HIGHER MEDIA VALUE

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ECI Media Management

inflation 2020 report

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ECI HIGHER MEDIA VALUE

ECI Media Management

inflation 2020 report

CORONA VIRUS UPDATE

Never in living memory has life changed so dramatically for so many in a matter of weeks. The first coronavirus case emerged in Wuhan in December 2019, and the world watched with increasing concern as it spread across China. No one could have imagined the speed with which it would affect the rest of the planet over the next three months.

To slow the spread of the virus and allow health systems to cope, many governments have implemented extreme measures. At the time of publication, around a third of the world's population is living in lockdown, with many having been instructed to leave their homes only for essential purposes such as buying food and medicines. The entertainment and hospitality industries have been effectively closed down. International travel has all but stopped, with many airlines grounding their entire fleets except for repatriation purposes. The economic, societal and individual consequences are so huge that they are still not fully understood.

Human behavior and consumer consumption have changed almost entirely. Forced to stay at home and no longer able to do previously ordinary activities such as meet with friends at bars and restaurants or to the cinema, people have turned to media and tech platforms to keep them entertained and informed.

Of course, this dramatic change in consumer behavior has major implications for advertisers and for the advertising industry – and that in turn affects media pricing and inflation. It is for that reason that ECI Media Management has released this flash update on our annual Inflation Report. We hope that it will be a useful resource for advertisers and other industry players as they navigate a media landscape that has transformed beyond all recognition and plan their media activity in a post Covid-19 world.

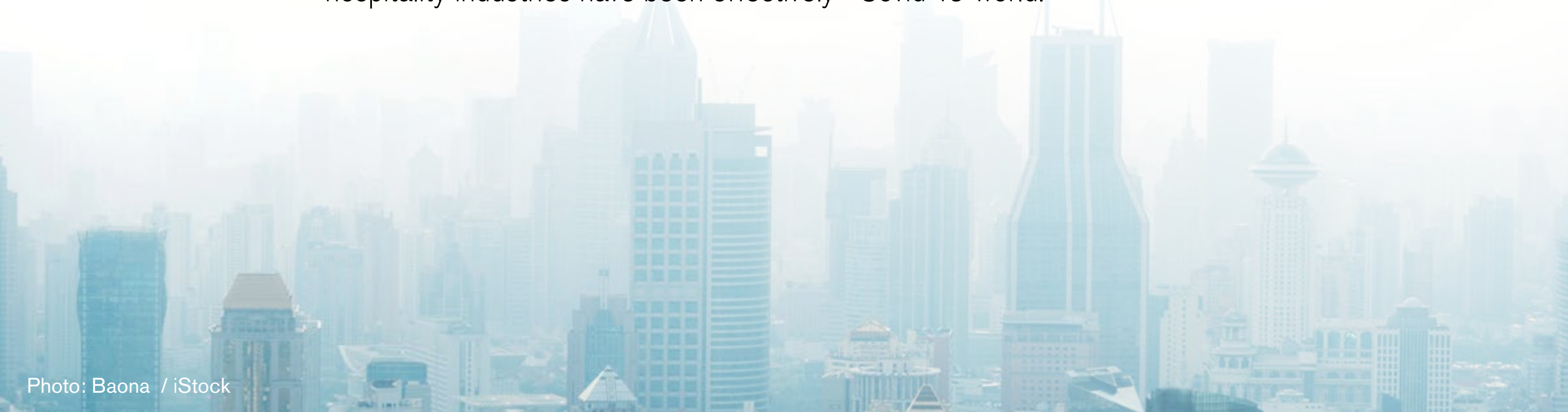


Photo: Baona / iStock

CORONA VIRUS UPDATE

THE GLOBAL CONTEXT

The global economy

Stock markets have taken a huge hit

The economic effects of coronavirus have been enormous. Global stock markets have taken a huge hit, with the FTSE, the Dow Jones and the Nikkei among the stock exchanges to see huge falls since the outbreak began. The Dow Jones and the FTSE saw their biggest one-day declines since 1987. Investors are worried that the spread of coronavirus will destroy economic growth: central banks in many countries have responded by slashing interest rates, making borrowing cheaper to encourage spending.

Unemployment on the rise

Meanwhile, social distancing measures and travel restrictions have had catastrophic consequences for businesses, particularly those that work in travel, retail and hospitality, leading to a sharp rise in unemployment. 17 million people had filed for unemployment benefits in the US by 11th April, while India's unemployment rate is estimated to have soared to more than 23% in the week ending April 5th – at the end of 2019 it was at just over 6%. This trend is being echoed around the world, although many governments, particularly in Europe, have stepped in to subsidize wages to avoid redundancies as far as possible.

The travel industry reels

Travel restrictions have been implemented by governments around the world: President Trump banned travellers from European airports on March 12th, and the European Union banned travellers from outside the bloc for 30 days. The total number of daily flights globally has taken a huge hit, at around 75,000 compared to nearer 200,000 in the same period in 2019. Airlines, hotels and travel operators are braced for severe losses.

Very few industries and commodities have been unscathed by the crisis. Sales of cars in China, for example, have fallen sharply, dropping by 86% in February. Even 'safer' investments such as gold and oil have slumped: the latter in particular has been hit hard, with the price of US oil turning negative for the first time in history in mid-April.

Global growth set to stagnate

All these factors mean that growth across the world is set to stagnate. The OECD has downgraded its global growth forecasts for 2020, from 2.9% to 2.4%; however, it said in early March that a 'more intensive' outbreak could halve growth to 1.5%.

Political uncertainty

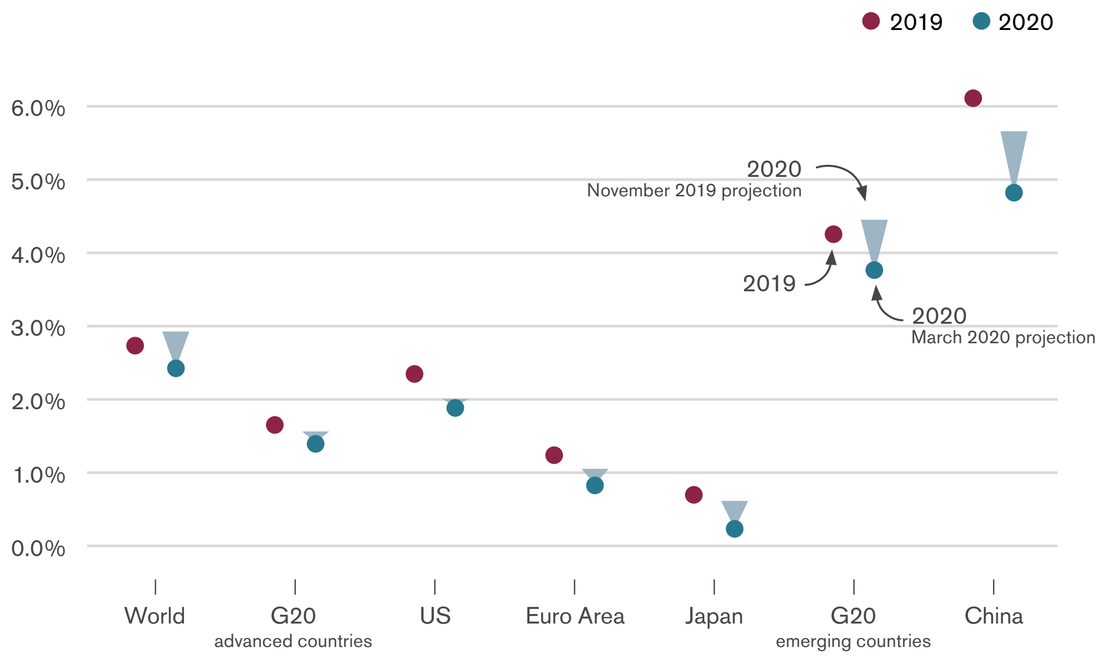
So far, no major national elections have been canceled or postponed due to the pandemic. This includes the Presidential election, which was still due to take place in November at the time of publication. However, 16 states have postponed their presidential primaries, or expanded vote-by-mail options. It is unclear how the effect the pandemic has had on the economy will impact on the results of the November election.

