Advertiser Perceptions®

THE CORONAVIRUS EFFECT ON ADVERTISING

Report

A research-driven report for media sellers and ad tech executives outlining the obstacles and opportunities driven by the current pandemic crisis.

INSECURITIES ABOUND, BUT WHAT ABOUT OPPORTUNITIES?

In the wake of COVID-19, CEOs and their executive teams have been stripped of their strategic roadmaps. Decisions and processes across all levels of the organization that took years to put in place were undone in hours, with little insight as to what the future might resemble in a week's or month's time.

In our latest study of more than 200 US marketing and agency professionals conducted between March 17 and March 20, 2020, we find that fewer than one in five said their company had a contingency plan for managing their own or their client's media investments in case of a large-scale national or global event.

82%

The portion of US agency and marketing professionals who said they had no contingency plans in place to manage media investments in the face of a large-scale national or global event.

The bottom line: The world, let alone media and advertising, was (and still is) unprepared.

For the advertising industry, this has meant a lot of knee-jerk reactions and quick pivots to account for a host of cancelled events and sports sponsorships, a glut of ecommerce activity and new brand safety concerns as news stories and coverage of the outbreak unfolds.

But it has also opened new doors and opportunities for those capable of flexing to meet quickly changing consumer habits and demands.

KEY TAKEAWAYS:

1. Ad budgets aren't all being slashed. Most are being paused or shifted
2. Verticals catering to "out-and-about" consumers are severely threatened; "hunker-down-at-home" verticals are advantaged
3. Linear TV hit hard early, but momentum on its side
4. COVID-19 fans tailwinds for CTV and OTT
5. It's yet another win for the walled gardens
6. News coverage creates challenges for some, opportunity for others

HERE'S WHAT YOU NEED TO KNOW.

ADVERTISERS ARE MODIFYING AD BUDGETS IN THE SHORT TERM—NOT SLASHING THEM

Most companies are in self-preservation mode, but they're not bailing on advertising—at least not yet. While nearly 9 in 10 US marketer and agency professionals reported a disruption to their ongoing advertising efforts as a result of COVID-19, only a third said they completely cancelled a campaign. More good news: Nearly half reported plans to not reduce ad spending but instead shift budget among media types. Obviously, this either challenges or advantages media sellers, depending on where they sit (more on this in a minute).

How has the coronavirus impacted advertising efforts?

Stopped or pulled a campaign mid-flight	49%
Held back a campaign from launching until later in the year	48%
Adjusted media type usage or shifted budgeting among media types	45%
Paused all new advertising efforts until later in the year	38%
Cancelled a campaign completely (pre-launch)	34%

Q12. In which of the following ways has the coronavirus (COVID-19) outbreak impacted your recent or ongoing advertising efforts? Base: Total Respondents

Another common strategy: Postponing campaigns and ad spending until later in the year. For media sellers who can keep conversations and relationships with their clients afloat, this suggests opportunity to regain lost ad revenue in the back half of 2020.

However, reactivating and winning back campaigns may not be enough to make media sellers whole. Nearly two-thirds of marketers and agencies said they planned to decrease some of their ad spending this year. And such effects are likely to extend into 2021. While advertisers expect the worst of the effects to be felt in Q2 2020, two-thirds also expect the coronavirus to result in reduced ad spending in 2021.

WHAT SHOULD MEDIA SELLERS DO TO ASSIST ADVERTISERS DURING THIS CRISIS?

"Be a good partner. This too shall pass, but this is when you find out who the partners are that you want to continue giving money to in the future. There is an alternative to every partner; we will find it later if you are harder to work with now."

– EXECUTIVE MARKETER

“HUNKER-DOWN-AT-HOME" VERTICALS NEED TO CAPITALIZE RIGHT NOW

As social distancing becomes a mandate and lockdowns a reality for some states, industries such as retail, restaurants and travel have crumbled. Places consumers travel to and patronize as they are “out-and-about” are perceived as the most impacted in the wake of COVID-19. In contrast, hunker-down-at-home verticals such as food and household products, online retail and yes, even alcoholic beverages, were considered the most likely to benefit.

