

SENSORS DAILY

APRIL 8 EDITION

MARKETING IN A RECESSION: HOW TO SURVIVE

THE EFFECTS OF SOCIETAL/FINANCIAL CRISIS ON MARKETING AND BUSINESS STRATEGIES

For you that were looking to read my reportage and repartee on the MEMS Commercialization Report Card and addressing the topic of MEMS and sensors marketing (part 3), I offer my apologies. This topic has been rescheduled to appear in the April 22 issue of Sensors Daily. Considering the current state of affairs worldwide, I was compelled to author this article which will address the major impact of the current unprecedented global pandemic resulting from the Covid-19 virus and its effects on the resulting financial economic crisis (slowdown...yes...recession?) relating to business and marketing strategies for a broad selection of markets including travel, hospitality, restaurants, automobiles, real estate, consumer goods. Keep in mind that MEMS and sensors continue to play a huge role in the automotive and consumer markets. As Chicken Little exhorts..."the sky is falling" ...the question is...what to do?

HISTORICAL PERSPECTIVE

The US economy has survived several recessions during the past half-century...many of which I have experienced in my over 35 years as a technology marketer. I cannot forget the impact on the technology marketing community including several of my clients as a result of the "dotcom" boom and bust of 2000/2001 and the worldwide economic crisis of 2008-2009. Most recently, the end of March 2020 closed as worst quarter in the stock market in 12 years with the Dow, S&P 500 and Nasdaq losing 23%, 20% and 14% respectively. Recently, Goldman Sachs revised its earnings estimate for the year for US companies to 0% growth in 2020. First-time filing of unemployment claims was 6.65 million for the week ending March 27, 2020. The Wall Street Journal headline reported that "Facebook Use Leaps but Ad Sales Weaken" [1]. This will more than likely be a bellwether of things to come. The New York Times has reported that "Start-Ups Pummeled By Virus Shakeout" [2]. Startups are a key element in the creation of new products and services necessary to create the next generation products and services. Bottom line, I believe that we are at the beginning of some very difficult times...both health wise and business wise. The question is, how to overcome the effects of these issues. My answer...in the words of George Santayana..." those who forget the past are condemned to relive it" [3].

Many reports have been published [4],[5],[6],[7] and addressed the impact of recession on businesses and their sales, market share and profits. While no two recessions are alike, below is provided a summary of selected historical data [8] which address major recessions over the past half-century, managements response, the resulting effect on business and marketing strategies and the financial outcomes post-recession. Top help marketers of MEMS and sensors best emerge unscathed, I have provided my proposed recommendations as to how to minimize their negative effects, many based on my personal experiences weathering the storm of several of these downturns. Additionally, it is well-known that R&D and new product development are adversely affected during these troubled times.

Recession of 1970...American Business Press/Meldrum and Fewsmith..."sales and profits can be maintained and increased in recession years and in the years immediately following by those who are

willing to maintain an aggressive marketing posture, while others adopt the philosophy of cutting back on promotional efforts when sales appear to be harder to get.”

Recession of 1974-75...American Business Press/Meldrum and Fewsmith...” companies which did not cut marketing expenditures experienced higher sales and net income during those two years and the two years following than those companies which cut in either or both recession years.”

Recession of 1981-82...Mc Graw Hill...” businesses that maintained or increased their ad spending during the recession averaged higher sales growth during the recession and in the following three years.”

Recessions of 1985, 1990-91, and 2001 showed sales for companies that remained aggressive during the recession enjoyed sales that were 2.5 times the average of all other businesses.

Recession of 2008-2009 which was driven by lack of liquidity and the banking crisis had advertising outlays falling by 13% with research showing that firms who cut their ad spending during the recession typically seeing sales and income decline in double figures

The consensus of these studies establishes that organizations who cut spending on advertising emerge from the recession with lower market share.

