Recession strategy

60 Seconds on Marketing under pressure

Falling house prices and slowing economic growth will affect consumers' finances and financial services companies will be the first to feel the draught. Should companies advertise their way out of recession?

When money is tight, make the most of PR

Decisions ... decisions. Cost cutting is de rigeur across the financial services industry this year, so how do you decide where to get the best value for your ever-shrinking budget?

Marketing your way out of a hole might sound risky. But it's useful to recall all of the tricks of the trade available to us and not to focus exclusively on advertising. While beloved of agencies for the fees/commissions and acknowledging the fun and excitement around the creative process, advertising can be hugely wasteful and often ineffectual, not to mention seriously expensive. So what are the most cost effective (but not necessarily cash-guzzling) options available to us marketers?

The first option has to be exploiting new technology - emails/webcasts/podcasts - as a highly effective way to communicate with your market. They cost a fraction of the traditional marketing tools such as brochures or direct mail and can be much more timely and targeted to specific audiences. However, it is important to ensure consistency with brand values and relevancy to your key market. At a time when achieving a competitive edge can be everything, using new technical solutions can make you far more fleet-of-foot than many traditional solutions like the 10 page full colour brochure.

Secondly, assuming you are clear about your key audiences (and if you are not, then that has to be your first starting point), utilise the power of PR. It may take more physical time and effort in terms of establishing and managing your contacts, keeping them close and well informed about your strategy, company developments and your most recent innovation, but it is a lot cheaper than advertising. Also bear in mind the power of independent endorsement. In a highly competitive and overcrowded market such as financial services, where everyone is desperately trying to look that little bit different (cheaper, bigger, faster, nicer, grander, etc), well thought out and executed PR can make your firm/product stand out in a way that is ultimately much more memorable and credible than an advert.

Thirdly, you don't have to abandon advertising completely. But do look again at your media plan and work hard on your media agents/suppliers. In the current cash strapped climate there is an obvious negative knock-on impact on media purchasing – so bargain. Also, cut back on the creative cost. Avoid flashy and obviously costly campaigns and opt for simplicity – one or two colour solutions with sharp, clean and focused copy. At the end of it all, you will be surprised how much further your budget went and how much more interesting it's been marketing in new and exciting ways. And I bet the agency will still want to lunch you …

Moya McGinley, Marketing Manager, Business & Corporate Banking, Bank of Ireland

Recession is both a marketing challenge and opportunity

"The Chinese use two brush strokes to write the word 'crisis.' One brush stroke stands for danger; the other for opportunity. In a crisis, be aware of the danger – but recognize the opportunity.'" (John F Kennedy at a speech in Indianapolis, April 12, 1959)

In some ways, marketing under pressure is a way of life for modern-day financial services marketers, so the current downturn in economic prospects should not unduly worry them. Flexibility and creativity of thinking will be the key to success in the next couple of years. Of course we will all need to scale down our marketing budgets and teams in line with corporate strategic requirements, but continuous growth is not a way of life, despite what people coming into the financial services industry over the past decade might think.

In many ways, the adverse environment actually favours more nimble organisations, which are often by their nature smaller niche players. If you work at such a company, now is the time for you and your team to start punching above your weight as the playing field is as level as it's ever going to be. With fewer resources, human and financial, the quantity of your marketing may decrease, but not the quality. In fact, in my experience, feeling like David against Goliath is often very motivating and results in smarter marketing than when you have fewer constraints on your budget.

So, don't 'spend' your way out of recession, but do 'market' your way out. Make sure your marketing is well targeted, your messages are well-constructed, use good value marketing tools such as PR and don't be afraid to try 'guinea-pig marketing' where you work with a media owner who is also under pressure to perform, looking at ways of innovating in the low-cost but high-impact delivery of your messages to make sure they stand out from the crowd. If you act as the 'guinea pig' in trying a new idea out, then, if it works, the media owner can then sell it on to other players in your market, at a considerably higher cost, as a tried and tested method. Meanwhile, of course, you have moved on to you next high-impact campaign!

Most importantly, don't just sit there, frozen in hope. You and your team must help to lead your company into the new world, cope with the crisis, look out for danger, but make the most of all the opportunities which will come your way in 2008.

