

How Marketing Departments Can Survive the Coronavirus Recession

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Marketing is Always an Expense

Operating expenses:

Cost of sales	71,651	88,265	111,934
Fulfillment	13,410	17,619	25,249
Marketing	5,254	7,233	10,069
Technology and content	12,540	16,085	22,620
General and administrative	1,747	2,432	3,674
Other operating expense, net	171	167	214
Total operating expenses	<u>104,773</u>	<u>131,801</u>	<u>173,760</u>

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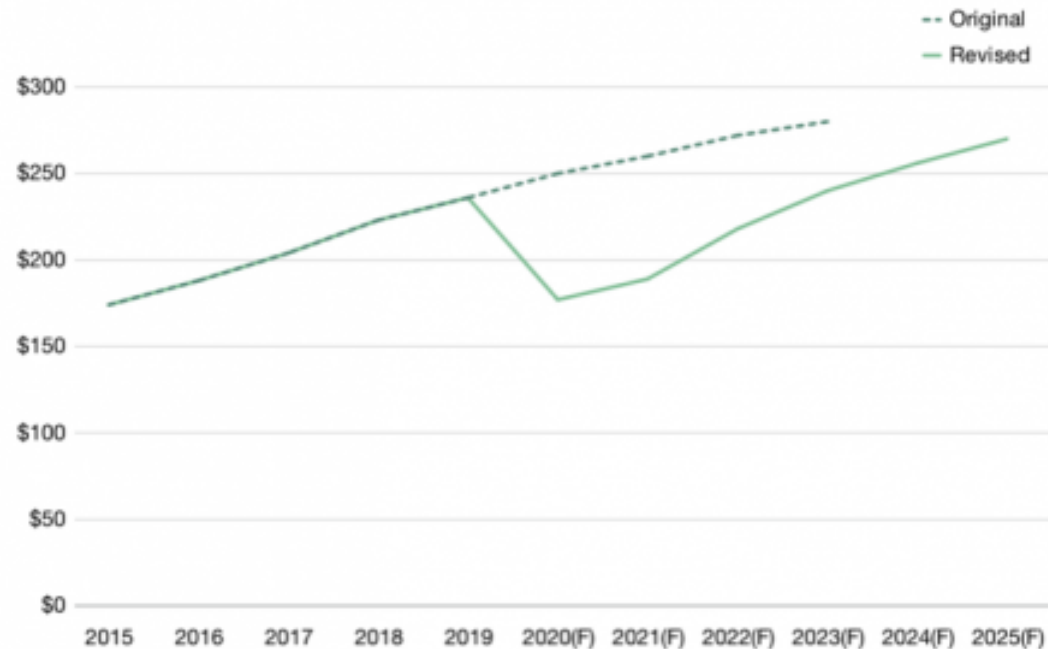
Marketing is Always an Expense

EXCLUSIVE: U.S. MEDIA SPENDING DROPS 19.1 PERCENT IN FIRST HALF OF 2020

New data from Kantar shows the extent of the damage done at the start of the pandemic

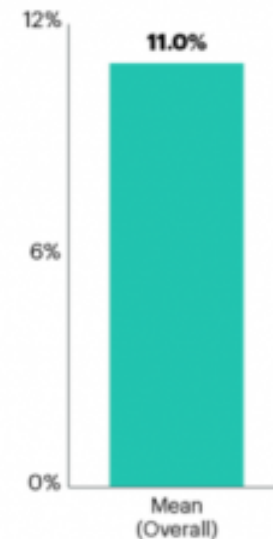
Marketing is Always an Expense

Advertising spend in the US
(\$ billions)

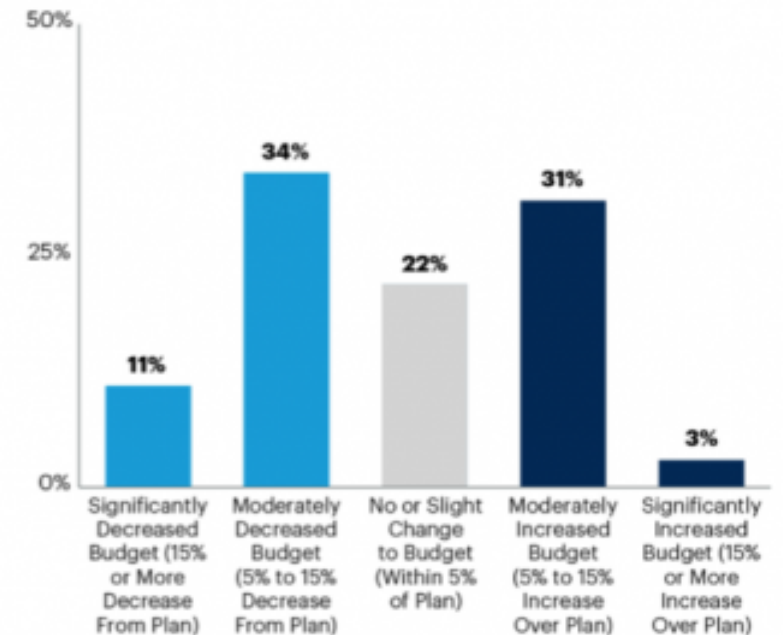


Forty-Four Percent of CMOs Expect Budgets to Decrease as a Result of COVID-19

Mean Percentage of
Company Revenue Shown



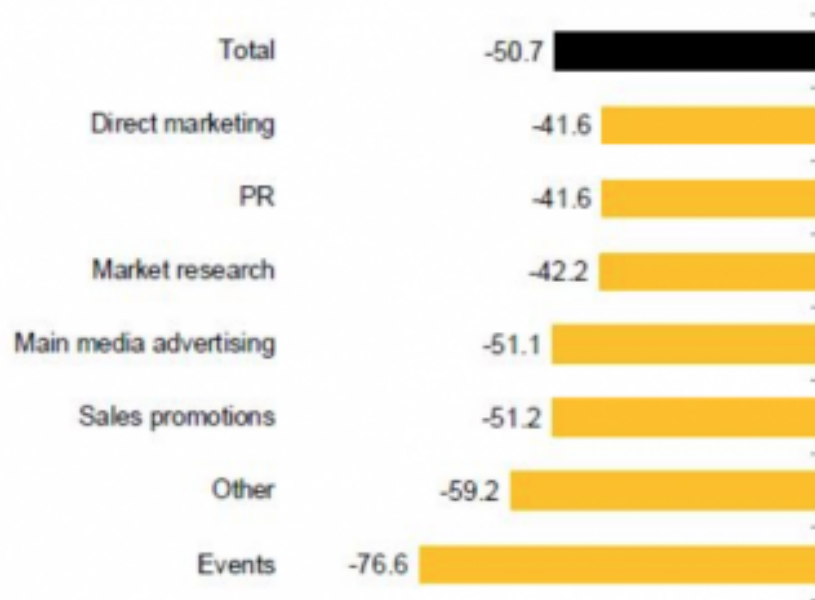
Percentage of Respondents



Marketing is Always an Expense

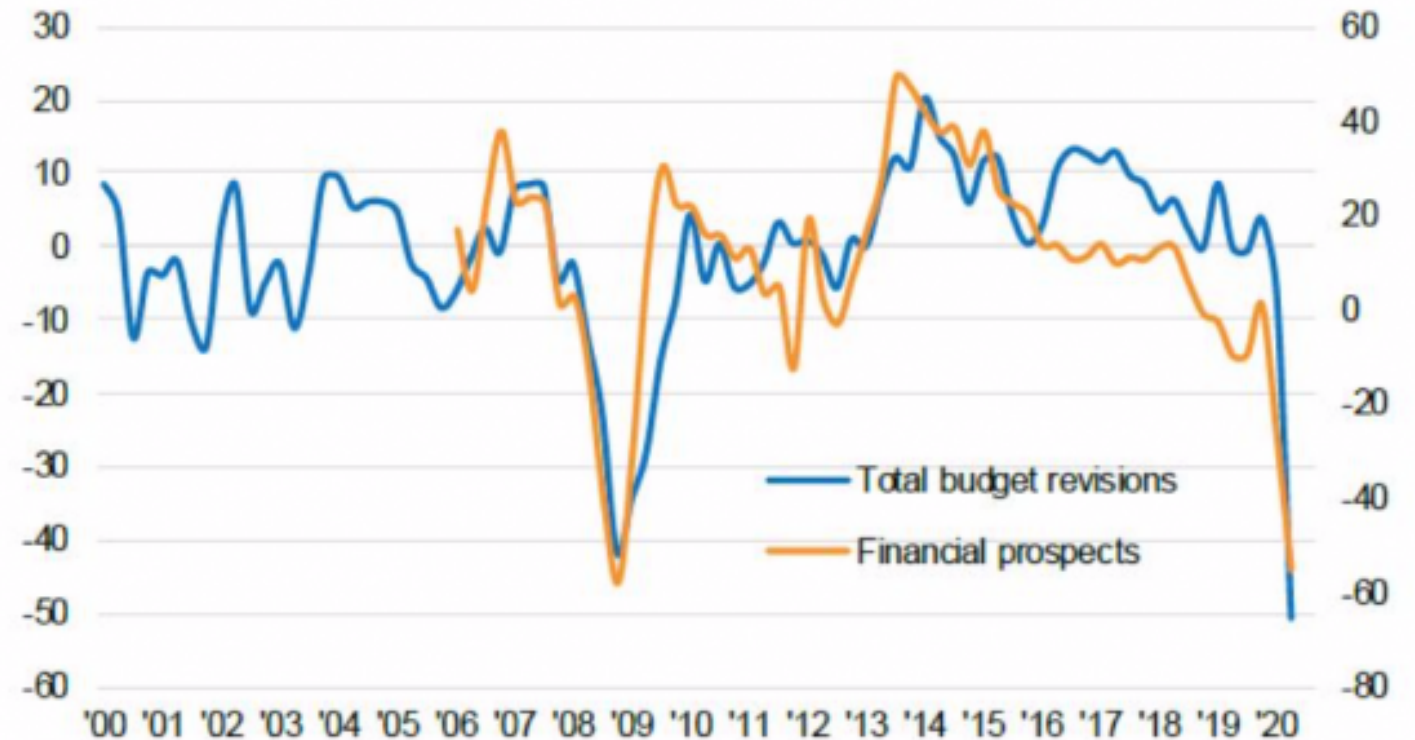
Breakdown of revisions to current budgets

% of all companies reporting an upward revision to current budgets minus % reporting a downward revision.



Budget revisions, % net balance

Financial prospects, % net balance





The Big Picture

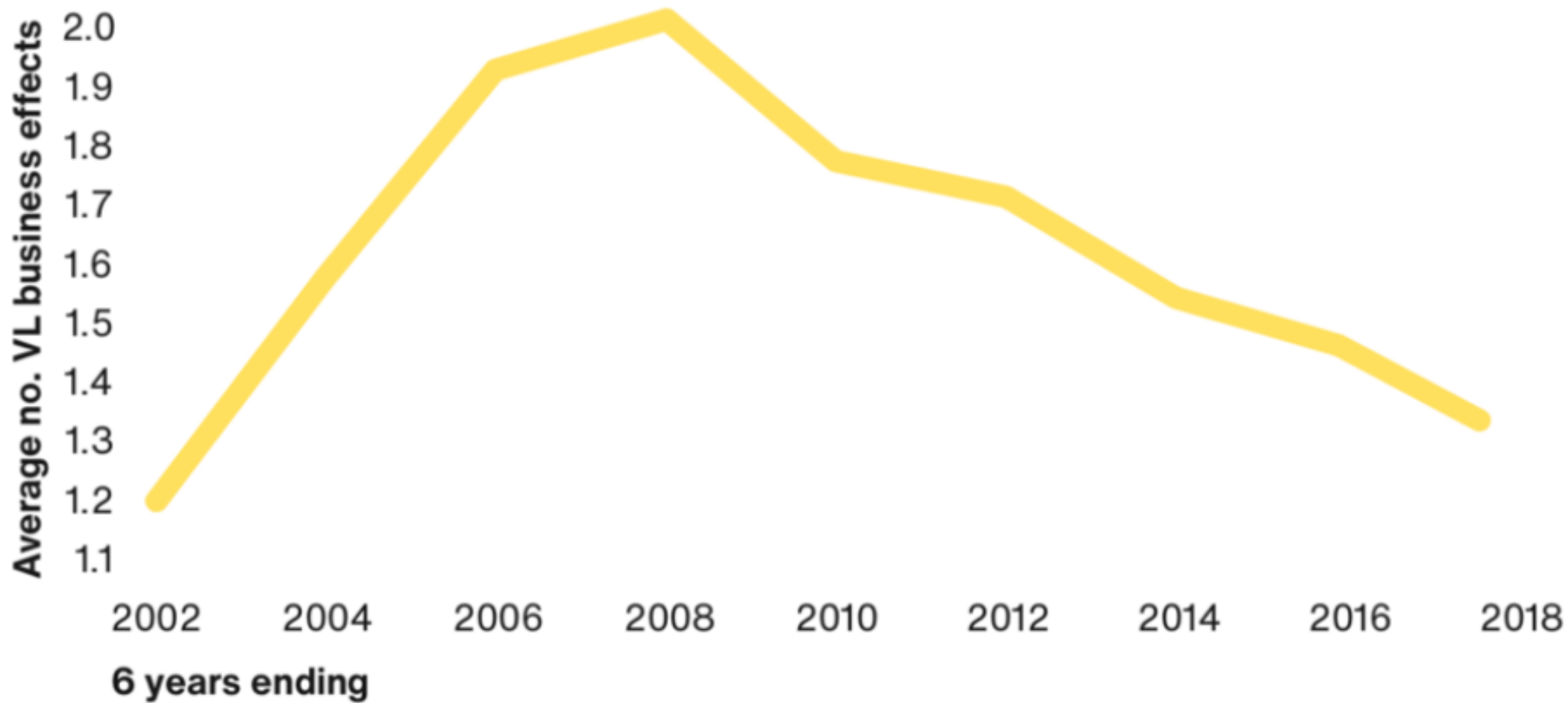


Fig 1 Advertising effectiveness is falling

From *The Crisis in Creative Effectiveness*, IPA, 2019

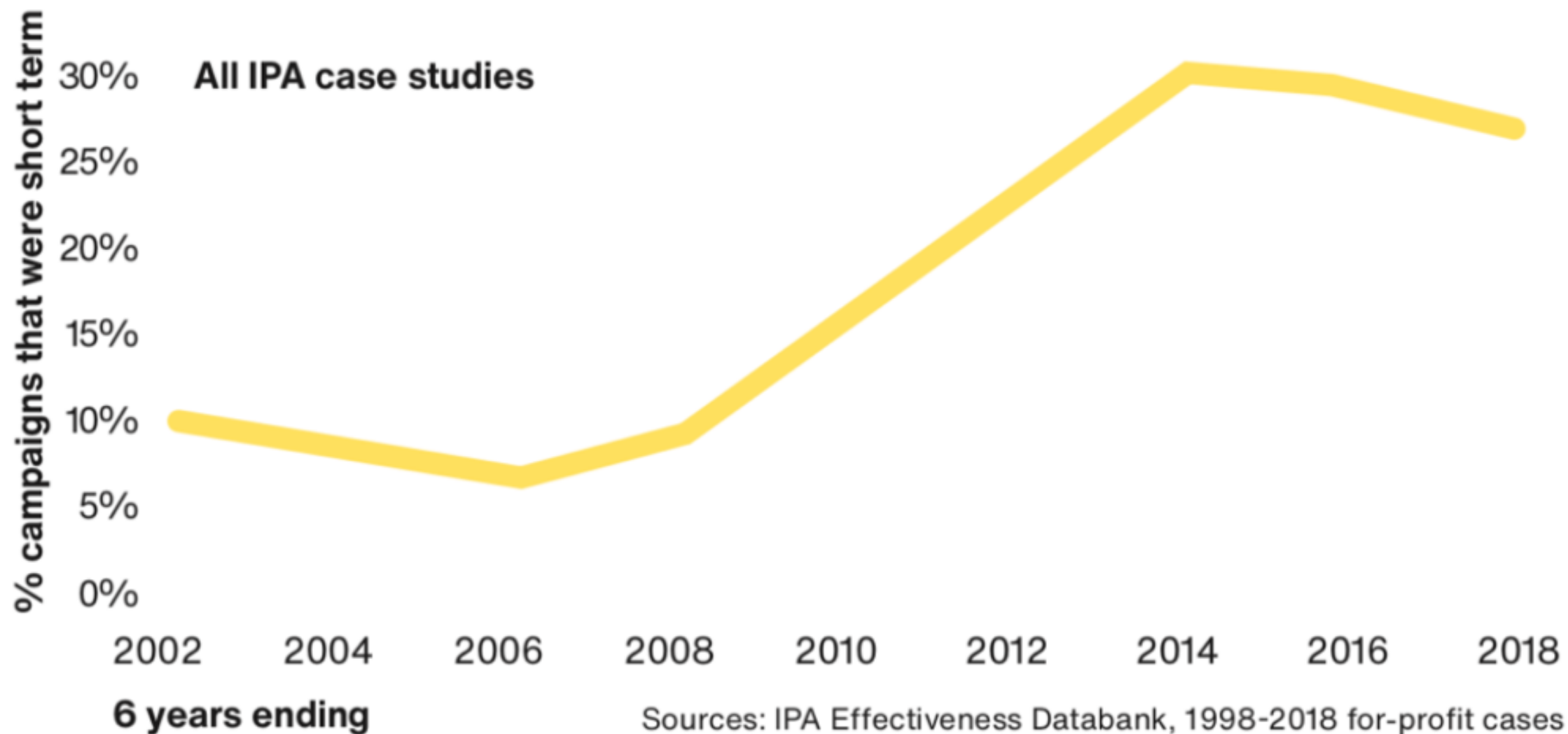


Fig 2 The rise in short-termism

From *The Crisis in Creative Effectiveness*, IPA, 2019

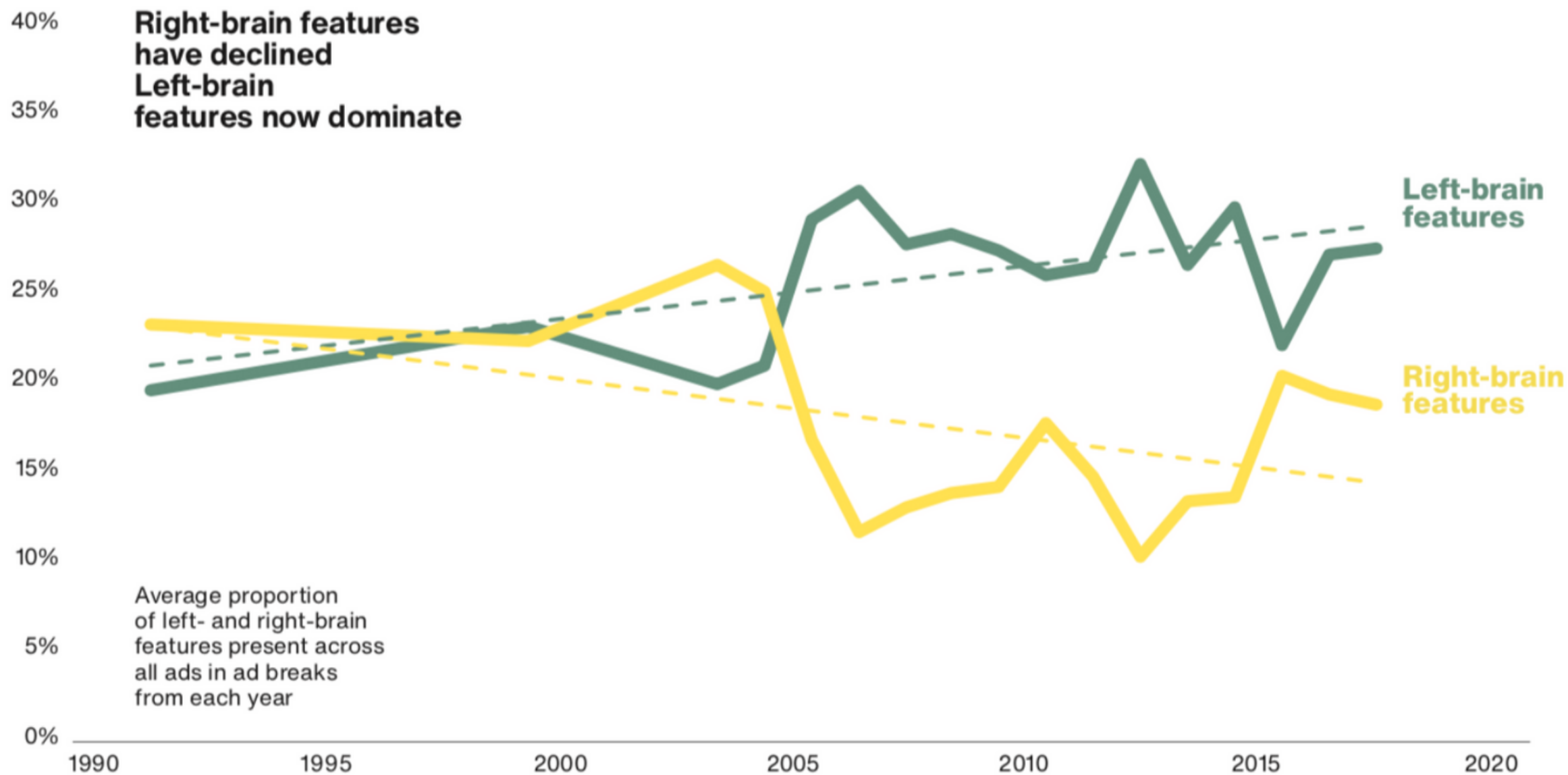


Fig28 Analysis of 620 ads appearing in *Coronation Street* ad breaks from week 40 2004-2018; 29 ads from 1989, 1990, 1995 breaks (shown as 1992) and 38 ads from 1996, 1997, 1999 and 2003 breaks (shown as 2000)

FIGURE 1: TOP 10 FACTORS DRIVING ADVERTISING PROFITABILITY

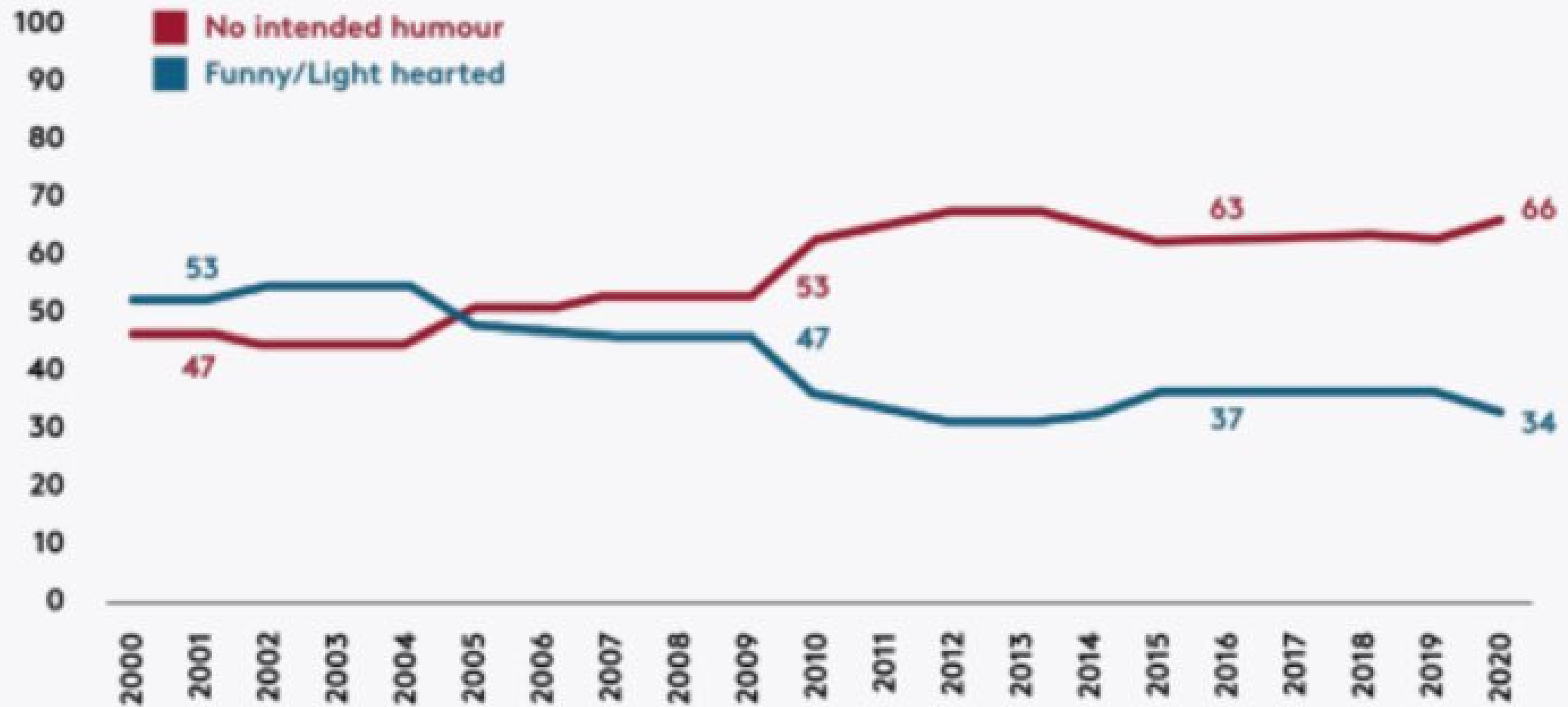
Position	Factor	Profit Multiplier
1	Market size	16.00
2	Creative execution	10.00
3	Budget-setting and allocation	2.00
4	Variable media costs	1.60
5=	Laydown	1.10
5=	Media multiplier	1.10
7	Brand life cycle	1.08
8=	Quality viewing	1.05
8=	Task	1.05
10	Audience	1.04

