

Webinar

The case for advertising in a recession

Wednesday 13th May | 4pm BST | 11am EST

With special guest



Peter Field

System1

Agenda



Peter Field

The case for advertising in a recession



Orlando Wood
Chief Innovation Officer

How to advertise during the coronavirus



Jon Evans
Chief Marketing Officer

Discussion on what all this means

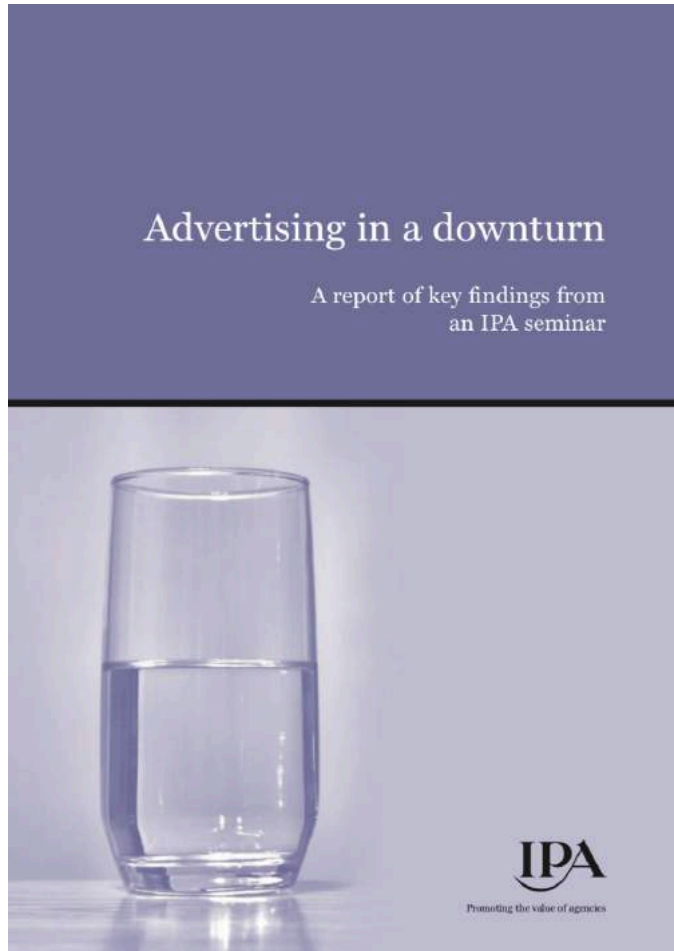
Please post questions in the chat

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>

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 in 08/09?

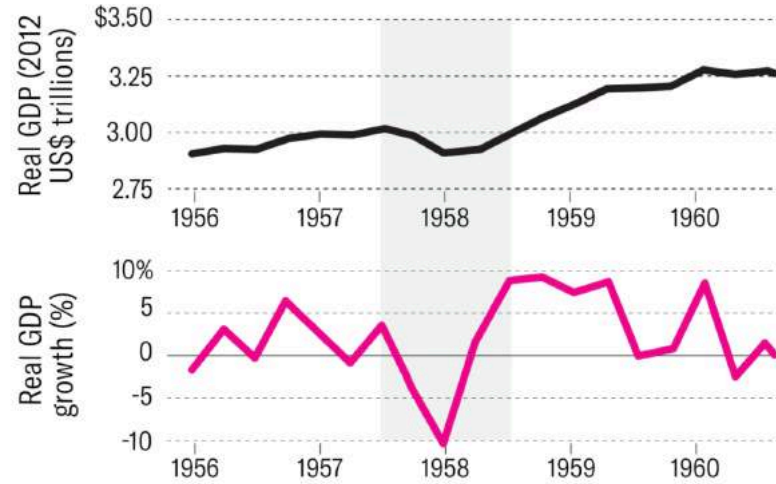
- Long-term brand media down 15-20%
- Short-term digital media up 20%
- Start of the Big Data driven shift to short-termism and activation
- Yet many high profile recession successes were driven by emotional 'feelgood' brand campaigns:
T-Mobile, Heinz, Cadbury, Virgin Atlantic, Hovis

This is not a 'normal' recession

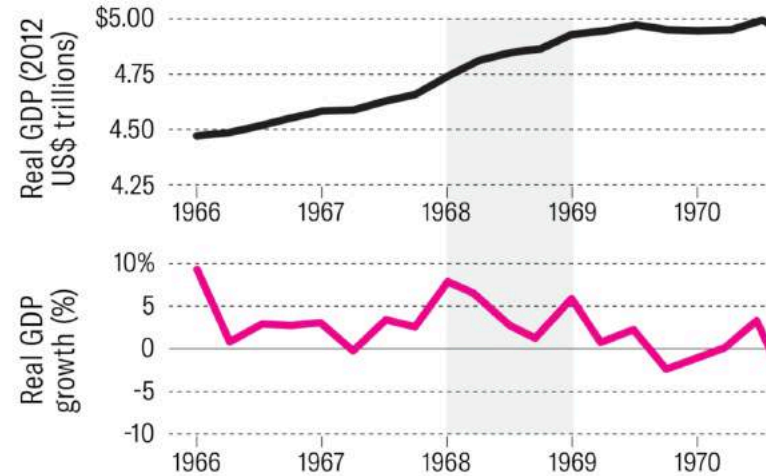
- Highly polarised between essential and non-essential
- Elevated or panic buying vs. market closure
- Serious supply restrictions vs. no supply
- A fortunate minority of scalable businesses serving essential needs to home-bound consumers, for whom this is an exceptional opportunity for growth
- Generally the short-term strategy shift makes very little sense this time

Pandemic downturns (courtesy of HBR)

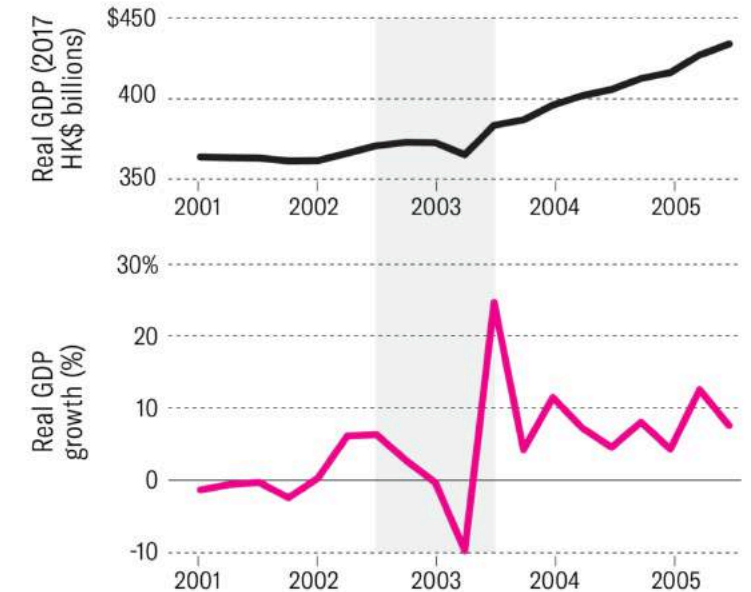
1958 H2N2 ("Asian") flu – 116,000 U.S. deaths



1968 H3N2 ("Hong Kong") flu – 100,000 U.S. deaths



2002 SARS – 286 global deaths



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

Lessons from the past reviewed

1. Focus on the long term (if you can)
2. Defend your share of voice
3. Seize your 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)
- Primary advertising case 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
- Maintaining SOV likely to entail less 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.”

