

Brands on the Brink: Marketing in a Down Economy

By [Knowledge@Wharton](#)

Among other victims of the recession, brands have taken a beating. Private labels have gained market share. Consumers are cutting back. Retailers are turning up the heat. According to panelists who gathered to discuss brand strategy at a recent Wharton Marketing Conference titled, "Connecting with the Evolving Consumer," marketers need to be especially innovative when it comes to making sense of the shifting economy--and profiting from it.

What does a down economy do to consumer behavior? Most obviously, it makes people less eager to open up their wallets. According to Janelle James, vice president for global marketing at advertising agency Leo Burnett Worldwide, recent research shows that 80% to 90% of people are willing to trade off or trade down when it comes to shopping. Moreover, said Chris Kuenne, CEO of the marketing strategy firm Rosetta, many of those customers might not bounce back with the economy. He likened the effect to "a one-way membrane--it's not like everyone's going to go back to work [when the recession ends] and become much less value-sensitive."

But the general consumer pullback masks some interesting dynamics that marketers could benefit from. "In addition to assessing brands and whether [they are] going to trade off or trade down, people are starting to change what they're doing with their time," James said. That means less going out and more focus on home and family. One firm that has responded to this trend in its messaging is Walmart, whose advertisements go beyond just touting low prices and instead seek to show how those savings can contribute to customers' lives. That's an especially important emphasis at a time when economic reversals have led to a "trust deficit" between citizens and corporations, James noted.

Trading off and trading down is not happening across the board, however, said Eric Smith, who oversees the Norelco shaving business as a director of marketing for Philips Consumer Lifestyle. "Consumers are either trading down or staying within premium." In other words, the middle range of products has suffered far more than the top-of-the-line items that are bought either by wealthy consumers or by people who have decided that shaving -- among other select activities--happens to be one of the categories where they are willing to pay more for a little luxury or quality assurance. But since mid-range customers are most brands' bread-and-butter, the overall trend still means that "price is becoming a bigger part of the equation than we've seen in the past."

That is true even in categories once perceived as immune to the economic cycle. "There were a lot of jokes that we would be the only thing that was recession-proof," said Douglas Brand, a senior brand manager overseeing Chunky Soup and Chili for Campbell Soup Co. "I think we're finding now that nothing is recession-proof." Consumers' tendency to do a mental calculation of value--quality divided by price--has trickled down from major purchases like cars and refrigerators to minor ones, like cans of soup. "It challenges us, as marketers, to be on the top of our game. There's no free lunch anymore. No pun intended."

High Anxiety

According to Lisa Gunther, global director for marketing and brand management at Newell Rubbermaid,

one of her firm's success stories during this recession has been Calphalon. The cookware brand has thrived in part because of the trend of staying at home, but also because "Calphalon has capitalized [on that trend] by saying, 'Hey, you can really have a superior experience [cooking], and you can share this with your friends in a superior way,'" Gunther noted. On top of that, marketing for the product line has emphasized its technological leaps--a degree of quality generic lines can't ensure. "Consumers are looking for reassurance [about their purchases] during uncertain times."

In fact, several panelists stressed that marketers should be aware of the anxieties buffeting potential customers. To Laura Beech, director of online acquisitions and partnerships for American Express, that means helping to simplify consumers' lives where possible. "It has obviously been a year of a lot of uncertainty," Beech said. "Am I going to have my job? Am I going to have my house? What's next? So what's important is staying authentic, staying consistent." One example is the firm's Blueprint set of tools to help people better manage money--a way of emphasizing the brand's core identity while also appealing to consumers' desire to feel in control. "Showing [customers] that [during the recession] Amex will do what it always has done is important. It's security."

Brand agreed. "There are a lot of things in their lives that are out of control.... What we can do as brands is to try our best to make the consumer feel savvy." At Campbell's, that has meant emphasizing the venerable manufacturer's quality by highlighting nutritional information, moving it to the front of the packaging. "Every little decision does matter." The goal, he said, is to reassure customers that in buying a particular brand, "I made a good decision. Maybe there aren't good decisions being made around me. Banks are investing in bad mortgages. But with the money that I have, I'm doing the right thing and controlling my controllables."

Gunther said that Newell Rubbermaid had done a similar overhaul on the packaging for its Shurline brand of paint applicators. Though Shurline operates in a decidedly non-sexy category--one where brand recognition is around 5%--research has shown that customers' desire for more control included wanting to actually touch the paint applicators' bristles before buying them. With a packaging redesign that allowed consumers to interact with the product, Shurline's sales remained flat during the past year, even as the overall category fell by 30%, Gunther said.

