

8 Strategies for managing an economic slowdown, A Challengers perspective

By **inventiva** - June 8, 2017



Many CEOs of consumer companies are complaining about a slowdown affecting their growth and profitability. But does a slowdown really effect the 2nd challenger brand (ranked 3rd) or beyond. I don't really feel so. A 2nd challenger would usually have a sub 15% market share and chances are quite high that it may not be in majority of the consumers consideration set nor well distributed. Its also highly probable that the penetration would be low in the concerned target consumer. The problems of a challenger only get compounded with a slowdown as the strategic mistakes become glaringly evident. More and more brands/ products in this world are in the position of challenger, they are really feeling the heat.

So why are challengers feeling the heat? They may have benchmarked their product and their growth to the industry's top 2 brands. Or they are unable to ride the wave of category development work done by the leader, as the leader cuts back during a slowdown. One reason is they try to emulate the leader as product differentiation reduces with technology available to all.

Advantage: The traits of a challenger are quick response and experimental attitude. A challenger usually has strong grit and ability to respond faster to the trade and consumer needs. The leader usually is not so proactive and tries to dictate terms to the trade which traders don't like.

Constrains: A challenger will usually not have adequate marketing budgets to sustain advertising spends nor manpower to match distribution/ penetration. The product, you can't immediately change what you have sown, but since the business situation is critical one has to look at 3 situations, a short term (3-6 months), medium term (6-12 months) and a long term (1-2 years) solution.

So how does a challenger manage a slowdown in these 3 situations?

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Managing the Short Term

1. **Touch points:** Top management has to experience and connect with the customer, the trade and the market through firsthand experience. If enough time is not spent in the market one will never know what the real problem is or what the next challenge will be. If you don't know your real issues how you will solve them. Clear the smaller issues quickly as they irritate more. The solution usually lies in improving monitoring of daily business health response time, collections, sales and service to trade and customer.

2. **Distribution:** Gaps need to be filled at the earliest and same have to be supported by trade. A challenger will not have the same demand as a leader thus one has to follow a push strategy. The trade should look at you as a long term partner who will support them for years. Building an emotional connect with the trade along with a good margins will go a long way for a challenger. A relationship management exercise which also gives them intangible benefits will help over just cash margins. Recognition and respect for the trade built by top management involvement helps in long term relation leading to exclusivity.

3. **Map the seasonality** in your category and plan earlier than your competitor to fill up the shelf's. If you can ride the seasonal wave sooner than usual with an innovative offering then you will do much better than the current trend. Evolve ideas don't repeat them.

Managing the Medium Term

1. **Experiential:** If the product you offer is parity to competition but has a few consumer relevant benefits/ features which are better or equal to the leaders, then talk about it, show it. You have to find a way to demonstrate and make the customer experience the difference. Probably the leader is not even talking about it, look at the chinks in his armour. Show and sell.

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2. **Guerrilla Media:** don't benchmark on your competitors but focus on your target customer's habit and try to reach them in an unconventional and uncluttered way. Increasing media costs and clutter needs you to innovate. The internet and retail shelf still offer a lot of opportunities for innovation. A mass reach TV program or full page press ad. is only going to make you spend more with exponentially high wastage. Be very specific while planning any media. Follow a return on marketing investment metric for each activity. Focus on getting sales and engaging with your customers. Communicate to the trade too to build an image.

3. **Product:** this takes longer to change but you need to add new products and at least 20% of your business should be from new products. New need not be something different, even a small improvement in product is a good start. During such times its better to extend the brand than create a new one. With shorter product life cycles a constant consumer understanding is required through research. If you can't create a product do a JV, license a brand or technology. There is always a partner you needs you as much as you need them.

Managing the Long Term

1. **Focus:** Is the brand speaking to all consumers or it has segmented and focussed its offering. The segments could be geographical, socio economic or even age or sex based.

When you have 2 strong brands above you, there can't be a one size fits all strategy. You need to stand apart by appealing to a growing segment with a sizable business opportunity. Sharpen your offering to the consumer who is the future. The product needs to be designed for the target consumer. You need to ride the growth phase of the product life cycle if you are to lead.

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2. **Emotions:** You need to get associated with the consumer at a higher level than just the product benefit; the product benefit has to ladder up to a higher order emotional benefit which your target consumer is looking for. People get emotionally involved with brands build that once you have established the rational benefit. Build it through every point of contact with the trade and consumer.

These 8 Strategies don't change whether an economy or industry performs or not. A business can only remain relevant if it continuously responds to change. If you are paranoid about your future and watchful of the horizon, you will always be better prepared for the future.

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