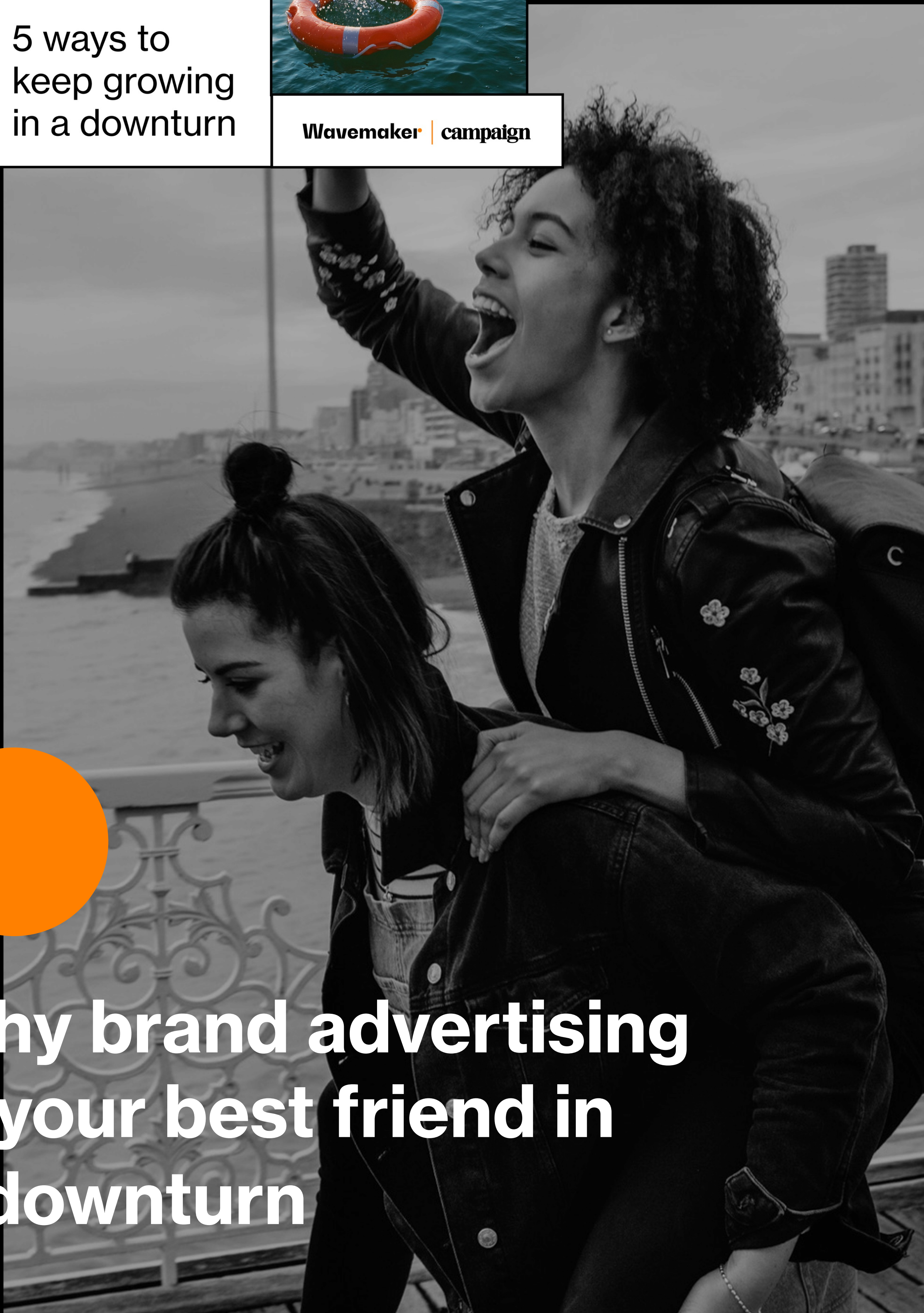
The CMO's survival guide

5 ways to keep growing in a downturn

Wavemaker | campaign



Why brand advertising is your best friend in a downturn

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A global recession looms, and the familiar calls for marketers to continue to invest in their brands have begun again in earnest. The merits of preserving brand budgets in a downturn are not theoretical, but a matter of historical record; reducing your spending during a recession will reduce post-recession growth, while increasing your investment leads to outperforming your rivals in the long term[1]. According to **Mark Ritson,** recessions are 'the ultimate time to build brands and grow market share'.

