

# White Paper



Reallocating Marketing Budgets in the Current Economic Crisis



## The Situation

In recent months, a confluence of unprecedented events has combined to place the United States economy, and to a degree the world economy, in a difficult and challenging situation. Housing markets are heading south and foreclosures are common. Banks are illiquid – many may fail. We face an economy plummeting headlong into recession and greater unemployment. Many corporate pillars are teetering on the brink of survival. Domestic auto companies are losing billions annually, if not quarterly, and that was before the market dropped like a stone. The major airlines are pressed, near untenable positions. Will the bailout do the trick? Certainly not in any near term timeframe. In fact, what if the problem is three trillion dollars and not 800 Billion? The worst may be yet to come.

## The Challenge

Crisis situations and clouded economic prospects have come and gone before, and will again. Yet as always, challenges face all of us who are charting the direction of our businesses. What positive steps can we take to ensure the most prudent use of our limited, and perhaps even shrinking marketing and promotional budgets? How can we continue to maintain market share while we wait for the economy to recover?

Your challenge as sales and marketing executives is to grow the company. That may not currently be possible, or the opportunity may be quite limited. A more realistic goal is to maintain market share or grow market share in a shrinking market. How will you achieve this goal when consumers and corporations are sitting on their wallets?

## The Decision Tree

You have a difficult decision. In normal times, the emphasis is on building consumer (or end user) demand while continuing to introduce better and more innovative products. Consumer demand traditionally drives sales through any and all channels. But building consumer demand is expensive. Expensive ad campaigns with television time and print media are the normal methods of building into these goals. Worse, national advertising campaigns are generally institutional, and rarely carry a strong call to action. But the reality is that highly institutional ad campaigns are not in fact the most effective way to garner market share in a shrinking market. No single company has enough marketing capital to create consumer demand under these circumstances. New investments in collateral and campaigns likely will not transform bystanders into buyers.

The real issue is to take those buyers that remain in the market and develop a campaign designed to bait the hook at point of sale. Those people and organizations who are ready, willing, and able to buy are shopping already. They are bargain hunting. They are weighing the merits of their different purchase options.

Who and what is in the best position to influence this purchase? Anyone and anything relating to point of sale promotion. Better displays, sharp pricing, channel incentive programs. While you may have been doing these things for years, now is the time to make critical tactical budgetary decisions to preserve and expand your market position, at the place where budget dollars will have the greatest immediate impact. Therefore, you may wish to consider a dramatic reallocation of pull marketing dollars into push marketing campaigns. This is the kind of pre-emptive strike that can result in the preservation of your organization and retention of maximum market share while potentially sacrificing some degree of profit for the short term. But a lack of immediate profit is better than a loss of market share, outright losses on the P&L, and other emergency measures becoming necessary.

## Real Data

Many of our clients have implemented this strategy with excellent results. 2008 data tells us that the average spend on spiff programs has increased client by client, year over year by 35%. One major national client has increased spending by 100% versus last year. Note, that these expenditures are not budgetary, they are actual spend on spiffs at point of sale. Clearly, this means that participation in their incentive programs is up; Channel participants are paying attention to the programs. Unit sales under these incentive programs now in the market are up. It is true that average spiff dollars per unit sold has increased, but since the unit sales are up, the programs are helping MTCPerformance clients weather the storm of a weak economy, validating the theorem presented here.

## The Impact of Your Decisions

The impact of your decisions will be far reaching. It will impact your company's short and long term viability. It will impact your relationship with your channel. It will affect your ability to maintain your organization and knowledge base. It may reflect a radical change in the way you go to market. It may need to. When the consumers come back. You need to be strong enough to step back up to the plate.

## The Recommendation

Reallocate your marketing resources where they will do the most good. Targeted and tactical marketing is more important than ever. Aim carefully. Find the ready now buyers. And preserve the opportunity to be a leader in your industry. This critical time will likely pass. Wise decisions at this time will lead to long term benefits.

Those of us chartered with leadership positions in our organizations do well to begin our own internal "Economic Stimulus Package" with hard hitting promotional efforts. We at MTCPerformance welcome the opportunity to collaborate with your organization to develop and implement such effective programs.

## About the Author

George Kriza is Chairman and Founder of MTCPerformance, an INC500, VAR Business 500, Crain's Fast Fifty incentive company located in Schaumburg IL. Mr. Kriza's career began in retail, where he learned first hand about the inner workings of retail operations. He followed this with many years of representing premier manufacturers such as Sony, Panasonic, Apple Computer and many others in sales and sales management capacities, to their channel members. He has called on virtually every major channel of retail trade, from the smallest mom and pop retailers to the largest national chains. Mr. Kriza earned his first spiff at 21 and designed his first spiff program at age 25, which was successfully deployed. For the last 14 years, Mr. Kriza has operated a successful channel incentive marketing firm, MTCPerformance, and directly participated in designing state of the art Business Process Management software systems for incentive program management.

## About MTCPerformance™

MTCPerformance is the proven leader in software solutions for managing incentive programs that work by rewarding success. Its proprietary software-as-a-service approach provides innovative companies and their leveraged channel partners with a unique ability to highlight and accelerate the behavior they most value: increased revenues. The 14-year-old company is the creator and sole distributor of SpiffCENTRAL™ Vendor Manager and

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SpiffCENTRAL™ Channel Manager (patents pending), a collection of online spiff program management tools and databases customized for resellers, distributors, manufacturers and software publishers.

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