Shaping the Future of the Newspaper
ANALYSING STRATEGIC DEVELOPMENTS AND OPPORTUNITIES IN THE PRESS INDUSTRY

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4.6

BEYOND ADVERTISING

Media Landscapes

There is a new beast in the media jungle: the retailer. The big chains want to be the media barons of the 21st century. In this report we look at the move away from above-the-line advertising to outdoor, online, ambient media, sponsorship, entertainment – and retail.

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BEYOND ADVERTISING

Media Landscapes

Foreword

BY THE end of 2004, the biggest British supermarket chain, Tesco, had installed its own television network in 100 stores, with 300 more in the pipeline.

The company that reaped £2 billion in profit for the first time this year bullishly wooed advertisers. “As the country’s No. 1 supermarket, Tesco is in an unparalleled position to communicate with customers without the intrusion and confusion associated with other media streams,” explained Tim Mason, the company’s marketing director.

On average, there is a 13-hour time lapse between a consumer watching an advertisement and visiting a supermarket, The Sunday Times reported. Tesco TV allows advertisers to reach customers at the very moment they are making buying decisions.

“The closer the advertisement is to the point of purchase the more likely you are to be successful,” Mr Mason told The Sunday Times.

He’s dead right, of course. “You can’t get more targeted than when the person is about to buy,” agrees Tamar Kasriel, head of knowledge venturing at the Henley Centre in London, although she believes the content is still quite primitive. Even so, up to 90 per cent of purchase decisions can be made in store, which makes Tesco TV potentially a very powerful medium.

In this report, Caroline Foster Kenny of Mediaedge:cia describes how that in this age of fragmented media the supermarkets, such as Wal-Mart and Tesco, are the new media barons.

As communications planner John Griffiths said of the supermarkets: “They don’t have customers, they have audiences. And store magazines and in-store TV are the trappings of media ownership.”

But the rise of the supermarket goes much further. The retailer exerts power over the manufacturer.

“The balance of power has moved quite considerably,” explains Mark Gallagher of media agency Manning Gottlieb OMD in London. “It used to be the Unilevers and

Procter & Gambles of this world that called the shots over the supermarkets because they were the brands the supermarkets wanted. Because the supermarkets have got much bigger, the balance of power has shifted to their side."

Newspapers in the United Kingdom, which have dramatically increased the number of copies they sell at the checkout in the past decade, have not yet reported problems dealing with the supermarkets. Not the case for magazines. In the United States, Wal-Mart "told Cosmopolitan to remove cover billings about abortion. It has delisted the lad mags Maxim, FHM and Stuff, and banned an album by Sheryl Crow, which criticised Wal-Mart for selling guns", according to left-wing columnist George Monbiot.

Monbiot asks whether the tough stance retailers take with their suppliers "will come to govern the superstores' relationships with newspapers and magazines. If you doubt this, try to picture a newspaper being sold beside the Tesco checkout with the headline 'Tesco's bullying tactics exposed'." (Although it should be pointed out that Monbiot was writing in The Guardian, whose chief executive had recently joined the Tesco board of directors to no apparent effect on the newspaper's editorial freedom.)

Monbiot's main grievance was about the possibility of a change in wholesale supply of magazines (which ride on the back of newspapers) that would allow supermarkets the chance to handle distribution – and likely reduce the number of titles on offer.

"While the supermarkets' control of the meat or bread or fruit market is bad enough, their control of newspapers and magazines gnaws at the ankles of democracy," Monbiot concludes.

Lynda Dyson, in her essay, reports on Tesco's very successful efforts to run the news agenda. It's a reminder to newspapers that editorial quality and investment must be maintained if newspapers are not to become simply purveyors of public relations material.

Nevertheless, the success of supermarket magazines has made at least one senior newspaper executive wonder if supermarkets will want their own branded newspapers in future.

Touching on the same theme of media fragmentation as Caroline Foster Kenny, Sonia Le Louarn of Vodafone discusses the opportunities provided by ad funded content. The 30-second spot is dead, she says, describing how Vodafone tied up with MTV, a crucial marketing marriage between music and a global brand.

We hope these lessons from other industries will encourage newspapers to consider how they can operate in this increasingly complex media scrum.

Take Sir Martin Sorrell, of the WPP Group of advertising and marketing companies who rejects the threat of personal video recorders that will skip the ads. "I think they are good news because they will force advertising agencies to think about new and more creative ways of reaching the consumer . . . It makes media planning more valuable to their clients," Sir Martin told The Guardian.

