The Marketer's Toolkit 2023

Your guide to focus, survive & thrive

Global Trends Report

Sample

Please note that this is a sample of the report that is available to WARC subscribers. For information on how to subscribe, visit warc.com/contact-us

The Marketer's Toolkit 2023: Finding focus in uncertain times

The 12th edition of WARC's annual Marketer's Toolkit includes a series of reports aimed at helping marketers identify and focus on key areas of industry disruption, determine the most effective strategies, and benefit from arising opportunities.

Aditya Kishore
Director of Insight
WARC

We began last year hoping to put the economic havoc of the pandemic behind us. Instead, within weeks the war in Ukraine turned the world on its head.

The war has had a transformative impact on energy prices, inflation and the cost of living around the world. The IMF forecasts 2.7% global growth in 2023, down from 6% in 2021, and presents the weakest growth profile since 2001 (except for the global financial crisis and the acute phase of the COVID-19 pandemic). Meanwhile inflation is expected to improve, but still remain high, at 6.5%.

The Marketer's Toolkit survey of 1,700+ marketers worldwide found that 95% expected to be impacted by economic recession. While it will undoubtedly be the single greatest concern worldwide, there are several other issues marketers will also need to contend with.

The war, climate change and rapidly deteriorating US-China trade relations threaten the regular supply of goods, driving major changes in industries that have built businesses on the basis of just-in-time availability. Media fragmentation and cultural divides are making it harder than ever to aggregate audiences and create messages that resonate broadly. Even the technology giants are finding revenues harder to come by. And of course, the climate emergency has only escalated in the intervening months between COPs.

In this situation, WARC's proprietary STEPIC framework is particularly useful, helping us start our theme selection process by collating a broad selection of macro-level drivers, before extensive research and analysis filter it down to the five most important areas of change that we address in the Global Trends Report.

Uncertainty will rule in 2023, but marketers who are able to drive transformative change in consequential areas can benefit from emerging opportunities. The 2023 Marketer's Toolkit is designed to help companies find and focus on these opportunities, and make the most of the coming year.

Marketing leaders interviewed for this report

Linda Lee
CMO
Campbell Soup/ Meats and Beverages

Jessica Spence
President of Brands
Beam Suntory

Rebecca Dibb-Simkin
CMO
Octopus Energy

Kauveri Khullaar
VP Consumer Marketing & Sponsorships
Mastercard APAC

Conny Braams
Chief Digital and Commercial Officer
Unilever

Vanessa Yeo Barger
VP of Brand
Love, Bonito

Antonia Wade
Global CMO
PwC

Alon Lian
Head of Advertising & Media Business
TCL

Anubha Sahasrabuddhe
CMO
Lion Breweries

Amy Imbriaco
General Manager, Greater China
Tumi

Ye Danpeng
CMO
Robam

Bhaskar Choudhuri
CMO - APAC
Lenovo

Qaiser Bachani
Global Head of Digital COE and Europe Consumer Experience Lead
Mondelēz

WARC

In this report

The Global Trends Report is the first module in the Marketer's Toolkit 2023, aimed at providing marketers with a set of planning and decision-making tools for the coming year. It identifies five trends that will disrupt existing global marketing practices, and offers insights to help turn these disruptive areas into opportunities for growth.

Trend identification is based on our proprietary STEPIC methodology along with an in-depth review of the latest insights and industry information. The report further incorporates a global survey of 1,700+ marketing executives, and one-on-one interviews with leading marketers worldwide, as well as analysis and insight from WARC's global team of experts.

