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Summary

There is no doubt that a recession is an extremely difficult period for most companies. Especially when a recession has universal dimensions, many companies find themselves unprepared to face great challenges. While marketing in good times has a long-term focus, a broad scope, it is benefits- and opportunities-driven and proactive, in bad times it has a short-term focus, limited and narrow scope, it is cost-and sales-driven and reactive.

Panic is not the right reaction. Such difficult times should be overcome through methodical and well planned actions. After all, research has shown that those companies that take a proactive stance and treat the recession as an opportunity are likely to come out of the crisis stronger than before.

Specific marketing activities have been proved to be beneficial to companies during a downturn. Below we analyze, ten marketing survival strategies and tactics.

Keywords: marketing strategy, recession, sales, marketing, brand, customer, targeting, price, customer relationships

Give more emphasis on marketing research

During recessions the available income decreases and, as a consequence, the life — style of most people changes. In such circumstances, companies should keep their finger on the market pulse using annual reports, tracking studies, media data, sales force intelligence, and feedback from customers. ?owever, marketing research is usually one of the first victims in a recession.

Optimal matching of brands with customer needs is more than necessary in difficult times. Even the companies which cannot spend enough money on marketing research, should use all other available means (e.g. sales force) to maintain focus on their own brands, their customers and their competitors.

Focus on your existing customers and try to serve them even better

Existing customers are probably the most important asset during downturns. Marketing and Sales activities should be well focused on the most valuable, loyal and satisfied customers. Companies should keep them happy and reward their loyalty.

Customer segmentation, referring to the systematic process undertaken by a firm for the development of a highly granular customer typology that allows for the identification of individual customers within each target market, could be very useful in the amelioration of customer service, emphasizing on the existing loyal customers.

Several criteria can be employed for use in this process, including (among others) customer buying behavior, customer lifetime value, or customer profitability.

Companies should make sure that they are meeting their customers' existing needs and desires and they can use the feedback from their sales force or customer service department to keep track of changing needs. In times of recession companies should serve their existing customers even better. Let's not forget that 68% of people, who stop doing business with a company, do so because they feel that the company doesn't care. Also a customer service leader can charge 9–13% more without losing customers and grow 25–40% faster than competitors

Re-examine your targeting

Companies should focus on the customer segments that are likely to offer the best returns. A systematic process should be followed in order to prioritize and target the customers who make up each customer segment according to their economic or strategic value to the firm. Prioritization may involve the deployment of more than one sales force to call on different customer groups, whereas targeting involves allocating selling efforts and resources (e.g., number, duration, and frequency of sales calls) to different customers.

A little shift in positioning might make the company's brands attractive to new profitable targets that have never been approached before.

Customer targeting should be based on:

- Detecting customers' needs and company's capabilities to fulfill them
- Market size estimation
- Deep knowledge of competition
- Cost — benefit analysis

Concentrate on your core brands

Companies should focus their marketing and sales activities on the brands that are most likely to survive through difficult times (increased sales, positive image, etc.) by examining which brands are the most worth supporting and by reviewing the brand portfolio.

Customers have clear and strong associations with successful brands and know what makes them desirable, so companies should focus their marketing and selling efforts on powerful brands and try reinforcing what make their brands successful in the first place. In some cases they might even need to eliminate some of their brands.

Do not necessarily reduce the price of your brand(s)

Companies should not reduce prices, unless they can cut costs or live with lower margins or unless a price reduction is in accordance with a "low cost" positioning and thus does not damage their brand's image in the long run. It is tempting to cut prices in order to retain price-sensitive shoppers, but this can be a risky strategy.

If the company's brand offers a compelling rational or emotional advantage over the competition, people who are forced to switch to cheaper brands are likely to buy the company's brand again when the recession is over. But once a price premium is lost, it tends not to be regained. Frequent price promotions train loyal brand buyers to expect lower prices and to buy only on deal.

On the contrary, "low cost" brands should focus even more on their low price and communicate it accordingly.

Let's not forget that there are factors which influence the elasticity of demand for products/services and which should determine the pricing policy of the company, as it is shown below.

	Elastic	**Inelastic**
Product is perceived as differentiated	No	Yes
Product has high switching costs	No	Yes
Price is used as an indicator of quality	No	Yes
Price is insignificant to the customer	No	Yes
Market inertia	No	Yes
Many substitutes are available	No	Yes
Product is easily compared with the competition	No	Yes
Prices are easily compared with the competition	No	Yes

Source: Own materials.

