MOWER

LESSONS FROM HISTORY

How Brands Should Respond During the COVID-19 Crisis

The COVID-19 pandemic has put the United States in a unique position where both our physical and fiscal health are at risk. We are faced with a disease that feels unstoppable and a stock market that is more volatile than we've ever seen. The uncertainty presents brands with a formidable challenge: how to maintain the health of the brand while being sympathetic to both the physical and mental health of the country? Answers can be found in history.

A review of prior research and literature on pandemics and recessions, as well as current research on consumers' habits and attitudes in the early days of this crisis, can point a brand to a clear course of action:

1. INVEST

Continue to support a level of marketing spending in order to maintain long-term brand health.

2. BRAND VOICE

Find the right message/tone for your brand/category.

3. MEDIA HABITS

Account for the shifting media habits by taking advantage of the increased time spent with social media and video channels.

Navigating this landscape will be challenging for the foreseeable future. But brands have always played an important role, even during the most difficult times. There are many categories that are providing critical goods and services that are needed right now. Some, such as Instacart and DoorDash, are servicing basic needs. Others, such as the streaming services and gaming companies, are helping people cope with being confined to their homes. Other brands are stepping in to provide relief, such as manufacturers that are shifting gears to produce much-needed medical equipment, credit firms that are forgiving car loans or companies that are simply donating proceeds to organizations that need help. It is also important that these companies come through this and are there for the country when it is over.

There is a secondary benefit as well. As David Cohen, president of the Interactive Advertising Bureau, reminds us, "America needs a vibrant, ad-supported news industry, and it has never needed it more." Cohen stresses that "every dollar you spend on credible news sites helps save lives by ensuring that credible news organizations can afford the staff required to provide critically vital information." Credible news, he says, combats "reckless disinformation efforts" with news that is "accurate, fact-checked and reliable." Most importantly, though, he is right when he says your ad dollars keep the public, "the people who buy your products, alive and well."

Introduction

While the country focuses on how to stop the spread of COVID-19 and stem the economic downfall caused by its disruption, marketers must also focus on how to react in the short term to minimize the long-term impact of this new normal. As dire and difficult as things are now, there will be an end, and it is incumbent upon companies to ensure their own well-being and be ready to serve their customers both now and when the pandemic subsides. While this is truly a unique moment in time, there is some precedent that can inform how we act moving forward.

Building off learnings from previous crises and examining what we have already learned from the COVID-19 threat, this paper provides guidance on how marketers should address three critical areas of concern:

1. Investing for the future;

2. Finding your voice; and

3. Spending to the shifting media habits.

Investing for the Future

The case for leaning in

There is little consensus about most topics surrounding the COVID-19 pandemic, but one answer that is clear is that despite everything, it is in a brand's best interest to continue to advertise during a downturn. Historical crises have given us an opportunity to examine these questions.

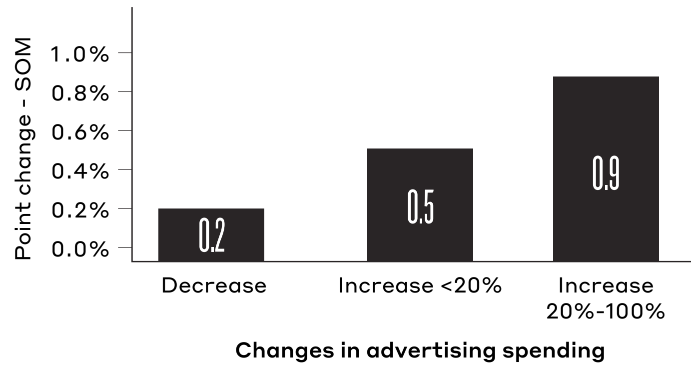
The best research to date examining the impact of advertising during a recession was done by Stephen King at J. Walter Thompson[1]. King's analysis proved that increasing advertising spending during a recession has a positive impact on both return on investment (ROI) and market share. King looked at data from the Profit Impact of Market Strategy (PIMS) database and analyzed over 300 businesses that had navigated recessionary periods. He started by looking at the impact of ROI, comparing the brand's investment levels during the pre-recession and post-recession periods. The chart below demonstrates that those companies that substantially increased their advertising spend throughout the recession saw 2.7% increases in ROI on their marketing spend, a 42% increase over the average.