Contents

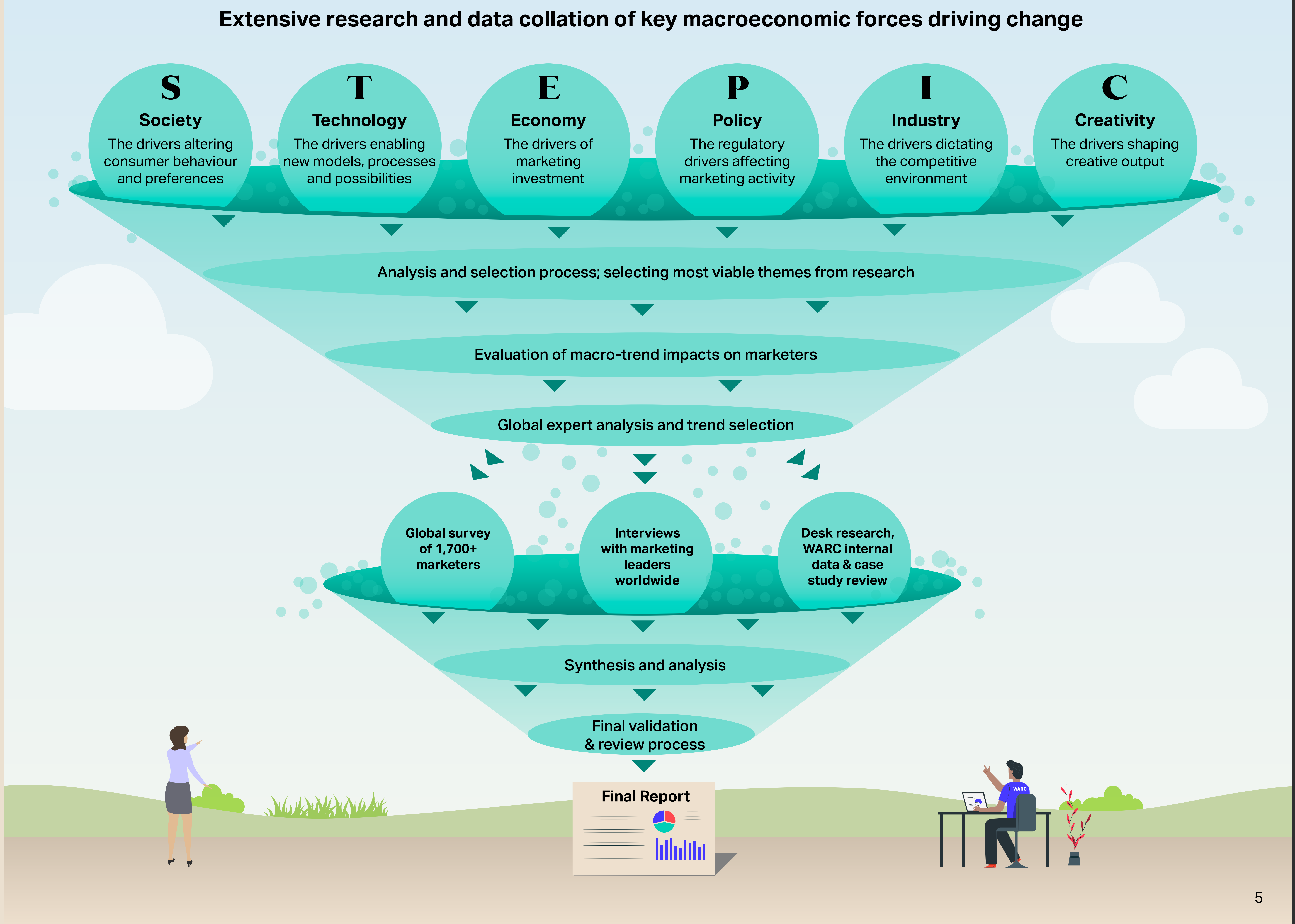
Note: Unless specified otherwise, all survey data in this report is from the 2023 Marketer's Toolkit survey, an online survey of 1,700+ marketers worldwide, conducted in September 2022.

The STEPIC methodology

This report is part of the 12th annual Marketer's Toolkit from WARC, aimed at providing insight and planning support for the main challenges facing marketers in the coming year.

As in recent years, the report is based on the proprietary STEPIC methodology, developed alongside WARC's sister brands within the Ascential group of companies. STEPIC covers six drivers of change for marketing: Society, Technology, Economy, Policy, Industry and Creativity.

By reviewing the major macro drivers expected to impact our industry in 2022 across each of these six pillars, the WARC team has been able to gain insight into the major trends and disruptive forces for marketers, and help define the most effective strategies to manage and profit from these forces.



