



# Direct Marketing in a Downturn Economy:

## 5 Strategies for Survival and Success.

Your business objective during any economic condition is to get your customers to act, but even more so during a recession.

## 5 Strategies for Marketers

During an economic downturn, many companies are pressured to reduce costs and identify non-essential expenses. Often times, marketing budgets may be the first to get cut and this can be costly in the long run. That's because consumers and businesses don't stop buying during a recession; they may be simply more selective about what they buy and who they buy it from. Placing marketing at the top of your cost-cutting list means you won't be top of mind when your customers make their buying decisions, potentially leading to shrinking sales revenues and market share to more aggressive competitors.

It's more important than ever to stay connected with your customers on a regular basis and strengthen your relationships with them. It's also a great opportunity to promote to prospects and build and leverage your brand. Let your customers know that, despite these uncertain economic times, they are dealing with a company they can trust and rely on. However, companies who stay the course and invest wisely in marketing activities may be in a better position to maintain and grow revenues, engender customer loyalty, and benefit from higher sales and greater share of market following economic recovery.

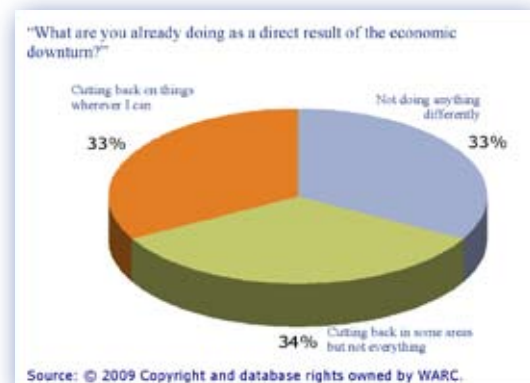
So how can you effectively market to help sustain and grow your business during a recession? The following five strategies will provide some insight and ideas:

### 5 Strategies for Marketers in a recession:

1. Keep your customers
2. Invest wisely
3. Monitor your spend
4. Focus on your value proposition
5. Be compelling & relevant

### STRATEGY #1 Keep your customers

During a downturn, one of the most important priorities is to maintain and build on existing customer relationships. Customers may be tightening their purse strings and may be more cautious when making purchase decisions. But although they may be spending less, most consumers are spending none-the-less. A U.K. consumer study conducted by Future Foundations in June 2008 found that, when asked if they had changed their behaviour as a direct result of the market downturn only 33% of consumers indicated they are cutting back on things wherever they can, while 34% state they'll be cutting back in some areas and 33% will not do anything differently<sup>1</sup>. As customers continue to spend, a primary focus for businesses may be to ensure their customers keep them top of mind when making purchase decisions. One potential way to do this is quite simple - keep in touch with them. Open communication establishes a two-way dialogue that can support repeat business and cross-sell opportunities.



## Direct Mail Postcards As Sales Support For Customer Retention

By Cynthia Fedor | January 5, 2009

A great example of the right way to use direct mail marketing for customer retention.

This one little postcard did everything right to make me feel those happy thoughts about spending even more money in that store. Here's what they did right:

- A personalized postcard arrived in my mailbox just days after my shopping experience, while it was still fresh in my mind.
- **The direct mail postcard was personalized with specific content that mattered to me.** And, they didn't use that information to immediately push more products on me; the note expressed a simple thank you. To me, that is an effective use of past purchasing behavior to compel an action.
- **A promotional offer was included on the card.** Having some type of offer that is valuable to your customer (free whitepaper download, gift, coupon, etc.) on your direct mail piece increases the likelihood that another action will occur. In my case, you bet I'm going to take them up on the '25% off your next visit' coupon.
- **The postcard was a part of an overall great customer service experience.** I thoroughly enjoyed my experience in the store. Receiving the postcard extended that experience for me and made me feel that they really appreciated my business.



Testimonial: <http://thedirectmarketingvoice.com/2009/01/05/direct-mail-postcards-as-sales-support-for-customer-retention/>

**Open communication establishes a two-way dialogue that can support repeat business and cross-sell opportunities.**

**Ensure your customers know you haven't forgotten them and that you value them and their business.** You can do this as simply as sending out a communication piece thanking them for a recent purchase. You can also demonstrate customer appreciation by mailing your customer an anniversary communication piece, noting how long they've been a loyal customer and include a special offer designed especially for them. This techniques may be appealing not only within the business to consumer environment but also the

business to business sales environment as illustrated by Warrillow research - showing small businesses owners most appealing recognition statement as 'We've been doing business together for X years, thank you'.