Source: Data2Decisions

FIGURE 2: TOP 10 WAYS TO IMPROVE ADVERTISING ROI

Position	Factor	Profit multiplier 2014
1	Market/brand size + share	18.00
2	Creative – tagging, ad length	12.00
3	Budget-setting across geographies	5.00
4	Budget-setting across portfolios	3.00
5	Multimedia campaigns	2.50
6	Budget-setting across variants	1.70
7	Cost and product seasonality	1.60
8	Product vs. equity vs. season	1.40
9	Laydown (of spend over time)	1.15
10	Target audience	1.10

Source: Various;
Data2Decisions



Video







How to Improve Effectiveness

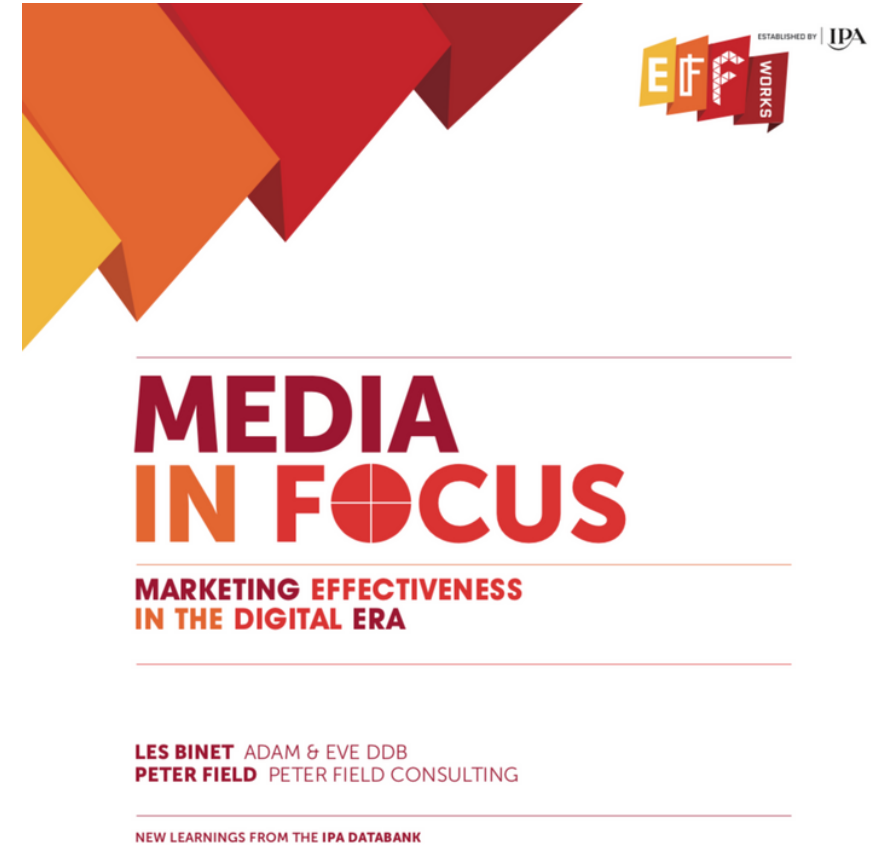
Marketing's Dynamic Duo



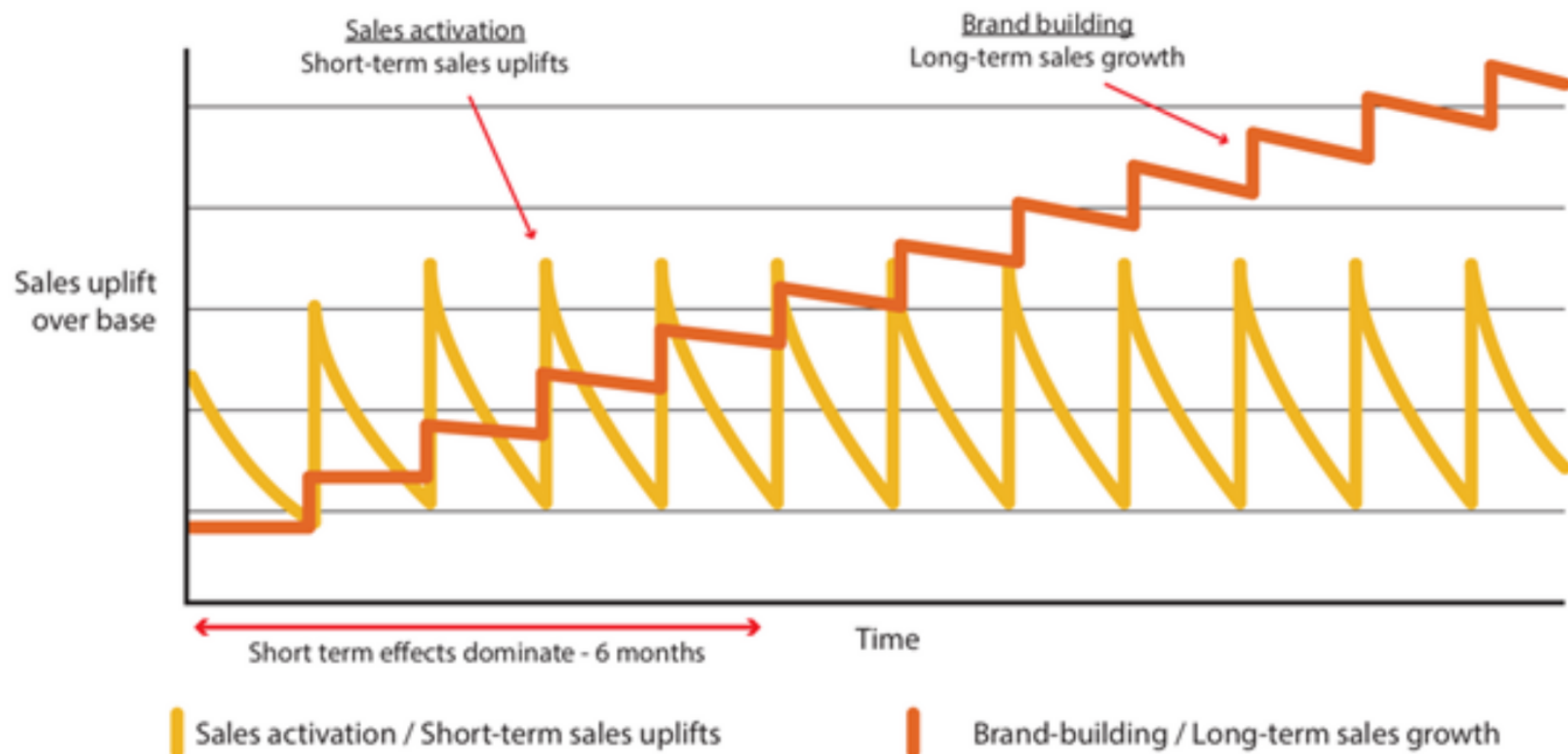
Les Binet



Peter Field



Brand-building and sales activation work over different timescales



Source: Les Binet and Peter Field, *Media in Focus: Marketing Effectiveness in the Digital Era*, IPA, (Figure 02)



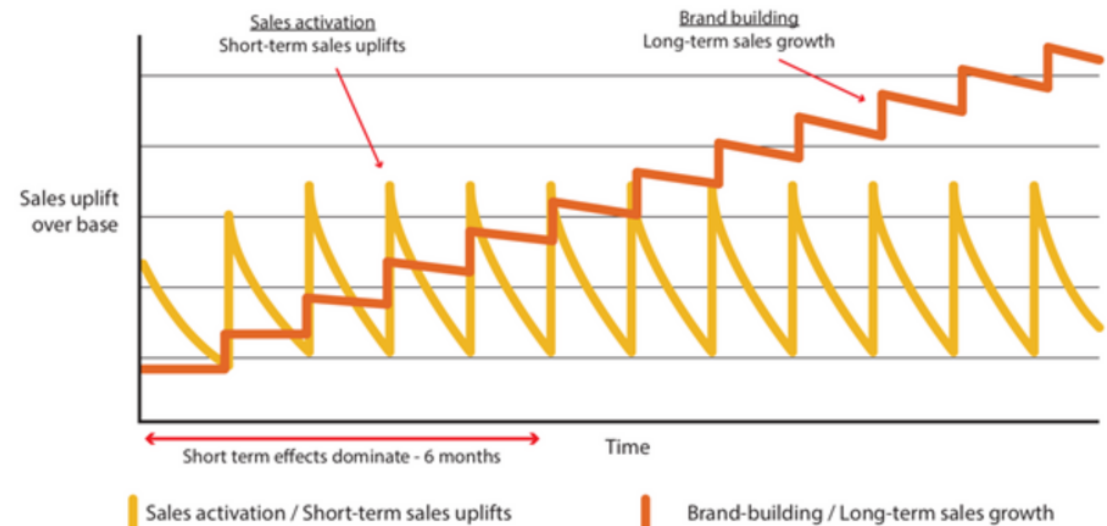


The Problem of Short-Termism

Sales uplift
over base



Brand-building and sales activation work over different timescales



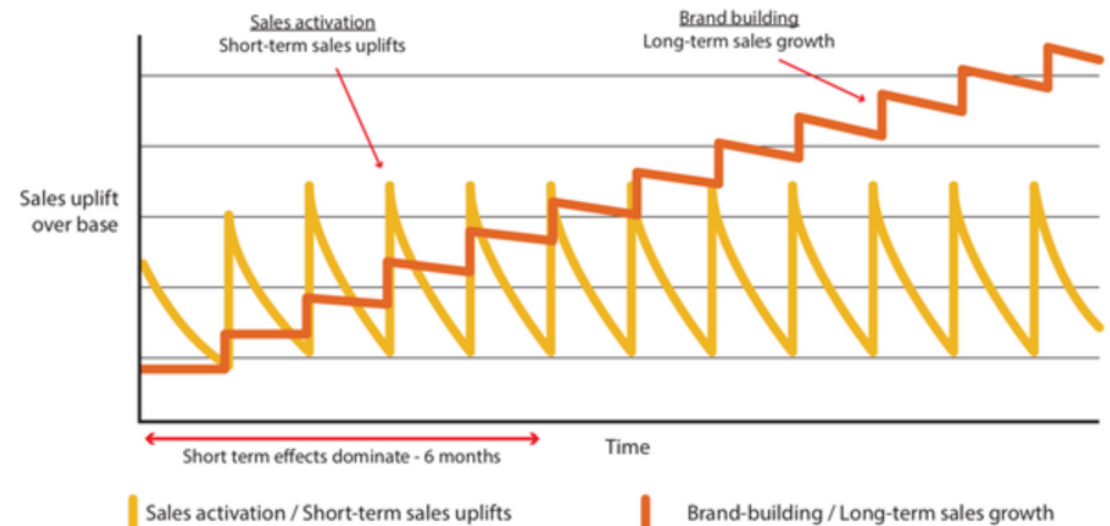
Source: Les Binet and Peter Field. *Media in Focus: Marketing Effectiveness in the Digital Era*. IPA. (Figure 02)

The Problem of Short-Termism

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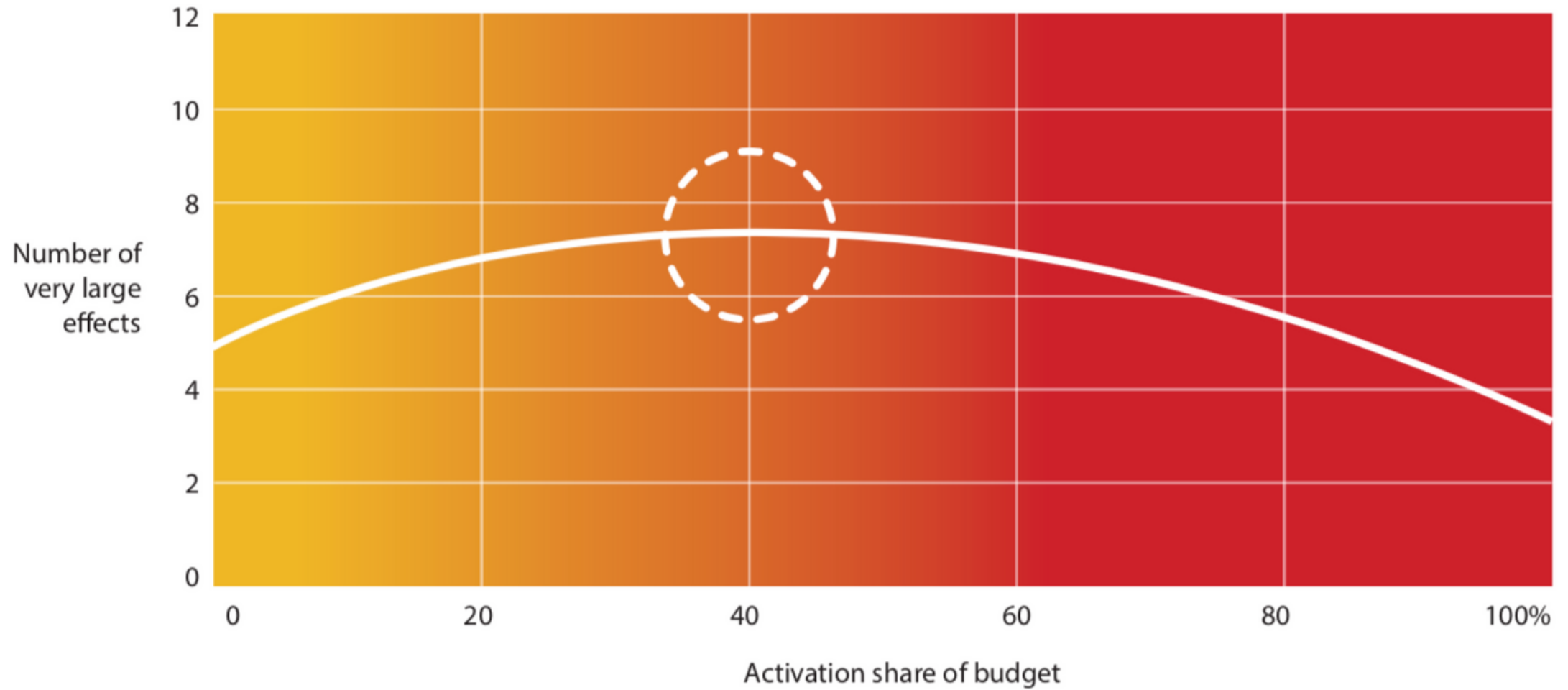


Brand-building and sales activation work over different timescales



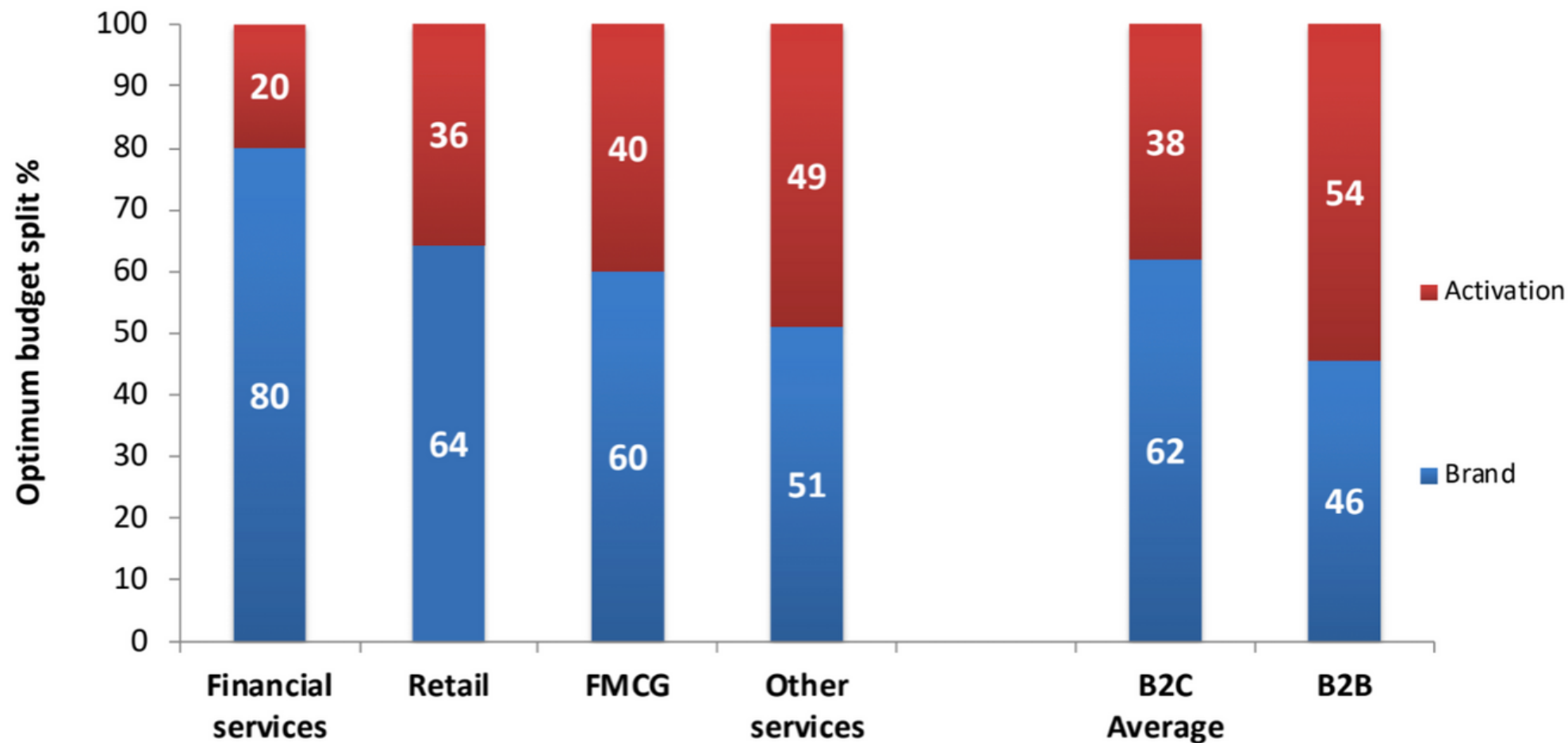
Source: Les Binet and Peter Field. *Media in Focus: Marketing Effectiveness in the Digital Era*. IPA. (Figure 02)

The 60:40 split delivers maximum effectiveness



Source: Les Binet and Peter Field, *The Long and the Short of It*, IPA, (Figure 38)

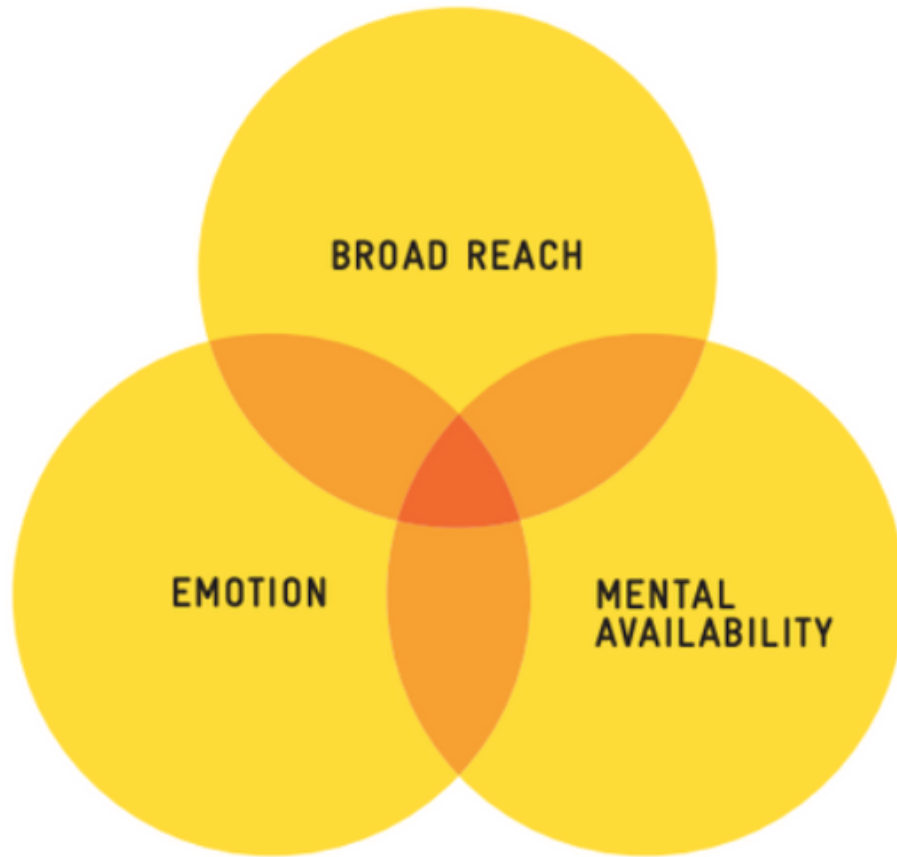
Optimum mix varies by category



BRAND-BUILDING AND SALES ACTIVATION GOALS REQUIRE DIFFERENT MEDIA (FIGURE 03)

BRAND BUILDING

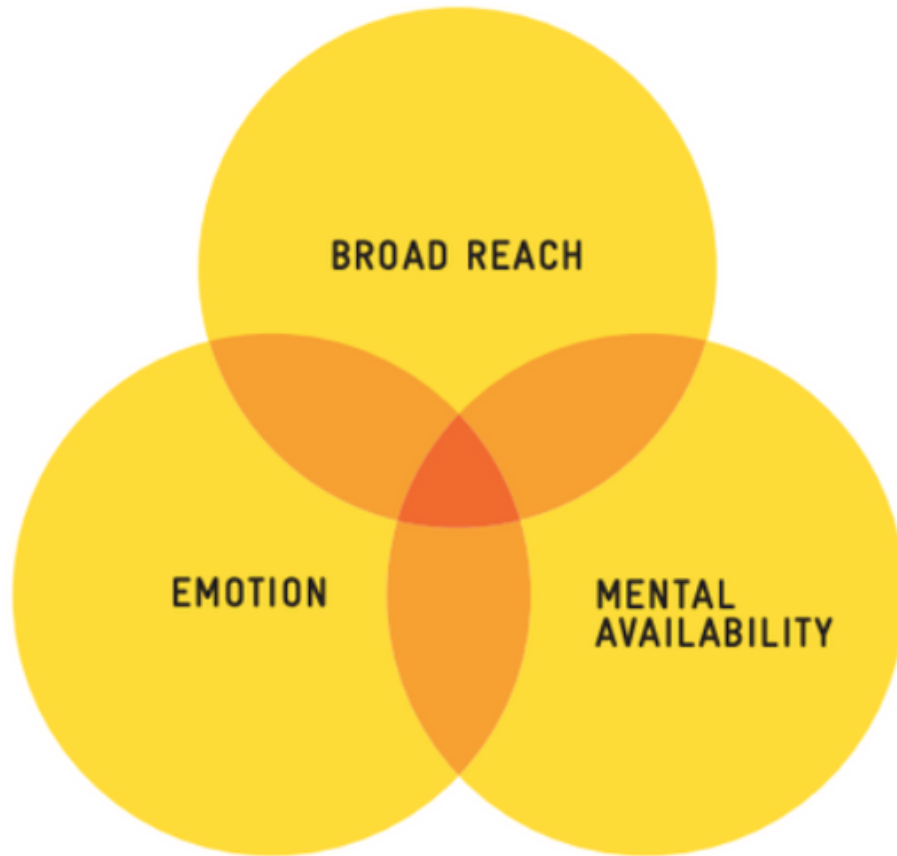
SALES ACTIVATION



BRAND-BUILDING AND SALES ACTIVATION GOALS REQUIRE DIFFERENT MEDIA (FIGURE 03)

