BRILLIANTLY JOINED-UP MARKETING

Keep calm and carry on

A marketers guide to navigating turbulent times

December 2022

What's included?

A Harvard Business Review article titled 'Roaring out of a recession' analysed the business impact on 4,700 companies across three recessions. The research had one concluding finding, which was that on average:

9%

of companies didn't simply recover, they flourished - performing better on key business metrics after the recession than they did before it.

But it's not easy.

This guide aims to look at the 'how' and in doing so shares key learnings from several research sources.

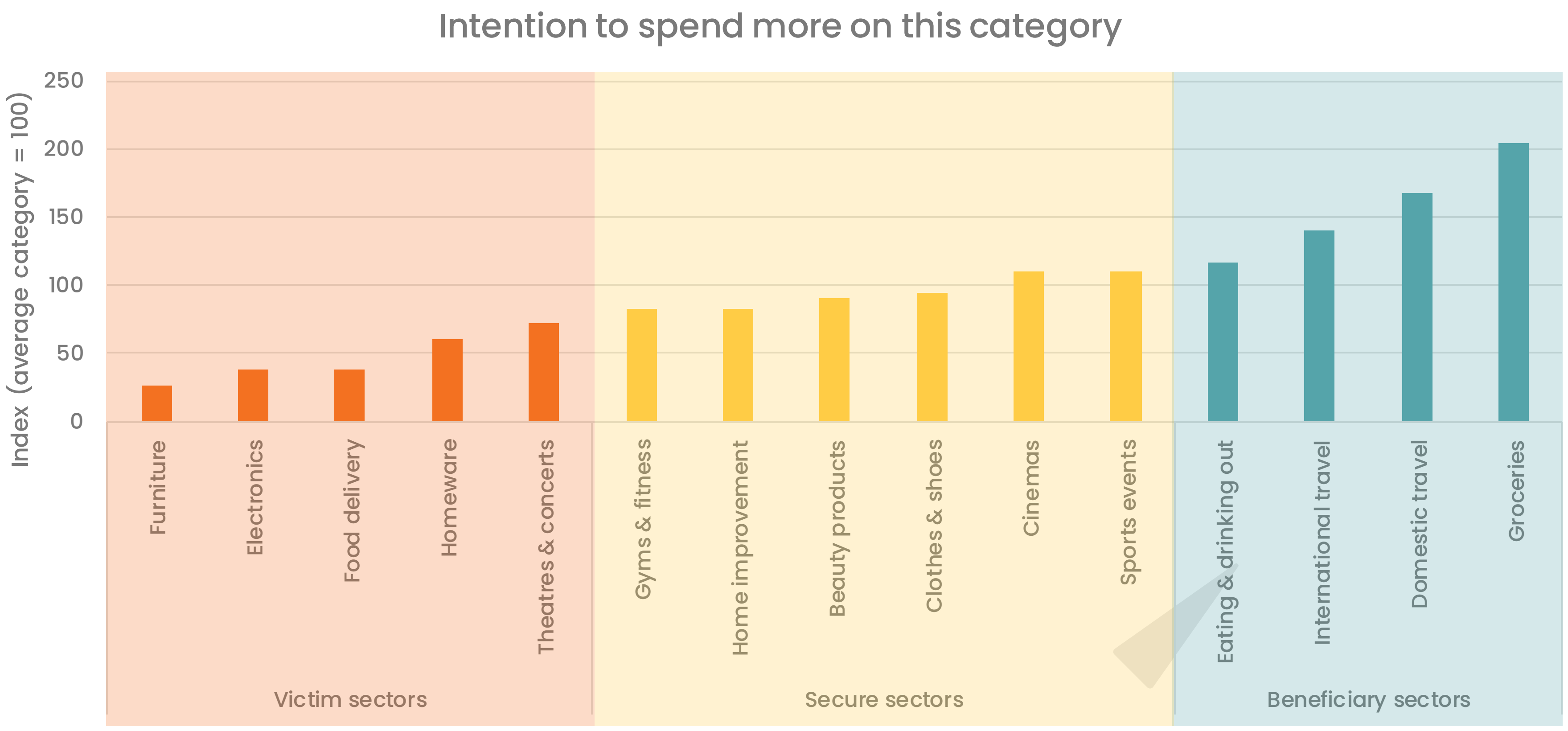
Following these principles will ensure you aim to sit in that 9%.

Source: Harvard Business Review – how to survive a recession and thrive afterward – 2019

Are you a Victim, Secure or Beneficiary?

