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January 2021

# Weathering The Storm

TV's Resilience Amid A Pandemic &  
Economic Uncertainty



Insights.  
Inspiration.  
Impact.

# About VAB

VAB is an insights-driven organization that inspires marketers to reimagine their media strategies resulting in fully informed decisions.

Drawing on our marketing expertise, we **simplify** the complexities in our industry and **discover** new insights that **transform** the way marketers look at their media strategy.

## Simplify

We save you time by bringing you the latest data & actionable takeaways you can use to inform your marketing plans.

## Discover

We keep you one step ahead with the latest thinking so you can create innovative, forward-looking strategies.

## Transform

We help you build your brand by focusing on core marketing principles that will help drive tangible business outcomes.



# What You'll Learn...

- ▶ **How the national TV advertising marketplace fared in 2020 amid a global pandemic and economic downturn**
- ▶ **Why many brands turned to TV to defend, and even grow, their brands during this time of crisis**
- ▶ **How you can apply these brands' success strategies to your own brand marketing plans**

# The national TV advertising marketplace **fared much better** than expected in 2020 amid a global pandemic and economic downturn. Here are key reasons why:

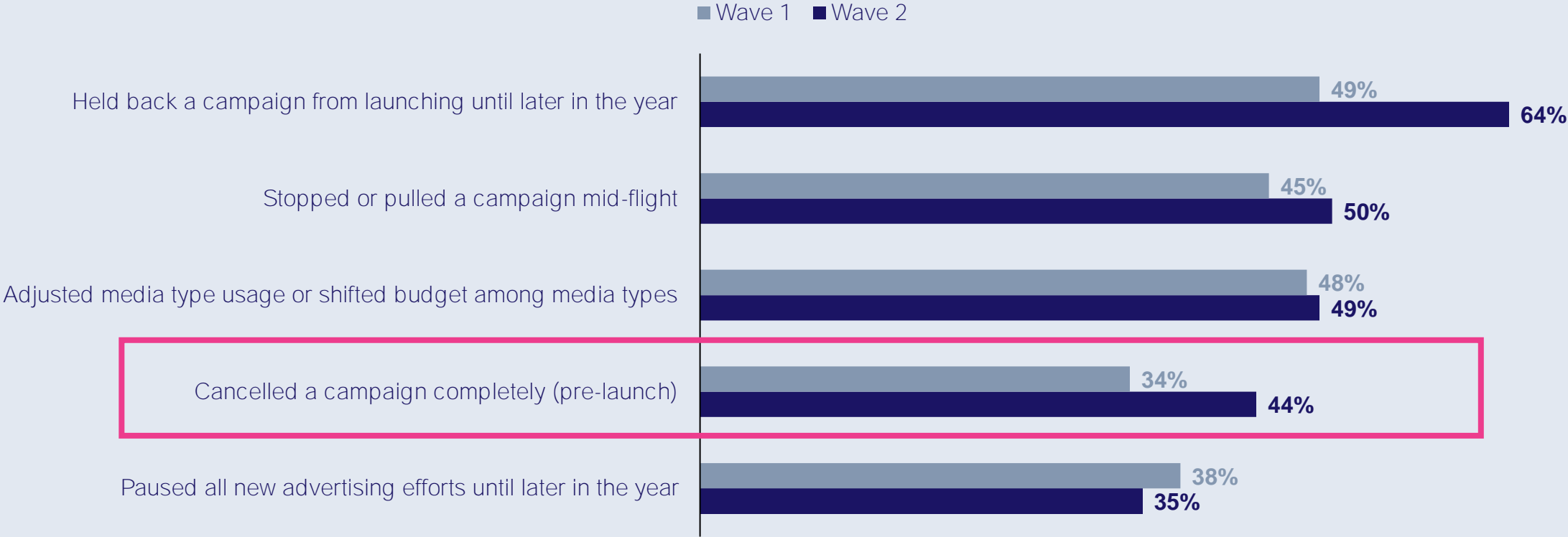
- ▶ Savvy marketers focused on long-term branding efforts **increased their TV ad investment** in order to achieve **positive business outcomes**.
- ▶ Data-driven, performance-obsessed **Direct-to-Consumer brands have been particularly well-positioned** for the pandemic and their TV spending as a category has been relatively consistent versus the prior year.
- ▶ Advertisers are **launching their first TV campaigns earlier in their brand stage** than before and are seeing a **greater impact to their digital performance** as a result. Earlier campaign launches also create a **larger universe of TV advertisers**.
- ▶ A set of **new TV advertisers launched their first TV campaigns** in the first half of 2020, many of whom launched at the beginning of the pandemic in 2Q.