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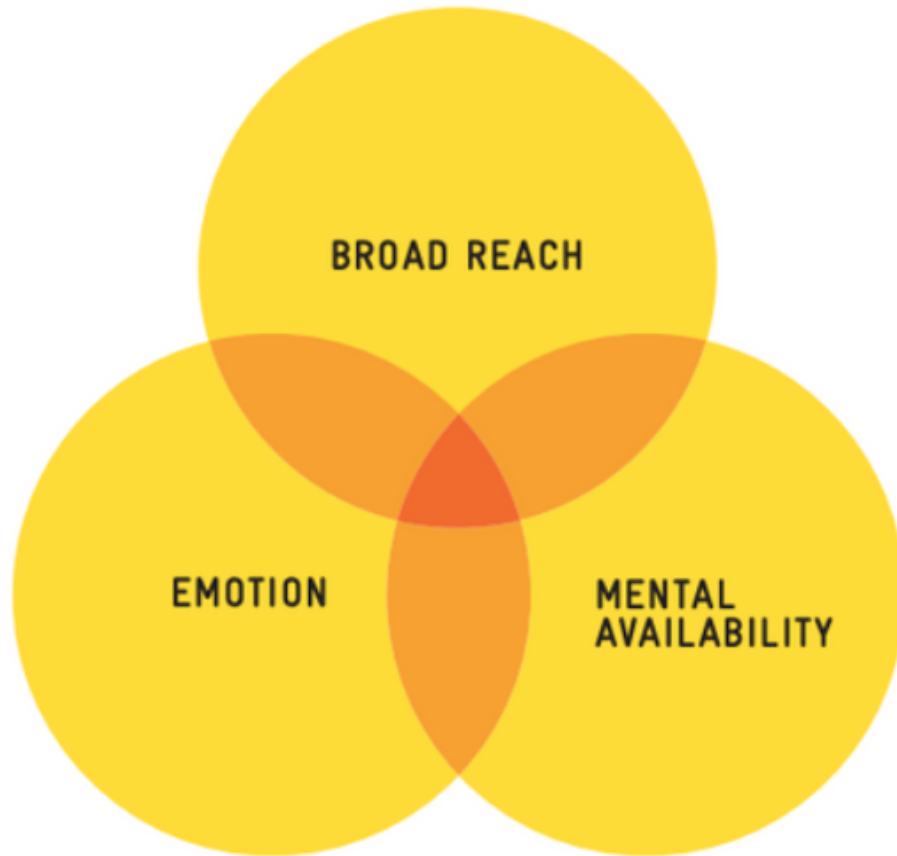
SALES ACTIVATION



BRAND-BUILDING AND SALES ACTIVATION GOALS REQUIRE DIFFERENT MEDIA (FIGURE 03)

BRAND BUILDING

SALES ACTIVATION





What to Do in a Recession

Results of previous research

PIMS compared businesses that cut costs, maintained costs, and increased costs (as a % of market size) in the following cost areas, with the following results:

Cost area	Winning strategy (vs. Market size)
Marketing	Increase
R & D	Increase
New products	Increase
Relative price	Maintain*
Customer preference	Improve*
Admin	Cut
Fixed assets	Maintain/cut
Working capital	Maintain/cut

*Relative to market average

Long term case history



	Budget saved	Sales foregone	Profit on foregone sales	Impact on bottom line	Time to recover
Zero budget year 1	£1.8m	£8.6m	£3.5m	£1.7m	5 years
Half budget year 1	£0.9m	£4.3m	£1.7m	£0.8m	3 years

ROI defined as the incremental revenue generated from advertising per unit of spend



Data2Decisions

Long term case history

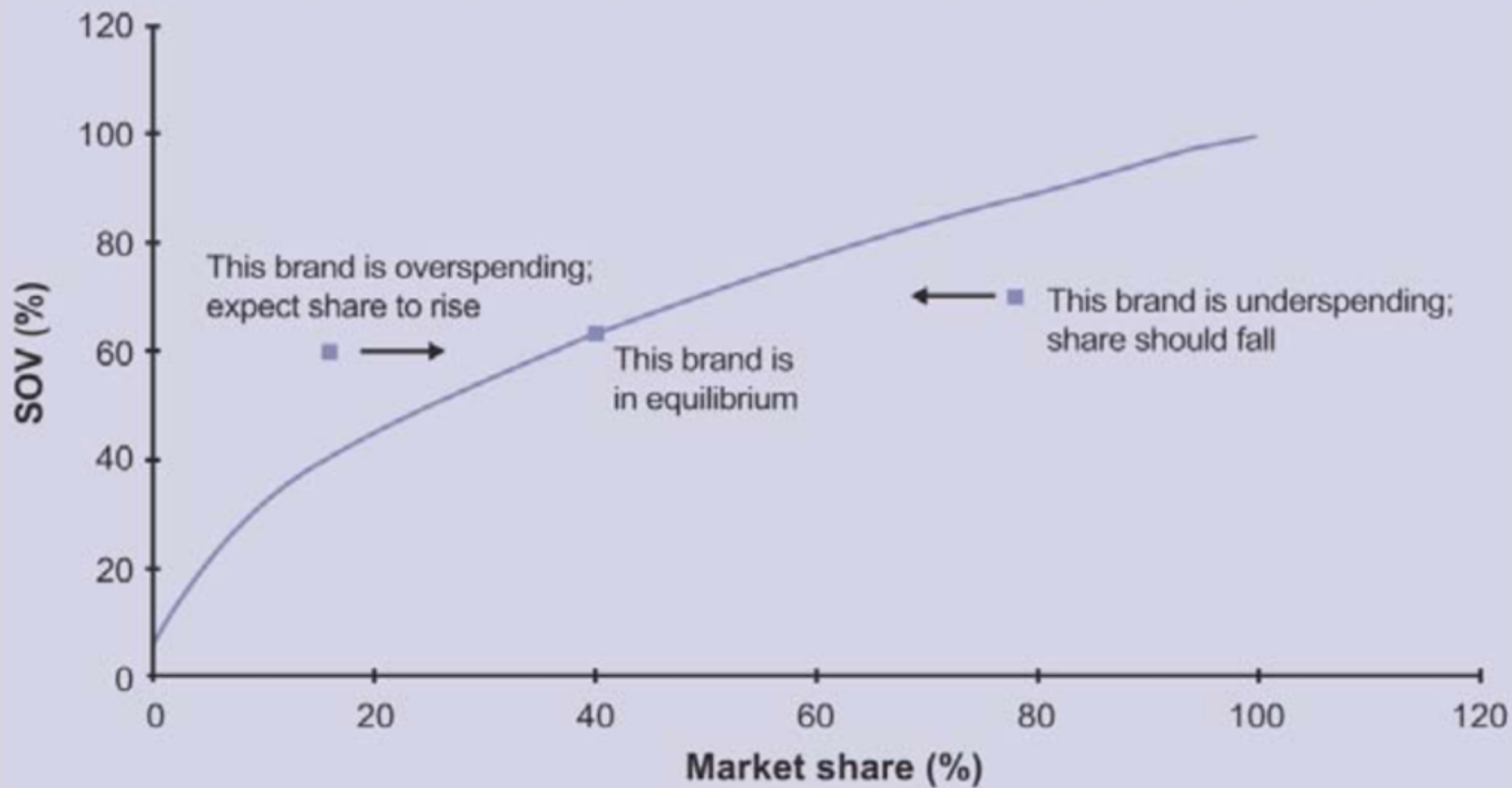


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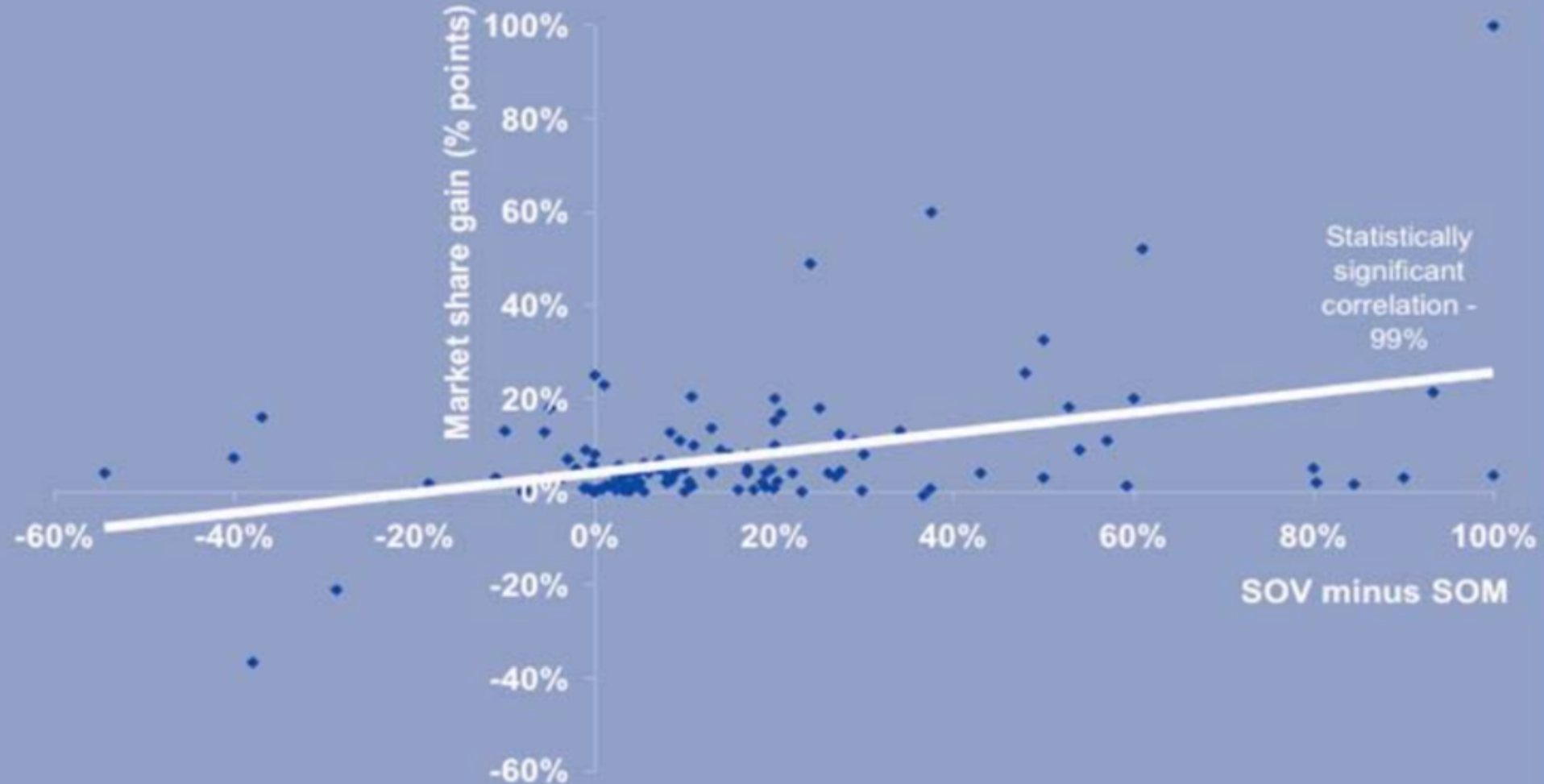
ROI defined as the incremental revenue generated from advertising per unit of spend



Data2Decisions



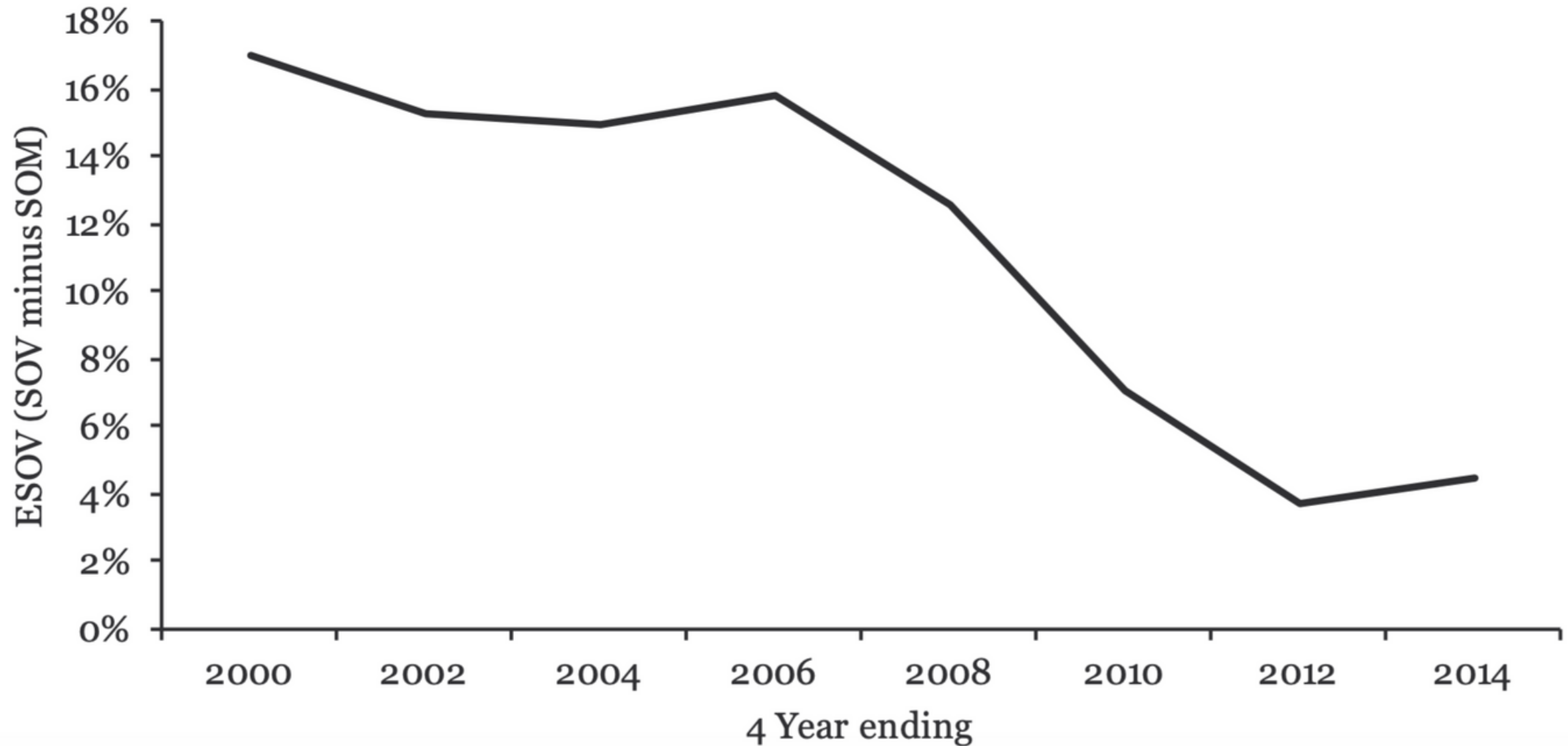
Market share growth vs "excess" share of voice



Source: IPA DataBank (127 cases)

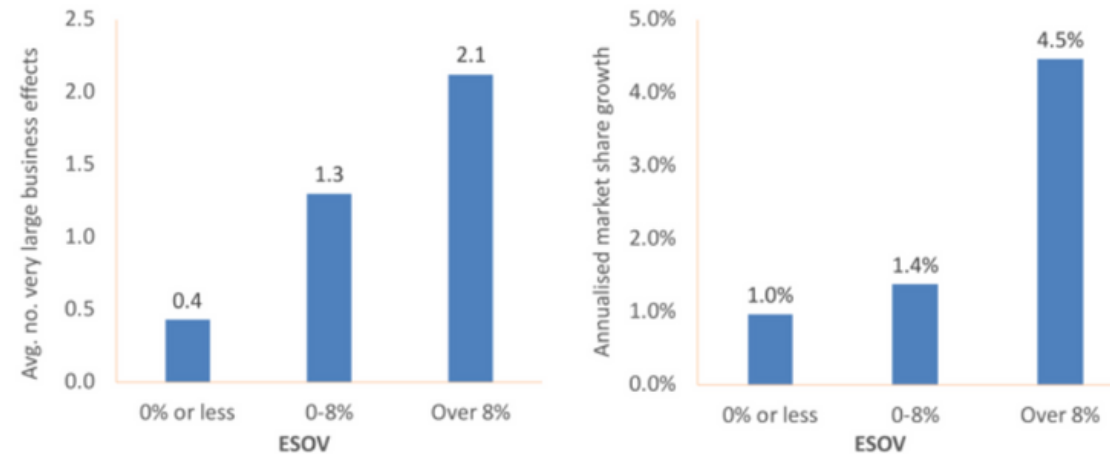
Figure 3

ESOV has fallen sharply towards a maintenance level



Advertisers with higher SOV in last recession benefitted most

Investors in SOV saw strong effectiveness and growth



Base: IPA cases covering 2008 recession



Source: Peter Field / IPA



Nautica Sailing 1990s Vi...
arkivevintage.com · Out of ...



Vintage 1990s NAUTICA CHALL...
depop.com



Nautica Sailing 1990s Vi...
arkivevintage.com · Out of ...



Vintage 1990s NAUTICA CHALL...
depop.com

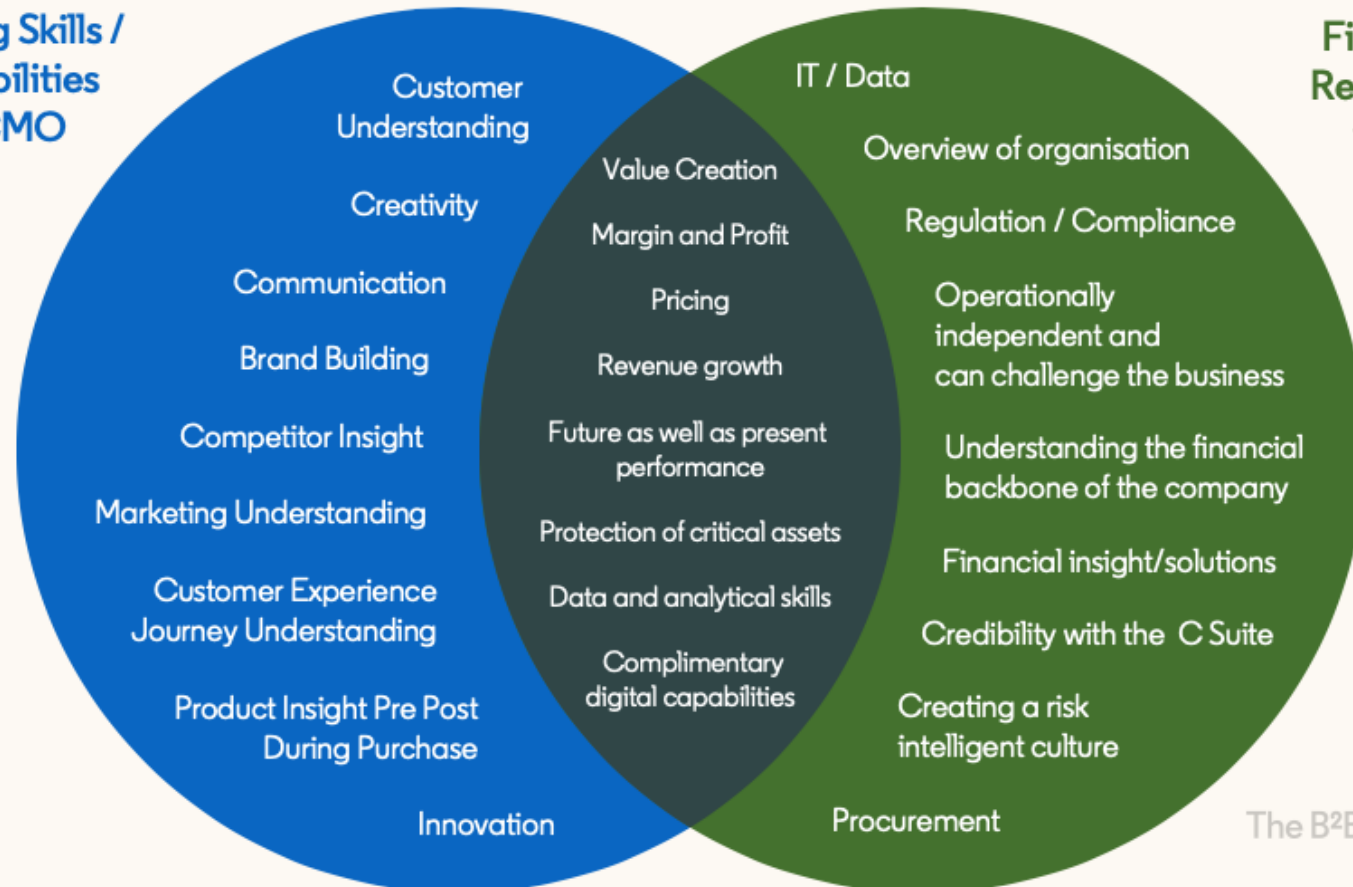


How to “Speak CFO”

Where the CMO and CFO Overlap

Voice of the Customer meets Voice of the Business

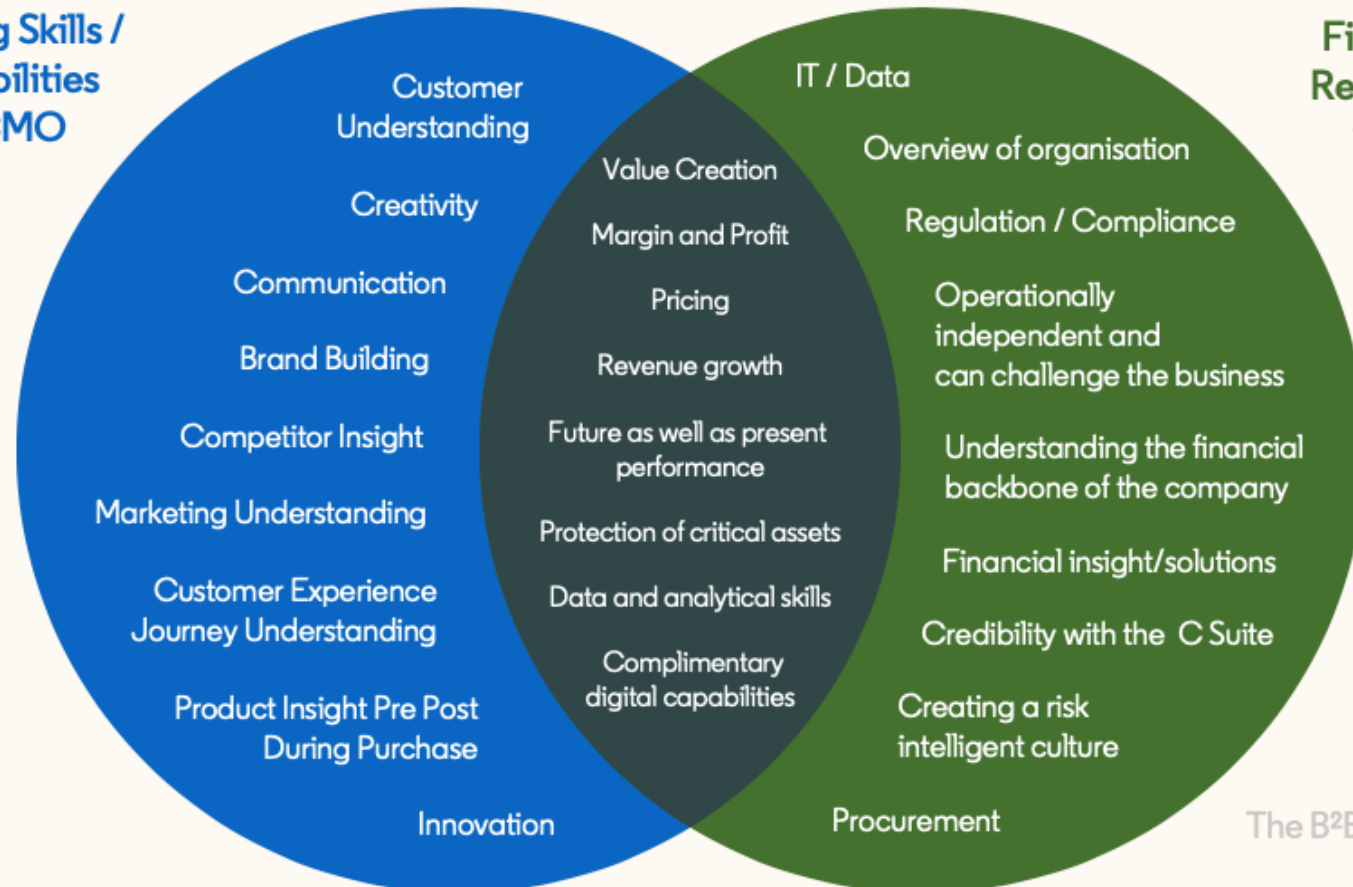
**Marketing Skills /
Responsibilities
vital for CMO**