Understanding where your sector sits is essential in knowing your next steps

Using the ARC database and survey data from consultant OC&C, Dr Grace Kite analysed demand across industries based on intention to spend more - then compared them to an average category score of 100.



Dr Grace Kite

"...know where you stand, and if you don't know. Plot where you *think* you stand."

Source: EffWorks 2022 - New ARC data: What does the pandemic teach us about brand investment in challenging times?

Each different category has 3 best next steps

Suggested advice alongside budget and number of channels.

	Advice	Suggested ad budget as % of turnover	Suggested number of channels
If your sector will benefit	Make the most of the opportunity with big bets in your advertising plan.	9%	6
If your sector is secure	Look for low-cost media buys to get extra share of voice for cheap and high ROI campaigns.	9%	5
If your sector will be a victim	Go quiet unless you've done the maths and are sure share of voice is cheap enough.	4%	5

Source: EffWorks 2022 - New ARC data: What does the pandemic teach us about brand investment in challenging times?

The ideal scenario

What more should brands look at to help them navigate turbulent times?
In an ideal world, we would also draw upon research and take lessons from past recessions.

1. Keep your lights on

What people think

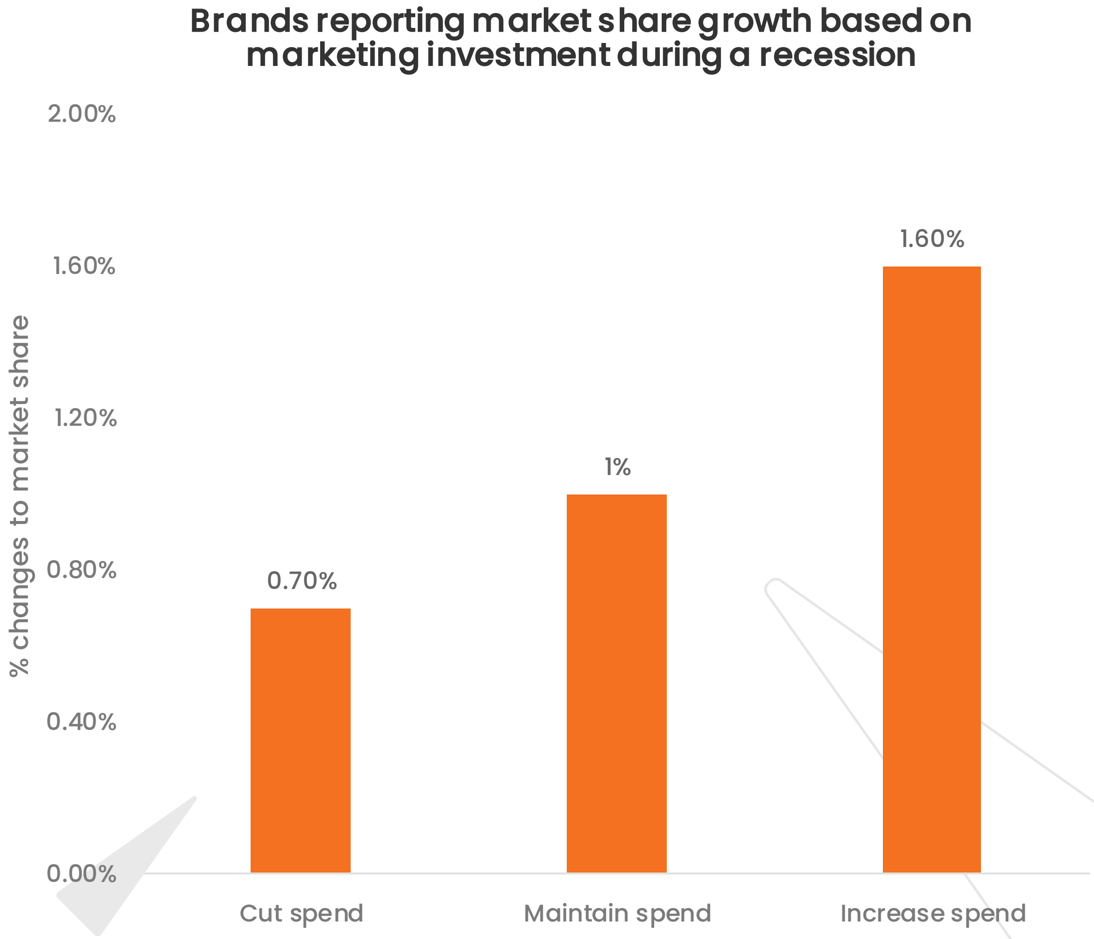
Cutting marketing budgets can save on costs and/or be redirected into the bottom line.

