



How to Market Building Products During a Financial Downturn

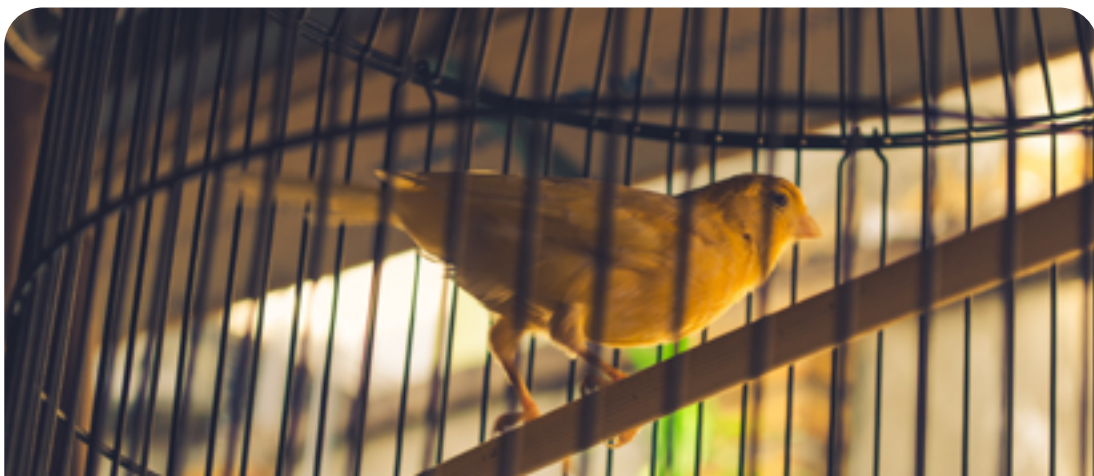


January 2023

What you need to know to be successful during a recession

No one ever said business was easy, but it's been painfully difficult over the past few years. If surviving a global pandemic wasn't hard enough, now economists are predicting a recession as the U.S. economy struggles over a combination of inflation, consumer demand, supply chain issues, interest rate increases and labor problems.

So where is the economy going? We're all searching for the canary in the coal mine to give us some idea of what's coming next. Don't look at the headlines. With so many conflicting indicators, it's nearly impossible to predict the economy and how it will affect building products manufacturers. While bank lending rates and mortgages are rising, there remains a backlog of new home construction and remodeling projects and many regions of the U.S. are reporting a severe housing shortage.





What you need to know to be successful during a recession (cont'd)

The pandemic closed manufacturing facilities and paralyzed supply chains, while creating an unprecedented boom in remodeling and DIY projects. Ask any homeowner currently building or remodeling a home and they'll tell you how difficult it is to find the building materials and appliances in the styles, sizes, colors and finishes they want. Manufacturers are still catching up with all the pent-up demand.

Just as difficult as running a business during these challenging times is marketing a brand, product or service. As the old advertising adage goes, "I know half my marketing dollars are wasted, now if I could only find out which half." Finetuning your marketing strategy now is more important than ever to ensure your efforts are driving value in the right ways for your business during challenging times.

Marketing to the Rescue: Control the Controllables

While no two recessions are the same, thankfully there is a history of how to market successfully during a recession. Marketers have learned how to adapt and navigate through economic uncertainty before and in some cases, have even realized sales growth and improved margins during a downturn. With an economic downturn looming, now is the time for the marketing team to shine! Believe it or not, there are great marketing opportunities that only occur during a recession like launching new products (more on that later).

Regardless of what economic signs you are monitoring, fear is the number one indicator or driver everyone is talking about now. Just look at builder and consumer confidence surveys and you'll see it:

- Fear of the unknown
- Fear of what's next
- Fear of making bad decisions
- Fear of spending



There is a history of how to market successfully during a recession.



You're Still in Control

No good decision is ever made when you are afraid. Make smart decisions. As our COO likes to say at True, “Control the controllables.” You have more power than you realize to determine where to focus your efforts and how

you position your brand during a downturn. Cutting marketing resources altogether is never a good strategy and especially not during a recession.

I know the urge is to cut spending, pull back and ride it out, but history

shows us the brands that continue to market will benefit both during the recession and more importantly, during the recovery.

In fact, now is actually a good time to invest in your brand. Research from the [Worldcom Confidence](#) Index shows that chief marketing officers are investing in their brands and improving customer support by investing in employees to protect sales and even grow during a recession. Leading consumer brands like Coca-Cola, McDonald's and Unilever spent more during past recessions and as a result increased market share. Invariably, brands that froze marketing programs for short-term gains, suffered long-term problems.

