



When the Going Gets Tough, the Tough Don't Skimp on Their Ad Budgets

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With corporate managers under enormous pressure to control costs and maintain liquidity in the current credit crisis, advertising budgets often appear to be a dispensable luxury in the struggle to survive. Executives who succumb to that temptation, however, put the long-term future of their companies at risk, according to Wharton faculty and advertising experts.

"The first reaction is to cut, cut, cut, and advertising is one of the first things to go," says Wharton marketing professor [Peter Fader](#), adding that as companies slash advertising in a downturn, they leave empty space in consumers' minds for aggressive marketers to make strong inroads. Today's economy "provides an unusual opportunity to differentiate yourself and stand out from the crowd," says Fader, "but it takes a lot of courage and convincing to get senior management on board with that."



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According to Wharton marketing professor [Leonard Lodish](#), with demand slack for advertising services, the cost of these services goes down, making advertising expenditures all the more defensible in a bad business climate. "If your company has something to say that is relevant in this environment, it's going to be more efficient to say it now than to say it in better times," says Lodish.

Research shows that companies that consistently advertise even during recessions perform better in the long run. A McGraw-Hill Research study looking at 600 companies from 1980 to 1985 found that those businesses which chose to maintain or raise their level of advertising expenditures during the 1981 and 1982 recession had significantly higher sales after the economy recovered. Specifically, companies that advertised aggressively during the recession had sales 256% higher than those that did not continue to advertise.

For companies that do stay the course and continue to advertise into a recession or increase their promotional activities, the key is to craft messages that reflect the times and describe how their product or service benefits the consumer. For example, companies might be tempted to emphasize price in a recession, but that only works for companies like Costco and Walmart that are built around a core strategy of providing low prices year after year, says Lodish. He points to the current Walmart campaign, "Save Money. Live Better," as a successful approach to the recession.

Dean Jarrett, senior vice president of marketing at The Martin Agency in Richmond, Va., which developed the Walmart ads, acknowledges the campaign began in 2007 before it was clear a harsh recession was building. "We can't claim we knew a recession was coming, but "Save Money. Live Better" is dead on-point with who they are and what they want to be."

Eileen Campbell, chief executive of the Millward Brown Group advertising firm in New York City, says that while companies should probably not dwell on the recession and scare consumers into hoarding their pennies under a mattress, certain products require a straight-up approach -- such as financial services. "If you are in the financial services category, to behave as you did a year ago is silly." At the same time, however, many consumers are weary of negativity generated by the recession and would be receptive to a more upbeat message, she adds. "If you can put a positive spin on how you can genuinely help without invoking doom and gloom, I think that's going to be more compelling."

In Control of Your Pushups

Wharton marketing professor [Patti Williams](#) cites Gold's Gym -- the Texas-based gym chain -- as an

example of a company that has found a way to navigate the economic slump while promoting a product that might seem discretionary or self-indulgent in hard times. One television spot shows legs working a stair climber as words pop up across the screen changing from "First floor" to "12th floor" to "Kilimanjaro" to "Olympus." Finally the words, "The Corporate Ladder," appear.

"This is about being goal-oriented as opposed to a general fitness or vanity play," she says. "It links to the economy because people are less likely to be spending on flashy things and more likely to be thinking practically and pragmatically. Certainly people are going to be spending less in this downturn, but they will spend *something*."

Williams agrees that advertisers should approach the 'R-word' (recession) with extreme caution. "Along with this economic downturn comes a lot of emotional response, such as anxiety. It is characterized by a sense that you lack control, that you don't know what's coming and you are at the whim of circumstance. To the extent that advertisers feel their clients or consumers are experiencing anxiety, ads should try to empower consumers and help them think of ways to be in control in a world where they feel out of control."

The Gold's Gym spots address this concern, she suggests. "'You can't control the economy but you can control how many pushups you do, and take control where you can, and we can help you.' That's a powerful message."

Value is another important message to build into marketing campaigns during a downturn, according to Williams. Many marketers design communications aimed at justifying the price they charge for goods and services, either by emphasizing a low price or touting the benefits the company can provide to buyers. "Advertisers will do both," she says. "Some are in a better position to talk about lower costs while others will have to focus on what you get for your money."

