

The Pragmatic Recession

What's different this time around?

by The Dihedral Group

Ask experts and economic laymen alike in North America about the 2009 recession and you are likely to get more differing opinions than you will know what to do with. The newly inaugurated Obama administration is actively managing expectations, citing that it is “going to get worse before it gets better” and that the economic hardship “will take time, perhaps many years.” On the other hand, the Canadian central bank’s chief, Governor Mark Carney, just last week **suggested a shorter duration** than this and pointed to a milder recovery afterwards than experienced in previous recessions. With so many disparate positions over the severity and duration of this downturn, it seems at least one pattern has emerged creating common ground among many—the characteristics of this recession are very different than those of past incarnations.

While the **conversation** about the parallels and incongruities with past recessions is healthy, marketers and business professionals on the whole are less concerned with the academic debate and instead look for concrete answers to help guide their own marketing initiatives today. Among those marketers interviewed for this research who have previously been through down cycles, the overwhelming point of differentiation from the other recessions came down to the pragmatic use of the Internet and supporting technologies to refine (among strong organizations) or jump-start (among ailing companies) their front-line demand-generation activities.

In light of the economy and the mounting challenges at hand to marketers, The Dihedral Group (TDG) conducted a survey on behalf of Aquent and the American Marketing Association (AMA) pertaining to marketers’ thoughts on the economy, strategic initiatives, and their hiring concentrations for the coming year.

Trends and pragmatic solutions

Across every marketing function (advertising and marcom, corporate communications, market research, etc.), completed hires of full-time marketers was down from 2008 projected hiring schedules. With slightly more than 40 percent of all participants of the survey in a hiring freeze and 45 percent citing that year-over-year revenue had declined, this was not necessarily unexpected.

That said, interactive management hires had the largest drop-off, with only 30.4 percent of all planned hires for this function actually completed during 2008. This compares to two-thirds of all planned product and brand management positions being completed during 2008. In the absence of skilled labor to execute online strategies, it’s no surprise then that marketers are looking to short-term and contract employees to fulfill project workloads without committing to long-term on-boarding, training, and benefit costs.

As a consultant...we are reminding clients that we can be a low-risk option for projects versus a new hire.

Slightly more than 70 percent of marketers surveyed in Q4 2008 indicated that their organizations use short-term staffing and contract solutions in some capacity—an increase of 2.9 percent from Q2 2008. When looking at the use of short-term and contract marketers among those organizations looking to break out of the recession with interactive marketing and online engagement efforts, a swing of nearly 8 percent since the summer was evidenced. The work is there, even if the resources to acquire full-time employees to execute these initiatives is not. While many marketers are insourcing online and interactive functions either by cross-training existing staff or utilizing contract hires with immediate skill-set capabilities, other marketers are leaning on their agencies to deliver more (and in some cases, for less). There is obviously a risk in over-leveraging vendor relationships; however, to paraphrase one marketer, “Now is the time when our agency needs to deliver. This is why we rely on that relationship.” In the words of another:

[We are] looking for new marketing agencies that are willing to ramp up around our marcom requirements to deliver measurable performance. We are also looking for marketing consultants with certain skill sets to work on a retainer-contract basis.

Almost twice as many of those marketers who indicated leveraging social media as their top priority for 2009 employ pragmatic staffing solutions that include short-term, contract, or temporary employees. When asked in an open-ended follow-up question as to why they were looking outside of their organizations for these marketing resources, one marketer from a retail gift chain recited a bit of a tongue twister:

We know what we don't know, but we do know who does know.

