

Marketing in the Economic Crisis

Survey of Marketers, October 2008



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Background

There has been much news about the current state of the economy and the fundamental challenges that all organizations now face. As companies make changes to survive the economic downturn, management often chooses marketing as the first candidate for cost cuts. To keep marketers current during these turbulent times, MarketingProfs conducted a survey of members in companies of all industries and sizes to determine how this economic crisis is impacting marketing plans and projections for 2009.



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Methodology

On October 10, 2008, MarketingProfs distributed a web-based survey concerning this economic crisis, and received responses from 684 marketing and business professionals in four days. Respondents reflected a wide variety of business circumstances, as represented by the following:

Company Size		
Small	Medium	Large
57%	29%	14%

Sector*	
Primarily Business-to-Business (B2B)	Primarily Business-to-Consumer (B2C)
57%	17%

Core Business		
Manufacturing/Product Marketing	Provision of Service/Service Marketing	Other
23%	59%	18%

**Other respondents included marketers who described their companies as either a combination of B2B/B2C, government, or non-profit.*

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Summary

Two-thirds of respondents (68%) believe the current economic crisis will have a negative impact on their business, with detrimental effects anticipated more often by marketers in large organizations (75%) than those in medium (70%) or small (65%). Already, 30% claim to have made spending cuts (43% of marketers in large companies), and 22% have made budget reallocations.

A fourth predict they will have to make cuts in marketing spending next year, and a third anticipate that their 2009 budgets will remain steady but spending will be reallocated to different vehicles. Business-to-consumer and product marketing/manufacturing companies indicate a greater likelihood to make future budget cuts or reallocations than those in either business-to-business organizations or those engaged in businesses with a service-marketing orientation.

Plans for product/line extensions are currently forecasted to remain unchanged by 56%, with an additional 21% being undecided; only 8% said they plan to delay new product development. Manufacturing/product marketers and B2B organizations are more likely to maintain their current product/line extension plans than service marketers or those with a B2C focus.

Marketers overwhelmingly are planning for spending reductions on traditional vehicles, and are increasing the importance of online marketing in their projected budgets. Marketers who have a pessimistic outlook are more likely than those with an optimistic outlook to report that they expect to increase spending on online vehicles and decrease spending on traditional vehicles. Although there has

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Summary (cont.)

been a general trend toward online marketing and away from traditional vehicles, those who are pessimistic may be increasing the speed of their transition.

Although conditions like this may often be exaggerated by the media, most marketers (71%) report that the effects on their industry have not been exaggerated. A proportion slightly larger (77%) does not anticipate staff layoffs, with B2B marketers being somewhat more likely to anticipate staff layoffs than those in a B2C environment.

Marketers are split as to their predictions for the duration of the current climate, with nearly half (47%) believing it will continue through all or most of 2009, and 25% believing it will last into 2010 or beyond. 22% believe the current climate will end by the middle of 2009.

While respondents believe that their own careers will not be impacted as much as that of their colleagues, they are equally likely to think that their compensation and their colleagues' compensation will be affected.

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Conclusions

In general, marketers are taking a largely negative view of the impact of this current economic crisis, and are altering their current actions and future plans accordingly. Many have likely expected that marketing is the first expense to be cut when the economy slows and management is looking to cut costs.

However, this crisis also has the potential to create an opportunity for savvy business management to carefully consider their marketing budgets and allocations in order to capitalize on the chance to snag a greater share of voice in certain vehicles. When the competition cuts their spending, there will be potential to gain a competitive advantage.

Digital marketing vehicles may provide an opportunity to stretch a marketing budget. Those marketers who can best position themselves vis-à-vis the competition and can capitalize on creative and innovative use of online marketing tactics may be able to reap the greatest return on the shift in allocation to this new media.

Overall, it is important to keep various tools in your marketing arsenal, and not become too heavily focused or reliant on any one tactic or media. Each tool can have a pay-off for organizations that use it effectively to target the needs and benefits sought by their target audiences. Regardless of what tools marketers employ, it is essential that results be measured over time to determine which vehicles are most effective for each strategy.

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Conclusions (cont.)

Finally, it is also worth noting that while marketing may be viewed as an expense by senior management, the more savvy companies understand that it is an investment. History has shown that during economic downturns, reductions in marketing spending may have the effect of prolonging or creating permanent loss in market share or profitability for a company after the economy improves.



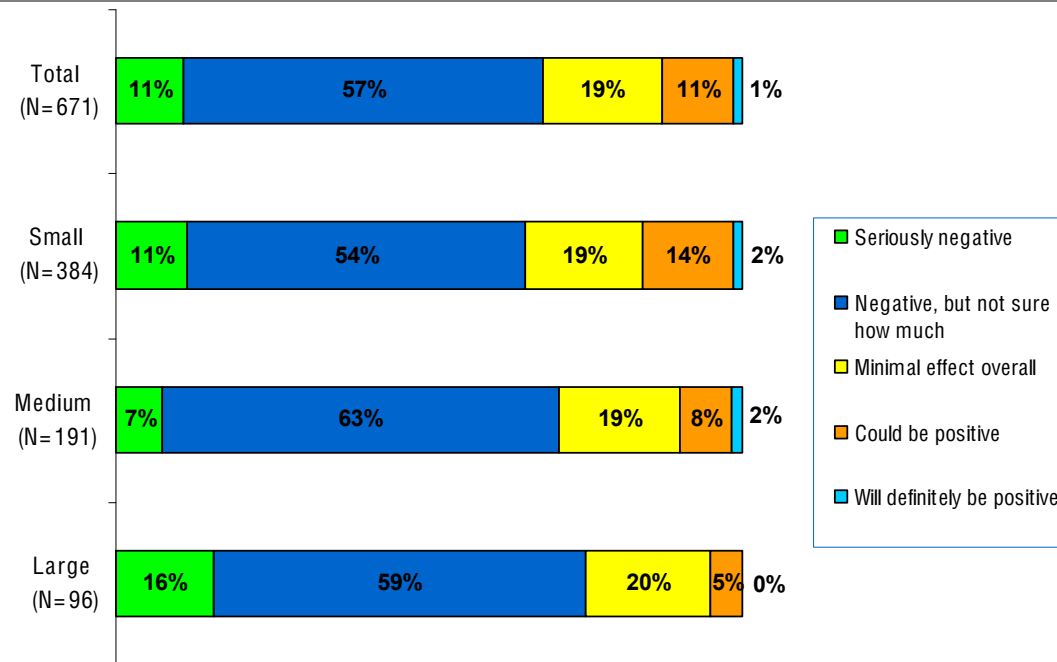
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Expected Impact of Current Economic Crisis on Company Business

Total and Company Size

Over two-thirds of respondents (68%) anticipate that the current economic crisis will have a negative effect on their business, of which 11% believe the effect will be seriously negative. 19% predict minimal impact, while the remaining 12% think there may be some positive effect for their business. Overall, the tendency to anticipate a negative impact increases by company size, with 75% of large business anticipating a negative effect on their business. Differences between marketers in business-to-business (B2B) versus business-to-consumer (B2C) organizations are not notable.

