

adam&eveDDB°

Marketing in the post-covid economy

A planning framework for turbulent times

Les Binet, Group Head of Effectiveness

The World Turned Upside Down

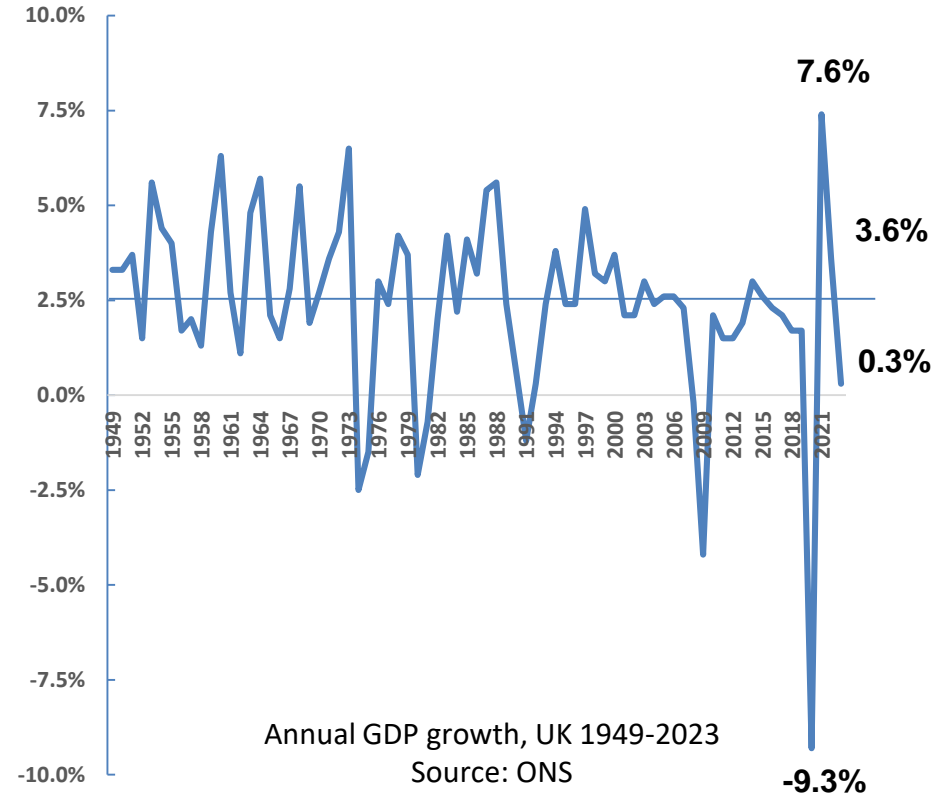
- Covid: 15-25 million dead worldwide
- Biggest global quarantine ever; huge supply chain disruptions (ongoing)
- Work, travel, consumption disrupted; digital shift accelerated >5 years
- Biggest wave of redundancies since Global Financial Crisis
- Biggest contraction of UK economy for over 600 years
- Lowest interest rate for >300 years; biggest real increase in Govt. spending since WWII; fastest recovery for >200 years
- Fastest vaccine rollout ever (>20 million saved), but ongoing health crisis
- Biggest increase in savings since 1960s, but increase in inequality
- Record levels of hiring, but contraction of labour force
- First European war for >30 years; biggest energy shock since 1970s
- Biggest jumps in inflation for >40 years & interest rates for >30 years

The current crisis

Demand > Supply = Inflation

	Current inflation
Turkey	80%
Argentina	79%
Pakistan	27%
Czech republic	17%
Poland	16%
Egypt	15%
Chile	14%
Russia	14%
Netherlands	12%
Spain	11%
Colombia	11%
Greece	11%
Belgium	10%
Britain	10%
Sweden	10%

Recession?

