

# The Upside Of A Recession: 'The Dumbbells Cut Back... The Smart People Don't'

**By Robert Croston and Patrick Cahill**

The market drops 370 points in a single day, corporate earnings disappoint and housing prices continue to sink. We are in uncertain economic times. We may be in a recession right now, or could slip into one next week... or next month.

As optimists, we don't like forecasting difficult economic times. But, even optimists have to come to grips with the realities of our uncertain marketplace.

With economic anxiety looming, many of our clients are asking: how should I position and market my firm in the year to come? Assuming yours is a healthy company, here are our general recommendations.

## **The Cumulative Power Of Marketing**

The laws of marketing never change, even in a recession. In fact, if played correctly, they can compound in your favor. Marketing, in any economic environment, is about sustained and integrated activity.

Like the principle of compound interest, a little investment, applied consistently, will pay great dividends down the road. There are of course short term benefits – marketing assists in generating immediate sales – but the real power of your marketing program is cumulative. This cumulative effect drives awareness and ultimately preference in your service so, at the elusive time of need, your prospect thinks of you first.

A sustained marketing effort will help ensure that your pipeline is consistently replenished, leads are properly nurtured, and your market presence is maintained.

The advantages to continuing your marketing in uncertain economic times go far beyond simply maintaining the status quo. The reality is many of your competitors are going to pull back their marketing. As a result, your dollar is going to go further than it is now. Your share of voice will grow. This represents a great opportunity for forward looking firms that are committed to growth because there are still lots of buyers out there.

## The Reactionary Response

Many service firms automatically cut expenditures, and marketing is often on top of the list. It's an instinctive response to difficult economic conditions. Almost universally, this response will lead a company to have real trouble in the coming years, recession or no recession.

We can understand why firms think they need to cut back. The sensationalistic media attention given to the economy creates a quiet panic in all of us. We run all sorts of scenarios through our head: *clients are going to brace for hard times... they will take longer to make purchases... perhaps they'll even cut service providers.* As you think of sales cycles stretching, client retention diminishing, and project size shrinking, you may find yourself looking to cut costs.

Marketing is one of those initial costs that seem easy to reduce. It's hard to measure and you aren't quite sure if it's needed when it's time to hunker down. Why not cut it until things are looking up again? It's easy to justify: "We'll go full force once the market turns, it won't hurt a thing."

## The Facts

Study after study demonstrates why this is not wise. Keith Roberts, of PIMS Associates, found firms that increase their marketing spend during a recession actually grow significantly faster than firms that maintain or decrease their marketing spend.<sup>1</sup> Additionally, firms that invested more in marketing in a down market realized a 4.3% increase in their ROI. This compared to companies that maintained or cut their level of effort during the two years following a recession.

The study also pointed out that those who increased their marketing efforts during a recession gained market share three times faster in the two years following a recession than businesses that cut their marketing. While service firms don't play the market share game, this does illustrate the cumulative effect of marketing and the opportunity for advancement in a recession.

While the work PIMS did is compelling, it's hardly the only material on the subject:

- McGraw Hill found that business to business companies that maintained or increased their marketing during the 1981-82 recession grew during and

after the recession at a far greater rate than those who didn't maintain or increase marketing spending.<sup>2</sup>

- The research firm of Meldrum & Fewsmith studied all post World War II recessions and found that advertising aggressively during recessions not only increases sales but it also increases profits, and at a far greater rate than those firms that cut back.<sup>3</sup>
- American Business Media found that maintaining share of mind during an economic downturn directly related to current and future sales and that maintaining share of mind costs much less than rebuilding it after a period of marketing inactivity.<sup>4</sup>
- According to Coopers & Lybrand, marketing during a time of economic difficulty solidifies your client case, portrays you as stable, takes business away from less aggressive competitors and positions your firm well for post recession growth.<sup>5</sup>

We could go on, but we're sure you get the point – this storyline, and the research behind it, is compelling.

## **The Silver Lining**

As legendary ad man Ed McCabe puts it, "All great enterprises move forward in a recession, and the weaklings move back. The dumbbells cut back...the smart people don't."

Be one of the "smart people." Whether there will be or won't be a recession, maintaining a healthy marketing program will only build on what you have already developed. And maintaining and growing what you have toiled long and hard over requires careful planning, decisive execution, and plain old guts. Now more than ever the money you spend now on marketing matters. Not because dark times loom, but because there is real opportunity out there right now.

1 Roberts, Kieth. *What Strategic Investments Should You Make During A Recession To Gain Competitive Advantage In The Recovery*, Journal of Strategy & Leadership, Vol. 31, Issue 4.

2 International Journal of Research in Marketing, Vol. 22, Issue 2.

3 Ibid

4 American Business Media, [The Value of Advertising During an Economic Downturn](#).

5 [Ibid](#)