Changes in ROI related to changes in advertising spending during a recession

Spending	Changes in ROI
Decreased (avg. -11%)	1.6%
Modest increase (avg. +10%)	1.7%
Substantial increase (avg. 4%)	2.7%
Average change all business	1.9%

King also analyzed market share shifts pre- and post-recession. Those brands that invested in advertising throughout the recession saw market share gains of 0.5%–0.9%. These findings have proven consistent through subsequent recessionary periods.

Changes in share related to changes in advertising spending during recession



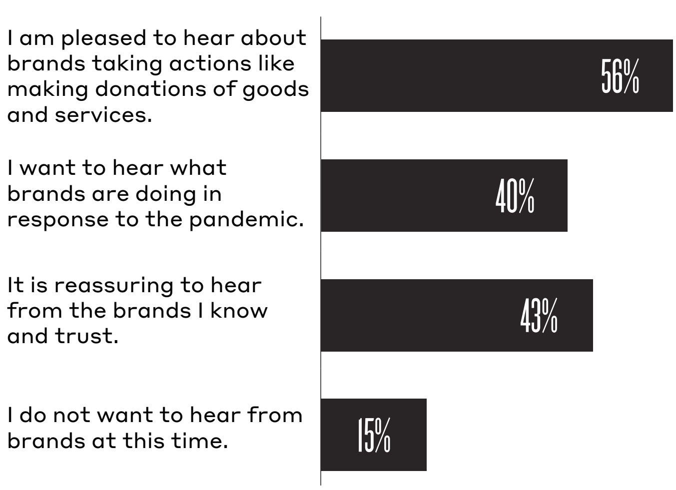
With the pandemic originating in China and that country seeming to be controlling it, it is helpful to look at the short-term results being seen there. A survey conducted by Dentsu Aegis Group among Chinese agencies found that while 47% of businesses said their business was impacted by COVID-19, only 7% said they had stopped spending on advertising completely. The future economic impact remains to be seen but, for now, brands seemed to follow King's advice.

One of the theories for why this is true comes from the work of Simon Broadbent done in the late 1970s on adstock and half-lives. Broadbent was interested in gaining a better understanding of the impact of halting advertising spending on ad awareness. The half-life is the amount of time it takes for a brand to lose half of its awareness after stopping advertising. For many CPG brands, that is approximately 2.5 weeks. Regaining that lost awareness comes at a higher price, so it is generally more efficient to maintain consistent levels of spending rather than riding the roller-coaster of up and down spending.

This conclusion was proven by John Philip Jones of Syracuse University when he looked at the short-term sales impact of advertising. Jones' research laid the foundation for what became widely known as "recency theory." Jones discovered that the greatest increase in short-term sales comes after the first exposure to an ad. Erwin Ephron, a long-time media industry consultant who essentially introduced the industry to Jones' work, explains it this way: "It is based on the belief that the readiness of consumers to buy is affected by events in their lives, such as running out of cereal or having an expiring car lease, instead of the number of marketing messages they receive."[2] One could argue that recency theory demands that brands offering a product or service have a responsibility to advertise throughout this crisis to ensure that people can meet the demands of the current crisis.

Recent research from the 4A's and GlobalWebIndex (GWI) also provides encouraging signs that consumers are in fact interested in hearing from brands throughout the crisis. The 4A's surveyed 1,000 consumers on March 18, 2020, and 43% of respondents said, "It is reassuring to hear from the brands I know and trust."