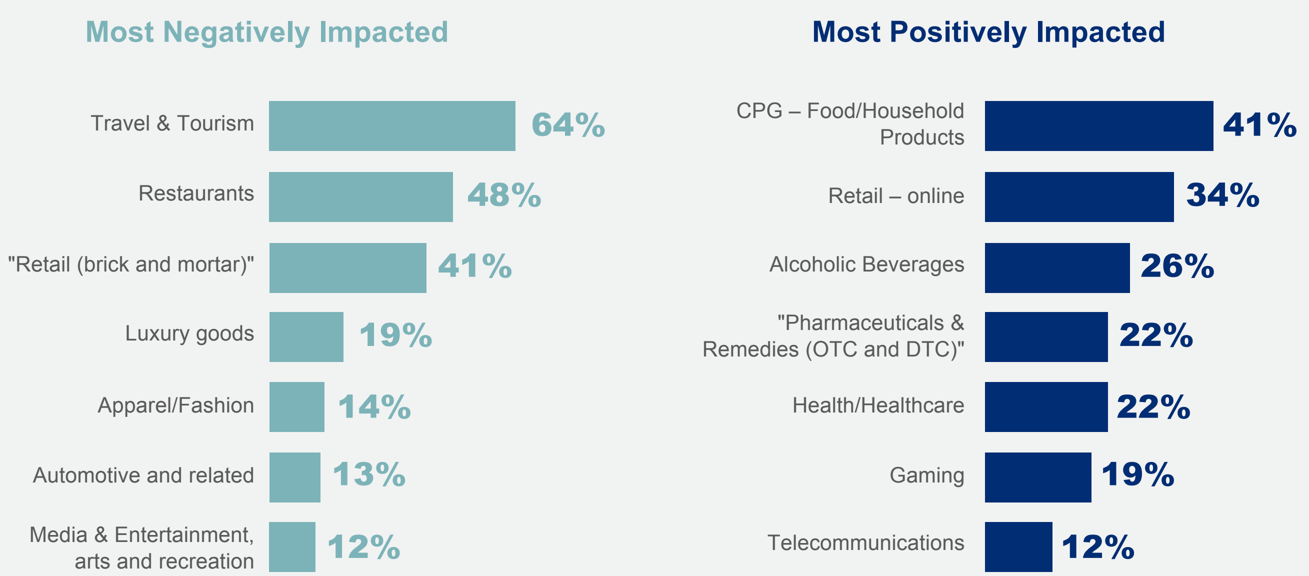
The fall of the out-and-about industries will have massive implications for the US ad industry. Combined, retail, travel and restaurants accounted for more than $27 billion in US ad spending in 2018, according to Kantar as cited in Advertising Age.[1]

For some out-and-about brands, salvaging ad dollars will be impossible. But those that can stay the course may benefit long-term. Three in five advertisers said they agreed that brands that maintain advertising during economic downturns fare better when the economy improves. In contrast, only 15% disagreed with that statement.

For both groups, now is the time to take action, if possible. All brands should look to capitalize on the massive voids that vertical-specific ad dollars are creating across social, search, television and other ad channels and formats. But hunker-down-at-home brands capable of boosting ad spending now across major media may see added gains in share of voice and online sales as consumers rapidly migrate much of their in-person shopping to digital channels.

Industries most imperiled: Travel, restaurants, brick-and-mortar retail
Industries well positioned to weather the pandemic: CPG, online retail, alcohol

Industries/Market Sectors Most Impacted by the coronavirus (COVID-19) Outbreak



Q10 Which industries or market sectors will be most impacted by the coronavirus (Covid-19) outbreak?
Base: Total Respondents

WHY ADVERTISERS ARE DECREASING THEIR AD BUDGETS

“We have launches that are poorly timed given the COVID-19 outbreak. As a result we will be pushing these launches back by (hopefully) ~1 month.”

“[We can’t advertise] food and beverage, mostly due to no foot traffic. Same with the Lottery, not all is sold online, a lot are sold in stores.”

“Media will be used for the lowest funnel tactics, which means more prospecting / acquisition-based dollars will be pulled back.”

“No sports means no budget for sports sites / networks.”

“Media that is consumed during commuting to work will decline.”

WHY ADVERTISERS ARE MAINTAINING OR INCREASING THEIR AD BUDGETS

“The audience for social media will be increased over time since many individuals would be indoors for most of the time.”

“Programmatic and business-based publishers offer consistent opportunities to surround relevant content and audience targeting.”

“I work on a shelf-stable food brand - People are looking for recipe content and things to feed their families, and we can service that need.”

“I have about 25 brands I touch weekly and seems like brands are ramping up due to 60% increase in user usage over the weekend.”

“We scaled up some campaigns to capitalize on increased safety messaging opportunities.”

“CPMs have lowered on the platform, and our product has continued to sell well.”

LINEAR TV GETS HIT HARD EARLY, BUT THAT COULD CHANGE

As advertisers rushed to pause and pull budgets, linear TV was a prime target.

41% & 34%

The portion of advertisers who said they pulled, cancelled or paused ad budgets from linear broadcast TV and linear cable TV respectively.

