

5. Survey on marketing in the recession

About the survey

An online survey was conducted in March 2009 with professionals listed on B2B International's client and potential client databases. The vast majority of these databases comprise senior marketing executives who were well positioned to participate in the survey and who represent large and well-known organisations.

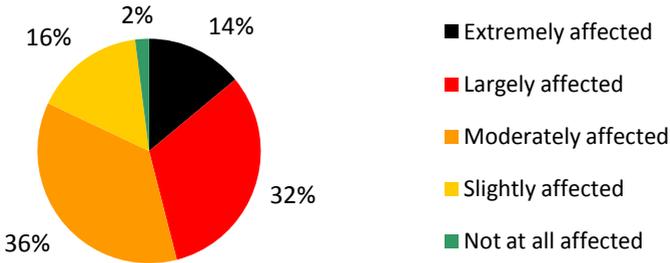
The survey yielded a total of 396 responses of which 310 were from organisations that market mainly to businesses (as opposed to mainly consumers). Such a sample size provided a robust data set with a statistical error of plus or minus 5% of the answer that would have been obtained had a census been conducted (stated at 95% confidence levels). Given that the focus of this paper is b2b, the following sections are based predominantly on the responses from the 310 organisations that market mainly to businesses, but differences between b2b and b2c organisations are nevertheless highlighted where necessary.

Respondents to the survey represented a broad spread of organisations covering all industrial sectors, many b2c sectors and most countries of the world. Around three quarters of respondents work in organisations that employ more than 250 people and many are occupied in some of the largest corporates of the world.

Effects of the recession

There is no doubt that the recession is affecting everyone, as illustrated in the diagram below. For many organisations, the impact of the recession has been severe, in that around a half of respondents said their organisation's business activities have been *largely* or *extremely* affected.

Figure 5.1 *Extent To Which Organisations Have Been Affected By The Recession (Base 310)*



The main challenge faced by b2b organisations is the struggle to keep sales levels high enough, followed by keeping costs low enough and maintaining existing markets. This reflects the overall slump in demand as markets have contracted, putting pressure on firms to keep afloat financially and to not lose their customers. 9% of respondents said the main challenge faced by their organisation is finding new markets, illustrating the desperate attempt of certain firms to seek new buyers given that their existing markets have dried up.

Figure 5.2 *Main Pressures Influencing Organisational Strategy In The Recession (Base 310)*



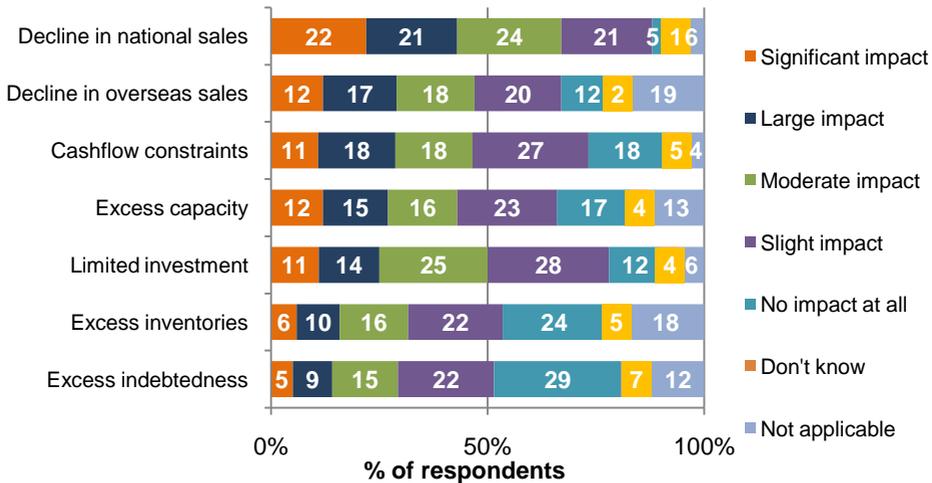
Respondents were asked the extent to which various aspects of their organisation have been affected by the recession. Figure 5.3 shows that declines in national and overseas sales are two areas where organisations have been worst hit by the economic downturn. However, on all issues other than a decline in national sales, less than a third of organisations have experienced a large



or significant impact, indicating that the overall effects of the recession are bad as opposed to catastrophic.

