

Press Release

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Brands cut \$50 billion from global adspend in wake of COVID-19

Global adspend to fall 8.1% in 2020 as travel & tourism (-31.2%), leisure & entertainment (-28.7%), financial services (-18.2%), retail (-15.2%) and automotive (-11.4%) brands shoulder impact of outbreak

WARC Global Advertising Trends: The impact of COVID-19 on ad investment

28 May 2020 – Global advertising spend is set to fall by 8.1% (\$49.6bn) to \$563bn this year, led by severe cuts in investment among major product sectors as a result of the COVID-19 outbreak finds WARC, the international marketing intelligence service.

The new projections, based on data from 96 markets worldwide, represent an absolute downgrade of \$96.4bn compared to WARC's previous global forecast of 7.1% growth made in February 2020.

Traditional media will fare far worse than online, with ad investment set to fall \$51.4bn (-16.3%) this year. Declines will be recorded across cinema (-31.6%), OOH (-21.7%), magazines (-21.5%), newspapers (-19.5%), radio (-16.2%) and TV (-13.8%).

Online advertising is not shielded from the downturn; internet growth will almost grind to a halt (+0.6%) in 2020 following a \$36.5bn cut compared to WARC's February forecast to \$298.9bn. Social media (+9.8%), online video (+5.0%) and online search (+0.9%) are expected to record growth but at far lower rates than were previously projected, while online classified – particularly recruitment advertising – is set to fall by 10.3%.

Facebook's full year prospects have been downgraded by \$5.3bn to 11.5% growth this year, to a total of \$77.6bn, while Alphabet's revenue is expected to grow 1.6% to \$137.1bn – \$12.9bn lower than the pre-outbreak forecast of 10.4% growth.

Despite heavy downgrades across the board, the global decline in 2020 will be softer than that recorded in 2009, when the ad market contracted by 12.7%, or \$60.5bn. Record-high spending during the US presidential campaigns will stymie US ad market decline to -3.5% in 2020, while stronger-than-expected first quarter results show key media owners were in relatively good health heading into dire second and third quarters.

Vincent Letang, EVP, Global Market Intelligence, MAGNA Global, comments: *"In the US, the spending cuts from most industry verticals will be mitigated by the incremental political spend in this presidential election year."*

“While we reduced our political ad forecast as fundraising will be affected by the economic crisis, spend is still expected to grow significantly on the previous presidential cycle, with almost \$5bn (up 26% vs 2016) more invested, including an extra \$1bn going into digital.”

The online advertising sector – particularly e-commerce, which has boomed during the crisis – is more established than it was during the Great Recession. Internet advertising today accounts for 52.8% of global ad investment (compared to 13.8% in 2009). Alphabet and Facebook, combined, draw one in three dollars spent on advertising worldwide.

Patrick Miller, Co-founder, Flywheel Digital, says: *“In the last ten years, eCommerce as a share of total retail sales increased ~10 points; in the last eight weeks, it has increased 11 points.*

“There is an opportunity to leverage Amazon’s Demand Side Platform to create audiences of customers who have recently purchased or viewed in surging categories.”

Almost all product categories are expected to record falling ad investment in 2020

Adspend is set to fall across almost all of the 19 product categories monitored by WARC. The travel & tourism sector is expected to record the steepest decline, with a forecast of -31.2% for 2020 representing a \$7.2bn reduction in spend compared to 2019, to a total of \$16.0bn.

The leisure & entertainment (-28.7%, down \$6.6bn from 2019 to \$16.4bn), financial services (-18.2%, down \$8.7bn to \$39.2bn), retail (-15.2%, down \$10.2bn to \$57.2bn) and automotive (-11.4%, down \$7.4bn to \$57.6bn) sectors are all set to witness sharp declines this year.