Underlying these cuts were cuts to live and sports programming. More than two in five advertisers had programming cancelled or moved to repeats. A third had planned to advertise alongside the NCAA basketball tournament, with about three in ten planning to run ads against MLB and NBA programming.

While the current state of TV advertising appears shaky, there's a mounting case for investment in broadcast and cable, particularly when considering:

- **Television is a primary access point for COVID-19 news and information.** Four in five advertisers turn to national news for coronavirus information, and three in five also rely on local news. And advertisers average more than an hour per day consuming each news type.
- **For the first time in a long while, time spent watching linear TV will rise.** As people are forced indoors for an indefinite amount of time, TV consumption will inevitably rise. Analysis recently conducted by Nielsen based on extrapolations of patterns seen with total TV usage data during Hurricane Harvey and a 2016 Northeastern Blizzard indicated media consumption could rise by 60% or more. While the 60% figure applies to both linear and CTV/OTT consumption, a good bulk of that will go to linear TV. And our analysis also found 57% of advertisers themselves plan to increase their time spent watching linear TV.[2]

For brands hoping to maintain or grow market share, it's worth monitoring the television ad market closely over the coming months as eyeballs continue to grow and competitors reconsider their existing efforts.

RAPID CHANGES IN MEDIA CONSUMPTION HABITS FURTHER ACCELERATE THE SHIFT TO OVER-THE-TOP (OTT) AND CONNECTED TV (CTV) – AND THE ADVERTISING OPPORTUNITIES WITHIN

Consumers are increasing their time spent watching TV, but even more are increasing their use of streaming services. Eight in 10 advertisers planned to increase their time spent with streaming services, with two in five expecting to increase their consumption of streaming content “a lot.”

Already, streaming video distribution and advertising services provider Wurl saw a 20% spike in time spent streaming worldwide during the weekend of March 13 to 15. In the US, time spent rose 7.5%, and it will likely continue to rise as states enforce mandates for staying home.[3]

Obviously, advertisers still won’t be able to take advantage of rising viewership on platforms and services where ads are off limits. But that’s not to say there won’t be a wealth of new inventory to shop—that is, if network infrastructure can handle the surplus of streaming activity. Netflix, for example, was recently profiled in The Verge as reporting it already reduced bit rates across Europe in an effort to improve the quality of services amid such high demand. Should such a practice become standard in the US among ad-supported streaming services, there may be a ceiling cap on new inventory levels.[4]

Even still, any rise in inventory levels across CTV and OTT may be welcome news for those ad buyers who in the past may have been out-priced by the high CPMs of streaming ads, and even for those who plan to maintain spending during the downturn.

And the longer-term effects of COVID-19 may accelerate CTV and OTT viewership even more. Such effects include the current halt in production of TV shows and movies and financial strain among many households. Should such a cessation in TV and movie production last, consumers may double down on streaming services they already rely on for reruns, older movies and complete series versus flipping aimlessly through linear channels. And enduring financial hardship may force consumers to think even harder about their expensive pay-TV packages, opting instead for less expensive streaming services.

KEY FACTORS TO WATCH:

• Bandwidth issues as use of streaming services skyrockets

• More affordable CPMs as more inventory comes online

• Greater consumer demand for streamed content as movie and TV production halts

• Financial strain driving consumers away from pay-TV toward more economical streaming services

YET ANOTHER WIN FOR THE WALLED GARDENS

In times of crisis when buyers are forced to reduce budgets, many tend to put dollars where they are most easily measured.

Nearly two-thirds of advertising decision-makers said they believed the coronavirus would cause advertisers to focus ad spending on media that could drive direct sales outcomes, and early reports of how they are shifting ad dollars between channels favor those dominated by the walled gardens.

