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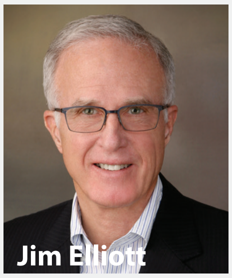
Adflation by Jim Elliott

A version of Adflation ran in The Media Leader on November 14, 2022

President's Note



Everyone is dealing with inflation these days and our clients and advertisers are no different. Dennis Connaughton, General Manager of the Elliott Co., and I are working with our clients to develop strategies to deal with the relentless pressure of expenses by increasing advertising spend. We thought you might find some of these ideas helpful.

Inflation, now running at a 40-year high, is affecting everything from the cost of gasoline and groceries to income tax brackets. Of course, inflation is increasing costs for advertisers and media owners too. Think of it as "adflation."

As media sellers, people in my company see the effects of adflation from both sides. Media costs have been skyrocketing, not only because of the inflated money supply and the war in Ukraine; the rapid run-up of general inflationary pressure is pushing everything higher, including wages, benefits — even electricity. All media are affected on the expense side.

It is very difficult for most media to recoup this increased expense by raising rates. Television seems to be the exception. According to the Global Advertising Trends analysis compiled by the World Advertising Research Center (WARC), television advertising impressions in the United States are selling at a 40% premium over 2019. Other media are not in the position to demand more.

Of course, media owners want to believe that ad buyers "have to understand" that the brands' basic business expenses are rising with inflation, hence the need for adflation.

Just two problems with this wish. First, ad buyers don't care about the businesses of the media brands, any more than those brands honestly care about the businesses of the ad buyers. Second, and more to the point, the ad buyer is getting paid to produce the most efficient, least expensive media plan for the advertiser. That's the job.

Competition always gave buyers leverage to force rates down. After all, consider the fundamentals involved in setting basic digital ad rates. Programmatic operators flood the market with inventory at $2 per thousand that can be targeted at least on a prospect's web history. Why would an advertiser pay, say, $10 per thousand — or even $5 — for an audience that is not much more refined than the one for $2? And, with programmatic already accounting for more than 90% of all digital display ad dollars, how can digital publishers risk raising their rates even higher — adflation or not?

What can be done? One potent solution is for media brands to sell custom content, leveraging their deep knowledge of their audiences. One of our clients has created a highly effective custom content studio, through which the staff of the brand helps advertisers create programs that resonate with their technical audience. In tough economic times, engagement — not just exposure — is primary. The medium chosen depends on the job to be done.

Another solution is to create bundles. For example, value added programs; this is not a new idea, but it can still be very effective. Years ago, print media might have included online advertising as added value. Now, legacy publishers whose business has transformed into primarily digital media may bundle print space as an incentive for advertisers to increase their total spend. That may sound far-fetched to some but there are many publishers whose print circulations have shrunk (thanks to digital copies) to the point where the hard cost of the printed product doesn't make using a magazine as a value-added tool quite as horrifying as it once was.

Advertising sellers can no longer expect to win business by showing up with a shoeshine and a winning personality. They need to create programs that deliver the engagement that each advertiser wants and needs.

Whether that engagement comes from use of data, lists, co-branding, space, impressions, clicks, or attendance at shows, sellers need to learn about all the assets their organization could possibly include in bundles, and then craft a custom program to deliver value for each major client and prospect. Beating adflation requires a different skill set than traditional media sales with much greater emphasis on asking the right questions, listening, and then creating solutions that the customer will buy.

Oh, and for a price higher than it was sold the previous year.

Announcements:

SIIA

BIMS 2023 — AM&P Network's Business Information & Media Summit 2023 will be held from February 23-24 in Orlando. The theme is "What's Working and What's Next." BIMS is building the biggest gathering of B2B Executives, Digital Publishers, Specialty and Niche Operators, M&A Experts, Private-Equity Firms and Association Media as well as their Marketing and Supply-Chain Partners.

For registration details — https://www.siia.net/bims2023/registration/

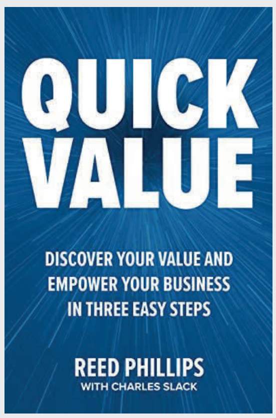
"I am honored and excited to be one of the speakers." — Jim Elliott

FIPP Connecting Global Media

The FIPP World Media Congress will be held in Cascais, Portugal, from 6-8 June 2023. Last year's sold-out Congress held at the same venue was a great success. See details at https://di5ru.pt/event/fipp-world-media-congress-2023/news/

Organizations, whether private companies, non-profits, charities or governments seek to transform to take advantage of new opportunities, including technological advances. Often, technology is the major driver of change that results in transformation. As a result, the organization often fails to achieve its objective and goal to truly transform. You see, technology remains an enabler, not a silver bullet. True transformative change requires understanding of the human factors at play, human conscious and subconscious behaviors, how humans inter-relate and how society itself and all of its members are changing.

"Kevin Novak's new book is well worth reading and I recommend it." — Jim Elliott



Do you know how much your business is worth? Right now, with the stock market in decline? Too many CEOs don't know the answer and yet make strategic decisions about their business that should not be made in a vacuum. Reed Phillips has written a new book that makes it easy to determine how much your business is worth and you can do it on your own, without hiring expensive advisors. His book is "QuickValue: Determine Your Value and Empower Your Business in Three Easy Steps" (McGraw Hill).

"I highly recommend this book. Whether you're planning to sell or not, you should always be ready to sell." — Jim Elliott