



ADVERTISING DURING A RECESSION?

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Letter from Simon Dixon, CEO

A question we have been asked more than once recently is “how should my company handle a recession from an advertising perspective”? Well some great lessons on this subject were learned during America’s biggest recession – the Great Depression.

Simply put, the companies that stayed active in promoting themselves and their products came out of the Depression with often *huge* upticks in market share. Kellogg’s and Post were neck and neck in cereal sales as the depression started. Post slashed their advertising while Kellogg’s maintained theirs. At the end of the depression Kellogg’s had opened a market share dominance that they have maintained to this day.

During the decade before the depression Ford outsold Chevy 10 to 1. Chevy piled on advertising as the depression hit, keeping some magazines afloat with their relentless print marketing, and before the depression was over Chevy was outselling Ford, setting the stage for a close duel that has gone on for seventy years since.

Although the lessons are old, nothing has changed: when times are hard and companies pull-back from view, it can leave customers feeling abandoned and certainly can call into question a company’s capability to survive at a time when such is uppermost on customers’ minds. We don’t advocate spending wildly of course, we never do, but time and time again it has been shown that a recession is the time when bold companies with a well executed plan can pull away from their competitors.

There are two ways to increase your advertising exposure in a market: in real terms – by increasing your budget, and in relative terms – by staying in the game as your competitors pull out. The easiest way to seem like the big guy is when you are the only voice being heard.

I remember in 2003 talking with some real estate mavens in Washington, DC about the housing market future. They were already worried about the “frothiness” and what they felt was a certain huge “correction” on the horizon. As one of them said to me, “I’ve seen this movie before; I know how it ends.” But we also agreed that the people who would be hurt most would be the ones that with little thought and no expert help had bought weak houses in marginal areas, and that a good house in a good location would perhaps take some punishment but would weather the storm many times better.

In the same way, in a recession, it is ever more important to ask questions about your brand and its marketing. Part of Chevy’s answer while taking on Ford was to refocus their advertising on positive emotions and in fact they broke new ground in this area at a time when the population as a whole felt pretty lousy.

So take this time to make sure that your brand is sending the *right* message to the *right* people, so no matter what the state of the economy, your marketing dollars are being spent in the most efficient way. It never ceases to amaze me how many ad dollars are frittered away promoting the *wrong* message to the *wrong* people. Done correctly, a “brand audit” can actually lead to a reduction in marketing spending and yet an increase in effectiveness.

That sounds like a great way to fight competitors and recession at the same time.