

Why Realtors Should Keep Advertising In A Recession

Over the years hundreds of studies have been conducted to prove companies should maintain advertising during a recession. In the 1920's advertising executive Roland S. Vaile tracked 200 companies through the recession of 1923. He reported in the April 1927 issue of the Harvard Business Review that the biggest sales increases throughout the period were rung up by companies that advertised the most. After World War II, Buchen Advertising decided to plot the sales of a large number of advertisers through successive recessions. In 1947, it began measuring the annual advertising expenditures of each company. When they correlated the figures with sales and profit trends before, during and after the recessions of 1949, 1954, 1958 and 1961, they found that almost without exception sales and profits dropped off at companies that cut back on advertising. Their studies also revealed that after the recessions ended, those companies continued to lag behind the ones that had maintained their advertising budgets. In 1979 another study by ABP/Meldrum & Fewsmith, covering the recession of 1974-75 and post-recession years, showed similar findings. They found that "companies which did not cut advertising expenditures during the recession years (1974-1975), experienced higher sales and net income during those two years and the two years following than companies which cut ad budgets in either or both recession years."

The findings of six more recession studies to date by the group present formidable evidence that cutting advertising in times of economic downturns can result in both immediate and long-term negative effects on sales and profit levels. Meldrum & Fewsmith's former Senior VP, J. Welsey Rosberg reports "I have yet to see any study that proves timidity is the route to success. Studies consistently have proven that companies that have the intelligence and guts to maintain or increase their overall marketing and advertising efforts in times of business downturns will get the edge on their timid competitors."

There are many examples of businesses benefitting from increased ad budgeting in a recession. A MarketSense study during the 1989-91 recessionary period shows brands such as Jif Peanut Butter and Kraft Salad Dressing increased their advertising and experienced sales growth of 57% and 70% respectively. During that time, most of the beer industry cut budgets, but Coors Light and Bud Light increased theirs and saw sales jump 15% and 16% respectively. Among fast food chains, Pizza Hut sales rose 61% and Taco Bell's 40% thanks to strong advertising support, reducing McDonald's sales by some 28%. MarketSense concluded the study by reporting. "The best strategy for coping with a recession is balanced exploitation of ad spending for long-term consumer motivation, plus promotion for short term sales boosts."