

## Lessons from the Recession: How to Mute the Impact of the Next Downturn by Investing in Marketing Intelligently Today

By Sam Brown, Susan Buddenbaum and Bernie Thiel

There's no doubt the current economic downturn has been difficult for virtually all businesses, including professional services organizations. But the impact of the recession has not been consistent across all companies. In fact, a recent Alterra Group survey found that a number of professional services firms actually held their revenue steady or even increased it in the past 12 months. Our research further found that these companies had distinctly different marketing practices and priorities than professional services companies whose revenue declined in the past year. In this white paper, we discuss the lessons professional services marketers can learn from the current recession and what they can do to build a solid marketing foundation for future success, regardless of economic circumstances.

The sheer depth and length of the 2008-2009 recession has made things more difficult for all companies, including professional services organizations. To understand how the recession has affected the marketing function at professional services firms, Alterra Group conducted an online survey, which was completed by 105 professional services marketing and business development leaders from the United States and abroad in April 2009.

Our survey focused on how the recession has impacted marketing budgets and priorities, as well as which marketing strategies and tactics are enabling some professional services firms to grow or maintain their revenue in spite of the economic downturn. Our objective was to understand the lessons professional services marketers can learn from the current recession to better prepare for future downturns.

### The Recession's Impact on Marketing Organizations

Nearly half of the respondents to our survey expected to generate less revenue in 2009 compared with

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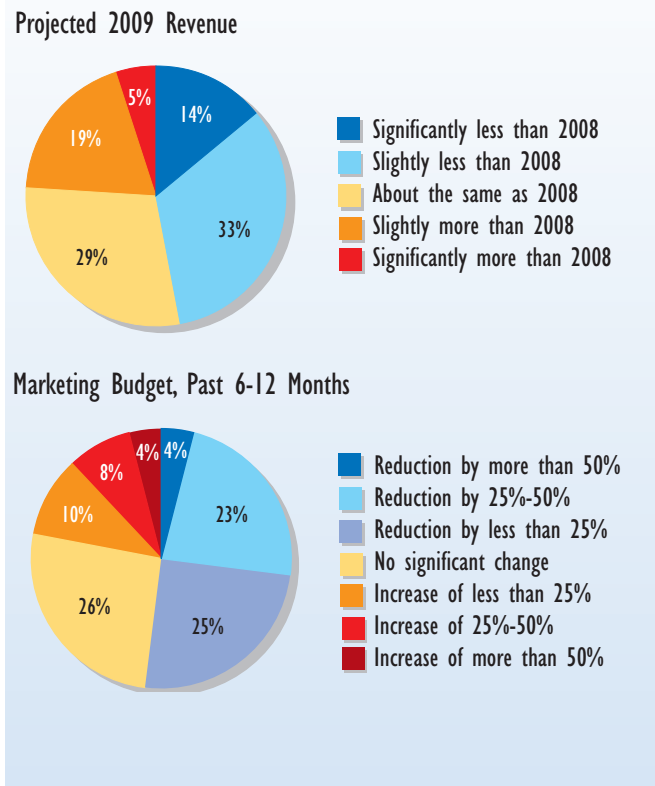
2008. More specifically, 47 percent projected slightly or significantly less revenue in 2009, 29 percent said revenue would be the same, and 24 percent said it would grow.

As goes revenue, so go budgets: 53 percent said their budgets had shrunk in the past six months to a year, 26 percent said their budget was the same, and 22 percent said their budgets had grown (Figure 1). And 33 percent of respondents reported layoffs among the marketing staff, while 57 percent said their marketing

organization had not made any significant change in headcount. The remaining 10 percent had experienced growth in resources.

