



## Managing Marketing & Sales in a Downturn

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Amongst other issues COVID-19 is challenging cash flow. When expenses are tight, Marketing and Sales expense levels can present real dilemmas. Theoretically they should both help you “sell your way through the crisis,” but the array of marketing and sales activities is varied, and each has a different gestation period to positive cash flow.

Certain spending items produce an immediate cash return, while others have a longer payback. So how do you change strategy, figure out which expenses you eliminate or reduce, and determine which to keep the same or even increase to help you through the crisis?

But even more importantly, how can you pivot your marketing and sales efforts to focus on customers that need your services the most? And perhaps because of the specifics of the crisis, some customers need you more than ever?

### Marketing & Sales Focus - Offense

1. Sit down (or in our current state Zoom) with your executive team, mid-level management, and even direct contributors and ask: “How does this crisis present an opportunity for us to increase our importance to some of our customer segments?”
2. Find situations where you can be MORE valuable to particular groups of customers (cohorts). Once you have chosen key cohorts, reach out to them. Verify your theory, then execute.

To do this, identify your value propositions for each cohort. Involve your marketing people but especially your product management/marketing team.

1. Consider a marketing focus on cohorts you already serve that you think are now more compelling.
2. Hit the brakes on the cohorts adversely impacted by the crisis such that they will not buy more.
3. Pursue lookalike cohorts that are adjacent to the ones you currently serve but you know will buy your product.
4. Or attack cohorts you currently serve with a slightly different value proposition, pricing, or payment terms you think will excite them.

But avoid doing a large pivot - one that pursues a customer cohort with which you do not have any experience or an approach that requires an entirely new product initiative. A large pivot might absorb



more resources than expected and likely have a 12+ month gestation to positive cash flow. You are looking for small changes that can produce big - and quick - results.

### **Example of a Meaningful Minor Pivot**

A company we ran some years ago had a product that could be sold to financial institutions large and small. The big customers (the “whales”) would do 7-figure deals with us but they took 9-12 months to close. For the whales, the yield on sales dollars (revenue divided by sales effort) was extremely high - so we loved them. But the small \$100-300K deals could close in 1 to 3 months and were still very profitable.

Rather than initiate more deals with “whales” we focused EVERYONE on the small deals. Did we pay a bit of a price for this a few quarters out when our funnel was “whale-depleted”? Sure. But with near-term cash flow so crucial, the small deals made more sense. We created a spreadsheet model to ensure that our behavior was completely rational from a cash flow perspective. The pivot worked!

### **Extending Credit & Discounts (Cash is king!)**

Be mindful of the creditworthiness of your customer cohorts. You may need to be careful about extending more credit to customers that are in trouble. For the ones that are impacted the least, you may not need to be aggressive on special discounts. In fact, maybe you want to consider offering them more credit.

The key concept here is one size does not fit all. One caveat: Make sure you understand laws like Robinson Patman (RP) which is a Federal law that prohibits you from offering different pricing to similar customers that have similar terms. Keep your legal counsel in the loop if you are concerned that a pricing policy might not be ok under RP. Or create a steering committee to deal with these types of issues.

### **Marketing Expense - Defense**

Think carefully about your lead generation programs; focus on cohorts and marcomm vehicles that have the highest “cash yield”. You may also need to curtail branding expenses that have a longer-term payoff.

One other caveat: if you have built your marketing team carefully, your product management and product marketing people will be critical to these decisions. Avoid cutting back in those areas if they are the “brains” of your product and marketing direction.

### **Sales Focus and Expenses - Defense**

1. Align sales activities with the tighter marketing focus that you have chosen.
2. Be more aggressive in offering discounts to close a deal provided contribution margin is positive.

### **Anecdote: Marcomm/Sales focus**

In a previous company, we had tried various marcomm vehicles prior to the crisis and had found (much to our amazement) that email marketing was extraordinarily successful. We were trying other experiments, but email worked best.



When the 2008 crisis hit, we stopped all other marcomm spend and expanded email marketing dramatically. Instead of using lists with 10K emails we negotiated a purchase of a 1M email list from a list provider. Because there was a crisis, the list vendor gave us an 80% discount on the 1M unit list. This was a win-win: they needed the revenue and we needed leads.

Even though our “unit yield” on the list (leads generated per raw email) was lower than before the crisis due to economic conditions, the cost per lead went down because our unit list cost dropped.

We generated a huge amount of business from this list. And *revenue grew in each quarter throughout the crisis* (from Q4 2008 to Q4 2009) even though our target market segment was Financial Services!

### **Summary**

**Defense Preparedness** in marketing means:

- Make quick but thoughtful assessments of the current environment with a pragmatic focus on customers that can get you through the crisis.
- Look rationally at all your marketing programs and customer cohorts. View them through a cash flow lens.
- Engage your CFO and Finance team in the analysis!
- Align with your sales organization. Execute.

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