

THE Delaney Report

THE INTERNATIONAL NEWSLETTER FOR MARKETING, ADVERTISING AND MEDIA EXECUTIVES

Vol. 25 No. 37

October 6, 2014

The Experience Of It

Marketers want consumer engagement. They use advertising to help get it. Promotions too. Web sites and mobile apps. They'll set up **Facebook** pages and go on **Twitter** or **Pinterest** or give crowdsourcing a shot. They will try sponsorships, whether it's sports or music, and events. They want brand ambassadors. People who want their products and will share their positive feelings about those products. All initiatives and programs and strategies that come together under the umbrella of customer experience. It's the experience that leads to successful engagement. Achieving the right customer experience can often be like chasing the holy grail, however.

"There is a desire by companies to connect with consumers, but it's not easily done. You need outlets that allow you the opportunity to interact with them and get a two-way dialogue going. Advertising is one way of doing it, but you also need to think out of the box. Sometimes, marketers get trapped in their ivory towers and end up listening only to the people in their office. You need to get out into the world and be willing to listen to your customers," said **David Duncan**, the head of North/South America for **BMW's** Mini car division. Mini, for example, runs a "Mini Takes The States" event that involves having Mini car owners participate in a cross-the-U.S. drive in their Minis for two weeks. "Mini senior executives join them and we listen to what they have to say on products, on marketing. On what they want from us. It's an opportunity for us to be face-to-face with our (Mini) owners and helps us create a better experience for them," Duncan said. Mini also has turned its car showrooms into event locations themselves with music concerts, etc.

Other steps can be taken, especially at the store level.

"It's about underpromising and overdelivering. Little surprises are important even if it's just smelling fresh coffee when they come into the store. A little pampering without going overboard. Allow them to experience new sights and sounds that become an exploration and make you stand out from the competition," said **Robert Christnacht**, marketing head at apparel/bedding products seller **Pendleton Woolen Mills** (see story page three). Added Christnacht, "don't make it about the 'sale.' Make it about not putting any pressure on them while they're in the store. The sale will come naturally. It's about having a 'soft sell.' Paint seller **Valspar Corp.** utilizes other methods to strengthen its customer experience. "Paint is an assisted sale. You need to train your store associates to become outlets for (customer) feedback. Invest in a lot of training. It will help to drive the sale," said VC vp/general manager **John Anton**. VC also works with **Habitat For Humanity** in a paint-donation program called "Brush With Kindness." "It's another 'proof point' for us, a way of reaching out to consumers in nontraditional ways and making our product accessible," Anton said.

Digital, of course, is another method being used to enhance the overall customer experience, but using digital needs its own set of rules. "We're in a world of social media, so your messaging has to be sincere. And you need to be transparent," said **Cindi Bigelow**, president of tea products marketer **R.C. Bigelow**. Added Valspar's Anton, "social media alone isn't enough. How-to videos aren't enough. You have to give concrete advice and information as much as possible. Personalize it. Don't try to hide a negative if you're getting feedback about something. Do whatever you can do to fix the problem."

Global Play

Media services agencies might poke around Vevey, Switzerland-based food and beverage giant **Nestle SA**. NSA allocates an estimated \$1 billion-plus on media worldwide and is now taking a look at its media agency needs around the world. NSA launches media agency reviews in markets such as the U.K., Australia and New Zealand earlier this year, but the company isn't finished.

"(NSA) is seeking global credentials from agencies. It's possible it's looking to add others," one media agency executive said. NSA already uses media shops **ZenithOptimedia** and WPP's media arm **Group M**.

PR Machine

Mary Barra, the ceo of still-challenged automotive company **General Motors**, has her public relations people working overtime. Barra appears on the cover of last week's *Time* magazine ("The Mechanic") and on the front section of *The Wall Street Journal's* Marketplace section ("GM Ceo Looks To Switch Gears, Set Strategy"). There's less than meets the eye, however.

