**PREFACE**

Ad Age is no stranger to adversity: We began publication less than 90 days after the stock market crash of 1929. One thing we’ve seen over the last 90 years: Remarkable innovation occurs in the worst of times.

In the depths of the 2007-2009 Great Recession, I dug into our archives to analyze innovation during three of the roughest periods: the Great Depression and recessions of the ’70s and early ’80s.

The result was a 2008 Ad Age white paper: “Downtime Opportunity: Marketing and media innovation in the Great Depression and great recessions.”

After I mentioned the white paper in an article earlier this year about marketing in the time of coronavirus, I started getting requests for copies of “Downtime Opportunity.”

We’re now releasing this updated edition of “Downtime Opportunity,” incorporating learnings from the Great Recession and observations about innovation during the 2020 pandemic and recession.

In the original white paper, I wrote: “What happened to marketers, media and agencies during these downturns? There were layoffs, closings, cutbacks; no surprise there. But I was more surprised and intrigued by another point: the innovation that has occurred during the toughest times.”

Radio and refrigerators, which were beyond the means of average families in the 1920s, rocketed to majority household penetration in the Great Depression. Capitalizing on the technology, President Franklin D. Roosevelt exploited the new medium for his “fireside chats,” and General Foods introduced a range of frozen foods.

Time Inc. launched most of its biggest magazines during recessions. At the nadir of the Great Depression in 1933, discussion of television at the National Association of Broadcasters convention made front-page news in Ad Age. Bill Gates and Paul Allen founded Microsoft in 1975, near the bottom of a deep recession. The IBM Personal Computer came amid the 1981 downturn.

Car rebates, frequent-flier programs and IRAs all took hold during recessions.

Value plays—such as Miracle Whip, a cheaper alternative to mayonnaise introduced in 1933, and a range of generic products in the

**INNOVATION OCCURS DURING THE TOUGHEST TIMES**

**Great Depression:** Refrigerators and frozen food became fixtures in American kitchens. Time Inc. launched Fortune as the economy and stock market tanked.

**Discussion of television at the National Association of Broadcasters convention made front-page news in 1933.**

Credits (from left): Courtesy Frigidaire/Ad Age archives; United States, Office of War Information, 1943. Prints & Photographs Division, Library of Congress; Fortune, Ad Age archives; Microsoft, IBM, Calvin Klein, Carnation Co. (now part of Nestlé) and Absolut
early 1980s—often emerge in tough times.

But so can premium products: Fancy Feast cat food, Absolut vodka and Calvin Klein underwear all grabbed a foothold when the nation was mired in recession, putting the brands in a strong position for the upturn.

**So what’s your downtime opportunity?**

Surveys tell us that consumers are more pessimistic today than at any time in the past 25 years.... The federal government [is] in one of its worst periods of disarray in history.... Accurate forecasting of the year ahead is extremely troublesome, if not impossible.... For the immediate future we can expect uncertainty.... [According to Robert Jacoby, president of Ted Bates & Co.,] “Our clients just don’t know what’s going to happen. We’ve never seen anything like it before.”

—Ad Age, 1973

But we have seen this before.

More than one advertising executive has publicly acknowledged his debt to the depression, admitting that it was not until the pressure of necessity exerted itself that he really found out how to get one hundred cents’ worth of value from the expenditure of every advertising dollar.... The new attitude toward advertising is not less hopeful and enthusiastic than the old—it is only more practical and more determined.

—Ad Age, 1932

The proper marketing attitude for today embraces the concept that the time to do something is when others do nothing. Don’t look to a frightened competitor for guidance. Follow your own instincts; drive home your marketing advantages.... Remain visible in hard times and your position will be much stronger in good times.

—Ad Age, 1973

It’s time to innovate with 2020 vision. Follow your instincts. I hope this white paper sparks some ideas.

Bradley Johnson
@bradage
Ad Age
September 2020

**1970s-1980s:**
Microsoft is founded and the IBM Personal Computer is born. Premium-priced brands like Calvin Klein, Fancy Feast and Absolut took hold despite the rocky economy.
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INTRODUCTION

The pandemic-driven recession of 2020 likely will go down as the shortest contraction on record, but the road to recovery will be steep, long and rocky.

The U.S. economy officially entered recession in February 2020, according to the National Bureau of Economic Research, the independent official arbiter of business cycles.

The corresponding stats are brutal: Gross domestic product plunged at a seasonally and inflation-adjusted annualized rate of 31.7 percent in the second quarter, the sharpest drop on record. In April, unemployment surged to 14.7 percent, the highest level since 1939. Nearly 21 million jobs were cut that month.

Economists believe the business cycle hit bottom in the second quarter, signaling the start of a halting, uneven recovery. That would make this recession the shortest on record—though a double-dip recession is possible.

The COVID-19 pandemic and recession upended business and markets, hastening the decline of some sectors (brick-and-mortar retail, movie theaters) and the growth of others (online retail, video streaming).

Investors look to the future: The Standard & Poor’s 500 index broke records this summer, passing its February pre-pandemic peak. Tech titans (Alphabet, Amazon, Apple, Facebook) and strong-performing blue-chip marketers (Procter & Gamble Co., Walmart) reached all-time highs during the summer.

This downturn was distinct from earlier down cycles, such as the 2007-2009 Great Recession, which was the longest contraction since the Great Depression. But there is one common thread: Every recession brings opportunity and innovation.

Ad Age knows something about troubled times: The magazine was founded just after
Downtime Opportunity

How recessions stack up
Key stats for five recession periods.

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<tbody>
<tr>
<td>Real GDP</td>
<td>-12.9%</td>
<td>-0.5%</td>
<td>-1.8%</td>
<td>-2.5%</td>
<td>-4.0%</td>
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<tr>
<td>University of Michigan Consumer Sentiment</td>
<td>NA</td>
<td>57.6</td>
<td>51.7</td>
<td>55.3</td>
<td>71.8</td>
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<tr>
<td>Unemployment rate</td>
<td>24.9%</td>
<td>9.0%</td>
<td>10.8%</td>
<td>10.0%</td>
<td>14.7%</td>
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<tr>
<td>Inflation (deflation)</td>
<td>-10.3%</td>
<td>11.1%</td>
<td>13.5%</td>
<td>-0.4%</td>
<td>1.0%</td>
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<tr>
<td>Real (after inflation) ad spending</td>
<td>-13.0%</td>
<td>-4.5%</td>
<td>-3.7%</td>
<td>-12.1%</td>
<td>-8.0%</td>
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<tr>
<td>Standard &amp; Poor’s 500 bear market decline</td>
<td>-86.2%</td>
<td>-48.2%</td>
<td>-27.1%</td>
<td>-56.8%</td>
<td>-35.4%</td>
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Recessions over time
Business cycle contractions since 1929.

<table>
<thead>
<tr>
<th>Start</th>
<th>End</th>
<th>Length in months</th>
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<tbody>
<tr>
<td>August</td>
<td>1929</td>
<td>March 1933</td>
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<tr>
<td>May</td>
<td>1937</td>
<td>June 1938</td>
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<tr>
<td>February</td>
<td>1945</td>
<td>October 1945</td>
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<td>November</td>
<td>1948</td>
<td>October 1949</td>
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<td>July</td>
<td>1953</td>
<td>May 1954</td>
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<td>August</td>
<td>1957</td>
<td>April 1958</td>
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<td>April</td>
<td>1960</td>
<td>February 1961</td>
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<td>December</td>
<td>1969</td>
<td>November 1970</td>
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<td>November</td>
<td>1973</td>
<td>March 1975</td>
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<td>January</td>
<td>1980</td>
<td>July 1980</td>
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<td>July</td>
<td>1981</td>
<td>November 1982</td>
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<td>November 2001</td>
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<tr>
<td>December</td>
<td>2007</td>
<td>June 2009</td>
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<tr>
<td>February</td>
<td>2020</td>
<td>TBD</td>
</tr>
</tbody>
</table>

the crash of ’29 and has reported on every downturn since the Depression. I myself have observed and reported on downturns dating to the early ’80s.

So just what happened to marketers and media in earlier downturns? The first edition of “Downtime Opportunity” (December 2008) was a deep dive into Ad Age’s archives. Analyzing original bound issues from our in-house library and supplementing those clips with additional research and government data, I focused the first white paper on three periods: 1929-1933, 1973-1975 and 1980-1982.

For this second edition, I’ve added lessons learned from the 2007-2009 recession and insight from the 2020 pandemic and recession.

The Depression generally means the prolonged downturn of the 1930s; some experts extend the definition to 1940 and 1941. I concentrated on the official business cycle contraction from the August 1929 peak to the March 1933 trough. These were the bleakest days of the Depression.

(The economy resumed growth in 1933 but entered a yearlong contraction in May 1937, the second of the Depression’s two recessions.)

The recession of November 1973 through March 1975 was defined by the energy crisis. This was a dark, cold period—literally: In 1973, President Nixon asked the nation to turn down the thermostat and turn off outdoor Christmas lights to save energy. This also was a period of stagflation—stagnating economy, double-digit inflation and crippling unemployment.

The back-to-back recessions of January 1980-July 1980 and July 1981-November 1982 marked what at the time was the worst economic period since the Depression. Oil prices, interest rates, inflation and unemployment surged. Consumer confidence slumped to its lowest level on record.

Ronald Reagan, a week before the 1980 election, closed his one and only debate with President Jimmy Carter by asking: “Are you better off than you were four years ago?” Reagan won (carrying 44 states) and then presided as the nation sank into recession and staged a remarkable recovery.

The Great Recession of December 2007 through June 2009 crushed financial institutions (Washington Mutual, Lehman Brothers) and drove General Motors and Chrysler into bankruptcy reorganization. In the weeks leading up to the election, presidential candidates Barack Obama and John McCain described the period in identical, chilling words: “the worst financial crisis since the Great Depression.”

**New and improved**

What happened to marketers, media and agencies during past downturns? There were layoffs, closings, cutbacks. No surprise there.

But I was more surprised and intrigued by another point: the innovation that has occurred during the toughest times. Radio and refrigerators came of age in the 1930s. Time Inc. launched most of its biggest magazines during recessions, including People in 1974. Many pioneering cable networks (including CNN and MTV) and a colorful national newspaper (USA Today) launched during the deep recessions of the early ’80s.

As the economy tanked in 2008, I wrote this in the first edition of this white paper:

“During the recession of 2008-09, I know marketing and media innovation will take place. New companies, technology, products and ideas will emerge, creating jobs, changing markets and leading to more effective, efficient marketing.”

And that is what happened. Facebook’s worldwide revenue rocketed to $777 million in 2009 from $153 million in 2007. (Revenue came in at $71 billion in 2019.) Apple’s iPhone, introduced in 2007, and Google’s Android operating system, which began to power mobile phones in 2008, ushered in a mass market for smartphones that in turn set the stage for mobile marketing.

Tesla produced its first car in 2008; it’s now the world’s most valuable automaker based on stock value.


Accenture started Accenture Interactive in 2009; Accenture’s stock this summer scored all-time highs, its business thriving while old-line agency companies grapple with change.

And what about this year’s COVID-induced...
Downtime Opportunity


Zoom goes the dynamite.

The opportunity to be heroes
More than one advertising executive has publicly acknowledged his debt to the depression, admitting that it was not until the pressure of necessity exerted itself that he really found out how to get one hundred cents’ worth of value from the expenditure of every advertising dollar.... The new attitude toward advertising is not less hopeful and enthusiastic than the old—it is only more practical and more determined....

All of this represents a healthy attitude, and practically guarantees advances and improvements over former practices. It is just such a state of healthy dissatisfaction as this that has been responsible for most of the progress of the world, and it is a good thing for business and advertising that smug satisfaction is no longer being tolerated.

—Ad Age editorial (“Depression Has Its Good Points”), Oct. 29, 1932

Surveys tell us that consumers are more pessimistic today than at any time in the past 25 years.... What do marketers do? Do they moan about how miserable the surveys look, how tough the selling climate has become? Do they close down and go live in a commune until 1974 blows over? The answer is no....

The proper marketing attitude for today embraces the concept that the time to do something is when others do nothing. Don’t look to a frightened competitor for guidance. Follow your own instincts; drive home your marketing advantages.... Ignore those who have pulled back on advertising. Take advantage of them with credible ads that communicate reality, good sense, confidence.... Above all, level with your

GDP percent change by year
The economy, measured by real (after-inflation) annual percent change in gross domestic product, is forecast to fall 4.0 percent in 2020. That would be the sharpest year-on-year decline since 1946, when the nation was emerging from World War II.

Source: Bureau of Economic Analysis; IHS Markit (2020 and 2021 forecasts).
Important to Important People

GDP percent change by quarter

Real (after-inflation) change in gross domestic product by quarter. Seasonally adjusted annualized rate. The economy in second-quarter 2020 shrunk at an annualized rate of 31.7 percent, the sharpest quarterly drop on record.

While 1981 was a year of unusual uncertainty for advertising and media, it is particularly noteworthy that this was not translated into curtailed advertising....

It is no longer common practice—as it was in Roosevelt’s day—to respond to declining sales by retrenching on advertising and other promotional efforts. Modern business managements know that advertising is the key to today’s sales and tomorrow’s hopes....

It is not going to be easy to do business, or stay in business, or grow. But this is a year when advertising people can be the heroes. There is plenty of economic strength out there to build on, and too much talent, inventiveness and enthusiasm to be defeated. Optimism is among the distinctive contributions advertising people bring to the management team. If not miracles, at least wonders. In 1982, advertising people can provide the spark.

—Ad Age editorial (“1982—For Advertising People, the Opportunity to be Heroes”), Dec. 28, 1981

customers; don’t try to bluff them. Remain visible in hard times and your position will be much stronger in good times.

—Ad Age editorial (“Push Against Pessimism”), Oct. 29, 1973

We do have problems; but perhaps these problems will seem less overwhelming later next month as the nation observes the 100th anniversary of the birth of Franklin D. Roosevelt, a president who, among other things, is remembered for dealing with a deflated economy, 25 percent unemployment and a banking system that was on the verge of collapse....

If Roosevelt could tell the nation: “The only thing we have to fear is fear itself,” what should we say to those who panic because the Dow is down? Or because—for the moment—we are not setting new retail sales records?

We are in a period of vast structural change, as industry adjusts to new technology and fierce new competition in world markets....
Unemployment rate
The U.S. unemployment rate in April 2020 reached 14.7 percent, the highest since 1939.

April 2020:
14.7 percent. Highest since 1939.

1933: 24.9 percent, Depression peak. Rate didn’t fall below 1929’s 3.2 percent until World War II.


Dow Jones Industrial Average
How the stock market has moved during downturns.

Feb. 12, 2020:
All-time high (29,569).

March 23, 2020:
COVID-era low (18,214).

March 2009:
Great Recession bear market low (6,470).

The Great Depression, including the cataclysmic 1929-33 recession and a deep 1937-38 recession.

July 1932: Depression nadir of 41, down 89 percent from September 1929 peak (381). Dow didn’t top its 1929 peak until 1954.

Nov. 1973-March 1975:

July 1981-Nov. 1982:

Source: Bloomberg, Yahoo Finance.
RECESSION: 1929-1933

U.S. auto sales crashed 71 percent from 1929’s peak (4.3 million vehicles) to 1932’s nadir (1.3 million)—far worse than the 35 percent drop during the Great Recession or the projected 21 percent decline in 2020.

Remarkably, auto sales didn’t top the 1929 level until 1949. The auto recovery was delayed by World War II, when the industry shifted to production of tanks, Jeeps and planes; Detroit produced no civilian vehicles from February 1942 until the war ended in summer 1945.

In the wake of the 1929 stock crash, the auto industry expected sales to plunge and so slashed ad budgets in 1930. Vehicle sales that year tumbled 31 percent.

“Sales have slumped,” Ad Age noted in an editorial (Jan. 3, 1931). “They were expected to slump. Advertising plans were made with this in view, and the volume of automobile advertising at times became painfully light compared with the number and size of advertisements which formerly confronted prospective purchasers at every turn.”

Cautious optimism about a turnaround faded in 1931, when sales sank another 27 percent. Sales crashed 43 percent in 1932.