Nevertheless, it can be seen that the issues at the top of the chart (where more organisations have been seriously affected) are areas where immediate effects occur, whereas the issues at the bottom of the chart, such as excess indebtedness and excess inventories, are more long-term issues which are unlikely to have affected many organisations significantly yet, but which are likely to affect an increasing number of organisations over time as the recession and its knock-on effects continue to have an impact.

Figure 5.3 Impact Of The Recession On Specific Aspects Of Business (Base 310)



There is a correlation between marketing spend and the impact of the recession on the various business aspects discussed above. Table 5.1 shows the top two box scores by least impact, i.e. all those who said “no impact” and “slight impact”, from organisations whose marketing spend is higher and organisations whose marketing spend is lower than that of other similar organisations. On every business issue, organisations that spend more on marketing are stronger than those that spend less, as the proportion of organisations that have been hardly to not at all

affected is higher amongst the high spenders compared to the low spenders.

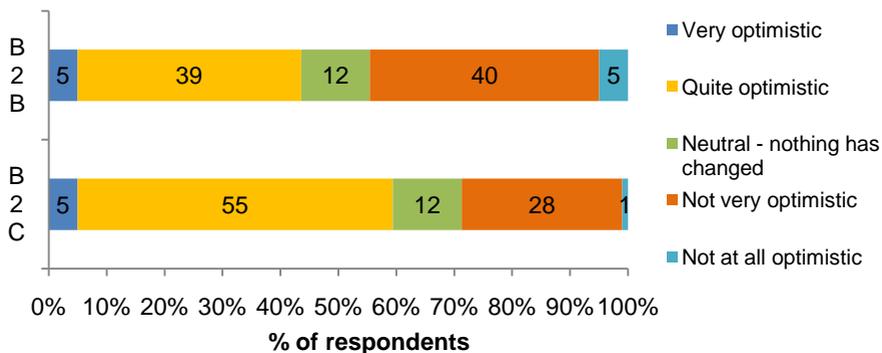
Table 5.1 *Effect Of The Recession By Marketing Spend: Who Is The Strongest?*
Top 2 Box: "No impact" & "Slight impact"

| Aspect of business affected by the recession | % of organisations with a <i>higher</i> marketing spend than other similar organisations | % of organisations with a <i>lower</i> marketing spend than other similar organisations |
|--|--|---|
| Decline in national sales | 31 | 25 |
| Decline in overseas sales | 41 | 33 |
| Limited investment | 51 | 34 |
| Excess capacity | 49 | 41 |
| Cash-flow constraints | 52 | 44 |
| Excess inventories | 57 | 50 |
| Excess indebtedness | 59 | 58 |

The economic outlook

There were polarised views on respondents' views on the economic outlook of their organisations over the next twelve months. 44% of b2b organisations were optimistic (versus 45% who were pessimistic) compared to 60% of b2c organisations being optimistic (versus 29% who were pessimistic). The increased optimism amongst b2c organisations is likely to be because they typically have more customers and their offerings tend to be broader (and more appealing to the masses) than b2b organisations that usually operate in more focused areas. Furthermore, b2b organisations in particular can suffer a whiplash effect in a recession. A small movement at the front end of the whip ends up being a huge movement at the back end. This is because stock levels down the value chain are used up as the recession begins to bite which means that there is almost no demand for production since everyone is consuming products already in the value chain.

Figure 5.4 *Optimism Of B2B & B2C Organisations Regarding Their Economic Outlook (Base 396)*



An indication of the effectiveness of marketing in helping fight the recession is the greater level of optimism amongst those companies with the highest marketing spend. 58% of all organisations (b2b and b2c combined) with a higher than average spend on marketing were optimistic about the economic environment over the next twelve months, versus only 44% who were optimistic amongst organisations with a lower than average marketing spend.

