

FINANCIAL
CRISIS
SPOTLIGHT

HOW TO MARKET IN A DOWNTURN

IN EVERY RECESSION marketers find themselves in poorly charted waters because no two downturns are exactly alike. However, in studying the marketing successes and failures of dozens of companies as they've navigated recessions from the 1970s onward, we've identified patterns in consumers' behavior and firms' strategies that either propel or undermine performance. Companies need to understand the evolving consumption patterns and fine-tune their strategies accordingly.

During recessions, of course, consumers set stricter priorities and reduce their spending. As sales start to drop, businesses typically cut costs, reduce prices, and postpone new investments. Marketing expenditures in areas from communications to research are

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often slashed across the board – but such indiscriminate cost cutting is a mistake.

Although it's wise to contain costs, failing to support brands or examine core customers' changing needs can jeopardize performance over the long term. Companies that put customer needs under the microscope, take a scalpel rather than a cleaver to the marketing budget, and nimbly adjust strategies, tactics, and product offerings in response to shifting demand are more likely than others to flourish both during and after a recession.

Understanding Recession Psychology

In frothy periods of national prosperity, marketers may forget that rising sales aren't caused by clever advertising and appealing products alone. Purchases depend on consumers' having disposable income, feeling confident about their future, trusting in business and the economy, and embracing lifestyles and values that encourage consumption.

But by all accounts, this recession is the severest since the Great Depression. The wave of bad economic news is eroding confidence and buying power, driving consumers to adjust their behavior in fundamental and perhaps permanent ways. They now realize that spending in much of Europe and the United States over the past two to three decades was built on a quicksand of debt and dwindling savings and home equity. Marketers abetted consumers in defining the good life in material terms and urging them to live beyond their means. In the ensuing meltdown, consumers face piles of bills, stagnant or falling incomes, and shrinking nest eggs. At the same time, a series of corporate scandals; failures in the financial, housing, and insurance sectors; and taxpayer bailouts of mismanaged businesses have fostered consumer distrust and skepticism of marketers' messages. It's no surprise that in January 2009 the Conference Board's U.S. Consumer Confidence Index sank to the lowest level since tracking started in 1967.

These combined effects create a profound challenge for marketers, not only during the downturn but in the recovery that will eventually follow. The first step in responding must be to understand the new customer segments that emerge in a recession. Marketers typically segment according to demographics ("over 40," say, or "new parent" or "middle income") or lifestyle ("traditionalist" or "going green"). In a recession such segmen-

IDEA IN BRIEF

- » In recessions, companies must understand customers' shifting needs and then adjust their communications strategies and offerings.
- » Marketers should segment customers according to their recession psychology (from fearful to carefree) and how they categorize their purchases (from essentials to expendables).
- » Through carefully targeted appeals, brands can connect emotionally with consumers – as Crest did with its Whitestrips ads during the 2008 holiday season, for instance. Aleve connected with people, too, when it reminded them that buying the brand is a sound decision. ("That's value. That's Aleve.")
- » Companies that employ such tactics will perform better now and in the long run than those that make cuts across the board.

tations may be less relevant than a psychological segmentation that takes into consideration consumers' emotional reactions to the economic environment.

Think of your customers as falling into four groups:

The *slam-on-the-brakes* segment feels most vulnerable and hardest hit financially. This group reduces all types of spending by eliminating, postponing, decreasing, or substituting purchases. Although lower-income consumers typically fall into this segment, anxious higher-income consumers can as well, particularly if health or income circumstances change for the worse.

Pained-but-patient consumers tend to be resilient and optimistic about the long term but less confident about the prospects for recovery in the near term or their ability to maintain their standard of living. Like slam-on-the-brakes consumers, they economize in all areas, though less aggressively. They constitute the largest segment and include the great majority of households unscathed by unemployment, representing a wide range of income levels. As news gets worse, pained-but-patient consumers

increasingly migrate into the slam-on-the-brakes segment.

Comfortably well-off consumers feel secure about their ability to ride out current and future bumps in the economy. They consume at near-prerecession levels, though now they tend to be a little more selective (and less conspicuous) about their purchases. The segment consists primarily of people in the top 5% income bracket. It also includes those who are less wealthy but feel confident about the stability of their finances – the comfortably retired, for example, or investors who got out of the market early or had their money in low-risk investments such as CDs.

