

Austria

Winner or Losers in the Recession?

Empirical Results from 700 Brands (Summary)

In the current recession, average values from the base conditions of the real economy are not helpful in the context of marketing planning: the differences between the individual consumer segments, branches, trading groups and media formats are simply too great. As a result then, and depending on how much they are affected, the reactions amongst the consumers range from being quite relaxed, through careful to panic and from wait-and-see through radical cost reduction programmes to an anti-cyclical readiness to invest amongst the business world.

The Serviceplan-GfK Roadshow, which is to make a stop-over in Vienna on 31 March 2009, shows what companies are planning at the moment and, using empirical data, demonstrates what really does make a brand a winner or a loser in a recession, recommends actions which can be taken and makes an attempt to develop a prognosis of when the nadir of the process is likely to be reached.

Five questions raise their heads: is the assumption true that also in terms of market share, little or nothing changes in a recession? Is it right to wait for better times, when the consumer urge may be greater, to introduce innovative products? Is it worth investing more in advertising at all during phases when consumption is weak? What is it that will increase market share more during a crisis: marketing to strengthen customer loyalty or to gain new customers? What are the prescriptions for still being able, in the face of unavoidable cuts in the budget, to carry out communication concepts without any reductions in performance?

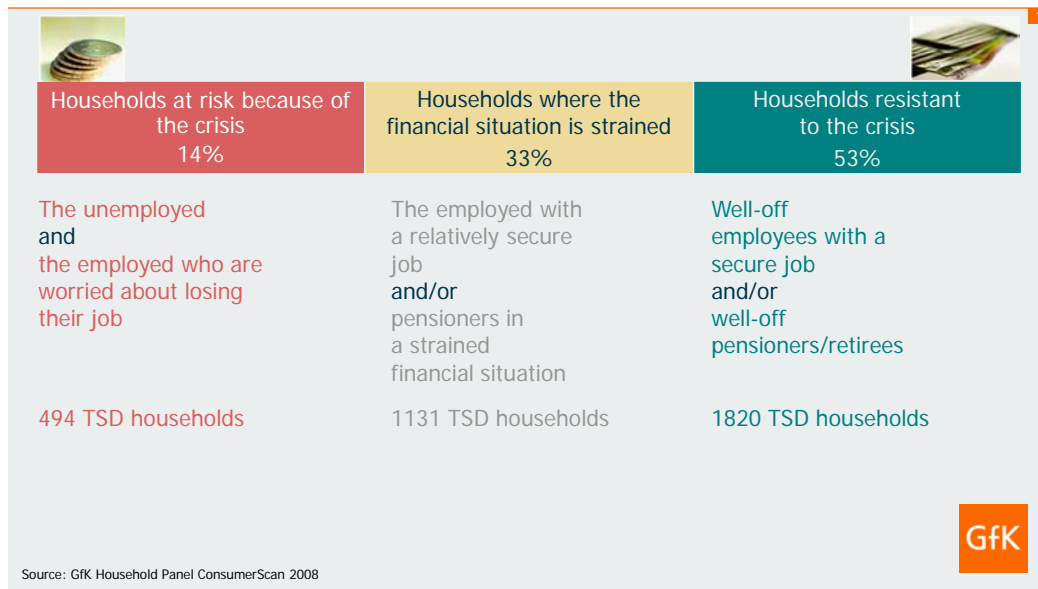
What are the companies planning?

At the end of 2008, some 40% of the big FMCG brand names in Germany were unable to identify any effect of the reactions on their company and almost 60% did not expect there to be any shift in their market share nor did they wish to change their media mix. Those companies which saw falls in turnover during the last recession in 2002/2003, intend to introduce cutbacks again, by more than 50% of their classical budget. In contrast, almost 90% of the companies which gained during the recession of 2002/2003 intend to leave their budgets unchanged or even increase them this time.

What are the lessons learnt from the last recession in Germany?

At the present time in Austria only 14% of all households are at risk of being faced with a crisis in this recession (Germany: 21%) – the unemployed and those who are afraid that they may lose their job. Their attitudes to brand names, their shopping patterns and their choice of places to shop differ significantly from the 53% of households (Germany 46%) who feel themselves to be immune from the crisis.

Consumers are affected by the crisis to differing extents



The average consumer or the average household does not exist any more. It is more important than ever, especially in this time of crisis, to find out in which segment a company finds itself with its particular brand. Even the various sectors are affected to very different degrees. The experiences gathered during the 2002/2003 crisis in Germany showed that Non-Food falls back considerably whilst the Food Market expands slightly – with individual segments such as confectionery or ready-to-use animal feeds, convenience products etc. even showing clear gains.

