



# Survey Results

## ANA Recession Survey – 3<sup>rd</sup> Edition

### Impact of the economy on marketing and advertising budgets

August 2009

Almost exactly one year ago (late July/early August 2008) and again six months ago (late January/early February 2009) the Association of National Advertisers (ANA) polled its members to determine how marketing and advertising budgets were being impacted by the tough economic conditions. ANA repeated the survey again in late July/early August 2009 to monitor trends and gauge the current impact of the economy on budgets and practices.

The survey asked if members were being challenged with identifying cost savings or reductions, how much their marketing/advertising budgets would be reduced, what specific cost saving measures they were planning, and how budgets will look in the next six months.

128 client-side marketers responded to the most recent survey.

### Key Findings

#### Marketers are still pressured to reduce costs and spending.

Today, 87% of the respondents indicate they are identifying cost savings and reductions, the same as one year ago, and only slightly improved from 93% six months ago.

The top four ways marketers are reducing costs and spending remain the same.

- 81% are reducing departmental travel and expenses.
- 74% are reducing advertising media budgets.
- 71% are challenging agencies to reduce internal expenses and/or identify cost reductions.
- 64% are reducing advertising production budgets.

Reducing agency compensation continues to gain greater consideration by marketers. 56% are planning to do this today, versus 48% six months ago and 32% a year ago.

A positive note is that fewer marketers are eliminating/delaying new projects, compared with past surveys—53% in the most recent survey versus 58% six months ago and 61% a year ago.

Almost 30% of respondents today are planning to reduce their budgets by more than 20%. Six months ago 37% of respondents were planning to reduce budgets by more than 20%. This indicates that the deepest cuts may already have been made.



### Marketer spending in first half 2009 was worse than forecast in ANA's previous survey.

In January/February 2009, ANA asked if marketers thought their advertising budgets would increase, decrease, or remain the same in the next six months. In July/August 2009, ANA asked what really happened over the past six months.

- In January/February 2009, 49% of marketers thought their advertising budgets would be reduced in the next six months, when in fact, 62% experienced a budget decrease.
- 43% thought their budgets would remain the same, but only 32% did indeed stay the same.
- 8% thought they would see a budget increase, whereas 7% did.

This same trend of optimism followed by a starker reality also occurred when comparing July/August 2008 projections (for the next six months) with actual performance as surveyed in January/February 2009.

### Marketers continue to forecast lower spending for the balance of 2009.

So, what do marketers think will happen with advertising budgets in the next six months?

- 39% think their advertising budgets will be reduced (versus 49% in the last survey)
- 44% think budgets will stay the same (43% in last survey)
- 17% are hopeful their budgets will increase (8% last survey)

Current responses suggest some degree of optimism since the last survey.

## **Putting It In Perspective**

The economic climate remains tough for marketers, but has improved ever so slightly in the past six months. Today, 87% of marketers are challenged with identifying cost savings and reductions related to marketing and advertising—versus 93% six months ago.

The recession may be over according to some economic analysts. But it appears that marketers have “reset” their expectations and a greater degree of frugality may be the new normal.

## Detailed Findings

Question 1: With the current economic conditions, are you challenged with identifying cost savings and reductions in your current marketing and advertising efforts?

	<b>Jul/Aug'08</b>	<b>Jan/Feb'09</b>	<b>Jul/Aug'09</b>
Yes	87%	93%	87%
No	13%	7%	13%

Base: J/A '08: 100, J/F '09: 141, J/A '09: 128

Question 2: How much of your overall marketing budget are you planning to reduce?

	<b>Jul/Aug'08</b>	<b>Jan/Feb'09</b>	<b>Jul/Aug'09</b>
1-5%	19.2%	15.1%	21.9%
6-10%	33.3%	22.7%	22.9%
11-20%	26.9%	25.2%	26.0%
21-30%	10.3%	17.6%	11.5%
<i>More than 30%</i>	<i>10.3%</i>	<i>19.3%</i>	<i>17.7%</i>

Base: J/A '08: 78, J/F '09: 119, J/A '09: 96

Question 3: How are you planning to reduce costs and expenditures within your marketing or advertising efforts? Check all that apply.

