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ADVERTISING DURING COVID-19

HARMELINMEDIA

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UNPRECEDENTED TIMES

These are unprecedented times. The COVID-19 pandemic is like nothing we have ever seen before: a crisis beyond our experience, with implications beyond anything we can predict. And while its impact on our lives is yet to be fully known, its impact on the economy, and advertising, is already being felt.

All forecasts point to a downturn in advertising in the coming months. In mid-March, the Myers Report predicted that the coronavirus could precipitate a $3 billion drop in advertising marketing budgets in 2020. Magna Global recently adjusted its 2020 advertising spend outlook down from its original projection of +6.6% growth in US ad sales to a -2.8% decline, citing an "unprecedented situation created by the Coronavirus outbreak and economic downturn." This includes a predicted 13% decline in national TV ad sales. Additionally, in a survey by the IAB of media professionals (conducted 3/18-24), buyers and brands reported a 41% decrease in March/April ad spending in linear TV and a 35% planned decrease in May/June, with planned cuts in terrestrial radio (45% March/April, 35% May/June) and traditional OOH (51% March/April, 41% May/June) even deeper. According to this same survey, 74% of buy-side decision-makers think Coronavirus will have greater impact on US ad spend than the 2008-09 financial crisis and nearly a quarter (24%) of respondents had paused all advertising spend for the rest of Q1 and Q2 (IAB).

These numbers sound drastic, however it really is hard to argue them. After all, COVID-19 and the resulting social distancing has forced entire industries to fundamentally alter the way they operate. Brick and mortar retail and restaurants have been forced to subsist on a delivery model, travel and tourism has been largely grounded by travel restrictions and closures, auto dealerships in many states are limited to service only, and arts/entertainment venues have been largely shuttered.

Advertising expenditure losses from the suspension of activity in sports alone have been huge. The NCAA tournament was cancelled, the NBA and NHL seasons are suspended (perhaps not to return this season), MLB is on hold, the Tokyo Olympics have been postponed to 2021, and who knows what lies ahead for 3Q and 4Q.

Again, these are unprecedented times and it is perfectly reasonable for brands to consider going dark for a while, or to pull back on ad spend until the outbreak subsides. But is that the right move? Will that provide short-term financial benefits but inflict longer-term damage to the brand? These are difficult questions, and ones all brands are facing right now.

For brands in some industries, pulling or drastically reducing advertising might be the only option. In the end, that is a choice each organization should make in consultation with their agency partners. Our purpose here is simply to give some historical insight, some food for thought as we all weigh these decisions. These are unprecedented times, and sometimes the best choice isn't the obvious one.

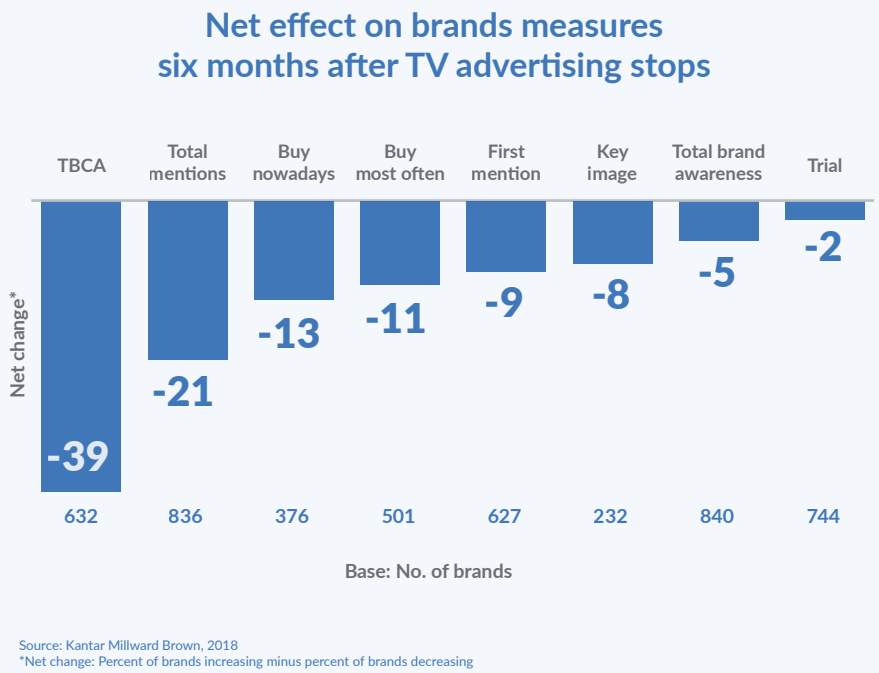
LEARNING FROM THE PAST

History teaches us that reducing or stopping advertising entirely during a recessionary period is not the most prudent step to take in response to an economic downturn. In fact, examples of companies that maintained or increased ad spend during hard times with great success span nearly a century, and include Kellogg's doubling its ad spend during the Great Depression to grow profits 30% and overtake Post as the category leader; Pizza Hut and Taco Bell taking advantage of McDonald's decision to decrease its advertising during the 1990-91 recession to grow their sales 61% and 40% respectively; and Procter & Gamble increasing TV spend on its market leading Bounty brand at the height of the 2008 recession, leading to a gain of two percentage points in market share. These experiences have caused many a marketer to thoughtfully consider this adage:

> ***"When times are good you should advertise, when times are bad you MUST advertise."***

Numerous sources have cited general or anecdotal benefits to continue advertising during recessionary periods which include:

- Advertising is often more affordable or cost-effective during economic downturns
- There is less competition for consumers' attention, allowing active brands to garner a larger share of voice
- Maintaining a consistent message projects long-term stability for a brand

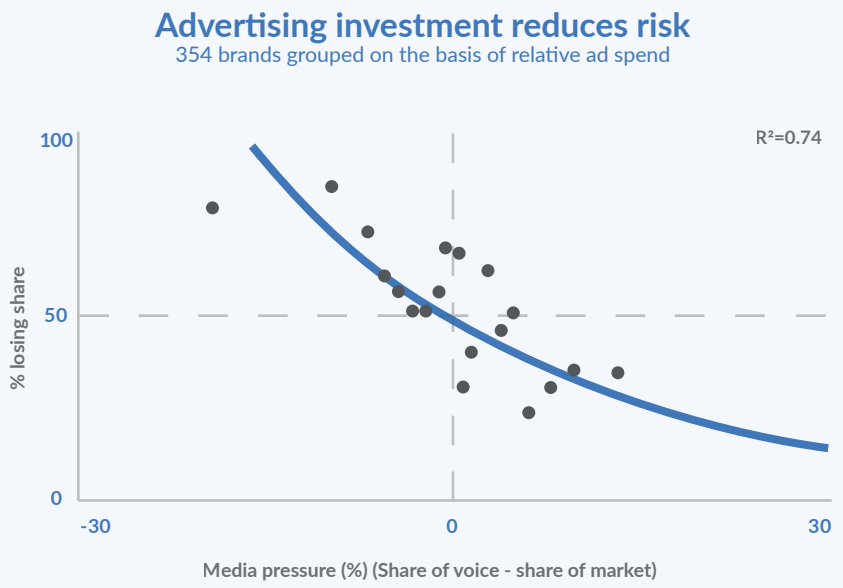


Source: Kantar Millward Brown, 2018
*Net change: Percent of brands increasing minus percent of brands decreasing

In addition to those anecdotal concepts, there is also hard research to support the position that a continuation of advertising during a recessionary period provides tangible benefits to brands.

In a July 2018 analysis Kantar Millward Brown found that cutting advertising or 'going dark' resulted in measurable decreases in several brand performance measures after only six months.

Total Brand Communication Awareness ('TBCA') experienced the largest drop, but other key performance metrics including purchase-based actions 'buy most often' and 'trial' also suffered decreases.

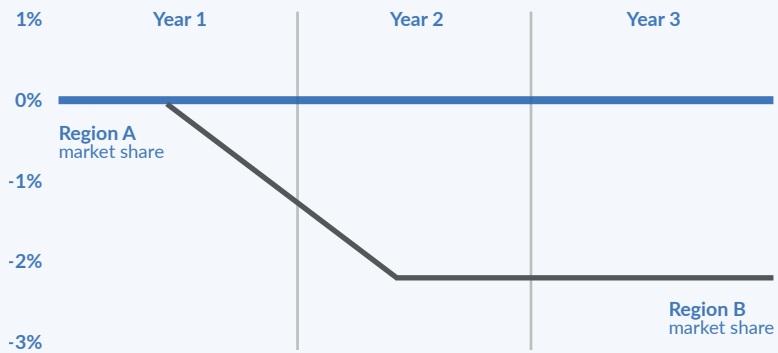


Source: Peter Field, "Marketing in a downturn", Market Leader, 2008

Eliminating advertising for longer periods of time can result in even greater damage to a brand and the loss of market share.

An analysis by Peter Field in 2008 titled "Marketing in a downturn: lessons from the past" concluded that reducing a brand's share of voice (its proportion of ad spend within its category) often results in an associated decline in its overall market share. Therefore, if a brand cuts its advertising budget relative to its competitors, it is at a higher risk of losing market share.

Market share suffers despite resuming advertising



Source: Kantar Millward Brown, 2011

And perhaps most concerning for marketers considering cuts or the complete suspension of ad budgets, research from both the Advertising Research Foundation (ARF) and Millward Brown shows it is much more challenging and costly to regain brand equity and market share lost as a result of cutting advertising than it is to maintain them with even a modest investment.