While Brexit did occur at the end of January, the UK remains in a transition period until the end of 2020. There are now serious questions around whether this deadline can be kept, given the circumstances and the trade negotiations that need to occur.

Of course, governments across the world will need to contend with the economic crises resulting from the virus as countries start to emerge from lockdown.

Photo: Billion Photos / Shutterstock

GDP Growth Projection, year on year, % change



Source: OECD Economic Outlook database

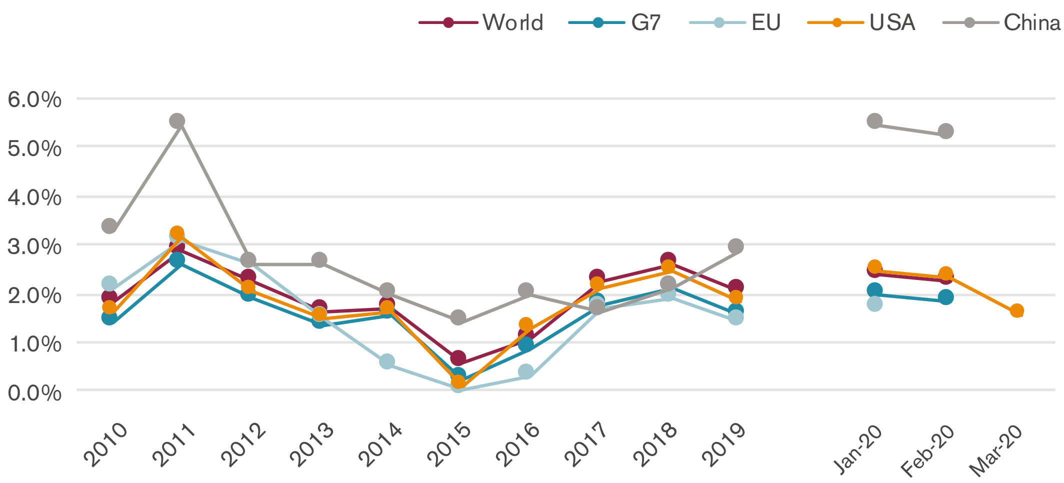
Photo: Sean Pavone / Shutterstock

Global inflation trends

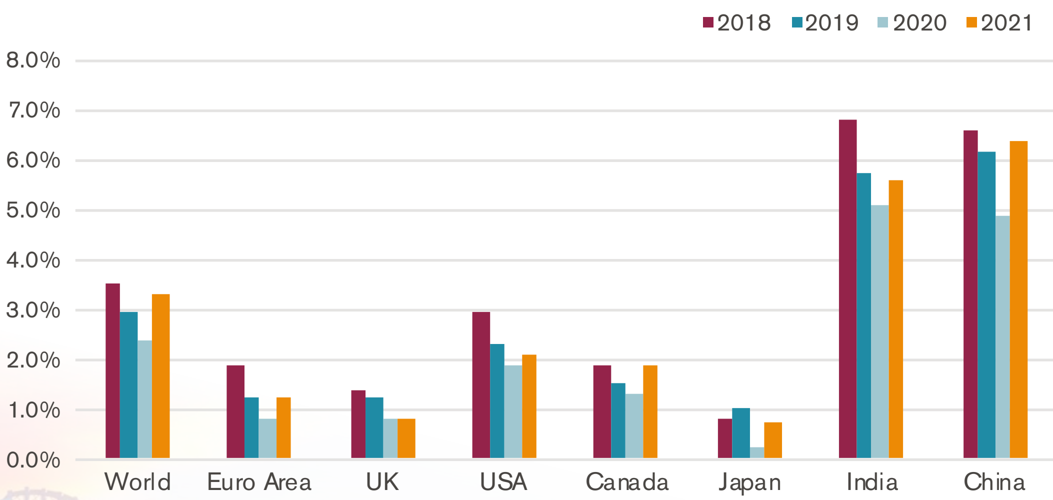
Looking at data from Q1 of 2020, it is evident that most markets started to suffer from a downturn from February, when coronavirus started to impact on daily life. The US took a big hit in March once it started to feel the effects of lockdown.

In March, the OECD released an update to its Economic Outlook based on the impact of coronavirus. GDP for 2020 is estimated to have shrunk in most markets. In contrast, it forecasts that figures for 2021 will be higher than predicted in the previous report. The OECD forecasts that the US and the UK will see the smallest increase to GDP in 2020 and 2021, with other markets seeing much larger increases. This reflects the OECD's optimism that growth will return in 2021.

CPI Inflation, % change, year on year



Real GDP, % change, year on year



Source: OECD Interim Economic Assessment Coronavirus: The world economy at risk 2nd March 2020

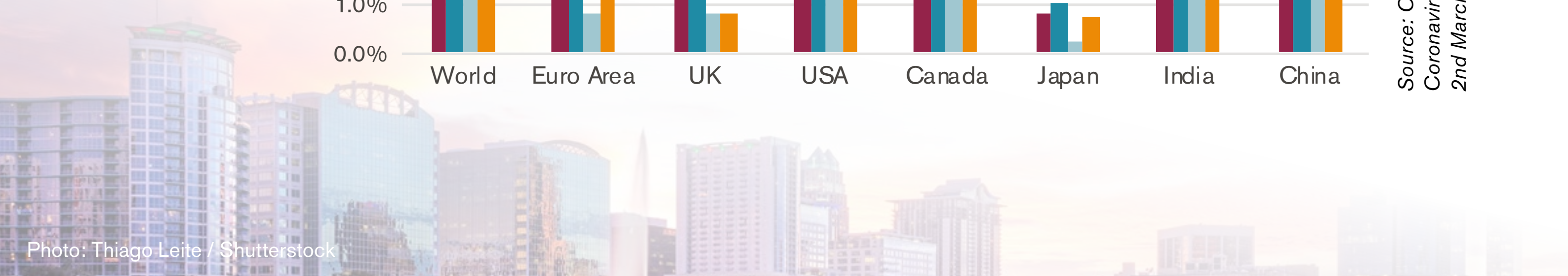


Photo: Thiago Leite / Shutterstock

CORONA VIRUS UPDATE

Implications for the advertising industry

The advertising industry is tightly intertwined with consumer behavior and prevailing economic trends: the coronavirus, with the havoc it is wreaking on economies and our way of life, will have a profound and lasting effect on the entire industry, including advertisers, agencies, ad tech firms and other players.

Restrictions and reduced consumer activity have forced many brands to reduce their ad spend, and almost all have revised their 2020 marketing activity.

Many advertisers will move their OOH and Cinema spend to Digital and Social, encouraged by the huge increase in the time consumers are spending with their screens. YouTube views, for example, have soared in the worst affected countries: Italy has seen 20x growth in the amount of content watched. News and health websites have also experienced a huge surge in visits and dwell time.

