



Marketing in a Tough Economy

(Frantz Group, June 2009)

EXECUTIVE SUMMARY

In December 2008, Frantz Group conducted its first survey on marketing in a tough economy. We had 51 participants representing 44 technology companies. Many asked us to repeat the survey because of all the changes since December. In June 2009, we finished our second survey - 57 participants from 50 technology companies. We thank all our participants for their frank and thoughtful responses. In this survey, one concept surfaced over and over again – the notion of *focus* or *target*. It was applied to industries, accounts, messaging, products, partnering and more. We agree as our tagline is “Focus is Power”.

- What's been the impact of the economy?
 - More widespread revenue impact as 71% reported decreases compared with 44% in December
 - Deeper cuts in marketing budgets; in December, only 18% expected a reduction of 15% or more; in June, the number had risen to 37%
 - Widespread increase in sales cycle times; in December, 44% reported a sales cycle time increase; now it's 75%; and some are seeing a 50% or 75% longer sales cycle.
 - When will the economy turnaround? In December, the consensus was by end of 2009; now the feeling is Q1 or Q2 of 2010.
- How is the change in demand showing up?
 - Decreases are showing up mainly in direct mail and live events (unchanged from December)
 - Increases are showing up mainly in social networking, email marketing, web events and telemarketing (social networking and email marketing are new for June)
- What is marketing doing to meet these challenges?
 - Changing the mix – increasing PR and social networking, changing prices (even some increases), reducing advertising and direct marketing
 - Continued strong investments in channel, online and social networking
 - Putting more emphasis on targeted account marketing
 - Driving focus in many dimensions – specific verticals, certain products, strategic partners, value/ROI messaging, vulnerable competitors, and current accounts.
- What's being done to combat lengthening sales cycles?
 - Generate more leads to increase probability of driving revenue sooner
 - Do more nurturing so hard earned leads doesn't exit the funnel prematurely
 - Use Incentives (price cuts, bundling, financing) with time limits
 - Create messaging that emphasizes value now
 - Reduce prospect's risk – for example, offer money back guarantees
- Despite the tough economy, many see opportunities
 - New markets, adjacent verticals
 - Company specific marketing
 - New products/services for current customer base
 - Partnering – expand partner network, look for new ways to partner

Lastly, we used a video invitation to participate in the survey. 60% of the participants watched it and their feedback was very positive. The top uses they saw for video included event promotion, sales interactions, executive communications and key account nurturing. If you have any questions or comments contact Ken Heun (kenh@thefrantzgroup.com or 262-204-6021).

PROJECT OVERVIEW & METHODOLOGY

This market research project had these specific objectives:

- To assess the impact of the economy on marketing departments at technology companies
- To gain insight into how marketing is working to overcome it

The research was conducted via an online survey that was divided into two parts. The first 3 questions are focused on collecting basic information so that we could qualify participants:

1. Contact Information
2. Identify your marketing responsibilities
3. What is your company's primary business

We targeted senior marketing executives from technology companies. From the chart below, you can see that over 80% approve marketing programs and nearly 60% are responsible for creating their company's marketing strategy.

