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Effective Strategies of Marketing During Recession

MARKETING YOUR WAY THROUGH A RECESSION

Can a recession create opportunity for smart marketers to grow and thrive?

Factors:

Companies should follow some factors in mind when making their marketing plans .

1. Research the customer:

Instead of cutting the market research budget, you need to know more than ever how consumers are redefining value and responding to the recession. Price elasticity curves are changing. Consumers take more time searching for durable goods and negotiate harder at the point of sale. They are more willing to postpone purchases, trade down, or buy less. Trusted brands are especially valued and they can still launch new products successfully, but interest in new brands and new categories fades. Conspicuous consumption becomes less prevalent.

2. Focus on family values:

When economic hard times loom, we tend to retreat to our village. Look for cozy hearth-and-home family scenes in advertising to replace images of extreme sports, adventure, and rugged individualism. Greeting card sales, telephone use, and discretionary spending on home furnishings and home entertainment will hold up well, as uncertainty prompts us to stay at home but also stay connected with family and friends.

3. Maintain marketing spending:

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. Uncertain consumers need the reassurance of known brands, and more consumers at home watching television can deliver higher than expected audiences at lower cost-per-thousand impressions. If you have to cut marketing spending, try to maintain the frequency of advertisements by shifting from 30-second to 15-second advertisements, substituting radio for television advertising, or increasing the use of direct marketing, which gives more immediate sales impact.

4. Adjust product portfolios:

Marketers must reforecast demand for each item in their product lines as consumers trade down to models that stress good value, such as cars with fewer options. Tough times favor multi-purpose goods over specialized products, and weaker items in product lines should be pruned. In grocery-products categories, good-quality own-brands gain at the expense of national brands. Industrial customers prefer to see products and services unbundled and priced separately. Reliability, durability, safety, and performance are in. New products, especially those that address the new consumer reality and thereby put pressure on competitors, should still be introduced, but advertising should stress superior price performance, not corporate image.

5. Support distributors:

In uncertain times, no one wants to tie up working capital in excess inventories. Early-buy allowances, extended financing, and generous return policies motivate distributors to stock your full product line. This is particularly true with unproven new products. Be careful about expanding distribution to lower-priced channels; doing so can jeopardize existing relationships and your brand image. However, now may be the time to drop your weaker distributors and upgrade your sales force by recruiting those sacked by other companies.

6. Adjust pricing tactics:

. Customers will be shopping around for the best deals. You do not necessarily have to cut list prices, but you may need to offer more temporary price promotions, reduce thresholds for quantity discounts, extend credit to long-standing customers, and price smaller pack sizes more aggressively. In tough times, price cuts attract more consumer support than promotions such as sweepstakes and mail-in offers.

7. Stress market share:

In all but a few technology categories where growth prospects are strong, companies are in a battle for market share and, in some cases, survival. Knowing your cost structure can ensure that any cuts or consolidation initiatives will save the most money with minimum customer impact.. Other companies with healthy balance sheets can do so by acquiring weak competitors.

ONLINE MARKETING

This strategy comes up with many questions which needs to be pondered

- **What's the strategy for managing consumer reviews on my site?**
- **Do people watch online video ads?**
- **How can I get more out of my customer loyalty campaign?**

What's the strategy for managing consumer reviews on my site?

The Yelp Factor: Are Consumer Reviews Good for Business?
In a new study, Assistant Professor Michael Luca shows just how much restaurant reviews on Yelp affect companies' bottom lines. The more difficult question: Are these ratings reliable as a measure of product quality?
Online marketplaces must be concerned with not just reviews but all the factors that create trust with their users.

Do people watch online video ads?

The mere fact that an online video advertisement reaches a viewer's computer screen does not guarantee that the ad actually reaches the viewer. New experimental research by Thales S. Teixeira looks at how advertisers can effectively capture and keep viewers' attention by evoking certain emotional responses. In a recent experiment, participants watched a series of ads in a computer lab setting. The researchers parsed the viewers' emotional response with the help of eye-tracking technology combined with facial expression analysis software.

- Evoking surprise proved to be the most effective way of capturing attention, while evoking joy was the most effective way of retaining it. This indicates that advertisers should include a surprise at the beginning of an online commercial.
- Ads retained attention better if they delivered several snippets of joy in succession than if they delivered a sustained period of joy.

