



# BRAND BUILDING IN QUÉBEC IN UNCERTAIN TIMES

Knowing when to adopt, adapt or create for Québec matters even more in the current downturn.

*"The new consumer of 2009 is a tight-fisted and 'emotionally' fragile shopper."*

That's how the *Globe and Mail's Report On Business* greeted the new year in its January 2 edition. This pronouncement and its dire consequences reflect the findings from a survey conducted by the global consulting firm The Boston Consulting Group. The report was long on the symptoms and problems but short on the solutions. Except for one comment by Cliff Grevler, a partner with BCG, "The trick in the year ahead is for business to drive consumption that feels like savings". Some trick, indeed. Still, the central question of the hour remains:



- **What can recession challenged marketers do to appeal to these fragile consumers?**

And, if you are marketing in Québec:

- **How can these strategies and tactics be tailored for the Québec market for greater efficiencies?**

Many of the strategies and tactics we discuss here have been published in the press and the blogosphere. Our aim with these thought starters is to offer a Québec perspective and to challenge some conventional wisdom.

**"OUTSMART. DON'T OUTSPEND THE COMPETITION."  
THESE DAYS YOU MIGHT DO BOTH IN QUÉBEC.**

*"I was asked what I thought about the recession. I thought about it and I decided I did not want to take part."*

- Sam Walton

Outsmarting rather than outspending the competition, while easier said than done, makes sense in good and bad times. The current economic climate will create opportunities to outspend your competitors without increasing your investments. Stealing share of mind is a bargain during a recession. Just maintain your spending while they cut theirs.

It is well documented that marketing-communications expenditures get cut during recessions and equally well documented that doing so will harm your brands in the long run. “Emotionally fragile shoppers” need the reassurance of known brands. Maintaining visibility and reinforcing your brand promise will pay back in the long run.

**1970 recession year** - An American Business Press (ABP) and Meldrum & Fewsmith study showed that "sales and profits can be maintained and increased in recession years and in the years immediately following by those who are willing to maintain an aggressive marketing posture, while others adopt the philosophy of cutting back on promotional efforts when sales appear to be harder to get." ("How Advertising in Recession Periods Affects Sales," American Business Press, Inc., 1979)

**1974-1975 recession years** – An ABP/Meldrum & Fewsmith 1979 study covering 1974/1975 and its post-recession years found that "Companies which did not cut marketing expenditures experienced higher sales and net income during those two years and the two years following than those companies which cut in either or both recession years." (ABP/Meldrum & Fewsmith study, 1979)

**1981-1982 recession years** - McGraw-Hill Research's Laboratory of Advertising Performance studied recessions in the United States. Following the 1981-1982 recessions, it analyzed the performance of some 600 industrial companies during that economic downturn. It found that "business-to-business firms that maintained or increased their marketing expenditures during the 1981-1982 recession averaged significantly higher sales growth both during the recession and for the following three years than those which eliminated or decreased marketing." (McGraw-Hill Research. Laboratory of Advertising Performance Report 5262 New York: McGraw-Hill, 1986)

**1990-1991 recession years** - Management Review asked AMA member firms about spending during the 1990-1991 recession. "Fortune follows the brave," it announced, noting that the data showed that most firms that raised their marketing budgets enjoyed gains in market share. Among the magazine's sample, 15 percent reported "greatly decreased" ad budgets. Advertising was "somewhat cut" by 29 percent. Firms that increased their budgets and took on new people were twice as likely to pick up market share. (Greenburg, Eric Rolfe. "Fortune Follows the Brave," Management Review, January 1993)

Since Québec often requires additional investments to tailor programs so they resonate with the market, it is often the first “regional” market to get cut. Despite its relative size, it is also often not a marketer’s primary cultural market. Yet those who will maintain their spending and fill the void left by the brands that go silent during this recession will increase their brands’ visibility and gain valuable ground in Québec.

## WATCH YOUR TONE.

Some accuse news outlets and the 24-hour news cycle – the CNBC effect - of making this recession worse. While business news reporting doesn’t create a recession, it creates a mood that can worsen recession fears or accelerate the recovery. Glen Hodgson, chief economist at the Conference Board of Canada, put it this way in an interview with the Canadian Press: “Media attitudes do help shape how consumers feel. If the media keeps saying the sky is falling, well, people think the sky is falling.”