"The fundamental problems are still there. Brands are in trouble. Cadillac is a disaster. Chevrolet is no longer a global brand," one auto industry source said. GM

cont. page 2

General Motors...cont.

currently is enjoying a sales boost because of discounts and fleet sales. GM continues to be plagued by the faulty-parts debacle (number of deaths attributed to ignition-switch trouble is 23 and expected to climb). And Barra couples herself with the past. "She is surrounding herself with the same set of characters. You can't change the company if you're talking to the same people," said an auto source. "The stock price is no better than it was in 2009 (GM filed for bankruptcy) and she doesn't have the confidence of the staff," the source added.

Filling The Hole

For a number of years, it was anticipated that **Randy Weisenburger** would succeed **John Wren** as ceo of agency holding company **Omnicom Group (BBDO, TBWA, etc.)**. Weisenburger joined OG in 1999 and was its cfo. Weisenburger exits OG last month, however, to return to the private equity world. "He has always wanted to run a company again (Randy at one time ran beauty products seller **Maybelline**), but he saw that (Wren) was not going anywhere any time soon," one OG executive said. Taking his place: svp/controller **Phil Angelastro**. "He's a quiet guy and gets along well with (Wren)," said another OG executive. Added an OG executive, "(Angelastro) will make a good cfo and has no aspirations beyond that." A question: can Angelastro fill Weisenburger's shoes as the company's "face" to Wall Street?

Another question: what happens if Wren gets hit by a bus? OG insiders point to **Andrew Robertson**, ceo of OG's agency BBDO as the obvious choice. A third question: would Robertson, who just buys a house in the Caribbean (Turks & Caicos) and an apartment in the Georgetown section of Washington, D.C., want the job?

Right-sized

Bonnier Corp., the U.S. publishing arm of Sweden's **Bonnier AB**, is charting a growth course. "In 2013, we did the necessary downsizing. 2014 has been more about stabilizing. Revenues are still a challenge, but we have reached a sustained level of profitability," said BC ceo **David Freygang**. BC books include *Popular Science*, *Working Mother*, *Saveur*, *Field & Stream*, etc.

BC is focusing on building key business areas, as a result. Getting attention: digital. "We're growing digital 15%-to-20% and looking for ways to monetize the audience. 65% of our web sites have migrated to our new platform and it will be 100% by May. We are pushing (site) upgrades across the entire platform," he said. BC wants mobile to be bigger. Eyed: acquisitions. "Digital is where it makes sense. We're looking at targeted acquisitions, growing deeper into the channels where we have expertise such as motorcycles, outdoor, marine and epicurean," he said. BC also wants to extend its *Working Mother* model to other titles. The WM brand includes the magazine, conferences, events and consulting.

Losing Faith

The troops at Netherlands-based conglomerate **Royal Philips** are starting to drop their support of its ceo **Frans van Houten**. The 54-year-old van Houten, the son of a RP supervisory board member, has been in the top job at the company for three years. During that period, van Houten has initiated a major cost-cutting drive intended to save some \$700 million by the end of this year (push results in some 6000 employee layoffs, an organizational restructuring and asset divestitures). RP, which generates \$30-plus billion in revenues, also launches what it calls its "Accelerate" program designed to deliver "meaningful innovation" faster and better. The Accelerate push follows RP's launching last year a global positioning offensive called "Innovation And You." RP, however, sees its sales tumble and net income plummet this year. RP businesses include healthcare (medical equipment), consumer lifestyle (a la Sonicare oral-care entry) and lighting.

"It's disappointing. (RP) people had expectations that (van Houten) would turn things around, but he's losing credibility. He has turned the company back to the old ways of doing things. A conservative way of doing things. He has surrounded himself with a lot 'yes' people who are trying to save their jobs, and the company has gotten complacent," one industry executive said. Despite its desire for innovation, RP is coming up short. "It doesn't seem to come up with breakthroughs," said the source. What may be needed: a total revamp. Does it become just a healthcare company or consumer products?

