ADAPTING TO MARKET TO MARK

How brands should think about advertising during and post COVID-19.

FOREWORD

By Paul Bainsfair, Director General IPA

Harold Macmillan (Prime Minister 1957 – 63) was once asked what was most likely to blow a Government off course, Macmillan replied: "Events, my dear boy, events". And so, it has been proved over and over again. Governments and Businesses make plans but it is their ability to adapt to sudden and unforeseen changes that will determine their success in the long run.

Never have we faced an emergency on the scale of the current COVID-19 crisis in peacetime and it has already prompted a £350bn bailout to save the economy. How businesses respond will determine not only their survival but their profitability for many years to come.

Yet brands have faced existential threats before, and many have shown a remarkable ability to act decisively and often counter instinctively in order to triumph in times of adversity. During World War II, the Government asked a number of food and drink brands to form wartime alliances to ensure the British people could get hold of staple products. For a couple of years individual brands disappeared and were replaced by generics. Despite this move, some brands took the decision to carry on advertising in the National Press. Their ads talked about how they would return after Victory. Schweppes and Stork margarine were two such examples, and after the War ended they saw their brand shares shoot up way past their prewar levels. This timely paper is a useful summary of how brands have survived all sorts of reverses and disasters, outlining what they did and how they avoided what seemed like an inevitable and irreversible decline.

If it whets your appetite for more, I also recommend The IPA's "Advertising in a downturn" report, where the key findings are:

- 1. Cutting budgets in a downturn will only help defend profits in the very short term.
- 2. Ultimately the brand will emerge from the downturn weaker and much less profitable.
- 3. It is better to maintain SOV (share of voice) at or above SOM (share of market) during a downturn: the longer-term improvement in profitability is likely to greatly outweigh the short-term reduction.
- 4. If other brands are cutting budgets, the longer-term benefit of maintaining SOV at or above SOM will be even greater.



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PREPARED BY

Chris Tyas is the Chief Strategy Officer at Impero. Having worked in the industry for 20 years, Chris takes an evidence based approach to understanding the power of advertising and how it can be harnessed to build brands.

EXECUTIVE SUMMARY

Sadly, there is no executive summary in this document – the bite sized manner in which we have been accustomed to read and get the gist of a subject and continue scrolling, is not well suited to the scale and magnitude of the events and times we are living in.

This document should take around 30 minutes to read.

Impero has pulled together this analysis to help navigate a marketing landscape we have never experienced in our generation. There is no playbook and no short-cut to finding solutions. We believe, however, there is a pathway ahead.

UNPRECEDENTED TIMES

It goes without saying that we are experiencing unprecedented times, as COVID-19 changes the way we live in the world and how we make purchase decisions. Our generation has never experienced such a challenge.

While it's impossible, and not the purpose of this document to speculate on the medical implications either short or long term, we do think it's prudent for brands to begin thinking about how to adapt. Moreover, it's impossible to try and sight the length of time or the significance that these changes will have on the world, and therefore logically there is no given frame to any part of this analysis.

The purpose of this document is to try to set out how brands prepare for these uncertain times, based on evidence from the past. While there is certainly no playbook that we can refer to in order to inform the way ahead, we can at least take some learning from the past to help draw a conclusion on how advertising might be affected in the future.

Times of Change

To help identify possible suggestions on the pathway ahead for brands, we have cited our evidence from previous disasters in history as well as other evidence which suggest how brands can cope in times of change.

To be clear, the purpose of this document is not to compare the size and ramifications of previous crises, but instead to look, as marketeers, at how consumers might act to understand the path ahead. The more we can learn from the past, the better we will be suited to adapt to new market conditions as the traditional rules of marketing effectiveness inevitably change.

A MINDFUL APPROACH

For most brands and their customers, consumers and government, these are highly sensitive times where there is real danger to human life, jobs and the fate of many companies.

This is clearly not a time to capitalise.

However, we do live in a capitalist economy where we need to encourage consumers to spend money with brands to generate jobs and value, which in turn, drives the wider economy. It therefore goes without saying, any marketing decisions should not be taken lightly, and for brands to simply continue to operate right now, is the number one priority.