He can also offer a piece of advice for those perplexed by this changing media world. "There are only two ways that companies win in our current environment of low inflation and little pricing power, with concentrated distribution in powerful outlets such as Wal-Mart, Tesco and Carrefour," Sir Martin said. "One is through innovation, investing in new product development. The other, once you have new innovations in place, is investing in branding and the differentiation behind them."

1. Beware the retailer

By Caroline Foster Kenny

THERE are just so many ways that our media world and Alice's Wonderland are the same. Just like Alice, we are very curious – we are curious about our industry and our industry is growing increasingly curious itself.

Like Alice, we want to know what the future holds and where it will take us. In her wonderland, and ours, everything changes and never stays the same, things are continually metamorphosing into other things. And as Alice found, things are not always as they first seem or appear to be, it really is all quite strange and odd! It is though, like Alice's land, a very exciting and interesting one that we find ourselves.

Today's media landscape is changing so quickly and changing almost beyond recognition – the growth of channel choice and new media opportunities available is phenomenal.

The choice is certainly keeping media agencies busy and on their toes, there is just so much more to consider now, not just in terms of media choice, but also how media are being consumed.

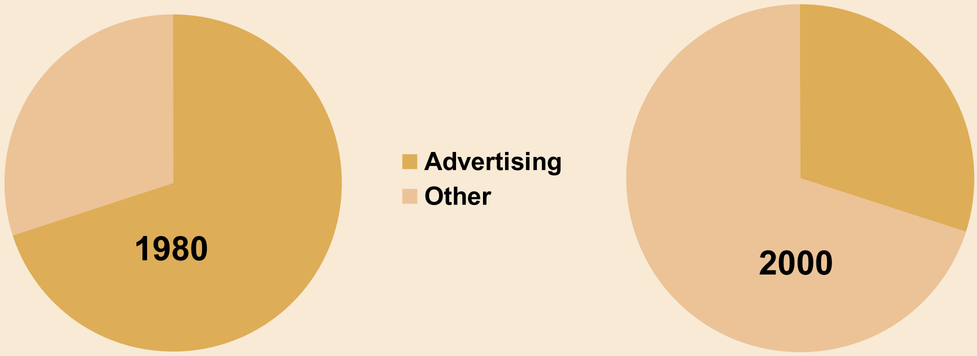
Consumers are no longer passive receivers of media or messages; they interact, they choose when and where, indeed they are now "users" rather than "consumers". As the media fragment, so do our audiences.

It is becoming increasingly complex to reach them in the right environment, as they now have multiple needs, multiple roles and multiple tasks. And they certainly have the choice now to pick from different brands. There has been an explosion in the amount of brands available to us. (There are today 20 different variations of Ariel washing product!)

Many brands have also transformed and reinvented themselves. Those familiar with the Virgin brand will know that it was started by Richard Branson as a music company, but is now also a bank, an airline, a drink, a train network, an insurance company, a cosmetic and a film company. As I said, just like Alice in Wonderland, it's all very strange and odd, but very exciting.

Chart 1.1: Advertising is no longer king

Investment in traditional advertising and media is becoming a smaller part of the overall marketing budget



Below-the-line disciplines growing in importance

Source: US spend AdWeek (August 2000)

So what is the future of media and our industry? How are marketeers communicating with their customers and where are they spending their budget?

The evidence cannot be disputed – investment in traditional advertising is becoming a smaller and smaller part of the overall marketing budget.

In just 20 years, advertising's share of the marketing budget has fallen dramatically, from 70 per cent to just 30 per cent. Activities such as in-store promotions, product placement and event marketing are becoming the norm now rather than the exception.

Advertising is no longer king, and new forms of communication are winning the budgets.

Media choice and complexity are growing. Overall, marketing budgets continue to grow. But as we all know, traditional forms of media and communication are quickly losing their share of the pie.

So who are the winners and losers? As I'm sure you're all too aware, Newspapers' share has dropped significantly (falling approximately 40 per cent in the past 20 years), as has television.

The winners? Investment on the internet and into outdoor continue to grow as does ambient media as marketeers try to find new ways to cut through all of that clutter. New disciplines within traditional media are also winning the bucks. Sponsorship continues to grow and entertainment media is the buzz for those with larger budgets. Retail is the newest and strongest contender, all of these gaining share at the expense of television, print, and to a lesser degree, radio and cinema.

Integrated sponsorship solutions are on the increase – Vodafone is a great example of getting this right, they leverage their event/ club sponsorship to integrate it through all of their communication, including online and SMS mobile messaging.

