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The new marketing blueprint

How to thrive, not just survive

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“Fortune favors the bold.” Four marketing strategies that can improve your competitive position now and in the future.

Some of the biggest market share gains have taken place during recessions. Google rose rapidly to become the dominant search engine during the 2001-2003 recession, thanks in large part to superior technology and powerful viral marketing. Southwest Airlines has survived multiple recessions due to its low cost structure and customer focus. Apple's iPod was introduced into a rapidly slowing economy but succeeded because of great design, customer understanding and a highly fragmented digital audio industry.

These stories run counter to the conventional wisdom about how and when to succeed in business. It is during the boom periods, we are told, that companies have the best opportunities to grow, invest, gain share, and position their brands for success. This is true: periods of economic growth do provide companies with the resources for effective marketing. The problem is that a rising tide lifts all boats – companies looking to gain share in good times must compete with rivals who enjoy comparable resources.

Downturns are different. Companies with the nerve to expand during recessions face a shifting competitive environment. Less aggressive rivals are hunkering down, cutting back on marketing resources and waiting for the next upturn to renew their marketing efforts. This opens up a significant strategic opportunity for companies willing to take advantage of it. Doing so,

however, requires the innovative capacity of a Google, the persistence of a Southwest or the creativity of an Apple. It also requires seeing clearly the opportunities available to companies during recessions and seizing them aggressively through intelligent, creative marketing.

Why marketing matters

The current recession, now into its second year, highlights the vital importance of marketing during downturns. Triggered by the near-collapse of the financial services sector, this recession brings with it an ever-broader set of challenges: shrinking markets, falling prices, declining profits, and a slowdown in retail and commercial borrowing. While no one knows how long and how severe the downturn will be, every company is taking stock of its financial situation and making plans for survival. Mere survival, though, isn't enough. Every company, no matter what its competitive position, must plan a careful response to the recession – and to the upturn that will follow.

Essentially, a company has two options: to turn defensive and act conservatively, hoping to weather the storm, or to take the offensive, viewing the recession as a prime opportunity to strengthen brands and gain market share. The better choice, from the standpoint of commercial success, is to actively exploit the current situation – and to do so through the power of marketing. That does not mean simply perpetuating the marketing strategies in place before the recession hit. Instead, companies must honestly assess their competitive situations, their customers' current situations, their overall short- and long-term strategic goals, and the relevance of their existing marketing strategies. What's changed? How should that affect corporate strategy? How should marketing shift in response to these dynamics?

Since the last recession, the role of the CMO has expanded, resulting in increased authority and responsibility-and now CMOs must exercise their influence and their arsenals of powerful marketing tools, platforms and metrics to help their companies negotiate the downturn successfully. To that end, CMOs can pursue bold marketing plans with confidence using these four key strategies: Precision Marketing, Digital Engagement, Go2market Integration, and Inspired Innovation.

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Precision Marketing

Marketing leaders are continually discovering new ways to take precise aim at their audiences. Take, for example, how Amazon.com has popularized recommendation marketing, which delivers the experience of personal attention by suggesting books consumers might like based on their previous purchases. Also consider the Dove Campaign for Real Beauty by Unilever, targeting women who feel they fall outside the stereotypical “beauty norms” and inviting them to join a conversation about redefining beauty. Both Amazon and Unilever are leveraging new marketing technology to understand their current and potential consumers and then to market to them as precisely as possible. Precision marketing involves not only targeting a specific consumer but also targeting that consumer with a specific message, one that positions your company as more relevant than your competitors.

In tough times, marketing precisely has the added benefit of greater efficiency – a critical goal when resources are constrained. However, precision marketing requires a deep knowledge of your consumers. Use the most powerful, detailed demographic and market data available to segment your potential audience as comprehensively and carefully as possible. The goal: to understand how various customer segments are reacting to the downturn now and to find new areas of market opportunity. Then use that understanding to hone your message and to make choices about the media channels best suited for various segments and geographies.

Charles Schwab & Co.

The current recession has hit the financial sector particularly hard. The loss of trust in banks and brokerages has driven their shares down by huge percentages. Even in this beleaguered sector, though, some companies see downturn as an opportunity and are turning circumstances to their advantage. Take Charles Schwab. Despite the sad shape of the stock market, in February the discount broker took in \$5.5 billion in new assets, while trading volume was up 7% from the prior month and 21% from February 2008.

