

Expected Downturn in The Economy: Steering Your Marketing and Branding in Stormy Weather

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Dedication

This paper is written in response to the Covid-19 crisis for the clients and business associates of Roar Point; and also, the alumni of the Marketing and Branding Accelerator Masterclass. If you received a copy of this paper, it is very likely due to the generosity of the fine people we have the honour and privilege to serve. May the tide rise through our positive thoughts, words and action; and raise all boats.

Background

At the time of writing, Malaysia enters its third week of Movement Control Order (MCO) to curb the spread of the Covid-19 disease. The MCO as of now stretches from Wednesday March 18th, 2020 to Tuesday April 14th, 2020. Some expect it to be extended as the country deals with daily new cases.

During this period, there have been a flurry of online classes, seminars and sessions of all sorts to help business owners overcome the potential economic downturn. Evidently, some business owners and decision makers are at a loss of what to do even while there is a plethora of case studies that can guide them.

To add to the confusion compounding on the crisis mood, opportunists exaggerate the potential pitfalls and over-the-top claims of doom and gloom.

Introduction

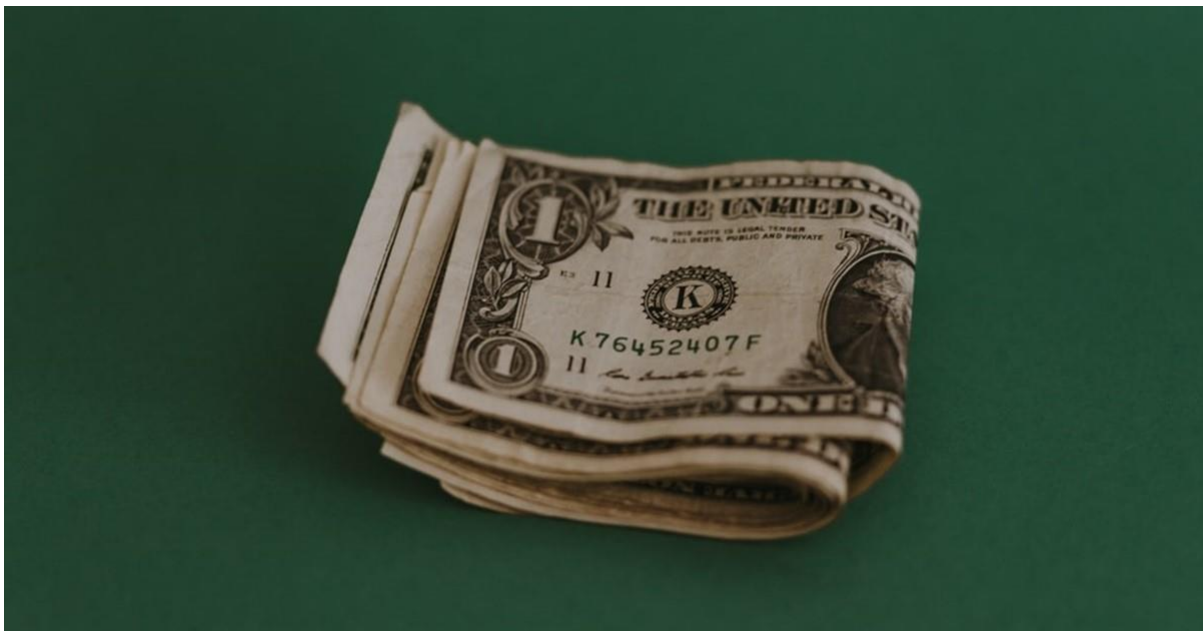
The main audience of this paper are SME business owners although the learning in here would be relevant for conglomerate and MNCs as well. It is the intent of this paper to calm the anxiety and nervousness of business owners and decision makers. The suggestions in these pages seek to draw out the confidence in you that you have, no matter how hidden they are right now. It endeavours to recommend some key actions you can take. More than that, it intends to inspire the innate creativity that you have, that you have always mined to overcome challenges big or small.

You don't need to read more papers. You don't need any more of these online sessions. (Except to fill the **REAL** knowledge gap.) You need action. Limit your busyness so you can focus on your business.

Business: Taking a 40,000 feet view

No one can talk about marketing, branding and communications without first looking at the health of your business. Now is the time to look at the cash in hand. Decide how long this will last for your company if business runs as usual.

Your plans are probably derailed by now. Or you will have to assume that they will be derailed when business starts full steam again. Do some simulation and scenario planning. You will need to know the best case, pragmatic case and worst-case scenarios. Plan for the worst but hope for the best. Hope in this case is a plan simply because you have a plan. Once you have done this and coupled with the information about the cash in hand; you will know the money needed to sustain the business. To estimate your scenarios, speak to your clients, managers and suppliers. Be wary of doomsayers and overly negative sentiments. History and experience have taught us that things usually fall somewhere in the middle. Very rarely at the extremes.



