

REVENUE OPTIMIZATION REPORT



REDROVER
SALES & MARKETING STRATEGY



Our economy has catapulted into sudden uncertainty. Seemingly overnight and without warning, we've witnessed one of the most historic events of our time. The unemployment rate has soared. People are holding onto their dollars more tightly resulting in a severe lack of consumption. Product inventory has piled up in warehouses and on backroom shelves. Businesses in droves prepare to file for bankruptcy. The doom worsens. Cautious consumers are spending even less. It's a quintessential snowball effect of consumer fear that has sent our economy – whether it be an economic downturn or a recession – into an abrupt standstill. The standstill is yet worsened by common myths that begin to circulate the world's executive offices when the first signs of economic trouble hit. These myths incite misguided, business-halting thoughts that ultimately put companies (and the overall economy) in even worse places.

With all of the consumer fear, hovering myths and overall uncertainty of our world, how can you, a business leader, navigate the unsteady waters of a recession and emerge financially stronger than before? The simple answer is to keep investing in your business. These precarious waters are navigable, and it all starts with you. While your less innovative counterparts are sitting on their advertising and marketing dollars, you can (and should) get a leg up on them by investing in advertising to grow your market share and to convince consumers to stop postponing some of those purchases that will stimulate the economy forward.

The first step is to refute the business-destroying myths keeping the economy at a downturn.

At RedRover Sales & Marketing Strategy, we're an agency driven by results and fueled by research – we eat research for breakfast every morning. As such, the strategies in this report are backed by facts and data. We'll reveal the strategies and benefits of leaning into marketing and advertising when many of your competitors are leaning out. This report will help you leverage cash reserves during times of economic uncertainty, so that you can cash in on opportunities that your competitors are creating by halting their own marketing efforts and essentially vanishing from the market.

When everyone else is running out of the water screaming “SHARK,” company leaders with the courage to swim against the current will see an impressive payoff as the market re-ignites. The payoff may not be instantaneous, but it will be exponential and a vital move for your company's longevity. Here are a few key power-moves that successful businesses are making, along with research to back them up.

In order to thrive, don't believe the myths you hear.

Let's dive in!



Myth 1: Advertising and Marketing are Non-Essential Expenses

We know this isn't true. It's in the name "marketing," right? We're bringing products and services to the market (to the ideal customer) when we engage in marketing. That's the opposite of a non-essential expense. If you have a great product, you don't just let it collect dust on a shelf in your store waiting for a consumer to come along and buy it. You push out the product to as many target customers as you can. This doesn't change in a recession; it becomes even more important.

With this said, we're not blind to the fact that it's a difficult time. Sometimes companies are forced to do the bare minimum to stay afloat. If you're in this boat, at least keep your current core marketing in place. Don't pull out of the game completely; that's a huge mistake many companies are making right now. This causes you to virtually vanish from the market, and if/when your consumers do decide to go forward with a purchase, you won't be there to fight for that purchase. Your competitor might be there.

If you're in a different boat, the data points to a strategic move: if you've got the cash reserves to do it, make the most out of your recession opportunities by increasing your marketing investment by 20% or more to yield the greatest results. When your consumers do decide to go through on that purchase, you'll be there waving them over to your company.

Empirical data has consistently shown that when companies cut marketing budgets, those companies are the slowest to recover from a recession. We see it all of the time. Take a look at the research in the next section.

The Facts: Profit Impact of Marketing Strategies (PIMS) database studied the effect on Return on Capital Employed

(ROCE) with increases, decreases, and no change in marketing during the Great Recession, December 2007 to June 2009. Here are some of their findings:

- Companies who increased marketing saw significantly higher ROCEs and gained market share (1.3%) post-recession.
- Companies that cut marketing budgets take much longer to recover, and this budget decrease further reduced sales and market share.
- Companies that keep or increase their marketing during a recession gain footing on their competitors because on average consumers spend 9% more at the end of a recession than they do at the beginning.
- By the time competitors come back into the market, ad space is more expensive, their message is being delivered in a crowded space.
- Companies that increased marketing by 20% or more saw the biggest growth as the recovery began.

The research concluded that recessions provide a unique opportunity for companies to differentiate themselves by taking advantage of reduced advertising costs and a decrease in brand exposure by competitors.

It's an opportunity you don't want to miss.



Myth 2: My Customers Will be the Same When Things Return to “Normal”

Let's face reality. Your customers will probably not return to the same outdated 2019 version of normal. Take for instance consumer response after the Great Recession. We still haven't returned to 2007's version of normal, right? In fact, studies show that The Great Recession shaped an entire generation. The purchasing power of millennials was greatly impacted by what they experienced in 2008. Comparatively, we never went back to checking in at the airport gate after 9/11. Whether for good or bad, events change us permanently as a society.

