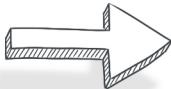


How to Market in a Downturn

Think of your customers
as falling into four groups:

- slam-on-the-brakes
- pained-but-patient
- comfortably well-off
- live-for-today



By John Quelch and Katherine E. Jocz
From the Harvard Business Review Magazine
(April 2009)

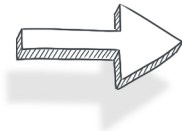
slam-on-the-brakes

Most vulnerable and hardest hit financially.

Reduces spending by eliminating, postponing, decreasing, or substituting purchases.

Consumer segments:

- lower-income consumers
- anxious higher-income if health or income circumstances change for the worse



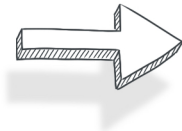
pained-but-patient

Tend to be resilient and optimistic about the long term but less confident about ability to maintain their standard of living.

Economise in all areas, though less aggressively.

consumer segments:

- the great majority of households unscathed by unemployment, representing a wide range of income levels.



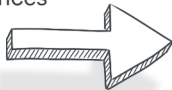
comfortably well-off

Feel secure about their ability to ride out current and future bumps in the economy.

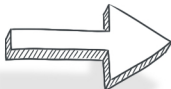
Consume at near-prerecession levels, though now they tend to be a little more selective (and less conspicuous) about their purchases.

Consumer segments:

- people in the top 5% income bracket
- those who are less wealthy but feel confident about the stability of their finances



live-for-today



Carries on as usual and, for the most part remains unconcerned about savings.

Unlikely to change their consumption behaviour unless they become unemployed.

Respond to the recession mainly by extending their timetables for making major purchases.

Consumer segments:

- typically, urban and younger (more likely to rent than to own) and spend on experiences rather than stuff (except for consumer electronics).

They prioritise consumption by sorting products and services into four categories

Essentials

are necessary for survival or perceived as central to well-being.

Treats

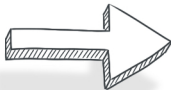
are indulgences whose immediate purchase is considered justifiable.

Postponables

are needed or desired items whose purchase can be reasonably put off.

Expendables

are perceived as unnecessary or unjustifiable.



Consumer segments' changing behavior slam-on-the-brakes

Essentials

Will seek lower cost products and brand substitutes such as private labels

Treats

Will deeply reduce or eliminate treats or seek lower cost substitutes

Postponables

Will put off all durable purchases unless forced to make emergency replacements, will delay repairs and personal services, such as dental cleanings

Expendables

Will eliminate purchases in this category

Consumer segments' changing behavior comfortably well-off

Essentials

Will continue to buy favorite brands at pre recession level

Treats

Will be more selective in purchasing luxuries

Postponables

Will seek better quality for the price, will negotiate harder at point of sale

Expendables

Rarely regards any purchase as unjustifiable but may reduce the most conspicuous consumption in this category

Consumer segments' changing behavior

live-for-today

Essentials

Will continue to buy favorite brands at pre recession level

Treats

Will continue to buy favorite brands at pre recession level

Postponables

May buy if there is a great deal, otherwise may postpone

Expendables

Is reluctant to regard any customary purchase as unjustifiable, may not want to expand consumption to new types of purchases

Consumer segments' changing behavior pained-but-patient

Essentials

Will seek out favorite brands at lower prices but settle for cheaper less-preferred alternatives, will stock up on good deals

Treats

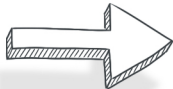
Will cut back somewhat on frequency and quantity and emphasise value

Postponables

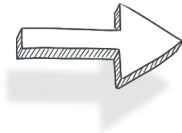
Will delay major purchases, repair rather than replace, seek value and low ownership costs rather than extra features, and negotiate at point of sale

Expendables

Will deeply curtail expendables



**So how
you can win
this situation ?**



Tailoring your tactics slam-on-the-brakes

Essentials

- Emphasise price, hit wallet-friendly retail price points
- Offer smaller pack sizes for less money
- Expand retailer private labels
- Promote low-cost value products
- Introduce fighter brands

Treats

- Shrink sizes
- Hold prices down
- Advertise as a “you deserve it” small indulgence

Postponables

- Offer layaway plans
- Provide low-cost financing
- Promote exceptional deals
- Challenge pennywise, pound-foolish behaviour (such as dangerously postponing tire replacement)

Expendables

- Offer do-it-yourself alternatives to doing without
- Continue awareness adverstising (for instance for future vacations)

Tailoring your tactics pained-but-patient

Essentials

- Offer a lower priced option
- Hit retail price points
- Promote bouis packs to encourage stockpiling
- Emphasise dependability of branded products or services

Treats

- Reward loyal consumers, even if they consume less (for example, offer frequent patron points)
- Advertise products as morale raisers
- Advertise products as affordable alternatives to more expensive luxuries

Postponables

- Offer simpler models, lower prices
- Promote lower-operation-cost models
- Promote repair services

Expendables

- Continue awareness advertising
- Invest in core products improvements that will accelerate customers' reentry into the market

Tailoring your tactics comfortably-well-off

Essentials

- Continue awareness advertising

Treats

- Emphasise outstanding quality
- Advertise as a product you deserve because you are successful

Postponables

- Promote saving from buying now
- Advise customers they are “missing out” by postponing

Expendables

- Enable discrete purchasing that avoids the appearance of less wealthy people
- Advertise benefits of impressing wealthy friends

Tailoring your tactics

live-for-today

Essentials

- Continue awareness advertising
- Remind consumers “You can’t live without it”

Treats

- Offer convenient automatic credit card billing
- Promote as opportunity to seize the moment

Postponables

- Offer monthly payment plans
- Promote quality-of-life benefits of bing now

Expendables

- Offer exciting new products and promote as “must-have”
- Advertise as products you can aspire to buy when your income grows

Write in the comment...



**Which consumer segments represent
the majority of your customers?
What are your tactics?**

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