



The **WARC**
guide

Marketing in the COVID-19 recession

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Why it matters

As COVID-19 triggers a deep economic downturn, marketers around the world are faced with some tough strategic choices.

The lessons from previous recessions are clear – that the most effective approach is to maintain investment, build your brand and reap the reward in recovery.

That may be the case for some brands this time round. But it's increasingly clear that for many others, the advice is academic. Maintaining spend is not an option. The recession is so sharp that major budget cuts are inevitable for brands in a host of hard-hit sectors.

And because it is driven by a pandemic, rather than an economic event, the impact is felt in supply as well as demand – in short, many brands are unable to service any demand their marketing might stimulate.

This sample report showcases some of the best thinking from across the industry on navigating the post-lockdown period.

The full report presents marketers with more relevant frameworks and actionable ideas based on the position of their brand – and offers examples of how major marketers are already putting plans into practice.

Takeaways

1: The pandemic has caused a **demand and supply shock** – brands in many sectors no longer have a product to advertise, and cannot meet the 'classic' recessionary advice to keep spending.

2: Media spend and costs have fallen sharply across all channels as many categories turn off adspend. Companies in sectors like FMCG, however, are not cutting back as their sales hold firm.

3: Brands that have to 'go dark' should **use other levers to maintain visibility**, such as first-party data, customer experience and PR.

4: The most challenged sectors might come back by **advertising like a start-up**, with a focus on activation spend in the initial stages.

5: Brands will need to review what worked in the lockdown and develop a **clear playbook for future outbreaks**.

6: The early signs from China are that the recovery will be tentative, with a **significant 'normalization' period**. Brands require flexibility in terms of media outlay, and should consider how packaging, delivery and service can reassure customers.

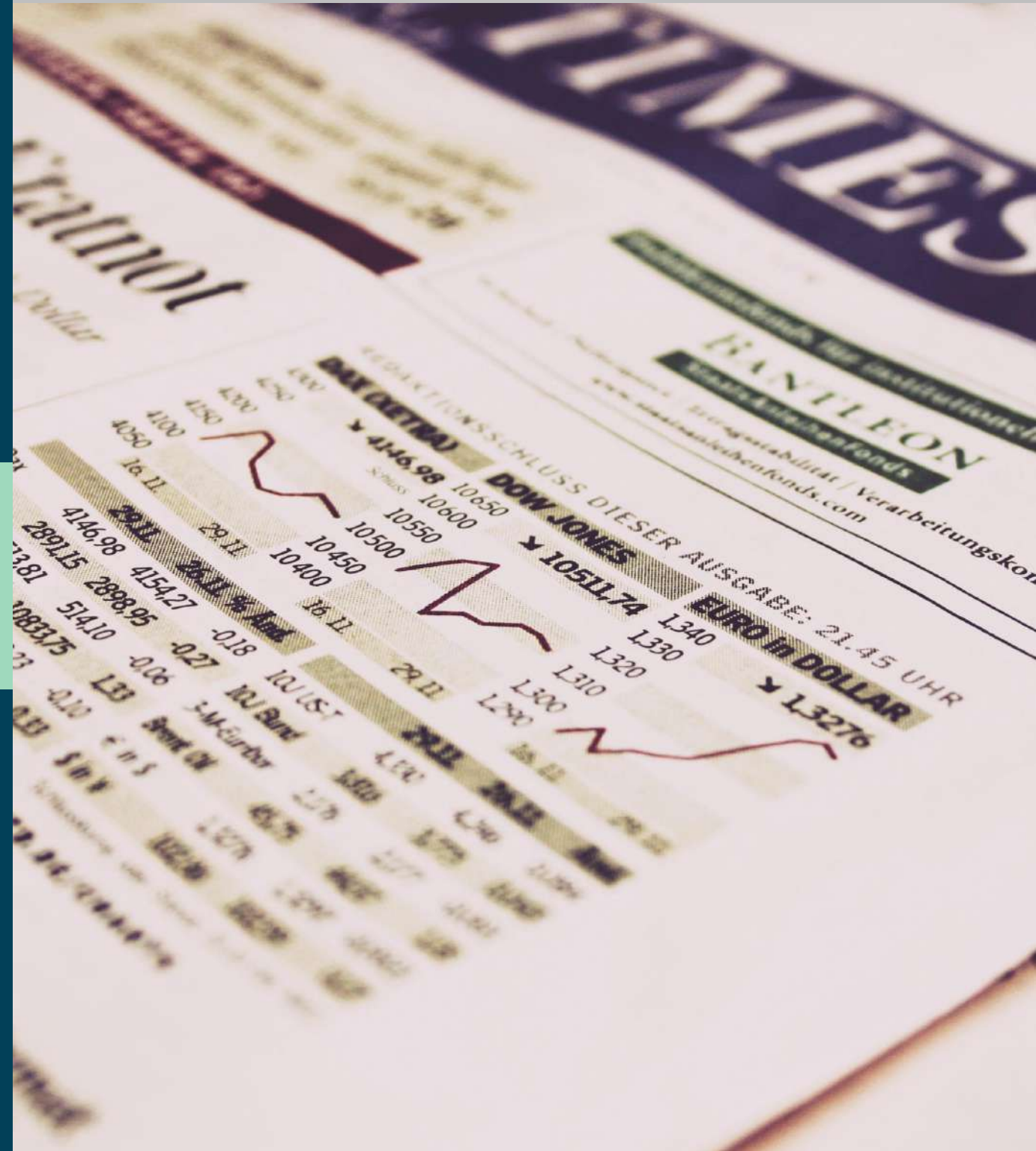
7: The shift to e-commerce is likely to be permanent. 'Digital transformation', such as online services and subscriptions, will continue apace. Brands will also need to reckon with more powerful online marketplaces.

