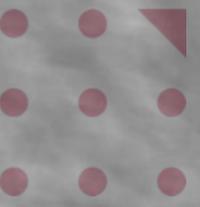


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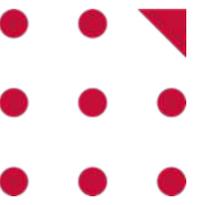
Post Covid-19

What lies ahead
for the CMO?



The Great Freeze

Unprecedented Disruption



In our previous note “**How are brands responding?**”, we observed 4 immediate macro impacts and the immediate response from marketing teams.

This note discusses our perspective on the demand contraction faced by businesses and the possible ways a CMO can respond to a changed consumer landscape.

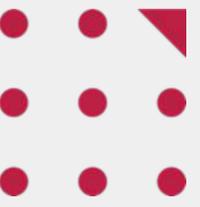
Demand Contraction

Supply Chain Disruption

Organisational Paralysis

Employee health & safety

Frozen Activities: Voluntary & Mandated
Frozen Investments: “Conserve the ammunition”
Frozen Thinking: “Let the dust settle”



Demand: The Flattened Curve?

Where are the green shoots?

Unprecedented situation

The severity, spread and impact has never been seen before. The world has never been so interconnected before and the impact in one part quickly transmits to hitherto unexpected areas. And very fast.

Deep ambiguity

There are two major areas of deep ambiguity - **the viral contagion** and how it is spreading and what will happen in the future; and the **economic contagion** - we don't yet know how deep it is and how widely has it spread already.

No playbooks

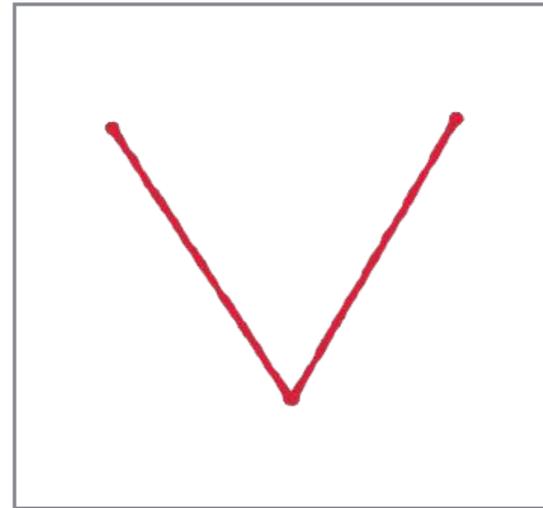
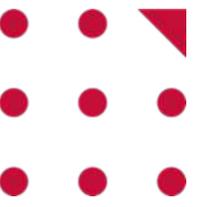
No playbooks anymore. There is no consensus on what the future holds. There is no consensus of the spread and timing of any normalisation or indeed recovery.

What should CMOs expect in the future?

How should they take decisions to start building back a growth map?

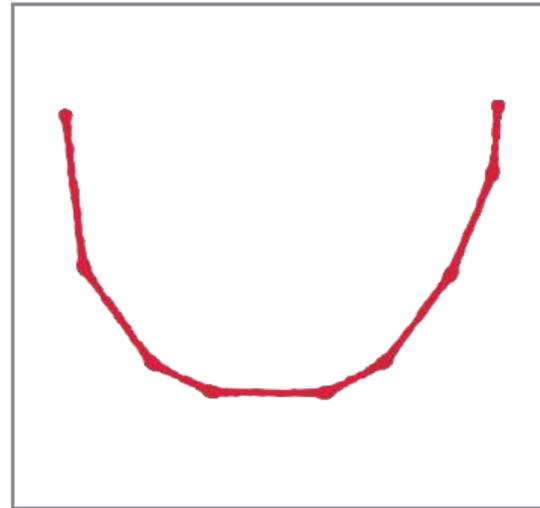
What does the Indian economic recovery look like?

One of 3 situations is most likely



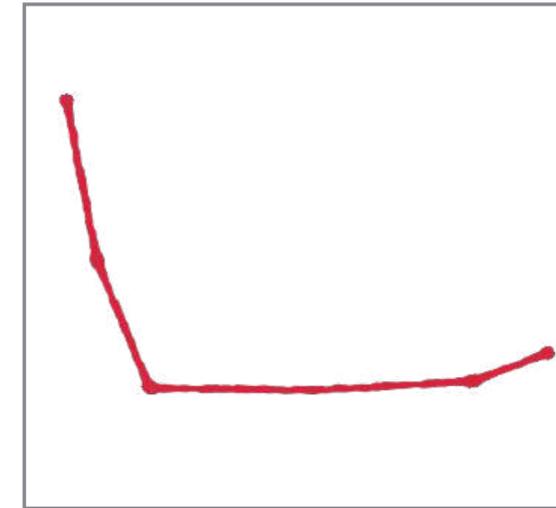
sharp recovery

in demand and consumer optimism within 6 - 18 months



delayed recovery

in demand and consumer optimism over 2 - 5 years



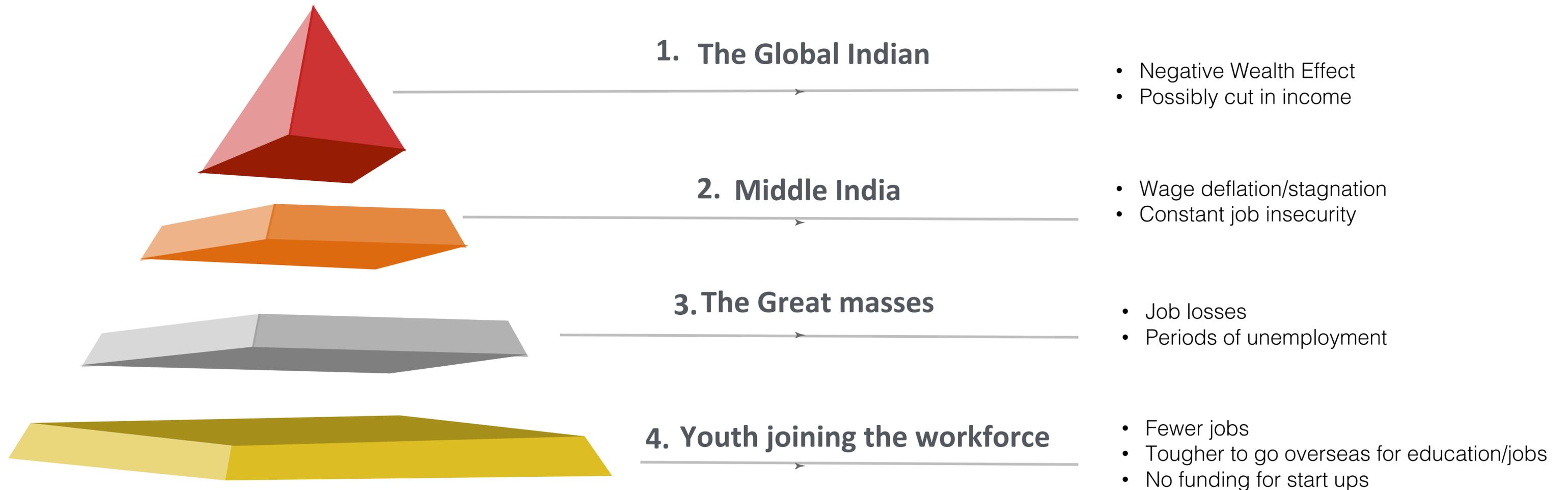
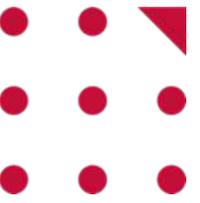
lowered recalibration

of demand and optimism over 5+ years

While there are other scenarios possible, we believe one of these 3 have the highest likelihood of playing out.

