The Importance of Marketing in a Downturn Economy

"Since World War II, the United States has weathered 11 recessions. Without question, we are in the midst of the worst. At these times, fiscal responsibility becomes crucial. A company must take a closer look at operating expenses and overhead, assessing each of its departments with regard not only to expenses, but also Return on Investment.

In evaluating Return on Investment, it is not uncommon to "punish" marketing for its high overhead and perceived low ROI. In many companies, marketing is perceived to spend more money than other departments so, therefore, they have more room to cut budget. "In an ideal world," says David Poulos, Chief Consultant at Granite Partners, "marketing activity would be self supporting, always paying back multi-fold what it costs to execute, and be effective in reaching every potential buyer in the appropriate sector all the time." Poulos has been providing marketing guidance to his clients for over 25 years. He notes that in the real world, marketing activities are driven by too many outside forces.

The "knee jerk" reaction is to downsize the marketing program – after all, if there is no money to buy your own lunch, certainly there is none to buy someone else's. Of course, successful businesses realize that marketing is more than just buying lunch. The difficulty in measuring marketing efficacy is its Achilles heel. Marketing professionals need to look at both the short and long term solutions to marketing in a down economy.

There is any number of economic pundits offering their road maps to surviving the economic downturn. The Four "P's"; The Five Essentials; The Seven Myths; The Eight Factors; The Nine Focal Points; the list is endless. But there is one common thread – every one of them says do not retreat on marketing. You must keep yourself in front of your customer.

Many companies take the approach that they can cut back on marketing temporarily, possibly reallocating those dollars to boost other budgets. Advertising Age magazine reported that, during the recession of 2001, the advertising industry suffered its deepest budget cutbacks in 75 years. The thinking is that they can cutback now and ramp up quickly when things get better. Unfortunately for them, they have taken the wrong approach.

History shows that companies who maintained a higher level of marketing during the downturn came out in a stronger, more profitable position in the upswing. Research at Penn State University and University of Texas at Austin supports this theory. In both studies, evidence showed that companies that maintained their marketing emphasis entering the recession actually came out of the recession ahead of the game. By continuing to market proactively throughout the downturn provided them with a competitive advantage over their competitors who were now playing "catch-up."

Laura Lake, of About.com Marketing, believes that it is very important to develop a new mindset with regard to marketing during the downturn. "Marketing and public relations should be seen as a strategic asset for a brand or a company," says Lake. "One of the keys to succeeding during a recession is to look at these dollars as an investment and not an expense."

No brand is strong enough to stand on its own and the most successful marketing managers understand this. Poulos equates brands to houseplants. Few can survive without attention, support and bolstering. Advertising, product promotion and customer service support are the marketing equivalent of nutrients, light and water. Through the economic downturn, the brands that continue to invest consistently in their marketing efforts are the ones that not only will survive, but may in fact thrive. Procter and Gamble built a very strong brand identity and customer loyalty by marketing Ivory soap during the Great Depression.

Keeping your brand in front of your customers keeps you first in their minds. John Quelch is the Senior Associate Dean and Lincoln Filene Professor of Business Administration at Harvard Business School. He writes a blog, *Marketing Know How*, for Harvard Business Online which is also reprinted on *HBS Working Knowledge*. According to Quelch, "Uncertain consumers need reassurance of known brands. Successful companies do not abandon their marketing strategies in a recession; they adapt them."

Soft drink giant Coca-Cola is a good example of a major brand that understands this philosophy. You would think that a brand as widely known as Coke would fare well on name recognition alone. And yet, Coca-Cola has committed a consistent percentage of their operating budget to marketing. The amount of money dedicated to Coke's advertising and marketing plan, as a percentage of their gross revenues, was 7.0 percent in the third quarter and first nine months of 2008 versus 6.5 percent in the third quarter and first nine months of 2007.

Another advantage of keeping a higher profile during a downturn is the perception of strength. Your continued presence in the market place during tough times is interpreted as a sign of strength. In the eyes of your customers, if you are strong enough to survive this recession, you must be that much better than your competition. Poulos offers his insight. "When times get tough, the tough get going in the marketing department, providing the market with visual evidence of your corporate strength, your leadership role in the sector, your expertise in the market, and the supportive strength you offer for your products and services."

Everyone agrees that it is going to be some time before this downturn sees a significant upswing. It has been said that 90 percent of being successful is just showing up. The benefits of regular visibility tend to compound over time as more prospects recognize your brand. The company that stays committed to marketing during challenging times will not only prevent themselves from falling behind its competitors, but will also be better positioned for the surge when conditions improve.