

Making brands matter in turbulent times:

STEERING BRANDS TOWARDS GROWTH IN A POST PANDEMIC WORLD



UPDATED

23 JUNE 2020

Ogilvy

“

Revenge Buying and Potato Chips...



**CHRIS
REITERMANN**

*Chief Executive,
Asia and Greater China*

On February 24th when we wrote our first report the COVID-19 crisis was still largely a China issue with only 2,069 infections elsewhere. Now as we publish this third updated version, we are dealing with a global pandemic with over 9 million infections and still rising.

While the world is in various stages of the pandemic it is clear that this crisis will have lasting effects in terms of economic impact, consumer behaviour and how brands need to behave going forward.

In our second version released on April 1st, we took a more global approach to the crisis and looked at how brands and consumers were dealing with the crisis in different countries. Now we're taking the focus back to Asia and particularly China, as the country is already on a strong road to recovery. We're seeing new, sometimes surprising, consumer behaviour. We're seeing many predictions shattered by consumers quickly falling back to old habits (like increased consumption of potato chips). We're seeing impressive levels of digital innovation and brands making bold moves to capitalise on emerging opportunities.

We hope some of these learnings will be useful for anyone preparing to step up their game and drive some new opportunities for growth.

Let's buckle up, it's time for the next phase!

”

Making your brands matter

Across the time horizons of the pandemic

As we emerge from crisis the challenge is to move from survival mode to readiness to seize on opportunity. That means identifying how the here and now is different from the pre-pandemic and evolving your offering and messaging to better thrive in the new landscape.

Ogilvy's OS helps marketers **manage their brand as a holistic and agile system** – where every action, every experience, builds the brand and business in interconnected ways.

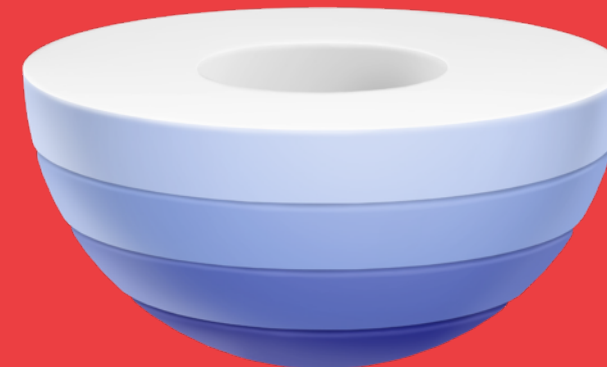
In times of crisis, the OS helps marketers prioritise actions to take in the heat of the outbreak, while looking ahead to ensure their brands are **primed to take advantage of the recovery and 'new normal' beyond**.

MATTER LONG TERM *(Next Normal)*



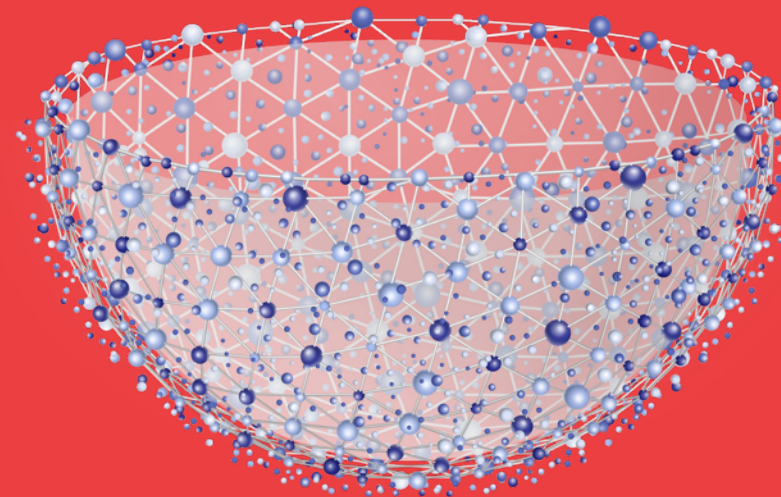
How do we get on the front foot in a changed landscape?
transform & be fit-for-purpose

MATTER MEDIUM TERM *(Recovery phase)* *Where we are now*



How do we make up for lost ground?
leverage shifts & drive momentum and competitive edge