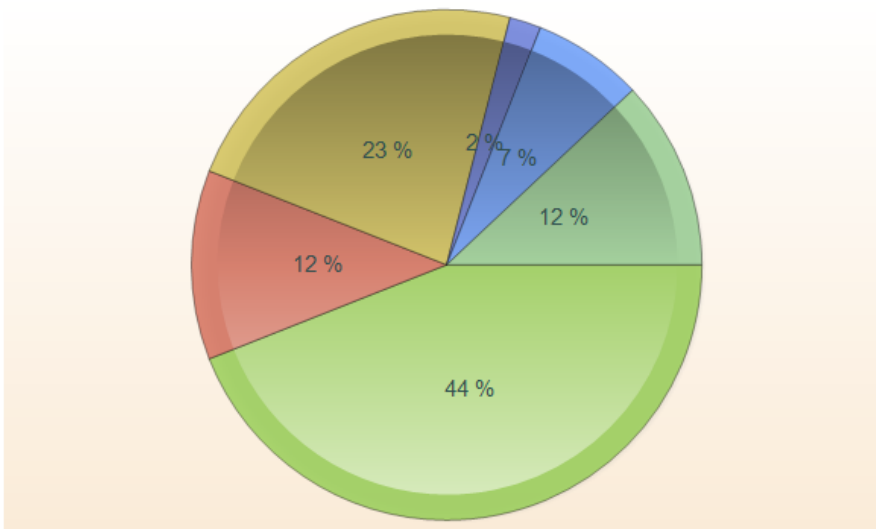
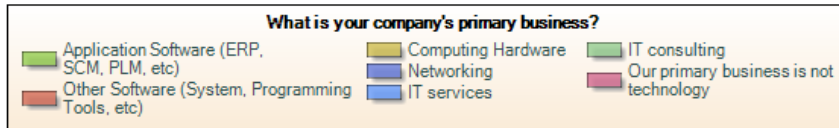
Which of the following is part of your marketing responsibilities? (Check all that apply)	
Approve marketing campaigns or programs	81%
Manage direct marketing (email, postal mail, telemarketing)	77%
Create/recommend marketing campaigns or programs	75%
Recommend what marketing work should be outsourced	72%
Manage online marketing (SEO/SEM, banner ads, newsletters)	70%
Recommend marketing services vendors	68%
Decide/approve marketing services vendors	65%
Decide/approve what marketing work is outsourced	63%
Create our company's marketing strategy	58%
Manage web 2.0 social marketing	46%
Approve our company's marketing strategy	33%

And when we analyzed their job level, we found that 77% are at the director level or above. We wanted executives who had insight into the tradeoffs between the various marketing functions and who had decision making authority.

Participants' Job Level	
C-Level	14%
Vice President Level	21%
Director Level	42%
Manager Level	23%



Lastly, we screened out all companies whose primary business was not technology. From the chart below you can see that application software companies and hardware companies made up 67% of those participating.



The remaining 21 questions are summarized below:

4. We used a short video invitation to participate in this survey. Did you watch it?
5. Which areas do you think video could improve your messaging?
6. Would you like information on using video in B2B sales and marketing?
7. During the first 3 months of 2009, what's been the impact of the economy on your revenue?
8. Which lead sources show a change in demand that seems to be linked to the economy?
9. What changes are you making or planning to make regarding your marketing mix?
10. Are you making any other changes? Include where you see business opportunities.
11. How does your 2009 marketing budget compare to last year's?
12. What changes have been made to your 2009 budget since it was set initially?
13. How has your marketing spend process changed relative to last year?
14. How has the current economy impacted your sales cycle time?
15. If your sales cycle is getting longer, what are you doing/planning to do to shorten it?
16. What is your company/marketing department position regarding the use of 3rd parties?
17. If you needed to hire another marketing person, does the current economy make outsourcing viable?
18. Do you/will you consider outsourcing of various types of marketing work?
19. How would you characterize your company's revenue growth goal for 2009?
20. What is your company's annual revenue?
21. What marketing software applications do you use?



22. What is the size of your marketing team
23. What is your spendable marketing budget for the current year?
24. In your opinion, when will the economy start to turn around?

The information was collected beginning May 4, 2009 with the last accepted response dated June 11, 2009. The primary marketing tactic was email. Here are the pertinent statistics regarding participation:

- 135 visits to the survey website
- 76 responses
- 13 partially completed surveys
- 6 responses were screened out
- 57 qualified surveys
- 50 different companies
- About ½ of the December 2008 participants took part in the June 2009 survey

Participants were offered two incentives – an advance copy of the final report and the choice of a \$25 gift card. Over 1/3 of the participants chose to have us contribute \$25 to Hunger Task Force in lieu of a gift card.



IMPACT OF THE ECONOMY

On revenue

From the table below, you can see that since December, the impact of the economy has been felt by more companies and to a greater degree. The number businesses that have seen a decrease in revenue has grown from 44% to 71%. And the number of businesses that have seen an increase in revenue has shrunk slightly from 18% to 15%.

