



## Advertising - the big mistake businesses make in a recession

“In a recession, do you spend more or cut back on your advertising budget?”

That's the question that is spat out every time the economy dives, and not just by vested-interest parties whose billings are down.

In analysing recessionary periods, it is a fact that companies cutting their advertising budgets have performed far worse than those who maintained or increased theirs. And yes, there is the element of negativity in the media inhibiting demand and causing doubt in business confidence.

But that hasn't worried some brands – they keep over-hyping their often over-priced and 'wanted rather than needed' goods, habitually to the extent of having people queuing six-deep on the High Street to purchase something that is 40% more expensive in the United States.

It may sound unlikely, but according to city analysts James Capel, companies which had maintained or increased their advertising budgets during the 1974/75 recession enjoyed higher levels of sales - 27 per cent over two years and 30 per cent over five years, both commensurate with that period of recession.

And a McGraw-Hill Research study that examined 600 companies from 1980 to 1985 found that businesses which preserved or raised their level of advertising spend during the 1981/1982 recession also demonstrated significantly higher sales after economic recovery. In this case, those companies that ran aggressive advertising campaigns during the recession had sales over 250% higher than those who had halted their advertising.

The entire issue represents an outstanding opportunity for direct selling businesses. The majority of businesses will be seen as taking the path of least resistance by cutting their advertising expenditure. However, it will follow that businesses who maintain their previous level of spend will appear to be bigger and more powerful to readers of their local press.





The real opportunity will be identified by the true marketing orientated business; this type of business will no doubt realise that an increase in correctly targeted advertising expenditure, regardless of how modest that increase might be, will create a greater awareness of that business. It can also be more cost effective than increasing awareness in good times!

It follows, of course, that for businesses cutting their expenditure, attempts at re-awakening awareness of that business with the public after the recession will not only be difficult, but also expensive.

The majority of businesses will moan about the contraction of the market place, the continual profit erosion, the ramifications of any World hot spot or crisis, interest rates and unemployment levels. They will complain about the often perceived low level of understanding and support from manufacturers, distributors and suppliers/wholesalers.

However, bright businesses realise that the majority of workers are earning as much, if not more, than when the recession began!

Because of the hype in the press and on television, the consumer will be a little more cautious about splashing out on outrageous luxury items such as holidays in the Far East or motor boats. It is nevertheless a proven fact that the consumer continues to purchase mainstream consumer goods.

While there is no doubt the retail market has declined a little in certain sectors, there is still a very big market out there, and it responds to advertising in much the same way as it always has done.

It is also probably a hard fact that the number of businesses trading at the end of the current recession in any particular sector will be less than those of four or five years ago. Naturally enough contractions in the consumer market will be mirrored by the contraction in the number of retail suppliers.

And it is worth remembering that media rates can contract during a recession (because all of the aforementioned), so you will in effect get more bang for your buck anyway!

Those bright businesses which advertise are going to make money, especially those is the need rather than want end of the market!

Edward Moss  
[www.maykit.me.uk](http://www.maykit.me.uk) – [edmoss@mayit.me.uk](mailto:edmoss@mayit.me.uk)

