

When a recession, downturn or as we are currently experiencing now, a crisis of global proportion known as COVID-19 take place, businesses look to their budgets to start saving money. Clients and consumers aren't spending so that means we must find a way to stay out of the red. Our thinking then becomes, our clients and consumers aren't buying so let's cut our advertising expenses.

Statistics show how negative the impact can be during and after one of these events on advertising. In the first quarter of 2009 immediately after the 2008 downturn, ad spending fell by more than 10 percent.

Statistics also tell us, and what many business owners don't know, is that continuing to invest in marketing and advertising during a serious economic event will benefit a business. In this article, we look at some iconic brands that are great examples of thriving during a downturn.

WHY DO WE CUT THE MARKETING COSTS FIRST?

The answer is an easy one, the business doesn't have as much money coming in, but the employees and the bills must still be paid. So, the owner looks at ways to cut costs in order to keep operating.

But why do we reduce the marketing budget first? Marketing is secondary to what the business offers. It could be food service, clothing, automotive or

even a pedicure and manicure. All kinds of reasons have been offered up for placing the marketing budget on the chopping block first. It is not like a client or a consumer is going to forget about us if our social media presence disappears overnight. Companies believe they have latitude when the economy gets tough. These companies may be wrong.



WHAT DOES HISTORY SAY ABOUT REDUCING MARKETING DOLLARS IN A DOWNTURN?

A downturn in the economy or a global crisis will affect the profitability of business. We can't ignore this fact. Successful, healthy companies prior to a negative event expect to see reduced profits.

If we have learned anything, we know that to cut marketing dollars from the budget in an economic downturn does not make a company any more profitable. In 1990, advertising guru Stephen King published a paper that demonstrated that

reducing ad spending doesn't help the bottom line.

Another study suggests that, reductions in ad spending may have actually hurt companies in the past. Buchen Advertising's look at data from the 1949, 1954, 1958, and

1961 recessions suggested that companies that advertised less during those periods not only saw fewer sales and lower profits – they also experienced less growth than their competitors in the years after the recessions. A look at data from the 2008 recession suggests that companies had a hard time regaining their market share after that one as well.

Just when we thought that profit losses were bad enough, we must consider the other side of the coin as well. A plethora of studies over the years suggest that advertising when the economy is bad can lead to growth.

- During the Great Depression, General Motors pioneered the use of outdoor billboards and radio to advertise its budget brand, Chevrolet. Although Ford

had been a leader in the automotive industry for years, by 1931, Ford was consistently being outsold by Chevy.

- According to a study of the 1974-1975 recession from the American Business

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Press and Meldrum and Fewsmith, “companies which did not cut marketing expenditures experienced higher sales and net income during those two years and the two years following than those

companies which cut in either or both recession years.”

- According to McGraw-Hill Research’s look at the 1985 recession, companies that either maintained or increased their ad budgets during that time experienced a 256 percent increase in sales versus companies that cut their ad budgets.

John A Quelch of Harvard Business School states in his white paper, How to Market in a Downturn: “Companies that put customer needs under the microscope, take a scalpel rather than a cleaver to the marketing budget and nimbly adjust strategies, tactics and product offerings in response to shifting demand are more likely than others to flourish both during and after a recession.”

KELLOGG’S STRENGTHENS ITS POSITION IN THE 1920s

Believe it or not, Kellogg’s was not always the world-dominating cereal manufacturer it is now. Prior to the Great Depression “Post” cereal was the industry leader. However, they took very different approaches during the economic turmoil of the 1920s. While Kellogg’s doubled its marketing spend (investing in the

novel concept of radio advertising) and launching Rice Krispies, with its now legendary tagline of “Snap, Crackle and Pop”, while Post drastically cut back.

The result? Kellogg’s profits increased by 30% and overshadowed Post as the dominant brand.



TOYOTA BECOMES THE TOP IMPORTED CARMAKER IN THE US DURING 1970s



Between 1973-75 much of the Western world was gripped by recession, triggered by an energy crisis. Despite the Toyota Corolla being ranked second (below the Honda Civic) in the US government’s first miles-per-gallon efficiency report and the unfolding

recession, Toyota refused to reduce its advertising spend. By 1976, Toyota (which had been active in the US market for less than 20 years) surpassed Volkswagen as the top imported carmaker (which had been exporting to the US since the 1940s).

MCDONALD'S LOSES MARKET SHARE IN THE 1990s

During the 1990-1991 recession, McDonald's made the costly mistake of cutting back on its advertising and marketing budget.

Fast-food rivals Pizza Hut and Taco Bell did the reverse and increased marketing activity. Pizza Hut increased sales by 61%, Taco Bell sales grew by 40% and McDonald's sales declined by 28%.