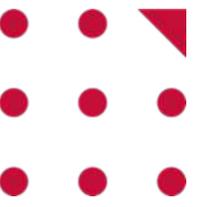
What can we be certain of?

Some things will definitely play out over next 6 - 12 months

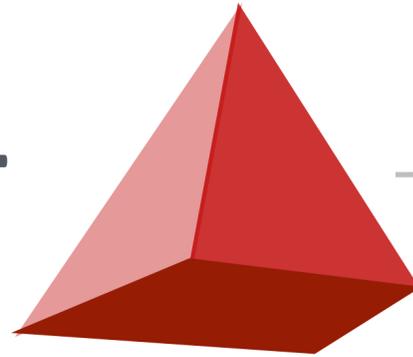


What can we be certain of?

Some things will definitely play out over next 6 - 12 months



1



The Global Indian

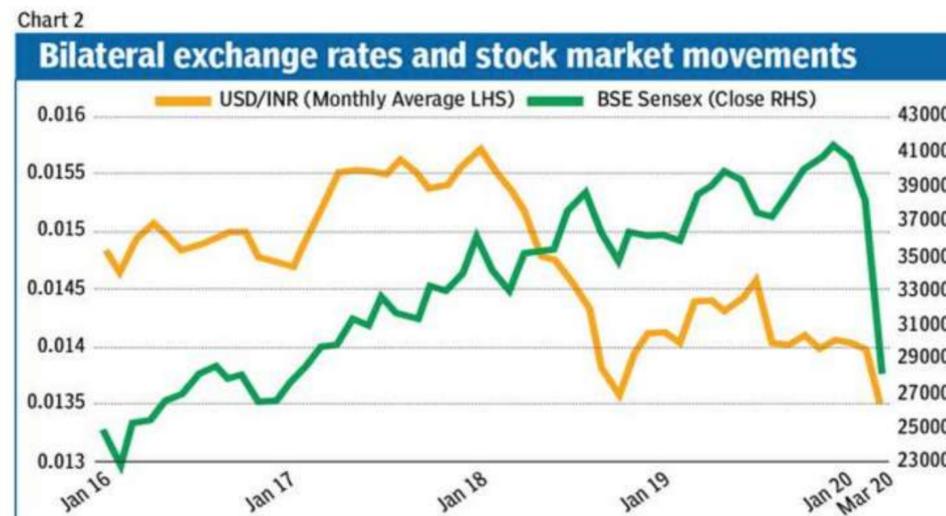
- Negative Wealth Effect
- Possibly cut in income

Coronavirus pandemic | India's property prices face steep falls as virus freezes market

"Property prices may come down by 10-20% across geographies, while land prices could see an even higher reduction of 30%,"

PwC deferring promotions, increments and bonuses of India employees, partners to take 25% pay cut

SACHIN DAVE
ET Bureau | Updated: Mar 27, 2020, 06.04 PM IST



Source: Authors based on Pacific Exchange Rate Database and Bombay Stock Exchange
Note: A rise (fall) implies an appreciation (depreciation) of USD vis-a-vis INR

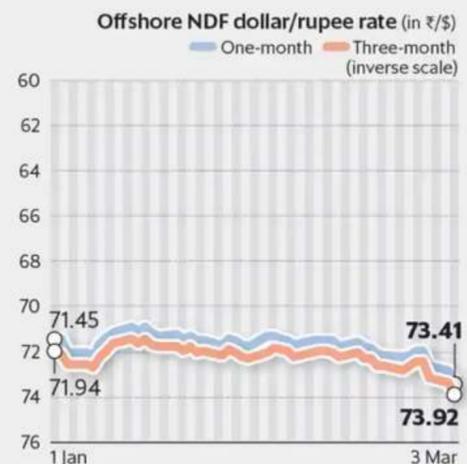
- Stock markets weakens
- Real estate suffers
- Rupee continues to weaken against the dollar
- Global companies announcing pay cuts

Implications:

- Lower discretionary spends
- focus on building back savings

Viral worries

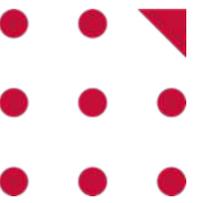
The one-month offshore non-deliverable forward (NDF) rate—the most liquid tenure—has signalled that the rupee will fall below 73 to a dollar by end of March.



Source: Bloomberg

What can we be certain of?

Some things will definitely play out over next 6 - 12 months



2



Middle India

- Wage deflation/stagnation
- Constant job insecurity

- Urban unemployment rate soars
- Layoffs, paycuts especially in startups

Implications:

- Fewer 'big ticket purchases on EMI
- Build savings/insurance

Covid-19 lockdown impact: Unemployment rate rises to 23.4%

2 min read . Updated: 07 Apr 2020, 01:27 AM IST

[Ajai Sreevatsan](#)

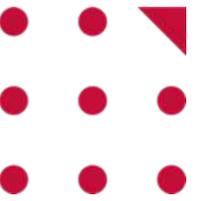
CMIE report says India's urban unemployment rate soars to 30.9% even as overall rate rises to 23.4%, indicating covid-19's impact on the economy

Acko, Bounce, MakeMyTrip, others hardest hit by Covid-19 turn to layoffs, salary cuts

Cos said such measures are to keep biz running as there is no certainty to when things will be normal again

What can we be certain of?

Some things will definitely play out over next 6 - 12 months



3



The Great masses

- Job losses
- Periods of unemployment

About 400 million workers in India may sink into poverty: UN report

Eventual increase in global unemployment during 2020 will depend on future developments & policy measures.

28-day paid leave for COVID-19 patients; factory, shop workers to get daily wage for lockdown period: Noida administration

Arrangement should be made by such establishments to dole out the payments to their workers and labourers on March 30 and 31 or April 3 and 4, depending on their situation to make the payment, the order stated. Action would be ensured against the offender under Section 51 of the Act which provides for one year of imprisonment or financial penalty or both and two years of jail if violation of the order causes any loss to life or property.

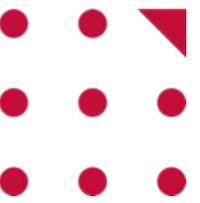
- Workers unable to sustain monthly expenses
- Daily wage earners affected due to business lockdowns

Implications:

- Dependence on Govt handouts
- Reverse migration

What can we be certain of?

