



The Chartered
Institute of Marketing

Marketing in a recession

White Paper

Members' briefing

23 April 2009

Thomas Brown

The Chartered Institute of Marketing

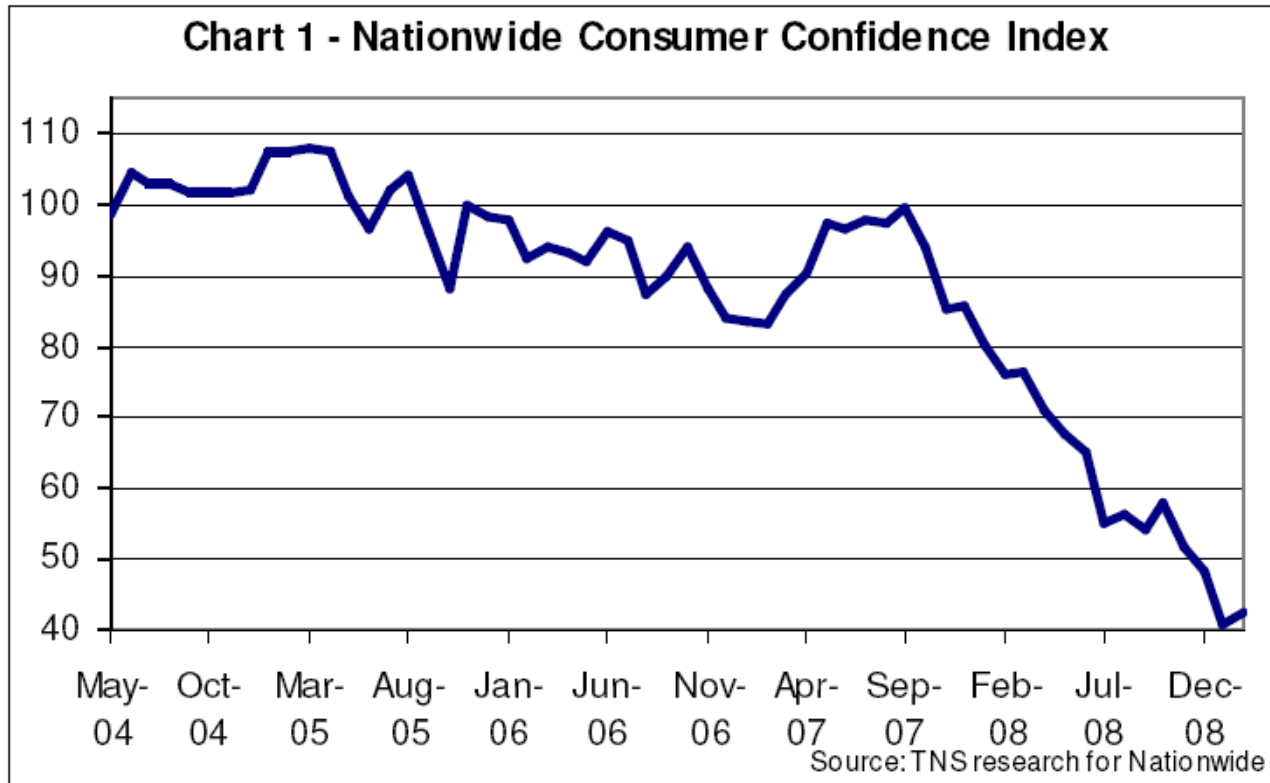
Frame of reference - marketing?

- Right offer
 - Right customer
 - Right message
 - Right channel
 - Right time
 - Measured
- 
- Marketing**
- Marketing communications**
- Good business practice!**

