...the Economy Dichotomy

- Research...
  - 65% of the time
    - Businesses operate in other than "Boom" economies
    - Contracted/Transitional Economies represent...
      - Greatest market opportunities
      - Highest consumer savings
      - Most dramatic changes in Buying behavior
  - Yet "non-Boom" Economies are predominated by...
    - "Seat-of-the-pants" strategies and tactics
    - Guesswork
  - Yet...market dynamics in "non-Boom" economies and transitions are largely predictable and addressable

The Research...

- After the melt-down, we started tracking
  - Consumer behavioral changes
  - Business behavioral changes
  - Business’s response to behavioral changes
  - How Business changed buying behavior
  - Which core competencies were critical

- Global/Cross-industry
  - Financial Services, Telco’s, Retailers, Travel, Manufacturing, Consumer Goods Manufacturers
  - Small Businesses to Fortune 100
  - Interviewed

Observation: Deep understanding of C & B behavior & data-driven – minor adjustments. Others – Bankruptcy...

Buying Changes over Cycles

- Three Primary Buying Dimensions (Sciences)
  1. How Consumers satisfy their low/high-order needs
     - Rational/low-order consumers
     - Intuitive/high-order human beings
  2. Rationalize satisfying needs as value tradeoff
     - What they get... vs...
     - What they pay
  3. Economic Cycle Context: monetary conditions/fear
     - Re-prioritization of low/high-order needs
     - Re-balancing of Value Tradeoff

Observation: Human Beings are behaviorally simple, e.g. 7 primary emotions. We overcomplicate our approach and ignore these behavioral fundamentals.

How Consumers satisfy needs

- Buying Dimension #1
  - We are rational, low-order consuming robots
  - Give me the right product
  - ...at the right price
How Consumers satisfy needs

- Test for rational, low-order consuming robots
  - Who researches product features and then price shops?

How Consumers satisfy needs

- We are also intuitive, high-order beings
  - Show us you know us
  - Show us we're important
  - Respect us
  - Show me we can trust you

Observation: Most underestimate high-order needs in buying process

How Consumers satisfy needs

- Test for intuitive, high-order beings
  - Who has been ready to buy and because of how you were treated, you refused to make the purchase?

How Consumers satisfy needs

1. Research shows a hybrid
2. Hybrid mix changes with economic cycles

High-Order Buying Science

Customers Feelings Ignored

- Not too often: 23%
- Too often I see salespeople acting like I'm not there: 77%

Observation: Most miss importance of this mix and shift in economic cycles

High-Order Buying Science

- High-Income Customers (<$75,000)
  - Walking Away from Bad Service
  - Did not walk out: 43%
  - Walked out because of bad service: 57%
Value tradeoff changes over cycles

- **Buying Dimension**
  - Most underestimate Economic Cycle Impact
  - Perceptions of value is dynamic
  - Change over economic cycles

**Observation:** Can be predominant buying factor yet an afterthought

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Manage Low-order Discounting

- **Lessons learned**
  - Low vs. High: strategy scenarios relative to brand pricing context
  - Can your brand handle it?
  - Brand Hierarchy
  - Contracted Christmas Season
  - Abercrombie and Fitch
  - J. Crew
  - A Travel Company looks up-market...
  - Although they considered theme parks premium travel
  - Marketed its segment above
  - Research showed families who ordinarily travel internationally were looking for domestic alternatives
  - **Conservatively**
  - Avoid negative social stigma
  - Marketing campaign to add this niche
  - High end ingredients / Business flights

**Observation:** Fear overtakes fact-based decision making

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B2C Strategies/Case Studies

- **Low-order/Value Tradeoff**
  - What I Pay – Low Price
    - Manage Discounting (low)
    - Market up-segment
    - Market add-segment
    - Manage price perception
    - Unbundle Products / Services
    - Reposition Value Proposition
    - Reposition Value Proposition
    - Re-frame Competitive Set

**Observation:** If one business could do these proactively in cycles, they’d be unstoppable

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Manage Low-order Discounting

- **Business survival sale or Layoffs**
  - Business disappeared
  - High Brand Position
  - Forge Line
  - Manage Payment Fear
  - Manage Price Perception
  - Manage Recovery Fear
  - Manage Performance Fear
  - Manage Competitive Set
  - Proposition Re-definition
  - Proposition Re-definition
  - Proposition Re-definition
  - Products / Services
  - Unbundle
  - Market down-segment
  - Market up-segment
  - **Abercrombie & Fitch**

