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Recession Marketing

Marketers Should Shift Budgets From Client Acquisition To Client Retention

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EXECUTIVE SUMMARY

In a recession, consumers look for brands that they know and that support their need to connect to their peers. To thrive even in these economic hard times, brands can benefit by focusing more on client retention and upsell than on acquisition. How? By shifting 2009 budgets away from awareness media like TV and toward customer service, word-of-mouth marketing and social media, and customer intelligence.

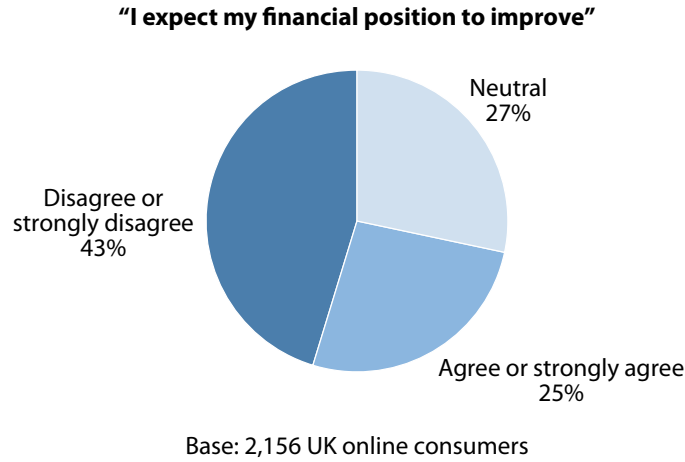
IN A RECESSION, CONSUMERS FOCUS ON COMFORT AND CONNECTION

The 300+ European marketers at Forrester's Consumer Marketing Forum EMEA 2008 commiserated about the economic recession. The majority saw their budgets cut for 2009, and quite a few feared for their jobs. The gloomy presentation by John Micklethwait, the chief editor of *The Economist*, didn't help. Nor did the fresh findings from Forrester's UK Online Consumer Panel, which showed that 43% of UK consumers expect to have less disposable income in 2009 than in 2008 (see Figure 1-1).¹ Overall, UK consumers expect to:

- **Save on big-ticket items, going out, and beauty products.** No new plasma screens or new kitchens in 2009 (see Figure 1-2), fewer visits to restaurants and theaters, and no more expensive holidays. Consumers also plan to economize on fashion and cosmetics — why buy a new dress when you will spend the night at home?
- **Spend more on gas, groceries, and housing.** With gas prices and interest rates high, consumers expect to have to spend a bigger proportion of their income on transportation and housing. In aggregate, they also expect that grocery prices will continue to soar, as they have over the past 12 months.²
- **Find comfort in the tried and true.** In our survey, 55% of consumers preferred the comfort of products that they had used before, while only 49% want to try new products (see Figure 2). Two in three consumers work hard at being part of the community, while less than half strive to stand out. These numbers reflect consumers' increasing desire to connect to community and home in uncertain times.

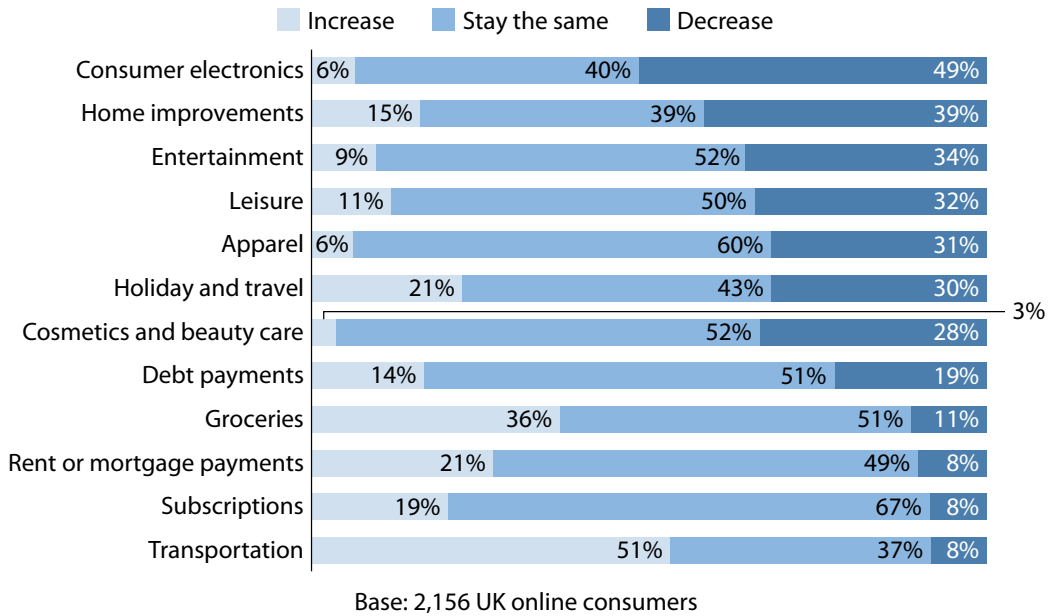
Figure 1 Consumers Will Save On Big-Ticket Items And Luxury Expenses