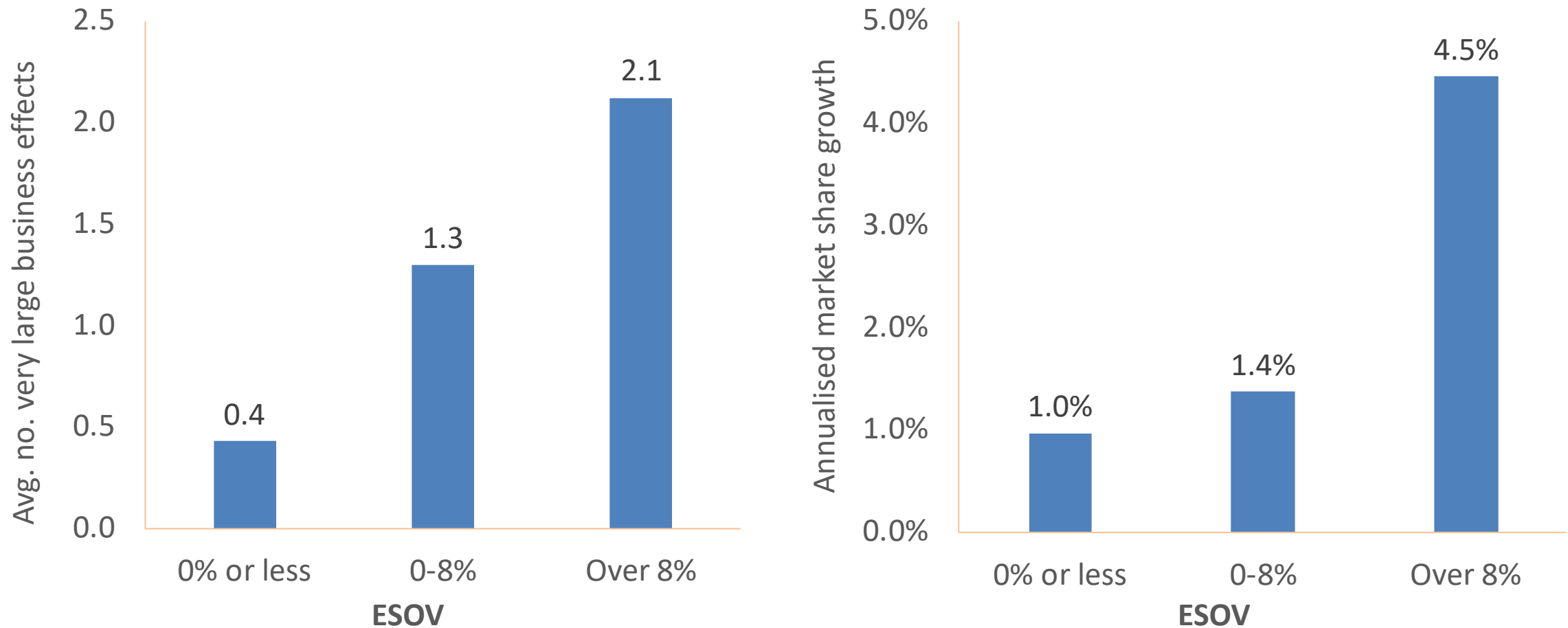
Tellis G & Tellis K - “A Critical Review and Synthesis of Research on Advertising in a Recession” , JoAR April 2009

Findings from the 2008/9 recession*

- Circa 50 cases that advertised across the GFC recession
- Compares cases with ESOV $\leq 0\%$, 0-8%, $\geq 8\%$
- 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

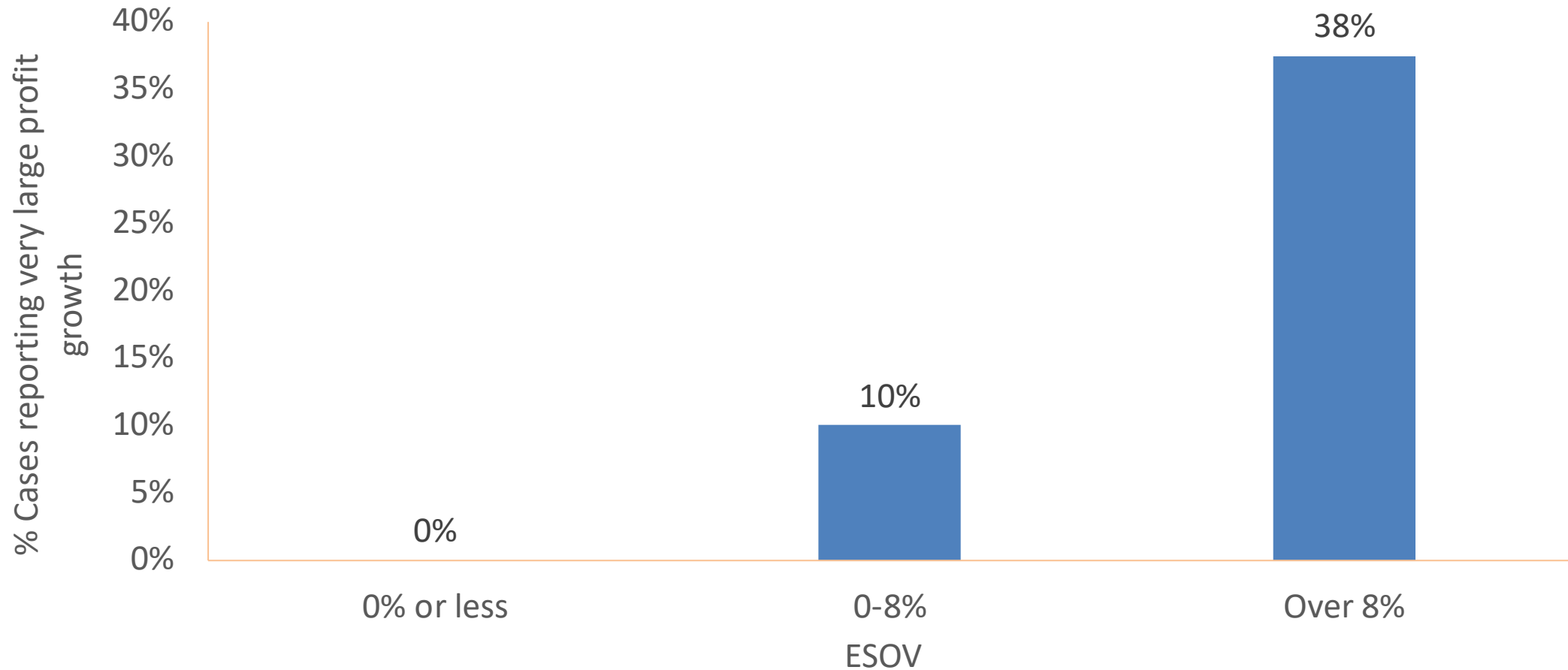
Investors in SOV saw strong effectiveness and growth



