

# **Influence of economic recession on consumer attitude towards advertising and marketing communication**

**JIMI KAYODE\***, **JIDE JIMOH\*\*** and **RAHEEMAT ADENIRAN\*\*\***

## **Abstract**

This study is a survey of attitude on advertising by consumers in Lagos. The survey used five-point Likert scales in an interview schedule administered on people in metropolitan Lagos. Multi-stage sampling process was used to select three hundred respondents. Response rate was above seventy five per cent. Four research questions were postulated to examine consumer attitude on advertising during a recession. The findings of the study indicate that the public is in disfavour with activities connected with advertising during economic recession. Thus the study recommends that in tune with the changes in the lifestyles and values of the people due to economic downturn, advertisers should consider ways of stressing simplicity, product value, quality and durability, as well as functionalism in their messages.

## **Introduction**

There is a global economic downturn and this has resulted in the rationalization of economic activities. Rationalization of commercial activities means high rate of unemployment, scarcity of goods, hiking of the process of goods; and generally low standard of living. From all indications, the glorious age of abundance and frivolous spending has ended and the return of economic recession is here. (Kinoshi, 2009). In view of the socio-economic forces of the recession and their adverse effect on all and sundry, the study of people's opinions on marketing communications (at such a trying time) could not have been more relevant.

## **Statement of the Problem**

The main problem of this study is addressed to the examination of the role and impact of advertising both as a tool of business and as a social institution during economic recession.

The study examines how the recession has affected people's attitude with particular reference to advertising. Advertising tends to be the most conspicuous part of the marketing mix, and people tend to view it more critically. Marketing communications, involving mainly advertising, public relations and sales promotions, is especially vulnerable to criticism of a more or less socio-political nature, most especially from people who fail to appreciate its essential role in the economy, especially during a recession.

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\*Jimi Kayode, School of Communication, Lagos State University, Surulere, Lagos,

\*\*Jide Jimoh, School of Communication, Lagos State University, Surulere, Lagos.

\*\*\*Raheemat Adeniran, School of Communication, Lagos State University, Surulere, Lagos,

### Research Questions

In order to effectively examine the public's perception of advertising during a recession, the study addresses the following research questions:

1. What generally is the disposition of the consumer-public towards advertising in an urban setting such as Lagos?
2. In what ways have adverse conditions altered consumer's disposition toward advertising?
3. Have advertised products gained more public confidence than unadvertised ones during the period of recession?
4. How have the consumers adjusted to the effects of the recession in terms of their attitude to advertising and their consumption pattern?

### Literature Review

Advertising is by far the most visible aspect of the marketing communications mix, and it is the most controversial as well. Other areas of the marketing communications mix are: Public Relations, Sales Promotions and Personal Selling.

People tend to see advertisements, when they think of them at all, as somehow, separate from the products being advertised. Advertising is therefore vulnerable to criticism of a more or less political nature from people who fail to appreciate its essential role as the most cost-effective way of disseminating information to a wide audience. [Katona,1964]

Advertising, as well as other aspects of marketing communications, is not indispensable as there are companies which do good business without it. But for mass market consumer goods, it fulfills a major role as a primary means whereby producers maintain their reputation and that of their products among their customers, and so ensure continuity of production and the efficient use of resources. It is therefore more realistic in hard times to aim not to reduce advertising spending but to improve its efficiency.[Ackah, 1984; Eleazu, 1984; Iornem, 1981 and Amegashie,2009]

Broadly defined, a recession is a downturn in a nation's economic activity. The consequences typically include increased unemployment, decreased consumer and business spending, and declining standard of living, all of which would affect perception, attitude and behavior of people.

The global financial crisis, brewing for a while, really started to show its effects in the middle of 2007 and into 2008. Around the world stock markets had fallen, large financial institutions had collapsed and governments in even the wealthiest nations had to come up with rescue packages to bail out their financial systems.

The former deputy governor of the Central Bank of Nigeria confirmed that the global recession had **seven** major effects on the Nigerian economy.