While the timings for events cannot be predicted, we do think it's wise for brands to develop an approach based on returning to commercial viability in the shortest time possible. The phasing of this will be of course entirely different for each sector and brand. While the fundamental market conditions prior to recent events looked sound, it's very possible to consider we may have a period of economic stagnation. In the aftermath of the last recession in 2008, ad spending in the U.S dropped by 13%. However, as cited by multiple studies, spending during a turndown allows for a faster return to growth.

In the 1920's, Post was the category leader in the ready-to-eat cereal category. During the great depression Post cut back significantly on its advertising budget, while rival Kellogg's actually doubled its advertising spend, investing heavily in radio and introducing a new cereal called Rice Krispies, featuring "Snap," "Crackle" and "Pop." Kellogg's profits grew by 30% and the company became the category leader, a position it has maintained for decades.

Procter & Gamble CEO A.G. Lafley, "We have a philosophy and a strategy. When times are tough, you build share."

American Business Press analysed 143 companies during the economic downturn back in 1974 and 1975. Companies that advertised in those years saw the highest growth in sales and net income during the recession, and the two years that followed.

While the world hopes for a speedy return to normal, evidence suggests that the longer people's lives are affected, it may change how consumers make decisions on what is socially acceptable and ultimately the role brands play in their lives. To help understand this impact we have looked at the science behind stress and its effect on the brain.

IN THE DOCUMENT WE COVER





FIRST THINGS FIRST

The immediate steps brands should be talking



REACTING TO CHANGE

How brands can react to change and how the old rules don't apply



STRESS ON THE BRAIN

How stress affects our decision making



PART OF THE SOLUTION

How brands can be part of the solution



GENEROSITY

Why generosity can bring people together



ENTERTAINMENT

The importance of entertainment during times of troubles



THE 3 LEGGED STOOL

How to work with partners during this time

THE FINAL CHAPTER

Impero and how we can help

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While some sectors are experiencing a short-term boom others are realising that even a short term continuation of the Pandemic will reshape their business forever. During this time we are made acutely aware of the basic forces for marketing – Supply and Demand. And while it's easy to think of this in terms of brands and their competitors and consumers, the reality is the supply and demand of the total ecosystem is out-of-kilter. Whether it's the supply chain that needs to make parts for your product, the ability for a customer to continue to trade, or the change in media consumption that affects its real value. The net result is the reality that advertising and brand building is and always has been, an integral part of the supply chain ecosystem of how a business operates. And when this delicate ecosystem is unbalanced, brands need to take immediate steps to mitigate the short term impact.

Many brands that we have spoken to have drawn up an immediate prioritisation plan based on the current market dynamics.

While every plan is different, here are a few key considerations;

- 1. Define your short term priorities
- 2. Pull any non-appropriate advertising and messaging
- 3. Focus on business operations and product supply chain
- 4. Develop any immediate creative contingence if needed
- 5. Monitor your own data to identify new patterns of behaviour
- 6. Speak to your key customers to understand their immediate needs

While there are plenty of business books on managing and coping with change like Who Moved my Cheese, little can prepare for change in uncharted territory. Most change people and brands like to plan for is risk-free and full of certainty and has benefitted from months of planning.

Malaysia Airlines Flight
MH370 disappeared
on the 8th of March 2014
with no survivors. Dean
Dacko, Senior Vice President
of Marketing for Malaysia
Airlines set about a plan
to deal with the immediate need
of its consumer and to protect
the long-term survival of
the airline.

Within two hours of news breaking that Malaysia Airlines Flight MH370 had disappeared, every single commercial communication, across every channel, in all the airline's global markets had been suspended and the company's website placed it into a status known as 'dark side'.

As all airlines will know, any incident that involves loss has a process and a protocol for disaster management, practiced every quarter. Within ten days Malaysia Airlines labelled this as 'completely redundant'.

Dacko said they were faced with two choices: to go out of business or to keep flying.

Google was its most significant and strategic partner and "shared a tonne of data", particularly in helping to understand what people were searching for. In time, this enabled the airline to target specific audiences that were interested in commercial information, rather than information about the event.