If the company's product/service is perceived as differentiated, has high switching cost and the price is used as an indicator of quality and is insignificant to the customer, then an inelastic demand tends to prevail and the company should avoid any price cuttings. On the other hand, if the company's products and prices are easily compared with those of competition and there are plenty of substitutes, then an elastic demand tends to prevail and price cuttings might be beneficial.

Try to differentiate yourself from competition

Companies should carefully decide how to differentiate from competition. A differentiation must be clear, distinct, easy to communicate and profitable. The four pillars of differentiation are quality, innovation, service and price.

Try to maintain the amount of your promotion budget

During recessions one of the first actions most companies take is to cut back on promotion expenses of their products or services. However, cutting back on marketing activities (e.g. advertising) and sales activities (e.g. sales force) in downturns saves money in the short term, but undermines the long-term equity of brands.

It is impressive that, as research has shown, advertising expenditures decline an average of 5% when a 1% decline occurs in the Gross Domestic Product. This signifies that, during tough times, most of the company's competitors will reduce their advertising spending and their promotional expenses in general. This fact constitutes an exceptional opportunity for the company to step ahead.

An analysis of the Profit Impact of Marketing Strategies (PIMS) database compared the results of companies that increased, maintained and reduced marketing spend during a recession, and it showed that while companies that cut marketing spend enjoyed superior return on capital employed (ROCA) during the recession, they achieved worse results after the recession ended. However, those who had invested in marketing achieved a significantly higher ROCA during the recovery, and gained an additional 1.3% points of market share when growth returned.

Indeed, a company that increases its marketing spend during a recession has the opportunity to steal market share whilst its rivals are weak. If competitors are decreasing their marketing budget (and with this their share of voice), the organisation that boosted its marketing spend will gain market share and market voice, and it will end up in a stronger position not only in the recession, but when growth returns. Hence financial constraints shackle marketing, and with this market share.

There is a number of studies which indicate that companies, which maintain or increase the advertising budget during recession have sales/profits advantages in years following recession. The first study to substantiate this view was carried out during the US recession of 1923 when advertising executive Ronald S Vaile monitored 200 companies across America, noting their marketing expenditure and subsequent sales revenue. In April 1927 he reported, in an article he wrote for the Harvard Business Review, that the companies which advertised the most during that period experienced the largest increases in sales.

Build strong and long lasting relationships with your customers

During downturns, the development of strong and long lasting relationships with customers is imperative. Such customers with powerful bonds with the company constitute the best "salespeople" of the company's products and services. This fact is of an enormous importance in difficult times.

Such customers provide increased sales and profit. Typically, profitability per customer increases as companies understand better what their loyal customers desire and as customers take what they expect by their suppliers without facing problems.

Through systematic activities, companies can develop different relationship objectives and selling models to reach each customer. Relationship objectives (selling models) can range from pure transactional exchanges (in the transactional selling model) to collaborative exchanges (in the consultative selling model). Below we present some evidence pertaining to customer retention:

- Gaining new customers costs 5 times more than retaining existing ones.
- On average, a company loses 10% of its customers each year.
- A reduction of 5% in customers' loss can increase profits by 25%.
- As time goes by, profit per customer increases.
- Not all existing customers are happy. Nor all happy customers will remain customers of your company.
- An increase of 2% in customer retention has the same financial result as a 10% reduction in the number of employees.

Give more emphasis on internal marketing

It is absolutely crucial even if some employers are made redundant, to make the remaining employees to feel secure, useful and unique.

Using the right internal communication and by investing in educational programs, the employees can feel that they are important for the company/organisation.

Re-organize the marketing function

The goal of this action is to increase the commitment of customer where and whenever he/she is coming in contact with the company (touch points)

This reorganisation may include the social media management, the employment of personnel with experience in digital marketing, the adoption of processes for securing integrated marketing communication and consistent messages in electronic, printed and digital media and the offering of customer caring services.

Conclusion

During recessions, customers, marketers and sales people alike must make the best of a bad situation. Companies that are afraid to take any radical action to face challenges might find themselves at a disadvantage when the recession ends. Marketers and sales people need to make the most of the money spent in support of their brands if they hope to maintain strong customer relationships. Those that succeed should then be well positioned to take advantage of weaker competition when the good times return.

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