KANTAR

Pandemics, Politics & Business

Closing the Distance on The Future of Marketing

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bit.ly/FutureViewPandemics

- Thank you very much for joining this webinar on "Pandemics, Politics & Business." A few standard preliminaries to start. First, we are recording of this session and it, plus this deck, will be available at the web address you see here, which will be shown on every slide. Second, at this web page you will also find links to other Kantar material. One thing in particular is a 7-step brand checklist we put together about exactly what to do in the midst of this pandemic. Third, we won't have time for questions today, but please submit them via the chat function, and we'll follow up.
- This FutureView webinar today is kind of ironic because we started these after the terrorist attacks of 9/11. From that came a tradition of end-of-the-year webinars looking ahead. After the financial crisis, we began to do these more frequently and we have settled into a FutureView in March and another in October. Our focus is always on change, and on what brands must do to keep pace. The objective is to look ahead, and that's what I want to do today.

Critical Takeaways

- This is a **disruption** — like many before. We **know** how disruptions work.
- Disruptions shape the future by **fast-tracking** emerging trends.
- The shift to a **public role** for brands will accelerate.
- To do this amid polarization, **health & local** are key opportunities.
- These will manifest as **hygiene & self-sufficiency** post-pandemic.
- The recovery will be **cycling** waves of containment and outbreaks.
- The future will begin to find firm footing in **18 months** or so.

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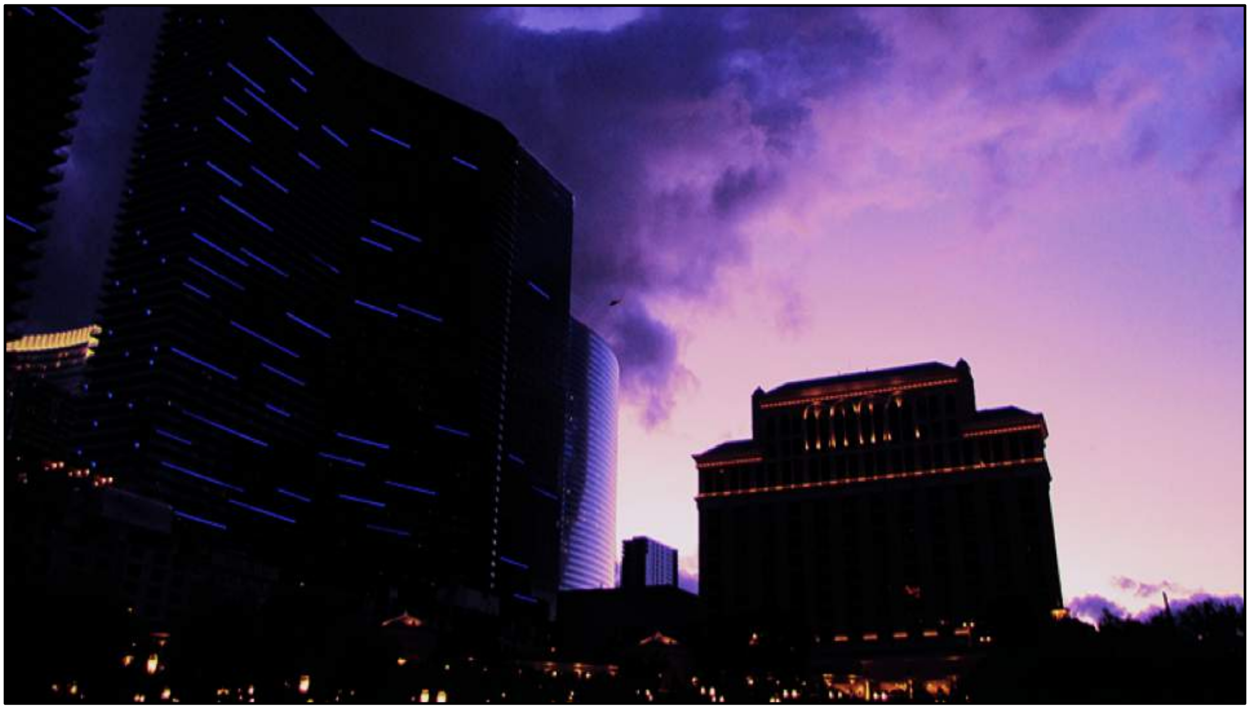
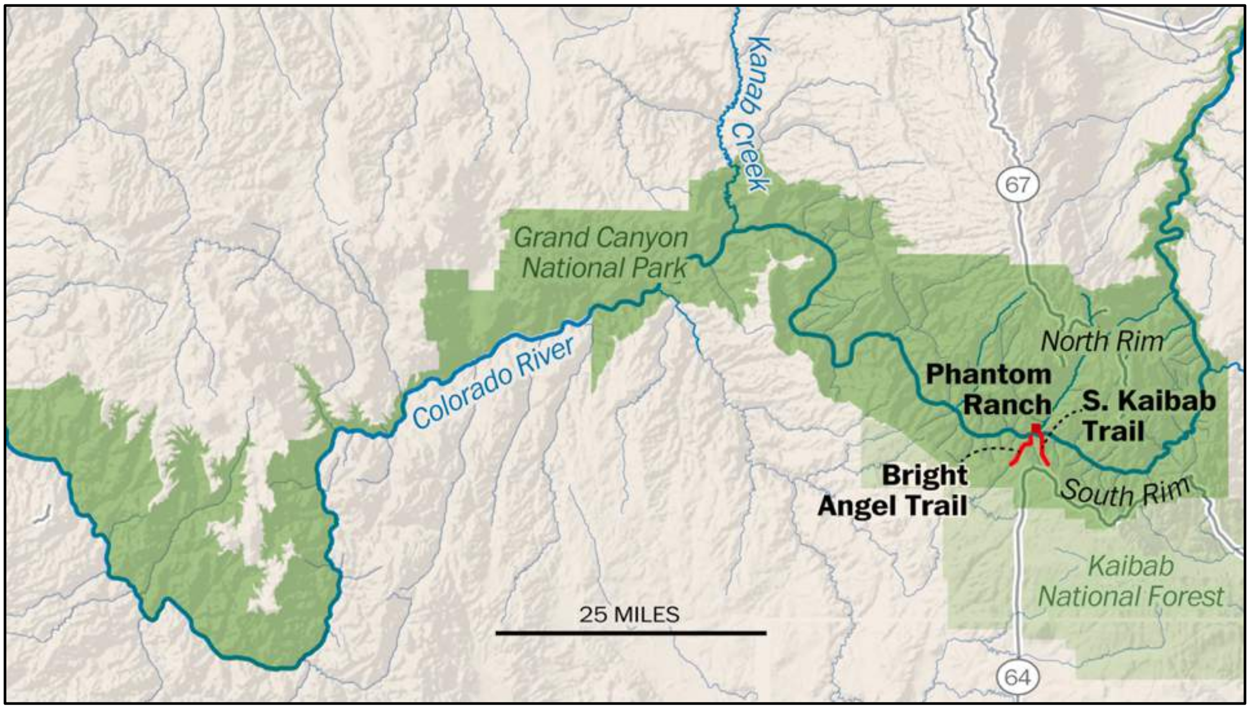
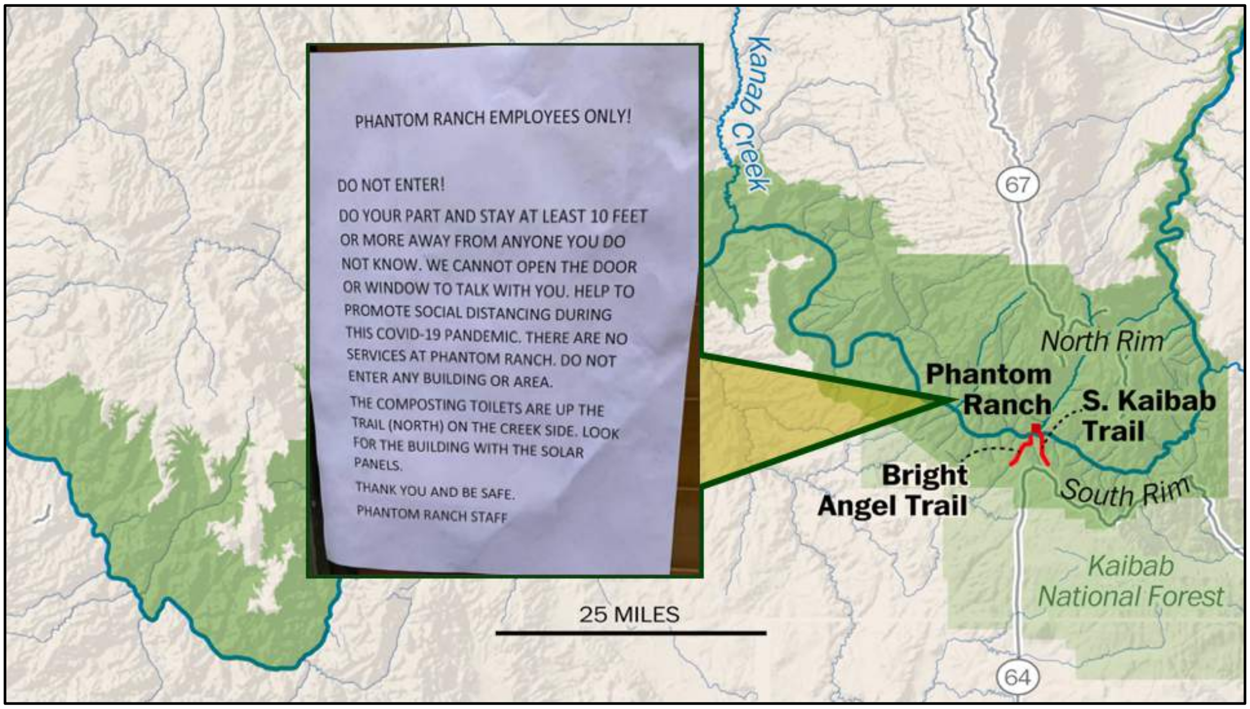
- Let's not beat around the bush. Here are the key takeaways of this FutureView.
- What we are facing is new but also not new. The pandemic is new, but from a business point-of-view the pandemic is a disruption more than a disease. And we know how disruptions work. So we should feel confident about moving forward. We can see where we're headed. We can plan with confidence.
- Disruptions work by clearing the way for underlying trends to find the mainstream and become dominant.
- The underlying shift in marketing is toward brands assuming a more public role. We call this the Era of the Public, and the expectation is that brands will deliver not just better stuff for a better self but for a better society, too.
- This is complicated, however, by politics. So it is hard for brands to take a public role that is not controversial. This means finding proximate opportunities that can bridge this gap. And the two highest prospect opportunities like that are health and local. So these are the dynamics bubbling up beneath the surface.
- The pandemic puts a new gloss on these two areas. So think hygiene and self-sufficiency.
- But getting there is going to require a robust, resilient approach. We should expect a cycling of waves of outbreaks that periodically shut down pieces of the marketplace until we a vaccine in hand.
- We will get through this, though. And we should begin to see this new future no later than next year. That's coming up pretty fast, though, so even in the heat of this moment, brands need to start planning now.



- None of what I just summarized is to minimize the fact that we are in a perilous moment. Even Las Vegas has been shuttered by the coronavirus pandemic. Vegas has never closed for anything before. Until now.

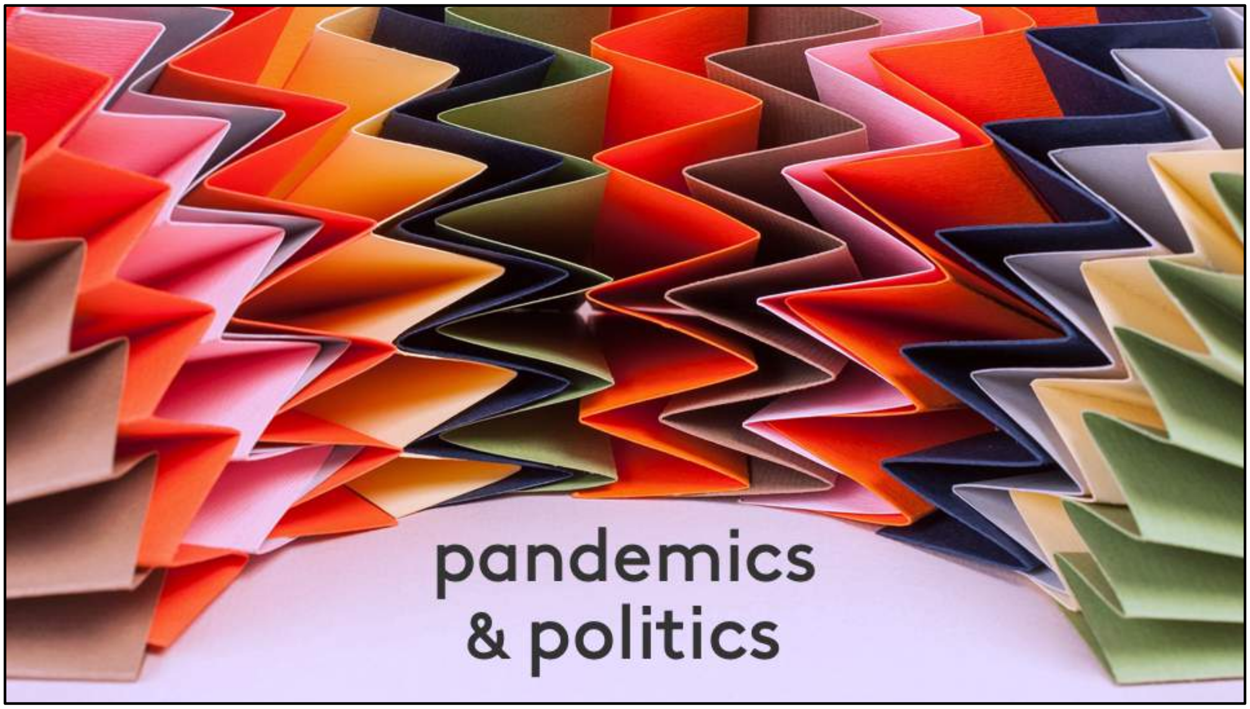


- Indeed, no place has been unaffected. Phantom Ranch is an historic lodge that sits one mile below the North rim of the Grand Canyon. It is accessible only by foot or by mule down a few rugged trails that are patrolled by park rangers who must regularly rescue casual hikers who underestimate how punishing that back country can be.

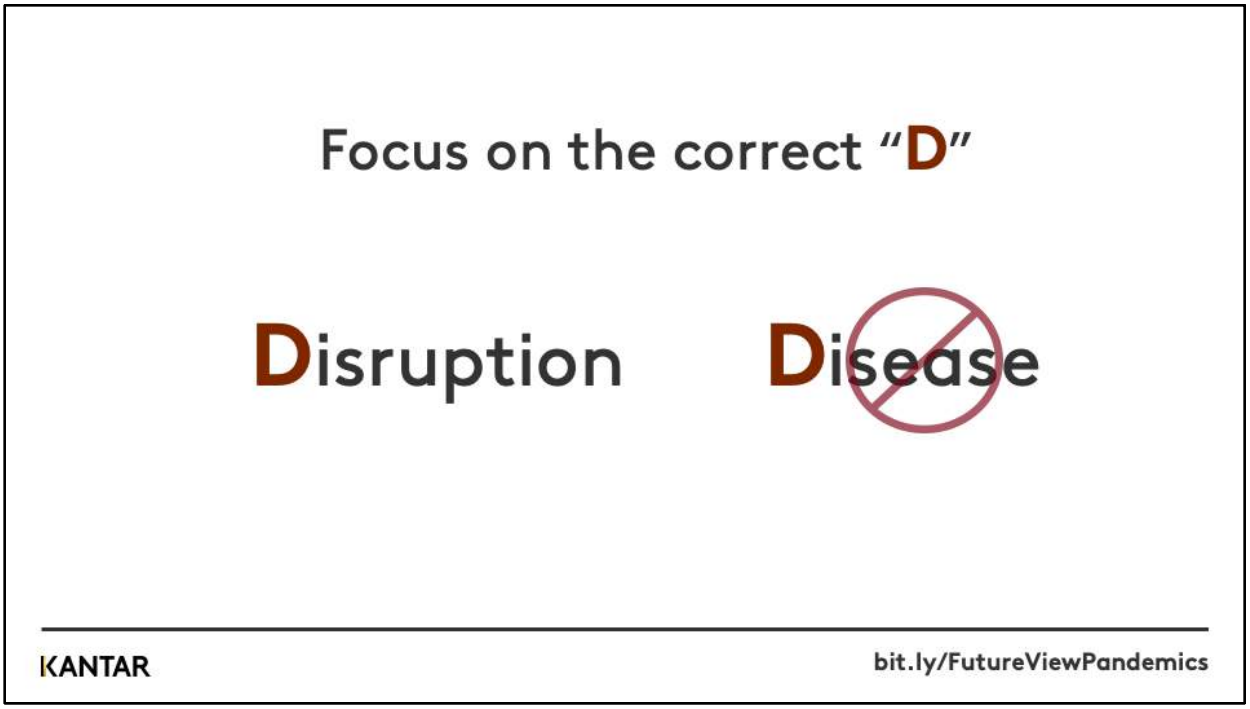


- And yet, the coronavirus has shut down Phantom Ranch, too. This is a picture of the sign now hanging at the door of the lodge telling people to stay away.
- The reach and impact of this pandemic can feel crushing. But let’s take a step back and put this in some perspective.

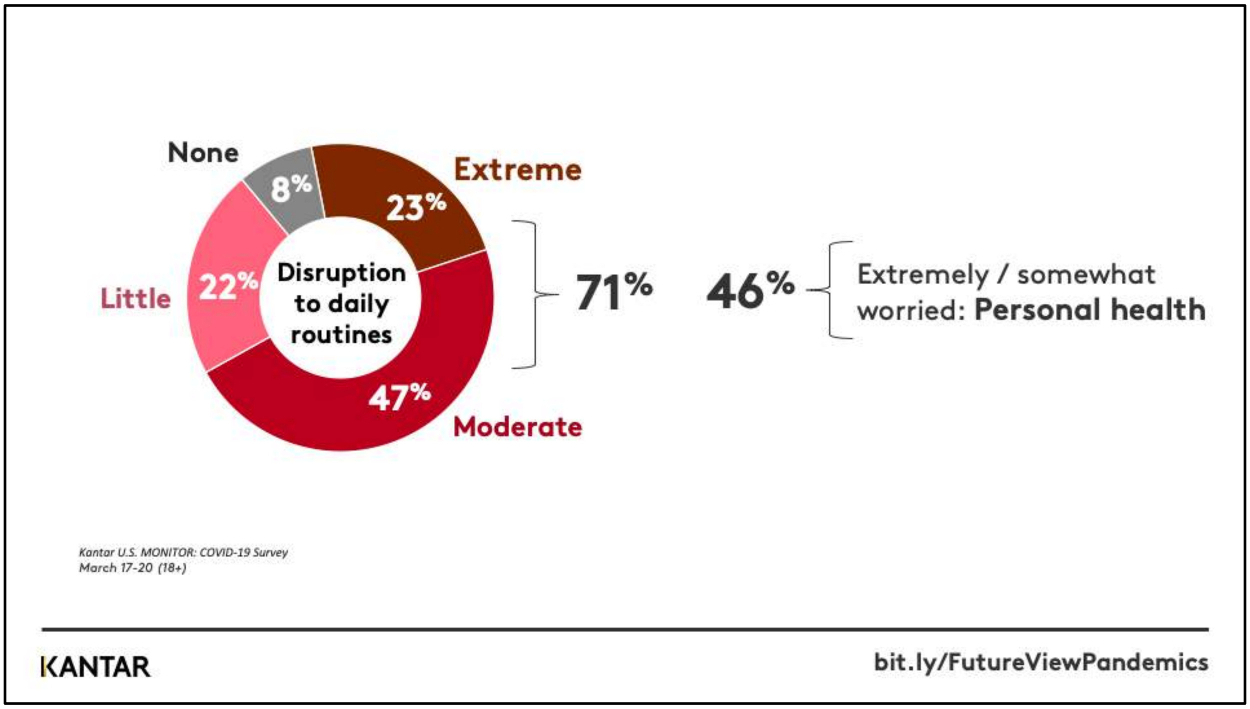
- Just a few weeks ago we were also sounding alarms, but then it was politics. Back in mid-February, our commercial focus was squarely on what politics meant for brands. Yet even with the pandemic now commanding center stage, politics hasn't gone anywhere.
- The future for business hasn't swerved so much as it has enlarged to include the coronavirus pandemic. In fact, we have seen that politics also matters in the pandemic. So to understand the future of marketing, we must keep the aperture of our perspective wide open.



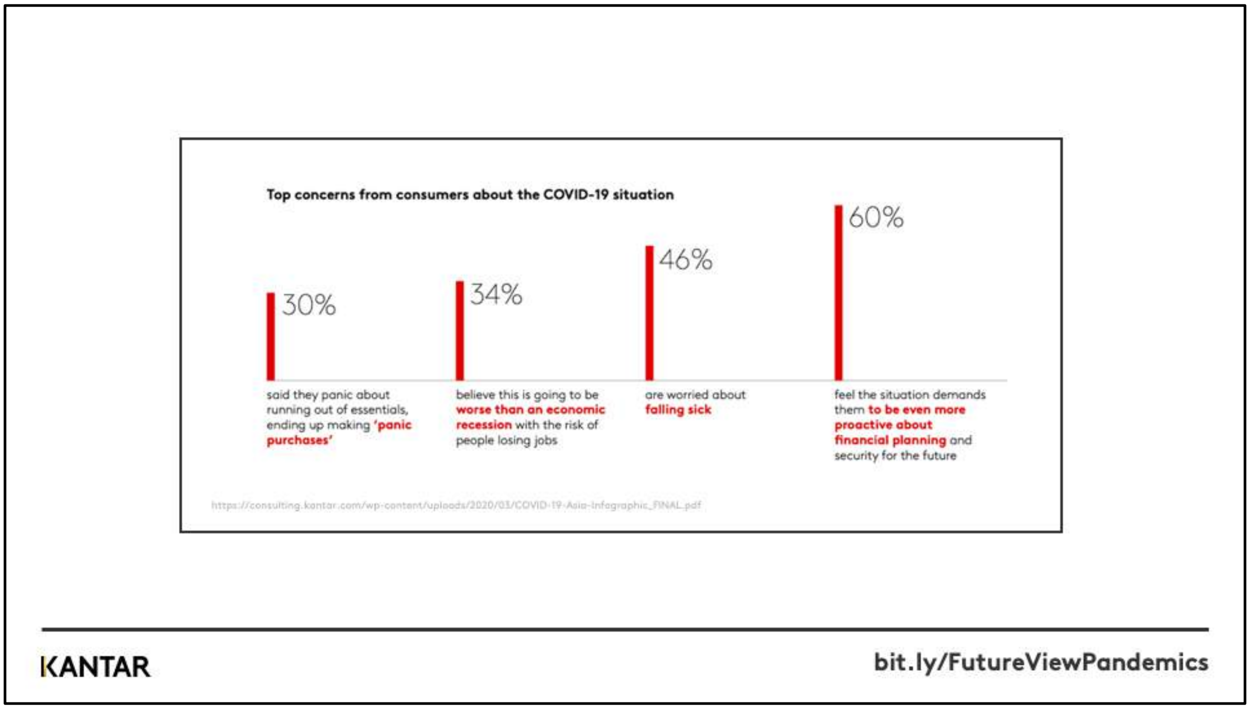
- I'm going to talk today about the future of business and marketing in the context of both pandemics and politics.
- And this focus on the future means I am not going to talk about the spikes in shopping, buying, or opinions that are facing brands at this moment. Kantar Worldpanel is tracking buying like that, and the Kantar China group has completed a comprehensive analysis of the shopping impact there. The new Kantar C19 Barometer is tracking consumer sentiment across 45 countries, and soon to be more. The retail group is doing a weekly webinar. The media group is tracking daily news stories. And I am doing a weekly video curation of all the public opinion polling being conducted. On the same web page as the replay for this FutureView, you can find all that we are doing within Kantar to keep our finger on the pulse of the moment.
- But we must look ahead to where this moment of disruption is taking us. The recovery will arrive just as suddenly as the disruption. And if we don't want to be taken by surprise twice in a row, we need to think now about tomorrow.
- In fact, the world beyond pandemics and politics was emerging already. Indeed, as we shall see, it turns out that pandemics and politics mean the very same thing for the future of business and marketing. And thus together, they will close the distance on this future even faster.