1

Marketing in a cost-of-living crisis

2022 has been a year of two-pronged economic anxiety. First, inflation gripped the globe, and now, most major economies appear poised for a recession that isn't expected to offer much pricing relief. This chapter looks at how marketers can navigate a treacherous time.

Ongoing pandemic-related supply chain difficulties, and the war in Ukraine, have combined to bring on an era of stagflation, where probable recession has combined with inflation. Even as consumers spend less, certain factors causing prices to rise are proving implacable.

According to data from the OECD, the Consumer Confidence Index is down throughout the US, the UK, Europe and China, with major regional variations. A survey from Rival Spark found that most consumers in the UK (51%) expect their personal economic situation to decline in the near term; in the US, almost half (46%) expect the opposite.

The particulars aside, this challenging economic cycle is resulting in predictable consumer behaviours globally, amongst them more desire to purchase store brands. A European McKinsey study showed that 62% of consumers have done this, or plan to, and the German discount grocer Aldi, a relative newcomer to the US market, has reported double digit year-on-year US growth.

A more enjoyable coping mechanism is the so-called “lipstick effect”, wherein consumers indulge in small luxuries when Big Ticket items become unaffordable.

Some marketers are falling into predictable, If discouraging, patterns as well, with 36% of respondents to WARC’s Marketers Toolkit survey saying they plan to cut marketing spend, even though evidence from prior economic downturns suggests they should maintain spending levels. Complicating the current situation further is that marketers also have to figure out how to manage price, a new skillset for many.

The need to address inflation rises

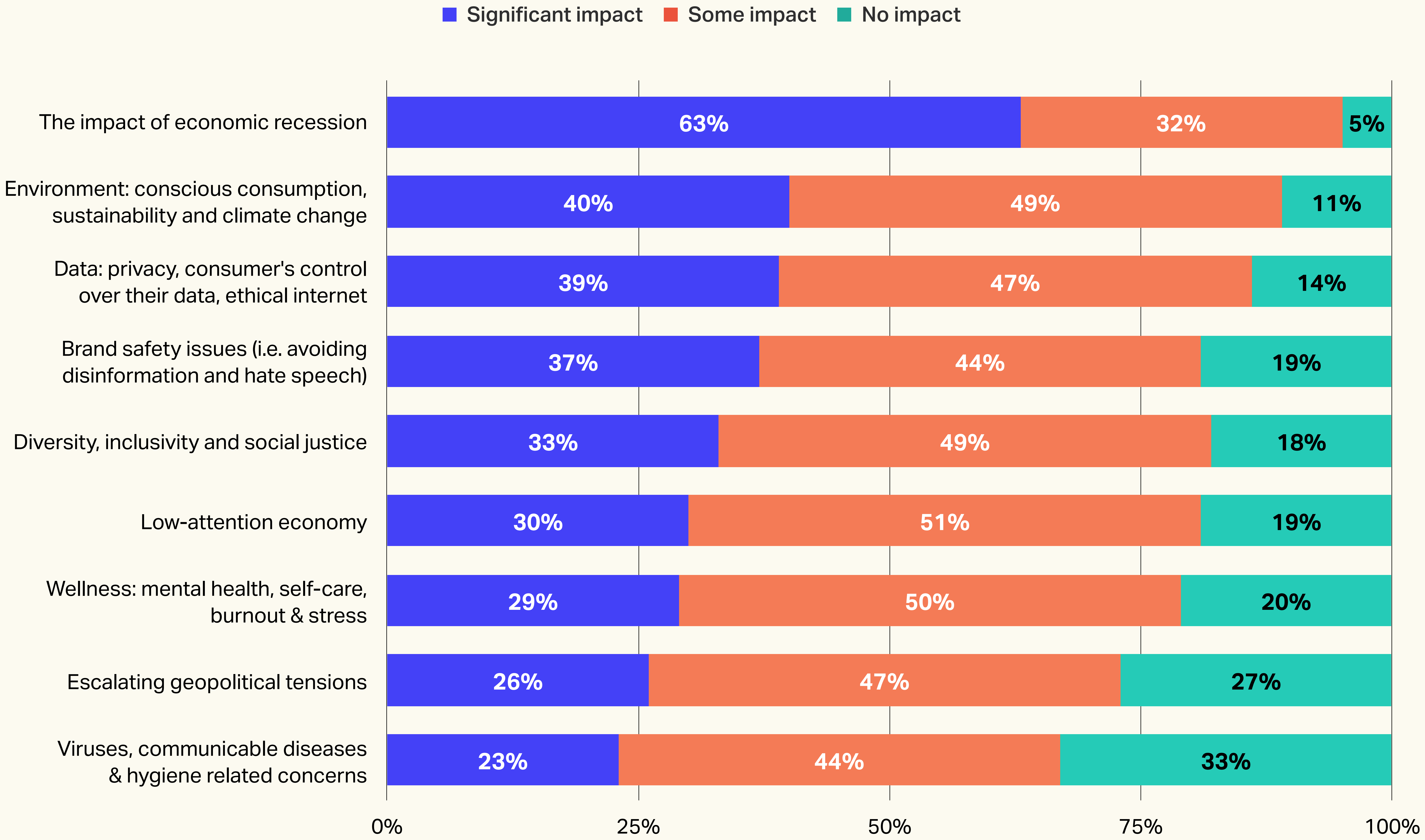
The 2023 Marketer's Toolkit survey asked respondents two pointed questions about how rising inflation is affecting their plans for 2023, and both showed addressing it as the number one priority.