1-1 43% of consumers expect to have less to spend



1-2 Consumers will save on many items

"How do you expect your financial situation in the next 12 months to affect your spending on ...?"

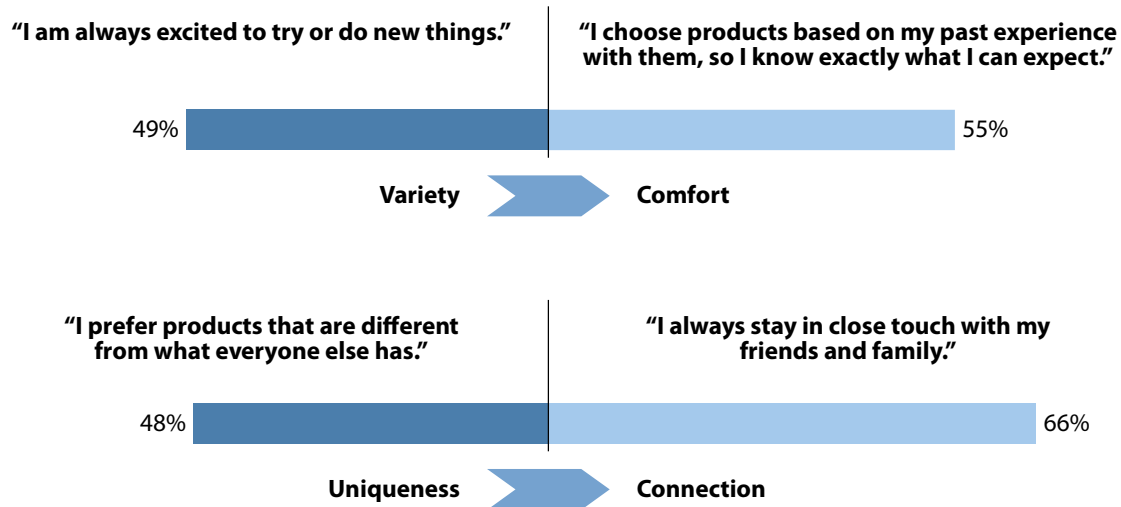


Source: European Technographics® Pre-Holiday Retail Online Survey, Q4 2008

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Source: Forrester Research, Inc.

Figure 2 Consumers Shift To Comfort And Connection



Base: 2,156 UK online consumers

Source: European Technographics® Pre-Holiday Retail Online Survey, Q4 2008

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Source: Forrester Research, Inc.

RECESSION MARKETING IS ABOUT RETENTION AND CONNECTION

Consumers are afraid; their savings and income are dropping with no end in sight. In these uncertain times, they seek new safe havens — friends and family and the products and brands that they trust. This means that the recession is not a good time for new product launches, packaging changes, or splashy new ad campaigns. But it is a good time to consolidate a loyal customer base, thank them for their loyalty, and encourage them to share what they love about you with their community. All things considered, brands simply can't — and shouldn't — lose one single customer right now.

