Community Uninterrupted

COVID-19 Impact on Digital Investment: Wave #2

April 13, 2020

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Wave #2 Bi-monthly 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 second 3-minute survey of community members at IAB Canada agencies and marketers.

Agencies and Marketers Invited to Respond

Wave 2 In-Market April 1-7, 2020; (Wave 1 March 15-30)

Over Nine-in-ten respondents from Agencies

List of categories represented in second 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, Mindshare Canada
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*

Study Highlights

Powerful Digital Leadership

"The changes to Essential Business listings and prolonged Social Distancing recommendations will change the plans of any brand that has a physical component to their service and product offering. Brands do however see the light at the end of the tunnel and are starting to develop their post-COVID strategies."

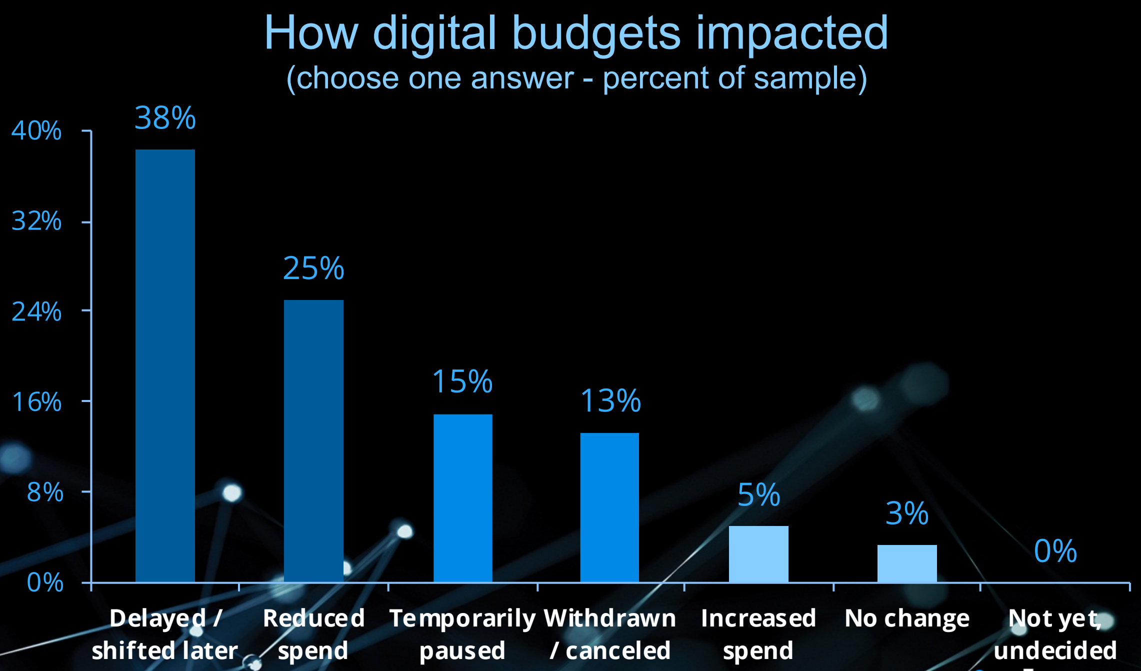
Devon MacDonald, CEO, Mindshare, A GroupM Company

Over 90% of Agency Sample Negatively Impacted

Q. Have your digital ad budgets been impacted by COVID-19? If so, how?

Sample Response:

- 78% of budgets delayed, paused or reduced
- Just 13% report canceled altogether



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Most Formats Affected

Q. What has happened to spend by channel/tactic and by how much?

Most affected

All but two formats

68-78%: Highest 'Down, Pause/Delay, Canceled*'

**cancellations rare : 5-8%*

- Majority of Reductions: 'Under 40%'
- Pauses/delays outweigh/match Reductions for Video Direct/Programmatic, Display Direct

Least affected

Audio, Paid Search

47-55% Lowest 'Down, Pause/Delay, Canceled*'

