

MARKETING IN A DOWNTURN.

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24.OCT.2008

WORKINGTHREE

MARKETING WISELY IN AN ECONOMIC DOWNTURN.

As stories of the share market in free fall continue to reverberate around the globe, marketers are starting to prepare for the worst. Consumer spending is falling, financial services companies are failing, and the experts are predicting more bad news to come.

The Goldman Sachs' Investment Strategy Group note that, consumers in the US are already retrenching hard. Their report also notes that share markets predict recessions. The equity market typically troughs about 5-6 months before GDP and 12 months before company earnings trough. They see the equity market reaching a trough soon. So there is still time to act on marketing decisions.

Historically, the marketing budget is the first to get cut back when companies feel the squeeze. As Darwinian principles take effect the unprepared marketer can end up on the scrap heap.

In tough times, as well as the good ones, panic is the enemy. With some clear thinking, careful planning, and clever spending, it is possible to ride out these times. It is an opportunity to grow your customer base, and improve your competitive position in your industry or sector.

An article by Direct.com put it this way: "During the 2001 recession... brand marketers [that] cut budgets significantly lost market share, a trend they do not want to repeat in 2008".

THE DANGER OF JUMPING TO CONCLUSIONS.

Many people in senior management see an economic downturn as a time to hunker down and try and ride out the storm. Investing in marketing in the current environment should be seen as an opportunity to gain a much greater presence in your market while your competitors retrench.

Let's focus on a few of the common misconceptions around marketing in tough times.

MISCONCEPTION 1:

“ CUSTOMERS AREN'T SPENDING, ADVERTISING AND PROMOTIONS ARE A WASTE OF MONEY. ”

Even if it appears that your customers have disappeared they are still there. If you choose not to communicate to them they will forget your brand exists. Companies which increase their marketing activity have the ability to wrestle market share away from their competitors and position themselves for rapid growth once the climate turns.

MISCONCEPTION 2:

“ WE HAVE A STRONG BRAND. IT CAN SURVIVE THESE TIMES. ”

A brand is like someone you know. If that person stops calling or emailing you start to forget they exist and, eventually, you drift apart. Putting the effort into remaining 'front of mind' will only strengthen the connection a customer has to your brand.

MISCONCEPTION 3:

“ ALL OF OUR COMPETITORS ARE PULLING BACK ADVERTISING AND MEDIA EXPENDITURES TO SAVE MONEY, SO WE SHOULD TOO. ”

Being cautious is always prudent. Being timid is disastrous. Going on the offensive while your competition cowers has worked for many of the world's best known brands. It is just one more way in which you can differentiate your offering to customers.

SEEING OPPORTUNITIES.

Large firms are usually the first to make marketing budget cuts in a downturn. This cycle is no exception. A survey conducted by the marketing research firm Marketing Sherpa suggested that only 13% of small companies have made, or expect to make a cut. Meanwhile, 60% of large companies are cutting. 52% of small businesses were in the “no change” category. Mid-sized companies were close behind with 46% not making any significant budget changes. From this it appears SMEs are better prepared to seize opportunities during recession times.

Clearly larger firms generally have bigger marketing budgets and hence greater dollar value gains from cutting. However, if budgets must be cut, this in itself should be seen as an opportunity. Martin Lindstrom recently argued that, if you do slash the marketing budget, you should in fact see it as an opportunity to be smarter about your spending. Many new and innovative ways exist in reaching and engaging your customers and building brand equity at a lower cost. Martin Lindstrom implied that large business could often get at least the same effect from half the spending if applying fresh thinking to their marketing tactics.

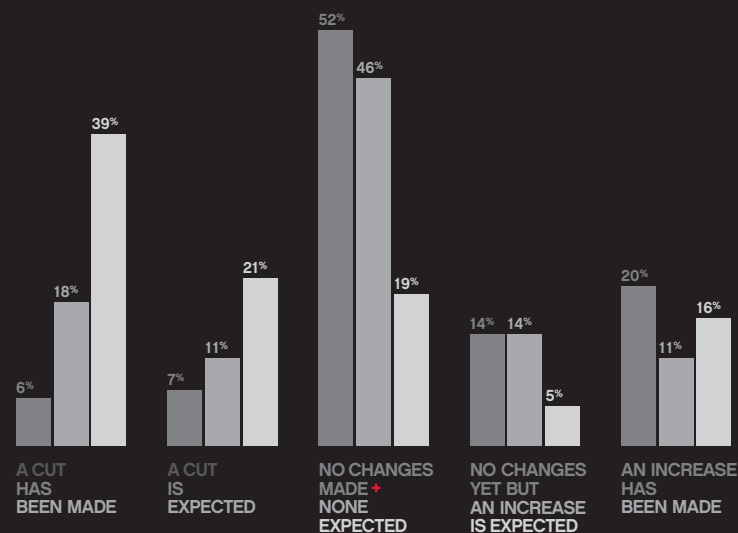


SMALL

MEDIUM

LARGE

IMPACT OF EXPECTED DOWNTURN ON MARKET BUDGETS. MARKETING SHERPA SURVEY



DIRECT MARKETING HOLDS GREAT POTENTIAL.

