The Pandemic's Impact on Marketing:

Experiences, Challenges and What the Future Holds

Produced by

THE ANALYST SYNDICATE | SINC

About the Report

North America

Technology

C-Level, SVP, VP, Director

Marketing Executives

Table of Contents

The 150 Marketing Professionals responding to our recent survey felt this is an unprecedented time. The majority feel professionally challenged because:

- What used to work before doesn't anymore. Events and many other marketing investment areas are inoperative.
- Budgets have been cut and aren't likely to return to full health any time soon.
- A third are working on new products and marketing segments, but most do not have the go-to-market funding they need to launch.
- Many are working in the dark, owing to uncertainty about competition, economics, and the pandemic.

It's happening to almost everyone in marketing! We're all in this together.

1 Today: "It's not working anymore!"

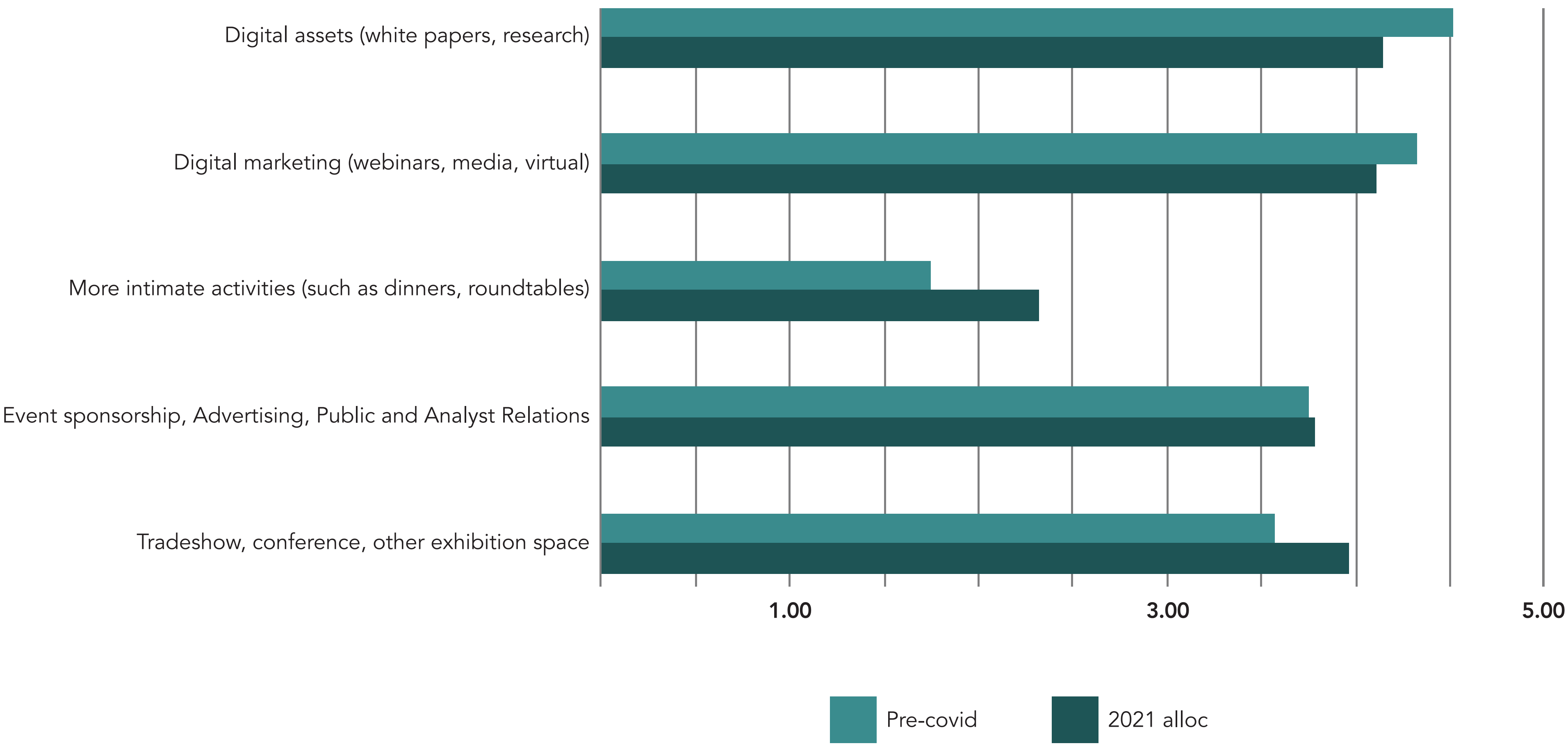
2 The next end state: how a new-new normal emerges.