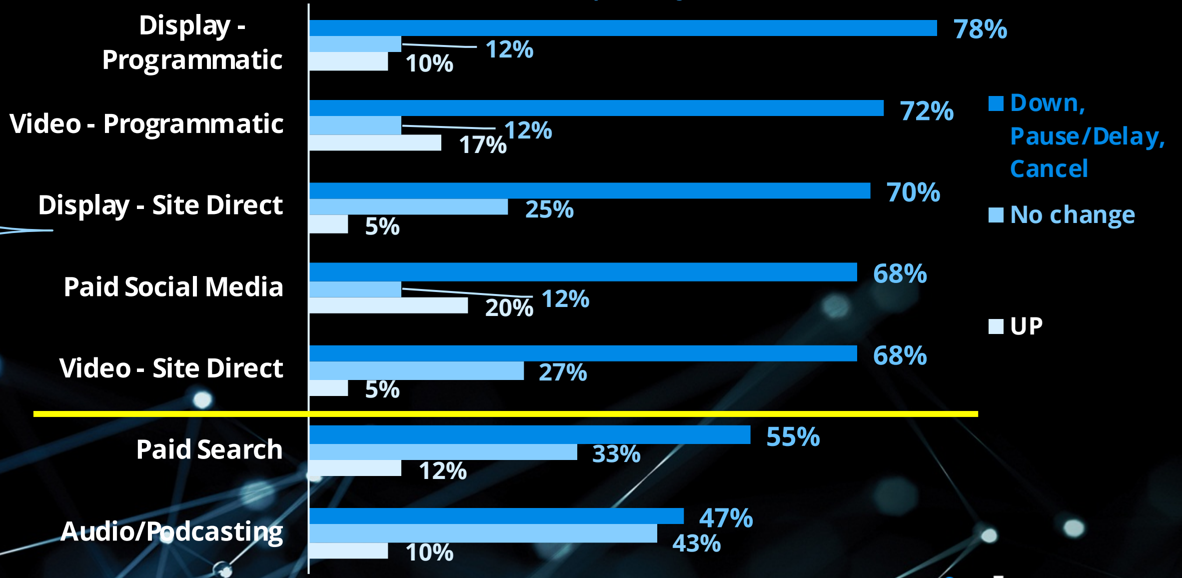
**cancellations rare : Audio 8%, Search 0%,*

33-43% Highest % 'No Change' to spend

- Search: Majority of reductions 'Under 20%

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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Most Formats Affected

% ‘No Change’ to spend - by Vendor type:
Global platforms: 32% of sample

Q. What has happened to spend by channel/tactic and by how much?

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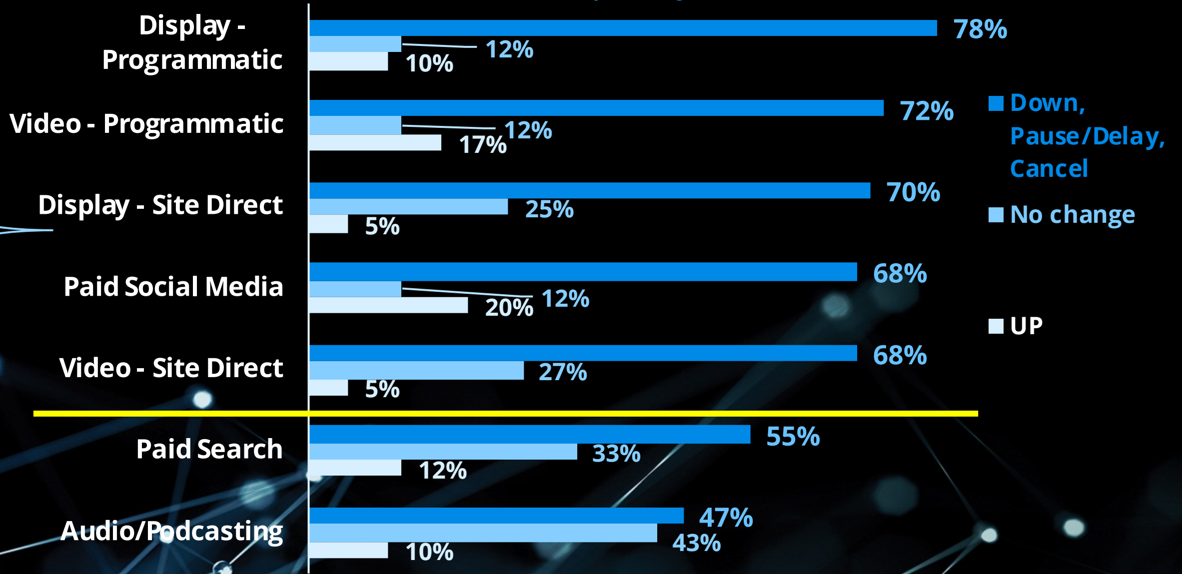

