What happens when brands stop advertising?

Documenting long-term sales trends

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Abstract

Maintaining an advertising presence is expensive and it can be difficult to link advertising investments with financial returns to justify continued spending. Hence at times, some brands stop advertising, sometimes for long periods. This thesis addresses the question that follows: What happens to sales when a brand stops advertising?

Advertising literature currently offers limited knowledge on the potential sales outcomes of stopping a brand's advertising. Some evidence comes from advertising weight tests (e.g. Hu, Lodish & Krieger 2007; Hu et al. 2009; Lodish et al. 1995) or isolated case studies (e.g. Millward Brown 2012; Neff 2009; Sutherland & Sylvester 2009), but few studies explicitly and thoroughly address the sales outcomes of a long-term advertising hiatus.

There is an apparent gap in knowledge concerning the sales outcomes of stopping a brand's advertising. Without some understanding of the consequences of their actions, marketers risk making poor decisions, potentially misallocating resources and jeopardising the health of their brands. An important step in addressing this knowledge gap is documenting cases where brands stopped advertising and providing descriptive accounts of what happened. This thesis takes that step by systematically and empirically describing how sales evolved in over 50 cases of brands that stopped advertising for at least one year.

Data from the Australian alcohol market

The data used for this study comes from the Australian alcohol market, spanning more than twenty years (1993-2016) of advertising media spend and volume sales of 72 beer, cider, wine, spirits, ready-to-drink, and mixer brands. The dataset was mined to find cases where brands went unadvertised for at least one year. In total, 57 cases of advertising stops lasting from one to 10 years were identified. Sales in the year/s when brands were not advertised were compared to sales in the most recent advertised year. Sales changes in unadvertised years were then compared across all cases to reveal the average change following the cessation of advertising. Cases were also organised into subgroups based on brand size (big, medium or small) and prior sales trends (growing, stable or declining) to document sales outcomes related to these factors.

Sales most often decline after advertising stops

Sales declined for most brands in each unadvertised year. Across all cases, sales were 16% lower on average after one unadvertised year, 25% lower after two unadvertised years, and 36% lower after three. Individual cases varied around these averages, but decline over time was the norm. Sales decline became more common and larger in magnitude across cases as the number of unadvertised years increased.

Some sub-patterns are observed when the sample of cases is divided into previously growing, stable or declining brands. Every brand that was on a *declining* sales trend before stopping advertising continued to decline when unadvertised, and at a faster rate on average than other subgroups. Previously *stable* brands fared better on average, showing continued stability in the first two to three years without advertising. The cases that continued unadvertised beyond this point saw decline in sales. Brands that were *growing* before stopping advertising showed the greatest likelihood of sales growth after stopping. Although several cases showed decline, about half of previously growing brands continued growing in the first two unadvertised years, at which point most of these brands began advertising again.

Sales declines were observed across brands of all sizes, however, the rate of decline was slower on average for bigger brands and faster for smaller brands. This finding indicates a possible 'size advantage' for bigger brands, although there is extreme variation around the averages. The size advantage for bigger brands is clearer when prior sales trend is also accounted for. Amongst brands that were growing before stopping advertising, big and medium sized brands all continued to grow, while small brands mostly ceased growing.

Contributions and future research

This thesis provides new empirical evidence on how sales are likely to trend over time after a brand stops advertising. The study observes many cases where brands went unadvertised for multiple years, of which the current literature is particularly lacking. As such, this thesis provides new findings where there was little but conjecture before. The findings show that some regularity exists in sales changes after advertising stops.

Empirical evidence that sales most commonly declined after brands stopped advertising (even for previously growing brands and after periods as short as one year) may assist marketers to defend their advertising budgets when facing cuts. Inversely, understanding the conditions where little change in sales trends followed a stop may help combat over-advertising (i.e. wasteful over spending of resources better used elsewhere). This research may also support budget allocation decisions between brands when companies are forced to stop *some* advertising. Depending on the company's objectives for each brand and the portfolio as a whole, funds could be shifted between brands based on the likely outcomes of stopping their advertising (e.g. if cutting advertising is likely to damage one brand more than another).

This research is descriptive in nature and examines only aggregated data on advertising media spend and brand sales. More granular data and information on other internal and external influences on sales were not available and therefore not controlled for, which would be enlightening additions for future studies. Presently the extent to which stopping advertising *caused* or *contributed* to sales changes cannot be inferred. The results also pertain to a single product category in one country, which means the generalisability of findings are for now unknown. Hence, replications of this study are encouraged to reveal if the patterns extend to other conditions.