

Success in Adversity

Learning from the winners in a market downturn



Shikatani Lacroix is a leading branding and design firm located in Toronto, Canada. The company commissions assignments from all around the world, across CPG, retail and service industries, helping clients achieve success within their operating markets. It does this by enabling its clients' brands to better connect with their consumers through a variety of core services including corporate identity and communication, brand experience design, packaging, naming and product design.



About the Author

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Jean-Pierre (JP) Lacroix provides leadership and direction to his firm, which was founded in 1990. He has spent the last 30 years helping organizations better connect their brands with consumers in ways that impact the overall performance of their business. Mr. Lacroix was the first to coin and trademark the statement “The Blink Factor” in 1990, which today is a cornerstone principle to how brands succeed in the marketplace. JP has authored several papers, has been quoted in numerous branding and design articles and, in 2001, he co-authored the book *The Business of Graphic Design* which has sold over 10,000 copies. JP can be reached at jplacroix@sld.com and you can follow his blog at: www.belongingexperiences.com & www.sldesignlounge.com.

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The market downturn of 2009 was one of the worst in history and redefined the definition of secure investments.

What are the branding success stories of the last market downturn?

The recent market meltdown that has seen the elimination of 50% of the wealth and value of corporations shows no sign of significant improvement. Most analysts warn that the market is in a very precarious position and could easily regress to its original dangerous state. At the same time, the US government intervention and involvement as investor and regulator is challenging the level of freedom of corporations – the foundation of its global market dominance.

Adversity in the capital markets has identified the vulnerability of the current business approaches of some of the largest Fortune 500 corporations, leading to the demise of well-established brands and organizations. However, this market adversity has also brought into focus companies that have not only been able to survive in this era of uncertainty, but actually prosper. This white paper will examine the factors that drove the success of these corporations and the critical role of branding and design by addressing the following questions:

1. Who did well during the past downturn?
2. What drove their success?
3. What was the impact on their branding approach?
4. What learning could apply to your business, irrespective of the financial climate?

Some of the most successful companies were created during major recessions.

What can past recessions teach us?

Some of the top corporations were born in the middle of a recession, including 16 of the 30 companies that make up the current Dow. General Electric Co. began during the panic of 1873, and the Great Depression saw the birth of Hewlett Packard. Other more recent examples are Supercuts, Famous Amos cookies, Chili's, and Microsoft Co., which all got their start in the 1970s while Sun Microsystems, Compaq Computer and Adobe Systems Inc. all begin operations in times of recession in the 1980s. Other famous brands that began at the height of recessions are Burger King (1957 recession), IHOP, FedEx Corp. (1973 recession), CNN (1980) and most recently, Wikipedia, which started its operation in the recent post-9/11 recession. Recessions are an important cycle in business life since they tend to disrupt the market's conventional business approaches, forcing organizations to reconsider their value propositions and operating models. This introspective approach identifies flaws in current practices and establishes a framework that smart companies can leverage to gain a stronger competitive advantage. Start-ups that are encumbered by current debt or operating commitments and culture tend to create value propositions that are aligned to customer needs versus trying to force fit poor operational practices onto unwilling customers.

The growth of game-changing companies during a recession also puts into focus what customers truly want and need while highlighting gaps in conventional offerings. Companies that have succeeded in a recession tend to be those that have acted more like a start-up than an established business, re-evaluating their business practices and product offering to identify potential underserved business needs. IBM clearly defined in the dot.com boom that selling computers was a losing proposition that would only lead to slimmer margins and more competition from new start-ups. IBM was able to respond to the market shift by focusing their business offering to higher margin IT consulting services while allowing the organization to dwarf any new competition from companies such as Tata.

Ford on the rebound while competitors are struggling

Through all of the doom and gloom regarding the American auto industry, Ford has succeeded where its competitors have not by leveraging a strategy that was focused on the customer's needs. Ford not only avoided bankruptcy, but managed to boost US market share and post its first annual profit since 2005 while GM and Chrysler were struggling. Ford's success is based on several factors, of which product innovation and branding played a critical role. At the heart of the success is Mr. Alan Mulally, the president of the company and creator of the concept of One Ford – designing one world model than can appeal to multiple markets. The most successful of these so-called world models is Toyota's Corolla (the world leader in automotive manufacturing) and its closest rival, Honda's Civic.

Studies by the automotive industry research firm J.D. Power and Associates indicate that design stands second only to price among customer criteria. Even Hyundai, the low-priced Korean brand, touts the look of its Giugiaro-designed Excel. Ford management clearly understood the need to develop cars people felt proud to drive and most recently, the Ford Fusion and Connect van were named North American car and trucks of the year. Another factor that impacted the success of Ford was the ability to harness the resources of the organization in a focused approach. Historically, Ford and its rivals operated with various silos competing for resources and capital, creating internal barriers to sharing information and knowledge. Under Mulally, decision-making is more transparent and accessible and once-fractious divisions are now working together through the effective articulation of a common vision and direction for the organization.

