

Grow in the Dark

Building Your Brand During the Recession

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Key Facts

1. Advertising in a recession must be viewed as an investment in current and future profits, not a drain on resources.
2. Failure to maintain brand awareness during a recession is a threat to current and future sales.
3. Companies who suspend advertising during a recession invest much more in the future to rebuild brand awareness.

At this writing, even the most intoxicated optimists concede that the country is sliding into a recession. The “R” word sends a shiver up the spine of marketers with good reason. Businesses will close, people will lose their jobs, and our overall standard of living will suffer due to lower wages and higher prices as other countries take advantage of our weakened dollar.

The goal of this article is not to put a happy face on a recession, but to explain that it’s part of a natural and on-going economic cycle. All is not doom and gloom for marketers by any means. Although it sounds counterintuitive, we’ll explain the opportunities presented by a down market.

You must be suspicious that this advice comes from a branding agency that, on the surface, has everything to gain by propping up marketing in any economy. Ideopia happens to be in a unique position in this regard. We grow brands. Our business model is built on objective counsel to clients, not on commissions, or large retainers. Sorry about the plug, but we want you to understand our perspective.

Example: A Sod Story

If you live in the burbs as most of us do, you’re familiar with the concept of competitive lawn care. Let’s say that Lawn A is manicured day and night by Mr. Wood, a retired schoolteacher. Sustained by round-the-clock sprinklers, something gorgeous and exotic is always in bloom.

A few houses down the street, Janet a single mom with two boys and a big chocolate lab has a lawn that’s the scourge of the neighborhood. Though neatly mown, patches of grass are missing from impromptu baseball games, and Janet takes pride in the her collection of wild, largely unintended, rose bushes, begonias and Zinnias.

Then one day in July, a drought causes the mayor to issue a ban on lawn watering. Mr. Wood heads for Florida, where he’ll wait it out in his buddy’s condo. Janet, who has never watered her lawn, is determined to keep her wild plants and lawn alive. She conserves water in other ways, and sprinkles her lawn for 15 minutes each evening.

Meanwhile, the other lawns in the neighborhood are dying. People are starting to forget about Mr. Wood, and Janet has taken advantage of the water shortage to be the owner of the neighborhoods best.

When the water shortage is over, no one can catch up to Janet, who’s taken a new interest in gardening, and now has topiary bushes lining her driveway. When Mr. Wood returns, he is so dispirited; he decided to take up a new hobby, ceramics.

“Economic downturns reward the aggressive advertiser and penalize the timid one.”

-- Strategic Policy Institute

“If during an economic downturn, you maintain a strong advertising presence while your competitor cuts his budget, you will automatically increase your Share of Mind.”

-- San Diego Executive Magazine

This is exactly what happens in a recession. When the shortage hits, many companies make deep cuts to marketing or forgo it all together. This creates an opening for a smaller player to achieve higher or even market dominating visibility with the same level of expenditure. Meanwhile, as the recession ends, the gutsy and determined marketers have stolen awareness from their competitors who are laying low.

While purchasing of some goods and services will wane in a recession, it doesn't mean that the consumer needs and wants have evaporated. And when the recession ends, the companies that have managed to stay top of mind win.

A number of studies show this advantage is easily sustained for two or three years. While no one wants to gloat over a recession, it's a marketing opportunity that only comes around every six- ten years.

“In analysis of the 1990-91 recession, Penton Research Service, Coopers and Lybrand, and Business Science International, found that better performing businesses focused on a strong marketing program enabling them to solidly their customer base, take business away from less aggressive competitors and position themselves for future growth during the recovery.

In addition, a series of studies by the research firm Meldrum & Fewsmith showed conclusively that advertising aggressively during recession increases both profits. This fact has held true for all Post World War II recessions studies by American Business Press Starting in 1949.

Recession Marketing Myths

It's safe to reduce advertising budget if the competition reduces theirs

Research shows that companies that advertise during a recession build market share.

There are no short-term benefits to sales.

Hogwash, you'll build sales from current customers and attract new ones.

Advertising during a recession is just maintaining a brand.

True, it is, but it's also a way to become a dominant player in the market.

The brand will magically restore itself after a recession without advertising.

Oftentimes, it takes advertising campaigns four- to six-months to produce results. It will cost your company dearly to give up that momentum.



Just because we advocate maintaining or increasing spending during a recession, doesn't mean an endorsement of the status quo. It's an important time to maximize the impact of your brand by coordinating all your "weapons" and pointing them in the same direction. In addition we recommend the following.

Make A Recession Success Plan Now

- Focus on super serving core customers. Build loyalty through customized communication via email and your web site.
- Spend (gulp) more. There's a clear correlation between spending and increased share of voice.
- Zero in on core brand values. More than ever your company must speak with one voice.
- Use sponsorships as a way to build goodwill and awareness.
- Do not engage in price-cutting. This will devalue your brand far into the future. Instead focus on strategies that support the value of your product or service.
- Negotiate media costs and production. While the market is soft, it's a great time to lock into long-term discounted rates.
- Introduce new product. While the noise level is down in the market, build demand for your newest offerings and steal the show.

The reasoning for advertising in a recession is solid and validated by data from many sources. As a brand advocate for your brand, we would love to see it lead to greater success for your company in 2008. Kick the bad guys while they're down and don't look back.

Research Assistance by Hillary DeHaan

Sources:

The Strategic Planning Institute
Harvard Business Review
Coopers & Lybrand
San Diego Executive Magazine
American Business Review
Wall Street Journal
MacTech - The Journal of Macintosh Technology