AMMO



You're Still in Control (cont'd)

Now is the time to reassess some of the core components of your marketing strategy and put yourself in the minds of your key customers and their customers. At True, we have a process called AMMO that we use with our clients to establish a strategic digital marketing recommendation. Revisiting and prioritizing your **A**udiences, **M**essaging, **M**ethods and **O**bjectives ([AMMO](#)) is most important now. By finetuning your marketing strategy and plan, you will create stronger connections with current customers, while preparing for growth now and when the recession wains.

Audience: It all Starts with Your Current Customers

When the economy is doing well, we market to attract new customers, but during a recession, it's more important than ever to understand the needs and concerns of your current customers. Think about it. Where would your business be if you lost a valuable customer right now? It's a better investment to retain current customers first and ensure they are satisfied instead of focusing on attracting new customers. There will be opportunities to attract new business, but now is the time to double down on your marketing efforts with existing customers.

So, do you know your customers? Do you really know your distributors and dealers and their customers, builders and contractors? Emotions are driving both the trades' and homeowners' decision-making right now. The first and best marketing move you can make is to actively listen to your best customers. Talk to them:

- What are they experiencing and feeling?
- Where do they see challenges and opportunities?
- What are their customers saying?
- What do they see competitors doing right now?

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Audience: It all Starts with Your Current Customers (cont'd)

Just like a ship sailing into a storm, be the lighthouse keeper guiding your customers to a safe harbor. You get points with your customers for being a great partner in their business and by asking questions and demonstrating that you are listening to them. They will provide valuable insights and ideas they might never share during a normal sales discussion.

By asking questions, you will be able to address their concerns and work directly with them as you navigate the storm together. You have ammunition to guide your messaging and can follow up with an action plan that addresses their concerns and opportunities. Do they need better financing terms? Fixed or better pricing or incentives? Joint sales calls? Targeted local marketing programs? Do you have a program to reward their loyalty? Just like politics, all marketing is local. Work with them on specific marketing programs for their best customers.

Now is the time to be your customers' best friend. Brands that withdraw out of fear or stop marketing all together are leaving their customers on their own when they need the support of a strong brand more than ever.





Predicting What Homeowners are Thinking

Just as important as listening to your customers is understanding how the end user, the homeowner, is thinking during a recession. During the last recession in 2008, Harvard Business Review published, *How to Market in a Downturn*. The article focuses on understanding recession psychology of your customers.

“Purchases depend on consumers’ having disposable income, feeling confident about their future, trusting in business and economy, and embracing lifestyles and values that encourage consumption.” When consumers’ confidence plummets, customers fall into four groups:

Slam-on-the-brakes

Pained-but-patient

Comfortably well-off

Live-for-today

Types of Consumers

Slam-on-the-brakes – This group will reduce spending by eliminating, postponing, decreasing or substituting purchases. Focus on repair and replace products/projects with this group because they will only spend if there is a problem that needs to be addressed now.



Pained-but-patient – This is the largest group and tends to be resilient and optimistic about the long term, but less confident about the near term. They are looking for value and want to feel like they are getting a deal or saving money by purchasing now or making an investment that will pay off in the long run. They economize, though less aggressively, but if economic news gets worse, they will migrate to the slam-on-the-brakes group. To be effective, consider making the good products in your good, better, best model easier to buy.



Types of Consumers (cont'd)



Comfortably well-off – This group is primarily in the top 5% income bracket and feels secure about their ability to ride out current and future bumps in the economy. This is the group we all wish we were marketing to every day. They will continue to purchase at near pre-recession levels, but will be more selective. This group needs to see the benefits of their purchase and how it will help them live the life they want now. If your products are purchased by this group, you need to remind them they have earned this product and that it is a part of their dream home or remodeling project.

Live-for-today – Recession be damned, this group continues making purchases unconcerned about the economy. Typically younger and urban, this group may postpone a purchase, but will look for value such as extended payment terms. Remember we justify a purchase with facts and figures, but we buy based on emotion. Marketing to this group is focused on buying and enjoying it now. Focus on the benefits and rewards they'll experience now by purchasing it today.





Types of Consumers (cont'd)

So how do your audiences match up with your products/services? Now may be the right time to rethink your product mix too. Remember, homeowners want choices. They might want a value-based option or will consider another product in your mix that will save them money in the long term. They may not get the refrigerator with all the bells and whistles, but they will still buy a refrigerator that meets their basic needs: to keep food and beverages cold or frozen.

