Colgate's media spending on digital media has grown from 2.5 percent to 13 percent. Colgate also has 45 different Facebook pages and is increasing its use of mobile communications, with tailored advertising, coupons, and apps for the phone.

12 Consumer Analyst Group of New York Conference, February 22, 2012.

13 Ibid.

Best practice 3: Broaden the array of measured metrics to address the quality—not just quantity—of consumer engagement

Based on scale alone, Google and Facebook, with their immense networks of users, will win any competition for eyeballs. But the goal for advertisers is to gauge not just the quantity of their audiences but also the quality. And the problem is that the metrics of many advertisers still remain isolated by platform: print circulation, number of unique visitors per month, total downloads of mobile apps. Such measures give only a partial, and in some ways flawed, picture of an advertiser's reach.

Customized metrics are now valuable for retrospectively testing the impact of audience reach and engagement on the effectiveness of advertising campaigns. This data can inform future campaigns and help better allocate marketing spending across media. In an award-winning initiative in the UK, for example, the *Financial Times* and three UBM titles have published new metrics assured by PwC, designed to reflect more accurately their entire audience footprint across platforms.

The first step is to gain a fuller, more accurate picture when aggregating the various platforms of content. Doing so enables the advertiser to identify areas of overlap in which particular consumers view ads in more than one medium. This process serves a dual purpose: ensuring these individuals won't be counted multiple times, but also distinguishing these consumers as being highly engaged. This "de-duplicated" data is often referred to as "audience reach" and is critical for those planning advertising campaigns based on reach versus frequency.

For example, if an agency places an ad in the *Financial Times* print newspaper, its iPad tablet edition and the FT.com website, the key is understanding to what extent the ad will be seen by three entirely separate audiences (reach) versus the same audience three times (frequency). For frequency campaigns, there is a growing body of research suggesting a significant multiplier effect between print and digital media. To take full advantage of this effect, it is critical to understand the extent of cross-platform media consumption. In one example, a recent

2/3

of Internet users worldwide use social media, and many of those users, especially young people, welcome conversations with their favorite brands.

Tetley Red Tea campaign targeting women ages 25-44 found that a combination print and online campaign successfully improved perceptions of the product across three different consumption groups. In fact, it did so much more efficiently than did the print-only or online-only facet of the same campaign.[14]

The onus is therefore on advertisers to collect meaningful, robust data from their content partners, and to have that data assured, preferably by a third party. This process addresses the questions at the heart of media planning: "How many people are seeing an ad? How often? Who are they? How are they reacting? How much are they engaging with the content and the ad?"

Digital delivery platforms are opening up new opportunities to capture quantitative data in this space. For example, websites can track how many minutes a day users spend on those sites, at which times of day they tend to do so, and through which different digital platforms.

Mobile digital devices can offer an entirely new dimension of consumer data. As more people begin to use their cell phones to make purchases, for example, the more data there is that can be collected. If in the future a publisher such as the *New York Times* has partnered with, say, Verizon or Sprint, that carrier can relay information whenever a person buys a copy of the paper by swiping his phone. The publisher can learn where that copy was bought, at what time of day, and exactly who bought it.

Already, through the use of GPS, some advertisers have begun to target consumers based on where they happen to be at a particular time. For instance, people attending a rugby match in England can receive notices on their mobile phones asking them if they'd like to place a bet on the very game they're watching.

14 lab Canada, "print+web combine to drive success for Tetley Red Tea," May 5, 2011.