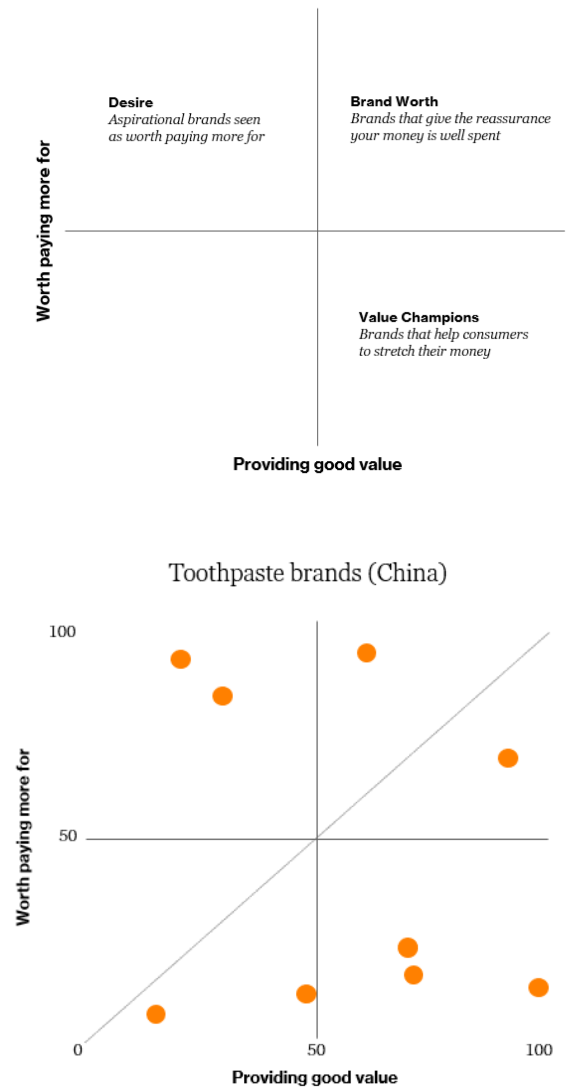
A cost-of-living crisis doesn't change how brands grow. But simply being salient, and reminding people to buy your brand, will not be enough. When household budgets shrink, brands are going to need to demonstrate their *value* to the consumer. Investing in brand communication is vital if a brand is to reduce price elasticity to keep people buying when wages shrink or prices rise – you have to be sure that your brand is *worth buying* and this needs to be established in the consumer's mind before they're in the market for your product.

Is your brand really worth paying more for?

At the bluntest level, we can treat brand value as the difference between the cost of its production and the price the consumer is willing to pay for it. What creates that brand value is what the brand means to people. A brand's symbolic value is as important (frequently more important) to its users as the product's function: the million people who bought **Rolexes** in 2021 all have smartwatches that do a far better job of telling the time, and a **Yeezy Gap** sweatshirt will keep you no warmer than a **Fruit of the Loom.** The brand values worth paying for are not inherent in those products: they are put there by consumers' use and display of the brand, and the investment in brand communication and behaviour.

If you are to persuade people to choose your brand, and not defer to a private label or generic alternative during this crisis, **you need to understand what they expect brands (not products) in your category to do for them.** Consumers are going to expect brands to help, not simply remind them to keep buying their products. Why should they pay for the added value your brand offers? What role does the brand and its added value play in their lives?

