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Geico, Allstate lead the insurance industry in advertising spending cuts

Article

The news: Insurance companies are among the most recognizable TV advertising brands, but new data from S&P Global Markets shows they are cutting ad spend dramatically, similar to automotive companies.

- **Geico** leads the spending decline, slashing its budget from **$2.07 billion in 2021** to **$1.28 billion in 2022**, a 38% decrease and the steepest among its insurance contemporaries. In October, Geico laid off a "sizable" portion of its marketing department and parted ways with long-time ad agency **Horizon Media**.
- **Spending fell 7.6%** from $1.87 billion to $1.73 billion at **Progressive** and **decreased 26.9%** to under $1 billion at **Allstate**. **State Farm** spending dropped from $1.07 billion to $1.01 billion.

Why is this happening? Insurance is joining other longtime, big advertising spenders like automakers in slashing spending and rethinking marketing strategies as the economy softens.

- The insurance industry has had a rough go in recent years as home issues during lockdowns and post-lockdown traffic increases caused insurance claims to spike. Those claims and repairs are more costly and time-consuming now due to supply chain issues, and insurers are suddenly finding themselves paying huge amounts out of pocket.
- That means premiums have gone up at almost twice as fast as the rate of inflation. Disruptors like **Lemonade** are also undercutting the market, offering cheap prices that are costing "premium" insurers like Geico business.
- Desperate to cut costs, Insurers are curbing their ad spending. While issues like cord-cutting might make it easier for these companies to justify cuts, they're not a driving factor the way they are for the auto industry, especially since Geico and other insurers are heavy spenders across various advertising channels, and all of it is getting cut.

Our take: Insurance's spending downturn doesn't help the struggling ad market, but that industry's cuts are due more to internal issues than the broader problems plaguing advertising. Still, cord-cutting and digital attribution issues certainly make it easier to justify cuts.

Top 10 US Industries, Ranked by Out-of-Home Ad Spending, Q1-Q3 2021 & Q1-Q3 2022

millions, % of total, and % change

	Q1-Q3 2021		Q1-Q3 2022	% of total	% change
1. Local services and amusements	$1,335.3	1. Local services and amusements	$1,596.6	25.1%	19.6%
2. Retail	$510.5	2. Retail	$591.4	9.3%	15.8%
3. Insurance and real estate	$381.9	3. Media and advertising	$549.8	8.6%	49.0%
4. Restaurants	$379.9	4. Restaurants	$452.3	7.1%	19.0%
5. Media and advertising	$368.9	5. Government, politics, and organizations	$427.9	6.7%	25.2%
6. Government, politics, and organizations	$341.9	6. Public transportation, hotels, and resorts	$405.0	6.4%	52.1%
7. Financial services	$269.3	7. Financial services	$363.6	5.7%	35.0%
8. Public transportation, hotels, and resorts	$266.3	8. Insurance and real estate	$336.2	5.3%	-12.0%
9. Automotive dealers and services	$201.5	9. Schools, camps, and seminars	$222.0	3.5%	26.1%
10. Schools, camps, and seminars	$176.0	10. Automotive dealers and services	$220.5	3.5%	9.5%

Note: Q1-Q3 2022 total spending=$6.36 billion and a 25.7% change vs. Q1-Q3 2021; includes alternative, billboards, cinema, digital platforms, street furniture, and transit
Source: Out of Home Advertising Association of America (OAAA) conducted by Kantar Media as cited in press release, Dec 8, 2022

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