

# Selling in a Tight Economy

When the Going Gets Tough  
the Tough Advertise



The Leadership Institute

*Lighting the Way*

*"Inspiring Dreams, Realizing Potential"*



THE SKY IS  
FALLING, THE  
SKY IS  
FALLING!



We're all  
**DOOMED!**

**DOOMED!**

**DOOMED!**

*Complete collapse of life as we know it is imminent...*

**but first, a word from our sponsor**



# Selling in a Tight Economy

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## Bad News Sells

- ✓ The Media knows that people will keep tuning in to follow a crisis.
- ✓ If a crisis doesn't exist they will create one.
- ✓ In the 1990's, coverage of murders on evening network news tripled.
- ✓ Most people believed murder rates were increasing.
- ✓ The murder rate actually decreased dramatically.
- ✓ It is human nature to focus on problems.

WE ALL LOVE  
A GOOD  
CRISIS



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## Being Realistic

- ✓ The Media may blow things out of proportion
- ✓ This does not mean, the economy is not in trouble
- ✓ It means that things are not as bad as they seem
- ✓ Unfortunately when you sell advertising...

# Perception is Reality

REALITY  
CHECK



# Selling in a Tight Economy

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## Putting things in perspective

- ✓ Our job is to change the customer's perception
- ✓ To show them that things are not as bad as they seem
- ✓ To show them that they don't have to be a victim
- ✓ To give them hope!

CHANGE THE  
CUSTOMER'S  
PERCEPTION



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**How bad is it?**



**In spite of the rising cost of Living,  
it is still quite popular!**



# Selling in a Tight Economy

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## Life Goes On

1932 at the height of the great depression:

- *Unemployment reached 24.9%*
- *This means that 75.1% of people were working*
- *That same year Chevrolet sold 400,000 cars*
- *Some industries actually grew-film, radio etc.*

OH-BLA-DI-  
OH-BLA-DA



# Selling in a Tight Economy

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## Life Goes On

- ✓ Even in the worst times the economy doesn't grind to a halt.
- ✓ It slows down and contracts.
- ✓ There is always money being spent and someone who needs/wants what you are selling.

THE  
ECONOMY  
MOVES IN  
CYCLES





# Selling in a Tight Economy

## What is the “economy”?

The dictionary defines economy as :

*The system or range of economic activity in a country, region, or community.*



- ✓ The economy is the environment we and our businesses live in.
- ✓ The environment is constantly changing, it is cold in the winter, hot in the summer.
- ✓ The economy is constantly changing, it expands and contracts.

THE  
ECONOMY IS  
OUR  
FINANCIAL  
WORLD



# Selling in a Tight Economy

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## Button up your overcoat

Everyone complains about the weather but...

Everyone DOES something about it

When we're cold we put on a sweater, when we're hot we turn on the A/C.

We can't control the weather, but we can adapt to it.

We can't control the economy but we can adapt to it as well.

WE ARE  
ADEPT AT  
ADAPTING



# Selling in a Tight Economy

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**Its' a tough job but somebody has to do it!**

- ✓ **It is our job to learn how to adapt our sales approach to the economy.**
- ✓ **It is our responsibility to teach our customers what they need to do to survive and thrive in the current market**
- ✓ **One difference between the weather and the economy:**

***We can DO something about the economy. A proactive advertising program breaks the cycle and stimulates the economy.***

**THE  
ECONOMY IS  
NOT LIKE A  
SNOW DAY**



# Selling in a Tight Economy

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**What happens when the economy slows down?**

- ✓ **The economy is not about mathematics**
- ✓ **It's about human behavior**
- ✓ **When consumers are anxious, their behavior changes.**
- ✓ **They become cautious and conservative in their spending.**

**AS THE  
ECONOMY  
SLOWS, SO  
DOES  
CONSUMER  
SPENDING**



# Selling in a Tight Economy

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## A case in point

- ✓ Sales in casual dining restaurants have declined.
- ✓ Customers have migrated to fast food restaurants.
- ✓ Some casual restaurants have closed.
- ✓ Other casual restaurants have taken proactive steps to survive.
- ✓ They offer smaller entrées, use more coupons, and emphasize “value.”
- ✓ These restaurants remembered the most important fact of being in business:

**You must always give the consumer what they want and need!**

OFFER VALUE



# Starbucks

## The Barista Strikes Back

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*Once in a suburban strip mall far, far away...*

*an upscale coffee shop struggled against an evil economy to overcome their customer's reluctance to pay ridiculously high prices for coffee and to overcome the perception that their product was a disposable income luxury item that should be sacrificed to save money when times were tight. This is the story how they fought to overcome this challenge and save their dwindling market share and make the universe safe for caffeine.*

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THINK  
OUTSIDE THE  
MOCHA LATTE  
CUP



## Starbucks

### The Barista Strikes Back

Introducing Starbucks  
PIKE PLACE ROAST



Distributed in USA Today

Consider it a  
cup of thanks.

