



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.



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 forecasts¹ (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 prices²

	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 rates⁶

	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 rate⁷

	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 rate⁹

	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%

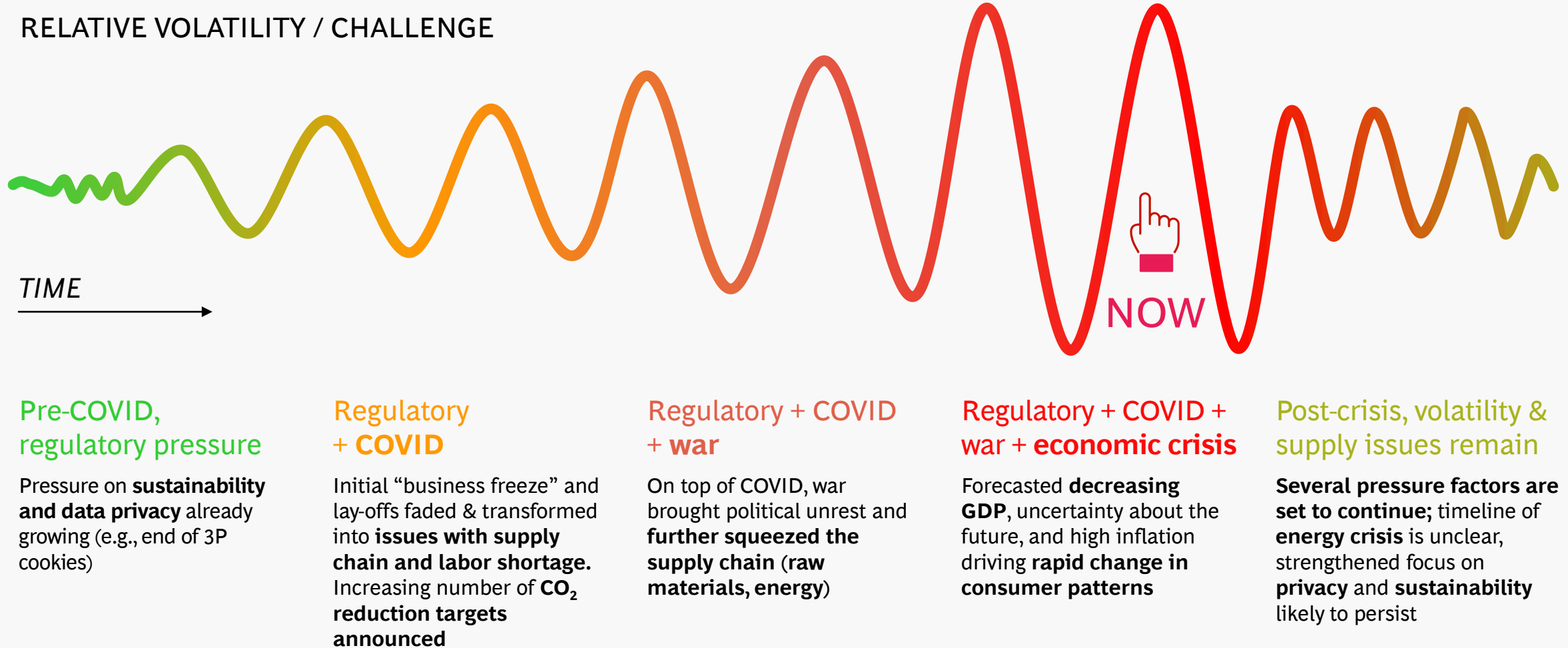
1. Bloomberg, data as of 01/06/2023. 2. Data presented as end of month figures. Brent oil in \$/bbl; US natural gas (Henry Hub) in \$/MMbtu; Dutch natural gas (TTF front month future) in EUR/MWh. 3. CPI monthly seasonally adjusted data from Bureau of Labor Statistics; HICP monthly data for Eurozone from 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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AGENDA