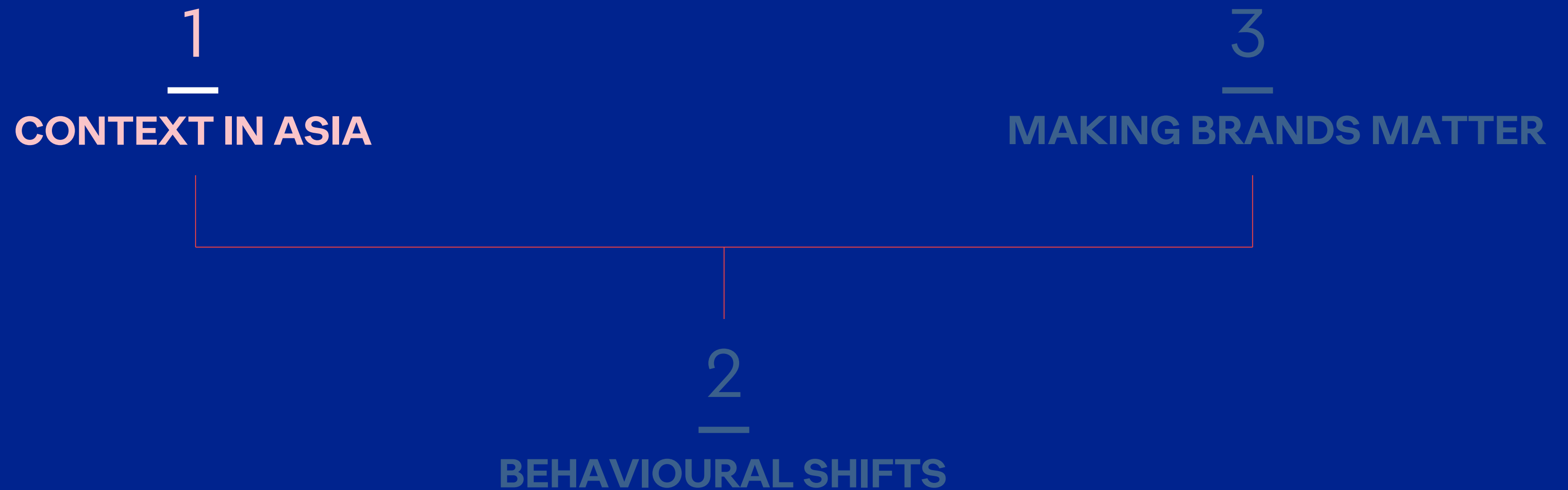
MATTER RIGHT NOW *Acute outbreak phase*



How should we respond in an unfolding situation?
be agile and optimise

STEERING BRANDS TOWARDS GROWTH

in a post pandemic world



The coronavirus
pandemic is a
global catastrophe...

...But for Asia there
are shafts of
light in the gloom

The last great depression vaulted America to global leadership.

Many are already pointing to the *post-pandemic era as the tipping point in the Asian century.*

ASIA

Asian shares up as recovery hopes overshadow coronavirus worries

YK

By Yuri Kageyama The Associated Press
Mon., May 25, 2020 | 2 min. read

Asian Century Began In May 2020

FINANCIAL TIMES

Opinion Coronavirus

Covid-19 looks like a hinge in history

Opinion: Are Asian brands ready to lead the post-COVID-19 new world order?

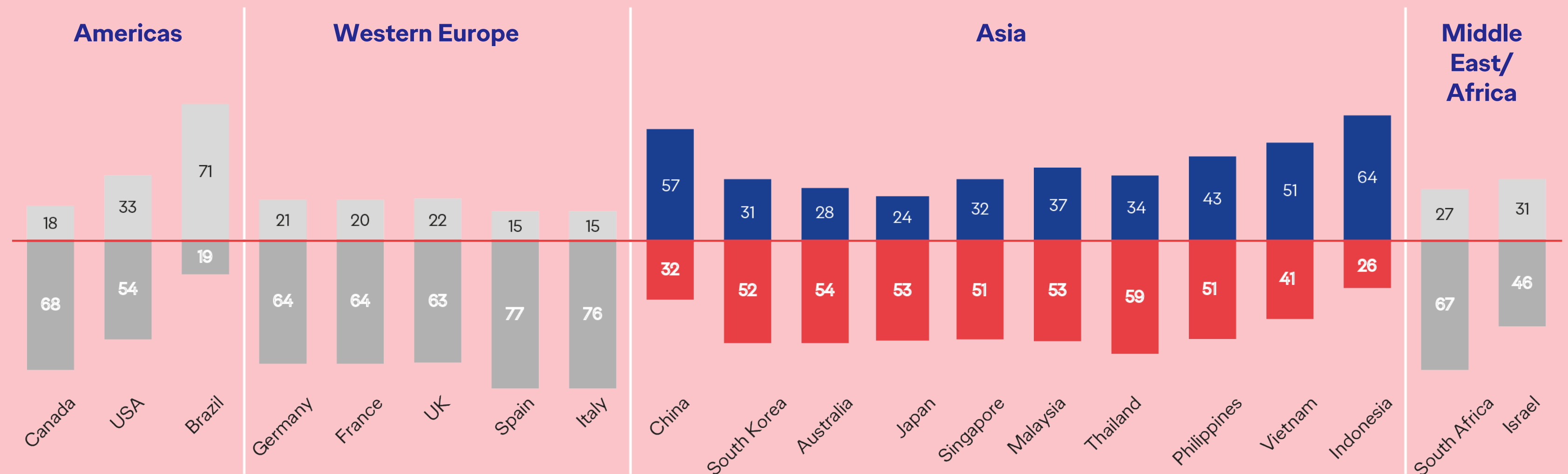
Asia's economy is likely to recover more quickly
than that of Europe or America

Asia is *more confident of recovery* than the West

LEVEL OF CONCERN TOWARDS CORONAVIRUS SITUATION

I believe the economy will recover quickly once coronavirus situation has died down (4&5)

It will take a long time for the economy to recover and will have a long term impact in terms of job losses and businesses struggling (1&2)



Source: Kantar

Ogilvy

Despite Covid-19, Asia remains the global hot spot for investment and looks set to spend its way to recovery. In no small part, this will be *thanks to the economic power of its exploding middle class.*

By 2030, there will be an additional 2 billion people with increased purchasing power. Most of this growth will be in Asia. China and India will represent 59% of global middle-class consumption.

India could be the world's largest middle-class consumer market surpassing both China and USA.

50 million new consumers will join the ranks of the middle class in Indonesia, Malaysia, Philippines, Thailand and Vietnam by 2022, contributing to the region's \$300 billion middle-class disposable income.

Source: European Commission 2020; Bain

Ogilvy

STEERING BRANDS TOWARDS GROWTH

in a post pandemic world



Across markets there will be many New Normals.

Some will experience a New Normal before others

“

The future is already here – it's just not very evenly distributed.

William Gibson

”

But sectors won't all
recover *in the same way or
at the same rate.*

In the post pandemic landscape,
however, traditional industry sectors
may not be the most helpful way to
identify opportunity. What matters
more than ever is the human
implication; the experience, the
confidence, the reassurance.

