

Strategies for reviving the mass market

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The recession has reshaped consumer habits, making price-sensitive shoppers reach for generic brands, and they are opting to stay at home rather than go out.

The economic crisis that erupted in 2008 has had a major impact on the habits of consumers, who are now far more concerned about saving than consuming.

"Las claves del sector de gran consumo ante el tercer año de recesión" ("Keys to the Mass Market in Year Three of the Recession"), a report published by AECOC in conjunction with IRI, Havas Media and Kantar Worldpanel, analyzes the impact of this transformation on businesses, and offers a series of recommendations to help the mass market emerge from the recession on firm footing.

The study, conducted by IESE Prof. [José Luis Nueno](#) in collaboration with Eva Vila and Víctor Cazorla, emphasizes that the lack of confidence in the future has prompted Spanish consumers, for example, to save even more than their traditionally thrifty Asian counterparts. As such, consumers have lowered their average sales receipts, not only by putting off purchases whenever possible, but they have started shopping at less-expensive stores, seeking out cheaper substitutes for their preferred brands and opting for no-name brands instead.

Consumers are also curtailing their outings to restaurants and cafés, and spending more time at home. While there, they are consuming products generally associated with the hotel, restaurant and catering sector: alcoholic beverages, soft drinks and snacks like popcorn, rather than fresh products. Fashion and impulse buys are down, while staples such as salt and pasta are up.

Apart from savings and discounts, companies face challenges on two other fronts. The first is globalization, which is causing a transfer of wealth from mature, developed economies to

emerging markets, where a new middle class is fast emerging.

The second challenge involves overcapacity in most sectors — with the construction and auto industries taking the biggest beating, but also household appliances and retail clothing feeling the effects. With the exception of some large supermarket chains, the mass market has seen fewer new openings, as the economic crisis has battered consumption across the board.

What is the solution? The authors propose two winning strategies that all manufacturer brands should implement — namely, advertising and innovation — though they admit that only the bravest of companies will do so.

Don't drop advertising

During recessions, allocating more resources to advertising can translate into higher sales, say the authors. The year 2009 witnessed advertising opportunities, in both traditional media and emerging channels, as never before. In the soft-drink category, for example, a 1 percent Share of Investment (SOI) cost 37 percent less in 2009 than in 2007. Manufacturers should seize opportunities like this to shore up their brands, especially when taken together with the fact that more consumers are spending their free time at home in front of their screens.

While some may boast that they can achieve more recognition for their brands through word of mouth or PR opportunities than big-spend advertising, the authors find that this is not always the case. Shunning advertising means that, to avoid erosion and decline of existing brands, companies must pursue other measures, such as new store openings, which are not necessarily profitable or cheaper options.

The buying process has three key elements: retail shelves, imagination and capturing the consumer's attention. Barring a presence on retail shelves, if brands forego television advertising, for example, they risk disappearing altogether from consumers' minds, which is a dangerous possibility in the current environment.

Before, during and after

The study reviews a number of strategies that companies should have implemented prior to the recession, when the climate was still good — pushing sales of innovative products, increasing SOI within their specific category, stepping up Internet advertising — all things to bear in mind for the future.

During a recession, companies must be tenacious, either raising or at least maintaining their current prices wherever possible. It is also important to devote considerable effort to innovation. Companies should also expand their presence on retail shelves. Increasing

advertising, both overall and on line, and offering more special promotions work to support all these efforts.

Finally, the authors give some dos and don'ts for the long term. Being the leading manufacturer or a small manufacturer lowers weighted distribution, while being a store brand or medium-sized manufacturer raises weighted distribution, they say.

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