BY DAVID AAKER

AGGRESSIVE RECESSION MARKETING: WHEN DOES IT MAKE SENSE?

AGGRESSIVE MARKETING IN a recession? Increasing marketing budgets in tough economic times when budgets throughout the organization are being squeezed? The answer is yes, under some circumstances.

Some context: There have been seven substantial empirical studies, one published in 1926, that explored the impact of an advertising budget on sales or marketing share during a recession. They all found the same positive relationship. On average, firms that increase marketing budgets in a recession are rewarded by superior sales, not only in the recession but years after because market gains tend to be sticky.

The most impressive study, by Thomas Kamber, included quarterly data on 822 firms during and after the 1990-'91 recession. Unlike other studies, this one adjusted for firms' success using the past three years' sales growth as a control variable.

In other studies, the relationships might have been caused by the strength of the firm. Strong firms may have had resources to fund marketing and strong product offerings while weak firms may have lacked resources and had weak products. But Kamber was able to show that whether a firm is strong or weak, advertising investments during a recession pay off. Further, he also showed that advertising is much less effective during healthier times.

Why should marketing pay off during a recession? The basic reason is that competition for customers' attention is reduced. There likely are fewer advertising and marketing programs, which means less clutter and less need to create the all-too-rare home run marketing programs. More importantly, competitors will be spending less, which means the share of voice will be higher for the same expenditure. Further, competitors with new products or effective programs might postpone their introduction or fail to fund them adequately. Competitors will have been thrown off their rhythm.

These empirical findings provide some reassurance that increased marketing is worth considering. However, there is little doubt that increasing the support for mediocre or inferior marketing programs will be a mistake. How you spend the budget is probably three or four times more important than how big the budget is. So what are the circumstances that would enhance the likelihood that a budget increase would pay off?

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- **Can be positioned as a value brand.** Walmart in the recession of '91 and '92 aggressively told its value story and as a result took share away from Sears, a share gain that it has never relinquished.

- **Enjoys a new or existing offering that has points of relevant superiority.** Merrill Lynch took share away from Bear Stearns by increasing marketing in a recession, telling a story that was based on real substance. Toyota's Corolla exploited its gas mileage advantage in a '70s recession. Time's *People* and Starbucks' newly enhanced experience both were successfully launched during a recession.

- **Has a particularly *effective* marketing program.** Intel Inside, perhaps the most successful marketing program in the high-tech space, was launched in the 1991 recession. Not only was it effective, but also it provided a marketing cost savings to computer manufacturers at a time in which they were squeezed for marketing resources.

- **Has a particularly *efficient* marketing program.** The potential to use the Internet to leverage a promotion or to create customer communities, for example, can be cost-effective. As can sharing marketing programs, like Campbell's tomato soup teaming up with Kraft grilled cheese sandwiches, or United Airlines and FedEx combining for door-to-door next-day luggage delivery.

- **Has a balance sheet advantage over rivals.** When competitors are unable to respond, the chances of improving market position with aggressive marketing increases. Consider, for example, Zurich Financial and Charles Schwab, both of which today have financial strength superiority compared to some of their main competitors.

- **Can dial up a value subbrand** such as the BMW One Series or the Fairfield Inn by Marriott.

- **Can change the frame of reference to category rather than brands.** For example, consider KFC's Family Value Meal vs. home cooking, or Crayola's 64 colors vs. expensive toys or Kraft's DiGiorno pizza vs. delivery pizza.

- **Can demonstrate the value of quality.** Bounty towels pay by doing more with less.

Hyundai enjoyed sales increases in the early stages of the current recession, while its competitors saw sales collapse, because the firm fits at least half of these eight conditions. It had a basic value message buttressed by the weak won (Korea's currency) and value subbrands; its program to rebuy cars from anyone who lost their job was a winner; its Genesis model won the Car of the Year award at the annual Detroit auto show, and was visible evidence that Hyundai's quality is comparable to Audi and other more upscale brands; and its balance sheet was much healthier than many of its rivals' financial statements.

A recessionary time can provide the opportunity to overcome organizational resistance to defunding products, markets and programs that are ineffective. However, it also can be an opportunity to be aggressive in those products and markets that represent high potential—as long as programs can be developed to deliver results. **m**

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