Impact of the economy on your revenue?	June 2009	Dec 2008
no change	15%	38%
it's down about 5%	20%	14%
it's down about 10%	17%	16%
it's down about 15%	11%	6%
it's down about 20%	15%	2%
it's down about 25%	6%	4%
it's down about 50% or more	2%	2%
it's up about 5%	9%	10%
it's up about 10%	2%	8%
it's up about 15%	2%	0%
it's up about 20% or more	2%	0%

On sources of demand

From the table below, it's clear that face to face events continue to generate less demand. At the same time, online events, social networking, email marketing and telemarketing all showed a healthy increase in demand. Social networking and online ads are the top tactics that companies are not using.

Source of Leads	Less Demand		Same Demand		More Demand		Unknown		N/A	
	Jun 09	Dec 08	Jun 09	Dec 08	Jun 09	Dec 08	Jun 09	Dec 08	Jun 09	Dec 08
Email marketing	7%	14%	38%	43%	43%	22%	5%	18%	7%	2%
Direct mail marketing	36%	39%	21%	18%	12%	8%	11%	8%	20%	27%
Telemarketing	21%	20%	23%	44%	41%	24%	0%	4%	14%	8%
Online ads	24%	15%	29%	33%	13%	12%	9%	8%	25%	31%
Website visits	5%	12%	46%	44%	38%	19%	5%	21%	5%	4%
Website inquiries	7%	20%	47%	42%	33%	22%	7%	10%	5%	6%
Face to face events	61%	40%	16%	31%	19%	8%	2%	8%	2%	12%
Online events	4%	11%	27%	33%	50%	30%	4%	9%	16%	17%
Web 2.0 social networking	2%	n/a	12%	n/a	50%	n/a	11%	n/a	25%	n/a



On the marketing mix

From the table below, it's apparent that since December, most companies are making changes. On the average, 40% of companies were making no change across their mix; now that number has fallen to 29%. Events are both growing and shrinking. Based on other data, we think that's probably due to an increase in web events and a decrease in face to face events. And it comes as no surprise, advertising is still out of favor.

Change to Marketing Mix	Increase		No Change		Decrease		Unknown		N/A	
	Jun 09	Dec 08	Jun 09	Dec 08	Jun 09	Dec 08	Jun 09	Dec 08	Jun 09	Dec 08
Public Relations	37%	22%	26%	48%	7%	10%	12%	8%	18%	12%
Branding	39%	31%	29%	45%	14%	8%	9%	2%	9%	14%
Advertising	7%	14%	29%	37%	36%	25%	15%	4%	13%	20%
Online (website, SEO/SEM, etc)	63%	66%	23%	28%	9%	2%	4%	4%	2%	0%
Direct Marketing (email, postal, phone)	39%	36%	34%	48%	25%	12%	2%	2%	0%	2%
Events	24%	16%	24%	39%	50%	39%	0%	2%	2%	4%
Web 2.0 Social Marketing	58%	42%	16%	22%	2%	4%	12%	14%	12%	18%
Market research	25%	22%	38%	48%	14%	10%	14%	6%	9%	14%
Pricing	14%	6%	36%	61%	18%	12%	20%	18%	12%	2%
Channel Marketing/Programs	43%	50%	38%	28%	7%	6%	9%	2%	4%	14%
Video	33%	n/a	29%	n/a	9%	n/a	20%	n/a	9%	n/a

On the marketing budget

In December 2008, 57% of companies indicated they were reducing their budgets. In June of 2009, we discovered that 51% had indeed reduced them relative to 2008. But when you look at the magnitude, you see that the cuts reported in June were noticeably deeper than what was expected in December.

Change in marketing budget	June 09	Dec 08
the same	32%	37%
it's down about 5%	7%	15%
it's down about 10%	7%	24%
it's down about 15%	16%	8%
it's down about 20% or more	21%	10%
it's up about 5%	4%	0%
it's up about 10%	9%	4%
it's up about 15%	0%	2%
it's up about 20% or more	4%	0%



On the marketing spend process

It's not surprising that the no companies streamlined their marketing spending process. The biggest changes were in the time it took to get expenditures approved and the extra signatures required.

