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Crisis Management and Current Trends in Managing Crisis in It Sectors

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ABSTRACT: In every CRISIS marketers find themselves in poorly charted waters because no two downturns are exactly alike. Companies need to understand the evolving consumption patterns and fine-tune their strategies accordingly. During recessions, of course consumers set stricter priorities and reduce their spending. As sales start to drop businesses typically cut costs, reduce prices, and postpone new investments. Marketing expenditures in areas from communications to research are often slashed across the board but such indiscriminate cost cutting is a mistake. Although it is wise to cut costs, failing to support brands or examine core customer's changing needs can jeopardize performance over the long term. Companies that put customer needs under the microscope, take a scalpel rather than a cleaver to the marketing budget, and adjust strategies, tactics and product offerings in response to shifting demand are more likely than others to flourish both during and after a recession.

I. CONSUMER PSYCHOLOGY DURING CRISIS

During periods of prosperity marketers may forget that rising sales aren't caused by clever advertising and appealing products alone. Purchases depend on consumers' having disposable income, feeling confident about their future, trusting in business and the economy, and embracing lifestyles and values that encourage consumption. The wave of bad economic conditions is eroding confidence and buying power, driving consumers to adjust their behaviours in fundamental and perhaps permanent ways. Marketers tempt consumers in deining the good life in material terms and urging them to live beyond their means.

In the ensuing meltdown, consumers face piles of bills, stagnant or falling incomes and shrinking savings. At the same time a series of corporate scandals, failures in the financial, housing and insurance sectors and mismanaged businesses have fostered consumer distrust and skepticism.

These combined effects create a profound challenge for marketers, not only during the downturn but in the recovery that will eventually follow. The first step in responding must be to understand the new customer segments that emerge in a recession. Marketers typically segment according to demographics or lifestyle. In a recession such segmentations may be less relevant than psychological segmentation that takes into consideration consumers' emotional reactions to the economic environment.

II. ANALYSIS BY SEGMENTING THE CONSUMER

Assuming the consumer can be put into the following categories:

- The slam-on-the brakes
- Pained but patient consumers

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- Comfortably well-off consumers
- The live for today segment
- The slam-on-the-brakes segment feels most vulnerable and hardest hit financially. This group reduces all types of spending by eliminating, postponing, decreasing, or substituting purchases. Although lower-income consumers typically fall into this segment, anxious higher-income consumers can as well fall into this.
- Pained but patient consumers tend to be resilient and optimistic about the long term but less confident about the prospects for recovery in the near term or their ability to maintain their standard of living. They constitute the largest segment and include the great majority of households. As Recession becomes worse pained but patient consumers increasingly migrate into the slam-on-the-brakes segment.
- Comfortably well-off consumers feel secure about their ability to ride out current and future bumps in the economy. This segment includes those who are less wealthy but feel confident about the stability of their finances, for example the comfortably retired.
- The live-for-today segment carries on as usual and for the most part remains unconcerned about savings. The consumer in this group respond to the recession mainly by extending their timetables for making major purchases. This segment people are more likely to rent than to own and they spend on experiences rather than stuff. They are unlikely to change their consumption behavior unless they become unemployed.

Regardless of which group consumers belong to, they prioritize consumption by sorting products and services into four categories

- Essentials are necessary for survival or perceived as central to well being.
- Treats are indulgences whose immediate purchase is considered justifiable.
- Postponables are needed or desired items whose purchase can be reasonably put off.
- Expendables are perceived unnecessary or unjustifiable.

Throughout a downturn all consumers except those in the live for today segment typically re evaluate their consumption priorities. During recessions it is more important than ever to remember that loyal customers are the primary, enduring source of cash flow and organic growth. Marketing is not optional it is a “good cost” essential to bringing in revenues from these key customers and others.

III.MANAGING MARKETING INVESTMENTS

In managing marketing expenses, however businesses must take care to distinguish between the necessary and the wasteful. Building and maintain strong brands ones that customers recognize and trust remains one of the best ways to reduce business risk. The stock of companies with strong brands, such as colgate-palmolive and Johnson & Johnson have held up better in recessions than those of large consumer product companies with less well-known brands.

Tough times provide an imperative to cut loose poor performers and eliminate low-yield tactics. When survival is at stake, it is easier to get companywide buy-in for revising marketing strategies and reallocating investments. Managers can defy old mind-sets and creatively search for superior solutions to customer needs instead of relying on the next line extension. The challenge is to make well defended, case by case recommendations about where to cut spending, where to hold it steady and even where to increase it.

