

## Dealing with the downturn

*Kata Maddox*

Economic worries prompt some to shift strategy

While the majority of b-to-b marketers are not revising their marketing budgets in response to concerns about the economy, others are tightening their belts and making adjustments in their strategies this year, according to an exclusive survey by BtoB.

According to the online survey of 684 b-to-b marketers conducted during the last week of January and the first week of February, 58.3% of marketers have not revised their original 2008 marketing budgets in response to recent concerns about a possible recession in the U.S.

However, 29.4% have revised their marketing budgets down due to recessionary concerns, while 12.3% have revised their budgets up.

Of those that have revised their budgets down, the channel that will see the greatest decline is print (cited by 45.3% of marketers), followed by events (17.3%), broadcast (10.0%), direct (8.7%), online (6.0%), outdoor (2.0%) and other (10.7%).

Of those that have revised their budgets up, the area that will see the greatest increase is online (48.5%), followed by direct (16.5%), events (13.5%), print (9.0%), broadcast (3.0%), outdoor (0.4%) and other (9.1%).

One marketer that has revised its original 2008 budget down this year is Atmel Corp., a \$2 billion chip maker based in San Jose, Calif.

Atmel, which originally planned to increase its marketing budget by between 18% and 22% this year, has recently revised that down to an estimated 8% to 10% increase over last year's budget.

"There aren't as many dollars as there would be if the economy were healthier," said Clive Over, director of corporate marketing communications at Atmel.

One area that will see some budget revisions is event marketing, Over said. Atmel will not participate in as many large, horizontal shows such as the Consumer Electronics Show, and instead will focus on smaller, more targeted events in government, security and embedded technology, he said.

It will also consider bringing some activities in-house, such as a quarterly magazine Atmel publishes called Atmel Applications Journal, which reaches 52,000 designers and engineers.

"Talk of recession means companies have to get very creative," Over said. "We are still going to promote our products and be active in engaging the industry. Companies that continue to promote themselves during a recession will come out stronger."

Connie Weaver, exec VP-CMO of consulting firm BearingPoint, said tough economic times force companies to sharpen their focus on the industries, products, regions and marketing programs that will result in the most growth.

"This is something you should be doing all the time, but now we are really focusing on those areas in which we think we have a distinct advantage and where we think the growth will come from," she said.

For example, BearingPoint is increasing its marketing budget this year to expand its rebranding campaign, launched last year, in the government sector.

"The government market is less susceptible to what happens in the consumer market-it is a different animal," Weaver said. "I'm putting more money into areas where I really think we can grow and be profitable."

Other verticals that BearingPoint plans to target this year include pharmaceuticals and energy, which Weaver calls "transformational" industries.

"Those industries become more important in an environment where the economy is weakened," she said. "Now we are focused more on risk and transformation to help businesses adapt through times of chaos."

BearingPoint is also identifying growth opportunities globally, including the Middle East and Japan.

In looking at which marketing tactics to use, Weaver said she will cut back on sports sponsorships, trade shows and transactional activities that don't have as much impact. Instead, she plans to focus on integrated marketing programs around BearingPoint's products and services to drive a level of differentiation.

"You really have to get honest with yourself on tier 1, tier 2 and tier 3 programs. Most people can live without some of the stuff in tier 3," Weaver said. "It also allows you to focus, from a management perspective, on ROI from the types of programs you're doing and drive measurement and results."

Marketers say the economic crunch is putting more pressure than ever on proving ROI on marketing investments.

"We have to make sure that every dollar spent gets the best possible return," said Carol Kurimsky, VP-marketing at technology distributor Ingram Micro.

Most of Ingram's marketing efforts are focused on marketing its vendors' products to resellers and driving sales for its partners.

"Our advertising will remain relatively flat, and we'll be investing more into database marketing and analytics," Kurimsky said. "We'll see growth in more data-driven marketing areas like lead generation and data analytics to achieve specific objectives."

She said Ingram will use e-mail, telemarketing, Web site development and direct marketing in its programs this year.

B-to-b marketers in industries that have been hit particularly hard by the slowing economy, including building and automotive, say now is not a time to be cutting back on marketing.

"When things are tough, it is really important to be locked in tightly with your customers, to know what is important to them and what they're focused on, and to be proactive in bringing them solutions," said Monica Levy, executive director of brand and corporate communications at Johnson Controls, which manufactures electronic products and power systems for the automotive and commercial building industries.

"The economic slowdown and the subprime mortgage situation have certainly affected the housing market," Levy said. "We are impacted a little bit, but it is a very small percentage of what we do. All things considered, we don't see any imminent reductions in our marketing budgets as a result of the economy."

This summer, Johnson Controls plans to roll out a new ad campaign that will be a continuation of its "Ingenuity Welcome" effort, launched in October. The campaign, which will include print and online advertising, will show how Johnson Controls helps build energy-efficient environments for customers.

"Our strategies will be a little more direct in nature versus broad-based," Levy said.

The company also plans to grow aggressively, hiring an additional 50,000 employees over the next five years, primarily through acquisitions.

While acquisitions remain an important priority for marketers, particularly in the marketing services arena, the slowing economy and tightening of credit caused by the subprime meltdown are expected to have a negative impact on M&A activity this year, according to industry watchers.

"Things are tightening. It is reasonable to expect that the number of transactions [in the marketing sector] will be less in this quarter of '08 than in any of the previous four quarters," said John Prunier, managing partner of investment bank Petsky Prunier.

Marketing sector mergers and acquisitions totaled a record 758 deals in 2007, with a combined value of \$60.3 billion, according to a January report by Petsky Prunier.

"What has occurred in the last month alone is that the availability of debt to support these acquisitions, particularly by buyout firms, has started to affect the midmarket," Prunier said, referring to deals of generally less than \$500 million.

He noted that toward the end of last year, the ability to finance multibillion-dollar deals was beginning to become constrained as the cost of debt increased and the number of lenders interested in originating loans in support of such deals diminished.

"We'll be investing more into database marketing and analytics."

Carol Kurimsky, VP-marketing, Ingram Micro

#### 'BtoB' survey

Given worries about a U.S. recession this year, how have you recently revised your original 2008 marketing budget?

Revised up	12.3%
Revised down	29.4%
Did not revise	58.3%

If you have reduced your marketing budget due to concerns about the slowdown, which channel will see the greatest decline?

Print	45.3%
Online	6.0
Direct	8.7
Broadcast	10.0
Outdoor	2.0
Events	17.3
Other	10.7

If you have revised your marketing budget and plan to increase spending, which channel will see the greatest increase?

Print	9.0%
Online	48.5
Direct	16.5
Broadcast	3.0
Outdoor	0.4
Events	13.5
Other	9.1

Source: BtoB, 2008