The recession allowed the organization to also galvanize this unified approach as the auto industry sales tanked and profits eroded. Mulally and the management for Ford realized that their most important asset, their employees, needed to understand where the organization was headed and initiated the "Way Forward Plan".

The program was shared with employees and clearly identified the need to modernize the plants so they could manufacture multiple models in addition to developing the world car based on best practice from market leaders Toyota and Honda. Another factor that contributed to the organization's success was a clear focus on employee branding. This included a focus on removing silos and developing company performance metrics that were reviewed weekly as part of a Business Plan Review system. In his white paper, "CEO as a brand", James Bailey identified the critical role the CEO must play in driving change in the organization, both from within and as a beacon for what the brand represents in the marketplace. Mr. Mulally is a great example of the power of the CEO as a brand for the organization.

Southwest Airlines beats competition by better listening

The recent recession has had a significant impact for most airlines with the reduction of traffic and the rise of fuel and transportation costs. However, not all airlines have suffered in the past recession and Southwest Airlines has emerged as a significant winner, making money in the fourth quarter and extending its string of profits for 37 years. The success of the airline comes from its ability to listen to customers' needs and provide value-driven solutions. Southwest has been taking market share from competitors by offering free baggage check-in and low fares. Similar to Ford's strategy, Southwest has been able to gain efficiencies through its use of a single type of aircraft, the Boeing 737, and by avoiding the trappings of a costly hub and spoke structure currently plaguing its competitors. Corporate culture also plays a critical role in the company's success with a near-fanatical approach to cost-savings, an employee branding and training program that supports the unique Southwest culture in every newly hired employee and a management style that has remained consistent since the inception of the company.

Another common trend with companies who have succeeded during challenging economies is their willingness to spend on key programs that support long-term growth while most competitors are cutting back. In the case of Southwest, the staff play a pivotal role in making budget travel an enjoyable experience. The company remained focused on the importance of training and resisted the pressure to cut its training budget irrespective of how dire the market was. The University for People, the company's training facility based in an old Dallas terminal with 40,000 square feet and \$3 million in annual expenditures, was able to preserve its funding.

Exxon Mobile accelerates its growth

With the recession driving a lower need for fuel and energy as fewer consumers had jobs and manufacturing production was reduced, Exxon, the top Western oil company, identified the poor economy as an opportunity to expand its dominance. Its recent acquisition of XTO Energy, one of the largest natural gas producers in the US for \$31 billion and its gain in Iraq, one of the world's largest oil reserves in addition to other large acquisitions in New Guinea and Ghana have allowed the organization to lay a strong foundation for growth as the economy improves. Although the organization did report a lower profit in 2009, it did beat investor expectations and was the world's most profitable corporation in 2008.

Amazon continues to grow

Retailers have also been hard hit in the recession with fewer customers shopping their stores. However, Amazon has fared well in the art of selling merchandise. Amazon.com net sales in 2008 rose 18% while their last quarter profits jumped 19%. In addition, the company continues to be the retailer of choice with customers ordering over 9.5 million items worldwide on December 14, 2009, which is a record-breaking 110 items per second. One of the keys to its success has been a commitment to improved customer service, and in particular, the shortening of delivery time.

Another dimension of Amazon's success is innovation. The organization identified the trend towards E-Books and was first retailer to sell its version, the Kindle.

The Kindle, with its stylish design and simple and easy to use interface, has become the most gifted item in Amazon's history. Based on a recent press release by the company, on Christmas day, 2009, for the first time ever, customers purchased more Kindle books than physical books. The Kindle store now includes over 390,000 books and the largest selection of the most popular books people want to read. Although E-books still make up a tiny fraction of overall US book sales, Bloomberg reports that E-book sales are on the rise. E-book sales in the United States for the first half of 2009 were 149% higher than in the same period of 2008.

One of the key factors for the success of Kindle is the ease for authors, such as myself, to self-publish their books. The Kindle has revolutionized publishing by making it possible to quickly and effortlessly publish books and reach an audience of consumers who enjoy reading. Authors also receive a much higher percentage of the sale versus selling through publishers, challenging the current norms that require authors to negotiate publishing deals at a significant lower margin for new authors.

The role of branding in a downturn

Branding plays a pivotal role in helping communicate and put into focus the organization's key strengths. In reviewing the success of companies such as Ford, Southwest Airlines, Exxon and Amazon, it's apparent that a critical aspect of strategies was reinforcing their brand position.

Review your brand essence and tagline: In a time of crisis, organizations should review their brand essence and tagline to determine how these can be further leveraged by linking them to a focused strategy that will help the brand succeed. Leveraging a well entrenched branding tool by allowing its meaning to reflect the current market challenges will help align all messaging and communication while ensuring a more relevant meaning to customers and employees. As part of this process, the organization needs to evaluate the most effective means to communicate the key messages and which customer/employee touch-point will effectively connect at both the emotional and rational levels.