3 Act now! Don't wait for the new-new-normal to arrive.

1. It’s not working anymore.

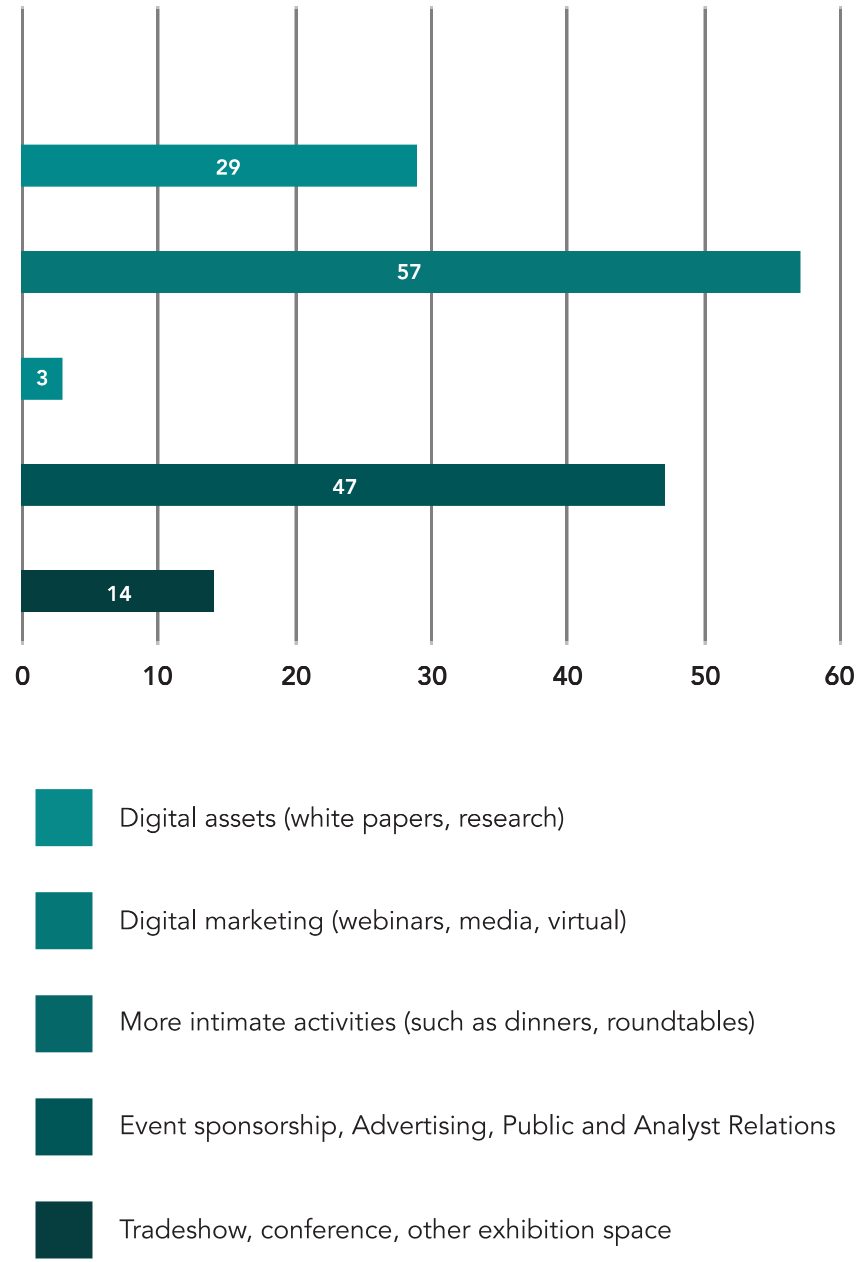
As shown in Figure 1, marketing category priorities for 2021 doesn’t look too bleak. We asked respondents to rank marketing categories from the lowest (1) to the highest priority (5) both before COVID-19 and for 2021. There are priority shifts, but they don’t look too prominent.

