# Community Uninterrupted

## COVID-19 Impact on Digital Investment in Late 2020 & Early 2021

## - September 15-22, 2020 (Wave #6)

October 1, 2020

# Wave #6 Covid-19 Buy-Side Snapshot

## What we wanted to learn from our Agency and Marketer members...

Planning for 2021 has already begun as the COVID-19 crisis continues. While discussions accelerate around re-opening the economy in the face of rising Covid numbers and we speculate on what the next months will look like, IAB Canada is continuing to track the impact Covid-19 is having on our industry.

This is our sixth quick snapshot of how COVID-19 is affecting Canadian digital media investments thus far and looking forward to Q4 2020, Q1 2021 and beyond.

This updated set of 'broad impact' indicators is based on our latest, just-completed 3-minute survey of community members at IAB Canada agencies and marketers.

A big thanks to all survey participants who made this report possible with your input.

# Agencies and Marketers Invited to Respond

**Wave 6 'In-Market' September 15-22, 2020;** (Wave 5: June 19-July 8, 2020);
**Nine-in-ten respondents from Agencies – consistent!**

List of categories represented in sixth survey:

- Automotive
- CPG
- Consumer Electronics
- Fashion & Apparel
- Financial services
- Fitness & Wellness
- Media/Entertainment
- Retail
- Toys & Hobbies
- Travel
- Telcos
- Real Estate
- Home products/services
- Governmental
- Pharma/Healthcare
- NGO
- Pets & Pet Supplies
- NEW!! Quick Service Restaurants (QSR)

*Note: Findings should be interpreted broadly/directionally.*

# Blue Ribbon Buy-Side Panel

## Enhanced Credibility

- Promote reliable interpretation of survey findings by IAB Canada, that reflect in broad terms what is *actually* happening in our business;
- Identify and notify IAB Canada of any 'potentially misleading' impressions by some survey respondents to assist responsible reporting.*

<u>The Panel for Wave 6</u>

Darren Hardeman - SVP, Digital Strategy, MediaCom Canada*
Joanne Crump, VP Integrated Media, Active International*
Fil Lourenco - Vice President of Digital Media, Havas Media Canada**

** Member, Agency Council*
*** Co-chair, Agency Council*

* Note: The Blue Ribbon Panel was formed to address potential fluctuations in survey results from one wave to the next, due to differences in who is completing the survey and their particular circumstances. Blue Ribbon Panel members vary as to who provides feedback on each wave.

# Study Highlights

## Powerful Digital Leadership

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# Over 60%* of Agency Sample Still Negatively Impacted

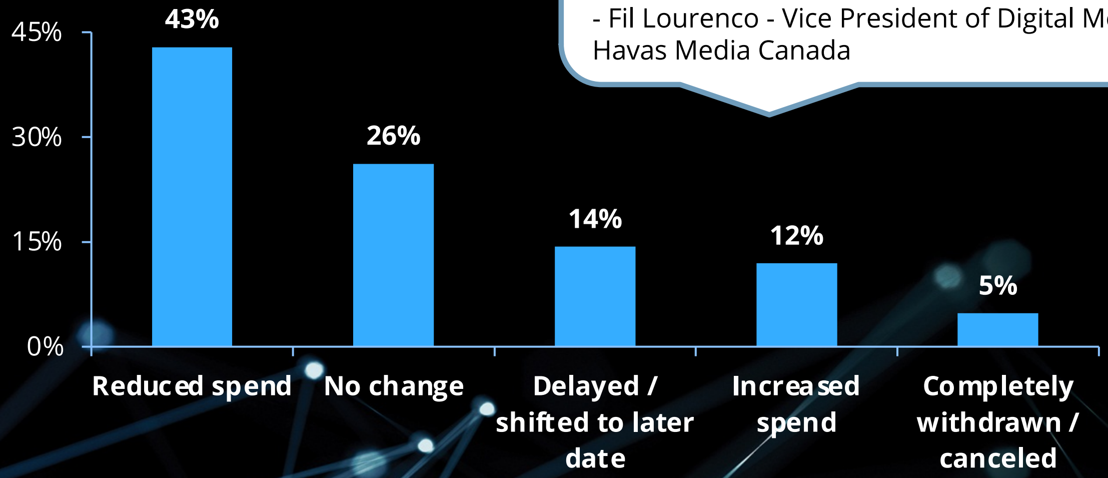
Q. How have majority of your digital budgets been impacted by COVID-19 to end of 2020?

*“The agency world is still recovering from significant drops in spend during the early parts of COVID in March and April, but investment has slowly come back month over month…”*

\- Fil Lourenco - Vice President of Digital Media, Havas Media Canada

*Percent ‘no change’ is higher than previous wave, with lower ‘delayed or paused’.*

**Over 60%* of Agency Sample:** *85% in previous wave




*Note: Findings should be interpreted broadly/directionally. The survey covers proportion of respondents taking actions and not the volumetrics of how deep the cuts are in aggregate or how big the companies taking these actions may be. Findings between waves may vary due to differences in survey participants..*

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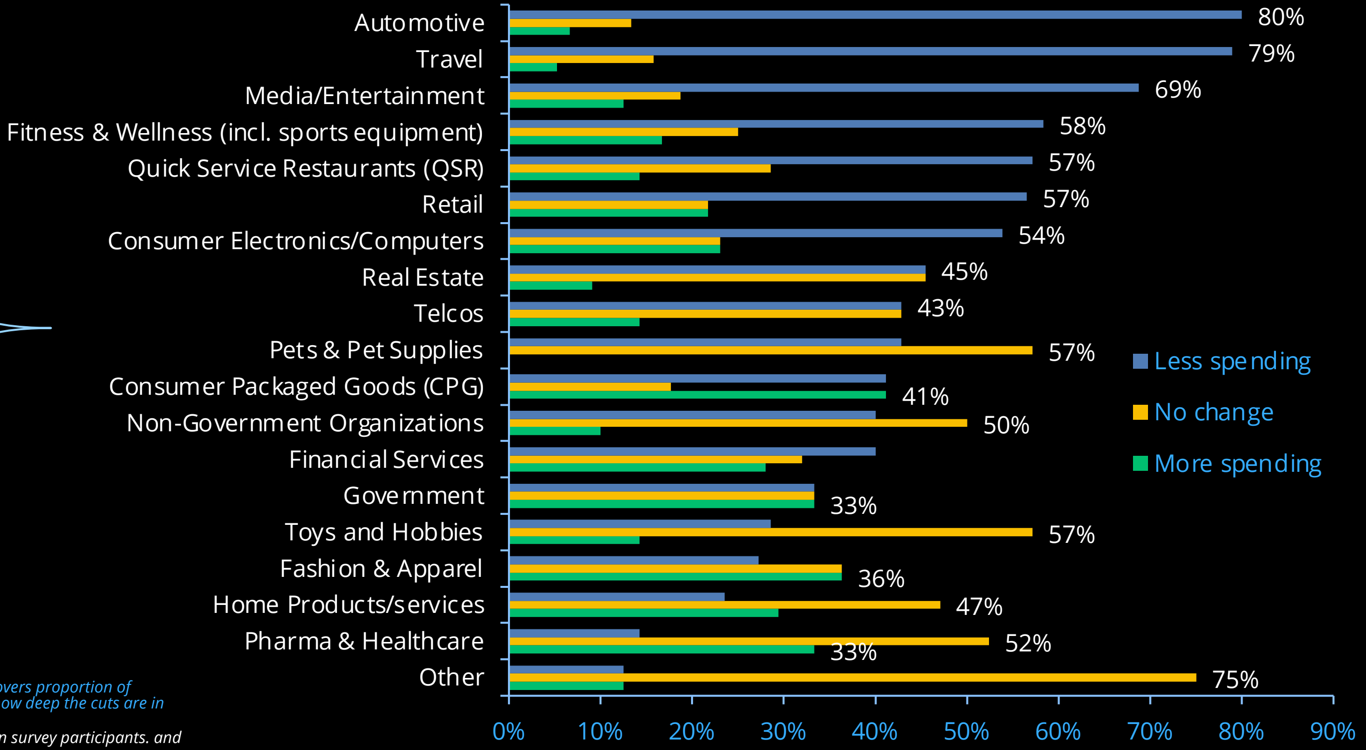
# Media/Entertainment, Travel & Auto Hardest Hit

