



Marketing Strategies In A Recession

A White Paper by Julia Cupman of B2B International



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ABOUT THIS WHITE PAPER

This white paper takes the form of a synopsis to a Marketing Strategy Survey which was conducted in February 2009, a time when companies around the world were assumed to be feeling the effects of one of the biggest economic slumps in living memory. This paper provides a brief insight into the findings obtained by this survey.

The research also forms the basis of a B2B International e-book entitled *Effective Marketing Strategies For A Recession*. This is a comprehensive assessment of whether and how organisations are adapting their marketing strategies in reaction to current recessionary pressures, and aims to determine which of these strategies can be considered the most effective in an economic downturn. The complete e-book is available to download from the B2B International website at: <http://www.b2binternational.com/recession-ebook/>

WHO RESPONDED TO THE SURVEY

A total of 396 people generously gave their time responding to the survey which was designed to find out how marketing teams across continents are responding to the current economic environment. These respondents represented a broad spread covering all industrial sectors, many b2c sectors and most countries of the world. Three quarters work in organisations that employ more than 250 people and many are occupied in some of the largest corporates in the world. There was an acknowledgement from around 70% of respondents that they are one of a team involved in determining the appropriate marketing strategy for their organisation.

HOW ORGANISATIONS ARE AFFECTED BY THE CURRENT BUSINESS ENVIRONMENT

There is no doubt that the recession is affecting everyone and 4 out of 10 respondents said the effect has been *very significant*. As might be expected, national and overseas sales have been affected, investment has been cut back, plants have surplus capacity and there are cash-flow constraints.

Table 1 - The Effect Of The Recession On Specific Aspects Of Business

| Aspect of business affected by the recession | Effect of the recession (1 = no impact, 5 = significant impact) |
|--|--|
| Decline in national sales | 3.2 |
| Decline in overseas sales | 2.9 |
| Limited investment | 2.8 |
| Excess capacity | 2.7 |
| Cash-flow constraints | 2.7 |
| Excess inventories | 2.4 |



The most important issue faced by b2b organisations in the sample is the struggle to keep their sales high enough while for b2c organisations they are equally divided in maintaining sales levels and keeping costs low.

THE ECONOMIC OUTLOOK

There were polarised views on the economic outlook over the next 12 months. 44% of organisations supplying b2b markets were optimistic (versus 45% who were pessimistic) compared with 60% of b2c organisations being optimistic (versus 29% who were pessimistic).

There is a hint that investment in marketing works because 58% of organisations with a higher than average spend on marketing were optimistic about the economic environment over the next 12 months, versus only 44% who were optimistic amongst organisations with a lower than average marketing spend.

STRATEGIC RESPONSES TO THE RECESSION

Most organisations have partly completed their strategic responses to the recession. Only a third of organisations claim that they have fully responded and are unlikely to change their strategy from now on.

That said, the strategies for the recession appear to be very similar to those for good economic times, although there is currently more emphasis on value marketing, finding new opportunities in different industry sectors and channels to market.

Table 2 - Changes In Marketing Strategies Over Time

| Strategy | % adopting strategy in last two years | % focusing on strategy at present |
|--|---------------------------------------|-----------------------------------|
| Value marketing | 61 | 71 |
| Market/customer segmentation | 74 | 68 |
| Customer satisfaction & loyalty | 66 | 61 |
| New market opportunities in industry sectors | 45 | 59 |
| Branding & differentiation | 69 | 55 |
| Product development/innovation | 66 | 54 |
| Channel/route to market | 39 | 52 |
| Competitor benchmarking | 39 | 39 |
| New market opportunities in other countries | 34 | 29 |
| Environmental positioning | 35 | 28 |
| Raising prices | 34 | 21 |
| Low cost leadership | 8 | 12 |
| Pile it high/sell it cheap | 3 | 6 |



In the main, most organisations have been quick to respond to the recession, even if this response has been only partial. Around 9 out of 10 organisations have already taken action by cutting costs while around 7 out of 10 organisations have (re)aligned their focus from a wider offering to core products and services. These actions are ongoing and still being considered.

Table 3 - Actions That Have Been Taken In Response To The Recession

| | Action already taken (%) | Action currently being considered (%) |
|--|--------------------------|---------------------------------------|
| Cutting costs | 87 | 58 |
| Focus on core products/services | 73 | 49 |
| Delaying capital expenditure & putting investment plans on hold | 56 | 40 |
| Introduction of new products | 43 | 40 |
| Rationalisation of product lines | 34 | 30 |
| Development of overseas markets | 31 | 25 |
| Acquisition(s) of another organisation | 14 | 18 |
| Increasing prices | 26 | 17 |
| Reducing prices | 18 | 14 |
| Consolidation/withdrawal from overseas markets | 6 | 8 |
| Merger with another organisation(s) | 5 | 7 |

CHANGES TO THE MARKETING TOOL KIT

Electronic marketing is seeing a huge boost as a result of the current recession. It is considered a powerful and cost efficient tool for stringent times and nearly half of respondents in the survey said that its application is on the increase in their organisation. Traditional media advertising is very much on the decline.

Table 4 - Changing Use Of The Marketing Tool Kit

| | % saying increase | % saying decrease |
|-------------------------------------|-------------------|-------------------|
| Internet/electronic media | 48 | 10 |
| PR | 27 | 21 |
| Direct mail | 18 | 24 |
| Market research | 14 | 31 |
| Telemarketing | 14 | 11 |
| Dealer/distributor materials | 10 | 17 |
| Magazine advertising | 9 | 45 |
| Trade shows | 8 | 52 |
| Directories | 3 | 24 |

ANSOFF AND STRATEGIC RESPONSES TO THE RECESSION

It appears that one of the most effective strategies for dealing with the recession is to seek more business from existing products in existing markets. However, several organisations are looking for business everywhere, including in new markets and with new products.

Table 5 - Igor Ansoff And The Recession



ATTITUDES TO MARKETING IN RESPONDENT ORGANISATIONS

Two thirds of respondents have seen their organisations reduce their marketing budgets as a result of the recession.

The views of respondents are divided on the degree to which marketing is used as a weapon to fight the recession. 29% say that it is playing a big role and 36% say it is playing a minor role with the balance saying the role is moderate.

An issue is the degree to which senior management supports marketing as a tool to fight the recession. Over a quarter of organisations believe that their senior management does not value marketing as a tool for this purpose.

Over half of respondents (57%) are of the view that their organisation's speed of response in the current business environment has been about right. However, a good third of respondents (36%) expressed concern that their organisation's speed of response was not fast enough.

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