Retain Good Customers With Superior Customer Experience and Contacts

How do brands build loyalty? Not with a loyalty program, but by offering a good brand experience, trust, and reliable service.³ Given consumers' tendency to stick with brands they know during a recession, marketers have a unique opportunity to enhance loyalty during the recession if they:

- **Communicate trust and comfort.** Brand images and communication should emphasize reliability, care, and social responsibility. Retail banks in particular should voice that they are solid and will continue to be a customer advocate, like ING Direct did in a recent email campaign.⁴ Danone creates trust by consistently highlighting its mission "to bring health through food to as many people as possible" in text and images, in combination with strong sustainability programs.⁵

- **Enhance the cross-channel experience.** As consumers switch from the Web for product information, to the store to purchase, and then to the contact center for service, firms have to consistently walk the talk of trust and comfort across all touch points. But most firms today don't have a clear customer experience strategy, even though 64% of customer experience decision-makers acknowledge that a good experience is critical for their firm's success.⁶ Shift budgets from product launches to innovation in the firm's culture, to improve customer service and employee brand advocacy.⁷
- **Identify and get in touch with your brand advocates.** Almost 60% of brand loyalists state that they often tell friends and family about the products that they like.⁸ Who are your brand loyalists? Now is the time to let your CRM system sweat. Which of your clients responds to your email campaigns, and who invites friends to your Web site? Nike and the Jordan brand did that exercise and identified 30,000 loyalists for whom they created Flight Club online, with exclusive offers.

Connect Loyal Customers To the Brand And To Each Other

As consumers want to stay in touch with friends and family, brands can benefit by facilitating these connections. If you're a brand or media firm, start thinking of yourself as a bar — a place where people hook up with their friends and like-minded people and pay premium prices for a simple beer. The loyalty to the bar doesn't come from the product or the nice interior, but from the community that visits that bar. Make consumers work for you; let the community generate loyalty.

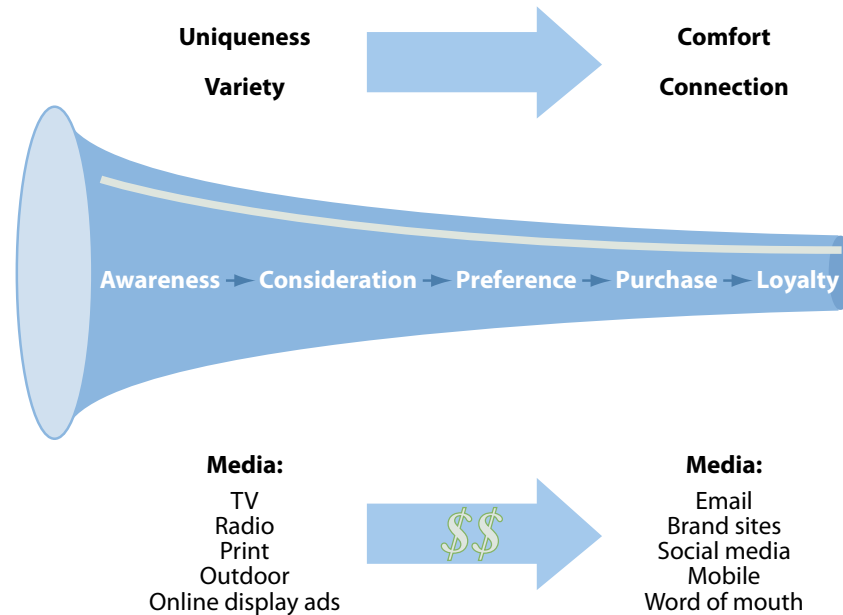
- **Consumers trust their favorite brand in social media.** Each quarter, 25% of US online adults will visit the social media site of one of their favorite brands. Of these visitors, 59% state that the branded content had a positive effect on their brand image, and 52% were positively influenced by the consumer-generated content.⁹ This means that more than half of visitors to branded social media sites like Dove's campaignforrealbeauty.com left with a better feeling about the brand because of the posts by their peers — which Dove got for free.
- **Brand enthusiasts will recruit their peers for the brand.** Whether it is due to branded content or to consumer-generated content, those consumers that leave the site feeling better about the brand will pass that on: They are twice as active influencing the community at large via MySpace, Facebook, and review sites like TripAdvisor. The result: free trusted endorsements. For example, 53% of Europeans believe that online consumer reviews provide reliable information.¹⁰
- **Turn the loyalty program into a brand community.** Most loyalty programs act as a volume discount program — and deplete the firm's margin. Compare that to Suave's "Say Yes To Beauty" campaign, where the shampoo brand facilitated connections between moms online at Suave.com and inthemothhood.msn.com. The emotive connections paid off: While Suave raised its prices by 30%, volumes of sales went up. The Flight Club from Nike and the Jordan brand doubled its membership simply by offering every member to invite a passionate friend.¹¹