Expected Impact of Current Economic Crisis on Company Business



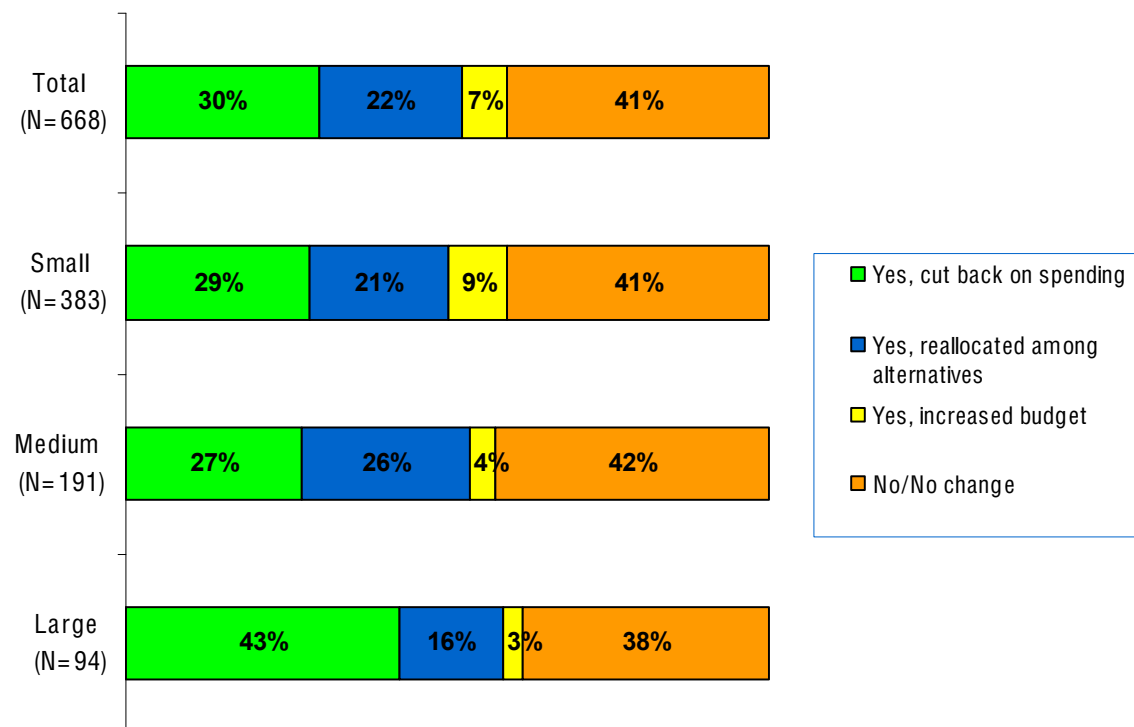
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Up-to-date Adjustments to Marketing Plans/Budgets

Total and Company Size

30% have already made cut-backs and an additional 22% have shifted spending to alternative tactics from what they had originally planned; 41% of respondents have yet to make any changes to their marketing budgets or marketing plans. Marketers in large organizations are more likely to have already made cuts (43%) when compared with their cohorts in medium/small companies.

Up-to-Date Adjustments to Marketing Plans/Budgets



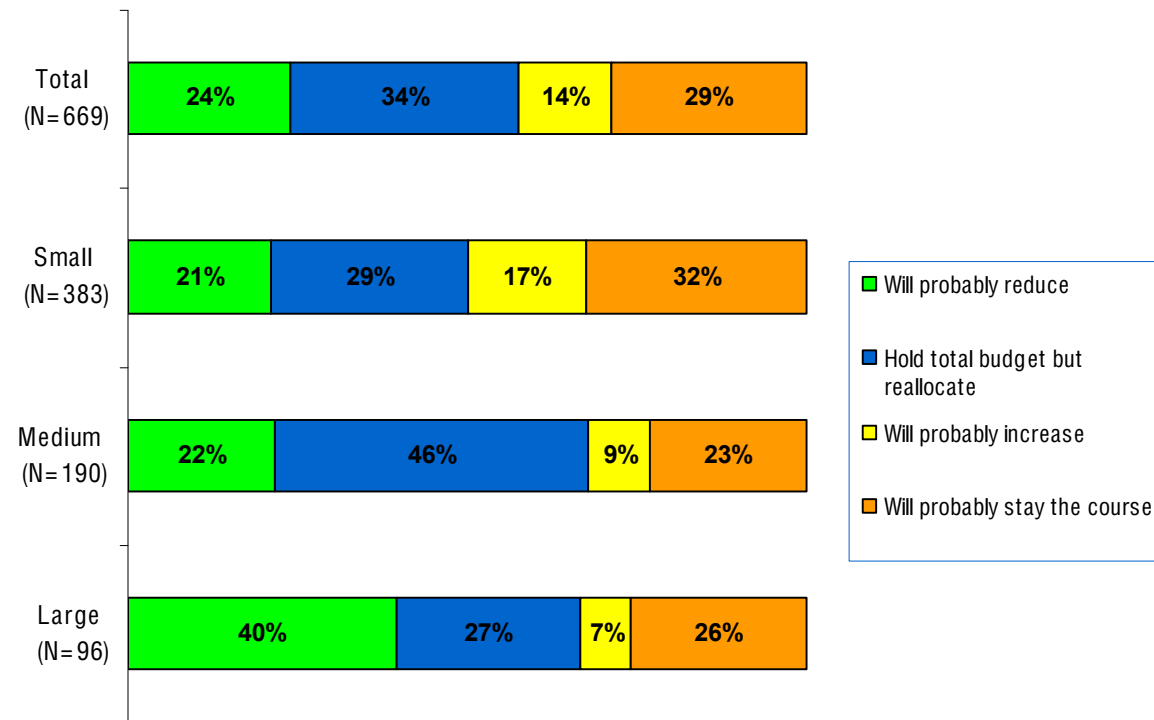
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Expected Modifications to 2009 Marketing Plans

Total and Company Size

About a fourth (24%) of marketers say they will probably make reductions in their 2009 marketing budgets; approximately one-third of respondents anticipate holding budgets steady for 2009 but will reallocate their resources. 29% expect to maintain their current course of action. 40% of marketers in large organizations expect to reduce their budgets, a proportion nearly twice as large as those in small-medium enterprises.

Expected Modifications to 2009 Marketing Plans



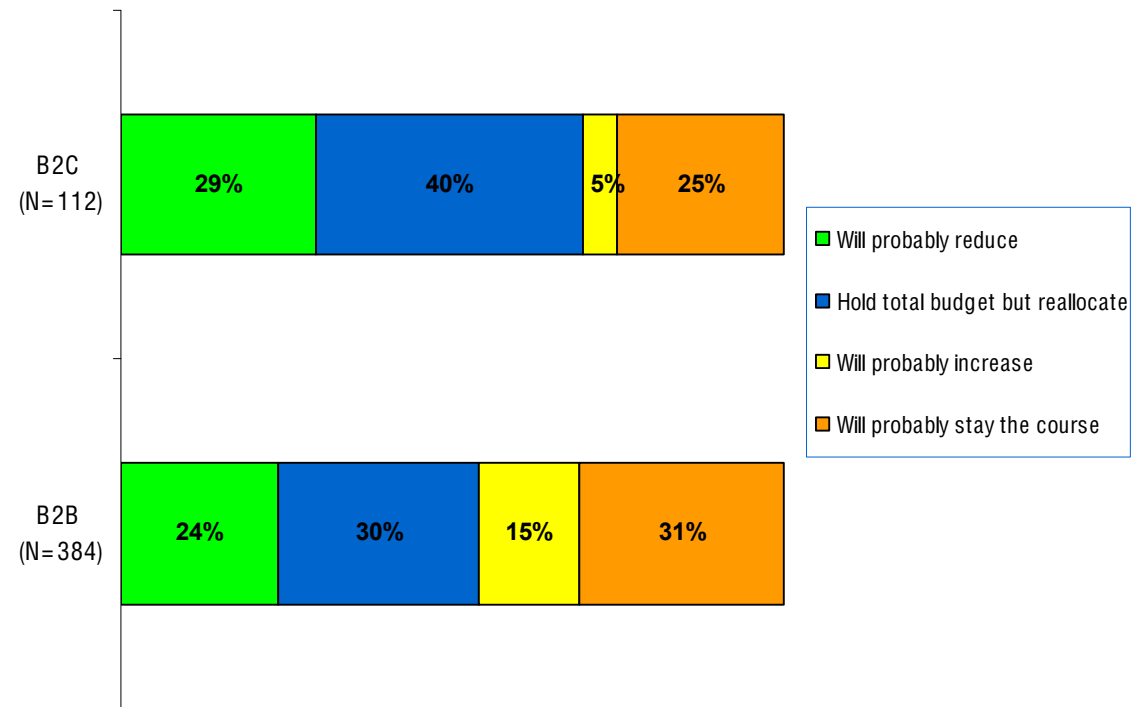
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Expected Modifications to 2009 Marketing Plans

By Primary Sector

Marketers in organizations with a consumer focus are slightly more likely to plan on reductions or allocations than those with a business focus (29% vs. 24%).

