

THE OPPORTUNITY OF THIS RECESSION

White Paper

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The state of the economy is a primary concern of business leaders today. This is no news flash. It has marketers from nearly all sectors in a virtual meltdown. The pinch of the recession and its effects – budget reductions, negative growth projections and elusive credit – have affected us all in some way.

However, in the midst of the doom and gloom forecasts, one bright spot has been overlooked: the marketing *opportunity* that this recession provides. If handled thoughtfully, this slowdown could be a pivotal chance for your brand to strengthen its position, increase market share, and ultimately emerge healthier when the economy recovers.

This assertion is not meant to ignore the current realities. To the contrary, it is a suggestion that a smart, calculated, strategic commitment to the future of your brand makes a lot of sense right now *because* of these challenging times.

In 2001, Marketing News reported that through the previous recession, companies that maintained or increased their marketing effort grew market share and outperformed competitors who decreased marketing efforts by more than 250%. The aggressive marketers increased market share by an average of 1.5% compared to growth of only 0.2% for their counterparts who decreased their budgets. This data supports the claim by Walt Snyder, President and CEO of the American Advertising Federation, in early 2008, "...advertisers that continue to advertise during slow times will come out better and faster when the economy picks up."

Step Back and Consider the Opportunities

What is the best way to proceed? Our advice to clients in the last 6 months has been to, first, take a step back and don't panic. Nearly all knee-jerk responses to external pressures produce less than optimal results. This is the time when you should conduct a thorough review of your marketing and strategic plans. Determine if the strategy you've laid out is not only viable in this economy, but also moves your brand's agenda forward.

More than likely, some sort of strategic marketing recalibration will be useful. While it is important to not be reactionary in setting the course in the near term, it is critical to also be adaptive to the environment. An old coach used to say, "You take what the defense gives you...". Of course, the economy will influence many of your decisions. Your reactions, though, are up to you. The same coach would also go on to say, "...but in the end, you still gotta make the shot." Choosing the right strategies and executing them flawlessly will be key to your success.

In a fully-charged economy, companies have many options as to how they choose to differentiate themselves from the competition. Some do it through articulating functional benefits of their products or



services, or through emotional connections with their brands' consumers, while others leverage innovation or other means of drawing distinction. In a down economy, though, many marketers feel that those options are limited. They tend to pull away from marketing efforts that deliver on differentiation and brand messaging and instead focus on tactics such as discounting, couponing, give-aways and special promotions that are perceived to produce some sort of immediate result. While these tactics might temporarily spike sales, they typically do very little to shore up a flagging brand or create more loyal and engaged consumers. Often times, these efforts can hurt or otherwise dilute the brand's equity in the long term.

This behavior creates an enormous opportunity for those intrepid companies that stay the course and *adapt* their marketing efforts. Will economic pressures force a company to modify its pricing strategies? Sure, and it can be done in a subtle manner. But, if you've never aggressively promoted price over other brand benefits, now is not the time to start. In fact, as other companies do exactly that, it's time to take a different course. Use this chance to strengthen your brand position, not just the cost of doing business with it. Additionally, consider the space that is left when your competition shifts focus off brand and onto pricing or promotion. This is a huge gap. Functionally, media can be obtained less expensively and the benefit is twofold as there are fewer advertisers and thus, less noise to cut through. Emotionally, stronger, accelerated connections can be built with your audience as other marketers have taken the emphasis off brand messaging and moved into other short-term areas.

A recent Anderson Analytics survey of the 2,000+ members of The Marketing Executives Networking Group (MENG) revealed that the #1 preferred strategy of these elite-level marketers in 2009 is a "Back to Core Principles" approach. MENG's consensus is that, in the midst of chaos in the marketplace, simplicity wins the day.

The back-to-basics approach is driven in large part by consumer insight as well as their historical reactions to a challenging economy. While buyers have obviously curtailed spending in most B2B and B2C sectors, they have also indicated that simplification is an important way for them to manage the current environment.

A fascinating example of an advertiser embracing this approach is Allstate Insurance. Their newest campaign (named "Back to Basics" incidentally) links the company's plight directly with that of the customer. They highlight their own history, from their conception in 1931 during a horrendous economy and through the subsequent 12 recessions. They acknowledge and empathize with the fear people feel in times like these and then recognize that after the fear subsides, people begin to enjoy the small things again – their own back-to-basics paradigm – a return to the things that matter. Allstate then asks people to put that which does matter "in good hands" (the tagline itself quintessentially simple).

Strategies for Success

Customer satisfaction, retention, ROI, brand loyalty and segmentation were also highlighted in the MENG survey. These focus areas should all take center stage in your strategy moving forward, as a comprehensive way to take advantage of the opportunities the recession and your competition present.



Notice that these concepts do not include price or aggressive new customer acquisition (although it's understood that drawing new business to the brand is critical).

Customer Satisfaction, Retention & Brand Loyalty

In a down economy, the easiest and most profitable sale is made to a current user of your products and services. To that end it is essential that your eyes and ears are trained on this audience and that there is a sharp focus on their needs. By enhancing the level of engagement with this group, you stand a better chance of creating brand champions. They will not only demonstrate loyalty to your company, but also draw in others through strong word-of-mouth and advocacy. As your competition focuses on short-term tactics and strong customer service, retention efforts will be a key opportunity on which to capitalize.

ROI – Understandably, there is urgency around ROI for marketing initiatives. It is imperative, though, that the tactics line up with and support the strategy. For instance, if a coupon insert in the paper or a promotion in a trade publication generate acceptable response, but don't deliver on the strategic pillars you've defined, seriously consider abandoning them. ROI is not just a metric of dollars and cents but should also include opportunity cost, brand engagement and even customer satisfaction. Adapting your marketing to include tactics that are both "on-strategy" as well as highly quantifiable are key methods to increasing ROI (and hopefully protecting that marketing budget).

Segmentation – As your competition focuses on the short-term and embraces tactics that might be less engaging, take this opportunity to innovate with your segmentation strategies. This insight can be used to better craft the messaging that articulates your brand positioning and benefits. It also will help you delineate that which is most important to your audience, thus allowing a more solid engagement with your customer.

Conclusion

As companies across all sectors react to external, market-driven forces, this point in time offers up a tremendous opportunity for differentiation and long-term brand growth. Successful marketers will be adaptive, instead of reactionary.

Taking advantage of the opportunities of this recession will certainly take some work and discipline. But, the opportunity is this: while others employ short-term remedies to temporarily spike sales, your company may be able to strengthen its brand position and enhance the emotional connection with customers. When the economic storm subsides, your brand will be healthier and wealthier.