1. *Aggravate the ongoing stock market crisis.* As of last week, it was reported that foreign portfolio investors have withdrawn some US\$15 billion from our capital markets.
2. *Dwindle petroleum prices.* Lower fuel prices will lead to a severe reduction in foreign exchange earnings. It has been predicted by some experts that petroleum prices may come down to as low as US\$30 per barrel over the coming years.
3. *Affect the national budget.* Already, the 2009 federal budget proposals have an inbuilt deficit of 1.09 trillion naira.
4. *Reduce development funds.* Due to lower oil revenue, there will be less funds available for much-needed investment in infrastructures.
5. *Reduce net capital flows,* both in terms of investment and concessional resources.
6. *Lower growth estimates.* Earlier estimates about growth exceeding 10 percent would have to be revised to 7 – 8 percent for 2008.

7. *Worsen poverty.* Lower growth would also mean a slowdown in the fight against poverty. [Kinoshi, 2008]

All of these effects could only mean severe lifestyle changes that would have had apparent effects on the attitudes and behaviours of consumers especially towards marketing communications. Consumer confidence would have dropped due to recession fears and the economy as well as the government would not help matters as both might not be able to assuage these fears. Marketers know that consumers attitude change frequently and this is more so during periods of instability as obtains during a recession. [Kahn, 2009]

The mood of the times during recession certainly looks for information honestly presented; most especially information that gives reassurance about value for money spent by people. Advertising, including Public Relations, is the only tool that can do the main job of telling people that they are getting value for their money, even though prices of goods change virtually every day due to inflation and scarcity. [Amegashie, 2009]

There have been various papers and studies in this area discussing attitudes of students, businessmen, etc, towards advertising or towards other aspects of marketing communications such as Sales Promotion, Personal Selling and Public Relations.

For example, in a major study in the United States among business executives, it was found that while still respecting advertising as a selling tool, businessmen are increasingly uneasy about such aspects as its truthfulness and social impact, its influence on children and the public and its effect on prices of goods. [Greyser and Reece, 1974]

In two other similar studies, this time concentrating on students' attitudes towards advertising, the effectiveness of advertising was doubted because "consumers are distrustful of the content; irritated by the content; insulted by the presentation and annoyed by the timing and the appeal". [Haller, 1974 and Taylor, 1982]

In addition, the impact of advertising on the price of consumer products has also been studied without any conclusive result. There are two schools of thought: one believes that advertising results in "artificial" product differentiation which leads to increased prices and the other school of thought believes that advertising provides information to consumers and thereby increase price sensitivity, lowers prices and reduces monopoly power. [Arens, 2002]

In another study of consumer response to promotional deals, the general conclusions were that:

1. Promotional deals result in substantial increases in the level of purchase; and
2. The response to promotional deals is much greater than an equivalent reduction in price. [Babb, 1978]

The implication here is that promotional deals such as coupons, premiums, discounts and free gifts elicit substantial favourable response from consumers.

Based on the premises that changes in economic conditions are filtered by the public and used by them to adjust values, attitudes and behaviours, it is possible to suggest that the depressed state of the economy of the country would have affected consumers' attitudes, most particularly, towards marketing communications.

During economic depression, the public starts to despair because the situation continues to worsen, and no remedies seem to work. And finally, people begin to take stock of their situation and adopt new values matched to their economic realities. [Katona, 1964; Peter, and Olson, 2004]

In the Nigerian context, these social changes seem to result in the emergence of two distinct lifestyles. The first and dominant is probably the austere and "sensible" consumers, who now turn against materialistic values, while favouring economy.

However, there could still remain a very small group who still retain high consumption values regardless of the economic situation.

Rational motives, such as economy, high quality, low price, long life, enhancement of earnings, ease of use, and dependability will likely be stressed. A growing practice of advertising which would help the consumer make rational purchase decisions such as comparative advertising would be the promotional method relevant here.

On the other hand, emotional motives such as the desire to be different, to emulate, to conform, the desire for comfort or pleasure, and the desire for prestige will be downplayed by the public. Consumers, particularly those with better education, will not easily be induced into buying through advertising that fails to present measurable product features.

The increased desire to economize would undoubtedly heighten the people's need for useful information, and this need would occupy a much greater proportion of their attention.

Moreover, independent consumer information sources would become more important as they would be detached from the companies' commercial ventures in the eyes of the public.

All in all, the public would modify their behaviour in view of their expectations about an uncertain future.

Many of these social changes call for innovation in marketing communications.

Scarcity itself, implies that there are still many needs and wants of the people to be satisfied and the implications for advertising is that messages could be used to educate people in more economical uses of the scarce products, and also to keep the public informed of steps the companies are taking to solve the problems of scarcity.

