

The Advisor

Ideas to Help You Build Positive Relationships With Your Customers

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Marketing factors in economic downturn...

The playing field for retail propane marketers changes daily. Shifting ground includes issues such as increasing costs and lower margins, a shrinking market place, fewer industrial/ commercial/agricultural gallons, just to name a few.



Andrea Young

As tempting as it is in difficult economic times, it's imperative that companies do not cut back on their marketing. According to Harvard Business School professor and author, John A. Quelch, there are eight factors companies should bear in mind when making their marketing plans in this economic downturn. Quelch, the Lincoln

Filene Professor of Business Administration at Harvard Business School, teaches Marketing to senior executives on the School's Advanced Management Program. Between 1998 and 2001 he was Dean of London Business School and, between 2001 and 2008, Senior Associate Dean at Harvard Business School. He is known worldwide for his research on global marketing, global branding and marketing communications. Highlights most relevant to retail propane marketers are listed below. Pay particular attention to Factors 1, 2, 3, and 8. If you would like to read Quelch's article in its entirety go to <http://hbswk.hbs.edu/item5878.html>.

1. RESEARCH THE CUSTOMER.

Instead of cutting the market research budget, you need to know more than ever how consumers are redefining value and responding to the recession. Price elasticity curves are changing. Consumers take more time searching for durable goods and negotiate harder at the point of sale. They are more willing to postpone purchases, trade down, or buy less. Must-have features of yesterday are today's can-live-without. Trusted brands are especially valued and they can still launch new products successfully but interest in new brands and new categories fades. Conspicuous consumption is less prevalent.

2. FOCUS ON FAMILY VALUES.

When economic hard times loom, we tend to retreat to our village. Look for cozy hearth-and-home family scenes in advertising to replace images of extreme sports, adventure and rugged individualism. Zany humor and appeals on the basis of fear are out. Greeting card sales, telephone use and discretionary spending on home furnishings and home entertainment will hold up well, as uncertainty prompts us to stay at home but also stay connected with family and friends.

3. MAINTAIN MARKETING SPENDING.

This is not the time to cut advertising. It is well documented that brands that increase advertising during a recession, when competitors are cutting back, can improve market share and return on investment at lower cost than during good economic times. Uncertain consumers need the reassurance of known brands, and more consumers at home watching television can deliver higher than expected audiences at lower cost-per-thousand impressions. Brands with deep pockets may be able to negotiate favorable advertising rates and lock them in for several years. If you have to cut marketing spending, try to maintain the frequency of advertisements by shifting from 30-second to 15-second advertisements, substituting radio for television advertising, or increasing the use of direct marketing, which gives more immediate sales impact.

4. ADJUST PRODUCT PORTFOLIOS.

...Gimmicks are out; reliability, durability, safety and

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The Advisor

Creativity is key to increasing deliveries

Is your glass half empty or half full? It's the age old chicken-and-egg question that can only be answered from your own unique frame of reference and perception.

If your glass looks half empty, what are you doing to make it half full? There are a number of industrial, commercial and agricultural stones to be uncovered that could help build your gallons delivered. The options to grow your business are limited only by your imagination, determination, and the resources available to you.

The following list represents some propane application options that you might explore as revenue stream potential:

- Vehicle fleets including school buses, taxis, airport shuttles, local government agencies, police, parks and recreation departments, state and national park vehicles, and others
- nurseries, greenhouses
- lawn care, landscaping
- asphalt heating for highway construction, repairs, and drying
- floor refinishing
- poultry farms
- propane heaters to dry concrete, plaster, etc.

- brick, tile kilns
- glass makers
- metal workers
- floor refinishers
- agricultural applications (soybean, peanut, corn, pecan drying, and many others)
- grocery stores
- laundromats
- ice resurfacing
- leather drying
- paper products drying
- smoke houses, meat processing
- commercial propane backup generators (hospitals, other critical applications)

This list is not exhaustive. Additional propane uses may exist in your area. See www.npga.org for a more comprehensive list of uses.

