



BY HISHAM EZZ EL ARAB  
*Chair, Marketing Committee,  
AmCham Egypt and marketing  
director, Danone Egypt*

AND DALIA WAHBA  
*Co-chair, Marketing Committee,  
AmCham Egypt and founding  
partner, CID Consulting*  
[marketingpractice@amcham.org.eg](mailto:marketingpractice@amcham.org.eg)

# MARKETING IN A RECESSION: TIPS AND TACTICS

THINKING ABOUT TRIMMING DOWN YOUR BUDGET BY SLASHING YOUR MARKETING LINE ITEM? THINK AGAIN. MAINTAINING YOUR MARKETING SPENDING IS WHAT COULD ACTUALLY SAVE YOU.

**R**ecession is upon us, no mistake about it. Uncertainty is in the air and consumers are reluctant to dig their hands into their pockets any deeper than they should. But this should not discourage marketers; rather, now more than ever, they should maintain their marketing pressure.

It is understandable that during times of uncertainty and panic it's quite difficult to continue believing in such an argument, particularly since no one has a concrete answer as to how long this recession will last or how it will impact the Egyptian economy. But we have no choice except to draw on global best practices and similar historical experiences to build up different scenarios with our marketing budgets. Most important of all, we should keep monitoring the market pulse.

Companies should not take the easy way out and cut their marketing budget. That is just a quick, short-term fix. In fact, this quick fix may be quite risky to the whole business. This is best illustrated by Moray MacLennan, president of the UK's Institute of Practitioners in Advertising (IPA) and CEO of M&C Saatchi, who explained in his recently published paper "How to get ahead in a recession," that "If you turn off the engines of a plane flying at 36,000 feet, it does not drop out of the sky. Indeed, as far as the pilot and passengers are concerned, life continues as normal with the plane only very gradually losing

altitude. It's exactly the same with brands."

Businesses should start viewing marketing as a "business savior" in times of uncertainty and economic turmoil. In a recent survey conducted by the Economist Intelligence Unit on behalf of The Economist Group, 61 percent of the marketers surveyed confirmed that "they will set their advertising strategy to take advantage of opportunities in the downturn." In other words, marketing-led companies will capitalize on downturns to gain market share. Karim Ramadan, general manager of Microsoft Egypt, gave insights from Microsoft Australia, which had a quick approach to the challenging business conditions. They started a customer and partner campaign entitled "Is the glass half full or half empty?" revolving around the economic crisis and how their customers may be viewing the current conditions and where there may be opportunities for their business during such a challenging time, as well as how more can be achieved amidst the current economic climate.

In his article "Marketing your way through a recession," Professor John Quelch, of Harvard Business School, puts forward a similar opinion: "Brands that increase advertising during a recession, when competitors are cutting back, can improve market share and return on investment at lower cost than during good economic times."

## Brand equity

Moreover, sudden and random marketing budget cuts can seriously damage the brand equity attributes you have been trying hard to build over the years. Brand power is the name of the game and more so during a recession. Consumers in a recession will be more cautious. They will only buy what they really need and what they think is truly valuable. Value comes not only from the price, but more importantly from the brand strength and its image compared to its peers.

The "real" brand essence lies in the "equity" of the brand rather than its mere price. A recent Millward Brown study that included 500+ brands and 6,000+ consumers showed that 59 percent claimed that they bought goods "based on the strength of the brand" while only 10 percent said that they bought "based on price alone."

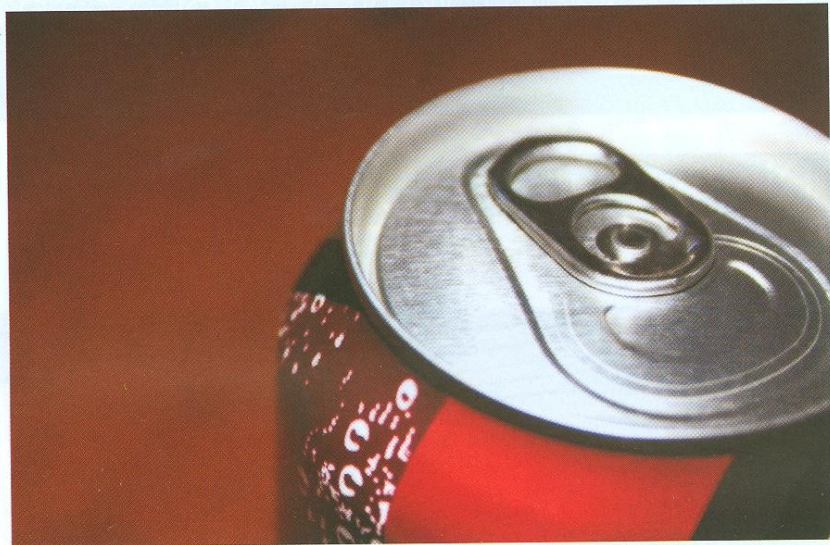
A real-life example is illustrated by Danone Group, a major food producer that has centered its global brands on "health." Danone offers innovative products that are, in many cases, at a price premium. Henri Bruxelles, chief marketing officer of Danone Group, highlights that "consumers are willing to appreciate cutting-edge product innovations that meet their needs and help improve their health."

