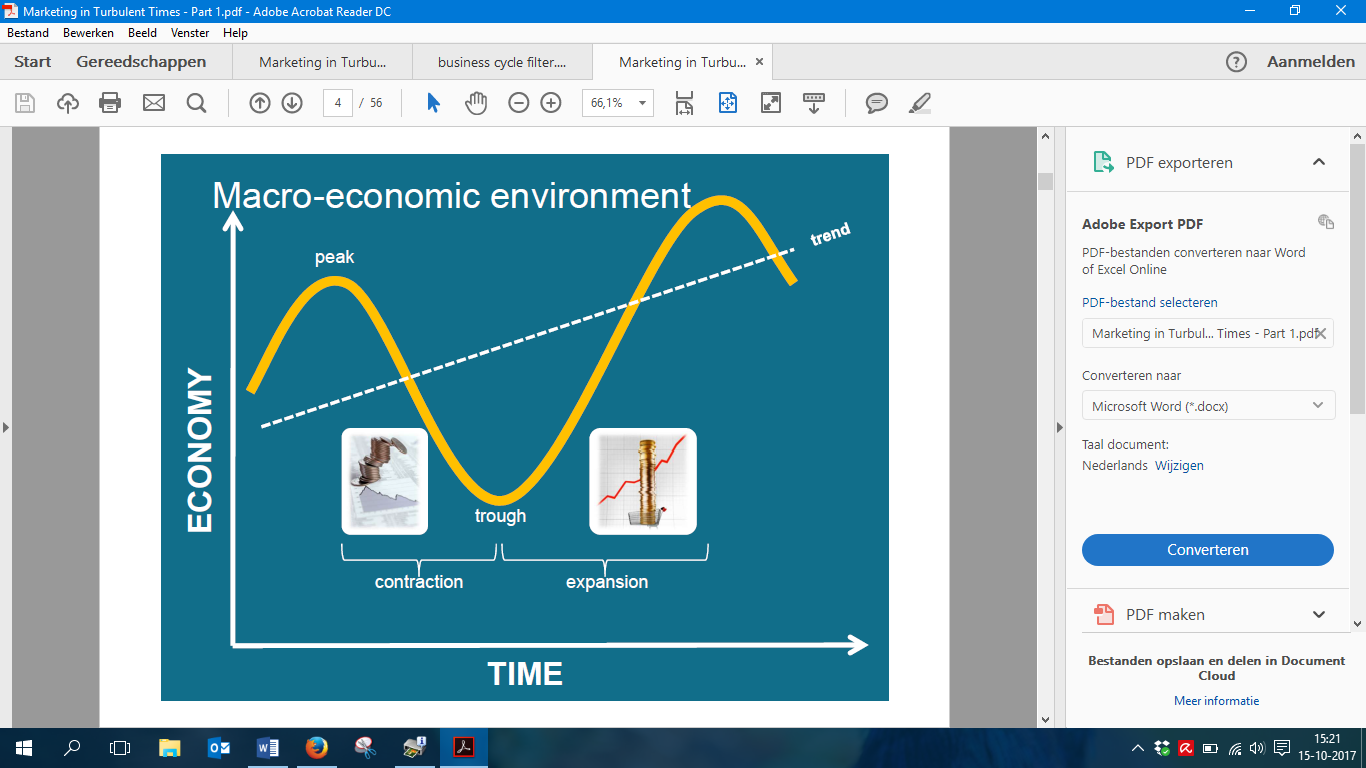
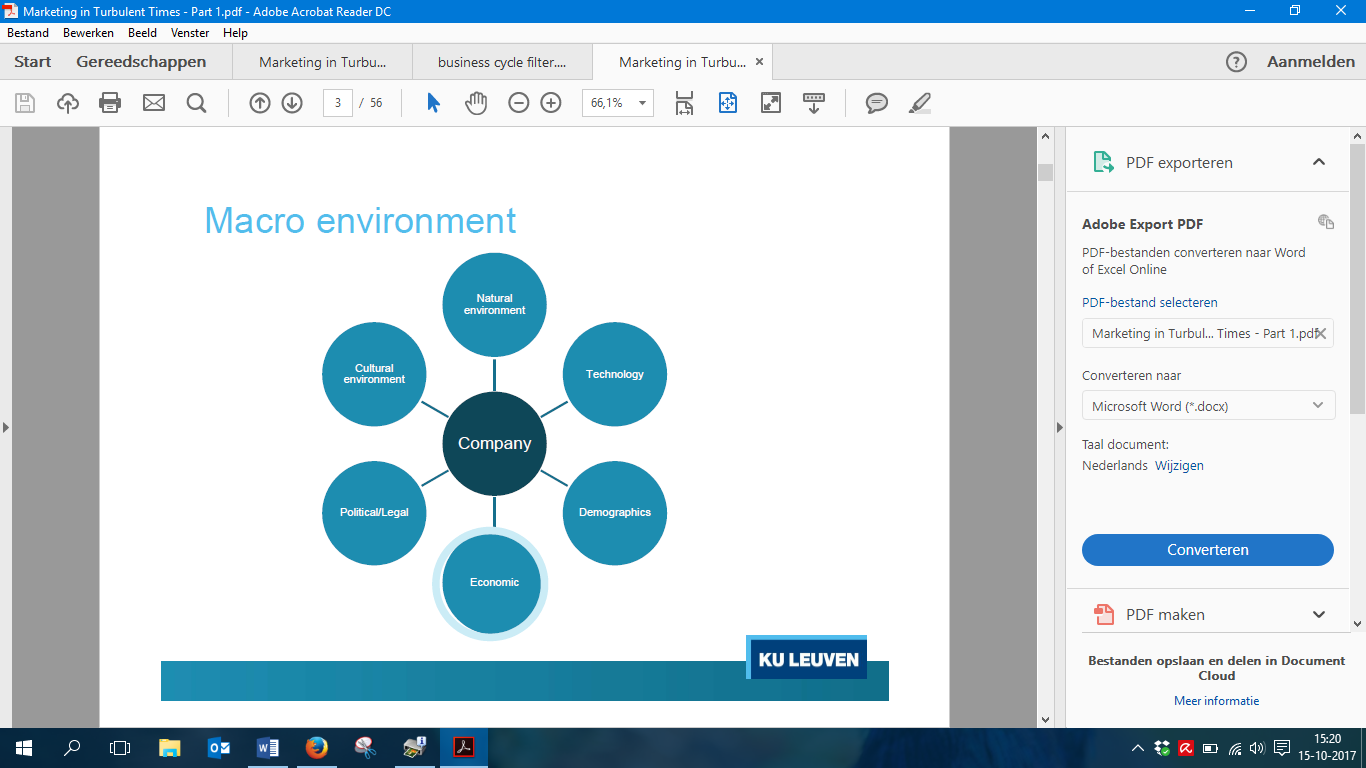
2. Marketing strategy in turbulent times

🡪 Own strategic decisions, decisions of competitors & macro-environment influence Mstrategy