AMAZON'S DOMINANCE IN THE EARLY 21ST CENTURY



While high street competitors were failing around them, as a result of the 2008 financial crisis, Amazon sales grew by 28% in 2009. This was not only due to their lean business model but heavy promotion of its Kindle device (launched at the height of the credit crunch).

This innovation and diversification during difficult economic times not only helped Amazon increase its market share but has helped establish it as the giant it is today. Also worthy of note is that Jeff Bezos, Amazon's founder, is famous for adopting a long term strategy for growth,

sacrificing short term profits for long-term growth, rigorously reinvesting profits back into the company

When clients and consumers do have money to spend, the studies suggest that they are going to turn to the brands that they remember, the brands that advertised during the downturn are going to be top of mind.

To justify our marketing budgets and prevent them from being placed on the chopping block, we need to find ways to stand out while spending wisely and growing our businesses.

WHAT DO THE EXPERTS SUGGEST WE DO IN A TIME OF CRISIS?

Marketing and advertising in a difficult economic environment is much different from advertising during a period of economic expansion. You are now reaching out to clients and consumers that have become extremely careful with their finances, which mean you may have to try new techniques.

• **CHANGE WHICH VALUES YOU PROMOTE.** The 2008 recession saw car manufacturers like Nissan focusing less on ideas like road trips and more on ideas like mileage per gallon to appeal to consumers' frugality. Focusing on prices and temporary discounts can be risky, of course, because consumers tend to get

accustomed to price cuts. Some experts instead suggest promoting a sense of community in your advertising and using a "we'll get through this together" approach.

• **CHANGE YOUR TAGLINES.** The appliance manufacturer LG was known for its slogan "Life's Good" for some time. During the late 2000's, this rang a

bit hollow to consumers dealing with unemployment and underemployment. Awareness of your client's or the consumers' experience can go a long way, and your slogan should channel that. That's why Wal-Mart chose to

*Let's remember
that our clients and
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advertisements during
these times.*

promote itself during the same time with the tagline "Save money. Live better."

• **CHANGE THE WAY YOU ADVERTISE.**

Look at your advertising expenses and figure out which ones provide the best value for what you spend. Mass media advertising might not be the format that will generate the most leads; meanwhile, the affordability and personal touch that direct mail provides might allow for just the immediate sales boost and long-term brand exposure you need.

As we find ourselves in the middle of unprecedented times, it may seem that

one of the easiest expenses to cut is our marketing and advertising budget.

Let's remember that our clients and consumers still notice advertisements during these times. Given the negative and discouraging news that we are being bombarded with hourly; an upbeat, on target and positive message in our advertising may just bring a smile to the face of our clients and consumers during these difficult and trying times. Companies that advertise the most will reap the greatest rewards when the economy turns around.

HOW CAN TAYLOR PRINTING GROUP AND BOUNTY PRINT HELP?

We are open for business. Although COVID-19 has significantly impacted 'business as usual' we have taken numerous precautions to ensure the safety of our employees and clients. Your Account Rep would be happy to have a call with you to discuss the many options that we have available. Ideas for your consideration are:

- Our **wide-format** divisions offer a wide variety of options that will enable you to let your clients and consumers know that you are open. We can help you do custom wallpaper to create feature walls in your place of operation. You can let people know about sales and promotions and we can create directional signage to your location.
- Our **digital** departments can produce short runs of stationary, business cards, posters, brochures, forms and booklets so you can order only what you need in timely and cost-efficient manner.
- Our **pressrooms** are equipped with state-of-the-art equipment for those times that you need to get your message

out to the masses. Producing beautiful, eye-catching materials and finished in our fully equipped binderies we will make sure that you stand out amongst your competition.

- As a **Canada Post Expert Partner**, we can access the most up-to-date programs that Canada Post has to offer. We have an inhouse team that is prepared to answer all your questions about:
 - Mail preparation
 - Data mining
 - Data management
 - Direct mail strategy
 - Targeted marketing through mail
 - Response management
- Looking to mitigate the impact of future work interruptions on your business? We offer a complete B2B and B2C web platform through our **XMPie** software. We have answers and we can help. Speak with your Account Rep to schedule a demo.

At no time in history have we experienced a crisis such as COVID-19

that has impacted the entire world. Our number one commitment remains to that of the health and safety of our staff. We are proud of the teams that we have at Taylor Printing Group and Bounty Print. We believe we have the best people in the industry, and they have proven themselves in their commitment not only in the last few days as this crisis has unfolded but so many times over the last several years. In response to the economic slowdown we have moved to a work-sharing program to ensure that all our employees can continue to work, and each department remains staffed.

Our commitment to you, our valued partners and clients is that we are here to support you when you are ready. Our sales teams are working behind the scenes even now so we will be even better equipped to help you as we navigate through these unprecedented times.

*We are open
for business!*

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