**Top 3: MOST Negatively Affected'**
(same as previous wave)
- Media/Entertainment, Travel, Auto

**Top 4: No Change'**
(2 same as previous wave)
- Pets & Pet Supplies, Toys and Hobbies, Pharma & Healthcare, NGOs

**Top 4: 'More Spending'**
(2 in top 6 of previous wave)
- Consumer Packaged Goods, Government, Fashion & Apparel, Pharma & Healthcare

Categories work on, how digital spends affected to end of 2020? (all that apply, % sample working by category)




*Note: Findings should be interpreted broadly/directionally. The survey covers proportion of respondents in each category taking actions and not the volumetrics of how deep the cuts are in aggregate or how big the companies taking these actions may be.*
*Caution-Findings (percents) may vary between waves due to differences in survey participants. and the number who work in each category.*

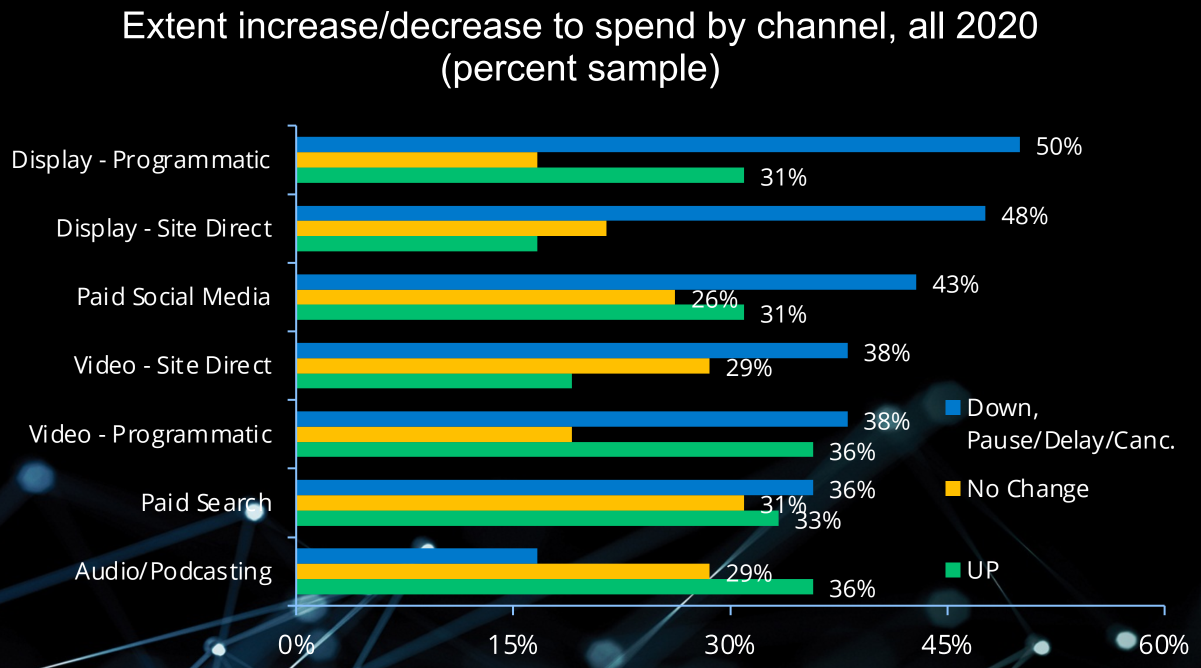
Others = education, energy, pte sector safety messaging

# Reductions Persist - Search Still Least Affected

Q. How much of an increase/decrease happened by channel for all of 2020?

- Paused/Delayed/Canceled still way less common than reductions, fewer p/d/c reported this wave (max. 5%)*
- Reductions still skew 'under 40%' of spend, emphasis on under 20%
- Still Least affected: Audio (smallest format), Search (largest format)
- Again no indication Canadian publishers more negatively impacted than global platforms.

* No cancelations reported previous wave, very few in wave 6 (2% or less).

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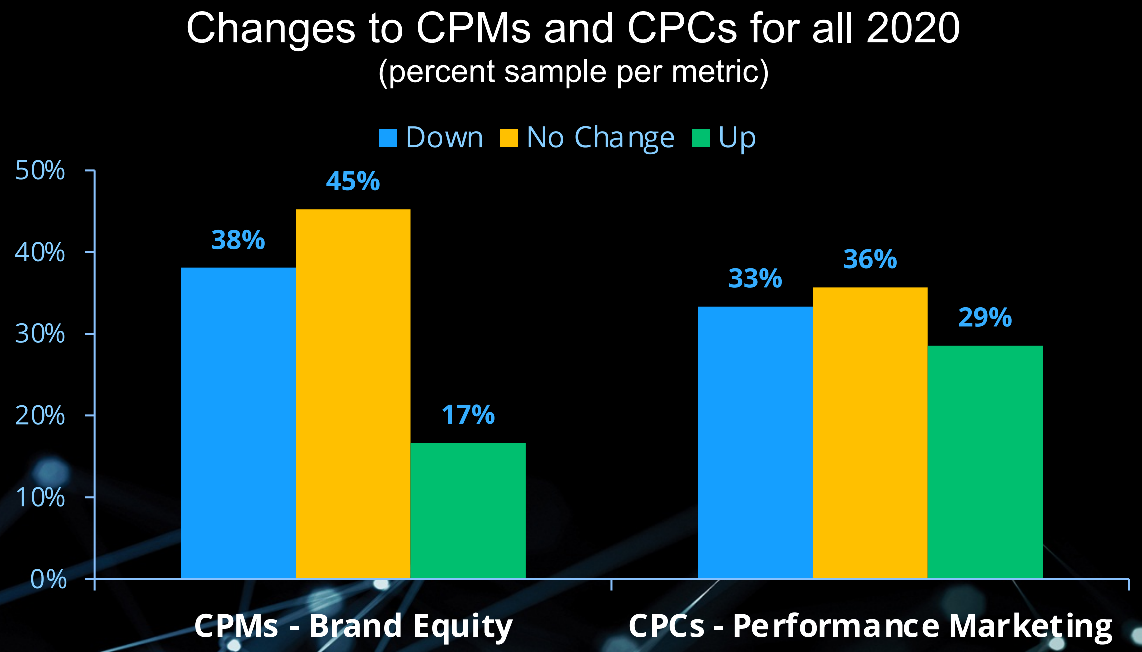
# Buyers' Market Persists - Almost 40% say CPMs are Down, 33% for CPC's

