GLOBAL AD RATES AND PULISHING TRENDS IN 2020

ezoic

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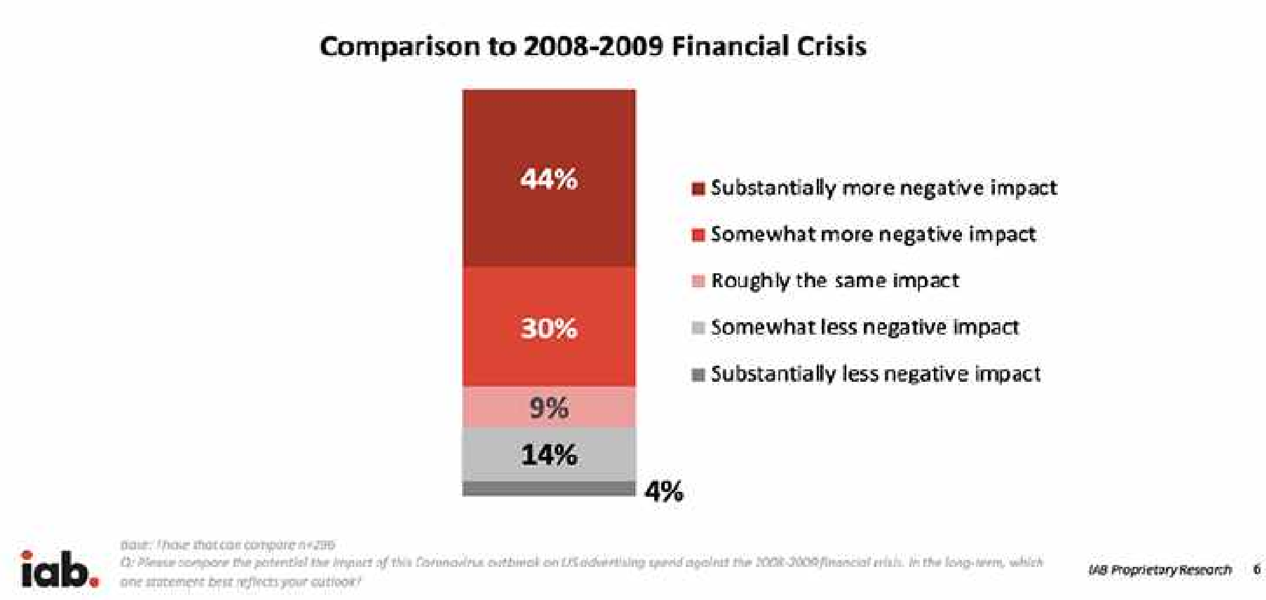
2020 has been a jolting year, to say the least. With coronavirus ravaging and shutting down economies, many have had to rethink their financial situations and strategies in order to stay afloat. A survey by the IAB back in March showed that even then, 74% of ad buyers believed coronavirus would have a greater negative financial impact than the 2008-2009 Financial Crisis.



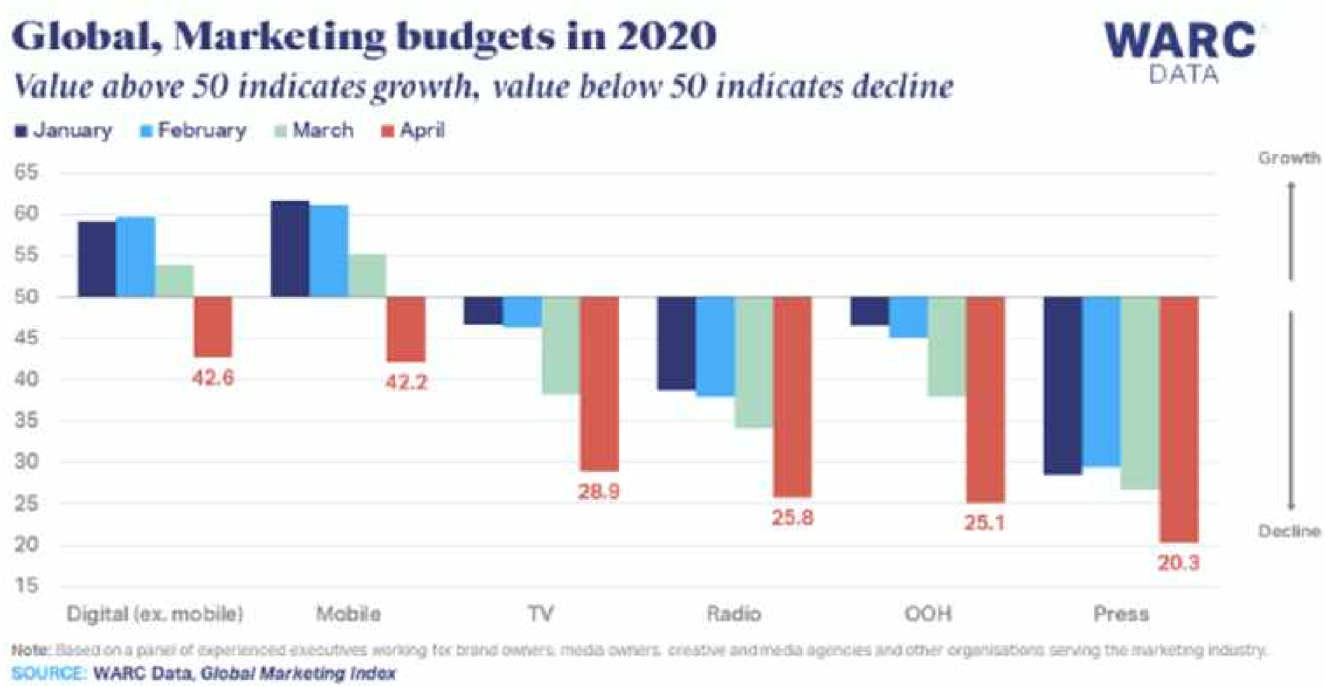
"9/11, plus the financial crisis, times two," predicted Rishad Tobaccowala from Publicis Groupe at the end of March.

The economic dilemma caused by the pandemic affected all verticals of business, but specifically, many publishers around the globe have experienced the effects of the suffering economies through global ad spend reduction.

PANDEMIC CRUSHES ECONOMY AND GLOBAL AD RATES

When the pandemic first made itself apparent in the Americas and Europe back in mid-March, the world began shutting down—people were advised to not leave their homes and schools and businesses closed. This directly translated into how businesses spent their money.

Advertising is one of the first things companies will pull when times are tough. This is because ads are one of the most flexible spend categories, especially online spending, as commitments do not tend to be long and pulling campaigns is as simple as a few clicks.



“It’s always a safe assumption that in a declining economy you also see a deceleration in ad spending.”

– Brian Wieser, Global President of Business Intelligence at GroupM

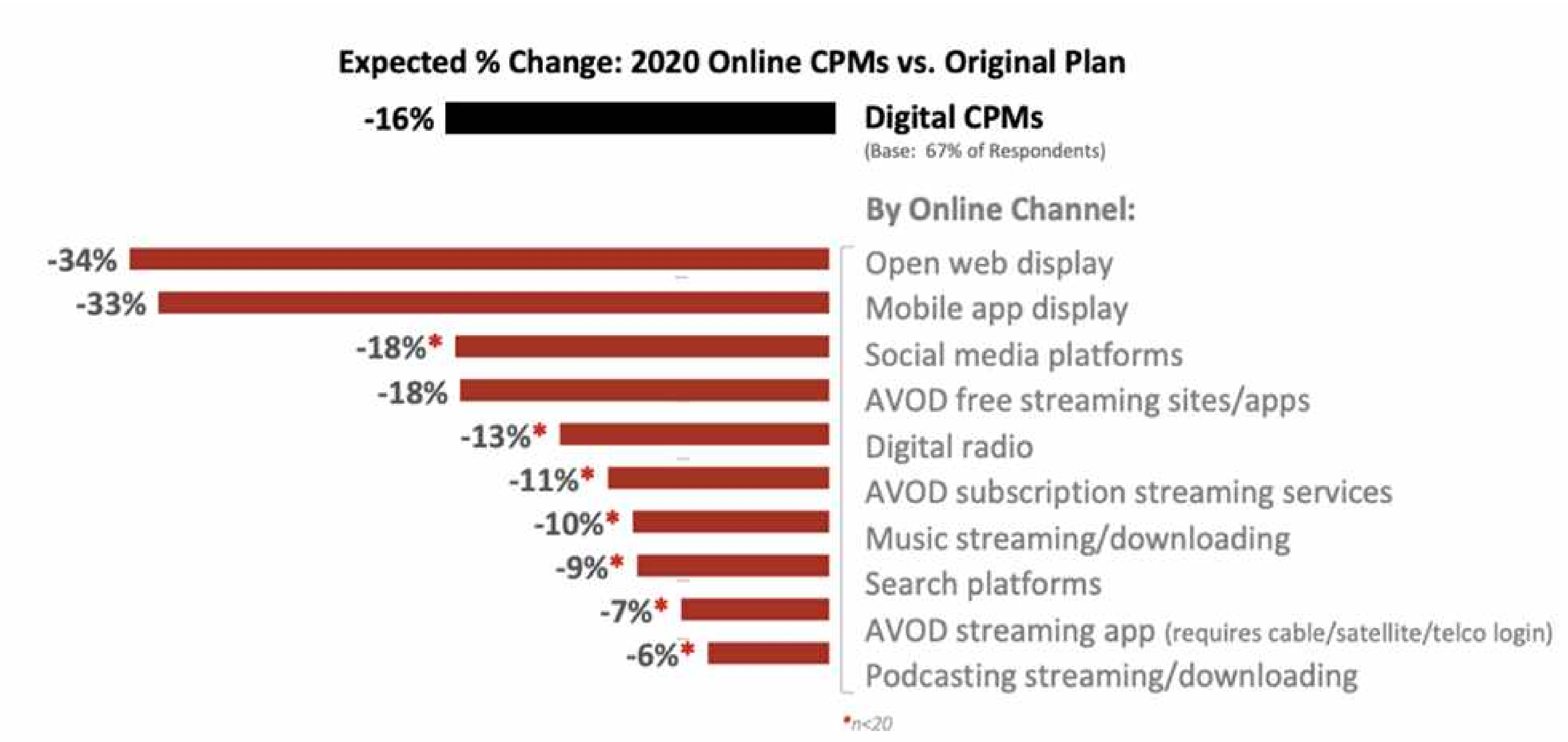
Looking back at March and April, according to the Ad Revenue Index, the response to this global shutdown was an average of a 26% reduction in ad rates in the US. This greatly affected marketing budgets, especially for digital and mobile, which had positive growth prior to April.

