



## COMMUNICATING IN A DOWNTURN

Recessionary Marcoms Tactics & Strategies

- ▶ Gallery of Recession Creative
- ▶ Lessons from Past Downturns
- ▶ Agency Perspective: Masius' Chris Dell
- ▶ China's First Capitalist Downturn
- ▶ Sector Analysis



## Overview

This year the credit crunch means that Christmas, always the most important time of the year for advertisers, is particularly crucial. Advertisers are activating tactical approaches to connect with consumers who have a real Xmas decision to make - to spend, or not to spend. But next year it is not short term seasonal tactics that will prove vital, but rather long term strategic thinking. Most research data, some of which we present in this report, suggests the recession will really bite in 2009 - ensuring that consumers have far fewer choices and marketers have far more pressure.

The financial bubble has well and truly burst and the real economy is starting to falter too. Is the marcoms industry next? Champions of our industry will warn that the last thing a brand can afford to do in a recession is to slash marketing costs and there are numerous case studies that suggest they are right. But in recessionary reality, everyone knows that ad budgets are amongst the first costs to be cut. Indeed, Xtreme Information's own ADX data already shows a 6 percent drop in European ad spend between Q3 2007 and Q3 2008. The July to September quarterly figures illustrate £550m less advertising than just 12 months ago.

Financial directors and heads of procurement everywhere will be reducing budgets and demanding all expenditure be accounted for in terms of return on investment. Some digital and direct marketers might be rubbing their hands as they relish the idea of gaining a larger slice of a smaller pie. But original creative thinkers will be arguing that the downturn represents a unique

opportunity to develop unique stand out positions and stripped-down marketing predators see it as the ideal moment to use communications to grind weaker competitors into the dust.

Whether a recession is a marketing opportunity or a problem, what is clear is that we can learn a lot from the downturn. This week alone the Insight team's regular ad analysis has taught us that the average bowl of Kellogg's Cornflakes costs just 10p, that the Fiat 500's multimedia port can teach us how to save us 15 percent on our fuel bills and that Asda has won Britain's Lowest Priced Supermarket Award for 11 years running.

But being 'cheaper' is far too simplistic a solution for most advertisers in today's climate. After all, price is not the 'be all and end all' during a global recession that could accelerate a wider consumer rejection not only of traditional authority, but also of global brands – particularly those that are seen to have helped cause the economic problems in the first place. Could the credit crunch lead towards a greater focus on real, meaningful local community needs? I am sure the regional press hope so.

Perhaps a more realistic and effective approach is simply to be more human in our thinking and in the scale of our work. It can be argued that the days of cinematic ad spectacles are numbered. Within the industry we tend to have over inflated opinions of ourselves and our adverts and in recent years we have showered spectacular (and expensive) TVCs with praise (and awards). But in

the current climate surely grand gestures such as Sony Bravia's Paint and Guinness's Dominoes seem somehow unsympathetic to our new economic reality?

Should marketers reassess strategies based around the idea that brands are a path to a more emotionally fulfilled life? If so, we will see a switch towards ads that champion everyday heroes on a human scale, messages of sympathy, humanity and charm may be the way forward for the next 12 months. If we reassess the 'scale' of our marketing ideas and develop approaches that revolve around 'real people', it seems likely that the language of our industry will have to change too.

As well as examining strategic thinking for today, this report also explores some of the learnings from previous recessions. Recessions inspire bold advertising thinking. For example, GM's 1975 decision to directly contradict President Ford's advice for Americans to be frugal with a patriotic call to action is the stuff of recessionary advertising legend. Its brand campaign trumpeted that: 'Our new 1975 cars conserve gasoline. The purchasing of new cars is the common-sense conservation we need. It keeps the wheel of progress rolling. It means growth and investment. No growth makes no sense - not for America, not for anyone. Right now is the time to buy a new car.'

