What happens if I stop advertising?

Evidence by WARC

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Despite the acknowledged contribution of advertising to business success, there are still times when companies choose to make cuts to their advertising budget, either because of internal or external financial pressures. At such times, the advertising budget is susceptible because it is not committed until it is spent, it can be paused at short notice then re-started easily, and it can be cut without any immediate impact on business productivity (unlike, say, cuts in wages or production expenses).

But actions always have consequences. As Simon Broadbent 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 versus 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.

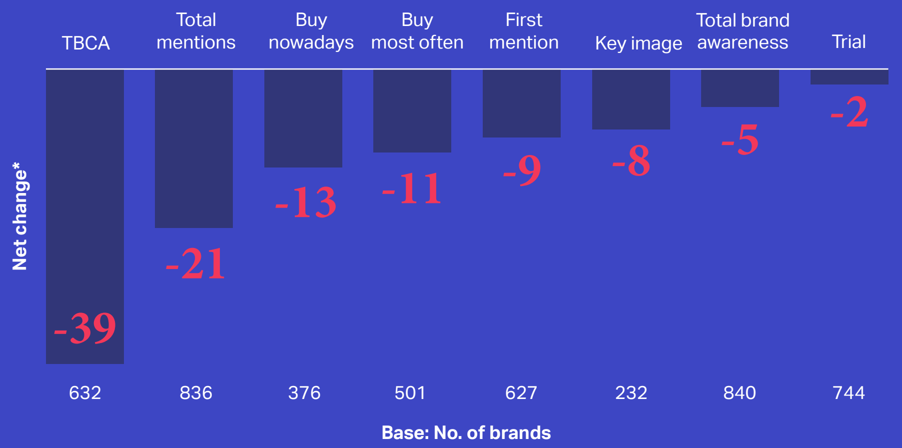
In the short run, going dark has little impact on brand or business metrics

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

The chart shows the net change in various brand measures six months after TV advertising stops. Net change is defined as the percentage of brands experiencing increasing scores minus the percentage of brands experiencing decreasing scores.

This analysis shows that while communication awareness levels (TBCA) drop away significantly, the impact on image and trial is minimal in the short run.[2]

Net effect on brands measures six months after TV advertising stops



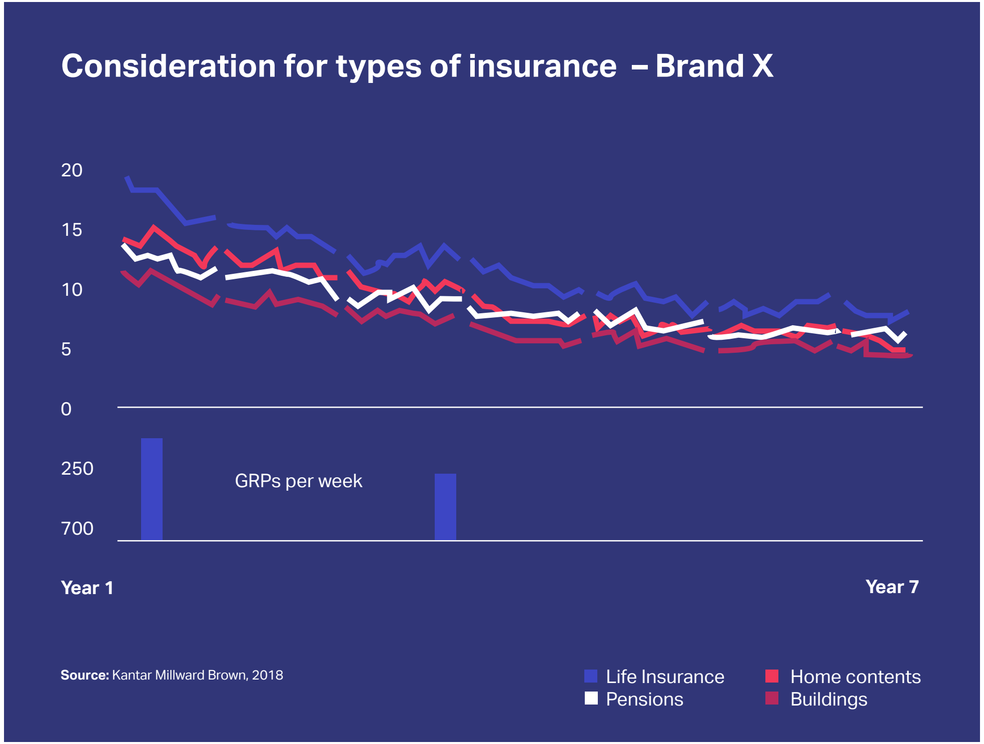
Source: Kantar Millward Brown, 2018
*Net Change: Percent of brands increasing minus percent of brands decreasing

