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Not "Lovin' It"

Steve Easterbrook, the new ceo of Oak Brook, Ill.-based fast food giant **McDonald's Corp.**, is feeling heat on a number of fronts. The obvious: McD's continues to turn in weak results. Global sales at restaurants open for at least 13 months decline 0.3%. Sales in the U.S. fall 2.2%. For the first time in decades, McD's is shuttering stores in the U.S. McDonald's has come under fire for its menu offering (McD's is in the process of refining its product lineup). To reverse the negative publicity that has been surrounding the company, McD's hires former **White House** spokesperson **Robert Gibbs** to serve as global chief communications officer. "(Gibbs) is a positive public face, but it's not clear what kind of an impact he'll have," a McD's source said. What is of mounting concern for Easterbrook: McD's franchisee system.

"There is always angst with the operators. There is usually more of it in the southeast than in other parts of the world. In the northeast where there are not that many (McD's-owned) stores, the operators will pretty much ignore what corporate is doing. In the midwest and west, the operators will just raise their prices. The operators see corporate as being half-enemy. And corporate will get mad at the operators. It's part of doing business. It's an unholy alliance," said one McD's franchisee source. Added the source, "for a lot of reasons, there is more discord now. The operators feel that they are being forced to follow corporate on a lot of different things, from pricing to promotion. The operators are independent people and want to change what they can on their own."

Marketing remains a problem spot. The company recently hires **Silvia Lagnado**, former chief marketing officer at **Bacardi**, to serve as executive vp and global chief marketing officer. What's unclear: how much responsi-

bility Lagnado will have. "It's all about Easterbrook right now. He's running everything, and it's unlikely he'll pass off marketing," a McD's source said. A question: how the presence of Lagnado will affect **Deborah Wahl**, a **Toyota** alumna, who joined McD's a year ago as chief marketing officer for McD's/U.S. "Nobody is impressed with her. You're not seeing anything in terms of smart marketing programs that will help (McD's) get turned around. You bring in one (Lagnado) to get rid of the other (Wahl)," a McD's source said. An added problem: McD's advertising, which remains weak-to-mediocre. Under the gun?: McD's ad agencies **Leo Burnett** and **DDB Worldwide** (**TBWA** has been winning McD's business in international markets). McD's spends more than \$2 billion on advertising and promotion. "Nobody really wants to take on the pain of what it will take to turn things around. (Management) is trying different things, but it's not sure where to put the energy. It has been half-hearted so far. The company needs a dramatic overhaul. A total reinvention of the brand and the whole system needs to get on board. But when you're in the room with (Easterbrook), you don't see that need in his head," said the source.

So far, Easterbrook has the support of the McD's board members. "The board is supportive of him. It's because it doesn't like change to happen quickly. It thinks it would look bad for the company's public image. It does not like disruption. It will give someone two years or so to show that the person can make a difference," a senior McD's source said. The question: what if the McD's board sours on Easterbrook. "There is an insider's club at (McD's). There is always somebody waiting in the wings. But eventually, the board may have to go to an outsider next," said another McD's source.

Prosit

Ad agencies should keep an eye on the Wolfenbittel, Germany-based spirits company **Mast-Jagermeister SE** (see related story page three). Reason: its planned acquisition of U.S.-based **Sidney Frank Importing Co.** (deal expected to close end of the month). M-J markets its flagship herbal liqueur product Jagermeister globally and has been using SFIC as its U.S. import arm since 1974.

M-J to inject new top management at SFIC, including a new ceo, and ramp up the marketing/ad support behind SFIC's brands, given limited support in the past.

On A Flat Tire

Unease is mounting at Detroit, Mi.-based automotive company **Ford Motor Co.** Reason: the leadership of ceo **Mark Fields**, who is entering his second year in the top job. Fields continues to have the support of family scion and company chairman **Bill Ford**, but the troops are beginning to question his management approach.

