Sitting ducks do **nothing**

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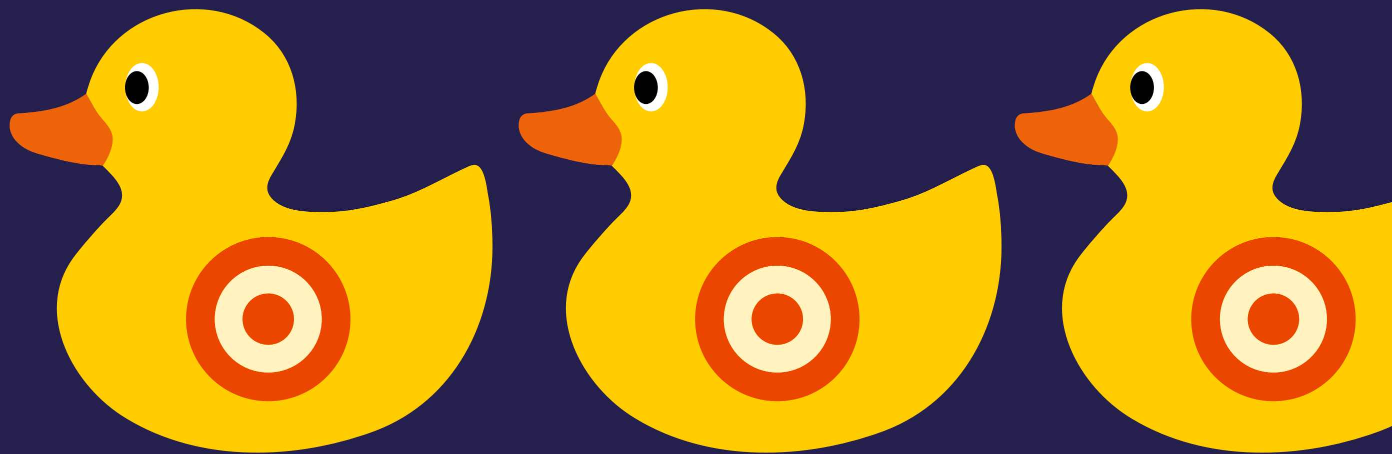
THOUGHTS AND INSIGHTS FROM **BILES HENDRY**



Stormy weather ahead?

How to harness a challenging economic climate to your brand's advantage

By Charlotte Pamplin. Account and Business Development Manager

It has been a tough couple of years for a lot of businesses with many countries narrowly avoiding or in recession.

The end of 2023 saw signs of economic stabilisation in the UK as inflation began to moderate, dropping to its lowest rate for two years in November. However, it popped back up to 4% in December and the Bank of England doesn't expect inflation to return to its "normal" rate of around 2% per year until the end of 2025.

Avoiding recession, or being on the brink, clearly doesn't mean that the US, UK and much of Europe is financially buoyant. The Financial Times and many banks are still predicting further economic pressure with the cost of living affecting many.

This sentiment is supported by the significant number of layoffs throughout the finance and tech sectors, such as those by Citigroup, Amazon, and Discord - sound familiar? It might well do as it recalls periods of austerity from the past, such as the recessions of 2000 and 2008 as well as the most recent unique situation born out of COVID-19 in 2020.

This has ignited our thoughts here at Biles Hendry, so we've looked at a number of brands that did well in past economic downturns. In doing so, we've observed a number of recurring themes.

How will you keep consumer loyalty in tough times? Why will consumers value **your** brand when they have less to spend?

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Frozen in headlights

WHAT IS THE BEST WAY TO OPTIMISE RETURNS DURING AND COMING OUT OF A DOWNTURN

34%

of consumers defected to another brand during 2008

SOURCE: Catalina Marketing Corp

The overarching insight suggests that doing nothing or doing less for your business during a slump is not the answer. Companies should aim to avoid wallowing in the doom and gloom, and instead see positive opportunities like using this time to drive internal efficiencies, working out what their customers really need, optimising their brand and investing in research and development.

While the in-the-moment economic pressures can feel very challenging, the reality is that after each recession there is a period of growth. Brands need to continually show consumers their value and build in such a way that business 'roars' the moment there is an upturn. This is fundamental, because brands that ultimately thrive do not just navigate the rough waters during a period of hard times, they are the quickest to recover the moment there is an upturn. Yes, businesses should stay flexible with tactics and strategies in a downturn. However, what is crucial is that your brand is ready to lead the pack as soon as the decline ends. This is how to stay ahead of the competition, turning the moment of uncertainty into an opportunity.

So, what are the key features that have helped cement the success of brands that emerged victorious from past recessions? We have looked at past behaviours that helped businesses channel growth during a stressful economic time.

What can you do to maintain your profitability in the period ahead?