2. Kantar Millward Brown, "What happens when brands go dark?", Millward Brown Knowledge Points, July 2018.

However, longer periods off air are likely to weaken brand health

Longer periods off-air are much more likely to be damaging. Millward Brown cite the example of a UK insurance company who was a regular and reasonably heavy advertiser but came off-air, with only one subsequent burst two years later. Their consideration levels plummeted over the next few years.[3]

We know that the bulk (58%) of advertising's impact happens in the long term (more than 6 months out) so it's not surprising that the impact of not advertising should increase as time progresses.[4]



Source: Kantar Millward Brown, 2018

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

Long periods off air will also likely damage a brand’s market share

Cutting ad spend also carries the risk of damaging a brand’s market share.

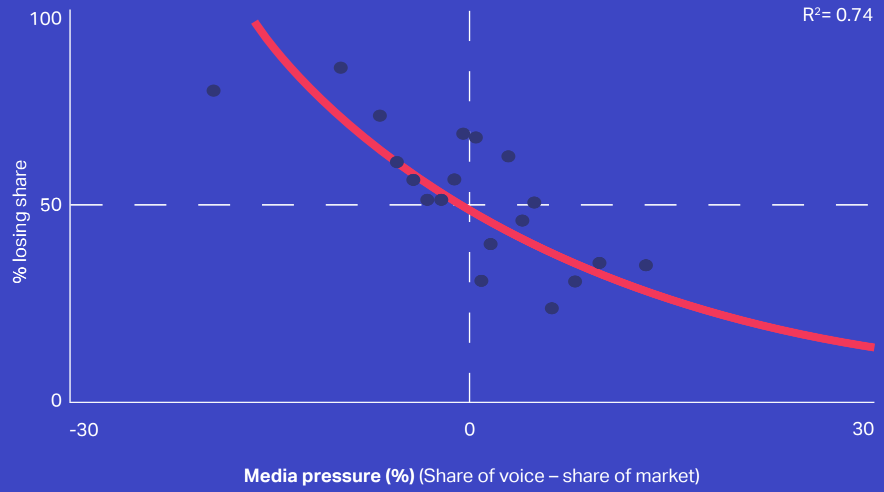
Reducing a brand’s share of voice (its proportion of ad spend within its category) often results in an attendant decline in its overall market share.

As such, if a brand cuts its advertising budget relative to its competitors, it is at higher risk of losing market share.[5]

An eight-year analysis of the South African car market showed that during periods of no advertising market shares fell significantly. The drops in share were significantly more rapid when advertising clutter from other advertisers in the market was high. *

Advertising investment reduces risk

354 brands grouped on the basis of relative adspend



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

5. *Peter Field, “Marketing in a downturn: lessons from the past”, Market Leader, Autumn 2008.*
**Nicholas De Canha, Michael Ewing, and Ali Tamaddoni, The impact of advertising on market share: Controlling for clutter, familiarity, and goodwill decay, Journal of Advertising Research, Digital First, March 2019*

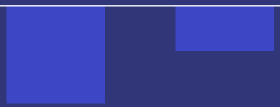
Long periods off air will likely weaken a brand's bond with its consumers

Data from Millward Brown show a strong correlation between a brand's ad spend and its level of "bonding" with consumers.

Key bonding metrics - popularity, affinity, leadership, difference and price – can all suffer when brands go dark for more than 6 months.[6]

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**



85+ brands with no TV spend for 6+ months

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

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

Even reducing spend will likely cause damage

Analysis by TiVo Research and customer engagement consultancy 84.51° into 15 CPG brands in America which had decreased their TV ad spend by at least 25% between 2013 and 2014, showed that 11 of them experienced a year-on-year negative sales impact.

The 15 brands represented a variety of CPG categories and had each reduced TV ad spend anywhere from 29% to 75% from the prior year. The analysis collected viewing data from 2.3M households and used a household response methodology to attribute brand purchases to TV exposures.

