

MARKETING BUDGET DURING THE ECONOMIC CRISIS PERIOD IN ROMANIA

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Abstract:

The purpose of this article is to present the influence of the present economic crisis on the marketing budget. The financial and economic recession is a real phenomenon that cannot be ignored and which affects directly or indirectly every aspect of the world economy. Every company and business whether multinational or just local is, or will have to adjust to this new, changing world. This international level crisis can be compared with a natural selection phenomenon and in the end will survive only the fittest.

Key words: marketing budget, economic crisis, crisis strategies.

JEL Classification: M31

"When there is a period of economic crisis, lack of investment in marketing or drastic budget reduction is as if you prepared your exile of a market." Nick Baum, vice-president of TBWA/Europe

INTRODUCTION

During crisis times, companies will struggle to resist on the market; they will take measures and adopt new strategies in order to overcome their more and more acute financial problems. Some companies will fire their staff, others will cease certain activities, and some will try to create new products, while most companies will be forced to reduce their expenses. The managing staff has to treat with utmost care these cut offs so as not to make reductions in the areas that might assure the survival of the enterprises. Even though there is the tendency to reduce advertising costs, managers should refrain themselves from doing so. A great company such Coca-Cola for example cannot afford to reduce its advertising in a period like this because its sales would decrease and therefore its problems would increase. After all, it is very well known that commerce cannot exist without advertising, especially nowadays when there is a wide range of goods from which to choose. Therefore the ones who will know how to promote their products in the most efficient way and will not be afraid to keep their marketing budgets will be the winners of the post crisis world.

THE IMPACT OF INTERNATIONAL FINANCIAL CRISIS ON THE MARKETING BUDGETS

The beginning of the year 2009 brought only dark predictions for marketers, mass-media and advertising. Companies are announcing that they will drastically reduce the advertising budgets while the great mass-media groups are forced to lay off many of their employees. Advertisers diminish the expenses for all media type; however it is claimed that in the case of TV advertising the cut offs will be less. During the last few years the whole economy underwent an important development. The marketing budget received funds but there were many cases in which the money was used for inefficient advertising. When there are problems and financial difficulties the tendency is to reduce expenses. This is a normal situation since nobody can waste money forever. Marketing means business. The marketing budgets should not be spent but invested. During economic crisis the amount of sales is the one that decides whether a company survives or not. Having a good imagine does not mean that you have carried out only half of your work. At the end of the day the sales figure will tell you if you were successful or not. The equation is not very complicated: incomes minus expenses. Are you over or under the line? Everybody will have to prove that the money they spend bring even more money. It is high time to get rid of the advertisements that have no other purpose but to annoy the target audience and keep the ones that raise the viewers' interests. Lower budgets mean that every cent is worth a diamond. One can no longer use all the available

media and therefore should stick to the most advantageous ones. Moreover a company can no longer promote all of its products and therefore should choose the ones that are certain to bring important profits. There is no money for the advertisement to reach all people and thus it is necessary to focus on those that might purchase the respective product. Despite the fact that these are basic marketing notions they are very often ignored. The economic crises teaches certain people to be better marketers, to listen to their clients, to take strategic decisions, calculate the marketing shares profitability and compare marketing strategies according to their efficiency.

Consolidation and reorganization will be the most widespread words in 2009 among companies that operate on the local market. The measures taken in order to overcome the economic crisis will vary from one company to another; thus some will fire people or will cease certain activities while others will have to cope with the reduction of their production capacity and with the postponement of investments.

The marketing budget is among the firsts to be cut off when it comes to reduce expenses because of economic crisis. A viable solution would be the Internet which is a medium that facilitates the approach of new marketing solutions with low budgets and which is continuously expanding. The internet is a recent medium and therefore unreliable, determining advertisers to quit it sooner. However, it is not advisable to cut the internet off from the marketing expenses list because its audience is increasing while the content and the traffic range have improved a lot. Even though most of the media agencies representatives consider that there are not and will not be changes in the advertisement budgets because of the economic crisis, the agents of the on-line domain claim that if the present economic situation is understood and tackled properly than it might be beneficial for the Romanian internet not only for the business already put up during this period but also for the attracted budgets.

