

SEARCHING FOR A SILVER LINING

Vikki James, Senior Client Manager, argues that discovering new customer needs and innovating to fulfil them can be the ticket out of a recession

Previous recessions provided big opportunities so why does the media insist on solely projecting doom and gloom? Perhaps the answer lies with us becoming more provocative or innovative in our thinking? Difficult times often stimulate new ideas and creative processes by exposing a previously undiscovered need. It might seem counter-intuitive to invest in a new idea or start a new business when the economy is in a decline. However there is a great deal of evidence to show that a recession can actually be the ideal time for launching a company or developing an idea. Many well-known and successful companies and concepts were born during an economic slump – such as airline loyalty programmes, Fortune Magazine, Revlon Cosmetics, the personal computer, fax machines, Texas Instruments, the iPod, and fast-food value menus, to name a few....

Why do these concepts succeed? Usually it is because the innovators recognise a market gap and fill it. Identifying that need - whether it is related to entertainment, travel or even streamlining how businesses operate, is the key to any thriving enterprise, regardless of the economic climate.

- **CNN** might be a news giant now, but in recession-plagued 1980 it was a little-known station called The Cable Network News. It revolutionised how people received information when it premiered as the first 24-hour all-news channel. Today, 1.5 billion people across the globe watch CNN.
- **HP** was inauspiciously born in a garage at the end of the Great Depression. This technology company, initially supported by a mere \$538 investment, has grown into the first in its sector to exceed \$100 billion in revenue, earning \$104 billion in 2008. It now operates in nearly every country in the world.

Existing companies can also make incredible gains in years where the economy is slow. In fact, a McKinsey study of 1,000 companies over 18 years found that companies that retained market leadership during the recession of 1990 – 1991 invested cash on making strategic acquisitions and pursuing new opportunities that fitted with the overall corporate strategy. They did not focus on

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reducing costs or operating expenses. These companies were the most successful coming out of the recession. Some of the most recent success stories are **Google** and **PayPal**.

From a communications perspective there is strong evidence that raising your profile in a recession, rather than cutting advertising and communications spend, is vital. A survey¹ of 600 business-to-business companies found that those that maintained or increased advertising expenditure during the 1981 – 1982 recession had higher sales growth during the recession and the subsequent three years. Not only that but another study² in 2001 showed that companies that retained high share of voice in a recession increased their market share two and a half times the average.

Organisations may be reducing staff but roles will still need to be filled with extremely talented global individuals who will have the skills required, the appetite, commitment and values to sustain a world-class company in these turbulent times. In fact, the latest research report published by the Chartered Institute of Personnel and Development (CIPD) in February 2009 found that, despite the downturn, fighting to keep their top talent remains a priority for most organisations. Of the 700-plus respondents to the research, the majority (74%) of companies have not changed their talent strategy at all. Of the 26% that have revisited and changed their strategy, almost one-in-five (18%) are actually placing more emphasis on identifying, developing and retaining talent.

Whilst marketing budgets may be under greater pressure than before, recessionary budget costs are not universal and it would appear that certain industry sectors have increased their marketing spend as organisations need to retain customers in an even tougher environment. Now more than ever decisions need to be based on solid data for maximum impact and so any external spend needs to be tested before it is deployed.

We can speculate on whether smaller scale studies with more conservative sample sizes focusing on key geographical territories will replace large-scale global tracking studies. In Europe and Asia research buyers are looking for more innovative approaches in order to stretch their budget to cater for the changes ahead....Using research to help manage risk, better monitor or justify the effectiveness of spend has increased across both Europe and Asia. Businesses in China are confident that communication and pre-testing are the most vital areas where most companies are reluctant to cut back.

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Essentially, the use of market research will become the vital ingredient in a company's marketing mix, as information becomes not only more important, but mission critical. Market research can be used not only to alter market position, it can reveal hidden market opportunities. Danger lies when assumptions are made. For instance, company executives typically know the primary reason for their customers' choices. Opportunities can be missed if you fail to investigate the underlying driver of choice. These secondary and tertiary priorities and covert needs are the ones most affected in an economically challenged environment. Thus, proper analysis of stakeholder and customer preferences can help give clear and practical guidance in areas such as new product development, customer loyalty, brand preference, competitor analysis etc... Now, is definitely the time to keep in touch with clients and prospects and there is no better way than through the use of market research.

Those who are successful at anticipating their customers' needs will soon discover that an economic downturn offers a silver lining. Given the cyclical nature of the economy, today's worries will likely be tomorrow's reason for optimism. Just don't expect to hear or read about it in the media!

Source- ¹ McGraw Hill 1980-1985. ² CARR Report: August 13 2001