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MARKETING IN ECONOMIC CRISIS: INCREASING IMPORTANCE OF ONLINE ADVERTISING

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Key words: Economic and financial crisis, marketing in crisis, online advertising, internet, digital and online media

Abstract
The last economic and financial crisis affected all the economic sectors, spreading all over the world. Firstly, marketing budgets were affected. Especially during economical downturns, a constant communication with the customers is very important. Companies look for more cost-effective ways to reach their target audiences. It is expected to see further migration of advertising to online advertising.

In this paper, Firstly, it is mentioned how marketing activities and budgets are affected in economic and financial crisis. Secondly, it is tried to explain the importance of marketing and promotional strategies, changing attitudes of customers during crisis. Finally, increasing importance and development of online advertising is given by figures and examples.

Introduction
The economic and financial crises affect all the economic sectors, and countries. Particularly crisis spreading all over the world in a global business world as today. Firstly, marketing budgets are affected. Naturally, businesses are keen to cut costs and apply greater pressure on marketing teams for return on investment evidence (reflexity.com).

Marketers require new strategies for success with these customers. The current global financial crisis presents both significant challenges and opportunities for businesses. Good business practices and strategies to manage risk and capture emerging opportunities will help businesses through the current downturn and beyond.

Marketing Strategies in Crisis
The most common challenge faced by marketers in a recession is budget constraints. Companies carefully inspect their budgets to find cost savings. A survey of 600+ MarketingProfs members conducted this reveals that the majority of marketers adjusted plans and budgets for 2009 as a result of the financial crisis. The majority (52%) of marketers made changes to plans and budgets as a result of the economic crisis with 65% of marketers expecting negative effects on marketing overall (Young, 2010).

However, Molero explains that in times of crisis, “theory tells us that you shouldn’t reduce your marketing budget. When a brand goes silent, one of its competitors takes advantage of
that and steals away market share and public awareness. Nevertheless, in hard times many companies choose to cut costs. But some companies are more active, and they see the great opportunity that a crisis can offer (Wharton, 2010). Young (2010) has similar opinion “Marketers know that marketing spend is still widely viewed as a discretionary expense that can be easily cut in anticipation of an economic downturn. For some reason, we marketers have not made any progress convincing our senior management that cutting marketing in a recession is a big mistake.”

The competitor who advertises when others are cutting back gets the best result for the smallest effort. Even maintaining the same spending levels results in a higher share of voice. According to Donelson (2009) “Advertising doesn’t affect just today’s business. It actually has greater impact on tomorrow’s. When the business climate will inevitably be better, Cutting back today will hurt your business later. Since your advertising is an investment in your future sales, cutting it in response to today’s temporary problems will hurt tomorrow’s business and won’t solve the immediate problems, either. You’ve spent many dollars over many years developing the trust of your customers. What happens to that trust when they stop hearing from you? The best strategy is to shift your advertising emphasis from immediate-response promotion to long-term position building. Use this opportunity to solidify your reputation and build your image.”

If companies do not want to be caught at a disadvantage once the economy returns to normal. They have to understand that spending on marketing is an investment, not an expense. Witawat Jayapani, president of the Advertising Association of Thailand says “Recessions are an opportunity. That is the truth. Large companies and market leaders understand this very well. We see them aggressively spending to increase their market shares, and the weak brands, with their limited marketing and advertising budgets, will be eliminated. However, small and medium-sized enterprises can also survive the crisis if they target their spending for maximum results.” He recommends the “three Is”, a strategy for targeting spending the most effectively. They are “ideas”, “impressions” and “image”: for sustainable growth, come up with more effective advertising “ideas”, make a heavy “impression” on clients and build up the company’s brand “image” (Viboonchart, 2009).

What Kind of Advertising Media?

