

8 golden rules for brands to win in a recession

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Wunderman Thompson published a guide on 'How Brands Can Win in a Recession'. The global report is an essential manual for brands highlighting how to survive and thrive in the face of the recession. SA agency CEO, Miles Murphy shares his thoughts about what we can learn from the past as we navigate through the current Covid-induced recession.



While each brand faces unique challenges, the report identifies common denominators from sixteen global recessions and the lessons for brand recovery in the form of a three-phased framework: React (short-term), Respond (mid-term), and Rebuild (long-term).

React - quickly and appropriately, despite high levels of uncertainty

SA was technically in a recession before imposing its national lockdown; GDP figures were already being revised downwards, and brands entered 2020 bracing themselves for constrained consumer spending. The pandemic magnified these macroeconomic headwinds, yet history reveals that if brands cut all marketing spend in year one of a recession, it can take up to five years to catch up with those that maintain spend through the downturn.

Some marketers will inevitably see competitors slash budgets; this reduces advertising noise and creates an opportunity for those who maintain a media presence to drive both share of voice and share of market. It's best not to go dark if possible, but rather revisit media spend allocations. So, track the channels consumers are spending time on during lockdown and focus efforts there (e.g. digital).

Messaging can't all be about sales given current circumstances, so aiming for a 60:40 brand to performance marketing or activation spend ratio offers an adequate buffer for maintaining brand equity.

Of course, salience is still king, and adopting an appropriate empathetic tone for emotional branding during these challenging times is vital. Uber invested in a global “Move What Matters” campaign at the onset of lockdowns, and locally the brand teamed up with Afrika Tikkun (this NPO supports underprivileged communities to help feed the vulnerable including its drivers and couriers). Real actions based on the brand’s purpose verses sympathetic platitudes will go much further in securing customer loyalty.

Responding to the pandemic’s realities means reacting appropriately across all areas of the business. So, ultimately improving customer service will reap benefits, as will new product and research and development. During the Great Depression in the US, product development is how Kellogg’s trounced the cereal brand post. Rice Krispies were born out of that era and became a cereal staple worldwide.

If you need to belt-tighten; look for areas that don’t impact on the customer’s experience such as reducing spend on admin, fixed assets, or working capital.

Respond - take stock and respond with realistic strategies

Recessions tend to speed up specific trends and put a halt to others. Brands that have not responded to how consumers are relying on digital channels to stay connected and make purchases will experience a decline in consumer trust. It could be that their ecommerce platforms are unable to deliver products within previously expected timings due to labour and system limitations, or unclear refund guidance and procedures to follow, or an inability to support customers on a service level due to an increase in demand.

We saw this locally with some online supermarkets and other retailers. In the first few weeks of the lockdown, some grocery delivery turnaround times were up to four weeks; some have shortened that timeframe in recent months, others not.

The impact on customer spending is as a result of the customer mindsets most prevalent during a recession. We see three broad categories of consumer behaviour in SA;

1. Slam-on-the-brakes consumers are the most vulnerable and hardest hit. During a recession, they reduce all types of spending by eliminating, postponing, decreasing, or substituting purchases.
2. Pained-but-patient consumers are resilient and optimistic about the long-term but less confident about recovery in the near-term or ability to maintain their standard of living. They economise in all areas, though less aggressively.
3. And comfortably well-off consumers are relatively secure about their ability to ride out current and future bumps in the economy. They consume at near-pre-recession levels, though a little more selective.

Consumers also tend to prioritise purchases into four product categories: Essentials, treats, postponables and expendables (products positioned as the first two will win).

Consumer habits have been disrupted; brands that will survive and build trust have taken the time to listen, understand customer needs and respond with adapted strategies. So, if a brand maintains marketing spend and identifies the new digital channels and macro-drivers, while accepting that many things won’t be the same, it’s more likely to build resilience for the future.

Rebuild - brave enough to build on new foundations

This is definitively not about returning to the pre-pandemic status quo. There’s an opportunity and business imperative to see things that competitors have missed, to create a ‘new normal’ that redefines existing customer relationships and accepts change. Whether it’s fast-tracking digital transformation, having a more agile supply chain, and everything in between, the healthier brands will use the recession to identify disruptions, rethink models, diversify products/services and shape their business responses accordingly. For example, banks and telco’s are looking at how they refocus their product offerings to meet the needs of constrained household budgets and working from home.

So with all this in mind, here are the eight golden rules on how to win in a recession:

1. Don't go dark. Maintain investment in brand building.
2. Actions, not words. Challenge yourself to do more than say.
3. Keep your promise. Now's the time to live your purpose.
4. Demonstrate compassion. Your decisions will be remembered. Practice empathy.
5. Constraint into creativity. Turn your constraints into positive experiences.
6. Take stock and refocus. Take time to observe, learn and grow.
7. Be responsive. Strategic dexterity drives response to evolving scenarios.
8. Build back better. Acknowledge change, plan for it and come back stronger.

Rule eight inspires optimism. Jack Welch once said, "Never waste the opportunity of a good recession." But the implications of Covid-19 are more profound than that. It's highlighting what is most important and what we can do without. The opportunity to 'Build Back Better' provides a North Star for all.

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