

THE ST. LOUIS AMERICAN MARKETING ASSOCIATION PRESENTS

BUILDING MARKET SHARE IN A DOWN ECONOMY

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American Marketing Association-St. Louis Chapter White Paper

by Lon Zimmerman, Zimmerman Marketing Research

FOR THOSE WHO HAVE BEEN IN BUSINESS for any period of time, the cyclic nature of marketing is a sad fact of life. While seemingly counterintuitive, the marketing budget is often the first thing to go when a company is facing tough economic times. Recently, at the John S. Cook School of Business at St. Louis University, the St. Louis AMA conducted a roundtable discussion on marketing in a down economy.

This discussion was the ninth in a series sponsored by the AMA. During the session, local marketing executives discussed how they deal with threats to their budget when times are tough. Do they do with less? Do they utilize alternative marketing vehicles? How does a down economy impact their approach to the 4Ps of marketing?

PARTICIPANTS INCLUDED:

*Ms. Joan Angevine
Marketing Manager
ISTO Technologies*

*Mr. Mark Kotcher
National Marketing Manager
Save-A-Lot Food Stores*

*Mr. Bob Pifke
VP Marketing & Sales
ProSource Wholesale Floorcoverings*

*Mr. Trey Hogan
Rental Sales Manager
Hogan Motor Leasing*

*Mr. Steven Kutheis
Director of Marketing
St. Louis Children's Hospital*

*Mr. Charles Ross
Dir, NA & Asia Pacific Reg. Mktg
The Solae Company*

*Ms. Chris Keefe
Chief Financial Office
Metro Imaging, LLC*

*Mr. Cliff Langston
Director, Global Marketing
Sigma-Aldrich Corporation*

*Ms. Kelly Steinbach
Director of Mktg. & Communications
Rottler Pest & Lawn Solutions*

*Ms. Melissa Keim
Vice President, Marketing
The ROHO Group*

*Mr. Donley Moran
Director Marketing, Animal Ag
Monsanto Company*

*Ms. Kathy Webster
Director of Marketing
The Miller Group - Multiplex*

The Roundtable was held November 3, 2008 and was moderated by Mr. Lon Zimmerman of Zimmerman Marketing Research.

STEPS TO DEFEND MARKETING BUDGETS

Most of the marketing executives attending the Roundtable agree that they have had to defend their budget recently or expect that they will have to shortly. To increase the likelihood of retaining their budget, they recommend:

1) having metrics available to demonstrate the return on various marketing investments, 2) convincing management that the expenditure is needed for strategic reasons, or 3) that the expenditure is needed to address a major opportunity.

1) USE METRICS TO DEMONSTRATE RETURN ON MARKETING INVESTMENT

The chief marketing officers agree that the best way to have leverage, when the CEO or CFO comes looking for cuts, is to be well armed with metrics supporting the value of their marketing efforts.

We are a big proponent of metrics. Anything you can do to show numbers, especially to show to the finance folks. The e-world has allowed us to gather more metrics. Just finding out how many people are still coming to the website versus last year. Even though things may be slower, they are still visiting, they are still researching. So it's really about metrics and education.

We use basically a combination of macro and micro logic to show them that it makes sense to spend. We were able to show that the 90 some showrooms that used our plans last year had more members, higher conversion rates, less attrition and higher percentage of sales to existing customers, higher customer satisfaction scores versus those who didn't. We were able to show twenty percent difference in sales volume between those who did and those who didn't.

We have hard and soft metrics. One of the things that we do measure on an ongoing basis, and we use market research for this, is consumer perception of our brand.

2) CONVINCE MANAGEMENT THAT INVESTMENT IS NECESSARY TO MEET STRATEGIC NEED

Another way to protect one's budget is to demonstrate that an expenditure is essential to meeting a major strategic need.

We are not going to decrease our budget next year. I have to fill these machines. My concern is with the economy the pa-

tients are going to be putting off going to their doctor. Yeah they will show up if it hurts. But if they can live with it, patients are going to put it off. So I have to advertise more to keep my capacity where it is.

Yes the economy is down and yes it's going to effect farming no matter what, around the world. But strategically there is a need for food and strategically we have a plan to be there. We can't let a little blip in a down economy get in the way of our long-term needs. So it's not a matter of cutting back in tactics to make the strategies work, it's a matter of fine tuning those tactics to make sure that they still adhere to your long range plans.

3) ADDRESS MARKET OPPORTUNITY

A down economy doesn't impact all businesses alike. Sometimes opportunities arise that need to be addressed immediately, regardless of the state of the economy. Having such an opportunity to address can also protect one's marketing budget.

Because we tend to serve a lower income customer, we are actually having a banner year. And so our marketing budget has increased by about fifty percent just because we have so many customers that are trading down ... because of the economy. There are coming to (us). So we have an opportunity I think that we may never see again, perhaps even in my lifetime. The key really is going to be, now that they are in the store, How do we keep them there?

HOW TO MAKE DO WITH LESS

Okay, you've shown the metrics, you've shown the value of what you are doing and the ROI, etc. The Chief Financial Officer or the CEO says that may be all well and good, but we are still going to slash your budget 25%. So what do you do now? When all else fails, how do you do more with less? Among the suggestions these marketing executives offered were the following:

1) RETURN TO THE BASICS

Many of the executives suggest that tough times require marketers to go back to the basics and make do with less. Rather than run expensive TV advertising, they might find it valuable to consider making greater use of public relations, generating testimonials, and making sure that each employee understands that they are a marketer for their company.

