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# Marketing strategies for an uncertain economy

While the economic outlook is uncertain, cutting advertising spend isn't always a foregone conclusion in the face of a possible recession. Here are strategies brands can employ to navigate the waters of economic uncertainty.

# The giants of marketing effectiveness

**Les Binet & Peter Field**
**"The godfathers of marketing effectiveness"**

WARC

KANTAR
MILLWARD BROWN

ARF the Advertising Research Foundation

University of South Australia | Ehrenberg-Bass Institute for Marketing Science

IPA

# Marketing strategies for an uncertain economic outlook

- Ensure share of voice exceeds share of market
- Continue to advertise: According to the World Advertising Research Center (WARC)/Millward Brown, it can take up to 5 years for brands to recover from “going dark”
- Prioritize creative for more memorable brand effects: Superior creative can generate outsized lifts on ROI and sales effect
- Shift more resources to creating future demand/brand building versus converting existing demand via sales activation
- Place a greater emphasis on emotional campaigns to build your brand more strongly; Make people feel something: Your ads should put a lump in the throat or cause happiness, surprise, or laughter
- Shift budget to AM/FM radio to grow reach even if total budgets are reduced
- Focus on, and keep in touch with, the customer, a brand’s biggest asset

**Millward Brown:**

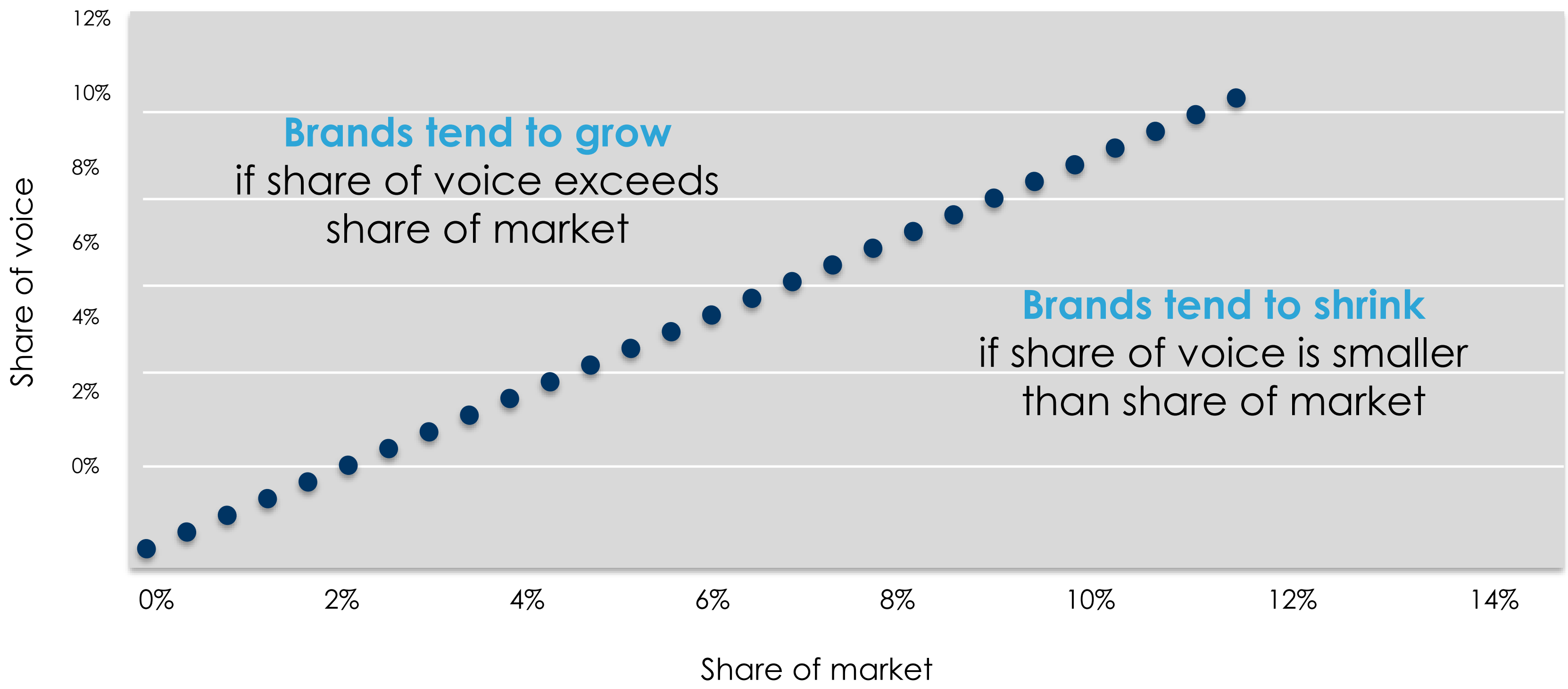
# Ensure your share of voice is greater than your share of market

"The connection between share of market (SOM) and share of voice (SOV) has been proven. The higher your share of voice compared to your actual market share, the more likely your brand is to grow its market share in the subsequent year.

**So, if you increase your marketing investment at a time when competitors are reducing theirs, you should substantially increase the saliency of your brand. This could help you establish an advantage that could be maintained for many years."**

Source: "Marketing During Recession: To Spend or Not To Spend?" Millward Brown Points of View, 2008

# Constantly assess your share of voice: Ensure your share of voice exceeds your share of market




Source: Les Binet and Peter Field 2017. Media In Focus: Marketing Effectiveness in the Digital Era

# “Going dark” is not always the answer

“The decision to scale back or eliminate the advertising budget is never easy for marketers. The decision to ‘go dark’ can have various causes, from a broad economic recession to narrower industry or company-specific revenue or growth challenges. Whatever the cause, ‘going dark’ has both short- and long-term implications.

**During recessions, companies must understand customers’ shifting needs and then adjust their communications strategies and offerings.** Marketers should segment customers according to their recession psychology (from fearful to carefree) and how they categorize their purchases (from essentials to expendables).”