Q. How much of increase/decrease in CPMs vs CPCs on average during all 2020?

**Declines reported are primarily under 20% for both metrics, same as previous wave.**

Definitions:

- CPMs - Brand Equity (i.e. top of funnel: awareness to consideration)
- CPCs - Performance Marketing (i.e. bottom funnel: trial / purchase)

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# Buyers’ Market Persists - Almost 40% say

## Q. How much of increase/decrease in CPMs vs CPCs o

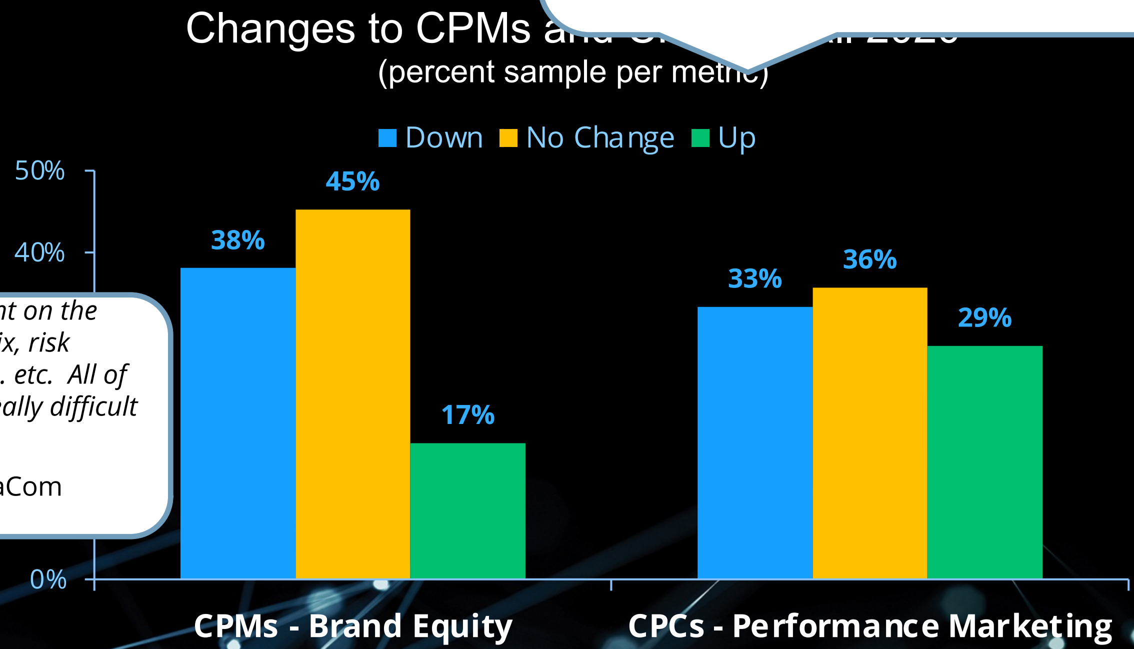
*“We are starting to see avails start to reduce for premium inventory as we finalize plans for Q4. This is resulting in increasing CPMs compared to the lows experienced in the Spring and Summer…”*

- Fil Lourenco - Vice President of Digital Media, Havas Media Canada

**Declines reported are primarily under 20% for both metrics, same as previous wave.**

*“The cause of decrease is multi-layered and dependent on the strategy, site selection, audience, timing, adformat mix, risk tolerance, contextual placement, advertiser industry… etc. All of this has affected the supply and demand. So this is really difficult to summarize…”*

- Darren Hardemann, - SVP, Digital Strategy, MediaCom Canada

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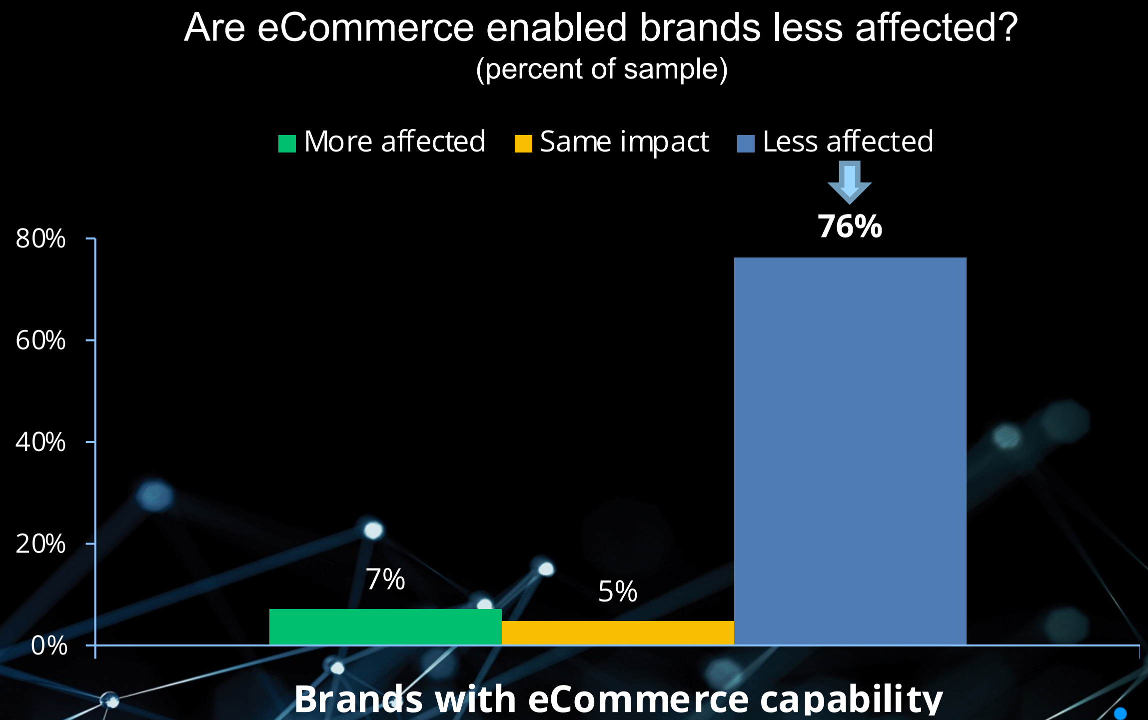
# eCommerce Enabled Brands Continue to be Less Impacted

Q. Are brands with eCommerce capabilities more/less affected than non-eComm brands?

**Findings consistent with previous two waves.**

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*Percentages do not sum to 100%, as Not Applicable/Don't know not shown.*