The analysis concluded that for every dollar decline in TV ad spend, the 11 brands lost 3x that amount in sales return.[7]

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

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

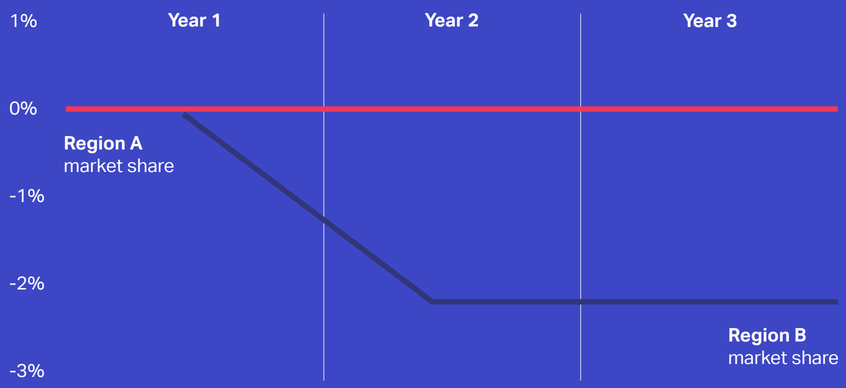
Once decline sets in, it may be hard to reverse

Once equity and share have declined, it can be hard to get them back up to previous levels. Millward Brown give the example of a brand which came off-air in one region (B in the chart), but continued advertising in another region (A in the chart). Within a year, market share had dropped 2 percent in region B while holding steady in region A. But in the following year, when advertising was resumed in both regions, market share in region B still continued to lag behind region A.[8]

Analysis by the Advertising Research Foundation has showed that it is more challenging and costly to regain brand equity and market share lost by going dark than it is to maintain them with even modest investment.[9]

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

Market share suffers despite resuming advertising



Source: Kantar Millward Brown, 2011

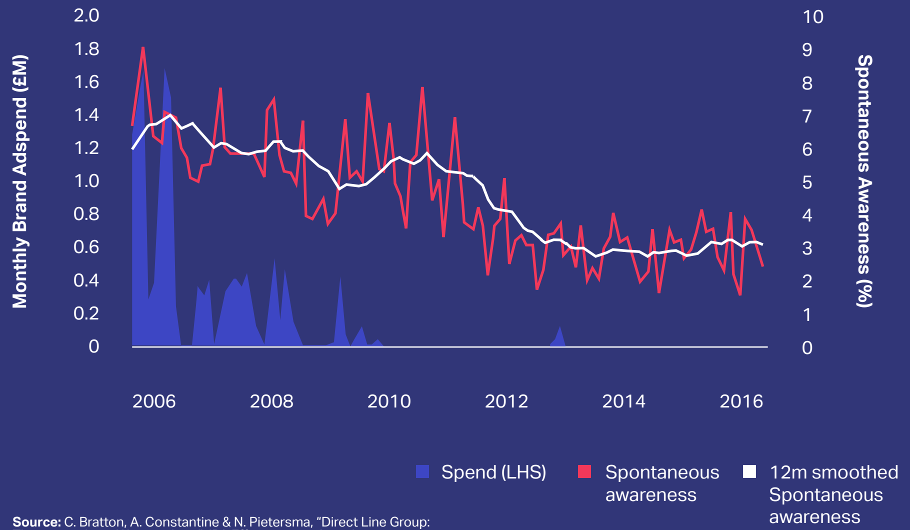
Case study: What happens when you stop brand investment?

The way people buy insurance in the UK had changed, so Direct Line Group decided to make Privilege Insurance a pure price comparison website brand. Direct Line removed marketing overhead for the Privilege brand and priced it as keenly as possible. The figure shows the 'glide path' for Privilege, giving a measure of what to expect as a consequence for reducing marketing investment for other insurance brands that are focused on price comparison website positioning.[10]

Brand metrics such as spontaneous awareness did not decline immediately, and took two or three years to level off. In the period between 2007 and 2009, although the level of investment was greatly reduced, even a little spend seemed to provide some 'maintenance' support.[10]

10. C. Bratton, A. Constantine & N. Pietersma, "Direct Line Group: They went short. We went long", IPA Effectiveness Awards, 2018.

Privilege Insurance brand glide path



Source: C. Bratton, A. Constantine & N. Pietersma, "Direct Line Group: They went short. We went long", IPA Effectiveness Awards, 2018.

