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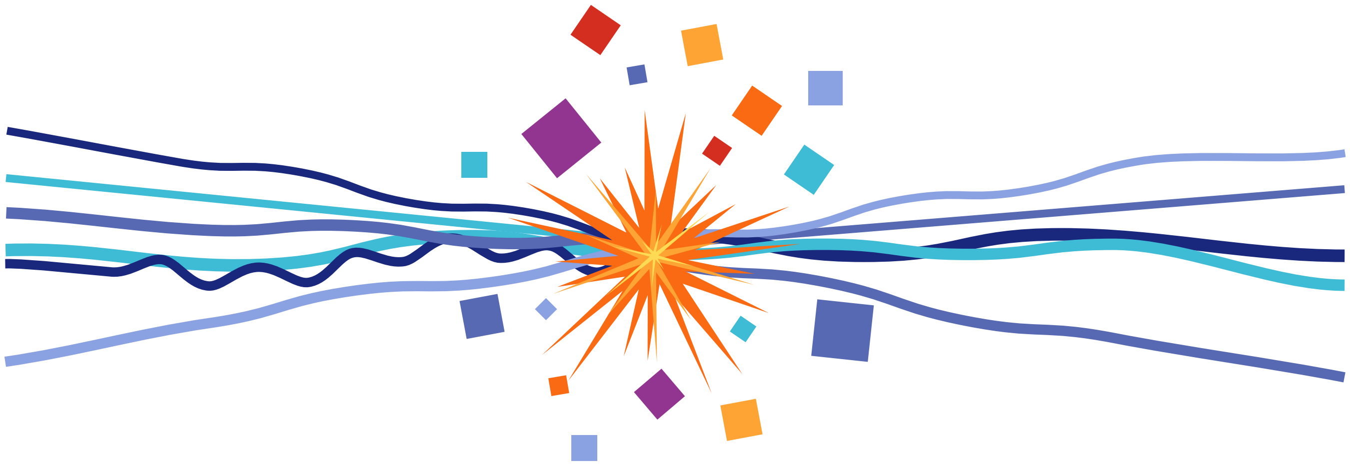

Finding growth in a downturn

Investing in tough times holds the key to survival – and success

Asia is facing an economic downturn – and the slowdown has already started. Consumer confidence and spending are declining across the region and this trend is predicted to continue. In China, the largest market by far, FMCG sales volumes are now flat year-on-year. Whatever the eventual outcome, it seems certain that brands will face more testing times – and not all will survive.

The Harvard Business Review estimates that 17% of businesses don't make it through recessions – and 85% of those that were growth leaders going into a downturn had been dethroned by the time the economy recovered. The decisions that Asian businesses make over the next few months will be critical ones. The trouble is that the instinctive reaction businesses have to tougher economic times is usually the wrong one.

During a downturn, survival often depends upon cutting costs – but it also depends on continuing to spend in the right places. As the former CEO of Intel, Craig Barrett, once said, "You can't save your way out of a recession; you have to invest your way out." And the evidence of the businesses that managed to thrive and grow during the recent global financial crisis backs him up. There's no finer example than Apple, which launched the iPhone just before the crisis broke, and then proceeded to take over the smartphone and tablet categories whilst the economy headed downwards. This was no fluke. TNS's research into consumer attitudes during the global downturn proves that tough times provide fertile ground for innovation – and that businesses able to focus their innovation efforts in the right direction are usually those that ride out a downturn best.

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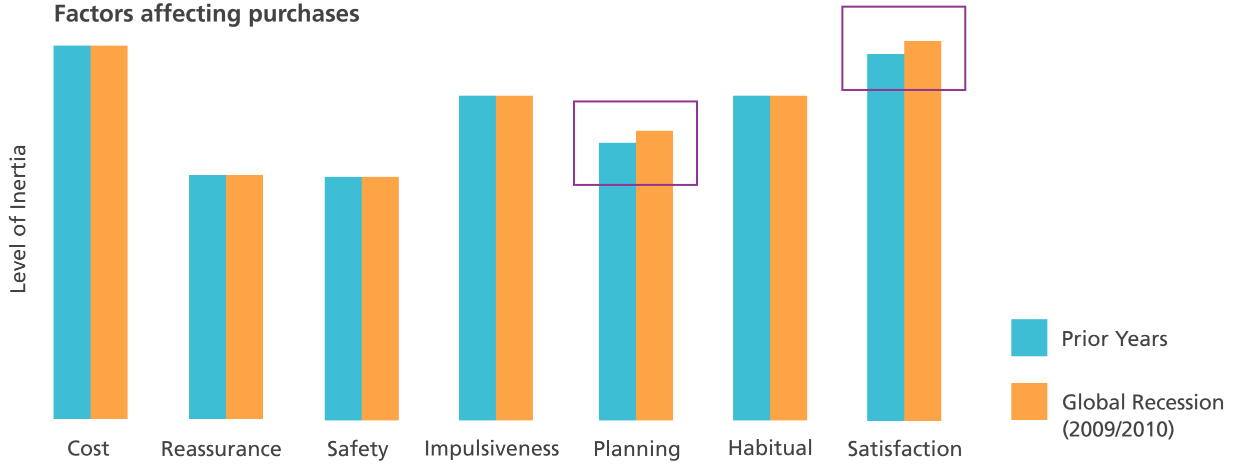
Consumer behaviour in a downturn – the myths
As marketers and business strategists, we tend to assume that consumers with shrinking shopping budgets and falling confidence retreat into their shells and buy only the products they know. In fact, our research shows no evidence of consumers in a downturn becoming more risk averse or habitual in their purchases. We assume too, that price becomes all-important in shoppers' decision-making. Again, this is wrong. Value for money is not the most important shopping criteria in a downturn; in fact, it doesn't increase in importance at all.

