

# Marketing in a downtime...

## Can you really afford to do nothing?

**In the current economic climate, most business leaders instinctively choose to cut marketing budgets. It comes as a surprise therefore to know that businesses that have cut back on marketing during past recessions have tended to do quite badly when the economy starts recovering. In fact, there is overwhelming evidence gathered over the past 80 years to support the business decision to maintain, if not increase, marketing activity and spend.**

**As a business leader, your main concern during these times should be threefold:**

Look after your clients.  
Protect your market position.  
Get your house in order.

You cannot afford to be complacent.

You should see recession as an opportunity to recalibrate your offer and your business and move into a strong position to be ready for the upturn.

This white paper specifically discusses five marketing strategies that are effective during a recession.

Market Accents has studied empirical evidence drawn from experiences of businesses during past recessions, and has examined the current thinking to provide you with a framework to help navigate your business. These five strategies should be the focus of any activity you follow and are:

- **Your Client is Your VIP**
- **Pin Point and Target**
- **Back to Basics**
- **Internal Marketing**
- **Diversification**

Read the white paper to find out:

WHY these strategies can help you weather the economic storm.

HOW to determine which marketing programmes to follow.

WHAT tools to use to implement these marketing programmes

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## Marketing in a downtime... Can you really afford to do nothing?

### Learning from the Past

As American Express CEO Ken Chenault told Fortune Magazine in 2008, *"A difficult economic environment argues for the need to innovate more, not to pull back."*

When times are hard, your instinct is to look for areas where you can make cuts in your budget, and typically marketing is the first to go. Whether this thinking stems from misguided concepts that marketing is ineffective, that it can be delegated to the office junior or, that it cannot be truly justified as it is not always directly connected to a sale, it is an unfortunate and very short-sighted course of action.

Marketing programmes affect your client relationship, your positioning and your brand building. Marketing keeps you in front of your customers, reinforces your value proposition and grows your market share. Playing catch-up and re-establishing your position and brand will be more difficult when the tide turns. Can you really afford to cut that out of your budget?

There is plenty of anecdotal and documented evidence to back the theory: *"Spend in a recession, and you shall reap the benefits in the years to come."* Many studies have been conducted, starting from the 1920s right through to the present day and together, they provide a very revealing picture.

Following is a synopsis of this evidence. It is a very striking picture as every major study reaches the same conclusion:

### **Continuing with a marketing budget and plan equal to - or even greater than - pre-recession levels produces the best results.**

In the recession of 1923, advertising executive Roland S. Vaile tracked 200 companies and studied their performance. In his Harvard Business Review article printed in April 1927, he concluded that companies with the biggest sales increases during this period were those that advertised the most. However, his findings were not taken seriously since he had not taken into account profit or market share.

### **Recessions from the 40s to 90s**

Then, in the post-war economies of the 40s and 50s, Buchen Advertising Agency tracked and measured Business-to-Business companies. They compared sales and profit trends before, during and after successive recessions in 1949, 1954, 1958, and 1961 and added dimensions like profit and market share which were missing from the previous Vaile study. Almost without exception, sales and profits dropped off at companies that cut back on spend. Even more significant, their findings revealed that those companies continued to lag behind during the recovery phase as well.

Next came the recession of '74, and this time, studies revealed a new twist. Even after the recessions ended, companies that cut advertising continued to lag behind the ones that had maintained their advertising budgets.

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In 1979, The American Business Press released their book *How Advertising in Recession Periods Affects Sales*, which studied the results from the six recessions and showed that cutting advertising budgets during economic downturns can result in both immediate and long-term negative effects on sales and profits.

From 1980 through to 1985, the research firm McGraw Hill analyzed 600 Business to Business companies covering 16 different SIC industries. The results published in a report in 1986, showed that companies that maintained or increased their advertising expenditures during the 1981-1982 recession averaged significantly higher sales growth, both during the recession and for the following three years, than those that eliminated or cut back on advertising. By 1985, sales of companies that were aggressive recession advertisers had risen 256% over those that didn't keep up their advertising.