Whether you're a regular Starbucks customer or you've only stopped by once, we'd like to thank you. So we're treating you to our new daily brew.

Bring this card into your neighborhood Starbucks every Wednesday now through May 28, and receive a tall (12 fl oz) cup of Pike Place Roast on us.



# Selling in a Tight Economy

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## In a tight economy

### People...

- *Do not stop buying, they do behave differently*
- *Become more cautious and try to cut back on expenses*
- *Cut back on “Luxury” items. Industries that rely on “disposable income” are particularly vulnerable*
- *Become better shoppers. They become more value-oriented.*
- *React to rising fuel prices by staying closer to home. They factor in energy costs into their buying decisions.*

HELP  
ILLUSTRATE  
THE VALUE IN  
THEIR  
PRODUCT  
THROUGH  
ADVERTISING





# Selling in a Tight Economy

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***“Stopping advertising to save money is like stopping your watch to save time.”***



# Selling in a Tight Economy

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## Advertising in an economic downturn

- When the economy is expanding there are plenty of customers to go around.
- When the economy is tight the pool of customers shrinks, making advertising more important.
- Advertising is one of the engines that keeps the economy moving
- Our job is to inform and motivate consumers. In short we keep the cash flow flowing.

ADVERTISING  
KEEPS THE  
ECONOMY  
MOVING- IT  
MOTIVATES  
CUSTOMERS  
TO PURCHASE



# Selling in a Tight Economy

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**Even if the glass is half empty...  
You can still take a drink!**



# Selling in a Tight Economy

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## Advertising in an economic downturn

- ✓ The key to thriving in tight times is maintaining and growing market share.
- ✓ It is impossible for a business to eliminate its expenses. They will still have to pay the rent, the utilities and wages.
- ✓ They can pursue two strategies: they can dig in and live on their savings and hope things get better or they can take proactive steps to maintain profitability.
- ✓ When shoppers cut back on their spending a business simply needs to grab a bigger share of the market to maintain profitability.
- ✓ To do this they need to do everything they can to entice the customers still in market to do business with them.

**FOCUS ON  
MARKET  
SHARE**



# Selling in a Tight Economy

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## Advertising in an economic downturn

### Historical Examples:

In the 1920's Ford outsold Chevys 10 to 1—  
Chevy continued to advertise and became  
the dominant brand during the depression

Kellogg was #2 behind Post, but emerged as the  
leading cereal company in the US by aggressively  
advertising while Post made cuts.

Proctor & Gamble used advertising to become the  
dominant household product firm through radio & print  
advertising.

ADVERTISING  
IN AN  
ECONOMIC  
DOWNTURN



# Selling in a Tight Economy

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**Advertising in an economic downturn**

**Historical Examples, cont'd:**

**1970's**

**McDonalds heavy marketing in the recession made them dominant**

**1990's**

**Nike tripled its marketing—Advertising “Just Do It!”**

**Taco Bell used advertising to take market share from McDonalds**

**JUST DO IT!**



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## Advertising in an economic downturn

### PIMS-Profit Impact of Marketing Study

Started by GE in the 1960's and taken over by Harvard Business School in the 70's

According to a 1998 PIMS Study:

*Businesses that increased their marketing expenditures in the last recession achieved an average return on capital employed of 43%.*

ACCORDING  
TO PIMS



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## Advertising in an economic downturn

### PIMS-Profit Impact of Marketing Study

According to a 1998 PIMS Study, cont'd....:

**Businesses that maintained their marketing expenditures in the last recession achieved an average return on capital employed of 0.6%**

**Businesses that decreased their marketing expenditures in the last recession achieved an average return on capital employed of -0.8%**