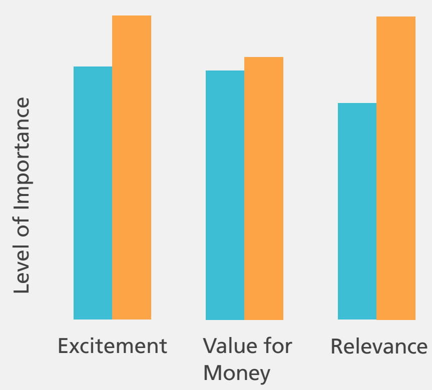
And yet, consumer decision-making does change in a downturn in one very significant way. People *think* about what they are buying more – they plan, and they evaluate their satisfaction levels afterwards – this is where the opportunity for innovation lies. Conscious consideration actually weakens entrenched shopping habits and increases the likelihood of consumers looking beyond one simple, decision-making factor, such as price. As such, it provides a powerful opportunity for new and innovative propositions. At a time when marketing and R&D budgets are limited, knowing where to focus innovation efforts therefore becomes all-important.

Factors affecting purchases



How do you innovate in a downturn?
Much has been written about the do's and don'ts of innovation – but far less about strategies for innovating in a downturn. When TNS analysed our database of 40,000 innovations to find the characteristics of those that succeed during downturns, a clear pattern emerged. Of all the measures that drive successful innovation, two increase in importance significantly during difficult times: relevance and excitement. Businesses that seek growth in tougher economic times need to focus their innovation efforts around the way that these two measures play out within their target markets.

Purchases drivers



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Providing relevance and excitement

Finding Relevance
Relevance refers to the ability of a new product to meet an unmet or partially unmet need – or to fulfill that need better than the products currently available. Its importance to innovation naturally increases at a time when purchases are scrutinised more closely – and consumers focus their spending on the needs that matter most to them.

Relevance could come through products that address fundamental yet overlooked needs, such as the Subway sandwiches in China that comply with the dietary requirements of Jainism. This may be in the form of space-saving or sharing economy-style concepts, such as Singapore's iCarsClub, which addresses the need to manage clutter in fast-growing cities. Or through the promise to protect and restore body and mind when life in a rapid-growth economy leaves their balance feeling disrupted. Or conversely, through permissible indulgences that enable consumers to treat themselves whilst still feeling responsible. It also could come through affordable luxury products that enable shoppers to stick to a budget yet still express status – or simply to express individuality and identity, through a personalised Coca-Cola bottle for example.

Generating Excitement
If relevance provides innovative products with a potential market, excitement is the measure of how successful a product will be in engaging that potential market. It bypasses traditional barriers and disrupts normal purchasing criteria, initiating trial. And, crucially, it drives word-of-mouth. Those who have had a new product recommended to them are twice as likely to purchase it as those who are merely aware it exists. As eCommerce becomes more important across Asian markets, and peer reviews dominate shopper decisions on platforms such as China's Alibaba, the word-of-mouth generating qualities of excitement become all the more significant.

It's important to understand that excitement is relative. It results from meeting needs in different and maginative ways. The iPhone was exciting, certainly, but then so too is a ring-pull on a can of tuna when every other product requires a tin opener. Whereas being relevant is a fairly straightforward concept, the question of whether or not a product is exciting can be more enigmatic. This is why TNS has identified five separate platforms that can each contribute to building excitement within a market. Meeting any or several of these characteristics holds the key to a new product fulfilling the potential that its relevance provides.