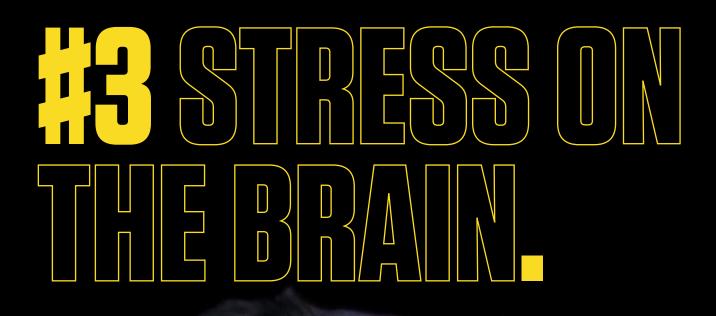
While managing a crisis of this scale in a digital world presents its own unique challenges, Dacko says one advantage was that it enabled the team to act in a targeted, personal and human manner. And rather than stick to a global approach to messaging, he allowed each of the 16 different country sites to be completely flexible on how they measure, monitor and adjust the brand message. Dacko said "I don't know whether we would have been able to move as rapidly, or as accurately, without having that kind of intelligence or understanding that the digital world afforded," he says.

Malaysia Airlines also adapted a multi-market approach to sharing leanings fast with each of its markets. Using a simple traffic light system, once they had something that was working in one market, this would immediately be shared in all other markets to test its effectiveness. In the subsequent weeks after the event the brand had implemented A/B testing to determine receptiveness to the brand message. Most traditional media was switched to digital to enable the brand to be super responsive.

By May 20th Malaysia Airlines had generated \$11 million in sales from direct channels up from zero in early March.

Key takeouts

- 1. Use data to identify specifics of challenges and solutions
- 2. Respond at speed to the most urgent matters
- 3. Brands have a duty of care to the customers they serve not just to create shareholder value and market growth
- 4. Adopt a local approach to messaging and empower teams
- 5. A/B test messages to ensure their relevance
- 6. Immediately share learning with different markets using a simple traffic light system
- 7. Consider switching to agile forms of media which give you greater control like digital



Right now there are few things we can be certain about as the landscape is unfolding, as well as the short and long term implications of such fast change. However one thing we can be somewhat sure of, is that many people will be feeling stressed. And this stress, whether it's on internal employees and/or consumers, needs to be understood in order for us to adapt. Stress serves an important purpose in preparing us for danger and as such, is clearly a useful coping mechanism. However it also causes us to act irrationally, as seen in the UK with our obsession with bulk-buying toilet paper at this current time. According to Jill Goldstein, a professor of psychiatry and medicine at Harvard Medical School, stress affects not only memory and many other brain functions, like mood and anxiety, but also promotes inflammation, which adversely affects heart health.

In 2015 a study undertaken by Nancy M. Puccinelli (Oxford University), Keith Wilcox (Columbia University), and Dhruv Grewal (Babson College) looked at the effect on viewers exposed to a high-energy commercial during a sad, low-energy show. The authors found that people watching a sad movie found it significantly more difficult to watch highly energetic commercials, and viewers were in fact less likely to watch the commercial at all, or to recall the advertiser.

The other impact of stress is creating short term memories. Stress can affect how memories are formed. In a recent study in 2017, Shields conducted 113 stress-related experiments on consumers. The results found a number of surprising factors:

- 1. Stress that occurred after a memory was formed actually led to better memory making.
- 2. Stress could impede the formation of memories if it occurred prior to or during encoding, the time during which the memory is formed.
- 3. If the material being learned was directly related to the stressor, memory actually improved.
- 4. Stress can also lead to exhaustion, and this can lead to cognitive impairment that includes issues with attention.

In a separate study, Massachusetts Institute of Technology found stress leads to poor decision-making. Experiments on rats and mice found that stressed out animals were far more likely to opt for dangerous alternatives, for a bigger reward. Study co-author Dr Alexander Friedman said: The result is the animal ignores the high cost and chooses the high reward.

Moreover, multiple studies have also found that we become more impulsive and less reflective. In effect, we develop tunnel vision and are not worried about the long term implications of our actions. We pay more attention to the upside rather than the downside.