Furthermore, a Cahners Publishing Company study in 1980 and a Center for Research and Development study in 1990 both concluded that companies that maintain or increase their advertising during recessions stand to gain the most market share during that period.

### The Question of Profitability

In the 90s, Dylan Griffiths looked at profitability arising from maintaining or increasing marketing in slow times. After studying the 1990 Center for Research and Development study, he wrote an article for the UK Periodical Publishers Association,

concluding analysis shows that increases in market share brought about by advertising can be achieved more cost-effectively during a recession. He continued: *"A company that advertises aggressively during this period will be better placed to increase profitability once the market in which it operates returns to a condition of stability or expansion."*

This thought was further echoed by Coopers & Lybrand and Business Science International in a joint 1993 report when they concluded that companies that maintain aggressive marketing programs during a recession outperform businesses that rely more on cost-cutting measures. The report went on to say that a strong marketing program enables a firm to solidify its customer base, take business away from less aggressive competitors and position itself for future growth during the recovery.

### Profit Impact of Marketing Strategy (PIMS)

More recent evidence comes from the analysis of data put together by Profit Impact of Marketing Strategy (PIMS). PIMS is a database that has been used to study the impact of marketing strategies during recession on profitability. Set up 1972, it tracks data from 3,500 strategic business units in over 200 companies mostly from North America and Europe.

An analysis of this database presented at a March 2008 Institute of Practitioners in Advertising (IPA) conference illustrated that companies which cut marketing spend during recessions, enjoyed superior Return on Capital Employed (ROCE) during the recession, but inferior results in the recovery.

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### Study of UK Companies

In 1999, Tony Hillier published a paper in the UK Journal of Marketing Society, outlining the findings of a research based on 1000 companies in the PIMS database. All these companies had encountered a period of recession for two years followed by two years of recovery. He revealed that those companies that cut advertising in a recession, tended to have a 2% higher increase in profitability than those that increased advertising during the recession. But the companies which had increased marketing during the recession saw 5.1% higher increases in profitability during the recovery than those that had decided to cut. The "increasers" also had a market share gain 2.8 times higher than those that cut marketing

These can be seen in Figure 1 which shows that companies that cut advertising tended to have better profitability during the recession. This is to be expected, because during the recession, any savings went straight into the bottom line.

However, the picture changes during recovery. As Figures 2 & 3 show, during the recovery phase, companies that increased spending came out as winners both in terms of profitability and market shares.

This study proves conclusively that increasing communication during recession will yield long-term dividend in terms of profitability and market shares.

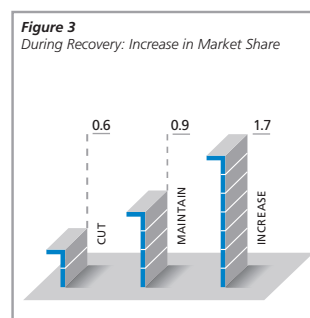
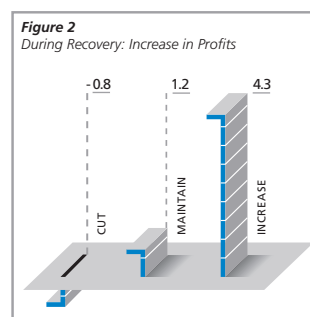
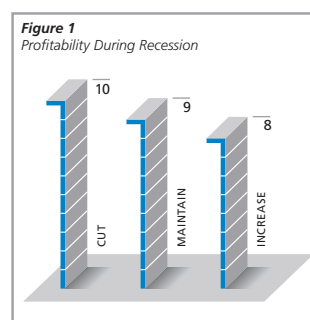
### Concluding Thoughts

The conclusion is unanimous: marketing aggressively during recessions not only increases sales but also profits. Businesses should look at a recession as an opportunity to build brand and lock in market share rather than a threat.