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See more value, Hear more value, Speak more value

HOW CONSUMER VALUE AND BRAND VALUES CAN BE THE KEY TO SUCCESS

9%

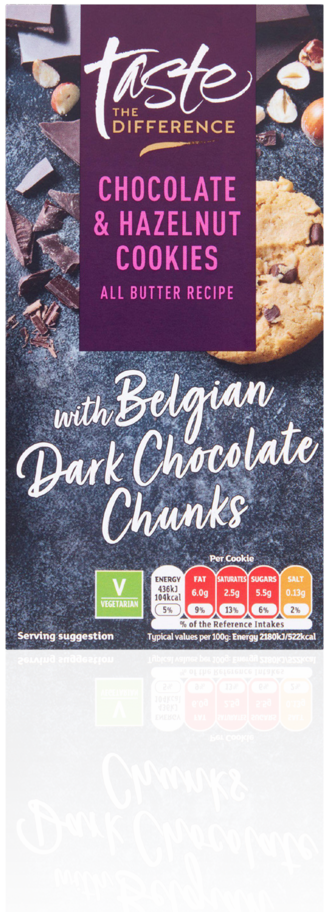
year-on-year growth was seen by Aldi and Lidl during the 2008 recession.

SOURCE: Kantar

Logic would suggest that it is discounters, value brands and supermarket own label value tiers that should win in difficult economic environments, and predictably - they often do. For value labels, the recession is a fantastic opportunity to recruit new followers who are trading down. The real success is in convincing these new recruits, while engaged, to remain loyal beyond the crisis.

During the 'Great Recession' of 2008/09, many turned their back on the 'big four' to embrace new discounters arriving in the UK: Aldi and Lidl. However, the economic crisis didn't only change where we shopped, it also affected what we bought. Many of these changes had significant ramifications for brands and retailers that shaped their fortunes over the 10 years that followed.

In fact, the 2008 recession was quite polarising with the top and bottom ends of the market outperforming the mass middle. Waitrose (+8% year-on-year) while Aldi and Lidl continued with a head of steam (+9%), by offering situation appropriate pragmatic and emotional solutions for consumers. Sainsbury's also saw that in hard times two profiles of shoppers formed. Its own value range was up by 10% and its premium tier offering 'Taste the Difference' grew by 12%.



What are the major threats and opportunities to your brand perception at a time like this?

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Retaining your tribe is challenging, it may require ‘stooping to conquer’ and building on your proposition. Importantly, brand values must be upheld to avoid eroding brand position in a way that cannot easily be reclaimed.

Waitrose’s response to the 2008 recession was to introduce their Essential range - possibly a business saving decision, which was deftly executed and phenomenally successful both during and since its recession launch. Most
were doubtful that Waitrose could successfully deliver a value offering without detriment to their long-standing premium positioning. Yet they met this challenge by never losing sight of their brand values.

Waitrose’s positioning comes from being seen to do things well, a little better than everyone else. Where others, as a matter of strategy, made value look apologetic and clearly a trade-down, Waitrose manoeuvred this very extensive line to support a premium lifestyle. The consumers were happy to have it alongside products with higher price points in their basket.

Waitrose showed customers that they understood them and that basic done well was valid, creating strong sales where the retailer would have experienced a decline, preserving footfall where there would have been migration, all without diluting their core offering and avoiding unnecessary down-trading. Waitrose Essentials has enjoyed a legacy of success that has far outlived the spell of financial stress and left the door open for consumers to trade back up when ready.

£788

annual rise in shopping bills estimated for 2023 in the UK for consumers who don’t actively reduce costs

SOURCE: Kantar

What is your brand’s real reason for being - the true consumer motivation? How could you express your relevance in light of attitude shifts in hard times?

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Thinking outside the box

CREATIVE WAYS BRANDS RE-EVALUATE, ENRICH AND ADAPT THEIR OFFERING IN A STRAINED ECONOMY

Perhaps a little more surprising is just how well some brands do in a gloomy economy by ensuring more worth is seen in their offering. Adding value can come from creating propositions that consumers require in response to a particular environment or behaviour. A recent example comes from the Covid-19-induced economic downturn.

Brands that noticed the change in shopper habits created space in the range for appropriate products such as multi-serving lasagnes that cater to larger families spending more time together in lockdown. Another example of responsiveness to consumer needs can be found in high-street fast food brands such as Pizza Express, Wagamama, Itsu and Leon, all of whom created supermarket lines to ensure retention did not falter. Indeed, this move is likely to win them a broader following, reaching a previously unengaged audience.

Meanwhile, brands and retailers alike can offer greater value for the increasingly eco-conscious audience through the reduction of waste. According to Kantar Worldpanel, this is exactly what happened in the years 2007-2012 when supermarkets replaced multi-buy BOGOF deals with promotional savings offers - a move which had a significant long-term impact on the reduction of household waste. Less waste is better for the planet and better value for the customer, and they know it!

How can your business give additional value to the consumers?

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Household food purchases between 2007 and 2012 becoming waste was reduced by

5%

SOURCE: Kantar Worldpanel

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Small rewards - big gains

CONSUMERS LOOK TO SELF-COMPENSATE DURING SUSTAINED PERIODS OF RESTRAINT

7%

growth of premium cosmetic brands was seen coming out of the 2008 recession.