Expected Modifications to 2009 Marketing Plans



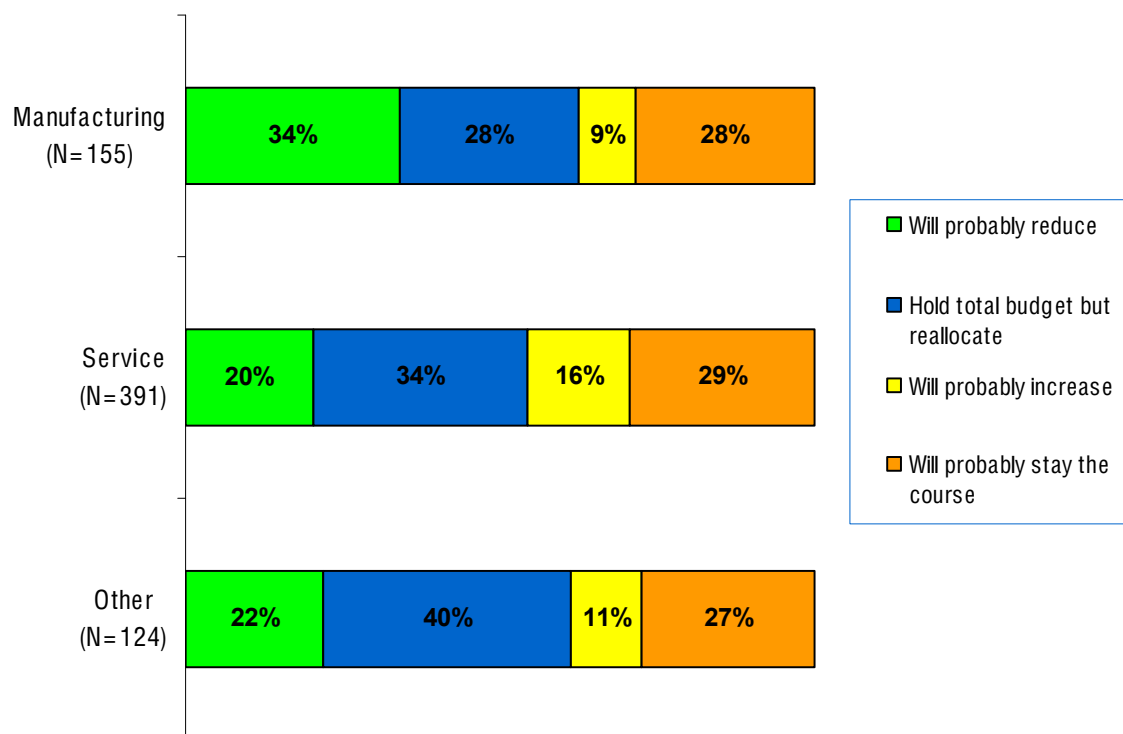
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Expected Modifications to 2009 Marketing Plans

By Company Type

Marketers in manufacturing organizations are more likely to expect budget reductions (34%) than those in either service-based (20%) or other (non-profit or government) organizations (22%).

Expected Modifications to 2009 Marketing Plans



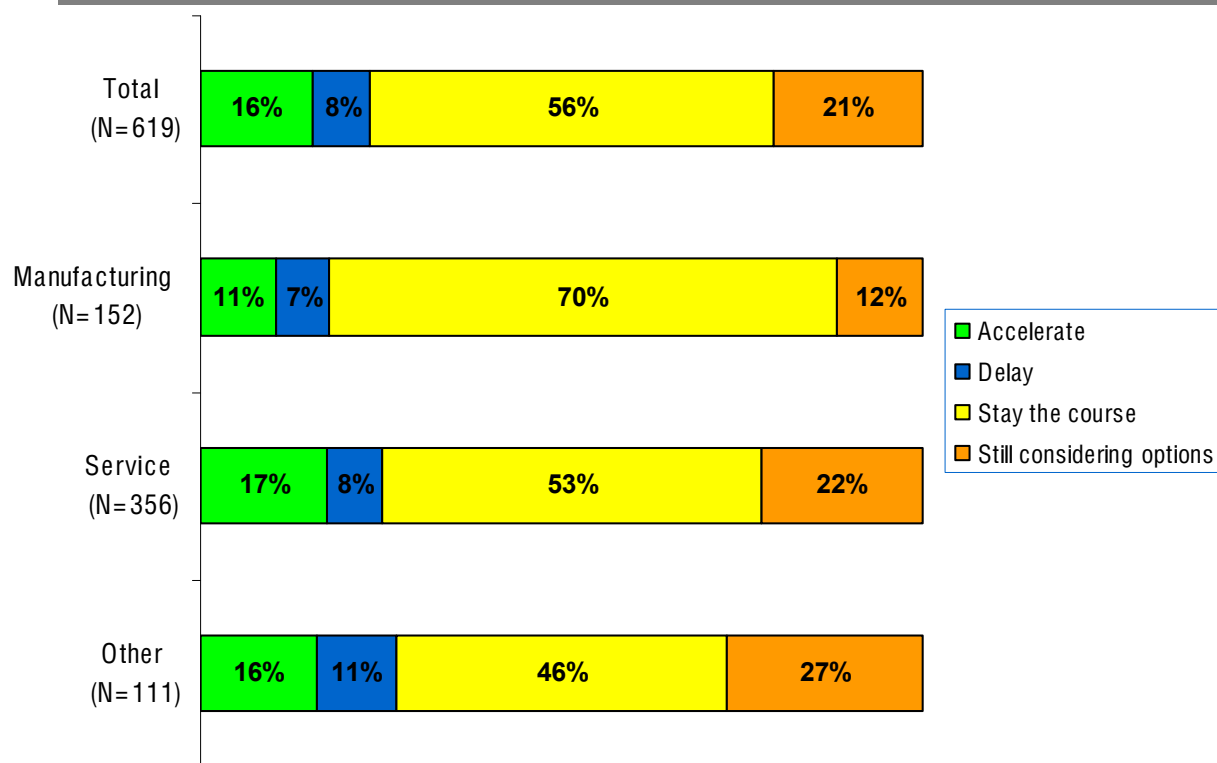
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Plans For Product/Line Extension as A Result of Financial Situation

By Company Type

Overall, 56% of marketers plan to continue with current plans for product or line extensions. While 21% are considering their options, 16% plan on accelerating these plans and 8% say they expect a delay. Marketers in manufacturing companies are more likely to remain committed to these current plans than those in other organizations.