Rethink your products and audiences and remember consumers are reevaluating their priorities. They may eliminate or substitute products based on a variety of factors and may prioritize price and value over brand loyalty. Talk to your customers now so you can learn what's driving decisions in the marketplace. And don't forget, a loyal customer is your best asset.



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Messaging:

What Do Your Customers Need to Hear... Now

It's said that it takes 20 years to build a reputation and less than five minutes to ruin it. The same is true of your marketing during a recession. Now is not the time to make a dramatic shift in your messaging. Consistency is the key. Major changes to your marketing program are likely to confuse your customers and open them up to the competition. Be true to your brand and your customers.

Your messaging might need tweaked, however, to demonstrate that you are not out of touch with your customers' needs and wants. Marketing is all about building trust and this is especially important during a downturn. Think about it:

- What do your distributors and dealers, builders and contractors need to hear right now?
- What do you need them to think, feel or do?
- What will make them want to buy?

Remember, customers know best, and you asked them. Build on that now and use messaging that addresses their concerns and helps justify their purchases.

Methods: New Tools in your Marketing Toolbox

During the 2008 recession, marketers saw firsthand the power and efficiency of digital advertising. While traditional trade advertising suffered, paid search and social produced great results. Now is the time for marketers to be resourceful. Budgets may be reduced, but you can still be very effective. It all comes back to maintaining a consistent share of voice (SOV) related to your competition. There is much more to marketing than simply advertising.

Research shows that maintaining SOV during a recession will keep your brand and products top-of-mind with current customers, while attracting new customers, although maybe fewer than you would like. At True,

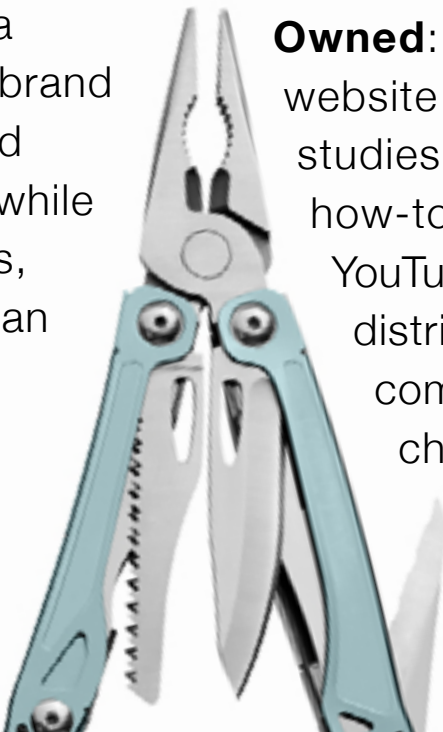
we recommend the PESO model when considering all of the marketing touchpoints to maintain SOV:

Paid: Any purchased channel including search, trade media, social media and trade show or other promotion.

Earned: Media content secured through media relations from product news releases to media interviews with trade media, influencers and podcasts.

Shared: Content shared through social media channels.

Owned: Content on your website including case studies, blogs, emails, how-to instructions, YouTube videos and content distributed through your company's social media channels.





Methods: New Tools in your Marketing Toolbox (cont'd)



By using the PESO model, you will connect with your current customers and attract new customers. Be aware that leads will be harder to come by, but the sales team can work more closely to qualify and contact prospects. Consider putting in place a lead nurturing program to ensure your brand remains top-of-mind with current customers and prospects so when a builder or contractor is ready to buy, your brand and product will be the first they think about.

Tips for PESO

In a recession, where funds may be limited, focus on first building your owned and shared channels. This shift allows you to focus on creating quality content that becomes the cornerstone of both your earned and paid efforts once funds become available.



Don't Forget about the DIYer and Content for them

During slowdowns, homeowners put off moving and instead focus on remodeling their existing home. Now is the time to create or tweak content to address remodeling and do-it-yourselfers (DIY). For example, consider content around smaller, less complex projects with dramatic cost-saving results or improved curb appeal.

For the DIY customer, invest in step-by-step instructions and use channels like YouTube or Instagram to inspire them. You'll use this same content

with your pros but with different messaging. Create lists of tools and materials needed for everyday projects that they can take to their lumberyard or home center. Now is the time to focus on being easy-to-do-business-with from project planning through implementation. Then encourage them to share on social media to attract more customers.



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Objectives: Moving Targets and Reassessing Metrics that Matter Most Right Now

Tracking your performance during an economic downturn is very important. You may need to change your plans to reflect changing market conditions. While sales are an important key performance indicator (KPI), there are other better indicators to follow. Often during a recession, just maintaining your sales with current customers is a win.

