

History shows that this is actually the time to spend more, not less, on your marketing campaigns By Steve McNeill

# TO MARKET WE GO

**A**s the slowdown began to hammer our economy last fall and push us into a recession, businesses hunkered down; laying off staff, putting projects on hold and slashing budgets. For many, one of the first areas to cut was advertising/marketing. It's a natural reaction when times are tough. Containing costs and paying only what needs to be paid is the new mantra.

But is eliminating advertising the right strategy, especially when it comes to maintaining your market share? How do you stay in front of your customers if you have cut your marketing budget? For many it is a question of priority. Rent, mortgage, taxes, wages and maintaining inventory all come first. If there is nothing left over, how can one continue to buy ad space or launch marketing initiatives?

Then again, how can you afford not to? Numerous studies have shown that companies that maintain or increase their advertising during a downturn come out much farther ahead than their competitors when the economy begins to improve.

One of the most touted examples was the race between Kellogg's and Post cereal companies. Both were neck and neck until the Great Depression began in 1929. Post cut its marketing budget and prepared for the worst. Kellogg's directors voted to do the same, but when company founder W.K. Kellogg heard of it, he returned from his California home, called a meeting and instructed his officers to forge ahead. A new vote ensued and this time \$1 million was *added* to the advertising budget. Sales swung upward, with profits improved from around \$4.3 million a year in the late-1920s to \$5.7 million in the early '30s—in the throes of the Depression! By the end of the Depression, Kellogg's had grabbed a cereal category dominance that they maintain to this day.

But the company did more than simply spend more in advertising. It became innovative and developed a number of other strategies to work itself into the public consciousness. People didn't stop eating during the Depression, but they did look for the best deals, and companies like Kellogg's that maintained the best prices developed a loyalty that remained when the economy improved. Kellogg's also introduced vitamin-fortified cereal and was the first to print the nutrition messages, recipes and product information on its packaging, thereby reinforcing the image that it was a company people could trust.

During the darkest days of the Depression, when millions were out of work and relying on soup kitchens, Kellogg's invested in a \$1 million expansion of its main manufacturing

plant in Battle Creek, Michigan, and reduced the workday to six days a week so it could add a fourth shift of workers from among the city's unemployed. The decision to invest in people when they needed help the most reinforced Kellogg's image as a good corporate citizen.

Perhaps the most significant strategy was to begin marketing directly to children. In 1930, the company introduced *The Singing Lady*, a program that was billed as the first radio network show directed at children. Two years later, Kellogg's launched a promotion by which mothers could acquire *The Singing Lady's* songbook by redeeming Kellogg's box tops. It was an eye-opener for the radio advertising agencies of the era. Kellogg's seized the momentum by producing a catalogue of children's gifts that could be purchased by redeeming box tops.

At a time when most companies were succumbing to panic, Kellogg's was filling the void with aggressive and innovative campaigns. It's been a recipe for success for a long time. "While the reaction of marketers may be to cut their advertising budgets when the economy slows down, overwhelming evidence collected over the past 80 years supports the decision to maintain, if not increase, spending levels," Jim Cox, president of advertising agency Jim Cox and Associates, wrote in an article entitled "A Recession Can Be Good for Your Business."

A company's primary concern during a recession is to protect its position in the market, because it is much more expensive to rebuild your market share than it is to maintain it. If you don't take steps to protect your share, Cox explains, you may find it impossible to return to the position you once held. "You'll find there may be no better time than during a recession to take market share away from competitors who are in a weakened position."

Since 1854, there have been 28 recessions—on average, one every four or five years—Cox explains, adding that what comes as a surprise is that during each of the recessions of the past 50 years, consumer actually spending went up, not down.

While there is no evidence yet that this recession will follow suit, Andy Brethour, president of PMA Brethour Realty Group in Markham, has been telling home builders that consumers will be ready to exercise their pent-up demand fairly soon. He maintains that the crash this time was so hard consumers will bounce back with force.

In 1947, Buchen Advertising in the U.S. initiated a study that followed the performance of a large group of companies through recessions in 1949, 1954, 1958 and 1961. The results showed that sales and profits dropped off for companies that cut their advertising. When the economy recovered, they continued to fall behind their competitors who maintained spending. An American Business Press and Meldrum & Fewsmith Advertising study came to similar conclusions following recessions in 1970 and 1974-75.

McGraw-Hill Research's Laboratory of Advertising Performance studied 600 business-to-business firms' net sales and advertising expenditures from 1981 to 1985. They found that companies that did not cut their

budgets enjoyed significantly higher sales. In fact, at the end of 1985, they realized an average sales growth of 275 percent over the preceding five years. The companies that decreased their advertising spending saw only a 19-percent increase in sales. "Clearly, cutting advertising during an economic downturn can mean both short- and long-term negative effects on sales and profits," the McGraw-Hill study reported.

