

DOING MORE WITH WHAT YOU HAVE

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STATUS REPORT ON BRANDING IN AN ECONOMIC DOWNTURN

WHY BUSINESS LEADERS ARE ON ALERT

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WHY BUSINESS LEADERS MUST ATTEND TO BRANDING WHEN AN ECONOMIC DOWNTURN IS LIKELY

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Smart managers identify areas that deserve ongoing investment so they can continue to cater to their best customers during the bleak times. Armed with detailed inventories of their assets and attributes, they cut back only where and when such actions will have no impact on those customers

FIVE RESPONSES THAT HELP STRENGTHEN BRAND STRATEGY GOING INTO A DOWNTURN

- 1) Do a reality check by scanning your key markets, competitors, customers—and your own company
- 2) Audit your whole range of communication tools
- 3) Segment customers and focus on the most profitable
- 4) Reevaluate the brand portfolio and brand drivers
- 5) Create stronger interactive messaging tools and techniques

Doing More With What You Have

BY SUZANNE HOGAN, RICK WISE AND SIMON GLYNN

The downturn is here. Although the “R” word is not making headlines yet, some respected economists have begun talking about the likelihood of a recession beginning in the U.S.

While many business leaders tend to react to economic slowdown by mandating fixed costs across the board—a response encouraged by directors and Wall Street alike—the smart managers identify areas that deserve ongoing investment so they can continue to cater to their best customers during the bleak times. Armed with detailed inventories of their assets and attributes, they cut back only where and when such actions will have no impact on those customers.

An economic downturn offers a unique opportunity to improve an organization’s position relative to its competitors. That is especially true in marketing. A period of economic weakness can be a natural time out—the perfect opportunity to reassess how to gain efficiency and effectiveness in marketing spending and to revisit and strengthen brand strategy.

LEADERS BOLSTER BRANDS DURING DOWNTURNS

Companies that follow the herd won't weather economic storms any better than their peers. But those that take a contrarian stance—albeit a riskier one—stand a strong chance of gaining market advantage.

During the 1990-91 downturn, for example, Intel accelerated investments in state-of-the-art factories and launched its "Intel Inside" brand-building campaign. The semiconductor maker powered out of the recession, capturing the bulk of the profits in its sector and holding onto them for years. More recently, retailer Tesco looked far beyond economic cyclicity to focus on its big goals of market leadership, leaving behind the Sainsbury's chain whose every move Tesco once emulated.

During the dog days that followed the September 11 attacks, Starbucks' sales kept rising while many retailers and restaurants saw their business fall off. Starbucks' managers understood the need to create a unique customer experience, not just to sell coffee.

The story is much the same when it describes branding. The financial services and fast food sectors offer good examples. In the grip of a post-September 11 slump, many U.S. banks slashed their advertising. Citigroup cut its TV ad spending by 92 percent in the first half of 2002 compared to 2001's first six months, and JPMorgan Chase dropped more than 40 percent of its TV ads in the same period. But Citizens Financial Group, a powerful U.S. East Coast bank, more than doubled its ad spending in 2002's first half *and* created a unique customer experience by investing in new branch designs to position itself as "not your typical bank."

Similarly, U.S. fast-food provider Sonic grew strongly right through the last downturn, helped by corporate rebranding of everything from logos and signage to overall design and layout of its "drive-thru" eateries. The reimagining quickly lifted same-store sales and average unit volumes and helped spur growth in revenues and net profits that is still evident today.

Counter-instinctive brand-building moves were apparent in other industries too. Seven of the top 10 U.S. marketers spent more on advertising in 2002 compared to 2001. "America's top advertisers are reminding us that a depressed advertising market is a great opportunity to invest in brands," said Zenith Optimedia, the media agency tracking the numbers. Companies such as Procter & Gamble and Ford raised their purchases of TV, radio and newspaper space by an average of four percent during the first eight months of 2002. P&G's spending rose by 20 percent; Ford's by six percent; and Verizon poured an extra 33 percent into its ads.