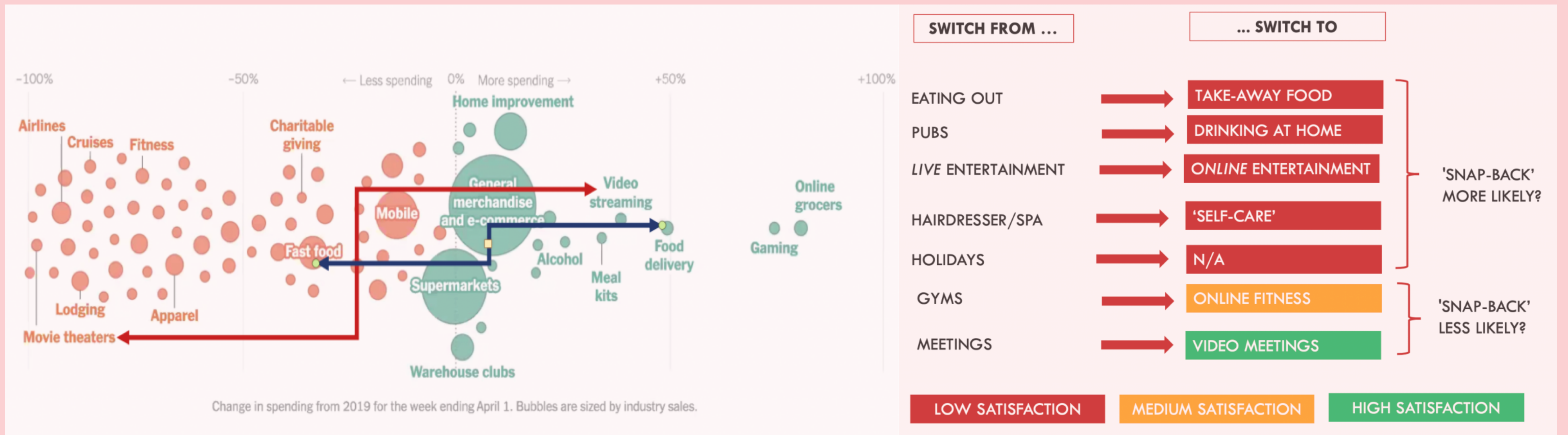
In rebuilding relevance and habits,
marketers will need to recognise that
people will respond differently, and
they will need to customise comms
and content to different segments.

BRAND VALUE AT RISK DUE TO COVID-19 OUTBREAK

Limited Impact -0%	Household products Utilities Telecoms Food Pharma Cosmetics & Personal Care Real Estate Soft Drinks	
Moderate Impact -10%	Tech Healthcare Exchanges Auto Car Rental Services Logistics Tobacco	Mining, Iron & Steel Commercial Services Spirits Media Engineering & Construction
High Impact -20%	Auto Components Airlines Chemicals Restaurants Beers Tires Insurance IT Services Banking	Leisure & Tourism Aerospace & Defence Apparel Hotels Oil & Gas Airports Retail

Source: "Holding onto long-term brand value", David Haigh, WARC Guide, May 2020

Some behaviours have changed although not necessarily long-term



Source: London Business School

Source: The Brand Gym, Will Covid-19 change everything or nothing for brands?

New types of online shopping are booming

Review your social commerce platforms, marketing tactics and initiatives

Consumers who are currently spending more than before the coronavirus, by category (%)



Source: BCG COVID-19 Consumer Sentiment Survey, May 22-25, 2020 (N = 2,963), unweighted, representative within ±3% of China national demographics.

EXAMPLE MERCHANTS IN CHINA

Taobao, JD.com

7FRESH

WeChat, Pinduoduo

Jaishou, TikTok, Taobao Live

TikTok

WeChat

WeChat

YUNJI

JD.ID X-Mart

CLOSEST COMPARABLE MODEL IN THE US

Amazon

Amazon Prime Now, Instacart

Groupon

Facebook Live

YouTube, Instagram

SMS consumer engagement

Facebook

Amway

Amazon Go

The New Normal does not mean blanket behaviour.

*There will be a number of different responses
that impact brands and products in the short and longer term*



Shock Wave

We've seen initial responses lead to dramatic, but short-lived behaviour change. These changes are likely to revert to normal in a post pandemic world. Some brands that saw a reduction in demand will bounce back quickly.



Shifting

Some behaviour has shifted to a different level altogether and will probably stay that way. Attitudes to financial savings, hygiene, well-being and eating at home may remain permanently altered. These offer new opportunities.



Shock Wave Changes

Short Term

Brands can build *on this moment*

Consumer need for comfort and control

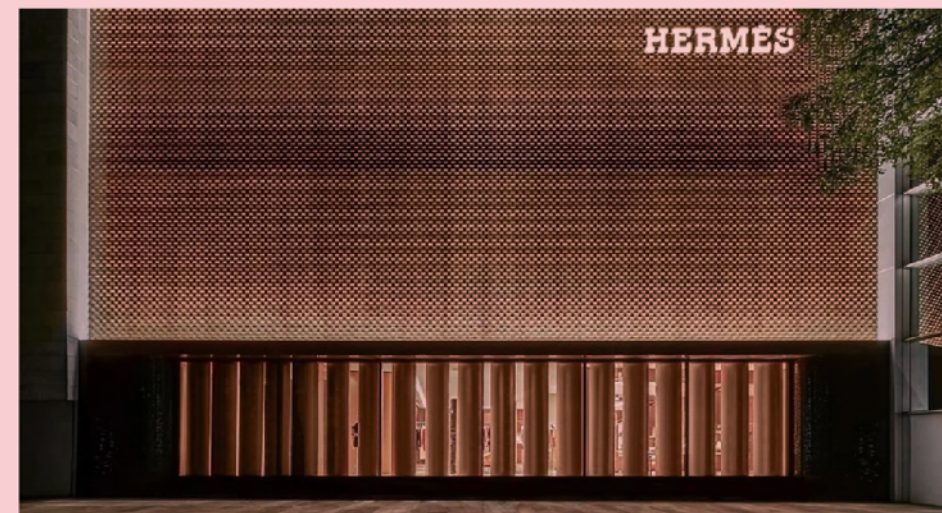
*Old desires and the need for
indulgence still matter. As
China emerged from the
pandemic there was evidence
of 'revenge shopping'. Not just
in luxury but comfort food saw
big gains. But much of this is
not expected to last.*

MARKET RESPONSE

CONSUMER

Hermes' roaring comeback in China hints at 'revenge spending'

Finally freed from lockdowns, status-seeking consumers race to high-end stores



The exterior facade of the Hermes store at Guangzhou's Taikoo Hui mall features enamel-covered bricks and wooden screens that offer a semitransparent view inside. (Photo courtesy of Hermes)

RINTARO HOSOKAWA and ALEX FANG, Nikkei staff writers
April 29, 2020 02:50 JST

Source: <https://asia.nikkei.com/Business/Consumer/Hermes-roaring-comeback-in-China-hints-at-revenge-spending>



BRAND RESPONSE

Hermès recently reopened its flagship store in Guangzhou's Taikoo Hui mall and took \$2.7 million **in one day**.