8: Pack size is a key lever to consider. Brands such as Procter & Gamble and Hershey are reassessing pack size as they seek to avoid pure discounting.

9: Other brands can find opportunities in a **'close-to-home' strategy**, or by taking steps to support struggling consumers or SMEs.

Marketing in the COVID-19 recession

1. The playbook for 'normal' recessions



“Companies that increase marketing spend in a recession recover three times faster in ‘normal’ times. Similarly, B2B companies that maintain or increase spend in a recession achieve higher growth both during the recession and for three years after.”

Tony Hillier and Marilyn Baxter
PIMS

Marketing in a recession: the evidence so far

A significant body of research studies – drawn together over the course of almost a century – suggest that significantly reducing adspend in a recession has negative outcomes for brands.

Various studies indicate that cutting too hard has long-term impact in terms of sales, market share, growth and return on investment. Companies that maintain investment recover more quickly.

Five marketing lessons from previous recessions

1

During recessionary times, media costs decline

2

Defend your share of voice - cutting ad spend risks damaging market share

3

Investing in ad spend during a recession brings long-term advantage

4

Once decline in market share sets in, it can be hard to reverse

5

"Going dark" can weaken consumer "bonding" metrics

Marketing in the COVID-19 recession

2. Recession 2020: What we know so far



“This recession probably will be much sharper and deeper than most previous recessions and the shape of the recovery is unusually hard to predict. Telling advertisers to ‘invest for the recovery’ may grate if they are fighting for their very survival and there is no recovery in sight”

Les Binet

Group Head of Effectiveness, adam&eveDDB

A “reverse square root” recession?

The COVID-19 recession is the first pandemic-driven downturn of the modern era.

