

Maintain A Strong Advertising Presence During An Economic Downturn

When the economy takes a turn for the worse, many businesses begin cutting costs, and media spending is often the first thing to go. But historically, based on research conducted over the last 80 years, maintaining or even increasing media spending can give businesses an advantage over the competition. These studies all point to a definitive relationship between ad spending and growth in long-term market share (S.O.M.) and profitability.

An analysis of the 1990-91 recession by Penton Research Services, Coopers & Lybrand, in conjunction with Business Science International, found that better performing businesses focused on a strong marketing program. This enabled them to solidify their customer base, take business away from less aggressive competitors, and position themselves for future growth during the recovery.

In a well-known study of U.S. recessions, McGraw-Hill Research analyzed 600 companies from 1981-1985. Results showed firms that maintained or increased their advertising expenditures during the 1981-1982 recession averaged significantly higher sales growth, both during the recession and for the next three years, compared to those that eliminated or decreased advertising. By 1985, sales revenues for companies that were aggressive recession advertisers had risen 256% over those that limited their advertising.

In January 1982, Cahners Publishing Company, and Strategy

Planning Institute, released a report outlining the results of an extensive study of the PIMS database. The study showed businesses that increased media advertising during a recession gained an average of 1.5 points of market share. The underlying reason is that competitors, especially smaller, marginal ones, are less willing or able to defend against aggressive firms.

During the 1981-82 recession, business-to-business firms that maintained or increased their advertising spending averaged significantly higher sales growth both during recession and for the three years that followed. (McGraw-Hill Research)

During 1974-75 recession, companies that did not cut advertising experienced higher sales and net income for that period, and for the two years that followed, than those companies that cut advertising. (ABP/Meldrum & Fewsmith)

A study tracking advertising spending and sales before, during and after the recessions of 1949, 1954, 1958 and 1961, revealed that sales and profits declined for companies that cut advertising. Long after the recessions ended, these companies lagged behind competitors that had maintained their ad budgets. (Buchen Advertising)

More Bang for the Buck

If you maintain a strong advertising presence during an economic downturn, while your competitors cut their budgets, you will automatically increase your advertising budget's effectiveness. Using

conventional wisdom, companies may assume that it's "safe" to reduce their spending because the competition is reducing theirs. In reality, increases in market share can be achieved more cost-effectively by continuing to implement the advertising tactic of an integrated marketing plan during a recession. And when your competitors drop their advertising, yours will be more recognized.

When the Economy Turns Around, Where Will Your Market Share Be?

Recessionary times weed out the weak and favor the strong. According to The Strategic Planning Institute of Cambridge, MA., a recessionary market can provide an opportunity for businesses to build a greater share of market through aggressive advertising. Correspondingly, businesses that reduce media expenditures suffer loss of market share. It was demonstrated that aggressive businesses can accomplish these gains through greater expenditures without reducing short-term profitability.

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