FIVE MOVES TO PUT YOUR BRANDS AHEAD

Scrutinizing the responses of the brand exemplars, Lippincott observes that they make a series of smart moves in concert. Importantly, their initiatives often don't require big new investments or resource commitments; their efforts to uncover and eliminate inefficiencies almost always free up budget and staff. These five initiatives are typical of their approach:

1. Reality check: Scan markets, customers and competitors

A softening of the economy is an ideal time for a company's business leaders to take stock of their markets. There's plenty to learn—and plenty of old assumptions to revisit.

First, it's essential to take a fresh look at each market or category. How is it changing? How is it likely to change through a downturn or a recession? Have technology advances or regulatory changes redefined it? It's very likely that offerings that were once competitive differentiators have become an expected benefit for the entire category. For example, the availability of Web access on cell phones, once a differentiating application, is now commonplace.

At the same time, a reassessment of the competitive landscape is in order. Which competitors are in the best shape to survive the downturn? What new players have emerged, how disruptive are they likely to be and what backing—financial and operational—do they have? Competitive dynamics can change quite dramatically in difficult economies due to mergers, acquisitions, Chapter 11 filings, spin-offs, downsizings and other activities.

Customers also deserve another look. Which segments look strongest going into a weakening economy? Which new customers are coming on strongest? With input from the finance department, a solid customer review will identify the most profitable customers and those most likely to be the most profitable coming out of the slump. It's critical to figure out what brand attributes are most relevant to this audience now. For example, they might be driven more by "value," "trust" or "stability" than by "innovation" or "leading edge."

BE SURE TO ASK:

How is our market likely to change through a downturn?

Have technology advances or regulatory changes redefined it?

What shape are our competitors in?

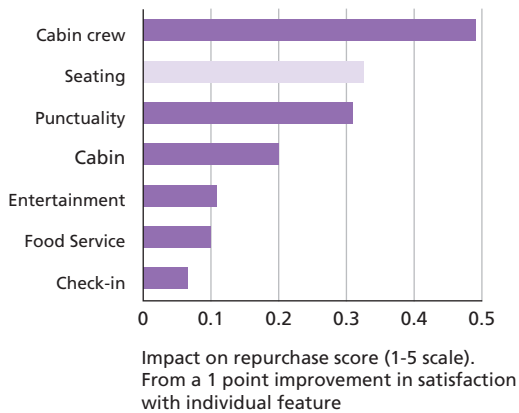
What new players are emerging?

How are customers' needs changing?

An analysis of customer touchpoints can help. Virgin Atlantic, for example, had thought that investments in new in-flight entertainment systems—an early differentiator for the airline—would be attractive to economy-class passengers. But a rigorous breakdown of all the points at which passengers "touched" the Virgin brand while traveling revealed that the behavior of the cabin crew mattered most and would have the most impact on future air-travel purchases. So the airline abandoned its plans to retrofit new entertainment systems and instead invested substantially in training its flight attendants.

VIRGIN ATLANTIC LEARNED WHICH EXPERIENCES MATTER MOST TO PASSENGERS

Impact of service elements on repurchase



The last part of the reality check is a “look within.” How ready is your company for economic slowdown? Are your employees upbeat and confident, or showing signs of concern and loss of focus? Now is the time to plan regular communiqués from the top office to help employees weather the storm. At the same time, it’s useful to get a reading on the CEO’s reputation and on those of other highly visible officers, and to make sure they understand the connections between their “brands” and that of the company.

A key outcome of the reality check should be a crystal-clear understanding of what really drives demand—and what drives customers toward (or away from) the company. Armed with that information, senior managers are well placed to make better decisions about how to allocate resources as budgets tighten.

2. Audit time: Review the whole range of communication tools

The brand exemplars use economic slowdowns as an excuse to review exactly what they have been communicating, to whom and how. They look at what they were communicating before the slowdown and ask themselves what messaging needs to change during the dip. They audit their communications tools and techniques—from Web sites, advertising and direct mail materials to internal newsletters and investor presentations—to ensure that all marketing efforts are consistent and to cut costs by sharing commonly used content.

