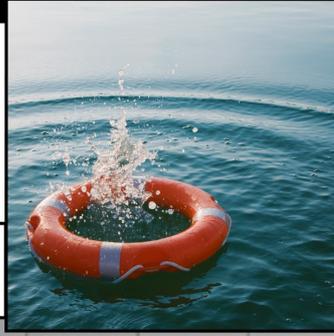
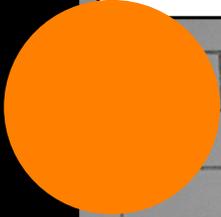


The CMO's survival guide

Wavemaker | campaign



5 ways to keep growing in a downturn



How to innovate in a downturn – double-down on distinctiveness

How to innovate in a downturn – double-down on distinctiveness

Innovation is the lifeblood of every great business – but it takes on a new urgency in a downturn as consumers reluctantly switch-and-save away from their favourite brands. Like the **Love Island** finale, only the strongest survive and win a spot in that coveted 30% of products for which people are prepared to pay more.

But as the CFO makes her list of savings, innovation projects are often at the top, so what's a marketer to do? The answer is double down on distinctiveness where it counts. Use innovation to make both your masterbrand (the corporate brand under which all sub-brands and products fit) and your hero products more distinctive. The rest can wait – now is not the time to invest in a long list of second or third-placed SKUs that people are switching away from^{1,2}

Why does distinctiveness matter? Because you can't win on price alone

In times of recession, the price component in the value equation³ (value = quality⁴ + experience/price) comes to the fore as people cut back. Wavemaker's new UK cost of living research tells us that 58% of people are becoming more price sensitive, with 30% saying they will swap to own-brand⁵. With inflation at record levels in many countries, both consumers and brands are really feeling the pressure.

But as history tells us, brands who win in a recession do not do so by focusing on price alone; this approach can cause lasting damage. As the **Harvard Business Review** warns: 'Across-the-board price cuts can permanently erode a company's profitability and strategic position.' With supply chains compromised by the Pandemic and war in Ukraine, and the rising cost of raw materials, right now most can't afford this option even if they wanted to.

You can win by innovating your way to a more distinctive product

Learning from previous recessions, particularly 2008, brands prevailed by pulling on the value equation's levers of **quality and experience – not price**. Setting themselves apart through

high quality, experience-driven communication (often at an increased cost), new product development, new packaging, developing premium features and talking quality – all factors in a distinctive offer.⁸

Much of the focus in 2008 was on product research and development. In 2022 we can go beyond this – we now have the tools to innovate across all aspects of media and marketing, in paid, owned and earned channels. Innovation is our superpower, applied to the quality⁹ and experience levers in the value equation to convince shoppers that our masterbrands and their hero products are worth paying (more) for.

A masterclass in quality signalling

In the offline world, sponsoring big-name properties, big TV ad breaks and using big posters have all helped signal quality through the implicit kudos of the channel. TV signals important, posters tell us new, sponsorship rubs brands against brands to create a perception of quality. But what technology allows for is a deeper, stickier signal. Take confectionary masterbrand **KitKat**, infiltrating football super-game **FIFA** to give players a break, using their 64-year-old brand message 'Have a Break, Have a KitKat'. By innovating new have-a-break moments, the brand positioned themselves above the discount lookalikes and substitutes.





Fast food giant **Wendy's** were also looking for a way to tell the story of its 'fresh, never frozen' beef to a growing generation of gamers. Each week on **Twitch**, Wendy's masterbrand came to life on some of the platform's most popular video games, playing each one with an 'anti-frozen' twist, like destroying burger freezers in **Fortnite's** Durr Burger restaurant – getting out the message that its beef is fresh, never frozen. Wendy's became one of the top 1% of all streamers on Twitch, drumming home its superior quality. It's a brilliant instance of *metaconsumption* coming to life – merging physical and gaming realities with usage in real life through in-game experience.

Better experience via Augmented Reality

The streaming war is set to come to a head in the recession as households cut back on subscriptions. Known for their superior experience, **Disney** has just upped the ante through its first augmented reality (AR) short film on **Disney+**. **The World of Imagination** is a whimsical fantasy world with which people can interact through the Disney+ AR app. As one of the best technologies to drive experience, delivering sensory richness and a deeper connection, AR is a smart choice for Disney+ as it competes to stay on hard-pressed consumers' list of subscriptions. This is innovation at its best – using a new technology ahead of the competition; in Disney's case as a new way to double down on what it does best – tell stories.

During the pandemic **Volvo** needed to find a way to bring the showroom to consumers for the launch of their electric SUV model, the **XC40 Recharge**. Using the 'true scale' AR experience, consumers could place the full-sized car in their garage or driveway, walk around the car's exterior and see its key features. Other brands such as **Ikea**, **Legó** and **Wavemaker** client **L'Oréal** utilise AR as standard

to deliver virtual try-on, in-home experience and increase engagement. With new-and-improved AR hardware expected in 2023 we are just beginning to explore the power of this technology.

