

**BBDO KNOWS**

**GET CRISIS SMART**

*Covid-19*

*What's next?*

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As we take the first few tentative steps out of lockdown we all want visibility on what's next. And we all have questions. What does the period of recovery look like? How do we plan when so much is unknown? How do we progress in a post-covid world? And really, how will we know when we really are in a post-covid world?

Over the last few months, employment prospects and consumer confidence have dropped globally, while macroeconomic uncertainty is the highest it's been in modern history. This is the backdrop against which the shape of the recovery is being plotted and predicted.

While different scenarios are explored one thing is certain - regardless of scenario, contingency planning is of critical importance for every business. The current challenge is rebounding and rebuilding, while navigating the potential for significant aftershocks. A lot of the current commentary is about the "new normal".

Our belief is that we will exist in a state of "no normal" for some time to come, given the level of uncertainty around further impact.

In the early days of COVID-19 we talked about the need to plan three months ahead. Now, we are moving to mid to long-term scenario planning. In order to do this we need to factor in our understanding of recent consumer behaviour shifts, the business outlook, the potential shape of the recovery and the expectations on brands within this context.

## **A CHANGED CONSUMER?**

There has been a lot of conversation around whether the spread of coronavirus and its effects will change consumer behavior in the long-term. This has proven controversial in some instances.<sup>1</sup> Widely, however, there is consensus that the impact of the crisis cannot be underestimated. It has, for a start, dominated people's news channels and mental availability for most of this year.

Although behavioral change varies in rate by market, the patterns of shifts are widely the same. Initially, consumers' need states were heightened worry in need of reassurance; heightened isolation in need of connection; and on pause with a focus on having

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<sup>1</sup> Mark Ritson, LinkedIn. [Link](#)

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immediate needs met. These needs were heightened during the initial 'rapid reappraisal' phase, which was characterised by short-termism and a survival focus.

Consumers are now mostly coming to the end of the subsequent phase, the 'holding pattern', during which there has been a focus on regaining control and developing more sustainable coping mechanisms. Although worry and uncertainty remain, people are meeting their needs for connection, and able to focus beyond this on safety and hygiene, and community in their local area. Budgeting extensively and delaying purchases if they can't be justified is increasing. That said, it seems that the road to recovery is paved with little luxuries: there has been an increase in purchases which meet emotional needs.

**THE SHAPE OF RECOVERY**

Previous recessionary patterns suggest that the shape of recovery will depend on a range of factors, which can be considered across potential scenarios: either a deep V-shape driven by displacement of output or a U-shaped recovery indicative of a more persistent shock. Both have been deemed the most plausible potential scenarios, although others have also been argued for as passionately.<sup>2</sup>

From a business perspective the outlook is negative. Over half of chief executives around the world believe coronavirus is a significant threat to their business. Worse still, 11% fear their business won't survive the resulting economic downturn.<sup>3</sup> Consultancies anticipate an uncertain future and advocate the importance of scenario planning "to help develop a robust plan of action" for what comes next.<sup>4</sup>

From clients the outlook is resilient. Across several cases, there has been clear-stated commitment to prioritising customer-first understanding and innovation moving forward. For instance, Pepsi will be paying close attention to "new habits and consumption patterns" to help tailor communications plans accordingly,<sup>5</sup> while Ford have noted that in looking toward the future they are "staying committed to customers - what they want, what they need - each step of the way."<sup>6</sup>

There is general consensus that maintaining or increasing ad spend where possible is vital. History paints a strong picture of growth for those who invest in share of voice during the recession and invest longer-term.<sup>7</sup> For those that can spend costs to advertise are likely to

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<sup>2</sup> Harvard Business Review, March 3, 2020 [LINK](#)

<sup>3</sup> CNBC, YPO Survey, APR 22, 2020 [LINK](#)

<sup>4</sup> BCG, APR 16, 2020 [LINK](#)