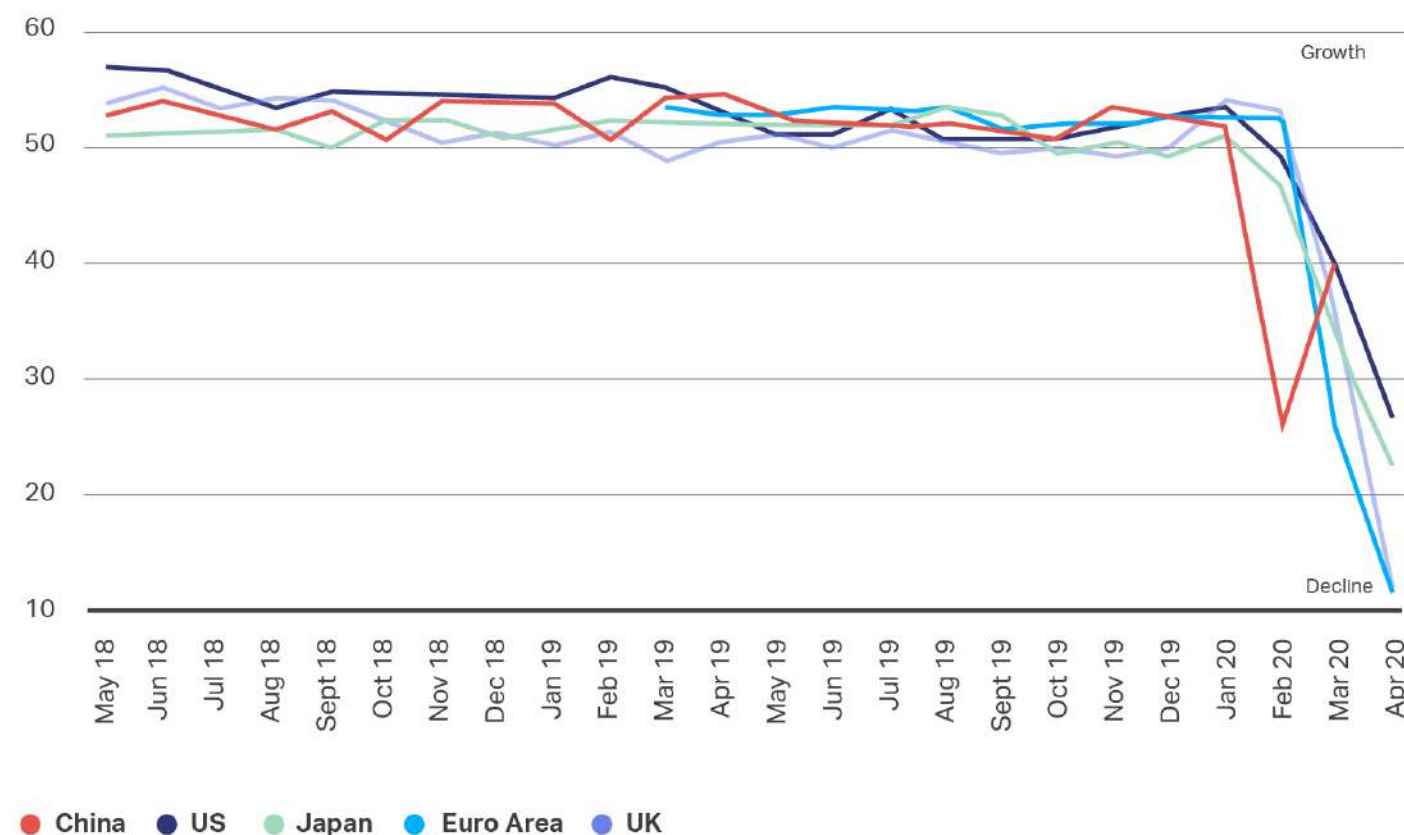
It is a healthcare crisis, leading to a severe economic slump.

That also makes the shape of the recovery hard to predict, as consequences of the lockdown become apparent and there is risk of further outbreaks.

Sir Martin Sorrell predicts a “reverse square root” recession – a sharp downturn, a partial bounceback then a plateau.

The lockdowns caused a sharp downturn

Purchasing Managers' Index (services)



Note: A value above 50 indicates growth, a value below 50 indicates decline. Larger/smaller values signal severity. April data are flash results. Source: IHS Market Purchasing Manager's Index

A demand AND supply-side shock

The 2020 downturn is set to be a demand and supply-side shock, caused first by lockdown and then by critical value chain components breaking down, particularly in China, leading to disruption in product and service delivery.

This matters because a brand's response may be determined by whether it is more exposed to a drop in demand or a problem in supply. Brandgym advises brands to explore strategies to address not just demand but supply as well.

This begs the question, should a brand maintain advertising if it has little or no product availability? Commentators such as Sir Martin Sorrell argue this is poor practice.

Gartner advises brands to be transparent about the supply chain and product availability to build trust with consumers, and avoid an unsatisfactory brand experience.

Brands should explore strategies to address demand and supply

Recession-proofing tips	Applicable to 'demand' shock	Applicable to 'supply' shock
Focus on the core	✓	✓
Sharpen brand positioning	✓	
Cut costs, not corners	✓	✓
Deliver meaningful value	✓	✓
Boost physical availability (on e-shelf too)	✓	✓
Every bit of the brand must 'sell'	✓	
Have courage to cut through	✓	
Share the pain	✓	

Source: "Eight tips on recession-proof branding," Remona Duquesne, WARC Guide, May 2020

