Marketing success in an economic slowdown

Twelve steps to move marketing from being seen as a cost center to being truly valued as a revenue generator

An Experian white paper — August 2008
Introduction
Hardly a day goes by when the state of the global economy is not mentioned in the news. Despite the dire forecasts, organizations need to ask themselves if smart marketing actually can help them profit from a slowdown in consumer spending.

During lean times, companies often think they’ve cut unnecessary costs from their marketing budgets only to discover they’ve actually created false savings. Smart marketers know that less emphasis on marketing, even in challenging economic times, equals fewer sales. In addition, experience from previous slowdowns shows that too much focus on customer acquisition at the expense of customer retention equals increased churn.

In many respects, logic often can find itself sidelined as marketers, under increased scrutiny from people who may not understand the science of marketing, feel forced into arbitrary cost-cutting. After all, marketing is a cost.

This paper argues that now is the time for marketers to act. We’ll discuss 12 key steps any marketer can employ to shift perception of the discipline from that of a discretionary cost center to a proven and essential value generator.

Companies need to be ready to adapt and innovate to manage and exploit new market conditions. They must drive strategic change and not resort to knee-jerk reactions, fight for resources with compelling business cases and continue to produce customer-centric, cost-effective marketing campaigns. In today’s economic climate, strategic marketing activities are well-positioned to deliver value to the business. The common threads are customer insight, forensic marketing capability and precise execution.

The recommendations in this paper are designed to help marketers deal with a changing economic climate and emerge in a stronger, more confident position. This is about using the science of marketing to maximize profit from every marketing dollar spent.
The consumer spending backdrop
Experian Consumer Research reported that U.S. consumer confidence — respondents’ opinion of their past and future economic well-being as well as their perception of the U.S. economy’s direction in the next 12 months — has been declining since 2004.¹

U.S. consumer confidence in July 2008 remained near a 28-year low, an indication that American adults continue to be concerned about rising energy and food prices, layoffs and the prospects of a U.S. economic recovery.

The Reuters/University of Michigan Surveys of Consumers said its reading of confidence rose just slightly to 56.6 in July 2008, from 56.4 in June. On a scale of 100, the index stood at 59.8 in May, 62.8 in April and 69.5 in March. The July reading was a minimal rise and hardly a positive data point for the economy, given that June’s reading was the index’s lowest since May 1980 — a period also characterized by high oil/gasoline prices and a sluggish U.S. economy.²

According to the International Monetary Fund (IMF), growth for the United States in 2008 is projected to be 1.3 percent on an annual-average basis, a markdown of almost 1 percentage point from 2007 and down from 2.9 percent in 2006.³

What this means for marketers
Marketers clearly are feeling the repercussions of the bleak reports and resulting media stories.

The CMO Council’s 2008 Marketing Outlook survey reported that the vast majority of marketing budgets are not likely to grow in 2008. Marketers have learned through experience that marketing is one of the first casualties of a slowdown as costs are cut and “nonessential” expenditures are axed.⁴

However, arbitrarily slashing marketing spend is often an ill-informed decision. The long-term risk of cutting marketing budgets in a slowdown often outweighs the short-term cost gains. If marketing is cut, how is the business going to sell? Where are sales and revenues going to come from? What are the long-term repercussions of this as a company’s customer base shrinks and its brand awareness drops? Fundamentally, what state will a company that chooses to batten down the hatches and sit out the storm find itself in when the market recovers? We argue that it’s better to face these challenges proactively.

Opportunities to drive growth
During an economic slowdown, marketing can be one of the most important activities a business undertakes.

Although it seems counterintuitive, there is evidence that a slowdown is not necessarily bad news. Inertia in consumer spending doesn’t have to mean failure for companies; it also can help them succeed. Opportunities exist where competitors

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¹Simmons National Consumer Study, Winter 2008 Full Year.
³International Monetary Fund, World Economic Outlook Update, July 2008.
⁴CMO Council, Marketing Outlook, 2008.
have cut back on marketing, presenting another company with the chance for greater impact in a far less cluttered market. Companies that outmarket, outsell and outpromote the competition emerge from a tough economy with better long-term profitability.

In terms of gaining market share, marketing investments are more critical in a slowdown than during a booming economy. A word of caution, however. Companies pursuing this strategy need to ensure that they are communicating the right concepts in the right way and adapting quickly to customers’ changing attitudes and disposable income.

As in the early 1990s, direct marketing is ideally placed to take advantage of a slowdown. The difference now is that it is clearly digital’s turn to lead — particularly when it is integrated with offline channels. For offline and online direct channels, the ability to use data and customer insight to drive measurable actions will enable companies to add significant value to the marketing mix.