The *live-for-today* segment carries on as usual and for the most part remains unconcerned about savings. The consumers in this group respond to the recession mainly by extending their timetables for making major purchases. Typically urban and younger, they are more likely to rent than to own, and they spend on experiences rather than stuff (with the exception of consumer electronics). They're unlikely to change their consumption behavior unless they become unemployed.

Regardless of which group consumers belong to, they prioritize consumption by sorting products and services into four categories:

- *Essentials* are necessary for survival or perceived as central to well-being.

- *Treats* are indulgences whose immediate purchase is considered justifiable.
- *Postponables* are needed or desired items whose purchase can be reasonably put off.
- *Expendables* are perceived as unnecessary or unjustifiable.

All consumers consider basic levels of food, shelter, and clothing to be essentials, and most would put transportation and medical care in that category. Beyond that, the assignment of particular goods and services to the various categories is highly idiosyncratic.

Throughout a downturn, all consumers except those in the live-for-today segment typically reevaluate their consumption priorities. We know from previous recessions that such products and services as restaurant dining, travel, arts and entertainment, new clothing, automobiles, appliances, and consumer electronics can quickly shift in consumers' minds from essentials to treats, postponables, or even expendables, depending on the individual. As priorities change, consumers may altogether eliminate purchases in certain categories, such as household services (cleaning, lawn care, snow removal), moving them from essentials, say, into expendables. Or they may substitute purchases in one category for purchases in another, perhaps swapping dining out (a treat) for cooking at home (an essential). And because most consumers become more price sensitive and less brand loyal during recessions, they can be expected to seek out favorite products and brands at reduced prices or settle for less-preferred alternatives. For example, they may choose cheaper private labels or switch from organic to nonorganic foods. (See the exhibit "Consumer Segments' Changing Behavior.")

Managing Marketing Investments

During recessions it's more important than ever to remember that loyal customers are the primary, enduring source of cash flow and organic growth. Marketing isn't optional – it's a "good cost," essential to bringing in revenues from these key customers and others.

During a downturn, changing patterns in consumers' behavior and companies' marketing strategies either propel or undermine performance. The firms that understand consumers' recession psychology and fine-tune marketing efforts and product portfolios accordingly are the most likely to prosper throughout the recession and afterward.

Understand recession psychology. Divide customers into four groups based on their emotional response to the recession: a hard-hit *slam-on-the-brakes* segment, which curtails all spending; a *pained-but-patient* segment, which selectively economizes; a *comfortably well-off* segment, whose high-end purchasing continues, if less conspicuously; and a *live-for-today* segment, whose spending remains largely unchanged. Next, assess how each segment allocates its purchases among the following categories: *essentials*, *treats*, *postponables*, and *expendables*.

EXAMPLE Slam-on-the-brakes consumers will reduce purchases overall and seek lower-cost substitute brands for essentials such as groceries, deeply reduce or eliminate treats such as dining out, delay purchases of postponables such as dental cleanings, and eliminate purchases of expendables such as resort vacations.

Manage investments. Use your analysis to determine which brands have the poorest prospects, and cut

them loose. Stabilize core brands by maintaining or increasing marketing investments, make strategic brand acquisitions, and launch new products with care. You'll also need to balance the communications budget, shifting spending to ads with more-measurable results and higher ROI.

EXAMPLE In the 2001 downturn, Smucker's acquired the Jif and Crisco brands from Procter & Gamble. These brands were too small for P&G and not in a core category but proved to be a good strategic fit for Smucker's. P&G, meanwhile, successfully launched the Swiffer WetJet to establish a new category.

Market throughout the recession. Drive short-term sales while investing in long-term brand health in three ways: Reduce complexity (such as trivial differences among models) in product portfolios by killing offerings, make products and services more affordable (for example, with lower thresholds for quantity discounts), and bolster trust (by treating customers well and reinforcing their emotional connection with the brand).

EXAMPLE To build trust, some supermarkets have prepared flyers describing nutritious, low-cost meals. American Express took a different tack by inviting card members to vote on which charity the company would support on their behalf.