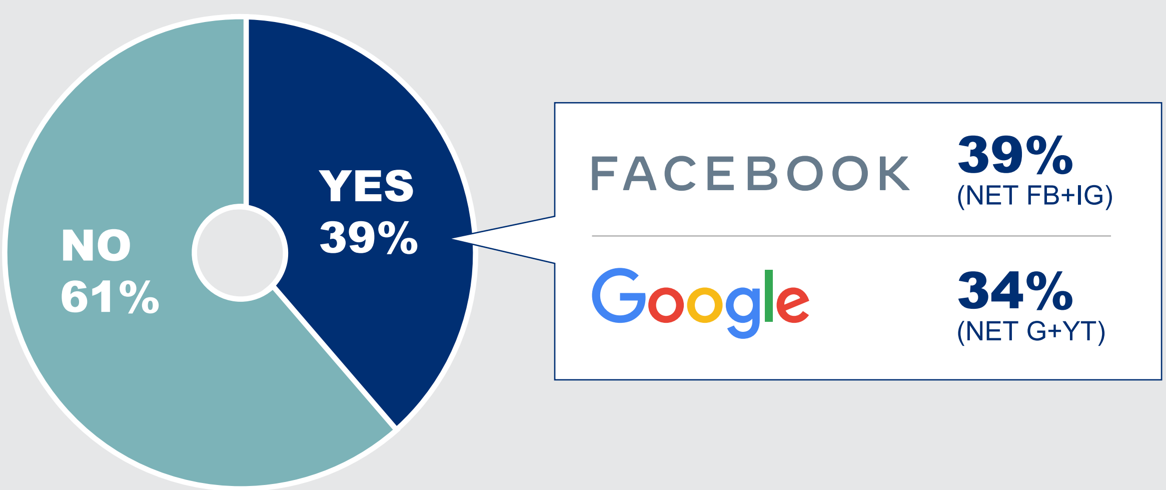
Among the 61% of advertisers who have maintained or reallocated budget to various media and ad formats, a quarter maintained or shifted budgets to paid search, and 19% said the same for paid social. Another 16% maintained or shifted budget to digital video, and 13% to display. One in 10 also held or increased spending on OTT and CTV.

Further examination across media types, partners and properties showed a much more optimistic outlook for the duopoly—Google and Facebook—compared with other channels and partners. When advertisers were asked to choose up to five media brands they would be increasing spending with as a result of the coronavirus effects, Facebook, Google, Instagram and YouTube overwhelmingly topped the list.

Amid a pandemic, the promise of the walled gardens—the audience scale, targeting and closed-loop measurement—grows even more attractive to ad buyers.

The duopoly (Google and Facebook) are the biggest beneficiaries of budget reallocations

Media Brands retained their ad budgets or benefited from budgeting reallocations due to the Coronavirus outbreak



Q14c1. Have any media brands retained their ad budgets or benefited from budgeting reallocations due to the Coronavirus (Covid-19) outbreak?
Base: Coronavirus has impacted recent/ongoing advertising efforts
Q14c2. Which media brands retained their budgets or were the beneficiaries of any budgeting reallocation due to the Coronavirus (Covid-19) outbreak?
Base: Maintained or Shifted Budgets (N=71)

NEWS PUBLISHERS CREATE BRAND SAFETY CHALLENGES FOR SOME, OPPORTUNITIES FOR OTHERS

Coverage of COVID-19 is grim, panic-inducing and political—things that many brands want no part of. Data from Integral Ad Science featured in a March 6, 2020 article on Digiday indicated that "coronavirus" was the second-most-blocked term for ad buys on news publishers in February 2020. It was the third-most-blocked term for open web buys in the same timeframe.[5]

While keyword blocking was listed as one of the top impacts on ad spending of the coronavirus by just 9% of respondents we surveyed, nearly a quarter cited avoiding COVID-19 as one of the top influences on decreasing or pausing their ad budgets.

Naturally, we believe this has implications for buyers and sellers of ads across news properties. For ad buyers now eschewing these placements, it's bound to lead to a reduction in campaign impressions and reach. And for publishers, an uptick in keyword blocking had already meant less programmatic revenue and softer CPMs, even as site traffic to many of these properties rises sharply, thanks to consumer thirst for COVID-19 content.

But this also has implications for ad buyers looking for large-scale audiences on the cheap, that is, if they are willing to tolerate the content they appear alongside. For brands previously investing heavily in live sporting events, the large-scale news audiences may be seen as a welcome alternative, especially if publishers and networks can demonstrate audience overlap between these two verticals. And this practice will also extend to linear TV, as TV advertisers look to reallocate sporting event ad dollars to national and local news outlets.

The bottom line: Both buyers and sellers should look beyond their typical partner set as they navigate this new normal.

AMONG THE 61% OF ADVERTISERS WHO HAVE MAINTAINED OR REALLOCATED BUDGET TO VARIOUS MEDIA AND AD FORMATS, A QUARTER MAINTAINED OR SHIFTED BUDGETS TO PAID SEARCH

WHERE AND WHEN DO WE FIND THE NEW NORMAL?

It's a question on most everyone's mind: When can things go back to normal? Just a week into adjusting to our new reality, most advertisers are still getting their feet under them. Adjustment will take some time.

At the time of writing, the Summer Olympics in Tokyo have just been postponed while hope remains that the NFL season, scheduled to be announced on April 16th, will be played. Many still look for a quick return to the old normal, but the continued growth in cases suggests that we may be in for a long haul and that we will need to look for a new normal.

