Economic turbulence is a challenging environment for marketing managers. It has long been proposed that investing in marketing during a recession can significantly improve market performance over the entire business cycle (Ryan 2001). Contrary to this suggestion, most firms decrease marketing expenditures during a recession (Picard 2001). Extant research does not provide the answer: it is sparse, weak and equivocal (Srinivasan, Rangaswamy and Lilien 2002). Some authors report a positive relationship between investment in recession and performance (Venkatraman and Prescott 1990, Graham and Frankenberger 2003), others report a negative influence (Sadhu, Prescott and Grant 1990, Wagner 1984). Still others propound maintaining or increasing activities without research that could substantiate these normative claims (Bonoma 1991, Fields 2000, McMaster and Strout 2001, Porter 2001, Rigby 2001).

Srinivasan, Lilien and Rangaswamy (2002) develop the construct of Proactive Marketing, composed of the perception of recession as an opportunity and an aggressive marketing response to the recession, to test whether anticyclicality increases Market Performance. They also test whether Strategic Flexibility, a Strategic Emphasis on Marketing, an Entrepreneurial Culture and Organization Slack Resources predict Proactive Marketing. Their results are that the organizational constructs do indeed predict Proactive Marketing and that Proactive Marketing has a positive effect on Market Performance during recession.

Our paper builds on this approach by extending their model. Most significantly, we increase the specificity of the theoretical relationships by introducing the mediating, formatively specified marketing-mix constructs Product Policy, Pricing Policy, Promotion Policy and Distribution Policy. These are operationalized as deltas between normality and recession, asking whether an increase in investments in product policy really do lead to an increase in market performance during recession. Furthermore, we extend the model to incorporate Firm Performance After Recession in an attempt to capture the lagging nature of marketing investments. We estimate the model using Partial Least Squares.

The results are encouraging. Concordantly with Srinivasan, Rangaswamy and Lilien’s (2002) results, the organizational antecedents are good predictors of Proactive Marketing. Proactive Marketing has a strong positive influence on Market Performance During Recession, which in turn is a strong predictor of Firm Performance After Recession. Our newly introduced marketing-mix constructs increase the explanatory power of the model. Investments in Product Policy, Promotion Policy and Distribution Policy are good positive predictors of Marketing Performance During Recession.