



KEEP CALM & CARRY ON MARKETING

**A checklist for reviewing your marketing investments
during the COVID-19 crisis**

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"...an important leadership calling is being able to make good decisions about marketing during the recovery from a crisis.""

During the COVID-19 crisis, every business in Australia will be asking two questions: "*Should I keep spending money on marketing?*" and, if so, "*should I be doing something different?*"

If you don't have time to read on then the short answers are: "*Yes - if you can afford to*", and "*Yes - probably.*"

As your marketing investment is simultaneously a revenue lever and a cost, marketing has a leveraged impact on your bottom line. Done badly, it will be nothing more than a cash drain at the worst possible time. But done well, it can unlock revenue now and into the future.

How can we look at marketing investments to take a view on what to do now?

As an expense, marketing is easy to track, and that's what makes it notoriously easy to cut. As a revenue lever, it can be harder to understand for most businesses.

However, one well-established fact is that the businesses that manage to sustain investments in marketing through a recession tend to end up on top in the wash-up and return to growth.

So to give you some starting points for thinking about where to go with your marketing plans at this time of change, here are a few things to consider.

FIRST THINGS FIRST: SLOW DOWN TO SPEED UP

“nothing will make a client fail faster than good marketing”

A famous advertising adage amongst marketing service providers is: *“nothing will make a client fail faster than good marketing.”* As you face the COVID-19 crisis, you do need to make sure your team is not spending on marketing until you're confident that the basics of your business are under control.

Marketing should not be your priority until you have:

1. Ensured the safety of your staff and customers
2. Established a clear cash flow runway
3. Ensured your supply chain is under control

In the current COVID-19 crisis one of the common marketing missteps is sustaining spending on marketing against non-existent supply chains.

At the risk of stating the obvious, if there's no product to sell, it doesn't make sense to promote it.

If you watch TV tonight, notice the number of ads for categories that will have no current relevance or consumer interest. For example, as recently as last week there were still travel ads for overseas destinations.

Before you think this couldn't possibly apply to your business, you may want to ask your agency (if you have one) if they have any Adwords or digital campaigns scheduled against products and services you can't possibly deliver right now.

You may be surprised to find spend being wasted.

With that important caveat out of the way, let's look at marketing investment decisions as a key part of your leadership challenge in these difficult times.

MARKETING: A COST TO KILL OR REVENUE LEVER TO PULL?

If you have read this far, I'm sure you'll agree marketing investment is a revenue lever, not just an expense. As such, it deserves some caution before cutting back too wildly because you could be damaging your own long-term interests.

Your main aim is really to identify the marketing mix that gives you the greatest Return on Investment (ROI) for the money you spend. And that also needs to take into consideration your cash flow, access to capital, and any appetite for growth and risk.

Whatever anyone says, there are always ways to improve the returns on your investments in marketing. Some are painful, others easy. One of the positive outcomes of a crisis such as COVID-19 is the way it will force companies to review investment levels and expected return mechanisms.

COST REDUCTION IF NEEDED:

If you need to cut marketing urgently, you can reduce your fixed and agency costs – unattractive though these options are.

But just as importantly, you can often:

- Swap your investments in activities to find efficiencies
- Change the nature of investments. For instance, from communication towards distribution
- Change the immediacy of expected return from longer term to shorter term
- Phase activities more carefully through the year
- Claw back uncommitted media and agency funds

And on the revenue side, you can increase your ROI by systematically testing and improving conversion rates and cost per conversion.

In a moment, I will give you some practical tips – but first, a reassuring fact for context: *marketing overall will remain stable.*

GOOD NEWS: THE LAWS OF MARKETING WILL NOT CHANGE

Good marketing is good business - at its heart it is simply the act of appealing to people and encouraging them to buy something from you rather than your competitor. And no matter what happens in this crisis and recovery, the basic operations of marketing will not change.