Shift Marketing Dollars To Retention And Measurement

In February 2008, Forrester asked more than 100 marketing leaders how a recession would affect their budgets. In aggregate, they answered: We'll lose 3%, and we will have to save on branding, advertising, and traditional media.¹² These are the right calls. As fewer consumers want unique and new products, the returns on awareness campaigns will go down in a recession. To get more out of smaller budgets, marketing leaders in 2009 should:

- **Increase investments in upsell, cross-sell, and retention.** Consumers that trust a brand will be more inclined to buy additional products, rather than find a new supplier. These are golden days for affiliate marketing, mobile coupons, brand line extensions, and upselling. Philips, for instance, will use eRetail software from Cybertec to cleverly propose remote controls to consumers who shop for TVs at its Web site.
- **Shift media budgets to the end of the funnel.** Awareness media like TV and print will have less effect, while media that drive purchases and loyalty, like email, brand Web sites, and social media will increase their effectiveness during the recession (see Figure 3). ZenithOptimedia expects TV advertising to fall by 4% in 2009 in the UK due to declining demand.¹³ Advertisers that need to maintain a TV presence have one advantage: The general decline in demand will also lead to lower prices of inventory.
- **Measure the results.** To avoid another budget cut in 2010, marketing leaders should show results from their smart channel choices in 2009. Measure what matters: not unaided brand awareness, but Net Promoter scores; not Web site visits, but redeemed coupons. Show that investments in the end of the funnel drive hard sales and budgets will come.

Figure 3 Shift Budgets To Media That Drive Purchase And Loyalty



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Source: Forrester Research, Inc.

RECOMMENDATIONS

GET THE LOYALTY BASICS RIGHT

Loyalty drives success and growth during this recession. And there is another reason why marketing leaders should shift budgets from acquisition to retention: Ads wear off, while loyal clients are a secure basis for the future. Money spent on brand advocates is money invested in brand equity. If you have to cut 2010 marketing budgets again, you will have a solid asset to fall back on.

The window of opportunity to get the loyalty spiel right is small — think in terms of months, not years in this volatile market. To kick this off, marketing leaders should start a crash team consisting of:

- **Direct marketers to locate the advocates.** Assignment: In the next three weeks, mine the customer databases to find those brand customers that have high brand affinity and either pass on your messages to their close contacts — for instance by inviting a friend to your site or forwarding a promotional email. Put a member of the team on finding advocates who communicate about the brand to a wider audience, for example by using a personal blog or Facebook page.¹⁴

- **Brand managers to integrate the online experience.** Assignment: Develop paths to purchase and higher levels of customer engagement for the target segments and verify if the brand experience is consistent across the channels used along the paths. Meet with the contact center management to understand what the most frequent and biggest complaints are. Come back to the team with a list of quick fixes in three weeks.
- **Training department to build employee brand advocacy.** Assignment: Survey the front-line staff on what they need to service the client better. Expect some confronting facts from this survey: Your brand message may not resonate; the staff is frustrated as suggestions for change wind up in internal red tape; sales or customer service staff have developed loopholes outside your firm's guidelines. Use the results to assess your areas for improvement and to develop an internal training and communication plan to boost employee brand advocacy.¹⁵

ENDNOTES

- ¹ The data used here is from Forrester's European Technographics Pre-Holiday Retail Online Survey, Q4 2008, which had 2,158 respondents in the UK. This survey is based on adults aged 16 years and older who are members of the Forrester mail panel. Forrester did not weight the data. Forrester fielded the survey in November 2008 and motivated respondents with various incentives. You can find more information about the data in Forrester's Survey & Data Archive online at <http://www.forrester.com/Survey/Archive?surveytype=all>. You will be able to download the survey questionnaire from this page.
- ² According to the National Statistics Bureau, food prices rose by 12.7% in the UK between September 2007 and September 2008. For more information, please refer to <http://www.statistics.gov.uk/>.
- ³ Partial correlation, analysis that looks at the factors that directly drive loyalty, reveals that prior experience, trust, and reliable service drive customer loyalty across most industries. What do these factors have in common? Consumers are saying they want "no surprises" in the brand experience. See the July 31, 2008, "[How Industries Create Loyalty](#)" report.
- ⁴ President and CEO Arkadi Kuhlmann sent out a signed email emphasizing that, "We believe in being a Customer Advocate, fighting for what is right for you from Wall Street to Main Street" and "We're in this for you."
- ⁵ According to a study by the European Commission, 42% of EU citizens are afraid that food will seriously damage their health. Source: The European Commission, "Risk Issues," Special Eurobarometer 238, February 2006.
- ⁶ Experience-Based Differentiation (EBD) can't be mastered overnight. Instead, companies must embark on a multiyear journey through five levels of EBD maturity: 1) interested; 2) invested; 3) committed; 4) engaged; and 5) embedded. Along the way, firms need to develop customer-centric DNA, a corporate culture with six components that include collective celebrations, commitment to employees, and consistent tradeoffs. See the September 17, 2008, "[The Customer Experience Journey](#)" report.