And with F1 sponsorship Vodafone is also buying content that it can use to add value to the brand and proposition – owning a mobile phone has benefits beyond calls and text.

Ambient media is on the increase: it's about new channels to communicate that are able to connect with the consumer at a relevant time and cut through the clutter.

Still relatively new and with a very high entry point, but entertainment media is now a serious consideration for many global brands.

It's not just the placement in the film though, you are buying so much more, it's the special editions, promotions, online activity, advertorials, PR at launch etc.

And then there is the retailer . . . the biggest winner of them all. In short, the new media baron.

Wal-Mart, for instance, is absolutely vast! It has a workforce of nearly 1.5 million – bigger than the US army. It aims for a minimum of

30 per cent share in any category they enter and George, its private label clothing brand, is now the No. 1 clothing brand in the world . . . And it's still growing.

Wal-Mart has announced its ambition to become the world's largest media owner, and in 10 years' time, it probably will be if it continues the way it's going.

Increasingly, retailers are taking a larger share of the advertising, marketing and brand budgets. And they're managing to do this through a couple of routes.

Firstly, through in-store media. For many reasons, including some of the ones I've already mentioned, In-store point of purchase is becoming increasingly important for manufacturers. Nestlé is telling us to take note and make room for "TV's true competitor".

The retailer is becoming so powerful in so many ways. It knows that some advertisers can only try to reach consumers for 2.5 minutes in a week (5 x 30 seconds) – but they have their attention between one and five times a week, and for up to an hour or two on some occasions. This is a very valuable proposition to own.

However, in-store media is not the only way retailers are increasing their share of brand budget. The other major revenue earner for large retailers, (and increasing cost for brand owners), is "trade funding".

Trade funding is the money that is almost "given" to trade customers by manufacturers for a whole host of things like new variant listing, delisting, cash discounts, volume payments, guaranteed discounts, etc.

In recent times, this trade funding has sky-rocketed, moving from approximately 5 per cent of sales revenue in 1980 to virtually 25 per cent of sales revenue today. Retailers are demanding bigger and bigger amounts as a cost of business, and manufacturers have little choice if they want distribution.

Overall, more of the budgets are moving from above the line, to below, focusing on in-store and subsidising trade funding. A double winner for the retailer.

There are some traditional media that are still managing to grow market share, and outdoor is one them. A traditional media that is bucking the trend and still growing its share

TV's true competitor

If I want to get a message cost effectively to 70 per cent of British households in a week, do I plan a centre break in a peak-time soap or do I run a display end in Tesco? It's clear that in-store, at point-of-purchase will have a greater impact. Put bluntly, supermarkets are the new media … watch out for the retailer, TV's true competitor."

Andrew Harrison
(marketing director, Nestlé Rowntree)

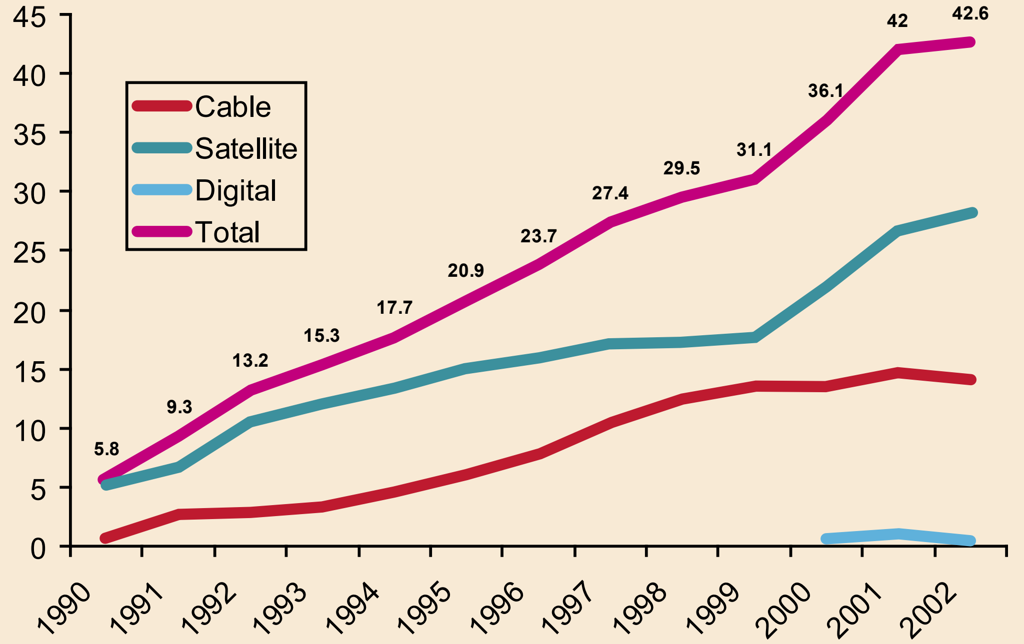
and revenue as it continues to evolve and re-invent itself. We've had already talking, moving, smelling, dancing, sampling and scent dispensing posters, now we have a totally interactive poster. Tested recently in London by Procter & Gamble, a hyper-tag has been fixed to a poster allowing the consumer to enter a competition (and provide P&G with all of their details) right there and then through the infra-red signal on a mobile phone.

