

February 16, 1950

Dear Amon:

You probably believe that I am a bit touchy on the subject of advertising, and nothing could be closer to the truth, for I am. And, I believe, for good reason. And here are the reasons:

When I took over the job of being President of the outfit E. L. and Manning controlled the company and wanted to have some part of every decision in running it. I told them early in the day that while they had no obligation to employ me that at the same time if they did employ me I should be given an opportunity of making decisions without taking them all up with some one down town; if they intended to run the company all they had to do was to tell me so and I would find something else to do.

During those days I had two things crammed down my throat; Ray Pruitt for the General Counsel and Pete Willis as the advertising man. I could stomach Pete better than Ray for the reason that he was somewhat more human and decidedly not so nasty. Pruitt used to infer to me that if I didn't like the General Counsel the company would probably end up with a new President, never that so bluntly but always close to the surface.

I got along fairly well with Willis, first for the reason that he was usually pleasant and second for the reason that I did not know enough about advertising to argue with him. After some years of experience in the actual result of advertising I found myself differing with Pete on many basic issues.

Pete's experience was largely in the automobile field and his whole approach was colored by that experience. Basically, Pete believed in national magazines and believed generally that there was only one good advertisign medium, the Saturday Evening Post. One year he proposed that we put all of our money into 52 issues of the Saturday Evening Post.

I have spent a lot of my time trying to learn something about advertising and I have followed that work in our company for about fifteen years now. I still do not know much about advertising but I believe that I know as much about it as any executive in the air transporrt business, for I have given more attention to it.

As a result of that experience I have come to some rather definite conclusions:

1. National magazine ^{are} is useful, generally, only to companies which operate on a national basis. American comes closer to that than any other air line. The small airlines can afford no national magazine advertising, for the coverage of the magazine involves too much waste; the magazine goes places where the air line does not. There is some of that in all of the air lines; there is less of it in American than in any other.
2. By that very reason American has a unique advantage, it can usefully employ national magazine advertising better than any of its competitors. That is a natural advantage, stemming from the large size and wide coverage of American, an advantage which we would be willy not to capitalize on.
3. American Airlines should not at any time have an advertising budget, unless it be in a year of quite severe restriction, which did not include a sensible campaign in national magazines.
4. If the magazine campaign, by reason of lack of funds, should be spaced so far apart as to lose continuity, then it would be better to have no national campaign at all. Either it should be a good, continuing campaign or the campaign should be dropped. On the basis of the budgets of today, when we require and can afford a reasonable amount for advertising, then the total amount should be sensibly divided between national magazines and newspapers.

In 1948 we spent too much for advertising, and the campaign was not effective. The reason for that was that we had no plan to which we would stick. Responsibility for the program was divided between Willis, in the agency, and the people in the advertising department of American. Willis leaned too heavily toward magazines; the people within the advertising department of the company leaned too heavily toward direct mail and printed pieces. Newspaper space had too little attention from both parties.

I tried to work things out with Willis. It soon became evident that was not going to be possible and we seriously considered discharging him, or recommending that the agency do so. About that time he became ill, with heart difficulty, and he has not been able to work for some time. The agency has kept him on, on very small salary, more as a dole than anything else. He has nothing to do with the direction of the American account and American pays him no money.

The question came up, after the retirement of Willis, as to who should be appointed to handle the account within the agency. Ryan talked with me about it and I suggested that they not turn the account over to Bill, not on the basis that he could not handle it, but on the basis that it would be misunderstood and misinterpreted. Ryan hired an expert who had been handling a soap account and turned the American account over to him, and Bill continued with the agency on more general work. The new soap fellow soon has us considering advertising which might have been good for soap but which would have been, in my opinion, disgraceful and ineffective for a respectable air line. I went along on this for eight or nine months but finally made up my mind that the company could afford that foolishness no longer. I told the agency that we had to get some one who knew both something about our business and about the advertising business. They turned the account over to Bill, on their own motion.

Without patting Bill on the back the advertising program of American began to improve very soon after he took it over. A part of that can be attributed to his ability; I believe that some of it can be attributed to the fact that I demanded good advertising and spent a lot of time making sure that we had it. For a long time I told the Sales Department and the agency that I did not want any principal advertisements released unless I personally approved them. As soon as they got the semblance of a program I began to back away from the detail of the account and permitted greater latitude in both the agency and in the Sales Department.

In 1949 we cut the advertising appropriation some \$750,000., as compared with 1948. I do not have the figures here and do not remember their detail. About \$500,000 of the cut came out, not of magazines or newspapers, but out of direct mail and printed material. The balance came out of publications. We ended up with an advertising program for 1949 which, in my opinion, is the best we have ever had in one year, and it cost about \$750,000. less than the mediocre program of the preceding year.