Insourcing is not so simple

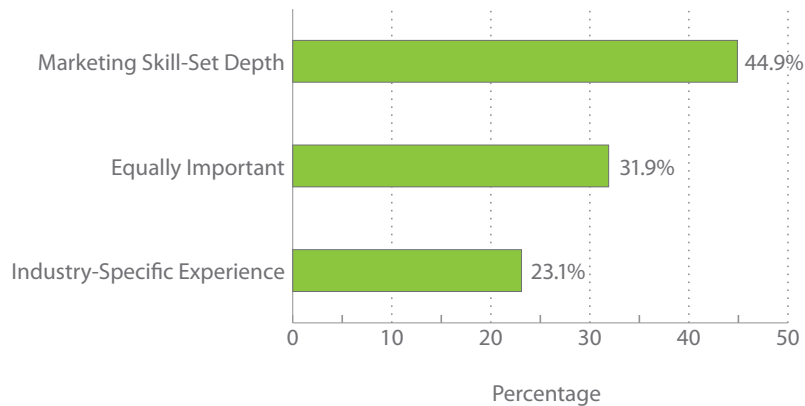
Different from other recessions as well, marketers are more sophisticated with respect to the diversity of strategic and tactical mechanisms available to them in order to effectively differentiate their products and services. Running counter to the prevailing views of the past, businesses and marketing professionals increasingly acknowledge the validity of marketing studies that demonstrate how simply making cutbacks on back-office overhead and retrenching with boots on the ground over increased marketing spends more often than not yield negative financial consequences in the absence of additional marketing sophistication.

In today's economy, the alignment of marketing labor requires much more specialized skill sets and industry knowledge. Gone are the days of just asking existing marketing employees to “step it up.” Quantification of marketing achievements forces professionals to consider each and every investment—of time and money—with more rigor than ever before. That said, marketing managers, looking to expand in or grow efforts around their digital marketing initiatives in 2009, need to consider many factors. Prevailing thought in an economic recession is to capture short-term revenue. In the process of this, it is imperative that long-term branding strategies are not undermined. As one long-time marketer who has witnessed the cycles of nearly 50 years of business stated:

...now is not the time to be relying on others to deliver when you know that they are still learning on the job. Surround yourself with competent specialists if you are the team leader or completely dedicate yourself to what you do best if you are not. Doing so, your worth will be recognized and your organization will grow.

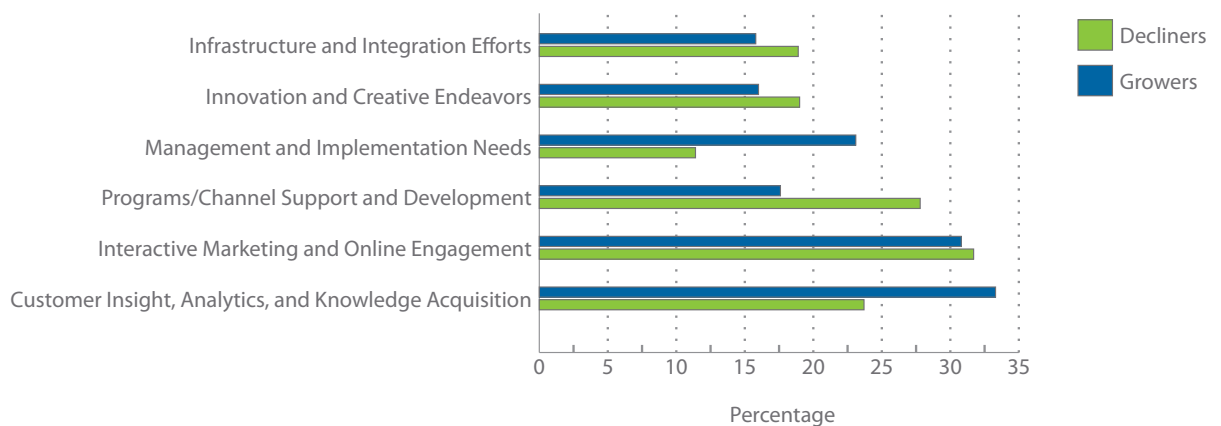
Hiring criteria and areas of focus driving today's marketing hires

Figure 1: Most significant criteria in upcoming marketing hires



When marketers were asked in Q2 2008 what was most important to them for upcoming hires, by and large they indicated that marketing specific skill sets was more important than factors such as industry experience (figure 1). This reflects a growing trend toward staffing specialized teams in-house to manage for the new marketing frontier. Not surprisingly, those organizations that focused on industry experience tended to come from more traditional industry sectors such as financial institutions and energy producers.