Today even television is not as we know it. Advertisers don't necessarily need a commercial to run a TV campaign – sponsorship, vignettes, promotion, product placement are all options considered today by the media planner as the role of television in communication changes, moving from a mass broadcast media to a targeted, interactive one.

One of the most widely talked about recent developments in the advertising world has been the introduction of PVRs, or personal video recorders.

This technology enables viewers to record up to 20 hours of programmes on a hard disk, freeing viewers from the constraints of

Chart 1.2: TV availability and choice on the rise



Source – DDS/BARB

channel schedules. A clear advantage for a new active generation.

Most controversially, the technology allows viewers to fast forward and therefore potentially avoid traditional TV advertising.

So far, uptake has been slow, but many industry sources expect this to change over the next two years. For example, currently in the UK only 250,000 homes in the UK own a PVR, representing less than 1 per cent of all households. However, this is expected to rise to about 20 per cent of all homes by the end of 2005.

So what are the implications? PVRs will force advertisers to re-think their approach. It is no longer (nor has it been for some time) just about spots – sponsorship of whole programmes will become more common.

Alternative ways of advertising will develop – from product placement, advertiser funded content and channels and more interactive advertising (to encourage viewers to "opt in").

Television channel choice continues to increase, in Europe, we now have an average of 42 channels to choose from, an increase of nearly tenfold in 10 years! Clearly this creates more opportunities to invest and more relevant, targeted environments for advertisers, but also massive fragmentation of audiences.

Despite a tenfold increase in channel choice, we are actually viewing less: about 10 per cent less than we did 10 years ago. For kids, they're actually watching 20 per cent less.

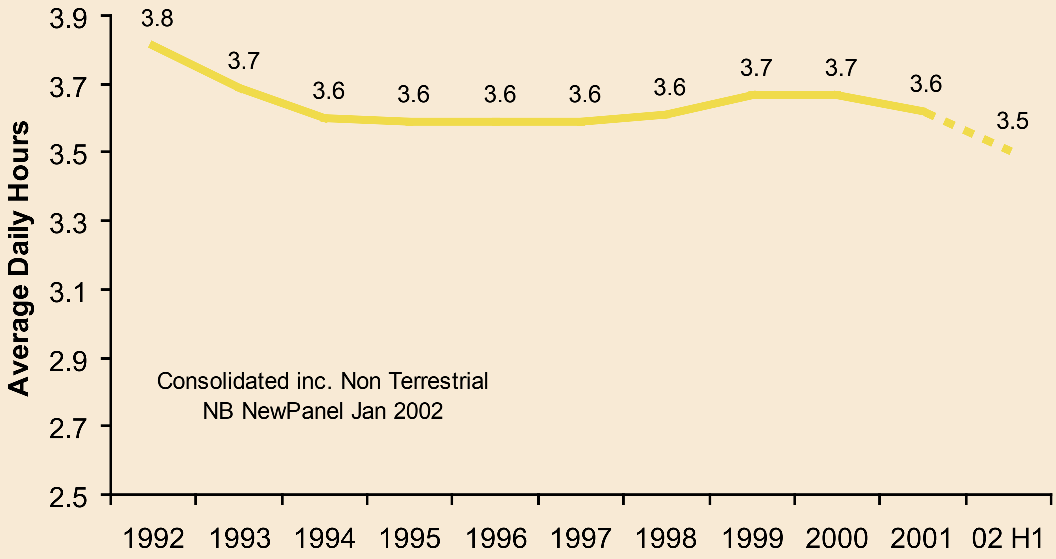
People are re-distributing their time and changing their habits.

And, if there wasn't enough changes to our media world, we're experiencing major shifts in the patterns of consumer behaviour and their attitude to advertisers.

