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The Importance of Advertising in a Down Economy

⌚ August 10, 2009 14:21 by [murray](#)

One of the first things that happen in a down economy is that companies begin to slash money out of their budgets wherever possible. Unfortunately for many businesses, one of the first areas that they begin to cut money from is their lifeline: the marketing and advertising budget. While this may seem like an easy place to save some quick dollars, it can actually be one of the worst places that a company can select to cut funding in order to survive long term. Cutting your advertising takes a bad situation and makes it worse. When your business drops and you stop telling your unique story to customers, you set yourself up for failure. During the Great Depression industrialist Henry Ford noted, "A man who stops advertising to save money is like a man who stops the clock to save time."

One of the biggest reasons to continue, if not increase advertising during a down economy, is customer behavior. When money is tight, customers become even more discerning with every dollar they spend. They hunt for not only quality but value in their purchases. While your competition cuts their advertising budget, you can capture customers' attention and build long-term brand loyalties. When you continue to advertise through a bad economy, the landscape becomes much less crowded because your competition has gone into hiding. As advertising noise is reduced, your "share of voice" becomes multiplied. Your competition becomes "out of sight...out of mind." During these times, timid competitors will fall behind (and likely never catch up), while your "share of mind" goes uncontested. This means a much higher probability that your business will be noticed and your product or service purchased. Larger market share is of great importance if the pie is getting smaller.

In business it's all about numbers. Here are two studies conducted during the economic downturns in 1974-75 and 1981-82. The first study of 143 companies conducted by American Business Press, found that companies that advertised during the economic downturn had the highest growth in sales and net income during the two years of the study and the two years following the recession. American Business Press also showed that companies that cut advertising had the lowest sales and lowest net income increases during the same study periods.

McGraw-Hill performed the second study in 1981-82. This study looked at aggressive companies that had only a slight edge over their competitors going into the recession. These firms continued to invest in advertising, and continued to successfully grow. The big news came two years after the recession. Business that

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cut back advertising, stalled out at sales levels that the aggressive companies blew past during the recession. By the end of 1985, companies that hadn't cut back on their advertising had grown by over 256%.

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Now that you know the logic behind advertising in a recession, it's also important to look at the message that you are sending to your customers. In a recession, consumers don't stop spending, they become more selective. Customers look harder for value in their purchases. People are going to continue to buy, and they are likely to buy from a business that they know and like. For a company, this means that your advertising message must be adapted to what the buying public wants to hear. Restaurants focus on value, consistent quality and lower prices, while auto mechanics focus on improving the reliability of the car you own.

Conduct research...send surveys. Find out what is driving the needs of your core customers. Some good questions to ask: How have customer emotional needs changed? Where are the new opportunities? How does your message need to change? How can you reposition and make your brand more relevant over the next 12 months of economic hardship?

For the continued success of your business, it is vital to continue to advertise, especially during these hard economic times. The more visible you are, the more confident customers and prospects become. Study your customer to learn their needs and build relationships with them. Marketing never stops; if you quit now, you're wasting what you've already done and invested in your customer. While times may be tough, this is an ideal environment for creativity and opportunity. Maintain a strong and consistent message, while focusing on your core values. Your customers will see your business as one that has weathered the storm and be confident in doing business with your company now and in the future.

Written by: Ian Murray

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