Marketing spending process changes (multiple answers allowed)	
No changes	39%
It takes more time to approve marketing related purchases	41%
More signatures are required.	30%
My spending authorization amount has been reduced	7%
It takes less time to approve marketing related purchases	2%
Fewer signatures are required	0%
My spending authorization amount has been increased	0%

On sales cycle time

The impact is clearer - sales cycle times are increasing. In December, on 45% had seen an increase but now, over 75% have noted an increase. For the first time, we're seeing increases in cycle times beyond 25%.

Impact on sales cycle time	Jun 2009	Dec 2008
no change	4%	31%
longer by about 25%	56%	45%
longer by about 50%	16%	0%
longer by about 75%	2%	0%
longer by 100% or more	2%	0%
shorter by about 25%	0%	0%
shorter by about 50%	2%	0%
shorter by 75% or more	0%	0%
unknown / too early to tell	19%	24%



DEALING WITH THE IMPACT

On increasing sales cycle times

Common tactics include: more leads, more nurturing, more time based offers, demonstrate more value.

IT consulting Mid Market - Outsourcing of our consultants; drive costs out and provide solutions. We are investing in certifications - HP ELITE across the entire product stack
Partnering with financing companies, throwing in extras to shorten sales cycles
Breaking sales up into smaller bites.
unknown
Additional sales enablement, revised sales process and added training, more marketing nurturing programs
sell longer term deals so we don't have to rely on reselling annually
Nothing - expand our pipeline - if people don't have money, they don't have money
Hopefully generate more opportunities and focusing on benefits and ROI. Some times re-pricing for an opportunity.
making sure sales reps are staying on top of prospect plans/needs
Offer 90 day Challenge (money back guarantees) and more time sensitive promotional opportunities.
Increase funnel, Apply promotions
Aggressive pricing / service incentives, communicate more often through more channels to offer relevant application content.
More customer touches.
more business value assessments/roi analyses
more leads into the pipeline.
Working on using multiple channels to educate the market.
More referrals and discounts with expiration dates.
Aggressive time based pricing/promotion
Embedding future upgrades in current sales to offset hesitation to buy now
Impact Now messaging and offers
Better lead nurturing tactics like personalized URL programs and online events targeting pain points of prospects.
More focus on ROI message.
by trying to show our value as a true advisor to our customers
more activity
aim higher up in the chain of command, less telemarketing or broadcast marketing of any kind.
Lead Nurturing programs; Financing programs
being more precise on the profile of customer that we are targeting
Changing how we are packaging our product
Strategic planning with key accounts.
More effort into conversion
new products/solutions to make easier faster decisions; e.g. our virtual training we got a 24 hour approval
Trying to show 'instant ROI' proof for the customers at all times throughout the decision process.
no comment
We have a lot of prospects postponing their decisions until 2010.
get more opportunities



Marketing opportunities and adjustments

A couple of themes emerge from below: account marketing, social networking, more focus in virtually all dimensions - verticals, products, partners, messaging on value/roi, competitors, current accounts.

Social Networking
Focus on our strategic alliance partners; we can not invest in new on-boarding of vendors. We are doing events at the local level; designed to stay very close to our customer relationships.
Focus on targeted messaging, more targeted email and messaging as well as reseller partnerships
Introducing additional installed base solutions/services.
exploring social media
We are trying to generate interest in on-line webinars featuring our product offerings or some discussions with our subject matter experts.
We are identifying new markets to sell our products. More focus on benefits and ROI.
None due to economy
mktg. opps.: Exploring buddy marketing strategies, develop website pull strategy (releases, testimonials); value proposition focus (customer roi)
Recruiting new business partners
Very targeted programs
I'm continually moving a higher percentage of all communications, events and advertising to online platforms.
more company-specific targeted marketing
we are including financing solutions in our offers as much as possible.
No other changes
Targeted nurturing of key accounts
Increased cross sector sales, sales efforts around the brand and multiple product lines. Explore multiple solution offerings to our focused customer based
Going after adjacent verticals
We are definitely hosting more online events versus live events.
More targeted campaigns where ROI is clear and Sales interaction is integrated into campaign.
Working on lots of thought leadership pieces (Web forums, papers, etc.)
more activity
personal networking, highly selective tradeshow
Focusing on competitive win backs where share can be won from competitors whose business is seen as lagging
Looking at how we could leverage our solution to meet the needs of other industries.
Trying to streamline in-house back office activities (billing, accounting, IT, blah, blah, blah)
more marketing, new products and solutions
Much more focus on targeted accounts instead of acquiring new accounts. It's not really a fair thing to ask, but everyone is still looking for an 'inexpensive way to acquire new customers'.
no comment
We are focusing on a different revenue stream vs. years past.
less travel



