A Marketer Is a Terrible Thing To Waste

By Beth Comstock

At many companies, marketing has long been the fair-weather friend— highly visible when times are good, starved of attention and resources when things are tough.

As a result of the economic downturn, marketing budgets are being slashed and the stewards of many of the world's largest and most prestigious brands have been forced into hibernation mode—waiting for the economy to turn around and the dollars to return to their function area.

But at GE (GE), where I work, we're trying to increase the volume on marketing, even in the face of these tough times.

It wasn't always this way at my company.

When we sought to reinvigorate marketing six years ago, we did so with the belief that marketing was a missing ingredient in our journey for more growth.

For decades we were so confident in our technology and the integrity of our products that we believed they could virtually market themselves. Then there was a collective awakening that we might have been leaving money on the table, and that seasoned marketers could push GE to go more places, organize technologies to accomplish new feats, and help point us in the direction to more sales. So we decided to harness the power of marketing to drive one key metric—organic revenue growth—to measure our success. (Clearly, marketing is not solely responsible for growth—sales, engineering, and product development play pivotal roles as well.)

In fact, once marketing was recognized and embraced as a potential growth driver at GE, we marketers were only too happy to hang our hats on good fortune—confident we could deliver for the company 8% or 10% growth year over year, more than double our historic rate.

But you know how this story ends; you've lived it, too. When you set yourself up to be the one who gets a halo when a business grows, what happens when the business slows?

My thesis is that in tough times marketers are more under fire than are those in other business functions. Marketing budgets and resources can be an easy target because they tend to be more flexible—they're not tied to fixed costs or capital expenditures. Some may even see marketing budgets as a good-times luxury.

The reality, though, is that marketing serves as a hedge against economic crises. Good marketing minimizes negative impact and even slingshots the best ideas, innovations, and products forward.

The marketer is the one who understands implicitly that the question isn't just "How do we make our year?" (or our quarter, or this month), but also, "How will we thrive in 2015?"

Marketers are for all seasons. We heed a crisis as a cue to leverage the moment while at the same time transcending it. We're ambidextrous, with one hand optimizing today and the other hand building tomorrow. As Paul Romer, the Stanford economist, has said: "A crisis is a terrible thing to waste."

In the current economic environment, those of us in marketing at GE have found that this framework—optimize today, build tomorrow—is incredibly useful to focus our efforts and to remind our colleagues of the vital role marketing plays in good times and bad. For most of GE's businesses, our ambidextrous strategy unfolds as follows: 60% to 70% of our marketing efforts support today's initiatives, with the remaining focus on building tomorrow's initiatives. We think that's a realistic alignment of energy and resources.

There are three core strategies we have adopted to help us Optimize Today:

• Understand the needs of customers like never before,

• Gain share, and

• Reexamine value and how to measure success.

Understand Customers' Needs Like Never Before

A wide body of research indicates that companies that spend more time understanding their customers in a downturn are better positioned to do business with them when the economy recovers. On one level, it's counterintuitive. You know your customers aren't buying, so why bother? The reality is that there is no better time than now—no matter the environment—to listen for clues, discern insights, and refine value. Customers remember the partners who picked up the phone and called when times were tough and they were not in a position to buy.

For example, at GE, our Oil & Gas Services team has spent the past two years, during a particularly volatile time in the energy industry, reexamining the needs of its customers. This has led to a new approach to serving customers, as our team has organized customers into three discrete segments, based exclusively on production needs. Our Oil & Gas Services team annually hosts an industry summit, bringing together competing oil companies to examine current best practices and identify emerging trends. Interestingly, even in this current environment, competitors are collaborating to understand how to solve some of the biggest industry challenges, and GE gets a front-row seat at these invaluable brainstorming sessions. We're convinced that these efforts to connect with customers in bad times have helped grow our revenues in this segment; they have increased 20% over the past two years.

In a global marketplace that has in the past year not merely pushed the "pause" button but has actually triggered the "reset" button, what are you focused on? Do you have a core set of questions to challenge yourself to think differently in a reset world? Would different pricing models make an impact? Can you replace a product feature or look at whether costs are aligned to what's critical for your customers?

At my company, we're forcing ourselves to confront these tough questions every day. GE's Healthcare team, for example, recently drove a very smart, customer-focused process to take cost out of a product. Using lean process design and marketing-led customer insights, they found the old 80-20 rule was in effect: Our health-care business had a product feature that only 20% of our customers wanted—in this case it was wheels that made an imaging accessory mobile. We redesigned the product without wheels, cut out millions of dollars of cost, and created savings. For the 20% who wanted wheels, we created a customized option for customers who see value in paying a little more for the feature. Everyone was happy.

Do you have "wheels" that can be redesigned?

Gain Share

In tough economic times, some companies will hunker down until the crisis passes. But winning organizations will take advantage of the opportunity presented to them, capture more share, and achieve lasting success.

