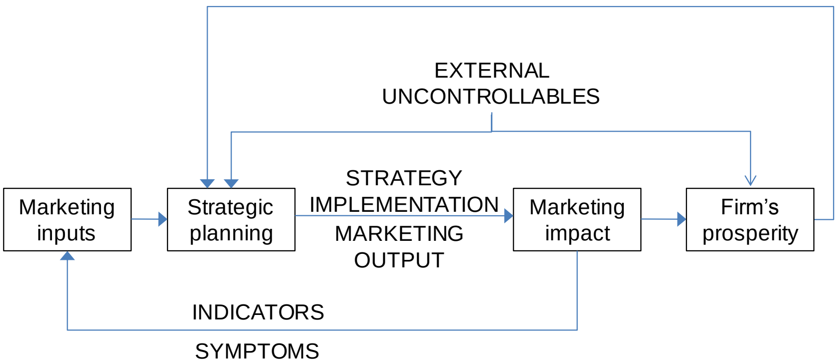
2. The role of marketing strategy

A key strength of marketing in a corporation is that it can generate symptomatic information (Samli, 1993 p50). That is, the marketing department is capable of diagnosing a corporate problem long before the financial statements document the state of health of the company, at which point it could be too late to take corrective action. With the assistance of market research, marketers can identify a company's strengths, weaknesses, opportunities and threats prior to recessionary turbulence and enable the company to consolidate its offering, to become increasingly competitive, and to develop proactive marketing strategies that will enable it to survive and prosper in times of adversity. Hence marketing plays a vital role in stimulating prosperity for the firm, as indicated in Figure 2.1. This input/output model illustrates that factors in the external environment – which Samli (1991 p51) refers to as 'external uncontrollables' – direct the strategic planning of the company as it reviews its strategic options in light of the prevailing market conditions and all external influences. Indicators and symptoms of the marketing impact then provide guidance on corrective actions required on the marketing inputs (such as the firm's products, brands and sales force). Responding early to market indicators and symptoms can eliminate problems and strengthen a company's resistance to recessionary turbulence when it occurs.

Figure 2.1 Modified Version Of Samli's Input/Output Model of Strategic Symptomatology



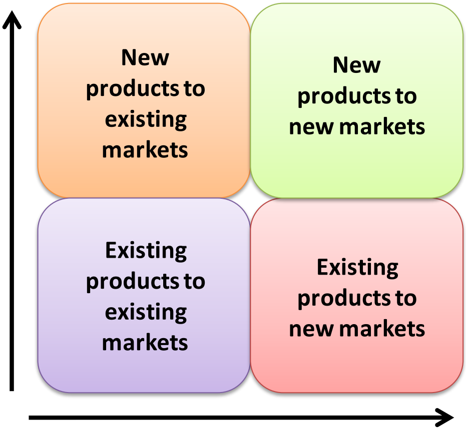
The direction of strategic planning in the input/output model depends on the aim and objectives of the marketing strategy. A marketing strategy can be defined as a means to an end, enabling marketers to apply a process in order to achieve a profitable outcome. It is likely to pursue one of the following goals:

- *To banish or reduce problems*, for example counteracting declining sales of a particular product or new competitors having entered the market; or
- *To strive for improvement*, for example with more effective marketing communications or more effective packaging; or
- *To seek opportunities*, for example through new market entry or new product development.

This may seem relatively straightforward. Indeed most people can recognise weaknesses in a company and suggest a potential strategic resolution. But whilst corporate strategies are in abundance, only few strategies actually bear fruit. According to a survey by the Economist Intelligence Unit, companies typically realise only around 60% of their strategy's potential value due to failures in planning and execution (Syrett, 2007 p11). Many strategies fail due to corporate politics, undefined goals, a lack of appropriate controls or changing circumstances, all of which result in a distorted focus. Thus ensuring that a strategy is executed effectively and with a maximum return on investment is a challenging task, which is made all the more challenging in economically turbulent times.

Marketing strategies are not unique to the prevailing economic climate. For instance pricing strategies, such as discounts and special offers to encourage customers to buy, are employed in times of a booming as well as weak economy. Michael Porter (1980 p34) suggested that companies have three strategic options: to differentiate, to compete on cost, or to specialise in meeting the needs of a niche. Igor Ansoff (1957 p113) argued that companies can adopt one of four strategies – marketing existing products to existing markets, marketing new products to existing markets, marketing existing products to new markets, and marketing new products to new markets, as illustrated in Figure 2.2. All of these options can be adopted, irrespective of business conditions.

Figure 2.2 Ansoff's Four Strategies



However, a tightening of the economic environment may change the game for many companies. A company that was comfortable selling its products locally may suddenly find that its market has dried up. It may be forced to look wider afield and seek another Ansoff option. A company aiming at a niche, such as young city traders, may find that the niche has disappeared and may need to look elsewhere for its custom. Whatever challenges a company may face, from defecting customers to decreasing profit margins, a coherent strategy is required to deal with these challenges, as opposed to meagre and piecemeal actions which many companies consider easier but which are rarely successful in the medium to long term. This leads to the following chapters which explore common reactions to a recession, and effective marketing strategies that not only counteract recessionary turbulence, but also reap the benefits from it.