

# Marketing During Recession: Survival Tactics

It's been proven that it is sound advice to spend more on marketing during a recession. But many marketers will find this advice impractical.

For those that don't have extra money available, what tactics can be used to weather the storm of tough economic times?

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As we reported in our earlier POV—*Marketing in Recession: To Spend or Not to Spend?*—the general learning suggests that increasing marketing spend during times of recession can produce long-term gains that more than compensate for the investment required. The explanation of this phenomenon lies in the established relationship between share of voice (SOV) and share of market (SOM). When a brand's share of voice is greater than its share of market, it is likely to grow its market share in the coming year. Therefore, companies that increase their marketing investment when most others are cutting back have an opportunity to substantially improve the standing of their brands.

However, for a variety of reasons, few companies, even those with the financial resources to do so, will actually put this learning into practice. When recession looms, most will reduce spending to shore up the bottom line. But even companies that can't (or won't) spend more can find ways to do more with less. A recession, therefore, can impose a discipline on marketing that is beneficial to brands in a variety of circumstances.

During recession it is crucial to question what each element in your marketing plan is intended to achieve. How will it encourage brand loyalty? What barrier to purchase does it address? Will it make the brand seem worth paying more for, or will it create a belief that this is a cheap brand? Because the stakes are higher when money is tight, you need to feel confident that your investment will provide a good return.

The key to success during a downturn is maintaining focus. Keep your wits about you and focus on four things: your competition, your brand, your customers, and your communication. If you have a strong, successful brand, focus on what has worked for you so far. If your brand is in a relatively weak position, focus on systematically exploiting what strengths you have while addressing your weaknesses.

## Focus on Your Competition

### *Analyze company and brand health*

Keep your finger on the competitive pulse, using annual reports, tracking studies, media data, sales force intelligence, and feedback from customers and consumers. Which companies have strong financials and are well positioned to up the ante? What does their track record tell you about their likely recession strategy? Which brands are vulnerable, with customers ripe for acquisition? How does the strength of your brands compare?



**Nigel Hollis**

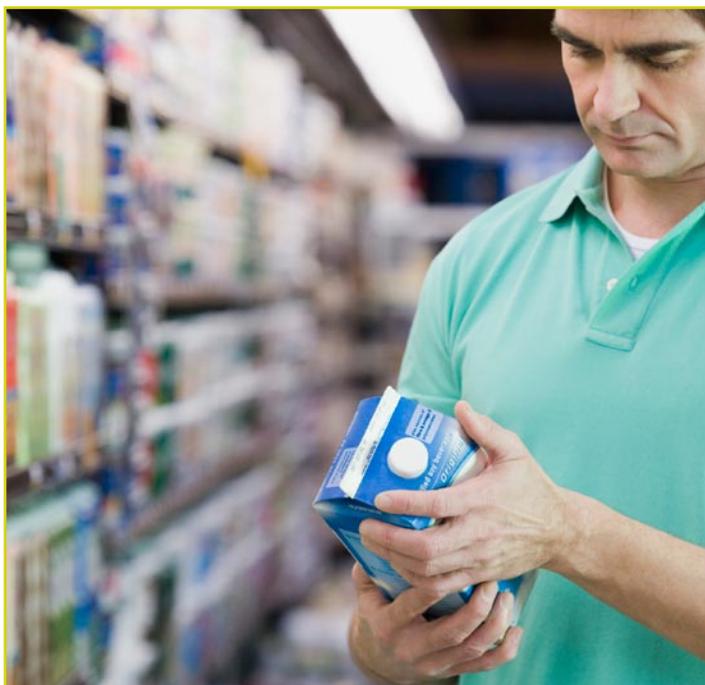
Chief Global Analyst  
Millward Brown  
nigel.hollis@us.millwardbrown.com  
www.millwardbrown.com  
www.mb-blog.com

***A recession can impose a discipline on marketing that is actually beneficial to brands.***

***Anticipate their actions***

Recessions are a time of flux. Now more than ever, you need to anticipate what your competition might do and plan accordingly. The relationship between SOV and SOM, which exists during both good and bad times, becomes a critical factor during recession, when many brands cut back on spending. If everyone else cuts spending, you can gain an edge simply by maintaining your own level of investment.

Any action you take, however, is subject to a competitive reaction. Therefore, you should consider the ways competitors might respond and work through a variety of scenarios. If you make a cost-cutting move and misjudge the competitive response, you may get caught out. In 2002, Kimberly-Clark reduced the number of diapers in each package of Huggies in order to improve margins. Procter & Gamble could have followed suit, but instead they kept their pack size constant and added the word “Compare” to the label. At the same time, they increased discount coupons and store displays for Pampers, effectively spoiling the pricing power of Huggies.



**Focus on Your Brand**

***Concentrate on your core brands and products***

Now is not the time to spread scarce resources across multiple brands or product variants. Recessions may call for a triage strategy. Concentrate your marketing muscle behind the brands that are most likely to survive, and leave the others to sink or swim.

***Support your core proposition and emphasize its value***

Strong brands can support a price premium. Consumers have clear and strong associations with these brands and know what makes them desirable. Focus your marketing efforts on reinforcing what made your brand successful in the first place.