Still, company budget cuts often affect marketing disproportionately. Marketing communication costs can be trimmed more quickly than production costs – and without letting people go. In managing their marketing expenses, however, businesses must take care to distinguish between the necessary and the wasteful. Building and maintaining strong brands – ones that customers recognize and trust – remains one of the best ways to reduce business risk. The stock prices

of companies with strong brands, such as Colgate-Palmolive and Johnson & Johnson, have held up better in recessions than those of large consumer product companies with less well-known brands.

Surgically trimming the budget is easier to do during a downturn than in prosperous times. Tough times provide an imperative to cut loose poor performers and eliminate low-yield tactics. When survival is at stake, it is easier to get companywide buy-in for revising marketing strategies and reallocating investments. Managers can defy old mind-sets and creatively search for superior solutions to customer needs instead of relying on the next line extension. The challenge is to make well-defended, case-by-case recommendations about where to cut spending, where to hold it steady, and even where to increase it.

Assess opportunities. Begin by performing triage on your brands and products or services. Determine which have poor survival prospects, which may suffer declining sales but can be stabilized, and which are likely to flourish during the recession and afterward.

Your strategic opportunities during the downturn will strongly depend on which of the four segments your core customers belong to and how they categorize your products or services. For example, prospects are reasonably good for value-brand essentials sold to slam-on-the-brakes consumers, who will forgo premium brands in favor of lower prices. Value brands can also effectively reach out to pained-but-patient consumers who previously bought higher-end brands, a strategy Wal-Mart aggressively used with its “everyday low prices” policy in the 2001 recession. Value brands have opportunities

Consumer Segments' Changing Behavior

KEY ■ **STABLE MARKET** Slight or no change in opportunities for companies
 ■ **MIXED MARKET** Slight or no change for stronger competitors; a reduction for others
 ■ **DECLINING MARKET** Substantial reduction in opportunities for companies

| | | RISK OF SALES DOWNTURN | | | | BEHAVIOR CHANGE |
|------------------|----------------------|--|---|---|--|-----------------|
| | | ESSENTIALS | TREATS | POSTPONABLES | EXPENDABLES | |
| Consumer Segment | Slam-on-the-Brakes | Will seek lower-cost product and brand substitutes such as private labels | Will deeply reduce or eliminate treats or seek lower-cost substitutes | Will put off all durable purchases unless forced to make emergency replacements; will delay repairs and personal services, such as dental cleanings | Will eliminate purchases in this category | HIGH |
| | Pained-but-Patient | Will seek out favorite brands at lower prices but settle for cheaper, less-preferred alternatives; will stock up on good deals | Will cut back somewhat on frequency and quantity and emphasize value | Will delay major purchases, repair rather than replace, seek value and low ownership costs rather than extra features, and negotiate at point of sale | Will deeply curtail expendables | |
| | Comfortably Well-Off | Will continue to buy favorite brands at prerecession levels | Will be more selective in purchasing luxuries | Will seek better quality for the price; will negotiate harder at point of sale | Rarely regards any purchase as unjustifiable but may reduce the most conspicuous consumption in this category | |
| | Live-for-Today | Will continue to buy favorite brands at prerecession levels | Will continue to buy favorite brands at prerecession levels | May buy if there is a great deal; otherwise may postpone | Is reluctant to regard any customary purchase as unjustifiable; may not want to expand consumption to new types of purchases | LOW |

with postponable products, as well. Repair services can market to the pained-but-patient group, who will try to prolong the life of a refrigerator rather than buy a new one.

Where the business opportunities are uncertain or declining, it may be time to part with brands or products that were ailing prior to the recession and are on life support now. For those that remain, companies should concentrate their marketing resources on maintaining relevance to core customers in order to sustain brands through the recession and into the recovery.

