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Recession-Proof Marketing

Take one look at the morning newspaper and it's difficult for any business leader not to feel anxiety about the country's economic future. Nobody likes to utter the R word, but deep down every executive knows it's better to be prepared for the worst and head into a downturn with a solid strategy for marketing and selling.

An economic slowdown might actually present an opportunity for a business to get ahead, says Adrian Slywotzky, a vice president at Mercer Management Consulting in New York. Managers who wait until a recession is upon them to formulate a marketing strategy will lose sales to companies already ahead of the game, he warns. "There are outstanding opportunities for companies that are prepared," Slywotzky says. "It's easy to increase your relative competitive position.

Be Free, a Marlborough, Massachusetts—based marketing technology provider, is already profiting from its foresight. In the past year many of Be Free's competitors fared poorly as Nasdaq tech stocks plummeted and their dot-com client base bit the dust. Recognizing early that the market was overvalued, Be Free took preemptive moves last February to leverage its position before an industry decline. Stephen Joseph, Be Free's CFO, opened an additional stock offering that month raising another \$105 million just before the tech sector began to decline. His move gave the company a sizable war chest for marketing and product development. The company has since established marketing partnerships with six technology solution and consulting providers, expanded its operations in the United Kingdom to target the European market, and introduced a new personalization service that helps e-commerce clients cater to individual customers.

Meanwhile Chief Marketing Officer Tom Gerace refocused Be Free's sales force. "We shifted our target to higher-end customers rather than dot-coms," he says, and the company snagged contracts with big accounts like 3M, America Online, and IBM that have emerged relatively unscathed from the dot-com shake up. With a stable client base and a widening product line, Gerace believes Be Free is poised to increase sales regardless of the market's health and forecasts profitability by the first quarter.

Will less-prepared companies be forced to slash marketing budgets? "The days of unbridled enthusiasm over throwing dollars out for advertising and marketing are over," says Nancy Barr, president of Lord, Sullivan, and Yoder, a marketing communications firm in Columbus, Ohio. Still, Barr says she hasn't seen a cutback in marketing expenditures but rather a shift in strategy from mass media advertising to Internet and direct marketing. "There's more of a focus now on one-to-one marketing and customized messages that can be tracked for return on investment," she says. Most of Barr's clients have followed her advice: Don't cut back on marketing during hard times, but rather use the situation as an opportunity to build your brand and aggressively pursue new customers. During a recession the costs of marketing — investing in new technology, buying media time, hiring new talent — fall with lowered demand. Companies that keep spending high can therefore get more marketing firepower per dollar, and gain an advantage over competitors who cut budgets, she says.

If companies are forced to trim marketing expenses, Slywotzky says, they should focus on eliminating their least profitable customers. The expense of marketing to and servicing the least-spending 10 percent of clients usually outweighs the revenue they produce for the company.

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