Marketing Strategies during an Economic Downturn
Marketing in a Down Economy

When the economy falters, many companies cut costs to help weather the economic downturn. Marketing and advertising budgets are often the first areas where companies make cuts and the last areas to be restored once business improves.

However, reducing a company's marketing presence during bad economic times can have dire ramifications for the company that last much longer than a recession.

In fact, companies that continue to invest in marketing can emerge from a recession with higher brand recognition, credibility and customer mindshare, contributing to a much stronger sales pipeline as the market picks back up. Marketing during a downturn can be even more effective than during a boom period, as long as companies are creative and selective about allocating their marketing dollars.

Numerous research studies have shown that companies which increase their marketing efforts during a recession can increase sales, profits and market share even when the economy has slowed to a crawl. A report from researchers at the University of Texas at Austin and the Pennsylvania State University found that "firms that invest aggressively in marketing send a reassuring signal of confidence to concerned customers about their staying power and provide an incentive for customers to switch from brands/firms that they perceive as weak."

Consider:

* Buchen Advertising measured the profits of large business-to-business advertisers during the recessions of 1949, 1954, 1958 and 1961, and found that sales and profits shrank for companies that cut their advertising budgets during those periods and continued to lag competitors who had maintained their ad budgets even after the recession had ended.

* Studies conducted by the American Business Press and Meldrum & Fewsmith studying the 1970 and 1974/1975 recessions found higher sales and net income among companies that continued advertising compared to those that did not.

* In 1982, Cahners Publishing released a study, "Media Advertising When Your Market is in a Recession," that found that companies that maintained advertising levels during a downturn gained market share by an average of 1.5 points.
In 1985, McGraw-Hill Research’s Laboratory of Advertising Performance also reported that B2B firms that maintained or increased advertising during the 1981-82 recession had higher sales growth during the recession and for the three years afterward than companies that decreased their advertising.

Companies that maintained or increased their advertising budgets during that period saw an average sales growth of 275% over the preceding five years.

Why? Those firms that maintained their branding and advertising activities were better positioned to capitalize on the inevitable market rebound. In fact, marketing during a downturn can be even more effective than in better times, because many companies have reduced their branding efforts. There are fewer messages in the marketplace to distract potential customers. It is important for a firm to stay visible during an economic slump; otherwise the company's silence can be misinterpreted by customers (and investors) as a sign of instability.

A study by Yankelovich Partners/Harris Interactive in 2001 found that almost all executives believe it is important to stay informed about new products and services in their industry during a down economy, and that when they saw a company advertising during a recession it made them feel more positive about the firm and helped keep those companies' brands fresh in executives' minds during the purchasing process.

**Strategies**

An aggressive marketing strategy during a recession has to be backed up by careful planning and an adequate budget. But even if money is tight, firms can still gain substantial visibility by selectively targeting their marketing efforts and taking advantage of relatively low-cost opportunities.

**Customer Research is Key**

In order to effectively target your marketing efforts in a recession, it's important to not only know who your customers are, but where they are—what type of media (trade magazines, Web sites, newsletters) they consume and which industry events they frequent. Survey your existing customer base to find out how they find information about the products and services that can improve their business, and what factors they consider during the purchasing cycle. That will not only tell you where to target your marketing dollars, but what type of messaging will be most effective in reaching new customers.
Understand the purchasing cycle. How long do potential customers spend researching a solution such as yours? What publications do they read while researching potential solutions? What trade shows do they visit? This is important because some products, particularly those involving emerging technologies, have a long purchasing cycle and you don’t want to focus your marketing dollars on those who are just starting their research. It’s better to advertise on a Web site or attend a trade show where potential customers are much more knowledgeable and closer to the end of the purchasing cycle.

Public Relations - More Bang for the Buck

A significant portion of most companies’ marketing budgets goes toward advertising, but public relations campaigns play an important role in any marketing initiative. Strategic public relations efforts can generate substantial publicity for a firm among targeted groups of potential customers—and usually at a much lower cost than print or broadcast advertising.