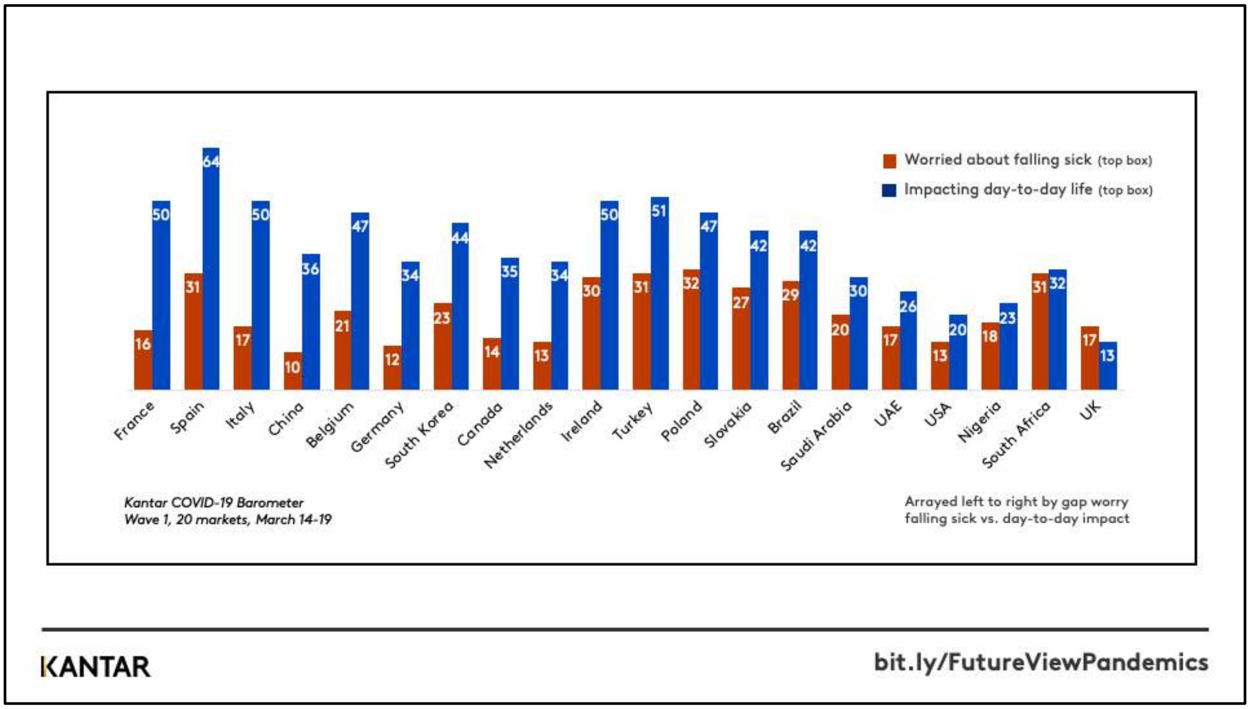
- As we think ahead, we must think about the right things.
- In the midst of this pandemic, we have convinced ourselves that the d-word that matters is disease. And there is no doubt that disease will play a role. But it's not disease per se. Rather, it's disruption. It's disruption that is unlocking the future. It's disruption, not disease, that is accelerating the shift of direction in the marketplace. We can make better sense of what's happening and what it means when we think and plan in terms of disruption, not disease.
- When we think of it in this way we realize that the future after this pandemic is not uncertain. In fact, we can see it today. We know what's coming. Because what's ushering in the future is disruption, and we know how disruption works.



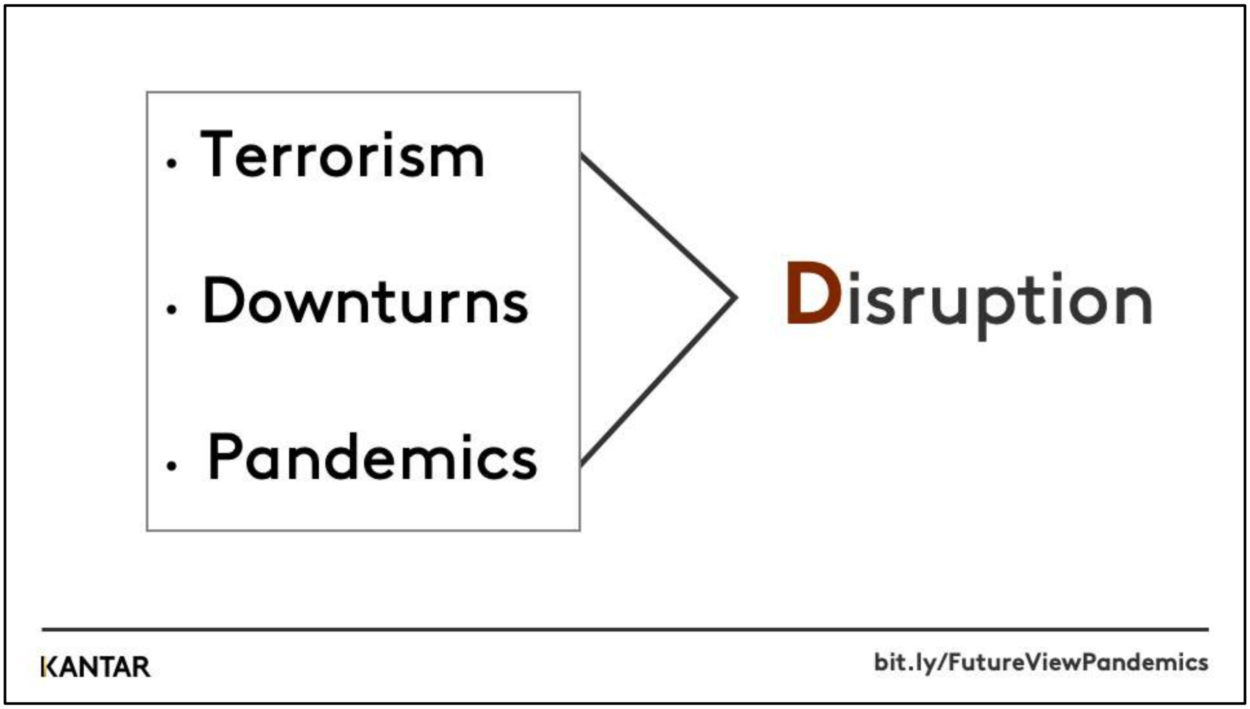
- Consumers are experiencing this more as a disruption than a disease.
- The U.S. MONITOR group just completed a survey measuring reactions to the COVID-19 outbreak. Clearly, more people are experiencing this as a disruption than as a disease.



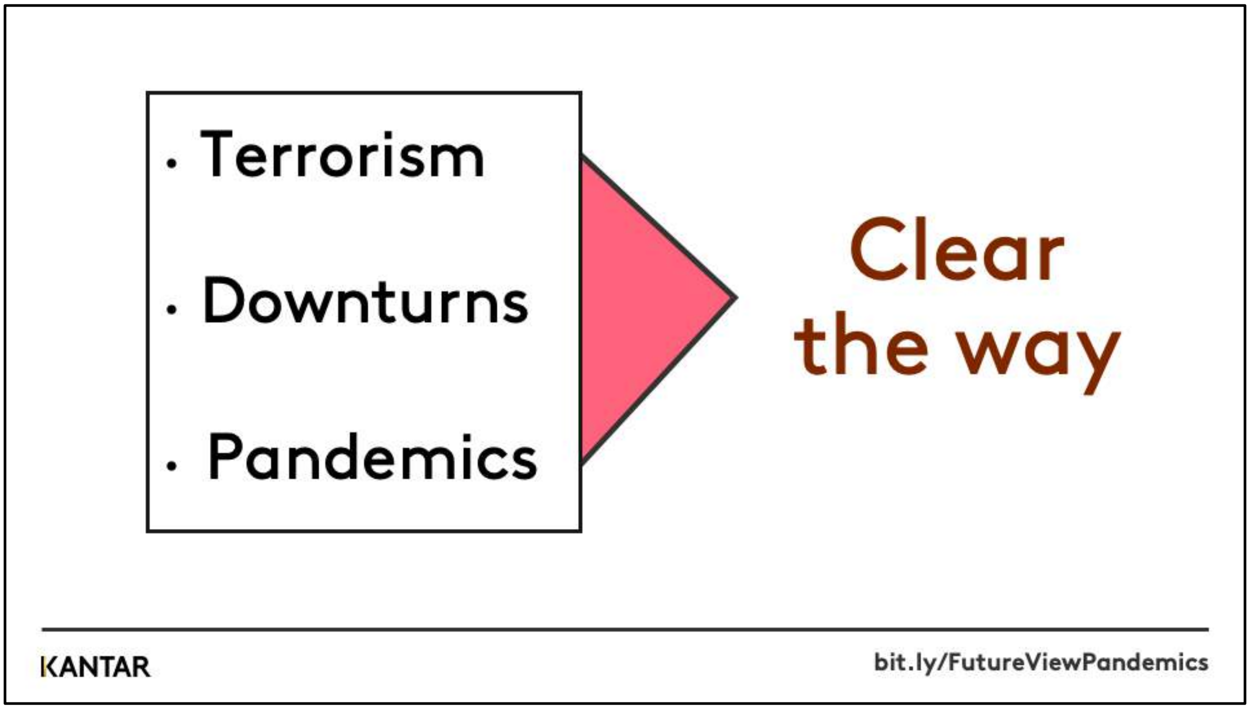
- This is true in other parts of the world as well.
- This chart is taken from Kantar research among 3,000 consumers in Singapore, Indonesia, the Philippines, S. Korea, Japan, and Thailand from the middle of last December until the middle of February. Less than half reported worry about falling sick — compared to six in ten who said they were worried about their personal finances. Again, it's disruption more than disease.



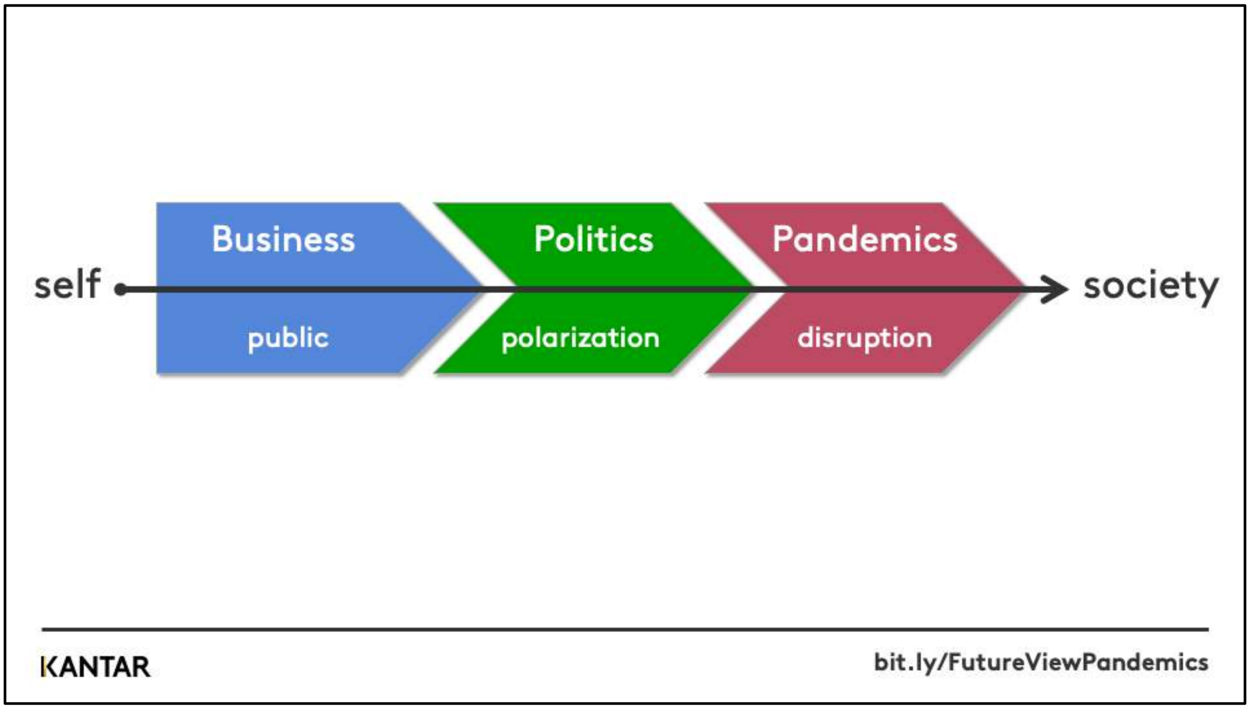
- These data are from the first wave of the Kantar COVID-19 Barometer across 20 countries. The impact on daily life not worry about falling sick is how people are experiencing this crisis. It's disruption, not disease.
- As we have seen time and again over they years, after every disruptive event, concerns over the interruption of ordinary life always outweigh concerns over the cause of the disruption. True after 9/11. True after the financial crisis. True now.



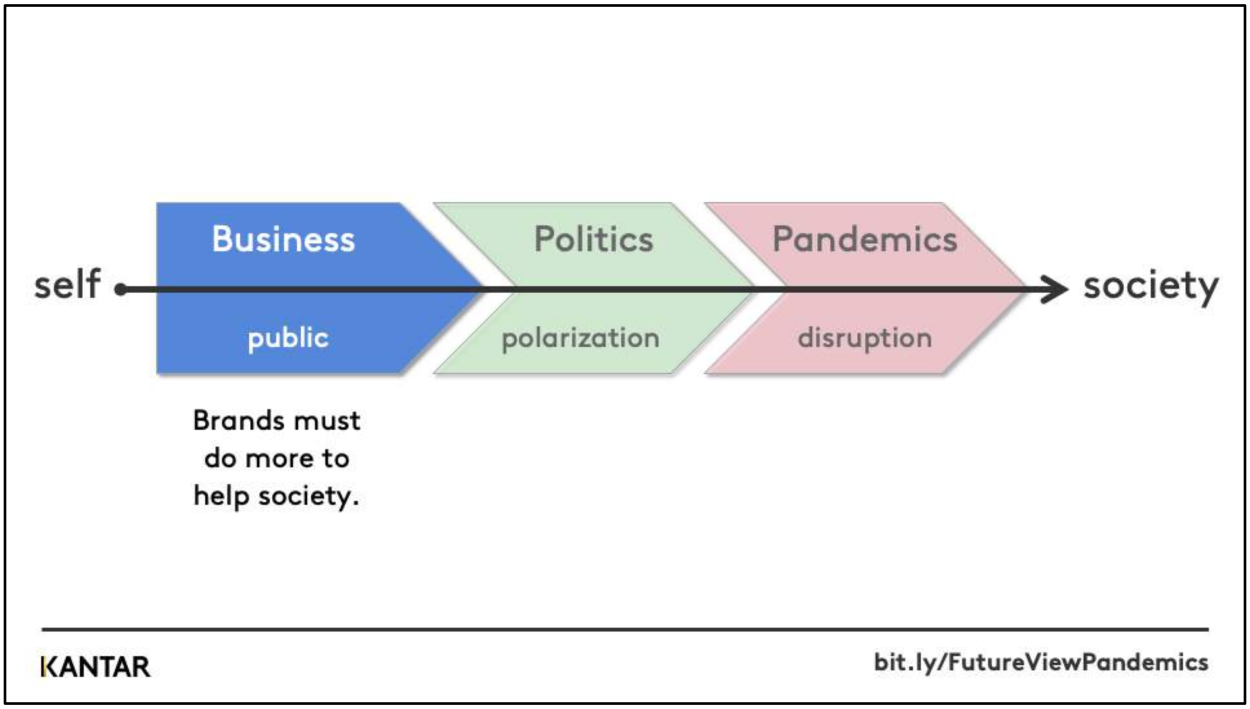
- Disruption is nothing new. Some sort of major disruption has occurred three times in the last 20 years.
- So we are not headed into the great unknown. As different as these three events are, they are all the same — they are all disruptions. And in that sense, just variations on a theme.
- The impact going forward will be that of a disruption — admittedly a disease-based disruption, but a disruption more than a disease. And we know how disruptions work, so as confused as things seem right now, we know how these kinds of situations play out. Let's all take a breath — we can anticipate what we need to do.
- Disruption is not as unusual as we might hope. Following the end of WW2, the world settled down. Lots happened, but it seemed that big disruptions had been relegated to the history books. In fact, economists dubbed the period from the mid-80s to the late 2000s as the, quote/unquote, "Great Moderation." We were convinced we had reined in disruption. It turns out we were too swift with our pats on the back. Since the turn of the 21st century, we are back to normal, and normal is disruption.
- This is reassuring not frightening, because as a disruption, we can look back to see what's coming, and thus we can plan and build for the future with more confidence. Mind you, no two disruptions are alike, but what we have learned from the past are the ways in which disruptions work. That enables us to look forward from where we are right now.



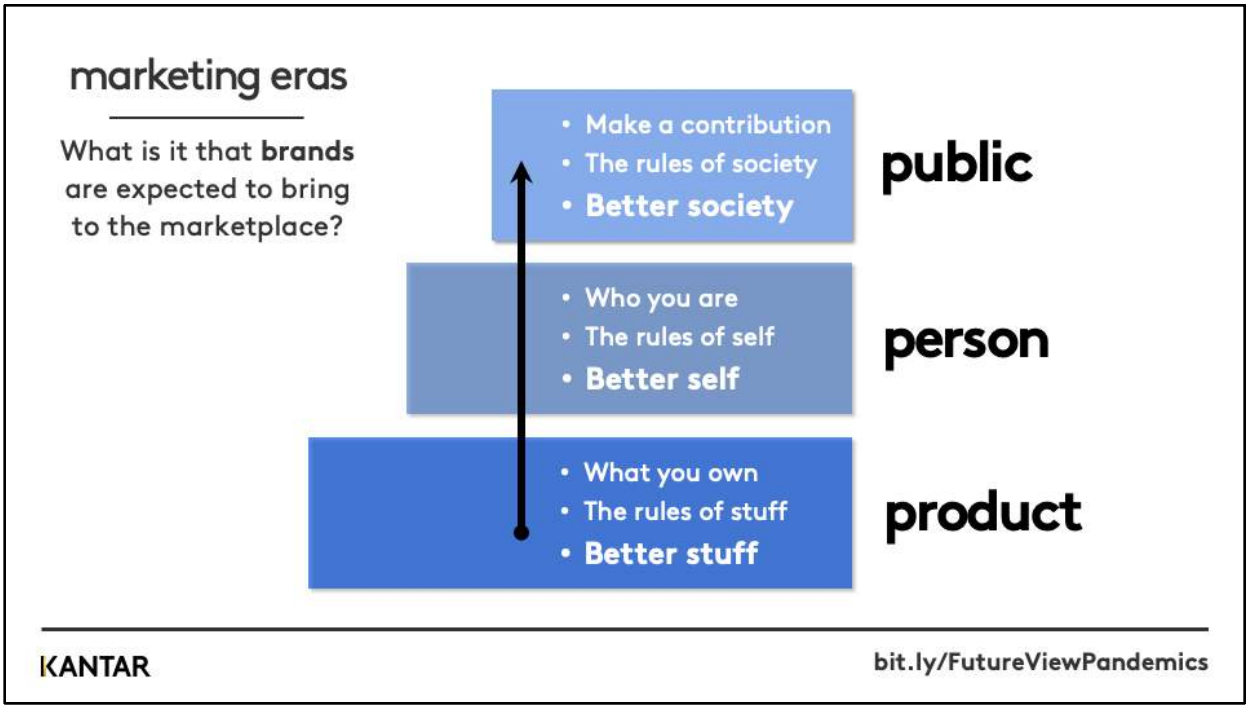
- It also keeps us honest. The pundits who aren't predicting Mad Max or The Walking Dead are at the other extreme telling us that all the bad things in life are going to be purged by our communal experience and we will come out of this with more peace, love, and understanding. Neither school of thought is correct. Both commit the same error.
- We over-estimate the long-run impact of changes in immediate situations. In the moment, a disruption feels momentous and consequential and revolutionary. And then it's over. Life moves on and everything we expected would change gets forgotten like a New Year's resolution.
- The consensus forecast of pundits in the wake of 9/11 was simplification. Instead, we launched into a frenzy of accumulation that only stopped with the housing bust. What actually changed was the acceleration of something that had already been growing, which was the importance of home and, with it, housing. Our term for this was hiving, a concept we introduced in the 2002 MONITOR overview.
- Similarly, the consensus of pundits after the financial crisis was frugality. Instead, we modeled our lives on the explosive growth of startups and unicorns. What actually changed was a speedier blossoming of social connection. Our term for it was The Kinship Economy, which we introduced in the 2011 FutureView. Yes, I realize that for years pundits have been harping on the isolating effects of technology. But I think these criticisms have now been rebutted once and for all by the ironic twist that we have been so socially connected that our only defense against COVID-19 is social distancing.
- In other words, complete reversals never follow a disruption. An about-face is never the Phoenix rising from the ruins.
- Instead what disruptions do is to clear the way for underlying trends already taking hold to become mainstream and dominate the next wave of opportunity. Disruption wipes the slate. It clears away the obstacles that have been keeping the next big thing in check.
- And that's how we need to look for the future that will emerge from the current pandemonium of pandemics and politics. The question to ask is what has been slowly taking hold that will now find a clear path of ascendance in the marketplace.