Where the CMO and CFO Overlap

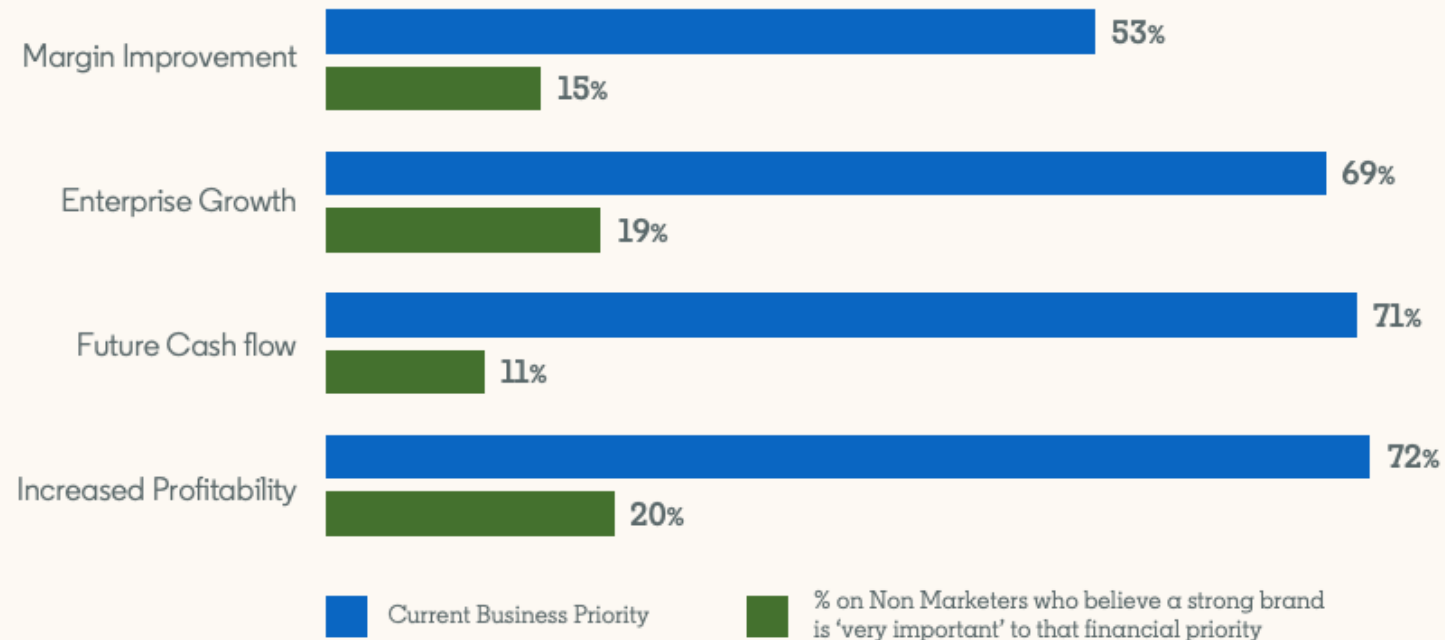
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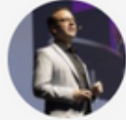
Companies Always Need Advertising

Business leaders prioritise the metrics that Brand can move...
But fail to recognise Brand as the tool they need



CMOs Get
No Respect

Why CMOs are only lasting as long as Spinal Tap drummers



The Promotion Fix

By **Samuel Scott** - 17 September 2019 00:43am

The Promotion Fix is an exclusive biweekly column for The Drum from Samuel Scott, a global keynote **marketing speaker** who is a former journalist, newspaper editor, and director of marketing and communications in the high-tech industry. Follow him [@samueljscott](#).





"IT. Have you tried turning it off and on again?"

[Pause.]

"Well, have you tried checking the logs?"



"Do you mean these logs?"



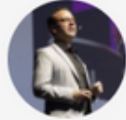
"No, log DATA."



"What's log data?"

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The Promotion Fix

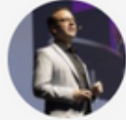
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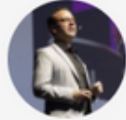
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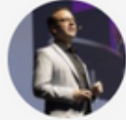
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We Need to Change Our Language

Convert marketing language to more explicit commercial benefit

Production costs/non working media

Mental availability

Brand halo effect

Salience

Longer term focus

Awareness

Marketing Qualified Lead

Asset creation

Guaranteed consideration set

Margin protection for range

Stable market share

Future cash flow

Customer preference

Sales Pipeline

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The VALUE Framework

The Marketing Value Framework

V alue	Understand how value is created within the organisation and how it is created for customers
A ccountability	Be accountable to the organisation and metrics of value creation
L anguage	Use the language of value creation
U nderstanding	Scale the understanding of value creation across the organisation
E vidence	Have an evidence-based mindset and report regularly using agreed, value-based metrics

Figure 4. Source: "Marketing to the CFO" (LinkedIn/IPA 2020)

Our Responsibilities

How marketing and finance could align for 'new market entry'

Corporate Objective: Growth Strategy
Enter New Market Segment

CMO Contribution	CMO & CFO	CFO Contribution
<ul style="list-style-type: none">• Market Understanding• Innovation, NPD• Creativity• Communication• Brand Building	<ul style="list-style-type: none">• Data Analytics• Life Time Value• Pricing• Margin• Revenue Forecast	<ul style="list-style-type: none">• Risk Analysis• Financial Modeling• Cash Flow• Regulation• Compliance

Figure 6. Source: "Marketing to the CFO" (LinkedIn/IPA 2020)



The Good News

05-21-20 | THE REBUILDERS

The office is dead, according to most startup founders

It's the End of the World Economy as We Know It

Will COVID-19 change marketing forever?

INSIGHTS

6 ways advertising will change after the coronavirus crisis.

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The Crushing Reality of Zoom School

We're only a few weeks in. We can't keep doing this. ▲



By [Dan Sinker](#) Sep 16, 2020

WAH! Why the work at home bubble is about to burst

By [Aaron Kwittken](#) - 17 September 2020 10:00am

MATERIAL WORLD

Generation Work-From-Home May Never Recover

The social and economic costs borne by young people without offices

AMANDA MULL OCTOBER 2020 ISSUE

Remote Work Is Killing the Hidden Trillion-Dollar Office Economy

From airlines to Starbucks, a massive part of our economy hinges on white-collar workers returning to the office



What Actually Happened

U.S. Federal Reserve Bank



Economic Effects of the
1918 Influenza Pandemic

Implications for a Modern-day Pandemic

U.S. Federal Reserve Bank



Economic Effects of the
1918 Influenza Pandemic

Implications for a Modern-day Pandemic

U.S. Federal Reserve Bank



Economic Effects of the
1918 Influenza Pandemic

Implications for a Modern-day Pandemic

Northwestern University



The Pandemic Will Change American Retail Forever

100,000 retail stores could close by 2025, accelerated by COVID-19, analysts say

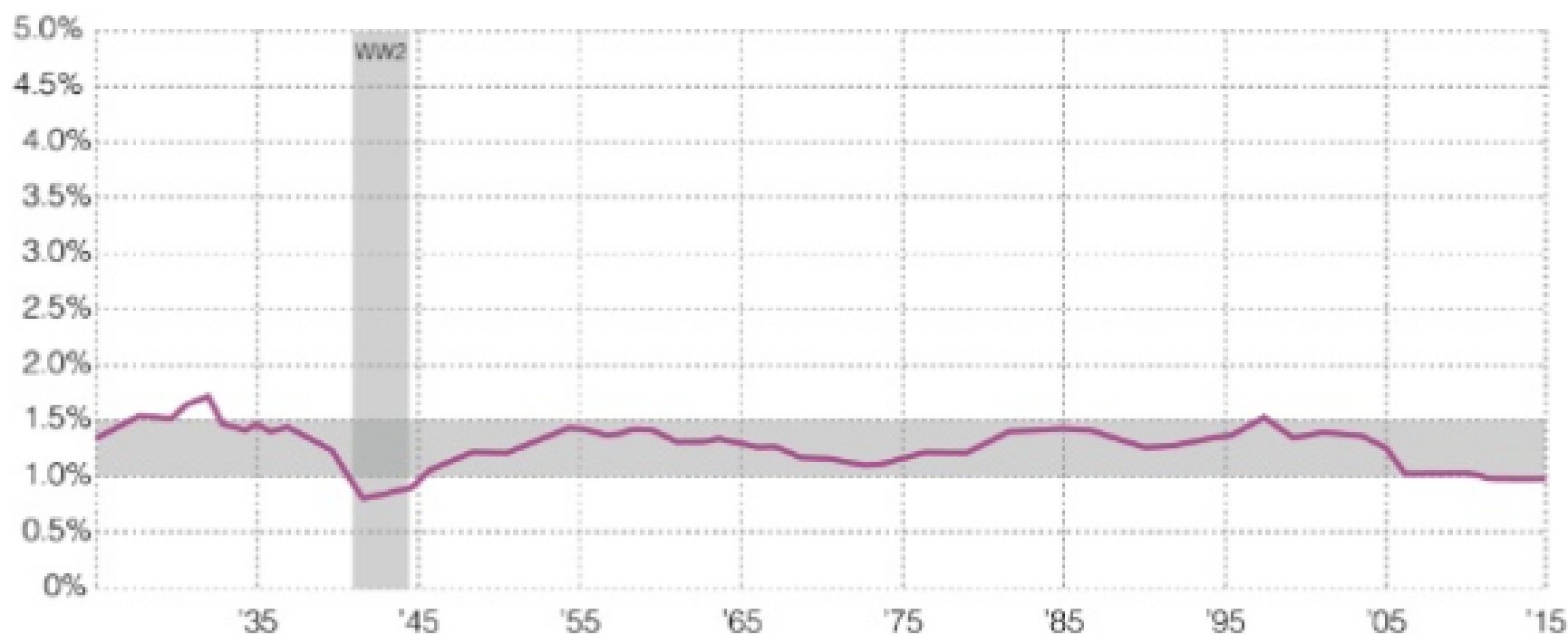
The lockdown's devastation of retail
will change US cities forever

**US ecommerce
sales rise 25%
since beginning
of March**

And Marketing Does Not Change Quickly

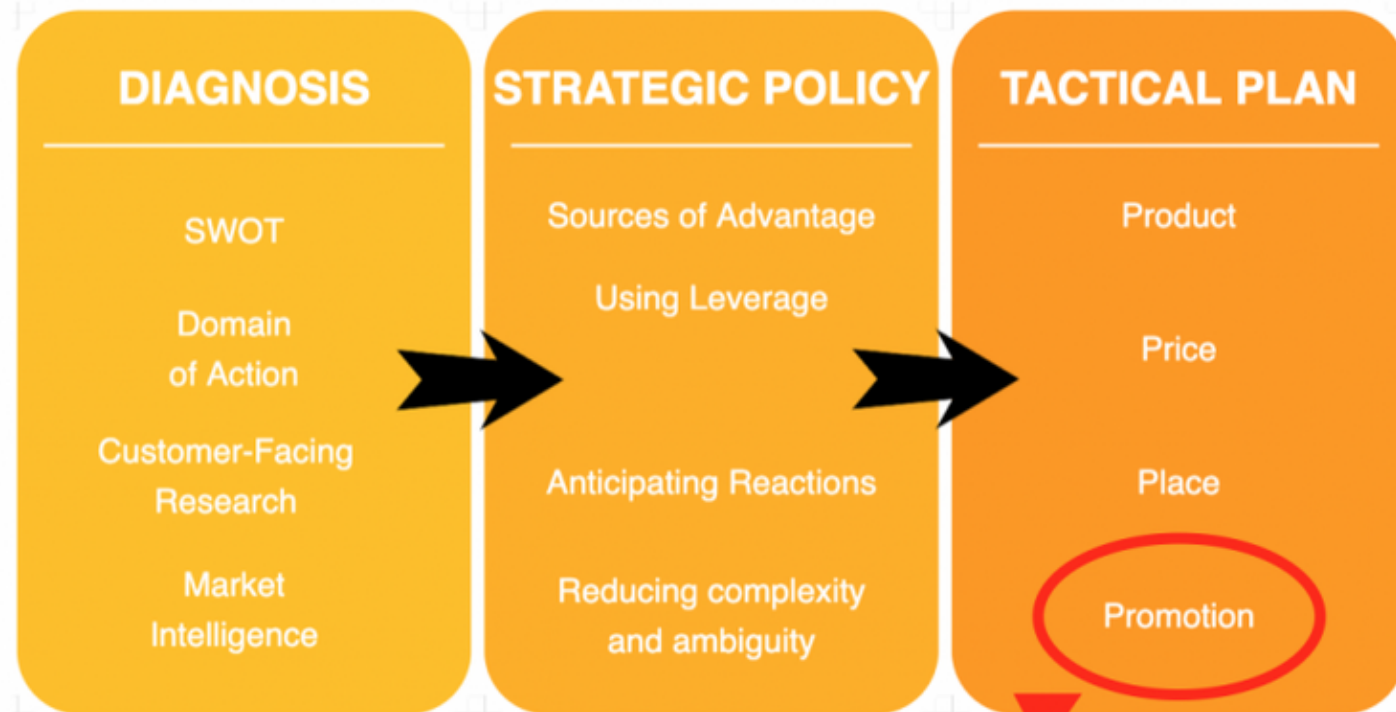
Total National Ad Spend as a Percentage of GDP

USA



And Marketing Does Not Change Quickly

Marketing

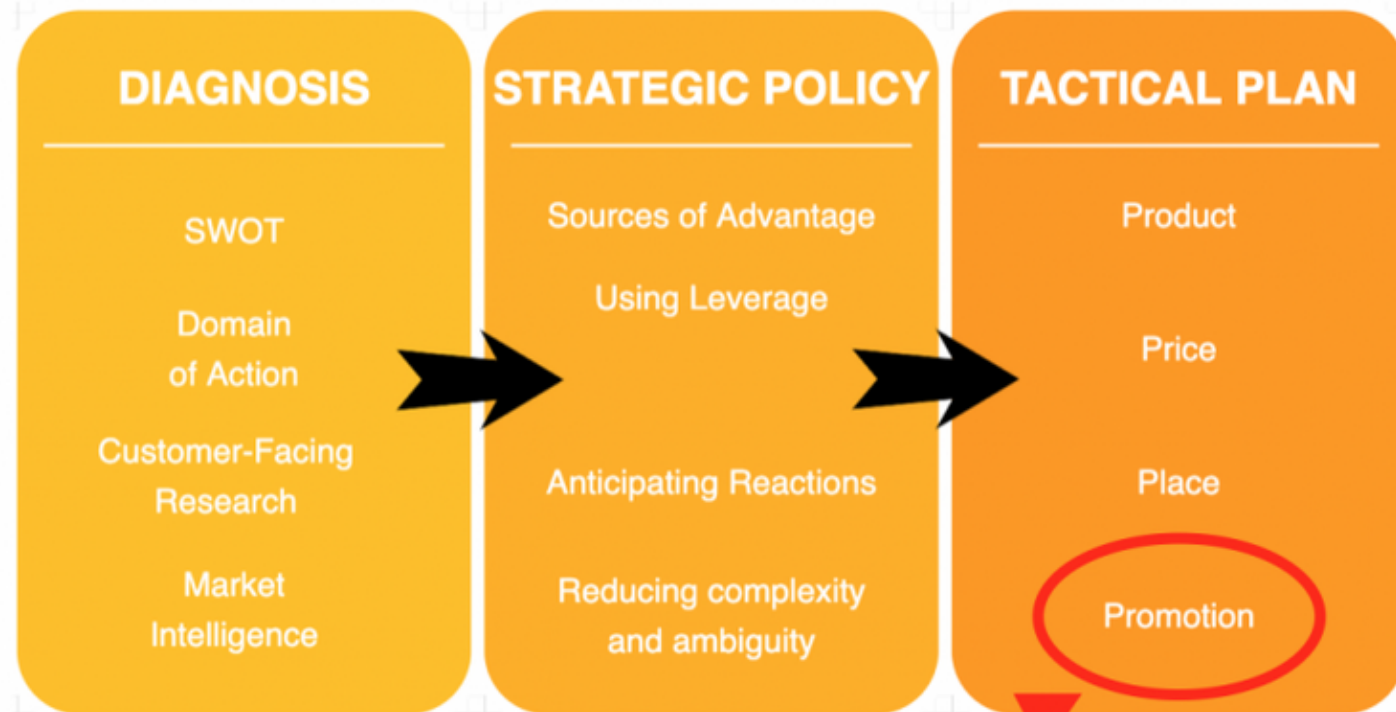


Samuel Scott -- @samueljscott

What marketers discuss

And Marketing Does Not Change Quickly

Marketing

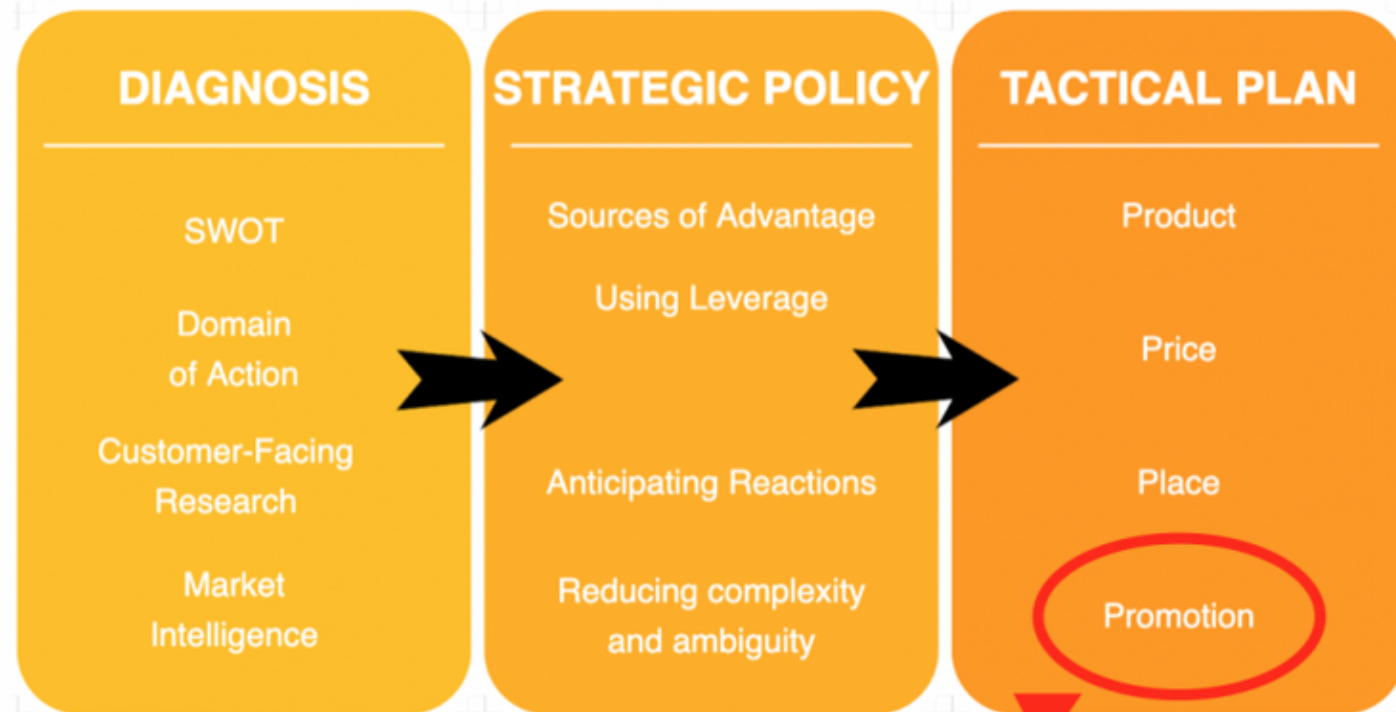


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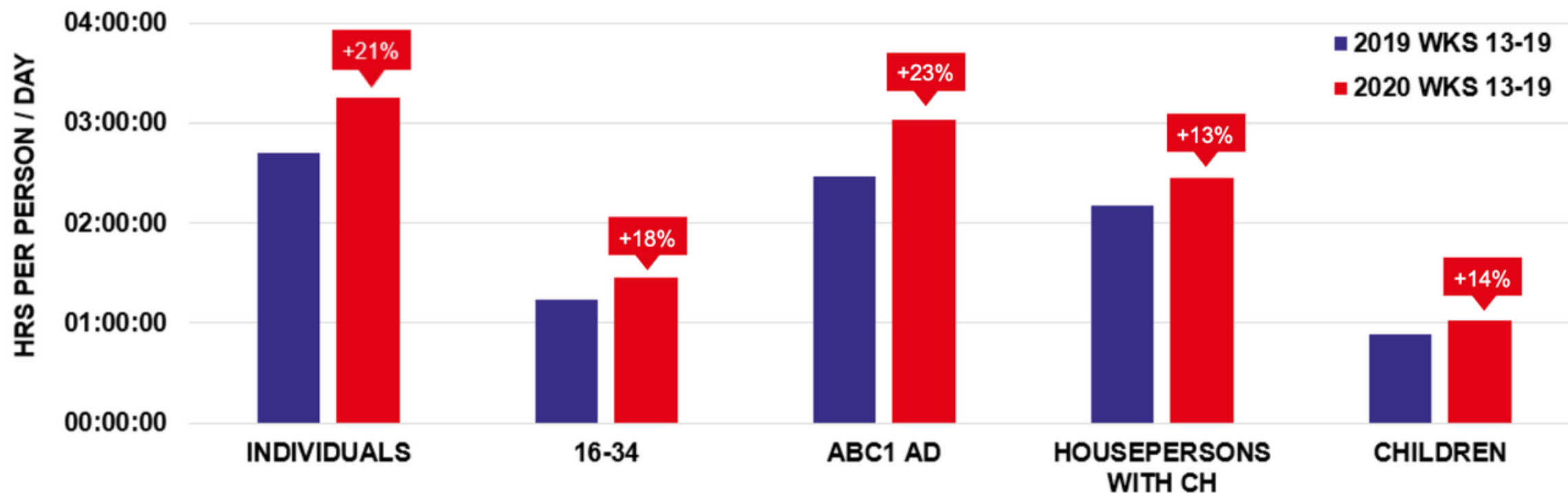
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What marketers discuss