MARKET RESPONSE

YTD SHARE PRICE PERFORMANCE Percent

Tiffany earnings

Tiffany reported better-than-expected earnings and raised its full-year forecast.



Q2 EARNINGS PER SHARE

Actual	Estimate	Surprise*
\$0.83	\$0.79	↑ 12.2%

PCE, JEWELRY AND WATCHES** Year-on-year percent change



* Surprise is the difference between estimated and actual. **PCE = Personal Consumption Expenditures
Sources: Company filings; Thomson Reuters I/B/E/S; U.S. Bureau of Economic Analysis



BRAND RESPONSE

Tiffany up 90% in May YOY

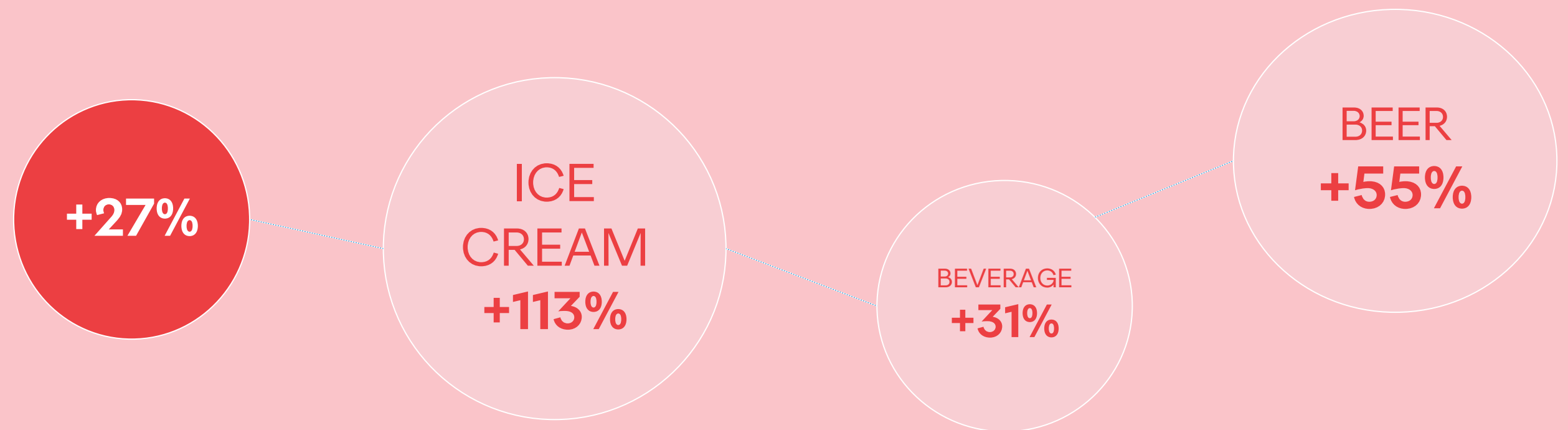
Ogilvy

Brands can build *on this moment*

Meet pent-up demand

Talk of never going back to the old normal may be over stated.

Kantar figures show that while lockdown reintroduced many to the pleasure of eating in, Gen Z in China *quickly rebounded to out-of-home*.



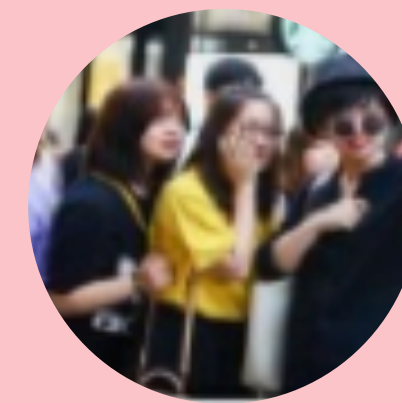
Pent-up demands activate the rebound of OOH market



