



Marketing Through The Credit Crunch To Cut or Not To Cut Back?

“This is not the time to cut advertising. It is well documented that brands that increase advertising during a recession, when competitors are cutting back, can improve market share and return on investment at lower cost than during good economic times.”

Financial Times 18th February 2008

Marketing is often seen as one of the easy areas to cut spending when trading conditions become difficult and cash is tighter. The above quotation from the FT puts the opposite case.

The justification for this lies in research conducted on businesses of varying sizes and their performance during previous recent recessions and downturns. This shows that, if you are a business or have a brand that has grown through having a high profile, the key to longer-term success lies in balancing how visible you are to customers with your market share.

If you are a leader in your local market or industry sector, your share of voice – the amount you are heard and seen by your target market – must stay above that of your competitors to maintain your market share. The longer-term improvement in profitability is likely to greatly outweigh the benefit of a short-term reduction in costs.



The same research showed that when cutting budgets in a recession, the short-term improvement in the bottom line was rapidly overtaken by a decline in profitability in the medium term. And those business that cut back severely on marketing activity were often still struggling while competitors moved back into growth and profitability.

However, there is no denying that “cash is king”. So if you’re faced with tough budget decisions where should you start? Here are our top ten strategies to squeeze more value out of your marketing spend:

1. Change The Tactics, Not The Fundamental Strategy

Customers remember who was there for them when they were struggling and who changes with the seasons. Don’t throw over years of investment in creating a brand and reputation lightly. You can’t just revert to plan A when things pick up.

2. Spending On Brand v. Generating Opportunities

If much of your marketing spend is currently general brand building support, can you move the focus of spending to generating more sales opportunities or improving conversion rates? Be aware of how long you can do this for, however, before perceptions of your brand deteriorate.

If you compete with larger, more expensive brands, and your positioning is mid market or lower, what do you need to do to appeal to customers who may trade down from more premium competitors? They won’t want to compromise on quality, but will look for better value for money. Would investing in your brand now convince new customers previously out of your reach to buy you?

3. Keep Communications Flowing With Customers – Add Value

Customers will be feeling poorer. They will be more frugal and cautious with their spending. They’ll be focused on value for money. Others will be targeting them.

Reassuring customers about the value your products or services deliver becomes more

important in this environment. If you are a premium brand, justify why it makes sense for customers to pay that premium.

4. Pick Your Targets Carefully

Which customers will ride out the recession best? Which competitors are most vulnerable? How can you address these markets specifically?

5. Don't Miss A Trick In Selling To Existing Customers

In most industries acquiring new customers costs more than achieving the same value sale to an existing client. In difficult times this is even truer, as the creditworthiness of new, unfamiliar customers is more of an issue, as is the growth of "bargain hunters" who will never become loyal customers.

6. Target Not Scattergun

Review your spend. If you need to make savings, cut out entire activities rather than spreading the budget too thinly to be effective anywhere. Are there areas where you are paying to reach large number of people when only a few can ever be buyers? Can you focus on better prospects? Look in particular at spend where the justification is "we have always done that" or "we do that every year". Are these still good habits?

7. Value Analysis – Savings Customers Won't Notice Or May Even Appreciate!

Understanding what the customer truly values in your product or service may enable you to cut out the unnecessary costs of features they don't value. Value analysis is simply about breaking your product or service down to all of its component parts and asking which really add value to customers ... and which don't?

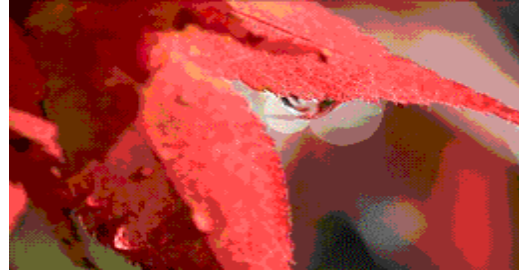
Are you charging to provide, say, same day service when next day is the all that customers actually ever want from you? Could you make savings in product packaging that don't affect product performance and even save customers the cost of unnecessary waste disposal?

The golden rule is, don't cut what adds value, but look for what no longer does.

8. Consider Moving More Towards On-Line Marketing

Don't believe the evangelist techies who tell you that this is the answer to everything, is always cheaper and must now be the focus of most, if not all, of your spend.

However, if you sell expertise, through services or market-leading products, using social media tools as part of your marketing programme needs serious consideration.



9. Cultivate Your Advocates

When money is tight customers are even less likely to take risks and trust is an even more important component of decisions. Identify and arm your advocates to spread the message about you or your products – this sometimes costs no more than thought and effort. Some new on-line tools can help you spread the message far and wide very cost-effectively.

10. Don't Slash Price But Offer Deals

Research shows that, on average, only 10 percent of consumers in any category are exclusively motivated by price. Most buyers will look for ways to continue getting their favourite "brand", to use suppliers they trust. They may watch for opportunities to buy on deal, or buy a larger, more economical package, or, in the case of retail, seek out the outlet that offers the brand at the best price.

During a recession you need to remind people why your brand is worth the price by focusing and delivering on functional advantages - and incentivising trial and purchase more.

So to thrive through the credit crunch and beyond on a tight budget:

- * **Don't slash spending - stay visible but make sure every penny is spent on core targets and supporting real customer needs**
- * **Don't stop communicating with customers, especially about your value-add**
- * **Make the maximum use of off and on-line networking and your advocates**
- * **Don't slash prices but offer add-value deals and incentivise**

Alan Brooks