The Romanian on-line had in 2007 a value of nine million Euros and it was supposed that by the end of 2008 it would reach a value of twenty million Euros. Furthermore, specialist in the domain consider that newspapers will have nothing but to gain when it comes to internet budgets: in 2009 and 2010, the internet will bring newspapers 20% of their advertising incomes, a percentage considered normal on developed markets. However the advertising tariffs might not have spectacular increases.

Considering the present financial context, the media planners claim that very good results can be obtained out of sales by addressing the target market and taking advantage of the people's new consumption habits: an increasing interest for high quality information and for TV consumption. Television is the first option for many companies that want a national level campaign. The economic crisis may increase the audience of TV channels because television is after all, one of the cheapest modern ways of entertaining.

The marketing strategies no longer have to focus on pure profit but on brand awareness. All of a sudden niches are becoming more and more important while money is spent with utmost care. Being one of the most important economy vectors, marketing has to be adjusted to this period as well. We have been witnesses and still are to the way in which companies are waiting and testing the markets at the very moment. Huge marketing campaigns are missing nowadays just because they have to be better planned than before. We are not talking about fear but about a careful condition analysis. These days, analysts throughout the world are trying to predict what will happen in the future. It is a well known fact that the one who will manage to anticipate correctly will be the winner.

The companies that will know how to understand their customers and anticipate their movements will be the winners on a very volatile market. There are no longer certainties or sure success recipes and therefore in the following months the market will be invaded by new, innovative campaigns, real advertising works of art. The marketing of the future will be a better one because the purchasing possibilities are decreasing and are sustained by a real, solvent economy and the market share is shrinking thus creating panic and need for new, improved ideas.

The nowadays marketer has to identify his/het target customers. It is very easy today to use the economic crisis as the perfect excuse; however this is not the solution. People are not stupid and it

is very important to overcome this prejudice. People know what to choose and how to invest logically their financial resources. If marketers understand that, then they will learn to think from the customer's point of view, this being the only vision that can assure them success in times like these. The financial crisis does nothing else but to highlight that the time of advertising campaign done for the sake of art has passed.

Life goes on. The only chance that marketers have nowadays is adjustment to a changing world. Real marketing based on actual results is the only possible future for a successful business. How was the marketing domain affected by the financial crisis? We have to adjust to the financial crisis. I feel sorry for the marketing department but it will have to recalculate its budget for the current year.....we will increase it, we shall focus on a strategy based on communication with the client, a strategy without reduction costs though an efficient one. It is very important to be conscious of the financial crisis realities.

Even though on the Romanian market, the financial crisis has not been yet so acute, ING which has had to face a 27% decrease of its stock shares and has lost more than 500 million Euros has decided as being appropriate to adopt a transparency policy towards its clients and offered them an official report of the crisis situation. Companies such as Unilever and Hankel have been determined by the financial crisis to recalculate their advertising budgets because of the devaluation of the national currency and fuel price raise and thus deciding to change the budget according to the situation on the Romanian market. On the other hand, Orange Romanian is keeping the same advertising strategy, without making any major changes in the last year's expenses or in the ones estimated for the next year, claiming that there is enough room for development on the Romanian market. When compared to other European countries it is obvious that Romania has not yet reached the amount of money that were spent by these for advertising campaigns and communication strategies. It is essential not to forget that communication budgets are not only a form of trust in the market but also a condition for company development, Romania being among the few markets that is still increasing. Under the circumstances it is possible that the communication budgets will not be drastically reduced but we may no longer witness the spectacular growth of the last few years. The marketing budgets are calculated according to the objectives and many of the top advertisers are still on an ascendant trend. If the business stagnates or can no longer be framed within increase parameters, then it is very likely that, especially in the case of multinational companies, there will be marketing budget reductions.

