Community Uninterrupted

COVID-19 Impact on Digital Investment: Wave #3

April 28, 2020

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Wave #3: Bi-weekly Buy-Side Snapshot

What we wanted to learn from our Agency and Marketer members…

As the COVID-19 crisis continues, many members are increasingly looking to IAB Canada to provide an ongoing barometer of how digital media investments have been curtailed thus far and plans for the next 3-6 months or later.

To generate this updated set of 'broad impact' indicators, we have completed this report on the third 3-minute survey of community members at IAB Canada agencies and marketers.

Agencies and Marketers Invited to Respond

Wave 3 'In-Market' April 14-23, 2020; (Wave 2 April 1-7)

Over Nine-in-ten respondents from Agencies

List of categories represented in third survey include:

- Automotive
- CPG
- Consumer Electronics
- Fashion & Apparel
- Financial services
- Media/Entertainment
- Retail
- Travel
- Telcos
- Real Estate
- Home products/services
- Governmental
- Pharma/Healthcare
- NGO

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</u>

Devon MacDonald - CEO, Canada, Mindshare
Gah-Yee Won - Director, Global Media & Marketing Science, Scotiabank*
Joanne Crump, VP Integrated Media, Active International**
Karel Wegert - Executive Vice-President, Media Experts IPG
Sean Dixon - Managing Director, Marketing Science, Omnicom Media Group***
Alexandra Panousis - CEO of Carat Canada
Stuart Garvie - CEO at GroupM Canada
Tracy Ball - Manager, Programmatic Marketing, The Home Depot Canada

** IAB Board member and Co-chair, Marketer Council*
*** Member, Agency Council*
**** Co-chair, Agency Council*

Note: Panel members vary as to who provides feedback on each wave..

Study Highlights

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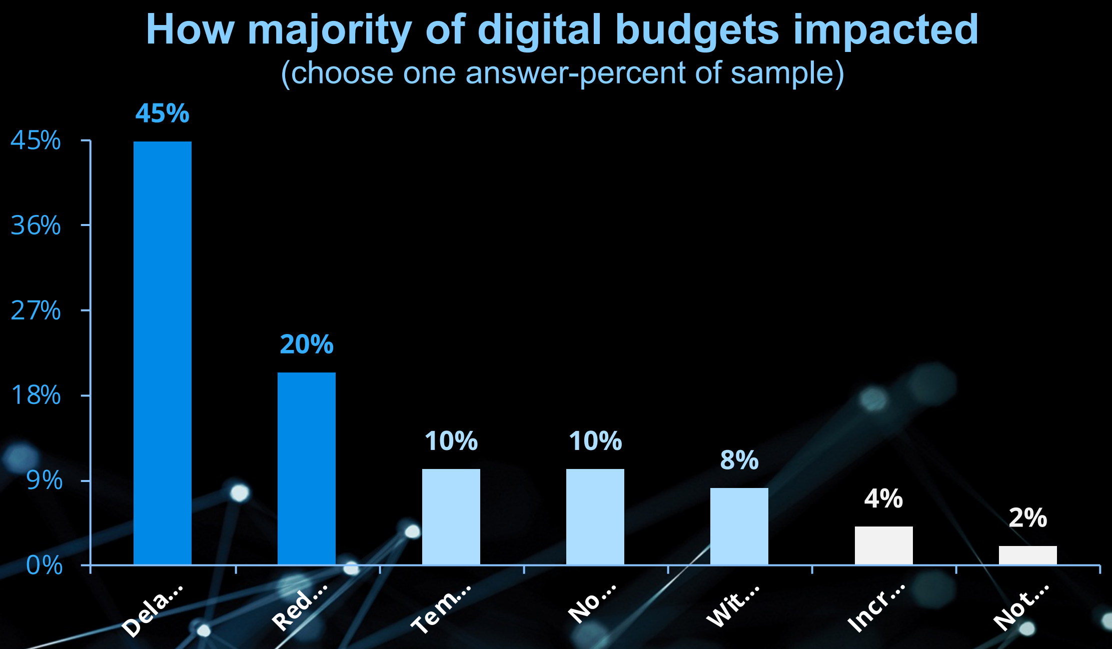
Over 80% of Agency Sample Negatively Impacted

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

Directionally consistent with Wave 2…

- 75% of budgets delayed, paused or reduced (vs 78%)
- Just 8% report canceled



Note: Findings should be interpreted broadly/directionally.