Schwab’s success derives in part from its understanding of the difficulties that financial services consumers are facing. The company has doubled the number of short TV ads to make sure it has a share of voice in the market, and it is working hard to demonstrate to customers that it empathizes with what is happening on Main Street. That understanding works in tandem with Schwab’s innovative online and digital marketing channel strategy as well as its sophisticated marketing platform. “We have put a great deal of time and rigor behind our marketing platform,” says Ben Stuart, Schwab’s Senior Vice President of Brand Marketing. “We can change our campaign, for instance, to capture real-time changes in our customers’ needs, because their voices are the source of the campaign.”

Just as important, Stuart notes, is the platform’s ability to track in meaningful detail the results of the company’s marketing campaigns. Performance measurement is key to successful marketing, especially in tough economic times. “No one has money to waste,” he says, “and strong metrics give us a good handle on just how our marketing efforts are impacting the bottom line.” ■

MillerCoors

Is beer “recession-proof?” No, but sales of beer typically hold up pretty well when economic times are tough. Consumers see beer as an affordable alternative to more expensive adult beverages, especially given its aura of down-to-earth integrity. That doesn’t mean selling beer in a recession is easy, however. Sales of beer in the US have been essentially flat, so growth tends to come from taking share from rivals, who are understandably reluctant to cede ground to the competition. This results in a brutally competitive environment for brewers.

Yet Tom Long, Chief Commercial Officer at MillerCoors, sees the current market as a “phenomenal opportunity to hit the reset button.” The recession, in his view, is forcing everyone to reassess what matters. “Consumers are reviewing what is real, true and important, and they’re looking for brands that have authenticity,” he says, “and that gives the advantage to the brands that are perceived as an ‘anchor point’ in a sea of complexity.”

Selling beer, of course, is all about the brand. Recessions are the time to “drive core brand messages home and clearly position your brand,” says Long. If your brand is not well-positioned, he believes, it may suffer as consumers re-evaluate their priorities. To that end, Long does not think the time is ripe for what he calls “hope marketing,” or for radically experimenting with your brand positioning. Yet as always in marketing, ideas and innovation are key. MillerCoors is stepping up its digital marketing, for example, as sports fans – a critical constituency for the company’s brand – consume more sports content online. That in turn allows Long to move rapidly in response to his consumers’ changing values and priorities. Marketing innovation must also extend to the physical world, in Long’s view, where new ideas for packaging, including graphics and other key design elements, can also help cement the consumer’s relationship with the brand. ■

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Digital Engagement

If there's one particular secret ingredient to marketing in this environment, it's the use of every kind of new digital media. Consider Barack Obama, whose recent presidential campaign made startlingly effective use of the Internet and other digital channels such as text-messaging to promote loyalty and to communicate his message. Much of Obama's success lay in his ability to use those digital channels to get close to his supporters, to gain intimacy and to make himself approachable.

Developing that level of trust is particularly critical in our current economic crisis, when consumer confidence is at a record low and fear of the future is on the rise. We are distrustful of our financial institutions, disillusioned with the US auto industry, wary of what might be in our food, and unsure of the government's ability to get us back on track. Digital marketing has the great potential to build campaigns that can restore intimacy through a grass-roots approach, sending highly targeted messages and focusing on a young audience that will matter greatly in the future.

Combined with precision marketing, digital engagement not only allows marketers to send intimate, well-targeted messages to carefully segmented audiences, but to analyze in detail the response to those messages, which lets marketers fine-tune their campaigns. Digital engagement also has the added advantage of being very cost-effective in times when the cost of marketing matters a great deal.

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Integrated Go2Market

It has been said that the job of marketing is to create demand and the job of sales is to fulfill that demand. In truth, this long-standing separation between sales and marketing has done little but create inefficiency and foster jealousy and competition between the two organizations. End it now.

It's more critical now than ever that marketing and sales combine forces to “own demand.” Thus it isn't about more closely aligning two different functions, but rather integrating them completely, transforming their separate missions into one strategic initiative with one common goal: to sell. The Louis Gerstner era at IBM embodied this process: when Gerstner first arrived, IBM was a sales-driven company riddled with independent product-oriented fiefdoms that never really understood the need to market to actual consumers. Gerstner swiftly broke down that culture, restructured the company around the customer, and began marketing systems, and related services, to those customers depending on their real-world needs. The results speak for themselves.

Tough economic times demand that everyone in touch with customers – not just marketing and sales, but customer service as well – understand that they are part of a bigger commercial machine, and that their job is to drive both the top and the bottom line. Owning demand, especially during a recession, means creating real value for customers in the short-term, and that in turn will build loyalty in the long-term. This is no time for sales and marketing departments to try to go it alone.

Subaru of America Inc.

