

Marketing strategies during the recent recession in selected companies

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ABSTRACT

Even a well planned marketing strategy may fail if a country or region goes through a rapid business decline. As consumers' income drops, they must shift their spending patterns. They may have to simply do without some products. By carefully studying the environment, marketers can adapt their strategies to meet market place challenges and opportunities. This generally means adapting the marketing mix and/or changing the target markets. However, the response of marketing managers to recession depends on how they perceive its meaning and impact on their businesses.

The purpose of the study was identified to be the determination of managements' perception of and response to economic recession by measuring (1) the meaning of the economic recession to marketing managers; (2) the impact of this recession on marketing decisions; and (3) the resultant adjustments in marketing strategy and action.

Primary and secondary data was gathered through literature review and empirical research, respectfully. Data collection consisted of a structured questionnaire to serve as guideline for the follow-up interviews. A total of ten marketing managers participated in the qualitative interviews. These managers were selected by means of a non-probability sample.

The recent recession has seen South Africa's real GDP growth slowing to 3% with unemployment rate increasing slightly to 23.6%, manufacturing production falling by contraction of 17.2% whilst the year-on-year CPI inflation rate was 8.1% in January 2009. These foregoing show how severe the recession has been.

All interviewed respondents reported price competition to have been fierce during the recent economic recession. In their quest to minimise the effects of the economic downturn, companies adjusted their sales volumes and improvised their marketing spent by using more of company websites and e-mail marketing to keep customer informed of the product or service offerings available.

Key terms: Economic recession, economic downturn, marketing strategies, economic survival

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CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

Prior to the economic recession in 2009, South Africa enjoyed a healthy pace of economic growth, as real GDP growth averaged 5.5% during the period 2005 to 2007. Due to South Africa's financial and trade links with the world, the effects of the crisis first became evident in the fourth quarter of 2008 when real GDP growth declined to 0.7%. The economic contraction intensified in the first half of 2009 but GDP returned to positive growth in the second half of the year. Overall, GDP declined 1.8% in 2009 compared with a moderate expansion of 3.7% in 2008. This was the country's first recession since 1992 (G20 Statistical Update, 2010).

A recession, according to Carbaugh (2007:260), is a period of significant decline in total output, income, employment and trade, which usually lasts from six months to a year and is marked by widespread contraction of many sectors in the economy. When an economy encounters a recession, the following can usually be expected:

- First, consumer expenditure decreases abruptly, while business inventories of steel, vehicles and other durable goods rise unexpectedly. As business reacts by curtailing production, real GDP declines. Soon thereafter, business investment in plant and equipment falls.
- Second is the decrease for the demand of labour. This is first seen in a reduction in the average workweek, then followed by layoffs and increased unemployment.

- Third, as output falls, the demand for materials, services, and labour decreases; this may result in a decline in prices or a slowdown in the rate of price increases. Finally, business profits decline in recessions. In anticipation of this, stock prices generally drop as investors become pessimistic about the decline in the business activity. Moreover, because the demand for credit decreases, interest rates usually also decline in this stage.

Modern organisations, according to Cant, Strydom, Jooste and du Plessis (2006:33), exist in an extremely unsteady and disorderly environment, and they need to survive, grow and make profits if management knows what is going on in the environment. Instead of changing slowly and at a predictable pace, as in earlier decades, the environment in which marketers find themselves at present holds many surprises and shocks.

The so-called “surprises and shocks” that the environment produces, Cant et al. (2006:33) assert that these are nothing more than trends that appear and disappear, only to reappear in a different disguise at a later stage. These trends or external environmental variables largely determine the success of the organisation’s marketing efforts. Thus the position of consumers and competitors in the market, relations with suppliers, economic, social and political trends and numerous other events that prevail in the environment will from time to time threaten the successful existence of the organisation or, conversely, offer receptive and favourable conditions with good marketing opportunities.

1.2 PROBLEM STATEMENT

South Africa is no exception to the devastating impact of the global financial crisis. The slump in the global demand has led to a collapse in commodity prices which in turn has led to a slowdown in earnings by commodity exporting sectors. Close to 60% of South Africa’s exports are destined for the United States of America, European Union and Japan, and contraction of

demand from those economies is having a direct impact on manufacturers and the labour they employ (Mpofu, 2009:12).

The South African National Treasury (SA, 2009) has reported the South African economic growth to have slowed down to 3.1% during 2008 after an impressive growth rate of around 5% for the previous four years. It was estimated that economic growth would slow down further to 1.2% during 2009 before it recovers to 4% in 2011. It is asserted by the National Treasury that even though the global financial crisis is taking its toll on the automotive, retail, manufacturing and mining sectors, the South African financial services and tourism sectors are expected to grow and contribute significantly to economic growth. Huge job cuts occurred in the construction, mining and manufacturing sectors (SA, 2009).

The recession in South Africa's private sector is worsening, particularly with the decline in activity levels in the residential property and construction industries. The slump in the market for durable and semi durable goods is beginning to take on crisis proportions as consumption has slumped. House prices are declining with a glut of properties on the market and it takes longer to sell them. The residential property sector was seriously impacted by the reduction in the number of property transactions, which in some provinces was 50% down a year ago. The number of new mortgages registered at the deeds office in Gauteng was 42.2% lower than January 2008. Manufacturing declined by 6.8% (Mpofu, 2009:12-13).

Recession requires marketing managers to modify their marketing strategy and action in order to stay both profitable and responsive to consumers. This generally means adapting the marketing mix and/or changing the target markets. However, the response of marketing managers to recession depends on how they perceive its meaning and impact on their businesses. As a result, it is possible that a recession on the national level may affect different companies differently and may, in fact, indicate different economic environments, including those of growth and inflation. Specifically, an objectively measured and determined recession on the national level may

affect companies of different size and different sectors and regions differently, hence requiring that marketing managers take different tactical and/or strategic measures to adjust to or even exploit changes in the economic environment (Cant et al., 2006:46).

1.3 HYPOTHESIS

According to Singleton, Straits and Straits (1993:89) a hypothesis can be formally defined as an expected but unconfirmed relationship between two or more variables. It comes from a variety of sources, including everything from theory to direct observation to guesses and intuition. An adequate hypothesis statement about two variables should indicate which variable predicts or causes the other and how changes in one variable are related to changes in the other.

The study conducted in this report seeks to determine management perception of and response to economic recession by measuring the following:

- (1) The meaning and/ or implication of the economic recession to marketing managers,
- (2) The impact of this recession on marketing decisions, and
- (3) The resultant adjustments in marketing strategy and action.

A fourth goal of making recommendations to marketing managers, which may be especially useful to their planning processes in the future, may be added.

1.4 RESEARCH METHODOLOGY

Perreault and McCarthy (2002:226) define situational analysis as an informal study of what information is already available in the problem area. It can help

define the problem and specify what additional information, if any, is needed. From the situational analysis conducted, there exists information that has been collected and published already. The research method to be followed in this study consists of two stages, namely, a literature review and empirical research.

1.4.1 Literature review

The literature review includes existing theoretical knowledge as a foundation for this research study. The literature review contains the following: Definitions of concepts; stages in the economic cycle with emphasis on the recessionary period; the effects of the economic recession on the market and the marketing manager; and the resultant marketing strategies to be employed in response to the economic recession. Therefore, secondary data that were consulted included sources such as published and unpublished articles, textbooks, periodicals, websites (Internet), journals, conference papers, newspaper articles, magazines, presentations by consultants and any other relevant material that was found in the process, was used to answer the research problem.

1.4.2 Empirical research

The aim of the empirical research was to gain primary information by analysing respondents' meaning and/ or implication they attach to the economic recession, the impact that this downturn period has on their decision-making process and the resultant adjustments that they have to make in their strategies in response to this phenomenon.

Empirical data were gathered by distributing questionnaires to the top, middle and lower management staff of the various organisations involved in the marketing business. Prior to the distribution of questionnaires, respondents were assured of their anonymity and confidentiality of their responses.

1.4.2.1 Units of analysis

Units of analysis refer to the entities (objects or events) that are under study. They include people, social roles, positions, and relationships, a wide range of social groupings such as families, organisations, and cities, as well as various social artefacts such as books, periodicals, documents, and even buildings. The unit of analysis is simply what or who is to be described or analysed (Singleton et al., 1993:69).

This study therefore used the marketing strategies as unit of analysis that were analysed against the event of having a recessionary economic situation. The analysis of marketing strategies employed in the economic period of significant decline in total output, income, employment and trade, which usually lasts from six months to a year and is marked by widespread contraction of many sectors in the economy.

1.4.2.2 Measuring instrument

A questionnaire consisting of both structured and unstructured questions was designed for use as an instrument for measuring marketing strategies for downturn in economies. The focus was to assess the overall implication of an economic recession to the marketing managers and staff.

The instrument also evaluated the impact of economic recessions on marketing decision-making. Hereby it evaluated whether marketing decisions made during an economic upswing are different from those made during a recessionary period.

It was also an objective to probe whether the resultant strategic adjustments made as a result of the economic downturn were fruitful, or at least kept the organisation afloat and that it did not become a victim of corporate hyenas.

1.4.2.3 Study population

The study group comprised a simple random sample of top, middle and lower managers in the marketing divisions of various companies who were prepared to participate in the study. No representative sample or population was identified nor used by the non-probability sampling methodology.

1.4.2.4 Data collection

Both quantitative and qualitative data collection techniques were used. The respondents received a questionnaire to consider where after the researcher contacted the respondents and conducted telephonic interviews to further discuss the questions on the questionnaire. The questionnaires were distributed through electronic and personal delivery to the respective respondents. Follow-up telephonic interviews were conducted to discuss and further collect data while also ensuring that the maximum number of respondents was reached for the purpose of this study. Subsequent to the completion of the questionnaires, the respondents were requested to return them to the researcher. All responses collected were collated and used for statistical analysis.

1.5 PROBLEMS ENCOUNTERED

Selection error could have been encountered since there was no representative sample or population due to the selection of the non-probability sampling technique.

Insights from countries, industries and individuals that have not published their strategies for recessionary periods nor participated in the study and research findings on studies conducted anywhere, could not be included although there could have been valuable insights that were unintentionally omitted.

There may be good strategies adopted and implemented by an industry or an economy, but not published. The fact that these ideas have not been published in any accessible media means that its lessons will not be learnt and reviewed by any outside economy.

1.6 LAYOUT OF THE STUDY

This mini-dissertation is divided into four chapters. A summary of the contents in these chapters follows.

Chapter 1

This chapter forms the introduction to the dissertation. The problem statement and background, that form the basis for conducting this study, are discussed. This is followed by a brief overview of the recent economic environment in South Africa and managerial behaviour regarding the downswing. The chapter concludes with the research methodology, target population and summary of the chapter.

Chapter 2

Chapter 2 consists of a literature study different strategists and their views marketing strategies to follow during an economic downturn such as the 2008/2009 recession.

Chapter 3

In this chapter, the methodology employed during the empirical study is explained. The design of the questionnaire, the sample design, analysis and evaluation of data form part of this chapter. The results from the survey questionnaires are also evaluated in detail and reference to the literature study is made.

Chapter 4

This chapter is the final chapter of the mini-dissertation. It draws conclusions and makes recommendations based on the literature and empirical research. The dissertation is concluded by mentioning opportunities for future research.

1.7 SUMMARY

Recession has been defined as a period of significant decline in total output, income, employment and trade, which usually lasts from six months to a year and is marked by widespread contraction of many sectors in the economy.

South Africa has been shown not be an exception to the slump in demand that occurred due to the global financial crisis. This crisis has led to a collapse in commodity prices which in turn has led to a slowdown in earnings by commodity exporting sectors. As reported by the South African National Treasury the South African economic growth to have slowed down to 3.1% in 2008 after an impressive growth rate of 5.5% for the previous four years.

The purpose of the study was identified to be the determination of managements' perception of and response to the economic recession by measuring the meaning of the economic recession to marketing managers, the impact of this recession on marketing decisions, and resultant adjustments in marketing strategy and action.

