My Business Survived 2 Recessions by Applying These 3 Principles

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Last year, the U.S. reached its highest rates of inflation since 1981—8.5% in July — shocking American consumers and bottlenecking the economy. Additionally, the U.S. Bureau of Labor Statistics reported a 4.5% increase in labor costs last year, which helps workers keep up with inflation costs but places small businesses in a challenging position of losing out on profits and growth.

While business owners grapple with price increases on goods and services, fallback in American spending and increased labor costs, the question of how to effectively market during a downturn becomes prominent.

Since I founded my business PostcardMania in 1998, I've encountered many different challenges along the way, including establishing an in-house direct mail printing facility and beating out my competitors. I've also survived two recessions; each one resulted in different outcomes for my company.

Today, I share the lessons I learned during those economic setbacks with anyone and everyone who wants to build a strong business that can withstand anything thrown at it. I'm relieved to say that PostcardMania grew last year despite terrible economic conditions — we had 15% growth in annual revenue and 7% growth in hiring.

I've narrowed these life lessons down to three key principles you should follow during an economic downturn. These principles have also been verified by extensive research on the subject, which I'll share below as well.

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1. Maintain (or even increase) your marketing

Whatever you do during an economic crisis, do not stop marketing. If there is anything you take away from reading this article, it's that.

I learned this firsthand during the recession of 2008. Back then, 46% of our revenue came from clients in the mortgage and real estate industries. When the housing market plummeted, we lost thousands of clients, and our revenue dropped instantly. For the first time in the history of my company, we weren't growing; in fact, we were contracting — fast.

By 2009, our situation was looking dire. I didn't want to lay anyone off, so my advisors suggested cutting back on our marketing budget and mailing fewer postcards every week. So, I listened and ended up regretting it big time.

Our revenue shrunk 15% – a seven-digit loss – and we had fewer leads coming in, making it harder to bounce back. So, I took a big pay cut and fixed my mistake by increasing our marketing spend back to pre-crash totals. I also funneled more of my marketing budget into other industries (aside from real estate) that were buying from us.

Thankfully, after I corrected our marketing, our numbers recovered quickly, and 2010 became a new highest-ever year in our revenue.

When the pandemic hit in 2020, I wasn't going to make the same mistake. I was dead set against cutting my marketing spend.

At first, our average weekly revenue fell 41% from mid-March to the end of May. We used our reserves to keep operations and payroll going. But since we held strong, July 2020 became a new highest-ever revenue month for us. Once again, the decision to keep marketing paid off.

Since 2020, my company's revenue has grown an average of 17.5% annually. Previously, between 2009 and 2019, our annual revenue growth averaged only 4.6% – a huge difference!

I share this with everyone because continuing my marketing was one of the biggest lessons I learned as a business owner. But you don't have to go on my word alone – there is also extensive research to back up my experience.

A McGraw-Hill research study analyzed 600 companies from 1980 to 1985 and concluded that businesses that chose to maintain or raise their level of advertising during a recession had significantly higher sales after the economy recovered. Not only did the companies that marketed during recessions perform better in the long run, but they also had 256% higher sales post-recession than the companies that didn't maintain their marketing.

I know firsthand that spending money when you are barely

surviving an economic crisis is challenging, but consider how much harder you'll have to work to recover your losses because you stopped investing in communicating with potential customers.

The better option is to find smart ways to continue marketing your products and services rather than stop marketing completely.

Related: Why You Shouldn't Drop Your Marketing Budget in a Recession

2. Find ways to reduce expenses and maximize efficiency

You'll have to get clever to weather an economic storm and come out strong. Review all areas of your business, and find ways to cut expenses, maximize efficiency and keep marketing consistently.

The key is to achieve the right balance in cutting costs, making smart investments and marketing to gain market share and increase profit margins. The Harvard Business Review did a study on effective business strategies during three different global recessions and grouped all 4,700 businesses they studied into four distinct categories: **prevention-focused** companies, **promotion-focused** companies, **pragmatic** companies and **progressive** companies.

Prevention-focused companies prioritize making defensive moves and are more concerned with avoiding losses and minimizing risks. Examples would be conducting mass layoffs, cutting expenses and reducing marketing and expansion. Promotion-focused companies do the complete opposite and spend a lot more on advertising and expansion to try to beat their competition. The pragmatic and progressive companies, on the other hand, do a combination of both offense and defense.

Researchers discovered that the progressive companies found a sweet spot and made some reductions in spending but continued their marketing. As a result, they had a 32% higher chance of outperforming their competition by 10% or more following a recession. Progressive companies also surpassed pragmatic companies by 4% in sales and more than 3% in earnings and did twice as well as the entire group.

You'll have to take some time to analyze your business to find areas of change, but here are some to get you started:

- Remove unnecessary expenses
- Renegotiate repayment terms or prices with vendors
- Consider going remote to save on office expenses
- Examine your product or service to see if you can offer a lower-priced entry point
- Save energy by reducing usage or changing work environments
- Reduce business travel
- Automate certain operations to save staff time on specific tasks

I mentioned that during the pandemic, I refused to stop marketing because I had learned my lesson years before. But the other hill I was ready to die on was not doing any layoffs, which is a common first move many companies make to save money.

I'm not saying "don't ever do any layoffs," because only you can determine what makes sense for your business. What I am saying is that you can look into other avenues to save money first before you eliminate team members already trained and experienced in your industry.

Since I didn’t lay off any staff in 2020, we didn’t have to re-hire and train new talent once businesses re-opened. PostcardMania was ready to rock ‘n roll and bring in leads while other companies were busy trying to get staff back up to speed. Avoid that setback by trying your hardest to keep your employees first.

Related: Worried About a Recession? Do This to Prepare Your Company.

3. Assess your messaging and adjust if needed

My final recommendation on how to market effectively when the market is down is to take more time crafting the right messaging to your audience. During a crisis, many families are forced to go into survival mode because the cost of basic necessities like eggs and milk has gone up, and they have to cut back in other areas to compensate. The worst thing you can do is say something alienating to them, so keep your messaging relevant to their needs.

For example, LG Electronics’ slogan is “Life’s Good,” but they didn’t use it in their marketing during the 2008 recession because they did not want to seem out of touch with members of their audience who could be struggling.

Most people spend less during an economic downturn, but they will spend whether it’s out of necessity or desire to escape from the stressful conditions. It may mean your customers will act choosier in their purchases and will also need the right motivation to make a move.

For example, a gym membership may seem like a luxury when times are tough, but reframing your message to say that exercise helps families cope with stress and maintain health and happiness will sit with them more comfortably.

With that in mind, not everyone is broke when the economy is crashing. There will still be people who can afford your products or services, so don’t forget about their needs either. The key is to know your audience well and speak to them as if you were walking in their shoes. The more relatable you can be in your marketing, the more they will trust you and remain faithful customers, whether their wallets are skinny or fat.

Applying these three principles has sustained my business through the most difficult setbacks over two decades. With that said, the best way to learn is to do — and over the years, I’ve tried many different approaches to business and received different results. Don’t be afraid to try different strategies during an economic crisis. The experience you gain is priceless.

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