In the chart at the right, 95% said "the impact of recession" was affecting their planning, with 63% calling that impact "significant".

The cost-of-living crisis was also cited as "the biggest cause for concern" amongst respondents, ranking number one for 37%.

Still, there are regional differences. Other survey data shows the impacts are being felt slightly more strongly globally than they are in North America, where media and audience fragmentation is worrying more marketers.

How important are each of the following societal topics and consumer concerns in terms of their impact on your 2023 marketing strategy?



How marketers are responding

Data from the Toolkit survey shows marketers are deploying many strategies to manage the economic situation, including a plan to "adjust spend between brand and performance marketing" on the part of 43%. As we've seen during prior economic slowdowns, there is also a healthy – or unhealthy – percentage (36%) who plan on reducing marketing spend.

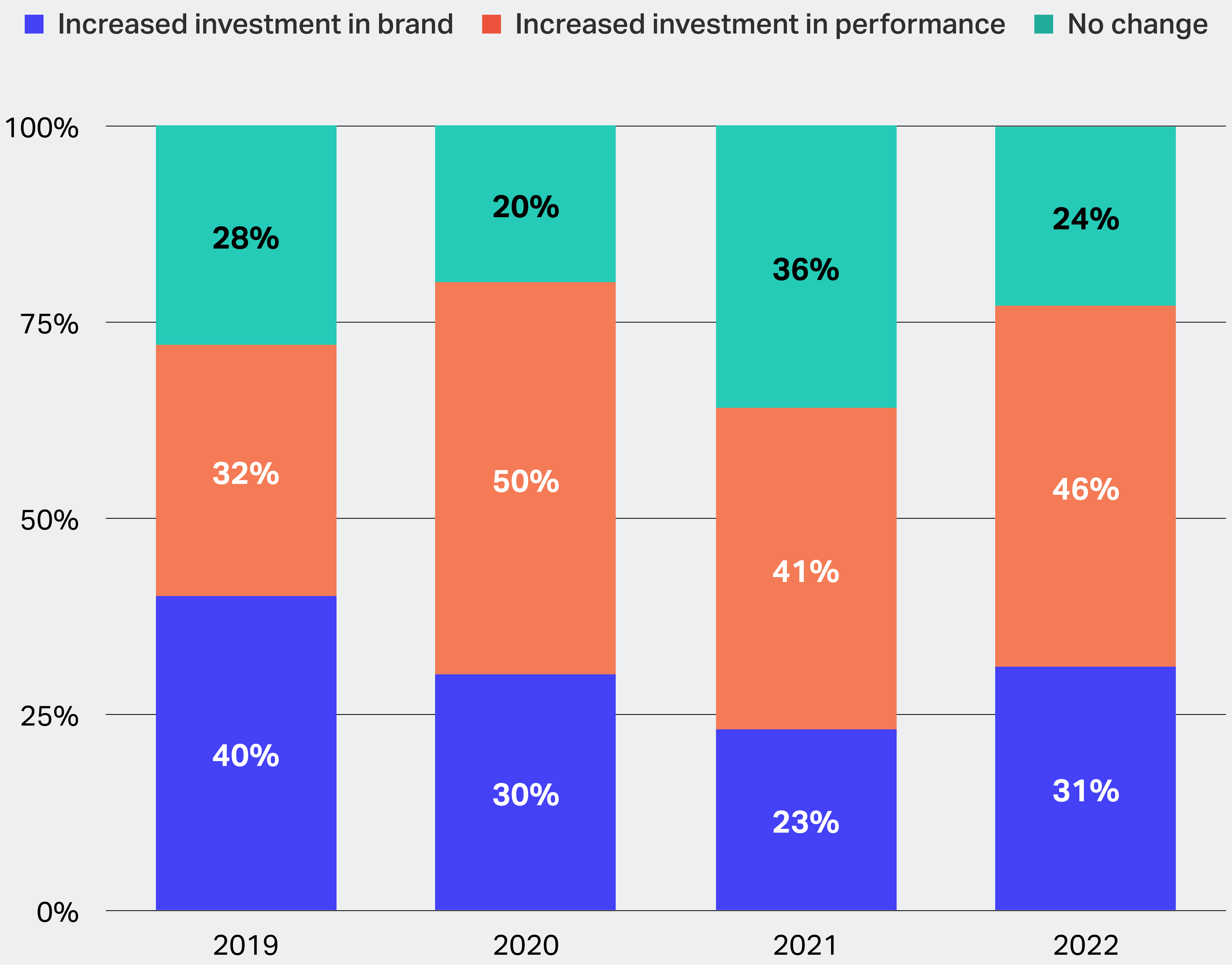
But here's where it gets interesting. More Toolkit respondents than last year are predicting an increase in budget in both areas. On the brand side, 31% say they are increasing spend, as compared to 23% last year. On the performance side, the split is 46%/41%.

One potential explanation is that more marketers are finally taking the advice to double down on brand spending during a downturn. Another is that there is clear recognition amongst respondents that the lines between brand and performance are getting murky, with 62% saying they see convergence between the two on digital commerce platforms.

When it comes to performance marketing, things are directionally clear, with 39% saying they are going to move budget to digital channels and 35% saying they plan on shifting to "value-focused offers and promotions".

Do you expect the balance of your investment in brand vs. performance to change over the next year?

(By survey year)



The case for continuing investment