Most Formats Remain Affected, Outright Cancelations Rare

Q. How much of an increase/decrease by channel/tactic due to COVID-19?

Similar to Wave 2 ranking…

Most affected: 5 of 7 formats

- **63-78% "**Down, Pause/Delay, Canceled"
- *Cancellations rare : 2-8% (incl. above)*
- Reductions tend to be under 40%

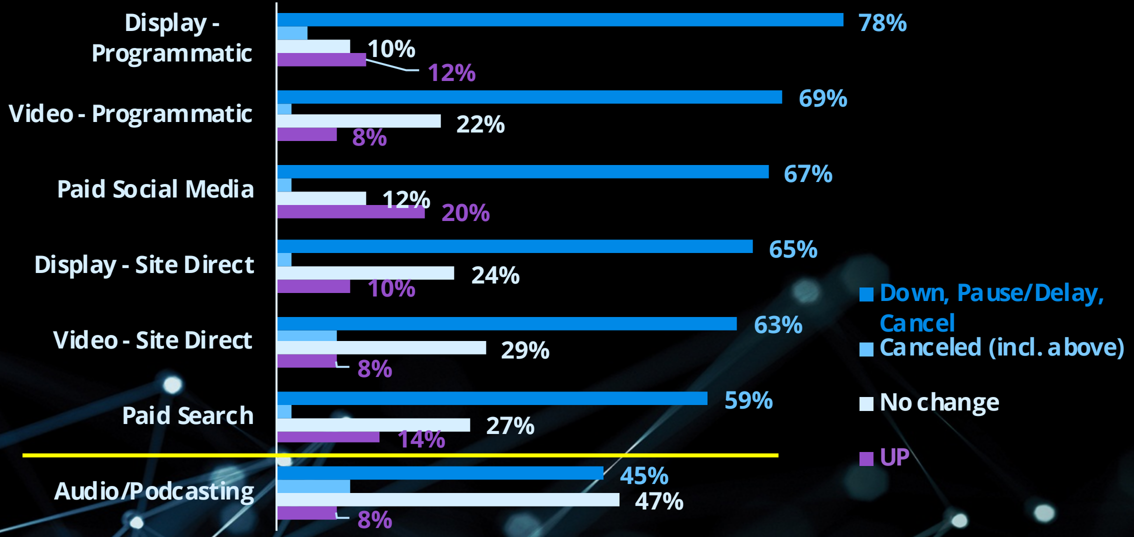
Least affected: Audio, Search

Audio highlights

- 45% "Down, Pause/Delay, Canceled"
- 47% "No Change" to spend

Percent reporting changes to spending

(% sample by channel/tactic)



Note: Findings should be interpreted broadly/directionally. The survey covers proportion of members taking actions and not the volumetrics of how deep the cuts are in aggregate or how big the companies taking these actions may be.

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Still among the Hardest Hit: Travel, Financial, Retail & Auto