Ad Age wrote in an early 1933 editorial (Jan. 14, 1933): “During the past few years when automobile sales have declined with marked rapidity, with total new car sales aggregating only about 25 percent of the peak volume, automobile manufacturers and dealers have continued to advertise. However, their attitude has apparently been, ‘We’ll advertise if the sales are there, and if they don’t develop, we will quit spending money for advertising.’

“That is what happened in 1932. The opening guns were fired, and the industry prepared to continue advertising, provided sales volume was satisfactory. Sales volume continued to decline, and with it the advertising also was reduced. Finally it reached something approaching invisibility.”

The editorial concluded: “Advertising expenditures must have some definite relationship to sales volume. Of that there is no doubt. But they must also have a relationship to sales possibilities and sales opportunities.”

The Great Depression’s initial debilitating recession hit its trough in March 1933, the same month that Franklin D. Roosevelt started his first term as president. The economy, auto sales and advertising began to dig out.

Auto sales in 1933 jumped 37 percent from a depressed base; volume (1.7 million cars and trucks) remained low. The recovery continued until a new recession sent sales tanking (down 45 percent) in 1938.

INNOVATION

A solution to the used-car problem

The auto industry, slammed by the brutal 1929-1933 economic contraction, was forced to look for opportunity.

One of the biggest challenges facing Detroit was the overhang of used cars. Solution: Shrink the supply. General Motors’ Chevrolet pioneered the concept of paying dealers...
$50 ($749 in 2020 dollars) for each unsafe, rattletrap trade-in they sent to the junkyard. “Chevrolet got rid of 150,000 junks” in 1929, Ad Age reported. GM expanded the program to all divisions in 1930.

By early 1931, manufacturers representing 87 percent of production were giving dealers incentives to junk unsafe cars rather than re-sell them. A washing machine maker adopted the scheme for its market in 1931.

Flash forward: In 2009 the U.S. government’s Cash for Clunkers program offered consumers a credit of up to $4,500 to trade in an old car and then buy or lease a fuel-efficient new vehicle. The trade-ins were scrapped, removing them from the market.

The program began shortly after GM and Chrysler filed for bankruptcy reorganization. Cash for Clunkers (officially, the Car Allowance Rebate System) removed more than 700,000 aging vehicles from the road and gave struggling automakers a short-term boost, though critics asserted many buyers would have purchased a new car without the program.

Jeremy Anwyl, CEO of auto site Edmunds.com, told Ad Age (Aug. 10, 2009): “The incremental sales are limited and at a considerable cost. In effect, we are paying consumers to do something most would do anyway.”

The government fielded a similar program for appliances in 2009, offering rebates of $50 to $200 for consumers who bought Energy Star-rated appliances.

Previously owned
Used cars presented another opportunity. In 1930, just months after the ’29 crash, GM’s Buick began a campaign to promote used upscale models, an innovation that made front-page news in Ad Age.

“Buick is trying to create a market for used Buicks among those who would ordinarily purchase a cheaper car new,” Ad Age reported (April 19, 1930). “Buick is using magazine space and newspaper display to build up a definite demand for reconditioned Buicks sold by Buick dealers.”

Flash forward: GM Chairman Roger Smith took some heat in 1988 after he told a journalist that GM’s best alternative to a rival’s $7,000 six-passenger car was “a two-year-old Buick.”

Buick and Smith were onto something: Manufacturer “certified preowned” cars today are a viable alternative to new cars. Factory support of used cars helps maintain residual values, benefiting the manufacturer and dealer.

Parts and service
New cars weren’t selling in 1930, but the industry spotted an expanding revenue opportunity:
service. The Motor and Equipment Association began an advertising campaign in 1930 to promote repair and maintenance with the slogan, “Care will save your car.”

Ford Motor Co. that year launched its own parts-and-service campaign, promoting batteries.

Ad Age noted in an editorial (May 31, 1930): “The whole automobile industry is alive to the fact that if fewer new cars are sold this year, more business may be done in the service field. The General Motors units, for example, are employing better advertising and sales methods on this feature. Direct mail campaigns to present owners, urging them to make use of service facilities regularly, are a standard part of the General Motors system....

“In addition, real sales effort is exerted upon the situation,” the editorial continued. “Personal calls are made upon owners who have not been patronizing the service department. When a customer brings in his car for a particular job, it is carefully inspected and other necessary or desirable work is suggested to him. New shock-absorbers, tires and other merchandise are sold....

“Most other industries can profit from the example of the motor car field. If there is a reduction of buying in one direction, the right kind of advertising and sales promotion may assist in increasing it in another.

“In any period of recession of buying of major items,” the editorial concluded, “increasing the number of buyers of smaller items is the obvious method of protection against serious shrinkage in the total volume. Advertising can find and interest these buyers.”

**Flash forward:** In 1975, when the auto industry was struggling to dig out of the deep 1973-1975 recession, General Motors began another drive to sell parts and service. GM’s new pitchman: Mr. Goodwrench, described by Ad Age as “a smiling, balding mechanic (with clean hands).”

Mr. Goodwrench morphed into GM Goodwrench Service Plus. GM gave Goodwrench the hook in 2011, replacing it with the moniker Certified Service and tying the name to a specific brand (for example, Chevrolet Certified Service).

**Maintenance contract**
GM’s Cadillac tried another innovation in the Depression: the maintenance contract. In 1930, Cadillac offered new owners a prepaid 12,000-mile maintenance package. Price: $130 (about $2,000 in 2020 dollars) for a V-8 Cadillac.

**Battle at the low end**
As the Depression dragged on, automakers retooled their entry models. In early 1932, Chrysler Corp. introduced its cheapest cars ever: $495 (about $9,000 in 2020 dollars) Plymouths that it named “Thrift Models.” A battle ensued at the low end. Chevrolet launched its entry in late 1932 with a massive campaign including 5,800 newspapers, 13,500 outdoor placements, radio and direct mail to 1 million prospects.

**Patriotic pitches to sell cars**
Some automakers in the Depression portrayed buying a car as a patriotic duty that would help the economy. A 1932 newspaper ad for a luxury car said: “Your purchase of a new car will mean needed income for many families.” The statement was repeated in a direct-mail campaign.

An Ad Age editorial (April 9, 1932) took a skeptical view of that pitch:

“In an effort to break down the apparent reluctance of many people who can afford to purchase, but are hesitating to do so, perhaps because of the fear of being thought ostentatious, some automobile advertisers are making the mistake of advancing reasons for purchasing which fail to meet the point and which overstress the public benefit to be derived.

“Contributions to public advantage through active purchasing are necessarily secondary to the immediate motives of selfish satisfaction, which are properly the first things to be considered in buying. To overstate the sentimental side, and to make it precede the story of tremendously increased values created by the automobile industry, is to leave the field of business and to undertake the promotion of philanthropy through advertising.

“Appeals of this kind, especially when connected with sales promotion for an individual product, have a flat and insincere ring. The prospective purchaser may like to feel...
that he is making a public contribution when he spends his money—but his first assurance should be that he is buying something to promote his own pleasure and satisfaction.”

**Patriotic pitches in later downturns**
Patriotism is a recurring theme for automakers in troubled times. In the 1958 recession, Detroit automakers bankrolled a national promotion with the tagline, “You Auto Buy Now,” including ads and horn-honking parades. Theme song: “Buy days mean paydays. And paydays mean better days. So buy, buy! Something that you need today!”

Jump ahead to fall 1974, when auto sales slumped to a 10-year low. General Motors responded with an advertising call to action: “Inflation-weakened America needs common-sense conservation, not empty austerity.... “When new cars replace old, the nation’s primary means of transportation gains efficiency. Our new 1975 cars conserve gasoline, even as they emit less pollution, provide more safety features and cost less to operate and maintain than earlier models.

“The purchasing of new cars is the common-sense conservation we need. It keeps the wheel of progress rolling. It means growth and investment. This means more jobs for our people, more revenue for our government, more value for our customers and more dividends for our stockholders.

“No growth makes no sense; not for America, not for anyone. Right now is the time to buy a new car.”

Chrysler took a decidedly jingoistic approach in its fall 1980 launch of its K cars. (They were officially the Dodge Aries and Plymouth Reliant, but the models’ internal “K platform” name generated so much media attention during Chrysler’s fight for survival and drive for federal loan guarantees that the automaker appended “K” to each model name.)

Chairman Lee Iacocca drove the first K car off a Detroit assembly line, proclaiming: “This is the K-day for Chrysler, it’s D-Day for Detroit and it’s a new day for America.”

Chrysler’s launch ads featured a red, white and blue K-car emblem and the pitch: “If everybody in the U.S. drove a K car, America wouldn’t have to import a single drop of OPEC oil for gasoline.”

Another 1980 ad said: “Yankee ingenuity is alive and well at the New Chrysler Corporation.” Chrysler touted its K cars as “the only front-wheel drive cars that give you high mileage ... and room for six Americans.”

In 1981, General Motors promoted a rebate offer with the theme: “Let’s Get America Rolling!”

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**Miles per gallon (new vehicles)**
By model year.

Source: Environmental Protection Agency. Fleetwide average for autos/light trucks sold. 2019 is preliminary.
Amid the deep 1982 downturn, domestic automakers placed a 44-page ad section, “Autorama USA,” in Time magazine. Theme: “There’s never been a better time to buy a new car.” Ad Age said the $2.3 million placement was “the largest of its kind to ever appear in a major magazine” and marked the first time GM, Ford Motor Co., Chrysler and American Motors Corp. had advertised cooperatively. Content was researched and written by the staff of (Ad Age sibling) Automotive News.

General Motors deployed an aggressive, patriotic promotion near the emotional and financial nadir of the 2001 recession: Eight days after the Sept. 11, 2001, terrorist attacks, GM launched a “Keep America Rolling” campaign offering cars and trucks at 0 percent interest. The attention-getting offer—quickly mimicked by competitors—was viable because the Federal Reserve Board had slashed interest rates during the year to stimulate the economy.

GM’s message—reminiscent of its 1974 and 1981 pitches—was in line with President Bush’s post-9/11 charge for Americans to go shopping, get back to business, travel “and enjoy life, the way we want it to be enjoyed.”

Leading the home team is a longstanding GM view (“See the USA in Your Chevrolet,” “Heartbeat of America,” a GM president’s 1953 declaration that “What was good for the country was good for General Motors and vice versa.”). “Keep America Rolling” was a controversial campaign inside and outside the ad business. Critics saw the promotion as disrespectful to those who had died.

But General Motors’ promotion clicked with consumers. U.S. auto and light-truck sales in October 2001 had their biggest month in history, powered by the automaker and copycat promotions from rivals. The recession officially ended the next month; 2001 ended up as what was then the second-best year ever for U.S. car sales.

**Market research**

In early 1932, General Motors staged its largest promotion to date, including a product exhibition that ran in 55 markets, to stimulate demand. But consumers weren’t in a buying mood. GM moved to cut costs, consolidating dealerships and combining Buick, Oldsmobile and Pontiac into a single operation.

Sales picked up in 1933 as early signs of economic recovery took hold. GM’s U.S. car and truck sales rocketed 134 percent in the third quarter of 1933 vs. a year earlier. That allowed GM to loosen the purse strings; in late 1933 the company announced it would dissolve...
the Buick-Olds-Pontiac Sales Co., returning sales autonomy to each of the brands.

What were consumers looking for as the Depression began to lift? GM sought to find out in 1933 when it mailed a questionnaire seeking opinions on what consumers wanted. GM mailed all respondents a booklet thanking them and explaining its market-research effort with remarkable transparency:

“If a company can ascertain concretely and in detail just what its buyers would like to have, if it can build its products in conformity with those desires and design its sales and advertising messages so that they will answer the questions that are uppermost in the mind of the motorist, obviously there will be a continued improvement in the merchandising processes and a broadening of the service rendered.”

The booklet concluded: “Occasionally, someone asks if our customer research activity isn’t just a sales idea or an advertising ‘stunt.’

“The answer is most emphatically ‘YES’—that is, providing you leave off the word ‘stunt.’

“There is nothing altruistic about General Motors research. We expect it to broaden our goodwill. We expect it to help us sell more automobiles.... There seems no reason why we cannot serve you in line with your desires—serve you in a manner that will merit your continued and increasing patronage.”


Ad Age reported (Jan. 27, 1934):

“Dependability ranks at the top of the ten qualities which representative Americans desire most in their motor cars, the survey showed. Analysis of the more than 200,000 replies to the questionnaire, which was sent to over a million and a half persons, revealed that characteristics are preferred in the following order:

“Dependability, operating economy, safety, appearance, comfort, ease of control, smoothness, low list price, pick up and speed.” Among the features on consumers’ wish list? “Arm rest for driver ... horns less insolent ... rattle proof doors ... economy at higher speeds.”

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**RECESSION: 1973-1975**

Oil prices surged and auto sales plunged in the deep recession of November 1973 through March 1975. The average price of a gallon of gas jumped 36 percent in 1974 vs. 1973; auto sales tumbled 21 percent.

The government, intent on shifting demand, in late 1973 forged a voluntary agreement between the auto industry and the Environmental Protection Agency to release miles-per-gallon fuel ratings. MPG fuel stickers appeared on 1974 models. Headline in Ad Age (Sept. 17, 1973): “Government hopes mileage sticker will push public to smaller cars.”

What to do? “[Detroit’s] only real alternative is to initiate a crash program to switch production to smaller and more economical cars,” Ad Age said in a late 1973 editorial (Nov. 12, 1973).

But Detroit wasn’t so convinced. Ad Age noted Chrysler’s response to the government’s first MPG report: “Chrysler said it is too busy concentrating on the new model introductions to worry about mileage ads.”

Ford quickly retrofit a big-car factory to build more Mavericks, an aging compact. GM pushed through a new subcompact, Chevette, which initially sold extremely well. But the Big Three’s small cars were inferior to Japan’s.

In 1974, Chrysler Chairman Lynn Townsend said: “We don’t believe the market is large enough for our own subcompact. The Valiant and Dart [compacts] are the cars people want to buy.”

Townsend soon retired, and Chrysler brought to market a mediocre subcompact, the Dodge Omni and Plymouth Horizon, introduced in the 1978 model year.

Detroit has had a hard time building brand equity for its small cars. Domestic makers periodically have junked their small-car models (Escort, Cavalier, Neon) and then have to start from scratch (Focus, Cobalt, Caliber)—a good way to distance them from yesterday’s mediocrity, but an expensive and wasteful proposition.

For domestic brands, models like Focus are no longer the locus. U.S. automakers have doubled down on crossovers, sport utility
vehicles and pickup trucks, ceding the shrinking U.S. small-car segment to Japanese and South Korean brands.

**INNOVATION**
**Toyota’s game plan**

It’s open to debate whether Japan was prescient or simply lucky when the energy crisis hit. But there’s no denying that Japan ran with the opportunity.

Honda Civic topped the first EPA ratings (29.1 MPG), followed by Toyota Corolla (27.1 MPG). Those two models neatly delivered on the top two buyer attributes shown in GM’s Depression-era research (see page 16): dependability and operating economy.

Honda and Toyota over the years have kept improving Civic and Corolla, ensuring the two models vie for best-of-class decade after decade (though with more competition now from South Korea’s Hyundai and Kia). The automakers over time introduced appealing trade-up models and brands: Honda Accord, Toyota Camry, Honda’s Acura, Toyota’s Lexus.

Toyota’s initial response in 1973 is telling. Toyota at that point was selling all the little cars it could produce. “If anything, the temptation has been to spend less on advertising because we’ve got such a built-in demand for our vehicles,” a Toyota executive told Ad Age. “We haven’t succumbed to that temptation.”

Toyota stunned Madison Avenue in 1975 when it fired its agency of 13 years, Clinton E. Frank (an independent shop later bought by Campbell-Ewald). After a closed review, Toyota hired Dancer Fitzgerald Sample in late 1975, a predecessor to current agency Saatchi & Saatchi. The next year, Toyota surpassed Volkswagen as the nation’s No. 1 import brand, a position it’s held ever since.

**Buy a car, get a check**

The weakest or smallest players sometimes prove to be the most innovative marketers. What’s to lose? In January 1975, Chrysler, stuck with a 136-day supply of cars, forever changed the market when it unveiled the Car Clearance Carnival—and introduced the car rebate—on Super Bowl Sunday. “Buy a car, get a check,” said pitchman (and retired catcher and future Hall of Fame broadcaster) Joe Garagiola.