"people are the same as they always have been - we just have different toys"

This is very important to understand because there is a lot of commentary about how the current crisis will change *everything*. While, clearly, there will be some changes to industries, the fundamentals of marketing are based on human behaviour and will remain stable.

What will stay the same in marketing?

- Brands will grow in strength in line with market share and sales
- Customers will buy from companies who offer what they want, when and where they want it
- Emotional appeal will be critical
- New news and innovation will attract attention

- Pricing will be relative
- Your best customer will buy more of their total category needs from all your competitors combined than they do from you
- The list goes on...

Whether it is a V-shaped, U-shaped or an L-shaped recovery ahead of us, all these rules will hold - as they always have.

How do we know? Well, modern marketing is not that modern. In fact, one of the great early texts in marketing, *Scientific Advertising*, was written by Claude Hopkins before the great depression, back in 1920. The advice it contains was the basis of an early marketing agency in the USA that thrived - along with its clients - all the way through the great depression. Frankly, the advice the book contains is as good today as it was back then.

For something more modern on why these marketing laws are so robust (to the point where they really can be called "laws", check out Byron Sharp's book *"How Brands Grow"*.

Bottom line is, people are the same as they always have been - we just have different toys. Marketing is a remarkably stable art.

And while this is clearly a crisis moment in economic terms and there are some sectors that will take years, or decades, to recover, the chances are, this is probably NOT the case for you.

LONG LIVE MARKETING!

Any time of crisis – and clearly we are in one – is a time for leadership. And marketing is an act of leadership. By definition, marketing is externally oriented; it's all about understanding your customers and their needs.

And because I assume your customer is your only source of revenue, you'll agree there can be few more important leadership imperatives in this COVID-19 crisis than being able to make good decisions about marketing (once safety is taken care of).

In the short term, the key is maintaining relevance by understanding customer needs.

THE POWER OF RELEVANCE

Good marketing can help you frame your product or service in a way that maintains relevance – even during a crisis. This is the power of finding the magic “market fit” – and although there is no doubt this is harder in crisis, it is also where your marketing can deliver its strongest outcomes.

You'd be surprised how many businesses are able to reframe products and services to appeal to customers even in this highly unusual environment. For instance, a B2B client selling a new insurance product was able to generate leads from 5 of the top 10 industry players through a rapid LinkedIn campaign by simply reframing the product as a solution to specific COVID-19 problems.

We all know the axe tends to fall easily on marketing budgets.

But the main argument for holding up your marketing expenditure and efforts may be the simplest one – share of voice (SOV).

THE BIGGEST ARGUMENT TO MAINTAIN SPEND: SHARE OF VOICE

"firms that sustain marketing through a downturn tend to increase share of voice as competitors drop their spend"

To a business with access to capital, and a longer-term view, now may be your chance to carefully nurture your activities to grow sales share through the dip and through to the sunlit uplands on the other side of this COVID-19 crisis.

History has shown time and time again firms that sustain marketing through a downturn tend to increase share of voice as competitors drop their spend to preserve cash. And that share, in turn, leads to an improvement in your competitive position.

Share gains and sales are remarkably robust and we know from research that the larger your relative market share, the stronger your brand will be in the minds of your market.

In the short term, the key is to be relevant.

Right now, that means something different for every sector.

Some sectors (such as finance and health) can easily communicate with relevance and clarity about COVID-19. Others (such as restaurants and dentists) may have to work harder to find the best ways to stay relevant.

Obviously the name of the game is to be helpful. If you are tone-deaf to the tragedy unfolding around the world, or you are selling or promoting a brand with no possible relevance, then you may be better considering other options.

But if you do nothing while your competitor keeps plugging away, you face a risk of eroding the long-term value of your business.

CHECK BACK WITH YOUR STRATEGY

Great marketing is great strategy. So it will never be a bad idea to begin with the end in mind. Before you assess your marketing in detail, are you still heading in the right direction?