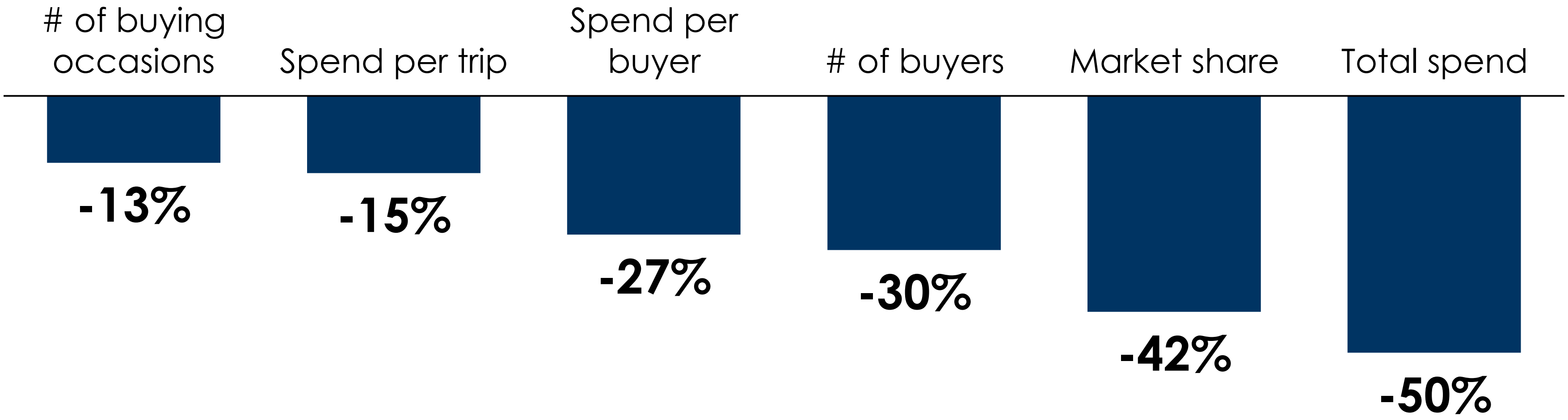
“Through carefully targeted appeals, **brands can connect emotionally** with consumers.*

In fact, marketing can be significantly more important to the firm during a recession than at any other time. **Investment in marketing during recessionary periods is strongly associated with positive shareholder value, customer loyalty, and superior long-term profitability.** Reducing marketing efforts can exacerbate the already negative impact of the recession and is likely to jeopardize future sales and profits.”

Source: When Brands Go Dark, Advertising Research Foundation, Winter 2018; *Quelch & Jocz, 2009

# Don’t cut ads: Sales fall when a brand stops advertising

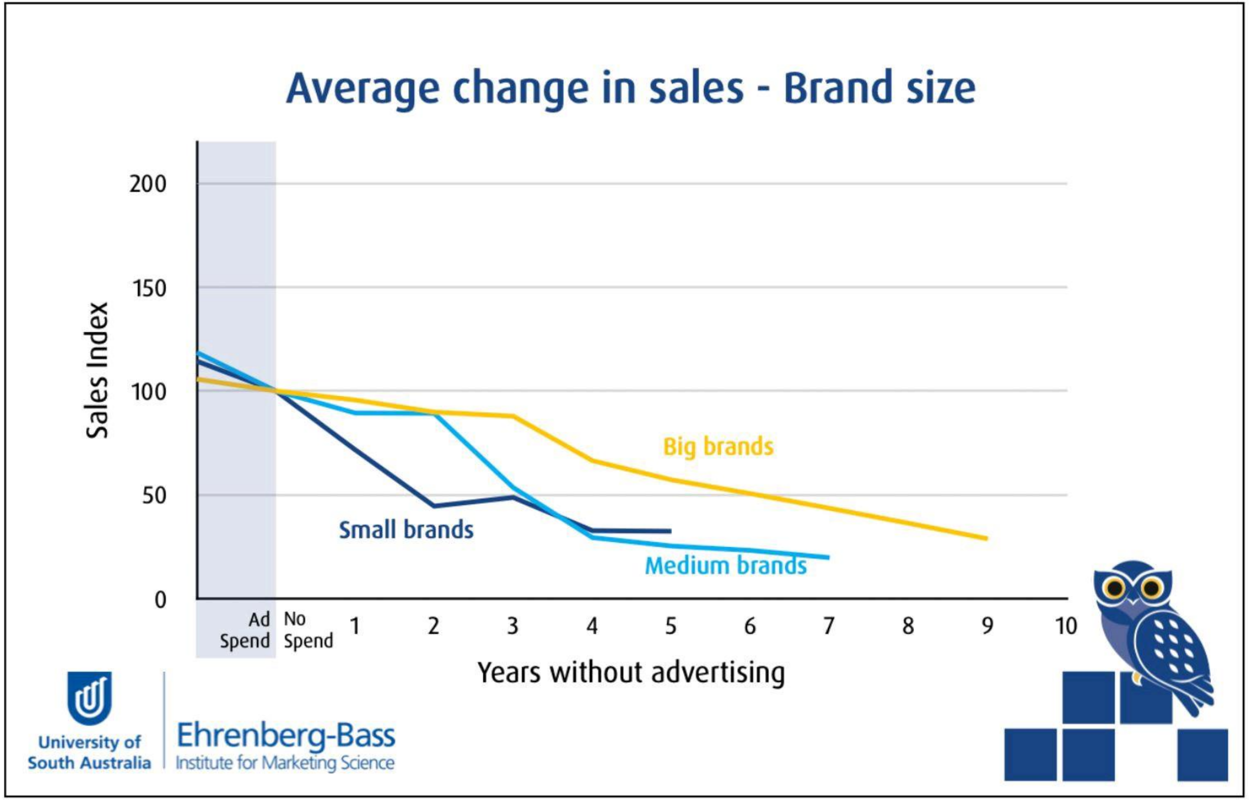
% difference, unexposed vs. exposed




**How to read:** Consumers not exposed to the radio campaign had less buyers, reduced shopping trips, less spend per buyer, and significantly lower purchases.

