SURE, AN ADVERTISING RECOVERY IS UNDER WAY, but even the copywriting geniuses on Madison Avenue would have trouble pegging it as the “biggest” or the “best.” After eking out a 2.6% gain in 2002, ad spending should see a 5% rise this year, to $249.3 billion, bringing it back to levels seen before the dire 6.5% plunge of 2001, says ad-buying agency Universal McCann. Although TV demand was first to kick in starting last fall, the pickup is now trickling out even to harder hit media such as magazines and the Internet. But the severity of the downturn, coupled with the remaining uncertainties, has left marketers and their agencies scarred in ways that will temper any exuberance as they get back in the game. Remember all the millennium talk of innovative new ways to reach consumers? With caution now the watchword, many marketers have put those ideas on the back burner. Any groundbreaking ads or new products are vulnerable to instant veto by that most ruthless of arbiters, the focus group. “There’s huge research before anything goes anywhere,” laments Cheryl Berman, chairman and chief creative officer of ad agency Leo Burnett USA. “A housewife in Ohio can make or break a new product or ad concept. It’s cowardly, but people are fearful of taking a risk.”

How will this all play out? Here are some rules for the new year:

1. THE TUBE IS STILL KING

It may not be perfect, but TV will continue to sell.

Here’s the central paradox of the recent ad revival: It has been led by frenzied demand among advertisers for network TV time, even though the medium’s ratings continue to erode and marketers increasingly question whether their ads even get noticed amid the clutter of commercials. For the first time last year, cable TV drew a larger audience than network TV.

So why the bidding frenzy? Ironically, it’s partly because the inventory of 30- and 60-second time slots has been tightened by TV’s poor ratings. Networks were forced to set aside airtime for “make-goods,” free ads owed to advertisers who didn’t get the audiences they were promised. Then there is the question of the alternatives to network TV, which are even more fragmented. “In a way they’re being rewarded for their poor results,” concedes David Burwick, senior vice-president and chief marketing officer of Pepsi-Cola North America, which plans a big presence on this month’s Super Bowl. “But communal TV events are much rarer these days. There are still only a few ways to reach a lot of people at one shot.”

There’s another factor, too. Just as there was a time when you’d never get tired of buying IBM computers, TV is still marketers’ default choice. A direct-
mail offer may be a more efficient way of reaching serious sales prospects, but you know a TV ad will be seen by your CEO. "It seems there ought to be more money invested in consumer retention and things like that," says brand consultant Michael Mesic, of Strategic Solutions Group Consulting in Evanston, III. "But it's a question of mind-set—and TV is visible, if nothing else." Bottom line: Network TV is dead. Long live network TV.

2 THE NET: NO AD BOOM AT HAND

Marketers will build brands online—but not necessarily with ads.

It's not quite like that old saw one used to hear about Brazil, that it's the nation of the future—and always will be. But the promised blossoming of the Internet as an advertising medium continues to recede. By now, horning banner ads have been discarded and pop-ups seem to aggravate users even more than TV spots during Everybody Loves Raymond. And it's likely to be years before most Americans have the broadband "upsets" into their homes that can support the delivery of full-motion TV-style ads—assuming Netizens have any patience for those in the first place.

That may be bad news for companies that are banking on selling lots of online ads, but it doesn't mean that marketers are shunning the Internet altogether. Many have come to recognize that the beauty of the Internet is that it can put lots of information to good use and how to buy them in reach of any potential customer. Everything from nutritional information about products and how to buy them is available for any consumer who wants it—without forcing it on those who don't.

That makes the Internet a powerful marketing tool—but not when it's used to carry pop-ups and banners. Instead, marketers are using traditional techniques like packaging, promotions, and print ads to steer consumers to company Web sites packed with product information, entertainment, and scoring messages. That can mean mini-films stashed at BMW's site and gaming tips at Sony Corp.'s PlayStation site, but even marketers of more mundane products like Dannon Yogurt are making it a priority to drive traffic to the home site. The twin paybacks, says Dannon Co.'s marketing vice-president, Eric Leventhal: The company can forge direct relationships with those who visit to gather recipes and participate in promotions. At the same time, it can build a database of its best customers whose loyalties it can cement with more targeted efforts like coupons and direct mail offers.

Bottom line: The Internet's day as a marketing venue may yet come, but that still won't mean big ad sales.

3 SHOW US THE NUMBERS

Advertisers will demand results that they can measure.

Marketers no longer have to convince top management that marketing is a necessity. But if they want their budgets approved, they'd better be able to show that those dollars are working. Corporations are starting to demand the same accountability for marketing investments that they do for capital investments like machines or trucks, at a time when such gauges are still pretty much a black art.

Still, marketers are making headway. Before it goes national with a new ad, Pepsi-Cola now uses Information Resources Inc.'s BehaviorScan service to pipe different TV ads to different households in test markets in Eau Claire, Wis., and Cedar Rapids, Iowa. Then it measures those ads against the household's actual purchase activity to see if the commercials work.

Similarly, when MasterCard USA concluded that off-the-shelf solutions were not up to the job of measuring whether or not the company's commercials resulted in consumers using their cards more often, MasterCard invested five years in developing a proprietary system that can assess the efforts of hundreds of variables. "It's important to show the hit on every dollar we spend and where the good investment areas are," says Larry Flanagan, executive vice-president and chief marketing officer. "Our management and board of directors are made up of bankers who like to see the numbers." Warning to marketers: This time around, it won't just be bankers who demand to see the numbers.

4 IS BIGGER REALLY BETTER?

When it comes to choosing an agency, one-stop shopping is out.

For years, the major agency holding companies have been trying to convince their clients of the advantages of packaging all their marketing needs within the same global company—and have used that as a rationale for accumulating scores of promotion agencies, public relations firms, package-design consultancies, Web site developers, and direct-mail houses to provide those services.

But is bigger really better? Few marketers are buying that. Instead they're more apt to look for the best provider in each discipline. The argument that the ad agency's sister company will have a better handle on the brand just doesn't cut if these days. Parking all the business with a single company "becomes a very homogeneous experience," says Debbie Myers, head of media services, licensing, and entertainment for FHM! Brands Inc.'s Tao Bell restaurants. The fast food chain prefers to parcel out media buying and promotions to one holding company and national planning to another.

The single-shop strategy hasn't worked out so well for the holding companies, either. Although they insist their model isn't broken, financial pressure have forced them to put the brakes on major acquisitions, and some are even looking to shed assets. Some ad experts even think that the independent ad agency—still on the endangered species list—may be ready for a comeback as clients clamor for greater creativity and less bureaucracy.

5 AIMING FOR THE BULLS-EYE

Magazines with loyal readers and tight focus will come back.

After swelling during the boom to the thickness of Russian novels, magazines have been a mixed bag during the bust. Well-targeted publications with an advertising base of consumer products and services have often thrived through the downturn. Business and tech magazines, meanwhile, have taken it on the chin, as finance and tech companies cut back on advertising and in all sectors decided there was no point spending money on image ads during a bear market. Still, for marketers looking to reach a specific kind of consumer, there's a magazine that can deliver the audience, whether it's the shopping fanatics who flock to Condé Nast's Lucky or the skateboarding enthusiasts drawn to Andy Warhol's Trans World Skateboarding.

Even if the ad recovery doesn't succumb to war in the Mideast or other shocks, it's likely to be a gradual climb, not a boom. But at least the money that's spent may be spent more wisely. "We're seeing some rationality come back to the market," says Sam Hill, president of marketing consultant Helios Consulting Group. After the excesses of the sock-puppet years, that's not such a bad thing.

By Gerry Khernouch in New York