

THE HARMELIN MEDIA REPORT

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Advertising in This Economy by Lamarr Cole

Economic downturn, soft economy, recession - whatever you want to call it - these are challenging times. Consumers are watching their wallets closely and advertisers have to work harder to pry those wallets open. Companies are going into survival mode and in the midst of financial uncertainty it may be difficult to remember why they started doing certain things, including advertising, in the first place. When businesses are watching every penny, the question is often asked, "Can this expense be justified?" Cutting dollars set aside for advertising and marketing when budgets are tight may seem like an easy solution. In reality, cutting back on advertising in the short-term to save dollars may prove damaging in the long run - especially if your competition continues to actively engage and communicate to consumers while you do not.

Many industry veterans will tell you that this isn't the first time that marketers and the media have had to deal with the challenges of a soft economy. However, this is my first experience as a media professional working in a recessionary market - and it probably won't be my last one. There are many case studies, some dating back decades, about companies who maintained or increased their advertising budgets in response to economic downturns and were better off for doing so.

There's the classic story of Kellogg's and Post. In 1933, during the depths of the Great Depression, the leading cereal maker in the United States was C.W. Post. Post decided to cut its advertising due to the soft economy. One of Post's competitors was a Michigan company owned mainly by a fellow named W.K. Kellogg. The story goes that Mr. Kellogg was approached by his ad agency and asked about the upcoming year's budget. Kellogg doubled his network radio budget that year and kept his advertising up throughout the rest of the depression and through the Second World War years. When the war ended,

Kellogg's profits had increased 30% per year and the company was the #1 cereal maker in the world - and it still is.

More recently, during the 1989-91 recessionary period, Jif peanut butter and Kraft salad dressing increased their adver-

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Localism & Broadcasting by Loretta Atkinson

In June 2003, the FCC completed the most comprehensive review of its broadcast ownership rules in history and two months later, then- FCC Chairman Michael Powell launched a "localism and broadcasting" initiative.



This initiative's main components were twofold. First, they created a Localism Task Force (LTF), stepping up efforts to facilitate licensing of low power FM stations for highly local services (educational and non-commercial). Second, they started a formal proceeding through a Notice of Inquiry (NOI) on broadcasting and localism that, working in tandem with the LTF, would seek comment on whether current FCC policies and rules designed to promote localism do, in fact, satisfy their intended purpose, or instead should be changed or supplemented.

The LTF would conduct studies to determine the nature and extent of "local" service being provided by broadcasters, organize public hearings on the topic around the country, make recommendations to the commission on how to best promote localism, and advise the commission on how Congress might change the relevant laws to enhance localism.

How would the public participate in this effort? Primarily by examining broadcasters' public files, attending public hearings, and filing comments with the LTF at www.fcc.gov/localism.

In February 2009, new FCC Chairman Jonathan Edelhoff made several

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What Goes Around . . .

by Dana Augustine

Arthur C. Nielsen, an electrical engineer fresh out of college, began his career in the 1920's testing electrical equipment efficiency. One day a pharmaceutical client mused that even more than efficiencies on the production line, the industry really needed information on the consumer end – distribution and product turnover data. This conversation led Nielsen to develop a consumer survey that checked inventory levels in a panel of supermarkets. By the late 1930's, The A.C. Nielsen Company was fast becoming the largest marketing research company in the world.

Nielsen was intrigued by another engineer's invention - a meter that could be attached to a radio and keep an accurate measurement of radio listenership. Nielsen purchased the 'Audimeter' and in 1942, the Nielsen Radio Index started. Nielsen was able to incorporate household product purchases into the radio listening sample. Nielsen technicians would visit the sample homes and inventory the pantries. They would keep track of the products purchased and used. Advertisers could correlate the movement of their packaged goods to their radio advertising. This was over 65 years ago! Marketers had a tool for measuring advertising effectiveness that would be the envy of today's number-crunching, metrics-driven, ROI-talking advertisers.

Then in the 1950's, Nielsen jumped into television audience measurement. By 1964, Nielsen had abandoned radio audience research.

Ironically, today's only radio syndicated audience researcher, Arbitron, started in 1949 measuring the Washington, D.C. television market. Arbitron expanded into radio. For almost two decades, advertisers had the benefit of Arbitron-Nielsen competition for radio measurement and for almost four decades, until the early 1990's, competition for TV.

Now, Nielsen is back into radio. Last fall, the company announced that it was going to measure radio in 50 small-to mid-size U.S. markets. Cumulus Media and Clear Channel signed on to subscribe to these ratings. Competition will soon return to radio audience measurement – at least in those 50 markets.

While Arbitron has rolled out its PPM (Portable People Meter) in the top radio markets and Nielsen has rolled out its LPM (Local People Meter) in the top television markets, can we expect these competitors to introduce meters in these 50 radio markets? Sorry, no. These are current Arbitron diary markets and Nielsen, as their website states, "will use a proven and easy to use/easy to edit 'sticker diary' that has improved the quality of radio measurement data around the world." Hmmm. Why didn't Nielsen just use the sticker diary instead of the LPM?

