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Increasing Brand Value In A Difficult Economy

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Thirty years ago, when I used to run 10Ks and marathons, I did my best to follow the advice of a few friends who were much better runners than me: speed up slightly when running up the hills to pass the competition, and then run as fast as you can going down the hills, when the other runners are relaxing after the climb. I never came close to first place in these tests of endurance, but I know I did far better in the standings than if I had taken it easy going up and down the terrain of those hilly race courses.

The same advice can be applied to a company's public relations and brand management strategy: Go all out to increase market share when the economy is booming and the competition is coasting on a wave of prosperity — the easy part of the cycle — and then speed up to pass the competition when climbing out of the depths of a slow economy.

That said, why do so many company executives reach for the pruning shears to trim advertising, marketing or public relations budgets when the economy declines? There are several likely reasons:

Trimming marketing & PR budgets appears an easy way to save money in the short term. A lot of this money is spent on big ticket items, such as advertising, trade show exhibits, or agency retainer fees for strategic brand management and deliverables such as websites, e-newsletters, news media positioning and the like. An executive often can cut the marketing budget without the painful step of laying anyone off.

Reducing the marketing budget may seem justifiable in the short term. A CEO can measure bottom line results of the company's sales or business development units, but finds it much harder to quantify the value, say, of a feature article about the company in a trade publication or a new exhibit booth that more accurately reflects the firm's evolving business and key message platform.

Pulling back on branding and marketing expenditures can give the appearance of immediate bottom line gains. A CEO might reason that reducing advertising and PR activities might impact corporate identity in the short term, but that the budget can always be restored once business improves with minimal long-term impact on the company.

Eventually, however, cutbacks in activities that support a company's brand and reputation will begin to impact revenues. Notice that each of the above reasons includes the modifier "short term." This path may appear to yield immediate budget gains, but it can be illusory.

Business leaders normally don't get to the top with the words "short term" in their vocabularies, so it's often surprising to see this sort of thinking creep into decisions that can have a long term impact on a company's corporate identity and brand value, which are intertwined.

A recent study conducted by *Text 100 Global Public Relations* and its research arm *Context Analytics* found evidence that public relations may be more important than advertising to brand value, especially for companies that sell feature-rich or complicated products. The findings of the duo's *Media Prominence Study*, which calculates brand value based on Interbrand's *2008 Best Global Brands* report, show that on average 27 percent of brand value is tied to how often the brand name appears in the press.

In industries that involve more research before purchases are made, public relations can account for nearly half of brand value. For example, in the computing industry, media prominence accounted for 47 percent of brand value, or 16 times that of the personal care industry.

When the economy is headed south, C-suite leaders often focus on preserving the company's tangible assets — its employees, its facilities, its products — and less on intangibles such as reputation, brand value, and corporate culture. In a recession, the activities that directly influence sales tend to take precedence over those activities that support the underlying reasons customers continue to do business with the firm.

In a September 2008 article titled *Best Global Brands*, *Business Week* concluded, "History shows that a recession can be an auspicious time to invest in a brand. Some of the most successful brand campaigns in the past six decades began during economically challenged years. In 1974, for example, BMW introduced itself as "The Ultimate Driving Machine," a slogan that endures to this day and helped turn the German auto maker from a niche sports sedan in the minds of American drivers into a top luxury auto brand known for superior engineering in everything from roadsters to SUVs."

Here's how long-term thinking that involves maintaining — or even increasing — marketing and public relations efforts in a recession, can help a company surpass its competitors in that metaphorical marathon:

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Many publications have cut their editorial staffs in the face of declining advertising. This means more editors are open to — may even depend upon — good story ideas from public relations professionals they know and respect. Developing strategic corporate messages and then pitching story ideas around those messages to key editors can result in excellent publicity for a company, further enhancing its reputation. Furthermore, “earned media” generally is perceived as more credible and trusted than direct advertising and marketing messages.

A recession is a good time to reassess all marketing expenditures. Instead of slashing the budget wholesale, however, the prudent CEO dictates a line-by-line budget review to determine what spending can be the most effective, and what to eliminate. Perhaps dollars could be shifted from trade shows or advertising budgets into a more strategic and pro-active public relations campaign to support business development initiatives. Get the loudest bang for those scarce bucks!

Long-term thinking involves an analysis of the best ways to reach existing customers with targeted PR and marketing communications campaigns. This is aiming for the center of the dartboard: customers who know a company and its products are most likely to bring repeat business. These same customers can be the source of testimonials and referrals. An e-newsletter or social networking campaign may be more effective in gaining sales from existing customers than ramping up spending on another trade conference or additional ad buys to reach potential clients who know little about the company.

It may seem counterintuitive, but the ideal time to reach out to audiences that influence the business — trade publication editors, analysts, key customers, government regulators, current and potential investors — is when budgets are tight. For important industry influencers, observing the company being proactive in a difficult economy cements confidence and builds the firm’s reputation for leadership in the industry.

One of the primary objectives of strategic public relations is to increase perceptions of intangible assets and build the perception that the company is a leader in its market. Savvy CEOs and marketing executives are adept at this strategy. They are the ones most often quoted in the press, seen speaking on conferences panels and invited to share insights about their business at public forums.

The Media Prominence Study underscores the importance of managing and growing brand value through public relations efforts during a recession: “The more complex a product is to a buyer, the more likely they are to research the product category and to look for information they can trust — from editorial content rather than advertisements.”

An economic downturn is when these successful companies speed up the pace of public relations and marketing communications to further cement their market and industry leadership position. That’s when they pass the competition going up the hill.

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