They are increasingly avoiding ads. Technological empowerment has allowed them to choose to avoid, if it is not relevant for them at the right time, they will switch off. They are cynical and anti-corporatist; the Enron antics have made them even more sceptical. They are totally overloaded with information, so they are becoming increasingly selective of what information they choose to receive. The plethora of choice is changing their behaviour – they have excess choice of media, information and brands which is impacting on their own personal networks as they become more tribal, and transform from one consumer

Chart 1.3: UK TV Viewing

People aren't consuming more, but redistributing their time.



Source – DDS/BARB

segment to another. All of these behaviour patterns will affect marketeers and the way we communicate with our consumers and invest marketing budgets.

All of this has resulted in a more complex way of thinking for advertisers and agencies. We're now developing "Master Connection Plans". Today, connecting brands with consumers requires management of a complex interplay of channels and disciplines.

Media schedules are no longer about just putting "crosses in boxes". Instead, media planners are trying to create experiences for consumers to meet the brand that will be longer lasting and more effective. A far cry from the media buyers of old!

So, how can newspapers compete in this changing media landscape and protect their share of voice? There is no easy answer or magical solution. Obviously some newspapers will fare better than others, as some are already showing. But here are a couple of suggestions from one media professional to another.

Do not do nothing! If you stay as you are, you will lose. Play the game. Find new ways to connect with your reader/viewer, interact with them and engage them in your product, understand this brave new world and evolve with it.

Build long-lasting partnerships with advertisers. Work with agencies and clients to find the right solution for them. Some newspapers are beginning to do this already, by shifting from a supplier mentality to a service and solutions provider, will certainly help you to not just protect, but also grow your share of the budgets.

Survival of the fittest! Strong brands will certainly prosper. The September 11 attacks demonstrated the strength and power of the CNN brand. Whether it was via the TV, the website or through PDA alerts, it became the trusted brand synonymous with immediate, up to date, global news.

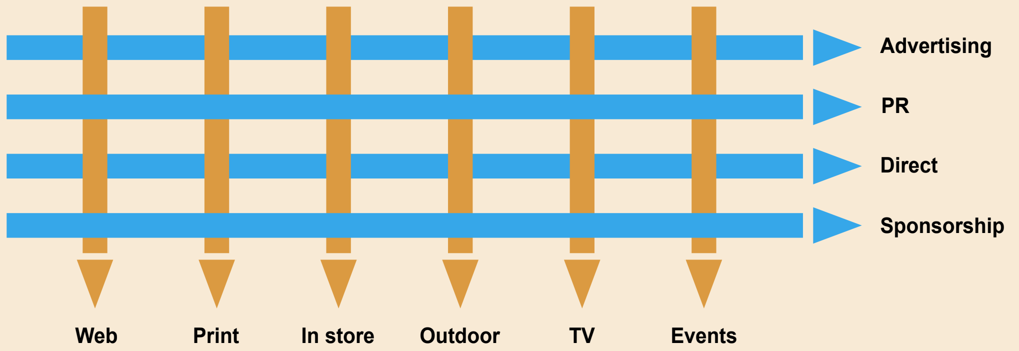
Differentiate yourself and make sure that you don't become just a cost per thousand that can be swapped with another cost per thousand!

For obvious reasons, marketeers will always want to communicate through strong, valued brands, and many are prepared to pay premiums to be associated with particular brand attributes.

Become more accountable and prove your value. Newspapers are clearly one of the strongest players and remain a very effective

Chart 1.4: The master connection plan

Integration is key



Connecting brands with consumers requires management of a complex interplay of channels and disciplines

Source: mediaedge:cia

channel, as your share comes under threat, demonstrate your use and position.

Offer partners research and tracking programmes to measure effectiveness of their campaigns and provide them with greater and fresh insights on your readers. Put your money where your mouth is, so to speak! Perhaps consider the ultimate in self-value by being remunerated on the results achieved – agencies are increasingly asked to do this by their clients and in turn, this request will be fall on to media owners as well.

The good news is that you're not alone in all of this, many other media are suffering too. Learn from them and share with them, the new outdoor sixsheet is a great example of product development in response to our media world today.

So, in conclusion, expect more media, more channels, more choice, more clutter, more fragmentation, more complexity, more demanding clients and agencies – more change.

Build partnerships with clients and other media. Play the game! Evolve and provide marketers with new opportunities to interact and create dialogues with your audience.

Expect more interesting, weird and wonderful times ahead! And last, but not least, beware the retailer.