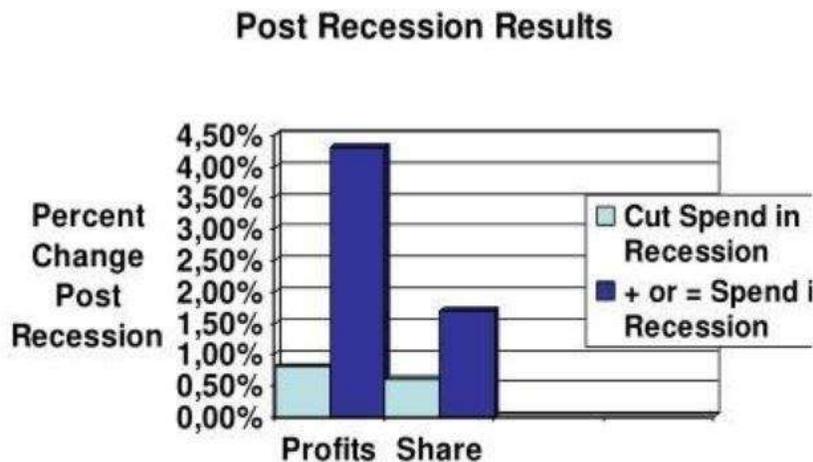


Figure 1. The Profit Impact of Marketing Strategy (PIMS) Study, conducted in 1999, investigated 183 UK-based companies and compared advertising spend during recessions to market share and profit during recovery. Those that spent in recession did better afterward than those that did not. Courtesy: PIMS

Market share has a positive correlation coefficient on profit margin as discussed in several publications including the seminal Profit Impact of Marketing Strategy (PIMS) study [9]. Additionally, organizations who maintain or increase their spending enhance their market credibility and brand equity stated in a study conducted by Yankelovich and Harris which has both short- and long-term benefits.

Yankelovich/Harris Study

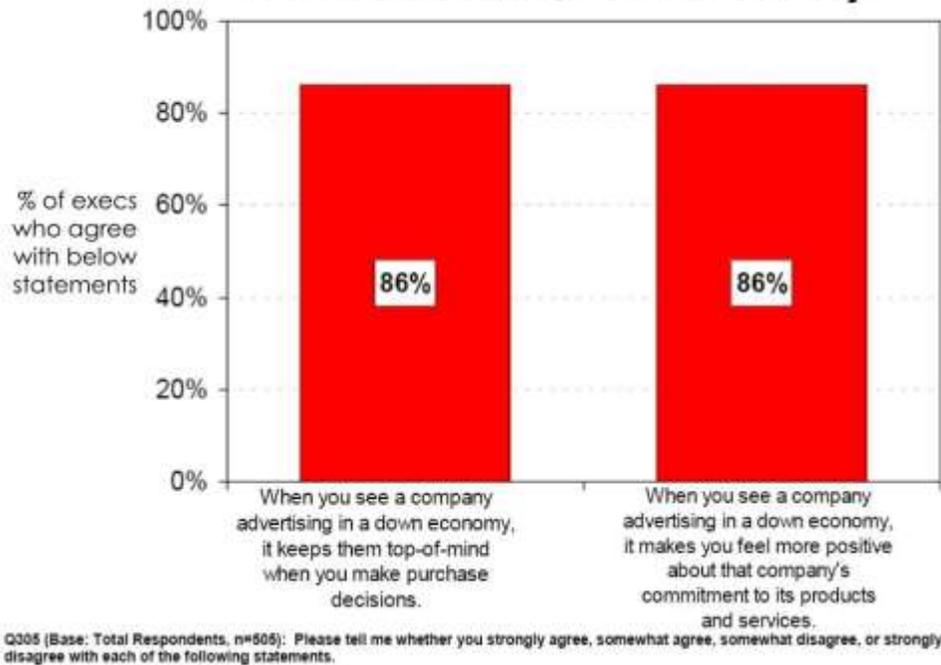


Figure 2. A total of 505 executives were queried as to their opinions of companies who advertise in a down economy, 86% provided favorable opinions in purchasing commitments. Courtesy: Yankelovich/Harris

I rest my case. And in the words of Henry Ford..." A man who stops advertising to save money is like a man who stops a clock to save time".

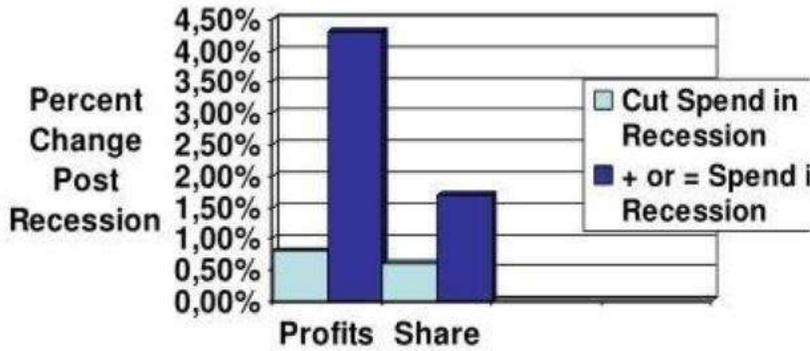
RECOMMENDED ACTIONS

MEMS and sensor marketers need to plan and execute the following actions...and in a timely fashion...now!!!!

