

## marketing and a declining economy

Companies will begin pulling back on expenses and unfortunately cut staff, too, if our economy continues to decline. Smart companies know that there is no better time to surge forward and leave competition wondering what happened. Many companies may see their marketing budget as the perfect place to begin cutting costs. Companies should consider these factors when making their marketing plans for 2008 and 2009:

In a recession, consumers become value oriented, distributors are concerned about cash, and employees worry about their jobs. But a downturn is no time to stop spending on marketing. Instead of cutting the marketing budget, you need to know more than ever how consumers are redefining value and responding to the recession. Consumers take more time

searching for durable goods and negotiate harder at the point of sale. They are more willing to postpone purchases, trade down, or buy less. Must-have features of yesterday are today's can-live-withouts.

Trusted brands are especially valued and they can still launch new products successfully, but interest in new brands and new categories fades. Conspicuous consumption becomes less prevalent.

When economic hard times loom, we tend to retreat to

our communities. Look for cozy hearth-and-home family scenes in advertising to replace images of extreme sports, adventure, and rugged individualism. Zany humor and appeals on the basis of fear are out.

It is well documented that brands that increase advertising during a recession, when competitors are cutting back, can improve market share and return on investment at lower cost than during good economic times. Uncertain consumers need the reassurance of known brands, and more consumers at home watching television can deliver higher than expected audiences at lower cost-per-thousand impressions. Brands with deep pockets may be able to negotiate favorable advertising rates and lock them in for several years. If you have to cut marketing spending, try to maintain the frequency of advertisements by shifting from 30-second to 15-second advertisements, substituting radio for television advertising, or increasing the use of direct marketing, which gives more immediate sales impact.

Marketers must reforecast demand for each item in their product lines as consumers trade down to models that stress good value, such as cars with fewer options. Tough times favor multi-purpose goods over specialized products, and weaker items in product lines should be cut back. Gimmicks are out; reliability, durability, safety, and performance are in. New products, especially those that address the new consumer reality and thereby put pressure on competitors, should still be introduced, but advertising should stress superior price performance, not corporate image.

Customers will be shopping around for the best deals. You do not necessarily have to cut list prices, but you may need

to offer more temporary price promotions, reduce thresholds for quantity discounts, extend credit to long-standing customers, and price smaller pack sizes more aggressively. In tough times, price cuts attract more consumer support than promotions such as sweepstakes and mail-in offers.

In all but a few technology categories where growth prospects are strong, companies are in a battle for market share and, in some cases, survival. Knowing your cost structure can ensure that any cuts or consolidation initiatives will save the most money with minimum customer impact.

Although most companies are making employees redundant, chief executives can cement the loyalty of those who remain by assuring employees that the company has survived difficult times before, maintaining quality rather than cutting corners, and servicing existing customers rather than trying to be all things to all people. CEOs must spend more time with customers and employees. Successful companies do not abandon their marketing strategies in a recession; they adapt them.

*Information provided by: Prizm, an innovative, strategic marketing communications company based in La Crosse. For more information, visit online at [www.prizmco.com](http://www.prizmco.com) or call (608) 782-4294.*

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