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Unveiling Opportunities Of Economic Depression: Strategic Lessons For Marketers

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Abstract: ***Generally speaking every economic crisis brings anxiety coupled with pressures. It involves a lot of internal and external turmoil to almost each and every, big or small firm. A recession affects unfavorably the scenarios of businesses and also sometimes leads to almost an end to it. The strategists generally suggest that it is a crucial time for any organization and in the race of survival, the organizations must avoid uncoordinated moves which may often wipe out insignificant glitches but when it comes to long term sustainability of a firm, they fail miserably. Lack of forethought is the foremost product of crisis and recession and mostly even the most profitable business houses also directly go on cutting marketing expenses and later discover that they must spend far more than they saved in order to recover.***

The present paper endeavors to suggest some of the strategic moves that can help an organization to survive during tuff times and can provide long term sustainability. Replacing unadventurous old-style steps with some groundbreaking strategic approach can help marketers to see the hidden opportunities of economic depression.

The focus areas for the proposed paper by author include such ideas. It includes that how by instead of short-term investment of the funds in aggressive advertising, investing it to confiscate future sources of competitive advantage, whether from bold investments in product development or transformational acquisitions can help them overcoming this scenario.

Keywords: Economic Depression, Marketing, Strategy

"Inaction is the riskiest response to any crisis but scattershot actions can also be as damaging."

Every financial catastrophe holds a lot of apprehension and compressions for businesses and particularly for their marketing managers. Although it impacts almost each and every function of business and adversely distresses all the prospects of business organizations but typically it puts the prospects of marketer to almost an end. Mostly the firms in their endeavor to combat recession and diminished profitability coupled with financial crisis; fail to mould their marketing stratagem as per the call of time and lead their firm to many uncoordinated maneuvers. even the most profitable business houses also directly go on cutting marketing expenses and later discover that they must spend far more than they saved in order to recover.

Recession is condition that affects the overall aspects of economy. According to McConnell and Brue (2008), in recession there is a decline in total output in economic activity including income and employment most likely to last for six months or even longer. And no business organization can remain untouched by the effects of economic recession. According to Kay, M. J. (2010), during recession or economic downturn, business activity is widely contracted, the GDP declines leading to increase in the unemployment rates increase.

In tuff times as a substitute of taking conservative traditional steps like dropping prices or retrenching the existing business, some innovative marketing moves can help small organizations to see the hidden opportunities of economic depression. Shama, 1993 suggests that during recession marketing managers must use strategies to stimulate consumer demand. So such innovations in the strategies can support managers in battling the aftermath of economic complications.

Hunter Hastings (2007), suggests that innovations in marketing can lead to long term benefits for a business. By adopting some innovative marketing moves such as- instead of short-term investment of the funds in aggressive advertising, investing it to confiscate future sources of competitive advantage, whether from bold investments in product development or transformational acquisitions a firm can easily overcome this scenario.

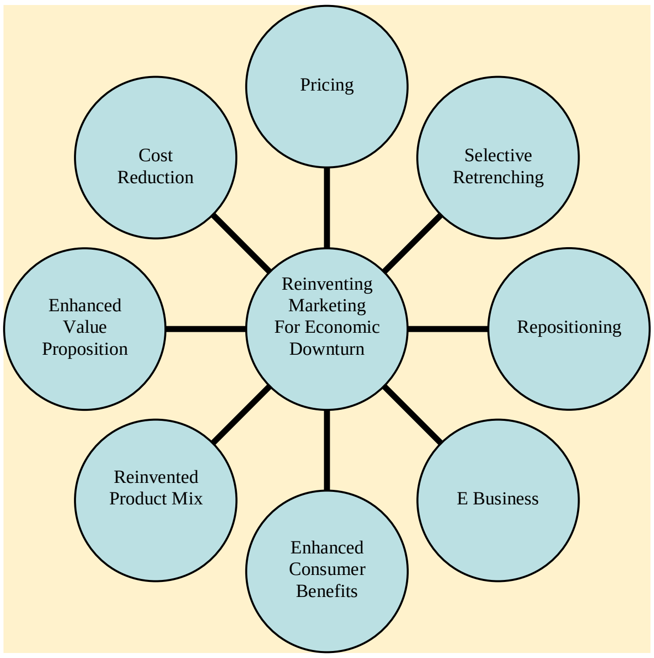


Figure 1: Marketing Moves to Combat Economic Slowdown

SELLING OFF SECONDARY AND POORLY PERFORMING OPERATIONS

According to Teece, Pisano and Shuen (1997) a firm's ability to reconfigure internal competencies to cope with rapidly changing environments can lead to successful adaption to change. Leonard M Lodish (2007) entrepreneurial marketing moves throughout financial slump can help an organization to endure.