Due to COVID-19, many marketers immediately changed their media plans and industry forecasters were initially predicting severe doom and gloom for TV advertising



# At the beginning of the pandemic, **89%** of advertisers took action with their ad budgets due to **COVID-19**, with **44%** canceling new campaigns completely

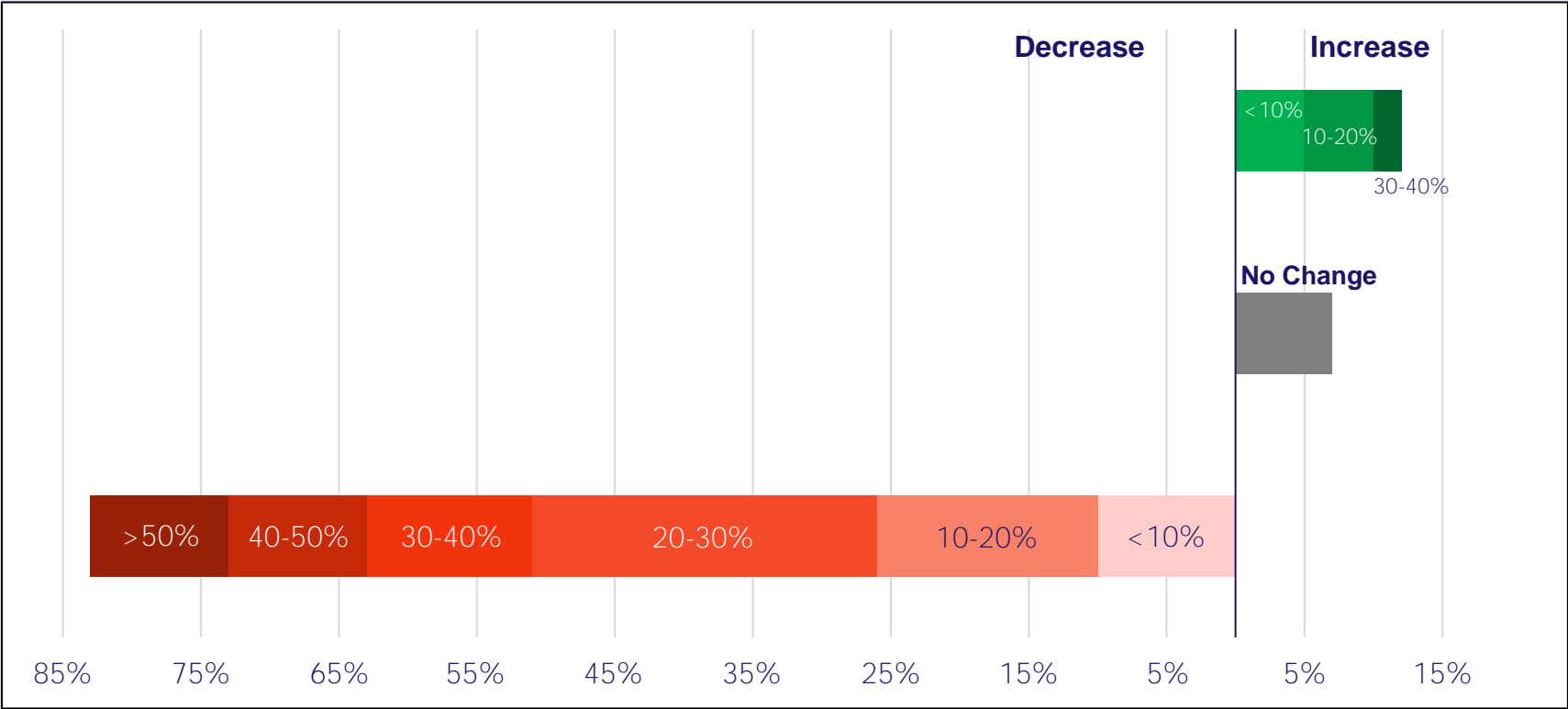
## How has Coronavirus impacted your advertising efforts?



