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Business-to-Business Marketing Communication During Recession

Abstract This chapter refers to the increasing demand for rationalized budgets and underlines the need for a better understanding of the determinants of successful B2B marketing communication campaigns. This is due to the fact that B2B buyers are by default involved in purchasing of high risk and cost; hence, they need accurate information before they make decisions. The authors, thus, argue that marketing communication is one of the most important aspects for B2B organizations, especially during recession, given its contribution to the creation of robust relationships with customers. According to the authors, effective B2B marketing communication should be viewed as an asset; it is an investment for businesses rather than a cost.

Keywords Recession · B2B marketing communications · Relationship marketing

Marketing Communications During Recession

“Half the money I spend on advertising is wasted; the trouble is I don’t know which half.” By the time Wanamaker’s famous quote became popular again, we all knew that recession was here to stay. The beginning

of the millennium coincided with the start of the digital evolution, and with it, marketing, and, subsequently promotion, faced an unprecedented change. At the same time, the need to precisely monitor all business activities and report on their return on investment was abruptly regarded as a given. Marketing rapidly became more digital-oriented, more technology-driven and more scientific. Equally, B2B marketing experienced a similar swift toward digitalization with a simultaneous compulsion for even more rationalized budgets measurable results, advanced strategy, thoughtful market research and sophisticated decision-making. Marketing managers had to be intelligent, cost-effective, modern and scientific altogether.

Amid the digital loom, marketing communication, despite being an integral part of contemporary marketing, was not the first sector to feel the evolution of the digital era; still, it was the first to see the consequences of the economic downturn.

The economy's state has a direct bearing on a number of business transactions in a country. During recessions, there is a slump in economic activity, which is accompanied by a decline in business activities in most organizations (Ahmed et al. 2014). Recessions negatively affect the performance of an entire economy, industries and individual organizations, which is because of the surge in the demand for services and products (Calvo-Porrall et al. 2016). Recessions also negatively affect the relationship between business partners, which is likely to affect the overall performance of the company (Brooksbank et al. 2015). The majority of organizations react to recessions by downsizing their budget including the marketing budgets. Nevertheless, not all organizations report poor performance during recession since some exhibit exceptional growth and prosperity. These organizations consider recessions as opportunities for strengthening their business, making aggressive investments and outrunning their weaker rivals (Civi 2013). A notable feature of such organizations, especially those in the business-to-business (B2B) market, is that they do not trim their marketing budgets during recession. Business should not sacrifice the significance of customer relationships during recessions as a means of cutting costs (Singh and Dev 2015). This implies that B2B firms should not abandon pursuing customer relationships during recessions; instead, they should adapt them.

Some authors argue that recession provides an ideal opportunity for B2B firms to know their customers better (Civi 2013). Trusted business partners are valued during recession; hence, it is an opportune time to build relationships through marketing communications.

Organizations react to recession by either investing in marketing communications or trimming marketing budgets significantly. Edeling and Fischer (2016) point out that great marketers do not simply recover from the financial crisis; instead, they continually reinvent their marketing strategies and business models during recession to enable them adapt swiftly to the changes in the marketplace. Many marketers agree that organizations should concentrate on gaining knowledge from their customers and providing superior value during recessionary times (Frösén et al. 2016). However, it is surprising that several organizations elect to cut down their marketing expenses during recession despite evidence from past recessions, suggesting that managers who make investments in marketing communications manage to recover from these economic downturns (Green and Peloza 2015). Evidence suggests that, during the past recessions, organizations that opted to spend more on their marketing and research and development (R&D) activities emerged as winners after the recession (Rollins et al. 2014). This observation implies that recession offers an opportunity for innovative organizations to achieve superior business performance.

How organizations reacted to the recent financial crisis, especially with respect to their marketing communications, might shed light on the importance of marketing communications for B2B organizations during recessions. Nevertheless, it is imperative to consider the unique circumstances of the recent financial crisis when compared to the earlier crises. Rollins et al. (2014) explain that markets and organizations are more codependent when compared to 10 years ago, which can be attributed to a number of factors such as the emergence of social networking, the rise of mobile commerce and Internet marketing (Kashmiri and Mahajan 2014), which has altered how customers look for information and how organizations execute their marketing activities. Surveys from the UK and the USA indicate that the bulk of B2B firms reduced their marketing expenditures during the recent financial crisis (Notta and Vlachvei 2015). According to Rollins et al.

