

Post Recession – When are those delicate green shoots going to sprout into a full blown economic recovery? And who will fare best when the good times roll around again?

In the words of Jeremy Irwin, Chief Executive Officer of ANZA, *“Optimism has largely replaced pessimism but with a cautious approach to advertising investment. It will be good to see some positive reinforcement and market upswing as the year progresses.”*

Reports of rising business and consumer confidence throughout 2009 may have buoyed the spirits a little, but is our joy premature? Are we really on the verge of a recovery? Surely it is only natural to grasp at the positives and desire better times than those yesterdays, when stories of failed investment and manufacturing companies were daily news and the world’s economic crisis swept across the oceans and came crashing upon our shores. Naturally confidence declined as a growing number of businesses and consumers’ indebtedness outweighed their ability to repay investors and those made redundant in a slow employment market felt the squeeze. Is this increase in confidence just as natural, as we grasp at straws and put our Pollyanna hats on?

Although to date, New Zealand has been protected from the depths of economic decline reported in the northern hemisphere, through our distance in part and the fiscal strength and stability of our banks and their systems, no one knows whether we are through the worst yet.

There is talk of our coming up from the bottom of the ‘V’, others speculate it may be a W and the upward trend will be reversed before we are finally through the worst. Still others talk of Ls and Us – only time will tell which letter best describes our recession – until we are through it we won’t actually know it is over.

Summertime and the holiday season coupled with Christmas, a time for giving and eating (and consequently buying) has given us all brighter spirits. Consumers and retailers enjoyed the lead up to Christmas 2009 with spending up 6.2% on 2008 (December 1 to 21 figures). Many retailers saw Christmas as an opportunity to counter what had been a very tough year. Marketing tactics were focused on sales, with consumers being lured with ‘never before’ deals on everything from whiteware to clothing, toys to technology and discounts as high as 75% in some instances.

Christmas has now passed and the Boxing Day Sales have closed. What strategies will take retailers into 2010 and beyond? Rick Osborne, Chief Executive of CAANZ believes, *“Whilst an element of economic volatility stills remains, 2010 is shaping up as a year that will likely reward those forward-thinking businesses who maintained communication with their existing and potential customers during the dark times of 2009.”*

Regardless of whether we are on the rebound or just in the midst of a bounce, all the research told us, those who continue to market themselves, retaining a high profile throughout a recession, can maintain sales and profits throughout, and in the years following tough economic times.

Osborne agrees, *“Businesses mustn’t overlook the importance of ensuring that there is an effective marketing budget in place - even if you don’t plan to spend it all- if brands are to respond to the anticipated 2010 recovery.”*

When sales appear harder to get, the temptation is to cut back on promotional expenditure, but history tells us that those who have not, are set to reap rewards as the market picks up. See the NAB’s September 2008 [Advertising in a Tough Economy](#) report. Osborne says *“It’s an old adage but cutting marketing budgets is only profitable in the short term, and ultimately the brand –over the medium to long term- emerges much weaker; that’s why it’s*



important to increase marketing spend in the early stages of an economic recovery.”

Those who are already in the market do not have to wait for the announcement that the worst is over to re-establish their market position.

Throughout 2009 discretionary spend reduced in New Zealand as consumers focused on the necessities rather than luxuries. Household expenditure was down by 1.3% at the end of the September quarter (released in December). Retail furniture and appliance sales dipped in the middle of the year but were on the rise again in the September quarter (up 2%). Markets and consumer attitudes and behaviours do change in recessionary times and businesses need to be aware of the changes so they can meet the market. The strategies that produced sales in the past may no longer work post recession.

A recent US study suggests consumers are learning to live without expensive products and say they may not return to pre-recession premium brands as they are ‘not worth the money.’¹ Better value may mean more to consumers than a premium brand or high price.

Consumer buying behaviour and concerns over quality and price have changed in New Zealand over the past ten years. In the NAB’s 2009 [Retail report](#) we explore some of those changes, including

- a tendency to research purchases more thoroughly prior to in store purchasing
- looking for quality but less likely to believe higher prices mean better quality
- 60% of respondents in the Q3 2008 to Q2 2009 Nielsen National Readership Survey say they shop a lot for specials and bargains.



Consumer attitudes have changed, they are looking for increased value, better service and they will take time to research where best to find what they require. If you are selling something, best be in the market now espousing how you can offer better value and service, so you are already in the mix when the good times do roll around again.

Jeremy Irwin predicts marketers will be cautious but will need to be visible. *“Cost effective New and Traditional media opportunities will be evaluated very closely before ad placements are made and post placement. The winners in the marketplace will continue to be those who heeded the research provided to advertisers in 2008 that demonstrated on- going advertising investment in recessionary conditions will enhance the short and long term strength of their brands.”*

Source: ¹ McKinsey Research – December 2009