BCG

Executive Perspectives

The CEO’s Dilemma

How to Win Market Share in a Downturn

January 2023

Introduction to this document

Current global disruptions and macroeconomic headwinds are creating unprecedented volatility and competitive pressures. Given the unique profile of this downturn, traditional recessionary playbooks are no longer enough.

This document outlines a new, tailored top-line playbook, providing guidance on how to protect value but also drive growth in the next downturn. To thrive, organizations will need to gain visibility on market shifts, safeguard value in the short term, and invest in seizing competitive advantage in the long term. Our integrated approach, therefore, balances three key dimensions: sensing, defense moves, and offense moves.

This playbook provides an array of concrete actions, across marketing, sales, and pricing, from which organizations can develop their own custom toolkit. Best-practice examples illustrate how clients have successfully navigated prior uncertainty.

Source: BCG Resilient Pricing Study, September 2022

In this BCG Executive Perspectives edition, we look at how to turn uncertainty into an advantage and win market share

Executive Summary | Winning market share in a downturn

Why a new approach is required

This downturn cycle is different with relatively high supply chain pressure, high oil prices, and high inflation, combined with relatively low unemployment and medium interest rates. We see a polycrisis unfolding, with a unique combination of economic and noneconomic shocks entangled at the same time, creating increased uncertainty and volatility

Against the uniqueness of this crisis, **having a pure focus on cost will not be sufficient**

With every crisis comes opportunity, but to seize that opportunity, companies need to invest. Smart leaders invest in digital capabilities to **grow market share and build customer loyalty in times of high volatility**

How to win market share in a downturn

Our new top-line framework helps companies thrive through this polycrisis and future downturns, **building on specific approaches around sensing, defense moves, and offense moves**

SENSING: Establish a peripheral radar to ensure visibility into what is happening in the market and to assess the impact of any defense and offense moves

DEFENSE: Safeguard against volatility and maintain market share through defense levers to stabilize the top line and protect value – mandatory for each company entering this downturn

OFFENSE: Unlock a unique opportunity to win share through a keen focus on each step of the customer life cycle and an integrated top-line program cutting across marketing, sales, and pricing (e.g., Beiersdorf case study)

Continued uncertainty about future demand and economic stability

1 Global growth outlook

GDP forecasts[1] (Real GDP YoY)

	2021A	2022E	2023E	2024E
US	5.9%	1.8%	0.4%	1.4%
Eurozone	5.3%	3.2%	-0.1%	1.5%
Global	6.0%	2.9%	2.1%	2.9%

2 Commodity prices and inflation

Commodity prices[2]

	Oct '22	Nov '22	Dec '22	Change
Brent oil	86.5	80.6	80.3	-0.4%
Natural gas				
US	6.4	6.9	4.5	-35.4%
Eurozone	84.0	140.0	74.0	–47.1%

Consumer price inflation (YoY)[3]

	Oct '22	Nov '22	Dec '22	Change
US	7.7%	7.1%	-	-0.6ppts
Eurozone	10.6%	10.1%	-	-0.5ppts

3 Financial markets

Equity market performance (YTD change)[4]

	Oct '22	Nov '22	Dec '22
S&P 500	-18.8%	-14.4%	-19.4%
Eurostoxx 50	-15.8%	-7.8%	-11.7%

Corporate spreads (High Yield)[5]

	Oct '22	Nov '22	Dec '22	Change
US	4.64%	4.48%	4.69%	+21bps
Eurozone	6.05%	5.26%	5.21%	-14bps

4 Monetary policy

Monetary policy rates[6]

	Oct '22	Nov '22	Dec '22	Change
US	3.25%	4.0%	4.5%	+50bps
Eurozone	2.0%	2.0%	2.5%	+50bps

5 Labor market

Job openings rate[7]

	Q2 '22	Q3 '22	Q4 '22	Change
US	6.8%	6.5%	6.4%[8]	-0.1ppts
Eurozone	3.2%	3.1%	-	-0.1ppts

Unemployment rate[9]

	Oct '22	Nov '22	Dec '22	Change
US	3.7%	3.6%	3.5%	-0.1ppts
Germany	3.0%	-	-	-
France	7.1%	-	-	-

6 Manufacturing

PMI manufacturing (<50 = contraction)[10]

	Oct '22	Nov '22	Dec '22	Change
US	50.2	49.0	48.4	-1.2%
Eurozone	46.6	47.1	47.8	+1.5%