BACK TO EAT-OUT

Meal or Fresh-made Drinks

- Restaurant
- Ice Cream Shop
- Coffee Shop
- Tea House



GEN Z IS COMING

Post 90s Social Lives

- 20-29 yrs old
- Gathering with Friends
- Dating



MIDNIGHT DINING

Vibrant Nightlife to Relieve Stress

- Dinner
- After Dinner
- Night Snacks
- Street Vendor Hot Pot/ Tea House

Source: Kantar Worldpanel, OOH panel,

Ogilvy

Brands can build
on this moment

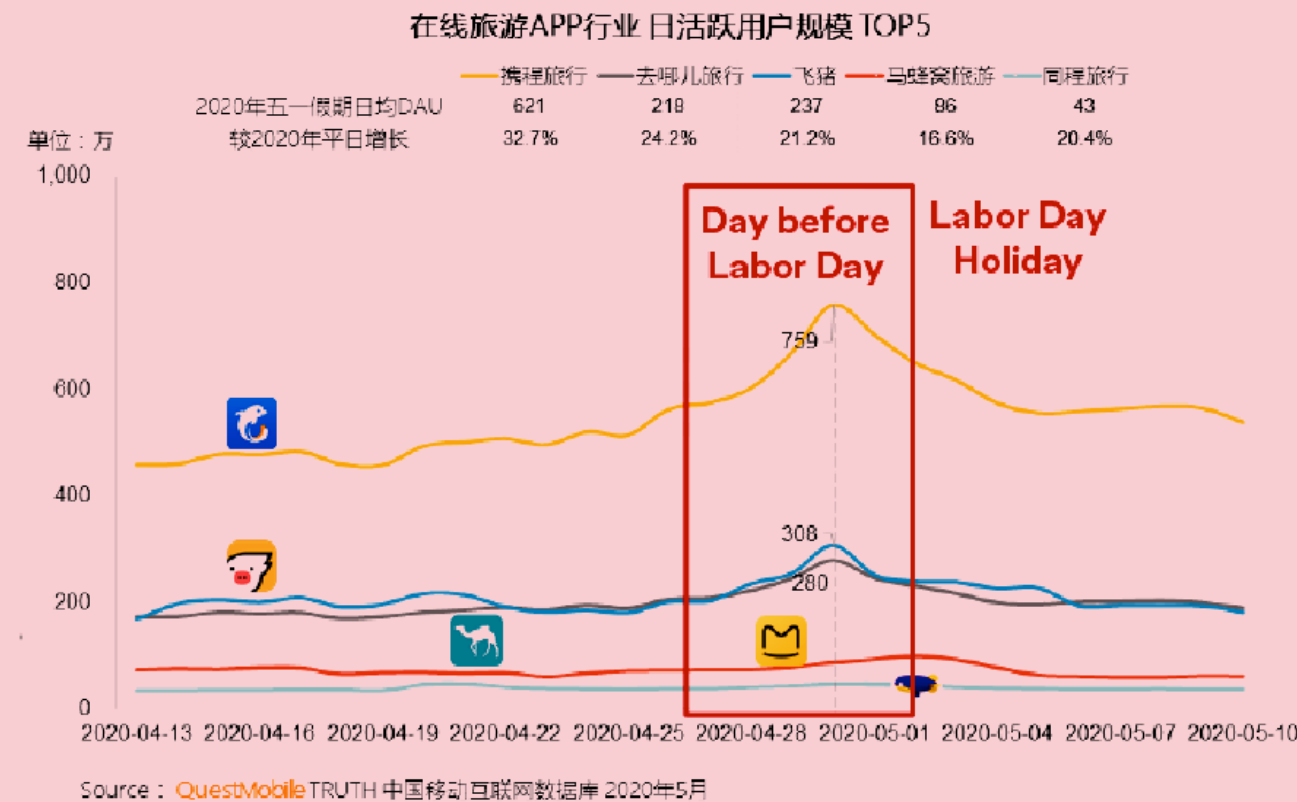
*Reshape your services
– consumers looking
for value*

Trips are being finalised much closer to time of travel vs months in advance.

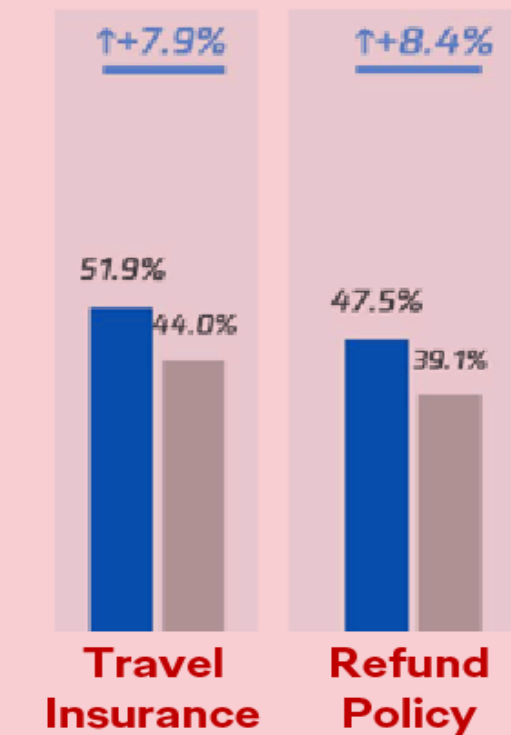
Consumers will be looking for flexibility, deals, and offers closer to home. Travel industry must show consumers that it is safe and convenient to travel.

MARKET RESPONSE

TRAFFIC OF OTAS SAW A SPIKE CLOSE TO LABOR DAY



INCREASED DEMAND FOR REFUND AND INSURANCE



BRAND RESPONSE



Hotels responded with packages, offering the option to pay first and schedule the trip later, with a full refund on cancellation.

Players offer greater flexibility to spur demand for travel related offerings.

Brands can build *on this moment*

Favourites in new formats

Shock Wave changes that
have been seen to *revert to old
patterns* include the demand
for fast food.

MARKET RESPONSE



On Weibo, people posted about what
they would like to eat, once they could
dine out. KFC ranked high on their list.



BRAND RESPONSE



KFC responded with a new back to work
lunch menu, featuring items people had
posted about

