

COLUMNS

Does marketing change in an inflationary environment?

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Many marketers are concerned about whether higher interest rates are an inevitability, should inflation continue to run rampant. Image credit: Chief Outsiders

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In case you had not noticed by the amount of extra cash you have had to spend at the gas pump, in stores, or with your vendors, inflation is back, and with a vengeance.

According to the new [U.S. Labor Department stats](#), inflation pushed up to 5 percent for the 12 months ended May 31 a 13-year high.

For many marketers who have spent the past 18 months riding a stomach-turning economic roller coaster, this news may seem hard to understand.

So how should businesses adjust their go-to-market strategy to ensure sales success in an inflationary environment?

The answer is simple: do not.

In fact, marketing today need not be that much different than in a non-inflationary environment, but with a few caveats.

To better understand this concept, [ITR Economics](#) recently offered some keen insights that will be very useful in this situation.

Is inflation having an impact on your market?

The first key is to zero in on what is actually taking place in the competitive marketplace, outside the walls of your enterprise. Is inflation having an impact on those markets?

The ITR Economics Monthly Trends Report for June 2021 gives some helpful industry vertical insights. They remind us of the cyclical nature of the rate of inflation, historically.

Inflation has always cycled upward and downward, and you can believe that it is going to do that again. Inflation like the Dow Jones, elevators, and the sun goes up and down.

That said, many marketers are concerned about whether higher interest rates are an inevitability, should inflation continue to run rampant.

Though interest rates may uptick modestly, ITR suggests those concerns should not interfere with a business' plans about growing the company and protecting their bottom line, especially in the short term.

While they suggest consumer price index (CPI) inflation is on the horizon, it is no guarantee that any one factor will eventually cause interest-rate headaches: "That is a fear for a future day. Don't let it stop you from planning on a growing economy, albeit at a varying rate through the next several years."

The report also pointed out that business owners with concerns about higher interest rates are about a year ahead of what ITR has concluded, via their analysis of the Fed and the bond market.

Finally, ITR states, "Our forecast calls for inflation to diminish starting in the second half of 2021."

That means inflation is not going to rise indefinitely, and that should be good news to any CEO. So, what's a business owner to do?

Do not pull back from your marketing spend

The status quo will likely again reign supreme in the not-too-distant future.

Even in an economy that is strongly impacted by inflation, now is not the time to pull back on the marketing spend.

As long as the marketing investments businesses are making have a direct impact on the prospective buyer's journey, the nurturing of existing clients, and the continued visibility of the brand out in the marketplace, they are worth sustaining. Period.

During the pandemic, far too many CEOs made knee-jerk cuts to marketing and sales activities, and that decision has negatively impacted their ability to take advantage of the economic rebound we are currently experiencing. Do not join their ranks.

This is especially true given the expectation that inflation will begin to dissipate in the second half of 2021. So now is the time to make some wise investments in marketing as well as sales.

With the economy rebounding, every business owner should be taking an aggressive posture when it comes to driving and growing revenue, even more so than during the first months of the early rebound from the pandemic.

Key markets will be in full accelerated growth mode by end of 2021

A vital piece of information that ITR shares in its Monthly Trends Report is an overview of the core U.S. economy at a glance.

Of the six different markets that have the greatest direct impact on the core U.S. economy, all of them are trending in a recovery or accelerating growth phase. This means the economy is rebounding, and by the end of 2021, all six of those core markets will be in an accelerating growth mode. All six.

So what is the takeaway for an individual business owner? The U.S. economy is highly favorable.

Get a handle on your company's historic economic health

Though the current state of the economy is compelling, it is still critical to have a handle on the historic economic health of your company before injecting a wad of corporate cash into marketing and sales initiatives.

CEOs should consider a two-phased diagnostic process recommended by ITR, which includes a long-term 12-month analysis, as well as a three-month short-term gauge.

Let us start with the 12/12 rate of change. This is a lagging indicator, and by computing it, a business owner will know, at a glance, whether the company is in one of four growth phases: a recovery phase, accelerating growth mode, slowing growth phase, or a recession.

The same is true for the markets in which a business competes. But again, the key U.S. markets are very favorable at present.

The second measure is to consider the 3/12 rate of change, which is a leading indicator. The 3/12 is basically a forecaster a bit of a crystal ball. It tells a business owner which direction the company is going. Are revenues moving up? Are they slowing, or are they moving down quickly?

HAVING KEY INSIGHT makes a big difference in planning the right marketing and sales strategies and tactics to grow your business.

Whether or not you are directly affected by inflation, businesses should focus on effective programs that will resonate with buyers and prospects alike.

In times of high inflation and a slowing economy, it is always wise to tighten the belt a bit, spending on only the most important tactics that address these things.

Focus on growth and make smart investments.

Build a solid go-to-market plan that is based on the sort of insights detailed above. In particular, the economic health of your company and the economic condition of the markets in which you compete.

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