THE DOUBLE-EDGE STRATEGY: HOW IT DRIVES
SALES WHEN CONSUMER SPENDING FALLS

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ABSTRACT

This paper attempts to examine how sales in business and marketing led organisations can be propelled when consumer spending level falls.

Design/Method/Approach A brief review of existing theoretical literature on marketing strategies (together with their strengths and weaknesses) is made in the light of the objective of this study. A double-edge marketing strategy consisting of a cost leadership approach together with a business philosophy, which motivate stakeholders to believe and behave in ways that produce positive business results, is presented as an effective that can be drawn to propel sales when consumer spending falls. A study of Saturn’s marketing strategy is drawn to strengthen this argument.

Findings The outcome of this study indicates that a double-edge marketing strategy consisting a cost leadership approach and a “geiz-ist-geil” campaign strategy, a non conventional campaign strategy on the other can develop an effective and proficient approach for boosting sales when consumer spending falls.

Theoretical implication: The development of a double-edge marketing strategy marks an attempt to provide an insight into the approaches that enhance sales when consumer spending level falls. This contributes to the limited volume of literature in this field of study and adds to the development of theory in this regard.

Practical implications: While the desire to propel sales through conventional marketing approaches are welcomed, the review of theoretical literature strengthened by a case study of Saturn’s business and marketing strategy indicates that it may be rewarding for marketing and sales practitioners to adopt non-conventional marketing approaches that can effectively propel sales when consumer spending falls.

Limitation of study and future research direction: This study is limited to how businesses in western European countries can deploy a non-conventional marketing strategy to propel sales when consumer spending falls. The study however fails to examine whether this strategy holds in other non-western European countries. The inability to ascertain whether this strategy is workable or deployable within non-western context provides an opportunity for future research in this field of study.
Original value of the paper: The study adds and contributes to theoretical literature on marketing strategy by providing a theoretical explanation of how sales are enhanced when consumer spending falls. The study offers marketing practitioners an insight into how to better improve sales level during recessionary periods.

Paper type: Empirical

KEY WORDS: Interpretive marketing strategy, marketing strategy, Geiz-ist-Geil, sales, consumer spending, price, branding, advertising, positioning

INTRODUCTION

A number of studies relating to how marketing strategies (i.e. persistent advertising, lower product pricing, positioning etc) contribute towards increased sales and the achievement of sales target have been documented in several marketing literatures (see Bridges et al, 2007). However, non-conventional approaches commonly deployed by firms to boost sales when consumer spending level falls is yet to attract authors’ interests and it remains unclear how these strategies propel sales during such periods.

Existing studies that examine how marketing strategies impacts upon the level of product sales during recessionary periods (see Kamber, 2002; American Business Press, 1979; Strategic Planning Institute, 1982; Ryan, 1999; Barwise, 1999; Dhalla, 1980) cannot be used to address this issue because they are limited to the use of sales promotion led product advertisements. They failed to consider other non-conventional strategies that are equally capable of motivating, stimulating and promoting consumer spending levels especially at times when the level of consumer spending falls.

Thus, in order to increase sales (under such economic conditions), we argue that it may be useful to look beyond conventional marketing strategies to identify and deploy a double edge strategy that seek cost leadership (Porter, 1985) on the one hand and motivate customers to believe and behave in ways that create positive marketing results (Chaffee, 1985) on the other. This paper rests on the thesis that by deploying this double edge strategy, firms can easily maintain and sustain sales increases when consumer spending falls. Importantly, Saturn’s marketing strategy, which seeks to achieve cost leadership together with its “Geiz-ist-Geil” (a strategy, which urges consumers to be stingy and feel cool about it), is drawn to substantiate this theory.

It is important to examine the issue under investigation in this study because it provides academics and practitioners with an understanding of a double-edge marketing strategy consisting of a cost leadership approach and the “geiz-ist-geil” marketing communications campaign strategy can be deployed effectively to propel sales when consumer spending falls. While the use of conventional marketing strategies are laudable and welcomed, this study demonstrates to sales and marketing practitioners that it may be rewarding to adopt non-conventional marketing approaches that can effectively propel sales when consumer spending falls. Also, the pursuit of this study is important
because it contributes to the limited volume of literature in this field of study and adds to the
development of theory in this regard.