🡪 We look at Macro-environment, the economy



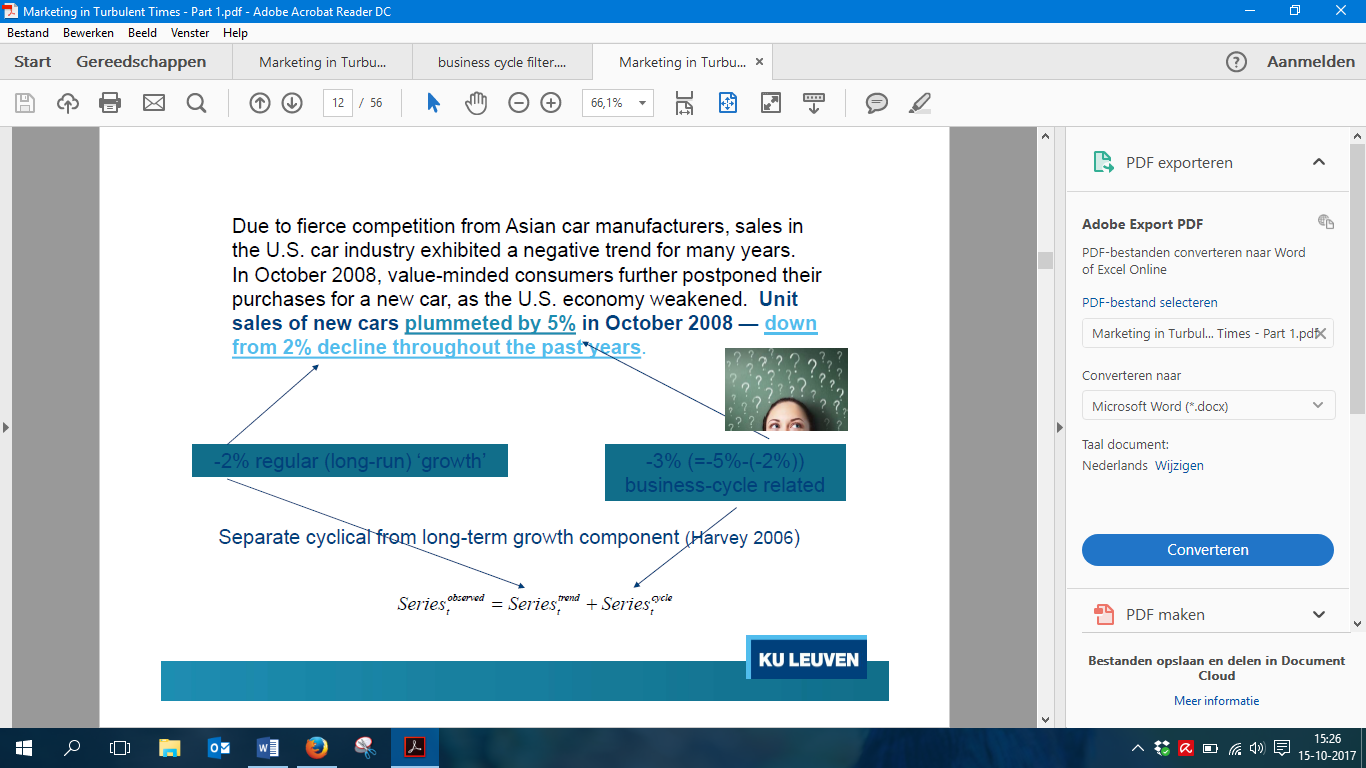
1. IMPACT OF BUSINESS-CYCLE FLUCTUATIONS ON CONSUMERS

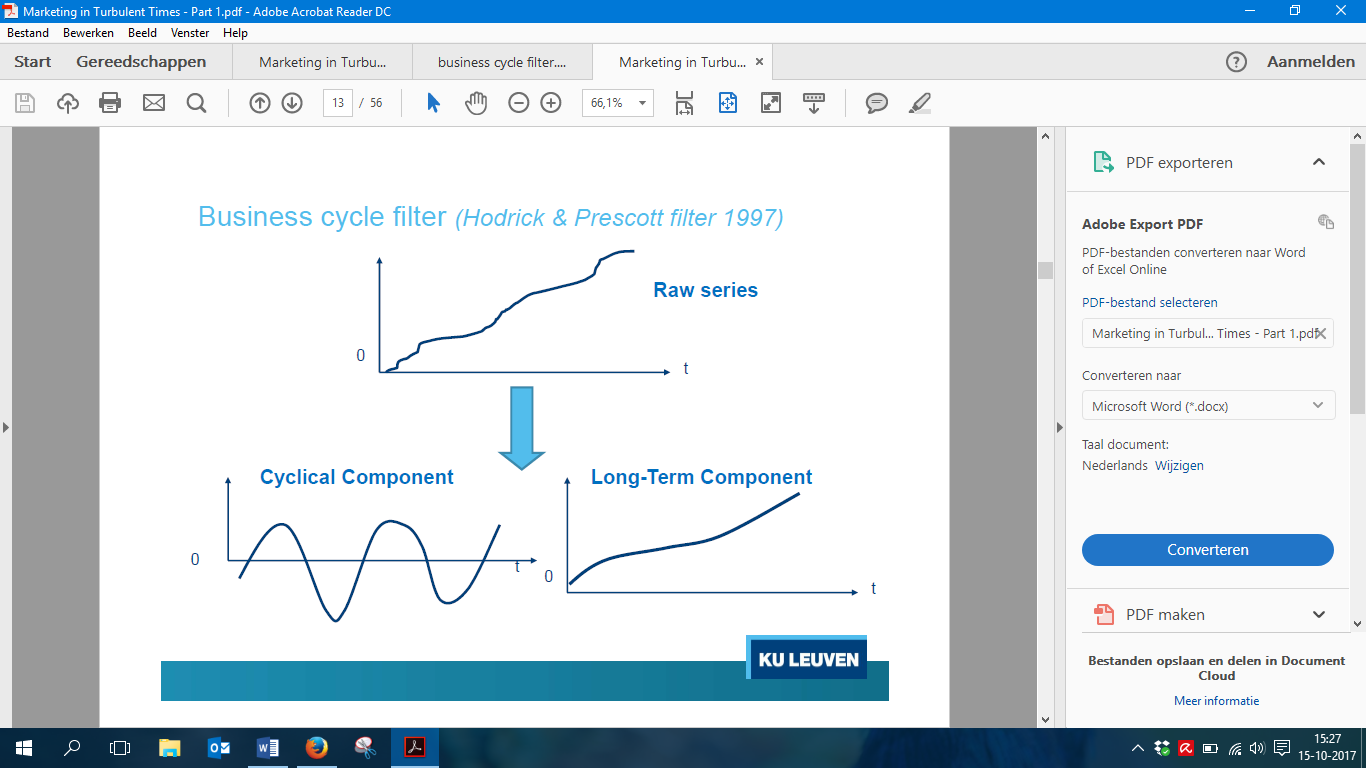
Business cycle & consumer durables

= Durables most affected by economic downturn

* Long lifetime, easily to postpone purchase
* Considered investment decision (quite expensive & slinking budgets)
* Companies reactions (often P ), reinforces cyclical sensitivity
* Durables behave PRO-CYCLICAL