## Recession: an opportunity to get close to your client

*"Don't think of our current economic crisis as a recession. Instead, think of it as a recalibration."*

**A downturn is no time to stop spending on marketing. The key, says Professor John Quelch of Harvard Business School, is to understand what is happening to your customers and their changing needs, and adapt your strategies to the new reality. In a recession, clients and consumers focus on value, distributors focus on cash flows and overall, employees worry about their jobs. Customers do not stop buying brands during a downturn. On the contrary there is a real focus on values, quality and reliability that comes from using known and trusted brands.**



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### Framework of Marketing Strategies for Survival

**Following is a framework of marketing strategies to adopt during these tough times. They are listed in a priority order, dealing with the immediate and the longer term. Market Accents can assist you to determine your current position and strategy and plan for its adoption and implementation.**

STRATEGIC FOCUS:  
**Your Client is Your VIP**

PRIORITY LEVEL:  
**One**

ACTION REQUIRED:  
**This is not a passive strategy**

PERIOD:  
**Immediate to Long Term**

WHY? There is nothing more important than your client. This is the most important strategy that you must adopt and implement immediately. Focus on your clients and stress the values that resonate with your clients. Maintain and deepen your relationships with your strategic accounts and largest revenue sources. They will give you the highest return on your marketing investment.

HOW? Spend time with existing and former clients. Find out what is keeping them awake at night. Ask how their business is doing, what their concerns are, what they are seeing and learning. Learn from them, ask how their own clients/customers are doing and what their plans are for the next 12-24 months. Look for opportunities where your business can help them achieve their goals faster, easier, with less pain.

Build loyalty through relationship marketing. Clients appreciate companies that reach out to them, especially if competitors are also cutting down on services. Now is the time to reward clients and appeal to their loyalty through membership programmes and exclusive services.

#### **Recommended initiatives:**

##### **Looking after the client:**

Establish a plan to meet your clients regularly; develop and implement relationship marketing through membership and reward programmes.

##### **Implementing internal marketing:**

Share your marketing and sales plan with the whole company. Delegate the responsibilities to maintain client contact.

##### **Positioning:**

Update the web site and utilise web-based communications.

##### **Investing in market research:**

Gather and analyse client and business intelligence and trends in order to stay on top and plan your next move.

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STRATEGIC FOCUS:  
**Pin-Point and Target**

PRIORITY LEVEL:  
**Two**

ACTION REQUIRED:  
**Proactive Research and Planning**

PERIOD:  
**Immediate to Medium Term**

# 2

**WHY?** When you pinpoint your target market and position your company to have that single focus on the selected target clients, markets and projects, you are ensuring that you are heading towards your goals and more importantly, have a high return on investment. The emphasis is to focus deeply, passionately and obsessively.

**HOW?** This is the time to crystallise your goals, objectives and business expectations. Your focus must be sharply honed on targeted clients, markets and projects only and these will be reflected in your marketing plan. Research your clients. Instead of cutting the research budget, you need to know more than ever how consumers are redefining value and responding to the recession. Attitudes are changing. Clients are looking for value and quality, and are increasingly willing to negotiate. They are also more willing to postpone purchasing decisions. Analyse your clients and confirm their segmentations. Study their profitability, trends in behaviour and purchasing patterns. Align your priorities and your marketing plans with the current conditions both in the marketplace and in the business. You must be proactive and apply your seasoned judgment.

Review your offering. Trusted brands are especially valued at times of a recession and can still innovate and introduce new offers successfully however, there will be

losers and winners even in your current portfolio. Adjust accordingly and reforecast the demand as clients shift to services that stress good value.

Continue to innovate. Use the current pressure to fuel innovation. Now is the time to recalibrate and react to the changes in your clients' behaviours. The recession would have restructured priorities, values and goals with your clients - the same priorities, values and goals that drive your clients' needs and their search for solutions. Now is the time to gather deep customer insights, and use them to drive innovation and develop solutions to their readjusted needs. If you are in tune with the changing attitudes, you can innovate to address new gaps in the market and move in to take competitive advantage from competitors.

### Recommended initiatives:

#### Planning:

Focus on your target market; build fact files, apply strict go/no-go criteria; continue to innovate and develop targeted and valued packages.

#### Execution:

Analyse and segment your customer base, reactivate and manage dormant and bad clients.