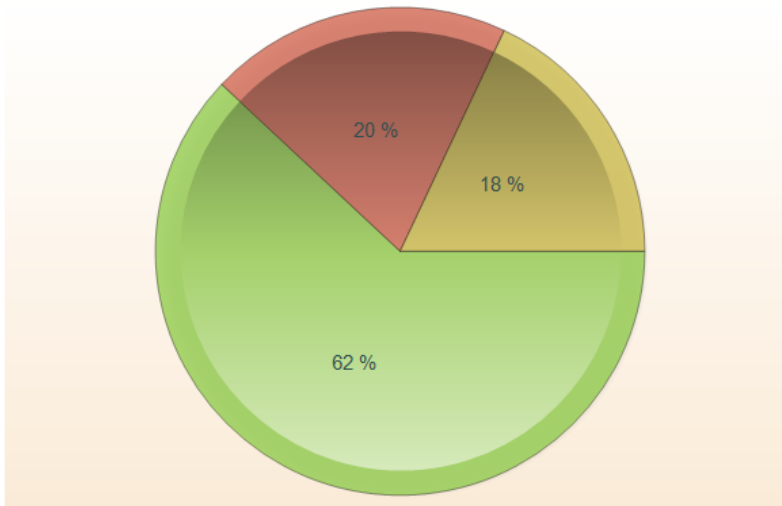
ABOUT OUTSOURCING

How do companies feel about it?

We asked a number of questions about outsource. From the chart below, you can see that 82% either outsource marketing services already or are open to outsourcing them.

What is your company/marketing department position regarding the use of third parties for marketing services?

Yes - we use third parties for marketing services Maybe - we would consider using them No - we won't use third parties for marketing services

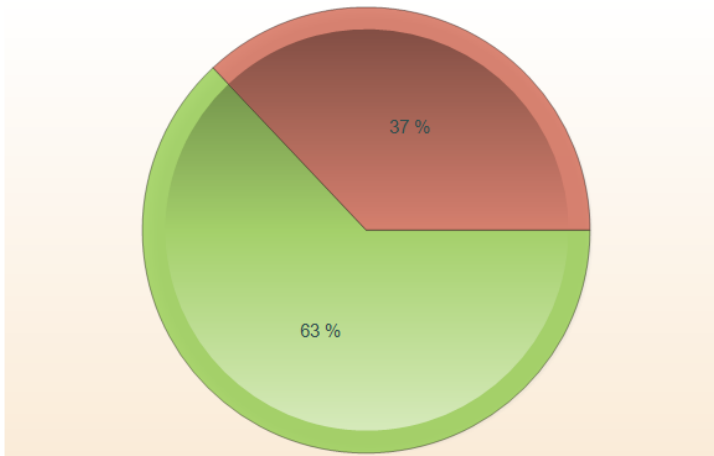


Is outsourcing a viable alternative to hiring in this economy?

63% say yes.

If you needed to hire another marketing person now, does the current economy make outsourcing a viable alternative?

Yes No Additional comments requested





What type of marketing work is typically outsourced?

You can see a significant change in the attitude toward outsourcing now versus 6 months ago. One explanation is that back in December, as much work as possible was being kept inside to keep internal teams busy. Now in June, many of those internal teams have been reduced so rather than hire into an uncertain economy, companies would rather consider outsourcing.

