Recession-exploiting Strategies

By Ian Rheeder, CM (SA)

Finding success in a recessionary climate is quite credible; it just requires the superior application of what you were taught at marketing school.

A recession is generally defined as two quarters (6-months) of consecutive falling GDP, and usually follows a boom. As our GDP is still currently growing, South Africa as a country is *not* in a recession; there are however sectors like new car sales that have already declined by 24% vs. 2007, and thus are in a steep recession. The overall theme of this article is to exploit this downswing to maintain your growth strategy, during *and* after a recession. So, to cushion those sectors who are in 'recession', I've arrived at the strategic perspective that marketing strategies during turbulent times are not much different from boom time strategies – the apparent difference is that your innovative strategies just have to be so much more polished when your sectors growth is in decline.

1. Segmentation, Targeting & Positioning (STP Strategy)

Imagine dating the wrong customer segment, only to find out after years of servicing, that it was a waste of time?

- Rather target satisfied and attractive opportunity segments vs. low return headache segments. Alternatively, consider dropping non-profitable, slow paying, unsatisfied Customers in these segments, *or* raise their price to milk them.
- However, only consider maintaining unprofitable segments if handing them over to your competition is strategically unwise.
- Consider withdrawing from weak segments where your CUSPs (Competitive Unique Selling Propositions) aren't valued much, and target segments you can dominate with your CUSPs after the recession.
- Know exactly what your CUSPs are per segment. Target and competitively position each by forcefully revealing your revitalised CUSPs.

2. Attack and/or Attack-proof

Careful … keep doing your research as some companies with strong financials will see this crisis as opportunity to attack; this is what is exciting about a recession - it's an opportunity to exceed your targets as many competitors understand that sometimes *'the tree of economic freedom needs to be nourished with a battle'*. But beware of counter-attacks - you may become the hunted if you do a frontal-attack on a strong leader. Rather go unnoticed by flying below the radar with a flank-attack. Red Bull has done this by 'stealing' Coca-Cola's shelf-space, and could now do a frontal-attack.

Three beneficial strategies to consider bomb-proofing your organisation would be: *1) "How to attack your industry leader?", 2) "How to attack well guarded markets?", and 3) "How to attack your low cost rival?" These recession proofing topics will be covered at a 1-day workshop called The Success Factor, on the 7th October 2008.*

3. Marketing Mix Strategies

Product: See the recession through your customers' eyes. Lipstick is seen as a 'necessity', allowing ladies quick escapism from all the other large sacrifices they've made. Due to competitive forces buyers may have developed a new shopping-list of wants; the basic-product (i.e. car) for instance may not be as important now as the expected/augmented-product (i.e. value-added guarantee, after-sale service, and/or interest rates). Your product-life-cycle may have also become stale, and like the Citi Golf now requires a few revitalised features to regain its growth trajectory.

Withdraw weak low profit margin/slow moving 'dogs' that are likely to fail, and research & revitalise new economy 'question-marks & recession-stars'.

Price: During a recession Customers ponder longer on decisions to sacrificing their budgets. Dropping your price may seem attractive, but it comes with the challenge of struggling to increase it at a later stage … so at least attempt to maintain your prices. *Differentiate* and charge a premium. If your product is the low-price leader, then aggressively emphasise your penetration pricing, as low price is a *very* relevant recession CUSP.

Placement: Reconfiguring your entire value-chain must be considered to *both* 1) lower the cost-of-sale, and 2) innovate your product's CUSPs. Think about forging collaborative synergies with related industry partners. Choose the most motivated channel-to-market that will move the highest volume at your best GP%. A smaller stock keeping unit (SKU) or large value-pack both may be the answer for the cash strapped and/or economy pack bargain hunter.

Promotion of your brand: Calling on you most valuable and loyal existing Customer's has superior results versus finding new ones. They are also the easiest to cross-sell & up-sell to, and give you free word-of-mouth referrals. Consider a Key Account Management (KAM) mindset – when you see a strategic Client don't just pop-in, but be a management consultant and enthusiastically assist them with their business.

Research shows evidence that in a recession, the marketer whose share-of-voice (SOV) is larger than their share-of-market (SOM), is likely to grow market share.

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People:

It's not just about the balance sheet and income statement, but more about human capital and a motivated channel-to-market?

To maintain staff motivation, a recent survey cited the following in *order of importance*: staffs' satisfaction with the job itself, training, pay, advancement fairness, treatment with respect and teamwork. Taco Bell have discovered that their stores with the lowest staff turnover enjoy 55% higher profits and 100% more sales than the stores with high resignations.

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