Nothing could be more illustrative than the example of Coca-Cola, whose brand alone is worth \$70 billion. According to Marty Neumeier's *The Brand Gap*, Coca-Cola's market capitalization with the brand value is \$120 billion. Without the brand value, it is worth only \$50 billion.

## Your customer

An essential component in a marketing strategy during times of recession is customer retention, especially in the business-to-business segment. "In hard times, the primary focus should be to nurture and retain the clients. Marketing is uniquely placed to communicate internally the new needs of customers and speed the creation of recession-friendly offerings and pricing models that address these needs," advises Jessie Paul, chief marketing officer, Wipro, in an article recently published on MarketingProfs.com. She adds that "the highest value customers are a very reliable source of revenue and profit in any business. And because they are loyal to your products they will continue spending in your category whatever it is." Thus, it is important to maintain them through "loyalty programs and targeted communication approaches."

To achieve that, each company will have to find the approach that is most suited to it. Smart spending helps maintain your investment in the segments that have a high long-term growth potential. This will keep you ahead of the competition that will be slashing their budget. Therefore, it is important to assess marketing spending in relation to a mix of short- and long-term visions. And monitoring consumer behavior will help you allocate your spending smartly. One issue to be taken into consideration while making a decision on the allocation of spending is whether or not to adopt non-traditional media to reach out to the consumer, rather than a mass media approach. However, certain products should not miss out on being present and close to their customers, otherwise market share will be lost and this is



KNEELIN DESIGN

when the product will start suffering and the competition can easily take over. Efficient mass media spending could be an answer here; rather than advertise less frequently, it is better to place shorter, less costly ads. This will maintain your product's presence in the consciousness of the consumer.

Services, meanwhile, need a different approach. They are very dependent on targeted customer strategies and non-traditional media approaches. Accordingly, it is critical that marketers remain focused on this strategy and not get sidetracked.

In an article recently published on MarketingProfs.com, Barry Judge, chief marketing officer of Best Buy, recommends that marketers take a closer look at the marketplace for areas where consumer demand remains relatively strong or where demand is emerging as a result of the weakening economy. "Seek out pockets of demand, and invest," he said. Judge proposes to target product segments based on "need." For example, some products, such as cell phones or PCs, have become consumer necessities and therefore may be more resilient during times when consumers pull back their spending on more discretionary items. Marketers could direct their efforts to drive greater share in these segments while cutting back in areas where demand has declined.

Judge focuses on identifying and

investing in consumer segments or geographic regions that are likely to grow in a declining economy. For example, those who lose their jobs during a recession may turn around and start up small businesses, thereby creating demand for small business IT products and support. Our efforts and our value propositions could be directed toward these new businesses, which will need to target certain segments or regions in order to capture that demand.

This model has proven successful in Egypt. As Ahmed Abou Doma, marketing director of Mobinil puts it, "Egypt's economy is very much dependent on small and micro enterprise. There are a lot of economic opportunities in the rural areas of Egypt. This presents a golden opportunity for telecom operators simply because establishing and running a new business is, by nature, very demanding in terms of communication. We foresee an increasing demand in this area considering the increasing opportunities to establish micro and small operations." Experience has shown that the negative effect of cutting marketing budgets during an economic downturn only makes itself felt when the economy recovers. It is in the hand of the strong business minds to view the phase with an entrepreneurial mind, not to panic and be shortsighted. Keep investing in your brand power and you'll come out of it stronger. ■