



Recovery Response REAPERS

[In follow up to our [May Report](#) regarding how brands are responding to Covid-19, CULT Collective CEO Chris now shares updated insights from an [executive survey](#) of 172 CEOs completed June 22-28, 2020.]

IT'S TEMPTING TO BE NEGATIVE AT THE CONCLUSION OF CALENDAR YEAR Q2 as headlines remain filled with growing infection rates and notable Chapter 11 filings. Propagating bad news is good for news ratings, but doing so paints an inaccurate picture of the health of our economy. For example, Wall Street has largely ignored media pessimism, and as of June 31, the Dow Jones is 300 points higher than it was February 28. Similarly, a recent survey of 172 CEOs of low-to-mid-market businesses reveals encouraging optimism about the near-term future.

Research completed at the end of June indicates 12 percent of companies are at or above plan for the fiscal year 2020.

In our **May report** we uncovered a category of businesses we affectionately referred to as “Reapers.” Led by the likes of notable names such as Zoom, Amazon, and Lysol, as well as less known beneficiaries like Mirror, Peloton, or Wayfair. Reapers are essentially “pandemic profilers” because they’re enjoying significant growth amidst this chaos. At the time, we opted to focus our counsel on brand leaders suffering from the mitigation efforts and struggling from severe sales declines. Our recommended strategies related to business categories dubbed Recoup, Resume, Reinvent, or Resign. Leaders within those categories were desperate for advice, and they provided us very positive feedback on the recommendations we offered. So now we turn our attention to a different category—The Reapers—and offer some insight and guidance for brand leaders within companies or categories currently enjoying enviable success.

CULT recently completed a project for a multi-national recreational vehicle manufacturer and was pleasantly surprised by the sales spikes this brand was experiencing. Turns out cruising around on ATVs and side-by-sides is a popular activity for families looking to cure cabin fever and seeking high adrenaline ways to social distance. As we conducted our discovery into this brand’s consumer and the competition for their discretionary dollars, we found several other recreational categories enjoying increased demand, such as golfing, mountain biking, and at-home workouts with new personal fitness offerings. We were aware of the business reports touting massive growth within industries such as online learning, mobile apps, grocery and delivery services, but we were taken aback by the consumer spend on premium-priced luxury purchases that frankly seemed unjustified given the media’s over-emphasis on mass layoffs and an impending depression.

- **March found that 55% of respondents had purchased groceries online, up from just 36% in 2018 and 15% in 2015.**

- **Online grocery delivery service Instacart told CNBC that customer order volume is up more than 500% year-over-year.**
- **Mobile app usage grew 40% year-over-year in the second quarter of 2020, even hitting an all-time high of over 200 billion hours during April.**
- **Consumer spending in apps, meanwhile, hit a record high of \$27 billion in the second quarter.**
- **UDEMY Report on online learning since the shelter in place orders were implemented:**
 - **425% increase in enrollments for consumers**
 - **55% increase in course creation by instructors**
 - **80% increase in usage from businesses and governments**

We were reminded not to believe everything we read and encouraged that North American households are perhaps reallocating their canceled vacation money and buying goods and services to improve the quality of their lives within this “new normal.” The sales increases we witnessed within various recreational activities was a great reminder that the pandemic and recession are not threatening all industries equally, in fact, many are reaping HUGE benefits.

Executive research completed at the end of June indicates 12 percent of companies are at or above plan for the fiscal year 2020. Another 20 percent remain optimistic they’ll hit their original annual forecasts. Those numbers likely surprise many, but, align well with CULT’s own client roster. We currently have 13 active client engagements, and three are enjoying Black Friday-like

sales, five are enduring well but will miss their plan by 10-30 percent and five are severely impaired as Q2 sales were more than 50 percent below original forecasts.

We also learned from the survey that regardless of the impact on short-term financial performance, over one-third of survey respondents report their business will be stronger or healthier post-Covid19 than it was pre-pandemic.

Clearly many brand leaders are enthusiastic about some of the tough decisions they've had to make the past few months, and were able to take advantage of the adage, "Never let a good crisis go to waste." Many of CULT's clients report greater focus, increased determination, heightened risk tolerance, more bold decision making, and nimbler teams complemented with better-sourced contingent specialists as reasons for greater hope in the near future.

While sales are booming within Reaper brands, all is not rosy. Executives are struggling to manage the unanticipated surge of demand. They are trying to balance commerce with compassion in regards to offering lenient HR practices, yet maintaining operational requirements on stressed internal systems. They are also unsure how best to navigate messaging and promotions without appearing exploitative or predatory. In addition, they are questioning how best to manage scale, not knowing how sustainable their current sales are. For example, one of CULT's clients produces premium dog food and reported record-setting Q2 sales, but they assume their customers pantry-loaded during quarantine and now have months of dog food stored, thus reducing their need to buy more in Q3. Finally, Reapers are unsure how best to plan for continuous spikes in demand given the unpredictability of the pandemic, the breadth/ depth of the recession, and the unknown government tactics that may impact their ability to continue business as usual.

However, despite the lack of certainty about external variables, two things are within the Executives' control: ideating new strategies and precise execution. One-third of senior executives report proactively seeking out new strategies to deal with their current success. More than half have created new products or services, and two-thirds are seeking out new markets or customer segments. Both strategies require learning new competencies and adding new capabilities, and the difficulty of getting those tasks right should not be under-estimated.