The University of Southern California found that when people are put under stress—by being told to hold their hand in ice water for a few minutes, for example, or give a speech—they start paying more attention to positive information and discounting negative information. "Stress seems to help people learn from positive feedback and impairs their learning from negative feedback," Mather says.

Given the multiple research studies on stress, it seems to be expected that stress can change how consumers make purchasing decisions and possibly choose products and brands that in another given time, they would be less open to. In effect we are all open to hear good news when times are hard. While we might return to tried and trusted brands, we might also be far more open to start conversation with brands that normally we wouldn't be close to.

Key takeouts

- 1. Consider making messages more relaxing and less up-tempo to soothe consumers stress
- 2. Consider revisiting old, but loved communications platforms
- 3. Keep messaging simple
- 4. Consider how brands can bring positive good news stories



In 1918 the Spanish flu outbreak affected the world. This was also at a time when World War I was coming to an end. Both these events clearly had human and economic loss as a result of these great tragedies.

During this time advertising was used to Sell, Sell, Sell. Brands were quick to jump on opportunities. Brand De Reszke had already placed an ad that featured a young woman bidding farewell to a naval officer with the gift of cigarettes, just after England had declared war on Germany.

It's easy to compare these types of campaigns to how brands like tinned food, face masks and hand gel are being marketed right now. Morally, we find ourselves asking, are these messagings capitalising at a time of crisis? During the First World War, advertisers were fast to respond to consumer needs. Amanda-Jane Doran, an expert on Victorian publishing and illustration said, "In Country Life, one of the things I noticed, being a woman, was that there were a lot of ads for guard dogs."



What's interesting about advertising at this time is that on the one hand, we could be forgiven for judging these adverts as taking advantage of the situation, but on the other, it should be considered that these adverts were part of the war efforts. During this time, adverts played to popular narratives and reinforced pervasive propaganda messages.

In this example from Gillette, the advert celebrates the "Clean Fighters of the allied forces" fighting for clean ideals. Throughout the First World War, brands used patriotic messages to appeal to consumers' sense of national pride. And far from being seen to capitalise on the events, brands were seen to be part of the solution.

In modern marketing we see brand's endless search for a better world, and creating purpose driven campaigns about an array of topics from loneliness, mental health and environmentalism.

But maybe right now it's time to consider how brands should support the global efforts to rid ourselves of the COVID-19, without taking advantage of the situation.

The possibilities of this clearly go beyond just selling cleaning products. As consumers and businesses are suffering from isolation, cancelled holidays and loss of life, there are a multitude of ways brands can help.



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In this example from Brewdog they have switched from brewing beer to making hand sanitiser.

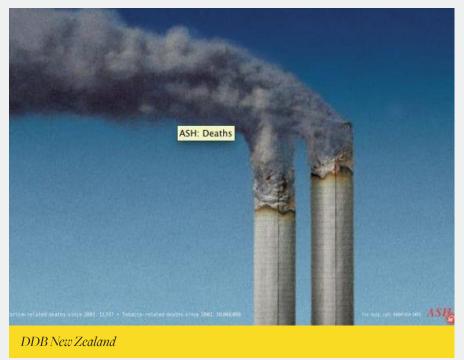
There is a clear difference in creating ideas which are insensitive to the subject. After 9/11 there were a number of examples of these.

This beer display in Walmart represents the two towers. Understandably, the display left people in outrage.

This advert from Mini cooper had two headlight beams intended to represent the beams from Ground Zero.

And finally this advert from DDB New Zealand for Smoking and Health, which ran in 2008. There is debate over whether or not the ad was even intended for distribution, but either way it made its way into the news for all the wrong reasons.







Key takeouts

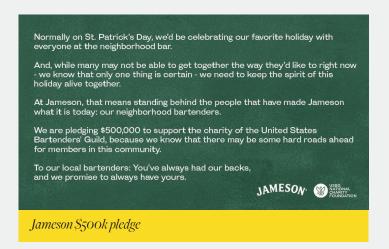
- 1. Be acutely aware of capitalising on the moment
- 2. Don't mis-culturally appropriate
- 3. Consider how your brand can help What aligns to your brand values?
- 4. What assets and resources do you have at your disposal to help?



