

Standing Out in a Recession

Written by Jeff Cooper

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Are we facing tough times?

Despite not technically being in a recession in my home town, Sydney, Australia, I think we would all agree we are in for some tough times wherever you live. Most economies are facing some, if not all, of the following problems.

- Rising unemployment
- Currency devaluation
- Fluctuating interest rates
- Increase in foreign goods prices
- Reduced consumer spending
- Petrol price instability
- Retail discounting
- Less luxuries

Are we in a recession?

Not technically, but I would argue YES.

Recessions live in the minds of the consumers. Forget what the endless number of financial commentators and advisors are saying, or not saying, or debating.

If you ask the average Australian for the 'real story', they will tell you with certainty, that **they are in a recession**, we are in a recession.

That's the bad news...

The good news

Before you baton down the hatches, start discounting products and hacking marketing budgets it's important to have a look at the facts.

Consumer spending can increase. In two out of three post-war US recessions consumer spending actually increased. One possible explanation for this is that consumers have more money to spend on everyday items when they're cutting back on 'big ticket' items and luxuries. What we often see in a recession is a move by consumers away from high purchase decision goods with high perceived financial ramifications.

The stunning reality is that without those big ticket items consumers have more to spend on day-to-day items and will have a desire to spend more on these items. A little escapism equals a little indulgence.

Some categories will benefit

A recession is not always a bad thing. Some businesses will benefit like select financial services, or low cost entertainment. The latter being a response to a consumer need for 'escapism' brought on by the doom and gloom. Just look at the significant increases in the gambling industry during the last Australian recession, 1990.

As we speak, we are witnessing a significant lift in McDonald's (US) sales revenue as consumers look for a more value driven restaurant proposition.

There's an opportunity to steal market share. Many brands will go into hibernation, forgetting that brand building is an ongoing process. This can be very imprudent as recession after recession we have seen brands suffer from this approach, especially in the long term. Consumers need to be spoken to, and if they're not hearing from your brand, they will be hearing from someone else's.

We actually see heightened levels of consumer awareness, particularly for value driven communications during these periods, which exacerbates the effects of disparity in share-of-voice between competing brands.

Unilever took advantage of this when it launched a value washing detergent during an Indonesian recession, Surf. The result was a 13% market share within two years.

Cheaper Ad rates

During times of recession the rise of ad rates tends to slow, even stagnate, compounding the advantages of increased share-of-voice creating a lower 'real' cost of advertising.

New Product Development

As well as new products and brands enjoying cheaper ad rates and greater share-of-voice during recession times there is a distinct, and historically sound, trend of consumers towards 'value'. This opens the door for bundled services, more economic product variants, or brands that talk to the emphasized consumer motivator of value.

The keys to enjoying these 'silver linings' are tried and true. Don't panic, have the right strategies to take advantage of the recession rather than be a victim of it and...innovate!

More on innovation later...

Leveraging the opportunities

It probably does not surprise you that someone working in advertising would take this view, but there is a wealth of evidence and research to back-up this suggestion.

Sustained communications are proven to make the most of the opportunities that a recession can bring and are the first line of defence in maintaining consumer loyalty. Perhaps the biggest case for maintaining adspend is the long-term growth available. In 2001, a study found that companies that choose to invest in high levels of advertising during recession times increase their market share by an average of 2.5 times in the long-term.

Source: Professor Andrew J. Razeghi, Kellogg School of Management, USA

Recession research

Study	Conclusions
<p>Strategic Planning Institute / Centre for Research & Development using Profit Impact of Market Strategy, 1990</p>	<ul style="list-style-type: none"> • Although most businesses profits reduce during period of recession those that reduced adspend received no greater ROI than those that increased adspend by 20% - short-term profitability is not necessarily gained from cutting marketing budgets during a recession. • Companies increasing adspend gained greater market share
<p>Dentsu Inc. Study of 874 publically listed companies with adspend of over US\$800,000 during the 1985-6 Japanese recession.</p>	<ul style="list-style-type: none"> • Positive correlation between increased ad spend, sales growth and market share. • Long-term category leadership sustained by the companies that increased spending.
<p>McGraw-Hill, Laboratory of Advertising Performance. Study of 600 companies and their performance during the 1980-81 US recession</p>	<ul style="list-style-type: none"> • Strong positive correlation between the adspend and sales growth over 5 years. • Companies that increased adspend enjoyed an average 275% sales growth. Those that didn't saw an average of only 19%.

1: Strategic Planning Institute / Centre for Research & Development using Profit Impact of Market Strategy, 1990.