- ✓ Why a new approach is required
- ✓ How to win in a downturn

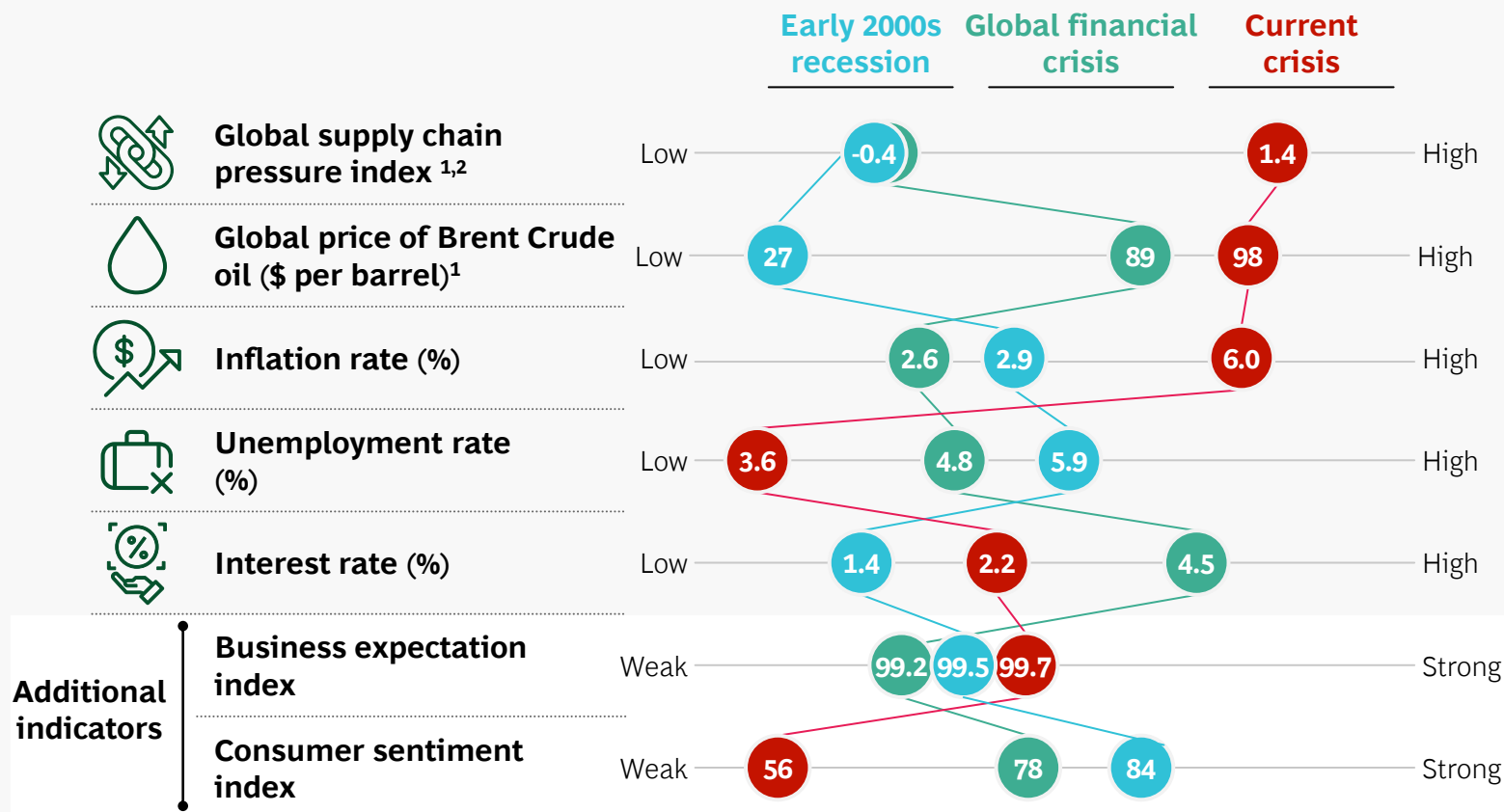
Pressure on companies is growing during the polycrisis, with the combined impact of regulatory changes, COVID, war, and the economic crisis



Unprecedented mix of disparate shocks results in unique polycrisis

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

Data for US¹



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. average¹

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?

