

## **How to Market Your Company during the Next Recession**

by Jay Lipe

If you study the U.S. economy from 1950-2000, you'll see that we, as a nation, have suffered through *nine* recessions. And those nine recessions account for 94 months in total, or *14 percent* of those 50 years. In addition, the average recession has lasted 11 months with two recessions, in 1975 and 1982, lasting 16 months.

With these statistics as a backdrop, one thing is certain—all small business owners must know how to market their company during a recession. It's only a matter of time before you'll find yourself in one.

Here are some tips for helping you manage your marketing effort during a slowdown.

### ***Why you should market during a slowdown***

The best thing about a slowdown, if there is such a thing, is that the playing field suddenly becomes less cluttered. Many companies, needing to conserve cash, will stay on the sidelines during a recession thus creating a golden opportunity for you.

Precisely because other companies are slashing their marketing spending, your best marketing strategy then is stay out there with your marketing. Your messages will cut through the market easier for the simple fact that they don't have to compete for attention. Sure, you may have to scale your spending back too, but don't squander this opportunity to stand out from the crowd.

Another reason to continue your marketing efforts throughout a slowdown is to keep the valuable momentum you've built to this point. If you withdraw from the market and sit on the sidelines, you'll lose the marketing momentum you've built to this point.

### ***When do you start planning?***

The time to start planning your marketing during the next recession is right

now. Since neither you nor I know for certain when the next recession will be, any planning you do now will give you a leg up on your competition when the recession arrives—whether it's tomorrow or years from now. Learn from those of us who've lived through the recessions of 1981, 1991 and 2001-2 and found ourselves saying, "If only I'd planned for this".

Smart companies recognize the threat of a recession well before it occurs, and already have a plan in mind to follow. And if you're not the kind who enjoys written plans, at the very least, have in your mind several steps you'll take at the onset of a recession.

### ***Pare down debt***

Carrying debt into a recession is like playing Russian Roulette with only one empty chamber; your chances for survival are slim. During a recession, your sales will slow and your receivables cycle will lengthen. To compensate for these things, you'll want to have as much cash on-hand as possible. Any dollar that pays down debt is a dollar that detracts from your cash flow. What you're looking for during a recession is options, and debt subtracts, not adds to, your options.

Take steps to eliminate your debt before the recession comes and you'll find yourself with more options when the skies darken.

## *Save now*

Money in the bank during a recession is like, well, money in the bank. Any savings you can generate will act as a safety net for you during rough times. I learned this during the 2001-02 recession. Before then, our company had some very good years, and I was tempted to spend all our excess cash on technology and new marketing programs. But, this little voice in the back of my head (probably put there by my mom) kept telling me to save a little each month. So, every time I received payment from a client, I socked away 10%. I wasn't sure what I'd use it for, but I knew I'd need it.

Then, as you know, the rain came in '01. But because of our savings, we were able to continue our marketing programs through the recession without interruption, and even develop a new marketing initiative when some of our competitors were pulling back..

Start saving now and you'll be surprised at how much you'll need those funds during a recession. You may even be able to buy out your competitor. You know, the one who went into the recession with no savings and a debt load the size of Alaska!

## *Cash is king*

During good times, you don't have to pay as much attention to cash flow. Money flows freely. But during a slowdown you must proactively take steps to free up cash. Here are some strategies to help strengthen your business' cash situation:

1. **Insist on down payments**

I'm always a little surprised at the number of companies I see that don't collect money up front. With a down payment, you have money in hand, even before your product is manufactured or your service is rendered. Can you ask for a first payment to accompany the purchase order, or a "Green Light Payment" upon signing the contract?

2. **Lengthen your payment schedules**

If you typically bill customers after the job is finished (or after the product is shipped), then you might want to consider billing a portion (typically

50% of the remaining amount) midway through the production.

Immediately after the project is finished you can then invoice for the remainder. Remember, the faster you get bills out, the faster you get cash in.