Marketing work that is or could be outsourced	Jun 09	Dec 08
Creative work	86%	36%
Telemarketing programs	73%	64%
Surveys/market research	65%	27%
Video	62%	n/a
Account profiling	61%	20%
Online events	56%	n/a
Direct mail programs	55%	20%
Marketing database work	54%	20%
Nurturing programs	51%	27%
Inbound qualification	50%	18%
Email programs	48%	25%
Face to face events	37%	11%
Channel programs	37%	16%



When will it turn around?

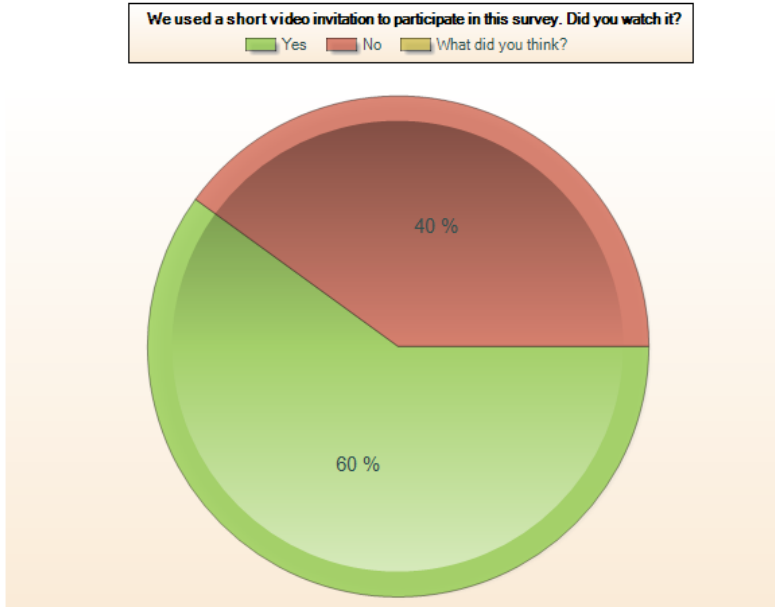
In December, most thought it would turnaround sometime in 2009, although a sizeable number (28%) had no opinion. When we asked again in June, 50% thought it would turn around by Q1 of 2010 or sooner. And about 80% think it will turnaround by Q2 of 2010 at the latest.

When will the economy turn around?	Jun 09	Dec 08
Q2 calendar 2009	2%	10%
Q3 calendar 2009	16%	35%
Q4 calendar 2009	19%	
Q1 calendar 2010	14%	27%
Q2 calendar 2010	29%	
Q3 calendar 2010	10%	
Q4 calendar 2010	3%	
2011 or later	3%	0%
No opinion	3%	28%



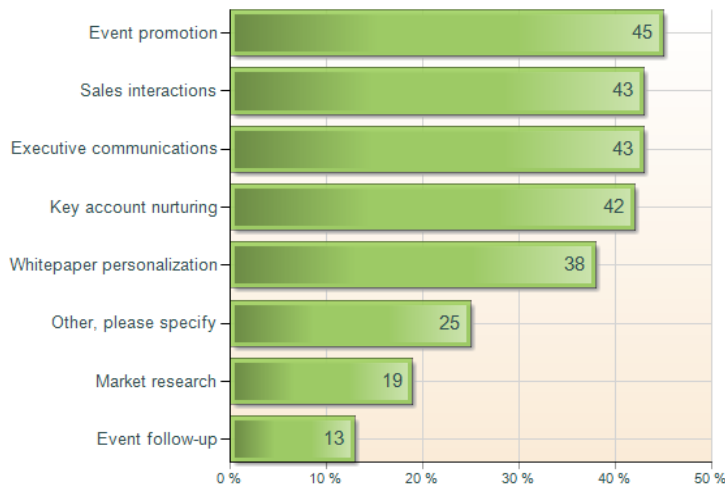
USE OF VIDEO IN B2B DEMAND GEN

We used a video invitation to solicit participation in this survey. We also gave participants the option of skipping the video and going directly to the survey. From the chart below, you can see 60% watched the video.



Top uses for video in B2B marketing are event promotion, sales interactions, executive communication and key account nurturing.

Which areas do you think video could improve the understanding of your messaging or improve the response rate of your marketing and sales communications? (Please check all that apply.)