Plans for Product/Line Extension as a Result of Financial Situation



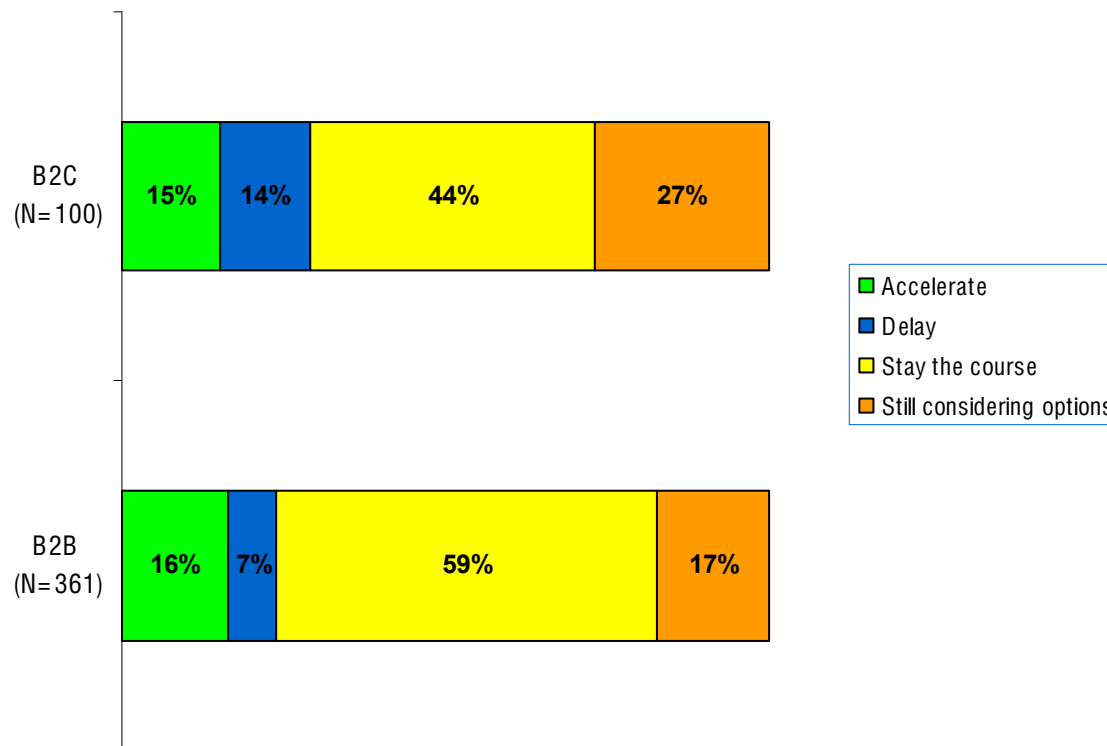
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Plans For Product/Line Extension as A Result of Financial Situation

By Primary Sector

B2B marketers are more likely to maintain their planned course of action for product or line extensions than are B2C marketers (59% vs. 44%).

Plans for Product/Line Extension as A Result of Financial Situation



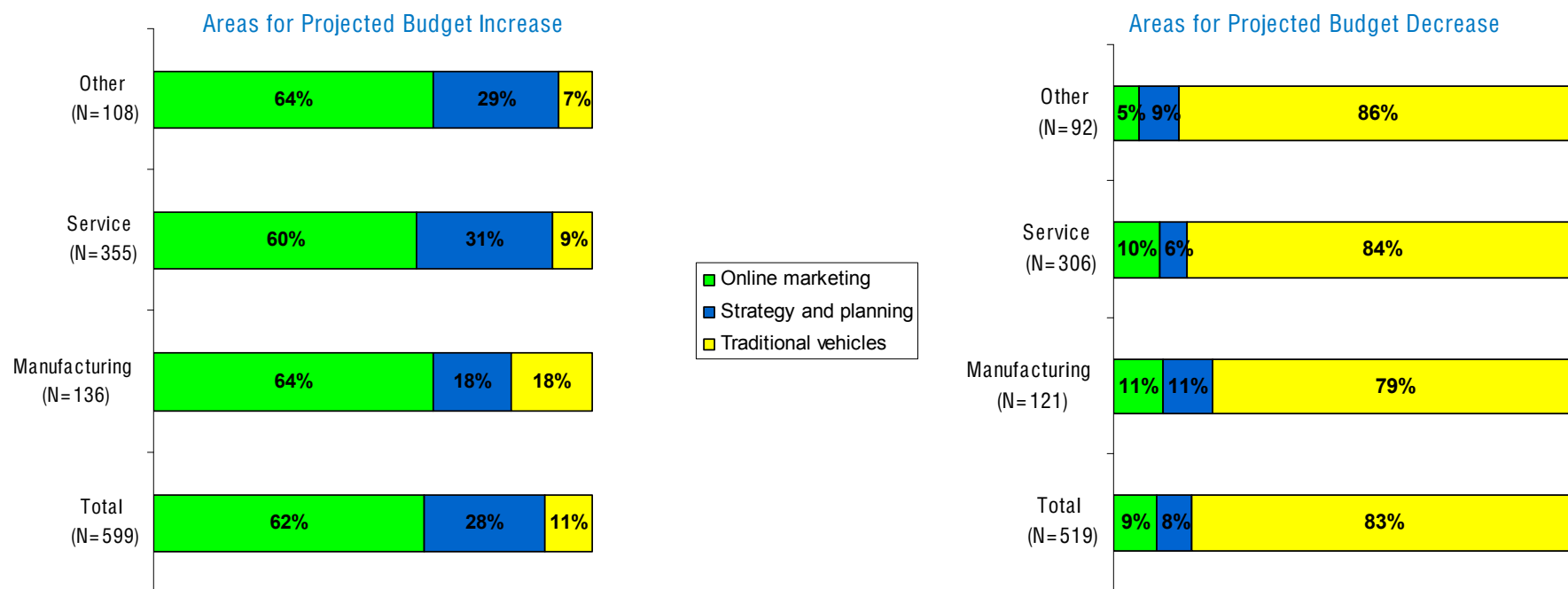
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Areas for Projected Budget Increase/Decrease

By Company Type

Most marketers (62%) expect to increase their budgets for online marketing while widely expecting to make spending cuts to traditional vehicles (83%). While just 18% of marketers in manufacturing organizations expect to make increases in traditional areas, this is still double the proportion observed in other types of organizations. In general, marketers are also more likely to increase resources devoted to strategy and planning than they are to make decreases in these areas. Manufacturing marketers are less likely to plan on dedicating additional resources to strategy and planning than other marketing professionals.