To enable your business to execute on these kinds of strategies, it's important to maintain and develop up-to-date customer databases and profiles to capture powerful marketing data. This customer data should include details such as demographics, behaviours, drivers and purchase patterns. Used well, a database can help you zero in on your best customers, allowing you to build a valuable relationship with them and grow your business by uncovering new sales opportunities. Bearing in mind the requirements of applicable privacy laws, a comprehensive customer database may be the greatest marketing asset you can have.



In fact, providing high quality customer service reinforces customer loyalty during a time when switching behaviour peaks. A study completed by Future Foundations concludes that customer tolerance levels decline during a recession and dissatisfaction could induce people to switch brands, thus stressing the importance of maintaining high levels of customer service.<sup>2</sup> When used to clarify product and service information, direct mail can be strategically used to support your customer service efforts, contribute to customer loyalty and help you reduce costly calls to your service centre.

Ensure your customers know exactly how much you value their business. Focus on customer service and customer experience - really get to know your customers and understand what's important to them. Current customers sustain your business through a recession and form the foundation of your future growth once it's over.

## STRATEGY #2 Invest wisely

Reducing advertising budgets as a strategy to cope with the current economic downturn may be inevitable, but reducing it in the wrong channels can prove to be a big mistake. Businesses should review and evaluate their channels and target markets. Consider whether the channels are measurable and accountable. Is it providing you with a positive return on marketing spend? If not, what is the value of this marketing investment to your business?

**When working with a reduced budget or increased ROI accountability, spending as much of your media dollars as possible on measurable media makes sense.**

Look to marketing channels that effectively measure the success of your campaigns by including trackable direct response mechanisms such as coupons, bar-coded reply mail, 1-800# and unique website addresses and phone numbers. When working with a reduced budget or increased ROI accountability, spending as much of your media dollars as possible on measurable media makes sense. If you can't prove the results you're going to deliver through sales, leads and impressions, then your

budgets may be viewed as discretionary and reductions may be considered.<sup>3</sup>

Assessing and refining your target audience can be another wise investment. Focusing on qualified audience most likely to be interested in your products and services is a key factor in marketing success.

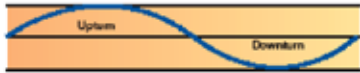
Nailing down your target audience begins with evaluating your current customers – your best prospects are most likely similar to your current customers. Do you know who your best customers are today? What behaviours and characteristics do they have? These characteristics can form a robust profile of your target prospects that includes geographic, demographic and lifestyle (psychographic) characteristics. It stands to reason that your best prospects are likely to be very similar to your best customers. With this defined target audience, you can quickly tap into new market opportunities and pursue key customer segments by strategically allocating your advertising budgets using the most effective channels to reach them.

Direct marketing can enable you to promote the right product to the right customer at the right time. With precise targeting, you could realize cost savings by producing less waste and positively impacting your ROI since you'll be communicating to your most relevant and receptive audience.

As mapped out by Peppers & Rogers, business strategy during good economic conditions emphasizes customer acquisition to support growth whereas during an economic downturn strategy is refocused upon providing service for current customers in order to harvest value.

### Business Strategies for Uncertain Economy

In an uncertain economy, the business strategies for marketing, channels, IT, products, and customer change from "growing" to "harvesting."



	In an upturn...GROW	In a downturn...HARVEST
Business growth	Acquire more customers	Grow existing customers
Marketing	Brand and name promotion	Service for current customers
Channels	Focus on reach	Optimize value
Infrastructure/IT	Invest in IT	Optimize current IT
Products/Services	Divest non-core businesses	Add core capabilities
Customer Objective	Investment for revenue	Savings for efficiency

Source: Peppers & Rogers Group

<sup>3</sup> Marketing Sherpa, *Marketing During a Downturn*, 2008

## STRATEGY #3 Monitor your Spend

Once you've determined who and where your best prospects are, identify and prioritize the most effective marketing and sales vehicles to reach them. There are a number of channels to choose from, so regularly reviewing your spend and measuring the success of your advertising investment is essential. You must determine what is working, what isn't working then reallocate and reinvest resources into channels that make sense and drive profitability.

Holding on to your marketing budgets may be easier if you can demonstrate a lift in response rates and a reduction in administrative costs. Applying measurement criteria to your campaigns and comparing those results among various channels used may help you determine the most effective advertising vehicles for your business. Once you know which channels are performing most effectively, optimize those channels. Reallocate your resources and continue to use and test them with various offers and messaging. Continuously monitoring your marketing spend can help you hone in on communication channels that offer the highest return on marketing investment. Furthermore, you can support operational cost reductions by providing customers with effective alternate response channels such as online or business reply mail. These response mechanisms create effective, convenient and easy to use measurement tools which may contribute increased response rates and often times have minimal costs associated with them.