Consumer sentiment on brand communications during the COVID-19 pandemic



GWI also employed a recontact survey during its March 2020 study, collecting 12,500 responses from around the world (1,088 in the U.S.). While 56% of Americans are optimistic that our country will overcome the outbreak, they are delaying large purchases. No surprise that vacations and flights are the main source of delays; 30% say they will resume making large purchases when the outbreak is either decreasing or completely over. The positive news for advertisers is more Americans believe that advertisers should carry on as normal (38%) versus not (28%).

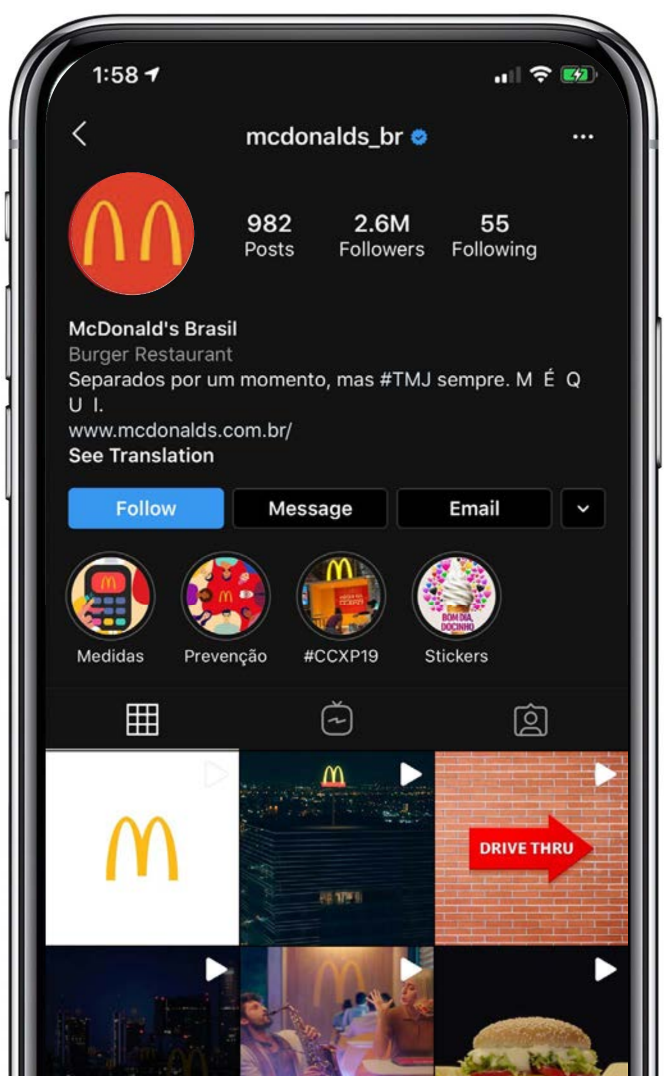
Despite this, we should expect some brands to pull back for a variety of reasons. Advertising spending fell 13% after the Great Recession of 2008, and Magna Global has recently adjusted its 2020 forecasts from a projected 5.7% increase in ad spending to a 2.8% decrease. Some of that impact comes from the loss of major events, like the Olympics and March Madness, however.

Brands should consider that with a drop in spending overall there is an opportunity for those who do spend to gain a higher share of voice and benefit from lower media costs during the downturn. While it has been proven that those who spend through a recession gain benefits, there isn't research on what it cost those who didn't advertise to return to their pre-recession levels. However, learnings from recency theory would suggest that you could spend as much on building back your awareness as you "saved" by going dark.

Finding Your Voice

There are some businesses that will thrive throughout the crisis. Amazon is struggling to keep up with demand and announced it will hire 100,000 new workers. Target announced its sales are up 20% as of March 27, and people are inexplicably hoarding toilet paper. There are the obvious disruptions to business in the travel and tourism industry—including airlines, Uber and Lyft—as well as restaurants and entertainment venues, to name a few. The sports world has been brought to a virtual standstill (although speaking of virtual, there is an expected uptick in eSports).