How can I get more out of my customer loyalty campaign?

There are certain loyalty campaigns that really work and the credit goes to ever-improving technology. Loyalty programs are proving extremely popular among retailers—but merchants are not getting all they should out of them. Professor José Alvarez says retailers need to see customers as partners, not transactions. Key concepts include:

- Most retailers are at a very basic level in using loyalty programs, and many customers see the programs as punitive. Successful retailers connect with customers via loyalty programs at three levels starting with an introduction, followed by a retailer-initiated communication, and finally with customer- or retailer-initiated feedback loops.
- Data collected from these programs can help merchants make smarter decisions on everything from where to open a new store to pulling the plug on a fading brand.

How can I get more out of voucher coupons?

For retailers offering deals through the wildly popular online start-up Group on, does the one-day publicity compensate for the deep hit to profit margins Discount vouchers provide price discrimination, letting merchants attract consumers who would not ordinarily patronize their business without a major price incentive.

- These vouchers also benefit merchants through advertising, simply by informing consumers of a merchant's existence via e-mail.
- For some merchants, the benefits of offering discount vouchers are sharply reduced if individual customers buy multiple vouchers.
- As a marketing tool, discount vouchers are likely to be most effective for businesses that are relatively unknown and have low marginal costs.

INNOVATION AND BRANDING STRATEGY IN A DOWN MARKET

During long and deep recession, companies look to shift resources away from poor performing brands to more profitable ones. With cash from operations declining and borrowing at a premium, it makes sense to sacrifice cash- consuming brands. While difficult and unpleasant to do, this portfolio reshuffling is a rather straightforward recessionary response. One risk is under investing in innovation to keep core brands vital.

The Tension between Innovation and Branding

Even in the best of times, the relationship between branding and innovation can be tricky.. Brand strategy helps companies bring innovation to the market. Innovation returns the favor by enhancing brand reputation. It sounds simple, but the partnership can be an uneasy one and it is particularly uneasy during a market downturn when investing in new brands or sub-brands can be perceived as 'too risky'. The difficult choices imposed by hard times forces managers to confront the challenge of 'brand stretch' more acutely.

Every company aspires to a brand extension success, but at the same time they also fear the warning provided by brands that expanded too aggressively. Balancing the need for brand focus with the need for innovation is the essence of the dilemma. Staying inside the confines of existing brand boundaries risks missing opportunities to meet emerging market needs. At the other extreme, stepping too far outside the brand's comfort zone risks dilution of brand meaning -- the dreaded "everything-to-everyone syndrome". Who can forget Hooters move into the airline business or Maxim's into men's hair color?

The goals of innovation and branding can seem contradictory.

Branding is about establishing trust through consistency; a brand is built by giving customers what they expect. Brands that change their messages too frequently, or extend too far into unrelated businesses risk confusing their customers and diluting their meaning. Innovation is about giving customers what they don't expect.Innovation builds excitement and interest by delivering something new.

Resources needed for innovation and branding.

Most brands find it difficult to sustain a reputation for continuous innovation. Instead they build a brand by doing one or two things really well. For these brands a tension often exists between the desire to extend the brand beyond its expected horizons and maintaining brand focus. Innovation puts pressure on both branding budgets and brand architecture. Should the new brand be given a separate name, or sub-brand name?

How to strike a right balance?

Finding and maintaining the right balance can be tough. It requires constant vigilance. As Lucas Conley so emphatically pointed out in his book, "Obsessive Branding Disorder", the branding path can be seductive. Innovation is difficult and, by stretching the brand in new directions, innovation doesn't always line-up neatly with branding's first commandment of 'consistency'.

Our experience with firms that understand the need for balance, during good times as well as bad, is that they adhere to several best practices:

*** Don't Take What Customers Say Too Literally:**

While carefully listening to the voice of the customer is key, it is even more important to reach into the mind of the customer, by looking for the motivations that underlie their behaviors and expressions. Good innovation decisions are unlikely to come from what consumers can articulate about their immediate rational needs. They are more likely to originate from their emotional desires or future needs. 'Rear window syndrome' can lead to preoccupation with solving today's or even yesterday's obvious problems and limits innovation to the incremental variety. When Apple introduced the iPod, Virgin launched Virgin Atlantic Airways and Amazon introduced the Kindle, these companies reached outside their existing brand competencies to address new markets and unfulfilled customer needs.