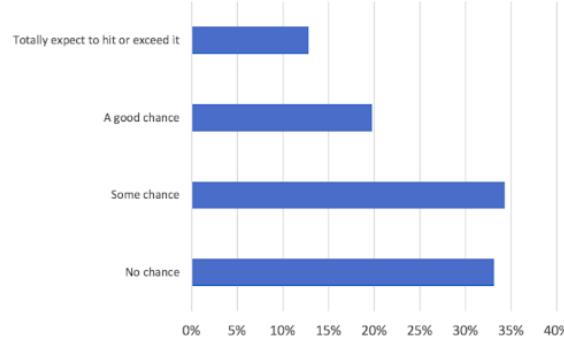
Three-fourths of business leaders surveyed referenced the need for flawless execution. Achieving that is very difficult when your existing people, processes, and systems are maxed out and the business is straining under the pressure of heightened demand. Costly mistakes, and missed opportunities, are likely if you're not sufficiently armed with expertise and incremental bandwidth.

Having more business than you know how to handle may seem like a great problem to have, but it's a problem nonetheless. The spoils will go to leaders who deal with issues of scale the best. We've been grateful to provide expertise and seamlessly integrate within organizations, to add immediate, tangible value.

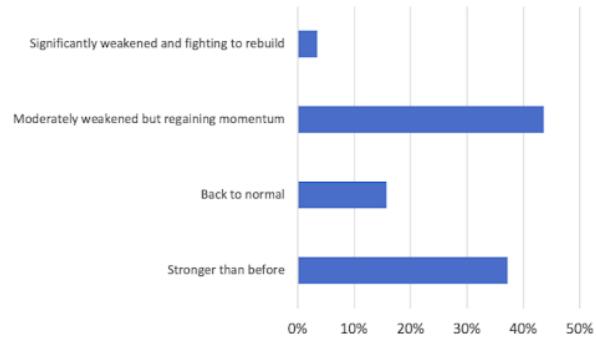
Here are a few practical suggested next steps:

- 1. Appreciate the past few months have revealed an updated list of Haves and Have Nots.** New categories—and category leaders—are emerging, and there are many exciting companies and initiatives to be a part of. Stay optimistic about the health of the economy.
- 2. Brand leaders enjoying above-average growth must proceed with caution.** Temper your enthusiasm by avoiding significant fixed costs tied to infrastructure or operating expenses until you better

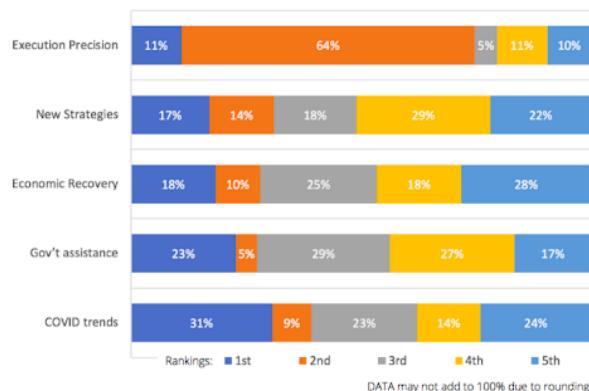
What chance do you have of making your original 2020 growth target?



Where do you expect your business to be 6 months from now?



How important are these factors in ensuring you hit new 2020 goals (ranked 1-5)?



What strategies are being pursued in CEO recovery plans?



determine how sustainable your Q2 sales are. The world is full of one-hit wonders and 15-minutes of fame. Your objective must be sustainable growth, and that requires discipline.

- 3. Attempting to do more things, or new things, with the same team, is a recipe for failure.** You can't afford to distract team members who must keep the lights on, so seek out alternative specialists with domain expertise as you launch new products, enter new distribution channels, or proceed into new markets.
- 4. Have fun and be grateful.** With over 45 million unemployed, many companies are suffering. Reapers are fortunate, and they shouldn't let the stress of the chaos they're experiencing dampen the thrill of the journey and the opportunity to "make hay while the sun is shining."

Want help with additional expertise or capacity? That's what CULT Collective does. We are a team of proven customer engagement experts who advise and implement in real-time to help our clients maximize the opportunities in front of them.

For example, we are currently helping Reapers with:

1. Bold decision making by moderating executive counsels.
2. Sourcing contingent specialists.
3. Improving internal engagement to attract new talent and avoid burning out existing talent.
4. Better understanding how consumers are truly feeling via our Audience Engagement Scoring primary research.
5. Deepening brand affinity while creating customer advocates by ensuring marketing plans and service delivery remain at high levels despite strained resources and peak demand on numerous departments.

If you are a business leader in the Reaper category, contact CULT's Chief Growth Officer, Bradley Foster at bradley@cultideas.com to start the discussion around how to adapt to the new challenges you will continue to face as you turn this enviable success into sustainable, long-term growth. ■



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I graduated with a Master's degree in marketing communications from Northwestern University and worked client-side at John Deere and The Home Depot prior to selling my soul to join an ad agency (Rapp) in Dallas, Texas. In 2010, I moved to Calgary to run Watermark Advertising. Then, in September 2012, I resigned to start a Cult.

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