

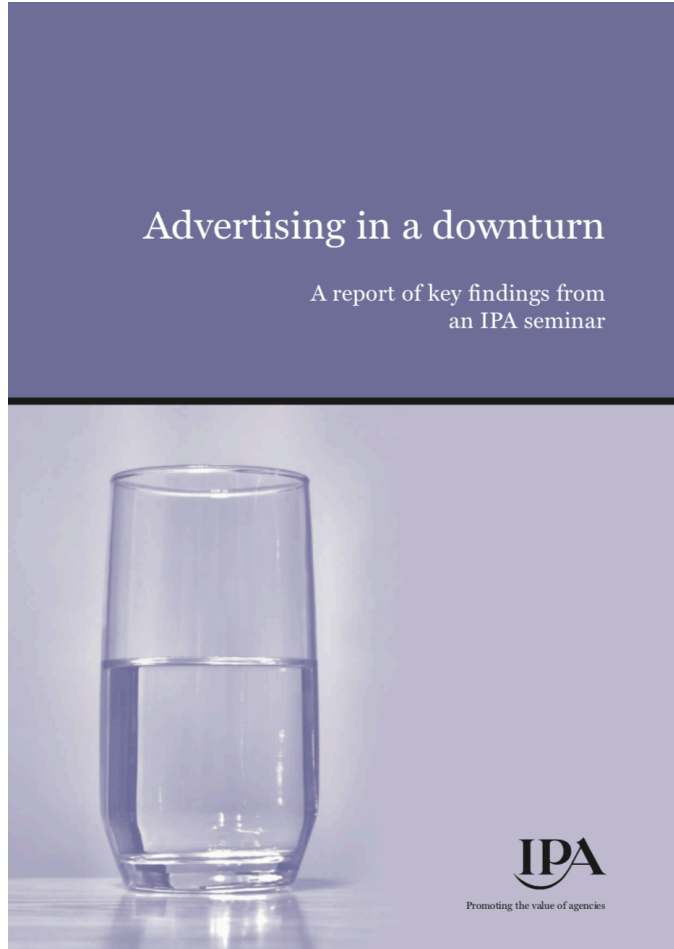


# Advertising in a downturn revisited

– key learnings from 2008 and new findings in the era of COVID-19

<https://business.linkedin.com/marketing-solutions/blog/linkedin-news/2020/advertising-in-recession-long-short-or-dark>