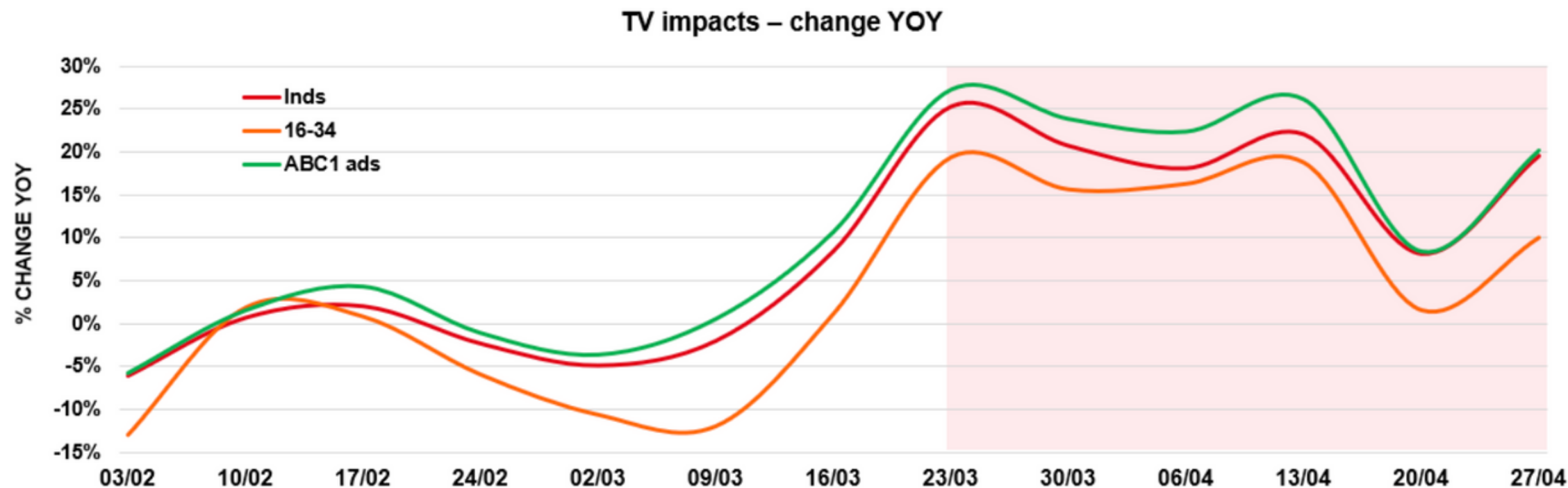
What TV Companies Should Do

During lockdown, linear TV viewing increased across the board



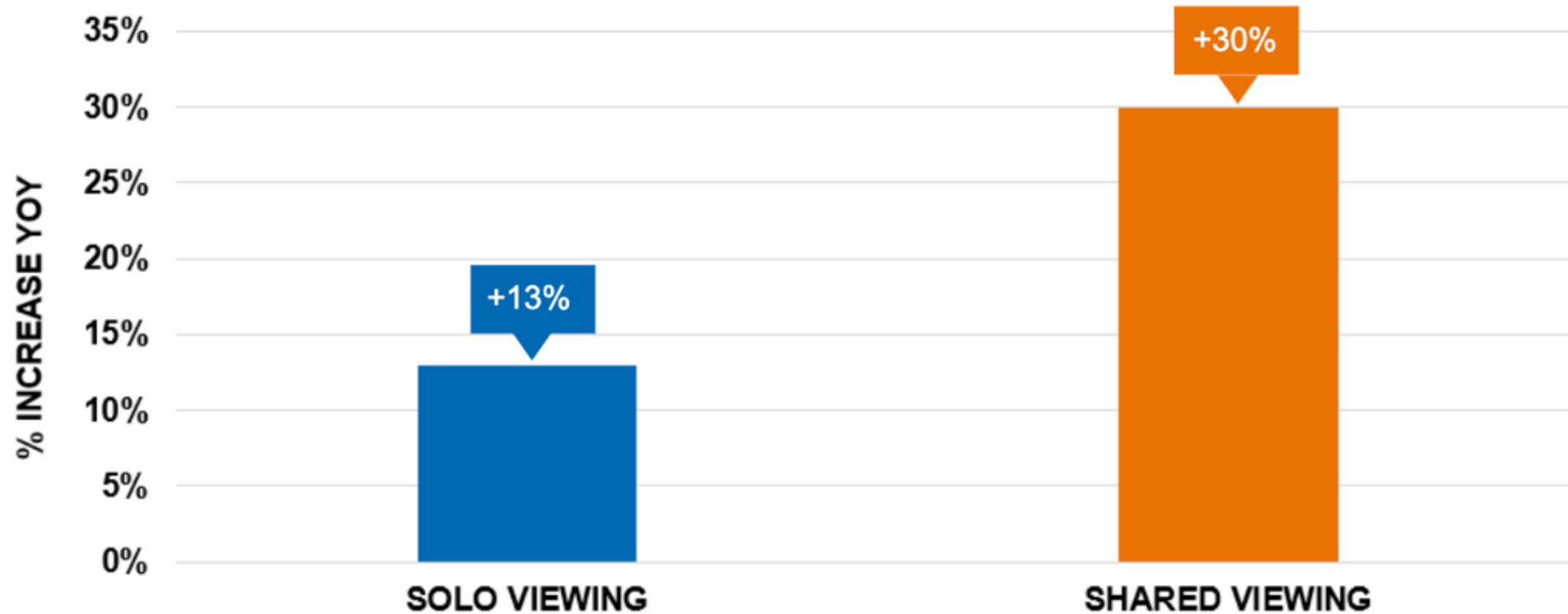
Source: BARB weeks 13-19 2020 vs weeks 13-19 2019. All data based on live & VOSDAL TV set viewing.

Viewing of TV ads increased by 19% YOY during lockdown



Source: BARB weeks 6-18 2020 vs weeks 6-18 2019. 30" reweighted impacts.

During lockdown, shared viewing increased by 30%



Source: BARB weeks 13-19 2020 vs weeks 13-19 2019. All data based on live TV set viewing

First, the UK

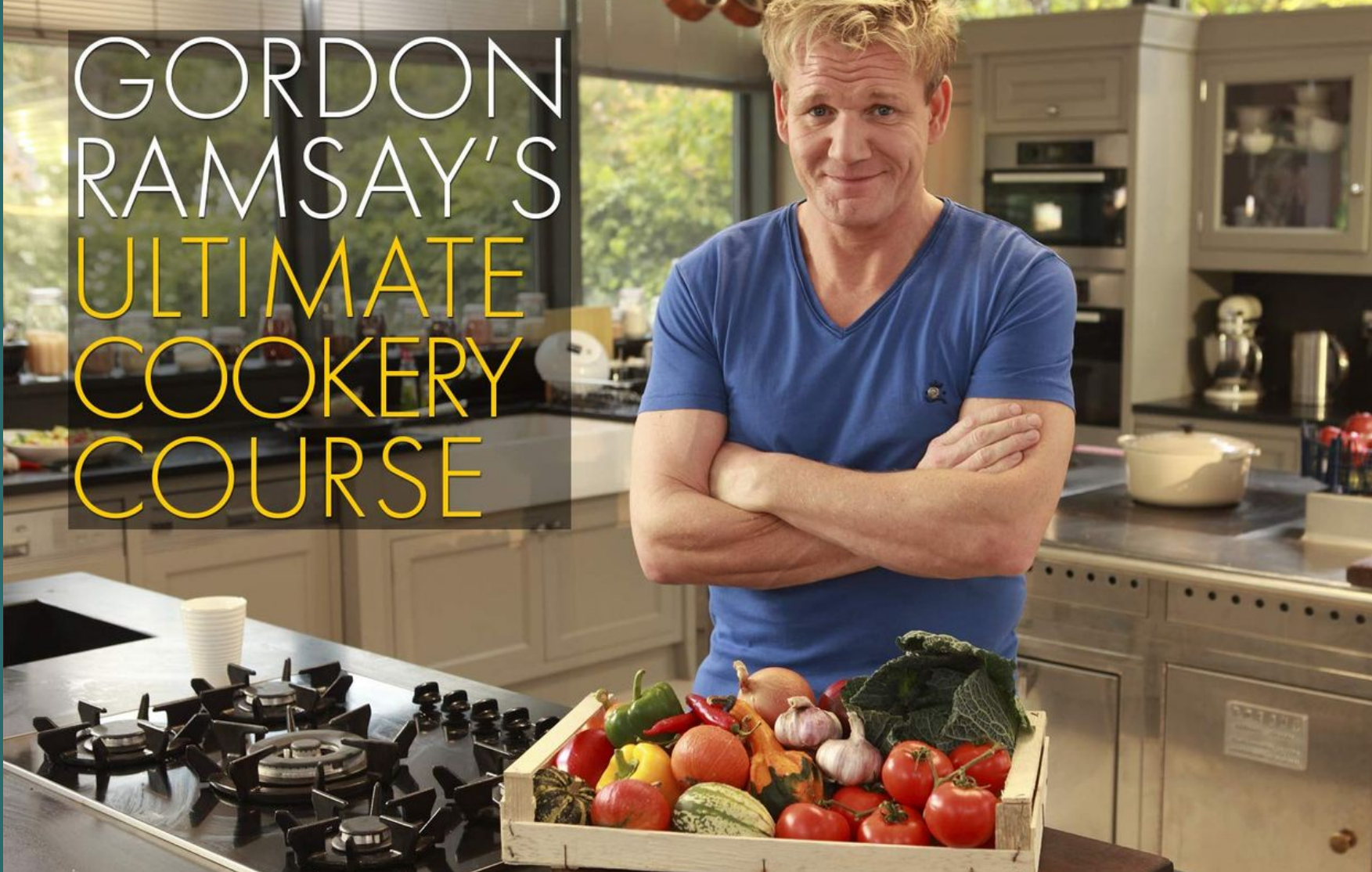


First, the UK



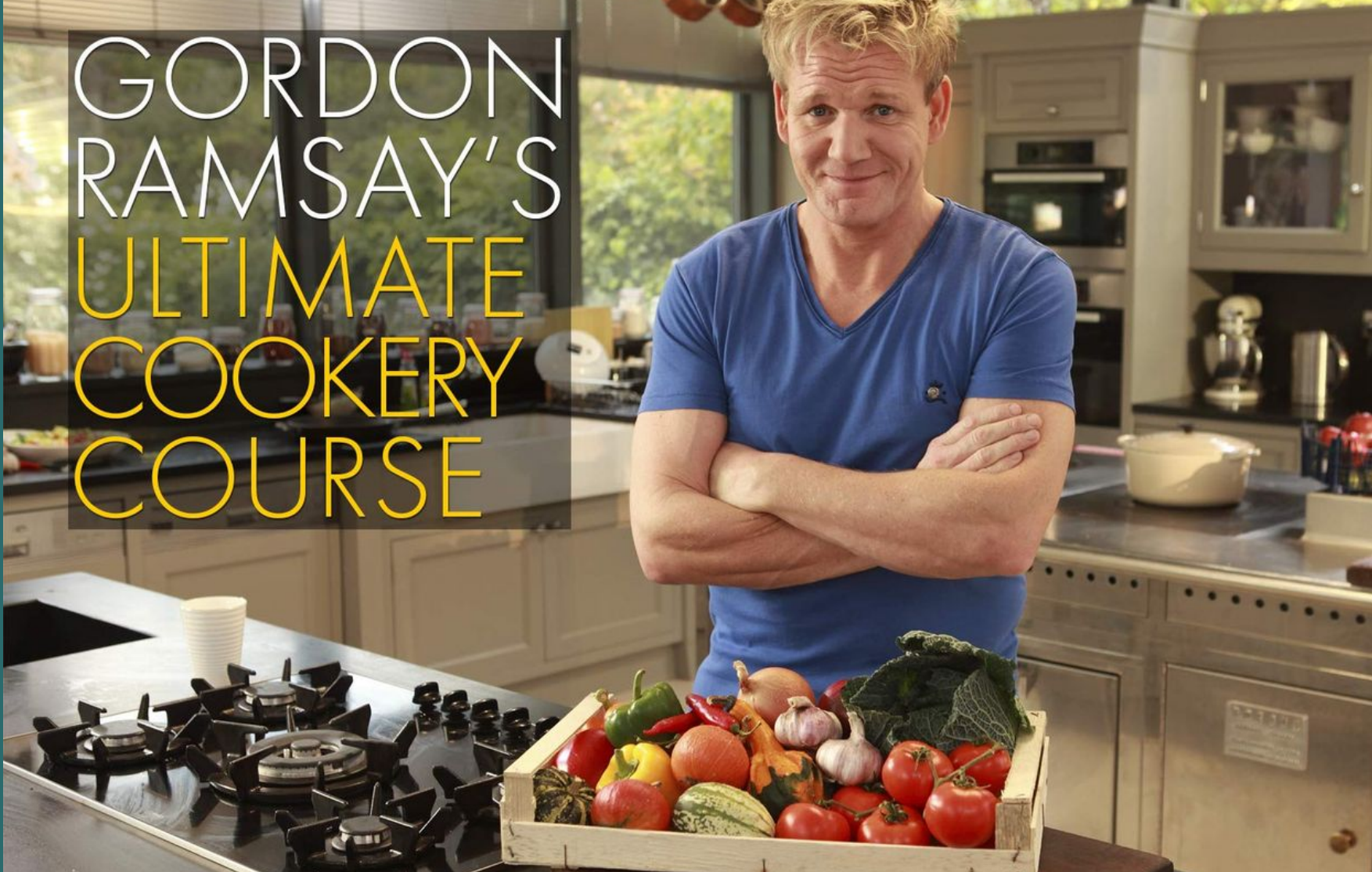
First, the UK

GORDON
RAMSAY'S
ULTIMATE
COOKERY
COURSE



First, the UK

GORDON
RAMSAY'S
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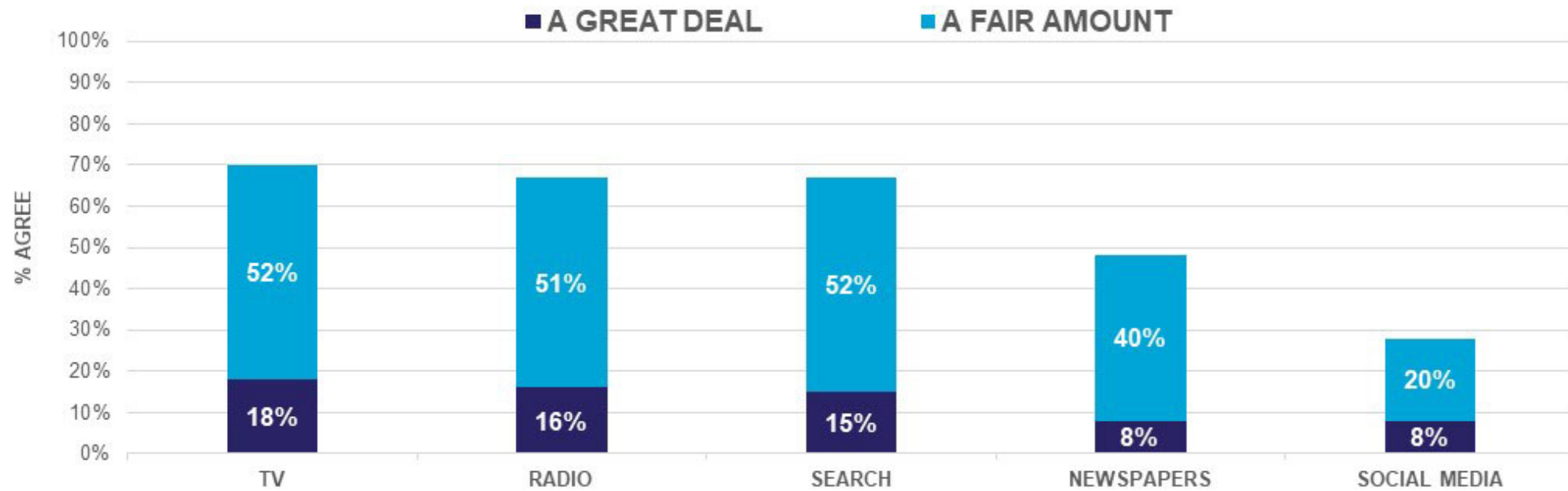
First, the UK







Level of trust in media as a source of news & info



Question: 'To what extent, if at all, do you trust each of the following to be a reliable source of news & information?' Base: all UK adults ages 16-75, n = 1125

We turn to TV for information and light relief during lockdown



News
+45%



Films
+34%



Comedy
+21%



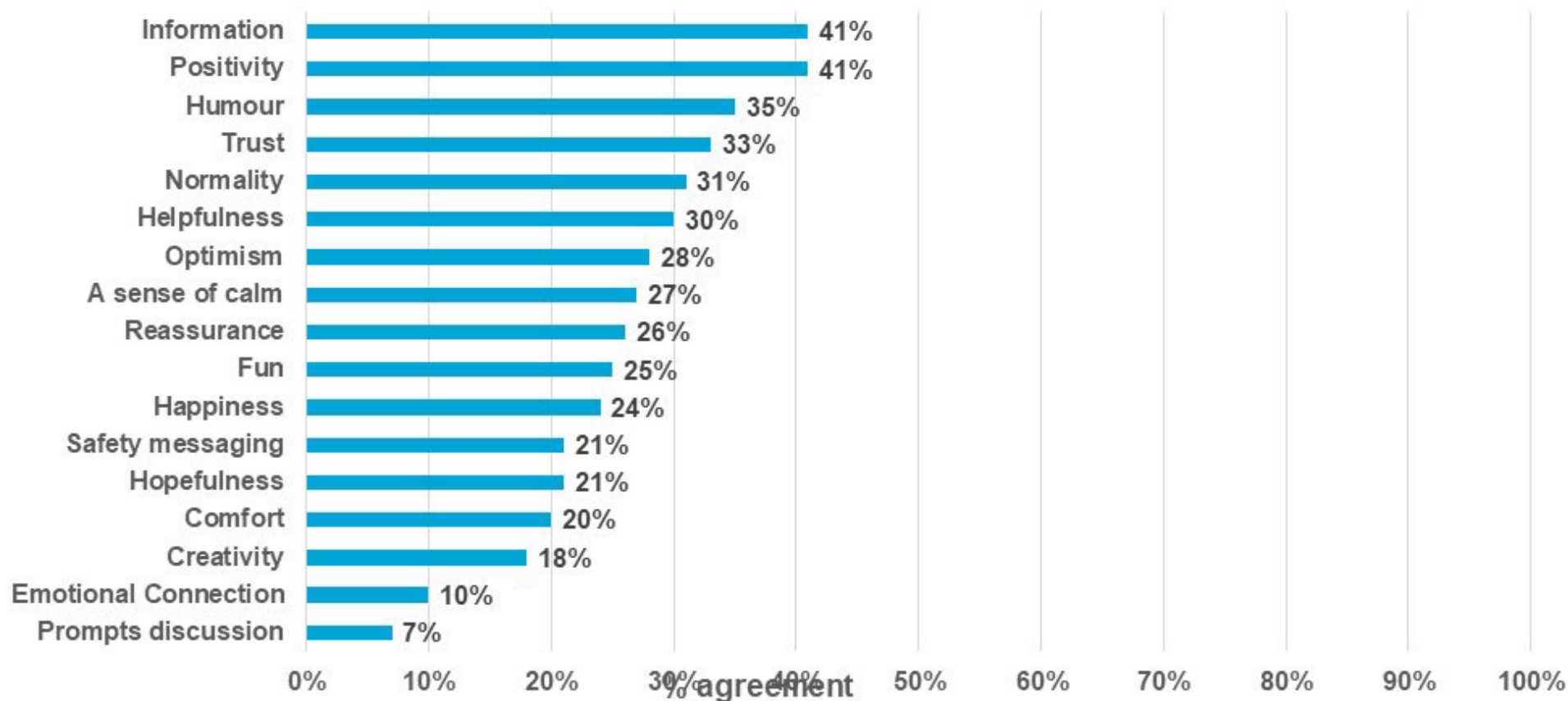
Hobbies
+17%



Entertainment
+16%

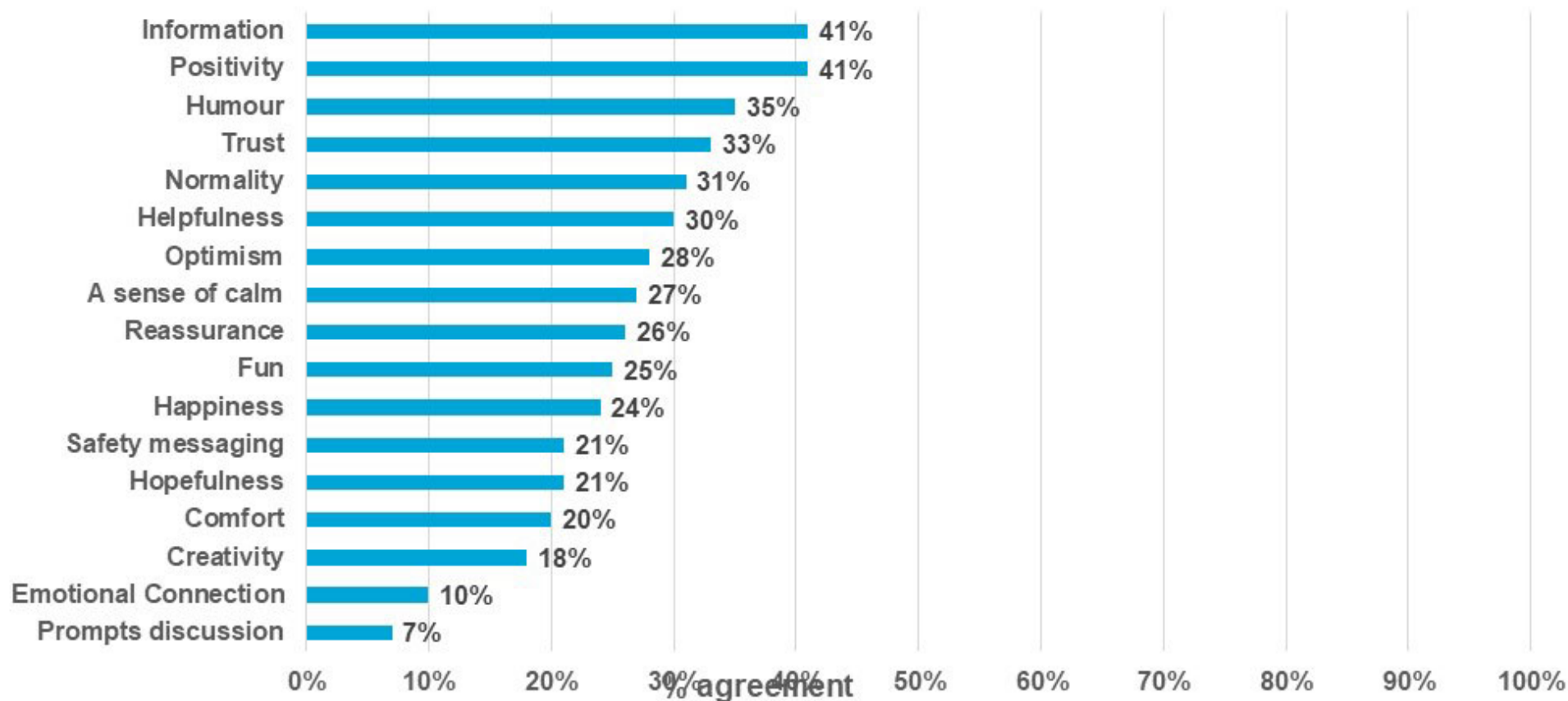
Source: BARB weeks 13-18 vs weeks 7-12 2020

What do people want from TV advertising at the moment?



