

# Consumer companies are spending more on advertising as margins ease

Adapting to changes in consumer demand is essential for companies wishing to maintain a competitive edge. As customer preferences and spending habits evolve, firms must also stay nimble.

To survive in today's tumultuous marketplace, businesses must understand trends in consumer behavior, and adjust their strategies accordingly. This requires making smart marketing decisions, such as allocating revenue spent on specific activities like advertising.

Consumers are increasingly favoring convenience and safety which means brands now need to look beyond traditional marketing approaches and focus instead on digital adverts, loyalty programs and curated experiences. Companies now have an array of new channels they can use to actively engage customers while strategically allocating ad budgets for maximum efficiency.

As more consumers shift away from buying physical products to investing in services, companies have the potential to capitalize by precisely targeting their campaigns with one-of-a-kind offers catered towards their precise needs.

Savvy customers are not just looking for solutions but also seeking experiences that will leave a lasting impression – it's up to modern companies to provide them with these unique experiences via successful marketing initiatives.

Senior executives of several companies in their latest earnings call shared bullish growth plans for 2023 that would need them to expand its advertising investment by ₹160 crores,

or 80 basis points (bps), quarter, Hindustan Unilever chief financial officer Ritesh Tiwari stated to analysts recently.

He said the company would continue to focus on ensuring the right value equation for consumers, build back gross margins and step up advertising.

## **1) Colgate Palmolive**

Colgate Palmolive's Indian unit increased its advertising spend by 13% year on year in the last quarter that ended December 2022 and is expected to spend more this quarter due to newer launches.

## **2) Godrej & Titan**

Rival FMCG firm Godrej Consumer Products and watchmaker Titan Company increased their ad spend by over 18% on year in the December 2022 quarter at ₹188 crore and ₹203 crores, respectively.

## **3) Britannia**

Britannia Industries' advertising spend is back to pre-pandemic levels and the country's biggest biscuit company by value plans to cut costs in select products through promotions as inflationary pressure softened, its managing director Varun Berry said.

## **Does advertising raise the price of a product?**

Advertising is expensive and thus raises the cost of the product, but it may encourage competition that keeps prices down. Advertising enhances product differentiation, which leads to a higher price.

It argues that advertising decreases consumer prices on average and approximately that if the 5% tax were abolished, consumer prices would drop by about 0.25 percentage points.

On the other hand, advertising reduces consumers' search costs as it gives consumers more product information, which leads to a lower price level.

## **The value of advertising for companies**

From economic contribution to media and employment, advertising is a global driver for a healthy and thriving country. Advertising gives the opportunity to companies to differentiate themselves in the market competition and highlight their unique selling points.

This stimulates competition in the marketplace, which, in turn, means that companies need to keep improving their products' value. For consumers, this translates to higher quality and lower prices.

Advertising companies succeed, and advertising plays a vital role in a dynamic global economy. Successful companies create more job opportunities, pay more taxes and contribute directly to economic growth.

## **Do advertisements affect the Indian market?**

Advertising not only helps businesses reach existing markets but also helps expand the market. Advertising plays an important role in creating or evoking a sentimental attachment or stirring up an emotion towards the business, product or service in the minds of the audience that makes the market or the consumers.

India has one of the fastest-growing advertising industries in the world.

GroupM, advertising behemoth WPP's media investment arm, in its 'This Year Next Year 2022 Global End of Year Forecast' stated that India's total advertising revenue has grown by 15.8% to reach \$14.9 billion in 2022 led by growth in pure-play digital advertising.

## **Don't cut your marketing budget in a recession**

### **1) You'll stand out even more from your market competition**

Marketing budget cuts tend to be the norm for most businesses, reducing their share of voice within the market. However, maintaining or expanding your marketing spend will fill the void left by your market competitors and help keep you at the forefront of people's minds.

### **2) There are still some customers out there**

Granted, customers' buying habits may change during a certain period of uncertainty, but there will always still be people out there who are in the market to buy your product/service.

But if you have no market presence, how are they ever going to find you? and be compelled to choose you over other businesses?

### **3) It's an opportunity to create valuable relationships**

Marketing ROI is still valid during a recession, it's just

that you may find you are focusing more on building relationships with your customers than driving sales.

Maintaining your marketing spend is an opportunity to share stories on social media and messages that reinforce how much you value your prospects, customers and loyal brand ambassadors. In doing so, you'll boost people's trust in your brand and help to create relationships that last for many years to come.

## **4) It reinforces your brand stability and presence**

Businesses that remain present during economic downturns remain relevant to customers. While they may have less disposable income or have prioritised their spending in different places, customers will still be aware of the brands that are still out there doing what they coming up with.

Having a consistent marketing presence during a recession will also help ensure your customers don't feel abandoned by your brand in that period.

## **Three things marketers should know about ad spending trends**



## 1. Video Ads Get Shorter

Mobile video ad spending in the US is estimated to reach \$53.9 billion by 2025. You can expect most of that upcoming ad spend to go to short-form video ads. Today's consumers have less patience for long videos. So basically you have a minimum of 20 sec to showcase your ad to the audience.

## 2. Ads Lose The Sound

When you're on-webpage when a video ad starts playing you can't see it start to play at total volume. It turns out that this type of situation annoys many people and about 66% of people say they hate it when video ads automatically play with sound. Outstream video is one option that may be a famous alternative in the coming years.

## 3. AI takes a prominent role in advertising

Artificial intelligence and machine learning are sparking a revolution in various business marketing trends. The AI industry was measured at \$9.5 billion in 2018, and \$27 billion in 2019, and is expected to grow to more than \$250 billion by

2027.

## Summary

In their latest earnings calls, senior executives of several companies shared growth plans for 2023 that would need them to expand marketing and advertising expenses. One of the country's largest media spenders, Hindustan Unilever Limited expanded its advertising investment made by ₹160 crores, or 80 basis points (bps), quarter on quarter in the three months that ended December 2022.

Consumer-facing companies over sectors are spending more on advertising to push growth as the pressure on input costs has moderated.