

In a Jam with Activist Investors

Campaign Live

By Helen Edwards

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There may not be jam today but, the implication goes, the pot will be overflowing come the happy dawn of some unspecified "tomorrow".

The deliberate distinction between short-term and long-term success is so frequently evoked that many lazily see them as natural opposites. Have one but not the other. Even so sharp a mind as Sir Martin Sorrell's has been drawn into this dubious polarity with a recent comment about factors in today's multinationals fostering undesirable "short-term thinking".

One of those factors was the rise of activist investors. Cue audience boos. These are the guys who buy a slug of equity in a lumbering corporate giant and use it to muscle their way into the boardroom to challenge strategy, press for cost cuts and drive divestments, with the objective of short-term gain.

Maybe they are – I've certainly been on the receiving end of rants from marketers in global companies bewailing how activists cut a swathe through "long-term brand-building" plans. Maybe, though, they are simply stakeholders who are prepared to ask awkward questions, even of us lowly marketers, and not to be fobbed off with our standard, cherished constructs.

Imagine you are answering to one right now. How confident would you feel about giving reasons for the decisions you are making? That sophisticated segmentation strategy you've spent the past nine months developing, for example: do you have the size-of-prize metrics to show why it beats shooting for the mass?

The Sharp doctrine

Some activists – according to my contacts in targeted companies – have taken a shine to "evidenced-based marketing", along the lines of that espoused by Byron Sharp. They prioritise salience over meaning and slash emotional engagement budgets in favour of constant, low-level repetition.

Whatever your view of Sharp's doctrine – altogether more subtle than its typical portrayal – at least it reflects an attempt to put some science into marketing decision-making, to seek numerical underpinning for what fondly gets called "best practice".

Those who advocate alternative routes to growth – narrow targeting, loyalty building, purpose-led branding, storytelling, mawkish three-minute YouTube spots dramatising a social cause just faintly connected with the category – might do well to seek a little science themselves. If there is one positive thing the activists will encourage, it is to put some numbers where our assumptions are.

It may not be the only one. Not all activists neatly fit the caricature of the enemy of long-term brand health. Nelson Peltz, who has acquired a \$3.5bn stake in Procter & Gamble, has put the boot on the other foot, accusing the corporation itself of "short-term thinking", for the practice of cutting fourth-quarter adspend to meet financial targets.

With enemies like Peltz, who needs friends? How come it takes an outsider to point out that, if advertising really is a vital brand lifeline, it's not something you can arbitrarily choke off and keep the patient alive?

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Nor are activists without independent defenders. Lucian Bebchuk, a Harvard professor whose research has unearthed the virtues of activist campaigns, concluded in a 2015 paper that we "should not accept the validity of the frequent assertions that activist interventions are costly to firms and their shareholders in the long term".

So, if you're in one of those targeted companies – P&G, Unilever, DuPont, Mondelez, Kraft – maybe it's better to keep an open mind and be ready for some vigorous probing into standard but unproven industry practices you probably should have queried years ago.

The big question we should round on as marketers, though, is why we can't seem to live with "short-termism" and "brand building" within the same sentence. Why can't a series of discrete sales messages, service initiatives and rapid-fire innovations, each with a clearly stated, near-term financial objective, be linked to pixilate a desirable, vibrant, enduring brand image?

They can. And my guess is that, with the rise of the activist in big brand-owning companies, it is a combination we will become ever more adept at devising.

Jam tomorrow should not preclude jam today. The answer we should confidently give, when asked by any investor whether our marketing endeavour is aimed at long-term growth or short-term gain, is "yes".