The rush to cut advertising spend is understandable, especially in organisations where marketing isn't viewed as an investment – as is the focus on price promotions to support sales. However, evidence supports going in the opposite direction on both.

During downturns, marketers who continue to invest in brand advertising and are prudent about price promotions:

- Often weather increases in pricing better because they've built brand equity.
- Come out stronger, often because they focus on gaining excess share of voice (ESOV).
- Enhance connections with customers by also focusing on the tone of their messaging.

First, let's look at pricing; it's not something marketers are accustomed to because prices have been static for years.

Les Binet recently urged brands to use econometrics to get a handle on price elasticity, studying growth prospects and price pressures in their sector. While it's important to optimise around price, promotion and ad budgets, he noted brand advertising is the underpinning, supporting prices and margins. The "force multiplier" of creativity is also crucial.

Focusing on brand protects against price elasticity. And this can be done in many ways, via ESOV, innovation, and getting the tone of messaging right.

According to an analysis of the Advertising Council of Australia's (ACA) Effectiveness Database, ESOV has large business effects across all budgets, building mental availability when other brands go dark.

But don't let performance do the heavy lifting when building ESOV. British e-commerce clothing brand Asos is finding this out the hard way; its over-investment in performance (+80%) and failure to invest in long-term brand awareness has caught it in the "spiral of doom" where continual discounting erodes gross margins over time.

Does investment during downturns really work? Analytic Partners data from the last recession shows what happens when advertising Is considered an investment: brands that boosted their ad investment increased incremental sales by 17%; those that cut back saw an 18% contraction.