3. **Jettison all image marketing programs**

Every one of your programs during the recession must work, first and foremost, to generate sales for your company. This isn't the time to launch image advertising or rebranding efforts. These softer, more qualitative marketing programs must be back burned in favor of immediate, sales-building programs.

4. **Push out your payment dates**

Look hard at your payment cycles to suppliers. Agencies, printers, designers and production companies traditional use a 30-day payment cycle. Use all of these 30 days to hold onto your cash. I'm not suggesting that you delay payment to these companies. Rather, take every day they give you to pay them—and not a day earlier.

***Recycle older campaigns***

Chances are you have a file folder full of previous marketing campaigns—old direct mail campaigns, previous email marketing campaigns, telemarketing scripts from days gone by. Now is the time to dust them off and resurrect them. You've invested a lot of intellectual capital in them, why not run them again? This is a cheap and effective way to circumvent the creative charges you'll pay for marketing campaigns.

***Use broadcast emails***

Emails give all companies a low-cost way to promote their companies and products. In addition, they can produce an immediate response to a particular offer. And finally, they emails reduce the time investment required to put out a promotional message. I discovered all this working with a local travel agency. Towards the end of

the week, we'd find ourselves with unsold seats to certain destinations. We'd then put out a broadcast email to all subscribers who had asked to be included on these emails (an opt-in list) and within a couple of days, we had sold the excess inventory. If you need to move merchandise quickly, have limited time offers or discounts, or have built a list of email addresses, develop a simple email campaign. It could prove to be a winner—especially during quiet times.

### ***Keep firing your marketing guns***

The tendency in a recession is to reduce the *frequency* of your marketing programs—that's the number of times you employ a particular marketing tool. So, for example, if you reduce your direct mailings from eight times to just four times a year, you've cut your frequency in half.

Be careful with cutting your frequency. Cutting it in half means your prospects will hear from you 50% less often.

Why not stay with eight mailings, but reduce the costs of each mailing. Print one-sided versus four-page sell sheets. Eliminate enclosures. Print black & white. Reduce paper sizes. Mail third class for postal savings.

Do whatever it takes to reduce the cost of your eight mailings while maintaining the same frequency. This is not easy to do, and takes some creativity, but chopping your frequency is even more dangerous. The silence will be deafening to your customers.

### ***Keep 'em purchasing with "bite-sized buys"***

During a recession, your selling cycle will be longer. Uncertainty about the future prompts prospects to postpone buying, or even making a decision, until they absolutely must. To counteract this, give your prospects "bite-sized" ways to purchase your products.

Produce an informational booklet. Develop a sample packet of product. Offer a free trial period. All these let people "try a bite" of your company without a long-term commitment. If your product or service delivers on its promises don't worry—they'll be

back for more.

### ***Make more dials***

At 15 cents per minute, there are very few marketing vehicles cheaper or more efficient than the phone call. Telephoning during a recession is one very effective way to stay in touch with your audience, while keeping your costs down.

However, let me stress I'm NOT talking about cold-call telemarketing. Although I see that work for some businesses out there, I generally don't recommend it to my clients for two reasons:

- Very little telemarketing is handled professionally.
- Telemarketing has a negative stigma attached to it.

However, your company should use the phone to stay in touch with customers and prospects. These are people who already know you, and view the call as less of an intrusion.

If you call customers and prospects, and use a low-pressure approach, I think the phone can be a very valuable weapon. So, call a couple prospects or customers each week and use any of these approaches:

- Call to just say "Hi".
- Follow up mailings with a call.
- Update your data base information on them.
- Ask their opinion about something having to do with your business (i.e. your website, marketing materials or a recent mailer they might have received).

Oh, and one last thing...always *take the curse off the call*. When the person answers the phone, and the introductions are out of the way, ask them "Have I caught you at a bad time?" before going further. This gives them the option of taking the call at a later date and immediately creates a favorable impression for your call. Far too many callers don't extend this basic courtesy.

