5 Ways to Prepare Your Digital Experience Strategy for a Recession

Dos and don'ts to help your brand thrive amid uncertain economic times

Table of Contents

Introduction

As we move well into the second half of 2022, we're seeing a series of worrisome economic indicators. Global inflation rates are the highest they've been in decades and the stock market remains volatile, having fallen 18% since the start of the year. The U.S. Federal Reserve increased short-term interest rates twice and has signaled that it intends to do so again in an effort to rein in inflation. Meanwhile, the Bank of England implemented five consecutive 25 basis point hikes to interest rates in a similar move.

At the same time, however, consumer spending is robust — in fact, it reached an all-time high in the second quarter of 2022 in the U.S. The U.K. recorded its fifth straight quarter of consumer spending increases in 2022. And the labor market remains strong, with the U.S. economy adding an average of 375,000 jobs per month throughout the second quarter of 2022.

Given these contradictory signals, it's no wonder that pundits and economists are hotly debating the relative merits of their various predictions. What's going on out there is confusing to be sure, but growing numbers of forecasters believe that there's an "uncomfortably high" probability of a recession within the next 12 months.

In the face of this uncertainty, what's a marketer to do? What strategies should digital and customer experience teams leverage to ensure their organization emerges on solid footing, should a downturn occur? How can they continue to build brand affinity and strong relationships with customers during challenging economic times?

In this e-book, we'll explore best practices and expert advice for creating a resilient digital experience (DX) strategy — one that's purposefully designed to keep you on an even keel as you navigate a potential recession.

So, what should you do? And what shouldn't you do?

Don’t Fall Victim to Short-Term Thinking

The idea that a recession's imminent is scary. Tighter household budgets will cause consumer spending to decrease, shrinking revenues and forcing brands across segments to tighten their purse strings. Many marketers' knee-jerk reaction is to slash ad spending and brand awareness campaigns. More often than not, though, this approach is counterproductive.

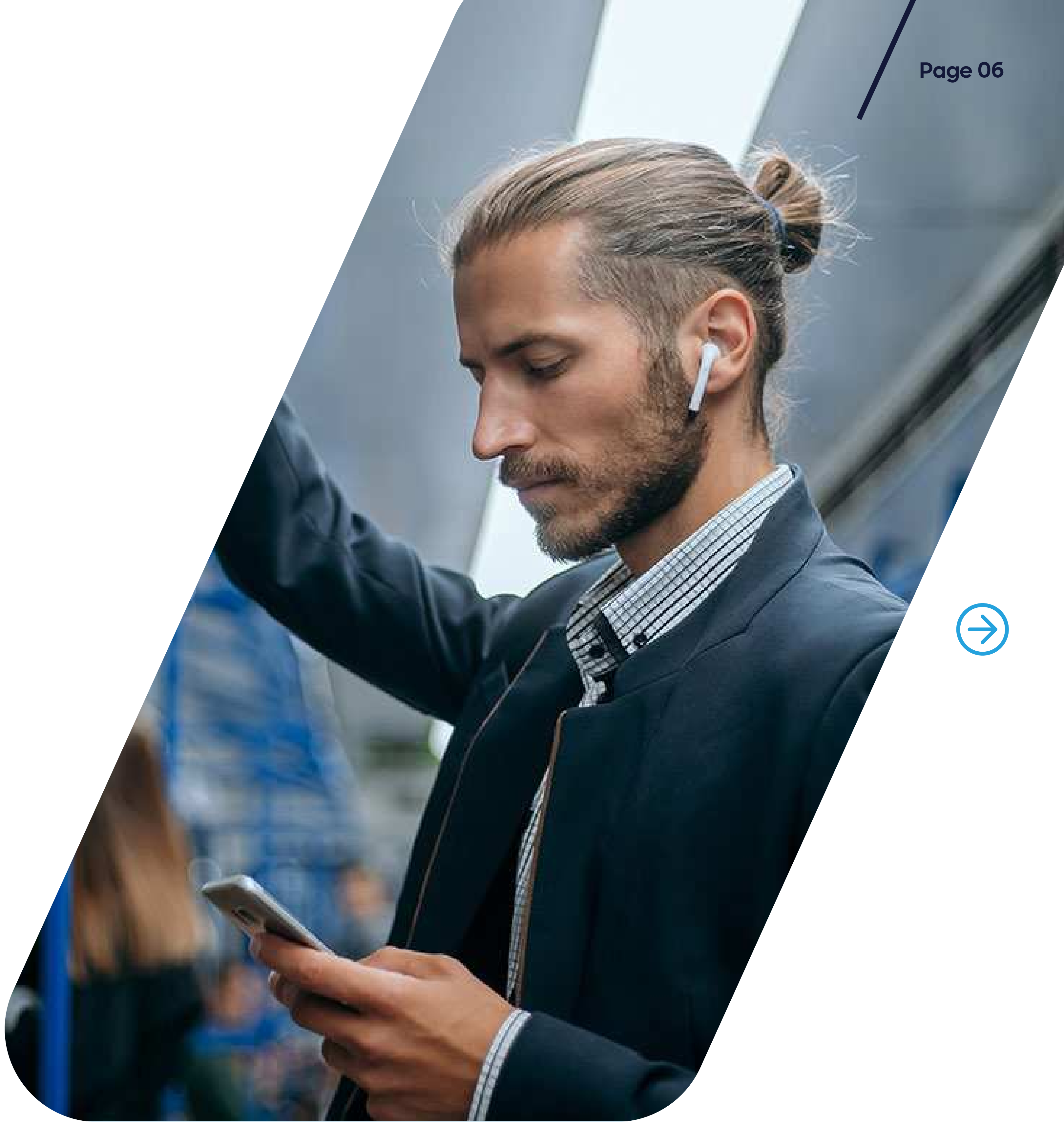
Like all trusting relationships, those that customers build with their favorite brands develop gradually over time.

