

## Latest Thinking in Effective Advertising — The Best Return on Investment You Will Get

Today, ladies and gentlemen, rather than talk about brand management, I would like to talk a little on change management.

I'll let you in on a secret. Today every agency network in the world is desperately looking for that new process that will allow them to keep pace with the rate of change around them, reach and inspire consumers in today's message-saturated world, and command deserved fee premiums from happy clients.

Now I don't want to give you all indigestion, but when I look for the latest thinking, innovation is pretty thin on the ground.

"If you look at organisational change in the US, ad agencies vs. the rest of corporate America, it is like one is standing still and the other is running at 100 miles per hour. Agencies have not changed in 50 years."

That's a quote from the top - Peter Kim, Vice Chairman of McCann Erickson Worldwide.

Ads still get written by a writer and an art director. Awards get handed out at Cannes each year. Campaign strategy gets done by the planners, media gets bought by the media guys, and the suits still try and keep the client happy.

Jack Welch said, "When the rate of change inside an industry becomes slower than the rate of change outside, the end is in sight. The only question is when." This statement is very relevant to our industry.

The advertising industry is being challenged on all fronts. Innovation and change is at the core of this change. In the fast moving packaged goods market place, if you are devoid of innovation and differentiation you end up in parity land where the buyer sets the price. It's a law of basic economics. So what to do?

My company has a very different approach to solving the marketing problem of a business. One that I would like to share with you.

First, however, I would like to set the context of how I believe effective advertising works today.

Speech delivered by Paul Roberts  
Desire

Symposium on ROI, Sydney & Melbourne, June 2004

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Using a rigorous methodology, a recent Deutsche Bank USA study showed that most American TV ads do not payback their cost. In this study of 23 household, personal care, food and beverage brands, only 18% generated a positive return on their advertising investment. The other 72% lost money.

Why would you run ads that return only one cent for every dollar spent? Good question.

Hold on, I can hear you thinking; maybe this occurred because the ads for Coors, Heinz and co weren't creative.

So how is it then, as recorded in a recent study by authority Al Ries, Budweiser, probably the most heavily advertised beer brand in the world over the last decade with a best of breed Cannes winning-campaign, had sales go backwards?

That's right - Bud's market share has declined 13 years in a row.

Over the last decade, the milk moustache campaign has also won much industry acclaim for consistent creative advertising. Again, best practice stuff. But milk consumption per capita in the US has declined every year for the last 30 years.

Now contrast the story of coffee. Consumption of coffee, like milk, was going down per capita every year. That is until Starbucks came on the scene, and with no advertising built a powerful brand and single-handedly saw overall coffee category consumption in the US go *up*. Not down, but up. How does one explain this?

We now live in a world where a brand can be on everyone's lips – and even a market leader - without advertising. I know of people who used to drive from Sydney's leafy lower north shore to Penrith to buy a box of what the Sydney Morning Herald has called 'the donut that shall have no name'. A brand, ladies and gentlemen, that opened a retail store around the corner from my office on York Street in Sydney the other day. It wasn't hard to spot: it was the store with the queue stretching around the corner while they were still installing the last fittings. And you won't remember any ads, because there weren't any - there never have been.

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What kind of fashion brand refuses to advertise, or loan clothes to magazines and celebrities? A brand soon to open here a long way from its origins in La Coruña in northwest Spain.

Zara is arguably the hottest mainstream fashion label in the world today, and has shaken up the industry with its profitable formula of fast fashion that is both moderately priced and stylish. With 200 designers on hand to copy the latest fashion trends, Zara supplies new stock to its 568 stores worldwide twice a month, rather than once a season, by manufacturing up to 11,000 new products a year rather than just a few hundred.

Mind you, if you think back, there have always been those breakthrough products where innovation was so strong that they literally got their start by word of mouth. For example, the Scottish chemist who at the end of the American Civil War decided to make a functional beverage for patients with post-traumatic stress syndrome by mixing caffeine and cocaine, giving new meaning to the phrase 'the real thing'.

Again, I need not say the name.