Many respondents whose budgets were cut indicated that rather than making unilateral cuts to all areas of marketing, they selectively targeted areas the company has chosen not to pursue as aggressively. For instance, they fully funded the portfolio of services the company wants to grow over the long term and reduced support for mature or declining services. In a similar approach, marketers reported reducing investment in countries, regions or industries less strategic to the company's

**Figure 1:**  
Impacts of the Recession



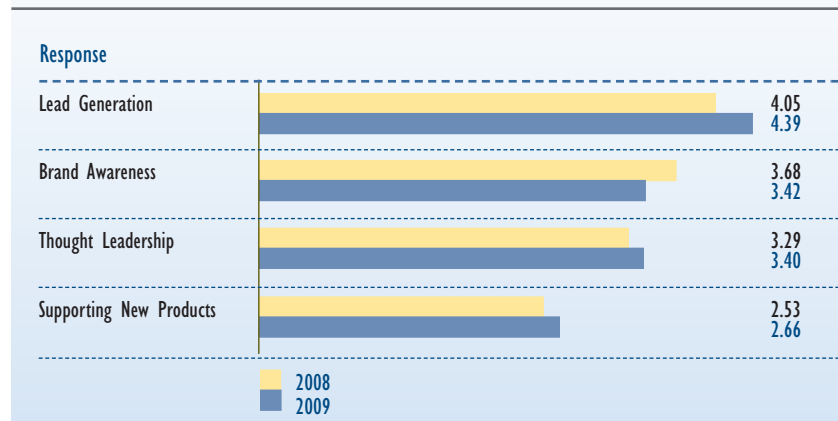
growth. And, many respondents volunteered they have increased their focus on marketing to current clients to shore up existing revenue through client retention and to expand relationships into new revenue opportunities.

### Shifting Priorities and Marketing Vehicles

During the current recession, lead generation and thought leadership have become more important to survey participants while brand awareness has declined in importance. In fact, lead generation was the highest priority for all respondents in 2008 and remains so in 2009.

Brand awareness was the second-highest priority in 2008 and is in the same position this year, albeit with a lower mean importance score. Thought leadership is tied for second this year with brand awareness (Figure 2).

**Figure 2:**  
Top Marketing Priorities, 2008 and 2009



This downward shift in brand awareness is not surprising. In difficult times, it is relatively easy for CEOs and CFOs to make a strong case for shifting marketing investments with longer-term paybacks (such as building brand awareness) to more sales-oriented programs that generate returns in the short term (such as lead-generation programs). However, this research and our experience suggest that in doing so companies risk compromising, among other things, the overall awareness and health of the company’s brand and making themselves more vulnerable to future competitors.

We also saw changes in the vehicles respondents plan to use to help them achieve their marketing priorities. This year, targeted direct marketing and written materials such as websites, points of view and client case studies are generally the most important (Figure 3). In fact, 67 percent of respondents increased their efforts on revamping website copy and collateral in the past year and 58 percent increased their use of targeted direct marketing campaigns tailored to specific industries or clients.

Conversely 70 percent of respondents either reduced or held constant their use of firm-sponsored events in the past year—typically a very effective professional services marketing vehicle. We presume this is largely because of the high expense associated with such events and significant travel restrictions placed on many target buyers. However, the majority of respondents (58 percent) plan to increase use of firm-sponsored events when the recession ends.

While blogging has seen increased use as companies experiment with this marketing channel, it remains the third-lowest priority for professional services marketers. Finally, neither online nor print advertising are highly valued marketing vehicles for survey participants,

nor do they appear to be gaining significance.

These findings reinforce the conclusions drawn from past Alterra Group research as well as our experience: that professional services, which are typically complex and largely intangible, generally do not lend themselves easily to being marketed via such channels as advertising and blogging due to space constraints (i.e., they are “low-bandwidth”). Instead, professional services marketers agree they need channels that enable them to more expansively discuss their approach to solving business problems—i.e., “high-bandwidth” channels—and, thus, tend to view such things as websites, printed collateral, POVs and other written materials as more important.