GOING BACK TO THE BEGINNING

During this time, internet use at the end of March was up 71%, which was even before the United Kingdom or India initiated lockdowns. The increased usage wasn’t enough to counterbalance the reduction in ad spend.

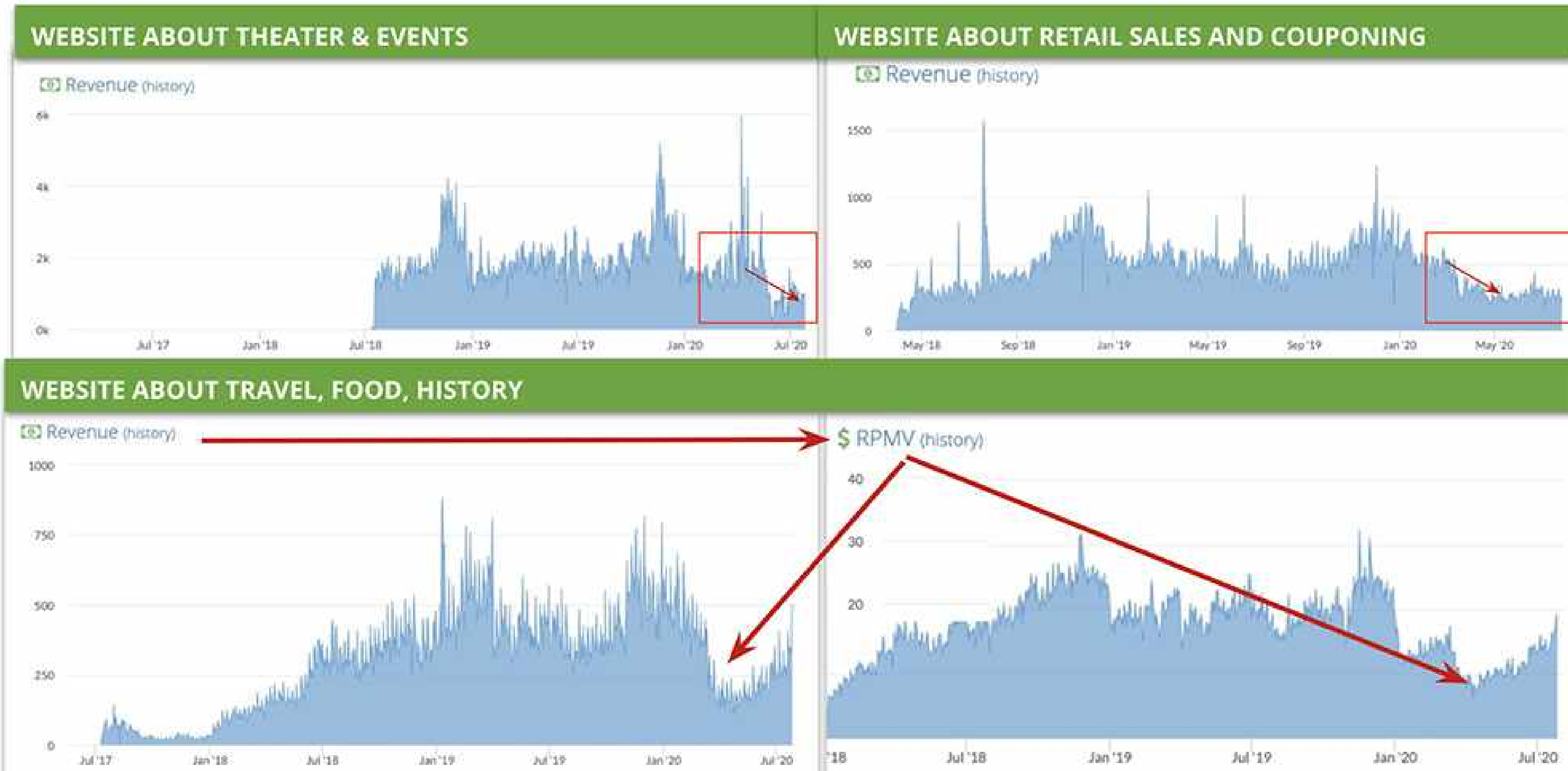
The reduction in ad spend and increase in traffic put many publishers in an unfortunate situation, where there was a large audience but plenty of ad space to fill with very little supply coming in.

In a report published in late March, the IAB announced that digital ad spend was down 33% and that it was expected that ad spend in display advertising was to decrease by 41% overall for March and April.



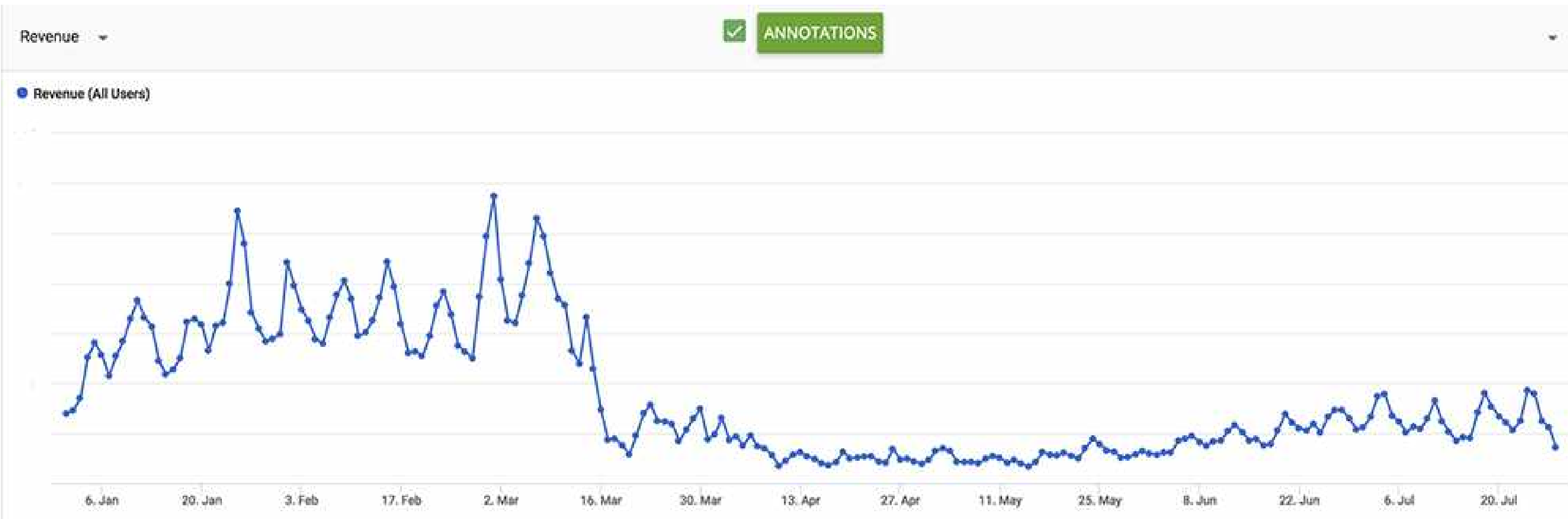
While many publishers felt the fluctuations in early-mid March, all publishers were largely seeing lower CPMs and revenue per visitor from advertising by the start of April. This signaled not only the start of a new month in the pandemic, but also the end of Q1, a time when ad rates will naturally slide due to campaign budgets ending.

These sites about theater and events, retail sales and couponing, travel, food, and history all saw major decreases in revenue at the same time, and are only now recovering. Many alike verticals suffered similarly.



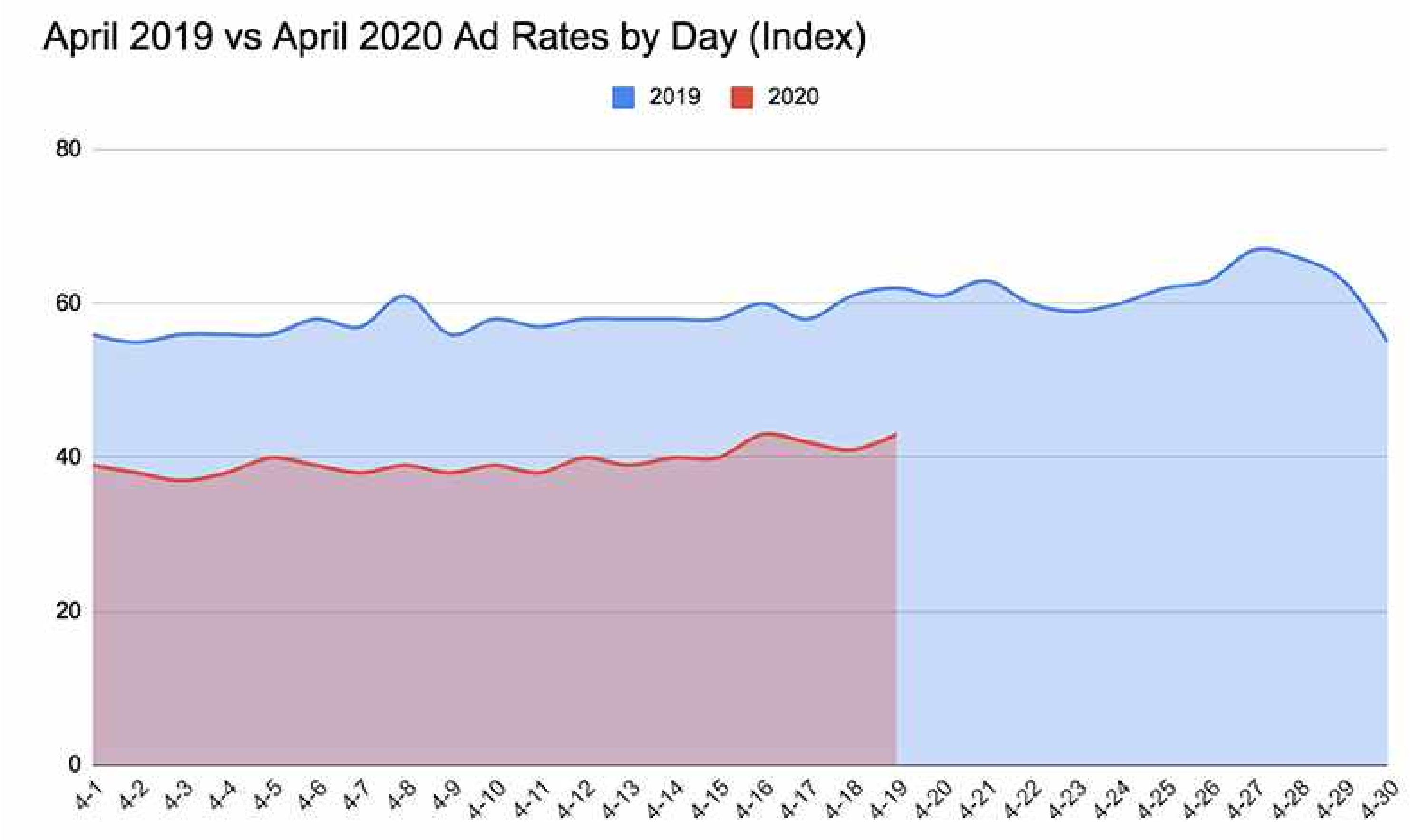
In some cases, publishers lost both revenue and traffic. Educational sites, travel, entertainment, sports, events, and workplace references saw some of the steepest declines in overall pageviews.

