MEDIA IMPACT REPORT #17

COVID-19 Pandemic Advertising Ecosystem Impact

8.4.2020

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TOP 3 THINGS TO KNOW

1

Sport fans are loyal viewers and eager for the return of live sports.

2

Ad-supported OTT is gaining more viewers, with 78% of U.S. consumers willing to see ads to access free streaming content.

3

Digital device listening crossed the 50% threshold for the first time during the COVID-19 pandemic.

If you have questions related to anything in this report, or previous reports, email us at askmediamavens@rainforgrowth.com and our subject matter experts will answer.

Agency POV: Sports

Cinde Orlick-Driban
Supervisor,
Media Planning

Sports Fans Are as Loyal as They Come

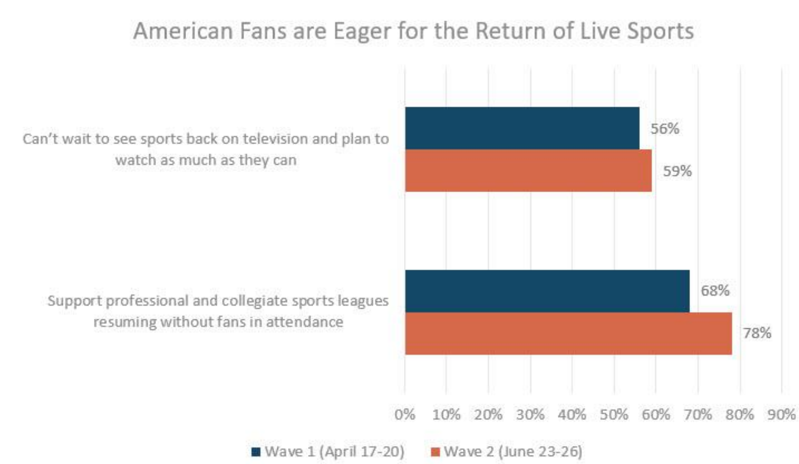
What happened to the loyal sports fans when COVID-19 caused all activities to come to a grinding halt? The cancellation of live sports was very upsetting to many fans and created a massive hole in many advertisers' media buys.

So, where did the sports fans go?

A few months into the global pandemic and we now have data to tell us. They went, well, nowhere. Nielsen data shows that heavy viewers of live sports remained loyal and continued to get their sports fix throughout the entire pandemic as "Sports Anthology and Commentary" remained at the top of list of genres viewed in March/April. Networks changed up programming to include classic games, all-time great plays, and more, and sports fans tuned in and stayed tuned in. We have learned from a recent national consumer study of American fans by DraftKings that, as a result of the pandemic, more than 25% of American fans began following a new sport, and almost 70% of them plan to continue.

That supports the recent news that the Memorial Tournament (part of the PGA Tour, which was held in mid-July and aired on CBS) ranked as the most-watched final round of the tournament since 2015, according to Nielsen. The round averaged 3.3 million viewers, a 9% increase over last year. Additionally, since golf returned in June, CBS Sports saw an overall bump in viewership by 28% over comparable events last year, averaging 2.5 million viewers. Furthermore, Golf Channel's final round lead-in coverage of the Memorial Tournament earned 1.5 million average viewers, a 40% increase year-over-year.

ESPN recently shared findings from its second wave of the Coronavirus Lockdown Fan Study, which reported that 64% of all American fans have a greater appreciation for live sports. The study also recorded increases from the first wave with the following sentiments:



