

**Marketing in a Turbulent Environment:**

# How can Crisis and Brands coexist.

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## Introduction

Turbulence with Brands has the same effect that it does with other things in a hurricane, it takes the weakest things and only the strongest survive it. In the current worldwide financial crisis this scenario is very similar. But, why does the crisis affect some Brands more than others? To clarify it, we do not view it from a rather economical or social point of view, but from a Marketing view: if we would have done a SWOT Analysis 5 years ago, we might consider it a Threat to the Brand, but not many firms did it as it was an unpredictable fact, at least in time. Therefore, the crisis in Marketing terms might be defined as an unpredictable and hostile situation. The objective of this research is to study the effects of a Crisis on the Brands, and for those which can survive it, to reflect about how can they coexist in this new turbulent environment that is becoming the main force of today's market.

## Analysis: Crisis and Brand in the same criteria.

*The Brand as an investment to face major Threats or Opportunities such as the Crisis.*

To go further into depth of how Crisis and Brand can coexist, it is necessary to find a key-point they may have in common. Afterwards, we will be able to define them under the same criteria, and as result might understand, and furthermore be able, maybe not to predict it; but do take it into account and later, act consequently in any Marketing research or strategy operation in this turbulent environment, as could be managing a Brand.

## What the Crisis is:

*A Threat or Opportunity.*

By its financial nature, it is inevitable in a first instance to think about the crisis in economic terms, or looking around; in social terms. However, similar to physics, if we are going to put it together with the Brand in the same reasoning and in the context of how does it affects the business, it should clearly be held in the same criteria.

Knowing quite well now that a worldwide financial crisis creates a continuous and intensive turbulence of all natures in the marketplace, we could consider it a hostile situation. And if we also take into account, that it was not predicted by a majority (only an expert minority, could for see what was to occur long before it would happen); we may conclude that the crisis is a hostile situation and unpredictable in time, or in other words, a Threat, or Opportunity for a few.

In conclusion, we are not talking now about Crisis, we are talking about a major Threat or Opportunity, that consequently can result in many Benefits or Losses for the business and that cannot be control directly, but it can be controlled by third activities like the brand.

## What the Brand is:

An investment.

Independently of all its characteristics, the Brand is an investment, a tool for achieving benefits in the long-term. With the keyword here being investment. This means that we can control it in the long term, but not in the short.

If the Brand is an investment and it does therefore generate benefits in the long term, this means that currently, only Brands that have amortize their cost and are already benefiting by the results it produces, can survive the crisis. Because a Brand as any other long-term activity does not depend on the circumstances (with exceptions), it depends on the long term.

For the same reason why it did not amortize immediately its investment when it was initiated, it is not being affected now in the crisis; instead, it will also do it in the long-term. The advantage of the brand, is not only that it will not affect it now when businesses require sales, but also that now we know that before or after, it will affect the brand positioning. Therefore it can do something at the respect, something that couldn't be done by those firms that based their strategy on other Marketing short or medium term activities or which did bet for the Brand but in the middle of the Crisis and haven't arrived to the point where investment is amortized and therefore can be benefited by its long-term characteristics.

In conclusion, the Brand is not only an investment to generate benefits on the long-term. It is also a powerful tool to not deposit all the business survival opportunities, in whatever hostile circumstances an unpredictable situation may happen in the market, and serves as an alert about how business and marketing strategies should be oriented from then on.

	How do we see it. Different Units	What it is. (in Marketing terms)	How we should see it. Same Units
Crisis	Economic and Social	Hostile and unpredictable	<b>Threat / Opportunity</b>
Brand	Economic and intangible benefits	Investment	

Chart to facilitate an objective comparison between two complex facts of a different nature, seeking a key-point they have in common, in order to find out afterwards how Crisis and Brand can coexist together.

## Analysis of the current situation.

How the Crisis affects Brands.

A strong Brand requires a high investment and a long wait to get benefits, depending on the promotion but within an average range of 5 of 10 years to be consolidated in the market. However, such approach has allowed many firms that did it in the past, to reduce their Marketing budgets today. Not producing such change proportionally in its incomes by sales, as their strategy is in part based on the Brand-preference, which is achieved with many years of promotional efforts.

As stated by Juan Ferrer-Vidal<sup>1</sup>, South Europe CEO of Millward Brown –Brand Research Company part of WPP Group-, after its research “Top 100 Ranking Brandz” in 2009: “In crisis periods, the firms with strong brands suffer less. If there are economic obstacles, the most powerful brands can survive easier”.

