

Marketing in the Coming (Some Day) Recession

*By: Les Altenberg, President
A.L.T. Advertising & Promotion, Inc.*

A recession is coming. No, it's not. Maybe it is. Maybe not.

The truth of the matter is that no one can really know for sure whether we are or are not headed into the dreaded realm of the R-word. Most economists and analysts can't even agree as to what exactly constitutes a recession. But most do agree that a recession, whether it's today, tomorrow or in ten years, is inevitable.

Here's hoping it's the latter.

But what happens if it's not? What happens if we are in fact heading down that path? More importantly, what marketing strategies must a business implement in order to ensure survival, pre-empt problems, and perhaps even thrive during difficult economic times?

A great body of research and literature exists which outlines and substantiates reasons for actually increasing versus decreasing marketing activity during a recession. Such an approach, the research strongly suggests, can protect or increase market share by maintaining brand loyalty, attracting new users, and/or encouraging brand switching. It is one way, perhaps to deal a "death blow" to a competitor. And more important, studies have shown time and time again, that those companies which increased advertising expenditures were *significantly* more successful over the long haul than those that reduced their spending. The "top of mind" awareness maintained during the down times translated into increased share-of-market and ultimately increased profits during the eventual turnaround.

This phenomenon is obviously not limited to advertising alone.

Of course, there may be some built-in bias in these studies as most were conducted by individuals or organizations that had a stake in ensuring a consistent advertising revenue stream. And even those that did not, focused their research on businesses that dominated the economic landscape – those that manufactured the leading consumer products and which had already been “branded” into the public’s consciousness.

But what about the mid-sized or smaller firm? What about that smaller entity fighting for survival in a declining industry? Or one on the rise?

Not a whole lot of data exists in regard to how such businesses fare in a recession or what strategies have worked or not worked in the past. Nevertheless, when one looks at results from the spending trends of the “big boys”, there are some lessons that may prove applicable for the smaller business. And while the purpose of this article is not to provide the definitive answer on how such a company should promote itself or its products during a recession, it may be fruitful to understand the variables that should go into making marketing decisions.

These then are some of the items to consider when marketing during a recession:

- What is the nature of the industry in which you compete? How did this industry fare in previous recessions? Which players did well and which did not? More importantly, what types of marketing tactics were employed by both the “winners” and the “losers”?
- What is your company’s relative dominance in its market (both by industry and by geography)? How many competitors are there? Recessions often provide a perfect environment for a leader to squash the competition, inherit new users and dominate their industry for years to come. Surprisingly, during down time, some industries do extremely well. Collection agencies may seem the obvious candidate for such a designation, but lower ticket luxury items (as a means of rewarding oneself) often do quite well. Businesses involved with “do-it-yourself” products also offer consumers a real benefit in tough times.

- How “elastic” is price within your industry? Do dramatic increases or decreases in price result in similar fluctuations in volume?
- How diversified is the company in the products or services it offers? Recessionary periods may be the right time to focus on the more highly profitable portions of your business. It may also be the right time to introduce a new product or service if it offers the buyer a lower cost alternative, or a more efficient way of doing something.

Of course, these are by no means the only questions one must address when business cycles vary, but they do reflect the kinds of questions one needs to ponder.

How do the answers to these questions translate tactically for a business or organization? Consider some hypothetical situations and potential marketing approaches that leverage the recessionary period.

Type of Organization	Status	Potential Tactic(s)
Business-to-Business Manufacturer of Heavy Industrial Equipment	Second tier player in market dominated by financially better-heeled competitor	Increase marketing efforts focusing on cost-efficiency benefits
Pharmaceutical Firm	Industry leader in a variety of niche businesses	Squash competition via increased marketing activity
Retail Franchise	Franchise of a leader in the industry	Special promotions/rebates (versus general advertising) which offer cost savings, but which do not discount the original price (and perceived value) of the service
Business-to-Business Manufacturer of Heavy Industrial Equipment	Market leader	Squash competition via increased marketing activity
Manufacturer of Luxury Food Item	One of several market leaders	Market aggressively, taking advantage of potential consumer spending increases
Local Law Firm	One of countless others in a specific area of concentration	Maintain status quo with what has driven success to date. Recessionary periods may not greatly affect level

of firm business one way or
the other

Ultimately, the critical approach for all businesses facing the potential of an unfavorable economic climate is to take the “long view” and ask how should this period be approached in light of the organization’s long term objectives. As financial advisors urge their clients to plan for the long haul versus riding on the whimsical ups and downs of the stock market, so too must marketing be seen as an investment. Even in the most difficult of periods, promoting a business is not for the marketer’s equivalent to day trading.