Covid Impact on Ad Spend 2020:
The Transformation of the Television Marketplace

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Executive Summary: Upfronts/NewFronts Findings

In this third study of advertising Buyers, IAB focuses on Upfronts/NewFronts spend and trends, plus 2H impact on total advertising spend

- Overall, ad buyers expect 2020 ad spend to decline, estimated at -20% down from 2019 due to the economic impact of Covid
- Amid the overall decline, digital ad spend is growing: Buyers expect it to be up 13% in 2H vs 2019
- Linear TV ad spend expected to be flat for Q3, down in Q4, while CTV/OTT investment will increase significantly year over year
- Nearly half of Buyers are confident their budgets are stable for the rest of 2020, but confidence in 2021 is much lower
- 72% of Buyers say NewFronts are more important than ever before, but most want Upfronts & Newfronts to merge
To understand how and where US ad spend is being impacted as well as how this trends overtime, IAB is conducting buy-side surveys. This is the third, fielded May 29-Jun 8.

N=148 completes from those responsible for US advertising spend in 2020:
- media planners
- media buyers
- brands

Company Type:
More agency-representation than in previous studies:

- Agencies: 51%
- Brands: 28%
- Other companies, e.g., Marketing/PR firms: 21%

Respondent Role:
Differences in responses M/M are negligible. May 29-Jun 8:

- C-Level, President, EVP: 20%
- SVP, VP, Director: 34%
- Mgr, AE, Planner or Buyer: 3%
- Media Consultant, Media Strategist: 10%
- Other Staff: e.g., Analyst, Associate, Assistant, Coordinator: 33%
Upfronts/NewFronts: 2020/21 Video Ad Spend Trends
Despite widespread calls for change, calendar-year Television buying does not appear to be growing

Video Ad Spend Allocation Y/Y

Historically

- Broadcast Year: 33%
- Calendar Year: 37%
- Scatter: 29%

Estimated 2020/2021

- Broadcast Year: 33%
- Calendar Year: 36%
- Scatter: 32%
Most Important Elements for Video Commitment Negotiations

- Price efficiency: 50%
- Custom audience guarantees: 35%
- Business outcome guarantees: 34%
- Shorter cancellation options: 31%
- Added value: 25%
- Extended payment terms: 9%
- All of the above: 24%

Q: Which of the following (if any) do you consider to be the most important elements when negotiating video commitments?

Price efficiency remains the primary negotiating issue
On Average, Agencies expect Connected TV/OTT investment to increase by 46% y/y

Q: To what degree do you expect your OTT/CTV spending to change (grow/decline) this coming 2020/2021 video season vs. previous year?

DEFINITIONS

CTV/OTT = Connected TV and/or Over-the-top
- Connected TV: used to stream video over the internet
- Over the-top: video content delivered via traditional closed television system and not requiring cable or satellite
Buyers’ Perspectives on Video Marketplace
Ad Buyers overwhelmingly see NewFronts importance growing

“2020/2021 NewFronts are more important to my business vs. year ago”

72% Agree: NewFronts are more important y/y

- 20% Completely agree
- 52% Partially agree
- 17% Partially disagree
- 11% Completely disagree

Q: To what extent do you agree with the following statement: “2020/2021 NEWFRONTS are more important to my business now than they were a year ago.”

n=128
Do you feel that the Upfronts/Newfronts events should merge into one event moving forward?

- Yes: 49%
- No: 33%
- I don't know: 18%

Buyers favor merging TV/Digital “Fronts”
Measurement & Research cited as top benefits

Key Factors for Upfronts/NewFronts Merge

- Cross-screen measurement: 39%
- Consumer insights and trends: 39%
- Fluidity across screens: 32%
- Custom audiences and targeting: 30%
- All of the above: 29%
- Branded content: 28%
- Professionally-produced content: 16%
- Influencers: 14%
Ad agency leaders see a converged marketplace as necessary

“(There are) consumer shifts--and networks will need to follow”

—SVP/VP/Director, Consumer Brand

“The convergence of digital video and linear requires a holistic view for consideration.”

—SVP/VP/Director, Consumer Brand

“Upfronts/NewFronts merging would make it a lot easier to keep track of and manage your time more efficiently.”

