

The Top 4 Reasons...

Advertising and Marketing Efforts Are Failing Today

HALO Branded Solutions

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A Look at Advertising and Promotional Marketing Trends –

Even the savviest executives need to understand the complex issues causing advertising and marketing campaigns to fail today.

- Consumer spending is decreasing, and the savings rate of American households is increasing, brands are failing faster than ever. Annually more than 156,000 products debuted in stores globally – 75% of these failed. Success or failure of a brand introduction is now determined in just 12 to 18 months.
- In an effort to compensate for the drop in consumer spending businesses are increasing their advertising expenditures. The amount of money spent on advertising each year may have increased, but the number of customers gained has not.
- What does all of this mean for the marketing budget? The message that doesn't get through is a waste of time and money.
- As John Wanamaker put it in his age old adage,
"I know half my advertising is wasted; the trouble is I don't know which half"
- The total wasted advertising dollars annually is over **\$167,767,000,000**.
- It used to be easy to reach a target... In 1965, 80% of 18-49 year-olds in the US could be reached with only three 60-second TV spots. To achieve the same result today, it takes 117 prime-time commercials.
- In 1970, the average person was exposed to about 500 advertisements each day. In the early 1990s, it was 5,000. Today people are exposed to close to 30,000.
- In 1965, consumers recalled 34% of commercials they had seen. In 1990 that number had dropped to 8%, and by 2007 consumers could barely name 2 commercials that they had seen in a given day.
- Companies are under increased pressure to connect with their target market. Most industries today face more competition than ever making it harder to keep market share and things like clutter and consumer apathy create a critical barrier. Wasted advertising dollars mean that it costs much more to reach each individual.

Let's take a deeper dive... and explore the reasons marketing and advertising efforts are failing

Reason #1

Not Knowing How To Reach a Target Market

Advertisements can change the way individual's view products, For example, businesses are always trying to find ways to connect with women since they make 85% of all brand purchases. However, nearly 60% of all women will perceive an advertised product negatively, if it clutters their web viewing.

Even the most subtle techniques are seen. Nearly 2/3 of consumers believe advertisers should not be able to use online tracking to match advertisements to their website usage or interests and 2/3 also view this practice as an invasion of privacy. Their disapproval is directed at the companies using this advertising method.

Ad agencies don't always get it right... Choosing the wrong partner can be costly. Palm, Inc. worked with its long standing ad agency Modernista to promote their new line of smart phones, Palm invested \$35 Million in marketing the new phones but in the end reported a net loss of \$22 Million.

Reason #2

Paying More For Less ROI

In 1980, businesses collectively spent \$53.5 Billion on advertising, and in 2007, that increased to more than \$279 Billion. Businesses are spending more and more for advertisements that are less effective.

Let's say a company hired a specialist to generate leads through E-mail advertising. The cost of 100 leads would be \$8,385. Now, let's look at the actual conversion rate of those 100 leads. 2 people bought the product/service which means it cost \$4,192.50 to acquire each new client. Was it worth it?

Experts have discovered there are two main sources for the majority of wasted advertising. Advertising the wrong message accounts for \$30 Billion annually, and having the wrong timing accounts for an additional \$20 Billion.

Reason #3

Ineffective Brand Strategy

Industry experts have identified the top three branding mistakes as follows: Inconsistent Corporate Identity, Poor Visuals, and Lack of Brand Controls.

When trying to manage a brand, companies often focus more on *their* intentions for the brand without adopting the consumer's viewpoint.

For example: Cadbury spent over \$32 Million rolling out a new campaign with the intention of promoting the rich smooth qualities of their chocolate bars. Customers came into contact with huge stacks of candy bars in the stores. The Cadbury logo was emblazoned everywhere and customers bought candy bars at 2 for 1 pricing during the promotion.

Rather than receive the message that the chocolate bars were uniquely smooth and rich, customers viewed the product as a mere commodity. Although there was a huge surge in

demand during the promotion, there was a sudden drop once the promotion ended. The message did not get through!

Many companies confuse their audience by using different logos and taglines. Constant change leaves people unsure of who they are dealing with and what type of service they will receive.

No branding control is costly and irresponsible! By allowing every department to make branding decisions you jeopardize the integrity of your brand and create additional expense for the company. The choices made by unqualified buyers may be putting your company at risk.

Brand Managers need to govern the use of your logo and advertising messages and approve all purchases in order to: ensure branding success, maintain brand integrity and minimize the risk for the company.

Reason #4

Public Relations Disasters

The number of incidents reported to the Consumer Products Safety Commission has been increasing at a rapid rate. Despite the risk of litigations and bad PR, companies continue to source their promotional product needs to overseas third party vendors they know little about.

Consumer safety incidents that involve promotional products can lead to a lack of trust from clients as well as litigation. The following examples show companies that thought their promotional advertising campaigns were on track.

- The California State Health Department gave away promotional lunch boxes in a campaign to promote healthy eating. The lunch boxes were found to contain high levels of lead. This prompted an embarrassing recall of nearly 300,000 lunch boxes.
- In a promotion for the movie *Shrek Forever After*, McDonald's sold collectible glasses for \$2 each. They were forced to recall and refund 12 Million glasses. The glasses contained cadmium, a poisonous metal that can cause kidney and liver failure.
- Nissan recalled nearly 87,000 coffee mugs that it had given to customers in Japan as part of a promotion. The mugs contained lead-laced paint that exceeded the legal limits by 30 %. Nissan did not even know the identity of the manufacturer in China.
- As a promotion Reebok gave a charm bracelet with the purchase of every pair of children's shoes. Sadly, a child swallowed part of a bracelet and later died of lead poisoning. Reebok settled with the family of the child for an undisclosed amount and had to recall 500,000 bracelets.

According to US health officials the bracelets were 99% lead. Reebok said they were manufactured by a contractor in China, and they did not know how the bracelets reached the market with such high risk levels.

There are a number of reasons why public relations disasters occur in promotional advertising, but topping the list are these 7 reasons:

1. Focusing on the promotion and not on the consumer relationship
2. Cutting cost in the wrong places
3. Not building safety management into contracts
4. Using multiple disjointed vendors
5. Not knowing the supplier
6. Using Vendors that don't know their suppliers
7. Purchasing items online and not investigating their overseas manufacturers

Even financially capable companies that have the resources to manage things properly, often don't

The result of these challenges...

- **Businesses are not connecting with their targets**
- **Billions of dollars are being wasted**
- **Brands are being forgotten**
- **Liabilities are ruining brand reputations**
- **Businesses need to rethink their strategies before it's too late**