Fear of tarnishing brand reputation with customers, or employees and suppliers can suppress the desire to pursue ideas that promise to 'stretch' the brand. Most brands can stretch; the real question is whether it makes business sense, not whether stakeholders will accept it. 'Brand stretch' research can be misleading since customers are only able to answer questions based on what they already know. When marketers rely on customers to tell them whether a new offering can fit within their understanding of the brand, we again fail to see what is possible and limit ourselves to what is probable.

The key for Best Buy is that it is a relatively low risk experiment that will not broadly impact their national brand equity. In a February 2009 Harvard Business Review article, Thomas Davenport (author of Competing on Analytics: The New Science of Winning) describes a high level methodology for designing smart business experiments. He writes, "Thanks to new, broadly available software and given some straightforward investments to build capabilities, managers can now base consequential decisions on scientifically valid experiments." Obviously, the level of investment required to run a market experiment can vary greatly. For service businesses such as consumer retail, the investments are relatively low. For those with more limited options, a well- designed simulated market experiment can provide some direction.

MAKING INNOVATION STRATEGY AND BRAND STRATEGY WORK TOGETHER

Successful companies understand the need for both short-term incremental improvements that freshen the brand through a constant stream of news, even in recessionary times. They also understand growth initiatives should be guided by an innovationstrategy, not a brand strategy.

Smart innovation strategy in turn is based on a clear corporate growth strategy. Will the company grow by serving new markets, by creating new products for existing markets, or both? Each of these strategic directions has brand strategy implications. The chart to the right, a variation on the standard corporate growth quadrant analysis, indicates how a brand's positioning may have to alter or stretch to accommodate the new initiative. Let's look at the impact of each quadrant on brand strategy.

Product Development:

Expanding a brand to new customers often requires new products, if not a new reason to believe, which makes it a moderately risky approach for recessionary times. Harley-Davidson recognized that many people identified with the Harley brand that would never purchase an expensive motorcycle. Through licensing of everything from clothing to motor homes to tattoos to baby gear, they were able to successfully extend their franchise to new audiences with minimal investment or risk.

Market Development:

Finally, the decision to expand the meaning of the brand to satisfy a greater range of the needs of the current market (market development) 'stretches' a brand. This is a very sensible strategy for recessionary times, although it still requires investment. For example, when Ralph Lauren expanded his timeless sense of style to home fashions, hotels and fragrances, he needed to broaden the 'frame of reference' for his positioning beyond apparel. We are currently working with two highly iconic brands. Both are struggling with how to innovate in the market development quadrant. The strong associations their brands enjoy can make it difficult to expand current consumers' positive understanding of their brands. However, finding a way to do this can mean significant growth at minimal risk.

Diversification:

Diversification the least likely approach to be used during a recession. Introducing new services to new customer segments with game changing innovation, new benefits and new reasons to believe, may stretch the brand severely and require substantial investments in marketing communications. This is the approach BIC took when it moved from disposable pens to disposable razors. Making an inexpensive pen did not make BIC credible as the maker of an inexpensive shaving implement. They had to make their case, which makes this the riskiest of the four growth quadrants.

Penetration:

Penetration represents the opposite extreme and is the least risky approach. A strategic decision to grow through incremental process improvements directed at current users requires little or no change in brand strategy. However, it may make maintaining salience and relevance through marketing even more critical. It may even require creating new ingredient brands or 'brand energizers' (i.e., Heavenly Bed from Westin) to solidify a brand's position with the current market.

BRAND OR INNOVATION?

One advice to clients struggling to reconcile growth strategy with brand strategy is to ignoreyour brand equity while exploring how to best grow your business. The first priority is to determine the best opportunities for leveraging competencies into new markets, new products or both from a business standpoint. Then determine how the brand can support the business as it takes this new direction. But without putting innovation and growth first, it is possible to miss the opportunity entirely..