It’s what trend watcher Faith Popcorn called a “*decession*” in the early ‘90s; recessionary spending with depressionary thinking.

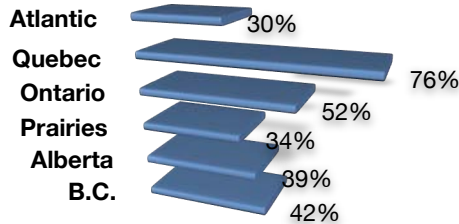
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America has entered a **decession**, which is recessionary spending with a new twist – depressionary thinking. Consumers are not making impulse buys, even at sales prices.

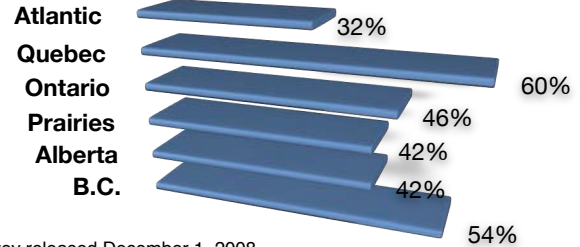
- The Popcorn Report, 1991

There are indications that Quebecers are more likely to suffer from “decession” than Canadians in the rest of the country. They are more likely to feel that the economy is grinding to a halt, to stop spending money except on the essentials and to feel less inclined to pull together to resuscitate the sagging economy.

From what I am personally seeing at work or in my community, the economy is grinding to a halt. (% agree)



I have pretty much stopped spending money on anything but the bare essentials. (% agree)



Source: Canwest News Service/Global National/Ipsos Reid survey released December 1, 2008

To someone suffering from decession, using the right tone matters more than ever. It is always tempting in Québec to use humour in advertising to cut through. Because humour has become almost an extreme sport in Québec, one needs to push the limits to do so. An advertisement such as this one for a menswear retailer might make a few smile. But rather than encourage spending, it might have the reverse effect by reminding a public already concerned to hold off purchases.



As John A. Quech, Lincoln Filene Professor of Business Administration at the Harvard Business School, wrote on his blog “When economic hard times loom, we tend to retreat to our village. Zany humour and appeals on the basis of fear are out.” This is the time for reassurance and stability, particularly for financial services. Focus on what Stuart Elliott called “important “S” words: strength, safety, stability, security. (“Ads That Soothe When Banks are Failing,” The New York Times, October 7, 2008)

## BUZZ WITH DISCIPLINE.

Say less things, but make a bigger splash. Everyone is looking for buzz. Amazing ideas to ignite conversations that will become contagious. Doing more with less will likely lead some marketers to attempt to capitalize on buzz marketing’s potential in any way they can. The risk with this carpet bombing approach to buzz marketing is confusion and an erosion of the brand’s essence. Marketers should focus on efforts that deliver proven results in line with the brand’s heritage and positioning. The potential for effective buzz marketing in Québec has always been great. It does not take long in this smaller, highly mediatized market for ideas to ignite and spread.

## CALL OR WRITE OFTEN.

This might be the time to step up marketing, at least in quality if not in quantity.

In a recession, you may have less money to spend on acquiring new customers. So spend more time marketing to (and building relationships with) the people you already know, your fan club. Share protection by keeping your most loyal and profitable customers should be a priority right now.

Marketing expert Seth Godin recently blogged about the “easiest cheap way to dramatically increase sales.” His advice: call your customers. Or write to them. His suggested line: “I know that times might be tough for you. Is there anything I can do to pitch in and help?” According to Godin, “you’ll end up doing a lot for your customers. Which is a wonderful privilege. Even for those that don’t reciprocate.”

This is particularly relevant in Québec where personal relationship in B2C and B2B matter more and have a greater impact on purchase decisions. Quebeckers are generally more convivial in their dealings with service professionals like financial advisors and with sales representatives. The relationships are less formal than in the rest of Canada. Quebeckers feel the need to know someone personally in order to do business with them.

Nervous buyers need safety. Personal relationships are reassuring. So get personal.