Source: Advertiser Perceptions, "Coronavirus Effect on Advertising" Report. Q12: In which of the following ways has the Coronavirus (COVID-19) outbreak impact your recent or ongoing advertising efforts? Base: Total Respondents. Wave 1 = survey fielded March 17-20, 2020, 203 interviews conducted. Wave 2 = survey fielded April 1-4, 2020, 152 interviews conducted.

**In March, 80% of brands said they planned to reduce their media budget for the rest of the year; more than half expect to cut spend by >20%... naturally there was concern of a looming advertising depression**

How do you expect your media budgets will change for the rest of the year?



Source: Ebiquity, 'COVID-19 & Media: Ebiquity Client Survey Results.' Survey conducted between March 19-31, 2020. n=43.

# However, in December, GroupM estimated there would be **only an 8% dip in 2020 national TV spending** with a nearly full recovery in 2021

► ‘The big takeaway is, it could’ve been worse’ – Brian Wieser, GroupM’s global president of business intelligence, in reference to the overall U.S. advertising forecast (*Ad Age* 12/1/20)

**GroupM Projections: 10-Year U.S. Nat’l TV Ad Revenue**  
 includes digital extensions in TV, excludes political (in billions)



Source: GroupM, 'This Year, Next Year: U.S. End-Of-Year Forecast,' December 2020.

With the economy in a recession,  
the storyline for TV could have been  
**much worse. So why wasn't it?**



100 years of analyses conducted during recessions proves that marketers need to **maintain their share of voice to grow market share** and avoid a prolonged and expensive recovery afterwards