Data were gathered using the secondary data collection method through a literature review and the primary data collection method through empirical research. Selection error was identified as the main problem that was encountered since there was no representative sample or population that could be obtained by non-probability sampling methods.

The next chapter consists of a literature review of various strategists and their views on marketing actions during an economic downturn.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

A company's marketing environment consists of the actors and forces outside marketing that affect marketing management's ability to build and maintain successful relationships with target customers. Although every manager in an organisation needs to observe the outside environment, marketers have two special aptitudes. They have disciplined methods – marketing research and marketing intelligence – for collecting information about the marketing environment. They also spend more time in customer and competitive environments. By carefully studying the environment, marketers can adapt their strategies to meet marketplace challenges and opportunities (Kotler & Armstrong, 2010:90).

The economic environment is affected by the way all of the parts of a macro-economic system interact. This then affects such things as national income, economic growth, and inflation. Even a well planned marketing strategy may fail if a country or region goes through a rapid business decline. As consumers' income drops, they must shift their spending patterns. They may have to simply do without some products.

The economy may realise several years of expansion and prosperity. Then national output declines, profits and real incomes decrease, the unemployment rate increases to uncomfortably high levels as many workers lose their jobs. Eventually, the economic contraction vanishes and recovery begins. The recovery may be slow or fast. It may be partial, or it may be so strong as to result in a new era of prosperity. Or it may be characterised by escalating inflation, soon followed by another downturn. The upward and

downward movements in output, employment, and inflation form the business cycle that characterises all market economies (Carbaugh, 2007:258).

According to Perreault and McCarthy (2010: 14), marketing managers cannot only be satisfied with just planning present activities since markets are dynamic. Consumers' needs, competitors, and the environment keep changing; as such, the company must change in response to these changes.

2.2 ECONOMIC RECESSION

2.2.1 Introduction

Upswings and downswings caused by the business cycle affect the entire economy and not only a few industries. Business cycles follow a similar pattern (boom, slowdown, recession, recovery) but the length of each cycle is unknown and cannot be predicted with certainty. Production data provide a good idea of the part of the business cycle the economy is in. For example, if production is rising, it can be inferred that GDP will rise.

Recession is a phenomenon of decreasing demand for raw materials, products, and services. Recession requires marketing managers to modify their marketing strategy and action in order to stay both profitable and consumer responsive. This generally means adapting the marketing mix and/or changing the target markets. However, the response of marketing managers to a recession depends on how they perceive its meaning and impact on their business (Shama, 1993:62)

The term business cycle and its four phases will be defined and explained in the following paragraph. Also, all of its effects will be elaborated on to paint a picture of what it actually is and how economic recession affects the functioning of an economy.

2.2.2 Definition and economic indicators

Carbaugh (2007:260) defines the term business cycle to be referring to the recurrent ups and downs in the level of economic activity extending over several years. Although business cycles vary in intensity and duration, they can be divided into four phases, that being Peak, Recession, Trough and Recovery.

- *Peak* – this is the period of a business cycle wherein real GDP is at a temporary high. Employment and profits are usually strong.
- *Trough* – is the low point of real GDP, just before it begins to turn up is called the trough of the business cycle. At a trough, unemployment and idle productive capacity are at their highest levels relative to the previous recession.
- *Recovery*— it is the upturn in the business cycle during which the GDP rises. During the recovery or expansion phase of the business cycle, industrial output expands, profits usually increase, and employment moves toward full employment.
- *Recession* – this is a period of significant decline in total output, income, employment and trade, which usually lasts from six months to a year and is marked by widespread contraction of many sectors in the economy. The recession starts at a peak and ends at a trough (Hugh, 2009:2).

2.2.3 Severity of current decline

According to Hugh (2009:2-3), the South African economic performance has steadily been strengthening in recent years, with real GDP growing at an annual average rate of 4.6% in the years between 2005 and 2008. Inflation had declined to mid-single digits and employment had been growing steadily. Growth in recent years has been driven by strong domestic demand, with private consumption and investment spending supported by robust consumer and business sentiment. Household consumption was also boosted by

growing disposable income, rising employment, and wealth effects from rising asset prices until late 2007. However, 2008 saw a slowdown in activity reflecting the cumulative impact of electricity power shortages, the global slowdown, and a policy of monetary tightening. Real GDP growth slowed to 3% as the country entered the recession. The following effects of the recession, rise in unemployment, decrease in retail sales, decrease in manufacturing, rising inflations and a decrease in interest rates, will be discussed separately below:

2.2.3.1 Unemployment

South Africa's unemployment rate increased very slightly to 23.6% in the second quarter from 23.5% in the first quarter of 2009. As much as 267 000 jobs were lost during the quarter and the number of discouraged work seekers rose by 302 000. Should the two numbers been added together, the unemployment rate would have increased to 29.7% compared to the 28.4% in the first quarter (Hugh, 2009:4).

2.2.3.2 Retail sales

Price adjusted retail sales decreased in June by an annual 6.7% following a 4.4% drop in May. For the three months to June, sales contracted by 6% relative to the corresponding period a year earlier. Anxiety about job security, comparatively high levels of household debt, still high inflation rate and a low level of consumer confidence are the likely reasons for the negative growth in real retail sales (Hugh, 2009:5).

2.2.3.3 Manufacturing

Manufacturing production fell by an annual 17.2% contraction in May. South African industry still appears to be in the throes of an inventory stockpiles rundown. Iron and steel were down 24.3%, the automotive sector 32.8%, and petroleum and chemicals were down 14.7% (Hugh, 2009:6).

2.2.3.4 Inflation

The year-on-year inflation rate as measured by CPIX peaked at 13.6% in August 2008 and then declined continuously to 10.3% in December. According to the South African Reserve Bank, the main drivers of inflation during the last quarter of 2008 were food prices, fuel and power (electricity prices), and transport (petrol prices).

The year-on-year CPI inflation rate was 8.1% in January 2009. It then rose to 8.6% in February before declining marginally to 8.5% in March. Inflation in the first quarter of the year was driven mainly by increases in food prices, alcoholic beverages, household maintenance and repair, electricity, and in financial services.

Producer prices, on the other hand, do show the impact of the fall in energy prices and economic slowdown, since these declined at a year-on-year rate of 4.1% in June, compared with a decline of 3.0% in May. Prices of mining and chemical products were the main contributors to this trend, but there was also further moderation in food price inflation (Hugh, 2009:8).

2.2.3.5 Interest rates

South Africa's central bank unexpectedly cut its benchmark interest rate by half a percentage point, the sixth reduction since December, to curtail the economy's first recession in 17 years (Hugh, 2009:9-10).

2.2.4 Influences on businesses

Although business cycles are not duplicated, they do have similar characteristics. When the economy encounters a recession, one can usually expect the following: First, consumer expenditure decrease abruptly, while business inventories of durable goods rises unexpectedly. As business reacts by curtailing production, real GDP declines. Soon thereafter, business investment in plant and equipment falls. Second, labour demand decreases.

This is first seen in a reduction in the average work week, followed by layoffs and increased unemployment. Third, as output falls the demand for materials, services, and labour decreases. This may result in a decline in their prices or a slowdown in their rate of price increases. Finally, business profits decline in recessions. In anticipation of this, stock prices generally drop as investors become pessimistic about the decline in business activity. Moreover, because the demand for credit decreases, interest rates usually also decline in recessions (Carbaugh, 2007:260-261).

Nigel Hollis (Millward Brown, 2009) mentioned that in order to make their disposable income go further, consumers adopt one of three tactics: they curtail purchasing in a category altogether, they defer or decrease their purchasing, or they trade down to a less expensive brand.

2.2.4.1 Curtailed purchases

Luxury items that are perceived as “nice-to-haves” are most likely to be eliminated when consumers need to cut spending. Affected product categories range from cruises and designer goods to more mundane categories, like insurance or window cleaning.

2.2.4.2 Deferred purchases

Purchases of high-ticket items such as cars and appliances will be deferred when consumers are under financial pressure. People will also reduce the frequency of purchasing in categories such as casual dining and gasoline.

2.2.4.3 Traded down purchases

Consumers reappraise their brand choices in virtually all product and service categories. This is characterised by a strong rise in the number of premium brands perceived as too expensive.

2.3 MARKETING STRATEGIES IN ECONOMIC DOWNTURN

2.3.1 Introduction to marketing strategy in business strategy

A strategy is management's action plan for running the business and conducting operations. The crafting of a strategy represents a managerial commitment to pursue a particular set of actions in growing the business, attracting and pleasing customers, competing successfully, conducting operations, and improving the company's financial and market performance. (Thompson, Strickland & Gamble, 2010:6). For the realisation of business growth, attracting and pleasing customers a company must have a good marketing strategy.

Marketing strategy is the marketing logic by which the company hopes to create value to customer and achieve profitable relationships. It therefore specifies a target market and a related marketing mix (Solomon, Marshall & Stuart, 2008:80).

Strategic marketing management entails the decisions of the marketing department with a view to long-term growth and survival in a competitive environment. Strategic marketing is a continuous process that mainly, but not exclusively, takes place at top management level (Cant et al., 2006:27).

The underlying problem for the successful survival of contemporary business in the Western world is the fact that the environment usually changes more quickly than the business is able to. Hence the study of the marketing environment mainly revolves around change in the environment (Cant et al., 2006:34).

The market environment entails an interaction between a business and its suppliers, consumers and competitors with alternative offerings. The interaction can result in opportunities or threats to a business, and marketing management must be aware of trends in the market environment so that

management can utilise opportunities and avoid threats in good time (Cant et al., 2006:46).

2.3.2 Influence of downturn on marketing

When an economic cycle has entered into a recessionary phase, this could have a negative impact on the business. Morebusiness (Anon., 2009) lists the following seven effects the recession may have on the business:

2.3.2.1 Consumer spending might go down

As consumers tighten their purse strings and spend their money just on essential items, there could be a decrease in sales, especially if dealing in non-essential items. Even if a company does manage to maintain sales, the profit margins could still come down. A company might have to devise new and innovative methods to attract customers towards the business.

2.3.2.2 Competition could get fierce

As the economic cycle enters into a recession, the competition will get fiercer since there will now be many competitors fighting over a smaller pie. But take heart, because this cycle will also result in weaker competitors closing shop.

2.3.2.3 Expenses will go up

Along with a company's sales coming under pressure its expenses will also go up as inflation starts pinching the wallet. This will result in tightening the financial belt, as the business becomes part of this downward cycle. Businesses will have to ensure that they give priority to those expenses that directly affect the business over those that do not.

2.3.2.4 Business will become unpredictable

The downside of this economic fluctuation is that a business will become unpredictable. At times, consumers have vanished into thin air, while during other times you might think that you are experiencing a sales boom. It pays to have a cool and calm head during such fluctuating periods.

2.3.2.5 Interest rates might come down

During a recession, interest rates could come down, and in the case that a company needs to apply for a loan, they may not be faced with high interest rates. The only problem is, since there will be a liquidity crunch in the monetary markets, they could have a tough time qualifying for a loan as lenders' qualifying standards go invariably higher.

2.3.2.6 You could get a chance to invest outside your business

A recession could induce the stock markets and property markets to fall drastically. This could offer a chance to invest in stocks or property due to lower prices. And once the economy moves back to the boom cycle, then the investments will be worth quite a lot more.

2.3.2.7 Employees could demand higher salaries

As inflation eats into the pockets of employees, they could ask for higher salaries in order for them to maintain their lifestyles. Management might then have to let inefficient employees go in order to maintain the payroll at the same level.

2.3.3 Typical marketing strategies in a downturn

Marketing strategies as detailed by individual authors will be discussed and no categorisation will be made in terms of price, place, product or promotion; unless specified by the author.

When sales and profits are plummeting and customers are demanding better deals, the instinctive response is to cut prices. This silences customer complaints, helps cover fixed costs, and buys time until the economy rebounds. A price cut can also boost sales quickly, especially when there is no money for advertising or other promotions. Price cuts now may affect the company's profitability when the upturn occurs. It may signal to customers that they are an easy prey for additional discounting. And it may cloud the brand's hard-won image (Wreden, 2002).

