

# Marketing And Business Strategies For Coping With The Global Financial Crisis

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## A SYNOPSIS ON ORIGIN OF RECESSION AND ITS IMPACT ON CONSUMER BEHAVIOUR

As various governments and relevant world bodies initiate actions to negate and over come the global economic crisis, an insight into the causes of recession will be pertinent before dwelling on strategies.

## GLOBAL IMBALANCE AND POOR REGULATION

Global imbalance led to flood of money into U.S that kept interest rates low, inflated price of real estate, shares and assets. This can be considered to be the indirect cause of recession. This had allowed banks to develop structures and innovative products with higher returns. The products developed were so 'innovative' that risks associated with it could not be comprehended and inability to mitigate the risks led to today's most used jargon 'Global Financial Turmoil'. The authorities for controlling and regulating the bank activities in U.S had given their 'blessings' instead of intervening and preventing the calamity at right periods. Since the U.S is the 'mother' of all economies, the impact was felt by all countries including India. Thanks to prudent financial, monetary policies and balanced foreign investment ceiling on different industrial sectors, the impact of recession in India was less as compared to the other countries. With global experts and leaders working on a way out of the financial crisis, let us focus on strategies and tactics to negate and overcome the implications of 'Global financial Recession' on consumer behaviour and in markets.

## CONSUMER BEHAVIOUR TRENDS IN RECESSION SCENARIO

During troubled times, consumers go in for long-term and higher end investments. Job security and cash liquidity will have much influence on private sector employees and business people as compared to the government sector which still holds its traditional 'USP' of 'job security' and 'safety' while catching on others. The former consumer groups accounted for much of India's recent growth story with 'earn more and spend' policy, a slight deviation from their ancestors because of the room provided by economic growth. In present economic scenario, consumer spending in markets affected by recession is according to the following priorities:

TABLE 1: CONSUMER SPENDING IN RECESSION

PRIORITY NO	SPENDING NATURE
1	Food and Health
2	Education
3	Shelter & Clothing
4	All other higher end needs -Consumer durables, Housing, Long term investments et.al.

Even if adequate cash is available in some markets, lesser amount will be allotted on monthly installments of higher end needs for the next 1 year or so and consumers will buy products by paying full amount if available at 'lower prices' in recession scenario than at normal times.

## OBJECTIVES OF THE STUDY

- (1) To identify opportunities based on the above consumer behaviour and develop marketing strategies to negate recession and augment sales of products.
- (2) To suggest Modification of Brand building strategies and Market positioning changes to tide over recession.
- (3) To suggest Marketing Budget appropriation for brand building to manage cash flow and obtain higher returns on marketing expenditure.

## MARKETING STRATEGIES AND TACTICS FOR NAVIGATING THROUGH 'RECESSION' IS

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## DISCUSSED UNDER THE FOLLOWING TOPICS

### (i) Product Offering Modifications

- (a) Encouraging Bulk Buying or Targeting Consumers as Group.
- (b) Bundled Offerings for food, personal care and groceries.
- (c) Manufacturer's combo offers for High value products.
- (d) Product Offers with Financial Tie up with Banks.

### (ii) Advertising strategies.

### (iii) Brand Building Strategies

- (a) Positioning Change To Cater To New Market Segments.
- (b) Sharper Segmentation And Focused Activities.
- (c) Marketing Budget Appropriation for Brand Building for domestic and international brands.

### (iv) New Product Launches.

## i) PRODUCT OFFERING MODIFICATIONS

### a) ENCOURAGING BULK BUYING FROM CONSUMERS.

Companies & retailers offering higher end products, services (car, real estate, TV, jewelry, textiles, hospitality et.al) should target consumers as 'a group' instead of individuals. A Group may be a workgroup of an organization, family group, business group, friendship group and consumer group based on location such as flats, areas.

