

SLUMP SMARTS

Don't be penny wise, pound foolish

Think twice before slashing marketing budgets in bad times, say experts

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IT IS one of the biggest and one of the worst mistakes companies make during a recession. The blunder in point, according to three experts: Panicking and slashing marketing budgets to cut costs.

To find out how companies can improve their promotional strategies to market effectively in a recession, TODAY met Professor John Quelch from the Harvard Business School, who was speaking at a seminar organised by advertising agency J Walter Thompson; and global marketing

consultancy EffectiveBrands' Frank van den Driest, its Amsterdam-based executive director, and Ms Roxanne Aquino, its Singapore-based managing director.

INVEST IN A GOOD COST

As a marketing department is usually seen as a cost – rather than profit – centre, its budget is often one of the first to be slashed during bad times.

While acknowledging that companies should manage money more prudently now, Mr van den Driest cautioned: “The returns on marketing spending take time to show. Gaining market share is as big a KPI as generating sales. If companies trim marketing budgets to cut costs, they’ll suffer in the long term.”

Mr van den Driest said companies should focus on their most important marketing projects instead of funding a bevy of them. Ms Aquino added: “Spend smart

– do fewer things well instead of trying to do many things simultaneously.”

BASICS FOR TOUGH TIMES

Sometimes, companies can get caught up in devising over-elaborate marketing plans and risk losing track of what their brands and core values are.

Prof Quelch recommends using the downturn to implement overdue reforms, while Mr van den Driest feels the recession might be a “blessing in disguise” as it forces marketers to return to basics to satisfy customers’ needs.

To do that, Ms Aquino said sometimes, all marketers need to do is “spend a day in your shop and observe your customers’ behaviour”.

Mr van den Driest added: “Back to basics means solving customers’ problems rather than just talking about your own brand.”

Citing how Internet giant Google has achieved that, Mr

van den Driest explained that the Gmail team realised users sometimes send drunken emails and regret it later. To prevent that, its new feature, Mail Goggles, makes users solve math problems to verify that they are sober before sending their email.

THE MEDIUM FOR THE MESSAGE

Choosing how to deliver the message is as crucial as the message itself.

Prof Quelch recommends that if, for instance, TV budgets have to be cut, that companies advertise on radio, which might be cheaper, to maintain media frequency.

While marketers might be tempted to solely use new media like the Internet as it may be cheaper than TV or print, all three experts caution against abandoning traditional media completely.

Prof Quelch maintains there needs to be a good mix between traditional and non-traditional forms of advertising.

One advantage of advertising in print that the Internet cannot offer, according to Prof Quelch, is that advertisers can associate their product with the publication’s strong brand image.

Similarly, TV advertising will continue to appeal to luxury goods retailers, said Mr van den Driest, as the medium can “create that world of sensory emotions”.

BE IN THE MINDS OF CONSUMERS

Ultimately, companies must continue marketing even in a recession to ensure their products remain visible to consumers.

Ms Aquino said: “I see a lot of ‘short-termism’ in the way marketing is viewed in Asia. This is even more acute during the recession. Marketing is an investment and those who spend smartly with a medium-term outlook will reap benefits. I know of companies who are already preparing for the upturn.”