1. Bloomberg, data as of 01/06/2023. 2. Data presented as end of month figures. Brent oil in $/bbl; US natural gas (Henry Hub) in $/MMbtu; Dutch natural gas (TTF front month future) in EUR/MWh. 3. CPI monthly seasonally adjusted data from Bureau of Labor Statistics; HICP monthly data for Eurozone from Eurostat. 4. Bloomberg. 5. Bloomberg US Corporate High Yield Average OAS; Bloomberg Pan-European High Yield Average OAS. 6. Federal Reserve for US; ECB for Eurozone (main refinancing rate). 7. Seasonally adjusted rates; Bureau of Labor Statistics for US; job vacancy rate from Eurostat for Eurozone. 8. As of 11/30 2022. 9. Bureau of Labor Statistics for US; Eurostat for Eurozone. 10. ISM manufacturing PMI for US; S&P Global Eurozone Manufacturing PMI from Markit for Eurozone. Note: All displayed numbers are based on end of month figures. Changes based on incremental changes vs. previous months, except for Job openings rate which is based on changes vs. previous quarter.

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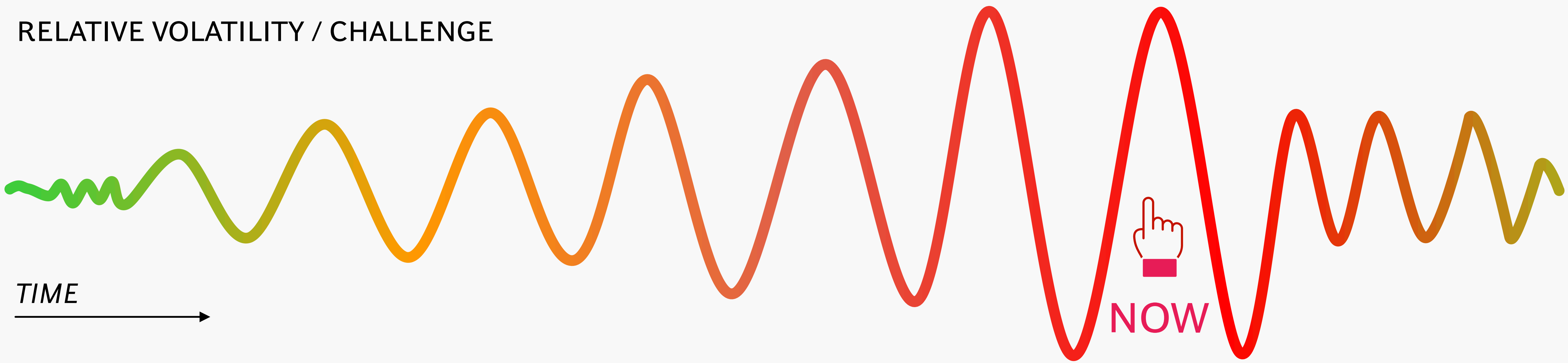
Why a new approach is required

How to win in a downturn

Pressure on companies is growing during the polycrisis, with the combined impact of regulatory changes, COVID, war, and the economic crisis



Pre-COVID, regulatory pressure

Pressure on **sustainability and data privacy** already growing (e.g., end of 3P cookies)

Regulatory + **COVID**

Initial "business freeze" and lay-offs faded & transformed into **issues with supply chain and labor shortage.** Increasing number of **CO_2 reduction targets announced**

Regulatory + COVID + **war**

On top of COVID, war brought political unrest and **further squeezed the supply chain** (**raw materials, energy**)

Regulatory + COVID + war + **economic crisis**

Forecasted **decreasing GDP**, uncertainty about the future, and high inflation driving **rapid change in consumer patterns**