—C-Level/President/EVP, Advertising Agency: Planning/Buying

“The lines between digital and traditional are continuing to gray and there are more opportunities to leverage across channels for key platforms, publishers and partners”

—C-Level/President/EVP, Advertising Agency: Planning/Buying
Transparency tops the wish-list for change

More flexibility with timing & cancellations

More transparency in price, placements & reporting

More automation

Better cross-channel tracking & measurement

More performance guarantees

More consistency across channels, partners & systems

Improve time-efficiency for transacting & tracking media

More consumer & client-focused

Lower costs

Better attribution
Updated: 2020 Total Ad Spend Trend & Forecast
Ad Buyers are significantly less confident about their 2021 budgets

Buyer Confidence in Budget Stability Y/Y

2H 2020 Confidence in Budget: 49%

- Very confident: 11%
- Confident: 38%
- Unsure: 37%
- Very unsure: 14%

2021 Confidence in Budget: 41%

- Very confident: 12%
- Confident: 29%
- Unsure: 46%
- Very unsure: 12%

Q: How confident are you in the stability of your budgets for the remainder of 2020? And for 2021?
Half of big brands expect to spend less in 2020 than in 2019

Weighted average: -20%

Big Brand Expectations on Total 2020 Ad Spend Y/Y

- 26% Greater than 2019
- 23% Less than 2019
- 51% Roughly equal to 2019

n=57, excluding DTC brands
Q: Do you expect your Total 2020 (Jan-Dec) Ad Spend to increase, stay the same or decrease vs. what was spent in 2019?
Most Buyers will increase Digital channel spend in 2H 2020 vs 2019

<table>
<thead>
<tr>
<th>Channel</th>
<th>Increase</th>
<th>No Change</th>
<th>Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>CTV/OTT</td>
<td>59%</td>
<td>22%</td>
<td>18%</td>
</tr>
<tr>
<td>Digital Video (non-CTV/OTT)</td>
<td>56%</td>
<td>25%</td>
<td>19%</td>
</tr>
<tr>
<td>Social Media</td>
<td>56%</td>
<td>24%</td>
<td>20%</td>
</tr>
<tr>
<td>Podcasts</td>
<td>52%</td>
<td>31%</td>
<td>17%</td>
</tr>
<tr>
<td>Digital Display</td>
<td>46%</td>
<td>23%</td>
<td>31%</td>
</tr>
<tr>
<td>Digital Audio (non-Podcasts)</td>
<td>45%</td>
<td>31%</td>
<td>24%</td>
</tr>
<tr>
<td>Paid Search (SEM)</td>
<td>40%</td>
<td>33%</td>
<td>28%</td>
</tr>
<tr>
<td>Digital OOH</td>
<td>18%</td>
<td>37%</td>
<td>45%</td>
</tr>
</tbody>
</table>

Q: Please indicate whether you plan to increase, decrease or make no change regarding usage of any of the following CHANNELS in 2H 2020 (Jul-Dec) vs. 2019.
Traditional channels are suffering; Digital channels expected to gain share

Ad Spend Changes by Traditional Channel, 2020 2H (Jul-Dec) Y/Y

- **Linear TV (Broadcast & Cable)**: 22% Increase, 24% No Change, 54% Decrease
- **Terrestrial Radio**: 14% Increase, 25% No Change, 61% Decrease
- **Traditional Direct Mail**: 8% Increase, 31% No Change, 62% Decrease
- **Print (Newspaper/Magazine)**: 7% Increase, 32% No Change, 61% Decrease
- **Traditional OOH**: 5% Increase, 44% No Change, 51% Decrease

Q: Please indicate whether you plan to increase, decrease or make no change regarding usage of any of the following CHANNELS in 2H 2020 (Jul-Dec) vs. 2019.
CTV expected to be the biggest winner for Q3/Q4

Digital Channel Est. % Change in Ad Spend Q3 and Q4 Y/Y

- Digital Display: Q3 14%, Q4 20%
- Digital Video: Q3 18%, Q4 16%
- CTV/OTT: Q3 25%, Q4 27%
- Digital Audio: Q3 15%, Q4 4%
- Podcasts: Q3 7%, Q4 1%
- Digital OOH: Q3 -18%, Q4 -15%
- Social Media: Q3 23%, Q4 32%
- Paid Search: Q3 21%, Q4 21%

Q: Please share % increase/decrease or (0) for no change for Q3 2020 (Jul-Sep) vs. Q3 2019; Q4 2020 (Jul-Sep) vs. Q4 2019.
Linear TV & Terrestrial Radio expected to show the least decline among traditional channels