Ian Giles, Director of Marketing, Kensington Mortgages

An integrated approach is needed

Traditionally, when a company has faced a recessionary environment, one of the first areas to be scaled back has been marketing spend. But given the increase in competition within the financial services sector, which means continually facing the challenge of differentiation from competitors, marketing could well be the key driver to attract new and keep existing clients. If senior management and marketing can work together to develop aligned strategies, the result should be an increase in market share and ultimately profit.

It's not just about making sure that a company's key messages are reaching the right targets. Marketing needs to be seen as continually evolving and striving to deliver positive results to clients. This means being innovative, whether through creating new products and services or implementing new customer service techniques, to find out what is working well and what needs to be improved upon.

Advertising on its own will not work and in fact may be seen by many senior executives as a waste of money. That's not to say it should be discounted but it should be considered as part of an integrated marketing mix including strategically executed PR, as well as sales and product development.

The difficulty with traditional forms of advertising is not knowing how effective the results are in meeting business objectives. With the ever increasing use of technology as a medium to execute messages, online advertising has grown considerably over the past few years. The impact of this is that it can be tracked and measured, enabling companies and marketing managers to rethink their approach after analysing results. This type of MI is also important to be able to track benefits of spend, with ROI becoming more prevalent as a way of proving a marketing team's effectiveness.

Ultimately, marketing needs to strive to be accepted as a key part of the overall business strategy, with business and marketing objectives closely intertwined to ensure maximum impact of spend and aiming to increase overall profits.

Neil Fatharly, Marketing Director, PRUPIM

Marketing voice is what matters

This has forever been a hotly debated topic, and certainly has created more than the odd bit of friction between finance and marketing directors. The classic example of a company that has kept spending through thick and thin has been Fidelity – and one cannot argue with the long term position of strength that they have achieved via consistently behaving like a leader in all market environments.

However, for me, this topic is rather over-simplistic and indeed increasingly relevant to a bygone age when marketing budgets were seen by many cynics as a cost rather than an investment. After all, why go fishing if the fish aren't biting?

Luckily, these days even the most basic of businesses are gripping the role marketing plays in helping them reach their long term strategic goals. And they realise that marketing is far more than just spending x in order to sell y.

For sure, the role of marketing in a recession is vital – it can provide reassurance and contact in times when customers get very jumpy, and maintain voice so that a business stays visible to its customers who for now are perhaps sitting on the sidelines. But that does not mean one should increase spend or even traditional marketing activity in a downturn.

Put another way, marketing budgets should always have a variable or tactical content – so one can spend more for additional business if the marketplace is hot and spend differently if buyers turn off.

I like an approach used by many financial services companies to deploy a target 'share of marketing voice' as a way to define an advertising budget.

Its beauty is in its simplicity. You work out how visible you want your business to be relative to competitors and spend accordingly. In a recession, this can work very well. Indeed one can easily spend modestly and raise share of voice as some advertisers will be beaten by economic realities and turn off their spend and as a result media rates soften.

Richard Royds, Managing Director, BlackRock

Consumer confidence is key

In recessionary times size matters, but big is not necessarily better. Large organisations, such as Marks & Spencer and Tesco, have always been economic barometers and have given a good indication of the financial health of the nation. Their wide ranging product offerings and customer bases mean that when times are good they will do well and when consumers start to feel the pinch, then their profit and loss accounts take a hit.

M&S' recent report that like-for-like sales had fallen 2.2% in the quarter to December 29 wiped £1.5 billion off the company's value, despite a major celebrity backed advertising campaign designed to carry it through tougher times. Even Tesco disappointed City analysts with its Christmas trading figures, which turned in 3.1% like-for-like growth against an expectation of 4%. Its share price fell 2.3% on the back of the announcement. Clearly, every little bit of advertising doesn't necessarily help when you're a top FTSE100 company.

However, small companies can buck the trend and post good results in tough economic times. If your business is a speciality clothes boutique or grocer catering for the needs of a local market, it is easier to promote aggressively your products and services and bolster profits when everyone else is suffering from the effects of a sick economy. When your business is small, you don't have to change the attitudes of a nation; just enough customers to keep the cash tills ringing.