Source: Nielsen Buyer Insights (NBI), Sales Effectiveness Analysis, Auto Aftermarket Retailer, Persons 18+. Unexposed: 12,329; Exposed: 14,147.
Pre-period = 3/1/15-6/30/15. Test period = 3/1/16-6/28/16.

# Ehrenberg-Bass Institute for Marketing Science: Sales drop from cutting ad spend differs by brand size

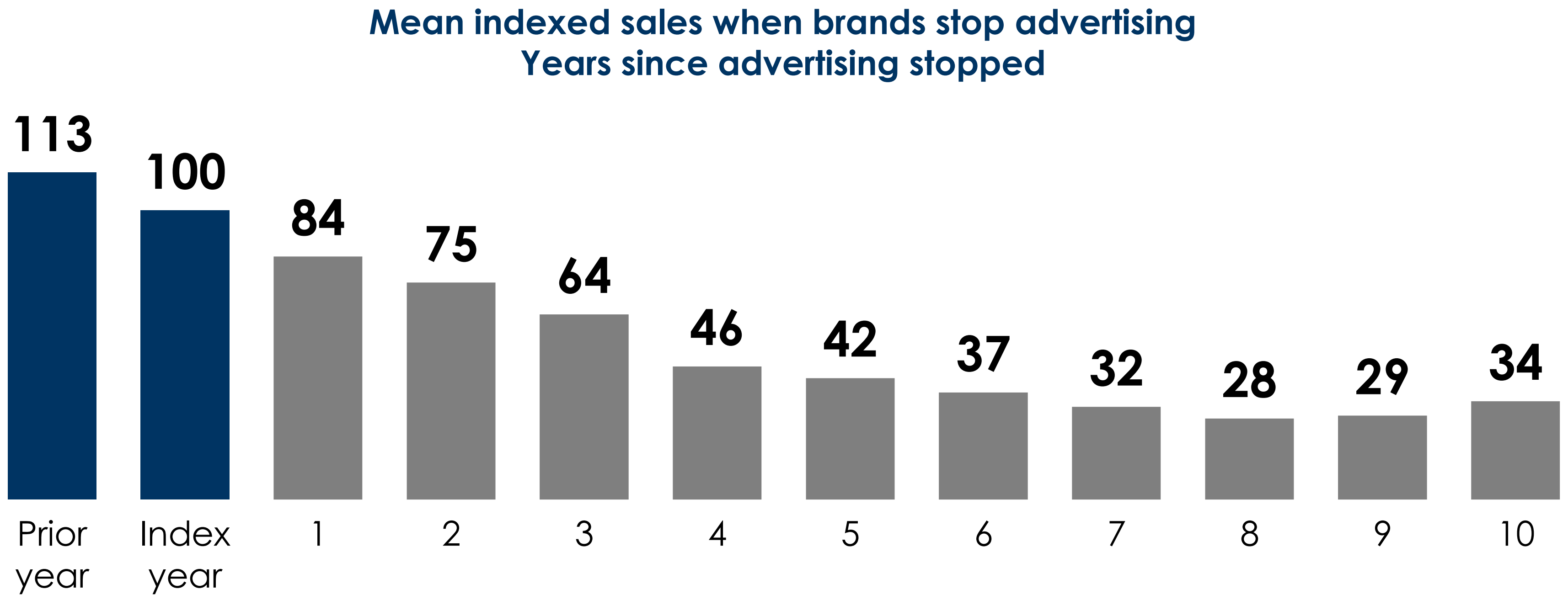



**Small brands:** Sales collapse right away, fast and hard. Sales are cut in half by year 2.

**Medium brands:** Slight erosion at year two. A sharp sales collapse to 50% by year 3.

**Big brands:** Slow erosion in sales. After year three, sharp sales reduction that accelerates. Sales are cut in half by year 5.

# Ehrenberg-Bass Institute for Marketing Science: Sales decline becomes more common and greater in magnitude as brands go longer without advertising




Source: Ehrenberg-Bass Institute for Marketing Science, What happens to sales when brands stop advertising for long periods? Adam Gelzinis, Rachel Kennedy, Virginia Beal, Nicole Hartnett and Byron Sharp

**WARC/Millward Brown:**

# "It can take up to five years to recover from budget-cutting during a recession"

"The long-term effects of marketing play a huge role in successfully riding out a recession.

**The Millward Brown databases have shown that brands which are off-air for periods of 6 months or more will see a 5%-10% decline in equity measures.**