! Separate cyclical from LT growth component

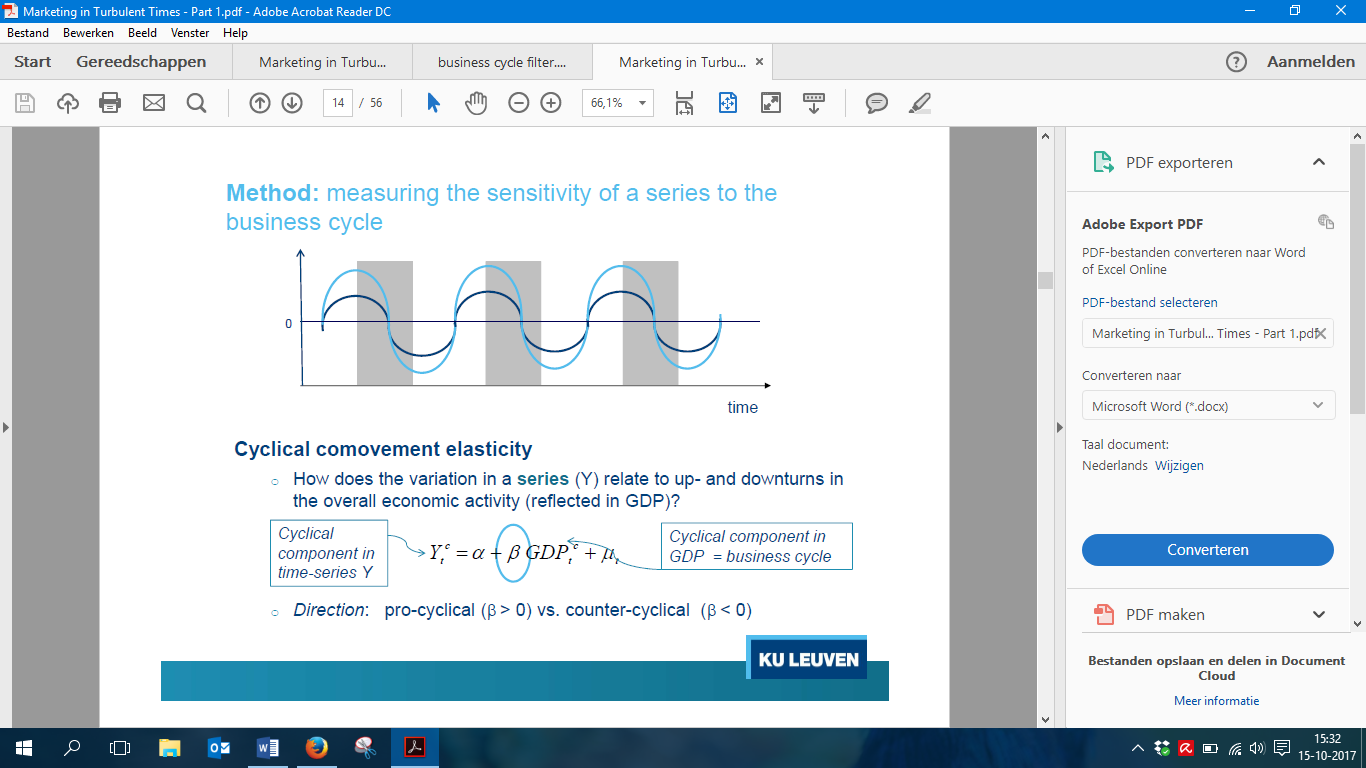




Method: measuring the sensitivity of series to the business cycle

**Cyclical comovement elasticity**

= how variation in a series (Y) can relate to up- & downturns in overall economic activity (GDP)



**Conclusions**

1. Durables more sensitive than general economy (GDP) (ß = 2,013)
2. Some industries more sensitive than others
   1. Time saving convenience goods less sensitive (you want/need them) than leisure durables (playstation)
   2. Replacement purchases less sensitive (laundry machine), you need them

Business cycle & grocery purchases

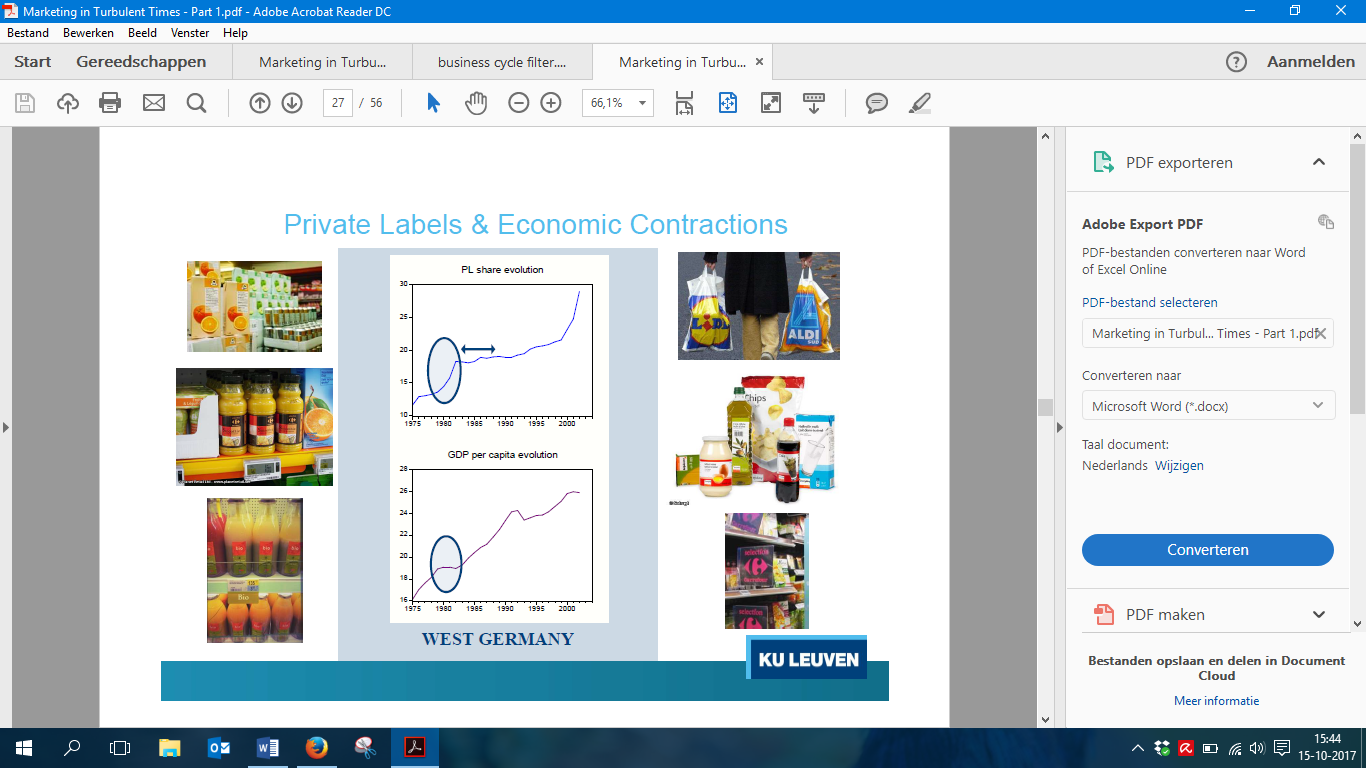
= consumers adjust grocery shopping behaviour in line with economy