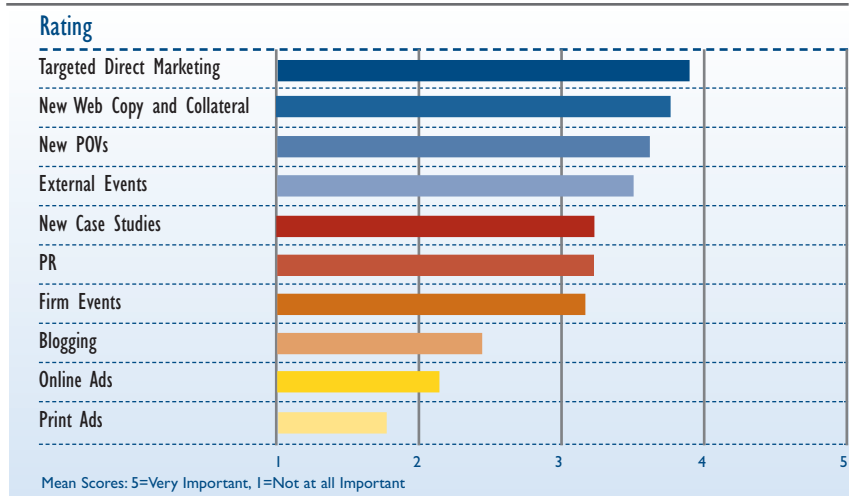
### Considering Revenue, Compelling Differences Emerge

Beyond the preceding high-level results, we also uncovered some interesting findings that provide some insight into marketing practices that could help lessen the impact of a downturn on an organization’s overall financial performance. Indeed, our survey uncovered several compelling patterns in the answers of the roughly 50 percent of respondents whose companies have maintained or grown their revenue so far in 2009 (the “leaders”), especially when compared to the responses of those whose companies have not (the “laggards”).

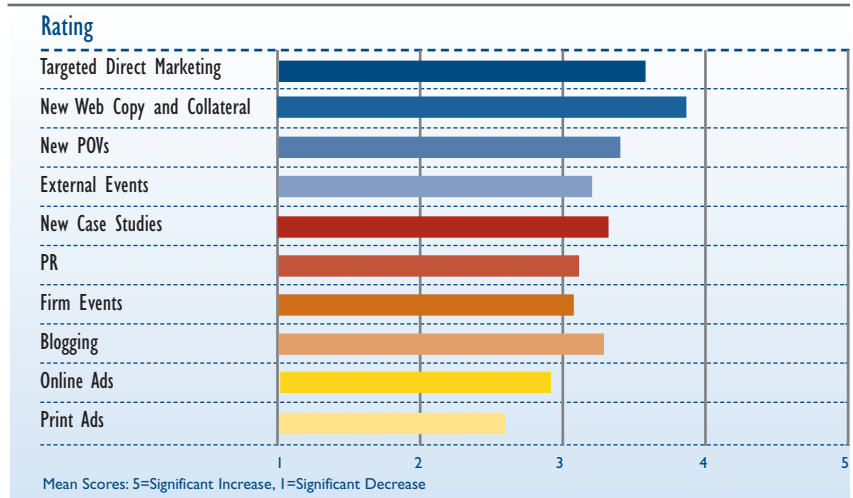
At a high level, leaders demonstrate a commitment to balance. In 2008, these organizations spread their resources more evenly across lead generation, branding, thought leadership, and new product introductions than laggards did. And in 2009, leaders are making far less dramatic shifts in their marketing priorities and preferred marketing vehicles than laggards are—thus maintaining the overall balance that is carrying them through one of the most difficult economic periods in recent history.

For example, for 2008 leaders gave an average priority rating of 3.8 out of 5 to lead generation, versus 3.3 for branding and thought leadership and 2.8 for supporting new product introductions.

**Figure 3:**  
**Relative Importance of Marketing Vehicles**  
**CURRENT IMPORTANCE**



### CHANGE IN USE IN PAST YEAR



In contrast, for the same time period, laggards were more heavily focused on leads (4.1) and branding (4.1) at the expense of thought leadership (3.3) and new products (2.4). In other words, while leaders emphasized all four priorities in more equal measure heading into the recession, laggards were much more narrowly focused on leads and brand building (Figure 4).

