

# ADVERTISING

in a Downturned Economy



Recessions provide a

# PERFECT OPPORTUNITY

for Advertising to do its job.

When times are **GOOD**, you  
**should advertise.**

Meldrum & Fewsmith



When times are **BAD**, you  
**MUST**  
advertise.

Meldrum & Fewsmith



Headlines we are used to hearing:

Fed's outlook on **economy** is  
**downgraded, AGAIN.**

**Most Americans believe** the economy  
is **STILL in recession** and fear  
the worst is yet to come.

Recessions...

**REWARD**

the **aggressive** and

**PENALIZE**

the **timid** both during and after  
a downturned economy rights itself.



Recessions have to be **looked** at  
**DIFFERENTLY** to  
**BENEFIT**  
your business.

Let's look at:

# WHAT'S HAPPENING

Let's look at:

# ECONOMIC HISTORY

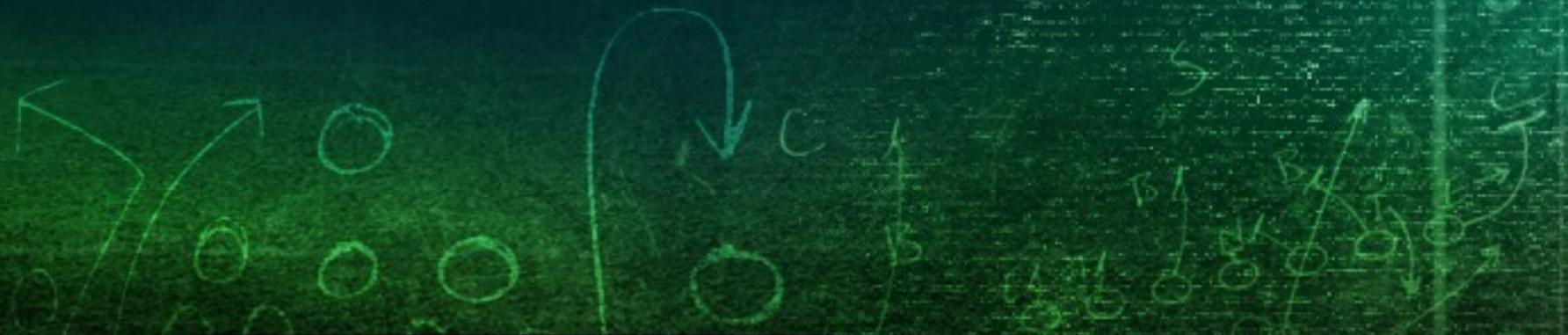


Let's look at:

# DEVELOPING

a course of

# ACTION



Advertising in a down economy clearly creates a

# COMPETITIVE ADVANTAGE.



It relays a more

# POSITIVE MESSAGE

**ABOUT** the company's **COMMITMENT**  
to its products and services.

More

**IMPORTANTLY,**

it **KEEPS** those companies **TOP-OF-MIND** when purchase decisions are made as the economy recovers.



2001 Yankelovich Harris Study



# PROFIT IMPACT

of Marketing **STRATEGY**

# Profits were higher **BOTH** during and after recessionary periods.

Research based on 1000 global companies from 1973-1999  
2 years before and 2 years after recession.



1999 PIMS Study

*Coors*<sup>®</sup>

**increased** advertising, and  
**sales jumped +15%.**

*Miller*

**cut** its budget and  
saw a **-4% drop.**



**increased sales +61%**  
thanks to **strong**  
**advertising presence.**



**sales declined -28% after**  
**reducing advertising.**

**“DON'T  
TOUCH  
that budget.”**



# INSIGHTS

from past downturns



A study of three economic downturns over the past 30 years shows market share **brands** who maintained advertising continuity

# PERFORMED BETTER

than those who cut ad spending.



