Lessons for Advertising in a Recession

… and the importance of protecting budgets

The Global TV Group

think tv

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Lessons for Advertising in a Recession

Around the world there is no escaping the talk of a looming recession, and marketers everywhere are facing pressures to reduce advertising costs. However, research consistently shows – and experts continue to advise – **that cutting ad spend comes at a high cost to brand health and long term business results.**

With that in mind, the Global TV Group has put together a collection of insights from international industry experts to help you navigate this uncertain time, and to ensure that the brand decisions you make today set you up for success tomorrow. Get expert advice from Mark Ritson, the Harvard Business Review, Kantar, WARC, Byron Sharp, Peter Field and more.

And the one thing they all agree on:
The most important thing is to maintain a presence.

> “Maintain marketing spending. This is not the time to cut advertising. It is well documented that brands that increase advertising during a recession, when competitors are cutting back, can improve market share and return on investment at lower cost than during good economic times.”
>
> --- John Quelch, Harvard Business School, *Marketing Your Way Through A Recession*

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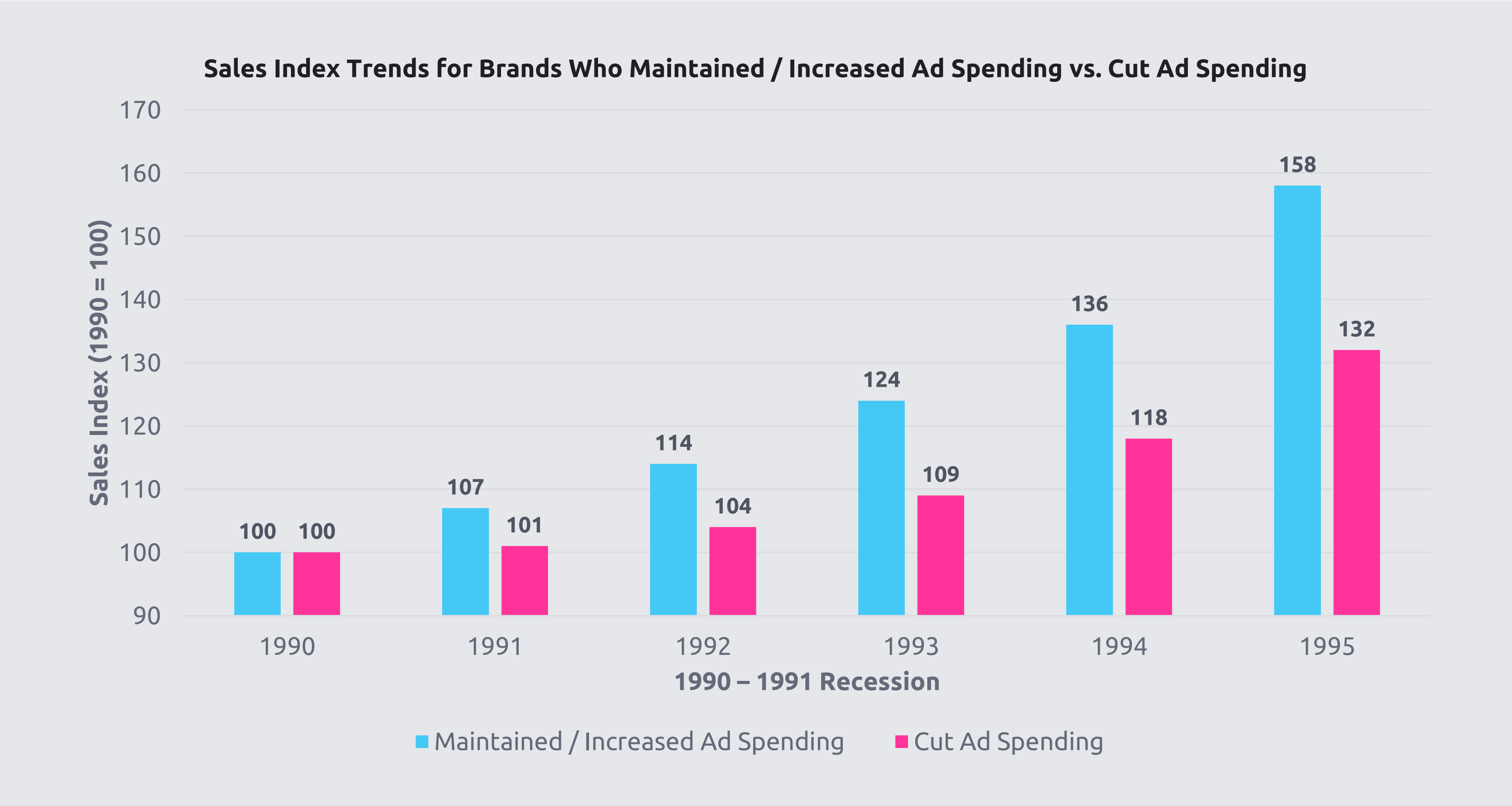
Maintain a presence