2.3.3.1 Wreden's strategies

Pricing decisions, according to Wreden (2002), should be viewed as part of long-term strategy for fiscal fitness. When economic storm clouds gather, trim the production levels, postpone expansion plans that are not absolutely vital to future growth, and slash non essential costs wherever possible. This prepares the company to pursue low value business opportunities that help maintain cash flows without drastically production capacity.

2.3.3.1.1 Adjust your sales goals

Sales goals made when cheque books were open may no longer be suitable for a recession. Executives experience what Holden calls the "coffin corner of costing" when, for the purposes of making numbers, they overemphasise capacity utilisation and become willing to cut prices of high value products. The wireless industry, for example, generated strong demand with its low pricing but then was unable to recover its costs of capital.

Instead of sales goals, set dollar contribution goals for products, market segments, and individual customers. To do this, the company may have to invest in financial systems that can track process costs as well as direct costs. Moreover, setting profitability goals may mean abandoning market share goals. After all, large market share does not necessarily mean increased profitability. But switching to profitability benchmarks can help the business pursue other low price business.

It may also make sense to change the basis for your pricing. Most experts believe that pricing based on value, that being the economic or psychological benefits delivered by a product or service, is much more effective than competitor-, cost-, or customer-driven pricing strategies. Remember, too, that the basis for customer value can shift when economic climate changes. When times are good, customers often place a premium on your maintaining production capacity to ensure timely delivery of their orders; otherwise, their sales suffer. But, in a recession, logistical services may be more valuable.

2.3.3.1.2 Understand your competitive advantage

In a recession, pricing should be shaped by industry position and long-term strategy. If the company's competitive advantage derives from low-cost structure, cost cutting can pump up market share, positioning the firm for a pay-off when the economy improves. Dell Computers, Southwest Airlines and Wal-Mart all uses price as a weapon to leave weaker rivals by the wayside. But a common mistake, says Holden, "is to use price as a competitive advantage for high-value products by giving away services or discounting to your best customers. You erode the base of profitable customers and reduce the potential for profitability when the downturn ends." (Holden, 2010).

2.3.3.1.3 Leverage your segmentation strategy

Especially if a company has high fixed costs, use pricing to generate incremental revenue from the segmented customer base. Strive for "first class", "business class", and "economy" pricing, the way the airlines do. First

class customers receive extra value with minimal discounting; economy customers get minimum value. Such segmentation based on price sensitivity creates sales opportunities that can offset losses in areas, especially since there is often little difference in production costs among the offerings. In addition, a premium offering such as Nokia's new line of luxury mobile phones can motivate price sensitive buyers to move up to mid range offerings in the pursuit of additional value.

Offerings can be segmented not only by value added but also by time (for example, peak load purchasing), location, or purchase quantity. "The more you can slice and dice your prices and offerings without affecting your brand, the more you can sustain profitability", says Mitchell. Dynamic pricing represents an extension of such a segmented pricing strategy; here, prices shift instantaneously in response to changes in supply and demand. Although the practice does not suit every company, clear testers of dynamic pricing software have been pleasantly surprised to discover how much more they can charge without affecting sales volume. The consulting firm Accenture reports that a price increase of just 1% can improve operating profits by 11% if sales volume remains constant.

2.3.3.1.4 Pamper loyal customers

Losing a customer now represents a double whammy: It drains customer equity and raises the cost of acquiring a replacement. Keep your best customers happy by bolstering loyalty programmes or providing additional services. Consider offering product training or other classes for your B2B customers – not only will it augment the value you offer customers, it will also make it more difficult for those customers to switch to another provider.

But do not make those same mistakes the wireless industry did. When carriers offered attractive deals to new customers but did not make those same offerings available to existing customers, high churn rates resulted.

2.3.3.1.5 Plug revenue leaks

Companies can run aground on pricing gaffes once covered by a high tide of good economy. A common oversight is not recovering all the costs involved in services, delivery, or other processes, says Mitchell. Set minimum order quantities so that processing costs will not eat all the profits. Strengthen your collection efforts to shrink the time between orders and receipt of payment. Without undermining customer value, establish a price menu for “free” services such as delivery or favourable payment terms. When sold separately, such offerings increase value opportunities. They also provide a benchmark value for customers who formally discounted them because they were free.

In a recession, revenue leaks also occur because sales forces become less resistant to customer pressures. They knock down the price until the sale is won, despite the impact on profitability. Ideally, prices should be negotiated based on business rules – volume, delivery, financing – and not according to negotiating skills of purchasing agents. They should also be based on the value to the customer. But sales forces often oppose value pricing because it usually means higher prices and a greater willingness to walk away from price-sensitive deals. To encourage the desired behaviour, compensate your sales force based on its contribution to profitability and/ or customer equity, not just on sales volume.

2.3.3.1.6 Shift the battleground

When you negotiate with customers, include other factors besides the payment amount – for example, payment terms or ongoing training – in the conversation. Some additional suggestions:

- Change the volume requirement to raise revenue and lower unit costs.
- Bundle products that increase customer value. For example, Cadillac’s OnStar global positioning system is a standard feature on all its cars.

- In exchange for a discount, ask for a multiyear contract to smooth out your revenue and production variability.

2.3.3.1.7 Protect your brands

Brands become more valuable during a downturn because they offer defensible margins. Sales of cosmetics often rise during a recession, notes Koehn (2009). The reason is that they represent affordable luxuries or offer a psychological boost. So do not cut prices on premium brands during a recession; they can be sold without discounts through word-of-mouth or channel promotions that increase visibility and appeal.

2.3.3.2 Quelch's strategies

Prof John Quelch (2008) of the Harvard Business School states that during a recession consumers become value oriented, distributors are concerned about cash, and employees worry about their jobs. But a downturn is no time to stop spending on marketing; instead, companies should bear eight factors in mind when making their marketing plans.

2.3.3.2.1 Research the customer

Instead of cutting the research budget, you need to know more than ever how consumers are redefining value and responding to the recession. Price elasticity curves are changing. Consumers take more time searching for durable goods and negotiate harder at the point of sale. They are more willing to postpone purchases, trade down, or buy less. Must-have features of yesterday are today's can-live-without. Trusted brands are especially valued and they can still launch new products successfully, but interest in new brands and new categories fades. Conspicuous consumption becomes less prevalent.

2.3.3.2.2 Family values

When economic hard times loom, one tends to retreat to our village. Look for cosy hearth-and-home family scenes in advertising to replace images of extreme sports, adventure, and rugged individualism. Zany humour and appeals on the basis of fear are out. Greeting card sales, telephone use, and discretionary spending on home furnishings and home entertainment will hold up well, as uncertainty prompts us to stay at home but also stay connected with family and friends.

2.3.3.2.3 Maintain marketing spending

This is not the time to cut advertising. It is well documented that brands that increase advertising during a recession, when competitors are cutting back, can improve market share and return on investment at lower cost than during good economic times. Uncertain consumers need the reassurance of known brands, and more consumers at home watching television can deliver higher than expected audiences at lower cost per thousand impressions. Brands with deep pockets may be able to negotiate favourable advertising rates and lock them in for several years. If you have to cut marketing spending, try to maintain the frequency of advertisements by shifting from 30-second to 15-second advertisements, substituting radio for television advertising, or increasing the use of direct marketing, which gives more immediate sales impact.

2.3.3.2.4 Adjust product portfolio

Marketers must reforecast demand for each item in their product lines as consumers' trade down to models that stress good value, such as cars with fewer options. Tough times favour multi-purpose goods over specialised products, and weaker items in product lines should be pruned. In grocery-products categories, good-quality own-brands gain at the expense of national brands. Industrial customers prefer to see products and services unbundled

and priced separately. Gimmicks are out; reliability, durability, safety, and performance are in. New products, especially those that address the new consumer reality and thereby put pressure on competitors, should still be introduced, but advertising should stress superior price performance, not corporate image.

2.3.3.2.5 Support distributors

In uncertain times, no one wants to tie up working capital in excess inventories. Early-buy allowances, extended financing and generous return policies motivate distributors to stock the full product line. This is particularly true with unproven new products. Be careful about expanding distribution to lower-priced channels; doing so can jeopardise existing relationships and the brand image. However, now may be the time to drop weaker distributors and upgrade the sales force by recruiting those sacked by other companies.

2.3.3.2.6 Adjust pricing tactics

Customers will be shopping around for the best deals. Businesses do not necessarily have to cut list prices, but they may need to offer more temporary price promotions, reduce thresholds for quantity discounts, extend credit to long-standing customers, and price smaller pack sizes more aggressively. In tough times, price cuts attract more consumer support than promotions such as sweepstakes and mail-in offers.

2.3.3.2.7 Stress market share

In all but a few technology categories where growth prospects are strong, companies are in a battle for market share and, in some cases, survival. Knowing the cost structure can ensure that any cuts or consolidation initiatives will save the most money with minimum customer impact. Other companies with healthy balance sheets can do this by acquiring weak competitors.

2.3.3.2.8 Emphasize core values

Although most companies are making employees redundant, chief executives can cement the loyalty of those who remain by assuring employees that the company has survived difficult times before, maintaining quality rather than cutting corners, and servicing existing customers rather than trying to be all things to all people. CEOs must spend more time with customers and employees. Economic recession can elevate the importance of the finance director's balance sheet over the marketing manager's income statement. Managing working capital can easily dominate managing customer relationships. CEOs must counter this. Successful companies do not abandon their marketing strategies in a recession, they adapt them.

2.3.3.3 Rheeder's strategies

According to Rheeder (2008), the following recession exploiting strategies have been identified:

2.3.3.3.1 Segmentation, targeting and positioning

Consider withdrawing from weak segments where your CUSPs (Competitive Unique Selling Propositions) are not valued much, and target segments (existing or new) that the company can dominate with the CUSPs during and after the recession. Know exactly what the CUSPs are per segment. Target and competitively position each forcefully revealing revitalised CUSPs.

2.3.3.3.2 Attack and/ or attack proof

Change the rules of the game, that is, innovate and find a key success factor (KSF); reconfigure the value chain; redefine the market; and find new partners or alliances in adjacent industries. Attack weakened competitors and know how to attack the industry leader.

2.3.3.3.3 *Marketing mix strategies*

Rheeder lists the following marketing mixture strategies:

- **Product** – No one wants their product or industry in the ‘maturity’, or ‘decline’ phase, but a downturn can prematurely rewind, fast forward or erase your products during their product-life-cycle (PLC). Due to competitive forces buyers may have developed a new shopping list of wants; the basic product such as a car) may not be as important as the augmented product (that is, value added guarantee, after sales service, and/ or interest rates). The product-life-cycle may have also become stale, and like the Citi Golf now requires a few revitalised features to regain its growth trajectory.

Withdraw low profit margin, slow moving ‘dogs’ that are likely to fall, and research and revitalise new economy ‘question-marks and recession stars’.

- **Price** – By lowering costs a company will establish a cost advantage: economies of scale, low cost input and low overheads are the three big focus areas. During a recession customers ponder longer on decisions to sacrificing their budgets. Dropping the price may seem attractive, but it comes with the challenge of struggling to increase it at a later stage, so at least attempt to maintain prices. Differentiate and charge a premium. If the product is the low-price leader, then aggressively emphasise your penetration pricing, as low price is a very relevant recession CUSP.
- **Placement** – Reconfiguring the entire value-chain must be considered to both 1) lower the cost of sale, and 2) innovate the product’s CUSPs. Think about forging collaborative synergies with related industry partners. Choose the most motivated channel to market that will move the highest volume at your best Gross Profit percentage. A smaller

stock keeping unit (SKU) or large value pack both may be the answer for the cash strapped and/ or economy pack bargain hunter.

- **Promotion** – Calling on the company's most valuable and loyal existing customers has superior results versus finding new ones. They are also the easiest to cross-sell and up-sell to, and give you free word-of-mouth referrals. Consider a Key Account Management mindset – when you see a strategic client do not just pop-in, but be a management consultant and enthusiastically assist them with their business.

