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When the economy is struggling, it's not uncommon for businesses to react defensively by cutting budgets and preparing themselves for slow growth as they bunker down and wait for the economy to right itself. Studies show that in a down economy, approximately 75% of U.S. companies react this way. Surprisingly, one of the first budgets to get slashed is the one organizations use to communicate with their customers and other significant parties; the marketing and advertising budget.

As bad economic times cause consumers to be more selective and value-oriented in their purchasing decisions, this strategy is shortsighted. It makes it difficult for customers to select, and trust, a company that curtails its communication with them and does not make an effort to stay top of mind. What kind of confidence and staying power is demonstrated by a business that suddenly limits the provision of information and support to its audience?

A Down Economy Can Be An Opportunity

The truth is, a struggling economy can be an opportunity for smart businesses to re-energize their marketing efforts and increase market share. Rather than cutting marketing budgets and limiting the ability to attract new prospects and customers, smart businesses can put their money into cost-efficient media channels that deliver growth opportunities and a positive return on investment.

In a recession, most industries' total market size will decrease. For most businesses, this translates into fierce competition for fewer viable prospects. Wise organizations will take advantage of the fact that even though there are fewer viable prospects in a down economy—because most companies have followed the herd and cut back their marketing

budget—there are fewer competitors who are actively marketing to them.

Forward-looking companies also often look at a downturn in the economy as a reason to re-evaluate their current customer relationships. For instance, a business that in the past marketed high-quality services or products at a higher price, may need to find out if the same message works in a struggling economy. Perhaps longevity of the product, or long-term value might be a better message in such an environment.

History Tells Us to Continue to Communicate

History has given the U.S. 20 recessions over the last 100 years—11 since World War II. Successful businesses have chosen to use such trying times as an opportunity to create a long-term competitive advantage. Successful companies see an opportunity to separate themselves from their competitors in the marketplace, an opportunity to be heard by their market audience.

Smart businesses can obtain definitive advantages by continuing to market to their customers in a down economy:

1. Because media pricing is driven by market demand, they can obtain better rates from media outlets. This is an opportunity for more aggressive companies to purchase more market presence without increasing their advertising budget.
2. As their competition chooses to market and advertise less in a down economy, their own message is more likely to be seen or heard. Less marketing “noise” = more marketing recognition.
3. Over time, such “uncontested” exposure will lead to increased market share and brand recognition. Such benefits can be long-lasting, and increase consumer trust in your organization.

A big challenge for many small companies is developing a name for themselves in a given market. Because of the suppression of marketing and branding by fearful competitors, a downturn in the economy can be the opportunity to accelerate such branding for smaller companies.

Studies Support Continued Communication

- McGraw-Hill did a research study during the U.S. economic recession in 1981-82, analyzing 600 companies from 16 different SIC industries. The study showed that companies that continued to market, not only continued to grow *during* the recession, but moved past their competitors (who cut back communication with their customers) and grew 256% two years into the economic recovery.
- Another study done during the recessionary period 1989-1991 showed that companies that increased their advertising expenditures had growth during the recession ranging from 15% to 70%. Their competitors, who cut back on advertising during the same period, saw sales drop 26% to 64%.
- At least a dozen studies from 1923 through early 2000 confirm that companies who take advantage of reduced media rates to expand their advertising continue to grow in a recessionary economy, while companies who choose to rein in their communication expenses lose more in sales revenues (not to mention mind share) than they gain by saving marketing expenses.
- Meldrum & Fewsmith showed in a series of studies during all post-World War II recessions, that firms that continue to market aggressively increase profits as well as gross sales during the recession.

During a down economy, customers become more selective, look for value, and are more likely to buy from businesses that they are familiar with. Smart businesses work to stay visible, so that their customers are confident that they'll be there for them in the future.

Need Cost-Efficient Marketing?

So in a down economy, where is the best place for a business to find strategic and cost-effective marketing?

A study done by the Wall Street Journal in February, 2008 shows that the majority of small firms (firms with 100 or fewer employees) either choose to wait and see what happens, or pull in their marketing budgets in a down economy. According to their study, businesses that see a down economy as a marketing opportunity don't stop spending, but allocate their money differently. These organizations take money out of traditional advertising and direct-marketing campaigns and chose online marketing strategies. For instance, such companies might direct money for their trade-show budget for online search engine marketing, and track their return on investment with Web analytic tools that can produce a variety of valuable data that lead to more sales. (More about this later in this article).

