

**Advertising & Marketing**  
**During An**  
**Economic Downturn**

*Compiled by*  
*David Stanley*  
*Industrial Equipment News*

If a company fails to maintain its “Share-of-Mind” during an economic downturn, current and future sales are jeopardized. Maintaining “Share-of-Mind” through a combination of print, web presence and trade show activity will cost significantly less than having to rebuild “Share-of-Market” at a later date.

- ABM

## PIMS – THE MAJOR PROGRAM OF SPI

The Strategic Planning Institute (SPI) of Cambridge, Mass., is a non-profit membership organization dedicated to the advancement of strategic business management. SPI manages the PIMS (Profit Impact of Marketing Strategies) database, which consists of over 200 corporate members. These firms provide specific information on their individual businesses, now totaling nearly 2000. A majority of these businesses produce industrial products or services.

By analyzing these business experiences, the PIMS staff discovers the general “laws” that determine what marketing strategies, in what kind of competitive environment, produce what profit results.

PIMS began as an internal project of the General Electric Company to assist corporate and division level planning. From 1972 to 1974, the PIMS program was established as a development project at the Harvard Business School, and then eventually organized as an autonomous institute, SPI.

In 1980, SPI completed a major research project with Cahners Publishing Company evaluating the relationship between brand awareness/preference, market share and profitability, and the impact advertising has on this relationship. This report, “Brand Awareness as a Tool for Profitability,” provided an analysis of advertising accountability for industrial businesses.

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### **TECHNICAL NOTES**

*The sample for this research was selected from the PIMS database, which contains the actual experiences of over 1,000 industrial businesses. These include businesses described as: Capital Goods Manufacturing, Raw or Semi-Finished Materials Manufacturing, Components for Finished Products Manufacturing, Supplies or Consumable Products Manufacturing. The annual data describing each business covers a minimum of four years to a maximum of 10 years (from 1970 to 1981). The sample included only businesses with non-zero media advertising expenditures, over 500 businesses in all. Through the technique of “pooling,” the sample was expanded to slightly more than 1,000 total experiences.*

#### *Definitions of Market Conditions*

*Recession Stage in Served Market: Short-term Growth  
Minus Long-term Growth < -4*

*Expansion Stage in Served Market: Short-term Growth  
Minus Long-term Growth > +4*

**MEDIA ADVERTISING WHEN YOUR MARKET IS IN A RECESSION**

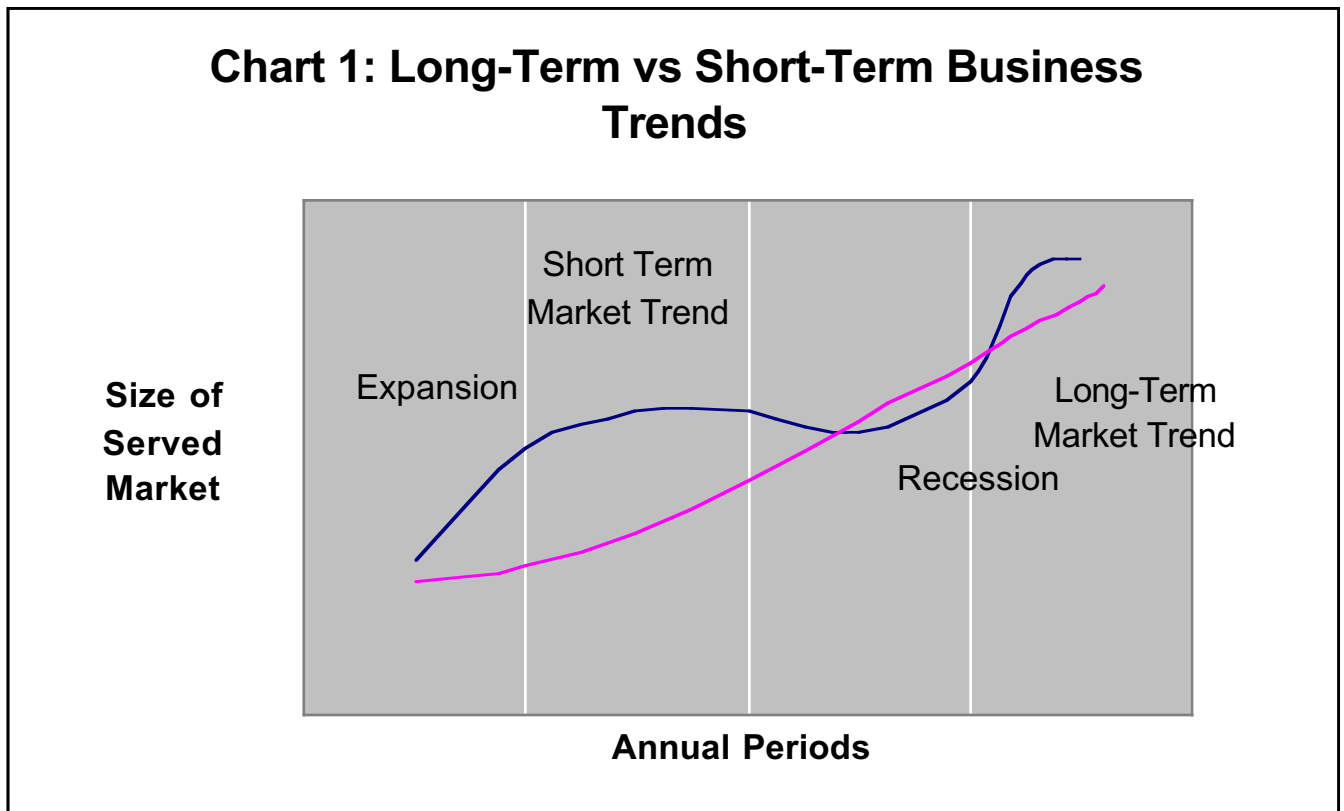
By: Dr. Valerie Kijewski

We commonly think of recession in a national framework, the U.S. economy is either doing well or it is not. Yet some businesses are counter-cyclical and thus defy general recession periods.

To better understand periodic business behavior, an alternative definition of recession is needed which is not dependent on national economic behavior. If we establish that every business serves a particular market, then we can define “recession” as being a condition in which the market you serve, at one point in time, is growing at a rate substantially slower than the market’s long-term trend.

Chart 1 illustrates this concept. The black time-series line is the long-term market trend based on a four-year average. The blue line represents the short-term (one year) recession and expansion stages.

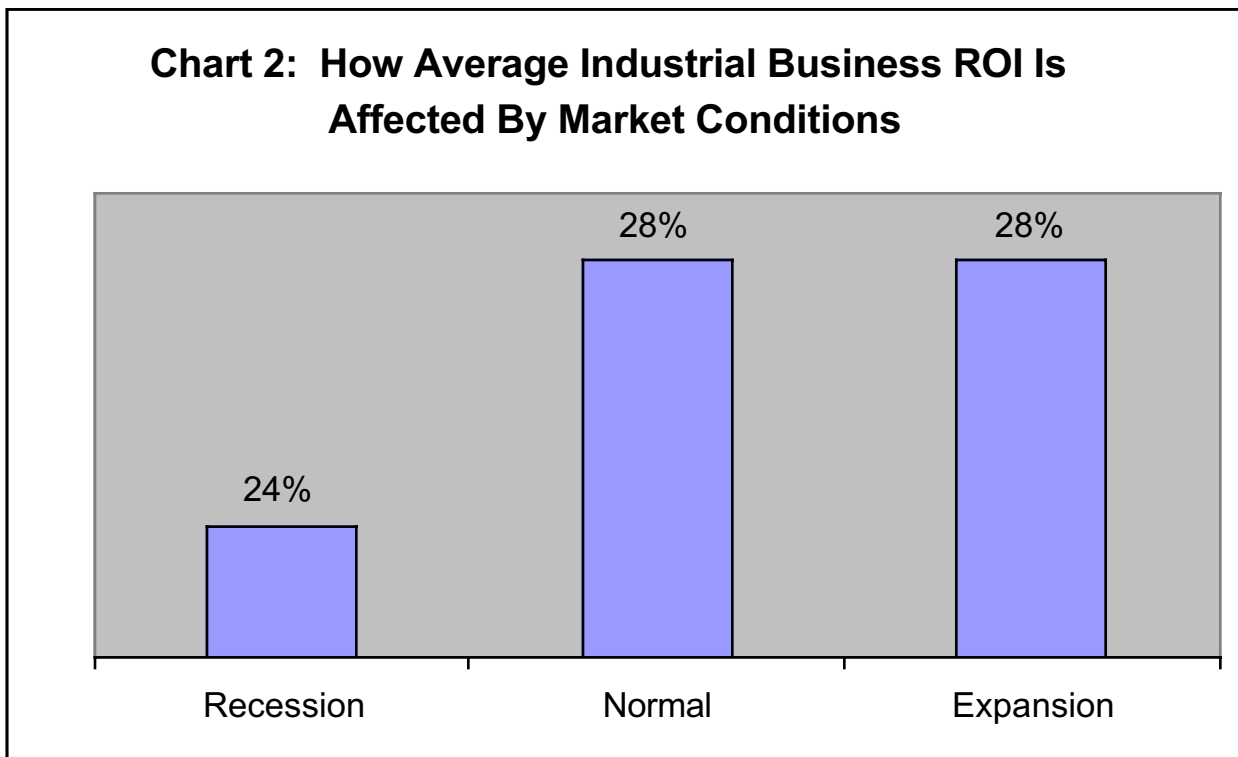
We can now compare these two trend lines. When the short-term growth exceeds the long-term growth by 4 percentage points, we consider the market to be in an expansion period. When short-term growth lags long-term growth 4 points or more, it is a recession. Periods in between are considered normal. However, the determination of the stage in the business cycle is entirely dependent on served market growth and has no direct relationship to the national economy or other traditional measures of recession.