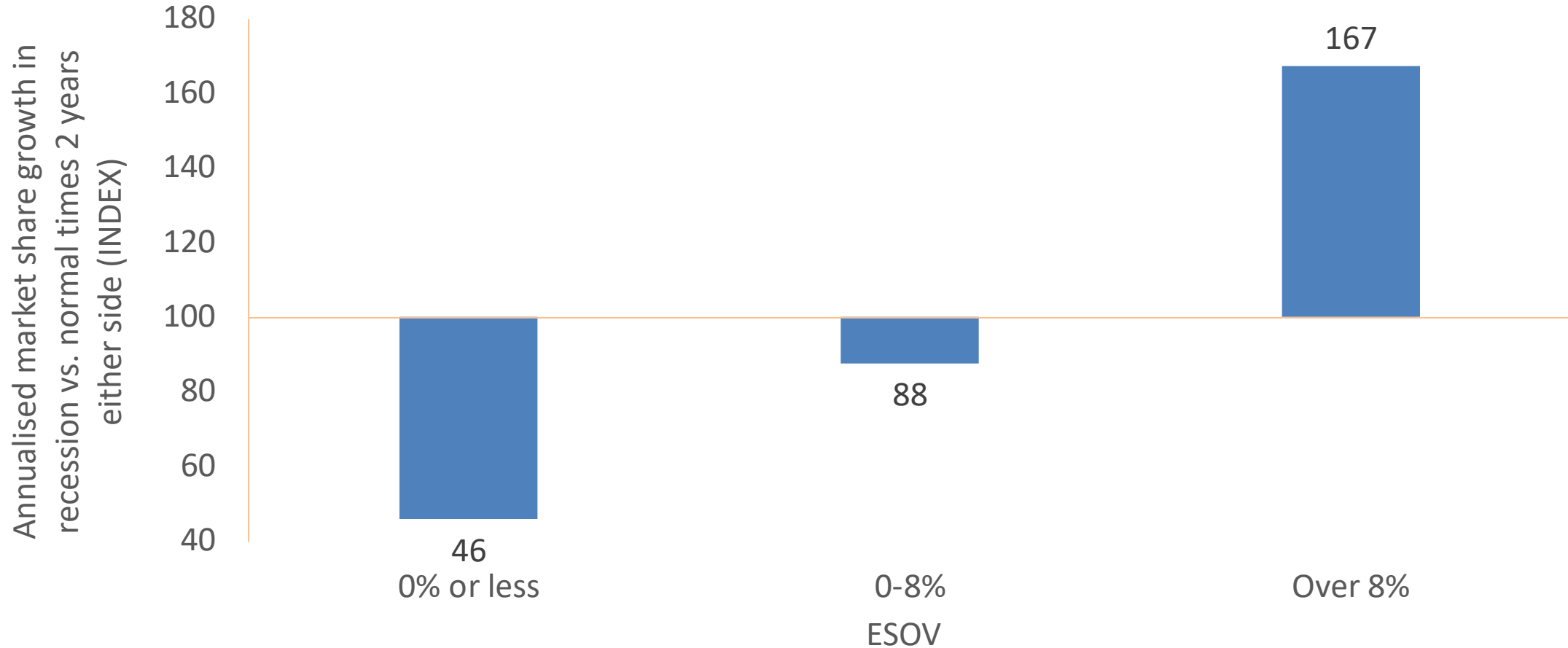
Base: IPA cases covering 2008 recession



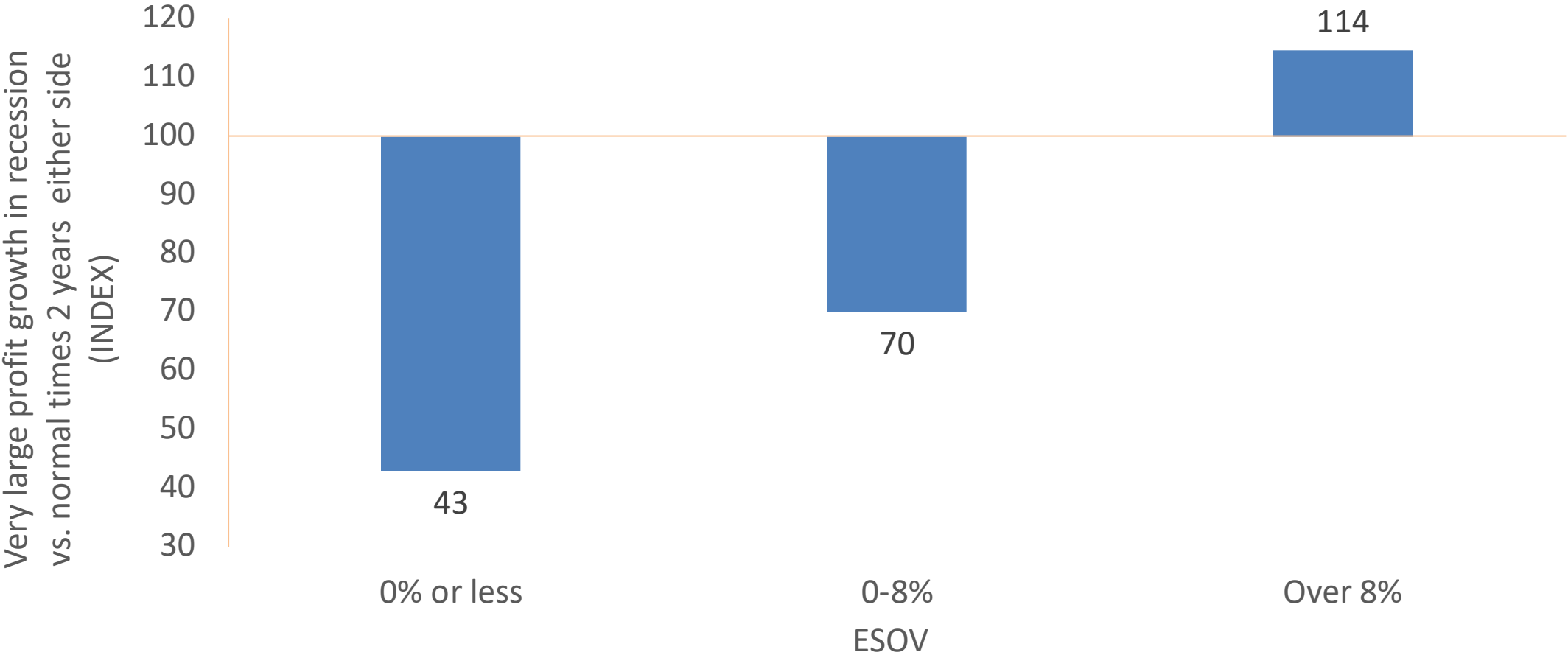
Investors in SOV saw strong long-term profit growth



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



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



The case for investment: learning 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

- Campaign continuity is reassuring and builds on brand memory structures – don't assume the need to change
- Not just about advertising but also behaviour (especially if you were proclaiming these virtues before the crisis)
- The mood of society is about togetherness - ads that reflect this will strike a chord

“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

“Advertising in a Downturn”

IPA 2008, <https://ipa.co.uk/knowledge/publications-reports/advertising-in-a-downturn/>

“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>

“Roaring Out of Recession”

Ranjay Gulati , Nitin Nohria and Franz Wohlgezogen, HBR March 2010



How to advertise: advice for brands today

Orlando Wood

system1group.com



Lemon.

This advertising brain has stopped working properly.

It has lost its power to persuade, its ability to make people feel, and its talent to entertain.

How has this happened? And is there anything we can do about it?

In this challenging book, Orlando Wood argues that a golden age for

advertising technology has been far from a golden age for advertising creativity.

He shows how today's analytical culture has sent the industry's admired reputation for creativity into reverse.

In place of a creative Renaissance, he maintains, we are now witnessing nothing less than a creative Reformation, a 'stripping of the altars'.

Reducing what was once dazzling artform to dreary science.

So how should agencies and clients correct the wrong turn we have taken?