ACCORDING  
TO PIMS



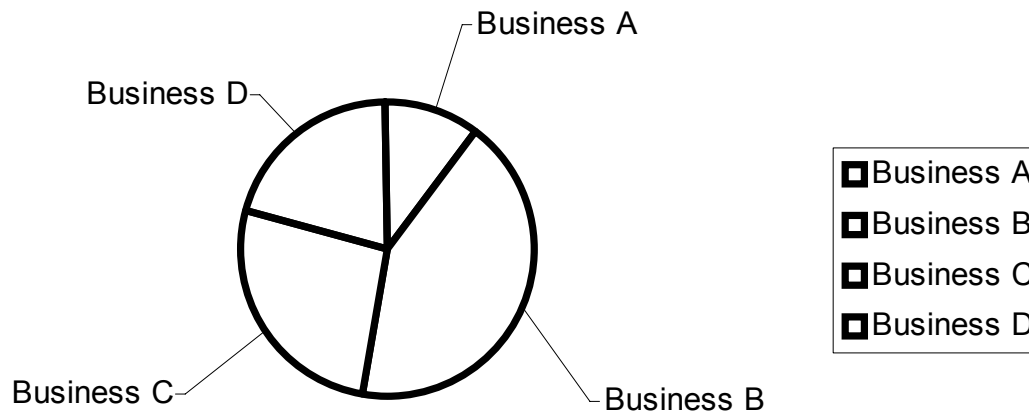


# Selling in a Tight Economy

## Advertising in an economic downturn

Here is the market share of four businesses during “normal” times

During "Normal" Times



***In a robust market there are enough customers for all four businesses in the market.***

MARKET  
SHARE IN  
NORMAL  
TIMES

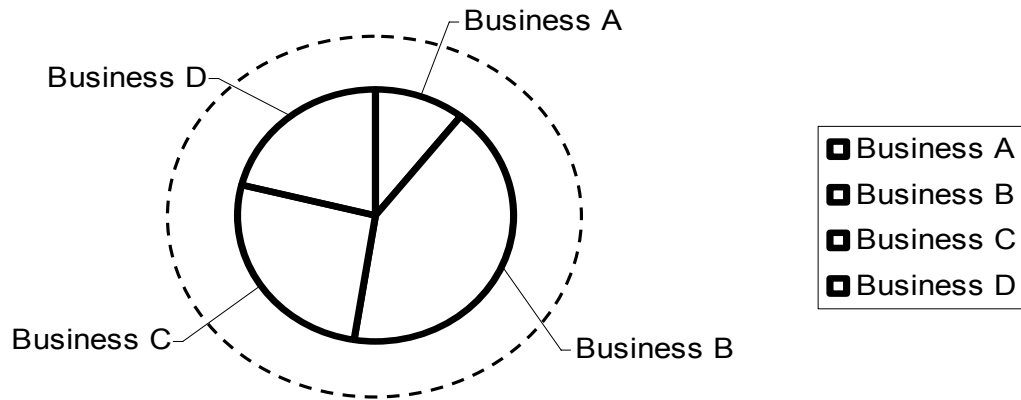


# Selling in a Tight Economy

## Advertising in an economic downturn

Here are the same four businesses after an economic downturn

After An Economic Downturn



***As the market contracts the pool of customers decreases. Each of the four businesses experience decreased cash flow.***

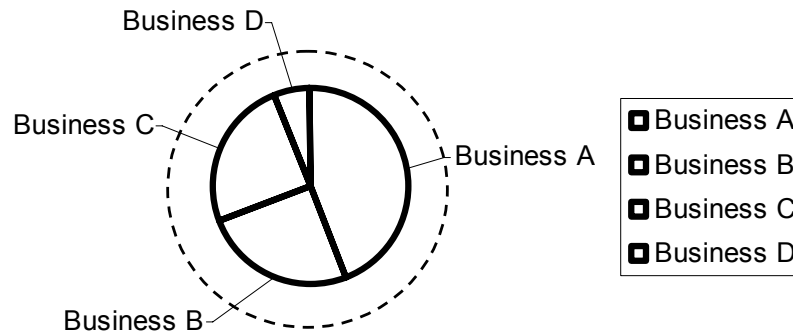
MARKET  
SHARE AFTER  
AN ECONOMIC  
DOWNTURN



# Selling in a Tight Economy

**Business A chooses to aggressively advertise to attract a larger market share. Business D chooses to make across the board cuts, including advertising losing market share. Businesses B & C make no changes in their marketing.**

Effect of Advertising Choices



***Business A's expanded share provides the cash necessary to return profitability to pre-recession levels. Businesses B & C continue to struggle but manage to survive. Business D continues to lose share and to lose money.***

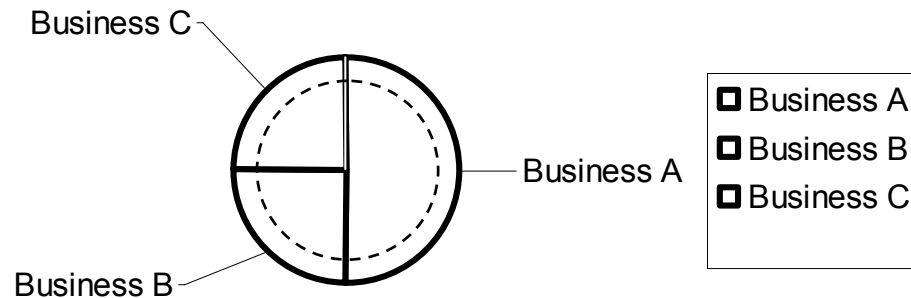
EFFECT OF  
ADVERTISING  
CHOICES



# Selling in a Tight Economy

When the economy revives each business maintains its market share.

