

# Marketing during economic depression

[Business](#), [Marketing](#)



Marketing Under the Situation of Economic Depression  
The financial crisis originated in Wall Street of United States has spread all over the world rapidly. Because of the firmer and closer economic connections between countries, almost every country is beginning to experience somewhat economic depression. Considering the issue of marketing under the situation of economic depression is becoming necessary for many companies in any area of the world. Marketing is defined as a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others.

A company wanting to have a successful marketing strategy should first understand the marketing environment around it. A company's marketing environment consists of the actors and forces outside marketing that affect marketing management's ability to develop and maintain successful transactions with its target customers. And the economic depression situation should be considered as part of the marketing environment study area. The ever changing microenvironment and macroenvironment offer both opportunities and threats to companies.

If a company wants to be successful in any condition, it should know the vital importance of watching and adapting to the changing environment, so it can avoid the unfavorable conditions and grasp any opportunities. Economic environment is one of macro factors that influence a company's marketing concerns. Theoretically, it consists of factors that affect consumer purchasing power and spending patterns. Under the situation of economic depression, both consumer purchasing power and spending patterns have, to

some extent, changed. Therefore, a company must have a clear picture of what those changes are.

As for the consumer buying power, depressed economic situation is always related with reduced consumer buying power. For example, during the 1997's Asian economic crisis, country after country saw their currency depreciate as the crisis unfolded. The consumers of those Asian 'tiger' economies became more financially cautious and they spent much less at that time. Considering the spending patterns, as Engle suggested, when family income rises, the percentage spent on food declines, the percentage spent on housing remains constant and both the percentage spent on other categories and that devoted to savings increase.

The reduced income in the economic depression has a large impact on what a certain person buys, for instance, he may spend less on entertainment or clothes, and the percentage of income spending on food may increase.

Therefore, we can see that the depressed economy is going to influence consumer buying behavior. For all the four cultural, social, personal, and psychological factors, they affect the consumer purchase strongly. Under depression, there are a few phenomena that are notable for companies.

First, consumers prefer more relatively cheap goods and fewer luxuries.

There is a statistic number for the 1997 Asian economic crisis, in Thailand, 58% people didn't buy any designed clothes any more and 45% people didn't drink whisky. While recent economic crisis in Vietnam made the sales of automobile plummet. According to a report of VAMA, 16 members of this automobile manufacturing association only sold 11500 cars in May 2008,

<https://assignbuster.com/marketing-during-economic-depression/>

2000 fewer than sales of April. Also, consumers may turn to the brands whose brand image are associated with mass market and people buy less imported goods.

Second, towards companies' promotion and advertisement, consumers may react differently than before. Since the economic depression brings a lot of psychological pressure to people, they are not as interested as in the sales ads any more. They may buy goods that are in promotion, but most of them will buy less or buy smaller size packages. Third, as for the shopping place, people prefer the discounted stores than the expensive department store.

During the 1973 oil crisis in America, the frequency of 79. % consumers shopping in the discounted stores or buying directly from wholesales increased a lot. Apart from the changes above, there is another point; that is, the consumption of necessities varies a little, since they have relatively inelastic demands. So what should a company do in face of the changing marketing environment? There are several responses as for the environment change. Companies react differently because some view the change is uncontrollable thus passively adapt, while others may try to influence the change and take a proactive approach.

The depressed economy is generally viewed as an uncontrollable element, so companies should try to find methods to adapt in the existing situation. To begin with, companies must focus on their core competitive advantage and reduce the extended brands marketing that are not so competitive. In the depressed economy, it is not only the consumers that are influenced; companies also have fewer resources to use. Companies should withdraw

from those less competitive markets and use its own limited resources (human resources, capital and marketing channels, etc. used to consolidate and strengthen the markets of products of core competitiveness. Then is the promotion and advertising strategy for the company. As noted before, consumers are not that easily to be influenced by those things. So companies should target the audience of ads accurately, and avoid the way to wastemoneyon the advertising to those who rarely buy the goods. It is suggested that companies use less mass adverting methods, such as ads on newspaper and leaflets. Instead, companies should try to ensure that people who read the ads have a high probability to buy the goods.

For example, a Targeting Mobilephone Magazine sends the sales information messages to 200, 000 high-end subscribers. That method is of low cost, but it is far more effective than traditional ways. Furthermore is the price issue. People are more sensitive to the price and they want cheaper goods than before since their purchasing power is often reduced during the depression. People decrease their consumption on luxuries and other high quality high price goods. The more for less, the same for less and less for much less value proposition strategy are more likely to succeed in this situation.

In addition, since customers are likely to turn to the local discounted stores, companies may change their distribution channels a bit. They can put more goods in the discounted stores and warehouse-style supermarkets. If the economic recession is just in the range of home country, companies can also increase the export. However, not all companies have to take a conservative approach in the economic downturn. For some of them, especially the big

and strong companies, it is a good chance for them to expand their market share.

Since depressed economy just makes some small competitors bankrupt, the strong companies can get the consumers of those companies, thus having a larger market share. If a company can establish an image that is reliable and indestructible at the time when customers have some psychological pressure, it is more likely to win the favor of customers even after the depression is over. There is a saying, the more serious the depression, the more opportunities in the market. And the CEO of Alibaba. com, Ma Yun, also said “ the economic crisis will create new business civilization. ” There are many reasons to believe that the depressed economy brings us both opportunities and challenges. In conclusion, if a company can understand the environment around it well, study the consumer buying behavior carefully, and develop a appropriate marketing strategy for itself, it can certainly have chance to avoid the unfavorable factors and maintain its competitiveness, thus winning under the situation of economic depression and any other conditions of the economy.