Mobile Advertising Declines Due to COVID-19, Despite Increased Time Spent

ARTICLE

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As the coronavirus outbreak continues and the government extends social distancing recommendations, people are spending more time on their phones. And advertisers will likely spend less on mobile advertising.

A March 19-22 survey by InMobi found that 70% of US consumers in areas under lockdown are spending more time on their phones. A good proxy for how much additional time is what happened in China in February. According to App Annie data, the average smartphone user in China spent an additional 30% of their time on their mobile device in February. Italy, which was at the beginning of an incomplete lockdown period at the end of February, saw an 11% increase in daily mobile time spent, while South Korea and Japan—both experiencing outbreaks in February and selective quarantines—saw daily mobile time spent increase 7%. In contrast, the US saw no year-over-year change in February.

Average Time Spent per Day with Mobile Apps During the Coronavirus Outbreak Among Android Users in Select Countries, Feb 2020

hours and % change vs. 2019 average

	Hours	% change
China	5.0	30%
South Korea	3.9	7%
Japan	3.5	7%
US	2.8	0%
Italy	2.7	11%
Spain	2.6	5%
France	2.5	7%
UK	2.4	0%
Germany	2.3	2%

Source: App Annie as cited in company blog, March 17, 2020

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The increase in time spent, however, is not easily monetized for app and mobile web publishers. First, much of this increased time is on platforms that aren't heavily monetized by advertising. In Italy, Facebook has seen traffic increase by 70%, with group calling increasing by 1000%, Facebook Live and Instagram Live up 100% and messaging up 50%. None of those features can be monetized easily.

More importantly many advertisers don't have the money now to buy the additional impressions, which has depressed CPMs. Adomik, which lets publishers track their ad monetization, released data this week that showed a 17.2% drop in week-over-week ad revenues in the US between March 10 to March 15 and March 17 to March 22. The biggest drops were in direct deal and programmatic guaranteed, with real-time bidding dropping 15%, followed by CPM dropping 14.8% and mobile dropping 13.3%.

Twitter and Facebook are reducing their ad revenue expectations for the rest of the quarter despite having large traffic increases, a pattern being repeated across digital publishers. The New York Times predicted a drop in ad revenues "in the mid-teens." For the many media companies on the edge of viability, the boon in traffic will only be a cruelly ironic twist to their inability to make enough money to maintain operations. Facebook pledged to spend $100 million to bolster local news outlet, which will help somewhat but not enough to save many publishers.

In February, we released our latest estimates for mobile ad spending, which we expected at the time to grow from $87.3 billion in 2019 to

$105.3 billion, a 20.7% increase. Even under the rosiest scenarios, this topline number for 2020 will not be reached because of COVID-19, but it's still a good baseline to see the ad landscape before the pandemic. The Adomik figures seem ballpark for the drop in revenue—i.e, 10% to 20% over the next few months. Google and Facebook account for the majority of mobile ad spend, and they're likely to be hit by the steep drop in local business, retail and travel spending. A rapid resolution to the crisis could lead to a decent rebound in spending in Q3 and Q4, but it's too early to make any clear predictions that far ahead.

There are a few bright spots. Mobile gaming heavily relies on advertising from other games. InMobi's survey found that 56% of US consumers have increased time playing mobile games. This might be one of the few publishing categories that have benefited from the lockdown rules hurting most of the industry. Subscription video companies have also seen traffic and subscriptions rise and are more immune to advertiser shocks.