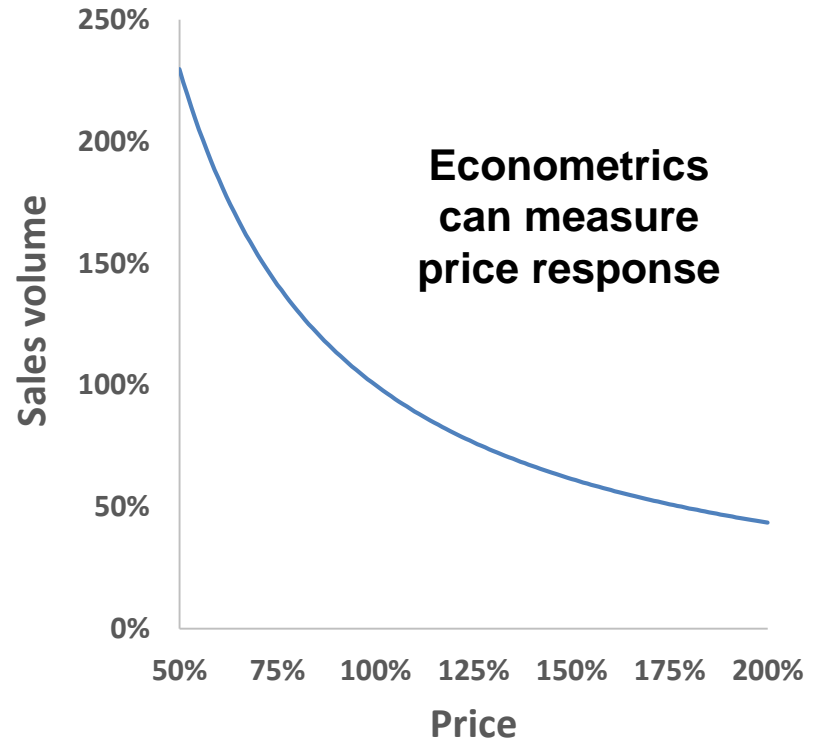


Optimise your prices

Demand, supply, prices & costs

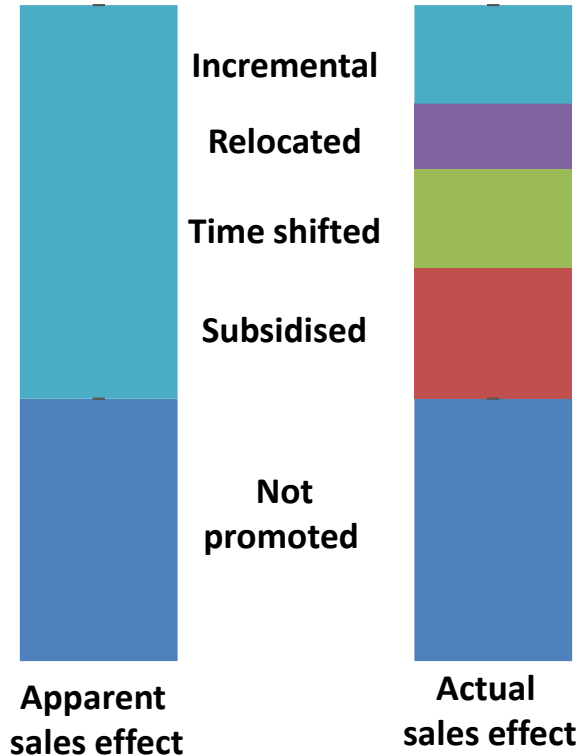
	Demand falling Prices falling	Demand rising Prices rising
Supply tight Costs rising	Downsize: Face-to-face services during Covid	Increase prices: Semi-conductors during Covid
Supply loose Costs falling	Cut prices: Semi-conductors post Covid	Go for growth: Digital services during Covid

