What happens if I stop advertising during CV-19 ?

think TV

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If your CFO has appeared at your desk looking for “uncommitted” funds you may be asking yourself, "What happens if I cut my advertising?"

The pressure to protect the P&L is real. Consumer behavior is unpredictable right now and as consumer demand falls, revenue follows. The CFO looks to the marketing department for relief in difficult times because advertising budgets can be paused at short notice and re-activated when demand resumes. It makes them ripe for cutting.

So, is it worth fighting to stay on air, even though the benefits might not be immediately apparent? Well, yes. When it comes to sustained long-term business performance, cutting fat is not the same as cutting muscle.

If the wrong parts of brand spend are pruned, or brands go dark for too long, re-starting ad spend is costly and it takes a lot of time to regain the ground lost to your competitor. The damage inflicted can give your savvy competitors , who continue to advertise, a free kick where they can enjoy significant gains in market share, at your expense.

As Dr Simon Broadbent, renown global media researcher, once wrote: “The sales of a brand are like the height at which an airplane flies. Advertising spend is like its engines: while the engines are running, everything is fine, but, when the engines stop, the descent eventually starts."[1]

This document answers the following questions:

- What are the consequences, in both the short and long run, of a brand going dark?
- What is the trade-off between maintaining or regaining brand equity/market share
- What happens if I cut my budget in a recession versus keep advertising during a recession?

1.Simon Broadbent, "The advertising budget: the advertiser's guide to budget determination", NTC Publications for the IPA, 1989.

There may be no apparent impact at first

If a brand has enjoyed a long-running and consistent advertising presence on a medium that is well-remembered then, at least in the first few weeks, the campaign can still drive sales even when advertising has stopped.

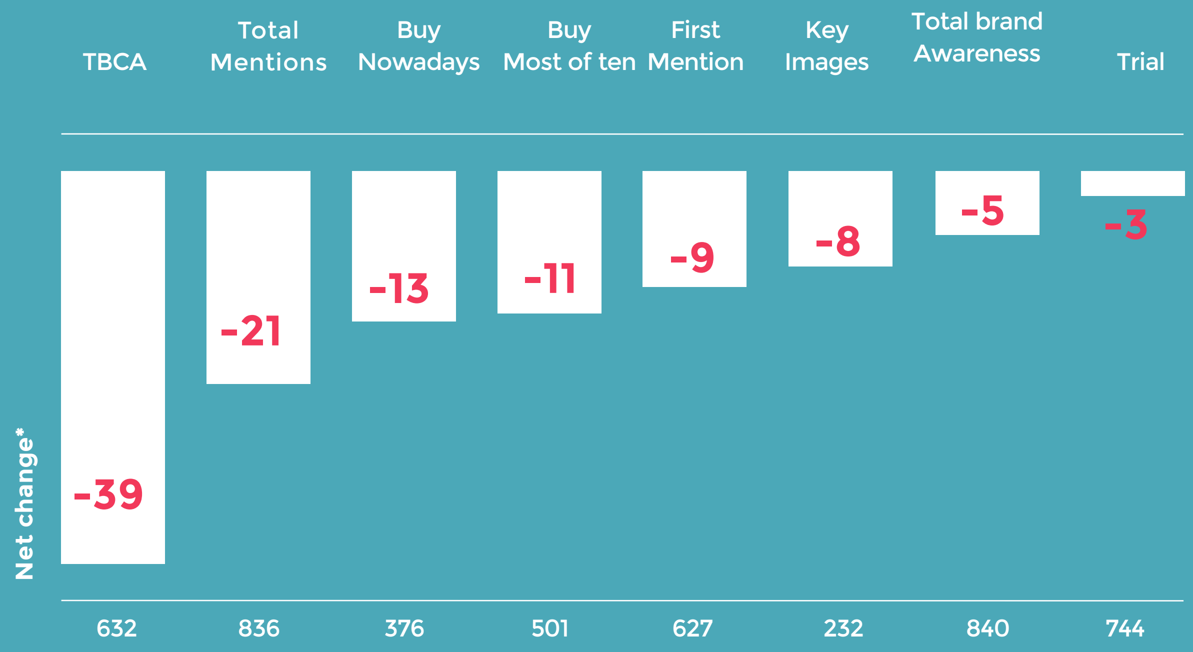
Research from Kantar[2] shows the bulk (58%) of advertising's impact happens in the long term (more than six months out) so it's not surprising the impact of not advertising will increase as time progresses.[3]

But rest assured, once the engines are turned off, the decline sets in. This chart shows the net change in different brand measures six months after TV advertising stops.

