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IDEAS AT WORK

Six Ways to Make Your Marketing Budget Go Further in a Recession

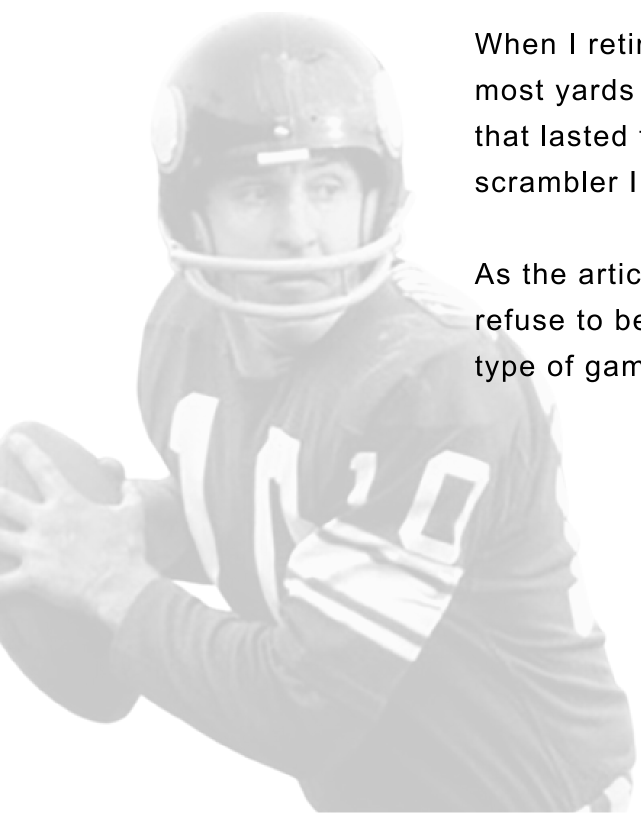
Takeaways

- Your marketing dollars can actually go farther during a downturn
- When others cut back, there is more "room" in the marketplace for your message
- Cutting ad spending can have dangerous short-term and long-term effects

My first NFL coach was Norm van Brocklin and he was a Hall of Fame quarterback. But he was a pocket quarterback. It was 1961. Nobody was a scrambler. I came up and I was a mobile quarterback. I would buy myself time running back and forth or up and down and so forth. I didn't do it just to gain yards running. Sure, I did make first downs, but mostly I wanted to buy more time to get my wide receivers or tight end a chance to get open.

When I retired after 18 years, I held all the passing records, most yards, most yards per game, most touchdown passes, all that stuff. Records that lasted for years and years. People would say "I thought you were a scrambler I didn't know you threw touchdown passes like that."

As the article below reminds us, there's often a better way to win, if you refuse to be handcuffed by the conventional wisdom. I played a different type of game. So can you.



Six Ways to Make Your Marketing Budget Go Further in a Recession

Grim economic news dominates the headlines these days—bank failures, massive layoffs, higher interest rates, pauses on new projects and product launches.

Conventional wisdom suggests that in an economic downturn you should slash your marketing budget and maybe even eliminate your advertising spend. But is that really the best approach?

The temptation to cut out marketing and advertising is enormous for large enterprises because they can immediately remove, say, half a million dollars of spending without having to fire Jane in Accounting, or worse, shut down a whole department.

But taking an axe to marketing and advertising during a downturn can cause serious repercussions for a business, hurting sales in the short term and making it harder to capitalize on the next positive turn in the market. That's why we advise our clients at Tarkenton not to take the conventional path. In fact, defying conventional wisdom may open up new opportunities your competitors leave on the table.

We believe there are three key reasons not to zero out your marketing budget during tough times:

1. Your marketing dollars can actually go farther during a downturn—with fewer bidders for ad space and keywords, you might find that even a modest ad budget can really move the needle

2. When others cut back, there is more "room" in the marketplace for your message. So not only will your dollars buy more assets, but there is less noise and competition for your target market's attention.

3. Cutting ad spending can have dangerous short-term and long-term effects. Not only do you risk choking off your current stream of income (just when you need it the most), but stopping your marketing can lead to a decrease in brand awareness and customer loyalty that is difficult to regain if the economy recovers.

So what's an enterprise to do?

Start by recognizing that wartime CEOs must act differently from peacetime CEOs. This distinction comes from Silicon Valley legend Ben Horowitz's book, The Hard Thing About Hard Things. When the economy is great, you can spend money, you might even waste money; you're more likely to put on your party hat and have fun. When the economy is weak, however, you become a wartime CEO. You've got to be much more judicious about what you're spending on.

So here are six ways to manage your marketing and advertising budget during "wartime."

1. **Be smarter about your spend.**

   Recessions are great times to cut the fat out of marketing budgets because doing so is seldom a priority during "peacetime." Take a look at the results you're getting now and cut the most expensive, least impactful things first.

2. **Shift into what's easily measured.**

   Maybe move more of your resources into digital until the economy strengthens, because you can measure outcomes from digital ads far more quickly and easily than you can with traditional media like radio, TV, newspapers, and billboards. This is not a time to go with experiments that may only prove themselves over the long term.

