marketing TRENDS

VOLUME 13

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what's on the economic horizon?

2023 Trends::

Marketing in an Uncertain Economy

From the economic highs of 2019 to the devastating effects of the COVID-19 pandemic in 2020 — and the subsequent and long-lasting challenges it caused — there's no question that businesses in the United States have weathered a series of dramatic shifts.

There are many questions concerning where we go from here. From small businesses to large corporations, regional companies to global entities, the question of how to market in an uncertain economy is among the top concerns going into 2023.

The thought on everyone's mind is whether we're entering a recession, but it's not all doom and gloom: a recent thunder::tech survey found that many business stakeholders view 2022 as a generally positive year for their industry. **Of the 1,152 participants polled from 454 different companies,** 68 percent expressed positive feelings when asked if their industry thrived in 2022.

The survey also found that participants' average sentiment about the economy, on a scale of one through 10, was 6.1. The lukewarm response is a reflection of current turbulence that is expected to continue at least in the short term. However, a Deloitte survey found that while 76% of CEOs have a pessimistic outlook for the global economy, they were cautiously optimistic about their 12-month company outlook, with 85% describing it as "very strong, strong or modest."

On a Scale of 1-10, How Do You Feel About the Current State of the Economy?

Based on survey results and other analyses, find out what this uncertain climate could mean for your company's marketing budget, branding strategy and hiring planning. But first, let's take a look at the unique factors that have affected U.S. businesses and the economy in 2022, and why this is unlike any previous time in history.

2022 Recap

Though the U.S. economy in summer of 2022 technically met the general definition of "recession" — two consecutive quarters of negative gross domestic product (GDP) — politicians, economists and market professionals disagreed about whether or not the country actually was in a recession. Why the lack of consensus? Because no one has ever seen anything like the 2022 economic conditions before.

According to **The Balance**, the U.S. economy closed 2021 in overdrive, with GDP growing 6.9 percent in the fourth quarter. Along with the growth came a spike in inflation: 7 percent year-over-year, much higher than the Federal Reserve's target of 2 percent. The unemployment rate at the end of 2021 was just 3.9 percent, down from 6.4 percent at the start of the year.

Going into 2022, the previous year's growth, combined with global supply chain constraints, pushed inflation higher than expected. Interest rate hikes were announced in March of 2022 with the intent of cooling the economy, but inflation still has not been tamed despite subsequent raises. The Balance reports that the core inflation rate is predicted to be 4.1 percent in 2022, dropping to 2.6 percent in 2023 and 2.3 percent in 2024.

Historically, recessions occur when unemployment increases while GDP decreases. **In a Wall Street Journal video** titled "Why a 2022 Recession Would Be Unlike Any Other," the typical recession cycle is described in the following way: businesses lay off workers, people spend less money and businesses make fewer profits.

Unlike in past recessions, today's corporate profit margins are high — in the double digits, higher than any time during the 50 years before the 2008 recession. Corporate cash on hand is close to $4 trillion, which analysts say is a significant downturn buffer. Companies may be able to weather this uncertainty without laying off workers or cutting investments — preventing the recession cycle, WSJ reports.
Also unlike past recessions, there is a robust job market created by labor shortages and strong demand, WSJ reports, adding that there are

11 million unfulfilled jobs

(compared to 7 million in 2019). U.S. companies have an incentive not to lay off workers: with the labor force participation rate as low as it's been in 40 years, finding workers is challenging right now.

In past recessions, as GDP started to grow back, companies continued to lay off workers. 2022 shows a mirror image, in which the economic output is contracting and companies are still hiring. According to WSJ, this unsustainable situation won't last — either the economy will adjust and companies will start expanding again, or economic output will continue to contract and companies will begin cutting jobs.

One thing is certain: if the U.S. is nearing a recession, it will be unlike anything that's happened in the past.

Economic Factors Affecting Businesses

In 2022 and the previous few years, several major economic factors, global events and market trends occurred that greatly affected U.S. businesses of all types and sizes.

The Pandemic

Beginning in 2020, the COVID-19 pandemic caused many businesses across the country to endure supply chain interruptions, supply and input shortages, government-mandated closures and a decline in demand for their products and services, according to the U.S. Bureau of Labor Statistics. As many businesses were left scrambling to figure out new ways to keep their doors open, the federal government implemented programs designed to help keep employees on payrolls.