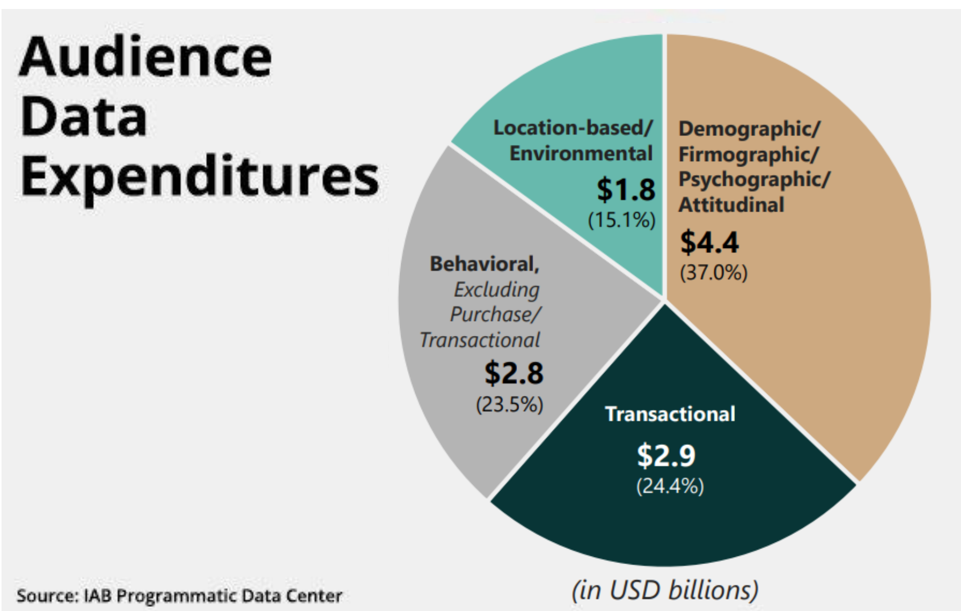
With so much uncertainty, one thing is certain: these sports fans are loyal. Marketers have been hard-pressed to find ways to fill the void of live sports on their media buys, but the wait for the original impressions draw is over. Live sports is making a comeback as MLB swung into action on Thursday, July 23, and the NBA hit the courts a week later on Thursday, July 30. The NHL hit the ice on Saturday, August 1, and the NFL is hopeful to take the field in September. Now is the time for marketers to get in on the action as without a doubt, these fans will have the best seats in the house.

Marketplace Updates

Marketing Data Spending Trends

According to a new study conducted by the IAB Programmatic + Data Center of Excellence and Winterberry Group:

- Spending on **3rd party data was up by 6.1% in 2019**; though COVID-19 is likely to cause 10-20% cuts in data-related marketing budgets during the second and third quarters of 2020. There is less agreement on the **outlook in Q4 2020 and beyond.** Nearly as many data users expect to increase their spending as those who expect to decrease it.
- **Audience identification** data using demographic and attitudinal-related data was the highest spending category of 3rd party data in 2019.
- 57.1% of data users increased their use of **first-party data** for targeting during the past 18 months and intend to further intensify their efforts to collect, manage, and use first-party data in 2020.



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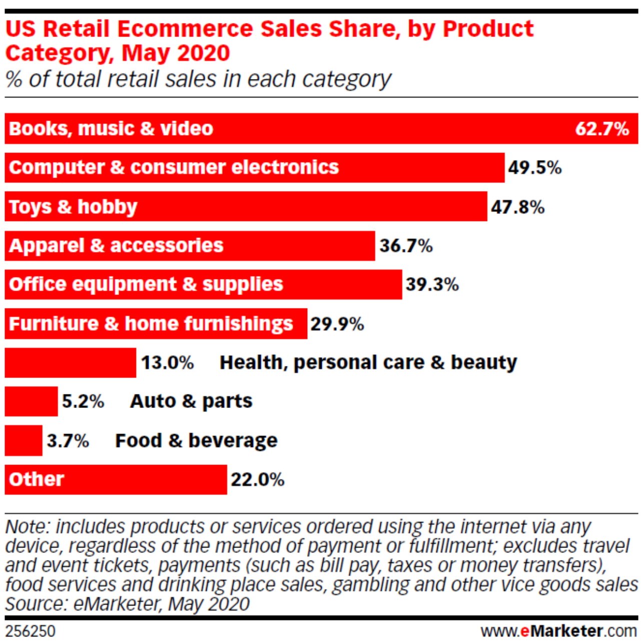
Opportunity: Marketers will benefit from the effective use of data for targeting, audience insights and analytics, including taking full advantage of 1st party data. Our changing landscape and accompanying policies impacted by the pandemic is something our team can help navigate.

Source: IAB

Consumer Trends

eCommerce Product Trends

- Based on eMarketer forecasts, we expect **historically large gains in e-commerce sales** during 2020 to 29.4%* of total retail sales vs 22.6% the year prior (*excluding auto, gas, food and beverage sales).
- **Amazon** is projected to account for 38.0% of U.S. e-commerce sales this year, outpacing No. 2 Walmart's share by a factor of six.
- **Books/music/video** will be the most penetrated category for e-commerce this year at 62.7%, the first retail category to become an e-commerce majority.
- Much of the growth in the top-gaining categories will come from the **rise in click-and-collect e-commerce**, including curbside pickup.



