

A F O S

MARKETING DURING CRISIS

A SUMMARY FROM SEVERAL WEBINARS HELD BY EXPERTS
THAT KNOWS A THING OR TWO ABOUT MARKETING SPEND DURING CRISIS.

1 APRIL 2020

Creator: Pana Mogren

Marketing during Crisis

What can we learn from the Chinese advertising market?

What Makes a Business Owner Cut Marketing Spend

The business doesn't have as much money coming in, but the bills still have to be paid and the accounts settled. Therefore, a business owner will think about cutting costs in order to continue operating.

But why reduce the advertising or marketing budget first? For most businesses that aren't ad agencies, marketing is a function that's secondary to what the business primarily offers.

Scaling back marketing spend is recommended only as a temporary solution. Not only will those customers eventually forget if a company doesn't work to keep its name out there; as research suggests, a recession might actually be the best time to advertise.

What the Evidence Says About Reducing Marketing Spend

An economic downturn affects businesses at almost every level of profitability. Even companies that are successful can expect to see lower profits than they did when the economy was healthy.

Cutting marketing spend during a recession hasn't been shown to make companies any more profitable. In 1990, advertising guru Stephen King (not that Stephen King, another Stephen King) published a paper that showed that "...businesses that cut their advertising spend in a recessionary period lose no less in terms of profitability than those who actually increase spending by an average of 10%."

In fact, according to another study, reductions in marketing spend may have actively hurt companies in the past. Data from well-known recessions suggested that companies that advertised less during those periods not only saw fewer sales and lower profits – they also experienced less growth than their competitors in the years after the recessions. A look at data from the 2008 recession suggests that companies had a hard time regaining their market share.

Marketing during Crisis

Marketing during Crisis

What can we learn from the Chinese advertising market?

As if the potential loss of profits wasn't enough, there's also the flip side to consider. Numerous studies suggest that advertising when the economy is bad can actually lead to growth. Here are some studies as examples:

- During the Great Depression, General Motors pioneered the use of outdoor billboards and radio to advertise its budget brand, Chevrolet. Although Ford had been a leader in the automotive industry for years, by 1931, Ford was consistent being outsold by Chevy.
- According to a study of the 1974-1975 recession from American Business Press and Meldrum and Fewsmith, “companies which did not cut marketing spend experienced higher sales and net income during those two years and the two years following than those companies which cut in either or both recession years.”
- According to McGraw-Hill Research's look at the 1985 recession, companies that either maintained or increased their ad budgets during that time experienced a 256% increase in sales versus companies that cut their ad budgets.
- And according to a 1990 study from the WPP Group's Center for Research and Development, companies that increased their marketing spend by 20% to 100% saw an average gain of 0.9% of the market share, while those that cut marketing spend only gained 0.2% of the market share.

What these examples suggest is that when companies continue to advertise during a recession, they keep their names in the minds of consumers, so that when customers do have money to spend, they're more likely to turn to the brands they readily remember.

Marketing during Crisis

What can we learn from the Chinese advertising market?

Due to Covid-19, managing budgets in a crisis is becoming a major topic of conversation. Marketing and PR budgets are often the first to be slashed. This is often to the detriment of the long term health of a company. People tend to make decisions based on gut feel, fear and assumptions rather than using data and evidence to inform action.

Why Cutting Marketing and PR Budgets is Precisely the Wrong Thing to Do

As mentioned there have been a number of studies that demonstrate the advantages of at least maintaining budgets during a weaker economy or crisis. In fact, marketers that increase spending, increase sales and market share during the crisis and afterwards. In the 1990-91 recession, Pizza Hut and Taco Bell exploited that McDonald's dropped its marketing budget. As a result, Pizza Hut increased sales by 61%, Taco Bell sales grew by 40% and McDonald's sales declined by 28% (Forbes). In contrast, companies who cut their marketing during an economic downturn, because they believe no one will be buying, are actually jeopardizing their long-term market share. Consistent and persistent marketing is the only kind that is truly effective.

Make Marketing & PR Budget Decisions on Fact Not Assumptions

“Strategic uncertainty can feel like slogging through mud. Leaders avoid investments. Decisions are deferred. Resources are frozen. Fear, uncertainty, and doubt drive bad behavior and personal agendas. Even so, companies often succeed or fail based on their managers' ability to move the organization forward precisely at times when the path ahead is hazy”. (HBR article: Managing when the future is unclear).

Using data and metrics to evaluate whether a marketing campaign has had the desired impact, removes subjectivity when justifying budgets. If you have prescribed what success will look like in advance, and pre-agreed with all stakeholders and budget decision-makers what metrics will be adequate to demonstrate progress to goal, it is much easier to justify changes in spend. This is easier though, for online marketing channels, where it is simple to link activity to sales. If you are investing in a PR and comms strategy, measurement becomes even more critical.

Marketing during Crisis

Marketing during Crisis

What can we learn from the Chinese advertising market?