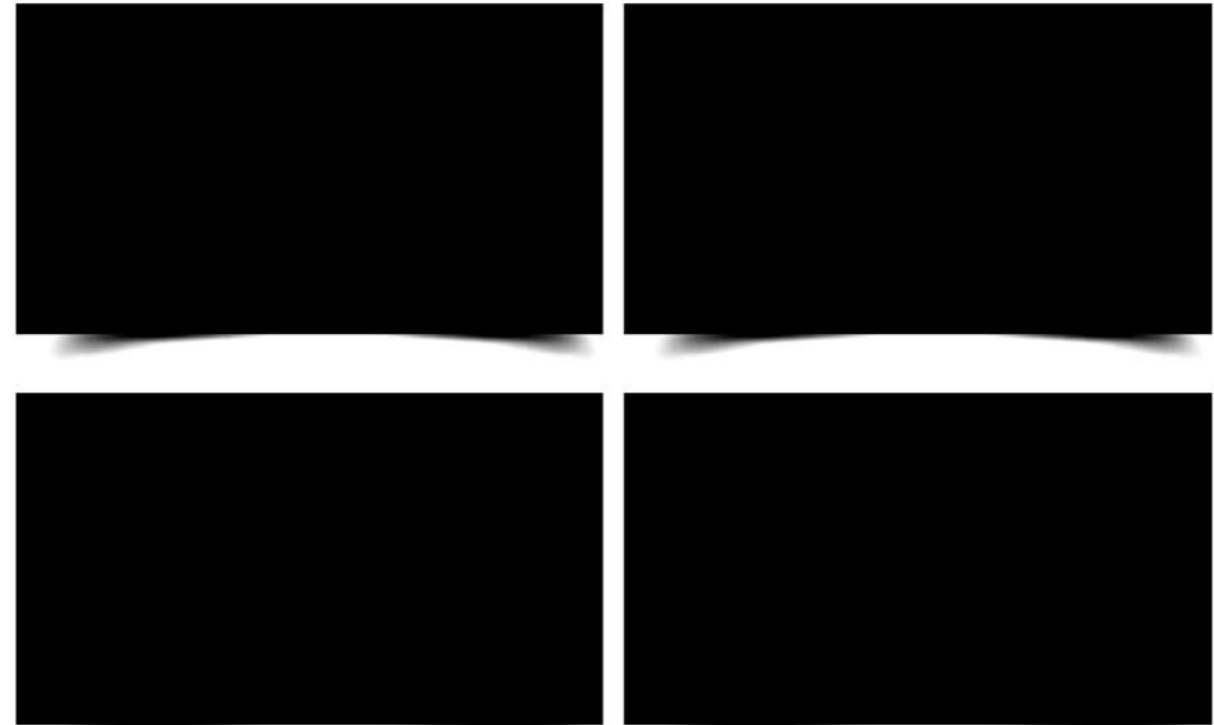
Orlando offers some surprisingly counter-intuitive solutions of his own.

If the advertising brain has stopped working properly, maybe **IPA** this is the repair manual.

Flatness and Abstraction



Depth and Betweenness



Narrow

Goal-orientated

Abstraction (parts)

Categorises

Explicit

Cause and effect

Repeatability

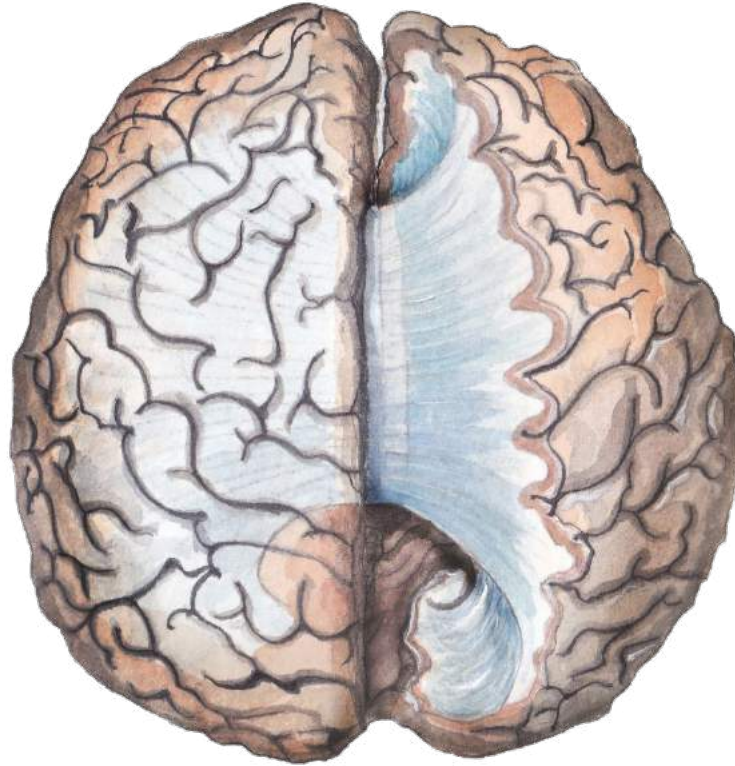
Literal, factual

Self-absorbed and dogmatic

Language, signs and symbols

Rhythm

Left



Broad

Vigilant

Context (whole)