Figure 1. Marketing category priorities, pre-COVID vs. 2021



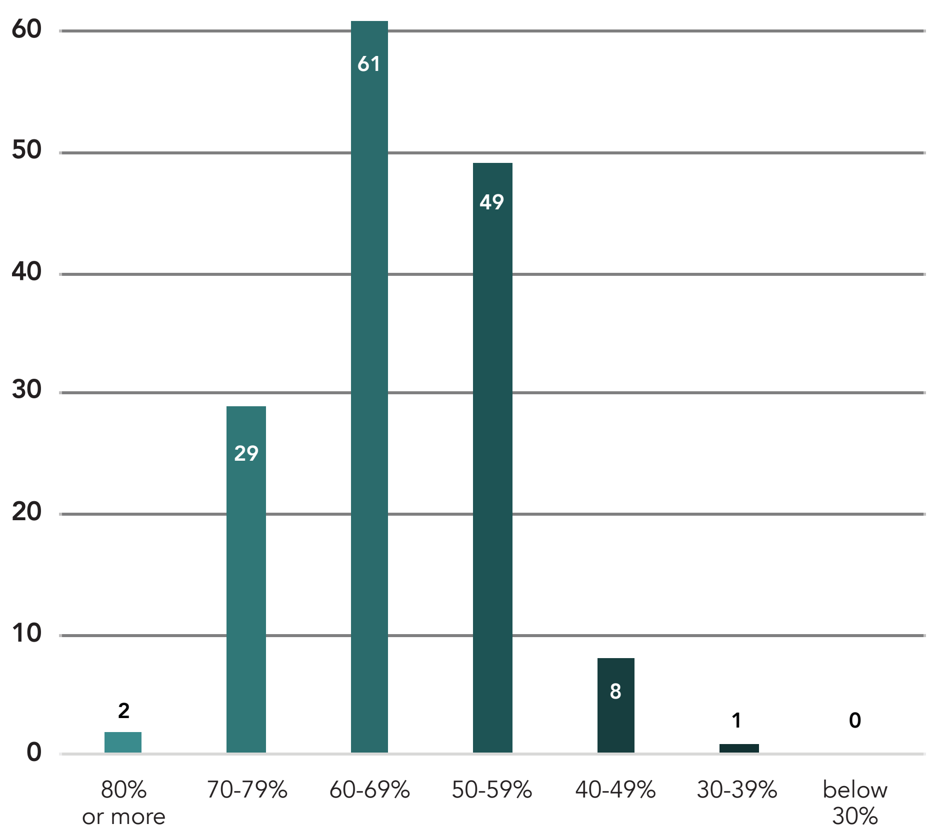
We then asked respondents to lay money down on these categories, and the magnitude of the change becomes far more apparent, as shown in Figure 2. Dinners and roundtables have decreased significantly. Tradeshow, conference, and other event space spending (a very big category pre-COVID-19) has also seen a considerable decline. Digital marketing (webinars, media, and virtual events) is projected as the biggest spending area across all respondents. We also know from discussions in the industry that many alternative investment areas (such as virtual conferences) are, for the most part, not providing the same return as the discontinued earlier practices (such as physical conferences.)

Figure 2. 2021-2022 Primary marketing spend destination



Marketing budgets have been slashed, on average, by 42% for 2H2020. We explicitly asked about budget retention. Figure 3 shows the range of responses we received, with, for example, two respondents saying they retained 80% or more of their budget, 29 kept 70-79% of their budget, and so forth, down to the unlucky one person who reported retaining only 30 something percent of their original budget.