The increased amount of inventory, teamed with decreased advertiser spending, means that it's likely that media prices will drop significantly, certainly for offline media. Digital media are also seeing price drops, as programmatic media adjusts directly to changes in offer and demand. However, there is now an additional trend reducing the price drop on digital: the use of programmatic blacklists to block terms associated with coronavirus.

The vast majority of major sporting events scheduled to take place before the end of the summer have been postponed. The Tokyo Olympics and Paralympics have been postponed until the summer of 2021, as has UEFA Euro 2020 and the 2020 Copa America. Many other tournaments such as the English Premier League, the Champions League, the NBA, the golf Masters and Formula 1 have also been suspended or canceled. Of course, many brands will have invested millions for rights to these events, only to see those rights diluted or become worthless, while super prime advertising opportunities have disappear, with huge implications for TV ad revenues.

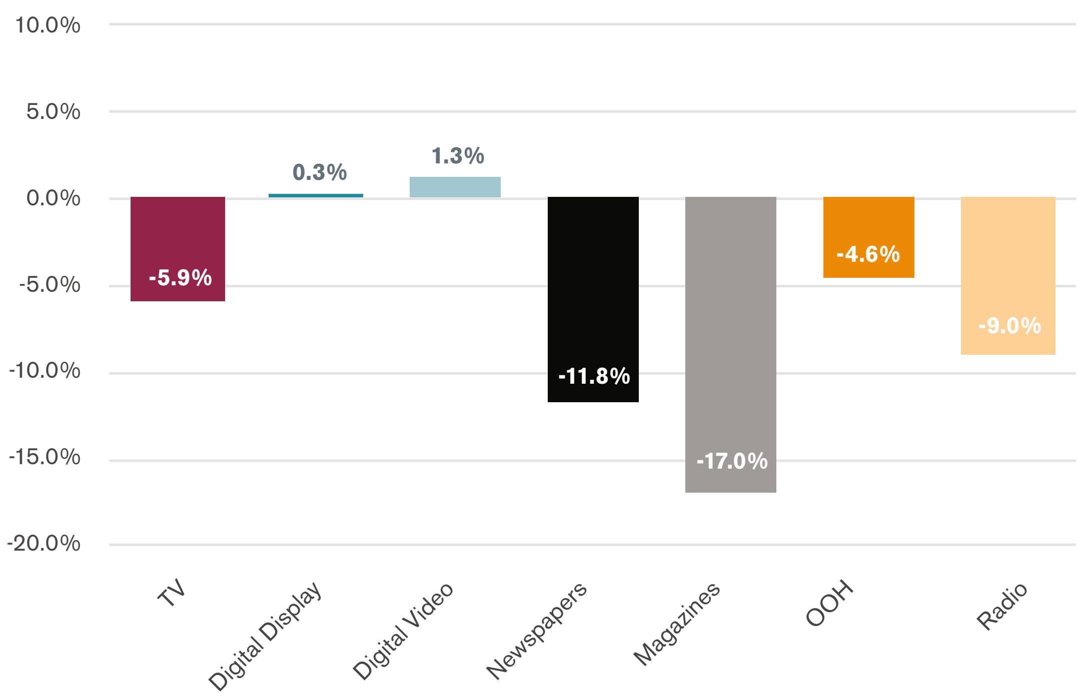
Economic uncertainty, job losses and a lack of growth are likely to lead to nervousness among consumers. Brands are bracing for more cautious spending: the Japanese phrase 'duansheli', which means 'to cut off trivial things', has been trending in post-virus China. With this in mind, and with great value to be had, many brands may seek to direct their spend into branding campaigns, rather than direct response activity.

There is huge uncertainty for everyone: when government restrictions on domestic and international movement will end, what will be done to help economies recover and whether consumer behavior will have changed permanently. At ECI Media Management we can help advertisers to understand the changes and adapt accordingly. Please get in touch if you would like to discuss your media activity with us: savings@ecimm.com

Photo: fotoVoyager / iStock

Global media inflation

2020



All traditional media types are expected to be deflationary, with Digital the only media expected to see rising prices at a global level.

TV

Of course, there has been a huge increase in the reach of TV as people living in lockdown turn to this trusted medium for information, entertainment and reassurance. The increased number of eyeballs has led to increased supply, particularly as some brands – notably those in the travel industry – have been forced to pause their activity. This means that there is huge value for those brands still active on TV, with much more reach for no extra cost.

Digital

With advertisers shifting spend out of OOH and into Digital, demand is high for premium digital placements, although some publishers are struggling as many brands are blacklisting keywords related

Photo: Eloi Omella / iStock

to the coronavirus. The IAB is trying to combat this practice by persuading advertisers to recognise the cost benefits of not blacklisting these keywords.

High demand is leading to overall inflation for Digital, particularly in APAC which is driving global digital inflation. However, several major markets such as the UK, France and Spain are seeing deflation in digital channels due to huge inventory increases combined with decreased demand.

Digital, unlike TV, is not subject to the annual deals that direct pricing, meaning that the biddable pricing dynamic of Digital quickly adapts to market changes. The result is that the seasonality of digital pricing in 2020 will be significant and will fluctuate in each market depending on how the local economy opens up. We will also see significant variation from category to category, according to demand: some keywords, such as those relating to pharmaceuticals, have risen in price, while others – travel, for example – have decreased.

SVOD

The video streaming platforms will be one of the very few sectors to benefit from the coronavirus. Netflix's Q1 subscriber figures showed that 15 million people signed up to the platform from January to March. Meanwhile, Netflix's new competitors – Disney+, AppleTV+, NBCUniversal's Peacock and HBO Max are also likely to benefit. Those platforms that have a revenue model based on advertising, rather than pure subscription, should see increased demand from advertisers seeking to benefit from increased eyeballs, especially in the US.

Print

Circulation has decreased during the pandemic as people are less able to go out to buy their newspaper or magazine, but also because of fears that they could carry the virus. The lack of demand is driving down the cost of print advertising. In response, many publications are offering consumers great deals on door subscriptions, or else are transitioning towards their digital offerings.

OOH

The coronavirus pandemic has been devastating for the OOH sector, reliant as it is on people being outside of their homes. Many OOH companies are scrambling to shore up their balance sheets as advertisers move their spend to TV and Digital.

Radio

Radio has been largely deflationary across regions. This is likely to be because listenership has been spread across cheaper dayparts: consumers have moved away from listening during the premium drivetime spots to listening throughout the day, when prices are typically lower. Furthermore, with more people listening by themselves rather than in groups (at an office, for example), data could suggest there are more devices and therefore more listeners, therefore decreasing costs – although the number of listeners is likely to in fact be similar.

Photo: Thiago Leite / Shutterstock

Regional trends and developments

Significant deflation is expected in most regions, with Print suffering the heaviest impact.

In **NOAM**, we anticipate that all non-digital media will see large deflationary values. The US, which dominates the overall NOAM position, started from a high position, giving it a lot further to fall if there is an economic downturn.

In **EMEA**, Print and OOH will experience the highest deflation, followed closely by Radio. Digital is also anticipated to see deflation, thanks to high supply and reduced demand. With most large markets having implemented lockdown restrictions in their citizens, TV is experiencing signficant deflation thanks to increased viewership.

Digital in **APAC** is expected to see higher inflation than any other medium. Only Print is anticipated to be deflationary. The region is starting to emerge from respective lockdowns and from pandemic status, so its performance could be reflective of what more mature markets in other parts of the world can expect in the latter part of 2020. China dominates APAC's overall regional performance.