### IMPACT ON PROFITABILITY

Utilizing the PIMS data base, we can examine the impact of served market expansion or recession periods on the pre-tax, pre-interest return on investment of over 1,000 industrial business experiences which constituted the sample for this report.

Chart 2 shows the impact on ROI during different stages of the business cycle. During a recessionary period, average businesses do experience a slightly lower rate of return relative to normal times. However, expansion times do not generate a higher level of profits than normal periods as might be expected. The explanation of this phenomenon involves an analysis of market share changes, which follows.



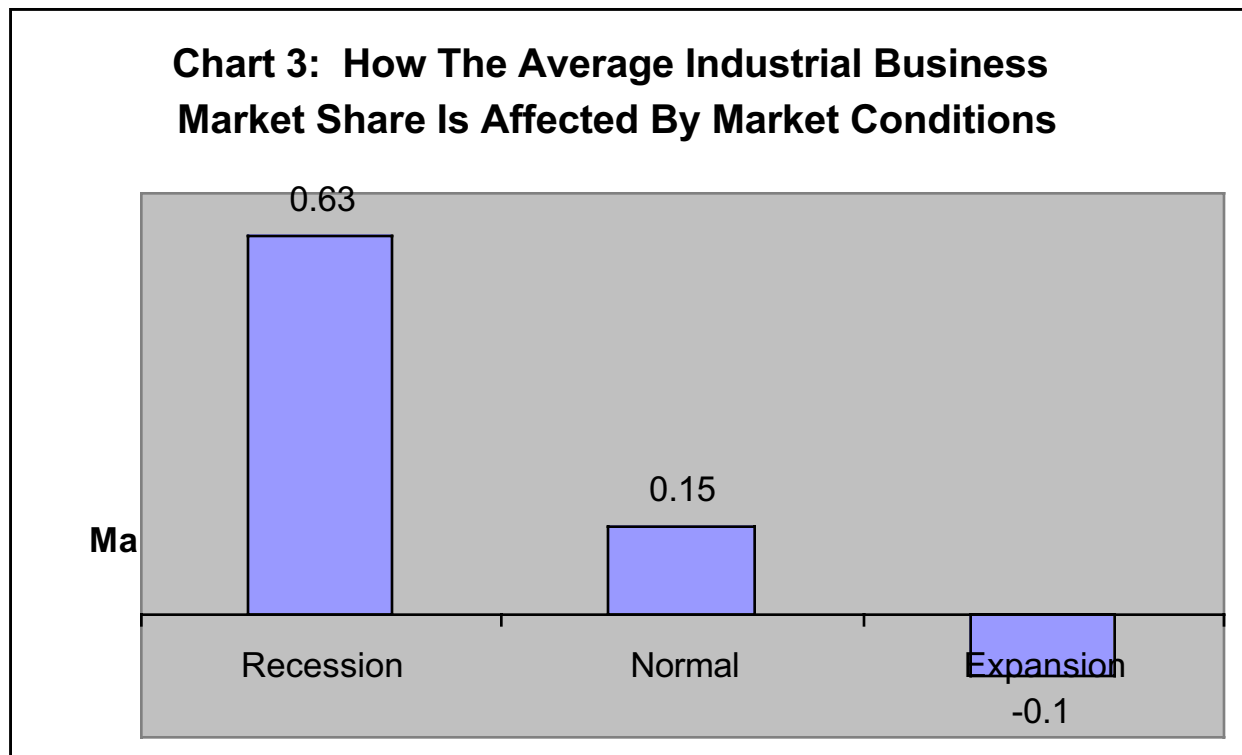
## MARKET SHARE OPPORTUNITIES

In a market downturn, the average industrial business experiences increased market share.

Chart 3 illustrates the average PIMS industrial business performance in different market situations and shows that during recessionary periods these businesses tended to gain a greater share of market. The underlying reason is competitors, especially smaller marginal ones, are less willing or able to defend against the aggressive firms. Some competitors may erroneously believe others are being hit as severely by the market recession, and simply blame their loss of sales on the severity of the downturn rather than realize that their share of market is being eroded.

During expansion periods some businesses have difficulty meeting the growing demand, allowing competitors easier entry into the market. Thus, the average business tends to lose some market share even though unit growth may be satisfactory. The importance of monitoring *both* unit sales and market share cannot be overemphasized.

In either case, businesses can help improve their share of market by increasing their expenditures on media advertising.



**MEDIA ADVERTISING IMPROVES MARKET SHARE**

Chart 4 shows that businesses making major increases in media advertising expenditures during the recessionary period gained an average of 1.5 points of market share. This level of aggressiveness was displayed by only 25% of the businesses. Thus, by being aggressive, these businesses outperformed the average business, which, as we saw earlier, gained only 0.63 points of share during market recession.

During market expansion periods, over 80% of the businesses increased media advertising expenditures. The problem, however, is that no particular share gain was achieved, on average, because most firms take the same action. Thus, the consistency of ROI levels between normal and expansion periods is maintained.

We do see the danger of falling behind in media advertising. Those businesses that reduced their media advertising during the expansion lost one point of share. We cannot say, without additional information, whether the pulling back of media advertising caused a loss of share or whether it was caused by the lack of production capacity to serve the growing market. However, any program of increased media advertising should be a part of your marketing *and* business strategies.

**CHART 4: HOW MEDIA ADVERTISING EXPENDITURES AFFECT SHARE OF MARKET**  
 Percentage Change in Media Advertising Expenditures

Ave. Point Change in Share of Market

		Decrease	Increase	
			Up to 28%	28-80%
Market Conditions	Recession	0.2	0.5	1.5
	Normal	0.2	0.2	0.2
	Expansion	- 1.0	0.2	0.2
		0%	28%	

## THE VALUE OF ADVERTISING DURING AN ECONOMIC DOWNTURN

Presented by American Business Media

*History has proven companies that maintain or increase their advertising investments in periods of economic downturns, increase their sales and share of market, both during and after the downturn.*

### Here are the Facts:

- § Maintaining or increasing advertising budget levels during economic downturns may be necessary in terms of protecting market position vis-à-vis forward looking competitors.<sup>1</sup>
- § If a company fails to maintain its “Share of Mind” during an economic downturn, current and future sales are jeopardized. Maintaining “Share of Mind” costs much less than rebuilding it later on.<sup>2</sup>
- § If during an economic downturn you maintain a strong advertising presence while your competitor cuts his budget, you will automatically increase your “Share of Mind.”<sup>3</sup>
- § Advertising through both boom and down times sustains the necessary brand recognition.<sup>4</sup>
- § Maintaining a company’s advertising during an economic downturn will give the image of corporate stability within a chaotic business environment, and give the advertiser the chance to dominate the advertising media.<sup>5</sup>
- § Economic downturns reward the aggressive advertiser and penalize the timid one.<sup>6</sup>
- § During an economic downturn, a strong advertising/marketing effort enables a firm to solidify its customer base, take business away from less aggressive competitors, and position itself for future growth during the recovery.<sup>7</sup>
- § When times are good, you should advertise; when times are bad, you must advertise.<sup>8</sup>
- § Advertising in an economic downturn should be regarded not as a drain on profits, but as a contributor to profits.<sup>9</sup>

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<sup>1</sup> *How Advertising in Recession Periods Affect Sales*, ABM

<sup>2</sup> *Ibid*

<sup>3</sup> *San Diego Executive Magazine*

<sup>4</sup> *Making A Recession Work For You*, ABM

<sup>5</sup> *Ibid*

<sup>6</sup> The Strategic Planning Institute

<sup>7</sup> Coopers & Lybrand

<sup>8</sup> *Making a Recession Work For You*, ABM

<sup>9</sup> *Harvard Business Review*

**6/04/01****NATIONAL PERIODICAL FOCUS GROUP MEETS IN CHICAGO**

From May 29-31, 2001, more than 400 representatives from publishers, printers, fulfillment houses and others met in Chicago with top postal officials, including new Postmaster General Jack Potter, to address the present and future of Periodicals service and rates. The meeting, co-chaired for the industry by Joyce McGarvy (Crain Communications), was well attended by ABM member companies, some of whom, along with ABM Postal Counsel David Straus, addressed the group. The Postal Service stressed that the same attention that has produced cost reductions for letter mail processing is now being paid to flat –shaped mail and that we have already begun to see the results. Nevertheless, they insisted, the Postal Service's financial situation remains irrevocably dire, and there appears to be little chance of avoiding another rate filing this year. The only good news is that there will be some delay in the rate increase request, which was originally forecast for July 2001. Now, October 2001 seems more probable. Rates would increase about a year later.

