Twitter Thread by Val Katayev



Val Katayev
@ValKatayev

I've generated over $1 billion in sales using ONE strategy.

Used it in every recession - 2000, 2009, and 2020.

I've never shared it publicly before.

This thread might make you a millionaire.

During every recession, everyone cuts down marketing.

I jack up advertising spending and win the market.

During boom periods CMOs take over and businesses play on offense. They focus on growth.

During recessions, CFOs take over and businesses play on defense. They start to cut costs.

When finance people smell a recession, the first thing they cut is marketing.

Why? Marketing is generally the easiest thing to cut. It makes CFOs feel like they're making instant impact on profitability.

This chart illustrates how businesses manage ad spend in the face of recessions.

In 2009, the global economic pullback was just -0.7%.
But Advertising Spend dropped a whopping 10.1%.

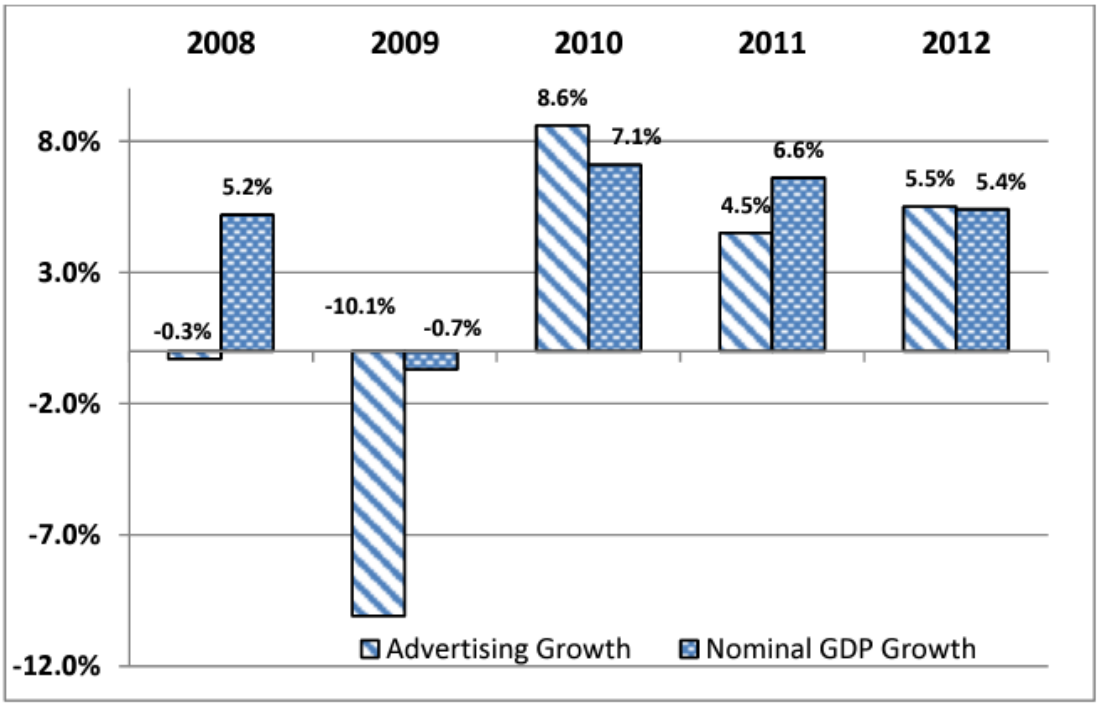
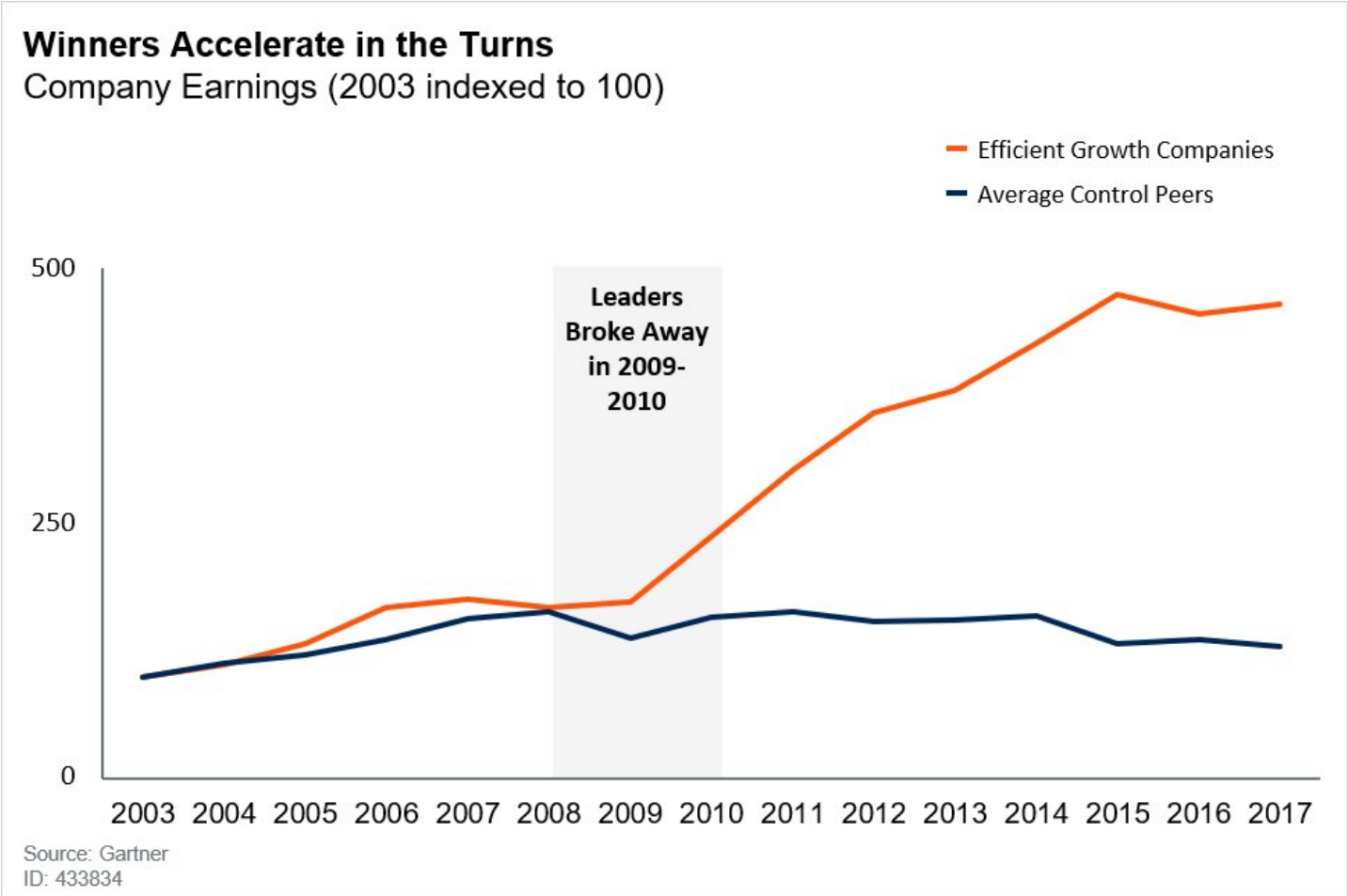


