METRIXLAB
a Macromill Group company

Should brands be going dark?

Advertising during the COVID-19 crisis

The dilemma facing CMOs

The COVID-19 global pandemic has had an unprecedented impact on every aspect of our lives. Well over 100 countries are operating under a full or partial lockdown, which has inevitably had significant consequences for businesses – many of which have either temporarily closed or face dramatically reduced demand for their products and services.

We are already seeing a rapid contraction of the global economy, and businesses are bracing themselves for the “Coronavirus Recession.” CMOs around the world are now debating whether their brands should continue to advertise during this uncertain time. And if they should, what do they need to change to remain relevant in the current situation?

Leveraging MetrixLab research alongside trusted external sources, let’s dive into these key questions:

- Does advertising protect brands during a recession?
- Will consumers accept advertising from brands at this time?
- How can I ensure advertising content resonates with how people are feeling?

Most brands are taking a cautious approach

In a challenging environment, the first instinct for many businesses has been to identify opportunities for immediate cost saving. Marketing budgets have been some of the earliest casualties as businesses aim to boost short-term profits.

Marketing Week's latest survey of 849 UK brand marketers suggests that around 90% of marketing budgets have been delayed or are under review.[1] One notable example was Coca-Cola, who announced in March that they would be suspending all marketing activity across multiple markets for Q2, with Q3 also under review.[2,3] More recently, alcoholic drinks giant Diageo confirmed that it would be "stopping advertising and promotional spend that will not be effective in the current environment."[4]

The precise impact on overall advertising spend is impossible to predict. But analysts at Macquarie Research have estimated that the global hit will be a decline of around 18% – doubling the impact seen during the last great financial crisis when global ad spend fell by 9%.[5]

Now is not the time to be going dark

While many brands decide to reduce or completely suspend marketing activity during a recession, there is a wealth of historical evidence to suggest that this is not the best strategy – both for protecting profits in the short term and for helping the brand to recover in the long term. As the world was emerging from the last recession in 2009, Tellis and Tellis published an extensive review of empirical research into the impact of advertising during a recession.

Their analysis consistently demonstrated the following:

- There is strong evidence that cutting back on advertising can hurt sales during and after a recession, without generating any substantial increase in profits. Such cutbacks can actually result in a loss in capitalization.
- On the other hand, not cutting back on advertising during a recession could increase sales during and after the recession.
- Firms that increased advertising during a recession experienced higher sales, market share, or earnings during or after the recession.[6]

In his recent "Marketing in the time of Coronavirus" webinar, Mark Ritson championed the value of maintaining or increasing ad spend during a recession. Continuing to spend on advertising during a recession is a shrewd move because it guarantees a higher share of voice at a time when the competition is likely to be cutting back.[7] And share of voice, specifically ESOV (excess share of voice - spending ahead of your market share), has a well-established relationship with fueling growth.

As Tellis and Tellis said: "...most firms tend to cut back on advertising during a recession. This behaviour reduces noise and increases the effectiveness of advertising of any single firm that advertises. Thus, the firm that increases advertising in this environment can enjoy higher sales and market share. When the economy expands, all firms tend to increase advertising. At that point, no single firm gains much by that increase. The gains of the firms that maintained or increased advertising during a recession, however, persist. This theory is also the most reasonable explanation for all the empirical effects of GDP on advertising and of advertising on sales, market share and profitability. It is also a simple, but strong, refutation of the theory for cutting back on advertising during a recession."[6]

The ESOV opportunity is complemented by the additional bonus that as advertisers pull back and demand is reduced, prime media spots are becoming cheaper. And the restrictions placed on consumers in locked down countries are providing a larger audience in certain media channels – namely TV, radio and online.

This is a rare opportunity for brands to reach a larger audience with great value media spots. At the same time, they can secure ESOV which will protect the brand in the short term and accelerate growth in the longer term.

Consumers expect brands to advertise... even now!

But of course, this isn't simply a recession. The other question to consider is whether consumers think it's appropriate for brands to advertise during the pandemic, or whether they believe companies should be putting their resources to other uses to help with the crisis.