Direct Marketing has been defined in a range of different ways; however, it generally involves the use of marketing communications to some extent targeted at an individual level and with some form of immediate response built in. Originally the term was closely tied with Direct Mail, yet the 'Direct' category now relates to a wide range of tools aimed at engaging customers individually and facilitating action. Therefore Direct Marketing holds a great potential for so much more than 'simply' driving measurable response and revenue. It is recognised as a set of excellent tools for branding. It is possible to brand with direct marketing. In fact, Direct Branding, now seems a more appropriate term.

A clear advantage is this form of marketing is measurable and trackable on terms of ROI. It holds great appeal in any environment but especially in a downturn. Considered, direct marketing has the ability to send a brand name and message straight into the hands and minds of the customer.

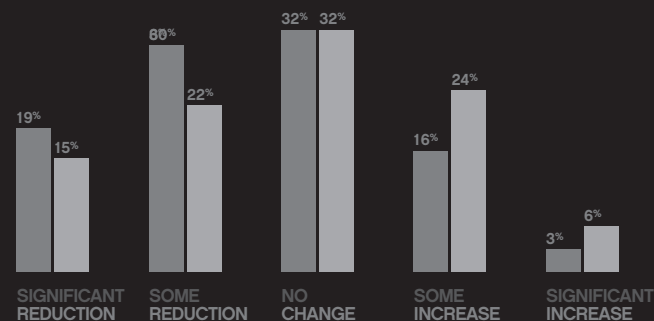
The best marketers always focus on direct tactics during times of budget cuts. The following months will be no different. The Marketing Sherpa Survey shows a 29% increase for direct mail while TV and Radio advertising is being cut by 59% of respondents. This suggests an emphasis on measurement. Marketers want to be able to document the return on their marketing investments.



BRAND

DIRECT

BRAND & DIRECT MARKETING SPENDING INTENTIONS. MARKETING SHERPA SURVEY.



Finding ways to build and leverage databases will become more important during this time of economic uncertainty. Retailers in particular should find ways to extend their markets as foot traffic decreases.

In the September release of Market Trends, research firm McKinsey & Company note that, in the last two recessions (1990-91 and 2000-01), nearly all retail sectors experienced a slow down in growth but that “their position on the front lines of consumer spending doesn't translate into a rapid turnaround when the general economy experiences a subsequent uptick”.

Retailers should move quickly and go on the offensive to minimise this risk. Using email marketing and assessing the viability of expanding their market through e-commerce should feature high in retailers' plans. These methods are cost effective and don't rely on customer location to generate sales.

Don't focus on what is easy and familiar. Face the challenges that have the greatest potential of improving sales and brand equity during an upturn.

CONSUMER MARKETS ARE FEELING THE EFFECTS MORE.

Studies are showing that B2C marketing is being hit by the downturn much harder than the B2B sector. Retail and financial services in particular are seeing fewer customers overall as consumer confidence drops, spending patterns change and the cost of customer acquisition rises.

B2C marketers need to assess their model. Retailers can reach more customers by utilising e-commerce and search optimisation. They should work on a model where the supplier of these (consulting & creative) services and products accepts some of the risk and receives some of the reward as a way of lowering the cost of a new 'programme' and aligning the incentives of their service supplier with the interests and objectives of the client retailer.

A successful programme will keep taking the retailer to its customers and let them know it is thinking about them. It's always far more cost effective to market to existing consumers than to acquire new ones.

The marketing material must be aligned with your customers' needs. If a case can be decently made around the value and specific benefits customers will receive from your products the battle is half won.

ONLINE MARKETING TACTICS ARE WHERE THE MONEY IS GOING.

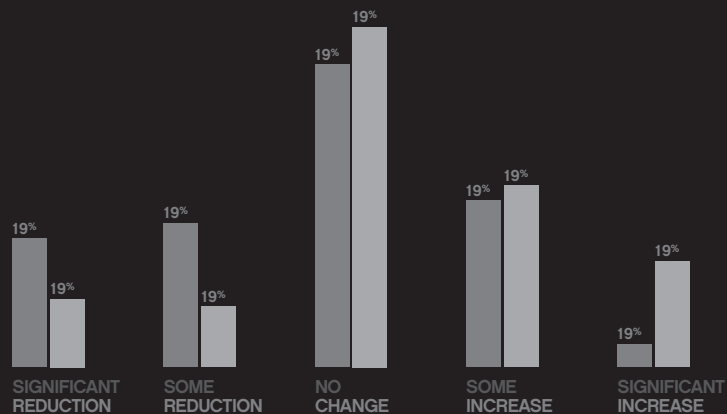


SMALL

MEDIUM

LARGE

TRADITIONAL VERSUS ONLINE MARKETING SPENDING INTENTIONS. MARKETING SHERPA SURVEY.