Weaker economies in **LATAM** can anticipate longer term consequences of the coronavirus pandemic. Whilst traditional vendors are seeing increases in digital traffic – and subsequently raising their prices – their original media forms are taking a hit. The region has to date seen fewer lockdowns implemented, so the impact on traditional media is lower in the short term; however, long-term impact into 2021 could be severe.

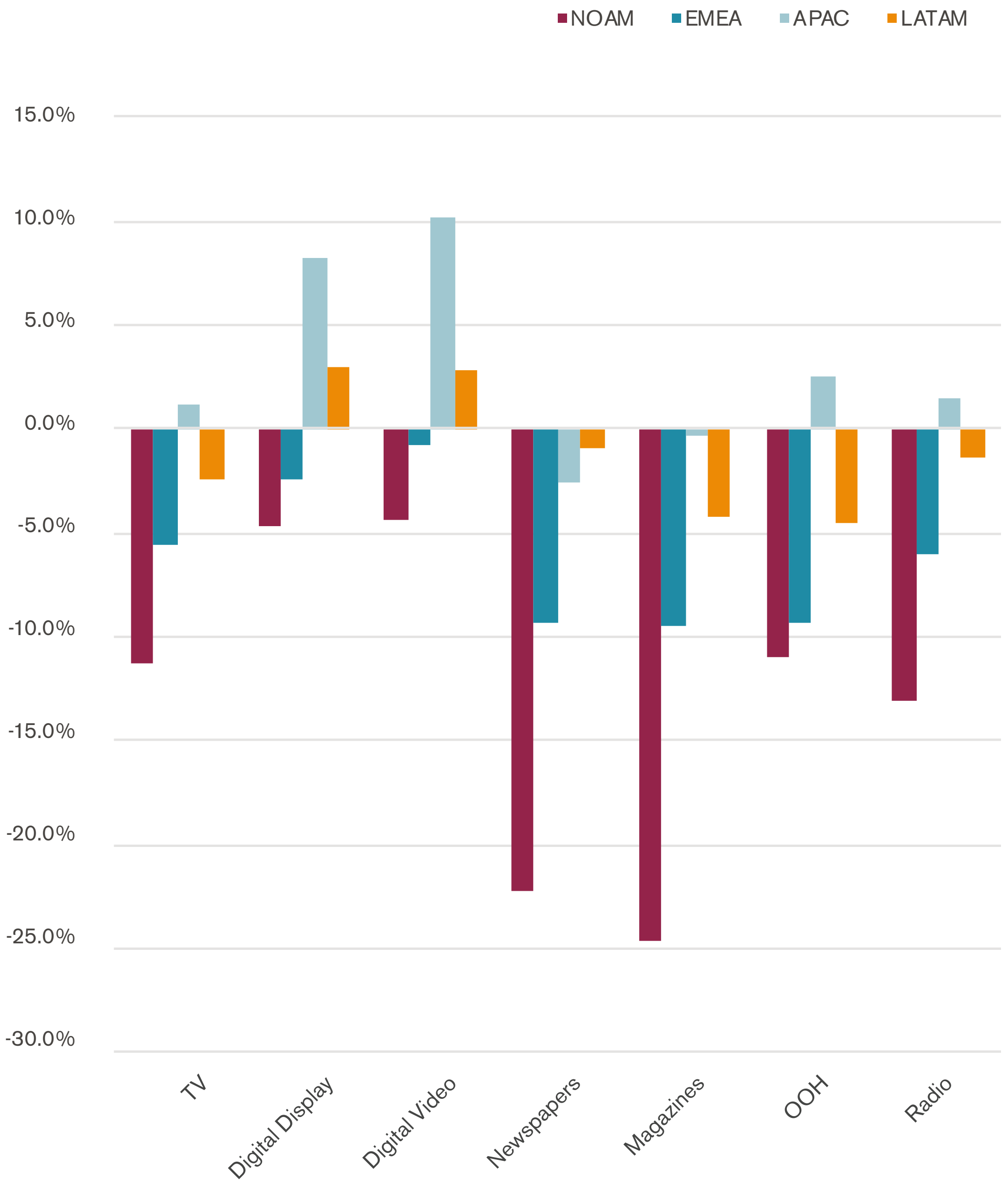
Over the next pages we look at how media inflation has reacted to the coronavirus pandemic across 15 key markets. Experts in ECI offices and partners at a local level work with a wide variety of data sources to ensure that their insight and projections are as accurate as possible for our clients.

The figures in this report are estimates: due to the live nature of the coronavirus pandemic, we anticipate that there will be changes from month to month. Inflation estimates are based on cost per unit.

If you would like to discuss our findings or projections in more detail, please do of course get in touch – you can find our contact details at the end of this report.

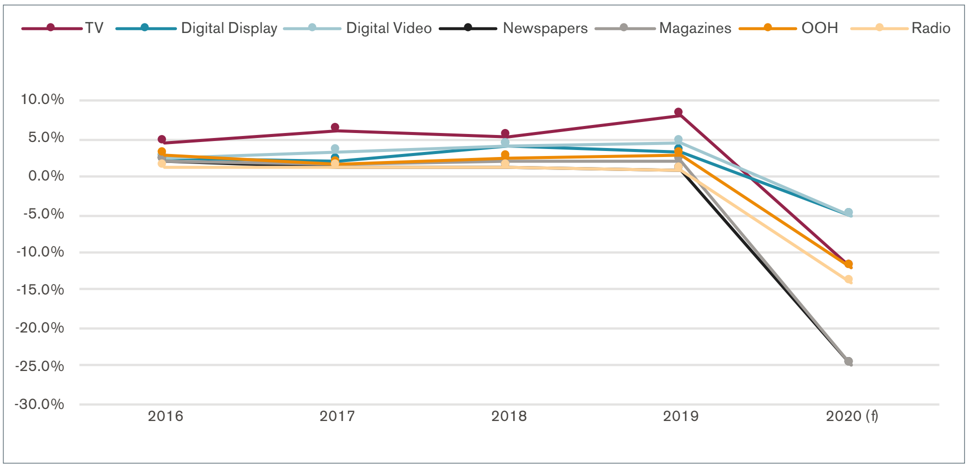
Regional inflation

2020



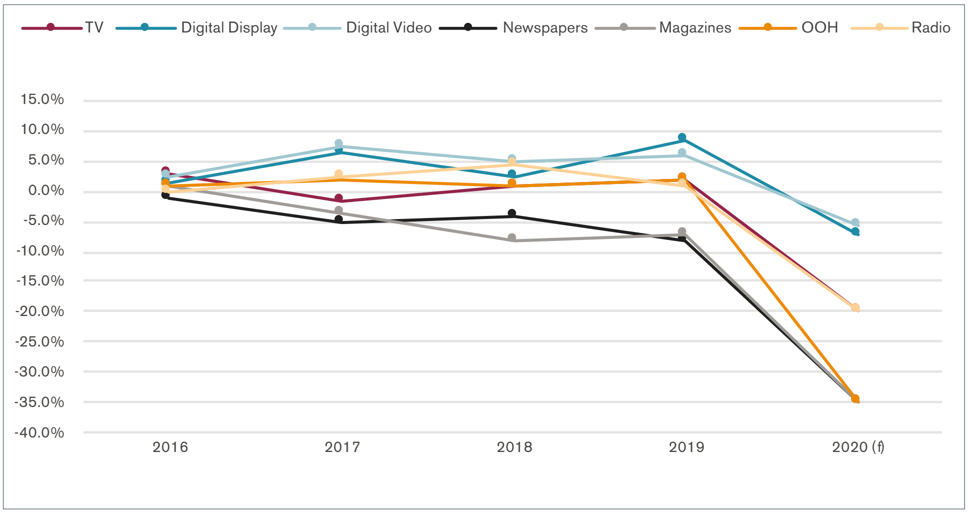
USA

Coronavirus effect: With consumers spending more time at home, TV and Digital are the main players in the media mixes of most advertisers. Doubts over whether the TV Upfronts will happen allow for the soft scatter market to drive cost efficiencies moving forward. Digital media, whilst still deflationary, have fared better than their offline counterparts.