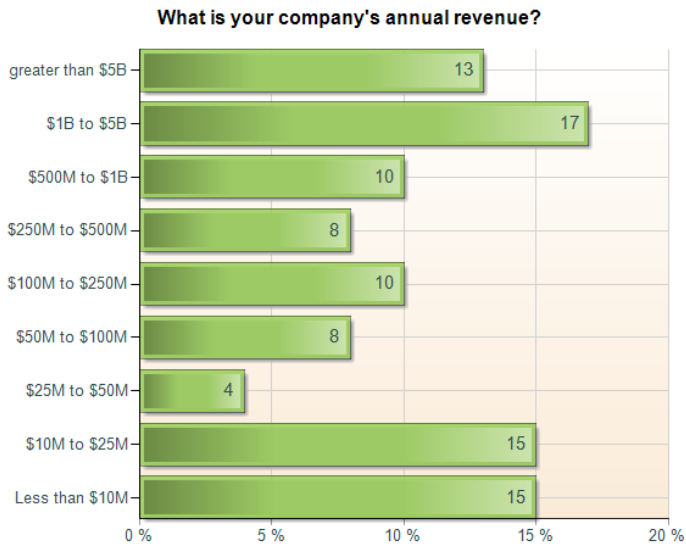
The write-in comments about the video were generally quite favorable. Probably the biggest complaint was the expectation that it be "real video". "Real video" was an option, but we wanted to test out a low cost form of video.

I liked that it was from a top level exec but it could have been more interactive.
Excellent message
Would have been better if the gentleman was actually in a video setting speaking to you rather than just images and a voice over. Boring and not very informative with results.
Ok, should have posted results of survey or more excerpts
Well done. Short and to the point.
effective
liked the idea. expected it to be video. tuned out after the first 2 min and went back to the survey page
It was refreshing, but way too long. 90 seconds is about as long as I needed to see it.
Very well done.
Very informative, well done and effective in getting me to participate.
nice and concise
Sorry but it was boring. Mr. Frantz could talk faster and make a point quicker. Intentional sputters don't work. Needs animation.
I did not watch it for too long - don't believe it was necessary.
Great use of the technology.
Very top line. Length was good. Prefer real video versus pictures.
I think it was well delivered. Would like to see John speaking more like a movie - youtube type of interaction/movement.
Very well produced.
It was good.
Good information including statistics to back up study.
Basic video--no frills which was consistent with the message and tone of the invitation.
Results of past surveys were enlightening
Thanks for including last year's survey highlights.
ok
no time
Did not watch
john looks good...he shaved the mustache!
I know TFG well enough to participate. Wish we could afford to use more of your services.
interesting way to deliver a message ... the term video set a different expectation than what I saw
informative
I liked it. I would be interested to know if video helps to convert more suspects into leads.
A great communication tool.

DEMOGRAPHIC INFORMATION

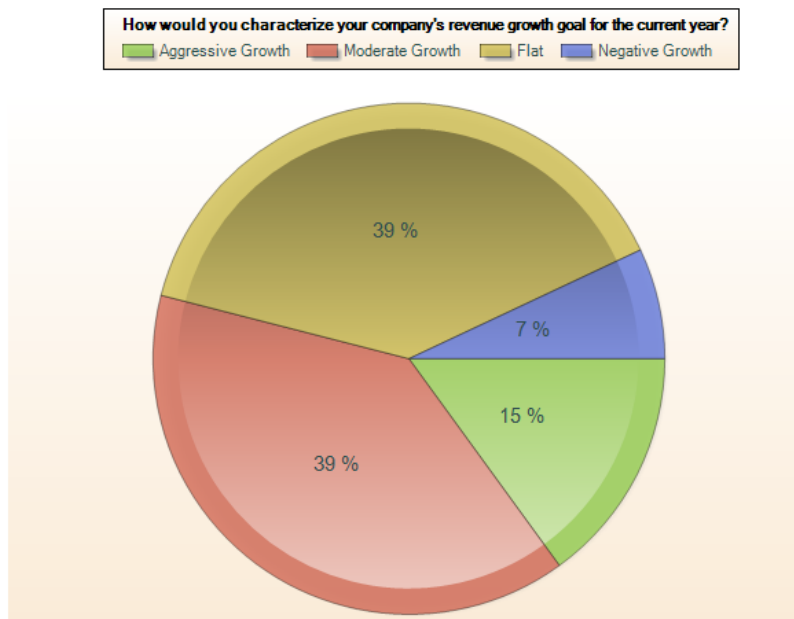
Company annual revenue

From the chart below, you can see that participants are pretty evenly split across three segments, with large enterprise (\$1B and up) at 30%, mid-market (\$50M to \$1B) at 36% and small business (< \$50M) at 34%.