Price elasticity



Scrutinise your promotions

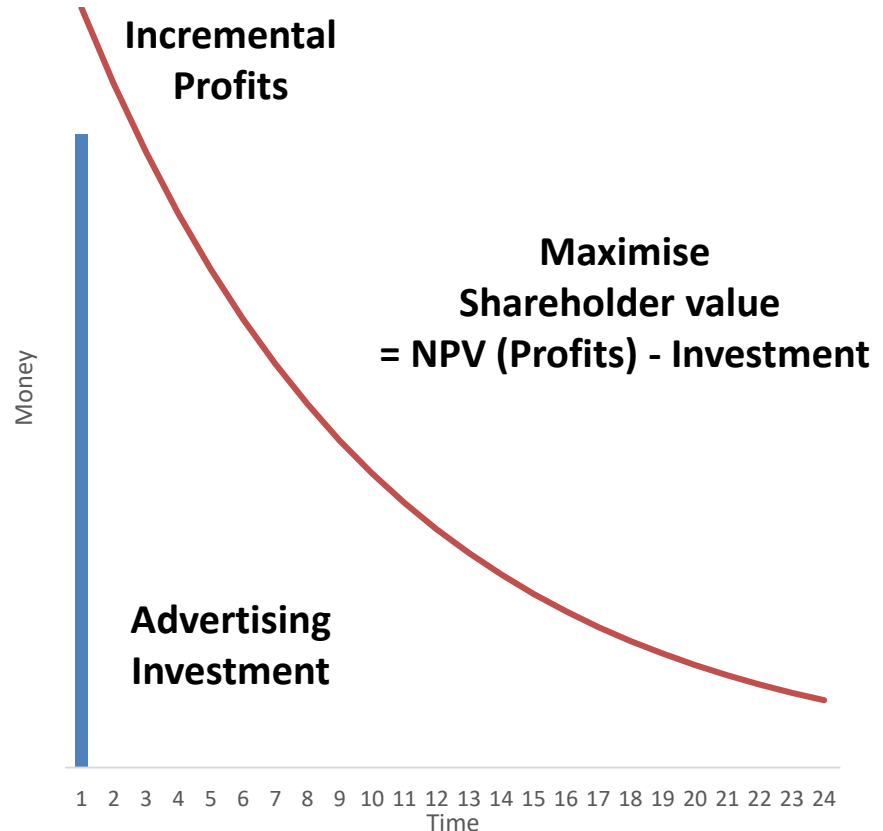
What econometrics reveals



- Most volume is not incremental.
- Most promos reduce profits.
- Repeated promos increase price sensitivity, reduce pricing power & erode margins.
- Excessive discounting makes little sense when prices are rising or supply is tight.
- Case study: Brand A faced supply problems. Turning promos off increased profits by 20% immediately and increased ROI from other marketing.

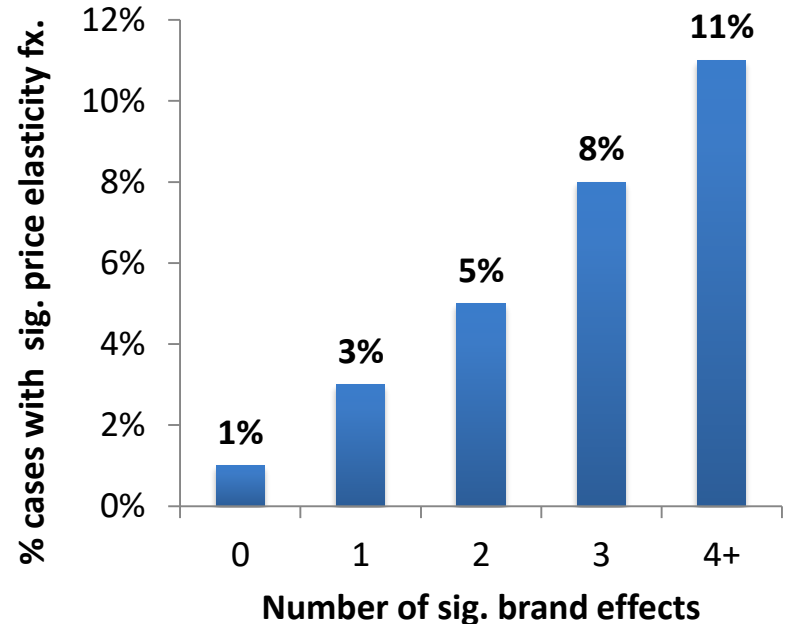
Optimise your advertising investment

- Advertising is an investment, not a cost.
- Advertising should be treated exactly like other financial investments.
- Short & long term investments should be dialled up & down, depending on five factors:
 - Profit margins
 - Growth prospects
 - Investment costs
 - Cost of capital
 - Investment efficiency



1) Profit margins: use the power of brand

- The higher your margins, the more profitable all your investments become.
- Optimising price is always crucial for protecting profit margins.
- Excessive promotion increases price sensitivity and erodes margins. Damaging in inflationary times.
- Brand advertising reduces price sensitivity, increases pricing power & protects margins. Important in inflationary times.



Source: IPA Databank (v. large effects)

Kantar/Oxford 2022: emotional brand perceptions key to pricing power, financial performance & resilience

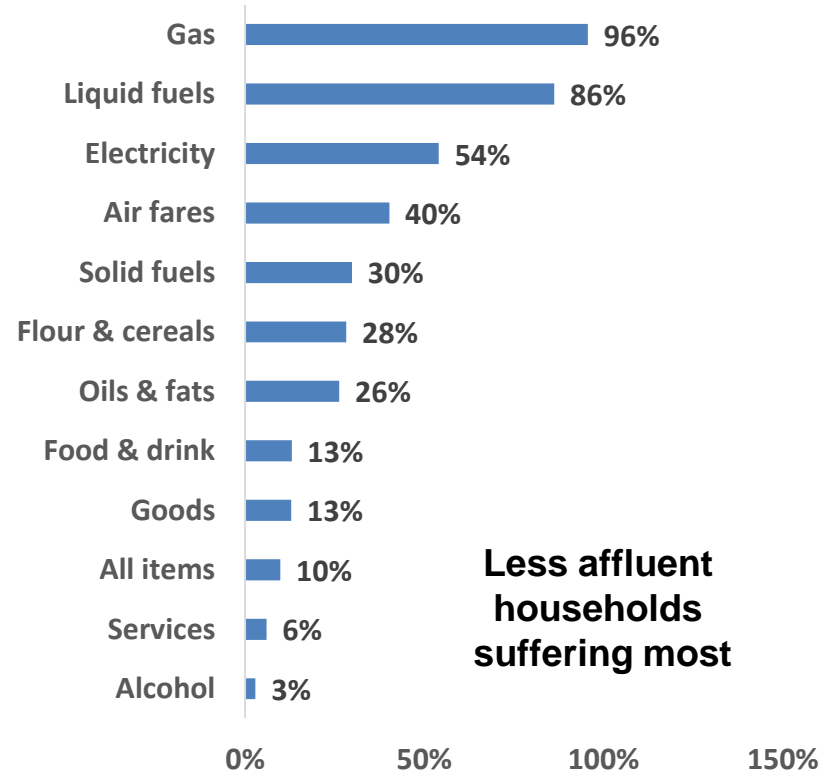
2) Growth prospects: understand your sector

