



AGILITY THROUGH UNCERTAINTY: NAVIGATING VOLATILITY & RECESSIONARY FORCES IN 2022

By Tim Lardner, Client Strategy Partner

As we reach the midway point of 2022, rising inflation, market volatility, and a pessimistic consumer mindset are impacting businesses across the American economy. This moment is rather precarious for brands, as some are beginning to see [excess inventory](#) across their dot-com and [brick-and-mortar locations](#), in addition to softening across core KPIs, such as organic ecommerce traffic. While a recession, or at best, a ‘soft landing’ from the pandemic, is seemingly inevitable in the months ahead, marketers are now being faced with a challenge they haven’t confronted in over a decade: how to prepare for and navigate this precarious period of economic weakness.

Answers to this question aren’t turnkey, as marketing strategies for any business are honed specifically for their respective consumers, brand priorities, and sales dynamics. Formal studies, such as the 2009 *Harvard Business Review* article [How to Market in a Downturn](#), remind us that while no two downturns are exactly alike, it’s up to us as marketers to navigate the “poorly-charted waters” by identifying patterns in consumer behavior and responding to the signals they offer in real time.

Firms that spent more on marketing than their competitors during the 1980s recession enjoyed a higher market value five years after the recession ended, reflecting the strong long-term effects of marketing expenditures.

Research also reinforces that the power of brands and investing for the long term will be critical. Jenny Darroch’s [Marketing Through Turbulent Times](#) demonstrated how firms that spent more on marketing than their competitors during the 1980s recession enjoyed a higher market value five years after the recession ended, reflecting the strong long-term effects of marketing expenditures. She found that during recessions, marketing budgets aren’t only cut, but reallocated. Those

that had too much of a short-term focus ended up with new customers reliant on discounts and promotions, or found they were perceived as irrelevant, only to be abandoned by their core customers.

As we seek to invest for the long term and protect brand positioning, marketers still need to move units, acquire, and retain customers in this moment. With demand goals to hit, it’s still critical to provide finance and planning partners with line of sight into how the business is performing, how competitors are reacting, and where pockets of opportunity exist for capturing wallet share. We must prepare and react to the realities of the market, and capture momentum against severe headwinds through insight, integrated ways of working, and agile activation.

NAVIGATING UNCERTAINTY WITH AGILITY

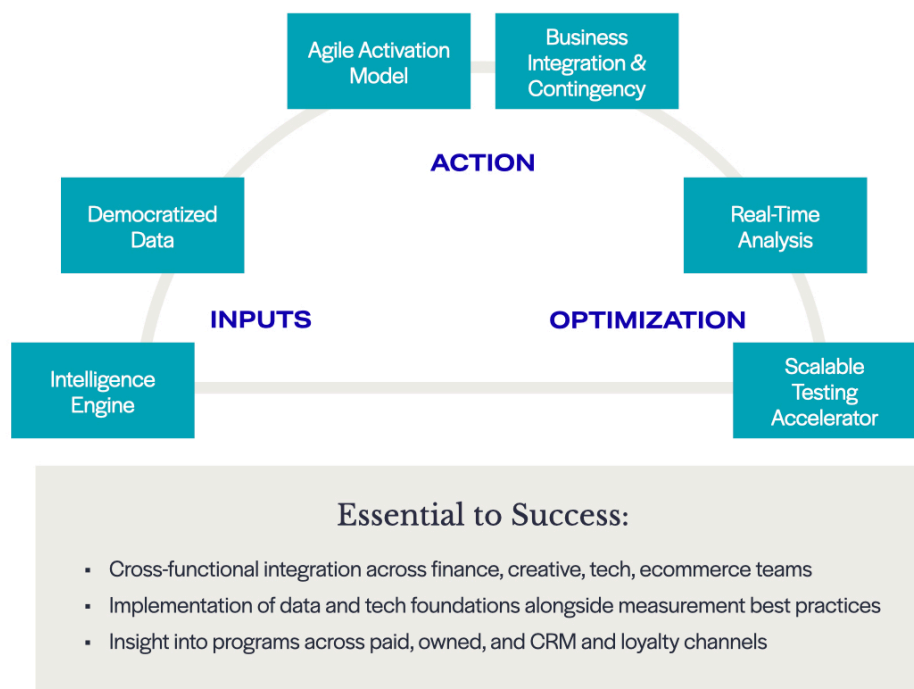
In PMG's dozen-plus years partnering with enterprise brands, our strategy for navigating challenging and uncertain business moments is rooted in preparation, agility, integration, and executional excellence. This requires an operational framework that facilitates agility and ensures that as businesses pursue their commercial goals, their marketing teams and partners (including creative, CRM and media agencies, to name a few) are in lockstep to deliver in the moment and provide as close to real-time feedback as possible.