An effective public relations campaign also provides a credibility advantage over traditional advertising. While customers are often dubious of the messages in paid advertisements, they are much more trusting of information gathered from respected industry publications and research firms.

During a downturn, publications increasingly rely on story pitches and contributed material from PR professionals, provided those stories provide real value to their readers. A bylined opinion piece by a company executive explaining the business benefits of a particular type of product or technology, or a detailed customer case study that demonstrates the value of a company’s services, provides significant exposure among a qualified group of customers at a relatively low cost compared to display advertising or direct mail.

Regularly sending out news releases to keep your customers and investors apprised of the company’s activities is important, but PR campaigns have to provide more value to publications, otherwise your company news can get lost in the constant stream of information that reporters are bombarded with each week. Offer briefings and interviews with key executives and customers, along with concise background information and detailed customer case studies. Work with analysts to sponsor or produce industry trends data that the business and trade press can use as a basis for in-depth feature stories.
It's also important to make this information easy to find on your company's Web site. The easier it is for journalists to find marketing contacts, press releases, case studies, high-resolution photos and research materials related to your company, the more likely that material is to be published and widely disseminated.

Advertising

It's good to drum up free publicity, but don't neglect traditional advertising. With your competition pulling back on their own advertising efforts, publishers may offer more favorable rates to attract more business. You can reach a broader audience for a much lower price.

Even if there are good bargains available, though, it's still important to make sure your ads are reaching the right audience. Pay close attention to the target magazine's circulation. Is it qualified? What percentage of the readership fits the profile of your target customer? Is your competition advertising there?

Look for magazines that can augment your print campaigns with online marketing and Webinars. Online ads can be tied to articles that appeal to a specific subset of the magazine's readership, providing direct exposure to the readers most likely to be interested in your products.

Content is also key. Is the magazine considered a respected source of information within its market? Do buyers look to the publication as an educational resource, or does it primarily consist of "advertorial" content? Advertise in magazines that cover topics reflective of your product offerings, and those that readers look to for solutions to their business challenges. A magazine that is considered a resource for making purchasing decisions will provide more qualified leads—particularly for high technology products that require a significant amount of customer education.

If you are advertising on the Web, make sure you partner with sites that attract the customers you want. The right site is not simply the one with lots of readers from the industry you are targeting—it is the one with readers that are most likely to buy your solution. Advertising on general industry sites with large audiences will get you more click-throughs because many people might be curious about the solution, but you will wind up wasting more time following up with people who never really were potential customers.
Interactive Marketing

The Internet has provided myriad opportunities for companies to both increase brand awareness and connect directly with customers. In addition to display advertising, companies can increase customer mindshare and capitalize on word-of-mouth referrals by leveraging interactive platforms such as social networking sites, industry message boards and blogs. Search engine optimization can also help increase brand visibility.

Link online advertising to free materials available on your Web site, like white papers, case studies, technical documentation and original research. Asking a few key questions during the download process can provide valuable potential customer leads.

Webinars offer another opportunity to capture leads. Some companies try to do these on their own to save money, but they are only able to reach their existing customer lists. Working with a targeted publication or Web site that has readers interested in your solution is more expensive but will net you more leads and more potential business. They key is to focus on those publications and Web sites that attract potential customers that have indicated an interest in your products.

White Papers

White papers are among the most popular and influential sources of information about new and emerging technology and information technology providers, ranking ahead of Webinars, trade show exhibits and conference presentations.

White papers are an effective way to get your message in front of interested prospects. They are also a cost-effective addition to the marketing mix. Not only are white papers used more than Webinars, newsletters and other collateral, they can be repurposed to provide content for these and other marketing materials.

You can advertise the white paper on an industry Web site where you know there is interest in your solution. When people click through the advertisement, require them to fill out a registration form on your site to download the white paper.

Because white papers are so popular, promoting them will bring additional visitors to your Web site, which further enhances the impact of your online marketing.
Trade Shows

Maintaining a presence at industry trade shows and conferences can be expensive and a slowdown may warrant scaling back on the number of events or the size of your booth. However, it costs very little to have your executives speak at these events. Conferences are always on the lookout for dynamic presentations that can provide real-world examples of beneficial technology or business strategies. These presentations shouldn't just be thinly disguised product pitches. Rather, use them to position your executive leadership as "expert" resources within the vertical industries your company serves.