# Previous learning

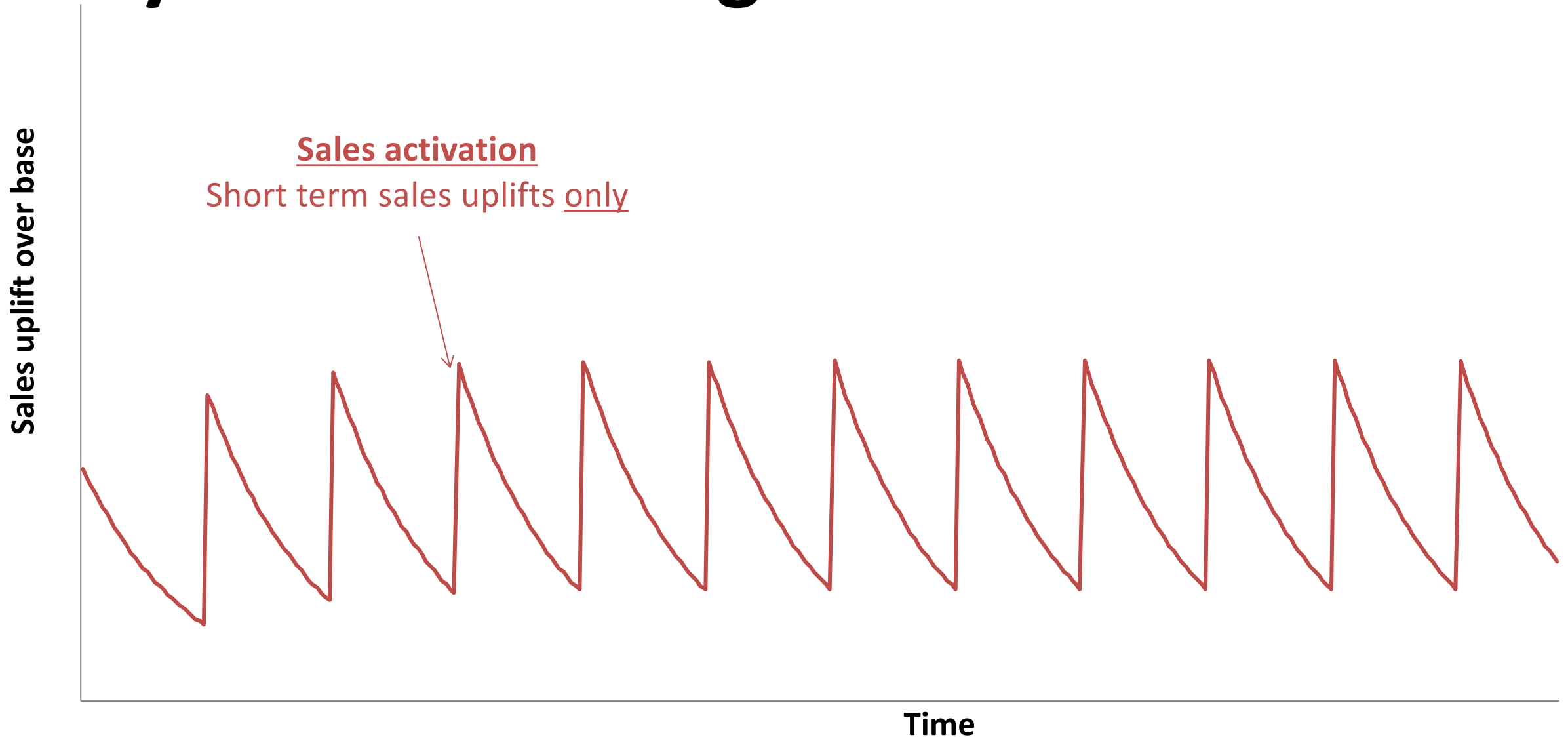


- Expert evidence on the best way for brand owners to manage advertising budgets:
  - Going 'dark' carries high risk of share loss and greater price sensitivity – expect 5-year recovery period and major loss of profit in recovery
  - Short-term promotional strategies lead to dependency and profit loss
  - Innovation is a better short-term strategy
  - Maintained or increased marketing spend brings short-term hit to profitability during recession but much stronger growth to profitability in recovery
  - Be guided by the SOV/SOM rule: maintain positive ESOV (may be possible with reduced spend)