Even if your brand is relatively high priced, that high price, per se, need not be a problem as long as people believe your brand provides value for money. Most people find security in buying an established and reputable brand. What you need to do is make your brand accessible. During the Argentinean economic crisis of 2002, Unilever made it possible for people to buy the Skip laundry brand by making small packages available, which carried a low unit price. They also introduced large economy sizes that offered people a better deal.

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***Don't price promote unless you can cut costs or live with lower margins***

It is tempting to cut prices in order to retain price-sensitive shoppers, but this can be a risky strategy. If your brand offers a compelling rational or emotional advantage over the competition, people who are forced to switch to cheaper brands are likely to buy your brand again when the recession is over. But once a price premium is lost, it tends not to be regained. Frequent price promotions train loyal brand buyers to expect lower prices and to buy only on deal.



Therefore, premium brands should maintain their relative price premium and seek to reframe perceptions of value. By contrast, low-price brands should emphasize their price points aggressively. Well positioned for hard times with its “Save money. Live better” tagline, Wal-Mart used its low cost structure and logistical advantages to keep grocery prices low during the last U.S. recession while competitors struggled with poor margins.

### ***Don't cut quality***

As the pressure to find cost savings increases, companies may be tempted to cut back on the quality of their products or services. This temptation should be resisted at all costs. A successful brand is built on the bedrock of a great brand experience. A product or service that delivers exceptional performance will keep people coming back. A reduction in quality may seem to go unnoticed for a while, but provides competitors with an opening they may later exploit.

### ***Think internal branding and morale***

The motivation level of employees is critical to a company's success, particularly in service industries. Therefore, workers need to be convinced of the merits of their brand and reassured that their jobs are safe. Use internal communication to remind your staff that they make a difference.

Even if layoffs are necessary, there are steps you can take to minimize the damage. Many experts recommend investing in training for your remaining employees to demonstrate your commitment to them; surveys have found a substantial correlation between an increase in job training after layoffs and subsequent increases in profit and productivity.

## **Focus on Your Customers**

### ***Keep in touch***

Whether the category is B2C or B2B, a brand's biggest asset during a recession is its existing customer base. If your company is a service provider, confirm that your marketing activities are focused correctly on your most valuable, loyal, and satisfied customers. Keep them happy and reward their loyalty. If you have contact with customers through monthly billing

statements (one piece of mail you can count on people to open), use that vehicle to deliver special offers, relevant news, and information.

Make sure you are meeting your customers' existing needs as well as you can. Use the feedback from your sales force or customer service department to keep track of changing needs. What new offers might be appealing to customers and potential customers? Consider whether there are any customers you can afford to let go. Those who are dissatisfied and who pay late in good times are unlikely to be profitable when times get tough.

### ***Review your consumer segmentation***

Packaged goods companies should focus on the consumer segments that are likely to offer the best returns. A shift in positioning might make the brand attractive to a more profitable target. Unilever made such a shift with the Dove brand in Turkey, where, because it was much more expensive than regular soap, the brand was traditionally targeted at upscale women. But during the 2001 recession, a new brand team crafted a value-oriented appeal to middle-income consumers — a far larger audience — based on the proposition that Dove both cleans and moisturizes. Dove more than doubled its share of spend from 2000 to 2001, resulting in a market share gain of five percentage points by the middle of 2002.

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## **Focus on Your Communication**

### ***Review your budget allocations***

Your customers are looking to maximize their value for money. You should do the same. Think about the relative cost and effectiveness of the available media channels. You may conclude that you can't afford to completely pass on TV, but you can extend your TV investment in less expensive media like print, radio and outdoor advertising.



Prices for traditional media may be depressed during recessions, so you may be presented with a buyer's market. If you can buy more for less, try to lock in long-term deals. Interest in digital marketing, however, tends to be countercyclical because during bad times many marketers feel safer investing in what they believe is a readily measured medium. Therefore, the cost of digital may increase due to extra demand. But search and e-mail marketing may not provide the expected ROI without communication through broadcast media to prime interest in the category and brand.

In-store marketing traditionally thrives in downturns, and for good reason. Brand associations do not erode overnight, so even when a brand is not advertising, in-store media and signage will remind people of the brand's promise right at the point of purchase.



### ***Make your creative work harder***

In any communication channel, the best way to leverage your spend is to put it behind high-quality creative. A meta-analysis of econometric sales modeling published in Admap (February 2006) found creative to be the biggest potential multiplier of profit (other than market size). Across a wide variety of categories, brands, and channels, Paul Dyson and Karl Weaver found that creative had five times as much impact on profit as did budget allocation. Now more than ever, you need to set the bar high and leverage

your media budget as effectively as possible. Test a range of solutions for each channel. Pre-testing is cheap in comparison to wasting millions on ads that fail to evoke the desired response.

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### **Conclusion**

During recessions, consumers and marketers alike must make the best of a bad situation. Not every brand will cut spending, but many of those that do will find themselves at a disadvantage when the recession ends. Marketers need to make the most of every dollar spent in support of their brands if they hope to maintain strong consumer relationships. Those that succeed should then be well positioned to take advantage of weaker competition when the good times return.

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