# Cutting marketing budgets during downturns risks long-term business decline, experts warn



In the challenging landscape of economic downturns, many businesses instinctively start to trim expenditures, with marketing often being the first area to feel the brunt of these cuts. Amidst predictions of stagnant growth and uncertainty, the instinct to conserve cash can lead to detrimental long-term consequences for companies. Experts, including Gemma Spinks, Director of Spinks Creative, argue persuasively against this practice, asserting that cutting marketing budgets during tough times is an act of self-sabotage.

A common perception is that reducing marketing spend will free up resources, allowing companies to navigate tighter financial conditions. However, this short-sighted approach can stop businesses in their tracks. Spinks emphasises that visibility is crucial; if consumers aren’t seeing a brand, they are unlikely to consider it when making purchasing decisions. She asserts, “Your brand doesn’t live in people’s minds rent-free – you have to earn that space.” A reduction in marketing not only limits exposure but also allows competitors to capitalise on the resulting vacuum. Those brands that continue to engage and communicate are most likely to keep their current customers and attract new ones.

Research reinforces this stance. A global study of nearly 4,000 companies revealed that those that maintained their marketing investments during the 2008 recession experienced a remarkable 17% compound growth rate. This data highlights a critical insight: marketing should be viewed as an investment rather than merely an expense. When operating under budget constraints, businesses should focus on strategies that promise the highest return rather than cutting budgets indiscriminately.

Recent studies, like the one conducted by Salesforce, underline that many marketers recognise the increasing importance of their roles during economic hardship. Despite facing budgetary restrictions, about a third of marketers believe that “efficient” marketing strategies are crucial for attracting customers during austere times. This suggests that businesses that adopt a carefully calibrated approach, emphasising precision and effectiveness in their marketing efforts, can still thrive.

The reality is that cutting marketing not only stifles growth but can also compound financial difficulties. When brands step back, not only do they sacrifice market share, but they also invite competitors to seize the moment. Past behaviours support this assertion; cutting budgets often results in diminished brand visibility, thus making it harder to regain customers once the economy recovers. The financial burden of this recovery can be staggering—companies must spend significantly more to regain lost ground. For instance, research found that for every dollar saved by cutting brand advertising, businesses might need to invest $1.85 to recover that lost market presence.

Moreover, consistent lapses in marketing communicate instability to consumers, which can erode trust and confidence. A perceived lack of commitment can drive customers to seek more reliable alternatives. Conversely, maintaining a strong presence allows brands to build loyalty and deepen emotional connections with their consumers, ensuring that when economic conditions improve, they are still a top choice. Many successful brands seize these periods as opportunities to grow their consumer base. For example, Procter & Gamble chose to amplify its marketing during the 2009 and 2020 downturns, which resulted in increased market share rather than diminished returns.

Interestingly, the phenomenon of consumer behaviour in downturns, often referred to as the "Lipstick Index," highlights that even in challenging economic climates, people still indulge in small luxuries. This indicates that while overall spending may decline, specific market segments remain vibrant. Brands attuned to this shift can craft messaging that resonates with consumers looking for value amid the chaos.

In conclusion, while it may seem prudent to cut marketing budgets in times of uncertainty, doing so can lead to long-term financial repercussions that far outweigh any immediate savings. Instead of eliminating marketing efforts, businesses should seek to optimise them, strategically investing in high-performing channels while cutting excess. As Spinks Creative assists SMEs to develop resilient marketing strategies, it is clear that maintaining visibility and engagement is essential for sustaining growth and competitive advantage even in challenging economic landscapes. The overarching message is clear: in times of uncertainty, savvy businesses must lean into their marketing strategies rather than retreat, ensuring they remain relevant and top-of-mind for consumers.