The Shift to Digital

According to The Enterprisers Project, "digital transformation" is the integration of digital technology into all areas of a business, fundamentally changing how it operates and delivers value to customers. It's also a cultural change that requires organizations to continually challenge the status quo, experiment and get comfortable with failure.

> In the wake of the pandemic, the shift to digital was a survival issue as an organization's ability to adapt quickly to supply chain disruptions, time to market pressures, and rapidly changing customer expectations became critical," **reports The Enterprisers Project.** "Improving customer experience has become a crucial goal — and thus a crucial part of digital transformation."

The pandemic forced many people to stay home for longer periods of time, and there was a sharp uptick in online shopping in B2C industries. Likewise in B2B, trade shows and in-person sales calls declined considerably, leading companies across the spectrum to accelerate selling through digital means.

This increase in digital buying meant that many companies needed to invest in their digital footprint and infrastructure to meet demand and remain competitive. This remains true as the pandemic recedes and we continue in a post-Covid digital world.

Geopolitical Events

Heightened geopolitical volatility tends to mean heighted uncertainty for business leaders, and recent years have had their fair share of turbulent events.

According to BlackRock, the following geopolitical risks have highly impacted the U.S. economy in recent years:

- Russia's invasion of Ukraine
- Heightened tensions between China and the U.S.
- An increase in cyberattacks

Geopolitical risks with moderate impacts include climate policy gridlock, major terror attacks and economic ripple effects from the Ukraine crisis, among others.

