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EIF WORKS

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

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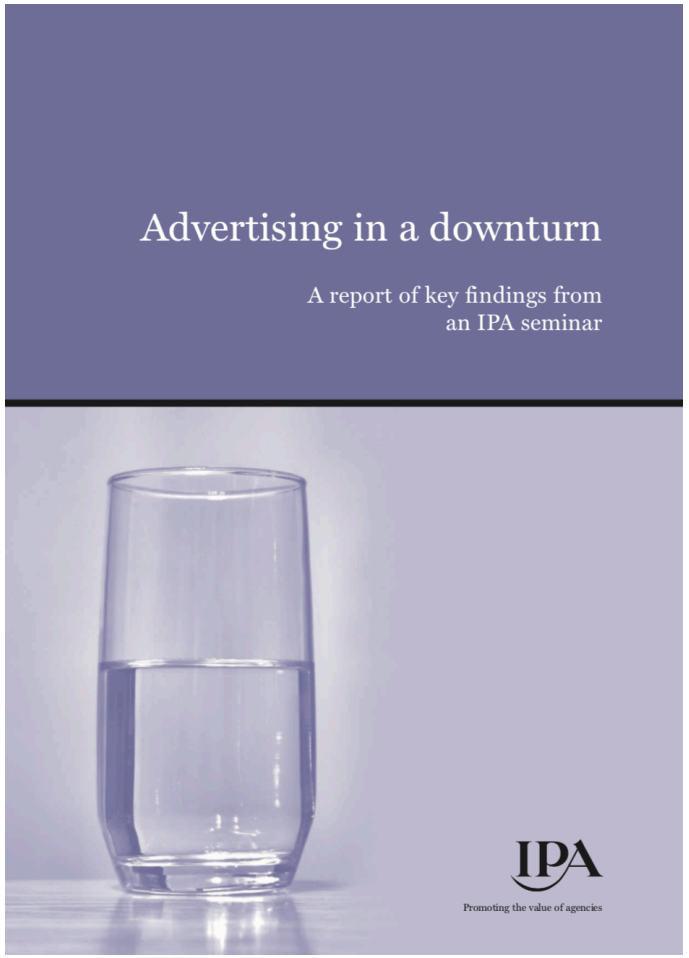
Previous learning



- 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)

