Recessions Provide a Perfect Opportunity For Advertising to do its Job

Recessions are different from other economic periods and need to be looked at differently to benefit your business. There are two focuses that you should have when looking at marketing and advertising in a recession:

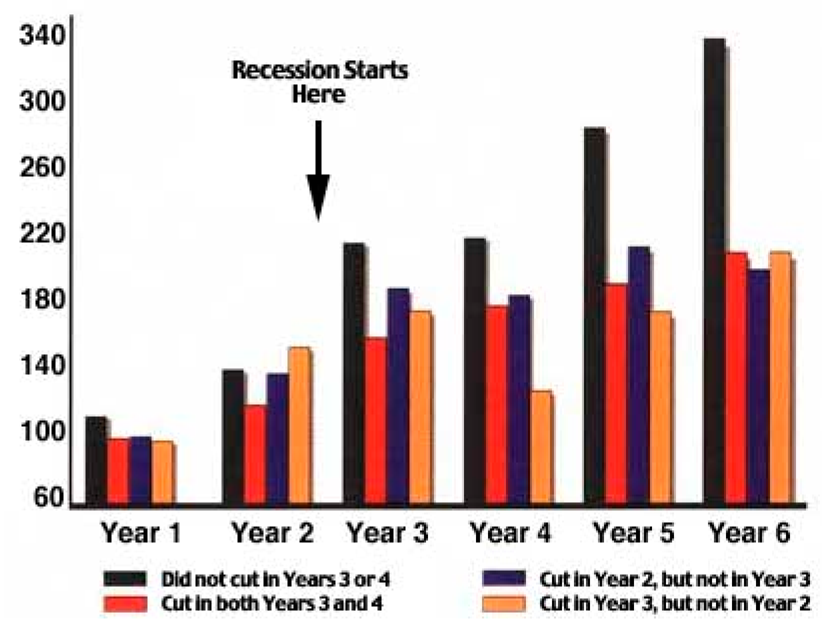
- Increasing Short- and Long-Term Profits.
- Increasing Market Share.

If you focus in this way, you'll be better off in almost every case both during and after the recession. Recessions clearly reward the aggressive advertiser and penalize the timid one.

Increasing Short and Long Term Sales and Profits.

In a study of U.S. recessions, McGraw-Hill Research analyzed 600 companies covering 16 different SIC industries from 1980 through 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.**

Comparison of Sales & Ad Expenditures



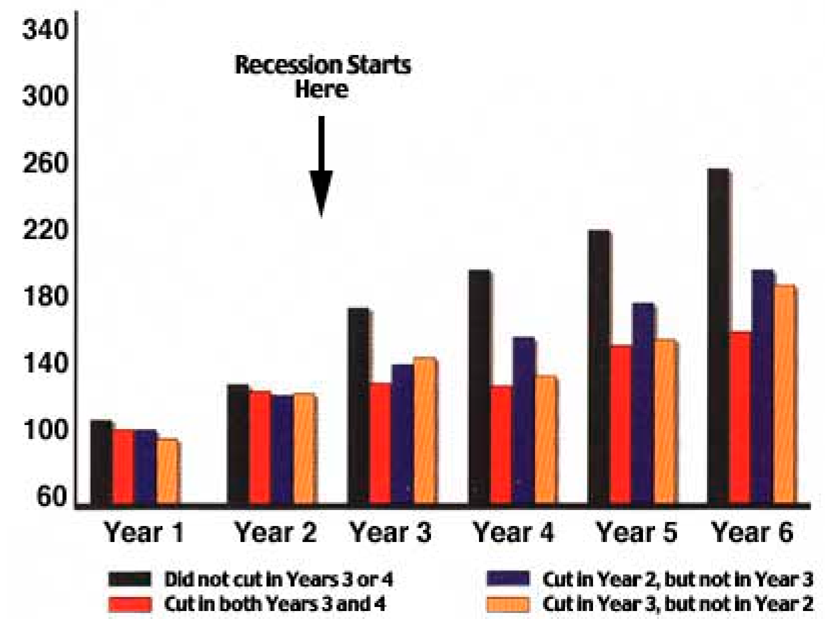
Sales for the companies studied were relatively even before the recession, but varied sharply during and after it. Companies that cut advertising during both of the recessionary years maintained flat sales during the period and only modest sales growth in the following two years. In contrast, the companies that maintained their advertising experienced significant sales growth throughout the four-year period.

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

Increasing Market Share.

A recessionary market can provide an opportunity for businesses to build a greater share of market through aggressive advertising. This according to The Strategic Planning Institute of Cambridge, MA. 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.

Comparison of Net Income & Ad Expenditures



According to the study and contrary to popular belief, cuts in advertising during a recession decrease net income over the long haul. Companies that maintained advertising during the recession enjoyed measurably higher net income gains not only during the recession, but even more so, two years after the recession. This in stark contrast to those companies those companies that cut advertising both years and significantly reduced their profits during the recession, and for years following.

Advertising can skillfully reposition a product to take advantage of new buying concerns, give an advertiser a stable image in a chaotic environment, and give an advertiser the chance to dominate the advertising media.

Conclusion

A series of six studies conducted by the research firm of Meldrum & Fewsmith showed conclusively that advertising aggressively during recessions not only increases sales but increases profits. This fact has held true for all post-World War II recessions studied by American Business Press starting in 1949.

One major business-to-business advertiser summed it up best. "When times are good, you should advertise. When times are bad, you must advertise."

Materials compiled from a variety of sources, including America Business Media, McGraw-Hill, Penton Research Services, Coopers & Lybrand