For example, this site is a rodeo event site. As rodeos around the country cancelled their events, this site experienced massive decreases in both traffic and revenue. Comparing this rodeo site's revenue during the first five months on Ezoic to the past five months, revenue has dropped 57%.



In the same time period, its traffic decreased by 46%. Part of this site's tumultuousness is that many states that host rodeos, like Texas, continue to have some of the highest coronavirus rates. Rodeos and other large events are not likely to make a comeback any time soon.

Bad ad rates were especially compounded by many companies' keyword blocking. Many brands did not, and still do not, want their brands associated with the pandemic and so have kept their advertisements from showing up next to content with pandemic-like words, even though it is the most prevalent topic right now.



Not only this, but Amazon cut affiliate rates right in the middle of the worst part of the pandemic. Publishers that were relying on other sources of revenue, like affiliate, were hit once more.

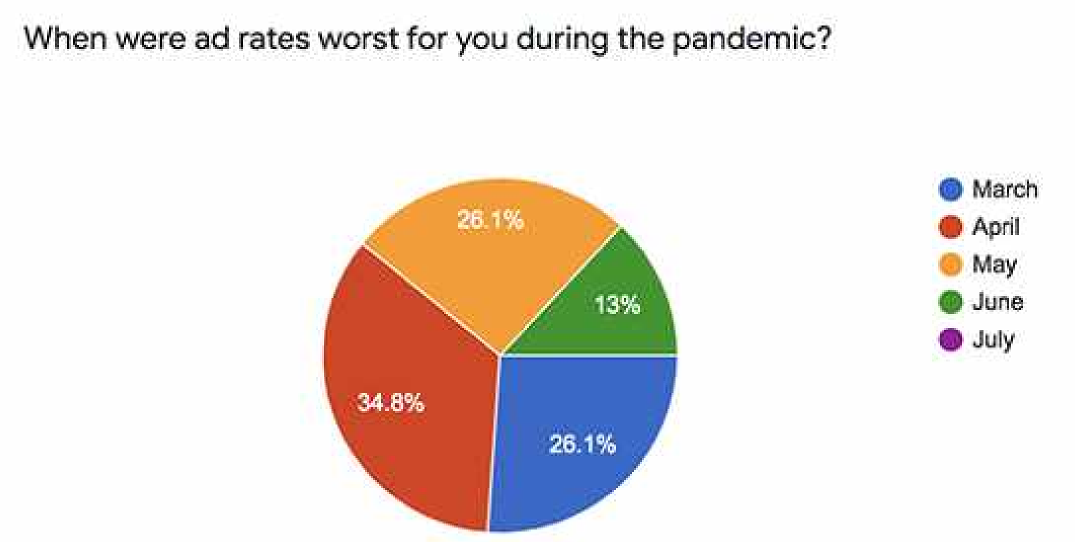
Many rates were cut over by more than half.

Product Category	Changed Fixed Standard Program Fee Rates	
Furniture, Home, Home Improvement, Lawn & Garden, Pets Products, Pantry	3.00%	was 8%
Headphones, Beauty, Musical Instruments, Business & Industrial Supplies	3.00%	was 6%
Outdoors, Tools	3.00%	was 5.5%
Grocery	1.00%	was 5%
Sports	3.00%	was 4.5%
Baby Products	3.00%	was 4.5%
Health & Personal Care	1.00%	was 4.5%
Amazon Fresh	1.00%	was 3%

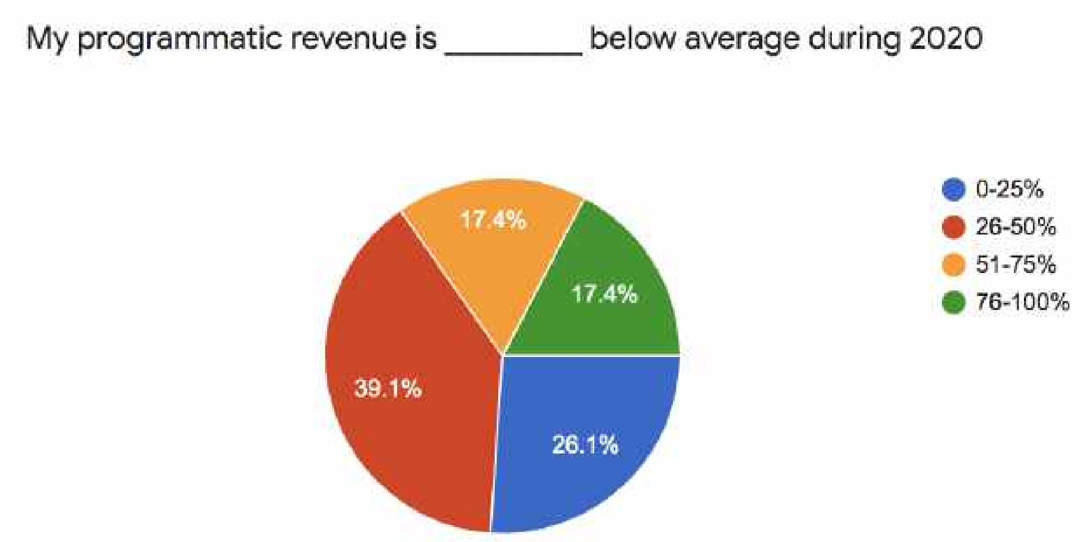
"This [Amazon Associates] program helped them build their dominance, but they just don't need to pay out anymore. It will have zero revenue repercussions for their business and the savings will drop straight to the bottom line."

– Greg Mason, former CEO of Purch.

Respondents in a survey of publishers using Ezoic signaled that April was the worst month for ad rates, followed closely by March and May. Many were also affected by affiliate rate cuts.

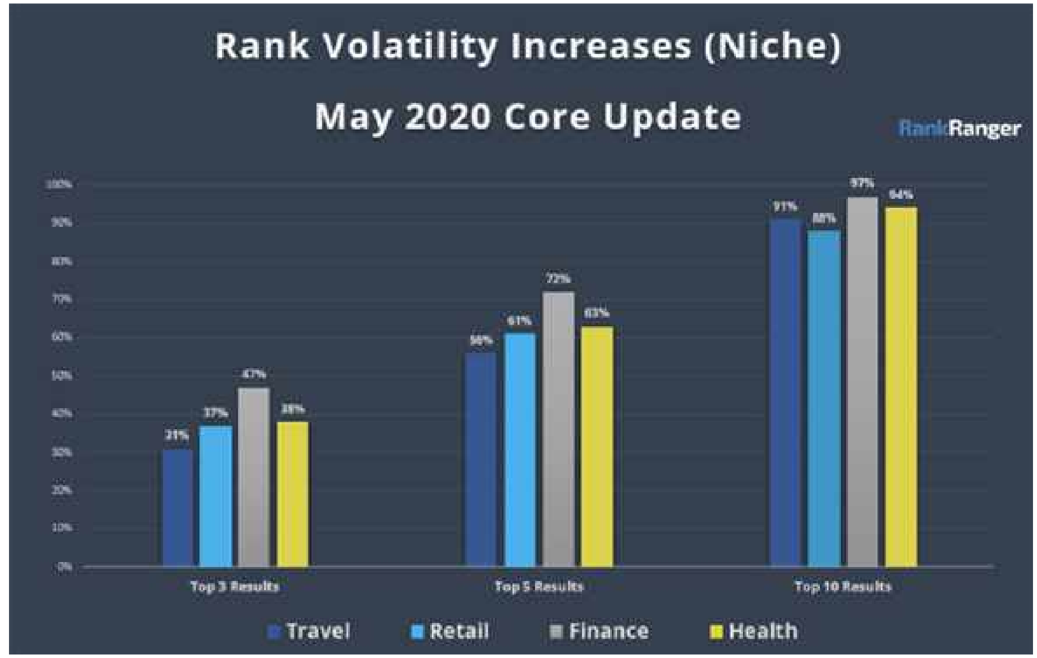


In the same survey, most publishers reported their programmatic revenue was down by 25-50%, though 17% of respondents reported that their revenue had decreased by 75-100% in 2020.