(2014), nearly half of telecommunication and high-tech companies cut their marketing expenditures in 2009 by about 8.3%. In 2009, about 60% of B2B companies reduced their marketing budgets as a reaction to the recession (Rollins et al. 2014). The decision by companies to reduce their marketing expenditures during recessionary times is not a phenomenon unique to English or American companies. In Australia, during the 2008–2009 financial crisis, firms altered their marketing priorities toward placing a greater emphasis on short-term sales due to the economic slowdown (Rollins et al. 2014). Overall, there is agreement that the 2009 recession resulted in the most severe budget cuts for marketing activities in the USA and abroad. Thus, economic slowdowns compel markets to be more innovative and smarter.

Just like the case with previous economic recessions, some companies that steadily invested in sales and marketing during the recent economic crisis reported a growth in their market share. Notable examples of companies that sustained their marketing communication activities during the crisis include Target and Wal-Mart in the USA; consequently, they were able to attract new customers (Rollins et al. 2014). The same results can be achieved by B2B firms, especially since they are reliant on building relationships. As organizations make decisions regarding areas of investing their limited resources, recessionary periods offer a unique opportunity for B2B companies to focus on building relationships with their customers.

The recent financial crisis has resulted in a significant change in B2B marketing, especially a shifting resource from the conventional marketing approaches toward e-marketing. During 2010, the largest increase in budgetary allocation among B2B firms was Internet marketing and direct marketing, both online and offline (Nasir 2015). There was a 12.2% increase in online marketing activities in various industries (Rollins et al. 2014). B2B companies often lag behind business-to-consumer (B2C) companies when it comes to integrating social media into their marketing communication strategies (Kashmiri and Mahajan 2014). In most cases, they adopt a wait-and-see approach; thus, they fail to proactively participate in social media.

Moreover, B2B firms are increasingly investing more in social media when compared to consumer companies, which represents a remarkable

change in marketing perception since B2B firms have traditionally concentrated on sales (Nickell et al. 2013). This is an indication that B2B companies are increasingly investing in building relationships. It can also be seen that B2B companies are integrating social media as a crucial component of their marketing communications strategies. For example, the Vice President of American Express OPEN and the winner of the 2009 B2B marketer of the year stated that social media is an important tool in B2B marketing (Rollins et al. 2014). An inference that can be derived following the increased usage of social media in B2B marketing after the recent economic recession is that B2B firms are increasingly focusing more on building relationships rather than on sales.

Consistent with the use of social media after the recent recession is the widespread adoption of customer relationship marketing (CRM) in B2B marketing communications. Irrespective of the recession, a significant proportion of B2B organizations invested in CRM. As of 2009, there was an increase in the use of CRM software in B2B companies by 12.5% when compared to the previous year (Rollins et al. 2014). Experts in B2B marketing communications have indicated that the same trend will continue since firms are increasing their investments in marketing assets like CRM. Most B2B businesses are planning to increase their CRM budget after the recession. For many global B2B brands, these investments have paid off as evident by the increase in the brand value of the world's 100 leading brands. Again, this observation suggests that B2B brands are increasing placing more emphasis on building relationships after the recession.

Another notable marketing communication trend that proved useful for B2B companies during the recession is the emphasis on metrics and analytics, which is concerned with converting large quantities of data into knowledge followed by translating this knowledge to valuable marketing insights such as ways of reaching and communicating customers (Parente and Strausbaugh-Hutchinson 2014). These metrics and analytics in B2B marketing communication are geared toward establishing the marketing activities that are useful and valuable to customers. Some marketers have recommended that B2B companies should utilize this knowledge and data to shift their attention away from the conventional measures, such as new sales and revenue, toward customer lifetime value. Although companies have invested considerably in customer data

via CRM systems, the majority of organizations underuse what they know regarding their customers (Paul 2015). Overall, it can be seen that the increased use of metrics and analytics in B2B marketing communications is eventually geared toward creating loyal customers; marketing communication has always been one of the key contributors to building and sustaining long-term relationships with B2B customers, and recession has made that notion more obvious than ever.