A critical key to marketing through a downturn is maintaining a strong connection to your customers – old and new – through innovative campaigns and integrated sales efforts. Consider the recent results posted by Subaru of America. In an industry that saw overall sales in the US drop 18% in 2008, Subaru's sales actually increased, if only a little. And in January 2009, sales increased 8%, compared with a 37% drop in sales across the industry.

Of course, Subaru is a small player in the US auto market compared to its giant brethren. Yet its very size may hold the key to why it has managed to hold its own in such a terrible auto market. Subaru defines "niche" – it boasts just 1.7% market share in the US. Yet owners of Subarus are happy to confess that they "love" their cars, and Subaru has brilliantly leveraged that level of loyalty and connection to the brand. Subaru understands that the Subaru brand is as much about the company's consumers as it is about the cars. Like the cars, they are outdoorsy, environmentally-conscious seekers of new experiences. Knowing that, Subaru marketers recently put together a campaign aimed at consumers' "hearts, brains and wallets." The campaign, which was integrated into all its marketing messages on the national, regional and dealers levels, talks as much about owners of Subarus as it does about the cars themselves.

Subaru has taken its "I Love My Subaru" campaign even further. Rather than offering the usual special deals and discounts, the company created a campaign called "Share the Love" in which Subaru offered to send a US\$250 contribution to one of five charities of the buyer's choosing. That's innovation. ■

Inspired Innovation

In downturns, consumers are looking for value. But value is no longer just about which brand is cheaper and which box is bigger. Consumers are also looking to connect more fully with companies and their products – to trust them and to be inspired by them even when times are tough. Great marketers have come to understand that powerful need. They work harder to inspire consumers. They don't just give consumers the best deal; they give consumers a deal that they can trust and that will inspire them to live a better life.

Inspiration requires innovation. Marketing leaders must be able to inspire their teams to create innovative marketing campaigns that in turn inspire consumers. Innovation does not lie in concentrating on improving your financial position at the expense of consumers – trying to fool customers by marginally reducing the size of your packaging, for instance. That's no way to create trust and inspire customers. Instead, offer the unexpected. Market to customers on both a cognitive level, where price matters, and on an emotional level, where quality of life is what really counts. Develop innovative new services, above and beyond the products you sell, that will add real value and inspire loyalty.

Consider the plight of the financial services industry. So much trust has been lost so quickly that it is hard to imagine how they will recover. Here is where both inspiration and innovation matter. Through innovative marketing, a retirement services firm might work to redefine the financial value equation for its clients, shifting the dialogue from short-term performance to long-term security, and inspiring clients to believe in the firm's solidity and central role in rebuilding their nest egg. But these results can be achieved only by rebuilding that critical trust and making clear to clients that what counts above all is the security of their retirement plans.

Conclusion

Ultimately, thriving in a downturn requires marketing leaders who understand the strategic challenges their companies face now, who can combine all of the strategies outlined above into an integrated approach to meet those challenges, and who work hard to understand the effects of the recession on consumers. Take a tip from the four companies profiled here and “renew your vows” with consumers, making sure they know where you stand in the recession and how you can provide them added value. Does your brand serve their needs? Does it make their lives better? Does it make the world better? Answering yes to these questions requires taking control of your brand dialogue and ensuring that current and potential consumers see how your brands fit into their own plans for the recession and for the coming recovery. The good news is that the current downturn can provide a rare opportunity for you to advance your competitive position – if you are bold enough to seize it. ■

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Wal-Mart Stores, Inc.

In recent years, when times were good, Wal-Mart, the world’s largest retailer, struggled against competitors such as Target, as consumers with money to spend sought out more upscale merchandise. Now, as consumers migrate toward value, the company has devised a twofold strategy for surviving the downturn that is designed to boost sales and gain share now, while positioning itself for the coming recovery. Its “Save Money. Live Better.” campaign aims to capture those consumers looking for bargains now, while at the same time preparing them to stay with Wal-Mart by upgrading its products to meet rising expectations as economic conditions improve.

The new campaign, simple and direct, signals an effort by Wal-Mart to reposition itself on two levels. By appealing to consumers’ desire to economize, it speaks to their cognitive side. Yet it also engages their emotional side by offering a vision of a better life now and in the future.

Is the strategy working? In the US, Wal-Mart’s February sales increased more than 8% over February 2008, and its share price reflects that performance. By reasserting the meaning and value of the brand in the minds of customers, the retailer has also positioned itself cannily for the coming upturn. It is working hard to keep those returning consumers even as the economy improves. ■

Global Marketing and Sales Officers practice

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