I think what we are hearing here and what strikes me is if you have less money, you have less resources and everybody is forced to more with less. It kind of forces you to take stock and almost go back to the basics. Ok. How did I start off here? What is the bread and butter? A lot of times it's just that kind of common sense marketing. Really you kind of reevaluate everything that you do I think. It could be the grass roots thing that you were talking about in terms of civic organizations. Sometimes it's an even as simple as remembering that every employee in your company is a marketer for your company. And reminding them of that. They might just through their associations be able to bring in sales. It's that kind of basic stuff that I think we often forget to kind of reenergize and get out there every once in a while.

One of the things that I've been working on doing is public relations. Not only because it's free, but because there is nothing more credible advertising than public relations.

The thing that has worked well for me in the past is to use key customers as testimonials and case studies. If you have customers who really find value in your product, use their story and their experience because no one sells your potential customer better than your current customer.

2) PROTECT YOUR BEST CUSTOMERS

Many companies find that it makes more sense to focus on ways to hold their most loyal customers rather than searching for new ones. Current customers already know you and the benefits you provide. They are also the individuals who are most likely to provide positive word-of-mouth.

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3) NEGOTIATE WITH AGENCIES/VENDORS

The marketing execs also suggest that you attempt to negotiate with your agencies and other vendors. When times are tough, they are likely to be willing to work with you to save what business they can for themselves.

I found out that a lot of the media, because they are kind of in the same situation. They are hungry. They are willing to work with you. I've got this opening what can you do? I've got so much money left, let's talk.

Back to the saving money. We've become a real pain in the ass for our agencies, every single project now we will quote up front. We don't hand it off any more. And we are not giving our lead agency the same amount of work that we used to. We are using freelancers, we are using smaller agencies. We are piecing stuff out. If we get a quote that is too high, we sit down with them and say okay what can we do to bring the price down.

4) INVESTIGATE ALTERNATIVE MEDIA

Others encourage marketers to investigate alternative and often less expensive media.

Something that we are using to supplement our advertising this year are pre-roll videos. On the Channel 5 website. Before you watch a story there is a fifteen second video. You do a click through. You have a banner ad or something. We just cut down our regular 30 second TV commercials down to 15's. It's not that expensive.

5) EMAIL MARKETING CAN HELP BUT NOT REPLACE TRADITIONAL MARKETING

Several of those attending the Roundtable are currently using some form of email marketing. Others are interested in getting started in this area. Although many believe that email can be effective and efficient, the clear warning of those now using email is that you have to offer something of true value. Otherwise, this communication will quickly be perceived as SPAM and will lose all effectiveness.

I got supplemental funding for the next fiscal year to create an email marketing program. We will launch it but we've got to have a certain sales level to be able to justify the expense. But our big problem is collecting accurate email addresses.

We have had some minimal success with it. Minimal because we haven't been with it very long. We have been out with it maybe a year. We try to limit the number of emails that go out. We try to make the content that is in there have something that is going to be of value to them. I think once you go out there with something that is viewed as spam, I think you've lost your opportunity. For us, it's quality over quantity. If you don't have something valuable to say, don't send it out. That is kind of our approach right now. It's really less about marketing. It's more about education within the email, versus I'm just going to blast you with an advertisement about my business.

People are bombarded with so many emails. There are things that I get that I want to check out later. Well after a while, I just delete them. If you don't have a mark of presence where they are going to immediately recognize what you are sending them and it's something that they want, I don't think it will work.

6) UTILIZE MARKETING RESEARCH

Several of the execs believe that an economic downturn is a good time to develop a better understanding of the customer, both in terms of what they are looking for as well as how satisfied they are with the services/products being offered.

I think there is going to be a lot of market research done this year on customer satisfaction. When the economy changes or the market environment changes, you ask the question where do we fit. And you should have asked that question twelve months ago. So I think there is going to be a lot of customer satisfaction research. What value attributes are we really satisfying with customers?

HOW DOES A DOWN ECONOMY IMPACT THEIR APPROACH TO THE 4Ps OF MARKETING

Especially during an economic downturn, it is important to return to the 4Ps marketing. While basic, they are essential to the thinking of these marketing executives. As one seeks to be responsive to customers' needs and wants, it is apparent that best results stem from a renewed focus on product, place, promotion and price.

I don't think you can ever take your eye off the core of your marketing. If you do, you tend to in good times and have free money or discretionary spending. But you have to stay back on that. You have to use what everyone has been talking about in terms of data to understand what is resonating with the consumer and then focus on that a little

more resolutely during times like this. Go back to some of the research that you were able to spend on previously and get back down to that voice of the customer that is going to drive you to critical messages and focusing that those experiences with those right customers that are going to get you that net promoter value. It's getting back to the core customers, staying on your strategy, staying with your core strategy and just refining it. Don't deviate from your long-term plan unless business conditions absolutely require it. In which case you had better write a whole new long-term plan and not just audible for the short term.

We are developing new product configurations based on the challenges that (our customers) are facing. So we are doing the same kind of thing in that area. We are constantly monitoring what is going on in the industry and where there are voids and where we can fill those voids.

A lot of price sensitivity testing. What would happen if? Because if you know today and the economy does go back up, then you are going to be sitting perfectly. If the economy stays flat or even goes further at least you will know where to make some of these decisions.

The other thing I was going to mention too, is place is a real big issue for us. We really try to promote the convenience factor. It's a lot of people. It's waiting in line. So being in the right place...that is a huge deal for us. ...it's great for the economy. It's great for the community. And it's great for us too. It serves that unmet need.

For more information about this or future AMA St. Louis Roundtable Discussions, contact the Roundtable Chair:

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