Post-crisis, volatility & supply issues remain

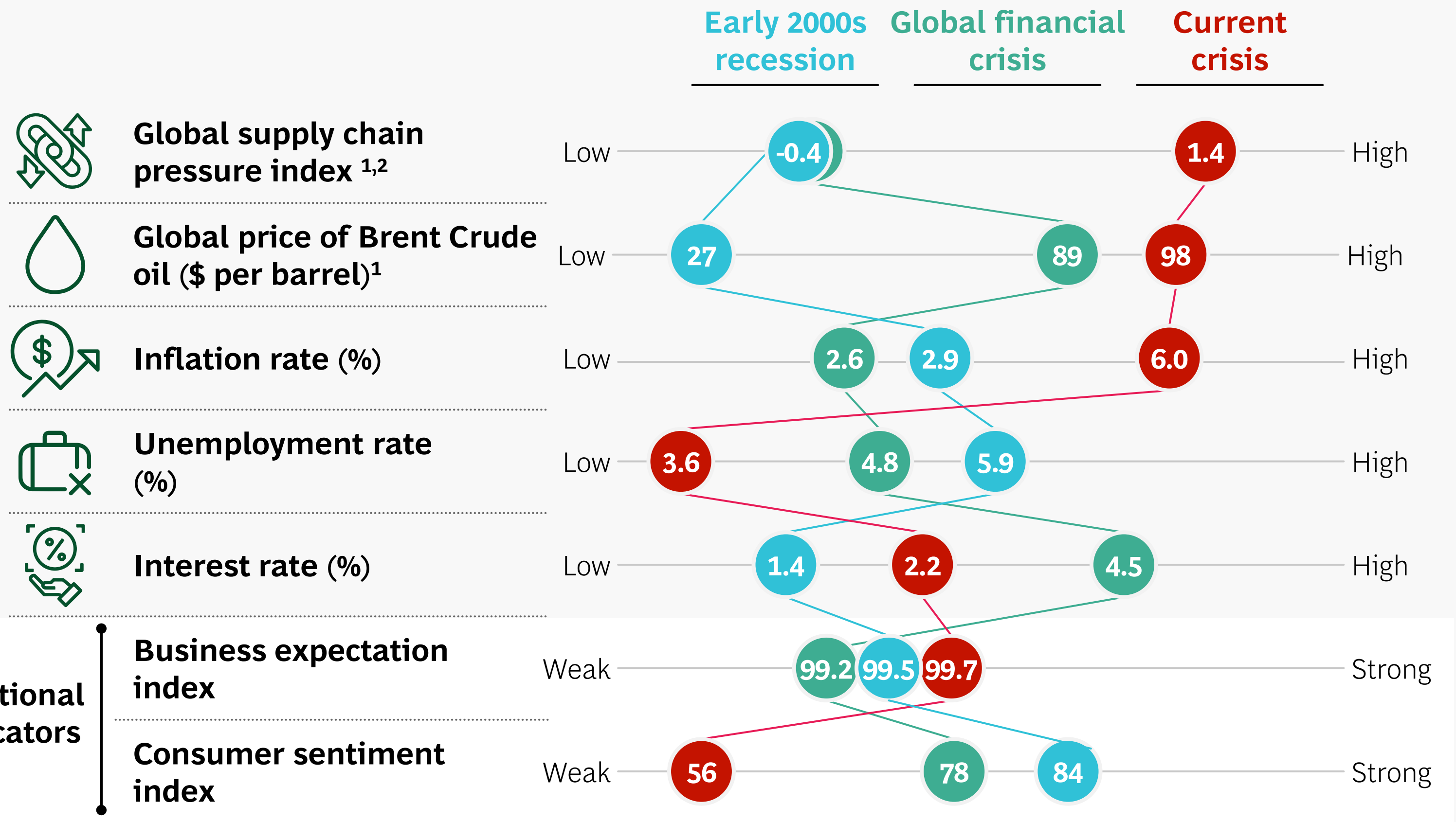
Several pressure factors are set to continue; timeline of **energy crisis** is unclear, strengthened focus on **privacy** and **sustainability** likely to persist

Source: Press search, BCG

Unprecedented mix of disparate shocks results in unique polycrisis

Economic situation two quarters before start of recession vs. Q3/22

Data for US[1]



1. Except for "Supply chain pressure index" and "price of Brent Crude oil" (both based on global data); 2. "Supply chain pressure index" based on transportation and manufacturing indices related to delivery times, prices, and inventory
Note: Relevant quarters: Early 2000s recession = Q4/02; Global financial crisis = Q4/07; Current crisis = Q3/22
Source: U.S. Bureau of Labor Statistics; Federal Reserve Economic Data; University of Michigan; OECD; BCG analysis

Levers that focus only on cost no longer apply in current downturn

Approach on cost is effective …

Push on suppliers?	**Successful supplier renegotiations** for increased flexibility
Streamline organization?	**Simplification** leads to leaner cost structure