That's entertainment: selling with phones, games and music

Is advertiser-funded content a solution to the changing media landscape, asks Sonia Le Louarn, global media manager of Vodafone Group Marketing.

The classical model of interruption communication is no longer as effective as it once was, she says. So what can advertisers do to get around this?

The 30-second television commercial was not perceived as interruption in the 1950s but today's media and consumer landscape is radically different from that almost a half-century ago. Media technology pervades every room in the home: from television to PlayStation to internet. A media revolution is being sustained by four drivers of change:

• a consumer revolution, sparked by individualism, expectations and post-materialism;

• a technology revolution pushed by digitisation, connectivity; compression; and data analytics;

• a political and business revolution stirred by globalisation, the nature of work, consumerism and the structure of industry; and, lastly

• a social and cultural revolution spurred by demographics, identity, relationships and the role of brands.

"We've seen more change in the last 36 months than in the last 36 years. And the next 36 months will be equally profound in reshaping the new communications landscape," Ms Le Louarn says.

She points to the ongoing fragmentation within television where ad spot coverage has been in decline for the past 10 to 15 years. It is under pressure from DVD movies and boxed sets of TV series, video-on-demand in its infancy, and cannibalisation by games and the internet. Furthermore, people are multi-tasking while they watch television, personal video recorders (PVR) are gathering momentum, and ad spots are fast-forwarded in PVR homes. By 2010, according to industry estimates, PVR penetration will be almost 60 per cent in the United States and nearly 30 per cent in Western Europe.

So how do you connect with consumers?

Ms Le Louarn suggests that it is necessary to move from a push model to a pull model dependent on invitation. Entertainment content is a good contender to grab consumers' attention. And it is necessary to create a new marketing communications model.

To underline the importance of entertainment, PricewaterhouseCoopers has forecast that media entertainment spending in six key parts of Europe is expected to reach £243 billion in 2007, compared with £205 billion in 2002.

Advertiser funded content is not new. Advertisers were behind the development of the first television programmes – "soap operas". But Ms Le Louarn says it has been misunderstood. It's not about TV shopping, gratuitous product/logo placement, sponsorship or marketeers sitting in the director's chair.

So what is it then? It's a seemingly simple idea that:

• matches marketing objectives with television programmes;

• aligns brand values with programme values;

• uses the programme as a platform for articulating brand values/brand propositions;

• aligns the brand and programme concepts;

• uses the programme environment to support a brand proposition.

Yet none of these definitions provides clarity and unity of direction. Instead, Ms Le Louarn suggested a new perspective for ad-funded content: to create affinities between the brand and what consumers like to produce ad-inspired content, a description she attributed to Carat. Opportunities were there across various platforms for those with loose regulations such as games, mobile, music and the internet through to terrestrial television which is more tightly controlled.

Within television, the extent of involvement can range from creating the broadcast of an own-brand series through "storyline" product placement – through a talkshow discussion topic to making pizzas on Big Brother – to virtual product placement such as overlays on sports fields.

Vodafone's tie-up with MTV stemmed from a brand proposition brief as opposed to a media brief. Vodafone live! is led by a music offering of full track music downloads and video clips. Therefore it was important that the property helped to:

• communicate the music offering in a highly relevant environment;

• deliver unique and exclusive mobile content (3G and 2.5G); and

• reach 16-34-year-old music lovers.

Vodafone sponsors MTV Diary where artists act as 'the director', giving the viewer a fly-on-the-wall glimpse into their daily lives.

Gaming is the fastest growing entertainment form. It can also be used to promote brands. To quote Takashi Kiuchi of Mitsubishi Motors: "There's no doubt that Gran Turismo played a huge role in our decision to launch the Lancer Evolution in the United States. The car wouldn't have attracted as much attention in the United States without the game."

And Ann Lewnes of Intel: "[It] is the next frontier of product placement. It's very engaging. You're not just watching products, you're actually using them."

Mobile devices, Ms Le Louarn said, have on-the-go access to entertainment and productivity. They support interaction and require a new form of content that fulfils needs relating to being on the move – for example, helping find things, keeping in touch and relieving boredom. They also give access to high quality content that fulfils a purpose, is up to date and has a breadth and depth of content in formats that suit the medium with all the major entertainment brands involved. Advertisers are already taking advantage of various content formats to communicate with their target audience through branded wallpapers or games.