Q. For the categories you work on, how have digital ad spends been affected?

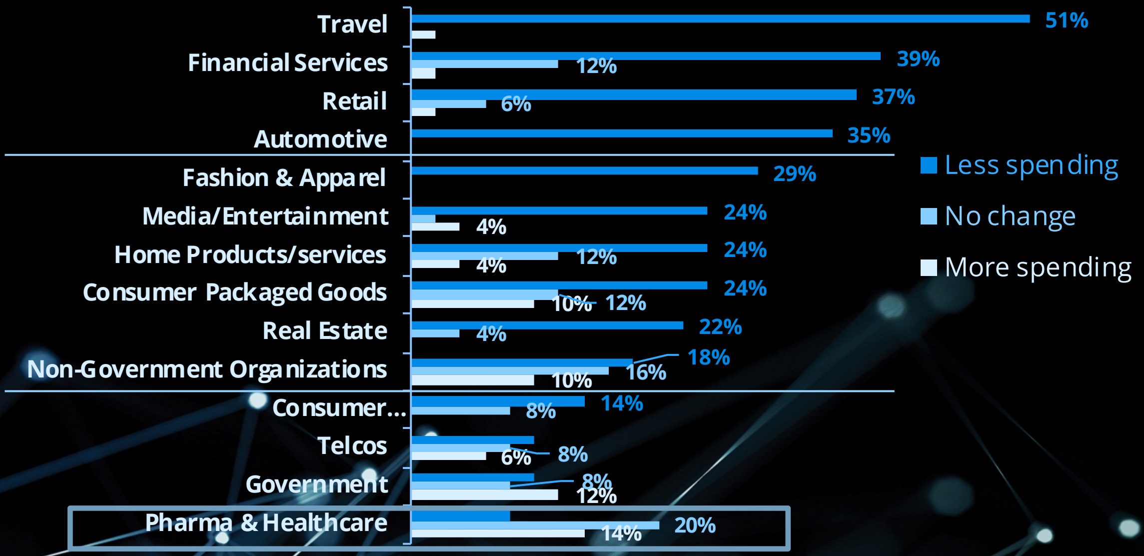
Similar to Wave 2 ranking…

Still among Least Affected:

- Electronics
- Telcos
- Government
- Pharma/Healthcare

Biggest % 'no change' or % 'increase'

- Pharma/Healthcare: 34%



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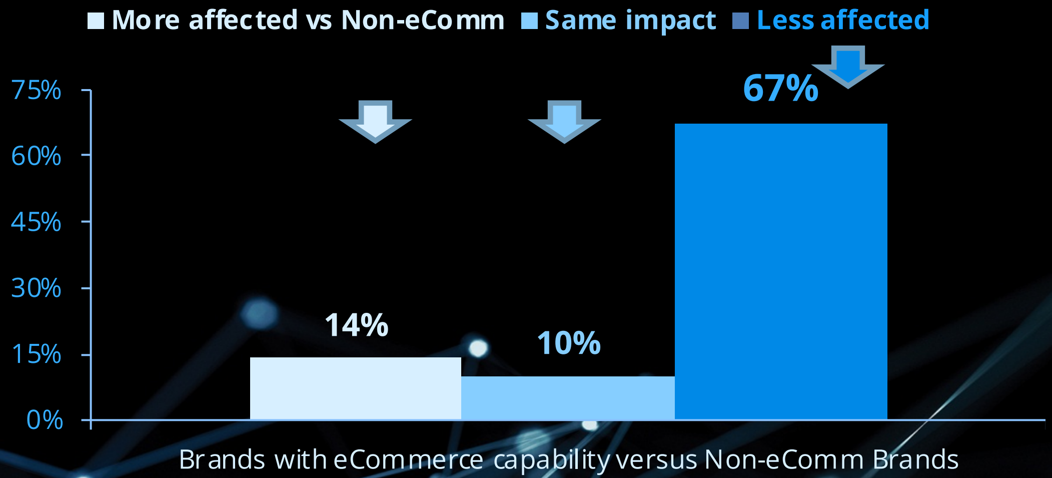
Percentages do not sum to 100%, as Not Applicable not shown (i.e. categories not worked on)

eCommerce Enabled Brands Continue to be Less Impacted

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

Brands with eCommerce capability less affected than Non-eComms (% of sample)