**NEW STUDY DOCUMENTS INCREASED FREQUENCY OF b2b-PUBLICATION AD EXPOSURES PROVIDES ADVERTISERS MORE SALES PER MEDIA-DOLLAR**

According to an independent study conducted by Fairfield Research, Inc., the higher the frequency of exposure to trade-publication advertising, the sales from reader purchases increases more than arithmetically and delivers to the advertiser more sales per media-dollar invested. In this study, 1,000 adult workers were surveyed in-depth with regard to the incidence and frequency of exposure to trade-publication advertising. In addition, readers' subsequent buying behaviors associated with those ads were measured and used in determining the impact of the frequency of trade-publication, ad exposures on sales.

**ABM ADVERTISING AND MARKETING MATERIALS HELP MEMBERS WEATHER THE ECONOMIC DOWNTURN**

ABM's b2b Sales Packet, which includes new advertising and marketing materials, is available to members. The new packet includes: *b2b magazines: first read of decision makers, b2b Convergence In-Print, On-Line, In-Person, and What Makes a Great b2b Ad?* Brochures: *The Value of Advertising During An Economic Downturn*; and 2 Fairfield Research Studies. Each packet costs \$19.95.

## **FAST TRACK MEDIA MANAGEMENT PROGRAM TAKES ITS SHOW ON THE ROAD**

ABM along with the Western Publications Association (WPA) will hold the Fast Track Media Management Program, Tuesday, July 10. The one-day event will take place at the Los Angeles Airport Marriott, 8:30 a.m. – 6 p.m. The Fast Track program will provide attendees with a complete understanding of b2b media. This one-day program will include editorial, circulation, sales/marketing, finance, and relationships of print and brand extensions: how to manage the combination of print, trade shows/seminars, and on-line services to increase profitability. The program is geared toward junior-to-middle-management employees who are on the fast track to becoming tomorrow's top executives. Attendees will receive an ABM endorsed certificate of attendance after completing this one-day seminar.

Featured speakers include: Paul Beatty, President, Business Technology Comm.; Ty Bobit, President/COO, Bobit Publishing Co.; Peter Craig, Partner, Bay Sherman Craig & Goldstein LLP; Jim Losh, Director, Strategic Site Development, B2Bworks; Kevin McKean, Editorial Director, PC World; Christine Oldenbrook, Vice President, Circulation, 101 Communications; William Slapin, Vice Chairman, 101 Communications; and Tom Vaiciulis, Manager, Marketing Services, Western Region, BPA International.

## **ABM SPRING MEETING INTEGRATED MEDIA PANEL STREAMING VIDEO AVAILABLE ON THE WEB**

The streaming video of the ABM Spring Meeting Integrated Media Panel is available for viewing. Please visit the ABM home page at **Error! Reference source not found.** and click on the streampipe logo. The integrated Media Panel was moderated by David Klein, Vice President, Publishing and Editorial Director, The Ad Age Group, and Editorial Director, *BtoB* magazine, with panelists Rex Hammock, Founder and Chairman, Hammock Publishing, Inc., John Kahan, Vice President, Integrated Marketing Communications, Sector & Solutions Group, IBM; John Keck, Senior Vice President/Global Interactive Media Director, Foote, Cone & Belding (FCB) San Francisco; and Wenda Harris Millard, President, Ziff Davis Internet, and Chief Internet Officer, Ziff Davis Media. Panelists discussed the challenges and rewards of integrated media.

To view the video you must have the latest version of RealNetworks or Windows Media Player. ABM would like to thank streampipe for providing us with the streaming video.

## ***SWOP FOR THE NEW MILLENNIUM: 2001 SPECIFICATIONS RELEASED***

SWOP (Specifications for Web Offset Publications) Inc., has released *SWOP for the New Millennium 2001, Specifications for Web Offset Publications*. The new edition addresses some of the challenges resulting from the increased use of digital files with detailed specifications and requirements designed to minimize these problems.

When asked to describe b2b publications, many readers responded with one word: credible

### **Media Credibility Index**

b2b Publications	350	Wall Street Journal	230
Barrons	320	Forbes	227
Economist	280	Fortune	220

Source: Siegel & Gale Executive Study

b2b buyers look at trade magazines first when they want to learn about procurement options.

### **Turned To First...**

Trade Magazines	39%
Print directories & reference books	15%
Broad-based search engines	15%

Source: Cahners "Magazine Advertising in the 21<sup>st</sup> Century", Sept. 1998

The cost per impression on a b2b ad is less than 1/800<sup>th</sup> of the cost of a sales call.

### **Cost Per Contact:**

Specialized b2b magazine	34 cents
Internet contact	98 cents
Bulk-mail, direct-mail piece	\$1.68
Business letter	\$13.60
Telemarketing contact	\$31.60
Sales call	\$277.00

Source: Penton PRO Report #303A, Fall 1997

## **ADVERTISING IN A DOWN ECONOMY**

**Or what you need to do as the economy goes down the drain**

### **Smart move or fiscally irresponsible?**

The danger posed by a market slowdown is more in how companies react to the situation rather than actual change in customer behavior. Manufacturers run the risk of creating the very attitudes that accelerate the slowdown process. When a company stops advertising, they stop stimulating the demand for their products.

Studies have shown that during a downturn the level of total customer spending will ordinarily only drop a few percentage points. The apparent loss of spending is more realistically explained by shifts and changes in customer demand, rather than as an end to consumption. The smart advertiser will adjust to these changes, or be left behind.

The key to surviving is to keep advertising. A company's most important asset is the "customer franchise", or share of mind. All advertising is aimed at creating a strong presence for the brand by cultivating a positive and consistent image. Advertising efforts of past and present will culminate in the purchase of the brand. If this share of mind is not maintained during a slowdown, current and future sales will jeopardized. A study by McGraw-Hill found companies that cut their advertising during the early 70's recession, lost momentum and reported slower sales growth after the recession.

### **Opportunities are always there.**

During a market expansion, some businesses have difficulty meeting growing demand, which allows new competitors easy entry into the market. Thus the average business tends to lose some market share even when unit sales may be satisfactory.

Why do enlightened marketers, during a market pullback, actually increase their advertising? They have found that competitors are less willing or able to defend against aggressive firms and they can also win enough national or local market to actually push out marginal players. They have also learned that if the other guys cut back, there is less "clutter" in the market so their advertising actually has greater impact on customers.

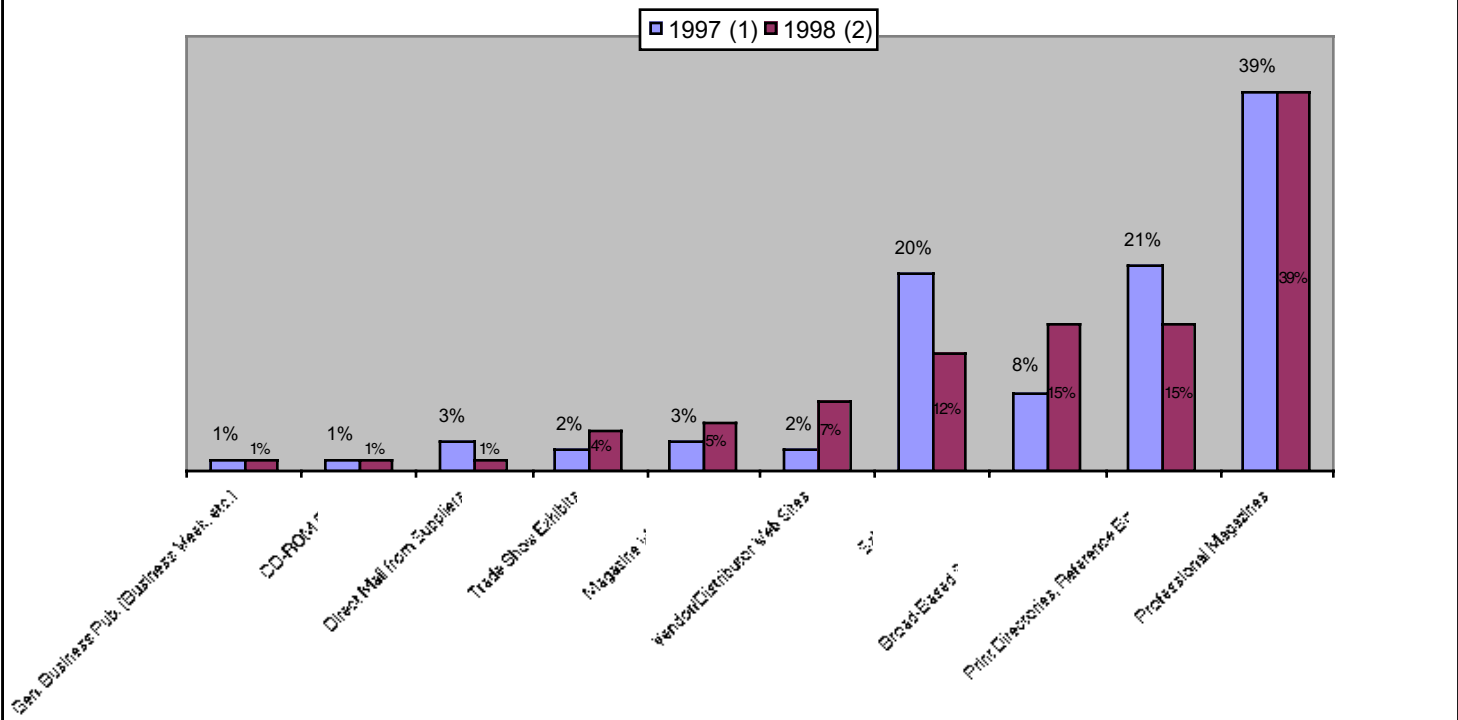
While customers may not be able to buy product right away, the share of mind has been established.