***Figure 1**: Global Advertising and Nominal GDP Growth **Source:** Adapted from McKinsey&Company, Wilkofsky Gruen Associates*

Conversely, this Gartner study debunks how some leading businesses accelerated during the recession.

The most "Efficient Growth" companies maintained or increased their marketing spending during the recession. And broke away as winners.



I saw this play out firsthand, in three different recessions.

In 2000, the Internet Bubble popped. Everyone stopped advertising online.

It was almost like everyone decided that the internet was a fad that was over.

At the time I had a little video game content website, and I would sell ads on my site to advertisers. Those advertisers would pay me per sale.

Performance marketing.

I noticed that ads on my site were actually bringing them sales.

So I started renting ad space on other websites to bring them more sales.

These other websites had a ton of traffic.

During 2000, it seemed like all advertisers pulled back.

Ad spots that would normally go for $5,000, were selling for $1,000.

I doubled down on advertising.

And turned it into a very profitable business that led me to be Google's 2nd biggest client at one point.

This would play out all over again in 2008, after the Great Recession.

Lyrics websites at the time had the most internet traffic after porn. Like 500 million eyeballs.

I bought up exclusive advertising rights on these lyric sites.

Thanks to the recession, locking in exclusive deals was easier.

There was a lot of uncertainty at the time and everyone was ready to take my money.

I blitz-scaled the business by 500%, from $2M to $12M in profit in just 1 year.

After the recession was over, my clients were much bigger than their competitors.

I know this because they sustainably increased their marketing spending by 300%-400%.

In some cases, they were the only companies left in their respective category.

Fast forward to 2020. COVID hits.

My new company Jocalio, is building a backbone infrastructure for independent jewelry retailers.

We integrate, drive customers to these stores, and supply jewelry to them.

Most of those stores were forced to stay closed during COVID.

However, we convinced most of them to continue marketing.

And it paid off BIG TIME.

We helped them stay in front of their customers throughout 2020.

And then we saw the data showing customers buying different types of jewelry. Pieces that can be seen on Zoom calls, such as earrings.

So we doubled down on this.

In 2020 we launched a program that would grow jewelry stores to new heights.

The competitors in each of their markets were sleeping. Scared to market.

They cut all their costs, especially marketing.

These local jewelry stores that we helped, moved up from being #2, #3 or #4 in their market, to #1.

And those who were already the #1 players in the market, just put a ton of distance between them and the smaller players.

Many of those smaller players didn't do so well.

On the other hand, our clients in some cases doubled in revenue.

I've shared 3 stories of how I've doubled down on marketing in 3 recessions and it worked every damn time.

Let me explain WHY it works.

2 major reasons

Reason 1. Ads become cheaper during this time.

Facebook and Google Ads are free marketplaces. There are billions of dollars competing for the same finite eyeballs ready to pay $1, $2, $5, or $10 per click. In boom periods people with the most money outcompete other bidders.

During recessions, marketing spends dry up and you get access to millions of eyeballs at a discount.

Dollar for dollar, recessions are the most efficient periods to invest in ads.

The key is to use those dollars effectively and adjust the messaging with the times.

For example:

2020 - Everyone sees your face on the Zoom call. So market earrings!

2022 - People have less disposable income, but a big minority is still flush with cash. So our advertising makes our entry price points lower, and top price points higher to capture both sides of the market.

Reason 2. Ads become more effective.

When competitors cut marketing, they stop reminding their customers about their existence.

This is exactly when you want to figure out how to do more marketing, not less.

Because your share of the voice goes way up.

Say a customer was seeing 30 minutes of cookie ads in total- 10 minutes each from You and 2 other competitors.

When your competitors drop their spend by 50%, the customer sees 10 minutes of ads from You and 5 minutes each from 2 businesses.

Not only is that ad spot cheaper, but in the absence of competition, it's also more memorable.

Before: 10 out of 30 minutes = 33% of the share of voice.
After: 10 out of 20 minutes = 50% of the share of voice.

Roughly 1.5X the attention for NO EXTRA COST.

Harvard Business Review covered several cases, here's one.

During recessions, when most firms are cutting back on their brand advertising, a firm's share of voice increases if it can maintain or increase its advertising budget. Take the case of Reckitt Benckiser: In the recession following the 2008 financial crash, the company launched a marketing campaign aimed at persuading its consumers to continue purchasing its more expensive and better performing brands, despite the harsh economic climate. Increasing its advertising outlays by 25% in the face of reduced marketing by competitors, Reckitt Benckiser actually grew revenues by 8% and profits by 14%, when most of its rivals were reporting profit declines of 10% or more. They viewed advertising as an investment rather than an expense.

The thing is, recessions generally don't last long (as shown by the thin gray lines below).

So if you cut in other areas, but focus on growing your presence through marketing, come expansionary times, your exposure and gravitas will be 2X bigger than each of your competitors.



And once you get that far ahead, it becomes hard for others to catch up.

You become the big dog.

Retweet the first tweet if you found this useful.

I try to reply to everyone.

Follow me @ValKatayev for stories on entrepreneurship. https://t.co/zXco4qbp7L

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> — Val Katayev (@ValKatayev) November 6, 2022

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