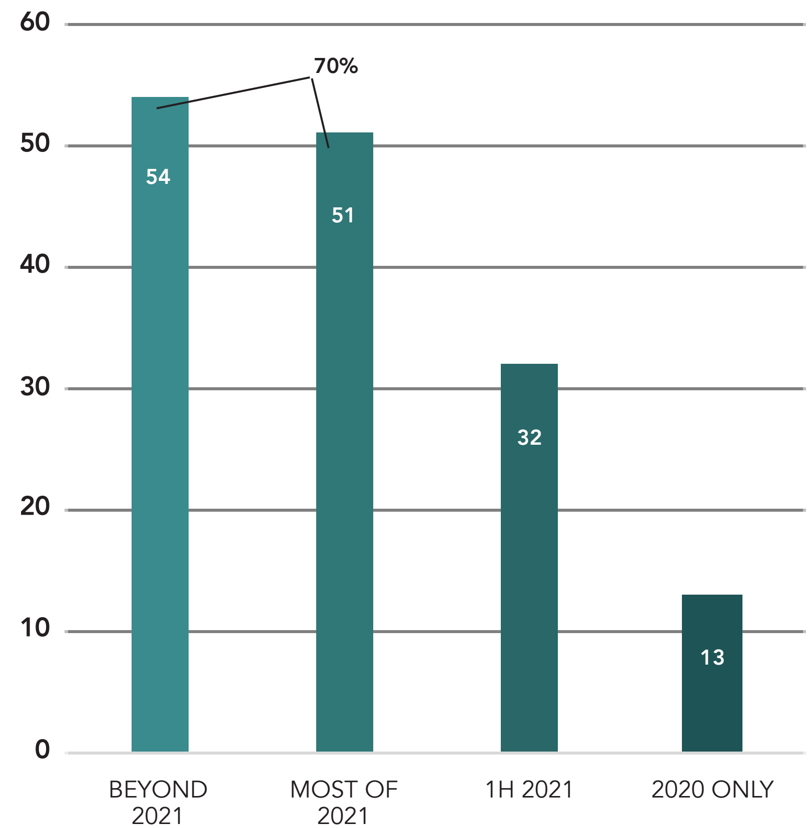
Figure 3. Marketing budget retention level, 2H2020



Although we'd like to say the data shows these challenges diminishing, they continue to paint a tough picture.

As shown in Figure 4, 70% say budget cutbacks will last at least one year, if not longer.

Figure 4. The impact of COVID-19 on marketing budgets will cascade for years



Forty-six respondents told us they're working on new products or going after new market segments. As shown in Figure 5, they intend to help clients in several areas, listed from most to least often cited.

Figure 5. New business initiatives - Help clients

- Transform their businesses
- Operate in new ways
- Exploit what AI can do
- Enhance infrastructure (including cloud and security)
- Provide contactless capabilities
- Deal with the pandemic
- Exploit emerging technologies

That's very promising, but most organizations pursuing these initiatives don't have the required go-to-market funding. Only 26% say they're funded at the 90% or better level, while 33% say they have less than half the budget they feel is needed to succeed.

Finally, there are the great unknowns: organizations are honest in saying they are unsure of what's happening. 48% expressed significant uncertainty about the economy and the course of the pandemic, while 26% worry about another unknown: how their competition might be responding to the COVID pandemic.

2. The next end state: how a new-new normal emerges

Reality is a harsh mistress. Optimism is crucial but, we cannot assume business patterns will return to their "old normal" and expectations on things rebounding to levels we all saw in 2019 anytime in the next several years must be managed. COVID-19 has drastically altered the "old normal."

Hope springs eternal. The Met (New York City Opera) recently announced they were canceling their 2020-2021 season. The next event they host will be in October 2021. That is possible and offers some reassurance, but should not be used as a hallmark of recovery of business events.

There are several waypoints to watch business progress from the old normal to a new, post-pandemic, normal. We'll focus on three:

1. Creative destruction. Post-crisis, senior leadership teams may seriously question assumptions they previously took for granted and refuse to reflate flattened budgets just because the COVID-19 crisis appears to be over. Defensiveness won't win. Think creativity and resilience, so they have more to consider than just how much the cuts impact operating results – market share, revenue, and profit.

2. Pandemic freedom. How long will it take, from right now, for the pandemic-infection fire to cool enough to at least appear to have been defeated? What are the critical risks in getting to that point? How does this waypoint impact event marketing in particular and enterprise business in general?

3. History lessons. Examine the history of earlier business cycle recoveries. How have previous business cycles recovered from catastrophic collapses? What does that suggest we should look for as the next key waypoints?

Waypoint 1:

Creative destruction is a concept in economics popularized by Joseph Schumpeter, where the invisible hand of the market changes industries and whole economies. In recessions and catastrophes, creative destruction operates within enterprises as reduction of budgets allows executives to re-examine standing assumptions about how to run their businesses.

Events such as the recessions of 2001 and 2008, as well as catastrophic events such as the 9/11 attacks, produced forced changes in spending levels and mixes.

Budgets don't get automatically restored. Ordinary budget items that have been approved without question every year (with minor variations) could well stay at zero after the pandemic crisis is over.