Some things will definitely play out over next 6 - 12 months



4

Youth joining the workforce

- Fewer jobs
- Tougher to go overseas for education/jobs
- No funding for start ups

- Fewer jobs
- Tougher to go overseas for education/jobs
- No funding for start ups

136 million jobs at risk in post-corona India

9 min read . Updated: 31 Mar 2020, 11:33 AM IST

Goutam Das

- There will be a tsunami of job losses for employees who don't have a regular salary, people without a written contract
- A labour market crunch right now can easily turn into a nightmare. Besides the possibility of social unrest, expect more demands for more reservations in government

Study abroad dreams shattered or delayed due to COVID-19, students look for plan B

Several students' study abroad plans have either been shattered or delayed due to lockdown restrictions imposed in various countries across the globe leading to suspension of classes and visa processes due to the COVID-19 situation.

COVID-19 to delay job interviews; impact hiring: Experts

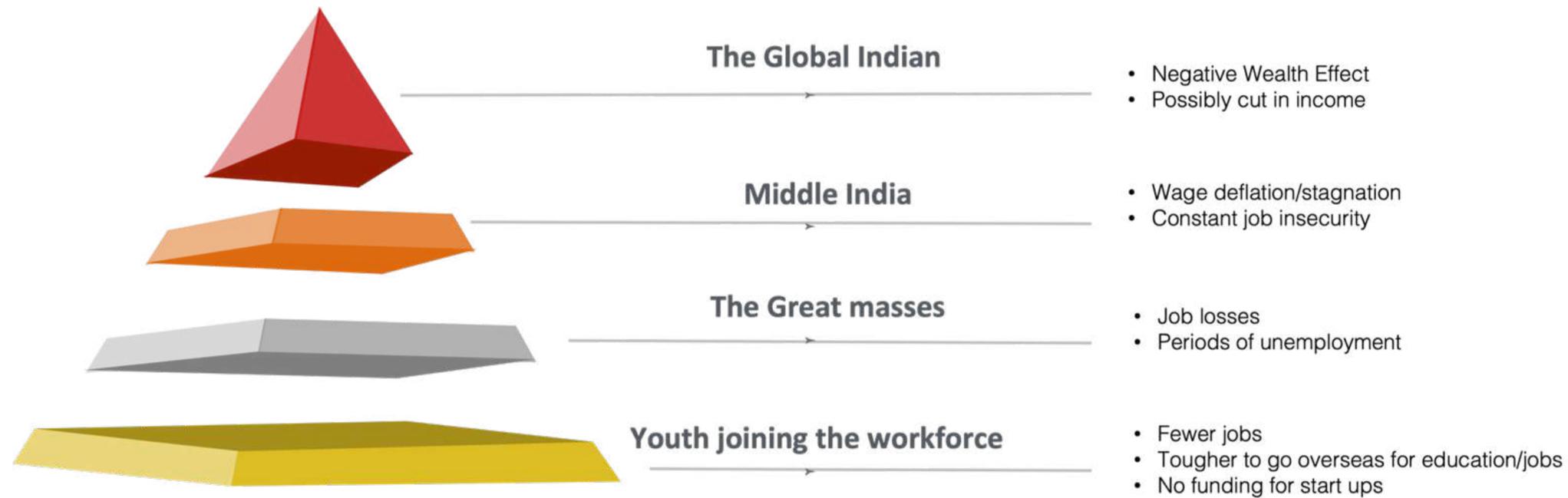
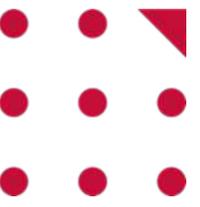
"Since the outbreak of COVID-19, companies have been cancelling interviews. We expect 60-65 per cent interviews getting dropped or delayed as there is lockdown in many parts of the country and people are encouraged to stay at home to curtail the spread of the virus," TeamLease Services Business Head BFSI and government vertical, Amit Vadera told

COVID-19 could dry up startup funding as investors hit the brakes

Early estimates that investments could drop by 20 per cent could be optimistic

What can we be certain of?

Some things will definitely play out over next 6 - 12 months

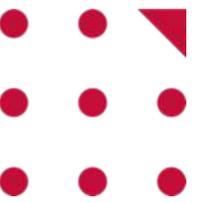


In Summary:

India will see protracted demand slowdown for at least the next 6 - 12 months across industries

How will the demand slowdown play out?

What are the metrics that will change?



In Summary:

India will see protracted demand slowdown for at least the next 6 - 12 months across industries

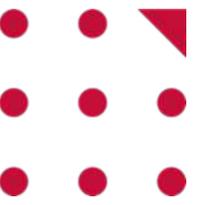
Fewer discretionary spends.
(Travel, eating out, luxury items etc)

Postponement of big ticket purchases
(White goods, house, auto - especially aversion to taking loans)

Lower consumption levels (using less of a category than before) AND downgrading to cheaper products.

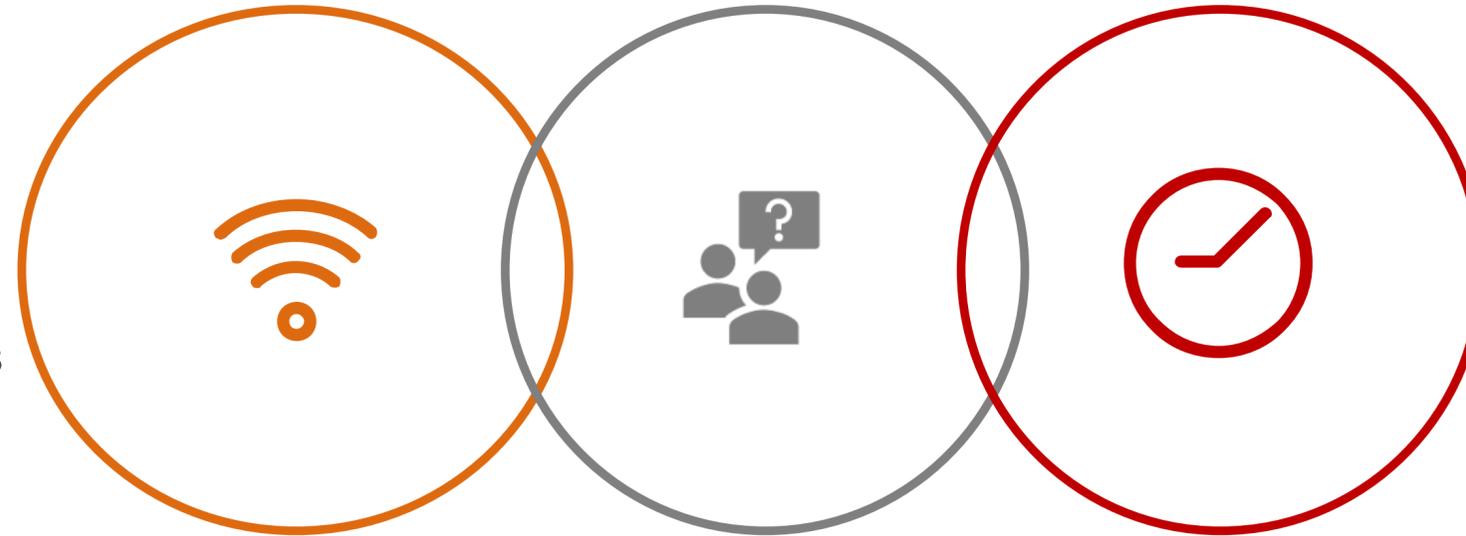
The consumer will be different. Their world will be different.