2020

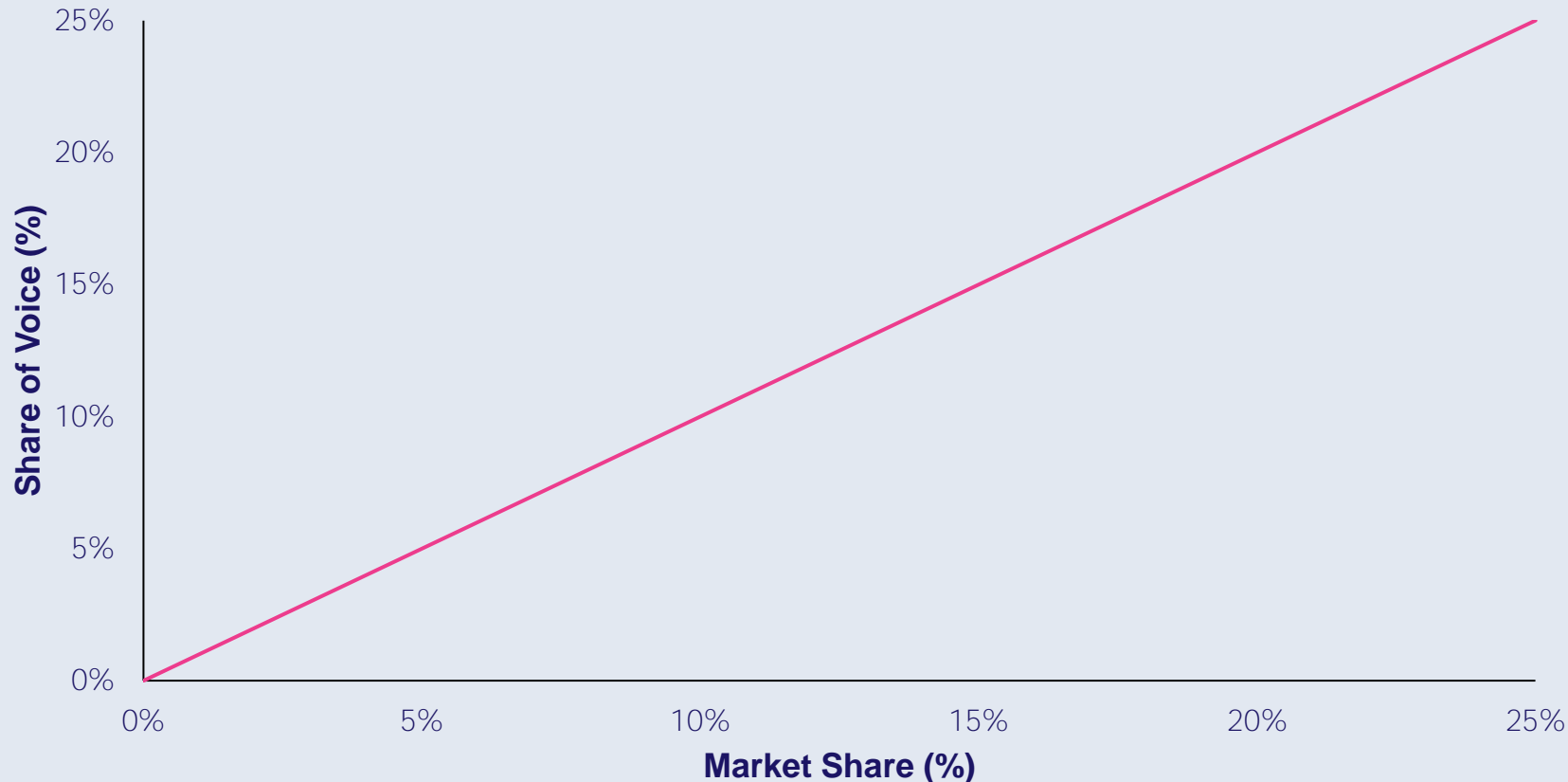
# Keep Calm and Advertise On

How to Successfully Navigate Your Brand Through an Economic Downturn

VAB Insights. Inspiration. Impact.

Academic scholars who have analyzed the historical relationship between Share of Voice (SOV) and Share of Market (SOM) have found there's a rather clear **equilibrium that exists between the two**

## SOV vs. SOM



Market share is a function of many things. But one of the *biggest drivers of sales* is a brand's **share of voice**.

The more a brand spends on advertising vs. its competitors, the more it will grow. This proven relationship is called '**Excess Share of Voice (ESOV)**.'

If a brand has a **20%** share of market but a **30%** share of voice, it has an ESOV of **+10**.

In almost every recorded instance, a brand with a positive ESOV will gradually grow its share of the market to a level that will eventually match its share of voice.

-Mark Ritson (4/6/20)

Source: VAB's 'Keep Calm and Advertise On: How to Successfully Navigate Your Brand Through an Economic Downturn.'

And history has shown that during times of economic uncertainty, savvy marketers that focus on long-term branding efforts by **increasing (or at least maintaining) TV ad investment** achieve **positive business outcomes**

Business outcome examples of brands who increased their TV spend during the last recession (2008-2009)



Ecommerce



Amazon **launched its first TV campaign** in the middle of the recession in 2008 and saw a **compound annual growth rate of 34%** between 2008-2012



Retail



Walmart significantly **increased their TV investment** in both 2008 & 2009 and saw **high single digit sales increases** in each year with continued growth after the recession



Telecommunications



T-Mobile had a **moderate increase in their TV investment** in both 2008 & 2009 and saw a **compound annual growth rate of 21%** between 2008-2011