Whatever quadrant(s) a company decides to pursue, in good times or bad, it is important to maintain a balance between refocusing on the core and growth and innovation. The key to making innovation and branding work together in a recession is to put innovation first, then use brand strategy to articulate how innovation will be leveraged to build strategic equity for the company

BEAT THE RECESSION WITH AN AGGRESSIVE, STRATEGIC MARKETING BUDGET

In a recession, marketing tends to be the first victim of budget cuts when, in reality, it is the most important tool a business has during this difficult time. This leaves many businesses wondering where they can cut costs. Studies and experience prove marketing should be last on the list.So, in order to survive a recession, take 3 steps.

Step 1: Understand the value in marketing and do it consistently.
Since marketing is an essential function to any business it is also lifeline to surviving a recession. Through marketing, a business can reach new customers and gain sales from previous customers. Therefore, marketing is an investment not just an expense.

Step 2: Have the courage to be more aggressive during hard times.
Being aggressive does not mean throwing money at every marketing outlet available. It is important

to take a strategic approach and spend more but spend wisely. It does take guts to spend more when the outlook is gloomy but it has been proven to pay off.

Step 3: Organize budget and resources strategically.

Research:

Research is the most important way to ensure that rupees are spent wisely. Online marketing requires two levels of research on a regular basis, competition and consumer. Through research you can determine which marketing outlets can be most successful. Start asking yourself that

- What consumers are looking for?
- Which websites are being used by them?
- Are your products reaching them?
- What are your competitors doing?

Closely Measure Results

Measurable results are also a key component during hard times. Find out what works by measuring each marketing tactic. When combining web analytics with tactics such as SEO and paid search (PPC), you are able to target your campaigns on a very granular level. This ensures each rupee is spent effectively. After measuring the effectiveness of your marketing campaigns you will understand what works best for your business. You can then concentrate marketing rupees on that 20% of your marketing campaign which produces 80% of the results.

Diversify Marketing expense:

It is also important to take a strategic approach when you diversify your marketing budget. For example, if you are currently investing the majority of your marketing efforts in a Pay-Per-Click style paid search campaign, you may want to allocate some of that budget to SEO services which, in the long term, can increase the return on investment and decrease dependency on paid search.

RECESSION PRICING DO'S AND DON'TS

A recession typically is the indicator of price-cutting, but for a business to thrive in spite of a bad economy, it requires a better strategy.

Pricing during an economic downturn or recession is tricky. Too often, companies simply cut prices to attract more sales. The right pricing, however, can help a company compete and even thrive during difficult economic times. Here are some pricing do's and don'ts for a recession:

What to do?

- ***Define the value you offer to your customers.***
  Any knowledge of the value you deliver to your customers gives you greater control over and confidence in, your pricing. Find out your customers to find out how they view your products and services.

- ***Create a range of low- to high-value offerings.***
  Bundle your products and services and establish price accordingly which enables you to please both cost-conscious and value-conscious customers without cutting prices.

- ***Control company costs and reduce inefficiencies.***
  Streamlining your company's processes and expenses is good for business in any economy. Reducing prices to generate more sales will not improve your business in the long term.

- ***Invest in innovation to offer something unique.***
  Pour funds into R&D so you have new products and services that give you negotiating flexibility with customers and sales growth. Innovation gives you an edge when customers are seeking something new to lift up their own financial prospects during an economic downturn or when

coming out of one.

What not to do?

- ***Discount your products or services in order to compete.***
  Don’t get into a price war with your competitors without adjusting the value of the product or service as it will just send you and your competition swirling into a downward pricing death spiral where no one wins.

- ***Reduce prices on your high-value products and services.***
  During a recession, a better strategy is to keep high-value products priced appropriately, but focus on selling more low-value products and services.

- ***Play poker with price-driven customers.***

When cost-driven customers threaten to take their business elsewhere, either: (1) confidently point out the unique value your product and service offers, which justifies the price you charge, or (2) let the customer take his business and badgering to your competitor instead.

Reed Holden, DBA, and Mark Burton are leading pricing gurus and cofounders of Holden Advisors, a consultancy that works with business-to-business firms to design and implement value-driven pricing strategies that increase profitability in highly competitive markets.

Times are tough for everyone but small business owners and home based businesses face some of the greatest threats during a recession. If you're looking for strategies that lead to best business in recession times, keep reading

- Be careful about cutting costs.
- Think long term as you plan your recession marketing strategies.
- Spend your time as wisely as your money. As

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