Adjusting to a new normal will take time



Negative news

Consumers will be surrounded by negative news for some time. This will impact their decision making process



Recalibrated decisions

Their decisions will be calibrated for an extended period of uncertainty and volatility.

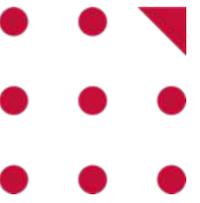
Pessimism

Consumers will be pessimistic of the future. They will fear another “black swan” event - they have lived through 3 in the last decade.

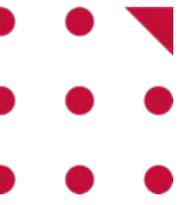
Two predictable shifts in consumer behaviour

1. **Move to areas of enduring value:** Assets (e.g. gold), brands (trusted, heritage brands), investments (education, health) and relationships (collective safety and comfort)
2. **Flight to safety and preparedness:** Focus on building back savings, insurance products and low risk investments.

Brands need to prepare for the new world.



- The impact of Covid 19 and its economic fallout will be deep, widespread and persistent.
- It will feel like the post Lehmann crisis multiplied by demonetization and then raised to a higher power.
- The economic and health crises will keep flaring up periodically for the next 2 - 3 years. Both the contagions will build localized critical mass from time to time and destabilize normalcy.
- All this will have a deep impact on consumer attitudes and behaviour

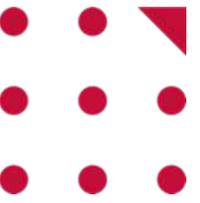


Grim.

But with a chance for a fairy tale?

There are routes back to growth

A study of post-recession case histories suggest 4 broad strategies



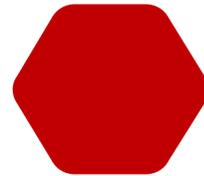
Price warrior strategy

Launch flankers that are positioned on value for money and lower ticket size



Out-invest competition

In competitive scenarios, invest higher than market share. Stream of new news.



Strength core brand

If market leaders restage brand with visible difference or extend brand franchise

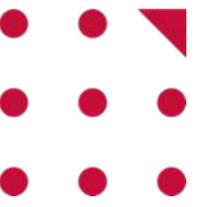


Innovate to build new categories

Consumers willing to alter behavior; build new categories with genuine innovation

There are routes back to growth

A few companies successfully navigated crisis



Price warrior strategy

Launch flankers that are positioned on value for money and lower ticket size



- Chrysler US 1929 Recession
- Hyundai US 2009/10 recession

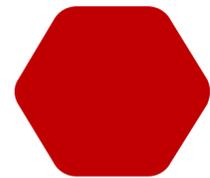


Out-invest competition

In competitive scenarios, invest higher than market share. Stream of new news.



- Sunfeast – India 2009/10 slowdown
- Toyota US 1969-70 recession
- Kellogg's vs Post US 1929 recession
- Pizza hut vs Mc donalds US 1991 recession



Strength core brand

If market leaders restage brand with visible difference or extend brand franchise



- Horlicks India 2009/10 slowdown
- Domino's US 2009/10 recession



Innovate to build new categories

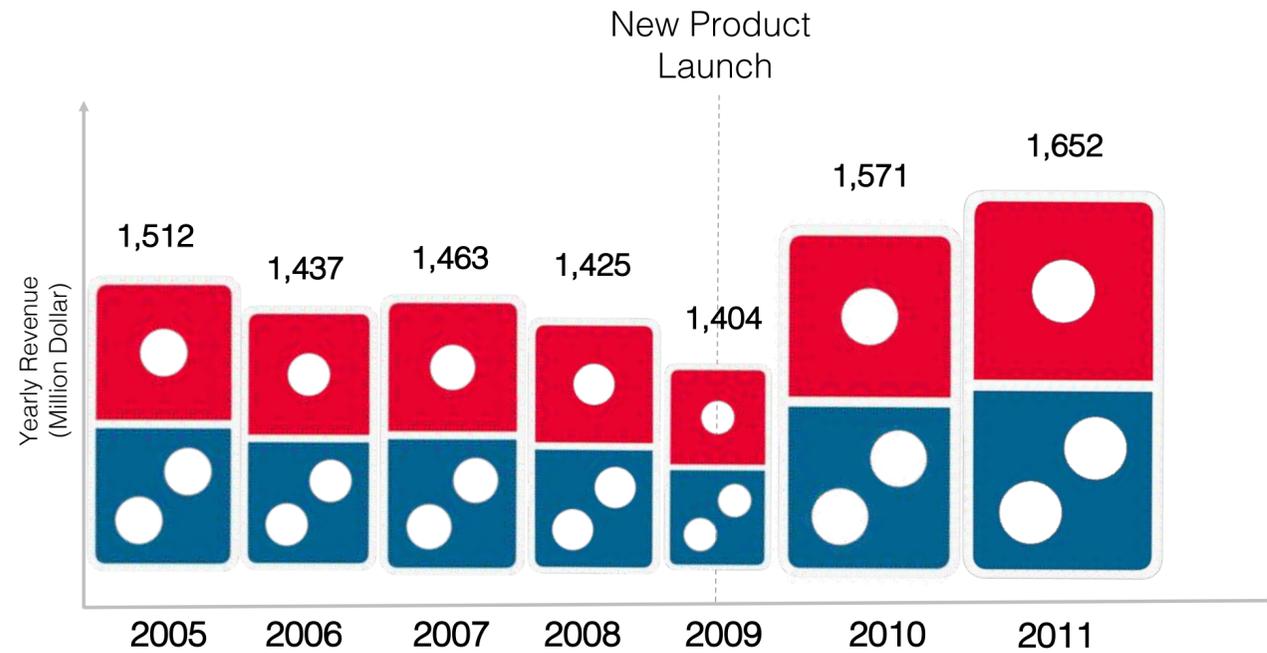
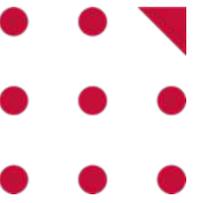
Consumers willing to alter behavior; build new categories with genuine innovation



- Apple iPod US 2009/10 recession
- Amazon Kindle US 2009/10 recession

Case study 1: Domino's focus remained on brand building

Active Marketing led to growth since 2008



Dec 22, 2009, 11:00am EST

Domino's Launches Massive \$75 Million Ad Blitz



MARKETER OF THE YEAR RUNNER-UP: DOMINO'S

Pizza Chain Sees a Gutsy Move Pay Off as Foes Become Fans and Store Profits Reach an All-Time Industry Mark

By Rupal Parekh and Rupal Parekh, Published on October 18, 2010.