### **Methodology**

This study used survey to obtain more systematic knowledge about the attitudes of people towards marketing communications, especially during a period of recession.

The study examined the opinion of people on marketing communications – advertising, public relations, sales promotion and selling.

This project also addressed itself to questions of how the people were adjusting to the effects of the recession.

The people's adjustments to the effects of the recession were examined in terms of their habits and preferences as consumers. Questions were framed to elicit responses of respondents in terms of changes in lifestyles and values as a result of the adverse economic situation of the country.

The promotion dimension was examined more intensively in terms of people's opinions on advertising, public relations, sales promotion and personal selling.

Lastly, the general mood of the public as regards the effects of the recession was also examined.

The general mood of the people was studied in two areas namely (1) the meaning of the recession and the changes in lifestyle and values that follow people's behaviour in trying to make ends meet and (2) the general effect of the economic depression as well as the public's confidence in the economic future of the country and government's efforts towards salvaging the depressed economy.

The survey schedule was administered on residents of metropolitan Lagos with maximum sample size of three hundred people.

The interview schedule method was used to obtain responses to a series of questions on people's opinion on advertising, the effects of the recession on the public, and the adjustment being made by people in the face of the harsh realities of the recession.

Multi-stage random sampling method was used to select the number of people interviewed.

Using a street map of Lagos, the metropolitan area was divided into twenty sample blocks which can be identified on the ground. The blocks were numbered in a serpentine fashion, that is, neighbouring blocks have contiguous numbers, and a systematic sample of five blocks was taken giving an even spread of the population over the whole area. Streets from each of the five areas selected were then listed and sampled randomly. Streets were thus selected and inspected such that a minimum of fifty people and a maximum of sixty were obtained from each sample block. The streets sampled are:

**Agbado/Oke-Odo:** Kokumo road, Adebayo street, Ogunrinde street, Bashiru Ajape street, Victor Fagbemi street, and Ogunrinde street.

**Agege:** Oniwaya road, Okeho street, Omolere Ikoumola street, Alfa Nla street, Surulere street, Balogun street, and Akilo road.

**Ajeromi –Ifelodun:** Alayabiagba street, Tieda street, Eradiri street, Olowojeunjeje street, Rufai street, and Bale Aiyetoro street.

**Awodi-Ora/Onibaba:** Mba street, Cardoso street, Okulaja street, Baba Sule street, Queen street, Bakare street and Rabiú Adio crescent.

**Ikeja:** Atinuke Apena street, Muslim Avenue, Delo Dosunmu street, Sola Adepegba street, Bashiru Oweh street, Oduyemi street, Sanu Ajasa street and Oyetubo street.

**Ikoyi-Obalende:** Ribadu road, Ikoyi road, Glover road, Milverton road, Alexander avenue, Oyinkan Abayomi drive, and Osborne road.

A comprehensive listing of the houses on the selected streets was made. Using random sampling, three hundred houses were selected from the list and one interviewee each was selected from each house.

The dependent variables are the various questions relating to people's opinions on advertising; effects of the recession and people's adjustments of habits and preferences to the effects of the recession. The dependent variables were measured using five-point likert type questions ranging from strongly agree to strongly disagree.

The independent variables were the socio-economic variables; income, occupation and age. Question on certificate earned measured education; while actual family income as well as money spent on food and on the extended family, all measured family income.

### **Data Presentation and Discussion**

Data was collected from a sample of 300 residents of Lagos. The response rate was eighty-six per cent, that is, 258 interviews were successfully completed.

#### ***Socio-economic Characteristics Consumers Interviewed***

Of the 258 people interviewed, 73% were male while 27% were female heads of their households. Many of the interviewees (74%) were married and just 26% were single.

The average age of our respondents is 32 years. About two-thirds of the people interviewed were between 18 and 32 years; while the remaining respondents were between 35 and 45 years; only 3% were above 46 years.

Eighty-four per cent of the interviewees could read and write. However, of those who could read and write, 91% had at least high school education, out of which 35% had university degrees or their equivalents, while 9% had only primary school education. Also, eighty-two per cent of those who could read and write had at least ten years of schooling.

About half of the people were senior officers and middle management workers, while 40% were junior office workers or tradesmen. Also, ten per cent held top management posts, while 5% were not employed.