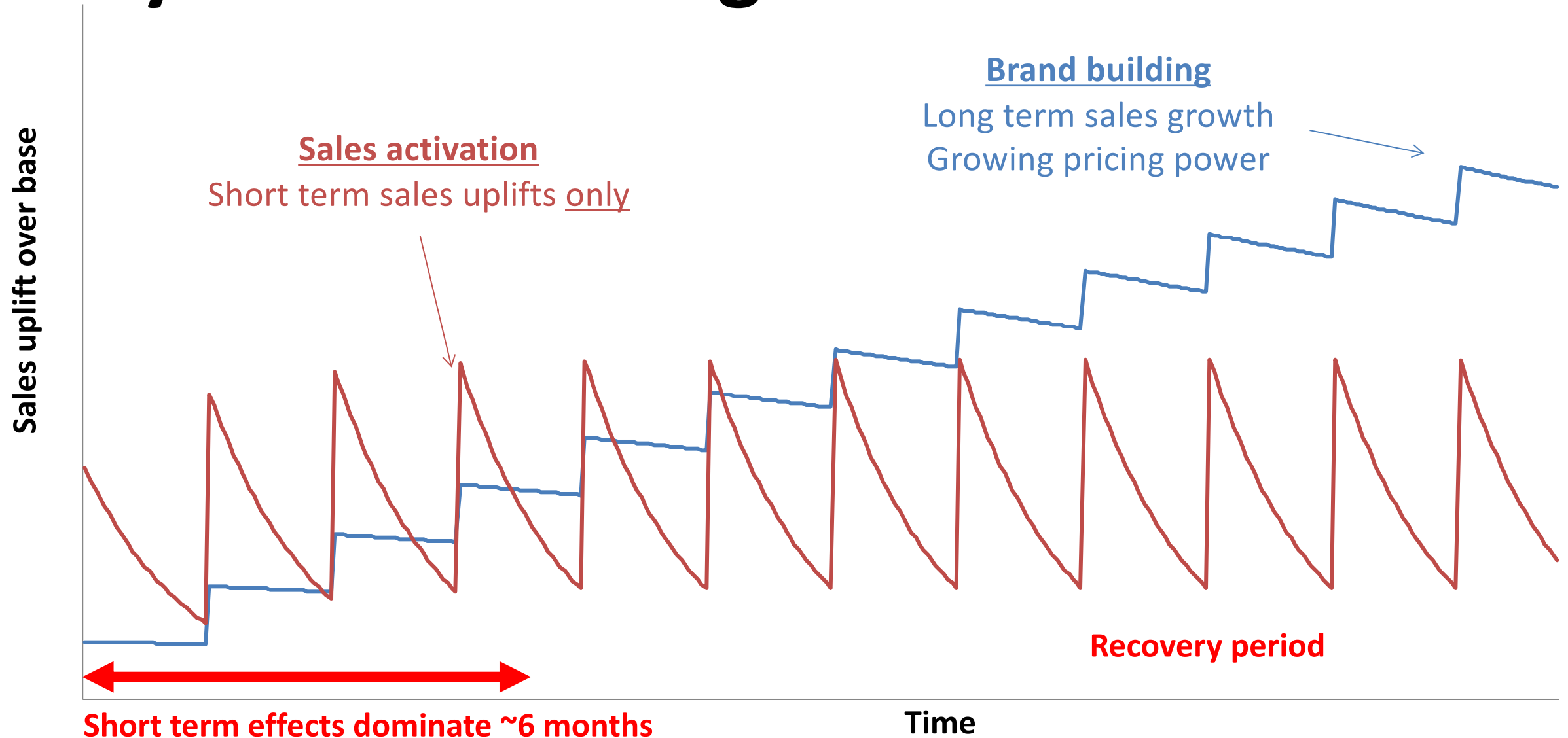
# What happened to adspend in 08/09

- Long-term brand media down 15-20%
- Short-term digital media up 20%
- Start of the Big Data driven shift to short-termism
- Yet many high profile recession successes were driven by 'feelgood' TV brand campaigns:  
T-Mobile, Heinz, Cadbury, Virgin Atlantic, Hovis

