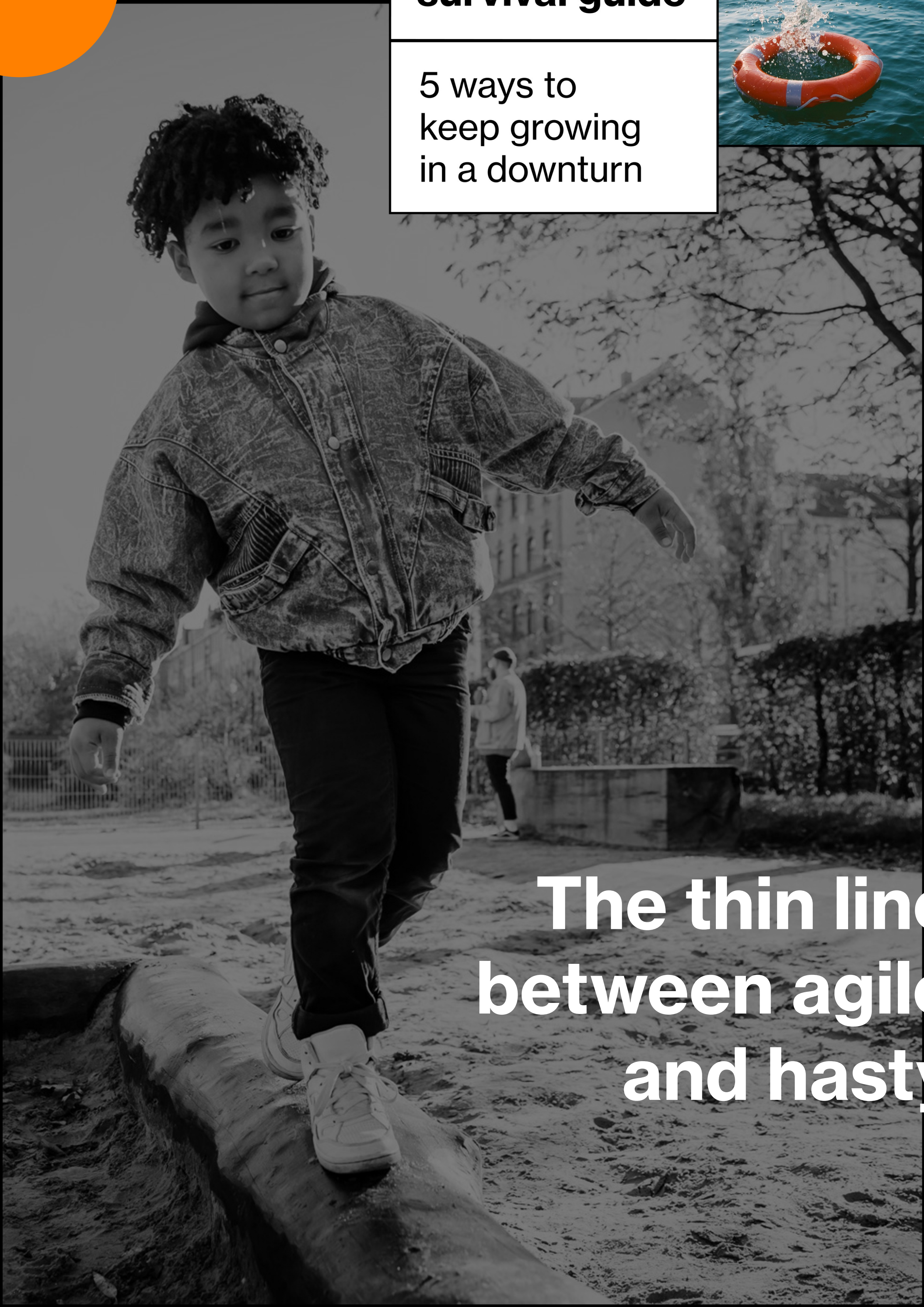
Wavemaker | campaign

The CMO's survival guide

5 ways to keep growing in a downturn



The thin line between agile and hasty

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So many of the decisions that brands need to take are positioned as a binary choice. Brand or product. Traditional or digital. Reach or targeting. Especially when we encounter fiscally choppy waters. On one side is the advertising industry urging anyone who will listen to 'spend their way out of recession' – a naively parochial view of the realities of the boardroom. On the other is the CFO, telling marketing teams to cut spend, period – a myopic view of the cost of advertising, not the value.

