

Smart marketing practices for economic slowdowns

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mild recession in 1H 2020 39% believe the national economy will worsen in 2020 While most sectors are still benefiting from the strength of our current economic climate, many economists speculate of an impending slowdown—or worse. Analyst firm ITR Economics predicts a , and a Q3 2019 Vistage report surveying over 1,500 SMB CEOs found that (up 4% from last quarter).

Before companies overcompensate and halt new investments, CEOs should take caution and use forethought to reduce risk, while also examining potential opportunities that may lie ahead. While there are many facets of the business that leadership teams must assess to prepare for worsening economic conditions, one of the most important—and often misunderstood or overlooked—areas is marketing.

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Bain & Company Smart action on the marketing and strategy front can have significant near and longer-term positive impacts. proved this by tracking the growth of earnings before interest and taxes (EBIT) of 3,500 global companies through an economic downturn. The research suggested those that saw earnings grow sharply during and after the downturn were the companies that prepared and aligned strategy before the storm hit.

Strategic marketing planning can take a lesson from the investing mindset. Stock performance ebbs and flows daily. Hence the advice is to not analyze profitability with only a short-term lens. In the face of a bear market, executives can apply this thought process to growth strategy and consider six marketing “levers” that can drive positive impact.

The good news is that companies who prepare their businesses in this way will only benefit. Even without experiencing an economic slowdown, this way of thinking can only help a business plan for long-term, sustainable growth.

1. Don't slash marketing budgets – spend smarter

When budget cuts strike because of economic factors, marketing is often the first to feel the brunt. Slashing funding can be severe and almost always inopportune as the very programs designed to generate demand come to a screeching halt. The irony is—when businesses have the greatest need to build their pipelines and increase revenues, the budgets that fuel that growth often aren't equipped to adequately enable marketing programs to continue.

To alleviate risk, it's wiser to “spend smarter” rather than not spending at all. Start by assessing ROI by program and channel to determine which marketing vehicles are highest-yield, being honest about needs versus wants. Ensure you have the right marketing staff to navigate the increasing demands to deliver results and if not, optimize headcount accordingly.

Consider outsourcing specific functions to marketing firms that know how to align with these changing needs.

2. Prepare mission critical value propositions

In a boom when budgets are plump, “me too” value propositions might be enough to get by. But when a heavy dose of economic reality sets in, marketing teams need to be ready with their best “mission critical” value propositions.

Your customers and prospects are facing the same conundrums of tight budgets and strapped headcount: Be very clear on how you will help them save money and time, while laying the foundation of success for years to come.

3. Targeting and segmentation: Diversify where possible

Being laser-focused on a single vertical or segment can streamline marketing and boost results, but during economic slowdowns, it concentrates risk. With signs of a downturn ahead, consider whether those targets will serve you well, and shift gears if necessary to diversify your customer and prospect base. While the proverbial “eggs in one basket” is business 101, it’s a tangible problem—especially for smaller businesses that can’t survive if they lose their largest customers or face increased risk in their primary industry segment.

When planned and executed correctly, smart segmentation strategies can actually help companies prosper during tougher economic times.

4. Nurture customers

Keeping customers happy and ensuring they are utilizing your solution to its maximum value is always good business. That’s even more so the case when financial pressures induce massive stress. Now is the time to nurture customers by introducing new touch points and expanding the number of people interacting on both the business and client-side in preparation for possible layoffs and budget cuts.

Open and honest discussions with clients can go a long way, as your clients are likely equally worried about the possible slowdown.

5. Right-size your offerings

Prepare for tighter budgets by right-sizing product and services. That could mean offering attractive discounts now to “lock-in” SaaS clients or designing a “light” version with limited functionality or services at a lower price point.

When times get tough and it is harder to sell, right-sized offerings coupled with value derivation will be a win-win for businesses and customers. To achieve this, product marketing planning should use the customer perspective:

How can our product or service solve critical issues at a price point clients can afford?

6. Build a recession-proof ecosystem

Direct sales aren’t the only revenue streams impacted by market turns. Be sure to recession-proof partner/channel relationships by evaluating their strategic direction and ability to withstand adversity.

Consider whether the business should add alternate partnerships, further cement key relationships, or diversify to partners that serve more resilient markets.

Don't just survive – thrive

Preparing your marketing strategy for a slowdown isn't about just surviving on the bare minimum—when done correctly, it can establish a foothold for continued growth. Customers will still spend money, but may rethink where and how. With the writing on the wall, companies still have time to be deliberate about decisions that will dictate long-term profitability, even after the economy is back on its feet.

Marketing certainly isn't the same as it was in 2008, and neither are the options on how to benefit from it strategically. Take the time now to consider whether your company has enough internal knowledge and strategic marketing acumen to build a modern, recession-proof marketing strategy and plan.

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