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THE BIG STORY

Make advertising your business in a downturn to keep selling and grow

RESEARCH McGrawHill Financials has found out numbers grow by up to 256 per cent

BY VICTOR AMADALA

Companies that advertise vigorously during an economic slowdown are likely to increase sales by up to 256 per cent, according to a study by McGraw-Hill Financials, a US based global provider of ratings, benchmarks and analytics in capital and commodity markets.

This finding perhaps provides fodder for marketers in Kenya, who are faced with the challenge of promoting sales as the country struggles with high lending rates, negative trade and budget balances, and rising unemployment.

Last year, the Kenya Revenue Authority missed its tax collection targets by Sh67.7bn, with total cumulative revenue, including Appropriations-In-Aid (AIA), of Sh575.2bn against a target of Sh642.9bn. The Treasury blamed this shortfall on diminishing Pay-As-You-Earn (PAYE) and Value Added Tax (VAT) returns due to retrenchments in the corporate sector fueled by high operational costs.

At the same time, as many as 18 companies in the insurance, banking, media, construction, motor and logistics sectors last year issued profit warnings.

The unemployment rate stands at 40 per cent, up from 12 per cent a decade ago, while the average lending rate has moved upwards again to 18.3 per cent from 17.17 per cent in November last year.

In such climates, most companies tend to control costs and maintain liquidity. But the McGraw-Hill study shows that companies that consistently advertise even during recessions perform better in the long run.

The study of 600 companies from 1980 to 1985 found those businesses that chose to maintain or raise their level of advertising expenditures during the 1981 and 1982 recession in the US had significantly higher sales after the economy recovered.

Some of the challenges for firms in Kenya are high lending rates, negative trade and budget balances, and rising unemployment. FILE

More strikingly still, companies that advertised aggressively during the recession had sales 256 per cent higher than those that did not continue to advertise.

McGraw-Hill's study is complemented by another by Wharton marketing professor Leonard Lodish who explains that when companies slash advertising in a downturn, they leave empty space in consumers' minds for aggressive marketers to make strong inroads.

During a recession, when consumers are experiencing anxiety, companies have to come up with ads that try to empower and help them stay positive, he says.

Another marketer Matt William of Martin Marketing agency based in the US and operating in 23 countries says that companies that slash their advertising and communication budgets in the downturn spend four to five times the money saved to regain share of the voice in the market once the economy turns around.

He argues that marketers should position the brand as an ally to customers in tough times, through ads and other sales promotions.

Another survey by Ad Age, which analysed the results of 26 global companies dealing in household and personal-care products from 1986 to 2006 found that brands that had a fluctuating advertising budgets, with most of it slashed during recessions, lost to private labels immediately after recessions and long after.

However, even though most researchers are encouraging brands to continue advertising even during economic turmoil, Shar Vonboskirk, vice-president at Forrester Research is warning them to shun traditional expensive advertising platforms and embrace digital options, which are less expensive.

Elsewhere, a *Harvard Business Review* study dubbed, '*How to market in a down turn*' explains that advertisers must consider consumers' emotions in their ads, since bad economic news erode consumers "confidence and buying power, driving them to adjust their behavior in fundamental and perhaps permanent ways".

-AFRICAN LAUGHTER

Firms that have adopted energy-saving practices feted at ceremony

BY NEVILLE OTUKI

Cigarette maker British American Tobacco (BAT) bagged the top spot at this year's fete recognising manufacturers with best energy-saving practices as Sarova Stanley Hotel shone in the service industry.

BAT was on Friday crowned the overall winner in the Energy Management Awards (EMA), organised annually by the Kenya Association of Manufacturers (KAM) — the industry lobby.

Thirteen companies, including Jomo Kenyatta University of Agriculture and Technology (Jkuat), were feted in the 12th edition of the awards that attracted 120 entries.

KAM chief executive Phyllis Wakiaga said that energy audits indicate that the country has been saving Sh1 billion annually from efficient use of power by large users in the past 12 years.

The Energy (Management) Regulations 2012 directs industries, business premises and institutions with annual power needs of more than 180,000 kilowatt hours (kWh) to conduct energy audits at least once every three years.

The audits, whose deadline was last year, aim to troubleshoot and seal loopholes in energy leakages.

Energy PS Joseph Njoroge (centre) presents the overall winner award to BAT staff on Friday night. JEFF ANGOTE

BAT, which uses both electric and thermal energy, conducted its audit in October 2014 and would save 1.4 million mega joules (MJ) or Sh10.9 million per year if it adhered to the recommendations including investing in energy efficient equipment.

Deputy President William Ruto said the government was keen to further cut power costs through increased investment in cheaper renewable energy to sharpen manufacturers' competitiveness.

"This should translate into cheaper goods," said Mr Ruto during the gala.

The industrialists lobby has recently complained that the current electricity tariff of Sh15 ($0.15) per unit is eating into their margins.

Other companies feted include Bamburi Cement, Mzuri Sweets, Premier Foods, Kenya Breweries, Bidco Africa, Brookside Dairies and Haco Tiger Industries.

Mombasa Cement, Gitugi Tea Factory and Chandaria Industries were also crowned.

The energy awards are part of the country's Clean Sustainable Energy policy meant to conserve energy, boost awareness on climate change and champion use of renewable energy.