The best example of this approach was seen at the onset of the COVID-19 pandemic, as brands sought to understand market and consumer dynamics, and respond accordingly. Across several enterprise brands, PMG teams leveraged a common data architecture, competitive intelligence, executional excellence, and real-time feedback loops to provide business and marketing teams:

- Line of sight into critical pockets of customer and product opportunity;
- An understanding of what messaging resonated with consumers (across paid and owned channels);
- The ability to forecast outcomes with unprecedented speed.

With the right capabilities in place, brands can be well-positioned to meet the moment, and better serve their customers' needs and overall business objectives.

Prepare and React Using PMG's Agile Uncertainty Model



As marketers prepare for, and react to, today's shifting environment, our recommendation is to audit and benchmark their current capabilities across three dimensions:

1.

ACCESS TO INPUTS FOR MARKETING DECISIONS VIA FIRST-PARTY AND MACRO INSIGHTS.

Best enabled by a robust consumer and competitive intelligence engine and democratized data.

2.

ABILITY TO ACT IN THE NEAR TERM TO AFFECT CUSTOMER BEHAVIOR AND BUSINESS TRENDS.

Enabled by an agile activation model and true integration into the business and always-on contingency planning.

3.

UTILIZATION OF OPTIMIZATION LEVERS BASED ON RAPID ANALYSIS AND A SCALABLE TESTING APPROACH.

Enabled by real-time analysis and a scalable testing accelerator.

Within each of these areas, the enablers listed above—both technological and operational—are critical for delivering against the desired outcomes and insights. To better equip marketers, let's expand upon each with more detail.

DEEP DIVE: PMG'S AGILE UNCERTAINTY MODEL

Consumer and Competitive Intelligence Engine

One of the primary takeaways from partnering with brands at the start of the pandemic was a realization that the "insights" provided in-house or from an agency to marketers weren't operationalized for the pace of change that the economy was experiencing. While a potential recession is different from a pandemic, the dynamics remain unchanged.

To best prepare for the months ahead, brands must immediately shift from a dependence on lagging survey data, offline data sampling, and well-packaged reports to digital-first tools, which can include daily sentiment tracking and rapid market assessments, to better understand what moves are worth making. Marketers who look to internally build, or partner to create an intelligence engine that offers a closer look at economic, competitive, and consumer insights and trends, will be best positioned to quickly pivot their marketing strategy and stay a step ahead of competitors.



Signals to watch may include competitive promotions, affiliate and brand investments, consumer consumption habits, and overall sentiment analysis. Taken together, these insights provide a wealth of intelligence for marketing teams to react to. Gathering these insights, and creating an internal forum to present and discuss them daily (which is ideal), or weekly, will facilitate a more unified strategy and drive more productive decision-making conversations across teams.