"Bill likes (Fields) and will keep him in there, but there is a feeling that he's not right for the job. That he's not a leader. He's a young guy, but he has been in the
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Ford Motor...cont.

(FMC) system for too long. He is being seen as a caretaker," a FMC source said. Situation comes as problems grow. "Lincoln (FMC's luxury car) is a disaster. (FMC) doesn't know how to market luxury. The Focus makes no money. The Mustang is a great product, but it's an 'inch' product, nothing big. What is keeping (FMC) alive is the (truck line) Ford 150. You can't have a legitimate global company with one product. Without it, (FMC) would get eaten alive," said an auto industry source.

Its Interests

El Segundo, Ca.-based enthusiast media company **Active Interest Media** will keep expanding. "We continue to grow organically and through acquisitions (latest: *Cabin Life* magazine, now called *Cabin Living*). Profits are at an all-time high and we're executing on our strategy of expertise in the enthusiast area. Our print business is steady, but we're growing rapidly in digital and the event world," said its executive chairman **Skip Zimbalist**. AIM publishes magazines *Yoga Journal*, *Backpacker*, etc., and produces films, videos via its AIM Studios unit.

AIM is pushing on several fronts. "All of our titles are focusing on mobile. It's where all of our growth is in terms of content consumption," Zimbalist said. AIM also is extending its AIM Studios. "We're signing deals to do multichannel projects for advertisers. It's a big emphasis. We're producing 100 videos a day," said Zimbalist. The company also is building out its event business under its "Healthy Living" franchise with new events focusing on food. Eyed: international. "We're looking at international acquisitions. Multimedia – print and events. Asia is a focus, and central and South America," Zimbalist said.

Hard Selling

Complaints are mounting among ad sales executives at media companies. Reason: the convoluted buying structures still existing at media agencies. "There is a lot of talk from the media agencies about doing 360-degree (ad) programs, but for a lot of them it's just lip service. And the reason is very few of the agencies are integrated and capable of doing those programs. With all the talk about integration, you have (agency) people who have been so invested in television or in print for so long that never the twain shall meet," said one media executive. Complicating it: digital. "You have digital agencies separate from the agencies buying TV or print. They're not even in the same building. It's very difficult to maximize your (ad sales) people," another media executive said.

There are a few exceptions. **Omnicom Group's OMD** media shop, for example, is given good marks for its pulling together of the various media disciplines (TV, print, digital). "They know who is doing what," said a media executive. What media executives are doing as a result: "The best way to get integration is to push it at the client. It's the client," a media sales executive said.

The Loser

AOL Inc., in the process of being acquired by telecommunications company **Verizon**, helps itself and hurts another with its **Microsoft** deal announced last week. AOL to handle the management and sales of the mobile, video and, most importantly, display advertising for Microsoft products in the U.S. and key international markets. The move will provide AOL with an estimated 85-million Microsoft uniques and the ability to offer advertisers joint ad packages. AOL also will have access to Microsoft's young audience. And Microsoft's search engine **Bing** will drive search results to AOL. "It's going to give AOL significant scale in the U.S. and a bigger platform. It will be more effective from a buying and selling standpoint," an online executive said. Who's hurt: **Yahoo Inc.** and its ceo **Marissa Mayer**, who is in the top job three years.

"(YI) is the big loser in this and it's going to leave it looking for a new ceo. (YI) has two-to-three times the scale AOL has, but Microsoft went with AOL. It's a case of either Marissa being asleep or Microsoft felt (YI) is in decline," said an online executive. Added the source, "every quarter, (YI) loses share. It is focusing on mobile, video and native (ads), but it's core competency is display. And it's not doing anything around that core competency. There is no sense of vision. The **Tumblr** acquisition is a disaster. (YI) has scale, but it's declining scale." What has kept YI and Mayer above water: YI's \$23-billion investment in China's **Alibaba**, whose business is softening and YI is unloading. "The money from (the sale) won't be reinvested in (YI). It will go to (YI's) major investors who want their cash and are not thinking about (YI) as a meaningful company," the source said.