The Google Core Update in May was also a major disruption to publishers. The categories that saw the highest rank volatility were travel, retail, finance, health, family and community, beauty and personal care, internet and telecom, vehicles, and law enforcement.

Many publishers are still trying to recover from this core update.

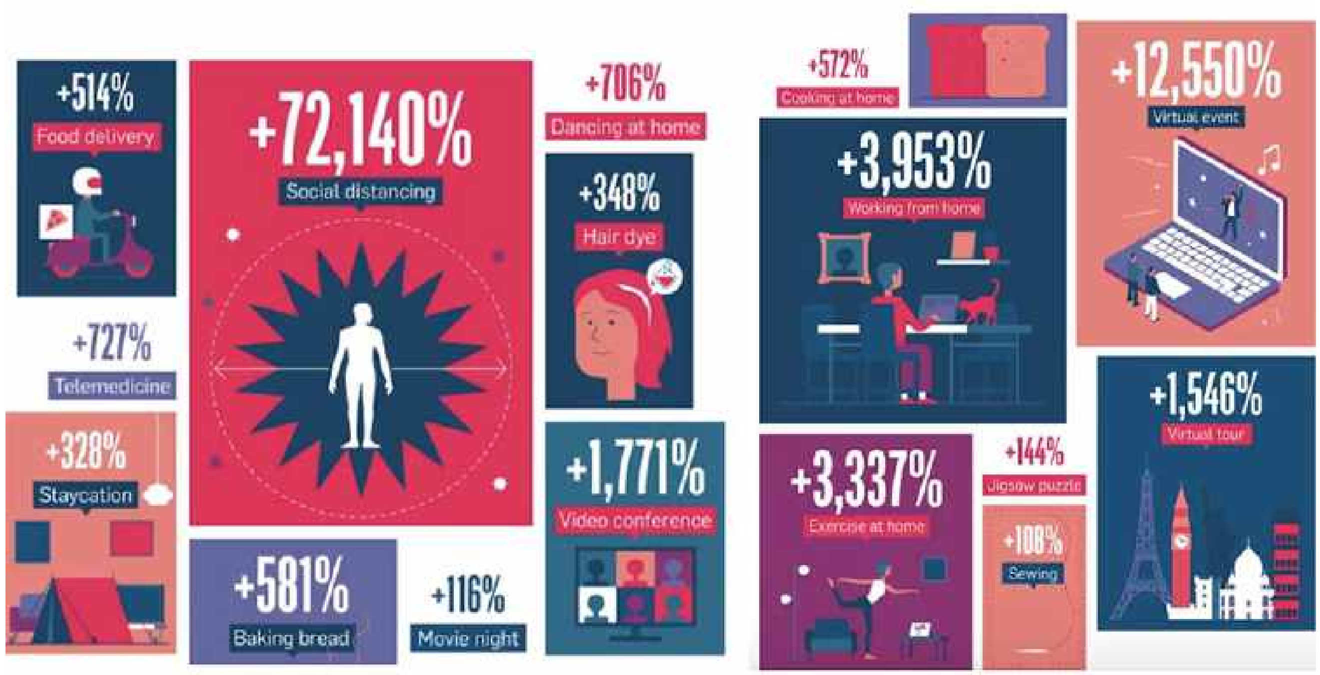


> **"The update was geared towards boosting university, government, and scientific sites above independent publishers, pushing many out of their rankings and decreasing traffic and revenue."**
>
> - John Cole, CCO of Ezoic

“It’s likely that searcher behaviors have been changing so rapidly due to the pandemic. To adapt, we’ve seen Google testing a wide array of search results. Much more than what we typically see,” said Allen Longstreet, Content Marketing Manager at Ezoic.

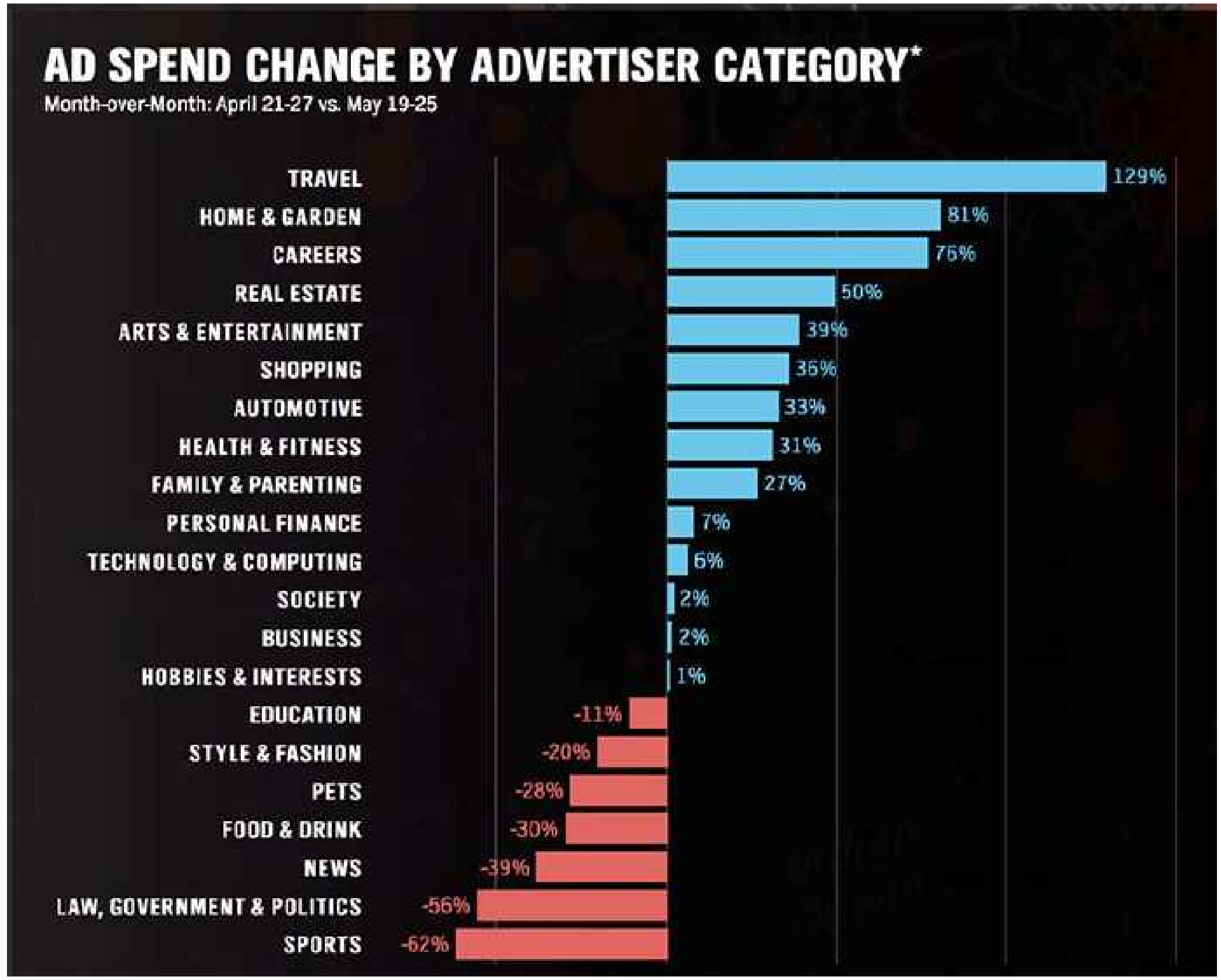
This was especially true for local news and accurate coronavirus information. A minor update in April 2020 was geared towards local news rankings, which were more likely to be buried underneath larger news sites during the pandemic. Additionally, Facebook invested $100 million in the news industry in April, in addition to the $100 million it pledged to 30,000 small businesses across the world that were negatively impacted by the pandemic.

Search behavior is perhaps one of the most interesting aspects of online activity during coronavirus. Topics around social distancing, working from home, video conferencing, staycations, and at-home activities like exercise and cooking saw major increases in search.

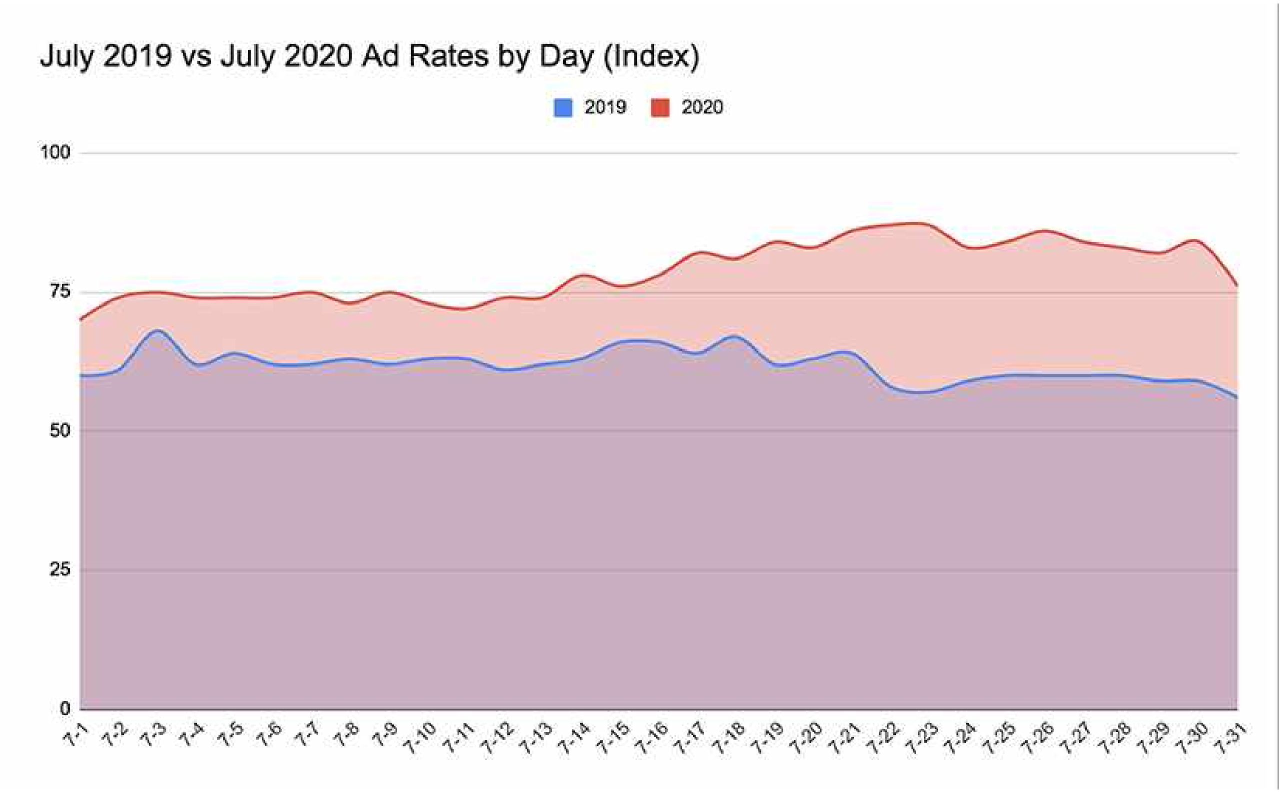


Despite all of the rapid changes, publishers began to see ad rate improvement throughout May and June, as ad rates slowly began to recover as many countries and states within the U.S. lifted lockdown restrictions and businesses began to reopen. Ad spend in categories that had previously suffered began seeing increases once more, including Travel, Shopping, and Health & Fitness.

