
Beat the Recession

Best Marketing & Sales Practices for Tough Times

Business Prosperity Conference

06.04.09

Beat the Recession...

The state of the marketplace

✓ Consumer confidence...

(NYT/CBS News Poll. Feb. 2009)

- *How would you rate the condition of the national economy these days?... 91% fairly bad or very bad*
- *How concerned are you that someone in your household may be out of work in the next 12 months? ... 64% very or somewhat concerned*
- **64%** believe that there are more risks that endanger their standards of living today vs. their parents' time (National Journal/Allstate Poll)

Beat the Recession...

The state of the marketplace

✓ Consumer confidence...

“Confidence grows at the rate a coconut tree grows. It falls at the rate a coconut falls”

Montek Ahluwalia

India Planning Commission

Beat the Recession...

The state of the marketplace

✓ Consumer confidence...

In early 2007, the Royal Bank of Scotland led a consortium that included the Fortis Group of Belgium and Santander of Spain. It paid \$100 billion to acquire the Dutch bank ABN Amro. Had they held on to their \$100 billion they could now buy Citigroup, Goldman Sachs, Morgan Stanley, Merrill Lynch, Deutsche Bank and Barclays...with enough left over to buy Ford, GM and Chrysler

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The state of the marketplace

✓ Consumer confidence...the bottom line

- Consumer confidence is at a post-World War 11 ebb
- *“When people feel good, they borrow and spend. When they feel lousy, they repay and cut back” (Michael Lehmann)*

Beat the Recession...

The state of the marketplace

✓ Employment...

- In the last four months of 2008, employment fell by 1.9 million...and continues at a rate of 500-600K a month
- Since the recession began 18 months ago, nearly six million jobs have been lost
- The national unemployment rate is 8.9% and expected to climb to 10% by next year
- However, approximately 17% of Americans are unemployed if part-timers (by necessity) and “given up” workers are included

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The state of the marketplace

✓ Employment

- Of the 30 companies in the DJIA, 22 have announced job cuts since October 2008
- Unemployment is up in all 50 states
- Lay-offs are taking place in high and low-tech industries
- The December 2008 job loss in retailing is the worst since 1939
- 6.14 million receive state unemployment benefits, highest rate since 1983

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The state of the marketplace

✓ Real estate...

- The new home sales rate has fallen to its all-time low since record-keeping began in 1963
- Inventory of unsold homes, townhouses and condos...3.97 million...10.2 months to sell (NAR)
- Tight credit is affecting those who deserve better, e.g., self-employed workers including those with high incomes such as physicians

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The state of the marketplace

✓ Real estate...

- Foreclosures will continue as resets (option ARM and Alt-A) occur, job market continues to deteriorate and one-time foreclosure delays end
- 5.4 million (12.07%) of the country's 45 million home loans were delinquent or in some state of foreclosure in the first 3 months of 2009
- Almost 22% of all mortgage holders (15.4 million) were "under water" by March (Zillow)

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The state of the marketplace

✓ Real estate...

- There are no “move up” buyers
 - Half are “first-timers” (bargain basement trollers)
 - Third are investors (ditto)
 - 15% are “organic” buyers (moving up or moving across) who sell one home before buying another...vs. 80% in normal times
 - The “organic” seller is left out in the cold

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The state of the marketplace

✓ Real estate

- There are 5,227 troubled, potentially-troubled or lender-possessed commercial assets in the U.S. valued at \$124 billion

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The state of the marketplace

✓ Retail

- 148,000 stores closed in 2008
- 73,000 projected to close in 2009
- General Growth went into bankruptcy with 220 malls in 44 states
- Saks SSS revenue dropped 32% in April (5 week reporting)
- Wal-Mart is bailing out the category (+5% in April)

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The state of the marketplace

✓ Hospitality and tourism

- 7% of business meetings planned for 2009 have already cancelled in the U.S.
- Hotel occupancy rate fell to 55.2% in the U.S. as at mid-March 2009 (down 15.7% YoY). RevPAR down 25.1 %

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The state of the marketplace

✓ Entertainment and dining

▪ Significant declines:

- Eating out less often (74% in next 6 months)
- Trading down
- Splitting the entrees
- Drinking cheaper wine
- Even iconic NYC restaurants are offering 5.00 PM specials and less expensive menu offerings
- Reservations are now available at The French Laundry

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The state of the marketplace

✓ Other factors...