2002 ARF Study



**INCREASE**

short and long term sale

**PROFITS**

Studies show that businesses focused on strong marketing programs

# **SOLIDIFY** their **CUSTOMER** **BASE**

**TAKING** business **FROM TIMID** competitors.

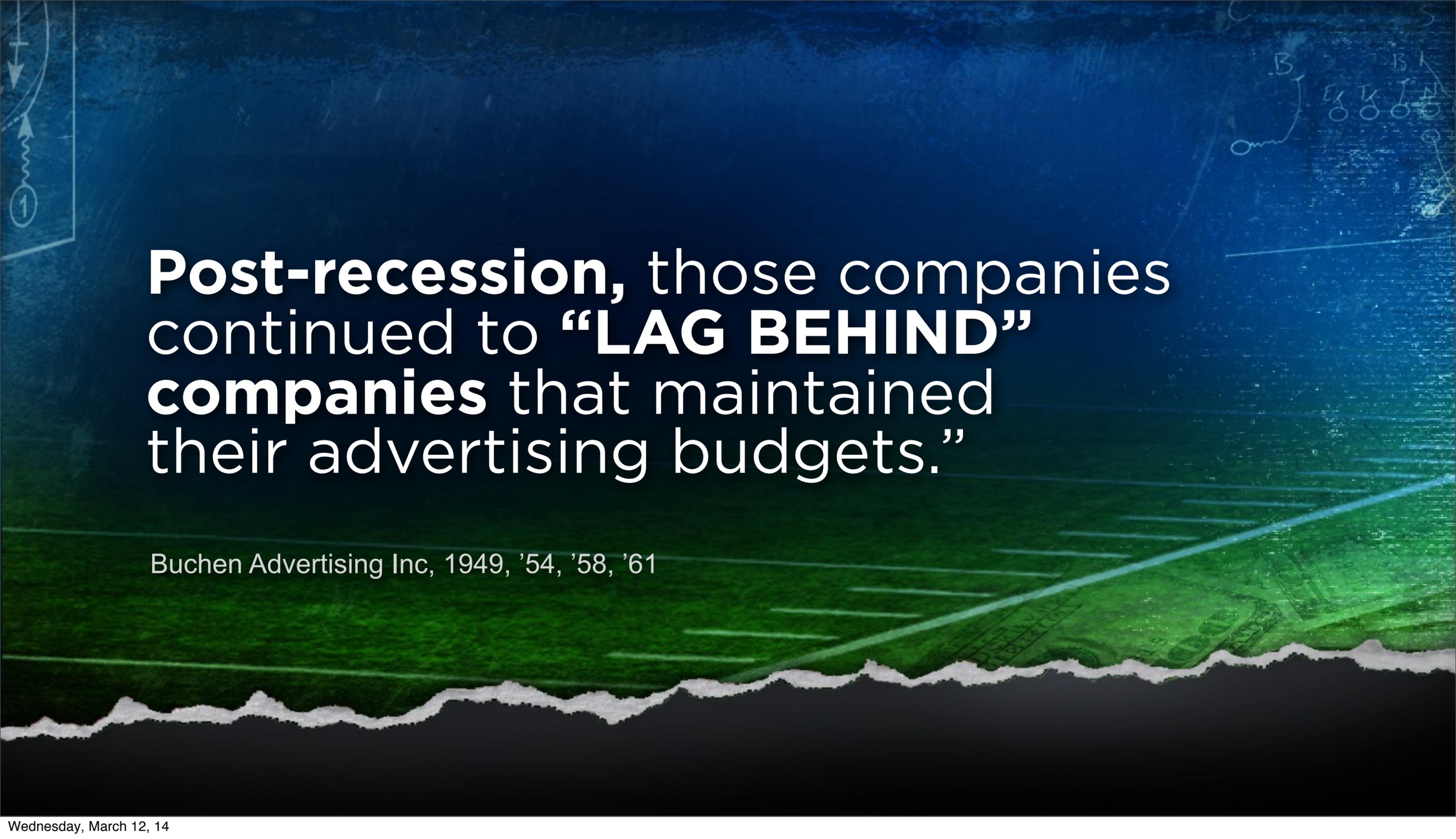
Buchen Advertising  
found a 'large  
number' of  
**Business-to-Business**  
companies:





