

BDO KNOWS

CORONAVIRUS

WHAT YOU NEED TO KNOW, NEXT

May 2020

*A note of caution, the narrative and data around this subject move at speed. Data points are outdated almost immediately. We will, therefore, do our best to update this material quickly, as events unfold.

CONTENTS

1. *Where are we now*
2. *Behaviour Shifts*
3. *Business Outlook*
4. *Brand Expectations*
5. *Scenario Planning*



We can no longer spend time solely analysing the past or present.

As we take the first tentative steps out of lockdown we want visibility of what's next.

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?

How will we know when we are really in a post-covid world?

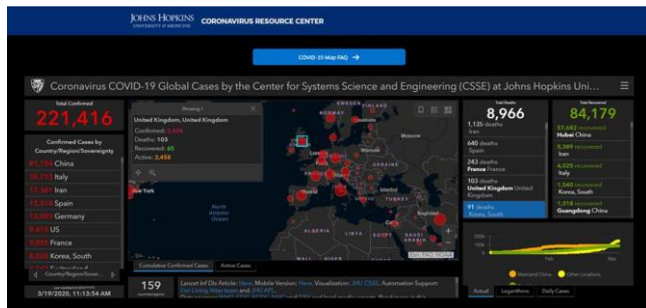
Obviously answers depend on multiple external factors and variables.

Obviously answers vary depending on specific countries, categories and consumers. There is no one size fits all approach.

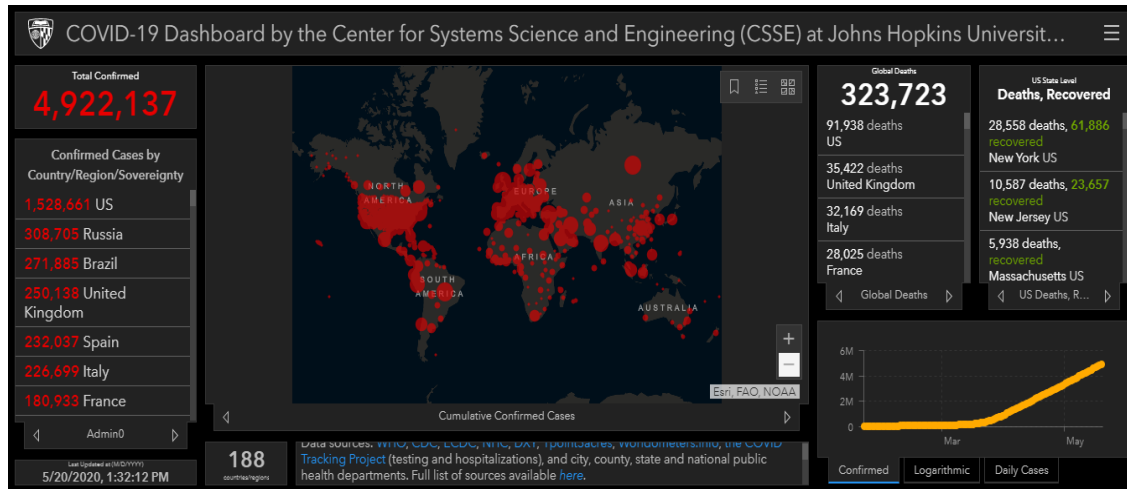
Here's what we know:

And we still don't have a final cost

MARCH



MAY



IT'S BEEN MORE FAR REACHING

...than we ever could have imagined

FAR REACHING IMPLICATIONS

In addition to the intensive human toll and the disruption to millions of people's lives, the economic damage is already significant and far-reaching.



MARCH



MAY

From 'normality' to lock down to never normal again - in just 5 months

**WE
ARE
HERE**

December

First cases reported in China

World Health Organisation in touch with Beijing after mystery viral pneumonia outbreak

January

First US case reported and WHO declares emergency

February

Virus officially named Covid-19, First death reported outside of China in Europe and Isolations begin

World Health Organization Declares COVID-19 a 'Pandemic.' Here's What That Means

March

Pandemic declared by WHO, borders close in various markets.

People will be clapping at doors, windows and balconies on Thursday as a thank you to the NHS

April

Pew research reports 93% of the world living with travel restrictions.

May

Across Europe, lockdown measures are being lifted cautiously, in phases.

Peace at home after Spanish children allowed out to play

DEC 2019

May 2020

Coronavirus: China has quarantined 50 million people.

The coronavirus outbreak has prompted people around the world to panic buy toilet paper. Here's why.

Will the coronavirus break the internet?

Global economy to suffer worst blow since the 1930s, warns IMF

Customers are spending on comfort as Covid-19 pandemic presses on

Jan 11 -23rd

Cases reported outside China but not classified as an emergency by WHO yet

Jan 26th

Travel tours outside of China suspended

March 8-9

Travel restrictions in Northern Italy becomes total country lockdown one day later

March 15th

OMNICOM mandates working from home

April 8

After over two months in lockdown the city of Wuhan in China's Hubei province - where the coronavirus pandemic started - is lifted.

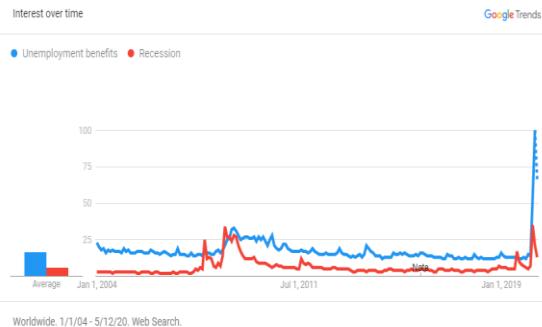
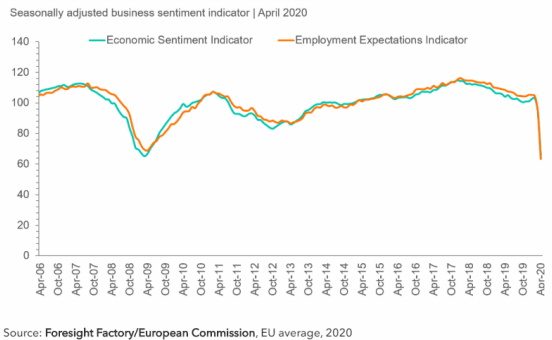
May 18

At least six countries have restarted their coronavirus lockdowns after loosening them, including China and Germany.

WE ARE CURRENTLY IN THE MIDST OF A PERFECT STORM

With a scale not previously seen, and no end in sight

EMPLOYMENT EXPECTATIONS DROP



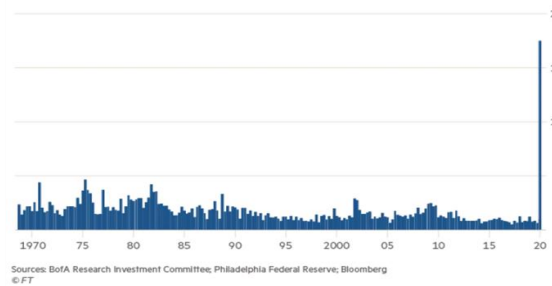
REQUIRED FINANCIAL SUPPORT ROCKETS

CONSUMER CONFIDENCE DROPS



Macroeconomic uncertainty is the highest in modern history

Dispersion in GDP quarterly growth forecasts (gap between 25th and 75th percentile, % points)

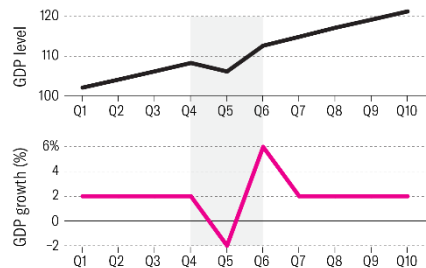


UNCERTAINTY ROCKETS

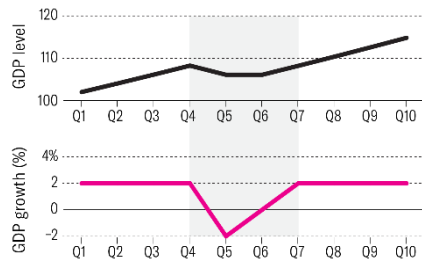
But there are several scenarios

Whether the economy can avoid a recession or not, the path back to growth under Covid-19 will depend on a range of factors, which can be considered across potential scenarios, we will explore these later:

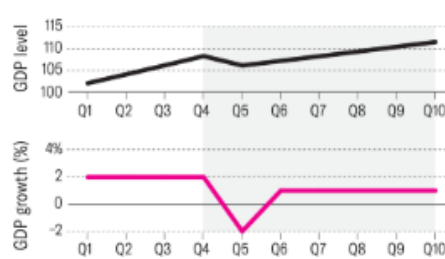
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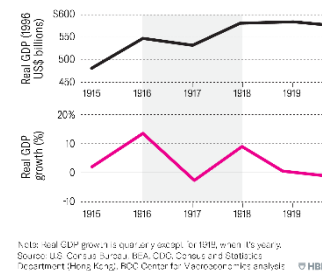
U-SHAPE:



L-SHAPE:



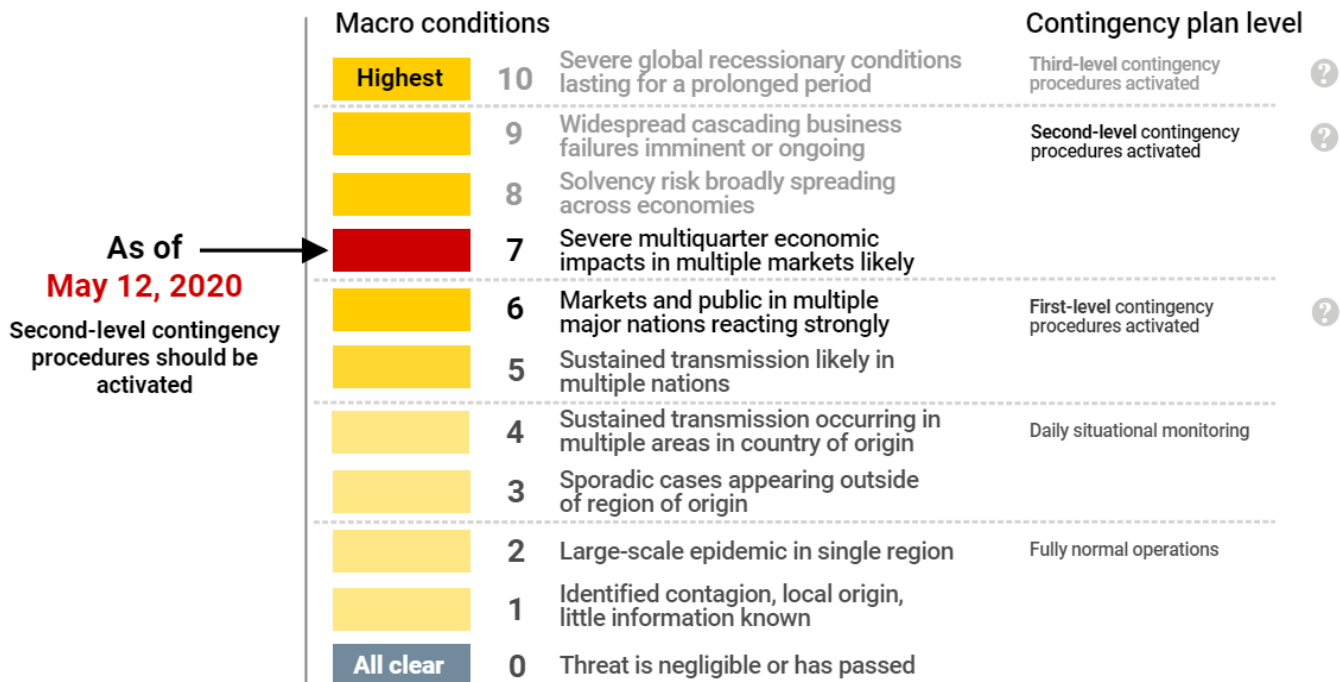
W-SHAPE:

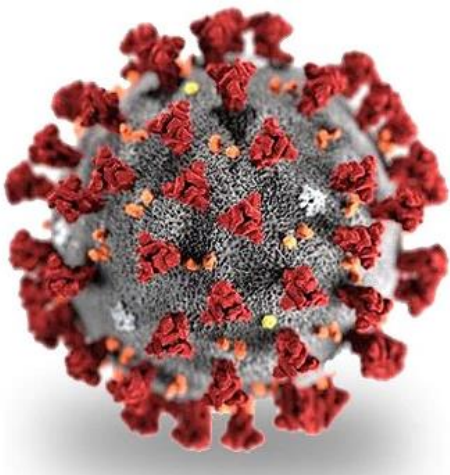


*Model based on past event

Every business needs crisis management built in

Bain's Situational Threat Report (SITREP) Index





-25%

Recent analysis of coronavirus global readership data has shown week-on-week declines in traffic to COVID-19 articles, down 24.6% by April.