These are learning opportunities for the senior leadership team to determine what is and isn't essential to the business, like an unplanned A/B test for the enterprise. Executives can discover where spending wasn't as effective as everyone expected it to be and other areas where spending was more effective than thought. They can find out, for example:

- What if we don't restore our live physical-events investments? How does that impact sales, share, and revenue?
- Why not keep it at 30% of normal for the next year or two post-pandemic? How will that affect the cost and quality of leads generated and orders booked?
- Are there entirely new or different ways of achieving the same end business result with greater resilience and lower cost and risk?

It's a chance to shake out worn-out business assumptions and give birth to new ones.

Waypoint 2: Pandemic freedom

Assume the pandemic fire has cooled substantially in a year, that is, by mid-late 2H 2021. (That's what the Metropolitan Opera is counting on – and many of us are hoping for as well.)

Caution: That estimate may be a little too optimistic. It could take three or more years to get to the point where COVID-19 and related infections occur infrequently enough and fail – most of the time – to spread.

Net: The 90 percent likely time range for hitting waypoint 2: one to three years. See the waypoint 2 variables in the sidebar for a list of some of the factors impacting the timeline.

Waypoint 2 Variables

Optimistic assumptions

- The first vaccines proven safe and effective will be approved for use by 2020 years-end.
- Industry will manufacture a quarter to half a billion doses for the American population.
- A process for deciding who has priority for immunizations will be determined and effectively executed.
- Logistics problems may intrude (e.g., one of the leading drug candidates must be kept at -70 degrees during transport and storage). This risk may not appear, and if it does, assume it's managed properly.

Unknowns creating uncertainty

- How many vaccinations will each person need to be protected, and how often?
- Some vaccines need to be administered twice, weeks apart, to each recipient.

How many doses will be needed to exploit "herd immunity?"

- Vaccines must protect for six months to be considered effective. We don't know how long the vaccines will be effective beyond that limit. We need longer-term test data to know. (We also don't know how long people who have been infected remain immune from the disease.)

- Effective vaccines are not 100% effective either. A vaccine needs only be 50% more effective than a placebo treatment to be considered effective.

- US states such as Wyoming are saying 30% (or more) of their population are anti-vaxxers and won't take the vaccine.

- Others are reluctant to take the vaccine because they fear they've been rushed to market to meet political objectives.

- Based on serology-studies, the Economist estimates that somewhere between 500 million and 730 million worldwide have been infected—from 6.4% to 9.3% of the world's population. That's a far cry from the 70-90% needed to achieve "herd immunity" and protect the uninoculated, the immune-deficient, and the immune-suppressed.

Waypoint 3: Learn from the past - examine the history of earlier business cycle recoveries

How have previous business cycles recovered from catastrophic collapses? What does that suggest we should look for as the next key waypoints?

We are not predicting the COVID-19 pandemic will create the same negative phenomena as the 9/11 attacks or the great recession of 2008. These examples illustrate how long it may take, in general, for enterprise marketing events and similar activities to recover to their 2019 levels.

US Business Cycle examples and recovery periods

- Airline passenger traffic after 9/11 – 3 years to recover
- Airline passenger traffic after the 2008 recession – 6 years
- Auto sales after the 2008 recession – never returned to the previous peak
- Residential mortgage delinquencies of 90 or more days after the 2008 recession – 6 years
- Bar and Restaurant employment in Louisiana, post-Katrina – 6 years