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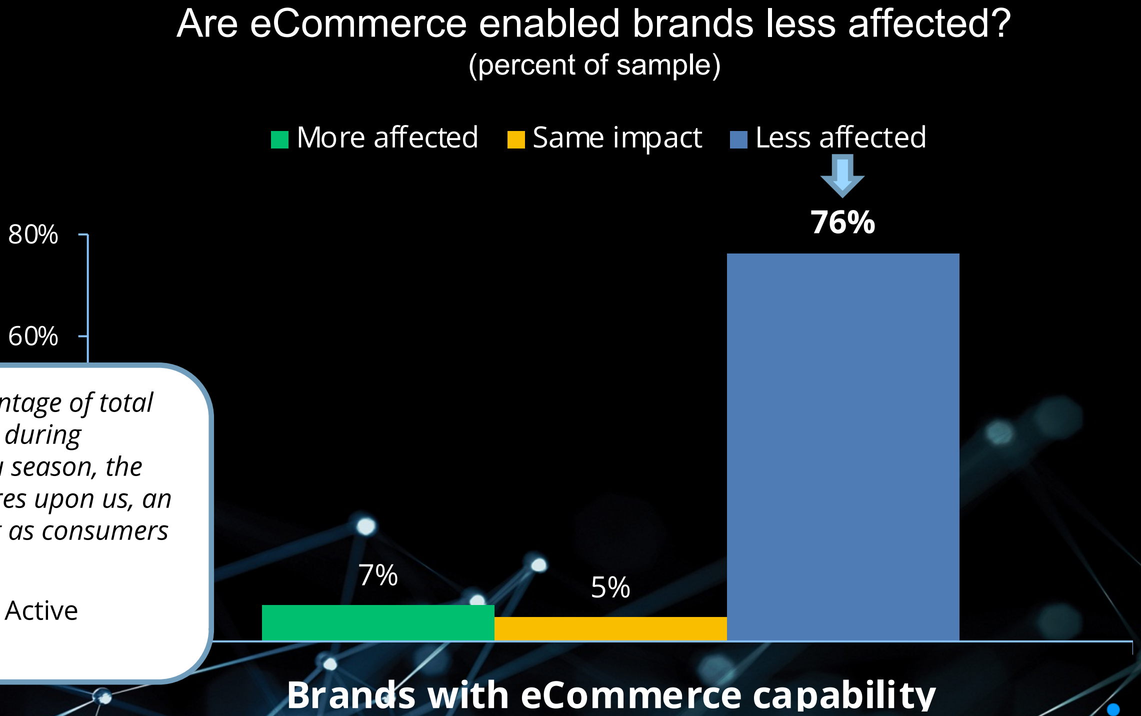


**Findings consistent with previous two waves.**

*"Canadian e-commerce sales as a percentage of total retail sales tripled at the peak of wave 1 during lockdown period. Considering cold & flu season, the threat of wave 2, and potential re-closures upon us, an online eCommerce strategy is important as consumers shift more shopping dollars online."*

- Joanne Crump, VP Integrated Media, Active International

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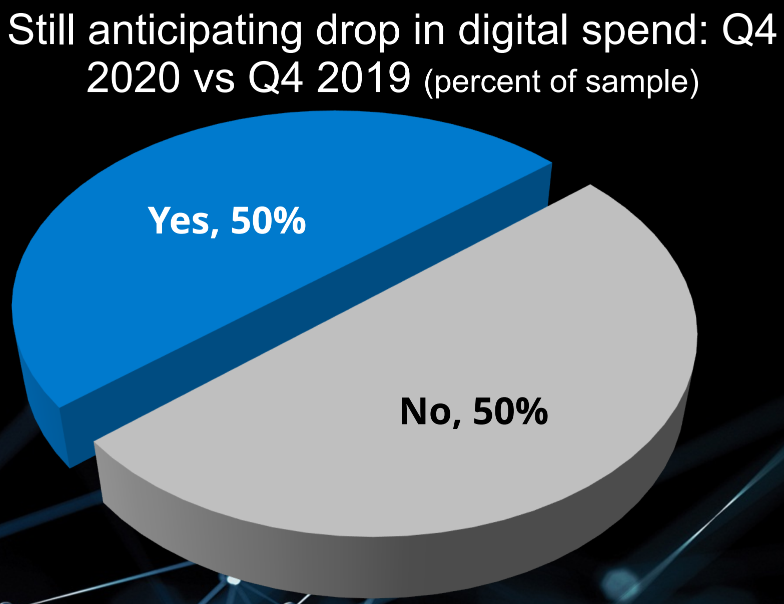
# Five-in-Ten Still Anticipate Spend Reductions in Q4, 2020

Q. Whether or not you have seen a reduction yet, are you still anticipating a drop in expenditure across digital media <u>in Q4 2020 vs Q4 2019</u>?

Similar to previous wave (58% for rest of year).

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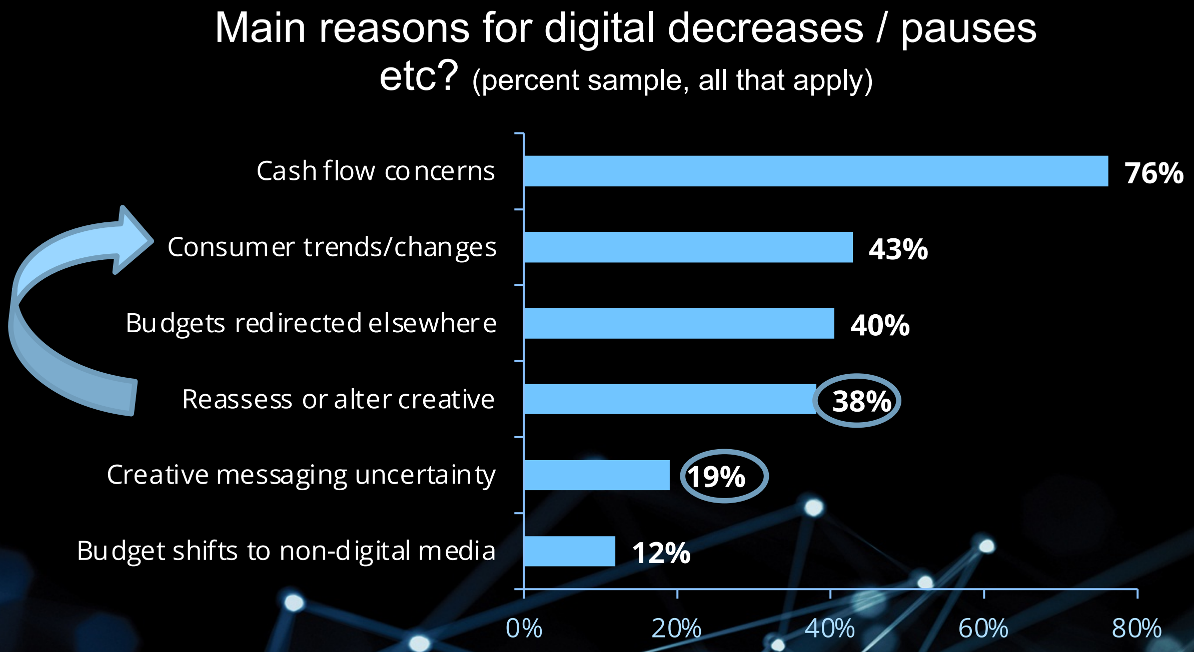
IAB Canada Buy-side Barometer: Wave 6, COVID-19 Impact on Digital Investments for Late 2020 and Early 2021

# What issues are driving spend reductions?

Powerful Digital Leadership

# Cash flow & Consumer Trends still pack Hardest Punch

## Q. Main reasons for your firm's or clients' digital budget decreases, pauses, etc.?




Same ranking as prior wave, with a larger cash flow 'lead'.

