

# PR in a Bear Market

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Rising food prices, five-dollar-a-gallon gasoline, high mortgage payments, cratering stock prices, declining job prospects. We're DOOMED!

Not exactly. The US may be in for a period of readjustment, as is the rest of the world, to scarcity in key commodities after decades of plenty. If scarcity continues, society will be affected to its core. Personal preferences in eating, transportation, investing and occupation may undergo significant shifts. Alternative sources of energy may become cost-effective. Eating at home may become the rule rather than eating out in two-income families. "Staycations" may replace vacations.

Is it so bad? It will be painful, and it may derail aspirations of millions, but it is unlikely to be as harmful as the Great Depression, even if the societal transition takes 10 years as it did in Japan after that nation's real estate bust in the early 1990s.

From a PR perspective, what should be the messages we send to stakeholders? One message does not suffice for every organization in every instance. Some industries have been devastated in this Bear market like transportation and housing. Others are hurt but not down for the count like fast food. If one drives by a mall or strip stores, cars are still parked out front and people are shopping—just fewer of them.

The first rule is to stick with facts, but essential to the first rule is to get the facts. This is difficult to do when markets are readjusting. What was a fact moments ago might not be now. For example, subprime mortgage defaults made portfolio valuation a nightmare. What was true about foreclosures today changed tomorrow and the day after. Neither companies nor the financial services industry could keep up with the rise in foreclosures. Answers to valuation questions were guesses not based on prior market behavior. Uncertainty increased risk, which unsettled investors and caused them to pull funds from companies, thereby making the companies' liquidity worse.

There is little a PR practitioner can do to get facts in a situation like this, and the practitioner should say so. In truth, in such circumstances, it is unlikely a PR practitioner would be a spokesperson. It is more likely that a CFO and CEO would be in charge with the practitioner assisting them. The practitioner's role is to remind executives to stay a middle course and to avoid trapping themselves by overly optimistic or pessimistic statements. It is also the role of the

practitioner to prod executives into speaking rather than hunkering. This is often difficult to do with business conditions deteriorating quickly. No one likes to give bad news, especially at the top of an organization. Even though companies are mandated to disclose material changes in financial conditions, there is still opportunity to spin a message and over-promise future results. That, in fact, happened to the former CFO of Lehman Brothers who issued a capital plan for the firm to offset its portfolio losses only to find later that the plan was inadequate. She lost her job.

Where there is an absence of facts, there is rumor and speculation. Both can do as much harm to a company as bad financial news. Especially in financial services, rumors sweep trading floors quickly. Stock prices gyrate and plummet before companies have time to step in. To counter this requires real-time monitoring to catch rumors before they reach forums, blogs or newswires. This requires cultivating contacts directly with the Street and having traders call immediately when they hear something. This job belongs to investor relations, but public relations has a part in it. The media listen to rumors and speculation as well, and they call to check them out. When this happens, it is up to the PR practitioner to act quickly. The practitioner should have an emergency call procedure that includes the CFO and IR person, as well as CEO. There should be a swift denial that reaches the media, as well as traders. Minutes count, not hours, especially if a company's share price begins to react. Often PR and IR do not work together. During a Bear Market, PR and IR should be coordinating closely, especially if there is the possibility of the company coming under attack.

A corollary of the first rule of sticking with facts is to get the media to stick with the facts. During an economic downturn, editors and producers dramatize. They turn out stories by the yard about the economic pain the Bear market is causing. Every day on TV, there is a new story of a poor family about to lose its home or a trucker parking his semi because of diesel prices or an airline teetering on the edge of shutting down. There are almost no stories pointing out that those losing their homes are a small percentage of total homeowners in the US or that goods continue to move on the roads and people continue to fly. It is up to PR to help the media achieve balance and to avoid simple stories that leave incorrect impressions. This does not mean a practitioner should be Pollyanna. False optimism or deep pessimism are unwarranted in most cases. The Bear market is ugly for airlines, but great for agribusiness, which is straining to restock food supplies. An economic downturn, at least this economic downturn, impacts the country unevenly. While Americans pay more for food, farmers are profiting growing wheat.

On the other hand, when a company's business is harmed, the practitioner should say so. If an auto manufacturer is a month away from Chapter 11 bankruptcy, it makes little sense to project clueless calmness in face of calamity. The practitioner should be willing to state facts and answer questions as they arise. This usually requires a Question and Answer document that is vetted for

what the practitioner can say without getting the company into further trouble. And, it may well be that the CEO becomes the spokesperson rather than the practitioner.

A second corollary of the first rule of facts is to get employees to stick with facts. Some companies have dire situations and should tell employees just that, especially if layoffs are pending. Others don't, and these need to deal with the rumor mill aggressively, especially if the rumor mill is reflected outside of the company. Communications need to be accurate and swift – e-mails, phone call-ins, intranet statements, town halls, whatever it takes to knock down rumors and get facts into the minds of worried workers. The PR practitioner will work closely with the HR department to handle internal communications, but the key is to avoid bureaucracy, committee writing and multi-layers of approvals that bog communications. The PR practitioner should have the direct backing of the CEO in order to cut through delays and second-guessing.

PR practitioners should think of Bear markets as extenuated crises to be handled with a long-term crisis communications plans. They are not business as usual. Or, if they are, the company or industry in which the company operates, such as the airline industry, is in an economic hole. Employees and industry observers should have an understanding of that. On the other hand, even though they know, they might not be willing to go along with company actions. Pilots have struck airlines because their wages and benefits were being cut, even though the airlines were on the edge of, or already in, bankruptcy.

Practitioners also should be ready for communications budgets to be cut. Although a Bear market is a time to communicate more rather than less, there may not be funds to do so. This means practitioners should seek ways to optimize communications effectiveness. What are the least expensive ways to communicate across the spectrum of stakeholder audiences? As a matter of good business, practitioners should know the answer to that question before a Bear Market begins. Media should be ranked by reach, frequency and credibility with target audiences. These are the media that should be the prime vehicles for communications. Lesser media can be closed down for the duration or permanently.

Because there may be long periods between Bear markets, it is easy to forget how difficult they can be. A market similar to the one the US is facing today hasn't happened since the late 1970s when Jimmy Carter was president. Many communications professionals were still in high school or college. Some hadn't been born. They have no recollection of what occurred. The current Bear market is new and uncharted territory not only for them but also for leaders of their companies. Practitioners should expect missteps as executives grapple with the consequences of soaring prices and slowing consumer purchases. They should be prepared for surprises since the impacts of scarce commodities are serendipitous. High fuel costs, for example, swamped mass transportation in

cities that weren't prepared for hundreds of thousands of drivers to leave their cars and start taking the bus, train or trolley. Because fuel costs impact mass transit as well as consumers, transportation directors are faced with soaring expenses and the necessity to cut back just when they should be expanding. There will be many conundrums like this as the economy adjusts to new and more onerous conditions. Companies will go out of business: Companies will come in with new businesses that help consumers and corporations to deal with economic conditions. Practitioners need flexibility and up-to-date resumes. They should realize that sooner or later Bear markets disappear as economies gear up again. The challenge is to survive until the upturn.

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