BE SURE TO ASK:

- What marketing materials are we producing and why?
- What audiences are we targeting and why?
- How consistent are our communications to each audience?
- What efficiencies can we introduce in executing our communications?
- How does our messaging need to change during the downturn?

A communications audit is a comprehensive assessment of how an organization presents itself in what it says (the messages) and how this information is graphically designed (the look and feel). By reviewing structure, content and delivery of communications outputs, an audit pinpoints elements and practices that don’t align with business objectives or with the drivers of brand preference.

By formally reviewing its communications structure, a company can assess how it uses brand names (by themselves and in relation to one another) and how brand identity elements (such as logotypes, typography, color palettes and formats) are used. That visual emphasis, including the graphical display of the hierarchy of information, plays a

critical role in achieving desired communications objectives. Audits quickly uncover which elements are being used consistently, which are sending the desired messages and which are not.

There are proven techniques to help make sense of decisions about marketing spending. A company that successfully uses marketing mix optimization techniques will be able to make important tradeoffs. Its marketing teams will have “choice models” they can use to maximize the returns on their investments. For example, they may see that they can gain more market share with key customer segments if they spend more on guerilla marketing and less on online ads.

The brand exemplars also use slow economic periods to note any shifts in tone and key messages (for example, focusing on value rather than performance). It’s tough to position a company as friendly and service-oriented if marketing efforts convey a stuffy and pedantic tone.

A follow-on focus of the audit is on implementation practices. How do printing quality and the selection of images and materials impact perceptions of the company? Are messages delivered through the right media vehicles? A beautifully crafted message can be discounted in a heartbeat if it is presented in an unattractive design or via an inappropriate delivery channel.

There is also value in looking at implementation efficiencies in *design*. Best practice calls for using design templates and even photo libraries that marketing teams can share easily regardless of location. (See “Rebranded Ameriprise cuts costs of collateral.”)

REBRANDED AMERIPRISE CUT COSTS OF COLLATERAL

Spun off from American Express a few years ago, Ameriprise was successfully rebranded as a blue-chip services firm with a 110-year-old history of trusted personal financial advice. Lippincott developed a new identity and complete visual system for the new company, created modified guidelines for financial advisors and partners to ensure that they understood and correctly applied the Ameriprise visual identity in their communications, and developed a guide that highlighted the key visual elements of the new brand.

Ameriprise also used the rebranding opportunity to drive efficiencies in its marketing communications. With logo and other visual identity elements decided, Lippincott devised guidelines to use the visual system in all Ameriprise communications. Detailed customer research showed that the company could convey its key messages without the reams of sales literature offered previously. As a result, Ameriprise was able to cut the number of collateral pieces by a third and build a centralized image library that saved more than \$1 million annually.

3. Know your customer: Segment customers and cosset the most profitable

While most companies can recite their top customers by revenue and by the dollar volumes that each provides, only a few can say with any precision which customers produce what profits for them. Ask the question in the future tense and the answers are often guesstimates at best.

BE SURE TO ASK:

Who are our most profitable customers?

How do we know?

What new customer segments can we imagine?

What customer touchpoints matter most to our best customers?

Can we fund stronger support of our best customers by cutting the costs to serve our least valuable customers?

The brand exemplars make it their business to segment their customers in fine detail. (See “Tesco becomes everyman’s store.”) They continually amass feedback on their customers’ expressed and latent requirements; their sensitivity to factors such as quality, delivery and pricing; and the ways in which their experiences with the brands are changing.

But best practices in customer segmentation involve much more than finely slicing known customer sets. It involves scoping out new customer segments and entirely new market segments—as Apple did with its iPod family when its computer competitors were preoccupied with pricing battles and small market-share wins.