Where is the much-needed nuance that considers evidence and competing but equally valid perspectives? That shows there are multiple realities brands need to be prepared for and multiple ways of navigating these realities?

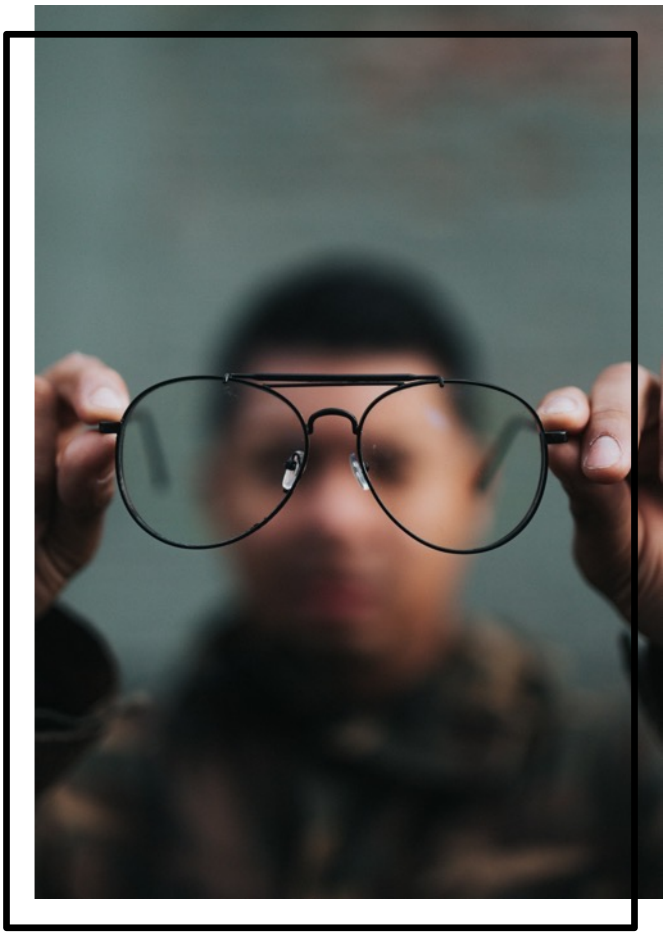
Advertisers paint themselves as being agile. Making swift decisions to protect the bottom line, leveraging the nimbleness of the digital environment to rapidly and drastically reduce media investment, penalty-free, at the flick of a switch. But making unevidenced, knee-jerk decisions should not be confused with agility.

The comfortable reality for brands is that they do not need to make these rash decisions, as long as they shift their mindset from binary to nuanced. **Scenario planning offers marketers a way out of the artificial 'either or' quandary.**

Scenario planning is one of those often used but misunderstood terms much loved by the industry. In simple terms, it is the link between a trigger to act and the appropriate response. Right now the trigger is a potential global recession and the appropriate response is to work out what this means for advertising and, more pointedly, media investment. Spend more, spend less, or spend the same? The benefits of scenario planning are evidenced – **Analytic Partners'** ROI Genome project showed that companies which incorporate data-driven simulations into their planning process drive at least x5 the growth of those that don't[1].

Historically, simulating media scenarios was manual and time consuming, requiring teams of planners to design multiple iterations of a plan at various budget levels and with various objectives. Comparison was manual too, relying on a 'by eye' evaluation of the different plans and then a rule of thumb methodology to identify and articulate what this might mean for business outcomes.

Advances in technology, notably in AI and machine learning, mean this is a thing of the past. Wavemaker's proprietary planning tool, **Maximize**, ingests and analyses data from multiple sources, has the power to simultaneously explore multiple audiences across many attributes and assess the best media partners to create an optimised campaign across channels and markets. It can suggest spend levels per channel within a given budget, but also when and how to allocate the money over the timescale of a campaign, and optimize against different campaign goals. One of the biggest advantages that AI brings to this process is speed, crunching millions of scenarios in mere minutes.