At the same time, Google Search interest for coronavirus was also slowing to an average of 460 million daily pageviews, down from 500 million by April.

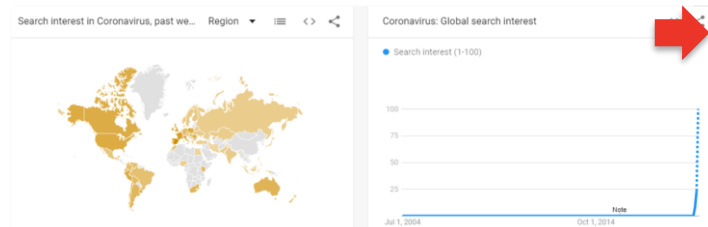
Coronavirus is no longer the most used, searched and written term in the world right now.

Its scale and fame remains unprecedented. But with fame comes fatigue.

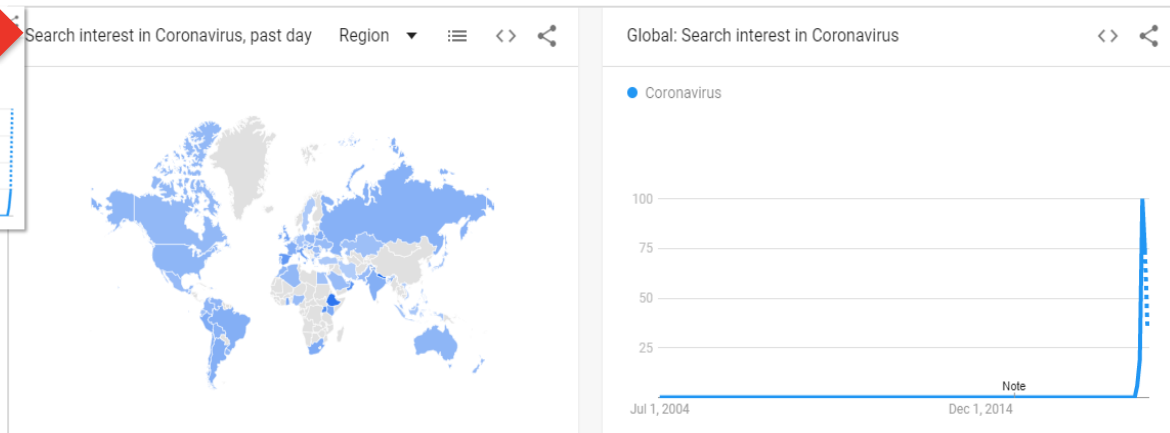
WE ARE SEARCHING LESS FREQUENTLY FOR ANSWERS

Because we know there are no definitive ones

MARCH



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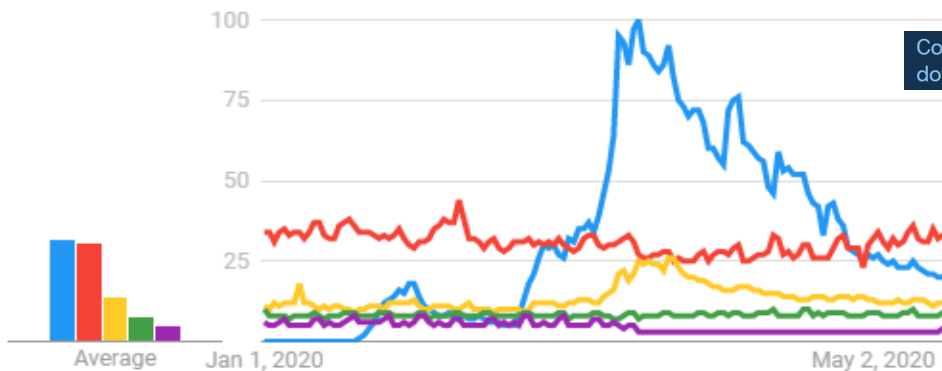
OUR INTEREST HAS SHIFTED BACK TO THE OUTSIDE WORLD

Around the world, our interest in the weather has once again overtaken coronavirus

Interest over time

Google Trends

● Coronavirus ● Weather ● News ● Music ● Sports



Experts worry 'quarantine fatigue' is setting in as coronavirus lockdown continues around the world

Coronavirus traffic and average reader engagement trends down

Coronavirus news fatigue is real

Worldwide. 1/1/20 - 5/20/20. Web Search.

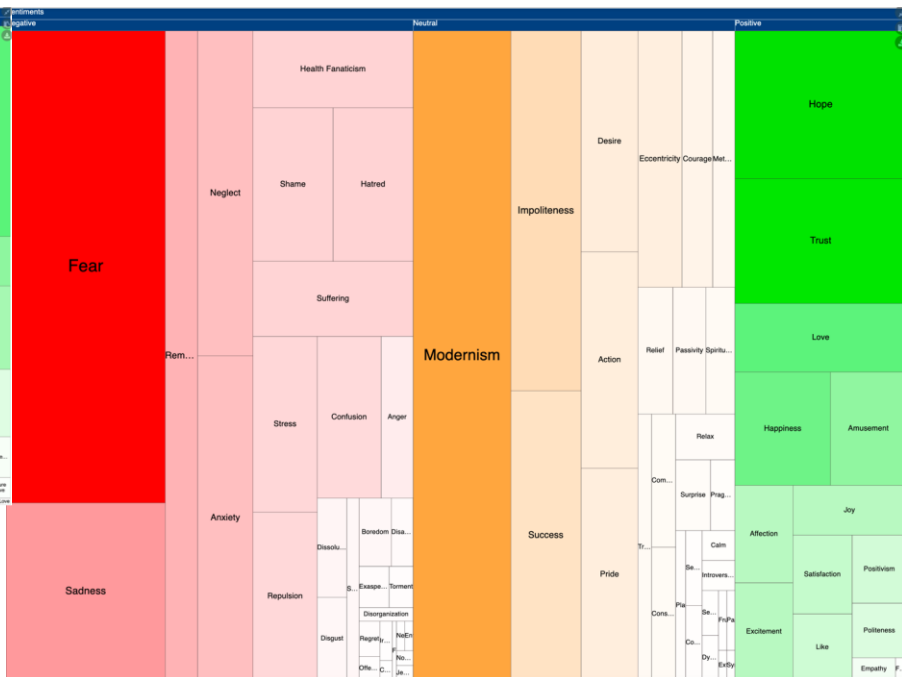
SOURCE: Google trends, retrieved 05/05/2020, [LINK](#):

For the first time since March, though fear remains the dominant emotion

MARCH 31st 2020



MAY 19th 2020



SOURCE: Expert System March 31st Vs May 19th [LINK](#); [LINK2](#)

The current challenge is rebounding and rebuilding while navigating the potential for significant aftershocks.

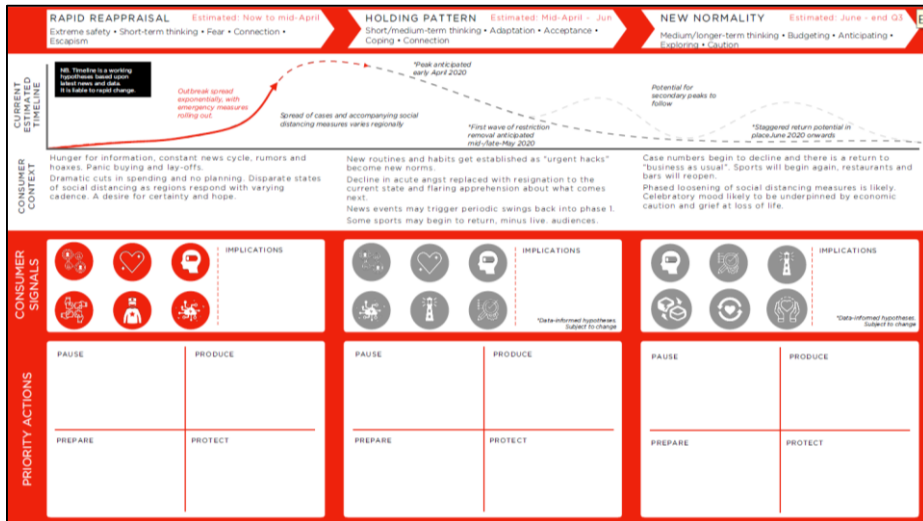
A lot of the current commentary is about the new normal. Our belief is that we will exist in a state of no normal for some time to come, given the level of uncertainty around further impact.

In our original COVID-19 paper we talked about the need to plan 3 months ahead.*

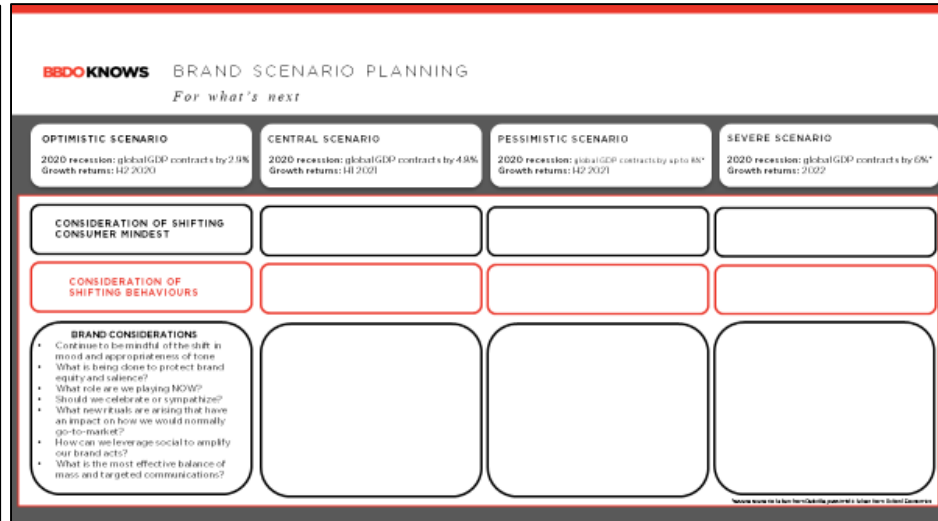
Now we have to move from the three month framework to mid to long-term scenario planning.

For what's next:

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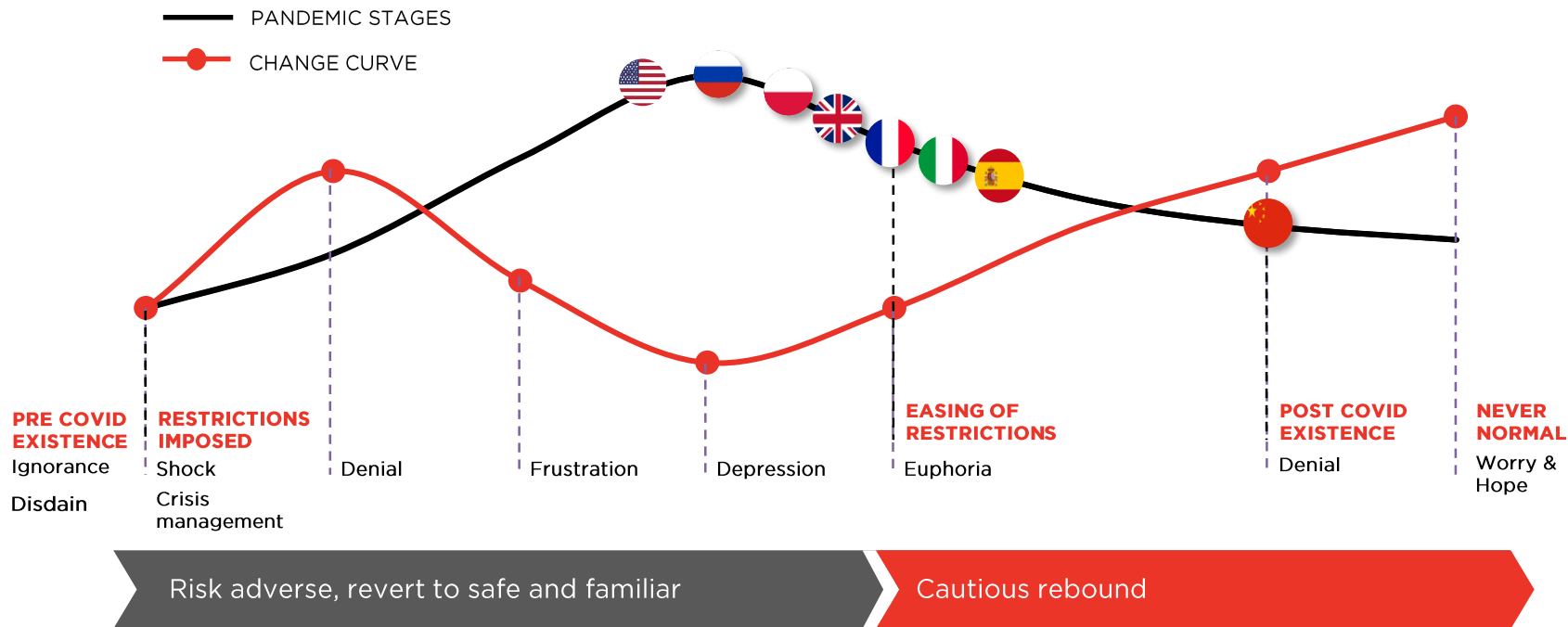
As we scenario plan we need to factor in our understanding of recent consumer behaviour shifts, the business outlook, the shape of the recovery and the expectations of and on brands.

