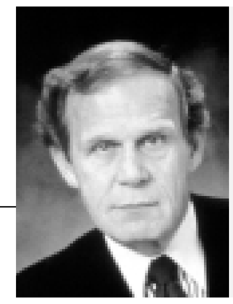

By G.A. "Andy" Marken

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If Times Are Good … Promote

If Times Are Bad … Promote Harder

Most economists agree that it will take quite a while to stimulate the economy, regardless of what the Bush administration does. This has led management to cut back their promotional budgets.

On the surface it appears logical. After all, inflation and fewer sales mean lower net income. In addition, the paring of this "discretionary expense" is relatively simple and has very little negative impact as far as management is concerned.

But before you wade into your promotional budget with a massive red pencil, ask yourself a prudent question: How much should I cut from the promotional (advertising, sales support and public relations) budget?

To answer this, also ask yourself

- What does advertising do for us?
- Can we accomplish this with a smaller investment?
- What will happen in the future if we cut our promotional budget, keep it the same or increase it?
- If our competition is in the same position, is there a way to use the short-term problem to our advantage?

Investing in Long-Term Objectives

Advertising is an investment in both immediate sales and long-term objectives. It helps you retain your share of market/image among your customers and prospects. It reinforces customers' commitment in doing business with you.

Professional marketers and retailers look at advertising not as an expense but as an integral part of their total marketing mix. This means that, if it is at all possible, they maintain an aggressive advertising policy. They know that promotion has a favorable effect on sales and income.

Today, there is a volume of data which indicates that during recessions or other "difficult" times, the firms that trim their advertising budgets suffer—and suffer hardest.

Additional research conducted to determine a method of predicting sales from advertising found that companies that accelerate advertising spending during market slumps perform better in both the short- and long-term. For instance, researcher Vernon Van Diver studied more than 10,000 companies in approximately 800 business papers to find a relationship between advertising behavior and subsequent sales. He found two interesting patterns.

- Companies that advertise over their industry norm invariably, in succeeding years, have rising sales curves.
- Companies that advertise below their industry norm invariably, in succeeding years, have declining sales curves.

Additional Research

Other researchers such as Charles Mill of BPA and Wes Rosberg of Meldrum & Fensmith Advertising have drawn conclusions similar to Van Diver's. Certain relationships between advertising and sales have been proven time and time again.

- Sales increases follow advertising increases but rarely in the same year.
- Sales decline with increasing momentum after advertising is cut back.
- To retain your share of sales, advertising must increase as much as the overall average.
- To increase your share of sales faster, advertising must be increased faster than the industry norm over a period of four years or more.
- If a marketer increases or decreases his traditional share of advertising among his competitors, similar changes occur in his share of market.
- It is now possible to predict—with a high degree of accuracy—what the volume of sales will be at some future date.
- It is possible to set an attainable sales objective very near maximum.
- It is possible to determine the change in sales volume that follows each change in the advertising budget, up or down.

To Advertise or Not to Advertise

In good times and bad, make your choices based on the following conclusions.

- Long-range, progressive advertising is synonymous with company growth.
- Company strengths that hold up in hard times can be permanently molded with steadily aggressive advertising.
- Keeping pace with or exceeding industry advertising norms is a company's insurance of increasing sales.
- A rise or fall in ad spending is followed at some later date by an increase or decrease in sales.
- It is possible to figure how much to allow for increases or decreases in competitive advertising.

Using these principles, Van Diver conducted an additional study of 100 businesses. He made predictions six months or more before earnings and sales were disclosed. On the average, his predictions were within 1 percent of the actual figures.

Quite remarkable.

In a similar study, it was found that during a one-year period, organizations that did not cut back ad spending enjoyed handsome increases in both sales and net profits the next year. Sales were up an average of 55 percent, and net profit was up 40 percent over the base year.

Advertisers who cut back ad expenditures experienced no real growth during the period and their net profits could not keep pace with that of consistent advertisers.

A Competitive Edge

Company management should exploit opportunities which lead to an ever-greater competitive edge. If you want to be an industry player, present yourself as one. Don't wait to place advertising until it seems like all of the marketing variables are right.

By waiting, you provide the competition with the same opportunities and, as a result, you all start out on an even footing.

A better alternative is to move forward on your publicity while the competition is pulling in its horns.

In good times and bad, the more aggressive your advertising is, the easier it is to meet and even exceed, your most energetic sales and profit projections. WQP

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