

# Fourth-quarter forecast: Cloudy with a chance of retail, food spending

All eyes are on election outcome and Congress avoiding 'fiscal cliff'; media sellers, meanwhile, hope to benefit from Facebook cool-down

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The ad economy is poised for a boom in the fourth quarter—that is, if you are in the local TV business in a swing state. You're not? Well, fasten your seat belt. You're in for a bumpy ride for the remainder of the year.

Perhaps the best way to describe the prospects for the fourth quarter is uneven. While advertisers are continuing to spend, they are doing so inconsistently and opportunistically.

The country's No. 2 advertiser, General Motors, for example, is trimming its budgets overall but spending for launches, such as for the upcoming Cadillac ATS release. After reviewing the earnings calls of 100 different advertisers, Barclays analyst Anthony DiClemente concluded that some of the country's biggest packaged-foods marketers plan to boost ad spending to take advantage of lower commodity costs.

"You're going to see Heinz spend in marketing like you've never seen us [do] before," Meg Nollen, the company's senior VP-investor relations, told analysts in August. And on Friday, Tony Vernon, CEO of Kraft Foods' new standalone North American grocery business, pledged to increase ad spending behind select "power" brands by squeezing costs in areas such as the supply chain. "We can and we must do more to support our brands," he said.

Fresh off spending \$83.8 billion in a back-to-school outlay, according to a National Retail Federation estimate, retailers are looking for media bargains during the crucial holiday season. And marketers like McDonald's in highly competitive categories feel they have no choice but to spend to fend off rivals hungry for market share. "There is an increase in terms of marketing spend by many of the folks in our competitive set, and we have to ... make sure that our strength of voice and share of voice is still resonating with consumers," said Don Thompson, McDonald's president and chief operating officer during an earnings call.

All told, it is the Olympics and the elections that have provided most of the year's momentum. The watchword for the fourth quarter is caution, with the industry casting leery glances at

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*A magazine executive*

Washington.

"Advertisers are putting money away to deal with the fiscal cliff," one magazine executive said.

That "cliff" is a combination of tax hikes and spending cuts slated to simultaneously take effect on Jan. 1.

"Maybe on Dec. 31, everyone in Congress smokes cigarettes together and gets it done, but Fortune 500 and Fortune 1,000 companies can't bank on that," the executive said. And failing a resolution by lawmakers, "advertising is an easy thing to cut."

TV is getting more than its fair share of ad dollars—locally, thanks to political spending, and on a national level as well, said Ed Atorino, a media analyst for Benchmark Co., who thinks consumer-products companies are moving some money previously earmarked for social media into TV. "A lot of compa-

nies tested it and it turned out, particularly for some, [that] it helps out brand identity but it doesn't really sell stuff."

Facebook will collect \$4.2 billion in global ad revenue this year, eMarketer said in August, reducing its estimate from \$5 billion. Still, that has other media players feeling encouraged. "It's the first time you've heard anything bad about Facebook in four years," one media seller said. "That's a good thing for anybody who's not Facebook."

Digital display advertising hasn't experienced a bounce yet. Investments in this category by domestic automakers have been soft, according to a senior sales executive at one of the country's biggest websites. And the fourth-quarter outlook within the crucial retail advertising sector is still uncertain. One digital executive notes more digital buys occur within the quarter. "Forty percent of retail money comes in Q4," he said. "It's a make or break quarter."

## GOOGLE STRATEGY

Retail marketers are, however, spending on search. Kevin Lee, CEO of search specialist Dedit, expects 20% growth, helped by Google's turning what were free product listings into paid ads. "Google is taking what used to be free clicks and putting them into a monetized stream," he said.

And while the forecasts for Facebook might have declined, social media is still picking up ad dollars. Jeff Lancot, global chief media officer at Razorfish, said LinkedIn, specifically, has made great strides in landing pieces of digital budgets. "They've gotten much more mature in their approach to advertisers," he said. In LinkedIn's most recent quarter revenue from marketing products rose 64% year over year to \$63.1 million.

Print advertising is expected to not fare as well. Most magazine publishers are anticipating a flattish final quarter in comparison with 2011's fourth quarter results, when ad pages declined 8%.

"Pharma has been bad throughout the calendar year," said Dick Porter, president-media sales at the Meredith National Media Group, which sells ads

## BY THE NUMBERS

0.9%

How much advertising increased in second quarter 2012, per Kantar Media. Spanish, cable and syndicated TV were bright spots.

1.3%

Amount the Congressional Budget Officer projects the economy will shrink in first half unless Congress avoids "fiscal cliff."


\$4.2B

How much Facebook will earn in global ad revenue this year, according to eMarketer, which revised its estimate down from \$5 billion.

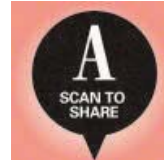
for brands such as Better Homes and Gardens and Family Circle (see P. 24). He did, however, say beauty advertising was strong—at least for company.

Hearst Magazines' November issues just closed with double-digit ad-page gains, based on strong participation from beauty, luxury and food marketers, said Michael Clinton, president for marketing and publishing director, who also noted resurgent auto spending in enthusiast magazines.

One prominent magazine exec said financial marketers appear to be the closest thing to a bright spot in the quarter. "If there's more spending anywhere, I would say there's some more in financial, particularly credit cards, to support what they hope will be a good holiday season for them," he said.

Auto and ad dollars may help, but marketers on the whole aren't making sudden changes, the exec said. "I'm not seeing overt gas," he noted, but "I'm not seeing brakes that are unexpected, given what's going on." 

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