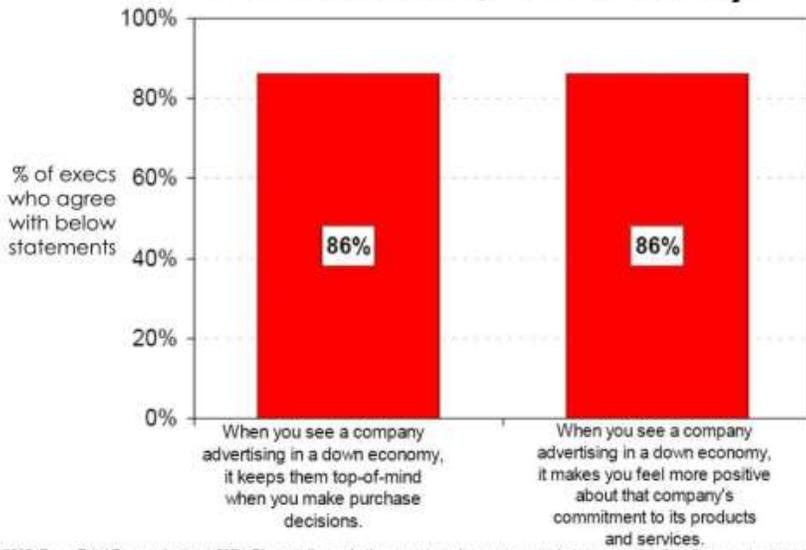
- Act quickly, creatively, objectively and decisively... review all elements in the marketing mix and create a program to objectively monitor and assess vis-à-vis web analytics e.g. Google Analytics and other tools their ROI...add financial support to what is producing high level results...reduce/cancel those that do not meet expectations...and do not be reactionary....you can't win the game unless you know the score.
- Continue to market/promote your organization's product offerings...and if you can, convince management to increase spending in high ROI areas.
- Provide extra care for your current customers to keep them since it will be more difficult to create new customers during the downturn.
- With the advent of "cocooning" to avoid socializing, e-commerce and e-marketing should be accelerated. Many conferences/trade shows have been cancelled...take up the slack with webinars, blogs etc.
- Exploit the possible price reduction in the cost of media as a result of slumping media sales since media space supply exceeds demand resulting in falling prices...this is an ideal opportunity to

invest in price-reduced media and a unique opportunity to enhance market share (and thus profitability) against weaker competition.

Post Recession Results



Yankelovich/Harris Study



Q305 (Base: Total Respondents, n=505): Please tell me whether you strongly agree, somewhat agree, somewhat disagree, or strongly disagree with each of the following statements.

WANT TO KNOW MORE

The topics of converging technology- based “resilience” strategies and implementations necessary for survival in times of environmental and health crisis will be addressed within the many tracks scheduled for the upcoming MANCEF Commercialization of Emerging Technologies Conference (COMS) to be held from October 19-22, 2020 in Rockville, Md. (suburban Washington D.C.). For more information, please visit www.mancef.org/COMS2020/

SUMMARY/RECOMMENDATIONS

Savvy marketers need to judiciously utilize all of the elements of the marketing mix to achieve optimum success especially during times of economic downturn. A successful marketing plan must address the pros and cons of each of the marketing mix element from a cost and effectiveness perspective. Marketers must include mechanism for measuring the effectiveness of each element of the marketing mix and adjust their marketing programs in a timely fashion. These elements need to include the “traditional” elements of trade shows (highly likely to be cancelled for the near future), print advertising and collateral in addition to the “new” elements of networked social media, websites, blogs, podcasts and webinars.

There also is a lesson learned from the brief analysis of selecting marketing strategies based on the strategies and the results thereof from market research case studies conducted in the US in similar times of societal/financial unrest. The bottom line of these case studies was that those who reduce spending in times of economic downturn will emerge with lower market share resulting in lower profitability. There is ample evidence that maintaining share of voice (SOV) at or above share of market (SOM) will result in longer term improvement in profitability. Again, and to quote the words of George Santayana...” those who forget the past are condemned to relive it” [3]. And in the words of the famous lyricist and musician Pete Seeger with respect to the current Covid-19 pandemic...”we shall overcome”.

Episode 8, Part 3 on the topic of marketing for the MEMS Commercialization Report Card will resume in the April 22, 2020 edition of Sensors Daily.

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