#### Internal marketing:

Confirm your plan and share it with the whole firm.

#### Invest in market research:

Gather and analyse client and business intelligence.

#### PR:

Step up public relations efforts; maintain a presence with smart programs.

## Marketing in a downtime... Can you really afford to do nothing?

STRATEGIC FOCUS:  
**Back to Basics**

PRIORITY LEVEL:  
**Three**

ACTION REQUIRED:  
**Review, Resource and Position**

PERIOD:  
**Immediate to Long Term**

# 3

STRATEGIC FOCUS:  
**Internal Marketing**

PRIORITY LEVEL:  
**Four**

ACTION REQUIRED:  
**Build & Sustain Employee Support**

PERIOD:  
**Medium to Long Term**

# 4

WHY? Once you have looked to your clients, your positioning and your targeting, now is the time to revisit the fundamentals of your business and your marketing programme. Get your house in order. You will uncover learning, savings and insights that will help to shape your way forward.

HOW? Analyse your business value chain – how you deliver your service proposition. Examine your internal and external procedures and processes. Are any of them superfluous? Benchmark and compare to companies that have tried and tested processes and systems.

### Recommended initiatives:

#### Marketing operations:

Review and revise procedures, processes and evaluation metrics.

#### Internal marketing:

Look to talent and assess gaps, weaknesses and strengths.

#### Positioning:

Engage in Public Relations, website updates and direct mail.

WHY? In order to succeed, all hands must be on deck. As the economy weakens, it is only natural that people grow worried about job security. Now is the time to bolster confidence, build up and sustain relationships with your support team. Keeping your staff well-informed on what's going on inside and outside the business will help them to understand what may happen and engage them in the solutions selected.

HOW? Involve your teams in the planning. Brainstorm together. Invite ideas, leads, market and client intelligence. Ask for constructive suggestions on what to do and who should be involved. Hold regular group meetings; be honest and forthright in your communications and share intelligence on clients, trends and competitors. You can cement the loyalty of those who remain by being true to your values, maintaining quality rather than cutting corners, and servicing existing customers rather than trying to be all things to all people.

This may also be a good time to think about future resources, acquiring talent to supplement the team. Identify strategic hires who may become available as other companies downsize and people get nervous and start looking around.

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Engage colleagues in finding a solution.

**Positioning:**

Update web site for recruiting.

**Internal networking:**

Be visible to your team and engage in active communication.

HOW? By extending your outlook to new markets, broadening your service offer mix, adding a new service to the core traditional services your company already provides or by expanding geographically. You may have been thinking about it for a long time, and have researched the idea but have not pushed it forward. Perhaps now is the time to kick-start that new service and market your company will move into in the future. Research, evaluate and then tap into your network of existing and past clients and referral sources for information and suggestions.

**Recommended initiatives:****Research and planning:**

Research, evaluate and apply strict go/no-go criteria. Then focus and plan.

**Execution:**

Reduce the number of bad clients.

**Internal marketing:**

Prepare your plan and share it with the whole company.

**Market research:**

Gather and analysing client, market and business intelligence.

Now is not the time to cancel marketing or hide under masses of paperwork and administration. Recessions are an opportunity in disguise, a chance to hone your message. As competitors tighten their marketing budgets, an aggressive business can experience great strides during a recession – and long afterwards.

STRATEGIC FOCUS:  
**Diversification**

PRIORITY LEVEL:  
**Five**

ACTION REQUIRED:  
**Research, Plan and Evaluate**

PERIOD:  
**Medium to Long Term**

**5**

WHY? This strategy looks to the future and intentionally broadens your services, markets and geographical locations. It will take longer to fully implement, but offers strategic benefits and valuable insights on how to weather the recession. It will provide no immediate quick-fix. However, as most experts agree, your longer-term outlook is much rosier when you have diversity in your services, markets and geographical locations.

**Call us today for a complimentary chat and an exploration of the strategies and opportunities opening up for your business. You really cannot afford to do nothing.**

**Call Noreen Cesareo on  
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