Nielsen's stated goal is to improve radio measurement accuracy, which Harmelin Media salutes. Nielsen says that it will increase the sample size in these fifty markets and over-sample the traditionally hard-to-comply-with diary demographics. Nielsen plans to introduce an 'e-diary' next year to encourage younger audiences to maintain their diary entries with an online version. But isn't a diary supposed to be carried at all times so the respondent can accurately record what station he's listening to all



The Audimeter Circa 1942

the time? Unless he's carrying his laptop around constantly, how is this e-diary going to be more accurate than a paper or sticker diary?

It's great to have competition. We just wish Nielsen and Arbitron could have squared off in a meter market, with competing metered radio audience measurements. Diaries? Why not dust off the old Audimeter!

Retail Update

by Pam Gulotta

The new trend in retail is not a trend at all.

This February, most discount stores recorded their first monthly gain in retail sales since last September. On the flip side, luxury retailers, mid-priced department stores, and clothing chains are still struggling to attract shoppers. Certain upscale department stores have recorded 20%+ sales declines in the last nine months. But in many cases sales were down less than analysts had expected. This could be attributed to nicer February weather, which sparked spring apparel sales. This also raised hopes that troubled businesses are starting to stabilize.

Shoppers began spending more on groceries, appliances and cookware in efforts to cut back on eating out at restaurants, say retailers. Food sales, which account for about 40% of most discount stores' revenue, also contributed to better-than-expected results at membership clubs and other discount chains.

Another possible reason for the February increase could be lower gasoline prices. This helps Americans get out of the house and puts more cash in their pockets. This also increases the number of visits to discount stores. According to *The Wall Street Journal*, the cut in gasoline prices gave consumers \$14 billion more to spend elsewhere in February than they had a year ago. Moody's estimates that if oil stays below \$50 a barrel for the year, America's overall energy costs will be \$250 billion less than last year.

Vice Chairman of Sam's Club,

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Eduardo Castro-Wright told *The Wall Street Journal*, "We believe falling gas prices significantly boosted household disposable income in February and therefore allowed for both more trips and more spending towards discretionary categories."

Wal-Mart's size alone helped push industry sales up 0.7%, according to a Retail Metrics Index of 33 such retailers. BJ's Wholesale Club also reported sharp gains and posted an 11.5% sales gain, according to *The Wall Street Journal*.

Sales at discount stores overall rose 2.9% in February compared with a 1% increase in January 2009, according to the Thomson Reuters Index of 31 top retailers. Department stores sales fell 9%, apparel retailers dropped 5.6%, and teen and children's retailers fell 8.1%, less than the double-digit declines they racked up in January.

Such stores are aware that one month does not make a trend and the economic times are still gloomy. And in March, this proved true. The Commerce Department recorded that retail sales in March fell 1.1% from February. Growing joblessness and difficulties in getting consumer credit continue to weigh on the economy. Consumer confidence also continues at record lows. Many retailers are remaining cautious.

Some analysts suspect that the late Easter holiday this year may also have skewed some sales lower. Others noted that the March drop was a natural correction after stronger sales in February.

Despite the March retail sales figures, economists still expect total consumer spending to post an increase in the first quarter. Let's hope that it's a sign that the economy is starting to rise from its bottom.

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tising and experienced sales growth of 57% and 70% respectively. Also during that time, most of the beer industry cut back on advertising, but Coors Light and Bud Light increased their spending and saw sales jump 15%-17%. Pizza Hut and Taco Bell increased ad budgets during the same time period and saw increases of 40%-60%. Consequently, McDonalds, who reduced its ad budget, saw sales declines of roughly 28%. Coincidence? There are similar case studies from the recessions of 1949, 1954, 1958, and 1961. There's something to be said for keeping a message in the marketplace during tough times. Like buying equity shares when the stock market is at recessionary lows, advertising during soft times can be an opportunity for a big payoff.

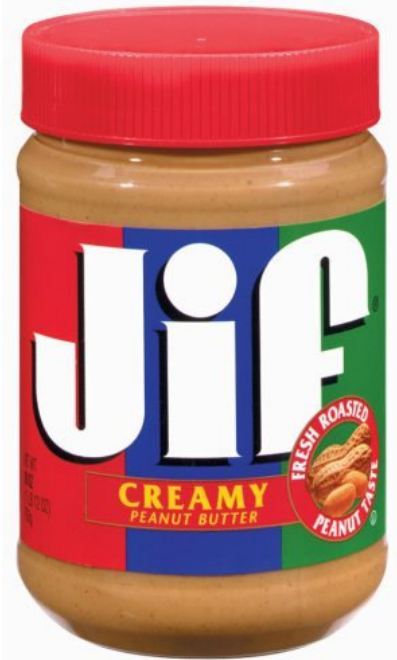
Every company's situation is unique – what works for one may not work for another, but it's important for advertisers to consider that now may be an opportunity for growth and a chance to gain a competitive advantage over

those who choose not to advertise. Increasing advertising increases share of voice. When competitors cut back, the voices of remaining advertisers are stronger and advertising dollars go further. Now is definitely the time to re-evaluate advertising budgets, not necessarily in an effort to reduce them, but rather to seek out ways to be more strategic and relevant in a market that is a little different than usual.

