

Topic:
Market Research

Marketing in a Downturn.....

**.....Or how to make the most of things
when the growth curve starts to go south!**

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As the business community peers nervously at the dark clouds gathering over the economy, we can at least look to the world of marketing for two certainties in these unpredictable times. Firstly, that the business media will feature chirpy experts reminding us that smart companies increase their marketing spend in a downturn. Secondly, that many companies will ignore this wise advice and make marketing the first casualty of their cost cutting exercises. The logic of better marketing in a downturn is easy to understand in theory, but harder to implement if the screws are being tightened across the board. *iCT* looks at the tactics for developing a marketing strategy for when the going gets tough.

The Evidence

The fundamental rules of marketing don't change - it is most effective when activity is sustained and integrated, whatever the economic climate. Reduced marketing in a downturn, therefore, not only risks diminishing the prospects of generating immediate sales, it detracts from the cumulative effect that drives the awareness and preference for products and services. There are a number of studies to support this theory, including:

A PIMS Associates study found that companies that increase marketing spend during a recession grow faster than those that maintain or decrease spend – and also gained market share three times faster in the two years following a recession.¹

McGraw Hill also found that B2B companies that maintained or increased marketing activity during the 1981-82 recession grew faster than those who didn't.²

At *iCT* we are not suggesting that world economies are in a recession, nor are we adding to the “doom and gloom” merchants, we are merely illustrating some measures that can be taken when growth slackens!



Of course the ‘increasing marketing spend is good, cutting spend is bad’ message is too simplistic. The real emphasis should be on adapting and sharpening the *focus* of marketing activity, which may involve expanding some elements whilst reducing those with a less demonstrable ROI. The fact remains, however, that some companies **will** reduce marketing spend based on short-term, knee-jerk decisions; if this happens in your market, opportunities are created to win business *at the expense of these companies*.

Lisa Turner, Marketing Director at the [Institute of Direct Marketing](#), predicts the type of business that will come out of a downturn on top: “This year’s successful marketers – and therefore successful businesses - will be those with the skills to better understand their customers, win their confidence, and wring the best results from even the smallest of spends”.

Market research – cutting through the gloom

You wouldn’t walk into an unpredictable and potentially threatening situation with a blindfold on – so now is the time to make market intelligence your guiding light. You need to maintain an understanding of attitudes to buying your products and services, and anticipate the potential responses to a downturn. We know what the typical IT cost cutting measures under consideration are likely to be:

- Cancelling investment in products with marginal ROI
- Cutting back on contractors and consultants
- Looking to offshore outsourcing
- Re-negotiating vendor contracts
- Getting existing IT running at optimum levels
- Researching more cost-effective options to existing products
- Preparing for different economic scenarios with alternative spending plans

Good market intelligence enables you to plan for these different scenarios according to whether they represent threats to existing business, or opportunities to tempt new customers. Maintain a beady eye on your competitors too, and act early to outsmart them or counter their aggressive manoeuvres. If you can find out how and where they are reducing their marketing activity, there may be opportunities to profit from moving into this space. An intimate knowledge of your market is therefore the foundation of your marketing strategy, which will continue to adapt as changes in behaviour are detected. Six key elements to consider are:



1) Become even more customer focused.

If you think you've done well to keep your customers satisfied so far, pat yourself on the back – and then double your efforts in the coming months. Keep the dialogue going and find out if any of the cost-cutting scenarios outlined above may affect your relationships. Bolster loyalty programmes, be proactive in offering solutions, and find out how you can help them respond to a downturn.



2) Spend smarter.

Difficult times call for a clear-cut justification for expenditure, a demand that marketing managers sometimes struggle with. It makes sense to maintain (at the very least) investment in lead generation, and focus on activity such as e-marketing, direct mail and telemarketing that enable measurement of ROI. "Direct marketing, especially using digital channels, allows marketers to interact with their customers in real time," explains Lisa Turner. "This enables communications to be adapted accordingly, leading to better planned and more profitable campaigns."

Invest in refreshing your customer and prospect databases and re-try the leads that have gone cold. If cuts have to be made, look at activity with less tangible returns, such as sponsorship. Print advertising is often one of the first areas to be cut, but be aware of recent research³ that points to the benefits of maintaining 'share of voice' at or above share of market during a downturn. Better targeting of advertising and negotiation of rates should be the first avenues to explore.

3) Keep up with the digital times.

As the technology behind digital marketing options races on, there is a danger that some businesses will fall behind if they delay investment in its use. Lisa Turner is concerned for businesses that ignore a gap between the potential of digital marketing, and the skills to actually realise this potential: "The move to online activity is causing a shortage of people who combine marketing acumen with technical proficiency. The organisations that will stay at the forefront of their markets will be those that actively plan for this widening gap. This means training employees in both current applications and, most importantly, emerging applications so that they can be deployed as soon as their market is ready for them."

4) Show the ROI of your products and services.



It's time to prove that you're worth it. Prepare the figures and case studies that demonstrate that your products and services don't fall into the marginal ROI category that customers are most likely to do without. Be prepared to demonstrate this for all segments of your market - small and medium sized enterprises for example will feel most exposed when the economy wobbles. Keep refreshing these case studies to demonstrate how your products and services have helped customers cope with the downturn.

5) Adjust your pricing strategy.

Price cuts can appease customers and boost short-term sales but should be used with caution – you may struggle to raise them again if customers see you as an easy target for additional discounting. Other approaches include:

- Reviewing pricing structures for different segments of your market – for example this could involve low discounts but high added value for major customers, and larger discounts but minimal added value for minor ones.
- Offering payment/contract options that reassure customers who are worried about the need to reduce future spending at short notice.
- Reduced thresholds for quantity discounts, and bundling of products to increase customer value.

6) Focus on what's winning you business.

Be responsive and creative in devising and executing your marketing strategy – but don't lose sight of the factors that have made your business a success in the good times. Maximise the value of customer satisfaction surveys to understand the value of these core strengths, and ensure they are fully reflected in your marketing materials.

We can add a third certainty about the current economic climate. The downturn will at some point become an upturn – and we expect companies that know their market intimately, and use this knowledge to adapt their marketing strategy, will emerge the strongest.



¹Roberts, Keith. *What Strategic Investments Should You Make During A Recession To Gain Competitive Advantage In The Recovery* , Journal of Strategy & Leadership, Vol. 31, Issue 4.

²International Journal of Research in Marketing, Vol. 22, Issue 2.

³*Advertising in a downturn*, report by IPA 19 March 2008.

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