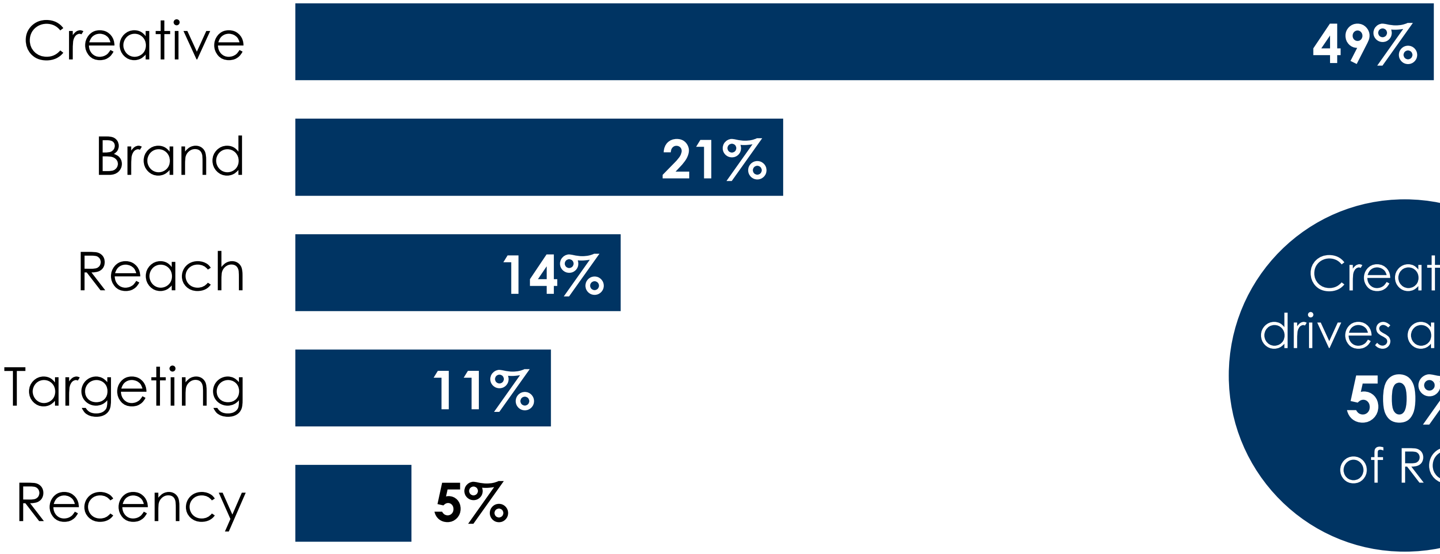
A reduced amount of consumers are exposed to messaging and as such … Brand Usage and Brand Image weaken.

In two scenarios on financial performance, companies that went dark for a year or halved investment, took between 3-5 years to recover to pre-recession levels."

Source: "What We Know About Advertising In A Recession" WARC/Millward Brown

# Creative is the number one sales driver: Make sure your creative resonates

**Nielsen study of nearly 450 advertising campaigns and elements that contribute to sales lift on all major media platforms**

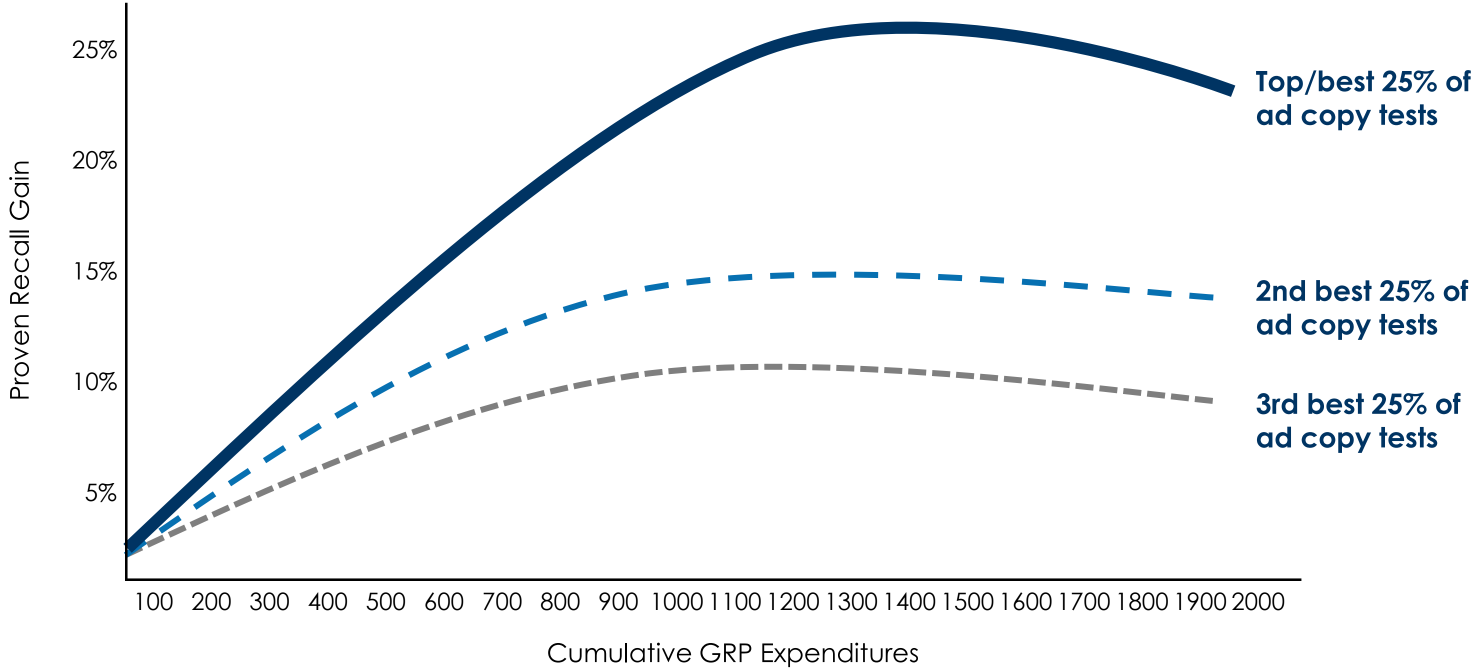



Creative drives almost **50%** of ROI

Source: NCSolutions, Five Keys to Advertising Effectiveness, 2023: NCSolutions analyzed nearly 450 CPG campaigns across both digital and TV, using NCS Sales Effect to measure results. Each campaign was evaluated according to the 18 features that represent the five keys of advertising; Analytic Partners, 20 Insights for 20 Years

# Invest in testing creative and improving your ads: Top performing ads deliver 3-4X more ROI

**Creative quality is the primary driver of "break through," accounting for 75% of variance in brand/message recall levels**




Source: Ipsos ASI TV Creative Testing Database

## WARC/Millward Brown:

# “Stronger creative can compensate for reduced spend”

Source: “What We Know About Advertising In A Recession” WARC/Millward Brown

**“More memorable creative can maintain or increase ad awareness levels, even with a lower budget.**

A Millward Brown quadrant analysis shows that brands increasing share of awareness are more likely to gain share.