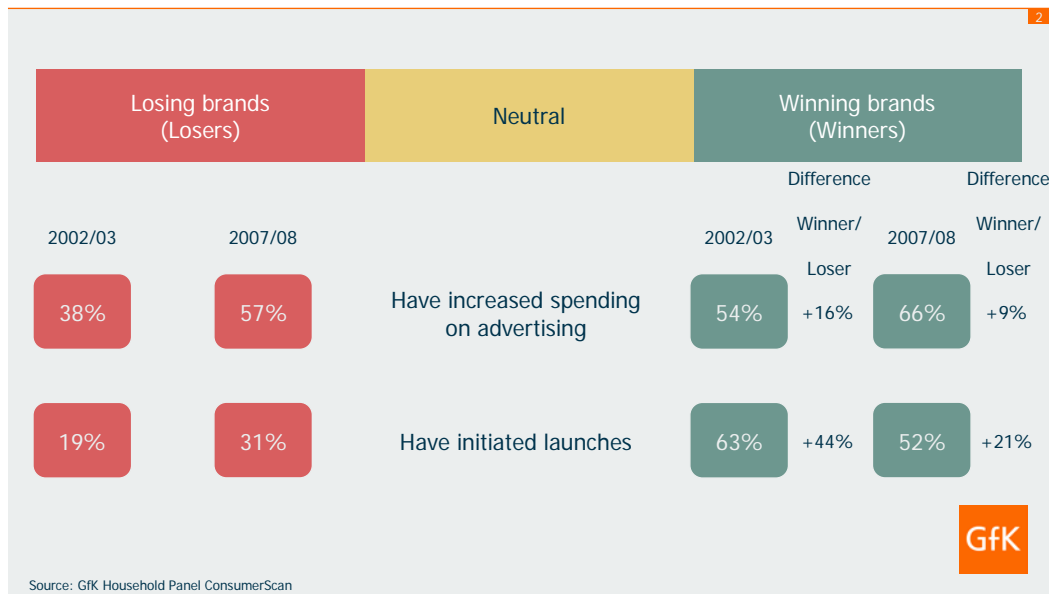
In times of crisis, market shares shift up or down faster than is the case in phases of growth, which is the exact opposite of what the companies surveyed would expect. And in this case it is not the market leaders who gain but more the premium brands and, naturally enough, the brands which are in the entry-level price bracket.

Strong brands with a high proportion of regular repeat buyers (First Choice Buyer) perform better during periods of recession, since they obviously suggest the safety of having made the right choice.

What strategies, then, are the Key Drivers for the winning brands during the downturn:

- give priority to innovations, i.e. introduce new products at exactly the point when others are holding back
- do not reduce advertising but increase it in opposition to the prevailing trends. The spectacular result: increased innovation and an increase in spending on advertising result in a significantly higher growth in times of crisis than in normal conditions. During a recession it is well worth making investments.

... but innovation and advertising are more effective during the crisis



The communications prescription from the winning brands in times of recession: they place more emphasis on media-mix campaigns, have an approximately 4x higher share of special advertising formats in TV, prefer shorter commercials, increase the share for public service broadcasting channels in times of recession and on the private channels focus on long-established, well performing formats. In terms of the tone set, winning brands put greater emphasis on rational campaigns for must-have products but for can-have products do exactly the opposite by pushing the emotional approach.

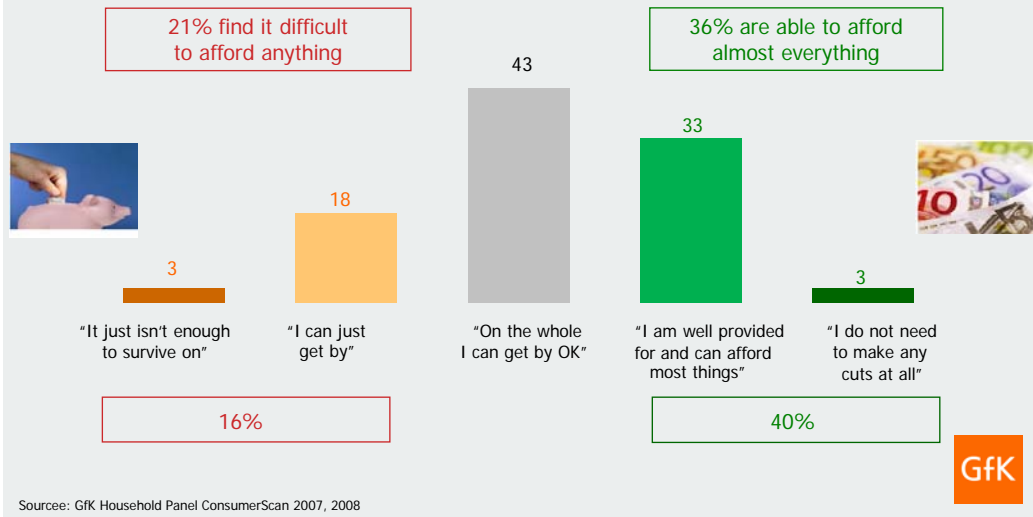
What is different from the last crisis?