### **Tune-in or be Tuned-out**

To create the most effective advertising, the manufacturer should be aware of customer concerns during a downturn. Customers will be readjusting their buying patterns to fit what they perceive to be their new circumstances. They will review their buying policies and traditional brand loyalties. As buyers begin to explore and consider other alternatives, they become increasingly responsive to advertising and promotion. Advertising at this time will not only hold onto current customers but also attract new ones, if the right message is presented. And therein lies a primary reason that manufacturers must stay tuned-in to their market.

In summary, the keys to successful advertising in a down economy are:  
Be Aggressive, Be Smart, and Be There!

**When Buyers/Specifiers Start New Projects, They Consistently Look First To The Professional Magazines For the Latest Product/Vendor Options**

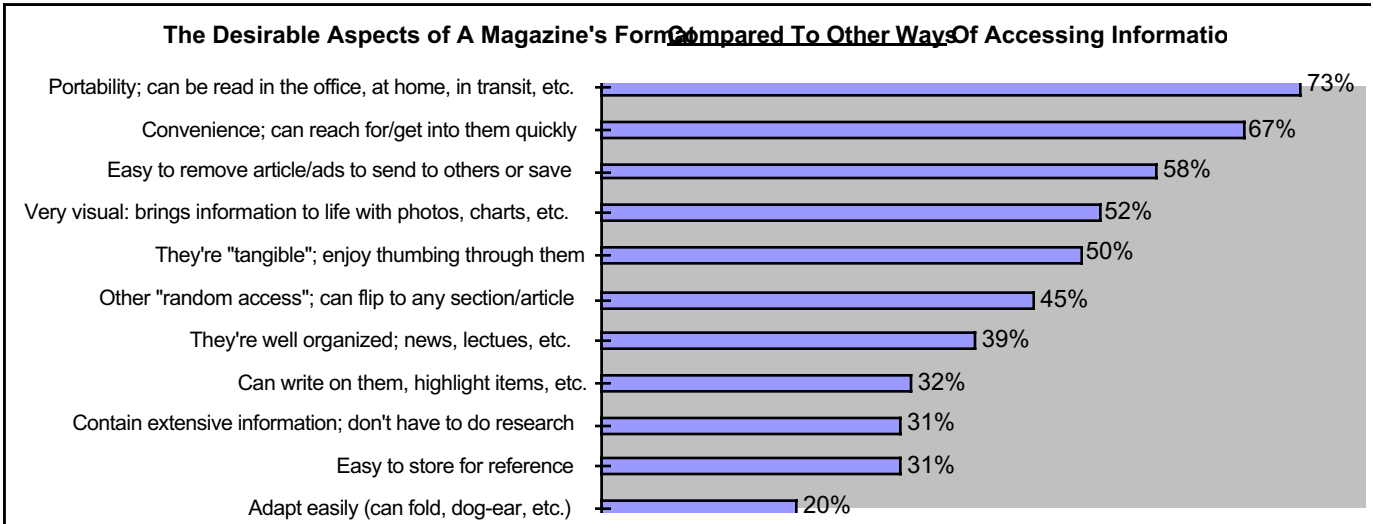


- (1) Manufacturing markets only (“The Interlocking Roles of Magazines And Online Media”; Martin Akel & Associates; 1997)
- (2) Manufacturing, electronic communications, distribution, scientific, healthcare, building/construction markets (“Magazine Advertising In The 21<sup>st</sup> Century”; Martin Akel & Associates, 1998)

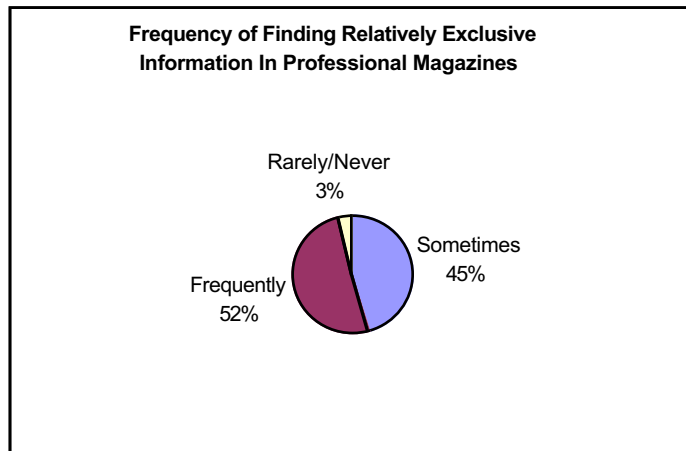
**CONCLUSIONS:**

- § Even with the widespread use of electronic media, *magazines and magazine advertising* remain unchanged as the *primary* communications method via which professionals stay current with new products, services and vendors.
- § They are viewed both as the most *useful* medium for this purpose as well as being the first source buyers/specifiers turn to when actively looking for their latest options.
- § Therefore, while today’s communications mix may be adjusted to account for newer media, the *foundation* of that investment should continue to be *magazine advertising*... because it retains enormous power to make continuous market contact.

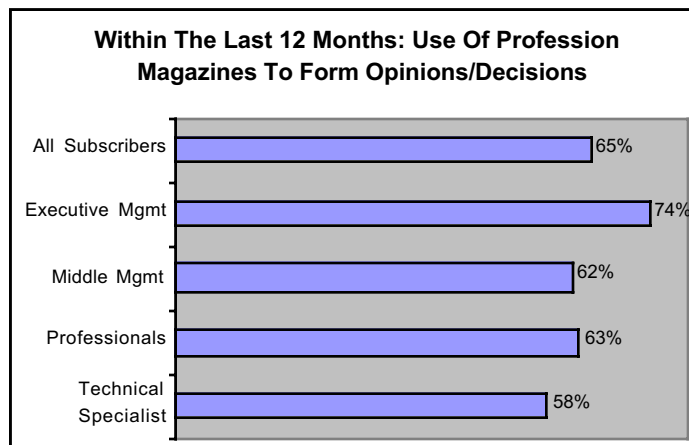
# 99% Of Professionals Believe That A Magazine's PRINT Format Offers Them Distinct Advantages



## They Often Discover Information In Professional Magazines Not Readily Available In Other Media



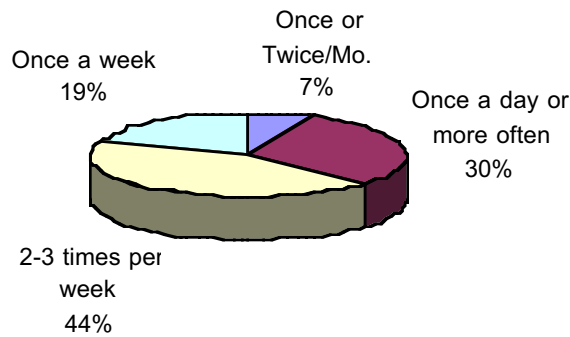
## They Frequently Use Their Magazines To Help Form Opinions And Make Decisions



**...And Almost Half Expect To Spend Even More Time Reading Business-to-Business Magazines In The Next Century**

The Average Professional Can Be Contacted During Four Different Reading Sessions Per Week

**Number of Times Professional Magazines Are Read Per Week**



Professionals Spend About 18 Full Working Days<sup>1</sup> Each Year Involved With Business-To-Business Magazines

**Time Spent With Professional Magazines Per Week**

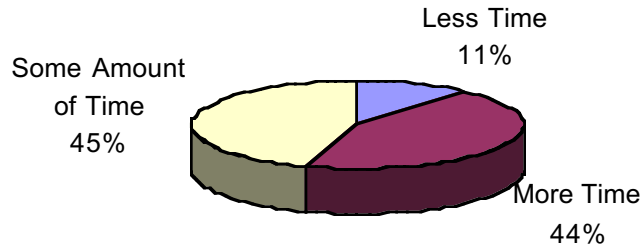
BY AGE	
20 – 29 Yrs. Old	3.0 Hrs.
30 – 39 Yrs. Old	2.6 Hrs.
40 – 49 Yrs. Old	2.7 Hrs.
50 Yrs. +	2.9 Hrs.
All Ages	2.8 Hrs.

BY ONLINE USAGE	
Now Online	2.9 Hrs.
Likely To Go Online	2.4 Hrs.
No Online Activity	2.6 Hrs.

<sup>1</sup> 2.8 hrs. per week x 50 weeks = 140 hrs – 17.5 eight-hour working days

The Time Invested In Reading Professional Magazines  
Will Expand In The Next 3-4 Years (1998-2002)

**89% Will Spend Either The Same Amount of Time Or  
More With Magazines**



**Number Likely To Spend More Time  
With Professional Magazines**

BY AGE	
20 – 29 Yrs. Old	49%
30 – 39 Yrs. Old	49%
40 – 49 Yrs. Old	42%
50 Yrs. +	43%
All Ages	44%

**CONCLUSIONS:**

§ Why are professional magazines still perceived as the most useful business-to-business medium? Because in an era of formidable challenges, they’re viewed as offering continuing education solutions...reporting on the latest management approaches and technologies, and interpreting them for individual market applications.