Empathises

Implicit

Connections and relationships

Novelty

Metaphorical

Self-aware and questioning

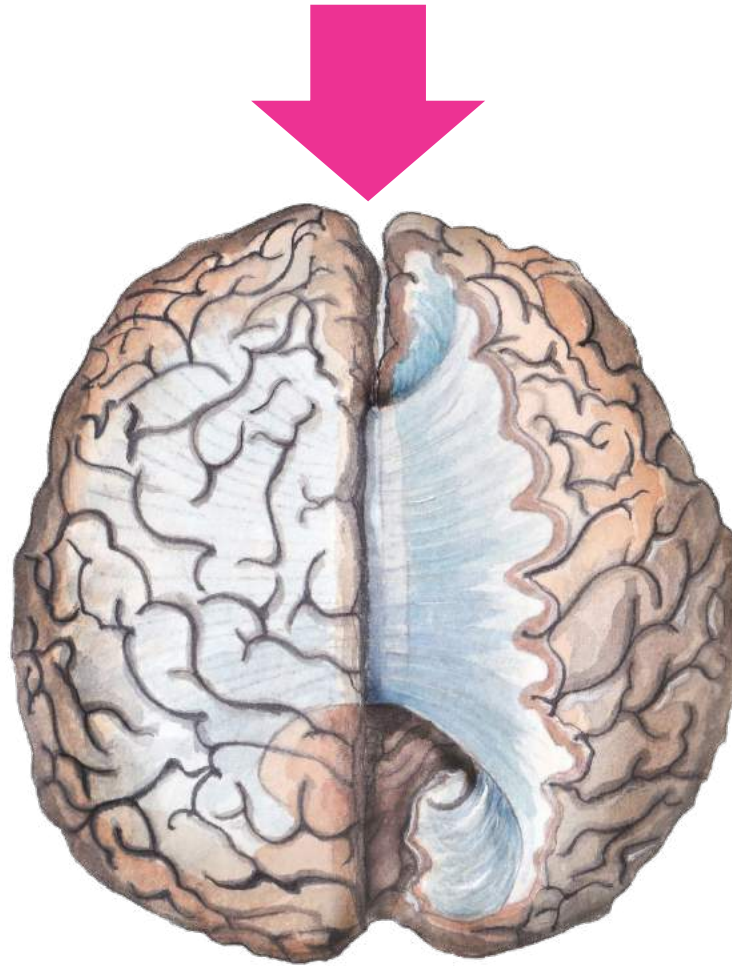
Time, space and depth

Music

Right

Narrow
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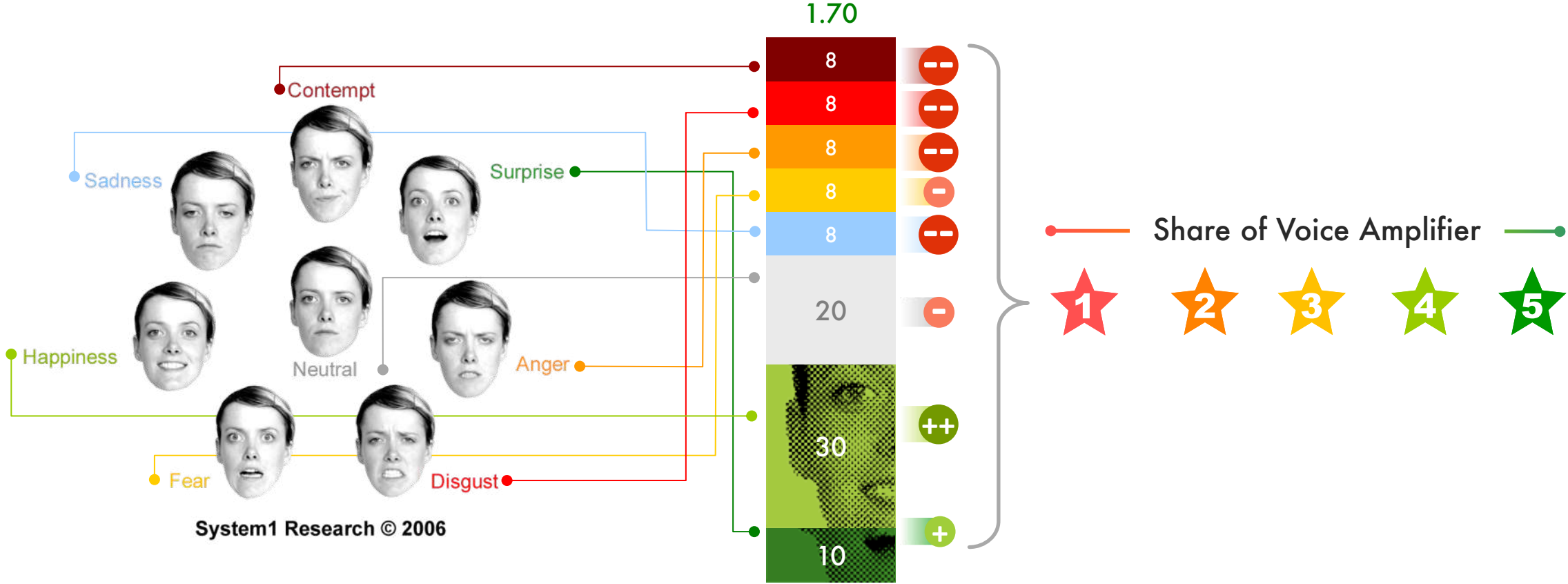


Broad
Vigilant
Context (whole)
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Metaphorical
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Time, space and depth
Music

Right

Can brands continue to use their previous creative?

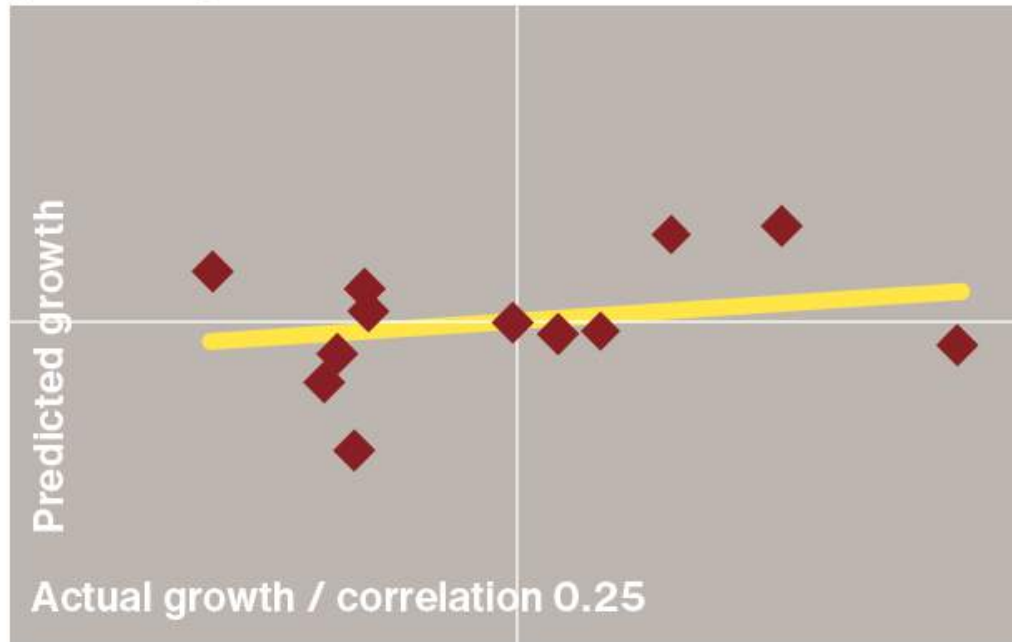
Predicting share gain from emotional response.



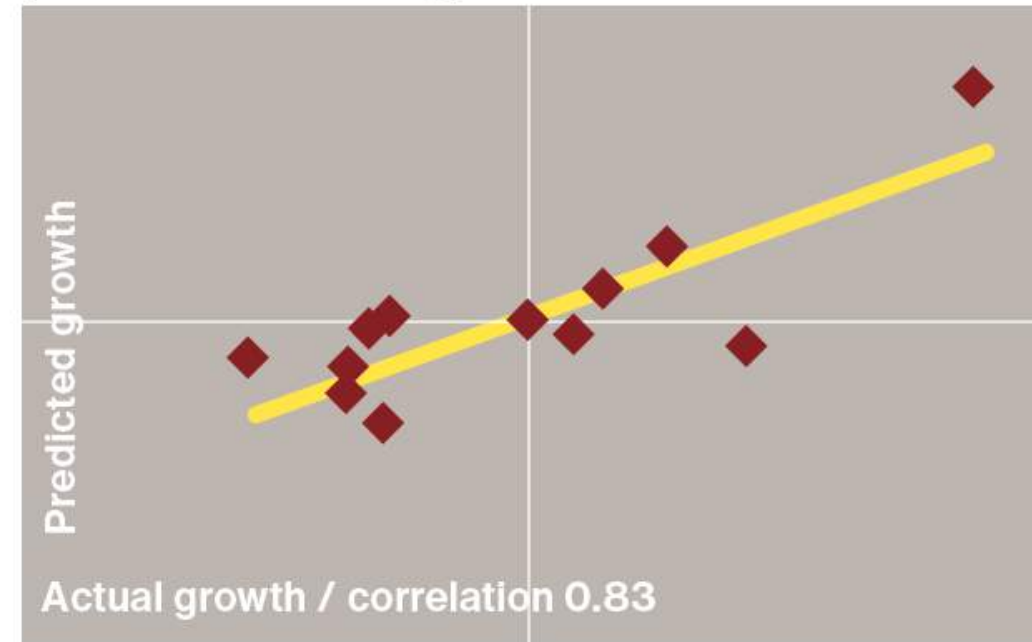
System1 Research © 2006

ESOV and the emotional multiplier explain market share growth.

