Marketing success in a slowdown

12 steps to move marketing from being seen as a cost centre to being truly valued as a revenue generator.
Introduction

Hardly a day goes by when the state of the global economy is not mentioned in the news. The question organisations are asking themselves, is whether it is possible to actually profit from a slowdown in consumer spending?

During lean times, companies can often think they’ve cut unnecessary costs from their marketing budgets only to discover that it is actually a false economy. Smart marketers know that less emphasis on marketing, even in lean times, equals fewer sales. And, experience from previous slowdowns shows that too much focus on customer acquisition at the expense of customer retention equals increased churn.

In many respects, logic can often find itself sidelined as marketers, under increased scrutiny from people who don’t understand the science of marketing, feel forced into taking arbitrary cost-cutting exercises. After all, marketing is a cost isn’t it?

This paper argues that now, more than ever, is the time for the marketing discipline to stand up and be counted. With twelve key steps any marketer can employ to shift perception of the discipline from that of a discretionary cost-centre to a proven and essential value generator.

Companies need to be ready to adapt and innovate to manage and exploit new market conditions. They need to drive strategic change and not resort to knee-jerk reactions, fight for resources with compelling business cases and drive continued customer-centric, cost-efficient marketing campaigns. In today’s economic climate, strategic marketing activities are well positioned to deliver value to the business. The common thread in all of this is customer insight, forensic marketing capability and clinical execution.

The recommendations contained in this paper are designed to help marketers deal with a change in fortunes and emerge in a stronger and more confident position. This is about using the science of marketing to milk every possible drop of profit from every marketing pound spent.
Opportunities to drive growth

During a slowdown in the economy, marketing can be one of the most important activities a business can undertake.

Perversely, evidence has shown that a slowdown is not necessarily bad news; inertia in consumer spending can make companies just as often as break them. Opportunities will exist where competitors have cut back on marketing, presenting another company with the chance to have greater impact in a far less cluttered market. A word of caution, however, companies pursuing this strategy need to ensure that they are communicating the right things in the right way, adapting quickly to customers’ changing attitudes and disposable income.

As in the early 1990’s direct marketing is ideally placed to take advantage of the slowdown but what is very different this time around is that it is very clearly digital’s turn to play the leading role – particularly when it is integrated with offline channels. For offline and online direct channels it will be the ability to use data and customer insight to drive measurable actions that will enable them to add significant value to the marketing mix.

We believe that the following twelve pointers are crucial for any marketer wanting to establish themselves as an essential value generator for their organisation, whatever the economic forecast.
1. **Plan proactively**  
Have plans, and back-up plans, ready for any eventuality

2. **Manage the management**  
Present highly visible demonstrations of your ROI

3. **Concentrate on customers**  
Focus on retaining and growing existing customers rather than chasing new ones

4. **Adapt your products and services**  
Assess the environment and tailor your propositions for the new climate we’re in

5. **Understand your customers**  
Don’t assume your previous customer insight holds true, economic challenges can change consumer opinions dramatically

6. **Analyse and segment**  
New behaviours will emerge – be proactive in working these out and responding to them

7. **Exploit digital channels**  
Be smart in moving activity online, it might be quick, but it needs very careful thought

8. **Use targeted email**  
Be judicious – make sure you don’t burn your bridges with a rush to a ‘cheaper’ channel

9. **Collect data sensibly**  
Focus on collecting actionable information – don’t keep it just because it’s vaguely interesting

10. **Integrate your channels**  
Close the loop in your marketing to make sure profit isn’t falling through the gaps

11. **Apply the science**  
Prove it, prove it and then prove it again

12. **Get the word out**  
Get the jungle drums beating in the online communities
1. Plan proactively
Marketers need to be realistic. It is likely that there will be some cut backs in marketing, particularly in traditional above the line media. However, smart marketers will try to retain the budget and redirect it at measurable channels that can demonstrate ROI.

It is critical not to deny that there is a challenge – marketers need to be ready and prepared to make some tough decisions. The key point is to create compelling business cases for each investment. Marketers need to plan (and plan again) for change in advance and stay one step ahead and be armed and ready with marketing plans for every eventuality.

It is vital to make intelligent use of existing budgets to drive results and value. This means fighting harder for the customer’s attention to remain at the forefront of their mind. DM practitioners need not panic – simply remind decision makers that direct techniques are more measurable than other marketing tools. The discipline is effective, economical and personal.

2. Manage the managers
Protecting marketing budgets means that marketers need to hone their skills to convince Finance that their plans will deliver a profit. To do this, it is all about clearly defining how return on investment is being measured and agree this with management and finance in advance. These metrics are essential to support business cases and justifications for marketing spend in a slowdown.

It is key to drive accountabilities and make measurable results visible across the business to highlight marketing’s impact on the bottom line. This means planning and agreeing targets and measures with decision makers – e.g. sales revenue attributable to marketing, incremental sales due to marketing, conversion rates.

Ultimately, marketers need to involve rather than inform decision makers in this critical area.

3. Concentrate on existing customers
Marketing strategy should focus on either market share or profit margins. In a slowdown companies cannot expect to do both.