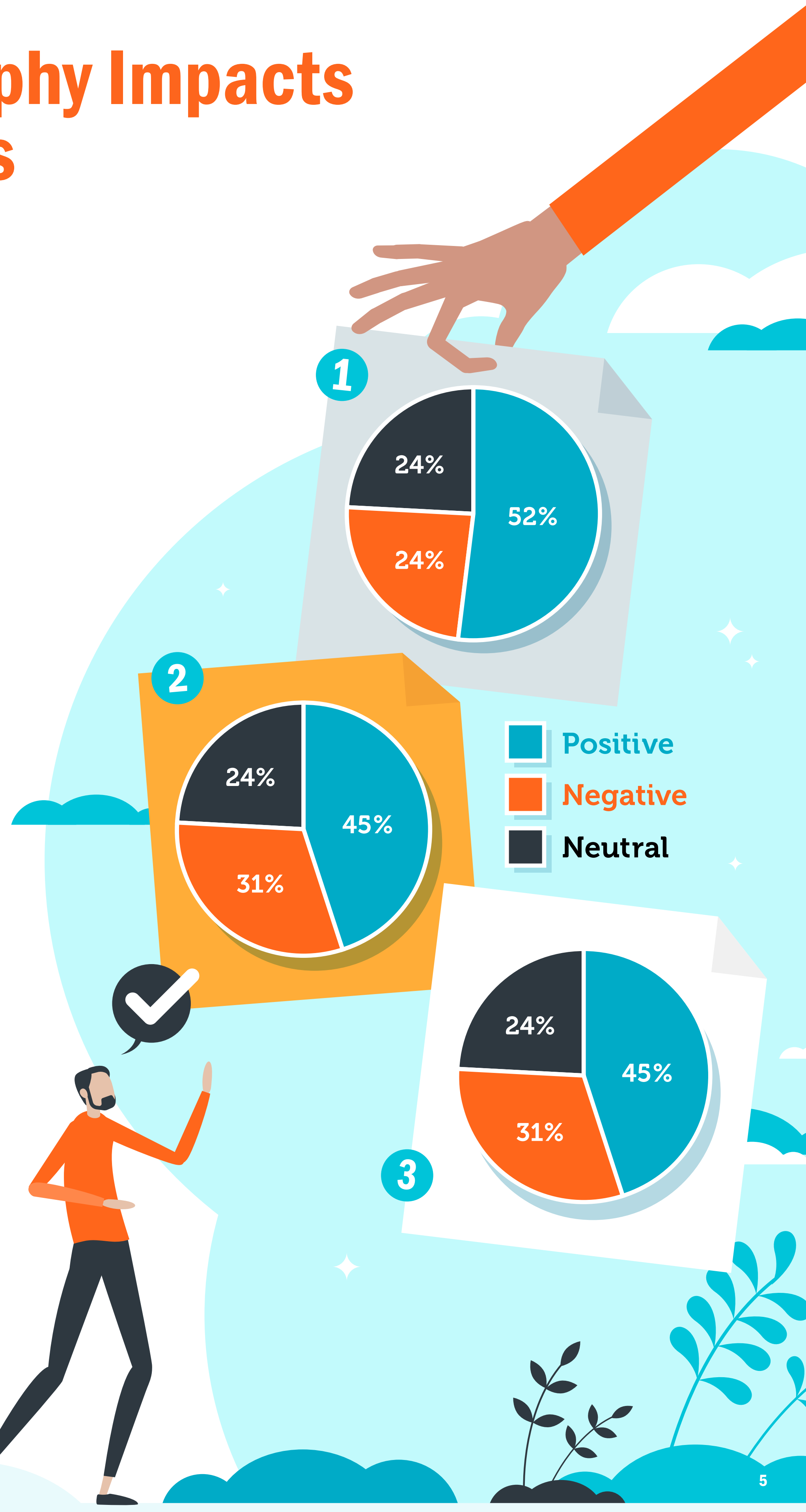
How Geography Impacts Expectations

According to the thunder::tech survey, participants who described their company as global, compared to those who selected national or regional, were more positive about the economy and increasing their marketing budget in 2023.

Those who characterized themselves as a **global business** gave a 6.5 out of 10 when describing what they think of the economy. **52 percent expressed a positive sentiment** about increasing their budget in 2023, while just **24 percent expressed a negative sentiment.**

Participants who characterized themselves as a **national business** gave a 5.9 out of 10 when describing what they think of the economy. Roughly **45 percent expressed a positive sentiment** about increasing their budget in 2023, while **31 percent expressed a negative sentiment.**

Those who characterized themselves as a **regional business** gave a 6.2 out of 10 when describing what they think of the economy. About **45 percent expressed a positive sentiment** about increasing their budget in 2023, while **31 percent expressed a negative sentiment.**



Budgeting for 2023

Considering the uncertain economic climate, planning a marketing budget for 2023 can be challenging. Of those polled in the thunder::tech survey, 46 percent expect to increase both their marketing budget and their media spend, while 25 percent were neutral and 29 percent answered "unlikely" or "very unlikely."

According to a LinkedIn article by independent marketing and advertising professional Peter Field, it's important to advertise during a recession, though the type of campaign depends on your company and industry, as well as other unique factors.

While the temptation for many in the business world will be to cut marketing and advertising costs to the minimum, Field recommends continuing to invest in brand advertising if resources are available — an action that paid off for companies that did so during the 2008 recession. He adds that there is a diminished role for short-term sales activation in the current crisis due to consumer demand patterns, with a few exceptions.

"As in most recessions, the effects depend greatly on the sector: people still have to eat and take care of themselves, but can delay discretionary purchases," Field wrote. "Already the difference between essential and discretionary purchasing looks like it will be much more pronounced than in previous recessions. Thus far, many essential categories have been characterized by elevated or even panic buying, not the more usual deferral or down-trading."

Since demand is exceeding the ability to supply for most physical products and services, extensive use of short-term sales activation makes little sense for these brands. Instead, brand building may be the best approach, according to Field.

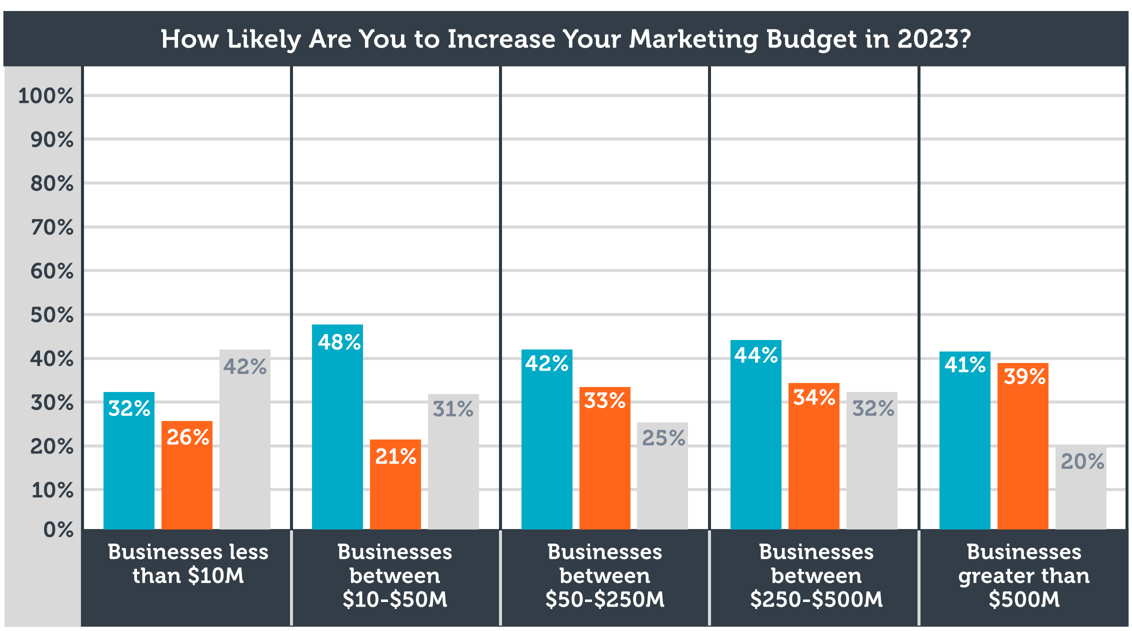
"However, businesses delivering important needs to house-bound customers, such as TV stations and video conferencing platforms that are not dependent on workplace usage, are enjoying — and meeting — bumper demand," he added. "There is a strong case for these businesses to exploit short-term demand (by means of lead generation activity) to build long-term market share. Brand building and short-term sales activation both make perfect sense for these brands in the current crisis."

