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BRANDGYM RESEARCH PAPER 2

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Leading Brands
out of the Recession

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About the research

One year on from our research on Recession-Proof branding, it's time to start asking "what comes next?". To help us do this we carried out quantitative research with over 70 marketing directors from top companies in May 2009. The sample covered a range of sectors, from hotels to fast food, and regions including the USA, Europe and Latin America.

We have brought to life the findings with examples from our blog, brandgymblog.com, showing how companies have tried to recession-proof their brands.

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Introduction

Most expert predictions suggest the economy will pick up in the next 12-18 months. Now, think about that. This is the time it takes most companies to get a new product or service to market. In other words, we need to be working now on the ideas to lead brands out of the recession, not just coping with the effects of the downturn.

But what sort of ideas should companies be focusing on? What sort of marketing is needed to lead brands out of the recession and into a brighter future?

In particular, which changes that have taken place in marketing should be adopted as long-term growth strategies?

In this paper we look at the following areas:

Surviving and thriving: Impact of the recession on brands

Leading brands: Which changes to marketing will be long-term?

Beware of stretching too soon: Getting the right balance between core brand growth and brand stretch.

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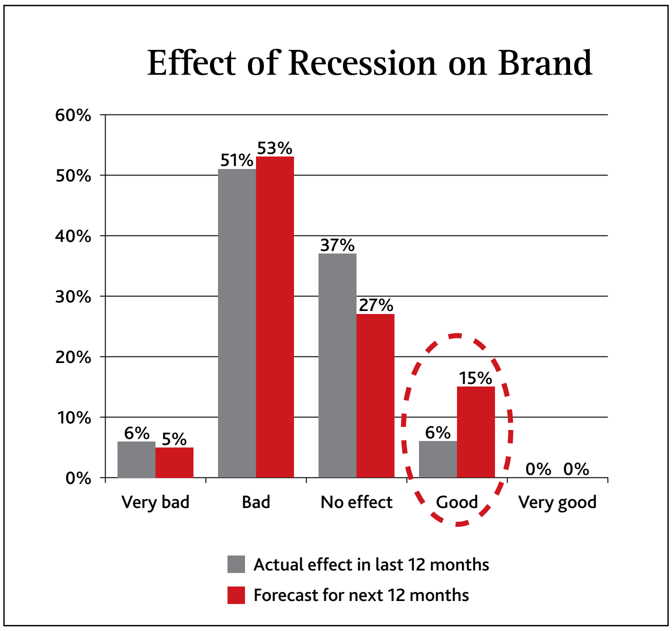
Part 1: Surviving and thriving

Our research confirmed that that the recession has hit brands hard, with 57% saying the effect in the 12 months has been bad or very bad. However, there are early signs of progress. 15% of our panel expected a positive effect from the recession in the next 12 months, 2 ½ times that of the last 12 months.



Some of these brands are thriving because they are in recession-proof categories, such as fast food and discount supermarkets. More interesting though are brands who are growing by taking share in markets that are under pressure. Leaders of these brands have won by focusing on their core business, sharpening the brand positioning and boosting differentiation.

For example, Hyundai has bucked the trend in the US car sales in a market that has suffered a disastrous downturn, with sales down 39% in 2009. The brand almost doubled market share from 2.4% to 4.1% with the Hyundai Assurance program. If you buy a new Hyundai and you lose your job, the automaker will make the payments for you for a while, and then buy back your car.