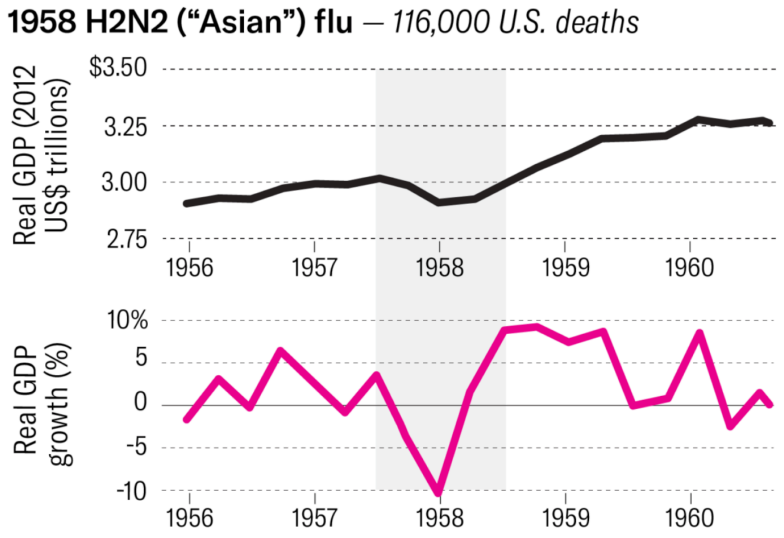
What happened to adspend in 08/09

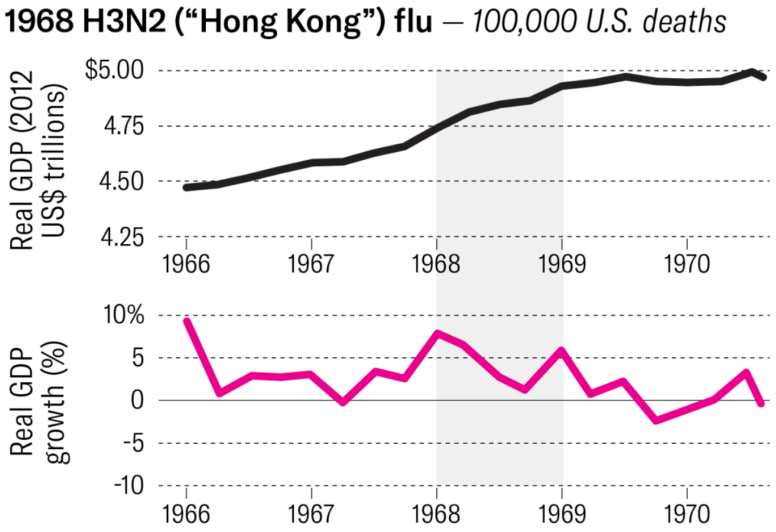
- Long-term brand media down 15-20%
- Short-term digital media up 20%
- Start of the Big Data driven shift to short-termism
- Yet many high profile recession successes were driven by ‘feelgood’ brand campaigns:
  T-Mobile, Heinz, Cadbury, Virgin Atlantic, Hovis

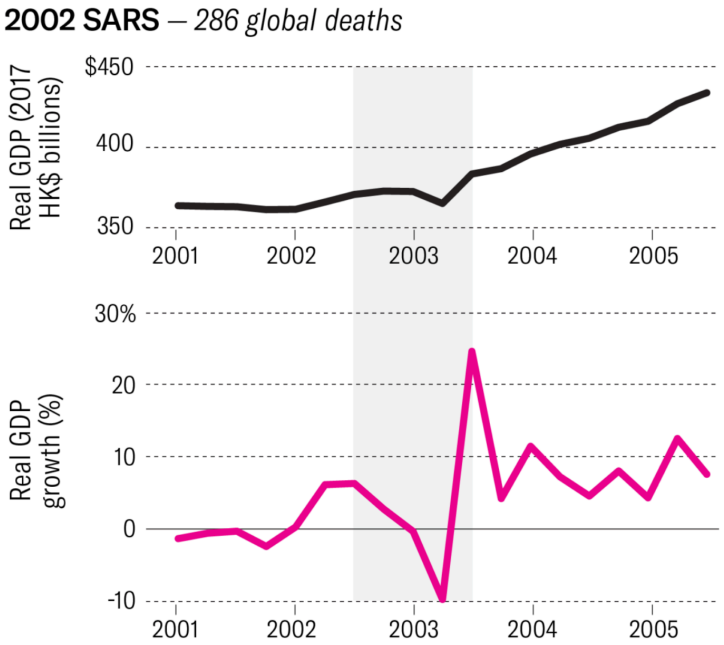
This is not a ‘normal’ recession

- 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)







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

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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.”