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Automotive, Retail and Travel Hardest Hit

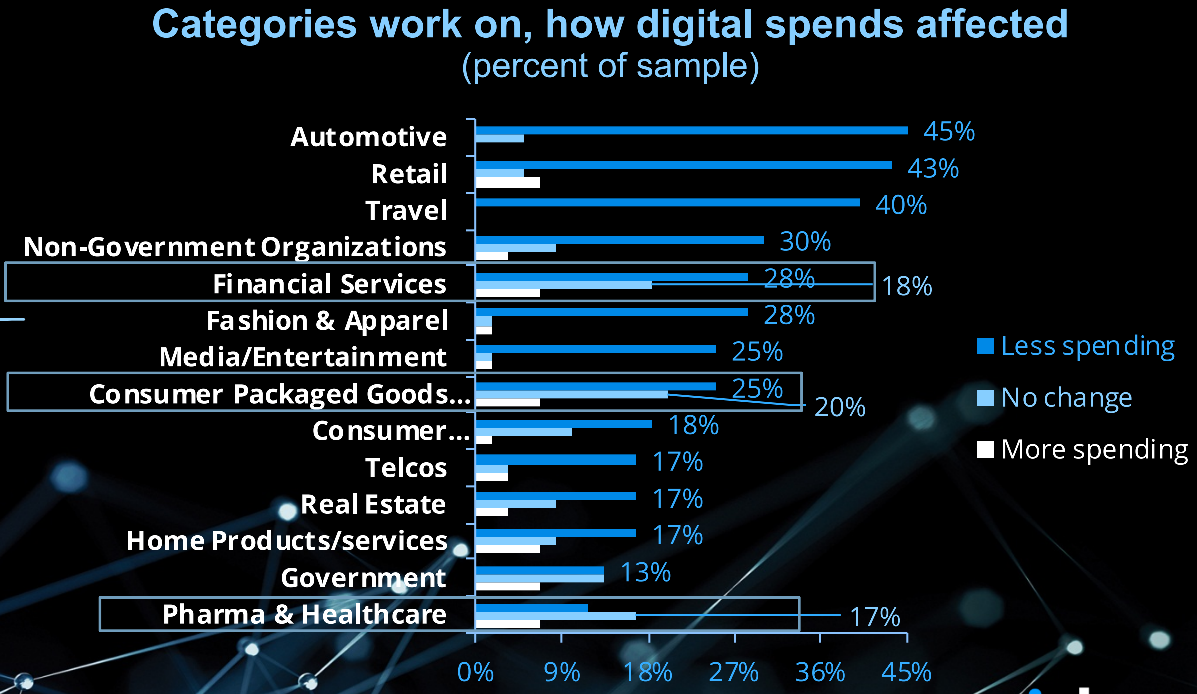
Q. For the categories you work on, how have digital ad spends been affected?

