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27 October 1983

60p

marketing

Guinness's new order

Is it striking the right note?

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COMMENT

Charges Whitehall cannot shrug off

In a letter to the *Times* last week, Lord Bancroft, the former head of the home Civil Service, described Sir John Hoskyns as the Dornford Yates of political theory. Hoskyns it was who recently sent a volley of cruise missiles through British political institutions in the annual lecture to the Institute of Directors. Drawing on his experience in the computer industry and as one-time head of the Prime Minister's policy unit, he criticised the abilities of MPs and civil servants, asking: 'Must 55 million people go down the tube because we are frightened of hurting the feelings of a handful of VIPs?'

Two specific proposals were that adequate numbers of high quality outsiders should be brought into Whitehall, and that Whitehall must be organised for strategy and innovation as well as day-to-day political survival. Civil servants and MPs, he alleged, are more afraid of 'breaking the rules' and looking foolish than of failing to tackle the fundamental problems which have contributed to the UK's economic decline in the past 30 years.

Most businessmen will have a lot of sympathy for Hoskyns' views, and will be able to add many anecdotes in support. And seldom can a critic have more effectively strengthened his opponent's case than did Bancroft with his haughty dismissal of Hoskyns' charges, and with, to use his own phrase, his 'courteous derision'.

True, it is easy to provide general prescriptions for the country's economic ills, which sound fine until you get down to the details. Politics is the art of the possible, and if a Department of Economic Affairs is quietly stifled by the Treasury, or the grander ambitions of the Department of Trade and Industry are trimmed back to a matter of regional aid and subsidies for market research, we have to recognise what a high price the country pays for its democracy.

Having more businessmen in government is no part of the answer, either. It would take a thousand Sir Derek Rayners to make much of an impact, and it is the conflicting demands of Parliament and the electorate which are at the root of the apparent inefficiencies of the Civil Service. Still, Bancroft and the present generation of mandarins should not be allowed to escape with their peculiar brand of intellectual cynicism.

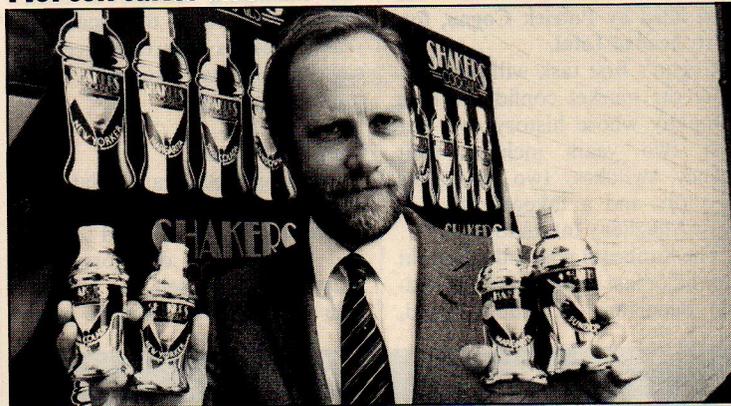
The monumental commercial cock-ups of the past three decades — the Concorde and civil airliner programmes, nuclear power and public telephone exchanges, to mention three, disregarding such minutiae as De Lorean — demand more than a shrug of arthritic shoulders. Better selection and management of the billions invested in projects such as these would have yielded many more dividends than snipping a few staff off the National Health Service roster.



Parliament: Conflicting demands

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Cover photograph by Spencer Rowell

The verdict on Guinnless

Guinness is confident that the 'Guinnless' campaign has put a brake on the decline of the famous stout, but can it now succeed in reversing the process? By George Pitcher

Some eight months ago, the new-look Guinness was launched on an unsuspecting public and a suspicious trade. Amid the PR flummery and revamped advertising gimmicks emerged a message loud and clear: Guinness was *not* going to die an old brand's death, and intended to reassert itself in the market where brewers fight fiercest — among the young men and the high disposable incomes.

After a blistering summer, when the buoyant lager men are traditionally separated from the other brewery boys, and as the cooler beer swilling evenings draw in, to the accompaniment of the next £3.5m burst of 'Guinnless' advertising, it should be possible to gauge the success of Guinness's venture so far.

