

Marketing in Tough Times

By John Kypriotakis

Although shallow and short, the 2001 recession did not escape the notice of your customers, who reduced their marketing and advertising budgets as a result. This has translated into problems for many industries, and since shallow recessions typically mean weak recoveries, we may not see significant improvement soon. Times are still tough.

So, what does your company do when the going gets tough? Most likely, if it behaves like the rest of the world, what normally happens is the obligatory reduction of all “unnecessary” expenditures, and sadly that includes most, if not all, of your advertising and marketing dollars.

Although “we are in tough times so cutting expenses makes sense...” sounds logical, in reality this is a losing proposition that will get you nowhere. In fact, there is plenty of empirical data to show that, if you have the foresight to implement the right strategies, an economic slowdown might be the best time for your company to grow.

The first step...

Don't take your eyes off of your customers. It is especially true now that

Your best customers are somebody else's best prospects!

This is a great time to show your existing customers how much you appreciate them. It is imperative that, at a minimum, you maintain all your existing relationships and use this period to build even stronger bonds.

What's next?

Advertise! And better yet, advertise a lot. Why? Because, there is ample evidence to support the fact that maintaining or increasing your advertising and marketing investment in slow times is actually more effective than in good or growth periods.

A key reason is that when the marketing and advertising “noise” goes down, the voice of those still talking sounds that much louder. When your competition (and others outside of your industry) have stopped advertising or have reduced their marketing efforts, it's *your* opportunity to saturate the market with *your* message.

Since your message is one of few reaching the audience, your odds are much better for a greater return on your marketing and advertising dollar. When the upturn does come around—and it will—and your prospects and customers are looking to increase spending, your company (or your brand) will likely be the first one that comes to mind because you're the one that has been the most visible all along.

When the president of Proctor & Gamble was asked his opinion about the reduced rates for ads for the 2002 Super Bowl, he said the company was taking advantage of the lower prices to do *more* advertising—with the goal of increasing market share.

Contrast this with Kmart's strategy to *decrease* advertising in September and October of 2001. The result? Sales dropped an astounding 5% in October. In an article for *Business 2.0* in February 2002, John Gaffney recounts the following regarding Kmart and its CEO, Chuck Conway:

“By the late fall the company had lost far more in sales than it had saved in marketing costs.... In a conference call to analysts, Conway admitted his misstep and announced that he was increasing Kmart's marketing budget. ‘There is no doubt we made a mistake by cutting too much advertising too fast. Clearly we've learned where the threshold of pain is in advertising.’”

Whose example are you going to follow? Not sure yet?

Here are more examples from *Advertising in a Recession*, a book by Bernard Ryan Jr., published by the American Association of Advertising Agencies* in 1999. By the way, these are but a few of the examples, studies, tables, and charts in this must-read book!

- Ronald Vail, an advertising executive, tracked 200 companies during the 1923 recession. In April 1927 in an article for the *Harvard Business Review*, he reported that the companies that advertised the most during that period enjoyed the biggest sales increases.
- The Buchen Advertising Agency measured the effects of advertising for business-to-business companies through successive recessions in 1949, 1954, 1958, and 1961. The agency found not only that sales and profits dropped off for those companies that cut back their advertising, but in addition, when the recovery came about, these same companies also lagged behind those that did not cut back.
- American Business Press, Inc. states the following in its 1979 book, *How Advertising in Recession Periods Affects Sale*: “The findings of the six recession studies to date present formidable evidence that cutting advertising appropriations in times of economic downturns can result in both immediate and long-term negative effects on sales and profit levels.”
- McGraw-Hill Research analyzed the performance of 600 industrial companies during the recession of 1981-1982. Their findings as published in 1986 in *Laboratory of Advertising Performance Report 5262?* “Business-to-business firms 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 which eliminated or decreased advertising.”

- 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 recessionary times stand to gain the most market share during that period.
- Coopers & Lybrand and Business Science International concluded the following in a joint 1993 report, *Companies That Maintain Aggressive Marketing Programs Are Less Affected by a Recession*, published by Penton Media in 1993: “Businesses that maintain aggressive marketing programs during a recession outperform companies that rely more on cost cutting measures. 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.”

What about profitability? Regarding profitability from maintaining or increasing marketing levels in slow times, in an article written for the Periodical Publishers Association in the U.K. Dylan Griffiths concludes the following after studying the Center for Research and Development study mentioned above: “The analysis shows that increases in market share brought about by advertising can be achieved more cost effectively during a recession. 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.”

Keep in mind that most of your customers, and prospects, are facing tough times, too. They are looking for reassurance, expert guidance, and advice on how to manage through this slowdown. Be there for them. The more visible you are, the more confident they become regarding your legitimacy and staying power, especially in tough times.

In times like these, consumers don't *stop* spending money. They just spend it more carefully—and only with companies and products that they are most comfortable with. As the many studies cited here show, the surest way to be one of the beneficiaries of the unique patterns of recessionary spending is by marketing aggressively and being more visible during these tough times.

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