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Marketing Your Way Through An Economic Downturn

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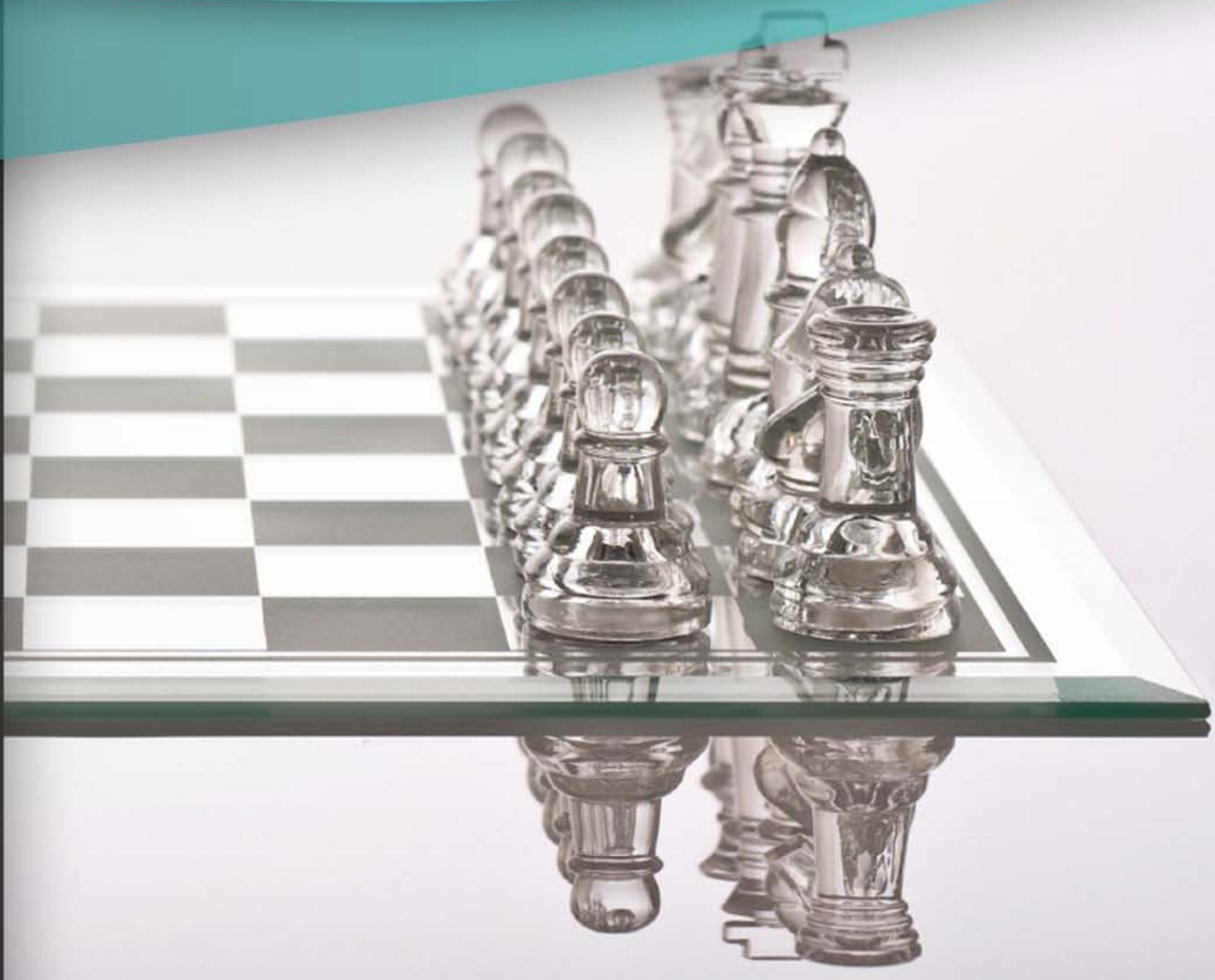


REFLECTIONS
Inspiration for Action

Marketing Your Way Through An Economic Downturn

Like business, chess is a game of strategy. A game in which you can escape even the most precarious of positions through a series of smart, controlled, progressive moves. As this global recession unfurls, businesses and brands everywhere are finding themselves in extremely tough positions. Despite the challenges, some will emerge stronger from the experience, looking back at the events of 2009 as the catalyst for their success. How can you come out on top?

- Make every penny of your budget count
- Know your consumer more intimately than before
- Act boldly with your superior knowledge

Manage Your Budget

Academics, marketing associations, and market researchers all agree that maintaining advertising budgets during difficult times is a good strategy for longer term success. American Business Press reported that in the five years between 1972 and 1977 those companies that did not cut advertising spending during the recessionary years of 1974-75 achieved double the sales growth of those companies that did cut their spending. A special report published by the World Advertising Research Centre in 2001, following the bursting of the dot.com bubble, showed that the 'losers' (brands that lost share) during the three recessions between 1974 and 1992, had typically cut their marketing budgets by 40%, whereas the 'winners' had cut theirs by an average of only 2%.