Brand example

Domino's adapts ads and boosts spend to win in delivery

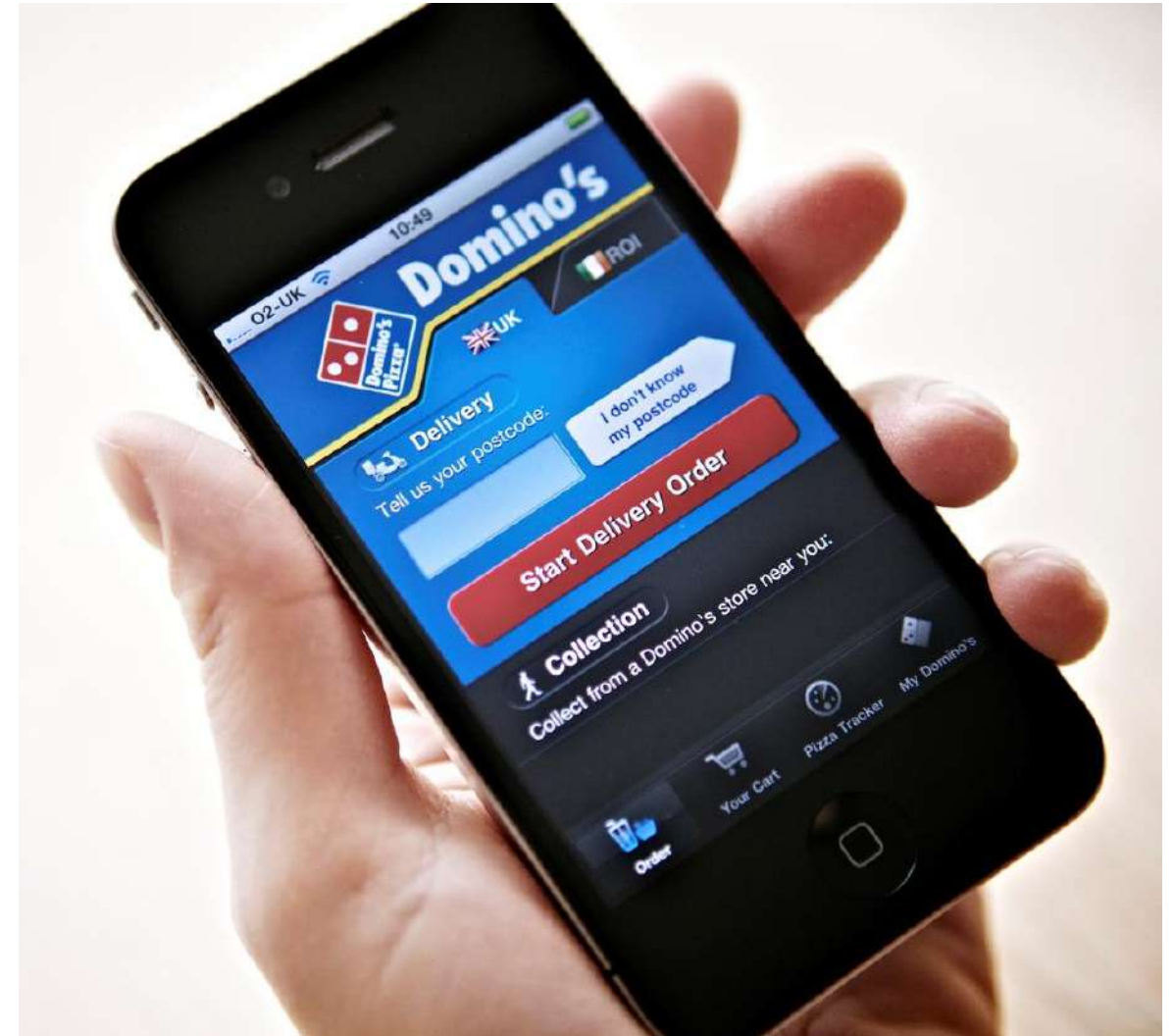
Domino's, the restaurant chain, is continuing to invest in advertising despite the challenges facing its industry as a result of COVID-19.

A Kantar study of food-delivery ads in the US from February 2 to April 11, showed Domino's as the top spender overall, with a 9.7% year-on-year increase in expenditure to \$80.1 million.

Even as stores operate under limitation and many consumers are faced with lockdowns, Domino's believes that ensuring its voice is heard is vital to its business prospects.

The advertising battleground in the fast-food industry is shifting to delivery, meaning Domino's is trying to win in this area. The company is focusing its messaging on food safety and hygiene, reflecting consumer concerns.

From creating contactless delivery models and drive-up carry-out systems to implementing social-distancing protocols in restaurants and across the supply chain the company has transformed its ways of working.



