egta.

TV

ONLINE TALKS

22/09/2020

egta

ONLINE TALK WITH MARK RITSON

egta and *The Global TV Group* had the pleasure of welcoming Mark Ritson - a brand consultant and Adjunct Professor of Marketing at Melbourne Business School. He has a PhD in Marketing from Lancaster University and has been a marketing professor at London Business School, MIT Sloan (visiting), and the University of Minnesota.

In his presentation, Mark touched upon several pertinent questions:

In a post-Covid19 world where confinement has acted as an accelerator for existing trends and changes, how can marketers grow their brands and increase their sales, while offering a better user experience and possibly contributing to a better society? Are TV companies - as providers of total video solutions - ideally positioned to accompany them on this route?

Reinventing efficient marketing through a recession

The unpredictable future

The global pandemic has left the industry in a very uncertain time, and predictions are difficult at best. But from a marketing and business point of view, there are a couple of major implications that need to be addressed as the situation will play out over the next couple of years.

While there are many speculations about how this period will change consumer behaviour, Mark encourages marketers to be very sceptical of these predictions. While we have no idea of when the crisis will end, the one clear thing is that we enter a major exogenous recession – not created by economic problems but by the COVID virus.

What tends to happen is that people project what they want to happen in the world onto these predictions. If someone wants more environmental sensitivity, then the new normal will be greener. If they want more equality, the new normal will be more egalitarian. Mark believes however, that the new normal will look a lot like the old normal.

While consumers are behaving differently at the moment - such as watching more TV - they are not doing this because there is some massive change in the psychology and sociology of consumers. They're doing it because they can't travel, go to the cinema or are locked down from 8:00 p.m. That's not changing the way consumers behave. These are constraints put on them.

Companies will find themselves in 3 different places:

- **FREEZE:** firstly, there are several companies that have to freeze through no fault of their own – such as airlines. They have to go into hibernation. The one good thing for these businesses is that they have a chance to do a strategic review and maybe completely rationalise their business while they're in this freeze mode.
- **FLEX:** secondly, there is a group of companies that can trade if they are agile enough to make some tweaks and changes to their business model. Restaurants, but also TV companies are in this category, as they've not been out of business, but have had to adapt what they do because their clients have been changing.
- **FIX:** finally, there is a third group of companies that are getting bigger and stronger as a result of the crisis – because COVID has played into their hands. Notable examples: most supermarkets around the

world are significantly up this year on last and most consumer goods companies are enjoying record quarters as well.

Times of Recession

We will certainly enter global and national recessions. The good news is that we have the gift of history when it comes to overcoming recessions – we've studied them for 100 years and there is a very clear playbook. To understand the playbook, one first needs to understand the concept of *Excess Share of Voice* (ESOV).

Since the mid-80s, we've been aware of a parallel between the *share of voice* - meaning the share of total communication that a particular brand does - and its *share of market* (the share of customers or sales it gets). And that relationship is almost perfect. A 10% *share of voice* usually ends up in a *10% share of market.*

If a brand becomes ambitious and starts to invest - doubling its spend on advertising and communications and the rest of the category does not, it increases its *share of voice*. A *share of voice* of 20 percent minus a *share of market* of 10 in this case provides an excess of plus 10 percent. This also holds in reverse, should the brand decrease its investments.

Why is that interesting? Because if that excess is maintained, research tells us that eventually the equilibrium will be restored and that brand will - all other things being equal - ultimately enjoy about a 20 percent market share. This does however not happen overnight - around one percent market share for each year of 10 percent ESOV is the average.

Why is this so important in a recession? It means that by maintaining ad spend or share of voice, advertisers are likely to see that significant impact eventually on market share. This is the key to understanding the whole playbook for recessionary advertising thinking.

Suppose some advertisers maintain their budget and those around them in their market either go out of business or decrease their ad spend because they want to save money. In that case, these advertisers will gain excess share of voice, not really because of the recession, but because competitors pull back.

In a recession, people tend to watch more TV than usual. During this COVID crisis, this has been the case with a 20% increase of linear TV viewing - and TV companies didn't charge more for that 20 percent. In most cases, because all their competitors were spending less, advertisers got significant inventory back.

The Harvard Business Review studied the 1920 to 1922 recession – looking at firms that either increased advertising or didn't do any advertising. It concluded that in the following years of 1923-24, when the recession ended and growth began, companies that maintained or increased their ad spend in the downturn were in a much better position than the companies that had decreased ad spend during the recession. Even if those companies then matched investments post-recession, they could not catch up.

The same pattern could be seen during the Jimmy Carter recession in 1974-75. The companies that did not cut their ad spend had a spectacularly successful early-stage post-recession boom in 1976-77. The same was true for the 1980-81 recession in the UK, or the 1990-91 recession in the US.

During the global financial crisis of 2007-08, Peter Field studied the effect of ESOV and found that if an advertiser can achieve 0-8 percent ESOV, they are going to enjoy a 1.4 percent increase per year in market share. That's double what it normally is in non-recessionary times. If they can achieve over 8 percent ESOV, advertisers will enjoy a 4.5 percent increase per year in market share.

Jon Moeler, CFO of P&G, recently stated:

"There is a big upside here in terms of reminding consumers of the benefits they have experienced on our brands and how they have served them and their family's needs. That is why this is not the time to come off air with more media consumption now than ever. This all ties back to doubling down and moving forward, not backward. This is not a time to retrench, and that is a service to our consumers, our retail partners and to broader society".

Where to invest

So where should advertisers invest? They should be spending their money in many different places, but should always have TV in their consideration set.

When looking at the source of video in a typical average consumer's day - in the case of the UK and most countries - around half of it does come from live TV. Then 13 percent of it is coming from playback TV, which does also feature advertising.

For millennials, although the live consumption of TV more than halved, if you add the time-shifted and BVOD consumption, TV figures remain impressive. The main sources of video for the 16-34-year-old group are TV (live & time-shifted) and YouTube.

We see an altogether different picture when looking at advertising video, because so much of the video advertising that is presented to consumers outside of linear TV is one of three things. It is not actually watched at all as it's not viewable, or if it's watched, it's quickly discarded - or it doesn't exist because of SVOD. There is no advertising present, which means that increasingly the source of video advertising is live TV. In the UK, on average, consumers get 18 minutes of video advertising a day of which 83 percent comes from live TV.

Not all video is created equal – when looking at impression reach, meaning how many people are advertisers actually reaching where they're advertising, we see that YouTube does a serviceable job. Nonetheless, Mark sees YouTube as a genuine supplement to live TV. A place where advertising can work alongside and maybe supplement the gap that exists for younger demos.

He recommends that advertisers consider all media and be *media neutral,* acknowledging that TV remains incredibly powerful in terms of its role in producing video advertising and as a catalyst for other tools. If advertisers can afford it, it remains a remarkable medium.

SUMMARY

- COVID19 has impacted all of us in different ways and it is important to consider that it is impacting brands very differently.
- The rules of recession have not changed. Advertisers can build a strategy on what they know is coming.
- The concept of excess share of voice (ESOV) is important - especially during recessions because it creates an enormous opportunity even in these tough times.
- TV continues to offer an astonishing impact in terms of long-term brand building for two reasons:

- As a stand along medium that just promotes brand building in some of the most positive and powerful ways possible.
- As a campaign catalyst to drive other tools and to create those synergies to make other tools work better, proving itself again and again.

If you have questions or needs please feel free to reach out to egta

annelaure.dreyfus@egta.com or alain.beerens@egta.com