Advertising hit by jitters over spending cuts
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Madison Avenue could be forgiven for indulging in nostalgia when Jon Hamm, star of AMC's Mad Men television series, appears at a Yahoo-sponsored event this week to remind the US advertising industry of its 1960s heyday.

Six rock bands made up of advertising executives will still battle it out on Wednesday, but the usual festive mood of the annual Advertising Week gathering in New York has been overshadowed by the financial crisis rocking Wall Street and Washington.

In direct terms, "the recent frenzy in the financial markets is mostly a distraction", says Jon Swallen, senior vice-president of research at TNS Media Intelligence. Financial advertising represents only 6 per cent of the estimated $150bn in US ad spending this year.

But the fallout from a collapse in the mortgage and lending markets could shake fragile consumer confidence further.

"The events on Wall Street don't ease consumer anxiety.

Unemployment is still rising. There's still a lot of nervousness on the part of consumers to spend money," Mr Swallen says. "The snapshot right now is not encouraging."

Bruce Goerlich, Zenith Optimedia's head of US research, forecast in June that ad spending would rise by 3.4 per cent in 2008, but says he will cut expectations when he updates the figures in early October.

"I think [recent market turmoil] will create uncertainty and will have an impact on consumer confidence," Mr Goerlich says.

Others have already downgraded, and the picture could get much worse. Charles Rutman, North America chief executive of MPG, the Havas-owned media planning agency, reckons US ad spending could fall 5 per cent next year if conditions do not improve.

"Forget about last week for a minute. Overall the economy is not healthy. Consumer confidence is really very low... People tend to postpone purchases that they otherwise would have made sooner."

Marketers are already adjusting to this new sombre view. Despite an 8.1 per cent gain in cable advertising spending, overall spending fell 1.4 per cent during the first half of 2008, according to Nielsen, dragged lower by declines in newspaper, network television and internet display advertising.

However, such data did not stop a procession of US media executives saying last week they saw the crisis having minimal impact on their businesses other than making access to capital trickier.

All acknowledged that local television and newspaper ad sales were suffering.

"The economy is the biggest strategic question in everyone's mind," Jeffrey Bewkes, chief executive of Time Warner, told investors at a Goldman Sachs media investors conference last week. "But it hasn't had a big effect on Time Warner's earnings, revenue and growth."

"As people stop going out, guess what they're going to consume - network television," said Leslie Moonves, chief executive of CBS.

Jason Gardner, chief executive of global music at Live Nation, the concert promoter, even disputed the idea that people would stop going out. "Gas prices can go up, the economy can slow, but you still say, 'You know what, I'm taking my wife to see Elton John'."

Such statements have done little to mask the gloomier view among marketing executives. "Everyone's going to put on a pretty face," says MPG chief operating officer Steve Lan-zano. "[But] everyone's real nervous about 2009.

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