

MERCHANDISING

by Keith Evans, Director of Communications and Public Relations

Saturn's Trouble a Lesson for Angus

There's an old business scenario that just keeps repeating itself. It goes like this: A business becomes successful, demand for its product increases, and sales sometimes outpace supply. Because things are so good an owner or manager decides to cut back on advertising and put the money into profits.

It's deceptively-attractive. Boards of directors and stockholders love higher profits. And who needs advertising they argue, when we can sell everything we produce at list price or better?

Saturn Corp., the new, extremely successful General Motors subsidiary may be the latest company to succumb to this seductive idea. In early 1993 Saturn sales were booming. Dealers put eager customers on 60-day waiting lists. However, instead of continuing their advertising campaign Saturn executives cut the \$100 million budget in half and declared a \$50 million profit. Things looked great.

But by December sales had dropped, down 6.2 percent from the same month a year earlier. Instead of a waiting list dealers now had a 70-day supply of cars on hand. To compound the problem Chrysler was ready to introduce its new Neon to compete head-to-head with Saturn. To stop the bleeding, Saturn executives reportedly boosted their ad budget some 20 percent over the 1993 planned budget. They will probably end up spending more to catch up, if they can, than if they had not cut advertising in the first place.

We in the Angus business face much the same situation. The Angus business is the envy of the beef cattle industry. A recent survey conducted by the *Western Livestock Journal* shows that 44.2 percent of their readers use Angus bulls. In second place is Hereford with 25.2 percent, followed by Charolais at 14.8 percent, Limousin at 14.5 percent and Simmental at 11.8 percent.

Business has been so good that some Angus breeders can sell everything they have including an occasional cull, at very profitable prices. Things are better than they have ever been in the memory of most Angus breeders. The average price of Angus bulls and females sold at auction continues to set records.

Some breeders today wonder if they shouldn't cut their advertising and put the money in the bank. Some people I respect have expressed to me that it might be wise to cap national Angus advertising, or maybe even reduce it. "Everyone knows that Angus is the best, hottest breed of cattle," they exclaim.

Neither the American Angus Association nor the most successful individual Angus breeders can afford this luxury. It is tempting to assume that customers will continue to come back to

the Angus well time after time even with less encouragement, without us having to tell them how outstanding the water is. We forget that someone is always drilling a new well, extolling the virtues of the water, and making access easier. Instead of cutting advertising and promotion, we should be looking for ways to

increase and improve our programs while times are good.

It is generally accepted that most businesses lose about 15 percent of their customer base each year for one reason or another — from death and retirement to a change in business conditions. These customers must be replaced with new customers in order to keep sales level. Over a two year period a business that doesn't attract replacement customers can lose 30 percent of its business. A business that wants to grow a modest 5 percent a year needs 20 percent more new customers each year. This takes a sound marketing program even in good times.

Besides, we Angus people have no reason to feel overly confident about our advertising and promotion efforts. Yes, we do have the largest total ad budget of any breed. But by every measure I can find neither the American Angus Association nor individual Angus breeders spend as much on advertising and promotion per animal registered as do several other aggressive breeds. In two independent surveys the past few years the American Angus Association



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ranked well below other breeds in yearly marketing investment per animal recorded. In many livestock publications Angus breeder advertising accounts for far less than 30 percent of the breeder advertising even though Angus has from 35 to 40 percent of the bull business. Some may have already been wooed into complacency.

History has shown that the most vulnerable businesses are often those that enjoy a long period of success. They are businesses that appear to be so strong as to have no effective competition. I have recently heard the Angus business described this way.

Trust me, Angus has competition. All they want is an opening that will allow them to reclaim the share of market they have lost to Angus the last few years.