Allocate for the long term. When sales start to decline, companies shouldn't panic and alter a brand's fundamental proposition or positioning. For instance, marketers catering to middle- or upper-income consumers in the pained-but-patient segment may be tempted to move down-market. This could confuse and alienate loyal customers; it could also provoke stiff resistance from competitors whose operations are geared to a low-cost strategy and who have intimate knowl-

edge of cost-conscious customers. Marketers that drift away from their established base may attract some new customers in the near term but find themselves in a weaker position when the recession ends. Their best course is to stabilize the brand. Even cash-poor firms would be wise to commit a substantial portion of their marketing resources to reinforcing the core brand proposition. Reminding consumers of how the brand matters can add to the cushion provided by previous investments in building the brand and customer satisfaction. De Beers came to this realization after it reduced its U.S. marketing budget early in 2008 in response to the grim economic outlook. When research revealed that diamonds represent enduring value to a majority of consumers, the company doubled its Christmas advertising spending over the previous year's. Brand-awareness ads in several media proclaimed, "Here's to less," and enjoined us to buy "fewer, better things" because "a diamond is forever." Although Christmas sales in the United States softened compared with the previous year's, prices were stable – and trends in consumers' desire to buy diamonds remained healthy.

Where opportunities are stable or uncertain (but leaning toward stable), firms should push their advantage. In past downturns, consumer goods companies that were able to increase share of voice by maintaining or increasing their advertising spending captured market share from weaker rivals. What's more, they did it at lower cost than when times were good. On average, increases in marketing spending during a recession have boosted financial performance throughout the year following the recession. (Of course, not all increases have raised performance. Therefore, especially in the current, deep recession, resources should be judiciously targeted to viable busi-

ness opportunities.) Firms with deep pockets can make cost-effective acquisitions that strengthen their brand portfolio or customer base. In the 2001 downturn, Smucker's acquired the Jif and Crisco brands from Procter & Gamble. These brands were too small for P&G and not in any of its core categories, but they proved to be a good strategic fit for Smucker's. In the current recession, Smucker's is acquiring another such brand from P&G – Folgers. Though it does not meet P&G's margin targets, with renewed marketing attention it has the potential to be an important source of future sales for Smucker's.

In deciding which marketing tactics to employ, it's critical to track how customers are reassessing priorities, reallocating

It's critical to track how customers reassess priorities, reallocate funds, switch brands, and redefine value.

budgets, switching among brands and product categories, and redefining value. It's therefore essential to continue investing in market research. As the recession winds down, consumers will regain buying capacity but possibly will not return to their old purchasing patterns. Market research should explore whether consumers will go back to familiar brands and products, stay with substitute products, or welcome innovations.

In recessions, marketers have to stay flexible, adjusting their strategies and tactics on the assumption of a long, difficult slump and yet be able to respond quickly to the upturn when it comes. This means, for example, having a pipeline of innovations ready to roll out on short notice. Most consumers will be ready to try a variety of new products once the economy improves. Companies that wait until the economy is in full recovery to ramp up will be at the mercy of better-prepared competitors. Even during a recession, new products have an important place. Live-for-today customers, with their undiminished appetite for goods and experiences, often appreciate novelty. And the other segments will embrace new products that offer clear value compared with alternatives. Because new-product activity slows in recessions overall, launches can economically gain visibility. In 2001, for example, Procter & Gamble's successful introduction of the Swiffer WetJet established a new product category that eased the chore of mopping floors and weaned consumers away from cheaper alternatives.

Balance the communications budget. During recessions cash-strapped marketing departments are under pressure to do more with less and demonstrate high returns on investment. Typically, the share of the advertising budget devoted to broadcast media shrinks, whereas the share that goes toward efforts with more-measurable results, such as direct marketing

campaigns and online ads, grows. Point-of-purchase marketing – promoting price cuts or generating in-store excitement – also tends to pick up during recessions.

Internet advertising in particular is targeted and relatively cheap, and its performance is easily measured. Despite a deepening recession, marketers spent 14% more on online ads over the first three quarters of 2008 than they did over the same time frame in the previous year. Another factor driving this growth in digital-ad spending is consumers' migration to online social media such as MySpace, Facebook, and LinkedIn, which help people intensify networking efforts amid layoffs and a tough job market. The new-member sign-up rate at

LinkedIn, a site that focuses on professional networking, has doubled in the past year.