These increases and confidence in the overall market began to show in the U.S.'s Ad Revenue Index throughout June, when ad rates finally resembled 2019's, even surpassing at points.



July has proven to be more promising, with ad rates reaching levels even greater than last year; according to eMarketer, overall ad spending is now increasing despite the pandemic. However, at 2.4%, there has never been growth in the single digits and it is the lowest rate of growth on record. At $332.84 billion, ad spending is $36.11 billion below its original, pre-pandemic forecasts.



Additionally, looking towards the future with too much optimism based on June and July could leave many publishers unprepared for slower times again or disappointment. There may be an upcoming drop in the economy once more when government-funded unemployment benefits expire.

“I don’t think we can look at June and July and say it’s a forward-looking trend. I don’t think we’re going to see a return to full-blown pause, but we will see some cautiousness,” said Ray Jenkin, North American CEO of Hybrid Theory.

INTERNATIONAL EFFECTS OF THE PANDEMIC ON GLOBAL AD REVENUE

In Italy, Spain, France, Germany, and the United Kingdom in H1, total ad spending was down 46.2% when compared to H1 of 2019. As for many countries, this was especially bad in April, when advertisers pulled major portions of their advertising.

If we look more closely at specific countries' responses to COVID-19, the success of their markets, and ad rates, we can see there is a direct correlation between the three.

"How well COVID-19 is being suppressed in any one market or country is the key to knowing if your own geographic location will have ad rates and ad competition bounce back," said Cole.

Additionally, most ad rates follow the market.

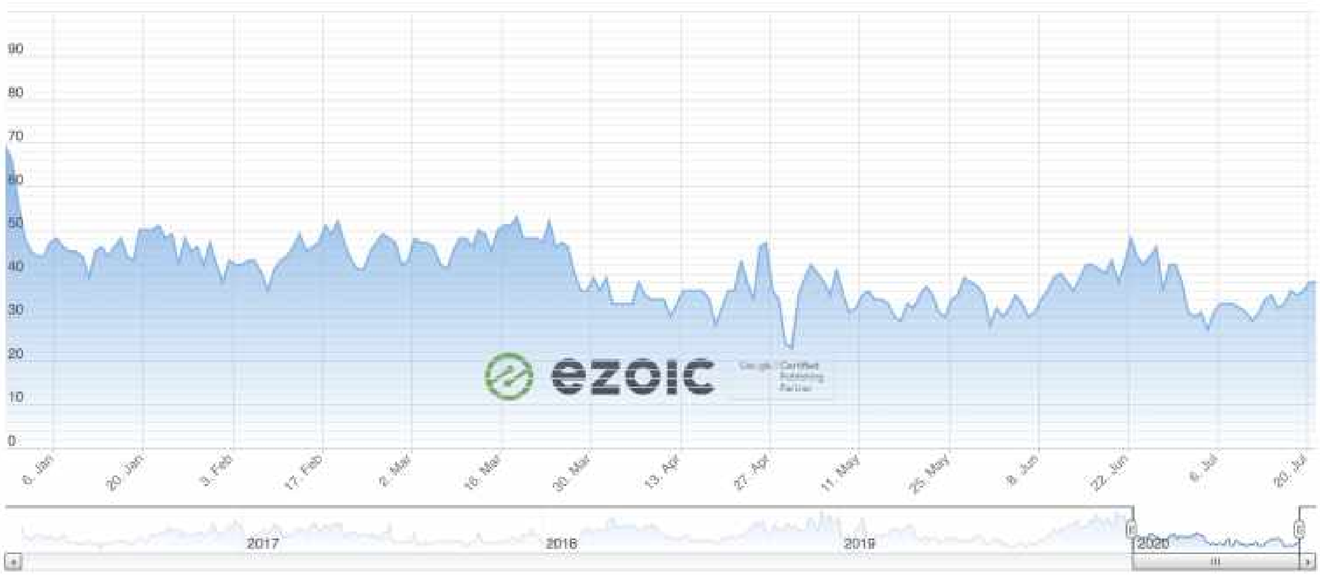
Looking at the U.S. Ad Revenue Index and comparing it to the NASDAQ, you can see both have the same pattern. The NASDAQ is the most tech-heavy it has ever been, with stocks like Facebook, Apple, Microsoft, Amazon, and Tesla rallying, which is likely why the Ad Revenue Index looks similar.

Companies' investments and advertising have mostly followed Coronavirus trends and how well it is contained. This is why in April, when Coronavirus rates were hitting a high and businesses were required to shut down, ad rates also dropped.

"Major companies correlate with confidence in the future, not in the reality of how well the companies are doing. It's the same with ad rates. Advertisers who think no one will spend any money aren't going to advertise online. If they are confident that they'll get ROI, those same advertisers will invest. The Ad Revenue Index is akin to our own confidence levels in our economies, split by geography," said Cole.

This is especially evident in India right now, as ad rates have still not fully recovered. India's coronavirus rates have been steadily increasing since March, though did not experience the major increase of cases in April like much of the rest of the world. India is only now seeing a steep increase in cases, which is affecting businesses and thus ad rates.

India is already a lower eCPM environment and with uncertainty about whether the pandemic can be held in check, ad rates have remained low.



France locked down around March 8th and the economy quickly followed. As seen below, France's ad rates follow the CAC40. Once the economy began plummeting, so did its ad rates.

Since then, France has reopened parts of the economy and stopped the severe lockdown, and both the CAC40 and ad rates have risen. Rates in France are still slowly recovering to pre-pandemic levels, though ad rates were, on average, down 12% for the first 21 days of July in 2020 when compared to 2019.

"Ad rates are a bit lower in France because the market is behind, as we have a smaller segment of industry that knows about programmatic, and because our GDP is less influential," said Kevin Le Fol, Ezoic's French team lead.

Though France fared worse than Germany through April and May, they both follow the same trends and began seeing more recovery around the same time at the beginning of June. This is, in part, to a major economic deal between France and Germany reached in July.

"The negotiation is targeted at the second wave financial crisis in the EU that will likely follow through the end of the year. France and Germany will bring €500 billion that will be injected into the EU in order to sustain some countries and help growth," said Le Fol.

Though Germany has seen the same struggles as France, it did not experience quite the same fluctuation. This is likely due to their shorter lockdown period and low death rates. Below, you can see how German ad rates follow the DAX and that ad rates have seen greater growth than France.

What's more, German news publishers, many of which were still seeing much higher print circulation than most other countries, were able to pivot alongside these trends to capitalize in many cases as ad rates recovered. This means an increase in demand that may actually end up driving more digital budgets into these new opportunities.

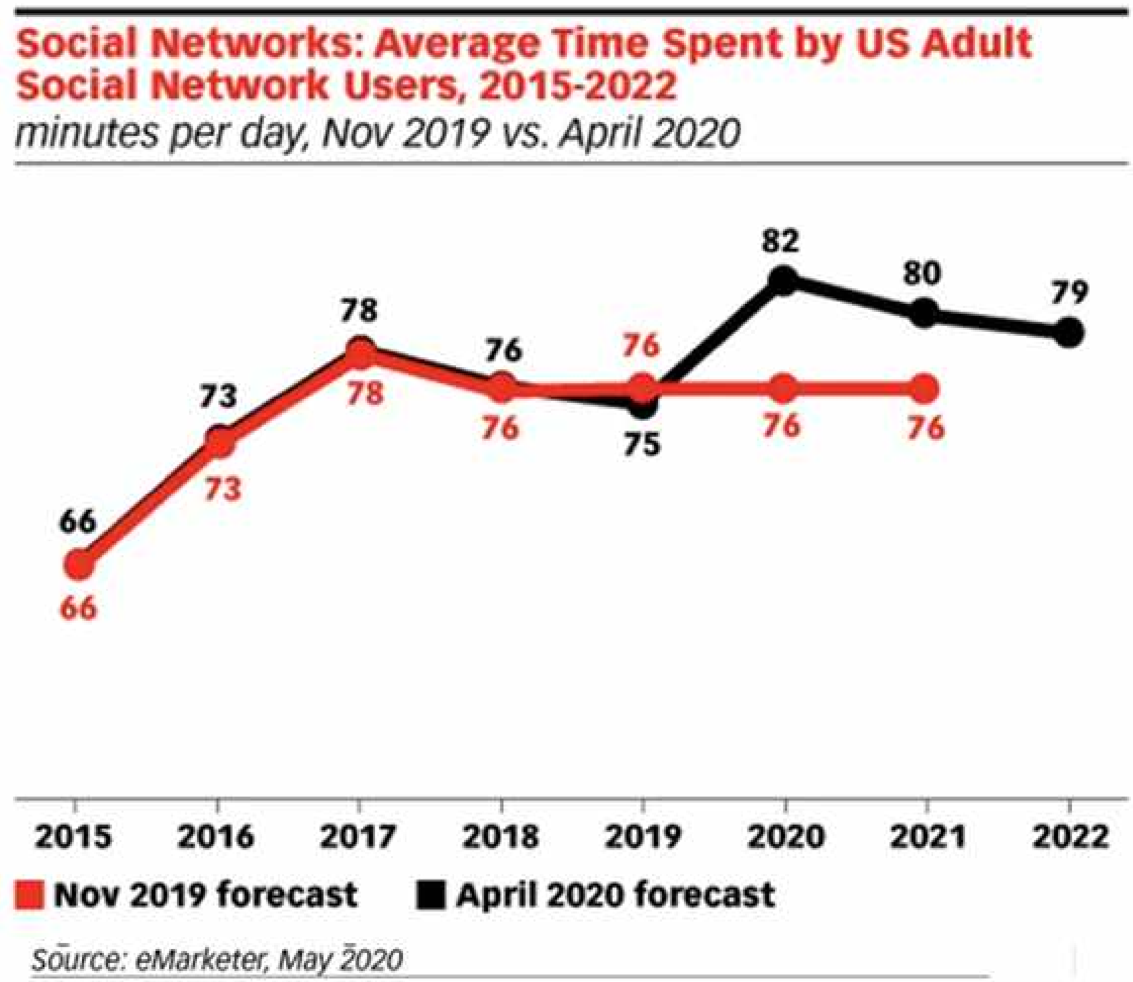
"Publishing houses unanimously told us that projects — especially digital ones — that had been under consideration for months or even years were suddenly successfully implemented within a few weeks," said Anja Pasquay, Press Officer at Germany's BDZV.