Ideally, your marketing strategy would probably not change too much through this crisis. Why should it? The laws of marketing will be stable and consumer needs - by and large - will be the same through the crisis and afterwards.

However, common sense says there will be some pockets of industry that will find their strategies unsuited to the short and medium term impacts of COVID-19. People who market group-based activities, for instance.

Some big-picture points to check:

- Is your value proposition still relevant (for whom do you offer what ultimate benefit?)
- Do your customers still need and want what you offer?
- Has your market fundamentally shifted? (Right now, people want more bikes but not as much party catering)
- Is your market segmentation still valid? And are you targeting the same people?
- Are there any constraints on your marketing in Price, Distribution and Supply?
- Are there any speed bumps on the way? For instance, are currency impacts driving price changes?

Clearly, if your big-picture strategy depends on distribution through a closed channel (such as building a prestige vodka brand through the high-end bar channel) - or some other catastrophic change - then you need to come to terms with that sooner rather than later.

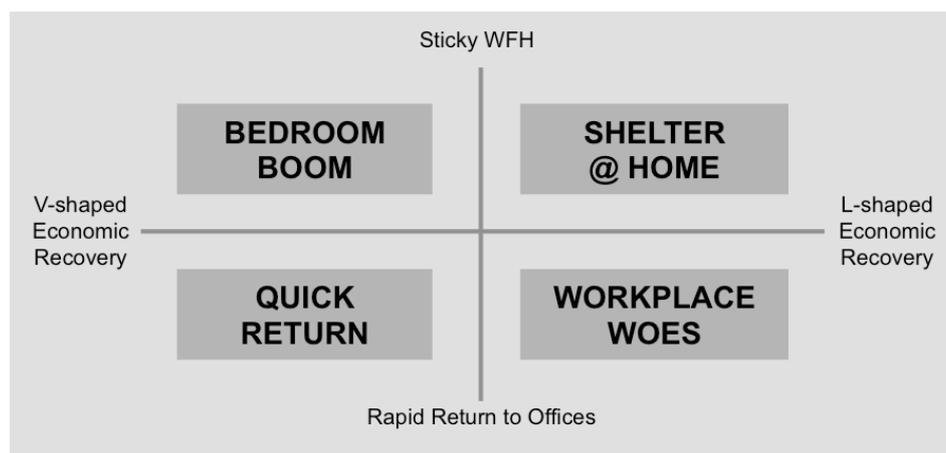
If you need a quick reference on what good strategy looks like, one of the best simple tools is the Strategy Kernel concept from *Good Strategy, Bad Strategy* by Rummeldt. The way Rummeldt thinks about strategy is simple and translates strongly into marketing decision making.

SIMPLE SCENARIOS CAN HELP

Unsure if you're working with the right strategy? Then it's worth considering how well your strategy holds up against some possible COVID-19 recovery scenarios.

A simple scenario planning exercise can be very helpful to give your strategy model a test in the "wind tunnel" of some alternative futures.

To do this quickly you can use simple 2x2 grid mapping scenarios created by important elements of a recovery for your business. For instance, for a business relying on office sales, you could look at scenarios involving a) V-shaped vs. L-shaped economic recovery, and b) "sticky" working from home behaviours vs. a rapid return to working from offices.



ABOVE: Example only - Simple scenarios for an office coffee service

You can name the scenarios in each quadrant to make it easy to think about the implications.

As a simple scenario planning exercise you can look at your marketing strategy and how well it holds up in each of these scenarios. Would anything need to change?

The important thing about checking in on your strategic approach in this way is not to predict the future but to help you ask good questions and think through your approach.

Let's assume your strategy is looking robust. What about your tactics?

Good question, but before we can think about tactics, you'll first need to consider your budget.

HOW MUCH SHOULD I SPEND?

There's no point setting off on any marketing plan without considering how much you can afford to spend. Fortunately there are a couple of simple ways to look at this question, and they are as relevant during the COVID-19 crisis as they have always been.