The Romanian market will be a pretty lively one, or at least this is what the advertising agencies representatives claim. The banks not only will launch new products especially in the area of deposits and savings but also imagine campaigns in order to regain brand trust. In Romania, the automobile industry, in spite of the worldwide crisis, will keep to its launching calendar in accordance with the international launchings. The retailers will communicate promotional offers even more aggressively in order to stop the descend trend of sales that marked the beginning of the present year. Even though car dealers will have to cut off from the advertising budgets, this industry will remain among the most important investors in advertising because the launching of new models cannot be postponed, even if companies have financial problems. The insurance companies might bring millions of Euros on the advertising market this year, because of the introduction of the compulsory house insurance: the advertising campaigns for it might be similar to the one done for the private pensions, when the involved companies spent more than 20 million Euros on advertisements. It will be the same with compulsory insurance for houses. There is also an electoral campaign for the presidency and for the European Parliament, all these implying important budgetary expense. Advertising agencies estimate that this year there will be a reduction in the advertisement done for luxury products, credit loans and real estate. The industries that last year spent the most on advertising campaigns are: telecommunication, automobile industry, financial services, newspapers and magazines, beer, shampoos, fizzy drinks, detergents, the cosmetic and dairy industry.

STRATEGIES TO FOLLOW IN CRISIS PERIODS

According to the analysis entitled "Optimizing the Marketing Budget in Recession" carried on by the Ogilvy group for the clients affected by the crisis, the investment in marketing and communication should not be stopped so as to have a solid business in the post-recession period.

There are companies that are successful during the recession period. These consider the economic crisis as an opportunity for development. While their competitors are panicking they are drawing up increasing strategies through sustained investments. The improvement of the marketing budget is only one of the problems that these companies have to face. The ones that decide to invest in marketing usually develop more as if they had in a normal period.

In the following lines are presented some pieces of advice taken from this study: Consumers pay more attention when purchasing products, especially financial ones, in times of economic crisis. This can be an opportunity to create new and efficient brands and products. Research can be used in order to identify losses. When costs are cut off, that won't be felt immediately. The decline in the consumer-brand relation will be seen in the research only after six months.

During recession periods, companies have the opportunity to gain more market share than in a normal period.

A profitable company should spend even its last cent in order to continue the development process.

The companies that reduce expenses will have even more problems and it will take them longer to return to the ante recession period.

An economic analysis proposes three scenarios for expenses:

- a. To keep them at the same level
- b. To reduce expenses with 50% for a year and then return to the usual ones
- c. To reduce/cut off expenses with 100% for a year and then come back to the usual ones

In most cases companies chose the second alternative and it takes them two years to recover the market costs, while the ones that chose the third variant need four years to recover the costs. The companies that want to recover the costs within a year after the recession have to spend on marketing with 60% more than the sum they managed to save by cutting off from the initial marketing budget.

The competitors' weakness in a period when most consumers still spend can be a good opportunity for new business, brands or campaign ideas. The most successful campaigns and products were launched during recession times (Disney, Microsoft, Apple, iPod).

Companies should not appeal only to the rational side of thought in communication. They should appeal to emotions as well. The emotional campaigns sell better than the rational and persuasive ones, because brands are built on emotions.

Television is one of the most efficient media types. The campaigns that use television have a higher success rate (66%) than the ones that do not use it (49%). The arguments for using television would be that this medium is more efficient and emotional.

The best way to measure the marketing impact on short term sales is to create an econometric model. The models are based on two elements:

- a. Brand sales
- b. All factors that affect sales. Such as price, distribution, new products and competitive advertising

The survival of the company has priority and the reductions are inevitable. The most secure reductions for a company may be:

- to cut off budgets for small brands not for important ones

-small brands often have a disproportion of marketing expenses because they are trying to increase, but important brands already have a great probability to bring high incomes on a short term

-exploit temporariness so as not to make reductions during high sales periods.

There will be fewer loses.

The marketing budgets can be reduced, maintained and even increased in order to bring more sales and steal clients from the competitors that want to reduce expenses as much as possible and totally abandon advertising.

CONCLUSIONS:

The effect of the financial crisis on the local media market

- Lowered increase rhythm from 15-35% to 6% in 2009
- The television media market lost in the first nine months of 2008, approximately 110 million Euros card rates only from the first three advertisers
- The clients will choose safer strategies, that will have as purpose more efficient campaigns with lower budgets

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