



## Advertising During a Recession

As we enter what appears to be the recession of 2008, many companies are retrenching by reducing or eliminating “discretionary expenses”. Expenditures on research & development are being cut, new product introductions postponed and advertising spending decreased. Are these prudent moves to keep a company operating profitably? C-suite executives from all over the world are struggling with this very answer.

### Research shows that scaling back has significant downside

History has repeatedly demonstrated that now is not the time to scale back. Companies that have the most success during recessionary times are the ones that are able to maintain their presence among consumers and continue to build their brands regardless of temporary economic conditions.

A common assumption is that because money is tight everywhere, customers will be spending less; and therefore, money spent on advertising will be wasted. The fact is families will continue to seek food, entertainment, prescriptions, autos and other goods and services.

The Commerce Department reported that consumer spending rose 0.4 percent in January, 2008. This has continued throughout the first quarter of 2008 as retail sales in the United States increased 0.4 percent for the week ended March 15. On a year-over-year basis, sales grew 1.6 percent (The International Council of Shopping Centers-USB).

Most research on the topic suggests advertising in difficult economic times can actually provide significant opportunity to capture market share.

In a study of U.S. recessions, McGraw-Hill Research analyzed 600 companies from 1980-1985. The results showed that business-to-business 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 following three years, than those that eliminated or decreased advertising. By 1985, sales of companies that were aggressive recession advertisers had risen 256% over those that didn't keep up their advertising.

Businesses that aggressively increased media advertising expenditures during the last recession (just 25% of all businesses) increased their market share 2 1/2 times the average for all businesses in the post-recession period (CARR Report, Aug 13 2001).

Another study documented a 1.5 point increase in market share among businesses increasing ad spending during recessionary periods. By contrast, during expansion periods, 80 percent of businesses increased advertising budgets with no improvement in market share, since most competitors did the same thing (Cahners and SPI, 2002).

Of course, not all brands have the option to increase their ad spending during recessionary periods. However, by maintaining ad spending and spending more intelligently, while competitors are cutting back, you will increase your voice and ultimately pick up business in doing so.

### How can you maintain advertising and get a gain?

Regardless of the economic times, responsible advertisers should work to get the most out of their advertising investments by applying proven methods to increase the ROI of their ad expenditures. During difficult economic times, it is even more critical for advertisers to avoid the trap of making



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decisions that have proven to have adverse impact on sales; such as not refreshing creative, wasting money by flighting versus continuous spending, and running away from the reach benefits of TV.

Since the reality is that despite strong objections by marketers, corporate marketing spending is not going to increase (and is likely going to be cut at some level during a recession), the key question is "If I have to cut back or maintain ad spending, how do I ensure my expenditures are effective and put my brand ahead in the marketplace?"

## **4 steps to understanding how to make what you have work to maximum capacity**

### ***1. Aggressively utilize 15-second ads - but make sure they are "good" ones:***

- 15-second ads are just over half the price of 30-second ads, but on average three-quarters the strength (so, you might want to use multiple 15-second ads to maintain on-air strength).
- Over 25% of the time, 15-second ads are as strong or stronger than their 30-second counterpart (when you know you have this opportunity, you win).
- Use "cut-down" versions from 30-second ads to reduce production costs in multiple execution plans while simultaneously boosting GRPs - but when cutting down the ads, clearly understand the drivers of success and don't cut them.
- Use original 15-second ads to replace 30-second ads in single execution plans (build your 15-second ads "from scratch" with the end in mind that they will be 15-second ads).
- 15-second ads are best used when there are clear-cut benefits/messages and when the goal is to maintain brand awareness and loyalty.

### ***2. Understand the persuasive life of an ad and manage the wear-out of your advertising:***

- As money is spent behind an ad, its selling power decreases in a predictable fashion - leading to diminishing sales returns. If you know the starting strength of the ads in your campaign, you can plan to maximize delivery of selling power and ad refreshment without wasting money.
- A very slight difference can result in a "new" ad; therefore, ad poolouts are a very cost effective way to replace ads without producing totally new ads.
- In contrast, ads are frequently replaced prematurely, when there is plenty of power remaining. If you know the starting strength of your ads, you can avoid wasting money on replacing ads too soon.
- Know your end point business objectives. If you know the strength of your ads, you can marry spending patterns to project likelihood of hitting your goals via simulation technology.

### ***3. Take advantage of emerging touchpoints and synergies***

- While TV is often the strongest single-reach element of a multi-media plan, other touchpoints can be just as effective at motivating consumers and are often less expensive (e.g., print and web).
- Take advantage of synergies between executions by placing media spend behind those combinations yielding the greatest total impact.
- Avoid negative interactions (often the result of unexpected executional issues).



- Both single and multiple message campaigns can be effective:
  - Single message when a straightforward brand-differentiating message which appeals to a broad consumer segment has been identified.
  - Multiple messages when brand differentiation cannot be communicated with a single straightforward message.

#### ***4. Flighting vs. continuous airing? Don't go black!***

- In an attempt to optimize media spending, advertisers sometimes spend advertising in waves figuring that periodic spending in bursts is the key to driving sales. This is not the case.
- If reducing media spend, avoid flighting, continuous spending even at lower levels is more effective.

#### **Advertise smarter**

To improve the odds of success in this environment, marketers must understand how to make what they've got work to maximum capacity. Doing this will involve expenditures for consumer measurement and technology, but if chosen wisely, the returns are well worth it in understanding *what to do* once you've been asked to maintain or cut your budget.

The end result is simple: when the recession ends, your return on marketing spend will be multiplied. While your competitors cut back their ad spending, and you maintain yours while making smarter decisions, you increase your voice among them. By knowing this, you are already ahead.

***Contact ARSgroup for more tips on how to advertise during a recession.***