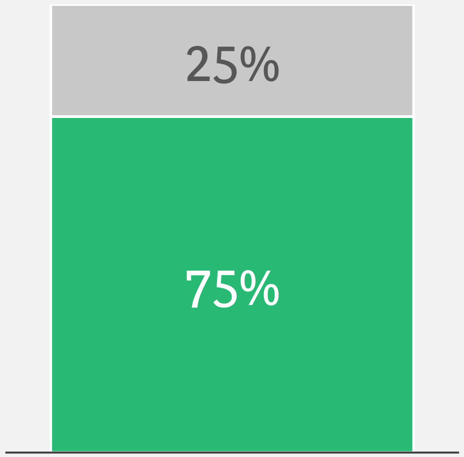
But caution is needed to protect the top line …

Reduce brand spending?	**Short-sighted measure**: COVID proved brand spenders saw 2x growth vs. average[1]
Aggressively decrease marketing and sales costs?	**Increased competition** makes eroding market share likely
Cut tech programs?	Rapidly **evolving pressures** require advanced solutions
Rely on consumers?	Strongest downturn in **consumer sentiment** is yet to come

1. Top brand spenders defined as brands in top quartile of increasing brand spending over 2017-2021, methodology: 17-21 CAGR for a sample of large advertisers
Source: BCG project experience, BCG-Google branding study

Every crisis offers opportunities, but past downturns have shown that only a few companies are able to capture growth in times of uncertainty

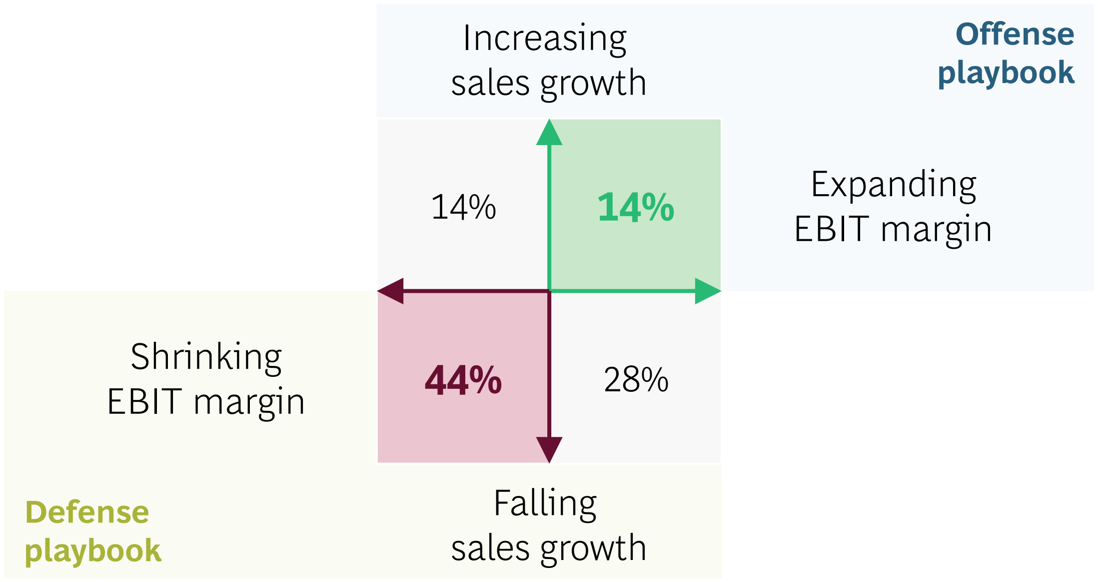
75% of companies intend to use uncertainty as an opportunity for growth[1]



75% rank pursuing growth as a top priority during economic uncertainty[1]

Historically, few companies succeed in their mission

Only **14%** of companies improve growth and margin during downturns



1. 75% ranked growth in top three (Question: "In your opinion, what are the most important actions an organization can take to protect itself during times of economic uncertainty?") – BCG survey

Source: BCG Resilient Pricing Study, N = 1.400 pricing decision maker, September 2022

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Why a new approach is required

How to win in a downturn

How to navigate uncertainty | Integrated playbook required to take advantage of adversity

Competitive environment

In times of swift **competitive moves** and rapidly **changing consumer demand**, the ability to see where the market is shifting becomes an essential element for survival

Hence the **peripheral radar** needs to be established and augmented

This radar serves as a **prerequisite for every defense and offense move** of the market

Integrated top-line playbook

Sensing

Support business decisions by understanding customers'/clients' changing needs and by discerning market trends

Select actions	*Assess spending behavior*	*Forecast supplier prices*
	Evaluate impact of market trends	*Develop economic scenarios*