In addition to having different priorities heading into the recession, leaders have made different moves in response to it. Many marketers would agree that it is far more difficult, more costly and less productive to attempt to create leads and sales meetings at companies with which their organizations have no brand recognition, perceived expertise or relationship. And yet, the pressure to generate near-term revenue appears to have caused laggards to default to this very approach.

For instance, while both leaders and laggards agree that lead generation is more important today than it was last year, it is more important to laggards than to leaders (an average rating of 4.5 and 4.2, respectively, out

of 5) (Figure 5). This is understandable, given that laggards—facing a shrinking pipeline—likely feel more pressure to quickly “move the needle” than leaders do (in many cases, simply to survive).

However, laggards in 2009 also are making much larger and different shifts than leaders in the other components of their marketing strategies. For example, laggards say building the brand is 19 percent less important now (versus 4 percent more important for leaders), and new product introductions are 22 percent more important (versus 11 percent less important for leaders). Laggards also say that thought leadership is not any more important today than it was in 2008, while leaders think it is 3 percent more important.

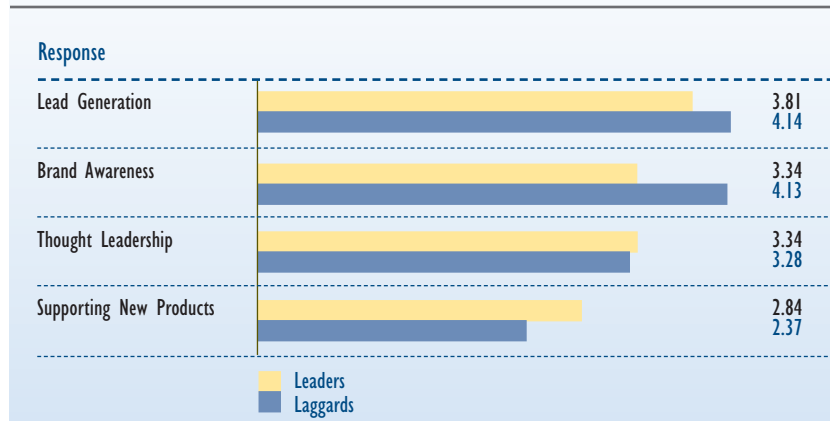
In sum, laggards are shifting the focus of their marketing resources to those activities deemed closest to near-term revenue generation, namely new products and lead generation, at the expense of brand awareness and thought leadership.

We believe leaders have had more success with revenue this year because their approach has more consistently supported the complete process of marketing professional services: Build awareness, create relationships, and find opportunities (Figure 6). This process is effective because it matches how professional services buyers select their suppliers.