**Quantity of advertising
(TV ESOV)**



**Quantity and quality of advertising
(TV ESOV x Star rating)**



Re-test 100

Objective: Do ads from before the crisis still connect today?

A re-test of 100 TV ads (50 in US and 50 in UK) from January and February 2020, selected at random from System1's Test Your Ad categories#

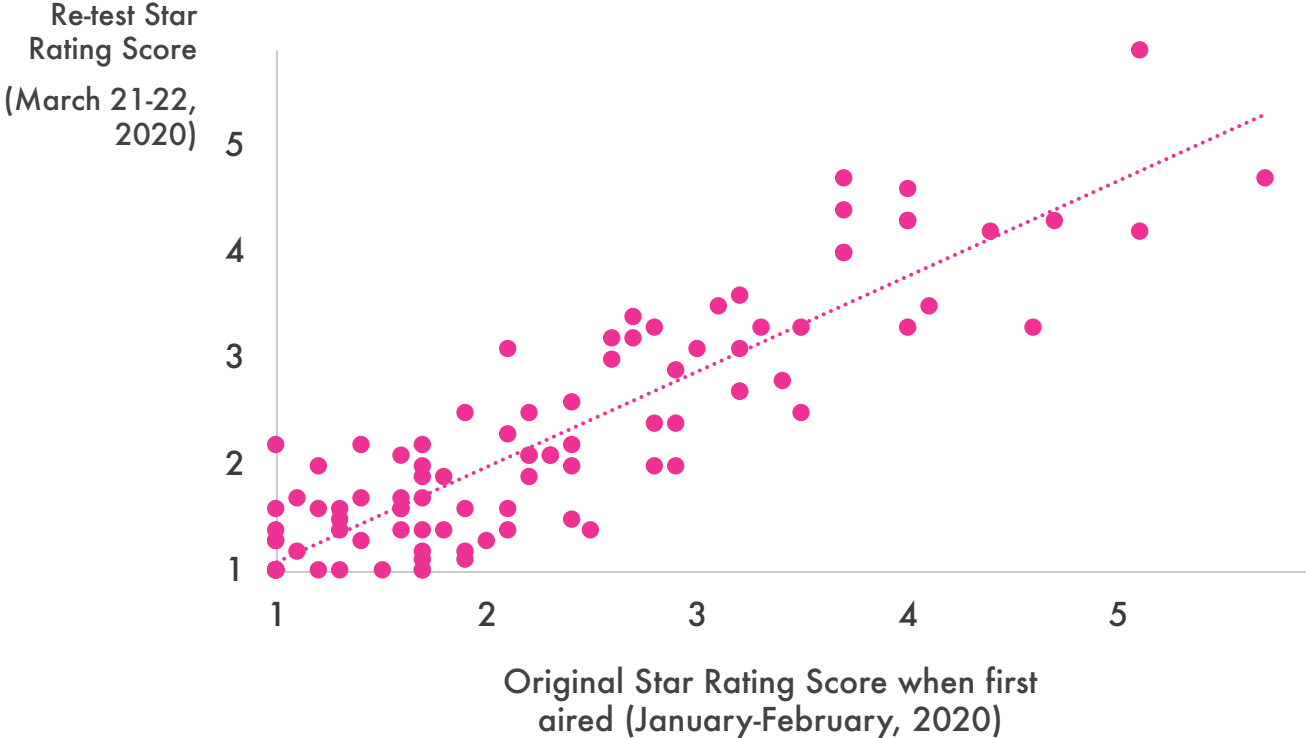
Re-tested 21-22 March 2020 in their respective markets

Same method; 150 respondents per ad



Brands can most likely continue with their pre-COVID advertising.

Re-test 100 reveals little change in ability of ads pre-dating COVID to connect with audiences.



US+UK	Correlation	Original Score Average	Retest Score Average	No. ad pairs
Star Rating (Long-term Growth Score)	0.89	2.3	2.2	100
Spike Index (Short-term Growth Score)	0.93	1.1	1.1	100
Fluency (Brand Recognition)	0.95	0.6	0.6	100

Finding new in the familiar: revisiting work from the past

System1 Test Your Ad

MY CATEGORY RANKINGS TEST YOUR AD - 1ST FREE! SUBSCRIBE Hello Imran Trial Account Sign out

Global Covid-19 Related Ads (353)
 Anheuser-Busch InBev (6)
 Budweiser (4)
 Start typing an advertiser or brand

	RANK	FAV	STAR RATING	Spike Rating	Fluency	1ST AIRED LAST AIRED	SPEND
Whassup Bud (US) :60' Anheuser-Busch InBev Budweiser	27	<input type="checkbox"/>	4.2	1.71	100%	23 Apr 20 28 Apr 20	SPEND COMING SOON
Checking In, That's Whassup (US) :90' Anheuser-Busch InBev Budweiser	95	<input type="checkbox"/>	3.1	1.24	100%	23 Apr 20 24 Apr 20	SPEND COMING SOON
Strong Team :30' Anheuser-Busch InBev Budweiser	106	<input type="checkbox"/>	3.0	1.17	100%	27 Mar 20 4 Apr 20	SPEND COMING SOON
One Team :77' Anheuser-Busch InBev Budweiser	204	<input type="checkbox"/>	2.1	1.38	100%	24 Mar 20 27 Mar 20	SPEND COMING SOON

What kind of work is connecting well (and what less well)?

What's not connecting



The direct hard sell



Ads focused on *things*



Ads pandering to self-image



Ads reliant on words or rhythm



Ads that are aggressive, competitive or performance focused

What is connecting

Character Fluent Devices



Scenario Fluent Devices



Ads celebrating 'betweenness'



Ads set in or referencing the past



Ads with connection to local place and community

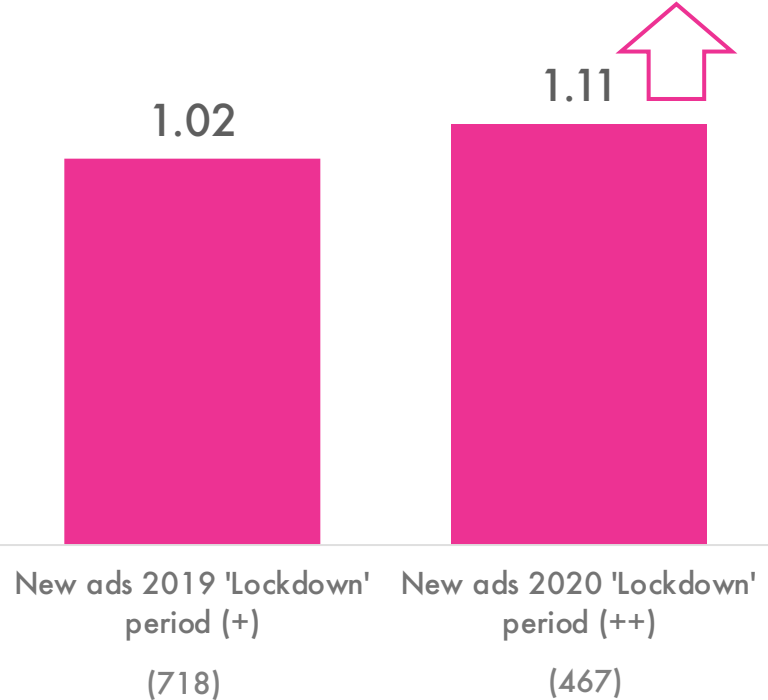


How are new ads performing today?

