

## MARKETING BUDGETS

# Responding to the challenge

Tailor marketing messages to the current climate

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IT'S not just jobs, wages and bonuses that are falling victim to the current economic blues. A recent research study has shown that marketing budgets are also under pressure.

The study was carried out by marketing consultancy R3 to understand marketing budget changes from this year to next and to see how marketing budgets can determine the preferred advertising medium.

It involved more than 50 marketers who represent about 100 top brands in Asia and who form a varied mix from fast moving consumer goods (FMCG) and technology to banking and logistics.

R3 initially completed its fieldwork in September. At that time, 62 per cent of marketers had forecast higher budgets — a

trend which Ms Goh Shu Fen, co-founder and principal of R3, attributed to factors such as post-Olympics sentiments.

However, when the credit crisis situation became worse — with one trigger being the filing of bankruptcy by Lehman Brothers in mid-Sept — R3 got in touch with the respondents again last month to measure attitude changes.

The revised results indicated a drastic difference in marketers' perceptions, even for those from growth economies such as China.

Compared to the previous 62 per cent, only a meagre 6 per cent of respondents forecast an increase in spending for the next 12 months.

Ms Goh told TODAY that marketing budget-cutting goes across the board and affects both the companies that serve basic needs and those that offer luxury products.

"We have some marketers, whose core businesses target the masses, cutting their budgets, too. Among those who said that

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Ms Goh Shu Fen

their budgets would be significantly impacted, 30 per cent of them come from the FMCG industry," said Ms Goh.

Examples of FMCG products, most of which are essential items, include household, personal care, and food and beverage products.

According to Ms Goh, FMCG advertisers tend to adopt the traditional approach of building brand awareness when marketing their products.

This works when the economy is robust, as a customer shopping for a shampoo at a supermarket, for example, will choose

one with strong brand recall.

In a weakening economy, however, the same customer will consider price differences more carefully and choose a more affordable house brand.

To maintain customer loyalty, brands can offer direct discounts or products in smaller sizes and hence, lower prices. Marketers should therefore focus on ads that highlight price points and value.

But even then, this may be an industry-specific decision. Ms Goh noted that banks, for example, would be better off choosing branding ads over those that push product sales. That's because branding ads help to build a sense of trust and confidence in customers.

Said Ms Goh: "Instead of champagne brunches and holidays to Japan, sell *dim-sum* brunches and Phuket getaways."

After all, she believes that Singaporeans will not stop shopping, travelling or eating out. "Old habits die hard. We'll just be more prudent."

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