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What Consumers Want: Value and CSR

by Teresa Todd

“The man who stops advertising to save money is like the man who stops the clock to save time.”

The immortal words of Thomas Jefferson ring true today as they did over 200 years ago. But as consumer confidence wanes and spending jitters prevail, retailers face an uncertain holiday season that understandably has them worried about sales and re-evaluating their marketing plans.

Prior to the current credit crunch, retailers were already struggling with shrinking sales as consumers were forced to reduce spending given higher gas prices and falling home equity value. Many economists predict the worse is yet to come and that 2009 will see further declines.

That means shoppers won't be as jolly this holiday season. A recent Nielsen survey found that 35 percent of consumers plan to cut back on spending in November and December. That number could increase as the holidays near. Hardest hit will be big ticket items and those sectors that rely heavily on discretionary spending, such as the auto industry, jewelers, household appliances and furniture.

Discounters Wal-Mart, Target and Costco aren't in the same type of peril and actually stand to benefit as cost-conscious consumers look for value with lower-priced goods.

Uncertainty is the biggest risk factor in consumers' minds as they exercise a great deal of caution with their spending. A recent TNS Retail Forward survey indicated shoppers are only buying goods they really need, buying fewer items and shopping less often. They are also taking advantage of more sales and doing price comparisons.

In another retail survey, 40 percent of shoppers polled said sales or promotions will be the largest factor when determining where to spend their money. Promotions and discounting will drive holiday traffic. While promotional activity will be intense, it must be well planned and executed.

Promoting Value

The economy will continue to be a key messaging point for the remainder of 2008 and through 2009. Cash-conscious consumers are looking for value with their purchases. Some companies are responding with campaigns that spotlight value-based offerings and differentiating themselves with value-oriented messaging.

For example, market research conducted for Denny's restaurants revealed consumers' concerns that \$5.99 was too high a price point for new product introductions. It also noted consumers had real animosity toward the government bailout package. In response, Denny's launched an ad campaign to promote its \$4 weekday breakfast menu targeting Main Street with imagery of Wall Street while asking the question "Who's Bailing You Out?" Utilizing an integrated approach, the restaurant chain is planning a national PR event later this year.

CSR: Corporate Social Responsibility

As weathered as the economic climate has been and as deal-oriented as shoppers will continue to be, one consumer focus that has not waned is that of social responsibility. Cause-related marketing is now the norm. Discerning consumers want to know that a business shares their desire to make the world a better place by supporting an important cause.

Eighty-seven percent of consumers indicated they would switch from one brand to another if the other brand were associated with a good cause, according to a recent Cone Cause Evolution Survey.

College students and other niche markets show a definite preference for brands they believe to be socially responsible. According to a newly released College Explorer study from Alloy Media, 95 percent of students say they are less likely to ignore an ad that promotes a brand's partnership with a cause.

The challenge, of course, is to make sure socially responsible efforts are a winning strategy for all involved: the non-profit group, the community and the business.

Case Study: Hunger Defense Fund

The Hunger Defense Fund, a Santa Clarita-based food bank, is a non-profit humanitarian relief organization helping individuals and families in need throughout the Santa Clarita Valley. They receive no government funding and operate on a slim 1 percent margin. Ninety-nine percent of every dollar goes toward programs and stays in the Santa Clarita Valley. Many families and seniors don't have to look any further than the dinner table to know times are tough. The Fund has seen need rise 52 percent this year. That's on top of a 22 percent increase during 2007 over the previous year.

For the month of November, local wine purveyor VINO 100 will align their in-store promotions with the Hunger Defense Fund goals. A collection box will be available at the store for residents to drop off non-perishable items. In addition, the neighborhood wine store will launch a "10 for 10" campaign to collect monetary donations, which will be forwarded directly to the food bank. The promotion is simple: shoppers can visit VINO 100 and make a donation of \$10 or more payable directly to the Hunger Defense Fund. In turn, VINO 100 offers the customer a 10 percent discount on their store purchases that day, excluding special sales events.

It's a triple-win benefit: the non-profit organization receives increased awareness for their cause, along with monetary and food item donations during a time of low supply and high demand, the money stays within the community to help those in need, and the business potentially increases store traffic and gains new customers who participate in the effort.

Strategy, careful planning and strategic alliances that fit with a company's objectives will become increasingly more important as businesses compete in a shrinking marketplace. If your business needs help with individual tactics or a comprehensive marketing strategy, seek advice and counsel from a qualified professional.

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