BusinessWeek

Five Don'ts for Marketing in Tough Times

As counterintuitive as it might sound, avoid discounting. Our columnist offers advice on positioning your company to survive and thrive

By Steve McKee

Unpredictable. Slow. Bleak. Grim. Gloomy. All words that have been used to describe the economic outlook for the balance of 2008—and depending upon who you talk to, the scenario for 2009 and beyond. Standard & Poor's believes the economic difficulties we've been experiencing due to the mortgage mess and skyrocketing oil prices will be at their worst early next year (BusinessWeek.com, 6/13/08). And while the housing market is sure to recover, oil prices may never come back down. That means more tough times for the economy, both in the U.S. and globally.

What's a responsible business leader to do? Perhaps the slowdown already has made an impact on your company. Or maybe you can see it coming but aren't sure exactly when and how it will hit. In either case, the most important thing is to keep your wits about you and not succumb to five common mistakes companies often make when times get tough.

1. Be smart and thrifty, but don't panic. This, too, shall pass.

Economies go through cycles of expansion and contraction. It's what we all learned in college economics courses (back then, of course, we weren't really paying attention). The trouble is, while academics can pontificate on the cyclical economy, real business people have to live through difficult economic events. We love the expansionary times, but the contractions can be painful. If you're smart, you've managed your balance sheet well and can ride out a period of slow or no growth. If not, you may have to make some cuts. Just be careful to trim fat and avoid cutting muscle as much as possible.

2. Marketing is muscle, not fat. Be careful about cutting it.

Just as the savviest investors view down markets as a time to buy when everybody else is selling, the savviest marketers know recessions are a great time to pick up market share. They understand that by maintaining their budgets (or even increasing them) they may not come out ahead during the down times, but they can pick up market share that will pay off in the long run. Marketing dollars in a recession are like oxygen on Mt. Everest—the less there is in the surrounding environment, the more valuable the amount you possess becomes. Cutting your marketing spending is a sure way to give ground to competitors who may be more aggressive during the downturn.

3. Don't lose focus by chasing business you wouldn't normally want.

When clients and customers get nervous about the economy, they cut back their spending. For you that could mean fewer transactions, smaller purchases, or possibly both. But if you try to broaden your core product or service appeal to please a wider audience, chances are you'll make your best customers even less satisfied, giving them one more reason to stay home or spend less. There's a reason you don't pursue certain types of customers when times are good, and that reason probably hasn't changed. Do your best to stick to your knitting and enhance the value you provide to your best customers. They may decide to make their cutbacks in areas other than yours.

4. Don't discount.

It's easy to rationalize discounting during a downturn, for your company's sake ("it helps to drive business") as well as for the sake of your customers ("they're struggling and need the help"). But whether times are good or bad, discounting your price discounts your product (BusinessWeek.com, 4/14/08) in the eyes of your customers. There was a time in the 1990s when McDonald's (MCD) and Burger King (BKC) put their Big Macs and Whoppers on sale so often that they trained their customers never to pay full price. That created a margin problem from which it took them years to recover. If you need to make your products more affordable (to generate volume, goodwill, or both), do so carefully and deliberately. But lower the price instead of offering a discount.

5. Don't neglect the elephant in the room.

We live in a 24-hour information cycle. When news breaks, people know it, and economic news breaks every day. You don't have to be an economist to know the business environment isn't in the best shape right now, and the point is brought home to your people in a personal way every time they go to the grocery store or fill up their gas tanks. Even if your company's revenues have held up, your employees know there's trouble afoot and they're nervous. Make sure they know you're on top of things and have a plan.

There's no telling what lies ahead over the next several months. We may pull out of our economic rut more quickly than anticipated, or we may be in for a prolonged rough ride. But clients and customers will still need to eat. They still need transportation. They still seek entertainment, clothing, vacations, chain saws, pet food, perfume, office supplies, computer servers, tractors, and machinery. As the market tightens up, the best positioned players will survive and thrive. Avoid the mistakes above and you're more likely to be one of them.