Ad Age commented in an editorial (Jan. 20, 1975): “Chrysler’s bold move (competitors call it desperate) offering $200 to $400 rebates... has the earmarks of a savvy ploy by one of the sophisticated package goods companies... We have never been overly impressed with the marketing tactics of the Detroit auto men... But Chrysler, in one fell swoop, has picked itself up off the floor and has moved into the vacuum created by Detroit’s paucity of selling ideas.”

Rival Detroit automakers (but not Japanese makes) quickly followed. The rebate scheme soon was mimicked by appliance marketers, food makers and retailers.

A follow-up Ad Age editorial (Feb. 17, 1975) said: “No one has ever regarded the rebate as the alpha and omega of marketing, but it’s definitely a valued and tangible piece of evidence that marketers must be able to respond quickly to marketplace needs. And right now, the need is for new incentives that bring the consumer into the store.”

The general manager of GM’s Chevrolet told Ad Age in March 1975: “The rebates did stimulate the market, but when they were concluded, the [showroom] traffic diminished. We cannot go back to rebates. And if General Motors can’t afford to, then the competition can’t either. We must go back to more conventional methods.”

Automakers have been addicted to rebates ever since.

**Big Oil**

The early ’70s energy crisis and recession upended the auto market, but it enriched one industry: Oil company profits surged. Facing a backlash, petroleum marketers offered their best spin in public-affairs advertising. Ad Age said in an editorial (July 1, 1974):

“Oil companies have used every possible device to convince the public that their big increase in profits is needed to develop new energy sources.”

Congressional foes pushed for another antitrust breakup of oil companies. (Back in 1911, trustbusters broke up John D. Rockefeller’s Standard Oil Co.) A proposal also was floated
Prime rate
The prime rate is the interest rate major banks charge on loans to their most creditworthy corporate borrowers. Movement in the prime affects interest rates for credit cards, auto loans and other consumer debt.

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Source: Federal Reserve Board. Annual average. 2020 is January through August average.

to ban the deductibility of some oil company advertising expenses. But Big Oil kept up its communications.

Did it work? Consider that Ad Age named Mobil Oil Corp. CEO Rawleigh Warner its 1975 adman of the year. “There’s no way we can measure what we’ve accomplished with the (advertising) program,” Warner told Ad Age (Dec. 29, 1975). “But I know if we hadn’t done it, we would have left all the media to our critics. And I have to assume we’d be worse off today.”

Gasoline prices doubled from 1978 to 1981. With interest rates, inflation and unemployment in the double digits, it’s no surprise that auto sales tanked in the back-to-back recessions of the early ’80s. The industry sold 10.4 million cars and light trucks in 1982, a 31 percent drop from the industry’s then-peak year of 1978.

INNOVATION
Iacocca
In 1978, after being fired as president of Ford, Lee Iacocca bolted to the No. 2 spot at Chrysler, the ailing No. 3 automaker. Little did he know how bad things would get for Chrysler, the auto market and the economy. A year later, Chrysler named him chairman-CEO. Iacocca was on the way to selling “The New Chrysler Corporation.”

Iacocca brought ad agency Kenyon & Eckhardt with him from Ford, and the agency persuaded him to go on-air as commercial spokesman. He proved a natural, appearing in 61 spots over 14 years and ad-libbing some of his best lines—including his signature: “If you can find a better car, buy it.”

America bought the pitch, and Iacocca brought Chrysler back from the brink of bankruptcy with help from Washington in the form of federal loan guarantees. Chrysler repaid its loans in 1983, seven years early. Iacocca retired in 1993; he died in 2019. Kenyon & Eckhardt morphed into Bozell and then FCB, which lost the account in 2000.

Subsidized car loans
Problem: Surging interest rates effectively froze credit, with the prime rate reaching 21.5 percent in 1980.

Solution: Offer subsidized loans to move the metal.

In late 1980, Chrysler and Ford touted a 12 percent loan—an attractive deal at the time.
GM’s 1981 interest-rate pitch: “13.8 percent. Here’s good news for car buyers.”

An interest-rate battle broke out in late 1982 when Ford offered 11.9 percent loans. GM responded with a 10.9 percent rate, and Ford promptly lowered its rate to 10.75 percent.

Flash forward: In 2020, Fiat Chrysler Automobiles and General Motors touted 84-month loans with 0 percent interest on certain vehicles. Historically low market interest rates, driven down by the Federal Reserve Board’s 2020 actions to keep credit flowing during the coronavirus crisis, made it viable for automakers to offer these financing deals.

Strong-arming suppliers

Does hammering suppliers for an across-the-board price rollback qualify as innovation? That’s debatable, but the strong-arm tactic swept Detroit in the dark days of early 1982.

In February 1982, GM Chairman Roger Smith called on suppliers to “contribute up to 3 percent of the purchase price of their product” through the end of the model year. GM quickly revised its giveback request to 2 percent. The twist: GM said it would use the savings to aid the company in “passing along” new rebates of $500 to $2,000.

Ad Age reported (Feb. 8, 1982): “Asked if suppliers included agencies and their media, Mr. Smith replied, ‘Sure. They’re part of the family.’”

That page 1 article continued:

Campbell-Ewald, agency for Chevrolet, GM’s largest and most troubled division, jumped in first. Agency chairman Tom Adams said C-E sent a “cash contribution” to GM based on anticipated revenues for the remainder of the model year. He declined to name the amount, but said, “We’re delighted to participate.”

In a “Dear Roger” letter to Mr. Smith, Mr. Adams said C-E would expand support for the program by appealing to the media to join in. Mr. Adams’ letter said, “We will communicate to media what we are doing and suggest everybody cooperate to get things moving—to get back to more normal levels that will enhance all our products.” GM was to say about the same thing in a letter to its agencies. The other GM agencies were reluctant to talk pending word from GM.

The agencies are the ones who have to invite the media to participate, and many media experts were doubtful if givebacks were feasible—or legal....

One observer ... called it “food stamps for GM.”

In that 1982 article, Campbell-Ewald’s Adams said: “My hope is the more enlightened media will cooperate.... Some of them are big enough and enlightened enough to understand the situation. This can be handled if they want to do it.”

Adams added: “I don’t think we’d be vindictive or unfair to those who don’t cooperate. There is a possibility that those who could have helped and didn’t would not be the most favored people in the world.”

No. 2 automaker Ford followed GM, asking suppliers including agencies and media for 2 percent givebacks for six months. Ford, unlike GM, didn’t specifically tie supplier price rollbacks to new consumer incentives.

No. 3 Chrysler and No. 4 American Motors then made their own 2 percent pleas for the rest of the 1982 model year.

Ad Age’s editorial page took a skeptical view (Feb. 15, 1982): “How can the world of fiction hope to match this theater of the absurd? ... GM twists arms, seemingly indifferent to the legal and moral dilemmas it creates.... If we are going to pass the hat for companies that are having troubles maintaining their regular dividends, there must be other equally deserving needy corporations that have fallen on hard times. Despite the catastrophic financial state of the airline industry, airlines are prolific users of advertising these days. Shouldn’t they get ‘contributions,’ too? Ditto the housing industry.”

One Canadian radio company, Rogers Broadcast Productions, did offer to cut its rates by 2 percent. But in the end, there was no sign of major media companies publicly lining up to write rebate checks to Detroit. The issue faded
away. With a 1983 rebound in auto sales and the economy, the topic became moot.

Price cuts
Amid the weakening economy, the inflation rate tumbled from a peak of 13.5 percent in 1980 to 6.2 percent in 1982 and then to 3.2 percent in the recovery year of 1983.

With less cost pressure, automakers were in a better position to adjust prices to drive demand. Mazda and Nissan duked it out in a price war, cutting list prices to lay claim to having the lowest-price truck.

General Motors reduced or froze prices on more than half of its 1983 models. GM’s ads explained:

“Interest rates are coming down. Inflation’s coming down. The economy is poised for recovery. And millions of people are starting to think about new cars again. To do our part in keeping the momentum going, General Motors has adopted responsive pricing for 1983.”

There was some sleight of hand; GM’s lower base prices were about the same as 1982 prices minus 1982’s ubiquitous rebates.

Ad Age reported: “The move by General Motors to, in effect, legalize rebates as permanent prices may help consumer confidence.”

The University of Michigan’s Index of Consumer Sentiment did rebound sharply in 1983. Auto sales increased in 1983 for the first year since 1978.

Innovation
What’s good for General Motors
Bankruptcy forced GM to do long-overdue pruning. GM shrunk its U.S. dealer base, and it jettisoned smaller brands—Hummer, Pontiac, Saab, Saturn—to focus on Buick, Cadillac, Chevrolet and GMC.

Tesla
PayPal Co-Founder Elon Musk founded Tesla in 2003, and he delivered his first electric car, the Tesla Roadster, in early 2008—just in time for the recession. By year-end 2009, Tesla had sold 937 cars. But the company was on its way.

Tesla’s battery-powered cars got a boost from U.S. taxpayers. The government’s massive 2008 and 2009 economic recovery packages included rebates of up to $7,500 on electric cars, making it a bit easier for Tesla’s affluent customers to get behind the wheel of a $109,000 Roadster. Tesla also borrowed $465 million in 2010 from the Department of Energy to help build a factory.

When Ad Age named Tesla one of America’s Hottest Brands (Nov. 16, 2009), Musk noted the halo effect of high-profile Tesla owners including celebs like Arnold Schwarzenegger, Silicon Valley techies and business leaders.

“Our owners become our ambassadors,” Musk told Ad Age at the time. Tesla, he said, generated “brand resonance” from its green appeal. “We’re fortunate because we are at the center of the confluence of a product with high sexual appeal that in a sense helps save the world.”

Flash forward: In 2019, Tesla spent just 14 cents on U.S. measured media to sell each vehicle. Tesla disclosed 2019 worldwide “marketing, promotional and advertising costs” of $27 million—a minuscule 0.1 percent of revenue. Tesla’s most recent annual regulatory filing said: “Media coverage and word of mouth are the current primary drivers of our sales leads and have helped us achieve sales without

Recession: 2007-2009
U.S. auto sales tumbled 35 percent during the Great Recession, falling to 10.4 million vehicles in 2009, the lowest level since 1982. The U.S. government bailed out struggling General Motors and Chrysler with massive loans and support.

Chrysler filed for Chapter 11 bankruptcy reorganization in April 2009 under a plan arranged and bankrolled by the U.S. government to hand control to Italy’s Fiat.

The combined company, Fiat Chrysler Automobiles, expects to complete a 50/50 merger with French automaker PSA Groupe, parent of Peugeot, to form a new global automaker, Stellantis, in 2021.

Century-old General Motors filed for Chapter 11 in June 2009 and emerged from bankruptcy in July 2009, with the U.S. government owning a majority stake. The government sold its final stake in GM in 2013.

Flash forward: In 2019, Tesla spent just 14 cents on U.S. measured media to sell each vehicle. Tesla disclosed 2019 worldwide “marketing, promotional and advertising costs” of $27 million—a minuscule 0.1 percent of revenue. Tesla’s most recent annual regulatory filing said: “Media coverage and word of mouth are the current primary drivers of our sales leads and have helped us achieve sales without
traditional advertising and at relatively low marketing costs.”

Tesla eclipsed Toyota Motor Corp. in July 2020 to become the world’s most valuable automaker based on stock value.

**RECESSION: 2020**

Sales of new autos and light trucks plunged in early 2020 as dealerships and car factories temporarily closed amid the pandemic. Unit sales bottomed out in April 2020 at a seasonally adjusted annual rate of 8.7 million vehicles, according to the Bureau of Economic Analysis—roughly half the 17.1 million vehicles sold in 2019.

Sales began to recover in late spring and the summer, reaching a seasonally adjusted annual rate of 15.2 million vehicles in August.

**INNOVATION**

**Buying cars online**

Car buying slowed, but it didn’t stop during the pandemic. With many dealerships closed, more selling moved online.

Online car selling isn’t a new idea. CarsDirect.com, founded in 1998, pushed the concept in the early days of the internet. That company evolved into Internet Brands, which today owns web ventures from CarsDirect to WebMD.

In recent years consumers have grown accustomed to using the internet to research cars, search dealer inventories and query dealerships for their best internet price.

But completing the transaction online hasn’t been easy. Automakers are saddled with dealer franchise agreements, limiting the ability of automakers to control and streamline the process. Dealers have had little incentive to embrace online selling because they make much of their money by getting customers to sit down in the finance and insurance office—“F&I”—where buyers are upsold on everything from extended warranties to car alarms and paint protection.

Tesla is a notable exception. The company, which owns its stores and doesn’t haggle on price, does much of its business over its website. It takes just a few clicks and a credit card to order a car.

During the pandemic, other automakers stepped up their online efforts. General Motors promoted its “Shop. Click. Drive.” program, though consumers still must buy the vehicle through a dealership rather than directly from the manufacturer.

Dealers are adapting. AutoNation, the biggest U.S. dealership group based on new-vehicle sales, this year has expanded its online capabilities to cater to online shoppers. The company’s July 2020 earnings release explained: “The COVID-19 pandemic has accelerated a shift in consumer behavior towards digital engagement…. Our AutoNation Express online selling tools enable customers to buy and sell vehicles online, and our store-to-door delivery option allows customers to completely avoid visiting a showroom if they choose. Through our digital capabilities and physical stores, we have empowered the customer to do as much or as little of the transaction online as they choose.”

Used car chains, unencumbered by franchise agreements, are in a good position to promote online selling. Unit sales at online seller Carvana jumped 25 percent in the second quarter vs. a year earlier, and its surging stock price gave it a stock market valuation higher than that of Ford Motor Co. In an August 2020 letter to shareholders, Carvana said: “COVID-19 and its follow-on effects have likely accelerated the adoption of e-commerce across retail verticals.”

**Charge It: Tesla makes it easy to spec, price and order a car on a mobile phone.**

![](image-url)
FINANCIAL SERVICES

RECESSION: 1929-1933

The Dow Jones Industrial Average dropped 89 percent from its September 1929 peak to its July 1932 nadir. It took 25 years—until November 1954—to surpass the 1929 peak.

The banking system failed amid bank runs and a liquidity crisis, with 1,350 banks suspending operations in 1930 and 2,293 bank failures in 1931, according to the Federal Deposit Insurance Corp. Banking began to stabilize in 1932 after Congress created the Reconstruction Finance Corp. and passed the Glass-Steagall Act; 1,453 banks failed that year.

But new troubles emerged, and the banking industry reached its breaking point when an estimated 4,000 banks failed in January, February and the first few days of March 1933. State after state declared bank holidays, locking their banks. It was against this backdrop that Franklin D. Roosevelt was sworn in as president on Saturday, March 4, 1933.

The next day, Roosevelt declared a nationwide bank holiday. He called Congress into session to approve the Emergency Banking Act, which passed after just a few hours of debate. The act allowed the Reconstruction Finance Corp. to invest in preferred stock of banks and to make loans to individual banks—similar to actions taken in the financial crisis of 2008.

INNOVATION

Roosevelt and radio

On March 12, 1933, Roosevelt, just a week into office, addressed the nation regarding the banking crisis in his first “fireside chat.”

The president used simple words to explain the problem and calm the nation. He spoke directly to citizens using the newest medium, radio. It was a good choice, for radio had reached a critical mass: 62.5 percent of households had a radio in 1933, up from 34.6 percent at the start of the Depression in 1929, according to Census Bureau data.

Roosevelt told the nation:

We had a bad banking situation. Some of our bankers had shown themselves either incompetent or dishonest in their handling of the people’s funds. They had used the money entrusted to them in speculations and unwise loans. This was of course not true in the vast majority of our banks, but it was true in enough of them to shock the people for a time into a sense of insecurity and to put them into a frame of mind where they did not differentiate, but seemed to assume that the acts of a comparative few had tainted them all. It was the government’s job to straighten out this situation and do it as quickly as possible—and the job is being performed....

I do not promise you that every bank will be
reopened or that individual losses will not be suffered, but there will be no losses that possibly could be avoided; and there would have been more and greater losses had we continued to drift.

