# Capitalising on recession

By Ian Rheeder

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South Africa's economy has seen better days. With the addition of the coronavirus outbreak, the current state-of-affairs is not looking promising. Exploiting this recession may be the only strategy for survival.


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Since 1994 South Africa has had three recessions (2008, 2009, 2018 & 2019). On average, a ‘recession’ lasts for two years, follows a boom and is generally defined as two quarters (6-months) of a consecutive falling GDP. This has placed many companies, individuals and investors in a tough position because profits are dwindling, and the cost of living has skyrocketed.

The only way to survive is to exploit this downswing to maintain your growth strategy. So, to cushion those sectors that are in "recession", I’ve arrived at the strategic perspective that marketing strategies during turbulent times are not much different from boom time strategies. The difference is that these strategies need be so much more polished when your sector’s growth is in decline. Why? Because the proverbial ‘pie’ exists, it is just smaller. Finding success in a recessionary climate is quite credible; you just have to think out-of-the-box and not lose sight of success..

Businesses can consider the following strategies during these tough times:

## 1. Segmentation, targeting and positioning (STP Strategy)

Imagine dating the wrong customer segment, only to find out after years of servicing, that it was a waste of time? Rather target satisfied and attractive opportunity segments instead of low return "headache" segments.

For example, the construction sector is contracting (-5.9%) but finance is growing (+2.7%). Alternatively, consider dropping non-profitable, slow-paying, unsatisfied customers in these segments, or raise their price to "milk" them. Furthermore, consider withdrawing from weak segments where your competitive unique selling propositions (CUSP) aren’t valued much, and target segments you can dominate with your CUSPs after the recession.

## 2. Attack and/or attack-proof

Keep doing your research as some companies with strong financials will see this tough economic climate as an opportunity to attack. This is what is exciting about a recession - it's an opportunity to exceed your targets, as many competitors understand that sometimes 'the tree of economic freedom needs to be nourished with a battle'. But beware of counter-attacks. Rather go unnoticed by flying below the radar. Red Bull, for instance, did this by first "stealing" Coca-Cola's shelf-space, and could now do a frontal-attack and launch a Cola.

## 3. Marketing mix strategies

***Product:*** See the recession through your customers' eyes. Due to competitive forces, buyers may have developed a new shopping-list of wants; the basic-product (i.e. car) for instance may not be as important now as the expected/augmented-product (i.e. value-added guarantee, after-sale service, and/or interest rates).

Your product-life-cycle may have also become stale, and now requires a few revitalised features to regain its growth trajectory (i.e. the VW Citi Golf just needed a name change and GT-stripes). Withdraw your weak low-profit margin/slow-moving 'dogs' that are likely to fail, and research and revitalise new economy 'question-marks & recession-stars'. Also known as "fighter-brands."

***Price:*** Also, during a recession, customers ponder longer on decisions to sacrificing their budgets. Dropping your price may seem attractive, but it comes with the challenge of struggling to increase it at a later stage, so at least attempt to maintain your prices.

Recent research by Nielsen in South Africa (2019) shows that price discounts only lifts sales temporarily and hurts brand equity over the long-term. Rather emotionally differentiate and charge a premium. If your product is the low-price leader, then aggressively emphasise your penetration pricing, as low price is a relevant recession CUSP.

***Promotion of your brand:*** Calling on your most valuable and loyal existing customers has superior results versus finding new ones. They are also the easiest to cross-sell and up-sell to and get you free word-of-mouth referrals. Consider a key account management (KAM) mindset – when you see a strategic client, don't just pop-in and sell, but be a management consultant and enthusiastically assist them with their business model.

Research shows evidence that in a recession, the marketer who's share-of-voice (SOV) is larger than their share-of-market (SOM), is likely to grow market share. However, you still need a great share-of-experience (SOE)—customer experience management (CEM) is always key.

During a drought, some will thrive and exploit the fragile. Sometimes the fragile may be the industry leader; so, if you are the leader, you need to understand how you will be attacked. Know how to cushion an attack. Those who survive natural selection will be stronger, more experienced and will improve their DNA. Lastly, never forget that constantly implementing a small series of changes, results in a big transformation.

ABOUT IAN RHEEDER

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- Capitalising on recession - 23 Mar 2020

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