3. **Take advantage of your competitor's absence from the marketplace.**

   During a recession a number of years ago, McDonald's cut its advertising budget dramatically. Pizza Hut recognized this as an opportunity to get a jump on McDonald's, not just during the slower times but also to position itself as the go-to fast food choice for when the economy recovered. Pizza Hut radically outspent McDonald's during the downturn and reaped the benefits for years.

4 Stay top of mind with your buyers.

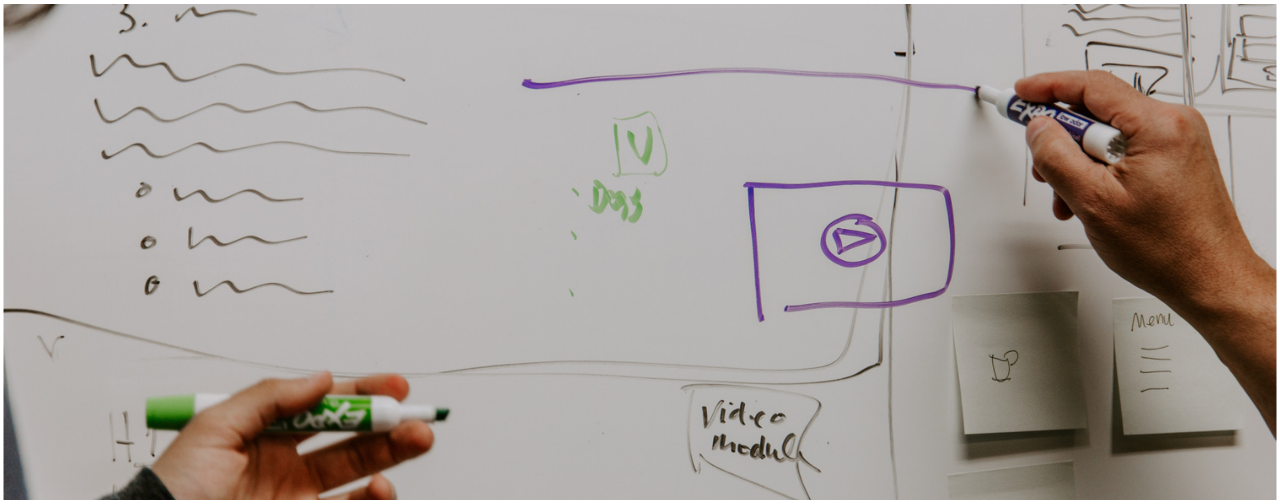
Certain TV and radio ads are repeated so often that their jingles or key phrases worm themselves into our brains seemingly permanently. Unfortunately, if you take your foot off the gas with those repetitive ads during a recession, your phrases may seem less durable to consumers, now and going forward. If people need insurance, make sure they're still hearing "Liberty, Liberty, Liberty"—because otherwise, that little green gecko will win them over.

According to Harvard Business Review, companies that maintain or increase their marketing during a downturn see a 1.5x increase in sales compared to those that decrease their marketing spend. In fact, after the recession in 1981, McGraw-Hill Research found that companies that maintained or increased their spending saw sales jump 256% higher than those that didn't by the year 1985. The decades may change, but human nature remains the same.

5 Focus on your best customers/heaviest users.

Getting people to switch brands is never easy, and it's even harder when people are keeping a firmer grip on their pocketbooks. That means this is a great time to spread additional love onto your core customers. If you're Chipotle, don't worry about trying to convert KFC or Arby's fans right now. Instead, ask yourself what you can do to get someone who eats at Chipotle twice a week to come back a third time. Dangle a coupon? Offer a free companion meal? That's a smart wartime spend.

Delighted customers are a huge asset; when you focus your efforts on existing customers, you'll find that they often become brand advocates, grow repeat business, help you market by engaging with your content on their social media, and even give you insight into how you can improve your product.



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Don't sell what they aren't buying.

In wartime, the marketing spend is important, and the product mix is even more important. If nobody's eating in restaurants, prioritize contactless pickup or your restaurant's relationship with Uber Eats. As far as what you do sell, keep in mind that during a recession, price sensitivity is crucial in attracting customers and maintaining customer loyalty. Price sensitivity is directly tied to how people perceive your brand, especially when the economy is at a low.

So there you have it—six ways to think about spending smarter during a recession. Instead of just chopping the marketing budget, be more strategic, and you'll likely outstrip your competitors, who are running on panic instead of logic.

By Josh Cohen
Digital Marketing Director, Tarkenton

Josh Cohen works with our partners' marketing teams to coordinate all digital advertising initiatives, including search engine marketing, social media marketing, native advertising, display advertising, and more. Josh joined the Tarkenton team in 2021, and has also helped to provide service and support to end users on our advertising platforms. With years of media agency experience, he specializes in helping partners develop their digital marketing strategies, managing execution of those plans, and performing detailed analysis of the impact of those activities.