

# THE BASIC ARGUMENT FOR ADVERTISING IN A RECESSION.

When times turn bad, they're made worse by hesitation, halfway measures, and panicky decisions. Such as the decision to reduce or eliminate advertising. The fact is, companies that maintain or increase their advertising spending during recessions get ahead. A less crowded field allows messages to be seen more clearly, and that increased visibility results in higher sales both during and after a recession.

## RECESSIONARY ADVERTISING WORKS

Studies by the American Business Press<sup>1</sup> examined the relationship between advertising and sales in 143 companies during the severe 1974/75 downturn. They found that companies that did not cut

lowest sales and net-income increases during the two study years and the following two years.

And not surprisingly, companies that cut advertising during only one of the recession years had sales and net-income

increases that fell in between.

## LONG-TERM BENEFITS

A study by McGraw-Hill<sup>2</sup> of both the 1974/75 and 1981/82 recessions confirmed the long-range advantage of keeping a strong adver-

tising presence. It found that companies that cut advertising in 1981/82 increased sales by only 19% between 1980 and 1985, while companies that continued to advertise in 1981/82 enjoyed a 275% sales increase.

An industry-specific study published by the Harvard Business Review<sup>3</sup> found that airlines that increased their advertising expenditure during 1974/75 increased sales and market share in both years, while air-

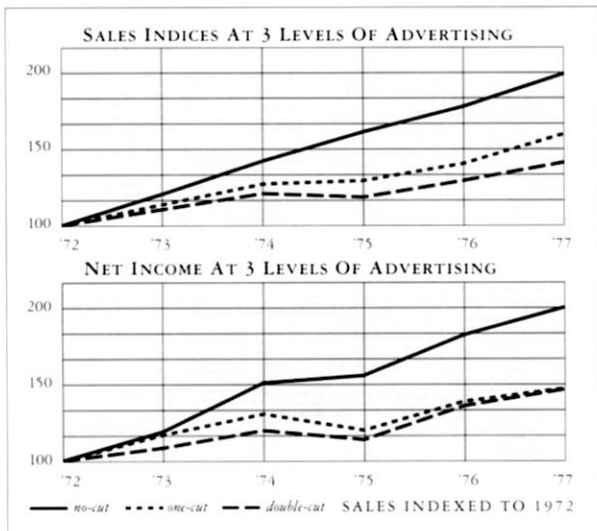
lines that cut advertising in both years lost sales and share both years.

The results of all three studies

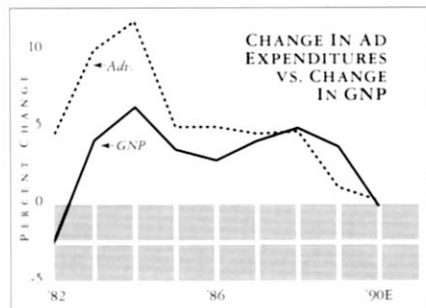
are consistent, clear and unequivocal: Those companies that advertise during a recession have better sales than those companies that don't.

## CHANGE IN MARKET SHARE RESULTING FROM ADVERTISING

|           |             | Change in Ad Spending |                |
|-----------|-------------|-----------------------|----------------|
|           |             | Decrease              | Large Increase |
| Recession | Expansion   | +0.2                  | +1.5           |
|           | Contraction | -1.0                  | +0.2           |



advertising either year had the highest growth in sales and net income during the two study years and the following two



years. The studies also proved that companies that cut advertising during both years had the

**T**HE WAY TO MINIMIZE A downturn and take maximum advantage of the upturn is to maintain a strong communications link with your buying public.