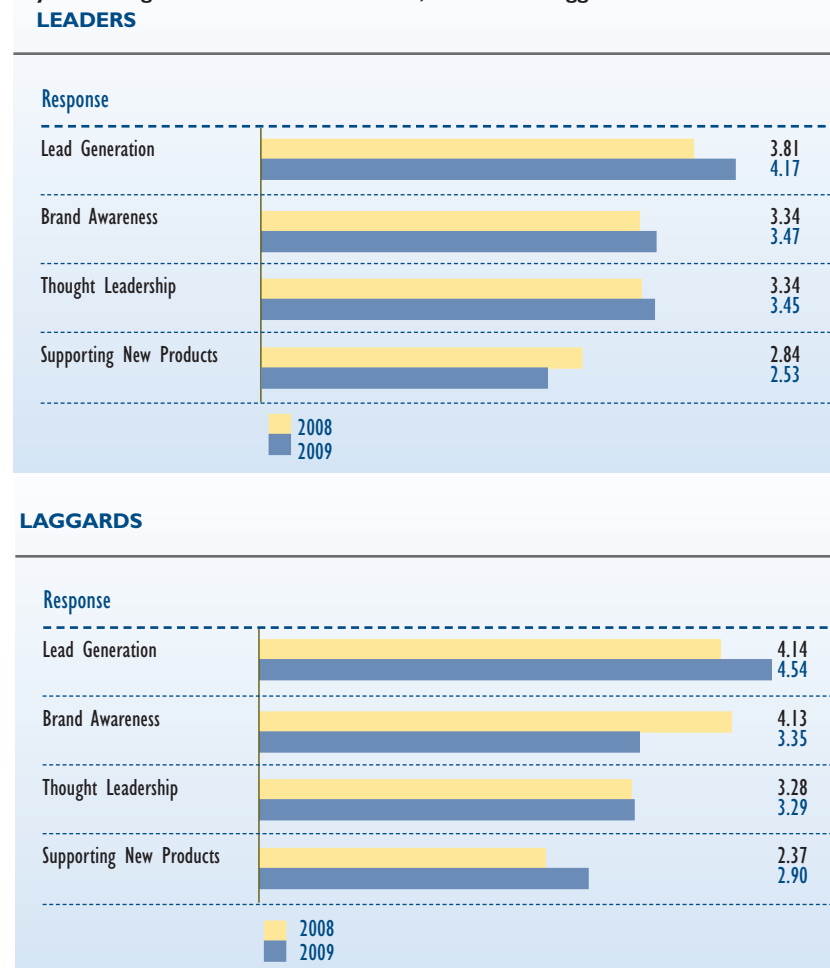
First, prospects must be made aware of a firm and be given the chance to sample its expertise through such things as articles, websites and collateral pieces that offer high-level views of what it can do.

If the executive is interested enough in the firm, he or she then will seek out proof of the firm’s capabilities, which is provided by such things as in-depth case studies, POVs, webinars and events that give executives the chance to learn the firm’s perspectives on solutions to problems without committing to any further discussions. Finally, if the proof is compelling enough, the target executive will want the chance to talk to the firm’s experts live about their capabilities, which provides the opportunity for them to sell new work.

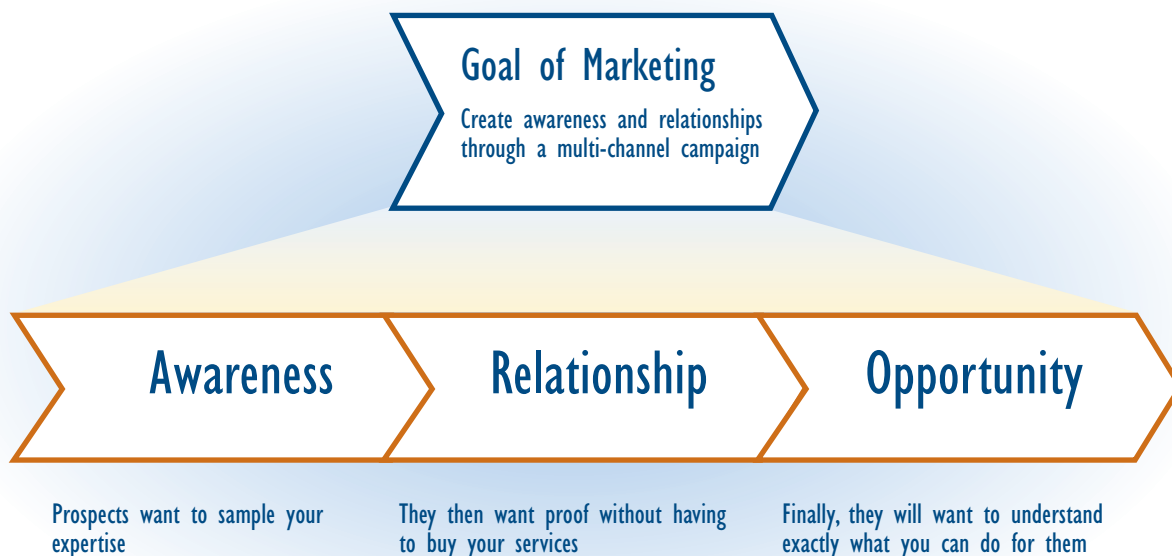
**Figure 4:**  
Key Marketing Priorities in 2008, Leaders vs. Laggards