**Observation:** Fire Sales work if perceived as anomaly

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Market Up-segment

- A Travel Company looks up-market...
  - Although they considered theme parks premium travel
  - Marketed its segment above
  - Research showed families who ordinarily traveled internationally were looking for domestic alternatives
  - Conservatively
  - Avoid negative social stigma
  - Marketing campaign to address this niche
  - High-end ingredients / Business flights

**Observation:** Went after low-order need with high-order dimension

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Unbundle Products / Services

- **Good rule of thumb**
  - Unbundle products and services in conjunction
  - Bundle in expansion recoveries
  - High mean of “low or base price” dimension
  - Economy expands, customers willing to pay a higher price for bundled services
  - XYZ Airlines
  - Unbundling rights to determine
  - Costs of each bundled service
  - Unbundling could be a new source of revenue
  - Manpower services
  - Even if three businesses dealt with holidays
  - Less expensive into checked bag / luggage
  - Unbundling helps manage revenue
  - Manpower services
  - Only a minority of travelers financially affected

**Observation:** Free bundled services creates overuse and 1 costs
Unbundle Products/Services

- Lessons learned
  - A Travel Company compared...
  - Bundling versus Unbundling
  - Survey results
    - “We’ll pay higher prices for bundled vacations”...
  - Actual behavior
    - Opted for less expensive, unbundled options they would do

Redefine Value Proposition

- Lessons learned
  - Redefine what value means
  - Value also mean performance
  - Long-term perspective on price
- Actual behavior
  - Opted for less expensive, unbundled options they would do

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B2C High-order needs

- Business Strategies to address high-order “What I get”
  1. Manage Price Perception
  2. Manage Payment Fear
  3. Reposition Value Proposition
  4. Redefine Value Proposition
  5. Transcend the Economy Conversation
  6. Relieve fear / anxiety

Reposition Value Proposition

- Lowest Price
- Reposition Value Proposition
- Drinking milk is “cool” to
- Milk as a bargain
  - Dairy industry hired personal finance guru Suze Orman to champion milk as a bargain.
  - “recession marketing”
    - Urging people to buy milk, a product that saves them money.

Manage Price Perception

- A Travel Company (low-order)
  - Perception that A Travel Company is more expensive
    - Economic alternatives
      - Family vacations, local parks, less-expensive theme parks
    - As economic pressures, price perception differential increases
    - Research shows once perception is created, customers will not seek to validated or disprove it
    - Needed spark or compelling heuristic to prompt exploration behavior
      - “Oh wow?!, Really!?! It’s that affordable?!”

Manage price perception...

- A Travel Company’s Price perception can impact low and/or high-order
  - Not “I want lowest price”
  - You look adventuring of me” (over-charged me)
  - Feel disrespected
  - Heightened once sensitivities to “lightning rod items”
  - Hyper-sensitivity in down-economies
  - Emotional perceptions of prices relative to the actual monetary change
  - Retail - lighting rod items
    - Travel Co.
    - We have more than just a bottle of water in everyday life
    - What is the experience of the water?
    - “Bottled water are 50-100X higher”
    - Emotional perceptions of "experience"
      - Emotional perceptions of "experience"
        - Experience declines
        - “Summer hot, it’s 20X higher”
        - Feelings vary in the 10X range
        - Experienced vs. the generic product

Observation: Major branding shifts possible

Observation: Not just about purchase price

Observation: Not just about purchase price

Observation: Once perceptions created, consumer won’t seek to disprove

Observation: Price can have low and/or high-order dimensions
Manage Payment Fear

The Stats about Consumer Economic Condition
- 47% - worry about losing job
  - 28% - 6 months
  - 77% - know someone who lost job in past 6 months
- 47%, Both High/low income workers fear Job Loss
  - 66% - $50,000 or more worried about job loss
  - 66% - $50,000 or less worried about job loss
- 65% - worried about paying bills
  - 65% - 6 months
- 89% worry stocks/retirement investments will drop
  - 89% - 6 months
- 63% worry they don’t have enough to retire
  - 63% - 6 months

Observation: Walk a mile in your customer’s shoes...

Manage payment fear

- Hyundai
  - “Buy any new Hyundai and if in the next year you lose your income, we’ll let you return it.”
  - “We’re all in this together. And we’ll all get through it together.”

Observation: Hyundai was the leader, got biggest impact; all others followed...

