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Epsilon speaks with Hamish McLennan, Global CEO of Y&R, about opportunities for Asian-Pacific companies to deliver better value to US consumers in a recession, as well as their customers at home.

Key points

- Consumers are looking for real value – they're increasingly impartial about products' origins.
- Make a serious commitment to managing your customer database and segmenting it appropriately.
- Communicate to US consumers in a direct style – but don't forget the emotional element.

Not so long ago, before the US spiralled into recession, American marketers were busy refining their strategies for crossing the Pacific to conquer the burgeoning Asian markets. Most probably didn't foresee the financial troubles bubbling back home, though they were uniformly convinced that the biggest growth opportunities were possible in Asian – not Western markets. All set for mass-market success in the East, they believed that, at last, they could 'tame the tiger'.

They might still be right.

Meanwhile, as US consumers take a simpler view on life, the question they all have about any purchase is "Where is the value?" And according to Hamish McLennan, Global CEO of Y&R, the current market presents real growth opportunities for Asian companies that produce better quality products at cheaper prices than their Western competitors.

"Consumers are quite impartial about where the product comes from, just so long as it's good. And Asia is doing better than anyone else," McLennan explains. "The question is value: what do I get for what I paid for. We do a lot of work for LG out of Korea. They're an example of an Asian company that makes excellent products at the right price and they're flying off the shelf – here in the US and around the world."

Noting that in any transitional period there will be winners and losers, McLennan reports that some of Y&R's clients feel the recession is a great opportunity to invest, get market share and procure better media rates, although they're also saying that traditional media is now too expensive and is no longer delivering them the audience that they want.



Hamish McLennan is Global CEO of Y&R, overseeing nearly 200 agencies in 80+ countries from Y&R's New York headquarters. Born in Australia, he worked for 17 years at George Patterson Bates in Sydney and Hong Kong, gaining skills in every area of the agency before specialising in account management and serving as National Managing Director from 1999 to 2002. He then served as CEO of Y&R Advertising Australia and New Zealand from 2002 to 2006, strengthening its creative reputation and steering the agency to outstanding success in new business.

"I think there has been a fundamental shift and we will never go back... It was so easy ten years ago, when you just did press, radio and TV communication, and maybe a bit of direct mail," he notes. "Now it's fragmented and therefore harder and harder to get the consumers on a mass market basis. Digital is the new DM [Direct Marketing] and it gives us the opportunity to have meaningful dialogue with consumers."

Digital marketing presents two universal challenges: developing and mining customer data. And for now, US marketers tend to be the best at it, warns McLennan. Their marketing is more research driven, and they've been putting serious money behind their CRM and eDM programmes for several years.

Therefore, as McLennan suggests, if you want database-driven marketing to succeed it needs to have a meaningful place in your whole communications mix: "Once you commit to having a long-term dialogue with your customer you can't just switch off and stop talking to them. With database marketing you have to start with an end in mind and make sure you put meaningful dollars behind making it work."

One of the benefits of a serious commitment to customer research is that all marketing can be better targeted, suggests McLennan. In the US in particular, this means a more direct style of communication because the US consumer sees marketing on a more literal level – a challenge for Asian marketers used to a lot of subtleties in their creative.

After pointing out that nuances might be lost on US audiences, McLennan warns that another challenge of a more direct approach, based on extensive research, is that the emotional side of any communication risks being knocked out.

"Make sure there is relevant emotional insight in all that you do, combining it with some product orientated fact." says McLennan. "You need to strike the right balance between left and right brain, or emotion and rationality. It's easy to spend all your time talking about the product and demonstrating it, when we all know that if you capture and communicate an emotional insight then that can really appeal to customers. That's nirvana for people in advertising and communications – striking an emotional chord with your customers will have huge impact."

Life in New York might well feel "like swimming in a washing machine" for McLennan, although wherever you work – or who you're marketing to – people will still focus on what is important to their lives.

"It doesn't matter where you are – in Asia, the US or Australia – there will be a new simplicity around how they live their lives. You'll probably find more money spent on products to be enjoyed at home – Campbell's Soup is a great example. People realise you can eat well, but you don't have to go out to a restaurant and spend one hundred dollars to do it."

As for Y&R's fortunes, McLennan says 2009 is shaping up reasonably well. Its relationship with LG goes from strength to strength: "It's great to have a big Asian-based multinational aligning with a historically western-orientated company – we saw that as a big victory," he notes proudly. The firm renewed and grew its contract with Bacardi after a review, picked up the \$140 million-per-year Office Depot business, made some significant creative hires, including creative director Tony Granger from Saatchi & Saatchi, and announced just before the end of 2008 that it was entering a large interactive deal with VML which will have a profound effect on the business.

"I'm having a ball doing what I'm doing," reflects McLennan. "It's a privilege to be able to come from Australia and work in New York and see the world. I've never had a formal career path as such, so I'll just see what happens!"