[1]Analytic Partners ROI Genome Project

A view from the US: Belinda Moon

The US experience is much the same as the Europe, albeit our proximity to some of the root causes is lesser. Inflation is outpacing wage growth, fuelling a significant cost of living challenge. Consumer confidence is fragile, particularly among younger audiences who lack recessionary experience and nous. We are already seeing changes in consumer shopper behaviour and patterns as non-essentials are cut back and trade-downs are sought.

One of the key lessons for brands that we at Wavemaker have coming out of previous recessions and downturns is the need to reduce or eliminate fragmentation. At a time when budgets are pressured, squeezed or called into question by the boardroom, success comes from more efficient growth which, in short, means:

01 Investing media dollars into fewer, bigger, better growth bets

02 Focussing internal resources on bigger growth bets and avoiding distractions

03 Quickly cutting the nice-to-have and inefficient activities

Fewer, bigger, better often means protecting the baseline with continued media investment. We know that as profit losses accumulate over the longer term, savings from media cuts dissipate. Allied to this, to recover base erosion often requires media investment twice as large as maintaining spend.

In this situation we work with clients using **Maximize** to model different scenarios and understand how we can protect the baseline in the most investment-efficient way. One part of the equation is audiences, and because Maximize can scenario plan against multiple audiences we can prioritise audiences not just on their size but on their revenue/profit contribution. The second is channel planning where we can do a number of different things to seek out as much efficient return as possible. An example of this (below) is to optimise the media mix at points of channel saturation to maximise profit.

Given the scale of the US – audiences, channels and budgets – the ability to scenario plan multiple media plan iterations at speed offers the potential to deliver exponential returns. A downturn only magnifies this.

Client case: Scenario planning to increase sales on a reduced budget

For an FMCG personal care brand in the US, Wavemaker used Maximize to run multiple scenario plans in the face of both a reduced media budget and aggressive short-term sales goals. Leveraging MMM and ROI data we were able to analyse, at scale and speed, scenarios based on both sales and reach goals and encompassing sub-brand and overall portfolio goals. The ultimate outcome was a plan that delivered a $13m incremental sales increase despite the reduced budget.

An ability to plan against and navigate multiple realities is critical in this downturn. Many consumers have unexpected savings, a hangover from lockdowns which could provide a buffer that maintains spending. Significant pent-up demand exists across many categories; this could be released but equally could be locked away again. In many parts of the world housing markets remain buoyant although cooling, unemployment is still relatively low, inflation is high but unevenly distributed (for now). It is a cliché, but the only certainty is uncertainty, especially when it comes to the economy: 'An economist is an expert who will know tomorrow why the things he predicted yesterday didn't happen today'[2]. This uncertainty reinforces the need for brands to take a nuanced, flexible approach to their decision making.

Here are five practical ways that marketers can apply this approach – and avoid knee-jerk decisions – to sustain and protect growth in the tough times ahead:

01 In a post-pandemic world, it is easy to get distracted by black swans (unpredictable events with potentially severe consequences); better to focus on grey rhinos – known threats – and plan against these likely scenarios

02 Wargame and map the headwinds your brand is facing, factoring in what both competitors and consumers are doing

03 Focus attention on potential new growth opportunities (eg audiences and channels) and model different scenarios to size the opportunity

04 Explain and quantify how different media scenarios mitigate potential losses and clearly set out the opportunity cost of these scenarios.

05 Present back different scenarios in the language of the CFO, avoiding media jargon and technicalities.

The reality of marketing is that it's not a vending machine. It is unpredictable, more akin to weather or the stock market. An economic downturn ratchets up the unpredictably. Faced with this, it is vital that brands understand the options and opportunities available to them and take informed and measured decisions. Technology has made that a lot easier than it used to be – the brands that survive and thrive in this recession will be the ones that take full advantage of it.

[2]Laurence J. Peter

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