Business marketers need to create a highly effective, integrated marketing and communication strategy -from market opportunity identification to actual execution. Achieve a competitive advantage by monitoring your response and integrating advertising channels that deliver measurable results. According to a recent survey from Marketing Sherpa, 30% of businesses said they are increasing direct marketing investments this year in response to economic conditions, whereas only 19% are increasing brand investments. Direct marketing is more measurable and trackable in terms of ROI. Businesses may be recognizing they don't need to separate branding and direct marketing budgets since they can acquire and brand at the same time.<sup>4</sup> Furthermore, in terms of consumer preference, a Direct Marketing Consumer Attitudes study concludes traditional mail as the preferred method of communication for all types of correspondence tested.



'1981-1982 recession years McGraw-Hill Research's Laboratory of Advertising Performance studied recessions in the United States. Following the 1981-1982 recessions, it analyzed the performance of some 600 industrial companies during that economic downturn. It found that "business-to-business firms that maintained or increased their marketing expenditures during the 1981-1982 recession averaged significantly higher sales growth both during the recession and for the following three years than those which eliminated or decreased marketing.

Article source: EzineArticles.com, "Recession Data on the Value of Marketing Through Downturn", Shannon Kavanagh, November 6, 2008, Reference: McGraw-Hill Research. Laboratory of Advertising Performance Report 5262 New York: McGraw-Hill, 1986.

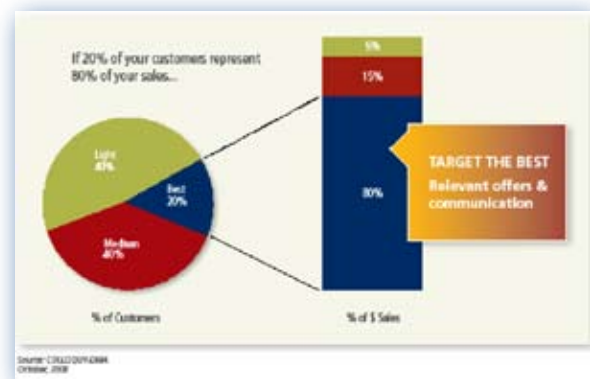
<sup>4</sup> Marketing Sherpa, Marketing During a Downturn, 2008

## STRATEGY #4 Focus on your value proposition

An economic downturn is an opportunity to win market share from your competitors. It's a chance to differentiate your company and get noticed. If you pay close attention to what's happening in your target markets and how customers are reacting to a recession, you can act early.

Assessing your business environment and making a change in your product offering, price, and positioning may drive interest. Once you've made changes, give prospects and customers the service and information they need to choose your company over the competition. Focus on your value proposition and communicate relevant product benefits (rather than features) to your best customers and prospects; and tell your market how your product or service satisfies a real need.

The importance of focusing on your value proposition may be greater during a recessionary period. With customers potentially taking longer to make purchase decisions when times are tough, bridging the gap with a sequence of individually customized communications can provide information on specific product features and benefits that fulfill their needs. The lengthening of sales cycles, as concluded by Marketing Sherpa research, during an economic downturn increase by 47% in B-to-C and 43% in a B-to-B environment.<sup>5</sup>



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Direct mail can help keep a dialogue with customers open and provide the space to articulate information about your products and services in a non intrusive channel, enabling them to retain, read and respond at their convenience. Using creative direct marketing to differentiate your products from the competition may better position you to increase market share.

'Cahners and Strategic Planning Institute (SPI) produced their report, "Media Advertising When Your Market Is in a Recession." It disclosed, "During a recessionary period, average businesses do experience a slightly lower rate of return relative to normal times. However, expansion times do not generate a higher level of profits than normal periods as might be expected." This phenomenon was explained by an analysis of changes in market share. "During recessionary periods," said the Cahners/SPI report, "these businesses tended to gain a greater share of market. The underlying reason is that competitors, especially smaller marginal ones, are less willing or able to defend against the aggressive firms." The study then pointed out that businesses that increased media advertising expenditures during the recessionary period "gained an average of 1.5 points of market share.'

Article Source: EzineArticles.com, "Recession Data on the Value of Marketing Through Downturn", Article Source: EzineArticles.com, "Recession Data on the Value of Marketing Through Downturn", Shannon Kavanagh, November 6, 2008, Reference: Kijewski, Dr. Valerie. "Media Advertising When Your Market is in a Recession," Cahners Advertising Research Report. The Strategic Planning Institute, 1982.