Big brands are looking to innovation to make their ads newsworthy again. Vanilla diet coke, coke with lime, a global positioning can. Even Macca's is changing the rules. Salads? Healthy breakfasts? What's next, Asian Stir Fries?

In 1954, advertising was the most cost effective way to build a brand. Today, a brand has to be innovative, relevant and different long before you can even start to advertise it. No amount of 'supersize me' ads will make someone eat something that they do not want. Just like milk and coffee, why waste all the cleverness on the advertising if there is no cleverness in the offer?

One famous quote from an anonymous MD sums up our industry's 'just add water' approach to problem solving. When confronted by a brand that was losing value, his response was to 'throw some money at it'.

Now Mr MD, I'd suggest that's the last thing you should do (though it's terribly tempting when you're the agency and the bottom line's looking wobbly). Instead, why not say that the brand offer and positioning needs to be right before you advertise?

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Back to the Deutsche Bank ROI study. “Newer brands or brands with substantially new products ran counter to the trends, getting positive ROIs.” Herein lies a clue.

The most innovative brands also make the most interesting ads.

Gone are the days when you could rely on clever advertising alone to save the day. Furthermore, I would argue that innovation has a more powerful effect when applied to the product offer than just in the advertising. Perhaps rather than focussing solely on ads we should be channelling our combined creative talents into a new model of invention as well. One where the creative firepower goes into both the offer *and* the ads.

I would like you to close your eyes and imagine for a minute. Imagine we turned the creation process on its end. Rather than getting all our best creative and strategic minds to make ads, imagine what would happen if we had them invent bold new solutions to whole new categories; And along the way, maybe even work out how to reinvent milk, the way Starbucks did for coffee.

Rather than starting with the planning of ads or communications, our agency model is to take a holistic approach to the use of creativity. We begin with the consumer and what we call the ‘needstate’. We start with a blank piece of paper and work from there, creating new brands, new positionings, new communications, and sometimes all of the above... holistically.

The old, outdated model was one of have product, need ad to sell to consumer. The new one is decipher needstate, then create product/brand/offer idea that meets needstate.

Remember these are laws, not theories. Laws that have been documented by many reputable business schools. Every new mainstream category launch that has gone from 0% to 99.9% penetration — e.g. flexi tellers, mobile phones, videos and PCs — have all faithfully followed the law of the S Curve.

Today, penetration starts with the tribal leaders. They’re low in number but high in influence. Here, advertising is wasted. Tell them what to think and they’ll up and run a mile. Once you’ve tagged the tribal leaders, however, more influencers join in; the early adopters, pioneers... that small trickle quickly becomes a torrent

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and your brand is suddenly moving towards the mainstream to what Gladwell dubbed 'The Tipping Point', where the mass market starts to take notice. There is no point trying to fight this law. Advertising is best once the brand has taken hold, not the other way around.

Today reinvention is the mother of necessity. We need a new paradigm of innovation and ROI in our industry, and some truth about what ads alone can and should be doing, and what they cannot. We need to adopt a new best practice model of creativity.

Innovation is what separates the winners from losers. Companies need to find a practical way to access this innovation. As the textbook says, "differentiate or die".

But just because a brand started its life loaded with innovation and differentiation doesn't guarantee it will stay that way. Last week we read of the hard times at Mambo. Young people no longer see the brand as hip. What to do? 1950's wisdom would say a new ad campaign could make the brand desirable again. Today I would suggest this is not the solution. Ideally the brand should be reinvented from scratch, starting with identifying the consumer's emerging desires, then recreating the product, the stores, the sales story and all the marketing around that.

And don't look to focus groups to tell you what to do — today your consumers don't know what is possible. As Henry Ford said, if he asked consumers what they wanted, they would have said a faster horse.

The art of innovation is a visionary process, not something that can be gleaned in a focus group. No focus group could have told Steve Jobs they wanted him to forget about computers and instead create a music system that could put 10,000 songs in your pocket. Reinventions like this are a creative process, best done by a new kind of creative team. Enter the iPod, yet another market leader with so much innovation it got off the ground without advertising.

We need a new, creative way of looking at brands, consumers and solutions. Some say why; why not say, why not! Rather than limit our creation ability to advertising, why not go holistic? Why not reinvent functional foods, functional beverages, budget airlines or innovative charismatic banks? Why not new and improved milk? Why not an all-new Mambo?

