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For Immediate Release

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Date: October 20, 2008

Advertising now ensures survival next year

It's Small Business Week, but most small business aren't thinking of advertising to invite people into their location. Instead, many are thinking about how to cut their advertising budgets. That's a mistake, says an Alberta-based marketing company.

"The first thing we hear when the economy takes a nose dive is that businesses are cutting back on all 'non-critical' expenditures. For many that means their advertising budgets," says Lynda Kavanagh.

Kavanagh says there have been numerous studies conducted over the years, even going back to the Great Depression, that have shown that maintaining or increasing advertising during tough times yields greater results even than advertising during good times.

Kavanagh owns WOW Communications, a marketing consulting company with offices in Lethbridge and Calgary. She says a strong marketing program enables a firm to solidify its customer base, take business away from less aggressive competitors, and position itself for future growth during the recovery.

She states a study conducted by a U.S. Research Company (Buchen Advertising, Inc). The agency decided to follow the sales of a large number of advertisers through successive recessions. In 1947, it began measuring the annual advertising expenditures of each company. When it correlated the figures with sales and profit trends before, during and after the recessions of 1949, 1954, 1958 and 1961, it found that almost without exception sales and profits dropped off at companies that cut back on advertising. The studies also revealed that after the recessions ended, those companies continued to lag behind the ones that had maintained their advertising budgets.

“When times are tough, why would a business cut advertising? This is usually the primary method used to increase sales. It’s not rocket-science to see if you reduce sales activity, then sales will decrease.”

So what should a small business do upon entering into turbulent economic times? Kavanagh offers six tips of advice:

1. Don’t cut your budget, increase it. Let your competition cut theirs. Market share is the most important thing for a business and that’s what advertising can do.
2. Stop shot-gun marketing. Develop a marketing plan based on a realistic budget and stick to it.
3. Review your customer service policy and make it better. Reassure your customers of your ability to weather the storm.
4. Take a look at your Brand. Is it really defining what your business is or does?
5. Step up the quality of your marketing material. Cheap marketing implies cheap product. Show your customers you are here for the long-term.
6. Remember the best reason to advertise in 2008 ... is 2009.

Some examples to support Kavanagh’s case for not cutting advertising budgets are:

- In 1929, rival cereal companies Kellogg’s and Post were competing for the lucrative breakfast cereal market. When the Great Depression started, Kellogg’s maintained their advertising spending while Post cut back. At the end of the Depression, Kellogg’s had achieved market share that they still maintain to date.
- The Strategic Planning Institute conducted a study that indicated that companies that increased their advertising during an economic downturn increased market share an average of 1.5 percentage points.
- Kraft Salad Dressing increased its advertising and experienced a 70% increase in sales during the 1989 – 1991 recession. (Source: MarketSense)
- 1989 – 1991 most beer companies cut their budgets but Coors Light and Bud Light increased theirs and saw sales jump 15% & 16% respectively.
- Of 600 companies surveyed during 1980 – 1985, firms that maintained or increased ad spending during this timeframe enjoyed significantly higher sales growth. By 1985, sales of companies that were aggressive advertisers during the recession had risen significantly over those that decreased their advertising investment. (McGraw-Hill Research)
- Companies which did not cut advertising expenditures during the recession years of 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. (ABP/Meldrum & Fewsmith)