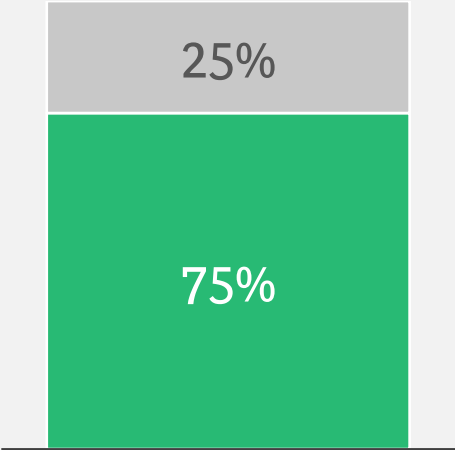


Strongest downturn in **consumer sentiment** is yet to come

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 growth¹

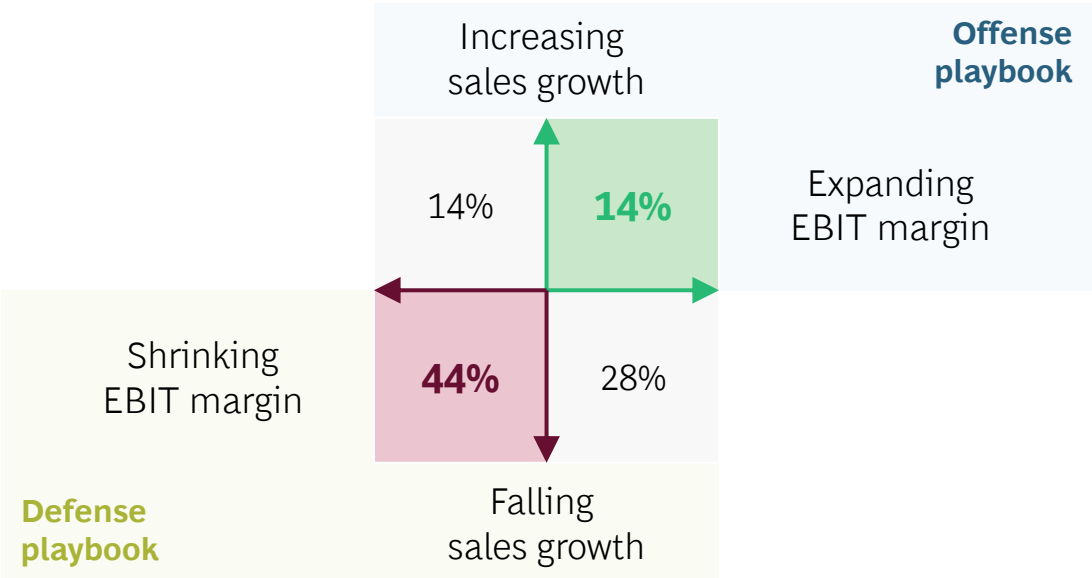


75% rank pursuing growth as a top priority during economic uncertainty¹

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

Historically, few companies succeed in their mission

Only 14% of companies improve growth and margin during downturns



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AGENDA

- ✓ 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



Defense



Offense

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

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

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**

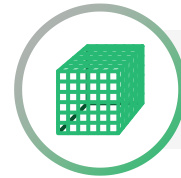
3

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



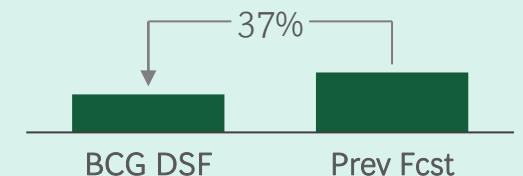
Case example

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

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



OFFENSE | Targeted investments to seize opportunity and win market share

OFFENSE



Investment “growth driver” actions from the integrated playbook

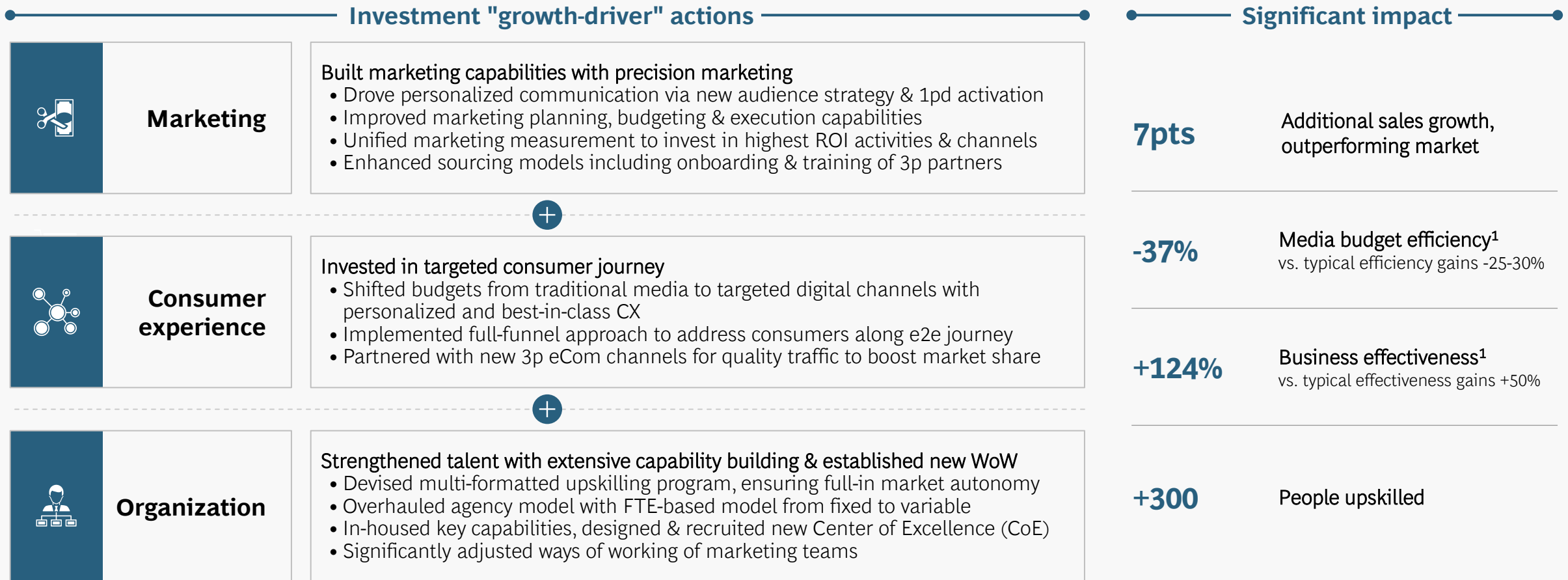
	Customer demand & innovation	Embed customer demand into strategy and culture	Develop singular, customer-centric view on demand fundamentals to guide comm. strategy (e.g., sustainable products)	
	Marketing	Seek smart, fast-forward looking opportunities	Stay grounded in customers' needs through robust Voice of the Customer program	
	Sales	Expand customer base with high efficiency	Exploit opportunities to reframe category, establish new brand associations by demand space (e.g., sustainability brands)	
	Pricing	Adopt differentiated responses	Drive personalized communication with AI (e.g., "green" consumers)	
	Customer experience	Expand channels and platforms	Install demand center to drive demand and demand response capabilities	
	Organization	Strengthen talent pool	Use AI-driven “next best action” for effective and efficient sales	
			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"	
			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	
			Seize opportunity regarding high-potential candidates to complement and strengthen talent pool	