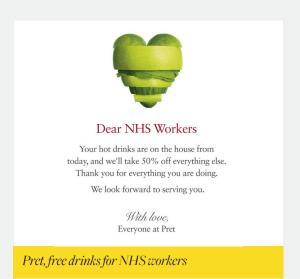
In times of trouble, brands have often stepped forward to be kind and generous which is a testament to the human spirit.

Brands can play an active role to help in small ways that consumers won't forget.

London-based psychologist Dr George Fieldman said "Altruism – or the act of doing something for somebody else at a cost to yourself – has a fascinating effect on us. It can help us feel better about ourselves, and a simple act of kindness can create authentic feelings of joy; not just for the person on the receiving end, but also for the person doing the giving," he explained.



According to Fred Reichheld, the author of "The Ultimate Question: Driving Good Profits and True Growth," a 12% increase in brand advocacy, on average, generates a 2X increase in revenue growth rate as well as boost market share. Across the globe we are seeing brands support in financial ways. T-Mobile Tuesday just donated \$500k to feeding America. Jameson just pledged \$500k to Bartenders Guild to help bartenders.





And in this example from Pret, they have offered all NHS workers in the UK free hot drinks and 50% off food.

And while some brands might be able to offer hard cash to help, there are other ways brands can help by making a more personal impact.

I am reminded of the Timpson approach to helping job seekers: If you are unemployed they will clean your suit free of charge.

Another example, and one of the earliest was Interflora's Twitter campaign, where it cheered people up who were complaining about having a bad day on social media, and then surprised them with a bunch of flowers.

More recently we have seen Pornhub in Italy offering everyone free access to its premium service for the rest of the month.

When the trains came to a standstill in 2010 due to heavy snowfall, Elaine Holt, chairman of East Coast Mainline, went to King's Cross to talk to stranded customers and help staff manage the situation.

Holt said. "It's about demonstrating empathy but also showing what you're doing to rectify the situation. Being visible and having that leadership presence is important so that customers can see they are a priority," she says. "It's about giving a human reaction rather than putting down the corporate shutters."

Key takeouts

- 1. How can your brand support its customer or consumers by being generous?
- 2. What resources does your brand own which could be shared or repurposed?
- 3. Consider how to move at speed and what gestures can be made to empower staff
- 4. How can top brass set an example?



With many public events cancelled, this is sure to leave an entertainment shaped hole in consumer's lives. From marathons to festivals, brands have often used these as vehicles to build positive emotions around products and experiences. A research study from the Auburn University Department of Economics, centering around 'Consumer Spending on Entertainment and the Great Recession', looked at consumer spend during boom years vs recession years and discovered a number of interesting findings. They found that entertainment spending often does not decrease much during economic recessions.

During the recession in 2009, Mintel noticed peanut butter sales went from a predicted growth of 12% to 26% as consumer sought out affordable treats.

Profitable Venture lists 50 industries that it deems "recession proof" should the economy suffer in 2019, and movie theaters are 13th on its list.

And in the chart to the right we can see that during the great recession, ticket sales and ticket prices of the US Box Office fared well.

These data points start to lead us to believe that brands might have an ever bigger role to entertain people and lift their spirits during and post crisis. Looking back at internet moments like Planking, Owling and the Ice Bucket challenge, I think it's likely we will see consumers finding inventive ways to entertain themselves.

Macmillan Cancer Support has received donations totalling £250,000 from the ice bucket challenge, making it the charity's most successful social text-to-donate campaign. The interesting part of this campaign is Macmillan Cancer Support didn't start the campaign. They joined the social movement by being ready and listening to the conversation.

In a recent study, over half of consumers count social media as a form of entertainment which is something we will all be relying on a lot in the weeks to come.



With this in mind I think it is likely we will see the emergence of virtual forms of entertainment.

Inspired by the singers in Italy, a choir master in the UK just started The Sofa Singers to help raise people's spirits. A completely online virtual event.