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Defense

Defend the top line by building resilience across the value chain and functions, and reallocating resources to identified priorities

Select actions	*Renegotiate against volatility*	*Focus sales on high-churn customers*
	Optimize marketing allocation	*Shift to less labor-intensive channels*

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Offense

Seize opportunity to win market share by investing in capabilities to expand the top line

Select actions	*Initiate Voice of Customer program*	*Enhance sales by AI "next best action"*
	Drive personalized communication	*Apply green premium pricing*

SENSING | Establishing transparency on consumer and competitor trends is key to evaluating “where to play”

Sensing creates insight on market and growth spaces along 3 dimensions …

1. Understanding of **demand spaces and market dynamics**
2. Insight into **own and competitors’ positions**
3. **Sizing and prioritization** based on opportunity and advantage

Demand maps identify demand spaces. For each space, detailed profiles show, e.g., consumer needs, competitors, and value

… which are prerequisites for targeted selection of defense and offense moves

- Reframes **market and competitor view** through consumer lens
- Enables **data-driven decisions** about where to compete
- Creates **growth mindset**
- Derives **agile test and learn** initiatives to respond to volatility

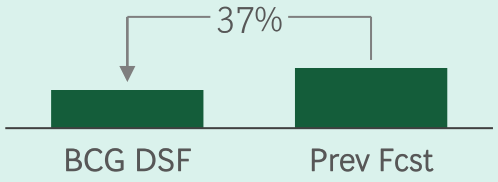
Case example

Global hotel chain leverages BCG demand sensing forecast (DSF) to improve accuracy, model adoption, and transparency

Updated model with new data:
- Property clustering
- Market demand data
- Airline traffic

using powerful ML algorithm tailored to each property

BCG DSF improved accuracy by 37%[1]



1. Difference in error relative to capacity
Source: BCG case example, BCG Lighthouse

DEFENSE | Hygiene "must-do" actions to protect the top line, safeguard against volatility, and maintain market share

DEFENSE

Hygiene "must-do" actions from the integrated playbook

Customer demand & innovation	Monitor and respond to demand shifts	Predict category demand via unified data sources to enable steering of pricing and promotions
		Understand changing channel mix and resulting impact on volumes
Marketing	Identify and cut low-return spending	Optimize allocation of working and nonworking spending from low to high ROI
		Enhance trade spending (i.e., maximize conditional spending) and promotions
Sales	Defend customer base	Apply B2B order backlog triage to prioritize and renegotiate long-term contracts
		Protect the top line by focusing on customers with high churn risk
		Adapt sales force incentivization to steer toward changing goals (volume vs. margin; pricing)
Pricing	Protect and stabilize margins	Selectively price-up to improve margin realization (e.g., set price premiums)
		Renegotiate contracts to protect against volatility and inflation (e.g., indexed pricing)
Customer experience	Focus on effective channels	Prioritize retention programs to improve satisfaction and lifetime value
		Shift to less labor-intensive sales channels, leveraging automation
Organization	Set up lean organization	Build lean and efficient organization while retaining experts and talent

DEFENSE | Recent study of a global chemical player's battle-tested approach to counter inflation

Playbook from a global chemical player

Faced with unprecedented inflation and product scarcity, leadership embarked on a Pricing Acceleration Program to capture immediate value and drive long-term change

Hygiene "must-do" actions

Customer demand & innovation

Predicted category demand via unified data sources to enable steering of pricing and promotions
- Built AI-enabled pricing engine to generate target price recommendations
- Improved data quality of yield, material costs, and demand sensitivity

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Sales

Protected top line by focusing on customers with high churn risk
- Targeted pass-through of cost inflation based on price sensitivity, considering share of product in customer's product structure and ability to pass through

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Pricing

Selectively priced-up to improve margins and supported contract (re)negotiation to protect against volatility
- Introduced tactical surcharges for specialty products and revision clauses
- Built digital contracting foundations to identify (re)negotiation opportunities

Significant impact

€100M	Impact delivered in less than 12 months in a €2.5B BU
+5-10%	Margin uplift resulting from contract renegotiations
+5%	Average price uplift via AI-enabled pricing engine
+1%	Increase in contribution margin from yield management

Source: BCG case example

OFFENSE | Targeted investments to seize opportunity and win market share

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Investment "growth driver" actions from the integrated playbook