The job of marketing is to get you more customers and more sales - nothing less. But how it does that, and over what timeframe, will vary. You have an infinite number of options to consider - from innovation, branding awareness, distribution, through to direct response and promotions. Which means, there is no such thing as a "right" budget for your marketing.

The "right" budget is the budget that gets you the sales - in the short and long term. (And that you can afford given your access to capital and time.)

Yet many companies - even in crisis - are still using a percentage of sales

or (even worse) a "what we spent last year (plus or minus)" approach. This is a huge mistake, especially now.

The answer to how much should I spend is - just enough to get you the result you need!

And that will depend on your market, your supply chain and your customer (some types of customer are easy and cheap to target - others notoriously hard)

Enter Zero Based Budgeting.

ZERO BASED BUDGETING (ZBB) STARTS WHERE IT SAYS - ZERO.

Zero Based Budgeting is a philosophy used by some of the world's leading marketing companies (such as Unilever and Diageo) and it basically asks your marketing team to stop being lazy and do the maths.

Do you need to spend any more than \$0 to get the result?

If you don't, why spend at all?

That's the simple heart and logic for ZBB. And, if you need to spend, what is the right level to spend?

ZBB requires a little thought from scratch about the job to be done - as opposed to a copy/paste from last year's spreadsheet.

You can look at building a budget in a few ways, starting with some assumptions based on benchmarks and past performance.

Many businesses have not even attempted to model the ROI of their marketing investments. Now is a good time to start.

ZBB can give you a good idea of the investment level side of things.

But there is one more essential part of ROI - the return part.

LIFETIME VALUE (LTV) ANALYSIS

The questions get a bit more complicated when you look at long term branding for consumer goods, but for many businesses – especially B2B and services, the number 1 question you should ask is:

"What is the lifetime value of my typical customer" and therefore "how much can I afford to invest in marketing?"

This can be easiest to explain with a simple example.

Let's say the lifetime value of your customer is \$3000 (for simplicity, say, 3 years of \$1,000 gross profit). Then it would be rational to spend up to \$3000 to acquire the customer – but certainly no more.

Add in some safety and you might feel \$1,500 might be your ceiling of allowable marketing spend per-new-customer.

ZBB & LTV LIVE TOGETHER IN HARMONY

However with Zero Based Budgeting you would also look at it the other way round – what could be the lowest conceivable cost to acquire a new customer based on what I already know?

Perhaps, in this example that is \$500 per new customer.

Then you have a useful delta – of between \$500 and \$1500 per new customer.

You're looking for 1,000 new customers, so your budget is between \$50,000 and \$150,000.

So as you can see, between Zero Based Budgeting and a Lifetime Value analysis, you can get a strong indication of the right level of spend for your business.

Which now lets you start to look at tactics.

CHOOSING YOUR TACTICS

You can think of your tactics as the weapons you select to wage your marketing war. Do you choose digital marketing? Door to door sales? Write some letters?

One of the things happening because of COVID-19 is a re-pricing of some tactics and elimination of others.

Assuming you now know roughly what constitutes a sensible spend, there will be tactics instantly ruled out. You can't really do door-to-door sales for low-value items. Events that would have been a no-brainer are now illegal. And so on.

In many endeavours, the herd instinct can be a valuable guide as to what to do. But in marketing the problem is, where the herd goes, you will always find a lot of clutter. And where there's clutter, it is always hard to get noticed by your customer.

These days the trend is towards digital marketing and social media. Now social media and influencers are not a *bad* idea; there are lots of things to say about the strengths of both. But to be candid they have always been a bit scratchy on the returns side – so you ought to consider – now more than ever – whether your investment levels in digital and social are overcooked right now.

Pepsi and Proctor and Gamble have both backed off their digital spends when someone sat down and looked at the actual numbers.

So, at the risk of stating the obvious, you just have to look at what works. For you, and for your industry.