# Why brand building matters in recession



# Why brand building matters in recession

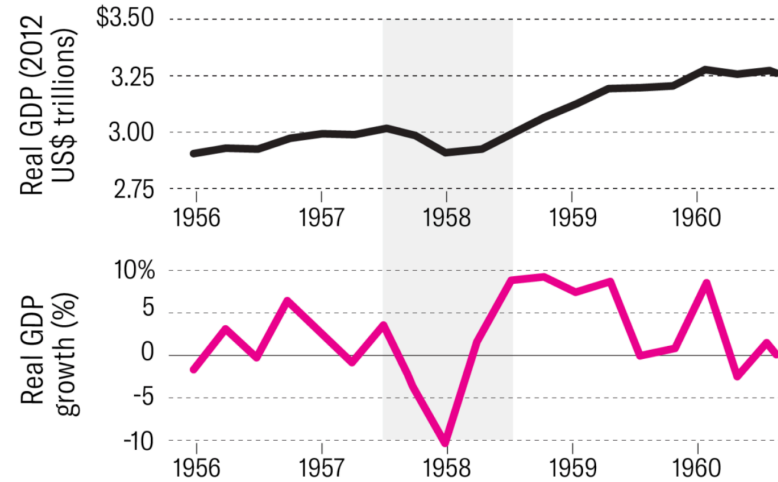


# This is not a 'normal' recession

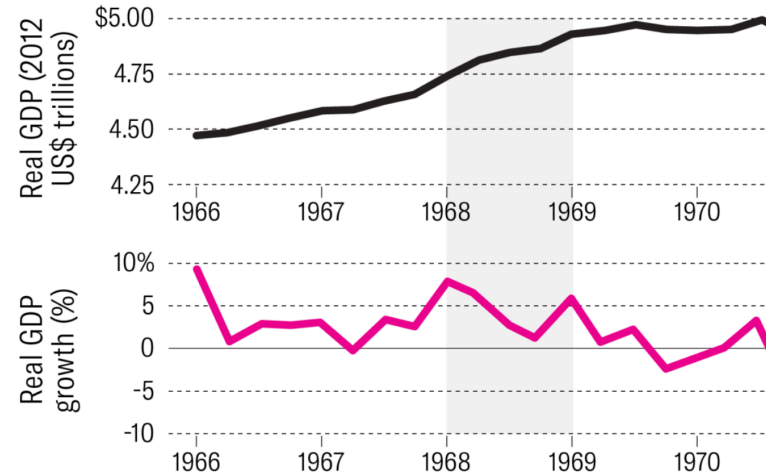
- Highly polarised between essential and non-essential
- Elevated or panic buying vs. market closure
- Serious supply restrictions vs. no supply
- A fortunate minority of scalable businesses serving essential needs to home-bound consumers, for whom this is an exceptional opportunity for growth
- Generally the short-term strategy shift makes very little sense this time

# Pandemic downturns (courtesy of HBR)

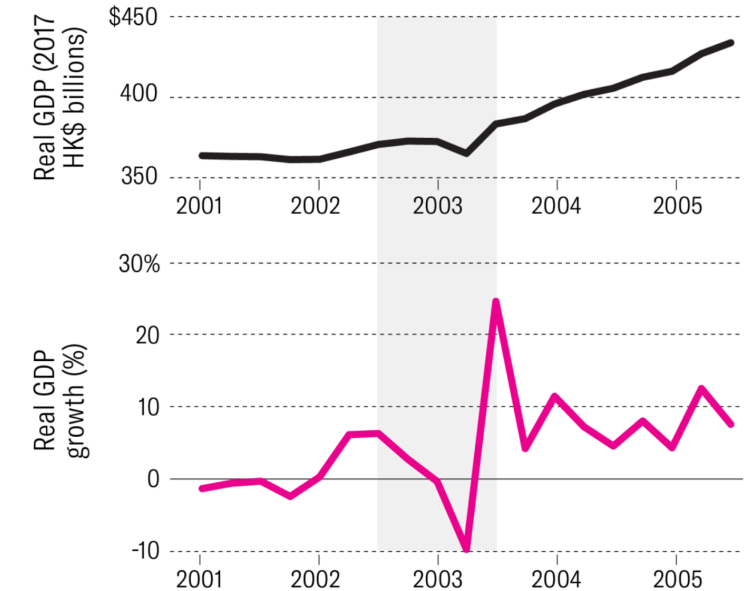
1958 H2N2 (“Asian”) flu — 116,000 U.S. deaths



1968 H3N2 (“Hong Kong”) flu — 100,000 U.S. deaths



2002 SARS — 286 global deaths



Source: <https://hbr.org/amp/2020/03/what-coronavirus-could-mean-for-the-global-economy>

# Lessons from the past reviewed

1. Focus on the long term (if you can)
2. Defend your share of voice
3. Seize you market opportunity
4. Demonstrate humanity and generosity



# 1. Focus on the long term

- Short-term activation makes less sense in this recession than in the last
- IPA data *suggests* that a brand:activation shift to 50:50 *might* have been optimal in 08/09 – but unlikely now except for the ‘fortunate few’
- Typical businesses already spending <50% on brand building
- Focus on brand building unless survival depends on servicing existing customers (assuming this is possible)
- Advertising benefit is for the recovery not the recession
- Don’t overlook brand building by acts of humanity and generosity

## 2. Defend your share of voice

- Strong relationship between SOV and stable market share
- The penalties of allowing SOV to fall below SOM are greater during recession
- As are the benefits of maintaining or raising SOV above SOM
- This may entail no extra spend
- Rebuilding lost SOM in recovery will be expensive and borne by a less profitable brand

# 3. Seize your market opportunity

- The cost of SOV falls during recession
- Plus in this recession we have elevated usage of certain media by home-bound consumers: TV, social, trusted online news channels
- Opportunity for lower-cost growth than during normal times