The CMO Council reported that quantifying and measuring the value of marketing programs and investments is the top challenge for CMOs in the year ahead. Other key priorities include growing customer knowledge, insight and conversations, as well as upgrading the efficiency and effectiveness of marketing groups. Senior marketers reported that their top six areas of investment currently include:

- E-mail campaign management
- Customer Relationship Management (CRM)
- Marketing performance measurement dashboards
- Customer intelligence and data
- Search engine marketing (SEM)
- Sales and marketing integration tools

We believe that the following 12 suggestions are crucial for marketers who want to establish their function as an essential value generator for their organization, whatever the economic forecast.

Inertia in consumer spending doesn’t have to mean failure for companies; it also can help them succeed.
### Top 12 tips for surviving an economic slowdown

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Plan proactively</td>
</tr>
<tr>
<td></td>
<td>Have plans and backup plans. Be ready for any contingency.</td>
</tr>
<tr>
<td>2.</td>
<td>Manage the management</td>
</tr>
<tr>
<td></td>
<td>Present highly visible examples of your return on investment.</td>
</tr>
<tr>
<td>3.</td>
<td>Concentrate on current customers</td>
</tr>
<tr>
<td></td>
<td>Focus on retaining and growing existing customers rather than pursuing prospects.</td>
</tr>
<tr>
<td>4.</td>
<td>Adapt your products and services</td>
</tr>
<tr>
<td></td>
<td>Assess the environment and tailor your propositions to the current climate.</td>
</tr>
<tr>
<td>5.</td>
<td>Understand your customers</td>
</tr>
<tr>
<td></td>
<td>Don’t assume your previous customer insight is still correct. Economic challenges can change consumer opinions dramatically.</td>
</tr>
<tr>
<td>6.</td>
<td>Analyze and segment</td>
</tr>
<tr>
<td></td>
<td>New behaviors will emerge. Proactively work these out and respond to them.</td>
</tr>
<tr>
<td>7.</td>
<td>Exploit digital channels</td>
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<td></td>
<td>Be smart in moving activity online. It might be quick, but it requires very careful thought.</td>
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<tr>
<td>8.</td>
<td>Invest in targeted and relevant e-mail marketing</td>
</tr>
<tr>
<td></td>
<td>Be judicious. Make sure you don’t harm existing relationships by rushing to a “cheaper” channel.</td>
</tr>
<tr>
<td>9.</td>
<td>Collect data sensibly</td>
</tr>
<tr>
<td></td>
<td>Focus on collecting actionable information. Don’t keep it just because it’s vaguely interesting.</td>
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<tr>
<td>10.</td>
<td>Integrate your channels</td>
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<td></td>
<td>Close the loop in your marketing by strategically integrating marketing channels.</td>
</tr>
<tr>
<td>11.</td>
<td>Apply the science</td>
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<td></td>
<td>Prove it, prove it, and then prove it again.</td>
</tr>
<tr>
<td>12.</td>
<td>Get the word out</td>
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<tr>
<td></td>
<td>Use online communities to disseminate your information.</td>
</tr>
</tbody>
</table>
1. Plan proactively
Marketers need to be realistic. Cutbacks in marketing are likely, particularly in traditional above-the-line media spending. Step one is to make intelligent use of existing budgets to drive results and value. Marketers need to be prepared to make some tough decisions. Don’t deny that this is a big challenge. Then create a compelling business case for each investment.

It’s important to remind decision makers who may be looking to cut your budget that direct-marketing techniques are highly effective and more measurable than other marketing tools. The discipline is effective, economical and personal, and you can prove its value over time.

2. Manage the management
Protecting marketing budgets means that marketers must convince Finance that their programs will deliver a profit. Present highly visible demonstrations of return on investment by defining how campaigns will be measured and gaining agreement from management and Finance in advance. Such metrics are essential to supporting business cases and justifying marketing spend in a slowdown. Ultimately, marketers need to involve rather than inform decision makers in this critical area.

3. Concentrate on current customers
During a slowdown, it is prudent to generate more value from current customers than to pursue new ones. In tough economic conditions, customers also feel vulnerable and are more likely to stay with a company than make a switch.

When people are worried about spending, increasing relevant engagement is more likely to generate sales than simply highlighting a brand. Engaging appropriately with customers during a slowdown and helping them through their own difficult situations will build stronger relationships. Capitalize on the trust and goodwill that you’ve created with existing customers and find ways to help them navigate the slowdown. That’s a strategy that will build both business and loyalty.

4. Adapt your products and services
Assess the environment and tailor your offerings to the new market we’re in. Start by simply asking your customers what they need from you. Companies that fail to engage with customers during a slowdown will lose business to the next competitor that can offer cheaper products or services of the same quality.
Brands need to plan ahead and focus on those “key moments of truth” and, if warranted, revise their customer interaction strategies. This means protecting and accelerating expenditures on customer experience programs, as they play a key role in managing customer interactions and driving brand perception.

5. Understand your customers
Marketers must look at their customers in a new light as they begin to tighten their belts. That means understanding what customers expect and what is important to them in a slowdown. Don’t assume your previous customer insights hold true, as economic challenges can change consumer opinions dramatically. Focus research investments more on customer behavior and tracking tools and less on branding. Create and disseminate engaging and relevant messages based on a solid understanding of each customer’s preferences, needs and behaviors.