An Investment Not a Cost

The effects of marketing communications during recession have been vastly explored in the literature. A meta-analysis to assess the effect of marketing expenditures during recessionary times showed the importance of marketing communications during recessions (Nasir 2015). Traditionally, identifying what the firm's existing and prospective customers' value and communicating it effectively can play a critical role in helping organizations in attracting new and retaining existing customers. By using marketing communications, B2B organizations can retain current customers via reminding them the value they offer (Ahmed et al. 2014). Providing better services and products is not sufficient; companies should also focus on communicating the advantages associated with their products/services clearly and compellingly. Nasir (2015) revealed that companies that tend to cut their budgets are more likely to have a long-term focus as well as lack a market orientation. It was also pointed that companies cutting their budgets on marketing communications are at a higher risk of missing out on future profits and sales (Nasir 2015). The same study indicated that firms that spend more on their marketing communications during recession times perform particularly well during and after the recession. Ahmed et al. (2014) also showed a relationship between business performance and advertising expenditures during recessions.

In this respect, studies indicate that increasing or maintaining marketing spending during recessionary periods results in a higher market share, sales growth and profitability when compared to cutting marketing budgets (Frösén et al. 2016). Additionally, it has been found that

B2B companies that trim their marketing expenditures during recession encounter a decline in profits and sales and continue lagging behind firms that maintained marketing spending even after the end of the recession.

Investments in marketing communications during recessionary periods create opportunities for B2B organizations to achieve competitive advantage in returns, market share and sales in the course of competitive advantage. Nickell et al. (2013) classified B2B businesses into those that reduce, maintain or increase marketing budgets during times of recession. They showed that the firms that increased their marketing budgetary allocations in recession were not significantly less profitable in the course of recession when compared to the firms that maintained their budgetary allocations for marketing communications. However, significant differences in profitability were documented between those that maintained or increased their marketing budgets and those that reduced their marketing budgets (Nickell et al. 2013). Moreover, they reported that the profitability of those who cut their market budgets continued to dwindle even after the end of the recession. By contrast, companies that increased their budgets for marketing communications reported a dramatic increase in their profitability after the recovery of the economy. These companies documented a threefold increase in market share following economic recovery (Nickell et al. 2013). Companies that cut their budgets reported a decline in profitability during the recovery period. Those that maintained budgets for marketing increased their profitability, but, nevertheless, they were outperformed by those that increased their budgetary allocations for marketing (Nickell et al. 2013). These findings simply confirm that investments in marketing communications have long-term benefits for the organization even after the recession has ended.

Similarly, there is consistent and strong evidence suggesting that reducing advertising budgets during recession can have damaging effects on sales during and after the economic slowdown (Singh and Dev 2015). Additionally, cutting advertising expenditures does not serve to increase profitability, which is the intended aim of budgetary cuts during recession. Nasir (2015) estimated that advertising during recession has long-term benefits that can last up to 5 years after the recession.

Evidence also exists to show that a relationship exists between customer loyalty and advertising spending during recession. According to Rollins et al. (2014), cutting spending during recession has been reported to lower customer loyalty for both B2C and B2B firms. Specifically, Rollins et al. (2014) denoted that cutting marketing communication budgets could significantly hurt customer bonding and customer loyalty. The overall observation is that downsizing marketing communication budgets during recessions can weaken B2B brands and reduce profitability even after the recession has ended (Paul 2015). In fact, in B2B business, advertising during tough economic times is an indicator that the business is reliable (Nasir 2015). Additionally, increasing marketing communications during recessions provides an opportunity to increase the voice of the firm due to the reduced competitor activity.

In all, it can be seen that the most dominant response by companies to recession is to cut their marketing communication expenses or even their marketing budgets. This shows that most companies view B2B marketing communications as a cost rather than a valuable tool for developing long-term relationships with customers. However, some changes in the B2B marketing approaches have been witnessed as a result of the recession, especially the shift from conventional measures such as sales and revenue generation toward more emphasis on building relationships. This is evident by increased investments in social media marketing and CRM systems by B2B companies. Ultimately, recessionary periods provide an opportunity for proactive B2B companies to enhance their competitive advantage through tailored marketing communications to maintain long-term relations with their customers instead of cutting marketing communications.

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