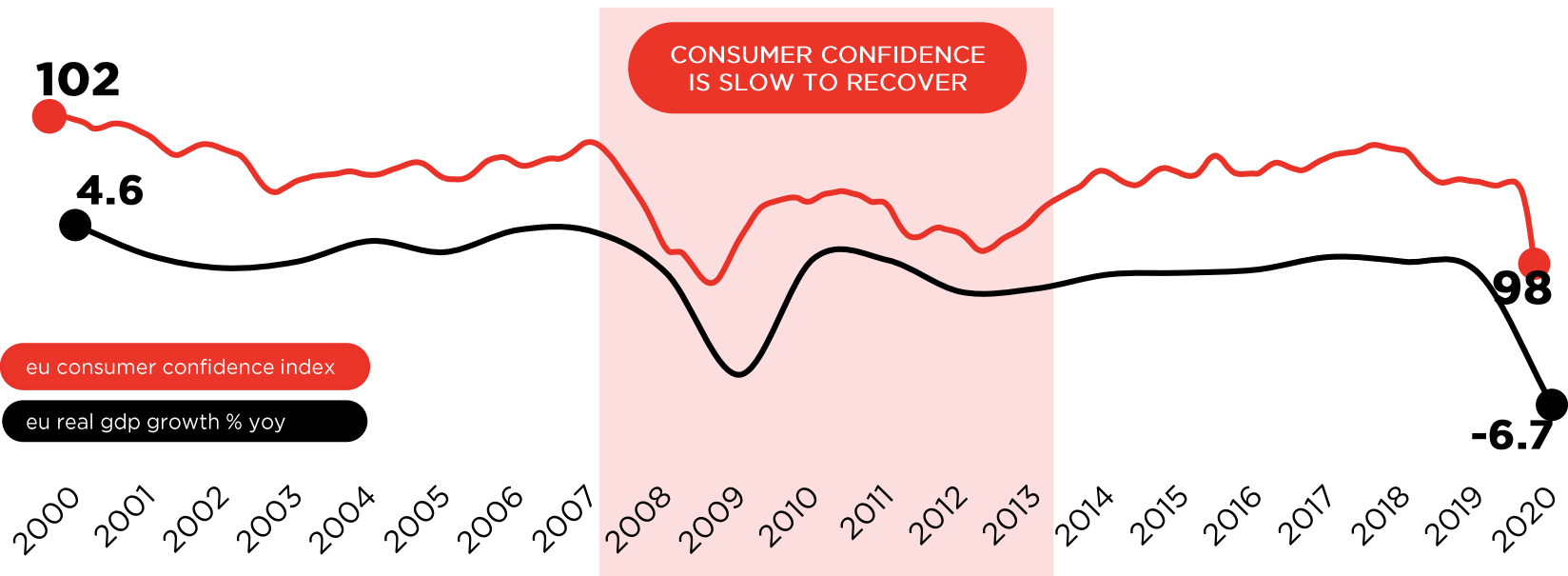
COMING HANG IN THERE

| We cannot underestimate the impact of this crisis.
It has played out the world over and has been so widely
documented that it has felt like there has been no other news.

It has dominated our psyche and consumed our mental availability. In many ways we have had to grieve, not only for the very real losses but for the loss of life as we knew it.

But remain at different points

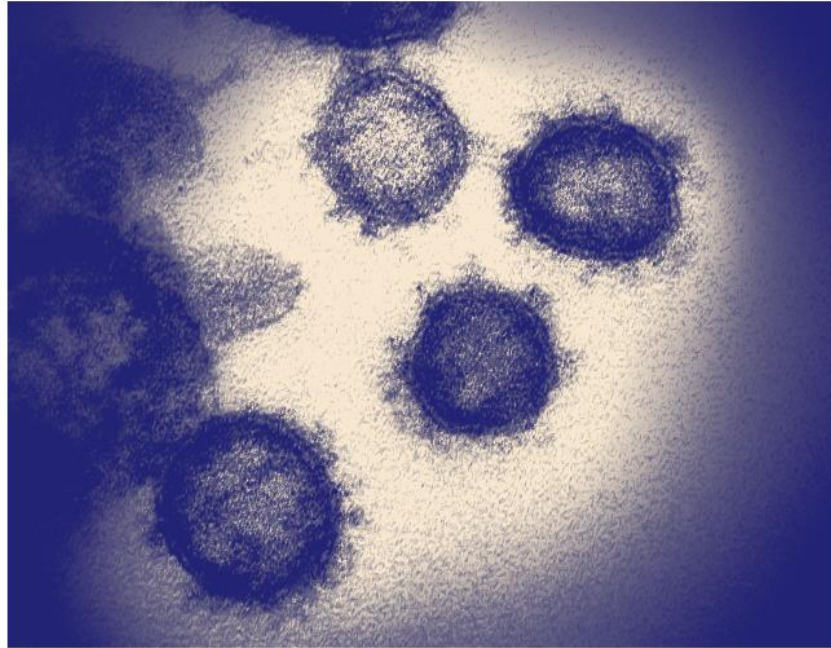


Based on previous experience

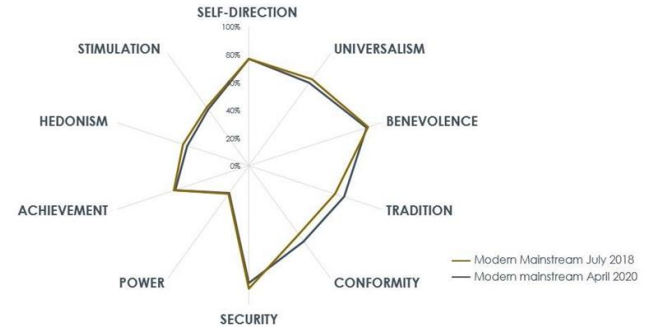
| As many markets emerge from lockdown we seek to better understand how consumer behaviors are shifting.

Two developing views

HOW PANDEMICS CHANGE HISTORY

**Covid-19 hasn't rewired the mainstream**

APRIL 2020



Source: Reach Solutions/House51 July 2018 & April 2020

Base: Modern Mainstream July 2018 (n=1,299), Modern Mainstream April 2020 (n=547)

Key consumer attitudes and behaviours

- 1) WE WERE WORRIED AND SEEKING REASSURANCE
- 2) THE IMPACT OF COVID-19 IS SO FAR REACHING, WE IMAGINED THE UNTHINKABLE AND PREPARED FOR THE VERY WORST



- 1) WE WERE ISOLATED AND NEED CONNECTION
- 2) WE RE-EVALUATED OUR VALUES AND PRIORITISED THE PEOPLE IN OUR LIVES



- 1) WE WERE ON PAUSE, INDEFINITELY
- 2) WE SHIFTED OUR FOCUS TO ONLY OUR VERY IMMEDIATE NEEDS.

And wondering what's next?

During the “holding pattern”, Consumers focused on regaining control, developing more sustainable coping mechanisms.

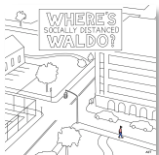
JANUARY

RAPID REAPPRAISAL



WORRIED

- Security
- Sustenance
- Financial security



ISOLATED

- Connection



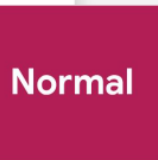
ON PAUSE

- Control
- Focus on the immediate
- Delaying

WE ARE HERE

MAY

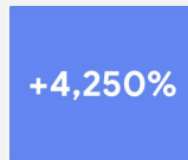
HOLDING PATTERN



reaches all-time high
2004-2020, Worldwide



"Will life ever go back to normal"
past week, Worldwide



"When will things get back to normal"
Past month, Worldwide

OCTOBER

WHAT'S NEXT?

BUT WE DON'T EXPECT TO GO BACK TO NORMAL

There is only forward

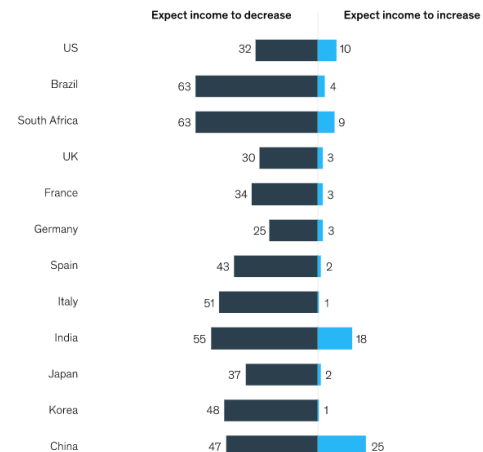
People believe that their income will decrease in the near future - suggesting behavioural change is inevitable - and that adjustments to their routines will continue beyond the crisis in the mid-term for 4+ months.

INCOME: EXPECTED TO DECREASE

Consumers globally expect their income to decrease in the near future.

Respondents who expect their income to decrease vs. increase over the next 2 weeks¹

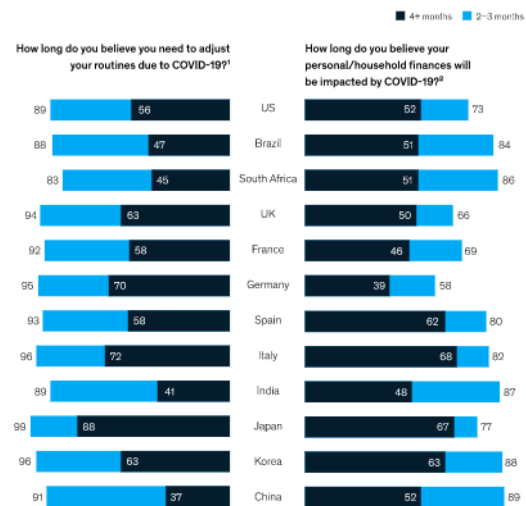
% of respondents



¹ "How do you think your overall available income may change in the next two weeks?"

Source: McKinsey & Company COVID-19 Consumer Pulse surveys, conducted globally between March 15 and April 10, 2020

ROUTINES: EXPECTED TO ADJUST LONG TERM



¹ "How long do you believe you need to adjust your routines, given the current coronavirus (COVID-19) situation, before things return back to normal in your country (e.g., government lifts restrictions on events / travel)?"

² "How long do you believe your personal/household finances will be impacted by the coronavirus (COVID-19) situation?"