It is more practical and prudent in this situation to generate more value from current customers. In these economic conditions, customers are feeling more vulnerable and they are more likely to stick with what they know and trust and take fewer risks.

When people are worried about spending, increasing relevant engagement is more likely to generate sales than simply shouting about a brand. Engaging appropriately with customers during a slowdown and helping them through their difficult situations can build better relationships – which is all underpinned by customer insight.
4. Adapt your products and services to the economic conditions

How and what is marketed to customers will need greater attention. A starting point is to simply ask customers what they want from a company. Those that fail to engage with customers during a slowdown will fall prey to the next business that can offer a cheaper product or service at the same quality. The better the service provided to customers, the harder it will be for competitors to lure them away.

Brands need to plan ahead and focus on those ‘key moments of truth’ and, if need be, revise their customer journey capabilities. This means ring-fencing expenditure on customer experience programmes as they will play a key role in managing customer interactions and driving brand perception.

Similarly, it is imperative to share data and decisions and make them available at every customer contact point to generate timely offers. Going the extra mile to personalise service will pay off in the long run.

5. Understand customers and their needs

It is essential that marketers look at their customers in a new light as they begin to tighten their belts. This means understanding what drives customer value, what they expect and what is important to them in the slowdown.
Against this backdrop, it is vital that marketers know their customers inside out – using customer insight and intelligence to drive their approach to marketing. Therefore, focus research investment on customer behaviours and tracking tools and not solely on the brand. Create discreet marketing messages around the challenges consumers are facing. Brands need to determine what proposition and story they have to tell against each of their products and services in a way that can be adapted for each customer’s circumstances. The key is creating engaging and relevant messages based on a solid understanding of each customer’s preferences, needs and behaviours. In effect, true one-to-one communication.

Drive value from your existing customers, particularly your profitable customers, by understanding them and their needs. Experian transformed the churn management of a leading pay TV provider – delivering £100m a year in retained revenue and a 25% reduction in churn in months, by concentrating on key churn issues; using specialist insight and analysis of the key churn drivers and implementing strategies to mitigate them. The business has seen a subsequent 20% improvement in long-term customer profitability.
6. Analyse and segment

The role of customer intelligence and analytics will grow in importance as the need for insight and targeting lies at the heart of successful marketing in a tougher economy.

Customer profiling, clusters or RFV (recency, frequency, value) models are essential to identify which customers are spending the most, how to uplift sales and also to detect high value customers that show signs of diminishing value.

Investing in segmentation will also yield significant benefit. This is the first fundamental step in the move to effective one-to-one marketing. Some segments in a slowdown will be growing faster than others and some will be in decline.

Companies need to track and understand these segments, their trends and which behaviours that are driving these changes.

There may be new segments or opportunities emerging for companies to exploit. The marketer must focus on the development and improvement in segmentation; not just analytics and insights – but the development of relevant capabilities to deploy effective (targeted and relevant) one-to-one communications.

This includes more sophisticated campaign planning, proposition development, data management, creative execution and campaign management capabilities.
7. Exploit digital channels

Marketers that regularly use online media are in a great position to deliver strong ROI in a slowdown.

The focus has to be on measurement, targeting and customer management on a one-to-one basis. Those companies that integrate not only digital channels (i.e. email, web analytics and e-commerce) but also their offline marketing channels (call centres, direct mail, customer statements etc) are in the strongest position.

Search and email will join direct mail as accountable channels to focus budgets on. SEO, performance-based search and updating websites will also be core marketing activities that will retain or attract budgets.

In fact, Hitwise data shows that 4 in 10 visits to a typical website come via a search engine, and this figure is increasing. The growing importance of branded search traffic, which currently accounts for 75% of the top search terms, illustrates the importance of optimising a website for search engines when conducting offline marketing campaigns.

Furthermore, the measurability of email as a channel allows marketers to prove clearly attributable ROI figures from e-marketing campaigns. This is a particularly valuable feature when marketing budgets are under pressure.
8. **Invest in targeted and relevant email marketing**

The critical words here are targeted and relevant. Email marketing needs to get cleverer. Due to low costs too many companies are seduced into blasting out campaigns with little, if any, targeting.

Companies need to avoid being tempted by low cost e-mail marketing offers from suppliers. Whilst tempting as these may first appear, it is often an inefficient and ineffective way of engaging with customers – often being consigned to the recipients ‘deleted items’ folder.

Emails have to be relevant or customers will not open them. Companies need to be more sophisticated and exploit Web 2.0. Customers expect interactive, highly personalised communications that deliver value beyond a simple marketing message. Copy needs to be highly creative, clear and simple and highly relevant to the target audience.

Utilising offline direct marketing techniques in email will continue to drive success in a slowdown. Companies must adopt test and learn activities, which can be particularly effective in email due to the speed of response and ability to react.

Developing capabilities using customers’ purchasing patterns and insight data to tailor messages and trigger campaigns is also highly productive. Relevance-based targeting leads to higher response and conversion rates, not to mention better customer experiences, value and loyalty.