However, even small companies are vulnerable if their businesses are not broadly based and costs kept under tight control. In the market in which I work, financial services, there are thousands of mortgage advisers who wish they weren't quite so dependant on the housing sector at the moment and are desperately trying to diversify into other markets. However, simply throwing money at marketing campaigns may not solve their problems but only compound them.

The key, of course, is consumer confidence. If consumers have confidence not just in economic conditions but also in a company's products and services, then the future looks good. Advertising can help build confidence, but it is neither a total nor a foolproof solution.

Mehrdad Yousefi, Director of Sales and Distribution, Wave

Strong relationships are recession proof

The idea that companies should market their way out of recession poses two immediate challenges for financial services marketing heads. First, many consumers may take the view that this recession has been brought on by the excesses of the financial sector, and will not appreciate efforts to persuade them to borrow more or save more with a sector that has managed itself so badly. Secondly, the reference to advertising in this context is likely to reinforce views among CFOs and CEOs that marketing is only about advertising and is simply a tactical cost that can be cut as market conditions dictate.

At Span Coaching we come across this boardroom view all too frequently – marketing as a tactical function, with limited opportunities for measurement, and associated with 'soft' factors, rather than 'real business' and profits. In such circumstances it is not surprising that marketing comes under pressure when times get tough. It is better therefore to ask how companies can use marketing more effectively to make their companies recession-proof. At Span we focus on two things to make this happen. First, a better understanding in the boardroom of the role marketing can play in finding, converting and managing clients, and secondly, a structured approach within marketing to understanding clients, communicating with them and delivering appropriate services or products to them.

At the centre of all this is a recognition that relationships provide the foundations for growth and that strong relationships are recession-proof. Marketing should therefore focus more on helping to strengthen relationships – whether with clients or distribution partners - and marketing heads should ensure they have a say not only in communications activity but in sales, product development and client management. This is often the case in successful retail firms, but is extremely rare in the B2B sector (and even in parts of the WM sector where relationships are often seen as the exclusive property of client advisers) where marketing is seen as simply a creative function.

But some pundits are forecasting that the combination of the Olympics and a US election means that the real hit to marketing budgets will come in 2009, not 2008. All the more reason then to make sure that the right marketing structure is in place this year, to cope with further pressure in 2009. For those marketers whose ability to be connected to 'real business' has won them the confidence of their boards, a recession can provide the opportunity to capture business from competitors who simply slash and burn their marketing budgets. This may or may not involve more advertising: but it will certainly require more active, structured marketing.

Simon Philips, Partner, Span Coaching

Recession as an opportunity

The received wisdom for marketers is to sustain or increase spend in the run-up to and during a recession. However marketing activity needs to be carefully controlled. A strategic review should be implemented to identify where you are now, where you want to get to and how you are going to get there - as we are doing at Insinger de Beaufort.

When performing this audit before a recession there are several key areas to concentrate on. Understand and do not compromise your Customer Value Proposition (CVP). Philip Kotler[1] observed that, "customers buy from you with a certain set of expectations about your service quality. Do not reduce the experience they have come to expect." Taking this further, your message must reinforce your CVP, major on below-the-line activity and stress the quality and value of your services. Excessive above-the-line might elicit a negative reaction from customers.

In a recession your brand will be your most important asset. Brands create differentiation and loyalty. Your brand should support your CVP in conveying meaning and enhancing your relationship with clients and prospects. Your brand is your promise to your customers.

Customers will become more conservative. Your priority will be to keep current clients. Tighten up your service quality and as your competitors reduce marketing budgets, an opportunity arises to attract new customers through referrals. Being active in the market place will put you in the best place to take market share from competitors. Plan for profitability; even with economic slowdown predicted, research your market, understand the trends and set your targets accordingly. PriceWaterhouseCoopers (2007)[2] indicated that CEOs of UK wealth managers expect their net new assets under management to grow by 37% - hardly a slowdown – with brand value being the most important differentiator. A target below the predicted growth rate means you expect to lose market share to your competitors.

You will need senior management buy-in for your proposed increased investments for profitability. Present your plan in the way they think. Talk to them about increased profitability, not market growth, and investments in brand equity rather than marketing expenditure and spending.