Consumption

<p><u>Temporary cuts</u></p> <ul style="list-style-type: none">Cars, motorbikes, petrolRestaurants, cafes & hotelsClothes, shoes, jewellery, watchesGamblingMedical & veterinary servicesFinancial servicesBooks	<p><u>Lasting increases</u></p> <ul style="list-style-type: none">Food & drink at homeBuying, renting & improving homes & gardensPets, flowers, dress-makingPharma & medical appliancesBicyclesEducationTechnologyOnline shopping & mail orderLocal shops & supermarkets
<p><u>Lasting cuts</u></p> <ul style="list-style-type: none">Travel, esp., commuting, business, internationalCultural servicesPaper newspapersMobile phonesNarcotics & ProstitutionDomestic & household servicesCleaning, repairing & hiring clothes & shoesDentistry & medical treatmentDept. stores, bookshops, tech. stores, clothes & shoe shops	<p><u>Temporary increases</u></p> <ul style="list-style-type: none">FishMusical instruments <p>Use search as a leading indicator</p>

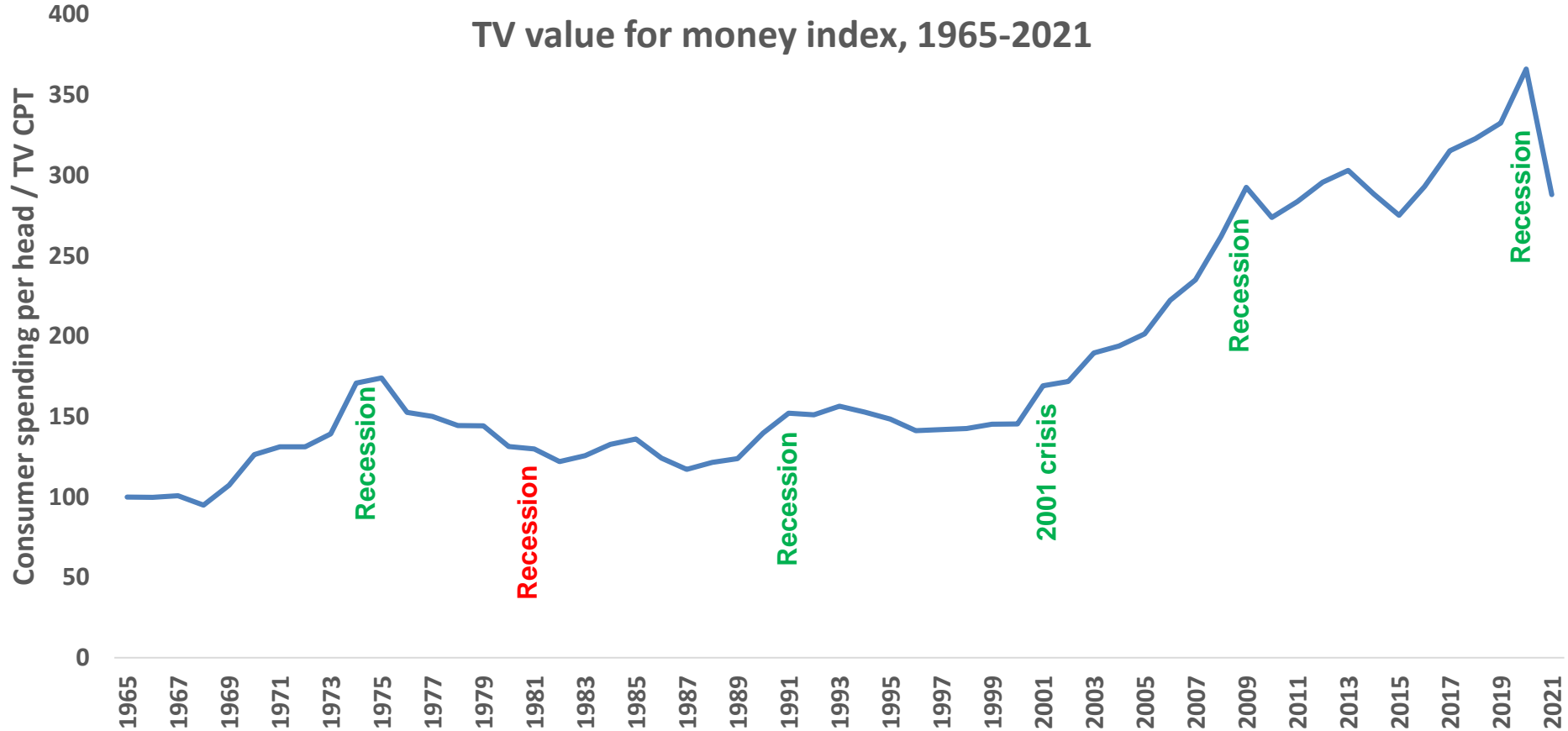
Real consumer spending, 2019-2021, Source: ONS