<sup>5</sup> PepsiCo Inc. CEO Ramon Laguarta, MAY 4, 2020 [LINK](#)

<sup>6</sup> Matt VanDyke, Ford director of U.S. marketing, MAY 13, 2020 [LINK](#)

<sup>7</sup> Marketing Week, APR 6, [LINK](#)

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be lower than normal. Peter Fields highlights an opportunity for brands during this downturn to identify and seize low cost growth opportunities and make the most of more captive, housebound audiences.<sup>8</sup>

## **THE IMPORTANCE OF BRAND**

In March we argued that “not showing up is NOT an option.” Three months on, how brands show up matters even more. The World Federation of Advertising found that while 41% of brands have deferred their campaigns, overall 89% will or have already created COVID-19 campaigns.<sup>9</sup> Moreover, there is a strong business case for showing up - history advises that brands should spend during times of crisis and downturn. This spending has significant short-term and long-term benefits for business.<sup>10</sup>

Studies going back nearly a century point out the advantages of maintaining or even increasing ad spend during a weaker economy. Advertisers that maintained or grew their ad spend increased sales and market share during the recession and afterwards. There isn't a better time than now to be advertising, as overall category ad spend has been reduced due to downsized budgets: it means maintaining SOV is likely to be cheaper than in normal times.<sup>11</sup>

Now, it is important to consider how spend should be adjusted and where investments should be made. There are strong cases for brands to be investing in key parts of business: the right tone of voice, maintaining loyalty and customer base, and lastly brand purpose; once the pandemic is over consumers will lean on the brands who have consistently aligned their needs and made them feel seen.

## **SCENARIO PLANNING**

“The level of uncertainty for most leaders is unprecedented, and most of our frameworks for planning and problem solving are unable to manage the geographic variability, uncertainty, and the exponential change brought by the COVID-19 crisis.”<sup>12</sup>

Broadly, there seem to be three or four ways in which the context will evolve:

1) optimistic - lockdowns end, the virus remains under control and economic activity picks up fast;

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<sup>8</sup> Peter Field, Linked In, APR 6, 2020 [LINK](#)

<sup>9</sup> WARC '89% of brands have created COVID-19 campaigns' [LINK](#)

<sup>10</sup> Reference to the 'BBDO Knows An Argument in Favour of Investment Paper'

<sup>11</sup> Peter Field, Advertising in Recession — Long, Short, or Dark? [LINK](#)

<sup>12</sup> BCG, [Link](#)

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2) central - a more realistic expectation that prolonged social distancing measures will have some impact for the rest of the year but consumer confidence will rebound, and the recovery will begin in the first half of 2021; and

3) pessimistic - the expectation of the returning pandemic peaks and lockdown measures lead to a deep and prolonged recession and structural damage to the economies.

Under the central and optimistic scenarios people will likely resume their “normal” lives fairly fast but retain certain behaviours and mindsets acquired during the lockdown – an enduring desire to be more prepared should a similar crisis happen again, going online for more activities more often, retaining focus on local living, a strengthened appreciation for family, local community and the desire to support local businesses.

In the case of a more pessimistic, prolonged impact the pandemic might have, people will likely adopt recessionary behaviours with a retained focus on the immediate: the so-called siege mentality. Lengthy or returning lockdown measures might ingrain new ways of living (online living, heightened need for hygiene measures and protection, introspection and local focus) for the longer term even when the economy rebounds.

Scenario planning for both the business and consumer context will allow companies to prepare scenarios for brands that will be invaluable in the long term, as they will offer a playbook for a more agile approach. Most of the scenarios will play out on smaller scales as different industries and individual experience various levels of impact under any scenario. An agile brand will be prepared to respond in a way that reflects different customer realities.

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### **ABOUT BBDO KNOWS**

BBDO KNOWS is a planning resource for the BBDO network.

BBDO KNOWS offers thinking, strategy, insights and inspiration on key categories, key themes and consumer segments.

If you are interested in learning more about the way BBDO thinks please contact

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