Sports Everywhere

ESPN Inc., the sports cable television network co-owned by **Walt Disney Co.** and **Hearst Corp.**, wants to keep expanding its business base as the sports-oriented marketplace becomes increasingly competitive not just on TV (TV broadcast networks **CBS, FOX, NBC**, cable-caster **Turner Broadcasting**, etc., are beefing up their sports programming), but in the digital space as well. "We have more competition than ever before, but we're stronger and healthier than ever before. Our overall market share and (viewer) usage continue to grow. Our goal is to have the leading share on platforms of all media," said ESPN president **John Skipper**. "The 'secret sauce' for us is live events. People watch sports live – our immediacy and audience is important to advertisers."

Getting attention: digital. "We're figuring out how to grow advertising sales and revenues in digital. We know how to do it on the big screen, but we're looking at what the (digital) model is," Skipper said. ESPN also plans to ramp up its *ESPN The Magazine*. "We've made management changes we're happy with. We're taking a thematic approach with the magazine with long-form features and photography," said Skipper. The bolstering of digital and print is part of its effort to push a multiplatform ad approach. On the agenda: international drive. "Latin America is important in the near-term. Long-term, we're exploring where to go next in Asia and Europe," he said.

Diversifying

Mandeville, La.-based **Diversified Foods & Seasonings** is expanding its business base. DF&S manufactures food/seasonings products for the food service industry and fast food companies (products include red beans, sausages, biscuit mixes, soups, BBQ sauces, grits, etc.). The privately-held company is jumping into the retail distribution arena with the introduction of a line of frozen entrees for the consumer called Chefs Creations that will capitalize on Louisiana's Cajun food heritage (Jumbalaya, Gumbo, Chili Mac & Cheese, etc.).

"They are Creole-inspired recipes. People are looking for flavor and heat. They will be restaurant quality," said president/ceo **Peter Smith**. DF&S jumps into 1600 **Kroger** stores in 24 states and plans to move into other stores and geography. The plan: to use Chefs to move into other food categories. "The strategy is to use it as an umbrella. We'll subbrand and do it around the country. There could be New England Classics," Smith said.

Enhancing Business

Fast Company, the business magazine published by **Mansueto Ventures**, is pushing aggressively across key areas. Getting a boost: digital. FC sets up a new digital video operation called FastCo Studios. "It's going to produce entertainment video that features business people (topics a la 'Power Couples'). It will be a dedicated hub for custom content," said publisher **Christine Osekoski**. FC also to strengthen is vertical web sites Cocrete, Co-design and Coexist. "We're refreshing them with fast and interesting video," she said. Due for a push: mobile.

FC, covers innovation/creativity, also is bolstering its marketing/events/experiential initiatives as part of a restructuring of its marketing department. FC, for example, hires **Conde Nast**-er **Pam Kaupinen** as head of brand strategy/insights. "We're changing things up, taking a look at everything and upping our game," said Osekoski.

Collaborating

Apparel and bedding products marketer **Pendleton Woolen Mills** is pushing into new areas. Portland, Or.-based PWM signs a deal with **Carolina Pet** to market a Pendleton line of pet beds, leashes and collars. It links with the **Hood River Distillery** for Pendleton Whiskey. "A lot of what we're doing is collaborating with other brands. It will be putting us into categories such as baby products, teenage girls and men's fashion. And it's exposing the brand to new consumers – we're 'hot' with millennials," said marketing boss **Bob Christnacht**.

PWM is moving on other fronts. With its Surf apparel line, it's ramping up its "board" shirts (surfing, paddleboarding, etc.) for outdoor enthusiasts. "It's helping us rediscover our roots," Christnacht said. A new wool fabric line is slated for its Thomas Kay line in the spring. And PWM to keep expanding its branded store business. Being used to reach consumers: catalogs and social.