Inflation



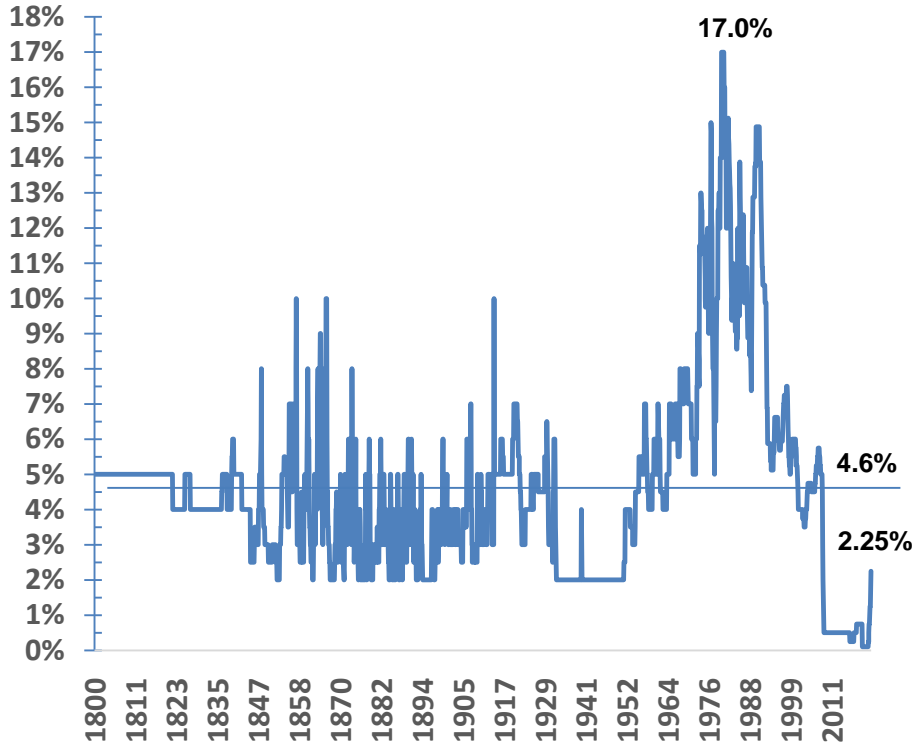
Annual CPI inflation Aug 2022, Source: ONS