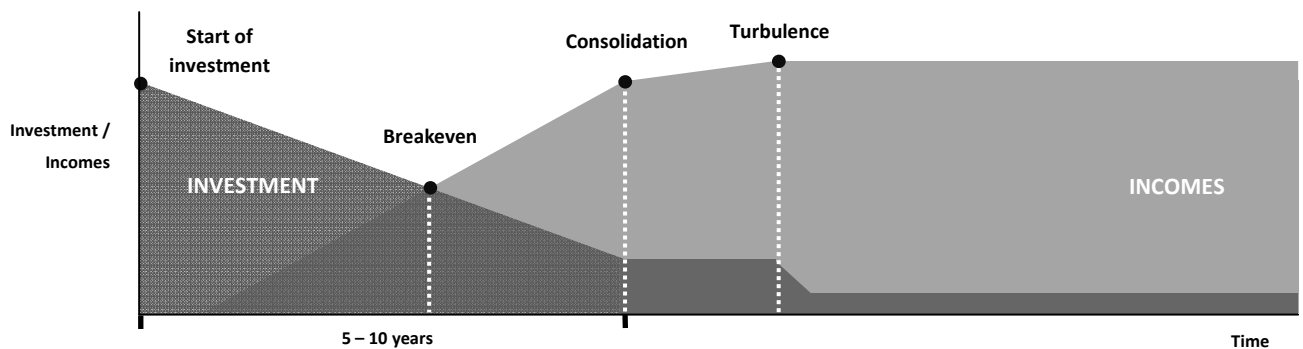
Actually, in 2009 the 100 top brands worldwide increased their value 2% to 2\$ trillion. However, millions of businesses have gone bankrupt since 2007, most of them Small and Medium Enterprises. But is not of question of size, it is a question of brand and Marketing approach.

Most of the small businesses focus their Marketing in order to push their sales on a short term, per instance, with Sale Forces, or Direct Marketing campaigns based on create leads with actions such as Telemarketing or Mailings. This must not be considered as a mistake, as if there is no budget for long-terms activities and the company is in risk on the short term, what does makes sense is invest on short term revenue.

The larger companies, with exceptions, are gaining participation and their brands are growing. The reason is simple, many small players in their market are moderately disappearing or being acquired by larger ones. Therefore they are gaining market share. With less saturation in their market media channels they are getting more effectiveness in their communication activities.

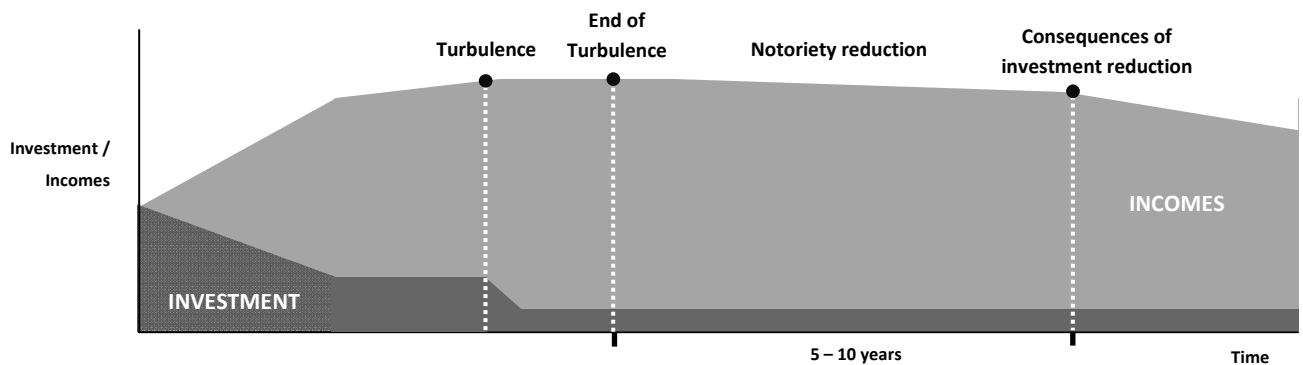
In conclusion, a strong brand, does not only allow the business to survive to crisis, but also, although its sales might have been reduced, increase its market share, which will make it much stronger whenever the crisis ends.