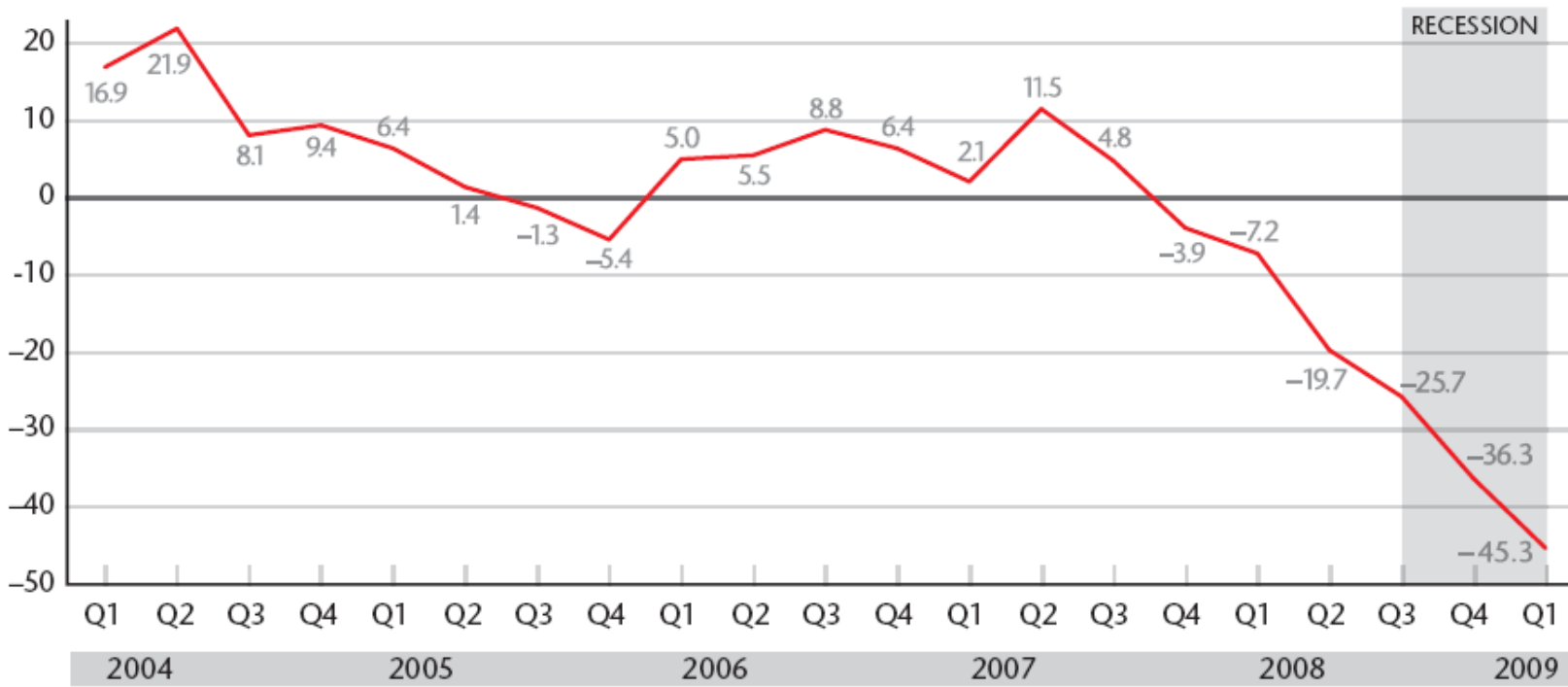
Audience participation! Are you...

- 1 Optimistic** about new opportunities for growth, innovation and customer acquisition for 2009-10
- 2 Pessimistic** and worried about what 2009/10 holds and how long this will last
- 3 On the fence** - going to wait and see how the next six months pan out

Turbulent times



Turbulent times



Source: ICAEW UK Business Confidence Monitor

Turbulent times

- 2,248 insolvencies in Q4 2008
 - +220% on Q4 2007
- Interest rates at 350yr low
- Lending freeze between and from main UK banks
- Established high street names disappearing
 - Woolworths
 - Zavvi
 - Whittards
 - MFI



Key principles to help marketers and their organisations

Applicable to public and private sector, across industry verticals and firm size



A lasting
legacy

1. A lasting legacy

Challenges

- 'Back to normal' just won't be back
 - Key hallmark of this recession
- Capital/credit less available
 - Individuals and businesses
- Customers now refocusing on a new definition of what constitutes 'value'
- Customers still spending, but...
 - Now in need of more compelling, persuasive reasons to do so

Responses

- Embrace re-using rather than consuming
 - Added benefit of a more responsible, sustainable approach
- Don't wait for 'normal' to return
 - Use short term tactics to inform your future
 - Seek out opportunities to align with a redefinition of value
 - Redefine the core of your offering

1. A lasting legacy

Example - using innovation to adapt to new customer challenges

"I'd like a new car, but I don't really need one right now"

- Innovation at product level
 - Rational justification for purchase and change
 - Emissions, fuel economy, tax efficiency
- Innovation at the promotional level
 - New ways to spread the financial cost and risk of purchase
- Innovation at the marketing level
 - Designing for desirability
 - Reassuring and coaxing me over the hurdles I may face



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More

Nevada leather Upholstery.
M Sport steering wheel.
Air conditioning.
19" alloys.