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Opportunity: Optimized site experiences with the availability of low contact purchasing options will allow brands to maximize sales.

Source: eMarketer

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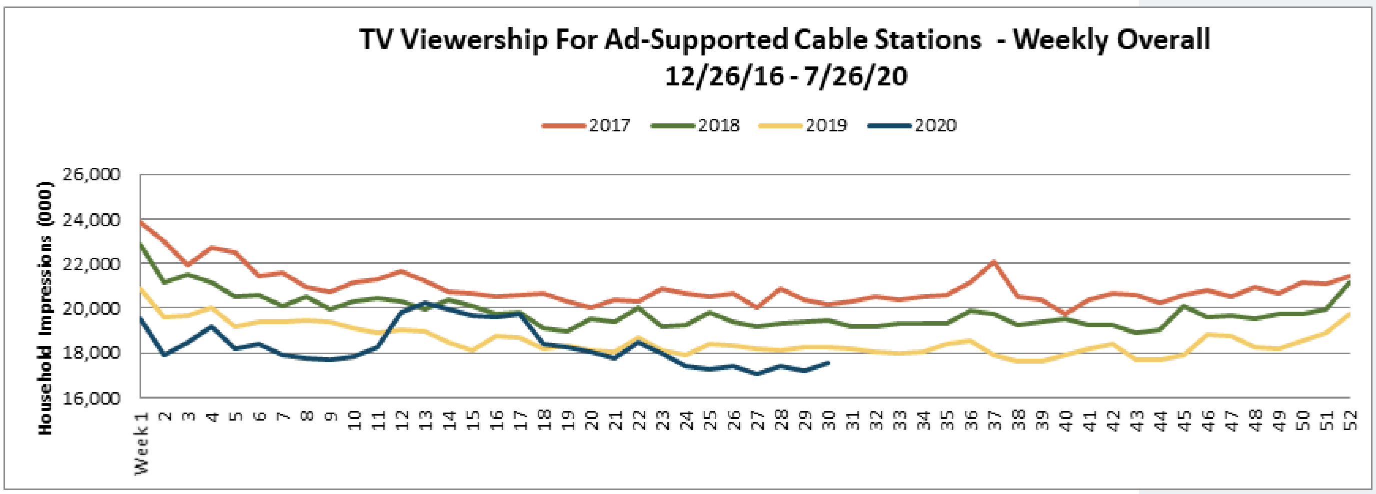
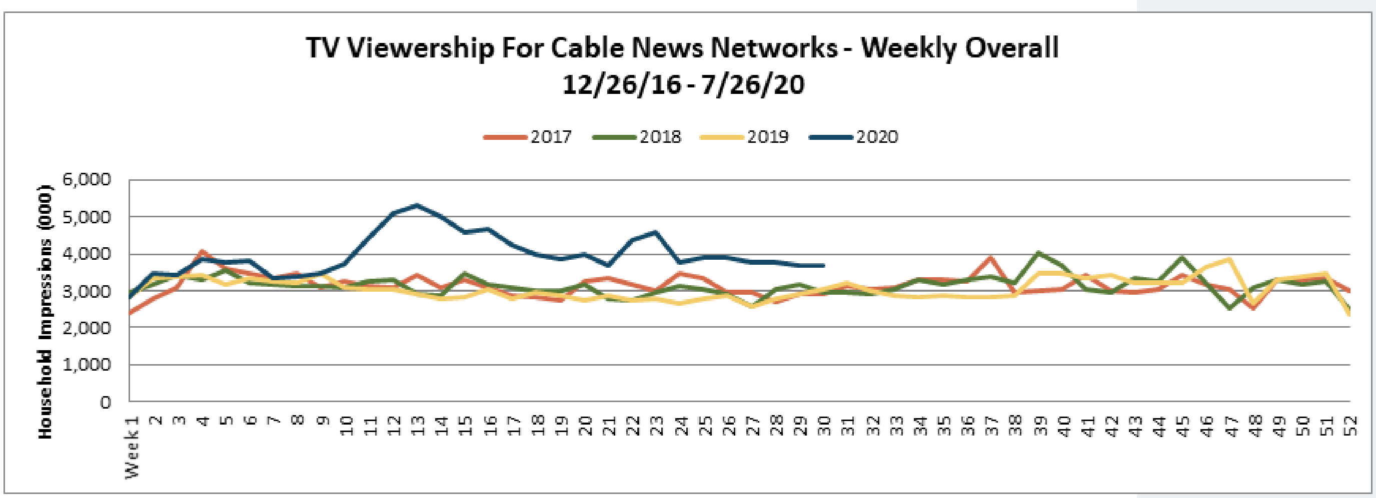
Media Consumption Updates

