The dominoes are falling

DOUG SACKS charts the effects of the credit crunch on the DM industry.

The USA DMA Annual Conference – in a laudable attempt to save money – has been experimenting with alternative venues in second tier cities.

So, we have trudged like conquistadors through the muggy swamps of Orlando and a backwater called Atlanta. We found neither gold nor a Fountain of Youth (many would have been satisfied with a decent restaurant). Both results were negative and a return there is problematic.

Next year is San Diego which, while no San Francisco or Chicago, is a cut above the others.

This year it was Las Vegas, an unnatural city planted in a desert unfit for human habitation and built upon a dream by enterprising and visionary mobsters and financed by saintly Mormon money. You either love it or hate it. I hate it.

Attendance at last month's event appeared to be down significantly. The exhibitors continued to decrease in number as did the floor traffic in the exhibit hall. But I did hear that the quality of the leads was very high. So, companies are economising and maybe only sending their decision makers.

The International Pavilion has diminished to the point of obscurity, if not quite invisibility. Once a thriving area for international vendors and US ones catering to international direct marketing, now there are a mere handful. And that number will shrink as long-time exhibitors have told me they will attend next year's conference but not exhibit. Instead they will take advantage of a conference which still draws many major marketers together in one city at one time, but they'll set up shop in hotel suites and never go near the convention centre.

That may suit many attendees as well.

Hiring cuts

According to a survey by Jerry Bernhart of DM employment firm, Bernhart Associates, direct marketers are coping with the slumping economy by making deep cuts in their hiring plans for the remainder of 2008.

Major employment indicators showed significant declines compared with the summer and now stand at their lowest levels since the survey began eight years ago.

Thirty-one per cent of companies responding said they plan to add to headcount during the current fourth quarter, down sharply from 47 per cent last quarter. Hiring freezes spiked to 34 per cent, compared with 20 per cent during the summer. The percentage of companies planning layoffs rose to 17 per cent, also a new high for the survey and up from 12 per cent last quarter.

Last month, I wondered if the financial crisis would sort itself out or if more dominoes would fall. Well, they appear to keep falling.

Can you identify the author of this quote?

"I believe banking institutions are more dangerous to our liberties than standing armies. If the American people ever allow private banks to control the issue of their currency, first by inflation, then by deflation, the banks and corporations that will grow up around the banks will deprive the people of all property until their children wake up homeless on the continent their fathers conquered."

Email me your guess, all you history fans and whether you agree or disagree – I'll publish the results next issue. No Googling, now! That's not fair to those well-read individuals who may actually know the answer. That's cheating or Choogling (my new word)!

Drivel and reality

Today, I heard some supreme drivel on BBC News (surprised?) about consumers spending their way out of a recession.

Total garbage.

We bought into that Bushian philosophy once. No more. Here's the new reality . . .

Consumers are not buying and for reasons that are more than just based upon fear. According to Moody's economy.com US household net worth fell six trillion dollars over the last year, with $1 trillion of that in just the last six weeks.

Marketers are dialing up 'more for your money' messaging in an effort to coax cash-strapped customers into opening their wallets.

An Internet poll by WPP Group-owned Lightspeed Research for *Advertising Age* found that nearly 80 per cent of respondents have changed their buying behaviour in the past few weeks, hitting product categories at all price points.

Some 70 per cent of respondents said they're curtailing overall spending, which is sure to lead to bad news as the holidays approach.

The Lightspeed survey, which has a margin of error of 4.4 per cent, found that changes in consumption were consistent across age groups and income levels.

Marketers across the board are dialing up 'more for your money' messaging in an effort to coax cash-strapped customers into opening their wallets, and price cuts and promotions are creating a domino effect as companies chase best-deal status.

Retailers such as Wal-Mart, Home Depot, Target and JCPenney are tweaking their messaging to appeal to budget-conscious consumers.

When people don't buy things, it affects everything. Hollywood is scaling back on its movie releases, holding off on some considered late enty Oscar contenders until next year. Funding for small, indie movies (not the Bollywood variety) is drying up. NBC, the TV giant here owned by General Electric, is shaving $500 million off its budget next year.

Yahoo is feeling the pinch but was even before the crash as display ads are its bread and butter and these are fading in favour of search ads. We reported on this several months ago. Yahoo turned down a deal to be taken over by Microsoft which was, at the time, willing to pay $31 a share. Last week, Yahoo shares closed at $12.90. If I were a shareholder, I'd be pretty annoyed. I expect Yahoo will cut more than the 1,000 jobs promised in January and look for a new suitor.

Revenue decline

Lastly, even in Asia, marketing and advertising budgets are being cut: 25 per cent of agencies surveyed said they expected revenue decline in excess of 20 per cent this year.

Many say Asian clients are taking a wait-and-see approach. Marketing budgets will go to digital, in-store promotions and, you guessed it, direct marketing.

According to WPP Group's Mindshare CEO, Ashutosh Srivastava: "In a downturn, when your ad dollars are restricted, you move into areas that are more direct and measurable."

Thought I'd end this on a positive note!

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