Less

44.1mpg



Consumer

BMW
118d M Sport package



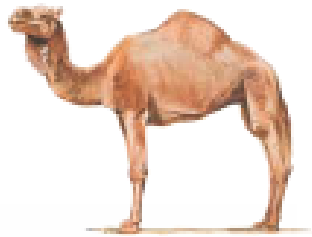
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www.cim.org.uk
Tel: 0203000 000

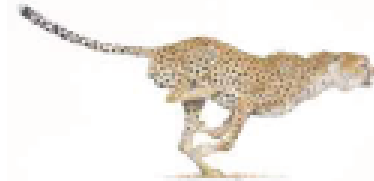
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BMW EfficientDynamics
Less consumption. More driving pleasure.





665 miles on one tank



245 bhp



Consumer

BMW
The Ultimate
Driving Machine



The Ultimate
Driving Machine

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BMW EfficientDynamics
Less emissions. More driving pleasure.





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Tax

62.8mpg
£35 road tax
13% BIK

Haven

17" Alloy wheels
Sports seats
MF Sports steering wheel



Corporate

116d available from March.

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BMW
1 Series



The Ultimate
in City Driving

www.bmw.co.uk
1-800-010-0000

BMW EfficientDynamics
Less consumption. More driving pleasure.



Business

18% BIK
£120 road tax

Pleasure

Leather
Bluetooth
Navigation



Corporate

BMW
The Ultimate Driving Machine



The Ultimate
Driving Machine

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BMW EfficientDynamics
Less emissions. More driving pleasure.



Capitalise on the new tax rules.

115 BMWs can save you money under the new rules.

BMW models with CO₂ emissions
<120g/km



116d 3-door 118g/km
118d 3-door 119g/km



116d 5-door 118g/km
118d 5-door 119g/km

BMW models with CO₂ emissions
<140g/km



116i 3-door 139g/km
120d 3-door 128g/km
123d 3-door 138g/km



116i 5-door 139g/km
120d 5-door 128g/km
123d 5-door 138g/km



118d Convertible 129g/km
120d Convertible 134g/km



120d Coupé 128g/km
123d Coupé 138g/km



318d Saloon 123g/km
320d Saloon 128g/km



318d Touring 125g/km
320d Touring 130g/km



320d Coupé 128g/km



520d Saloon 136g/km



Corporate



Greener than the World Green Car of the Year 2008.

The new BMW 1 Series 116d.

March saw the launch of the compelling new BMW 1 Series 3 and 5-door 116d, the most efficient BMW model ever produced. With outstanding combined fuel consumption of 64.2mpg and CO₂ emissions of only 118g/km, the BMW 116d is even more efficient than the 2008 World Green Car of the Year, the BMW 118d. The 2.0-litre turbo diesel engine also ensures that efficiency is delivered without compromise in performance, with the 116hp engine accelerating the car from 0-62mph in only 10.2 seconds (10.3 seconds for the 5-door).

The introduction of the BMW 116d provides greater accessibility to the 1 Series diesel range and offers more savings for drivers and fleet operators. With a BIK tax rating of only 13%, road tax of just £35 a year and impressive efficiency, the BMW 116d is set to become one of the most important new fleet models of 2009.

The new BMW 1 Series 116d.

- BMW EfficientDynamics technologies.
- CO₂ emissions of 118g/km.
- 13% BIK.
- 2.0-litre turbo diesel engine.
- 64.2 combined mpg.
- 0-62mph in 10.2 seconds.
- 3-door available from £17,605 OTR.



Corporate

BMW 116d Sport 5-door competitor comparison.