Research shows evidence that in a recession, the marketer whose share-of-voice (SOV) is larger than their share-of-market (SOM), is likely to grow market share.

- **People (Market)** – It is not just about the balance sheet and income statement, but more about human capital and a motivated channel to market. To maintain staff motivation, a recent survey cited the following in order of importance: staff's satisfaction with the job itself, training, pay, advancement fairness, treatment with respect and teamwork.

2.3.3.4 Graham's strategies

John R Graham (2009) in the rural telecom September-October 2009 recommends the following six steps that companies can take to make sure they continue to thrive:

2.3.3.4.1 *View the business as a marketing organisation*

The below two scenarios make a case regarding the difference between companies that see themselves as marketing organisations and those that do not. The experienced owner takes personal interest in serving his customers. Although there are appealing twice-a-year sales, they are not promoted. As

might be expected, same-month revenues have plummeted compared to the previous years.

The marketing driven retailer constantly gathers contact information including e-mail addresses from customers and keeps them by e-mail and direct mail. You do not just start when economic conditions have changed.

2.3.3.4.2 Give customers a reason to buy from the company

Ford said its company was sound, had financial reserves, did not need a government loan and had significant plans to increase vehicle fuel efficiency and to speed production of electric cars.

Chrysler and GM viewed Congress as their customers, while Ford looked beyond the hearings, recognising it had an opportunity to communicate directly with the public. They knew what their customers wanted, and they were prepared to deliver the right results. Ford stood out from the competition and gave consumers a reason to put a Ford in their future. This is exactly what customers are looking for from every business. If they do not have a reason to buy that makes sense, they will not.

2.3.3.4.3 Do not try to outsmart customers

The so-called 2008 November's "Black Friday" was really a "Bleak Friday". Customers actually "raided" retailers, cleaning out the lowest-priced merchandise and then going home not to return. The next day, Saturday, was a disaster, indicating that the big shopping was finished.

Macy's, the nation's department store behemoth, flooded its customers with e-mail and direct mail with all types of dollar-off cards and coupons. Its print and TV ads told the same story. Yet, the cards and coupons were fraught with many exceptions. It was clear Macy's was doing a con job on its customers. It sent a powerful message: "You cannot trust us. All one want is to get you in the door, and maybe you will buy something".

2.3.3.4.4 Think inside the box

Innovative thinking is not about something new and clever that has everyone saying, “Oh yeah”, but to spend time looking for them is to miss what is right in front of us. When a San Diego high school calculus teacher had his supplies budget cut, he thought inside the box. With so many quizzes, he used a lot of paper. To pay for producing his tests, he contacted businesses that might be interested in a one line sponsorship at the bottom of a test. He only needed about \$300, but is on course to collect about \$1 000, which he is using to help colleagues with their supplies. In-the-box thinking focuses on how to capitalise on what is in front of us.

2.3.3.4.5 Build customer relationships

A far more productive marketing strategy, for example, is The Wharton School’s “Knowledge@Wharton” eBulletins that contain valuable information. On occasion, Wharton presents opportunities to purchase books and other materials, but they create so much credibility by sharing knowledge that is not in conflict with what they are selling.

2.3.3.4.6 Have the right marketing message and stick with it

The most efficient way to kill marketing is to put it in the hands of sales people. Their rightful interest is in the next sale, not the next customer. This is why companies with a sales mindset tend to falter and even fail in a recession. They run out of leads because they have never made a consistent effort to cultivate customers.

Wal-Mart’s fortunes are soaring while its peer groups are not doing nearly as well. Wal-Mart sends customers a consistent, clear message – one that resonates with stressed, cash-short consumers: “Save money. Live better”. In effect, this is Wal-Mart’s customer commitment and it offers far more than just lower prices and cash register receipt. Wal-Mart promises its customers what

they really want when they spend their money: the possibility of a better life. That is what Wal-Mart is selling. And behind its growth is a marketing strategy that attracts and holds customers.

These six concepts lead to one conclusion: While most hunker down to ride out the storm, others see opportunity to build market share. Ironically, it is so much easier to gain attention and make your case with customers while others sleep. When the storm inevitably passes those that market will be ahead of the pack.

2.3.3.5 Weinmann's strategies

Greg Weimann (2009) in the ASHA Leader says: Although economic downturns are a natural part of long-term business cycles, their effects are detrimental to business. Managers must aim to minimise the effects or to compensate for the economic downturn with astute management strategies.

2.3.3.5.1 *Retain high value clients*

New business is important, but do not lose focus on high-value, existing clients. Losing loyal clients can be costly. Retain these valuable clients by finding ways to offer a special value that rewards existing clients for their loyalty.

2.3.3.5.2 *Change your mindset*

View marketing and public relations as strategic assets and investments, not as a drain on profits. Look for low-cost marketing and public relations opportunities, such as outreach to referring physicians.

2.3.3.5.3 Be visible

Now is the time to be everywhere. Get yourself on the agenda for an upcoming panel discussion conducted by your local chamber of commerce or industry group.

2.3.3.5.4 Try public relations

Advertising can be expensive; during economic downturns, consumers rely more on personal recommendations. An effective, low-cost strategy is to reach out to your local community health reporter and pitch a story about the benefits of speech language pathology and audiology services. Favourable publicity and unbiased, third party endorsement of the press lends credibility to the company's services.

2.3.3.5.5 Advertise wisely

A fast and effective way to raise awareness is through a small, inexpensive advertisement in the local paper or the cable television company. With advertising revenues down, local newspapers and cable television stations may be willing to negotiate prices. In addition, more than 80% of seniors regularly read the newspaper, making print advertisements an effective medium to reach this market.

2.3.3.5.6 Use internet and social media

More consumers are using the internet to research health care information. Update your website to reflect your services, provide information about insurance options, and offer testimonials. Use social media tools to your services. Post information about the company and services on a blog, twitter, or Facebook.

2.3.3.6 Banaei's strategies

According to Leyla Banaei in the Money Management (Banaei, 2009), as one ventures deeper into uncertain economic times and perhaps a recession, most financial planning practices are cutting costs and wondering how they can make every cent spent on business activities count. Retaining the client base but also attract more clients into the business in these volatile times is a priority and essential for remaining profitable and surviving the storms ahead.

She contends that the key to recession proofing a company's marketing in these times of economic downturn is to make it targeted, relevant and consistent. Set out below are the six areas of focus for getting the most out of marketing efforts in an economic downturn and for preparing the company for recession proofing its marketing activities.

2.3.3.6.1 *Message to match the market*

Do the marketing strategies that the company have been using to date work and work really well according to results and feedback from the client base? If so, it is obvious that the company is communicating its message clearly and the target market is receiving the message in a positive way. Therefore, the same strategies should be applied now and should survive in a recession and still produce results.

As one moves through these turbulent times, the only tools a company has with which to set itself apart from the rest of the market is the clarity of the message that you are sending out to the target audience and what perceived value this message relays to them. Otherwise, like most financial planning practices, the services are in danger of becoming a commodity (bought on the price alone).

The first step is to identify a niche or specific client type. The next step is to construct the right message for the target market. You must speak according

to their needs and do away with other irrelevant details. The message is important and it must be specific and convincing if you want it to work.

In times like these a company has to make every move count. Becoming targeted is focusing on your niche and your target client type, offering them exactly what they need by communicating the benefits of your service and the outcomes they will experience by engaging with you clearly.

2.3.3.6.2 Position yourself (Have a CVP)

Work out what value is offered, who it is offered to (target market) and what the company stands for. Whatever you do, do not sit on the fence and try to be everything to everyone. It is important to have a clear, sustainable and unique client value proposition that speaks to target clients and differentiates the business from the pack.

The underlying strength of marketing lies in the value proposition that is communicated to clients. What are the unique benefits of products and services offered to clients? What value is added to the clients? How is it that the business enhances their life, especially in the current economic climate? And why should they continue to do business with you? CVP is very much focussed on the outcomes that experienced by the business's clients as a result of these. So, the services and products are the drivers of these outcomes experienced by the client.

In times of market downturn clients are often confused, anxious and worried, not knowing what to do and who to trust. So this is as good a time as any to polish your CVP, or to create one if you do not already have one, and to start communicating it clearly and consistently to the target market, getting ahead of competitors while they are focussing on laying low and wondering what to do.

2.3.3.6.3 Stay in regular contact

How a company manages and develops its existing client relationship will determine their fate in the recession ahead and their retention by the company beyond the recession. In these turbulent times, opportunities to strengthen and solidify client relationships are boundless. This is really the time to master them, gain confidence and become the trusted partner and coach you need to be for your clients. Everything the company does proactively for its clients now will position you even more strongly when the market shifts and becomes healthy again – constant contact is a big part of that.

Staying in regular contact shows clients that you are there for them and that you care, and while you may not have a crystal ball, you are not afraid to weather this storm by their side. This puts an emphasis on the client relationship, which is part of the perceived value clients are after. When the good times are back, and they will be, your clients will be much more loyal if you have supported them through these tough uncertain times by lending an ear, some insight and your perspective on the situation by being proactive and contacting them.

2.3.3.6.4 Add more value (Increase depth and breadth of your offering)

Adding to the breadth of your services may include sending out regular e-zines or newsletters; if you do not already do so, to keep your clients abreast of the happenings in the global economy and how this will affect them specifically. This will be even more effective if you are working with a specific target market and know exactly what the concerns are and issues they are seeking solutions to.

Free information seminars are also popular and perceived as valuable, especially when you can give clients an idea of what is happening in the markets right now and how this will impact them.

To add depth to existing services the company can offer clients extra reviews or health checks so they do not have to wait for their scheduled annual review, giving them a feeling of comfort and peace of mind that the economic downturn has not had any adverse effects on them and that they are still on track.

Alternatively, if these ideas do not suit your practice or you are already engaging in them, to come up with relevant activities to broaden the depth and breadth of your offering simply ask your clients what they would like you to provide more of.

2.3.3.6.5 Be consistent – no matter how bad it gets

This means maintaining a consistent level of service, being consistent in managing client expectations, and presenting a consistent image, whatever that desired image is you would like your clients to see. Always be thinking about how you can provide your services in a consistent manner to deliver the same client experience each and every time.

Being consistent also means knowing and following industry best practices. This means consistently offering high standards of service by knowing client expectations and meeting them. Consistent means following up – this is where 90% of business fall down on the job. A potential customer has to hear from you about six times before they will buy. That is six individual instances of calling, mailing, visiting or being seen in advertisements by prospects before they are ready to do business with you.

2.3.3.6.6 Utilise the power of your COI relationships

Centres of Influence (COI) are a great referral source and usually a more cost effective way of acquiring clients. During the current downturn, when clients are anxious and have plenty of questions regarding their situation, it is easy to see that advisors can provide solutions to accountants' dilemmas as well as

the opportunity to tap into a productive source of qualified new clients who do not require any capital outlay.

This is a great time to be getting back in touch or joining forces with a COI and assisting each other to make sure you are both generating new clients by way of referral and delivering the highest standard of service and reassurance to your clients in the areas that you specialise in. If you are getting back in touch with the COI, ensure they are very clear about your client value proposition and the benefits you are offering in this current economic climate. Ensure you understand the challenges they have been facing with their clients and provide them with solutions or special packages that they can offer their clients to assist you.

Edward Cundiff (1975:4) in the *Journal of Marketing* says that marketing plays a key role in a number of decision areas during a recession. For example, when money is abundant, consumers will accept almost any price increase for popular products; but when money is short, demand for many products becomes price elastic. Cost-plus pricing, which ignores potential demand, has proven disastrous for several industries during the past years.

Likewise, promotion is more important during a recession. Consumers today, because of a lack of confidence in the economic future, are spending less and saving more of their income. Well-planned promotion can increase sales by helping to overcome this propensity to save.