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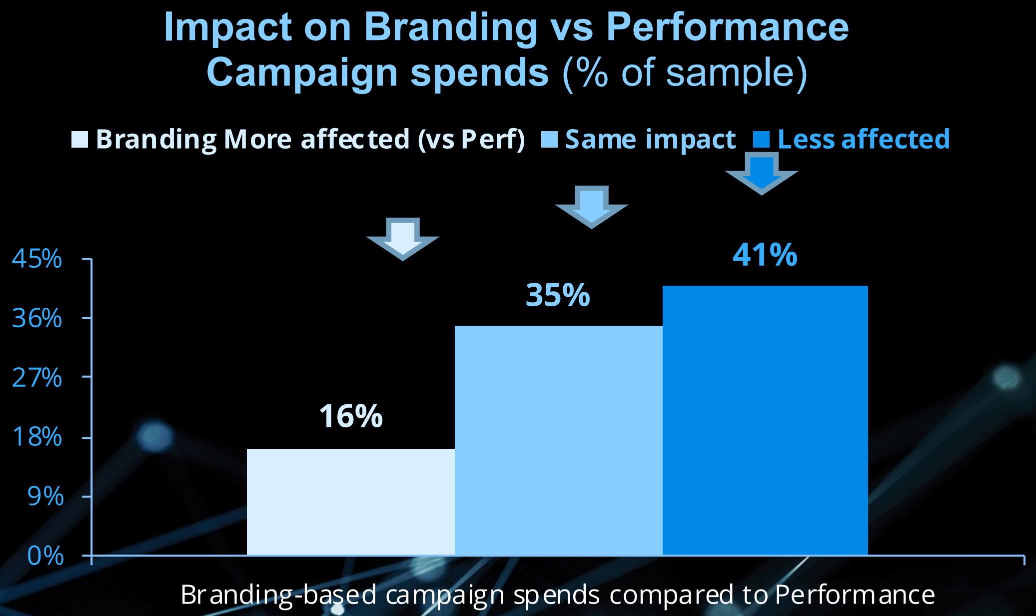
Branding Campaigns As or Less Affected than Performance

Q. Branding campaign spends more/less affected than performance-based?

Mixed views in Wave 2.



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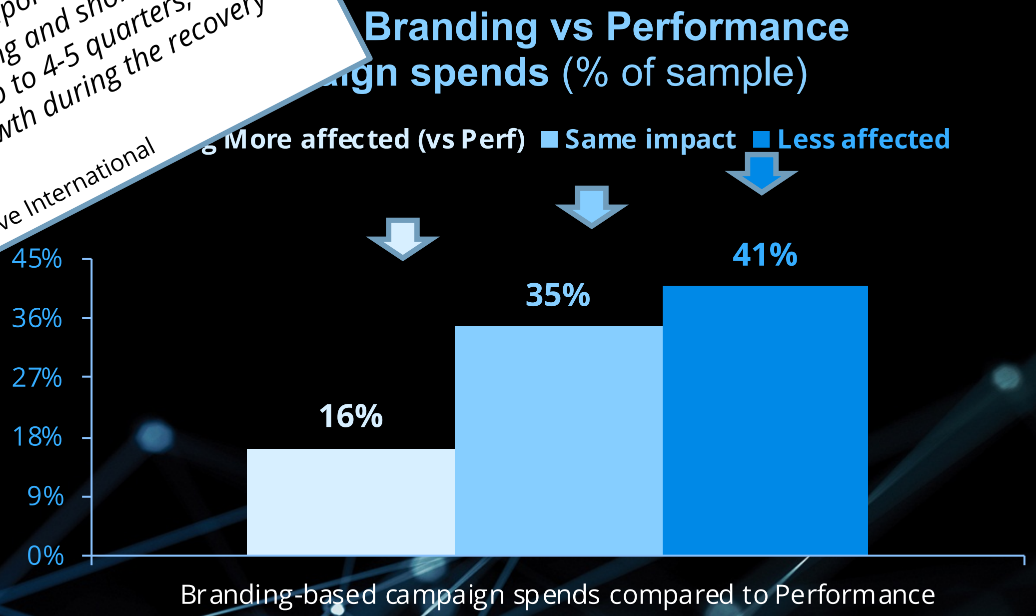
Branding Campaigns As or Less Affected than Performance

Q. Branding campaign spen… ore/less affected than performance-based?

"As a number of experts have noted, it's important to keep a balance between long-term brand building and short-term strategies. Typical recessions can last up to 4-5 quarters, so brand building will be what drives growth during the recovery period".