<sup>5</sup> (Winning on Service in an Uncertain Economy, Peppers & Rogers Group)

## STRATEGY #5 Be compelling and relevant

Your business objective during any economic condition is to get your customers to act, but even more so during a recession. You want customers to take action; call, visit your store or website, make a purchase or simply keep in touch. What can your business do to influence and drive this activity?

Start by developing compelling and relevant communications. One of the first steps can be to ensure you've aligned your messaging with your customers needs by emphasizing value & cost savings, free trials and special discounts. Consider the following points when developing your communication:

- Focus and sell benefits rather than product features.
- Tell the consumer how your product or service satisfies a real need.
- Create an offer that attracts attention, builds interest and drives an action.
- Keep the layout and copy simple.
- Personalize wherever possible. Show customers you know them and appreciate them.
- Use strong calls to action; call, visit a store, go online.

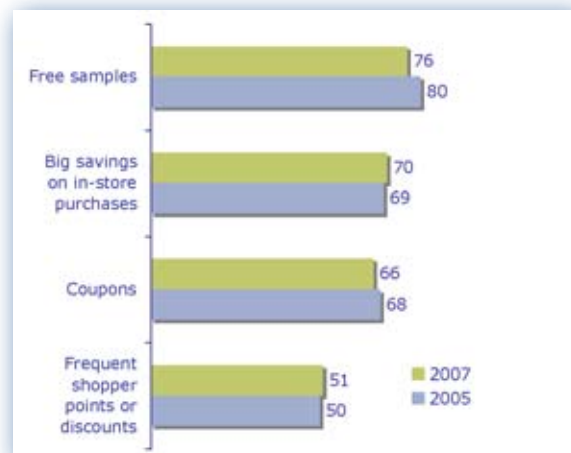
Mail is a highly effective medium on its own or as part of an integrated campaign. Your job is to create a marketing message that is relevant and interesting to customers and prospects. Mail can provide the time and space needed for that, and can help you articulate your full product or service offering.

### It's a Fact:

Canadians are likely to respond to direct mail in the following features:

Research conducted by Canada Post on Canadian Consumer Attitudes to Direct Mail found that 76% of Canadians would likely respond to free samples, 70% in-store savings, 66% coupons and 51% if points or discounts were offered.

Source: Consumer Attitudes Towards Direct Marketing, Study 07-219, Base: All Canadians (n=1204).

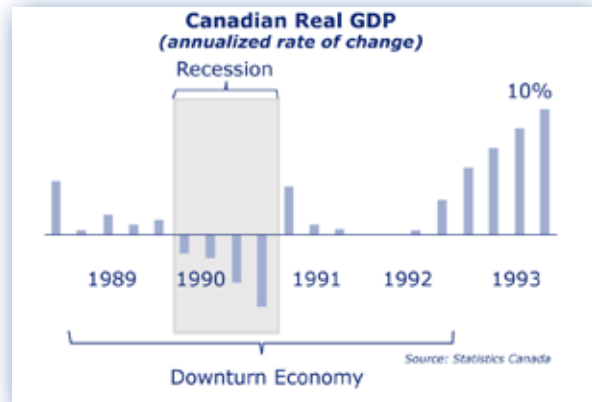


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## Conclusion

If the past is any indication of the future, following only four quarters of negative GDP growth we will hopefully begin to see stabilization and positive growth in the Canadian economy, as witnessed during the last recession in 1990.

If history is our guide, we can say with certainty that the recession will come to an end. When it does you want to be a product or service provider your customers will continue to recall and purchase from into the future. It may be inevitable that consumers will be spending less during this downturn, but some will continue to spend none-the-less. One key to weathering the storm will be to solidify existing customer relationships and refine your target audience to maximize ROI and optimize marketing budgets. Recognizing budgetary constraints may be inevitable, monitoring spend and investing in channels that demonstrate measurable and positive returns should be part of your overall marketing strategy. And finally, articulating a value proposition that drives interest and satisfies a need while conveying a message that is both compelling and relevant can be critical to successful marketing.



Source: Warrillow & Co, *Winning the SMB market*

It can be difficult out there, but acknowledging it and having the fortitude to maintain and increase focus on your existing customers can be a crucial strategic step in enduring and overcoming these uncertain times. Companies with enough courage to stay the course by maintaining consistent marketing efforts, may win business from less aggressive competitors, gain market share and be in position for growth following the end of the recession. Direct Mail can help you target, personalize, measure your marketing activities, and deliver relevant promotional information your customers can read when and where they want.