Clearly this was a driving factor in Coca-Cola's recent decision. When announcing the cessation of advertising spend for Q2 in the UK, a Coca-Cola spokesperson said: "In light of the serious situation everyone is facing with regard to coronavirus, we don't believe it would be appropriate, or consistent with the current challenges and uncertainty for our consumers, to continue with the planned marketing of our brands in Great Britain at this time... As we all adjust to these very different circumstances, we will focus our efforts on how we can make a difference to our consumers, customers and communities in the weeks and months ahead."[2]

The majority of consumers continue to see a role for brands during this time

Diageo echoed this message with a company spokesperson stating: "While everyone navigates the unprecedented challenges caused by the COVID-19 pandemic, we do not think it is appropriate to proceed with some of the marketing we had planned. Our primary focus remains the welfare of our employees, their families and our communities and we will continue to provide as much support as possible."[4]

Yet much of the available research suggests that consumers do not have a problem with brands advertising during this time. MetrixLab's Understanding the New Normal tracking study is exploring the impact of COVID-19 on consumer feelings, needs and behaviors across 17 markets. This study confirms that the majority of consumers continue to see a role for brands during this time, with 61% in April believing it is still acceptable for companies to be advertising.[8]

Getting the tone right

While consumers expect brands to advertise during this time, it is important that content strikes the right tone to align with the current mood and emotional needs of consumers. In response to this challenge, many brands have replaced planned campaigns with new messages of solidarity, empathy and commitment. Birds Eye, for example, recently launched a new European "What's for tea" campaign, which was rapidly developed to provide comfort and support as families adjust to lockdown conditions.[9] The risk is that ads such as this will be lost in a sea of similar content, with stock images of people making the best of the situation and brands reassuring customers that we are "in this together."

The challenge is for marketers to acknowledge new consumer needs without abandoning the advertising codes that signify their brands. A recent article by Ashok Sethi of the Illuminera Institute highlighted the lessons to be learned from behavioral science theory, and the important implications for marketing content.

We endorse the guidance provided on framing adverting correctly:

"A consistent onslaught of shrill, upbeat advertising in this period will be jarring. Though consumers are longing for normalcy, the depiction of an aspirational and joyous lifestyle may be overshadowed by anxiety. In fact, this could also put off consumers, and brands may be seen as callous and insensitive. Behavioral economics tells us that, sometimes, framing is more important than the messaging. It is not so much that marketers need to abandon their

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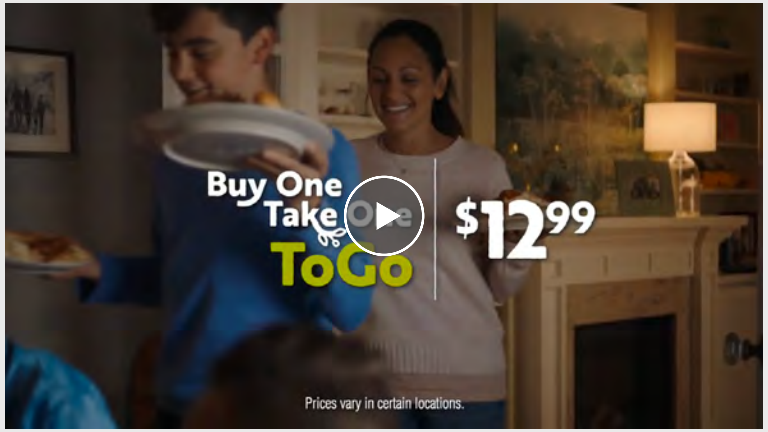

usual message; what is required is to put a new frame around it. Those new frames should be support, information, and consolation."[10]

Consumers want to hear how brands are supporting their employees, consumers, and society. Authentic compassion with examples of how the brand is adapting to support, inform and console will strike a chord with people during this time. US restaurant chain Olive Garden provides an instructive example, acknowledging the situation but also highlighting how it is adapting to help consumers with a contactless car-side pickup service and accompanying promotion.[11]

Key actions for marketers

This is an incredibly challenging time for many businesses and there is an obvious temptation to cut costs to protect profits in the short term. But for businesses that hold their nerve and continue to invest in their brands, there is an opportunity to protect performance in the short term and accelerate growth in the long term as we emerge from the crisis.

For now, follow these 5 actions to ensure the success of your current advertising initiatives and position your brand for future success:

1. Leverage existing empirical research to convince your business of the value of advertising during this time
2. Increase ESOV (excess share of voice) by maintaining or increasing advertising budgets as your competitors go dark
3. Reallocate spends to reflect lockdown media consumption habits – TV, radio and online/mobile
4. Reframe advertising to provide authentic support, information and consolation, but do not abandon the core values and cues that signify your brand
5. If you are unsure about the tone of an ad that is currently live and was tested before the crisis, test again to assess appropriateness in the new climate

About MetrixLab

MetrixLab provides consumer insights that drive smarter business decisions. A truly global digital research agency, we pioneer new technologies and integrate multiple data sources to push the boundaries of research. This enables our experts to provide high-quality insights at scale, at speed and for an unparalleled value. In just one decade, we've grown rapidly and now work with more than half of the world's top 100 brands.

Our expertise, passion and solutions enable our clients to succeed at product innovation, brand engagement and customer value in over 90 countries. MetrixLab is part of the Macromill Group.

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