Online media is the only category seeing significant increase in spending. Marketing Sherpa's survey showed that 38% of respondents are planning an increase in online spend, while 36% are decreasing traditional media spend.

Accountability and cost appear to be the main factors in this change. 'Natural search' [for definition of natural or organic search see http://en.wikipedia.org/wiki/Organic_search] and email marketing have seen the greatest jumps in budget allocation for precisely these reasons.

Online events such as webinars are also seeing a lot of activity. The reason for this activity may be because the only cost to the user is time. Cutting transport and accommodation out of the equation makes a lot of sense when it is necessary to stretch budgets as far as they will go.

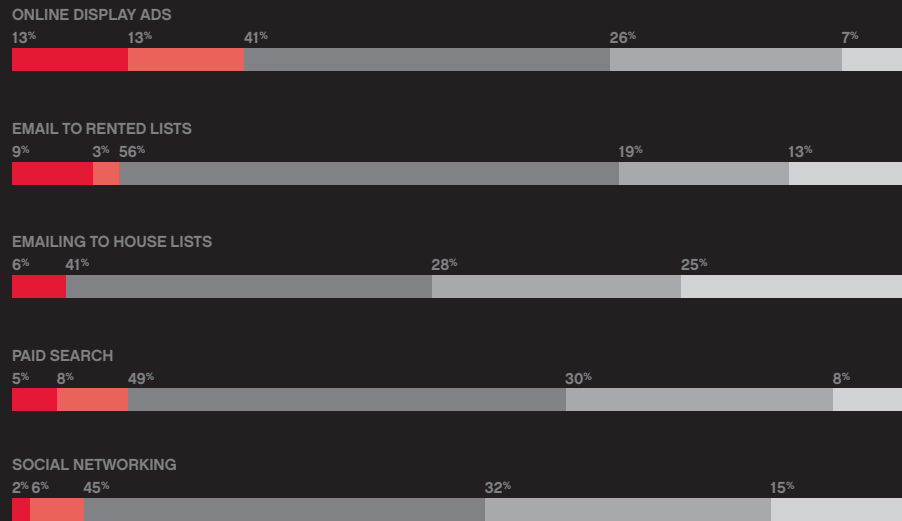
The online tactics that are seeing the greatest cuts are paid search, display ads and email-to-rented lists. While they are highly measurable, they are the most expensive online tactics.



- SIGNIFICANT REDUCTION
- SOME REDUCTION
- NO CHANGE
- PAID SEARCH
- SOCIAL NETWORKING

INPUT OF DOWNTURN ON ONLINE SPENDING TACTICS.

MARKETING SHERPA SURVEY.



SOCIAL NETWORKING HAS MATURED.

Web 2.0, or social networking tactics, have seen an increase because very little in the way of running costs are involved. As a bonus, if a company spends the time updating its blog, commenting on other users' blogs and answering questions on other social networking sites it will improve their natural search ranking.

Social networking allows marketers to conduct conversations with their customer base, follow trends and accumulate demographic information.

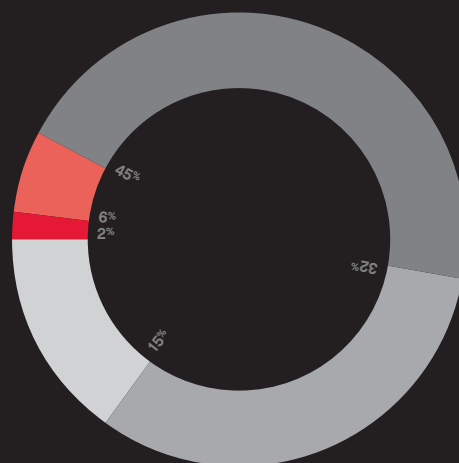
Remember when it comes to social networking in this environment, your customers will be asking a lot more questions. Make sure you are there to answer them.



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ACT NOW.

With the economy on a downward trend it is time to rethink your approach to marketing. Whether you are gearing up to seize the opportunities in recession times or you aim to get more from your reduced budget. Whatever you do – do not panic. There are plenty of opportunities in thinking Direct and moving your spend to more cost-effective media or targeting your existing database. Be direct and be heard.

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