	Jul/Aug'08	Jan/Feb'09	Jul/Aug'09
Departmental travel and expense restrictions	62.7%	87.1%	81.3%
Reduction in advertising campaign media budgets	69.3%	76.7%	73.6%
Challenge agencies to reduce internal expenses and/or identify cost reductions	62.7%	68.1%	71.4%
Reduction in advertising campaign production budgets	62.7%	72.4%	63.7%
Reduce agency compensation	32.0%	48.3%	56.0%
Departmental salary and/or hiring freezes	45.3%	56.9%	56.0%
Eliminate/delay new projects	61.3%	57.8%	52.7%
Alter mix of marketing channels to lower cost channels	40.0%	44.0%	46.2%
Reduce/eliminate use of outside consultants (e.g. management consultants)	36.0%	43.1%	41.8%
Reduction in spending on research	--	--	34.1%
Conduct compliance audits for recovery of misbillings, over-payments	13.3%	13.8%	17.6%
Use freelancers to fill open positions (instead of hiring full-time employees)	24.0%	18.1%	16.5%
Use open bid sourcing among agencies for projects/campaigns	12.0%	11.2%	14.3%
Decoupling of services from the agency and buy direct from supplier	21.3%	14.7%	8.8%
Use online reverse auctions to bid down/identify lowest cost supplier	12.0%	9.5%	4.4%

Base: J/A '08: 75, J/F '09: 116, J/A '09: 91

Question 4: Jan/Feb 2009: In the next six months, do you think your advertising budget will...

Question 4: July/Aug 2009: Over the past six months, has your advertising budget...

	<b>Jan/Feb'09 Prediction</b>	<b>July/Aug'09 Actual</b>
Remain(ed) the same	43.2%	31.8%
Increase(d)	8.0%	6.5%
Reduce(d)	48.8%	61.7%

Base: J/F '09: 127, J/A '09: 107

Question 5: In the next six months, do you think your advertising budget will

	<u>Jan/Feb '09</u>	<u>July/Aug '09</u>
Remain the same	43.2%	43.9%
Be increased	8.0%	16.8%
Be reduced	48.8%	39.3%

Base: J/F '09: 125, J/A '09: 107

Question 6: In which category of product or service does your organization primarily market?  
Please select one response only.

	<b>Jul/Aug'08</b>	<b>Jan/Feb'09</b>	<b>Jul/Aug'09</b>
Automotive, Motorcycles	8.6%	6.7%	1.9%
Financial Services, Insurance	18.5%	17.5%	22.3%
Business & Professional Services	3.7%	1.7%	1.0%
Consumer Durables	2.5%	4.2%	2.9%
Consumer Electronics	1.2%	2.5%	1.0%
Consumer Packaged Goods	11.1%	12.5%	15.5%
Consumer Services	3.7%	2.5%	0.0%
Computers & Technology	9.8%	9.2%	4.9%
Energy, Utilities	2.5%	4.2%	3.9%
Entertainment, Media, Sports	2.5%	1.7%	1.0%
Food, Beverage, Tobacco	3.7%	12.5%	9.7%
Health & Beauty	2.5%	0.8%	2.9%
Healthcare	4.9%	5.0%	1.9%
Manufacturing, Industrial Goods & Services	1.2%	2.5%	4.9%
Pharmaceuticals	12.3%	6.7%	4.9%
Restaurants, Fast Food, Grocery Stores	1.2%	2.5%	3.9%
Retail	7.4%	2.5%	2.9%
Telecommunications	6.2%	2.5%	3.9%
Travel, Transportation, Tourism, Hospitality	4.9%	2.5%	4.9%
Other:	--	--	5.8%

Base: J/A '08: 81, J/F '09: 120, J/A '09: 103