Better still, to enhance your presentation and credibility, see if one of your customers can speak at a conference. All trade shows want end users who can discuss real-world solutions, and having a customer extol the virtues of your product is the best referral you can get.

If you can get more than one customer on the agenda, consider putting an advertisement in the show guide that says: “Hear our customers speak and visit our booth.” You can also try to get one of your executives on the agenda, but keep in mind that a heavy sales pitch can sometimes do more harm than good because people come to sessions to learn, not to be sold.

Selecting the right trade show is much like selecting the right magazine in which to advertise. Investigate what kind of attendees a show typically draws, and examine the quality of attendees versus quantity. A broad-based industry trade show might have a lot of foot traffic, but if none of the attendees has purchasing authority over your particular type of product, you'll go home with a lot of business cards, but very few actionable leads.

Lead generation is critical. It’s not enough in an economic downturn to simply get your message out; you need to capture qualified leads. Trade shows are the best source of qualified leads because when people travel in a down economy, it means they are serious about purchasing the products or services being exhibited at the event.

However, trade shows can be expensive, so you want to focus on the ones where you know potential customers will be, and cut out the marginal events. You also want to maximize your investment by capturing as many leads as possible.

Tie your conference activities to a comprehensive marketing program. You can't just show up at a trade show and expect to find leads if attendees have not heard of your company.
Too often small companies go to a trade show and assume potential customers will just stride into their booth to hear about their great new product or service. That’s not the way these events work. Many attendees come with a list of companies that they intend to see. You need to get on those lists before the event starts. That means getting the word out before the event that you have an important new product to exhibit. It means offering something of value to get people to come to your booth, such as a white paper that shows the potential customer how they can improve business processes or cut costs. It means working with partners to get their existing customers to come to your booth or a private meeting. It means utilizing community tools offered by the event organizer to reach out to attendees before the event.

Use online and print advertising, as well as a targeted public relations campaign, to build brand awareness in advance of the event. Find out which magazines are providing pre-show coverage of the event, and make sure your product information is included. Take advantage of additional marketing opportunities provided by the event organizer, and find out how to have your information included in the conference guide and other marketing literature.

**Build Brand Awareness with Your Target Audience**

Brand awareness is critical because it gives you credibility with potential customers. Think of it as the fertilizer you put down before sowing seeds that will lead to sales. When someone has seen your logo on a Web site, they are more likely to stop by your booth or download your white paper than if they’ve never heard of you.

Building brand awareness is usually expensive, but it is always a mistake to stop spending on brand awareness, and it can be fatal for a startup looking to gain traction. The key in a downturn is to spend in a more targeted way. Build brand awareness with those customers that are likely to buy your product. Focus on subsets of a Web site’s readership by limiting ads to the regions you serve and channels on the site that are most likely to be read by your target customer. Some sites now feature keyword targeting that allows you to advertise to people reading articles about a particular topic, such as data backup or handheld terminals.
Getting Beyond “No”

In an economic downturn, when companies are carefully watching every penny they spend, it is easy for senior managers to say no to any new technology investment. This is particularly true of investments in emerging technology. The key to getting past that natural barrier is to focus on the potential customers most likely to say yes—that is, those that are already researching a solution like the one you offer—and to focus on both the short-term return on investment and the long term strategic value of your product or service.

Market research shows that companies are willing to put off capital investments that are simply tactical (those that just cut costs). Also, they are reluctant to invest in strategic projects that don’t pay off for three to five years because they don’t want to exacerbate the pressure on their bottom line. The projects most likely to get funded are those that will deliver an ROI within 18 months and position the company to gain market share as the economy improves.

Surviving a recession can be challenging, but savvy companies can make use of strategic marketing initiatives to increase their sales and boost their market share. Aggressive marketing will not only help a company survive a downturn; it can position the company for even greater growth during the recovery.

For more insight on marketing in a down economy, contact Bob Basmadjian at spectrum_marketing@earthlink.net or 908.823-9400.