There is an element in the readjustment of our financial system more important than currency, more important than gold, and that is the confidence of the people. Confidence and courage are the essentials of success in carrying out our plan. You people must have faith; you must not be stampeded by rumors or guesses.

Let us unite in banishing fear. We have provided the machinery to restore our financial system; it is up to you to support and make it work. It is your problem no less than it is mine. Together we cannot fail.

Roosevelt’s mastery of a new medium to talk directly to the public was remarkable. This was the first of 30 fireside chats the president would deliver from 1933 through 1944.

The president quickly tackled a range of issues. The White House’s official biography on Roosevelt notes: “In his first ‘hundred days,’ he proposed, and Congress enacted, a sweeping program to bring recovery to business and agriculture, relief to the unemployed and to those in danger of losing farms and homes, and reform, especially through the establishment of the Tennessee Valley Authority.”

Member FDIC
The Federal Deposit Insurance Corp., created as part of the Banking Act passed in June 1933, provided coverage on deposits up to $2,500 (equivalent to $50,750 in 2020). That assurance brought more stability to the banking market; just nine insured banks failed in 1934.

The insurance program took effect Jan. 1, 1934. Regulators pressed banks to promote their FDIC insurance.

Ad Age noted (Aug. 18, 1934): “Officials of the FDIC are interested in the advertising of the deposit insurance program. They have expressed to Advertising Age a definite desire to encourage it and asked the cooperation of advertising men to that end.... As momentum is gained through encouragement of advertising, some of the leading executives of the corporation believe that non-member banks will feel the pressure and ‘come into the fold.’”

The FDIC over the decades has raised its coverage amount. Its most dramatic increases have occurred during periods of major recessions and high-profile bank failures: 1974 (insurance doubled to $40,000); 1980 (raised from $40,000 to $100,000); and 2008 (raised from $100,000 to $250,000).

Home improvement
The Federal Home Loan Bank, created by Congress in 1932 to provide money for “building and loan” institutions and to support mortgage lending, began a newspaper ad campaign in 1933 to encourage consumer borrowing. Ad Age (Nov. 25, 1933) reported the campaign was “said to be the first in which a semi-government agency has resorted to advertising space to make important facts known to the public.”

“The copy explained that any home owner can borrow money for improvement of his property from any of the building and loan associations listed in the advertisement,” Ad Age reported. “The importance of the construction industry to recovery was emphasized and the reader urged to use his share of the large credit made available.”

RECESSION: 1973-1975

INNOVATION
IRAs
Congress, as part of a recession-driven legislative agenda, created the Individual Retirement Account in 1974 to get workers to take more responsibility for retirement finances.

IRAs initially were available on a limited basis. Workers not covered by an employer retirement plan could open IRAs; retirees and people changing jobs could roll employer-retirement funds into IRAs.
Discount brokers
The bear market and recession were barely in the rearview mirror when Securities and Exchange Commission rules to deregulate stock-brokerage commissions took effect May 1, 1975. Charles Schwab jumped at the opportunity, slashing fees at his small San Francisco firm to become one of the nation’s first discount brokers.

Vanguard
A second revolution quietly happened on May Day 1975: Investment manager John Bogle started Vanguard Group. This was a weak time for mutual funds, but Bogle built a new model by creating a management company that would provide—at cost—all administrative services to Vanguard funds. Bogle’s biggest innovation: the 1976 creation of the first indexed mutual fund, the First Index Investment Trust (now the Vanguard 500 Index Fund). Bogle left Vanguard’s board in 1999 and died in 2019.

Buying food on credit
In 1974, Dominick’s, a now-defunct Chicago supermarket chain, helped pioneer the concept of using credit cards to pay for groceries. The setup, though, wasn’t easy.

Ad Age reported (July 22, 1974): “Under terms of such an ‘eat now, pay later’ plan, shoppers would get a pre-okay at the manager’s office by filling out a Master Charge form, specifying whether they plan to spend more or less than $50 (over $50 would require a phone verification). After picking their groceries, shoppers would sign the form for the amount of the grocery bill and present it to the cashier at the checkout counter.”

The double-dip recession of 1980 and 1981-1982 marked what at the time was the deepest and most-extended downturn since the Great Depression. The University of Michigan’s Index of Consumer Sentiment hit an all-time low in 1980; inflation and interest rates surged, with fixed-rate mortgages hitting 18.6 percent in October 1981. The housing market froze.

INNOVATION
New banks, new products
For better or worse, the humble savings and loan began morphing into a full-service bank in the early ’80s. Both banks and S&Ls gained the right to offer interest-bearing checking accounts in 1981, propelling S&Ls into the retail bank market.

In late 1982 banks and S&Ls gained the

Mortgage rates
30-year fixed-rate mortgage (percent), 1971 to 2020.

Source: Freddie Mac. Annual average. 2020 is January through August average.
right to offer money market deposit accounts with no interest-rate ceiling, giving them a product to compete with money market mutual funds. This set off another marketing blitz. S&Ls moved aggressively into adjustable-rate mortgages in the early ‘80s, creating new mortgage products as an alternative to then-unaffordable fixed-rate mortgages. Deregulated S&Ls later would implode in the S&L crisis of the 1980s and early ‘90s.

Expanded IRAs
Effective January 1982, Congress opened IRAs to all workers regardless of whether they had an employer-funded retirement plan. This set off a frenzied marketing battle among banks, S&Ls, credit unions, mutual funds, brokerages and insurance companies to persuade consumers to invest money—initially, a maximum of $2,000 a year—in the tax deferred accounts.

Financial supermarket

Prudential Insurance, meanwhile, bought brokerage firm Bache & Co. In 2003, Prudential sold most of what was then called Prudential Securities to Wachovia Corp., a banking company. Wells Fargo & Co. bought Wachovia during the 2008 financial crisis.

The most ambitious play came from Sears, Roebuck & Co., then the nation’s largest retailer. Sears hardly was new to financial services; it had long offered store credit cards and had started insurer Allstate in 1931 at the depths of the Depression.

In 1981, Sears bought investment brokerage house Dean Witter and real estate broker Coldwell Banker, and it created a consumer bank, Sears Savings Bank.

The company further expanded what it called the “Sears Financial Network,” launching Discover Card in 1985 to compete with Visa and MasterCard.

Sears’ grand scheme to sell “socks and stocks” didn’t last. The company, facing considerable problems in its core retail business, sold or spun off its financial operations in the 1990s.

**RECESSION: 2007-2009**

In the weeks leading up to the 2008 election, presidential candidates Barack Obama and John McCain described the period with the same chilling phrase: “the worst financial crisis since the Great Depression.”

The Great Recession was a period of retrenchment and consolidation for financial markets with the failure of Bear Stearns (absorbed by JPMorgan Chase), bankruptcy of Lehman Brothers and acquisition of struggling Merrill Lynch by Bank of America.

More than 300 U.S. banks failed from 2008 through 2010, according to the FDIC. That list included Washington Mutual, the largest U.S. bank failure in history with more than $307 billion in assets and more than 2,300 branches across 15 states.

After WaMu failed in September 2008, WaMu was immediately acquired by JPMorgan Chase in a deal orchestrated by the FDIC.

“For all depositors and other customers of Washington Mutual Bank, this is simply a combination of two banks,” FDIC Chairman Sheila Bair said in a press release announcing the bank closing and sale. “For bank customers, it will be a seamless transition. There will be no interruption in services and bank customers should expect business as usual come Friday morning.”

**INNOVATION**

Non-bank alternatives
Regulators clamped down on banks in the wake of the financial crisis, with tighter rules on bank capital.

That regulatory move opened an opportunity for non-bank financial firms to fill the void for products such as residential mortgages.

One big winner: Rocket Cos., the parent of Rocket Mortgage and Quicken Loans.

In a filing for its 2020 stock offering, Rocket said the top five retail mortgage originators accounted for 17.3 percent of mortgage
originations in 2019, down from 62.4 percent in 2009.

Rocket’s filing said: “This decline is largely the result of the combination of changes in bank capital rules after the 2009 financial crisis that have made mortgages a significantly less profitable business line for the largest banks, while negative client experiences during the financial crisis led to a loss of trust in large financial institutions, driving clients to increasingly look towards non-bank originators for their mortgage needs.”

The company said its market share rocketed to 9.2 percent in the first quarter of 2020 from 1.3 percent in 2009. Rocket now claims to be the largest retail mortgage originator.

Rocket has invested heavily in an online platform, launched in 2015. The Rocket Mortgage app allows consumers to apply for a mortgage, interact with Rocket staffers, upload documents, e-sign documents, receive statements and complete monthly payments. The company said three-fourths of the consumers who have applied using the online platform or app are first-time homeowners and/or millennials.

Amid the 2020 pandemic, Rocket announced and completed a successful initial public stock offering.

RECESSION: 2020

INNOVATION

Square has the right angles

Square, another non-bank financial firm, was founded in February 2009, near the bottom of the Great Recession, to make it easy for smaller businesses to accept card payments.

Square has expanded over time to offer a range of financial products and services for businesses and consumers. Twitter’s Jack Dorsey is also the co-founder and CEO of Square.

Square successfully adapted with the pandemic, with its business offerings well positioned for growth in online selling and increased demand for contactless payment devices (for example, Square Register and Square Terminal).

In 2020, Square took advantage of new opportunities, jumping into the business of facilitating the government’s Paycheck Protection Program loans for small businesses.

Square’s stock price scored all-time highs in September 2020, giving it a market cap of more than $70 billion.

Housing starts

Beginning of construction for housing units. In thousands.

Source: Census Bureau. Number of housing units started. Includes single-family and multifamily construction. 2020 is average of January through July seasonally adjusted annual housing starts.
CONSUMER PRODUCTS, RETAIL

RECESSION: 1929-1933

Real consumer spending (excluding inflation and deflation) plunged 41 percent from 1929 to the Depression’s 1933 nadir, according to Bureau of Economic Analysis data.

Consumer spending on durable goods (automobiles, furniture, appliances) crashed 62 percent. Spending on nondurable goods, such as food and clothing, fell 41 percent, and spending on services (housing, recreation, medical care, transportation services) dropped 34 percent.

The Census Bureau’s 1933 retail census, reported in Ad Age (Dec. 15, 1934), shows how spending patterns changed. Food accounted for 27 percent of 1933 retail sales, up from 22 percent in 1929; in contrast, restaurants’ share of retail declined.

“The consumer apparently had less money to spend for clothing and the apparel group’s portion of total sales fell,” Ad Age’s story said. “The furniture and household group was hard hit…. Equally marked was the decline of lumber-building hardware stores.”

Jewelry store sales tumbled during the period. One retail bright spot: drugstores, which increased their share of retail sales.

“Filling stations were the sensation of the automotive field,” Ad Age reported. Although gas station revenue fell 14 percent in 1933 vs. 1929, the number of stations jumped by 49,000 over that period.

INNOVATION
Growing a market: radio

Radio sales surged in the Depression. Little more than one-third (34.6 percent) of U.S. households had a radio in 1929, up from essentially zero in 1921, according to Census Bureau data. Household penetration passed the halfway mark (55.2 percent) in 1931 and reached two-thirds (67.3 percent) in 1935.

The market matured to the point that one major radio manufacturer, Philco, began a campaign in late 1933 to persuade consumers to upgrade their main radios and buy additional sets. Ad Age explained (Nov. 11, 1933): “The campaign is based on the assumption that numerous radios of antique vintage and thousands of small, inadequate receiving sets are now in American homes. The replacement of these sets offers a tremendous market, the company believes.

“While emphasizing adequate reception

Radio household penetration
In 1931, 55 percent of U.S. homes had a radio, up from just 0.2 percent in 1922.

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent</th>
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<tbody>
<tr>
<td>1922</td>
<td>0.2%</td>
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<tr>
<td>1923</td>
<td>1.5</td>
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<tr>
<td>1924</td>
<td>4.6</td>
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<tr>
<td>1925</td>
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<td>1930</td>
<td>40.2</td>
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<tr>
<td>1931</td>
<td>55.2</td>
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Source: Analysis by Ad Age Datacenter of Federal Communications Commission and Census Bureau data.
with featured $175 and $125 sets”—$3,418 and $2,441 in 2020 dollars (the price today for a really big high-end TV)—“the company is cultivating the ‘personal’ radio market with a box in its page advertisements suggesting a small radio for bedroom, den or library, or for the son or daughter of the house to take to school or college. Two suggested models for these purposes are priced at $33 and $29.50,” or $644 and $576 in 2020 (a bit less than the cost of an Apple iPhone 11).

Side note: Radio’s early days have connections to recession, pandemic and war. Radio broadcasting experiments occurred before World War I, but development of commercial radio was suspended when the U.S. government took control of radio transmissions during the war. The period of 1918 and 1919 brought the end of the war, the 1918 flu pandemic, a recession—and the formation of Radio Corporation of America, or RCA.

In November 1919, General Electric Co. led a consortium, consisting of GE, American Telephone & Telegraph Co., Westinghouse Electric & Manufacturing Co. (GE’s longtime rival) and United Fruit Co. (an early investor in radio technology), to form RCA as a reorganization of Marconi Wireless Telegraph Co. of America. In 1926, RCA went on to form National Broadcasting Co., or NBC, which operated multiple radio broadcast networks.

The RCA brand now is owned by French firm Technicolor, which licenses it to marketers in various categories. Today’s AT&T is a multinational conglomerate and parent of WarnerMedia. NBC is part of Comcast Corp.’s NBCUniversal. Westinghouse evolved into today’s ViacomCBS. United Fruit became Chiquita Brands International.

**Growing a market: refrigerators**

Just 1 percent of U.S. households owned a refrigerator in 1925, but the market began to open up in 1927 after General Electric introduced what was considered the first relatively affordable—about $300 ($4,500 in 2020 dollars)—refrigerator.

GE quickly established leadership in the emerging market. GE’s manager of sales promotion for refrigerators said (Ad Age, April 26, 1930): “It took us about one year and seven months to lead the household refrigeration field—to sell more household refrigerators than any other manufacturer.”

At year-end 1930, 15 percent of homes had a refrigerator, GE reported. How could consumers afford them? That year, 80 percent of GE refrigerators were sold on the installment plan; many utilities offered them for as little as $10 a month.

GE upped the stakes in 1932, including a free four-year service contract for buyers of its refrigerators. “General Electric’s new service plan is revolutionary,” Ad Age said in a front-page story (April 16, 1932). “No other manufactured product on the market today is sold with a four-year service contract policy.”

GE wasn’t the only appliance innovator. In 1933, Grunow Corp., a rival manufacturer, took the prosaic white refrigerator and offered it in colors, such as ivory and pastel green. Grunow stumbled upon the idea: It began painting display model refrigerators in alternative colors to make them stand out in the store but then began offering them to, as Ad Age reported

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent</th>
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<tr>
<td>1937</td>
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<td>1946</td>
<td>51.4</td>
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Source: Analysis by Ad Age Datacenter of Federal Communications Commission and Census Bureau data.

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**Telephone household penetration**

In 1937, 34 percent of U.S. homes had a phone. That reached 51 percent in 1946.
(July 15, 1933), “housewives who are as particular about color schemes in their kitchens as in their living rooms.”

Westinghouse came up with its own sales innovation: In 1932, it enlisted each of its 35,000 employees to pledge to sell one or more domestic electrical appliances through a local dealer—by pressing, for example, friends and acquaintances to buy.

Westinghouse employees received prizes for their participation.

“Other companies have requested details of the program,” Ad Age reported (June 18, 1932), “expressing the belief that if a sufficient number take similar action, beneficial results will be felt throughout the country.”

By 1932, an estimated 20 percent of U.S. homes had a refrigerator. Penetration topped 50 percent in 1938.

GE Appliances now is majority owned by China’s Haier.

Growing a market: frozen food

The arrival of refrigerators set the stage for another innovation: frozen food. In 1929, Postum Co. bought the business (General Seafood Co.) and patents of Clarence Birdseye, considered the father of frozen food. In 1930, Postum, renamed General Foods, began test marketing a range of frozen foods—meat, seafood, vegetables, fruit—under the brand Birds Eye Frosted Foods.

The product test was Ad Age’s lead story (April 12, 1930). Ad Age reported: “The campaign is to run for two months, and the reaction of the consumer to the initial merchandising effort is being carefully watched.”