**“Substantial empirical evidence suggests that increasing advertising during a recession leads to increases in market share and sales. Moreover, that effect seems to last beyond the recession... The only possible explanation is that response to advertising during a recession may be higher than that during stable times.”**

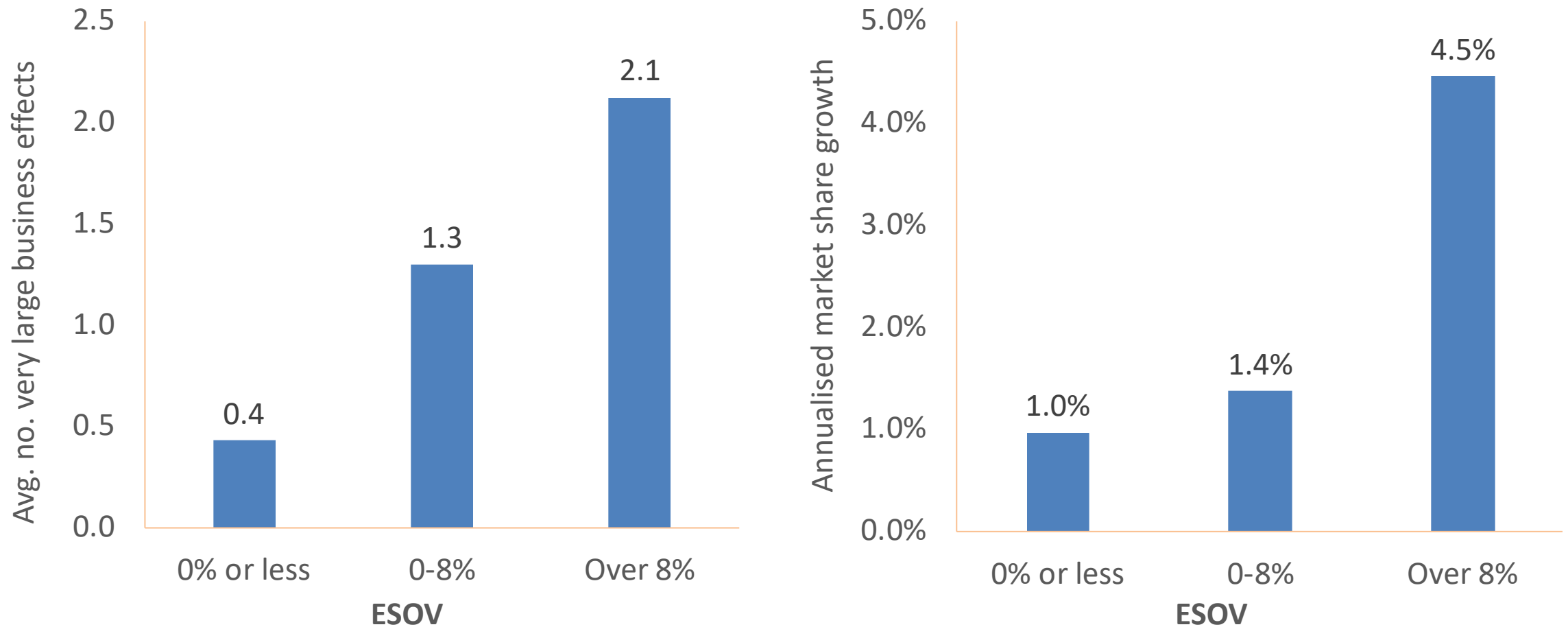
Tellis G & Tellis K - “A Critical Review and Synthesis of Research on Advertising in a Recession” , JoAR April 2009