6. Analyze and segment
Marketers increasingly will rely on customer intelligence and analytics as they realize that insight and targeting are leading to the success of their marketing programs.

Customer profiling, clustering and value models are essential to identifying which customers spend the most, learning how to lift sales and detecting high-value customers showing signs of diminishing value. New behaviors are sure to emerge during a slowdown. Proactively assess and respond to them.

Marketers must focus on the improvement of customer profiling and segmentation — not just analytics and insights, but also the ability to deploy effective (i.e., targeted and relevant) one-to-one communications. This includes more sophisticated campaign planning, data management, creative execution and campaign management capabilities.

7. Exploit digital channels
Marketers who focus on online media are in a great position to deliver strong return on investment in a slowdown. The emphasis must be on measurement, targeting and one-to-one customer management. Those companies that integrate digital channels (e-mail, Web analytics and e-commerce) with their offline marketing channels (call center, direct mail and billing inserts) will have the best return. Search engine optimization, performance-based search and Web site updates will increasingly become core marketing activities that attract and retain budgets.

8. Invest in targeted and relevant e-mail marketing
The critical words here are targeted and relevant. E-mail marketing needs to get smarter. Because of this tactic’s low cost, too many companies are blasting out campaigns with little, if any, targeting.

Be judicious. Make sure you don’t harm existing relationships by rushing to a cheaper channel. E-mails must be relevant or customers won’t open them, and if they do, they won’t act (and may even become irritated). Marketers need to create interactive, highly personalized communications that deliver value beyond a simple marketing message and spur action on the customer’s part.
Using customers’ purchasing patterns and insight data to tailor messages and trigger campaigns also is highly effective. Relevance-based targeting leads to high response and conversion rates, not to mention better customer experiences, value and loyalty.

For example, one Experian® CheetahMail® retail catalog client used highly targeted e-mail to achieve a 45 percent click-through rate and an unsubscribe rate of less than .15 percent, significantly outperforming industry peers.

9. Collect data sensibly
Focus on collecting actionable information. Ensure that your data is relevant, high-quality and regularly updated. Customer data sources continue to grow, providing more opportunities to create better insights and deliver targeted, meaningful communications.

Collected and managed data needs to be actionable. This means avoiding the temptation to swamp databases with “interesting” but irrelevant data. Integrating Web analytics into the e-mail marketing database can drive key insights around shopping cart abandon, pages visited, sites linked from, product last bought and time since last visit. Use customer touch-points to collect data and focus on maintaining key contact details and preferences.

10. Integrate your channels
Customers expect to be contacted through different media, and companies must understand these media links and weave online and offline messages that build compelling, engaging and personal experiences.

Integration of channels at different stages of the customer buying cycle will drive a more consistent and persistent message. Marketers should use their marketing platforms to create new fields in their databases to add relevance. This might mean using e-mail as an alert for a catalog, a new product launch or an upcoming event. Follow-up e-mails can serve as reminders for nonresponders or satisfaction surveys after an event.

11. Apply the science
Prove it, prove it, and then prove it again. This means continually testing and evaluating marketing effectiveness through closed-loop marketing programs that deliver real insights into the effectiveness of various activities. Using a single relational database to collect, manage, segment, execute, automate and integrate all marketing campaigns enables the evaluation of programs across channels. This is particularly useful when the marketing budget comes under increased pressure. The evaluation and justification for retaining marketing programs are simply more visible.

12. Get the word out
Social networking is a relatively new channel, and success is more likely to be achieved by brands that already have tested and invested in it during less-demanding times. While it is an inexpensive and therefore appealing marketing
approach, only well-designed social applications will be truly effective. Instead of dabbling in social media, marketers should insist on social applications with metrics that include higher sales conversions and measurable word of mouth. Look at content consumption and contribution, RSS feed subscription and online profile engagement, among other data points.

**Conclusion**

Marketers need to face the challenges of an economic slowdown head-on to ensure that their brand emerges strong and agile. While tough times can certainly "build character," a slowdown can bring as many opportunities as a boom. Competitors that fail to maintain an aggressive customer-focused marketing strategy will be forced to leave the marketplace, and their business is available for the taking. Be the one to take the business while the market is less saturated, thereby influencing your profitable growth for years to come. By carefully managing the effect a slowdown has on business performance, as opposed to just reacting to it, marketers give themselves the opportunity to survive and thrive during and after a slowdown by establishing their position as essential value generators for their companies.

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Combining its unique information tools and deep understanding of individuals, markets and economies, Experian partners with organizations around the world to establish and strengthen customer relationships and provide their businesses with competitive advantage.

For consumers, Experian delivers critical information that enables them to make financial and purchasing decisions with greater control and confidence.

Experian works with companies across the whole marketing life cycle. For information and advice on integrated offerings of this kind, contact us at 1 888 404 6911 or marketingally@experian.com.