What actually happens

The decision to ‘go dark’ is understandable. But it isn't always advisable. Research shows that those who pause are **dramatically outperformed** by those who do not.

Eg., Brands that decrease investment see their market share shrink 0.7%; whilst brands that increase investment see their market share grow by 1.6% post-recession.

Taking the spotlight off your brand means shining the light onto your competitors instead. It can also take up to five years to regain share of market having turned off all ad spend.



Source: WARC “advertising through a recession”

2. At best, increase share of voice, at worst, protect it

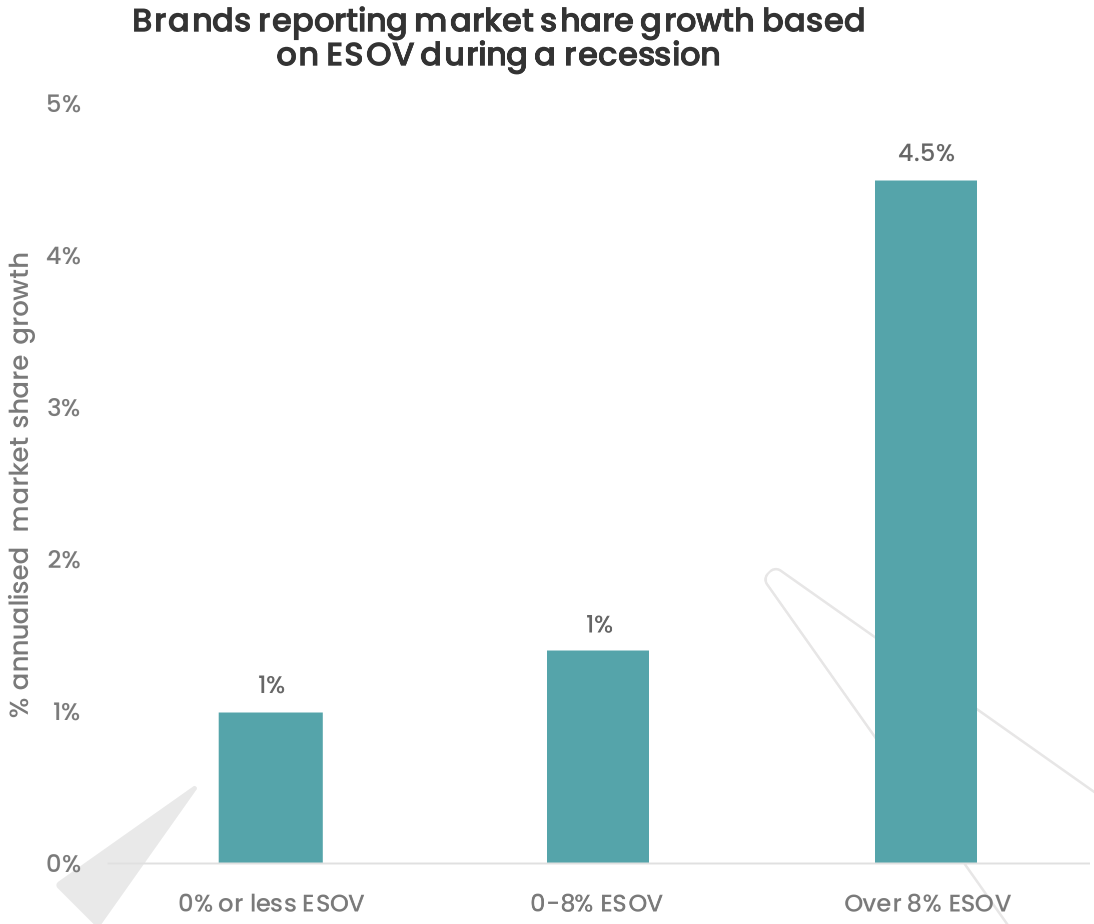
What people think

In times of crisis, reducing share of voice (SOV) may provide short-term relief to profitability.

What actually happens

Brands that maintain or increase investment do better during a recession because their share of voice (SOV) increases, relative to competitors who scaled back, which grows their market share.

Brands that invested in SOV to increase their excess share of voice (ESOV) by over 8% during a recession saw 4.5 times more market share growth.



Source: Peter Field "advertising in a recession"

3. Go long, don't get sucked into the short-term

What people think

Focusing on price promotions will stimulate demand and counter potential sales declines.