A few words about messaging

The tone of messaging is also a key consideration when marketing in a cost-of-living crisis.

First and foremost, brands need to convey sensitivity and transparency – don't resort to euphemisms when relaying bad news. Especially when having to raise prices, brands need to communicate their value, aside from price, and also realise that consumers may have enhanced expectations in areas such as customer experience.

Another technique is to rely on humour, especially for brands which commonly rely on it. In fact, following this advice might be a competitive advantage; humour has been declining in use since 2009, according to research from Kantar, despite its effectiveness in building emotional engagement. It is used most often in TV (37%) and YouTube (30%), but is less popular in print, outdoor and website ads.

System1's analysis of 2021 Super Bowl ads demonstrates humour's impact. Despite racial strife, polarisation and ongoing worry in the US about the pandemic, nine of the top 10 ads favoured by consumers employed humour. Notably, the only top ad that wasn't humorous – from the employment site Indeed.com – displayed empathy, another way that marketers can effectively use tone.

Marketing in a cost-of-living crisis is about expanding deep customer connections through savvy use of media and messaging. The evidence shows brands which embrace this will emerge from the crisis stronger than those that don't.

The CMO view

Linda Lee
CMO
Campbell Soup/Meats and Beverages

The recession is real. That's something that's led to a new effort on our end around value, marketing and messaging. At a time like this, it's important to not cut back on our marketing ... [and] lean in, not just to market; it's to lean into how we can help our consumers.

Jessica Spence
President of Brands
Beam Suntory

We are seeing a much sharper downturn in consumer confidence across Western Europe than we are in the US. You have to be constantly pushing to understand what people are experiencing. As we saw through the pandemic, people were very choiceful about where they spent their money.

Qaiser Bachani
Global Head of Digital COE and Europe Consumer Experience Lead
Mondelēz

In these inflationary times, where you are fighting for every other ... dollar that a consumer spends, consumers will always prefer brands that have strong equity. There might be a small dip or small growth, but the preference will always be to go for the known brand and brands that have been consistent in the past.

Case Study

P&G demonstrates value across pricing tiers

Advertiser: Procter & Gamble

Market: Global

At its 2022 annual meeting, CPG giant Procter & Gamble stressed that it is managing the cost- of-living crisis by focusing on product value and superiority. CEO Jon Moeller said that means to, "double down on the integrated set of strategies that have been delivering very strong results."

This includes:

- A portfolio of daily use products and categories where performance drives brand choice;
- Having what it calls "irresistible superiority" across product, package, brand communication, retail execution and value.

Part of the strategy entails promoting products across price tiers – the Tide laundry brand has price points for the US market ranging from 50 cents per load to about 20 cents. But the company is also driving value messaging, aside from price. Dishwashing brand Dawn, for instance, promises to clean up to 2,000 more dishes than a leading competitor.

Strong, value-based messaging extends across copy, packaging, and the virtual and physical shelf.

Results

On its most recent earnings call, P&G said:

- Organic sales grew (7%) in all product categories; P&G has maintained global aggregate market share.
- Mid-tier brands in the Fabric Care category have grown as consumers trade down, but stay within P&G's portfolio.
- Growth in private label purchasing has had little effect on P&G's ability to hold or maintain share.

Takeaways

- There are many ways, other than price, to communicate value; these can range from product benefits to how a product addresses concerns such as the environment.
- Giving consumers' options across price tiers helps them address their economic issues without resorting to price promotions.
- Think of every place a brand appears as a media channel, so that messaging isn't limited only to traditional advertising channels.

Explore the Case Study

WARC

Takeaways

1

The combination of inflation and a probable recession makes this an atypical downturn.

This also means the long-standing advice to marketers to maintain spending on brand advertising, and keep building share of voice, is even more important; Consumers in an inflationary environment may be even more likely to seek out less expensive brands.

2

Pricing can no longer be the 'forgotten P' since price increases are a central concern for consumers.

To get a handle on an individual brand's price elasticity, marketers should use econometrics, assessing the impact marketing investment has on price. Strong brands, which focus more on brand advertising than price promotions, have less price elasticity, and can also weather price increases better.

