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Marketing in a recession

How to turn the credit crunch crisis to commercial advantage by managing your marketing budget effectively

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Barker Johnson Peal:

BJP is a strategic marketing consultancy established in March 2003 and based in Norwich. The team has worked with local, regional, national and international clients to plan effective marketing strategies, build campaign plans, create new brands, select and manage appropriate third party agency resource and implement campaigns. The principals have all worked on both agency and client side.

BJP has extensive experience with motorsport, energy and public sector clients across the UK.

Tribe PR:

Tribe is one of the largest dedicated public relations agencies in the East of England. The agency specialises in three key sectors – public sector, engineering/technology and consumer/lifestyle. While the main focus is on supporting clients operating primarily in the UK and based in the East of England, Tribe also works for clients in Holland, Belgium and delivers PR activity around the globe.

Tribe seeks to understand the business objectives of the client before developing and implementing a strategy and plan using a range of tools and techniques including media relations, strategy and counsel, issues and crisis management, stakeholder relationships and TribeTV (online video news).

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1. Introduction

Invest wisely in a recession

In January 2009 it seems hard to believe that only now is the UK officially in a recession. For some months there has been little doubt that the UK is in the grip of one of the deepest economic crises it has faced for several decades. In the face of this crisis many companies have set aside strategies for growth and are intent solely on survival.

The Institute of Practitioners in Advertising's (IPA) influential quarterly Bellwether report, published on 12 January 2009, found that in Q4 2008 annual marketing budgets were revised down to the greatest extent ever recorded in the survey's nine-year history. The cut was the fifth successive quarterly reduction in spend and 2009 is set to see further cuts, with companies setting their initial budgets for the year ahead below 2008 levels of spend, again for the first time in the survey's history. Current and future advertising spend has been reduced due to lower-than- anticipated sales revenues and growing concerns about the economy, with 75% of companies believing that financial prospects facing their industries had deteriorated compared to three months ago. Although focused on mainstream advertising the IPA prognosis is one that applies equally to a much wider set of marketing disciplines.

The question on the lips of many marketers is not "what to do?" but "will I still be around to do it?". This paper argues that now more than ever companies need to invest in marketing; but to do so in a way that acknowledges the realities of the market and evolves strategies accordingly.

2. Can you afford marketing?

In a recession, marketing budgets have often been the first to go under the finance director's red pen. A too-widely held belief among non-marketing management is that marketing budgets are discretionary and that companies can afford to "cut the marketing budget until times get easier". Such a view is counter-intuitive. If there is a right time to cut marketing budgets it is in the good times, when sales are strong, demand is high and customers are satisfied with the product and service standards you deliver. The time to invest in marketing is precisely when sales are sluggish, demand is slow and customers need to be persuaded to buy. Marketers can ill afford to panic and must persuade company management that marketing is an essential investment. It should be argued that in a recession no company can afford not to advertise. An old piece of marketing folklore concerns Cadbury, a brand that continued to advertise during WW2 despite the lack of chocolate due to rationing. In the immediate aftermath of war Cadbury's market share increased, at the expense of their competitors. More recently (and more statistically valid) McGraw Hill, the US publishing house, researched 600 companies in the recession of 1981-82. According to this survey, those that continued to spend during the recession saw sales growth of 275% through the mid-80s; those that did not saw sales growth of only 19%.

Brands that sustain their advertising spend will also benefit from:

- Grateful media owners, who suffer more than most in the recession. Media partners are more open to negotiation when their advertisers are leaving in droves and competitive rates can be locked in for the future.
- The demonstration of confidence that will communicate itself to employees and customers and give your company an edge.
- A multiplier effect over those of your competitors that have cut spend; spending the same could deliver twice the share of voice.

For marketers seeking to reduce the risk of budget cuts, a repositioning of the way they discuss and present the marketing budget can help. Marketing spend, or cost per lead suggest an expense, an overhead that needs trimming. Marketing investment, accompanied by persuasive data that proves return on investment (ROI) is an easier case to sell.

