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ONLINE TALKS

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ONLINE TALK WITH PETER FIELD

The Global TV Group and egta had the pleasure of welcoming Peter Field – an independent marketing and advertising professional, author and consultant.

In his presentation, Peter showcased a set of arguments that broadcasters could present to the management of their clients (CEO, CFO-level) to strengthen their commitment to advertising in a downturn. Peter presented a number of key findings based on his earlier *Advertising in downturn* report (published in 2009 by IPA) that focuses on the impact of the 2008/9 economic crisis on advertising (and media business). This data was complemented by data from newer research pieces to draw a comprehensive set of guidelines for brand owners, to help them manage their advertising budgets during the recession.

Lessons about advertising from previous recessions and how they can be applied to the 2020 situation

Lesson one: Focus on the long term

According to the IPA data, during the 2008/9 crisis, ad spend on the long-term brand building media in the UK went down by 15-20%. Overall, advertising spend held remarkably steady, but it was the start of a dramatic shift to short-term activation media (digital) – short-term ad spend went up by 20%. This initiated the beginning of a big data-driven shift to short-termism, which has continued since then. It had a negative impact on many businesses that have chosen this strategy as it left them in a more vulnerable position in face of the 2020 crisis than if they had not undergone such change in terms of business strategy.

a. Why brand building matters in recession

Sales activation only generates short-term sales uplifts. Its effects on brand recognition do not last and therefore the promotional messages need to be re-served regularly, which leads to a costs increase. This tactic does not contribute to sales growth in the long-term (when the tap of short-term sales activation is turned off, so are the leads and sales too). It also **does not *fuel* the brand growth for the recovery phase.**

Furthermore, **short-term promotional strategies lead to dependency on promotional pricing and profit losses** (both because of the promotional pricing and the loss of share of voice during the crisis), which have a negative impact on brand's long-term performance when the crisis ends.

Maintained or increased marketing spend on brand building media (incl. TV and radio) brings a short-term hit to profitability during a recession but it allows the company to generate much stronger growth and profitability at the end of the crisis and during the recovery. In fact, only **brand building** strategies can help brands in the critical recovery period as it **drives long-term brand growth and pricing power.** As the effects of promotional messages accumulate over time, they also make consumers more prone to choose a particular brand at the end of the recession. This strategy is currently being implemented by some of the large advertisers (eg. Procter & Gamble). Recessions are also good times to invest in brands and build your market position at a cheaper cost (see page 4).

It is critical for brands to **strategically choose the best media channels** to deliver their message during the crisis. Peter Field reminds that with the difficulties liked to auditing digital platforms, it is **crucial for them to monitor their brand performance on *well-measured* media (incl. TV and radio).**

b. The specificity of the COVID-19 crisis

While in terms of impact on advertising, in many aspects, 2020 is similar to the previous recessions, the COVID-19 crisis also presents a number of **unique characteristics**, including:

- A high polarisation between essential and non-essential goods/services
- Elevated or panic buying vs. complete market closure for certain categories of products and services
- Considerable supply restrictions for essential products/services vs. no supply for non-essential categories
- Exceptional opportunities for growth for a fortunate minority of scalable businesses serving essential needs to home-bound consumers (eg. IT and telecoms, delivery services, etc.)

Due to the specificity of the COVID-19 crisis, the short-term shift, which we could observe in 2008/9, is even less relevant – for several reasons:

