



Strategic Marketing in an Economic Downturn

Your Next Move Can Make A World Of Difference.



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in an Economic Downturn*

presented by Tracy Rusch

Gates and Company

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What strategic marketing changes should you make?

**Shift your key objectives
from a focus on growth
to gaining market share.**



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No one ever shrank to greatness.

*Seize the opportunity to deal a death blow
to your most vulnerable competitors.*

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Bain & Company Research

- Analyzed 377 Fortune 500 companies
- Two decades of downturns
- Interviewed nearly 200 senior executives
- **Result: Successful players place counterintuitive bets to dramatically transform their market positions**

Research Results

	Conventional Approach	Contrarian Approach
<i>Storm Clouds on the Horizon</i>	Deny problem. Diversify to hedge bets.	Contingency plan. Play to win – reinforce your core.
<i>Battling the Elements</i>	Radically cut costs. No acquisitions.	Carefully cut costs. Scoop up bargains.
<i>Here Comes the Sun</i>	Spend your way back to employee and customers satisfaction.	Smoothly increase Spending to higher Levels.

Source: HBR June 2001



Examples

- Chrysler
 - Long-term focus on suppliers during 1990-1991 downturn
- Arrow Electronics
 - Aggressive acquisitions of competitors when stock prices are down.

How does this research apply to marketing?

Conventional Approach	Contrarian Approach
“Companies try to save their way through a recession.”	“Market leaders market their way through a recession.”
Cut budgets but don't abandon marketing completely	Focus/increase marketing programs on key competitive advantage
Reduce/eliminate brand advertising for duration of the recession	You can't afford not to advertise your brand; you can get more money and there's less clutter

Source: HBR June 2001

Example: Statistical analytical software

- *Description:* Provider of software and services that give people the power to make the right decisions.
Competitive Advantage: Leading brand in business intelligence software



Example: Statistical analytical software

Conventional Response:

- Slash marketing and advertising budgets
- Rely on existing brand momentum for sales
- Reduce marketing/brand activities for a sustained length of time without [perceived] negative impact

Example: Statistical analytical software

Contrarian Response – Promotion Focus:

- More than doubled advertising expenditures over last year
- Focused print advertising, and increased TV ad spending to benefit from softened demand and reduced prices
- Expanded branding via PGA Tour sponsorship



Example: Customized Invitations e-Tailer

- *Description:* On-line source for high-quality, customized stationery, invitations, and greeting cards
- *Competitive Advantage:* Convenience; ability to proof customizations in real-time at home



Example: Customized Invitations e-Tailer

Conventional Response:

- Expect significant decline in demand for a luxury item
- Cut costs drastically to weather the recession



Example: Customized Invitations e-Tailer

Contrarian Response – Market Segment Focus:

- Maintain/increase marketing/promotion spending on primary target market (busy professional women)
- Reduce marketing spending on secondary target market segments



Example: Electronics Manufacturer

- *Description:* A market-leading brand of electrical distribution, industrial control and automation products, systems and services
- *Competitive Advantage:* Strong network and channel program of electrical distributors

Example: Electronics Manufacturer

Conventional Response:

- Squeeze distributor/channel program by reducing support and increasing quotas
- Reduce traditional lead generation activities such as tradeshow and trade publication advertising
- Cut back incentive programs



Example: Electronics Manufacturer

Contrarian Response – Channel Focus:

- All channel support programs are off limits for budget cuts
- Boosted spending on NASCAR sponsorship and related sales incentives for distributors
- Immediate results showed 54% increased order rate compared with 18 months prior



What's your next move?

- Consider your core business strength
- Set your available resources
- Determine your key marketing actions that will take advantage of your core strength
- Double down on those actions – people, money



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In an economic downturn, play to win.

*Concentrate your resources
on your areas of competitive advantage
to gain market share.*

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