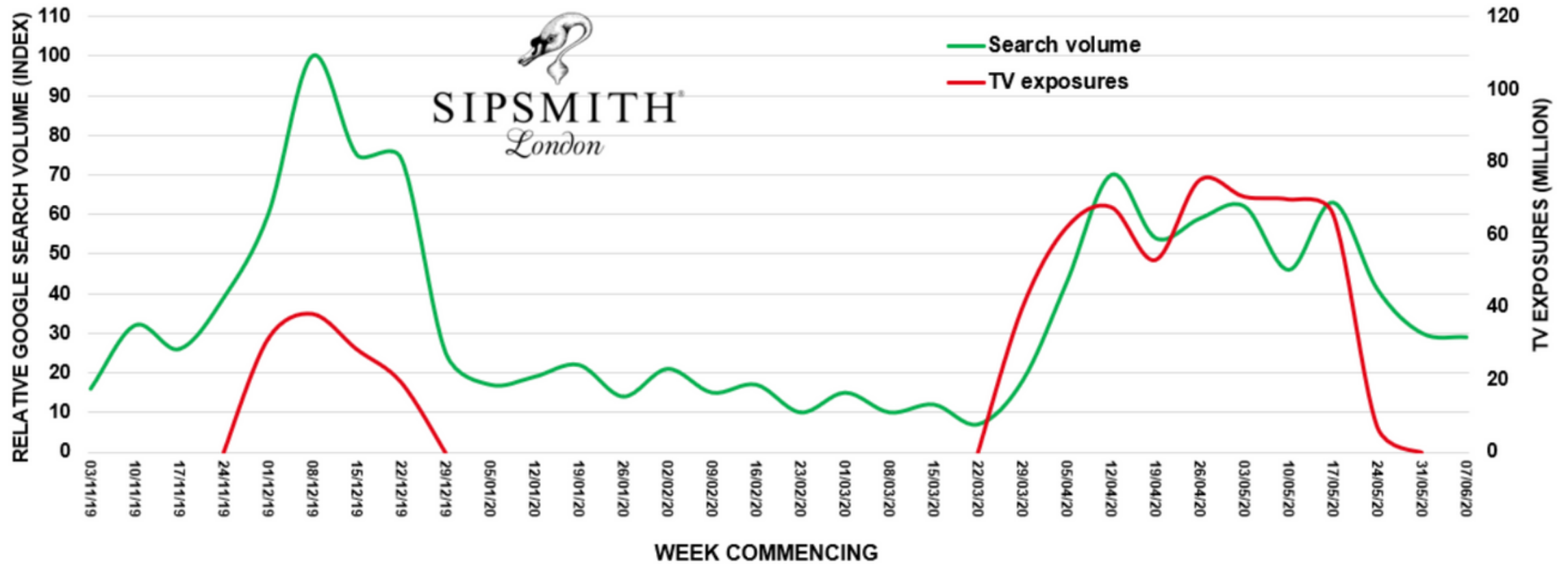
Question: 'Which, if any, of the following do you want from companies advertising on TV at the moment?' Base: all UK adults ages 16-75, n = 1125

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Sipsmith gin's TV bursts help drive search uplifts



Source: BARB / Google Trends

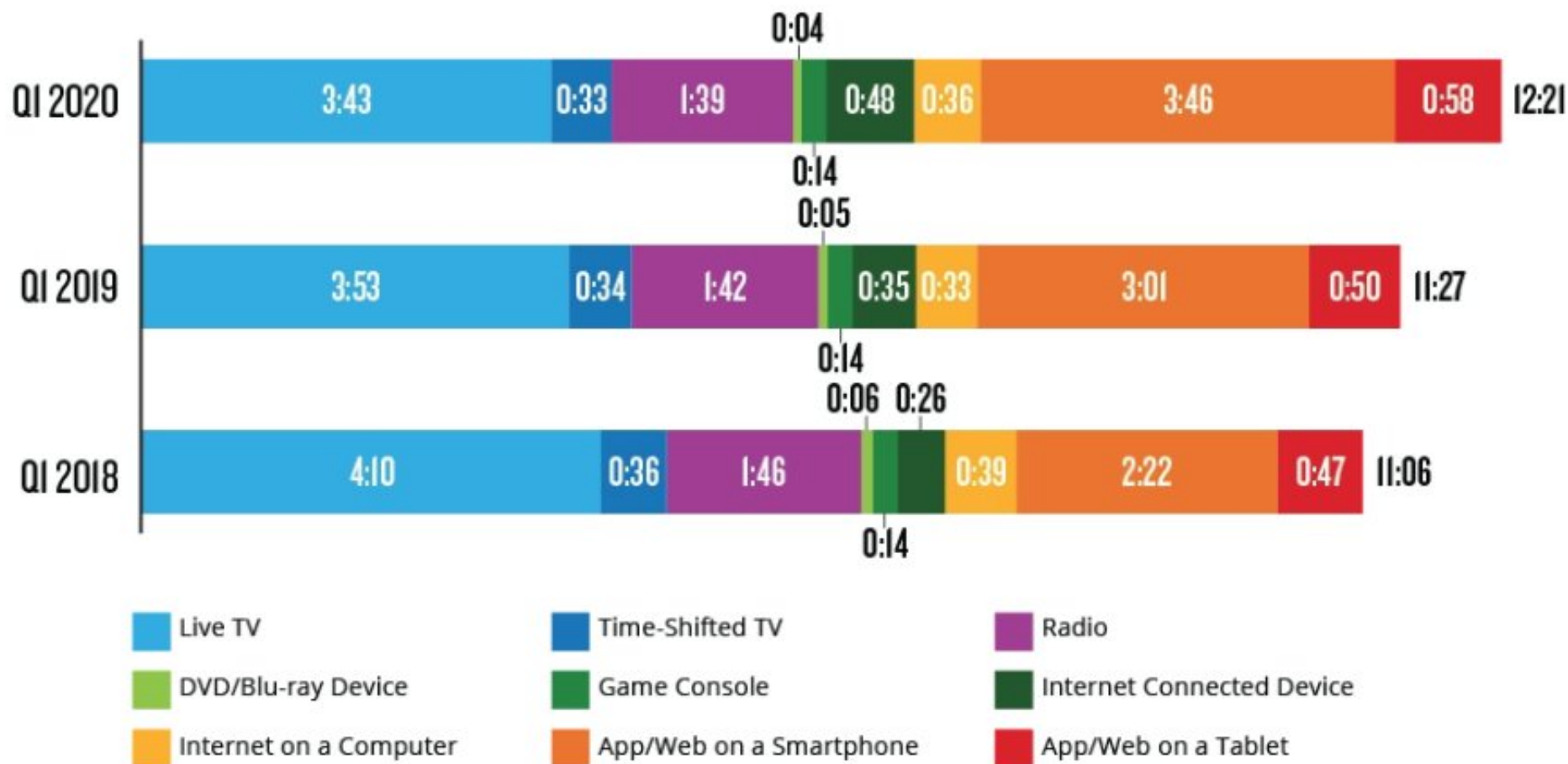
Second, the US



AVERAGE TIME SPENT PER ADULT 18+ PER DAY

BASED ON TOTAL U.S. POPULATION

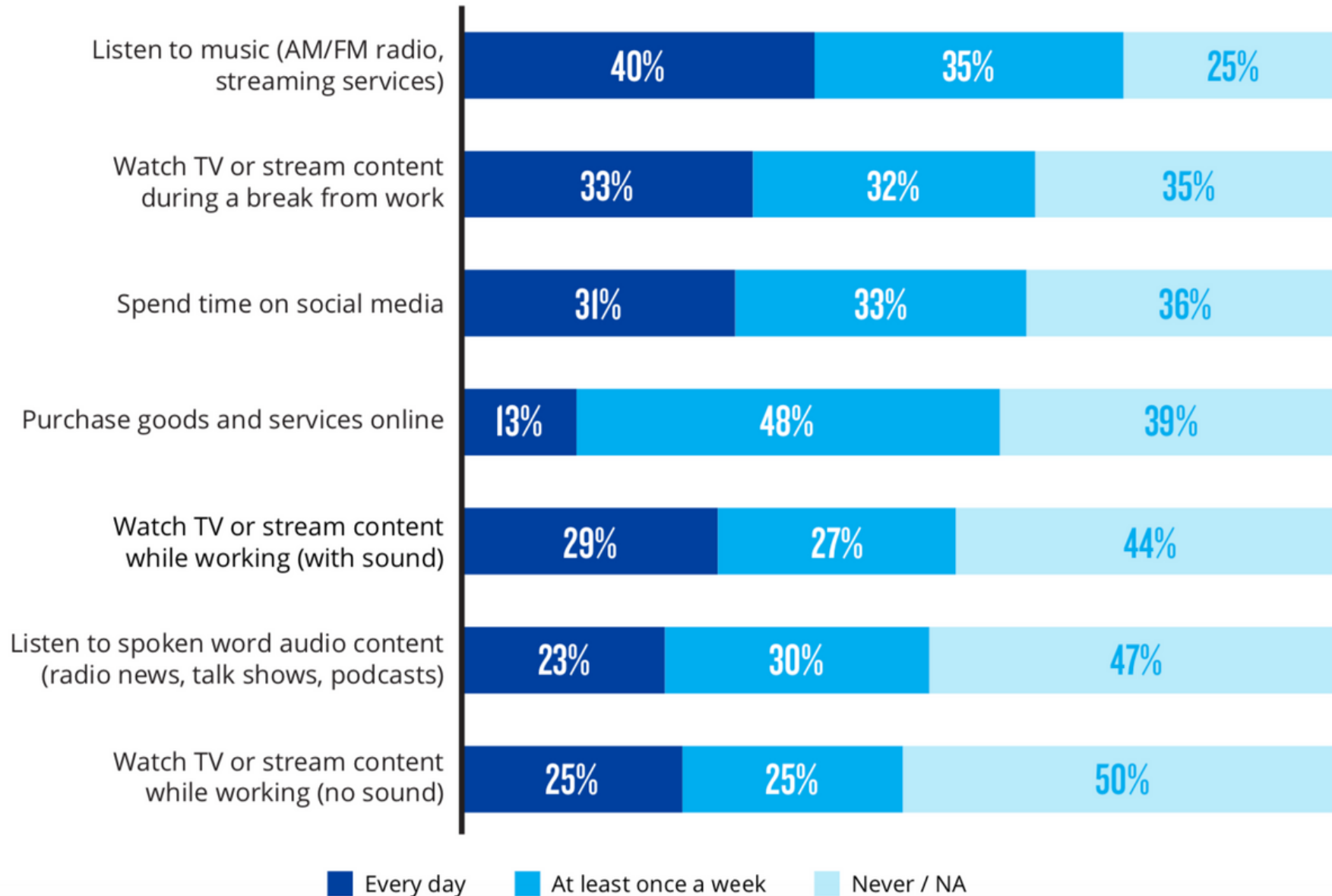
% OF STREAMING OUT OF
TOTAL USAGE OF TV
Q2 2020, A2+



Note: Some amount of simultaneous usage may occur across devices. Internet Connected Device is inclusive of Smart TV app usage. Measurement enhancements to the mobile panel in the past year contributed to increases in usage levels beyond pure organic growth.

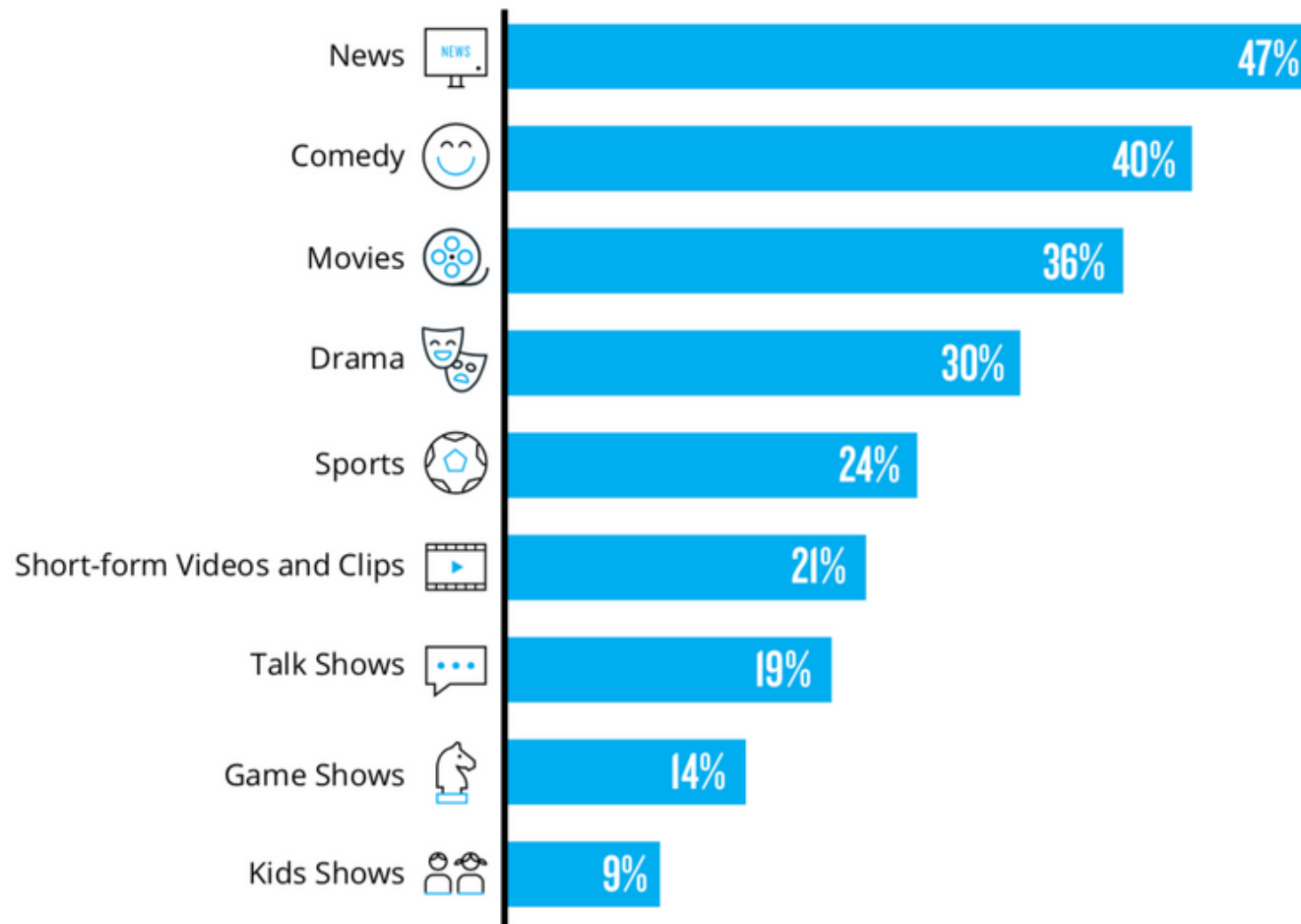


WHAT THEY ARE DOING DURING WORK HOURS





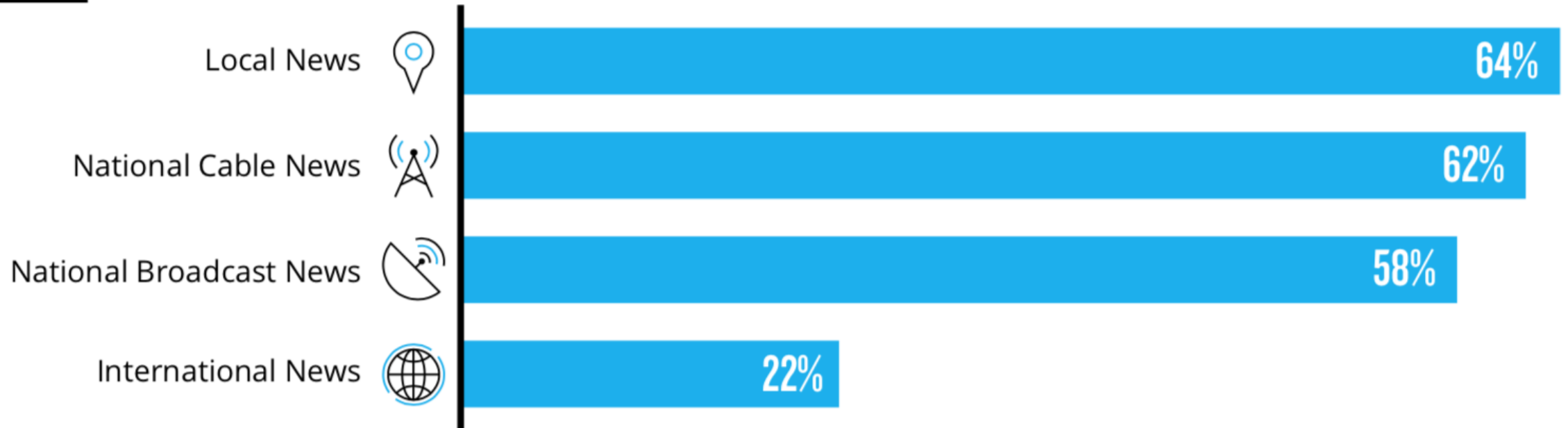
TYPES OF TV AND STREAMING CONTENT VIEWED WHILE WORKING FROM HOME



Base: Watch TV or stream content while working from home



NEWS CONTENT VIEWED WHILE WORKING FROM HOME



Base: Watch TV or stream news content while working from home

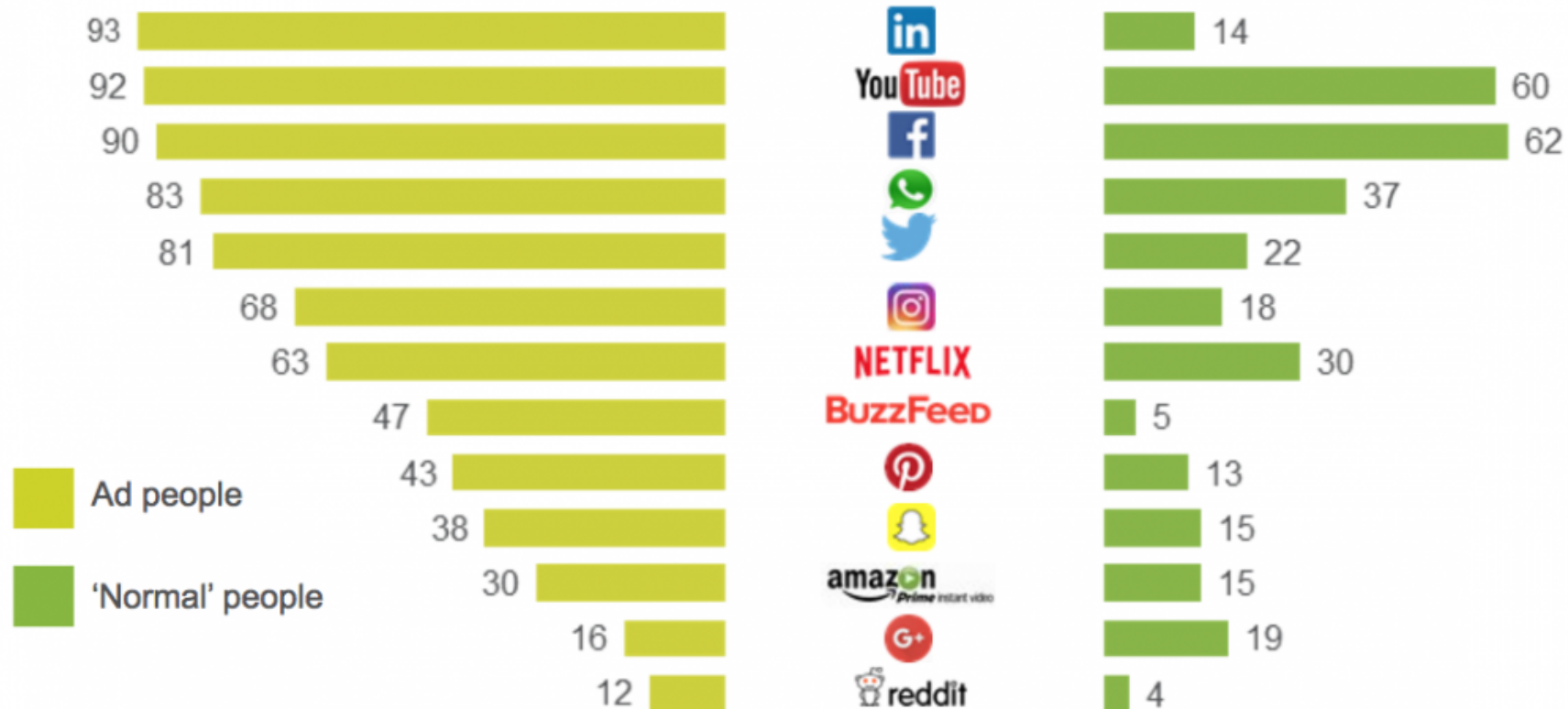


We Live in a Bubble

Ad people are social media & SVoD addicts

thinkbox

% claim to have used in last 3 months



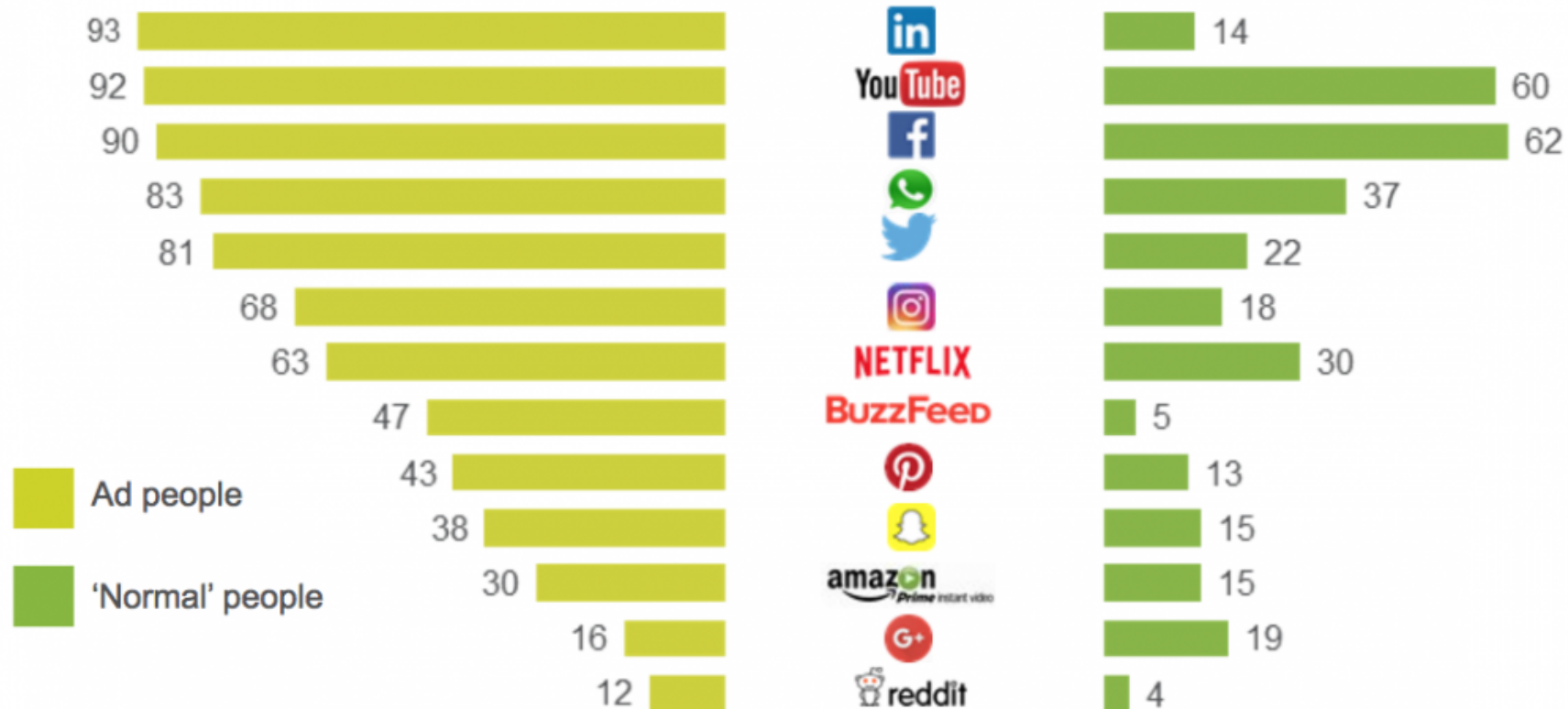
Source: TV/Ad Nation, 2016, Ipsos Connect/Thinkbox, adults 15+

Question: 'Which of the following websites, apps or services have you visited or used in the last 3 months?'