That said, broadcast media still remain important for building mass-market consumer brands. Although strong brands can be carried for a period on the momentum of previous brand-building investments, no brand can afford to coast solely on earlier efforts. Brands that are out of sight on the television screen will sooner or later be out of mind for a large percentage of consumers. Indeed, while advertising in newspapers and magazines and on radio and local television all declined in 2008, advertising on the four national broadcast television networks in the United States remained steady.

Tailoring Your Tactics

| | ESSENTIALS | TREATS | POSTPONABLES | EXPENDABLES |
|-----------------------------|---|---|--|--|
| Slam-on-the-Brakes | <ul style="list-style-type: none"> Emphasize price; hit wallet-friendly retail price points Offer smaller pack sizes for less money Expand retailer private labels Promote low-cost value products Introduce fighter brand | <ul style="list-style-type: none"> Shrink sizes Hold prices down Advertise as a "you deserve it" small indulgence | <ul style="list-style-type: none"> Offer layaway plans Provide low-cost financing Promote exceptional deals Challenge penny-wise, pound-foolish behavior (such as dangerously postponing tire replacement) | <ul style="list-style-type: none"> Offer do-it-yourself alternatives to doing without Continue awareness advertising (for instance, for future vacations) |
| Pained-but-Patient | <ul style="list-style-type: none"> Offer a lower-priced option Hit retail price points Promote bonus packs to encourage stockpiling Emphasize dependability of branded product or service | <ul style="list-style-type: none"> Reward loyal consumers, even if they consume less (for example, offer frequent-patron points) Advertise products as morale raisers Advertise products as affordable alternatives to more expensive luxuries | <ul style="list-style-type: none"> Offer simpler models, lower prices Promote lower-operation-cost models Promote repair services | <ul style="list-style-type: none"> Continue awareness advertising Invest in core product improvements that will accelerate customers' reentry into the market |
| Comfortably Well-Off | <ul style="list-style-type: none"> Continue awareness advertising | <ul style="list-style-type: none"> Emphasize outstanding quality Advertise as a product you deserve because you are successful | <ul style="list-style-type: none"> Promote savings from buying now Advise customers they're "missing out" by postponing | <ul style="list-style-type: none"> Enable discreet purchasing that avoids the appearance of flaunting in front of less wealthy people Advertise benefits of impressing wealthy friends |
| Live-for-Today | <ul style="list-style-type: none"> Continue awareness advertising Remind consumers, "You can't live without it" | <ul style="list-style-type: none"> Offer convenient automatic credit card billing Promote as opportunity to seize the moment | <ul style="list-style-type: none"> Offer monthly payment plans Promote quality-of-life benefits of buying now | <ul style="list-style-type: none"> Offer exciting new products and promote as "must have" Advertise as products you can aspire to buy when your income grows |

Consider how PepsiCo has adjusted its marketing: Management first used past experience to assess the impact the downturn would have on each category of drinks. It then reassigned marketing resources to volume-growth opportunities rather than making across-the-board cuts. For instance, even though carbonated beverages (especially nondiet) had been gradually losing share before the recession, consumers consider them to be a good refreshment value – so management reasoned that the recession should not force a steep decline in the category. All four consumer segments view them as either essentials or treats, and the tried-and-true Pepsi brand should hold up well in a recession.

PepsiCo's goal is to reinvigorate its carbonated soft drink category with substantially increased marketing investments in Pepsi, Mountain Dew, and other products. These investments include a new upbeat "Optimism" ad campaign, new packaging, and new point-of-purchase materials. PepsiCo also plans to increase activity in digital media specifically to target the youthful live-for-today segment.

Marketing Throughout a Recession

During downturns, marketers must balance efforts to pare costs and shore up short-term sales against investments in long-term brand health. Streamlining product portfolios, improving affordability, and bolstering trust are three effective ways of meeting these goals. (See the exhibit "Tailoring Your Tactics" for a detailed look at how to appeal to each consumer segment.)

Streamline product portfolios. In the comparatively mild recession of 2001, marketers were able to get by with temporary, minor adjustments to production quantities and avoid wholesale revisions of prices or product lines. In a deeper recession, marketers can benefit by cleaning up their product lines and so should seize the initiative early rather than waiting to be forced into making changes.