The Facts: Companies that outperformed their competition used a combination of defensive and offensive plays that gave them about a 37% higher chance of standing out among their competitors. Here are some of the tactics we researched that show just how they did that:

- **Reduce debt:** In 2019, the Harvard Business Review published research on the behaviors of companies that both failed and thrived during the Great Recession. They stated that as the recession progressed, the truly resilient companies put their energy into investment-planning and operations in addition to pursuing continued earnings expansion. When the recession was at its tipping point, those companies had since reduced their debt by more than \$1 for every \$1 of total capital on their balance sheet. In comparison, the less successful competitors had added more than \$3 of debt.
- **Trim the fat:** Divest early on underperforming products or services. Harvard research showed that 25% of all deals that companies who found success during the recession struck between 2007 and 2009 were divestitures, compared with 18% that ultimately struggling businesses made.
- **Reallocate your resources:** Shifting finances, talent, and executive attention to where they will deliver the most value to your company are known as “dynamic resource reallocation.” In a study provided by McKinsey & Company, the research found that 83 percent of senior executives identify it as the top management lever for spurring growth. Shockingly, a third of companies surveyed reallocate a measly 1 percent of their capital from year to year at an average of 8 percent. You can see pictured below what a staggering gap that leaves between dormant and dynamic approaches.
- **Improve on company-wide productivity and efficiency:** Reconsider how time and money is being spent, and evaluate if these are the best routes to making it out of a recession alive and well. Layoffs, while not ideal, may be one action you need to take to make these improvements.
- **High-value customers were key for post-recession growth:** Give these customers your attention to maintain their loyalty. This is the time to make those human connections and build brand loyalty. Be transparent, be flexible, and always express what value their partnership holds for your entire team.
- **Maintain regular prices:** A seemingly quick fix like drastic price reductions can hurt the brand in the long-term. A decrease in prices now makes it nearly impossible to return to regular prices later. Give your customers a consistent expectation.
- **Invest in assets:** Invest early on and use research to your advantage for your potential investments. Consider how an investment benefits the long-term goals and health of the company, not just during the recession period.



Myth 3: It's Time to Play Defense, Not Offense

It doesn't matter if you're a CEO or lower on the totem pole — times of economic downfall call for a brave face and newly-envigored work ethic like never before. As a business leader, your team depends on you to not only tell them everything is going to be ok but actively roll up your sleeves and tell them how it's going to be ok, which means giving them actionable steps to get to "OK." It's time to put everything you've got into being that progressive leader your company desperately needs right now.

After the Great Recession leaders had the highest probability of widening the lead post-recession when they implemented defensive moves that ensured short-term financial sustainability, and at the same time were focused on offensive moves that had a long-term benefit. It's about playing the whole game in the most strategic way.

Being a progressive leader often means going out of your comfort zone, which is something your team will only be able to do if they see you leading the charge. By leaning into new territory, your company may not experience significant growth during the recession, but significant benefits will be seen after the recession ends. Ensuring your stability, longevity and ultimate growth post-recession is where we're at right now.

The Facts: Across the history of economic recessions, there are those who survived and those who thrived. What did some of those success stories look like? Here are some of the largest brands in the world who turned bad luck into an opportunity for innovation:

- Ford lacked innovation and efficiency like many American auto manufacturers in 2006 — at least until Alan Mulally took over as CEO. Through the worst of the recession,

Mulally invested heavily in rebranding, manufacturing upgrades, and R&D. Ford achieved an astonishing turnaround with stocks trading at roughly \$17 per share at the time of Mulally's announcement to retire in 2014 up from \$1 per share when he walked in.

- Just 10 days after 9/11, GM launched a gutsy ad campaign called "Keep America Rolling," combining a pro-America pitch with a zero-percent financing offer to help stimulate the economy. The automaker broke sales records in October of that year and closed out the second-best year on record for the company to date.
- Amazon got ultra-aggressive with advertising in the middle of the 2008/2009 recession and grew sales by 29 percent in 2008 and 28 percent in 2009 when competitors were losing money. Its stock declined by 8 percent from December 2007 to June 2009, but it outperformed the S&P 500 which dropped 36 percent during this same period.
- Netflix increased its stock value by more than 150 percent from January 2008 to January 2010 by listening to customers, delivering a product they actually wanted, and investing heavily in marketing when fledgling competitor Blockbuster wasn't. In the current economic crisis, the brand is again investing heavily in advertising — promoting its original content through a series of attention-getting spoilers.



Next Steps

We know that the executive grind doesn't wait for a pandemic and doesn't stop when things get "easier." You're in this race to the top every day and need every tool at your disposal to make strong strategic decisions.

When we hit the "new normal," you and your team want to research, pivot and dive into this new sales world with confidence. RedRover Sales & Marketing is working with teams across all industries to aggressively target new opportunities amid the current economic climate. Let RedRover help you do that with customized research relevant to your company.

We have a vast amount of research that is readily available. If anything in this report resonated, we'd love to present you with a customized research report. This report will expand upon the tactics referenced above and place them in the context of your industry, market and location.

If you're interested, please fill out the survey to see if you qualify for this custom report at no cost to you.

When you fill out the survey, you'll hear back from us within 48 hours if your industry falls within our database of research on economic history, trends and recovery information.