The music industry, which has been ailing for some time, might find help in aligning with brands to promote artists' images and records. Ms Le Louarn cited Justin Timberlake's tie-up with McDonald's in 100 countries to promote the fast food supplier's "I'm lovin' it" campaign with a song of the same title.

In a world of changing relationships, long-term engagement with a great deal of trust is needed all the way, Ms Le Louarn said. There are no measurement standards to demonstrate return on investment and blurred budget ownership within organisations contributes to the overall apathy. Such apathy is further compounded by the need for most players to shift their revenue models.

This was compiled from a presentation, Evolving with the changing media landscape – is advertiser funded content the solution?*, made by Sonia Le Louarn to the Advertiser Funded Content conference in December 2004 in London organised by Media & Marketing Europe.*

2. How Tesco 'markets in the media'

By Lynda Dyson

THE news media have become an important arena for the branding strategies of corporate players seeking to proactively shape their public profile. These activities, overseen by an array of media "experts" who work under any number of designations – news managers, spin doctors, media gurus and so on – are undermining the critical, investigative and interpretive role of journalism as strategic brand management changes the relationship between journalism, public relations and marketing.

With the corporate brand increasingly seen as an organisation's most valuable commodity, communications management has become an activity co-ordinated and activated at the highest level of institutional chains of command. Frequent, pro-active interventions in the news are now one of the primary objectives of brand strategists who seek to directly shape and manipulate the news agenda using practices, which are more focused, and interventionist than traditional public relations.

As one senior corporate manager puts it: "In a highly competitive market-driven environment, the value of information as a commodity must be maximised in the quest to build brand image".

Of course "managed" events, such as press conferences, have long been the staple of routinised news production. However, there has always been the expectation that diaried "pseudo-events" generated by public relations and marketing strategists would be interrogated and developed by journalists. As competition for market share has seen production resources in newsrooms increasingly thinly spread, journalists are frequently under pressure to produce more stories for a proliferation of outlets. The resultant changes in newsroom practices have been well documented. For example, the difficulty of maintaining professional standards, as journalists are required to multi-task whilst working to short-term or freelance contracts. In this pressured news environment there is inevitably a much less rigorous approach to forms of investigative

£4,000 each for shop staff in Tesco's £220m payout

We're in the money: These West workers are among Tesco employees throughout the country who are sharing £220 million from the firm's profits

WORKERS at Tesco stores in Bristol were today sharing in what is believed to be the UK's biggest staff bonus.

As a result of the company's £2 billion profits, staff are sharing £220 million.

The payout – disclosed in Tesco's annual report – covers around 150,000 staff and includes incentive bonuses and share schemes.

The supermarket said it believed the bonus payout of £220 million was a record for a UK company.

Most staff will already have received the bulk of their payouts, which are likely to equate to around £4,000 for a worker on the shopfloor, with workers at shops including the superstores at Eastville and Brislington among those to benefit.

Tesco chairman David Reid said: "As always, our success is down to the hard work and skill of the whole Tesco team.

"I am delighted that once again all staff are sharing in this success."

It also emerged that chief executive Sir Terry Leahy earned £3.2 million for helping the UK's biggest supermarket chain to lift profits 20 per cent in the last financial year to £2.03 billion.

His total package compared with £2.98 million a year earlier and included a basic salary of just over £1 million.

He also received more than one million share options worth the equivalent of £3 million in today's market.

Overall, the Tesco board received £12.8 million in pay and bonuses in the last financial year.

Making news: By promoting Tesco in newspapers, the company aims to 'build the brand by using news outlets like billboards'

journalism. Instead, a process of de-skilling sees journalists employed in routinised work situations as they deal with increasingly 'packaged' information.

These changes have created a news environment more vulnerable to the activities of external information brokers, not least because the news management techniques have an important economic function: the cost of production is shifted from news outlets on to organisations providing "cross-subsidies" in return for exposure in the news.

Communications strategists now require a nuanced understanding of the way in which news values directed at target audiences function in different media outlets. Penetration of the news agenda is a key element in any corporate information strategy but this is aligned with strategies for controlling the way in which the organisation, policy or event being covered is portrayed. The goal is to ensure that coverage will enhance the standing of the organisation or individual and divert attention away from "negatives".

Activities previously seen as the concern of discrete departments – policy making, publicity and lobbying functions – are being centralised so that former divisions between executive decision makers, managers and marketing departments (where many functions have been "outsourced" to agencies) are disappearing as policy is developed, from the outset, with publicity strategies in mind.

