

# Advert

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## Ten things you can learn from '70s recession

*"Consumer pessimism is more widespread than at any time in the past 25 years, according to the latest consumer attitude survey."*

*"Now that the crisis is here, there is a sudden frantic effort to visualize its implications. ... Government and business seem equally unsure."*

*"Our clients just don't know what's going to happen. We've never seen anything like it before."*

ALL THE ABOVE statements appeared in Ad Age—from October to December 1973. The energy crisis, inflation and a crisis of leadership in Washington added up to a devastating recession that ran from November 1973 to March 1975. Unemployment reached 9%; inflation surged to 11%; the stock market crashed 48%.

Stock watchers and economists draw stark comparisons between then and now as conventional wisdom grows that we are entering a period of prolonged darkness like the 1970s malaise.

Ad Age, founded less than 90 days after the crash of '29, has reported on every downturn since the Great Depression. Veteran staffer Bradley Johnson is digging

through the archives to see what marketers, media and agencies did right and wrong in past recessions. Here's his first report, offering 10 key insights from 1973 to 1975.

### 1. GO FOR BOTH THE SHORT-TERM AND LONG-TERM WIN

Toyota Corolla trailed only Honda Civic in the government's first miles-per-gallon report in late 1973. Toyota was selling everything 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 stuck to a plan to build its brand and products for the long haul. It surpassed Volkswagen as No. 1 import in 1976 and never looked back.

### 2. LOOK FOR THE BIG PICTURE

"[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. Chrysler Corp.'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."

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." He soon retired, and Chrysler developed a mediocre little car, the Omni/Horizon.

Ford Motor Co. at least quickly refit a big-car factory to build more Mavericks, an aging compact. General Motors Corp., to its credit, pushed through a new subcompact, Chevette, which initially sold extremely well. But the Big Three's small cars were inferior to Japan's. Periodically, Detroit junks its small-car brands (Cavalier, Escort, Neon) and starts from scratch (Cobalt, Focus, Caliber).

### 3. EVEN THE WEAKEST PLAYERS CAN BE THE MOST INNOVATIVE MARKETERS

What's to lose? No. 3 Chrysler, stuck with a 136-day supply of cars, forever changed the market on Super Bowl Sunday in January 1975 when it unveiled the newest thing: a car rebate. Rival Detroit automakers (but not Japanese makes) followed. The rebate scheme soon was mimicked by appliance marketers, food makers and retailers.

The general manager of GM's Chevrolet told Ad Age in March 1975: "The rebates did stimulate the market, but when they were concluded, [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." You know the rest of the story.

### 4. A DEEP RECESSION IS A FINE TIME TO LAUNCH A COMPANY (READY TO ROCK WHEN THE ECONOMY RECOVERS)

Frederick Smith launched FedEx in

gram," he told Ad Age. "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."

**8. FINANCIAL-SERVICES INNOVATIONS OCCUR IN GOOD TIMES AND BAD**

Charles Schwab began offering discount commissions in 1975. John Bogle started Vanguard Group that same year and began promoting index funds, as the market was crawling out of its sharpest decline in decades. Interest-bearing checking accounts made their debut, taking advantage of a regulatory loophole. Pioneering supermarkets began accepting credit cards.

**9. LIFE GOES ON**

During the '70s recession, Procter & Gamble Co. rolled out Pringles, expanded Bounce and introduced Era detergent. TV watchers laughed at "Happy Days" and "Good Times." Leisure suits took off. An ad executive imported 24 tons of rocks from Mexico, invented the pet rock and became a millionaire.

**10. BUY LOW, SELL HIGH**

Warren Buffett has used the current panic to load up on financials; he plowed \$5 billion into Goldman Sachs, invested in General Electric Co. (parent of GE Capital) and is the top shareholder in Wells Fargo & Co., which cinched a deal to buy Wachovia Corp.

But what about ad agencies? Interpublic Group of Cos. stock on Friday slumped to its lowest point since the '80s.

Consider this: In 1974, with agency stocks trading at record lows, Mr. Buffett bought more than 10% 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.

Mr. Buffett sold his O&M stake in 1984 and cut his Interpublic holding in 1985. He dipped back into the sector in 2002, buying shares in Omnicom Group. There's no sign he's returning to Madison Avenue, but the street is having a sale for anyone willing to take a plunge.

consider People a raving success. Some grouse about how Time could produce what they see as drivel. But most are cautiously sidelining final judgments." Rate card for a page ad was \$4,550. This year, a People page goes for \$177,850. People is the No. 1 magazine in ad pages and revenue.

**6. PROBLEMS ALWAYS CREATE OPPORTUNITIES**

As inflation hit 11% in 1974, consumers traded down, tried alternatives (soy-meat extenders such as new brand Morningstar Farms) and stocked up on staples. General Foods rolled out economy-size packages. Freezer sales leaped some 26% in 1974. This helped set the stage for a retail innovation: Price Club, a membership warehouse chain that opened in 1976 and later merged with Costco.

**7. BIG OIL IS ALWAYS THE VILLAIN, BUT IT KNOWS HOW TO DRILL HOME ITS MESSAGE**

Oil-company profits surged in the energy crisis. Facing a backlash, companies offered their best spin. Congressional foes pushed for an antitrust breakup of oil companies; a proposal was floated to ban the deductibility of some oil-company advertising expenses.

An Ad Age editorial said, "Oil companies have used every possible device to convince the public that their big increase in profits is needed to develop new energy sources."

Big Oil kept up its communications. Did they work? Consider that Ad Age named Mobil CEO Rawleigh Warner its 1975 adman of the year. "There's no way we can measure what we've accomplished with the (advertising) pro-

1973 as jet fuel prices were rocketing. Bill Gates and Paul Allen started Microsoft in 1975. Michael Ovitz opened Creative Artists Agency in 1975. (A downturn might not be the best time to start a car company; recall Bricklin, 1974, and DeLorean, 1975.)

**5. A DEEP RECESSION IS A FINE TIME TO LAUNCH A PRODUCT**

Time Inc. introduced People in February 1974. It couldn't have picked a more challenging period (except maybe the Depression, but Time used that to launch Fortune).

"The squeeze is on," said a trade ad promoting People. "On household budgets. On oil and gasoline. On entertainment and recreation. On employment. On advertising. But there's always room for one more. One more good man. Or a magazine."

Ad Age said: "Some media men