- Industrial production is at a 10-year low
- Financial sector gains represent creative bookkeeping rather than turnaround performance
- Credit card losses are surging (\$395 billion estimated loss in next 5 years)
- Corporate credit default is taking off
- Nobody knows how bad things will get in Europe and Japan

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The state of the marketplace

✓ Other factors...

- Media, automotive and airline sectors have been decimated
- Americans have lost \$12 trillion as a result of plunging real estate and stock portfolio values. This points to a protracted L-shape recovery that will demand rebuilding of consumer coffers as well as confidence

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The state of the marketplace

✓ Other factors

- We borrowed to the max to spend to the max hoping that soaring stock portfolios and real estate market would cover our bets
- When portfolios collapsed, private borrowing and spending ceased
- No borrowing, no spending = recession

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The bottom line?

- ✓ 2009 will continue to hurt (all year)...and expect the pain to last for 18-24 months
- ✓ But we can survive and succeed
- ✓ This is a once-in-a-lifetime opportunity to capitalize on fear and hesitancy of others and carve out market share (Market Darwinism)

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The bottom line?

“He (Carlos Slim) is expecting to emerge from the crisis, whenever it ends, with a significantly greater market share...Investing now will give him an advantage over competitors who are hunkering down or who don’t have the liquidity to exploit the situation”
(New Yorker)

Beat the Recession...

What's the strategy in a nutshell?

- ✓ It's "return to basics" time...back to one-on-one, hand-to-hand, relationship building and development with our key customers
- ✓ We must deliver value...Where's the deal? What's the value-add?
- ✓ The singular focus...drive sales revenue and cash flow
- ✓ Be ruthless about cutting unnecessary expense

Beat the Recession...

What's the strategy in a nutshell?

- ✓ Prep your staff for double-duty. The easy days are over
- ✓ Use the occasion to make the decisions and take the actions that you lacked the courage to make before
- ✓ Use the time to prepare for the turnaround

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What's the action plan?

- ✓ Focus on your best, most loyal customers
 - Remind them that you love them
 - Call, visit, write
 - Develop a plan
- ✓ Experiment with new products, services and niches
- ✓ Revisit the status of your Customer Service component. Highlight its quality

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- ✓ Use the time to build a robust CRM system. Use it to invest more aggressively in one-to-one "with permission" e-marketing
- ✓ Segment your customer base (by historical spending and behaviors in the market) and market to best customers more surgically
- ✓ Solicit new partnerships and collaborations with kindred brands

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- ✓ Personalize and customize the transaction and experience as much as possible
- ✓ Employ a Simplicity Marketing approach to brand promise, information and delivery
- ✓ Engage in constant communication with your customer and prospect base
- ✓ Re-organize the sales function
 - External Organization
 - Compensation
 - Incentive
 - Bonuses

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- ✓ Spend more on online options and ecommerce
 - Update your website (front and back ends)
 - Get familiar with on-line marketing tools (social networking, e-blasts, etc.)
- ✓ Learn to react and respond to short-term customer buying decisions. The time frame is collapsing
- ✓ Build an “experiential” halo over your brand, product and service
- ✓ Package value-added “accessories” in the deal
- ✓ Lighten up on contractual terms and agreements without devaluing the currency

Beat the Recession...

- ✓ Provide buyer incentives, e.g., referrals, multi-year commitments, bounce-backs, loyalty programs etc.
- ✓ Host more intimate, special events for top customers and their friends
- ✓ Place more emphasis on PR to generate third-party testimonials
- ✓ In advertising...
 - Continue to buy...but buy smarter
 - Focus strategy and execution
 - Migrate advertising investment to more niche media
 - Change the message so that it drives a call-to-action, namely buying your product

Beat the Recession...

- ✓ If forced to cut marketing expense, cut the accumulated fat but not the muscle or artery:
 - Excessive client/customer meals and entertainment ... they don't expect it anymore
 - Seasonal gifts
 - Unnecessary travel. Use videoconferencing
 - Attendance at marginal trade shows
 - The perks...subscriptions, clubs, etc
 - Expensive collateral materials that are often out-of-date the minute they come off the printing press
 - Consultants who contribute little to the marketing ROI

Beat the Recession...

Closing advice

- 2009 will be a brutal and bloody year in every business category and for every demographic buying group
- Survival and success can be guaranteed
- Return to the basics
- Don't over-react...don't cut wantonly
- Don't make a spending decision without demanding ROI and accountability
- Prepare NOW for the inevitable up-tick