How the TV Industry May Be Affected by the Coronavirus Outbreak

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With the ever-changing situation surrounding the coronavirus outbreak, it is unclear how long the pandemic will last and what its effect on the economy—and therefore the TV industry—will be.

If the virus is contained early, predictions will change, but we believe at this moment that TV ad spending will likely be negatively impacted by the pandemic. Analysts at investment bank UBS wrote that a bump in news viewership could help offset audience declines brought by the drop in sports programming, but added that "the lack of sports will push us much deeper into unchartered territory."

Early on, daytime TV viewing has increased, according to TV ad measurement vendor Samba TV. Smart TV viewing data from Inscape showed that sports fans are spending more time streaming, with news networks seeing the biggest viewership bumps. And overall TV ratings grew in early March.

But some companies are already pulling back their marketing spend as the pandemic affects their businesses. MediaRadar estimated that travel advertisers cut their ad spending by about 50% during the first two weeks of March 2020 compared with the same period a year ago.

Additionally, canceled live events like sports helped advertisers reach specific audiences such as young men who don't otherwise watch much live TV. Given that the NBA viewers tend to be younger than cable TV viewers, increased viewing time in an area like news won't fully negate the losses in sports watching.

The cancellation and postponement of sporting events by the NCAA, NHL, NBA, MLB and others is leaving TV networks and marketers scrambling as they figure out how to adapt to an unprecedented situation. The 2020 Tokyo Olympics have been postponed, likely until 2021. Business Insider reported that an internal document from ad agency Magna Global showed that TV networks with sports coverage could see viewership declines ranging from 9% to 25%. It remains unclear when professional and collegiate sports will return to TV. The hunger for live sports was reflected when SportsCenter began broadcasting highlights from Nebraska's state high school basketball tournament. Devoid of contests to talk about, one sports radio host planned to subject his listeners to a full breakdown of Will Ferrell movies.

Digiday reported that the cancellation of sports is leading advertisers to consider: redirecting their linear TV investments to other inventory controlled by the TV networks such as their streaming platforms; pausing their TV spending until the games resume; and working to be released from their commitments altogether. “There’s nothing that’s not on the table,” an agency executive said.

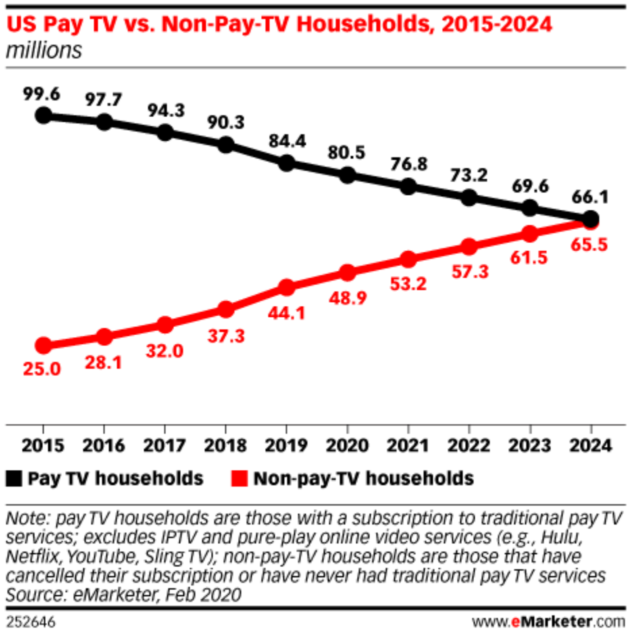
The TV Upfronts and IAB NewFronts have also been upended by the virus. Advertisers still plan to negotiate with TV networks and video publishers about their commitments, but the live events that typically coincide with these negotiations have been either canceled or reformatted to a streaming-only format devoid of a live audience. Ad Age reported that the deal-making could get pushed back later in the year until advertisers are more certain about how much money they can commit to TV this season.

Another effect of the pandemic is that studios are shutting down their TV and movie productions. Whether this will lead to a truncated content slate and when all paused shows will resume is still unclear.

With many movie theaters closing for now, media companies are trying to recoup their investments by reducing the theatrical window and making movies streamable on-demand while they're still in the theaters that remain open. It's possible that the virus could curb the massive content spending figures expected from streaming services and media conglomerates, but it's too early to call either way.

With several states shutting down public venues and forcing a large chunk of the population to work remotely, content consumption could rise while people are locked down in their homes. Judging from others crises, US video viewing could increase 60%, according to Nielsen. Theoretically, streaming services, especially those with extended free trials and low-priced subscriptions, could benefit during this situation. It's also possible that if unemployment rises substantially, consumers will be thriftier and choose to cancel TV or streaming subscriptions to save money. During the next quarter, there will be even more eyes than usual on how many subscribers pay for TV and streaming services.

In February, we updated our pay TV and digital video subscription forecasts. We estimate that there will be 80.5 million US pay TV households in 2020. By 2023, that figure will fall to 69.6 million. Meanwhile, the number of cord-cutter and cord-never households will total 48.9 million this year, growing to 61.5 million in 2023. For the foreseeable future, there will still be more pay TV viewers than those in the non-pay-TV category, but that gap keeps closing.



It's important to keep in mind that, like many of our forecasts, this one reflects pre-pandemic data and assumptions about the economy. If the economic effects of COVID-19 are more than temporary, data emerging in months ahead is likely to show tighter spending by consumers and marketers alike. We will continue monitoring research, surveys and data for any changes and adjusting our forecasts as needed going forward.