Over recent years there have been changes, in some cases dramatic, in the basis conditions for successful and efficient marketing which have occurred at an ever increasing tempo, not only for the consumer but also for the retail trade and the media. Marketing has only tracked these changes with some delay – if it has followed them at all, for example:

- The share of households who are almost at a status where they can no longer afford things has, in the comparison 2007/2008, increased from 16 to 21% in Austria (in Germany from 26 to 27%).

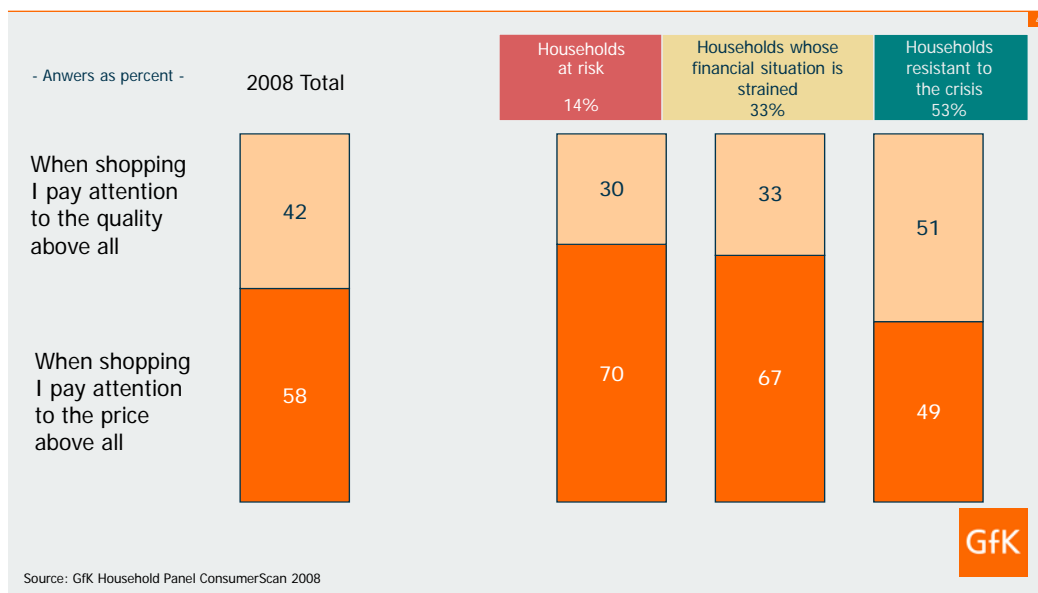
The polarisation of the households has intensified ...

Perception of households with regard to their disposable incomes



- Although orientation on quality has increased steadily in recent years, a clear differentiation must be made at this present time of crisis according to whether a household is at risk because of the crisis or is likely to be resistant to its effects.

But orientation on quality is also a question of their situation in the crisis





- The use of the media has also changed much more quickly than expected: the spending share for the medium "Online" is very clearly below the time spent in using this medium.

Approaches for greater efficiency in the crisis

Approach No. 1: purchaser groups instead of target groups

The utilisation of the budget for classical advertising is 20 to 30% more efficient when planning and optimisation is aimed at purchaser groups rather than on social demographics. This is possible by so-called data fusion between panel data from GfK and the AGF-Panel.

Approach No. 2: customer loyalty has priority

On average, over a period of 12 months, 32% of the regular customers for any brand will turn elsewhere. Even when the market is growing this is far too high a figure, but is extremely dramatic in the context of stagnating and, in some cases, falling markets since when there are no new customers, there is not an adequate potential remaining to compensate for the migration of customers. The regular customers are the backbone of the brand: the first task in a crisis is to reduce their falling away.

Approach No. 3: consolidation of independent coverage

The aim is to register 20 to 30% of the consumer potential for a brand in a file and groom this customer potential on a regular basis via direct marketing. The means: integrated communication ranging from the mass media down to the individual customer. CRM is not just a tool for shippers and the finance sector but is also for the classical brands for our day-to-day needs.

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