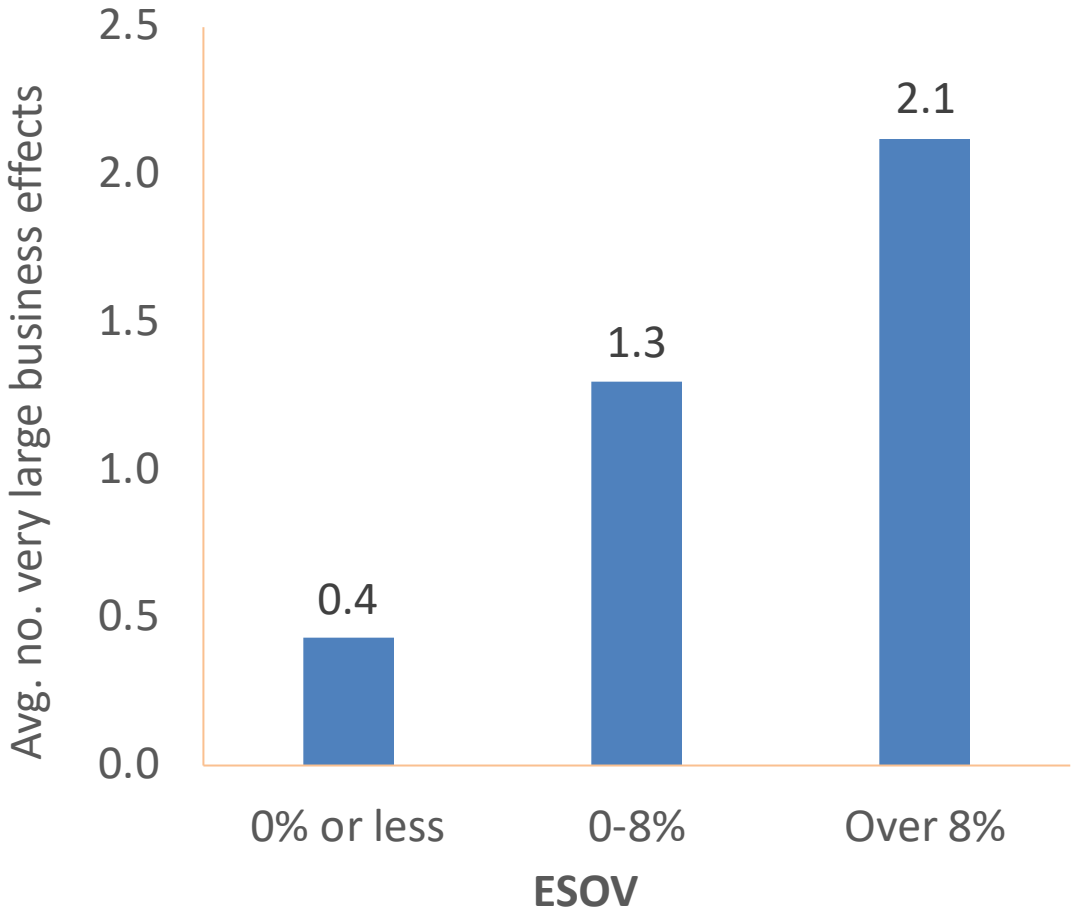
Tellis G & Tellis K - “A Critical Review and Synthesis of Research on Advertising in a Recession” , JoAR April 2009

