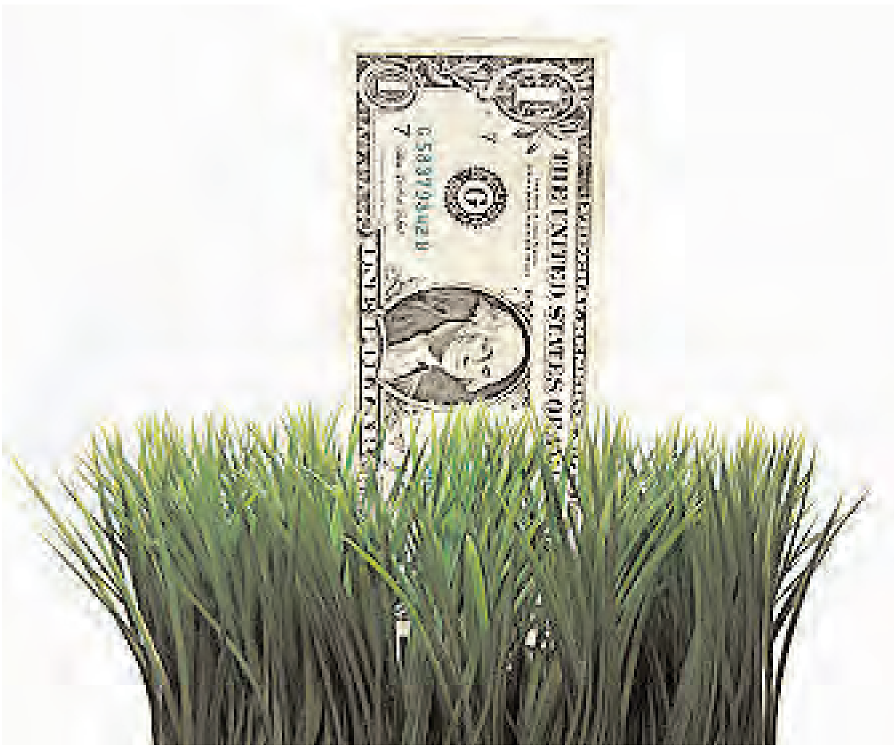


RECESSION: RETRENCH, RETOOL OR REV-UP?

Strategic Decisions Today Will Impact Outcomes Tommorrow . . .

Recessionary temptation is staring you in the face: conventional wisdom (and lined with the sumptuous comfort knowing many others around you are doing the same thing) is to put your marketing programs on a strict diet. Pull back. Reign in. Downgrade your spending. Just say no.

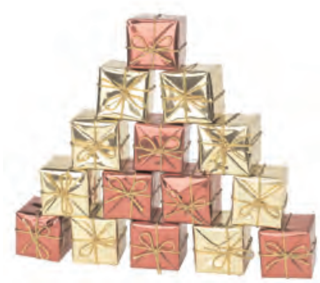
And why not considering the ample evidence arrayed around you? Gas prices are at all-time highs and eating a disproportionate share of the household budget (not to mention the costs of shipping goods, too). Ingredient costs in many consumable categories are facing similar upward spirals. The credit squeeze is here to stay.

So some belt-tightening feels inevitable and appropriate, right? There's no denying how conditions have changed and the trickle-down strategic challenges that will create for all of the well-justified reasons just cited.

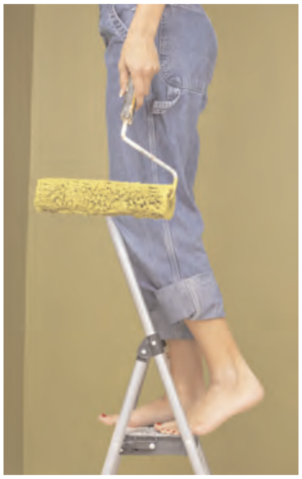
Silver Lining Amongst Cloudy Skies?

Let's shuffle the perspective deck for just a moment to unlock fresh opportunity cards we can play that spring from a situation like this: one man's down economy is another man's opportunity marketplace. Secondary research and trend monitoring sources (NPD) forecast more in-home dining as consumers trim their restaurant visit frequency – potentially good news for food and beverage brands.

Importantly, the consumer's desire for small indulgences and minor-league rewards is not l ikely to go away anytime soon. Our ingrained culture of entitlement demands a nod to personal appreciation every so often. Drinking a better beer? Craft brews are growing right now. Looking for luxurious experiences right at home? Major home improvements may wait in the wings while other ways to satisfy the inner decorator's



. . . The economy may be handing you a strategic gift . . .



"Major home improvements may wait in the wings while other ways to satisfy the inner decorator need for home-as-castle enhancement take root"

need for home-as-castle enhancement take root. Perhaps cosmetic upgrades like changing wall colors, new bed linens, updated curtains or tabletop possibilities?

Luxury brands may need to give a little on the margin end, but history tends to repeat itself and the well-heeled have shown a marvelous ability to continue buying despite the tone of "down economy" news reports. However it shakes out, the consuming culture shifts, but remains fully engaged.

Beware the Commodity

One thing for sure, brands teetering on the edge of relevance may find share and volume headed faster to private label or other discount options depending on category and channel. This is when the investments made religiously (even now) to build brand equity are harvested.

Brands-that-matter can counter the price and cost pressures more readily than those staring at generic equivalents and a consumer who believes "they're all the same." We have a pet saying here to describe commoditization and delivered with ominous overtones – the spiraling vortex of doom. We coined the phrase to describe market events that feed on themselves and perpetuate undesired-able outcomes. Lack of relevance and engagement with consumers can be truly tested when the push-shove of real brand value comes into play. Can you say, low-cost-producer?

An Alternate View

On the other hand, the economy may be handing you a strategic gift. In a market less noisy and cluttered, is it time to strike? While others decide to ride it out through budget shaving behavior, are you readying your attack to take advantage of their more conservative play?

If you're preparing a broadside of marketing activity, you may be working to build what we call a true *Trailblazer* brand. This moniker is meant to describe a sort of persevering steeliness that allows some businesses to exploit vulnerability when it's happening all around them. No denying the challenges in a slow economy and the impatience equity stakeholders may have with any margin give, but an aggressive move now could yield benefits for years to come.

The fastest route to victory is concentrating on the low hanging fruit -- those most likely to buy. Your best customers are already engaged at an emotional level. Focus your assets and aim relevant programs at them. We call them Super Targets – those with common aspirations and interests like ardent cooks, decorators or sports fanatics. Consumers congregate in tribes, so now is the time to devote more resources to on-line and social media rather than mass vehicles.