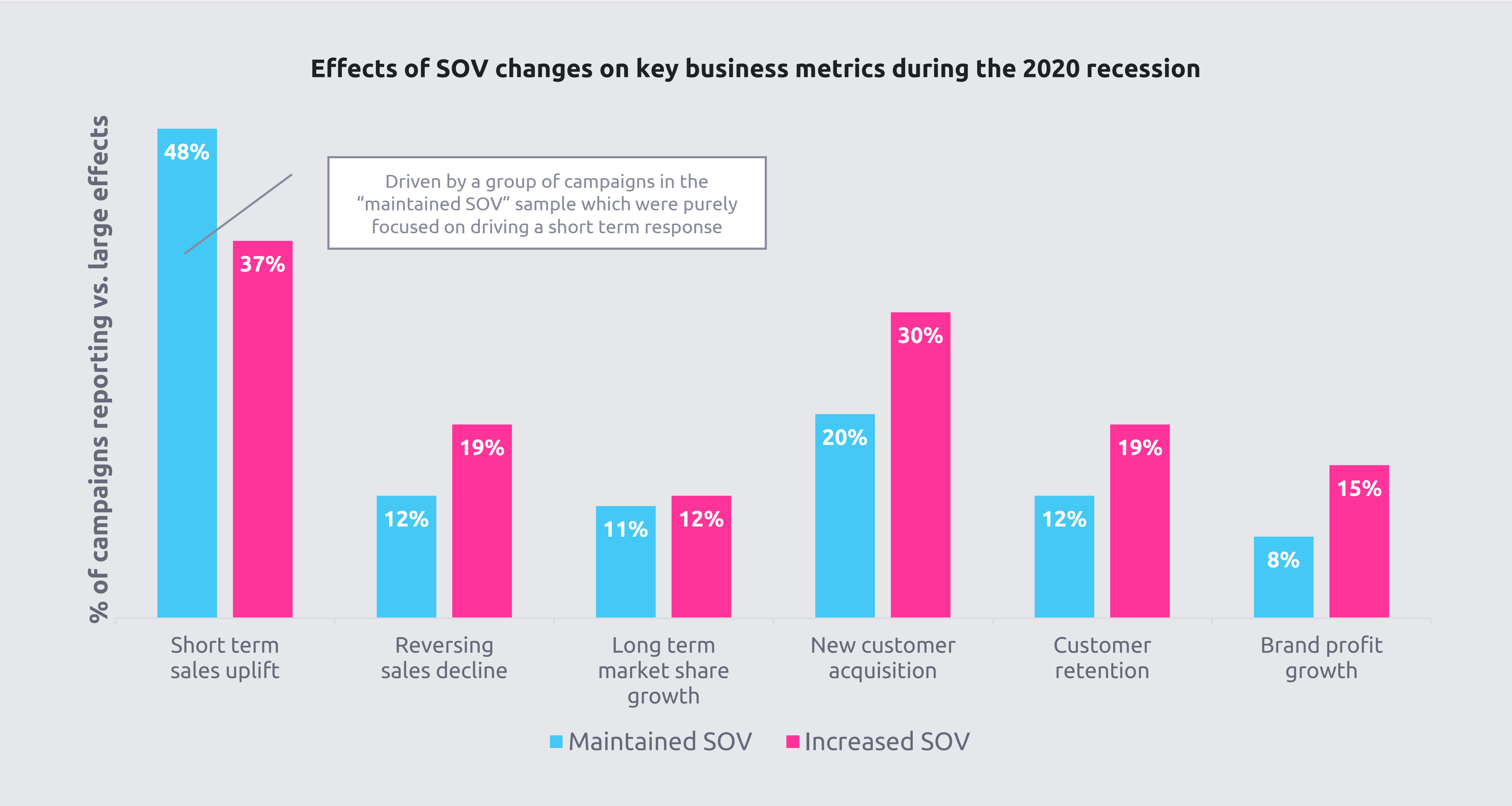


Maintaining a presence during a recession is critically important for post-recession growth.

There is overwhelming evidence that advertising during a downturn has substantial business benefits, both in the short and long term, while cutting ad spend will significantly, negatively impact sales.