Creative messaging concerns.

*Respondent verbatims include these concerns:*

- *Second wave*
- *Gov't restrictions on capacity for entertainment spaces*

*Note: Findings should be interpreted broadly/directionally. Findings between waves may vary due to differences in survey participants.. Percentages do not sum to 100%, as Not Applicable / other not shown.*

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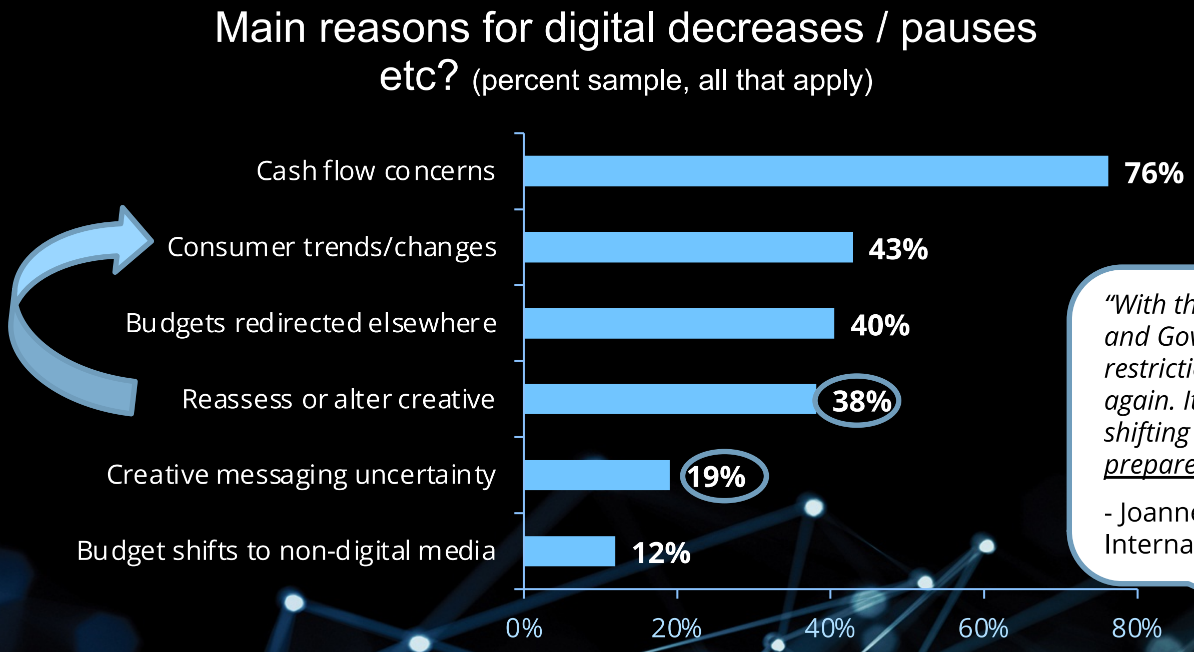



Same ranking as prior wave, with a larger cash flow 'lead'.

Creative messaging concerns.

*"With the resurgence in cases across many provinces and Governments reverting back to greater restrictions, there is fear this could spell closures again. It will be important to remain tuned-in to shifting consumer attitudes and behaviours, and <u>be prepared to respond with speed and agility.</u>."*

- Joanne Crump, VP Integrated Media, Active International

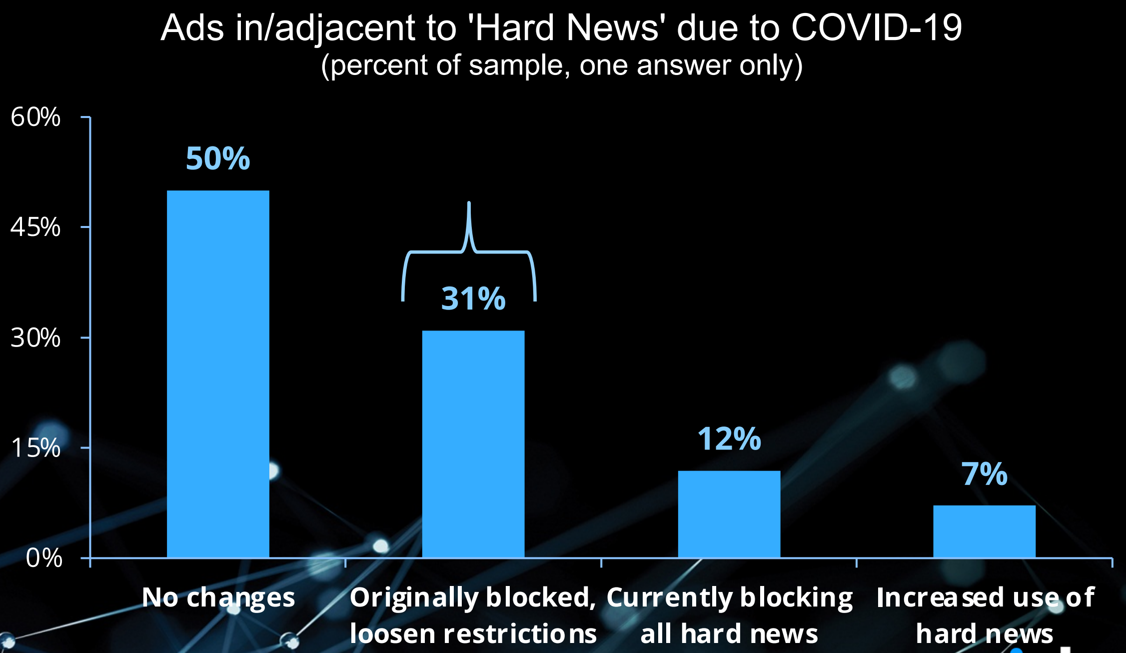
*Note: Findings should be interpreted broadly/directionally. Findings between waves may vary due to differences in survey participants.. Percentages do not sum to 100%, as Not Applicable / other not shown.*

# Almost a third loosening restrictions on 'hard news'

Q. For majority of brands or clients, which statement best reflects approach to advertising in/adjacent to hard news content due to COVID-19? (one answer)

Stronger showing for 'loosening restrictions' versus prior wave.