In the chart, TBCA refers to total brand communication awareness and net change is defined as the percentage of brands experiencing increasing scores minus the percentage of brands experiencing decreasing scores.

2. Kantar Millward Brown, "What happens when brands go dark?", Millward Brown Knowledge Points, July 2018.
3. Matthew Chappell, "The long-term impact of advertising", Profit Ability: The business case for advertising, November 2017.

Net effect on brand measures six months after TV advertising stops



Source: Kantar MillwardBrown, 2018
*Net Change: Percent of brands increasing minus percent of brands decreasing

Cutting ad spend reduces brand consideration

Analysis by Kantar Millward Brown of aggregate tracking data indicates that brands can stop TV advertising with little harmful effect in the short run.

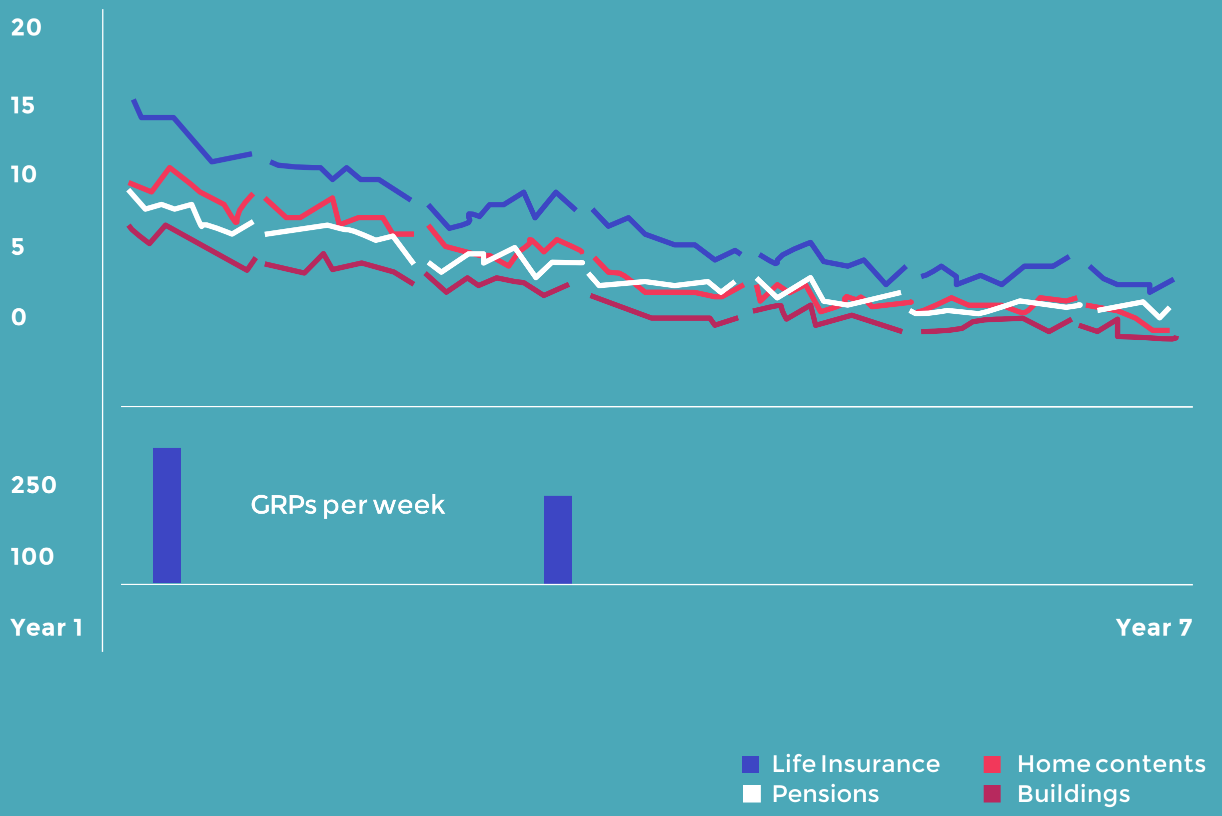
But it's in the longer periods where we see the damage.

Brands that are off-air are much more likely to be damaged. Millward Brown cites the example of a UK insurance company that was a regular and reasonably heavy advertiser but came off-air, with only a single subsequent burst two years later.