The questions that the trade, and such competitors to Guinness as there are, will be asking are: Is the marketing effort working, or is Guinness flogging a dead horse? And can there be a long-term future for this darkest of dark beers in a consumer world whose taste seems to be becoming ever lighter?

Group chief executive Ernest Saunders is as

cautiously optimistic as he was when he unleashed his new weaponry early this year. 'It's always dangerous to make predictions, and I never overclaim on results,' he says. 'But results in the first eight months more than exceed our expectations. It's a start.'

The City, heartened by Guinness's ruthless disposal of its non-brewing millstones, certainly joins in the applause for Saunders. 'The heat of July and August meant that it wasn't a Guinness summer, but it did quite well,' says Colin Mitchell, brewing industry analyst with stockbrokers Buckmaster and Moore. 'That shows that if the product is properly marketed — the right temperature, the right display and so on — then the colour question doesn't matter. To have stopped the decline is pretty good in itself. Is it sustainable? I think it is. I've no hard facts to support that, but I think it is.'

Guinness, naturally, claims plenty of hard facts to support sustained growth. But it hasn't all been good news lately. There have been minor irritations, such as the Chef and Brewer pub chain throwing the towel over its Guinness

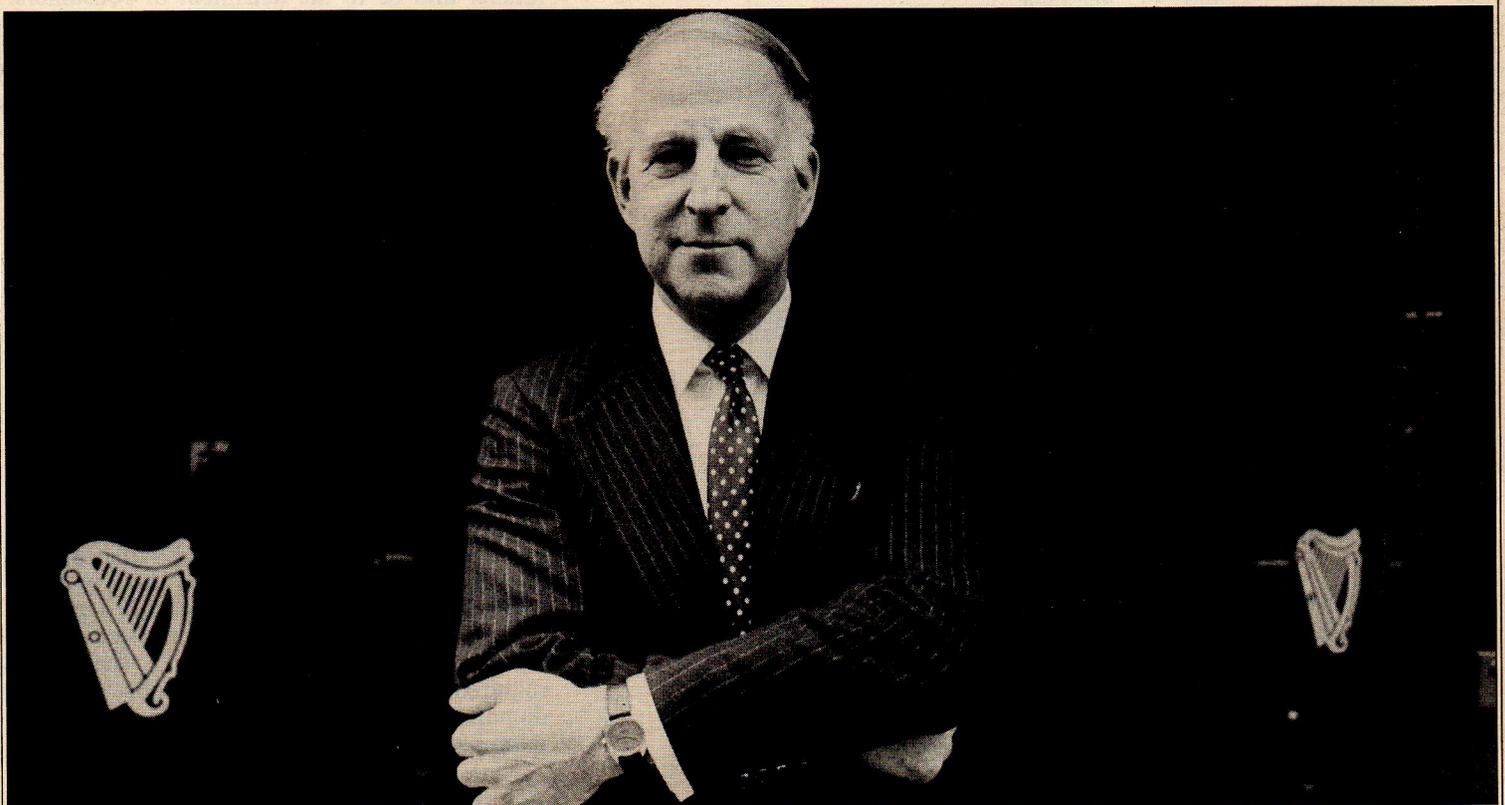
taps in 75 outlets — an event blown out of all proportion by the media, according to Mitchell.