The typical consumer interviewed was a young married male or female who had at least a secondary school education and a working class or white collar employee.

**Media Behaviour and disposition to advertising of Consumers Interviewed**

Generally consumers interviewed saw advert commercials in all the five media – radio, television, magazine, newspaper and billboard, as more enjoyable than informative or annoying. Television commercial was the most enjoyable and so were commercials in English, especially ‘pidgin’ rather than in the major Nigerian languages, Hausa, Igbo and Yoruba.

This could be as a result of the fact that most often adverts in local languages are nothing but direct translation of the English version. Thus, such adverts do not take the local idioms and norms into consideration and often such direct translations are seen as ridiculous by the local people. Also, it could be as a result of the level of education of respondents; many of them were at least literate in English. [See Table 1]

**Table 1: Consumer Attitude To Media Commercials**

Consumer’s Response	Radio Commercial	Tv Commercial	Magazine	Newspaper	Billboards
Annoying	32	22	17	11	23
Enjoyable	55	65	50	46	43
Informative	13	13	33	43	34
	100 N= 258	100 N= 258	100 N= 258	100 N= 258	100 N= 258

The consumers interviewed enjoyed the other commercials in the following order: radio (55%), magazine (50%), newspaper (46%) and billboards (43%). [See Table 1]

This is as expected because the audio-visual qualities of television commercials would make it more attractive and enjoyable.

On the other hand, radio commercials were the most annoying: 32% of the people felt so, followed by billboards 23%, television 22%, magazine 17%, while newspaper was mentioned as the medium that has the least annoying commercials. [See Table 1]

In addition, the consumers 43% judged newspaper adverts the most informative, while radio and television commercials were judged the least informative by 13% of the people, billboards 34% and magazine 34%. [See Table 1]

Comparatively, adverts in English language were judged enjoyable by 58% of the people, while those in local Nigerian languages were judged enjoyable by 44%.

Also, one-quarter of the people said adverts in local languages were annoying as against one-eighth of the people who said English adverts were annoying.

However, thirty-one per cent of respondents mentioned adverts in Nigerian languages as being informative as against 29% who mentioned adverts in English language.

**Table 2: Consumer Attitude To Language Used In Advertisements**

Consumer's Response	Adverts In English	Adverts In Nigerian Languages
Annoying	13	25
Enjoyable	58	44
Informative	29	31
	100 N= 258	100 N= 258

**Attitude and behavioural adjustment of the Consumers on Advertising influenced by recession**

Half of the respondents disagreed that advertising is necessary in the society, while 46% agreed; thus opinion is fairly divided on this issue. Similarly, about half of the respondents disagreed that advertising raises the standard of living, while 35% agreed and 11% were not sure. [Table 3]

About half of the people also believed that advertising did not result in cheaper goods.

Thus the trend here indicates that so far about half of the respondents were negatively disposed to statements about the social impact of advertising. [Table 3]

**Table 3: Consumer Attitude to the Social Impact of Adverts**

Consumer's Attitude on the Social Impact of Adverts	Agree	Disagree	Not Sure	Total
Advert Is Necessary In Society	46	50	4	100 N= 258
Advert Raises The Standard Of Living	35	54	11	
Advert Results In Cheaper Goods	35	53	12	

Four-fifths of the respondents blamed the rising prices of goods and scarcity on the business practice of manufacturers and distributors.

In addition, seventy-eight per cent of the people agreed that advertising persuades people to buy things they do not need.

This response lends credence to Vance Packard's argument that because advertising influences consumers' tastes, it can influence their spending decisions in undesirable ways.

Packard's argument is not very conclusive because this influence is not unique to advertising. In fact, modern society exists by producing goods, which people do not really need; as their emotional and material needs run far ahead of their basic human needs for survival.

Furthermore, sixty-two per cent of the people believed that advertising adds more to the cost of goods. They said higher prices resulted from the activities of advertising.

Again, two-thirds of the people believed that the price of a product indicates the quality. This is an indication that people are not necessarily against high prices so long as they believe that they are getting value for money spent.

Majority of the respondents 89% discredited advertising as having an unhealthy influence on children.