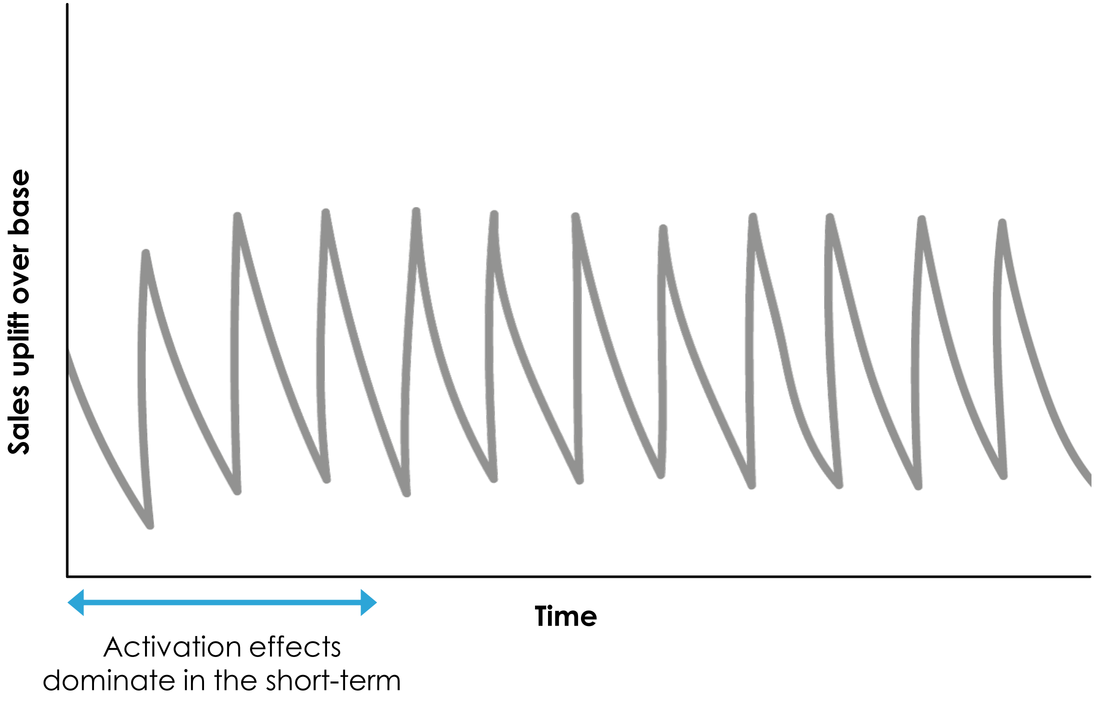
Results with be stronger if brands can also increase Share of Voice but, even if it declines while awareness increases, brands are more likely to gain share than not.”

# Converting existing demand is short term while creating future demand has lasting effects

| **Convert existing demand**<br>via short-term sales activation | **Create future demand**<br>Lasting business outcomes via brand building |
|---|---|
| Create a lead | Create a memory |
| Generates sales now | Influences future sales |
| Tightly targeted | Broad reach |
| Short term | Long term |
| Persuasive messages | Emotional priming |

Source: Media In Focus: Marketing Effectiveness in the Digital Era; Les Binet and Peter Field; "Rethinking Brand For The Rise Of Digital Commerce" World Advertising Research Center (WARC) 2021 by James Hurman, Founding Partner of Previously Unavailable

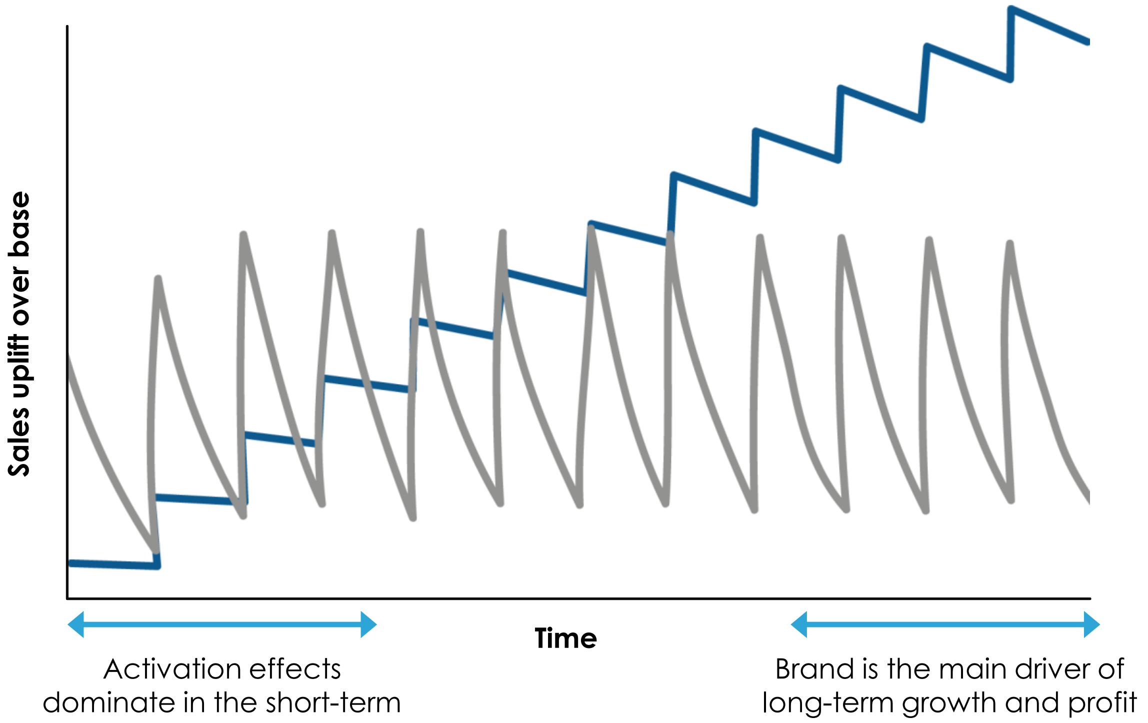
# Converting existing demand generates short-term sales uplift




## Converting existing demand/short-term sales lift

Short-term sales uplifts, but brand perceptions unchanged. No long-term increase in sales or reduction in price sensitivity. High efficiency and ROI. Converting existing demand via sales activation is the “carbohydrate” of advertising.