Figure 2: Strategic concentrations for 2009 relative to year-over-year revenue performance



Clearly, every hiring decision is a unique experience of measuring and comparing criteria in a holistic fashion in order to generate the most desirable alignment. A candidate versed in skills and without experience will likely garner the same chance of success as the candidate who has been around the industry but lacks comprehension of current skill sets.

To best understand how marketers are concentrating their strategic attention for the coming year, TDG segmented all survey participants into two groups based on year-over-year revenue growers and decliners, with those indicating no change removed from the analysis completely.

As evidenced in the figure 2, cash-strapped marketers are using digital media to play catch-up with limited or slashed budgets. Inversely, fiscally healthy organizations are continuously refining their own online segmentation strategies and increasing engagement levels among both core and new markets.

As one nonprofit marketer said:

Every department is being asked to tighten its belt. Focusing our efforts online allows us to take advantage of existing social networks to make compelling pitches for increased support. We just can't afford the same reach as we once could, and this is the low-lying fruit of 2009.

In 2003 the FCC reported broadband penetration in the U.S. at 23 percent of all households. As of March 2008, the rate was at 57 percent, signifying a growth rate of greater than 300 percent since the last recession. With broadband coverage making significant gains since the last recession, marketers are increasingly more apt to move online as traditional approaches are scrutinized for effectiveness and efficiency this time around.

One mid-level manager from one of the world's largest shipping and transportation brands put it:

[Our] marcom activities and investments are becoming more targeted by focusing on digital media (e.g., e-mail, online advertising)

Another corporate marketing manager for a smaller business stated,

Fewer marketing events; more online marketing.

Public perception impacts everything

Recession psychology is not a new phenomena; however the importance of shaping or crafting a message has never been as clearly highlighted as in the most recent U.S. presidential elections. Whether a high-profile photo opportunity, a carefully parsed speech before a targeted demographic, or the appeal from the softer side of a candidate, words and actions matter in the bigger scheme. So too do the choices organizations make in the face of a recession.

Conversations with marketers in the financial community reflect an increasingly heavy burden placed on their shoulders to restore the trust and confidence of the public in their institutions.

I work in the financial services industry, so we have tailored our marketing to reassure our customers that we are a sound financial institution. We have also communicated how we can help them through these turbulent times.

Hiring full-time employees to help work toward restoring this confidence comes with significant public relations challenges too. As another financial marketer stated:

We're concerned that the appearance of overspending during this time could have a negative impact on our brand.

Short-term and contract staffing are practical solutions that are prudent and just make sense in this economic environment—particularly in the eyes of customers and clients.

Alternatively, organizations that are succeeding at getting customers to buy luxury goods are also considering the public perception of their marketing activities. One senior brand leader from a well-known outdoor sporting goods manufacturer sees 2009 as an opportunity for these consumers to assert their community affiliations by parting with hard-earned pay for the company's products not because these goods are an essential luxury, but because the goods represent a commitment to a particular lifestyle:

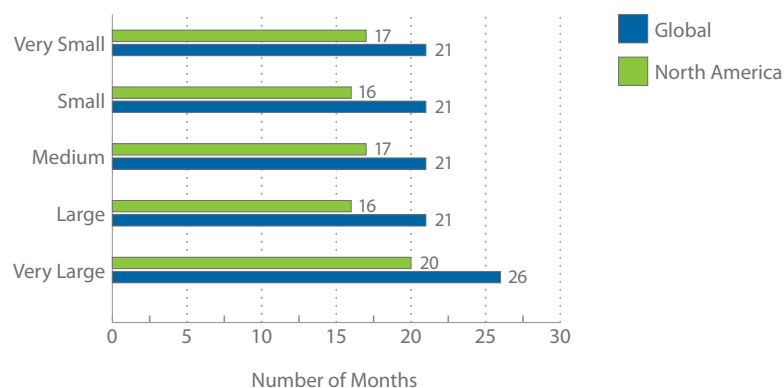
Having our 2009 product line says...either you're in the inside circle or you are pretty damn close to it. The razor's edge pertains to coming off as arrogant and smug while many people are hurting very badly.