§ Magazines are also desired because they offer unique advantages...including portability, convenience of use, and highly visual presentations.

§ Even younger professionals and users of online media are heavily involved with their professional magazines – and they fully intend to embrace that medium in the new century.

§

Therefore, magazine advertisements will continue to appear in a medium that’s greatly valued by buyers and specifiers... one that’s an exceptional venue in which to showcase technological solutions.

**OVERALL CONCLUSION**

**Connecting Buyers And Sellers In The 21<sup>st</sup> Century:**

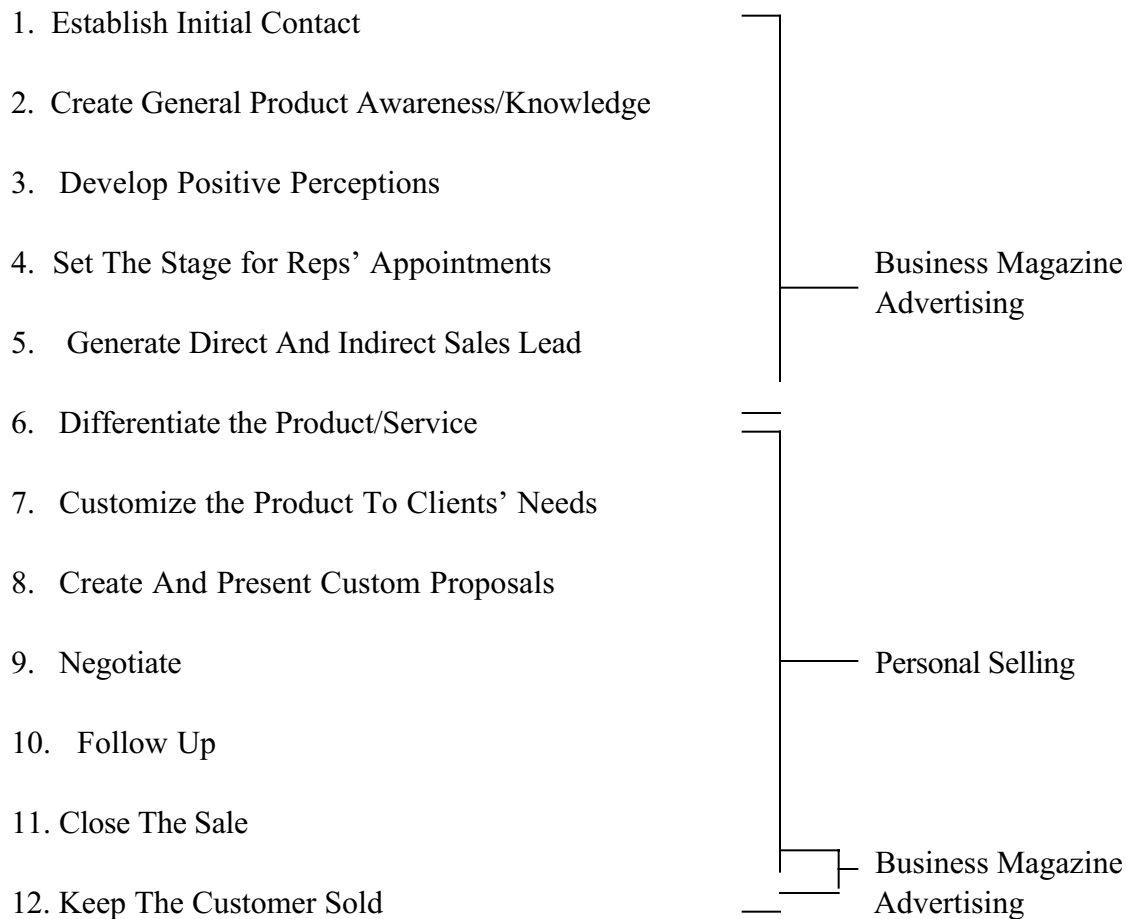
Advertising in business-to-business magazines will continue to be a necessary and powerful complement to vendor sales staffs ... Accelerating and shortening the brand adoption process more effectively than any other medium.

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Business magazine advertising accelerates and shortens the sales process because it allows sales reps to concentrate on what they do best.

**STEPS IN THE SALES PROCESS**

**EFFECTIVE ROLES**



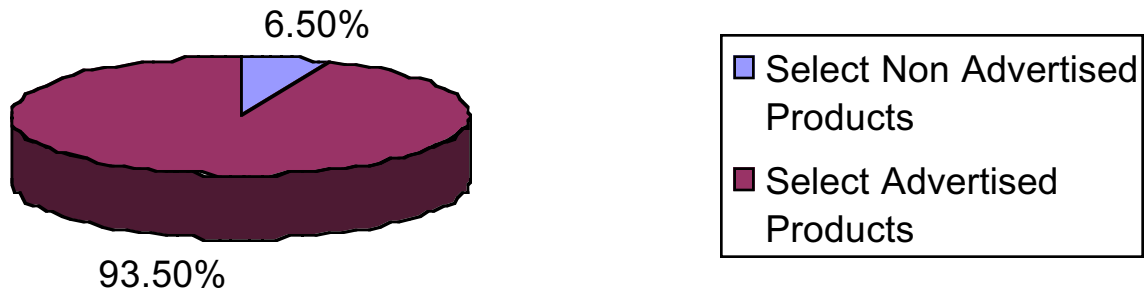
# Cahners Advertising Research Report

NO. 103.1B  
Replaces 103.1A

## Do Specialized Business Magazine Readers Have a Preference For Specifying/Purchasing Advertised Or Non-Advertised Products?

94 % of readers prefer to specify/  
purchase advertised products.

% OF READERS



**Cahners Publishing Company***A DIVISION OF REED PUBLISHING USA*

Specialized Magazines for Building & Construction, Research, Technology, Electronics, Computing, Printing, Publishing, Health Care, Foodservice, Packaging, Environmental Engineering, Manufacturing, Entertainment, Home Furnishings, Interior Design, Child Care, Boating, and Wedding Planning.

**Purpose:**

To determine if specialized business magazine readers specify and/or purchase non-advertised products or services.

**Methodology:**

Cahners Research surveyed 4,000 readers from 10 Cahners publications to determine preference for specifying/purchasing advertised or non-advertised products. These publications represent the diversity of markets and job functions covered by Cahners publications. A 21% response rate was received. The survey included the question, "Suppose you wanted to specify/purchase a product which was obtainable from two different manufacturers. The products were identical in price, etc. One product was advertised the other was not. Which would you select?"

**Conclusion:**

94% of specialized business magazine readers prefer to specify/purchase advertised products or services.

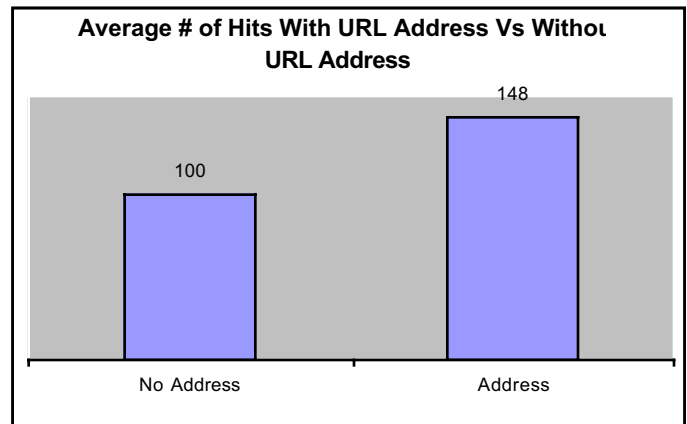
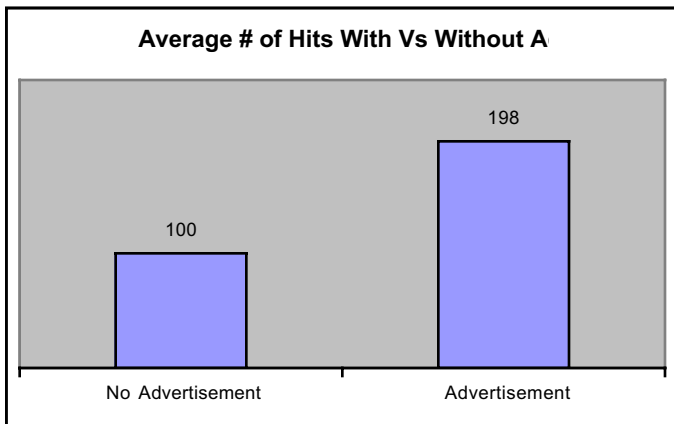
# Cahners Advertising Research Report

NO. 840.0

## Does Print Advertising in Publications Help Build Web Site Activity?

Yes. A review of file transmission activity for Daily Variety’s Showbiz Expo Web site (Error! Reference source not found.) demonstrates that the average number of “hits” nearly doubled on days when a print advertisement appeared in the publication. In particular, the average number of “hits” is greatest when the URL address appears in the ad copy.