**(a) TURBULENCE EFFECT ON THE BRAND LIFE**  
Short Term

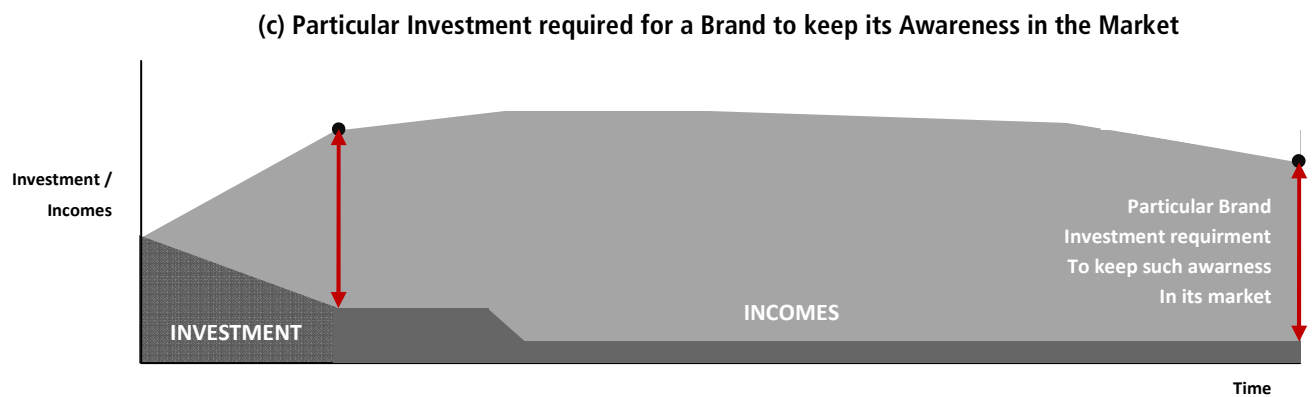


Graph (a) represents a brand's standard life cycle, comparing its regular levels of investment on it and income due to the Brand Awareness. The Brand, with most of its success or failure exposed on the long term (unless exceptions), is not being affected in the same proportion as its investment cut. In the worst of situations it will keep the same level (depending on the Competition communication efforts, if the turbulence has not provided the brand any particular damage, and during a determinate period, after it, it will also lose progressively notoriety).

**(b) TURBULENCE EFFECT ON THE BRAND LIFE**  
Long Term (if not making the same investment)



(b) However, in the long term, if not making the same investment or higher than before cutting it during the turbulence, within time brand will suffer notoriety-reduction progressively. Taking into account the competition's position in the market as well as their brand communications have not changed during the following period, in 5 – 10 years, more or less the same is required to achieve a considerable level of brand awareness in such market. It would be disappear progressively, up to be adjust to the level required to get a determinate brand awareness, with a determinate investment, and with such determinate brand and its market (c):



This graph may vary **depending on each brand and the firm** it represents all its characteristics and its market; highlighting some of them below:

- Brand notoriety.
- Company position in the market (leadership, secondary, etc.).
- Marketing Mix (Product, Price, Place and Promotion).
- Adaptation to circumstances capacity of the organization.
- Product and Communication efforts of the Competition.
- Customer loyalty.
- Stage in the business cycle, and value.

However, **facing a turbulence environment** such a crisis could be, there would be other key factors to take into account:

- If the Brand is consolidated.
- Level of previous investment and incomes of the Brand.
- Brand investment required to obtain a considerable level of awareness, with such product and in its market.
- Duration and intensity of the turbulence period.
- Whatever the Competition does is critical.

### **What does a Brand need to coexist with Crisis.**

The **requirements** for a Brand to coexist with a Crisis or any turbulent situation are not too many, but must be achieved with agility:

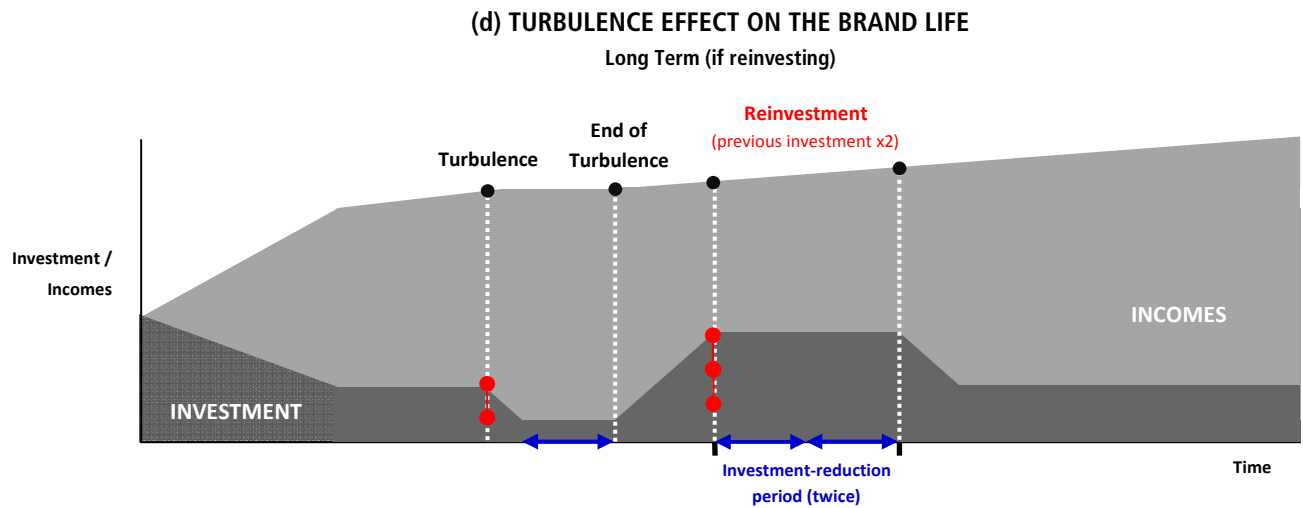
1. Corporate Financial solvency.
2. An appropriate Marketing Mix.
3. Brand notoriety.
4. Customer loyalty.
5. Continue Value generation: such as Product Development, Customer Service, etc.

However the feasibility of its implementation will largely **depend on**:

6. If consumption is very linked with the essence of the turbulence, in this case, the direct or collateral factors that have produced such crisis.
7. The competition situation in the market, its Product and its level of Brand-preference achieved.

It is true that most of the businesses could not survive the crisis because of uncontrollable facts such as the reduction of consumption (6), which could result in a non-financial solvency (1). However, there are other factors that, in case of having a brand established before (3) or a high level of Customer loyalty (4), they might have gotten it.

For the ones that are surviving today, it is necessary to recover the same levels of Brand Awareness before this gets damaged within the time. For such aim, it is necessary (in general terms) to intensify the promotion activities during a certain period. This could be done, per instance, doubling investment in the Brand during two times the turbulence period or during the period investment was cut, using direct-proportional criteria (d).



## References

<sup>1</sup> Juan Ferrer-Vidal. *Las Marcas fuertes sufren menos en la Crisis*. *Diario Público*. 2008.

## The Author

Jose Ignacio Monrabal is Global Brand Manager at Polymer Char, Chemical Company manufacturer of instrumentation of Polymer analysis for the Petrochemical's Industry supplier in more than 20 countries.

With a technical university degree background by the Polytechnic University of Valencia, he holds a Master in Marketing and Sales Management by ESIC Business & Marketing School and an Executive MBA by ESDEN Business School, where he graduated with Honors. He has also received the International Business Diploma by the University of Cambridge, with Merit in Business Communications.

Within his career in Marketing Communications and Brand Management, he has participated in several Industrial Sectors such as: Engineering and Electronics (at SIEMENS, as Corporate Communications Coordinator in Spain of its Lighting BU –OSRAM-, where he was also a Member of an European Strategy Work-team); IT (as Marketing and Communications Manager at Astral Group and Tecmaser Corp.), Printing (as Marketing Manager in Spain and Portugal at Gandinnovations Corp., now part of AGFA) and Chemical and Petrochemical (as Global Brand Manager at Polymer Char).

He is very involved in the global Marketing and Brand community, being a member of the Academy of Marketing Science (AMS), the International Advertising Association (IAA) and the American Marketing Association (AMA).

He has written articles for the American Marketing Association and Wolters Kluwer Management, and has been invited as Speaker in international Marketing Conference such as the LCBR European Marketing Conference, in Munich, Germany (organized by the Lupcon Centre for Business Research), the 32<sup>nd</sup> Informs Marketing Science Conference 2010, in Cologne, Germany (organized by the Faculty of Management and Economics of the University of Cologne), or recently to the Marcom Beijing 2010, International Conference in Advertising and Marketing Communications, in Beijing, China (organized by the China Association of National Advertisers, the China Advertising Association of Commerce and the World Advertising Media Association), to be held in the China National Conventions Center.