Jeremy Edwards,  
Director  
Insight



## Contents

- 04 Downturn Statistics
- 05 Marketing in Times of Recession – Lessons From the Past
- 09 Strategies and Tactics Used to Communicate in a Downturn
- 15 The Agency Perspective: Interview with Chris Dell from Masius
- 18 China: Recession Virgins

## Sector Analysis

- 24 Automotive
- 26 Finance
- 28 Retail
- 30 Telecoms
- 32 Travel
- 34 Utilities



CONTAGIOUS

Marketing in Times of Recession > Lessons From the Past

**Marketing in Times of Recession – Lessons From the Past**

By Matthew Carlton

Recession is an unpopular word in most professions, but there are few sectors where it is as unwelcome as it is in marketing. For those in advertising the dreaded 'r' word generally means slashed budgets, job cuts, less R&D and fewer product launches as brands squeeze spending to halt the slide. Yet an exploration of previous recessionary marcoms shows that companies should seriously consider a completely different strategy. History suggests that there is a good argument that during an economic downturn it is the brands that think long-term and maintain, or even increase marketing spend that prosper most when the recovery comes.

**History Suggests Spending is Vital**

The first study to substantiate this view was carried out during the US recession of 1923 when advertising executive Ronald S Vaile monitored 200 companies across America, noting their marketing expenditure and subsequent sales revenue. In April 1927 he reported, in an article he wrote for the *Harvard Business Review*, that the companies which advertised the most during that period experienced the largest increases in sales.

Subsequent analysis has continued to back Vaile's findings. When the Second World War ended Buchen Advertising Inc set out to plot the fortunes of a large number of business-to-business advertisers through the successive recessions of 1949, 1954, 1958, and 1961. In 1947 it began measuring the annual advertising expenditures of each company. It correlated the figures with sales trends before, during, and after the recessions



of 1949 and 1954. For the recessions of 1958 and 1961, profit levels were also monitored. The study found, almost without exception, that those companies which curtailed their marketing budgets during the recession saw their sales and profits fall and that they continued to trail their competitors who had maintained their marketing spend well after the recession finished.

Following extensive research, the Canhens Publishing Company produced the 1982 report, in association with The Strategic Planning Institute, 'Media Advertising When



Your Market is in a Recession'. The study evaluated the relationship between market share and profits, brand awareness or preference, and the effect marketing has on this dynamic. It revealed that during times of recession, average business does experience a lower rate of return relative to normal periods. However, boom times do not result in a higher level of profits than normal periods as might be anticipated. This, the report disclosed, is attributed to changes in market share during the recession, when these businesses that maintained advertising levels tended to gain a greater share of the market. As smaller marginal