When the recession ends, will you be ready?

Slightly more than 68 percent of all marketers indicated that their marketing initiatives have changed as a result of the recession. Almost half indicated significant or very significant changes to their short-term plans were made, while slightly more than a third point to significant repercussions to their organizations' long-term marketing plans as a result.

The projected length of the recession ranges, but most marketers who were surveyed believe we will be out of the downturn by Q1–Q2 2010 here in North America and Q2–Q3 2010 around the rest of the world. Marketers in very large organizations were also slightly more pessimistic about the duration of the recession, suggesting that it will last about four months longer than this on average both here and abroad.

Figure 3: Duration of recession (in months) based on size of organization



Recognizing that great pains will be felt by many until then and that hard work will be required to get through the economic storm, marketers also need to consider how prepared they are for the emergence out of the recession. It may seem premature as massive layoffs are still occurring in the here and now; however, successful marketers are thinking proactively about the future while reacting to short-term challenges with calm and pragmatic solutions.

Having an exit strategy for when the recession psychology lifts may be just as pivotal in providing significant competitor separation and marketing return on investment as keeping today's actions budget conscious and hyperfocused.

Some practical exit-strategy tips gleaned from the research include negotiating long-term vendor/supplier contracts before the end of the recession, aligning internal resources for both immediate sales generation as well as long-term marketing initiatives, maintaining customer/segment awareness, and implementing strategies to periodically refresh this knowledge since the landscape is in such dynamic flux.

Employee matters

Technology is clearly delivering meaningful scale for marketers to refine their market reach while increasing their revenue streams. This is evidenced in both the increasing year-over-year online media spends budgeted for 2009 and the investments in resources with sophisticated interactive acumen. But technology is also a game changer with respect to controlling the message and managing reputation. Like it or not, social media is increasingly forcing organizations to think transparently. Accepting this, marketers can either **proactively manage** for the hard times to come or allow the aftermath of negative employee morale to dictate a constant state of crisis control.

While the U.S. had already been in a recession prior to the 9/11/01 attacks, the acts on that day further cemented the negative outlook Americans had about the economy. Generation Xers were questioning their own career choices and many found the need to find a higher purpose for their professional endeavors. As a result, getting quality talent once the economy rebounded became a significant challenge to those late to the game. In turn, many in the Y generation assumed exponentially greater responsibility and often ratcheted up the compensation wars.

Now that the bubble has burst and hiring managers are stepping back to assess "what really makes sense to the bottom line," they are finding alternatives in the sources they once employed in-house and then lost to the first 21st-century recession. As a result of that recession, many Generation X employees (after lots of soul searching) found themselves as freelancers, contractors, consultants...and as generations before them, parents.

It is easy to panic in a recession. The pragmatic solution, however, pays consideration to more complex dimensions that include employee morale alongside consumer perception. Layoffs, increased workloads, stress, and mounting pressures will ultimately have a significant impact on both organizational cultures and brand reputations in the aftermath. If it is not a matter of immediate survival, marketers should think twice before following the road most readily taken in past recessions.

To quantify this point, fears of declining employee satisfaction among those organizations that are not using short-term staffing are more than 5 percent greater than in organizations where short-term solutions are being used. Further, negative attitudes surrounding employee compensation, perks, and benefits are 14.8 percent lower in organizations where the increased workloads are being met with temporary staffing solutions.