2: Dentsu Inc. Adspend during the 1985-6 Japanese recession.

3: McGraw-Hill, Laboratory of Advertising Performance.

Strategies for making the most of a recession

1. Increase absolute ad spend

Don't stop talking to consumers. If anything, history has shown that during times of recession consumers are increasingly sensitive to getting the best deal, to getting the best value.

The important distinction here is that price, and short term tactical executions like discounting, are only one element of value and no one wants to 'feel' cheap. The reality is, maintaining consumer perception and brand building are as important, if not more important, during a recession.

Increased share-of-voice, lower media rates as well as a reduction in competitor and overall advertising make a recession a great time to steal valuable market share.

Recessions are episodic beasts, so even if your product or category is affected by reduced consumer spending you can rest assured that spending will return.

Studies have shown overwhelmingly that brands that advertise bounce back much faster than the industry average and gain valuable market share from competitors.

A bird in the hand is worth two in the bush, and three if it's from a rival's aviary!

2. Maintain high production values

Keeping in mind the value equation it's important not to look cheap.

The opportunity here is to strengthen brand image, comparatively, by emphasizing perceived values in your product or service through high production values.

Competitors may cut ad spend, or move towards highly tactical advertisements and therein lies another opportunity for your brand to stand out.

3. Innovation

The broadest, but also possibly the most rewarding strategy is to innovate!

"I think it is more important to innovate through a recession, and certainly what we're trying to do at P&G is to continue to bring sustaining and disruptive new brands and products for our consumers to make their lives better and offer them a little more value"

A.G. Lafley, Chairman and CEO, Proctor and Gamble

Focusing on innovation means a brand looks not only at its communications but perhaps more importantly its business.

New product development

A trend we often see in a recession is a shift in consumer spending from high to lower ticket items and firmly towards value. Recessions are a unique opportunity to fuel sales by reworking variant sizings to create better value for the consumer.

However, brands should be looking wider than size variants during a recession. They should focus on real and innovative NPD, bringing it forward rather than putting it off if possible.

Studies estimate that it now takes an average of six months for a competitor to replicate any new product feature. This reaction time is likely to be heavily impeded and resisted during times of recession by competitors and inconsequential if your new products or variants are short-term/disruptive or value driven.

Strategic partnerships / 'portfolio marriages'

In the same vein, value bundles that include different variants, perhaps a travel size, or complimentary items from your portfolio can be used to woo consumers.

Proactive brands will look outside their portfolio for strategic partnerships that will equally benefit both parties. These can often be very economic and are very compelling for consumers, but more importantly, they step brands through a doorway that competitors will find hard to follow.

Innovative media vehicles

The benefits of recession advertising are many, but **where** it is said is ultimately as important as **what** and **how** many times.

In past recessions consumers with an increasing need for escapism, counterbalanced by a decrease in pocket change, have turned to low cost entertainment, like cinema; making it a premium place to grab not just eyeballs, but eyeballs associated with a positive consumer sentiment.

A recent poll by online research company, Pure Profile, suggests that similar trends are being seen in Australia at present, although, they are more likely to be towards entertainment sources like TiVo or Foxtel.

There is a greater reason to be looking at the media vehicles you are using.

Some media vehicles, like PR can be used cheaply and effectively to drive brands and take advantage of the heightened media awareness of consumers during recessions.

Communicating through channels that deepen engagement like digital, experiential and online can be the key to maintaining and generating consumer loyalty and fighting brand switching in the midst of a fickle backdrop.

There is gold to be found in your media spend during a recession.

SOURCE: "Where have you started to reduce your spending?" Results so far for UK and Aus. www.pureprofile.com

What's next...

So let's not panic. In the last five decades the average recession America has lasted just 11 months, while the longest expansion is just over six years and there are advantages to a recession. At the very least canny planning and strategy can put your brand well ahead of the competition.

What we know for sure is that loss minimization is not the only, in many cases it's certainly not the best, way to go.

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About the author...

Jeff currently works as a Business Innovation Strategist at Sydney's the**brand**shop, publishes a weekly webisode on innovative marketing strategy and powerful thinking as well as writes papers like this one on pressing business issues.

In a former life his passion for deeper branded engagements saw him conceptualise, design and implement industry leading experiential programmes across sponsorship, digital, online, mobile, with live events in all the key consumer environments; retail, transit and sports precincts, Australia's largest music festivals and private properties.

In recent years he has worked with blue-chip brands the likes of; Vodafone, Nokia, Sony, Unilever, Lynx, Fosters, Streets, Electrolux, Samsung, Canon, Westinghouse, CommSec & Kimberly Clarke.