## Strategies and Tactics Used to Communicate in a Downturn

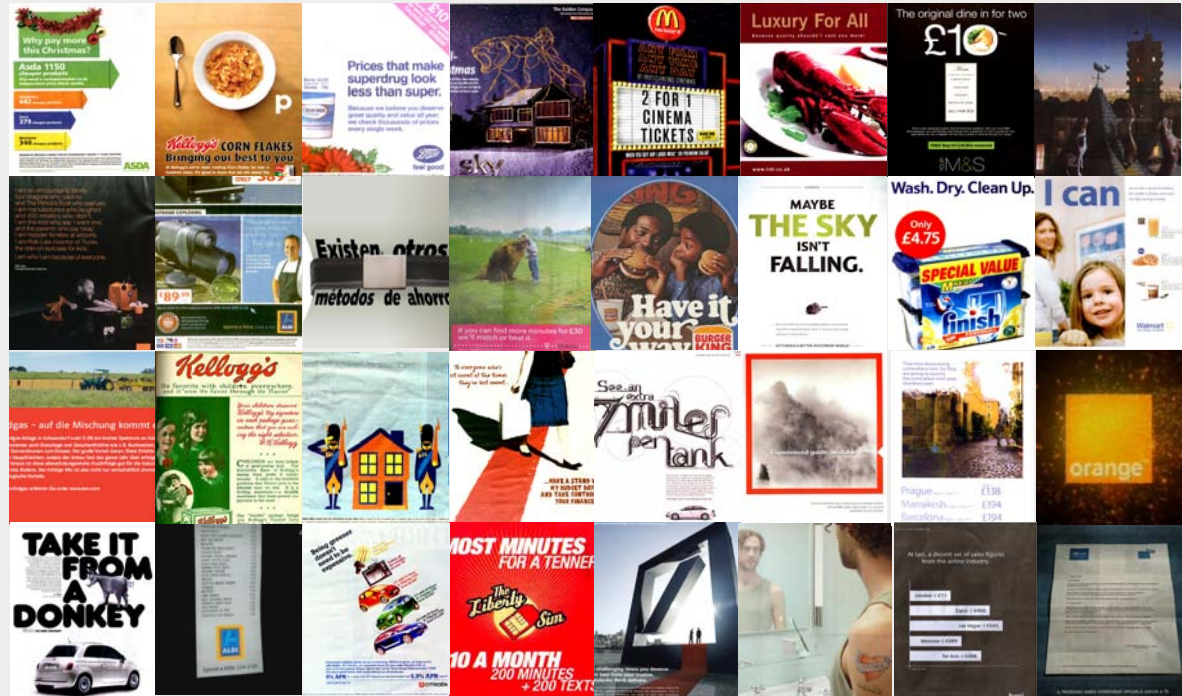
### Recession: Friend or Foe? A Review of the Strategies and Tactics Used to Communicate in a Downturn

By Sandra Pombo

The debate over the best tactics to tackle the downturn rages on: governments are arguing for heavy spending, corporations are cutting back and consumers are facing crucial Christmas decisions. The ad industry is also searching for effective recessionary strategies. Whilst most marketers agree, unsurprisingly, that investment must be maintained, many are being driven by fear and defensively turning towards long term messages about security and trust. But others, the more creative and predatory marketers, see the recession as a break, a chance, a unique opening.

After all, in Chinese the written word 'crisis' is composed of two characters - the first represents danger, but the second stands for opportunity.

It is difficult to predict how societies will evolve, how consumer behaviour and consumption patterns will change. Despite the pain of job losses and budget cuts, some argue that this recession might be a 'necessary evil' - one that will transform post-modern, neo-liberal societies into better places to live and see people shift from conspicuous consumption to a more 'meaningful' consumption. Will it even bring the end of our 'stuff societies' - an era characterised by the need to possess and own as many goods and services as possible? Certainly consumer habits are already changing and as the recession looms large consumer confidence has dropped to its lowest levels since 1974.



Marketers are struggling to connect with and motivate today's hesitant and concerned consumers. One way of clarifying just how different brands are reacting to the crisis and tackling consumer fears, is to analyse recent changes in advertising tactics and strategies.

The following article explores some of the key strategies emerging and identifies some of the crucial new marketing patterns that are emerging amidst the gloom.

#### More Brands Adopting Direct, Comparative Advertising Tactics

Perhaps the most predictable and clichéd of the main approaches, direct, comparative advertising sees brands

pursuing full on frontal attacks on their competitors. Whilst this strategy is increasing across the globe, there are regional differences emerging. Europe, for instance, tends to favour positive comparisons, whilst more individualist cultures such as the United States typically opt for more commercially aggressive strategies often led by direct negative comparisons.

In most cases, the strategy is intrinsically linked to each brand's positioning (eg Tele2, Tesco and Verizon), but there is no doubt that the economic uncertainty felt around the world is luring brands to use messages that compare their own products and services as being directly favourable to those of their competitors.

## China > Recession Virgins

### China > Recession Virgins

By Paul French

As with most other global consumer markets China is seemingly entering a recession – or at least a period of slowing growth rates. This is new territory for advertisers and marketers in the country and for all Chinese consumers this is their first recession and the first time they have not known high annual growth in the economy or their living standards. This will require a rethink of many of the, up to now, tried and tested methods of advertising and marketing in China. In short this will mean getting far more up close and personal with the Chinese consumer.