# Findings from the 2008/9 recession\*

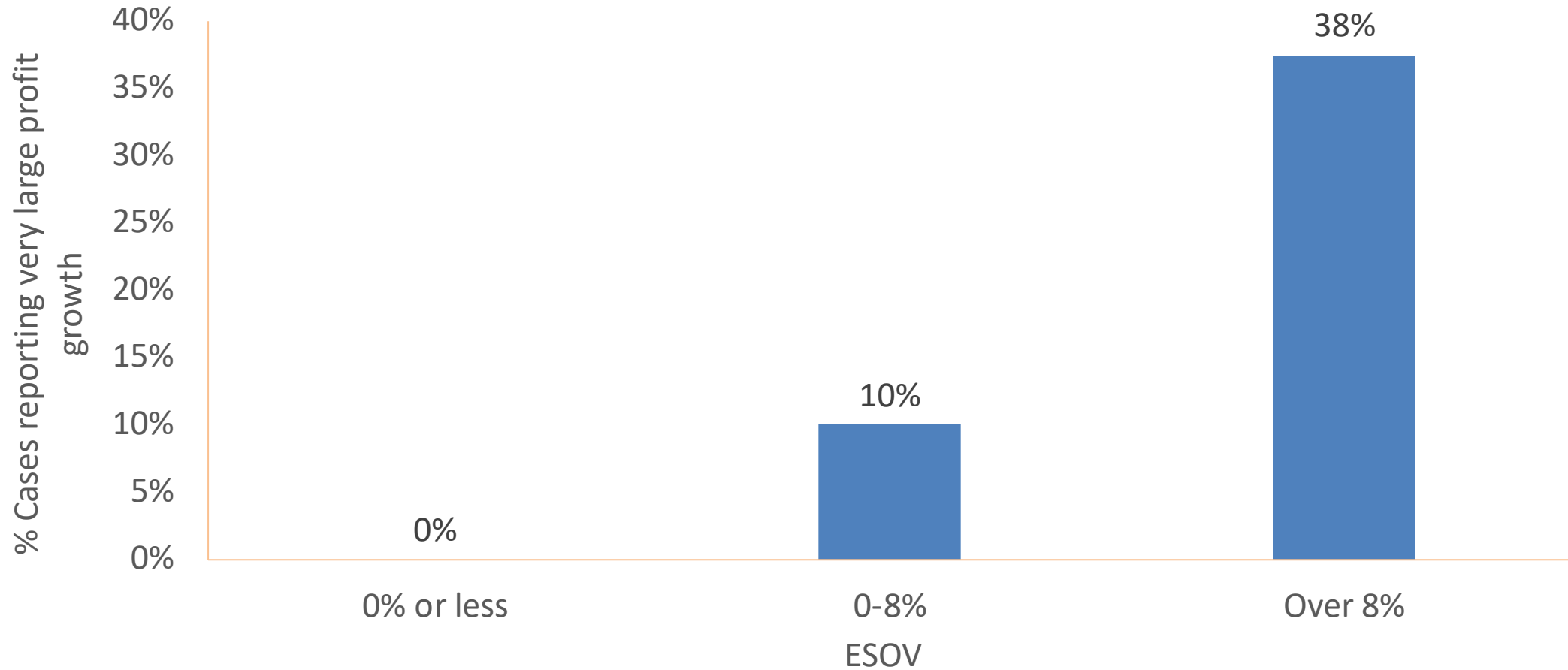
- Circa 50 cases that advertised across the GFC recession
- Compares cases with ESOV  $\leq 0\%$ ,  $0-8\%$ ,  $\geq 8\%$
- Compares performance across the GFC recession with normal times two years either side

\* see: “Advertising in Recession – Long, Short or Dark?”, Field P, LinkedIn April 2020