Source: McKinsey & Company COVID-19 Consumer Pulse surveys, conducted globally between March 15 and April 10, 2020

Source: 'A global view of how consumer behavior is changing amid COVID-19'. McKinsey & Company. 25th April 2020. [Link](#); BBDO Knows Get

Google Smart: Session #2. 14th May 2020

BBDOKNOWS FEELING: WE ARE STILL WORRIED

And our anxiety is increasing

JANUARY

MAY

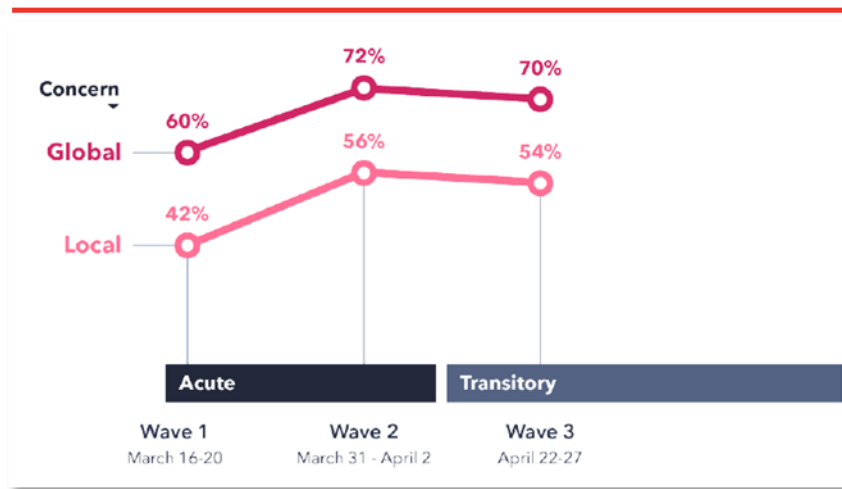
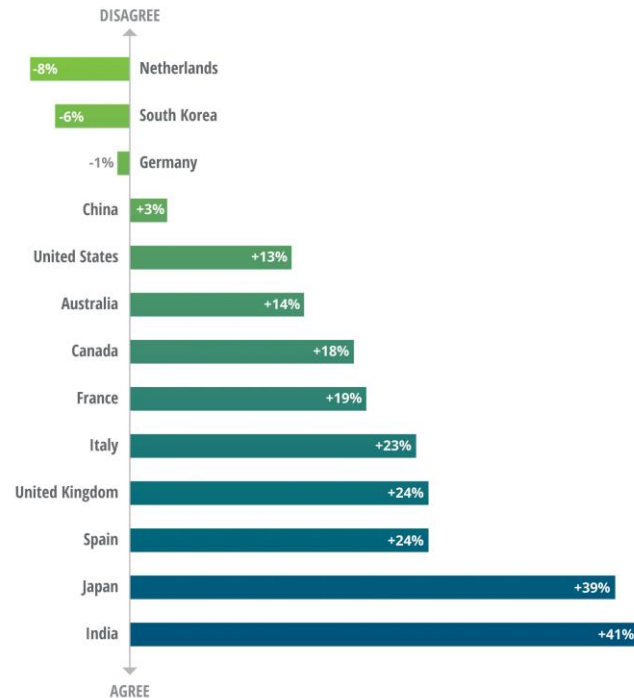


FIGURE 1

Global anxiety continues to rise, led by India and Japan

Measure of anxiety by country



Note: Figures represent "net anxiety": percentage of agree/strongly agree responses minus percentage of disagree/strongly disagree responses.

Question: "I am more anxious than I was last week," with 0 being "mostly disagree" and 10 being "mostly agree."

Source: Deloitte analysis.

And uncertainty and has a severe psychological impact

Forbes

The Psychology Of Uncertainty: How To Cope With COVID-19 Anxiety



Bryan Robinson Contributor @
Careers



Source: Forbes [LINK](#), The Guardian [LINK](#)

'Focus on right now': how to mentally prepare for more Covid-19 uncertainty

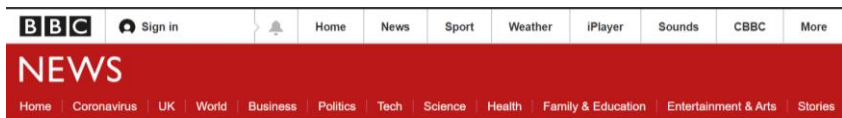
There will be no quick return to our lives after the pandemic. Some realistic pessimism might help us curb disappointment

- [Coronavirus - latest US updates](#)
- [Coronavirus - latest global updates](#)
- [See all our coronavirus coverage](#)



BBDO KNOWS FEELING: BUT WE ARE GRATEFUL

And see the good that has arisen from the crisis



Uplifting stories

0:15 21 May

Couple 'marry at home'



Coronavirus: acts of kindness that are making a big difference

These are the companies and individuals going above and beyond



BY SUSANNE NORRIS AND BELLA THORPE-WOODS 30/04/2020



- **Learning at home:** +50% y/y in views for "study with me."²
- **Getting creative with cooking:** +45% y/y in views for "pantry meals."²
- **Reducing stress:** +35% y/y in views for meditation-related videos.²
- **Making it work:** +55% y/y in uploads of "work out at home" videos.³
- **Being together while apart:** Average daily views of videos with #withme in the title have increased by 600% since March 15th compared to their average views for the rest of the year.⁴



Source: BBC, Good Housekeeping, Google, Youtube

We need to control our worlds when everything else is out of control

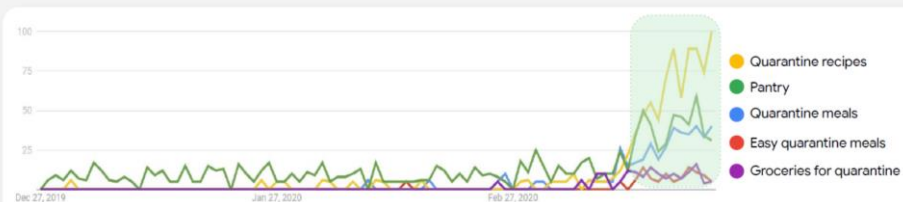
Panicked consumers seek control amid the crisis

by Paul Mayne, University of Western Ontario

In the Early stages panic buying was about 'taking back control' in a world where you feel out of control.

As lockdown restrictions are lifted we will seek to regain further control over our immediate worlds.

Having a plan also gives us a sense of control: we're starting to plan our meals and purchases as we adjust to staying at home for an extended period of time



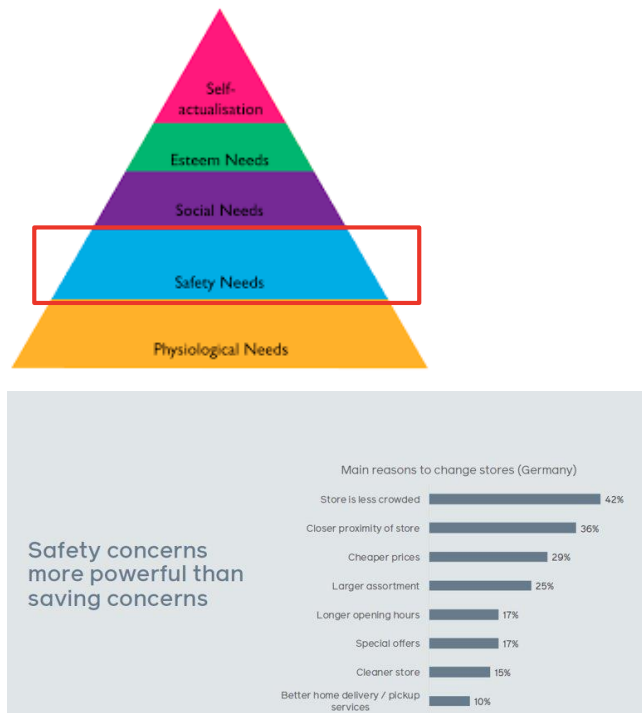
Source: Ipsos April [LINK](#)
Google Trends

“First, when people experience uncertainty in the world, they tend to respond by seeking greater control over their environment (Miceli & Castelfranchi 2005), which can be achieved by pursuing familiar products and activities (Cutright et al. 2013). For instance, people may spend more time on hobbies that they are expert at or even cook their favorite meal from scratch. Such behaviors give people a sense of control over small aspects of their life.”

IPSOS April 2020

NEED: WE NEED REASSURANCE & SAFETY

We need safety during and beyond a health crisis



Source: Google Truths: The Human Side of Uncertainty, May 5 2020; McKinsey & Company COVID Consumer Pulse Survey, 30th April – 3rd May 2020 via Facebook Covid Live Episode 7

FIGURE 4

Feelings of safety engaging in ordinary activities remains low worldwide

Perceptions of safety by country

	Feeling safe ...		
	Going to the store*	Staying in a hotel**	Taking a flight†
United States	34%	25%	21%
Canada	28%	16%	15%
United Kingdom	30%	21%	18%
Germany	36%	31%	25%
France	39%	38%	34%
Italy	28%	21%	19%
Spain	25%	19%	19%
Netherlands	45%	30%	20%
China	47%	25%	30%
India	43%	38%	43%
Japan	17%	14%	11%
South Korea	34%	19%	17%
Australia	44%	22%	15%
Average	35%	25%	22%

Note: The top two countries within each area (column) are highlighted in blue, and the bottom two countries highlighted in green.

*Percentage of agree/strongly agree responses to the statement "I feel safe going to the store right now."

**Percentage of agree/strongly agree responses to the statement "I would feel safe staying in a hotel right now."

†Percentage of agree/strongly agree responses to the statement "I would feel safe flying right now."

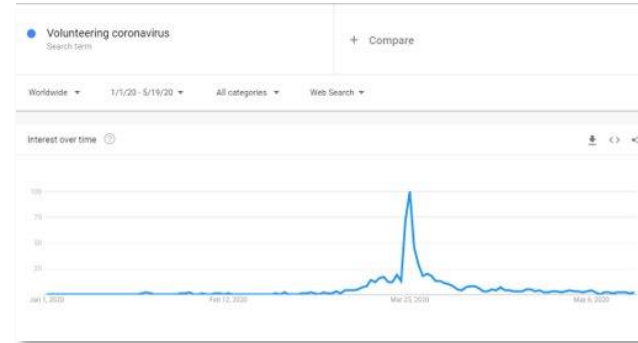
Source: Deloitte analysis.

We need meaningful connections post our periods of isolation

40%

Of those surveyed in the UK said they had noticed since the outbreak of Covid-19 'a stronger sense of community in [the] local area'.

PHYSICAL & ONLINE COMMUNITY



We will extensively budget and delay if we can't justify

DELAYING THE SMALL

AND THE BIG

41%

of those surveyed globally say they will cut back on the day-to-day things they buy.

FIGURE 5

Consumers intend to curb more discretionary spend over the next four weeks

Net spending intent by country, percentage

		NET SPENDING INTENT												
		Lowest												
		United States	Canada	United Kingdom	Germany	France	Italy	Spain	Netherlands	China	India	Japan	South Korea	Australia
Less discretionary														
Everyday household goods		30	23	24	27	19	31	29	18	55	56	7	15	21
Groceries		40	38	36	31	30	38	34	29	33	62	11	31	28
Utilities		16	7	17	14	8	9	18	9	35	38	2	5	26
Medicines		11	6	5	19	7	11	14	3	14	53	2	5	6
Home internet/mobile phone		11	8	6	21	18	4	18	10	28	54	4	12	12
Health care		7	-4	-5	19	4	0	-1	3	31	57	-2	-3	-5
Housing		3	-5	-4	17	-1	-1	-4	2	5	18	-8	-2	0
More discretionary														
Alcohol		-4	-10	-5	6	-16	-37	-21	-15	-12	-10	-15	-20	-6
Books		-6	-24	-11	16	-10	-8	-10	-8	17	24	-11	-11	-10
Cable TV		8	-2	-3	18	3	-11	2	5	15	42	-13	2	-3
Clothing/apparel/footwear		-30	-50	-40	-3	-28	-38	-44	-19	20	3	-40	-15	-40
Electronics		-19	-39	-31	3	-23	-26	-25	-14	6	5	-21	-26	-28
Entertainment		-4	-16	0	15	-6	2	-2	3	16	41	-19	6	-4
Fuel and motor oil for my automobile		-38	-61	-58	-10	-38	-49	-46	-51	0	7	-27	-18	-55
Furnishings		-27	-50	-41	-4	-38	-58	-51	-30	-15	-6	-37	-37	-43
Restaurants/takeout food		-18	-45	-50	-9	-35	-41	-49	-25	5	-12	-38	-7	-34
Travel		-50	-72	-63	-30	-43	-63	-64	-67	-31	-16	-69	-55	-72
Savings*		4	-7	-6	15	-7	-14	-8	10	8	38	0	4	-8

Note: Net spending intent = the percentage of respondents who selected "somewhat/a lot more" minus the percentage of respondents who selected "somewhat/a lot less" to the question, "How much do you plan to spend on each of the following items over the next four weeks compared to the last four weeks?" Not meant to be an exhaustive list of spending categories.