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



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

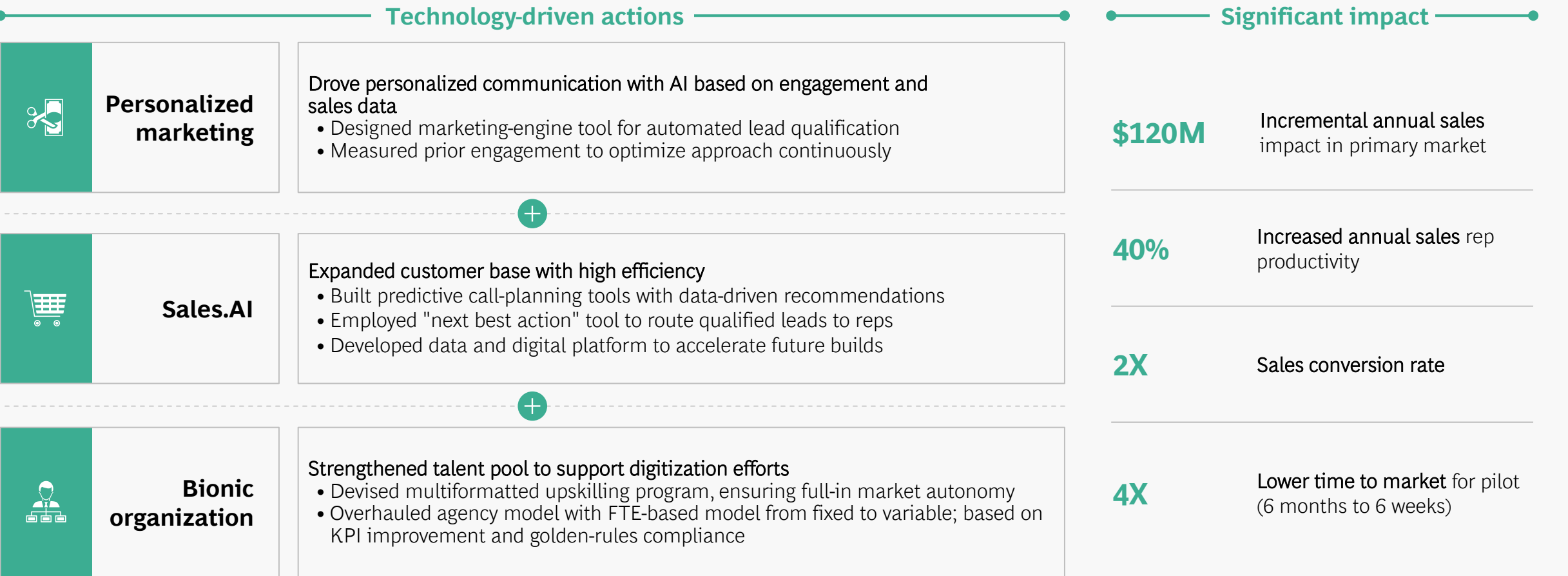


1. Based on the results of 50 campaigns for efficiency and 20 campaigns for effectiveness conducted in 11 emerging markets
Source: BCG case example

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



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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