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RICCI'S ROUND UP

Only the most relevant, insightful COVID reports, opinions & case studies of the week

RECESSION. ONE CERTAINTY WE CAN PLAN FOR NOW

The government announced on Monday it' is predicting our unemployment rate will hit double digits for the first time in 26 years. According to their modelling, 1.4M Australians will be unemployed by June and all signs are pointing to a record breaking, global recession as we emerge from this immediate COVID crisis.

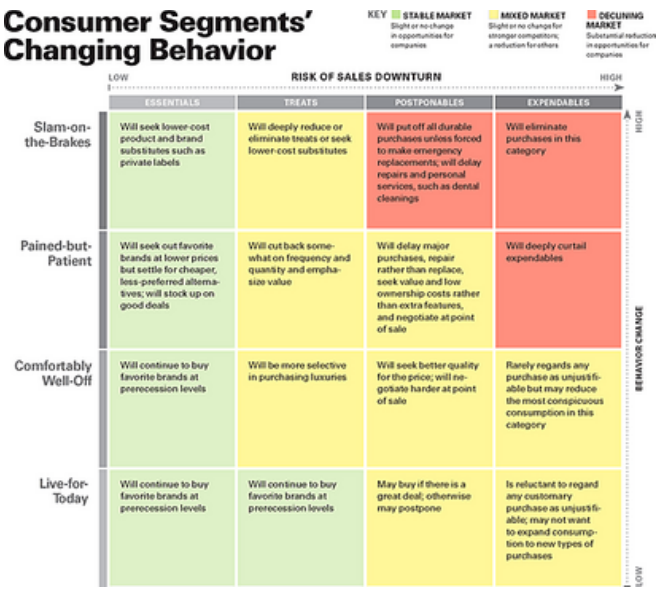
So how will this affect consumer behaviour and spending? Unlike the black swan event that is the COVID crisis, where we have no history to learn from and only a few signs of recovery to start predicting with, we do have an abundance of historical evidence on how to best market our brands in times of economic downturn. So I have included a few of these reports to help you plan for the one certainty we have on our horizon - Recession.

In this collection of articles, there are some great tools and models that you can consider as you pivot your immediate plans driven by changes in consumer behaviours & priorities, allowing you to **protect your business during the downturn**. There are also some key learnings and rationale on why and how you should invest in long term brand building in a recession to **ensure it's speedy recovery, post the downturn**.

THIS ISSUE:

MARKETING IN A RECESSION. LESSONS FROM THE PAST.

The last significant global downturn was the 2008/09 Global Financial Crisis eg the GFC. While Australia did not bear the brunt of this crisis like other western markets, there are still many learnings we can take.



In April 2009, the Harvard Business Review published an article called How to Market in a Downturn

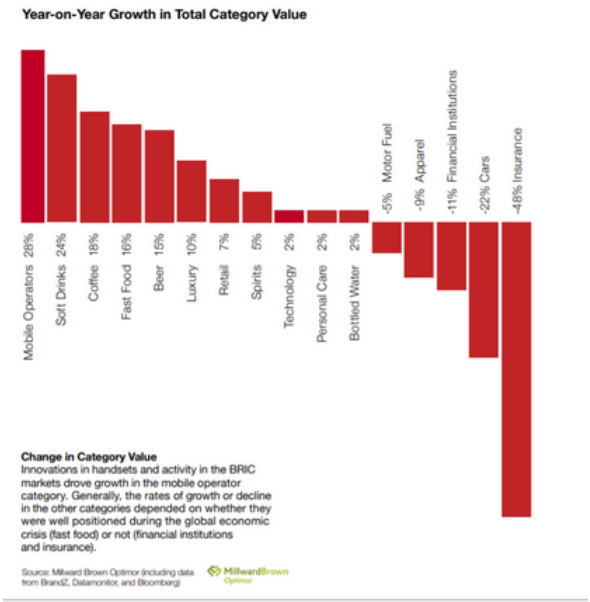
It includes an excellent consumer segmentation that tends to appear during an economic downturn. There are four segments based on consumer's emotional & behavioural reactions when times are tough. HBR then matrix this segmentation with new category definitions to show how these consumer segments re-prioritise each category's importance and therefore their expected sales downturn.

The article then goes on to suggest how you tailor your tactics based on where you think your consumer & brand/category will fall on the matrix. It is well worth a read and discussion with your team. Where do you think your consumers & categories will sit on this matrix and how should you plan to respond?

Kantar's 2009 BrandZ report outlined the changes in category growth as a result of the GFC (with the exception of mobile devices). Some of the trends Brand Z reported:

- Consumers became more astute about value and the price they were prepared to pay for quality. Hello the rise of Aldi.
- Consumers retreated to home and enjoyed the simple pleasures & small vices there, as seen in the rise of coffee, alcohol and cigarettes.
- Consumers sought out purchases which provided a simple pleasure at a reasonable price eg lipstick & sunglasses.
- Consumers still actively sought healthier products and bought products to care for themselves.

We are already seeing these behaviours play out in our current crisis period so I expect them to continue into the recession period



Kantar also concluded that while most brands were affected during an economic downturn, it was the strongest brands who recover the fastest at the conclusion of the downturn. In fact they recover 9 times faster! **The learning - prioritise building and retaining your brand equity as best you can during the downturn, in order to recover faster.**

WHAT DO TODAY'S THOUGHT LEADERS THINK?