When faced with declining demand, marketers should continue to reduce excessive complexity in product lines that fea-

7 Smart Ways to Economize on Advertising

- 1 Shift from 30-second to 15-second television spots.
- 2 Substitute cheaper radio advertising for television, especially when it's important to deliver frequent messages in order to remind consumers to act.
- 3 Switch to media that allow precise targeting of consumers and detailed tracking of their response. For example, choose search-related advertising on Google over banner advertising.
- 4 Advertise brands jointly with a marketer in a different product category that targets a similar consumer segment.
- 5 Adapt or extend an existing campaign rather than commission a costly new campaign.
- 6 Consolidate advertising at a single agency to maximize media-buying discounts.
- 7 Avoid long-term media commitments at the outset of the downturn; wait for falling spot rates before buying media. Companies with deep pockets should consider locking in favorable rates for the future.

ture too many marginally performing sizes and flavors or trivial differences among product models. Overly broad product lines soak up marketing costs and tie up resources and working capital in slow-moving inventory. However, as we said before, streamlining the product portfolio does not mean shutting down the innovation pipeline. Innovative improvements to core products will grab attention and motivate purchases, particularly of expendable goods and services.

Realignment with market conditions requires frequent reforecasting of demand for each item in a product line as customers' buying habits shift. For instance, slam-on-the-brakes consumers will sacrifice variety or customization in favor of simplicity and lower prices on essentials and treats. In the case of durables purchases that cannot be postponed, pained-but-patient consumers will trade down to models that stress good value rather than enhanced features. Consumers in both segments will reject products with features that diminish durability or increase operating costs.

Improve affordability. Slam-on-the-brakes and pained-but-patient customers in particular will be shopping around for the best deals. All businesses will increasingly compete on price.

In tough times, discounts that require little effort from consumers and give cash back at the point of sale are more effective than delayed-value promotions such as sweepstakes and mail-in offers. Many marketers will need to increase the frequency and depth of temporary price promotions. At the same time, they must carefully monitor consumers' perceptions of "normal" price levels: Excessive promotions lead consumers to revise their expectations about prices downward and can threaten profitability

in the recovery period because people will resist the steep increases as prices return to "normal." Extreme price deals can also lead to costly price wars.

While premium-brand market leaders shouldn't move their brands down-market, they can introduce a "fighter brand," a lower-priced version of the premium offering sold under a

different name and backed by minimal advertising. On the heels of the 1991–1992 recession, Anheuser-Busch, for example, introduced its Natural Pilsner brand, priced lower than Budweiser, and Miller brought out value-priced Colders 29; in the early 1980s downturn, Procter & Gamble developed Banner as a cheaper alternative to Charmin. When the recession ends, the fighter brand can either be quietly withdrawn or continue as a value entry in the overall product line.

Restaurants and other businesses often configure offerings by using key retail price points proven to resonate with customers, as with the 99-cent burger or the \$399 dishwasher.

Reassuring messages that reinforce an emotional connection with the brand and demonstrate empathy are vital.

PepsiCo sets prices suited to different consumer segments – for example, selling the 24-pack size at \$5.99 for pained-but-patient consumers who can afford to stock up as well as the two-liter bottle at 99 cents for slam-on-the-brakes consumers with slim wallets.

In addition to offering temporary price promotions or list-price changes, companies can improve affordability by reducing the thresholds for quantity discounts, extending credit to their customers, or having layaway plans. Reducing item or serving sizes, and then pricing them accordingly, is another effective tactic. For service businesses such as cable and mobile telephone companies, lowering consumers' up-front adoption costs and reducing penalty charges can help attract cost-conscious and cash-poor consumers. Depending on whether customers are seeking the lowest absolute price or the most bang for their buck, service businesses can, respectively, unbundle offerings or fold more services into the bundle – or offer both options.