In order to effectively address the issue being investigated in this study, we organise this paper
as follows. Section two provides a review of theoretical literature relating to meaning of marketing
strategy. Also, a number of marketing strategies namely market positioning, market segmentation and
targeting, competitive pricing, brand extension, aggressive advertising, global branding etc are
highlighted and the weaknesses and strengths of these strategies are underscored. Given the inadequacies
of these strategies, Chaffee’s (1985) interpretive strategy model designed to motivate customers to
believe and behave in ways that create positive marketing results, is put forward as an alternative. In
section three, the methodology is discussed and nature and method of data analysis is examined in the
fourth section. The implications of the outcome of the study for theory and practice are discussed in the
fifth section.

THE MEANING OF MARKETING STRATEGY

Marketing strategy is a plan of action addressing the selection and analysis of target markets and
the approaches that can be deployed towards the creation and maintenance of an appropriate marketing
mix that will ensure customer satisfaction (Dibb et al, 2005). It is a plan articulated by firms for the best
use of the organisation’s resources and tactics to meet organisational objectives. In Webster’s (1995)
view, marketing strategy is a business phenomenon referring to a firm’s adaptation of the STP
(segmentation, targeting and positioning) to its competitive strategy in a chosen area of business and that
the adoption of the STP as a strategy has positive implications for the achievement of sales targets and
marketing objectives.

For Sharma (1999) marketing strategy involves a more judicious matching of a firm’s resources
with environmental opportunities and constraints so as to achieve a long-run competitive advantage,
which must be critically analysed. The notion of competitive advantage expressed in Sharma (1999) but
popularised by Porter (1985) demonstrates the need to differentiate products. Product differentiation in
this regard does not only refer to the resolve by firms to be unique in their industry along some
dimensions that are widely appreciated by consumers (Porter, 1985) but also to the desire by firms to
differentiate their products and services by deploying a lower pricing strategy.

Advancing a more radical definition to the meaning of marketing strategy, McDonald and
Payne (1996) put forward a more pragmatic definition that suggests that the notion of marketing strategy
could be any approach drawn by firms for the successful achievement of firms overall marketing
objective. Arguing, McDonald and Payne (1996) stated that marketing strategy is the means by which
marketing objectives are achieved. This is regardless of whether these approaches are orthodox or not.
MARKETING STRATEGY OPTIONS AND HOW THEY ENHANCE PRODUCT OR SERVICE SALES

A substantial amount of literature on advertising influences on sales during recessionary and non inflationary periods (see Kamber, 2002; Kitt and Strater, 2008; Herrington, 2002; American Business Press, 1979; Strategic Planning Institute, 1982; Ryan, 1999; Barwise, 1999; Dhall, 1980); role of pricing on sales targets (see Cataluña et al, 2005; Gaur and Fisher, 2005) and the impact of non conventional approaches such as “Total Quality Project Management” (Stasiowski and Burstine, 1994) have dominated theoretical literature for decades. These works provides evidence to show that marketing strategies have one effect or the other on sales level.

For instance Kamber’s (2002) work on the relationship between a company’s advertising expenditure and sales level during a recession in the United States found that increasing or maintaining advertising expenditure levels during a recession tends to correspond to better rates of sales growth in subsequent years. Substantiating this viewpoint, Dhall (1980) drew upon empirical evidence of the contribution of advertising to sales and profit levels during recessionary period and argued that advertising expenditures should be regarded as a drain on profits but as a contributor to sales and organizational profits. Dhall (1980) advised that product or service advertising expenditures should be not be conceived or approached by firms as an unavoidable expense but rather as a means of accomplishing set sales objectives.

In a related study that used a market response model of sales for two grocery categories of a large grocery chain examine the extent to which competitive advertising interference influences sales, Danaher et al (2008) contend that competitive interference effects on sales are strong and that the use of advertising has a significant impact on a company’s sales level. Corroborating Danaher et al (2008) viewpoint, Kitt and Strater (2008) presented empirical evidence to argue that the influence of advertising on the sweet confectionery business sub sector in the United States between the period of 1996 and 2000 increased sales volume positively.

In another text, Cataluña et al (2005) observed that the use of “Everyday Low Price-EDLP”, a strategy that seeks to maintain prices below the average, and in a stable way, for all its items attracts more customers, stimulates demands and enhances the achievement of sales target. Similarly, Herrington’s (2002) work on the short and long-term effectiveness of advertising among restaurant chains show that businesses are likely to enjoy immediate, positive returns on their investment on advertising. Corroborating, Gaur and Fisher’s (2005) studies on the use of pricing strategy or changes in product pricing at a toy retailer in the United States indicate that the rise or fall of product prices may influence a corresponding rise or fall in the sales level.

