MEDIA PRECINCT

Marketing in a recession

Brought to you by
Media Precinct Pty Ltd

MEDIA PRECINCT

Contents

MEDIA PRECINCT

01

Why you should ramp up advertising during a downturn

During slowdowns, many companies tend to slash marketing budgets or pivot to short-term strategies. Both approaches are flawed, experts say.

MEDIA PRECINCT

For many organisations, economic downturns are like storms. The instinct is often to batten down the hatches, cut spending and wait for sunnier times.

Brad Gall, founder and CEO of Brisbane-based BG Electrical, decided the current slowdown wasn't the right time to up marketing spend.

"Recession hits smaller businesses harder because they have less wiggle room to adapt and fewer rainy-day funds," he said. "We actually decided against budgeting for more advertising, so we've relied on organic over the past several months."

Other companies try to find a short-cut through the darkness, a lifeline to the light.

Jake Munday, co-founder and CEO of Sydney-based Custom Neon, typically marketed through a variety of mediums but recently has "shifted significantly" towards digital and social media.

"To maximise our financial investment and more precisely target our advertising, we've increased our programmatic buying activity. We can now use data-driven insights, save money and target our audience more precisely." But experts say these approaches may not always be the right ones.

They suggest companies should see downturns not just as periods of survival but as opportunities for long-term growth.

During recessions and slowdowns, consumers actually become more receptive to specific messaging, they say.

Furthermore, prioritising long-term branding over performance marketing could even boost sales in the short term.

Despite the downturn, total advertising expenditure in Australia in 2023 was up 3.7% on 2022, though this was down from the 9.1% growth reported in 2022, according to IAB Australia.

WARC's Global Marketing Index reveals a decline in marketing budgets is likely to blame. But while radio, TV and press advertising continues to decline, marketing spends on digital (excluding mobile), out-of-home and mobile continues to increase, according to a WARC Media report published in March.

02

Beware the lure of short-term performance marketing

Marketing expert Mark Ritson believes that reducing advertising budgets during a downturn is “the dumbest play of all”.

“If you know you’re going into a recession and your competitors are pulling back, it gives you a competitive opportunity. Add a small increase to your budget. When the recession ends, you won’t be playing catch-up,” he says.

Ehrenberg Bass data from 2021 reinforces this point: a study found organisations that stopped advertising saw a 16% decline in sales after one year and a 36% decline after three years.

Marketing guru Peter Field has also warned about the severe consequences of “going dark” during a recession.

"If you pull all your budget for two years, you will likely emerge from the recession with a brand three quarters the size that it was, with a massively massacred profitability base. You will then be trying to rebuild your brand in the recovery phase when media costs are rising, and your competitors are coming back to life. It's a very, very dangerous place to be," he told the Marketing Institute in 2022.

The "second dumbest play", according to Ritson, is focusing on short-term performance marketing in order to bring money in quickly.

Short-term marketing targets a specific group and demands immediate action but does little for long-term brand building, he says.

In the current downturn, companies are learning more heavily than ever before on programmatic advertising – which uses trading platforms rather than direct buys with the media, lured by its cheaper costs, performative metrics and immediate returns.

"Doubling down on performance marketing during a recession is shortsighted. There's less money out there, and people pull back from buying," Ritson warns.

Media Precinct's founder Glenda Wynyard agrees.

"Turning to programmatic buying creates a short-term approach to marketing, turning media on and off like a tap. This didn't happen in previous recessions and has profoundly impacted traditional media channels, which have lost revenues to digital platforms."

MEDIA PRECINCT

03

The benefits of thinking long-term

Experts encourage organisations to see downturns as marketing opportunities.

Research in 2022 by Analytic Partners found that brands increasing advertising during a recession saw a 17% rise in incremental sales, while those reducing spend risked losing 15% of their business to competitors.

Advertising expert John Dingeldei at RMIT University agrees that balancing short-term and long-term strategies is key – even during an economic storm.

“When times are good, the demand for advertising space increases and it’s harder to get your message through. When others are cutting back, it’s a really good time to advertise. Long-term branding also helps you sell products in the short term.”

Ritson is a proponent of the 95-5 rule, which states that 95% of potential buyers aren’t ready to purchase today but will be in the future. During a downturn, this might shift to 96-4 or even 98-2, making long-term brand building even more crucial.

“If you have a reduced budget and are going to cut anything, cut the performance side, but keep doing the long-term brand building. Because, like all recessions, this too will pass,” he says.

This means not giving up on traditional media, he adds.

He cites a recent study, Profit Ability 2, commissioned by UK marketing body for TV advertising Thinkbox. The study analysed £1.8 billion ($A3.45 billion) in spending across 141 brands and 14 categories, revealing that print advertising delivered the highest profit ROI, with £6.36 (~$12.20) in profit for every pound spent.

MEDIA PRECINCT

04

Effective messaging during tough times

Consumer behaviours shift during downturns, making them more receptive to specific types of messaging.

Worthwhile tactics include offering a smaller, more affordable version of a product, or something that makes your customers feel good.

“People are looking for small indulgences, so empathise with the situation without reminding people that times are tough. It’s about maintaining those relationships,” Dingeldei says.

Ritson adds that marketing content during a downturn can be more emotional.

“We can be more nostalgic and play more to family. Those themes resonate significantly better when times are tough.”

However, companies shouldn’t change their long-term campaigns just because of short-term economic misfortunes, Ritson adds.

“Good campaigns take 10 to 15 years to properly work across the market. Don’t deviate for the sake of a two-year recession.”

MEDIA PRECINCT

05

Brands nailing the downturn

Field believes large organisations have now started to recognise the short-term approach of performance marketing.

"They were not defending their brands strongly enough. We saw a fall away of short-termism and recovery in effectiveness," he said in 2022.

The very best brands remain consistent in good times and bad, Dingeldei adds.

"They don't see advertising and marketing as an expense but as an investment."

He highlights Menulog's balanced strategy as an example.

"Menulog capitalises on brand collaborations and YouTube's vast reach in combination with timed and geo-targeted activations to connect with new audiences and expand sales."

Ritson praises Harvey Norman and Mecca for how they've capitalised on the slowdown.

"Harvey Norman is quite comfortable being entirely untrendy and investing in print and radio. [Executive chairman] Gerry Harvey has turned up for the last 15 years, as regular as a clock, announcing that it's the toughest time ever and the prices at Harvey Norman have dropped to insane levels. It's a mass broadcast ad.

“Mecca has done a brilliant job positioning its beauty products in the right way to say, we know times are gloomy right now, but for $28, you’re going to have an amazing new mascara, which will make you feel good for the afternoon. That lovely messaging works very well.”

Meanwhile, Procter & Gamble consistently doubles down on advertising during recessions, Ritson adds.

“They know they’ll get much better value for money when everyone else’s share of voice is reduced, and they also know they’ll be in a better place when the economy turns up. They’ve done it for a dozen recessions, and it works,” he says.

“And that’s the playbook that every brand should apply.”

To better understand how better advertising and media can elevate your brand during the current cost of living impact, talk to our team of advertising experts today.

Get in touch

www.mediaprecinct.com.au

Eora Country, The Stonemason's Cottage, 46-48 Kensington Street, Chippendale, NSW, 2008

+61 2 8081 2665