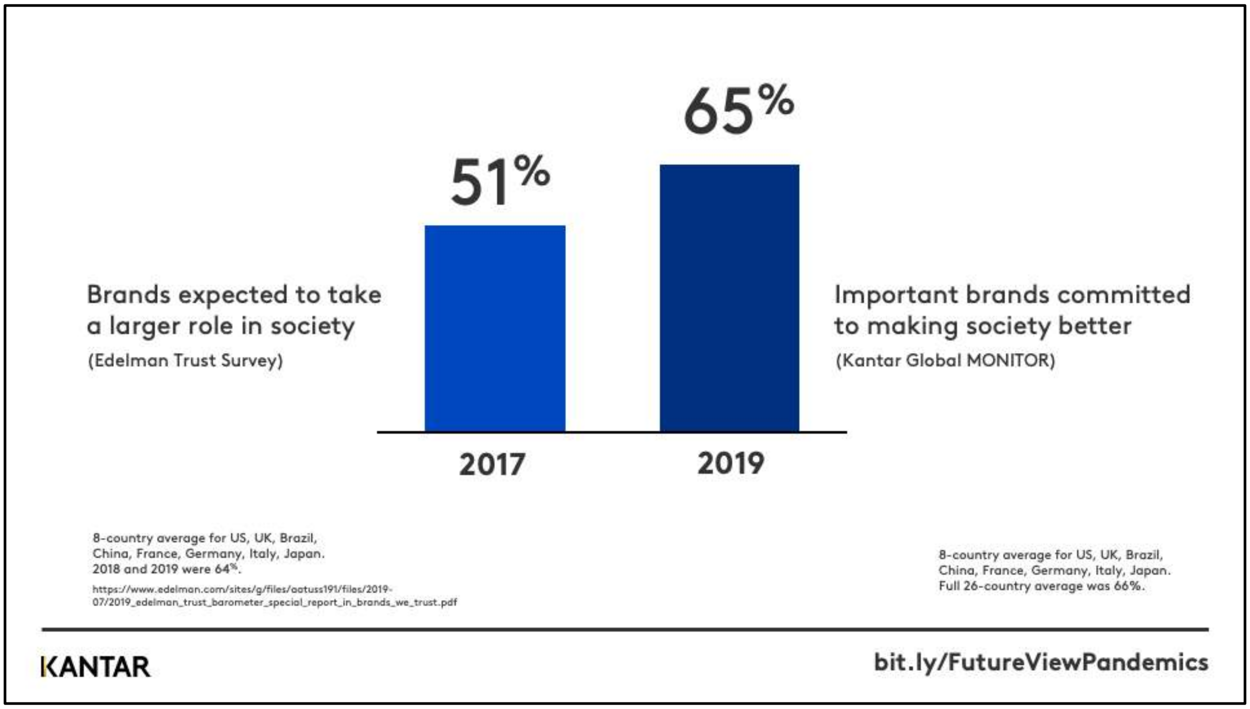
- There is a pretty clear answer to that question. It is this through-line of the future of marketing as seen through the prism of politics and the COVID-19 pandemic. It is a shift from "person" to "public," which is to say, an emerging trend of priorities from self to society. People are demanding that brands deliver not just a "better self," but a "better society," too. And the political and public health context of the moment is going to clear the way for this to emerge even more quickly.
- So that's the big takeaway — this coming Era of the Public. That's the post-pandemic future. It's here already. And there are a number of key implications associated with this that I will discuss in detail momentarily.
- But here's how I'm going to get my discussion of what the pandemic means for the future.
- First, I'm going to spend a few minutes describing the evolution of marketing. How did we get to a point where we see this pivot in expectations about what brands must deliver?
- Then, second, I'm going to spend a couple of minutes describing how political polarization has narrowed and shaped the options available to brands. What is it that brands can do to step up without making a misstep?
- And finally, I'm going to use the remainder of our time to talk about the ways in which this evolution of marketing — through serendipity — fits perfectly with what is required to reignite the marketplace after the disruption caused by this pandemic. In other words, where are the opportunities to invest in right now in anticipation of the future contours of growth? Where is the future that will be in front of us in six months or a year? What should we start planning for now?
- I know you want to jump straight to the topic of pandemics. But let's get there in the right way. Let's lay the groundwork of marketing and politics that will show us that the future is in-hand already, not way out-of-hand as I know many of us feel.



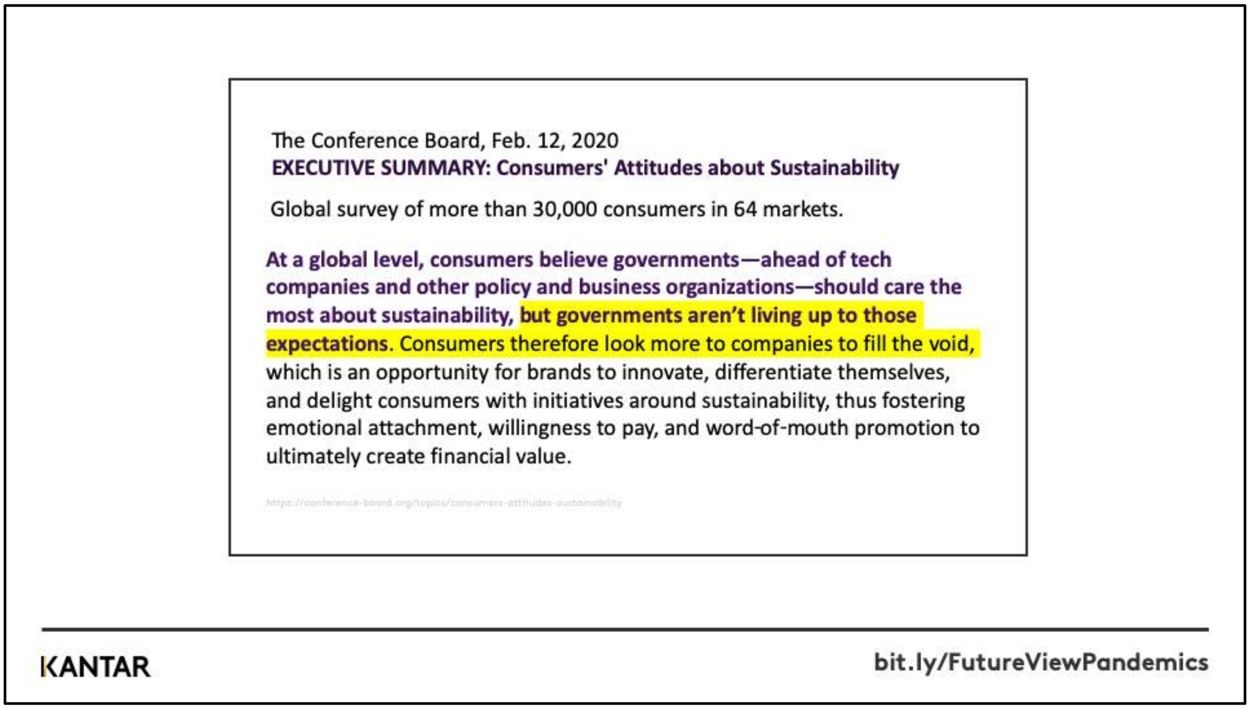
- The emerging imperative for business — the imperative that the COVID-19 pandemic is clearing the way for — is that brands must do more to help society.
- Brands do a lot to help people realize their own potential and enjoy more fulfilling lives. But consumers want brands to do that and more. They want brands to help improve society as well.



- Let me say a bit about how we got here. Roughly speaking, marketing has seen three major eras. The first was the product era that began with the industrial revolution and lasted until the end of WW2. It was all about the product. The material abundance we enjoy today was scarce, so people wanted stuff, and better stuff. Advertising was problem-solution showing products working or a unique selling proposition about a brand's attributes. People didn't have things, so they were learning about things.
- But this era was a victim of its own success. As stuff became pervasive and familiar, talking about it became less engaging. This coincided with the values revolution of the 1960s, and suddenly people wanted brands that were all about them. Advertising began talking about the person who bought a product, not the product itself. Buying was a pathway to a better self. Out of this emerged the creative era in advertising. A lot happened along the way — agency conglomerates, the internet, digital. But through it all, the focus remained on brands that sold people on a better self.
- And product didn't go away. It just gradually got commoditized. It lost value as appeals to the person gained in value. But a product must still deliver. So brands must do both product and person.
- And now, brands must do something else as well. The era to come — the one that the pandemic will usher in faster — will be about society more than what you own or who you are. It will be about brands that contribute to the public good. This has sputtered along for years as purpose or as good over greed or as corporate social responsibility. But recently, this has picked up speed, especially as partisan politics has deadlocked national governments around the world. People are looking for brands to deliver a better society.



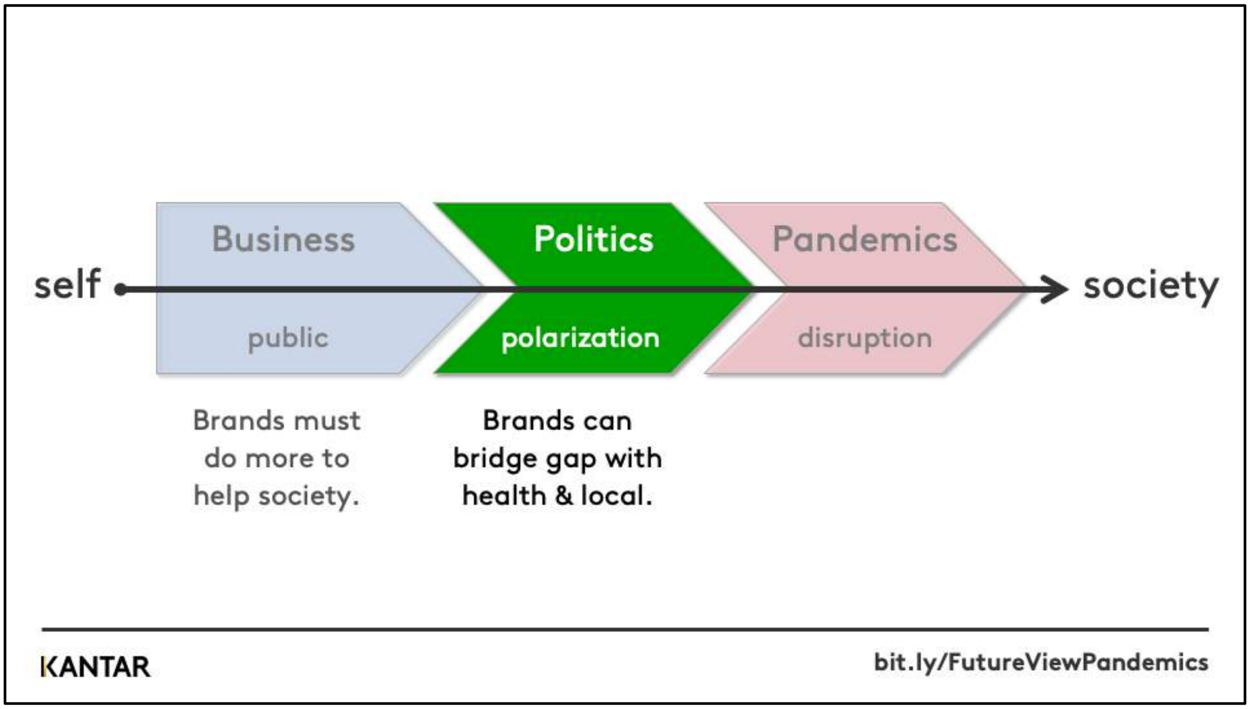
- This attitude is more widespread than ever. In just the past few years, we've moved from barely half to two-thirds of consumers around the world who want brands to deliver a better society.
- The brands people want to do business with start with product and person and then create value through a public focus. Increasingly, people take better stuff and better self for granted. What they want more from brands now is this idea of a better society.



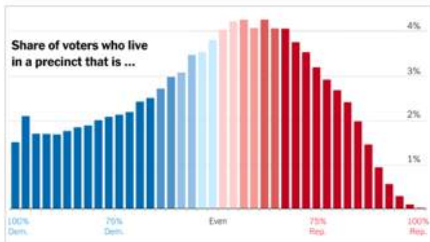
- The Conference Board published a survey this year that was conducted in 64 countries and as you can see from this excerpt, they found that people want brands to step into the public roles that governments have long occupied, but no longer occupy well.
- The defining expectation of brands for the next era of marketing will be this idea of the public.

- Now, I could say a lot more about this, and frankly, were it not for the pandemic, I was going to do so in this webinar. But let me emphasize one point in particular.
- What we're seeing here is an evolution in expectations about brands. People's personal values are also evolving, but not nearly as fast as their expectations about brands. Whether or not they expect it of themselves, consumers expect it of brands.

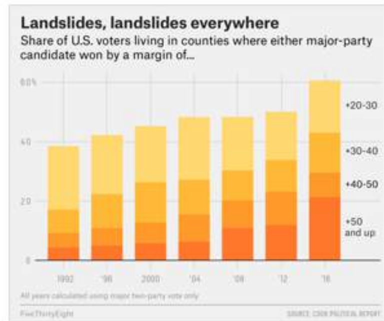
- But there is a paradox to this. People are demanding more of brands at the same time that they are less trusting of brands.
- We’ve all seen the trust data, so no need to show it here again.
- People are asking the very institutions in which they have less trust to do more. This means that succeeding in the Era of the Public is not simply a matter of stepping up. It is a matter of stepping into areas where companies don’t start out with much, if any, credibility or legitimacy.
- And this is actually where the COVID-19 pandemic offers something good. The exigency of this moment in time gives brands some freedom of maneuver that would otherwise not be available. So this is no time for brands to shrink away from thinking about the future and from taking steps to move in that direction.



- The path to the Era of the Public must go through the politics of polarization. This is not easy. And this was the original focus of this webinar — how should brands operate in a world where more is being asked of them yet people are of two very divided minds about what that means.
- Unfortunately, brands have to navigate these waters if they are to measure up to people's new expectations and to the demands that people are making of brands these days.
- Brands are being forced to do what no politician or policymaker has figured out — which is finding a way to satisfy both sides of a very divisive political divide.
- But that's not to say that it can't be done. In fact, what I was going to talk about originally were two high-prospect opportunities that do just that — health and local.
- I'm not going to go down this path today. I'm mentioning it only because the opportunities being unlocked by the COVID-19 pandemic are exactly those two things — health and local. It is in this way that the pandemic will usher in the future more quickly.
- Let me say a word about politics and then we'll take a deep dive into the pandemic.



https://www.nytimes.com/2019/05/21/upshot/america-political-divide-urban-rural.html



https://fivethirtyeight.com/features/purple-america-has-all-but-disappeared/

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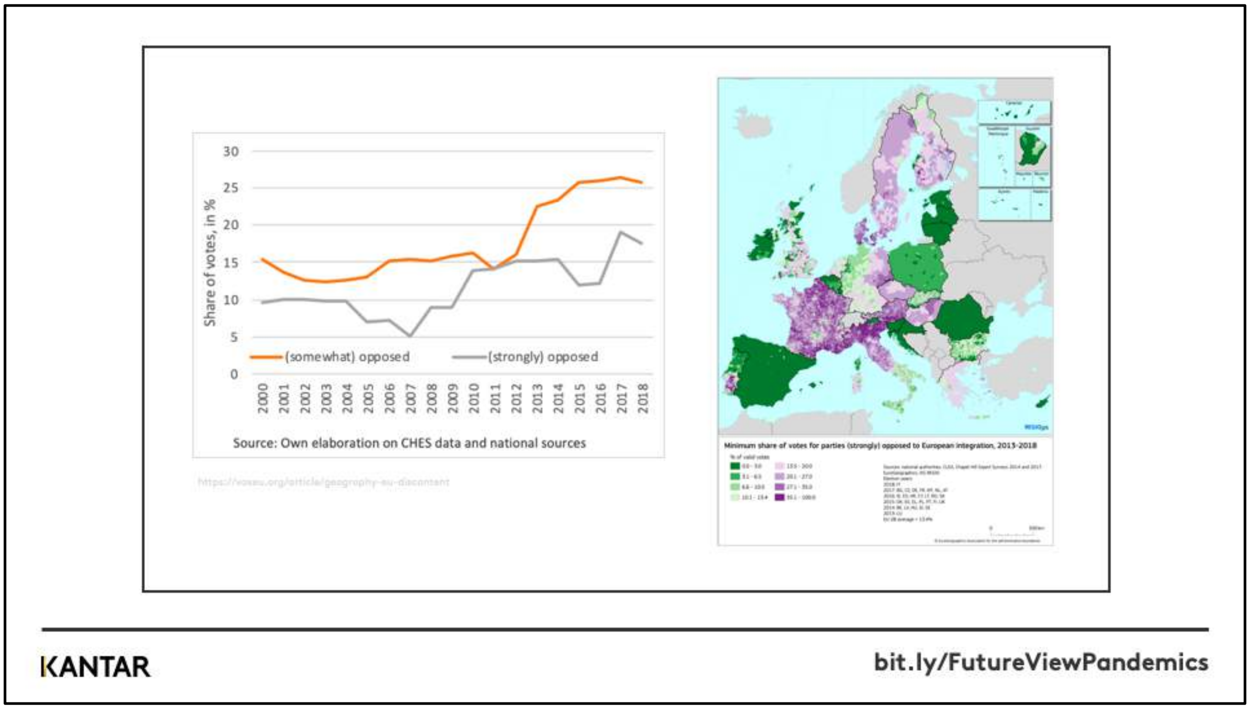
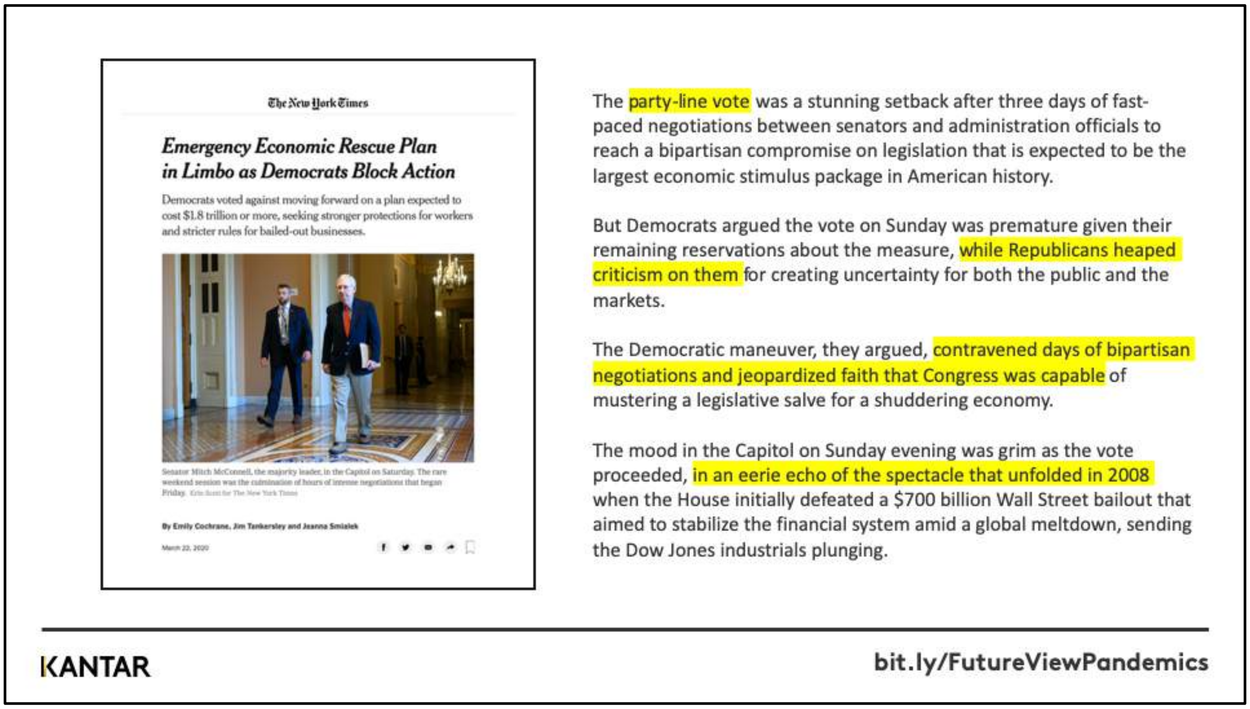
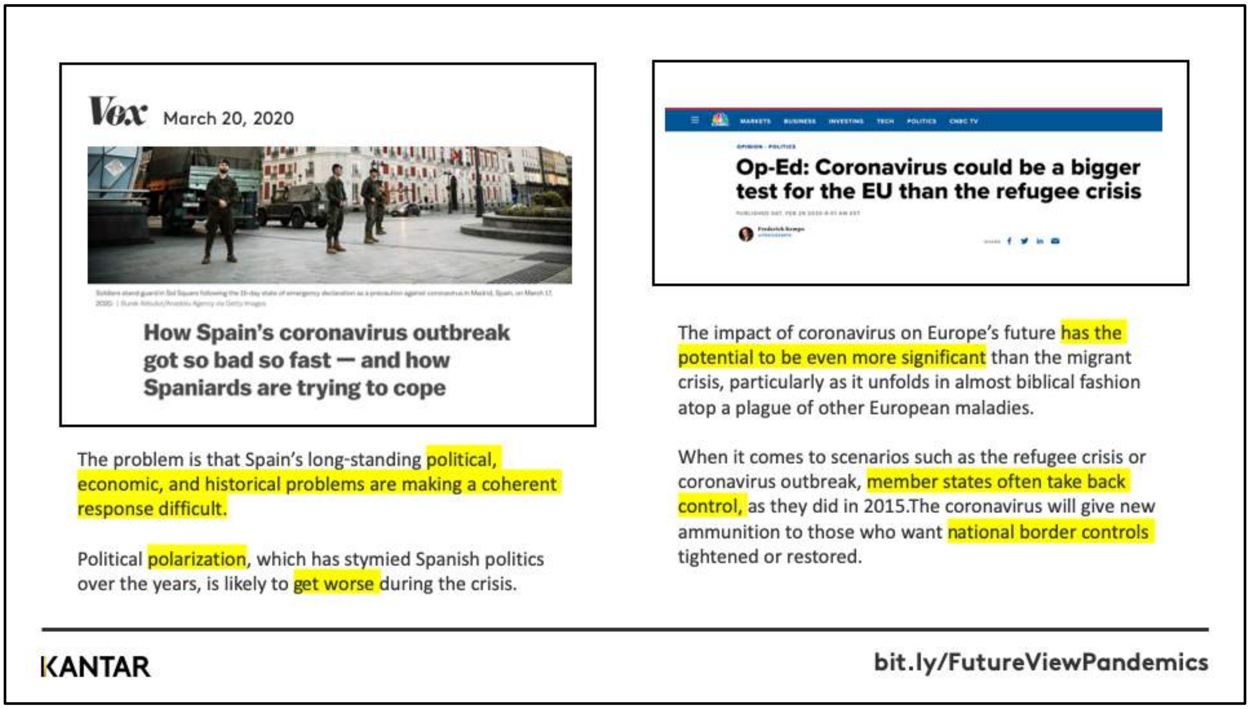
- I don't think I need to repeat the evidence about political polarization. We've all seen it.
- But I do want to make one point about it, which is implicit in this chart on the right. Polarization is a national phenomenon not a local phenomenon. Local communities tend to be ideologically homogenous. Differences arise when you widen your view, and divisiveness arises when one overarching government tries to bring these two sides together under a consensus view.



- And not just the U.S. Political polarization is widespread these days.
- These charts are taken from a study looking at support for the EU in different regions of Europe. The purple and green tell the same tale of homogeneity at the local level that adds up to divisiveness at a national or international level.

