

# A Qualitative Research on the Impact of Recession on Marketing Strategies

Cemal Yükselen<sup>1</sup>, Sevda Zengin<sup>2</sup>

**Abstract:** *A recession is an economic phenomenon that directly affects the decisions and strategies of enterprises. During this period, the reflex of enterprises is to try to go through this period by reducing expenses. The activity group most affected by this practice is marketing. The study was conducted as a qualitative research based on interviews with retail brand managers, and the interviews were analyzed by transferring them to the MAXQDA 2020 program. The findings reveal that enterprises, which manage the recession period without interrupting communication with the customer, consider the environment created by the period as an opportunity.*

**Keywords:** *Recession, marketing strategies, retail brands*

## I. Conceptual Framework

Economic recession is negative growth of gross domestic product for at least two consecutive quarters. During this period, while the economy contracts, demand also decreases (Sharma, 1978:45). In this period, when consumption expenditures decrease, production decreases due to the shrinkage in demand, and enterprises change their strategies and turn to strategies that provide savings and reduce expenses rapidly.

While recession creates changes in the decisions and activities of enterprises, consumers, on the other hand, reduce their expenditures other than meeting their basic needs and tend to save. In other words, significant behavioral changes occur on both sides. During this period, which Piercy et al. (2010:3) describe as the "savings period," consumers are concerned about the future, prioritize security values, and consequently, their financing-oriented decisions and behaviors gain weight (Polat and Tuncay, 2011:265). This change in behavior in the consumer sector leads enterprises to change their strategies in all their activities (Notta and Vlachvei, 2015:485).

---

<sup>1</sup> Istanbul Beykent University

<sup>2</sup> Istanbul Beykent University

It is observed that recession causes shrinkage in the market demand, a decrease in sales and profits, and a deterioration in cash flow, and in this period, enterprises stop their investments in innovation and turn to conserving marketing resources (Lilien and Srinivasan, 2010:181). Enterprises resort to serious control to protect their liquidity in this period and monitor their R&D expenditures carefully.

Zostautiene et al. examined the change in the marketing culture in their comparative study, which included 198 enterprises in the recession period in 2009 and 348 enterprises in the recovery period in 2012 in Lithuania. They observed no significant change between the two periods. They attributed the important reason for this to the fact that culture is not a rapidly changing phenomenon. However, they made the following determinations during the recovery period in 2012 (Zositautiene et al., 2017): The values declared by the marketing culture in companies and compliance with these values in daily activities decreased. Furthermore, it was observed that the need for market and customer information decreased, and communication between departments weakened.

Emphasizing changes in the marketing culture, Kotler (2012) also states the issues that need to be addressed in marketing strategies as follows (Scheers, 2018:169): Reviewing market segments, focusing on customer lifetime value, focusing on customer retention strategies, reviewing value chain, paying attention to marketing indicators as much as financial indicators in performance measurement.

While recession restricts production and marketing activities, this situation also causes an increase in costs, but the increase in costs cannot be reflected in the price because demand has decreased and the price elasticity of demand has increased. Therefore, enterprises tend to reduce expenses in order to reduce costs. Marketing is the most affected by these cutbacks.

Marketing is the activities aimed at raising awareness of the products and services of the enterprise, affecting the choice of the buyer with the image it provides and the value it offers. With the sense of satisfaction it creates in the buyer, it ensures that he/she establishes and maintains long-term relationships with loyalty to the brand, product, or service. In this context, money spent on marketing is evaluated as an investment, not an expense. Therefore, reducing the marketing budget may lead to the weakening and breaking of the sustainable connection of the enterprise with the buyer.

The main restricted marketing expenses are promotion expenses (Graham and Frankenberger, 2011;5). Advertising and promotion are tools to create awareness and preference. Its economic effects occur in the way consumers manage their incomes and expenditures. Graham and Frankenberger (2011) revealed the following three important points as a result of the time-series analysis, in which they examined the advertising and promotion expenses and the revenues in the current and following years in the USA during recession periods:

- Marketing communication is an investment that contributes to current and future earnings.
- Maintaining or enhancing marketing communication during a recession contributes to the current and future earnings separately from and in addition to the contribution made during non-recession periods.
- Drops in marketing communication during a recession have a lagged effect on future earnings, and these effects vary by sector classification.

Brooksbank et al. (2016, 601) point out that in recession periods, enterprises focus on tactical decisions such as sales, advertising, customer service, sales promotion expenditures rather than strategic issues, and expenditures in these areas are reduced. According to the findings of the researchers, who comparatively examined the 1997 recession and 2007 growth periods on the producer enterprises in New Zealand, high-

performing producer enterprises focus more on strategic marketing processes and practices. Enterprises that focus on marketing for the future during the growth period tend to learn the current situation and take a position in the recession period.