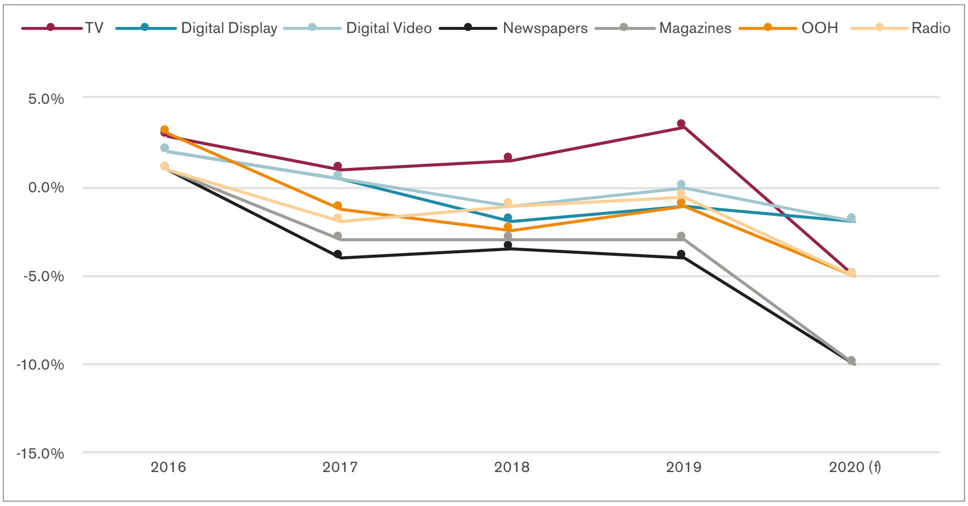
UK

Coronavirus effect: The TV market is currently seeing extreme levels of deflation, with many clients deferring activity to later in 2020. ITV and Channel4 are offering preferable trading environments for brands who continue to advertise. Other offline media are suffering due to the decrease in demand from a locked-down population.



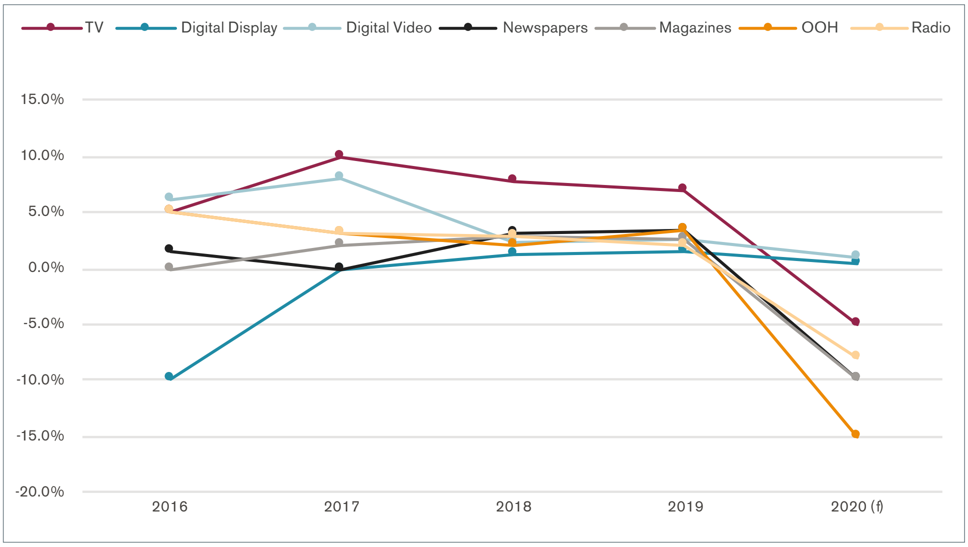
France

Coronavirus effect: As seen across most major markets, TV has taken a large deflationary position due to lockdown increasing viewership. Other traditional media have been hit just as hard, if not harder, with declining demand for Print media and OOH advertising whilst consumers are confined to their homes.



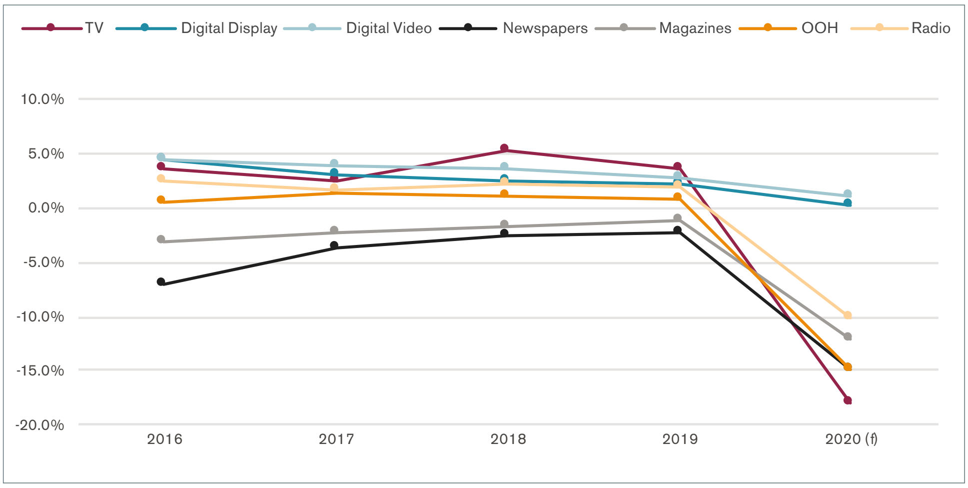
Germany

Coronavirus effect: A significant increase in TV viewership is forecast to lead to deflation in 2020. OOH has been hit the hardest, with many major OOH vendors reporting expected decreases in revenue to shareholders. With the anticipated relaxing of lockdown laws, the long-term impact will potentially be lower than in other markets.



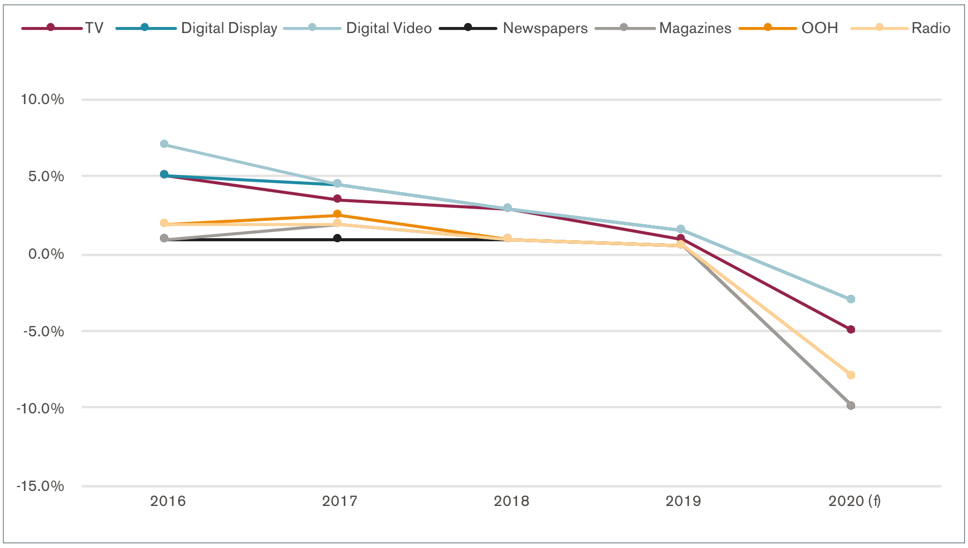
Italy

Coronavirus effect: Most advertisers are anticipating a large decrease in advertising spend in 2020. TV viewership increased by circa 30% at the beginning of March as the entire country was told to stay at home. Traditional media vendors are trying to combat the decreased revenue by offering free trials of their digital platforms to entice customers, and therefore brands to advertise.



