

## **Recession Data on the Value of Marketing Through an Economic Downturn**

- 1970 recession year: An American Business Press (ABP) and Meldrum & Fewsmith study showed that “sales and profits can be maintained and increased in recession years and [in the years] immediately following by those who are willing to maintain an aggressive marketing posture, while others adopt the philosophy of cutting back on promotional efforts when sales appear to be harder to get.”

- 1974-1975 recession years: ABP/Meldrum & Fewsmith 1979 study covering 1974-1975 and its post-recession years found that “Companies which did not cut marketing expenditures experienced higher sales and net income during those two years and the two years following than those companies which cut in either or both recession years.”

- 1981-1982 recession years: McGraw-Hill Research's Laboratory of Advertising Performance has studied recessions in the United States. Following the 1981-1982 recession, it analyzed the performance of some 600 industrial companies during that economic downturn. It found that “business-to-business firms that maintained or increased their marketing expenditures during the 1981-1982 recession averaged significantly higher sales growth, both during the recession and for the following three years, than those which eliminated or decreased marketing.”

- Cahners and Strategic Planning Institute (SPI) produced its report, “Media Advertising When Your Market Is In a Recession.” It disclosed that “During a recessionary period, average businesses do experience a slightly lower rate of return relative to normal times. However, expansion times do not generate a higher level of profits than normal periods as might be expected.” This phenomenon was explained by an analysis of changes in market share. “During recessionary periods,” said the Cahners/SPI report, “these businesses tended to gain a greater share of market. The underlying reason is that competitors, especially smaller marginal ones, are less willing or able to defend against the aggressive firms.” The study then pointed out that businesses that increased media advertising expenditures during the recessionary period “gained an average of 1.5 points of market share.”

- 1990-1991 recession years: Management Review asked American Management Association member firms about spending during the 1990-1991 recession. “Fortune follows the brave,” it announced, noting that the data showed that most firms that raised their marketing budgets enjoyed gains in market share. Among the magazine's sample, 15% reported “greatly decreased” ad budgets. Advertising was “somewhat cut” by 29%. “The keys to gaining market share in a recession,” concluded Management Review “seem to be spending money and adding to staff. Firms that increased their budgets and took on new people were twice as likely to pick up market share.”

(from *Go-to-Market Strategies*)