4 WAYS TO FUTURE-PROOF YOUR BRAND DURING INFLATION

An Ipsos Point of View

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As inflation continues to dominate news headlines and boardroom agendas, many businesses tend to focus on the bottom line: reducing costs and raising prices. While this may alleviate business pressure in the short term, the risk is that it erodes the equity of brands in the long-term.

Especially in this time of economic uncertainty, it is critical that businesses and their brands take action today, that will ensure success for tomorrow. The following are four marketing initiatives that will contribute towards future-proofing any brand during these inflationary times:

1. Strategically manage the full brand portfolio of premium and value brands

Data is conflicting. Some data shows that premium brands are holding up well in these inflationary times. Other data shows that consumers are trading down to value brands. The reality is that both can be true, depending on the category, brand and consumers in question. Therefore, it is important to leverage the full brand portfolio across different price points. While value brands play a critical role at this time, so do premium brands: They tend to be less price-elastic, their higher margins offset the lower margins of value brands, and they provide a measure of comparison against which value brands can hold their place in the market.

2. Create accessible "ways in" to a brand to secure the customer base

As consumers tighten their purse strings and begin to make trade-offs, it is important for brands to find ways to keep their consumers within the brand franchise. In the 2009 recession, when many people could not afford a $1,500 handbag, Louis Vuitton recognized that they were not in the world of handbags—they were in the world of luxury. The $300 keyring was the perfect way for people to access this luxury in difficult times. This strengthened and grew the consumer base, even if it did not strengthen the bottom line in the short term. But, when purchasing power returned post-crisis, that strengthened consumer base was able to afford the handbags and LVMH saw a steep rise in its sales and share price.

3. Show empathy

Consumers are people. And we can't under-estimate the stress and anxiety that so many are dealing with as one crisis after another dominates the headlines. With the pressure on businesses to cut costs, it is easy to forego the "softer" investments such as customer service. But now, more than ever, brands need to create seamless experiences, show empathy and truly support their customers at every step. It is for this reason that AriZona Iced Tea has remained at 99 cents. As cofounder Don Vultaggio said, "Consumers don't need another price increase from a guy like me."

4. Continue to innovate

As with any cycle in an economic downturn, it will end. And the businesses that fare the best post-crisis are the ones that continue to innovate during the crisis. The Harvard Business Review found that "companies that master the delicate balance between cutting costs to survive today and investing to grow tomorrow do well after a recession," according to a 2010 study. Companies that managed to accomplish this had a 37% chance of becoming industry leaders following a recession. Some of Apple's greatest innovation was born during the 2001 dot-com bubble and the 2007–2009 recession.

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