TABLE 2: STEPS FOR MAKING 'BULK BUY METHODOLOGY' A SUCCESS

Step	1	Assess the needs of every individual consumer of a Group. (A consumer may be looking for a particular model of car, TV, formal wear in a group)
Step	2	Arrive at the total requirements of the Group. The requirements of a workgroup may be: 5 Consumers may be in need of different model of car of the same brand. 4 Consumers may be in need of different model of a TV of a particular brand. 4 Consumers may be in need of formal wear or casual wear of a particular brand. 10 Consumers may be in need of an airline ticket, hotel booking for vacation plan, official business visits on more or less same time period or place (service industry).
Step	3	Obtaining Higher Total Purchase amount (or) Higher volume by targeting consumers as 'groups' rather than 'individuals' will help marketers in providing 'Low price' to the 'Group' than normal price in individual buying. This can be used to attract target audience despite recession delays because group purchase will not be minded by consumers because they get lower price.
Step	4	Highlight the price offer the consumer will get on 'Group buying' than 'individual buying' and date on which he can get the product of his choice at low price.
Step	5	If 'price offer' is substantial, the consumer will be attracted in buying the product and would not mind some time delay because of 'Group purchase Price offer' provided to consumers at present times. If marketing people ensure that delays are not much by efficient approach of group requirement, higher or normal sales can be obtained even in present circumstances by organizations.

### b) BUNDLED OFFERS

A company providing combination of main and related products together, at lower price than normal price when purchased separately is called 'BUNDLED OFFER'. Samsung recently launched its smart phone for 3G services, with BSNL sim card along with other offers on prepaid and post paid plans. This bundled product offering was at a lower price **than when the mobile phone is purchased individually**. This bundled offer can be tried in food and groceries by retailers.

## BUNDLED OFFERS FOR FOOD PRODUCTS, GROCERIES BY RETAILERS AND FMCG MANUFACTURERS

Retailers can encourage consumers to buy their regular requirements without much pruning because of recession, can use monthly purchase data of consumers and arrive at 'BUNDLED OFFER' of related products at lower price. Retailers can leverage on one time bulk purchase of consumer to provide lower price.

TABLE 3: BUNDLED OFFERS BY RETAILERS

RETAILER RECESSION PROOF PACK	
(1) FOOD ITEMS (2) GROCERIES (3) STATIONERIES (4) BABY ITEMS	Recession proof price Rs. 700 Normal price : Rs. 850

**TABLE 4: BUNDLED OFFERS BY FMCG MANUFACTURERS**

<b>FMCG MANUFACTURERS' RECESSION PACK</b>	
(1) FOOD ITEMS (2) GROCERIES (3) STATIONERIES (4) BABY ITEMS (5) PERSONAL CARE ITEMS	Recession proof price Rs. 300  Normal price : Rs. 450s

After working out on bundled offers, retailers should communicate with the consumer and explain the benefits of bulk purchase of monthly requirements. This allays fears of higher amount on bulk purchase and nurtures customer loyalty, since he or she can get all his requirement at lower prices without compromising on essentials. Retailers are in the best position for bundled offers as compared to FMCG manufacturers. Packaging or naming aptly as 'Recession Proof Pack' and similar attractive jargons to communicate 'bundled offers' will help consumers to comprehend that the retailer is standing with them during difficult times and this will earn consumer loyalty in the long run. FMCG manufacturers involved in multiple product categories such as Unilever, ITC, Godrej, Dabur can also bundle their products as above that can be labelled as 'Recession offer' or using attractive messages will yield long-term returns on brand loyalty.

### **c) MANUFACTURERS' COMBO OFFER FOR RECESSION FOR HIGH VALUE PRODUCTS**

#### **WHAT IS A COMBO OFFER?**

Two products of a same company or two products of different companies combined together and offered at 'lower price' than 'normal price' is called 'COMBO OFFER'. Pizza Corner ties up ice-cream and pizza to offer 'pizza and Ice-cream' at lower price, 'Gold chain with bangles', 'TV with DVD player', 'Refrigerator with Mixie' at lower price are examples. Consumer durables or even jewelry manufacturers can go for 'Combo offers' by combining their brands to suit consumer product requirements and provide more value for money. This will lead to win - win situation as sales can be maintained at the normal level and will lead to brand loyalty from purchaser because of assuaging their financial difficulties in recession. This will be suitable for high value products.

**TABLE 5 : COMBO OFFER**

<b>COMBO OFFER</b>	
TV & DISH TV	Recession proof price Rs.17,000 Normal price : Rs. 20,000
REFRIGERATOR & MIXIE	Recession proof price Rs.22,000 Normal price : Rs. 25,000

### **BUNDLED AND COMBO OFFERS FOR NURTURING BRAND LOYALTY**

Retailers and manufacturers catering to completely recession hit markets can invest in packaging and communication for nurturing brand loyalty among consumers. Attractive, fascinating packaging conveying the message to customers 'we are with you' during difficult times will ensure life long loyalty during normal times. During Dot Com Bust of 2000-2001, Wal-Mart used the phrase 'Every day low prices' that was pertinent to the gloomy situation and the campaign was a huge success. For the current slowdown, 'offers' will yield successful returns if communicated efficiently through advertising messages and packaging. When regular or even occasional consumers of the products realize that marketers 'get it' and assuage their pain or passion, the marketers have succeeded in creating emotional connection that goes beyond mere words giving way to 'emotional marketing'. Ad messages and packaging should assist in communicating 'emotion' to consumer to yield lifelong brand loyalty.