Areas for Projected Budget Increase/Decrease



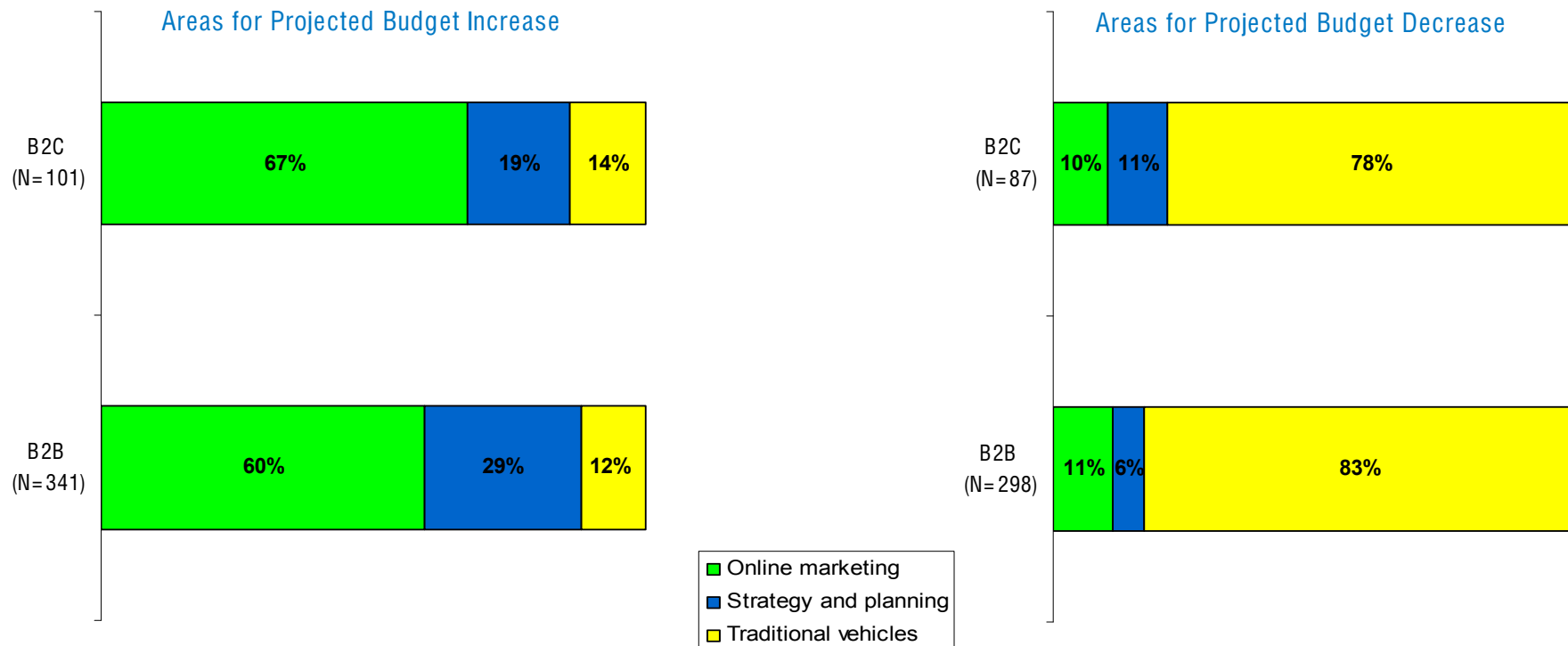
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Areas for Projected Budget Increase/Decrease

By Primary Sector

B2B marketers are more likely to expect to increase spending on strategy and planning than those in B2C organizations, and also appear to be somewhat more likely to cut spending on traditional vehicles.

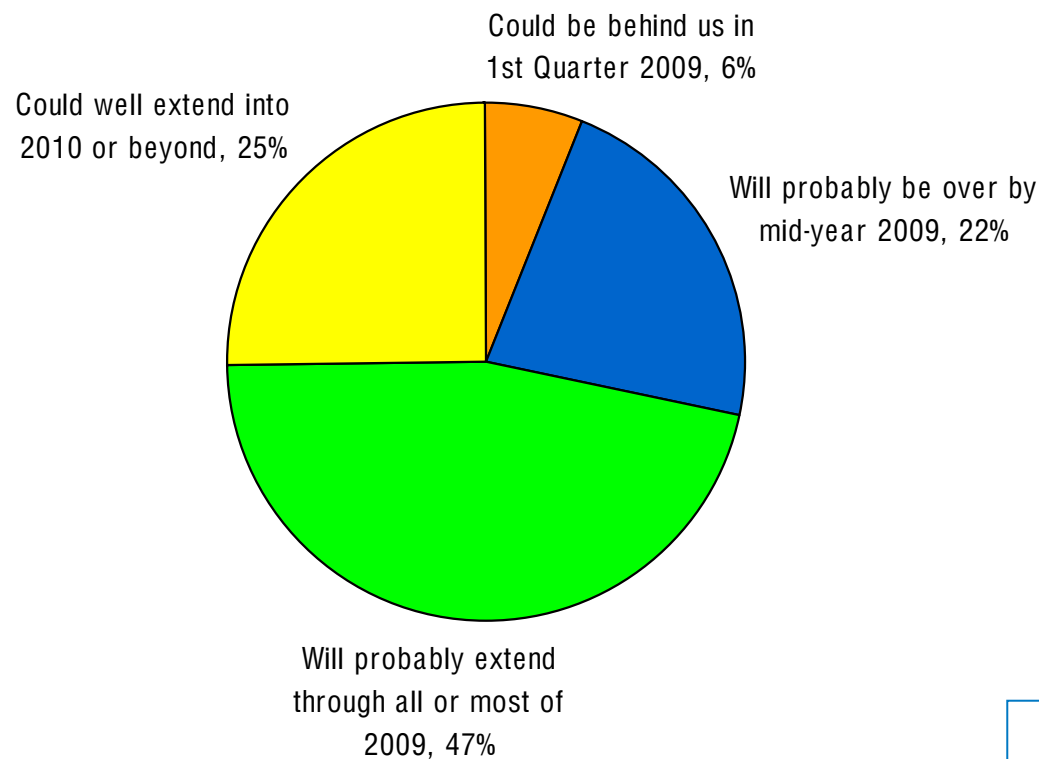
Areas for Projected Budget Increase/Decrease



Expected Duration That Current Climate Will Persist

Marketers are most likely to anticipate that the current climate will persist through all or most of 2009 (47%), and an additional 25% believe the timeframe could well extend into 2010 or beyond. Just 6% predict a quick recovery (by the first quarter of next year). Differences by primary sector, company size or company type are not significant.

Expected Duration That Current Climate Will Persist

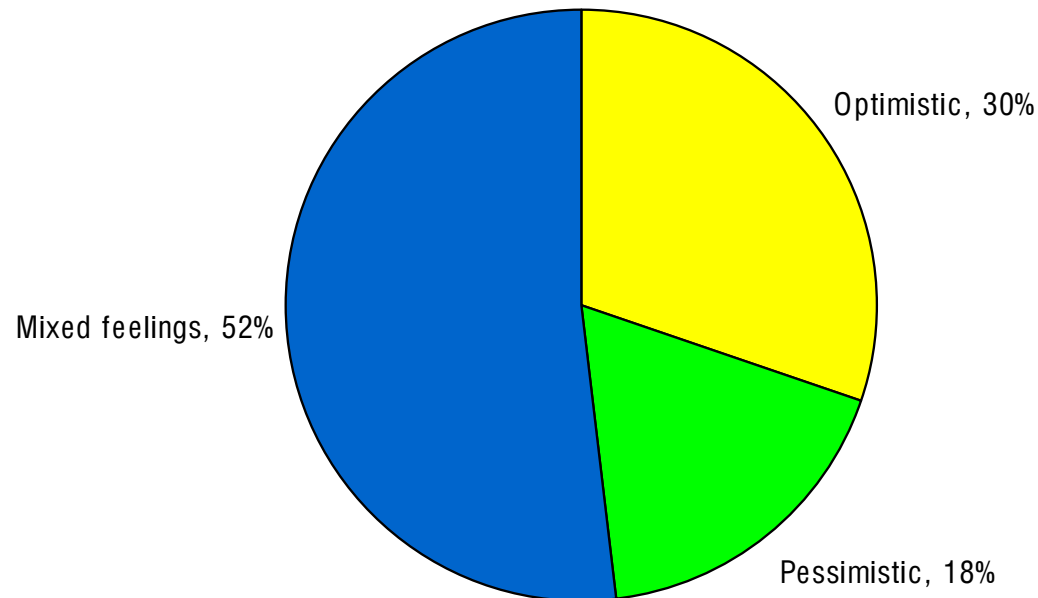


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General Feeling of Optimism/Pessimism

Just over half of respondents (52%) have mixed feelings about what they believe is likely to happen. 30% are optimistic, and 18% have a general feeling of pessimism.