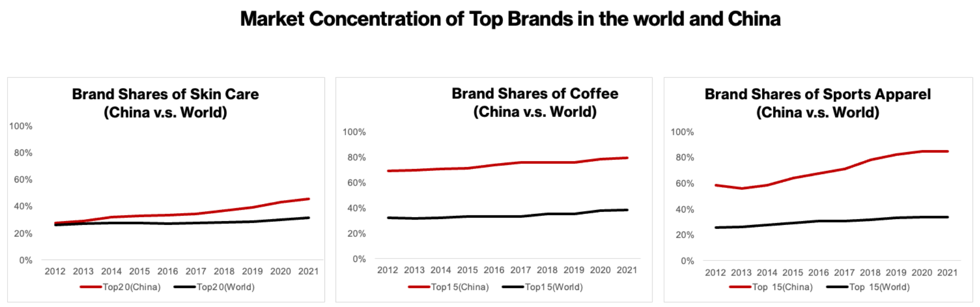
The unpalatable truth is that some brands are less likely to be deemed worth paying more for and will be the first to fall off the shopping list. During a recession, many people are less likely to spend on indulgent purchases, so brands will need to either give people the reassurance that their money is well-spent or help them stretch their money. We can see this in the Brand Asset Valuator (BAV) charts below looking at toothpaste brands in China: there are clearly some which will struggle to maintain share if inflationary pressure continues there.



Source: BAV (wppbav.com)

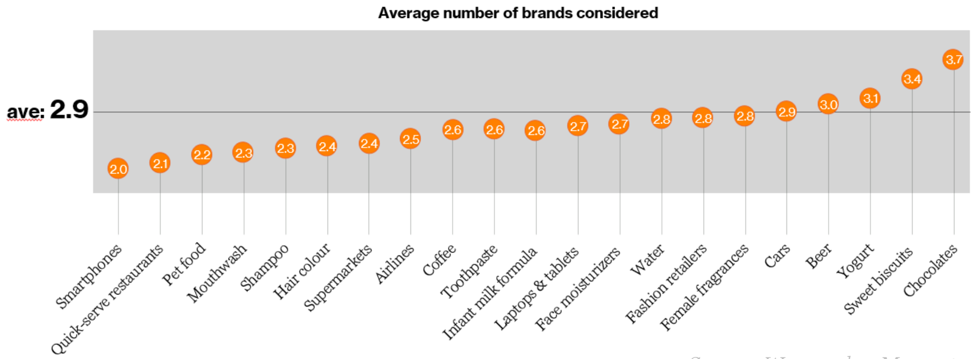
[1]See Research on Advertising in a Recession: A Critical Review and Synthesis (Tellis & Tellis, 2009. Journal of Advertising Research)

In China this situation is exacerbated by the fact that the top brands have such a large, and growing, market share. Brands which are not on this list will struggle to survive as people switch and save. This is true to a lesser extent in the rest of the world, depending on the category; in coffee for example, the top brands account for almost 40% of sales outside China, and an incredible near-80% inside.