= private labels & brands

**Private labels**

1. Produced/ commissioned by grocery retailer chain
2. Owned by grocery retailer chain
3. Under control of … (decisions about adds, placement,…)
4. Exclusively distributed by specific …
5. **Behave COUNTERCYCLICAL** (i.t.t. durables)

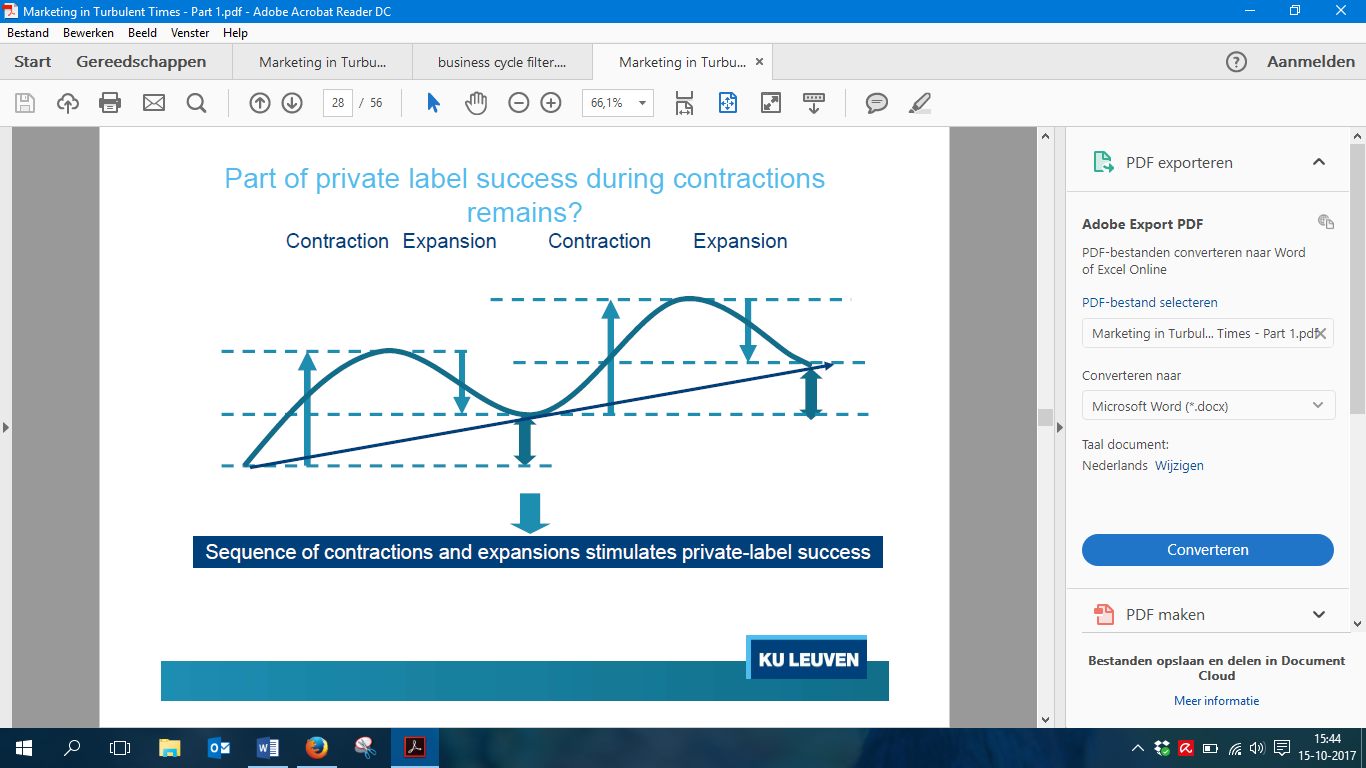
More & more successful

1. Low price (20-60% less)
2. Improved quality over years
3. More & more retailers in more & more categories
4. When contraction of economy, sales rise, afterwards, not everyone converts back   
   (they’ve tried it, liked it & got used to it)

**Consumers during contractions**

1. Reduced inertia (willingness to switch )
2. Increased tendency to acquire P info
3. Increased P sensitivity
4. Consumers economize expenditures through P instead of Q for non-durables

🡪 Incentive to switch to lower-priced PRIVATE LABELS



Increase in contraction > drop afterwards (during expansion)

🡪 PL success

2. IMPACT OF HARD & PROSPEROUS ECONOMIC TIMES ON INDIVIDUALS’ MINDS

**Approach motivation**

= facilitates processing of positive stimuli, but not negative stimuli

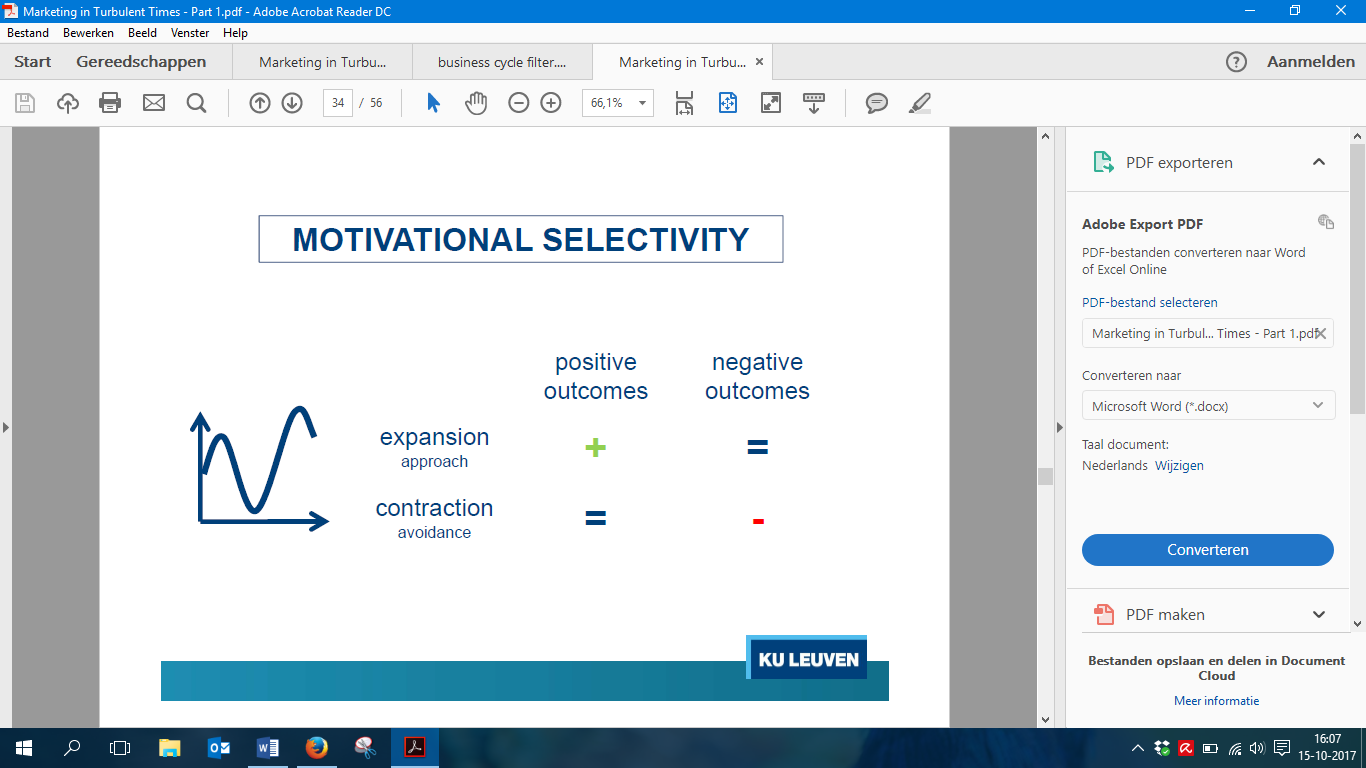
* carrot: reward
* expansion: lots of opportunity to reward yourself