It may be that we spent too high a proportion of our 1949 money in newspapers; you can debate that on both sides. In any event, the program for 1950 will involve less in magazines and more in newspapers. We have eliminated more than half the magazines we used in 1949, concentrating on a smaller number for the reduced expenditure of 1950. We will have more advertisements, and more effective ones I hope, in the newspapers for 1950. We have not increased the amount to be spent for direct mail,

for we have learned that we do not need as much money in that department as we expended in 1948. In addition we have cut down the personnel of the advertising department, within the company, by something more than 50%; too many of them were sitting around dreaming up new ways to spend money.

I am convinced that you will never find two people who agree entirely about an advertising program. It may be that the more they know about the subject the less often they will agree. We have a falling out between Sales, the agency, Public relations and myself periodically, each with a different idea on how we should spend our money. I have finally concluded that some one ~~finally~~ has to make a decision and I have been making the budget decisions myself. We argue the subject out and every one has an opportunity to speak his piece. When that is over the matter is decided and every one goes to work on it. It may be that the decision is entirely right, or entirely wrong, or partially both, but it gets decided and the work gets done. There may or may not be improvements in the work to be done by American Airlines in advertising (I believe that we should have an improvement each year) but in any event during the year of 1949 American had the best and most effective advertising campaign in the industry and the best campaign that American has ever had. Whether or not we will improve in the future, we certainly improved between 1948 and 1949, and I modestly take credit for a substantial part of the improvement, for it would not have got done if I had not insisted on it.

I frankly doubt that you and I would ever agree entirely on advertising, the principal reason being that both of us know something about it and both of us have firm views. I should, I am sure, give better attention to your longer service and experience in advertising, but when you get firm views on advertising, and they seem to work, it is difficult to give up your own ideas entirely and accept others.

I am not sure that we are too far apart in essentials. I believe that you would go further on newspapers, relatively, than I would. On the other hand I am sure that you would recommend some substantial expenditure in magazines and you would not want to make any expenditure there unless it could be effective. I believe that it cannot be effective unless there is enough of it to have reasonable continuity.

I believe that you feel that our magazines advertising has been a bit too indirect. I am inclined to agree with you. The advertisements for 1950 will be more direct, as you will gather from the equipment advertisement which you have already seen. All of our magazine advertising in 1950 will generally be more direct than in 1949. I do not apologize for the appearance of our advertisements; if you are going to have illustrations, have the best. That we have done; no account in magazines has has a better set of well known and capable illustrators. That, to my mind, is a distinct advantage, not a disadvantage. If we are "arty" well and good, if that improves the pulling power of the advertisement.

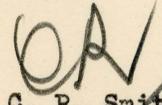
My situation is exactly this: After pulling at this problem for four years straight, in addition to the time spent before the way, I believe that I have our advertising program going in the right direction; it is better than it was, it costs less than it did; it is the best in the industry. After all the sleepless nights I have spent on this problem I do not want to make substantial changes unless I believe that they will make the job more effective. I do not believe that many of the directors know much about advertising, certainly as much as I know about air line advertising, and to turn the shore over to them, wholly or partially, will, in my opinion, bitch it up well. I frankly believe that the directors should establish the budgeted amount to be expended and permit the officers final say on how it should be spent. I believe that the record of results in advertising for the past year will justify the belief that the expenditure will be sensible and effective.

I believe that one of my good points is that I am willing to listen to people who are well informed; I have learned more by listening than by talking. I am glad indeed to discuss any part of the advertising; I am glad to have suggestions on it, but I believe that I am entitled to make the decision about where the money is to be spent after the directors have passed on how much is to be spent.

I have always been able to talk frankly with you and that is one of the reasons we get along well. You have always been highly tolerant of my willingness to take on a job and get it done, and your support has been most useful, many times. I am sure that we can talk about advertising on the same basis that we have discussed other problems at times in the past.

So far as Bill is concerned, either he, as an employee of the agency, produces a good job or the account goes to some other agency. To date the job has been much above average, to date Bill deserves a substantial part of the credit for the improvement, to date there is no reason for discussion either about getting another agency or in giving the account to some one else in the agency. Sure, there is a lot of discussion about Bill being my brother; that I endeavored to avoid, but did not. I am quite willing to let the way the job is done be judged by the result and at this time I say that the result compares favorably with the job done by any other air lines in the country. Bill deserves no credit for being my brother, on the other hand it should not prove to be a handicap for him if his actual work proves to be worthy.

Pardon for such a long discussion

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C. R. Smith