

How Strong is the Case for Global Advertising?

The Saatchi & Saatchi decision has certainly brought home to Australia the potential disruptive impact of the concept of Global Advertising.

Time is short. Therefore, I shall attempt to concentrate on major elements only.

In principle, Global Advertising offers enormous competitive advantages and financial rewards to the successful applicants "if" it can be pulled off. Savings in man hours and production costs ensure that. Consequently, attempts to achieve it cannot be expected to disappear just because the Federal Government waves its magic wand and new legislation protecting the Australian market suddenly appears.

If realistic commercial judgements by marketers and advertising agencies are to be applied, then it is paramount that there be a clear understanding of the premises underwriting Saatchi's rationale for its Global Advertising vision.

Saatchi's drive for free trade internationally is a major bid for, in its own words, "International economies of scale as the basis of long-term strategic security". Saatchi's strategy appears to have been picked up from the case advanced in 1983 by Theodore Levitt, a Harvard Business School marketing professor.

Levitt, argued that "the new republic of technology homogenises world tastes, wants, and possibilities into global market proportions, which allows for world-standardised products". Thus, according to Levitt's hypothesis, a global marketer's economies of scale will enable price reductions and the means to thrash competitors.

In line with this, Saatchi has put forward a case attempting to justify Global Advertising. This case centres on currently indisputable converging macro-economic influences in the major industrial economies of the western world. These influences are:

- Ageing Populations
- Falling Birth Rates
- Increasing Female Employment
- The decline of the Nuclear Family
- Increasing Cultural Convergence
- Increasing Media Convergence
- Increasing Wholesaler and Retailer Sophistication

These trends, combined with Levitt's so-called "republic of technology", are, to varying degrees, having a major impact on consumption patterns of many goods and services throughout the world. The consumption patterns are, to a large extent, common. It is just their rates of change and the degrees of penetration of consumer markets in various countries that are varying. Consequently, the net result is the marketers' perceived risks of market place opportunities are decreasing, and the world is increasingly being seen as one big marketing opportunity.

Obviously, with such an economic backdrop that even blind Freddie could see, it would be commercially irresponsible for a Company not to attempt to capture available economies of scale associated with various components of the marketing mix.

This is equally so in the area of international advertising agency networks. These have to be paid for. In London, it has been pointed out by one U.K. agency, that as more and more agencies join Saatchi's and its listed competitors on the stock market, they are relentlessly pushed by the city to show growth and increased profitability. The result of this pressure is to cause these agencies to diversify overseas.

And these actions are easily justified when described with terms such as expansion that avoids conflict, opening new markets, and benefiting from economies of scale.

In seeking the benefit of international network economies of scale, Saatchi's has extended the concept further than has been applied to date. The emphasis so far has been on networks of offices to service international clients in different countries. The Saatchi vision is that, if economies of scale can be achieved through the economic trends and concomitantly their impact on consumption patterns, then *ceteris paribus*, economies of scale can be achieved in advertising executions. But economics is famous for its cop outs. Because, in the area of understanding and relating to consumer behaviour to meet the needs of marketing and advertising, it is very inadequate.

In applying the caveat of *ceteris paribus* to justify global economies of scale to consumer advertising, we have

just hidden behind the ultimate escape route of economists - the academically reliable, but managerially deficient caveat of "all other things being equal".

This is because, on the one hand the more communications channels there are, the easier it is to participate in them and, on the other hand, by the fact that such participation is selective with such selectivity influenced heavily by cultural differences.

The overall net result likely from cultural convergence is richer, individual cultural tapestries which are more complex and more demanding in interpretation, and to tap into. This is especially so in the developed economies, where as people get better educated and more affluent, their tastes actually diverge.

Consequently, relating to the various cultures will require increasingly individual approaches.

Indicative of this has been the history of "international brands". For consumers, they are now very much past tense as aspirational goods and services.

Consumers generally have experienced the "international" pitfalls - the frustrations of airports, the discomfort of flying, the plastic economies of traveling. The glamour of "international" has been heavily devalued. Many brands which have attempted to cling to international associations have ended up as everyday price fighters.

As consumers have experienced such international reality and responded accordingly, advertising has increasingly given up the symbols of international branding. These have been replaced by the realistic and everyday world of real human experience which people automatically and extensively relate to.

In its rationale, Saatchi's touches indirectly on the problem but makes no clear effort to come to grips with it in stating:

"Local customs, language, media availability and, not least of all, local invested interests, will militate against easy decision making in the framing of international brand positioning strategies. Equally, in the quest for a common position, the drift to a 'lowest common denominator' has to be avoided."

In summary, Saatchi would like to establish for various brands, high powered central propositions and advertising com-

mon to all markets yet relevant to, and compelling for each market. And this is commendable.

Right at the moment, there is no hard quantifiable evidence to confirm that the Saatchi vision of Global Advertising is more powerful than strategic concepts developed and executed to be as relevant as is possible to individual markets, which differ culturally and economically. Also Levitt, despite his vision of total worldwide standardisation, offers no quantitative proof that it works.

In anything, the academic and practitioner evidence both qualitative and quantitative currently available is strongly in favour of tailoring advertising in most instances to the local culture to maximise its relevance to customers and, in turn, to maximise its resistance to the competition. Obviously, there are opportunities where strategies and advertising executions can be transferred from one geographic marketplace to another, but not in all markets given cultural and different degrees of competitive development by brands.

If the Saatchi global concept were to be implemented, there is a case to be made that local brands might be able to compete even better provided they could position themselves in a way to be more relevant.

Wentworth Hill

NEWS

ABC MOVES TO ESTABLISH SUBSIDIARY COMPANIES

It is proposed to amend the Australian Broadcasting Corporation Act 1983 to provide for subsidiary business companies. Such companies are designed to increase revenue for programming purposes for the ABC. The amendments to the Act have now been introduced into Parliament.

The activities which are considered appropriate for business companies include the marketing of satellite program services, concert entrepreneurship, ABC publications, ABC program sales, audience research and hiring of spare ABC capacities.

The setting up of the subsidiary companies will enable the ABC to use private capital to provide a more comprehensive range of services.