Customer demand & innovation	Embed customer demand into strategy and culture	Develop singular, customer-centric view on demand fundamentals to guide comm. strategy (e.g., sustainable products) 🌱 Stay grounded in customers' needs through robust Voice of the Customer program
Marketing	Seek smart, fast-forward looking opportunities	Exploit opportunities to reframe category, establish new brand associations by demand space (e.g., sustainability brands) 🌱 Drive personalized communication with AI (e.g., "green" consumers) 🌱
Sales	Expand customer base with high efficiency	Install demand center to drive demand and demand response capabilities Use AI-driven "next best action" for effective and efficient sales
Pricing	Adopt differentiated responses	Invest in pricing, analytics, and sales capabilities to adopt new pricing models & enable sales to take active negotiation role Fund and accelerate adoption of sustainable offering through "green premium pricing" 🌱
Customer experience	Expand channels and platforms	Invest in new channels: launch D2C channel (e.g., excl. sustainability channel) or partner with channels 🌱 Push customer lifetime value (CLV) through engagement and retention via omnichannel loyalty program
Organization	Strengthen talent pool	Seize opportunity regarding high-potential candidates to complement and strengthen talent pool

🌱 Opportunities for push in climate and sustainability offerings

OFFENSE | Case study of Beiersdorf's precision-marketing transformation to become best-in-class

Beiersdorf NIVEA

Playbook from a global personal-care company

Beiersdorf's Emerging Markets division for Nivea launched a holistic precision-marketing transformation to better navigate coming uncertainty and become best-in-class

Investment "growth-driver" actions

Marketing

Built marketing capabilities with precision marketing
- Drove personalized communication via new audience strategy & 1pd activation
- Improved marketing planning, budgeting & execution capabilities
- Unified marketing measurement to invest in highest ROI activities & channels
- Enhanced sourcing models including onboarding & training of 3p partners

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Consumer experience

Invested in targeted consumer journey
- Shifted budgets from traditional media to targeted digital channels with personalized and best-in-class CX
- Implemented full-funnel approach to address consumers along e2e journey
- Partnered with new 3p eCom channels for quality traffic to boost market share

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Organization

Strengthened talent with extensive capability building & established new WoW
- Devised multi-formatted upskilling program, ensuring full-in market autonomy
- Overhauled agency model with FTE-based model from fixed to variable
- In-housed key capabilities, designed & recruited new Center of Excellence (CoE)
- Significantly adjusted ways of working of marketing teams

Significant impact

7pts	Additional sales growth, outperforming market
-37%	Media budget efficiency[1] vs. typical efficiency gains -25-30%
+124%	Business effectiveness[1] vs. typical effectiveness gains +50%
+300	People upskilled

1. Based on the results of 50 campaigns for efficiency and 20 campaigns for effectiveness conducted in 11 emerging markets
Source: BCG case example

OFFENSE | Technology as key lever for unlocking further top-line expansion: Case study on enhancing sales with AI-enabled lead management

Playbook from a medtech animal health company

Management adopted new digitally enabled sales and marketing engine to engage customers in a more targeted, personalized, and data-driven way to increase overall selling ROI

Technology-driven actions

Personalized marketing

Drove personalized communication with AI based on engagement and sales data
- Designed marketing-engine tool for automated lead qualification
- Measured prior engagement to optimize approach continuously

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Sales.AI

Expanded customer base with high efficiency
- Built predictive call-planning tools with data-driven recommendations
- Employed "next best action" tool to route qualified leads to reps
- Developed data and digital platform to accelerate future builds

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Bionic organization

Strengthened talent pool to support digitization efforts
- Devised multiformatted upskilling program, ensuring full-in market autonomy
- Overhauled agency model with FTE-based model from fixed to variable; based on KPI improvement and golden-rules compliance

Significant impact

$120M	Incremental annual sales impact in primary market
40%	Increased annual sales rep productivity
2X	Sales conversion rate
4X	Lower time to market for pilot (6 months to 6 weeks)

Source: BCG case example

Key questions all CEOs should be asking themselves now

Has my market intelligence team invested in its ability to track consumer and competitor moves in real time?

Have I called a meeting in recent weeks with my core team to ensure that the required defense measures have been taken?

Did I use the crisis as an opportunity to augment my technology stack to deepen my capabilities?

Do I have a good view of the return on my investments in offense levers and the benefits they will provide?

Did I ensure the robustness of my organization for upcoming downturns?

Connect with our Marketing, Sales & Pricing and Resilience leadership teams with any questions

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