Redefine Value Proposition

Target Stores
- a new day
- the new commute
  - Bike 59.99
- the new gym
  - Gym ball 11.88
- the new movie night
  - $12.50
- the new barber shop
  - Clippers 14.99
- the new family room
  - Tent 70.49

Observation: As good as it gets...

Relieve fear / anxiety

Allstate Insurance
- Reassuring actor Dennis Haysbert
  - President David Palmer
  - “24”

Reminds viewers it got started in 1931 during the Great Depression
- And through the 12 recessions since, Allstate has noticed that “after the fears subside, a funny thing happens: People start enjoying the small things in life. It’s back to basics, and the basics are good.”

Home and auto insurance, apparently, are among the basics

Observation: Safe Harbor in the storm message – very effective...

Missed the Mark

CareerBuilder.com
- Missed its mark...
- Their message...
  - “You don’t like your current job”
  - “We can help you find another!”
- Better...
  - “We’re the best at finding you new jobs in tough economies!”

Observation: Pinnacle of messaging...

Transcend the Economy Conversation

DOVE
- Transcends Economic cycles
  - 8,818,762 views

Observation: Pinnacle of messaging...
Transcend the Economy Conversation

Facilitated and participated in a community conversation…

- Virus: 3.9/2.9/2.4
- Ratings: 8.6/8.8
- Comments: 4,046
- Favorited: 30,495
- Length: 1:15

- $50,000 to create
- Costs $0.00657 per view
- 45% 1 in Product Sales
- Better ROI From YouTube Than Super Bowl
- Increase Brand Statute
- "No wonder our perception of beauty is distorted"
- Take part in the Dove Real Beauty Workshop for Girls
- Compassionforbeauty.co
- The Dove Self-esteem fund

Affirmation: Strategic Competency

A Travel Company

- When economy contracted…
- Analytics against...
  - Managed when/how to pull out of discounting mode
  - Customers’ economic alternatives
  - New shift in market sensitivities — up and down
  - Spending dynamics of discretionary product areas
  - Pre-purchase planning lead times
  - Brand tolerance for pricing
  - Social stigma of spending in down economies
  - Lightning box items
  - Cost-optimized against...
  - Employee hours
  - Service Levels

Observation: High "tough" on top, heavy information/analytics underneath….

Affirmation: Strategic Competency

WH Smith

- New CEO initiates "back to basics" focus
- Focused on core information competency
  - When economy contracted...
  - Analytics against...
    - Improved cost infrastructure
    - Reduced FTE’s to manage process (1 FTE from each buying area)

Observation: Great lesson for everyone… refocus, flexible infrastructure costs enabled by detailed information

Affirmation: Strategic Competency

WH Smith’s competitor

- Woolworths
  - Closed 807 stores
  - Fixture on London’s High Street for 100 years
  - Survived in the good times
  - Forced to close in the tough times
- Causes
  -Disconnected with Customers/Behavior
  - Lack of Information Competency

Observation: What not to do…

Loyalty under pressure

Lessons Learned

- Know which types of Loyalty you create
- Know their strength across cycles
- Know the Financial benefits

Observation: Each type of loyalty is radically different
**Loyalty under pressure**

Organizations pursue “Marriage” (long-term loyalty)

- Customers want...
- Date only...
- Multiple partners
- Date as long as you have competitive products & treat me well

“Economic Cycles place tremendous pressure on loyalty…

**Economic Cycles place tremendous pressure on loyalty…**

**Behavioral loyalty**
- Simplest form
- Weak competitive value due to susceptibility to switching costs in contracting economics (High Risk)
- If Value Supplier > Value competitor - Switching Costs
- Expensive food store saved by Oly. prefers it because less expensive food store which is further away.
- Requires more effort and time
- 2/Value Supplier < Value competitor - Switching Costs
- If more expensive food store located further away but is closer and only requires less effort and time

**Loyalty under pressure**

- Cognitive loyalty
  - Most sustainable form of loyalty
  - Not related to switching costs
  - Relationship between business & customer
  - Value (closely related to Customer Sat) is higher than competitor
  - High customer sat. also reflects superior product features (tangible and intangible) that increase the value perceived by the customers
  - Repeated satisfaction typically leads to increased (conditional) trust
  - Supplants a consumer’s need for a certain level of additional information