Business Focus

Digital "television" network **C-Suite Networks** is on an expansion path. C-SN provides digital programming for business executives who do not have the time to sit in front of a TV set to watch business news. "We're finding (programming) for business executives who are squeezed for time. We're feeding more content for those people who want it where they can get it. Most of our viewership is on the desktop, but a significant amount is on mobile. And almost all of our viewership is from businesses with \$10 million in sales or more. We're reaching executives who represent 97% of the business-to-business spend," said C-SN chairman **Jeffrey Hayzlett**.

C-SN is moving actively in a number of areas. Getting emphasis: programming. "We have five new shows and are working on others. We'll continue to add more content," Hayzlett said. C-SN also is touting its multi-platform offering. "Our conference business is significant and getting better. We have radio and books. And we have an automated (ad-buying) platform," said Hayzlett. "We're telling advertisers that we're not for everybody, but, if they want a powerful audience, we have it. Our (viewer) demographic is split between men and women and the median age is north of 38," Hayzlett said.

Natural Health

Public **ProPhase Labs** will be active in the marketplace during the next nine months. PL markets the Cold-Eeze line of homeopathic cough/cold products. “We expect to grow this year – we’re outperforming the category. We’ll have new products on the (retail) shelves in September and October. Allergy relief is high on the list. It’s a natural fit for cough/cold,” said PL chairman and ceo **Ted Karkus**. PL also markets Cold-Eeze immune-support, daytime/nighttime, oral spray and quick-melts. And the company is working on dietary supplement products that it plans to introduce before the end of the year.

PL is moving on other fronts. Eyed: distribution expansion. Of interest: brand acquisitions. “We want (PL) to be significantly larger than it is,” said Karkus. Due: advertising (Karkus is the TV spokesperson). “TV will continue to play a role. Social media grows every year. There is PR, and we may do radio,” Karkus said.

Slim Chance

Despite the effort by **Plymouth Lane Capital** to pressure public **Martha Stewart Living Omnimedia** to find a different buyer, the likelihood is that MSLO will end up in the arms of licensing/direct marketing company **Sequential Brands Group**. SBG has a \$353 million offer to buy MSLO, but PLC, owns a 10.9% stake in MSLO, wants MSLO to find a buyer willing to pay more. Following the SBG purchase move, MSLO has a “go-shop” period (30 days) to find a buyer willing to pay more.

“That’s not going to happen. You’re just hearing a lot of complaining from different parties wanting more money. (MSLO) already has been shopped around and (SBG) came up with the best offer. When the offer first went public, (MSLO’s) stock price went up. Now it’s drifting back down. The feeling is that (MSLO) may not even be worth what (SBG) is offering,” one MSLO source said. Added the source, “it’s going to take (SBG) a long time to make its money back on the deal, if it ever does.”

On Their Own

Actor **George Clooney** and celebrity hotelier **Rande Gerber** are off on their own to market the Casamigos tequila brand. Reason: the sale of **Sidney Frank Importing Co.** to Germany’s **Mast-Jagermeister**. SFIC has been responsible for distributing/marketing Casamigos. With the sale, however, a new company is being formed called **Casamigos Importing**, which will be headed by **Lee Einsidler**, who has been the ceo of SFIC. SFIC also has been the importing arm for M-J’s liqueur brand Jagermeister, and the U.S. marketer of spirits brands such as American Harvest vodka and Monkey 47 gin.

“We’re getting (CI) up and running. (Clooney) and (Gerber) are very passionate about the brand and are out there endorsing it. We’re putting a lot of money into the packaging, and positioning it as a super-premium brand that is inclusive, not exclusive,” said one CI executive.