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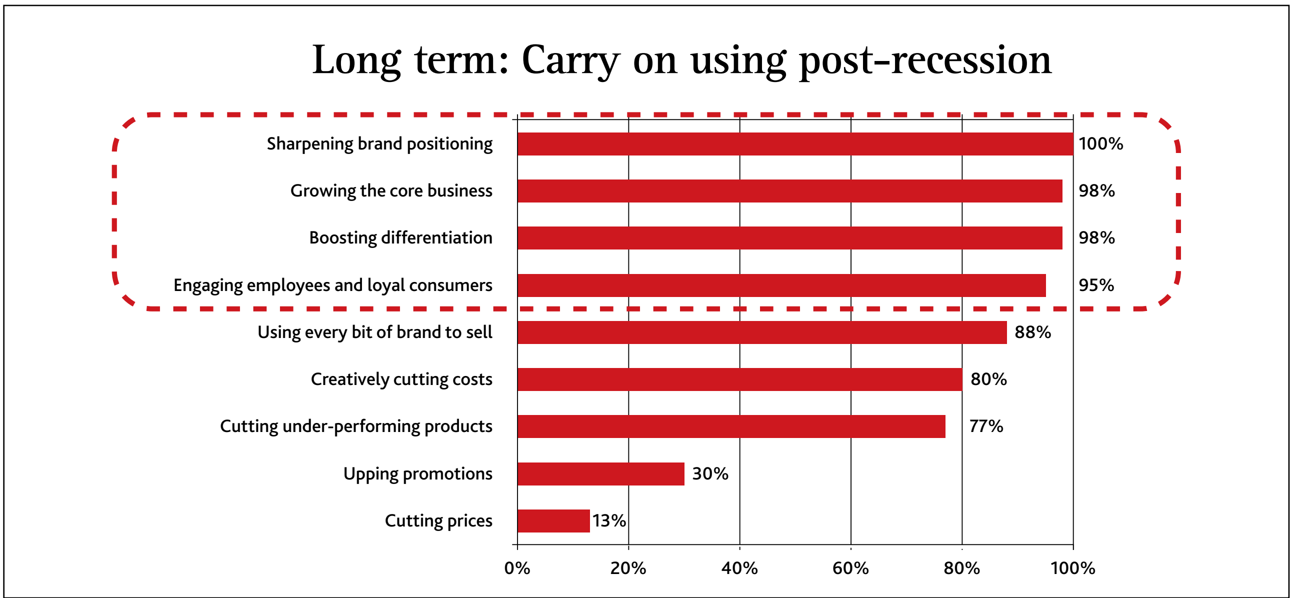
Part 2: Leading brands out of the recession

Leaders say they plan to adopt the key recommendations from our last paper on Recession-Proof Branding as long-term growth strategies. This confirms our belief that the recession is a wake-up call for marketing, forcing a more practical, bottom-line focused approach to branding we call **"follow the money"**. Four approaches stand out, selected by 90%+ as strategies used during the recession that will be used longer-term. They are: Sharpening the positioning, Growing the core, Boosting differentiation and Fuelling the fan club of employees and consumers.



1 Sharpening the positioning

This is seen by everyone as important for leading brands out of the recession, being the key tool for inspiring and guiding effective marketing. Hovis bread is benefiting from sharpening and communicating their positioning, growing share from 22.2% to 25.1%. Emotionally involving communication is reminding us about the brand's 122 yeas of heritage, with a return to the slogan that made it famous: "As good today as its ever been". The ads also feature the original, un-sliced (and heavily branded) "little brown loaf".

2 Growing the core

This was the most effective technique of the past 12 months, and remains a key growth strategy going forward. The advantage of this approach versus stretching into new markets is that the core is often where the brand has the strongest equity, and makes the most money.

A good example is Knorr's launch of Stock Pots in France, UK and China. This innovative new jelly format is rejuvenating and modernising the core bouillon business.

3 Boost differentiation

It is encouraging to see that leaders share our view that now more than ever is the time to have the courage to create brand mixes that cut through the clutter. T-Mobile's spontaneous, large-scale and interactive "happenings" are helping them stand out from in the mobile network market, get across the brand idea of "Life's for Sharing" and generate masses of free publicty. The "Dance" film, with 300 dancers getting the whole of Liverpool Street Station to boogie, has been viewed over 11 million times on YouTube.