**Observation:** Who has ever owned a dog?

**Loyalty under pressure**

- Transactional loyalty
  - Repeat purchasing without any contractual obligation
  - Customer wants widgets, and you sell widgets
  - Price, value perception, and convenience
  - Better deal at any time and will switch without hesitation
  - Easy to stimulate with promotions/rewards
  - Customers' perception of the switching cost

**Metrics**
- Changes in recency-frequency-monetary value by customer segment or cohort group
- Velocity of change in segment mobility
- Cross-category purchase behavior and trends
- Latency (gaps between transactions)
- Frequency distribution of transaction value
Loyalty under pressure

Functional loyalty
- product’s very attributes perceived as superior
- One wireless phone company may provide better reception near the customer’s home
- Nike - if you have wide feet and Nike’s shoes fit
- First hope to differentiate
- Tangibly, palpably different yet relevant to the category purchase
- Lock up portion of market that prioritizes your advantaged function

Metrics
- Top-of-mind awareness on key functional dimensions
- Changes in perceptions of key functional attributes vs. those of competitors
- Willingness to recommend
- Price elasticity

B2B Strategies

Business Strategies to Address low-order needs
- Low-order needs
  - Reduce costs
  - Dominant Priority
- High-order needs
  - Business Transformation
  - Address Marketing Myopia
  - Building the Business Case to Buy (B2B)

High-Order B2B Strategy

JetBlue Airways
- American low-cost airline
- Exploited Market Niche
- Outrage of Private Jets
- Buy Three into CEOs flew private jets to ask for taxpayer money
- Company will not take delivery of a brand new $50 million corporate jet
- Ousted Merrill Lynch CEO personally coughed up $1 million for remodeling his office after fallout from his tax evasion was revealed with billions in taxpayer cash
- Ford exec spent $617,660 in one year to commute from his Florida home to Detroit

Metrics
- Overall brand preference
- Resistance to competitive offers
- Problem tolerance
- Price insensitivity
- Attitudinal surveys on key attributes
- "like me"
- "a brand I can trust"
- The right brand for the buyer
- Competitive brand preference
- Emotional loyalty
- "feeling" part of loyalty
- Individual's values, ego, sensibilities, intangibles
- Identity with brand
-功能
- Nonfunctional benefit from use and purchase experience
- Holy Grail - most often sought, least often attained
- Ability to withstand challenge to the relationship
- Forgive minor errors in experience
- Price premium in brands
- Seek new, differentiated from function, value/convenience

Business Transformation

- Marketing Myopia
- Assemble Automotive Side Mirrors
- Automobile market tanked...
- What is it that we really do?
- We assemble things?
- "and you don't want to incur the wrath of negative public opinion OR GUILTY about using your corporate jets…"
- "... we fly with us"
- "We’ve got you covered!"

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Business Case to Buy (B2B)

Building the Business Case to Buy (B2B)
- Both traditional and nontraditional business

In tough times:
- $ gets tight
- Hurdle rates are raised
- Shut certain money flows off
- Allow other money flows
- Assess where and how money is still flowing (or not)
- Understand and then position your value proposition toward that money flow
- Quantify the impact your value proposition will have on that area

Impact: Big versus Fast

Summary
- Plan for full range of Economic Scenarios
  - Cycles/Transitions
  - Proactive = significant opportunities
  - Reactive = significant risks
- Track "collective consciousness" of current & future Address and B2B-Commercial Behavior in context of Cycles/Transitions
- Low and High order needs
- Cost of Quality
- Cost of Service
- Cost of Information
- Cost of Customer
- B2B = Know your bottomline business case
- TIE buttons
  - Unavoidable/unplanned in tough times
  - Unavoidable in several key competencies, e.g. information costs
  - Excessively invasive

The Winners
- Innovative Marketing Strategies
- High Strategic Competencies
- Competitive Advantage
- Bottomline Cost of Benefits
- Proactive in good times, Proactive in Tough times

Web Specific Business Cases
- Sales, Leads, Conversions, Subscribers, Usability metrics,
  Returning visitors, Page views per visit, Time on page
  Time on site, Bounce rate, Form/shopping cart abandonment rate,
  Next pages, Links clicked (heat maps), Eye-tracking, Internal
  searches, SEO metrics, Number of back-links, Quality of
  back-links, Google cache date, Google bot (robot) visit
  frequency, Last time Google bot visited, Pages indexed,
  Page Rank, "pass rate", Alexa Rank, Compete Rank, Social
  Media metrics

Business Case to Buy (B2B)

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