General Feelings about What's Likely to Happen



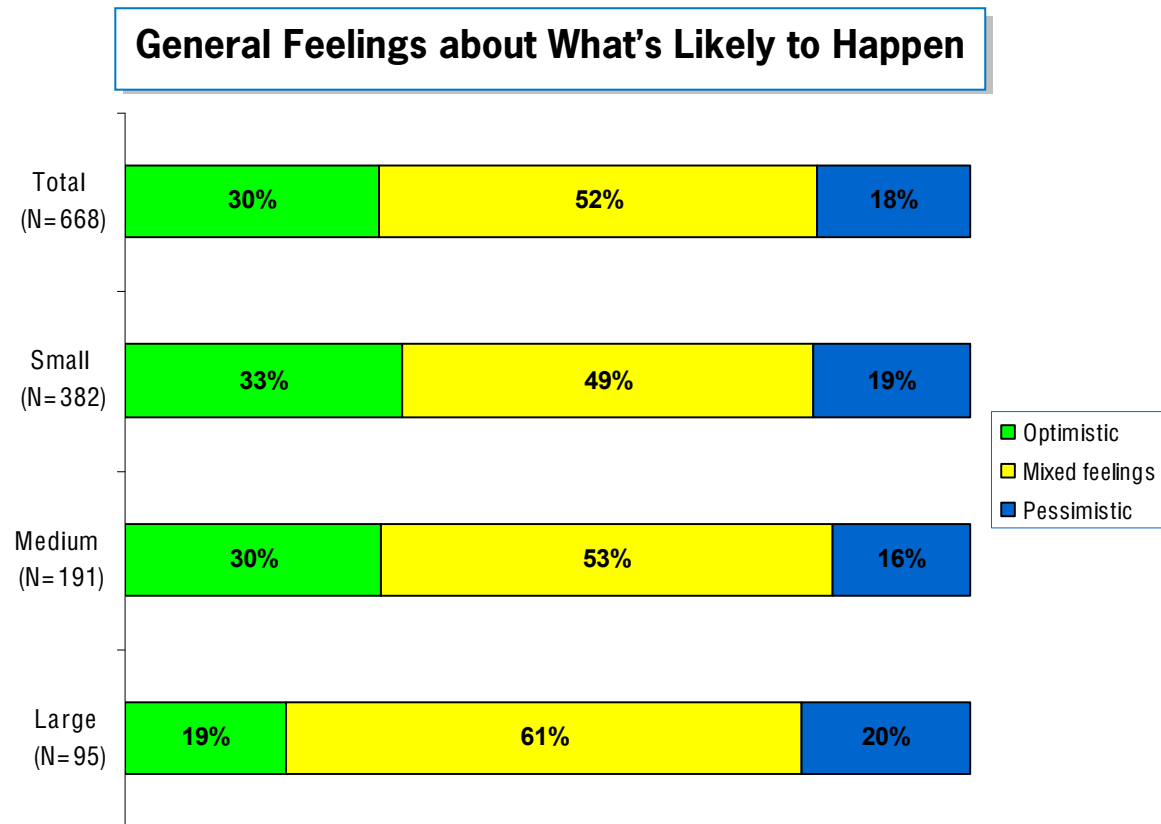
Total = 681 Respondents

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Optimism/Pessimism

By Company Size

The pervasive feeling, regardless of company size, is ambiguity. However, marketers in large companies are far less likely to feel optimistic than marketers in medium or small companies, and are more likely to have mixed feelings. There are no substantial differences in outlook by sector or company type.



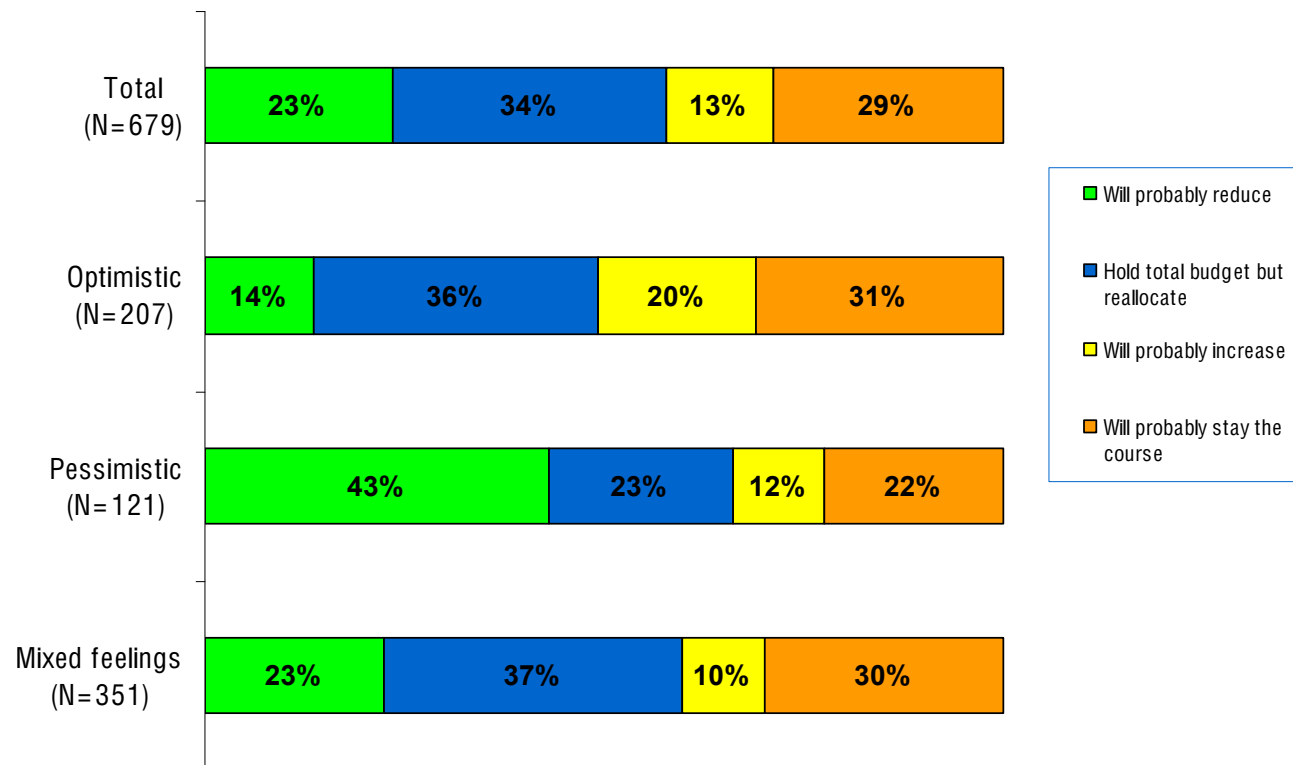
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Expected Modifications to 2009 Marketing Plans

By Optimistic/Pessimistic Outlook

Not surprisingly, marketers with a pessimistic outlook are far more likely to anticipate budget reductions than those who are either optimistic or feel ambivalent.