Bolster trust. Worried consumers – even in the comfortably well-off and live-for-today segments – see familiar, trusted brands and products as a safe and comforting choice in trying times. Reassuring messages that reinforce an emotional connection with the brand and demonstrate empathy (for example, by conveying a sense that “we’re going to get through this together”) are vital. As Dell fights to regain the ground it lost in the past few years, it has released various print ads containing different messages that seem designed to resonate with each of the four segments: “Out of the box, within your means” (which will appeal to the slam-on-the-brakes segment), “Depend on Dell for simple solutions in tough times” (pained-but-patient), “The ideal laptop works anywhere, in any economy” (comfortably well-off), and “Weak economy,

powerful you” (live-for-today). Crest has also focused on fortifying its emotional connection. Before the 2008 Christmas season, Crest ran spots for its Whitestrips product that centered on the theme of “I’ll Be Home for Christmas”: As the song played in the background, a young woman arrived back in her small hometown, flashing a smile showing off her white teeth. While the ad clearly conveyed the product’s cosmetic benefits, it also tugged at viewers’ heartstrings with its depiction of a Christmastime family reunion.

Empathetic messages must be backed up by actions demonstrating that the company is on the customer’s side. If sales are declining, the last thing to do is take the problem out on customers by reducing quality while raising prices. Loyalty programs should reward not just big-time spenders but also people who purchase small amounts frequently. Rather than simply impose ever higher fees on customers who exceed their credit-card limits, card issuers should alert people when

they are close to going over their limits. Retailers can educate consumers on how to shop smart and save money. For instance, some supermarkets during previous recessions prepared flyers detailing nutritious, low-cost meals. And companies can engage customers in brand activities that convey caring. An American Express campaign, for example, invited card members to vote on which charity the company would support on their behalf.

While it is important to build emotional connections, don’t neglect to reinforce trust by reminding customers that buying the brand is a sound decision. Aleve got this right when it added to its pool of commercials an ad with the message, “That’s value. That’s Aleve.”