In the wake of his experience through the COVID-19 crisis in China, Cheuk Chiang, chief executive for greater North Asia at DAN, advises, “We cannot forget that this situation is first a humanitarian issue. In this context, brands must be sensitive and responsive to avoid reputational damage. Content should reflect the changing times and consumer sentiment.”



Consumers are quickly reacting to brands that are seen to be taking advantage of the situation and calling them out on social media. One of the more recent targets is McDonald’s in Brazil, which decided to separate its iconic arches to represent social distancing.

Social media instantly reacted, citing poor treatment of their workers, who are considered essential employees. Even Bernie Sanders chimed in, calling for paid sick leave for their workers.

On the other hand, Hotels.com, a brand in one of the hardest hit categories, took the opportunity to support the idea of social distancing with their Capt. Obvious spokesperson and received a 97% positive sentiment score, according to iSpot.tv.

According to the latest Edelman Trust Barometer, consumers are increasingly belief-driven buyers. That means that they will choose, switch, avoid or boycott a brand based on its stand on societal issues. In 2017, 51% of those surveyed identified themselves as belief-driven buyers; in 2019 that rose to 64%. These consumers will be paying close attention to how brands act throughout this pandemic.

Each business needs to assess its risks and opportunities. That starts with your supply chain. If you offer a product or service that will be in demand, do you have the inventory and/or supplies to meet that demand? A report from Sinclair identified some key categories that will see declines versus those that will benefit from growth opportunities.

Decline

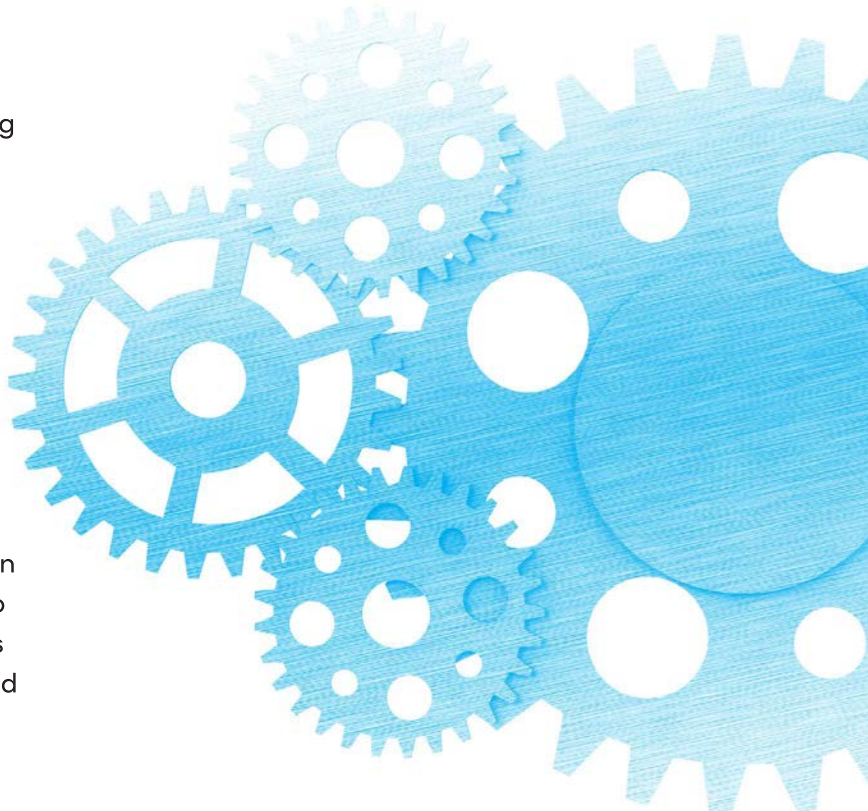
- Travel and hospitality
- Amusement and theme parks
- Out of home dining
- Luxury
- Fashion and retail
- Beauty
- Automobile
- MICE market
- Live sports and entertainment
- Transportation

Growth

- Health, hygiene and cleaning products
- Social networking, gaming and online video approach
- Insurance
- E-commerce
- E-learning
- Online shopping
- Food delivery
- Work from home tools
- Hobbies—cooking, cleaning, home decorating

At this stage, every business needs to do a self-assessment. If you are in a growth category, how much product do you have to get into the market? If you are a service category, how much capacity do you have to support the coming need? If your industry will be on hold/decline, is there support you can give or an alternative you can provide?