Selling off secondary and poorly performing operations also can present a solution in the times of hardiness.

Most of the firms wait for better times when the market will be full of cash and opportunities but this time is not to come in anytime soon. So those businesses which are really not critical and going to prove white elephants by increasing vulnerability of the overall performance of the business, an organizational should divest them immediately..

Bada Hai to Behtar Hai (Big is always better), driving out this ordinary myth in tuff times is suggested. Big is the enemy of control; large hierarchical and cumbersome organizational structures do not guarantee control. In fact, in many cases the bigger the organization and the bigger the advertising budget, the more out-of-control the brand.

Past example of recession times show that right divestment at right time proves to be a way to energize core business. For example in 2003 in the middle of economic recession in Germany, MG technology decided to divest all its peripheral businesses like engineering and chemical and concentrated upon its core business mechanical engineering and renamed itself as GEA group successfully process engineering and equipments company better positioned to pursue growth opportunities in its core business.

REINVENTING PRODUCT MIX AND INNOVATIVE PRICING STRATEGIES

Purchasing behavior changes dramatically in the times of recession. Consumer automatically shifts to low price alternatives, though some consumers will continue to come but they will be fewer in numbers. But as Kotler, P. (2011) suggests, reinventing the overall marketing mix can help an organization survive in economic slowdown.

According to Lilien and Kotler, (1992), effective pricing can also be an effective tool to boost sales. Consumer product companies should consider offering low priced versions of popular products. Happy price menu of McDonalds or 129 offer of US Pizza are some of the innovative pricing strategies examples. Others can be: Result Based Pricing, Subscription pricing or Un-bundling.

Kotler, P. (2011) reinventing the overall marketing mix can help an organization survive in economic slowdown.

CONTINGENCY COST REDUCTION PLANS

Opportunities to reduce material and supply cost also come with an economic crisis. Taking a comprehensive review of suppliers and procurements will find many innovative ways to cut upon costs. For example most often in practice economic downturn affects offshore manufacturing much more convenient due to weakened domestic currency, trade barriers, and especially the cash tied up in the additional working capital.

EXPLOITING E-BUSINESS

Marketers should try to exploit e-business through its latest and most innovative ideas like user contribution, customer care and employee support forums. This will lead to tap the contribution of countless people beyond their organization and that also without any capital investment.

This idea in this financial crisis can build large telecommunication system and that also without any cost. Standard Chartered, Sun silk, P & G and many others like that; have been getting this competitive advantage and marketing over many of their competitors and that also free of cost. The latest name in this series is Maruti Swift. According to Experial marketing services 2008, reinventing the E business opportunities can help the organization understand its customer better.

ENHANCING VALUE PROPOSITION

In tuff time most of the firms it becomes essential for brands to focus on protecting existing market share while continuing to grow new market share by aligning what the brand says (externally) and what it brand does (internally) to delivery on the brand promise. This is very crucial in the case of those market categories that are reaching maturity, where simply pumping additional spend into the above-the-line process no longer yields the same positive returns as it used to. Great advertising attracts customers but doesn't keep them.

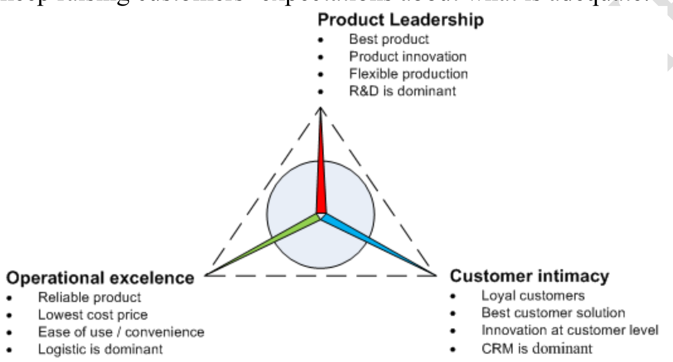
Finding better and smarter ways of retaining and attracting customers will be one of the imposing challenges facing business economic recession and beyond

RETHINKING POSITIONING STRATEGIES

In difficult times managers may need some more attractive positioning which diverts a consumer's attention from price to other components of marketing mix. Kotler, P., & Armstrong, G. (2010), provides new and attractive ideas of positioning in new economy:

One-way Positioning (Trout & Ries, A. (2000).), according to this strategy, a marketer has to leader in some important attribute in order to be the most remembered and preferred. But this should not be achieved through line-extension, otherwise it will lose its focus. They suggest that even if a firm is the second to enter the market, it should be a leader on a different important attribute.