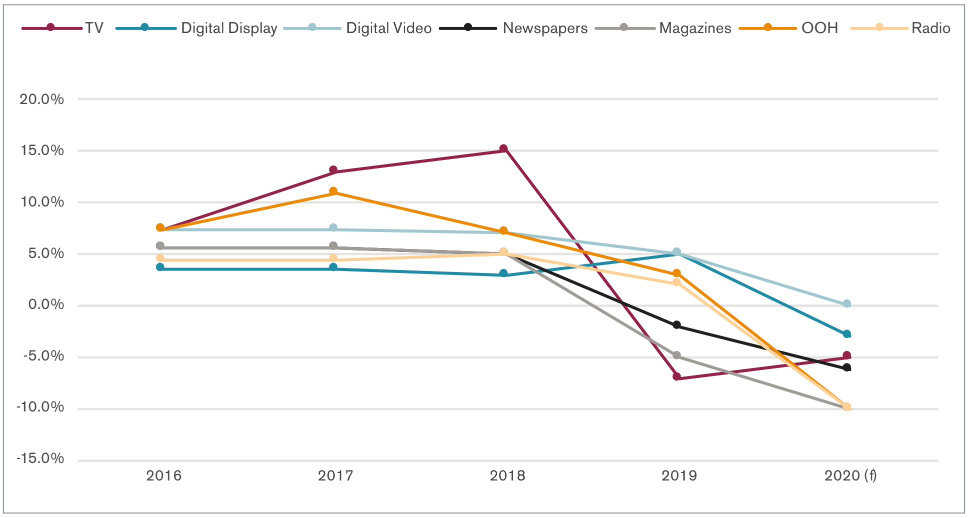
Spain

Coronavirus effect: Overall anticipation is that investment into traditional channels will soften and the increase in impacts will lead to a deflationary position for TV. Other media will also suffer deflation due to the stringent lockdown that has been imposed on the country.



Russia

Coronavirus effect: Coronavirus is not the only variable to have had an impact on Russian inflation estimates. A drop in oil prices through oil currency devaluation has reduced the average household disposable income and therefore spending. Most major TV advertisers are not cutting spends, instead deferring to later in the year.

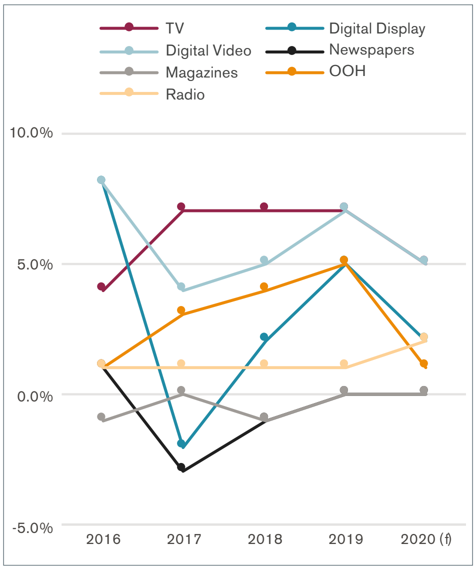


HIGHER MEDIA VALUE

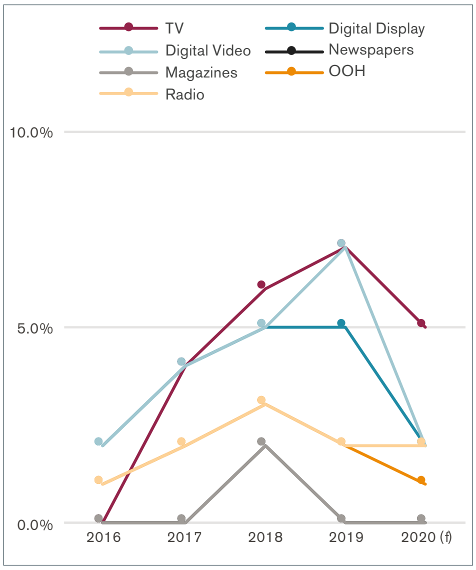
Nordics

Coronavirus effect: Media consumption is becoming increasingly digital across the region, with increases in the use of streaming services and social media. Digital platforms play an increasingly major role in news consumption, with the majority of people using them at least weekly.