**Traditional Channel Est. % Change in Ad Spend Q3 and Q4 Y/Y**

Base: Respondents Expecting 2020 Ad Spend to Increase or Decrease Y/Y (79%)

- **Linear TV (Broadcast & Cable)**
  - Q3: 0%
  - Q4: -6%

- **Terrestrial Radio**
  - Q3: -18%
  - Q4: -9%

- **Print**
  - Q3: -46%
  - Q4: -43%

- **Traditional OOH**
  - Q3: -39%
  - Q4: -46%

- **Traditional Direct Mail**
  - Q3: -42%
  - Q4: -26%

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Pulse 3 Respondents Expecting 2020 Ad Spend to Increase or Decrease Y/Y (79%) n=101
Pulse 3 Q: Please share % increase/decrease or (0) for no change for Q3 2020 (Jul-Sep) vs. Q3 2019; Q4 2020 Jul-Sep vs. Q4 2019.
What’s Next?
1. As advertisers increase flexibility in creative and publishers increase flexibility in delivery will ad spend recover? If so, who will benefit most?

2. How might the crisis sparked by the killing of George Floyd impact ad spend—particularly regarding news?

3. How will political ad spend around the November election evolve?

4. What tactics are planners/buyers changing as States relax “shelter at home” policies?

5. How will changes in Covid infection rates impact ad spend?

6. Will there be significant differences in Covid ad spend changes by vertical?

7. How will 2020 ad spend compare with current projections? With 2019?

8. What can we expect from the Buy-side in 2021?
The Interactive Advertising Bureau (IAB) empowers the media and marketing industries to thrive in the digital economy. Its membership is comprised of more than 650 leading media companies, brands, and the technology firms responsible for selling, delivering, and optimizing digital ad marketing campaigns. The trade group fields critical research on interactive advertising, while also educating brands, agencies, and the wider business community on the importance of digital marketing. In affiliation with the IAB Tech Lab, IAB develops technical standards and solutions. IAB is committed to professional development and elevating the knowledge, skills, expertise, and diversity of the workforce across the industry. Through the work of its public policy office in Washington, D.C., the trade association advocates for its members and promotes the value of the interactive advertising industry to legislators and policymakers. Founded in 1996, IAB is headquartered in New York City.

For more content, please visit iab.com
Thank You
Respondents to this survey were comprised of both brands and agencies representing a wide spectrum of U.S. advertising categories:

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automotive and related</td>
<td>27%</td>
</tr>
<tr>
<td>Financial services</td>
<td>24%</td>
</tr>
<tr>
<td>Media</td>
<td>22%</td>
</tr>
<tr>
<td>CPG – Food/Beverage</td>
<td>21%</td>
</tr>
<tr>
<td>Travel &amp; Tourism</td>
<td>20%</td>
</tr>
<tr>
<td>Apparel/Fashion</td>
<td>19%</td>
</tr>
<tr>
<td>Retail – brick and mortar</td>
<td>16%</td>
</tr>
<tr>
<td>Retail – online</td>
<td>16%</td>
</tr>
<tr>
<td>Education/Government</td>
<td>15%</td>
</tr>
<tr>
<td>CPG – Household Products/Other</td>
<td>14%</td>
</tr>
<tr>
<td>Health/Healthcare</td>
<td>14%</td>
</tr>
</tbody>
</table>

*Other Categories include:*
- Consumer Electronics
- Home & Appliance
- Technology
- Beer, Liquor and Wine
- Restaurants
- Pharmaceuticals & Remedies (OTC and DTC)
- CPG – Cosmetics and Toiletries
- Telecommunications
- Pets/Pet Supply
- Baby, Child or Parenthood-related
- Fitness and Wellness
- Politics, Organizations or Public services
- Energy
- Gaming
- Jewelry & Watches
- Real Estate
- Toys and Hobbies
- Misc.
Appendix: Two thirds of respondents have, at minimum, knowledge of Upfronts/Newfronts ad spend for particular brands

Buyer Purview into Upfronts/Newfronts Ad Buys
Base: All Respondents (100%)

- 36% have full line of sight for particular brands
- 38% have full line of sight for organization
- 26% have no line of sight

62% of respondents have line of sight into Upfronts/Newfronts ad buys