

# CLARITY

A BUSINESS TO BUSINESS RESEARCH UPDATE  
WINTER 2010



## EMERGING FROM THE STORM

Recession is the mother of reinvention



Vikki Mitchell (nee James) Director at BPRI and Sarah Goodson Senior Manager at Accenture paired up to present a review of several case histories ranging from Google to Telecoms, pointing out along the way that many now very successful brands/companies had started in previous recessions. These included innovations from airline loyalty programmes, Fortune Magazine, the personal computer, Google, fast-food value menus and not least of all the now ubiquitous iPod. Concepts succeeded because innovators recognised a market gap and quite simply filled it!

“It’s about the survival of the focused and the more thoughtful.”

Sir Martin Sorrell, CEO – WPP/Lum

It is all about identifying that need – in whatever context – which is the key to any thriving enterprise, regardless of the wider economic climate. Investing in innovation during a recession often allows companies to grab market share providing a head start that allows them to dominate in the years to come. Research has a fundamental role to play in the process by filling in some gaps between the known and the unknown. How would people behave in recessionary

times? How can companies/brands remain relevant to what their customers want/think/believe? Marketing and research fundamentally plays an increasingly critical and strategic role in helping companies stay relevant to their clients and has even more reason to stay on action agendas. The presentation and paper covered three essential stages, Transition, bridging the move from the old to the new; Evolution, moving into new but still based on improvements to the “now”, and then onto Revolution, with attendant “big risks” but “big rewards”. They then went on to explore

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“If you hunker down and just stop doing anything you are going to be a weaker player when things pick up.”

Dan Cobley, MD - Google UK

Close relationship, transparency, agile

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“This is a huge opportunity that organizations are failing to harness... During previous downturns, companies that thrived used data-derived insights made by informed decision makers to produce lasting competitive advantage. We believe that predictive analytics will be the difference between the winners and losers in the next economic cycle”

Dave Rich, MD, Accenture Analytics

the opportunities for research providers of offering Analytics, access to/information about Emerging markets and finally, New Technology.

There has been some significant growth in technology, analytics and emerging markets. Discussed was how organisations increasingly operate within global business networks and how the economic crisis is forcing them to focus on profitability and cashflow. Clients and stakeholders are demanding accountability, transparency of business practices and sustainability. New trade corridors are being created between Asia, Africa, the Middle East and Latin America, often with China at the centre. The success of the BRICs is already well documented (and was at the forefront of discussion at DAVOS this year) – successful companies moved quickly to start operations here, and while others are just starting to expand their operations, others are already looking for the next growth opportunities: That's where the Next 11 countries come in... they're the next big growth stories. From West to East: Mexico, Nigeria, Egypt, Turkey, Iran, Pakistan, Bangladesh, Indonesia Vietnam, South Korea and Philippines.

“In the next four to five years, at least one-third of WPP's business will come from this region (N11)”

Sir Martin Sorrell, CEO – WPP

People everywhere are questioning current economic institutions and processes, and their visions for the future. Earning loyalty in this climate takes hard work as clients react differently to problems the recession brings and their priorities change rapidly. Establishing and nurturing long-term relationships makes a simple principle of being relevant even more significant.

In Google's early days, it had a technology and not much else. After a couple of iterations, though, it came up with its advertising-based business model, setting the stage for one of the greatest economic success stories of current times. So far Google is

outperforming forecasts despite the recession impacting its main revenue – online advertising. Google is constantly looking to innovate, both building on current products and developing new ones.

“Going forward, I think our share price will, ultimately in my view, be determined by our rate of innovation... There's no recession in innovation.”

Eric Schmidt CEO and Chairman- Google

Great business leaders use recessions to capture the strategic high ground. It is sometimes easier to take a look at your company in a slowdown. You're not going at breakneck speed. You've got your employees' undivided attention, and they understand that the company must adjust to the new environment and adapt to fundamental changes a lot more readily. This helps maintain loyalty and morale, and increases the acceptance of cuts and new strategic initiatives.



Market research often help better identify how you can make the right moves. If you make the right moves, you should rebound from a downturn sooner, stronger, and with a markedly improved strategic position.

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“There’s been intense pressure on executives to deliver sales growth, a larger market share, and ever-rising stock prices...Risk became the rule rather than the exception, which explains the scale of the crisis.”

Robert L. Simons, Harvard Business School

Recessions can also help organisations figure out how to improve products, services, and processes internally and for their clients. Ideally, the creative thinking that’s needed to weather the storm of an economic downturn can lead to new markets and revenue streams as mentioned. Another example of evolution is incremental innovation, which is about adjusting or re-launching what is already there. To some degree considered – more sensible in a recession. It is more than just about – making old things better. The iPad is a current example – a blend of technologies at a competitive price point. In recessions clients don’t necessarily want the cheapest option but they demand value for money. Apple sold 2 million iPad’s in 59 days so the fact that the iPad is selling at a rate 162% above consensus is impressive. Apple once again looks like they will emerge from this recession even stronger.

There is no doubt that the next few years will be challenging, with high levels of uncertainty and plenty of experimentation. Recent research confirmed that only a minority of executives are confident that their companies are crafting effective strategic responses to the new environment. The mistakes of the past should not be repeated but no down turn is ever the same, We need to not rest on our laurels and should seek to establish equilibrium between risk and opportunities:

#### **Choose investments that make sense for your company**

Opportunities should be evaluated based on the core value they will add to their organisations. Refocus investment and energy

in areas that will build core competencies and integrate risk into strategic planning more comprehensively to help identify areas for real and sustainable development

#### **Take actions that positively affect corporate reputation**

Transparency and trust will drive business trust in the ‘new normal’. The rise of global telecommunications has made corporate reputation a constant risk – executives should try to mitigate it when and where possible.

#### **Consider the customer when developing new products**

Consumer behaviours have changed and products will need to change with them. Premium brands in particular will need to reassess their product portfolios to decide how to align value with price.

#### **Don’t be afraid to pioneer**

Entering new sectors and markets will lead to an intense development of talent and expertise that can either be exported to business customers or used to pioneer industry leadership. It is time to go beyond the traditional Emerging Markets and embrace the opportunities for expansion in the Next 11 economies.

The presentation ended with the point: when the going gets tough, the tough get going and the realisation that economies often work in cycles. Today’s concerns are likely to become tomorrow’s reasons for optimism. Then real interest came when Vikki did a stage-front demo of the iPad, chatting about how new technology can be used to harness the best from research data and make our lives more productive, faster and most importantly fun!

To start the optimism amongst the audience, BPRI even gave away the iPad and with the iPad not having been released in the UK at the time, overall audience excitement was an understatement!