# Shift more resources to creating future demand/brand building versus sales activation to protect/build sales over time




## Creating future demand/ long-term sales growth

Brand grows stronger, leading to long-term volume increase and reduced price sensitivity. Creating future demand via brand building is the "protein" of advertising.

## Converting existing demand/short-term sales lift

Short-term sales uplifts, but brand perceptions unchanged. No long-term increase in sales or reduction in price sensitivity. High efficiency and ROI. Converting existing demand via sales activation is the "carbohydrate" of advertising.

Source: The Long and the Short of It: Balancing Short and Long-Term Marketing Strategies; Les Binet, Head of Effectiveness, adam&eve DDB & Peter Field, Marketing Consultant

# The ratio of branding investment to sales activation based on your brand's situation

| Context | Brand:Activation |
|---|---|
| **How purchased** | |
| Offline | 55:45 |
| Online | 74:26 |
| Serial | 57:43 |
| Subscription | 74:26 |
| **How priced** | |
| Value/mainstream | 57:43 |
| Premium | 62:38 |
| **Level of innovation** | |
| None | 61:39 |
| Any | 72:28 |
| New variant | 62:38 |
| New sub-brand | 78:22 |
| Entry into new category | 84:16 |

| Context | Brand:Activation |
|---|---|
| **Which category life stage** | |
| New category | 65:35 |
| Established category | 62:38 |
| Declining category | 58:42 |
| Stagnant or low growth | 60:40 |
| Medium or high growth | 73:27 |
| **How big** | |
| Launches in first 1-2 years | 35:65 |
| Launches after first year | 57:43 |
| Small brand | 75:25 |
| Medium brand | 56:44 |
| Large brand | 76:24 |
| Leading brand | 72:28 |

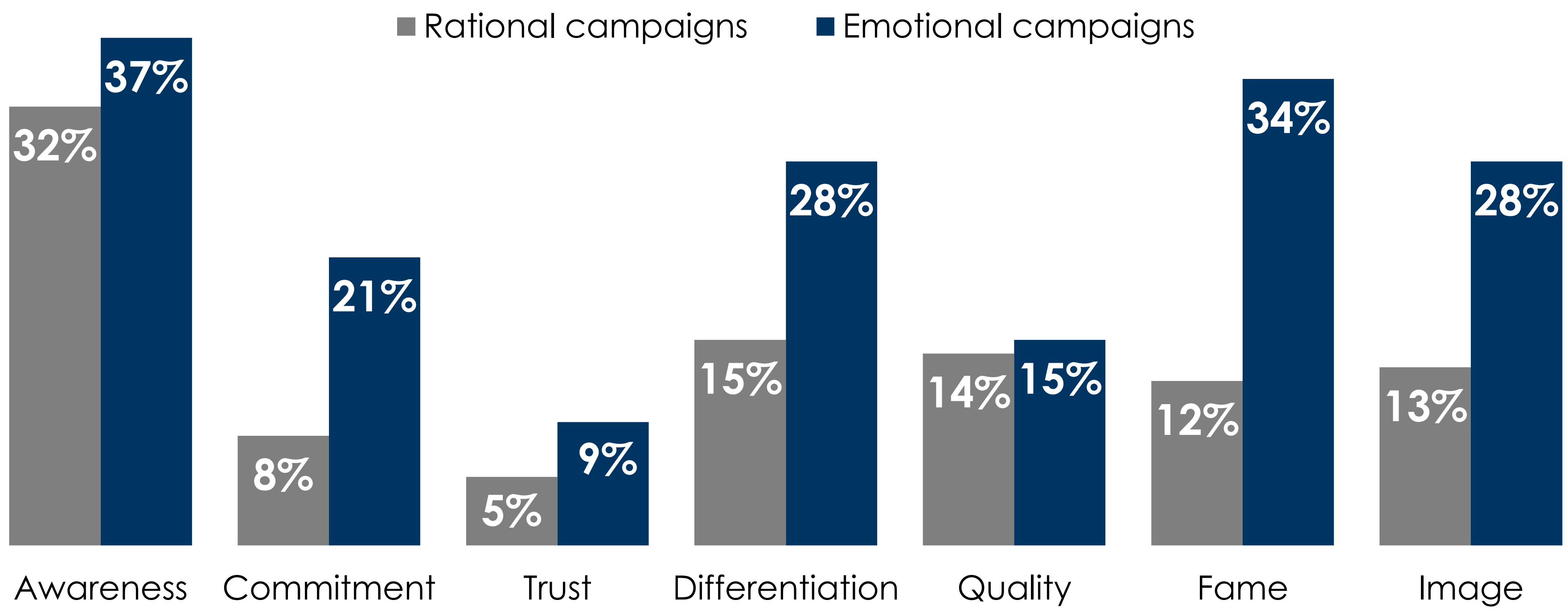
**How to read:** Binet and Field's research powers their recommendations on the ideal mix of brand investment (the first number) versus sales activation investment.

**Example:** Marketers that only sell their product online should allocate 74% to brand building and 26% to sales activation.