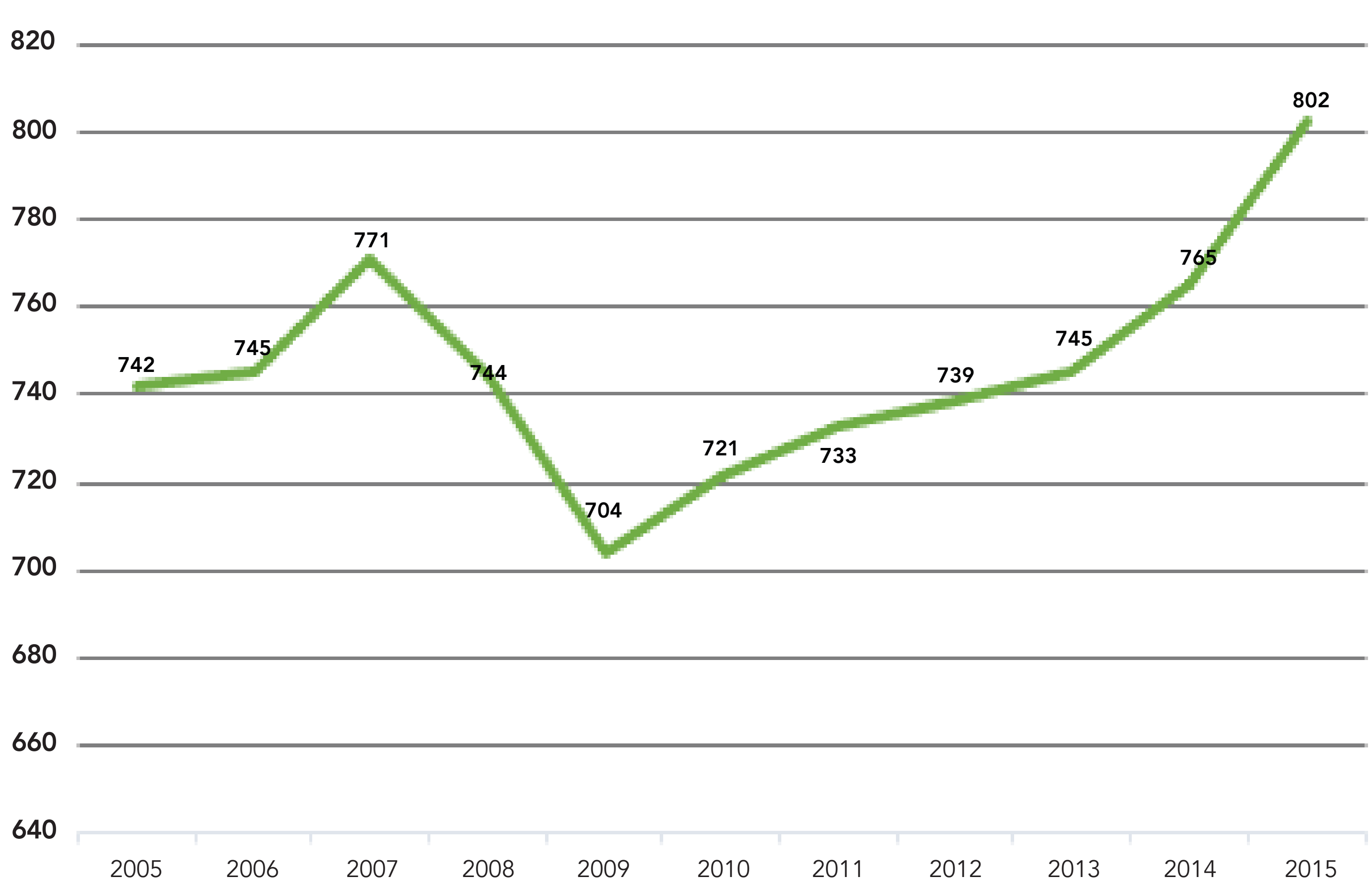
These cycles suggest a reasonable time frame for recovery from the pandemic induced business events crash could be between three and six years. At this point, the 3-year scenario seems less likely than the 6-year one. (There are other, lower probability outcomes we've removed from this report.)

Airline passenger traffic

In the August preceding 9/11, the airline industry experienced a record high in the number of airline passengers for a given month when 65.4 million travelers took to the air. After 9/11, that number trailed off dramatically, and it took nearly three years, until July 2004, for the industry to match and finally surpass the pre 9/11 levels.

After the recession of 2008, it took more than six years for US airline passenger traffic to equal or exceed the peak of 771 million recorded in 2007, which it finally did in 2015, as depicted in Figure 6.

Figure 6. US Airline Passengers, Millions, by year



Auto sales

The economic crash after the 2008-2009 recession resulted in a prolonged US auto sales slump. After the 2008 recession, US auto sales never returned to their 2006 peak.

Mortgage delinquencies of 90 days or more

Figure 7 shows the proportion of mortgages 90 or more days delinquent in January 2008 was 1.6%. They rose to a peak of almost 4.9% in January 2010. They didn't return to 1.6% until nearly six years later in October 2015.