3) Investment costs: exploit cheap media



4) Cost of capital: reduce risk

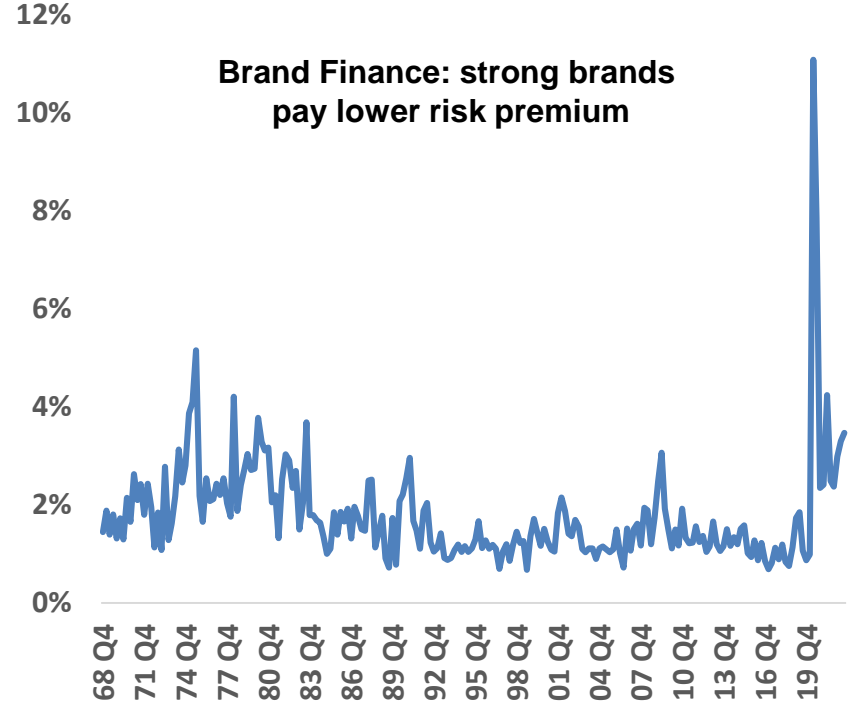
Interest rates



Bank Rate / Base Rate

Source: Bank of England

Risk: volatility & uncertainty

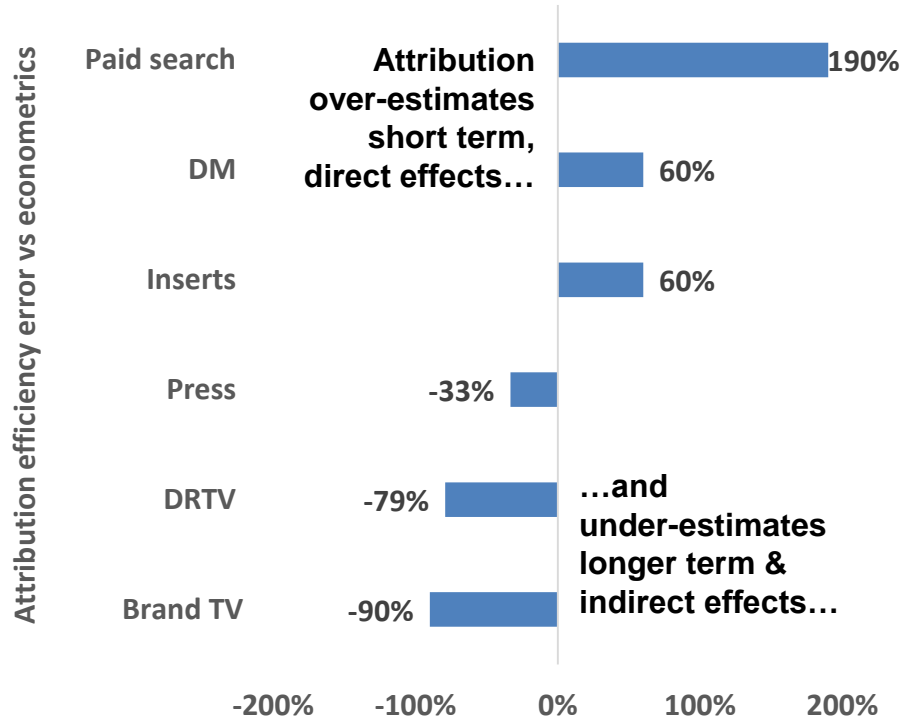


Dispersion in professional GDP forecasts

Source: Philadelphia Fed

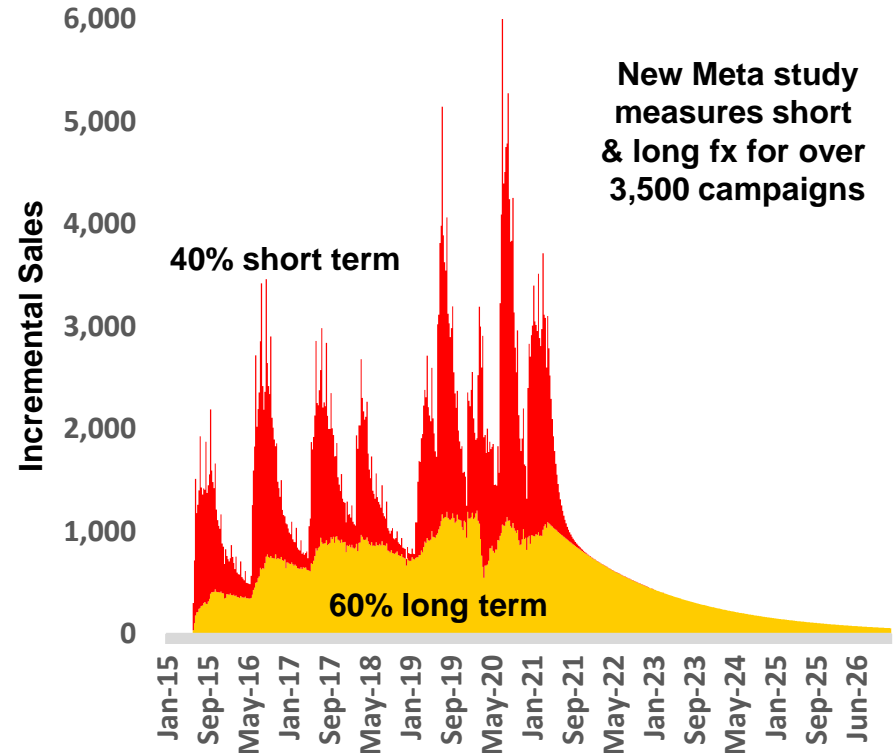
Reduce risk with research

Measure true financial payback...