Least affected overall:

- Electronics,
- Telcos,
- Real Estate,
- Home products,
- Government,
- Pharma/Healthcare

Strongest '% no change':

- Financial Services,
- CPG and
- Pharma/Healthcare



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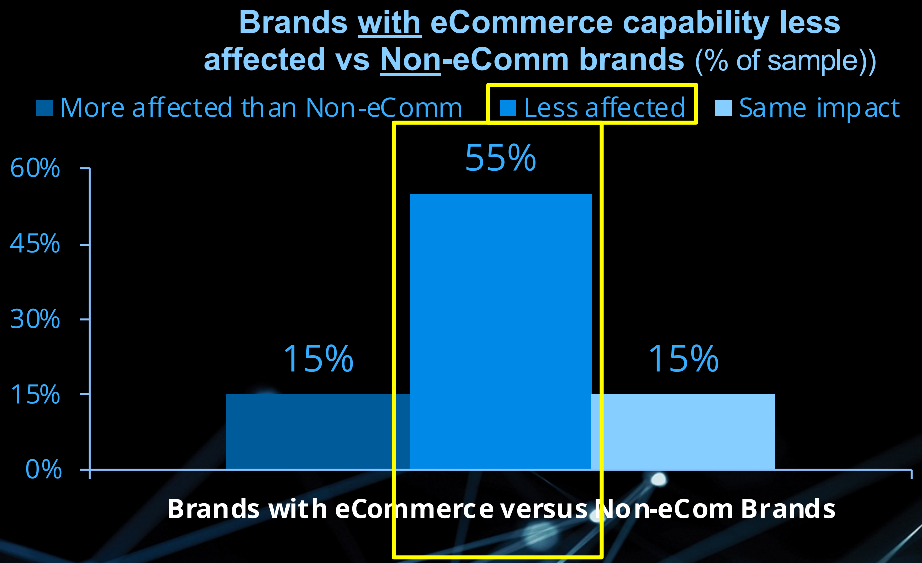
Percentages do not sum to 100%, as Not Applicable not shown (i.e. categories not worked on)

eCommerce Enabled Brands Least Impacted

Q. Brands <u>with</u> eCommerce capabilities more/less affected than <u>non</u>-eComm brands?



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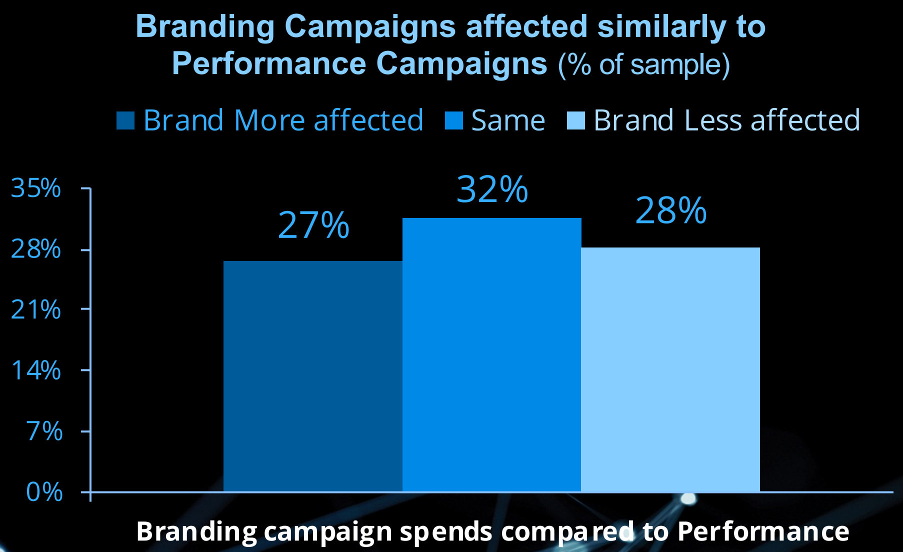
Mixed Views on Branding Vs. Performance Impact

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



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What issues are driving spend reductions?