The Cahners and Strategic Planning Institute produced a report on media advertising during a recession and concluded that while businesses will see a lower return during the recession, they tend to make greater gains during the recovery, the theory being that companies less willing or unable to defend themselves against competitors become vulnerable. The institute says businesses that increased advertising spending during a recession gained, on average, 1.5 per cent market share.

Grabbing a bigger piece of the pie is certainly the strategy of Oakville real estate broker Dan Cooper. Real estate has been hit particularly hard and as other agents drop out of sight after reducing their advertising, Cooper hopes to pick up more business by maintaining a constant presence.

The key consideration here is that consumers forget—and generally quite quickly.

"I've been at this for close to 20 years and I've gone through a recession," Cooper notes. "Everyone contracts, so it is a good time to grow your business and increase your market share."

That doesn't mean throwing money around on media buys and marketing programs. In fact, Cooper doubts he has actually increased his spending; he's just being smarter about it. "You have to be fiscally responsible and pay the bills. But you have to make your marketing dollars more effective. I eliminated some areas to pay for something else. It seems like I am doing more, but it's not costing me more."

He is also taking this opportunity to invest in the future with strategies designed to capture the new home buying demographics—Generations X and Y. One of the unique marketing tools Cooper has initiated is Dan-CooperTV, a video website to market his business and his homes. He also recently struck a deal with DailyWebTV, a new initiative that highlights lifestyle themes through the week. Cooper bought all 52 Saturday time slots dedicated to real estate. Not only is he looking at creative ways to market homes, he realizes that the internet is where he will find the Generations X and Y buyers.

Normally some of his strategies would carry a hefty price tag, but he says the climate is such that you can negotiate deals. "It's more than getting a rock-bottom price. Go back to your suppliers and renegotiate; make them partners in your long-range planning and everyone comes out ahead when the economy recovers."

Phil King, partner with OK&D Advertising in Burlington, also advises to seek greater efficiencies in your marketing efforts.

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Taking full advantage of an economic climate that's ideal for negotiating, Dan Cooper is using Web TV and other marketing avenues to further increase his visibility.

**The Nation's Breakfast**

A package of Kellogg's Toasted Corn Flakes, a generous bowl and a pitcher of fresh rich milk or cream.

The protecting waxtite cover is removed. A shower of golden flakes fills the bowl and the Nation's Breakfast is ready.

Rare crispness, perfect freshness, flavor unequalled. In more than a million American homes this distinctive American food is served each morning.

Look for this Signature:

*W.K. Kellogg*

**Listen!**  
get hungry

**Kellogg's**  
**RICE KRISPIES**

crackles IN CREAM

crackle!  
pop!  
snap!  
crackle!  
pop!

# Ad'ing market share

Kellogg's entered the Depression with equal market share to Post brands. While his counterpart cut its marketing budget, W.K. Kellogg encouraged his company to add \$1 million to

advertising. But they also found innovative ways to promote their products, appealing to youngsters through song and cartoon characters, leaving behind the conservative

approach that had worked for them in the past (top left). The strategy worked, with Kellogg's increasing annual profits despite the economy. Outside-the-box thinking also paid dividends for Volkswagen, whose efficient albeit quirky design bene-

fitted from a unique and aggressive ad campaign throughout the 1960s to become a generational icon, representing everything from flower power to bell-bottoms. More than making it hip, the campaign brought an economy car into the mainstream market.



**The \$35,000 Volkswagen.**

Have we gone stark raving mad? No, but when we heard this car was on display at the Los Angeles International Auto Show, we thought somebody had. As it turned out, there was a method to the owner's madness.

Why our trademark, the world's best known economy car into the world's most economical because?

After all, a lot of things that make our luxury cars great are already there in the humble little Bug.

Like 23 years of perfecting every angle part of the car.

And collecting 10 over 10,000 of these inspections before we sell it to you.

And leaving a whole lot of money to you when you sell it to someone else.

So why not stretch it out to last longer? Why not add an interior, four and a half ton of machinery and 1,000 English gals and a spare time to signal the driver? Why not be the nicest car on the road? This, children, is exactly how the Volkswagen gets it.

VW 2572-2

A Volkswagen can go forward and backward.

It can go fast or slow.

It can go uphill, downhill.

and turn around.

Isn't that wonderful?



**We don't have to start from scratch each year.**

We've been making the same basic VW for so long now, you'd think we'd be bored with the whole thing.

But the fact is, we're still learning. We've learned how to flash the car and, the car is practically airtight.

So we have plenty of time to concentrate on making the car work over better.

This year the bodies are more efficient, and the heater, and some 23 other things. When we do make new parts we try to make them fit older models, too. So there's nothing to stop a Volkswagen from running forever.