A recession is an opportunity for marketers to develop their customer base for long-term relationships and their brands into market leaders. With a lot of hard work and the board's backing you can concentrate on your customers, maximize your brand message and set up your company for lasting prosperity.

Pete Stevens, Marketing Executive, Insinger de Beaufort

1. Kotler, P. (2003) Marketing insights from A to Z New York: John Wiley and Sons p150
2. PriceWaterhouseCoopers (2007) Global Wealth Management Survey. London

Spending more can reap rewards

The very idea of spending money on marketing in a time of recession is, at first glance, contradictory. After all, this perhaps should be the best time to pay more attention to core operational costs. Linked to this is a commonly held view that marketing and advertising are luxuries rather than necessities which, in difficult times, can be dispensed with.

This view is however fails to account for the increasing importance of these areas in the financial sector. First, the ability of wealth managers and other financial sector businesses to survive will depend upon the ability to grow, which itself will depends on marketing effectiveness.

Secondly, it is crucial to understand that marketing and advertising is a broad and pervasive service which should lie at the heart of any business. Any act which deals with the outside world is one of marketing and advertising and no business can survive without this contact.

The bottom line is that marketing and advertising should be viewed as a core service of any aspiring business and should no more be dispensed with in times of recession than in times of buoyancy.

Another perspective, especially in the financial services sector, is that recession presents certain opportunities, and that effective advertising can maximise these opportunities. For example, private clients unhappy with the service levels and returns with their existing wealth manager may be persuaded to move.

Finally, aggressive advertising during hard times may propel a business beyond rivals, who either decide to save money on marketing or simply can't afford it. Ultimately however, it's affordability, especially in a recessionary climate, which is the most important consideration.

Antony Gevisser, Head of Marketing & Communications, The Credo Group

Keep your business visible

In times of economic uncertainty businesses have to face the possibility of reduced volumes and, in preparation for the worst, will take time to assess their overall cost base. Marketing spend will often be one of the first areas to be re-evaluated. It is likely that executives will find themselves under pressure to cut budgets and in many cases it is wrongly assumed that marketing is a non-essential 'nice-to-have' that can be abandoned with little impact on the overall business objectives. This is a dangerous strategy.

In times of recession the demand for goods and services will lessen considerably, and with lower client numbers, businesses will need to fight in order to generate volume and maintain market share. Other organisations offering similar goods or services may find themselves in the same position and competition will intensify.

In scenarios such as this, promotional activity becomes more important than ever. With the same number of organisations chasing less business, it is vitally important that potential clients are fully aware of each organisation's brand name, offering and unique selling proposition. The communication of these fundamentals will help ensure a business is top of mind as and when the client is in need of its goods or services. Firms should never lose sight of the importance of visibility. Those who remain above the radar will keep their brand alive and will often be best placed to emerge in a position of strength when the market recovers.

It is vital that a company is known and trusted, and is seen to be operating as usual. In times of recession however, some businesses may have no alternative other than working with a reduced budget. Although this can be a challenge, all is not lost. The key is to be clever with the options that are available. Specified client targeting will come into its own and a revised strategy designed to centre on a particular location or type of client will allow spend to become more client or message specific.

PR activity can be intensified and relationships with promotion channels such as magazines or newspapers should be explored. Let's not forget similar businesses will be in the same boat and, with less potential for promotional revenue, publications may be willing to consider a deal. Which ever strategy works best, it is imperative that marketing is not viewed as an optional extra that can be discarded when the going gets tough. This is the very time it is needed most.

Michael Bolton, Chief Executive Officer, edeus

Don't follow the same course – look for new added value

In a recession consumers become more attentive to value. To ride out the rough waters it's advisable to reconsider what value a brand is offering. Now is the time not to invest more money behind the same strategy, but rather to get close to the customer to understand the extent to which they perceive any value in the corporation's brand. Recall, that which is added value today becomes taken for granted tomorrow.

One of the core questions that marketing directors ought to consider is why should a customer give up something of value in return for something an organisation claims is of greater value? To help appreciate this, it is worth reviewing the value ratio, in other words whether the extra benefits received from staying with one financial services brand exceed the sacrifices to remain with that financial services brand.