CONTRIBUTIONS AND LIMITATION OF EXISTING STUDIES

In one way or another, these studies forged an understanding of the relationship between various marketing strategies and the achievement of sales target; amplified theoretical literature and gave a good
understanding of the literature surrounding marketing strategy. However these studies are limiting given their inability to clarify how sales can be increased when consumer spending falls. Thus, whereas the marketing strategy theories highlighted above are credited for explicating how persistence advertising, lower product pricing, positioning etc contribute towards sales, they are severely weakened by their inability to explain how sales are increased or enhanced when consumer spending falls. Given the inadequacies of these theories, the challenge now is to develop a model that squarely addresses this problem. This issue, which is at the heart of this study, forms the focus of the section that follows.

THE DOUBLE-EDGE STRATEGY MODEL

The Double-Edge Strategy Model: Conceptual Assumption

We begin the description of our model with a conceptual assumption that when consumer spending level is high and rising, a firm’s sales level rises. Similarly, when spending level is low and falling, a firm’s sales level falls. In other words, we assume that the higher the consumer spending level, the higher the products and services sold by firms and also the lower the consumer spending level, the lower the products and services sold. This assumption is represented in Figure 1 below.

Figure 1: Sales – consumer spending relationship

When sales level rises following a corresponding rise in consumer spending, the objective of firms will be to maintain sales level or to seek further rise in sales level. However, when sales figures fall in response to a fall in consumer spending level, the challenge of the firm will be to halt the fall and propel sales. In a case where traditional marketing strategies (i.e. persistent advertising, positioning etc) cannot invigorate sales following a fall in consumer spending level, the double-edge marketing strategy offers a quick solution to this quagmire. The nature of this strategy together with the way it works is discussed below:
The Nature Of The Double-Edge Strategy Model

The double-edge strategy model is designed primarily to address falling sales following a fall in consumer spending level. The strategy addresses two problem issues. First is to halt falling sales through cost leadership (see Porter, 1985) and second to stimulate consumption through the application of a socioeconomic philosophy, which can motivate vast majority of customers to think and behave in ways repeated purchase (see Chaffee, 1985).

Cost Leadership Strategy

Developed by Porter (1985), cost leadership is a strategy pursued by firms that seek to become the low-cost producer in their industry. Characteristically, firms that pursue this strategy serve many industry segments, operate in related industries and are usually broad in scope. The desire to achieve cost advantage may include economies of scale, proprietary technology and greater access to raw materials. The achievement of cost advantage also depends upon productions factors such as low cost design, nature of technology, nature and sources of labour etc. Many firms that seek cost leadership typically sell top quality standardized products and they often aim at achieving economies of scale or absolute cost advantages from all sources. When firms achieve cost leadership, their level of business and economic performance rises and as such they can dictate sales price well below industry average.

Interpretive Strategy

The interpretive strategy model developed by Chaffe (1985) is based on a social contract view, which portrays firms as a collection of cooperative agreements freely entered into by individuals. It is founded on the notion that the survival of a firm depends largely on its ability to cooperate mutually for beneficial exchange. Following Berger and Luckmann (1966) this theory assumes that reality among firms is socially constructed. Reality is neither objective nor external to the perceiver. It is an internal phenomenon conceptualized through a social exchange process in which perceptions are affirmed, modified or replaced in relation to their apparent congruence with perceptions held among others. Within the interpretive framework, strategy refers to orienting metaphors or frames of reference that allows a firm and its environment to be understood by stakeholders. It is on the basis of this notion that stakeholders are motivated to believe and to act in ways that are expected to produce favourable results for a firm.

How the double edge strategy model works

As consumer spending level drops from $500 to $400 (in figure 2 below), consumers are left with less disposable income to shop. This automatically decreases firms’ sales level. This trend is reversed (at the $400 spending level) given the intervention of the double-edge marketing strategy, which brings together two micro strategies – cost leadership and socioeconomic philosophy. The firm applies the cost leadership strategy to set sales price below industry average, motivate and stimulate sales and halt further fall in sales. The interpretive marketing strategy is drawn simultaneously (at the $400 spending level) to increase sales. This is achieved through the development of a marketing
communications message that motivates and excites customers to imbibe socioeconomic philosophies which are capable of provoking a vast majority of consumers to buy a product or service repeatedly. Saturn’s cost leadership strategy and “Geiz-ist-Geil” philosophy provides a practical example of how the double-edge strategy model works.