Despite this evidence the reality of 2009 is that many marketing budgets have been, or will be, cut by executive boards that are compelled by shareholder demand to retain as much profitability as possible in the short term. But reduced impact is not the inevitable outcome of reduced marketing budgets. The technology and digital boom of the past decade has led to ever more sophisticated cross-media, immersive, and experimental marketing campaigns, the best of which have resulted in increased brand engagement among consumers. The flip side, illustrated by numerous research projects, is that there is probably more flab in the marketing mix than there has ever been in history of advertising.

In the excitement generated by new media opportunities the law of diminishing returns has often been overlooked. Generally speaking, each touchpoint added to the media mix results in an increase across both reach and response. And, while the added payoff rises sharply with the introduction of the first, second, third, and fourth touchpoints after that the benefits start to level off. After studying integrated campaigns from all around the world, we see that a combination of up to four or five well-executed campaign strands tends to maximize your effectiveness. The recessionary marketer will not be held hostage by the long tail of consumer media, but will determine a strong and simple core mix and aim to execute brilliantly within this mix.

This is not to denigrate the potential efficacy of 21st century consumer media. The same studies have frequently shown how digital media in particular can introduce a level of brand engagement that could scarcely be imagined 20 years ago, and often at a fraction of the cost of traditional media. Like the internet today, by 1930 radio had become the most wide reaching consumer medium. It was also in this year, at the height of the great depression when banks were going belly up across the world, that P&G installed Richard Deupree as its new President. Despite the precarious outlook for the company, one of his first moves was to ramp up the advertising budget, with a particular focus on exploiting the new power of radio. During the following decade of financial hardships P&G doubled its radio ad spend every two years, leaving the company in the dominant position it was to retain for the rest of the century.

Any medium can work, but it should not be assumed that every medium complements every other; that more mix is better mix; that new media always trumps traditional media. If the typical 'naughty' marketer has acted like a kid in a candy store, the 2009 marketer will act more akin to his enlightened parent, knowing which media are most in tune with both its audience and its message.

Know Your Consumer

In the last year the mood of the global community has changed beyond recognition. In May 2007 the economy was the issue of least concern to a UK population disquieted by the issues of immigration, crime, and the environment. By November 2008 these external threats to a comfortable existence had been firmly replaced as primary concerns by an economic situation that seemed to threaten the very foundations of that existence.

This change in consumer outlook is being replicated in societies throughout the world, and it would be foolish to assume that purchasing decisions will remain unaffected by such seismic shifts in public attitudes.

At the simplest level marketers must appreciate the financial fear creeping into consumers' everyday lives. Price and value, always important factors in brand buying decisions, will become more top-of-mind for daily purchases. Purchasing of bigger ticket items, such as white goods and cars, may be deferred as loans become harder to obtain or confidence in being able to repay them is reduced. Some advertisers are already trying to address this fear directly. In the USA Hyundai recently launched the Hyundai Assurance, with advertising softly reassuring consumers that 'if, in the next year you lose your income, we'll let you return it', and walk away from any loan obligation. In other sectors a common approach has been to upweight the communication of price cuts, promotions, and deals.

The smart marketer will understand that these tactics alone are unlikely to lead to long term brand success. Excessive price-focused marketing undermines brand equity making it increasingly difficult for brands to command a premium and retain their profitability. In times of recession consumer attitudes and needs may change in more subtle ways, requiring advertisers to find new routes to connect with people at a more emotional level.

In difficult times people value security, familiarity, family, and friends. It is no surprise that nostalgia, an idealized yearning for the past, has been resurgent in advertising of late. In 2008 UK bread brand Hovis enjoyed great success off the back of an ambitiously creative two minute ad which harked back to its much loved campaign of 25 years previously, itself exploiting the affection for bygone times. Thirteen percent annual growth and a healthy tranche of share stolen from key competitors vindicated the strategy.

We are seeing other brands also looking to things past as the route to future success. Mars resurrected its 'work, rest and play' strapline, last seen in mid-nineties; Snickers chose to feature eighties icon Mr. T from the 'The A-Team' in their latest round of advertising; and Guinness has plans to re-run ads from its impressive portfolio of the last few decades. There is a fine line between the negative connotations of being 'old-fashioned' and the positive connotations of being 'classic'. Perhaps these brands know their consumers well enough to tell that the recession is putting a new gloss on these ideas that may not have been palatable 18 months ago.

Whatever ideas and strategies were developed last year should be reviewed in light of today's market. Whatever the sector, the likelihood is that its consumers have a changed outlook. It won't be possible to make confident decisions about brand communication strategies without an intimate knowledge of the recessionary consumer.

Act Boldly

About his own success Warren Buffett said that 'we simply attempt to be fearful when others are greedy and to be greedy only when others are fearful'. In a market that is currently awash with fear, a good brand strategy should receive the fullest support from the company.