China's economy has been red hot for so long now than most Chinese consumers don't remember a time when it wasn't. Indeed December 2008 is the 30th anniversary of Premier Deng Xiaoping's policy of 'Reform and Opening Up' that ended the 30-year stranglehold of Chairman Mao's economic and social policies on the country.

Urban incomes have, on average, grown by 10 percent every year while most Chinese urbanites have seen their wealth double in seven years. In the 1990s the country relaxed and opened its property market in a sign that cradle to grave (or in China what is known as the 'iron rice bowl') welfare provision was over. Chinese could now own their own homes, buy cars, travel more freely, choose their careers and how they spent their wages, but would also have to fend for themselves increasingly in terms of an open labour market, healthcare and welfare services. The pace of change and the Chinese people's ability to peacefully adapt to those changes has been simply breathtaking. Arguably, of course, the political system has remained



fairly rigid - China in the last 30 years has been all *perestroika* and precious little *glasnost*.

However, the process of Reform and Opening Up has meant that China is more exposed to the wider global economy than ever before. Exports are a major component of the economy; more Chinese than ever work for foreign companies; China has more choice in terms of diet now the drive to self-sufficiency is long gone but is also more dependent on imports for its food security; and the country is on track to be the world's single largest consumer of most commodities from oil to iron ore yet has few reserves of its own and must buy on the international market. Its currency, the renminbi (RMB),

remains technically non-tradable yet the country has the world's second largest reserves of foreign currency and much of this is invested overseas in US Treasury Bills, Eurobonds etc. To maintain its stellar growth China needs the rest of the world and the rest of the world needs China - as the latest buzz phrase puts it - 'it's either Mumbai, Dubai and Shanghai or bye bye'.

But the Chinese are 'recession virgins' - in terms of the RMB in their pocket there have been few threats - a little inflation in late 2007 and early 2008 - but little else to worry about. Chinese have bought property, cars, insurance policies, more food and a bewildering variety of consumer products while still maintaining

## Retail

The retail sector is unequivocally the area where there has been the largest overt reaction to the current economic downturn. And one sub-sector is at the forefront of 'credit crunch marketing' – supermarkets. This is arguably exemplified no better than in the UK where brands in this already hotly contested segment are using the situation to attack rivals, target new demographics, and in some cases, to reposition. However such changes are not exclusive to the UK and retailers across various sectors in Europe and the US are adapting their marketing strategies to engage with consumers increasingly looking for value for money and the best deals.

Interestingly in the UK Aldi appears to be using these troubled times to reposition itself and target those who want to save money yet don't want to compromise on quality when it comes to food. The German-owned retailer has long been seen as a budget supermarket with price-focused and functional marketing reflecting this image. However since the turn of the year its advertising has changed tack with more emphasis on its competitively priced fresh fruit and vegetable offer. It has recently enlisted the services of celebrity chef Phil Vickery and the brand's latest (Sainsbury's-esque) TV initiative sees the chef cooking up tasty delicacies which can feed a family of four for just £7. Ending with the words 'Don't change your lifestyle, change your supermarket' it's evident that Aldi is hoping to subtly entice now-thrifty consumers from the likes of Sainsbury's, M&S and even Waitrose into its stores. Not wanting to alienate its core and loyal consumer base, the brand has continued with its long standing press initiatives (both ads and inserts) highlighting its competitively priced food and non-food lines.

'Why pay More?' is the slogan adopted by Asda over

the past few months as it battles with the likes of Tesco and Morrisons for market share in the lower-to-middle UK supermarket sector. Asda has consistently put its competitive prices, potential savings, and comparisons with rivals at the heart of its marketing, a strategy it is continuing to use during these troubled times. It has also now started to focus more on community and family. Examples of the former include more localised activity citing offers and improvements to 'your' local stores, while ads highlighting price cuts on joints of meats encourage family gatherings and get togethers. Emphasis has also been placed on 'feeding your family for less' an approach used by almost all the UK supermarket chains. While there are no direct references to the credit crunch, selected press ads feature the strapline 'Winner of Britain's Lowest Priced Supermarket Award 11 Years Running'.