The Many Acts of Domino's Pizza

Two years of reinvention, capped by the release of the chain's new pizza recipe, has Domino's at the fore of the segment—and sales are booming.

MENU INNOVATIONS | AUGUST 2010 | SAM OCHES

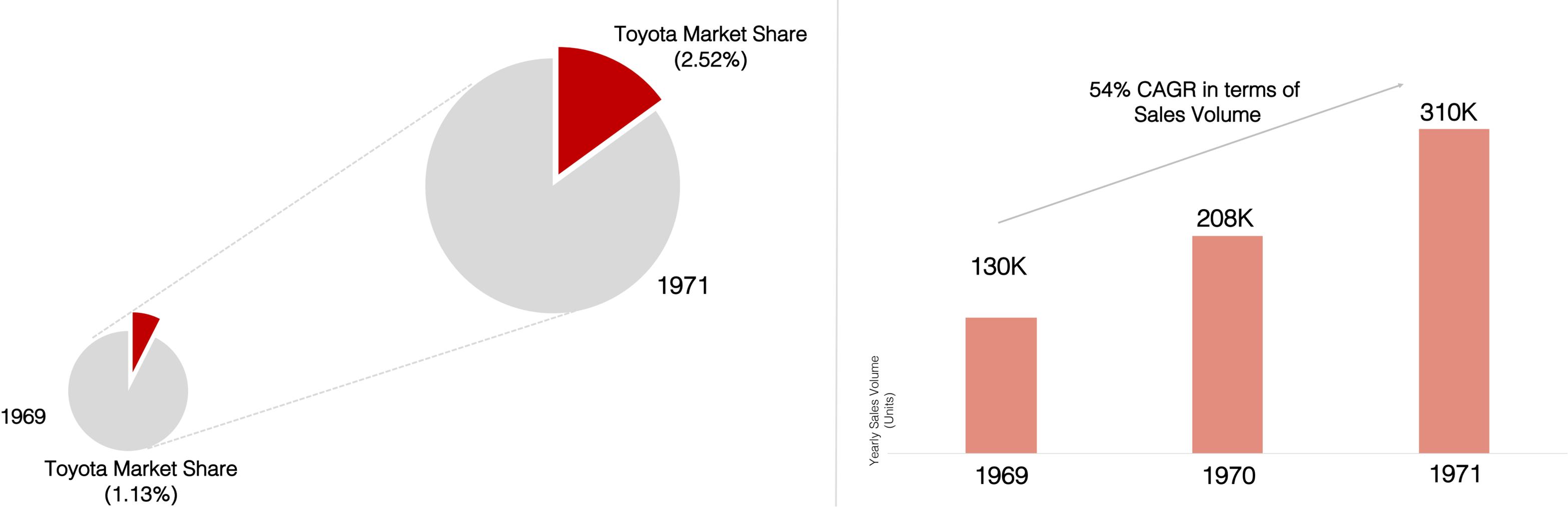


Unprecedented growth in Sales for Domino's was led by

- New Product Launches after the 2008 Recession
- Aggressive Marketing Activities and TV spends in 2010 and beyond

Case study 2 :Toyota doubled Market Share

1969-70 recession : Out invested competition and continued to grow despite economic slowdown

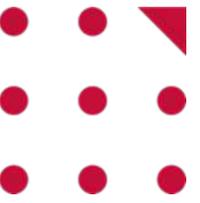


Increase in the Market Share of Toyota was due to

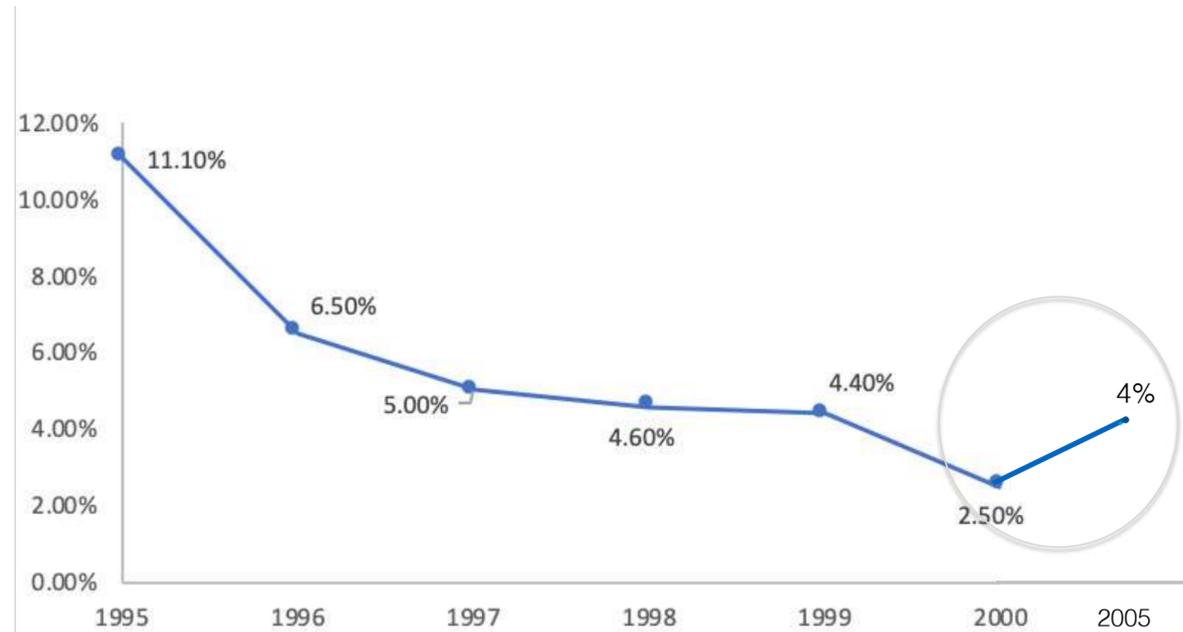
- 1. Increasing Advertisement and Promotional spends just as other players were cutting costs
- 2. Expanding distribution reach in various cities and towns

Case study 3: Apple iPod survived recession

Innovations paved the way for success



Apple's market share in the PC computer industry



What changed between 2000- 2005?

Apple had been losing share to Windows ever since the launch of Windows 95. Share prices were at its lowest and the company was struggling.

- In 2000, Steve Jobs launched the vision of becoming a “digital hub” for customers. Apple launched itunes, which aimed to transform the music industry.
- In 2001, along with other mac laptops, it launched the Ipod which went onto revolutionize the way consumers stored and listened to music.

Apple was quoted as “**Recession resistant**” during 2009-10 . The investments in innovation improved their probability of success during a crisis. Along with other products such as iPhone and MacBook, iPod continued to grow and survived the recession.