Product policies are also affected by a depressed economy when consumers are reluctant to spend any money, they are unwilling to settle for products that do not precisely meet their need specifications. Thus a firm must be more careful both in measuring the needs of the market and in designing products to serve these needs. Reluctant buyers are also more concerned with getting maximum value for their money, so they expect price to reflect product quality more precisely.

2.3.3.7 Caribbean business strategies

The Caribbean Business staff in the Caribbean Business (2009), state that marketers have to work within the reality of a recession and strengthen their strategies. They give the following tips:

2.3.3.7.1 *Give even more attention to current customers*

It is more fun to get new customers, but it is more practical in a downturn to provide more value and get more in return from your current customers. When customers make decisions in a downturn, they are more likely to go with a more trusted source. If they are more likely to go with you, then you want to make it easier and more obvious to them to stay with you. Care for them and they will be even more likely to stick with you when the going gets tough.

2.3.3.7.2 *Outsmart your competitors*

You have an opportunity to win market share from your competitors in a downturn. If you pay close attention to what is happening in your target markets and how customers are reacting to the recession, you can act early and often with changes in product, price and positioning.

2.3.3.7.3 *Spend smarter*

You may spend less on marketing. Not because marketing should be cut first or most, but rather because a company may cut budgets across the board. In fact, by showing how you intend to spend smarter you will make it easier to fight for your resources. Spend smarter means creating a clear-cut justification for the investment. While you will not always be able to measure ROI, it is marketing after all where you can have your people create a compelling business case for each investment. Then, when it comes to justify the investment you will have established sound business reasoning behind it. And that is what a chief executive officer and chief financial officer need to see in a recession.

2.3.3.7.4 Invest in growing market segments

In every downturn there are market segments that grow faster than others. It is a marketer job to help the company see and understand these market segments and determine if they can quickly win business in these fast-growing market segments. Those may segments you are already selling to but not particularly focussed on, or they may represent new segments, new opportunities for your company. At the same time, a company wants to reduce its investments in the segments that will get hit the most in the downturn.

2.3.3.8 Lim's strategies

Walter Lim (2008) issues the following 11 useful tips on what companies should do in a recession:

2.3.3.8.1 Focus on core value and business proposition of your brand

In uncertain times, consumers will want to stick to something which they are familiar with. For retailers like Checkers, more emphasis will be placed on price as opposed to service.

2.3.3.8.2 Consider the other concerns

For the Petrochemical Industry, growing environmental consciousness and worry about side effects (carbon emissions) have rise to more emphasis on the environmental protection and safety. The top three drivers for them would be value, safety and the environment.

2.3.3.8.3 Move from big bold ideas to smaller and more granular ones

In a downturn, consumers will be tighter in the mind and the wallet. As such suppliers (FMCGs, ABI, and SAB Miller) need to embrace a street view rather than a world view.

2.3.3.8.4 Look for new markets of growth and capitalize on them

An example cited was the beauty market for men, something which L'Oreal is pursuing aggressively, small though that market may be.

2.3.3.8.5 Product portfolios would also need to be changed

This would include the corresponding advertising and branding investment. The cash cows and stars may need to be realigned as consumers cut their expenses.

2.3.3.8.6 For retailers, tighter category management is key

This means that one needs to dissect further what one's customers want in times like this rather than rely on historical information. In fact, getting a snapshot of the future becomes more crucial than what took place in the past.

2.3.3.8.7 Expand your brand intended use.

For example, A1 steak sauce moved into offering itself as a condiment for hamburgers instead of pricey steaks during the last crisis.

2.3.3.8.8 Work on bundling with complementary products and services.

For example, laptops, hand phones and telcos could work well together on an integrated campaign.

2.3.3.8.9 Agencies must also get into the act together with their clients.

In fact, they should to work together like supply chain partners rather than a vendor-vendee relationship. Both parties should work in lockstep, possibly on a week by week or month by month basis. To make this succeed, information should be freely shared both ways.

2.3.3.8.10 Customer analytics gains primary importance.

This means that you need to know what your customers are telling you on a regular basis, i.e. their purchase patterns, attitudes towards service, and so on. Companies should spend more on consumer research because a recession is not the time for reckless risk taking.

2.3.3.8.11 Make sure you have the right folks for the job.

As much as possible, get everybody in the team to think lean. Extravagance becomes a luxury, and one cannot simply splash advertisements ad infinitum like there is no tomorrow.

2.3.3.9 Barson's Strategies

Donna C. Barson marketing matters says that consumers will still use personal care products, even in bad economic times. No one has found evidence that people are stopping their use of moisturisers, cream, toothpaste, deodorant, etc. no matter how bad things get. Growth in the category might slow, but no substantial declines are being forecast.

2.3.3.9.1 Examine who you are marketing to

Are you still going after primarily younger consumers? That group might be squeezed the most in these recessionary times. Market to boomers even if others are not doing it. It is also important to know when not to try such a strategy. If you have spent the last decade building an identity as being appealing to the younger crowd, it would not make much sense to suddenly abandon that image and try to market to boomers.

2.3.3.9.2 Know your market

Conduct a comprehensive marketing and sales audit. Who is buying your product and why? Use an outside firm if possible to conduct this audit. This way, you ensure an unbiased view of your marketing and sales situation.

2.3.3.9.3 Make your product stand out

During the recession, one way of doing this is through price. However, a smarter way of making your product stand out is by offering value. Examine your product from all angles. Can it be repackaged to offer better value? Is there a service you can provide that will make people choose you over a competition? If everybody is cutting back on promotions, this might be the perfect opportunity to offer a promotion of your own.

2.3.3.9.4 Focus on benefits and value

All marketing does not have to be expensive. Try inexpensive marketing, such as press releases or through your website. Also, you can set up a blog for a certain product or group of products. You can have customers opt-in for e-mails and then communicate with them regularly

2.3.3.10 Sampson's Strategies

According to Brent Sampson (2009) an American Salesman, throughout this economic downturn, experts are suggesting that now is the time to increase marketing and advertising spending because it is likely your competitors are pulling back. Fortunately, there are ways to increase your marketing efforts and improve client acquisition techniques without increasing spending. Here are seven marketing tricks you can adopt immediately to boost your business slow times.

2.3.3.10.1 Start a blog

Blogging is time consuming and takes commitment. But it is also one of the least expensive methods for establishing a professional "presence" on the

Internet. The good news is once you have a blog and it begins receiving a growing number of visitors, you have a “home base” with which you can leverage additional Internet marketing tactics, such as Twitter, Facebook, etc

2.3.3.10.2 Participate in other blogs

Once you have a blog and a “voice” of your own, share your opinions in the “comments” section of relevant blogs. By reading other blogs pertinent to your industry or topic, you become more knowledgeable, and by sharing your knowledge or insights with other visitors, you further establish your own expertise.

2.3.3.10.3 Enhance your business website with links to industry blogs

Once potential customers start viewing your website as a hub from which they can get information, they are much more likely to revisit your site often. That kind of loyalty and trust is often punctuated with purchase.

2.3.3.10.4 Write and publish a book

As a business person in your industry, you possess the knowledge and experience to write and publish a non-fiction book that is relevant to your past, present and future customers. For example, a book in its simplest form is basically a rewrite of your business model combined with rewrite of your product or service manual. A published book further establishes your expertise to new customers and provides a low-cost entry to your business. Potential customers who may shy away from your product or service’s price point will be apt to purchase a book from you. It becomes the book’s responsibility to communicate all the advantages/ benefits of your product or service.

2.3.3.10.5 Offer your book free to potential clients as an e-book

Give your book away for free; all you ask in return is their e-mail address. They get something of value in exchange for adding to your e-mail database. With their permission, you can provide them with additional information and assistance via e-mail, once a month, or at whatever duration you think is best. If they find your correspondence valuable, you are much closer to adding a new customer to your business.

2.3.3.10.6 Engage in pay-per-click advertising

Once you have a blog, a paperback and a free e-book available on your website, you are prepared to successfully engage in high ROI (return on investment) pay-per-click internet advertising through Google and Yahoo. Services like Google Analytics will help you identify your cost-per-lead, and your own business model should help you identify an acceptable cost-per-lead. If your actual cost-per-lead is lower than your acceptable cost-per-lead, you have a successful marketing campaign.

2.3.3.10.7 Create “micro-sites” and “landing pages”

The next step is to categorise your pay-per-click campaign into separate and specific categories. Then, make sure people who click on specific keyword ads are arriving upon specific micro-sites or “landing pages” designed around those keywords. Even though your business may cater for both mothers and fathers, women and men search for information on internet differently. When you advertise to them differently, and then treat them uniquely once they reach your site, they will each feel a personal connection with your business because you are treating them like an individual, rather than a wallet. By treating each potential client or customer as a unique individual and by liberally sharing a wealth of information with each of them, you begin to establish your own expertise while gaining their trust and loyalty. People buy from experts who they have reason to trust.

2.6. CONCLUSION

It has been shown that a company's marketing environment consists of the actors and forces outside marketing that affect marketing management's ability to build and maintain successful relationships with target customers. Recession was described as a phenomenon of decreasing demand for raw materials, products, and services. It has been detailed that recession requires marketing managers to modify their marketing strategy and action in order to stay both profitable and consumer responsive. This generally means adapting the marketing mix and/ or changing the target markets. Marketing strategy has been defined as the marketing logic by which the company hopes to create value to customer and achieve profitable relationships. It therefore specifies a target market and a related marketing mix

Faced with an economy in recession, most businesses make adjustments to their cost lines to compensate for dwindling revenue. And that is what any savvy, competitive businessperson should do. Unfortunately, one of the items that typically get cut first is advertising spending. Despite tons of literature and actual business experience to the contrary, most business see advertising as a cost, not a revenue generator.

The fact is consumers do not stop shopping altogether during tough economic times; they just shop more judiciously. Those who advertise in difficult times take advantage of their competitors who reduce or eliminate their advertising altogether since their brands, products or services will have greater presence in the minds of consumers, and the emotional ties between the consumer and the brand will have strengthened.

CHAPTER 3

RESEARCH METHODOLOGY AND RESULTS

3.1 INTRODUCTION

This chapter outlines the second stage of this study. Literature review was significant for the development of the measuring questionnaire utilised in the study. Perreault and McCarthy (2002:226) define a situational analysis as an informal study of what information is already available in the problem area. It can help define the problem and specify what additional information, if any, is needed. To investigate middle-level managers' entrepreneurial behaviour as a core feature of successful corporate entrepreneurship, the study integrates and expands preceding theoretical and existing empirical research within the corporation.

This chapter presents the methodology implemented to gather data and the analysis of the data collected during the empirical research in a quantitative method adopted for this study.

3.2 RESEARCH METHODOLOGY

Survey research involves gathering primary data by asking people questions about their knowledge, attitudes, preferences, and buying behaviour. (Kotler, & Armstrong, 2010:134). Since the objective is to gain primary information and analyse marketing respondents implications they attach to economic recession and their resultant adjustments that they make in their strategies in response to downturn, a survey research method is used as it better suited.

3.2.1 Empirical Research

The aim of the empirical research is to gain primary information by analysing respondents' meaning and/ or implication they attach to economic recession, the impact that this downturn period has on their decision making process and the resultant adjustments that they have to make in their strategies in response to this phenomenon.

Empirical data was gathered by distributing questionnaires to the top, middle and lower management staff of the various organisations involved in the marketing business. Prior to the distribution of questionnaires, respondents were assured of their anonymity and confidentiality of their responses.

3.2.2 Measuring instrument

The questionnaire was specifically developed to measure management perception of and response to economic recession by measuring:

- (1) their understanding of the meaning and/ or implication of the economic recession,
- (2) the impact of this recession on marketing decisions, and
- (3) the resultant adjustments in marketing strategy and action.

The questions were divided into two sections as outlined below.

Section A of the questionnaire identified the effects and strategic alternatives available that can be applied to minimise the effect of an economic downturn. The questionnaire on some questions uses a five-point Likert scale as measurement scale and managers have to indicate the extent of agreement or disagreement with a specific statement.