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The five platforms for excitement

Sensory

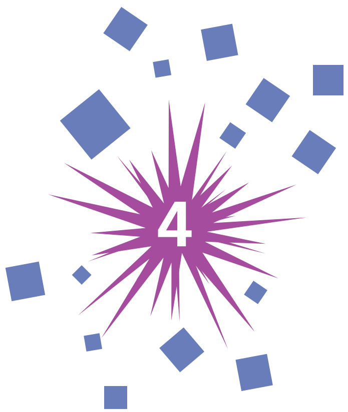
The first platform for excitement is sensory experience, the characteristic that transforms a product from simply fulfilling a need to fulfilling that need in a memorable and exciting way. This could take the form of an immersive, stimulating retail environment such as the Apple store, a focus on customer service that transforms a call centre into a platform for memorable customer experiences, even a breakfast cereal that releases a distinct aroma or sound when milk is added to it. Sensory experience is what makes a product more than its function – and that can be exciting in any category.

Confidence

A second platform for excitement is the confidence that consumers have in the ability of a product to do its job – particularly so, when each purchase is weighed more carefully in a shopper's mind. One of the most obvious ways in which a product can deliver this guarantee of performance is through the warranty attached to it – and it is notable that Asian markets have seen increasing numbers of consumers enquiring about warranties in the last six months.

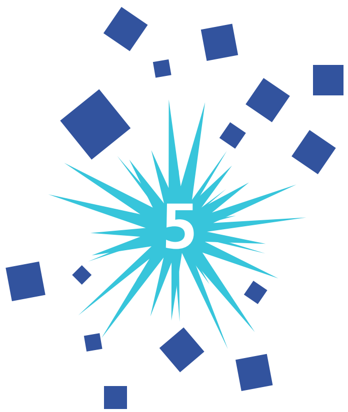
Nostalgia

Nostalgia might seem a strange choice for imbuing new products with excitement, and yet the ability to connect a product with positive, emotional memories can motivate consumers in powerful ways. Imagine a luxury bag brand consciously echoing the style of retro school satchels – or FMCG businesses making a nod to traditional Chinese cooking in their ranges of convenience snacks. Enlisting nostalgia can quickly build momentum across an entire generation if judged correctly.



Dual benefit

When shopping budgets are tight, the ability of a product to deliver against several needs simultaneously can provide people with a powerful, additional motivation for buying it. Low-carb beer, Omega-3 bread, and vitamin-flavoured water are all examples of strong, well-performing products that have been furnished with added excitement through the layering of bonus benefits onto the fulfillment of a core need.



Revolution

The final platform for building excitement comes through products that themselves represent a revolution. The game-changing nature of the iPhone positioned it in this category – but so too would a new level of effectiveness for laundry detergent, or a new model for car insurance. Revolution doesn't have to involve changing the world; it simply involves changing expectations of the category in question.

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A new innovation approach needed
Businesses cannot afford to react to the prospect of a downturn by abandoning innovation – but nor can they afford to continue with traditional approaches focused on generating a huge funnel of ideas that can be whittled down to one or two likely winners. Such innovation strategies simply aren't efficient enough to cope with the demands of tougher economic times. It's a straightforward waste of money to develop numerous ideas that will never make it to market.

Time and money is better spent ensuring the most precise possible understanding of changing customer needs. Staying on top of these can reveal the real opportunities for relevance and excitement and focus investment solely around these. When a business has a focused innovation front end, producing fewer ideas from relevant and timely consumer insights, its R&D teams are able to develop a smaller set of better solutions that are more likely to succeed. Doing so can secure businesses a vital competitive advantage in recessionary times. It can ensure that they don't simply survive a downturn; they thrive.

Top tips for innovating in a recession:

- Be clear in communicating unique product benefits
- Ensure that those benefits occur regularly, and solve unmet needs
- Don't scrimp on marketing support – times might be getting tougher but consumers can't buy something they don't know about
- When money is tight, know who your likely purchasers are – and focus on them
- Check your channel mix, and consider what role eCommerce should play in your distribution strategy
- Diversify your innovation portfolio to target different occasion needs and target groups
- Prioritise innovations, developing only those with the best chance of success

About the author

Ray Crook is Global Director for IPD Product Testing, for TNS. He specialises in improving the success rates of new launches, getting new products to enter the market whilst achieving better return on investment. He has over 20 years' experience helping companies develop successful innovation strategies in Europe and Asia Pacific. His expertise covers the entire innovation journey; from identifying and prioritising white space opportunities, idea generation, product development and optimisation to pricing, packaging and volumetrics.

About TNS
TNS advises clients on specific growth strategies around new market entry, innovation, brand switching and stakeholder management, based on long-established expertise and market-leading solutions. With a presence in over 80 countries, TNS has more conversations with the world's consumers than anyone else and understands individual human behaviours and attitudes across every cultural, economic and political region of the world. TNS is part of Kantar, one of the world's largest insight, information and consultancy groups.

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