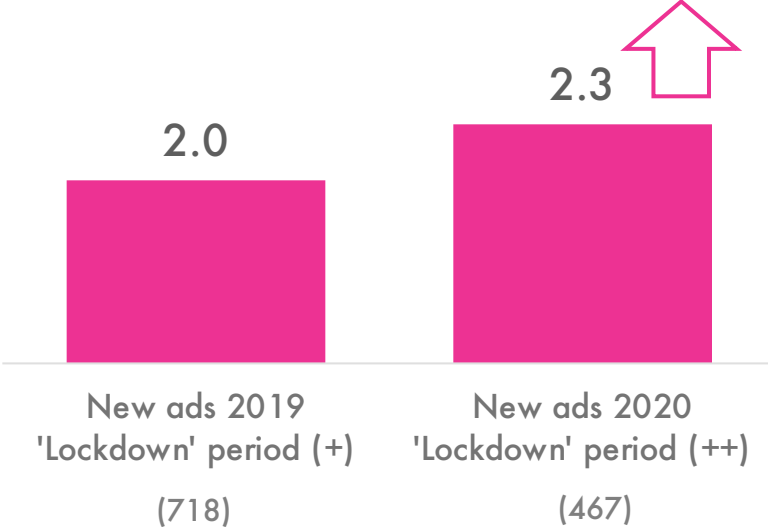
New ads appearing in lockdown connecting better than ads appearing in same month last year.



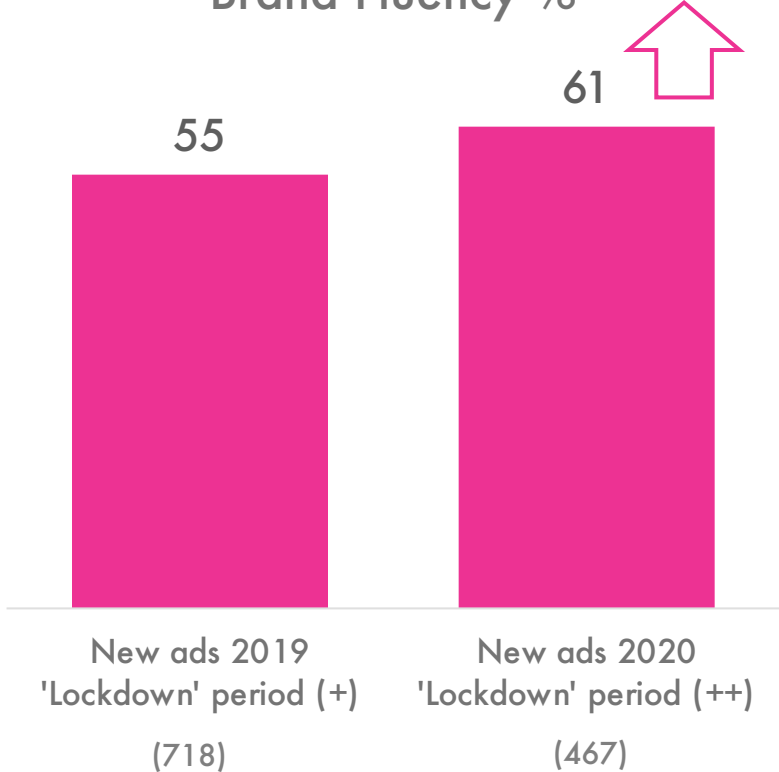
Spike (Short-term)



Star Rating (Long-term)



Brand Fluency %

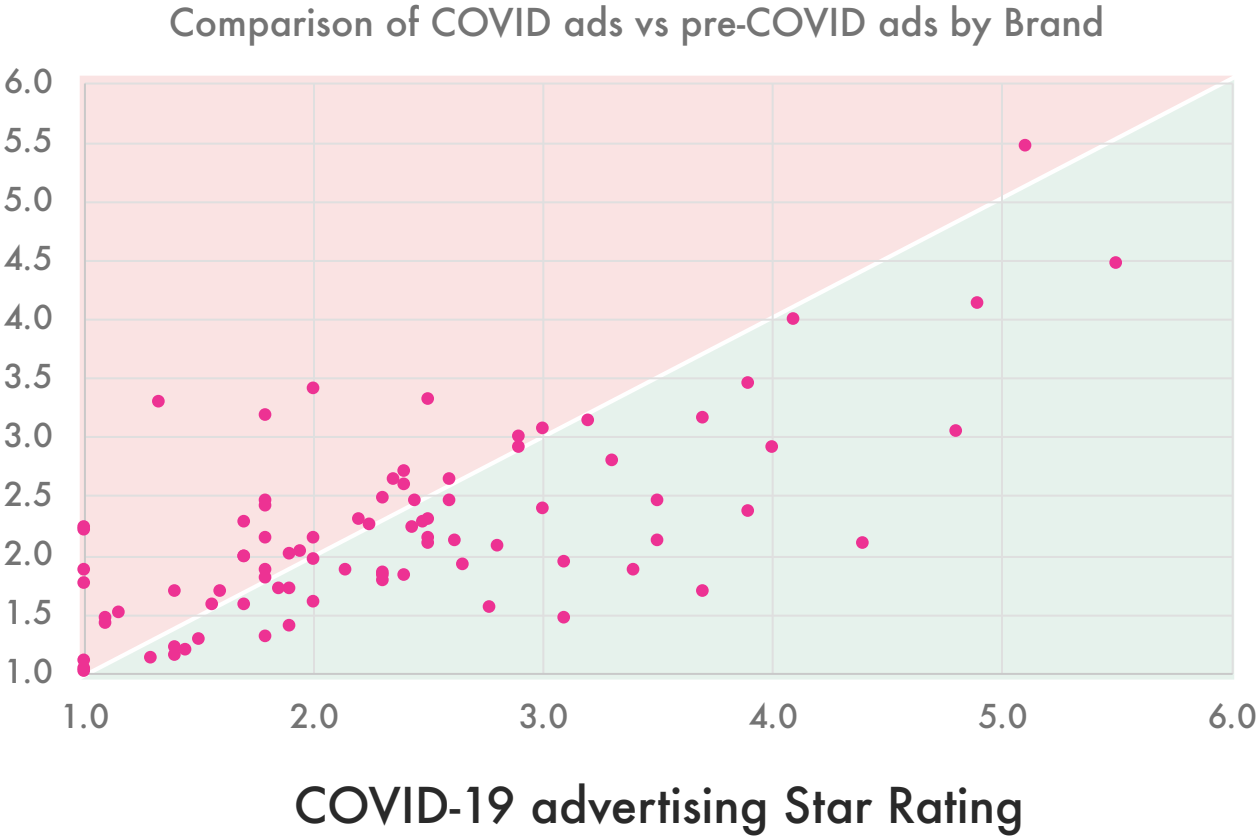


Brands' COVID-19 ads slightly better than their ads before the crisis.

COVID ads for telecoms and food providers are connecting better than their ads predating crisis.