Source: Effectiveness in Context, Les Binet & Peter Field

# Place a greater emphasis on emotional campaigns to build brands more strongly

**% reporting very large effects on intermediate brand metrics**

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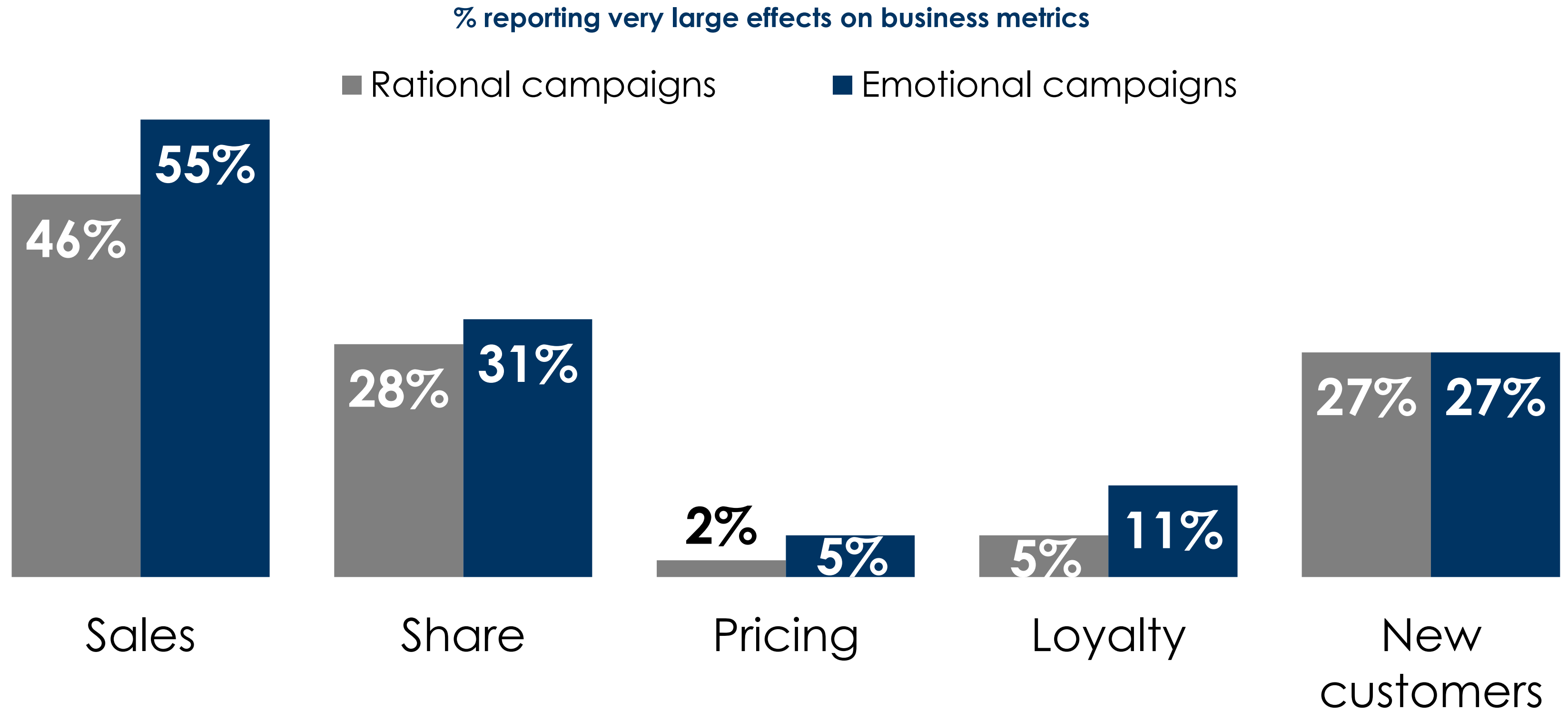
# Emotional campaigns yield stronger long-term business effects



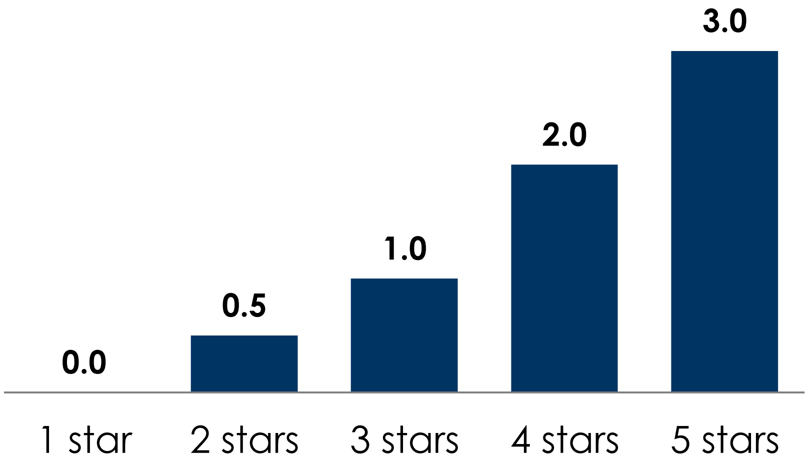

Source: The Long and the Short of It: Balancing Short and Long-Term Marketing Strategies; Les Binet, Head of Effectiveness, adam&eve DDB & Peter Field, Marketing Consultant

# System1 star ratings correlate creative quality with long-term share growth; The more you feel, the more you buy

**Star rating:**
Predicts long-term brand growth from the emotional response to the creative and how positive the reaction is

| ★ | ★★ | ★★★ | ★★★★ | ★★★★★ |
|---|---|---|---|---|
| **Low** | **Modest** | **Good** | **Strong** | **Exceptional** |
| **Distribution of global ads** | | | | |
| **42%** | **34%** | **18%** | **5%** | **1%** |

**Likely long-term % share gain by star rating (Assumes advertiser share of voice is at least +10% greater than its market share)**



# Shift TV budget to AM/FM radio to generate greater impact with the same budget: A $7.4M TV investment for a furnishings retailer yielded a 52% reach among women 25-54