Joanne Crump, VP Integrated Media, Active International



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What issues are driving spend reductions?

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Cash Flow & Creative Reassessment Still Key Issues

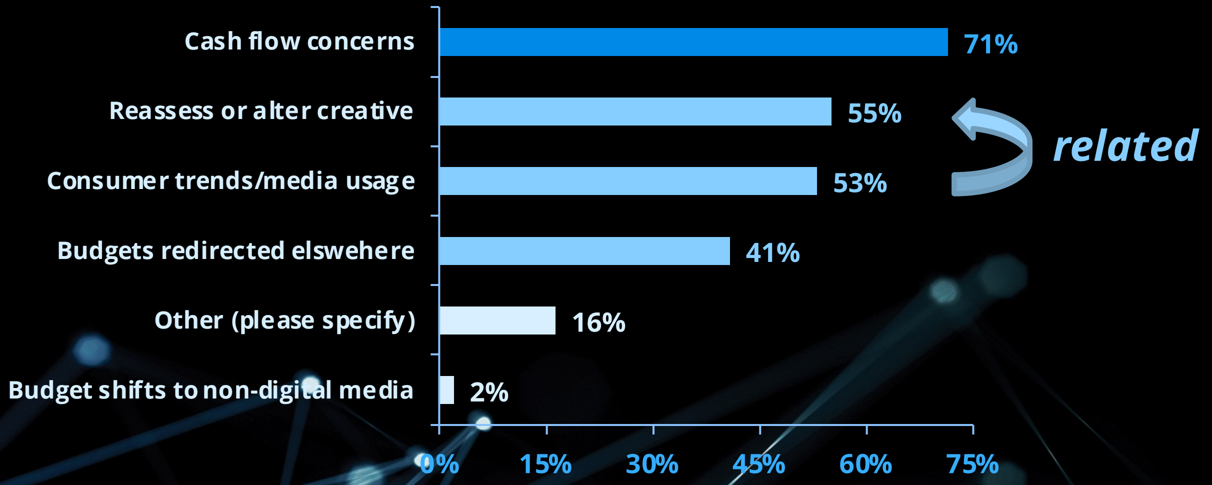
Q. Main reasons for your firm's or clients' digital budget decreases, pauses, etc?

Similar to Wave 2 ranking...

"Disruption in supply chain - can't advertise items that you don't have to sell".

"Store closures during COVID-19 has closed our restaurant client".

Reasons for digital decreases / pauses etc
(% sample; all that apply)



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Looking to the future…

Powerful Digital Leadership

"These are very fluid times; with brands now knowing what they need to do to support consumers, they are focusing on how to plan effectively to come out of this stronger."

Devon MacDonald, CEO Canada, Mindshare, A GroupM Company

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Ongoing Live Situation

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

Three-in-four reviewing budgets weekly/more often (74%)* - 78% in Wave 2

- Daily: One-in-three (31%) - Fewer doing so daily in Wave 3
- Weekly: Over four-in ten (43%)
- Less Often: (22%)
- Business as usual (4%)

"As the initial "shock phase" subsides, it makes sense that the cadence to review budget and spend strategy is shifting from daily to weekly with even a rise in less often."

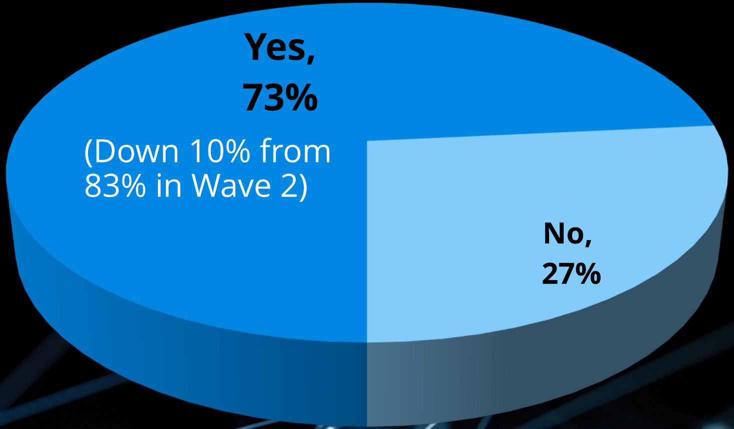
Joanne Crump, VP Integrated Media, Active International