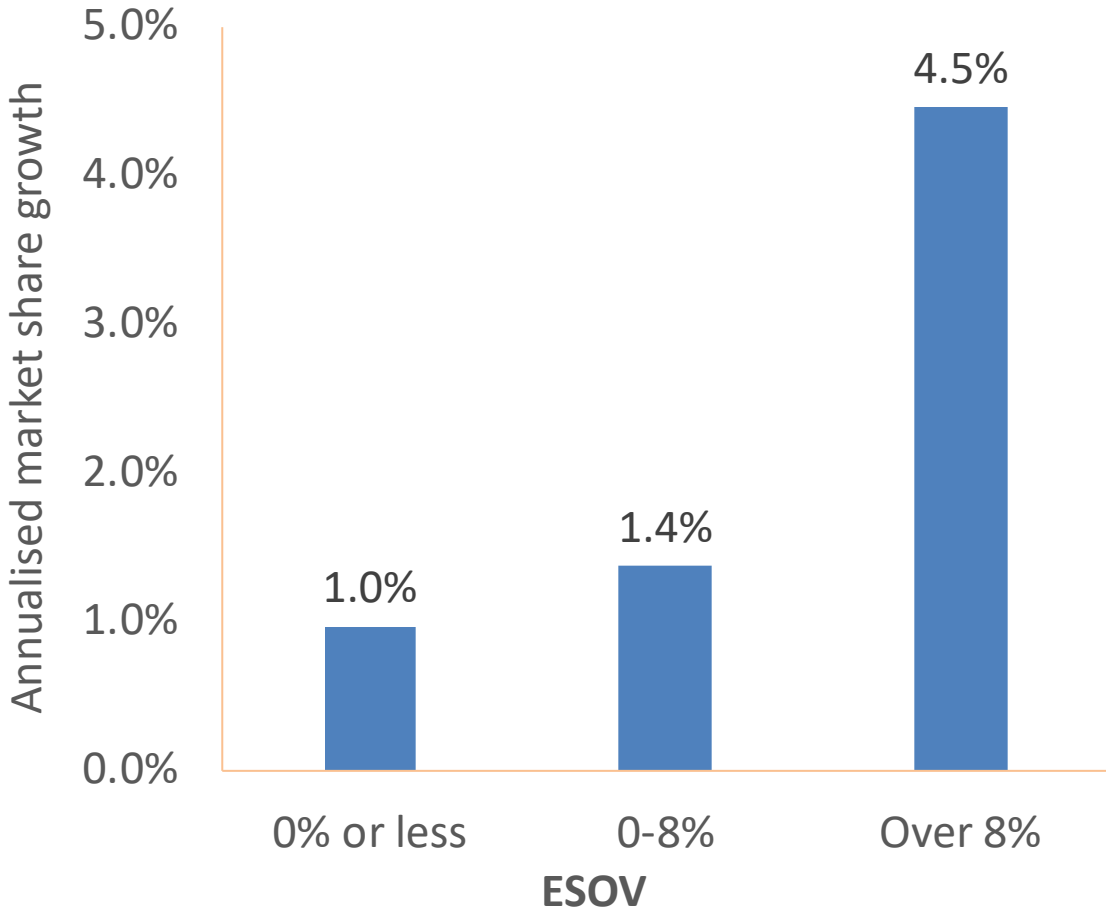
Findings from the 2008/9 recession*

- Circa 50 cases that advertised across the GFC recession
- Compares cases with ESOV ≤0%, 0-8%, ≥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

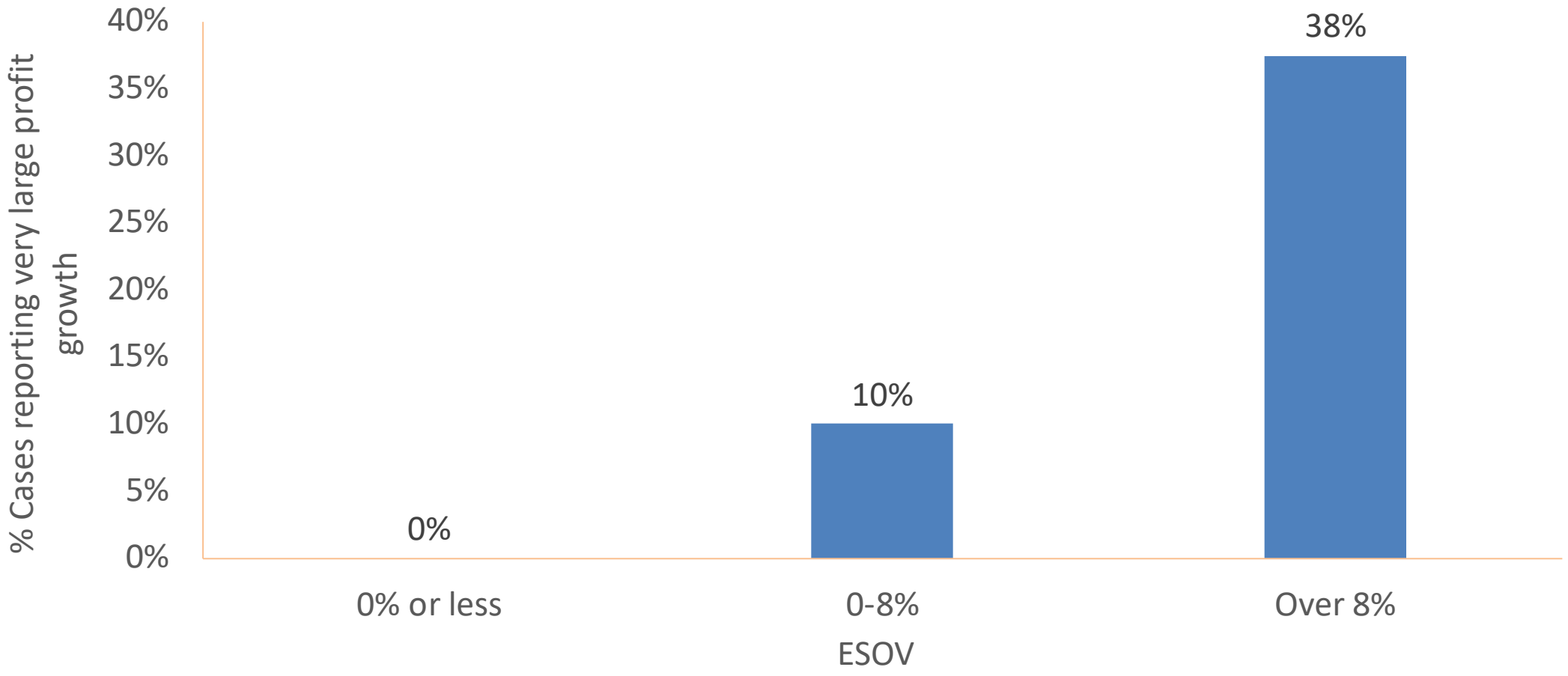
Investing in SOV drives strong growth during recession