Ford Motor Company, 3M and GE are teaming up to produce ventilators. Many companies, like Black Button Distilling out of Rochester N.Y., are pivoting production to make hand sanitizer for hospitals. In another hard-hit category, restaurateur Danny Meyer, the founder of Union Square Hospitality Group, which runs over 20 restaurants in New York City, set up an employee relief assistance fund with 100% of the proceeds of all gift cards purchased through March 24 going to support the fund. These businesses have been creating ways to pivot to fill a need while also providing an opportunity to keep their names top of mind when traditional messaging would lack relevance.



What kind of messaging is permissible?

To better understand how to speak to consumers during a crisis, research from Hofstra and Pace universities post-9/11 explored consumer reaction to a variety of different messaging approaches used by brands. While a terrorist attack is different from a pandemic, there are parallels in the sense that there was a great deal of uncertainty, the country was "quarantined" while all air travel was shut down for three days and there was an immediate negative impact on the economy. The researchers fielded the study in 2002. They began by analyzing nearly 1,500 advertisements from New York City newspapers for one month after 9/11 (9/12/2001–10/12/2001). Through a content analysis, they identified key messaging formats that emerged:

1. IMAGE

Designed to show a human face of the organization. This Emigrant Savings Bank ad is an example of an image ad.

3. PATRIOTIC

Congratulating individuals or groups for patriotic achievement. Computer Associates took the opportunity to commend officials and volunteers who were tirelessly giving their time to the recovery effort.

2. PARTICIPATION

Designed to encourage political or community participation. This ad from *Newsday* (the Long Island–based newspaper) invited people to come by to get a flag poster and hang it proudly to show their support for their country.

4. COMMERCIAL

Designed to exploit the event for commercial gain. Baron Auto Mall wanted to show its support as well with a "God Bless America" banner blazoned across the top of its ad.

Armed with these themes, the researchers conducted in-person surveys among 562 New Yorkers, asking them their opinions of the ads. Overall, the reactions were more positive than negative (55% positive to 34% negative; the remainder were neutral or no comment). However, the commercial ads received overwhelmingly negative reactions: 45% negative to 7% positive. (They also had the greatest percentage of no comment.) If you remove the reactions to the commercial ads, two-thirds of all respondents reacted positively to the image-related, participatory or patriotic messages.

Marketers have long adopted a consumer-centric approach to their strategies, but amid a crisis it is more important than ever to be mindful of people's mindsets—more so than their wants and needs. Messaging needs to set the right tone and communicate something meaningful in relation to the events. The researchers relied on the work of social psychologists Sherif and Sherif to explain why these themes led to more positive responses. Sherif and Sherif identified four behavioral changes that take place within a group when confronted with an outside threat:[3]

