

RECESSIONARY MARKETS— THE IMPORTANCE OF STAYING IN BRAND

During distressed economic periods, marketing priorities shift, budgets get cut and expedience can trump discipline. Any of which can create an environment where brand stewardship suffers. Maintaining an effective brand in normal times is challenging—doing so in this formidable recessionary period is all the more daunting. Not because of means, but because of will. Acquiescing to, and violating the “immutable laws” of branding in a stressed marketing environment is seductive. In the panicked rush to maintain revenue and profits, marketers rationalize incentive selling or cut expenditures undeterred by the potential effect that behavior may have on their brand. As brands rush to more affordable propositions, a brand’s unique value and relevance can be left imperiled. When ratcheting down in a sale-price, promotional, budget-cutting mentality, brands can get diluted into an ambiguous slurry of undifferentiated value.

With companies going out of business and sales plummeting, finding ways to take action, increase sales and cut costs is ostensibly rational. Layered with the emotional fears that naturally surface during stressed, unpredictable periods, one might justifiably reach for immediate solutions. But what you can predict with some certainty is the marginalizing and decline of many businesses and business sectors in this decade. Your choice for surviving the compression is to (borrowed from a bumper sticker) make dust or eat dust ... not as glib as it sounds. This can be a most reasonable choice in a flight or fight circumstance. Not necessarily spending more but being diligent about maintaining your brand’s ethos, even while promoting more aggressively. Reactionary strategies and creative “du jour” executions may appear to have value in the short term, but great brands are built on consistency of vision over time. Effective integrated brand marketing replicates the trust experience by behaving in a dependable and predictable manner. Over time, we become

comfortable with what we know, gaining trust and loyalty—the Holy Grail for marketers. Forfeiting consistent behavior and presence in times of stress jeopardizes identity and can fuel the confusion that already has seized the market. Ambiguity is death for brands, and those who emerge intact have the best chance for robust sales and increased market share when the dust finally settles.

THE IMPORTANCE OF BRAND IN A RECESSIONARY PERIOD MANIFESTS FROM AN IRONIC EXAMPLE

Short-term thinking is easy to excuse in this recessionary market. The very idea of brand and its relevance can seem frivolous in a market environment that only places value in sales, deals and foreclosures. Ultimately, brand value emerges because your market customers will seek differentiation and identity within your competitive set. A natural order of selection takes hold. Evaluation and preference hierarchy create demand for certain products and services, and brand wins out. An example of this can be found in a peculiar manifestation. T.J. Maxx today is seeing profits increase 15 percent, while most other apparel retailers are suffering 30–45 percent declines. T.J. Maxx shoppers are seeking deals on clothes—branded clothes—clothes that could be purchased at other retailers at similar price points and styles, but without the cache of a particular brand.

FORCES OF PRICING PRESSURE

Comprising 70 percent of our economy, the retail industry is the exemplary violator of brand price positioning. The canary in the coal mine of our economy, retail’s reactionary downward pricing instincts amply illustrate the potential for unintended forfeiture of brands. Walmart is at the epicenter of price/value and it thereby benefits the

most, while others who attempt to imitate, ultimately can’t complete. McDonald’s has seen a 5 percent sales increase from the share of mid-priced chains. And while the premium hospitality sector has seen an average 30 percent revenue decline and a bottoming 57 percent occupancy rate—budget subsidiaries like Super 8 are holding their own. Historically, well-run, low-priced, value-positioned companies outperform in challenged economies. Distressed, higher-positioned category competitors who try to compete on price promotions or cutbacks find that over time their brands can become muddied commodities. This has happened in every recession with the inevitable fallout of weakened brands. In nature, even the strongest trees can die years after suffering the effects of a severe drought. The forces of pricing pressure don’t allow everyone to share the same price positioning. The narcotic of price promotions and cost-cutting is a downward spiral that eventually loses money and can render your brand unrecognizable.

Currently, Abercrombie & Fitch (A&F) is experiencing double-digit losses, in part because they have refused to succumb to the sale-discount reaction that other retailers have surrendered to. However, others are seeing losses as well, even while they dive to discounts that distort brand positioning. Time will tell—and will validate or invalidate this discussion—but given the constancy of human nature and the predilections of fashion to define our identities through brands, my bet three to five years from now is with A&F. This is not to say you can’t promote or have sales. You can. But they should be executed in the context and manner consistent with the brand. Neiman Marcus can have a sale, as well as Walmart. What’s important is that that they’re carried out “in brand” and with consistency.

Staying the course of best brand practices is the answer in this market. Certainly you can adapt and modify incentives, but not at the cost of brand and position. Most likely you will not be as profitable (or even profitable at all) as in recent markets—few are. But once you emerge, the brand you protected will pay you dividends. In the meantime, make dust.

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