Luxury businesses should take a completely different approach, appealing more to emotion, Williams notes, emphasizing the need for some emotional release or comfort in difficult times. High-end advertisers will also attempt to emphasize long-term value -- such as suggesting that a watch is not just a purchase for today, but for years to come. "You can try to remind people that this is, hopefully, a temporary state of things and we should not be focusing on the immediate future but also longer-term."

David Sable, chief operating officer of Wunderman, a brand-building agency that is part of the global marketing firm, The WPP Group, advises advertisers in a downturn to rally to protect and preserve brand equity that has been nurtured for years, with continued investment in and support of branded products. "The worst thing you can do is cheap-out on products -- put less coffee in the cappuccino -- as many have in the past."

According to Sable, while price is important in a recession, the majority of price-driven consumers still factor in the importance of branding. Companies must maintain "good housekeeping" during a recession, such as product quality and good distribution systems, but he suggests that clear brand association and leadership comes through communication. "If you cut the communication, you have a major problem."

He urges marketers to make sure they understand the "elasticity" of their brand, which would be a gauge of how much -- or how little -- advertising is necessary to sustain sales. "It's not a science. There's a lot of art there," he acknowledges, "but you must be supporting your product."

He also warns that in today's networked, digital marketplace, consumer buzz about disappointments with a product can metastasize quickly and widely. "You must give people good things to talk about by continuing to have good products and communication." The biggest lesson is that recessions come and go, but "hopefully your brand is for life. It's forever. So you have to be careful how you react because the downturn is not going to be forever."

If companies cut deeply into advertising and communications in a down period, the cost to regain share of voice in the market once the economy turns around may cost four or five times as much as the cuts saved, he adds. "You must really keep a balance in times like this. Don't go dark when customers and consumers need you because they need you as much as you need them."

Matt Williams, a partner at The Martin Agency, says a downturn is a natural time to focus on core

strategy. A recession, he says, can be an "opportunity disguised as a problem.... You can position the brand as an ally to consumers in tough times with product development or sponsorship programs so the consumer can say 'I see by its actions that this brand is on my side.' That will pay dividends not only during the recession but beyond."

When Life's (Not So) Good

According to Wharton marketing professor [John Zhang](#), advertisers in all categories must be in tune with consumers in the current climate. For example, he notes that LG Electronics is backing off its "Life's Good" slogan. "That's not the mood people are in. If you do that, it will generate resentment. You need to fine-tune your message to be sensitive." In challenging times, marketers must also work harder to segment consumers with specific messages. "If, in the past, you used mass media, you probably want to be more targeted now to make sure the message gets to the right people."

Research indicates that combative advertising which targets competitors escalates during an economic downturn. "When the marketplace is shrinking, you tend to become a little more competitive in your tone," says Zhang, who cautions that this approach can backfire. "If you say your competitor is bad and your competitor says you are bad, ultimately the customer thinks both are probably good and bad. They tend to be indifferent. Even in a downturn, if you want to create loyal customers, you don't want to be overly competitive. You want to highlight what you do best and be sensitive to the needs of your customers rather than bashing the competition."

An economic slump may be a time to reconfigure the advertising mix between traditional media and digital or other outlets, depending on the product, brand positioning and overall corporate strategy, Zhang continues. "You don't have to put a huge amount of money in the marketplace," he says, adding that lower-cost marketing techniques -- such as banners, street signs or direct mailing -- might merit new attention. When times are flush, it is easy to pay a premium for more expensive established media.

The Ever-elusive Gold Standard

All forms of media can be successful even in a recession, although the impact of digital marketing might be easier to quantify and therefore able to withstand the close scrutiny of senior executives demanding justification for any spending while their operations are under recessionary pressures, says Lodish.

Fader points out that direct marketing and other kinds of interactive communications might be valuable but do not yet deliver easily quantifiable results. "Unfortunately, the industry is still in its early infancy. A lot of people talk about what we are capable of doing in measurability, but no one has established the gold standard yet. Maybe this forthcoming recession will be the chance to catalyze that and make it happen."

The current recession will offer an opportunity for marketers to provide integrated campaigns meshing traditional and digital media. Fader says that in the last downturn, in 2001, digital marketers were operating out of separate agencies, but today marketers are able to construct fully integrated campaigns. "We have been talking about integration for years, but it's been a much slower process" than expected. "I'm not sure the recession will accelerate that integration, but those who are well-integrated will start to see some of the benefits."

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