The brand's consideration levels plummeted over the next few years.[4]

4. Matthew Chappell, "The long-term impact of advertising", Profit Ability: The business case for advertising, November 2017.

Consideration for types of insurance – Brand X



Source: Kantar Millward Brown, 2018

Cutting ad spend restricts a brand's ability to command a price premium

There is a romantic notion that absence makes the heart grow fonder, but not when it comes to brand marketing. The opposite appears to be true.

Data from Millward Brown shows strong correlations between a brand's ad spend and its 'bonding level' with customers.

Key bonding metrics – popularity, affinity, leadership, difference and price – all suffer when brands go dark for more than six months.[5]

And while this may not seem to matter during the recession, it's worth remembering that brands with weak bonds will be less able to successfully command a price premium when recovery comes.

Don't leave your brand wide open to generic competitors in the recovery when consumers are keeping a tight rein on their purse strings.

5. Stephen Whiteside, "Advertising in a downturn", WARC Exclusive, April 2008.

60% of brands 'going dark' decline on at least one key brand metric

	Use	Image
Increase	+11	+22
Decrease	-24	-28
Net change	–13	-6

Source: Millward Brown, in "Advertising in a downturn", April 2008

85+ brands with no TV spend for 6+ months

Cutting ad spend impacts market share

In 2008 Peter Field found that reducing a brand's share of voice (its proportion of ad spend within the category) often results in a decline in overall market share.[6]

Together with Les Binet, Field demonstrated when it comes to revenue growth, a brand's share of voice directly correlates with the brand's share of market in the famous publication "The Long and the Short of it".

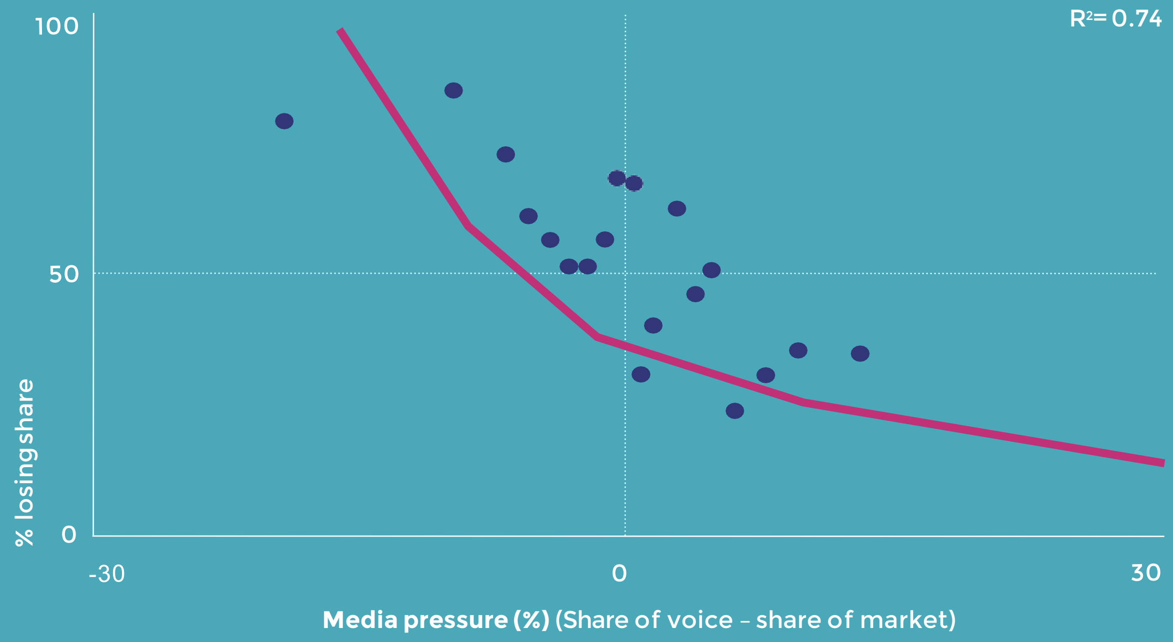
They argue that if a brand cuts its advertising budget relative to its competitors, that brand risks losing market share. And brands able to maintain or even grow share of voice during the recession go on to become more profitable when the recession ends.

Brands that have a larger share of the market almost certainly take a larger share of the spoils when the recovery comes. Brands that have gone dark risk having to spend all they have 'saved' and more to claw back market share when economic growth returns.