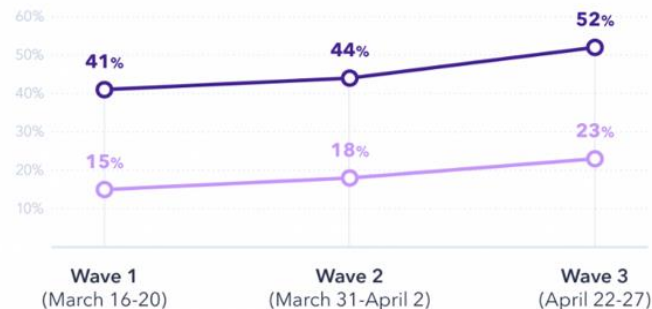
*Savings figures represent the percent of consumers who plan to save more minus the percent of consumers who plan to save less.

Source: Deloitte analysis.

Deloitte Insights | [deloitte.com/insights](https://www.deloitte.com/insights)

% who say they've delayed purchasing the following as a result of the coronavirus outbreak

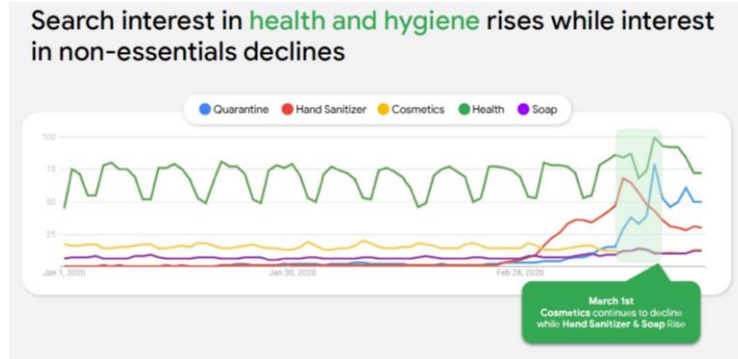
● Luxury items ● Vacations



Question: Have you delayed purchasing any of the following, as a result of the coronavirus/COVID-19 outbreak? Luxury items (e.g. designer clothes, shoes, fragrances, etc)/vacations or trips Base: 12,845, 12,246 and 12,426 internet users aged 16-64 in the 13 countries included in all 3 waves Source: GlobalWebIndex Custom Research, March 16-20, March 31-April 2, and April 22-27

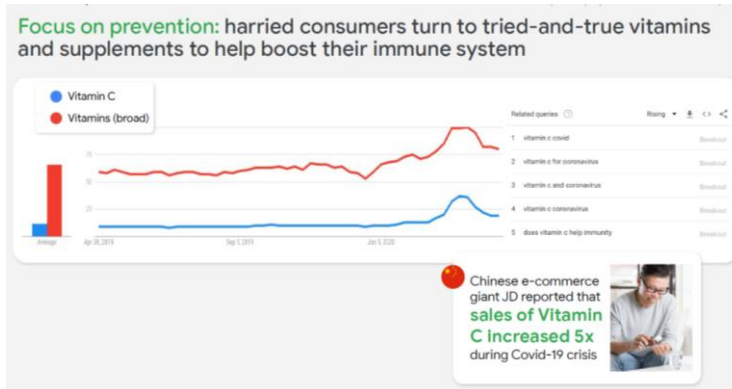
Source: Global Web Index 23/03/2020; 'Coronavirus: insights from our multinational study wave 3'. Global Web Index, 29th April 2020. [Link](#)

Safety is now inextricably linked with health, this won't go away in the near term

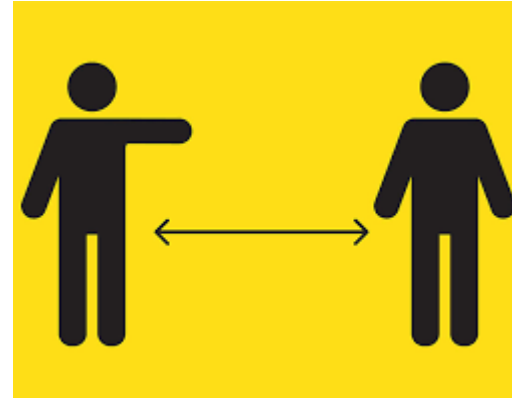
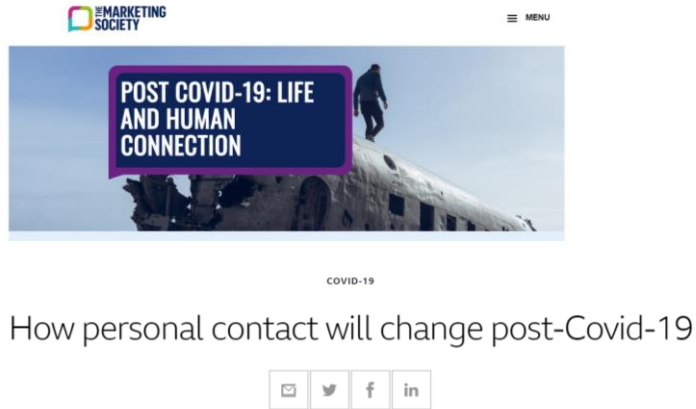


“People are picking up new good habits and dispensing with bad ones as a result of this crisis. Handwashing and a stronger consciousness of personal hygiene will become a stronger habit.”

— *Hans Lopez Vito, COO, BBDO Greater China*

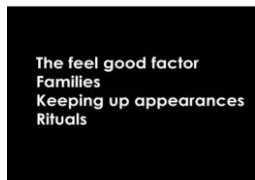


After being deprived of contact, we seek meaningful connections

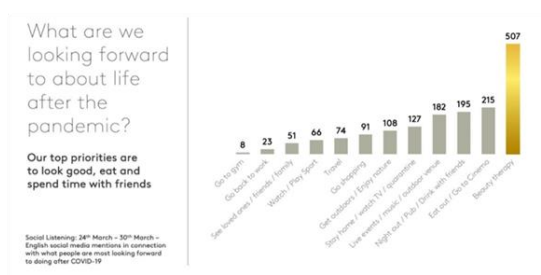
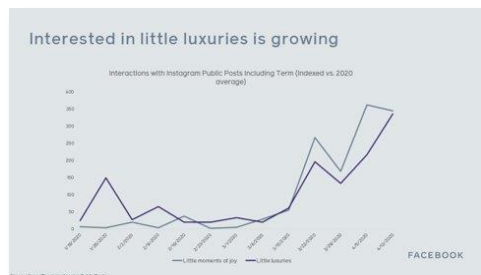


After being deprived of physical connection for an extensive period of time, with the potential for further restriction we anticipate the need for more meaningful connections and even experiences as allowed.

We will spend, but we will plan it and it will need to really matter



As we have seen during recessionary spending before, there is often an increase in the 'lipstick effect', whereby consumers are more likely to treat themselves and purchase little luxuries. BBDO research in 2008 and 2009 found that people still spend on what matters, during downturns



Source: Global Web Index April 22-27; Facebook Covid Live Episode Five

Source: 'What are people most looking for post-pandemic?' Kantar. 6th April 2020. [Link](#)



WHAT SHIFTED?

CCVI 2019

1. Success
2. Security
3. Health
4. Simplicity
5. Freedom
6. Nature
7. Family
8. Community
9. Recognition
10. Transparency



CORONA UPDATE 2020

- ↑ 1. Security
- ↑ 2. Health
- ↑ 3. Family
- ↑ 4. Freedom
- ↓ 5. Success
- ↓ 6. Simplicity
- ↓ 7. Recognition
- 8. Community
- ↑ 9. Transparency *
- ↓ 10. Nature *

* excluded due to insufficient data

After confinement, how do you think both the consumption and the consumer have changed?

"Many media have predicted that there will be retaliatory consumption behavior after the confinement, but I personally think this is unlikely. Because the epidemic situation has already hit the global economy and affected many people's livelihood, people's consumption concept will be more cautious and conservative after the epidemic. Even in the slow recovery of China, the main purchase of consumers is the necessities of life. At most, they just buy a high-quality cake, or eat a hot pot to comfort their mind."

WF Leong, Chairman and CCO of BBDO Greater China



Advice from our leads in Italy



- 1) **EURHORIA**
- 2) **DEFAULT BACK TO OLD BEHAVIOURS**
- 3) **REDUCTION OF SPEND**

After confinement, how do you think both the consumption and the consumer have changed?

"I think that after confinement consumers will go through three stages:

- 1) the first reaction of people will be of pure euphoria and will be characterized by immoderate consumption on the wave of emotion and the desire to celebrate*
- 2) in a second stage people will have a huge desire to return to normal and they will start making the same consumer choices they did before, pretending that nothing happened*
- 3) after these two short phases, we will enter a longer phase which will be characterized by the fact that people will have to deal with the economic effects of what has happened and will probably have to reduce their consumption. It is in fact quite intuitive to foresee that following this stoppage of the country's economic engine, a recession will follow which will lead to a contraction in consumption on all product categories."*

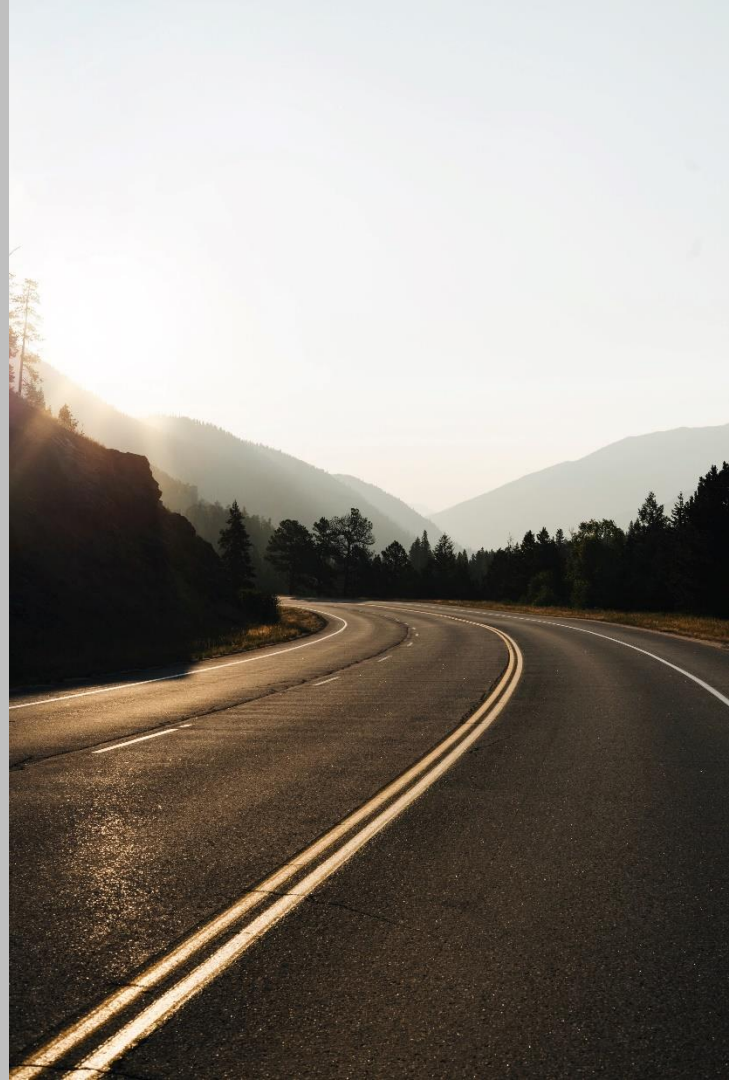
Marianna Ghirlanda - CEO - DLV BBDO

People are cautious and this will remain

- 1) We are emerging from the systemic shock with a renewed sense of priorities and values and a heightened need for control.
- 2) We will likely retain a siege mentality, we cannot unsee what we have seen and experienced and we will want to be better prepared next time. We seek safety and we are planning, delaying and justifying.
- 3) We will likely remember how our values and sense of humour carried us through the most testing time, and we will remember who shared our values and behaved with empathy.
- 4) Steps back to so called normal are tentative and require extensive navigation and reassurance.

OUTLOOK & RECOVERY

Learnings from the past



The shape of the recovery from the COVID-19 crisis is unclear because of the unprecedented nature of the event:

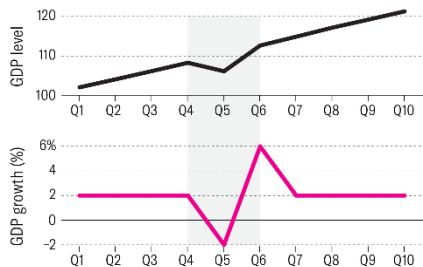
We are experiencing a unique health, humanitarian, economic, social, and political crisis.

