

Channel Shifting

NEW MEDIA ALTERNATIVES FOR ADVERTISING ARE PUTTING PRINT ON HOLD.

Much of print is driven by advertising, in fact industry pundit Frank Romano has illustrated that up to 65% of print volume is advertising related. Newspapers, magazines, direct mail, catalogs, billboards and of course brochures and collateral all depend on marketing and advertising dollars. Estimates of overall advertising expenditures in Canada range from \$6 billion to more than \$11 billion, depending on what is included and who is counting. This is proportionally much smaller than the U.S., where annual advertising expenditures are estimated to be more than 40 times greater. Dr. Ron Davis, chief economist of the Printing Industries of America (PIA/GATF), estimates that print advertising alone accounts for US\$250 billion. Moreover, the overall trend in ad growth is up, typically around 5% per year. So all media channels, print and non-print will grow, in many cases substantially. But how marketing dollars are being spent, and what advertisers and marketers expect from them, is changing dramatically, and these changes have important implications for the health of print markets.

There are two major shifts in advertising, and they are very much related. The first is the increasing reliance on new

By John Zarwan



channels of delivery for cross-media programs, and the second is the return marketers are anticipating from their ad dollars.

As Barb Pellow, principal of Pellow and Partners, wrote last year in *OnDemandJournal.com*, "As little as 10 years ago, businesses were limited to print, TV and radio as communications outlets to the masses. With the growing application of digital, wireless and Internet technologies, the communications options have expanded to include PDAs [personal digital assistants], electronic billboards, cell phones and even gas station pumps. The overriding objective is to utilize media more effectively to target defined audiences and communicate updated information and promotions quickly. More than ever, the use of multi-media and cross media strategies is critical to successful business communications."

Advertising spending does not expand when new channels are introduced, and print is destined to lose share as the fastest growing categories today are non-print related: Internet, e-mail marketing, short message service on cell phones and interactive TV. Print categories such as magazines, direct mail and promotional materials will have middling growth, while newspaper and directory growth will be slow, at best.



extending media,” noted Robert Liodice, CEO and president of the ANA. “However, in too many instances, the good feelings about print are actually gut feelings,” he added, “gut feelings just don’t cut it anymore.”

Advertisers continue to be frustrated by print’s lead times, the difficulty in getting accurate readership data (particularly in light of recent subscription scandals at major daily newspapers in the U.S.), and the inability to measure results. This last area is of particular concern, as there has been a shift in attitudes on the part of advertisers, marketers and consumers. There is a finite amount of money to be spent on the marketing mix, and advertising in particular. Until the emergence of cable TV about 20 years ago, advertising was done primarily through the mass media. With the

Campaigns To Promote Print Media

The Print Council, a printing industry alliance representing interests from commercial printers to industry suppliers and services providers, has taken on the goal of promoting the greater use of print. To date the group’s primary function has been to generate support within the printing industry, its next phase will be to develop research to demonstrate the value of print and deliver that message to media buyers.

Two print media focused associations have already initiated aggressive efforts to boost their level of awareness and elevate their share of the advertising pie.

The New York-based Magazine Publishers Association (MPA) is in the midst of a three-year US\$40 million multi-media ad campaign promoting the engaging qualities and accountability associated with magazine advertising.

The goal of the effort is to increase magazines’ share of overall advertising dollars. It has been reported that every 1% gain in share represents US\$1.3 billion in advertising revenue. In terms of printed pages, it’s suggested that for a corporation like Time Inc., a 1% increase in advertising share equates to 14,000 pages.

The Newspaper Association of America (NAA), based in Virginia, unveiled its new US\$50 million marketing campaign in February. Labeled the Value Proposition, the program is highlighting the reach and effectiveness of newspaper advertising. The program incorporates print, online and outdoor advertising to target media buyers and businesses of all sizes.

“Our campaign will make clear to media decision makers that newspapers have the brand power, the content and the credibility to effectively serve print and online advertisers better than any other medium,” says NAA senior vice president and chief marketing officer John Kimball. “We’re exploding the myth that newspapers are old school or static, and we are doing that with a combination of cold, hard facts from independent studies and edgy creative executions that speak to today’s media buyers.”

For more information: www.magazine.org & www.naa.org

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But print is still a viable medium. For TV and other media, including a lot of Internet advertising, the more engaged the consumer is with the content, the more advertising creates an interruption. (This is one reason product placement is growing.) With print, on the other hand, the ad is more a part of the milieu. Surveys by the New York-based Association of National Advertisers (ANA) indicate that the overwhelming majority—80%—of advertisers still consider print a cost-effective medium, with strong targeting capabilities, as well as an ability to build and extend reach.

However, according to a 2005 ANA survey of 117 senior marketers, only half of the respondents (51%) intend to maintain their magazine advertising budgets at the same level as last year. As for newspapers, a similar number, 50%, anticipate keeping their advertising budgets at the same level. At the same time, 26% plan to shift dollars away from magazines and 21% said they plan to shift dollars away from newspapers, and the top recipient of these redirected budgets was the Internet according to 74% of the respondents.

“Marketers will always have an affinity for print advertising. It’s one of our most valuable targeting and reach-

ECONOMIC TRENDS IN NORTH AMERICA

(Percent change in real GDP over previous year)

	2004	2005	Forecast 2006
United States	+ 4.2%	+ 3.5%	+ 3.3%
Canada	+ 2.9	+ 2.9	+ 3.0

AD OUTLOOK

(Percent change over prior year in nominal currencies)

	2004	2005	Forecast 2006
Canada	+ 4.8	+ 3.5	+ 3.5
United States	+7.4	+4.6	+5.8

Source: Universal McCann

proliferation of new media and distribution channels—combined with a declining trust in advertising, a multi-tasking culture and digital technologies that give more control to consumers—mass advertising is declining in effectiveness. As a result, marketers have been demanding return-on-investment (ROI) measures of effectiveness.