With comprehensive information on who the most profitable customers are—and on what untapped customer groupings exist—marketing professionals can strengthen their best customers’ experiences with their brands and ensure that support for those premium customers never flags, no matter how pronounced or prolonged the downturn.

Parallel studies, using customer touchpoint techniques and rigorous marketing science analyses, can fine-tune customer service, identifying where low-cost moves can make a big difference to the most treasured customers.

Some of the funds and resources needed to do this fine-tuning can come from the flip side of the analyses that highlight the most profitable customers: an understanding of who are the *least* profitable customers and how much can be saved by minimizing the service they receive—without irritating them to the point of highly public complaints, of course.

TESCO BECOMES EVERYMAN’S STORE

Tesco has done an outstanding job of extending its customer reach. The UK-headquartered retailer developed new store formats and private-label tiers to woo customers who had previously rejected Tesco, offering those prospective shoppers a broader range of offerings than did the traditional players such as Marks & Spencer.

Moving upmarket was a key strategy for Tesco. The company was quick to introduce premium private-label brands such as Finest and Organic to appeal to more affluent customers. Yet Tesco did not lose sight of its traditional, price-conscious customer.

Its multiple customer segmentation approach has worked. Since the early 1990’s, Tesco has quadrupled its 1995 revenues and nearly tripled its profits from 12 years ago. The company now has 30 percent market share in the UK, up from 20 percent in 1995.

BE SURE TO ASK:

How do we know if our brands are still aligned with our strategy?

Which are our top-performing brands and what do we spend on them?

Which are our worst-performing brands, and what do we spend on them?

4. Recount: Run the numbers on the brands

Not all brands perform the same. And not all brands are aligned with the overarching business strategy. Ford is a case in point: Its Land-Rover and Jaguar brands, once seen as powerful assets, are now viewed as counter to Ford's long-term goals and are up for sale as a result.

The cost to promote and maintain a brand is expensive, especially for companies like Ford or Procter & Gamble, which support multiple product brands. When the resources needed to support all those brands are not available, it is necessary to bolster and unify the support for the portfolio of *core* brands.

A brand portfolio analysis allows an organization to take a serious look at its products and services to determine its target audiences. After evaluating each brand by grouping it in a designated category and assigning it to a key audience, the company's branding professionals can then step back and decide if support for some of those brands can be consolidated, cut back or eliminated.

Unilever went through such an exercise a few years ago. The consumer-goods company culled its portfolio of brands from a total of 1,600 and concentrated its resources on the 400 or so that the analyses showed generated 95 percent of revenue.

At the same time, there is value in running a new brand driver analysis. While it might be interesting to assign a dollar figure to each product brand, there's no substitute for identifying what aspects of the brand drive desired behavior among that brand's target audience. For instance, how big a role does packaging design play in consumers' choices of ground coffee? How important is Internet advertising to the shortlist of a 22-year-old new car buyer? How does a company score on delivery of key brand promises compared to its competitors?

Marketing science techniques such as strategic choice modeling can quickly generate answers to such questions. It may take some time and effort to fully implement such techniques, but the findings will be indispensable for helping managers to ensure that each brand is performing at its highest potential going into the downturn.

5. Digitize: Make the most of interactive media

During economic slowdowns, marketers have a chance to get more from their current online investments. They also get breathing room to experiment more boldly with interactive Web 2.0 technologies.

A good place to start is with the content on current Web sites. Many companies tend to let their Web sites grow stale when the economy softens; marketing staff may be cut and content providers who leave may not be replaced quickly. But outdated Web sites soon send negative

signals to prospective hires and investors alike. There is always news about your company to report and there are many other staff who can keep providing fresh content.

BE SURE TO ASK:

How fresh is the content on our Web sites? What messages do our Web sites really send to our different constituents?

Do our Web sites make sense as a coherent and interrelated “constellation”?

Can we make use of Web 2.0 such as community-building tools?

What will it take for us to be able to deliver truly personalized customer experiences online?