Attitudes to marketing in a recession

9 out of 10 organisations use marketing in some way as an aggressive weapon in the current business environment. Around a quarter of organisations use marketing to either a large or significant extent.

An issue is the degree to which senior management supports marketing as a tool to fight the recession. Over a quarter of respondents believe that their senior management does not value marketing as a tool for this purpose. That said, around three quarters consider marketing of medium or major importance.

Respondents who are most optimistic about the economic outlook are in organisations where senior staff considers marketing to be of



very high importance. Hence there is a direct correlation between marketing that is taken very seriously in an organisation, and the organisation's positive economic outlook.

A further indicator of the importance of marketing within an organisation is where the organisations sits compared to others in terms of marketing spend. Only 15% of respondents believe that their organisation is more marketing focused (with increased marketing spend) than their competitors and other similar organisations. The rest consider their marketing spend to be around the same as other organisations or lower (48% and 37% of respondents respectively).

Marketing challenges in a recession

The most common challenge faced by respondents in marketing in a recession is budget constraints. Marketing teams have had their budgets slashed and voiced frustration over the extreme cost focus of senior management that does not recognise marketing ROI. One respondent explained that he is *“ruthlessly prioritising a very limited budget”*, indicating the difficulties in allocating a smaller marketing budget, inevitably resulting in limited to no investment in certain areas.

Organisations are also struggling to resist reducing their prices in light of market demand for lower prices plus pressures from the competition as industry rivals enforce price cuts to satisfy and steal customers. A respondent exclaimed:

“Demand continues to drop and is pressuring our pricing. The competition is faced with the same issue and is using price to maintain or gain market share. We have attempted to maintain share and hold onto as much price as possible but are facing the inevitability of losing both at a rate that is becoming difficult to sustain.”

Figure 5.5 shows a word cloud which has taken the most common verbatim mentions of certain words in response to respondents' views on challenges faced in marketing in a recession. The largest



decreased budget. Respondents also explained that they were struggling with limited resources and lack of staff. One respondent stated:

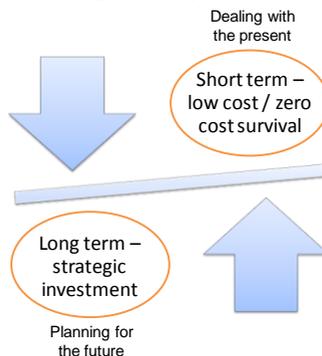
“Reduced resource within the marketing team (following restructure/redundancy) and reduced budgets means that we are driven to be reactive rather than being as proactive as we would like.”

A further difficulty faced by many respondents was the speed of the downturn and the rapid pace of change (including a lack of time to respond accordingly and the change from a long-term to short-term focus). With this comes uncertainty and volatility in markets, resulting in fickle customers with a high propensity to switch suppliers and difficulties in forecasting. A respondent explained:

“The environment is changing quickly and the needs of our customers and ourselves are changing quickly as well. The ability to keep up with the changes has been difficult. The need to see, understand and adapt to the changes has been critical.”

With this in mind, organisations are trapped between conflicting forces, as shown in Figure 5.6 overleaf. They are feeling the pressure to take defensive and reactive measures to deal with the present, which is to the detriment of long-term strategic planning and investment. As one respondent summarised: *“Priorities have shifted away from strategies to crisis management”*.