Powerful Digital Leadership

"Cashflow is a real concern for many brands right now. It's somewhat of a catch 22 as cutting marketing budgets entirely will add to the cashflow problem long-term. Marketers who are able to protect a portion of their budgets in order to maintain some consumer share of mind, stand to benefit during the back half of the year and beyond".

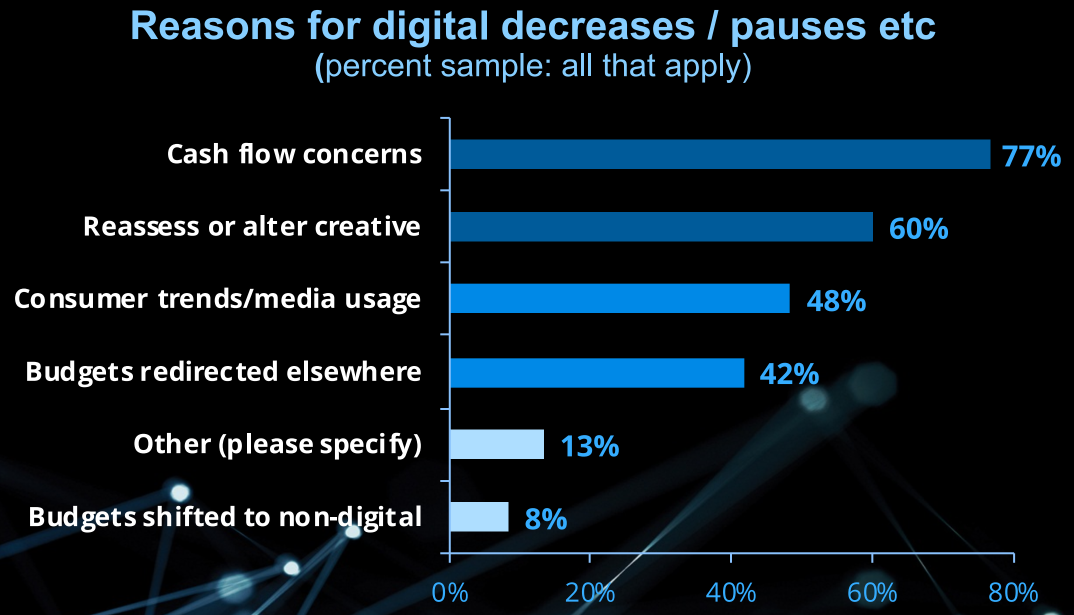
Joanne Crump, VP Integrated Media, Active International

Cash Flow & Creative Reassessment Key Issues

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

"People can't buy our product, because stores are closed down during C19".

"Looking to pivot brands and creative messaging to adapt to new circumstances".



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Looking to the future…

Powerful Digital Leadership

"The decision on when to go back into market really does depend on the specific client and their business. We are starting to see more brands plan for late April and early May activity that looks a little more like "normal" levels but we still have several that are far from reinvesting in advertising."

Member of IAB Blue Ribbon Survey Panel

Ongoing Live Situation

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

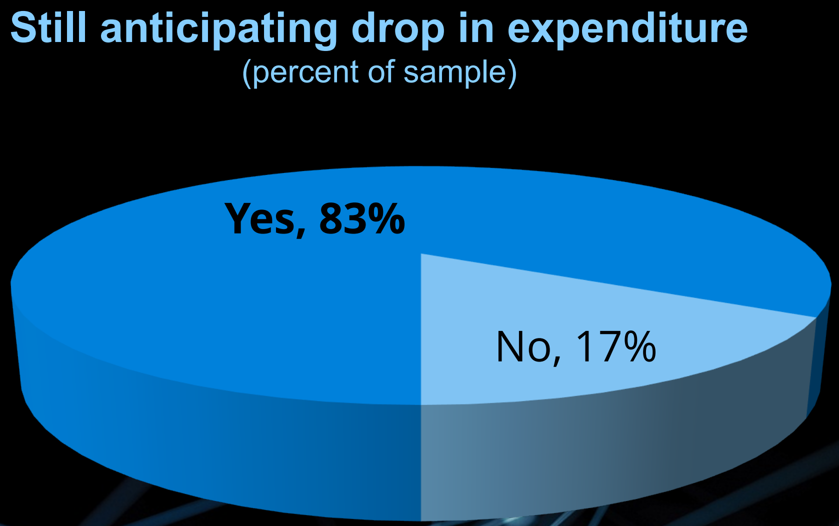
Sample Response:

- Over half (53%) -daily or more often
- Additional quarter (25%) - on a weekly basis
- Remainder (13%) - pending major announcements

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

Over Eight-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?



