

INSIGHTS INTO THE IMPACT OF COVID-19 IN PAID MEDIA

How the Pandemic has influenced how Advertisers spend on Social Media

There is no doubt that the Pandemic, the quarantine, and social distancing that has accompanied this, has contributed to an evolution in the way consumers engage with Social Media. In the crisis. Social Media has stepped in to facilitate a genuine human connection in the absence of in-person meetings. With physical venues being no longer an option for socializing, people are turning to digital spaces, and social platforms have seen a spike in traffic since the outbreak of COVID-19.

While Advertisers seem to have hit the breaks in other mediums, how have they reacted to the challenges in the Social Media landscape? In this analysis, we focus on COVID-19's effects for paid Social Media specifically and explore some themes advertisers may want to use to tool up for what's next.



Methodology: the data behind this reporting

At Ogilvy Social.Lab we have an extensive portfolio of European clients. Using our database, we analyzed Social Media investment over March and April 2020 and reviewed this against the same period last year. The data sample - spanning over 2 billion impressions - covers various categories such as Food, Retail, Fashion, Beauty, Consumer Electronics, and Entertainment.

1. Lower media investment equals lower costs

To illustrate the problem in the media landscape, with the cancelation of global sports and live events, traditional players such as TV are looking at up to 75% less ad revenue. While the standstill in the travel and tourism sector has slashed the income of 'pull media' such as Search.

For Social Media, the decrease is - relatively speaking - less dramatic. **Between March and April the brands we've analyzed spent 52,5% less than during the same period in 2019.** This was to be expected, since Europe went into lockdown, and brands' value chains were heavily disrupted. The impact was especially severe in categories that were highly reliant on brick and mortar retail.

Unsurprisingly, less competition among brands in the auction system led to lower advertising costs. **During the peak of COVID-19, the CPM was 45,5% lower than the year before.** This means that advertisers who maintained a similar level of activity benefited from significantly more impressions. It's important to keep in mind that this doesn't necessarily indicate better performance numbers.



Comparing CPM's of 2019 and 2020 (YTD)

A clear indication of how the CPM of both periods was oscillating on the same curve before COVID-19 but decreased once the pandemic kicked in.

Another interesting conclusion from our analysis is that in May, brands seemed to be slowly gearing up again, and we could see increased advertising on social. It seemed that as most European countries rolled out their lockdown-exit strategies, advertisers were encouraged to pick up the commercial conversation with their audiences again. Besides, Social Media usage rates are still exponentially high, and the prominent platforms offer interesting D2C solutions for small business owners and big brands in search of a conversion boost.

2. Slightly lower engagement rate

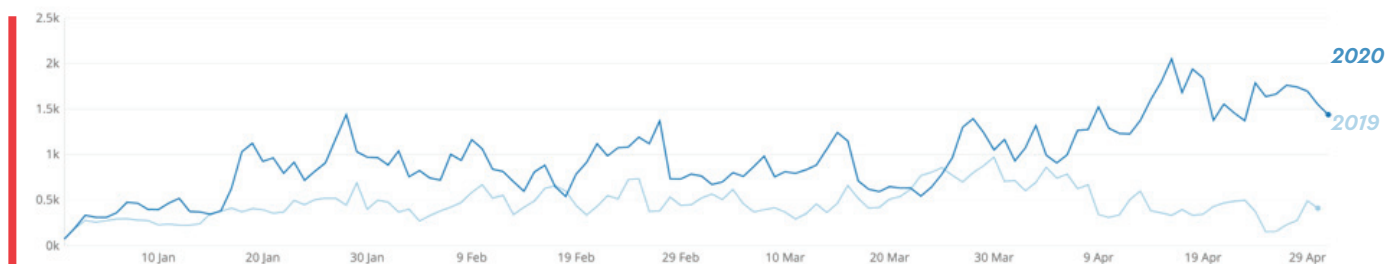
During the peak of the Pandemic, the engagement rate on ads was 10,2% lower compared to the same period in 2019. While this stagnation was less severe than the decrease in media spends, it was still a fairly significant drop. This reflects less interest from consumers towards brand communication, which is normal in times of collective trauma and concern.

Also, users' attention and engagement were mainly dedicated to COVID-19 related topics throughout March and April. But, as we now see, in line with Europe's lockdown-exit, users' focus shifted partially back to consumption.

3. Social Commerce on the rise

When looking at media investment per campaign objective, the most significant change is that the **investment for campaigns with a conversion first objective was 4,5 times higher during COVID-19 compared to the previous year.** This illustrates how some advertisers tackled retail constraints and loss of income by shapeshifting to eComm.

Campaigns operating from engagement and brand awareness objectives also saw an uplift of media spend, which is also not surprising given the fact that a lot of advertisers had to re-focus messaging to value-based content.



Comparing purchases in 2019 and 2020 (YTD)

An important take-away is the volume of online purchases driven for the same set of advertisers on a year to year basis. 2020 had picked up with growth, compared to 2019 but we see that from April the lift is increasing significantly, which underlines the shift towards driving eComm

Conclusion

It's safe to assume that the post-COVID-19 era in paid social, will be dominated by Commerce features and innovation. Still, for brands, it's all about connecting the dots between the 'story you tell' and the 'system you build to distribute it'. Brands will need to review their propositions and promises, and advertisers will need to adjust how they communicate to fit the 'new normal'.

However, while content is critical, the impact of this crisis will also first affect media strategies, and there will be inevitable changes to some of the dynamics inside the auction system. As a result, we strongly advise Advertisers to think 'hybrid', equip themselves with strong benchmarking capabilities, and monitor fluctuations of your respective KPIs. The new paid Social Media landscape will also be a 'new normal'. It will require new skills to navigate successfully.