Figure 5.6 Conflicting Strategic Intent In A Recession



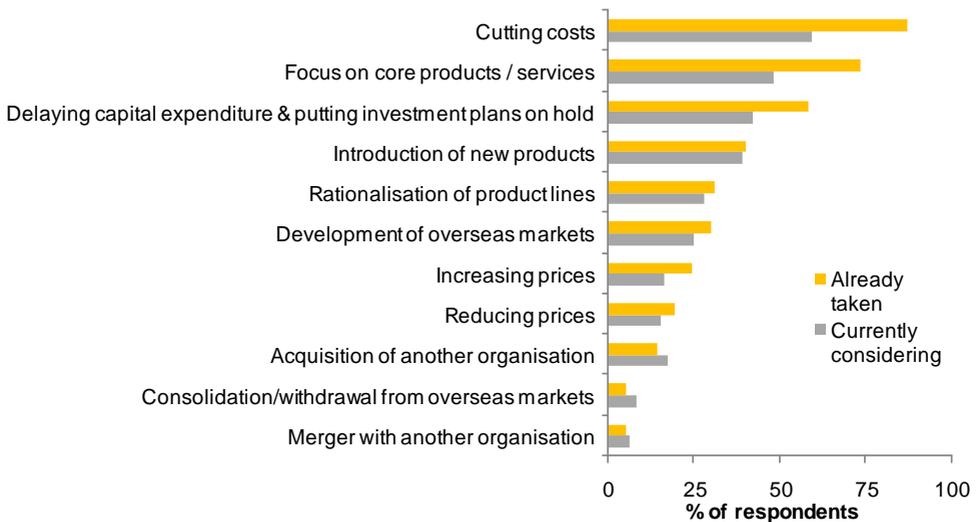


A consequence of this conflict in strategic intent is that organisations have become increasingly cost and operations focused and marketing is viewed, in particular by senior management, as an expense as opposed to an investment. Marketing teams are therefore struggling to justify the need for marketing and respondents voiced difficulties in measuring and proving marketing ROI to support their case.

Strategic responses to the recession

In the main, most organisations have been quick to respond to the recession, as illustrated by the actions already taken in Figure 5.7. Around 9 out of 10 organisations have taken action by cutting costs and 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.

Figure 5.7 Strategic Responses Already Taken & Being Considered (Base 310)

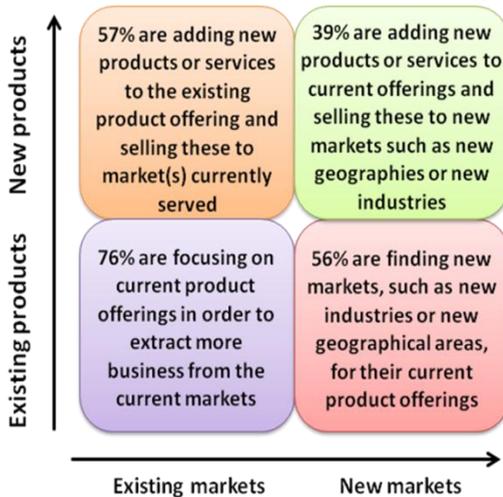




Not surprisingly, the most common strategic responses involve cost reductions (such as budget cuts, redundancies and plant closures) and product-related strategies (focusing on core products or services, the introduction of new products and the rationalisation of product lines). The least common strategic responses to the recession are those that involve major structural changes to the organisation, namely mergers, consolidation or withdrawal from overseas markets and acquisitions.

Figure 5.8 illustrates that at a high level, 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.

Figure 5.8 Igor Ansoff & The Recession (Base 310)