Figure 7. Percentage of mortgages 90 or more days delinquent

Bar and Restaurant employment in Louisiana after Hurricane Katrina

Employment in Louisiana bars and restaurants fell 21% between July and September 2005. Six years later, bar and restaurant employment finally surpassed the levels of 2005. (Business Insider)

Be careful interpreting this data. We are not predicting the shape of COVID-19 related employment impacts, changes in mortgage delinquencies, or decline and recovery rates for automotive sales or airline traffic. These curves provide some guidance on how long, overall, it may take for enterprise marketing programs to equal or exceed their 2019 activity levels.

Waypoints 1, 2, and 3 taken together.

The event business is on life-support (or in an enclosing bubble.) It won't come back before business people are comfortable that live event-activities are safe.

- There are three overlapping recovery inhibitors:
  - Waiting for pandemic freedom (potential cost: 1 to 3 years)
  - Budget recovery after internal creative destruction (potential cost: 2 to 4 years)
  - Historical aggregate recovery times (potential cost: about six years)
- These cycle times don't add, one to the next. But they are not likely to occur entirely in parallel either. Assume this is a seven-year cycle, from today to the point of complete (albeit altered) recovery by the end of 2027 (potential range: 2025 to 2029).

These are all averages, and you're not average, are you? If you are, change up! Become more creative and focus on stellar return and resilience while experimenting.

Which takes us to…

3. Act now! Don't wait for the new-new normal to arrive

Don't wait for a full recovery, and don't just lobby for the marketing-programs budget-cuts to be restored.

Budget Planning

We assume that it will take seven years (plus or minus two) for the business to get over the disruption from the pandemic.

You should be more aggressive, assuming, for example, that it will take only four years – plus or minus two. Ensure management understands you are being aggressive and have included contingencies should the rate be more in line with our more conservative assumptions.

1. Baseline. Establish a baseline marketing-programs funding rate for each year from 2021 to 2024 that grows funding at the same rate as your enterprise sales projections.

2. Cost Uplift. Estimate how much the cost per lead (or other marketing programs KPI) will increase because of cuts in the most effective (face-to-face) programs. Include an extra factor to represent the higher level of outcome-uncertainty during the recovery period. Add this to your baseline budget request.

3. Experimentation and resiliency planning. Recall our previous observation: this is the opportunity to shake out worn-out business assumptions and give birth to new ones. Put in an extra spending request to cover the costs of experimentation and testing of new and alternate methods to accelerate marketing program recovery and provide additional resiliency should that be necessary.

Ensure you have some of the experiments and innovation programs reasonably well defined. Aggressively seek out suggestive data that can help executives evaluate which experiments to pursue.

Activities

Exploit internal creative destruction. Crises like this create opportunities to experiment, try new alternatives, change the paradigm, or reinvent the process.

People crave networking. Exploit that. Consider creating, testing, and refining various techniques:

- Host small virtual gatherings
- Build customer communities
- Sponsor research projects, perhaps some chartered by vendors, some by user groups
- Hold limited size, short, in-person events like lunches for half a dozen key customers in a single city
- Customer advisory councils can be a great addition to every business – by city, and then by region as pandemic freedom emerges

Learn from others. Keep an ear to the ground and watch what others are doing. Use resources in hospitality and transportation to keep you informed of future events that others are planning (discount hopes, credit results.)

Recovery will not be an all-or-nothing event. Some aspects of event-style marketing will recover more quickly.

Recovery will vary on many dimensions, including geography and demographics, activity-type, level of participant commitment required, and experience with the experiments of other organizations. Do aggressive A/B (multivariate) testing:

- Geography: some geographies (and demographics) will become pandemic-free before others. And you can test market readiness to engage with various techniques, e.g., offering dinner at three different dates a quarter of a year apart and rescheduling based on commitments for each of the dates.
- Activity-type: vary the duration of the event (virtual only, 1 hour in-person socially distanced and masked meeting, a dinner event, a two-day seminar) to test readiness.
- Level of commitment: request for more information, reservation, financial obligation, types of transportation required (flying across an ocean requires more of a personal health-related commitment than taking an UBER for a 15-minute ride.)

The new-new normal will slowly emerge and evolve and diffuse across industries over a several-year period. Many early-stage experiments will fail but provide evidence of tweaks that may be more likely to succeed.

Start small. Engage in many small starts and experiments. Limit risk and cost while discovering ways to increase scale as the recovery begins to set in.

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