HOUSEHOLD VIEWERSHIP

Overall (Monday-Sunday)

- For the week of July 20, overall HHLD cable viewership increased by 2% compared to the previous week.
- Cable news viewership remains strong and is up 19% year-over-year.
- Overall sports viewership is pacing 27% higher compared to the past 4-week average, with ESPN seeing a 93% lift in HHLD viewership week-over-week.





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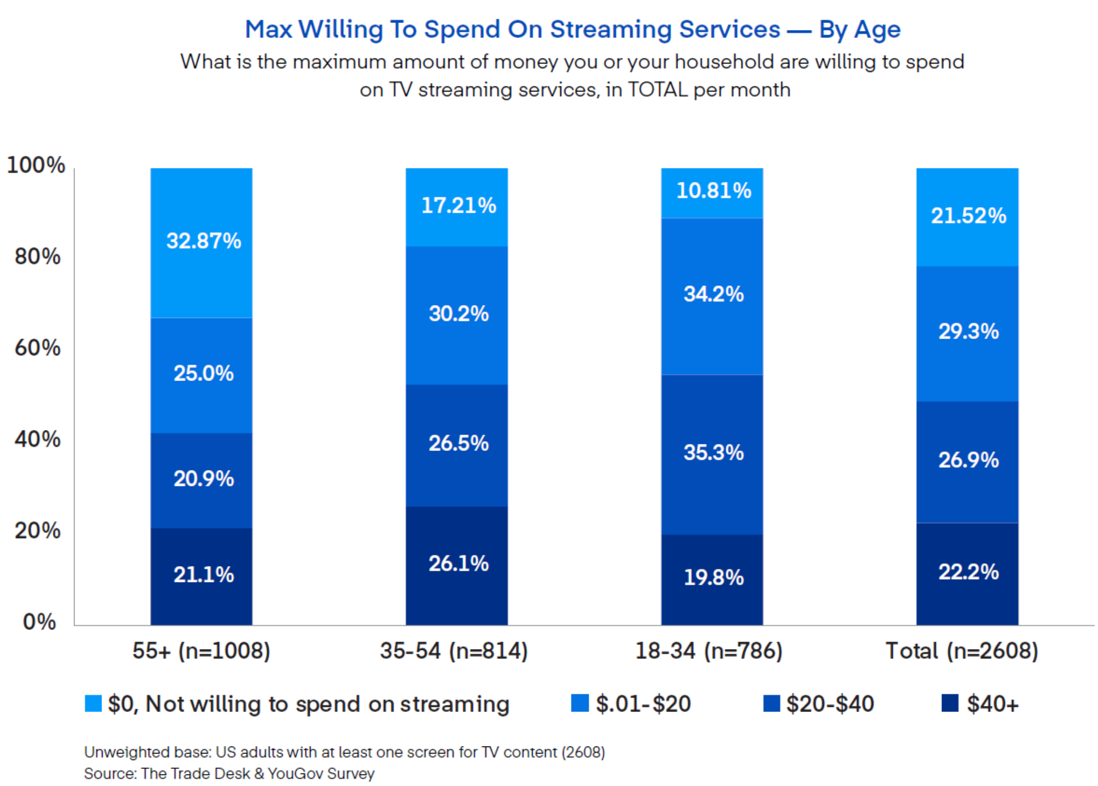
Evolving Consumer OTT Habits

- **Cord cutting is increasing**: 11.5% of U.S. adults who still have cable plan on cutting the cord by the end of 2020. The number of those planning to cut the cord rises to 18 percent among 18- to 34-year-old U.S. consumers.

- **Ad-supported OTT is gaining more viewers**: With limits on consumers' willingness to pay for streaming subscriptions, lower-cost and free advertiser-supported offerings are becoming more popular. According to Integral Ad Science, **78% of U.S. consumers** are willing to see ads in exchange for free streaming content.