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The more a category or brand remains unchanged and undifferentiated, the bigger the opportunity is to change the rules, reinvent the possibilities and delight consumers - and *then* produce amazing advertising. This is our unique wholistic approach.

Success of this logic is all around us. Lollies were lollies until someone dared to think different. Now Chupa Chups are the world's biggest and most profitable sweet.

Who says beer has to look like beer? Starbucks didn't with coffee. We all know that Jim Beam and Cola in cans has had a big impact on beer sales to young males. So why not reinvent beer? What about beer with a twist of RTD? Think Guinness with the widget, or an RTD with a twist of beer? Think Smirnoff Ice.

Financial services is another area ripe for reinvention. Banks sit in a bad place: low in esteem and low in differentiation. Why focus on making ads that do nothing to change this position? I say, change your bank! Give people what they want! A bank that doesn't sound like a bank, perhaps. One without branches and costs, its business solely conducted on the Net so costs can be lower and services better.

To sum up, the key to the most effective advertising is having an innovative story to tell. Rather than just work on the ads, we work holistically on optimising the offer as well. And as far as I am aware we are the only creative company I know who does this.

Marketers need to be continually innovative and constantly adapting in order to prosper. The smart company today is an evolving company: smart in its ability to change, smart in its abilities to innovate and smart in the way it deals with both its customers and its employees.

Innovation is the new creative currency. A category shaking idea is one that is new, surprising and powerful. But good ideas do not fall out of trees or get dug out of the ground. They need to be created, and the process of creation is one that is the driving force in the new global economy.

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At Desire we have a powerful and very unique creation process. It is called Alchemy because it turns base metals into branding gold. We take as many as 40 of our client's people at a time - everyone from CEOs, salespeople, R&D departments and engineers to marketers and managers - and partner them with our own team of brand creation creatives. Here we dream up new possibilities before we start creating advertising.

The Alchemy process is conducted over two days. It is a highly structured system; part research, part science, part creative, and always results focused. Its deliverables are the next generation of ideas that reinvent categories and deliver highly compelling new brands, new products, new stores, new positioning, even new businesses. We have conducted more than 50 of them over the last 5 years. It's the ultimate in reinvention and a marketer's secret weapon, tailored to the task at hand.

Rather than using words to explain this process, I've brought along a map. It's a map of the territory we've been working in for the last ten years. It's unknown to the majority of people here because a good part of it starts upstream of advertising. Hidden and quite often highly confidential, it's a haven for clients who want to keep it that way. It's a territory hardly mapped, and many developers have only recently realised its potential. It's the country of brand reinvention, where highly trained people go about creating brands, rejuvenating brands, igniting brands... even protecting brands.

To explain, we start down here, where we all want to end up, with a successful brand that's been accepted by the mainstream. Desired by many, being sustained by Oceans of Advertising, feeding the Sea of Consumers during its natural life until it becomes irrelevant, or in dying need of rejuvenation.

But to know how we got there we need to trace back to the source, upstream of advertising, up beyond the Mountains of Research (because the consumer no longer knows what is possible), way up beyond the Plateaus of Strategic Campaign Planning and up past the Grand Canyon of Convention; even up beyond the S Curve of Adoption.

All the way up to the high ground, where category conventions can be washed away and new imaginings start as pure as virgin snow.

It is here that we dream up new possibilities. We reinvent categories and give

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new and existing products and brands the maximum amount of relevance, innovation and differentiation, so that consumers find them irresistible. When the time comes for advertising it is the most effective kind of advertising, with the highest rate of return.

Why save all the creativity for the downstream stuff when it should be applied to the high ground as well?

If this sounds all too obvious, may I add that the difference is we've been doing this Holistic approach to creation and communication with success for ten years, across many consumer categories. It's taken us this long to perfect the Alchemy process and put together our unique multi-skilled creative teams.

It is a model that passes the ROI criteria, and the word is spreading that this is the latest thinking in delivering effective advertising.

It's here that I'll end, and maybe where you should start.

Thank you.

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