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When others go quiet your voice gets louder

At a time of few certainties, the UK and other leading economies are sure to enter recession in 2020.

It will be the fourth UK recession since the IPA started the Effectiveness Awards in 1980 to demonstrate the financial benefits of advertising.

Each downturn has been followed by a recovery, albeit of varying speed and strength.

The next recession will be different in not having been caused by factors such as falling consumer confidence or a financial crisis.

Instead, the global COVID-19 pandemic has led governments to disrupt patterns of travelling, working and spending across whole populations to slow the outbreak and protect public health.

But amid much that is different, one question for business leaders remains the same: what are the right decisions to equip my business for both the downturn and the recovery?

We believe decisions are best made on evidence. Below, therefore, we have collated some key evidence on advertising from past periods.

This recession may be unique in character; it doesn't follow that the recovery will be.

Advertising in recession can help firms recover
When recession looms, it is understandable if businesses try to shore up short-term profits by cutting variable expenditure, such as advertising.

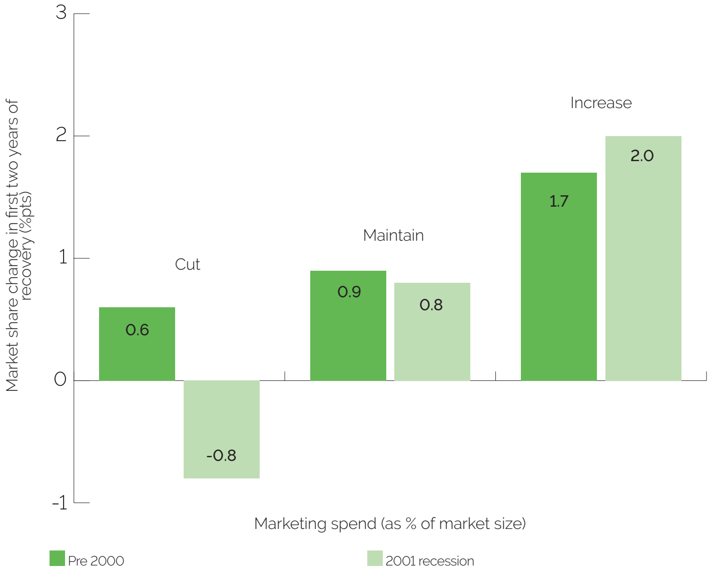
However, unless companies are saving cash simply to survive or because they can no longer supply advertised services, cutting ad budgets - relative to competitors' spend - is a high-risk strategy.

Evidence collated by the IPA and its partners shows that such a move exposes firms to losing market share, foregoing sales, and delaying the recovery of profits in the long-term.

The data in Figure 1 (overleaf) was collated by the organisation, Malik Profit in Market Strategy (PIMS), from 1,000 business units in the 2001 slump and from earlier recessions.

In both datasets, businesses that increased marketing spend as a proportion of market size reported higher market share growth in the first two years of recovery than those cutting or maintaining budgets.

Figure 1: Cutting budgets in recession harms future growth



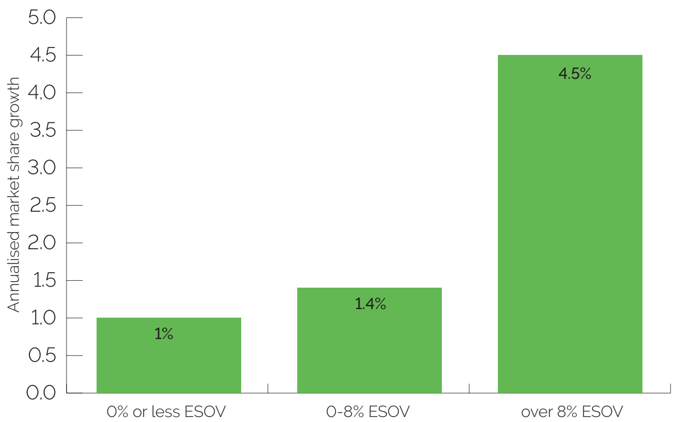
Data source: Malik PIMS

This finding was recently confirmed in a review of cases from the IPA Effectiveness Databank involving the 2008-9 recession*.

The analysis, by marketing consultant Peter Field for LinkedIn's B2B Institute, investigated the performance of businesses that invested during recession in Extra Share of Voice (ESOV) - namely, having a share of category advertising spend greater than their market share.

It found that businesses with high ESOV reported future market share growth several times larger than those with small or no ESOV.

Figure 2: Businesses with high ESOV grew share faster



Data source: IPA Effectiveness Databank cases covering 2008 recession

Increasing share of voice in a downturn does not necessarily mean spending more.

Since ESOV is a relative measure, businesses can still have high ESOV by maintaining or even trimming budgets, if others are making deeper cuts.

Invest in empathetic, humane creativity

By itself, spend is a less important driver of effective advertising than creativity, according to our evidence.

In the 2008-9 slump, for example, both Hovis bread and the airline Virgin Atlantic increased their share of voice. But their increases were either matched by rivals or their total spend still lagged that of a principal competitor.

However, both businesses invested in advertising that memorably drew on their brand heritage to get talked-about again, and make an emotional connection with consumers that revived brand preference.

Hovis brought back its 'boy on the bike' from a famous 1970's ad and showed him at different events in British history, ending with the line 'As good today as it's ever been'.

Virgin marked 25 years as a challenger airline with an upbeat TV ad, featuring brash 1980's pop and a slogan that it was 'Still Red Hot'.

Other recession advertising, such as Sainsbury's 'Feed your family for a Fiver', or the multi-product Heinz strategy 'It has to be Heinz', successfully positioned brands as catering to the practical and emotional needs of hard-pressed consumers.

There is no template for re-producing such creativity, just as there is not for predicting economic developments.

But when the future is uncertain, it can pay to look for lessons from the past about the value of advertising.

The IPA and the FT, along with EffWorks, a cross industry marketing initiative, have partnered to support more effective advertising by businesses. For more on effectiveness materials, including links to IPA publications, visit **ipa.co.uk/effectiveness**

Please get in touch if you would like our support to help your business improve its marketing and brand effectiveness.

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* Advertising in Recession – Long, Short or Dark? A guide to advertising best practice in recession, LinkedIn's B2B Institute 2020
Graph sources: Figure 1: Advertising in a Downturn, IPA 2008; Figure 2: Advertising in Recession – Long, Short or Dark? A guide to advertising best practice in recession, LinkedIn's B2B Institute, 2020