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No Time for Cutbacks

If business is in a slump, don't retrench. Reinvent!

BY MIKE DOHERTY

IN THE WINTER OF 2008, Starbucks saw the early days of the recession as an opportunity for innovation. Several weeks previously, the company announced that it would close stores for the first time in its history, and its stock price began to fall. While in these conditions most brands sink into retrenchment, Starbucks implemented a plan to reinforce its brand identity and take advantage of the looming recession.

At the height of a Tuesday evening commute, the coffee chain closed nationwide for a three-hour barista training session. Many recognized the event as a stunt—how much training can three hours provide?—but Starbucks reminded consumers about the commitment to excellence that built its popularity.

Having moved to restore its reputation, Starbucks looked for ways to compete in the recession. Instead of showing indifference to its customers, the stores now feature affordable options such as instant coffee, refillable $1 cups, and value menus pairing coffee and breakfast sandwiches.

Critics say that the coffee chain has abandoned its brand identity for the fast food model, but, in fact, its response to challenging economic times has proven Starbucks capable of innovation, relevance and impact. A middle manager who usually grabs a seasonal cappuccino before work can purchase a $1 caffeine boost when times are tight. With a new product, Starbucks maintains its customers, and the customers maintain their routine.

RETURN ON INNOVATION

During economic uncertainty, consumers tend to reconsider brands based on their attendant value. That behavior means businesses need to look at their product portfolios and consumer shopping habits; they also should think about the different ways their product can add real value to people's lives and experiences. This proactive review can reveal opportunities such as new pricing models, portfolio strategies and services, all of which can help people justify their buying. Unfortunately, brands typically retrench while consumers are rethinking their relationships with those brands, giving consumers less reason to make purchases.

During the last recession, Walgreens focused on expanding its generic pharmaceuticals business and increased its market share nearly 10 percent. Conversely, Eastman Kodak ignored digital photography in favor of traditional print processing because the new technology had a low return on investment (ROI). The decision cost Kodak 75 percent of its stock market value.

Top marketers care about their work's impact on their business. However, the desire to improve the ROI of a marketing program often drives retrenchment. ROI in this case is merely a justified cost containment strategy. In contrast, smart marketers don't fall prey to reaction. They redefine ROI as a "return on innovation." The impact of innovation—especially in a recession—will always outweigh the impact of cost containment. Just look at some of the industries currently in the most trouble, such as newspapers. They cannot dig out of their holes with cost cutting alone.

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Instead, they could use the internet to converse with their audience, taking advantage of social media, digital marketing and blogging to learn what their customers want. It's a real-time form of research that can provide insight into marketing and product development. And if businesses offer a unique online experience, the research itself becomes a marketing program.

Remember that smart marketing has goals beyond people liking you, your product or your company. During scary times, people seek comfort. If you aren't always there for your consumer, your competition will be. SB

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