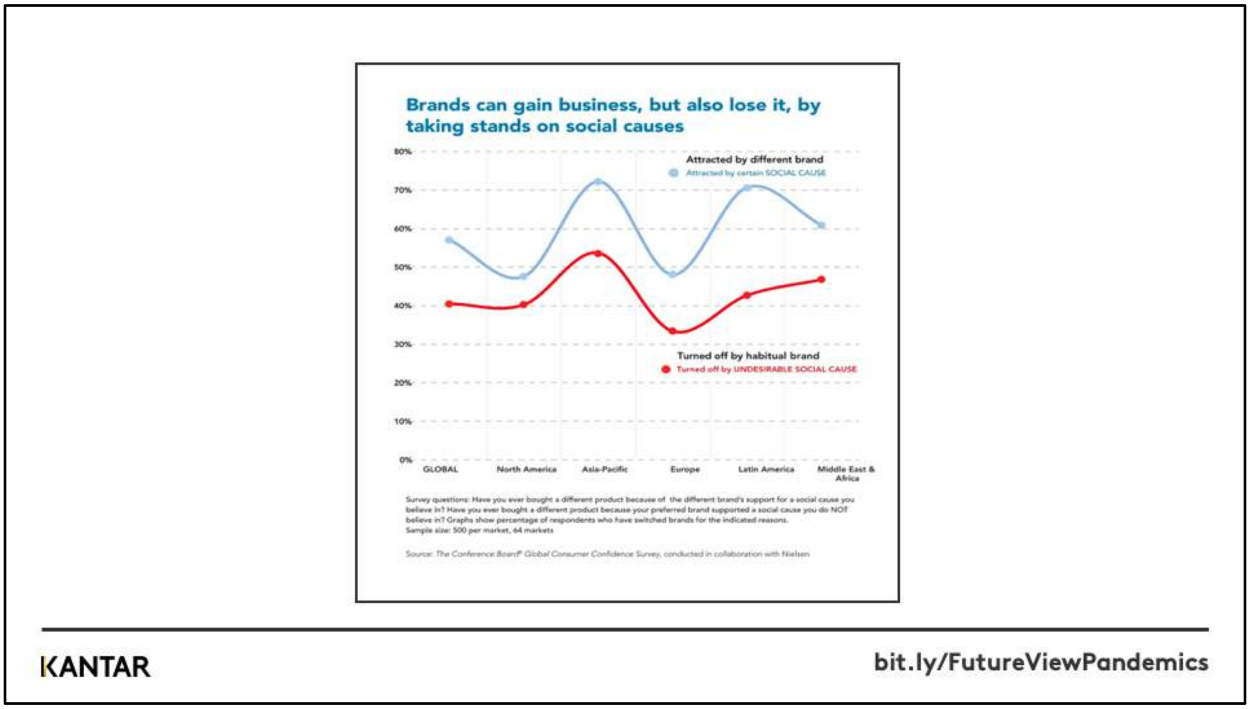


- This is the kind of divisiveness that directly impacts the environment within which brands must operate during this pandemic.
- Specifically, what will the economy look like? What will the opportunities be? How long will economic dislocation last?
- The U.S. Congress just spent the first part of this week playing political ping pong.

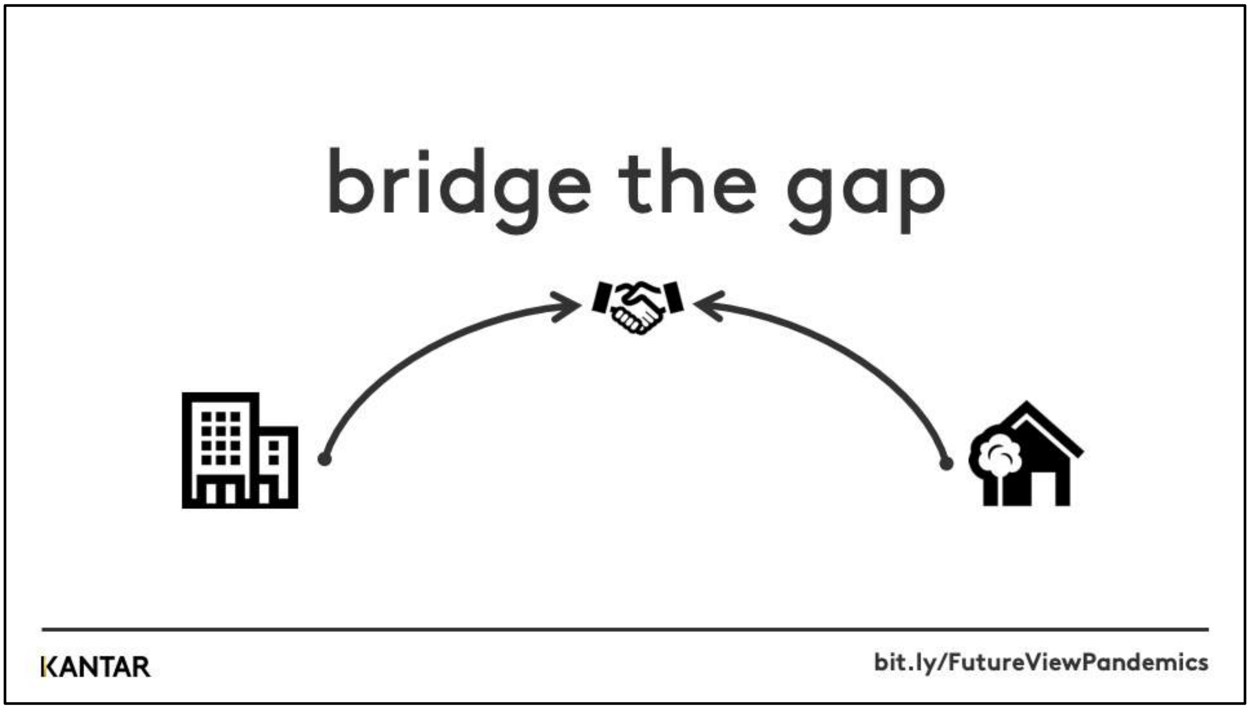


- But it's not just the U.S. Europe finds its response to the coronavirus buffeted by political polarization as well.
- I guess you could say it's gotten to the point where we even hear about here in the U.S.
- So this is the situation facing brands that are being asked to step up to public responsibilities. It's fraught with the potential, if not the certainty of bad choices. What is it that brands can do to deliver the kind of better society that many consumers want without running afoul of what other consumers don't want?

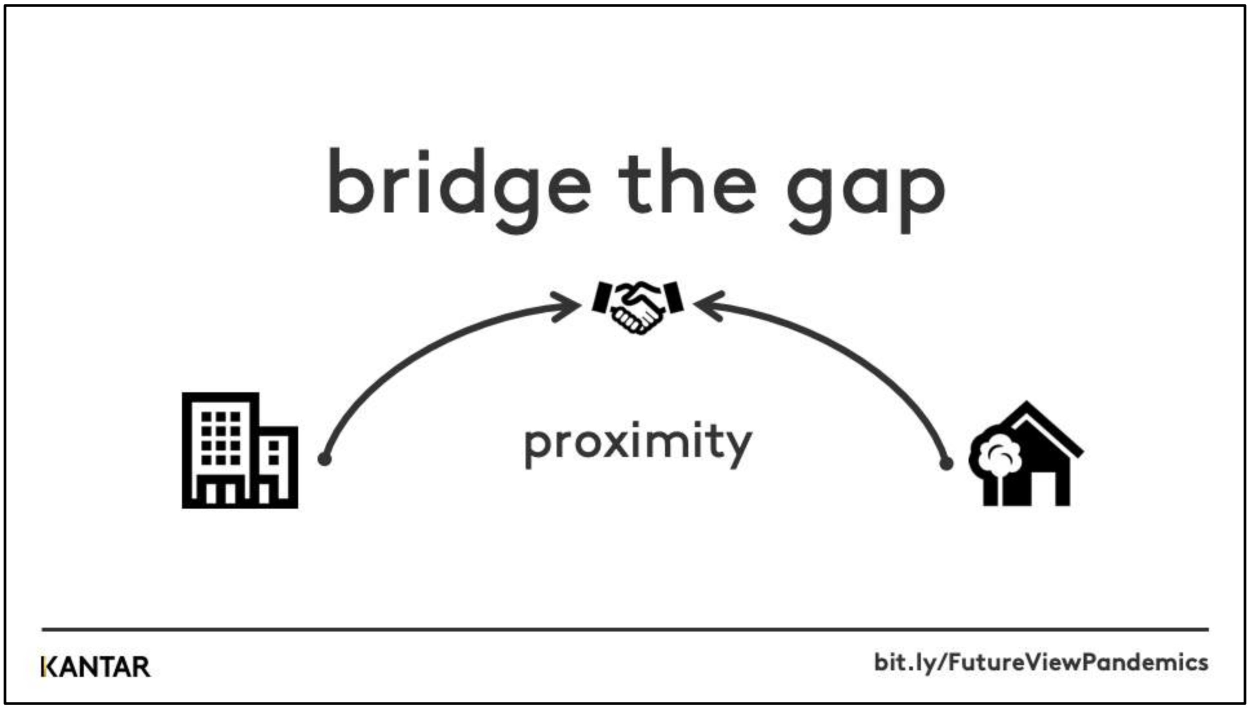
- It’s like a Buddhist kōan. Brands are being asked to take a stand without taking a side.
- And if they don’t measure up to these public expectations, they are coming up short of what consumers want and how consumers define value.
- Consumers trust less, yet demand more, yet, more often than not, when brands take a stand they find lots of consumers lined up against them on the other side. Damned if you do; damned if you don’t.



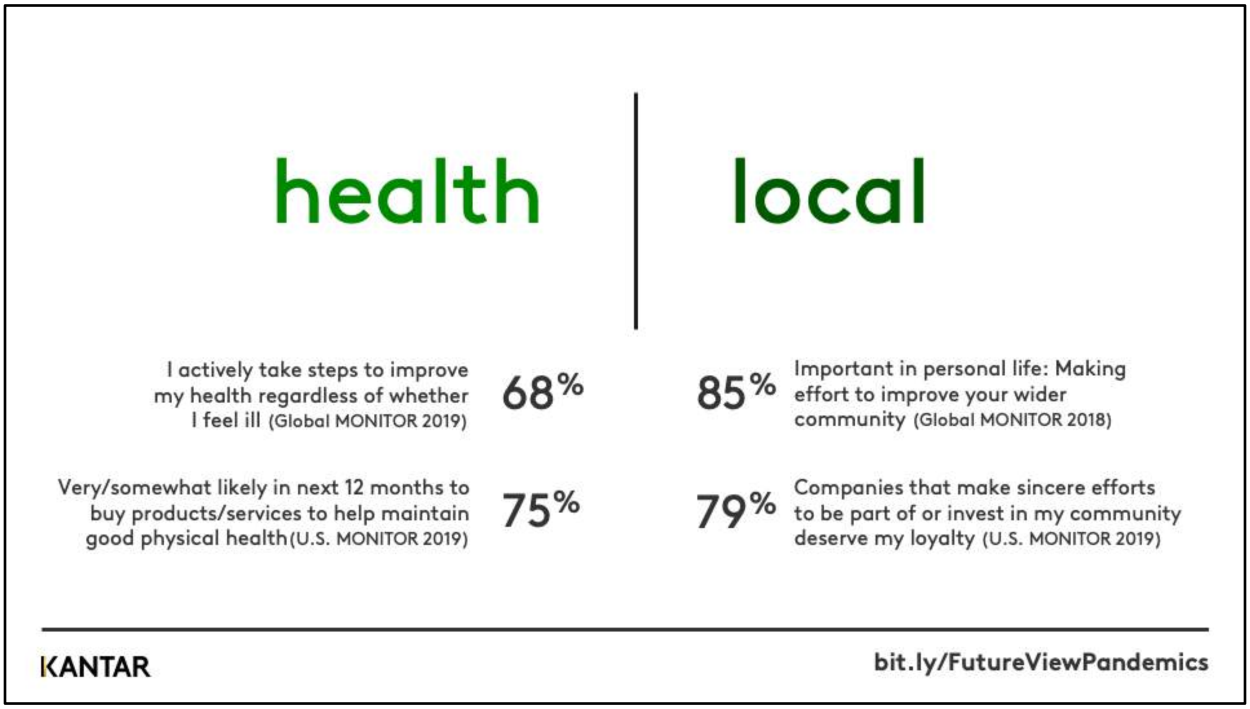
- As if we needed any research confirmation of this, a global study conducted by The Conference Board found that the percentage of consumers turned off by brands taking a stand is nearly as many who are more attracted to a brand for doing so. The risks are high enough to make any brand skittish about trying to thread this needle.
- But no brand can look past it. Because the Era of the Public is making threading this needle one of the central strategic challenges facing brands in the future.



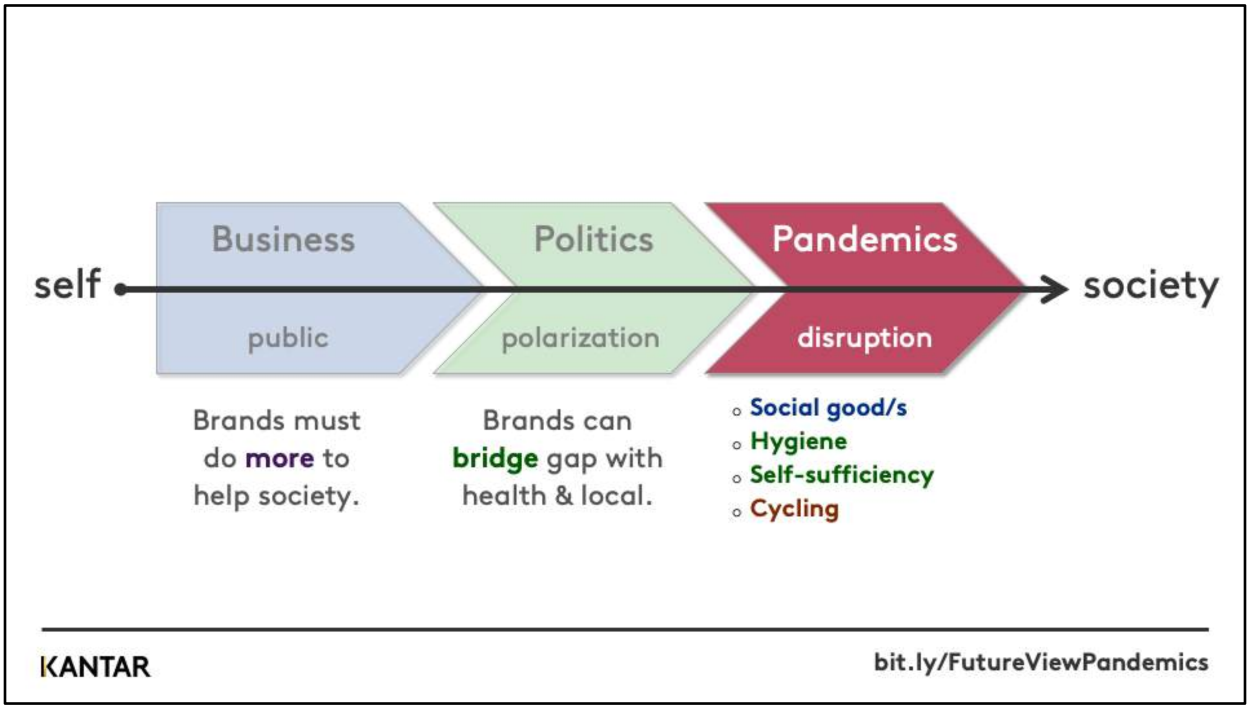
- One answer is just to take a stand and not care about those who are turned off. But this is not a long-term strategy. The main if not the entire source of growth for a brand is building penetration. Brands have to appeal to everybody if they want to grow. They can't just burrow down into a niche.
- Now, I know this is a topic of debate — loyalty versus penetration as a way of building brands. Obviously, this varies by category and by business model. But the issue of building a franchise is fundamental to every strategy, so alienating potential customers is an Achilles' heel of every brand.
- Ideally, what brands need is a way to bridge the gap. A way to do something that contributes to a better society that is okay to everybody. And frankly, that's not as hard as it seems. There are brands that have famously made it look hard — like Nike and Colin Kaepernick or Dick's Sporting Goods and the sale of assault rifles. Those brands took a stand on very big issues, and they were willing to bear the consequences.
- But there are other ways to tackle this challenge — ways that actually bridge the gap.



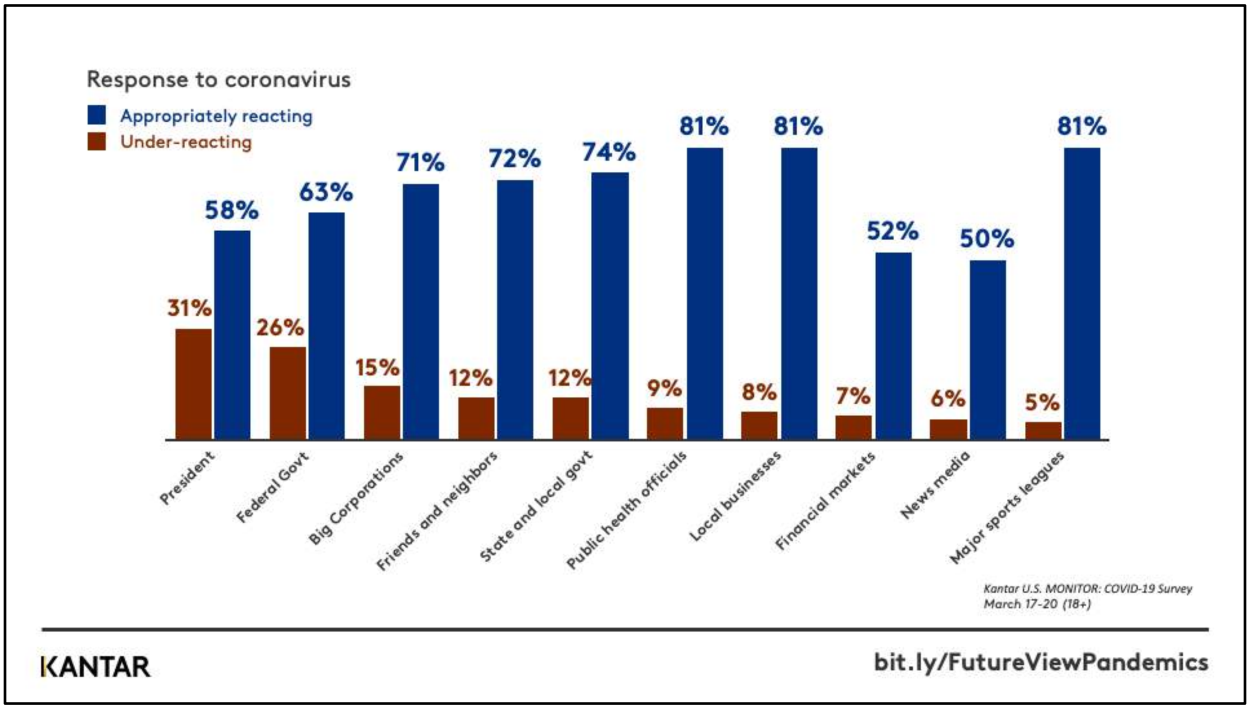
- Again, this was something I was going to talk about more today, and maybe I'll do so at a later date. But the best answer to the problem of bridging the gap is to close the distance between a brand an its customers. That is to say, focus on issues that feel close to people — issues that are proximate to their lifestyle situations. Draw near to those and people won't feel a divide.
- Let me draw this discussion to a close with the two best opportunities for doing so.



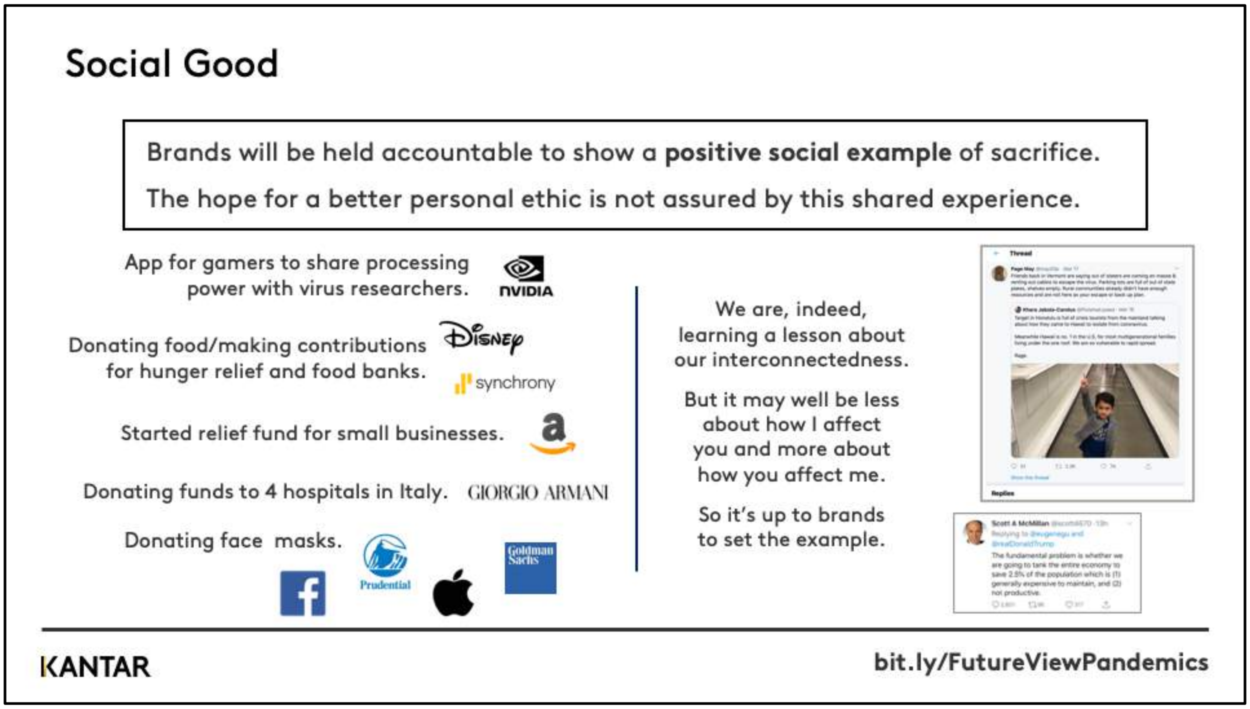
- This is what a better society looks like without polarizing one side or the other.
- It is a better society that values and improves people's health and one that builds local communities. It's health and local, two things that everybody cares about and two things that can be done in varying ways without losing the appeal of universality.
- Health is on everybody's mind these days — and not because of the pandemic. This has been an overarching dynamic for several years. It is the big macro force of the moment. Health, wellness, wellbeing, spiritual and mental satisfaction — these define a top priority of everyone. Health reaches across the aisle. It's what people want and it's what they are planning on shopping for in the next year.
- Local is a focus built on the fact that divisiveness is less prevalent in smaller communities. People are invested in like-minded geographies or social groups or virtual networks, so a brand that delivers at a local level can adapt to the particular situation it finds there. And it can do this in different ways for different local situations.
- And it is these ideas — public, health and local — that bring us now to the COVID-19 pandemic and what the future of the post-pandemic marketplace will look like.