**Figure 5:**  
Key Marketing Priorities in 2008 and 2009, Leaders vs. Laggards



**Figure 6:**  
**The Process of Marketing Professional Services**



In short, selling professional services is a process, and our study reveals the simple truth that companies that either increased their revenue or held it steady through the downturn did a better job of consistently supporting that full process with marketing. The research also shows that a sales-driven model in professional services may work in good times when organizations are essentially “taking orders,” but leaves firms vulnerable when clients become more discerning about the providers they work with. When times are tough, clients tend to choose providers that, in their minds, have the deepest expertise solving the business problems they face and therefore offer the greatest trust that the work will generate its targeted return on investment. This expertise must be proven over time—via compelling case studies and research- or experienced-based POVs—not simply proclaimed in sales literature and ads.

### **Different Strategies, Same Tactics**

While revenue leaders and laggards have very different marketing priorities, the vehicles they plan to use to pursue those goals are remarkably similar. For example, both are most focused on revamped website copy and collateral, direct marketing campaigns, and new POVs that showcase their expertise. In addition, both leaders

and laggards are least focused on blogging and advertising.

However, some interesting differences did emerge between leaders and laggards. For example, laggards gave higher importance ratings than leaders did to developing new POVs, sending subject matter experts to external events, conducting firm-sponsored events, developing new case studies, and blogging. In contrast, leaders gave relatively higher importance ratings to refreshing website copy and collateral pieces. In other words, with a couple of notable exceptions, laggards think everything is more important than leaders do, and they appear to be scrambling to utilize as many marketing vehicles as possible. Such an approach borders on “throwing things at the wall to see what sticks” which, in our experience, rarely if ever results in marketing programs that generate sustainable, positive results. Furthermore, given the fact that 59 percent of laggards have had budget cuts—versus 46 percent of leaders—it is likely that many will struggle to devote enough resources to all of these marketing activities to make them effective.

### **Conclusion**

As we conducted our research, numerous observers began claiming the current recession has

reached the bottom and that companies should begin preparing for the upturn. Of course, no one knows for sure if that is true. But what we do know is that in good times or bad, professional services organizations need marketing that is focused and consistently supported—not marketing that is done “when we have money.”

Today, organizations that are struggling to fill their pipelines absolutely must focus on short-term lead generation, as most are doing. However, as they begin thinking about how to rebuild or reinvigorate their marketing capabilities when the rebound does occur, professional services firms should remember that our research found professional services buyers are choosing to hire firms that have held constant on two fronts: main-

**What we do know is that in good times or bad, professional services organizations need marketing that is focused and consistently supported—not marketing that is done “when we have money.”**

taining a balance of marketing strategies that support brand building, thought leadership and lead generation; and prioritizing marketing vehicles that demonstrate expertise, not just proclaim it.

Doing so ensures marketing is continually building awareness with new prospects, enabling those prospects to sample the firm’s capabilities and expertise, and generating enough opportunities to sell new work, no matter the economic climate. ▲

### Authors

*Sam Brown is consultant with Alterra Group. Bernie Thiel and Susan Buddenbaum are founding partners with Alterra Group ([www.alterra-group.com](http://www.alterra-group.com)).*



Alterra Group helps professional services organizations raise awareness of and create demand for their services among key target audiences. We do this via three principal services: developing unique points of view, articulating those points of view in a variety of publications, and building powerful marketing campaigns around the content in those publications to get points of view in the hands of current and prospective clients. We have applied our approach to thought leadership marketing in a diverse group of professional services firms, including leading global outsourcing and systems integration companies, influential trade associations, midsize consulting and strategic advisory firms, boutique consultancies, and independent consultants and authors.

Alterra Group  
PO Box 201355  
Cleveland, OH 44120

216.539.9710 phone  
216.539.1433 fax

[www.alterra-group.com](http://www.alterra-group.com)

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