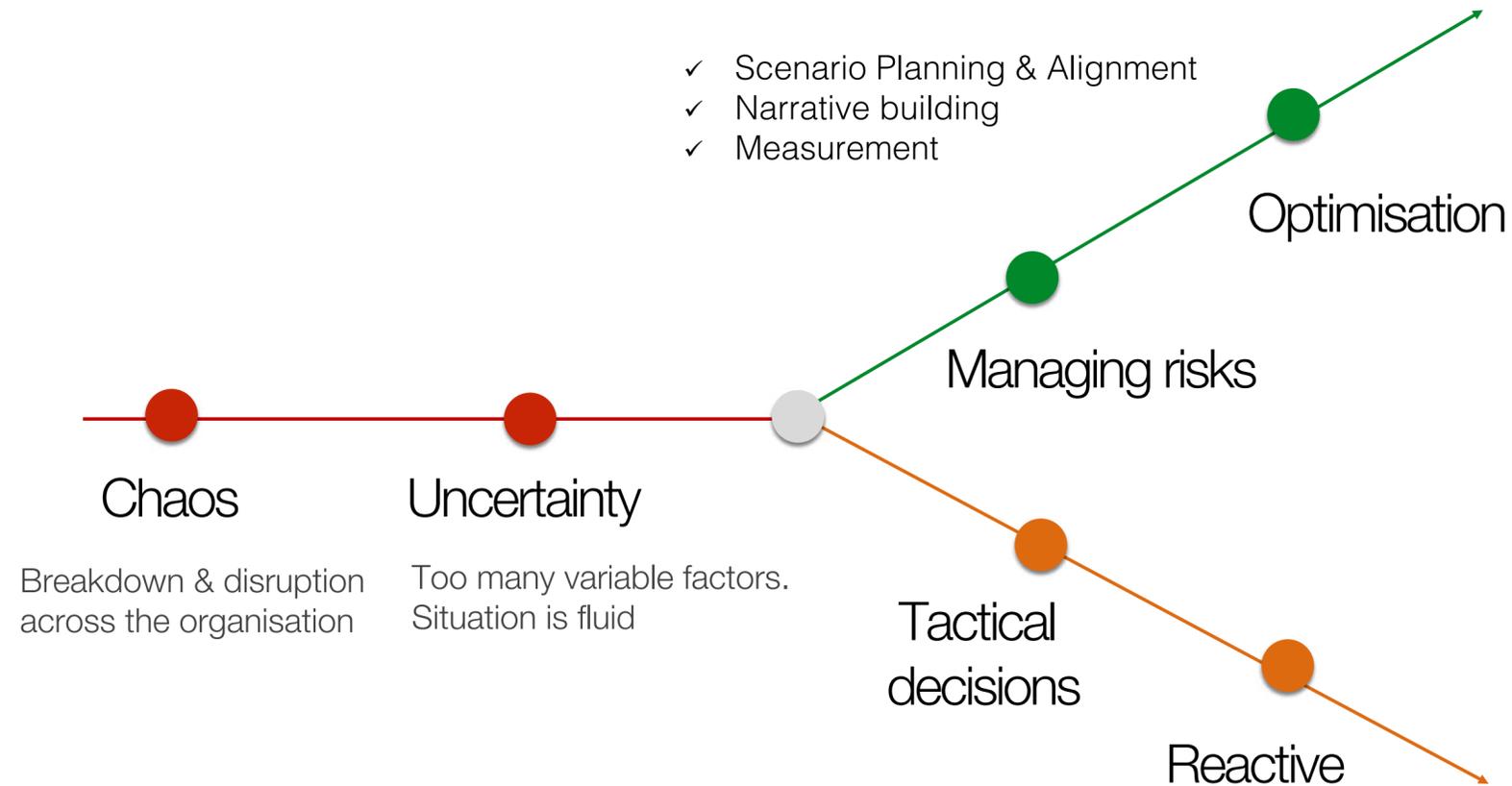
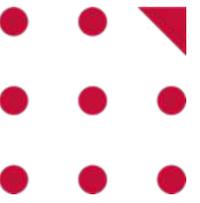


Key takeaways:

- Brave leadership decisions led a PC manufacturer venture into a new category at a time when the company was struggling
- Entered a crowded category but a one that wasn't established yet. While iPod were not the first MP3 players, it was positioned differently and targeted a behavioral change that was a new habit that the company was trying to inculcate.

Leaders Vs Followers

The way brands face the challenge defines outcomes



Two Approaches:

1. Tactical (Followers)

In the absence of a structured approach, organisations will continue to take tactical decisions that are defensive. This keeps them in a constant reactive, tactical zone reducing the chance to quickly shift gears to grab opportunities.

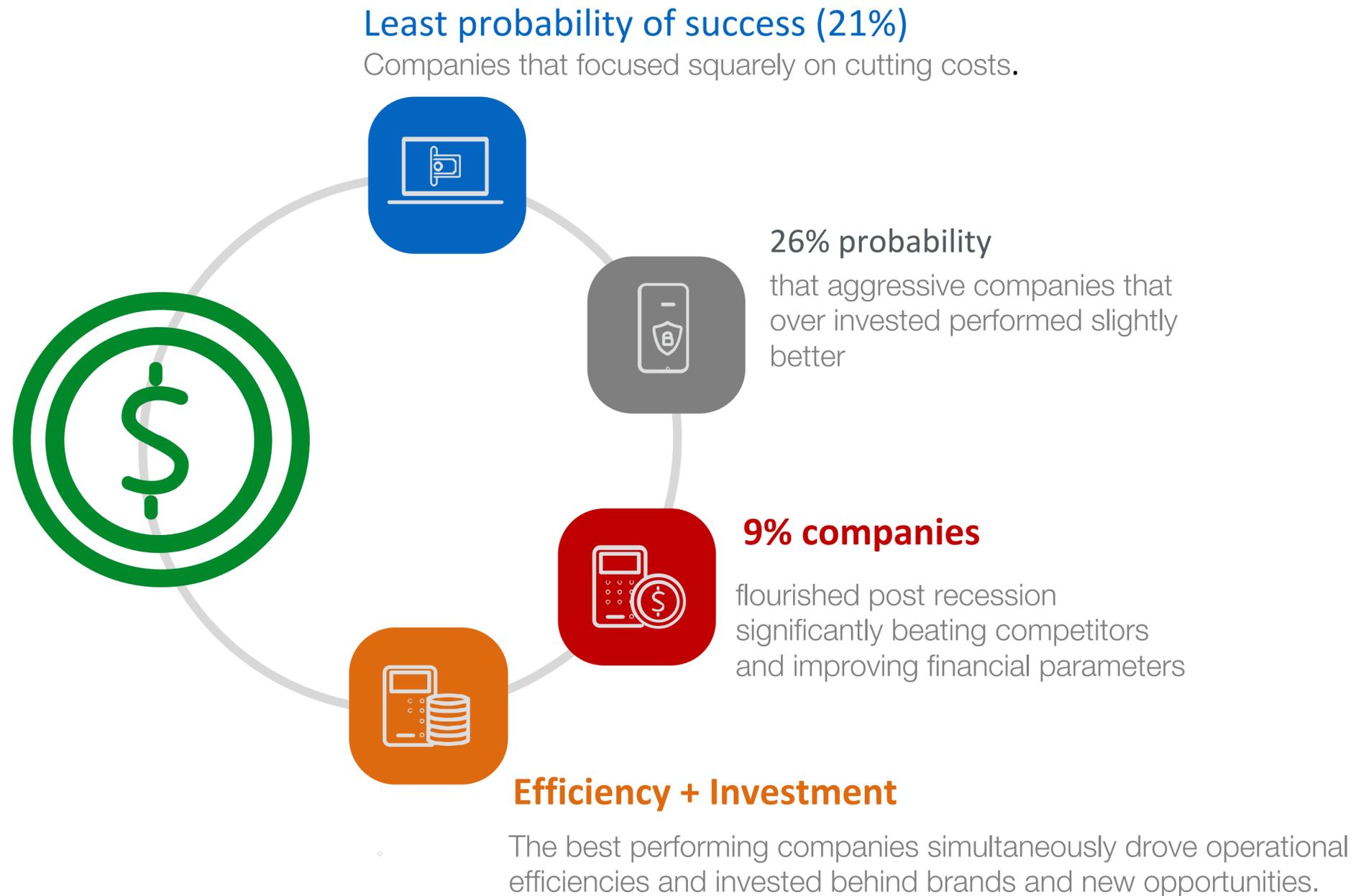
2. Structured (Leaders)

