



# HELP!

## THE RECESSION ATE MY MARKETING BUDGET.

### Tell me if you've heard this one,

"All the research shows that companies that spend on marketing during a recession, come out ahead of the competition as the economy rebounds." I estimate that I have heard that statement from a marketer at least once for every conference and networking event that I've attended in the past year. It is a catchy buzz phrase, and if people believe it, even better.

But here's the thing - what research? Of the marketers from whom I've heard utter those words of wisdom, I have yet to hear one of them follow up with the name of a researcher or report related to those findings. Well, I decided to look at "all the research" that my colleagues continue to tout.

Upon conducting an online search, I did find several articles and papers that reference studies to back up the sound bite:

- "How Advertising in Recession Periods Affects Sales," American Business Press, Inc., 1979
- Dhalla, Nairman K. "Advertising as an antirecession tool," Harvard Business Review, Jan.-Feb. 1980
- Kijewski, Dr. Valerie. "Media Advertising When Your Market Is in a Recession," Cahners Advertising Research Report. The Strategic Planning Institute, 1982
- McGraw-Hill Research. Laboratory of Advertising Performance Report 5262 New York: McGraw-Hill, 1986.

- Greenburg, Eric Rolfe. "Fortune Follows the Brave," Management Review, January 1993

Eureka! With these studies in hand, I too could tell clients to spend, spend, spend! And, they wouldn't have to take my word for it, now I've got back-up. O.k., now I just needed to brush up on the data. ...Apparently a citation for a 25-year-old research report is a lot easier to dig up than the actual report. I was able to find a more recent study as well as some summarized findings on the reports above and as with most data, there are several ways to spin the information.

In a 2005 study published in the International Journal of Research in Marketing "Turning adversity into advantage: Does proactive marketing during a recession pay off?" The authors note that companies that actively market during a down economy report positive results from the marketing effort. Now I could leave you with that or continue that they caution that this is not across the board, and it is not recommended for all companies to increase marketing spending in a recession. Massive consumer-based brands like BMW, Dell, and Walmart are so tied to marketing as part of the business strategy that drastic marketing cuts would most likely have an even greater impact on the bottom line than the recession alone. On the other hand,

B to B focused organizations with active sales and business development teams will not necessarily feel the same impact of a marketing budget reduction where marketing is only a supporting component in filling the sales pipeline.

Organizations need to understand the role of marketing and its impact on sales in their organization. Are knee jerk marketing cuts destined to hurt business in the long run? Most likely, but strategic reductions based on customer spending capacity and the marketing impact on an organization's sales process is intelligent business practice.

From this group of studies above, it seems that the McGraw-Hill study on the 1981-1982 US recession is referenced with the most frequency. The study concludes that "business-to-business firms that maintained or increased their marketing expenditures during the 1981-1982 recession averaged significantly higher sales growth both during the recession and for the following three years than those which eliminated or decreased marketing." At first glance, your gut reaction to this statement, like mine, may be - Well, Duh. However, if framed differently the idea behind statement really does make an impact: "If your company reduces communications to your current and potential customers and your main competitor maintains or increases communications to your current and potential customers, whose business is more likely to grow during and following the recession?" Again, each organization is unique. But if you need a 'why spend on marketing' clip, I like that one.

Regardless of the data, the fact is that if the revenue isn't there, no one is going to be able make the marketing budget appear, especially for small to mid-sized businesses. So, instead of trying to fight the futile battle of finding yesterday's budget, marketing professionals need to get smarter with what they have. But what does that mean?

It means setting measurable campaign goals before kicking off a project. Talk about the result first. If you can't confidently say you can launch a campaign within the allotted budget and achieve the desired result - scrap the campaign and move on to something measurably achievable.

It doesn't mean social media, because that's free! Unless you consider man hours free, social media is not free and it can in fact be a costly time suck without a clear vision of the social media campaign and again - measurable objectives.

It means continuing to spread your media mix but keeping it manageable. You can't be everywhere. Choose media that you can focus on and continuously improve as initial results are analyzed. If you can only do enough of a campaign to pull one round of data from each communications channel, go with fewer channels that will have the greatest impact.

It means fighting for customers. The fact is, some companies are not going to make it through the recession. You have to get creative with pricing, product & service offerings and work harder than the competition.

The next time you hear that companies need to spend on marketing during the recession, I would say that companies need to appropriately plan their marketing during the recession. Yes, market - but market smart. ♦

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You can find the complete study "Turning adversity into advantage: Does proactive marketing during a recession pay off?" here: [http://www.mcombs.utexas.edu/faculty/raji.srinivasan/Raji/IJRM\\_2005.pdf](http://www.mcombs.utexas.edu/faculty/raji.srinivasan/Raji/IJRM_2005.pdf)