### **BUSINESS CREDIT FOR NURTURING BRAND LOYALTY**

During the Great Economic Recession of 1930's, people were so short of cash that they often were dependent on credit at certain stores. This hard earned trust by providing credit during crucial times of cash crunch by stores made the consumer brand loyal even when economy became normal. Those who lived through the great depression retained this loyalty for their entire lives<sup>1</sup>. Stores which have financial capacity can make 'history repeat itself' to get life long

<sup>1</sup> 4ps Business and Marketing vol-3 , issue 24, pg 54 -57

loyal customers using 'recession' to assuage consumer difficulties.

#### **d) PRODUCT OFFERS WITH FINANCIAL TIE UP WITH BANKS**

It is a 'tricky terrain' for banks and financial institutions to offer loans to consumers and businesses because of risk involved in recovering dues in the present financial predicament. This also provides banks and financial institutions an opportunity to enhance customer loyalty by offering prudent loan offers, thereby easing customers' difficulties.

#### **RECESSION PROOF LOANS (OR) RECESSION SPECIAL PRODUCTS**

Bankers can develop special packages with fascinating names such as 'Recession Proof Loans' by classifying their customers on the basis of their previous records, credibility, asset value etc.

**TABLE 6: CUSTOMER CLASSIFICATION TABLE**

Type of customer	Product	Installment Amount
(1) No risk customers	Loans with minimum Security or no security	Repayment for initial year may be less with higher monthly repayments in second and subsequent years.
(2) Low risk customer	Loans with security ensuring recovery if loan cannot be paid	Repayment may be medium in first year and higher in second and subsequent years.
(3) High Risk customer	Loans within security ensuring recovery if cannot be paid.	Repayment term equal for time period allotted for loan amount.

Bankers providing less monthly repayment for next one year to 'safe customers' will help them manage recession and repayment will not be an issue in normal times for these customers. 'Appropriate Security' will ease risk both for bankers, businesses and customers.

#### **ii) ADVERTISING STRATEGY**

The promotional strategy objective should be 'more bangs for their bucks'. A combination of sales promotion, TV, and Internet is required in an optimal way.

#### **TV AND PRINT AD STRATEGY**

##### **UMBRELLA ADVERTISING**

An organization having a number of brands under a 'single brand name' can go for one elongated ad than separate ads for individual brands in TV and Newspaper. For instance, Maruti, for its different models of cars, can give a single long ad, enhancing company image called 'Umbrella Advertising'. This advertising will be useful for companies having a single brand name for different product categories like 'Airtel' in Mobile phone, Digital TV, broadband product categories and companies having more variants in one product category like Maruti, Tata, Mahindra in the automobile category. 'Umbrella Advertising' will be best suitable for the present scenario.

#### **ONLINE AD STRATEGY**

Established brands in a product category can go for 'Internet ads' for enhancing word of mouth marketing. Viral ads in the form of interesting games, puzzles and blogs will create a buzz around the brand and will lead to rapid word of mouth publicity from one consumer to another at lower costs.

#### **EMOTIONAL ADVERTISING**

Recession hit sectors and markets should be targeted with emotional ads. After appropriate modifications to product offerings to suit recession, communication using emotional ads will result in long term returns from regular customers.

#### **iii) BRAND BUILDING STRATEGY**

##### **a) SHARPER SEGMENTATION AND FOCUSED ACTIVITIES**

Brand building should revolve around sharper segmentation focused activities so that return on marketing expenditure will be high. Virgin mobile's sharper segmentation focused activities on youth segment with the '*think hatke*' campaigns have been a huge hit among the target audience. 'Paying 10 paise for every 60 seconds' of incoming calls on virgin mobile phone, outdoor and online activities in college campuses, movie calls and places where youth

hangout has given a successful launch and initial returns in the crowded mobile segment for Virgin Mobile. This example of sharper segmentation and focused marketing activities can be tried during recessionary times by marketing team of various industries, banking and financial segments to give maximum returns on marketing expenditure and get accolades from top level management with minimum adverse effects.(Think Hatke!)