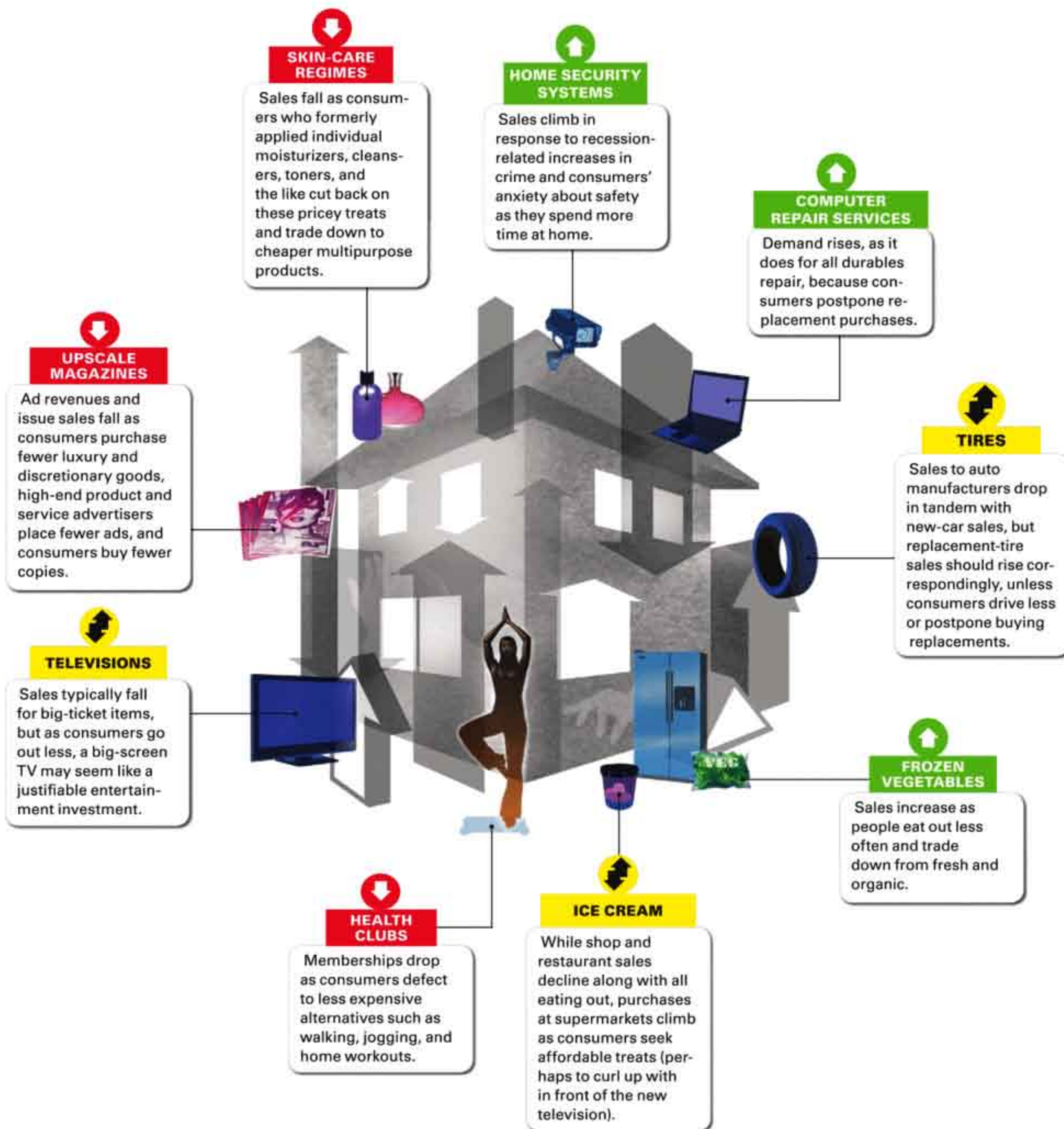
Positioning for Recovery

Survivors that make it through this recession by focusing their attention on consumer needs and core brands will be strongly positioned for sunnier days ahead. However, companies must understand how people’s behavior may change following the recession so they will be able to offer products and communicate messages aligned with the needs of new consumer segments.

After most recessions have ended, consumers’ attitudes and behaviors return to “normal” within a year or two. Following more extreme downturns, though, consumers’ heightened sense of economic vulnerability can persist for a decade or longer. The deeper and more prolonged a recession is, the greater the possibility that there will be profound transformations in consumers’ attitudes and values. Witness the long-lasting caution regarding consumption characterizing Americans who lived through the Great Depression or present-

Product Winners and Losers in a Recession

The great majority of people in a recession fall into the pained-but-patient segment. While they economize in all areas, they'll still spring for occasional treats. Here's how they change their behavior in a sampling of product markets.



day Japanese who endured a stagnant economy throughout the 1990s.


Usually, repercussions are not so extreme as that. In the United States, postwar recessions have lasted an average of 10 to 11 months. The harshest were the 16-month-long recession of 1973–1975, during which consumption growth was –0.9%,

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for a possible long-term shift in
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and the 18-month “double-dip” recession of 1980 and 1981–1982, during which consumption growth was negative in the first dip but rebounded in the second. The last recession, in 2001, saw no decline in *overall* consumer spending, although many individuals cut back.

However, the current recession, as noted, is unusually severe, and consumer confidence and trust in business are at record-breaking lows. Given these facts, there is a good possibility that consumer attitudes and behavior shaped during this recession will linger substantially beyond its end. While the comfortably well-off and live-for-today segments may carry on as usual, the slam-on-the-brakes and pained-but-patient segments – by far the large majority of consumers – may well retain the consumption habits they've learned. They'll seek value and trusted brands, remain considered in their purchases of treats, and continue to delay purchases of postponables. Consumers can also be expected to retain their distrust

of business, an attitude forged by the corporate malfeasance that fueled this recession.

This profile suggests two lessons for marketers. First, the discipline around marketing strategy and research they developed during the recession – and the ability to respond nimbly to changes in demand – will continue to serve them when the economy recovers. And second, they should prepare now for a possible long-term shift in consumers' values and attitudes. The shock of the downturn and anger about the abuses that drove it promise to accelerate preexisting trends toward reduced materialism, commitment to sustainability, higher expectations of corporate social responsibility, and resentment of cynical marketing that treats people as soulless and mechanical consumers. Increasingly, customers will demand that business act in their and society's best interests and will factor company practices into their brand choices. During and after the recession, it would be foolhardy for marketers to ignore those changing expectations. While businesses are putting customers under a microscope, their customers are, in turn, examining them more closely than ever. 

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“I’m not easily impressed by hyphenated names, Mr. Sm-ith.”