Brands that win during a recession

An investigation into marketing spending during times of economic turmoil

Emmeline Kite,
Head of Strategy, Indicia Worldwide

Whatever the current speculation about the immediate and future impact of the coronavirus pandemic on consumers, society and brands, two things are certain: life won't simply return to 'normal', and the impact on the economy will very likely lead to a downturn.

So what are marketers to do?

The temptation is to rein in spend on 'discretionary' activity, which often means marketing spend falls under the axe. According to a survey of 2,200 UK and US marketers by Marketing Week and Econsultancy, 55% of marketers in the UK say that campaigns are delayed or under review, and 62% (UK) are delaying or reviewing spend.

For example, John Lewis have pulled their Spring Campaign altogether and Marks & Spencer and Dixons Carphone are among many brands that have cut marketing spend.

But is this the right approach?

And for brands that do keep the faith and keep spending, how should they do it and what should they say?

There is significant evidence that brands that continue to market in a recession do better than those that don't.

For example, as recession hit in 2008, Virgin Atlantic took a double hit as oil prices rose dramatically and passenger numbers fell. Rather than cut marketing, they focused on brand marketing and launched their 25th anniversary campaign 'Still red hot'.

The campaign is estimated to have contributed 20% of overall revenue during the timeframe of the activity. Or in ROI terms, £10.58 for every £1 invested.

This doesn't mean that there isn't a need for marketers to re-appraise marketing plans and reduce spend, especially on activities that are less necessary or perform less well.

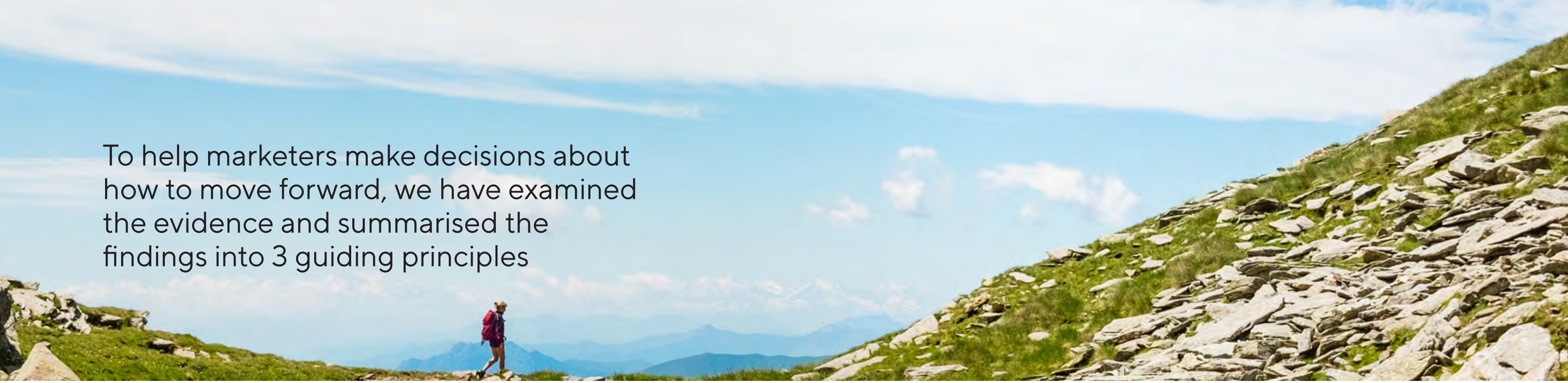
And of course, no brand wants to be seen to be exploiting the situation. But the evidence is that those brands that continue to invest while others cut budgets will reap the benefits.

There is also reason for marketers to remain positive. Research conducted by System1 found little change in consumers' response to advertising pre- and post- COVID 19.

A survey by Kantar conducted between the 14th and 23rd March found that **just 8% of consumers** thought advertisers should stop advertising in response to the pandemic.

"The only sensible course for any advertiser who wants to maintain a presence through this recession...is to be putting money into long-term brand building, because the role of that investment is for the recovery, not for now."

Peter Field, Marketing Consultant.



1 Focus on your customer

Your customers are your bedrock and their continued loyalty will be critical for recovery – but marketers need to understand that the psychology of customer behaviour, and their expectations, will change during recession. Likelihood to spend is based on confidence and consumers will be re-evaluating spending decisions, especially for things perceived as 'discretionary'. Brands that adapt to changed customer needs and deliver reassurance, utility and support, rather than price promotions, will win.

2 Adapt rather than abandon marketing strategies

It's a question of re-assessing and realigning marketing strategy and budget deployment. Inevitably, there will be a need to streamline budgets, and in this instance, marketers should focus on brand marketing rather than price promotion.

As HBR states: "In past downturns, consumer goods companies that were able to increase share of voice by maintaining or increasing their advertising spending captured market share from weaker rivals. What's more, they did it at lower cost than when times were good. On average, increases in marketing spending during a recession have boosted financial performance throughout the year following the recession."

In other words: the harder brands cut, the longer it will take them to recover.

3 Maintain brand positioning and focus on core values

In times of recession family values replace individualism and consumers need brands to be useful, empathetic and sensitive to their needs. Emotion rather than rationality needs to come to the fore, and brands need to make human connections with their customers.

"People will want brands to be generous, modest, self-aware, have a sense of humour and demonstrate spontaneity," says System1's Chief Innovation Officer, Orlando Wood. "All the right brain features, which characterise what humanity is about, and less of the automated, mechanistic response – that's what brands need to be doing."

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For a deeper dive into the evidence, we recommend the following articles:

From Harvard Business Review (HBR), a summary of a study of the marketing successes and failures of dozens of companies as they've navigated recessions from the 1970s onward. We've identified patterns in consumers' behaviour and firms' strategies that either propel or undermine performance.

https://hbr.org/2009/04/how-to-market-in-a-downturn-2 →

From WARC, an article that explores the evidence for marketing during recessions.

https://www.warc.com/content/article/bestprac/what-we-know-about-advertising-in-a-recession/110157 →

From WARC, a summary of a study by business analytics firm Marketscience of marketing during the last five major recessions.

https://www.warc.com/content/article/warc-exclusive/how-to-win-during-and-after-a-recession/130812 →

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