General Foods supplied stores with freezer display cases for the test.

In a page 1 follow-up story (“Predict Tremendous Growth for Market for Frozen Foods,” Dec. 13, 1930), Ad Age quoted Birdseye: “The experiment has been tremendously successful and will be extended by General Foods to other cities until distribution is nationwide.”

General Foods successor Kraft sold Birds Eye in the early ’90s. Birds Eye now is part of Conagra Brands.

Repeal of prohibition

The Eighteenth Amendment to the Constitution took effect in 1920, prohibiting the sale of alcohol. But prohibition was living on borrowed time as the nation sank into the Depression.

An Ad Age page 1 story (Dec. 27, 1930) noted results of a national survey of business people: “Prohibition Seen as Chief Obstacle to Business Revival.”

In March 1933, just three weeks into his presidency, Franklin Roosevelt signed legislation allowing the sale of beer and light wine. The 21st Amendment, repealing prohibition, took effect in December 1933, though states were free to restrict or ban alcohol sales.

Beer and alcohol advertising resumed as the new laws took effect. “Budweiser welcomes America back,” Anheuser-Busch proclaimed in 1933 newspaper ads. “The art of good living returns—the freedom to enjoy life and to surround it with the sociability and hospitality that generations before you enjoyed.”

But alcohol remained a volatile matter for media. Macfadden Publications, publisher of True Story and other popular magazines, took out an ad in Advertising Age (Oct. 28, 1933) saying it would accept liquor ads. “It seems to us that the American people have rendered this decision for us,” the ad said.

In the same issue, a newspaper publisher advertised a different stand:
“The Chicago Tribune will not accept liquor advertising.... The Tribune feels it will serve its readers best by closing its columns to advertisements of whisky, brandy, gin, rum and similar liquors. It will accept advertisements of wines and beers. It does not advocate their use, but believes it is preferable to the liquor and cocktail habits developed during prohibition.”

National Distillers Products Corp., marketer of 200 brands including Old Taylor and Old Crow, trod carefully in its 1933 advertising. One of its newspaper ads said:

“We pledge ourselves to stand, in every phase of our business, for moderation and not abuse—for temperance instead of excess—for the strict observance not merely of legal duty, but of moral duty as well.”

National Distillers was bought in 1986 by American Brands, which morphed into Beam Inc. Japan’s Suntory bought Beam in 2014.

**Cigarettes: battling the discount brands**

Major cigarette marketers slashed prices in 1933. A sign of weakness? Not really. It was more a sign of offense by dominant players to attack smaller producers of upstart discount brands that had been picking up share during the Depression.

Ad Age reported (Feb. 18, 1933): “The price move was frankly intended as a body blow to the competition of 10-cent”—a pack—“cigarettes and an effort to recoup some of the loss due to increased consumption of ‘home-made’ cigarettes.”

The tobacco industry thrived during the Depression. Per capita consumption fell in 1930, ’31 and ’32, but sales growth resumed in 1933, and per-capita sales broke new records starting in 1935.

Tobacco was a big, high-profile category. American Tobacco Co.’s Lucky Strike signed on as NBC’s first broadcast sponsor of the Metropolitan Opera in 1933.

In 1934, R.J. Reynolds Tobacco Co. signed virtually all members of the World Series winning team (St. Louis) and losing team (Detroit) as celebrity endorsers of Camel, ensuring that Camel would be seen as the cigarette of champions.

**A Kodak moment**

In May 1930, just months into the Depression, Eastman Kodak Co. staged a massive promotion to celebrate its 50th anniversary. The company gave away 500,000 cameras to 12-year-old children across the country.

Ad Age reported (April 19, 1930): “The business advantages which the company expects to gain from this free distribution of cameras are frankly stated in the advertising.” Text of Kodak’s ad:

*The gift is made with two ends in view:*

*From a sentimental standpoint: As a token of appreciation to the grandparents and parents who for 50 years have played so important a part in the development of amateur picture-taking in America, and of the Eastman Kodak Company. To place in the hands of their children and grandchildren an admittedly important educational and character-building force.*

*From a business standpoint: As a means of interesting hundreds of thousands more children in picture-taking. And thus to raise amateur photography, among the coming generation, to even greater heights than its present remarkable peak. For as amateur photography increases in popularity, the use of Kodak products will naturally increase as well.*

Kodak exhausted its supply of cameras in one day.

**Retailer strategies: Sears and Montgomery Ward**

The Depression years were brutal for retailing, but the nation’s top two retailers—Sears, Roebuck & Co., Montgomery Ward & Co.—found ways to innovate.

Not that it was easy. No. 2 Ward rejected a merger proposal from Sears in 1930. (The two companies again would discuss a merger in 1990.) Both retailers slashed catalog prices in 1931, trying to entice Depression-weary consumers.

In 1932, Ward, struggling with deep losses, recruited a hard-nosed industrialist, Sewell Avery, to be its chief executive. The new boss moved quickly to slash expenses, closing more
than one-fourth of Ward’s stores and pressing suppliers for price cuts.

Sears, as discussed in the financial services section, diversified in 1931 into auto insurance with Allstate (adopting a name used on a line of Sears tires).

Some of Sears’ retail innovations were remarkably prescient: Sears in the early ’30s struck a deal with Kroger in which Kroger opened grocery stores inside Sears stores—a forerunner of supermarkets such as Walmart Supercenters.

In 1932, Sears introduced what essentially was a debit card, allowing Chicago-area customers of Sears Community State Bank to shop at Sears using their passbook savings accounts.

Meanwhile, in 1934, Ward introduced a service allowing catalog customers to shop by phone. Ward was ahead of its time; 31 percent of U.S. households had a phone at that point. (Phone household penetration passed the 50 percent point in 1946; see page 28.)

Ward’s relevance would fade in future decades. Ward management miscalculated that World War II would lead to another depression; the retailer pulled back even as rival Sears bet on a postwar boom.


Sears, long ago displaced by Walmart as the nation’s top retailer, was bought by Kmart in 2005, creating Sears Holdings Corp. The company floundered and foundered, sinking into bankruptcy in 2018. The remnants of Sears and Kmart are now owned by Transform Holdco.

**Retailer strategies: Marshall Field’s deflation promotion**

The pricing challenge in the early ’30s was deflation, not inflation. The Consumer Price Index fell each year from 1930 through 1933, giving skittish consumers even fewer reasons to shop: Why buy something today if you think it will cost less next month?

The good news for retailers was that their cost of goods was falling. But how to entice the consumer? Marshall Field’s, the Chicago department store, turned a problem into a promotion: In 1931, it announced a big sale, promoting an array of goods at 1921 prices.

Ad Age reported (March 14, 1931): “The attention of merchandisers all over the country has been attracted to the announcement of Marshall Field & Co., Chicago, of its price decennial sale, in which it is offering merchandise at prices similar to those quoted in 1921, ten years ago.”

The article continued: “In view of the discussion which has been in progress relative to stimulating retail buying by offering greater values, instead of urging the public to ‘buy now’ for reasons of policy, the action of this great department store has aroused widespread discussion.

“The price-decennial was announced in four-page advertisements in the Chicago newspapers, and has attracted unusually heavy buying, with crowds thronging the store.”

The article quoted a Field’s VP: “Every special value that we are advertising is at a lower price—quality for quality—than similar merchandise ten years ago.”
Field’s planned to run its price decennial “for an indefinite period,” the executive said. “We will make known values of such a striking nature that in themselves they will convey their own convincing message of superiority in value, quality for quality, as compared with the deflation values of 1920-21 and, in some instances, 1913, 1914 and 1915....

“Every special article of merchandise advertised is marked, quality for quality, at our lowest prices in ten years, to the best knowledge of our management, that of our retail buyers, our wholesale authorities and all manufacturers with whom we have collaborated,” the executive said.

Ad Age lauded Field’s retailing innovation in an editorial (March 14, 1931).

“Any discussion of the strongest advertising appeal for 1931 invariably results in proper emphasis being placed on the element of greater value,” the editorial said. Field’s sale “is based on a story of price deflation, and on the return of many commodities to a price level of ten years ago.... This is by no means an impossible situation for the manufacturer,” the editorial noted, since lower input prices and improving production efficiency allowed factories to sell goods at lower prices.

The editorial continued:

“Advertising and merchandising men who are given the opportunity of promoting sales of goods which are better and cheaper than heretofore can’t help throwing their efforts into this work with increased enthusiasm. They have a real story to tell—that of greater values, of increased buying power for the consumer’s dollar. Advertising used for such a purpose is of tremendous value—because it can deliver 100 per cent effectiveness. It meets the objection which is in the mind of every buyer of goods today.”

Consumer prices fell 2.7 percent in 1930, 8.9 percent in 1931, 10.3 percent in 1932, and 5.2 percent in 1933.

There have been three deflationary years since the 1930s—but nothing comparable to the serious deflation of the Depression. The Consumer Price Index fell 1.0 percent in 1949; 0.3 percent in 1955; and, during the Great Recession, 0.4 percent in 2009.

And what about Field’s? It’s passed through a string of owners. Federated Department Stores (now Macy’s) bought it in 2005 and dropped Field’s name in favor of Macy’s.

### U.S. inflation (deflation) rate
Percent change in annual average Consumer Price Index.

<table>
<thead>
<tr>
<th>Year</th>
<th>Inflation Rate</th>
</tr>
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<tbody>
<tr>
<td>1932</td>
<td>Prices fell 10.3 percent.</td>
</tr>
<tr>
<td>1980</td>
<td>13.5 percent, highest since 1947.</td>
</tr>
<tr>
<td>2009</td>
<td>-0.4 percent, first drop since 1955.</td>
</tr>
</tbody>
</table>

Creating a market: paper towels
Even in the Depression, marketers found ways to sell convenience as a necessity. Scott Paper Co., for example, staged a campaign in 1933 to promote paper towels as a kitchen necessity.

Ad Age reported about the campaign from J. Walter Thompson (Nov. 11, 1933): “Advertisements list the many kitchen uses for which the towel is recommended, and quote unidentified housewives, apparently recently introduced to the convenience, as saying, ‘I don’t see how I ever did without them.’

“The uses described include wiping off the sticky kitchen table, cleaning the outside of cooking utensils, slicking up the sink, draining the grease from fried foods, drying fruits and vegetables, polishing glassware and windows and many more.”

Kimberly-Clark Corp. bought Scott in 1995.

Creating a market: zippers
Hookless Fastener Co., developer of the original American zipper, began a campaign in 1933 to convince men to switch from button trousers to zippers.

“It’s a wonder men have put up so long with the ugliness, the wrinkled, gaping thickness of the button closure in trousers,” magazine ads said (Ad Age, Dec. 16, 1933). “They need not any longer. This little special Talon fastener for trousers has changed all that.”

The company today operates as Talon International, based in suburban Los Angeles.

Buying on credit
Can’t afford a vacation? In 1932, near the depths of the Depression, Cunard Steamship Co. introduced a pioneering concept: selling travel on the installment plan. “This is said to be the first time transportation has been sold on credit,” Ad Age reported in a front-page story (March 5, 1932).

“Terms are elastic,” the story explained. “A down payment of 25 per cent is required, and the balance may be paid in full from 4 to 12 monthly installments, the first due 60 days from the date of sailing. Round trips U.S. to Europe and back start at $125,” or $2,441 in 2020 dollars.

“Six per cent interest will be charged and normally no endorsers will be required. Since no redress is possible, the ultimate success of the plan depends on the honesty of the public, a point on which the advertiser feels complete assurance.”

Cunard’s ad pitch: “Travel at Your Convenience, Pay at Your Leisure.”

Decades later, amid the stagflation—stagnating economy, inflation—of 1974, Pan American World Airways made its own pitch to encourage overseas travel: “Live today. Tomorrow may cost more.”

Cunard is now owned by Carnival. Pan Am filed for bankruptcy in 1991.

Packaged goods
Packaged goods innovations in the Depression came big and small. In 1933, Kraft introduced Miracle Whip in a campaign running “in newspapers, on the radio, in subway cars and in-store displays.” Copy from J. Walter Thompson said: “Thousands prefer it to mayonnaise—yet it costs one-third less.”

Others rolled out line extensions. Procter & Gamble Co. introduced Ivory Shaving Cream in 1933. The next year Life Savers offered up Cough Savers cough drops.

RECESSION: 1973-1975
The University of Michigan’s Index of Consumer Sentiment tumbled to 57.6 at the nadir of the recession in early 1975. That’s above the all-time low for consumer confidence (51.7 in the 1980 recession) and slightly above the confidence low point of the 2007-2009 recession (55.3 in November 2008). Baseline: 1966 = 100.

This was a rough period, with the economy and lives upended by the energy crisis (surging oil prices, fuel shortages).

Reduced supplies of raw materials led to sporadic shortages of everything from plastics and paper to aluminum and glass, in turn leading to squeezed inventory on everything from packaging materials to toys.

“The world is obviously short on energy,” a columnist wrote in Ad Age (April 29, 1974). “We are also—or will be—short on minerals, chemicals, food and other resources necessary
to our way of life.”

This was the era of stagflation—slowing economy, double-digit inflation and crippling job losses. The unemployment rate nearly doubled from 4.6 percent in October 1973 to 9 percent in May 1975.

**INNOVATION**

**Starting up in a down economy**

A recession can be a good time to launch an innovative company, putting the startup in position for when the economy recovers.

Frederick Smith launched Federal Express in 1973 even as jet fuel prices were rocketing. Re/Max began in 1973, just as the housing market was entering a severe downturn. Supercuts opened its first store in 1973.

Bill Gates and Paul Allen started Microsoft Corp. in 1975—the same year Michael Ovitz opened Creative Artists Agency, the powerhouse Hollywood talent agency.

**Inflation strategies**

As inflation hit 11 percent in 1974, consumers traded down, tried alternatives—soy meat extenders such as the new brand Morningstar Farms, now part of Kellogg Co.—and stocked up on staples that they figured would cost more down the road.

“Frills are no longer alluring,” Ad Age wrote (Dec. 23, 1974). “Price and value are today’s preeminent copy platforms. Advertising that explains value … serves to strengthen the consumer’s confidence and build sales.”

Capitalizing on high beef prices, Best Foods (now part of Unilever) promoted Skippy peanut butter as a low-cost source of protein; a TV spot called Skippy “the sirloin of peanut butters.”

McDonald’s Corp. pitched a value story for its Quarter Pounder in 1974: “More beef for your bread.” The fast-food chain also hyped a temporary five-cent price cut on hamburgers, calling it “a welcome step in the right direction.”

Helene Curtis Industries (now also part of Unilever) refashioned a decades-old hair-care brand, Suave, as a budget brand, targeting consumers looking to trade down. Suave’s ad pitch in 1974: “Ours does what theirs does for a lot less.”

Brown & Williamson Tobacco Corp. (now part of British American Tobacco’s Reynolds American) promoted a roll-your-own cigarette

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### Consumer sentiment

**Yearly average.**

**1980:** Consumer sentiment in May fell to record-low 51.7.

**2020:** Index in April hit a 2020 low of 71.8, lowest since 2011. Index in February (101.0) had been near a 16-year high.

Source: University of Michigan Index of Consumer Sentiment. 2020 is January through August average. Base: 1966 = 100.

Freezer sales leaped some 26 percent in 1974. In 1975, Nestlé’s Stouffer Foods slashed prices on frozen baked goods by 9 percent to 23 percent, saying in newspaper ads: “Everyone wants lower prices so Stouffer’s has done something about it” (Ad Age, March 10, 1975).

Retailers also adapted and innovated. In 1980, Safeway experimented with no-frills Food Box stores, which offered limited selection and required customers to do their own bagging.

Consumers in the ’70s became more accustomed to buying in bulk and stocking up in anticipation of inflation, helping set the stage for a West Coast retail innovation: Price Club, a San Diego-based membership warehouse chain founded by Sol Price in 1976 (one year after a recession). In 1993, Price Club merged with rival Costco (founded in 1983, one year after a recession).

Comparative ads
Pepsi-Cola began a new chapter in soda marketing in 1975 with the “Pepsi Challenge,” making the pitch that consumers in taste tests preferred Pepsi over Coca-Cola.

