IS ADVERTISING IN A CRISIS WORTHWHILE?
INSIGHTS ON MARKETING EFFICIENCY IN DIFFICULT TIMES

Author Steve Ray, Commercial Director. Design Toria Heath, Senior production designer
Background.

The global pandemic really took hold in Europe from March 2020, earlier in the eastern hemisphere and later in the Americas. Typically, marketing and advertising budgets are the first area where companies seek to save costs during difficult times, but as we will demonstrate in this paper, avoiding the temptation to cut expenditure in this vital area saw companies increase their business, create additional demand and generate unexpected opportunities throughout 2020.

It quickly became apparent that certain sectors of the industry would benefit massively from the switch to remote working that is now the norm for many of us — chip sales grew 8% in 2020 and the global PC industry saw its strongest growth in 5 years with an 11% increase in global shipments — all this despite a drop in worldwide GDP of 4%. The demand for components and services which enable a networked globalised digital society soared, accelerating a pre-existing trend. Everything from servers, video conferencing software, digital payment solutions, medical equipment and much more suddenly found itself facing unprecedented levels of demand.

EW’s own David Manners wrote lucidly on this phenomenon here: https://www.electronicsweekly.com/blogs/mannerisms/genius/exceptionalism-chip-industry-2020-12/ and this one around automotive: https://www.electronicsweekly.com/blogs/mannerisms/shenanigans/a-shot-in-the-foot-2021-01/

In 2019, the value of the collective semiconductor market declined by 15%. In 2020, that decline is expected to have almost completely reversed, indeed IC Insights predicted that the overall market will have grown by 13% in 2020, more than double their original prognosis made at the end of 2019.

What did this mean for media?

Whilst the industry as a whole performed well in 2020, here at Electronics Weekly we felt the benefit through record levels of traffic coming to www.electronicsweekly.com. This created an unrivalled opportunity for companies to reach an engaged audience looking for information, services, help and products.

Yet despite the industry’s strong performance, and the growth of audience numbers on media sites like ours, marketing and advertising spending dropped to some of the lowest levels seen across multiple sectors. Many companies who decided to maintain the same level of promotion through the crisis, or even increase it, took advantage of this opportunity, with many also branching into areas new to them, such as virtual events and seminars, content marketing and webinars.

What did we find out?

We wanted to see the impact, both immediate and longer term, of companies’ decisions to either cut, freeze or increase their marketing spend, analysing the performance of campaigns across numerous sectors. There follows a case study whose results are consistent across every sector of the industry.

It will come as no surprise to learn that cutting spending in a crisis has both short- and long-term implications and impacts. This fact has been proven by countless studies over the years, of which these are just two high-profile examples:

Analysis 1: the impact on website performance of reducing marketing spend

In this first piece of analysis, we looked at the performance of Company A, a large distribution company. Historically, they have purchased run of site banner advertising every month at similar volumes, across both fixed and mobile web sites. However in July 2020 they took the decision to cut their spending by 90% for the remainder of the year. Whilst they continued to maintain a small advertising presence, it was significantly smaller than in prior months. Traffic across the competitor set, customers have been going to rivals more actively promoting instead.

Summary: Traffic to Company A’s website was tracking ahead year on year for the first half of 2020, however from July there is a substantial drop in traffic for the rest of 2020, coinciding with their reduced spend on advertising.

Company A’s total users in 2020 was 84% lower than in 2019, despite being higher for the first 6 months of 2020 compared to the corresponding period the previous year.

Analysis 2: competitive comparison

In this analysis, we compared the traffic of Company A above to Company B, who spent a similar amount on web banner advertising as Company A in 2019, but in contrast to Company A, they did not reduce their marketing spend in 2020 and continued to spend at an almost identical monthly level as in 2019.

Summary: In 2019, Company A had almost 60% of the total traffic going to the all websites of companies in this sector in this competitor set. Company B had most of the remainder, with under 10% of all traffic going to other websites.

Summary: Company B massively increased its market share in 2020, especially in the second half of the year following Company A’s decision to cut their marketing spend by 90%.

From July to December, Company A retained just 16% market share, whilst Company B soared to over 80% share.
Summary

- Traffic is directly influenced by the amount of marketing spend employed
- The division of traffic between competing companies is determined by the relative investment each makes in advertising
- Cutting spending in 2020 drove potential customers directly to competitors’ websites
- Ad units performed at unprecedented levels in 2020 as the thirst for information grew during lockdown (typical CTRs grew from 0.29% to 0.36%, a 25% improvement in efficiency)

What are the take-outs from this analysis?

In one sense, reducing marketing spending will continue to deliver customers to your website, albeit at reduced levels, and you will at least pull ahead of those companies who stopped marketing altogether during this difficult period.

But this must be balanced against a more sobering backdrop – every penny you cut from your marketing budget will deliver traffic, and with it sales, to your direct competition. And every customer you deliver to your competitors in this way becomes much more difficult to win back – and you have less inventory with which to attract new customers. It’s in effect a triple whammy – you reduce your own customer base, invest less in generating new leads, and even deliver customers directly to your competitors.

So, is the answer just to keep on advertising? In part, yes. But the ever-evolving media landscape allows you the opportunity to buy smarter, not just to maintain your investment. Supplementing web advertising with sponsorship, awards partnership or special projects are all cost-effective ways to reach a growing audience hungrier than ever for quality content and the advertising that accompanies it.

It is this growth in savvy audiences who crave quality information in unprecedented volumes that has been one clear upside from the otherwise devastating pandemic of the past 12 months. Revenues may be slower to deliver in some sectors, and the benefits of maintaining your marketing investment may be seen faster by some than others.

One thing is clear: cutting spending now will not only lose you momentum, visibility and sales, it will hand those opportunities directly to your competition. And this alone ensures you will find it harder to recover your previous market position when the world finally returns to a semblance of normality.

Contact
Commercial Director - Steve Ray
0208 253 8652  steven.ray@emap.com