

Make smarter marketing bets in 2010

Steve McKee

Columnist Steve McKee explains why it's worth strategizing now for three different economic scenarios next year.

Things have been going so poorly for so long that any of us could be forgiven for thinking recession is the new normal. The economy has been in decline for 22 months, and as we head into 2010 many pundits assume things are going to continue as they are—or maybe get even worse. Others figure 2010 can't be anything but better than 2009 and recommend business leaders plan accordingly.

Who's right? Nobody knows. All we do know is that while things are still bad now, sooner or later lasting economic recovery will come. Whether that's "sooner" or "later" is anybody's guess, and I tend to be one to take what analysts and economists say with a grain of salt (they don't have a terrific track record).

With that in mind, as you're knee-deep in 2010 planning I encourage you to hedge your bets and consider a variety of possible scenarios. That way, you can be prepared for just about anything.

You may think scenario planning is something only the biggest corporations can afford. To be sure, small companies don't have a fleet of analysts on whom they can call, but that doesn't mean you can't evaluate the possibilities and make at least general plans for a variety of future scenarios. The worst thing you can do is assume past circumstances—good or bad—are predictors of future events.

I'd like to suggest three possible scenarios for 2010, and give you some things to think about as you consider how each might affect your company's marketing strategy. Under all three scenarios you'll have to manage limited resources and keep a tight rein on cash. And under all three you'll need to keep an eye on market share, top-line growth, and bottom-line management (among other things). But each of the scenarios presents not only different challenges but also unique opportunities to those who think strategically.

Scenario 1: more of the same

Under the first scenario, 2010 looks pretty much like 2009, with good news dulled by bad, ups offset by downs. Such a scenario will continue to try the patience of small business owners who have done just about everything they can think of to survive until now. Those who have managed to achieve some sort of new equilibrium in 2009 might be able to make further adjustments, while companies that haven't will continue to grow weaker—some not surviving at all. That spells opportunity to those that remain.

Key marketing strategy: Focus on share. This scenario presents a continuing opportunity to realize share in market gains as your competitors go belly-up or continue to cut back on marketing (some going all the way to zero). They may also have suffered slippage in customer satisfaction, making their clients more open to considering new options. Market as aggressively as you can to generate trial (but beware of discounting—see Five Don'ts for Marketing in Tough Times), and focus internally on good service and quality control. Ensure that existing customers have no reason to go elsewhere and new customers have no reason to go back to your competitors.

Scenario 2: things get worse

If the recession continues to deepen or world events cause some other discontinuity, your attention will have to turn almost exclusively to keeping your business alive. Some companies won't be able to retreat further without critically compromising their core competencies, and under this scenario they're not likely to survive. While additional cutbacks may be necessary at your company, do everything you can to avoid ceasing marketing entirely.

Key marketing strategy: Cut back, don't cut out. Recognize that the vehicles through which you promote your company will also be suffering and will be highly receptive to making deals for their continually expiring inventory. Recently I overheard a financial planner discussing portfolio management tell a colleague, "You make the most during a recession. You just don't know it." That goes for investing in your own company as well as in others. This scenario will present more of a buyer's market than ever, and those who can continue to buy will buy cheap. As remote as an economic resurgence may seem at this point, you need to discipline yourself to prepare for it. You'll look back on resources you invest in marketing today as time and money well spent.

Scenario 3: rapid recovery

While we all hope for healthy growth to return, this scenario is in some ways the most dangerous as companies stock up, staff up, and ramp up their growth engines. The faster the economy recovers, the more we could be in for hyperinflation. You'll once again be hiring, but the best talent will quickly get snatched up (and their compensation bid up). You'll want to expand your inventory to meet rising demand, but inflation and materials shortages may threaten your ability to do so. You'll be ready to market more, but the cost of media will rise as your competitors try to seize the day as well. It will be easy to become undisciplined in a free-for-all chase for growth.

Key marketing strategy: Moderate demand through pricing and payment terms. The greatest danger will be in growing too fast and running out of cash as your receivables grow (collecting money from customers facing the same challenges won't be easy). Quality control may also become an issue as you rush to meet demand. While the temptation after two lean years will be to grow the top line as quickly as possible, focus on quality growth and protecting your margins. You'll likely need the money.

It's no fun to think about continued economic stagnation (or worse), and it may seem unrealistic to prepare for a rapid recovery. But that's where the discipline of running a good business comes in. Take some time now to imagine yourself facing the three scenarios above and consider what kind of decisions you'll need to make under each. Think about how the key marketing strategies apply to your company, or whether your unique circumstances call for a different approach altogether. The bigger a head start you can get on each of these scenarios, the better off you'll be once one of them comes to pass.

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