3. Evolving your strategy – focus on effective activity

History records that in a down-turn, investment in brand-building advertising reduces in favour of more direct and measurable marketing disciplines where ROI is more easily calculated. US investment bank Cowen and Company found that in the six recessions since 1950 spending on direct marketing actually grew. And in a recent survey of UK marketers (Dec. 2008), *Marketing Week* reported that many expect the allocation of spend across marketing activities to change in the coming year, with online, digital and direct marketing looking set to be the biggest winners. Online spend is predicted to benefit the most from this change with a budget increase anticipated by over half of those surveyed. More than a third (36%) predict their direct marketing spend will rise and 42% foresee their digital spend increasing. Marketers believe this trend within their own companies will be reflected across the entire industry as marketing budgets across all sectors feel the strain; 56% think online and 48% think direct marketing will take the lion's share of the marketing business in 2009. These experts are confirming a necessary response to the situation – the evolution of their marketing strategy to help the company survive. Evolution will be on the basis of a number of inputs:

Know your customer

In times of recession customers and prospects will have different product needs and an altered perception of what represents value. Marketers cannot afford to assume they still know their customer and so research is vital to allow you to understand their changed attitudes. Investment in research will help you define appropriate propositions and determine a pricing structure that will encourage sales.

Adapt product portfolios

Lower ticket items may fare better in recession and marketers will need to re-plan their product ranges in response. This may lead to a knock-on effect on production and stocking. Portfolio planning will benefit from customer research as in some sectors a downturn might prompt a flight to quality.

Reallocate marketing budget

As part of the process of adjusting the product portfolio, marketers will need to review the allocation of their marketing budget. Cash-cows and stars that generate crucial revenues will command maximum marketing support; while unproven products or those with low-growth prospects may see marketing spend reduced. As we have already noted, and will explore later, marketing spend in a recession tends to be directed to channels where ROI is more easily measured. Marketers need to be ahead of the curve in this respect, driving the budget agenda before it is driven for them by the FD.

A bird in the hand

Reallocation of budget should take into account a different approach to targeting. In a recession marketers will do well to focus more attention and effort on retaining existing customers. Acquiring new customers can cost five times more than satisfying and retaining current customers; while a 5% reduction in customer defection can increase profits by 25-125%. With competitors more desperate than ever to recruit your customers it will pay to hang on to what you've got. To do so will require a good database and an excellent CRM system.

Review pricing frequently

Preserving the right balance between sales and margins is a delicate affair at the best of times. In a downturn acceptable pricing points will be far more volatile and will require constant monitoring and adjustment. Regular and frequent reviews of your own and competitor pricing are essential as customers research deeper and drive harder bargains.

Review your distribution base

Ensure your distribution channels are those that complement the revised product and pricing approaches that you have put in place. This may be a time to make changes to your network or your distribution model. At a time when record numbers are buying and researching online there is a growing trend towards taking products to the consumer, rather than asking the customer to come to the retail outlet. In the motor trade, increasing numbers of brands are considering and testing home trial and delivery in a shift away from traditional dealership-based sales.

Reaffirm the brand story

One aspect of the marketing approach that should perhaps not be adapted is your brand position. At times of recession trusted brands are favoured over new brands, so now is probably not the best time to engage in a re-branding exercise! Branding is not just about the colour of your logo; all strong brands have a compelling story that engages customers and employees and sets them apart from the competition. So invest the effort in ensuring that your brand position is clear, understood internally and reinforced in every aspect of communication.

Don't ignore internal marketing

A brand's strongest asset is often its people. In a downturn employees will be anxious about job security, less confident and less open. Marketers have a role to play in encouraging open communication between management and staff and ensuring that employees remain positive advocates of the brand.

4. A time for housekeeping

Recession can resemble the dog-days after the highs of Christmas and New Year when people turn to spring-cleaning as a way of re-energising. Marketers can also benefit from working on the essentials. Hours become available to focus on those crucial marketing components that are ignored at times of high activity and chasing deadlines. Time spent on reviewing personnel and process can yield as much benefit as proactive investment in marketing activity.