Note: Findings should be interpreted broadly/directionally.
Percentages do not add to 100% because "business as usual" excluded:

Over Seven-in-Ten Still Anticipate Reduced Spends

Q. Whether or not you have seen a reduction yet, are you still anticipating a drop in expenditure across digital media as a result of COVID-19?

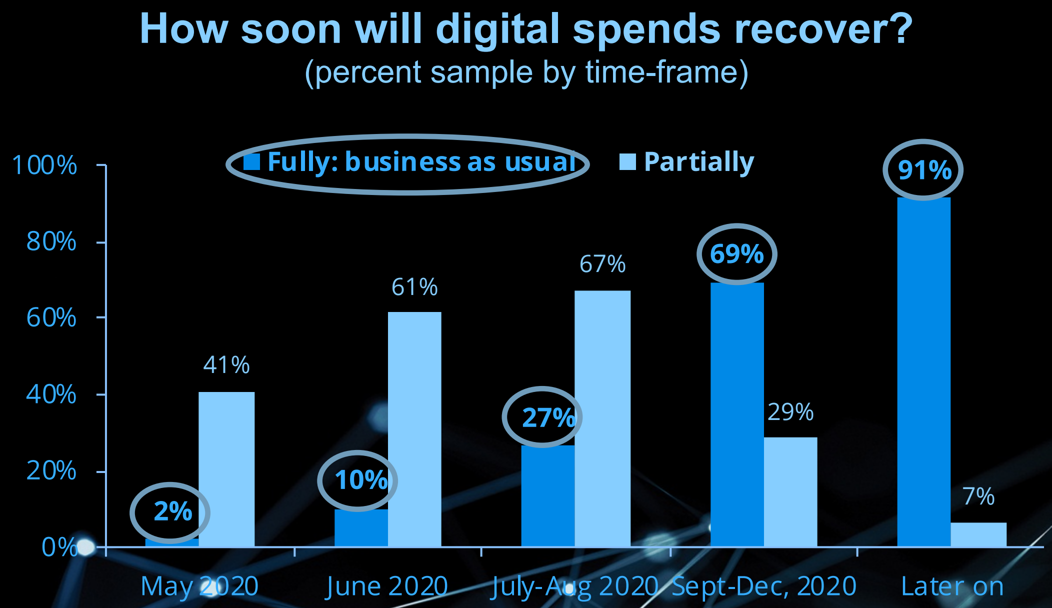
Still anticipating drop in digital spend
(percent of sample)



Note: Findings should be interpreted broadly/directionally.

Recovery Timing Assessment points to Autumn

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



Partial recovery starting June,

Full recovery mounting by Sept-Dec.

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Summary of Findings – *Some Calming*

- Results broadly consistent with Waves 1 and 2
- Continues to be a 'live' situation – weekly or even daily budget reviews (74%) although slightly down in frequency
- Over 80% say digital budgets reduced/paused/delayed etc. (83%), rarely canceled (8%)
- Audio least affected among ad formats (45%), followed by Paid Search (59%)
- Other formats range 63-78%, led again by Programmatic Display
- Hardest hit continue to include
    - Advertisers: Travel, Financial Services, Retail, Automotive
    - Brands without eComm capability
- Main ongoing causes of cutbacks - cash flow concerns (71%) and reassessing creative
- Most expect still more reductions (73%) - down from 83% in Wave 2
- Delay in full recovery till Sept-Dec. 2020 or later

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Thank you for supporting IAB Canada

Powerful Digital Leadership

Any Suggestions for our next Survey Wave 3?

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