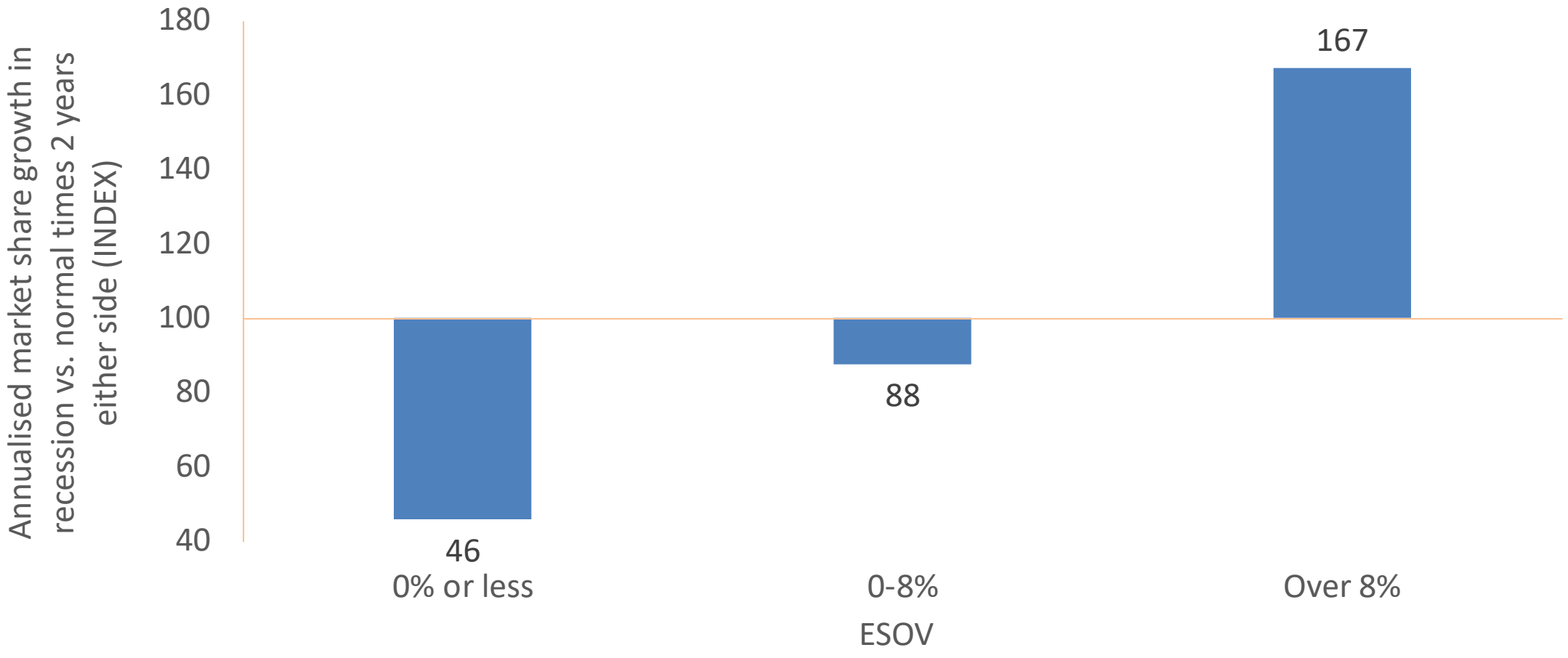
Base: IPA cases covering 2008 recession

Investing in SOV during recession drives long-term profit growth



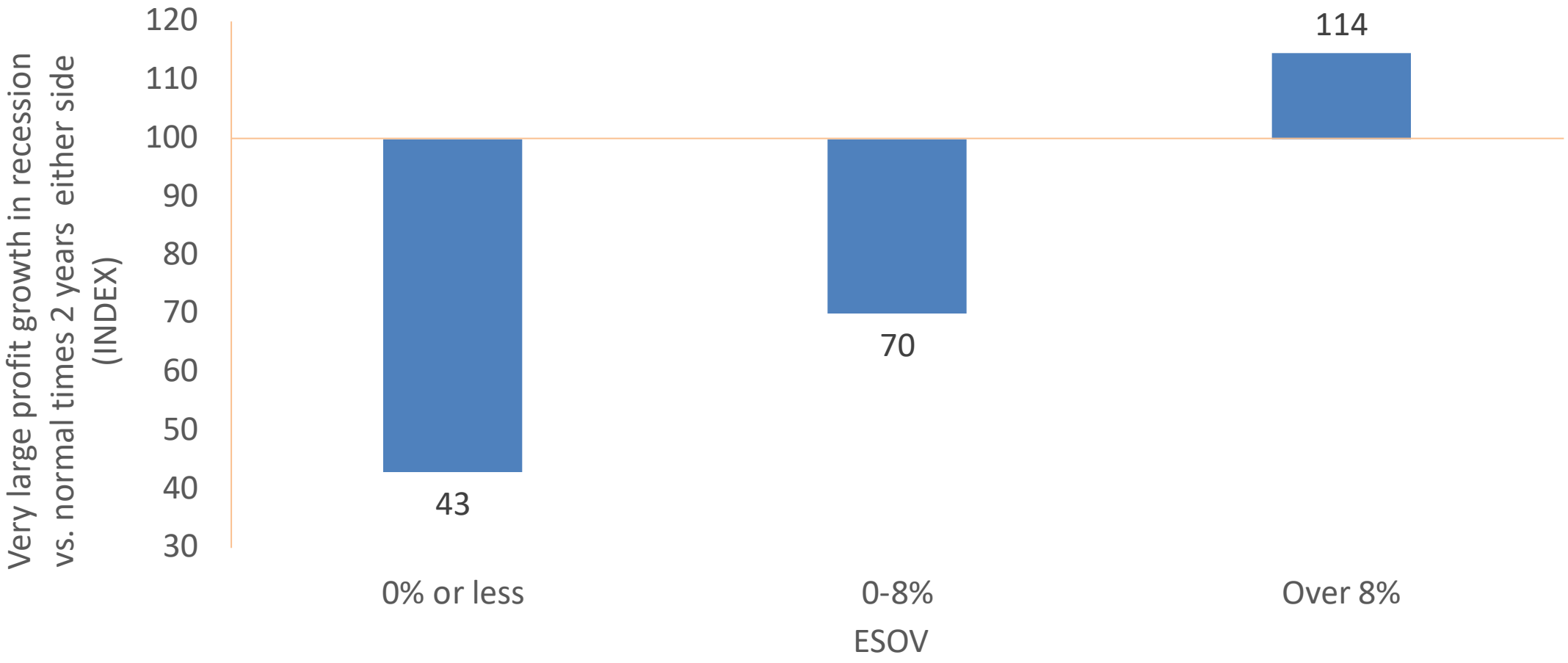
Base: IPA cases covering 2008 recession

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



Base: IPA cases covering 2008 recession vs. cases two years either side

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



Base: IPA cases covering 2008 recession vs. cases two years either side

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 6th April 2020

"COVID-19: A right-brain reset for advertisers"

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

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