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Calm laid off 20% of its staff—here’s what it signals about digital health marketing amid economic uncertainty

Article

The news: Meditation app **Calm** laid off **20%** of its staff, per an internal memo shared with WSJ.

- One laid off employee said company leadership cited macroeconomic trends as the reason for the layoffs.
- The employee also said **Calm eliminated approximately a dozen roles in its consumer marketing** department.

Trendspotting: Marketing positions are usually the first roles to be cut during an economic downturn.

- **US marketing budgets are lower this year** (9.5% of company revenues) **versus pre-pandemic levels** (11% of company revenues), per a 2022 Gartner report.

Health tech companies are no exception to marketing cuts—likely because advertising costs are becoming difficult to maintain.

- During **Teladoc's** April earnings call, **CEO Jason Gorevic** attributed about three-quarters of the company's revenue outlook decrease to Teladoc's **BetterHelp** business.
- BetterHelp sucked in higher marketing spend and delivered lower-than-expected returns.

Zooming out: Even mental health platforms can't escape the current macroeconomic environment.

Mental health apps are well-funded and have expanded rapidly since the pandemic started. But that could come to a pause soon as marketing budgets dwindle.

Headspace Health, for example, dedicated a large portion of its budgets to consumer marketing.

- Headspace Health cultivated creative partnerships with entertainment companies (like **Netflix** and **Spotify**), major airlines like **JetBlue**, **United**, and **Delta**, **Amazon**, **Google**, the **NBA**, and mattress company **Casper**.
- Although marketing was key to branding strategy and D2C growth, the era of uncertainty could mean fewer marketing partnerships and less marketing spend. That could ultimately mean more marketing staff cuts for mental health companies.

Analyst Take: Jeremy Goldman, Director of Marketing & Commerce Briefings at Insider Intelligence, says, "Marketing spend has been impacted by today's economic uncertainty, but it's been a more complicated story than some might expect.

Case in point: Automakers spent 23% less on advertising in June and even less in July. P&G cut its advertising spend last quarter as well. Yet there's some evidence that ad spend will remain strong despite a likely recession.

Why are we seeing so many marketing layoffs, then? (We even saw LinkedIn have some last week.) One answer: it's easier for marketers to cut costs by keeping their ads in circulation while eliminating some of the roles of the individuals creating the ads. Better tools, including automation, as well as agency dependencies, allow brands to run lighter than ever before while still staying afloat."

US Adults Who Thought About Seeking Support for Mental Health Care, by Age, Sep 2021

% of respondents in each group

18-29	64%
30-49	51%
50-64	25%
65+	11%

*Note: ages 18+; *in the past 12-18 months*
Source: Oliver Wyman, "2021 Consumer Healthcare Survey," Dec 6, 2021

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