Threat of Private Labels

Panel moderator [Patti Williams](#), a Wharton professor of marketing who studies the role of emotion in consumption, said that offering a greater sense of control and certainty "goes a long way towards thinking about how to help consumers manage those emotions that might get in the way of customer loyalty."

According to Philips' Smith, losing that loyalty is a persistent danger because of the rising market share of private labels. "Once you lose a consumer to a private label, if it does a decent job, you're not going to get them back."

Kuenne said there were "three weapons" in the fight against private labels. One is innovation. "The moment when the value proposition of your product begins to collide with those of private labels, you have a very, very big problem," he noted. "You should have a continuous pipeline of ways of differentiating your product." The second is managing a product throughout its logical life cycles. As it becomes less new and less differentiated, prices should fall to reflect the product's lower, entry-level

status. According to Kuenne, Gillette did this successfully by introducing the pricey Fusion razor as generic versions of its Mach Three razor came online.

Finally, brands should work with retailers on category management for when they square off against private labels. "What happens to retailers when they squeeze branded items off the shelf?" Kuenne asked. "Private labels only work when there's a branded competitor that establishes a price umbrella under which the private label can operate." By "rationalizing the shelf," he said, everyone wins: Stores get sales, consumers get choice, and brands get an adequate amount of shelf space.

That partnership with retailers isn't always easy, Kuenne added. Brands might have to concede more in negotiations than they are used to. But one thing they can share is consumer insights, Brand noted. "We can go to the retailers and say, 'I'm the Campbell Soup Company. No one knows the soup shopper better than the Campbell Soup Company.' You can't allow [retailers] to out-understand [your consumers]." By sharing insight and news of products still in the pipeline, a manufacturer can help shape the way a retailer thinks about what products to stock and where to put them.

Keeping Up with Consumers

Meanwhile, the Internet has given companies new ways to reach out to and interact with consumers while their attitudes toward brands have changed along with the economy. One channel has been the growing number of online forums devoted to particular customer segments -- like Café Mom, an information-sharing site aimed at mothers. "It's important for consumers to see that companies are listening to them," said Beech, who argued that in a time of Facebook, blogs and Twitter feeds, "being relevant" is not a luxury; it's a necessity.

Of course, when conversation about a brand isn't happening organically on independent online real estate, there are things marketers can do to spur attention. "You can't force someone to talk about your product," said Angi Rassi, a marketing manager for General Mills who currently oversees the Kid Yoplait brand of yogurt. "It really keeps us on our game when we play in this space."

Rassi, who spoke on a separate panel titled, "The Era of the Empowered Consumer," said General Mills takes a three-step approach to "invite people into the conversation." Consumers might be offered coupons, then steered towards a dynamic new product and finally invited into the process to offer feedback. Brands might maintain a Facebook or Twitter presence, or work with a site like Café Mom. "We're engaging consumers where they already are," she said.

But General Mills also has a couple of proprietary networks, including My Blog Spark, which engages upwards of 2,700 bloggers "who have signed up to receive the latest and greatest inside tips and news," Rassi said. "So we know them very well. We don't always reach out to all of them with all information, but we would reach out if we knew it was something they were very passionate about." A second network includes 175,000 consumers who sign up to get new products in the mail. "These are the people who talk to their friends about everything," she said. But nowadays, instead of just doing it over the backyard fence, they can spread news far and wide via online communications.

One population marketers can count on to spread the word is teenage girls. "Teenage girls think everybody wants to know about them, their love life and even their facial care products," said Rassi's co-

panelist Katie Cheng, a group product director responsible for Johnson & Johnson's Clean and Clear brand. "Also, they think anybody can be famous." Combining those insights, Cheng's firm marketed a facial product called "Morning Bust" through a contest that had users submit 15-second videos to YouTube of a college roommate waking up. With winners earning the right to produce a commercial that would premiere during the inaugural episode of a new MTV show, the goal was to have the user-generated videos go viral themselves.

"The buzz that was generated on that program had a huge halo effect for the Clean and Clear brand," Cheng said, who noted that shipments were up 80% over the previous year.

Still, Cheng cautioned that the myriad new voices marketers are now able to monitor -- or even influence -- shouldn't distract them from also following the protocols of traditional market research. "It's so easy to have the knee-jerk reaction of: 'Oh, but we heard that the consumer wants this,' and, 'Oh, we heard that this is something we should provide.' ... Traditional marketing research, where you take the time ... to really think about how to provide a benefit to the consumer and what she really wants, is something that you have to keep in mind when developing materials even though you feel like you've gotten a lot of feedback from stuff that's [considered] 'instant.'" Given the challenges brand managers are facing today, "we ... have to maintain a distinction between what is legitimate information and what is nice-to-know information, and focus on what is actionable."

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