## The Economic Revival



***Business A emerges from the downturn with a larger market share and in a stronger financial position. Businesses B & C managed to survive but have lost share to Business A. Business D became a “victim” of the recession and was forced into bankruptcy by lack of customers.***



# Selling in a Tight Economy

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## Strategies for Selling advertising in tight times

**Bust your butt**—When the going gets tough the get selling. Tough times separate the real sales professionals from the order takers. You will lose some accounts and some will go out of business. Make sure you have plenty of prospects in the pipeline.

**Be a true consultant**—Talk to your clients about their situation. Get an understanding of their business and think about how you can help them position the business in the best light. Give them ideas that will help them weather the storm.

**Deliver unequalled service**—Building strong relationships with your customers will prove invaluable when they decide to cut back. This could make the difference between you or your competitor losing the account.

BE WHAT YOUR  
ADVERTISER  
NEEDS-  
ENERGIZED &  
CONSULTATIVE



# Selling in a Tight Economy

## Strategies for Selling advertising in tight times

**Accentuate the positive**—Educate yourself about the good things in the economy. Collect positive article and anecdotes. Never take part in any oh-woe-is-me-pity-parties. Don't deny the situation but rather stay focused on proactive steps that customers can take to improve things.

**Expect challenges**-Be prepared for objections and practice your responses, have the pertinent facts at hand. Here's what I say when someone tells me that the economy is bad:

***“I can certainly understand Mr. Customer; I am in the same boat myself. I have tried to cut back a bit, but the one thing I can't afford cut back on is customers. With the things the way they are, I know I need to get more customers in my publication so I am working longer hours and seeing more businesses to pick up the slack. What are you doing to increase your share of the business that's still out there?”***

ACCENTUATE  
& EXPECT



# Selling in a Tight Economy

## Strategies for Selling advertising in tight times

Squeeze some lemonade from the economic lemons—many people who wouldn't even talk to you when things were going good may be ready to listen. Free papers often do very well in tight times because we offer greater value than other media. When times are tough people focus on value.

Manage customer expectations—When the market contracts one of first things you will hear is *“My ad isn't working like it used to”* and of course the customer will blame you for this. The reality may be that there are simply fewer buyers in the market. The question may be *“how bad would business be if you weren't advertising”*. Customers may need to up the ante and offer better offers or use coupons. Customers can easily measure the cost of advertising; it is far more difficult to measure the cost of not advertising.

MAKE  
LEMONADE!



# Selling in a Tight Economy

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## Strategies for Selling advertising in tight times

**Get Creative**—Take a close look at your products and business strategies. Consider developing promotions that will attract new advertisers. Explore new markets. Cut costs where you can without impacting the value you provide for your advertisers. Your ability to stay flexible and adapt to market conditions is a competitive advantage at any time but especially when times are tough.

**Never forget what you are selling**—You are selling the most important thing in any business—**CUSTOMERS**. If you sell customers you'll always succeed. Businesses may want to cut back on their advertising but they never never ever want to cut back on customers.

THINK  
OUTSIDE THE  
BRODER!





# Selling in a Tight Economy

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## Conclusion

***"It is said an Eastern monarch once charged his wise men to invent him a sentence to be ever in view, and which should be true and appropriate in all times and situations. They presented him the words: 'And this, too, shall pass away.' How much it expresses! How chastening in the hour of pride! How consoling in the depths of affliction!" -Abraham Lincoln***

- ✓ **The current economic situation is challenging, but it will pass.**
- ✓ **We will have to work harder and smarter than ever.**
- ✓ **Those people, salespeople, publishers and advertisers that meet the challenge head-on will emerge stronger both economically and personally.**



# Selling in a Tight Economy

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## Questions & Discussion

On behalf of The Leadership Institute, I would like to thank you for attending this training and wish you the best of luck with all of your future endeavors.

QUESTIONS &  
DISCUSSION



The Leadership Institute

*Lighting the Way*