Then there's the aggressive and singular management style of Saunders himself. He cut a swathe through senior management, earning himself the nickname Deadly Ernest, after he arrived from hard-headed Nestlé in 1981. There was nothing wrong with that — he was, among other things, restructuring the company, inaugurating a new superboard, Guinness Brewing Worldwide, to oversee the brand internationally. But, more recently, his finance director left after just ten months with the company, and some observers wonder when these ructions will end.

But whatever skeletons rattle in the Guinness cupboard, it is the market facts and figures that will ultimately haunt the brewery. And, as the dust from departing executives begins to settle at Park Royal, Saunders has a strong marketing team to juggle with those tell-tale statistics. Bob Taylor was recruited from Courage in the spring to become sales director, and has busied himself restructuring the sales force to widen the brewery's base of outlets. Meanwhile, Gary Luddington (ex-Letraset, Carlsberg and Mars) has taken the marketing chair.

Stop the slide

Luddington is particularly anxious that the inexorable decline in Guinness drinking in recent years should be seen in the context of the overall decline of the beer market. Having pointed out that Guinness is the single biggest selling beer in Britain, with a claimed 4½% of the whole market and 10% of the take-home trade, he points to the decline of dark brews at the hands of the lighter product (see charts 1 and 2). 'It's a function of the dynamic growth of lager,' he says, before fielding the figures that show what Guinness's new marketing efforts



Saunders: His aggressive and singular management style has earned him the nickname *Deadly Ernest*

have done to stop the slide.

From the financial year 1980-81 to 1981-82, claims Luddington, Guinness draught volume sales fell 7.4%, while sales of its Extra Stout bottles dived 14.6%, a mean drop of 11%. He says that during the period from January to September this year — the period which encapsulates the new marketing campaign — draught sales have actually put on 2.7% and the decline of Extra Stout has slowed to a fall of 7.6%, a mean drop of 2.4%. Luddington points out that the average total turnround rate on these figures is 8.7 percentage points.

In a declining market, such a performance can look impressive. The notoriously sceptical liquor trade, however, is unlikely to be much impressed with Guinness's figures. Luddington is candid enough to refer to the statistics as 'manufacturer's bleatings'.

But he is also nobody's fool. Independently audited figures follow fast on Guinness's own self-congratulatory research. Comparing January to June of this year with the same period last year (see tables 1 and 2), draught Guinness is said to be growing eight percentage points faster than the rate for all beers, which is inflated by the inclusion of lager. A similar picture, though less dramatic, emerges from the take-home trade.

The audited research, says Luddington, substantiates the brewery's recent volume growth claims of around 8%-10%. But any Guinness research is no more than waste paper unless it can be proved that increased sales are being made in the market which is vital in the long term — the under-35s. The current multimillion pound campaign will turn out to be money ill-spent if Guinness succeeds only in regenerating its traditional market, the 'old biddies' who, as all that expensive pre-campaign research showed, were the stereotype stout drinkers. If new drinkers were not attracted, Guinness would be dying with its own consumers. That has been the crisis of the past decade or more.

Mountainous challenge

Guinness needs to win over lager drinking young men — an awesome task. Around half of all advertising expenditure by the breweries in the UK is chasing the lager market, which accounts for about 33% of all beer sales, so Guinness's marketing budget faces a mountainous challenge.