A well planned scenario building exercise - that gets alignment of senior management is the first step to taking back control. This does not reduce the systemic uncertainty, but organizes them in a manner that meaningful actions can be taken

Leaders Vs Followers

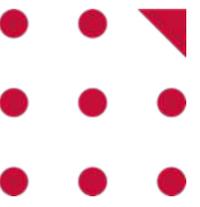
What separates the two?

In a landmark study in 2010, 4700 companies were analysed on how they adopted different strategies during recessions and what their performance was.



A well organised scenario planning exercise is a necessary first step

- It builds a common understanding and alignment to the environment
- There is greater acceptance of the business plans that emerge from the exercise
- It is easier to 'sell' the strategy of investing in some areas while cutting costs in others

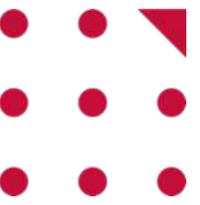


What should be the CMO's agenda?

1

Decisions under uncertainty – general principles

Clearing the fog of unknown



We have successfully navigated periods of uncertainty and crises in the past. There are no magic bullets. **Each crisis is different.** Especially this one.

However, there are some approaches that have stood the tests of time - **frameworks** that can help businesses **build a road back to growth** - and yet remain **flexible enough to course correct** as the situation changes.

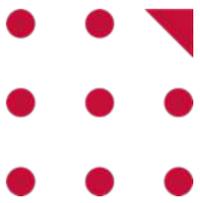
A few general principles

- Think wide, then deep: It is important to think through inter-linkages between various parts of the economy/industry
- Think probabilistically: Build flexible plans that meet robustness criteria across the maximum number of scenarios.
- Experiment constantly: As the situation evolves, chances are that one such experiment would be the best strategy to execute

2

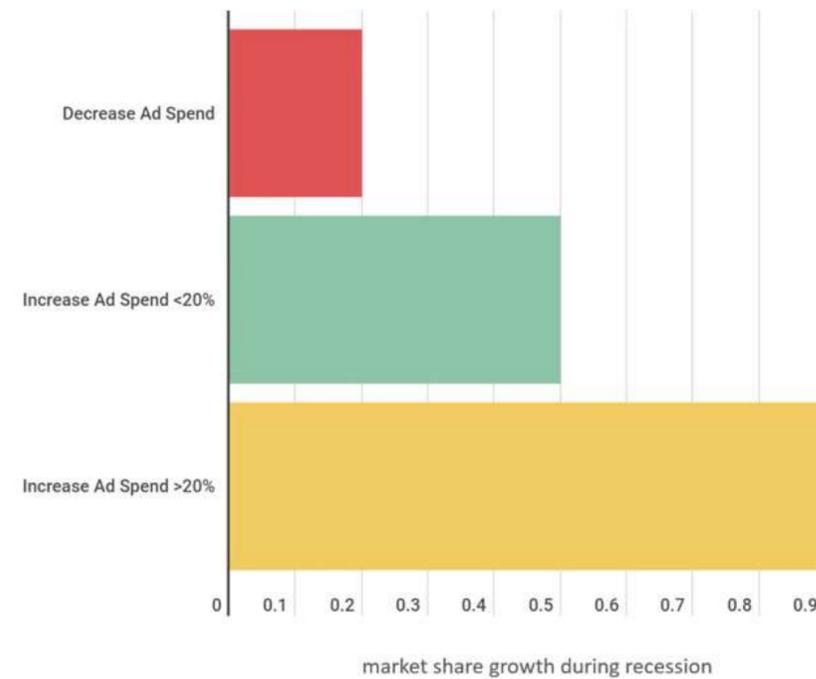
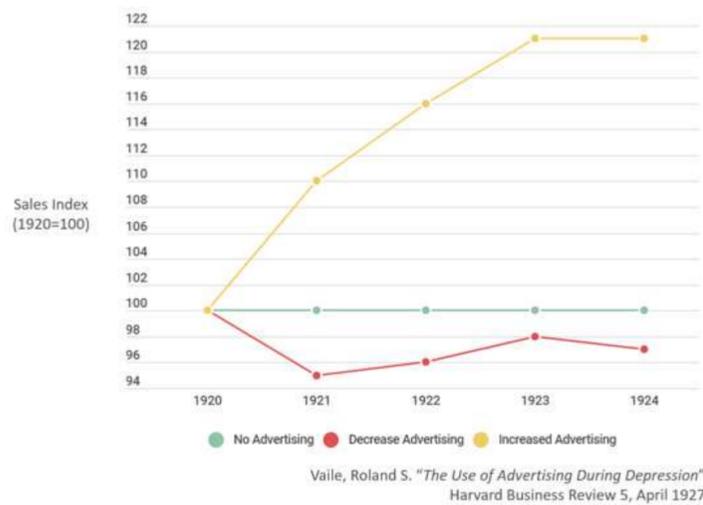
Time to step up - Protect your marketing budget

Separating out true leaders



The single most strategic thing a CMO can do is to protect (ideally grow) one's marketing budget.

