ADVANCING WHILE THE ECONOMY SLOWS: THREE RULES FOR SUCCESS

Whether the sharp economic slump caused by COVID-19 or the downturn of the Great Recession, dark economic times make keeping a business afloat challenging. While it is usually difficult to foresee and plan for these circumstances, it's important to react properly when in the midst of them. Most businesses would be happy to "weather it out" or simply break even by the time the downturn fades away. But how can your company adjust when the economy slows?

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Repeated studies have found that smart companies can actually progress as a result of an economic slump. One of the most esteemed studies investigated the profile of successful companies. Commonly referred to as PIMS[1], the Profit Impact of Market Strategies was a study first put together by the Strategic Planning Institute and was a continuation of research begun by GE and continued by Harvard University. PIMS found that **businesses that invest in marketing during soft economies not only survive, but also tend to gain market share as a result of their investment.**

Dr. Valerie Kijewski's work on marketing expenditures reported that "some businesses are counter-cyclical and thus defy general recession periods."[2]

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In more recent work, a study by Bain & Company[3] found that twice as many companies made the leap from laggards to leaders during the last recession as during surrounding periods of economic calm. "With today's slowing growth rates, companies must increasingly look to new markets, new products and brand extensions to achieve the growth that once would have come so much easier."[4]

The reality of recession is that each business decision becomes more important and puts more at stake. But our own experience over the past three decades tends to support the findings of Kijewski, PIMS and the Bain report. Through our interactions with our clients, we have noticed three common traits shared by firms who successfully leverage a slow economy.

Rule 1: Successful firms think strategically. A robust economy can mask many business marketing imperfections, such as impulsive decisions and poor execution. However, in an economic slump, these same weaknesses can seriously decrease an enterprise's trajectory for growth.

Through our own strategic consultation, we have isolated strategic market opportunities from two almost contradictory segments. Pursuing key current customers and new product introductions have proven to be successful strategies for many of our own clients.

Key current customers (especially those measured by satisfaction indexes such as Net Promoter[5] type scores) can be especially valuable and cost-effective for client penetration programs. Key customers are usually the strongest advocates of your brand(s) and will see that brand as assurance during a slowdown. Strengthen the bonds of brand loyalty through your employees, customers and other key partners.

Just before the 2008 slowdown began, Mercer Management Consulting surveyed a select group of 50 Fortune 500 marketing executives. The responses indicated nearly all senior managers have come to appreciate the importance of brand as a strategic asset.

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These executives increasingly understand that brand equity has to be developed, managed, and leveraged just like any core asset. They also understand that brand-building is multi-dimensional. As one respondent remarked, “We are not talking about just advertising; brand-building is much more than advertising. Brand-building includes investments made in areas such as customer service, product development, and the customer experience. Brands also cut through the noise of product channel proliferation, keep your products from becoming commodities, and provide durable competitive advantage.”[6]

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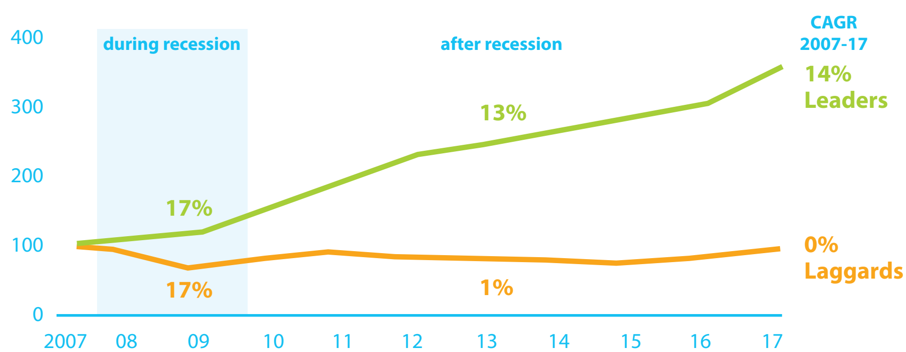
Slow economic times can be an excellent backdrop for growth through introducing new products.