40%

YOY increase in
revenue from delivery
for KFC in Q1

35%

Contribution of
delivery to total KFC
revenue for Q1



Shifting Changes
Longer term and new opportunities

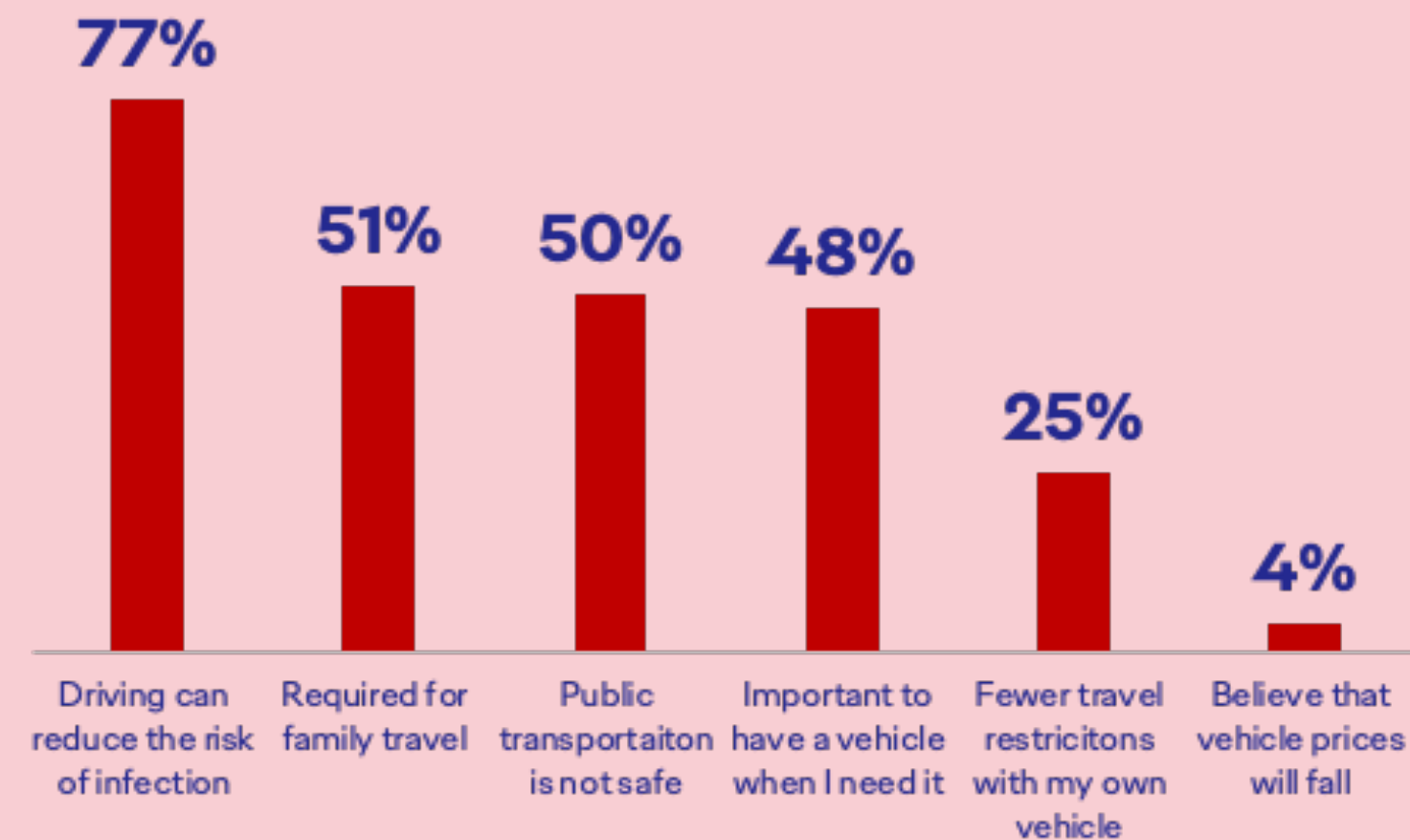
Brands can build
on this moment

*Reframe your features
to be relevant*

Changes for longer term
opportunity are offers that
include *new benefits* relevant to
consumer needs post-Covid.

MARKET RESPONSE

REDUCING RISK OF INFECTION IS THE MAIN REASON FOR
PURCHASING A CAR



SOURCE: IPSOS <impact of coronavirus to new car purchase in China>



BRAND RESPONSE

Post-COVID Volvo focused on its product innovation air con feature with germ filters. 20% YOY sales increase in China

Brands can build *on this moment*

*Old desires still matter
but offer new solutions*

With recovery of daily life and going out frequency, some personal care and beauty categories will pick up. Ideas born out of necessity may remain such as DIY beauty, above-mask treatments, and a *greater concern for safety and hygiene*. Every indication is that *online engagement and spending* will continue and grow.

MARKET RESPONSE



SOURCE: Daxue consulting

Sales of massage chair on eCommerce spiked
Neck Massager sales on Tmall(eCom) increased by 1960% during the same period

Sales of massage chairs on Tmall and Taobao
(million RMB)



BRAND RESPONSE



'Mask Make Up' is becoming a trending topic on social media in China, with tutorials and looks springing up online



Avène was up 226% YOY at JD.com.

Brands can build *on this moment*

Hygiene and Safety for most sectors is make or break cost of entry

Consumers want to return to a degree of normal but need to believe *that businesses are free from infection*. Opportunities for *customer experience innovation* and differentiation by reducing friction whilst adding value. *Mobile commerce and in particular contactless payments* (already around 80% of e-commerce in China) are predicted to increase across Asia in an era of social distancing.

MARKET RESPONSE



Meituan's 'Safe Trip' hotel initiative
championed extra cleanliness



BRAND SUCCESS

Peace of Mind hotels

x1.6

More bookings

BRAND RESPONSE



KFC launched contactless food delivery safety
standard



BRAND SUCCESS

40%

YOY increase in
revenue from delivery
for KFC in Q1

80%

Percentage of all delivery
orders that chose
contactless delivery from
KFC in Q1

Ogilvy

Brands can build *on this moment*

Making a better society post-Covid

Consumers will remember brands that acted swiftly and made a difference when and where it mattered.

In a recent Kantar Global Study, 71% of respondents said it was important that *brands were committed to making society better.*



Key lessons from the earliest recovery market: China

1 — Act fast to capitalize on short-term changes

Be prepared to handle demand surges brought on by the hunger for something new after extended quarantine.

2 — Commerce is everywhere

Market places are transforming into complete ecosystems, underpinned by data. New forms of social commerce are emerging.

3 — Don't mistake short term behaviour shifts for long term trends

Newly unleashed demand will return to baseline.

4 — Safety matters in an uncertain world

Invest in accelerated hygiene-driven, longer-term behaviour shifts.

5 — Old desires still matter in the new normal

But demonstrate sensitivity to new values that may endure.