Why Measuring PR Needs to be a Particular Focus

PR and comms teams have a hard time justifying marketing spend versus digital marketing. In a world where return on investment is measured by direct impact on sales, PR often gets kicked to the curb. In a crisis, such as Covid-19, PR really comes into its own, so being able to quantify impact and report it effectively is critical.

Before you start cutting budgets in panic, ask yourself is this decision made on data or fear?

A good example of how to push instead of pause

In crisis its important what you do, not what you say. Do not pause. Push, but show good judgement.

During the outbreak of Covid-19, *Nike* in China mitigated a situation that could have been far worse by being pro-active. Product discounts, subscriptions for free, and campaigns such as “At home workout trainings”, “Livestream trainers”, “How to work-out with your kids” among many actions. Online sales has accelerated approaching triple-digit growth for *Nike* in China, while the European account is following the same numbers. Weekly active users jumping 80% across all *Nike* activity apps. Digital presence growth reaching 35%.

Marketing during Crisis

What can we learn from the Chinese advertising market?

More facts to consider when planning for the future

- Social Distancing have resulted in Virtual Socializing. Now more than ever people are interacting, sharing and creating content through SoMe. Facebook and Instagram has both seen a 50% increase in usage since beginning of March.
- Since people spend more time at home, there has been a significant growth in search-words related to cooking, healthier living, sustainability.
- After a crisis, it is proven that people will start spending, mainly since they feel the need of enjoying life more than before.
- China today is totally detached from Facebook, Google and Instagram. The fastest growing platform in the world is coming from China, TikTok, as well as the fastest growing mobile brand, Huawei. Predictions show that the Chinese economy will handle the crisis in a much healthier way than the western economy. There will most likely be a huge change in the way we use SoMe in the next couple of years. There will most likely also be a huge change in what kind of brands and what kind of markets we produce for.

Marketing during Crisis

What can we learn from the Chinese advertising market?

Actions Step by Step

1. Press Play. Not Pause!
2. Seamless Transitions.
3. Dare to have a positive tone.
4. Invest to gain share.
5. Prepare for pent-up demand.

Strategy during Covid-19:

1. Support.
2. Respond.
3. Shift.
4. Surge.

China as a Blueprint?

Studies show that people and their behaviour are following the same pattern during a crisis. For example, historically, there has been no significant differences between the Asian and European market during and after a serious crisis. For now, during the Covid-19 pandemic, the behaviour in the European market follow the footsteps of the Asian market.

We do not have any magic bowl where we can predict the future. We can only presume that our actions and behaviour will follow the same pattern this time as well. This means we can get an idea about whats ahead of us by glancing at China, and use them as a blueprint and tool for our strategy and actions.

Marketing during Crisis

China (two months ahead of Europe)

JANUARY

DENIAL

Cases are growing fast but people are reluctant to change their lifestyle. Government advises to avoid contact, big events are cancelled, financial markets drop, but brands don't respond yet.

FEBRUARY

SHOCK

Self-quarantine is imposed, all non-essential retail is closed, consumer confidence drops, people work from home and brands respond with support campaigns.

MARCH

WARY

People have adapted to being at home, some retail re-opens slowly but footfall is low, businesses invest heavily in e-commerce and digital channels, brands respond creatively.

APRIL

RECOVERY

Retail re-opens although people still avoid crowded areas and events are not allowed. People are careful but consumer confidence grows. Brands count their 3 months losses and shift gears.

MAY

COMEBACK

With the exception of some activities day-to-day life is back to normal and brands ramp up to offset losses.

JUNE

NEW NORMAL

Events happen again, people are out and about and brands invest heavily to capture pent-up demand.

Europe (Sweden a couple of weeks delayed)

MARCH

DENIAL

Cases are growing fast but people are reluctant to change their lifestyle. Government advises to avoid contact, big events are cancelled, financial markets drop, but brands don't respond yet.

APRIL

SHOCK

Self-quarantine is imposed, all non-essential retail is closed, consumer confidence drops, people work from home and brands respond with support campaigns.

MAY

WARY

People have adapted to being at home, some retail re-opens slowly but footfall is low, businesses invest heavily in e-commerce and digital channels, brands respond creatively.

JUNE

RECOVERY

Retail re-opens although people still avoid crowded areas and events are not allowed. People are careful but consumer confidence grows. Brands count their 3 months losses and shift gears.

JULY

COMEBACK

With the exception of some activities day-to-day life is back to normal and brands ramp up to offset losses.

AUGUST

NEW NORMAL

Events happen again, people are out and about and brands invest heavily to capture pent-up demand.

“Corporate investments in marketing during a crisis is proven to affect sales and market shares both during, and after the crisis is over.”

Erik Modig & Martin Söndergaard (Stockholm School of Economics)

Thank!

AFOS MALMÖ

Drottningtorget 2b

212 11 Malmö

Sweden

www.attractionfilm.com

AFOS KRISTIANSTAD

Isolatorvägen 11

291 62 Kristianstad

Sweden

www.attractionfilm.com