Inching Along

Denise Morrison, ceo at food and beverage marketer **Campbell Soup**, is continuing to pursue her strategy of acquisitions that will help to broaden the company’s portfolio. CS’ latest purchase: salsa/hummus seller **Garden Fresh Gourmet**, which CS acquired for \$231 million last month. The GFG buy adds to the **Bolt House Farms** purchase three years ago. BHF has turned into a solid but small contributor. GFG raises similar impact questions.

“It’s small peanuts. It’s part of (CS’) perimeter strategy (at retail), but it won’t move the needle,” said a food industry executive. Added another food executive, “it’s tweaking rather than reinventing. It’s small stuff that won’t be nearly as profitable as canned soup, and when you acquire, you dilute earnings. Why couldn’t (CS) do this on its own? Invent something in its labs? Instead of spending money on something that won’t help the bottom line much. And it keeps coming out with new products, but the new products are just tinkering on the edges.”

Cultural Design

Shelter magazine *Elle Decor* is taking steps to keep growth going after a record-breaking 25th anniversary year in 2014. “The goal this year is to inch forward beyond the high-water mark of last year. We are being very strategic about it,” said publisher **Barbara Friedmann**. Playing a key role: events. “We’re building out (ED’s) presence at art and antique cultural events (a la the **International Art & Antiques** show in October). And we’re holding a concept house event in Miami in December that will be an arty project,” Friedmann said.

ED, owned by **Hearst Corp.**, is continuing to push to attract nonendemic advertisers. “We’re continuing to fight to get them. We’re having wins in luxury, jewelry, and getting closer on fashion. And automotive and financial services are growth opportunities,” said Friedmann. On the agenda: building up its mobile presence.

Its Next Score

NHL Enterprises, marketing arm of the **National Hockey League**, wants to maintain the momentum NHL enjoyed in the past season which saw TV audience ratings climb. “We have momentum heading into the off-season. The game has never been stronger and its young stars are getting significant fanfare. We keep reinvesting,” said **Keith Wachtel**, vp/sponsorships for NHLE. A coming push: the hockey “World Cup” in September. “Players will be competing on the world stage. It’s providing us the opportunity to look at global (sponsors) and not just those from the U.S. and Canada,” Wachtel said.

NHLE is ramping up key game events such as the Winter Classic game in Boston and the all-star game in Nashville that will involve advertiser tie-ins. “Nashville gives us the chance to blend hockey and music,” said Wachtel. Due: integrated programs with technology companies, involving digital video, online and mobile.

Mobile Delivery

Mobile ad server **Medialets**, acquired by communications company **WPP** (ad agencies, etc.) two months ago, is charting a growth course under newly-named ceo **Richy Glassberg**. Medialets places ads on mobile devices with targeting capability, providing WPP with a counterpunch to social media giant **Facebook**, which is now using technology to place ads on mobile devices. "We're growing every month at a rate of 50% and WPP is pouring a ton of capital into us," Glassberg said.

Medialets is pushing on a number of fronts, as a result. "International is an opportunity. Europe is growing quickly for us, and we're trying to get to Asia Pacific as quickly as we can," said Glassberg. The company is focusing on building key areas such as video and "rich" content, and touting its ability to measure mobile ads.

Needing More

Aliso Viejo, Ca.-based healthcare products marketer **Metagenics Inc.** is studying how it can grow, but the **Katke** family that controls the company may be holding it back. MI markets a range of natural nutritionals, medical foods for areas such as immune strengthening, allergy relief, healthy aging, etc. MI distributes its products through its main channel of health practitioners such as massage therapists, chiropractors, etc. "It's a well-known brand to those professionals," an industry executive said.

The family, however, is slow to make needed moves. "Changes need to be made. (MI) needs to get beyond the chiropractor (outside the U.S., MI sells products in drug chains, etc.). But that takes investment. It takes a serious commitment. There is a chance for it to be differentiated as a leader in nutraceuticals," said another source.

Agency Rumbblings. . .