Source: Thomas Kamber, Journal of Brand Management, 2002

Increasing SOV drives growth

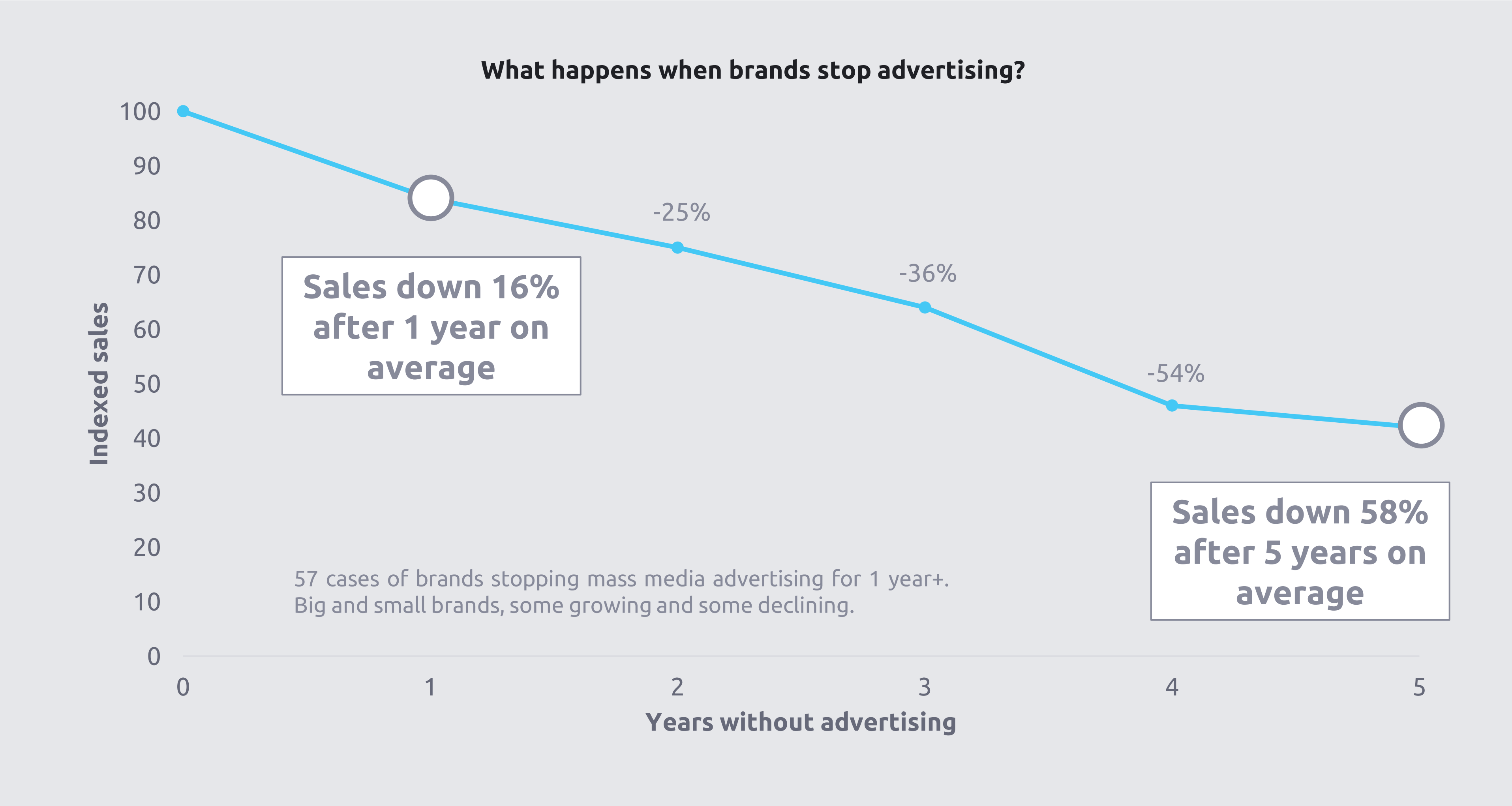


Specifically, it's important to maintain your brand's share of voice (SOV) because SOV is strongly correlated to market share. If a brand's SOV falls below its share of market, then that market share is likely to fall over the following year.

While cutting advertising budgets – and SOV – may provide some short-term relief, the subsequent loss of market share that follows will be extremely difficult and expensive to regain, and the **long-term impact on profitability will be highly damaging.**

Source: Effectiveness in a Downturn, Key Learnings from the 2021 & 2022 Canadian Effies; Peter Field, ICA, thinktv

There is a cost to going dark



What happens when brands stop advertising? Sales begin to decrease significantly, as shown in the extensive research conducted by the Ehrenburg-Bass Institute.

Source: University of South Australia, Ehrenberg-Bass Institute for Marketing Science, 2018, https://www.marketingscience.info/when-brands-stop-advertising/

“Consider the wealth of advice about marketing in a downturn. Brands that go dark suffer in the long term, so commit budget to communications to retain share of advice. Prune to be prudent and do fewer, bigger, better things. As purpose can help you stand out and make a difference, find yours and deliver it. Help your consumers. Be empathetic. Embrace the necessary change and eventual opportunity that is the silver lining of any crisis.”

Source: Warc, Beyond ‘growth, growth, growth’: Getting comfortable with unpredictability in a recession (October 2022, here)

When they go dark, the spotlight is yours

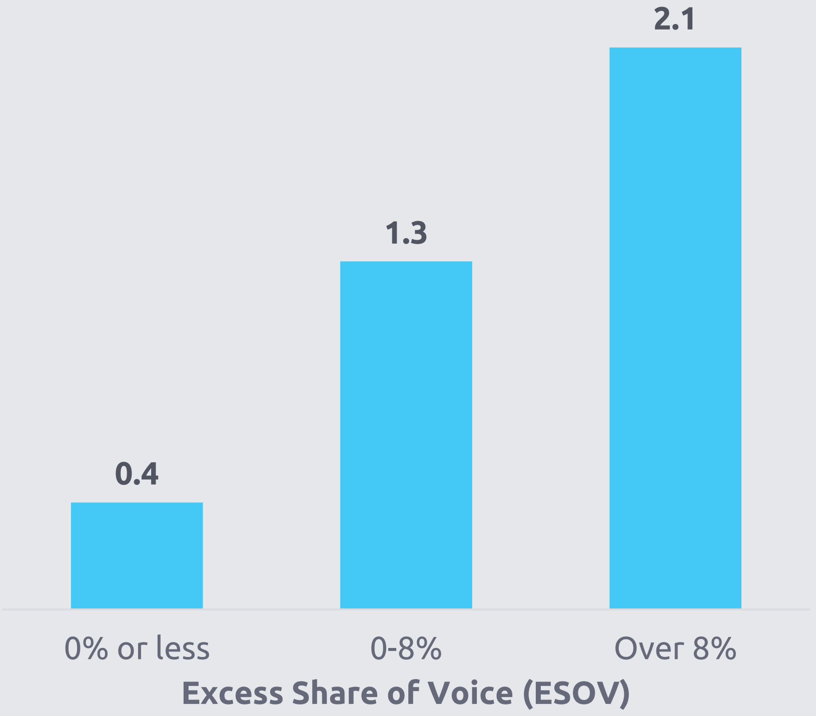
Analysis of marketing spend* during the 2008 recession shows brands that maintained or increased advertising relative to competitors gained market share compared to those who pulled back or stopped advertising. That’s because share of voice equates to share of market. So instead of going dark, now’s the time to shine.

* Analysis by the Godfather of effectiveness, Peter Field, of data from the UK’s Institute of Practitioners in Advertising.