Model	Pricing (OTR)*	Power output (hp)	0-62mph (seconds)	Combined fuel consumption (mpg)	P11d value*
BMW 116d Sport 5-door	£18,945	116	10.3	64.2	£18,855
Audi A3 Sportback TDIe Sport	£17,610	104	11.7	62.8	£17,520
Volkswagen Golf Mk6 SE TDI	£17,465	108	10.7	57.6	£17,290

BIK tax rating 2009/10# (%)	CO ₂ emissions (g/km)	VED band**	Annual company car tax 2009/10#		Predicted Residual Value (%)	Wholelife Cost† (ppm)
			20%	40%		
13	118	C	£490	£980	43.5	38.41
13	119	C	£456	£911	42.2	37.39
18	128	D	£622	£1,245	40.9	36.65



Visibility

2. Visibility

Challenges

- Reducing spend risks invisibility
 - Short term silence/reduced activity can have a long term impact
- A silent brand risks further malaise by word of mouth
 - [Unfounded?] perceptions of failure
- Cutting marketing investment today can provide competitive vulnerability
 - If your activity reduces, competitors' will increase in relative terms, even if they don't increase spend

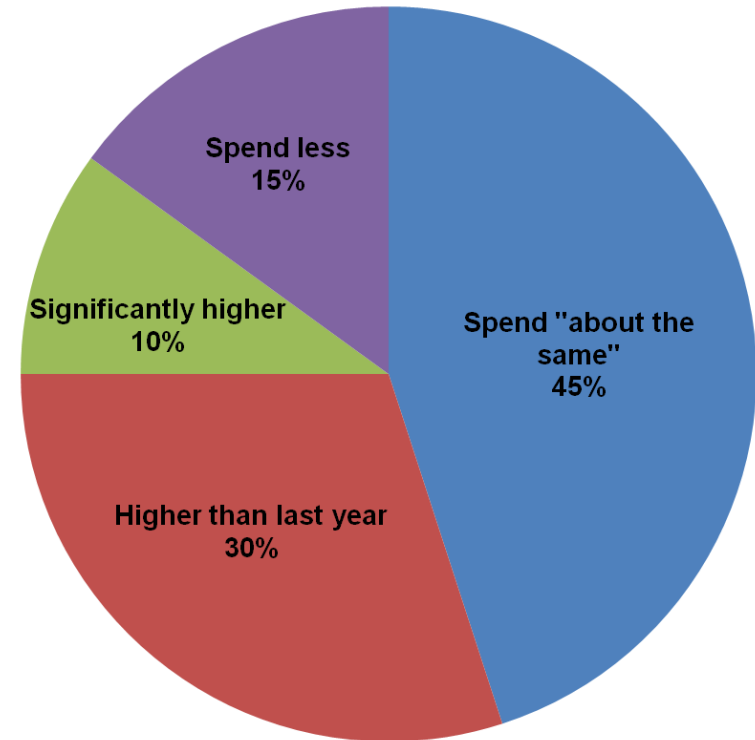
Responses

- Revisit and prioritise core objectives
 - Retention? Awareness? Market share growth?
- Are your marketing plans aligned?
- Are other media options available?
- Can you renegotiate rates with marketing services suppliers?

2. Visibility

Example - airline industry

- 9/11 attacks brought many airlines marketing spend to an abrupt halt
 - Assumption that customers would dramatically reduce flight purchases
- Ryanair embarked on aggressive (and sustained) marketing campaign
 - Revenues increased **>20% pa** since +457% (2001-08)
 - Pax no's increased **>19% pa** since +528% (2001-08)



Source: Airline Business
Survey on 2009 marketing budgets

Lessons from the past



Lessons from the past

McKinsey study - 1990/91 recession

- The companies who increased their spend in a recession were the only ones whose profits rose substantially when the economy recovered
 - Top quartile of companies overspent peers by **9.2%**

Lessons from the past

Hillier analysis of 1,000 companies from PIMS database after 1990/91 recession

- Companies increasing spend in a recession recover **three times faster**



We're on
your side

3. “We’re on your side”

Challenges

- Customer centricity/affinity never more important
- ‘Doom and gloom’
 - Confidence is low
 - Trust is under question
- Empathy doesn’t have to mean discounts