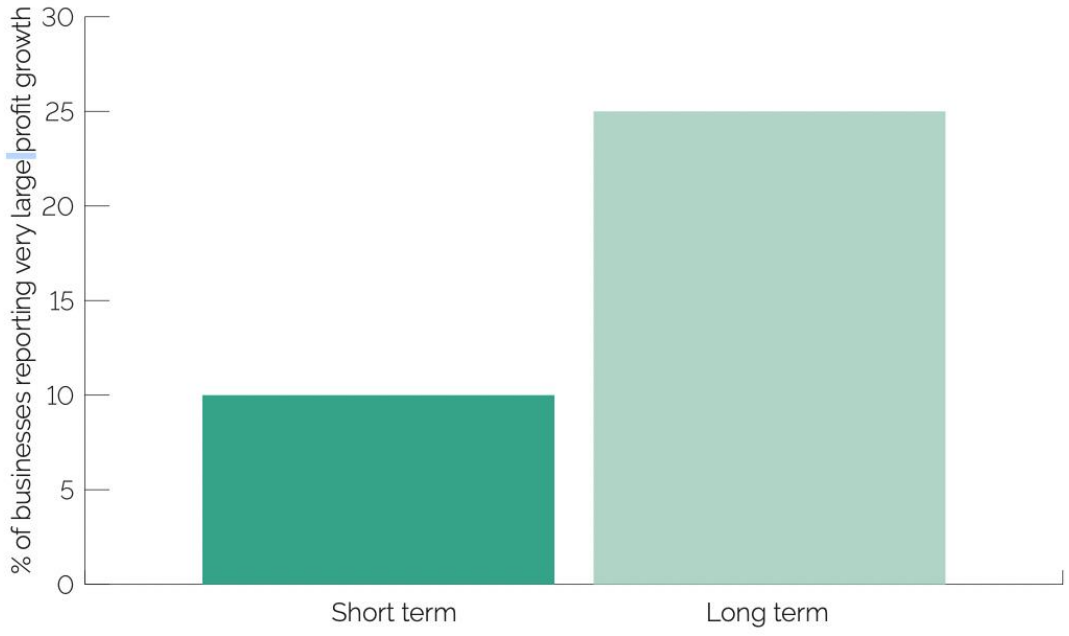
What actually happens

Les Binet recently stated that only a "tiny" proportion of promotional sales are shown to be incremental, meaning most price promotions actually reduce profits.

He goes on to state "A big chunk of your promoted sales is actually just subsidising existing sales. You're giving away discounts to people who would have bought from you anyway".

Excessive promotion increases price sensitivity, erodes margins and puts brands at a competitive disadvantage. Damaging in inflationary times.

Effective long-term ad campaigns are more likely to lead to large profit growth



Data source: IPA Databank, 2014-16 cases

Source: The IPA 'The best way to short term profit growth A long term plan'

4. Don’t be afraid to be creative

What people think

Marketing should reflect the mood of a recession, and focus on immediate cost-saving, rational messaging.

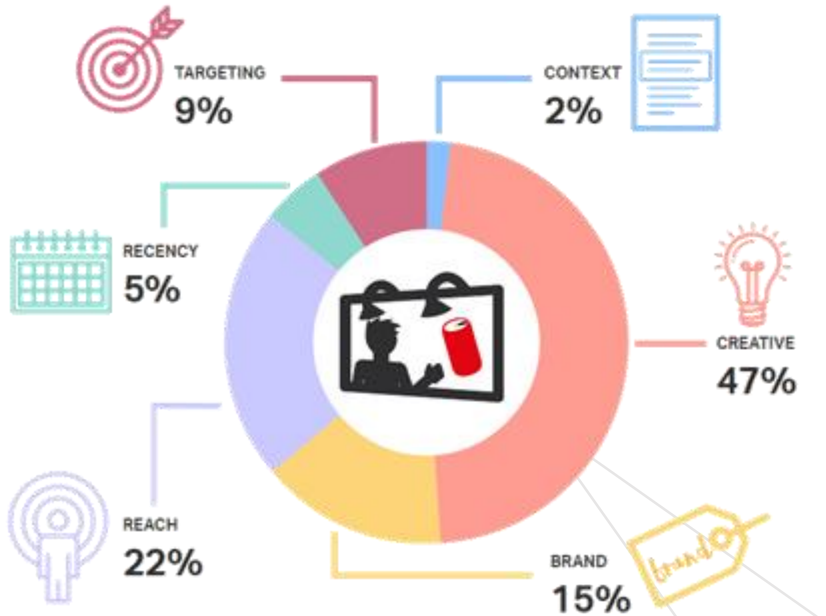
What actually happens

Short-term price promotions make it incredibly challenging to retain price premiums that brands take years of long-term brand building investment to secure.

