

**“In any recession, the companies most likely to grow and profit are those who invest heavily in marketing.”**

– The Center for Research & Development



**The Toughest Times Are Historically The BEST Times To Grow A Business.** When the economy starts shrinking, consumer confidence is in the tank, and everything on the news makes us feel like doom is right around the corner, the natural reaction of most businesses is to conserve resources and act cautiously. When it comes to growing your business, this reaction may actually be counterproductive. **This paper explains why.**

# OVERVIEW

**An abundance of research tells us that recessions are the best time for strong businesses to get stronger. Increasing your marketing investment in slow times is actually more effective than doing so in good times. This strategy provides strong returns during the recession and extraordinary growth and profitability for years following it. These same facts tell us that businesses that reduce marketing during recessions do so at their own peril. This paper presents the facts about marketing during recessions and offers suggestions to help you make the most of our current environment.**

One of the great ironies of marketing is that booms, the times when most companies have the funds to invest in marketing, are also the times when it is most difficult to generate above-average marketing results.

Competitive marketing activity peaks during booms. Customer loyalty also tends to be strongest during booms as bargain-seeking behavior is relatively low. These forces keep an 'average' firm from generating more than its fair share of growth through marketing.

During recessions, these forces dissipate and create a unique window of opportunity. Downturns in consumer spending lead many competitors to dramatically reduce their customer acquisition & retention efforts. Consumer spending may shrink 5-10%, but the remaining 90-95% of the dollars have very little marketing energy chasing them and influencing where they are spent.

This happens at precisely the same time that consumers become most willing to switch brands.

## A PERFECT STORM

This declining loyalty hurts weakest businesses first, because they have the least uniqueness and quality to justify value. This may cause a number to quickly go out of business and create customer acquisition opportunities for other firms. As the recession continues, it will eventually touch even the strongest companies in the sector. The market's top players can become quite vulnerable. They tend to have larger customer bases than other firms and the premium prices supported by their superior products/services won't stand up to price-sensitivity forever.

Thus, the simultaneous drops in marketing noise and less consumer loyalty create a perfect storm for large shifts in market share. We see this among many of our radio advertising clients in 2009. Firms that were once niche players or had previously been hitting a glass ceiling growth-wise have quickly risen to leadership positions in their respective markets. As the next section on recession research suggests, these new leaders should hold onto their rapid growth rates for at least several more years.

**“1 in 5 companies grew during recessions. Which ones? The ones that maintained their marketing during the recession. Some businesses grew remarkably during recessions. Which ones? The ones that increased their marketing.”**

Again, we cannot overstate the importance of marketing decisions made during recessions. Businesses that wait until after the recession ends will see much less ROI from their marketing. Equally important, the businesses that stop marketing during recessions are exposed to forces that amplify the downturn. If one or more competitors continue to market, or actually increase their activity, the consequence for non-marketers can be a steeper decline than they would have experienced from the recession itself.

## THE EVIDENCE

**Many business owners are skeptical the first time they hear this news. Others feel that due to their market or business size, or the particular severity of the 2008-2009 Recession, these facts don't apply to them. While businesses and competitive situations are often unique, there is a wide body of evidence that traces this phenomenon across businesses of all sizes and in all of the major recessions of the last 40 years. The evidence is clear and those who ignore it may miss an opportunity or, worse, expose their businesses to powerful forces that pose significant risk.**

### **A SAMPLING OF THE RESEARCH:**

A Cahners Publishing Co study released in 1980 found that companies who maintained or increased their advertising during the 1970's recessions gained the most market share during that period. This finding was confirmed in 1990 by a McGraw-Hill study of recessions through the 1980s.

According to a 1993 Coopers & Lybrand study of the 90-91 recession, titled *Companies That Maintain Aggressive Marketing Programs Are Less Affected By A Recession*, "Businesses that maintain aggressive marketing programs during the recession outperform companies that relied more on cost cutting measures. A strong marketing program enables a firm to solidify its customer base, take business away from less aggressive competitors, and position itself for future growth during the recovery."

An article that appeared in the International Journal of Research in Marketing in 2005 featuring research conducted by the University of Texas and the University of Pennsylvania found that **1 in 5 companies grew during the 1990-91 recession**.

This study focused on service and industrial companies both large and small, regarding their performance during the 1990-91 recession. It found that 21% grew during this period and the study linked this growth conclusively to aggressive marketing. The 31% who maintained consistent marketing held onto their pre-recession revenue during the period. The 48% who decreased marketing reported significant sales declines and business losses.