### INDEX VALUE (Indexed to 100)



**Cahners Publishing Company***A DIVISION OF REED PUBLISHING USA*

Specialized Magazines for Building & Construction, Research, Technology, Electronics, Computing, Printing, Publishing, Health Care, Foodservice, Packaging, Environmental Engineering, Manufacturing, Entertainment, Home Furnishings, Interior Design, Child Care, Boating, and Wedding Planning.

**Purpose:**

To determine how a print advertisement in a publication stimulates web site activity.

**Methodology:**

World Wide Web access statistics for Daily Variety were analyzed for the period May 15, 1996 (the day the site was launched) to June 20, 1996 (the last day of the trade show).

**Findings:**

The data shows that the average number of “hits” on days when an advertisement appeared in Daily Variety is nearly double than when there was no advertisement. Additionally, when the URL address (**Error! Reference source not found.**) appeared in the print advertisement, “hits” increased by nearly fifty percent.

**Conclusion:**

Print advertising in publications plays a key role in building web site activity. Advertisements should prominently display the URL address of the web site to stimulate activity.

## Cahners Advertising Research Report

NO. 2000.15

### CARR COMMENTARY

# The Value and Role of Corporate Advertising for Business-to-Business Marketers

Cahners Research has developed this commentary with materials provided by Corporate Branding, LLC, a global brand strategy and communications consultancy that helps companies measure the value of the corporate brand and its impact on financial performance.

*A strong corporate brand bolsters customer preference, maximizes shareholder profits, and strengthens employees' personal commitment to their company. This commentary provides insight into the value and role of corporate advertising for business-to-business marketers. In addition, we provide useful tools to help you manage and leverage your corporate brand through a planned, strategically-focussed communications program.*

### **What is Corporate Branding?**

In general, the term “corporate branding” refers to the total marketing communications process. It includes corporate advertising in addition to product advertising, public relations, sales and distribution communications, interior and exterior design, product design, identity systems and graphic design. Internet sites and online sales, internal and human-resources communications, recruiting and investor relations.

### **Corporate branding is:**

- § A marketing-oriented communications program that functions across all business units and audiences, setting standards that work for the benefit of the company as a whole.
- § A statement that tells us who a company is, what it believes in, and why we should believe in it.
- § An integrated approach, featuring corporate advertising as well as a wide range of communications tools.

Communications can be defined as all that a company does to “talk” to its various audiences – customers and prospects, vendors and suppliers, employees and consultants, shareholders and investors, industry analysts, the media, regulation organizations and government bodies, dealers and strategic partners.

Companies communicate both identity and image through corporate branding campaigns. For example, corporate identity encompasses a company’s visual expression or its “look.” This includes its name, logo, tagline, etc. These visuals are often directed by the company and projected for others to see. In contrast, corporate image refers to a company’s “feel” – an audience’s perceptions of a company. While an audience’s perceptions may or may not be intended, positive perceptions can be shaped through strong corporate advertising.

### **The Importance of Corporate Branding**

It’s been stated that corporate branding helps people understand and remember the “look and feel” of a company. By giving shape, meaning and purpose to a company, branding illuminates those aspects that otherwise tend to be hidden behind its letterhead – its personality. For example, branding establishes the direction, leadership, clarity of purpose, inspiration and energy that drive the corporation for outside audiences to see, understand and rely on.

Specifically, corporate advertising helps to maintain and improve a company’s reputation, set brands apart from the competition and inspire others to work for, with and invest in that company.

*Above all, branding is not about conforming to a hard set of operational rules. Instead, it’s about creating a durable, long-term program that communicates a desired image and positions a company relative to competitors, the community, the marketplace and the world.*

*Research shows that branding a company, rather than just its products, stimulates immediate growth in terms of increased customer sales as well as long-term growth in terms of investor, partner and internal attitudes toward the brand.*

**Who is motivated by corporate brand advertising?**

- § Employees associate it with long-term investment in the company's future.
- § Existing customers see it as a "value" statement.
- § Prospects will choose a company they know over an unfamiliar competitor.
- § Investors choose a company, purchase stocks and remain invested (even during off-peak performance) based on the brand and the commitment it cultivates.

**Why should companies invest in their corporate brand?**

- § To gain the advantage over their competition. Customer preference is strongly linked to strong brand recognition.
- § To maximize shareholders profits. The success of a strong brand impacts a company's bottomline, therefore affecting its stock value.
- § To strengthen internal support for and personal commitment to the company. Employees who believe in and are rewarded by a company's values are more committed employees.

**How does branding impact financial performance?**

- § Familiarity is linked to favorability. Customers and investors are more likely to react positively toward a recognized brand than an unknown brand.
- § Corporate brand and trade advertising that features the corporate name has a positive impact on familiarity and favorability.
- § Corporate image is positively influenced by the amount of advertising.
- § Research studies, conducted by Corporate Branding, LLC, prove that a stronger brand image has a positive impact on stock price.

**What impact does corporate branding have on the financial community?**

The following data was obtained in a Corporate Branding, LLC survey of financial analysts:

- § According to 98.6 percent of analysts, corporate communications is considered "important" in determining stock value.
- § 50 percent cited corporate advertising as the most effective method of creating a positive company image, whereas less than 10 percent cited tombstone\* advertising.
- § Less than 33 percent believe that companies communicate consistently about who they are and where they are headed.

*\* Tombstone advertising is a simple form of advertising in which basic facts are stated without embellishment. The name is derived from the ad's staid, unexciting character, and the fact that its often plain design resembles a tombstone inscription.*

**Top Ten Points to Strong Corporate Advertising**

To achieve solid results, a company must implement a planned, strategically-focused and integrated communications program throughout its organization. While a company should develop its strategy according to individual needs, the following issues should be considered.

**Be Focused**

Distill a single, clear, definitive message that can be cultivated over time and presented through a range of mediums and techniques.

**Be Unique**

Develop messages that stand out from the competition and can be executed in a new, creative manner.

**Be Appropriate**

Create messages that work to communicate a set of established corporate objectives.

**Be Consistent**

Remember that the key word in establishing a brand is consistency. Brands within an organization should be consistent with the image of that organization over time. If they differ, there should be a strong strategic reason why.

**Use Research**

Learn about your market, your audience and your competition. Use research to determine your target audience, evaluate your image and benchmark your achievements.

**Be Relevant**

Direct your message toward a well-defined target audience.

**Use Continuity**

Develop your program to run over an extended period of time – aiming to be highly visible for the long term.

**Be Credible**

Make sure that your message is grounded in realistic terms and will strengthen not diminish your reputation.

**Use Integration**

Utilize all levels and mediums in your corporate branding program: public relations, internal relations, print, electronic.

**Have Foresight**

Create positive impressions before negative attitudes can develop.

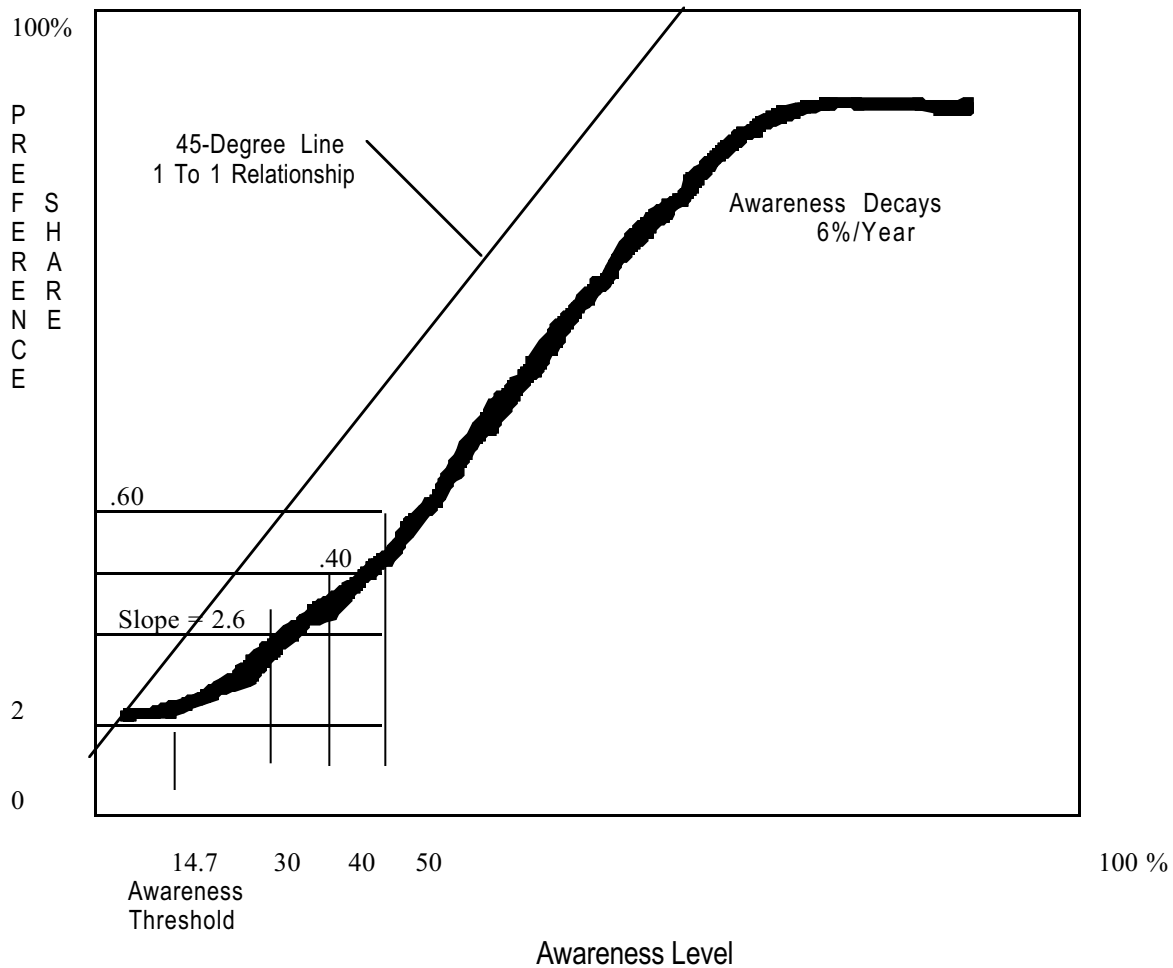
# Cahners Advertising Research Report

NO. 104.2

## How Does Brand Awareness Lead To Preference In The Marketplace?

At higher levels of brand awareness, a 1.0 percentage point increase in awareness converts to a larger increase in preference share.

