FRONT-RUNNING
THE COMING RECESSION

purdie rogers

> **"Stopping advertising to save money is like stopping your watch to save time."**
>
> —HENRY FORD, FORD MOTOR COMPANY

When faced with declines in consumer spending, many companies lower operating costs to keep profits from declining as sales slow. Along with reducing other company expenses, marketing budgets are often cut as well — considered less important while customer demand is lower. But cutting marketing budgets to lift bottom line profitability can backfire. It can actually damage market share when demand returns, reversing market share gains that were won through prior marketing investments.

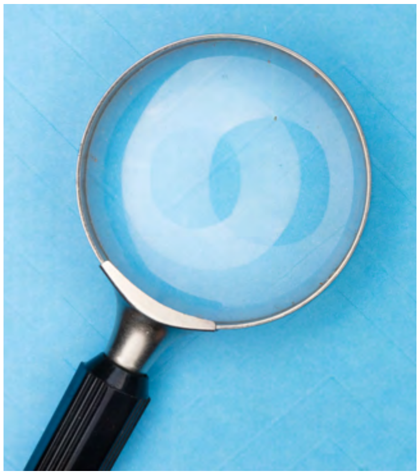
History shows that by not supporting previous investments in brand equity and gains in market share, companies risk giving up those gains once consumers start spending again. There is insightful evidence from the past that makes a strong case for maintaining or — possibly increasing — marketing budgets during economic recessions.

PAST RECESSIONS

An excellent example of companies that found great success by increasing marketing spend through an economic downturn happened during the 1989-1990 recession. At that time, McDonald's cut marketing budgets to save money, while Pizza Hut and Taco Bell (both owned by Yum! Brands) increased their marketing budgets. When the recession finally pivoted to growth, McDonald's sales had dropped by nearly 30%, yet both Pizza Hut and Taco Bell sales had increased by about 40% and 60% respectively.

In another example sited by Cahners in 2001, researchers observed that 25% of companies increased marketing budgets during the recession after 9/11. And impressively, these same companies increased their market share about twice as fast compared to those who didn't commit to marketing during that recession.

> **"My clients who saw the greatest success through the downturn had an interesting perspective on marketing. Rather than dwelling on the risk of expanding their marketing budgets, they viewed it as more risky not to do so."**
>
> —JACK WHITE, MCGUIRE WOODS



FOCUS ON BRAND

Your most important asset is your brand, and an economic downturn is the perfect opportunity to reinvent and reinforce what you stand for as a brand. So fine tuning your company values, vision, mission and reasons to believe is the place to start. Communicate to your best customers and your most highly valuable prospects and tell them why your brand offering makes sense for their values and needs — ultimately why it's superior to your competitors. If your company executes this strategy correctly, the odds are that you will succeed when the economy returns to growth. Consumers will appreciate, and importantly, remember your brand because your company aligns with their values, their needs and what they believe.

> **"It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently."** —WARREN BUFFETT

FINE TUNE MESSAGING

Make sure your marketing messages align with what your customers and prospects not only want, but what they need and expect. If your company can connect with them on emotional, functional and economic levels, they will believe in your brand and come back time and time again. And when the economy turns around, which it always does, they will seek your brand and its products and services. Why? They believe you meet their wants, needs and expectations.

> **"Don't tell me how good you make it; tell me how good it makes me when I use it."** —LEO BURNETT

> **"Nobody counts the number of ads you run; they just remember the impression you make."**
>
> —BILL BERNBACH

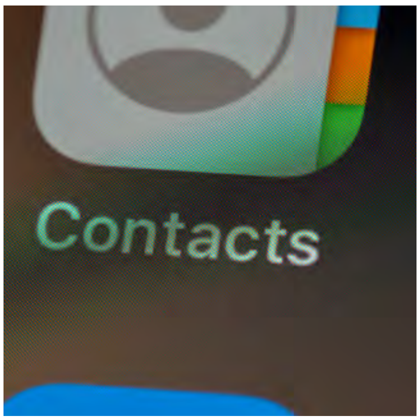
OUTSPEND COMPETITORS

In the battle for brand mindshare, increasing marketing during a recession makes your company stand out. Budget more media than your competitors to keep your brand highly visible. However, make sure your media budgets are optimized. Use highly targeted social media, paid search and programmatic media to market your brand. Employ print, radio, cable and streaming video to be recognized as the leading brand in your category. Your customers and prospects will admire your company's ability to entice and impress them during slow economic times, even if they aren't buying at that time. With these basic media strategies, your brand message and position will outshine your competitors.

DEMAND CREATIVE EXCELLENCE

The need to execute the best possible creative cannot be overstated. Great creative connects with the core of customers who already buy your products and services, and those who could in the future. And just because your company has great products, there are other brands they can choose. But if your company can influence a consumer's purchase habits by delighting and enticing them emotionally, your brand will become what they not only seek but what they need. Great creative is one of the most effective strategies to optimize your media spend, and ultimately increase the lifetime value of your customers.

> "Creative without strategy is called art. Creative with strategy is called advertising."
>
> **—JEF RICHARDS, EDUCATOR & AUTHOR, *A HISTORY OF ADVERTISING***



NURTURE YOUR CONTACTS

Take every opportunity to remind your existing customers why they chose your brand in the first place, and why prospects should convert to your brand. Your contact database is one of the greatest assets in your sales and marketing arsenal. Leveraging these relationships makes sense for at least three reasons:

- **Something you offer is valuable to them.**
- **They have opted-in to hear your brand voice.**
- **Your shared values resonate with them.**

When you communicate and add value to a friendship, that friend will call you the next time they need support. All relationships start and last with ongoing communication. Without it, relationships drift, become memories and are eventually forgotten. During good times and especially hard times, make sure your company is proactive to keep every relationship alive — or risk losing them forever.

> "I want to do business with a company that treats emailing me as a privilege, not a transaction." **—ANDREA MIGNOLO, EXECUTIVE COACH AND DESIGNER**

ALWAYS MEASURE SUCCESS

Before embarking on any worthwhile activity, take stock in what you currently have and apply that key learning to future goals. After taking stock through analysis and research, you'll have a success benchmark for what to expect in similar marketing endeavors. And that bar should be held high, by the way. Why risk very much without a truly aspirational goal that can be measured?

The good news is that when considering the risks associated with marketing during a recession, the return on investment could very well become a game changer. Your competition might "ghost" their trade and consumer audiences in favor of short-term capital preservation, and picking up their lost market share is typically a very measurable outcome after consumers begin spending when a recession pivots to growth.

Make sure you plant a stake at the beginning of your marketing efforts with data that supports your investment decisions. When the economic cycle turns, you'll have what it takes to prove that your marketing strategy was worth the investment.

"Today's boards don't need chief marketing officers who have creative flair but no financial discipline." —PAUL W. FARRIS, AUTHOR OF *MARKETING METRICS*

WHAT'S NEXT FOR YOUR COMPANY?

It's true that history never actually repeats itself. But people always have wants and needs, and economic fluctuations influence their ability to buy your goods and services. During the best of times with low interest rates and low inflation, most people tend to spend more. During hard times with high interest rates and high inflation, most people tend to spend less.

While consumers may sometimes wait to buy, and while companies are waiting for higher demand and margins, there's an opportunity that awaits growth-oriented companies. The opportunity is to brand, message, advertise and stay in touch — evergreen — as far and as wide as your smartest business investment instinct allows.

"Marketing demands commitment; commitment to continual re-invention; striking chords with people to stir their emotions; and commitment to imagination." —SIR RICHARD BRANSON