

Six Marketing Silver Bullets

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The recent Financial Panic is an old-fashioned financial panic that struck the U.S. economy and has since spread to E.U. economies, Asian economies, etc. This is the largest economic panic to hit the U.S. since the onset of the Great Depression in 1929. Financial panics typically signal the end to asset bubbles (often stocks and real estate, but sometimes commodities). As the asset bubble inflates, financial institutions become euphoric and expand credit supported by these inflated asset valuations. Once the bubble pops asset values begin to fall. The housing bubble in the U.S. started deflating in 2005 and has persisted to the present. The fall in asset values leads to credit contraction, which helps trigger the financial panic (margin calls, loan cancellations, line-of-credit reductions, fire sales of depressed assets, etc.). All of this leads to massive layoffs to reduce corporate losses. A financial panic can lead to an economic recession or a depression, as happened in 1929.

Hopefully, governments around the globe will take aggressive actions to keep financial institutions alive and properly capitalized, will insure all banking accounts to prevent runs on financial institutions, and will provide sufficient liquidity and support to keep credit markets from freezing or contracting. Concerted action by the major economies will tend to minimize (but may not eliminate) the negative effects of the financial panic and the resulting recession.

No company or corporation can do much about the financial panic, credit contraction, or recession. But while times of turmoil pose great threats to a business enterprise, turbulence also creates opportunities. If only companies could find a Silver Bullet to solve all their woes. In the search for the Silver Bullet, companies many times make mistakes—Lead Bullets.

Lead Bullet #1:

Ah! You could run a deep-discount promotion. That's surely a Silver Bullet for tough economic times. Consumers will flock to your brand or store and sales will go up. Sorry, but this is not a Silver Bullet. This is a Lead Bullet that can inject poison into your industry and your brand. It can corrode your brand image, discount your brand's future, and ruin your chances of ever selling your brand at a "normal" price. If you fall into the trap of deep-discount promotions, it is often only the beginning of a slow death spiral. And unfortunately, if consumer spending is near the lowest levels in 25 or 30 years, this will not fix your problem.

Lead Bullet #2:

You could quickly change your strategy based on the judgment of your CEO and other chief executives, your Board of Directors, or the management consultants, and if that doesn't work, you could change strategy again and again, until something works. Sorry, but this is

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not a Silver Bullet either. In the midst of a financial panic, you will never stick with any strategy long enough to find out if it really works. So, you will flitter from strategy to strategy until your brand's users or your store's shoppers are completely befuddled, and your brand is plummeting into another death spiral. But, don't give up. Try something else.

Lead Bullet #3:

Another Silver Bullet pretender is reducing product quality. Just cut the cost of ingredients or components that make up the product, reduce the cost, and the consumer will never know. Quality reduction is not a Silver Bullet. It will reduce the rate of repurchase, reduce your pricing power, and break faith with your best customers. Ultimately, it will undermine your brand's image and reduce sales.

Lead Bullet #4:

Reorganize, reorganize, and reorganize, until sales start to improve. This may be the worst Lead Bullet of all. Constant changing of organizational structures, reporting alignments, and people reduces the productivity of almost any company or department. It can easily take two to three years to realize positive results from a change in organization, if the change itself is a positive one. You can tweak your organization, you can make minor changes, but wholesale, ongoing organizational changes can be a recipe for failure.

So what are the real Silver Bullets?

Silver Bullet #1:

The first Silver Bullet is sound strategy. In the rapidly changing environment of a recession, the single most important thing is to be implementing the right strategy. The right strategy will not guarantee success or even survival, but it will give you the best chance to succeed. This is where good marketing research comes into play. You must use research to fully understand the

changing economic environment, fully understand how the recession is affecting your industry and your brand, and, most importantly, fully understand your consumers. Then you can use research to identify and test alternative marketing strategies. And you can be confident in your strategy and can stick with it through the ups and downs of the economic turbulence.

Silver Bullet #2:

The second Silver Bullet is having the right products. This means you have research that identifies the optimal mix of products—the right flavors, varieties, and options. It also means that each product needs to be its best. If you don't have the budget to test every product, you need to find the budget to test the top-selling products or those with the highest margins. By the way, if your team suggests this is the time to cost-reduce the formulation, proceed with caution. Again, you need to test the products to ensure quality and consumer acceptance. Optimization of the products that are your "bread and butter" is critical. It is also important that you have the right products coming out of your new product development pipeline. It is important to use the right type of innovation and new product development techniques to ensure you have the right products 12 to 24 months from now, as the economic rebound occurs. You **HAVE** to know your products are their best!

Silver Bullet #3:

The third Silver Bullet is good advertising. It is easy to say we test our advertising when we have time or when we have the budget. But again, right now especially, you cannot afford to have even one or two missteps. You should be pretesting to make sure you are developing the ads from the campaign that give you the best chance for success. You also need to test the finished ads to make sure that the executions (which can vary widely and make or break the advertising) are optimal. This approach also means making sure your brand teams and ad agencies are leaving enough time to both test the advertising and

make the improvements before you air or go to print. It is difficult to leave two or three weeks for testing and improvement, but if you can improve the advertising effectiveness by even 1% or 2%, wouldn't you do that? What if you could increase your sales by even 5% to 10%?

Silver Bullet #4:

The fourth Silver Bullet is optimal packaging. This is so important because the packages are competing on the shelf for attention and consideration. Is your package doing the best job of communicating the brand, what it stands for, the variety/flavor of the product, and key benefits of the product? Right now especially, you cannot afford to have the wrong size, wrong graphics, or wrong key benefits on your packages.

Silver Bullet #5:

The fifth Silver Bullet is to utilize optimal pricing strategies. Of course, pricing is important during these times. This does not mean the lowest price and the most or largest coupons are the right options for your business. Lowering prices outright or through promotions and coupons will give your business a boost of sales, but it may not pay off in the long-term. Look for ways to improve your “value proposition” to the consumer. That might include co-branding or licensing with other brands, as well as utilizing

other advertising claims in the advertising or on the packages.

Silver Bullet #6:

The sixth Silver Bullet is to focus on your best customers. Conduct extra research to make sure you completely understand their needs—including their unmet needs and changing needs in this environment. Make sure you understand their feelings and emotions toward your brands and your competitors' brands. Assuming they are the major portion of your business, spending your money marketing to them to make sure you get as much of their “share of wallet” as possible will help you weather the economic storm.

Conclusion

If you are using the Silver Bullets correctly, you improve your odds of success and position your company for greater gains when the economic crisis draws to an end. Then your next challenge will be responding with increased production and having the work force keep up when consumer spending and other economic forces turn around.

About the Author

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Decision Analyst is a global marketing research and analytical consulting firm. The company specializes in advertising testing, strategy research, new products research, and advanced modeling for marketing-decision optimization.



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