The extra benefits that give rise to the value of a brand can be considered in terms of whether they are attributes or outcomes. To what new attributes might a customer become attentive in a recession? Do the current attributes still evoke a 'wow' from consumers? In terms of outcomes, what changes could be made so the financial service brand would make the consumers' lives easier? Have consumers' lifestyles changed since the last consumer audit and what new roles do they seek from financial services brands?

The sacrifices consumers perceive when choosing a brand could be considered in terms of whether they are monetary or non-monetary. In terms of monetary sacrifices, what is being done to reduce the time consumers spend searching out and understanding the brand's benefits? Are there any changes that could be made to the service delivery process so that the time interacting with the brand can be streamlined? In terms of non-monetary sacrifices, does the culture of the organisation result in a relationship that is aloof and that makes the consumer feel uneasy? Does interacting with staff or the e-systems prove daunting or irritating?

The value a consumer perceives from a brand is based on their assessment relative to competitors. When doing any benchmarking work to assess the relative value of the brand it is important to do this based on consumers' views about which brands compete, rather than the broader perspective of marketers.

By reconsidering the elements of the value ratio, marketers should be better equipped to devise new investment routes that should enhance brand growth. 'More of the same' should not be the automatic response.

Professor Leslie de Chernatony, Birmingham University, Business School

Client retention is crucial

Just as fund managers will use a downturn to position their portfolio for the upturn, marketing departments have to do the same. Radical cut backs generally result in a reduced ability to capitalise when the market improves.

For example, while advertising designed very much to drive short term sales activity may well need to be reviewed – advertising products and services that simply won't sell or won't move in a down turn might be hard to justify – supporting the umbrella brand remains crucial. Recessions drive a flight to quality which doesn't dissipate immediately things get better. Stronger brands will more easily reap the rewards of an improvement in market sentiment and building strong brands requires consistent effort over the long term.

Client retention deserves particular attention in the bad times. The old adage that keeping a client or generating new business from a current client is cheaper than attracting a new client is particularly pertinent in poor markets. Marketing to this audience may rightly take a larger share of the budget in a recession.

Inevitably tougher market conditions bring greater scrutiny of budgets. But this is not always overwhelmingly a negative, particularly if recent years have seen considerable expansion of the marketing function. Where marketing activities have expanded in breadth and depth over the recent bull market, the benefits of such expansion have had time to come good and the appetite to scale back is reduced.

However when activity expands rapidly, even in the most structured and strategic of marketing departments, some fat invariably appears. In times of plenty one can occasionally afford to experiment, commit to activities the cost benefit of which is less clear. The opportunity in less buoyant times should be taken to review activity carefully and reprioritise in a spirit of genuine efficiency, rather than cost cutting, with the aim largely of reallocating budgets, not trimming them.

Emily Morris, Marketing Director, Rathbone Brothers

Target your marketing

Marketing to protect sales and win new business is integral to the success of any company and its importance does not diminish in difficult trading periods. But when consumer confidence and spending power decreases, so do the margins previously enjoyed by businesses and belts generally need to be tightened in all areas, including advertising and marketing.

What is important is that businesses do not simply stop advertising completely. The challenge is to ensure funds available are used in the most effective way, generating maximum return on investment. There has already been an increasing drive recently towards greater accountability and measurability of advertising campaigns. This trend can be an advantage to marketers when seeking to communicate with consumers during a downturn, when it becomes even more critical to employ those media which can deliver targeted, effective messages and demonstrate tangible ROI.

It is here that direct techniques can come into their own. Direct marketing is much more personalised and measurable, and can ensure that the right messages reach the right prospects in the right way, increasing both efficiency and response. Getting the media mix right is imperative and understanding how these channels work together can also maximise return when campaigning on a shoestring.

For example, research undertaken through the Henley Centre discovered that when it comes to receiving information on new financial products and services, 63% of consumers prefer to receive details through the post rather than online. Further research has shown that over half of consumers (54%) are more likely to click on an online ad if they have previously received something from that company through the post. This relationship between post and online is very cost-effective. It provides targetable channels which lend themselves well to personalised one-on-one communication and the two can work hand in hand without breaking the bank.