Supporting a brand in other ways may provide some short run protection

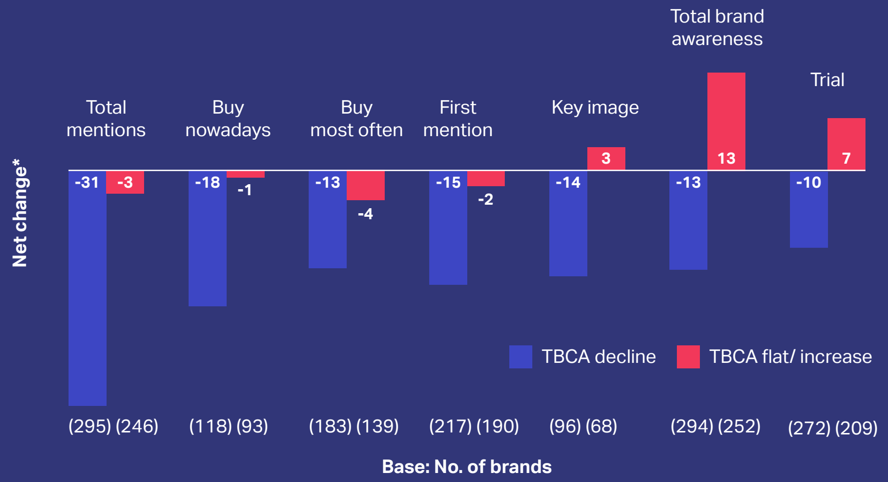
If a brand does go dark from an expensive medium like TV, it can always use a less expensive medium (such as radio) to trigger memories of TV ads. The media multiplier effect, where advertising in one medium evokes memories of advertising for the same brand in other media, can be put to good use.[11]

Alternatively, if advertising is stopped completely then a brand can attempt to use promotions or in-store activity to maintain share in the short run. The secret lies in ensuring communication awareness levels (TBCA in the chart) are maintained as best as possible. Where this is achieved, brand health measures hold up better.[11]

11. *Kantar Millward Brown, "What happens when brands go dark?", Millward Brown Knowledge Points, July 2018.*

Net effect on brand measures split by change in TBCA

When TBCA levels are maintained, other brand measures hold up better



Source: Kantar Millward Brown, July 2018
*Net change: Percent of brands increasing minus percent of brands decreasing

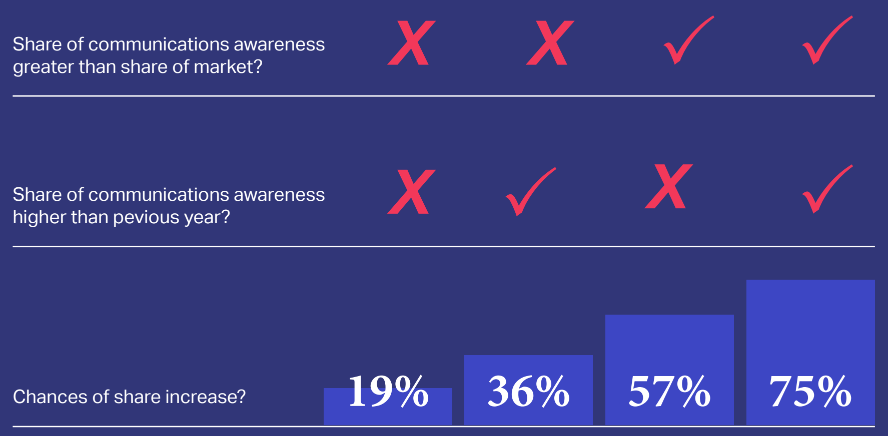
But the best way to ensure long-term brand growth is to maintain ad spend

Overall, the best way to ensure long term brand growth is to maintain advertising expenditure.

Analysis by Millward Brown of their aggregate tracking data has shown that a brand is most likely to gain share when its share of communication awareness is growing, and when it is higher than its market share.[12]

Advertising has a multiplier effect, but like any multiplier it needs investment to work and the best way to ensure long term brand growth is to maintain levels of ad spend.[13]

Probability of share growth/decline



Source: Kantar Millward Brown, July 2018

12. Kantar Millward Brown, "What happens when brands go dark?", Millward Brown Knowledge Points, July 2018.
13. Peter Field, The crisis in creative effectiveness, IPA, 2019