Marketing in the COVID-19 recession

3. Recession 2020: actions to take now



How to plan past the lockdowns

As lockdown measures are lifted and the recession takes hold, here are the key actions to take to help brands rebound.

The actions vary depending on a company's resources, and if operating in a boom or bust category.

All brands, regardless of the state of play should aim to help, be customer-led, understand changes in spending behaviours, monitor consumer insights and spend wisely.

10 actions to take now



Action 2

Keep advertising, if you can

As shown earlier, prior evidence suggests that firms that maintain advertising spend in a recession fare better.

Marketing consultant Peter Field offers six tips for those firms that are fortunate enough to be in a position to keep advertising.

Peter Field's six tips for brands that can maintain spend

1

Don't panic and stop brand advertising - unless you must

2

Resist switching spend to short-term activation

3

If resources are available aim to maintain your share of voice, to where SOV equals SOM

4

Maintain brand campaign unless it jars with public mood

5

Use emotional, warm advertising as long as it fits with the public's mood

6

Look for tactical opportunities to create goodwill with customers

Adapt adspend approach by sector outlook

This chart outlines the winning and losing categories in the COVID-19 recession, according to marketing professor Gerard J. Tellis.

The lockdown is reducing demand by 10% or 20%. For some categories the shock has brought demand down to zero.

The advice to keep advertising won't apply to all brands. Those hardest hit will focus on saving jobs and business continuity.

Winning and Losing Categories in the Covid-19 Recession

	Winners: A	Losers: B
Short Term: 1	<ul style="list-style-type: none"> • Pharmaceuticals • Medication and protective equipment (PPE) manufacturers • Home exercise equipment • Carry out food providers • Home office equipment makers • Alcoholic beverage makers • Casual and relaxed fashion 	<ul style="list-style-type: none"> • Restaurants • Sports stadiums, concert halls • Museums • Gyms • Parks, beaches, recreation areas • Physical schools and universities, especially private • Real estate owners and services • Formalwear
Short & Long Term: 2	<ul style="list-style-type: none"> • Online Retailers • Online grocers • Networking software service and hardware providers • Streaming service providers • News and entertainment services • Telecommunications • Cleanliness products • Online education 	<ul style="list-style-type: none"> • Cruises • Tourist service providers • Oil producers and distributors • Manufacturers of gasoline engine autos and trucks • Mass transit service and equipment providers • Brick and mortar retailers • Movie theatres

Source: "Advertising during the Covid-19 Recession", Gerard J. Tellis, WARC Guide, May 2020

Ad strategy for winners and losers

According to Tellis, winning companies in category 1A (per previous chart) should increase advertising, not only because of its lower price and the lower noise but also to catch surge in demand. Likewise those in Group 2A can fruitfully increase advertising.

Firms in Group 2B face the greatest challenge. They need to think of creative ways to redirect their resources to serve the changed needs of consumers in the short and long term.

Advertising Strategy for Winners and Losers from Covid-19 Recession

	Winners: A	Losers: B
Short Term: 1	Increase advertising opportunistically.	Redesign product and service portfolio. Then advertise selectively.
Short & Long Term: 2	Increase advertising strategically building brand for long term.	Radically redesign product portfolio and service. Advertise selectively.

Source: "Advertising during the Covid-19 Recession", Gerard J. Tellis, WARC Guide, May 2020

Action 3

If you have to reduce adspend, use other levers to remain visible

Reducing adspend over long periods is not advisable, but brands that have to go dark for a period should still aim for visibility using other levers.

Using first-party data to stay in touch with existing customers and prospects is one way.

MarketScience conducted an economic analysis of the last five major recessions and the evidence suggests companies that focus on customer experience win during, and after, downturns. The advice is to prioritise satisfaction.

Owned assets, including packaging, can be employed; websites, maps listings and social are becoming primary points of customer contact.

Other levers include PR and partnerships – for example, with influencers or organisations where there is a good value exchange.

Prioritising key seasons is also another way to focus limited resources. Brands in survival mode are advised to make cuts in off-peak periods.

1

Prioritise customer experience and tap first-party data

2

Use owned assets to communicate crucial information

3

Consider PR and partnerships to generate earned media

4

Focus limited resources on key selling seasons

Action 8

Audit your e-commerce capability

E-commerce may double its share of total retail, making this a priority area for brands in most categories.