The TV Upfronts and Digital Content NewFronts, which have already transitioned to digital-only events, will offer a first look at what we can expect in the short term, and Advertiser Perceptions will continue to track these and other industry changes through the next several months to keep the ad industry informed on what to know moving forward.

If one thing is clear now, it's this: The new normal will require everyone to invest even more in relationships with colleagues, customers and industry partners. While the majority of advertisers surveyed agreed the coronavirus will make it more difficult to drive revenue and generate new business and leads, less than half felt it would negatively impact their ability to improve or maintain business partnerships and maintain customer loyalty.

Even for companies that will ultimately struggle to support advertising investment in some ways throughout the coming months, there's still much to gain by continuing to invest in customers and partners.

METHODOLOGY & RESPONDENT PROFILE

- **INTERVIEWS CONDUCTED:** 203
- **SURVEY FIELDED:** March 17 – 20, 2020
- **EXPRESSING OPINIONS FROM:** 33% Marketer | 67% Agency
- **SAMPLE:** Marketer and agency contacts from The Advertiser Perceptions Ad Pros proprietary community
- **QUALIFICATION:** 100% involved in media brand selection decisions
- Incentives include cash and information

AD PROS™
ADVERTISER PERCEPTIONS

Our Ad Pros Community represents the brands and agencies that are spending the most on advertising and marketing in the U.S. We continuously update, supplement, and refine the community based on movement in the market.

1 https://chart-na2.emarketer.com/229376/us-total-media-ad-spending-by-industry-2018-billions-change-vs-prior-year

2 https://variety.com/2020/digital/news/coronavirus-quarantine-life-media-consumption-data-increase-1203535472/

3 https://www.bloomberg.com/news/articles/2020-03-18/netflix-twitch-traffic-booms-because-everyone-needs-an-escape

4 https://www.theverge.com/2020/3/19/21187078/netflix-europe-streaming-european-union-bit-rate-broadband-coronavirus

5 https://digiday.com/media/coronavirus-climbs-keyword-block-lists-squeezing-news-publishers-programmatic-revenues/?utm_medium=email&utm_campaign=digidaydis&utm_source=daily&DM2=&utm_content=200309

THE COMPLETE EFFECT OF THE CORONAVIRUS ON ADVERTISING REPORT IS AVAILABLE BY CONTACTING US DIRECTLY AT INFO@ADVERTISERPERCEPTIONS.COM

COMING SOON

To be included in upcoming wave(s) **of the study:**

- Updated spend outlooks (H2-2020) - and shifts among media/campaign types
- Additional insight/analysis by vertical groupings
- Perspective on shifts in focus between awareness/upper funnel vs mid - vs DR/lower funnel efforts
- Update on advertisers' creative pivots: strategies and tactics
- How are advertisers balancing paid, owned, earned media during this time
- More specifics/depth on how media sellers can partner with advertisers to help them navigate this time: from consultative guidance to new ad products

ABOUT THE AUTHORS

Lauren Fisher

VP Business Intelligence

Lauren Fisher comes to Advertiser Perceptions with a background in digital advertising and marketing. Lauren spent nearly a decade as a lead analyst at research firm eMarketer, where she wrote about topics such as programmatic advertising, measurement, privacy, customer experience and identity. Prior to eMarketer, Lauren spent several years at B2B search engine Business.com in product and content marketing roles.

Justin Fromm

EVP Business Intelligence

Justin's experience marries market research with media strategy. Over the past 20 years, he has worked at both agencies and publishers providing consumer insights to sales leaders and network executives. Justin brings that experience to Advertiser Perceptions where he provides strategic business intelligence and analysis to our clients.

GAIN CONFIDENCE IN EVERY BUSINESS DECISION YOU MAKE

Advertiser Perceptions is the global leader in research-based business intelligence for the advertising, marketing, and ad technology industries. Our expert staff delivers an unbiased, research-based view of the advertising market with analysis and solutions tailored to your specific KPIs and business objectives. These insights provide you with the confidence to make the very best organizational, sales, and / or marketing decisions, driving greater revenue and increased client satisfaction.

AdvertiserPerceptions.com

Twitter.com/adperceptions

Linkedin.com/company/advertiser-perceptions

Info@AdvertiserPerceptions.com

212.626.6683

Contact us today to check the status / health of your brand and find out how our data-driven insights can help you achieve greater business success. For more information about our services or to arrange a briefing, please contact us at 212-626-6683 or info@AdvertiserPerceptions.com.