SOURCE: Kantar

Tough times don’t always mean a downturn for premium brands and products. An example of this is the ‘lipstick effect’ - consumers who are otherwise guarded with their budget especially when it comes to discretional spend, rewarding themselves sporadically with little luxuries and small indulgences for short-term gratification.

Such indulgences could indeed be a lavish lipstick during a recession, or even a trade-up to a more premium tier when emerging from hard times. An example of obtainable luxury was seen with premium beer brands: Peroni, San Miguel, Cobra, Tiger and Tuborg enjoyed 20% growth against a wider category decline of 7%, during the 2008 recession.

An obvious and convenient way for consumers to affordably splash out is through supermarket ‘fine dining’ ranges. That’s exactly what followed in 2008 when sales of upmarket supermarkets' gourmet lines defied the downturn. For example, Sainsbury’s premium own label Taste the Difference sales increased by 12% (Kantar).

Could your brand offer consumers an affordable indulgence?

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Don’t confuse them, understand them

REMIND CONSUMERS WHY THEY SHOULD STILL VALUE YOU

The argument in favour of keeping brand values on point when navigating difficult times comes to the fore when discussing loyal brand following. It is important to keep true to your brand’s core truths, to avoid confusing or disenfranchising existing consumers. A number of reports made by the Harvard Business Review show that businesses that reinforced their core brand values showed remarkable resilience. Just look at the success of Starbucks which invested heavily into driving their key brand message of warm hospitality and product quality to their worried consumers in the years 2008 and 2009.

While every business is concerned with new recruits, it is important not to lose sight of the fact that the existing customer base is the primary source of income and offers the opportunity for organic growth. Stretching comes with a risk while reassurance comes with rewards when the business returns to normal again.

Marketing budgets should not be thrown out of the window during the recession, something De Beers learned the hard way when the brand reduced its marketing budget in 2008 only to reverse it that Christmas. De Beers realised quickly following research, that consumers still saw enduring value in diamonds even in hard times, a fact that the diamond company reminded consumers of with campaigns that stated “Here’s to less” and ”fewer, better things”. While sales were down, the fall was far less than predicted, consumer propensity to purchase remained strong and price points were largely unaffected.

It is also worth noting that as a rule during recessions, agency fees become more competitive and the purchase of media and advertising space may come with a discounted price tag.

What are the major threats and opportunities to your brand perception at a time like this?

40%

valuation growth, equating to a staggering $4,641m, was made by Starbucks striding out of recession (2009-2011)

SOURCE: CEO Today Magazine

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Out of adversity comes opportunity

DON'T HIDE, STEP ON THE GAS!

A red thread that is consistent throughout successful business behaviour is the continued investment in brand during downturns to best assure survival, thereby optimising consumer engagement when the good times return. Research conducted in 2010 as reported on in the Harvard Business Review concluded that the best chance for businesses to win during a recession is to implement not just operational efficiencies, but also to recognise that marketing, research and development budgets aren't discretional.

The best strategy for stability and growth requires a constant brand health check, reinforcement of relevant key brand values and consumer reassurance of value by keeping abreast with their needs.

It is about seeing openings and possibilities. Perhaps your key competitor has dropped the ball and neglected their tribe. This would be an opportune time for a brand in the know to step in, providing a safe haven where consumer needs are not neglected.

Some defence strategies are of course relevant, such as implementing cost-saving tactics to drive operational efficiency. Yet it is imperative that energy is directed strongly towards augmentation and growth rather than solely focussing on firefighting. After all, downturns don't last that long, it's what happens immediately after that is important. If allowed to, it is the tail of a recession that stings most businesses. Every stress, every disruption, creates fertile ground for opportunity and new and better ways of doing things.

The best plan seems to be to fight the instinct to hide. Instead, assess where you want your business to be when recovery comes and create the strategy to get there. Hit the gas on optimising, think defence but don't forget that often the best form of defence is attack.

How will your brand stay ahead of the pack when economic becomes frothy again?

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13%

growth in sales and 12% in profit on average with companies that act progressively during recession, compared to 6% and 4% for companies that actively focussed on prevention measures.

SOURCE: Harvard Business Review

Netflix grew by 13% and 22% in the years of the 2008-09 reccession and 30% in 2010. For sure this was fueled by their move to add streaming to their DVD rental service in 2007, but it was also driven by shrewd remodeling of their offering to meet changing consumer habits during the recession, such as partnering with Xbox, thus enabling more people to come onboard.

A bit about us

We are a branding and design agency helping brands big and small to unlock their potential. We use creativity and strategy informed by insight and experience to tease out brand's reason for being - the real consumer motivation. We bring this essence to life, creating distinct and powerful brands that engage with consumers on pragmatic and emotional levels, through work embedded in design excellence which is effective and delivers commercial results.

Our offering includes: brand identity, brand strategy, copy-writing, packaging, innovation and NPD, printed collateral, photography, artwork, and more.

We're made up of a senior team from top London agencies and are proud to be one of the youngest agencies to feature in the Design Business Association's (DBA) top 20 Most Effective Design Agencies in the world! Our experience spans over 20 years having worked with clients such as:

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