In their study covering 6000 companies between 1982 and 2009, Currim et al. (2016) found that companies cut their marketing expenditures during recession periods. However, they revealed that companies maintaining their marketing expenditures at the same level during past recessions achieved better returns in the value of stocks.

Quelch and Jacz (2009) demonstrated in their study that marketers could work to offer better value by focusing on their customers in this period. In the literature, there are many studies revealing that they try to get over the period by significantly reducing their marketing budgets in contrast to this behavior.

According to Notta and Vlachvei (2015), in times of economic crisis, enterprises make very important adaptations in their marketing policies and marketing mixes. In their study, in which they examined 161 producer enterprises in Greece, they revealed that companies have three different ways of behavior during recession periods: companies focusing on price reduction, companies aiming to create quality and customer value, and companies using the price to create value in the market in various ways.

In the analyses conducted by Gulati et al. (2010) on the performances of companies in the recession periods of 1980-1982, 1990-1999, and 2000-2002, it was revealed that the companies that reduced their costs by focusing on efficiency in their activities during these periods and allocated more budgets for marketing and R&D became successful companies after the recession.

Rollins et al. (2014, 2728) point out that the trend toward electronic marketing also increases during the recession. Likewise, they found that investment in CRM increased remarkably during the 2008 recession. The authors revealed that the orientation from traditional marketing to electronic marketing, fast adaptation to this period, and orientation toward innovation are important strategies.

## **II. Qualitative Research and Results**

The Turkish economy experienced the conditions described as a recession in 2019 starting from the last quarter of 2018. In connection with this situation, a qualitative research was carried out by conducting face-to-face interviews with retail store managers of clothing brands before the COVID-19 pandemic in January and February 2020 in order to determine the strategy changes regarding the marketing mix at the enterprise level. The findings of the research conducted with 11 brand managers in the form of interviews aimed to reveal what changes were made in the marketing mix elements. The data collected in the research performed in Istanbul, one of the most important metropolises of Turkey, were analyzed using MAXQDA 2020.

In the study, the interview questions were asked within the framework of the marketing mix, and the data were analyzed within the scope of this model. The findings in Table 1 were obtained from the analysis of the responses given when they were asked about their work on the target market strategy during the interviews with the brand managers. Most of the brands tried to retain their customers, and to this end, they encouraged their customers to come to the stores by communicating with them and presenting special offers. Companies that changed their target market tried to overcome the recession by presenting offers to the young market and corporate customers.

**Table 1. Brands' Target Market Strategies in Recession**

<b>Target Market Strategies</b>	<b>n</b>	<b>% (n=11)</b>
Retention strategy	9	81.82
Target market change	3	27.27

The analysis findings of the opinions of 10 managers who responded to the question regarding the strategies related to the product element of the marketing mix are included in Table 2. While more than half of the brands increased the number of varieties in their product mix, it is observed that approximately half of them decreased the number of varieties.

**Table 2. Brands' Product Strategies in Recession**

<b>Product strategies</b>	<b>n</b>	<b>% (n=10)</b>
Increase in varieties	6	60.00
Decrease in varieties	5	50.00
Decrease in stock	3	30.00
Cutback in production	2	20.00
Increase in production	1	10.00

In the analysis of price strategies, it is observed that brands apply price discounts and increase the number of installments to provide customers with more attractive payment terms (Table 3). Regarding the distribution strategy, the brands were asked about the effect of online shopping. Stating that online shopping negatively affected store shopping, especially during the recession, the brands stated that the relatively low online prices were attractive to consumers, and 54.55% of the brands stated that this reduced store shopping and estimated that the number of stores would be reduced if it continued like this.

**Table 3. Brands' Price Strategies in Recession**

<b>Price strategies</b>	<b>n</b>	<b>% (n=11)</b>
Price discount	10	90.91
Increase in installments	9	81.82

When the opinions about the promotion strategies were evaluated, the findings as a result of the analysis of the information given by the 9 managers as answers were obtained as shown in Table 4. According to these results, most of the brands did not interrupt their promotional activities, and they turned to promotional activities in various ways. More than half of the brands, the opinions of which were taken, focused on digital platforms. It was observed that almost half of the enterprises increased their advertisements.

**Table 4. Brands' Promotion Strategies in Recession**

Promotion strategies	n	% (n=9)
Orientation toward digital platforms	7	77.78
Increase in advertisements	5	55.56
Change in the advertisement content	4	44.44
Increase in promotion tools	3	33.33
Increase in promotion	2	22.22
Decrease in digital advertisements	1	11.11
Increase in budget	1	11.11

In retailing, the importance of internal marketing and, accordingly, employee satisfaction, motivation, and customer-oriented behaviors are of great importance. The fear of losing their job in a recession and anxiety about failure can have negative reflections on employees' relations with customers. In the interviews conducted with managers in the study, it was determined that 9 brands developed various strategies in this regard. Findings are included in Table 5. It is observed that a significant number of brands implement various motivation programs for employees in recession. Furthermore, by providing support in various ways, it is ensured that they feel stronger and they are enabled to communicate with customers more effectively.

