Understanding the Consumer’s State of Mind in A Recession
And How Ad Strategies Should Adapt

October 2022
Executive Summary

Storm clouds are forming over the global economy and brands are already feeling the pinch. Retail sales are falling in many European markets and over half of US consumers plan to pull back on their spending for the remainder of 2022.

At GumGum we have begun to see some macro and seasonal impacts on advertiser spending patterns on our platform with consumer electronics, political, retail and travel ad dollars picking up. On the flip side, financial services, CPG and entertainment ad spend are under pressure.

Tough times call for smart measures – which is why advertisers in the midst of an economic downturn need to sharpen up their toolkit so that each ad dollar is delivering the maximum return on investment. With the advancements in technology, a contextual-led strategy can help advertisers be more strategic and ensure their ad campaigns drive better outcomes, while building a foundation to deliver ads in future digital environments, such as in-game and the metaverse. It will also set advertisers up for long-term success as the global ad ecosystem continues to move away from third-party cookies.
Consumers Enter a Recession Mindset

The inflationary cost of living crisis is forcing consumers to quickly adapt their behavior, with important implications for brands:

Consumers Budgeting
Consumers will continue to re-evaluate where they are spending money and postpone big purchases, and one in five consumers are reducing or ending the number of subscriptions they hold and postponing major purchases such as buying a new car or rescheduling large home improvements.*

Sustainable Lifestyle
Consumers are also shifting their behaviors to a more conservative and sustainable lifestyle with 18% experimenting with reselling their personal belongings and 15% claiming to be buying more second-hand or refurbished goods.*

Cheaper Brands
Consumers will switch to cheaper brands and stores: More US consumers reported switching to different brands and retailers in 2022 than at any time since the beginning of the pandemic because people are looking for value and cheaper prices, which is a top motivator for this behavior.*

Omnichannel Shopping
Omnichannel shopping is becoming the norm with 45 percent of consumers saying social media is influencing their purchases while one in ten omnichannel shoppers said they’ve already made purchases directly via social media. It’s a channel that’s only growing in importance.*

*Source: Deloitte & McKinsey
An Opportunity for Growth

With soaring inflation pushing the US economy into recession, many CMOs will be bracing for the uncertainty ahead by cutting marketing spend. One in five marketers have already done so according to eMarketer. History shows us this is a misstep.

Lessons from the past indicate that brands that go against the grain, and continue to invest during downturns, reap greater rewards than competitors.

Cereal brand Kellogg’s doubled its ad budget during the Great Depression of 1929, creating a 30% profit spike and displacing Post Cereals as the market leader, a position Kellogg’s still enjoys today.

In the 1990-91 recession, as McDonald’s ditched advertising spend, Pizza Hut and Taco Bell moved in quickly to secure a tactical advantage – increasing sales by 61% and 40% respectively, as McDonald’s sales declined.

P&G doubled down on marketing when Covid hit, helping the brand to achieve 4% revenue growth in 2020.
Making Every Ad Dollar Count with Contextual

Cutting advertising spend during a recession thereby risks ceding vital ground to rivals. Yet it would also be a mistake for brands to stick to the status quo. In these challenging times, CMOs must make the most of their marketing budget with precisely targeted campaigns that resonate with consumers in the moment, moving in pace with their fluctuating mindset. Struggling consumers will be even less tolerant of ads that fail to deliver value in the moment.

That’s why targeting people based on their past browser behavior is increasingly ineffective and why contextual targeting is moving to the fore. Cookieless contextual targets consumers with ads based on the content they are viewing at the moment, allowing brands to more effectively reach the right audiences and make every ad dollar count:

**Cost Efficient**

A recent study by Dentsu found contextual targeting was 29% more cost efficient than behavioral targeting. Why? Because you don’t have to place a million ads all over the internet in the hope that you will be in front of someone at the right moment. Contextual allows brands to reach audiences with exactly the right mindset - if someone is viewing an article on a low fat cheesecake recipe, an ad could be served for a food retailer or cheese cream brand.

**Unlock New Customer Segments**

As we’ve seen, the recession is incentivizing people to explore new products and services, creating an opportunity for brands that act now. McKinsey says 33% of consumers have already made the switch to new brands. Rather than targeting typical audience segments (e.g., women, 18-25) using personal data or audience data, contextual can help a brand broaden its reach by targeting new content categories that help to unlock lucrative new customer segments.
Capture Attention 11%

The average consumer sees between 6,000 - 10,000 ads per day - so grabbing a person’s attention is KEY. Each extra second a consumer is giving their attention to an ad grows awareness of the brand by an additional 11% and recall by 7%. GumGum’s contextual tech is over twice as memorable to consumers as non-contextual tech, with ad formats that drive 22x greater attention compared to standard formats.

Future Proof Investment

The adoption of environments like in-game, the metaverse and beyond are rapidly growing and guess what... There are no cookies in the metaverse. These emerging channels are all about immersive experiences that require advertisers to know the environment and place ads based on the context of the environment. Contextual targeting is positioned to understand these virtual environments and give advertisers the ability to meet people in the moments they are in, without hurting the overall experience.

Conclusion

Contextual targeting has been a constant throughout the history of advertising. Before the age of digital media, most ads were placed within contextually relevant content - for example, an airline brand paying for an ad in the travel section of a national newspaper.

The difference today is that sophisticated machine learning has automated the process, allowing digital environments to be analyzed on a huge scale and with human-like understanding. GumGum’s own contextual intelligence, Verity™, is the only solution of its kind able to analyze and understand all of the content signals in a digital environment - text, image, video and audio.

When this advanced contextual intelligence is combined with captivating creative ads and then measured and optimized based on consumer attention, the ability to reach and engage audiences in the right mindset becomes supercharged. This combination of contextual, creative and attention forms what we call the Mindset Matrix™, a framework for the future of digital advertising that will allow our industry to thrive, in good times and bad.
About GumGum

GumGum is a contextual-first global advertising technology company that captures people’s attention, without the use of personal data. We believe that a digital advertising ecosystem based on understanding a consumer’s active frame of mind rather than behavior builds a more equitable and safer future for consumers, publishers and advertisers alike. Founded in 2008, GumGum is headquartered in Santa Monica, California and operates in 19 markets worldwide.

If you’d like to know more about what contextual can deliver for your brand, contact us at: contextualadvertising@gumgum.com

See GumGum in Action - View our Case Studies

Software company SAP leveraged GumGum’s high impact, Desktop Skins unit to increase brand awareness and improve brand consideration. Learn More +

GumGum put its contextual intelligence technology, Verity™, to the test in a lip-smacking campaign for KFC’s Gravy Burger Box Meal. Learn More+

MINI approached Wavemaker and GumGum for a standout campaign to boost brand awareness and consideration of the car. Learn More +

Vodafone leveraged GumGum’s contextual intelligence platform, Verity™, to increase purchase intent around the Samsung Galaxy Z Flip 3. Learn More +

view SAP study
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