**Avoidance motivation**

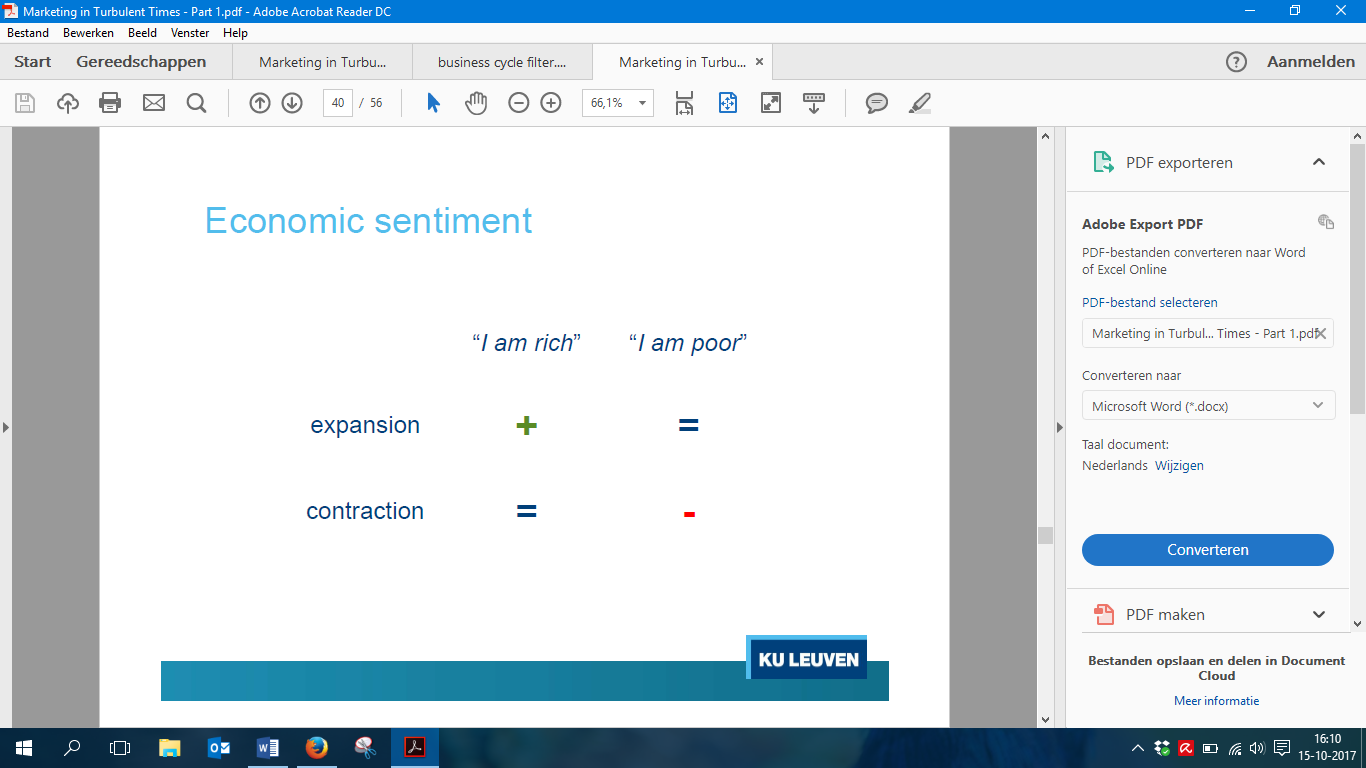
= facilitates processing of negative stimuli, but not positive stimuli  
= prevent negative, but no change in look at positive