**Pre-COVID
advertising Star
Rating**

(1646 ads first airing in 2019
for brands later airing a
COVID-19 ad)

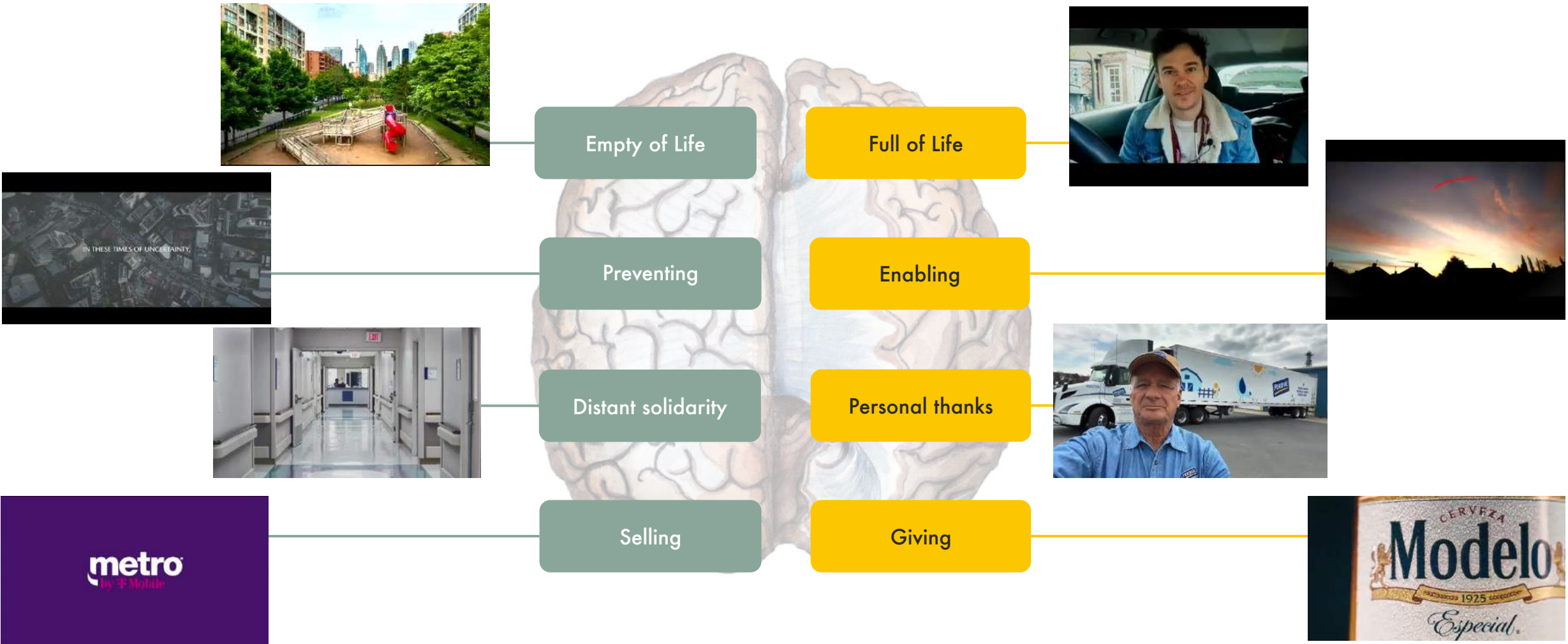


(143 ads for brands airing COVID-19 ads)

COVID ads that connect

worse vs better

than brands' pre-existing ads



The COVID-19 crisis calls for right brain thinking in your advertising

1. This is a time of heightened empathy, of shared experience, of alertness and vigilance
2. Do I need to create new work? Not necessarily: pre-existing brand work will most likely still connect today as well as it did. In fact, revisiting work from the past can be very successful.
3. But won't new ads connect better? Yes, but there's huge variability by brand. Some perform much *better*, some much *worse*, than pre-existing work – on both emotional response and brand recognition.
4. What if I do need to create new work?
 - Show life, generosity and how you can help. People, place, community, humour, spontaneity and lived time are enormously valued today.
 - Remain distinctive. Draw on your existing campaign, make use of your existing assets or characters.
 - Avoid mechanistic advertising that is empty of life, didactic, distant, highly rhythmic, reliant on on-screen words or voiceover, focused on things rather than people. Avoid the cliché.
5. Check how ads are connecting with System1's testyourad.com service: free access to our COVID ad category for a month and one free test



Q&A

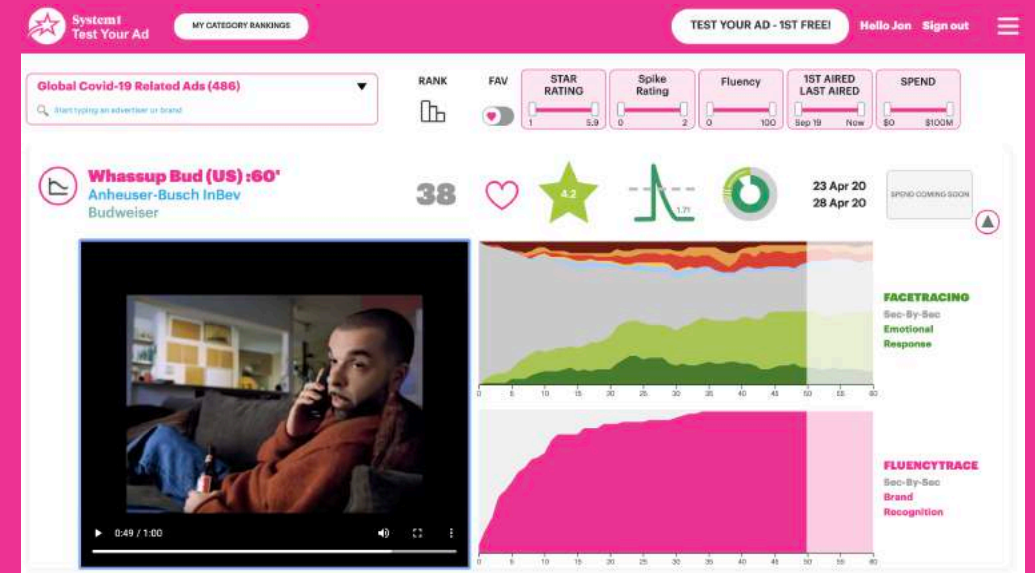
Hosted by Jon Evans

system1group.com

Q. Peter.
What if you cant activate
at all? For example in
Travel or Hospitality


The screenshot displays the System1 Test Your Ad interface. At the top, there's a navigation bar with the System1 logo, 'Test Your Ad', 'MY CATEGORY RANKINGS', 'TEST YOUR AD - 1ST FREE!', and user information 'Hello Jon Sign out'. Below this, a dropdown menu shows 'Global Covid-19 Related Ads (486)'. A search bar contains the text 'Start typing an advertiser or brand'. To the right are filters for RANK, FAV, STAR RATING (1 to 5.0), Spike Rating (0 to 2), Fluency (0 to 100), 1ST AIRED LAST AIRED (Sep 19 to Now), and SPEND (\$0 to \$100M). The main content area features a card for 'With Love From Aus (US) :80'' by Tourism Australia. The card includes a video player showing the ad, a '24' icon, a heart icon, a 4.7 star rating, a line graph with '1.24', a circular progress indicator, and dates '31 Mar 20' and '8 Apr 20'. Below the video are two charts: 'FACETRACING Sec-By-Sec Emotional Response' and 'FLUENCYTRACE Sec-By-Sec Brand Recognition'. A 'SPEND COMING SOON' button is also visible.

Q. Orlando.
Why are we not seeing more brands taking the Budweiser approach?




Live questions from the chat

UNCENSORED CMO INTERVIEW WITH ORLANDO OUT NOW ON APPLE PODCAST & SPOTIFY



Creative effectiveness in a crisis - Orlando Wood
Uncensored CMO

May 13 · 32 min

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Episode Description

The author of the IPA's best-selling book, Lemon, Orlando Wood joins me for this episode of the Uncensored CMO. Orlando has a particularly unique perspective of how we can produce right-brained ads in this time of uncertainty. With his approach backed up by his findings in Lemon, we find out exactly how, as brands, we should be advertising.



system1group.com/coronavirus