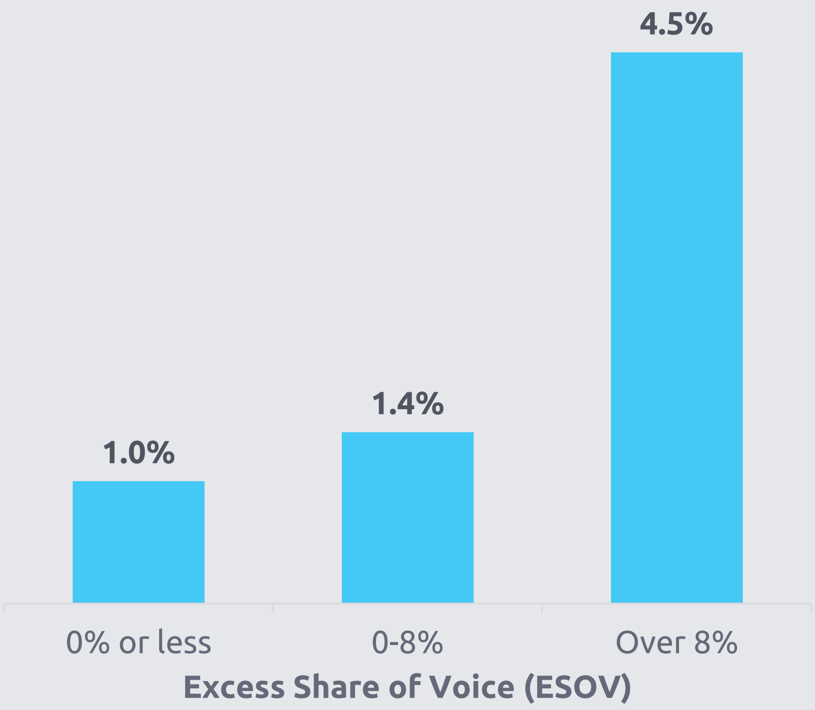
Source: thinktv Australia campaign, 2020. Foxtel, NewsCorp, Ten, Nine, SevenWestMedia

Growth opportunity through ESOV

Average # of Very Large Business Effects*



Annualised Market Share Growth



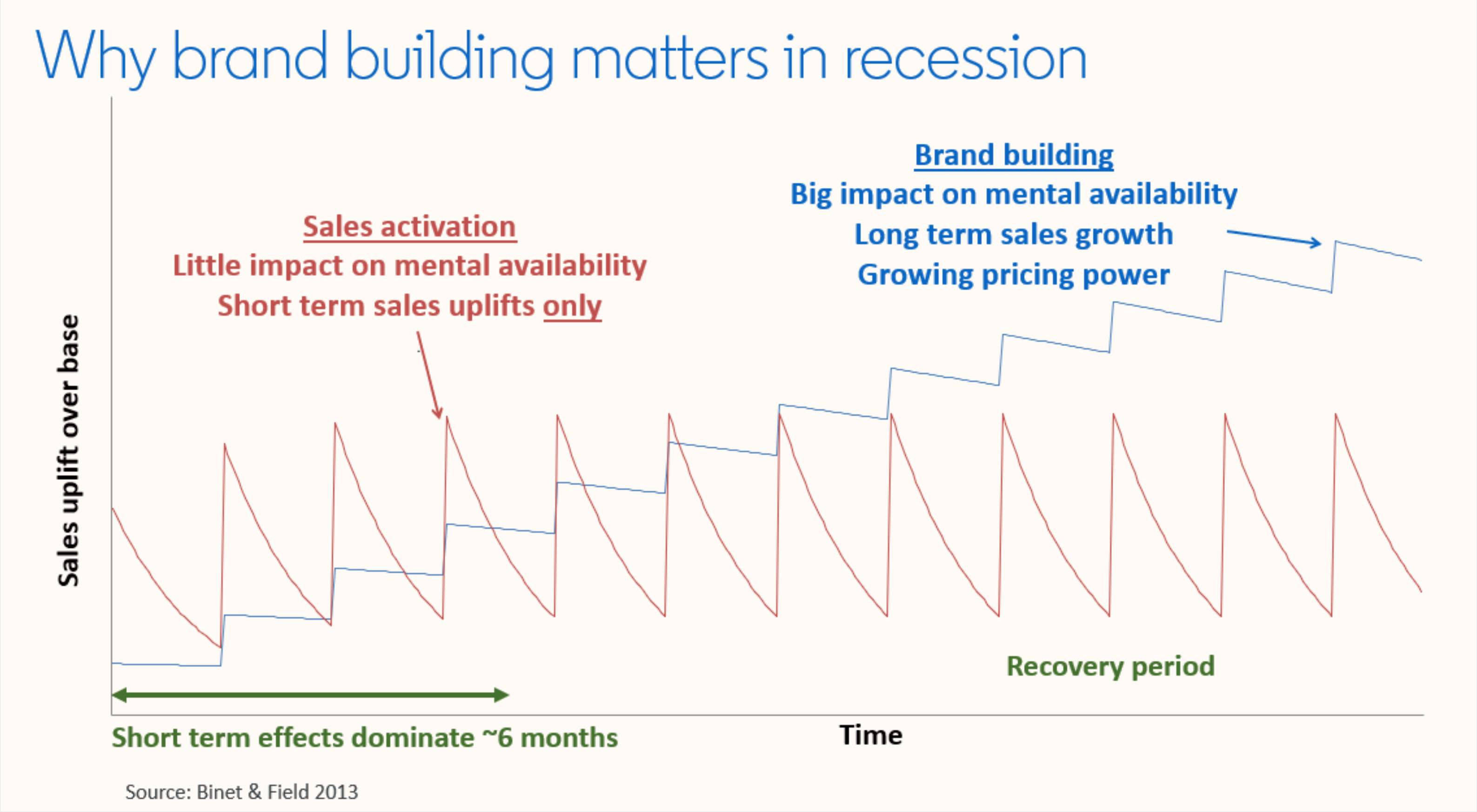
2008 – 2009 Recession (began Dec '07)

*Very large Business Effects = metrics like profit, sales, market share, penetration, loyalty and price sensitivity

While maintaining SOV is always important, recessions can actually provide a growth opportunity for brands as the cost of increasing SOV relative to your competitors (ESOV, or Excess Share of Voice) is lower. Field's widely-referenced research from the 2008 recession found that the brands that invested in ESOV saw **5 times as many very large business effects** (such as profit, pricing, share, penetration, etc.) and **4.5 times the annual market share growth**.