Ad people are social media & SVoD addicts

thinkbox

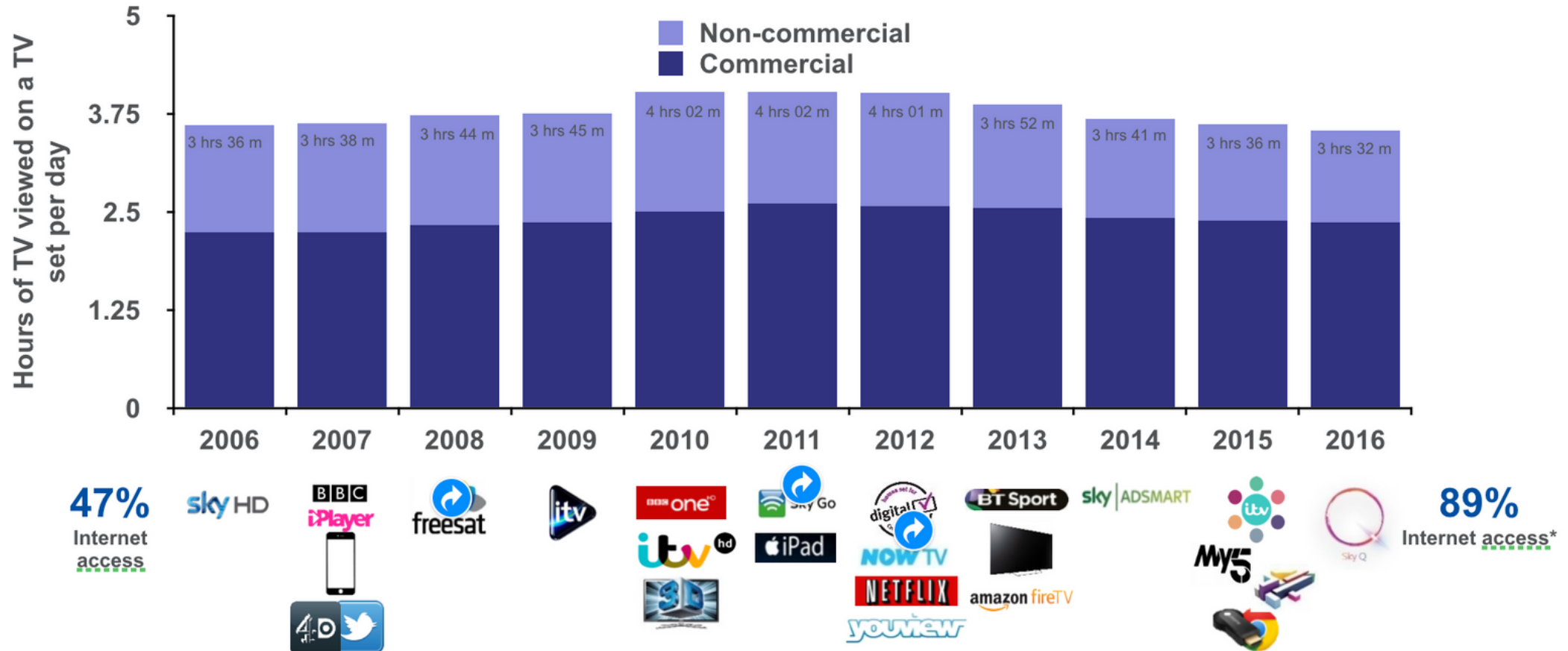
% claim to have used in last 3 months



Source: TV/Ad Nation, 2016, Ipsos Connect/Thinkbox, adults 15+

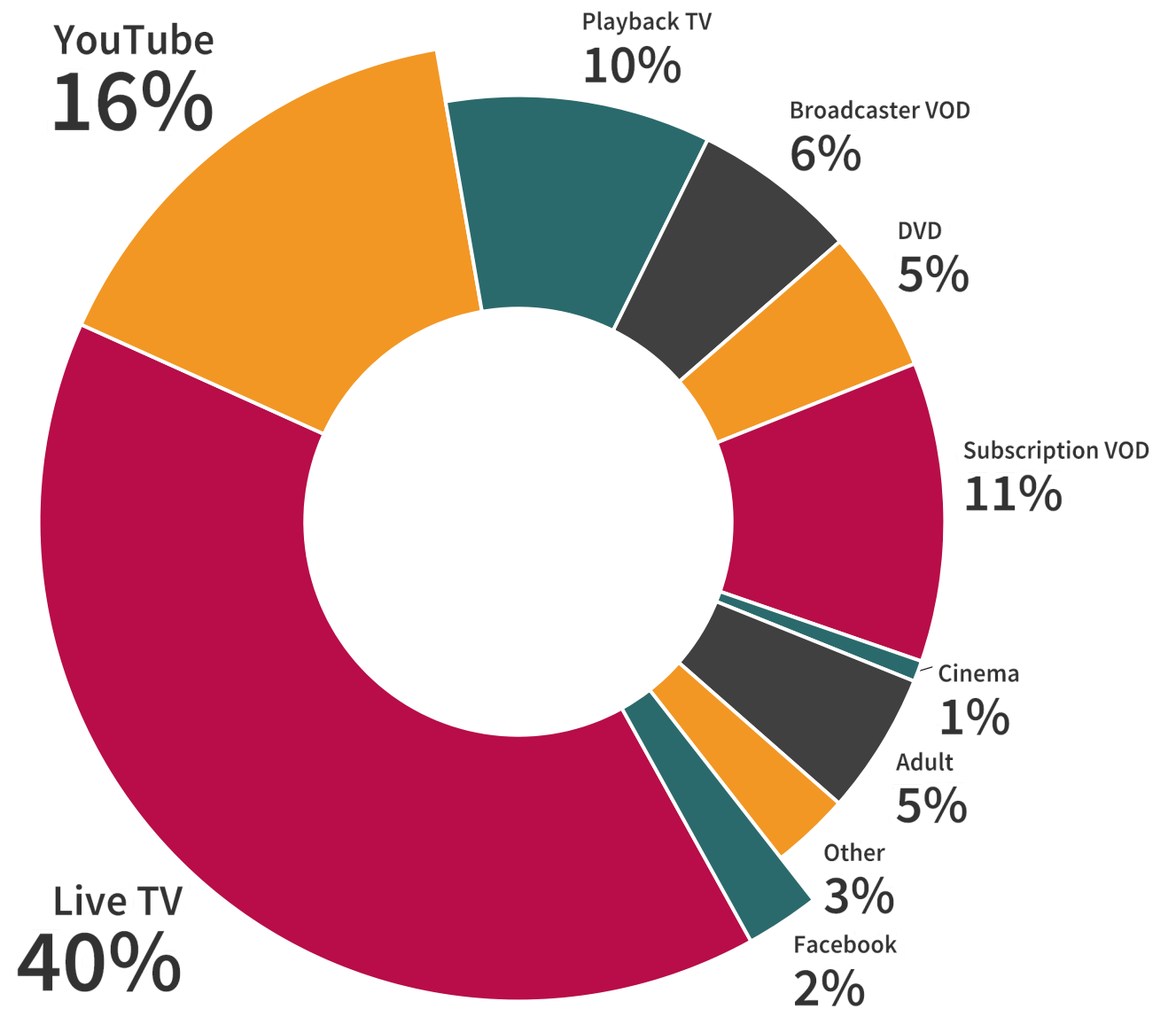
Question: 'Which of the following websites, apps or services have you visited or used in the last 3 months?'

TV Consumption Remains Level

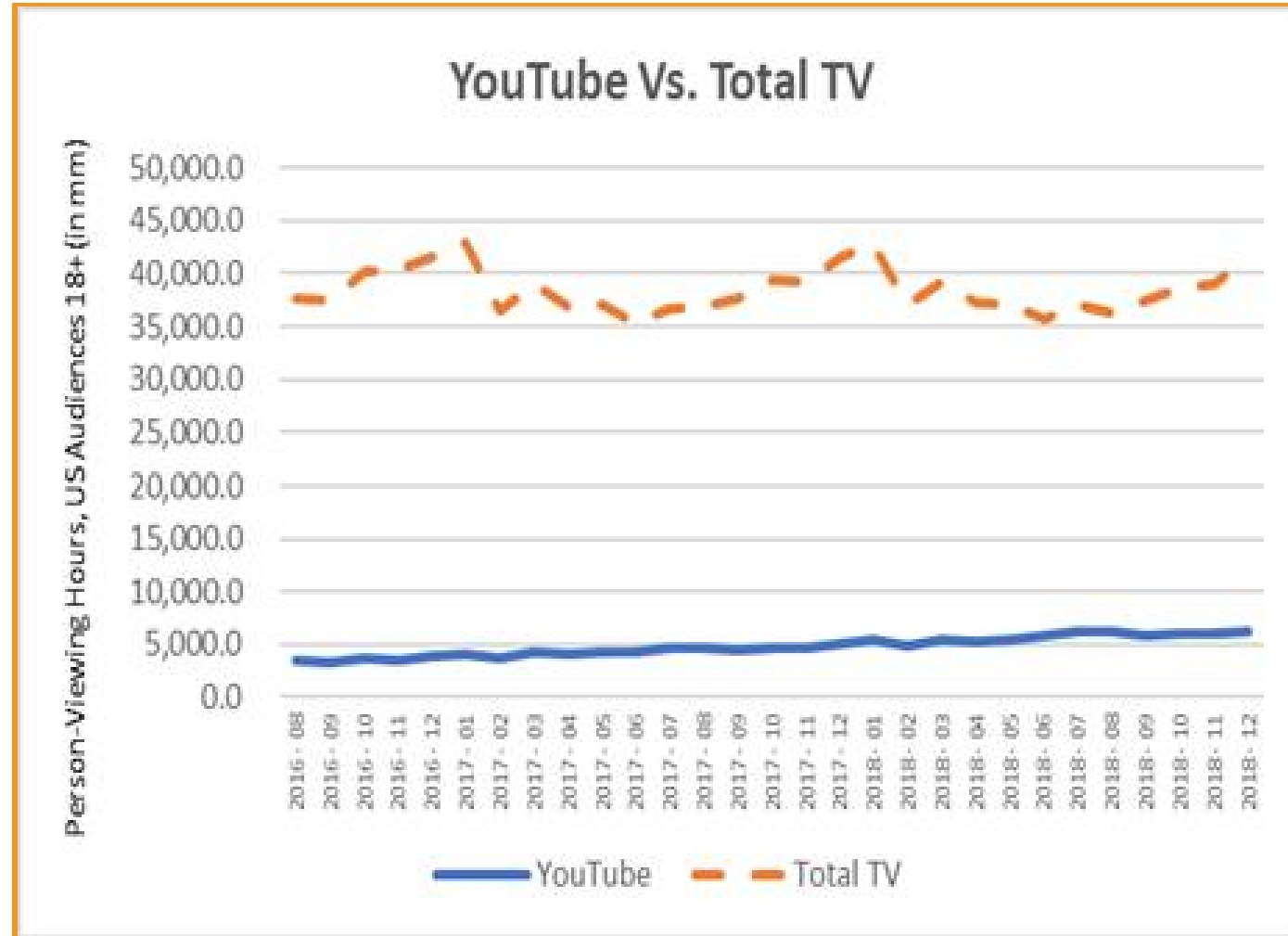


Source: BARB, 2006-2016, individuals. TV set viewing within 7 days of broadcast. *Ipsos Tech tracker Q1-4 2016

US Video Consumption



TV Viewing is 8X YouTube



No Longer Online-First

Old Navy will shift back to brand-building in a growing trend among advertisers

Adidas: We over-invested in digital advertising

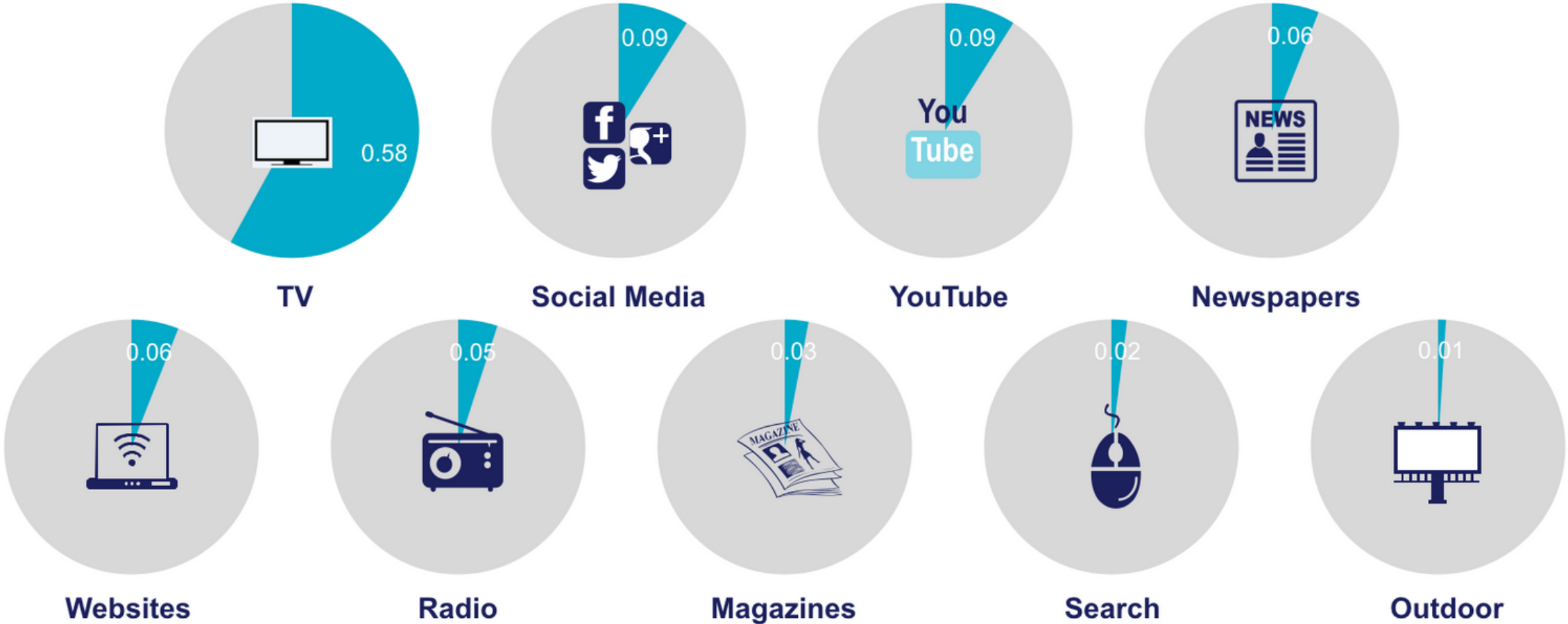
Turner CEO: Ad money is coming back to TV that was previously redirected to digital

Media where most likely to find advertising that makes you laugh



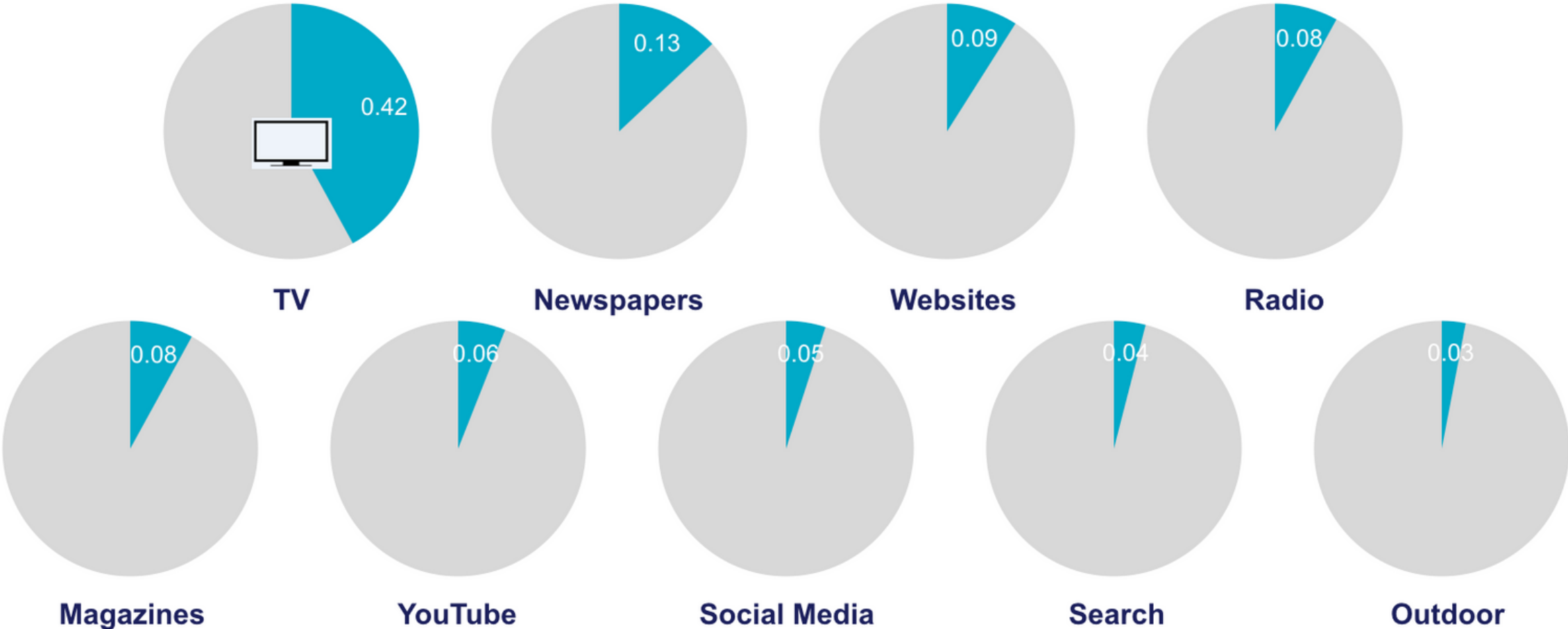
Source: TV/Ad Nation, 2016, Ipsos Connect/Thinkbox, adults 15+
Question: 'In which, if any, of the following places are you most likely to find advertising that...'

Media where most likely to find advertising that makes you feel emotional



Source: TV/Ad Nation, 2016, Ipsos Connect/Thinkbox, adults 15+
Question: 'In which, if any, of the following places are you most likely to find advertising that...'

Media where most likely to find advertising that you trust



Source: TV/Ad Nation, 2016, Ipsos Connect/Thinkbox, adults 15+
Question: 'In which, if any, of the following places are you most likely to find advertising that...'

Active vs. Passive Viewing

	TV	YouTube	Facebook
Active Viewing	58%	31%	4%
Passive Viewing	40%	37%	94%
NON-Viewing	2%	32%	2%

Screen Coverage

	Active Viewing	Screen Coverage
TV	58%	100%
YouTube	31%	30%
Facebook	4%	10%

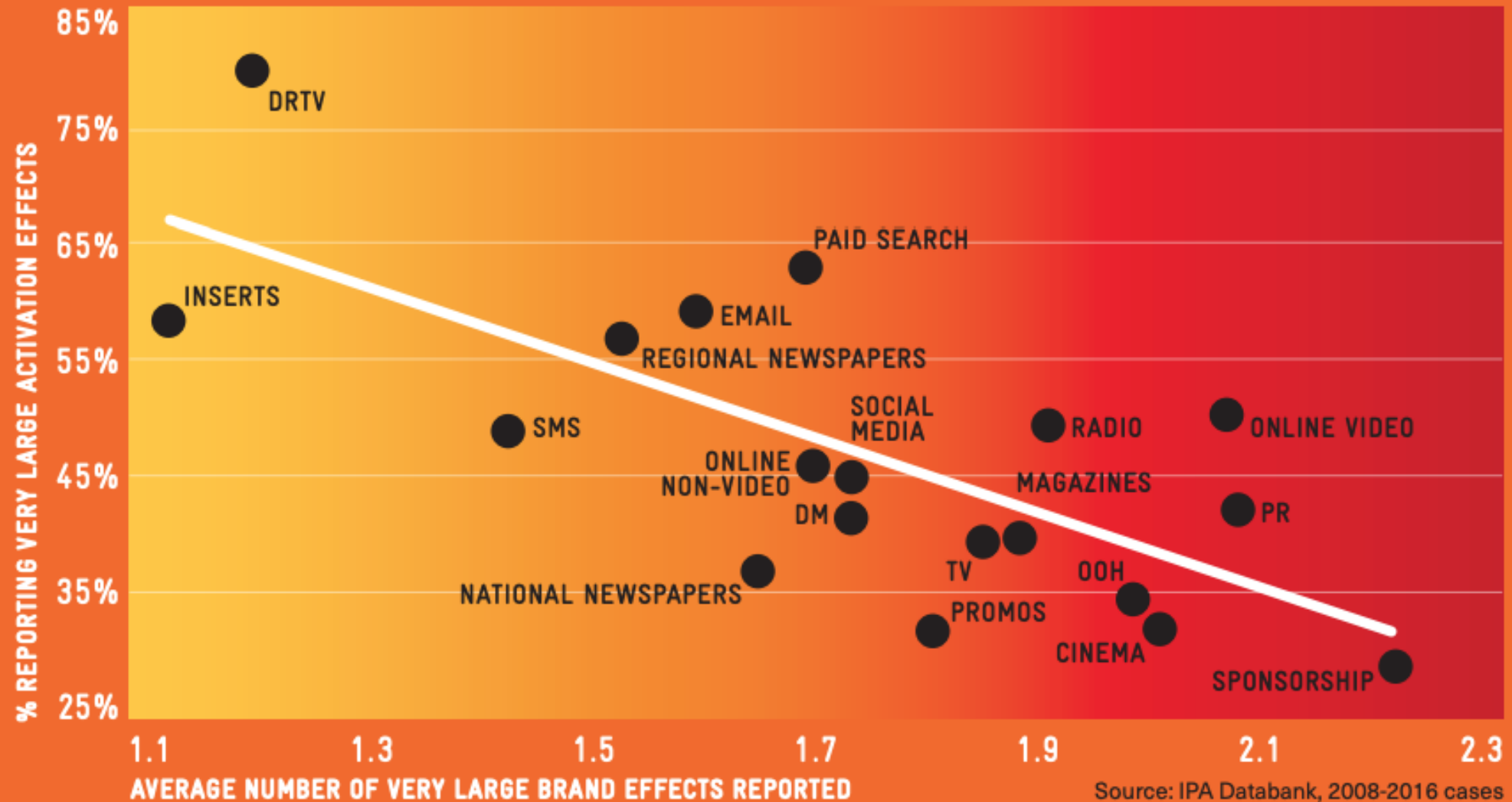
Product Choice

	STAS
TV	144
Facebook	118
YouTube	116

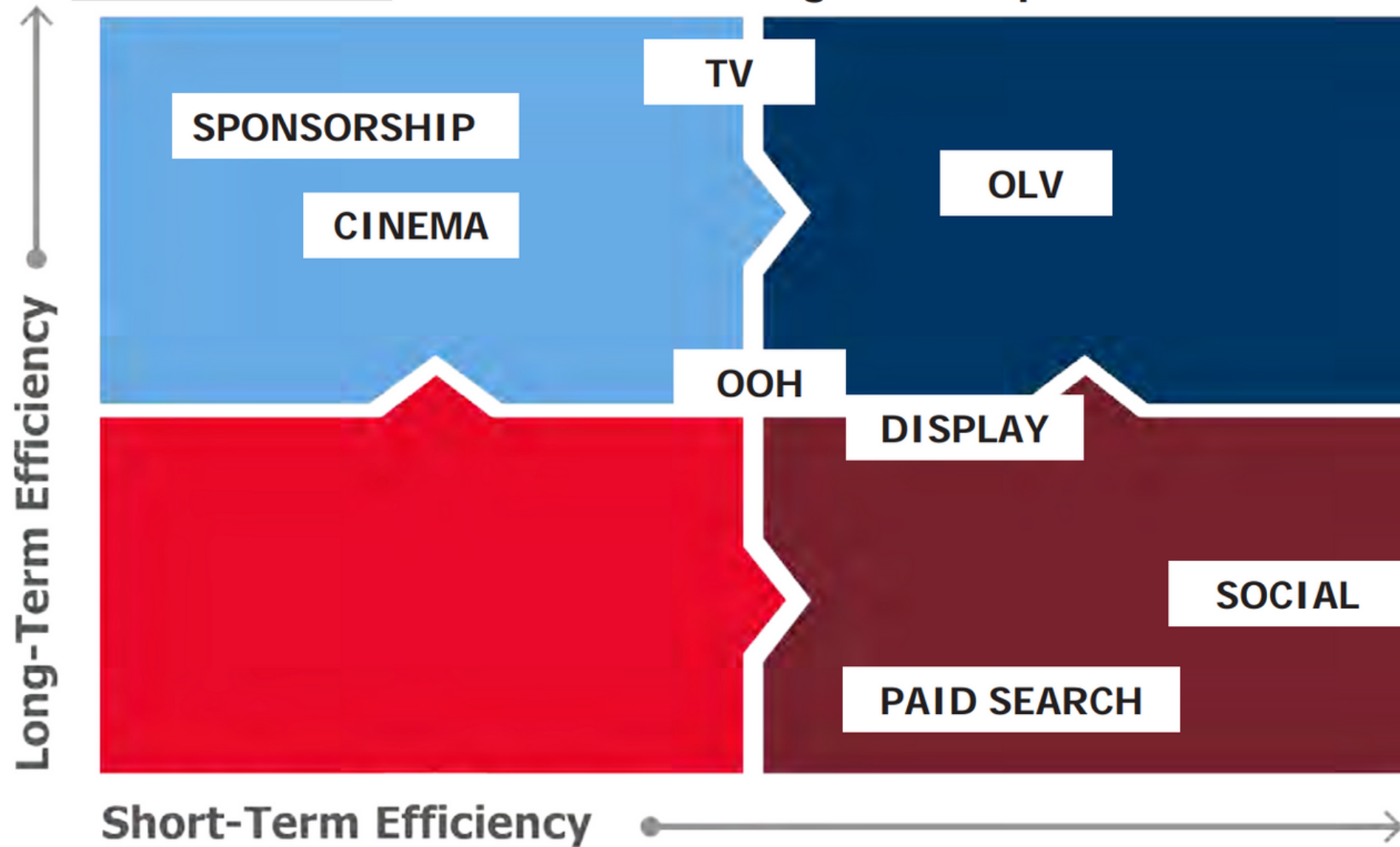
A vintage television set with a wooden frame and a black screen is the central focus. It is surrounded by shelves filled with VHS tapes and vinyl records. The tapes are labeled with brands like 'RECORDOMAX', 'VHS', and 'VOLTEX-R'. The records are stacked in rows, showing various album covers. The overall scene suggests a collection of multi-channel media.