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Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.mkfm.com/news/local-business/marketing-advice-from-milton-keynes-agency/> - Please view link - unable to able to access data
2. <https://www.axios.com/2022/11/01/salesforce-marketers-recession-optimism-sarah-franklin> - A Salesforce study reveals that marketers feel their roles are increasingly crucial amid the current economic downturn. Despite rising inflation causing consumers to shop more cautiously and choose cheaper alternatives, marketers believe that "efficient" marketing is essential for attracting customers during these austere times. One-third of marketers surveyed face budget constraints, necessitating higher precision in marketing strategies and promotions. Salesforce president and CMO Sarah Franklin emphasizes the importance of continued growth through strategic marketing, especially since companies required minimal marketing efforts during the pandemic when consumers had excess cash and fewer spending outlets.
3. <https://www.ft.com/content/b719b01d-5ea5-4b71-802b-2087c8cd9b94> - UK advertisers reduced their marketing budgets in the first quarter of 2025, marking the first decline in four years, according to the Institute of Practitioners in Advertising (IPA). The cutbacks are attributed to growing fears of a global trade war, rising labor costs following national insurance hikes and minimum wage increases, and general economic uncertainty driven by US trade policies. About 25% of surveyed companies reduced their marketing budgets, while only 20% reported increases, resulting in a net decline of 4.8%. This contrasts with the previous quarter, where more companies increased than reduced spending. Business confidence also hit its lowest level since late 2022. While some forms of marketing, such as direct consumer engagement and sales promotions, saw budget increases, traditional media spending declined. Despite the current slump, over a third of marketing professionals still anticipate growth in advertising budgets over the year. S&P Global lowered its 2025 UK economic growth forecast from 1% to 0.6% due to new US tariffs but maintained its ad spend growth forecasts for both 2025 and 2026.
4. <https://www.boostability.com/content/marketing-in-a-recession/> - Investing in marketing during a recession allows you to build and strengthen your brand loyalty. Maintaining a consistent and visible presence will allow your product or services to remain in consumers’ minds. An example could be staying at the top of search engine results or posting on social media regularly. Marketing allows your business to emotionally and psychologically connect with consumers. Further, when the economy recovers, customers are more likely to remember and choose your company. When they consider which company to rely on, your brand is top of mind as you’ve built trust during difficult times.
5. <https://tfm.digital/economic-downturn-the-temptation-to-cut-marketing-budgets/> - While reducing marketing budgets during recessions may appear to offer short-term relief, it carries significant risks that can undermine a company’s overall health and competitive position. Cutting marketing spend often leads to diminished brand visibility, making it challenging to regain market share once the economy rebounds. A reduced marketing presence allows competitors to seize opportunities and gain market share. Neglecting marketing during a recession can lead to a weaker competitive position in the long run. Abrupt reductions in marketing efforts can signal financial instability to consumers, eroding trust and confidence in the brand. Customers may perceive such moves as a lack of commitment to their needs. Companies that cut marketing spend may experience a more extended recovery period post-recession.
6. <https://www.ft.com/content/572d480d-4cdf-4ef2-95e2-f61c140c73aa> - UK companies have halted increases in advertising spending amid concerns about the upcoming Budget potentially increasing personal taxes, which could reduce consumer purchasing power. The Institute of Practitioners in Advertising (IPA) reported that marketing budgets stagnated for the first time since the pandemic, indicating lowered executive confidence. The IPA Bellwether Report for the third quarter of 2024 highlighted that 21.6% of companies increased their marketing budgets, the same percentage as those that reduced them. This represents a significant shift from 13 quarters of growth. Factors affecting this uncertainty include higher prices, the cost of borrowing, and potential tax rises, impacting economic growth forecasts. The advertising industry braces for potential long-term effects, though it remains optimistic in some areas like public relations and direct marketing.
7. <https://hispanicmediaconsultants.com/the-importance-of-spending-on-marketing-during-an-economic-downturn/> - During a recession, consumers’ confidence and spending habits change, leading them to prioritize well-known and trusted brands. Consistent marketing ensures that your brand remains top-of-mind, even when customers are cutting back on discretionary spending. Maintaining brand awareness can make a significant difference when the economy rebounds and consumers are ready to spend again. Economic downturns can cause consumers to reassess their brand loyalty. Effective marketing can strengthen the emotional connection between a brand and its customers. By conveying empathy, reliability, and value, companies can build deeper trust and loyalty, which can lead to long-term customer retention and advocacy. When competitors cut back on their marketing efforts, it creates an opportunity for your business to capture a larger share of the market. With reduced advertising noise, your marketing messages can have a greater impact. By maintaining or increasing your marketing presence, you can attract new customers and gain a competitive edge. During economic downturns, consumers are more likely to seek out products and services that offer the best value for their money. Marketing allows businesses to communicate the unique value proposition of their offerings, emphasizing cost-effectiveness, quality, and benefits. Clear and compelling messaging can persuade cost-conscious consumers to choose your brand over others. A consistent marketing presence signals stability and confidence to customers and stakeholders. It reassures them that your business is resilient and capable of weathering the economic storm. This perception of stability can enhance your brand’s reputation and credibility, encouraging continued patronage and support.