Marketing during a recession

Research data from all recessions from World War II and up to including the current one has been collected to explore the affects of marketing in a recession. Despite the time frame or the severity of the recession, the results are consistent and clear:

Businesses that maintain their marketing activities at the same level or increase them during a recession position themselves to gain a greater market share and do far better than those businesses that reduce or cut their marketing budgets.

A Review of the Research

Pre-1980 Recession Studies

Study: "How Advertising in Recession Periods Affects Sales," American Business Press, Inc.,1979

Key Findings:

- "Cutting advertising in times of economic downturns result in both immediate and long term negative effects on sales and profit levels."
- "Advertising aggressively during a recession not only increases sales, but increases profits, and at a far greater rate than for firms that reduced marketing."

Background: While there are studies dating back to the 1920s, it was not until 1947 that a long-term study was launched by Meldrum & Fewsmith. Beginning with the 1958 recession, the tracking of profits was added to the research data. These studies spanned six different recessions (1948, 1953, 1958, and 1960-1961,1969-1970, and 1973-1974). American Business Press (ABP) sponsored the last two studies.

Study: ABP/Meldrum & Fewsmith study, 1979

Key Findings:

- "Companies which did not cut marketing experienced higher sales and net income during those two recession years, along with the two years following, compared to companies which cut in either or both recession years."

1980s Recession Studies

Study: McGraw-Hill Research. Laboratory of Advertising Performance Report 5262 New York: McGraw-Hill, 1986.

Key Findings:

- "Firms that maintained or increased advertising during the 1980-1981 recession averaged significantly higher sales growth during the recession and for the following three years than those which eliminated or decreased advertising."
- From 1980 to 1985, those companies that chose not to reduce marketing spending during the two recession years collectively increased sales by between 16 and 80%.

Background: Analyzed the performance of 600 industrial business to business companies during the recession of 1980-1981.

Study: Kijewski, Dr. Valerie. "Media Advertising When Your Market Is in a Recession," Cahners Advertising Research Report. The Strategic Planning Institute, 1982

Key Findings:

- Economic downturns reward the aggressive advertiser and penalize the timid one.
- Aggressive marketers gained a greater market share because weaker competitors fail to match the increase in advertising. Businesses that increased advertising by 28% or more gained an average of 1.5 points of market share.

1990s Recession Studies

Study: Greenburg, Eric Rolfe. "Fortune Follows the Brave," Management Review, January 1993.

Key Findings:

- Firms that raised marketing budgets enjoyed gains in market share.
- *Management Review* concluded that there are two keys to gaining market share in a recession: spending money and adding staff. Firms that increased their budgets and took on new people were twice as likely to pick up market share.

Background: Results of a survey of American Marketing Association members about spending during the 1990-1991 Recession.

Study: Coopers & Lybrand and Business Science International. "Companies that Maintain Aggressive Marketing Programs are Less Affected by a Recession," Penton Media 1993

Key Findings:

- Businesses that maintain aggressive marketing programs during a recession outperform companies that rely on cost cutting measures.
- During an economic downturn, a strong marketing effort enables a firm to solidify its customer base, take business away from less aggressive competitors, and position itself for future growth during the recovery.

Study: Kamber, T. "The Brand Manager's dilemma: Understanding How Advertising Expenditures Affect Sales Growth during a Recession," Journal of Brand Management, vol 10, 2002

Key Findings:

- Confirmed previous studies finding a measurable relationship between advertising and sales growth -- even when controlling for other factors such as company size and past sales growth.

Background: The study re-examined the 1990-1991 Recession, assembling new well-respected data sources in a statistically reliable framework.

2000s Recession Studies

Study: Roberts, Keith. "What Strategic Investments Should You Make During a Recession to Gain Competitive Advantage in the Recovery?," Strategy & Leadership, Volume 31, Issue 4, 2003

Key Findings:

- "In a recession, dare to invest aggressively in marketing, innovation and customer quality."

Background: Investigated where investment pays off during a recession and where it does not. Comparing 1,000 businesses in the unique Profit Impact of Market Strategy (PIMS) database, they investigated three measures to distinguish between successful and unsuccessful strategies, including average profitability during a recession, change in profitability during the first two years of recovery, and change in market share during first two years of recovery.

Study: Srinivasan, Raji and Lilien, Gary and Rangaswamy, Arvind. "Turning Adversity Into Advantage: Does Proactive Marketing During a Recession Pay Off?" International Journal for Research in Marketing," University of Texas and Smeal. 2005.

Key Findings:

- Support previous studies that show aggressive marketing in a recession does result in positive performance measures after recovery.
- Showed that firms do not have to wait until a recession is over to realize the benefits from marketing during a recession.
- Revealed that cost-cutting measures had no effect on performance and did not serve as a differentiator in achieving superior performance.
- Proved that firms placing a strategic emphasis on marketing were more likely to maintain or increase marketing during a recession. A strategic emphasis means that these firms already had programs in place to help them get value from their marketing, e.g., well recognized brands, differentiated products, targeted communications, good customer service, etc.

Background: The authors hypothesize that a firm's organizational traits will influence its proactive marketing during a recession and influence its business performance. The authors define proactive marketing as the organization's interpretation of the recession and their response to capitalize on the perceived opportunity created by the change. Viewing the recession as an opportunity is not enough to make a firm proactive...the firm must also implement a marketing program to capitalize on the perceived opportunity.

SOURCE: Excerpted from Marketing in a Recession: What Have We Learned?
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