**Table 5. Brands' Internal Marketing Strategies in Recession**

Internal marketing strategies	n	% (n=9)
Motivation program	6	66.67
Premium system	4	44.44
Financial support	3	33.33
Employee training	3	33.33
Selfless work	2	22.22
Fear of dismissal	2	22.22
Motivation problem	1	11.11
Training for employees	1	11.11

### III. CONCLUSION

A recession is a period when enterprises slow down their activities, especially marketing, and protect themselves by cutting their budgets. However, this behavior may result in negative consequences when it comes to marketing expenses, which have a significant share in the total budget because marketing expenses have the quality of investment. Results are obtained after a certain period of time. Therefore, enterprises that lose communication and interaction with customers may not be able to return to the pre-recession period after the recession period. In this context, maintaining the intensity of marketing activities at the same level and not giving up some of the expenses enable the maintenance of customer loyalty during the recession period, and a

stronger competitive power is gained in the post-recession period. Most of the studies in the literature support this view.

In this study conducted within the scope of qualitative research, it is shown that enterprises continue to communicate with customers instead of cutting their marketing budgets in light of past experiences, enable them to come to the store by making attractive offers, offer additional advantages in price presentation, and take part in these platforms by comprehending the importance of interacting with consumers on digital platforms. It shows that enterprises that do not neglect to motivate and support their employees also learn from past experiences in this sense. When the managers were asked for their opinions on the results of these studies, it was found that all of them stated that they received positive feedback.

In conclusion, although the recession is a temporary period, classical reflexes come to the forefront, and the view that enterprises turn to saving on expenses in order to reduce costs is common, it is accepted that enterprises that maintain at least the same intensity of marketing activities by doing the opposite and focus on their customers at the same intensity become more successful during and after the recession, and findings of the study show that managers in this context support the final opinion.

## REFERENCES

- [1.] Brooksbank, Roger, Subhan, Zahed, Garland, Ronald, Rader, Scott, (2015), "Strategic marketing in times of recession versus growth: New Zealand manufacturers", *Asia Pacific Journal of Marketing and Logistics* Vol. 27 No. 4, 2015 pp. 600-627
- [2.] Currim, Imran S., Lim, Jooseop, and Zhang, Yu, (2016), "Commitment to marketing spending through recessions Better or worse stock market returns?", *European Journal of Marketing* Vol. 50 No. 12, 2016 pp. 2134-2161.
- [3.] Graham, Roger C., and Frankenberger, Kristina D., (2011), "The Earnings Effects of Marketing Communication Expenditures During Recessions", *Journal of Advertising*, vol. 40, no. 2 (Summer 2011), pp. 5–24.
- [4.] Gulati, Ranjay, Nohria, Nitin, & Wohlgezogen, Franz (2010), "Roaring out of recession", *Harvard Business Review*, 63–69.
- [5.] Lilien, Gary and Srinivasan, Raji, (2010), "Marketing spending strategy in recessions", *Australasian Marketing Journal*, 18, 181-182.
- [6.] Notta, Ourania and Vlachvei, Aspasia, (2015), "Changes in Marketing Strategies during Recession", *Procedia Economics and Finance*, 24 (2015), 485 – 490.
- [7.] Quelch, John A., & Jocz, Katherine E. (2009), "How to market in a downturn", *Harvard Business Review*, 52–62.
- [8.] Piercy, N. F.; Cravens, D. W.; Lane, N. (2010), "Marketing Out Of The Recession: Recovery Is Coming, But Things Will Never Be The Same Again", *The Marketing Review*, 10
- [9.] (1):3-23.
- [10.] Polat, V.; Nergis, A. T. (2011), "Marketing Strategies During Recession: A Literature Review And Proposed Guidelines", *7th International Strategic Management*, Paris-France, July:263-271.

- 
- [11.] Rollins, Minna, Nickell, David, & Ennis, Justin, (2014), "The impact of economic downturns on marketing", *Journal of Business Research* 67 (2014) 2727–2731.
- [12.] Scheers, L.V. (2018), "Strategies Of Global Recession For Small Business Enterprises in Emerging Markets: Case Of South Africa", *Journal of Business and Retail Management Research*, 12 (2), January:163-172.
- [13.] Sharma, A. (1978), "Management & Consumers in an Era of Stagflation", *Journal of Marketing*, 42 (3): 43-52.
- [14.] Zostautiene, Daiva, Zvireliene, Renata and Susniene, Dalia, (2017), "Changes of marketing culture expression: comparison analysis in times of economic recession and recovery", *Economic Research-Ekonomska Istraživanja*, Vol. 30, No: 1, 302–317.