New products
In 1975, Miller Brewing Co., then part of Philip Morris, launched Miller Lite, backed by ads featuring pro athletes and other masculine role models. The company didn’t invent light beer—the “Lite” trademark came into Miller by way of an acquisition—but Miller Lite was the first lower-calorie beer to gain acceptance among men. Miller is now part of Molson Coors Beverage Co.

Mobil Oil (now Exxon Mobil) introduced its pioneering Mobil 1 synthetic oil in 1975 with a campaign from Doyle Dane Bernbach offering a perfect pitch for the times: “The oil that saves you gas” (Ad Age, Sept. 15, 1975).

Procter & Gamble made its first move into feminine personal care in 1973 with Rely. P&G pulled the tampon brand from the market in 1980 after it was linked to toxic shock syndrome.

P&G didn’t give up: It reentered the market in 1983 with Always—a name recycled from a mid-’70s P&G line of hand and face towels—and then bought category giant Tambrands (Tampax) in 1997.

Tampax, launched in 1936, itself is a product of the Depression.

The University of Michigan’s Index of Consumer Sentiment sunk to an all-time low of 51.7 in May 1980 as the first of back-to-back recessions neared its nadir. Consumer confidence in the second recession (1981-1982) bottomed at 62.0. (By comparison, the low point for consumer confidence in the Great Recession was 55.3. The low point in 2020 was 71.8, back in April.) Baseline: 1966 = 100.

Real (after-inflation) consumer spending in 1980 slipped 0.3 percent, with a hefty 7.8 percent decline in spending on durable goods (such as cars and furniture) and a minimal (0.2 percent) drop in spending on nondurable goods (such as food and clothing). Real consumer spending actually rose a bit in 1981 (1.4 percent) and 1982 (1.5 percent).

This was a brutal period, with 1980 inflation reaching 13.5 percent, its highest point since 1947, and U.S. unemployment peaking at 10.8 percent in 1982. That stood as an unemployment high water mark until April 2020, when the unemployment rate surged to 14.7 percent, the highest level since before World War II.

INNOVATION
Trading down
Consumers were looking to trade down, and retailers and manufacturers responded with more generic products and value brands.

Generic products—typically unadorned black-and-white packaging—came on the scene in the late ’70s, but the concept took off in the early ’80s.

In an A.C. Nielsen analysis of grocery stores offering generic products in late 1980,
generics accounted for 16.7 percent of unit sales for paper towels; 12 percent of peanut butter; and 10.2 percent of liquid detergents (Ad Age, June 1, 1981).

Liggett & Myers, an also-ran cigarette marketer with nothing to lose, jumped into the generic market in 1980, grabbing about a 1 percent market share within a year (Ad Age, June 1, 1981).

Brown & Williamson moved in with its own generic cigarettes.

Rival cigarette makers over time reacted. R.J. Reynolds restaged Doral as a discount smoke; Philip Morris introduced Basic.

Generic cigarettes eventually faded, but the change they brought to the market in the ’80s—product price segmentation—became a permanent fixture in the cigarette business.

Marketers in other categories responded to growing consumer demand for lower-priced products and competition from generics.

In 1981, Shulton restaged faltering Breck shampoo as a value brand, slashing prices 24 percent.

Ralston Purina Co. rolled out a low-priced dog food in late 1981 to combat generics, which by that time had grabbed 8.3 percent of the market. (Nestlé bought Ralston Purina in 2001.)

In 1981, Procter & Gamble introduced a line of paper towels and toilet paper, Summit, to compete with generics and a year later rolled out a slightly higher priced value brand of toilet paper, Banner.

P&G also went on the defensive in 1981, promoting its mainstay Charmin toilet paper as a better bargain than generics. In one TV spot, a man said he’d tried a no-name, but “it was not soft enough. So I’m back to Charmin.”

P&G today sells value extensions of two of its signature paper-products brands and Charmin Essentials and Bounty Essentials paper towels.

New products

Anheuser-Busch (now Anheuser-Busch InBev), drawing on its flagship brand to battle Miller Lite, introduced Bud Light in 1981.


G.D. Searle, after years of regulatory delay, gained approval in 1981 to market aspartame; Searle took the sweetener to market as Equal, a consumer product, and NutraSweet, a food additive.

Small players sometimes can out-innovate the giants. In 1980, Minnetonka introduced Softsoap, an innovative liquid soap. (Colgate-Palmolive Co. bought Minnetonka in 1987.)

Paying a premium

Some companies found a market for new premium products during the early ’80s slump. Carnation Co. (now part of Nestlé) helped pioneer the category of premium cat foods with Fancy Feast, rolled out between 1980 and 1982.

In 1981, Absolut vodka, introduced in the U.S. two years earlier by Sweden’s Wine & Spirits Corp. and Carillon Importers, began its celebrated campaign from TBWA featuring an image of the bottle and a two-word pun, the first word being “Absolut.” First ad: “Absolut Perfection,” with a halo over the bottle. By 1985, Absolut was the nation’s No. 1 imported vodka.

Calvin Klein, meanwhile, launched his signature designer underwear in 1982, backed by ads featuring sexually suggestive photos by Bruce Weber. Price: $14.50 for three pairs. That’s about $39 in 2020 dollars. (Costco this year was selling a three-pack of Calvin Klein boxer briefs for $14.97.)

Loyalty marketing

The airline business was in upheaval in the early ’80s following deregulation of the industry in 1978 and the launch of upstarts such as People Express (1981-87).

Defending its position, American Airlines introduced AAdvantage in May 1981, the industry’s first loyalty-marketing program, aiming to improve brand loyalty and reward repeat customers.


The frequent-flier schemes went on to become a permanent fixture in airline marketing.
RECESSION: 2007-2009

Real (after inflation) consumer spending in 2009 fell 1.3 percent, which was the biggest decline since 1942. GDP in 2009 fell 2.5 percent, which was the sharpest one-year drop since 1946, after slipping 0.1 percent in 2008.

The financial crisis, housing market collapse and other effects of the recession took down numerous retailers, with bankruptcies including electronics seller Circuit City and furniture retailer Levitz.

INNOVATION

Great Value

Sales of private-label products surged during the Great Recession. Sign of the times: In 2009, Ad Age named Great Value, Walmart’s expansive line of private label products, as one of America’s Hottest Brands.

Walmart, the nation’s biggest retailer, did a massive restaging of Great Value in spring 2009, giving packaging for the brand a consistent look across categories. The revamp was led by Andrea Thomas, a veteran of Hershey Foods, Frito-Lay and Pizza Hut.

“Walmart identified an opportunity to treat our private brands more like brands,” Thomas told Ad Age (Sept. 7, 2009). She said the retailer made “a conscious decision to hire people who have managed big brands and apply some of the basic brand-management techniques.”

Flash forward: Great Value was the nation’s No. 1-selling household product brand in 2019, ahead of such iconic names as Procter & Gamble’s Tide, Charmin and Bounty, according to research firm Numerator. Great Value products can be found in more than seven in 10 U.S. homes, according to Numerator.

Putting a premium on value

Procter & Gamble rolled out Crest Whitestrips during the 2001 recession. The company introduced a greatly improved version, Crest Whitestrips Advanced Seal, in 2009.

Positioning Whitestrips against far costlier dental services to get consumers to pony up for the revamped product in a recession, Procter & Gamble justified the $45 price tag by pitching it as a relative bargain to the $500 it cost to whiten teeth at the dentist’s office (Jan. 26, 2009).

“We’re making the claim that this product whitens comparably to products you find at the dentist,” Sunny Jain, associate marketing director for Crest whitening, told Ad Age at the time.

Jain hastened to add the company was trying to make a point about efficacy, not take business away from dentists, who had been crucial to building the Crest brand for generations. “The consumers willing to pay $500 have actually told us they wouldn’t be interested in buying this product,” Jain said.

Warm and fuzzy

Remember Snuggie, the soft blanket with sleeves? As Ad Age reported in a page 1 story (Jan. 26, 2009): “The Snuggie blanket launched nationally on direct-response TV in October [2008], just as the economy was slowing to a crawl, so the timing seemingly couldn’t have
**Consumer spending by year**
Real (after-inflation) change in personal consumption expenditures (consumer spending on goods and services). Consumer spending is forecast to fall 5.2 percent in 2020. That would be the sharpest year-on-year decline since the Great Depression.

Source: Bureau of Economic Analysis; IHS Markit (2020 and 2021 forecasts).

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**Consumer spending by quarter**
Real (after-inflation) change in personal consumption expenditures by quarter. Seasonally adjusted annualized rate. Consumer spending in second-quarter 2020 shrunk at an annualized rate of 34.1 percent, the sharpest quarterly drop on record.

Source: Bureau of Economic Analysis.
been worse. However, it turns out the timing couldn’t have been better."

The timing worked well on many fronts for Snuggie, Ad Age noted at the time. With conventional advertisers pulling back, remnant time for direct-response ads swelled during the recession. And because apparel and other consumer product sales were down, it was easy to find production capacity for the blankets in China.

The marketer, Allstar Marketing Group, blanketed the airwaves with paid ads for Snuggie (price: two blankets and two book lights for $19.95).

But the real payoff came when consumers’ YouTube parody videos went viral and the kitschy product drew media coverage. Fox News homed in on a woman wearing a Snuggie as she braved the cold at Barack Obama’s inauguration; Ellen DeGeneres donned a Snuggie on her daytime talk show.

Allstar sold more than 5 million Snuggies in the first year. The product is still available (go to snuggiestore.com).

RECESSION: 2020

Consumer spending tumbled at a seasonally and inflation-adjusted annualized rate of 34.1 percent in the second quarter, the sharpest drop on record.

The pandemic-driven temporary shutdown of non-essential activities in many states and major cities devastated the retail sector, sending long-struggling department stores and specialty retailers over the cliff.


INNOVATION

Retailer strategies: Aldi

Aldi, the discount supermarket owned by Germany’s Aldi Sud, marched through the Great Recession, doubling its U.S. store count from 2008 to 2018. The chain kept growing during the pandemic, opening its 2,000th U.S. store in July 2020. Aldi now operates in 36 states, and it has set a goal to expand to 2,500 stores by the end of 2022.

Home fitness

With gyms closed in many areas during the pandemic, consumers began working out at home more. Marketers of home fitness products jumped at the opportunity.

Nautilus, marketer of such brands as Bowflex, Nautilus and Schwinn Fitness, reported record sales in second-quarter 2020, with sales surging 94 percent from a year earlier. In announcing those financial results, CEO Jim Barr said: “Our team worked quickly to find solutions to move product from our manufacturers to the ports and then secured the quickest vessels to get the product to our distribution centers. Even with our expanded production and improved supply chain, demand still outpaced supply.”

Sales also soared during the pandemic for connected-fitness firm Peloton Interactive, known for its stationary bike with a touchscreen that streams live and on-demand fitness classes. Lululemon Athletica, whose athleisure apparel is neatly suited for both working out at home and working or just hanging out at home, saw its stock reach new heights in September 2020.
RECESSION: 1929-1933

INNOVATION

Seeing the future: television

In the depths of the Depression, radio broadcasters and radio manufacturers looked ahead to the next big thing: television.

Discussion of television at the National Association of Broadcasters convention in 1933 made front-page news, with a prominent engineer declaring “the possibilities are so great as to make those of sound broadcasting seem small by comparison” (Ad Age, Oct. 14, 1933).

The TV market was held back by the Depression and World War II. But then the medium exploded, rocketing from less than 1 percent household penetration in 1948 to 55 percent in 1954—conquering its market even as the nation worked through two recessions (1948-49; 1953-54).

Flash forward to another new medium, the internet: The first two computers were connected between UCLA and Stanford University in 1969 (a recession year) on what would become the internet.

UCLA’s 1969 press release announcing the development quoted a professor involved in the project: “Computer networks are still in their infancy. But as they grow up and become more sophisticated, we will probably see the spread of ‘computer utilities,’ which, like present electric and telephone utilities, will service individual homes and offices across the country.”

The World Wide Web arrived in 1991 (a recession year), adding a point-and-click interface to the internet. Broadband household penetration was just 1.7 percent in 1999 but kept growing after the dot-com bubble burst in 2000 and the nation entered recession in 2001. Penetration reached 51 percent in 2006, according to Federal Communications Commission and Census Bureau data.

Creating demand: air conditioners

Air conditioning was a wide-open market in the Depression, but how do you create and drive demand? Westinghouse tried to cover all the bases in a 1933 campaign, even as the Great Depression’s economy hit bottom.

Ad Age reported (Sept. 2, 1933): “Aided by a product low enough in price to appeal not only to large but to small industries and stores and even individuals, and by extensive advertising,
the company has enjoyed an excellent summer.

“The unit air conditioners, embodying the steam jet refrigeration principle, have made specific appeals to certain industries through American Restaurant, Restaurant Management, Hotel Management, Barber’s Journal, National Real Estate Journal, Retail Ledger, and other papers of this character, while reaching cross-sections through Nation’s Business, Business Week, Forbes Magazine and Fortune.

“The company’s efforts have indicated there is no telling where a prospect for air-conditioning may be found.... Many business men ... have installed them in their offices. One bought three for his residence.”

Westinghouse’s marketing was inspired. The company encouraged hotel operators to create and promote “air conditioned sample rooms”—a way for hotels to increase summertime traffic and a way to let consumers sample the new technology.

What next? Headline in the same issue of Ad Age (Sept. 2, 1933): “New Cars May Be Air Conditioned.” A supplier of parts to the auto industry did a demonstration in the dog days of August 1933 of what Ad Age called “the first air conditioned car to appear in New York.”

“The first demonstration of this equipment, installed in a standard make sedan, was made last week to a group of persons who were reported to have greatly enjoyed the novelty of traveling with all windows tightly shut and the heat, unpleasantness of traffic fumes and noises excluded....

“Considerable enthusiasm over the new motoring possibilities presented in air conditioned cars was evident following the initial demonstration.”

**Car radio**
The market for car radio developed in the Depression years. Galvin Manufacturing Corp. introduced its Motorola radio in 1930; the name combined “motor” (motor car) and “ola” (implying sound, like Victrola). Motorola exists today as a mobile phone brand marketed by China’s Lenovo.

The nation, though, initially lagged other regions in car radio. Ad Age reported (Nov. 11, 1933): “Auto radio has made considerable progress in the United States in the last year or two, but it is almost insignificant in comparison with the popularity of this type of radio abroad.”

**RECESSION: 1973-1975**

**INNOVATION**

**An early PC**
The personal computer’s roots date to developments of the mid-’70s. The MITS Altair 8800, a computer sold as a mail-order kit in 1975, strongly influenced PC development over the next few years. Bill Gates and Paul Allen started Microsoft in 1975; Steve Jobs and Steve Wozniak founded Apple a year later.

**Video games: Pong**
In 1975, Atari introduced its Pong video-game console, building on the success of a Pong coin-operated arcade game it introduced in 1972. Atari’s home video-game console helped set the stage for that emerging market.

**CB radio**
Citizens band radio dates to the 1940s, but CB radio broke into a major fad of the ’70s owing to two related developments: the oil shortage and the lowering of the highway speed limit to 55 miles per hour, which was intended as a fuel-saving initiative.

Truckers used CB radio to keep track of police cars and trade information on road conditions and fuel availability; many car drivers soon joined in.

CB radio faded, yet in a way it set the stage for cellular phones, which emerged on the scene in the mid-’80s. It also influenced online chat; in 1980, CompuServe introduced an early online chat service—named CB Simulator.


**INNOVATION**

**IBM PC**
IBM Corp. introduced the IBM Personal Computer in 1981, helping make the desktop PC a standard business tool.
Compaq Computer Corp. opened its doors in 1982, introducing the “IBM-compatible” Compaq Portable, helping pave the way for laptop and notebook PCs.

There were, to be clear, failures big and small in the burgeoning PC market, including Coleco, Commodore, Mattel, Osborne, Tandy, Texas Instruments, Timex and Xerox.

Hewlett-Packard Co. bought Compaq in 2002; IBM sold its PC unit to Lenovo in 2005.

Online services
The consumer online field dates to the late '70s—most notably, the 1977 startup of Warner Amex’s experimental Qube service and the 1979 launch of CompuServe’s PC service. The early '80s became a period of remarkable experimentation and innovation in the nascent field.