*Definition of 'Hard News':*
*- Very time sensitive, serious politics, foreign affairs, human disasters; not routine arts or lifestyle-related news*

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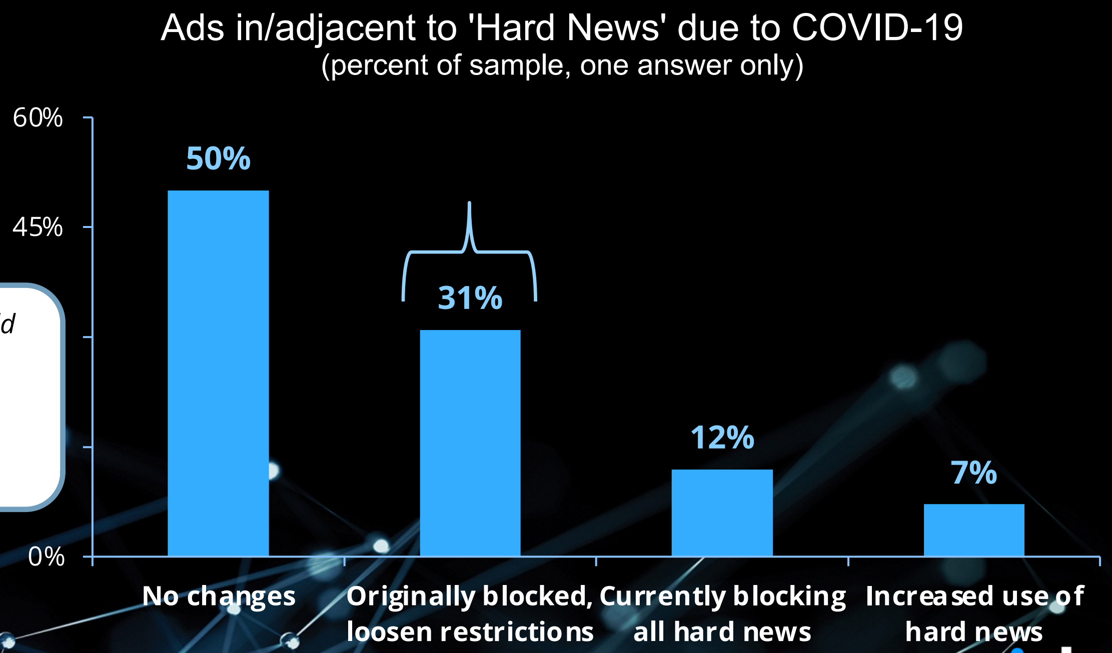
Stronger showing for 'loosening restrictions' versus prior wave.

*"Covid is a part of our day to day lives and we should be viewing our media buying with that in mind. We can't keep pretending it doesn't exist by blocking it."*

- Fil Lourenco - Vice President of Digital Media, Havas Media Canada

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# Looking to the future…

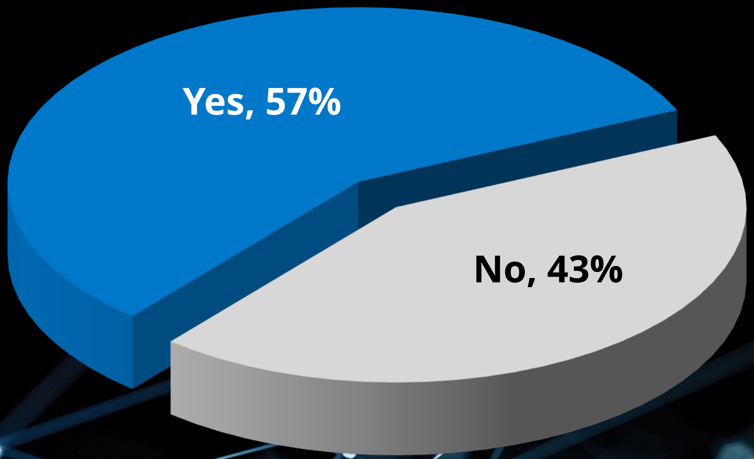
## Powerful Digital Leadership

# Almost Six-in-Ten Still Anticipate Reduced Spends in Q1, 2021

Q. Looking further ahead, are you still anticipating a drop in expenditure across digital media in Q1 2021 vs Q1 2020?

Still anticipating drop in digital spend: Q1 2021 vs Q1 2020 (percent of sample)

Similar to Q4 2020 expectations.




*"Not many of our clients have started planning for 2021 yet, so it's difficult to predict how spending will look after Q4, 2020."*

- Wave 6 survey respondent

*Note: Findings should be interpreted broadly/directionally. Findings between waves may vary due to differences in survey participants.*

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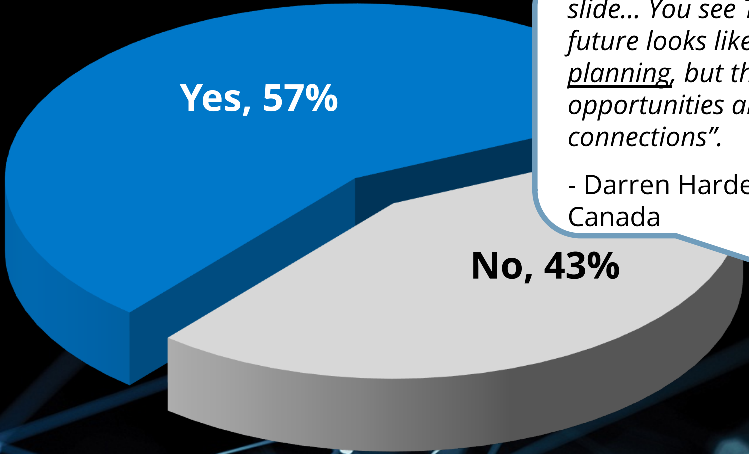


*"Great comment... frankly that is the main point/takeaway on this slide... You see Tech, FIs, even CPG all looking forward on what the future looks like in 2021. They may need flexibility built into their planning, but they are continuing to look forward to what opportunities are going to make the most meaningful connections".*

- Darren Hardemann, - SVP, Digital Strategy, MediaCom Canada

*Note: Findings should be interpreted broadly/directionally. Findings between waves may vary due to differences in survey participants.*



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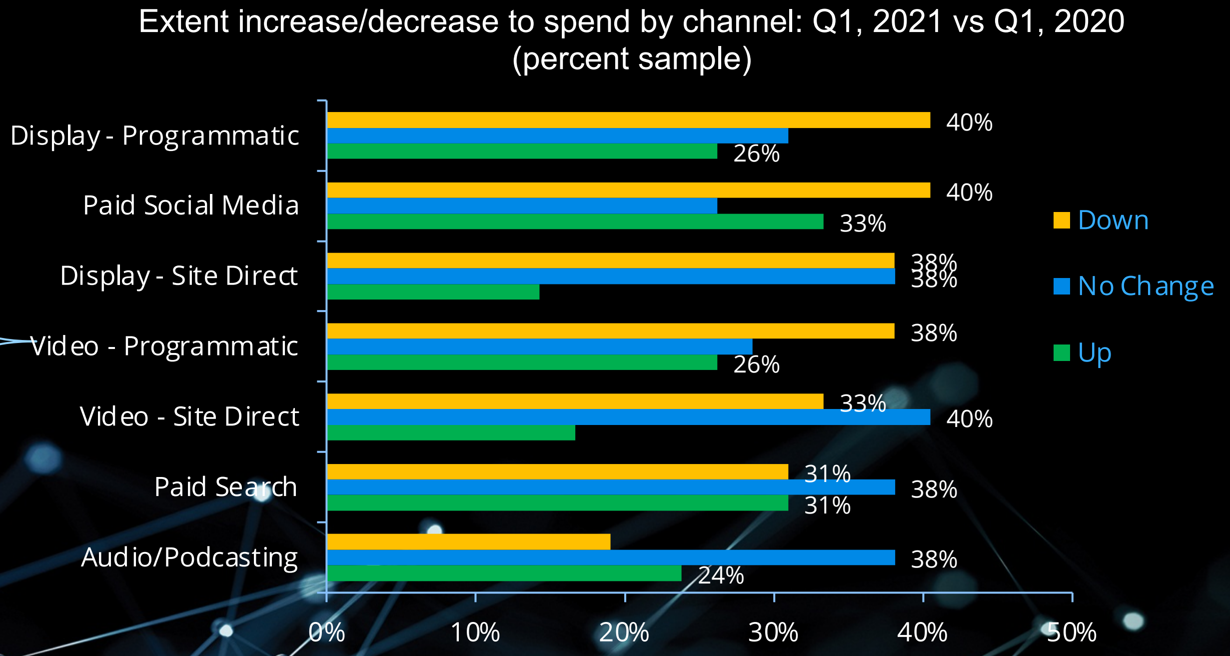
# Broadly consistent ranking by format for Q1 2021