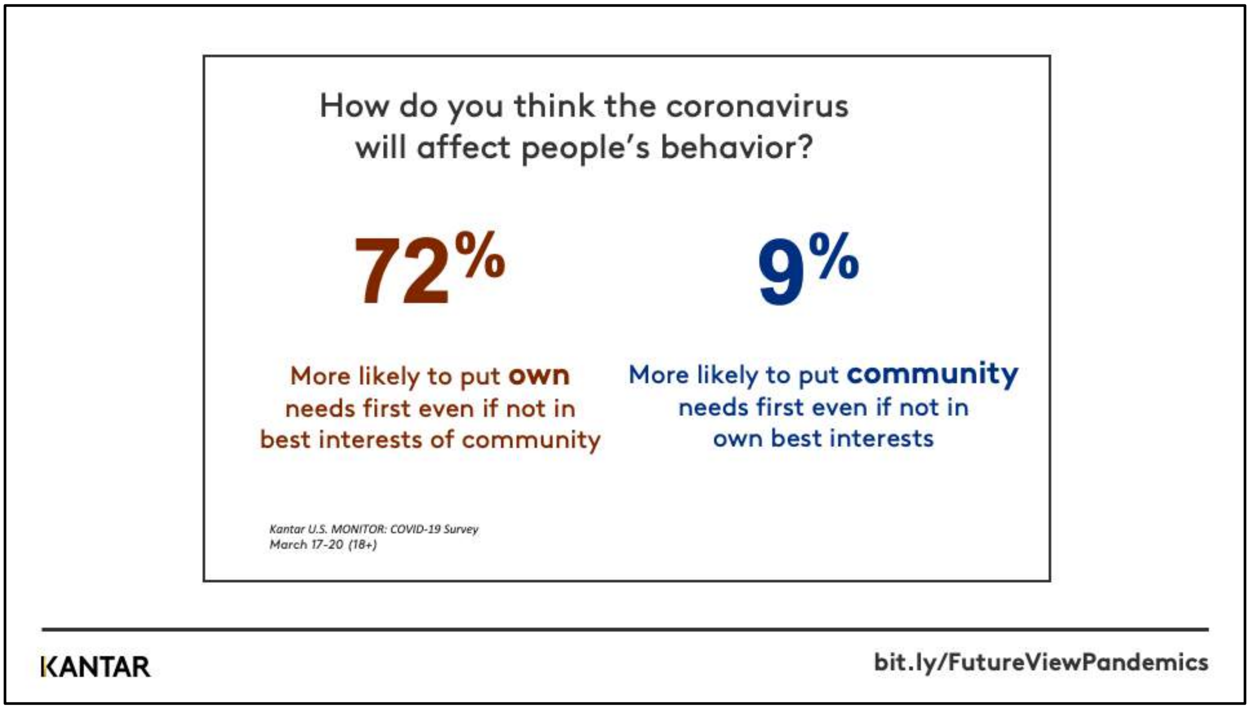
- As I said earlier, disruptions clear things away and enable emerging trends to dominate.
- When we look beyond the pandemic itself, what we will see is the flowering of the trend emerging now, which is the Era of the Public. And with it, the key dynamics of health and local.
- There are a lot of implications bundled up in all of this. And we can see them clearly as things related to Social Good — and Goods with an s … both good and goods — hygiene, self-sufficiency, and cycling.
- Let' talk about the first.



- This chart shows more results from the U.S. MONITOR survey. This question asked whether respondents thought each of these entities was over- or under-reacting to the coronavirus, or reacting appropriately.
- Brands and business look better than any other institution or group. At a national level, more people feel the president and the Federal government are under-reacting than big corporations. State and local governments slightly more than local businesses.
- Similarly, big corporations are reacting appropriately in the minds of many more consumers than the president or the Federal government. The same is true for local businesses compared to state and local governments.
- Brands appear to be measuring up to the expectations people have of them.

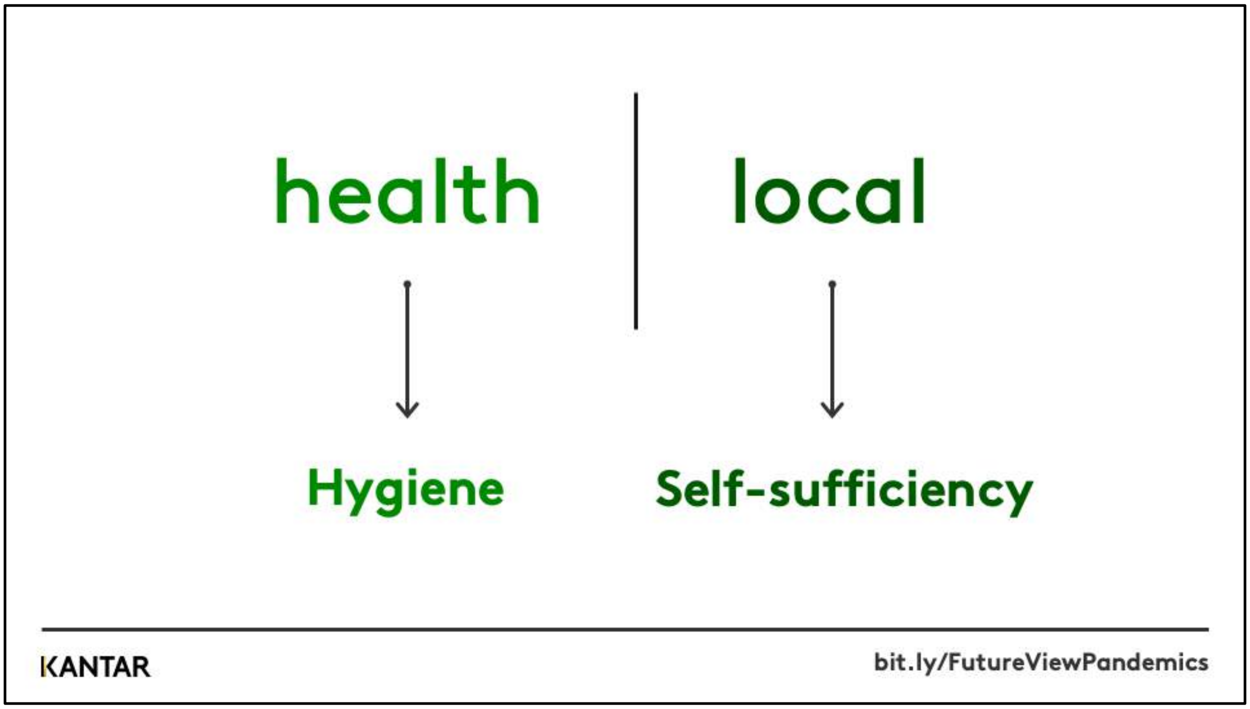


- There is much public good for brands to do. First and foremost is to offer a positive social example. Plenty of brands are doing so.
- Chip manufacturer Nvidia has teamed up to create an app that gamers can install to allow virus researchers to use spare processing power to crunch numbers for their work. Disney, Synchrony, and thousands of restaurants have donated food for hunger relief. Amazon began a Neighborhood Small Relief Fund to help local small businesses weather this downturn. It also created a fund for its delivery drivers and seasonal workers. Giorgio Armani has donated funds to four hospitals in Italy. Prudential and Goldman Sachs are donating the face masks they stockpiled after 9/11 to hospitals. Facebook and Apple, among others, are doing the same.
- This smattering of examples are part of a much broader, much needed public example by brands. Many pundits have predicted that this time of social distancing will lead to a blossoming of communal engagement and social bonding, but there is plenty of evidence to the contrary. Images of indifferent spring breakers partying on the beach in close quarters come to mind. Not to mention resentful threats to defy quarantines by groups such as the conservative Leadership Program of the Rockies.
- We have seen this as well in contentious reactions that people have expressed on social media about outsiders coming into their towns to find refuge. The picture here of the little Hawaiian boy giving the finger to mainlanders coming there was posted in sympathy with a post from someone in Vermont protesting out-of-staters showing up there.
- I'm sure everyone has heard the Lt. Governor of Texas say we should stop quarantines because surely grandparents don't mind dying for their grandchildren's economic future. And this post from California attorney Scott McMillan was a reply to the president saying the lives of expensive, unproductive old people aren't worth the cost to the economy.
- It is certainly true that we are learning a lesson about our interconnectedness, but it may well be less about how I affect you and more about how you affect me. Brands must step in with a better example. Indeed, people are being warned that being a good neighbor could endanger their vulnerable neighbors. So even for the emotional satisfaction of helping out, we have to look to brands not ourselves.

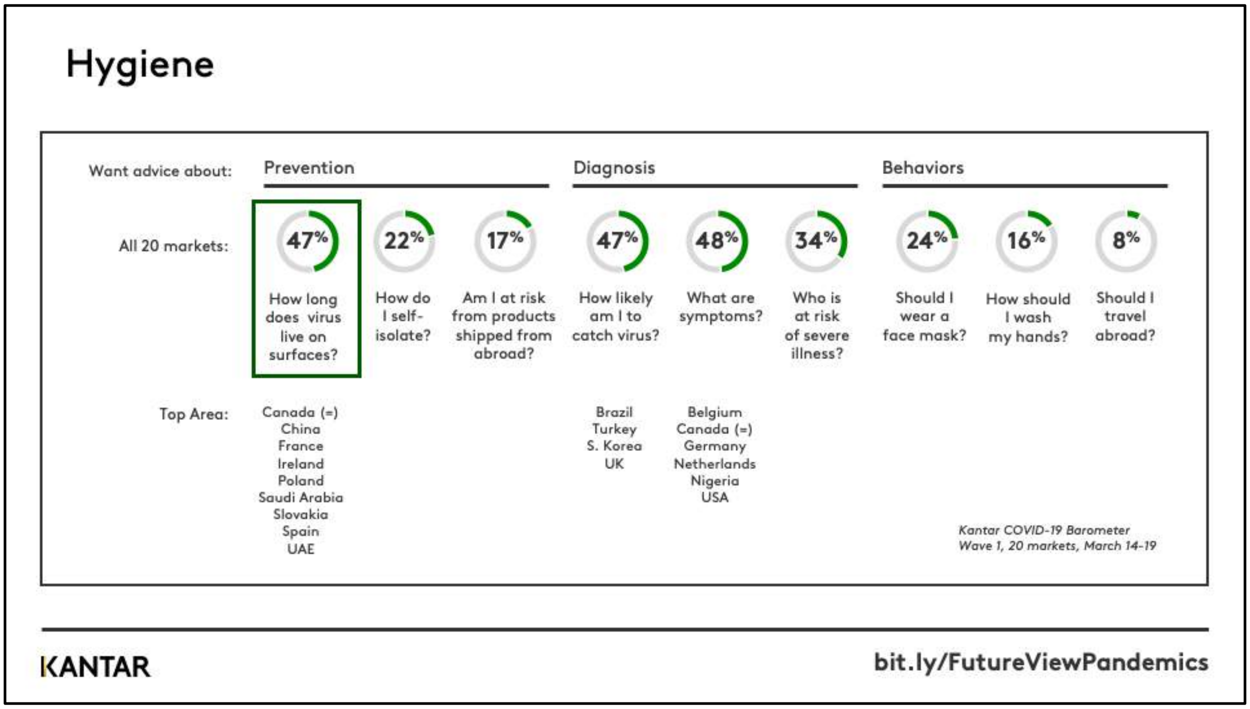


- Just to underline the disconcerting realities we are facing. The U.S. MONITOR survey found that the ethic people demand of brands is not necessarily their own personal ethic. Sacrifice is what consumers demand of brands but not what they demand of themselves.

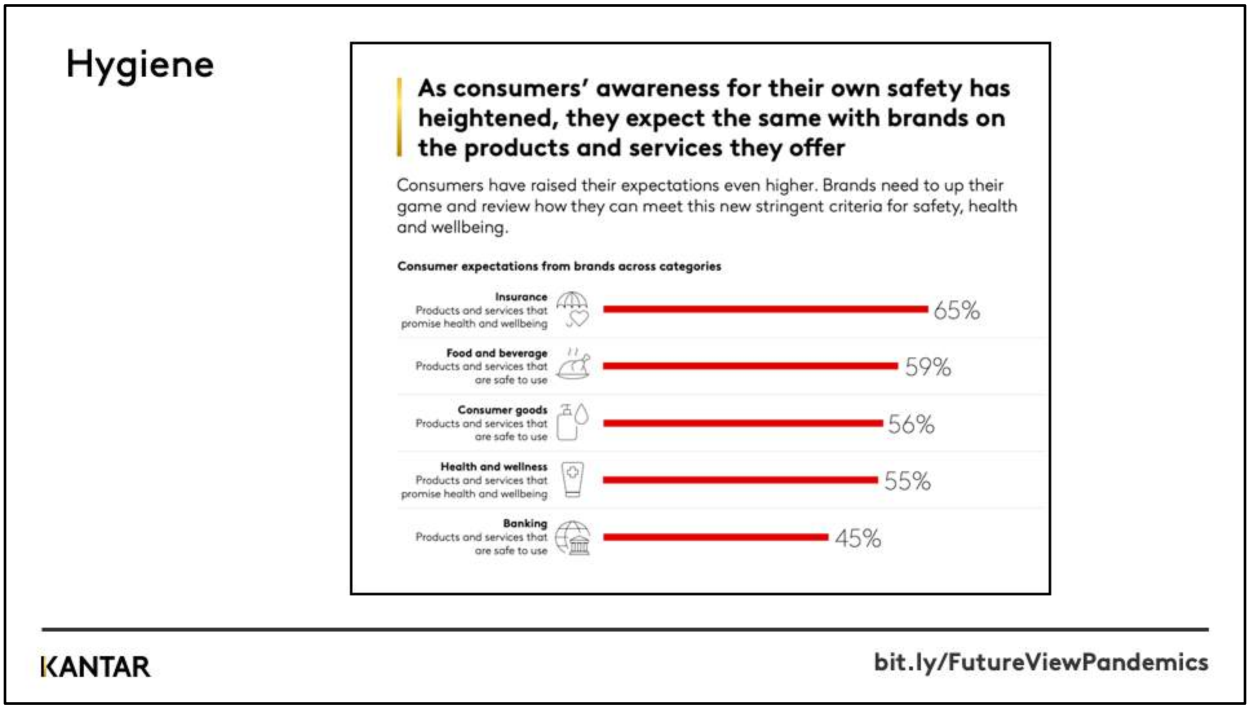
- In doing good to contribute to a better society, brands might also find new opportunities — opportunities that would have seemed uncomfortable or outside their normal way of doing business in the past. But in this crisis, brands are learning new things they can do — new ways that might be worth continuing once this crisis has passed.
- Dozens of distilleries and many perfumeries are using their production lines to make hand sanitizer.
- Clothing manufacturers are now making face masks and hospital gowns.
- American Airlines has kept some of its planes flying by taking out the seats to transport medical supplies and even e-commerce packages
- Hotels, gyms, YMCAs, convention centers, and more are being converted into wards for hospital beds.
- There is a massive, real-time experiment going on all over the world today as companies step into the public expectations that consumers have of them. For every brand, now is the time to stretch your thinking and challenge your capabilities. What can you do that is different yet needed, that might be something to scale and monetize later — because many of these items now in short supply will be necessities in the future, as we'll discuss momentarily.



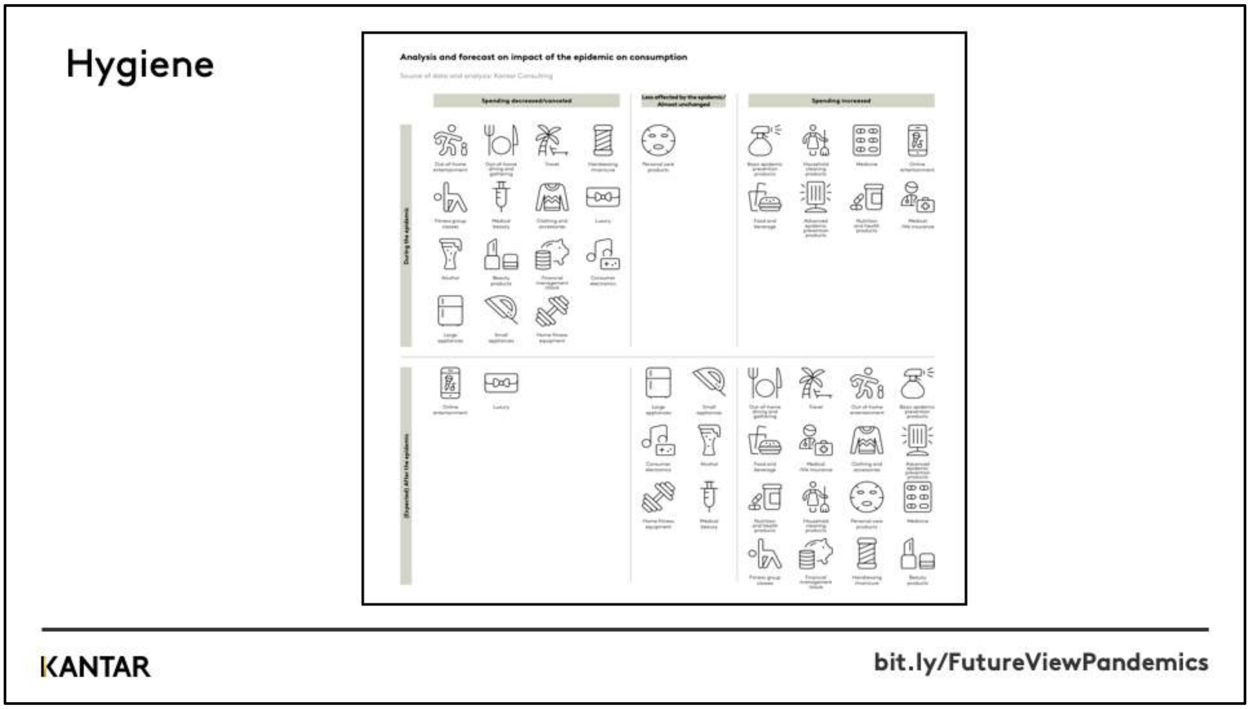
- As brands step up to the Era of the Public, they must take care to do so in ways that are attuned to the polarized divide in the marketplace. This means picking battles brands can win, and more specifically, as we have just seen, focusing on things like health and local — areas that easily bridge divides.
- But simply saying health and local begs the question of what is meant by health and local in terms of a strategic direction for brands. By serendipity, we have an answer to that question. The pandemic has elevated two areas of particular need and relevance that will have a lasting impact on the marketplace. And these two areas have a direct connection with health and local.
- Actually, this is no surprise. Disruptions work by clearing the way for underlying trends, so the coming together of these areas is to be expected.
- Health will be a matter of hygiene.
- Local will be a matter of self-sufficiency.
- Let's look at each in turn.



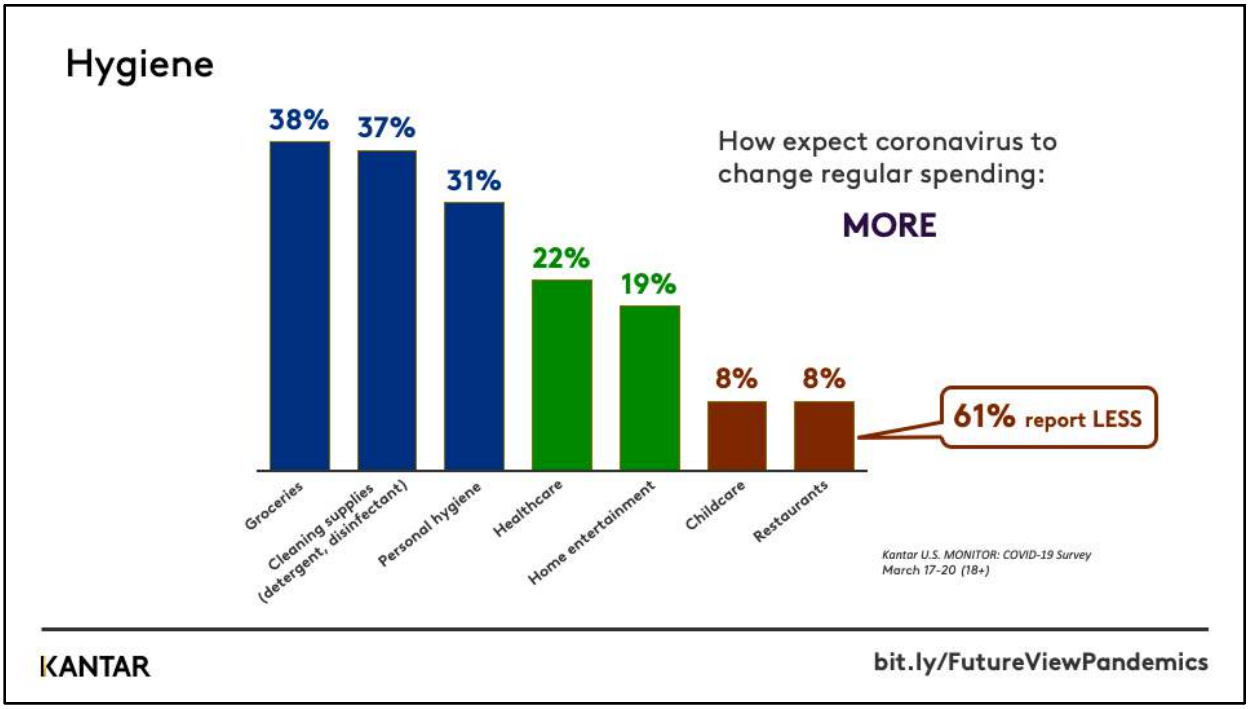
- The concern this pandemic has raised is more a matter of hygiene than health. This chart from wave 1 of the Kantar COVID-19 Barometer shows that the chief areas where people need advice are related to hygiene. How long does a virus live on a surface/ How likely to catch it/



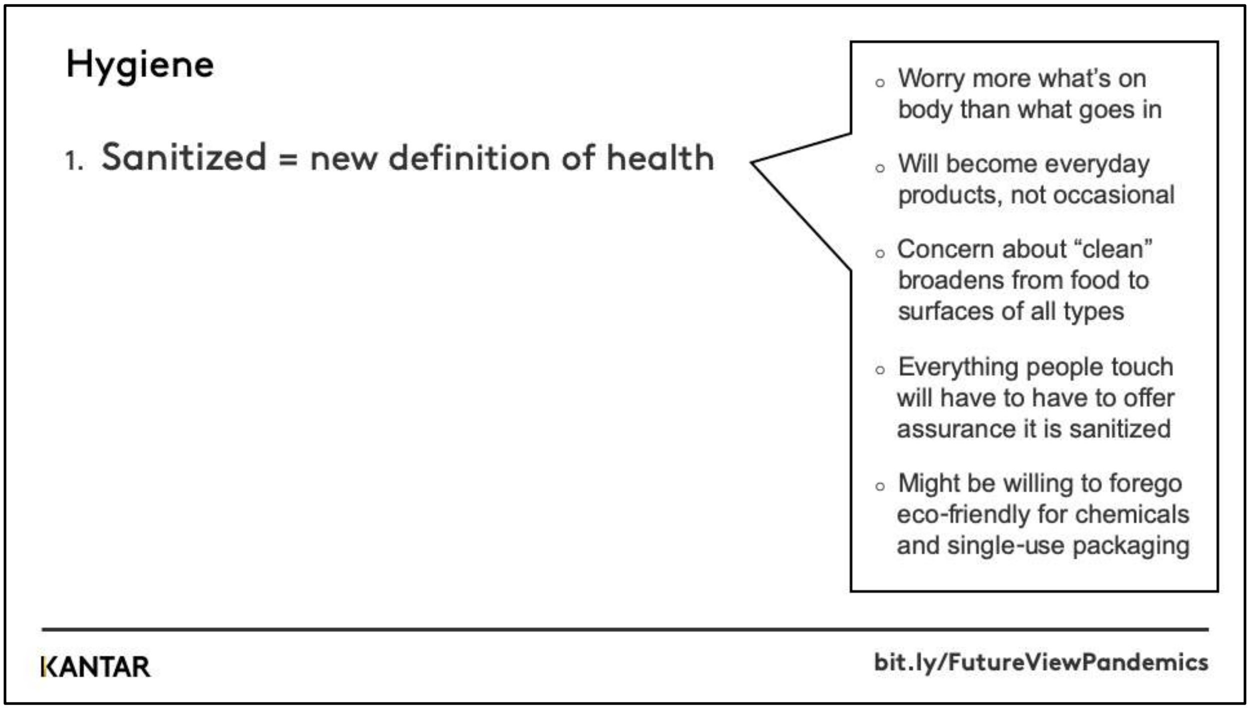
- This chart from the Kantar survey of Asian consumers shows, too, that health shows up as something that half or more of consumers in every category will be looking for after the pandemic has passed. And not just health, but hygiene.