A Young & Rubicam executive, William Donnelly, presciently saw the future in a 1981 report (Ad Age, June 22, 1981). Donnelly envisioned “a home TV set that can pick up choices from conventional TV, basic cable, pay TV or cable, videocassettes and discs, games, home computers and wired two-way services,” putting consumers “in touch with a huge computer capable of numerous functions.”

Newspapers looked to an online future. Speaking at a 1980 Newspaper Advertising Bureau conference on the future of telecommunications and newspapers, Lloyd Schermer, president of the publisher Lee Enterprises, warned: “Our future competitors are going to be giants such as AT&T, Exxon, IBM, Xerox and many entrepreneurs not yet in business but fully capable of using new technological developments.”

Among the topics at that conference (Ad Age, Oct. 6, 1980): “Home and office computers and delivery information systems ... that will make it possible to learn everything one could possibly want to know at the touch of a button and the lighting of a screen.”

Newspapers were quick to jump into the pool. CompuServe signed deals with The New York Times, The Washington Post and other papers in 1980 to deliver content online. “The news,” Ad Age reported, “will flow onto the user’s video screen at a rate of 300 words a minute.”

Newspaper publisher Knight Ridder and AT&T, meanwhile, experimented with an interactive home information system.

Banks also envisioned an online future. California’s Security Pacific Bank tested a bank-at-home service over interactive cable TV. A Knoxville, Tennessee, bank offered home banking using CompuServe and a Tandy computer from RadioShack.

Meanwhile, in 1981, Sears put its fabled catalog on videodisc, fielding a home test with consumers who owned Pioneer videodisc players. Sears envisioned this as a potential first step toward delivering its catalog through cable TV, conceivably allowing customer to order through a keypad.

A Sears executive told Ad Age (May 4, 1981): “Down the road, we expect this kind of shopping to become more widespread.”

Sears had the right idea—but the wrong execution. Flash forward a few years: Sears, IBM and CBS—at the time, the nation’s No. 1 retailer, PC marketer and TV network—in 1984 began development of an ambitious online service that would offer news, information,
electronic shopping and email. CBS eventually dropped out; Sears and IBM brought the service to market as Prodigy in 1988.

Prodigy wound up as an also-ran to AOL; Sears and IBM sold Prodigy in 1996. The brand ended up as part of AT&T, which no longer supports the domain.

Imagine what could have been if Prodigy had worked out: Sears today conceivably could be Amazon; IBM could be the dominant consumer technology brand; CBS, if it had stayed in the partnership, could be the most powerful media company on the internet.

**Wireless**

In October 1982 the Federal Communications Commission awarded the old AT&T the first permit to build a cellphone system. The system opened in Chicago in October 1983, operated by AT&T spinoff Ameritech. AT&T spinoff Southwestern Bell—now the new AT&T Inc.—eventually reassembled much of the Bell System, acquiring Ameritech, the old AT&T Corp. and other operations. Ameritech’s original wireless system in Chicago now is owned by Verizon.

**RECESSION: 2007-2009**

**INNOVATION**

**iPod, iPhone and iPad**

Apple launched its biggest consumer product hits in recent decades as the nation was entering or exiting recessions.

Apple introduced the iPod, its popular digital audio player, in October 2001, just weeks after 9/11 and as the March-November 2001 recession was nearing its trough. The iPod borrowed from the songbook of the Sony Walkman, a portable cassette player introduced in the U.S. in 1980: Both devices benefited from smart design, strong marketing and association with a coveted brand.

Apple entered the smartphone market with the iPhone in June 2007, months before the start of the Great Recession. The device took off with consumers and over time would dethrone the BlackBerry, the previously coveted smartphone of the corporate world.

As the recession unfolded, the iPhone helped drive the emerging discipline of mobile marketing. “No doubt Apple’s sleek touchscreen iPhone is changing the look and feel of mobile phones,” Ad Age reported (March 17, 2008). “But more important, Apple CEO Steve Jobs has given mobile marketing a major boost with his iPhone. The iPhone is changing consumers’ perception of the mobile phone from a device that facilitates talk to a pocket PC for accessing digital content.

“It’s an achievement of marketing as well as technology,” Ad Age wrote. “Apple’s educational ad campaign ... has shown millions accustomed to using a phone for just talk how a mobile handset can search to buy a car, connect with Facebook friends or manage a ski vacation, from getting trail maps to finding restaurants.”

Ad Age named Apple the 2008 Marketer of the Year.

As the recession ended, other marketers were clamoring to build iPhone apps and looking for ways to reach iPhone users. An Ad Age headline told the story (Aug. 24, 2009): “Media, marketers, Mad Ave just mad for Apple iPhone.”

The company launched the iPad, its tablet computer, in April 2010 as the economy was digging its way out of the recession. The device would be Jobs’ final major product launch. Jobs, who was diagnosed with cancer in 2003 and had a liver transplant in 2009, resigned as CEO in August 2011 because of health issues. Jobs died in October of that year.
RECESSION: 1929-1933

U.S. ad spending plummeted 54 percent from 1929 to its 1933 Depression nadir, according to Ad Age’s review of estimates by the late Robert J. Coen, the longtime ad spending forecaster at Interpublic Group of Cos. and Interpublic’s McCann. Ad spending weathered double-digit declines each year from 1930 through 1933.

Signs of an upturn began to appear in late 1933. Ad Age reported (Nov. 18, 1933) that October 1933 radio ad sales broke their year-earlier level “for the first time in more months than any radio executive likes to remember.”

Advertising spending posted a double-digit gain in 1934 as economic growth resumed. Still, ad spending didn’t surpass its 1929 peak until 1946, when advertising began to rocket in the postwar boom.

INNOVATION
Launch of Fortune

Who in their right mind would launch a magazine in the Great Depression? Time Inc., for one: In February 1930, it began publishing Fortune as its second magazine.

Time Inc. came up with the concept for Fortune in 1927. An advertising spread in Ad Age (Sept. 27, 1930) made the pitch: “Two years later, in the fall of 1929, before the magazine could take the form of paper and ink, things happened. Stocks crashed with a sickening thud. The eagle screams of prosperity changed to raven croaks of pessimism. The very word, fortune, became ashes in the public’s mouth.

“But good ideas die hard.... Into the pall of a depression, into the gloom of ‘hard times,’ sailed Vol. 1, No. 1, of Fortune....

“Fortune carried the unheard-of subscription price of $10 [for] the year—for the simple reason that it could not hope to become self-supporting at a lower figure. Yet the reception that greeted this new magazine was phenomenal—nothing less. Today more than 34,000 of America’s most influential people are paying $10 a year to read Fortune.”

Time Inc. wasn’t shy; it heralded Fortune as “the story of 1930’s most spectacular success.”

Time Inc. made much of its fortune with magazines launched during recession years: Time (1923); Fortune (1930); Sports Illustrated (1954); People (1974); Entertainment Weekly (1990).

Time Inc. launched Life in 1936—after buying rights to that name from another magazine—but that was not officially a recession year.

Time Inc. morphed into Time Warner, which spun off Time Inc. in 2014. But time was
up for the once-thriving magazine business. Magazine publisher Meredith Corp. bought Time Inc. in 2018 and soon unloaded Time, Fortune, Sports Illustrated and Money.

More Depression-era magazine launches

G.D. Crain Jr. launched Advertising Age in January 1930 as consumer advertising and media were sinking into a deep depression.

In 1932, Charles Merrill, founder of Merrill Lynch and a major investor in Safeway, helped start Family Circle, which was sold to Safeway and other grocery stores as a promotional give-away to shoppers. Family Circle became a paid magazine in the 1940s. It would pass through various owners: Cowles, New York Times Co., Gruner & Jahr. Its final owner was Meredith, which ceased publication of the magazine after the December 2019 issue.

Esquire launched in October 1933, “underwritten by leading department and specialty stores, which will retail copies at 50 cents each” (Ad Age, July 1, 1933). Hearst Corp. bought the magazine in 1986.

Deflation and rate cuts

This wasn’t an innovation, but it was a reality: The Consumer Price Index fell each year from 1930 through 1933, meaning four years of deflation—and pressure on media to reduce rates.

Lee Bristol, president of Bristol-Myers Co. and president of the Association of NationalAdvertisers, pressed print media to cut ad prices to reflect that purchasing power of their readers had declined (Ad Age, Aug. 22, 1931).

Many magazines did begin to cut rates in 1931. Liberty, a general-interest magazine, ran trade ads touting “post-Depression” ad rates (Ad Age, Aug. 15, 1931).

Curtis Publishing, publisher of that era’s top two magazines in ad revenue (Saturday Evening Post, Ladies’ Home Journal), slashed rates 10 percent in 1932. (Curtis halted publication of the Saturday Evening Post in 1969; Ladies’ Home Journal, which ended up at Meredith, published its last issue in 2016.)

Some magazines announced circulation cuts along with lower rates. Literary Digest, a general-interest weekly, ran a detailed three-page advertisement in Ad Age putting the best face on its reduced circulation (dropping to 1 million from 1.4 million) and lower ad rates.

Literary Digest explained in Ad Age (Dec. 17, 1932):

We are the first deliberately to adapt circulation to the economic trend. It is part of wisdom to recognize that magazine sales when pushed to the peak are too costly to maintain....

We have unmistakable evidence, as all producers have, that the nation’s buying power is sharply reduced. A circulation held up to the former level would inevitably have lower buying power per reader....

Our decision retains those million readers who have the greatest buying power....

The Digest is now selling space at the lowest price in 15 years—lowest per page, lowest per line per thousand circulation.

Literary Digest survived the early years of the Depression but ended publication in 1938.

Radio and newspapers followed magazines in taking action on ad rates. Ad Age reported (July 9, 1932): “Columbia Broadcasting System has reduced rates on coast-to-coast programs.”

The Chicago Tribune introduced volume discounts up to 30 percent in 1932, making front-page news in Ad Age (July 30, 1932). Ad Age reported: “Though more than a score of leading magazines have reduced rates recently, the Tribune is the first metropolitan newspaper to make a voluntary rate cut.”

Col. Robert R. McCormick, the Tribune’s bombastic, larger-than-life editor and publisher, promoted the discounts as an effort to boost the economy. “Business needs greater sales volume in order to put men to work and improve general welfare,” he said in Ad Age. “The new volume discounts are a decisive contribution to employment and to profit. They give the advertiser more advertising for the same money. Advertising generally provides a means to get sales volume. This has been thoroughly demonstrated in other times of stress and never more so than in this period.”

Media rate-cutting faded as the ad market began to rebound. In July 1933, Curtis said it wouldn’t accept ads at its current rates beyond
a certain point, essentially forewarning the market that rate increases were coming.

**Newspapers vs. radio**

What to do when your medium is essentially helping promote a competing new medium? Newspapers faced that challenge with radio in the early ’30s. The issue was newspapers’ daily listings of radio shows—popular with readers, but a free ride for radio stations and networks.

In 1931 newspapers moved to delete names of radio-show sponsors from the radio listings. This made front-page news in Ad Age (July 25, 1931): “Every newspaper in New York discontinued the publication of trade names and the names of sponsors in its radio columns.... Only the names of the artists themselves are mentioned, reducing the amount of space here-tofore devoted to the radio programs.... Most of the publishers described the new plan as an editorial policy having nothing to do with their advertising departments.”

Newspapers in New Orleans went further, banning the word “radio” from their publications.

The American Newspaper Publishers Association took another step in 1932, adopting a resolution calling on press associations and individual publishers “to present a unified front in refusing to give or sell to stations news collected primarily for the use of newspapers” (Ad Age, Dec. 10, 1932).

In fact, some newspapers had acquired radio stations; the Chicago Tribune had operated WGN—as in “World’s Greatest Newspaper”—since the 1920s. The publishers association asked newspapers that owned stations to “keep in mind their obligations to the (newspaper) industry as a whole,” Ad Age reported.

Does keeping newspapers in a silo qualify as smart innovation? Hardly. The efforts didn’t halt the rapid development of radio. It’s interesting to contrast newspapers’ Depression strategy toward radio with publishers’ online strategies of recent years. Newspapers struggle to find viable business models for digital media, but the embattled and shrinking industry at least recognizes it needs to port its content to new media.

**U.S. ad spending**

U.S. advertising spending this year is expected to fall 7 percent, according to Publicis Groupe’s Zenith. This graphic shows annual percentage change in nominal (before inflation) and real (after-inflation) ad spending in the 1930s and since 1970.

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Managing perceptions
After the Depression’s Wall Street meltdown, what would you do if Wall Street was your first name? The Wall Street Journal ran ads in 1933 making the case that it was more a broad business newspaper than a narrow financial journal.

“We have made ... an exhaustive survey of our entire national circulation,” said a Journal advertisement in Ad Age (Oct. 28, 1933). “Our survey forever lays to rest one popular misconception—that The Wall Street Journal is a professional paper read only by the market-minded. More officials engaged in industrial enterprises read The Wall Street Journal than bankers; more owners and partners of general commercial institutions than members of the New York Stock Exchange.”

Building a chain
In 1934 a fledgling newspaper chain operated by Frank Gannett bought a newspaper in Danville, Illinois, marking Gannett’s first expansion beyond the Northeast. Gannett Co. today is the nation’s largest newspaper chain. Gannett sold its Danville property in 1998.

RECESSION: 1973-1975
Nominal ad spending rose 6.6 percent in 1974 and 4.8 percent in 1975, according to Interpublic’s Coen. Real ad spending—that is, spending after factoring out inflation—fell 4.5 percent in 1974 and 4.3 percent in 1975, the first back-to-back decline since the Depression.

INNOVATION
People
Time Inc. launched People magazine in March 1974. It couldn’t have picked a more challenging period (except maybe the Depression, but Time used that to launch Fortune; see earlier discussion).


Ad Age reported (March 18, 1974): “Some media men consider People a raving success. Some grouse about how Time could produce what they see as drivel. But most are cautiously sideling final judgments.”

As noted earlier, Meredith bought Time Inc. in 2018. People is now Meredith’s largest brand.


INNOVATION
Dawn of cable
Just one in five households (21 percent) subscribed to cable TV in 1980. But market potential was clear: More than half of houses (53 percent) were passed by cable wires, meaning huge upside if cable systems could assemble a channel lineup compelling enough to lure in subscribers.

This was launch time for what would become some of cable’s biggest franchises, including CNN (1980), USA Network (1980), Bravo (1980), Cinemax (1980), MTV (1981), Weather Channel (1982), Lifetime (1982, under the name Daytime) and Disney Channel (1983).

Networks were launched by a range of players big and small. Ted Turner, who had built a small Atlanta UHF TV channel into cable superstation WTBS, placed his bet on CNN. Cablevision, a cable systems operator, started Bravo and was a partner in USA.


Cable ownership has shifted and consolidated over time. AT&T’s WarnerMedia
now owns CNN, HBO and Cinemax. Comcast Corp.’s NBCUniversal owns USA and Bravo. ViacomCBS owns MTV. Lifetime is owned by A+E Networks, a joint venture of Disney and Hearst.

Turner launched CNN June 1, 1980, with 17 advertisers including blue-chip marketers such as American Express, John Hancock, Sears and a host of drug and packaged-goods companies (Bristol-Myers, Campbell Soup Co., General Mills, Nestlé, Quaker Oats Co., Warner-Lambert).

CNN scored another coup: In July 1980, Procter & Gamble Co., broadcast TV’s biggest advertiser, made its first major cable network buy, signing an estimated $1 million contract with CNN. Ad Age reported (June 30, 1980): “Procter & Gamble will feature every one of its 50 or so nationally advertised brands in the heavy schedule” on CNN.

Procter & Gamble now is the nation’s largest cable advertiser.

To be clear, the early days of cable weren’t easy. There were failures: For example, in 1982, CBS killed CBS Cable, a critically acclaimed cultural-events niche channel, amid the weak economy and ad market.

Turner, meanwhile, fended off questions about Turner Broadcasting System’s ability to remain independent; Time Inc. expressed interest in buying the company in late 1980. (Time Warner ended up buying Turner Broadcasting in 1996. AT&T bought Time Warner, now WarnerMedia, in 2018.)

