

Passions are a good bet in a recession

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Time marches quickly.



It's easy to forget that anyone under the age of 25 was too young to be working when we last experienced a global recession.

That means a sizable portion of the marketing workforce won't have first-hand experience, but there are many learnings to take from history, which should be paired with a modern worldview, even one distorted by the extraordinary effects of the Covid pandemic.

The last six months have given us more than a sneak peak, and it's possible the worst is yet to come.

But even throughout sustained periods in lockdown, we've seen plenty of reasons to be optimistic and plenty of incentives for brands to be opportunistic.

If Covid has taught us one thing, it's the resilience of our passions.



Passion is the original social network

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Certain corners of culture are thriving – the gaming industry is booming and Twitch saw a mind-boggling 1.49 billion hours of content consumed in April alone.

Musicians have capitalised on this, with Travis Scott's in-game performance on Twitch reaching a concurrent audience of 12 million people.

Other artists are pivoting and finding new and unique ways to generate revenue – Nick Cave had booked 10,000 capacity Alexandra Palace for a sell-out show, only for lockdown to enforce a rethink. He made it a performance reflective of our time and the isolation we feel – one man alone in a cavernous venue – released as a digital experience, pay-per-view.

Others, such as the Metropolitan Opera in New York expressed heartbreak in cancelling their entire 2020/21 season, but took what was previously an unthinkable step to make opera a digital product and, in doing so, have brought the Met to all corners of the globe.

Sport has come back to life in fits and spurts but broadcast numbers have never been higher for many codes, and the break in live sport has given clubs and players a chance to strengthen the connection they have with their fans.

The point is, passions are highly resilient to the most challenging of circumstances.

We've become accustomed to forgoing real-world experiences for more cost-effective digital experiences.

We've learnt that some expenses deemed 'essential' are not so essential after all.

And throughout this there seems to be no dip in our enthusiasm to feed our passions, we're just doing it in different ways.

With one eye on the past, and one on the future, the opportunity for brands is immense if they can capitalise on these circumstances.

Passions are the last thing to go

People will re-appraise their spending habits in a recession. What may have been considered an 'essential', will be downgraded to a 'treat'. What was an occasional 'treat', let's say something like fine dining, might be postponed indefinitely.

And whilst essential needs come first – a roof over their heads, food on the table, fuel in the gas tank – consumer behaviour throughout previous recessions suggests spending on passions might be one of the last to go.

After all, passion is built over a long period of time, has deeply emotional roots and is actually a crucial part of our social fabric when times get tough.

We've seen this in previous recessions, where pay TV and cable subscriptions were some of the last to go, despite being a seemingly obvious area to cut household spending. Only just this week Sky Sports in the UK announced its 'best ever day' of broadcast numbers – a bumper day, which included multiple football, cricket and golf fixtures.

For brands, a digital and content-led approach would appear the sensible way to connect with fans – it's a more cost-effective solution for the brand and fan alike when their respective financial situations tighten.

And with content fatigue creeping in after a long year in lockdown, enriched in-home experiences, community activation

and virtual experiences would also present an interesting opportunity to engage with fans in a more tangible way.

Key take-out: Brands should take heart from the resilience passions. They define us, they give our life meaning and excitement, and our appetite to feed our passions is unlikely to waver, even in a recession. A pivot to digital will be important to the budgets of both brands and consumers, but beware the content fatigue that lockdown has brought.

Acquire customers and hold them

Customers will be more open to switching and this should be seen as an opportunity rather than a threat. Particularly in categories where differentiation is minimal – finance, banking, insurance, telco, wagering, to name a few – passion points might be the best differentiators going.

Brand loyalty will be called into question.

And whilst pricing strategy will become important, not every battle can be won on price alone. Leaning into differentiators that don't come at such a high cost to margin might be incredibly important to a brand in weathering the downturn.

We commissioned a piece of research to look at this specifically. That research told us that 40% of sports fans will switch if their favourite team or star adopts a new sponsor. Music fans are no different, with 44% saying they are more likely to purchase from a brand who demonstrates a shared love for music.*

The notion of selling-out no longer rings true.

So at a time when people will be more amenable than ever to switching brands, a huge opportunity exists for brands to take a passion-led marketing approach to capitalise on the enlarged switching pool.

Not only is there enormous acquisition potential, adopting a passion-led marketing strategy will help to galvanise the customer base. The IPA found that 74% of fans feel more loyal towards companies that sponsor something that they're passionate about***.

Key take-out: Sponsorship and passion-led marketing is not a fluffy part of the marketing mix that should be at risk from budget cuts. Quite the opposite – connecting with people on an emotional level is a differentiator, an acquisition driver, helps to reduce churn and bolsters NPS.

Extract more value from customers

When brands connect with customers around a shared passion, the pay-off can be huge. Customers who feel emotionally connected to a brand are much more valuable.

Our own research tells us that 68% of fans will pay more for a sponsor's product. The Harvard Business School saw similar results.** They found that an emotional-connection-based approach reduced churn from 37% to 33%, and increased advocacy from 24% to 30%. That led to an increase in the number of active customers by 15%. And those customers then spent 50% more in the same store.

Key take-out: When purchase decisions come under increased scrutiny, consumers who feel connected to a brand on an emotional level will be much more likely to pay full value for that brand's product or service. Not only can brands acquire customers, keep hold of their existing ones, but they can also protect their margins knowing that customers who are emotionally connected to them are happier to pay full price.

^{*} **Levergy honoured with Gold Warc Award** 22 May 2024

^{**} **Levergy and Telkom lead South Africa at the Warc Awards** 15 May 2024

^{***} **Levergy and ICC recognised among Africa's best** 12 Apr 2024

▪ **The power of passions displayed at the Marketing Achievement Awards** 4 Apr 2024

▪ **Levergy appoints Nomaswazi Phumo as head of strategy** 19 Jan 2024



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