

## How to Jump Start Your Return on Expenses

What do you do when the going gets tough? When the going gets tough, the tough start cutting. The commonly accepted reaction to an economic downturn is to reduce expenses. The problem with this approach is that in order to make a meaningful difference to your bottom line during a downturn you need to make significant cuts. If your cuts are not deep enough or if they're of the 'too little too late' variety you run the risk of having to make incremental cuts. This can be far more damaging than being tough enough once. Death by a thousand cuts and all that!

Not all of us are tough enough to cut enough. Some of us are actually astute enough to realize that cutting too deeply can hamper our recovery. If you fall in either category, read on, because we have a few practical ideas for you. Although we apply these ideas to media buying, you will benefit from thinking this way about other areas of your business.

The first step is critical. Clarify for yourself your difference between expense items and investment items. Read that sentence again. The key idea is in 'clarify for yourself your difference'. We all know the accounting definition of expenses and investments. And your CFO probably has his or her personal way of looking at expenses and investments in terms of your business. But what is your definition? We want you to acknowledge that some 'expenses' are actually 'investments' that you know you must make to secure a better future for your business. The problem is that as long as you think of them as expenses you will hesitate to make the required investment, irrespective of your financial situation. As long as you talk about these investments as 'expenses' or 'costs', managers will automatically want to minimize them. Many a growth strategy has failed because managers have set out to minimize the expenditure instead of optimizing the investment.

Consider the words 'expense' and 'costs'. Do you see them as 'good' or 'bad'? What do you instinctively want to do when you hear those words? If you are like most business people, you want to minimize them. On the other hand, when you hear the word 'investment' you probably think of maximizing. Not maximizing your investment, but maximizing your return. That's what it means to optimize your investment. 'Expense' makes you focus on less, whereas 'investment' makes you focus on more.

Our point is that perception is reality and language is an important perceptual trigger. Wise leaders are deliberate in their use of language. They choose words carefully, selecting specific words for the exact meaning they wish to communicate, because they know that words guide

our understanding and thus our actions. In other words, choose your words carefully when you speak to your colleagues. If you want people to cut back on something, call it an expense or a cost. If you want managers to use it wisely as they work towards a future outcome, then call it an investment. For example, if you want to optimize your return on your advertising and media then talk about your investment in advertising and media; do not talk about your media costs.

During difficult times, some companies see their media budgets as an easy place to look to cut operational expenses. Cutting advertising and media to protect profit is a short term fix at best. At worst it can be a costly long-term mistake as you miss out on the opportunity to grow market share as the market rebounds. And yet, the pressure to survive the short-term can be enormous. So what should you do?

Many companies opt for some sort of trade-off that allows them to stay in the awareness game. In other words, aim to gain some financial security and hope that your awareness in the marketplace doesn't suffer too much. Of course, the problem is that hope is not a strategy. However, when it comes to media buying, you do have several options that will help you to reduce your total investment without reducing its effectiveness.

The purpose of any media plan is to reach as many different potential customers as possible before the money runs out. Pretty simple, isn't it? Now think effectiveness and efficiency – the two main ways your media buy should work for you. Before we go any further, let's agree on what we mean by effectiveness and efficiency – concepts that we think are used too broadly. Effectiveness has to do with your planned outcome (the effect) while efficiency relates to the ratio of resources used to create the outcome. Simplistically, the one has to do with output and the other with input.

Now, if you can achieve the same output with less input (money), you've hit a home run. Flip it, and you've also done alright if you can achieve more output (media) for the same input. In both cases you have maintained your effectiveness at greater efficiency.

We know from experience that these outcomes are possible with some effort and due diligence on your part. Try these straight-forward 'fixes' and you will no doubt agree with us:

- A. **Ask for help**: Many people like to be helpful. If you don't like asking for help, then ask questions. Many people like to show off what they know. People at media agencies are no different. Ask. You have nothing to lose and much to gain.
- B. **Be flexible**: Before you develop a (media) plan, develop a flexible mind set. Rigid plans look good on paper, but don't work in changing environments. Few things hamper your ability to find cost savings than a historic attachment to 'but we've always done it this way'. Next, make sure this flexibility mindset is passed on to your media partners so they can also uncover opportunities for you.

- C. Create your plan: Be clear on the outcome you want from your media strategy. Modify and strengthen your media plan as appropriate to deliver the desired results. Only then should you look for savings in a more efficient execution of the best plan possible. Don't make the classic mistake of looking for savings first at the buying end of this equation.
- D. Definitely negotiate: Everybody wants the best deal they can get. This is why negotiation matters. Many people still assume that negotiation is about persuading others to accept your terms. It is not. Negotiation is about finding terms of agreement that best suit your goals. Be smarter, more flexible, user friendly, and fair minded and you will be successful in negotiating. This is especially true in today's media marketplace where relationships are very important.
- E. Excel before moving on: Plans are least effective when too many actions are attempted at the same time. It's usually a case of limited resources spread too thin. Make sure you hit your goals effectively and efficiently in your primary media choice before moving to the next one. Your plan will gain traction and momentum if your priorities are exactly right.

Our ABCDE of media buying is aimed at helping you keep the longer term in mind (investments) while you make day-to-day cash-flow decisions. We plan to expand on these ideas in a future article. Until then, keep in mind that we have all become conditioned, in an economic downturn, to react to expenses. In preparation for the upturn, we must become proactive. Begin by thinking, speaking and deciding in terms of investments.

*Jeff Jones and James McIntosh collaborated in writing this article. They have had a classic vendor-client relationship for the past three years that has morphed into a good example of the theme of this article. They took an expense item (consulting fees) and turned it into an investment that has paid off for both parties – well beyond their original intention. Jeff is CEO of WfofR Media ([www.wfofr.com](http://www.wfofr.com)) and James is Chief Nonsense Officer of Nonsense At Work ([www.nonsenseatwork.com](http://www.nonsenseatwork.com)). Visit their websites for more articles and media content.*