Talent Hunt

The big tobacco companies **Altria Group**, **Philip Morris International** and **Reynolds American** (seeking to acquire **Lorillard Inc.**) are all out shopping for ceo-caliber executives. Reason: the electronic-cigarette market, which has grown to a \$1-trillion industry with an estimated 300 e-cig players. Altria (Marlboro, Chesterfield cigarettes, etc.), PMI (Marlboro overseas, L&M, etc.), RA (Camel, etc.) and Lorillard (Kool, etc.) are jumping into the e-cig arena. "They see how the (e-cig) market has exploded and are terrified when they see (e-cig) companies such as **Njoy** turn into a \$100-million-business. They don't want to miss out," one industry executive said.

What they are looking for: "They want talent and stars. They're setting up their (e-cig) businesses as start-ups and funding them heavily. They're looking for new thinking. Entrepreneur types who can work in new channel models," said the source. A caveat to candidates: the **Food & Drug Administration** in the U.S. is expected to adopt e-cig regulations and Europe sets rigid restrictions.

Not Totally On Board

The magazine industry is getting what it wanted – a different yardstick to measure them. In the past, ad pages (along with circulation) were the key barometer for the health of a title. Under the newly-unveiled "360" system championed by most in the industry and the **Association Of Magazine Media**, measurement will include print and digital. Skepticism already is emerging, however.

"There are different tracking studies for each platform. Methodologies are different. The aggregate score doesn't account for duplication between the (print/digital) platforms. Some people consume magazines across different platforms. In this protocol, they're counted multiple times," a publishing executive said. Added a source, "if (print) circulations continue to free fall, how can digital editions replace what's left of the brand? (360) is not going to stop a magazine that is on a roll from comparing its advertising pages to a competitor that's suffering."

Brand Extending

Tampa, Fl.-based **World Triathlon Corp.** wants to capitalize on licensing to extend its footprint worldwide (licensing now is a \$500-million-in-revenues business for WTC). WTC organizes triathlon events in the U.S. and foreign markets. In the U.S., WTC operates 42 Ironman events, 20 Ironkids events and 13 Irongirls events. In Europe, 29 events and 21 in Asia. "Our brand is strong on a global basis. It stands for durability and authenticity, and we're looking at how to leverage the brand's equity," said **Bill Potts**, WTC's vp for global licensing.

TWC signs up licensing agency **Global Icons** as part of its effort to expand. "It has offices around the world and we'll use (GI) to capture opportunities," Potts said. WTC just signs energy drink **Gatorade** as a sponsor and is looking to build up sponsors for its Ironkids franchise.

Digital Networking

Marketing 50 (M50), Ascendant Network, iMedia Connection and Ad:tech are among the companies that are ramping up as events/conferences/exhibition operators for the digital age. They are using information about technology as a way to develop a network of connections for executives involved in marketing. A differentiating factor: the events/conferences are invitation only or on a membership basis. Members of M50, for example, pay an estimated \$50,000 membership fee to attend events.

“Some of them will come to your company and set up an event with speakers so that you don’t have to travel to a conference center,” an industry executive said. Others offer different pay models. “There is a ‘freemium’ model where the first who arrive don’t pay, but if you do pay, you get certain amenities,” said the source.

A Last Dose

As the fall and winter cough/cold season gets under way, private equity firm **H.I.G. Capital** may need to do some soul-searching. Reason: its failed ownership of the healthcare company **Matrixx Initiatives**, which HIG bought three years ago. MI’s flagship brand cold/sinus/allergy-relief entry **Zicam** continues to founder.

“Zicam has high profit margins and generates cash flow (Zicam generates an estimated \$80 million in sales), but (HIG) doesn’t know how to run it as a growth business. It has poured a ton of money into it, but hasn’t made good decisions. The brand has performed poorly for the last three years,” one healthcare industry executive said. HIG, for example, slashes ad spend for Zicam. “(HIG) has decided to ‘milk’ the brand,” said a source. What HIG should do: cut its losses and unload MI.

Agency Rumlblings. . .