Many companies that have chosen to continue advertising have adjusted their messages to speak to the concerns of consumers right now. Wal-Mart, for instance, went back to focusing on everyday low prices with the slogan "Save Money, Live Better" and saw growth early last year. Several automakers have gone to market with reassuring messages about refunds or help with car payments should a car buyer lose his job after he buys a new automobile.

It's important to remain top-of-mind to consumers in good times AND tough times. Advertisers with the dollars to reach out to consumers right now should do so. It may be a little harder than usual to get people to buy, but giving them rational reasons – reasons that make sense and show a company's advantage over the competition – will go a long way in not only weathering the current economic storm but will leave a brand or product in a much more desirable position when the economy turns around. The economy is challenging right now, to say the least,

but it's important to remember that this too shall pass and that advertising is a long-term investment. Now, probably more so than any other, is the time for advertisers to go for it.



(Continued from page 1) **Localism**

proposals to require stations to better serve their local communities. Clear Channel, the country's largest radio group with over 1200 stations, jumped the gun and announced it would expand its "local community affairs policy" right away.



Clear Channel

Clear Channel's expansion includes an increase in charitable partnerships, an increase in how many public service announcements are aired, 24-hour access to station management for local officials, more local public-affairs programming and, finally, local advisory boards in all markets. Among other changes, Clear Channel stations will provide 12 minutes of PSAs daily for a total of 84 minutes per week. They will also select national causes to receive quarterly company-wide support as well as place public affairs programs in better-rated time periods.

What does all this mean? For one thing, it means that organizations who depend heavily upon stations for public service announcements for their advertising, may get better distribution of their messages than in the past, at least for now, on Clear Channel stations.

Will other radio and TV stations follow suit? Probably. Compliance with FCC regulations and public interest obligations are essential to obtain station license renewals. Additionally, stations may want to participate more fully in the country's effort to reach out to the underserved beyond what has been done the past.

On the other hand, the localism issue is a controversial one with stations lining up on both sides of the fence on certain issues. Some are concerned about programming content and integrity while others, by virtue of their formats, do not share that same concern. If higher-rated time slots are filled occasionally with public affairs programming, will those higher ratings be sustainable? Will it be a difficult proposition for stations to maintain their ratings in order to turn a profit which, let's remember, is what business is all about? Stations' use of the public air waves and being good stewards to the public must be reconciled with their need to stay in business and make a profit.

While I believe that most, if not all stations, want to help those groups who need the power of no-charge spots and special program time on the broadcast media to publicize their messages, it will be interesting to see how this all plays out in coming months.

In the meantime, Clear Channel has stepped up to the FCC plate with opportunities to those organizations who need public service announcements to deliver their message to the public — both spot and programming. Cynics may say that the recession and big declines in radio advertising may play a bigger part than any government initiative. Nevertheless, this initiative is good news for the pro-bono clients we donate our time and energy to help.

Harmelin Media Welcomes Panzano & Partners

Panzano & Partners has tapped Harmelin Media as its media agency of record. The account includes a wide customer base including 85 regional shopping malls in the U.S., Canada and Europe.

"Panzano & Partners subscribes to the same philosophy that has allowed Harmelin to enjoy 25 years of steady growth," said Harmelin's president Mary Meder. "We are both grounded in customer service, building a trust that has led to long-term relationships with our clients, our vendors and our employees. We look forward to a long successful relationship with Panzano & Partners and thank them for this opportunity."

"At Panzano & Partners, we understand that people are at the heart of everything we do - from our clients and partners to our employees," said Michael B. Panzano, president of Panzano & Partners. "In Harmelin Media we have found a partner that shares our commitment and compliments our offerings."

Panzano & Partners are Experiential Destination and Experiential Branding specialists. For more than 37 years they have been in the business of helping real estate developers brand destinations that offer unique experiences designed for a mass audience. Clients include upscale shopping centers, hotels and resorts, transportation retail centers such as airports and train stations, tourism destinations, stadiums and arenas. Their passion has also taken them abroad to places like Japan, Morocco, Uruguay, Norway, Germany, Canada and most recently, Russia.

Visit the Panzano & Partners website at www.p2site.com.

Around the Harmelin Water Cooler

This Month's Questions:

As the primetime season comes to an end, which veteran programs are better than last year?

24 (FOX)	26%
Lost (ABC)	23%
30 Rock (NBC)	14%



What shows have slipped?

Grey's Anatomy (ABC)	38%
Heroes (NBC)	35%
Lost (ABC)	20%

Have you stopped watching any of your former 'must see' programs this season?

Heroes (NBC)	27%
Grey's Anatomy (ABC)	23%
Desperate Housewives (ABC)	12%