Apple is one company that has never shied away from mold-breaking innovation and communications during difficult times. At the time when numerous online and technology companies were failing in 2001, Apple was investing in the development of a brand new product it believed would revolutionize the way that people consumed music. It wasn't just the iPod itself that was a bold innovation; the campaign developed to support the launch provided some of the most striking advertising imagery of past 20 years. It also demonstrated how the power of a still image on billboards or in print can be every bit as effective as the moving images of TV. The fearless execution and support of this strategy not only created a huge new market, but ensured that Apple would dominate it for the foreseeable future.

Great ideas will always win out regardless of the economic background, but whereas in the good times a process of trial and error can perhaps be supported by companies, in harder times the certainty of the success of a new idea, be it a new

product or a new communications strategy, needs to be enhanced, as the potential price of failure becomes much higher. Getting close to the consumer in order to inspire the right ideas is the first stage, but staying close to the consumer during the development of these ideas into specific communications is equally important. Creativity has always been the main ingredient of great advertising, but by its very nature can walk a very narrow line between brilliance and failure. Checking in with consumers at key stages of the process will ensure that any new approach can be launched with confidence whatever the current climate.

Strong brands, sensibly but confidently managed, will look back at 2009 as a turning point, just as Intel looks back at the otherwise dark days of 1991 with fondness. Having turned its attention to the newly burgeoning market for PC's in the mid 1980's, Intel chose one of the blackest of economic times to push forward with one of the technology sector's most successful marketing campaigns. But the 'Intel Inside' campaign was more than just a ubiquitous five note jingle. By sharing advertising costs with PC manufacturers who agreed to include the Intel logo and jingle in their own advertising, Intel secured exposure and relevance that it would have struggled to achieve on its own.

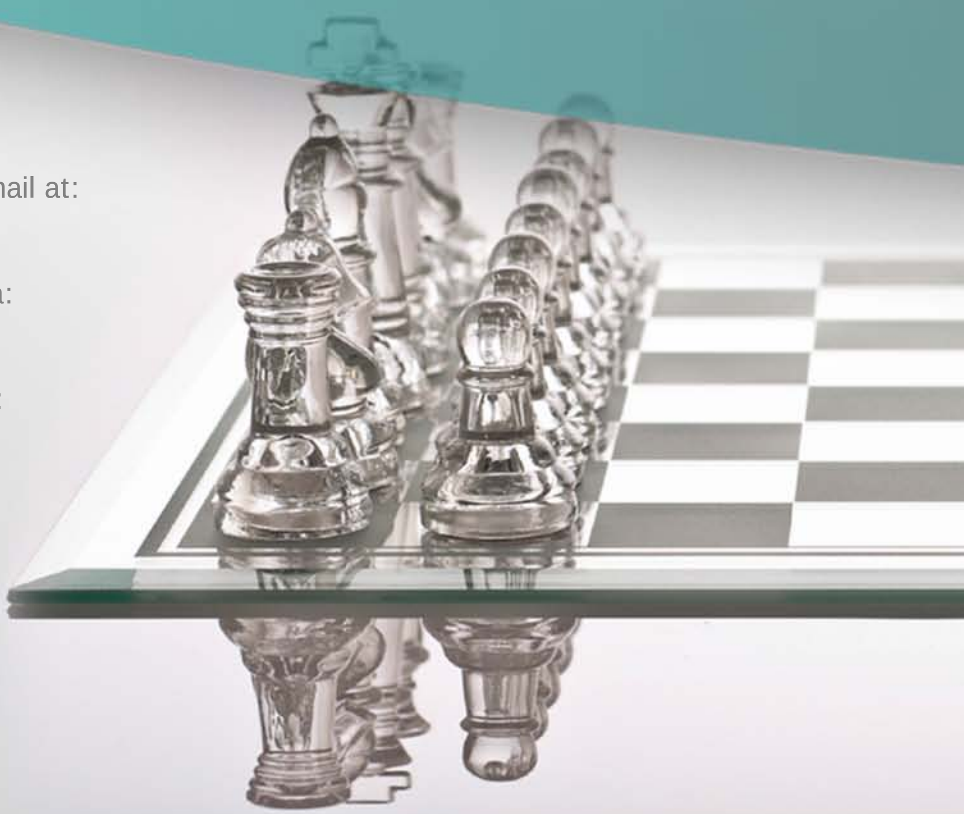
Intel's was a brilliantly simple approach, and one that was both effective and in-tune with the difficult times. As brand owners and marketing executives ponder the next moves for their brands, it is cases such as these that should provide both inspiration and confidence to do otherwise than simply put up the brand defenses.

About Ipsos ASI

Ipsos ASI offers marketers state-of-the-art advertising research built on more than 40 years of experience using measures predictive of in-market performance. We offer a full-range of solutions across all media – at any stage in the creative process – from equity assessment to strategic development, advertising testing, and tracking. Our research is backed by a dedicated team of advertising research specialists whose mission is to deliver the answers that will add value to your business anywhere in the world.

About Ipsos

Ipsos ASI is a member of the Ipsos Group, a leading global survey-based research company. Ipsos member companies offer expertise in advertising, customer loyalty, marketing, media, and public affairs research, as well as forecasting, modeling, and consulting. With offices in 55 countries, the Paris-based company was founded in 1975.



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