



Managing Through Recession – Innovate or Die

We are all very concerned about the recession. Every day in the media we are reminded of how gloomy the economic outlook is and how difficult it will be for businesses throughout 2009 and beyond. However, research undertaken by McKinsey and Accenture of the results of the 1900 to 1991 recession showed that companies that invested in their business gained market share, forged new customer relations, strengthened product and service positions and established a platform for future growth and expansion. Moreover they found that companies that drew away from the competition during a downturn maintained that lead beyond the recession into the future. How is it that some companies don't just survive recessions, they thrive?

Recessions are normal – get used to them and plan

Traditionally a recession is defined as two consecutive quarters of decreasing GDP. Statistically we have experienced about nine recessions since World War II, which means we've lived in recessionary times one year out of every six. We should be used to recessions, but the mere mention of the word in any official capacity sends shivers up the spine of even the toughest businessperson.

Research Customer Needs

In boom times the market is saturated with everyone's "great idea" many of which are chasing needs already satisfied. During recession it's easier to discern what the market needs precisely because the market is thinking more about what it needs and why it needs it. People think long and hard about parting with their hard earned cash. By researching unmet needs in the market and revisiting your strategy, you can stay ahead of your competitors. But you might need help thinking through these strategies and don't know where to go to for help or advice. This is one of the reasons why we have put this one day course together.

There are fantastic opportunities to make money and grow market share, even throughout the recession. During the great Depression when unemployment was at 25% and 20% of the population was malnourished as a result, Kraft launched it's Miracle Whip. Miracle Whip was a new 'miracle' mayonnaise that appealed to Depression weary consumers who had grown tired of the boring taste of vegetables, salad and sandwiches. What will be your answer to 'Miracle Whip'?

On the other hand, companies that reduce their spend, allow those competitors that maintain or increase spend to steal market share from them.



Don't cut advertising

Advertising is often the first thing to be cut and yet there is formidable evidence to suggest that cutting advertising in times of economic downturns can result in both immediate and long-term negative effects on sales and profit levels. Meldrum & Fewsmith's former Senior VP, J. Welsey Rosberg reports **"I have yet to see any study that proves timidity is the route to success.** Studies consistently have proven that companies that have the intelligence and guts to maintain or increase their overall marketing and advertising efforts in times of business downturns will get the edge on their timid competitors."

With media rates softening and competitors sitting tight and cutting their marketing budgets, an aggressive business can experience great strides in a recession. Companies which did not cut advertising expenditures during the recession years (1974-1975), experienced higher sales and net income during those two years and the two years following than companies which cut ad budgets in either or both recession years. Among fast food chains, Pizza Hut sales rose 61% and Taco Bell's 40% thanks to strong advertising support, reducing McDonald's sales by some 28% MarketSense concluded the study by reporting. "The best strategy for coping with a recession is balanced exploitation of ad spending for long-term consumer motivation, plus promotion for short term sales boosts."

Innovate or die...

Rather than compromise the integrity and quality of your product or service by paring back ingredients, eliminating features or stripping to its most basic offering, consider using this time to improve the quality of your products, invest in new opportunities and make key acquisitions in line with corporate strategy.

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

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

During difficult economic times, consumers use greater discretion in making purchasing decisions. Every pound matters and therefore every decision a customer makes is examined more closely. If your product or service isn't extraordinary, your customers will be more likely to delay purchasing it.

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