3

For all the focus on investment, don't forget how important the tone of messaging is in building connections with your customers.

One underutilised technique is humour, which, if used well, can be a competitive advantage, even during tumultuous times. A Kantar study of humour's effectiveness found that humorous ads are more expressive, involving and distinct.

Other chapters included in the full version of The Global Trends Report:

2 A reckoning for Big Tech

Shifts in demand, new competition and the blurring of product categories mean that gravity is finally starting to affect technology leaders, forcing new strategies from them in 2023.

3 The era of "bubble up" culture

Technological and societal trends have split traditional segments into different ideological and interest-based communities. Increasingly, effective marketing will require marketers to target messaging based on these elements.

4 The clash of demand, delivery and disruption

War, climate change and inflation are all creating unprecedented disruption for global supply-chains. Consistent inventory and reliable delivery of products will emerge as an important differentiator in 2023.

5 Price vs. planet: A false dichotomy

Marketers will need to balance sustainability initiatives with increased price sensitivity from consumers in this current economic environment.

Subscribe to WARC today for access to the full report.
To find out more about WARC subscriptions, click here.
Not sure if you already subscribe to WARC? Click here to find out.

Contact us

David Tiltman
SVP Content
WARC

Aditya Kishore
Insight Director
WARC

Lena Roland
Head of Content
WARC Strategy

Stephen Whiteside
Managing Editor, Reporting
WARC

Cathy Taylor
Commissioning Editor, US
WARC Strategy

Alex Brownsell
Head of Content
WARC Media

Anna Hamill
Senior Editor, Brands
WARC

Paul Stringer
Managing Editor, Research & Advisory
WARC

Helena Robertson
Research Executive
WARC

Stephanie Siew
Research Executive
WARC

Sian Bateman
Manager, Content Analysis
WARC

London

33 Kingsway
London, WC2B 6UF
United Kingdom
e: enquiries@warc.com

New York

55 W 46th St, 27th Floor
New York, NY 10036
United States
e: americas@warc.com

Singapore

WeWork
71 Robinson Rd
Singapore 068895
e: asiapacific@warc.com

Shanghai

Unit 05-08, 31/F, Garden Square
968 West Beijing Road, Jing'an District
Shanghai 200052, China
e: nihaochina@warc.com

The Marketer's Toolkit

The 2023 Marketer's Toolkit comprises a series of reports designed to help marketers address major industry shifts as well as provide them with decision-making tools to help drive marketing effectiveness in 2023.

It will help them adapt swiftly to the main areas of disruption anticipated in the industry. Additional modules of the Marketer's Toolkit 2023 will be coming soon.

China Marketer's Toolkit

Granular insight and analysis of the China market

Future of Digital Commerce

Insight into the development of the digital commerce channel for marketers

Future of Media

Developing trends in advertising spend coupled with insight into marketer attitudes

Who we are

WARC
AN ASCENTIAL COMPANY

At WARC, our purpose is to save the world from ineffective marketing by putting evidence at the heart of every marketing decision.

We believe that effective marketing is based on facts and not opinions.

Since 1985, we've brought confidence to marketing decisions through the most trusted research, case studies, best practice, data and inspiration.

Today, we help 75,000+ marketers across 100+ countries. Our clients include the world's leading brands, advertising and media agencies, media owners, research companies and universities – including the top-five largest agency groups and top-five largest advertisers in the world.

Want to get access to WARC?

Get a demo

ASCENTIAL

Ascential Intelligence & Events is the proud home of world-class, established brands including WGSN, LIONS, WARC, and Money20/20. Whilst we serve multiple industries, including marketing, advertising and fintech, each brand's reason for being is the same: we focus on the future, drive innovation and lead our customers towards new opportunities.

We do this through our unique content, insights, data, benchmarking and forecasting tools through a variety of platforms, including digital subscriptions, consultancy and must-attend events.

We value creativity, empowerment and execution and we make the world a better place by helping companies be more relevant, seamless and creative.

With almost 1,000 employees across five continents, we combine local expertise with a global footprint for clients in over 100 countries.

Ascential Intelligence & Events is part of Ascential plc, which is headquartered in the UK and listed on the London Stock Exchange.