Section B was designed to gather demographic information of the respondents. Information required incorporated management level and

highest academic qualification. Also, included were the industry sector in the manager applied their skill

3.2.3 Study population

The target population of this research consisted of all top, middle and lower managers within the South African boundaries, in the marketing divisions of various companies where members were prepared to participate in the study. No representative sample or population was obtained by non-probability sampling methods.

3.2.4 Data gathering method

The data gathering method for this research was through e-mail. Follow-up telephonic communications were conducted to make sure that the maximum number of respondents was achieved for the purpose of this study. Subsequent to the completion of questionnaires, the respondents were requested to send their responses back to the researcher. All questionnaires received were populated into a database and analysed.

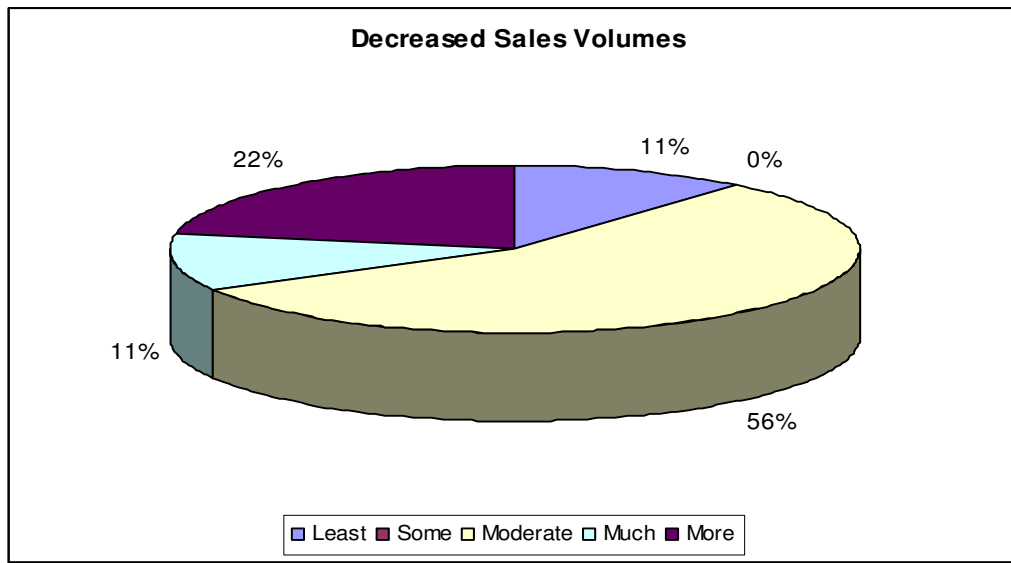
TABLE 3.1: RESPONSES TO SURVEY

	Frequency	Percentage
Number of Questionnaires Distributed	10	100
Number of Questionnaires Returned	9	90
Number of Questionnaires Discarded	0	0
Number of Questionnaires Analysed	9	90

3.3 RESULTS

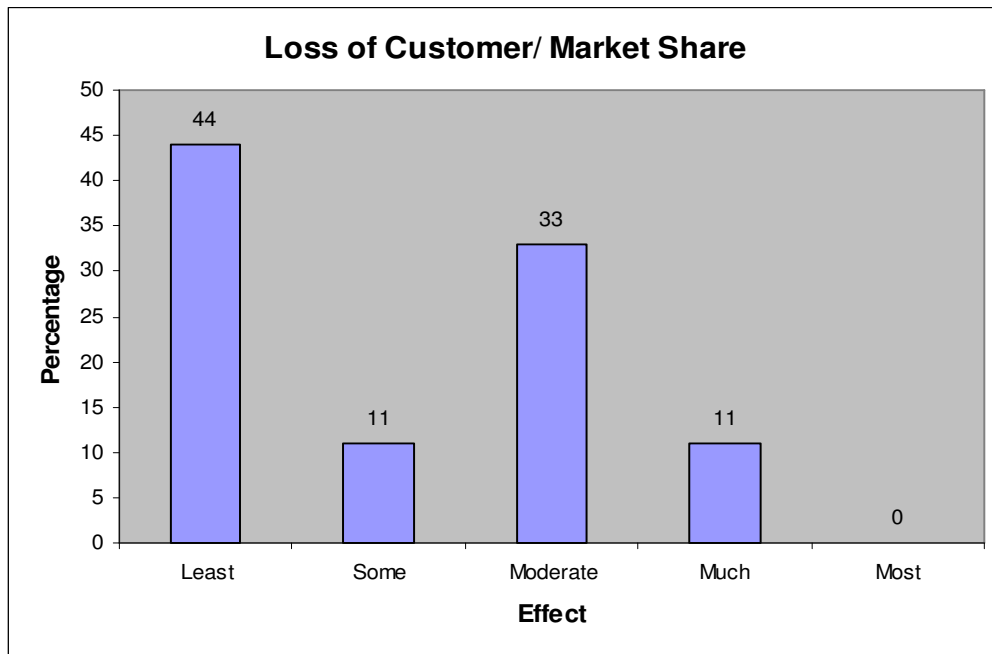
3.3.1 Section A

FIGURE 3.1: DECREASED SALES VOLUMES



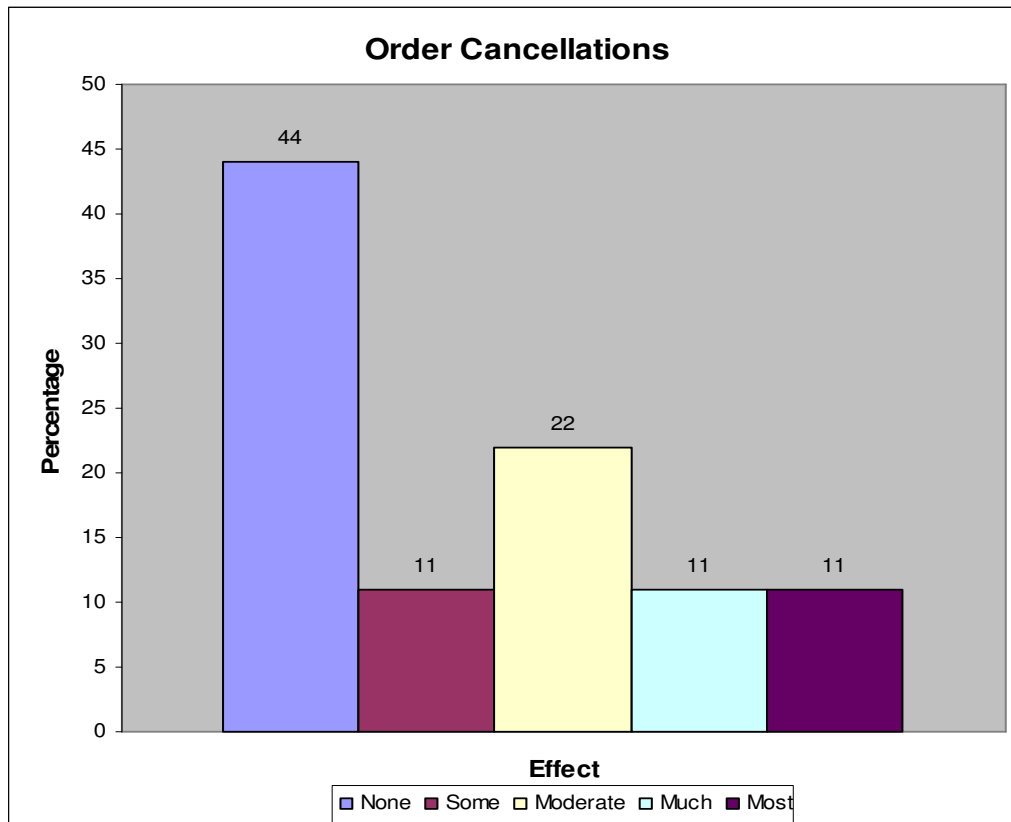
A total of 56% of the respondents reported a moderate loss of sales volumes, 11% reported some loss of sales and another 11% of the respondents reported much loss of sales, whilst 22% reported more sales volume loss.

FIGURE 3.2: LOSS OF CUSTOMER/MARKET SHARE



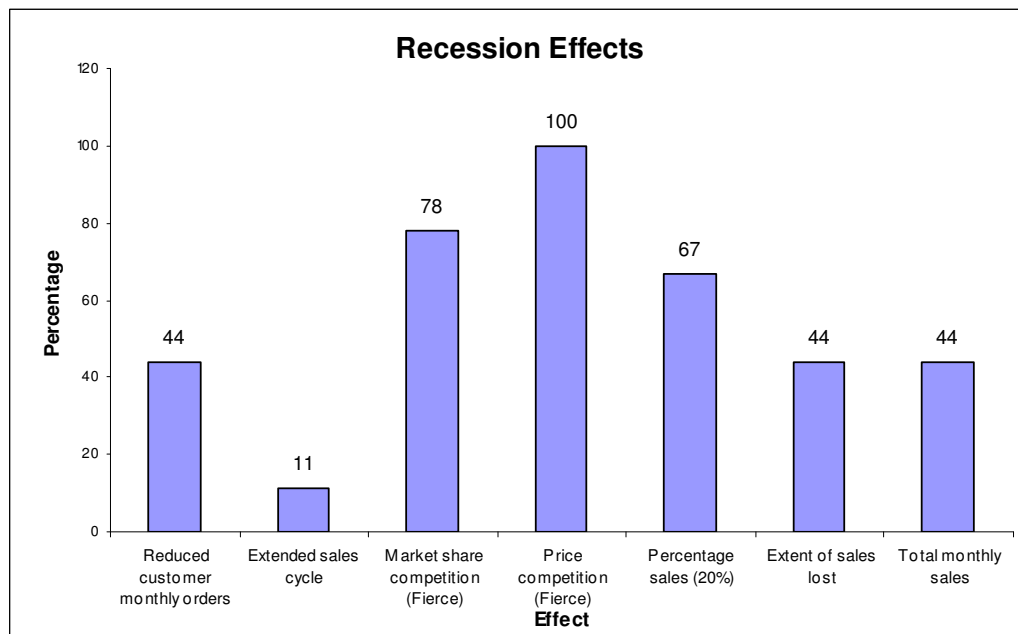
Some 44% of the interviewed respondents reported least loss of customer base or market share. 11% reported some loss of customer base and another 11% of the respondents reported much loss of market share, whilst 33% reported moderate market share loss and none lost most or total market share.

FIGURE 3.3: ORDER CANCELLATIONS



A total of 44% of the interviewees reported that no incidences of order cancellations were experienced due to the recession, whilst 22% reported a moderate order cancellations mainly due to slow stock movement. 11% reported some cancellations, another 11% much incidence and another 11% most cancellations were reported.