- In the case of the 2020 crisis, **short-term sales are either impossible to deliver or in excess demand.**
- According to the Harvard Business Review, all of the previous pandemic driven downturns (incl. 1958 "Asian" flu, 1968 "Hong Kong" flu and 2002 SARS) were characterised by a ***V-shaped curve* effect on the economy**, with a sudden initial phase leading to a deep recession and then a relatively swift recovery phase. These recessions do not result from over-production/supply. Consumers' purchasing power is not limited by their own choice (they do not choose not to buy certain goods/services) but by the objective market situation shaped by governmental restrictions (people are physically and legally prevented from buying). This creates a very high demand for many goods and services that fuels sharp and sudden recovery. It is highly probable that the 2020 recession will follow this pattern. **Smart businesses should therefore plan for a swift recovery phase to ensure that their brands are well-positioned to become the *first choice* for consumers when the crisis is over.**
- The IPA Databank of campaigns allows to examine how the **balance between long-term brand building and short-term activation** influences the effectiveness of a campaign. In normal times, the IPA data argues for a balance between brand and activation spend in the ratio 60:40 for maximum business effectiveness. IPA suggests that in 2008/9 a slight shift from the 60:40 optimum towards 50:50 might have been sensible back then, but that it is less relevant in 2020. First, because today many businesses already spend less than 50% on brand-building (which is far below recommended 60%). Second, because short-term activation makes much less sense, when either demand cannot be met or simply does not exist (which is the case for many products and services due to physical and legal restrictions during the 2020 crisis). **Brands should therefore mostly focus on brand-building unless their survival depends on servicing existing customers (assuming this is possible).**

c. Despite the obvious shifts in consumer behaviour during 2020, **market research does not provide enough evidence to support the theory that all new behavioural patterns will last after the crisis.** The market research company System1, who measure consumer response to new ads daily in the US and the UK, did not yet report any signs of *ad alienation* (as of April 2020) due to the introduction of social distancing. This implied that people will most likely not drastically change their previous buying attitudes after the crisis (the current situation simply prevented from exercising them). It also seems sensible to expect a similar trend when it comes to other behaviours (eg. media consumption). System 1 also recently explained that "there has been no appreciable change in the ability of ads to connect with audiences" and that therefore brands didn't necessarily need to create new ads that address "the new normal" and "these unprecedented times".

d. More innovation instead of promotional pricing

Findings from *The Profit Impact of Market Strategies (PIMS)* study suggest that **innovation (new products/services) proves to be a better short-term strategy for businesses than promotional pricing** as it can ultimately contribute to long-term growth.

Lesson two: Defend your share of voice

Decisions regarding brands' marketing budgets should be guided by the *share of voice/share of market (SOV/SOM) rule*. According to this principle, SOV (the percentage of category advertising expenditure spent by the brand) is strongly correlated to market share. This implies that if a brand allows its SOV to fall below its share of market, market share is likely to fall over in the following year.

Drastic cuts on marketing budgets/pulling out of advertising completely during the crisis (*going dark*) carries a very high risk of share loss and greater price sensitivity. While this tactic may provide some short-term relief to profitability (because costs are cut), the subsequent loss of market share that follows will be extremely difficult and expensive to regain during the recovery.

In fact, **the penalties of allowing SOV to fall below SOM are greater during a recession than in normal market circumstances.** The long-term impact of such measures on profitability can be highly damaging and it seems better to take the short-term profitability hit to maintain SOV and defend the brand. Brands that *go dark* during the crisis face a double challenge during the recovery period. First, they will have to fight to regain their market share in the conditions of increased competition (especially with companies who did not *go dark*). Second, the cost of rebuilding their market position will have to be born on a reduced profit base (as such companies lost scale). Brands that *went dark* during the recession could expect a long recovery period (min. 5 years) and major loss of profit in recovery.

If a brand intends to make savings during the recession, these **savings should be made outside advertising budgets.**

Maintaining or raising SOV above SOM in the time of downturn can be very profitable for brands (even more than in normal market conditions). Recessions allow companies to maintain their SOV at a considerably lower cost. This is because many of their competitors are pulling out of/massively reducing their advertising activities. This leads to the excess of available as inventory, which causes media prices to go down.

While advising their clients to maintain (or increase) the level of investments in brand building, **media owners should also protect their own brands during the crisis by intensifying their self-promotion efforts.**

Lesson three: Seize market opportunities linked to recession

If a company wants to maintain or grow its market position, it needs to maintain a positive excess share of voice (ESOV – the difference between a brand's share of voice and a brand's share of market) **during the recession.**

According to *A critical review and synthesis of research on advertising in a recession* by Tellis & Tellis (published in 2009), increasing advertising during a recession leads to increases in market share and sales. This effect seems to last beyond the recession as the **response to advertising during a recession is higher than that during stable times**.