At corporate level, news management is a well-resourced activity which is able to draw on the services of expert practitioners (more often than not, former newsroom journalists) who have in-depth knowledge about the needs of news organisations, especially in relation to routines, output and target audiences.

Several years ago the supermarket chain, Tesco, restructured its corporate affairs department, establishing a Marketing in the Media Department, which saw a well-resourced newsroom located within the publicity, lobbying and corporate information section of the executive. It was staffed with experienced tabloid and broadsheet journalists who had between them a wide range of media expertise. According to the department's former head, David Sawday, the new structure came about when the company decided above-the-board advertising was increasingly unfocused and ineffective.

He says: "We now spend more money on media analysis than advertising and as a result we have improved our understanding of which messages go where."

While other areas of Tesco's corporate affairs division continue to generate the standard fare of "business news", the company's "marketing in the media" newsroom has, as its primary aim, the production of "human interest" stories. These stories are targeted at media outlets using the equivalent of niche marketing techniques – different kinds of stories for different media aimed at specific kinds of audiences.

According to Mr Sawday: "We want to speak to our customers through the media and the media wants to talk to their readers about Tesco because their readers are, foremost, consumers of things."

The stories produced by the Marketing in the Media team require intensive, on-the-ground research to produce and circulate. The department's journalists keep in close day-to-day contact with suppliers and supermarket workers: "We always need a story to carry our brand message," Mr Sawday said. "Stories are very ethereal and not many people really understand what they are. That's why not many organisations are doing this very successfully – very few people apart from journalists recognise the qualities of a good story."

The team continuously monitor news outputs and use their privileged access to confidential information about Tesco customers' habits, preferences and lifestyles (delivered through point-of-sale analyses) to "build the brand by using news outlets like advertising billboards".

Stories produced in the newsroom are strategically targeted at news outlets, which attract "bundles" of Tesco shoppers (also identified by point-of-sale statistics). According to Mr Sawday, the economic rewards are considerable: "Getting one hit in a national newspaper is a fantastic result. You can't buy that kind of publicity. If it was advertising space it would cost £20,000, since it's editorial it's probably worth £60,000 and it's only taken a couple of hours to generate the story.

"You've said something about the company you couldn't say with advertising or even an advertorial because it would be contrived. Because this story appears as 'news' it's not contrived: it's the truth."

And here the executive articulates precisely the way news messages generate an aura of truth and authority, which has economic value for corporate organisations.

To give an example: his department devised a way of exploiting the tabloid-driven furore during a recent Wimbledon, over the Russian tennis "star" Anna Kournikova, whose ultra-short skirts and exposed knickers attracted more media attention than her tennis.

Using specially commissioned point-of-sale analyses, the Media in the Marketing team found a way of creating a connection between Kournikova and the apparent increase in sales of Tesco's "bigger, thicker knickers". The story – that the external display of knickers was a new fashion trend – appeared in several tabloids. (Copies of the pages are now framed and displayed like trophies on the walls of Tesco's head office).

While the "knickers" story may appear to tell us more about the preoccupations of tabloid journalism than anything else, Mr Sawday can provide example after example of the way stories have been targeted at different sectors of the news media. Often research is "commissioned" to give stories legitimacy: "We're not manipulating; it's not covert, it's simply proactive. No one wants to give a free plug unless it's part of a story."

Whether it's a story about men buying fake suntan cream because research shows they're getting vainer, or that soup preferences say something about a person's character ("the Mirror did a huge story on that"), the team find a "point of interest".

Mr Sawday has a clear "corporate-style" analysis of the "pro-active" relationship between his department and journalists, which he sees as being very different from traditional public relations.

"PR people used to think they could influence journalists by either bullying or schmoozing them," Mr Sawday said. "It's neither of those things – it's about a supplier/buyer relationship. There's a commodity they want – news – and we can supply it if we understand their needs. If you want to be consistently in the news then you have to understand what news is.

But Sawday touches on another important element in the relationship when he states that Tesco has taken on the cost of researching the news. With budget cuts in news departments, he believes "costs have simply passed down the system". In this case, some of them are being picked up by his department and quickly recouped through the "plugs".

"You effectively pay for the salaries of two people in that department for one whole year with just one hit. It's extraordinary!" he said.

Corporate organisations such as Tescos are untroubled by the ethical dilemmas information management can pose. For these organisations successful brand management increasingly relies upon news management strategies. While news continues to be perceived as the most authoritative mode of public information delivery it will be the target of organisations seeking to publicise and legitimate their activities. The growing issue for journalists is how to maintain effectively the integrity of the medium as the information economy expands.

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