TRENDS AFFECTED BY CORONAVIRUS

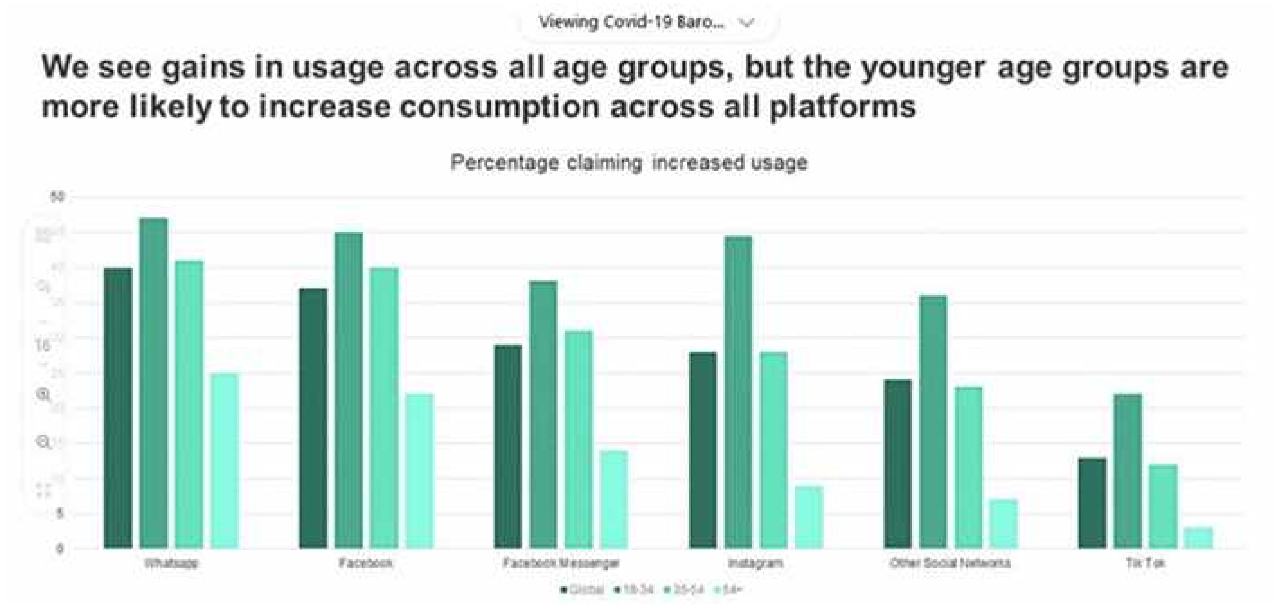
More than two thirds of the United States' digital ad spending will be allocated to mobile in 2020, though the increase is only projected to be 4.8%, whereas it was 23% last year and was originally forecasted to be 20.7% in 2020.

The majority of mobile ad spending's success is due to social media, gaming, and streaming video apps, whereas location-based advertising has not held up.

Time spent on smartphones has increased globally and is especially driven by younger generations. The greatest amounts of time were originally, back in March, spent on WhatsApp, Facebook/Facebook Messenger, and Instagram increases.



Now, the use of social media is in decline.



“People, especially the younger generation, are spending less and less time on social media platforms like Facebook, with only 9% of generation Z naming Facebook as their favorite social media channel,” said Samuel Huber, founder and chief executive officer of Admix, said at The Drum’s Programmatic Punch.

Much of that time is now spent on music and gaming, which is driving programmatic revenue to these verticals. Spotify has seen connected speaker use increase by 130% YoY, which has driven up music consumption.

Gaming is specifically experiencing a major increase; it accounts for more time online than music and cinema markets combined. Data shows that about 30% of the population in developed markets actively play video games.

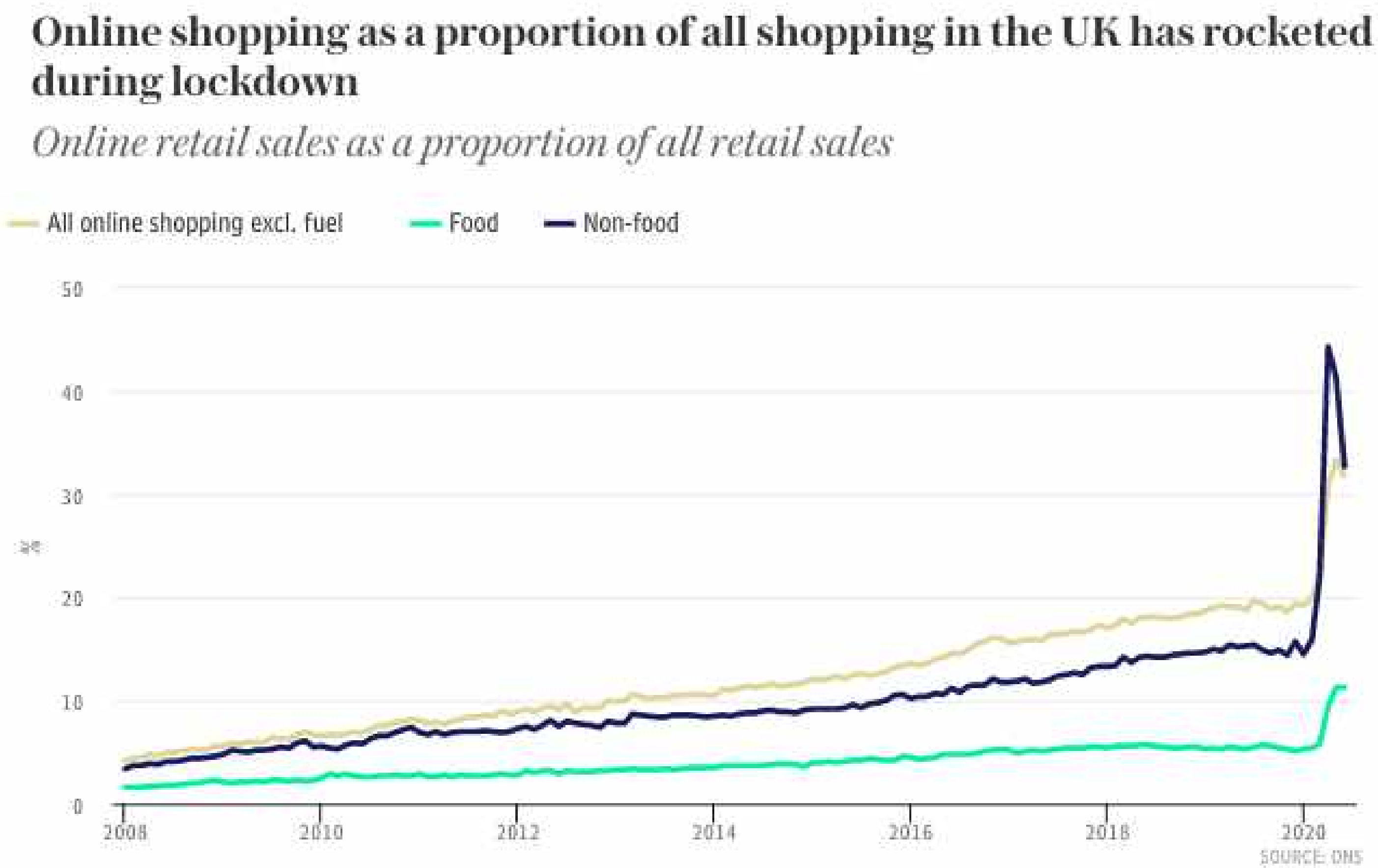
Media behavior changes are also happening in Latin America. Despite market volatility, digital ad spending is increasing. Currently, total media ad spend is up from 33.5% to 39.1% in 2020 and for the first time, digital will account for nearly 40% of the regional ad market.

ECOMMERCE AND VIDEO

Ecommerce took the world by storm during coronavirus and fit a year's worth of growth into one month.