4 Fuel the fan club

The final long-term approach favoured by 90%+ of the panel is engaging employees and loyal consumers, which is still un-tapped by many brands. A good example of engaging brand users is Jordans Cereals' re-vamp of their email newsletter and blog. By making these more inspiring and interesting the team have doubled the number of email subscribers to 80,000.

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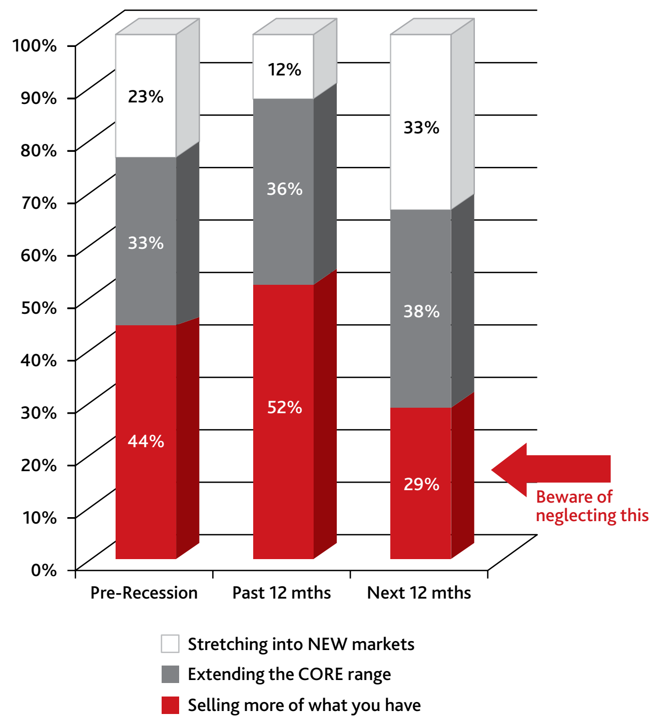
Part 3: Beware of stretching too soon

The importance of core brand growth during the recession was confirmed by 52% of our panel focusing on “selling more of existing products” in the last year, +8pts versus the pre-recession period. Extending the core range was flat at 36%. In contrast, stretch into new markets was down sharply (13% vs. 23%), as companies cut back on expensive new product development.

However, for the next 12 months the trend reverses sharply. 33% plan to focus on stretch, at the expense of selling more of existing products, which drops back below even pre-recession levels.

We support the need to start working on innovation now, to be ready for when the economy picks up. However, we advise against rushing back too fast into brand stretching, and neglecting the good work done on growing the core during the recession. Our recommendation is to keep the recession-enforced discipline of focusing on fewer, bigger ideas and to maintain growth efforts on the core business.



Conclusions

Marketing during this recession is tough, no doubt about it, but now is not the time to abandon core principles. We believe that now is the time to start planning for when things will get better. The key things 90%+ of the marketing directors we surveyed agreed should be focused on are:

- **Sharpen the positioning** - a lot is changing in consumer's lives, stay close
- **Grow the core -** nurture and drive your core products, they pay the bills
- **Boost differentiation -** work your mix to max your distinctiveness
- **Fuel the fan club -** reward their loyalty, work their contacts

We do, however, feel the need to warn of the dangers of stretching too soon. The lure of the new is strong, especially after a year of focusing on the core, but we would urge you to keep perspective and stick to our maxim, inspired by Cuba Gooding Jr in the film *Jerry Maguire*; **follow the money.**

About the brandgym

- A network of **8 senior strategy coaches** founded in 2001.
- Helping 'brand change agents' create a **clear brand vision** and ideas to turn it into growth.
- **Leaders in business thinking**
  6 books, one of Europe's top 10 branding blogs: **www.brandgymblog.com**

- **Track-record with top companies**
  including Tesco, Nokia, Coca-Cola, Unilever, RSA Insurance and T-Mobile.

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