Sources: D2D, adam&eveDDB

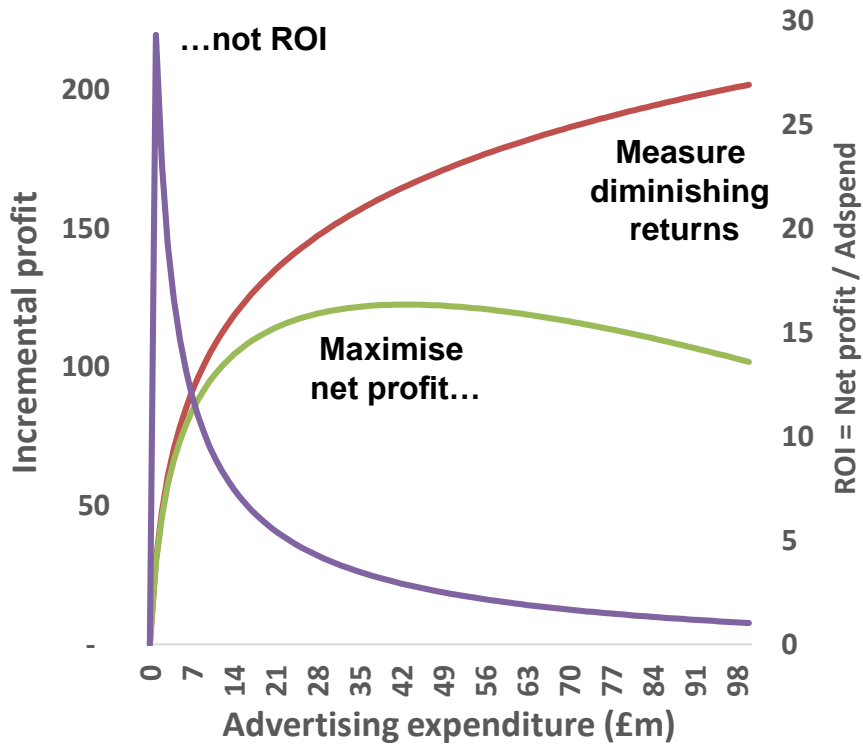
...over short and long term



Sources: D2D, Meta

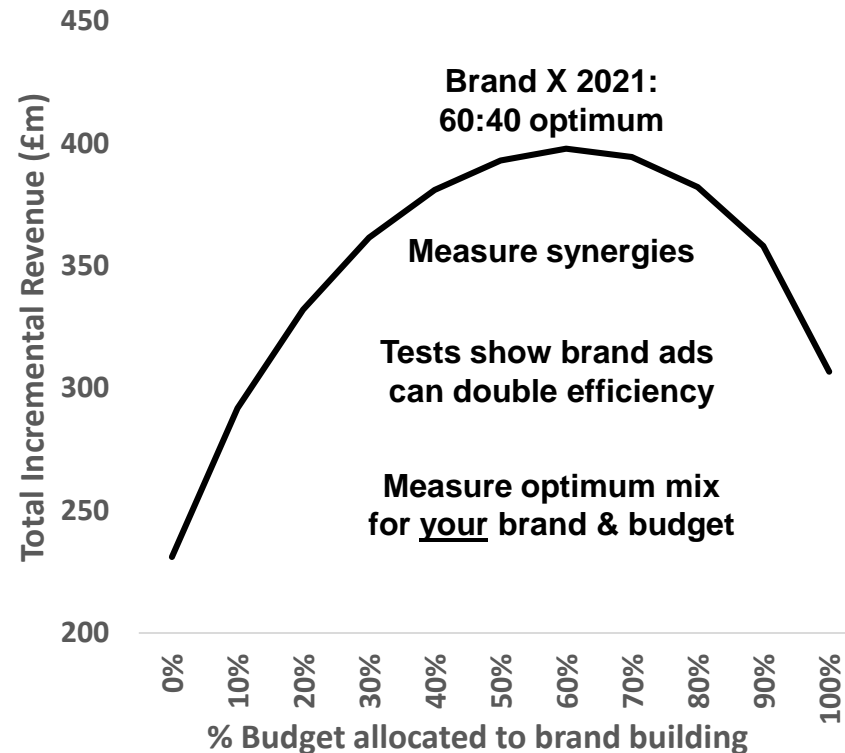
Don't slash budgets, optimise them

Optimise budgets



Don't cut too deep:
Maintain/increase SOV

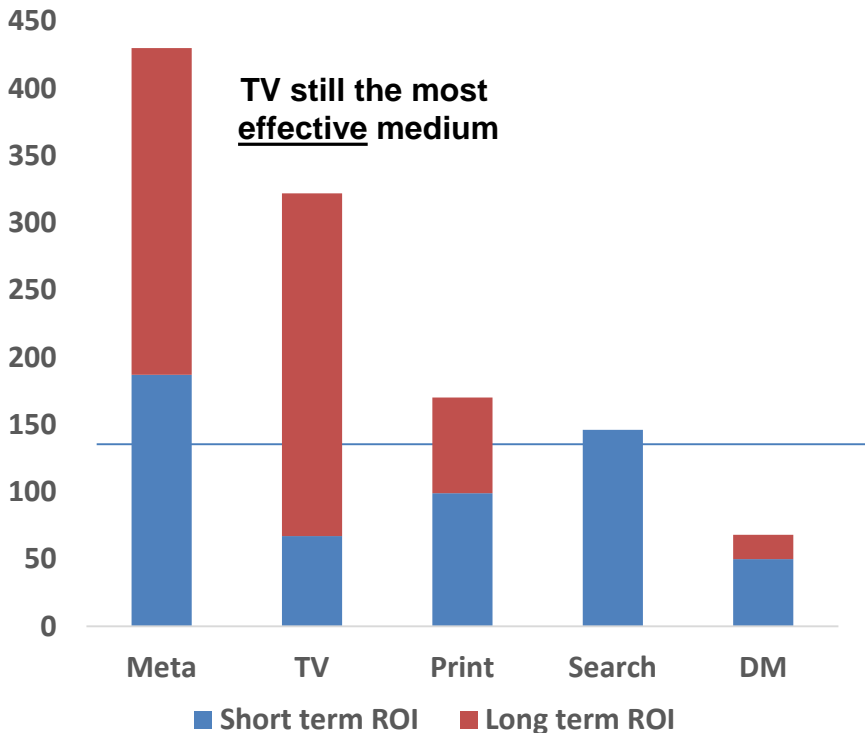
Optimise the mix



Don't go too short term:
Use brand to maintain price

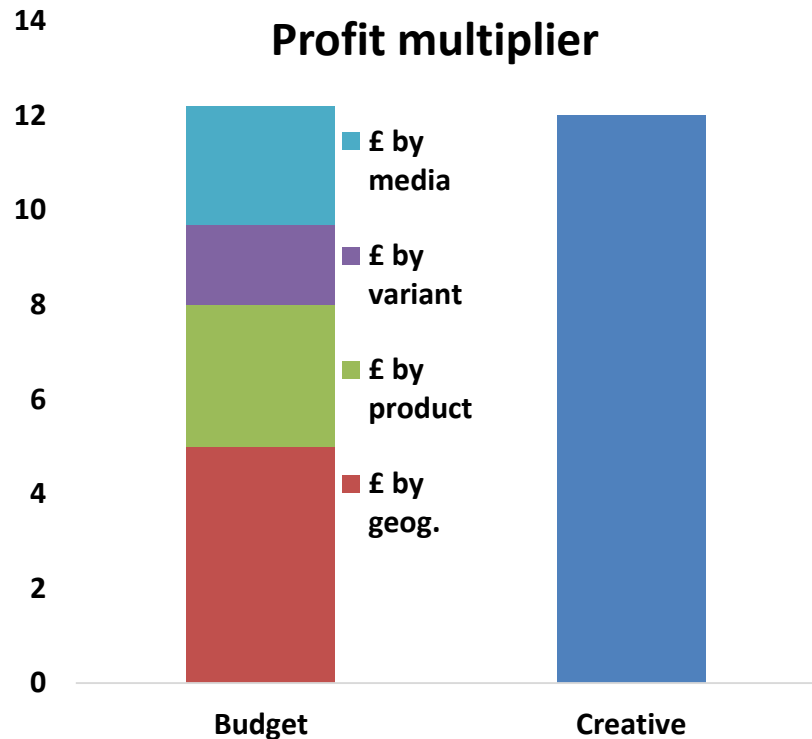
5) Efficiency: media vs creative

Measure true media efficiency



Source: Meta Marketing Science 2022

Harness the power of creativity



Source: Data2Decisions

Lessons

- Reduce risk through research
 - Use econometrics & tests, not attribution
- Understand growth prospects & price pressures in your sector
- First optimise your prices & promotions
 - Use brand advertising to support prices & margins
- Then optimise your advertising budgets
 - Don't slash budgets, tweak them (by geography, portfolio, channels, media)
 - Maximise net profit, not ROI
 - Exploit media bargains
 - Maintain/increase share of voice if possible
 - Don't go too short term
- Use the irrational power of creativity to make your budgets go much further

Thank you

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