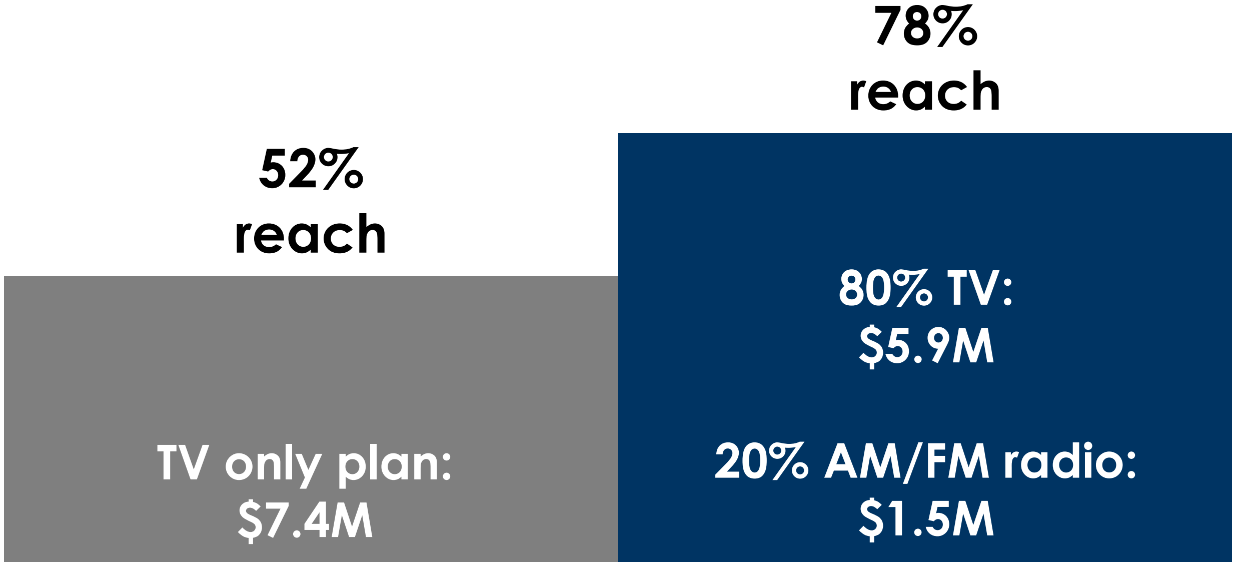
## % reach among women 25-54, September 2018 campaign


Source: Nielsen Media Impact: September 2018, women 25-54. TV budget and TV ad occurrence based on Nielsen Ad Intel; Network radio buy utilizes all RADAR networks with an average cost per point of $6,000.

# Same spend, better mix: Shifting 20% of the budget to AM/FM radio added +50% incremental campaign reach

AM/FM radio added **+50%** incremental reach

## % reach among women 25-54, September 2018 campaign



# Scenario: Reduce TV budget by 10%, then allocate 20% of the remaining TV budget to AM/FM radio…

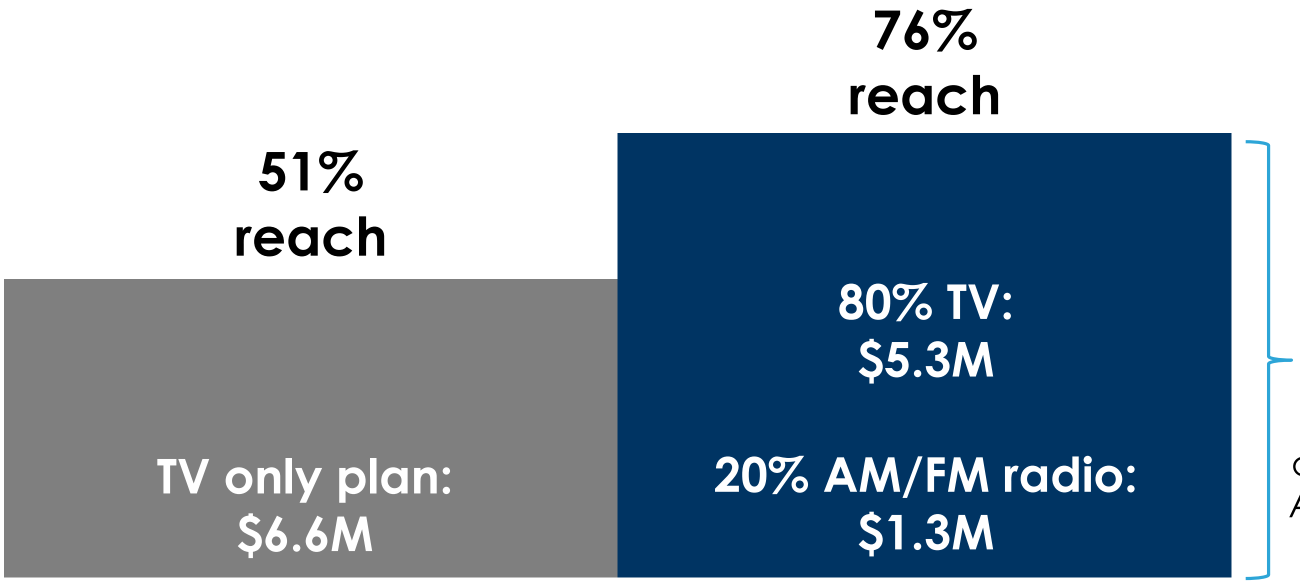
## % reach among women 25-54, September 2018 campaign


Source: Nielsen Media Impact: September 2018, women 25-54. TV budget and TV ad occurrence based on Nielsen Ad Intel; Network radio buy utilizes all RADAR networks with an average cost per point of $6,000.

# Lower spend, better mix: Even with a 10% total budget reduction, shifting 20% to AM/FM radio adds +49% incremental campaign reach

AM/FM radio added **+49%** incremental reach

**% reach among women 25-54, September 2018 campaign**




**Optimized plan:** 10% total budget reduction and 20% allocation to AM/FM radio

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# Thank You

# Sources


- *How Not To Plan: 66 Ways To Screw It Up,* Les Binet and Sarah Carter
- *Marketing During Recession: To Spend Or Not To Spend?* Millward Brown Points of View
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- *Effectiveness In Context,* Les Binet and Peter Field
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