I've been fascinated to watch the online travel reservation companies in this downturn. Priceline.com clearly recognizes the opportunity to gain share. It has increased advertising, introduced several new products, and generally seem to be outspending and outfoxing the competition. Despite particularly tough times in the travel industry, at the end of the first quarter 2009, Priceline reported an 82% increase in profits and an impressive gain in market share, with hotel room nights up 36%, rental car days up 15%, and airline ticket sales up 28%. They're one to watch.

It seems that even in the worst of times, those companies that don't blink and instead remain utterly confident in their future potential are the ones that fare best in the long term. David Chase, CMO of Altus Alliance, recently wrote in iMedia Connection: "Those companies that not only survived but also thrived during the Great Depression were those that continued to act as though there were nothing wrong and that the public had money to spend. These are industries that didn't wait for public demand for their products to rise. They created that demand even during the most difficult of times."

All you need to do is look at the financial reports of most media companies to see that businesses ranging from American carmakers to retailers have decreased advertising and marketing spending. Yet long-term thinkers—and winners—like Apple (AAPL) and IBM (IBM)—seem to be doubling down on their ad buys.

We've increased our promotions spending at GE, using the current climate as an opportunity to remind customers and investors that we're an innovative technology company with staying power—and we'll be here when the recession is over, emerging stronger and smarter from the experience, just like we always have.

Of course, we're watching the dollars we spend very closely. It's meant we've had to be very flexible, taking a quarter-by-quarter approach to everything from creative development to media buying. We've also spent a lot of time developing ways to tell our story directly to key stakeholders and creatively using new media outlets.

Once the economy recovers, it's going to be a different game: The skeptical marketers forced to rely on new media in the downturn will discover themselves converts to it.

Here's a view from the creative guru Benjamin Palmer of the Barbarian Group, an interactive design and branding agency: "Budgets are definitely getting slashed for brand managers, no doubt. But if your focus is on long-term brand building, there are tons of small communities you can tap into for not a lot of money, and build significant affinity, especially online. The great thing about this approach is your efforts will be even more well-received in a time of economic distress—you might in fact be saving their community while you are marketing to them, which seems to be the best of both worlds."

Clearly, you can gain short-term success and long-term loyalty during a downturn simply by being engaged with your customers and partners.

That's a view expressed by the World 50 thought leadership group, in a survey of members conducted in March 2009. Said one CEO: "We look at how our competitors are cutting marketing, and we plan to spend relatively more than they are. We believe we can increase engagement, increase share. We believe it will make a difference right now, and that it will have a lasting effect into the recovery."

Research being conducted by Ranjay Gulati at Harvard Business School underscores this prediction. He's finding that changes in market position as a result of a recession last an average of three to five years after recovery begins. There's clearly a lot at stake for getting it right.

Ask your team the following questions: Is this the time to look at new or adjacent markets for existing products? Are you continuing to monitor the market and talk to customers to see who's cutting back service or support, possibly giving you an opening to take advantage of?

A CMO in the financial-services industry told me that his team is contacting the customers of bank competitors that fared poorly in the U.S. Treasury "stress test," to remind them of his company's historic staying power and long-range pricing advantages. I bet even Darwin understood that nature could be a cruel marketer.

Maybe this is the time to evaluate alliances, where partners share risk and can build on the other's respective strengths or shared vision. NBC Universal and Fox took the "frenemy" path to partnership when they created Hulu.com in 2007 in the midst of disruption in the digital media landscape. At the time, they shared a vision of creating a unique experience for aggregated professional video content. Hulu is now the second-most-watched video site on the Internet.

Reexamine Value and How to Measure Success

According to a recent study of CMOs conducted by executive recruiting firm Spencer Stuart, the top three measurements for success in a downturn are controlling expense budgets (cited by 60%

of respondents), retaining high-value customers (49%), and demonstrating positive return on marketing investments (48%).

At GE, we've been particularly focused on understanding customer profitability. Do we understand the true cost of serving our customers? Which ones represent the highest value? Marketing can give you a laser focus on which customers are worth investing in—and which are destroying value for your company.

Despite so much effort, there's still no Holy Grail of marketing metrics, because the goals of a given effort differ. But if there were one metric on which to hang a marketer's hat, perhaps it is value—helping to define what something is worth in the context of the market and key trends, driving demand and capturing the highest possible return on a product offering. What is my product worth, and how much am I delivering of my entitlement? How can I increase the perceived value of my offering?

These types of questions are top of mind at GE Aviation, where our marketers have developed with customers a software-driven value calculator. Customers are invited to plug in their data, and the calculator outputs long-term savings vs. competitors along with key engine attributes, such as fuel burn.

This is the time to ask: How do your customers measure success? Are you still operating on old assumptions about the value you provide?