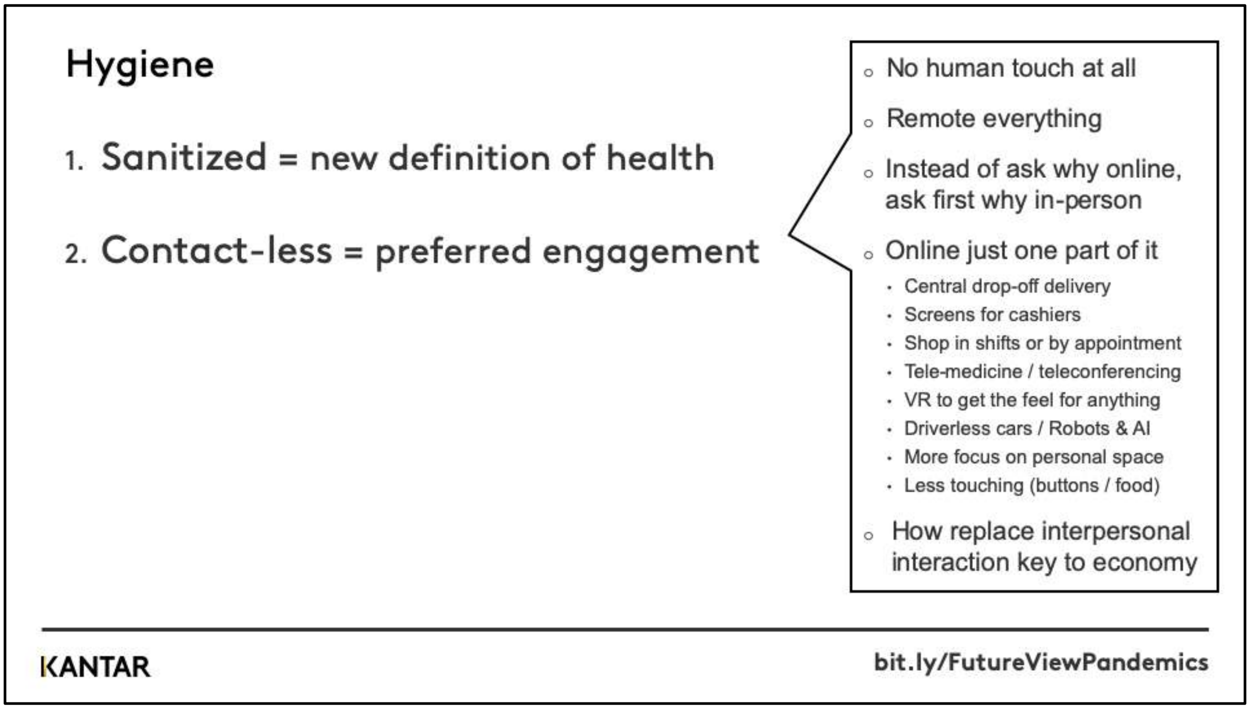
- The consulting group within Kantar China has published a detailed analysis of the impact of the outbreak there on every category and retail outlet. The top row of icons here shows categories where people spent more orspent less during the coronavirus outbreak. On the top right you see that hygiene products commanded a greater share of wallet — prevention, medicine, cleaning products.
- The bottom row shows categories where people plan on spending more after the outbreak. None of the hygiene-related spending goes back to normal. It all continues as more spending than before, along with personal care and insurance.



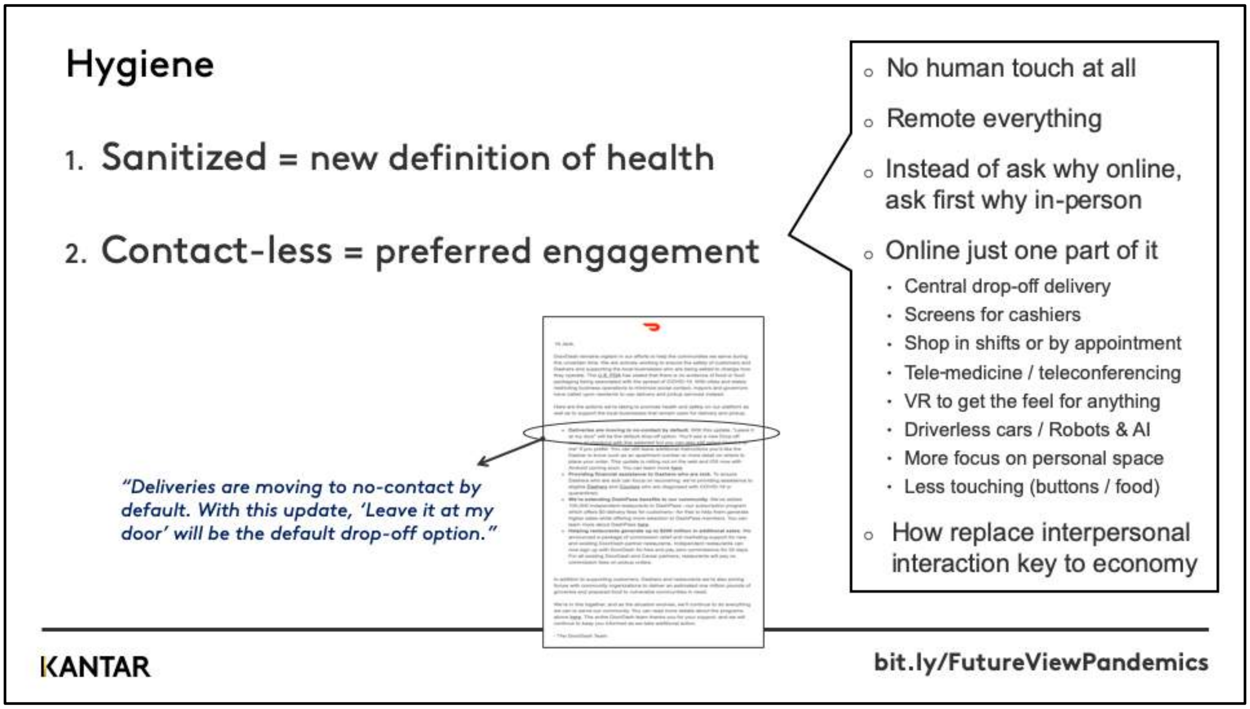
- The very same result is found in the U.S. MONITOR survey. Groceries are to be expected, but cleaning and hygiene products outpace health and entertainment by a good bit.
- And it shouldn't go without saying that restaurants are facing a very hard time bouncing back. Few expect to spend more and an enormous percentage plan to spend less.
- The takeaway is that hygiene is the biggest lesson learned for consumers.
- So hygiene is going to be a big growth area for all brands in the future. It bridges partisan gaps and it provides brands with a way to profitably contribute to a better society in the Era of the Public.
- There are five dimensions of this worth mentioning.



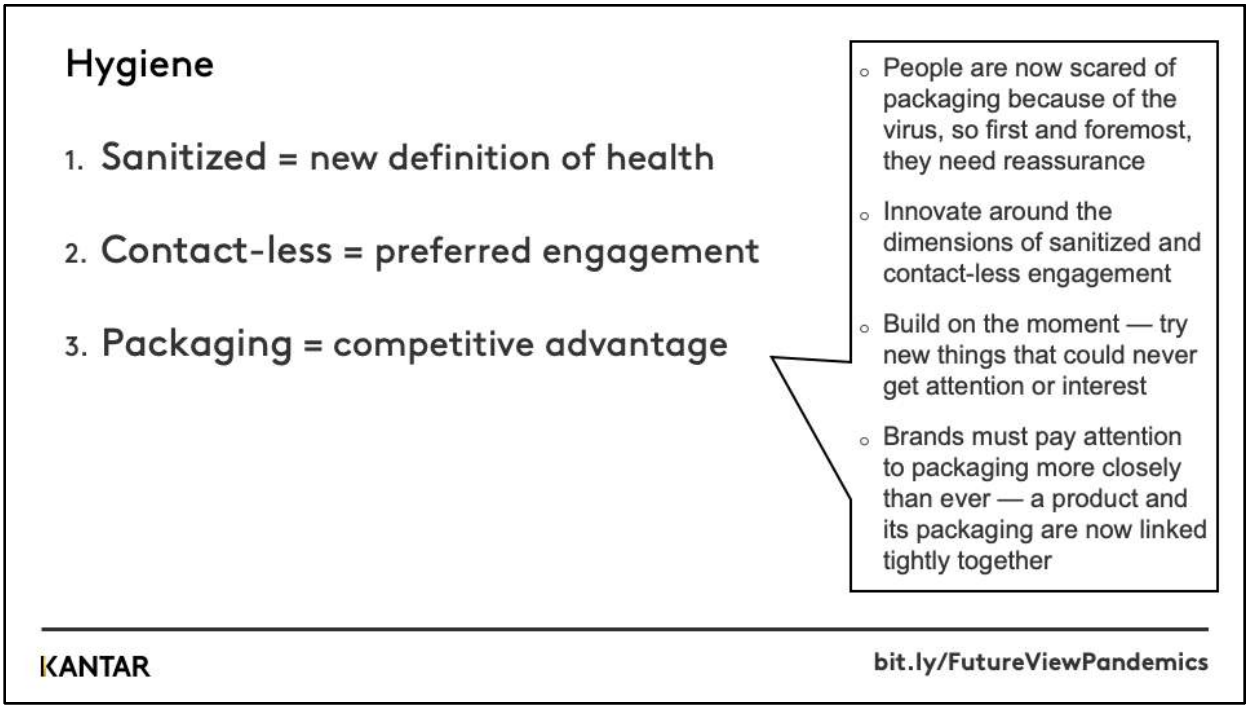
- First, sanitized will be the new definition of health. We've been kicking this notion of health around for a while, but you can throw out those old concepts. The future of good health is all about what touches you, not what you eat or drink or do or take. The kinds of sanitizers and cleansers and disinfectants that we used to use only for deep cleaning every now and then will be everyday items in the future.
- Personal hygiene will be less about germs and more about viruses. Anti-virals will find resonance and opportunity. Indeed, this is the way to understand the run on toilet paper — it's about hygiene — personal hygiene — toilet paper as much as hand sanitizer.
- The very idea of clean, quote/unquote, is something familiar to consumers already in food products. That will now expand to include surfaces of all types. And it will expand to all types of retail. Stores that are not sparkling or stores that carry inexpensive merchandise from ambiguous manufacturers or online sites that ship from unfamiliar third-party retailers or any store with a warehouse that can't be certified to a consumer's satisfaction will be under greater scrutiny.
- Indeed, everything that people touch will have to come with an assurance that it has been sanitized. For a time at least, airlines and hotels will be able to differentiate on how well they clean. Restaurants, too. Products to keep cars or sofas or beds sanitized will be relevant. It's just about anything you can think of. Obviously, there is a silly period to come when everything will make this claim. But that will pass and the deep importance of this will remain. It's not a fad. It's part of the underlying trend unlocked by this disruption.
- But it poses a challenge to sustainability. Sanitizers mean chemicals. And other ways of ensuring sanitization like single-use packaging or plastics may come back into greater use. Because I changed the focus of this webinar, we didn't get into sustainability as one of the driving forces behind the coming Era of the Public. But this potential conflict will have to be resolved. Sustainability will be looking to reposition its value in terms of a cleaner world — a world less plagued by the viral outbreaks and other biohazards unleashed by global warming. Of course, sustainability may have to give a bit on some areas, but its overall message will have to add in a hygiene dimension.
- I should add that sustainability has one extra thing going for it now. The break in economic activity has significantly reduced carbon emissions and air pollution. In an instant, we have seen that global warming can be reversed. This lesson will add to the case for sustainability.



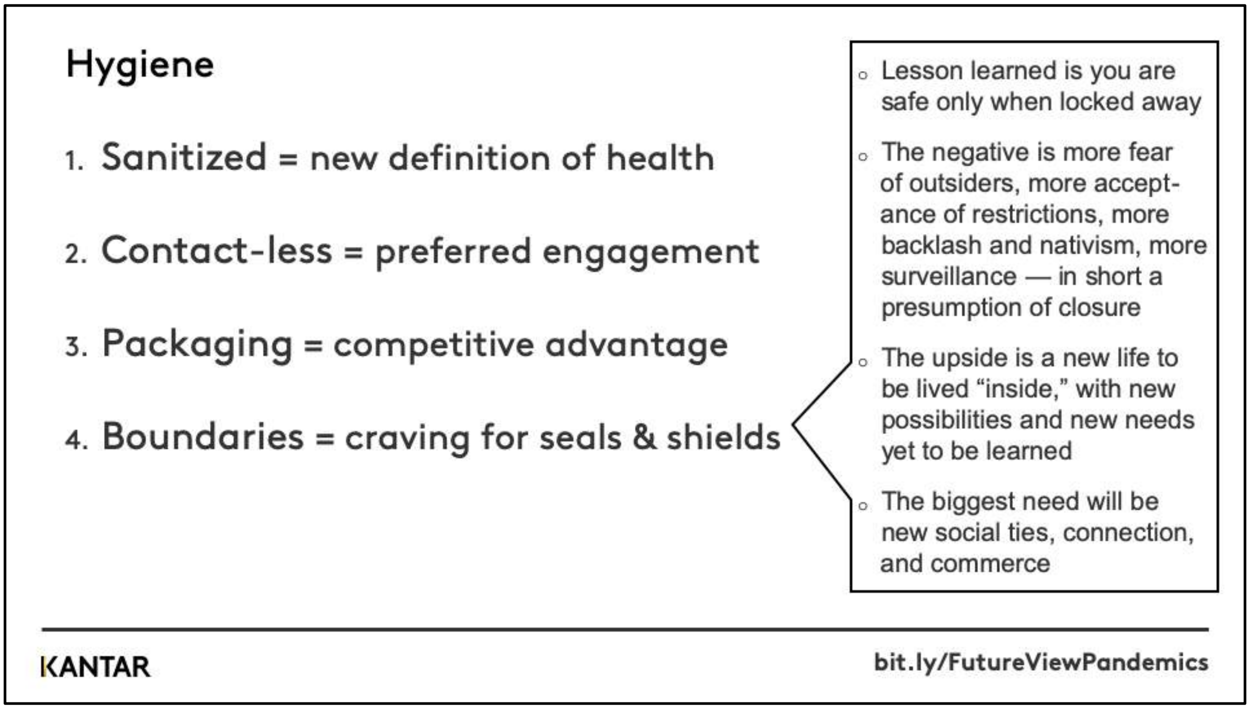
- The second element of hygiene is no-contact, or contact-less engagement. This is exactly what it sounds like — don't touch me. We live bustling lifestyles nowadays but we will have to relearn personal space. More and more, we will favor remote solutions. Instead of today's presumption that everything is face-to-face unless there is a good reason why not, we will assume that everything is to be done remotely or virtually unless there is a good reason to do it face-to-face.
- We've all seen the numbers about online going through the roof during this outbreak. Much of that will persist, especially virtual meetings.
- But online is just part of it. And online is best understood as one kind of contact-less engagement among many. I've bulleted a handful here — and there are dozens more.
- China saw a proliferation of restaurants setting up contact-less order-taking, contact-less delivery, and safe takeaway cards. This is likely to extend itself into people being queued up in shifts or by appointment for everything from grocery stores to live events. Tele-everything and virtual meetings are exploding already. Real estate will be sold by virtual reality — clothes, too, maybe. Anything that can be done by a robot or AI without a human will grow. This will be driven by a desire for more personal space, which will mean less crowded living and it will change lots of personal habits, like shaking hands, touching elevator buttons, handling credit card readers, and grabbing gas pump handles. I would also expect a big dropoff in buffet and communal foods, even taste bites in the grocery store.
- The bigger issue here is how to replace the interpersonal interaction that is so vital to both social meaning and retail outlets. Every form of commerce that depends on browsing or impulse is going to have to replace physical involvement with some form of data-driven engagement. Gaming is one place to look for the ways in which strong social bonds can be created with digital tools. Indeed, digital platforms of all types are going to gain what my former colleague Bryan Gildenberg is now calling "share of life." They will not only matter more, they will matter a lot more, and if your brand depends on in-person engagement, you need to start reimagining your future.



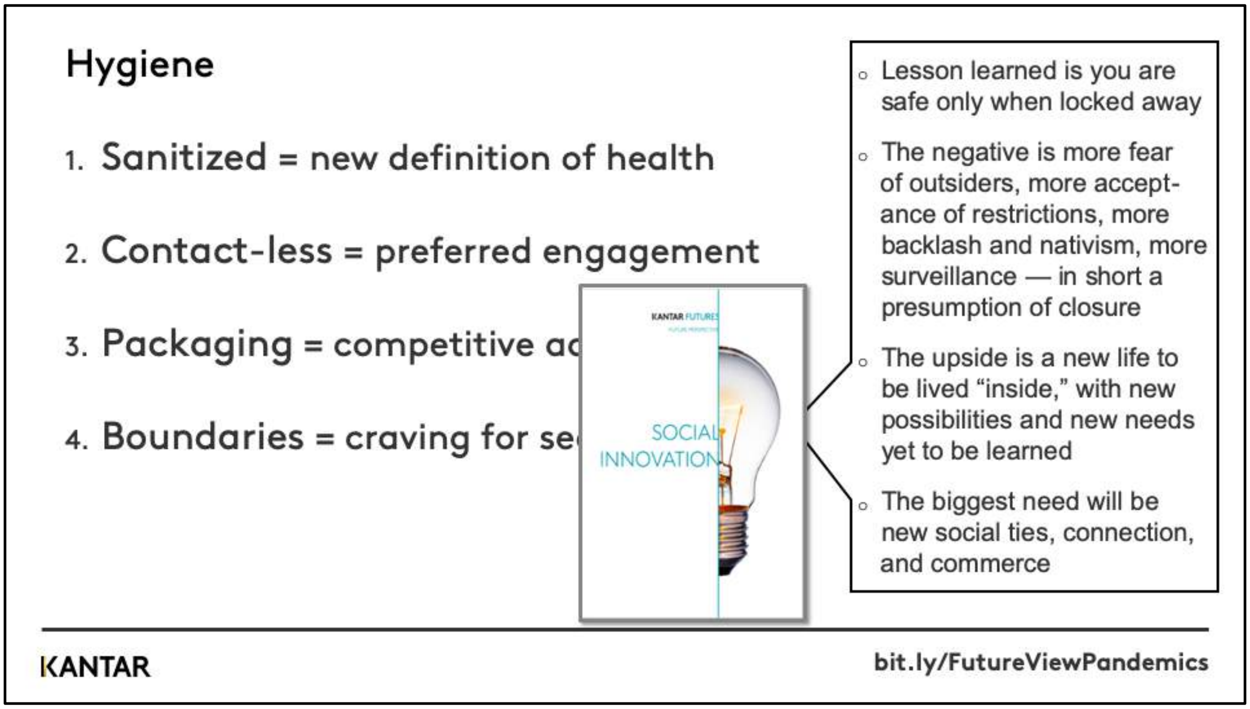
- Here's a quick illustration. It's an email I got the other day from Door Dash. The first bullet reads, "Deliveries are moving to no-contact by default." That's the default in the future — don't touch me.



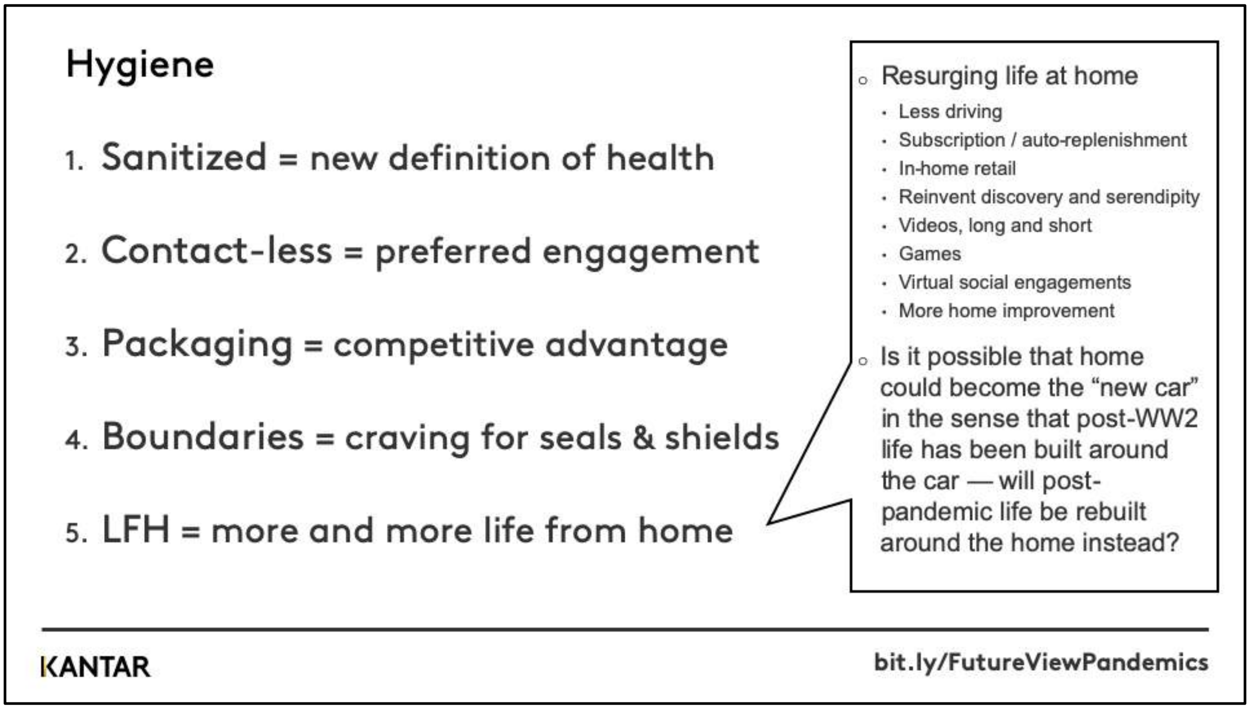
- Related to this is packaging, which will now enjoy a resurgence as the key differentiating factor that distinguishes one brand from another.
- People are scared of packaging during this outbreak. One of the most common questions being asked is whether you can get the virus from a package. A grocery package. A grocery bag. An e-commerce package. The envelope with your cable bill. The shipping envelope you pull out of the stack at the shipping store. The bag carrying the soccer balls for your daughter's team. The handle of the cart you grab at the store.
- Packaging must first allay these fears. And then packaging can introduce innovations that leverage the dynamics of sanitized and contact-less. How can a package ensure it is sanitized at all times? How can a package be designed to deliver a no-contact experience for consumers?
- Packaging should also try to build on this moment. The negative attention is actually focusing people on something they often take for granted. So now that packaging has their attention, use it to do something really new and innovative. Explore more deeply what packaging can provide to people and use this moment to invest in some innovations that, during normal times, would not get the same level of consumer interest or willingness to pay.
- Brands, too, should pay attention to this. No matter how good the product, if the packaging is viewed as unsafe, people won't touch it. The package and the product will be more closely aligned. Apple showed us years ago that opening a beautiful package is no less a benefit than the product itself. In a similar though darker sort of way, brands are being taught this lesson again.