Cable networks sustained big early losses. Ad Age reported (Nov. 20, 1982):

“Nearly 20 networks will lose an estimated $150 million to $200 million this year in gambling on the future of cable TV advertising. They are conceding those losses to survive until cable becomes a major advertising vehicle.... Before that happens, the nation’s urban markets must be wired. In the interim, advertising and media executives say a good many networks will fail as CBS Cable has. Those that don’t will end up losing sizable dollar amounts before turning profitable....

“The shortfall has been blamed on a bad economy, unrealistic projections and 20 percent rate increases”—amid high inflation—“by the broadcast networks, leaving few extra ad dollars.

“As an infant medium, however, cable’s struggle is a precarious one. In order to stake a claim to what a company thinks will become a viable concept, it must get into the act now or someone else will.”

A cable executive, Daniel Ritchie, wrote an Ad Age column (Dec. 27, 1982) arguing for the long view: “Conducting postmortems on
cable advertising at this point seems about as perspicacious as it would have been to write radio off as a fad in 1925—or TV in 1950.”

Cable U.S. household penetration topped 50 percent in 1988; 89 percent of households subscribed to cable, satellite or other alternative delivery sources as of October 2008, according to Nielsen Media Research.

The business is in flux today as many households drop their cable TV or satellite TV subscriptions and opt for streaming services such as Netflix, Disney’s Disney+ and Amazon’s Prime Video.

To be sure, cable systems operators for now still have a lucrative business as the often-monopoly local providers of internet services to deliver all that streaming—at least until wireless services potentially disintermediate the cable systems.

**USA Today**
The economy was only beginning to dig out of recession when Gannett launched USA Today in September 1982.

It was an audacious and colorful launch; the newspaper industry was in a period of contraction, with the shutdown of such institutions as The Washington Star (owned by Time Inc.) and The Bulletin in Philadelphia. Market after market was consolidating to a single paper.

Against that backdrop, Gannett rolled out USA Today market by market in 1982 and 1983. Rate base in fall 1982 was just 200,000.

More than 60 companies signed as charter advertisers, getting free ad space through March 1983 in return for a paid schedule for the rest of 1983.

This allowed USA Today to fill out its pages while establishing distribution and demonstrating its color capabilities to advertisers.

The business of printing newspapers is in a fast secular decline, but that doesn’t take away from USA Today’s early bold ambitions and innovations.

**Computer magazines**

In 1982, Ziff Davis bought fledgling PC Magazine, which became one of the industry’s standout performers.

The print title’s fortunes were upended by the internet; the final print edition appeared in 2009, when PC Magazine became a digital-only publication.

**Downtime initiatives**
In early 1981, Time Inc. ran themed content in all of its magazines under the banner, “American Renewal.” Time Inc. backed the massive editorial project with a TV, radio, newspaper and magazine ad campaign.

Time Inc.’s editor in chief, Henry Grunwald, told Ad Age (Feb. 16, 1981) the chief purpose of the series was “to dispel the notion that nothing can be done” about the nation’s problems and lack of optimism about the future.

Other publishers exploited mass-market opportunities. AARP’s Modern Maturity began soliciting general advertising in 1980; since its 1958 debut, the magazine’s exclusive sponsor had been Colonial Penn, an insurance company. (Modern Maturity became AARP The Magazine in 2003.)

Amid the severe downturn, other publishers spotted upmarket opportunities:


- In 1982, Forbes published its first “Forbes 400” list, betting there would be reader and advertiser interest in a ranking of the richest Americans even amid a deep recession.

- In 1981, Condé Nast announced plans to revive Vanity Fair. The magazine arrived in February 1983, well timed for a reviving economy.
**RECESSION: 2007-2009**

Nominal ad spending in major media rose 2.4 percent in 2007, dropped 3.3 percent in 2008 and plunged 12.4 percent in 2009, according to Publicis Groupe’s Zenith. Factor out inflation in 2007 and 2008 and deflation in 2009, and real ad spending fell 0.4 percent in 2007, 7.2 percent in 2008 and 12.1 percent in 2009.

The recession sent many media firms into free fall. Ad Age’s 100 Leading Media Companies report (Oct. 5, 2009) said: “Remarkably, 11 of last year’s Media 100 firms have plunged into bankruptcy reorganization, overwhelmed in most cases by shrinking revenue and debt loads taken on during the blind optimism of the boom. Print media dominate the bankruptcy list: six newspaper companies, two magazine publishers and two Yellow Pages publishers.”

Brides magazine proclaimed in a 2009 ad in Ad Age: “Recessions come and go, but love is everlasting. Founded during the Great Depression. 75 years strong.” Brides published its final print edition in 2019.

**INNOVATION**

**Facebook**

Social media use and revenue soared during the Great Recession, but MySpace ended up lost in space as Facebook rocketed into orbit.

MySpace, acquired by News Corp. in 2005, was the dominant social network going into the recession. News Corp.’s 2007 annual regulatory filing boasted: “MySpace.com is the leading social networking site on the Internet, with over 188 million registered users worldwide as of June 30, 2007.”

By the end of the recession, MySpace was shrinking, and Facebook—founded in 2004—had taken the lead. News Corp. unloaded MySpace in 2011.

Facebook’s worldwide revenue soared to $777 million in 2009 from $153 million in 2007. Facebook turned its first annual profit during the deep recession year of 2009.

To be sure, it took time for Facebook to figure out advertising, and for advertisers to figure out Facebook and social media.

“Raise your hand if you believe social media is an important way to build a brand,” said an Ad Age article early in the downturn (May 5, 2008). “Now raise your other hand if you’re still not sure how to do that properly…. While marketers may not be spending huge marketing dollars on social media yet, they know they should be using it to reach consumers.”

Facebook expanded its management roster during the recession even as much of the media world was in contraction.

“Facebook has appointed a No. 2 for 24-year-old CEO Mark Zuckerberg in Sheryl Sandberg, a Google veteran,” Ad Age reported (March 10, 2008). “Sandberg surely will be called on to help figure out how to monetize Facebook’s massive user base—and keep that user base growing.”

Sandberg, Facebook’s chief operating officer, is still Zuckerberg’s No. 2.

Facebook’s worldwide revenue in 2019 came close to $71 billion. Revenue rose 14 percent in the first half of 2020. The company as of June 2020 reported a record 3.1 billion users—“monthly active people”—across its Facebook, Instagram, Messenger and WhatsApp properties. There are 7.7 billion people on the planet, so Facebook still has some room to grow.

**Upwardly mobile**

Apple’s iPhone, launched in 2007, and Google’s Android operating system, first deployed on mobile phones in 2008, ushered in a mass market for smartphones that in turn set the stage for mobile marketing.

“To say that Google sees potential in mobile might be one of the year’s bigger understatements,” Ad Age wrote (Sept. 8, 2008). “As CEO Eric Schmidt told the World Economic Forum in Davos, Switzerland, earlier this year, mobile is ‘the re-creation of the internet.’ And, he said, ‘it will happen this year.’ That kind of bullishness is what’s leading Google to launch its own mobile operating system, Android.”

Mobile marketing—or at least the potential for mobile marketing—was a hot topic during the recession.

“Truth is mobile is still experimental in some quarters, and even brands that are big...
believers in the channel still allocate comparatively small pieces of their digital budgets to it,” Ad Age reported (March 30, 2009). The article continued:

“In a nutshell, mobile is difficult. Even the most versed practitioner will tell you it’s a convoluted ecosystem to navigate. Some of the technology that has made the internet easier to use for marketing ... hasn’t arrived in mobile yet. Others say the reach is still not quite there....

“Still, mobile businesses are getting venture-funded, and it’s not a channel to write off: There are more phones in the world than personal computers, and the opportunity presented by a highly personal, one-to-one, always-on communications device can’t be ignored.”

It took time for the needed elements—phones, technology, ad standards, unlimited data plans—to come together.

“I think 2007 will be viewed as a transitional year,” Google Mobile Product Manager Sumit Agarwal told Ad Age (Sept. 8, 2008). “2008 will be the first year in which data, metrics, dollars and users caught up. In 2009, we’ll have entered that era of mobile.”

Mobile captured only a small share of digital spending during the Great Recession, but the building blocks were set. Mobile’s share of internet ad spending rose from 6 percent in 2011 to 74 percent in 2020, according to Ad Age’s analysis of spending figures from Zenith.

Facebook began selling mobile advertising in 2012, when mobile accounted for 11 percent of Facebook ad revenue. By 2018, mobile represented 92 percent of Facebook ad revenue.

**Netflix**

When the recession began, the primary business for Netflix was mailing movie DVDs to subscribers who picked titles from its website. Netflix kept a watchful eye on rival Blockbuster.

“We must continue to attract and retain a large number of owners of DVD players who have traditionally relied on store-based rental outlets and persuade them to subscribe to our service through our Web site,” Netflix said in its annual regulatory filing for year ended December 2007. “In addition, we will have to compete for subscribers against other brands which have greater recognition than ours, such as Blockbuster.”

But Netflix also had its eye on the future.

“Our core strategy is to grow a large DVD subscription business and to expand into Internet-based delivery of content as that market develops,” the filing said. “We believe that the DVD format, along with its high

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**Smartphone ownership**

Percentage of U.S. adults who own a smartphone. By early 2013, a majority (51 percent) of adults had a smartphone, up from 35 percent in 2011.

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Source: Pew Research Center surveys.
definition successor formats including Blu-ray, will continue to be the main vehicle for watching content in the home for the foreseeable future and that by growing a large DVD subscription business, we will be well positioned to transition our subscribers and our business to Internet-based delivery of content.”

Toward that end, Netflix introduced an “instant-watching feature” to let subscribers view movies on a PC, starting in 2007, and on TVs, starting in 2008. (In 2008, Roku debuted its first TV streaming device in partnership with Netflix.)

The company’s annual regulatory filing for the year ended December 2008 said: “At some point in the future, we expect that Internet delivery of content to the home will surpass DVD.”

Blockbuster filed for bankruptcy in 2010. Netflix by 2011 was generating more revenue from streaming than from DVDs.

RECESSION: 2020

Zenith forecasts that nominal U.S. ad spending in major media will fall 7.0 percent in 2020. WPP’s GroupM predicts nominal U.S. ad spending, based on media ad revenue including political ads, will decline 7.6 percent.

Factor out the massive pool of political ads, and GroupM estimates U.S. ad spending in 2020 will tumble 12.9 percent.

The recession and pandemic accelerated the secular decline of already-fading print media.

GroupM estimates that 2020 U.S. newspaper ad revenue will plunge 31.9 percent to $8.5 billion (including newspapers’ digital extensions as well as political spending). GroupM expects newspaper advertising to continue to decline at a double-digit rate over the next four years.

Similarly, GroupM calculates that 2020 U.S. magazine ad revenue (including digital extensions and political ads) will drop 19.5 percent to $8.8 billion, with magazine spending forecast to keep falling at a double-digit pace over the next four years.

Advertising forecasters say 2020 internet ad spending will be essentially flat or down slightly. But growth is expected to resume in 2021.

INNOVATION

Streaming

Streaming services found a receptive audience during the COVID-19 pandemic, with so many consumers stuck at home and other options for leisure and entertainment—including movie theaters, restaurants and malls—temporarily shut down.

Online video services aren’t a new idea. Netflix, discussed earlier in this section, as of June 2020 reported about 193 million global streaming paid memberships (including about 73 million in the U.S. and Canada).

Hulu publicly launched its website during the Great Recession in March 2008. Hulu, which is now majority owned and operated by Walt Disney Co., had about 36 million paid subscribers as of June 2020.


In November 2019, Disney launched another streaming service, Disney+, with films, TV shows and new content. By August 2020, Disney+ had more than 60 million paid subscribers.

Quibi, a streaming platform focused on short-form content (“quick bites”), launched in April 2020 but didn’t get the traction of other streaming services.

AT&T’s WarnerMedia introduced HBO Max, a streaming platform that included the HBO service, movies, TV shows and original content, in May 2020. The platform builds on a pioneering pay TV brand; HBO—Home Box Office—launched in 1972.

Comcast’s NBCUniversal launched Peacock, a streaming service offering live and on-demand programming, in July 2020.

The streaming services provide an à la carte option for consumers who have in recent years been cutting the cord—dropping expansive and expensive cable TV and satellite TV services.

But prices of streaming platforms add up, raising the prospect that consumers will dam the stream on some of them and decide which services really deliver.
RECESSION: 1929-1933

INNOVATION

McCann-Erickson


The agency rebranded under the shortened name “McCann” in 2012.

The agency in 1960 would form the nucleus of Interpublic, the first major agency holding company. “McCann-Erickson has reorganized again,” Ad Age wrote, “with the establishment”—on Dec. 27, 1960—“of a new parent company, Interpublic Inc.” The company took its current name—The Interpublic Group of Companies—in 1964.

Interpublic didn’t invent the holding-company concept. In 1932, a trio of agencies in New York, Chicago and Toledo, Ohio, combined as United States Advertising Corp., described in a front-page story (Ad Age, Sept. 6, 1930) as a “holding company.” That venture over time changed its name and faded from prominence.

RECESSION: 1973-1975

This was a gloomy period for ad agencies. Robert Jacoby, president of Ted Bates & Co., told Ad Age (Dec. 17, 1973): “Our clients just don’t know what’s going to happen. We’ve never seen anything like it before.”

INNOVATION

Buy low, sell high

In 1974, the ad market was in the tank and agency stocks were selling at record lows.

Opportunity? Berkshire Hathaway’s Warren Buffett bought more than 10 percent of Interpublic, becoming the largest shareholder in what was then the largest agency firm. He also bought a big stake in Ogilvy & Mather, then an independent company.

Good bet, for the market did rebound. Buffett sold his Ogilvy stake in 1984 and cut his Interpublic holding in 1985.

Buffett dipped back into the sector in 2002, buying shares in Omnicom Group.

WPP acquired Ogilvy Group in 1989.


INNOVATION

Gaining scale

The early ’80s downturns were brutal for agencies. Job cuts were front-page news in Ad Age, which noted agencies’ efforts to downplay the firings. Ad Age reported (June 9, 1980): “Trying to track advertising agency layoffs is a little like trying to come up with a body count in the Vietnam War. It depends on which side you’re on.”

Agency profitability as a percentage of gross income in 1980 slumped to its lowest level since 1971.

But some agencies managed to pull off significant mergers and acquisitions, gaining heft during the downtime. In 1982, Ted Bates acquired William Esty Co. for a reported $50 million in what Ad Age described at the time as “the largest merger in ad agency history.”

Just weeks later, Saatchi & Saatchi, the U.K.’s biggest agency, topped that deal, entering the U.S. by acquiring Compton Communications for $57 million.

Chiat/Day, Ad Age’s 1980 Agency of the Year, bought a small Silicon Valley agency, Regis McKenna, in 1981. That deal came with a
prized client: Apple, which today is a signature account of Omnicom’s TBWA Worldwide network, the agency network that includes TBWA\Chiat\Day.

**RECESSION: 2007-2009**

U.S. agency revenue growth, as measured in Ad Age Agency Reports, slowed in 2008 and then tumbled 7.5 percent in 2009. That was the sharpest annual decline since Ad Age published its first Agency Report in 1945.

Employment at U.S. ad agencies didn’t get back to its pre-Great Recession level until 2014.

**INNOVATION**

**Consultancies**

While agencies retrenched in the recession, digital-focused consultancies spotted emerging opportunities to work with marketers.

IBM Corp., which started a digital agency services business in 1995, united its offerings under the brand IBM Interactive in 2008. The business now goes to market as IBM iX.

Global consulting giant Accenture launched Accenture Interactive in 2009, offering a range of marketing services including consulting, technology and outsourcing.

**Flash forward:** Consultancies—Accenture Interactive, Deloitte Digital, PwC Digital Services and IBM iX—ranked as four of the world’s 10 biggest agency companies in Ad Age Agency Report 2020.

In September 2020, Accenture’s stock reached an all-time high, its overall business thriving while old-line agency companies grapple with change.

**RECESSION: 2020**

**INNOVATION**

Beset by pandemic-related bad news—clients pulling back campaigns, cuts in staff—agencies face continuing uncertainty: marketers taking work in house, questions about digital privacy regulations, shifts in the media landscape. But there is reason for hope. Amid calls for racial justice in the U.S.—and world—agencies have begun to make positive change in staff diversity and leadership. Change is good.
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