This chart provides an example based on data analyzed by Millward Brown. A brand went off air in one region (Region B) while it continued advertising other areas including Region A. Within a year, market share had dropped two percent in Region B while it held steady in Region A. More importantly, even when advertising resumed in the dark region (B), the share in that region continued to lag the other market area (Region A) for two subsequent years.

CONSUMER EXPECTATION

If this research doesn't convince advertisers to reconsider a pause or a decrease in advertising during hard times, there is also evidence during this particular crisis that consumers want and expect brands to continue their communication – albeit with a slightly different messaging and tone.

Research conducted by the 4As in March shows that 43% of consumers find it reassuring to hear from brands they know and trust during today's unsettling time and 40% want to hear how brands are responding to the COVID-19 outbreak. Likewise, a study of consumer sentiment in March by IPSOS revealed that 61% of people surveyed were open and receptive to advertising in today's climate. According to the 4As Research, only 15% of consumers said they did not want to hear from brands at this time. That figure that was considerably lower in another recent study conducted by Kantar which found that only 8% of consumers wanted brands to stop advertising during the current COVID-19 outbreak.

However, both the Kantar and 4As surveys indicate that consumers' expectations of brands' messaging and actions have changed, and that messaging should acknowledge the current unsettling environment. For example, according to Kantar's findings more than three-quarters (77 percent) of people say they would like to see brands talk about how they're helpful in the new everyday life. And the 4As report found that more than half (56 percent) of respondents are pleased to hear about brands taking actions to help communities like making donations of goods and services. These feelings were especially prevalent among younger generations – Millennials and Gen Z. Overall, people expect brands to take a more authentic and comforting approach, offering a reassuring tone in their communications. They also want to know that companies are working to maintain the health and welfare of their employees, as well as their customers.

The Edelman Trust Barometer (detailed on the right) outlines four things brands can do (and communicate) to earn trust during a pandemic. Similarly, in the March study conducted by IPSOS, consumers expressed the desire for advertiser messaging to provide them with one or more of the following:

- Affirmation of active, positive contribution
- A feeling of normalcy
- Timely, truthful information
- Optimism and joy

Edelman Trust Barometer

1. Show up and do your part
Brands have a vital role to play. Now is not the time to disappear, but to show up and use all your resources and creativity to make a difference.

2. Don't act alone
There is strength in collaboration. To truly help people during this crisis requires a joining of forces with others, most critically goverment.

3. Solve, don't sell
Brands should focus all efforts on finding appropriate and meaningful solutions to the problems people are facing today.

4. Communicate with emotion, compassion and facts
People are reassured by positive brand actions and commitments. Communicate with empathy to help both inform and calm.

A recent Kantar study did find, however, that 75% of Kantar survey respondents said that exploiting the crisis to promote a brand would be wrong, further underscoring the need for brands to be thoughtful and deliberate in messaging.

ADVERTISING OPTIONS

For the advertisers that can and do decide to continue their marketing/advertising campaigns through the COVID-19 crisis there is one last potential benefit – an abundance of media channel choices, each seeing an increase in overall usage over the last several weeks.

In its global study, Kantar found that as the pandemic spreads, increases can be seen across all in-home platforms with web browsing increasing 70%, traditional TV viewing rising 63%, and social engagement gaining by 61%. Nielsen Media Research has observed and reported similar increases using its data for TV and radio within the US.

These are unprecedented times, and, in the end, every organization must do what they think is right for their brand.

If and when a marketer makes the thoughtful decision to be active with advertising during COVID-19, it is extremely important that they are equally thoughtful and deliberate with their messaging during this crisis. Regardless of the decision, it's comforting at least to remember that we're all in this together.

For more information and insights on the impact of COVID-19 on advertising, including usage trends for key media channels during the pandemic, please visit www.harmelin.com/media-and-covid-19.

ABOUT HARMELIN MEDIA

Harmelin Media specializes in strategic media solutions, and has more than 37 years of experience helping clients navigate a rapidly changing media landscape across digital, traditional and lifestyle forms. The firm has grown with a diverse client roster including many Fortune 500 companies across a diverse array of industries, and is now one of the largest independent media service firms in the United States.

Harmelin's expertise is in managing the massive data sets that our clients and campaigns generate to develop strategic, channel-agnostic recommendations that generate business results and positive return on investment. We accomplish this while maintaining a long-term business focus, providing superior customer service and operating with 100% transparency in our operations. Our approach has resulted in unprecedented retention rates with both employees and clients.

Harmelin's current media billings exceed $800 million, across all digital and traditional channels on a local, national and international basis. We are a Google Premier Partner, Facebook Marketing Preferred Partner and proud member of the ANA.

For more information, please contact info@harmelin.com or visit www.harmelin.com.