Gaining Market Share during a "Recession" Using Search Marketing

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According to Robert Hall, Stanford University economist who chairs the National Bureau of Economic Research (the committee charged with identifying when recessions begin and end); "It's much too early to determine whether the current slump merits the "R" word". So while the media and economic pundits continue their debate on what to call this "slowdown"; industries and individuals across the globe are feeling the pains of the economy's troubles. Looming recessionary signs such as: reduced forecast for global economic growth in 2008; low consumer confidence; the subprime mortgage crisis and continued housing market decline have yet to reach their climax. Even the ubiquitous Google has felt the effects of the economic downturn with its recent drop in sponsored clicks and stock prices. Does this mean departments should be preparing for that knee-jerk budget cut reaction? Historically, marketing and advertising budgets have been first on the chopping blocks during an economic slump due to the disconnect between their true impact on the bottom line and their perceived value to the C-suite. This challenge, coupled by already diminishing sales due to consumers' reluctance to purchase products and/or services, results in an even tougher time proving marketing ROI.

However, history also tells us that now is not the time to be cutting marketing and advertising spend. Numerous studies have established the value in maintaining, or better yet, increasing marketing/advertising dollars during a recession due to its ability to capture competitor market share and increase profitability. In a US recessions study of 600 companies from 1980-1985, McGraw-Hill Research's Laboratory of Advertising Performance reported that business-to-business firms that maintained or increased their advertising expenditure during the 1981-1982 recession averaged significantly higher sales growth, both during the economic downturn and three years following, than those that eliminated or decreased advertising. With a plethora of similar studies reporting the same findings, why is it that marketers still need to make a case for their value and what other obstacles are occurring during a recession in the Web 2.0 era?

Internet Marketing: Recession Proof?

According to Forrester Research's US Five-Year Interactive Marketing Forecast, interactive marketing will reach $61 billion by 2012. So, although we may indeed be entering a recession; marketing budgets will still be on the rise. Furthermore, Search Engine Marketing spend is predicted to reach $25,323 billion in the next five years[1], topping what marketers plan to spend on all channels (including email marketing and emerging channels). Does this mean that the Search Industry is recession resistant?

Of course not. According to comScore, Google's sponsored clicks fell 7% in January 2008 from the previous month and were relatively flat compared to January 2007. Google's shares soon followed and fell more than 4% (although later bounced backed). This event shook the internet marketing industry's grounds and sent a red flag to marketers that it's time to begin broadening Search budgets to reflect consumers' online behaviors, such as experimenting with Social Media and vertical search engines. For the savvy marketer, this may seem like a no-brainer -- that capitalizing on emerging media now, will likely increase market share on the upturn of the recession. However, according to Forrester Research, only 9% consider themselves to be at that level. This low percentage of marketers note the ability to integrate their Paid Search and SEO efforts with other on and offline marketing programs, along with measuring the cross-channel influence of Search.[1]

So where does that leave marketers? Whether outsourcing to a Search Agency is in the budget or not, realizing that Search is increasingly advancing and devising a plan to not be left behind, especially during an economic slump, will better position brands who do not want to lose market share when times turn around.

Considerations for Marketers

SEO/SEM Synergy

With a weakened economy, marketers must be conscious of the fact that businesses are looking for programs and campaigns that will have the best ROI. For this reason, investing in Search is a smart choice. Search proves to far exceed the return on investment than other forms of marketing. At the same time, considering the economic crisis, it's likely that online display ads will take some sort of a hit as it's predicted that click-through-rates and conversion rates will dip. As such, finding a synergy in both natural and paid placements will increase the likelihood of reaping all the benefits of a Search program. Several eyeball tracking studies show that when an individual conducts a search, their eye trajectory follows an F-shape on the search engine results page (SERP). The majority of the searcher's focus is on the top left corner (where the top organic results are shown) and very little focus is placed on the right side of the page (where the sponsored ads are located). Although reaching the top organic listings take a significant amount of time and effort, the results are typically long lasting. Paid placements have their benefits too, such as immediate results and control of messaging and placement.

In an online study commissioned by Google and conducted by Enquiro Research, results showed that users are 5% more likely to recall your brand if you have a top sponsored listing in addition to your organic listing (for non-branded queries). Additionally, there is a 16% increase in unaided brand recall by having a brand presence in both the top sponsored and top organic listings of a SERP. As such, managing both organic and paid jointly maximizes the chances to achieve branding goals along with generating clicks.[2]

Web Analytics

During times of economic downturns, C-level executives look to cut budgets in departments that are looked at as non-revenue generating or seen as adding little value to the corporate goal. At a time where job duties, departments and budgets are being scrutinized, it's essential to have a system in place for measuring success to business outcomes. Web analytics provides Internet marketers with the tools and knowledge necessary to develop successful metrics for ROI measurements.

Obviously, it should go without saying that outlining goals and objectives is the first stage in developing metrics, but surprisingly, this step is often overlooked. Goals and Key Performance Indicators (KPIs) should be identified for both paid and natural search. Depending on the nature of the site, goals and KPIs will differ. For example, an informational site that includes newsletter downloads as a subscription service, may want to establish a goal such as increasing subscription by 15% year over year. A correlating KPI would then be the measurement and tracking of conversion rates.

Analytics provides a platform in which to build quality Search Engine Marketing decisions around (such as keyword budget allocation, how to improve specific campaigns, etc) and can be used to demonstrate the effectiveness and value of Search to all levels of an organization -- which is particularly important during a recession.

Proactive vs. Reactive Marketing

Although the majority of marketing departments will not likely see a budget increase during a downturn, it is still important to consider proactive versus reactive marketing strategies that will best utilize the dollars available. Developing a proactive approach during downtimes can help to avoid playing "catch-up" when the competition is spearheading new initiatives to gain market share. While being proactive could be as complex as a new service or product offering, it could also include beefing up keywords in Web site copy or optimizing for top-ranking paid keywords that have poor organic rankings. Whatever the plan may be, the key is to be consumer-centric. When consumer buying patterns head south; having the ability to track, measure, and gain insights into why consumers behave the way they do, can give a glimpse into future results. Hence the role of a company's Web site, Search Engine Marketing, and Web analytics. Garnering the "why" of consumer behavior can poise a business to become a dominant player in the consumer market, especially during an economic downturn.

Conclusion

When markets weaken and the consumer psyche becomes anxious; it's easy for marketing budgets to tighten. However, this downtime can actually benefit those companies who value marketing, and more importantly, are looking to increase market share through measurable, results-driven, consumer-centric methods that have the best ROI (aka, Search Engine Marketing).

Keeping in mind that recessionary cycles typically are not long lasting, and are generally followed by an upswing, now is the time to position brands for when times turn around. Search Engine Marketing is a means to get there.

[1] US Five Year Interactive Marketing Forecast, Forrester Research, January 2008, Shar VanBoskirk (study based on 193 marketers currently using or piloting Search Marketing)
[2] The Brand Lift of Search, Enquiro Online Survey and Eye Tracking Study, July 2007