Ensure that you have enough cash reserves for a worst-case scenario. It may be time to apply for a loan.

Do you need reserves for the worst-case scenario? This is the time to start applying for loans if that is the case. There are a lot of SME loans offered by banks out there now. Call the few banks you have the most

transactions with and ask about their loan packages. Cashflow breeds calmness. It will help you make wiser decisions.

Provide leadership to your company – your management, staff, suppliers and clients. In times of chaos, people look for leadership. Help your suppliers and clients overcome their challenges. You are in the same boat. The virus should have taught us this.

Be careful of opportunists and be ready with an answer. These will come from the same people above. Be prepared to evaluate the requests, although most will come across as demands. Have a set of criteria for each of these parties, what are the potential requests and how will you evaluate them? You do not want to be caught without a reasonable answer.

Find confidence in the fact that consumers are habitual in their actions. While some things may change due to the economic downturn, they are unlikely to change much with brands that they have been consuming. Especially when the brands have been meeting expectations. You will see weaker brands that does not deliver on quality and value being weeded out.

Lower your growth targets as the economy cools but support for marketing and branding must continue in order to maintain share of voice and presence. Mental availability is even more crucial now than ever. Out of sight is out of mind and will result in a loss of market share in the long run. In an Ehrenberg-Bass Institute report, monitoring behavioural data from category buying, brand buying and media consumption indicates; brand and market shares lost are very hard to regain when the economy recovers.

In a 2002 report by McKinsey titled “Learning to Love Recessions”, the authors studied 1000 companies from 1982-1999 indicated that companies that used recessions to their advantage maintained their leadership or emerged as leaders. These leaders have a few traits in common. They maintained their appetite for acquisitions, increased their R&D spend compared to their competitors and they increased their share of advertising spend compared to their competitors.

Marketing: Start with Your Product Portfolio and Look at New Markets

There is a reason why you lower growth targets, it is so that you don't need to cut prices. Maintaining prices may be counterintuitive. In order to hold sales in a shrinking category you will feel the pressure to slash prices. That will in turn eat into your margins. Remember, your competitors will likely slash prices too. Hence, it will damage profits rather than maintain sales as competitors do the same. Relative pricing to your competitors is crucial here when looking at lowering prices. Especially when slashing prices is inevitable.



Brands who invested more in marketing during a downturn saw success after the recession.

A paper presented by Keith Roberts of Malik PIMS (Profit Impact of Market Strategy) at the March 2008, IPA seminar on the most profitable marketing response in an economic downturn, indicates that while it is desirable to maintain and reduce fixed costs, the same cannot be said of marketing costs. Investments in marketing communications, R&D and new product development were areas that propelled business success during economic recession and recovery. The data was collected from about 1,000 businesses in developed economies during recession and the subsequent recovery.

Think in terms of new products. Here is your opportunity to innovate and renovate. Can products be done in smaller sizes and packed differently

for a perceived less cash outlay? Look seriously into maintaining quality and value but lowering cash outlay by consumers as a winning formula. As competitors strive to cut prices and brand support, this is a good time to reposition them and their story. This is the time to be more creative in taking the counterintuitive step to outflank them with perceived prices and product quality to deliver on value.

Look through your product portfolio. Unleash SKUs and product ranges that fit the current economic climate. Choose products that will resonate better in this economic downturn and hence resonate better with the market. Map these to the relevant market and support the brand's foray into the segment.



A crisis may be an opportunity to discover a new consumer segment not in your usual targets.

A crisis like this will unearth a treasure trove of new consumer segments you previously ignored or may not have provided for a good profit before this. This would change now due to the economic climate. Value brands will garner more second look by consumers. This would be a good time to start introducing these brands to a segment you have not spoken to.

The relatively less affected segments are the middle-income and higher-income groups as they hold more disposable income. These people will likely be looking for reassuring words and endorsement of quality with their hard-earned money. Don't just think value brands, premium brands would start to gain too through better share of voice during these times. Do not neglect the opportunity to drive home the brand message.

You probably already know; new habits have been created. People are more active now with indoor workouts, they learned how to cook, they learned how to order online for those who have been resisting it, people are more conscious of health and hygiene now. There is a wide array of new habits that are waiting for products and brands to fit in and satisfy.



New consumer habits mean new desires to be filled by brands and products.

During an economic downturn, business performance improves for firms that are proactive in their marketing. This was the conclusion from the Pennsylvania State University, ISBM report (2002). The reason is that when companies aggressively spend behind their marketing through tough economic times, it becomes a stamp of reassurance about their product quality and this entices consumers from weaker brands to switch.

Even going as far back as the 1980s, research by McGraw-Hill Research Laboratory of Advertising Performance (LAP) indicates that this is true even for business-to-business companies. They analysed 600 companies from 1980-1985. The results show that firms that maintained their marketing spend through the recession years of 1981-1982 averaged significantly higher sales growth **BOTH** during the recession years **AND** the subsequent three years!