Guinness is trying to meet that challenge with a massive three-pronged marketing drive — a £7m ad campaign through Allen Brady and Marsh, a £1.5m-£2m below-the-line spend and a £250,000 PR campaign handled by Shandwick. The ad campaign has won all the publicity, but Guinness is equally aware of the importance of sales promotions.

During the advertising gap, between the end of the JWT reign and the start of ABM's 'Guinness' campaign, sales promotion took on a special importance. One promotion — the 'Great Guinness Challenge' scratch card game — was claimed to have boosted sales by up to 30% in participating pubs.

Luddington draws comfort from his consumer research during the 'Guinness' campaign so far. Asked whether they agreed with the statement 'Guinness seems more popular than a year ago', 54% of a sample of 18 to 34-

1: Free on-trade beer sales

Jan-June 1983 vs Jan-June 1982	% change
Total all draught beer (inc. lager)	+1.0
Draught Guinness	+9.0
Total draught lager	+4.9

Source: Stats MR (Jan-June 1983)

2: Total off-licence beer sales

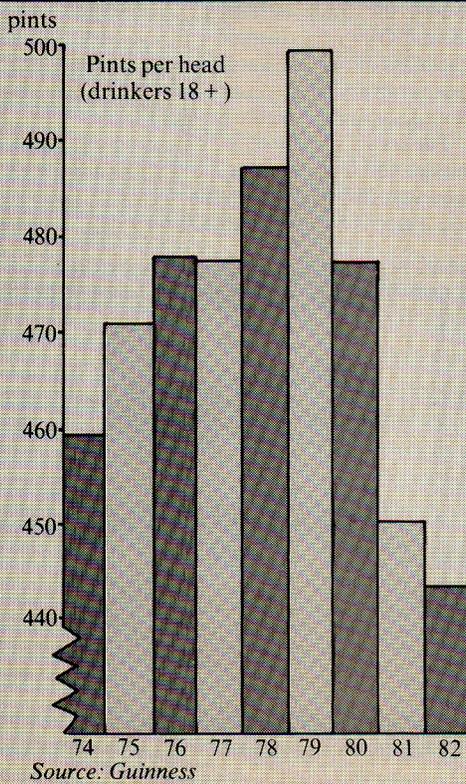
Jan-June 1983 vs Jan-June 1982	% change
Total off-trade market	+4.1
Total Guinness	+4.6
Guinness (16oz cans)	+22.7
Guinness (non-returnable bottles)	+7.0

Source: Stats MR (Jan-June 1983)

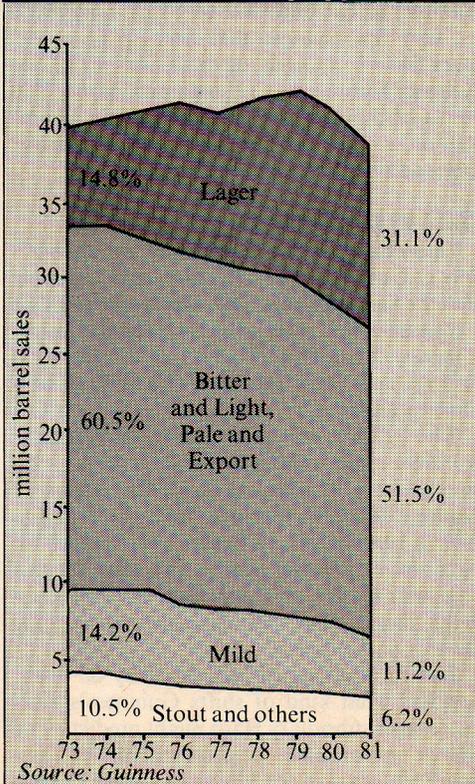


'Guinness' TV ads: The first phase was expected to produce indignation

1. Annual beer consumption



2. Total beer sales by type





Luddington and Taylor: Part of a strong marketing team needed to juggle with tell-tale statistics

year-olds interviewed after the campaign said they did, compared with 44% before the push. Asked whether they were 'drinking more or less draught Guinness than a year ago', 20% said they were drinking more, compared with 12% pre-campaign. And occasional draught Guinness drinkers were asked whether they thought 'more young people drink Guinness now' — after the campaign 32% thought they did, compared with 12% before.