Tesco, the UK's largest supermarket chain, has tackled the issue of financial doom and gloom head on over the past few months. Although it is still running TV ads for its non-food lines, out have gone the quirky and bright TV activity for its food offering with much more emphasis placed on press, poster and internet activity. Carrying the bold slogan 'Britain's Biggest Discounter', which has much more prominence than the longer running 'Every Little Helps', recent marketing has made numerous highly topical direct references to the situation. Selected ads for food have been accompanied with the headline 'Fish And Cheap'; Own-label ketchup with 'Price-Squeeze'; Dishwasher tablets with 'Wash. Dry. Clean Up' and for nappies with 'It's All About The Change'. Such an approach can also be seen in its ads for non-traditional supermarket lines (electrical, audio-visual etc) and although this is not a drastic change from activity a year ago, it is evident that the brand wants to convey a feeling of understanding with



Aldi



Asda

Wash. Dry. Clean Up.



Tesco

## Retail

consumers at a time when financial issues are ubiquitous. As such, Tesco recently announced that it will rein in its Christmas marketing activity to reflect the 'mood of the nation'.

Across the channel, the current economic crisis has thus far hit Carrefour hard in its core European market. In its native France, as well as in Spain and Belgium, it has faced increased competition from German discount retailer Lidl, as the credit crunch begins to bite. To counter this it has begun to price slash and run more promotional offers, all of which have been extensively marketed. The approach taken so far has centred on the purchasing power of the company and how this means lower prices for the consumer. This is reflected in a recent rallying cry-style slogan which reads – 'The hyper purchasing power; Carrefour is working for you'. Although not a direct reference to the situation, it certainly hints at the problem and press ads also feature images of an army of the chain's workers, cheering as a result of falling prices. The campaign is very price-led with costs mentioned across all media forms. In France in particular, Carrefour has attempted to entice customers into stores by slashing prices on a select number of electrical products (microwaves, bread makers etc) for set periods, which it has publicised by radio activity. It appears that such a strategy is paying dividends as the group reported growth of 3.5 percent to euro10.8 billion (\$13.8 billion) at the end of October.

Meanwhile in the US, retail monolith Wal-Mart is actually prospering during these times of financial woe as changing consumer spending patterns seemingly favour brands offering the best value for money. The brand's 'Save Money Live Better' initiative, introduced last year, is now coming into its own following a series of ads

advising families on how they can save up to \$700 by shopping at Wal-Mart, and how these savings can be spent elsewhere. Ads in this campaign have taken a functional yet emotive approach with a focus on how such savings can benefit the family and deliver 'special moments', the fulcrum of the strategy. Notable examples include 'back to school' and 'university starters' activity which depict Mums describing how grocery savings have gone towards textbooks, equipment and furniture. This is an approach which is set to continue with the company's Thanksgiving and Christmas marketing, ranging from TV to digital and circulars, to concentrate on how grocery savings can be used to buy gifts - with gift sections in stores featuring \$5 and \$10 price points. An upcoming Christmas ad will, according to Steve Bratspies, senior VP-marketing, focus on how 'Mom's going to feel on Christmas morning when she can save money and deliver the gifts that her children really want.'

Rival supermarket brand Target is trailing in Wal-Mart's wake. Despite adapting its strapline to 'Expect More. Pay Less' in light of the economic downturn, as well as vocalising its intent to be a price leader, consumers still don't appear to be buying it. The retailer is having a tough time persuading customers to snap up its more fashionable offering. Kathee Tesija, exec VP-merchandising, noted that consumers are continuing to trade down, for example, from a duvet to a comforter. Target's house brands, however, are performing well, which she says is likely attributable to a trade down from national brands. 'Right now the consumer is more than hesitant. They are very stressed right now, and we, like other retailers, are all struggling from the inability ... to motivate and inspire people to come into our stores.'



Carrefour



Walmart



Walmart