Three-way Positioning (Treacy, M., & Wiersema, 1997): A company needs to position itself in relation to three value disciplines: Product leadership, operational excellence, customer intimacy. Under this strategy the researchers have suggested that the Four rules for success are: Becoming leader at one of the three value discipline, achievement of an adequate performance level in the other two disciplines, and improving one's higher position in the chosen discipline so as not to lose out to a opponent and finally becoming more adequate in the other two disciplines, because competitors keep raising customers' expectations about what is adequate.



Source: Treacy, M., & Wiersema, F. D. (1997). The discipline of market leaders: Choose your customers, narrow your focus, dominate your market. Basic Books.

Figure 2

Five-way Positioning (Crawford and Mathews, 2001): In this a company needs to position itself along five attributes: Product, price, ease of access, value-added service, and customer experience. A great company will dominate on one of these, perform above average (differentiate) along a second, and be at industry par with respect to the remaining three first, assign a number from 1 to 5 to each attribute: 5 (dominant), 4 (differentiated), 3 (on par with industry), 2 (below par), and 1 (poor). Like Wal-Mart is dominant on price, differentiated on product, and on industry par with access, service and experience, Target dominates on product and is differentiated on price compared to average competitors, Target combines "hip design with value pricing.", Dell dominates on service and differentiates on access, while its competitor Gateway dominates on experience and differentiates on price, McDonald's dominates on access and differentiates on service, American Express dominates on service and differentiates on access, and Four Seasons dominates on experience and differentiates on service.

Positioning on Low Price: as per example of Dollar General whose mission is to create a better life for people by selling life's basics at budget prices, it targets consumers with annual incomes of less than $25,000 and seniors on fixed incomes and is not selling cheap things at cheap prices but good quality at everyday low prices. To keep its costs down, it does not advertise, accepts only cash, carries primarily private-label brands, sticks to fast-turnover consumables, operates simple stores with inexpensive displays and fixtures, signs short term leases with low-rents, carries only about 4,500 stock keeping units, and locates near public-transit facilities. Graham Hooley (2006), suggests that reinventing positioning can be of great help during difficult times of recession for a marketing manager.

Or a marketing manager can also follow other strategies like Emotional positioning or Experience positioning which are being followed by the big giants like Cadbury and Southwest Airlines.

WINNING CUSTOMER LOYALTY BY THE MEANS OF CONSUMER BENEFIT AND CONSUMER SATISFACTION

The recent scenario instigates an expenditure of millions of dollars on creating brand awareness, inducing trials, advertising, reminding, despite of that in most of the cases, the consumer engages with the brand and often walks away disappointed. In the past, the South African economy was expanding so rapidly that brand owners never really bothered focusing on retention; the boom period allowed this to happened and, let's be frank, brands got lazy, shoddy with service delivery and out of contact with their customers. As Yi, Y. (1990) suggests that enhanced consumer satisfaction can be a key to firm's success.

One cannot overstate the exponential shift that has occurred globally, where brands and specifically experiential brands like retail, banking, cellular telephony and the leisure industry have been shunned by their traditional customer base because of their inability to deliver on their brand promise. Disengaged employees, anti customer centric policies and poor brand processes are likely be impacting brand equity and they are defiantly hurting bottom line. Christian Gronroos recommends that by enhancing consumer benefits will lead to greater customer loyalty. (Christian Gronroos, 2009)

Each of customer contact or experience is critical for the firm, in the times of hardships so enhancing every customer experience must be the mission for every firm. The business strategy for those brands that wish to stay on top of their game, it's time for their owners to get off the couch, skip the sponsored lunches and awards dinners and start focusing on the experience they are delivering to their customers if they want to protect their market share. Try to balance the consumer satisfaction equation:

By maximizing the value of customer benefit by changing the values of the components of the equation and enhancing the brand loyalty and commitment can really help out by creating a positive brand image.

Some more remedies to face economic slowdown can be Shift promotion funds away from broad advertising toward narrowcasting promotion and events, Go electronic and paperless and Partner with employees, customers, suppliers, and distributors for co-prosperity. As Rigby, Darrell (2001) suggests that marketing endeavors should continue at same pace in economic downturn.

CONCLUSION

May be in traditional approach can give a short-term relief but the innovative new economy marketing approach does not only help to place organization better to weather the current storm but also primed to seize the opportunities emerging from the turbulence and to get a heads start on the competition as the dark clouds begin to disperse.

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