MAKING THE SHAPE OF RECOVERY HARD TO PREDICT

But there are possible scenarios...

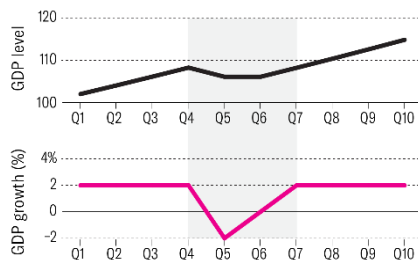
Whether the economy can avoid a recession or not, the path back to growth under Covid-19 will depend on a range of factors, which can be considered across three potential scenarios:

V-SHAPE:



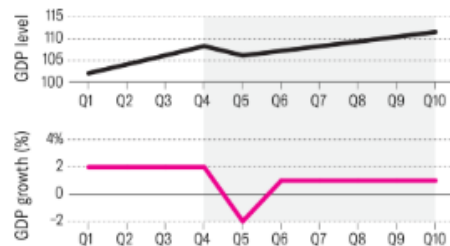
- Driven by displacement of output
- After steep decline, growth eventually rebounds for relatively quick recovery

U-SHAPE:



- While growth resumes, shock persists, with some permanent loss of output
- Often reflects long period between decline and recovery

L-SHAPE:



- In this scenario, the downturn is extensive.
- The shock would have to cause significant structural damage, such as breaking something on the economy's supply side

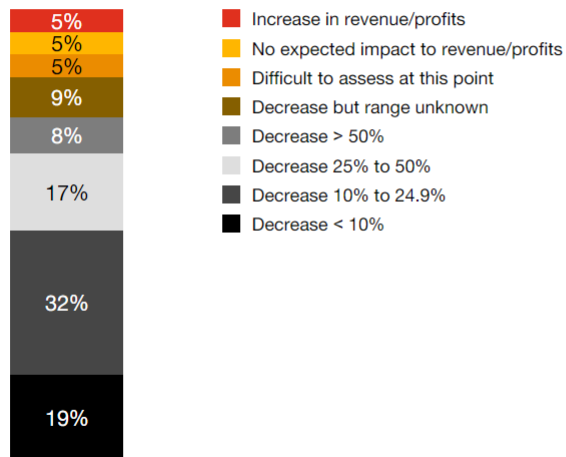
“ **Where does the coronavirus shock fit in so far?**

The intensity of the shock will be determined by the underlying virus properties, policy responses, as well as consumer and corporate behaviour in the face of adversity. But the shape of the shock is determined by the virus' capacity to damage economies' supply side, particularly capital formation. At this point, both a deep V-shape and a U are plausible. **The battle ahead is to prevent a clear U trajectory.”**

- Harvard Business Review, 2020

With a significant decline in leader sentiment

What impact do you expect on your company's revenue and/or profits this year as a result of COVID-19?



Source: PwC COVID-19 CFO Pulse Survey, 4 May 2020
Base: 867

11%

of global CEOs fear their
business won't survive
coronavirus: YPO survey

Over half of chief executives around the world believe coronavirus is a significant threat to their business, but worse, 11% fear their business won't survive the resulting economic downturn.

The YPO survey found 64% of executives anticipating lower revenue continuing at least one year from now; 16% believe their revenues will actually be higher. Forty-three percent of CEOs expect revenue to be down by more than 20% in a year — executives in the Middle East, North Africa and South Asia regions are most likely to predict a larger decrease.

Advocating scenario planning

Deloitte.

“Is a V-shaped recovery possible? Probably not. **A V-shaped recovery would likely require that consumers and businesses be confident of the virus’s disappearance and act accordingly—and with abandon.** That will only come about when a vaccine or cure is found, and neither seems likely in the short term. As long as the virus is known to be a threat, consumer and business behavior is likely to be cautious, thus generating either a U-shaped or a W-shaped recovery.”

– Deloitte, [LINK](#)

BCG

“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. We have found that many leaders are asking the same set of questions... good questions, but the reality is, we shouldn’t be asking them at this point. **In the wake of so much uncertainty, we should instead focus on framing potential scenarios and use them to develop a robust plan of action..**”

– BCG, [LINK](#)

McKinsey &Company

“Given these and other uncertainties and the need for experimentation and fast learning to navigate through them effectively, we believe that **the next step in the response of businesses cannot be thought of as a phase at all. It will be open ended rather than fixed in time.**”

– McKinsey, [LINK](#)

Prioritising consumer understanding for now and the future

PEPSICO

"We largely expect consumers to eventually return to previous habits, as they slowly exit confinement and cautiously settle into a new normal... We'll **identify and plan for lasting new habits and consumption patterns** and tailor our innovation and brand communication plans accordingly to achieve greater consumer awareness and engagement with our brands."

- PepsiCo Inc. CEO Ramon Laguarta, [LINK](#)



"It has become increasingly clear that COVID-19 is set to be part of our lives for months to come... With two thirds of customers still concerned around safety in supermarkets, **Asda is investing in more longer-term measures** to support social distancing in its stores."

- ASDA Chief executive Roger Burnley, [LINK](#)

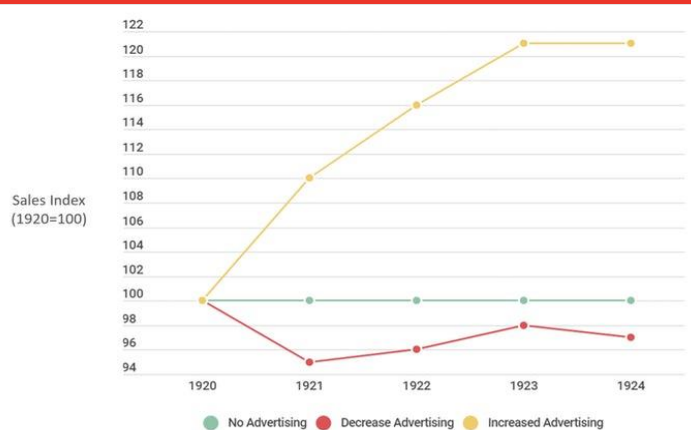


"Our initial communications focused on assistance and reassurance... The next phase of communications is about recovery. Ford is America's car company. **We're looking toward the future and staying committed to our customers** - what they want, what they need - each step of the way."

- Matt VanDyke, Ford director of U.S. marketing, [LINK](#)

Investing in share of voice has driven strong growth during the recession and longer-term

INCREASED AD-SPEND DURING THE GREAT DEPRESSION (1920s) INCREASED SALES



Vaile, Roland S. "The Use of Advertising During Depression"
Harvard Business Review 5, April 1927

INCREASED SOV DURING THE GREAT RECESSION (2008) INCREASED GROWTH



Excess share of voice (ESOV), is defined as share of voice (SOV) minus share of market (SOM).

Base: IPA cases covering 2008 recession IPA

The good news is for those that can spend where others can't, costs to advertise will likely be lower than in normal times. Therefore there is an opportunity for brands during this downturn to identify and seize low cost growth opportunities, while also make the most of more captive, housebound audiences.

The outlook is deemed bleak or challenging from every view and in every scenario.

A particular emphasis must be placed on understanding consumer shifts as they arise... and the resulting role brand can play.

—

BRAND

Expectations



Early in the crisis we argued, “not showing up is NOT an option.”

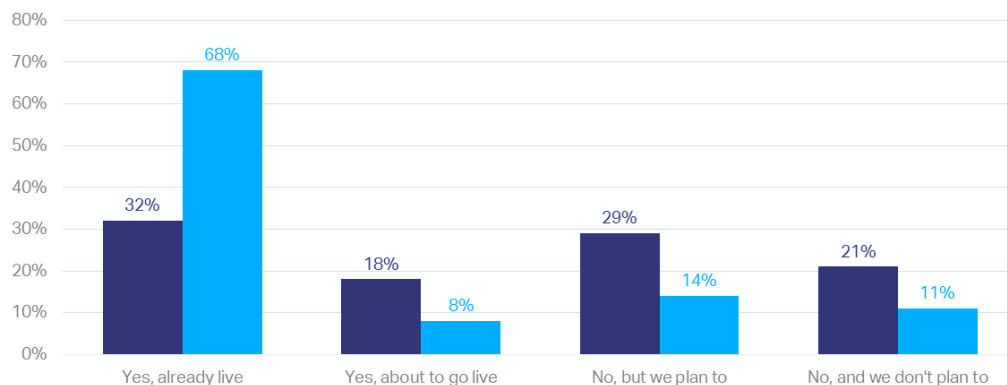
Three months on, HOW brands show up matters even more.

Responding to COVID-19

Global, Advertising during COVID-19

Created new campaigns in response to the crisis, % of brands

■ March 2020 ■ April 2020



Note: Based on survey of 38 multinational companies with around \$50bn in annual media and marketing spend (n=32 in March, n=38 in April).

Question: Have you created any new campaigns in response to the situation?

SOURCE: World Federation of Advertisers, Covid-19 Response: Wave 2, May 2020

WARC[^]
DATA

The World Federation of Advertising (WFA) found that whilst 41% of brands have **deferred brand campaigns, many have turned to creating coronavirus-related campaigns.** Two-thirds (68%) say they have created new campaigns in response to the crisis and that these are now live. This compares to one-third (32%) in March. Overall, 89% of brands say they have or will launch new campaigns during the outbreak.

Source: WARC '89% of brands have created COVID-19 campaigns'

More than that there is a strong business case for showing up, history advises that brands should spend during times of crisis and downturn. That this spending has significant short-term and long-term benefits for business.*

Now, it also important to consider how spend should be adjusted and where investments should be made.

Lessons from previous recessions are clear

Studies going back nearly one century point out the advantages of maintaining or even increasing ad budgets during a weaker economy. Advertisers that maintained or grew their ad spending increased sales and market share during the recession and afterwards.

INVESTMENT DO'S



1. DO SEIZE LOW-COST GROWTH

During recessionary times media costs decline.



2. DO DEFEND SOV TO EQUATE SOM

Defending SOV is crucial – cutting ad spend risks damaging market share in the short and long term.



3. DO INCREASE AD SPEND

Investing in ad spend during a recession can provide long term growth.

INVESTMENT DON'TS



1. DON'T DELAY AD SPEND

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



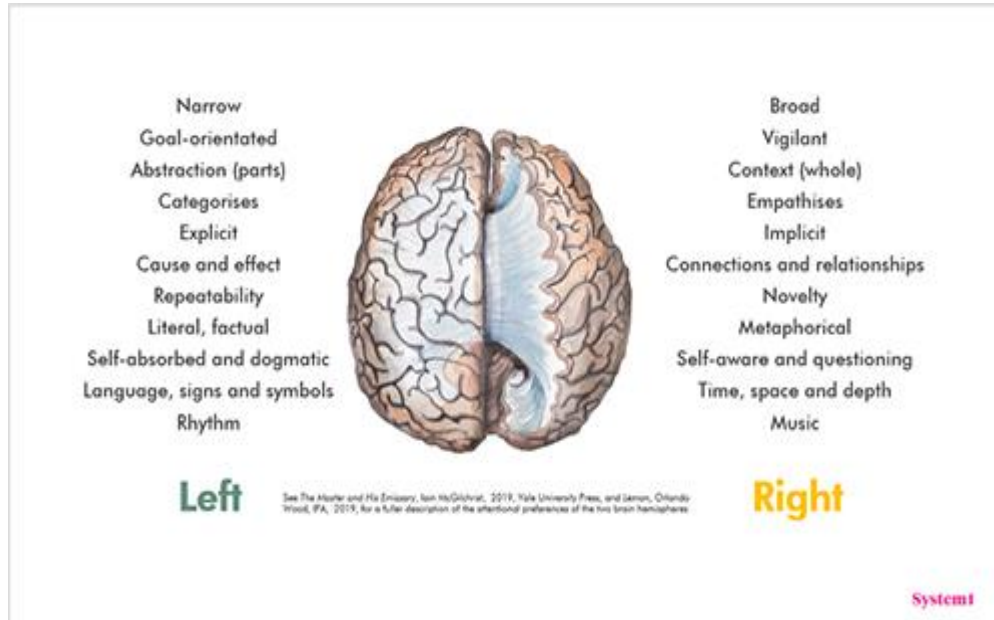
2. DON'T GO DARK

“Going dark” can weaken consumer relationships and bonding metrics.