### BRAND AWARENESS TO PREFERENCE CONVERSION



**Cahners Publishing Company***A DIVISION OF REED PUBLISHING USA*

Specialized Magazines for Building & Construction, Research, Technology, Electronics, Computing, Printing, Publishing, Health Care, Foodservice, Packaging, Environmental Engineering, Manufacturing, Entertainment, Home Furnishings, Interior Design, Child Care, Boating, and Wedding Planning.

**Purpose :**

To determine how brand awareness leads to preference for individual brands in the marketplace.

**Methodology:**

The Institute for the Study of Business Markets (ISBM) at Pennsylvania State University undertook a two-year study with Cahners Publishing Company to determine the relationship between brand awareness and brand preference. Data from the "Annual Brand Awareness-Preference Studies" sponsored by *Semiconductor International* magazine was used to examine the levels of awareness and preference for 95 different categories of products containing over 1,000 individual brands.

**Conclusion:**

The relationship between awareness and preference is strong. Instead of a one-to-one relationship between awareness and preference (often assumed), this research has shown that the relationship is more complicated.

- § First, a minimum threshold of awareness must be reached before a brand will begin to see a conversion to preference. For all semiconductor equipment and supplies, the average threshold is 14.7%. (A minimum of 14.7% of potential buyers must be aware of a brand before even 2% of the market will express a preference for that brand.)
- § Second, as higher levels of awareness are reached, the conversion to preference comes more quickly. For example, at an awareness level of 30%, the conversion to preference for all brands of semiconductor equipment and supplies is .26 (as awareness increases by one percent, preference increases by .26%), whereas at a 70% level of awareness, the conversion to preference is 1.06.
- § Third, awareness (and therefore preference) will decay over time if awareness-building activities (such as advertising) are not conducted. Among semiconductor equipment and supplies, awareness decays 6% per year.

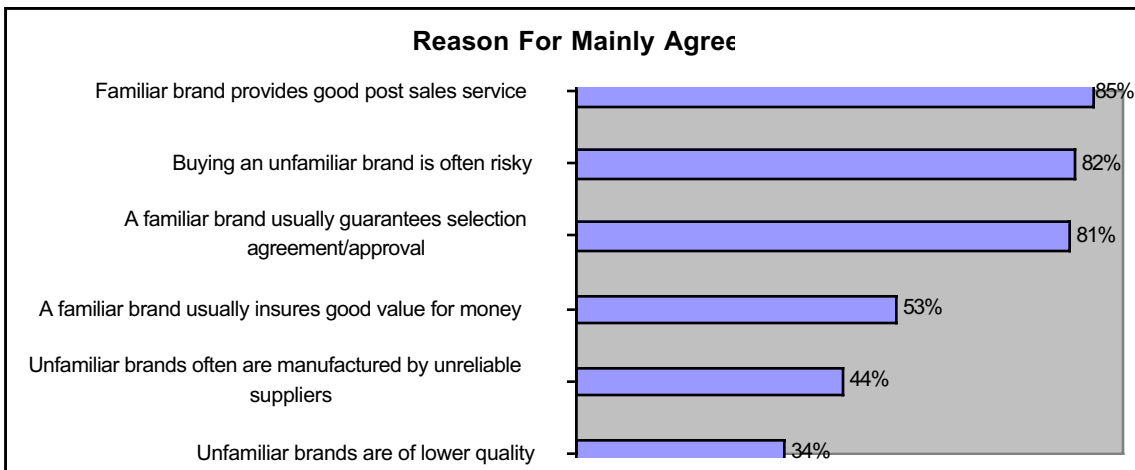
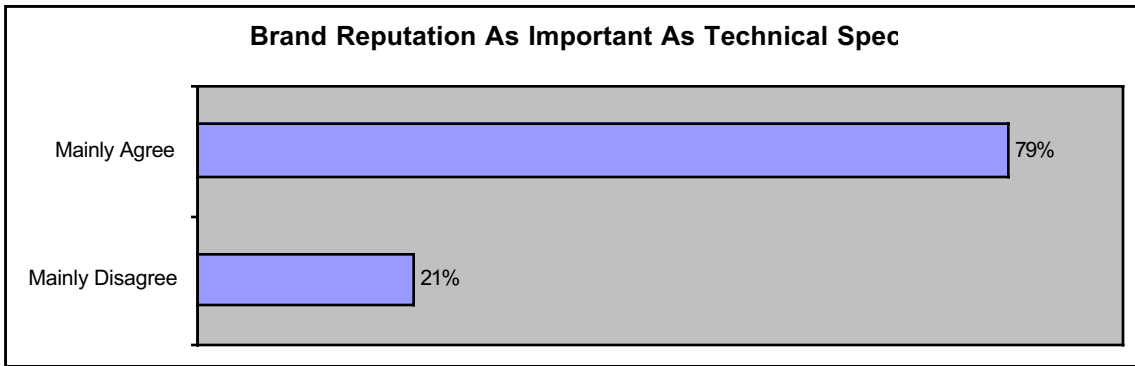
# Cahners Advertising Research Report

NO. 120.13

## HOW IMPORTANT IS THE REPUTATION OF A BRAND NAME?

Nearly 4 of 5 buyers/specifiers believe the reputation of a brand name is as important as the technical specifications of the Product.

% OF TOTAL RESPONDENTS



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**Purpose:**

To measure the importance to buyers/specifiers of reputation of a brand name.

**Methodology:**

Simmons Market Research Bureau, Inc. conducted personal interviews with 303 people with buying/specifying authority. The sample was selected from readers of four Cahners publications: Design News, EDN, Professional Builder & Remodeler and Plant Engineering. The questions regarding brand name reputation and its effect on purchases were part of a series of questions to verify the importance of publication affinity to advertisers.

For more information on the Cahners-Simmons Affinity Index, see CARR #120.1 and #120.12.

**Conclusion:**

Buyers/specifiers have a decided preference for familiar brands. Selecting a familiar brand substantially reduces the risk of having a buying recommendation rejected. Similarly, the risk of disappointment after the purchase is made is reduced.

For more information on how advertising effects brand awareness, see CARR #130.1.

# Cahners Advertising Research Report

NO. 130.1

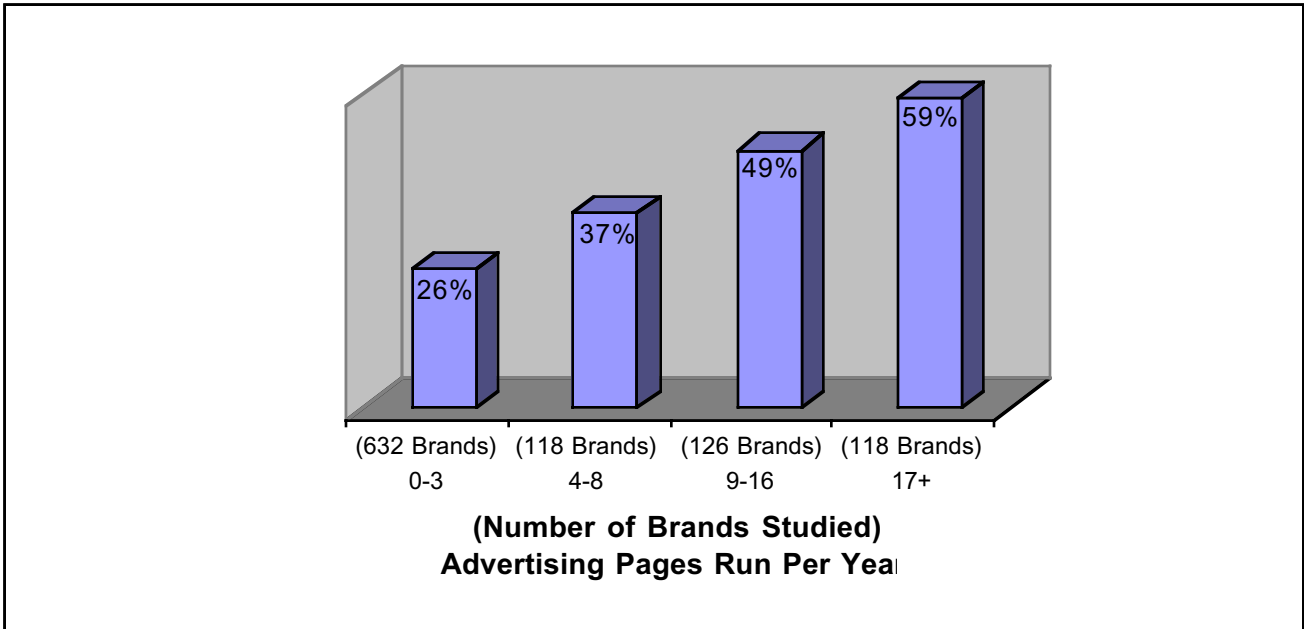
**Does Specialized Business Magazine Advertising Increase Brand Awareness?**

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Nearly 4 of 5 buyers/specifiers believe the reputation of a brand name is as important as the technical specifications of the Product.