Source: Peter Field, Advertising in Recession – Long, Short, Dark? Guide to Advertising Best Practice in Recession, 4/06/20, LinkedIn , 2020 B2B Institute, Basic IPA Databank: 50 cases covering 2008 recession.

The importance of brand building



Effectiveness experts Peter Field and Les Binet have stressed the importance of balancing sales activation advertising with brand building: That sales activation techniques alone only work in the short term (and need to be repeated for effect), whereas the impact of brand building grows over time, providing a larger long term impact on sales.

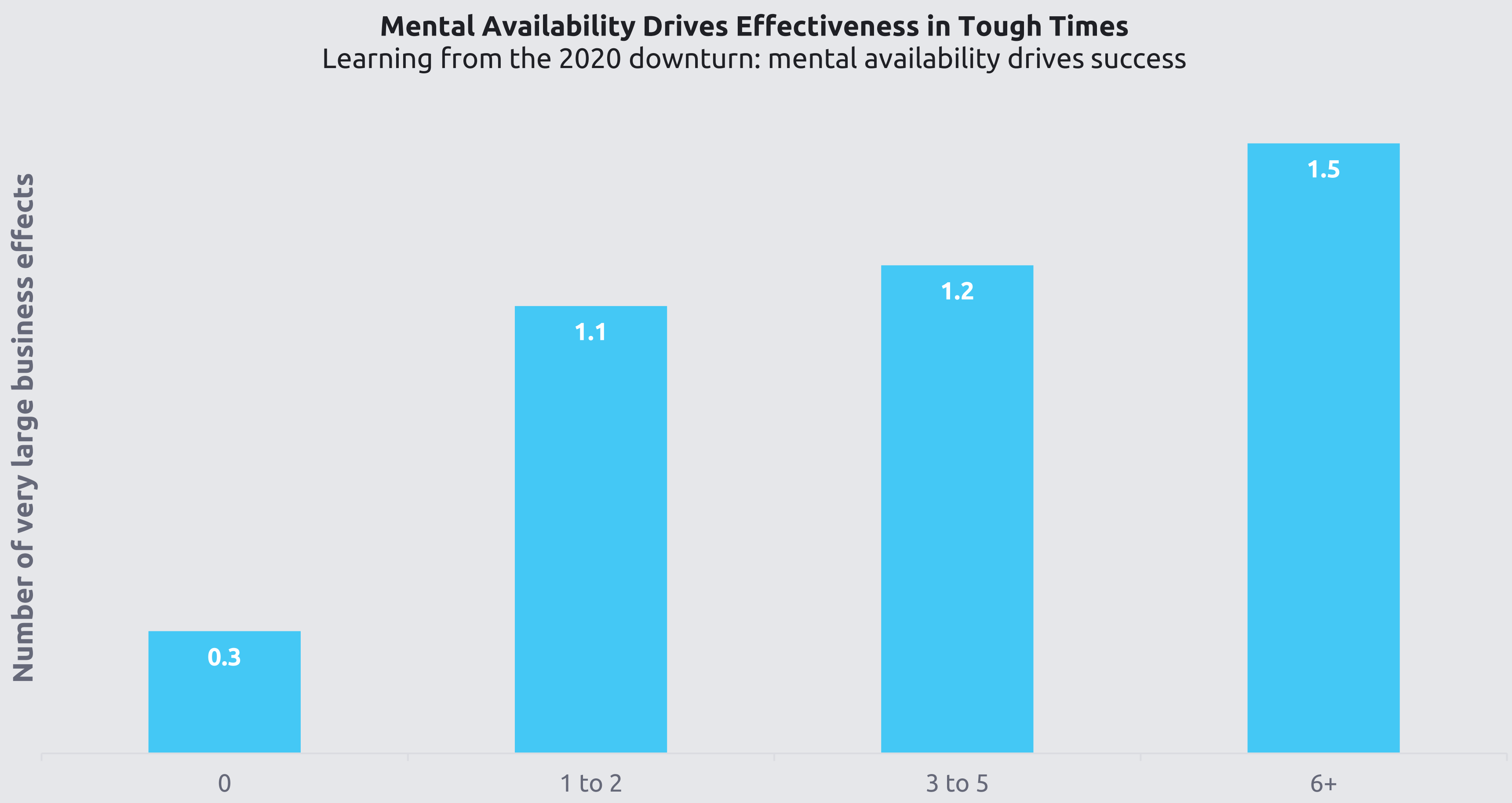
In Field's most recent presentation, he stressed that this is no less true in a recession.

Source: Peter Field, Effectiveness in a Downturn, Key learnings from 2008 and new findings from the 2021 and 2022 Canadian Effies, October 2022.