- ⁷ Marketers spend significant dollars to promote their brands. However, if employees aren't aligned with and rallied around that brand, then delivery of the brand promise is broken, leading to suboptimal customer experiences, missed opportunities for brand differentiation, and even customer defection. A first step in building internal brand advocacy is the assessment of the current level of brand engagement of employees. To help this assessment process, Forrester provides a framework to segment employees into four groups based on their level of brand advocacy: brand resisters, brand learners, brand believers, and brand advocates. See the April 22, 2008, "[Stimulate Employee Brand Advocacy](#)" report.
- ⁸ Loyal consumers are more likely to be female, family-oriented, and older. Active purchasers, they shop around and speak with their friends and family about their preferences before pledging their loyalty. To capture these lucrative consumers, marketers should personalize their brand experience, engage in a dialogue, and facilitate their need for cross-channel shopping. See the September 22, 2008, "[Portrait Of A Loyalist](#)" report.
- ⁹ Forrester's Consumer Technographics research shows that loyal, socially connected consumers value content created by their favorite brands more than peer-generated content. This startling fact clearly demonstrates that brands with social currency have a unique opportunity to deepen relationships online. Marketing leaders should identify whether their brand has such currency, invest more in building strong connections between customers and the brand, and increase the use of social media in their marketing mix as a way to raise brand relevance, affinity, and loyalty for years to come. See the October 15, 2008, "[Brand Matters In Social Media](#)" report.
- ¹⁰ Consumers have placed their trust in other individuals rather than in advertising. Advice and others' experience is considered the most reliable source of information, besting expert input and manufactured marketing messages. See the July 17, 2008, "[Ubiquitous Marketing](#)" report.
- ¹¹ Traditionally, loyalty programs have provided transactional interactions with customers. But marketers who embrace social loyalty — brand affinity built on the connection of consumers to the brand as well as to each other — can use it to move their loyalty programs from mercenary rewards to a portal for identifying, creating, and nurturing high-value customers. See the June 25, 2008, "[Social Loyalty](#)" report.
- ¹² Forrester interviewed more than 100 marketing leaders about their response to the looming recession. In aggregate, they expect to reduce by 3% their total budgets and cut branding, advertising, and traditional media. To reduce the impact of these cuts, agencies will accelerate the integration of new media — an element few CMOs economize on. See the April 9, 2008, "[Marketing Cuts Budgets By 3% In A Downturn](#)" report.
- ¹³ The drop is mainly caused by a 7% decline in terrestrial TV advertising. Source: ZenithOptimedia (<http://www.zenithoptimedia.com/gff/pdf/UK%20TV%20Forecasts%20October%202008.doc>).
- ¹⁴ However, in this super-connected world of Social Computing, influential consumers drive purchase decisions and have an enormous value for a brand. Marketers should now include the social value of consumers in their valuation algorithms — using the social value scorecard — and offer sophisticated award systems to the most valuable consumers: the Ambassadors. See the February 27, 2008, "[Redefining High-Value Customers](#)" report.

¹⁵ To drive employee brand advocacy, CMOs and other executive team members invest time and commitment. Taking a page from the methods used by successful CMOs, marketing leaders should use five best practices to move employees from brand resisters up the pyramid to brand advocates: 1) Share the brand message internally; 2) involve employees in brand planning; 3) personalize the brand promise; 4) enable employee delivery of the brand promise; and 5) reinforce brand-aligned behaviors and attitudes. See the May 16, 2008, “Best Practices For Driving Employee Brand Advocacy” report.