6 — Flexibility of choice and control matter to people

Immediately after lockdown, people will continue to be wary. Reshape your services to make it easy for people to make a choice.

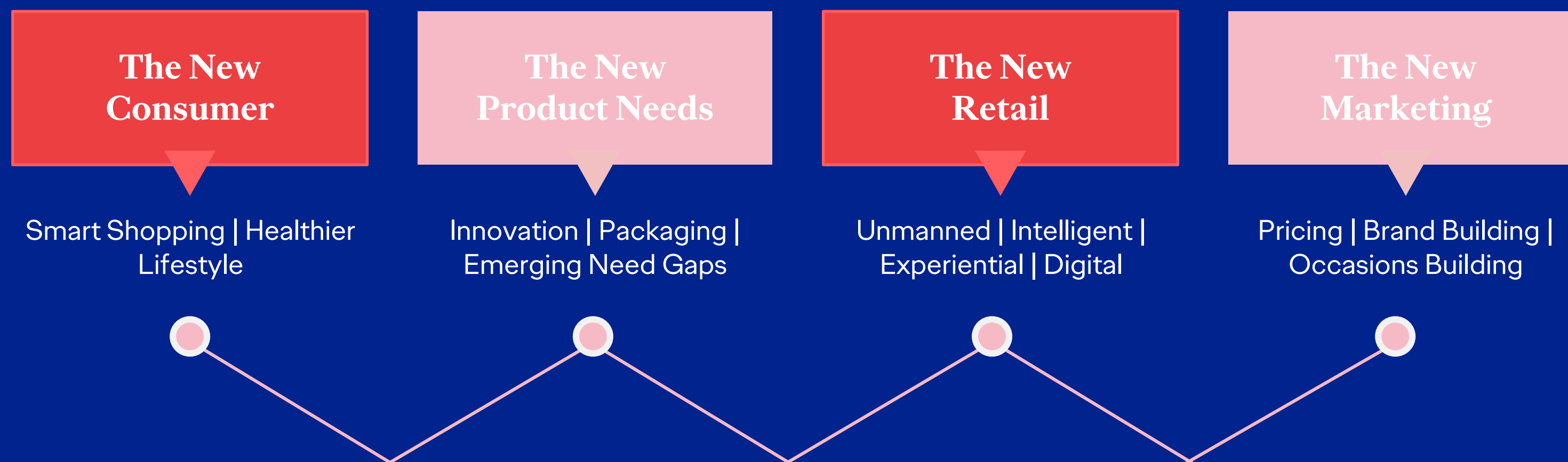
STEERING BRANDS TOWARDS GROWTH

in a post pandemic world



The importance of branding is undiminished.

But even in a new world old priorities still apply



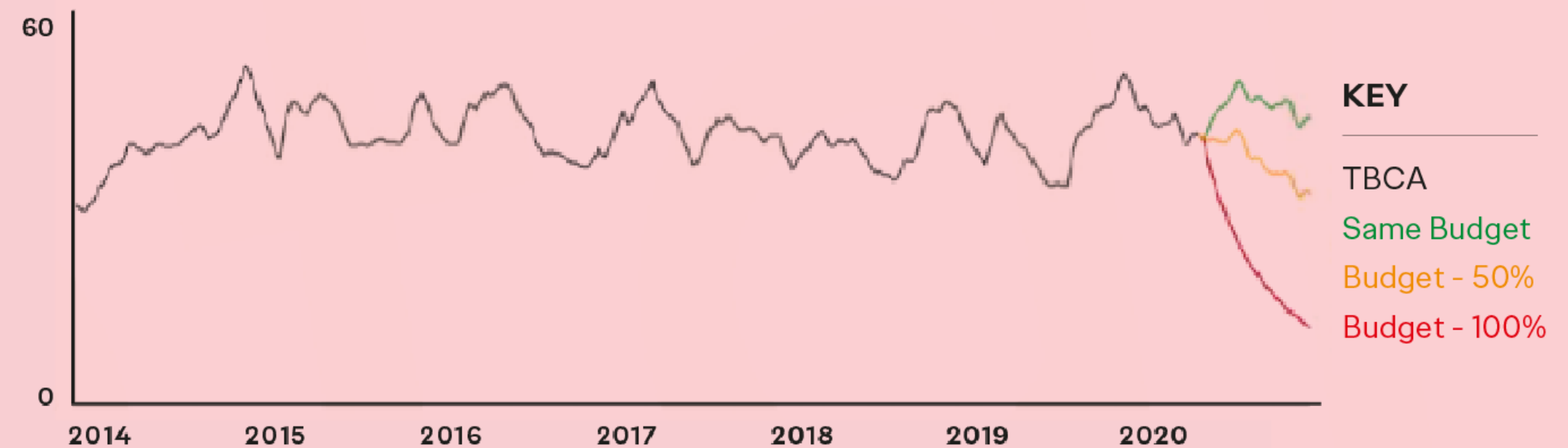
TECHNOLOGY TRANSFORMED CONSUMPTION

Source: Nielsen China, *The New Reality of 2020: Covid-19's Impact on China Retail and Consumer Landscape*