In a crisis, needs change for both you and your customers. Understanding these changes early allows better targeting and differentiating of what you have to offer.

For the ambidextrous marketer, the first task is to gain firm control over the marketing levers that optimize today with one hand while pulling a different set of levers to help build tomorrow with the other.

Make Innovation the Lifeline

We have all seen recessions—and survived them. Yes, they're tough. But inevitably they end. Yet the Spencer Stuart survey found that more than half of the marketers they interviewed said the economic downturn had led them to neglect long-term strategy. Moreover, the business research firm known as the Corporate Executive Board found that industry leaders committed to innovation during a downturn have twice the number of breakthrough projects in their pipeline as lagging companies.

For the past six years at GE, we've refocused our innovation pipeline through an initiative called Imagination Breakthroughs, which has created a disciplined approach to finding, funding, and nurturing ideas across GE. We've created a special class of 100 protected ideas, ensuring that they get a lifeline during tough times. Think of it as insurance against the question: "If I have to survive today, how can I invest in tomorrow?"

John Jacko, CMO of the global engineering supply company Kennametal, explains how his company is thinking similarly: "We have taken this economic downturn as an opportunity. The Kennametal CEO tasked a cross-functional team, led by marketing, to step back and build what we think the next generation structure of the company would look like in 2010, aligned to our corporate strategies, voice of the customer, and employee and shareholder aspirations. This has been an incredible opportunity for the team to zoom out, reexamine our vision, and use the economic crisis as our burning platform for change."

Professor Gulati has been a great resource for GE as we evaluate how to define marketing success in a reset world. I find inspiration in these words of his: "Think of marketing as a beacon upon a cliff during the economic storm. It illuminates the landscape and shines a light on the best path ahead. The function works best when it provides key insights and helps lead strategy to meet customer needs and fend off challenges in the marketplace."

If your marketing radar is tuned to leading indicators and trends, maybe you were able to see signs of the downturn early enough to be prepared. It's this ability to see the world in panoramic view that makes marketing so vital to an enterprise's long-term viability. No other function focuses on and can integrate these key elements:

• Intelligence: What's going on in the market, and how is the crisis affecting it?

• Customer insights: What do my customers need, and how do I serve them best?

• Value proposition: How do I articulate the value of my product or service and create differentiation?

• Commercial activation: How do I deliver via channel, marketing communications, training, etc.?

Ultimately, marketing is the key to sustainability and vitality—in good markets or economic crises.

Ecomagination, the initiative we launched five years ago to introduce an array of environment-friendly product offerings, is an example of how we at GE heeded the trend that business needed more clean technology. We heard our customers asking for help—from consumers requiring more efficiency to power utilities, airlines, and railroads, determined to emit fewer greenhouse gases without going broke in the process. We connected the dots from very different vantage points and saw a coherent pattern, a strategy that has allowed us to build something new and paved the way for more than $20 billion in revenues that didn't exist before.

Invest in the Best

Most CMOs agree that there are many good marketers looking for jobs right now. One CMO I know voluntarily cut her staff by almost 20%, using this slow environment as an opportunity to expand the roles of the most talented members of her team and recruit top talent for the future.

Marketing recruiter Greg Welch of Spencer Stuart believes that these are the times that make good marketers better. "Difficult business cycles actually make it easier for us at Spencer Stuart to identify the very best leaders," he says. "They are the ones who are able to take flight while facing head winds. Obviously, it takes both courage and strength to lead when the chips are down. During tough times, we often see many weaker companies pull back on their spending, reducing investments in both media and innovation. Interestingly, however, we believe that the best companies and their CMOs are able to actually strengthen their positio—and grow market share."

Confidence

By nature, most marketers take a long-term view. And the ability to see into the future and motivate people to action is a marketing hallmark. So marketers have a role to play in creating a vision for the future, creating excitement about what's possible, and building confidence today that there will be a better tomorrow.

At GE, we are facing the worst economy in a generation, yet we recently announced a $6 billion bet to improve the health-care system through new innovations that will help cut costs, improve access, and increase quality.

Jacko of Kennametal is equally optimistic. He believes that his company's focused efforts "give our employees hope for the future. This has been an excellent opportunity to internally reestablish our brand identity, promise, structure, and processes that will drive the future growth of the company."

Barbarian Group's Palmer sums it up well: "An economic crisis, especially this one, is in most ways about fear and perception. Companies that panic and try for short-term effectiveness in campaigns end up hurting their brand because what people want in a panic, more than anything, is to know it's O.K. Some of that needs to be brands reassuring their customers, and citizens at large, that they are solid and not going anywhere. In other ways, a brand needs to tell people that it is still O.K. to go buy some blue jeans. It is."

A marketer is a terrible thing to waste. Why wait for a crisis to rebuild your marketing impact?