If you know – *really know* – what works then you are way ahead of many businesses. But candidly, if you settled for a PRETTY GOOD GUESS based on some actual numbers or even assumptions, you are probably still ahead of 80% of marketers using the old percentage-of-sales method.

Enough of the theory now, here is an easy way to select the tactics you should use.

EFFECTIVE, EFFICIENT, SUFFICIENT

EFFECTIVE:

What works to get the outcome you need at a customer by customer level (door to door sales might be effective, but not efficient)

EFFICIENT:

What works at a cost you can afford (for instance, outdoor advertising might be efficient but not effective)

SUFFICIENT:

What can be done at a scale that shifts the needle on your goal (for instance, writing letters might be effective and efficient but not sufficient)

For your given budget, market and customer, what is EFFECTIVE, EFFICIENT, SUFFICIENT?

For activity selection, I usually list the possible activities given the budget, and then screen by these magic three.

If you can find activities within your budget that meet all of these criteria, you are on the right track.

You can list each possible marketing activity and rank it by each of these things (and budget) and you will instantly get a feel for where you should be investing your energy.

So now, if you have been following this paper, you will have reviewed:

- Your cashflow runway
- Your opportunity to maintain share of voice
- Your strategy
- Your budget
- Your tactical priorities

From there, you should be in a very good place to make decisions about what to do next.

But here are a couple of final thoughts...

DON'T REBRAND

There is a temptation to rebrand your business as you do all this. DON'T. Unless there is some outrageously important reason why you need to change your name, you still probably shouldn't.

If you were advising Carnival Cruises right now, it would be tempting to say "maybe change your name" - but you know what? It would probably be the wrong call.

No matter what happens to the cruise ship industry, the name Carnival will be a valuable brand.

Don't believe me? Think about how VW was considered the devil incarnate by us all when we found out they had systematically falsified records on their emissions. Many pundits saw it as the end for the VW brand. And yet, here we are just a couple of years down the track - and the VW brand is as strong as ever (although it should be said, the car industry overall is in deep trouble).

And lastly, marketing is not just what you say, it is what you do.



REMEMBER: MARKETING IS NOT JUST COMMUNICATION

“the best thing just might be to shut up”

Especially in times like these -where clearly there is a lot of real pain in the community, it might not be the time to see marketing as the function of communicating “at” people.

The best thing just might be to shut up and work on any number of other aspects of good marketing such as:

- Price your products or services with more care
- Position your products so they are distinctive in the market - being easy to spot and find, and being a bit different has always been more important than any particular advertising
- Distribute your products so people can easily find them
- Proving that you are offering something better and more reliable than your competitors
- Create some new innovation - such as bundling products or inventing new ones

Or even good old-fashioned looking after your customers - which is now, fashionably, called CX (Customer Experience).

By the way, if you use the EFFICIENT, EFFECTIVE, SUFFICIENT rules of thumb above, you may find that small changes in other elements of your marketing mix are vastly more attractive than (for instance) more advertising or (god forbid) social influencers.

If you want to see how this has ALWAYS been the case, download Scientific Advertising, the guide from 1920, and see how the rules will be the same in this downturn.

In conclusion, now is the time to look at your marketing and see what you could be doing the same and differently, so that at the end of this COVID-19 crisis, your business is more market oriented, more successful and stronger than your competitors.

If you need any strategic or marketing support throughout the COVID-19 crisis, don't hesitate to give me a call. We're providing FREE 30-minute consulting sessions to any coronavirus affected businesses.

www.turning-leaf.com.au

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ABOUT THE AUTHOR



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As principal of Turning Leaf, a strategic consulting firm, Matt has worked with large multinationals such as LVMH, Veolia and Kia, local giants such as Lendlease and the Federal Government. And his favourite work is with growing local SMEs, family businesses and start-ups.

Turning Leaf is a Sydney based Strategy and Marketing Transformation firm, helping companies see through the fog and gain clarity on their marketing and organisational direction.