Source: Bank of America, U.S. Department of Commerce, ShawSpring Research

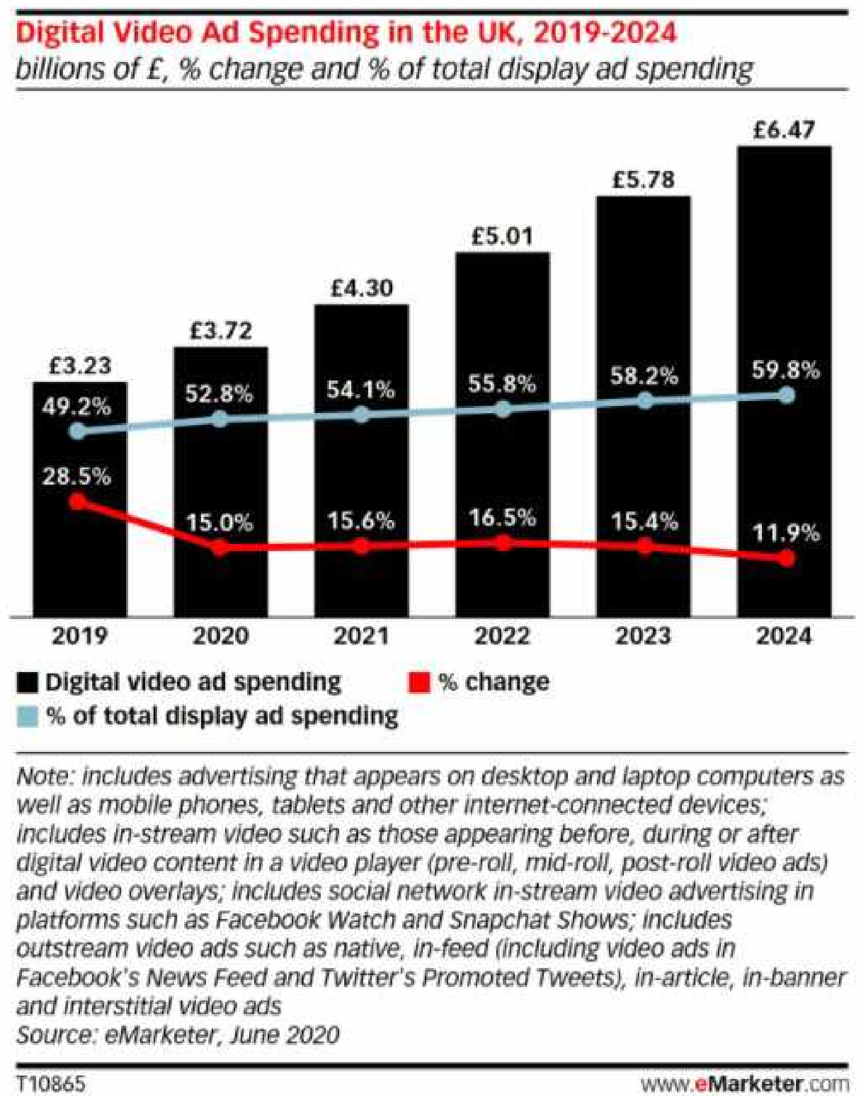
Ecommerce is particularly surging in Western Europe. It is currently experiencing $10.83 billion more in ecommerce sales than expected and it is predicted ecommerce sales will increase by 16.9%, up from the originally-estimated 8.8%.



In the United Kingdom, digital advertising is mostly being upheld by digital video ad spending, which is expected to grow 15%. Video is quickly becoming one of the most lucrative revenue streams and most popular mediums for users to consume content.

Digital video is the fastest-growing format on the internet, accounting for £3.72 billion ($4.75 billion) and over half of display for the first time at 52.8%. This growth is expected through 2024, when it is predicted that 60% of total ad spend will be on video.

The majority of video ad revenue comes from Facebook, YouTube, and Snapchat, which began recovering since the big downturn in ad rates in April. At the beginning of April, Facebook ad CPMs were down to $4.83, which was the lowest mark in 2020. However, by the end of May, ad CPMs were up to $8.22, the highest point of 2020.



> **“When the CPM is the highest it’s been, it’s a signal that brand dollars are coming back in the market.”**
>
> – Kevin Simonson, VP of social at Wpromote

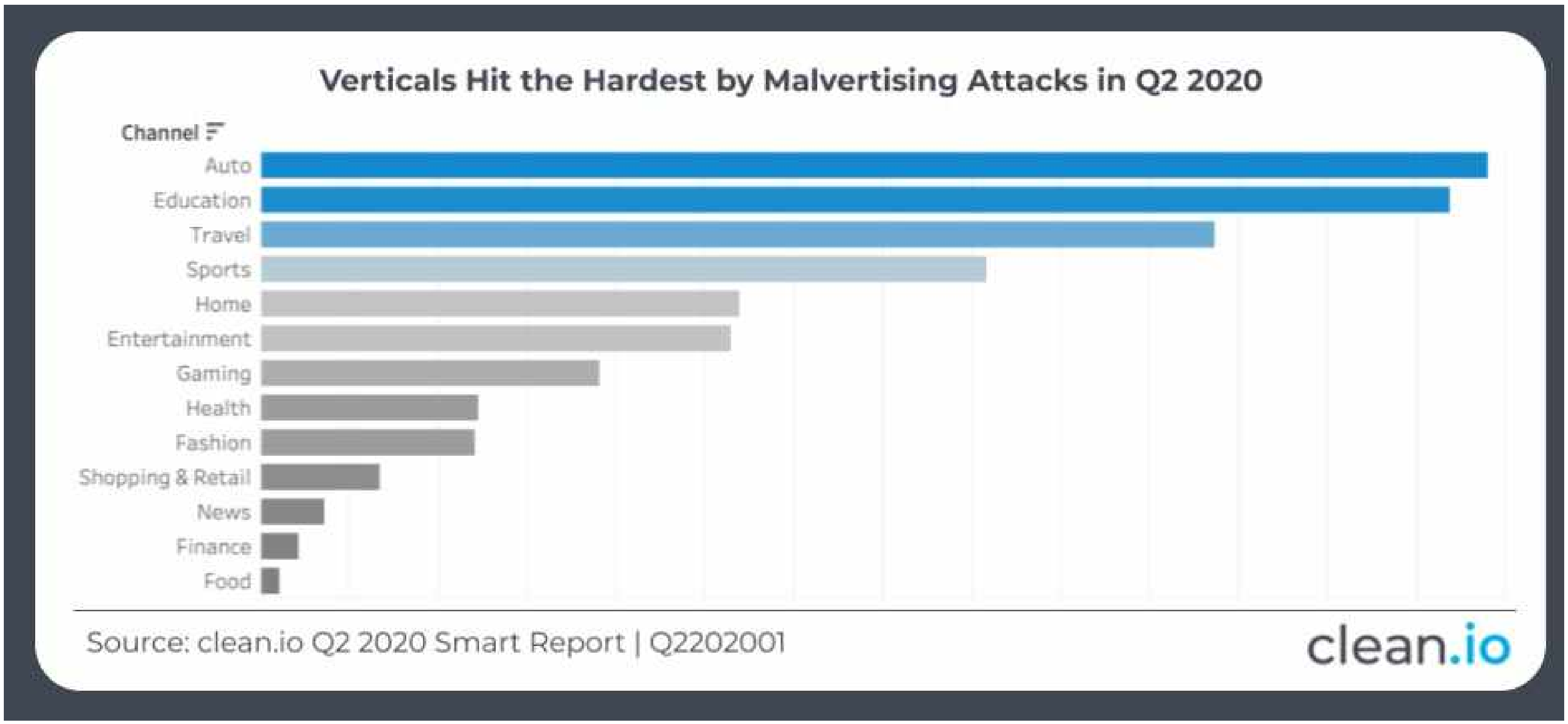
Before the pandemic, ad money was already being reallocated from traditional media sources like television to the online digital ad space, such as connected TV, display advertising, and video ads. Now that businesses are more comfortable spending ad money once more, that trend has been expedited and continues to grow.

This resurgence in both video advertising and display ads not only shows businesses’ confidence in the market right now but what they expect and hope for the future. It is unlikely advertisers will do a major advertising pull like the one in April once more, so it is safe to say video advertising is here to stay.

MALVERTISING AND BAD ACTORS, DATA

All of these rapid changes to the economy and ad rates, however, brings out bad actors. COVID-19 has changed the way the world, and thus malvertisers, operate. Looking at this graph, we can see that malvertising attacks followed coronavirus-related demand shifts.

Malvertising is the act of using online advertisements as a way to incorporate or install malware.



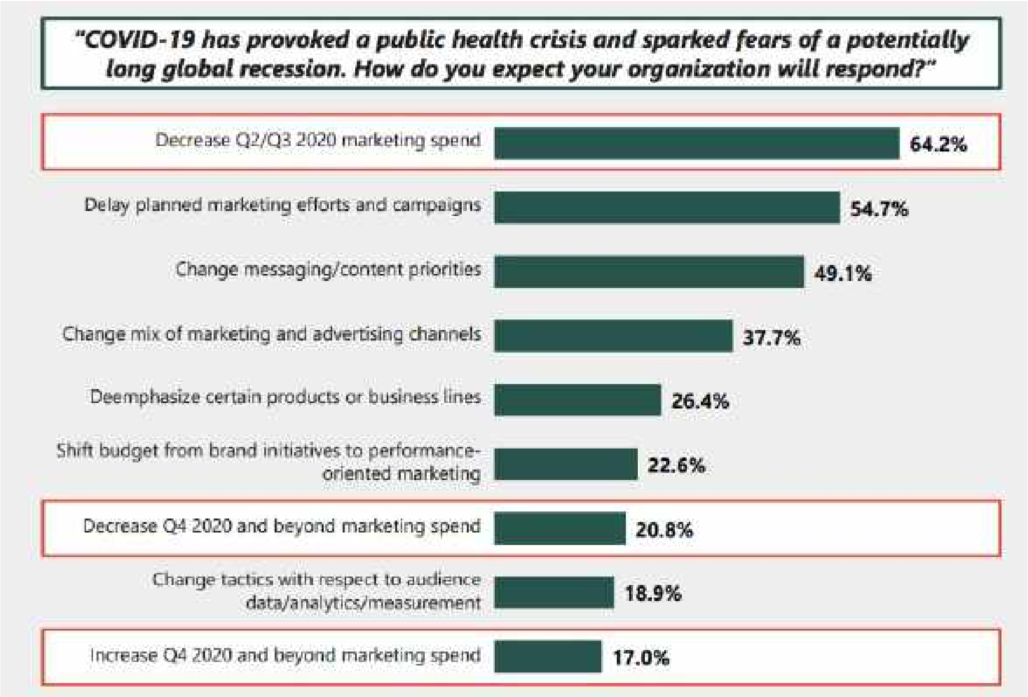
Top categories hit by malvertising attacks in Q2 2020 are those who saw increased traffic from work-from-home lifestyle adjustments. This includes auto, education, travel, sports, home, entertainment, gaming, health, fashion, shopping and retail, news, finance, and food. However, verticals that saw less demand from brand advertisers, like travel, sports, and auto, maintained higher threat levels too.