Democratized (Owned) Data

Best said by John Quelch and Katherine Jocz in [How to Market in a Downturn](#), “strategic opportunities during the downturn will strongly depend on which...segments your core customers belong to and how they categorize your products or services.” Alongside the external signals organized by an intelligence engine, marketers equipped with line of sight across owned data sources, including paid channels, CRM, and customer sources, can make use of that data to find pockets of opportunity despite the impact of recessionary headwinds on the economy. Commonly called democratized data, centralizing first-party data by aggregating media, consumer, transactional, and product data has many use cases. Most importantly, it empowers marketers with a more comprehensive understanding of their customer and business performance. This un-siloed, real-time customer data can also lead to better business decisions across the enterprise, reaching beyond marketing to other business units and empowering quicker, collective action.

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Looking ahead, marketers should prioritize efforts to unify disparate data sources, unlocking both insights and the ability to inform media investment decisions with relevant signals across media platforms and CRM systems. Once an opportunity is identified using democratized data, it can

immediately be actioned on for audience targeting and driving incremental sales for the business. While truly democratized data won't appear overnight, any strides made towards facilitating a comprehensive look across disparate data sources can change the trajectory of a business, minimize waste, and bolster media and CRM relevancy across marketing programs.

MAKING THE MODEL ACTIONABLE

Agile Activation Model to Establish Agility

Agility starts by getting a full and clear picture of your data (the starting point for quickly deriving insights), deciding on the right actions, and ultimately delivering results. During the pandemic, businesses that could react opportunistically in response to real-time business trends within their media and marketing programs found incremental growth and competitive advantages. Yet for some marketers, the shift from understanding the right actions to translating them into actual in-market messages can be inhibited by current partner models, resourcing, or even legacy media planning approaches.

Assessing current working models to pursue an approach with fluid, actionable forecasting and media planning will be essential to navigate the push-pull of a challenged consumer environment. This demands expertise, both internally and through external partners (like media agencies), that's poised to operate at the pace of today's consumer. For example, we often tell retailers that, in 2022, full-time holiday footing is required, with an always-on focus, just as we would deliver during the busiest six weeks of any 'normal' year.

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Business Integration and Always-On Contingency Planning

Eighty-three percent of [global CEOs have said](#) they look to marketing to be a major driver for most or all of a company's growth agenda, and with that, demand that marketing is well integrated within the business. During a recession, this requirement is even more pronounced as leadership looks to balance costs with the need for growth (in the aftermath of the Great Recession, global ad spending in the U.S. [dropped](#) by 13 percent). Line of sight for finance and executive teams across both marketing strategy and—most importantly—outcomes, is essential. Encouraging open lines of communication, and recurring, transparent feedback loops will help facilitate a strong partnership through tough times.

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Further, challenging media buying partners to design plans with an always-on contingency model, which includes spend fallbacks, rapid out clauses, demand risk assessments, and menus of growth levers, can ensure that when response to business conditions requires immediate action, your team is ready. Depending on the brand, we often recommend scenario-based contingencies for any media engagement, whether they be traffic pulses, share of voice boosting, brand-safety fallbacks, or even targeted promotional contingencies (versus blanket messaging), to protect margins while driving topline demand.

Considerations for an Always-on Contingency Model

Spend Fallbacks

Rapid Out Clauses

Demand Risk Assessments

Growth Levers

ACCELERATING TESTING AND OPTIMIZATION

Real-Time Analysis, Rooted in “Micro-Metrics” and Advanced Media Measurement

With a democratized data infrastructure in place, agile media planning, and tight coordination across business teams, enterprises will have a strong foundation for real-time analysis against any campaign or commercial objective. Leveraging that infrastructure to build tight analytic feedback loops against customer outcomes (such as performance across cohorts, like new, retained, and reactivated) and advanced media measurement can help brands ensure that their investments are driving business-critical behaviors.