## b) MARKETING BUDGET APPROPRIATION FOR BRAND BUILDING

### COMPANIES CAN BE CLASSIFIED AS:

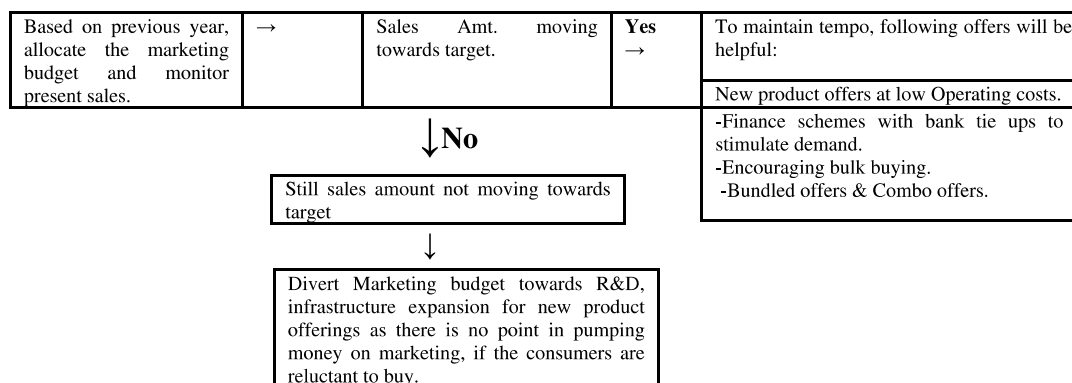
- Companies focused on Domestic brands.
- Companies focused on Domestic and International brands.

### COMPANIES FOCUSED ON DOMESTIC MARKET WITH DOMESTIC BRANDS

After allocation of marketing budget based on previous year, actual present sales should be monitored. If sales are moving towards targets, tying up with banks to help consumers get loan amount to buy products will assuage financial difficulties and this may yield results. Tata Nano's tie up with State Bank of India and other banks for financial assistance for consumers is a good example of making a product a success in not so easy market situation. Encouraging bulk buying, bundled offers, combo offers and New product launches at low operating cost can be tried appropriately to maintain sales tempo. If sales amount is not moving towards target marketing, the budget can be diverted towards R&D and infrastructure expansion. This will yield higher returns once the market becomes normal since there is no point in pumping money when consumers are reluctant to buy.

### PICTURE 1 : MARKETING BUDGET APPROPRIATION

#### Companies focused on Domestic Brands



### COMPANIES HAVING DOMESTIC AND INTERNATIONAL BRANDS

In the present scenario, companies will be prudent while allocating marketing budget on brands for the international market. If desired sales target cannot be achieved in international markets, a huge chunk of the marketing budget can be diverted to brands in the domestic market. As the situation is comparatively better in India, domestic brands will yield cash flows for business. Excess marketing budget along with capital at low-cost can be utilized for R&D, infrastructure expansion in domestic markets, assembly units and logistical units in foreign markets. This will yield higher returns for the organization after recession is over.

### DABUR EXAMPLE

Dabur's honey and hajmola brands are well sought after in foreign markets, but because of the present market predicament, the company moderated its marketing expenditure on these brands and focused on Real (Juice brands) in India. This increased its market share in the domestic market, which negated revenue loss in foreign markets.

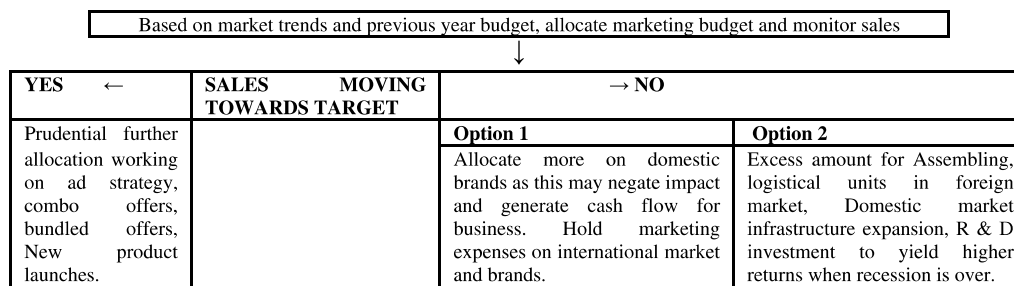
### EMIRATES EXAMPLE DURING 9/11

Post 9/11, most airlines honchos cut marketing budgets and investment budgets. Salaries froze because of the gloomy scenario. In face of that scenario, Mr. Ahmed Maktoum, Chief Executive and Chairman of the Emirates Group, ordered \$ 26 billion worth of aircrafts and also upped the marketing budget. Emirates has not seen a drop of red ink



since then. Though marketing budget augmentation is not sensible in the present market predicament, success based on infrastructure expansion for future can be a good move.