### ***Offer an ironclad guarantee***

In a slow economy, people act cautiously and prolong decisions, especially big ones. One way to attack this reluctance is by offering an ironclad guarantee. A money-back guarantee (with no questions asked) is an excellent way to recognize their concerns up front, and prove the confidence you have in your product or service.

Let's face it, whenever I see a company offering a money back guarantee, I feel much better about doing business with that company. Their confidence establishes trust and credibility with me and makes me that much more likely to give them a try.

### ***Explore maintenance or used opportunities***

As the recession of 1991 lengthened, I noticed more and more clunkers out on the road. You know, cars with rusted out bodies, no hubcaps and taped plastic for windows. And then it hit me—a recession is a perfect time for maintenance businesses. In a recession, people postpone purchasing new goods, while making their existing goods last longer.

If your company sells products, see if there isn't an opportunity to offer maintenance on those products. Or maybe you actually begin selling the used products (e.g. a distributor of industrial machines doubling as a used machine broker). Or, could you market refurbishing services? What about offering maintenance contracts? Think of ways to keep your customers from buying something new and you just might find new business out there for you.

### ***Seek cooperative efforts***

As I've said before, the tricks to marketing in a recession is to keep your name on the street without spending as much. Cooperative marketing efforts, involving your company tying in with another, help you do just that. By bundling your products or services together with those of a complimentary company, you'll have increased your market exposure and developed another sales force of sorts. Efforts like these inevitably lead to new projects or sales and referrals you never would have been exposed to otherwise.

Here are some joint promotional ideas that can accomplish both:

- Launch a product or service that ties together your two companies' products or service.

- Link your marketing efforts together with the marketing efforts of another company (e.g. joint emails)
- Swap databases with another company for direct mail efforts
- Make joint sales calls with another firm whose products are complimentary to yours.
- Coordinate a coop mailing where several other companies' materials are included.

Look to others for cooperative marketing efforts. They'll be doing the same and everyone can benefit if the fit is right.

### ***Admit there's a recession***

Jay Conrad Levinson, in his book *Guerilla Marketing Excellence*, says that being truthful is especially effective when marketing during a recession. People are overly concerned and suspicious, so you have to acknowledge these feelings—up front.

In your copy, recognize that there's a recession, and then target your products or services to “these troubled times”. Honestly admit you know your audience is doubtful, then offer your service in the best light to help allay their fears.

How? Offer a trial period. Explain your guarantee. Clearly state what 800 numbers and customer support is available during your trial period. Whatever steps you need to take to address their fears, take them.

In the end, people want to hear the unvarnished truth. During a recession, let them know you know its bad out there and you'll gain their confidence and attention.

### ***Publish a smile in all your marketing efforts***

People are sad and scared during a recession; it's just human nature. That's why you'll stand out in people's minds if you stay upbeat.

Do everything you can to be upbeat when talking with customers. Even if you're getting knocked around, answer “Outstanding” when someone asks is how your day is going.

You'll be surprised at the infectious nature of your attitude, and people will feel better being around you. They'll want to talk to you more frequently because you *make*

*them feel better.* And those warm feelings towards you and your business, will carry over long after the recession is over.

### ***Plan for the long haul***

The primary objective in a recession is survival—pure and simple. Many companies will falter—some will even close. But yours doesn't have to be one of them. By taking a long-term view of your business, with survival during the recession being your goal, you'll worry less about the day-to-day things.

Resolve to keep your marketing effort firing on all cylinders during the recession, albeit with a lower octane fuel. Keep your eye on the prize—and you'll ride an upward curve once the economy pulls out of the recession.

#### **Remember...**

Recessions aren't a lot of fun, but they aren't the end of the world either. Plan for these stormy days, keep your marketing hat on and challenge yourself to be creative. Stay frequent, cut costs and focus on your survival. When the smoke clears, you'll be surprised at the good fortune that comes your way!

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