“The only sensible course for any advertiser who wants to maintain a presence through this recession is to be **putting money into long-term brand building** because the role of that investment **is for the recovery, not for now.**”

--- Peter Field, Independent Marketing and Advertising Consultant, Author *Marketing Week*, 3/26/2020

Brand building improves mental availability



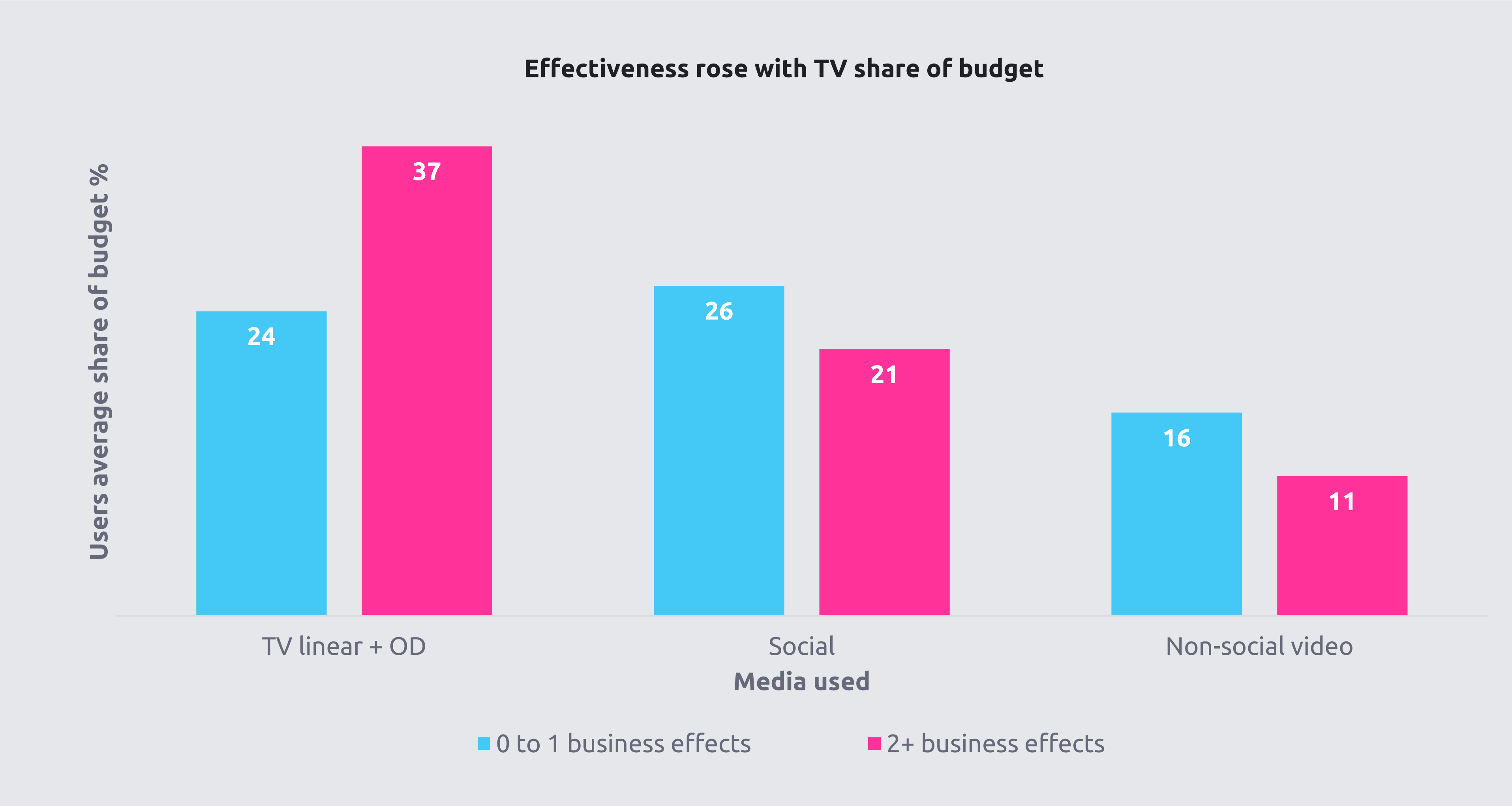
Brand building improves mental availability, and mental availability drives effectiveness – all the time, including in 'tough times'.

Field's recent analysis of the 2020 downturn, using Canadian Effie data, found a direct correlation between branding and business success: The more "large brand effects" used in the creative, the higher the number of very large business effects.*

* Large business effects include sales, profit, market share, penetration, loyalty and price sensitivity.

Source: Peter Field, Effectiveness in a Downturn, Key learnings from 2008 and new findings from the 2021 and 2022 Canadian Effies, October 2022.