Consider all of the touchpoints between your customers, prospects and your brand. Touchpoints like social media follows, website visits, content downloads, emails opened, in-person meetings, and sample requests. How can you improve the

quality of those touchpoints? Track them through the sales journey and identify areas that you're winning and losing leads.

And it's not all doom and gloom. Be ready for the financial rebound. By standing out during the recession, customers are more likely to think of your brand

first when the economy turns around and it will. Being prepared to find the first markets or pockets of customers to be in front of them with your messaging.

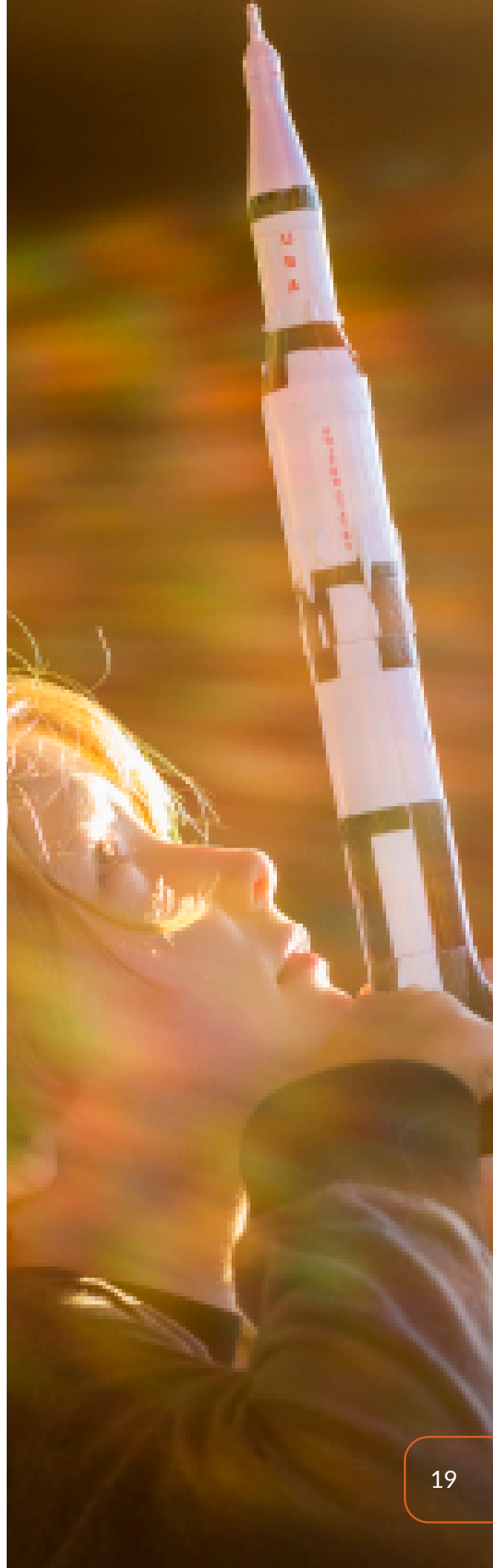


Recession Opportunities: Now is the Time to Launch Your New Products

Research shows that there is never a better time to launch a new product than in an economic downturn. I know what you're thinking: builders and contractors are slowing down because the jobs aren't coming and even competitors are cutting back on advertising and marketing so why would I launch a new product now? Your key audiences finally have time to see and hear you. They can learn about your new products without the interruptions and noise from competitors' advertising and content. Simply put, they are more likely to be focused on you.



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Recession Opportunities:

Now is the Time to Launch Your
New Products (cont'd)

With the International Builders' Show returning to Las Vegas in 2023, now is the time to go big with your marketing. When the economy is good, everyone is spending money on advertising and marketing and regardless of how great your new product is, it's more likely to get lost in all of the marketing noise. This year's show will be different with brands cutting their marketing spending and delaying new product introductions. Now is your time to stand out and show your customers that your brand is not backing down. You are giving them new products that they can use to attract and expand their business.



Keep Your Friends Close & Your Enemies Even Closer

Even in the worst of economic times, there are opportunities. Remember your competition is going through the same challenges. Pay close attention to what they do and consider what opportunities it creates for your brand. If you're lucky and they cut all their marketing efforts, you have great opportunities to gain sales and market share.

Continue checking in on your best customers to reassess their thoughts and opinions on the market. Celebrate wins together and determine ways to continue working together. Show them you have a plan and let them know how you're doing against it. Demonstrate what's working and, more importantly, why.



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['Anchors of stability': Three Reasons Why Brands Should Maintain Advertising During a Recession](#)

[CMOs Are Ready to Drive a Three-Pronged Recession Busting Approach According to the Worldcom Confidence Index \(WCI\)](#)