Shops might poke around Los Angeles, Ca.-based **Paul's TV & Appliances**, operates a chain of consumer electronics/appliances stores on the west coast. PTV bills itself as "The King Of The Big Screens." PTV recently parts company with chief marketing officer **Steve Strickland** and is rethinking its go-to-market strategy that includes TV advertising and digital. PTV spends an estimated \$10 million on ads/promotion. . . . **Omnicom Group's TBWA/Chiat/Day** just names **Chris Garbutt** its global creative president and chief creative officer of its New York office. TBWA snatches Garbutt from WPP's agency **Ogilvy & Mather**, which caught O&M off guard. Garbutt has been serving as chief creative officer for O&M New York and the eastern region. Garbutt was brought in by O&M global ceo **Miles Young** after serving as chief creative officer for O&M/France. "(Garbutt) is very highly regarded and has global experience. The hope was that he would spread fairy dust in the New York office," an O&M source said. O&M now has to find a Garbutt replacement, which isn't expected to be easy. "There is no one who immediately comes to mind, unless they bring in someone from another Ogilvy office. Or they go outside," said the source. Garbutt could be the first O&M executive to defect since Young recently announces his plan to exit O&M for a teacher's post at U.K.'s **Oxford University**. "You can expect there will be more fallout," one O&M source said. The next to go?: **Tham Khai Meng**, global chief creative officer and another Young recruit. . . . Being heard: **Dentsu Inc.'s** New York-based **McGarryBowen** will finally take over Dentsu's underperforming Los Angeles office, remove the Dentsu name and put its own on the door. . . . Agencies are dropping out of the global review for Scottsdale, Az.-based Internet domain registrar **GoDaddy**. "You have no idea what the revenues are and have to spend hundreds of thousands of dollars to meet with a number of briefing people," one agency chief said. . . . Underperforming-in-the-North America market **Young & Rubicam** (owned by holding company **WPP**) is putting a hiring and pay-raise freeze in place. . . . Agencies handling now-bankrupt retailer **Anna's Linens** getting stuck with millions owed them.

Publishing. . .

Who will listen if you make him a decent offer: **David Pecker**, chairman and ceo of struggling publisher **American Media Inc.** In the past nine months, Pecker has unloaded *Shape*, *Fit Pregnancy* and *Natural Health* magazines (sold to **Meredith Corp.**). Has been in discussions about selling *OK!* and *Star* celebrity magazines to **Bauer Publishing** and talks broke off between AIM and **Bonnier Corp.** about BC's buying AIM's *Men's Fitness* magazine. "The impression you get is that if you make him an acceptable offer, he'll sell. He's listening," said the head of one publishing company. AIM needs to reduce its debt load. . . . Publishers just back from Europe are returning with some optimism about the luxury advertisers there, especially those fashion folks in Milan, Italy. "The U.S. is more vital to them than ever. You'll see the September fashion magazine issues benefit. The European luxury marketers believe in advertising and are recognizing that they need image advertising to build their brands. Digital spending is increasing with them, but print is still the foundation. They're selling aspirational lifestyle and recognize print is the best way to convey that," one publishing company president said. . . . What the celebrity magazines *People*, *Entertainment Weekly*, *US*, *Star*, *OK!*, *In Touch*, etc., have to worry about now: beauty advertisers abandoning the category – perhaps permanently. *People* is being hit by beauty advertiser defections and beauty products seller **L'Oreal** pulls some \$5-million worth of ad spend from *US*. . . . Who has problems that are going to get bigger: political titles *National Review*, *The Nation*. Reason: reader age. NR's average age: 70-plus. TN's 65-plus. "They can't get younger readers because their web sites are so bad," a publishing source said.

At Deadline. . .

Healthcare products marketer **Metagenics** (see story above) is out searching for a president. The caveat: candidate has to deal with the **Katke** family. . . . Who has disappeared pretty much from the ad scene: auto rental marketers **Hertz**, **Avis**.

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