IV.EXPLORING OPPORTUNITIES

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Assess opportunities by performing triage on brands and products and services. Determine which have poor survival prospects, which may suffer declining sales but can be stabilized and which are likely to flourish during the recession and afterward. Allocate for the long term. When sales start to decline companies should not panic and alter a brand's fundamental proposition or positioning. Marketers that drift away from their established base may attract some new customers in the near term but find themselves in a weaker position when the recession ends. Their best course is to stabilize the brand. In deciding which marketing tactics to employ, it is critical to track how customers are reassessing priorities, reallocating budgets, switching among brands and product categories, and redefining value. It is therefore essential to continue investing in market research. As the recession winds down, consumers will regain buying capacity but possibly will not return to their old purchasing patterns. Market research should explore whether consumers will go back to familiar brands and products stay with substitute products, or welcome innovations.

In recessions, marketers have to stay flexible, adjusting their strategies and tactics on the assumption of a long, difficult slump and yet be able to respond quickly to the upturn when it comes. Most of the consumers are ready to try a variety of new products once the economy improves. Companies that wait until the economy is in full recovery to ramp up will at the mercy of better-prepared competitors. Even during a recession, new products have important place. Live-for-today customers, with their undiminished appetite for goods and experiences, often appreciate novelty. And the other segments will embrace new products that offer clear value compared with alternatives.

- In Recessions, companies must understand customers' shifting needs and then adjust their communications strategies and offerings
- Marketers should segment customers according to their recession psychology and how they categorize their purchases
- Companies that employ tactics through carefully targeted appeals and trying to bind the customer emotionally they can survive in the long run

Economising Advertising during Recession

During Recessions the share of advertising budget devoted to broadcast media shrinks whereas the share that goes toward efforts with more measurable results such as direct marketing campaigns and online ads, grows. Internet advertising in particular is targeted and relatively cheap and its performance is easily measured. Broadcast media still remain important for building mass market consumer brands. Although strong brands can be carried for a period on the momentum of previous brand building investments, no brand can afford to coast solely on earlier efforts. Brands that are out of sight on the television screen will sooner or later be out of mind for a large percentage of consumers. So it is very critical as customers may switch brands for the most advertised.

Clever ways to economize on Advertising

- Shift from 30 second to 15 second television spots
- Substitute cheaper radio advertising for television, especially when it is important to deliver frequent message in order to remind consumers to act
- Switch to media that allow precise targeting of consumers and detailed tracking of their response
- Consolidate advertising at a single agency to maximize media-buying discounts

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- Advertise brands jointly with a marketer in a different product category that targets a similar consumer segment
- Adapt or extend an existing campaign rather than commission a costly new campaign
- Avoid long-term media commitments at the the outset of the downturn, wait for falling spot rates before buying media.

V.CONCLUSION

It is critical to track how customers reassess priorities, reallocate fund, switch brands and redefine value during Recession. In recessions marketers have to stay flexible, adjusting their strategies and tactics on the assumption of a long difficult slump and yet be able to respond quickly to the upturn when it comes. Most consumers will be ready to try new products once the economy improves. Companies that wait until the economy is in full recovery to ramp up will be at the mercy of better prepared competitors. Even during Recession new products have important place. During Recession cash strapped marketing departments are under pressure to do more with less and demonstrate high returns on investment. Surviving in the crisis market requires frequent reforecasting of demand for each item in a product line as customers' buying habits shift. In tough times discounts that require little effort from consumers and give cash back at the point of sale are more effective than delayed value promotions. Many marketers will need to increase the frequency and depth of temporary price promotions.

Survivors that make it through this recession by focusing their attention on consumer needs and core brands will be strongly positioned for sunnier days ahead. However companies must understand how people's behaviours may change following the recession so they will be able to offer products and communicate messages aligned with needs of new consumer segments. After most recessions have ended, consumers' attitudes and behaviours returns to "normal" within a year or two depending upon the duration of recession the deeper and more prolonged a recession is the greater the possibility that there will be profound transformations in consumers' attitudes and values. During and after the recession it would be foolhardy for marketers to ignore those changing expectations. While businesses are putting customers under a microscope their customers are, in turn are examining as well as expecting a lot of value for their money and time.

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