Research and explore opportunities that could represent new revenue streams. Even if you don't make an initial sale, you are sowing seeds that could turn into potential new business down the road.

And, you just never know. You might come across a completely new idea because you turned over a few stones!

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performance are in. New products, especially those that address the new consumer reality and thereby put pressure on competitors, should still be introduced but advertising should stress superior price performance, not corporate image.

5. SUPPORT DISTRIBUTORS.

In uncertain times, no one wants to tie up working capital in excess inventories. Early-buy allowances, extended financing and generous return policies motivate distributors to stock your full product line. This is particularly true with unproven new products. Be careful about expanding distribution to lower-priced channels; doing so can jeopardize existing relationships and your brand image...

6. ADJUST PRICING TACTICS.

Customers will be shopping around for the best deals. You do not necessarily have to cut list prices but you may need to offer more temporary price promotions, reduce thresholds for quantity discounts, extend credit to long-standing customers and price smaller pack sizes more aggressively. In tough times, price cuts attract more consumer support than promotions such as sweepstakes and mail-in offers.

Yellow Page ads still good investment?

Yellow and White Page phone directory usage is declining with both shoppers and advertisers. Due to convenience and environmental concerns, Internet search engines and online directories are pushing phone directories into the recycling bin. Discontinuing printing of White Pages will save 5,000 tons of paper in New York alone plus additional dollars in energy and distribution costs.



Tammy Day

According to the June 4, 2010 edition of *The Kiplinger Letter*, most consumers won't miss having a copy of the White Pages. In some states, distribution is by request only. Florida, Oklahoma, and Ohio, are examples of states saving money by not automatically delivering White Pages to residents. Among these three states, only two percent of phone users actually request a copy.

So, where does this shift leave Yellow Page advertising? Ad sales are drastically declining as the

Internet continues to grow as the medium of choice to search for information. Current Yellow Page users may continue to advertise out of habit, but it might not necessarily be their most cost-effective advertising option.

Studies show that sites like Yellowbook.com, Yellowpages.com, Superpages.com, Magicbook.com, etc., encourage listings on their online site for a steady stream of prospects. However, those sites get very little traffic because most research is done on Google.com, Yahoo.com, MSN, and other Internet search engine sites.

Yellow Pages advertising groups businesses together with competitors meaning you must stand out from your competitors by purchasing larger, more elaborate, and more expensive ads.

Many prospects use Yellow Pages for price comparisons and to look up a company they already know. This makes Yellow Page advertising an expensive hit-and-miss way to advertise. There are more cost-effective and result-driven ways to put your marketing budget to work.

7. STRESS MARKET SHARE.

In all but a few technology categories where growth prospects are strong, companies are in a battle for market share and, in some cases, survival. Knowing your cost structure can ensure that any cuts or consolidation initiatives will save the most money with minimum customer impact. Companies such as Wal-Mart and Southwest Airlines, with strong positions and the most productive cost structures in their industries, can expect to gain market share. Other companies with healthy balance sheets can do so by acquiring weak competitors.

8. EMPHASIZE CORE VALUES.

Although most companies are making employees redundant, chief executives can cement the loyalty of those who remain by assuring employees that the company has survived difficult times before, maintaining quality rather than cutting corners and servicing existing customers rather than trying to be all things to all people. CEOs must spend more time with customers and employees. Economic recession can elevate the importance of the finance director's balance sheet over the marketing manager's income statement. Managing working capital can easily dominate managing customer relationships. CEOs must counter this. Successful companies do not abandon their marketing strategies in a recession; they adapt them.

Quelch's latest book, *Greater Good: How Marketing Makes For Better Democracy*, details six fundamental characteristics that marketing and democracy share.

*Eight factors you must consider
when marketing in an economic
downturn...See page 1.*

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