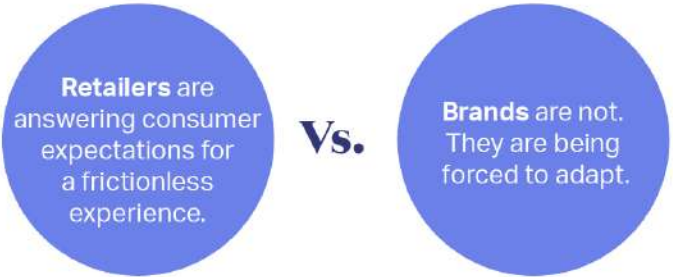
According to Publicis Sapient’s David Carr, trust is vital in e-commerce, not just in the brand but in the end-to-end experience.

Build trust by reassuring people on product availability and the safety of manufacturing capabilities.

Enable product availability checks online/offline via online shopping tools through partnerships with retail partners.

The 5 P inventory of brand and business

Take an honest inventory of brand and business
Set yourself up for success



Product	Pack & Price	Proposition	People	Place
<ul style="list-style-type: none">• Brand strengths and weakness assessment• Do I have any issues with performance or user experience?• Am I launching a new ASIN(s) or a new brand (to Amazon or to the world)?• Who are my competitors in Brick and Mortar and are they the same on Amazon and eCommerce?	<ul style="list-style-type: none">• Is this pack/product designed and tested for eComm? Costs/shipping considered? Pack and run rate on the product figured into the equation?• Am I Amazon Retail Ready?• What is my pricing and promotion strategy vs rest of category and other marketplaces?	<ul style="list-style-type: none">• What does my brand stand for? What is my message to consumers?• What is my campaign plan for the year?• Are my messages and images consistent in all marketplaces and all brands?• Can we use the scale and targeting of Walmart and Amazon to ensure 360° and reinforcing our calendar?	<ul style="list-style-type: none">• Who am I talking to?• Is it the same person on every platform I sell on?• How and what do they shop in eCommerce?• Are we using customer data to ensure we message and offer the right things at the right time to the right people?	<ul style="list-style-type: none">• Is this an Amazon/ eRetailer exclusive product?• What are the category dynamics on Amazon, Walmart etc? How am I addressing trends?• How will this product relate to Brick and Mortar (if applicable)?• Why would a customer shop on Amazon vs Brand.com or Brick and Mortar vs Click and Collect? Where should I focus my efforts?

Source: "Something old, something new: What can brands do in e-commerce during this recession" David Carr, WARC Guide, May 2020

Marketing in the COVID-19 recession

4. Early lessons from China



Nike's four-stage model for recovery in China

Nike, the sportswear company, has outlined four stages to the crisis in China that can help other brands plan, particularly those with retail outlets.

It is significant because, like Coca-Cola's plan on the next slide, it anticipates a significant period of 'normalization' before a period of economic stability returns.

Nike's four-phase response to COVID-19

1. Containment

- **Shut stores** to protect employees and public
- **Shifted to online** - It's digital business grew 30%
- The **Nike Training Club app** grew 80% vs. the previous quarter
- It offered it's \$14.99 training app **free** for 90 days

2. Recovery

Cautious transition to opening stores, with different regions opening at different times

3. Normalization

Up to **80%** of stores are now opened

4. Return to growth

A greater focus on a **seamless digital/physical experience**

Nike is investing in its **direct-to-consumer proposition**, and finding ways to connect its online and mobile hubs with physical retail

“We will follow the strategy that has proved successful before the pandemic, adjusted with greater focus on channels and packages that will have traction as the new normal unfolds.”

James Quincey
CEO, Coca-Cola

Flexibility is required as media consumption shifts again

Post-lockdown, media habits are changing again, meaning marketers should retain a degree of flexibility in their media plans

The largest increases in the share of time spent online during lockdown were in gaming and short video.