Exhibit 6: Global Internet advertising market: wired and mobile by region (in $ millions)

Opportunities for advertisers to target Internet users are exploding around the world—the challenge is measuring engagement

Region	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2012-16 CAGR
North America	22,462	25,079	24,521	28,330	34,548	40,653	47,501	54,876	63,246	72,592	
% change	26.3	11.7	-2.2	15.5	21.9	17.7	16.8	15.5	15.3	14.8	16.0
Europe, Middle East, Africa	16,549	19,979	21,292	24,734	28,576	32,304	36,598	41,582	46,988	52,656	
% change	40.2	20.7	6.6	16.2	15.5	13.0	13.3	13.6	13.0	12.1	13.0
Asia-Pacific	12,547	15,805	17,096	21,228	25,065	30,608	37,245	44,301	51,774	59,529	
% change	33.8	26.0	8.2	24.2	18.1	22.1	21.7	18.9	16.9	15.0	18.9
Latin America	561	798	992	1,302	1,577	1,846	2,167	2,526	2,900	3,292	
% change	57.6	42.2	24.3	31.3	21.1	17.1	17.4	16.6	14.8	13.5	15.9
Total	52,119	61,661	63,901	75,594	89,766	105,411	123,511	143,285	164,908	188,069	
% change	32.5	18.3	3.6	18.3	18.7	17.4	17.2	16.0	15.1	14.0	15.9

Source: PricewaterhouseCoopers LLP, Wilkofsky Gruen Associates

Projected

35,000,000

is the number of followers Coca-Cola has on Facebook as of fall 2011.

Best practice 4: Connect with—and respond to—consumers directly through social media

The advent of social media is a potential game-changer in the advertising industry. Social networking sites such as Facebook and Twitter have enabled advertisers to form direct relationships with consumers. Two-thirds of Internet users worldwide use social media, and many of those users, especially young people, welcome conversations with their favorite brands. Capitalizing on these relationships can yield a host of benefits for consumer-products companies.

Building a network through social media can enable a company to create a global community around a popular brand. The best example of this is Coca-Cola's success in generating more than 35 million followers on Facebook as of fall 2011, with an ongoing growth rate of 2.6 percent per month. Coke, among other strategies, invites user-generated content on its site. A study of the top 100 advertising spenders in the world by the search marketing firm Covario ranked Coca-Cola number one in effective use of Facebook.

Exhibit 7: Top 10 positively rated companies on social media

Company	Volume	Reference Positivity	Article Positivity	% Change
Apple	12,850,311	75%	71%	7,753,785
Amazon	11,173,839	79%	71%	7,101,823
LG	8,601,194	91%	88%	6,094,856
Microsoft	6,013,165	83%	79%	4,285,016
HP	4,932,584	85%	86%	3,748,011
Sony	4,358,506	84%	86%	3,116,360
E-Trade	6,341,774	69%	65%	3,001,556
Nike	3,482,230	89%	88%	2,825,267
BlackBerry	3,649,367	88%	82%	2,635,681
Ford	4,221,809	83%	77%	2,484,355

Source: *Advertising Age* Datacenter

Social media winners and losers

Social media provides not just an advertising platform, but also a feedback mechanism. Social media tracker Infegy tracks posts on 40 million online sources (blogs, Twitter, Facebook and other networks) and, for analysis purposes, attributes "positive" and "negative" tags to the pieces of content. As can be seen in Exhibit 7, several consumer companies scored in the overall Top 10, including Apple, Amazon, and Nike.

Brand owners can also use the fluid, free-form nature of social media as a collaborative testing environment for the commercial viability of new ideas. Whereas in the past companies would conduct detailed research and planning before launching a product or brand, today they can simply float an idea over social networking sites to see whether consumers pick up on it. Whatever catches on, the companies can develop further.

Branded entertainment is a further strong focus of digital media strategies. Although the concept of branded entertainment has been around for decades, the potential reach of the practice has been broadened exponentially by the use of digital media, especially social networking sites. Consumers' rising receptiveness to branded spots is underlined by research published in GlobalWebIndex's 2011 Annual Report showing that 71 percent of 16- to 18-year-olds say they are more likely to buy a brand that tries to entertain them. Examples abound of effective recent initiatives, including Burberry's *Burberry Acoustic,* an online video series showcasing up-and-coming British bands; BMW's *Wherever You Want to Go* movies on the future of mobility; and IKEA's humorous online video series *Easy to Assemble.*

One aspect of connecting with consumers through social media in its infancy is customer support. Many brands have thousands of posts being written about them every month in the stream of social media. While many of these are positive, many are neutral or negative. More companies could monitor social media posts regularly and, by responding, seize the opportunity to make a lasting impression.