FIGURE 3.4: RECESSION EFFECTS

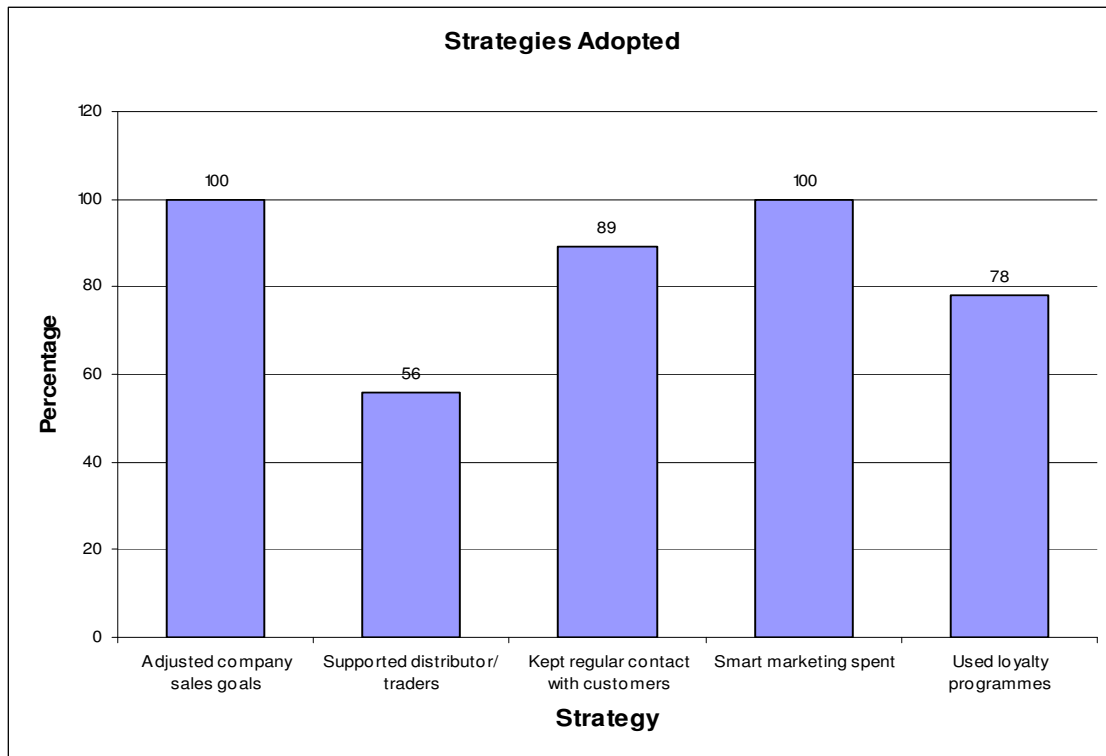


Only 44% of the respondents' companies lost the least number of customers or market share, whilst 33% lost a moderate market share. In as far as the exodus of skilled personnel, 56% of the respondent companies retained their people, whilst 22% lost some skills in the process. Only 11% of the respondents reported order cancellations. All 100% of the respondents reported to have been faced with the challenge of fierce price competition.

The reduced order load and extended order cycle effects, each scored 44%, as the most important impact on the sales and marketing divisions. When asked to quantify the extent of negative effects of the recession, 67% of the respondents reported a 20% of sales loss, whilst 33% reported a 40% loss.

Some 56% of the respondents reported that they had experienced a moderate loss of sales, whilst only 22% experienced a severe decrease in sales.

FIGURE 3.5: STRATEGIES ADOPTED



All of the representatives interviewed reported that their companies had adjusted their sales volumes down in response to the phenomenon. 56% devoted their efforts to supporting their distributors, 89% reported that it was good to keep regular contact with customer.

100% of the respondent reported to have improvised on their marketing spent and used their website and e-mails to keep their customer of their product offerings. In their endeavours to keep the customer base and market share, loyal customers were rewarded, and 78% of respondents claim to have used this strategy.

In their efforts to minimise the effects of the downturn and reduce costs, companies only 22% retrenched staff, whilst 88% experimented with new work systems such new items in the product range, shorter work week and new shifty system.

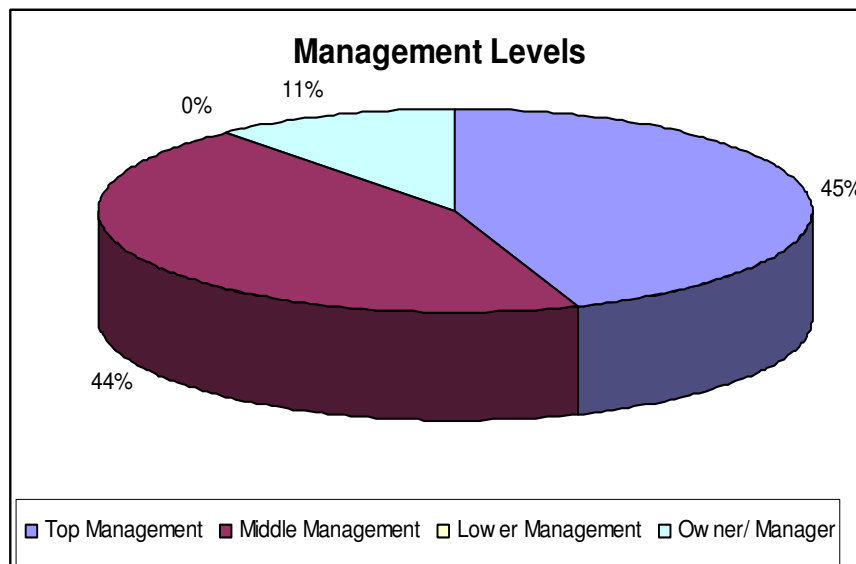
3.3.2 Section B

TABLE 3.2: QUALIFICATIONS

	Frequency	Percentage
Grade 12 and below	0	0
National Diploma	3	33
3 year Degree	4	44
Post Graduate	2	22

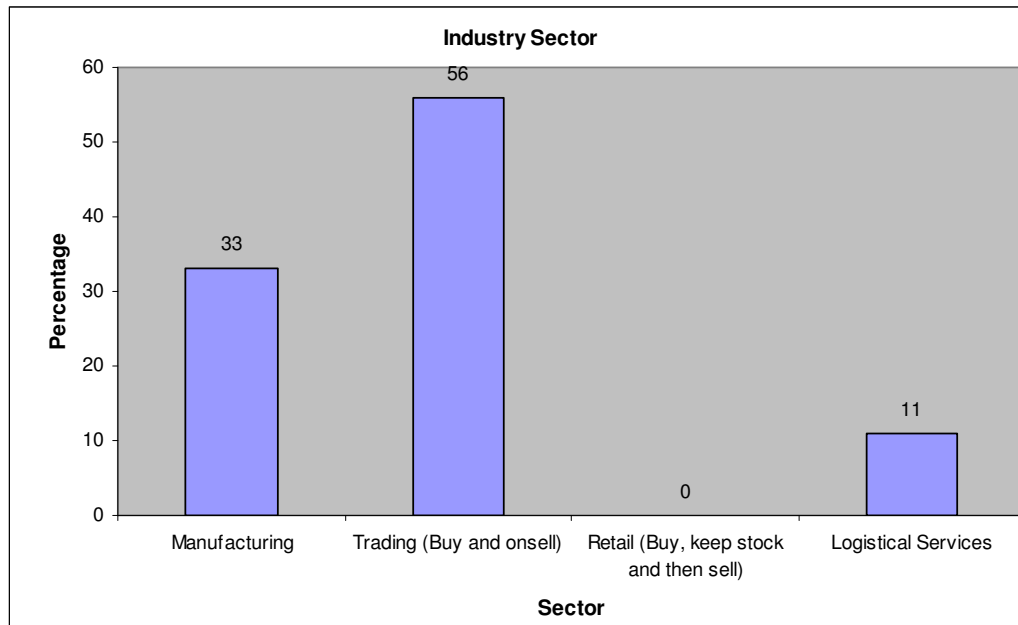
33 percent of the people interviewed are national diplomats, whilst 44 percent posses a 3-year degree and 22 percent hold post graduate degrees.

FIGURE 3.6: MANAGEMENT LEVELS



Some 45 percent of respondents are in top management level, i.e. director level. 44% are in the middle management level, whilst 11% are owner/managers of the business they are running.

FIGURE 3.7: INDUSTRY SECTOR



The survey was meant to elicit responses from the various economic sectors hence the spread. 56 percent of the respondents are from the trading sector, 33% from manufacturing and 11% from the logistical services.

3.4 SUMMARY

The empirical research done on this study was of a quantitative nature. A survey questionnaire was used in an attempt to measure management perception of and response to economic recession by measuring (1) their understanding of the meaning and/ or implication of the economic recession, (2) the impact of this recession on marketing decisions, and (3) the resultant adjustments in marketing strategy and action. These were defined in the literature study done in chapter 2.

The sample size for the study consisted of the complete study population, although no representative sampling method was used. 9 of the 10 distributed questionnaires were returned, and all the returned questionnaires were analysed.

From the results of the analysis and results above, it can be concluded that the interviewed respondents understands the concept of economic downturn, its effects on their operations and the resultant adjustments required to keep organisations going. This is evidenced by the findings that 100% adjusted their sales volumes down, 56% devoted their efforts to supporting their distributors, 89% kept regular contact with customer, whilst 100% improvised on their marketing spent and used their website and e-mails to keep their customer of their product offerings. In their endeavours to keep the customer base and market share, loyal customers were rewarded, and 78% of respondents claim to have used this strategy.

CHAPTER 4

CONCLUSIONS AND RECOMMENDATIONS

4.1 INTRODUCTION

The economic environment is affected by the way all of the parts of a macro-economic system interact. This then affects such things as national income, economic growth, and inflation. Even a well planned marketing strategy may fail if a country or region goes through a rapid business decline. As consumers' income drops, they must shift their spending patterns. They may have to simply do without some products. By carefully studying the environment, marketers can adapt their strategies to meet market place challenges and opportunities (Kotler & Armstrong, 2010:90).

It has been shown that a company's marketing environment consists of the actors and forces outside marketing that affect marketing management's ability to build and maintain successful relationships with target customers. Recession was described as a phenomenon of decreasing demand for raw materials, products, and services. It has been detailed that recession requires marketing managers to modify their marketing strategy and action in order to stay both profitable and consumer responsive. This generally means adapting the marketing mix and/ or changing the target markets. Marketing strategy has been defined as the marketing logic by which the company hopes to create value to customer and achieve profitable relationships. It therefore specifies a target market and a related marketing mix

Faced with an economy in recession, most businesses make adjustments to their cost lines to compensate for dwindling revenue. And that is what any savvy, competitive businessperson should do. Unfortunately, one of the items that typically get cut first is advertising spending. Despite tons of literature and

actual business experience to the contrary, most business see advertising as a cost, not a revenue generator.

The fact is consumers do not stop shopping altogether during tough economic times; they just shop more judiciously. Those who advertise in difficult times take advantage of their competitors who reduce or eliminate their advertising altogether since their brands, products or services should have greater presence in the minds of consumers, and the emotional ties between the consumer and the brand should have strengthened.

4.2 CONCLUSIONS

4.2.1 Conclusions from the literature research

During 2008 the South African real GDP growth slowed to 3% as the country entered recession; unemployment rate increased very slightly to 23.6% in the second quarter from 23.5% in the first quarter of 2009 due to 267 000 jobs that were lost during the quarter; price adjusted retail sales decreased in June by an annual 6.7% following a 4.4% drop in May; manufacturing production fell by an annual 17.2% contraction in May whilst the industry still appeared to be in the throes of an inventory stockpiles rundown; the year-on-year inflation rate as measured by CPIX peaked at 13.6% in August 2008 and then declined continuously to 10.3% in December, whilst the year-on-year CPI inflation rate was 8.1% in January 2009. These foregoing show how severe the recession has been (Moore, Johnson & Micheal, 2009:416).

No two business cycles are duplicates, but they do have similar characteristics. Hence the effects of any economic downturn are similar with the difference being the length of recession. In order to make their disposable income go further, consumers adopt one of the three tactics: they curtail purchasing in a category altogether by eliminating “nice-to-haves”; they may defer or decrease their purchasing of high-ticket items such as cars and

appliances; or they may trade down to a less expensive brands by purchasing more of generic brands perceived as to be less expensive.

The underlying problem for the successful survival of contemporary business in the today's business world is the fact that the environment usually changes more quickly than the business is able to. When an economic cycle has entered into a recessionary phase, this does have a negative impact on the business in the form of, for example: (1) consumers tightening their purse strings and spend their money just on essential items; (2) competition getting fiercer as there will now be many competitors fighting over a smaller pie; (3) expenses will go up along with sales coming under pressure; (4) the downside of this economic fluctuation is that business will become unpredictable; (5) since there will be a liquidity crunch in the monetary markets, companies could have a tough time qualifying for a loan as lenders' qualifying standards go invariably higher.

4.2.2 Conclusions from the empirical research

From the empirical research conducted it can be concluded that more than half of the respondents were affected by the economic downturn and have moderately lost sales volumes, except that business became slow due to slow de-stocking as a consequence of curtailed purchases.

About half of the interviewed respondents reported loss of market share and the same number lost id not experience order cancellations. This can be ascribed to the efforts put on place in as far as assisting the distributors to keep the business going, keeping good regular customer contact and the loyalty programmes that had been embarked on. Although 22 percent of the respondents reported slow stock movement as the main reason for some order cancellations that resulted in longer order cycles.