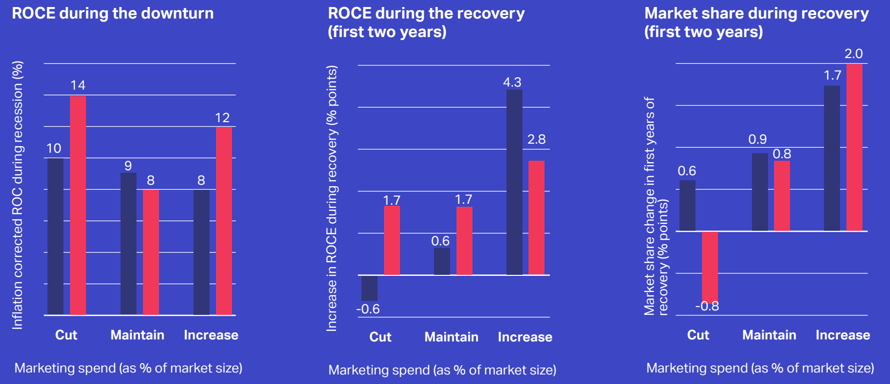
This is especially true in time of recession

Advertising is among the areas most at risk of cuts during economic downturns. However, the evidence suggests that reducing ad spend in a recession is associated with declining sales and weakened company performance in the long run.[14, 15, 16]

Malik PIMS analysed data from 1,000 businesses during previous economic downturns to identify the best business strategies. Its assessment of the return on capital employed (ROCE) and changes in market share during the first two years of recovery found that an increase in investment in ad spend was generally linked with business success in the long term.[17]

Recession and marketing

Upping marking in the recession helps profit recovery and share gain – and recently without hurting profits even during the bad time



Source: "Advertising in a downturn", WARC, 2008

Pre-2000 2008

__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.

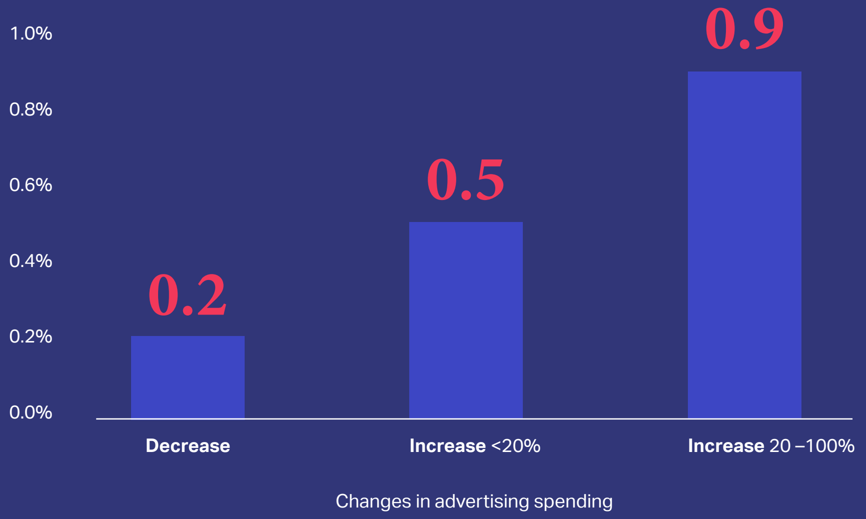
Investing in ad spend in time of recession brings long run advantage

A series of studies at the macro level by the Strategic Planning Institute using the PIMS database shed light on different expenditure strategies during recession.

SPI concluded that those who increase spending significantly in recession may have to absorb a drop in ROI in the short run but gain share and improve profit in the long run.[18]

Business analytics firm, Marketscience, conducted a comprehensive economic analysis of the last five major recessions. It showed brands that focus on customer service and satisfaction win — during and after a recession. So ad budgets should focus on reinforcing the brand's ability to deliver distinctive, quality customer experiences rather than price promotion. *

Changes in share related to changes in ad spend during a recession



Source: Alexander L. Biel, Admap, May 1991

18. Alexander L Biel, "The cost of cutbacks. cut budgets may not pay - even in the short term", Admap, May 1991.
**David Dixon, Sebastian Shapiro and Nicole Wolf, How to win during and after a recession, WARC Exclusive, January 2020*

What happens if I stop advertising?

- Despite the acknowledged contribution of advertising to business success, there will always be times when companies respond to financial pressures by going dark.
- Evidence suggests that going dark has little impact on brand or business metrics in the short run.
- However, longer periods off air will likely damage brand health by weakening the bond with consumers. Longer periods off air will also likely damage a brand's market share/sales.
- And once decline sets in, it may be hard to reverse. Supporting a brand in other ways may provide some short run protection but the best way to ensure long term brand growth is to maintain ad spend. The evidence suggests that it is better to maintain than have to regain key metrics and that requires treating advertising as an investment rather than as a cost.
- This is especially true in time of recession. Indeed, investing in ad spend in time of recession can bring significant long run advantage.