Increasing awareness of your brand takes years of investment and consistent effort. Brands that are immediately recognizable — like Apple, Nike, and Google — didn't get that way overnight. In fact, during periods of stress and uncertainty, people may be even more likely to purchase from well-known companies that they trust. This may explain why familiar brands like Johnson & Johnson and Colgate-Palmolive fare better during recessions than similar consumer goods companies with less recognizable names.

Research shows that companies that maintain their advertising spending during downturns tend to increase their market share, while those that cut their ad budgets lose customers to the competition. This is only logical: after all, brand management is a long-term proposition, and customers tend to be more fickle during economically challenging times. Many shoppers who tried out a lower-priced alternative during a recession may not be willing to switch back to their former favorite when times improve.

It's important to keep in mind that downturns are often followed by upturns. Nonetheless, living through a recession can incite long-term changes in consumers' values and attitudes. Brands that retain trust by presenting reassuring messages and strengthening their emotional connection with their customers will be best positioned to retain their loyalty and win market share in the times to come.

Brand management is a long-term, future-focused activity that's akin to retirement planning. If you stop investing in your brand in the short term, you may pay for that move for years to come. Recessions don't last forever. It's important to make sure your brand stays intact and visible so that you're ready to capitalize on an improving economy later.



Do Invest Wisely in Marketing Programs

While shrinking your marketing and advertising budget to zero isn't judicious, it certainly is a good idea to make clear-headed, evidence-based decisions about where to hold steady and which programs and initiatives to cut back on. Of course, in order to make evidence-based decisions, you need evidence.

During uncertain times, it's smart to double down on collecting first-party data about your customers' behaviors and preferences. Not only does this let you see which of your messages resonate the most — so that you can be encouraging and empathic — but it also helps you understand which campaigns are performing well and which are not. This way, you'll know which investments are yielding the best results. And if you find areas of diminishing returns, you can reduce your spending there.

In particular, pay attention to metrics like customer acquisition cost (CAC), which you can calculate by dividing your total sales and marketing expenditures by the number of new customers you've acquired. Analyzing performance metrics like CAC across cohorts or more granular segments can help you figure out how customer preferences are shifting. It can also enable far more precise targeting, which can, in turn, lead to improvements in marketing ROI.