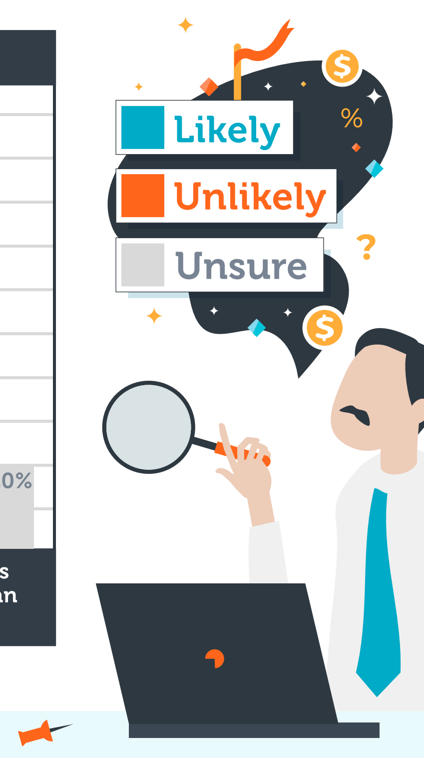
Small Business vs. Large Business

When it comes to economic impact and budgeting, there is not a clear difference between B2B and B2C companies. Rather than the type of company, the sector and ability to meet demand matters more when it comes to marketing strategy.

However, small businesses and large businesses do differ when it comes to economic outlook going into 2023. The thunder::tech survey found that participants from companies with an annual revenue of $10 million to $250 million were most optimistic about the economy, while those from companies with an annual revenue less than $10 million were most cautious.

A higher percentage of respondents from large businesses expressed a negative sentiment regarding increasing their marketing budget compared to those from smaller companies.