Using TV drives effectiveness



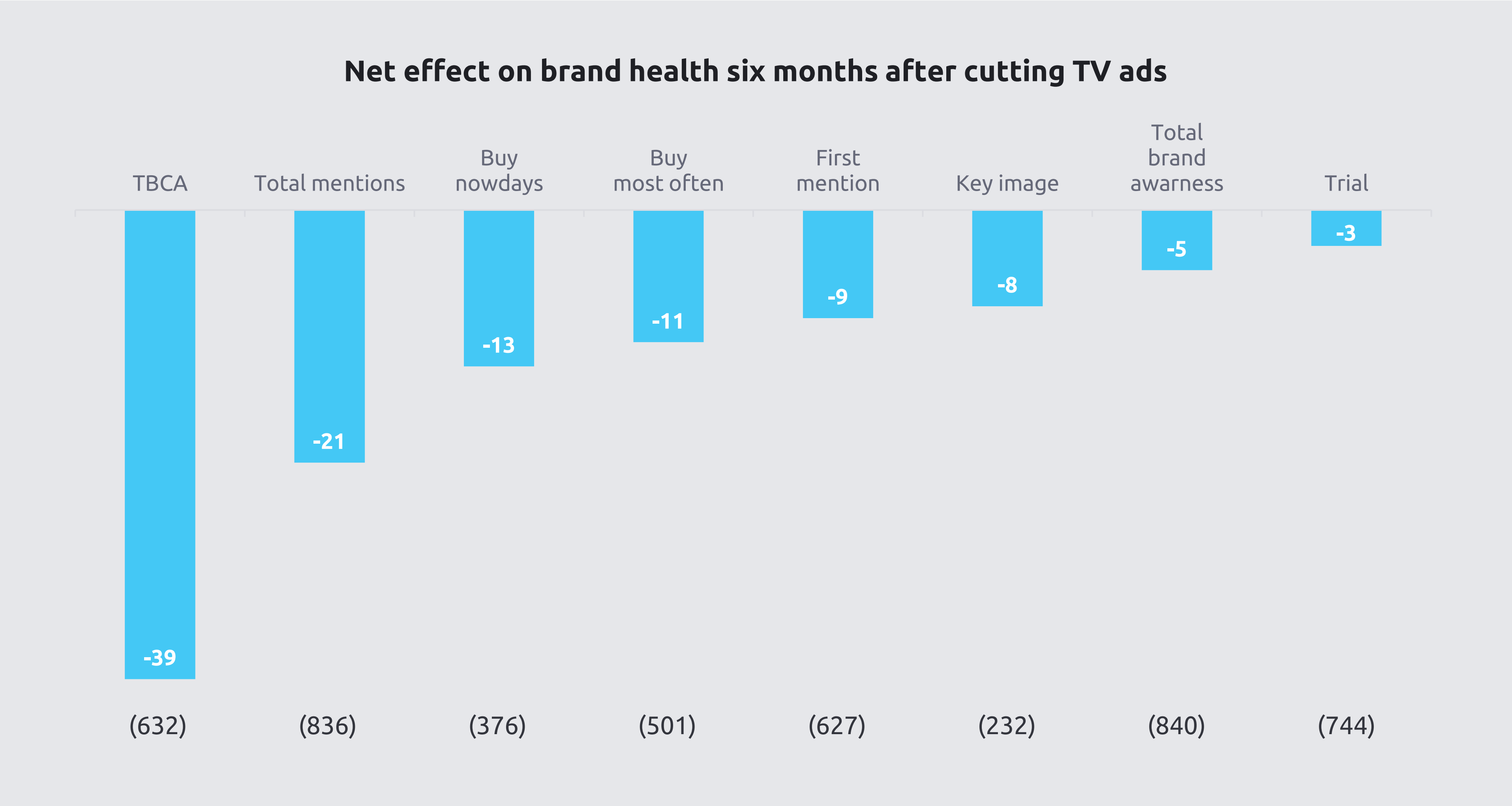
Now that you're convinced you need to maintain – or even increase, if possible – your advertising budget, consider this: Using TV will increase the effectiveness of your campaign.

In Field's analysis of the 2020 downturn he found that campaigns with a larger share of TV advertising enjoyed more (2+) business effects*.

* Large business effects includes sales, profit, market share, penetration, loyalty and price sensitivity.

Source: Peter Field, Effectiveness in a Downturn, Key learnings from 2008 and new findings from the 2021 and 2022 Canadian Effies, October 2022.

TV advertising ensures long-term brand health



In a recession, brands are much more likely to invest in price promotions and sales activation activities to drive top line revenues. This comes, however, at the expense of bottom line profitability. The switch from long-term to short-term is a false friend that actually erodes brand equity, a measurable contributor to overall sales performance.

Source: Kantar "COVID-19 Barometer," March 2020. (Base number of brands analysed in parentheses).

Key lessons for marketing in a recession

There are several lessons to be learned from past downturns; here are Peter Field's top 6 suggestions:

1. **Do not panic** and withdraw brand advertising (unless the company's short-term survival depends on it).
2. **Do not go short:** Resist the pressure to switch brand advertising to solely activation; it makes very little sense to do so, even in the short term.
3. **Maintain your share of voice**, at least at your market share level where SOV equals SOM.
4. **Consider increasing your share of voice:** A recession is an opportunity to invest in lower-cost ESOV, driving long-term growth
5. **Do not abandon your existing brand campaign** unless it is unsympathetic to the mood of customers. There is often more value and reassurance in continuity than in change.
6. **Do not be afraid of using emotional brand advertising during a recession** – but ensure it is appropriate to the mood of the customers.

Source: Peter Field, Advertising in a Downturn Revisited, 2020, https://ipa.co.uk/news/peter-field-s-seven-lessons-for-advertising-during-a-recession.

In summary

The full impact of advertising is seen over time, so ad campaign decisions need to be made with a **long-term lens**. Brands that maintain or increase their spend during a recession are rewarded well into recovery; while there may be some short-term pain, **the financial rewards in the long term more than make up for it.**

We have data from the last one-hundred years of economic downturns that empirically prove advertising's ability to drive sales and increase share of market during the time of recessions and beyond. In this data-driven & results-obsessed industry, it's time we learned from the lessons of the past.

"The gangster move in a recession is not just to maintain the budget but actually increase ad spend. That sounds like a lunatic move until you understand ESOV and the dynamics of long-term brand building."

--- Mark Ritson, Marketing & Branding Consultant, Founder, Marketing Week Mini MBA, *Marketing Week*, 4/6/2020

Additional resources

Keep Calm and Advertise On: How to Successfully Navigate Your Brand Through an Economic Downturn **(VAB)**

Building brand equity in an economic downturn: five tactics beyond numbers **(WARC):** Five tactics to protect marketing budgets when facing an economic downturn.