Audit the team

Invest time in reviewing team performance. Are individuals performing productively, working well together? Are you getting optimum value from each member of the team? If you can hang on to your personnel this downtime can be deployed usefully by addressing development needs or collectively reviewing strategy to ensure team bonding. If the situation requires a downsizing of the team explore other options for resourcing marketing activity. Recession inevitably means a greater number of freelancers are available and outsourcing can offer an excellent and flexible temporary, part-time or even long-term solution.

Align sales and marketing

Sales and marketing teams often operate within different cultural and reward boundaries. This can lead to unnecessary and wasteful tension between sales and marketing strategies that is as much down to personalities as any genuine strategic differences. A downturn can create the opportunity to metaphorically 'bang heads together' and align sales and marketing strategies to become more effective. This may result in a closer integration between the two and even a restructuring of the teams.

Cleanse the database

A good database is the lifeblood of any marketing company; but when your strategy prioritises your current customers you cannot afford to be without it. Marketers know there is a stark difference between having a database and having a database that works. All companies have an email address book but only a handful will be able to manipulate this to target specific groups with specific messages and manage the process.

Overhaul the website

We are increasingly a nation that does business online. According to the UK's Internet Advertising Bureau there are now 31.6 million people online in the UK and 92% of this population uses a broadband connection. The BBC iPlayer has delivered over 40 million catch-up programmes and online shopping is becoming evermore popular. With more people feeling more confident to access information and transactions online, this behaviour is translating into people's approach to business. For companies, this puts a premium on ensuring that their websites are genuinely up to speed.

At a base level this means ensuring that content is relevant and up-to-date, that there is evidence of recent activity in the news sections and that product information is current. Marketers must also ensure that links are working effectively. New tools are available from companies like ServiceTick (www.servicetick.com) that can monitor all links to and from the website. For companies that use pay-per-click advertising this kind of service can pay for itself in a matter of days.

Companies should also explore the opportunities for delivering video content through the website. Video production and streaming technologies have evolved rapidly and are now accessible to all companies; such content can enhance your website significantly, provided the content represents your brand appropriately (home videos are fine at home but should your business be portrayed as amateurish and poor quality?).

5. Accountable advertising

This paper referenced in an earlier section the evidence that, in a recession, companies adapt their marketing strategies to adopt a stronger focus on channels that are measurable. Thus in six recessions since the 1950s, spend on direct marketing grew at the expense of brand awareness advertising on TV, posters and print. Channels with a greater ability to measure return on investment will prosper and will make it easier for marketers to justify investment. What is different in this recession is the fact that, unlike previous downturns, online advertising has come of age. Consider these statistics:

- In 2001 Google ad revenues were \$66.9m. In 2007 Google ad revenues had grown by a factor of 245 to a level of \$16.4bn.
- In the whole of 2001 the total value of online advertising spend in the UK was £165.7m. In just the first six months of 2008 UK advertisers invested £1.7bn.
- In 2001 online advertising accounted for about 1% of all UK advertising spend. In the first half of 2008 online's share of UK adspend was 18.7%.

What these stats signal is the rapidly growing maturity of the online market. In 2001 online was still unproven and most UK marketers lacked the skills or understanding to manage it. Online advertising was also tarnished by the dot.com bust of 2001. However in 2009 the position has changed markedly. While total advertising budgets have declined in 2008, spend on online has increased by 21%; and although the crystal ball does not show what might happen in 2009, there is no evidence to suggest that online's share of the cake will decline.

Which leads to the obvious question – “Why is online advertising proving so resilient?”. There are four reasons, all of which reinforce the need for marketers in any sector to carefully consider exploiting the Internet as a primary means of promoting their business and generating quality sales leads:

- Online search advertising (pay-per-click) does not require significant origination or production costs. There are no print or postage costs. There is no wastage. In fact the only costs are those involved in time spent to set up an account and the cost per click itself.
- With search marketing there is no wastage – because you only pay when a prospect clicks on your message your costs are clearly focused on people interested in your proposition.
- Online is infinitely adaptable – campaigns can be changed in real time at a moment's notice. There is no tie-in to long lead times or commitment to future issues. As such, if one campaign or execution is not working, it can be modified instantly, allowing multiple message testing in a live environment, virtually in real time.
- Online is accessible to everyone – any individual with access to Google can create their own adword account and develop their own campaign. Although marketers would be advised to take professional advice if starting out on an online campaign, a little common sense and experience can take you a long way.
- Online can be targeted to an individual – the flexibility of the medium means targeting is much tighter than in any other marketing channel. Messages can be targeted by search term (PPC), by individual (email) and by context (online classified).

