

# THE JOURNAL REPORT

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## THE MARKETING MAZE

By **BRIAN STEINBERG**

**A**T CEREAL MAKER Kellogg Co., marketing these days means a lot of experimenting.

To help sell Frosted Flakes, Kellogg offers a Web site where kids can send emails or make trading cards featuring Tony the Tiger. On another site, the company offers behind-the-scenes clips of "American Idol" stars on tour. Kellogg is in its fifth year as a sponsor of the tour.

Beyond the Internet, Kellogg has tried word-of-mouth campaigns, where the company taps loyal customers to tell others about new products, and in-store marketing. For example, to support a new flavor of Special K cereal, Kellogg placed promo-

*Reaching potential customers used to be simple: The choices were limited, and consumer behavior predictable. Now, how do you get your message through?*

tional stickers on grocery stores' coffee grinders.

What's happening at Kellogg is typical of the spaghetti-on-the-wall approach that defines marketing in this new-media world. Consumers have a lot more than a handful of TV channels to watch, and are a lot less patient about sitting through ads. So advertisers are trying to win back their attention with a grab bag of new strategies.

Companies are plowing money into the Internet, and finding creative ways to take advantage of the medium's strengths. For instance, they're targeting sales pitches to particular audience segments with unprecedented precision, and creating ads that don't look like ads, such as humorous Web sites that people pass along to their friends.

Advertisers are also following their audience away from the TV screen and computer monitor, creating public displays that seem to be part of the scenery instead of an obtrusive sales pitch. They're even trying to grab customers in the aisles, placing ads on the shelves of supermarkets.

"Our landscape is clearly changing at a rapid pace," says Andy Jung, Kellogg's senior director of advertising and media.

Please Turn to Page R4, Column 1



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# The Marketing Maze

Continued From Page R1

"Advertisers and agencies must both assess the viability of the myriad of new communications options available, as well as their near-term and long-term scalability."

Behind all this experimentation is a rapidly changing media landscape. A world dominated by three TV networks is a relic of a simpler age. Now, marketers have to contend with a vast array of entertainment options, from hundreds of TV channels to video-on-demand services, videogames and the Internet. Even when some people watch TV, they often skip ads with the help of digital video recorders.

"Trying to break through with consumers is definitely tougher and it's definitely a challenge," says Cie Nicholson, senior vice president and chief marketing officer of PepsiCo Inc.'s Pepsi-Cola North America division.

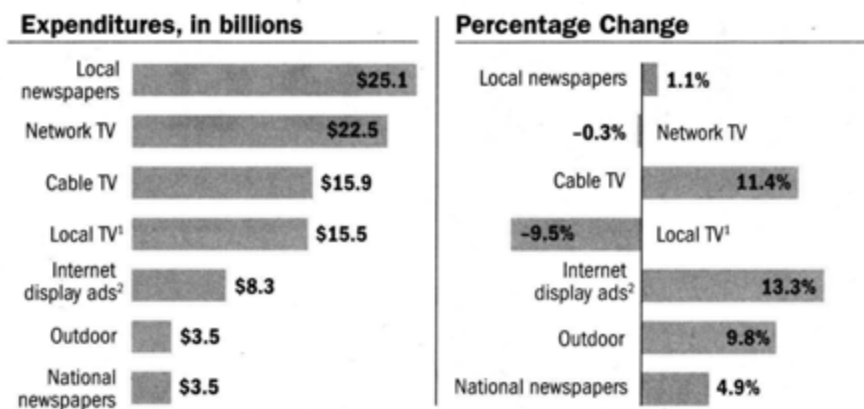
## No More Yelling

Complicating matters is that people have become inured to hard-sell marketing after years of messages blasting out of the TV screen. "People are just tired of being yelled at," says James Hering, executive vice president and director of integrated marketing at TM Advertising, a Dallas ad firm that's part of **Interpublic Group** of Cos. "There are just thousands of messages being pelted at us, and consumers are proactively filtering it. We're putting up mental blinders to get this

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## Adding It Up

Advertising expenditures for 2005 in selected media in the U.S. (in billions), and the percentage change from the previous year



<sup>1</sup> Does not include Hispanic local TV

<sup>2</sup> Does not include paid search advertising

Source: TNS Media Intelligence

stuff out of our heads."

All of which makes life a lot more complicated for advertisers. The good news is that these new media choices mean new ways for companies to spread their message. Consider the possibilities the Internet offers. Companies can place video ads before online news clips, and viewers can't skip them as they do regular commercials. Advertisers can also use the Internet to market in a much more targeted way than in traditional media. Car companies, for example, can have their ads appear on search engines when people are hunting for information about buying autos.

On the other hand, the Web has made it easier for companies to create buzz about a product without using tradi-

tional sales pitches. Companies can create an attention-getting Web site and tell people about it by email—relying on word of mouth to bring in more viewers.