The Benefits of a Multi-Channel Media Mix

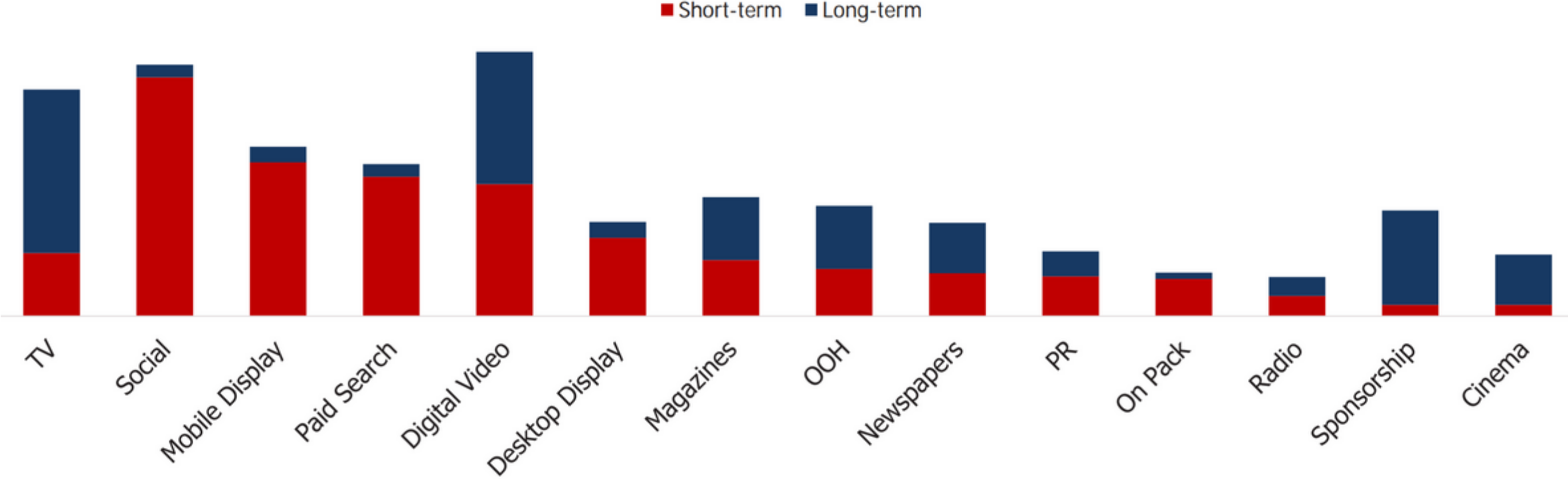
THE TRADE-OFF BETWEEN BRAND AND ACTIVATION EFFECTS ACROSS CHANNELS (FIGURE 27)



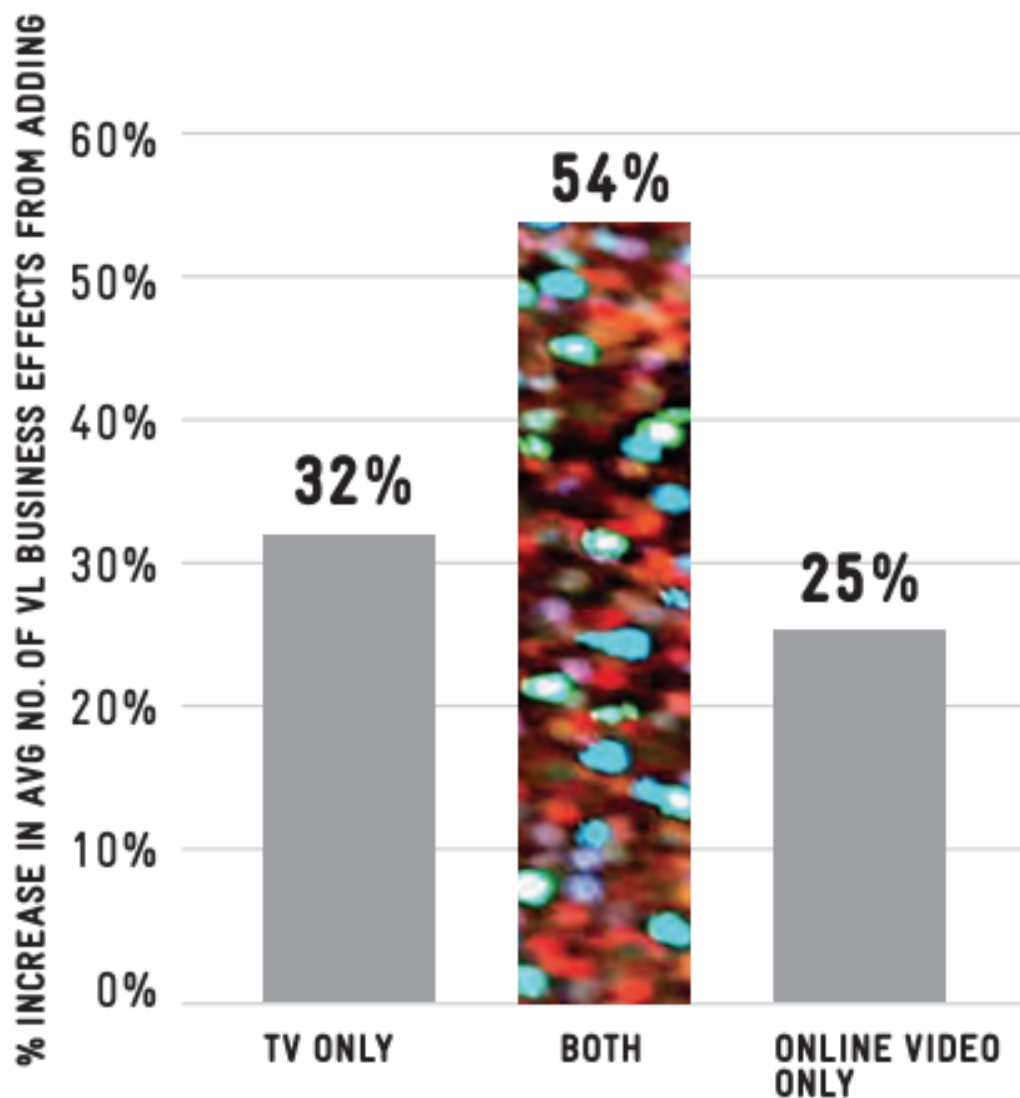
ROI Genome™: Short-term vs long-term impacts of different media



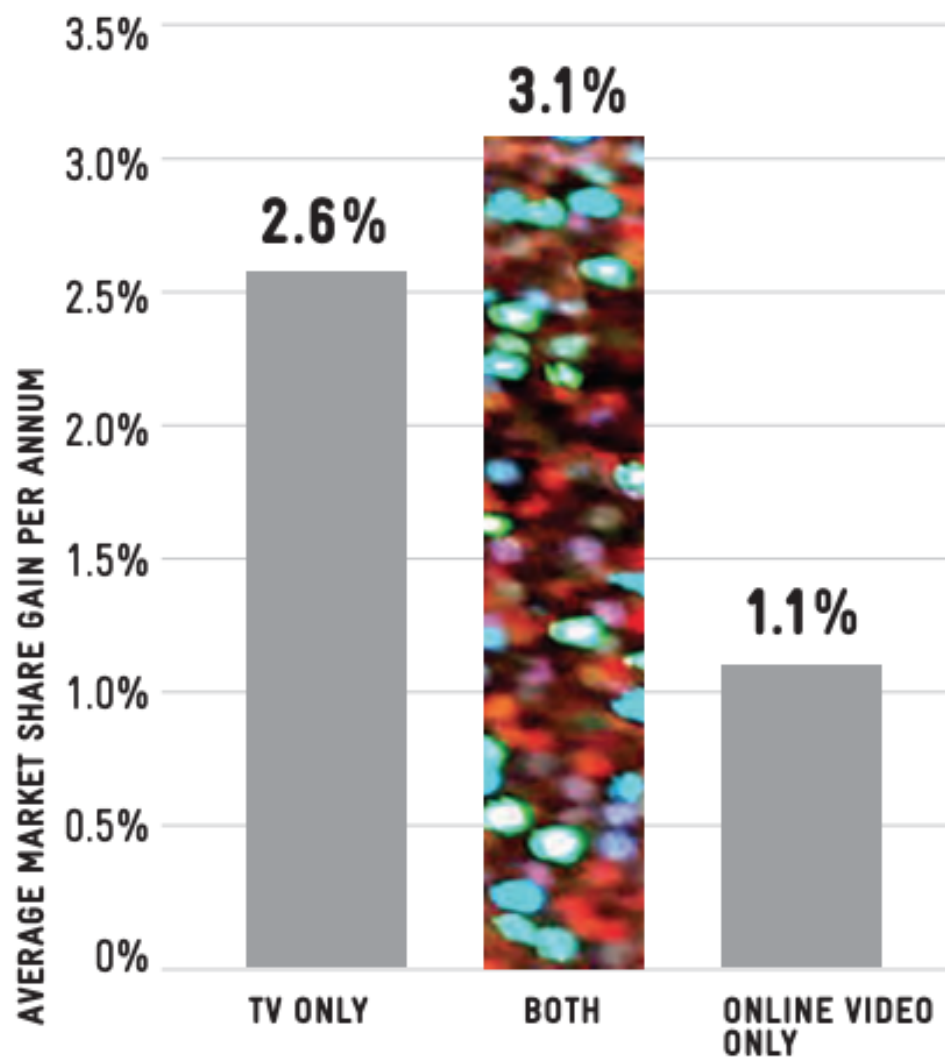
Average short-term ROI performance across channels benchmarked to TV - Australia



TV AND ONLINE VIDEO WORK IN SYNERGY (FIGURE 34)



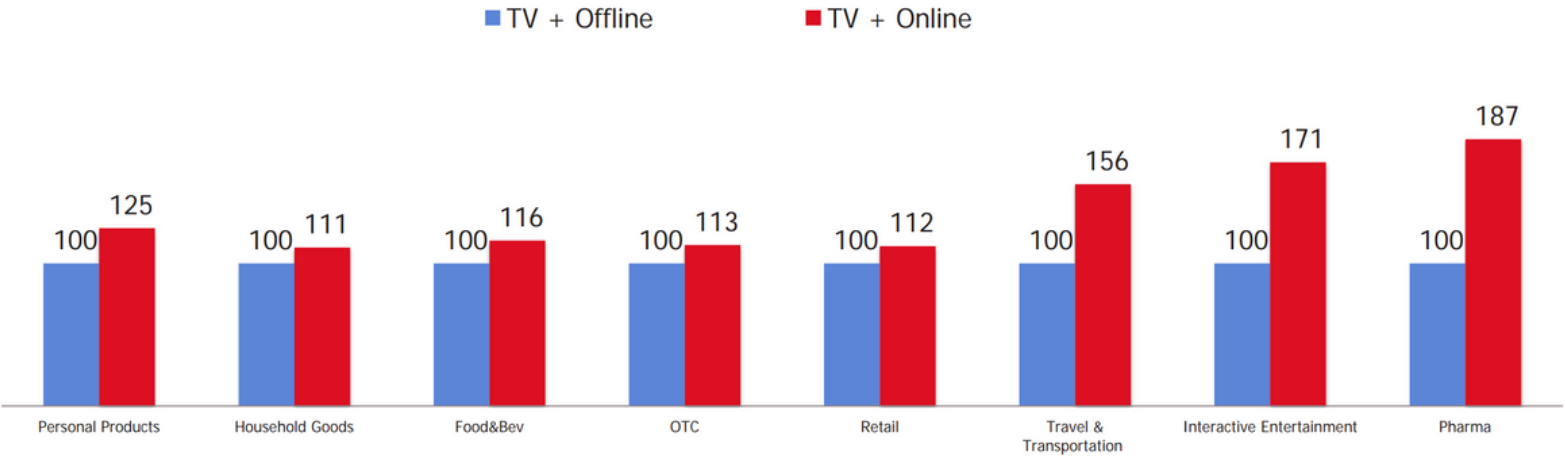
TV'S SCALE MAKES IT A HIGHLY EFFECTIVE VIDEO CHANNEL (FIGURE 35)



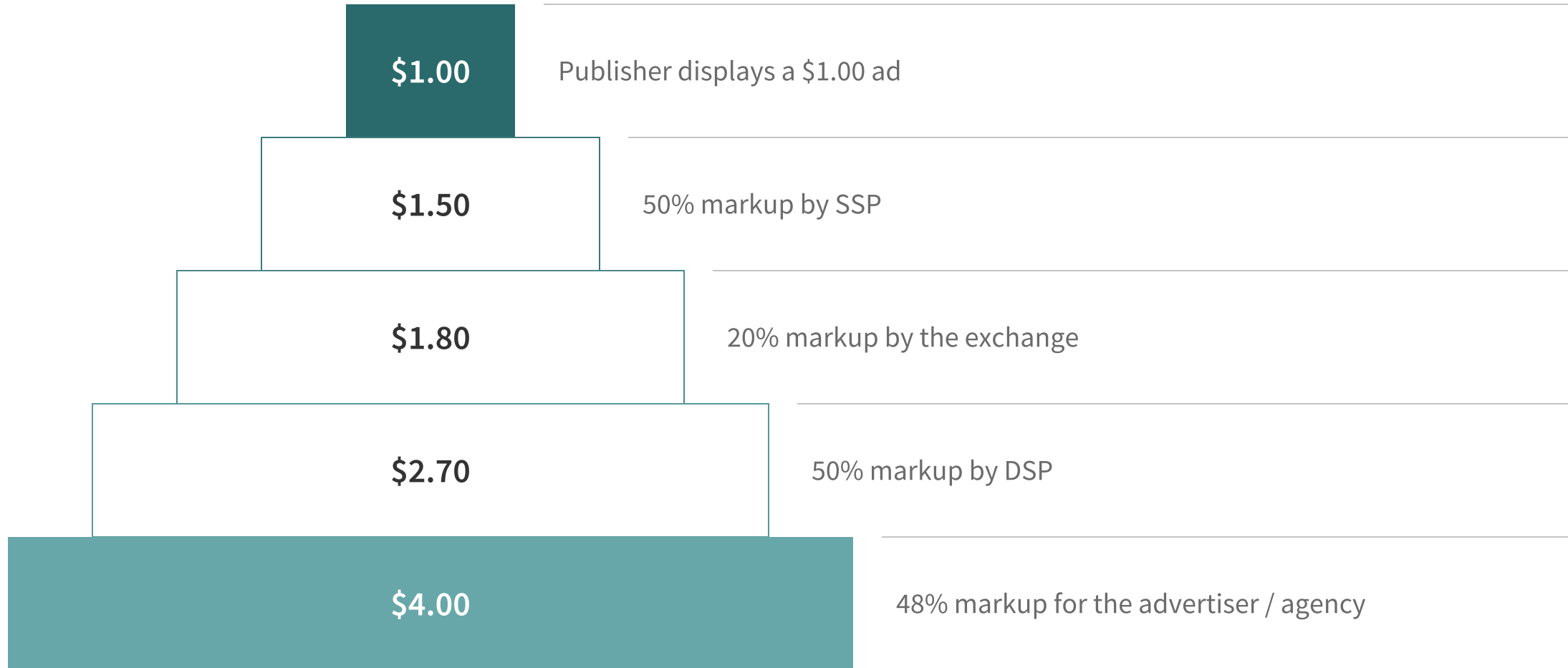
ROI Genome™: Single channel strategy vs combined



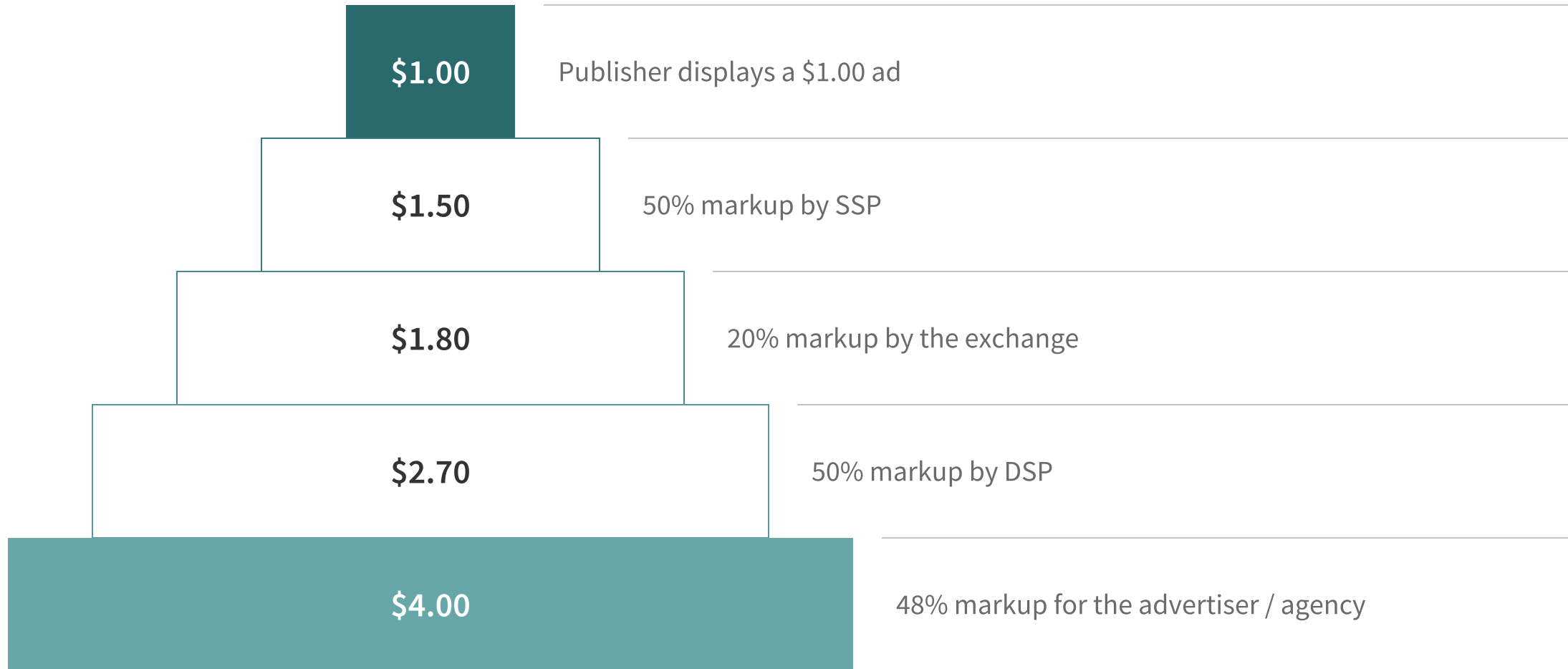
ROI Genome™: ROI strategy comparison by industry – indexed



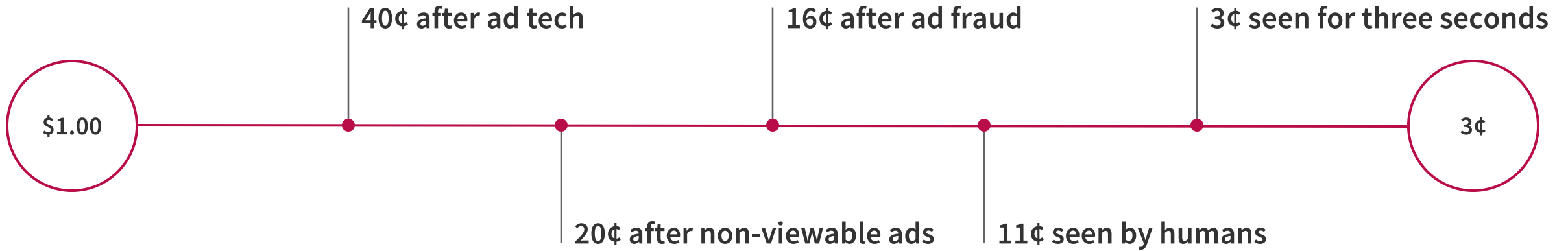
The Ad Tech Middlemen



The Ad Tech Middlemen



The Ad Fraud Middlemen



Where did the money go? Guardian buys its own ad inventory

04 Oct 2016 | [David Pidgeon](#) 



Hamish Nicklin



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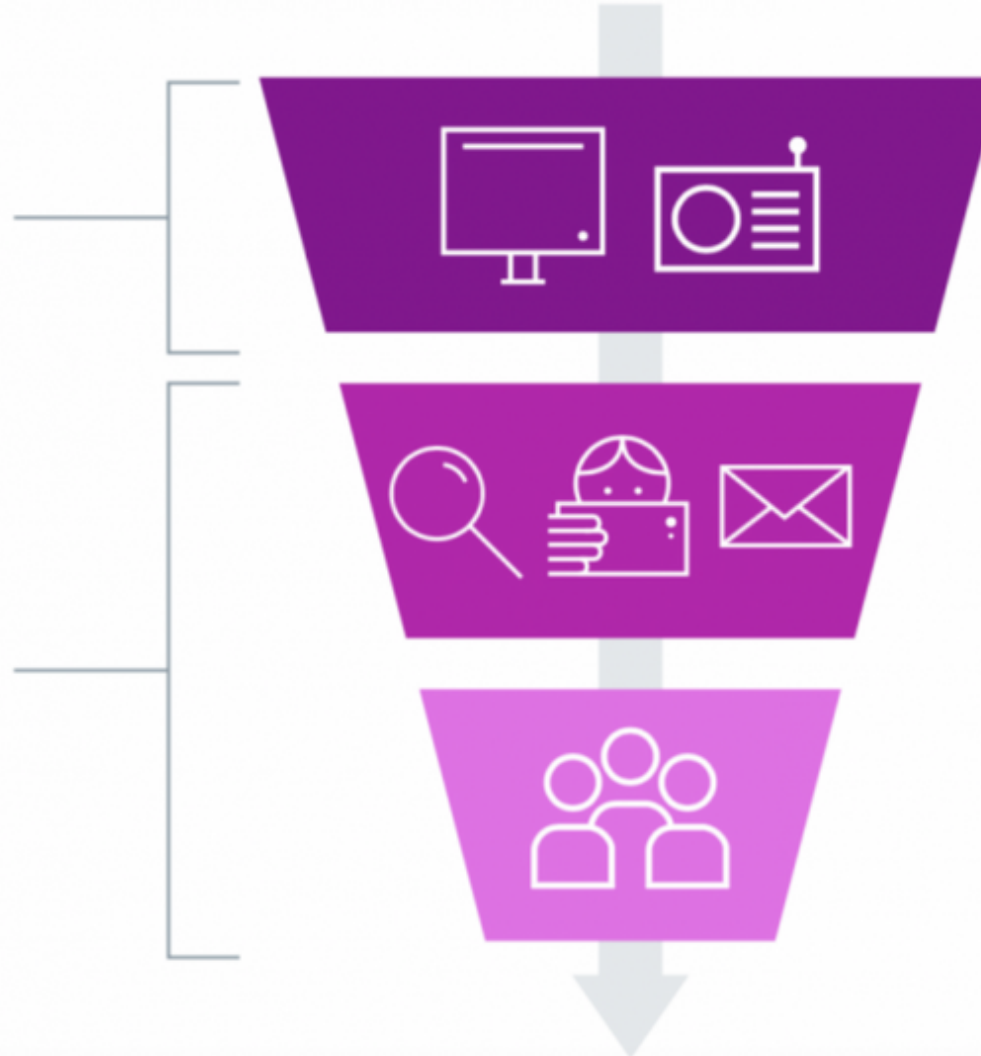
ALIGNING MEDIA WITH THE SALES FUNNEL

BRAND BUILDING

- Top-funnel strategies
- Favored traditional media (TV and radio)

CUSTOMER ACQUISITION


- Mid-to-low funnel strategies
- Favored digital media (Search, social and email)






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