MASS BRAND EXTINCTION

By Neale Martin, Ph.D

JUST like consumers, executives are giving serious thought to how they are spending money in today's bleak economy. Capital expenditures are down significantly from last year and many companies announced layoffs and hiring freezes. Marketing and advertising budgets are also taking a large hit. While it is always necessary to spend carefully, over-reacting and not spending enough in critical areas can doom even good companies struggling in a financial downturn.

For most of the past 25 years, the world has experienced unprecedented growth as companies have taken a more global perspective. Thousands of companies have launched hundreds of thousands of brands, taking advantage of emerging opportunities funded by readily available investment and credit. The current economic tsunami promises to undo much of that growth and wipe out a large percentage of companies and brands; both young and old. For companies to survive, they must spend now, wisely and strategically, but spend they must.

Brands are expensive to create and maintain, but they are a company's most valuable possession. Neuroscientists and cognitive psychologists have revealed the powerful connection that exists between successful brands and both a consumer's conscious and unconscious mind. Essentially, brands make it possible for harried customers to shop efficiently by automating much of their purchases.

Are you more comfortable shopping at a hypermarket, supermarket or your neighborhood store?

When you are thirsty, do you reach for a Coke or a Pepsi or tap water? Different people prefer different brands because of a mixture of how they feel about themselves, their families and culture, and how all of those things relate to variables like logos, packaging, and customer service. All of that gets summed up in a relationship each person has with your company's brands.

For the past several years, I've been working to further develop marketing activities based on these recent findings from brain sciences. Brands talk directly to both sides of the brain, the conscious deliberate side of the executive mind and the unconscious emotional side of the habitual mind. While the science is still young (and many overstate its capabilities), the insights that can be drawn are critical for companies to understand in these dark days.

The primary challenge is that customers are changing their behaviors and many brands are losing their most loyal customers. Last year saw a dramatic increase in bankruptcies and this year will likely be far worse as not only struggling companies fail, but also many seemingly strong ones as well.

Lessons from the Dinosaurs

Dinosaurs became extinct some 65 million years ago after a large asteroid struck the planet—the resulting dust storm blocked out the sun for months. First the plants died, then the dinosaurs that ate the plants died, and then the carnivores that ate the plant eaters died. That was that, no more dinosaurs (except for those crafty crocodiles). Paleontologists refer to this as a mass extinction. Similarly, the economic asteroid that struck global markets threatens to create a brand mass extinction.

We can learn much about business survival by studying the animals that emerged to replace the dinosaur atop the food chain.

Lesson 1: *Adapt.* The world changes faster than dinosaurs could react. Organizsations incapable of responding rapidly to the changed environment will become extinct. It may take years before markets return to previous levels, requiring companies to do more than simply "hold on" till the situation improves. Adaptation is the most critical component to survival in today's economy.

Lesson 2: *Own Your Niche.* Tough times intensify competition. The tooth and nail of dinosaurs are nothing compared to hungry sales people desperate to make quota.

During sharp contractions, companies are often selling below costs in an attempt to maintain cash flow and keep the doors open. This is not a long-term strategy but can disrupt the marketplace sufficiently to make it almost impossible for you to maintain margins. To control your niche, re-establish your customers' purchase habits.

Lesson 3: *Raid Your Competitors' Niches*. Dinosaurs died out in large part because they could only eat one thing. Herbivores died when the plants died, and carnivores died when the herbivores died. The survivors were the omnivores, animals that could eat whatever was available. Similarly, companies that depend on customers who only have access to easy credit die rapidly when credit is unavailable. Many banks that relied too heavily on consumer lending have already become extinct.

Lesson 4: *Relentlessly Focus on Efficiency*. The dinosaur's greatest strength and size, rapidly became its greatest liability. While investment is necessary to maintain relationships with existing customers and prospect for new ones, in every other instance, companies must hone costs.

Out of chaos comes great opportunity. After the meteor strike, new opportunities emerged for mammals to become the dominant life form on the planet. And for those companies that are able to manage these turbulent times, the future promises a reordering of the economic food chain.

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