1. INCREASED GROUP COHESIVENESS
2. RISE IN AUTOCRATIC LEADERSHIP
3. FOCUS ON ACTIVITIES
4. EMPHASIS ON LOYALTY

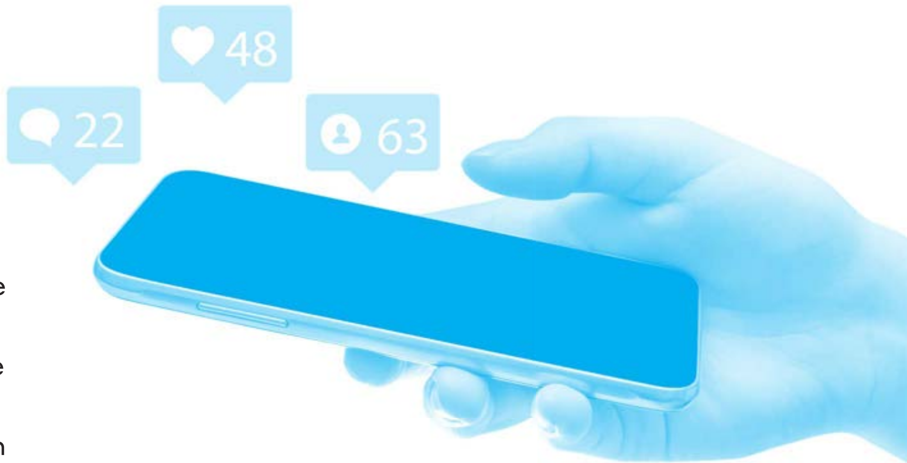
Image and patriotic ads resonate in the context of increased group cohesiveness. Participation ads speak to a focus on activities. While the commercial ads did include language intended to communicate empathy, the mere fact of being tied to a promotional message led to more negative reactions. There was also a statistically significant increase in positive scores from women. This might be a consideration if you have a primarily male target audience.

When crafting your brand messaging, be certain that you are addressing the behavioral changes that are expected to persist as long as the threat of the pandemic exists. In *Ad Age's Virtual Pages webinar,* Marla Kaplowitz, president and CEO of the 4A's, spoke with *Ad Age* Senior Editor Jeanine Poggi and reminded marketers, "Make it about the people, not the brand." And remember, it is not all about what you are saying—just as important is what you are doing.

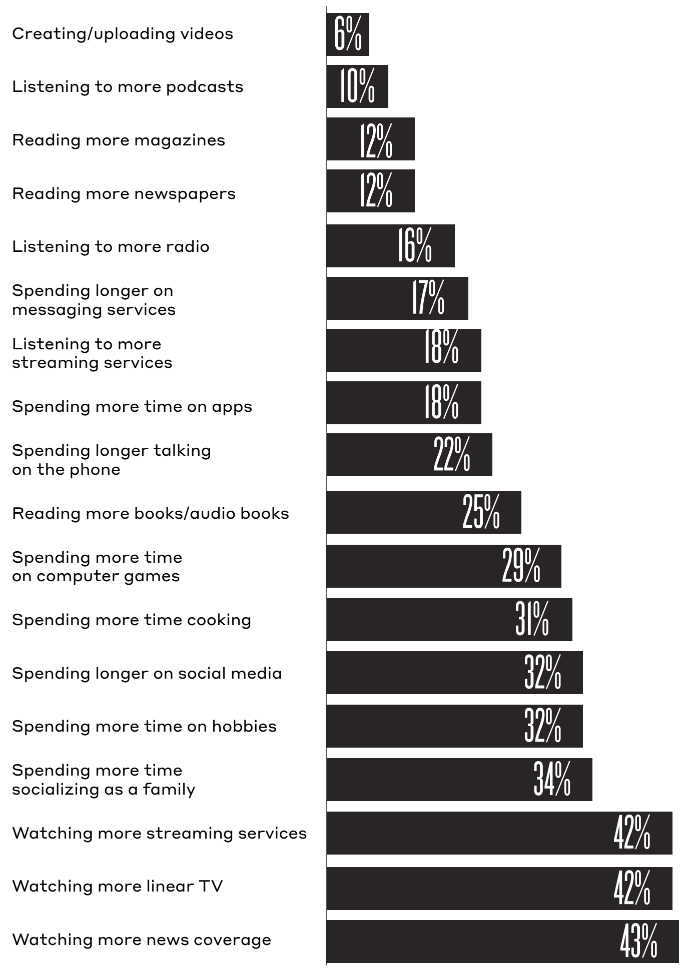
Spending to the Shifting Media Habits

As increasing numbers of Americans are ordered to stay home, our routines are dramatically altered. Nielsen predicts that it will result in a 60% increase in content consumed (based on media habits during Hurricane Harvey in 2017 and the NYC Snowpocalypse of 2016). GWI's research shows that 95% of Americans are spending more time on in-home media consumption activities.