Brand: What's your story that resonates?

Peter Field a marketing consultant was tasked to analyse 880 case studies in the Institute of Practitioners in Advertising databank in UK. He found that during downturn and as well as during good times, brands with higher share of voice than their share of market tend to grow their market share.

If you have been doing it correctly over the years, your brands would have dimensions that you have been communicating with your consumers. Sometimes tapping into the history of the brand, at other times a shared future with your consumers. These layers of brand communications build on each other and creates a relevant persona of your brand to the consumer.

As the economy takes a nosedive, consumers will look for relevant and comforting words from their brands – new or old, whether they have been loyal or they have been switchers. Look through your brand book if you have one. Search for nuggets of your brand story that you can communicate now. Are there elements of your brand personality that should really be accentuated? Tell a side of your story that can bring humour and fun at a time of doom and gloom.



What is your brand's purpose and role in the times of crisis?

Importantly, look at your tribe (your target market). Your hardcore consumers and dig deep into the insights. Like everyone else they would

respond and react to the recent events. Their behaviour may not change that much but some may be altered in the short term. Look at a day in the life of these consumers and see the angle where your brand can be relevant.

Every brand delivers its expertise to the consumer. Search for the reason why this expertise will benefit your consumers now. The principles of what to communicate have not changed. You have likely been doing this all along. What has changed is how you will make this relevant to the current scenario.

It is all the more important now to drive home your brand distinctiveness. Differentiation is no longer enough. This is the time to drive the distinct values and codes that make your brand stand out. Your brand's story uniquely told in combination with its colours, logo, taglines, personality, your brand's tone and manner all come together to break the clutter.

Do not forget the overarching brand purpose. The *raison d'être* of your brand. Your brand exists to deliver this benefit to the world. Now is the time to roar it loud. If you have never thought about it, perhaps now would be a good time to start thinking of why your brand exists. More than your positioning, your consumers want to know what is your role in their life.

Consumers do not just buy brands, they buy stories. They want an authentic story that is told in a relevant way to them that has a function in their busy lives. When you do not have these, at bare minimum provide an avenue of entertainment when you speak to them. Creativity that breaks the clutter in order to be distinctive.

All these needs to be supported even during the downturn. Millward Brown, a leading worldwide consumer research firm presented a paper at the March 2008 IPA seminar "Advertising in a Downturn" noted their extensive database showed a strong correlation between market share and consumer 'bonding'. When there is a cut in marketing budget, this bonding with the consumer is slashed as well thus resulting in a sliding market share. Their research also revealed that brands that did not spend for more than six months and more suffered in terms of brand image and brand usage.

Conclusion

The benefit of cutting marketing communications investments during an economic downturn is very short-term. Research shows that the long-term negative effects far outweigh the short-term benefits.

Brands weaken when budgets are cut to support the marketing efforts. Resulting in lower share of voice that in turns affect share of market. Conversely, brands that continue to support their marketing efforts and keeping share of voice above share of market will see their brands grow in the long term. Often, the subsequent two to three years.

Consumers want reassuring words from their brands during a recession. When consumer hear from their brands in the advertising, they feel more confident about the company and their products and the commitment these companies have in their brand. This causes top of mind recall during purchase decisions.

The economic downturn provides an opportunity for you to review your marketing and brand plans for new opportunities and explore existing ones further with more creativity. This is the best time to get one up against short-term thinking, cash-strapped and panicky competitors.



Are you protecting your brand and business when they need it?

This is what you should remember especially if you are in a leadership position. Calm is contagious. We stole that from a Navy SEAL commander we read in a book somewhere.

Consternation is contagious too. Be careful how you think, feel and act. They are waiting for your call. Your state determines the story you tell yourself, that story determines the strategy you will take.

Action Plan

Write down what you believe. Write down what you know. Write down what relevant experiences you have in relation to the current scenario. You aren't a blank slate. You know something. In fact, you know something others may not even know.

Next, ask yourself what is the knowledge gap. Look for a few trustworthy opinion leaders. People you trust with relevant experience and expertise. Look for people with wisdom in general. You don't need to listen and watch everyone. Nor read every book. Curate who you would listen and learn from. Note their advice to you.

Time is limited. Quick action is priceless at this point.

Then, synthesize what you know, your experience, your beliefs with what you have learned with the advice of those you trust.

Now, write an action plan. Separate the real points and positivity from the noise and negativity.

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5. McGraw-Hill Research's Laboratory of Advertising Performance (LAP), 1985.

A Short Whisper

Roar Point is a Marketing and Branding Consultancy that has been around for more than 10 years. Rumour has it that they live on fresh air and water since they do not pitch and they don't do cheap. They say they are very good. But who knows?

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