Summing up, **James McDonald, Head of Data Content, WARC**, and author of the research, says: *“We note three distinct phases to the current downturn: firstly, an immediate demand-side induced paralysis for sectors such as travel, leisure and retail, combined with supply-side constraints for CPG brands. Second, the recessionary tailwind will exert extreme pressure on the financial services sector as well as the consumer, whose disposable income is now heavily diminished.*

“Finally, as the world takes tentative steps towards a recovery, there will be an added emphasis on healthcare and wellbeing credentials among brands not normally associated with the field, aside higher spending within the pharmaceutical sector to leverage the shifting consumer mindset.”

Brian Wieser, Global President, Business Intelligence, WPP, adds: *“Opportunities can come from this crisis, both for advertisers and for media owners. Every brand should be questioning assumptions about their company’s competitive position. What are the ways in which you can reinvent the category? That the economy will be weak is a given, but any one business’s outcomes are not.”*

Trends by platform

- **Alphabet:** Alphabet’s advertising revenue – across Google Search, YouTube, and Google Network Members (third parties that host Google ads) – is forecast to rise by just 1.6% to \$137.1bn this year – before the deduction of traffic acquisition costs (TAC), which amounted to \$30.1bn in 2019. This means the company accounts for almost one in four dollars (24.4%) spent on advertising worldwide. The latest projection represents a downgrade of \$12.9bn from WARC’s pre-outbreak forecast.
- **Facebook:** Advertisers are expected to spend \$77.6bn across Facebook, Messenger, WhatsApp and Instagram this year, a rise of 11.5% from 2019. This marks a downgrade of \$5.3bn from the pre-outbreak forecast and gives Facebook a 13.8% share of global advertising investment.

Trends by media and format

- **TV:** Spend is forecast to fall 13.8% to \$159.9bn, 28.4% of all global spend this year. A third of the global TV total is transacted in the US where, TV spend is set to fall 9.6% – \$5.8bn – to \$54.7bn despite a fillip from presidential campaign spending.
- **Out of home:** The OOH sector has suffered from a severe lack of reach during international lockdowns. Spend is expected to fall by 21.7%, or \$8.7bn, in 2020 compared to a previous forecast of 5.9% growth.

- **Cinema:** Like OOH, cinema advertising has been heavily impacted by lockdown conditions. Brand investment is set to fall by almost a third (-31.6%) this year but should recoup these losses in 2021.
- **Radio:** Investment in radio ads is projected to fall by 16.2% – or \$5.1bn – this year, compared to a pre-outbreak forecast of 1.8% growth.
- **Newspapers:** Spend on print newspapers is forecast to fall by \$7.6bn, or 19.5% in 2020, compared to a pre-outbreak forecast of -5.9%.
- **Magazines:** Like newspapers, print magazines have been heavily impacted by reduced circulation. Advertiser spend will fall by over a fifth (-21.5%), or \$3.4bn in 2020.
- **Social media:** Social formats, combined, are expected to be the strongest performers in 2020, recording total growth of 9.8% to \$96bn. This does, however, represent a downgrade of \$6.4bn when compared to WARC's pre-outbreak forecast.
- **Online video:** Growth is forecast to ease to 5.0% (to \$50.3bn) this year, equivalent to 8.9% of global advertising spend. YouTube is expected to account for three in ten cents.
- **Search:** Growth will ease to less than a percent (+0.9%) in 2020 after a downgrade of \$14.1bn from February's forecast.