Video channels, both digital and linear, are seeing the highest increases. Social channels are also seeing a considerable increase in usage as people turn to them for both news and information and to stay in touch with friends and family.



GWI Coronavirus Research (March 2020)



Two-thirds of global respondents expect social media to be providing fact-checked content to help people cope with the outbreak. In the U.S., 52% expect these companies to be screening "fake news."

Based on data from Asia, we should also expect an even greater increase in app usage, especially among entertainment, e-commerce, video/gaming and food-delivery apps.

As people continue to stay at home, channels that will see a decrease in attention are cinema and outdoor advertising. Many expected radio to decline as well, as much of radio listenership occurs while driving. However, the latest numbers from Nielsen are showing that while there has been a 32% decline in in-car listenership, at-home usage is up 26%. And users seem to be device agnostic, listening on their smartphones (19%), laptops (12%) and smart speakers (10%) to stay up to date on how the outbreak is impacting their local communities.

What Can We Expect?

How long can this last?

Of course, the real answer to this question will not be known until the crisis is over, but an analysis of prior pandemics provides some clues. In the last century, we have had several pandemics to use as reference points:

- The 1918 Spanish flu
- The Asian flu in 1957
- The Hong Kong flu of 1969
- SARS in 2003
- H1N1 in 2009

Given the dramatic changes in medicine, technology and mobility since these events, the focus will be on the three main health crises of the 21st century—SARS in 2003, H1N1 in 2009 and the current COVID-19 pandemic.

The first case of SARS was identified in November 2002 in the Guangdong province of China. It spread to Hong Kong in February of the following year and by the end had impacted 32 countries around the world. By the end of May 2003, a total of 8,359 cases had been reported with a mortality rate of 14.3%. A little over a month later, on July 5, 2003, the World Health Organization declared the disease contained—eight months after the first confirmed case.

The next pandemic we faced in that decade was H1N1. The first case was discovered in April 2009 in the U.S. This pandemic lasted a year, with the CDC estimating close to 61 million cases and 12,469 deaths. While it took longer to contain (the H1N1pdm09 virus is not eradicated but there is now treatment), the mortality rate was significantly lower than the other pandemics at approximately 0.001%–0.007% (compared to 1%–3% in 1918 and 0.03% in 1969), according to the CDC.

Patient 0 for COVID-19 was infected in November 2019 in the Wuhan province of China. (The disease wasn't officially identified until January 7, 2020.) It spread so quickly that on January 23, with 547 cases reported, the city of Wuhan was put under quarantine. Two months later, on March 18, 2020, China declared there had been no new reported cases that day. At that point the number of people infected had risen to 81,008 with 3,255 deaths (a mortality rate of 4%). While these are reported numbers from the government, there is a glimmer of hope that the disease has now been contained in China. If so, that would indicate that with the drastic measures currently being put into place in the U.S., we may perhaps be looking at a two-month time frame for this crisis, bringing it under control sometime in mid-May. One challenge in the U.S., however, is that the arc of the contagion varies by city/state. While it declines in one area it will likely still be growing in others.

What will the economic toll be?

There is no precedent in terms of the number of people impacted by the threat of COVID-19, given the extent of business and school closures and the impact on travel and movement around the country. However, a model developed by researchers out of the London School of Hygiene and Tropical Medicine and the University of Antwerp provides some guidance on how drastic the impact on gross domestic product (GDP) could be.[4] Those institutions built a macroeconomic model based on prior pandemics in the United Kingdom, France, Belgium and the Netherlands. Their model takes the following factors into account:

- Clinical attack rate (CAR)—the number of people who become ill
- Case fatality ratio (CFR)—the percentage of those infected who die
- School closures (in weeks)
- Absenteeism from employment (in weeks)

In their model, they used the CAR to estimate the percent of the working population who will miss work due to illness. The school closure rate was similarly used to estimate the work hours lost due to caregivers needing to stay home with their children.

