Working Together to Beat COVID-19
How Our Industry Navigates the COVID-19 Crisis Together
MARCH 27, 2020
Advertising in a Challenging Time

Covid-19 has impacted all of us and our businesses in some way. Based on historical information and insights gathering, we have focused on the following three dynamics that many brands are facing:

MAINTAIN
Sustain engagement with the market by continuing to invest in advertising to drive sales in this uncertain time

SECURE
Protect your existing customer base to maintain volume/sales and recurring revenue streams

THRIVE
Pivot messaging to focus on core values, community, and country
Some Brands Already in Thrive Mode:

They are pivoting their messaging for the current mood of the country

Click logos to view
Maintain:

Why continue to invest in engaging your audiences in this tough climate?

**MAINTAIN**

Maintain advertising spend:

Decades of research show cuts in downturns hurts the brand and long-term sales dramatically.

When asked about ‘what do you think about a recession?’, Walmart founder Sam Walton responded: “I thought about it and decided not to participate.”
Five Brands that Thrived in an Economic Downturn

The Great Depression
1929

The number 1 cereal brand in America cut all advertising. Kellogg’s doubled ad spend and became the #1 share leader, a position they have held for nearly 100 years.

The Oil Embargo
1973

Pushing fuel efficiency, Toyota increased ad spend and moved from 3rd place in the Import Auto category to being 1st in imports by 1976.

The 1991 Recession
1991

While market leaders were cutting spending, Pizza Hut and Taco Bell saw their opening and increased spending. By the end of the recession, Pizza Hut and Taco Bell increased 61% and 48% respectively.

The Great Recession
2008

P&G’s Bounty line grew market share even as the market leader, picking up 2 share points at the height of the Great Recession, even stealing share from private label. During that time Bounty saw a debut in new creative and growth in TV spend.
**Successful Brands Break Convention to Defend Market Share**

- During crises, brands that emerge most successfully invested in countercyclical patterns to outperform competitors with purely defensive strategies.
- They spend more on Selling, General, and Administrative expenses (SG&A), as well as R&D and Advertising.
- They focus budgeting and planning on market share, earnings, and growth.

### A Contrarian Approach to Operating Expenses

Change in spending behavior, percent

<table>
<thead>
<tr>
<th></th>
<th>SG&amp;A&lt;sup&gt;2&lt;/sup&gt;</th>
<th>R&amp;D&lt;sup&gt;2&lt;/sup&gt;</th>
<th>Advertising&lt;sup&gt;2&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91 Recession</td>
<td>14</td>
<td>22.1</td>
<td>9.2</td>
</tr>
<tr>
<td>Expansion&lt;sup&gt;3&lt;/sup&gt;</td>
<td>-14.2</td>
<td>8.8</td>
<td>-3.4</td>
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</tbody>
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1. Successful leaders remained in top quartile of their industries as reckoned by market value added and return on invested capital during the period 1982-99
2. Selling, general, and administrative (SG&A) expenses are measured by index of SG&A spending to sales, R&D expenses by index of R&D spending to sales, and advertising expenses by index of advertising spending to sales; all are measured on size-adjusted basis and compared with industry averages.
3. 1985-86 and 1995-96
Advertising Is a Critical Part in Driving Consideration

Consideration vs. Ad Awareness

Source: YouGov Purchase Consideration and Ad Awareness 2019 annual average for 1000 brands across the retail, cpg, dining, travel, and finance categories
And Consideration Ultimately Drives Sales

When One Brand Gains, Another Brand Loses

Consideration in most categories is a zero-sum game

<table>
<thead>
<tr>
<th>Category</th>
<th>Leader (%)</th>
<th>Laggard (%)</th>
<th>Average (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Autos</td>
<td>0.7%</td>
<td>-0.8%</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Insurance</td>
<td>0.7%</td>
<td>-0.8%</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Retail</td>
<td>1.1%</td>
<td>-1.6%</td>
<td>-0.4%</td>
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</tbody>
</table>

Source: Change in YouGov 4 Week Moving Average 2019 vs. 2018
Impact On Consideration When Ad Budgets Are Adjusted
Tech Brand

A strong correlation exists between Advertising Spending and Consideration

Source: YouGov Consideration Quarterly Trend for Brand A from Q1 2019 to Q4 2019. iSpot Ad Spending for Brand A from Q1 2019 to Q4 2019
Impact On Consideration When Ad Budgets Are Cut
Restaurant Brand

A strong correlation exists between Advertising Spending and Consideration

Source: YouGov Consideration Quarterly Trend for Brand A from Q1 2019 to Q4 2019. iSpot Ad Spending for Brand A from Q1 2019 to Q4 2019
Impact On Consideration When Ad Budgets Are Cut

Retail Brand

A strong correlation exists between Advertising Spending and Consideration
We’re Here to Help
IN THESE CHALLENGING TIMES

Category Insights

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