Trends by region

- **North America:** In North America, where 39.5% of global adspend is transacted, ad investment is expected to fall by 3.7% – or \$8.5bn – to \$222.5bn this year, encompassing a 3.5% fall in the US (down \$7.7bn to \$221.3bn) and a 6.5% dip in Canada (to \$11.5bn). This compares to pre-outbreak forecasts of +8.8% and +1.9% respectively.
- **Asia-Pacific:** Advertising spend is expected to fall 7.7% (\$14.4bn) to \$173.5bn in 2020, 30.8% of the global total. China (-8.6%, down \$7.5bn to \$80.0bn), Japan (-6.4%, down \$2.5bn to \$36.2bn), and Australia (-8.2%, down \$1.1bn to \$11.9bn) are all set to record declines. Indian growth will ease to +0.7% to a total of \$9.4bn in 2020.
- **Europe:** European adspend is forecast to fall by 12.2% – \$18.1bn – to \$129.9bn this year, with France leading key market decline at -18.7% (down \$3.1bn to \$13.4bn). The UK (-16.4%, down \$5.1bn to \$31.3bn), Germany (-6.1%, down \$1.5bn to \$24.9bn), Spain (-6.0%, down \$500m to \$6.6bn), Italy (-21.7%, down \$2.1bn to \$7.6bn) and Russia (-12.3%, down \$1.2bn to \$8.5bn) will also record sharp falls.
- **Latin America:** Adspend is set to fall 20.7% – \$5.6bn – to \$21.4bn this year, led by a sharp decline in Brazil (-22.5%, down \$3.4bn to \$11.5bn) where the COVID-19 outbreak has been particularly acute.
- **Middle East:** While not as severely impacted by COVID-19 as other regions, adspend in the Middle East is still set to fall 15.1% – \$1.8bn – to \$10.4bn in 2020, as oil-rich economies suffer from falling commodity prices.
- **Africa:** Spend is expected to fall 19.5% to \$5.3bn this year, though this could be more severe if the outbreak worsens in the region.

A sample report of WARC's Global Ad Trends: Covid019 & ad investment is available to download [here](#). The full report is available to WARC Data subscribers

Global Ad Trends, a monthly report which draws on WARC's dataset of advertising and media intelligence to take a holistic view on current industry developments, is part of **WARC Data**, a dedicated independent and objective one-stop online service which rigorously harmonises, aggregates, verifies and evaluates data from over 100 reputable sources, including Nielsen, featuring current advertising benchmarks, forecasts, data points and trends in media investment and usage.

WARC Data is available by subscription only. For more information visit <https://www.warc.com/data>

This latest Global Ad Trends report complements WARC's [content](#) on marketing in the COVID-19 crisis and the recently launched WARC [Guide](#) to Marketing in the COVID-19 Recession.

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WARC – A global authority on advertising and media effectiveness

WARC is part of Ascential: the path-to-purchase company that combines intelligence, data and insights to drive growth in the digital economy. We do this by delivering an integrated set of business-critical products in the key areas of product design, marketing and sales.

For over 30 years WARC has been powering the marketing segment by providing rigorous and unbiased evidence, expertise and guidance to make marketers more effective. WARC services include 18,000+ case studies, 90,000+ best practice guides, research papers, special reports and advertising trend data, webinars, awards, events and advisory services; has 1,200+ client companies, 21,500+ active users in 100+ countries; collaborates with 50+ industry partners; has offices in the UK, US, China and Singapore.

WARC Data - The most rigorous and accurate benchmarks for media planning and strategy in the world

WARC Data sets new industry-standard for net advertising investment due to our unique methodology: HAVE. We harmonise, aggregate, verify and evaluate data to provide expert analysis drawn from over 40 years of experience. Our sources now, include a collaboration with Nielsen, allowing users to benchmark their strategy by category, channel and country.

WARC Data – methodology

WARC's advertising expenditure data are net of discounts, include agency commission and exclude productions costs. Data is drawn from media owners – either directly or via the industry bodies in each market. Nielsen's data are, for the most, reported at a gross level and are calculated by applying rate card prices to volume.

Through a collaboration, WARC has now harmonised Nielsen's gross figures with net media owner data to create an entirely new and unique measure of advertising investment across 19 product verticals in 25 markets. The harmonisation factors in the formats Nielsen monitors and pairs these with the formats offered by media owners; totals are therefore balanced to account for any lack of coverage in the Nielsen data.

This results in trustworthy data, far closer to reality than equivalent data from other sources. All other data are verified prior to publication, we ensure our partners use watertight approaches to market monitoring.