Practical measures will define 2009

While this may be the second global recession of the 21st century, it is the first that seems to embrace the digital medium as a mechanism in overcoming hard times. Ironically, the last recession came on the heels of a dot-com bust that weakened confidence in the Internet among investors and consumers alike.

Not so in 2009. To get out of this mess, marketers are trying everything from traditional responses (such as reducing supply and the liberal use of short-term pricing mechanisms) to more current choices (such as interactive marketing and short-term staffing strategies). While most organizations will survive the storm, many will be no further ahead or behind in 2010 than they are today. While cost reduction and scrutinized budgets are the mantra of the day, bold-thinking marketers know how to play both the short-term and long-term strategies. No one can look into that crystal ball and predict with absolute certainty how it will all shake out. The challenge is positioning oneself to stand out accordingly while remaining flexible enough to react to the changing economic reality.

About The Dihedral Group

Throughout 125 countries around the world, The Dihedral Group (TDG) pioneers conversations on behalf of its clients and collects insights about their communities. These discussions have led to refined segmentation strategies, sophisticated marketing road maps, focused product portfolios, and highly engaged customers and employees.

The available channels for insights may change as our technologies advance, but the scientific rigor, ethical conduct, and attention to highly satisfied clients remain steadfast. TDG has a team of consultants with broad industry backgrounds accompanied by highly specialized and very current skill sets. Clients have retained TDG's services on contracts ranging from satisfaction research to psychographics profiling, consumer anticipation studies, statistical modeling/segmentation, independent marketing audits, multifaceted interactive campaigns, and strategic planning consultations.

To find out more about how TDG can help build stronger ties between your organization and your targeted audience, go to www.FindTDG.com.

About Aquent

Aquent is the talent agency for marketing and design professionals. Every agent is focused on a single marketing or design discipline ensuring both talent and clients a dedicated resource who speaks their language and specializes in their areas of expertise.

Aquent helps individuals and organizations increase their marketing potential through flexible staffing solutions and customized consulting services. Committed to the advancement of both fields, Aquent offers monthly webcasts hosted by field experts on topics ranging from marketing trends to web design tips.

Aquent's strong presence in the marketing and design communities has led to lasting partnerships with industry leaders and organizations around the world. All Aquent offices participate in local chapter events with groups such as the AMA, AIGA, and DMI. Aquent's talent blog, Aquent Oracle, and *Inside Marketing* newsletter keep marketing and design professionals abreast of the latest industry news. Aquent's acclaimed *Aquent | AMA 2009 Survey of Marketing Professionals: Compensation Calculator* and the *AIGA | Aquent Survey of Design Salaries 2008* are well-respected resources relied on by industry professionals.

For information about Aquent or the *Aquent | AMA 2009 Survey of Marketing Professionals*, please visit aquent.com.

About the American Marketing Association

The American Marketing Association (AMA) is the largest marketing association in North America. It is a professional association for individuals and organizations involved in the practice, teaching, and study of marketing worldwide. The AMA is a resource that marketers turn to every day to deepen their marketing expertise and achieve better results for their companies. AMA members are connected to a network of experienced marketers nearly 40,000 strong.

The AMA offers its highly acclaimed Training Series, professional conferences, and Hot Topic events focused on the immediate needs of marketers as well as on trends shaping the future. The AMA's website, MarketingPower.com, is the everyday connection to marketing data, articles, case studies, best practices, and a career center. Additionally, the AMA is the source for the field's top magazines and journals, including *Marketing News*. Through local and collegiate chapters, AMA members are connected with the best people and the best practices.

The AMA is also the creator of Mplanet, the unparalleled industry event that brings together the world's most creative thinkers, including senior marketing executives, top academicians, and other thought leaders, to share fresh insights, new concepts, the latest research, and solutions for the most pressing marketing challenges and opportunities.

For more information on the AMA or Mplanet, please visit www.MarketingPower.com.