Companies should look at creating customer management programmes that include automated trigger and event-based activities to ensure speed to market and relevance. For example, one Experian Cheetahmail retail client achieved 3.8 times higher revenue per email than their standard promotional messages through using triggered emails to people that abandoned their shopping carts.

Automation will also ensure ongoing relevant customer communications free up the marketer from simply spending time on campaign execution and allowing them to focus on campaign strategy and planning.

9. **Enhance customer data collection**

Data is an important asset and companies need to understand it, ensure it is relevant, good quality and regularly updated.

In the current climate, now is the time for brands to know even more about their customers and the market place. Customer data sources continue to grow, providing more opportunities to create better insights and deliver targeted, one to one, relevant communications. Data collected and managed needs to be actionable; this means avoiding at all costs the temptation to swamp databases with ‘interesting’ but irrelevant data. Integrating web analytics into the email marketing database can drive value e.g. shopping cart abandons, pages visited, sites joined from, survey tools, product last bought, time since last visit. Use customer touch-points to collect data and focus on maintaining key contact details and preferences.
10. Integrate channels to increase customer engagement

Customers expect to be contacted through different media. Companies must understand these media links and weave different online and offline messages to build compelling, engaging and personal experiences.

Integration of channels at different stages of the customer buying cycle and customer management programme will drive benefits; it drives a more consistent and persistent message.

Companies need to use their marketing platforms to create new fields in their databases to add relevance. This could mean using email as an alert for a catalogue, new product launch or forthcoming event. Follow-ups can also be used, for example, as reminders for non-responders or satisfaction surveys after an event.

11. Apply the science – test, learn and evaluate

It is sacrosanct to instil a test and learn culture and programme to ensure that they do not get bogged down in creative tests.

This means continually testing and evaluating marketing activity effectiveness by establishing a closed-loop marketing programme to deliver real insights into how different marketing activities are driving revenues and value.

Using a single relational database to collect, manage, segment, execute, automate and integrate all marketing campaigns will allow companies to better evaluate programmes across channels. This is particularly useful when the marketing budget comes under increased pressure to make cuts – the evaluation and justification to retain marketing programmes is visible.

12. Get the word out using social media and word of mouth marketing

Social networking is a relatively new channel and success is more likely to be achieved by brands that have already tested and invested in it in less demanding times. Whilst it is cheap and therefore appealing, only those well-designed social applications will be truly effective. Instead of dabbling in social media, companies should insist on social applications with metrics e.g. higher sales conversions, measurable word of mouth. Social networking can be used to gather further insights into customer needs and perceptions which can then be translated into actions in other channels.

Put into context, UK Internet traffic to social networking sites has increased by 112% over the last two years, according to Hitwise. Social networks are now the second largest source of traffic to other websites after search engines, accounting for one in every nine visits. For example, Fashion is currently the fastest growing area of online UK retail and has seen the amount of traffic it receives from social networking sites increase by 84% over the last 12 months.

Summary

Marketers need to face the challenge of marketing in a slowdown head on to ensure their brand emerges stronger and more agile. With a positive attitude, tough times can be seen as ‘character building’; a slowdown can bring as many opportunities as a boom and certainly puts marketers to the test. By carefully managing the effect any slowdown might have on a business’s performance, as opposed to just reacting to it, marketers will give themselves the opportunity not only to survive a slowdown, but to thrive during, and after, it by establishing their position as essential value generators for their companies.

To find out more about what Experian could do for your business go to www.experian.ie or call 01 846 9200
About the author

Marie Myles is Director of Marketing Consulting at Experian Integrated Marketing, with extensive industry experience and is responsible for the marketing consultancy practice providing practical advice and expertise to clients on maximising marketing effectiveness.

Marie and her team of marketing consultants act as trusted advisors and a hub of expertise for our clients. They provide services in contact strategies, customer journey and CRM, the application of customer-driven insight and targeting, channel mix, data and test and learn practices.

About Experian

Experian is a global leader in providing information, analytical and marketing services to organisations and consumers to help manage the risk and reward of commercial and financial decisions.

Combining its unique information tools and deep understanding of individuals, markets and economies, Experian partners with organisations around the world to establish and strengthen customer relationships and provide their businesses with competitive advantage.

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Experian can work with companies across the whole marketing lifecycle. For information and advice on integrated offerings of this kind, contact Experian’s specialist integrated marketing team on 01 846 9200 or visit www.experian.ie.

Experian also offers specialist services through dedicated expert teams, details for the companies featured in the paper are provided on the next page.
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For up-to-date analysis of online trends, please visit the Hitwise Intelligence- Analyst Weblogs at http://weblogs.hitwise.com and the Hitwise Data Center at www.hitwise.com/datacenter.

More information about Hitwise is available at www.hitwise.co.uk. Contact Jannie Cahill, Marketing Director on +44 (0) 207 378 3619

About Future Foundation:
Future Foundation analyses the social trends that are affecting consumers and advises on the best way to implement strategies within the future consumer environment across the world.

For further info contact info@futurefoundation.net or call 0203 042 4747. www.futurefoundation.net

About Experian CheetahMail:
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