One of the main differences in what we are experiencing here in the U.S. is that these closures were, in many places, mandatory. Despite this difference in the underlying assumptions, the model provides guidance for how drastic the decline of the GDP of the U.S. could be. Using predictions from the CDC obtained and reported by *The New York Times* on March 13, 2020, the total number of Americans infected could range from 160 million to 214 million (48%–65% of the population), and the death rate could range from 0.13%–0.79%.

Applying those projections to the British model, the impact on GDP could be as much as a 5% drop. Different assumptions can be made, and certainly the hope is that the current measures being put in place will result in the CDC predictions being high, which could blunt the impact. But for a planning scenario, it is a reasonable place to start.

As the dynamics of both the health and the economic impacts change literally every day, the scope of this analysis can help marketers to adjust their expectations as the pandemic evolves.

Some of the most immediate economic impacts of this pandemic in the United States so far have been the colossal collapse of the stock market and the unprecedented number of job losses. Again, we can turn to precedence for hope. In this case, a worthy point of reference is this country's experience after 9/11. The immediate impact to daily life was swift. After ceasing all air travel on 9/11, airplanes were flying again just three days later, even though, at the time, that seemed like an eternity. The stock market did not reopen until September 17. Having closed on September 10 at 9,605, the first-day trading saw a 7% decline amid the continued uncertainty in the world at the time. However, by the end of 2001, the market had rebounded and closed the year above 10,000, a 5% increase. There were concerns prior to COVID-19 hitting our shores that there was a correction coming to the markets so a return to pre-pandemic levels might not even be reasonable. But if history holds, we can hope to see a reasonable recovery in 2020.

Assessing Your Brand's Opportunity

The best indication we have is that we are facing at least few months' disruption in business as usual. Existing models support the fact that we are likely to see at least a 5% decline in GDP. This pandemic is putting a strain on both our physical and economic health.

In order to position your business to survive, you will need to:

1. Continue to support some level of marketing spending in order to maintain brand health long-term;
2. Find the right message for your brand/category; and
3. Account for the shifting media habits by allocating more to social media and video channels.

We are in a situation today that only a few short weeks ago we could not have imagined. The challenges we face in the coming weeks are large but not insurmountable. Advertising is often seen as the villain, convincing us to buy things we don't need and making us feel inadequate. This is a time of both opportunity and necessity where marketers can step in and be part of the solution.

[1]King, S. (1999). *Advertising during a recession.* Accessed via WARC.

[2]Ephron, E. (1997). *Recency planning.* Journal of Advertising Research, Vol. 37, Issue 4.

[3]Sherif, M. & Sherif, C. (1953). *Groups in harmony and tension.* New York: Harper and Row.

[4]Keogh-Brown, M., Smith, R. D., Edmunds, J. W., & Beutels, P. (2010). *The macroeconomic impact of pandemic influenza: estimates from models of the United Kingdom, France, Belgium and the Netherlands. European Journal of Health Economics,* 11(6), 543-554. doi: http://dx.doi.org.libezproxy2.syr.edu/10.1007/s10198-009-0210-1

This white paper was developed as a joint endeavor between Beth Egan, an associate professor in advertising media planning strategy at Syracuse University's S.I. Newhouse School of Public Communications and the Mower Insight Group.

Egan, a Newhouse School graduate and president of the New York City affiliate of the Alliance for Women in Media, is a 25-year veteran of the media industry having served clients ranging from Coca Cola to Starwood Hotels and L'Oreal Paris to AT&T. The Mower Insight Group is part of Mower, a leading independent marketing, advertising and public relations agency. The firm serves a range of B2B and B2C clients in a wide array of industry categories including financial services, healthcare, automotive, travel and tourism, food service, and others. Eric Mower, the firm's chairman and chief executive officer, holds a master's degree in mass communications from the Newhouse School and serves as both a trustee of Syracuse University and as a member of the Newhouse School Advisory Council. Over the past 10 years the Eric Mower Advertising Forum has brought some of the ad industry's leading minds to speak to Syracuse University students.

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