INVEST IN: THE RIGHT KIND OF VOICE

Test your tone, people are looking for empathy. This will remain

Assess comms against current mood; use warm and emotional advertising that leans towards right brain features.



System1 data suggests ads with more right brain features such as human connection, spontaneity, humour are performing better today. As are those with a focus on people, place and community.

Results also found that pre-existing brand work with right-brain characteristics will most likely still connect today as well as it did prior to the outbreak,.

Regardless of the state of play, 'purpose driven' matters

Now and throughout the recovery period, it is vital for brands to be as useful as possible to the communities they serve – combining purpose and practicality. Right now purpose isn't just about brand health, but also about public health.



Peter Field, APRIL 2020 [LINK](#); AdWeek, MAY 2020 [LINK](#)
Global Web Index, APRIL 2020 [LINK](#)

1. KEEP ON BRAND BUILDING

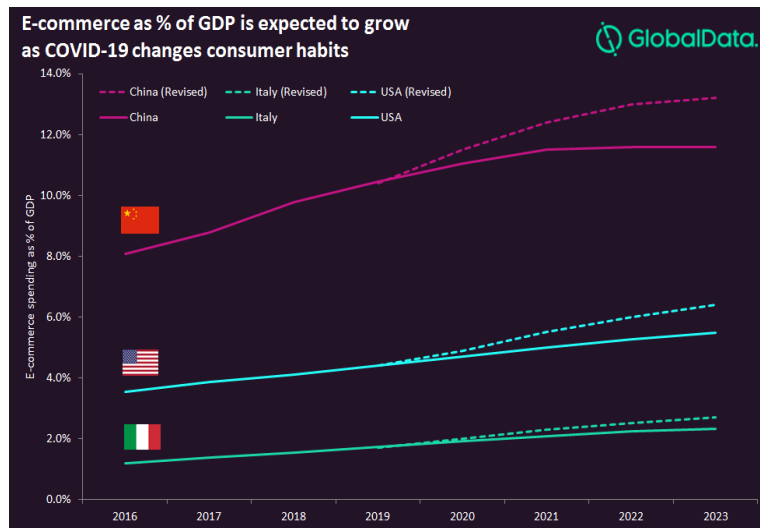
Because of the adverse impacts of this pandemic, (panic buying to market shut-downs), it's unlikely a switch to short term activation spend is best practice. Rather, a greater focus on brand advertising investment is more sensible for now.

2. PURPOSE VS. PURPOSE DRIVEN

Covid-19 has ushered in a new era of brand marketing: no longer what brands can get out of the customer over their lifetime but what the brand can do for the customer. Once the pandemic ends, consumers will continue to look to brands who align with their needs more than ever.

Stay on top of new habits and new channels.

“When spending drops, the companies focused on protecting and growing their most loyal customer segments often stabilise their businesses. They may even attract new customers as competitors falter” – Bain, 2020



1. PRIORITISE CUSTOMER EXPERIENCE

Research on previous recessions from MarketScience has shown customer satisfaction as a primary driver of long-term base sales. Successful brands are likely to protect spend on programs that maintain loyalty and deliver on experience.

2. LOOK FOR SIGNS OF NEW HABITS

The pandemic and subsequent lockdown orders are driving new behaviours and consumption habits. A example of this can be seen in the rise of older consumers shopping online for the first time.

Demonstrating true empathy and deep understanding

ADWEEK

“If anything positive comes out of the pandemic, it’s that the veil of purpose has been lifted... Once the pandemic ends, consumers will look to brands that align with their needs more than ever. They’ll choose the brands that made them feel seen in this time of crisis, not the ones that asked them to buy.”

- ADWEEK, MAY 2020.
[LINK](#)

WARC

“This is a moment to invest in a leap ahead, reconsider priorities, get back to where it all began, or discard presumptions made during simpler times. This is not a time for reaction or inaction. If you’re looking for a chance to revisit your purpose, the time is now..”

- WARC, MAY 2020.
[LINK](#)

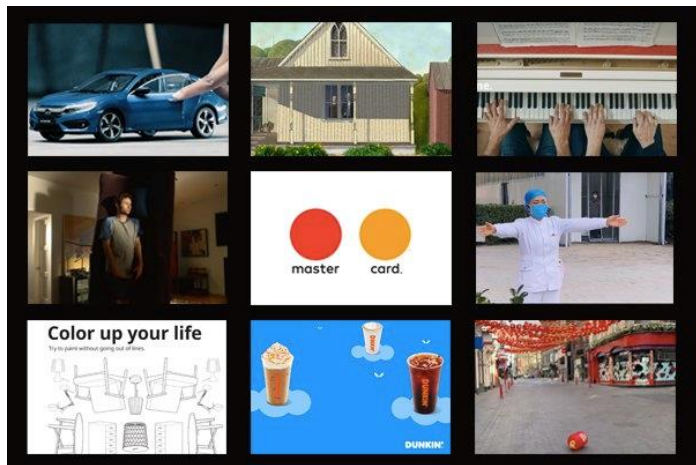
Les Binet
@BinetLes

“Now more than ever, all ads must be purpose driven, even if that means lower profits,”

- Les Binet, Group Head of Effectiveness,
adam&eveDDB
MAY 2020.
[LINK](#)

Getting the messaging and tone right matters more than ever:

For their generic campaign formulas



Watch [here](#)

“*Cue sombre piano music*” says Microsoft Sam, who created a humorous complication of ad responses to the pandemic. Criticism comes from brands all too familiar template: “sombre music, a reminder of how the brand has been with the consumer throughout its entire history and that in these “challenging,” “trying,” “uncertain” or “unprecedented” times, while “doors are closed” or “distance between us” has grown, we can still “stay connected” in the “safety of our home.” The brands promise to remain with you, assuring viewers that we can all get through this “together” (“together,” “together” and “together”), and finally the ads close with rousing music and scenes of people applauding from their windows and homes.” - [AdAge](#)

CONSUMERS ARE NOT CONVINCED BY BRAND'S ACTIONS

Consumer pessimism is growing

Undoubtedly, consumers are paying microscopic attention to how brands are acting. Marketing week reported that 66% of digital ads were noticed in late March 2020, compared with an average of 55% in late 2019 :

57%

Of Americans believe that brands are 'jumping on the bandwagon' with their messages around COVID-19

DON'T BE
DISINGENOUS

6 in 10

of people in the UK would rather brands paid their taxes, even if it meant they could no longer donate to causes like coronavirus

ACT DECISIVELY
AND WITH
INTEGRITY

1/3

of people globally have convinced others to stop using a brand they feel isn't appropriately responding to the pandemic

REMEMBER
CONSUMERS ARE
WATCHING

Loudly and widely

Throughout the COVID-19 pandemic, marketers have been trying to inspire and connect with people around the world by launching campaigns, fundraisers and powerful PSAs. But which brands are resonating the most with consumers? Influencer marketing and social data firm Influential decided to dig into this by tracking social conversations around the top Fortune 1,000 brands across Facebook, Twitter, Instagram, YouTube, forums and blogs.



The agency measured mentions of each brand four weeks before the U.S. government announced coronavirus as a global pandemic on March 13 and four weeks after the announcement.

And the winner so far is... Johnson & Johnson with a 61 percent increase in positive sentiment, specifically for the company's attempt to create COVID-19 vaccines as well as the launch of its relief fund.



AT&T is a close second, seeing a 58 percent increase in positive mentions, with people focusing on how the company continues to pay all support staff who earn an hourly wage even if their services aren't needed. Next up is Amazon, with a 52 percent bump for pledging \$20 million to help accelerate coronavirus diagnostic testing, along with hiring 75,000 additional workers right now. Next up is Amazon, with a 52 percent bump for pledging \$20 million to help accelerate coronavirus diagnostic testing, along with hiring 75,000 additional workers right now.

What's next? Scenario planning will apply to brand communications too:

“ Brands that decide all of a sudden they’re going back to normal are making a mistake. Instead, [brands] are going to want to change the weighting of each message, which is going to require real conceptual craftsmanship – a message that is whole and cohesive yet morphs or expresses itself gradually differently over time.”

- Tom Doctoroff, best-selling author of ‘Twitter Is Not a Strategy: Rediscovering the Art of Brand Marketing, What Chinese Want, and Billions’

SCENARIO PLANNING

For now & next



A FRAMEWORK FOR PLANNING:

A framework that inputs key consumer mindsets and shifts with a view to allowing us to forecast and scenario plan.

Designed to help brands prepare for changing consumer motivations & needs, and calibrate their brand and marketing activities appropriately.

A FRAMEWORK FOR PLANNING:

Each scenario is populated with an outline and key numbers, shifts and mindsets.

A template is provided for use at the end, it should be customised according to category and client.

OPTIMISTIC SCENARIO

2020 recession: global GDP contracts by 2.9%
Growth returns: H2 2020

CENTRAL SCENARIO

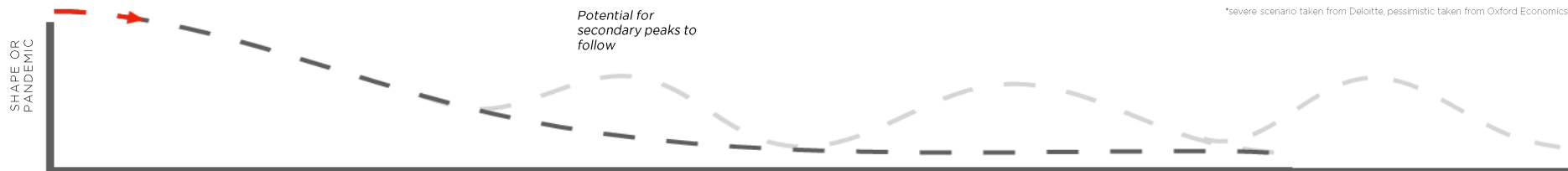
2020 recession: global GDP contracts by 4.8%
Growth returns: H1 2021

PESSIMISTIC SCENARIO

2020 recession: global GDP contracts by up to 8%*
Growth returns: H2 2021

SEVERE SCENARIO

2020 recession: global GDP contracts by 6%*
Growth returns: 2022



SCENARIO
MINDSET

After going through this unprecedented and utterly unexpected global crisis, the sense of uncertainty about the future is likely to remain heightened, even if the return to normality arrives relatively soon

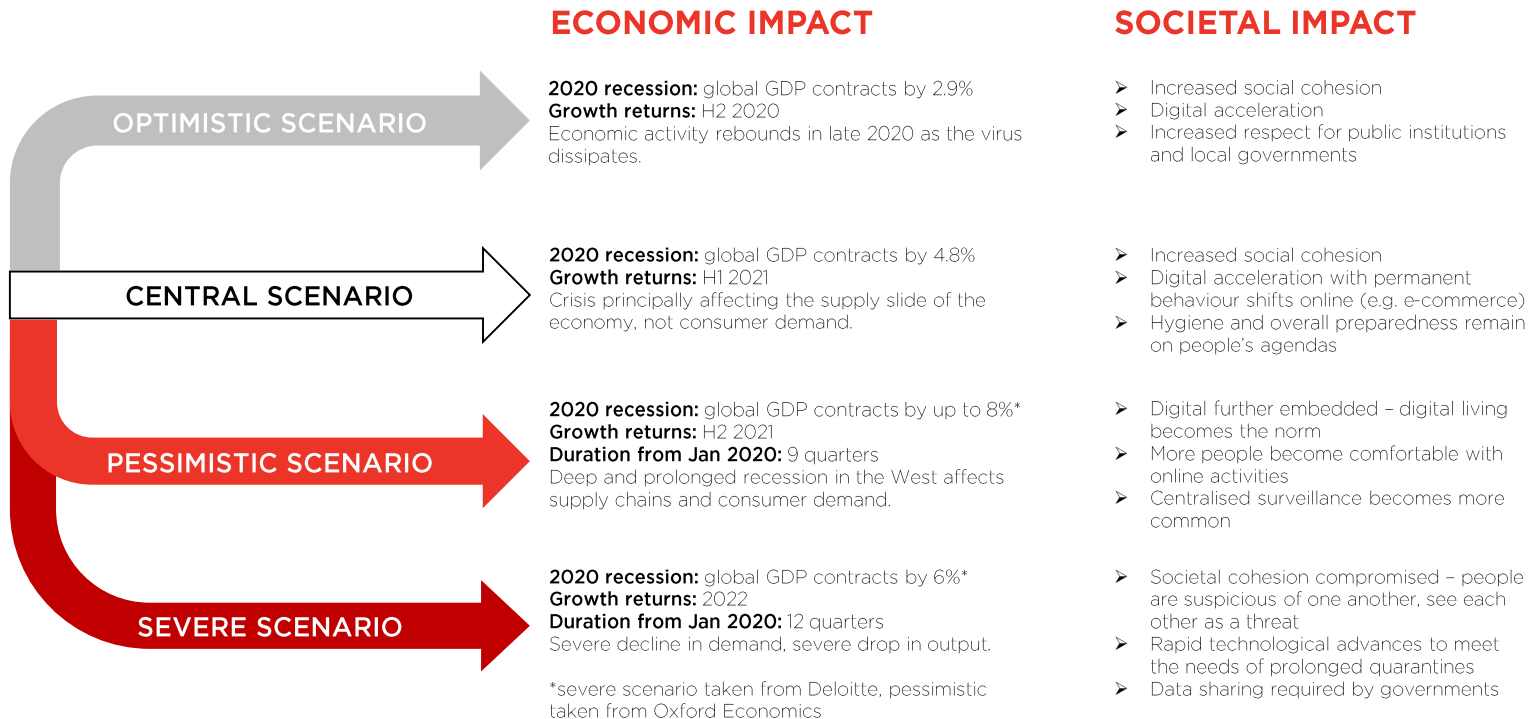
Having moved on from worry, fear and panic, we expect people to retain a focus on being prepared "just in case" for the longer term.