6. Peter Field, "Marketing in a downturn: lessons from the past", Market Leader, Autumn 2008.

Advertising investment reduces risk

354 brands grouped on the basis of relative adspend



Source: Peter Field, "Marketing in a downturn", Market Leader, 2008

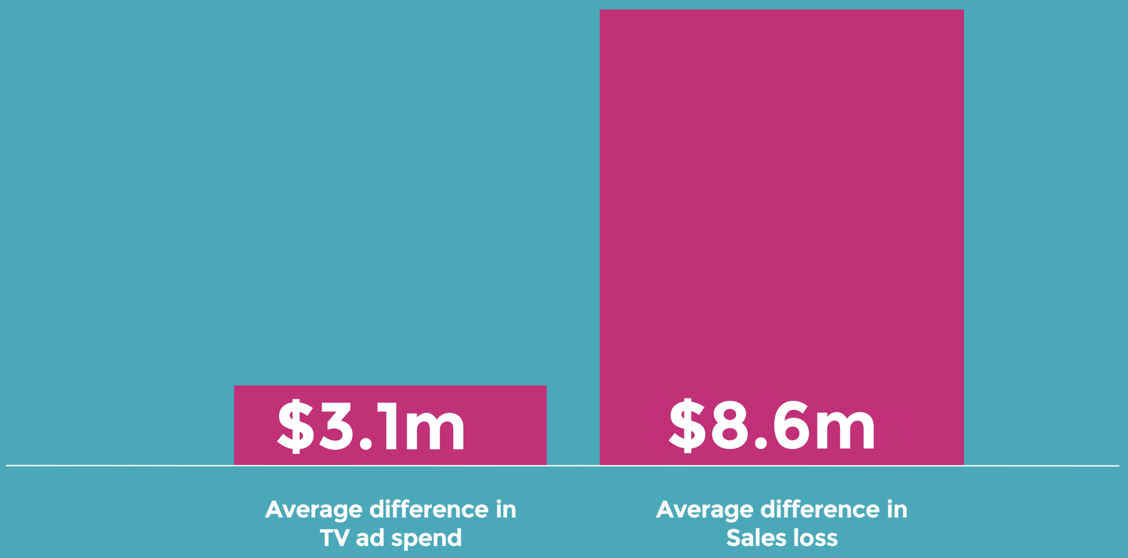
Even reducing spend will set brands back

The Advertising Research Foundation (ARF) in the US looked at 15 American consumer packaged goods brands that decreased TV ad spend by 29-75% between 2013 and 2014.

The research found 11 of the brands experienced negative sales impacts year-on-year.

Using viewing data from 2.3m households, and a methodology to tie brand purchases to TV exposure, the evidence showed for every dollar decline in TV ad spend, the 11 brands lost three times that amount in sales return.[7]

Reduced TV ad spend led to a combined $94MM loss in return for 11 of 15 brands studied



Source: Advertising Research Foundation, “Decreased TV advertising spend hurts sales”, 2016

7. The Advertising Research Foundation, "Decreased TV advertising spend hurts sales", ARF Experiential Learning, Re!think 2016.