## EMPHASIZE VALUE OVER PRICE REDUCTION.

It is tempting to offer price promotions such as buy-one-get-one-free, couponing, temporary price cuts, etc. But you might be doing so at the detriment of your brands and long-term profitability. Not to mention that the ROI generally falls as price promotions get an increased share of the marketing budget. The opportunity is to find the “right price” and to help consumers become more professional in their quest to price compare. European retailers such as E.Leclerc in France and Tesco in the U.K. already do this quite effectively.



Quebeckers are more likely to plan their shopping by looking at specials in flyers and newspapers than Canadians in the rest of the country. They are also more likely to use a shopping list. And they are more likely to say that shopping is an experience they find enjoyable and that they make the time to shop and browse. They will likely reward the brands and retailers that help them shop smarter. Retailers have an opportunity to leverage their private label brands as consumers seek savings by trading down from so-called national brands. But consumers will not do so at the same rate across all categories. For example: 31% of Canadians will switch to private labels for household cleaners while only 22% will for pasta sauce (Source: Nielsen Pan|Views Economic Survey, Ontario, August 2008).

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*"Price is what you pay. Value is what you get."*

- Warren Buffet

Marketers should avoid lumping private labels with generics or "no name" products. The distinction matters even more in Québec where consumers are more brand conscious and less likely to buy generics. A look at the dynamics of specific categories might be required. For example, according to PMB 2008 French-speaking Quebecers are significantly more likely to say that price is not the most important thing to them when grocery shopping.

## LEVERAGE SOCIAL NETWORKS ONLINE BUT ALSO OFFLINE.

Josh Bernoff, a VP at Forrester Research, recently posted this item on his blog:

**Awareness ads will lose effectiveness.** Advertising (or as we often call it, "shouting") is mostly about generating awareness and reinforcing brands. In a recession, ordinary consumers like you and me aren't as willing to spend. Sure, we'll be aware of the product, but that doesn't make so much difference when you're worried about your future. Advertising is expensive and is a lot easier to cut than headcount. Many are predicting ad spending will hold up; I'm not so sure.

**But social applications are about consideration, not awareness.** Blogs, word of mouth, social networks . . . they're about people connecting with other people. You may resist advertising if your finances are tight, but if your bud tells you that new movie is really worth seeing or that the Gap has the cutest new tops, that's more persuasive than advertising. Basically, in a recession, the consideration phase is more important than awareness -- and that's where advertising flops and social applications succeed.

Only time will tell about his first point but he's bang on with the second.

We should add that consideration does not only take place online. "Traditional" influences such as consumer reports and media reviews remain very powerful, and even more so in a recession.

Quebeckers are generally less web savvy but they are very connected in the more traditional sense. They seek advice and objective recommendations from a variety of sources. And these informal networks have an even greater influence when consumers are more cautious, less willing to take risks or to rely on a marketer's word. Quebeckers are more likely to postpone a purchase than buy on impulse when times are good. As Québec consumers shop round for better deals in bad times, marketers should aim to influence the influencers more than ever.

This brings up another important aspect of marketing decision-making during a recession: the reprioritizing of advertising vehicles. Marketers will be tempted to alter the mix to be more cost-effective. And they should. Many will opt for "new" communications vehicles such as social

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networking and mobile devices. These decisions should be based on a quality assessment, not a reaction to the current mood. As David Court of the consulting firm McKinsey & Company wrote “there is no consistent pattern indicating whether traditional or new vehicles have higher scores for reach, cost, or quality, so marketers must make their own objective comparisons to eliminate ineffective vehicles without hesitation and to support high-impact ones with confidence” (Source: David Court, The Downturn’s new rules for marketers, McKinsey & Company, December 2008).

## STUDY GEOGRAPHY.

Relying on national indicators on the state of the economy or following the general recommendations of the marketing literature can result in costly marketing mistakes or missed opportunities.

What might seem like an issue nationally could be an opportunity in Québec. Regional industry statistics like market growth and company statistics such as market share, revenues, profits, as well as trends and differences in these figures should be carefully analyzed.

This is the time to return to past surveys to look at the Québec data. What may have been known as the “Québec problem” may suddenly look like the “Canadian opportunity”.