The cynical view is that much of this seemingly good news could be put down to the so-called Hawthorne Effect; that is, any reasonable change produces positive results in the short term, but has little effect in the longer term. But Luddington rejects this. 'My own experience of companies I've worked for, in FMCGs for example, is that once you've got it right, there are very few changes that need to be made. Mars hasn't changed its bars for years, for instance, because they're so damned good. The P&Gs of this world don't change. It's incumbent on us to be vigilant and not to change our philosophy or let up on the effort.'

Shift in preference

Thus change is not, apparently, for change's sake at Guinness. Furthermore, and in keeping with the Saunders edict that Guinness should be a consumer-led, rather than a production-led, company, Luddington claims that the Guinness findings may show the start of a shift in consumer preference.

'The indications now, I believe, are that there is a slight move to more full bodied beers — the re-emergence of regional beers, the launch of Watneys Mild, for instance,' he says. 'Not that lager is running out of steam. The demand for lager among younger people, as a weaning process, will always be there. But now there's a slight flicker that the consumer is moving towards darker beers.'

Wishful thinking though this may be — one wonders what kind of shifts Guinness's lacklustre lager subsidiary Harp might predict — no change in consumer preferences can produce significant growth for Guinness unless there is

significant growth in distribution. Guinness is a national brand, but has only 50% distribution among the whole on-trade, and it is wholly reliant on the goodwill of the big six brewery chains. There is clearly no merit in expanding the consumer franchise with clever advertising and attractive promotions, if drinkers find that every other pub is 'Guinness'.

The efforts of sales director Taylor — appointing regional managing directors to the four sales regions, for instance — are aimed at tackling distribution. Luddington estimates that Guinness will be sold in 4,500 new outlets this year, and he is aiming for the same number next year.

As Luddington admits, distribution is a critical area. 'But now the product's started to turn round, the trade is happier,' he claims. 'The normal Guinness drinker isn't a solus drinker. The mass of our market drink one pint of Guinness for every three pints of something else. So Guinness can be a traffic builder for the trade.'

The trade, of course, is something of a traffic builder for Guinness too, and it hasn't always been very impressed with the brewer at point of sale. Price is a touchy subject, for Guinness has

little control, since it sells entirely wholesale.

'We'd like to pitch closer to lagers in the on-trade,' says Luddington. 'There's no doubt that we're currently overpriced, and we're spending a lot of money to get prices down.'

Again, the stumbling block is the trade. Guinness's 'Summer Cooled' promotion, though based on a shatteringly obvious idea, showed that the seasonal trough could be shallowed by serving the product to meet consumer taste. Luddington admits that the company is almost paranoid about quality control, and it is investing just under £4m in installing coolers in pubs to bring Guinness temperatures to the right level. It is also re-educating the sales force and the trade in the treatment of Guinness.

Exhorting consumers

While the fresh team at Park Royal wrestle with these problems at the trade end, ad agency ABM continues to exhort consumers, through the 'Friends of the Guinness' campaign, to drink more Guinness.

'We predicted that there would be a number of stages of response to the ads,' says John Lawson, ABM's deputy managing director. 'We thought the initial phase would produce a mixed range of response — from the indignant to the dismissive.'

The second phase, apparently, is when the ads start to change what the consumer regards as the norm — occasional Guinness drinkers start to consider that the drinking of the other beverages is the exception to the rule.

If the ads are now having their second phase effect, as Lawson claims they are, will the ads be developed in a different way in the winter? 'No, the initial phases aren't over yet — some people were very anti, so the ads are still working for them,' replies Lawson. 'It's easy to suppose prematurely that a campaign is finished.'

Guinness will doubtless stick by its campaign, but time is of the essence. Other breweries, particularly in the take-home trade, stole a march on Guinness in its pre-Saunders days, and it can ill afford to waste time catching up.

Saunders has a three-year phased plan. To slow the decline of Guinness in the first year, to stop the decline in the second and to instil some growth in the third. On the evidence available, the first is being achieved — the next two may prove more challenging. □

Nostalgia: But if young drinkers are not attracted, Guinness will die with its own consumers