You should also track your return on advertising spend (ROAS) carefully. You may find that it makes sense to pull back in certain channels and advance your efforts in others. Optimizing the experience you're delivering across the digital properties you own is often among the most cost-efficient steps you can take to reach audiences — particularly those made up of your existing customers.

$$\frac{\text{Total sales \& marketing spend}}{\text{Number of new customers}} = \text{CAC}$$

CAC
Customer acquisition cost

Increasing ROAS 621% – In the Midst of a Global Pandemic

GODIVA
Chocolatier

Founded in Belgium in 1926, GODIVA has grown to become the world's leading premium chocolatier. Its chocolates have long been available in the brand's iconic retail boutiques as well as cafés, supermarkets, and other fine retailers. GODIVA was aiming to improve its marketing campaign targeting in order to better align its digital presence with the experiences offered in brick-and-mortar retail locations when the COVID-19 pandemic struck. With all of the brand's iconic boutiques shuttered to safeguard customers and employees, its e-commerce site suddenly became GODIVA's primary consumer-facing revenue generator.

GODIVA had implemented Acquia's Customer Data Platform (CDP) before the outbreak of the pandemic, so when stores closed, the company was able to leverage its comprehensive customer-level insights to target those former boutique-only shoppers who were most likely to buy chocolates online.

GODIVA also ran successful campaigns convincing recent first-time shoppers to repurchase and driving traffic to newly reopened stores once the pandemic receded. A data-driven retargeting campaign focused on holiday gift-buyers yielded a ROAS increase of 621% and a 42% increase in clickthrough rates, all while providing customers with the distinctive, personalized experiences that they'd come to expect from the brand.

Do Focus on Retention

When making the most of your budget is top of mind, it makes good sense to concentrate your efforts on customer retention. After all, it can cost between five and 25 times more to acquire a new customer than to retain one that you already have. It's often easier to increase revenues by encouraging repeat purchases or by cross- or upselling than it is to convince new customers to buy. That's why customer retention rates are strongly associated with revenues. In fact, studies show that increasing customer retention by just 5% can yield a 25 to 95% increase in profitability.

However, keeping your existing customers during a recession can be challenging. They're likely to be more price-sensitive and more cautious about purchasing items that they don't believe to be essential. This makes it exceptionally important to invest the right resources in strengthening these relationships.

Increasing customer retention by just 5% can yield a profit increase of:

25-95%

Offering the right content, at the right time, to your existing customers can be invaluable when it comes to earning their trust and highlighting the value your brand provides. Leverage first-party data to ensure that you're communicating with your customers about topics that are important to them, using their preferred channel, in the tone that resonates the most. Your digital experience platform (DXP) can provide you with the data insights you need to foster lasting customer loyalty by helping you understand how individuals are receiving your messages.

Invest in your customer success programs or customer service efforts consistently. Make sure your customers know that they can get top-notch support from you whenever they need it. This is a critical investment in maintaining the long-term relationships that will contribute the most to your business's profitability over the long term.

Don’t Stop Innovating

Budgets do tighten during downturns, and you may be tempted to let subscriptions for some of your marketing tools and platforms lapse. Or you may want to pause projects that will expand your customer data-gathering and analytics capabilities.

This way of thinking is short-sighted, though. Not only should you already be planning for the end of the recession (so that you can get a leg up on competitors), but your investments in solutions and technologies can give you access to the detailed data insights you need to weather a down economy.

Let's take customer data platforms (CDPs) as an example.

If you're a retailer, having up-to-date intelligence about your customers' behaviors and motivations is mission-critical. Are your shoppers looking to cut costs? If so, what's the most opportune time to offer a coupon or a discount?

On the other hand, if you're a luxury brand whose customers have largely been unaffected by the recession, you won't need to offer them lower prices. In fact, if you do, it can backfire, since it might be perceived as reducing the exclusivity of your offerings.