Some savvy companies are using third parties to track and respond to comments, particularly negative ones. These third parties track the social

71%

of 16- to 18-year-olds say they are more likely to buy a brand that tries to entertain them.

media conversation about a company or its brands, tag the negative comments, and generate a response to a gatekeeper who can approve the response. Even positive posts that don't necessitate a personal response are helpful to track, because what has especially delighted a customer can be considered in making decisions about the next generation product. The next big thing will be personalizing customer relationships by responding to individual customers.

Best practice 5: Don't count out TV, still the first platform among equals

TV, so far at least, has proven resilient. The intensity of the viewing experience—enhanced by high-definition technology—remains unequaled. Whether it's coverage of the World Cup final or a US presidential debate, television continues to be the most compelling medium through which to watch major live events.

Statistics bear out TV's continued viability as an advertising medium. The global television advertising market rose 3.1 percent in 2011, down from the 11.8 percent increase in 2010 that was enhanced in many countries by advertising associated with the FIFA World Cup and the Vancouver Olympics. The TV segment of the global ad market totaled $185 billion in 2011.[15]

15 PwC, *Global Entertainment and Media Outlook, 2012-2016.*

Many brands have thousands of posts being written about them every month in the stream of social media. More companies could monitor social media posts regularly and, by responding, seize the opportunity to make a lasting impression.

According to PwC's 2012 *Global Entertainment and Media Outlook,* Latin America will be the fastest-growing television market over the next five years, with a compound annual increase of 9 percent through 2016. Asia-Pacific is next, with a projected 8.1 percent compound annual gain, followed by North America at 5.9 percent, and EMEA at 4.6 percent. Globally, the percentage of households that have subscription TV is also increasing. The Outlook projects the global television subscription and license fee market will increase from $215.5 billion in 2011 to $290.6 billion in 2016, a compound annual growth rate of 6.2 percent. Latin America will be the fastest-growing region, with a 9.2 percent compound annual increase, followed by Asia-Pacific with 8.4 percent.[16]

Leading consumer products companies are finding innovative ways to integrate TV advertising with other media. Some advertisers have taken to employing the traditional 30-second spot as a linchpin for other advertising platforms. Coca-Cola for example, used its wildly popular Super Bowl ad featuring polar bears to promote its social media presence around the Super Bowl in 2012. As Executive Vice President and CFO Gary Fayard put it: "These were 30-second spots but you had a massive social media event going on at exactly the same time…. Because what we know is that consumers are the ones that write about your brands."[17]

Social media, as it turns out, has shown itself to be a complement, rather than a competitor, to TV. Many television viewers have adopted the habit of texting friends and family while watching their favorite shows, spreading interest in them. Plus, the increasing availability of TV over the Internet has created a market for online television ads. It's also spawned online affinity groups and discussion threads that help build viewer loyalty to certain shows.

The upshot is that, even though it's seeing growth, TV will make up a shrinking percentage of ad buys as time goes by. Advertisers will be weighing this reality as they plan and seek out the optimal mix of platforms, always anticipating the shifting winds of technology.

Best practice 6: Effectively manage agency relationships across geographies

The drive for advertisers to improve bottom-line performance and harness the power of their advertising dollars has never been more critical. Yet agency work is often executed locally across many widespread markets and through many agencies. Today's large global advertiser with a portfolio of brands to promote could have media campaigns going on with as many as 200 agencies at any one time. Only a few companies have the systems and procedures in place to effectively track this kind of global spending, let alone measure results.

16 PwC, *Global Entertainment and Media Outlook, 2012-2016.*

17 Consumer Analyst Group of New York Conference, February 22, 2012.

Where big consumer-products companies often fall short is when market conditions require them to adjust their media spending in the midst of a campaign. In this sense, they're like battleships, unable to change direction midcourse.

In fact, many advertisers maintain a structure that affords little scale advantage and little clear operational insight at the regional and global level, generating hundreds of different reports on media spending and planning. Moving to one unified planning system can help in tracking media spending by market and brand on a weekly basis, as well as provide the ability to shift spending quickly to markets and brands with the highest returns.

