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## Strategies For Interactive Marketing In A Recession

Unlike Last Time, Results-Based Marketing And Social Applications Could Thrive

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### EXECUTIVE SUMMARY

Many economists now believe we are in, or approaching, an economic recession. In the last recession, online spending cratered along with the rest of the advertising industry. But since interactive marketing programs are now fueled by measurable results, not dot-com madness, we believe that they can thrive in a recession. Social applications in particular, such as communities and social networking sites, are cost-effective and have a measurable impact on prospects' decisions in the consideration stage, which will be important to companies under recessionary pressures. Interactive marketers should stop toe-dipping and invest only in programs that can deliver on measurable metrics.

### IF THE RECESSION IS COMING, WHERE WILL YOU INVEST?

Recession worries are on the rise, and advertising spending is in doubt. The Dow Jones Industrial Average is off more than 10% since its highs in October. In *The New York Times*, Jon Swallen, senior vice president of research at ad-spending tracker TNS Media Intelligence, is quoted as saying, "A large chunk of the core ad economy is in a weakened condition."<sup>1</sup> The last recession in 2001 saw a 9% drop in overall advertising spending compared with the previous year; online spending cratered, dropping 27% over two years before recovering.<sup>2</sup> What's in store for interactive marketing this time around?

### Interactive Marketing Spending That Delivers Measurable Results Won't Suffer

Consumers in a down market pinch pennies. Brand advertising in mass media loses effectiveness because it's harder for consumers to go from "I know about that product" to "I'm going to buy that product" when they're worried about their financial future. And it's less painful to cut ad spending than headcount. Result: Advertising budgets suffer in a recession.

But many interactive marketing formats target the decision to buy, rather than just boosting awareness. When people are worried about spending, increasing engagement is more likely to generate sales than shouting about a brand.<sup>3</sup> In this environment, interactive marketing can succeed, especially if it's performance-based. For example, when asked about effects of the recession, one marketer in a cyclical industry told us that while marketing budgets are tight, "Interactive in general has been more protected than other [communications] areas and saw an increase." If recessions drive dollars from brand advertising to performance-based marketing:

- **Online display ads won't be hit too hard.** In the last recession, much of the online money came from dot-coms and venture funding, a source that rapidly dried up in bad economic times. But the

mainstream consumer companies now advertising won't evaporate so quickly. Instead, brand advertisers seeking cheaper media could turn from TV and print to online video and flash ads. And they'll shift some dollars into performance-based display ads.<sup>4</sup> Result: Ad pricing will shift toward performance-based ads and away from CPM, but total spending on display ads won't suffer.

- **Money will flow toward search.** Search marketing is close to where value is delivered. Search pays on clicks, which correspond to prospects doing active research or buying. We think that Google and other search-based firms could actually see prices increase as marketing dollars cut from mass brand advertising begin to flow into performance-based search.
- **Email marketing will increase.** Email targets your existing customers, a group far more likely to listen to your messages in a recession than new prospects. A recession is likely to increase email marketing volume. Smart marketers will even invest in analytics to determine which of their existing customers are most likely to buy again and then send appropriate messages to those consumers.

### Surprisingly, Social Applications Could Thrive

Conventional wisdom says that experimental media get cut in tough economic times. But social applications like communities, social networking sites, and word-of-mouth marketing are proving themselves, and they depend on an abundant resource — your customers — rather than a scarce one — advertising dollars. In a recession, social applications with measurable results will pay off. Why?

- **Well-designed social applications are effective.** Social programs leverage the voice of the customer to get messages carried further than ad impressions. If your message resonates with consumers, their word-of-mouth is a more effective medium than any of the traditional media.<sup>5</sup>
- **They're cheap.** Advertising campaigns often run into millions of dollars. But Facebook pages and blogs are two examples of social programs that you can start for next to nothing. Even more sophisticated programs like a full-blown customer community typically don't cost more than \$50,000 to \$300,000 to get going.
- **They motivate consumers in the middle of the funnel.** Social applications like discussion forums are better than advertising at helping people in the consideration phase when they're on the fence about purchasing. In a recession, improving consideration will be more cost-effective than blasting awareness messages at resistant consumers.