Recently, for instance, **Phillips Electronics NV's Philips Norelco** created a site for its Bodygroom shaver, featuring a humorous video of a man in a bathrobe telling men how the shaver could help groom intimate areas. Staffers at Philips Norelco's ad agency sent out emails to friends telling them about the site—and word of mouth built the viewership numbers. As of late June, the site had brought in 1.3 million unique visitors, and Philips says sales of the product are six times higher than expectations for the period.

Advertisers are also turning Web logs

into a marketing forum. They're beginning to treat bloggers like regular media outlets, sending them press releases and trying to get them to write about their products. **Netflix Inc.** regularly monitors **HackingNetflix.com**, a blog about the DVD-rental service, and keeps in touch with the blogger, Mike Kaltschnee, making sure he's aware of news from the company. "They have treated me like a member of the traditional media," Mr. Kaltschnee says.

Advertisers are also tapping into the popularity of mobile devices such as **Apple Computer Inc.'s iPod** by buying ads on podcasts. **Time Warner Inc.'s HBO**, for instance, has run ads on podcasts offered by National Public Radio.

But not all the marketing innovation is happening on a computer screen. Advertisers are also experimenting with ways to reach people in public places. The logic: If people see an ad during a regular daily activity, such as walking to work, they'll be more likely to study it because it's part of the scene—not an unwanted message intruding on their entertainment. For instance, to get consumers interested in **Verizon Communications Inc.'s SuperPages.com**, an online yellow-pages directory, TM Advertising left a car in a parking lot covered in what appeared to be bird droppings. (They were fake.) As onlookers approached the automobile, says Mr. Hering, they'd see a sign, usually under the wiper blades, telling them how SuperPages might help them find a great local car wash.

Marketing now requires "trying to fuse yourself into life events," he says. This sort of marketing gets an advertiser "inside the head of the consumer."

Similarly, marketers are putting a lot more effort into promoting their products in grocery stores and other retail outlets, realizing that's where consumers make the final purchase decision. Kellogg, for instance, placed stickers on supermarket coffee grinders to pitch its new Special K

Vanilla Almond cereal, reasoning that shoppers who liked flavored coffees might like the flavored cereal.

The flow of ad dollars reflects these shifts by the ad industry. The Internet has emerged as one of the fastest-growing forums for advertising, with ad revenue growing 30% to \$12.5 billion last year, according to the Internet Advertising Bureau and PricewaterhouseCoopers. Outdoor advertising grew 9.8% to \$3.5 billion, TNS Media Intelligence estimates.

While TV is still the biggest single destination for ad spending—drawing around \$54 billion last year, according to TNS—network-television ad revenue fell 0.3% to \$22.5 billion. And growth in ad revenue at cable channels has slowed in recent years. Newspapers are also losing steam. Consumer magazines continue to grow, although mainly in narrowly targeted magazines such as lifestyle publications.

## Tracking and Juggling

In this new environment, advertisers must find new ways to measure results through each of these methods. "There is more and more clutter than ever before, and more and more channels to talk to our customers through than ever before, so...there is more science associated with it," says Gary Conway, vice president of corporate marketing for **Sprint Nextel Inc.**

Speaking as he prepared to attend a

meeting with the company's chief operating officer, Mr. Conway said he was planning to bring three books of "pretty cognitive, pretty scientific" information with him, including lots of market research about the company's ad campaigns and its brand perception.

In many cases, advertisers end up buying ads across a host of different media outlets, which makes designing a campaign more complex. As chairman of **Publicis Groupe SA's** media operations, Jack Klues supervises companies that help **Procter & Gamble Co.**, **Coca-Cola Co.** and **General Motors Corp.**, among others, figure out where their ads should run. When he started out on Madison Avenue in the late 1970s, he recalls, he was taught to look for forms of media that brought in lots of viewers—so-called boxcar audience numbers—and to use media "that was the most intrusive."

These days, Mr. Klues relies less on those lessons. Now, a marketing campaign's central idea or premise needs to extend to not only traditional outlets such as TV, print and radio, but also to the Web and mobile devices.

The broader mix means campaigns require a lot of oversight. Marketing efforts must be "keenly choreographed," says Mr. Conway of **Sprint Nextel**. "It's not just about flooding the market with messages. It is trying to use more of a rifle shot than a shotgun approach." ■

## MEASURING UP: A Journal Podcast

How is success being measured in the new world of marketing? Readers who want to learn more about the subject can go to the Online Journal, at **WSJ.com/Free**. In a new podcast, Journal reporter Brian Steinberg talks about how the rise of digital media is driving demand for more-accurate feed-

back on which marketing strategies are working and which aren't. Readers can download the podcast or listen online.

In the interview, Mr. Steinberg discusses what sorts of measures advertisers want and how the desire for better measurement is affecting the way advertising dollars are distributed.