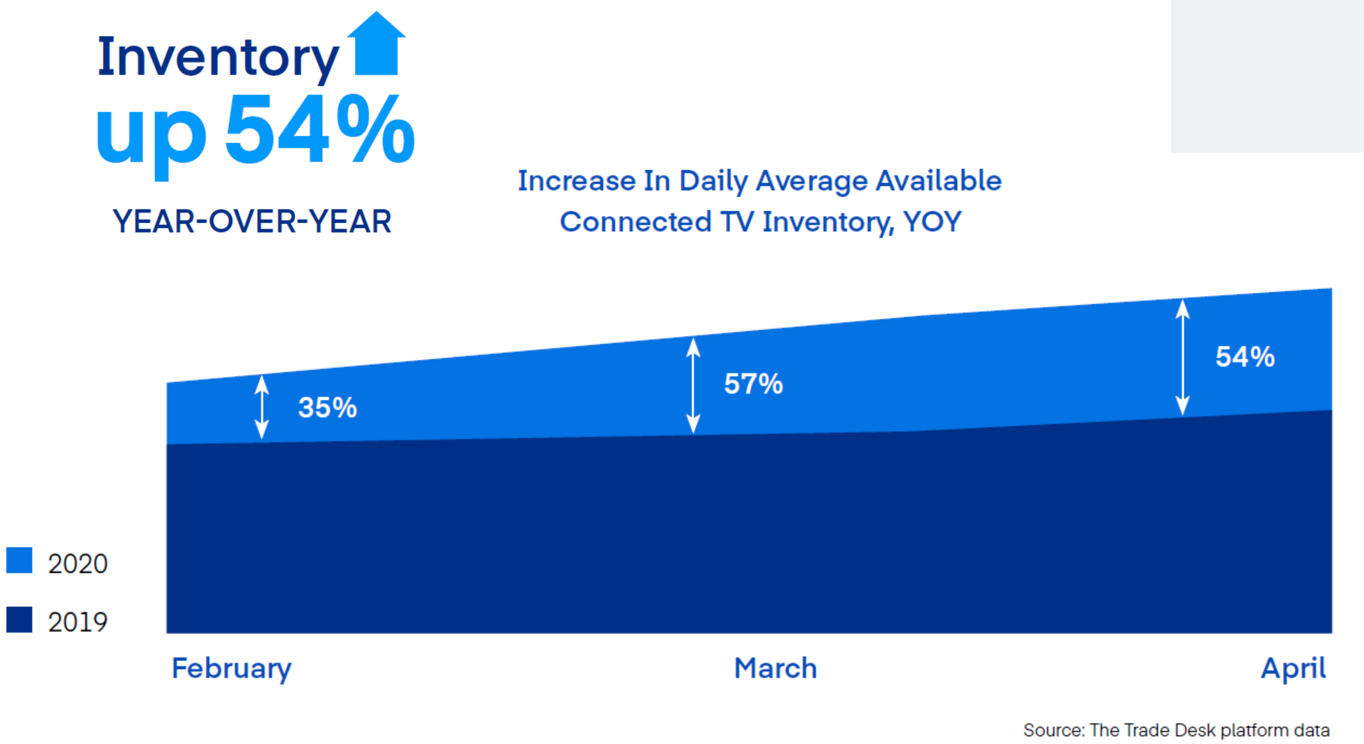


Source:

[The Trade Desk]

Evolving Consumer OTT Habits (cont.)

- **Ad supported inventory is up**: Increased viewership of AVOD services is having a material impact on the dynamics of the marketplace. Available inventory on CTV devices has surged by 54 percent in April 2020 versus April 2019.



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Opportunity: Strategically targeting audiences across all screens reaches traditional TV viewers plus streaming users who are more likely to be cord cutters / nevers / shavers. With digital video inventory increasing, including CTV device impressions, advertisers have even more opportunities for flexible and precise media campaigns.

Source:

[The Trade Desk]

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Media and Programming Updates