- One of the central lessons of this experience of extreme social distancing is that we cannot take our safety for granted anywhere except when we are locked away at home. This is eye-opening in a culture that has been thriving on the social experience of green spaces, parks, gardens, cafes, urban greenways, walkable neighborhoods, and bike lanes. Only now do we discover how much we had been putting ourselves in danger. And so we will have a new view of our safety. Hygiene means seals and shields.
- The downside is more fear of outsiders, more restrictions and barriers, more backlash against certain groups, even nativism and discrimination. Probably more acceptance of surveillance, at least in broad strokes, about our communities if not in more personal ways. This is a renewal of a fear and a reaction we had after 9/11. This pandemic will intensify these elements of life.
- In fact, there is one aspect of this not written on this slide, but I think we will see more generational conflict. Fairly or not, young people have already been smeared with the complaint that they don't take this virus seriously and their behavior threatens older people. As older people lock themselves away with seals and shields, one of the threats to keep out will be younger generations. Given that older people vote more than younger people, this kind of conflict could easily escalate.
- But there is an upside, too. The life "inside," quote/unquote, is yet to be explored. So there is the excitement and anticipation of that, which brands should study and find ways to connect with. People's needs are going to change.
- Perhaps the biggest change is in social connection. A life sealed and shielded will be harder to penetrate. Yet the need for social bonding is not going away. Brands must deliver this as a benefit.



- In fact, we published a white paper on this very topic just a few years ago. Called "Social Innovation," it explores the possibilities for leveraging social engagement as a brand benefit not merely as a communications pathway. I recommend it to you. So just let us know if this would be helpful to you.



- Finally, we’re are headed to LFH not simply WFH. It’s not work-from-home. It’s life-from-home.
- There was a surge back home after 9/11, as I mentioned at the very beginning. But the financial excesses of the mid-2000s transformed that into a trophy affection. But now we’re being forced back to an emotional connection with home.
- But it does mean a new shopping ecosystem. I’m not sure I can imagine all of the possibilities, but it may well include things like less driving, with an impact on c-stores and drive-thru restaurants. It will probably mean more subscription-based services, which will start to show up in more and more categories, thus having an impact on retail grocery traffic. Auto-replenishment will grow and will mean the same thing. Brands may have to figure out how to come to your home so you can try on clothes or browse the new small appliances. Serendipity will have to be reinvented, and we’ve been working on that for a while now anyway. More time will be spent with videos and games. We are already doing Zoom coffee klatches and virtual wine tastings. And we will certainly want to do all of this within a more comfortable environment, so home improvement will see opportunities.
- This could be a lot of change or a little change. But I’m betting more change than not. And by that I mean lifestyles remade around the home in the same way that lifestyles were remade around the car after WW2. Think of how much of our lives and commerce is car-centric. Drive-thrus. C-stores. Mall parking lots. Commutes to the office. Click-and-pick omnichannel commerce. Big box stores. Strip malls. Two-car garages. Vacation homes. Driving trips and retirement RVs. You name it. Just about everything is car-centric. If indeed we find that home is the only hygienic place where we can life with freedom from worry about hazards and risks, then home will dominate more and more of our lives. Cars won’t go away. But they could easily go away just enough to affect our businesses at the margins where we earn most of our profits. And what that means is looking into this sort of uncomfortable place for future opportunities.

Hygiene

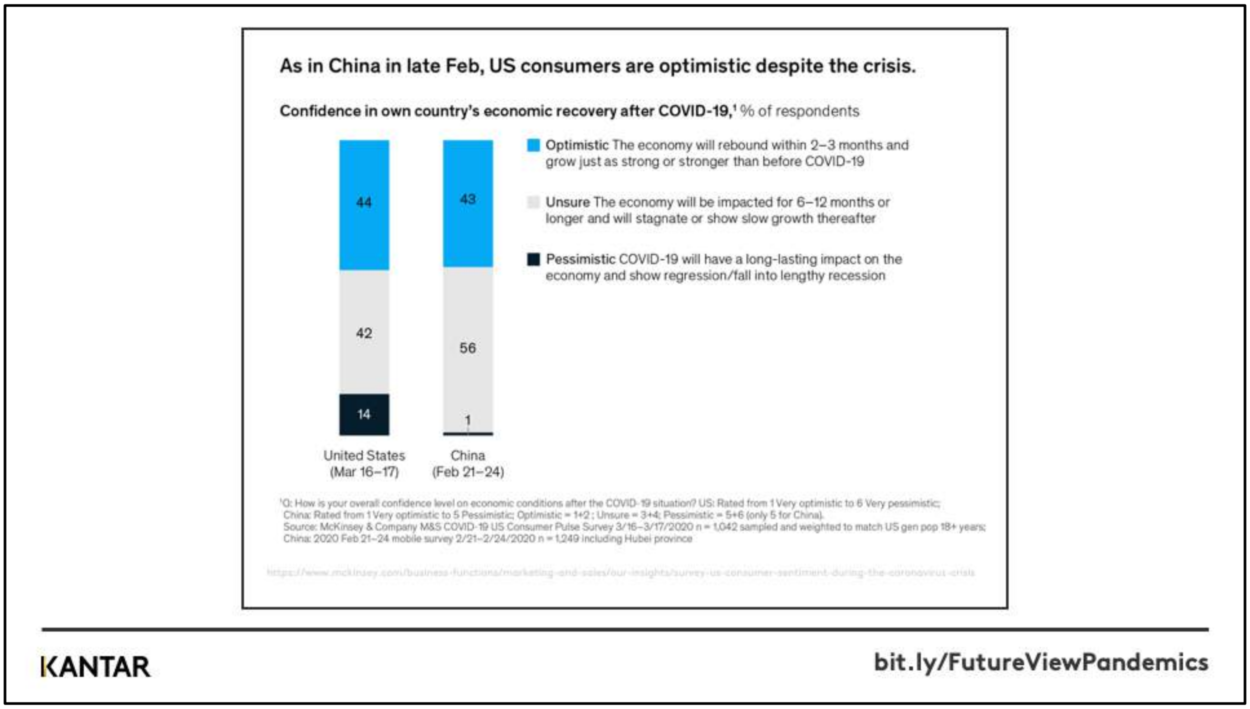
Stretch prognosis:

Health & hygiene emerge as the next digital

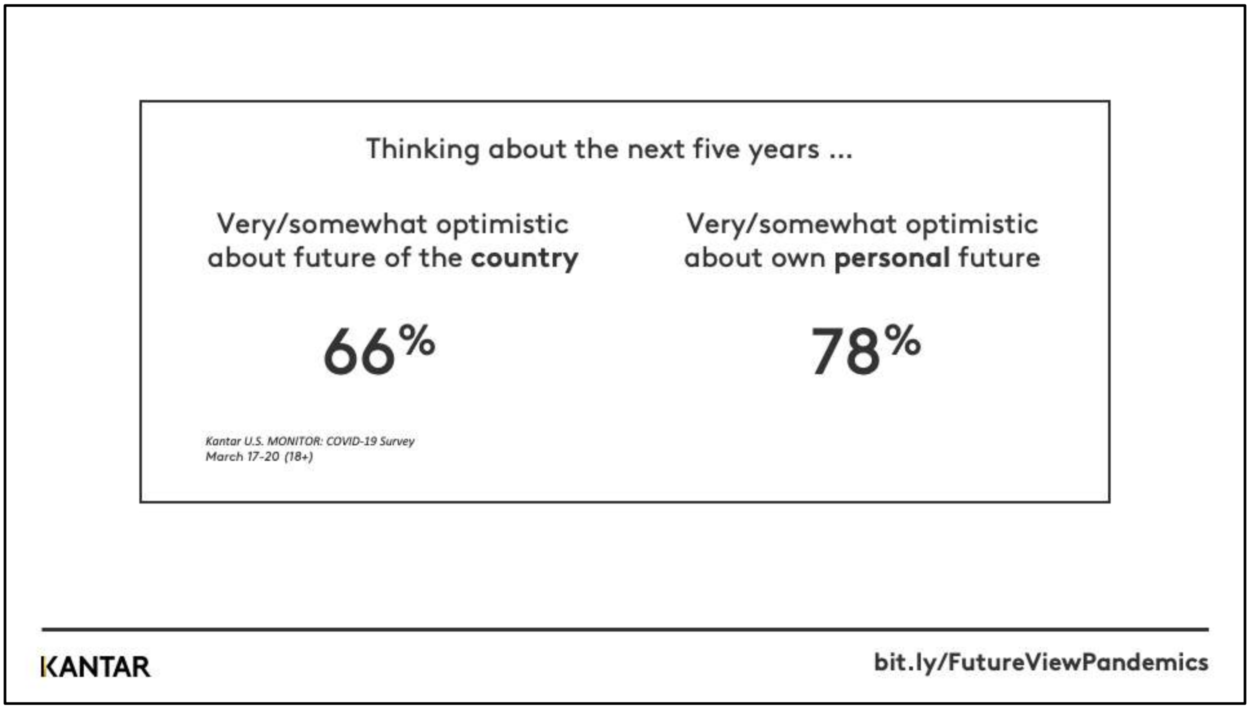
KANTAR

bit.ly/FutureViewPandemics

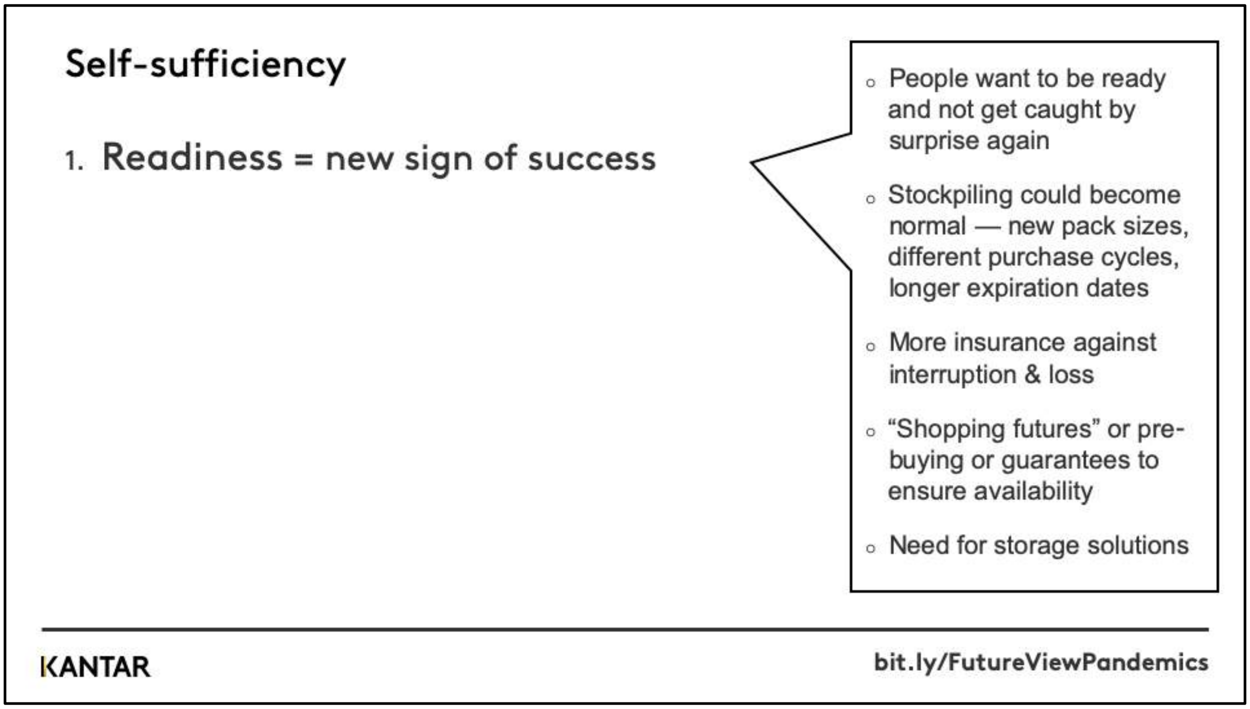
- Let me conclude this discussion about hygiene with one last thought. A bit of a stretch, but something to consider. If I had to bet, I'd say that hygiene will be to the 2020s what digital was to the 2010s. So if you were wondering what your next brainstorming session with us should be about, this is it. How does your brand find opportunity in health and hygiene?



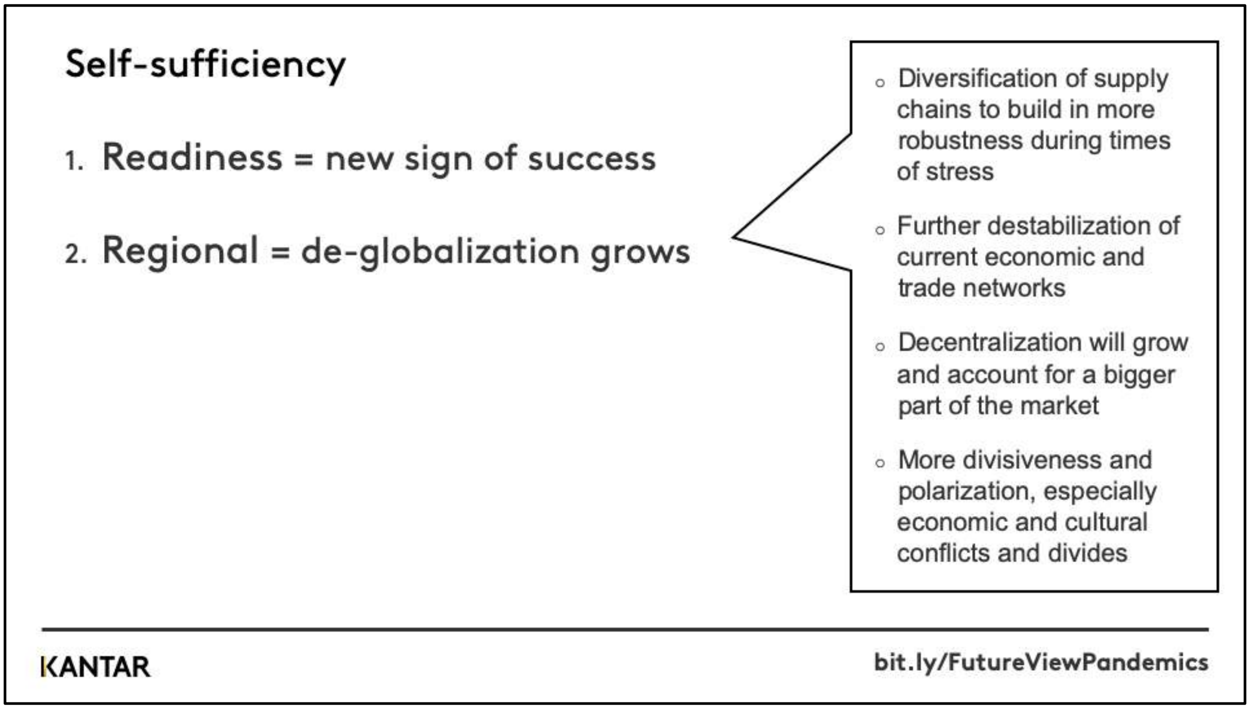
- The other area of opportunity is self-sufficiency, which is a dimension of local, as I'll show momentarily.
- But first, I want to emphasize that despite the disruption of this virus, consumers remain open and hopeful about whatever comes next. They are looking to take charge. They want to be more self-sufficient in doing so.
- As this McKinsey chart shows, during the outbreaks in both China and the U.S., few consumers expressed pessimism. Many expressed some confusion or uncertainty. But over 40 percent in both countries report optimism.
- This is good news. Consumers are ready to go.



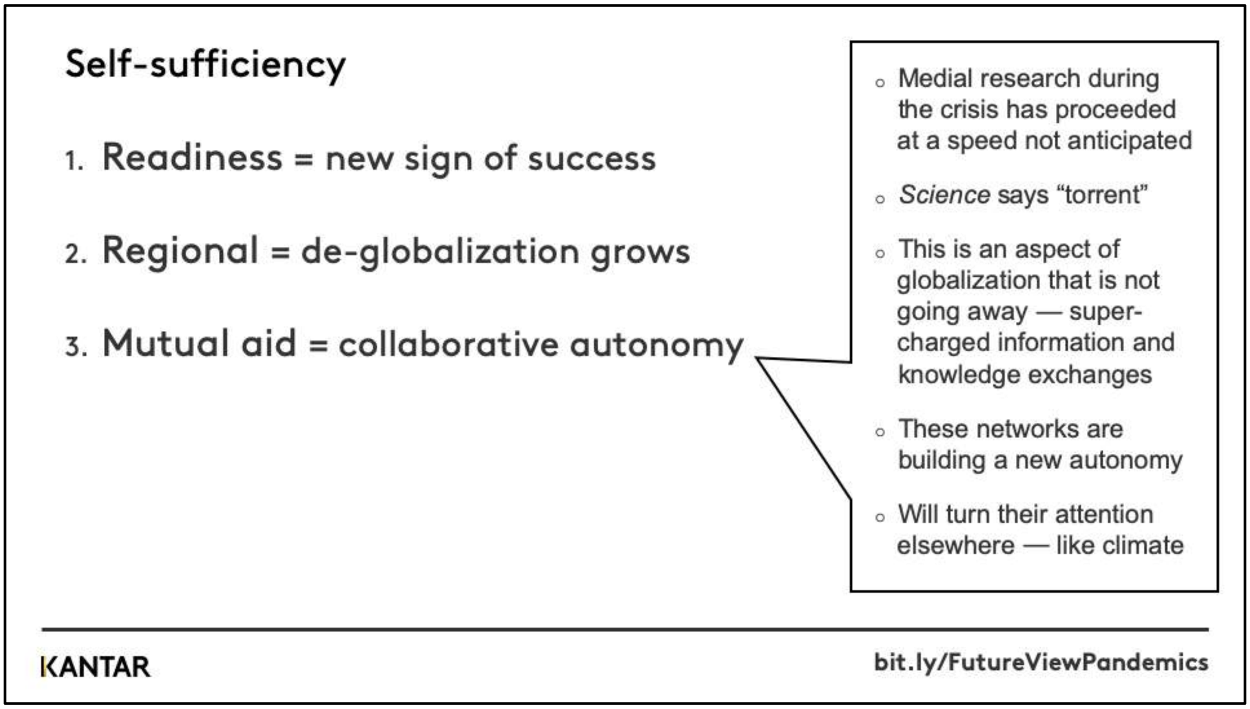
- The U.S. MONITOR survey confirms this. Most consumers are optimistic about the country, and a good number more remain optimistic about their own situations as well.



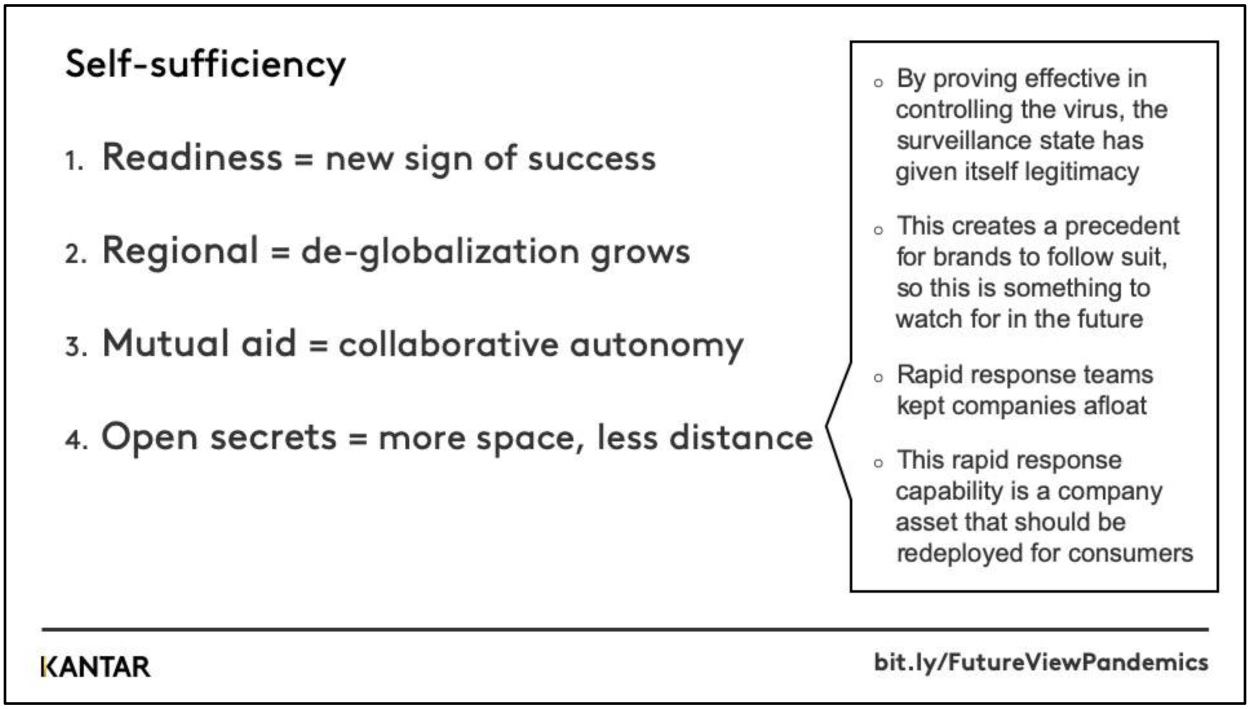
- So how will self-sufficiency manifest itself in market opportunities.
- The disparaging term stockpiling will give way to readiness as the new status symbol. Being ready is the new badge of status. And in an uncertain world where these kinds of disruptions are increasingly commonplace, as I mentioned earlier, readiness is status.
- And with stockpiling more common as the behavior associated with readiness, we’ll need new pack sizes and product formulations. We’ll need to figure out the new pathways to purchase and the new purchase cycles. And we’ll probably have to reformulate our products so that they last longer stuffed away in readiness.
- Given the abrupt economic dislocation with this pandemic, insurance against interruption and loss will become more important.
- If consumers can’t stockpile or don’t want to, they may be open to bidding on futures to ensure they can get what they need in the moment that need arises. Or they might be open to pre-buying it or to buying a warranty that guarantees availability.
- Of course, if consumers do buy to store, then bigger storage spaces will be needed.