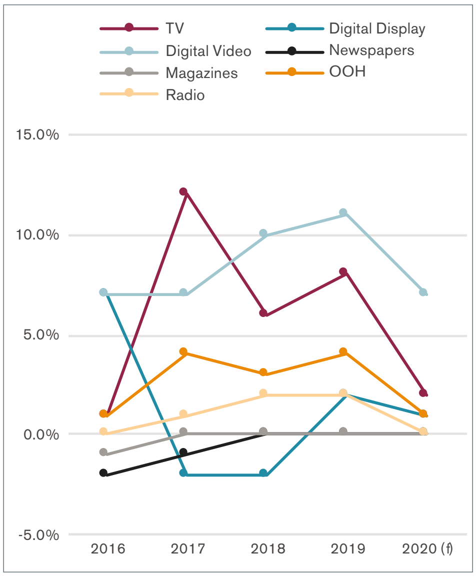
Denmark



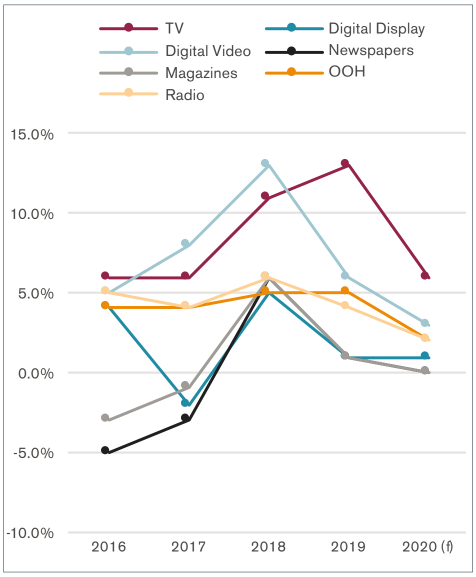
Finland



Norway

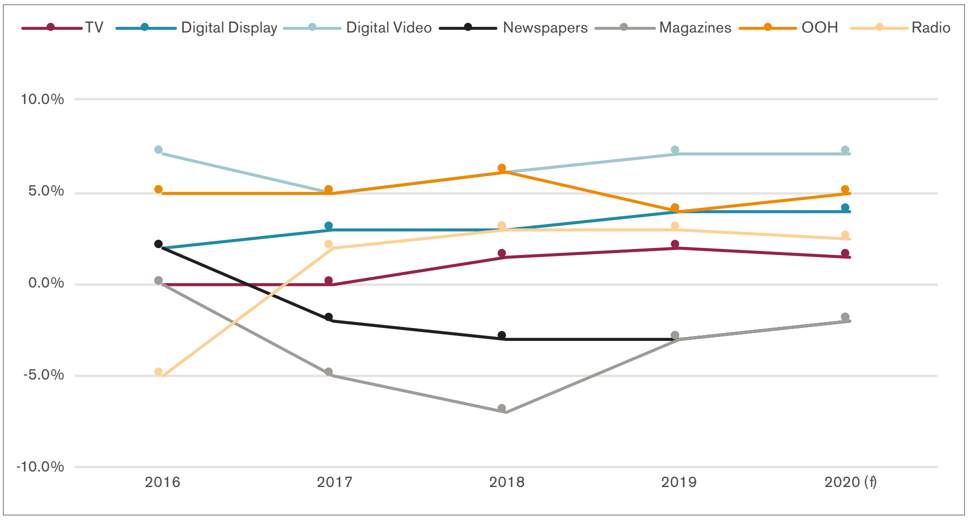


Sweden



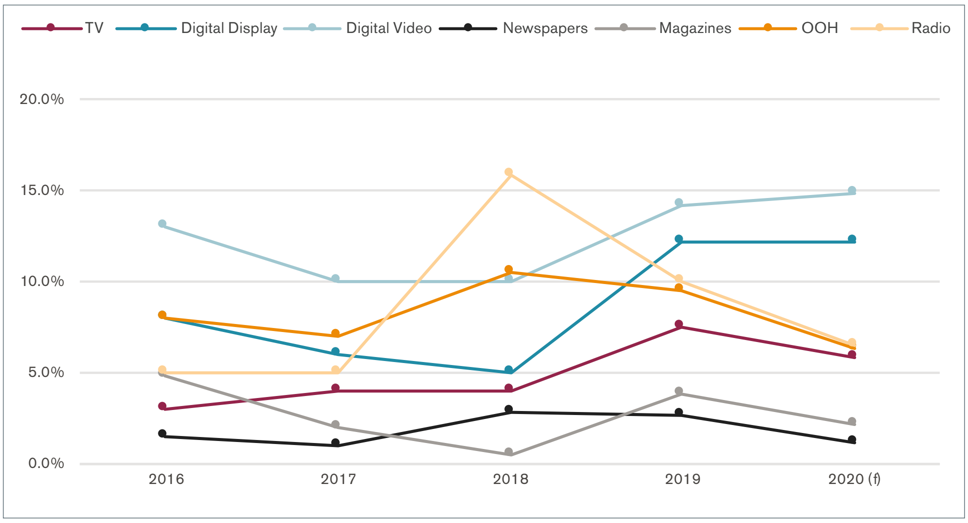
Australia

Coronavirus effect: Most media types are anticipated to have inflation estimates similar to those of 2019; however, this is expected to change across the year. April is seeing large decreases in budgets, with May expected to take a further hit.



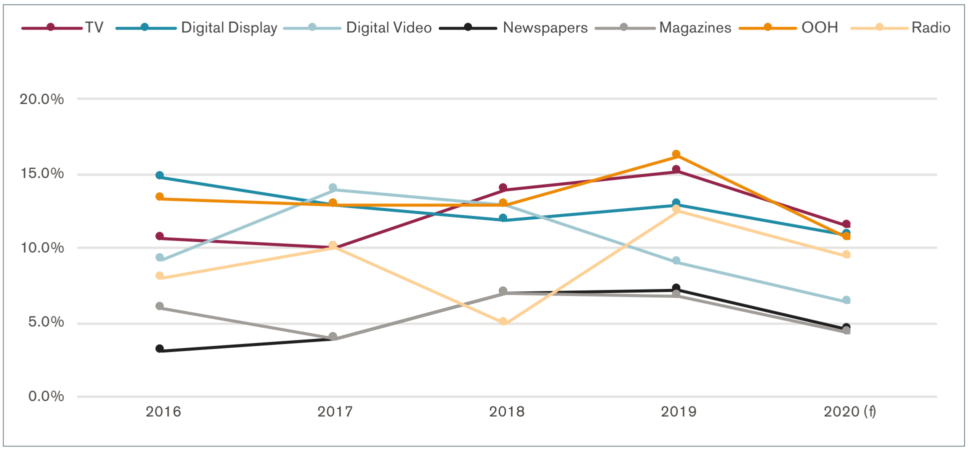
China

Coronavirus effect: Whilst China has seen an expected decrease in ad spend in 2020, this has not delivered a significant decrease in anticipated inflation. Digital media is still expected to see double-digit inflation due to the migration to these platforms by the Chinese population, particularly whilst in lockdown. The market dynamics of the offline media vendors ensures that pricing can remain competitive – even with lower levels of revenue forecast.



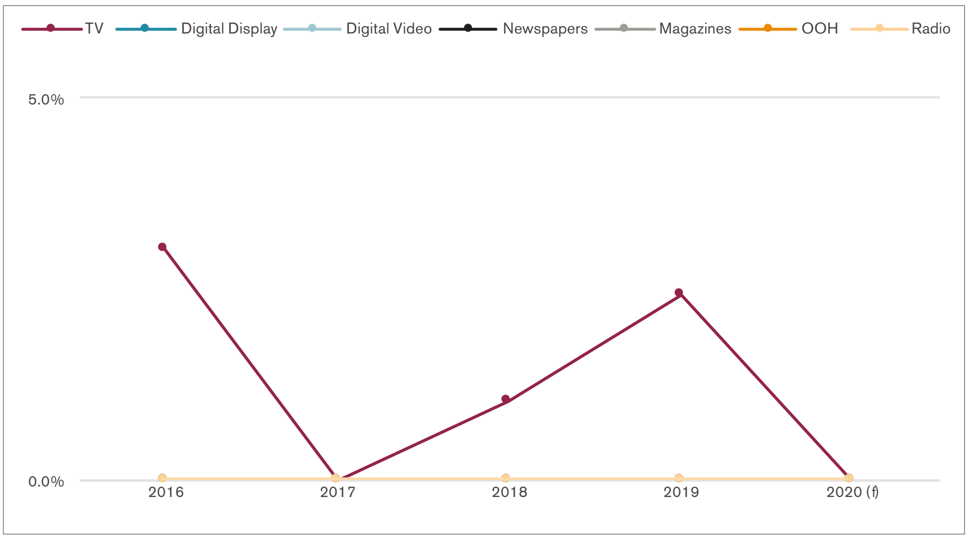
Indonesia

Coronavirus effect: Official lockdown is not apparent across the whole country and as such there is not a dramatic deflation for the media market anticipated yet. All media is still anticipated to be inflationary, even if not as high as in 2019.