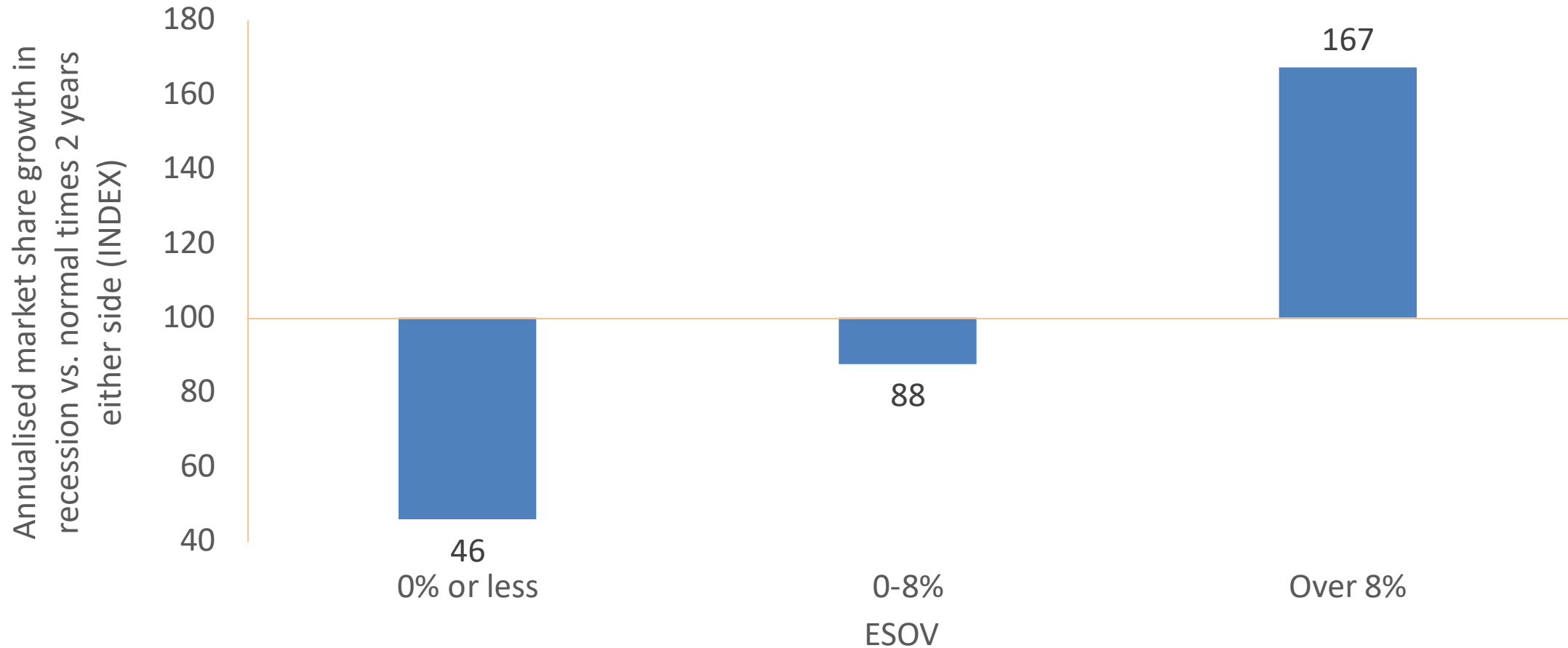
# Investing in SOV drives strong growth during recession