How aggressive is your company's revenue goal for the current year?

54% are in growth mode, 39% are flat and the rest are trying to minimize losses.



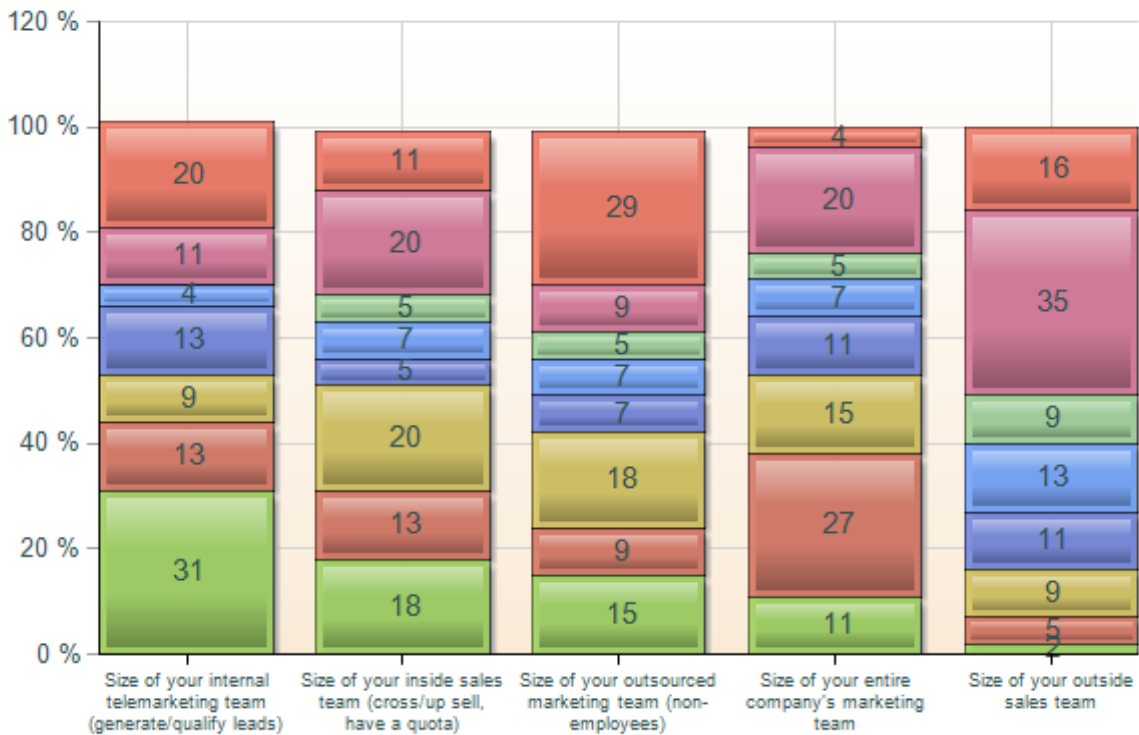


Marketing teams' size, counting only employees

From the chart below, you can see almost 1/3 had no internal telemarketing team and nearly 1 in 5 had no inside sales team.

When answering the following, please respond with number of full time equivalents. Please only count employees except for final item.

■ 0
 ■ 1 or 2
 ■ 3 to 5
 ■ 6 to 10
 ■ 11 to 25
 ■ 26 to 50
 ■ >50
 ■ N/A





Spendable marketing budget

About 1/2 have a spendable budget of \$250K or more for the current year.

What is your spendable marketing budget for the current year? (Your total marketing budget minus cost of internal people)