Ritson's recession playbook: 9 steps marketers should take to survive the dark times ahead **(Mark Ritson):** With a recession looming, Mark Ritson advises marketers to continue their brand building efforts: "You maintain the long of it because its impact is delayed but substantial and it will kick in exactly when you need it as the recession ends."

6 Marketing Strategies to Successfully Navigate Your Brand Through Inflation **(VAB)**

What happens if I stop advertising? **(WARC):** This article advises that long periods off air are likely to weaken brand health and marketing share – and once equity and share have declined, it can be hard to get them back up to previous levels, so the best way to ensure long term brand growth is to maintain ad spend. "This is especially true in time of recession, whereby investing in ad spend can bring significant long run advantage."

Marketers Brace to Defend Ad Budgets in an Unsteady Economy **(Wall Street Journal):** The ANA's Bob Liodice urges CMOs to resist cutting their ad budgets.

The secret to surviving a recession? keep advertising – here's how **(the Drum):** Marketing during a recession is a delicate balancing act: You have to drive revenue and meet your bottom line, but you also want to be sensitive to the current reality.

Don't cut your marketing budget in a recession **(Harvard Business Review):** Companies tend to cut marketing in a recession. But firms that maintain their marketing spend while reallocating it to suit the context – be it in product developing, advertising and communication, or pricing – typically fare better than firms that cut their marketing investment.

Can advertising drive incremental results during high inflation? a cross-category analysis **(WARC):** Using natural experiment frameworks and publicly available data, NBCUniversal Media wanted to test one idea popularized at the height of pandemic-related supply chain problems: does advertising drive incremental results during record high inflation?

Inflation and Economic Slowdown **(Kantar & WARC podcast):** WARC talks inflation and economic slowdown with J. Walker Smith and Karine Trinquetel – insights experts at market research company Kantar. They discuss new consumer sentiment data and how brands can focus on resilience and serving consumer needs.

The drivers of marketing effectiveness – 7 principles of success **(Peter Field):** In this insightful and practical presentation, Field presents evidence – featuring some new Canadian data – showing the role brand building plays in driving effectiveness, and the top considerations for marketers when developing a campaign, from building mental availability and engaging emotionally, to the importance of reach and the right media balance.

Additional resources

Why it's important to keep advertising during a downturn **(Peter Field):** Excellent overview of the key learnings from the thinktv Canada webinar with Peter Field (The Message).

What should ads look like in the time of recession? **(Orlando Wood):** Orlando Wood writes about the creative that is resonating most during this crisis, and the 3 questions marketers should ask themselves about advertising now

Maintaining share of voice is key in recessions **(WARC):** Maintaining share of voice is critical for advertisers during a recession, both to stay front of mind among consumers in a downturn, and in order to position their brands in an optimal way for the recovery.

Aadvertising in a recession – long, short or dark? **(Peter Field):** Peter Field's guide to advertising best practice in a recession; April 2020

A marketing guide: what to do in a recession **(Byron Sharp):** Bryon Sharp's top two "Key Actions" are (1) maintain your marketing support (otherwise you'll have to spend more when the recession ends trying to regain your momentum), and (2) don't try to price promote.

Brands' behaviour now will affect future consumer buying decisions **(Edelman Trust Barometer report):** Consumers want brands to do everything in their power to protect the well-being of their staff and suppliers (90%), and prefer brands take a traditional approach when it comes to communication

What happens if I stop advertising? **(WARC):** This report looks at the long and short-term consequences of a brand going dark.

Advertising in a downturn **(IPA research):** Should you advertise in a downturn? Research from the IPA suggests that you should.

Marketing your way through a recession **(Harvard Business Review):** Brands that increase advertising during a downturn can improve market share and return on investment.

Strategies for Marketing Through a Downturn **(Thinkbox):** A short library of thoughtful and thought-provoking papers and articles by experts who can help brands navigate and weather the economic storms.

"Ritson on Recession". A guide for how brands can survive - even thrive - in tough times **(System1):** System1's webinar features industry leading experts discussing how brands can survive, and potentially thrive, during a recession.

Advertising during crisis **(Screenforce):** Compilation of data and recommendations for brands and agencies showing that cutting advertising during economic crisis has dangerous effects.

Advertising in time of crisis **(Scoop.it board curated by egta):** This board is curated by egta and aims at gathering resources for advertisers, agencies and sales houses to navigate the COVID and economic crisis, and understand if and why "going dark" is dangerous for brands during a recession.

think tv is a proud member of the Global TV Group

About GTVG

The Global TV Group is an informal grouping of broadcasters' and sales houses' trade bodies in Europe, the USA, Canada, Australia and Latin America, whose joint objective is to promote television and remind advertisers, journalists, tech gurus, agencies and industry peers about the effectiveness and popularity of TV.

The many trade bodies comprising the group aim to move the industry forward and harmonise how we speak about TV with a unified voice and narrative. This is done:

- By exchanging data and technical expertise to create The Global TV Deck, a valuable databank, designed to meet the needs of advertisers who are eager for transparent, reliable data and fresh insights. The deck features data from an initial 24 countries and covers topics such as TV's reach, popularity, resilience, trust, impact, and effectiveness.
- Secondly, by issuing press releases which address current topics and trends in the advertising industry. Recent releases include the importance of TV advertising to online businesses, global figures on the trustworthiness of television and more.
- Finally, by widely supporting World Television Day, on 21st November through its network of members.

The Global TV Group believes the positive story about television is a global reality, which does not have to remain limited to the current members and is therefore happy to welcome additional trade bodies who share a similar mandate to contribute through data, networking and more.

Discover the GTVG's Charter of Governing Principles.

The Global TV Group