Instead, its emotion and light-heartedness that are useful tools to capture attention.

In the 2008 recession, long-term thinking led to successful brand campaigns such as Virgin Atlantic’s “still red hot”, which estimated to have returned £10.58 for every £1 invested.

Percent sales contribution by advertising element



5. Manage your pricing

What people think

When times are tough, consumers are looking for low-cost options.

What actually happens

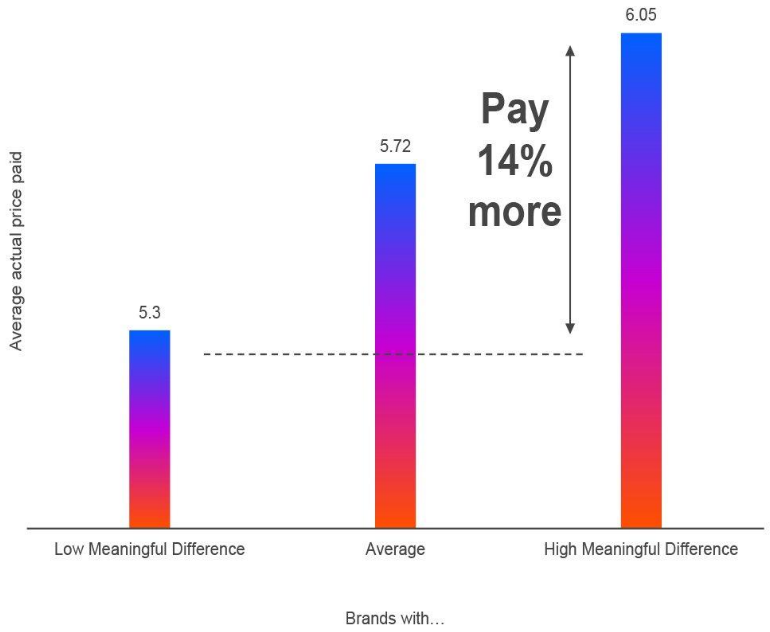
People are not necessarily looking to reduce costs in every aspect of their lifestyle, and as they prioritise, meaningful and different brands will come out on top.

Ask yourself - how can I maintain pricing power when consumers are looking for price reductions?

Pricing Power is a brand's ability to justify a price premium relative to the category average.

Don't go into sales promotions mode. Manage your price increases sensibly. Demonstrate the value of your brand.

Kantar: Pricing power and willingness to pay more .



Source: Under Pressure: Five imperatives for marketers in inflationary times Kantar December 22

Pragmatism for 2023

Our four-point tick-list

All research to date points to one finding > Keep the lights on (or even spend more) on marketing during a downturn. But many marketers will find this advice impractical. For those that don't have extra funds available, what tactics can be used to weather the storm of tough economic times?

- ✓ 1. Your company
- ✓ 2. Your category
- ✓ 3. Your channels
- ✓ 4. Your communication

1. Your company

Define value and let it shape your product.

- ✓ The Matrix > Budget, Premium, Convenience, Quality.

Focus on price but avoid the discount cycle.

- ✓ Premium brands retain a price relative to their premium status. Mainstream and lower priced brands should emphasise lower cost and create a stripped-back essentials range.

2. Your category

Review segmentation.

- ✓ Do you know your category buyers? Are current personas reflective of today's customer?

Where is your sector headed?

- ✓ Check out Dr Grace Kite's work on Victim, Secure and Beneficiary sectors.

Keep track on marketing behaviour.

- ✓ What channels?
- ✓ When are they spending?
- ✓ What are they saying?

3. Your channels

Don't slash media budgets, optimise them.

- ✓ Spend between 5-10% of revenue on marketing.
- ✓ 5-6 is optimum channel mix.
- ✓ Brand vs activation> 60/40.
- ✓ What channels are offering a buyer's market?
- ✓ Use channels for their strengths. Digital gives flexibility + transparency and traditional trust + attention.

4. Your communication

Review creative messaging, with emotion at the forefront.

- ✓ At 47%, creative is the single biggest contributor to advertising impact.
- ✓ Use emotion and light-heartedness as a tool to capture attention.

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For more information please contact
Maria Payne, Chief Client Officer.

maria.payne@accordmarketing.com