Online may not be the only answer but, if there is pressure on budgets, it can become a very effective cornerstone in a recession marketing strategy. But to make it effective it requires investment in the website as well as in the message. Many online advertisers will direct click-through traffic to the home page of their website, when research suggests that a relevant landing page can double conversion rates. For business to business companies, nearly two thirds of which have less than six pages on their website, investment in persuasive and productive web content is vital.

6. Marketing for free

Well....not quite, because there is no such thing as a free lunch. But there are any number of low-cost opportunities that marketers should exploit under the broad banner of media relations. PR is essentially about boosting your reputation, getting third parties to recommend or endorse you to your target audiences and as such there are a number of obvious routes for your PR agency or in-house team to pursue:

- Articles in magazines or relevant press based around news (new product, new people), views (Company A's opinions on an industry issue) or expertise (skills/approach that others don't have). But traditional PR is obvious to everyone else as well so competition to place stories is rife. To gain an edge marketers need to know the journalist and tailor information to their needs and interests, in short to make their lives easier. Journalists are always busier than the rest of us and media releases need to grab their attention with a great idea or a great picture. (If you do send pictures remember to attach a relevant caption).
- Conference speaker opportunities offer the chance to position your spokesperson and therefore your brand as an industry expert and to boost your company's reputation. Cultivate conference organisers and remember that they are often the same people that publish trade magazines, so the opportunity for a package of advertising, PR and speaker slots can be negotiated.
- Publishers are always searching out new ways of adding value; competitions are a proven vehicle to which readers respond readily. Work with the target media to deliver a competition/award with a prize that 'money can't buy' – examples include work experience, travel to an event with a leading team or even training. The result is considerable exposure for your brand with genuine and enduring engagement with your target.
- Awards offer brands a way of generating awareness as experts in their field. People like to work with recognised winners, so a little effort expended in entering an award can reap significant benefit.
- The growth of online media consumption has created new opportunities for cost-effective marketing. Blogs can be set up overnight and with the right content (relevant, interesting, thought-provoking) will reach an extended audience. In 2008 a competitor in the Grand American Koni Challenge used SpinVox, an innovative voice-to-text blog service to maintain and update his personal website by speaking entries, updates and news into any phone, on any network. The system converted them to text and posted them to the website.

Nearly 150 million people worldwide are now members of Facebook and new groups are being created daily. This access to social networking has created new communication channels for businesses with particular areas of interest. And Facebook is being supplemented with other networking tools such as LinkedIn or Twitter.

- If pictures are worth a thousand words, what's a video worth? The YouTube effect combined with low-cost video cameras and editing software on a laptop has given new impetus to video journalism, a simple low-cost way of generating coverage. Pro Engineer CAD software used this technique to promote one of their products and generated 27,000 views in a single year – that's over 100 views of a product demo film every working day. (<http://uk.youtube.com/watch?v=E9Vc7wgE-jl>). Content that is interesting or useful will win more views than traditional print releases. A recent video produced for a client of Tribe PR secured four times more views than similar text-only online content. (<http://www.tribepr.com/TV/Tribe/198/STGAerospaceQueen'sAward.aspx>).

7. Summary

There's still business to be had in a recession – but it may well be different business and even different customers. So if you want to survive the recession and come out stronger the other side, remember:

- You can't afford to strike out your marketing spend – spend more wisely.
- It's a great time for house-keeping – work on the essentials and look after your existing customers.
- Make the most of online – measurable results fast.
- Build your brand with effective PR – and think of new channels such as the YouTube phenomenon.
- Emerge leaner, fitter, stronger.

Good luck!

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