Planning the unpredictable?

Headlines warn of the world's worst recession since the 1970s. Since the causes are different the comparison provides little insight of what to expect (even less if you were at school in the 1970s). As recently as Oct 2007, the UK Council of Mortgage Lenders forecast house price growth of 1% for 2008[1]. Was that delusion, denial or deceit? (By May they forecast a decline of 7%[2]) The reality is simpler: projection models aren't fit for purpose in extreme times. These are hard days for anyone responsible for planning. No-one can predict the unpredictable. The future is increasingly opaque.

Rational people should be very nervous, even suspicious, of market/share projections, volume/profit forecasts and growth/performance targets for 2009 and beyond. Yet the typical emotional reaction is more stunned than shocked (at least until fears are borne out in figures). Instinct is to revise down forecasts (replace +5% with –2% or the magic 'soft landing' 0%), and to tighten belts (cut budgets, freeze headcount, postpone innovation). This creates a pincer effect: less confident consumers matched by more hesitant brands.

Nike rode the 1990s recession by tripling marketing spend, and grew profits 800%. Inspiring, but not very instructive for brands that simply don't have access to equivalent resources. But 'sitting it out' is a poor alternative strategy. Recent collapses (banks/retailers/car-makers) suggest further crises may emerge, apparently at random, to strike industries that currently appear secure. Even a strong business cannot have absolute confidence in its suppliers, distributors, retailers or consumers. 'Playing safe' in this environment is all risk and no return: the worst possible option. But what kinds of alternative strategies should we consider? Where can we find upsides in the downturn?

We do not know how cold it will get. Here are six potential ways to try to keep warm:

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1. Run up the down escalator

Chocolate, smoked salmon and pastries are all bucking the downward trend. Everyone needs an 'affordable luxury'. Among the plans to introduce products at lower price points to satisfy thriftier consumers (and, worse, the temptation to cut the price of established brands), seek opportunities to (simultaneously) move in the opposite direction.

Search for opportunities to be someone's affordable luxury. Could your brand deliver greater emotional value to a different (less affluent) demographic? (Stretching penetration.) Could it offer current loyalists a lot more reward for just a little more cost? (A premium variant.) In the battle of perceptions, a downturn might be just the moment to trade up (ever so slightly).

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1 CML 29/10/07 www.cml.org.uk/cml/media/press/1374
2 CML 21/05/08 www.cml.org.uk/cml/media/press/1666

2. Grow a tail

TV advertising revenue growth was already below inflation long before September's earthquakes got many brands revising down their 2009 budgets. In contrast, internet advertising grew 39% in 2007[3] (though it may stall in 2009). Economic necessity is set to further accelerate current trends that make TV driven 'blockbuster' brands vulnerable to the 'long tail'[4] of choices presented on-line (compare the range on iTunes to that in a Zavvi store). The advantages of scale continue to diminish. The future will support a different balance between the big and the niche, and the next few months offer a potential tipping point.

Aside from making better media planning a critical survival factor for top brands this also creates an opportunity to offer variants tailored to specific consumer niches, if these can be launched easily. How could your brands quickly leverage existing equity to create variants for on-line retail? Which consumer niche do you most need to reach?

Conventional wisdom preaches range rationalisation, for efficiency motives, but targeted proliferation might be more effective.

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3. Start a heat wave

Social marketing tools have made slow progress from the margins of media brainstorms towards the mainstream of media options as the ubiquity of 'traditional' broadcast media channels has withered. But the last 18 months have provided a technological platform that was previously mostly hype, with mass uptake of sites such as Facebook, and (several years later than promised) of web-enabled mobile phones.

Social ideas (typically combining real world PR/cultural experiences with networking websites – as in Ford's 'This is now' campaign[5]), offer, at last, genuine alternatives to traditional advertising, with a brief to create dialogue, not just communications, and the added appeal of potentially higher cost-effectiveness.

There may be precious few good-news items in the media of 2009, so one key barrier – whether the idea gets enough exposure to 'tip' into the mainstream – is likely to be dropping. There has certainly never been a better moment. The winners are unlikely to be brands that add social as a flank to a more traditional campaign (not least because these elements will be first to go when the budget is cut), but to brands prepared to invest heart (as well as wallet).

Does your brand have a suitable consumer audience for social marketing? Is it doing everything it can to help consumers talk about it? Is your message worthy of dialogue (would you be genuinely interested in what consumers might say)? Could a substantial re-alignment of marketing budget steal a march on the rest of your category?

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3 Advertising Association 09/06/08 http://www.adassoc.org.uk/Ad_stats_yearbook_2008_-_8june08.pdf
4 C Anderson, 'The Long Tail', Random House, 2006
5 www.allnewfiesta.co.uk

4. Roast a swan[6]

Woolworths limped on for years on a fuzzy mix of fun, convenience and cheap prices, but structural movements can quickly test a weak proposition to destruction. However the same forces can also move a proposition from marginal to mainstream (look at Aldi). Product/service brands are likely to experience similar asymmetries – some stalwarts will dive, some niche offers will thrive. It won't all be (directly) about price: for example changing leisure habits (more time in, less time out) are already driving computer game sales – but we can only guess how they will tilt the field among brands in food and drinks/cosmetics/clothes.

Now is a good time to have flanking options, to dust down the back-catalogue of ideas, to reconsider ones based on strong consumer insight but with no quantified market. Can they be launched efficiently and at low cost? More than simply moving on observed trends (we should all be doing that already), can you create some positive exposure to things you can't forsee?

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5. Steal lunch

When Sharper Image, a US gadget-shop, filed for bankruptcy in February, their gift vouchers became effectively worthless. Within the week, competitor Brookstone offered to exchange any Sharper Image voucher for 25% off any Brookstone purchase[7], thereby positioning themselves as a hero while stealing customers and driving sales.

Hard times prompt many a price promotion, but how much better to be able to leverage off the impact of events? This is only possible if you can act fast. Smart companies should be looking around for the next Woolworths in their own category, and considering how they'd react more imaginatively than simply evaluating whether to buy its assets.

Even if a competitor is only wounded, opportunities exist. Scenario plan for the other guy's weaknesses. How could changes outside his control affect him? Is his brand/product portfolio exposure different? Are his consumers profiles different? Are his distribution strategy, routes to market or customer relationships different? Is he exposed to different market geography? Is he dependent on different supply chains? How would you react if one of these began to hurt him?

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6. Cuddle up

Make a virtue of challenging some taboos: one obvious candidate is co-branding. In normal times many brands are shy of the risk (diluted equity, loss of control). However, co-branding (as complex as Senseo from Phillips & Douwe Egberts or as simple as Marmite & Walkers) can offer powerful consumer benefits (legitimising higher margins or at least protecting against discounts), coupled with the potential to pool marketing budgets (delivering more impact just when things are going quiet). Which brands would make good bedfellows for your portfolio? And how are those businesses facing up to the economic climate?

6 N.N.Taleb, 'The Black Swan', Allen Lane, 2007
A 'black swan' is a large-impact, hard-to-predict, rare event outside normal expectations.

7 www.brookstone.com/bs_assets/files/pdf/corporate/BrookstoneRelease022708.pdf