Best practice 7: Be positioned to react quickly to marketplace changes when they occur

Our experience shows that where big consumer-products companies often fall short is when market conditions require them to adjust their media spending in the midst of a campaign. In this sense, they're like battleships, unable to change direction midcourse. When media prices dropped during the recent economic downturn, for example, the unexpected cost savings freed up money that could have been spent on, say, a vital ad campaign that needed more funding than was originally budgeted. But few of these advertisers were in a position to take advantage.

The more ad platforms a company has in play, the nimbler it must be to ensure that it is continually targeting the key markets. This requires assembling a dashboard of centralized, sharable data, and making decisions to reallocate resources accordingly. The data might include a weekly tracking of media spending and commitments by market and brand. Metrics such as overnight television ratings can be added to the mix: If a TV ad campaign is tracking better than expected, perhaps it can be ended after week eight, say, instead of week 12.

One key to getting better value out of ad spending is identifying areas of saturation and underperformance—in real time, or as close to it as possible. Saturation can obviously lead to needless spending—and possibly diminishing returns, if the consumer is hit with the message more than an optimal number of times. In the opposite case of underperformance, a flagging campaign might need an infusion of additional cash.

The goal is to provide just-in-time supply, as if in a factory, based on the latest market needs. Only in this case the product is intangible. Achieving, or at least approaching, this level of precision requires creating an infrastructure for tracking media spending and performance.

By establishing greater transparency and oversight of media spending, companies can make their agencies work harder for them. The more analytical tools a company has to draw on, the better it can assess which campaigns are essential and which are expendable. The deeper the grasp that advertisers have on the media process, the more they can zero in on the exact result desired.

Best practice 8: Establish a single global media planning system

The biggest global consumer companies may need to plan media campaigns across scores, or even hundreds, of markets. Most companies maintain a structure that affords little scale advantage and little clear operational insight at the regional and global levels, generating hundreds of different reports on media spending and planning. Moving to one unified planning system can help advertisers track media spending by market and brand on a weekly basis, as well as provide the ability to shift spending quickly to markets and brands with highest returns.

In addition, most multinational companies, consumer companies included, apportion media spending by regional markets and brands. An alternative would be to purchase from a central global unit when possible, and then allocate the purchase around the world. Such a process could reduce per unit media costs to unseen levels.

In fact, some of the companies with highly sophisticated planning systems are currently aggregating a year's worth of media buys into just a few large-scale purchases. Since the top media conglomerates account for a large percentage of total media sold, aggregating media buys across types of media with conglomerates just makes sense as a way to leverage lower costs. Carrying this a step further, two major consumer packaged goods companies not long ago created an alliance to act as one company for media (and other) purchases—thereby hoping to leverage their joint buying power to get better rates. Of course, there will always remain some local media buying. Media outlets that are not part of a multinational media conglomerate often have key market reach, and they should not be ignored.

Best practice 9: Invest advertising dollars not just in the brands, but in the company

In recent years institutional advertising has often been downplayed in favor of product or brand-specific advertising, which is easier to relate to sales and effectiveness. Now, for many reasons, companies are shifting back, allocating advertising spending to create a brand for the company itself.

One of the biggest reasons for this is sustainability. Research suggests that today's consumers, particularly younger ones, take a company's commitment to the environment and other causes into consideration when making a purchase. General Mills is just one company that has come back to institutional advertising as a way to underscore its values. According to CFO Don Mulligan, "When consumers are making their decision, the first thing they're looking at is the brand, but they also want to know who the company is and what their values are."[18]

In the end, the entire organization benefits

There's no question that advertising has great power—to influence in the short term (i.e., sales) and in the long term (i.e., brand and corporate image). The increasingly dispersed and complex dynamics of large consumer brand/agency relationships mean that those relationships need to be more effectively managed in order to harness and direct that power. The results are improved profit margins, positive reputation and brand credibility within the fragmented media landscape that is today's reality.

18 Interview for PwC/GMA financial report.

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