



More thoughts about the Recession

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The marketing press is full of articles about how to survive the recession. The fact they often overlook is that the recession has been good news for significant numbers of consumers. Marketers need to distinguish between the real and emotional impact of the recession. This article provides a good place to start.

There are five factors determining how consumers have fared during these troubled times:

Age: Plummeting asset values disproportionately affected the 50-plus since they own 80% of the nation's wealth. For the young, with high debt levels and ambitions on home ownership, the sight of declining property values and interest rates has been fantastic news.

Employment: Those in secure employment have benefited from the continuous stream of high street 'sales' that have been going on since before Xmas. However, new entrants to the job markets and those having lost their jobs have seen their standard of living plummet with little prospect of it recovering.

Savers or borrows: Historically low interest rates have provided a bonanza for those with tracker mortgages whilst those on fixed rate look on in envy. Savers have seen their saving's income all but disappear.

Type of employer: Salary freezes and employment cuts create hardship for those in the private sector whilst Government employees have benefited from job security and salary rises.

Geography: Swindon's consumers have seen the price of their properties decline at record levels and unemployment increase by 200%. Their peers in Northern Ireland have fared better than any region of the UK.

*The record low level of the consumer confidence index masks that fact that the recession has created winners as well as losers. Don't forget that UK household disposable income **actually increased by 6%** during 2008.*

What do marketers need to do if they are to exploit the recession's winners?

Rethink market segment definitions and priorities

The lead article in the April edition of the Harvard Business Review, titled "How to market in a downturn", concludes that: "The market segmentation scheme you used to plan your marketing budget and programmes, this time last year, is now obsolete." Your segmentation strategy must adapt to reflect the new market reality.

Understand that the recession is like a virus - it mutates and spreads.

For the eighteen months we have evolved through the "credit crunch" into a "high street" recession. The next phase is the "residual damage" created by the Government's attempt to extricate us from the first two phases. This will affect consumer demand for decades, not years. The profile of the winners and losers is not fixed. Smart marketers will monitor these changes and adapt.

Branding, advertising and corporate culture must be sympathetic to the national mood

Those consumers who are not suffering the recession's affects are still susceptible to the ebbs and flows of the nation's mood. Strangely, branding and advertising agencies have been slow to react and exploit these emotions.

- **Conspicuous consumption is uncool.** The consumer demand for luxury goods has been remarkably buoyant. But, consumers appear embarrassed by their ability and desire to buy such goods.
- **Uncertainty about the future.** I might be OK today but what about the future? Large groups of consumers fear tomorrow might be a lot worse than today.
- **Anger.** The Kübler-Ross model of grieving has found a new use in explaining consumers' reaction to their economic ills. Most people are in the 'anger' phase and looking for people to blame. The vitriol aimed at the banks is now

being broadening to include “big business” and since the expenses scandal the political establishment.

- **Shared experience.** The media’s coverage of the recession has gone on longer and been more intense than almost any other event in the last decade. The recession has dominated everybody’s lives from the unemployed graduate to the former member of the “Rich List”.
- **Feeling trapped.** Those who are prospering realise that their options for change have diminished or vanished. Materially many people are doing fine but the pre-recession world of infinite opportunities has gone.
- **Minimising risk.** People have enough risks in their day-to-day life without intentionally adding new ones.

Assuming these feelings have become part of the national psyche it is interesting to observe how companies have reacted. Was it good timing for.....

Aviva/Norwich Union to spend an estimated £37 million on a high profile re-branding exercise – **NO**

Innocent to jeopardise its ‘consumer champion’ status by selling Coca-Cola a minority stake worth £30 million – **NO**

Hovis to resurrect and build upon its nostalgic “Boy on the bike” ad – **YES**

RBS’s decision to slash its sports sponsorship spend by 50% - **YES**

The trusted brands of Tesco and Boots to signal their intention to exploit the contempt the Financial Services industry is held by moving into branch banking – **YES**

BMI to run a tongue-in-cheek campaign justifying the value of business class travel even during a recession – **YES**



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Savvy marketers understand that not everybody suffers during a recession and continuously react to its affect on consumer segmentation and mood.

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