Expected Modifications to 2009 Marketing Plans



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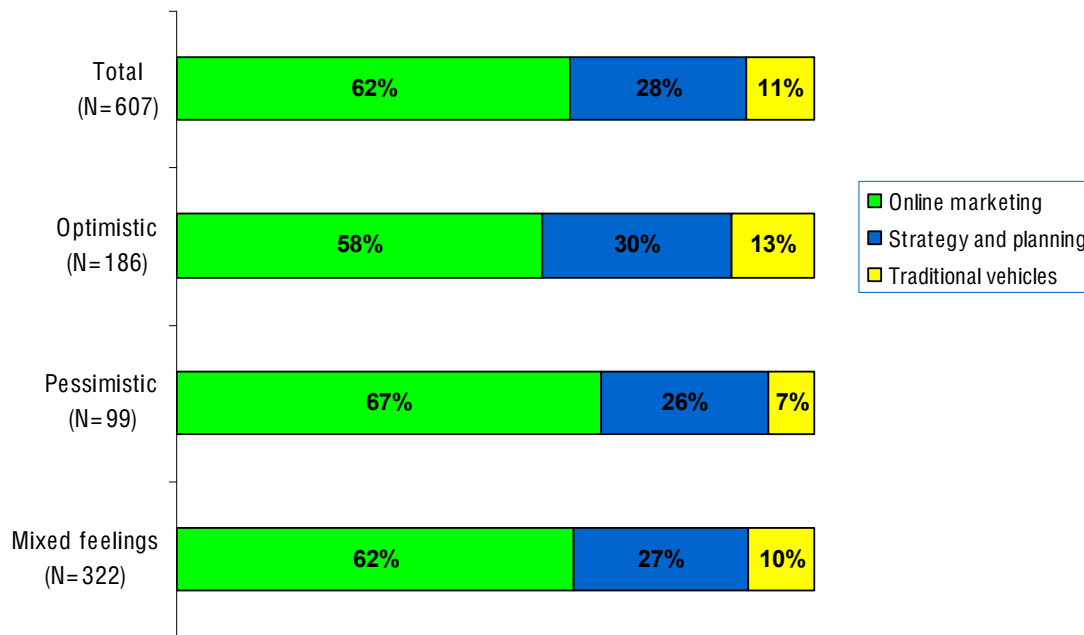
Areas for Projected Budget Increase/Decrease

By Optimistic/Pessimistic Outlook

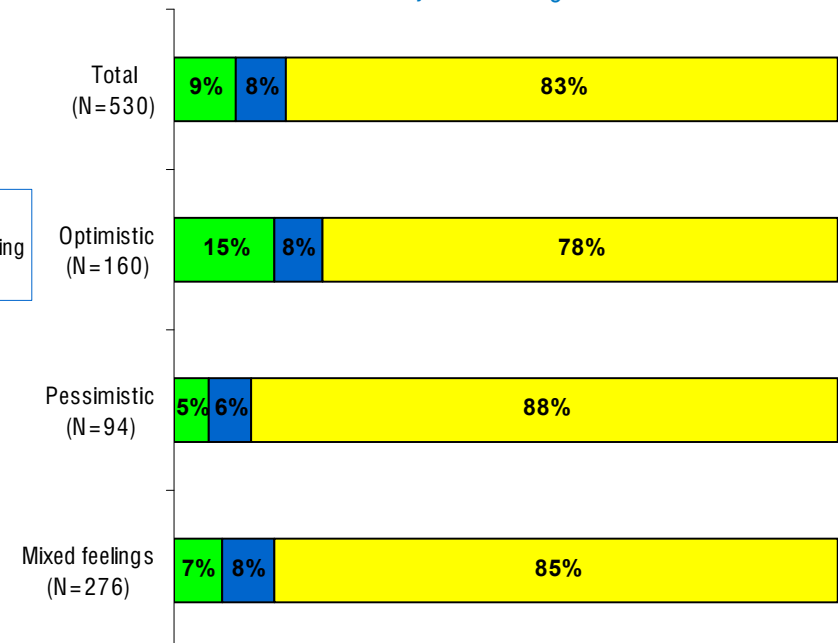
Marketers who have a pessimistic outlook are more likely than those with an optimistic outlook to report that they expect to increase spending on online vehicles and decrease spending on traditional vehicles. Although there has been a general trend toward online marketing and away from traditional vehicles, those who are pessimistic may be increasing the speed of their transition.

Areas for Projected Budget Increase/Decrease

Areas for Projected Budget Increase



Areas for Projected Budget Decrease

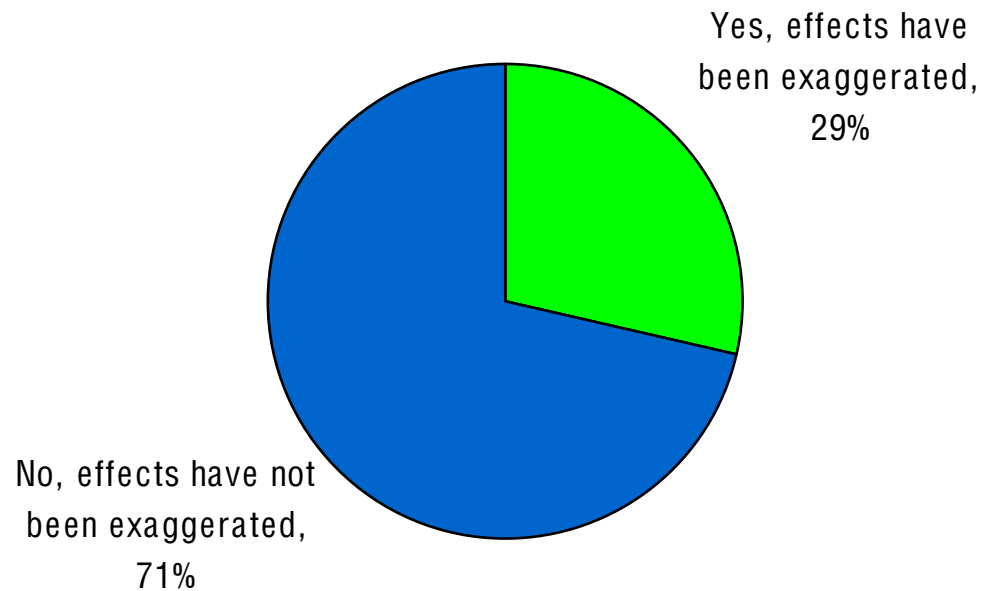


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Belief in Exaggeration of Crisis Effects

Most respondents (71%) do not believe that the effects of the current crisis on their industry have been exaggerated. Results are similar regardless of company size, type or sector.

Belief in Exaggeration of Crisis Effects



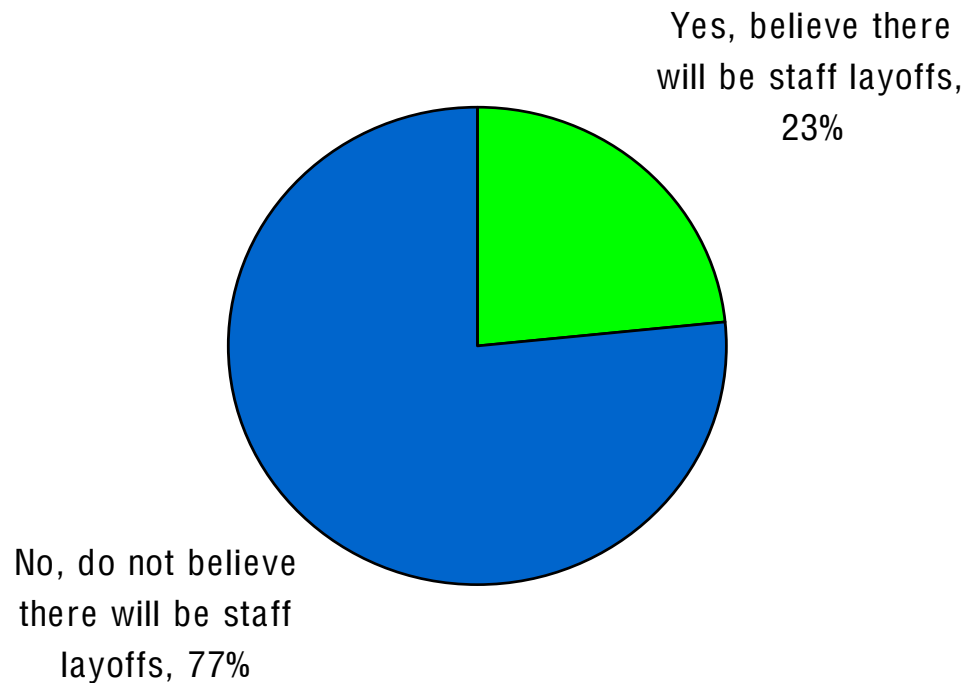
Total = 670 Respondents

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Expectation of Staff Layoffs