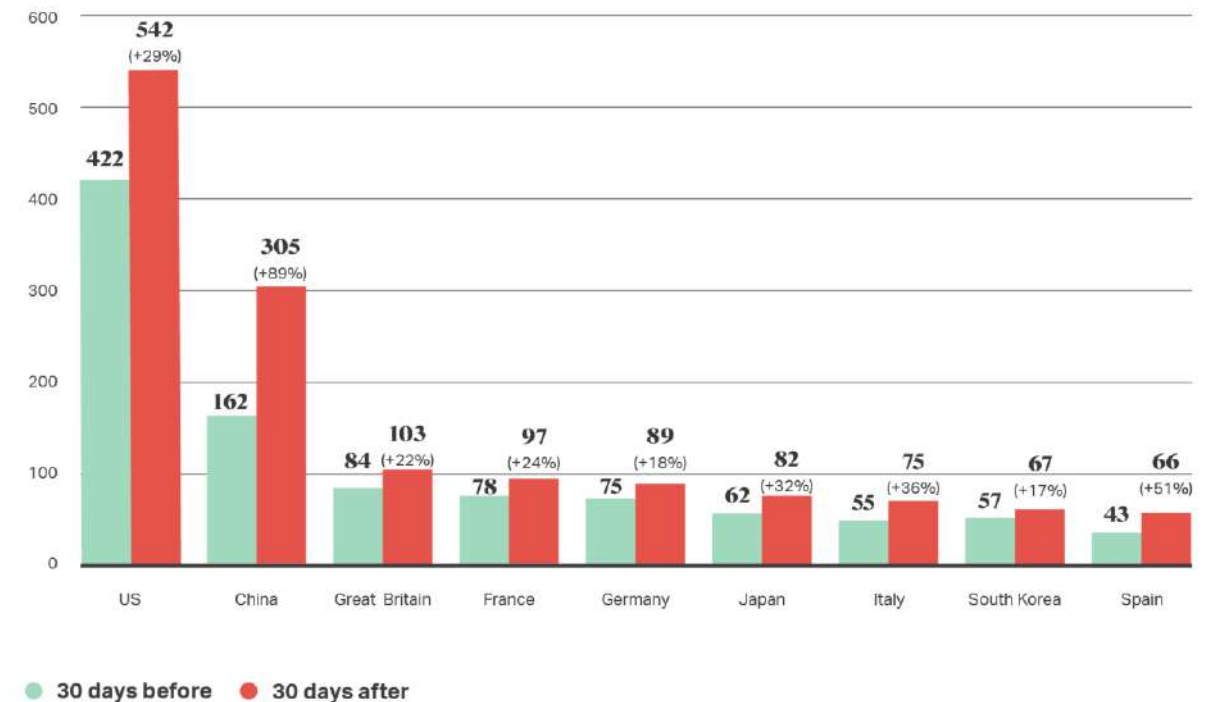
Havas China advises that digital will remain central. But less time will be devoted to entertainment than in the beginning as more consumers return to work.

Online video, social, and news content will be key during normalization. For outdoor ads, the rebound will be primarily in commuting routes, residential areas, and elevator areas.

Brands are also starting to reconfigure digital initiatives around e-commerce. For example, Friso China registered new customers into its CRM program through e-commerce incentives (discount coupons), and Lenovo started advertising directly on relevant JD.com search pages.

Global, Gaming app downloads during COVID-19

Millions and % change, before/after the day of 200th case



Note: Chinese data is Apple App Store only, all other markets include Google Play.
Source: Sensor Tower, Data Digest Q1 2020

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5. Opportunities for future growth



“Marketing is swiftly moving beyond branding and communications to providing business solutions that address people’s needs... We’re taking on a new leadership role, connecting multiple disciplines within the organization to accelerate programs that make a difference in our communities and people’s lives.”

Jodi Harris

Global VP for Marketing, Culture and Capabilities, Anheuser-Busch InBev

COVID-19 is accelerating the need for digital transformation

Many of the trends caused or accelerated by COVID-19 require the rewiring of companies around data and digital services – in other words, 'digital transformation'.

A framework by PwC highlights five important functions that are interacting in the current environment:

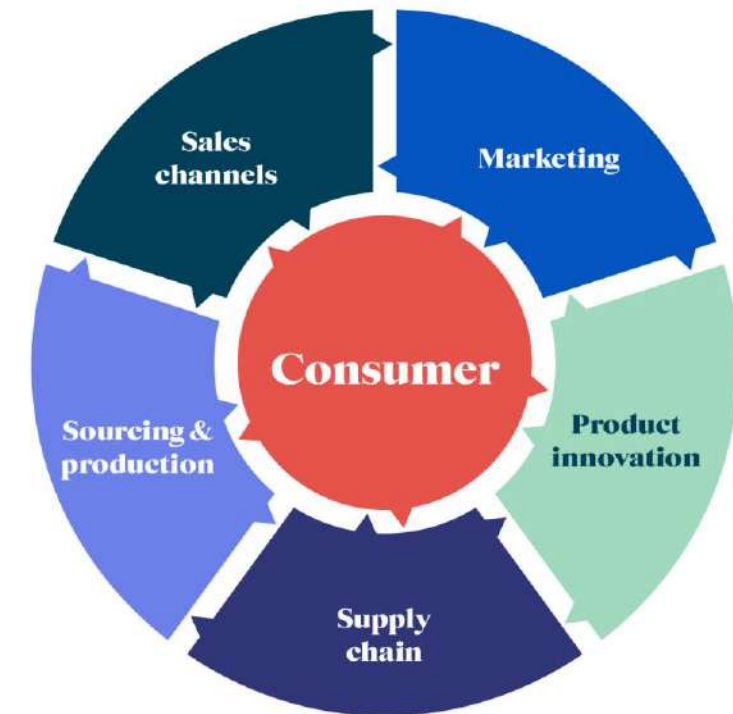
1. Product innovation
2. Supply chain
3. Sourcing and production
4. Sales channels
5. Marketing