# Investing in SOV during recession drives long-term profit growth

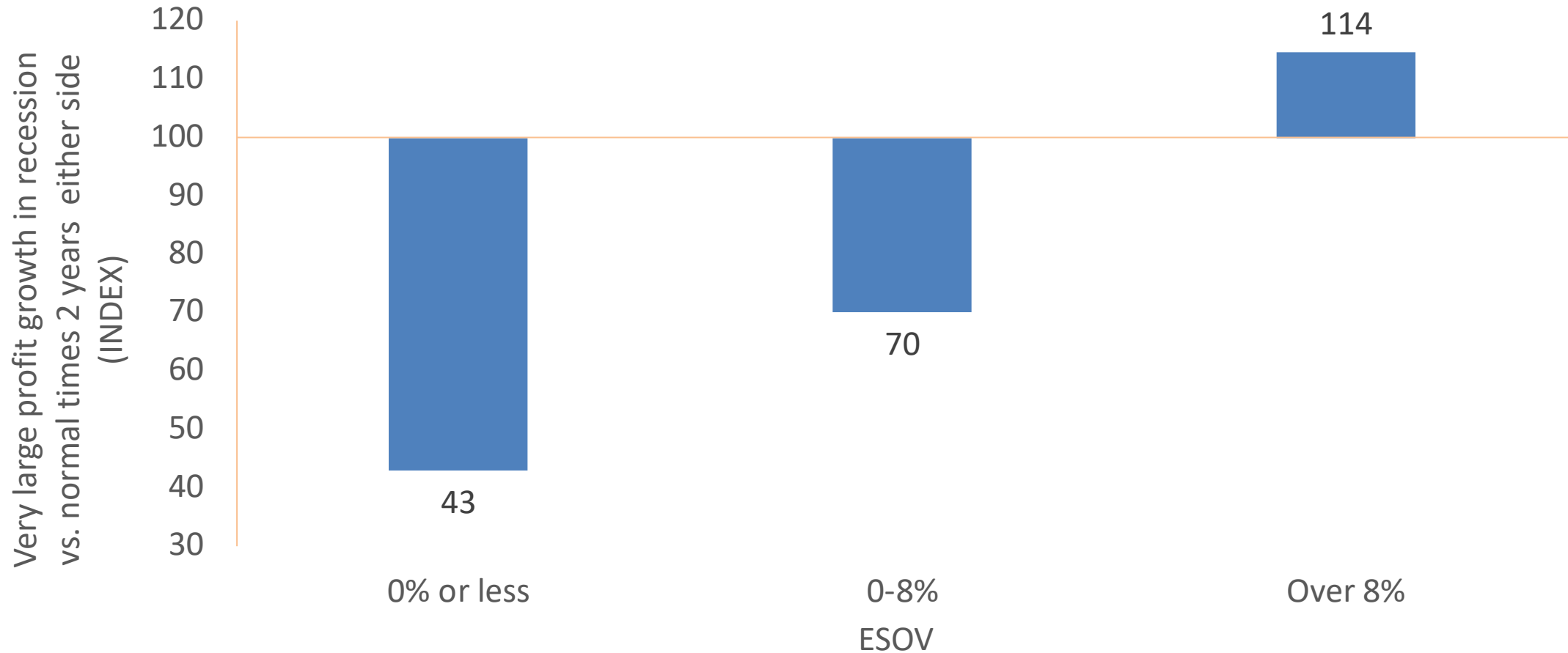


# Market share responds more strongly to SOV during recession vs. normal times





# Long-term profit responds more strongly to SOV during recession vs. normal times



# Findings from the 2008/9 recession\*

- Opportunists saw 5x very large business effects vs. under-investors
- 4.5x annual market share growth
- Opportunists experienced widespread strong profitability growth in recovery vs. none for under-investors
- Benefits of investment grew strongly during recession compared to normal times
- Penalties of under-investment worsened

\* see: “Advertising in Recession – Long, Short or Dark?”, Field P, LinkedIn April 2020

# 4. Demonstrate Humanity and Generosity

- Not just about advertising but also behaviour (especially if you were proclaiming these virtues before the crisis)
- The mood of society is solidarity in adversity - ads that reflect this will strike a chord
- System1 live research showing that ads about humanity and community perform better than those about self, self-image and performance
- No evidence from System1 yet of general need to abandon campaigns that were running before the crisis
- We saw this in 2008/9

“Our research showed that people's deeper human values were coming more to the fore. As the recession bit, people were responding in kind – literally – by turning to friends and family with warmth and good humour where we might have expected angst and despair.”

*T-Mobile – ‘Life's for sharing, even in a recession’, IPA 2010*

# Summary

1. Do not panic
2. Do not go short
3. Defend SOV (unless short-term survival is at stake)
4. Take advantage of cheaper SOV to drive growth in recovery, if you can
5. Don't throw away a good brand campaign
6. Emotions work during recession
7. Behaviours are especially important in this recession: be innovative. Ask yourself "How can we help?"

# Further Reading

“Advertising in Recession – Long, Short or Dark?”

Field P, LinkedIn April 2020

<https://business.linkedin.com/marketing-solutions/blog/linkedin-news/2020/advertising-in-recession-long-short-or-dark>

“What Coronavirus Could Mean for the Global Economy”

Carlsson-Szlezak P, Reeves M, & Swartz P, HBR March 03 2020

“A Critical Review and Synthesis of Research on Advertising in a Recession”

Tellis G & Tellis K, JoAR April 2009

“Advertising through a recession”

Campbell M & Polman C, Ebiquity April 2020

“The best marketers will be upping, not cutting, their budgets”

Ritson M, Marketing Week 6<sup>th</sup> April 2020

“COVID-19: A right-brain reset for advertisers”

Wood O, System1, <https://system1group.com/blog/covid-19-advertisers>