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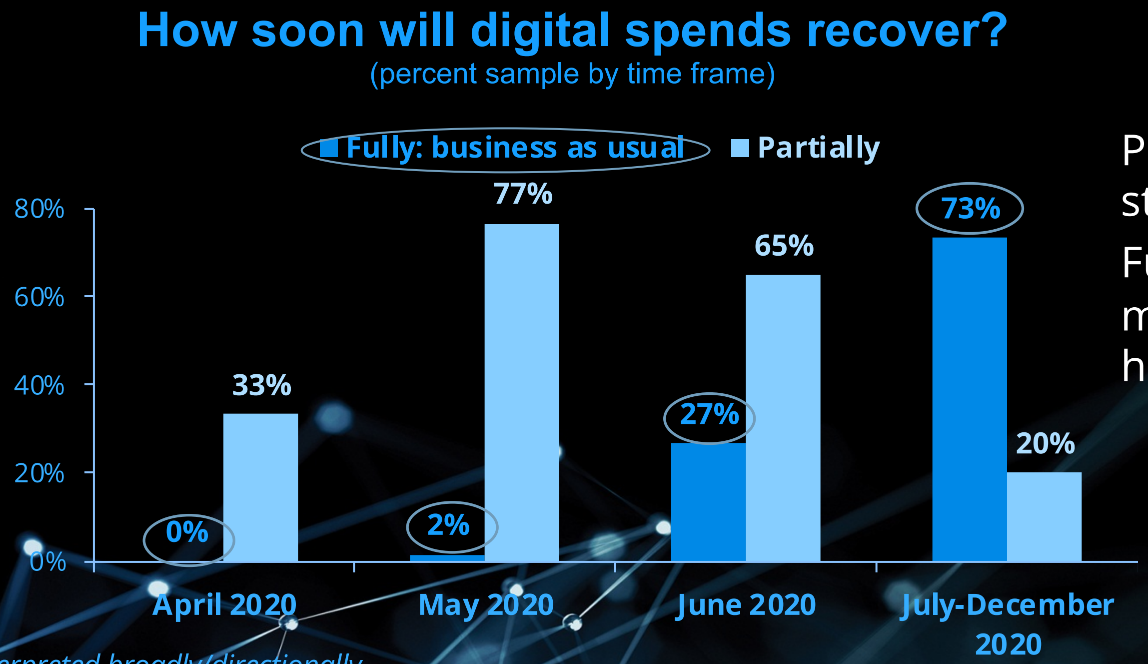
Recovery Timing Assessment

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 May,

Full recovery mounting in 2nd-half.

Note: Findings should be interpreted broadly/directionally.

Summary of Findings

- Results broadly consistent with Wave 1
- Continues to be a ‘live’ situation – daily budget reviews if not more often
- 90% say digital media budgets reduced, delayed/paused or rarely canceled (13%)
- Less impacted: 55% in Search; 47% in Audio
- More impacted: 68-78% for all other formats, including programmatic
- Hardest hit also include
    - Advertisers: Automotive, Retail and Travel
    - Brands without eComm capability
    - Canadian Publishers
- Main causes of cutbacks - cash flow concerns and reassessing creative
- Most expect still more reductions and a delay in full recovery till 2nd-half 2020

Thank you for supporting IAB Canada

Powerful Digital Leadership

Any Suggestions for our next Survey Wave 3?

Email: SRosenblum@iabcanada.com

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