



## Why Some Brands Cheer a Sour Economy

Oct 12, 2008

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It is a good time to be McCormick spices. While not the sexiest of brands, "The taste you trust" is positioned extremely well for an economy that looks to be in a recession. While many companies are suffering at the hands of one of the worst economic downfalls in the history of the country, others are quietly prospering.

"If you're a brand you eat, drink, smoke or wash yourself with, you're going to be OK," said Marc Babej, partner at the strategy firm Reason, New York. "McCormick Spices, think about it, you will always need that. No matter how bad things get, you will still cook at home." McCormick's net sales for the brand rose 9% to \$782 million for its third quarter.

Similarly, production of snack foods, tortillas and confectionary products are expected to grow next year, per industry research firm IBISWorld, Los Angeles. Snack foods industry constant dollar revenue will grow 5.3%, tortillas (3.1%) and confectionary products (2.7%).

Another likely beneficiary of the down economy: Private label. Some retailers are already seeing the bump. Walgreens, for example, announced its private label sales were up 15%. Private label is "positioned to move and grow," said Gary Stibel, CEO of New England Consulting Group, Westport, Conn. "Kroger and CVS are two examples of brands that are doing a great job of promoting their own labels."

Likewise, Wal-Mart, which seemed to be losing brand power only a year ago, today is poised to reap the rewards of consumers who are looking to save some cash. In September, as same-store sales for Kohl's and Nordstrom fell 5.5% and 9.6%, respectively, Wal-Mart's rose 2.4%. Author and branding expert Rob Frankel thinks the retailer's gains will closely mirror the economy: "Wal-Mart is the brand that reminds people they are poor. Nobody shops at Wal-Mart because they want to; they shop there because they have to. The minute the economy recovers, Wal-Mart's sales will drop like a brick."

Wal-Mart's not the only discounter to see business improve. Wholesale clubs same-store sales grew 7.4% last month compared to the same period last year, per the International Council of Shopping Centers, New York. Meanwhile, discount retailers, thrift shops, consignment stores and goodwill stores saw an 85.5% increase in customers (January-August 2008), per the National Assn. of Resale & Thrift Shops. About 63% also saw an increase in sales.

While they may be looking for inexpensive groceries and second-hand items, consumers are willing to spend on some forms of escapism. Entertainment can expect to fare well during a downturn, experts say. The weekend after a \$700 billion bailout was passed by Congress, theatergoers flocked to the malls,

sending the weekend gross for the top dozen flicks to \$95.4 million, up 41.5% from the same period a year ago, per Media by Numbers, Encino, Calif.

"The conventional wisdom is that an economic downturn helps the movie business," said Paul Dergarabedian, president of Media By Numbers, Los Angeles. "They find escapism for a relatively small amount of money."

Then there's beer. It seems only logical that watching the Dow plummet into the abyss would drive some to drink. The U.S. beer industry is expected to post its second consecutive year of case sales gains, per the Beverage Information Group's *2008 Beer Handbook*. Wine and spirits are also expected to continue to grow though consumers may be less likely to trade up as had been the trend.

Another category that's already enjoying a boom in this economy: vocational and two-year colleges, which were seeing a migration of students who are priced out of four-year colleges, noted Robert Coen, svp and director of forecasting at Universal McCann, New York. "It doesn't add up to a whole lot for the industry in terms of ads. But they can kick up enrollment at a pretty good clip right now."

And finally, for those looking to avoid school in the immediate future, a sector that looks particularly strong is repair services. "During tough times we typically point to certain categories/sectors," said William Madway, marketing professor at the Villanova School of Business. "Repair services, remodeling services, do-it-yourself products, services and retailers . . . [Still], every brand has the potential to be successful if they adapt to the economic realities."