Online Advantages

In a down economy, for many businesses it's more important than ever to chose a marketing vehicle that is cost-efficient and quantifiable. Building an effective Web presence that incorporates online marketing techniques with search engine optimization is a winning idea in a tough economy.

Online marketing offers many advantages over traditional marketing channels:

More Resistant

Internet marketing is a communication channel that is much more resistant to the economic woes that face other marketing venues. Online marketing is cheaper than off-line marketing, and according to the Wall Street Journal (2008), "spending on Internet advertising is climbing at a healthy clip—rising 20% in the United States in the second quarter—and growth forecasts are strong despite the weak economy". Online shopping

and information is a convenience that is bolstered by tough economic times and higher gas prices, as more people chose to stay home.

More Flexible and Adaptable

Internet marketing allows for the flexibility to change or finesse your advertising. It's particularly important to react to the changing needs of consumers in a struggling economy. For instance, the ability to alter keywords used in a Google AdWords campaign, or change the landing page for a sponsored ad, can be done quickly and cost efficiently — something that is rarely possible with traditional marketing.

Measurable ROI

Every successful marketing channel should demonstrate a positive return on investment for the marketer. With more traditional marketing channels like television or radio, specifics about demographics and audience size, as well as tracking consumer behavior, is harder to obtain than with a more efficient medium like the Web.

With online marketing, Web analytics software, search engine marketing tools (such as Google AdSense and AdWords), and search engine optimization offer great online ROI. These tools make it much easier to track how many people see your advertising, how many respond, how they respond, who responds (and why) and what your ROI is. For instance, with online marketing you can do something as simple as employ various ads with different keywords and measure which ad is more effective by using A/B split testing. In contrast, with a print ad in the Yellow Pages, it's more difficult to quantify its effectiveness, and impossible to change its message beyond the yearly print cycle.

Cost-Efficient Local, National, and Global Marketing Channels

Online, a smart business can more effectively target their customers across a variety of regions. With numerous "local search" engines such as those that are connected with Google Maps, Yellow Pages.com and CitySearch, online marketers can limit their

advertising to specific markets. And with its ability to attract global customers, the Internet allows some resistance to the risk of tough economic times elsewhere.

Targeted Traffic for Higher Conversions

The internet is a better medium than traditional marketing channels to capture a targeted market. Targeted traffic increases conversion to sales, leads, and other activities that will increase the lifetime value of your customers. This leads to higher profits and a lower cost per sale. This allows more aggressive organizations to put the money they save back into their marketing plan, and increases ad spending efficiency.

By improving online conversion rates, companies get more sales from existing traffic, lower their customer acquisition costs, raise their customer lifetime value and increase their customer retention rate. These effects are long lasting, and extend beyond a tough economic climate.

Higher Conversion Through Testing

Online conversion rates can be increased with Web analytics by investigating why your customers do what they do as they move through your site. For instance, if they leave your site or specific landing pages, create tests to find out why. When doing so, you need to consider your audience, and the actions that you want them to take at your site. What do they need to see to take that action? Perhaps it's as simple as improved visibility and usability with certain buttons. Or perhaps you want to gather leads by asking them to register for more information or a newsletter. Tools like Google Website Optimizer and Google AdWords can be very effective in reducing the cost per acquisition. Learn how your visitors gather information and make decisions. And make sure your landing pages are appropriate for your pay-per-click advertisements. The key is to plan, test and optimize so that you can effectively measure your return on investment.

Synergize Your Marketing Efforts

The best use of off-line marketing in a down economy are methods that work well with a business' online marketing activities, such as using printed direct mail to send customers to information that exists on your web site. Or perhaps you could distribute coupons that offer discounted prices for customers who go to your website and sign up for your newsletter. Or a catalog that directs you to 24-hour service through your ecommerce store, for the purchasing of products. Indeed, a 2008 Search Marketing Integration Study found that 67% of search engine users were prompted to use an online search as a direct result of exposure to traditional off-line marketing.

A Final Word

In a slow economy, it's important to boost your marketing and sales efforts. History has shown that businesses that decrease their communication efforts with their customers sell less and lose business to their more opportunistic competitors—an affect that can be detrimental far beyond the recovery years of a down economy. Businesses that refuse to "follow the herd", and react proactively with continued or increased marketing efforts, have a golden opportunity to increase brand recognition, market share, sales, and profits for their organization.

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