

## Finding Opportunities in the Economic Downturn

Terri Murphy, April 23, 2009

Most companies cut back because of economic recessions. For many companies, spending money may seem counter intuitive. The latest surveys conducted by eMarketer (March 31.2009) indicate a significant drop in overall media and advertising budgets. It states that in a survey from the Association of National Advertisers indicates that 77% of US advertisers are cutting their media spending this year.

Who then are the 27% who plan to significantly increase their spending in the upcoming year? What do they know that the rest may not?

Maybe they know that in every recession of the past 90 years, independent studies show that the businesses that *increase* their advertising spend are the ones that survive the tough times and thrive afterwards. It showed that these companies increased share of voice, increased market share and increased profitability over time.

Here are a few of their findings:

<sup>1</sup>McKinsey Report

- The companies who increased their spend in a recession were the only ones whose profits rose substantially when the economy recovered.

Hillier analysis of 1,000 companies on the PIMS (Profit Impact on Market Strategy) database after the early 1990s recession:

- The companies who had cut their marketing budgets saw ROCE (return on capital employed) decline by 0.8% after the recession.
- Those who increased their marketing activity saw an increase of 4.3%.

McGraw-Hill research, analyzing 600 companies from 1980-1985:

- The sales of companies who had kept advertising during the 81-82 recession had risen **256%** over those who had not.

Next month, we'll continue this article with examples of companies that have succeeded because of their proactive activities in past recessions.

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<sup>1</sup> You can access the McKinsey report: [Learning To Love Recessions](http://www.wsimarketing4theweb.com/whitepapers) at [www.wsimarketing4theweb.com/whitepapers](http://www.wsimarketing4theweb.com/whitepapers)