In addition, three-fifth of the people agreed that they tend to see advertisements generally with suspicion and disdain. Similarly, sixty-six per cent of the people agreed that they would rather believe news stories than advertising messages. On the question of believability of commercials, we found that more than half of the respondents 57% who used to believe advertising messages agreed that they no longer believed. [TABLE 4]

Overall, the opinion expressed here so far indicate that he public is not just gullible to whatever claims are being made in commercials, rather the recession might have affected public believability and people are more suspicious of advertising claims now than ever before.

**Table 4: Consumer Attitude to Advert Effect**

Consumer's Attitude on Advert Effect	Agree	Disagree	Not Sure	Total
Advertising Has A Bad Influence On Children	71	14	15	100 N= 258
I Tend To See Ads Generally With Disdain & Suspicion	62	18	20	
I Would Believe News Stories Than Adverts	66	12	22	
I Used To Believe Adverts But Now I Do Not Any Longer	57	18	25	

This attitude of the public which is now disposed more negatively towards advertising could also be as a result of the increasing credibility gap between what people see in advertisements and what actually happens to them in real life.

Apart from this, a little less than half of the people 45% agreed that most advertisements present true pictures of products advertised, 33% were undecided, while 22% disagreed.

Also, three-fifths of the people said they learnt a lot about products they bought from advertisements.

We also found that almost three quarters of the respondents had more confidence in advertised products than in unadvertised ones. However, seventy per cent of the respondents preferred products sold with sales promotion items such as gifts and premiums to those that are seen in advertisements.

Lastly, Nine out of every ten of the respondents stated that they find it harder to make ends meet now than ever before. We also found that four-fifths of the respondents believed that, as consumers, they are more frustrated now than they used to be.

In addition, seventy per cent of the people agreed that they have now become more insecure in their jobs. This result here indicates that the people are being affected adversely by the recession. Thus there is more frustration, discontent and insecurity due to the realities of the hard times. However, despite the effects of the recession, the people said they have more confidence in the economic future of the country and that government policies would go a long way in reducing the problems of the depressed economy. [TABLE 5]

On the question of the effects of the recession on habits and preferences, we found that they have changed their habits and preferences.

In addition, eighty-seven per cent of the people believed that they must buy less to cope with the situation. Similarly, about three-quarters of the respondents agreed that they now look for cheap brands of products whenever they shop, and also that they prefer to buy from local markets than from department stores. Thus the recession has affected the buying habits of the people towards more simplistic pattern. [TABLE 5]

**Table 5: Consumer Attitude to Effects Of Recession**

Consumer's Attitude To Effects Of Recession On Habits	Agree	Disagree	Not Sure	Total
I have changed my habits & preferences	86	6	8	100
I must buy less of everything to cope with the situation	87	4	9	
I look for cheap brands when i shop	78	9	13	
I prefer to buy from local market than department stores	76	13	11	
I spend more time looking for familiar products than buy new ones readily available	83	9	6	
				N= 258

**Conclusion and Recommendation**

Advertising, because it stimulates action and tries to get us do something, will probably never be universally accepted.

But advertising and society should be able to live together without excessive conflict if manufacturers, agencies and media adopt and abide by ethical standards which are both sound and relevant to the society which they serve.

Skeptics condemn advertising for its effects on consumer. On the other hand there are those who proclaim its sacred virtue as the mysterious catalyst of the entire capitalist system.

The truth probably lies somewhere in between the two opinions. Perhaps, advertising is simply there as a creation of the society we live in.

The conclusion apparent from the various results here is that the public is generally in disfavour with the activities related to the practice of advertising. In addition, the hard realities of the recession have resulted in a new breed of people who seem to be highly suspicious of the many marketing communication efforts of firms.

However, in spite of the negative attitude of the people, they still use advertising to an extent as a viable source of product information.

However, it appears that generally the criticisms of advertising are at best criticisms of things that are reflected in it.

To make the most of its opportunities, however, advertising must:

1. Be ready to hold tenaciously to the ethics and publicly castigate those who use deliberate deception.
2. Ensure all phases of the business are conducted with increasing efficiency, which means that it must more often rely on research.
3. The practitioners must be aware of the ever increasing educational level and sophistication of the people.
4. They must help in directing a growing proportion of their inputs towards welfare, culture, arts, medical care, housing and other prudent public provisions.

5. Above all, advertising must see itself as an interpreter, if not an advocate, of the consumer to the advertisers.

Finally, advertisers should stress product value, quality, simplicity and functionalism, in tune with the changes in the lifestyles and values of the people.

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