Perhaps surprisingly, news sites were 20x less likely to see malvertising than auto and education, despite news sites' rising popularity during the pandemic. This is because news sites often have higher price floors and more rigid category blocks.

Most of the malvertising threats are seen in the U.S. and Europe, though Canada and Australia have also seen increased threats. These threats have varied at different times, however, likely following different COVID-19 peaks, lockdowns, and economic instability. It was discovered that 90% of the threats came from only 9-SSPs with rotating cycles of three throughout Q2.

With increases in mobile use, 70% of attacked browsers were on mobile and focused on Androids. This is because mobile generally has ads at lower price points, making it easier for malvertisers to make a profit. Most efforts were rotated between Chrome mobile and iOS.

The data industry has also been affected by the pandemic. Due to COVID-19, it is likely data users, compilers, and industry stakeholders are to make 10-20% spending cuts on data for Q2-Q3.



How people are spending money is about half and half. There are those that work within the data industry that believe the economy will be in better shape at the end of the year and plan to increase budgets in the near future to make up for H1. Then there are those who are more conservative, since there is still so much that is unknown.

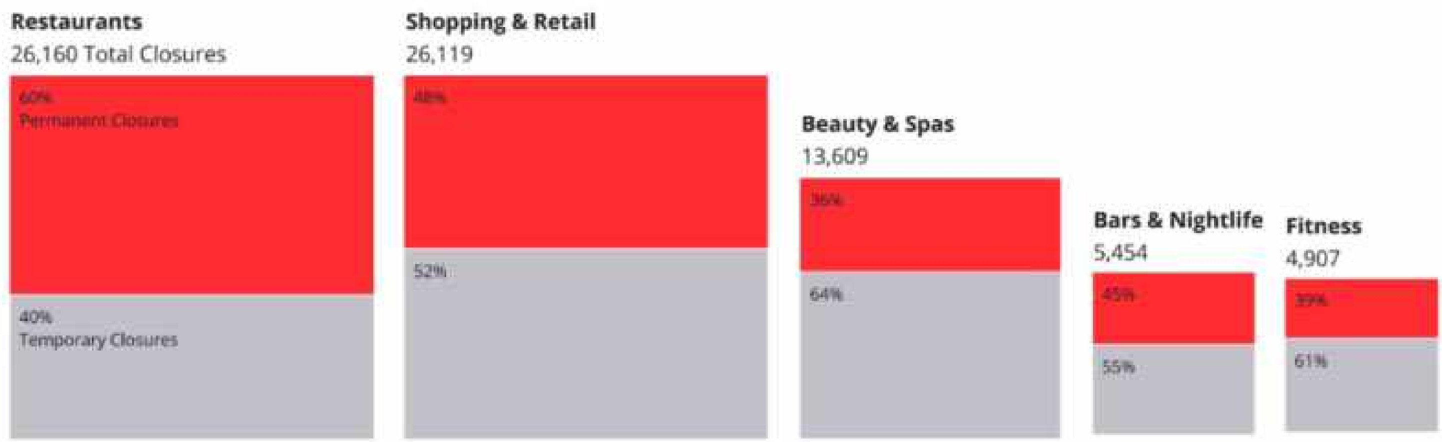
The pandemic has also partially eased privacy concerns, as everyone has been more preoccupied with the economic downturn and the virus. The CCPA has mostly created more calm; only 18.9% of respondents said the regulation would cause issues for their organizations in 2020; this is a big decline from 52.7% in late 2018.

LOOKING TOWARDS THE FUTURE

Travel restrictions are currently being lifted all over Europe, which has caused advertising rates to rise in tandem. This means advertisers are buying more advertising spaces to make up for some lost time.

Each month since April, there has been a continual growth in ad spending, particularly in paid search. Between March 20 and June 20, ad spending across Italy, Spain, France, Germany, and the UK was up 6.3% on the previous month. However, a full recovery is not expected, as many Europeans still do not feel safe traveling, and most of the advertising is forward-facing rather than a reflection of how things are now.

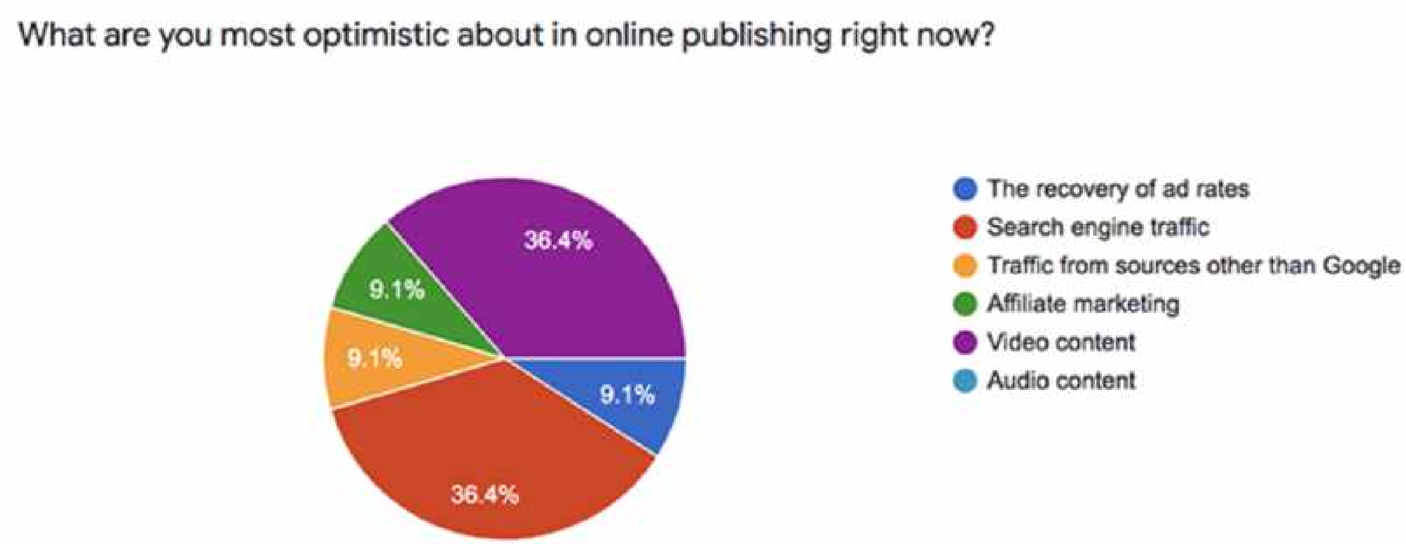
In the United States, small businesses continue struggling to stay afloat. Small businesses spend more than $100 billion a year collectively on marketing and advertising. Small business failure will lead to higher negative impact on the economy.



Data: Yelp Q2 analysis of temporary and permanent business closures on its site

Current ad rate trends in the United States are back to normal levels, and at some points have even exceeded July rates for previous years. It is predicted that US ad rates will remain high and continue to rise.

"While the situation with COVID is still uncertain, more businesses are moving back to allocating budget to digital ad spend. Unlike more traditional media, digital advertising still plays a critical role during the coronavirus shutdown," said Ignatius Chen, Head of Business Intelligence at Ezoic.



It is highly unlikely that the government will reinstate a more serious lockdown, meaning businesses continue to look forward and push advertising with the hopes that quarantine fatigue and looser restrictions are just around the corner.

It is also likely there will be a big surge of ad spending in Q4, at a steeper rate than usual. This huge uptick in ad rates would be greatly affected by a vaccine, even if it were in Q1 of 2021.

Some things are nearly certain. Video will continue to rise in its popularity and use, and is not going away any time soon. In a recent survey of Ezoic publishers, respondents were most optimistic about video content, alongside search engine traffic. Gaming and music are growing categories and more and more advertisers are likely to see the opportunity in this.

Ecommerce, a trend that was already growing before the pandemic, will continue to grow during the rest of the pandemic and after.

While advertisers are now back to pushing ads out, it is likely that the pandemic has made them more sensitive to future global events.

> **"I think that this crisis will make them spend their money more wisely in the future and both advertisers and publishers will be demanding more data. Additionally, direct deals will grow in popularity. I have been asked more about direct deals by publishers I work with in the French market over the last two months than I ever have."**
>
> - Kevin Le Fol, Ezoic French Team Lead

WHAT PUBLISHERS SHOULD DO TO WEATHER THE STORM

Publishers are still struggling through the pandemic and are looking for answers. Some sites have resorted to short-term revenue tactics that in the end may end up hurting them. Others have been making changes rapidly in order to find something that works, but this is risky.

"Smaller publishers negatively affected by the pandemic are looking for reasons and solutions all over for their websites' problems, are making changes at a faster rate than normal, and in some cases being more aggressive with ads. This is probably a net negative if they aren't doing it via testing and A/B experimentation at the very least," said Dwayne Lafleur, CEO of Ezoic.

What publishers should focus on is their landing pages, ad optimization, and obtaining quality traffic.

"Look at your landing page earnings by device. Work out which pieces of content get the most engagement and have the highest quality of intent from your viewership. These are the ones to focus on. There is nothing you can do about the macro—you can only work on your own site (the micro) outcomes. Improve your content, speed, UX and your revenue will follow," said Cole.

While you can't control the ad rates, what you can control is your ad optimization. It is important to keep both the quality of your ad inventory and also have the appropriate amount of ads on your site, which can only be accomplished through multivariate testing.

As with any decisions for your site, ensure you're thinking of the long term effects of those choices and that you're making decisions based on data and testing.