

How Advertisers Are Responding to the Coronavirus Crisis

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The Great Recession was a low point in the recorded history of advertising. Total media ad spending declined for two straight years in the US, and digital ad spending even dropped in absolute terms in 2009, the only time that's ever happened. But most of the buy-side decision-makers surveyed in late March 2020 by the Interactive Advertising Bureau (IAB) think the coronavirus pandemic will have an even worse effect on US ad budgets.

The IAB found that about three-quarters of respondents thought the current situation would be worse than the 2008-2009 financial crisis, including 44% who said it would have a "substantially more negative impact." And, indeed, most respondents reported already having made changes to their ad spending. A quarter had even paused all the advertising they could.

These may be short-term changes; two-thirds also said they had not yet decided whether to adjust budgets in H2.

Are US Agency and Brand Buy-Side Decision-Makers Making Any Ad Spending Changes in Q2 2020 vs. H2 2020 as a Result of the Coronavirus?

% of respondents, March 2020

	Q2 2020	H2 2020
Yes	70%	25%
No	14%	8%
Still to be determined	16%	67%

Note: n=390

Source: Interactive Advertising Bureau (IAB), "Coronavirus Ad Spend Impact: Buy-Side"; eMarketer calculations, March 26, 2020

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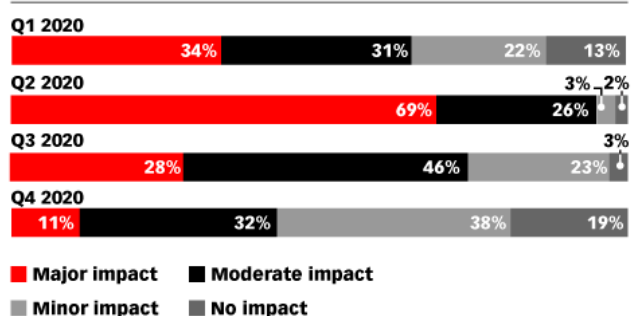
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Advertiser Perceptions also surveyed the buy side in late March about plans to adjust or pause spending. Almost nine in 10 advertisers said they had taken some type of action. Those actions that were most common included holding back a campaign that was set to launch later in the year (49%), changing media or shifting budgets among media (48%), and stopping a campaign midflight (45%).

These respondents expected the pandemic's worst effects on ad budgets to be concentrated in Q2, with the Q3 impact still somewhat bigger than in Q1. By Q4, these media buyers expect to be in territory more normal than we've experienced over the past couple months.

Impact of Ad Spending Cuts According to US Agency and Marketing Professionals, Q1-Q4 2020

% of respondents in each group



Note: respondents who are decreasing ad spending in light of the coronavirus

Source: Advertiser Perceptions, "Coronavirus Effect on Advertising Report," March 26, 2020

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For now, the ad channels most likely to take a hit are display, social media and digital video, with linear broadcast TV not far behind, according to the Advertiser Perceptions research. Paid search was the most likely channel to be retaining budget or receiving new money,

though only 24% of respondents said they were keeping money in search compared with 47% who said they were pulling it from display, for example. About two-thirds of respondents thought performance media would get more of a focus in the coming months.

For March and April, the IAB respondents expected the largest decreases to their ad spending to occur in traditional out-of-home (OOH), digital OOH, and terrestrial radio, likely reflecting the fact that mass quarantines mean people are much less likely to be experiencing any of those media. But significant drops in spending were expected across all channels mentioned. On the bright side, respondents thought budget cuts would be smaller across all these media by May and June.

One notable difference between the two surveys: The IAB respondents were less persuaded that performance marketing was the answer to the current crisis. Almost half said they planned to decrease performance budgets over the March-June period. Meanwhile, 42% planned to increase spending on mission-based marketing, 41% on cause-related marketing, and 37% on brand equity messaging.