CEOs are more likely to invest in these areas in recession as investors push for radical steps.

This is a major topic for senior marketers interviewed by the CMO Growth Council – a joint venture from the ANA and Cannes Lions – to identify best practices in response to COVID-19.

Implication: At a time of significant consumer change, there is an opportunity for CMOs to play a leading role in interpreting those changes and acting as 'superconnectors' between internal functions.

Digital transformation of new retail value chain



Source: PwC
WARC Guide to Structuring for Effectiveness, April 2020

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Contributors to the full WARC Guide

[Navigating COVID-19:
survival, adaptation and
recovery](#)

Les Binet
adam&eveDDB

[Advertising during the
Covid-19 recession](#)

Gerald J Tellis
Professor of American
Enterprise at USC Marshall
School of Business

[“You can’t spend your way
out of this recession”](#)

Sir Martin Sorrell
S4 Capital

[Eight tips on recession-
proof branding](#)

Remona Duquesne
Brandgym

[Brands in a time of crisis:
finding your role in unusual
times](#)

Oliver Feldwick
The &Partnership

[How should brands
advertise during COVID-19?](#)

Orlando Wood
System1

[Something old, something
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David Carr
Publicis Sapient

[Every brand should be
looking for opportunities to
grow during this recession](#)

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GroupM

[Pricing in a recession: four
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Nick Geoghegan
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[Five mindsets for times
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Laura Hurst
The Foundation

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More Than Trading Down:
How Consumers Really
Shop and Buy During
a Recession

J Walker Smith
Kantar Futures

Recession proofing brands
across all time horizons –
the short, mid and long
term

Chris Reitermann
Ogilvy Asia and
Greater China

Six key lessons for CPG
brands and retailers from
the last recession

Joan Driggs
IRI

Four lessons for the Western
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COVID-19 from China

Danielle Bailey
Gartner

New consumer behaviour
in China following Covid-19

Sami Wong
Group M Research

Brand protection (and
rehabilitation) in times
of crisis

Nicolas Jarvis
Jarvis PR

Holding onto long-term
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David Haigh
Brand Finance

Opportunity in adversity:
four moves for long-term
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Martin Reeves
BCG Henderson Institute

How to win during
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**David Dixon, Sebastian
Shapiro, Nicole Wolf**
Marketscience

More from WARC

[What we know about
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[Research on advertising
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WARC Evidence
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[How can I justify the
financial value of
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the board?](#)

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About WARC

Who we are

At WARC, our purpose is to save the world from ineffective marketing by putting evidence at the heart of every marketing decision.

We believe that effective marketing is based on facts and not opinions.

Since 1985, we've brought confidence to marketing decisions through the most trusted research, case studies, best practice, data and inspiration.

Today, we help 75,000+ marketers across 100+ countries.

Our clients include the world's leading brands, advertising and media agencies, media owners, research companies and universities - including the top-five largest agencies and top-five largest advertisers in the world.

Find out more about WARC: warc.com/demo

Where we are

London

33 Kingsway
London
WC2B 6UF
United Kingdom

+44 (0)20 7467 8100
enquiries@warc.com

Singapore

OUE Downtown 1
#44-03, 6 Shenton Way
Singapore 068809
+65 3157
6200 asiapacific@warc.com

New York

229 West 43rd Street
7th Floor
New York, NY 10036
United States

+1 212 201 2800
americas@warc.com

Shanghai

Unit B2004, The Place
No 100 Zunyi Road
Shanghai 200052

+ 8621 6197 8692
asiapacific@warc.com