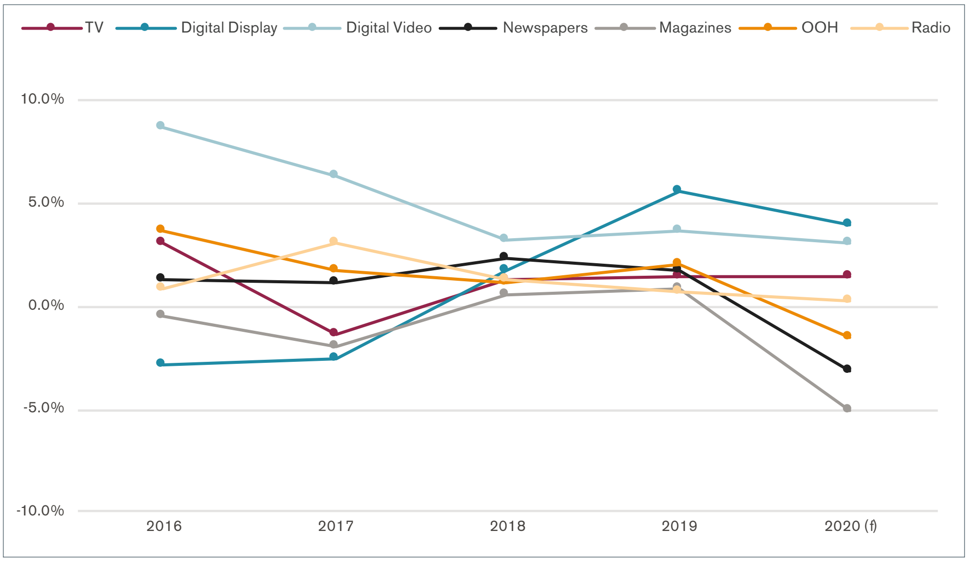
Japan

Coronavirus effect: Coronavirus has led to the postponement of the 2020 Olympics in Tokyo. This, coupled with the direct impact of coronavirus, will likely result in a flat inflation for 2020, especially as there was negative inflation from the latter half of 2019.



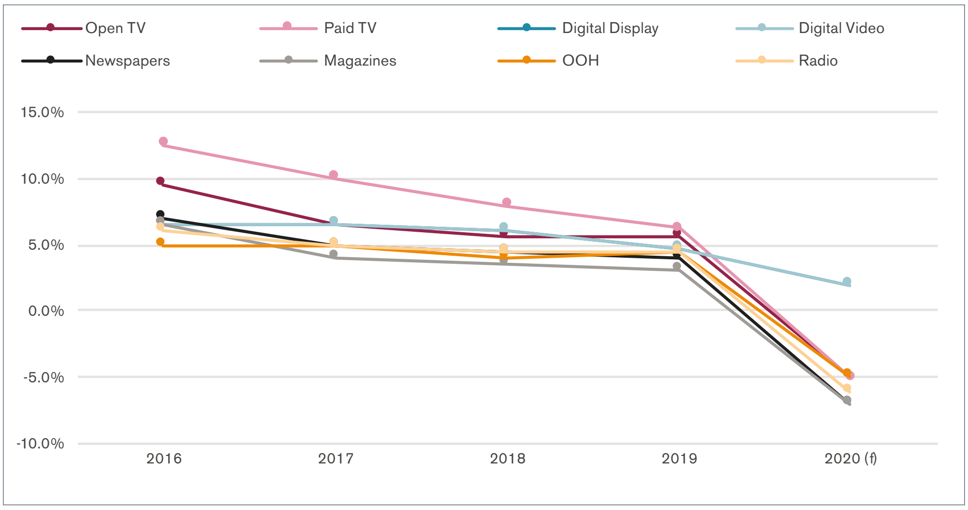
Korea

Coronavirus effect: An early player in the global fight against coronavirus, Korea is seeing advertisers reduce their spend in 2020, especially on Print. With the population spending a long period of time in lockdown, OOH has taken a large hit, but the costs of TV and Digital media have fared relatively well.



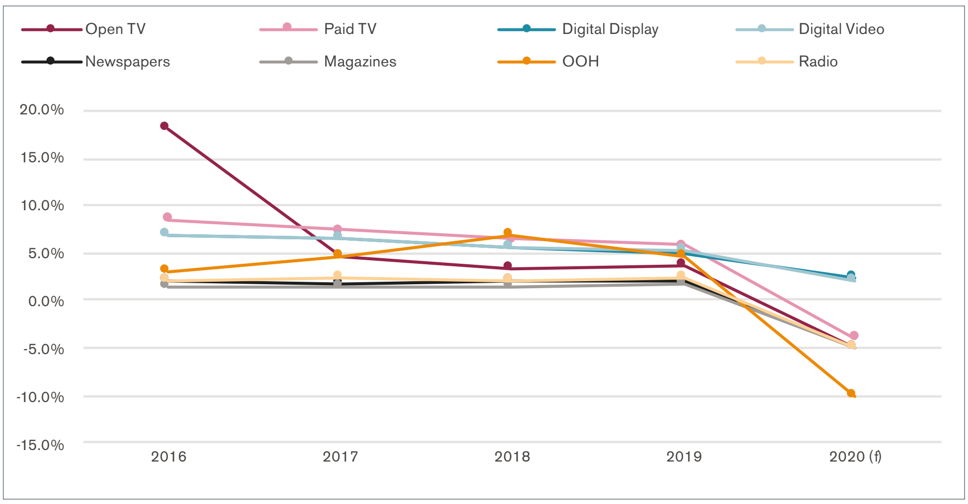
Brazil

Coronavirus effect: Brazil is in the firing line as a battle between President Bolsonaro and the state governments regarding the severity of coronavirus rages. The economy has been hit badly, and whilst media deflation is currently seen, the scale of this is unclear whilst the national and state governments contradict each other over the process of lockdown.



Mexico

Coronavirus effect: Mexicans are turning to traditional news outlets for information surrounding coronavirus; however, they are generally using digital platforms, resulting in traditional media seeing deflation – similar to many other markets. The weaker economic status of Mexico means that there is likely to be a more lasting impact than in the stronger economies of the West.



About ECI MEDIA MANAGEMENT

ECI MEDIA MANAGEMENT: HIGHER MEDIA VALUE

Technology is transforming the media landscape at an unprecedented pace. But in the right hands, change can be a force for good. ECI Media Management, the market's fastest growing global media management company, leverages these changes to help you drive **higher media value** from your advertising investment.

A modern, forensic approach

Ever since our formation we have championed a modern approach to media and financial auditing. As pioneers in the field of digital auditing, we include sophisticated analysis of programmatic activity in our audit model, and we pride ourselves on a forensic, fact-based approach which harnesses the power of our world-class talent and proprietary technology. Along with our innovative benchmarking capabilities, we are confident in our ability to empower our clients to drive **higher media value** and media-led impact on business performance.

Cutting-edge services

Capitalizing on today's dynamic, fast-paced media landscape to drive **higher media value** requires data-driven decision-making, global experience and a deep understanding of the latest technologies. At ECI Media Management we are proud to be able to offer these and so much more, including TV auditing, financial compliance auditing, pitch management, KPI setting and management and contract consultancy.

Global experience, local expertise

We are proud of our client portfolio, which contains some of the world's largest and leading advertisers. Our network of owned offices and leading affiliates supports them where they need us, across the Americas, Europe and Asia Pacific. We offer them high-level media intelligence and rigorous benchmarking and, ultimately, the insight, experience and savvy to ensure that their advertising investment and agency relationships drive **higher media value**.

Photo: Borchee / iStock

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Our product offering

Relationship Management

- Pitch Management
- Agency Contracts and Remuneration
- Financial Auditing and Contract Compliance

Media Performance

- **Target Value©**
  Cost Tracking – All Media
- **Target Mark®**
  TV Analysis & Benchmarking
- **OnTarget®**
  Digital Analysis & Benchmarking
- **OOH / Print / Radio**
  Analysis & Benchmarking (TMI©)

Media Consulting

- Media Training and Bespoke Workshops
- Media Strategy Effectiveness Review
- Business Process and Data Management Consulting

Photo: Fanjianhua / Shutterstock

Contacts

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