Develop a new battle cry: The success of most battles lies in the ability to invigorate soldiers in a time of stress. The battle cry and war symbols were tools that allowed members to feel empowered and confident. Although current branding approaches are a far cry from painting one's face with war paint, the underlying meaning and approach has not changed. The creation of a branded theme such as Ford's "Way Forward Plan" allows the entire organization to be focused around a common rally cry that is embedded in emotional (visuals, icons, graphics), rational (process and approach) and cognitive (engagement and commitment) dimensions. It is important for employees to clearly understand what is expected of them while also gaining a strong understanding of the greater plan. Hay Group Insight conducted a global study involving data from 41 client organizations across industries and over 1,000,000 employees worldwide, comparing the results of employee opinion surveys conducted in late 2008 or early 2009 with the results of surveys these same clients conducted prior to the downturn. The research identified that companies that engage and enable their employees outperformed on both revenue growth and profitability during the last recession while organizations in the top quartile on engagement demonstrate revenue growth 2.5 times that of organizations in the bottom quartile.

Make it visually aspirational: The most effective approach to engaging employees and customers is through the use of aspirational images. Visuals are the doorway to people's emotions and provide the organization with a strong platform to communicate the vision and desired outcome of the business strategy. Although the development of visuals is not an uncommon process for leading organizations during good times, these become intensely critical in time of crisis and provide a great platform to reassure employees and provide a high level of focus and confidence. Visuals also provide the viewer with the picture of the desired destination, allowing everyone to clearly understand what the organization's ultimate outcome should represent.

Integrate and consolidate: Since recessions do challenge the financial resources and investment levels of companies, it is important that communication elements reinforce one common message and theme. A recession is also a great time to reevaluate which communication vehicle is the most effective and our experience has shown that more personal interaction between the CEO and employees and a higher frequency of messaging to reduce confusion and fear are effective strategies in time of crisis. Such times also present an opportunity to reevaluate the role of the CEO as a brand, to determine his or her role in managing the key messaging and gaining support for the desired plan and outcome. Although CEOs will be challenged to respond to shareholder and investor inquiries, it is important that the integrated communication strategy include employee and customer initiatives.

Consider branding a tangible: In a time of economic crisis that drives a need for the organization to put greater focus on efficiencies and operational improvements, consideration should be given to leveraging a physical asset as the brand message. In the case of Ford, the Focus became the brand that the organization leveraged to communicate to the world that the company was viable and relevant to its customer base. By leveraging the Focus as the physical brand that reflected the organizations revitalization, Ford was able to harness its company resources around one key brand identity, the Focus, that represented the organizations' values.

Strategic learning

Brands that have succeeded in any major downturn have the following characteristics that we marketers can learn from:

1. **Re-evaluate the value proposition:** It's easy for companies to get entrenched in practices and offerings that serve them well in good times but that do not effectively stand the test of a poor economy. A recession is a great time to assess what is effective at providing value and what constitutes perceptions that are just not relevant as customers shift their needs. Great organizations that have succeeded in downturns have taken the opportunity to explore how their brand connects with consumers on both an emotional and functional level, and clearly understanding the hidden need state that the market is not providing can bring more value.
2. **Keep investing in meeting customer needs:** Exxon, Ford and Amazon identified an opportunity in the marketplace to meet new emerging customer demands through investments in new technology, resources and infrastructure. Successful organizations make commitments to long-term plans and allocate resources irrespective of the fluctuations in the marketplace. In the case of Ford, they identified a potential downturn before the actual crisis and aligned adequate financing that would allow them to not only weather the storm but also maintain their investment on new products.
3. **Provide a clear vision of the future:** When a crisis emerges, the first important step is to provide the management team and employees with a clear vision of what the company is doing to respond to the downturn. Companies that succeeded in the past recession ensured that there was a strong message, typically as part of an employee engagement branding initiative, that outlined the desired behavior and business metrics. The ability to galvanize an entire workforce will ensure that resources and strategies will focus on what will help overcome any obstacle.

4. **High level of customer satisfaction:** The immediate reaction to market downturn is to evaluate what can easily be eliminated to allow the company to continue to strive. Companies that have focused their efforts at enhancing their customer engagement process, through outstanding service, meeting customer needs and ensuring a high product quality do well in recessions. These organizations understand that differentiation and brand loyalty in a downturn are as important as when the economy is healthy. Smart organizations also understand that with a reduction of revenues, some of their competitors may become more vulnerable, offering them an opportunity to gain stronger customer loyalty.
5. **Remain focused on core competencies:** While exploring the value proposition, companies may be tempted to explore new offerings or acquiring new divergent businesses. It's important for the organization to focus on its core competencies and ensure these are fully leveraged. A focused initiative will ensure that what is relevant to the customer and what customers give the organization credit for are never undermined.

Conclusion

Recessions are a reality of running a successful business, allowing organizations to put greater focus on what makes them relevant and meaningful in the marketplace and with their employees. How an organization succeeds in adversity is directly related to their ability to turn a challenge into an opportunity. Branding plays a critical role in this process and should not be overlooked due to budget constraints since its effective use can provide greater focus and efficiencies and a higher level of employee engagement, which are pivotal elements that will allow an organization to thrive in a downturn.

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