## Q. Looking ahead, how much increase/decrease by channel are you planning/ anticipate for Q1, 2021 vs Q1, 2020?

- Somewhat lower percentages "Down" for Display, than evident for all 2020
- Reductions again skew 'under 40%' of spend, under 20% more common vs 2020
- Audio and Search advantage somewhat less pronounced in Q1, 2021
- Again no indication Canadian publishers more negatively impacted than global platforms.

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# Ongoing Live Situation - Most Spend Reviews Weekly or Less

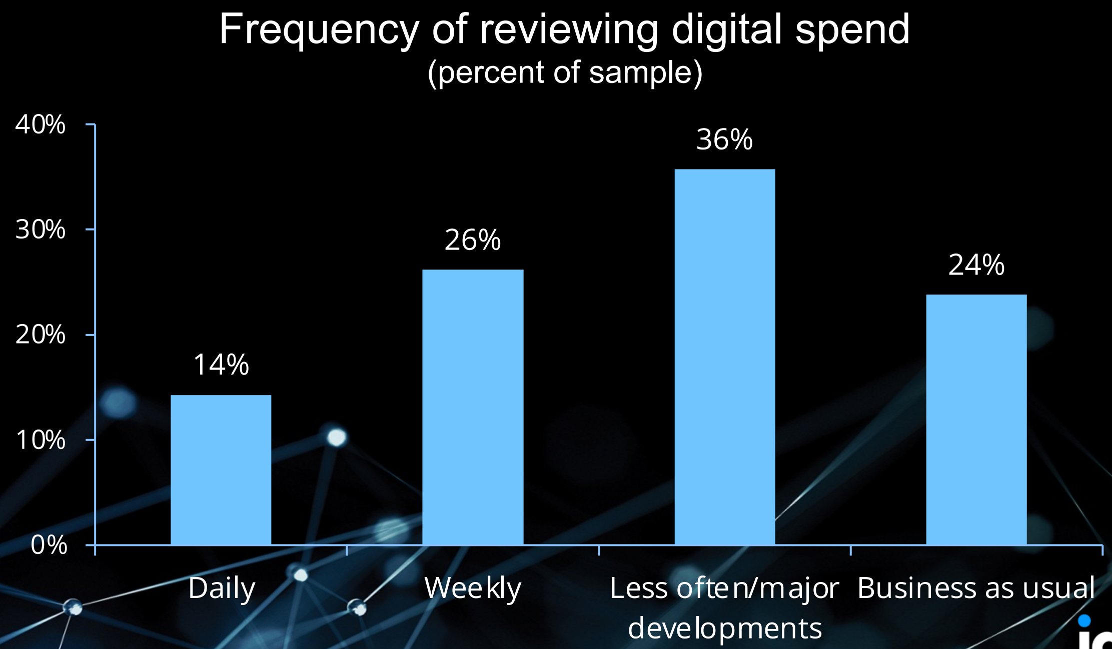
Q. How often reviewing digital spend strategy with your team or agency for major modifications (not the usual optimizations)?

Shift towards less often/business as usual, since previous wave.

Nevertheless, four-in-ten still conduct daily or weekly reviews.

*"The challenge here is that major budget reviews even if reviewed BAU, were happening very often anyway".*

- Darren Hardemann, - SVP, Digital Strategy, MediaCom Canada

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# Ongoing Live Situation - Most Spend

> *"With the threat of wave 2 upon us, and cases both locally and globally rising, that uncertainty continues to impact budget and advertising decisions."*
>
> - Joanne Crump, VP Integrated Media, Active International

## Q. How often reviewing digital spend strategy with yo modifications (not the usual optimizations)?

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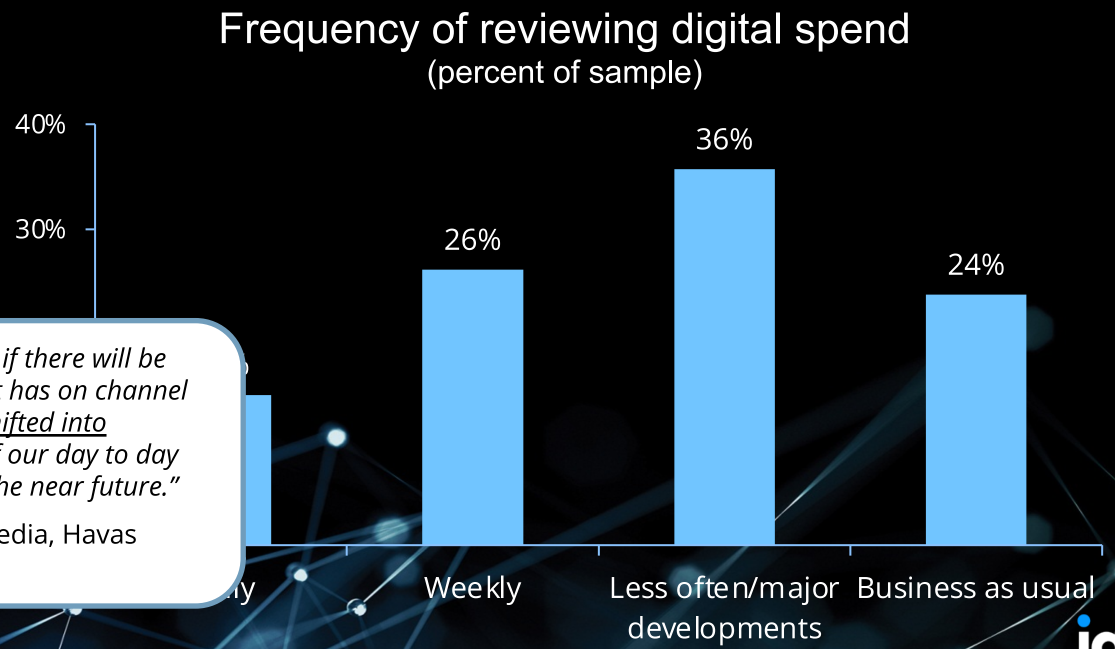
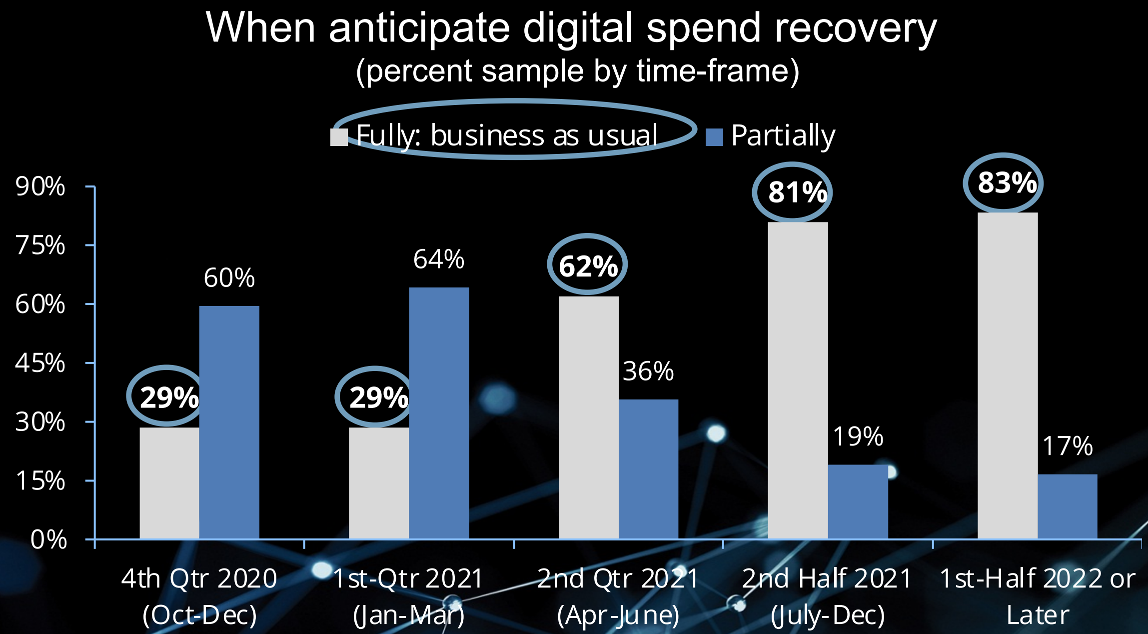