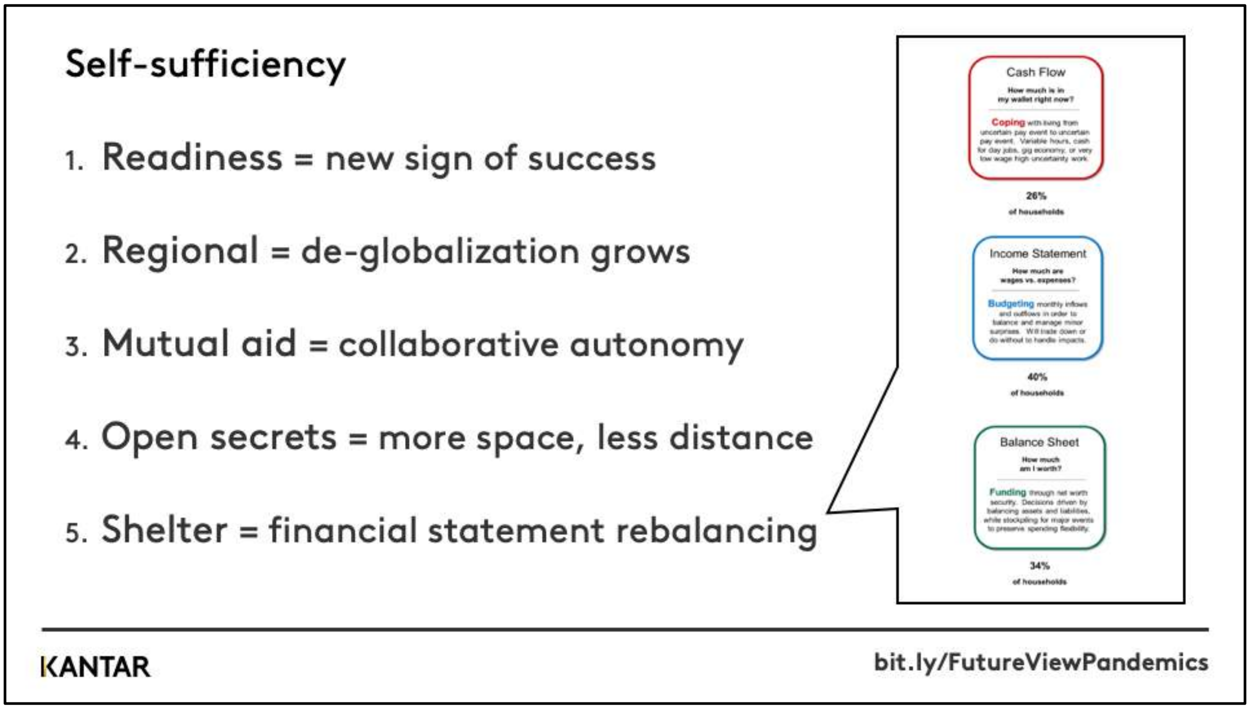
- Much of this discussion around self-sufficiency is going to involve a much more serious debate about diversifying manufacturing and logistical chains. The dangers of being tied to a single node were seen in the impact that the 2011 tsunami had on Toyota. Supply chains have become more robust, but as the shutdown in China illustrates, there remain serious weaknesses that must be addressed.
- The broader geopolitical impact of this is probably going to be a further destabilization of global economic and trade networks. These have been under populist political pressure already and the failure of resiliency in this pandemic is going to add to this pressure. I think we can say goodbye to globalization as a presumptive policy. Regionally-based decentralization will grow, even if much of globalization, especially information flows, remains.
- This is likely to be true even of urban centers that depend on long supply chains for much of their stock. For example, urban-based vertical agriculture is a increasing and it is a more sustainable alternative that can replace some traditional networks.
- But this new localism will mean even more divisiveness and polarization. So the increase in resiliency is likely to come with a corresponding increase in conflicts, at least economic and cultural conflicts.



- One of the most promising developments during the coronavirus crisis has been the rapid development of alternative networks of information and collaboration. These networks have put scientists directly in touch with other scientists in order to share data, review findings, and collaborate on work. The gradual erosion of traditional ways of sharing and publishing scientific work has been underway for many years. The internet has radically altered how science is done. But the coronavirus presented a new challenge — the work not only needed to be open-source, it needed to be completed at speed. The journal *Science* has used the word “torrent” to describe what was unleashed.
- This is mutual aid on a new scale. It might best be described as autonomy achieved through collaboration. Individual researchers are able to do more themselves because they now have access to a network that offers access to knowledge and expertise unavailable to them before. This is building a new level of self-sufficiency.
- And this is the part of globalization that is not going away. And after this crisis has passed, this network will probably turn its attention to other issues — issues of equal time-sensitivity and urgency like global warming.
- But it is also valuable to commercial enterprises. The declining returns on innovation have been the subject of many media stories, especially in areas like medical research and pharmaceuticals. But a fast-reacting network that can harness together everything being done at once offers new possibilities.



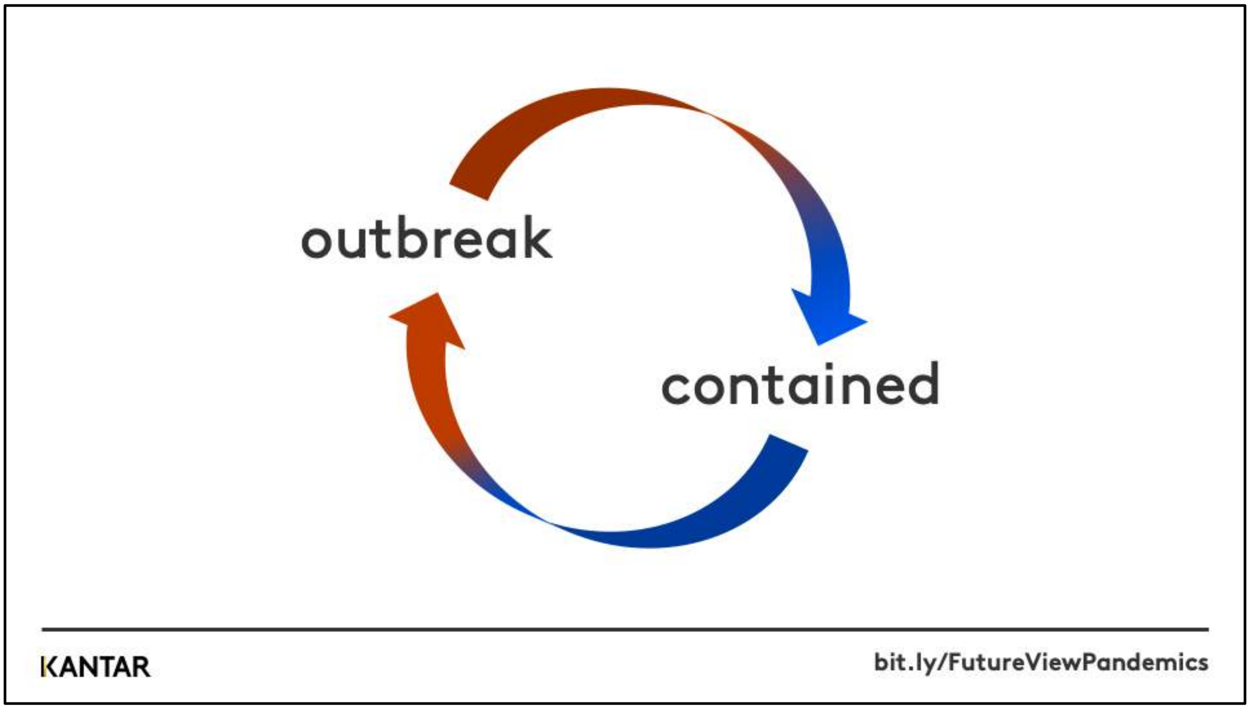
- Two things are occurring simultaneously during this crisis that have related though different implications.
- One is the growth of surveillance. China, Singapore, and other places have instituted very strict tracking of individuals to ensure isolation and containment of infection. A lot ofit involves geolocation of people's phones. Testing is certainly involved. And good old-fashioned security guards have been used, too. It has worked, but its success has added legitimacy to more intrusive state surveillance. This is a legacy that will have to be dealt with later. But it has business implications because a precedent for greater state surveillance would help legitimize more commercially-based surveillance as well. This is something to keep an eye on.
- The other thing will have more immediate impact. As a result of the economic lockdowns, large companies have created rapid response teams to manage the business day by day, if not hour by hour. Indeed, this is the second step in our 7-step plan that I mentioned earlier. As the economic crisis eases, these response teams will disperse. However, the experience will remain as a corporate asset. Many people will now know how to stay intimately connected to every heartbeat of the business. Imagine if that newly acquired experience was redeployed to customer service or consumer personalization. The same kind of constant scrutiny and real-time finetuning would be powerful for a brand. This will be an opportunity available to every company, but it's likely that few will take advantage of it. So it will be a potential advantage for brands willing to do the organizational work to redeploy this resource in this way.



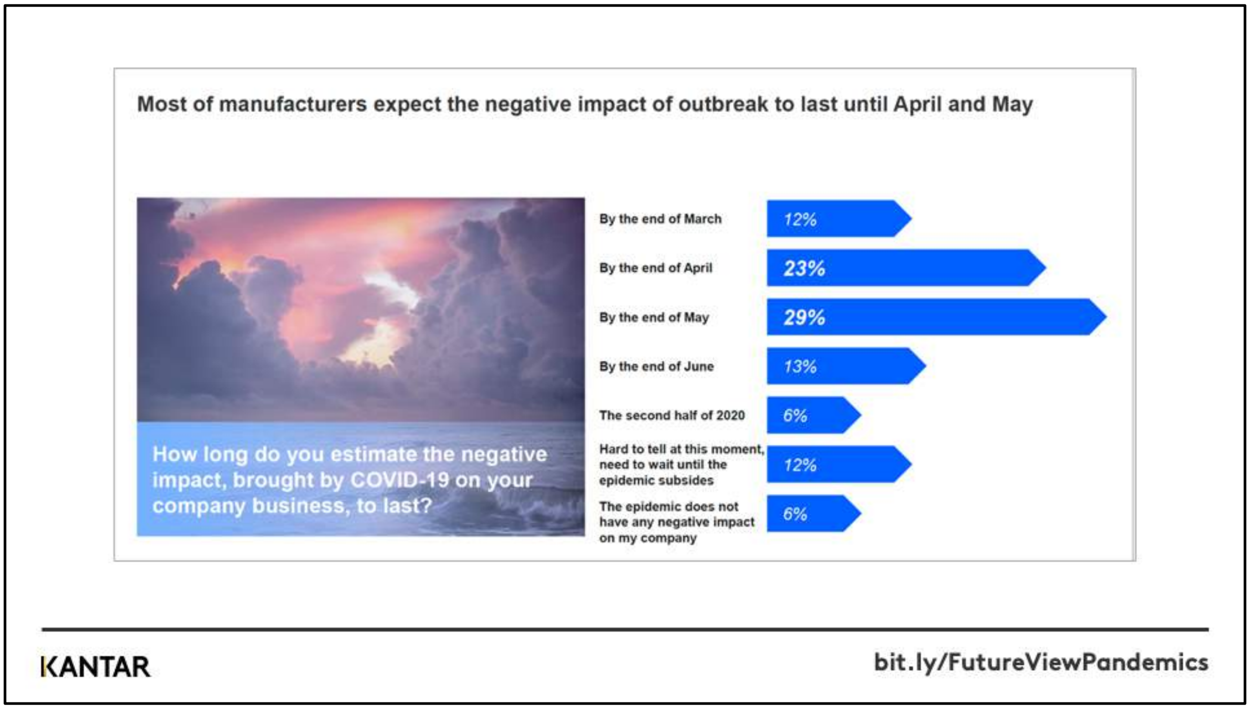
- The last thing about self-sufficiency is that consumers will be looking to shelter themselves from future economic shocks. We've seen that the biggest impact of disruptions is financial — people worried about personal financial positions. The loss of jobs has been massive and abrupt. But these dislocations do not affect all consumers alike.
- Last year, we used Federal Reserve data to complete an analysis of consumers that assessed economic resiliency relative to the kind of household financial statement that affects spending. This provides a better framework for assessing the shopping and outlet behavior of consumers during macro-economic downturns. When we use it as a lens here, we see a few key things.
- At the top are so-called Cash Flow consumers who live from one uncertain pay event to the next. They are mostly unsalaried — living on part-time work, gig jobs, tips, piece work, seasonal employment, and so forth. They are 26 percent of households. This is the group that has been impacted the most so far. They have no financial reserves. Their discretionary spending is now zero. They cannot trade down. They can only trade out, which means not buying or buying much less frequently. Brands and outlets that depend on these shoppers will find them absent from the marketplace.
- Income Statement consumers have a steady, predictable salary. They budget well and keep spending in line with what they earn. But in a downturn or turbulent periods, they get much more cautious about their spending. They will cut out all trading up. This is the group that trades down. And thus when they show up in discount outlets or looking for discount brands, they are a new consumer to you. This is not your regular consumer. They want more even as they pay less.
- Finally, Balance Sheet consumers are those with assets. This disruption and the last are not good for most assets. So these consumers are sure to pull back on their discretionary spending. Unfortunately, these consumers are the mainstay of discretionary spending. And a good portion of what they purchase now will not fit with life-from-home lifestyles. Whatever they spend will be spent differently.
- Across the board, consumers will be rebalancing in order to preserve as much self-sufficiency as possible.

- With those ideas about the marketplace in hand, it's worth adding a quick note on what we don't expect to see.
- There is no reason to expect trust to go up or fake news to go down. Polarization is a feature of the marketplace, not an outcome that might shift. Similarly, we are not persuaded that people will feel better about government after the kinds of things that have occurred during this pandemic.
- It is an interesting thought that people will start to leave crowded urban areas where close quarters make them vulnerable to infection. But it is unlikely that urban dwellers will feel more self-sufficient in exurb or rural environments. And hygiene can be improved in other ways.
- Finally, there is no reason to anticipate a decline in government involvement in the marketplace during a period when only greater involvement can contain the spread of this pandemic.

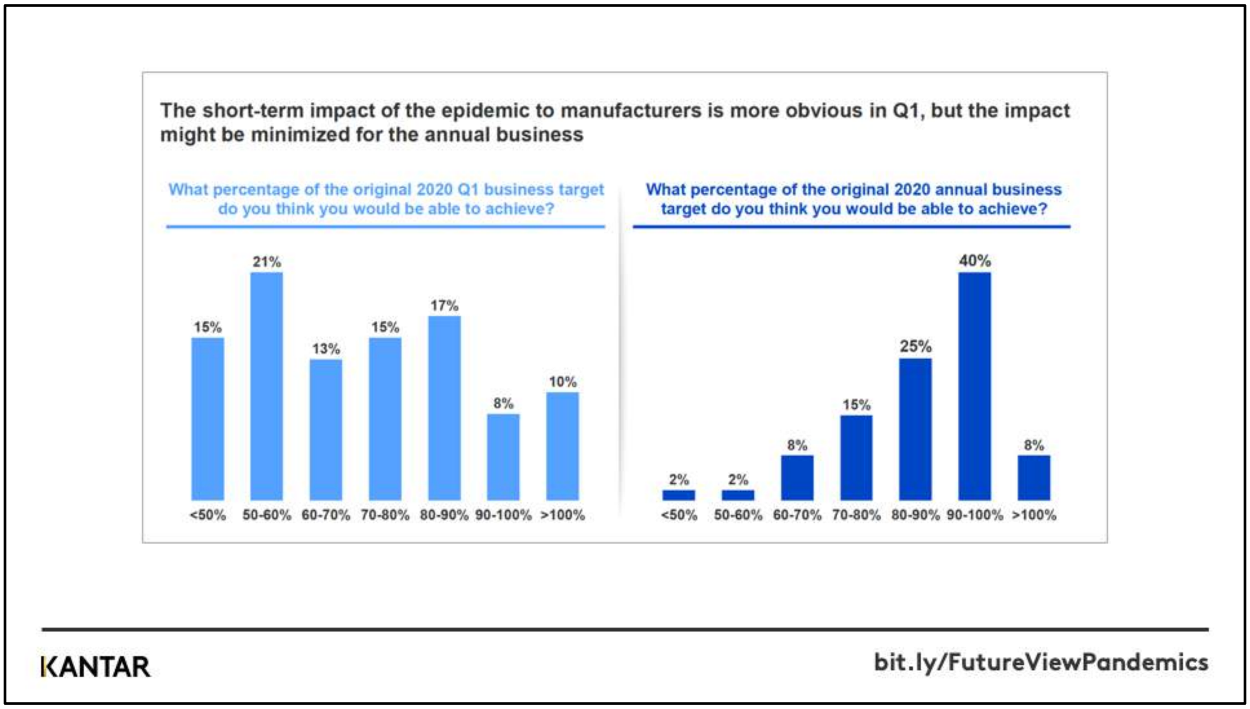
- So let me wrap up with two final things.
- One is the the recovery we might expect and what that means for our businesses.
- The second is a recommendation about testing the sensitivity of everything I have said here today.
- So let’s start with this notion of cycling.



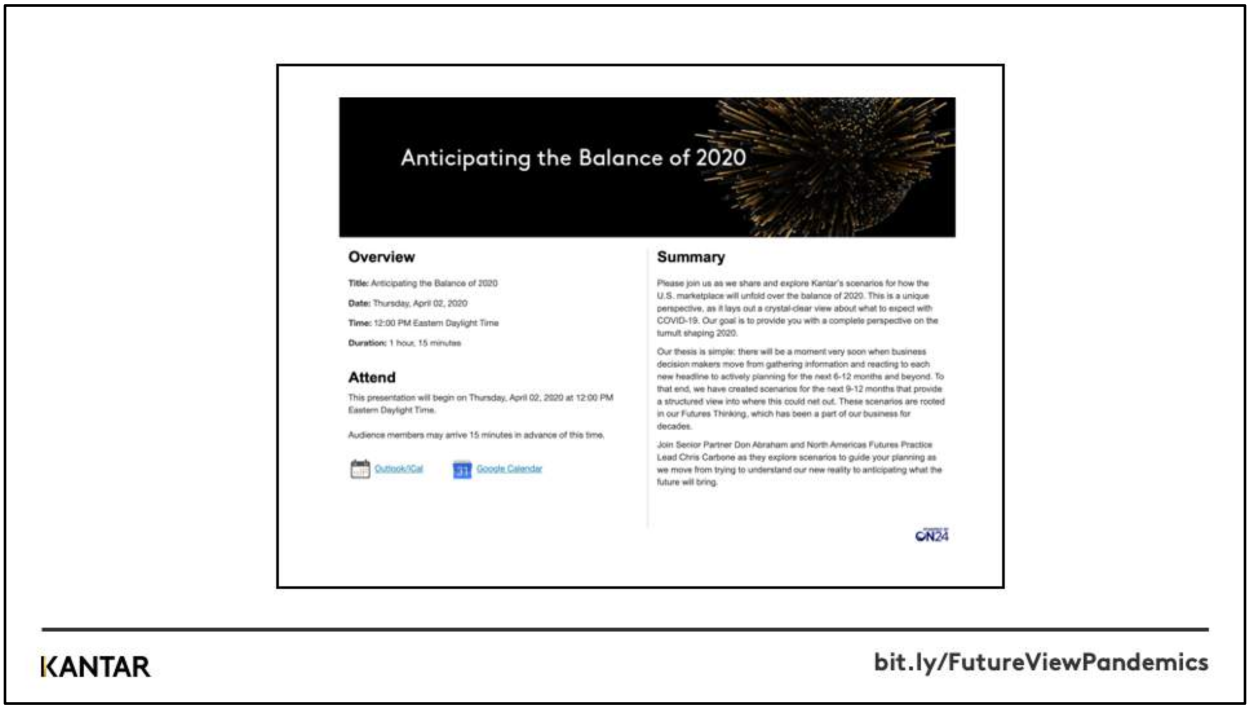
- Any number of things could happen over the course of the next year, but the situation I think we should be ready for is one of cycling through outbreaks. Epidemiologists continue to emphasize the novelty of this coronavirus. In particular, they caution that we don't know if infection confers immunity and we don't know if initial containment will control it. They are watching China, Singapore, and South Korea to see if cases there begin to rise again. And of course, we can't count on policies everywhere to remain as tight as they are now. The U.S. is planning on relaxing its policies in a little over two weeks even though cases are just now beginning to surge here. Hong Kong had gotten control over its outbreak until it relaxed its travel policies, and travelers coming in caused cases to rise again.
- Many epidemiologists expect this initial outbreak to surge and pass, only to be followed by successive waves of smaller outbreaks. These will precipitate localized lockdowns. And this kind of cycling back and forth will continue until a vaccine is available 18-months to two years from now.
- This cycling will be complicated by varying timelines of different geographies. As one geography gets control, others will be getting overwhelmed. There is no moment when everyplace is the same. It is good that everyplace is not bad at once. But it's not good that markets around the world are out of sync. Because this complicates recovery, especially with markets resurging in various ways and on different timelines.
- If your brand is global, it is likely to face on-going disruption, compared to national brands that will only have to deal with this as a localized event.
- This is going to require high levels of agility and flexibility in all aspects of your business. Fixed ways of doing business are going to have to give way to much more fluidity and resilience.



- The results shown here are from a survey of manufacturing executives conducted by the Kantar China team. Most expect the impact of the outbreak in China to last until April or May. It began in December, so this is a 6- or 7-month period for the worst to pass, and this is in China where extreme measures were taken to isolate people no matter what. Consumers expect the same. In the U.S. MONITOR survey recently completed, the majority see this disruption lasting anywhere up to a year, with 6 months being about the mid-range of expectations.



- The economic fallout is likely to be significant. As you can see here on the right, only 48% of the executives interviewed in China believed they could hit at least 90% of their original 2020 objectives.
- Updated figures just released for China report that industrial production in January and February fell 13.5%, well above the 3% decline expected, and retail sales dropped 20.5% versus an expected decline of 4%.
- Depending upon the difficulty in controlling the pandemic, McKinsey has forecasted anywhere from a 20% to a 60% decline in 2020 global GDP growth. Forecasts for the U.S. and Europe are worse.
- That's kind of a somber note, but let's not end on it.



- There are many ways in which this situation could play out. And we should be prepared for the best not just the worst.
- One of the things we do at Kantar is futures-based scenario planning, and our futures practice led by senior partner Don Abraham and futures practice lead Chris Carbone have put together a set of scenarios that can be used to stress test the kinds of outcomes and predictions I have made here, or those that anyone else is making as well. These scenarios are the best way in which to plan for contingencies ahead. You can find these scenarios at the replay link for this webinar.
- But you should also take advantage of the upcoming webinar that Don and Chris will be conducting next week, Thursday, April 2 at noon EDT. They will take you through these contingency scenarios and explain how to use them for your business planning. They will leave you with a brainstorming framework that you can utilize to prepare your business for the kind of cycling recovery that I just described. The registration link for this webinar is also at the replay link shown here.
- The future is all about brands contributing to a better society — something much needed in this moment where hygiene and self-sufficiency are remaking the future. We will cycle into this future through waves of interconnected outbreaks and containment, but we must focus on all possible scenarios to make sure we are planning for all contingencies across all markets and timelines.

- It's a complex situation, but it is also predictable and one that we can approach with some assurance of its trajectory and impact. That means opportunity — as uncomfortable as they will be, there are growth opportunities in everything we are facing as we rapidly close the distance on the future of the marketplace.
- Thank you very much for you time. Please follow up and we will be happy to help. Thank you.