

A CUTTING CRISIS

by Maud Roucan-Kane

Budget cuts, employee layoffs, salary reductions and the list goes on. Managers are facing tough decisions that can ultimately determine whether their companies survive the current economy. They're scrutinizing every line item in their budgets, and when they reach marketing expenditures, it seems to be a logical area to cut costs. But, only at first glance.

"Marketing budgets tend to be cut during a crisis because people tend to think about marketing expenditures as a percentage of sales," says **Jennifer Dennis**, a professor at **Purdue University** who specializes in marketing specialty crops and consumer behavior. "This isn't necessarily the best approach."

GASP! SPEND MORE ON MARKETING

When managers consider marketing expenditures as tools to drive sales, and not the other way around, marketing becomes an investment, instead of a cost of doing business. Customers don't have as much to spend and are going through their budgets with the same mindset as companies — cut spending wherever possible. Consequently, marketing expenditures may actually need to be increased for companies to maintain their current sales level. Companies can also look at increasing marketing as a competitive response. While competitors are cutting back

on marketing, it provides an opportunity for companies to reach new customers by increasing their marketing efforts.

UGH! NO CHOICE BUT TO CUT

Ultimately, managers have to be realistic. And, when they have to choose between laying off valuable employees or trimming marketing, the decision to cut advertising makes the most sense.

"When there is economic uncertainty, firms consider budget in marketing before cuts in people," says **Scott Downey**, a Purdue professor of selling and sales management. "It is emotional. We would all do that."

If there isn't money to increase marketing, hopefully, most companies can still maintain their current budgets. But if cuts are inevitable, there are a few ways to use the available funds in a more effective manner.

First, it is important to still spend some money on marketing. It is how companies send messages about its products and services to current and potential customers. When managers completely stop marketing, they're risking the company's future success.

"By not communicating to customers, managers are still sending a message, but it's not positive," says **Maria Marshall**, a Purdue professor who focuses on business management and entrepreneurship. "Plus, it gives competitors an opportunity to interpret that message. And, changing the interpretation will actually cost companies a lot more than advertising in the first place."

WHEW! CUTTING WISELY

If managers are going to spend marketing dollars, they want to do so wisely. It may be time to rethink customer segmentation and focus on the most loyal and profitable customers. By identifying target customers and sending messages tailored for their needs, companies are taking a more strategic approach. The automobile industry's campaigns featuring cars with efficient mileage during a time

when gas prices were skyrocketing provides an example of tailoring messages to meet customers' needs. For companies exploring online marketing options, the message holds true — it has to deliver value or customers won't respond.

Regardless of how a company decides to tweak its marketing messages, managers need to share the new message across all departments and ensure that it's being consistently delivered at not only sales, but every level. Downey also suggests that managers identify a method to evaluate each marketing tactic's return on investment and think beyond sales as an evaluation tool.

In making business decisions in today's economy, marketing is just one line on managers' list of concerns. Although hard for agri-marketers to admit, it takes more than marketing to run a successful business.

"What makes a successful business in good times are the same as in bad times — Good practices and business strategies," Dennis says.

However, now is an opportune time for agri-marketers to show exactly how their strategies affect the company's bottom line. By analyzing their current customer base in an effort to improve their segmentation strategies and having conversations with customers that will help alter their messages, agri-marketers can maintain their current customers and possibly attract new ones. Then, the next time managers see marketing in their line-by-line scan of the company's budget, it may not seem as logical to cut efforts in that department. **AM**

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