* stick: punishment & prevention
* Contraction: avoid negative use

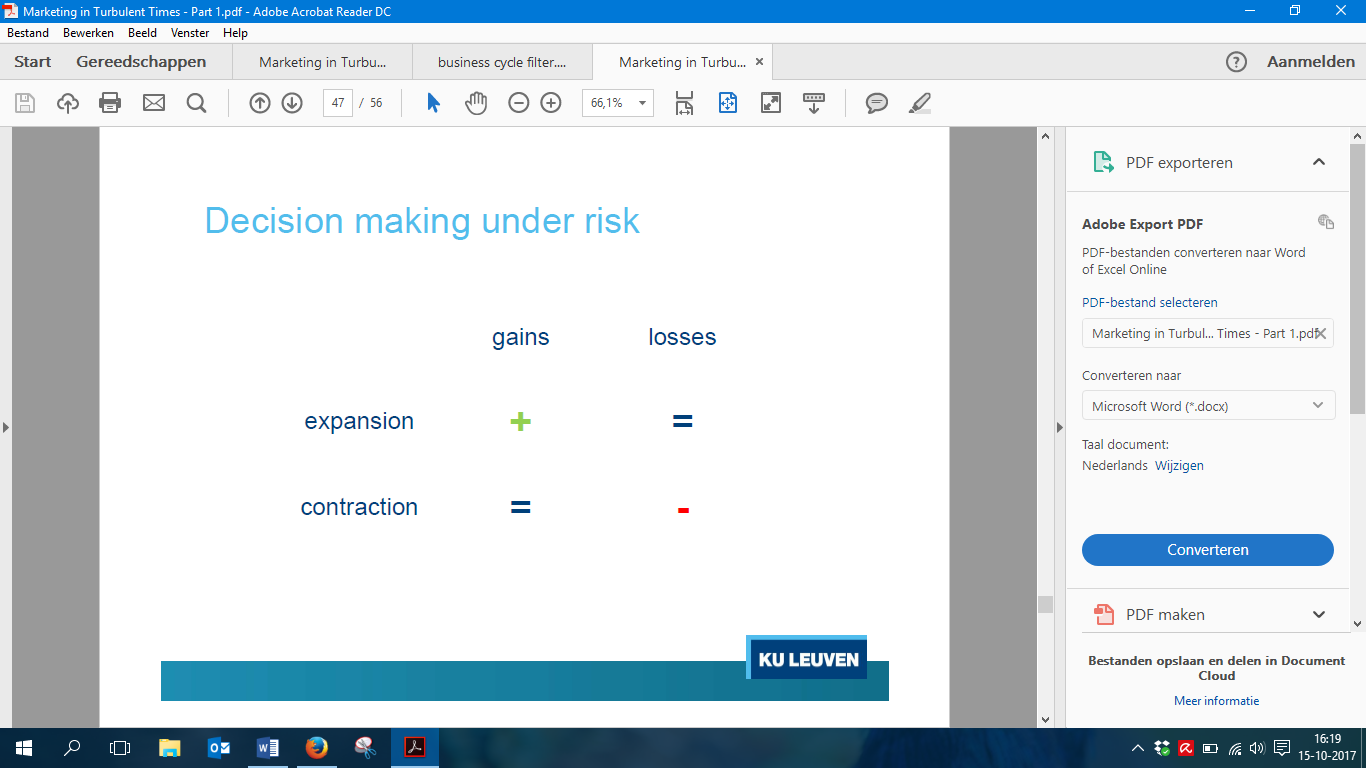
Motivational selectivity



**Study 1: economic sentiment & motivational approach**

1. Divide people in 3 groups, with ≠ radio news (expansion, contraction, control)
2. Dependent variables: 7-point scale & indicate
   1. Economic sentiment (I feel rich/poor)
   2. Motivational orientation
      1. Approach (curious, eager, interested)
      2. Avoidance (fearful, afraid, scared)
3. Conclusion
   1. Expansion
      1. Affects feelings of “being rich”
      2. Doesn’t affect feelings of “being poor”
   2. Contraction
      1. Affects feelings of “being poor”
      2. Doesn’t affect “being rich”

**Study 2: risk seeking vs aversion (financial decision making)**

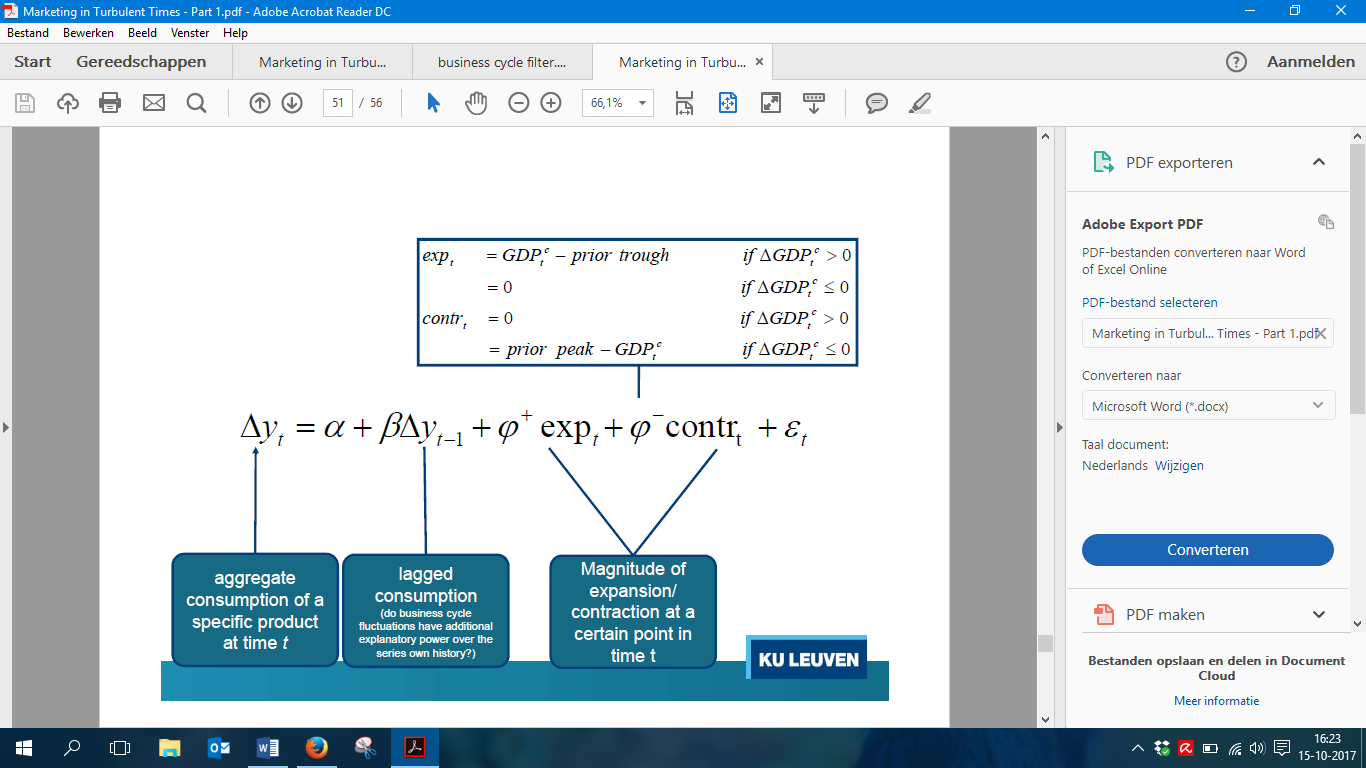
1. Divide in 3 groups
2. Choice (after listening to news)
   1. Gains: smaller, sure amount of money vs. larger, risky monetary outcome (to get)
   2. Losses: sure monetary outcome vs. larger risky monetary outcome (to pay)
3. Conclusion
   1. Expansion
      1. Risk seeking for positive outcomes
      2. No effect for negative outcomes
   2. Contraction
      1. Risk aversion for negative outcomes
      2. No effect for positive outcomes

**Study 3: purchase decisions over time**

external validity

= does motivational selectivity really exist?