Shops might poke around Mandeville, La.-based **Diversified Foods & Seasonings** as it broadens into the consumer arena from its food-service business base (see story on page three). . . . Footwear seller **Asics** (\$30-million-plus) is set to sever its ties with the **Vitro** agency. Who’s angling for it: agency **180**. . . . Agency holding company **Interpublic Group (McCann-Erickson, Deutsch Inc.)** is preparing itself for any questions it may be getting from **Paul Singer** in the event his hedge fund **Elliott Management** starts asking tough questions (**TDR**, Sept. 29). In August, Elliott acquires a 6.7% stake in **IPG**, leading to talk that it would push for a purchase or merger of **IPG**. For now, however, **IPG** may not have anything to worry about. Reason: **Singer** is sitting tight. “There is no indication at all from (Singer) that he’s about to do something. He’s being quiet about it. The sense is that his people did this (the **IPG** purchase) and he’s not too much involved. (**IPG**) is really a small amount of money for him,” said one investment banking colleague of **Singer**’s. Added the source, “the impression is that his people didn’t do their homework well. They didn’t realize that the (**IPG**) value wasn’t there.” . . . Just asking: is **Advertising Week**, which was held in New York last week losing its luster? Attendees were underwhelmed. Said one, “the (organizers) did a great job of monetizing it, but you have to wonder if any of the panels were of any value. It was probably good for junior (ad) people, but for the mature advertising executive, there was lost interest.” Added another, “it was as if everyone was talking to one another. Topics were funneled back six or eight times. Data, storytelling, engagement. Each panel reverting back to the same themes. You knew nobody was going to throw a thunderbolt.” . . . Who needs a big account win: **Goodby Silverstein & Partners**, owned by holding company **Omnicom Group**. **GS&P** is being outdistanced on the account win front by **Omnicom**’s other agencies – **BBDO, TBWA** and **DDB**.

Publishing. . .

2015 is still a ways off for publishers to say how the new year will play out (the monthlies’ March issues will be a better indicator than the traditionally slow Jan./Feb. periods). But there are early signs of optimism. “For luxury (advertisers), the U.S. remains the pillar for the world given the instability that’s going on in parts of Asia. The European marketers still see the U.S. as the best place to put their (ad) money,” one publishing executive said. The rest of this year remains challenging. “It’s hard navigating now because you have to be quick to make changes. The rules with advertisers are continuing to change constantly and there is less (ad) money available. You can’t take anything for granted because you might get a call at the last minute from an advertiser that says it’s pulling its schedule. P&Ls are being reexamined at any given moment,” said a publisher. . . . Where resumes are starting to fly: **Fairchild Publications** (*Women’s Wear Daily*, etc.) after its recent acquisition by Los Angeles’ **Penske Media**. **PM** paid **Conde Nast** some \$100 million for **FP**. “(FP) people are running for the exits. It’s the change of culture. They were used to being taken care of a certain way at **Conde Nast** (lots of perks) and that has changed,” one **FP** source said. What will get attention: **WWD**, the daily newspaper for the fashion/retail industry. What **PM** will probably do: follow the model it built for its Hollywood daily *Variety*. **PM** cuts *Variety*’s frequency to a weekly and builds up its digital product. “If you’re outside of New York, you may not get the daily (**WWD**) edition until two days later, but you can find out (online) what’s going on moment-to-moment,” said a publishing source. . . . **Sabine Feldmann** is out as associate publisher at **Conde Nast**’s *Glamour* magazine. **Feldmann** was *Glamour* publisher **Connie Ann Phillips**’ first big hire. “It’s tough being a No. 2 under (Phillips),” a source said.

At Deadline. . .

Online music-streaming service **Spotify** is out searching for a chief marketing officer. . . . Management churn in the marketing ranks is hitting the hotel operator **Hilton Worldwide** (**Hilton, Doubletree, Embassy, Hampton Inn**, etc.).

Follow Us On Twitter At [Twitter.com/Delaney Report](https://twitter.com/DelaneyReport)