Almost a fourth of marketers already anticipate staff layoffs in their department over the next year.

Expectation of Staff Layoffs



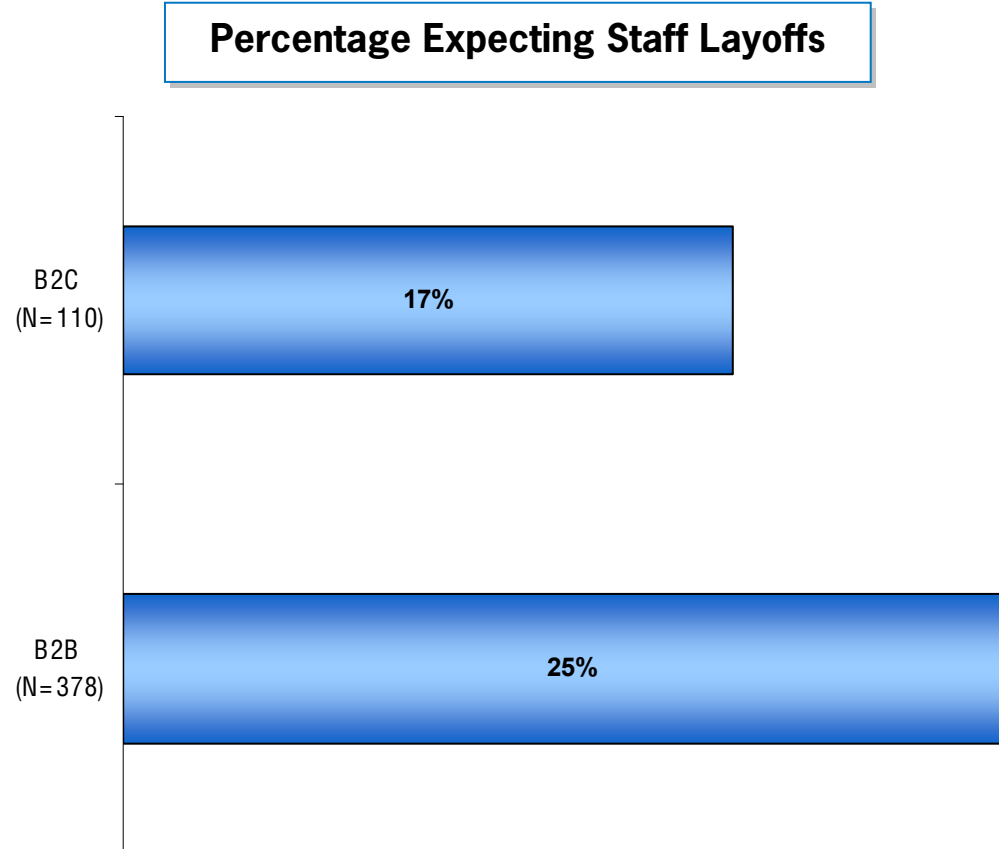
Total = 673 Respondents

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Expectation of Staff Layoffs

By Primary Sector

Expectations for departmental layoffs are somewhat higher among B2B marketers than B2C.

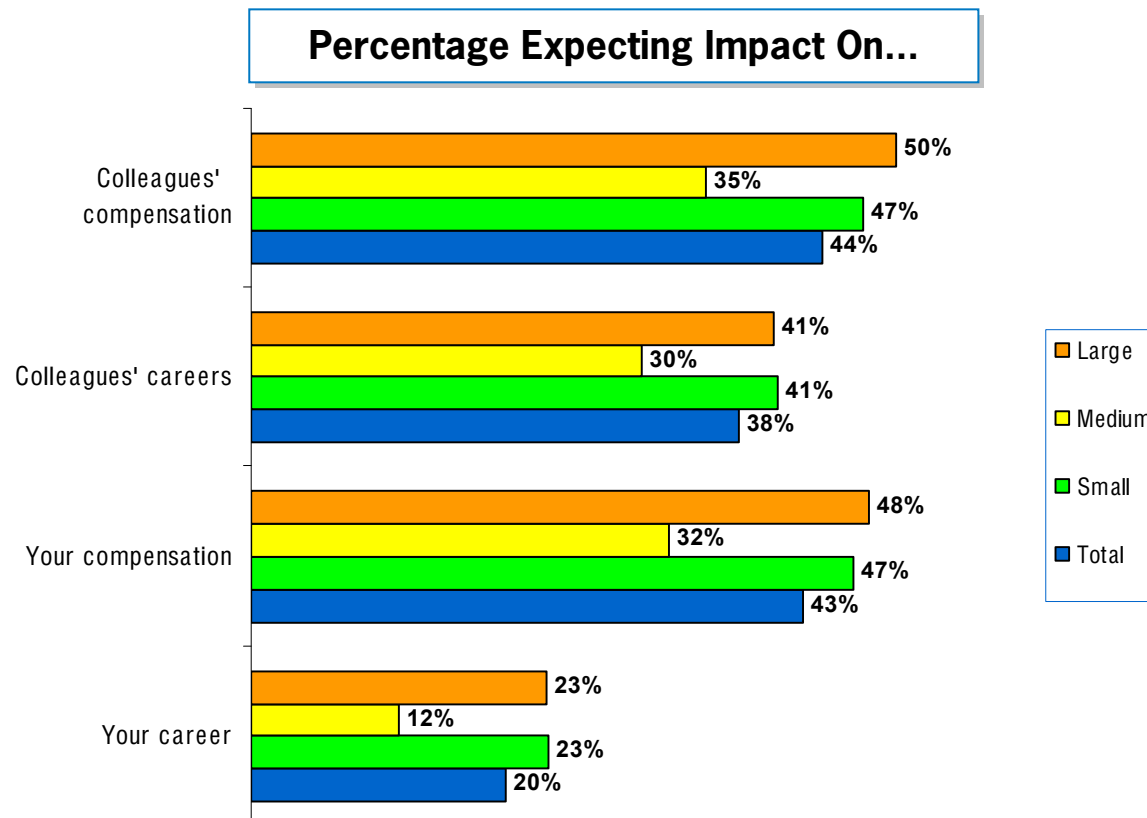


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Expected Impact on Career/Compensation

By Company Size

Respondents believe that their own careers (20%) will be impacted by the economic crisis to a far less degree than that of their colleagues' (38%). However, they tend to have a higher expectation that compensation, for both themselves and their colleagues, will be affected (43% and 44%, respectively). Marketers in mid-sized companies are less likely to believe any of these areas will be affected than their cohorts at either end of the company size spectrum.



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