More than half of company representatives from the various industries interviewed, did not experience an exodus of skilled personnel. This could be

ascribed to strategies or programmes that companies have put in place to look well after their members.

Prevalence of price competition has been reported fierce during the recent economic recession as all respondents reported positive to this phenomenon. This lead to companies adjusting their sales volumes and improvisation in marketing spent that resulted in the most use of company websites and e-mail marketing to keep customer informed of the product or service offerings available.

4.3 RECOMMENDATIONS

4.3.1 Recommendations from the literature research

Adjustment of pricing tactics and sales goals sales is required since goals made when check books were open may no longer be suitable during a recession. It may also make sense to change the basis for pricing to that based on value. Also, the basis for customer value can shift when economic climate changes. When times are good, customers often place a premium on your maintaining production capacity to ensure timely delivery of their orders; otherwise, their sales suffer. But, in a recession, logistical services may be more valuable.

Since customers will be shopping around for the best deals. One does not necessarily have to cut list prices, but one may need to offer more temporary price promotions, reduce thresholds for quantity discounts, extend credit to long-standing customers, and price smaller pack sizes more aggressively. By lowering costs one will establish a cost advantage: economies of scale, low cost input and low overheads are the three big focus areas. Differentiate and charge a premium. If your product is the low-price leader, then aggressively emphasise your penetration pricing, as low price is a very relevant recession.

Losing a customer during a recession represents a double whammy: It drains customer equity and raises the cost of acquiring a replacement. Keeping best customers happy by bolstering loyalty programmes or providing additional services will not augment the value of the offering, but it will also make it more difficult for those customers to switch to another provider.

How one manages and develop your existing client relationship will determine their fate in the recession ahead and their retention by one beyond the recession. In these turbulent times, opportunities to strengthen and solidify client relationships are boundless. This is really the time to master them, gain confidence and become the trusted partner and coach one need to be there for your clients. Staying in regular contact shows your clients that one is there for them and that one cares, and while one may not have a crystal ball, one is not afraid to weather this storm by their side. This puts an emphasis on the client relationship, which is part of the perceived value clients are after. When the good times are back, and they will be, your clients will be much more loyal if one has supported them through these tough uncertain times by lending an ear, some insight and your perspective on the situation by being proactive and contacting them.

Marketers must reforecast demand for each item in their product lines as consumers' trade down to models that stress good value, such as cars with fewer options. Tough times favour multi-purpose goods over specialised products, and weaker items in product lines should be pruned. In grocery-products categories, good-quality own-brands gain at the expense of national brands. Industrial customers prefer to see products and services unbundled and priced separately.

In uncertain times, consumers will want to stick to something which they are familiar with. During the recession a smarter way of making a product to stand out is by offering value. If everybody is cutting back on promotions, this might be the perfect opportunity to offer a promotion of your own. In uncertain times, no company wants to tie up working capital in excess inventories. Early-buy allowances, extended financing and generous return policies motivate

distributors to stock your full product line. However, now may be the time to drop your weaker distributors and upgrade sales force by recruiting those sacked by other companies. Also, forging collaborative synergies with related industry partners must be thought about.

Calling on your most valuable and loyal existing customers has superior results versus finding new ones. They are also the easiest to cross-sell and up-sell to, and give one free word-of-mouth referrals. When one sees a strategic client do not just pop-in, instead be a management consultant and enthusiastically assist them with their business.

Uncertain consumers need the reassurance of known brands, and more consumers at home watching television can deliver higher than expected audiences at lower cost per thousand impressions. This is the perfect time to negotiate favourable advertising rates and lock them in for several years. If one has to cut marketing spending, try to maintain the frequency of advertisements by shifting from 30-second to 15-second advertisements, substituting radio for television advertising, or increasing the use of direct marketing, which gives more immediate sales impact. With advertising revenues down, local newspapers and cable television stations may be willing to negotiate prices.

More consumers are using the internet to research product and service information. Update your website to reflect your products and offer testimonials. Use social media tools to your services. Post information about your company and services on a blog, twitter, or facebook. In times like these one has to make every move count. Becoming targeted is focusing on your niche and your target client type, offering them exactly what they need by communicating the benefits of your service and the outcomes they will experience by engaging with one clearly.

4.3.2 Recommendations from the empirical research

Since 100 percent of the interviewed reported to have adjusted their sales volumes down in response to the phenomenon. 56 percent had devoted their efforts to supporting their distributors, and 89 percent reported that it was good to keep regular contact with customer. This is evidence enough that in the face of adverse economic times companies adjust their sales targets, keep in touch with regular customers and representatives must start thinking of forging collaborative synergies with related industry partners must be thought about

All of the respondent reported to have improvised on their marketing spent and used their website and e-mails to keep their customer aware of their product and/ or service offerings. In their endeavours to keep the customer base and market share, loyal customers were rewarded, and 78% of respondents claim to have used this strategy. Since more consumers use or have access to the internet to research product and service information. Regular updating of company website to reflect products and offer testimonials is necessary. Becoming targeted is focusing on your niche and your target client type, offering them exactly what they need by communicating the benefits of your service and the outcomes they will experience by engaging with one clearly.

Companies in their efforts to minimise the effects of the downturn and reduce costs, only 22 percent of the sample reported to have retrenched staff, whilst 88 percent experimented with new work systems such new items in the product range, shorter work week and new shifty system. These innovative mechanisms aid companies to save costs whilst maintaining the same level of quality product and services.

4.4 AREAS FOR FURTHER RESEARCH

Strategic marketing management entails the decisions of the marketing department with a view to long-term growth and survival in a competitive environment. Strategic marketing is a continuous process that mainly, but not exclusively, takes place at top management level (Cant et al., 2006:27).

The underlying problem for the successful survival of contemporary business in the western world is the fact that the environment usually changes more quickly than the business is able to. Hence the study of the marketing environment mainly revolves around change in the environment. (Cant et al. 2006:34).

The market environment entails an interaction between a business and its suppliers, consumers and competitors with alternative offerings. The interaction can result in opportunities or threats to a business, and marketing management must be aware of trends in the market environment so that management can utilise opportunities and avoid threats in good time. (Cant et al. 2006:46).

Since no two business cycles are duplicates, but they may resemble similar characteristics. This then makes the effects of any economic downturn similar with the difference being the length of recession.

In the light of the foregoing, one needs to understand if the economic downturn affects the short, medium or long term part or stage of the strategy making process. This will enable marketers to make the necessary provision when putting up a contingency strategy and making resources available.

4.5 SUMMARY

Recession was defined as a period of significant decline in total output, income, employment and trade, which usually lasts from 6 months to a year and is marked by widespread contraction of many sectors in the economy.

South Africa was shown not be an exception to the slump in demand that occurred globally as a result of the global financial crisis. This crisis has led to a collapse in commodity prices which in turn has led to a slowdown in earnings by commodity exporting sectors. As reported by the South African National Treasury the South African economic growth was said to have slowed down to 3.1% in 2008 after an impressive growth rate of 5.5% for the previous four years

The purpose of the study was identified to be the determination of managements' perception of and response to economic recession by measuring the meaning of the economic recession, the impact of this recession on marketing decisions, and the resultant adjustments in marketing strategy and action.

Data was gathered using the secondary data collection method through literature review and the primary data collection method through empirical research. Selection error was identified as the main problem that would be encountered since there will not be a representative sample or population that will be obtained by non-probability sampling methods.

It had been shown that a company's marketing environment consists of the actors and forces outside marketing that affect marketing management's ability to build and maintain successful relationships with target customers. Recession was described as a phenomenon of decreasing demand for raw materials, products, and services. It has been detailed that recession requires marketing managers to modify their marketing strategy and action in order to stay both profitable and consumer responsive. This meant adapting the marketing mix and/ or changing the target markets. Marketing strategy has

been defined as the marketing logic by which the company hopes to create value to customer and achieve profitable relationships. It therefore specifies a target market and a related marketing mix

Faced with an economy in recession, most businesses make adjustments to their cost lines to compensate for dwindling revenue. And that is what any savvy, competitive businessperson should do. Unfortunately, one of the items that typically get cut first is advertising spending. Despite tons of literature and actual business experience to the contrary, most business see advertising as a cost, not a revenue generator.

The reality is that consumers do not stop shopping altogether during tough economic times; they just shop more judiciously. Those who advertise in difficult times take advantage of their competitors who reduce or eliminate their advertising altogether since their brands, products or services will have greater presence in the minds of consumers, and the emotional ties between the consumer and the brand will have strengthened.

The empirical research done on this study was of a quantitative nature. These were defined in the literature study done in chapter 2.

The sample size for the study consisted of the complete study population, although no representative sampling method was used. A total of 9 of the 10 distributed questionnaires were returned, and all the returned questionnaires were analysed.

From the results of the analysis and results above, it can be concluded that the interviewed respondents understands the concept of economic downturn, its effects on their operations and the resultant adjustments required to keep organisations going. This is evidenced by the findings that 100% adjusted their sales volumes down, 56% devoted their efforts to supporting their distributors, 89% kept regular contact with customer, whilst 100% improvised on their marketing spent and used their website and e-mails to keep their customer of their product offerings. In their endeavours to keep the customer

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APPENDIX 1: QUESTIONNAIRE

ECONOMIC DOWNTURN QUESTIONNAIRE

CONFIDENTIAL

Note: All responses are confidential and neither the individual nor the organisation would be identified in any report or release.

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SECTION A: ECONOMIC RECESSION EFFECTS AND MARKETING STRATEGIES

1. On the scale of 1 – 5, how would you rate your company against the following effects of an economic recession? Where: 1 denotes the least effect. (Please highlight the applicable block in yellow)

Decreased sales volumes	1	2	3	4	5
Lost customer base/ market share	1	2	3	4	5
Exodus (Resignation) of skilled personnel	1	2	3	4	5
Order cancellations	1	2	3	4	5

2. What have been the most important impacts on marketing or sales division due to the crisis?

- (a) Reduced customer orders per month
- (b) New customers per month
- (c) Long sales cycle (e.g. 10 weeks order cycles against usual 4 weeks)
- (d) Reduced total monthly sales

3. How would you quantify the negative effects of the recent recession on the sales of your company?

- (a) 20%
- (b) 40%
- (c) 60%
- (d) 80%

4. In response to the crisis, which of the following did your organisation implemented to protect it from the adverse effects of the recession?

- (a) Retrenched staff
- (b) Worked a shorter week
- (c) Trialled experimental systems (new products, shift system, etc)
- (d) Sold divisions that were not core of the business operations

5. How was price competition like during the downturn?

- (a) Low
- (b) Moderate
- (c) Non existent
- (d) Fierce

6. On the scale of 1 – 5, which strategies did your company use to minimise the effects of an economic recession? Where 1 denotes the least used (Please highlight the applicable block in yellow)

Adjusted company sales goals	1	2	3	4	5
Pampering loyal customers	1	2	3	4	5
Supporting distributors/ traders	1	2	3	4	5
Staying in regular contact with customers	1	2	3	4	5
Smart Spending (marketing efforts)	1	2	3	4	5

SECTION B: BACKGROUND INFORMATION

The following information is needed to help with the statistical analysis of data for comparisons among different interest groups. All your responses will be treated confidentially. Your assistance in providing this important information is appreciated. Please mark the applicable block in with an (X).

Please indicate your highest qualifications	
Grade 12 and below	
National Diploma	
3 year Degree	
Post graduate qualification	

Please indicate your management level	
Top Management	
Middle Management	
Lower Management	
Other: (Specify):	

Please indicate your functional department	
Operations	
Sales and Marketing	
Finance	
Human Resources	
Procurement	
Logistics	
Engineering/ Technical	

Please indicate your company role in the industry	
Manufacturing	
Trading (Buy and on sell)	
Retail (Buy, keep stock and sell off the stock)	
Logistical services	

**THANK YOU VERY MUCH FOR YOUR
VALUED INPUT.**