Reversing a decline requires a multiplied investment in the future

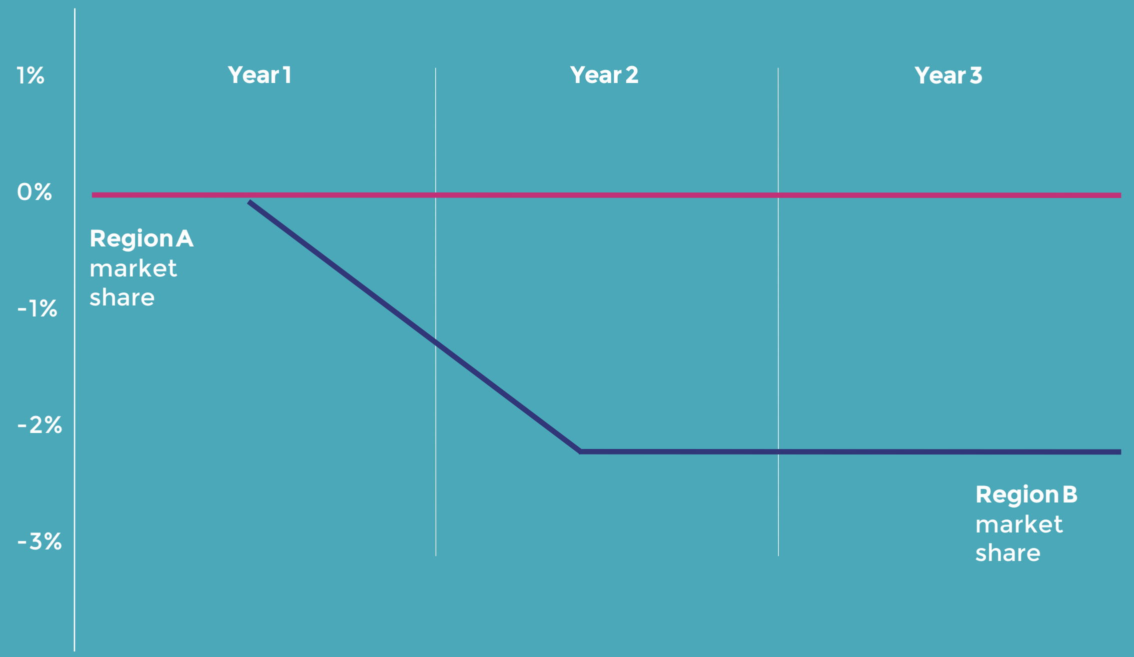
While cutting ad spend may look good in the short term, it amplifies the need for greater brand investment in the future.

ARF analysis proves it is more challenging and costly to **regain** brand equity and market share than it is to **maintain** these factors with a more modest investment.[8]

Take this example from Millward Brown which shows a brand that stopped advertising in one region (brand B), but continued advertising in another region (brand A). Within a year, the brand's market share had dropped 2% in region B. Region A, on the other hand, held steady. In the following year when both regions were advertising, market share in region B failed to catch up with region A.[9]

8.The Advertising Research Foundation, "When brands go dark", ARF Knowledge@Hand, 2018
9.Kantar Millward Brown, "Marketing in uncertain times", Millward Brown Knowledge Points, September 2011