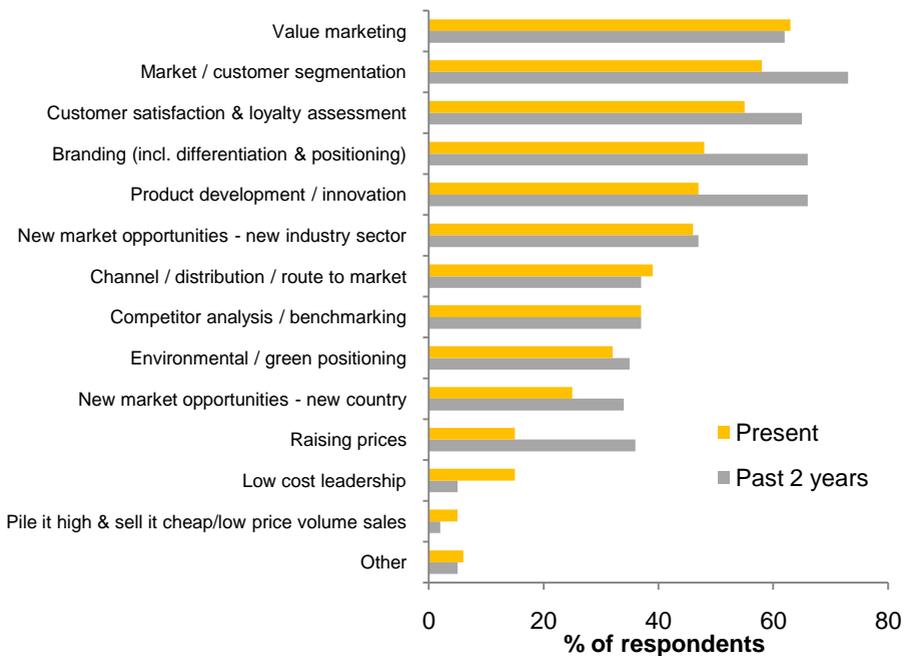


Respondents were asked which marketing strategies they employed two years prior to the recession, and which marketing strategies their organisations are focusing on in the recession, as shown in Figure 5.9. Prior to the recession, value marketing was not amongst the top four strategies employed by b2b organisations, but taken first place in terms of popularity for strategies during a recession.



The organisations that are focusing on value marketing in the recession have taken a wise, strategic move if their value added offering is in line with the market's definition and appreciation of value. A value marketing strategy is one which will sow the seeds to success leading to prosperity after the recession. This is in stark contrast to the least popular low price and low cost strategies, which are likely to denigrate a brand and position a firm in an unfavourable and uncompetitive position once the recession ends.

Figure 5.9 *Marketing Strategies Employed In The Past & The Present (Base 310)*



Market/customer segmentation and customer satisfaction and loyalty are the second and third most popular strategies in the recession. Alongside value marketing, they can be considered customer-focused strategies, for they all seek to better meet the needs of customers and extract more value from them. Moreover, these strategies are defence strategies in that they seek to protect and nurture existing market share, as opposed to strategies for

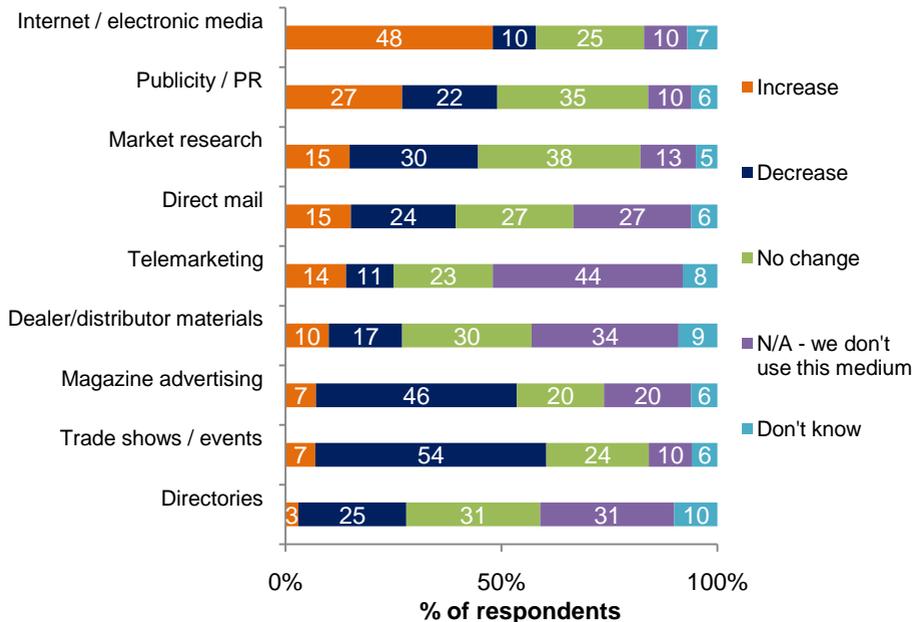
attack that seek to win market share, such as through expanding into new markets, serving new industries and low price strategies.