Downturns are also a good time to revisit the workflow involved in Web content development and content management.

The Bank of New York Mellon ensures that its Web content activities are consistently efficient. So too does IT consultancy Cognizant Technology Solutions.

The brand exemplars also use slack periods to make sense of their multiple Web sites. Many companies have dozens of sites; Doosan has more than 75, for instance. They are the outcomes of mergers and geographic necessity, among other factors. But jumbles of disparate sites can expose organizations to brand dilution, mixed messages and inconsistent user experiences, which can quickly lead to negative brand perceptions.

The solution is to develop a “constellation” design that allows a company’s array of sites to complement each other, relate to each other and collectively support the corporate and subsidiary brands. This structured approach begins with an information architecture phase to clarify the many types of site visitors and their different functional and emotional needs. A mindset mapping process is the first step of the information architecture exercise, tracking current usage of the sites and polling visitors to learn how they would like to use them. The resulting user scenarios lay the groundwork for the content mapping and wireframe development that are essential to every successful Web site design or redesign.

When the economy slows, it is useful to take a closer look at how the Internet helps organizations find out more about their customers’ behaviors and needs. It is a good time to reevaluate the effectiveness of “broadcast” marketing messages compared to the targeted messaging that is more likely to influence customers. A technique that Lippincott calls “curriculum-based” site design shows how content can be organized into intuitive processes that respond to customer needs.

Much is made these days of so-called collaborative Web 2.0 tools such as the Facebook online community and Second Life virtual worlds. Slowdowns are a great time to experiment further with such tools and in particular to see to what extent communications and interactions can be personalized down to the market segment level, if not to the individual customer.

WRAP UP

There are many unsettling indicators of imminent economic slowdown. The good news? Not all companies will suffer. While some will indeed shock their shareholders with how much ground they have lost to competitors, others will emerge fitter than ever—and their customers will see that they've been supported through thick and thin.

Absent accepted ROI measures, marketing has always been quick to experience budget cuts when companies tighten their belts in a downturn. Within marketing, brand-building initiatives are the first to be led out for sacrifice and the last to be revived as the economy revives. Marketing when others aren't is a time-tested way to make up lost ground or gain a lead over the competition. As Harvard Business School professor Nancy Koehn writes in her book *Brand New*: "Building a powerful brand that offers tangible and intangible benefits...requires constant and highly focused attention to both consumers' preferences and competitors' behavior."

At a certain level, business leaders' responses to downturn are purely evolutionary: Fight or flight. Doing nothing is not a survival option. How do *you* plan to respond?

ABOUT LIPPINCOTT

Lippincott is a leading design and brand strategy consultancy. The firm was founded in 1943 as Lippincott & Margulies and pioneered the discipline of corporate identity. Lippincott operates globally from its offices in the United States, Europe, Asia and the Middle East. Recent clients include American Express, Citigroup, Delta Air Lines, ExxonMobil, Goldman Sachs, IBM, Mashreq, McDonald's, Nissan, Samsung, Sprint, Vale and Walmart. For more information, visit us at www.lippincott.com.

NEW YORK

499 Park Avenue
New York, NY 10022
Tel + 1 212 521 0000
Fax + 1 212 308 8952

BOSTON

200 Clarendon Street
Boston, MA 02116
Tel + 1 617 424 3700
Fax + 1 617 424 3701

LONDON

1 Grosvenor Place
London SW1X 7HJ
Tel + 44 (0)20 7915 9800
Fax + 44 (0)20 7915 9801

PARIS

28, avenue Victor Hugo
75783 Paris Cedex 16
Tel + 33 1 70 75 01 10
Fax + 33 1 70 75 01 11

HONG KONG

26th Floor Central Plaza
18 Harbour Road, Wanchai
Tel + 852 2506 0767
Fax + 852 2511 7540

DUBAI

Arjaan Offices, 11th Floor
Dubai Media City
PO Box 500525 Dubai
Tel + 971 4 425 7000
Fax + 971 4 427 0534