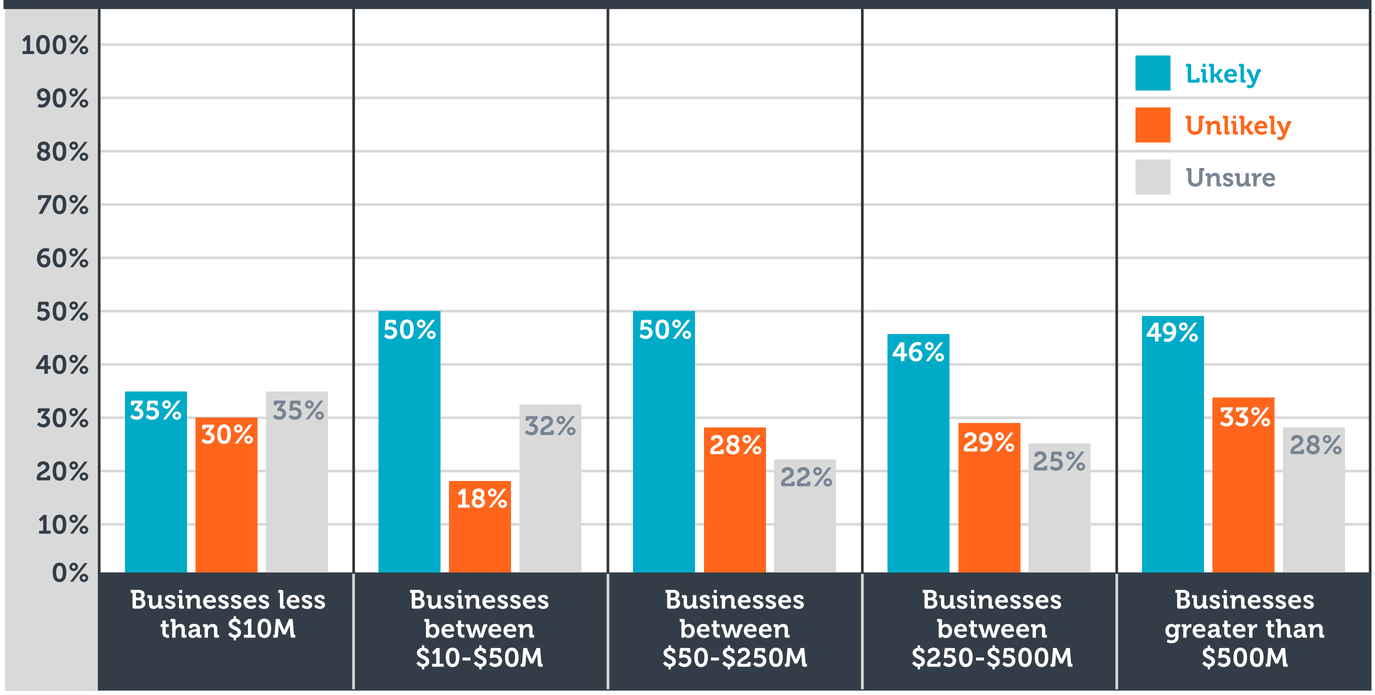




Building the Team: Hiring Plans

Exactly half of the thunder::tech survey respondents said they plan to grow their marketing department staff in 2023, compared to 24% who were neutral and 26% who responded “unlikely” or “very unlikely.” Here’s the breakdown by company size:

How Likely Are You to Increase Your Marketing Department Staff in 2023?



According to the survey, **the most popular services participants plan to add are:**

1. **Social Media Marketing** (40.4%)
2. **Content Marketing** (39.2%)
3. **Web Development** (36.2%)
4. **Public Relations** (32.4%)
5. **Events/Tradeshows** (23.1%)

According to Forbes, while marketing operations has always been a critical part of an organization, with increased uncertainty comes more reliance on this team. Forbes reports that right now, businesses are likely to prioritize investments in marketing technology and delivering actionable insights to stakeholders.

Conductor reports that skilled digital marketing is in high demand: more than 1.3 million marketing jobs were posted to LinkedIn in 2021 alone. Digital marketing ranks as one of the top three skills U.S. workers learned in 2022.

However, given the remaining labor shortage, it’s still a job seeker’s market. Companies wishing to attract new talent — especially for mid- to senior-level digital marketing roles — will need to offer a robust benefits package, as well as remote work, flexible schedules and better work-life balance, to stay ahead of the competition.

Final Thoughts

Recover

The COVID-19 pandemic is officially declared "over" in the United States, but have we recovered from its impact? Based on our research, we still have a long way to go. Global supply chain constraints, ever-increasing inflation rates and job market turmoil are just a few obstacles challenging complete economic recovery.

But we're survivors. We've conquered unimaginable change before, and we will do it again. In fact, our data says, it's not just survival. It's an opportunity to embrace change, pivot and thrive.

Build

During the lockdown, shifting to digital was critical. Even the last holdouts had no other option. But now, explosive digital transformation is driving us to challenge ourselves and experiment with new ways to improve. We've seen many companies shift resources to focus on building their brand, a tactic proven successful for businesses coming out of the 2008 recession.

Website iterations, branding projects and complete rebuilds of brands from the ground up are just a few of the trends we're seeing. Customer experience will continue to drive innovation as we build toward the future.

Move

The idea for the study behind Volume 13 came from the rumblings of uncertainty from our clients and their concerns surrounding budgeting for 2023. Our instinct was, "how can we help?" The wheels were set in motion for our quantitative study, and we marched forward, gathering the data. We are pleased to share the results with you here.

If you are struggling with uncertainties as you plan your marketing budget for 2023, know you aren't alone. There is a path forward, even if you need to take a left turn to get there. Before pulling the quick trigger and halting marketing efforts, consider what you can do to build your brand to come out strong on the other side. Now is your chance to jump out ahead of your competition by thinking strategically.

Nothing lasts forever; the show must go on!

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