Responses

- Speak to key customers
 - What are they going through?
- Explore how you can show sensitivity to build loyalty
 - Promotions on price/volume
 - Restructured product/service offers
 - Retention offers to retain dialogue at lower spend levels

3. “We’re on your side”

Example - innovating mix elements other than price to retain customers

- Retailers trading down within store, not outside Sainsbury, Tesco
 - Growth in own label range
 - Tiered expansion in ‘value’ range

- Product packaging innovations Nestlé
 - Nescafé Coffee/Nido Milk Powder
 - Premium brands sold in smaller sachets in emerging markets
 - Nestlé forecasting 5% growth 2009-10



Differentiate

4. Differentiate

Challenges

- Differentiation always been key in commoditised markets - now even more so
- Differentiators require thought from the customers' point of view
 - The current market dynamics can be used as an opportunity to establish a stronger position
- Also keep track of competitors and their strategies
 - Avoid the temptation to copy them

Responses

- Macro issues shaping markets are long term trends, not fads
- Revisit what constitutes 'value'
 - Rethink your offer/proposition
 - Explore solutions across the value chain



Adapt

5. Adapt

Challenges

- 'Normal' won't be familiar when we emerge from this period
- Customers' are still spending, just in different ways
- EG: automotive spare parts retailer
 - Retention of second hand cars could create new segment
- EG: computer hardware supplier
 - 'Downsizing' and office moves create potential new service offering

Responses

- Avoid 'marketing myopia'
- Be clear on your competencies
 - Revisit your definitions of 'market' and 'opportunity'
- Don't write off defecting or value negative customers/segments
 - Assuming core needs still exist, what are they trading down or defecting to?
 - Do your competencies align with these new alternatives?



Don't count
on discounting

6. Don't count on discounting

Challenges

- Cutting prices an obvious response
 - A price reduction today compromises price sensitivity tomorrow
- Cost cutting cheaper than investing in marketing?
 - Short term profit defence only
 - Past campaign impact undone
 - Maintaining SOV improves long-term profitability
 - Maintaining SOV repositions against competitors not doing so

Responses

- Don't take your eye off competitor responses to the economy
- Seek out low cost/high value augmentation to product/service offerings
- Are customers looking to reduce spend, or reduce risk?
 - How would you approach this?
 - Talk internally to sales, service, distribution, finance to explore cross-business solutions



Technology

7. Technology

Challenges

- Technology has transformed marketing over the last decade
- Technology a low cost way of communicating in a downturn
- Online response more effective
 - 20% **more** conducive than average
 - Telephone response 16% **less** likely
 - Personalisation makes response 14% **more** likely

Source: CDMS

Examples

- Toolkit Websites
 - E-Marketing SME
 - Introduced e-newsletters to maintain dialogue in current climate
 - Drives greater enquiries
- Kwiqq
 - Social networking software provider
 - 600% turnover increase in 2008
 - 25% decrease on recession
 - Introduced campaigns on Facebook, Twitter and LinkedIn
 - Turnover increased 1Q09, forecast to increase a further 180%

7. Technology

Responses

- Technology a great opportunity
 - Reduces DM costs
 - Supports a sustainable philosophy
 - Positions businesses as innovators/contemporary
- Find out what online media your segments are exposed to
 - Facebook, LinkedIn, Twitter etc
 - Explore how to leverage and measure!

Responses

- Measurement is critical
 - Make sure you know what works first!
- Be wary of effectiveness
 - Avoid wholesale changes to media channels without testing
- Don't be cavalier
 - Be sensitive to 'bombarding'
 - Be clear on objectives
 - Maintain an ethical approach - respect data protection and privacy legislation



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In conclusion

Final thoughts
Q&A

Final thoughts

Provided marketers can demonstrate **how marketing fits in with the broader strategic aims of the organisation**, they will have a strong case against panic cuts and for investing in the very people who can **prevent the gap between you and your competitors increasing**.

Final thoughts

The most important thing marketers can do during a recession is **ensure that every bit of budget is spent wisely**. This is true in expansionary times, but becomes critical in slowdowns.

By all means, allocate marketing spend differently,
but don't slash it.



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Questions?

www.cim.co.uk

info@cim.co.uk