During moments that demand real-time response, platform media metrics or lagging indicators, such as quarterly or bi-annual media mix models, can be supplemented by “micro-metrics,” which are best thought of as signals derived through rigorous testing that’s applied to daily KPIs. These micro-metrics will guide decisions, investments, and triangulate impact at the pace of today’s business environment. In taking a longer view, advanced measurement methodologies can help marketers demonstrate how full-funnel marketing is influencing the total business (versus channel-by-channel or tactic-by-tactic), to protect long-term investment in a total brand ecosystem.

Scalable Testing Accelerator

During the early days of the pandemic (and prior recessions, as well) many brands fell back into “essential” media programs, deflated their brand halos, and doubled down on core customers to maintain some demand while protecting costs. This created tremendous market opportunity for competitors that were better positioned to test, invest, and scale into new tactics and customer segments. Some PMG brands that could protect a modest testing budget and invest with a test-and-learn approach in 2020 were able to experiment and grow market share, and discover new platforms and formats, many of which remain part of their always-on mix today.

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Consumer Segments' Changing Behavior

		RISK OF SALES DOWNTURN					
		Low			High		
		ESSENTIALS	THREATS	POSTPONABLES	EXPENDABLES		
Slam-on-the-Brakes		Will seek lower-cost product and brand substitutes such as private labels	Will deeply reduce or eliminate threats or seek lower-cost substitutes	Will put off all durable purchases unless forced to make emergency replacements; will delay repairs and personal services, such as dental cleanings	Will eliminate purchases in this category	High	BEHAVIOR CHANGE
Pained-but-Patient		Will seek out favorite brands at lower prices but settle for cheaper, less-preferred alternatives; will stock up on good deals	Will cut back somewhat on frequency and quantity and emphasize value	Will delay major purchases, repair rather than replace, seek value and low ownership costs rather than extra features, and negotiate at point of sale	Will deeply curtail expendables		
Comfortably Well-Off		Will continue to buy favorite brands at prerecession levels	Will be more selective in purchasing luxuries	Will seek better quality for the price; will negotiate harder at point of sale	Rarely regards any purchase as unjustifiable but may reduce the most conspicuous consumption in this category		
Live-for-Today		Will continue to buy favorite brands at prerecession levels	Will continue to buy favorite brands at prerecession levels	May buy if there is a great deal; otherwise may postpone	Is reluctant to regard any customary purchase as unjustifiable; may not want to expand consumption to new types of purchases	Low	

Key

 STABLE MARKET
Slight or no change in opportunities for companies

 MIXED MARKET
Slight or no change for stronger competitors; a reduction for others

 DECLINING MARKET
Substantial reduction in opportunities for companies

Source: [How to Market in a Downturn](#) in Harvard Business Review

Partnering with a cross-functional group of internal stakeholders and agency partners (across media and CRM, loyalty, and email teams) to build a testing accelerator, focused on launching small experiments in a structured, repeatable way, can be a key strategy to find pockets for growth, margin protection, or cost savings. Designing a purposeful, rapid experimentation model focused on a proven ability to scale can also help marketing programs remain efficient and poised for long-term success.

WHERE TO START

Given today's economic, consumer, and business environments, perfection shouldn't get in the way of progress. In order to see measurable gains during challenging times, each enabler can be tailored to specific maturity levels for any brand's operations, whether they are ready to crawl, walk, or run.

AGGREGATE

Where data can't yet be fully democratized, or centralized, aggregating available datasets is a great starting point that may offer incremental insights.

LEVERAGE PARTNERS

Where a daily brand health tracker isn't in the cards, using partner data (such as query volume) and manually compiling publicly available macro trends can help start an internal conversation on shifts and future opportunities.

MEASURE

Where testing into a complete ecosystem of advanced media measurement isn't possible, designing proxy metrics based on past performance can help build a business case and drive line of sight into total business impact.

Marketers can prepare for the future now by establishing cross-functional integrations across finance, technology, creative and commerce, and building marketing action plans against key areas of opportunity. By benchmarking capabilities and laying groundwork for the moments ahead, marketers can shift from a stance of uncertainty to having the confidence to make bold decisions.

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