

MEDIAWEEK

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Top of Mind

If Times Are Tough, Cut Your Ad Budget

-Eric van den Heuvel

NEW YORK “Snip,” “snip,” “cut,” “cut” — that’s not the sound of barber shears trimming my locks (I can’t afford haircuts anymore; lucky for me long hair is back). What you are hearing is the systematic reduction and in some cases elimination of advertising budgets.

We all know the reasons behind the cuts: the daily news and decline of our portfolios are constant reminders of our economic predicament.

But I will not offer the typical mantra “advertise through a recession,” though it has proven to be successful.

Truth is, it’s easier to write an article about spending to make it through a recession than it is to practice it, especially when your company just went through another round of layoffs.

Those of us who practice this craft know that advertising is an integral part of building and sustaining a business through all economic cycles. So while it is prudent to re-examine your advertising investments, and in some cases pull back, there are other wise investments a marketer can make to navigate this economic downturn and come out alive on the other side.

To do so we will need to kill a few sacred cows. And we are just the guys to do it.

PREPARE FOR A TURNAROUND

You don’t have to be Nostradamus to know that this cycle will end eventually. What you do, or don’t do, today may significantly impact your company when it does end. During this slowdown you should be busy reviewing competitive and category conditions for opportunities and positioning yourself to capitalize on them. You should be talking to your customers and learning from them, considering product or service extensions that may serve new or changing markets/niches, analyzing past campaigns and drawing key insights. Remember, investments do not always require out-of-pocket dollars.

INVEST IN INSIGHTS

If you do have dollars to invest, invest them in insights. Sadly, most companies cut research first, even before print or TV expenditures. However, research and the insights they produce are important for the marketer to understand which investments are critical, which drive the business and which offer a greater return on investment than others. Research gives you the ammunition to win the inevitable battles with your CFO and senior management when they come begging for money. Insights will also help you know which investments you should keep or cut and prepare you for growth when conditions do improve.

COLLABORATE WITH YOUR CFO FOR GROWTH

During a recession, the CFO takes greater control and begins to cut costs, often starting with advertising and related expenses — but don’t fear the reaper. If you have invested in insights, you can engage the CFO in productive dialogues about wise investments: which to reduce, which are expendable and which will sustain and hopefully grow revenue during this down cycle. A well-informed CMO can be a CFO’s greatest asset.

DOUBLE DOWN ON YOUR PERFECT CUSTOMERS

Most of us have heard about the 80/20 rule: eighty percent of our business is driven by twenty percent of our customers. Those twenty percent are your perfect customers. When budgets are tight, focus your limited dollars on them. Maintaining the conversation with them will help sustain your business until the economy begins to recover. And if you are digitally connected with your perfect customers, communicating is virtually FREE.

PRUDENTLY, ZIG WHEN THE MARKET ZAGS

Look around, everyone is selling everything at a discount. From stocks to cars to real estate to advertising inventory, deals abound. Marketers may have fewer dollars to spend on media, but

if you enlist your CFO as a partner, you can use insight to explain how you are investing a reduced budget against your perfect customers. Then you are in a prime position to buy the ad inventory you need at prices below what you would have paid even six months ago.

There is no doubt that times are tough — but tough times often bring change and change can be good. Some marketers will use this time to retrench and rebuild; they’ll slay some sacred cows along the way, and their investments will position their businesses to survive and one day thrive again.

What marketing investments is your business making to survive? What sacred cows are you slaying?

Share your ideas @ GateNYC on Twitter. If we like what you have to say, your next haircut might be on us (by a stylist of your choosing, of course).

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