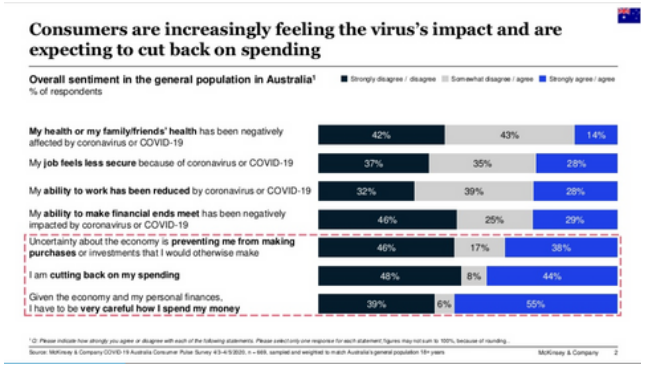
Of course I couldn't wrap up a summary of reports on lessons learned from the past without referencing three of our 'godfathers' on marketing science & academic case study analysis. One thing is clear, via their own work and from a review of others research, **they all largely agree that, as long as you can afford it, brands should continue to invest in long term equity building to ensure a brands recovery post the recession period, instead of investing in short-term tactical activity to profiteer during the recession**. If you are in the financial position to do so, a downturn is the time to increase your share of voice as your competitors go dark and media spend becomes very efficient or launch new innovation that will drive interest & purchase outside of price discounts.

I think **Peter Field** provides the most balanced and considered advice in his article Advertising in a Recession - Long, Short or Dark. For the time poor or big picture thinkers, skip to the end of the article for his 7 guidelines derived from previous lessons.

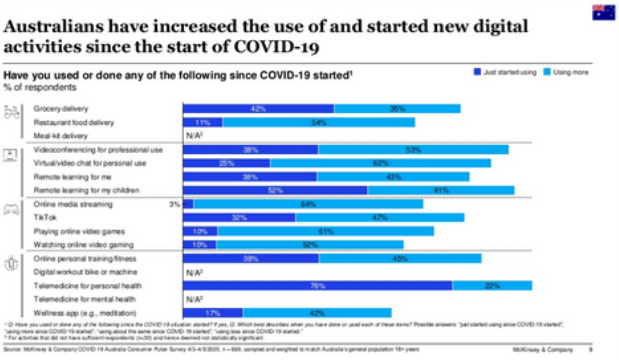
Mark Ritson also held a webinar late last week called Marketing in the Time of Coronavirus. He references many of the past recessionary findings and focuses particularly on the need to retain your brand building equity and retain or up your SOV during these downturns. I recommend skipping straight to 37 mins if you want to avoid Ritson's usual tirade on how everyone in marketing is dumb. However, if you quite enjoy these unbridled digs, then he makes some interesting remarks in the first half on his predicated lack of consumer behaviour change post COVID. I am not sure I completely agree with him on this one, given the profound lifestyle changes and predicted length of our isolation & restrictions we are experiencing on a global scale. But only time will tell.....

It wouldn't be a wrap up without including the advice of **Byron Sharp** in Marketing in a Recession. It also covers advice for all elements of the marketing mix beyond communications. It's a little dry, but informative as always.

NEW CONSUMER INSIGHTS FROM THE RESEARCH HUBS



McKinsey has finally released an Australian version of their Global Consumer Sentiment survey series. The survey was completed in the first week of April so it is very fresh & relevant . It reconfirms Kantar's earlier report that consumers are more concerned about financial security & economic impact rather than the virus itself and shows that Australian's are significantly cutting their spending, except groceries (good new for the FMCG guys!)



The findings also show the significant behaviour changes and uptake of digital commerce, communication, entertainment & wellness. It is significant changes like this that drives my belief that we will not return to the same baseline behaviours we had pre-COVID. The longer we remain in isolation, the more likely new behaviours will stick. I am looking forward to seeing how charts like this evolve in iteration 2 & 3 of these reports. In China, they are still continuing as the country enters the recovery phase.

WHAT THE NEXT NORMAL MAY LOOK LIKE

Another really fantastic article from McKinsey published this week The future is not what it used to be: Thoughts on the shape of the next normal is a really insightful opinion piece on what the future may look like, based on their Global Consumer Sentiment surveys& other research findings. Probably the most pragmatic predictions I have read yet and definitely worth the read, especially those in broader leadership and general management roles.

A SPRINKLE OF OPINION & ADVICE

So what do I make of all this? What do I think are some of the actions you should put in place now, as we enter a highly likely recession?

Firstly, you must **stay close to your consumers**, watch their (changing) needs and behaviours to understand where you sit in their new list of priorities as they buckle down for an economic downturn. What role will your category and brand play in their lives during this time? How can you genuinely help them? And most importantly, is it worth investing to do so? Are there signs of a potential long term benefit for the brand?

A simple, regular research tracker should be implemented to keep your finger on your consumers pulse. It does not need to be a large investment but it is a critical one in my books.

Secondly, while you balance the inevitable financial stability and cost cutting that will need to occur, **do not allow the marketing investment line to be the easy cut,** as it often is. **Make the decision to reduce any budget a considered and informed one.**

Many highly intelligent people and in-depth research studies have proven that investing in long term brand building during economic downturn is essential to a speedy and successful recovery afterwards.

So encourage your leadership team to think beyond the short term pain of a recession, by using the facts provided in these reports to justify why investing in your brands long term equity is essential and that the actual value & ROI of this investment is significantly higher than in a regular, healthy market. Again, if your business can afford it. Unfortunately in this downturn, for some categories this is just not an option as pure survival is the top priority.

Until next time.....

Cheers, Anne