> *"Every plan needs to take into consideration if there will be another lock down and the implications that has on channel selection. This means media planning has shifted into significant contingency planning as a part of our day to day lives and we don't foresee that changing in the near future."*
>
> - Fil Lourenco - Vice President of Digital Media, Havas Media Canada

*Note: Findings should be interpreted broadly/directionally. Findings between waves may vary due to differences in survey participants.*

# Recovery Timing Assessment – '2nd half' 2021 and beyond

Q. How soon do you anticipate your brand/clients will resume paid digital media strategies/spends, as COVID-19 weakens and businesses recover?




*Results are similar to previous wave.*

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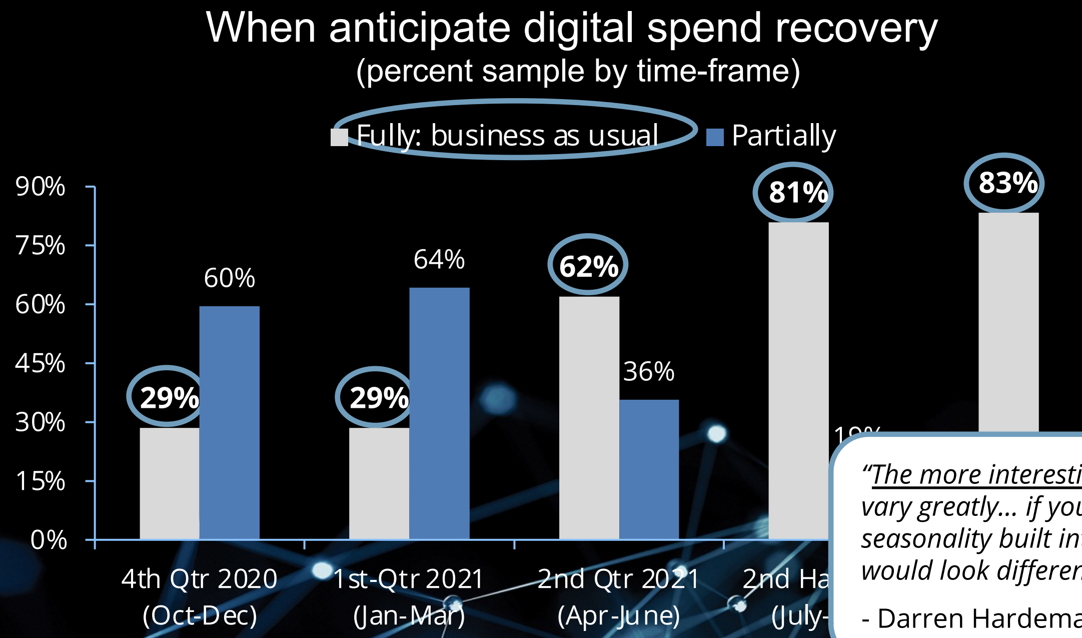


*Results are similar to previous wave.*

*“Our client base is primarily entertainment category; they stopped advertising on March 16 and don't anticipate restarting before Q2 2021”.*

- Wave 6 survey respondent

*“The more interesting view would be by vertical – as this is going to vary greatly… if you take something like retail, auto which have seasonality built into them with strong Q4s, (am) thinking the picture would look differently than the entertainment category.”*

- Darren Hardemann, - SVP, Digital Strategy, MediaCom Canada

*Note: Findings should be interpreted broadly/directionally. Findings between waves may vary due to different survey particip...*

# Summary – Spend *Impacts ongoing, delayed again recovery*

- Continues to be a **'live'** situation – **fewer weekly** or daily budget reviews, **less often** by 6-in-10 respondents
- Over 60% say digital budgets '**reduced, paused/delayed or canceled**', most (7-in-10) report 'reduced'
- Top ongoing ***causes of cutbacks*** - cash flow concerns (76%) and consumer trends (43%),
- **Programmatic Display hardest hit** again, 50% citing 'reduced etc.' spends, followed by **Display-Site Direct** (48%)
- Media/Entertainment, Travel and Auto still among **hardest hit ad categories**
- CPG, Government, Pharma & Healthcare **relatively upbeat**, with some **increased spending**
- **Audio and Search** again **least affected** of ad formats
- **Hardest hit** digital clients continue to be **<u>Non</u>-eCommerce**-enabled Brands
- Almost four-in-ten indicate **CPMs** are **down,** three-in-ten for **CPC's;** declines mostly under 20%
- Three-in-ten **loosening restrictions** on ad placements in/adjacent to **hard news content**
- Five-in-ten expect still **more spend reductions in Q4, 2020;** almost six-in-ten for **Q1, 2021.**
- Delay in full recovery until **Second half 2021, First half 2022** or later.

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# Thank you for supporting IAB Canada

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## Q&A

***Any Suggestions for our next Survey Wave 7?***

**Email: SRosenblum@iabcanada.com**

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