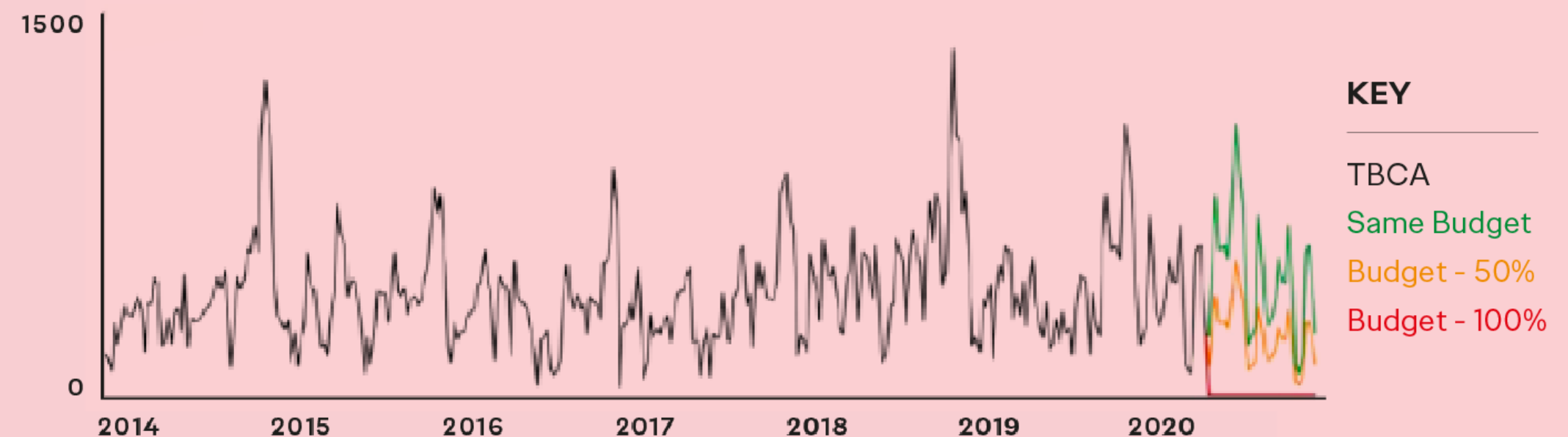
Brand habits *will have to be rebuilt*

Market leadership will not simply be handed back to the leaders of the pre-pandemic era. We are now looking at an extended period where some behaviours revert and other new behaviours will be established. People won't necessarily come back to all the habits and shopping lists of the old days. Brand benefits, habits and product relevance will have to be actively triggered and rebuilt.

ADVERT AWARENESS



MEDIA SPEND



Source: Kantar

Ogilvy

Making brands matter

Through and beyond recovery phase

	<i>Covid shifts</i>	<i>Brand Challenge</i>	<i>Actions Needed Now</i>
	<i>Hygiene & Reassurance</i>	→ Re-design and re-invent CX for contactless experience.	→ Experience design; CX; UX; service innovation.
	<i>Lost Saliency & Habits</i>	→ Rebuild mental availability, occasions and habits.	→ Comms and engagement planning; POE plan and optimisation; optimise brand distinctive assets and creative cut-through; earned amplification; always-on content planning.
	<i>New Needs & New Priorities</i>	→ Reframe features and align value propositions to new high-value benefits.	→ Consumer insights and analytics; value proposition and messaging development; comms and engagement blueprints.
	<i>New Sales Channels & Behaviours</i>	→ Re-design/reinvent for new commerce landscape.	→ Shopper journey insights; commerce strategy; how to build brands and drive sales in marketplaces; explore D2C and O2O strategies; social commerce and social care.
	<i>Fragmented Growth</i>	→ Re-tool to capture discrete pockets of growth effectively & efficiently.	→ Strategic segmentation; growth mapping; innovation strategy; portfolio strategy; personalisation strategy; marketing automation.
	<i>More Value Consciousness</i>	→ Optimise for value and do more for less.	→ Portfolio and SKU strategy; value reframing leveraging behavioural science; funnel optimisation; martech and automation to optimise content creation and delivery.
	<i>Greater Need For Trust</i>	→ Demonstrate brand commitment to positive impact across stakeholders.	→ Brand strategy; purpose activation; reputation & influencers strategy; global risks mapping; crisis audit; employer value proposition and experience.

Summary

Nothing in history has prepared us for this collective trauma – 183 countries affected; half the global population has been under some form of lock down.

Asia has been more effective in handling the crisis and there are recovery lessons to be learnt from China.

Few consumers believe that changes due to Covid are for the worse but recovery will not mean going back to where we were before. Some changes and attitudes that emerged will remain, others will be temporary. But first brands will need to reactivate demand and signal reassurance.

There will be new winners who spend smarter, innovate, adapt faster, and message more compellingly to make their brands salient and relevant.

Use the Covid disruption as an opportunity to start afresh, leapfrog, and reinvent, paving the way to a better future. It's time to decide what sort of company you want to be.

We'd love to discuss how we can help get your brand out in front, with renewed foundations for competitive edge to make your brand matter now and for the long-term.

Chris Reitermann

Chief Executive,
Greater China and Asia
chris.reitermann@ogilvy.com

Natalie Lyall

Head of Marketing, Asia
natalie.lyall@ogilvy.com

Benoit Wiesser

Chief Strategy Officer, Asia
benoit.wiesser@ogilvy.com

Scott Kronick

Chief Executive, Public Relations &
Influence, Asia
scott.kronick@ogilvy.com

Ogilvy

Appendix

Sources/links

LEVEL OF CONCERN TOWARDS CORONAVIRUS SITUATION – ECONOMIC RECESSION

Source: Kantar

BRAND VALUE AT RISK DUE TO COVID-19 OUTBREAK

Source: “Holding onto long-term brand value”, David Haigh, WARC Guide, May 2020

CHANGE IN MEDIA CONSUMPTION / BEHAVIOURS

Source: London Business School / Brand Gym

CONSUMERS WHO ARE CURRENTLY SPENDING MORE THAN BEFORE THE CORONAVIRUS, BY CATEGORY

Source: BCG COVID-19 Consumer Sentiment Survey, May 22-25, 2020

CHINA: RAPID REBOUND IN OUT-OF-HOME MARKET – GEN Z; INDULGENCE; NORMALCY OF DINNER / SNACKING

Source: Kantar Worldpanel, OOH panel, Key & A city, 15-49 YO including packaged and fresh-made beverage, snacking, dairy, ice-cream and beer

ADVERT AWARENESS & MEDIA SPEND

Source: Kantar

THE NEW REALITY

Source: Nielsen China, The New Reality of 2020: Covid-19's Impact on China Retail and Consumer Landscape