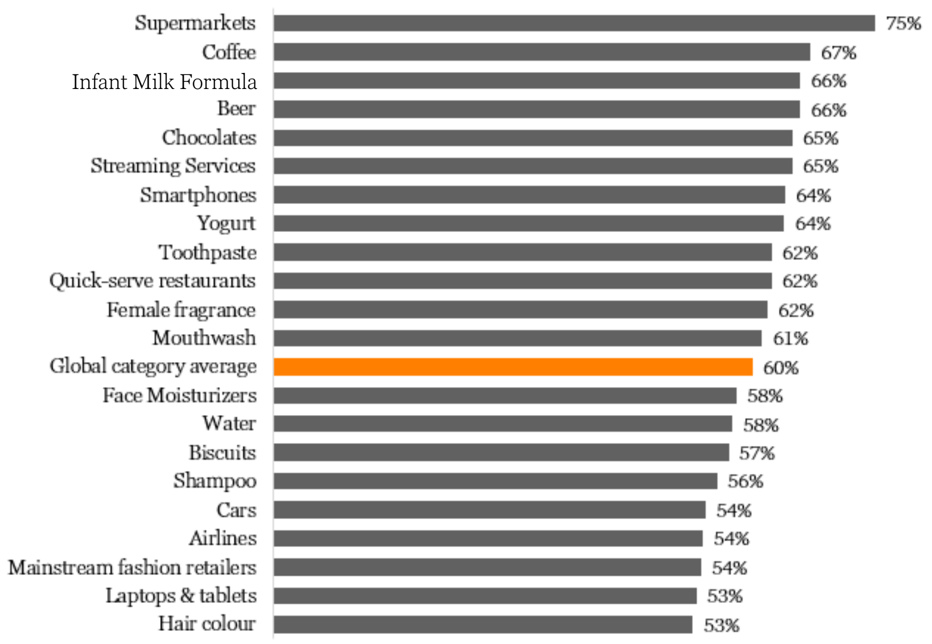
Source: Euromonitor International

Continued investment in brand communication is key to providing reassurance that a brand is worth spending more on, depending on the type of value a consumer needs from it – which will differ according to their circumstances. But it also plays the vital role of priming people to choose your brand – not just keeping it top-of-mind but creating a positive predisposition that keeps it on people's habitual shortlist for the category. This is vital because even in difficult times, the majority of consumers actively consider only a very small number of brands:



Source: Wavemaker Momentum

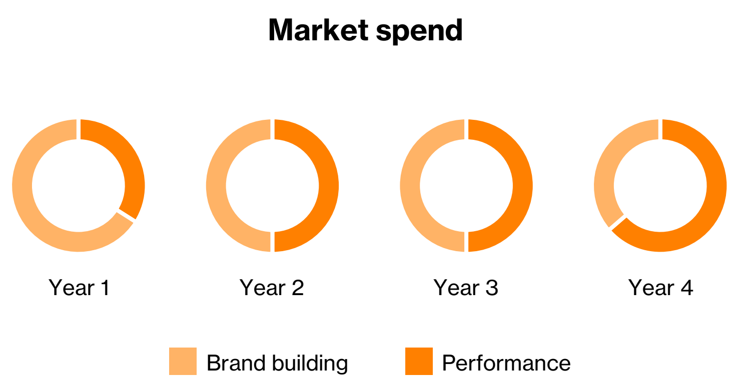
This is true in all categories. Wavemaker's **Momentum** Purchase Journey research shows that 60% of shoppers have a clear idea which brand they will buy before the buying process begins – long before the first or 'zero' moment of truth, or before online buying signals are visible. We call this 'priming bias', because it's a predisposition towards a brand that influences the way you behave once you start looking to buy something.



Source: Wavemaker Momentum

So why is the brand budget the first to be cut when times are tough?

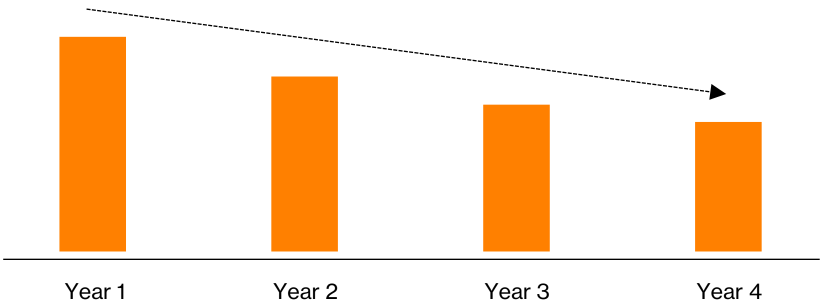
No matter how essential the best marketers know investing in brand to be, the fact is that there is a long-term, increasing preference for Performance Marketing and using instant ROI as the sole measure of success. We can see this in recent years – especially in the past year – when most marketing investment has been spent on performance media.



The devotees of instant return either don't realise or choose to ignore that this approach will only generate decreasing returns in the long term.

According to Kantar, when investment shifts too far in favour of performance marketing, the result is a gradual decline in baseline sales. In the long run, the brand will fall into a vicious circle – it will be 'kidnapped' by ROI. The conclusion – without brand marketing, a healthy sales baseline cannot be guaranteed.

Decline in base sales



Source: Kantar Analytics Marketing AOI norms database

'Between 2019 and 2021, brands who invested more in marketing the brand increased their brand value by 72% compared to just a 20% increase for brands who reduced this investment' according to Kantar's analysis.

This, therefore, is the vital role of brand advertising – and the reason to fight for that budget in the boardroom! It's not just about maintaining sales (the primary goal of most brands during a recession) and mental availability, but driving brand equity and bias – without that no amount of performance advertising will keep your products on people's carefully budgeted shopping lists.

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