

# CATALYST

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## **Penny Wise and Pound Foolish - What Not to Do and What to Do During a Recession**

This is an editorial - an editorial on "what not to do (and what to do) during tough business times."

If you are a professional marketer or manager it is likely you are sick of hearing people extol that you need to keep marketing flowing during recessionary times.

We're into this current down business cycle for 16 months, (I'll spare you the statistics) it's clear this downturn is like nothing else in our lifetime. The confluence of banking, housing, unemployment and lowered demand has pushed all of us to make decisions that until the past six months were likely beyond our perception. And now the economists are predicting "U" and "L" shaped recoveries and it looks like it will continue to be a long slog.

What do you do? First begin by keeping your head and business above water by proactively moving forward with the right strategies. The "old" style of advertising and marketing is dead or nearly dead. This started to happen as a result of the dot-com collapse, but many got duped into believing that era was simply a cyclical situation. Now it's very clear that cycle was merely a precursor to the current marketing revolution, which STOPPED marketing as we knew it a year ago. Budgets have not just been slashed, they have been gutted. Head count has not just been reduced; many departments are now below fully functional staffing levels.

As often happens, many have overreacted. One company was experiencing an 8% decrease in YTD revenue. They forecast 11% year-over-year decreases, and cut marketing budgets by 38%. Another company saw one product category increase by YTD 8%, had another category decrease 12% and in essence STOPPED all marketing activities for both products. The best story is one company that found their aftermarket sales INCREASE in the past 12 months by 22%; however, their OE parts sales decreased by 34% and they STOPPED all AFTERMARKEt marketing activities.

There's no doubt that a lot of the challenges our industry is facing is exacerbated by the current banking crises. Everyone now needs to live within their means and this is true for the homeowner facing foreclosure as well as the corporation facing severe cash flow challenges.

My advice is that you've GOT to keep marketing. I am starting to see real gains by companies that have remained aggressive. One company increased their inventory by 20% because they saw their competitors' fill rates slip due to manufacturing cut-backs. And then they did some targeted marketing to their customers and key prospects promoting their 96% fill rates. Their marketing budgets had been reduced, so they turned to eBlasts, an eNewsletter, carefully targeted direct snail mail, and package

stuffers. They incentivized their sales team by offering mini-promotions. Their sales and marketing people are creating viral marketing buzz with social media sites. They reduced print ad frequency and reduced size - but they did NOT stop advertising. In the near future, I'll bet that this company will find itself with more market share while its competitors cry the blues and/or close their doors.

I am sure your gut response is to say, "We have NO money, how can we market?" Cut something else. Dump the product line that you know is useless but have been afraid to let go. Spend a little money on IT systems and improve efficiency by reallocating labor expense from wasted manual activity. Use this economy as the opportunity to fire the brother-in-law you have kept on board for the past three years because you were afraid to admit you were wrong in hiring him in the first place. Borrow, plead, and beg management to provide some level of funding.

All of our clients have cut marketing budgets, but the smart ones had surgically cut costs, and not with a guillotine. Watch what happens over the next 12-18 months with those companies. They will not only survive, they will thrive.

Back to title of this editorial: "Penny Wise and Pound Foolish." This is not the time to rob your company of its potential to win over new customers and cement loyalty from existing customers. People are still spending money, making purchases, fixing their homes and cars, and they are spending money on premium branded as well as value-line products. The economy is down, but it has not stopped. Let's be smart. Here are some ideas that may jump-start marketing during a down economy.

- Market for the long-term - understanding that this too shall pass. (Every drought is followed by a rain.)
- Look at trends and reexamine how you are marketing your products - is there a product that would fulfill a need for an untapped audience?
- Relook at non-traditional media, public relations and sponsorships.
- Leverage your expertise to the fullest - speeches, whitepapers, e-newsletters.
- Prioritize the marketing of your product mix - select the products that have the greatest potential for immediate revenue and weight the budget to those products.

This will help you gain market share against competitors that do not market during down business cycles.