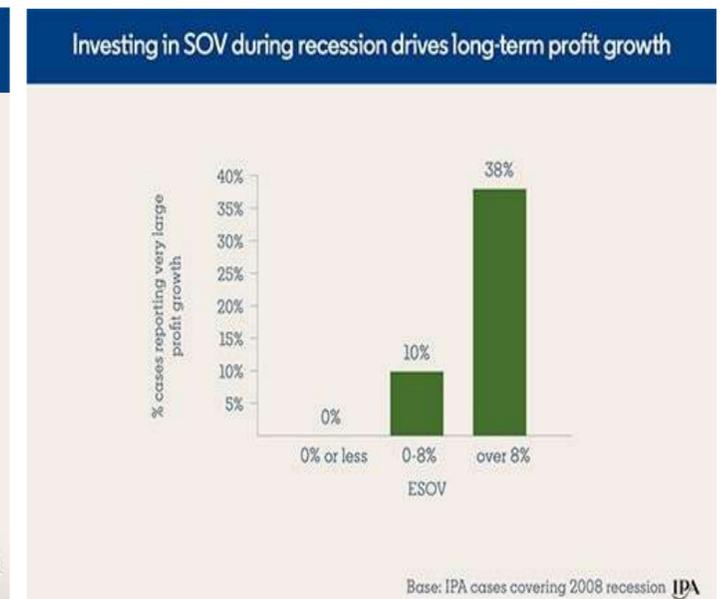
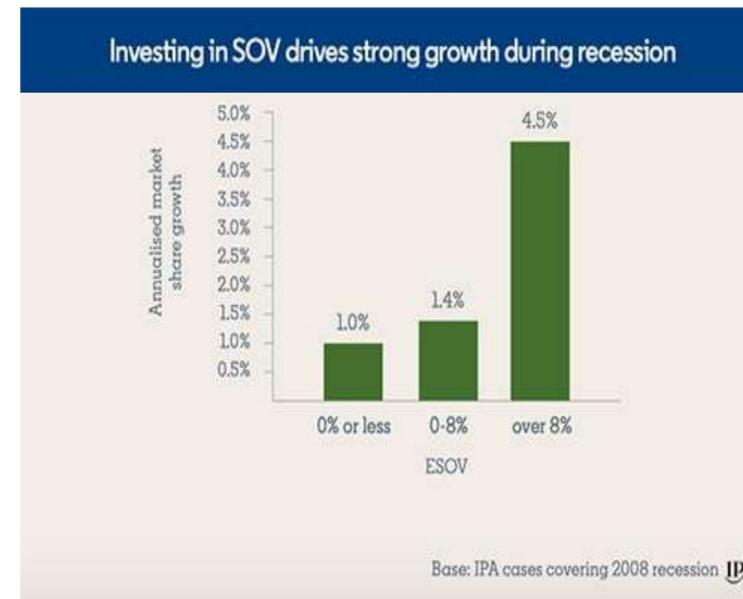
The data supporting this strategy is overwhelming:



Biel, Alex, and Stephen King "Advertising During a Recession" In *AdValue*, ed. Leslie Butterfield, 2003

What the data tells us.

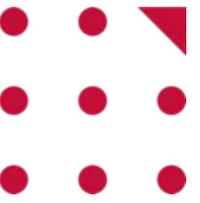
Brands with an RSOV of 108 or more, increased their market share 4.5X more during the recession and grew their long term profits by 38%



RSOV: Index of SOV: SOM
 IPA: 50 cases studies covering 2008-09 recession.

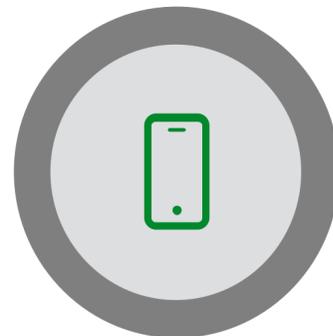
Some Marketing principles during recessions

4 areas to watch out



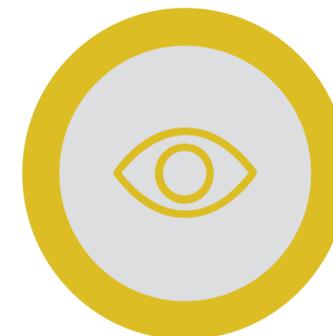
Marketing allocation

- Minimize short term, sales promotion activities. Focus on “brand building”
- Resist up-weighting digital at the cost of traditional.
- There are deals to be made; efficiencies will automatically improve.



Creative tonality

- Be careful of tone of voice. People are worried and concerned. Your message tone should acknowledge that.
- Emotional messages work better than rational messages
- Time to focus on your key point of difference



Core brand v/s New businesses

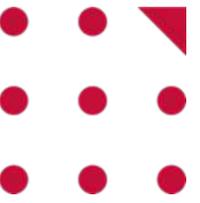
- First task is to hold on and build stronger relationship with your core, heavy users.
- However this is also the time that consumer patterns are destabilized and they are open to calculated trials of new brands & categories



Experiments & Pilots

- A business/marketing plan should not give the false sense of control. The system is inherently uncertain and dynamic.
- Build a portfolio of small pilots theatre better suited to other scenarios if they were to play out.

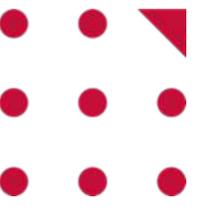
Summary



- The road ahead is uncertain and there are too many variables to predict the right moves for your business.
- A well organised scenario building exercise is a necessary first step
- Being reactive is an easy route. Thinking beyond and making brave decisions might improve your long term probability of success.

To learn more on our case studies, please contact us at Contactus@aprioriconsultants.com

A PRIORI CONSULTANTS: Who Are We



A Strategy + Marketing Consultancy Firm that helps client accelerate business growth through marketing initiatives. We bring together a network of unmatched experience and expertise across different industries, business issues and brands.



Atishi Pradhan

25 years+ experience in Advertising as Global Planning Director, JWT. Worked across multiple industries. Faculty at IIM Ahmedabad. MBA from IIM Ahmedabad



Devapriya Khanna

20 years+ experience Senior leadership experience in CPG as Director Marketing, Carlsberg and Head of Marketing at Oriflame. MBA from IIM with specialisation in MarCom



Raja Balasubramanian

20 years+ experience in Marketing. Last role as VP Marketing, MasterCard, South Asia. Experience in Media, Banking, Tech, consumer industries MBA from IIM Ahmedabad



Niloy Mukherjee

25 years+ experience in Sales & Marketing. Previously, VP Sales & Marketing, Dell. Led Pricing Line for McKinsey Asia. MBA from IIM Ahmedabad



Shubhajit Sen

25 years+ experience. Previously, MD Grohe India, CMO, Micromax; VP & Global Leader at GSK Consumer. MBA from IIM Ahmedabad



Srinivas Murthy

20 years+ experience. Previously, VP Marketing Snapdeal and Marketing Director, Coca Cola, India. MBA from IIM Calcutta



Samrat Das Gupta

19 years+ experience in Marketing services. Former head of Experiential Marketing, Cheil India



Aditi Gupta

16 years+ experience in Product Marketing in CPG. International experience. Graphic Design experience & education.



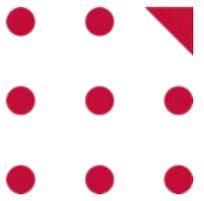
Apoorva Mathur

7 years+ experience in FMCG and dev sector. Previous role at TGB. MBA from Hong Kong University.



Sahil Aggarwal

3 years+ experience in major e-commerce player. Engineer from TIE



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