Since marketing is essential for the organic growth of a company, allocating marketing resources is a complex decision, especially in times of economic crisis. Daj and Chirca (2009) emphasize “The emergence of new media such as online search and display advertising, video games, virtual worlds, social networking, online user-generated content, and word of mouth marketing is creating both new opportunities and challenges for companies. Thus, marketing managers have the responsibility to optimally allocate resources and demonstrate that these investments generate appropriate returns for the firm.”

The traditional advertising market could deteriorate even further in the U.S. and Europe in the coming months because the uncertainties of the financial crisis have put every company on alert at a time when they are preparing their marketing and advertising budgets for next year. Manuel Alonso, an expert in digital marketing at the IE Business School, explains that the cut in advertising spending “means you face the challenge of acquiring [potential customers] with lower impact; you have to find leads that are higher quality [in ways] that have more affinity with your target. That’s where the ability to segment in digital advertising can help a great deal.” (Wharton, 2010)
Traditional versus New Media

Print has long declined as a relevant source of breaking news, but this crisis proves it more so. The angle that newspapers provide thoughtful analysis isn't a strong selling point in an age where substitutes are a mouse click or Google search away. Newspapers have lost their edge, and as the world continues to rapidly change, the concept of a print newspaper becomes more and more archaic, and the decline in circulation increases. Some newspapers will survive, at least online, but the deeper this crisis is, the quicker newspapers will fall. Those of us in new media just need to remain focused on running a tight ship to minimize any exposure online advertising may have as part of the broader downturn in the economy (Riley, 2008).

Brian Sheehan from Syracuse University says, "But advertisers of all stripes -- from luxury car manufacturers to garage-sale hosts -- are no longer willing to spend as much as they once did to advertise in the mass media, and it's not just the recession that's stopping them. With sophisticated new options for marketing products on the Internet -- many of which cost little or nothing -- advertisers are placing fewer ads in traditional media outlets and demanding to pay less for them." And he predicts that trend picked up speed because of the economic downturn, but it won't reverse when the economy rebounds. "Traditional media companies -- television companies, radio companies, newspaper companies, magazines -- they all have a terrific thing called high-quality content," Sheehan said "People want high-quality content. The problem is, the model that supported that content -- which was the old advertising model -- has broken" (Linhorst, 2009).

Newspaper advertising revenues in the US declined 16.4% in 2008 to $37.9 billion. By 2012, spending will slide to $28.4 billion (Table 1). Krol (2009) asks "Is there hope for this proud medium?" The Newspapers In Crisis report analyzes the trends that are contributing to a historic downside in newspaper revenues and readership.

<table>
<thead>
<tr>
<th></th>
<th>Years</th>
<th>Revenues (billion USD)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>45.4</td>
<td>-7.9</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>37.9</td>
<td>-16.4</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>31.9</td>
<td>-15.9</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>30.2</td>
<td>-5.3</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>29.1</td>
<td>-3.6</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>28.4</td>
<td>-2.5</td>
<td></td>
</tr>
</tbody>
</table>

Note: Includes classifieds, national, online and retail

On the other end, experts predict that internet advertising in the US will continue to "grow fast" in the face of an economic downturn that will force a reduction in overall ad spending. IDC (International Data Corporation) forecasts that current economic conditions will accelerate the transfer of marketing budgets from traditional to new media.

Internet advertising will grow about eight times as fast as advertising at large between 2008 and 2012, according to the analyst firm, while revenue will double to $51.1 billion (Table 2). This growth means that the internet will go from the number five to the number two medium in just five years, making it bigger than newspapers, cable TV and broadcast TV and second only to direct marketing. Video advertising is expected to be the principal disruptor of internet
advertising over the next five years by attracting the most new marketing dollars. This revenue will grow sevenfold from $300 million in 2007 to $3.8 billion in 2012 at a compound annual growth rate of 49.4 per cent. (Jaques, 2009)

Here’s a projection based on IAB and PWC research that will give you a sense of where our space is predicted on heading in the next 4 years (Table 2).