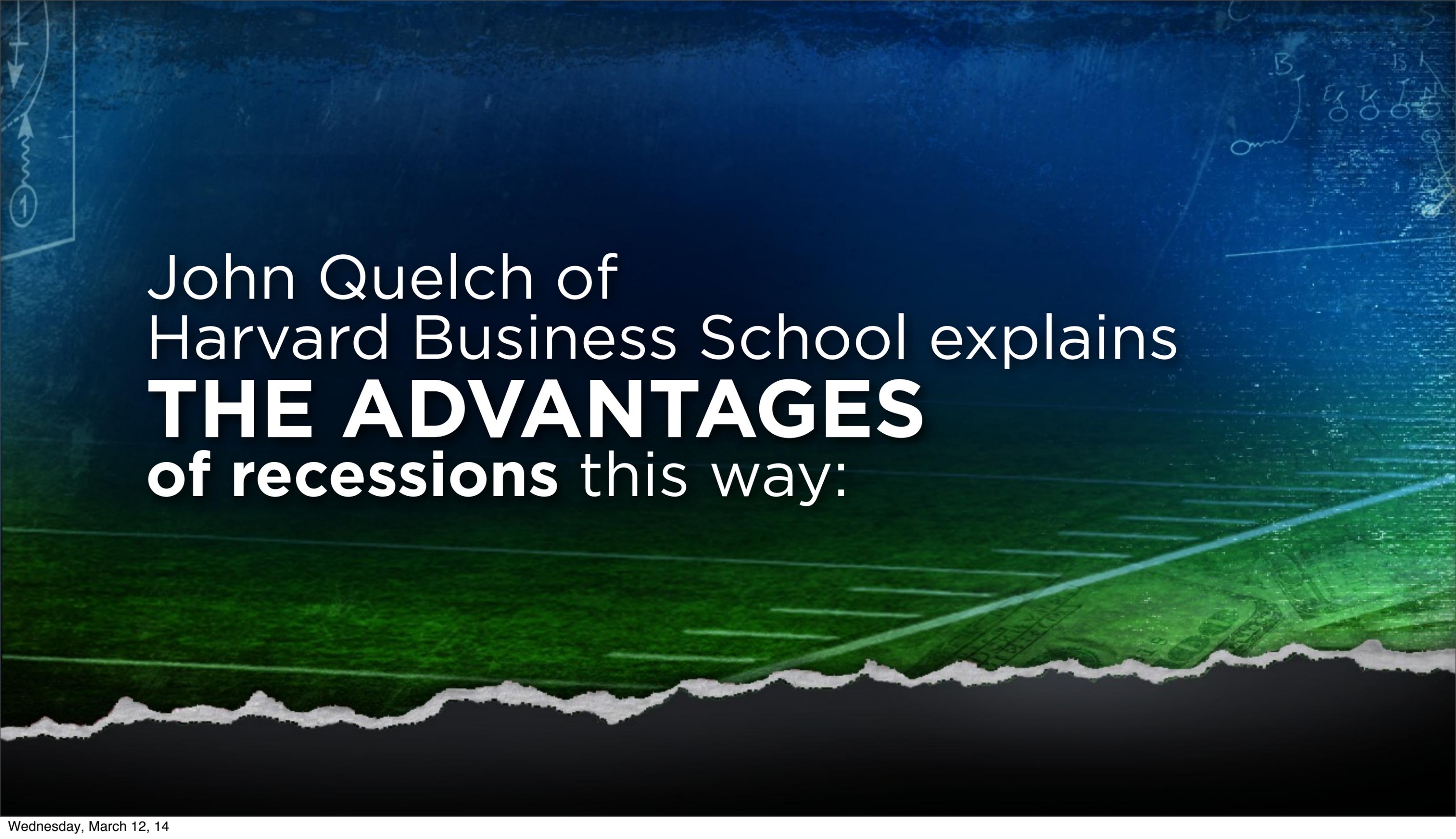
# SALES AND PROFITS DROPPED OFF

“almost without exception,” among companies  
who **CUT BACK** advertising.

The background features a blue chalkboard with faint white drawings of a sine wave on the left and a diagram of a circuit with nodes labeled 'B' and 'E' on the right. Below the chalkboard is a green surface with a white torn paper edge at the bottom. The text is centered in white.

**Post-recession, those companies continued to “LAG BEHIND” companies that maintained their advertising budgets.”**

Buchen Advertising Inc, 1949, '54, '58, '61

The background is a collage of business-related images. At the top, there's a dark blue area with faint white diagrams, including a flowchart with a circled '1' and a network diagram with nodes and arrows. Below this is a green area with a grid pattern, possibly representing a financial table or a data visualization. The bottom edge of the collage is torn, revealing a dark grey/black background.

John Quelch of  
Harvard Business School explains  
**THE ADVANTAGES**  
of recessions this way:

An advertiser will spend less per thousand as more consumers are watching television at home.

Customers need the **REASSURANCE** of  
**STABLE BRANDS**  
that are **CONSISTENT** in the marketplace.



Harvard Business Review

# ADVERTISING as an **ANTI-RECESSION** TOOL



Harvard Business Review 1980

During the Great Depression advertising budgets were hard to come by, Kellogg and Post were **strong rivals who approached advertising differently.**

*Kellogg's*

maintained ad spending  
resulting in their **dominating  
the competition**; a trend that  
still continues today.



cut back and has followed  
Kellogg's ever since.

When customers are buying less it does not mean they have stopped  
**reading, thinking or formulating opinions**  
about **brands** and companies

**THEY WANT  
TO BUY** from.

Case Study 1:

# AD CUTBACKS BACKFIRED

for bankruptcy victims

**SHARPER  
IMAGE**



**-82%**

**mervyn's**



**-75%**

**BENNIGAN'S**



**-25%**

**BAKERS  
SQUARE**  
Restaurant & Pies



**-19%**

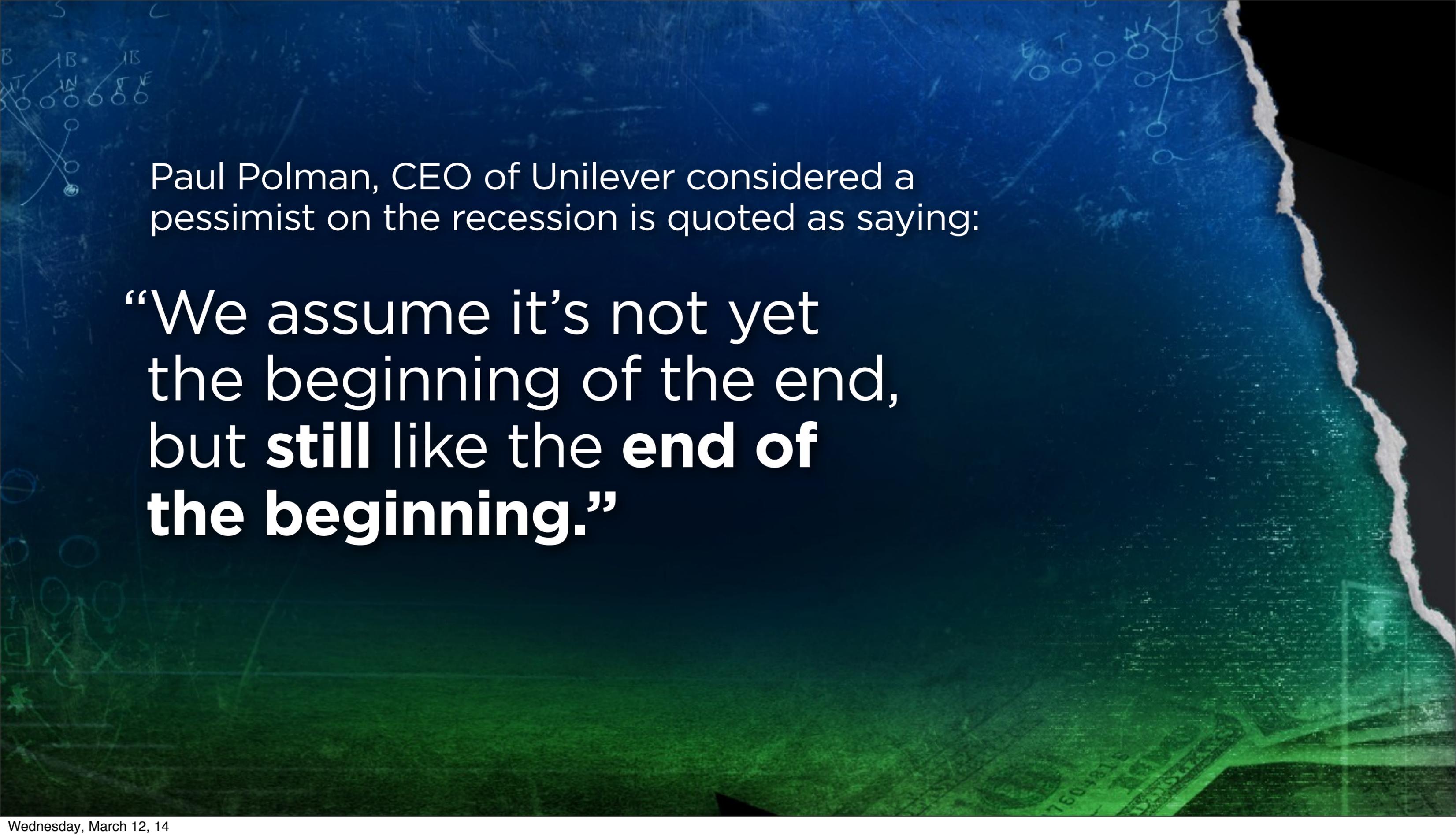
Advertising cut back levels 12 months prior contributed to bankruptcy.

AdvertisingAge.

Case Study 2:

Corporate campaigns **HINT** at **BRAND**

# ADVERTISING REVIVAL



Paul Polman, CEO of Unilever considered a pessimist on the recession is quoted as saying:

“We assume it’s not yet the beginning of the end, but **still** like the **end of the beginning.**”

Paul Polman, CEO of Unilever considered a pessimist on the recession is quoted as saying:

“No better time [to hike spending], especially as others cut support. Strong brands have an **opportunity to stand out** even more and **build strong franchises.**”

AdvertisingAge, 5/09

# PROFILE OF CONSUMERS

during a recession





A consumer **starts** the month  
**WEALTHY** and **ends** it in **poverty**.

Because of this they **TRADE DOWN** for:

Economical cars

Generic brands

Discount stores

Coupons

Stocking up on discounted products

Give less comparison to fewer products

And....



**...EAT AT HOME AND  
WATCH  
MORE TV!!!!**

Consumers will start  
**SPENDING**  
**EVENTUALLY**



The question becomes....

**WILL THEY REMEMBER  
YOUR BRAND?**