

Marketing Strategies for Tough Times

by Sheldon Baker

Are we or aren't we in a recession? If we are in a recession, should you cancel your marketing plans, batten down the hatches and ride it out? Or should you beef up your promotional efforts and try to generate as much business as possible? These are questions companies have been asking now and for decades.

Some economists seem to be almost certain that we are in a recession, while others think the economy will improve next year. "Technically, we have not met the government's definition of a recession," said Ken Ardisson, business manager, Arcadia Biosciences. "While we may get back to a more balanced and viable state soon, it will take time and more economic stabilization for business to reverse the current downsizing trend."

If the so-called recession continues, or if corporate management executives believe a recession is upon us, many may cut their advertising and promotional budgets yet again, as part of what they feel are a series of cautious moves. Their reasoning is a recession will mean lower sales and net income. They believe cutbacks in discretionary expenses such as advertising can be easily made and seen as it relates to the bottom line.

"It has been my experience that our business has actually been as strong or stronger during U.S. recessionary times," said Cam Kupper, North American vice president of sales for Canadian-based Bioriginal Food & Science Corp. "In the last two quarters, we have had similar marketing/sales promotion that we have had in past years, and we expect to continue."

Maintaining corporate and product brand recognition should be considered an ongoing business investment. The moment it stops, it begins to lose power immediately, and future sales are in jeopardy. Studies have shown it takes four to six months to see the results of an advertising program. Cutting back during a downturn is like throwing away that investment. Maintenance today costs much less than rebuilding tomorrow.

Before making any cutbacks, corporate leaders need to ask themselves:

- What does advertising do for the company and similar objectives be achieved with smaller budgets?
- What happened to companies that have cut their advertising and marketing budgets during a recession, as opposed to those that have maintained or increased their budgets?
- Can a recession be used to gain an advantage on industry competitors?

Advertising Is An Investment

Quite often, nutraceutical industry companies not only look at advertising as an expense, but as something that is carried out for the sole purpose of immediate sales.

Advertising should be viewed as an investment rather than an expense. It is an investment not only for

short-term sales gains, but also for achieving long-range goals and developing brand equity. Strong and consistent advertising reinforces favorable attitudes toward your company and its products, not only among customers but also among stakeholders and the other audiences you must influence.

In today's supplement industry marketplace, advertising is often used to assist in reducing the overall cost of doing business. For example, the average cost of the business-to-business sales call has doubled since the start of this decade and, on average, each sale may require a minimum of five sales calls. If advertising can substitute for one or more of the personal sales calls, the effect can be accomplished for pennies on the dollar.

One would like to think the nutraceutical industry has a growing understanding and use of marketing concepts, and advertising is viewed as an integral part of the marketing mix rather than as an expense. If so, it is in the company's best interest to develop and maintain an aggressive advertising policy, assuming it can expect a favorable result on sales and income.

Data shows there is a direct cause and effect of increasing or decreasing advertising during recessionary periods. The three basic premises are:

- Advertising creates power. Companies that invest more in advertising over a period of years experience faster growth than those that spend less.
- Advertising serves to revitalize. Companies that have increased their advertising during a recession have recovered more rapidly than their counterparts that have maintained or reduced advertising.
- Advertising increases the bottom line. Organizations that have continuously increased their advertising investment have enjoyed similar increases in sales.

In the 1979 book *How Advertising in Recession Periods Affects Sales*, the American Business Press stated that the findings of six recession studies presented formidable evidence that cutting advertising budgets in times of economic downturns can result in both immediate and long-term negative effects on sales and profit levels.

Coopers & Lybrand and Business Science International in a joint 1993 report concluded that companies that maintain aggressive marketing programs during a recession outperform businesses that rely more on cost-cutting measures. The report went on to say that a strong marketing program enables a firm to solidify its customer base, take business away from less aggressive competitors and position itself for future growth during the recovery.

Be More Aggressive

Paul Willis, president and CEO, Cypress Systems, said due to unique opportunities, his company is spending more than ever before on marketing and brand awareness. "Our largest expansion is in the area of trade shows and trade show support," he said. "We are choosing to spend our marketing dollars on getting in front of our customers. In general, as with all areas you must place priorities on specific spending decisions. I do not think we should hunker down and shut down our whole marketing effort, but at the same time we should pick those efforts that yield the greatest return."

Simply put, advertising and marketing during an economic downturn should be regarded not as a drain on profits but as a contributor to profits. Increases in market share brought about by advertising and

marketing can be achieved more cost effectively during a recession. A company that advertises aggressively during this period will be better placed to increase profitability once the market in which it operates returns to a condition of stability or expansion.

“This is the time to think out of the box,” said Ray Wolfson, president of the Matrix Marketing Group. “You need to attract attention during a recession and it can be a time to push ahead of your competition.”

Marketing Strategies

Here are some strategies that can help a company thrive in recession economy:

- Increase the advertising budget. Increasing spending increases a company’s share of voice. If your competitors cut back, your message has the chance to grow stronger.
- Develop a strategic marketing plan. Don’t waste money advertising the wrong message in the wrong place and to the wrong audience.
- Utilize sponsorships. This type of awareness advertising and promotion gives a business valuable exposure to targeted, core audiences.
- Stay in contact with loyal customers. Keep in touch and let them know what you have to offer.
- Product introductions. Don’t hesitate to introduce well-conceived and properly marketed new products when the competition is weak.
- Sustain awareness. Advertising works cumulatively—remind people frequently about your brand or they’ll forget you.
- Don’t “cheapen” your advertising. Trying to save on creative or production costs can be a kiss of death, and customers will notice.
- Enhance product and company publicity. Maintain a media presence with a smart, effective, ongoing public relations program. Strengthening relationships with key media will provide long-term financial benefits.

Lisa Marie, CEO and president, ReddRox Inc., said a company’s marketing program and strategies should be the same in or out of a recession. “People who have heard of me and have watched ReddRox focus on grassroots marketing for years, have seen how successful we’ve been, literally hitting the streets and giving our product to consumers as well the supplement industry at trade shows and conferences so they can tell others,” she said. “Also, continuously get involved in very solid non-profit organizations, schools and churches in the community. By doing this, the company and its staff build relationships, get great feedback about their products and are more in touch with people than just percentages. It’s real people doing business with real people.”

A recession can help you strengthen the position of your company in your marketplace. And it could be the perfect time for increasing your advertising investment. Continuing advertising and marketing during a recession may not only be a smart thing to do, it may be a business opportunity you can’t afford to miss.

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