1. Two time series (yearly estimates of Q purchased)
   1. Gambling
      1. Primarily motivated by “achieving positive outcomes”
   2. Insurances
      1. Primarily motivated by “avoiding negative outcomes”
2. Consumption
   1. Expansion
      1. Higher gambling (associated), equal insurance (not associated)
   2. Contraction
      1. Higher insurances, equal gambling



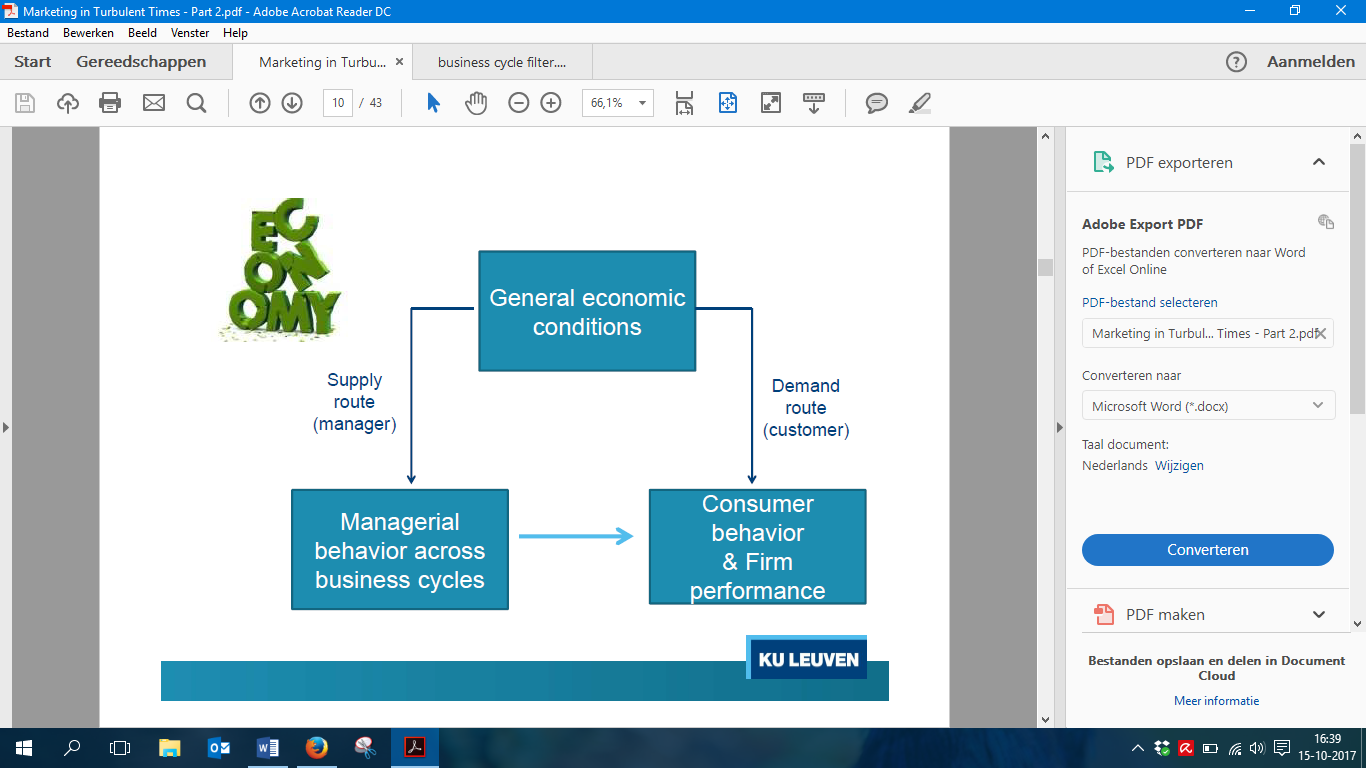
Strategy: marketing communications for banks

In expansion  
= message how much you can gain at that bank (search + )

In contraction

= message how trustworthy/secure your bank is (avoid - )

3. IMPACT OF BUSINESS-CYCLE FLUCTUATIONS ON MANAGERIAL BEHAVIOR

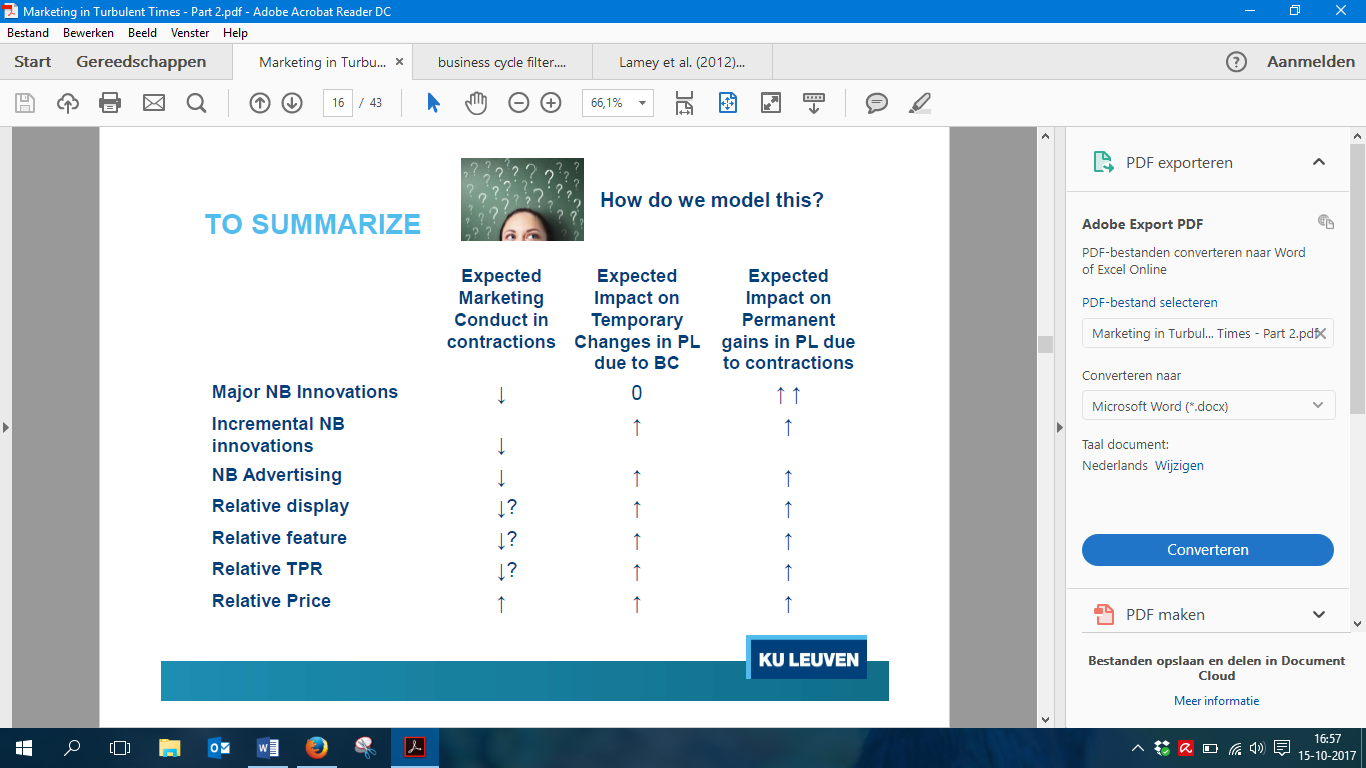
**Common practice during contractions**

= reduce marketing support!

