

BRODEUR SNAPSHOT: **Brand Purpose in an** **Economic Downturn**



We are very pleased to share a “Brodeur Snapshot” on the impact of brand purpose in an economic downturn. This Snapshot is part of a series of reports and points of view on categories and subjects where we have significant experience and interest. The Snapshots are designed to be quick overviews for our clients and our staff. The content is curated from various sources, including data sources to which we subscribe. We update the reports regularly to stay current and react to changing environments and conditions. We hope you find this a quick but informative discussion of how brand purpose may be impacted in 2023.

We welcome your feedback and comments.

Andrea Coville
CEO

Scott Beaudoin
EVP, Sustainability



BRODEUR
PARTNERS

FUTURE OF BRAND PURPOSE

There is a lot of discussion and debate on how the possible/probable recession in 2023 will impact corporate and brand purpose. Many areas within ESG that were considered sacrosanct just a few years ago have now come under heavy scrutiny. The debate is not on its mission or social value. The questioning centers around how to measure the ROI both with respect to social impact and financial return. It will become a scenario of survival of the fittest of programs, if or when revenue declines. The overall role of brand purpose will likely not decline, but the shedding of marginal or non-measurable impact programs most certainly will.



Purpose-driven brands have been held up as the beacons against which all others should be compared. Companies such as Patagonia and Subaru live and breathe purpose – it's integral to their culture and the close emotional ties with their customers and employees. Though less obvious, companies such as Unilever have pledged to shed all brands that are not purpose-driven. In many ways, Unilever has kept that promise, and many package goods companies adopted the mantra. Unquestionably, this was a powerful pledge grounded in good business practice. Activism will not decline in a recession, but the degree to which

companies will respond will likely depend on financial performance. This will create a conundrum from the CEO to the brand level.

Commitments have been written into annual reports and ESG reports that are now or will soon be mandated at both the federal (e.g., SEC regulations on environmental impact) and state levels. C-suite liability – both implied and legally applied – will temper the usual recession knee-jerk reaction to shelter in place and cut everything that does not directly impact topline or bottom-line growth.

BRAND PURPOSE FUELED BY A STRONG BOTTOM LINE

The concept of purpose was spawned well over a decade ago, but its growth was fueled by strong economic tailwinds over the last few years. It was done in response to activist pressure in many cases, but marketers soon realized that it made good marketing sense as well because it strengthened the brand promise. There was discretionary money to spend, so purpose was seen as a strong investment. Purpose was hailed at the board level, CEO and CFO levels on investor calls, and by HR as a powerful recruiting and retention benefit.



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The other powerful factor is the growth of Employee Resource Groups (ERG) within virtually every large company and most medium and many small companies. The ERGs have the ear of the CEO because they have directly impact on internal and external corporate reputation. ERGs generally focus on DEI, but all purpose-related commitments are tracked and vociferously supported. This combination of voices and influencers will create a significant level of insulation against cost-cutting efforts on purpose-led initiatives.



TO CUT OR NOT TO CUT

Many opinions are being expressed as we enter 2023 with a fair amount of trepidation, not knowing how to protect long term commitments in an environment rife with short term demands to maintain margin and profitability. Both sides of the maintain/cut equation have valid justifications.

A lot depends on which lens you view brand purpose. As marketing guru David Aker puts it, “short-term fear can cause marketing and business leaders to have a knee-jerk reaction to where their marketing and communications budget is being allocated, often cutting out what some may denote as the ‘flowery’ side of marketing. This often includes purpose. But that’s a mistake. Brand purpose is a long-term asset and should be treated like one.”

Let’s hope no savvy marketer or comms director sees brand purpose as “flowery,” but there is a misguided temptation to “take a pause” in the belief that a brand’s purpose is well established enough to cut back on support.



THE KEY MAY BE “GENZENNIALS”

Michael Kassan, CEO of MediaLink, a company that advises on marketing strategy for many CEOs and CMOs of top global brands, provides a very interesting perspective on why this possible recession is taking place in a very different marketing environment. Kassan points out that “purpose and performance are likely forever intertwined.” While many consumers have faced economic slowdowns before, this will be new to GenZennials, two demographics that buy products

based on purpose and who will be living through a period of belt-tightening and corporate cutbacks for the first time as an adult. Kassan refers to reams of research that “GenZennials” are unlikely to change how they make purchase decisions, even in a tight economy. Brands don’t want to gamble with their credibility and authenticity by sending a message that they care about certain things only when the going is good.



CUT AT YOUR OWN PERIL

95%

of consumers say buying from purpose-led brands is important despite soaring inflation rates

2.5X

preference by consumers more often than category competitors of “Whole Brands” (defined as a “everything tool” than can and should inspire everything your brand does)



“Whole Brands” are five times more likely to be seen as a brand on the rise

41%

of market performance for brands in the study was explained by “purpose power”

How important is a company’s stance on purpose (focus on environment and sustainability) when thinking about which companies to buy from and specifically which brands to buy?

74%

of Gen Zers and Millennials

67%

of Gen Xers

56%

among Boomers and older

A CONTRARIAN POV

An article published in Campaign (October 2022), the UK-based marketing and advertising trade publication, offered a contrarian argument. It says, in part, “If your brand is not already thinking about sustainability or active in bettering its supply chain, don’t crowbar it in. So, will (or should) the recession put sustainability and purpose on the back-burner for brands and their comms strategies? Maybe. It’s all about perspective. If your product fulfills a basic need rather than being aspirational, focus on that first before jumping two-footed into a charitable

partnership that people can see through. Take brand purpose in the same way as other elements of business – you need a balance, not going full pelt with the blinkers on to the detriment of surviving as business. Money makes the world go around, which is the same for sustainability and green goals. To thrive as a business with sustainable credentials and true brand purpose, you need to, first of all, survive as a business. If you don’t make a profit, you can’t reinvest that profit.”

CONCLUSION

We agree that “crowbarring in” brand purpose is something that consumers will see through. Brand purpose needs to be inextricably part of the company and brand promise and not a “good times” only commitment. It must be recession-proof. Consumers, customers, and employees can sense a pullback on the commitment to purpose.

Once the promise is broken, it’s impossible to restore to any credible level. Purpose commitments are too visible and too easily tracked to let slide, even for a few quarters.

BRODEUR P A R T N E R S

Andrea Coville, CEO
acoville@brodeur.com

Scott Beaudoin, EVP, Sustainability
sbeaudoin@brodeur.com

BRODEUR PARTNERS
535 Boylston Street
Boston, MA 02116
www.brodeur.com