**Figure 2: Interpretive marketing strategy framework**

![Interpretive marketing strategy framework diagram](image)

**SATURN’S COST LEADERSHIP STRATEGY AND THE “GEIZ-IST-GEIL” BUSINESS PHILOSOPHY**

**Saturn: a brief history**

Saturn, an electronic chain store based in Germany opened its first consumer electronics center in Cologne in 1961. Then, Saturn pioneered the introduction of hi-fi stereo systems and by earlier part of the 1970s, it became the first electronic store to offer large selection of records for self-service at prices below industry average. Today, Saturn is reputed for its assortment of compact discs (CD). It’s Cologne store (one of the largest in Europe) offers more than 300,000 titles (Metro Group, 2007).

In 1985, Saturn expanded towards Europe by opening a store in Frankfurt. This was followed by a rapid growth. After the reunification of East and West Germany, Saturn’s network of stores soon spanned the whole of Germany. Today, Saturn ranks among the major companies in this industry. The merger with Media Markt in 1990 and 1993 led to the creation of the Media-Saturn-Holding GmbH (a part of Kaufhof Holding AG). Since then, the two brands have been managed independently under the umbrella of Media-Saturn-Holding GmbH. In 1996, the Kaufhof holding was integrated into the Metro Group (Metro Group, 2007).
Saturn: the sales challenge and the double-edge strategy

Between 2002 and 2005, the German consumer spending index started to dip (Datamonitor, 2006) and sales figures among firms began to show signs of a downturn. Saturn responded proactively to avoid this development in 2003 in two ways. First, it adopted a cost leadership strategy involving the setting of price below industry average. This arrested a potential fall in the sales level. Inevitably it contributes to a rise in sales. Table 1 below articulates the relationship between these two variables.

Picture 1: Saturn’s Geiz-ist-Geil campaign

![Saturn's Geiz-ist-Geil campaign](http://195.227.90.50/wmtippspiel/img/saturn.gif)

The second approach involved the deployment of an interpretive strategy. This is accomplished through the presentation of Saturn’s Geiz-ist-Geil philosophy to consumers through an advertising campaign. Geiz-ist-Geil means “being tight with money is cool”. The campaign urged customers to do away with the “product quality” or “good value for money” mentality and seek only Saturn’s products, which are offered for sale below market price. The Geiz-ist-Geil philosophy (as Saturn’s advertising campaign suggests) is characterized by the need for consumers to think smart and adopt a purchase behaviour that avoids unnecessary and exaggerated thriftiness. The “Geiz-ist-Geil” (coined from the word “Geiz”, a socially undesirable mentality, meaning exaggerated thriftiness) had existed long before Saturn’s campaign. Saturn however seized the opportunity of the falling German spending level to develop a double-edge strategy that encourages the patronage of incredibly cheap products supported by a philosophical campaign. This triggered repeated purchases and increased product sale in all Saturn’s stores (Metrogroup, 2007).

Summary And Conclusions

This paper was drawn to examine how sales in business and marketing led business organisations can be propelled when consumer spending level falls. In order to address this objective, a double-edge marketing strategy (a non conventional business and marketing strategy) consisting of a cost leadership approach together with the “geiz-ist-geil” a marketing campaign was put forward to explicate how set sales targets can be achieved at times when consumer spending level is witnessing a fall. This finding constitutes the main contribution emerging from this study.
This finding is conceived as a contribution because previous studies (see for instance the works of Kamber, 2002; American Business Press, 1979; Strategic Planning Institute, 1982; Ryan, 1999; Barwise, 1999; Dhalla, 1980) are focused mainly the use of product advertisements as a means of promoting sales during recessionary periods.

For business organisations and managers of businesses, this study provides a fresh insight and an alternative approach to marketing planning and management by drawing attention to the use of (the double edge strategy) a non-conventional business and marketing strategy that is equally capable of enhancing sales and the successful achievement of sales targets in business organisations during recessionary periods.

More importantly, by explicating how the use of a non-conventional strategy (i.e. the double edge strategy) can be used, this study contributes to the limited volume of literature in this field of study and adds to the development of theory in this regard.

This study is limited to how businesses in Western Europe can deploy a non-conventional marketing strategy to propel sales when consumer spending falls. The study however fails to examine whether this strategy holds in other non-western European countries. The inability to ascertain whether this strategy is workable or deployable within non-western context provides an opportunity for future research.

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