## RECOMMENDATIONS

### INVEST IN INTERACTIVE MARKETING WITH A MEASURABLE PAYOFF

Assume that a recession is coming; you need to plan for it, regardless. Marketing programs without provable value will be in danger. How can you protect your interactive marketing investments?

- **Make sure results-based interactive gets its share of the mix.** Your CEO is warning your VP of advertising to prepare to cut spending. You should be whispering in her other ear with stats about how your email marketing, search marketing, or online advertising programs are paying off. If the dollars get cut, this will keep interactive in the mix or even increase your share of the remaining marketing dollars.
- **Stop dabbling and insist on social applications with metrics.** Many interactive marketers tell us they're just "toe-dipping" with social applications. Toe-dipping won't survive recessionary cost cuts. Instead, concentrate on programs with clear objectives tied to metrics like increased sales conversions, measurable word-of-mouth, or improvements in online buzz.<sup>6</sup> For example, Procter & Gamble's internal math shows that a dollar invested in its BeingGirl.com community is four times as effective as the same dollar spent on television — there's a program that won't get cut.<sup>7</sup>
- **Stick with partners that have staying power.** Well-funded, well-trafficked social networking sites like Facebook and MySpace.com in the US, Bebo in Europe, and Cyworld in Korea will continue to collect members and activity. They'll succeed in down economic times, especially if they can create improved programs for advertisers, while the new social networks now springing up may not.<sup>8</sup> Similarly, Google/DoubleClick and Microsoft/aQuantive figure to be solid partners. If you're working with smaller, needier vendors, you need a backup plan for what to do if they fall victim to poor economic conditions.
- **Focus on quick, inexpensive successes.** If your experience with social applications is limited, concentrate on creating a small success with a single brand or product. Cheap programs will find it easier to escape the axe, and you'll be able to make the case that you can duplicate that success with bigger brands (or, if things go badly, that you didn't waste much). Bigger projects that take a year to pay off are more likely to get cut before the ROI kicks in.

## ENDNOTES

- <sup>1</sup> Source: Stuart Elliott, “Is It a Recession? Marketers Seem to Think So,” *The New York Times*, January 28, 2008 (<http://www.nytimes.com/2008/01/28/business/media/28adcol.html?em&ex=1201755600&en=29e95121017c62e5&ei=5087%0A>).
- <sup>2</sup> Source: “Communications Industry Forecast & Report 2004,” VSS.
- <sup>3</sup> The marketing funnel is a broken metaphor that overlooks the complexity that social media introduces into the buying process. As consumers’ trust in traditional media diminishes, marketers need a new approach. We propose a new metric, engagement. Once engagement takes hold of marketing, marketing messages will become conversations, and dollars will shift from media buying to customer understanding. See the August 8, 2007, “Marketing’s New Key Metric: Engagement” report.
- <sup>4</sup> For a discussion and projections of advertisers’ behavior in display advertising, search advertising, email marketing, and social marketing spending, see the October 10, 2007, “US Interactive Marketing Forecast, 2007 To 2012” report.
- <sup>5</sup> For a research study that shows the effectiveness of social networks like MySpace.com, see the study “Never Ending Friending,” (<http://www.myspace.com/neverendingfriending>). Also see the July 5, 2007, “Marketing On Social Networking Sites” report.
- <sup>6</sup> Marketing strategists should develop social strategy in four steps that we describe by the acronym POST: people, objectives, strategy, and technology. See the October 9, 2007, “Objectives: The Key To Creating A Social Strategy” report.
- <sup>7</sup> Procter & Gamble found that an online community for young girls was an effective way to reach a mostly inaccessible group: adolescent girls making decisions on feminine care products. See the August 20, 2007, “Case Study: Procter & Gamble’s BeingGirl.com Builds Lasting Brand Loyalty” report.
- <sup>8</sup> While newer social networking sites may find it challenging to attract both members and advertisers, existing and established sites like BlackPlanet.com aren’t likely to face the same challenges.