Table 2. US Online Advertising Spending, by Format 2008 – 2013 (millions USD)

<table>
<thead>
<tr>
<th>Format</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Search</td>
<td>10,396</td>
<td>11,885</td>
<td>13,869</td>
<td>16,605</td>
<td>20,375</td>
<td>23,777</td>
</tr>
<tr>
<td>Display ads</td>
<td>5,210</td>
<td>5,919</td>
<td>6,857</td>
<td>8,144</td>
<td>9,425</td>
<td>10,012</td>
</tr>
<tr>
<td>Classifieds</td>
<td>3,710</td>
<td>4,218</td>
<td>4,925</td>
<td>5,913</td>
<td>7,200</td>
<td>8,319</td>
</tr>
<tr>
<td>Video</td>
<td>505</td>
<td>750</td>
<td>1,150</td>
<td>1,900</td>
<td>3,400</td>
<td>5,800</td>
</tr>
<tr>
<td>Lead generation</td>
<td>1,868</td>
<td>2,109</td>
<td>2,429</td>
<td>2,936</td>
<td>3,500</td>
<td>4,012</td>
</tr>
<tr>
<td>Rich media</td>
<td>1,967</td>
<td>2,195</td>
<td>2,580</td>
<td>2,957</td>
<td>3,550</td>
<td>4,012</td>
</tr>
<tr>
<td>Sponsorships</td>
<td>772</td>
<td>912</td>
<td>1,106</td>
<td>1,377</td>
<td>1,800</td>
<td>2,183</td>
</tr>
<tr>
<td>E-mail</td>
<td>473</td>
<td>513</td>
<td>586</td>
<td>668</td>
<td>750</td>
<td>826</td>
</tr>
<tr>
<td>Total</td>
<td>24,900</td>
<td>28,500</td>
<td>33,500</td>
<td>40,500</td>
<td>50,000</td>
<td>59,000</td>
</tr>
</tbody>
</table>

Note: eMarketer benchmarks its online advertising spending projections against the Interactive Bureau (IAB) / Price Waterhouse Coopers (PWC) data, for which the last full year measured was 2007

Advantages of New Media

New media offers many advantages over traditional media for advertisers. These advantages can be classified as follow (Jaques (2009), Linhorst (2009), wikipedia (2010), globalchange.com (2010)):

- The size of the online video audience, and the time it spends watching video, is sure to increase as broadband penetration increases, connections become faster and more premium content becomes available,
- Consumers are also starting to realise that, as opposed to TV, internet video lets them watch what they want, when they want, and increasingly where they want.
- Digital news offers almost endless new possibilities for newspapers. Instead of publishing just once a day, they can publish all day long. Instead of publishing just text and still photos, they can publish video, audio, and more.
- Businesses clearly recognise that by advertising online they reach their target market in a fast and efficient way where they can interact with consumers. Online advertising creates innovative, comparatively low cost and highly targeted opportunities for the online advertisers/marketers.
- Since internet marketing can reach such diversified audience, broad or narrow, targeting is a very important part of the marketing program. A marketing manager needs to decide the geographic, demographic, psychographic and behaviour towards the product of the audience to reach.
- One major benefit of online advertising is the immediate publishing of information and content that is not limited by geography or time. To that end, the emerging area of
interactive advertising presents fresh challenges for advertisers who have hitherto adopted an interruptive strategy.