Changes to the marketing toolkit

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

Figure 5.10

*Changing Use Of The Marketing Toolkit
(Base 310)*



The net increase/decrease table below indicates which media are expected to grow and which are expected to decline the most over the course of 2009. Trade shows and events and magazine advertising are the media where spend is expected to decrease the

most, which is in stark contrast to the significant anticipated increase in internet and electronic media.

Table 5.2 Net Increase/Decrease Of The Marketing Toolkit

| Medium | Increase (%) | Decrease (%) | Difference (%) |
|---------------------------------------|--------------|--------------|----------------|
| Internet / electronic media | 48 | 10 | 38 |
| Publicity / PR | 27 | 22 | 5 |
| Telemarketing | 14 | 11 | 3 |
| Dealer / distributor materials | 10 | 17 | -7 |
| Direct mail | 15 | 24 | -9 |
| Market research | 15 | 30 | -15 |
| Directories | 3 | 25 | -22 |
| Magazine advertising | 7 | 46 | -39 |
| Trade shows / events | 7 | 54 | -47 |

Evaluating marketing strategies in the recession

Over half of respondents (56%) were of the view that their organisation's speed of marketing response to the recession has been about right. However, over a third of respondents (38%) expressed concern that their organisation's speed of response was not fast enough. These slow responders tended to be organisations whose marketing spend is lower than that of similar organisations in the same sector, indicating that proactivity comes with increased marketing spend.

Respondents were asked to explain which marketing strategies or actions they have found to be the most and least successful in light of recessionary pressures. The top four most successful strategies and actions mentioned were:

- Online marketing (including e-bulletins, SEO and online lead generation)
- Focusing on core businesses (including core products and key customers)
- Addressing customer needs and providing tailored solutions (including segmentation)
- Focusing on added value



The top four least successful strategies and actions mentioned were:

- Media advertising
- Trade shows, exhibitions and events (including corporate hospitality)
- Price reductions and promotions
- Direct mail

Three out of the top four least successful strategies and actions were marketing media, which stems to respondents' previously mentioned concerns about measuring the ROI of marketing and how it is difficult to do this with certain media. With the constant drive to reduce expenditure, it is not surprising that certain aspects of the marketing toolkit are considered to be unsuccessful in the recession given that they can entail high costs and can be difficult media on which the ROI can be proven and justified – especially in the short-term when the focus is on survival in the present as opposed to investing in the future.

Many respondents accused cost cutting (including decreased marketing spend) as a least successful strategy and expressed their concerns about the future. One respondent highlighted the potential loss of market share:

“Panicking and cutting costs without proper thought to the implications and actual cost to the business in the longer term (such as losing significant share to a competitor).”

The potential damage to customer satisfaction was also acknowledged:

“Cutting costs at the expense of customer service. It is short-sighted and has negative impact on future business.”

Similarly, it was argued that decreased marketing expenditure in a recession is the antithesis of what should be done in terms of missed opportunities:



“This is a time when spending more on marketing makes sense. Competitors are pulling back, which provides an opportunity to saturate the marketplace with marketing activities and to take market share. However, in a technology driven company, getting upper management to see this is the biggest challenge.”

Finally, respondents were asked to suggest improvements that could be made to their organisations in order to strengthen them in the recession. Investing in marketing (including increasing the number of marketing personnel) was the most desired improvement as it is recognised as a key driver to success once the economic environment improves. Other key improvements required included obtaining a better understanding of customers (highlighting the need to sustain and increase customer satisfaction so as to ensure customer loyalty), and an increased use of online marketing (so as to exploit cost-effective technologies).