## PICTURE 2 : MARKET BUDGET APPROPRIATION COMPANIES FOCUSED ON INTERNATIONAL AND DOMESTIC BRANDS



### OPTION 2

This will be suitable for most affected sectors in India such as textiles, IT, automobile and for similar sectors abroad. These sectors should also try to augment domestic market consumption by developing products suitably as an intermittent arrangement till recession is over. India's tea industry is a good example in this regard; tea consumption in India increased in recent years as compared to previous years. In 2008, 793 million kgs of tea was consumed in the domestic market out of production of 980.8 million kgs<sup>2</sup>. This reduced the pressure to export and increased the profitability of the tea industry. This strategy may be tried by export oriented sectors. Identification of new opportunities in international markets (not adversely affected by recession) can be tried by possible sectors.

### c) POSITIONING CHANGES TO CATER TO NEW MARKET SEGMENTS

#### PREMIUM BRAND OFFERINGS TO LOWER MARKET SEGMENTS USING FLANKER BRAND STRATEGY

Recession has not had a major impact on the rural and middle income market segment because of the sixth pay commission, rural employment guarantee scheme and farm loan waiver scheme of the government. Companies can try Flanker brands (Additional brands in same product category) or line extension (New model, variant of existing brand) for the above market segments. LG white goods major was hit by decline in consumer spending in urban areas. This hitherto premium brand is rolling out a line of entry level products for the rural market and middle income group. Using Flanker brand strategy, companies may negate adverse impact of these entry level products affecting premium image or positioning for other market segments. For example, Sony Vega is positioned as an entry level brand while Sony Braveia is for the premium segment. This Flanker brand strategy by various recession hit industrial sectors will yield sales from market segments not much affected by recession, without harming their brand image in the long term.

#### PSU BANKS POSITIONING CHANGE OFFERINGS TO URBAN AND CORPORATE CUSTOMERS

Bank customers in urban and metros have apprehensions regarding security of their savings in the recession scenario. Utilizing this as a market opportunity, SBI and other PSU banks launched an ad campaign, "Banker for every Indian" that was specially targeting the metro audience. Public sector banks' deposit share declined from 92% in FY 1991 to 73.9% in FY 2008. In advances, share of PSB fell from 92% to 72.5% in the same period<sup>3</sup>. These losses were mostly in metros because of the dominance of the private and foreign banks in these areas.

This positioning change will help PSUs recover the lost ground since their USP is 'Safety and Security' from yesteryears. Thus, shift in positioning using emotional advertisements for attracting market segments affected by recession in metros and other areas can be tried by various sectors; ensuring safety and security is the key, particularly for long term and higher investment amounts.

### iv) NEW PRODUCT LAUNCHES

Companies that are able to launch new products on low operating costs, particularly in the international market, will

<sup>2</sup> THE HINDU

<sup>3</sup> 4p's Business and Marketing Vol-4, Issue-4, pg-73-75

reap higher benefits. 'Reva' India's successful electric car launched in Europe is good example of a timely launch. As consumers look for models that are fuel efficient, have low maintenance cost and serve the purpose of utility (like 'Reva'), the car has a good opportunity in present circumstances in the European markets. 'Tata nano' can be considered as a good example for the Indian market.

All the marketing strategies discussed above such as bulk buying, bundled offers, combo offers, brand building strategies, new product launches will help marketers to provide 'good deals' and not necessarily 'cheap deals'. This won't harm brands and their brand image in the long run. Communication strategies should ensure that these offers help the consumers to meet their purchase requirements and satisfy their needs even during 'recession'.

## CONCLUSION

India's GDP predictions for 2009–10 varies from 5% to 7% by various statistical sources. Markets in India and around the world are eagerly waiting for normal times to return to continue the growth story of recent times. Now the onus of responsibility is on financial experts, leaders in India and abroad to move their stake holders to safety. Strategies similar to those elucidated above scripted by academicians, researchers, knowledge and functional experts, if deployed appropriately, will help stakeholders navigate and tide over the recession resulting in 'paisa vasool', 'value for rupee', 'dollar collection', 'cash cows after recession' for all.

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