* M considered a cost rather than an I
* ST focus of CMO’s
* NOT GOOD! You need M to improve sales

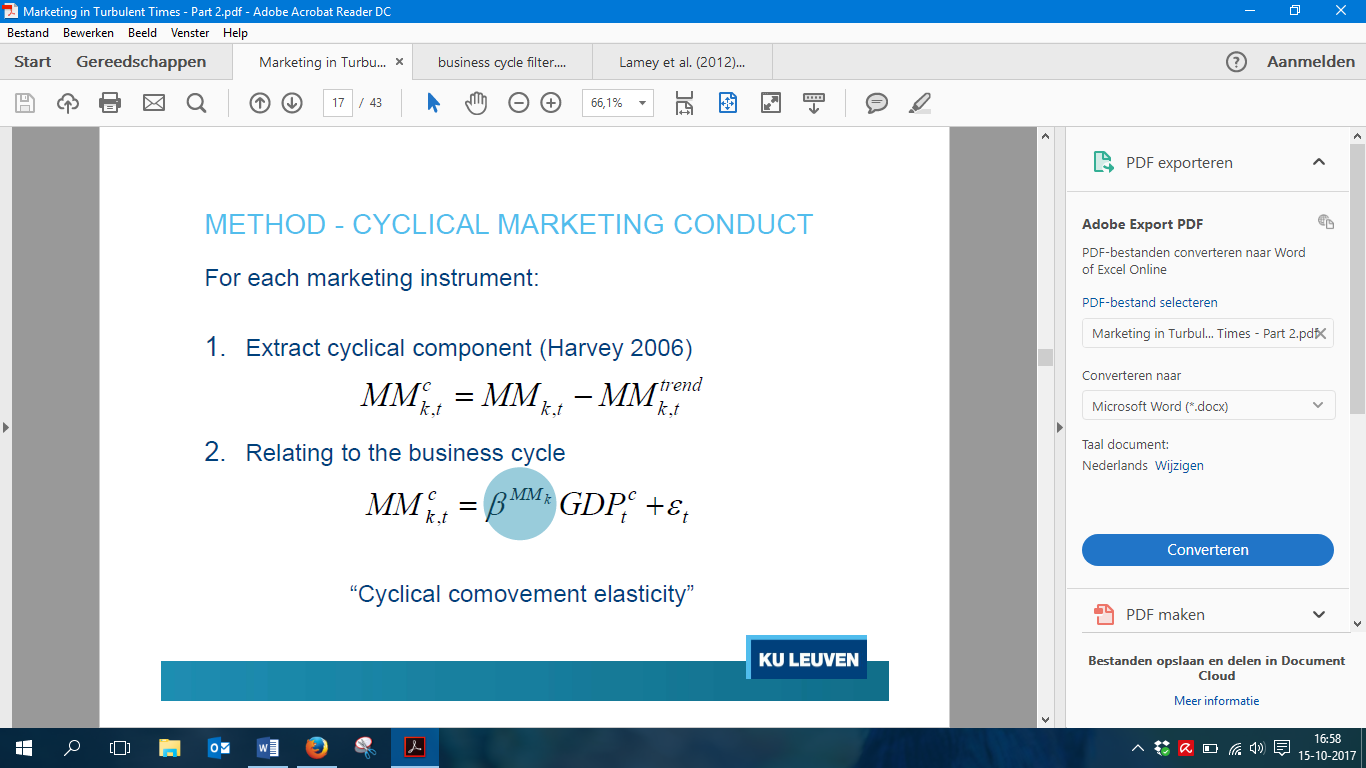
Are national-brand manufacturers to blame for success of private labels (due to contractions)??

🡪 They reduce marketing for major innovations, advertising & promotional pressures

🡪 Improves position of PLs

Step 1: cyclical marketing conduct

= for each marketing instrument:

****

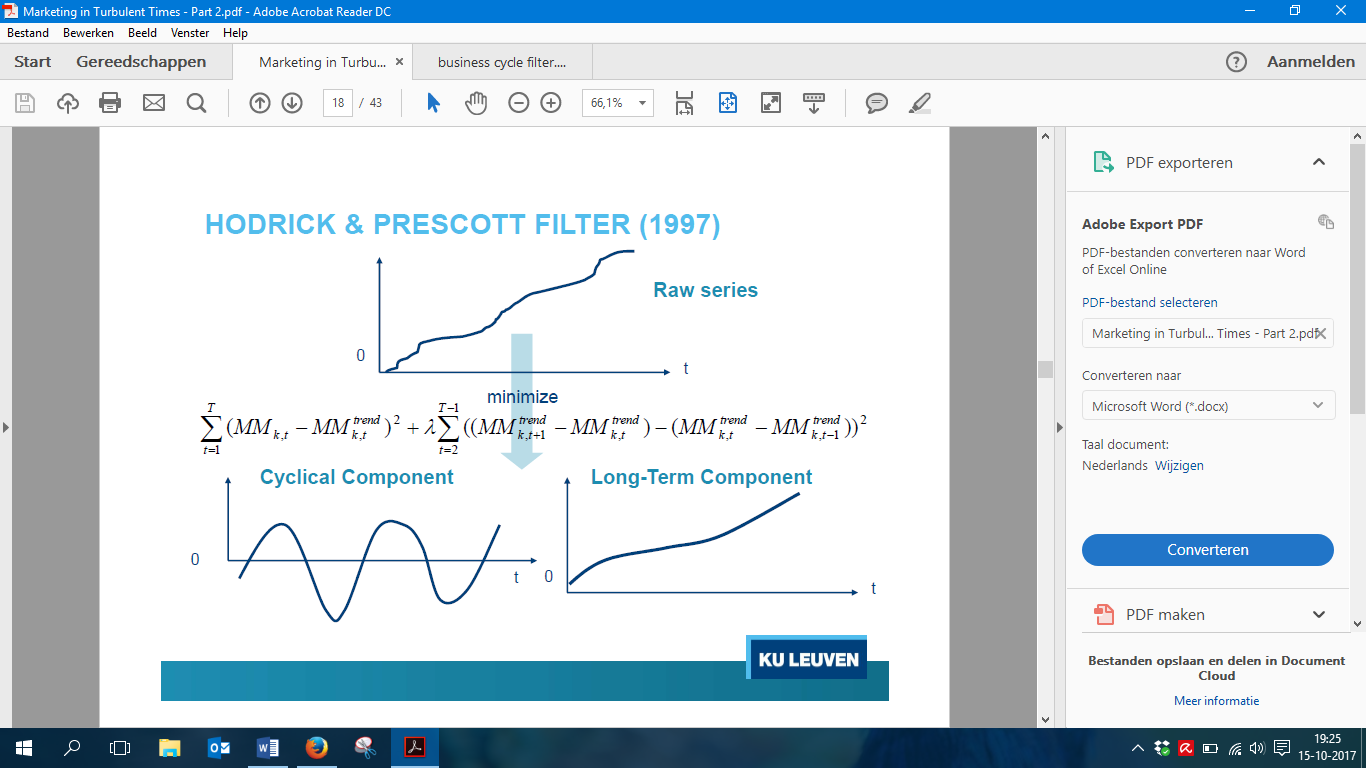
|ß| > 1

= elastic (<1, less)

**=** changes in variable are more (less) pronounced than changes in economy

ß > 0: element behaves procyclically (expansion, rises & contraction decreases)

MMk,ttrend = minimize next formula



Step 2: PL success in recessions (temporary & permanent)