### ◁ FACT ▷

The positive impact of marketing during recessions extends for years after the recession ends. The companies cited by McGraw-Hill for above-average growth during the recession continued this disproportionate growth for 3 years after the recession. Within 5 years of the recession's start, the sales of these companies were 256% higher than those who had cut back on spending.

## AND MORE...

**Research also demonstrates that the benefits of aggressive advertising last well after a recession ends.**

A widely cited study by the Center For Research & Development found that companies which advertised aggressively during the recessions of the 1980s grew their market share over 4 times faster after the recession than their peers who reduced their recessionary marketing activities. This finding is echoed in the research by McGraw-Hill cited earlier. In the three years following the 1981-82 recession (one of similar depth to the 2008-09 recession) the aggressive marketers' businesses grew 2.5 times more than their peers over the three post-recession years.

Research also suggests that some firms are better suited to take advantage of marketing during recessions. According to Raji Srinivasan of the University of Texas at Austin, firms are more likely to grow significantly that: 1) understand the importance of branding, 2) have a capitalistic/entrepreneurial culture, 3) have enough capacity to handle growth, and 4) operate in a sector that still has reasonable consumer activity.

In other words, if you are generally not prone to marketing, don't have the stomach for an uncertain investment, are cash-strapped, and are in a dead-zone of economic activity, put your money elsewhere – but don't expect to get much from your business! Most of these attributes are viewed as drivers of business growth during any type of economy.

**“Because revenue opportunities are generally shrinking during a recession, the companies that do market/grow are winning revenue at the expense of competitors who will actually decline faster than the general market.”**

## WE COULDN'T HAVE SAID IT ANY BETTER

**Most of these findings, and their underlying conclusions, are neatly summarized in a Business Week article by Bob Kuperman, former CEO of DDB New York, the global advertising agency.**

*“There's no better opportunity to gain market share than in an economic downturn--and a very good return on investment at that.*

*During the [1980's Recession], a study conducted by the Center for Research and Development analyzed 749 consumer businesses... It found that, in general, virtually all businesses earn reduced profits when their markets are in a recession. But businesses that cut their advertising expenditures to increase short-term profits fared no better, in terms of profitability, than those that actually increased their ad spending by an average of 10%.*

*More importantly, the data revealed that a moderate increase in advertising in a soft market can improve share. For the aggressive marketer, a more ambitious increase in expenditures, although reducing profits short-term, can take advantage of the opportunity afforded by a recession to increase market share even further...*

*But before your brand can have share of market, it must have share of mind. And the best time to start getting share of mind for the future is during a recession! ... When we all come out of this recession, will consumers with newfound spending money run out and buy your brand? They will if its been carefully crafted to be top-of-mind. And if it's not, then the only one to blame for that is you!”*

# CONCLUSIONS

**The time when most businesses are thinking ‘we are in tough times so cutting expenses makes sense’ is the best time for growth-oriented businesses to put their marketing into high gear with brand-building advertising.**

For businesses that aspire to be a dominant force in their market, this is the perfect time to make that leap a reality. For businesses that already lead their market, this is the time to ensure that nobody catches up any time soon.

For businesses that just want to survive the recession, particularly those that have limited resources, this is the time to stop using marketing that does not offer cost-effective brand-building potential (reaching a lot of people, a lot of times, over a consistent period) and dedicate those resources to media that does.

As this research shows, your survival depends on keeping your business top-of-mind. It’s just a matter of finding a realistic way to do so.

No matter which of these groups you fall into, don’t fall into the trap of thinking that your slowing revenue is an unavoidable result of your slowing market. The research presented here, as well as in numerous other academic and business publications, suggest that this is a flawed assumption. Businesses that aggressively market are taking advantage of the willing consumer and the low level of marketing noise to take more than their fair share of the slow market. If you are not taking advantage of this, you are likely suffering because of it.

When the marketing noise goes down, the voices of those still talking sound much, much louder. When your competition has reduced their marketing effort, it’s your opportunity to saturate the market with your message. Not only will you benefit today. When the market does come back, and your prospects start to increase their spending, your brand will likely be the first to come to mind and your growth potential can be spectacular.

## ◁ FACT ▷

How you invest your marketing dollars during tough times is probably the most critical variable in this whole equation. Radio advertising is, hands-down, the most cost-effective brand-building media available to local businesses. Cumulus will be happy to show you how to use your current marketing budget with radio to achieve the dominant voice that drives growth during recessions.



For more information, please visit [www.cumulusradio.com](http://www.cumulusradio.com) or contact your local Cumulus office.