



SPECIAL ISSUE ON RESEARCH IN HARD TIMES

Introduction

If pundits are to be believed, the current economic recession will be the most severe since the end of World War II. Its impact on the research business is already evident: layoffs have occurred, internal budgets are down, and our phone is ringing off the hook as hitherto unfamiliar field services are looking for work.

No active researcher we know has experienced a downturn of this scope. No one can say when it will end, or what the business/research environment will look like when (if?) it does. What is certain is that the practice of marketing research will have to adapt to a new set of business issues in the short run, and perhaps in the long run as well.

Some Facts

Unemployment is at a 20-year high (7.2% in January), with expectations it will rise further. The Conference Board Consumer Confidence Index reached an all-time low in January. A quarter of home mortgage holders are "under water." Even low-price leader WalMart is reporting losses.

Adding Value

Much of the marketing and research paradigm we know asks the question "What can we add to our product that people will pay more for?" With rare exceptions, this will no longer be the right question. Consumer psychology has changed significantly in recent months.

We offer our musings on the opportunities we have to make a contribution to our clients in

these troubled times.

The Right Cost Savings

As they struggle to stay profitable, firms will look for ways to take costs out of their products and services. This may result in a reduction in value to consumers as features/benefits are eliminated.

Such decisions are painful, but the prudent company will research them the same way they do feature upgrades in good times. The business question, though, becomes "which downgrades or defeaturing are most tolerable to consumers?" Good research can quantify the hit a product may take as features are removed. If costs must be reduced, then make sure they are the right cost savings that leave you as competitive as possible.

An Economy Line?

More strategically, companies may feel it necessary to introduce a lower-priced product line. The first concern of the product manager will often be cannibalization. However, the reality is that your main product line is already vulnerable to erosion due to existing lower-priced competition.

The right research—usually conjoint—can help in understanding how vulnerable your current line is to existing competition, and how a new "economy" line might protect the enterprise's total share. Or not. You need to know how best to feature an economy line to make it competitively appealing but still profitable. Cannibalization is inevitable for many reasons. You can't wish it away, but with good research you can manage it.

Rethinking Your Segments

Anyone using attitudinal segmentation as part of their marketing strategy needs to update it. Such systems rarely lack at least one segment defined by price-sensitivity. You can be certain that the size of price segments has grown, and they may have taken on a different character.

Many brands aspired to "mass luxury" status in recent years. How large those segments remain is a critical question.

While it is rare for a segmentation structure to change radically, it can happen. Even with gas prices half of what they were a few months ago, the structure of the automobile market appears to have shifted for good.

Who Is Economizing, and Where?

The fallout from the current recession is not equally distributed. Sales tell much of the story, but a manager needs to know how hard his/her category is being impacted in comparison to others.

Among current customers, who is economizing more than others? Are they switching brands or simply buying less?

The wine category appears to have held stable in terms of unit volume as consumers still want to enjoy a simple pleasure with dinner. But consumers are buying less from the top shelf and more from the bottom shelf.

Whether consumers will eventually return to earlier spending habits or continue to pinch pennies is a huge question. People are poor predictors of their future behavior, but clever research could still help managers plan their pricing and promotion strategy. To the degree that consumers feel deprived by their economizing, the odds are good that they will revert to their old ways as soon as they can. To the degree that consumers feel smart about and satisfied with their new choices, the odds favor a continuation of the trend even when the economy recovers.

Brand Value

True product differentiation is difficult to maintain. Instead, say most marketing theorists, it is the brand and brand alone that can make one product more desirable than another (hence worth paying a little more for).

These rules apply in good times and bad, but many/most marketers face different challenges in the latter. Careful research—as opposed to brain-dead research—can help. The world does not need another competitive brand positioning study with 30+ attributes. What you need is research focused specifically on value.

Good old "value for the money" is one indicator, but even better is to know what drives those perceptions of value. Keep in mind that value is ultimately a ratio:

$$\frac{\text{Benefits Received}}{\text{Price Paid}}$$

If all brands deliver about the same benefits, then "value" is the simple inverse of price. What you need to understand is what drives the perception of getting a lot from the product or service (i.e. benefits). They may be tangible, though those are harder to "own." Really strong brands manage to imbue products with intangible benefits. Now is the time to identify intangible benefits your brand can deliver better than others, and spread the message.

Sidegrades

We just made up that term. The initiative would have to come from management rather than research, but the time may have come for new products that hold features constant but work better and are cheaper. Even Microsoft is rumored to be slimming down Vista instead of building a yet more-bloated operating system the next time around. It would be worth checking out how many of your customers see simpler/cheaper products as a better deal than "upgrades", even when the latter sell for the current price.