Linear & Video

Linear TV

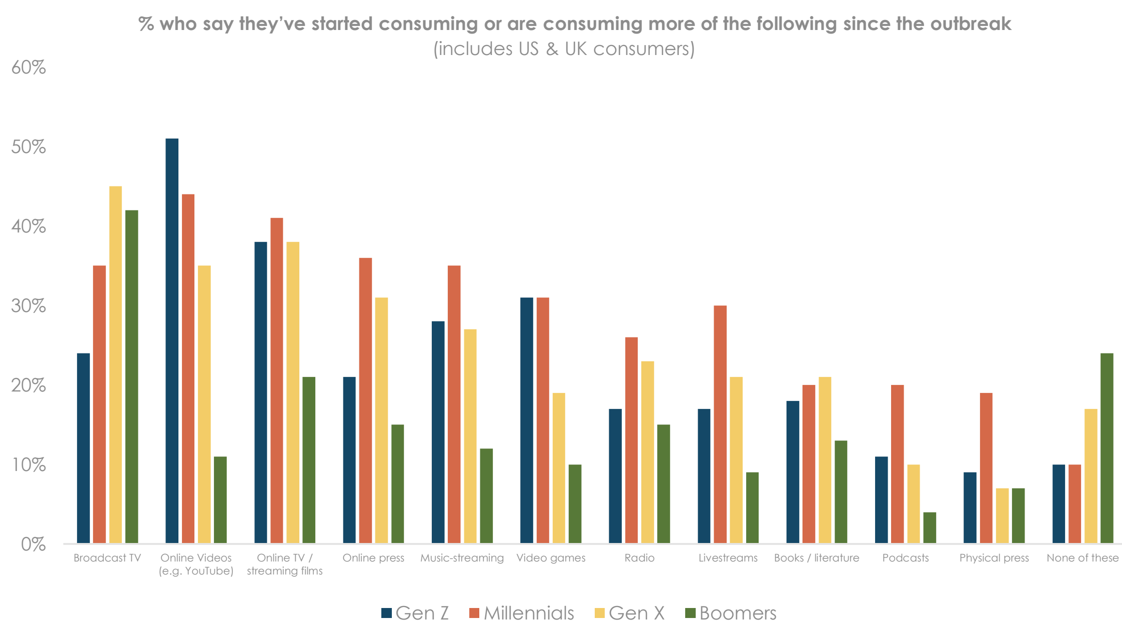
Q3 2020 is unlike any past Q3 – **the marketplace is competitive** for this time of year.

- **As states re-opened**, advertisers who had shifted ad dollars from Q2 to Q3 have returned to air. That, combined with many DTC advertisers continuing to see strong results, makes for a more crowded marketplace than typical for this time of year.
- With new programming still somewhat limited, we are seeing **high demand for original prime programming and live sports** – both areas are well sold heading into August.
- CBS confirms "*Big Brother*" will premiere on Wed, 8/5.
- Cable networks are also seeing original programming doing very well – HGTV being one of the most successful.
- New limited series "*Hot Mess Home*" – the premiere episode had 1.8+ million viewers (from HGTV).
- New series "*Restoration Island*" boasted the highest ratings for P25-54 and W25-54 for the 8p-9p hour since March 1999 .
- Many MLB match-ups are being sold on a weekly basis due to the unknown nature of rescheduled games based on COVID-19.

Video

Media consumption is up since the outbreak.

- 42% of boomers are consuming more broadcast TV compared to 24% of Gen Zers.



Sources:
CBS
HGTV
CYNOPSIS
GWI Coronavirus Research - April 2020

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Audio

Edison's latest Share of Ear survey reports that **digital device listening crossed the 50% threshold for the first time** during COVID-19, as opposed to linear devices such as radio and satellite receivers.

Prior to the pandemic, 50% of Americans reported starting their audio consumption by 7:15am. Since COVID-19, that **start time has shifted to 8:30am** as there is less commuting and more time spent with family or other activities in the morning.

Podcasting

- **The IAB Podcast Upfront 2020** will go virtual this year for the first time in its history. The event is scheduled for September 9-11, 2020, and will showcase the newest in digital audio from more than 20 major presenters including Acast, Barstool Sports, ESPN, iHeartRadio, Midroll Media, and more.
- **10 of the top 15 podcast ad spenders in June had not run in May**, according to Magellan AI. Many marketers who paused media during the early parts of the pandemic commenced spending, and others appeared new to the space. Among the top spenders was our agency's very own **Mercari** campaign (#4)!

Terrestrial

- According to Radio Online, Nielsen Audio plans to discontinue measurement of nine small radio markets after reviewing the economic viability of doing business in all of its current markets. Markets include Battle Creek, MI; Bend, OR; Billings, MT; Grand Junction, CO; New Bedford-Fall River, MA; Texarkana, TX/AR; Richland-Kennewick-Pasco, WA; Twin Falls-Sun Valley, ID; and Yakima, WA.

Sources:
Inside Audio
Marketing
Magellan
Radio Online

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