Again, our own experience substantiates Mercer, Bain, and other findings: slow economic times can be an excellent backdrop for growth through introducing new products. Since many firms (especially smaller firms) retreat from the market during slower economies, market conditions can actually be quite favorable for product introductions. A properly identified new product opportunity is still relevant during a slowdown: in order to realize success, marketing must focus on the most targeted prospect segments where the new product provides the greatest value.

A perfect example of the opportunity for growth following a recession is shown in the chart below. “Laggards,” who focused solely on cutting cost and hunkering down, showed very little growth. On the other hand, “Leaders,” who expanded their communications and turned their relationships into “must-have” partnerships, grew significantly.

Growth in nominal EBIT (indexed 2007=100)



Sources: S&P Captial IQ; Bain Sustained Value Creator analysis, winners (n=415) losers (n=3,449)

Laggards

- Overwhelmed
- Respond **only** by cutting costs
- Unable to communicate value
- “Nice to have”

Leaders

- Become a trusted partner
- Deliver results for clients
- Prove value
- Up communication by 10x
- Expand existing relationships
- “Must have”

Rule 2: Successful firms act decisively. It may seem counter-intuitive to act decisively in an unpredictable economy, but once clear strategic targets are identified, unwavering marketing actions can gain valuable ground during an economic slowdown.

When the prevailing tendency is for competitors to pull back or evacuate, the market can tend to take on a cloudy panorama. Firms make tentative movements and often give off contradictory signals to their clients. Clear, conclusive actions (particularly those based on sound strategy) provide any company the ability to gain market position with less resistance than would be encountered during a robust economy.

Rule 3: Successful firms invest shrewdly. Acting decisively does not mean investing haphazardly. Without the buffer of a strong economic environment, each marketing decision must be carefully weighed and strategically chosen in order for an enterprise to realize return. However, given the pullback of overall investment in the market, competition for "share of voice" is reduced. Media and communication options are likely to be more cost efficient, and messaging clutter is usually reduced.

By selecting strategic targets, a company can allocate funds more efficiently and effectively. When they harness this power of focused, intelligent marketing, new product introductions can be especially efficient during a slow business climate. Commercialization costs are lower, market awareness tends to be higher, and market trials and inquiry are prone to elicit higher curiosity from a market searching for new options.

Investing during a slow economy does require a disciplined culture and an operational mindset to succeed.

Even with research such as the PIMS data, investing during a slow economy does require a disciplined culture and an operational mindset to succeed. Here are three questions all firms should consider:

Does your firm value marketing? Successful marketing is always a critical driver for business success—even in economic slumps. Those firms that buy in to the long-term application of marketing heighten their chance of success during slowdowns.

Does your firm have a culture of pushing through adversity?
It seems counter-intuitive to invest in a slow economy. But firms that view recessions as temporary hurdles and that have a plan to leverage the change also raise their chance of success.

Does your firm have a plan? While a series of loosely aligned tactics might be somewhat effective during a robust economy, slowing market conditions require greater thoroughness and attention to timing and to changing market conditions. Accelerated planning processes such as dynamic planning can prove to be useful tools, allowing businesses to adapt with the cyclic nature of downturns.

For the firms that are willing to be strategic, act decisively, and invest shrewdly, a slowing economy can provide an opportunity for business advancement — even while competitors retreat.

[1] *Profit Impact of Marketing Strategies, The Strategic Planning Institute*

[2] *Media Advertising When Your Market is in a Recession, Dr. Valerie Kijewski*

[3] *In a Downturn, Manage for the Upturn, Bain & Company, Crawford Gillies and Patrick Manning*

[4] *In a Downturn, Manage for the Upturn, Bain & Company, Crawford Gillies and Patrick Manning*

[5] *Net Promoter is a registered trademark of Satmetrix Systems, Inc., Bain & Company and Fred Reichheld*

[6] *Don't Let Your Brand Falter During a Recession, Eric Almquist, Senior Partner of Mercer Management Consulting*

[7] *Don't Let Your Brand Falter During a Recession, Eric Almquist, Senior Partner of Mercer Management Consulting*

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