Indeed, further Royal Mail research has revealed that integrating direct mail and digital advertising can increase consumer spend by 25%. So, in recession, those who apply the most important disciplines of a good marketing campaign – cost effective, targeted, relevant, response driven and brand supporting - will benefit. And while, such activities may not drag them out of recession, they will help protect them through such a period and put them in a better position than competitors who do nothing

Thierry Saada, Director of Sector Marketing, Royal Mail

Strong relationships will stand you in good stead

I do not agree that companies should market and advertise their way out of recession. This may be part of the solution but often a different approach needs to be taken to make such advertising sustainable.

Our business trades in the 'whole of market' mortgage and loan sector. Recently, the sector has been hit hard by the credit crunch resulting in a significant reduction in product availability and resultant income. Simultaneously, regulatory changes are driving commission incomes down further whilst abortive costs per completion inevitably increase.

In my experience the return on advertising spends has also significantly diminished across the whole advertising piece over recent years and even those with an established brand, a strong online presence or an extensive database are finding it difficult to maintain satisfactory yields on their advertising.

We work closely with a number of national finance brands, including the top five, which have found that diversification and cross sell have played a major part in supporting their advertising budget. Simply put, financial services brands need to leverage more from their current activity and cross sell additional products to their responding customers in a TCF manner. This produces incremental income which can either go to the bottom line or, more often, is used for further advertising thus perpetuating the model.

An area where this seems to have achieved the greatest level of success is within the personal finance arena. Whilst the larger financial institutions are rightly concerned about brand protection, many have now gained comfort by carefully choosing their partners and are now working closely with specialists who can offer unsecured loans, secured loans and mortgages to their declined customers. This does not mean that such an offering is automatically sub-prime and appropriate rate caps and service level agreements can be put in place.

However, what it can mean is that borrowers are offered access to an additional range of products in a controlled, transparent and compliant manner, resulting in happier borrowers and additional income for the referring lender. With one of our corporate partners, 98% of their qualifying declined customers consent to be referred to a third party provider to consider alternative products. In some cases this can even include debt management and IVA's.

For those lenders who have done this properly, and taken time to build a relationship with a partnering organisation in this sector, they have also gained significant benefits from allowing someone from, perhaps, a more entrepreneurial and less corporate background to understand their processes and highlight opportunities which they have failed to exploit, specifically including how to get more applications back.

Rather than simply increasing advertising to generate more customers, I firmly believe that businesses should concentrate their time in doing more with the customers they have already. Many decision makers are standing too close to the coalface and, as you might expect, all they can see is more coalface. By partnering with the right companies who can protect their brand, provide top quality service and products, generate incremental income and bring new ideas from outside of the coalface, they can create additional income, or marketing budget, from within.

Steve Walker, Managing Director, Promise Solutions

Understand your customers

It's easy when the economy slides into recession to make the mistake of thinking all customers are affected in the same way, which of course they are not. I work in the mortgage market, which is one of the sectors hardest hit by the credit crunch and ailing economy. Yes, house prices are falling and mortgage transactions are slowing, but that doesn't necessarily mean opportunities don't exist.

The silver lining to the mortgage market's black cloud is that remortgaging is on the increase as thousands of homeowners look to renew two-year fixed rate deals which were taken out in 2006 when mortgage rates were considerably lower than they are today. The buy to let market is also continuing to perform well and there is a growing expectation that equity release could be the next big opportunity.

For enterprising mortgage intermediaries, opportunities do exist even in what many pundits describe as the worst housing market for decades. The challenge is, as it has always been, to spot the emerging trends and make a move whilst the opportunities are still aplenty.

The key to success, however, is not simply to throw money at advertising and promotional activity, but to carefully research the market and ensure you understand precisely what consumers are seeking and how you can best satisfy their needs. It's the classic ingredients of successful marketing. When you understand what motivates consumers to open their wallets when the economy is lack-lustre, then is the time to mount a marketing campaign.

Recessions are usually a time when true entrepreneurs come to the fore. Most markets are dynamic and constantly changing, both in recessions as well as good times. Change creates opportunity and the successful companies are those which grasp the opportunities. Advertising is a part of the way to exploit opportunities but, by itself, it is not a total solution. Being close to customers, understanding their current and future needs and not assuming they are all the same, is what matters most.

Polly Hughes, Head of Marketing, Mortgages Plc