## SEMICONDUCTOR MANUFACTURING INDUSTRY PRODUCTS (1989)

% Of Brand Awareness  
% OF BRAND AWARENESS



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**Purpose:**

To determine the impact of specialized business magazine advertising on brand awareness.

**Methodology:**

This report reflects a 2-year study conducted by Cahners Corporate Research department and The Institute for the Study of Business Markets (through the affiliated research center at the University of Lowell). In an attempt to determine the relationship between brand awareness and advertising levels, the results of a brand awareness survey (conducted in 1989) for Semiconductor International magazine was combined with Cahners Publishing Company's ad page tracking data for six U.S. semiconductor manufacturing equipment/materials publications.

Semiconductor International has been conducting brand awareness survey's among the publication's readers since 1984 – covering more than 100 product categories. Conducted by mail, the results used in this analysis were based on 1,219 replies – a 17% response rate. Classified ads and ads for products not included in the brand awareness survey were excluded.

The awareness scores are “shared awareness” measures. Each was calculated by dividing the number of respondents who checked that they were aware of a particular brand by the total number of all brands checked in the product category. Typically, product categories had about 10 brands listed.

**Conclusion:**

Results indicate that, as the number of advertising pages increase, brand awareness levels increase. Simply stated, brands that advertise more have higher awareness.

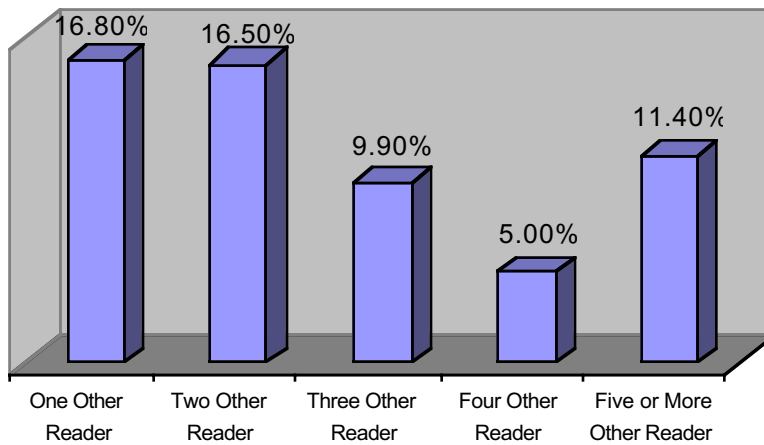
# Cahners Advertising Research Report

NO. 412.0

## What Is The Pass-Along Rate Of Specialized Business Magazines?

On an average a specialized business magazine reaches three people (primary and pass-along readers).

**% OF READERS**



**Total Respondents = 2,23**

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**Purpose:**

To determine the number of readers other than the primary recipient who read a single issue of a specialized business magazine.

**Methodology:**

Cahners Corporate Research commissioned Simmons Market Research Bureau, Inc., to conduct a subscriber profile study across the 2.6 million primary recipients of Cahners Network magazines (35 Cahners publications) to determine the professional and personal characteristics of a mass audience of business executives and managers.

Respondents were asked to indicate the number of people, other than themselves, who read their copy of a specialized business magazine.

Over 4,000 surveys were mailed, and 2,234 usable responses were received, a 56% return.

**Conclusion:**

On an average, three people including primary recipient read a given issue of a specialized business magazine.

# Cahners Advertising Research Report

NO. 420.1A

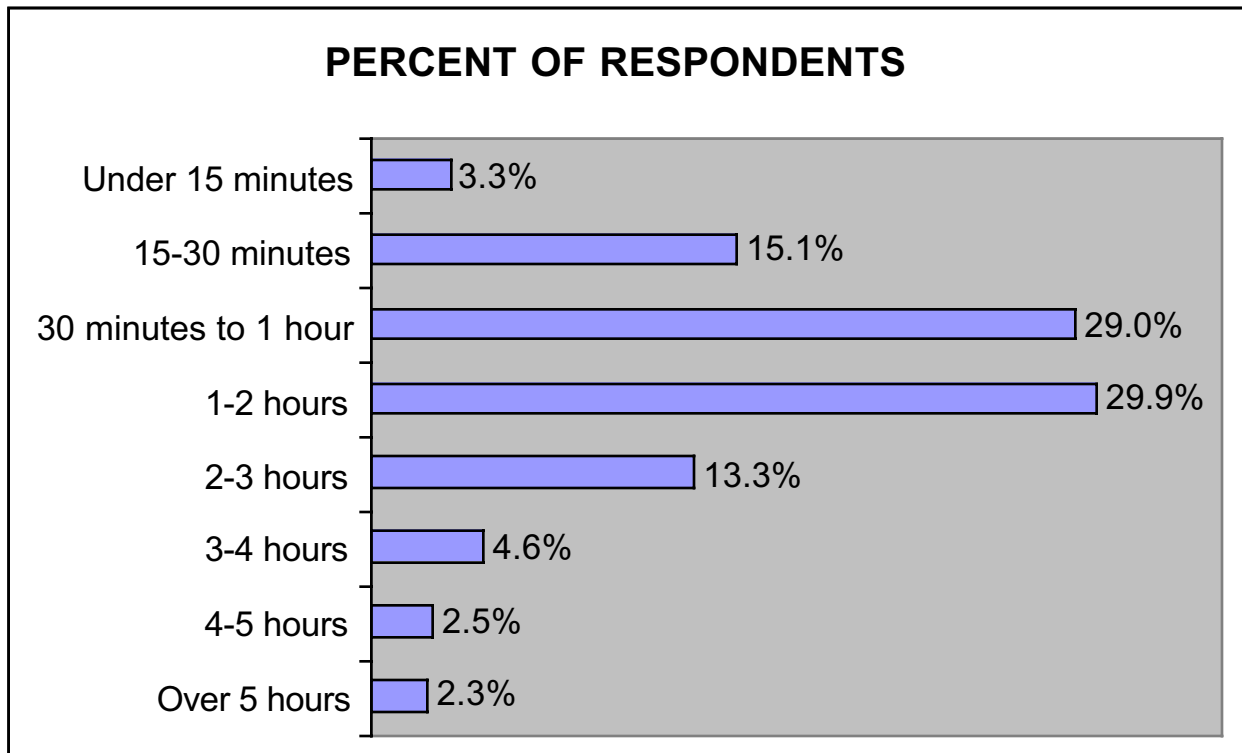
## How Much Time Is Spent Reading Specialized Business Magazines?

Readership of specialized business magazines averages 1 hour and 27 minutes per week.<sup>1</sup>

37 minutes spent exclusively with IEN<sup>2</sup>

<sup>1</sup> CARR Report 420.1A

<sup>2</sup> 2000 Reader Profile Study



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**Purpose:**

To determine the amount of time recipients spend reading specialized business magazines.

**Methodology:**

Cahners Research surveyed 4,000 readers from 10 Cahners publications to determine the amount of time spent reading specialized business magazines. These publications represent the diversity of markets and job functions covered by Cahners publications. The survey included the question: "On the average, how much time do you spend each week reading a specialized business magazine?"

**Conclusion:**

On an average, recipients spend one hour and 27 minutes per week reading specialized business magazines. More than half of all recipients (52.6%) spend over an hour of their week reading these publications.

What is Branding?

- Ø A total marketing approach – centered on corporate and product advertising, and including public relations, interior and exterior design, product design and identity, etc.
- Ø Branding is a durable, long term approach that stimulates immediate growth in terms of increased sales, and long term growth in terms of solidifying partnerships and relationships, building investor confidence, and strengthening attitudes toward the brand.

Why Brand Your Company and Your Products?

- Ø Customer preference is strongly linked to strong brand recognition
- Ø People buy brands they know and prefer
- Ø Promotes your company's 'personality' – who you really are
- Ø Sets you apart from the competition – takes 'commodity' out of the equation

Who is motivated by corporate brand advertising?

- Ø Prospects will choose a company they know over an unfamiliar competitor
- Ø Existing customers see it as a value statement

How Do I Brand My Company?

- Ø Market reach
- Ø Focus on a clear, definitive message
- Ø Be consistent and use continuity, both in your message and your medium
- Ø Send a unique message that sets you apart
- Ø Send a relevant message
- Ø Market reach

Industrial marketing has become a branding war  
*The victors will be very big players in a very large market*

Build your brand with **IEN**

The Best Way To Reach The Entire Industrial Marketplace