VW 2570-71

# Moving forward

Harvard Business School professor John Quelch offers some marketing know-how that may help you work through this downturn. Here are his top eight tips:

- 1** Research the customer. Instead of cutting the market research budget, you need to know more than ever how consumers are redefining value and responding to the recession. Customers take more time searching for durable goods and negotiate harder at the point of sale. Must-have features of yesterday are today's can-live-without.
- 2** Focus on family values. When economic hard times loom, we tend to retreat to our village. Look for cozy hearth-to-home family scenes in advertising to replace images of extreme sports, and rugged individualism.
- 3** Maintain marketing spending. This is not the time to cut advertising. It is well documented that brands that increase advertising during a recession, when competitors are cutting back, can improve market share and return on investment at lower cost than during good economic times. If you have to cut marketing spending, try to maintain the frequency of advertisements by shifting from 30-second to 15-second advertisements, substituting radio for television advertising, or increasing the use of direct marketing, which gives more immediate sales impact. Adjust product portfolios.
- 4** Marketers must reforecast demand for each item in their product lines as consumers trade down to models that stress good value, such as cars with fewer options. Tough times favour multi-purpose goods over specialized products, and weaker items in product lines should be pruned. Gimmicks are out; reliability, durability, safety and performance are in.
- 5** Support distributors. In certain times, no one wants to tie up working capital in excess inventories. Early-buy allowances, extended financing and generous return policies motivate distributors to stock your full product line. Be careful about expanding distribution to lower-priced channels; it can jeopardize existing relationships and your brand image. However, now may be the time to drop weaker distributors and upgrade your sales force by recruiting those sacked by other companies.
- 6** Adjust pricing tactics. Customers will be shopping around for the best deals. You might not have to cut list prices, but you may need to offer more temporary price promotions, reduce thresholds for quantity discounts, extend credit to long-standing customers and price smaller pack sizes more aggressively. In tough times, price cuts attract more consumer support than promotions such as sweepstakes and mail-in offers.
- 7** Stress market share. In most areas, companies are in battle for market share, and in some cases, survival. Knowing your cost structure can ensure that any cuts or consolidation initiatives will save the most money with minimum customer impact.
- 8** Emphasize core values. While most companies are making employees redundant, chief executives can cement the loyalty of those left by assuring them that the company has survived tough times before—maintaining quality rather than cutting corners and servicing existing customers instead of trying to be all things to all people. CEOs must spend more time with customers and employees.

That will require more targeting and analysis of who you communicate with—that is, those consumers who offer a greater propensity to buy your goods and services. Your best strategy may be less of a shotgun, mass-market approach and more direct and one-on-one marketing.

“There are many reasons to continue or increase advertising and marketing spends during a recession, and Marketing 101 preaches the benefits: Over 90 percent of people are still working and have the potential to buy and (there’s an) opportunity to gain market share from your competitors at lower media rates that will hold when the economy rebounds,” King says. “The reality is that most marketers view advertising as a variable costs tied to sales. If sales are down because of the economy, their allocation for advertising is also down by the same percent. It seems less painful to cut variable costs than cut employees, but without effective marketing, a company’s problems will worsen in the long run and they could be faced with lower sales and even greater layoffs.”

That’s exactly what East Hamilton Radio discovered in a previous recession. “We’ve experimented in the past and when we stopped advertising, it was like turning off the tap,” says store manager Rob Bragdon. Sales and marketing go hand-in-hand, he philosophizes, claiming that the sales staff relies on marketing to bring customers into the store. Currently celebrating its 78th anniversary, EHR has built on that milestone to remain in the consumers’ sights. “We’ve maintained our marketing level. You don’t take your foot off the gas when things slow down. You just have to be smart with your marketing dollars.”

Town Media made a conscious decision to increase its marketing budget for this year’s Home and Garden Show in Hamilton and the strategy paid off, says show manager Paul McNair. In fact, they doubled the budget for celebrity appearances to bring in Colin McAllister and Justin Ryan, the hosts of the popular HGTV show *Home Heist*. “We had our best home show in 10 years, both from an attendance standpoint and the media attention we received. We got more buzz from the media than we’ve had in years,” McNair says. “And we got an overwhelming response from the exhibitors, who said they got great leads and booked business. The message I got was that the consumer is ready to spend. There is this pent-up demand and consumers are ready to spend on the appropriate things—their home is one of those.”

The company’s Gourmet Food and Wine Show last fall had similar results when, despite gloomy forecasts for consumer shows, it increased advertising spending. The result was record crowds and happy exhibitors.

Clearly, despite the current economic situation, there are gains to be had for those who know their market, understand how to target them and are willing to do so.

“Consumers are more conscious than ever of the products and services they are investing in, so emotional connections to your brand are more important than ever,” says Chantel Broten, managing director of marketing communications strategy at JAN Kelley Marketing in Burlington. “In January, Bank of Canada Governor Mark Carney pointed out that past recoveries from deep recessions in the early 1980s and 1990s were quicker than predicted; that when recoveries come, they come sharply. Based on this premise, we are advising our clients to develop tactical programs focused on gaining market share so that they are well positioned for volume growth when the recovery comes.”

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