One consequence of this is a change in the way ad agencies are compensated. Agency work is increasingly fee based, rather than commissioned, so they are now indifferent as to how a client spends money. Alternative media will naturally grow as agencies become more educated and increasingly participate in this area.

At the same time, major shifts in marketing techniques and media channels have enabled businesses to reach smaller and more focused customer segments. The proliferation of cable TV channels and magazines, as well as more effective use of mailing lists, has given companies the opportunity to reach well-defined groups of customers with more relevant messages. With increasingly powerful computers and databases, businesses can process data from the point of

inquiry or transaction. Ads targeted to single individuals for specific items can now be produced. These ads can be changed and tuned to respond to behavior, directly at the check-out counter with a rewards/affinity card, on the Internet, or through focused catalog and direct mail campaigns. The Internet is the primary beneficiary of these changes.

The general consensus is that Internet ad spending in North America is about \$12 billion to \$15 billion today and will more than double in the next five years. The shift to online from off line advertising will continue for many reasons: targeting, accountability, measurability, flexibility, ease of use, cost and ROI. Consumer broadband adoption has made the Internet a pervasive influence in users' lives. Marketers have responded by pushing more of their budgets online. Yet online ads make up barely 6% of overall advertising and direct marketing spending. Most marketers plan to increase their online budgets, almost half by decreasing spending in other channels, as indicated above. The majority of marketers believe that online channels will become even more effective over the next three years. In contrast, many believe that traditional channels—television, radio, newspapers, and yellow pages—will become less effective.

Marketers have a variety of digital advertising choices. Online search and display are the two largest segments with the fastest growth. There is also high interest in blogs and RSS (Really Simple Syndication), followed by mobile phones and interactive video.

Local search will tap into yellow pages spending and is likely to come out of direct mail and magazine budgets. Online classifieds and listings continue to grow. The trend is that consumers increasingly prefer to use the Internet over other channels to find jobs, cars and homes because they find it effective.

Marketers will integrate e-mail into their database marketing efforts. Fortunately for print, e-mail will not be viewed as an independent channel but part of a larger and broader data-driven marketing strategy that will incorporate

CANADIAN ADVERTISING EXPENDITURES – ALL MEDIA

	2004 (Millions \$Cdn)	Percent of total	2003 (Millions \$Cdn)	Percent of total	2002 (Millions \$Cdn)	Percent of total	2001 (Millions \$Cdn)	Percent of total	2000 (Millions \$Cdn)	Percent of total
Daily Newspapers	\$2,611	21.8%	\$2,529	22.1%	\$2,510	23.3%	\$2,501	23.3%	\$2,580	24.8%
Television	2,957	24.7%	2,840	24.8%	2,613	24.3%	2,561	23.8%	2,456	23.7%
Catalog/Direct Mail	1,499	12.5%	1,399	12.2%	1,295	12.0%	1,489	13.8%	1,254	12.1%
Yellow Pages	1,162	9.7%	1,121	9.8%	1,060	9.8%	1,045	9.7%	1,027	9.9%
Radio	1,207	10.1%	1,187	10.3%	1,092	10.1%	1,063	9.9%	1,015	9.8%
General Magazines	647	5.4%	610	5.3%	558	5.2%	541	5.0%	514	4.9%
Out-of-Home	303	2.5%	284	2.5%	273	2.5%	281	2.6%	263	2.5%
Internet	295	2.5%	237	2.1%	176	1.6%	97	0.9%	110	1.1%
Miscellaneous	1,309	10.9%	1,262	11.0%	1,194	11.1%	1,177	10.9%	1,165	11.2%
Total Advertising	\$11,989		\$11,469		\$10,771		\$10,755		\$10,384	

Source: Newspaper Association of America

TREND IN U.S. MAIL ADVERTISING PIECES

(Total Standard, Regular, and ECR)

1ST HALF OF YEAR	MILLIONS OF PIECES	%CHANGE	CHANGE IN PIECES (000,000)
2000	36,800	+ 7.1	+ 2,400
2001	37,200	+ 1.1	+ 400
2002	35,300	- 5.1	- 1,900
2003	36,500	+ 3.5	+ 1,200
2004	39,600	+ 8.3	+ 3,100
2005	41,540	+ 4.9	+ 1,940

Source: Universal McCann

direct mail, catalogs and Web offers.

To understand the impact of the Internet on traditional media, one need look only at Internet search titan Google. Google revenues alone (US\$6.14 billion for 2005) are rapidly reaching the levels of all media advertising spending in Canada.

Non-traditional marketing methods will also become more important in the months and years ahead. In addition to new online streams such as blogs and podcasts, new interactive

electronic tools like PDAs, cell phones and even video game players will all be outlets for ad dollars. Yet in the “real” analog world, we can expect to see ads continuing to migrate to unexpected places such as subway turnstiles, parking lot stripes, water coolers, airplane tray tables and even electrical outlets in airports.

This is important because the health of print depends on advertising. Advertising spending follows eyeballs. It is not about the technology usurping print, but about new media attracting attention, at least for the short term.

Media buyers and publishers are not certain that online content is draining advertising dollars away from print for good. Consumers can—and will—use both media, one for quick information gathering and one for a more luxurious read. As the future unfolds we’ll find one does not preclude the other. **CP**

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