

# Marketing and Decision-Making in 'Recessionary' Times



The author, Karl Preuss, is national sales manager for Vista Information Services, a group within Activant Solutions Inc.

Competing during these challenging economic times of declining new housing starts, slow sales of existing homes, high energy and commodity costs, rising unemployment and signs of inflation tests the mettle of senior management as they work to meet their earnings plans and commitments.

Traditionally, this is a time when one would anticipate seeing companies introducing cost-cutting measures in an effort to meet their objectives. Many companies, in fact, already have or are currently pruning their budgets throughout their organizations. These measures often include reducing their marketing and sales budgets.

However, there are a number of companies in several industries doing just the opposite, because they believe that "recessions" are an opportune time to grow their businesses, both in the short term and the long term. For example, Mark-Hans Richer, chief marketing officer at Harley Davidson, stated the following in the January 14, 2008, issue of *Ad Age*: "our belief is that spending through a market downturn creates competitive advantage for the market upturn, and an extra dollar spent today has extra dividends for tomorrow."

In the similar manner, such package good companies as Colgate-Palmolive, Energizer, Kellogg, Kimberly Clark, Kraft

Foods and Procter & Gamble all have increased or, at a minimum, held constant their advertising budgets for 2008.

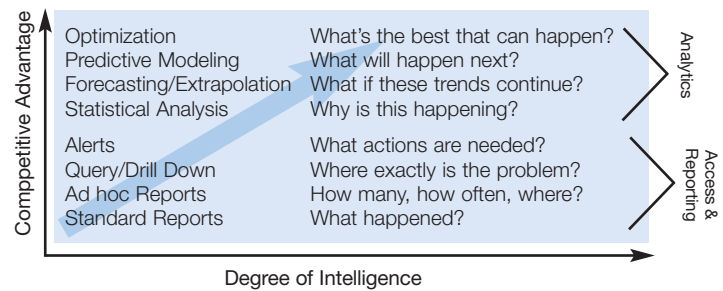
Part of their rationale for taking this aggressive course of action is to continue to be in front of their customers while emphasizing the features and benefits of their individual brands.

Ram Charan, a noted management consultant, offered this suggestion in an article in the February 18, 2008, issue of *Fortune* magazine. "Keep Building—when the top line looks shaky and the bottom line looks worse, the temptation is to go after discretionary spending. Fine—but do not consider product development, innovation and brand building optional. Sacrificing your future for a slightly more comfortable present is not worth it. If you keep building, you can come back strong."

Regardless of whether or not you agree with this aggressive approach of increasing your budgets during this period, I think all would agree that recessionary times do increase the need for better business decisions. The margin of error is slimmer and it is harder to absorb the costs/impact associated with improper and/or poor business decisions.

This leads one to conclude that recessionary times call for decisions to be based more on facts and higher-quality information and less on feelings and intuition.

Ram Charan, in the same article, recommends companies "communicate intensively. Get information from where the customer action is and get it to the



operating people—fast. Companies should do so routinely, of course. But they don't. It is counter-intuitive but true that when the economy slows down, the pace of decision making has to speed up, because you can't put off the tough decisions anymore."

Taking fact-based decision making to the next level in your organization can be accomplished. In their book, "Competing on Analytics...The New Science of Winning," authors Thomas Davenport and Jeanne Harris state that the use of data has shifted dramatically and that some companies have established analytics as a sustainable competitive advantage.

This shift has been seen in a wide range of industries and companies. Examples cited by these authors include:

- Consumer products: Anheuser-Busch, Mars, Procter & Gamble
- Financial Services: Barclays, Capital One, Royal Bank of Canada
- Hospitality & Entertainment: Oakland A's, Harrah's, Marriott
- Industrial Products: CEMEX, John Deere
- Pharmaceuticals: Solvay, Vertex
- Retail: Amazon.com, JC Penney, Wal-Mart
- Transport: FedEx, Schneider National, UPS
- E-commerce: Google, Netflix, Yahoo

*Continued on page 23*

## Capital Line

*Continued from page 22*

an accelerated process for standards improvement; incentives for health care providers to encourage adoption of Health Information Technology and incentives for states, communities and other entities to develop Health Information Exchanges; a federal focus on consumer empowerment through patient education about electronic health records and quality of providers; and federal leadership to resolve critical policy issues such as privacy and security as this life-saving system is being deployed.

The president referenced the issue in his State of the Union and it would seem like a “no-brainer” for Congress to pass it, but as the expression goes: “it has been tough sledding.”

Like most aspects of the health care debate, the relationship between health care and technology is a complex one, but at some point, we have to force ourselves to deal with the tough issues.

## Vista

*Continued from page 21*

Their rationale for increasing the use of analytics is very compelling and includes:

1. “At a time when companies in many industries offer similar products and use comparable technology, high performance business processes are among the last remaining points of differentiation.”
2. “Many of the previous bases of competition are no longer available. Unique geographical advantages don’t matter in global competition and protective regulation is largely gone.”
3. Proprietary technologies are rapidly copied, and breakthrough innovation in products or services seems increasingly difficult to achieve.”
4. “What’s left as a basis for competition is to execute your business with maximum efficiency and effectiveness, and to make the smartest business decisions possible.”

5. “And analytical competitors wring every last drop of value from business processes and key decisions.”

The authors describe a spectrum of analytics with the diagram below. “Analytics encompasses the extensive use of data, statistical and quantitative analysis, explanatory and predictive models and fact-based management to drive decisions and actions.”

The purpose of this article was to describe alternatives to competing in recessionary times. I would close by asking how aggressive is your company during these challenging times and to what level is your company competing on analytics?

There are a growing number of companies that are competing successfully with these aggressive and analytical approaches to their businesses.

## Acquisition Decisions

*Continued from page 19*

Managers make more effective strategic choices when they define their decision criteria clearly. Experienced acquirers such as Emerson Electric, Tyco, Cisco and General Dynamics all employ a well-defined set of criteria for evaluating candidates, evaluating alternatives and developing a common understanding of the rationale for a particular acquisition. Successful acquirers do not judge target firms based solely on financial criteria, such as return on investment or impact on earnings per share. Instead, they establish strategic, organizational and financial criteria for screening target firms. Potential acquisitions must fit a well-defined competitive strategy and be

compatible in culture and values. In addition, the acquisition must generate attractive financial returns.

Successful managers also encourage healthy debate. This generates multiple alternatives and ensures that everyone probes assumptions more critically. When executives arrive at a decision to acquire another firm, they might wait a short time and reconvene the management team to reconsider the decision.

Managers will make more effective acquisition decisions if they identify and evaluate key contingencies and risks. Overconfidence can cause managers to underestimate the difficulties and risks associated with acquisition integration. They need to engage in contingency planning while they evaluate the attractiveness of an

acquisition candidate, rather than wait until the deal is done.

More effective decision-making processes will result in smoother integration and reduced operating costs. Flawed decision-making will lead to a poor match between acquirer and target, difficult and expensive integration and low returns for shareholders. By improving how you make acquisition choices, you can ensure that future deals result in more beneficial outcomes for all stakeholders.

*Michael A. Roberto is a professor at Harvard Business School. He can be contacted at 617-495-5011 or [mroberto@hbs.edu](mailto:mroberto@hbs.edu). Reprinted with permission of Leadership Excellence, 801-375-4060, [www.LeaderExcel.com](http://www.LeaderExcel.com).*