This argument finds confirmation in the IPA data from 2008/9. The IPA study compared over 50 cases from brands in the UK and divided them in three equal-sized categories depending on their media investment strategies:

- Group one (whose ESOV was zero or less) were at maintenance levels or lower, but were still advertising, i.e. they had not *gone dark*. This group was hit the most by the crisis.

- Group two had modest growth levels of ESOV in the range of 0-8%. The results of this research clearly show that such brands that took advantage of lower SOV cost to boost their SOV achieved impressive business gains.
- Group three saw the recession as an opportunity, with over 8% ESOV. These brands saw 5 times as many business effects (such as profit, pricing, share, penetration etc.). 4.5 times the annual market share in times of recovery. Opportunists also experienced widespread strong profitability growth in recovery vs. none for under-investors (*Please refer to the presentation slides for more details*)

This data indicates that taking the short-term hit to profitability, by investing in advertising during the depths of a recession, was ultimately worth the long-term profit.

Seizing market opportunities also implies **capitalising on the changes in consumer behaviour and changes in media consumption.** This means exploiting trends such as an elevated usage of certain media by home-bound consumers (TV, radio, social, trusted online news channels). **For media owners,** this means both B2B and B2C efforts, **adapting their offer to serve both their viewers as well as address new categories of advertisers (eg. medium-sized business who did not advertise on TV but may consider starting to due to lower spot prices during the crisis).**

Lesson four: Choose your creative message wisely

The appropriate tone of advertising in this recession may be different from previous ones and may change over time. Therefore, brands should keep a close eye on the live guidance provided by continuous market research studies as the many successful campaigns released by brands during the previous recession.

Research shows that during the 2008/9 crisis, **many high-profile recession successes were driven by *feelgood* TV brand campaigns** (eg. T-Mobile, Heinz, Cadbury, Virgin Atlantic, Hovis) that answered the basic emotional needs of consumers looking for positivity and sense of community. Likewise, in case of the current recession, we can see a **shift in terms of creative messaging from pure advertising to emphasising certain behaviours (eg. solidarity) or focus on supporting those in need/professionals at the forefront of the fight against the pandemic.** Live research by System1 shows that ads about humanity and community perform better than those about self-image and performance. This said, brands that do not have any pre-existing history of such type of narrative might not find it beneficial to completely reorient their story-telling during the crisis.

Key messages that broadcasters can relay to brands regarding ad budgets during the COVID-19 crisis:

1. Do not panic. Do not withdraw brand advertising, unless short-term survival depends on it.
2. Do not go short. Resist the pressure to switch advertising spend from brand solely to activation as customers, in many cases are not reluctant to buy, they are unable to buy.
3. Defend your SOV (unless short-term survival is at stake).
4. Take advantage of cheaper SOV to drive growth in recovery.
5. Do not abandon your existing brand campaign unless it is unsympathetic to the mood of customers. There may be more value and reassurance in continuity than in change.
6. Do not be frightened to use emotional brand advertising during a recession.
7. As behaviours are especially important in this recession: be innovative. Ask yourself "How can we help?" and seek for tactical opportunities to create goodwill through emphasising acts of humanity and generosity (in particular, if you were proclaiming these virtues before the emergency).

BONUS resources:

- **Curated press articles**: egta is curating press articles and resources about advertising in a recession on this Scoop.it Board here. You might also find our board about COVID and marketing interesting, here, as well as our insights on specific brands' strategy in this period of downturn here.
- **Thought leadership**: Peter mentioned Mark Ritson's work. You can have a look at it here for example.
- **Researches & resources from around the world**: Trade bodies are gathering work about advertising efficiency in general, but also advertising in times of crisis. You can have a look for example at the work of **thinktv** in Australia here, or **thinkbox** in the UK here, or **thinktv** in Canada here, as well as of the VAB in the USA here. These are resources in English, but your national trade body also offers insights in your language, please have a look at the list of TV trade associations that can help you with your Marketing efforts in this list.

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

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