Market share suffers despite resuming advertising

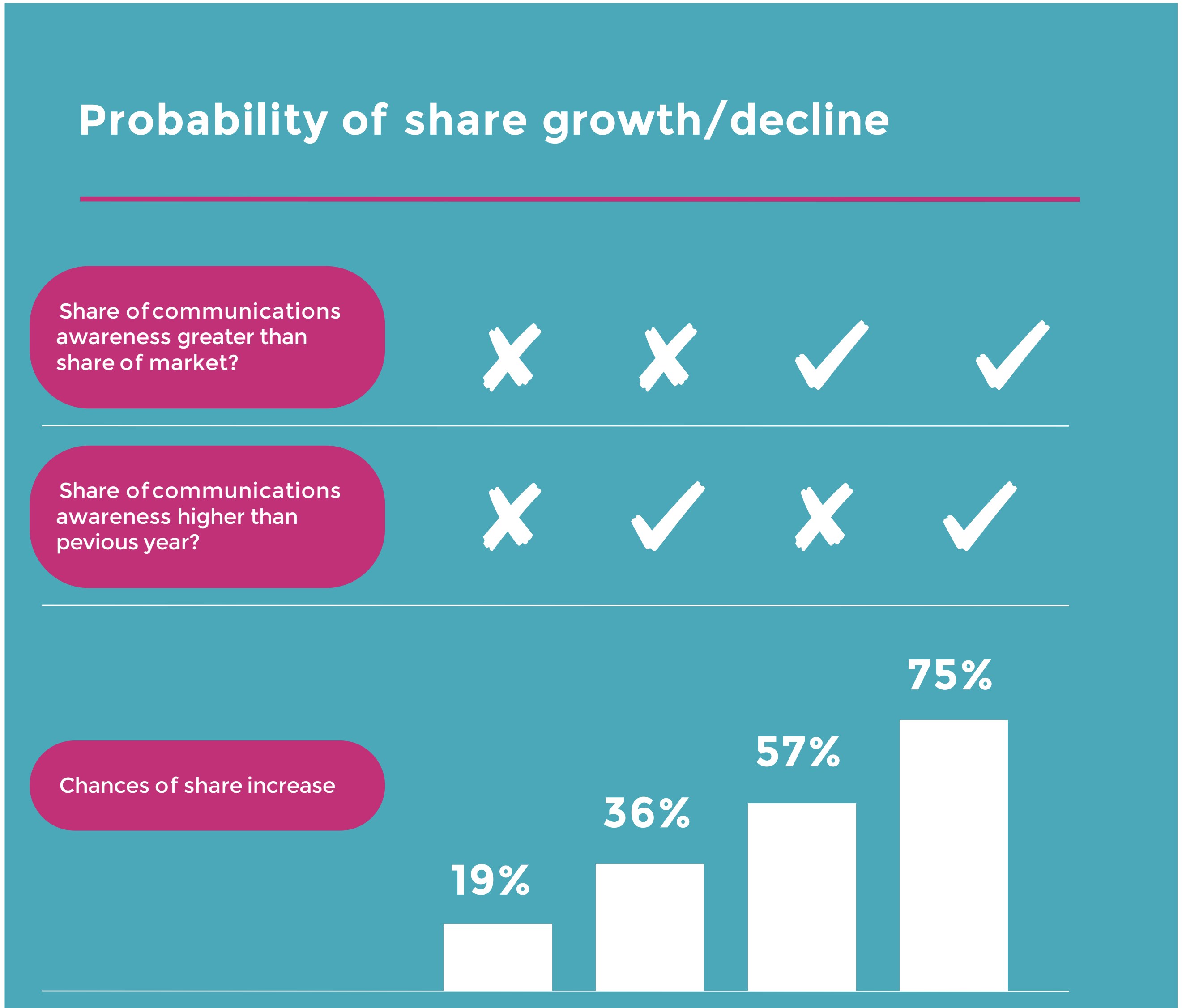


Source : Kantar Millward Brown, 2011

The best way to ensure long-term brand growth is maintain ad spend

The absolute best way to ensure long term brand growth is to maintain advertising spend. Analysis by Millward Brown shows a brand is most likely to gain share when its communication awareness is growing when this is higher than marketshare.[10]

Advertising requires investment to deliver and the best way to ensure long term brand growth is to maintain levels of ad spend.[11]



Source: Kantar Millward Brown, July 2018

10.Kantar Millward Brown, "What happens when brands go dark?", Millward Brown Knowledge Points, July 2018.
11.WARC, "What we know about creativity and effectiveness", WARC Best Practice, December 2017.

This is especially true In time of recession

Advertising is most at risk of cuts when a recession bites. Traditionally, businesses turn to advertising to make cost savings during a downturn.

But evidence suggests reducing ad spend at this time leads to declining sales and weakened company performance in the long run.[12, 13, 14]

To identify the best business strategies for brands looking to weather economic downturns, benchmarking specialists Malik PIMS analysed data from 1,000 businesses during previous recessions.

Using the metric Return On Capital Employed (ROCE), the research found increased ad spend was generally linked with long term business success and changes in market share during the first two years of recovery.[15]

14. Peter Field, "Marketing in a downturn: lessons from the past", Market Leader, No. 42, 2008. 15. L. O'Malley & V. Story & V. O'Sullivan, "Marketing in a recession: retrench or invest?", Journal of Strategic Marketing, Vol. 19, No. 3, 2011. 16. G. Tellis & K. Tellis, "Research on advertising in a recession: a critical review and synthesis", Journal of Advertising Research, Vol. 49, No. 3, 2009. 17. Stephen Whiteside, "Advertising in a downturn", WARC Exclusive, April 2008.

Recession and marketing

Upping marketing in the recession helps profit recovery and share gain - without hurting profits even during the bad time

Source: Kantar Millward Brown, July 2018

What happens if I stop advertising during CV-19?

For brands that have enjoyed long-running campaigns, especially if campaigns have been on TV where advertising decay rates are low, cutting ad spend may have little impact on brand or business revenue in the short term

When ad spend cuts are maintained across longer period of time the cuts will weaken the bond the brand has with consumers. Declines in brand affinity will cause market share declines and further, will limit a brand's ability to charge a price premium when the recovery comes.

Cuts to ad spend that reduce share of voice will lead to a decline in market share and sales. Once decline sets in, it can require multiplied efforts to reverse. Marketers may have to spend two or three times the 'saved' amount to turn their brand fortunes around.

The best way to ensure long term brand growth is to maintain ad spend. The evidence suggests that it is better to maintain than to have to regain key metrics. This is especially true in time of recession.

Investing in maintaining, or even increasing ad spend in time of recession can bring significant long-term advantages. Cutting ad spend effectively hands this opportunity to the competition.

Acknowledgements

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If you'd like to know more, visit WARC.com and the Kantar COVID-19 Barometer.

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