- Another benefit is the efficiency of advertisers' investment. Online advertising allows for the customization of advertisements, including content and posted websites. For example, AdWords, Yahoo! Search Marketing and AdSense enable ads shown on relevant webpages or aside of search results of pre-chosen keywords.
- Another is the payment method. Whatever purchasing variation is selected, the payment is usually relative with audiences' response.
- Internet marketing is relatively inexpensive when compared to the cost against the reach of the target audience. Companies can reach a wide audience for a small fraction of traditional advertising budgets.
- The nature of the medium allows consumers to research and purchase products and services at their own convenience. Therefore, businesses have the advantage of appealing to consumers in a medium that can bring results quickly. The strategy and overall effectiveness of marketing campaigns depend on business goals and cost-volume-profit (CVP) analysis.
- Internet marketers also have the advantage of measuring statistics easily and inexpensively. Nearly all aspects of an Internet marketing campaign can be traced, measured, and tested. The advertisers can use a variety of methods: pay per impression, pay per click, pay per play, or pay per action. Therefore, marketers can determine which messages or offerings are more appealing to the audience. The results of campaigns can be measured and tracked immediately because online marketing initiatives usually require users to click on an advertisement, visit a website, and perform a targeted action. Such measurement cannot be achieved through billboard advertising, where an individual would at best be interested, then decide to obtain more information at a later time.
- Consumers prefer to make purchases from someone they trust, who understands their individual needs. Online advertising allows you to focus on specific demographics and modify your advertising adcopy and images immediately to suit the times. Financial crisis is the perfect time to empathize with your consumer's financial situation. Use the internet to market directly to your consumers and change your sales messaging to suit their new purchasing behaviors.
- Consumer habits have also changed a great deal because of the internet. Blogs are becoming rivals to the traditional communications media. They are not just a source of information but a system of building interpersonal relationships. Digital and online media are not only some of the fastest growing areas of media consumption, but consumers are today connecting all parts of their life from business, social and leisure to the internet.

Advertising in Financial and Economic Crisis

In economical downturns, a constant communication with the customers is very important. It is also important to communicate in the right way, in order to be able to convince the customers. Consumers prefer to make purchases from someone they trust, who understands their individual needs. Online advertising allows marketers to focus on specific demographics and modify their advertising adcopy and images immediately to suit the times. Crisis is the perfect time to empathize with their consumer's financial situation. Marketers can use the
internet to market directly to their consumers and change their sales messaging to suit their new purchasing behaviors.

In financial crisis, people generally prefer information about the products instead of imaginary commercial; they want to be able to trust the company and product before buying (Nistorescu and Puia, 2010). In this climate of financial uncertainty, “many companies that had not tried out digital media as an advertising channel are making their first baby steps. In most cases, they are getting good results, which they are then using to spread the word about online media. Because of the crisis, online media are [absorbing] some pretty significant budgets. And this is money that won’t easily return to traditional media,” says Alonso. For companies, the short-term solution involves spending on media that are initially cheaper but can achieve the same impact as traditional advertising channels. There are about 50 new advertising formats in digital media, such as social networks (Facebook), search engines on mobile phones, and “advergames” — interactive games that communicate the value of a brand (Wharton, 2009).

Daj and Chirca (2009) emphasize “We expect the impact of the current financial crisis to bring a huge opportunity for companies to gain a competitive advantage by becoming more aggressive in the use of new digital platforms. The next step is moving beyond one-off digital campaigns, increasing experimentation with digital tools and moving towards relationship marketing activities that build and maintain long-term customer retention. This economic climate is the ideal time for marketers to explore online marketing, pay per click and social media avenues for advertising campaigns. Not only do you receive immediate and transparent results of return on investment, positive or negative, you also amass a wealth of demographic and geographic data to support future campaigns and your bid for a larger budget. It is the ability to target, in a very focused fashion, groups of consumers on the Internet which promises to make internet marketing such a success. Additionally, email newsletters for retention campaigns can be specifically targeted towards your consumer demographics.”

Conclusion

Digital and online media are not only some of the fastest growing areas of media consumption, but consumers are today connecting all parts of their life from business, social and leisure to the internet. Online newspapers, blogs, and other social networking sites are becoming rivals to the traditional communications media. The rapidly developing search marketing fields, also allow marketers to connect to their target audience like never before.

During financial and economic crisis, marketers have explored online advertising once more. Online advertising offers many advantages. It is cheaper and more suitable for marketers than traditional media advertising. It is likely that online advertisement will exceed traditional one in the near future.

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