BEHAVIOUR
SHIFTS

- Ensuring sufficient **provisions** at all times. **Financial planning and growth in saving** behaviour (for those who are able to and/or as soon as they are able to post recession)
- Increased focus on **well being**
 - Popularity of nutrition supplements, exercise, mental well being tools is likely to stay
 - Focus on the quantity and quality of sleep
 - We could expect many brands and products seeking to associate themselves with well-being, building immunity
- Increased focus on **hygiene**
 - Anti-bacterial becomes a key feature of cleaning products
 - Masks, hand sanitisers etc become the must-haves
 - Businesses with physical presence expected to reassure regarding their hygiene procedures

- Under more pessimistic scenarios, **protective mindset** and so-called siege mentality are likely to persist or reappear for those who will be impacted further down the line
- In this case, **survival and immediate term** will continue being the dominant concern
- Those relatively unaffected will however be acutely aware of the challenges faced by many and the fragility of their own situation – **preparedness** will be seen as a good pre-emptive strategy
- Yet, **immediate financial challenges** might take centre stage for many in the form of bargain hunting,, move towards private label, purchase trade offs
- **Survival mode** will temporarily tamper the ambitions to achieve better financial health, higher savings and longer term financial planning
- Focus on **wellbeing and hygiene** are likely to be even more important under pessimistic scenario – if the pandemic is more severe and persists for longer than expected

From optimistic to pessimistic



Whatever the scenario, a recession in 2020 cannot be avoided. It will impact confidence, personal finances, confidence, purchasing behavior, employment etc. And as a consequence, will inevitably impact relationships with brands.

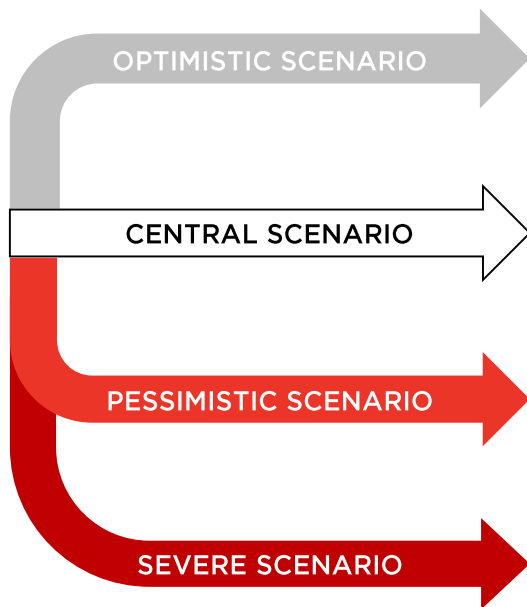
The shifts we have identified will play out differently under more optimistic and more pessimistic scenarios.

From worried to seeking control MINDSET SHIFT

BEHAVIOUR SHIFT



WORRIED



➤ After going through this unprecedented and utterly unexpected global crisis, **the sense of uncertainty about the future** is likely to remain heightened, even if the return to normality arrives relatively soon

➤ Having moved on from worry, fear and panic, we expect people to retain a focus on **being prepared** "just in case" for the longer term.

➤ Under more pessimistic scenarios, **protective mindset** and so-called siege mentality are likely to persist or reappear for those who will be impacted further down the line

➤ In this case, **survival and immediate term** will continue being the dominant concern

➤ Those relatively unaffected will however be acutely aware of the challenges faced by many and the fragility of their own situation – **preparedness** will be seen as a good pre-emptive strategy

➤ Ensuring sufficient **provisions** at all times

➤ **Financial planning and growth in saving** behaviour (for those who are able to and/or as soon as they are able to post recession)

➤ Increased focus on **well being**

- Popularity of nutrition supplements, exercise, mental well being tools is likely to stay
- Focus on the quantity and quality of sleep
- We could expect many brands and products seeking to associate themselves with well-being, building immunity

➤ Increased focus on **hygiene**

- Anti-bacterial becomes a key feature of cleaning products
- Masks, hand sanitisers etc become the must-haves
- Businesses with physical presence expected to reassure regarding their hygiene procedures

➤ All of the behaviours described above for central and optimistic scenarios will be relevant under a more pessimistic evolution of the current situation

➤ Yet, **immediate financial challenges** might take centre stage for many in the form of bargain hunting,, move towards private label, purchase trade offs

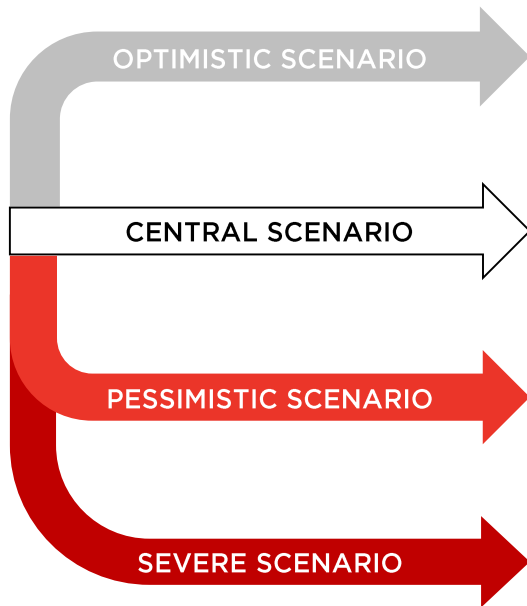
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➤ Focus on **wellbeing and hygiene** are likely to be even more important under pessimistic scenario – if the pandemic is more severe and persists for longer than expected

From isolated to connected



ISOLATED



MINDSET SHIFT

- More people will have become **more comfortable online** as a result of lockdowns and quarantines
- Heightened sense of **connectedness to oneself** due to a prolonged period of isolation will start wearing off as people resume their social activities, yet certain habits will likely be maintained
- **The importance of "local"** – be it community, neighbourhood, country – will be heightened as a result of the current crisis
- out of home, but the skills gained will last

- Prolonged or reinstated lockdowns are likely to have a negative impact on people's overall wellbeing, the **sense of isolation** might return for many as they tire of digital connections
- Enforced geographical limitations could result in heightened interest in travel, exotic locations and stimulation as a r

BEHAVIOUR SHIFT

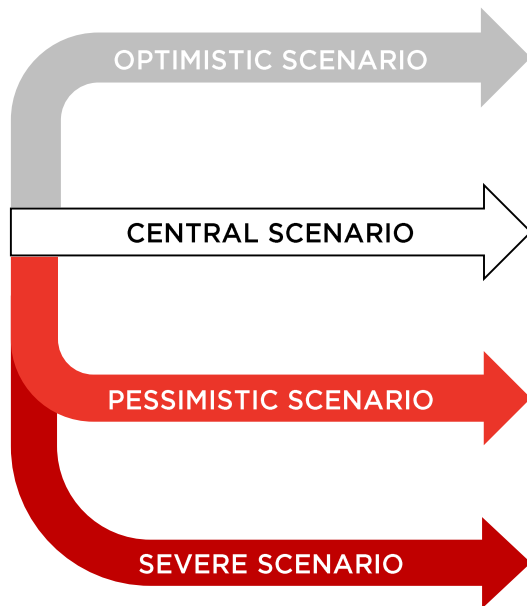
- "In person" or "in-real life" will no longer be the default way of doing many things and instead – **remote or physical presence will be carefully weighed against each other** in terms of effort and cost vs the advantages of either. *"Presence will no longer be given as freely as it once was."* (FF)
 - **Self-care** will likely persist as a retained habit, albeit it will constantly be squeezed out by time pressures. Brands that help people guard and maintain self-care rituals will gain emotional engagement.
 - **Self-sufficiency** developed by many with regards to their beauty routines, cooking etc will give way to enjoying the services and experiences by many yet some might stick to doing things themselves having acquired the necessary skills
 - Staycations, local shopping will grow in popularity, particularly in the medium term.
 - **Remote solutions** for nearly everything will become an expectation
-
- **Prolonged reliance on oneself and on the internet** for many essential activities (cooking, beauty, exercise, education) can lead to a creation of established habits with drastic consequences for industries supplying relevant services
 - **Remote solutions** for nearly everything are not just an expectations, these will be the only way to consume goods and services
 - **The home** will continue being the literal physical universe people inhabit and its status as safe haven will strengthen. Investment in home is likely to increase further for those able to spend in the challenging economic climate

From on pause to planned play **MINDSET SHIFT**

BEHAVIOUR SHIFT



ON PAUSE



- Most will welcome the ability to move ahead with certain life plans, delayed life events and even life stages as lockdowns ease. Yet **persisting uncertainty** will prevent us from making long-term plans, perhaps until a vaccine is found
- People will be **cautious** in restarting their activities and the longer term will likely still feel uncertain
- **Flexibility** will be a key need when it comes to people's commitment to brands and longer term financial engagements

- A lot of spending and purchases will remain **delayed** until the levels of uncertainty drop
- Measures by companies offering **reassurance and flexibility** will be key to motivating spend
- At the same time, as many of life's joys will remain unattainable whether due to restrictions or financial difficulties, the demand for **little luxuries** will keep growing

- In a prolonged recession scenario "the pause" might feel more out of control and lead to a certain level of **disengagement** with longer term plans, bigger purchases
- The need for **escapism** and **little joys** will be further heightened

- Prolonged and deeper recession might mean that as people "un-pause" they do so in ways different to pre-pandemic – adopting more **recession-specific behaviours** like delaying, justifying and trading off as the new norm

OPTIMISTIC SCENARIO

2020 recession: global GDP contracts by 2.9%
Growth returns: H2 2020

CENTRAL SCENARIO

2020 recession: global GDP contracts by 4.8%
Growth returns: H1 2021

PESSIMISTIC SCENARIO

2020 recession: global GDP contracts by up to 8%*
Growth returns: H2 2021

SEVERE SCENARIO

2020 recession: global GDP contracts by 6%*
Growth returns: 2022

**CONSIDERATION OF SHIFTING
CONSUMER MINDEST****CONSIDERATION OF
SHIFTING BEHAVIOURS****BRAND CONSIDERATIONS**

- Continue to be mindful of the shift in mood and appropriateness of tone
- What is being done to protect brand equity and salience?
- What role are we playing NOW?
- Should we celebrate or sympathize?
- What new rituals are arising that have an impact on how we would normally go-to-market?
- How can we leverage social to amplify our brand acts?
- What is the most effective balance of mass and targeted communications?

Scenario planning is our new reality, for all businesses the need to prepare for a never normal is critical. Uncertainty, coupled with an ever increasing number of brand touchpoints add a new layer of complexity to planning.

Anticipating and strategizing is the smart tactic regardless of the scenario that plays out.

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.

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If you are interested in learning more about the way BBDO thinks please contact **Melanie Norris, Managing Director**, norrism@bbdoknows.com.

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