The bottom line is that some investments are more important than others. A tool like a DXP or CDP helps marketers find the insights that lead to innovative, engaging campaigns, so they can stay competitive.

Innovating to Meet Rising Demand for Content

When the pandemic broke out, people were stuck at home, and many wanted to explore a newfound interest in cooking and baking. This trend resulted in a 260% increase in website traffic for flour and baking mix supplier King Arthur.

King Arthur's site already featured more than 2,000 baker-tested recipes, but its newly remote marketing team wanted to add relevant content in response to the surge in interest. Because they were using the Acquia Drupal Cloud platform, which was expressly designed to allow non-technical people to add content easily, they were able to quickly pivot to launch more immersive digital experiences — including a new weekly video program, the "Isolation Baking Show," which was created in just a few weeks. The ability to quickly scale and build new experiences without struggling to overcome technical hurdles allowed King Arthur to provide a sustainable response to demand. At the same time, they saw sales in 2020 increase 200% compared to the same period the previous year.

Do Deliver Real Value While Maximizing Efficiencies

During recessionary periods, customers are more sharply focused on value. This doesn't mean that they're looking for the cheapest option — especially if it's a low-quality product that won't last, can't truly meet their needs, or otherwise falls short. This makes it extremely important to educate consumers about how to distinguish products and services that meet the highest quality standards from those that don't.

The best and most efficient way to achieve this aim is by offering top-notch content on your website and other digital properties. After all, this is the channel through which all inbound interest in your company is likely to pass. It's also the fastest and easiest thing to optimize to ensure that you're capturing every lead and rewarding website visitors' attention with detailed, credible, and useful information.

When it comes to value, your perspective should be just like that of your customers. It's not that you should be spending as little as possible, but that you should be spending in ways that will have the biggest impact on your marketing efficacy, revenues, and bottom line.

This may mean taking full advantage of your existing martech stack's potential. There will always be an optimal mix of spending on people, programs, and technology, and this is equally true during a downturn. Getting the balance of these three things right is critical. In many cases, it can cost less to invest in technologies that make it easier to deliver valuable content to your customers, allowing your lean teams the time and space to focus on more meaningful work.

Consider, for instance, the advantages of using a digital asset management (DAM) system to manage and share your marketing content. If your digital asset landscape is disorganized, with content scattered across multiple locations, uploading and tagging assets will require extensive time and effort. With a DAM solution, even very large sales and marketing teams can upload content to a single, centralized repository two to three times faster — with no need for help from internal IT teams.

> ***"Companies that put customer needs under the microscope, take a scalpel rather than a cleaver to the marketing budget, and nimbly adjust strategies, tactics and product offerings in response to shifting demand are more likely than others to flourish both during and after a recession."***
>
> John Quelch and Katherine E. Jocz, The Harvard Business Review

Summary & Takeaways

When the direction of the economy is uncertain, it's not easy for companies to make confident decisions about their marketing plans. But there are some practical ideas you can use to safely navigate these waters. Companies that maintain their advertising spending during downturns tend to increase their market share, while those that cut their ad budgets tend to lose customers to the competition.

So, aim to make clear-headed, evidence-based decisions wherever possible. Don't let up on efforts to gather first-party data about your customer's behaviors and preferences – because it will pay off in the long run. There's nothing wrong with looking for ways to operate more efficiently, but be careful not to neglect your current customers or abandon innovation efforts.

Ultimately, it's hard to forecast economic conditions. But as long as you invest in solutions and processes that will have the biggest impact on your marketing effectiveness, revenues, and bottom line, you are better positioned to navigate these times.

Looking For Ways to Earn the Lasting Loyalty of Your Customers?

See how a DXP can lend your organization more confidence even when times look tough.

Request a demo

Acquia

ACQUIA.COM

About Acquia

Acquia empowers the world's most ambitious brands to create digital customer experiences that matter. With open source Drupal at its core, the Acquia Digital Experience Platform (DXP) enables marketers, developers and IT operations teams at thousands of global organizations to rapidly compose and deploy digital products and services that engage customers, enhance conversions and help businesses stand out.