Macmillan Cancer Support ice bucket challenge

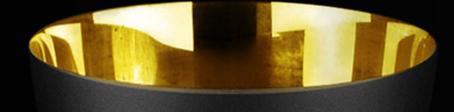
In this campaign from Dettol, who sell spray, wipes and hand sanitizer in India, they set up bespoke TikTok Challenges to get people to wash their hands. The campaign thus far has amassed 8.7 billion views in just 4 days, showing how being entertaining on an emerging platform can reach the right consumers.





Key takeouts

- 1. Listen to online conversations and understand which relevant conversations to join
- 2. Look at virtual forms of entertainment to lift the human spirit



McDonald's is often credited with one of the best supply chain systems in the world. The system is based on an idea that Ray Croc described as the 3 legged stool.

Leg 1 is the McDonald's company, Leg 2 is the franchisee and Leg 3 is the suppliers. The simple idea being if one of the legs broke, the stool would fall over.

In the current landscape it feels like a useful parallel to see how brands might need to think about their entire ecosystem, and how each leg can support eachother.

This McDonald's system has stood the test of time as it has created a "system first" approach. Ray Croc used to sell the concept of being a franchisee using the slogan "In business for yourself, but not by yourself."

Having worked with McDonald's over a number of years, I believe this to be one of the prevailing forces that has enabled the company to grow and scale across the globe.

One notable story of the 3 legged model in motion, was the opportunity to create a Thanksgiving muffin for the US market. Clearly a great sales opportunity for the marketing team and a great innovation. However, the reality of the scale of McDonald's came to light once the boffins had done their calculations. Working with the suppliers, launching a Cranberry muffin meant they would need to buy most of the world's supply of cranberries, pushing up prices, creating shortages and probably ruining many American's Thanksgivings. It was the three legged model that saved them from this issue. While it was a sensible marketing idea, the supply chain could not support it and the stool would give way.

In 2017 when Steve Easterbrook was the CEO of McDonald's, he set about his turnaround plan. The McDonald's business had been suffering for years in the US with consecutive months of falling footfall and sales. Commenting on Bloomberg in 2017, Steve said "The reality is the pace of change in the world is only going to increase and people are not waiting for McDonald's, so we need have more agility, more risk taking across 120 markets across the world."

Easterbrook knew that to turn around the business he needed to make a massive change and the power of the 3 legged stool enabled him to do this. Easterbook noted "We recognize that lasting change starts with partnerships".

Thinking about the 3 legged stool model right now makes us consider how at this moment, brands need to work with their customers and suppliers to restore some equilibrium. Every sector will be different and many parts of a brand's stool might be suffering.

Key takeouts

- 1. What is the impact on your customers and how can you support them?
- 2. Work with your suppliers to begin planning a turnaround
- 3. Be open and honest and ask for customers and suppliers to help solve the challenges ahead



It's fair to say that we see ourselves as part of your 3 legged stool. A critical leg in supporting and growing your brand. As your strategy and business partner we are working to find a number of ways we can support your brand, marketing and trade team during this time.

5 WAYS WE GAN HELP

The power of ideas

We are used to understanding complex challenges and using creativity to solve them. The powerful thing about ideas is that they don't conform to the same economic model that most economics adhere to. Conventional economics assumes 1 and 1 = 2. However the power of ideas can take 1 + 1 and make 10.

Butterfly Effect

Most people are familiar with the Butterfly Effect. Right now we think there may be a number of very small things a brand could do to help the world. Most brands spend their budget looking for big ideas, however, right now we think a small idea might be the best approach.

Training

During this time Impero will be providing a number of training and inspiration sessions to help brands upskill their teams. If you would like to find out more on training please contact coris@weareimpero.com

Strategic planning

The value of short-termism in advertising VS commitment and long term brand building has long been written about. Given the immediate pause most brands have on short term marketing right now, it could be an interesting time to undertake longer term strategic reviews as key talent in your organisation is freed up from short term decision making.

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We're at our best working with brands that want to get things done. Brands that have a healthy amount of impatience, and want to work with a partner who shares it.

Usually these brands want to speed up their effectiveness to achieve their goals. They realise in today's hyper competitive landscape that there are only two directions a brand can move: falling behind or moving ahead. And they want the latter.

We work with them to set long term strategies and brand platforms that get effective work into the world, constantly.

THANK YOU.

For more information: coris@weareimpero.com

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