Bespoke experience via Artificial Intelligence

AI is also at the outset of its innovative potential. Our multi award-winning [NotJustACadburyAd](#), created by Wavemaker and **Ogilvy** in India, enabled local store owners to create their own ad featuring Bollywood mega-star **Shah Rukh Khan**, quickly, easily and for free. Using AI meant **Cadbury's** could give thousands of their most valuable customers (the business owners who sell their product) a bespoke boost to their business during the pandemic and promote **Celebrations** chocolates at the same time.

LVMH: A luxury masterclass in masterbrand innovation

Luxury leaders **LVMH** wholeheartedly back masterbrand innovation. They invest in the LVMH Lab and have run six innovation awards for hungry start-ups in the past six years, in a wide range of categories from 3D product experience and metaverse to omnichannel and retail. More recently, they have created a beautiful virtual avatar as the face of the group's innovation strategy and vision for a tech-enabled future. The virtual avatar is named Livi (an acronym for LVMH Innovation Virtual Insider).

LVMH's investment in its masterbrand has a halo effect across the group's portfolio of 75 distinguished brands or 'houses' as they are known. As the virtual embodiment of this, Livi is a fascinating example of what's to come.

The brands who will succeed in this recession will focus on the masterbrand and a few hero products, pulling on the quality and experience levers of the value equation by using innovation in communication, product and physical experience. Unlike previous downturns, we have a huge array of emerging technologies to draw upon, keeping our brands on the worth-it lists of cash-strapped shoppers.

Investing in hero brands

Marmite successfully expanded the audience for its love-or-hate hero product by ‘Russian dolling’ out of its core product. Aware of the dangers of limited usage occasions, Marmite’s Rice Cakes, Crisps, Breadsticks, and Nuts are targeted at a younger, on-the-go audience.¹⁰ **Marmite Mini Cheddar Bites** were born out of the drive to own a share of one of the most frequent and lucrative occasions – the lunchbox. Hero product innovation targeted at new growth audiences and new usage occasions is a winner when times are tough.

Marmite has also focused on driving distinction through radical partnerships by partnering with brands where the combinations stand-out – anyone for peanut butter Marmite? **A Marmite Cornetto?**

Marmite hot cross buns? **Marmite Lynx** deodorant? By this radical partnering of its hero product the brand drove distinctiveness out of category and innovated into new audiences and out of potentially narrow usage.

As well as innovating in R&D and marketing, **Burger King** is a great example of a brand that's been innovating through physical experience. It has introduced solar-powered canopies, curb-side delivery and even a hologram of UK rap artist **Tinie Tempah** performing the world’s tiniest gig on their signature **Whopper** burger. A combined team of tech, operations and food innovation experts has been working to innovate the entire guest experience with the aim of strengthening the masterbrand and its hero products.¹¹

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Also in the series:

Hunting for value in the Purchase Journey

Why brand advertising is your greatest ally in a downturn

Conquer stagflation with the power of Precision media

The thin line between agile and hasty

¹ Hero Strategies focus on what products sell well and use them as the foundation for your sales strategy. The more marketers focus on innovation to supercharge the heroes - the more likely they are to win

² <https://www.bain.com/insights/innovation-in-consumer-goods-heroes-to-the-rescue/>

³ While there are nuances in the definitions of the value equation depending on if someone is buying a service or product, it typically entails the following calculation of factors: value= quality + experience/price

⁴ Innovation in Recessionary Times, Ipsos. <https://www.warc.com/content/article/warc-research/innovation-in-inflationary-times/145935>

⁵ Britain Thinks

⁶ <https://hbr.org/2019/10/why-you-shouldnt-slash-prices-in-the-next-recession>

<https://hbr.org/2009/03/value-for-money-strategies-for-recessionary-times>

⁷ Heavyweight ad campaigns (Coca-Cola and Pepsi both continued to invest in advertising and building goodwill with consumers using uplifting campaigns, such as Coca-Cola’s “Open Happiness” campaign and Pepsi’s “Refresh Everything” campaign.

Investment in product innovation (Heinz remained committed to its health and wellness innovation platform during the recession. It continued to roll out its Bisphenol A-free products and capitalized on the “dine at home” trend to introduce these new products.)

⁸ Nescafe also increased its advertising by more than 5% and leveraged the increased advertising to reset the value proposition with consumers, emphasizing the taste and quality of its products

⁹ <https://www.warc.com/newsandopinion/news/get-your-innovation-right-in-2021/44430>

¹⁰ <https://thebrandgym.com/marmites-masterclass-in-innovation/>

¹¹ <https://www.goodmorningamerica.com/food/story/burger-king-restaurant-innovations-conveyor-belts-food-lockers-72793827>