Restaurants



Darden **increased their TV investment** in both 2008 & 2009 and **increased their sales by an average of 14%** over those two years

Source: VAB's 'Keep Calm and Advertise On: How to Successfully Navigate Your Brand Through an Economic Downturn.' U.S. TV spend based on VAB analysis of Nielsen Ad Intel data, national TV spend (national cable TV, national broadcast TV, Spanish language broadcast TV, Spanish language cable TV), CY 2007-2012. U.S. revenues are based on company filings (10-K) for U.S. revenue via SEC.gov (EDGAR). Darden's was for Olive Garden.

# This year was no different, amid a global pandemic many major brands increased their TV investment in an effort to gain market share within their category

## Sampling of 50 brands that increased their TV investment in 2020

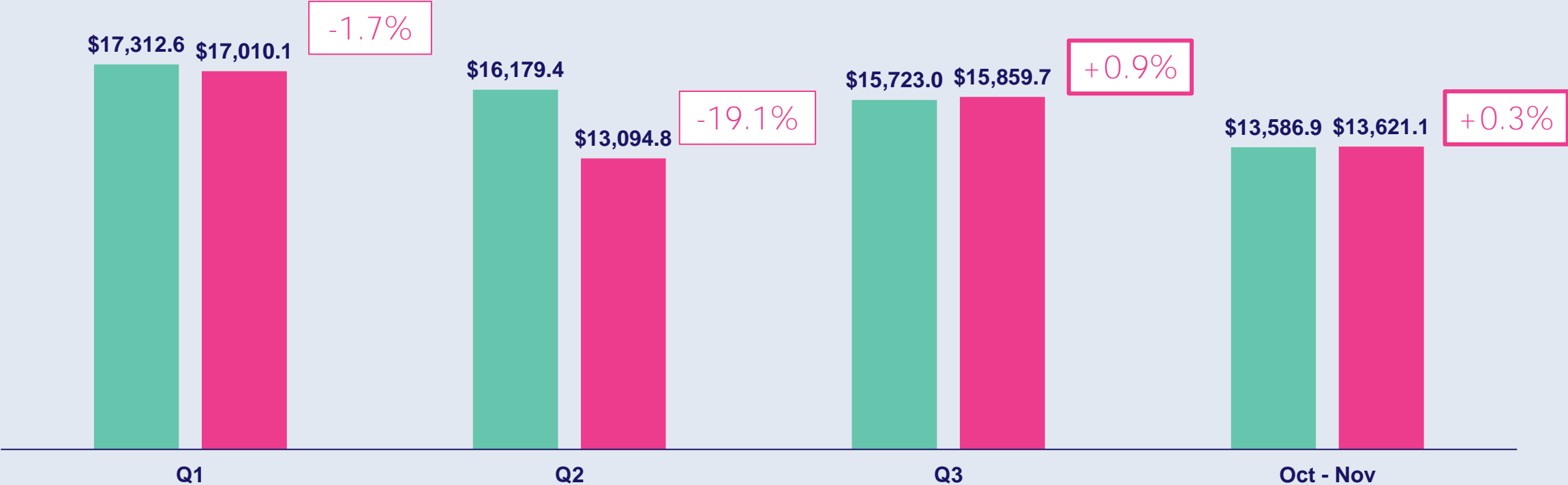


Source: VAB analysis of Nielsen Ad Intel data, Jan-Oct '19 vs. Jan-Oct '20. TV spend includes national cable TV, broadcast TV, Spanish language cable TV, Spanish language broadcast TV. Brands reflected had measured total TV spend of at least \$25MM between Jan-Oct '20 with a YoY TV spend increase of at least +10%.

# After four challenging months at the start of the pandemic, **TV advertising stabilized in 3Q '20** as advertisers adapted to the current environment and many started re-investing

Quarterly Nat'l TV Spending (broadcast + cable TV)  
(in millions)

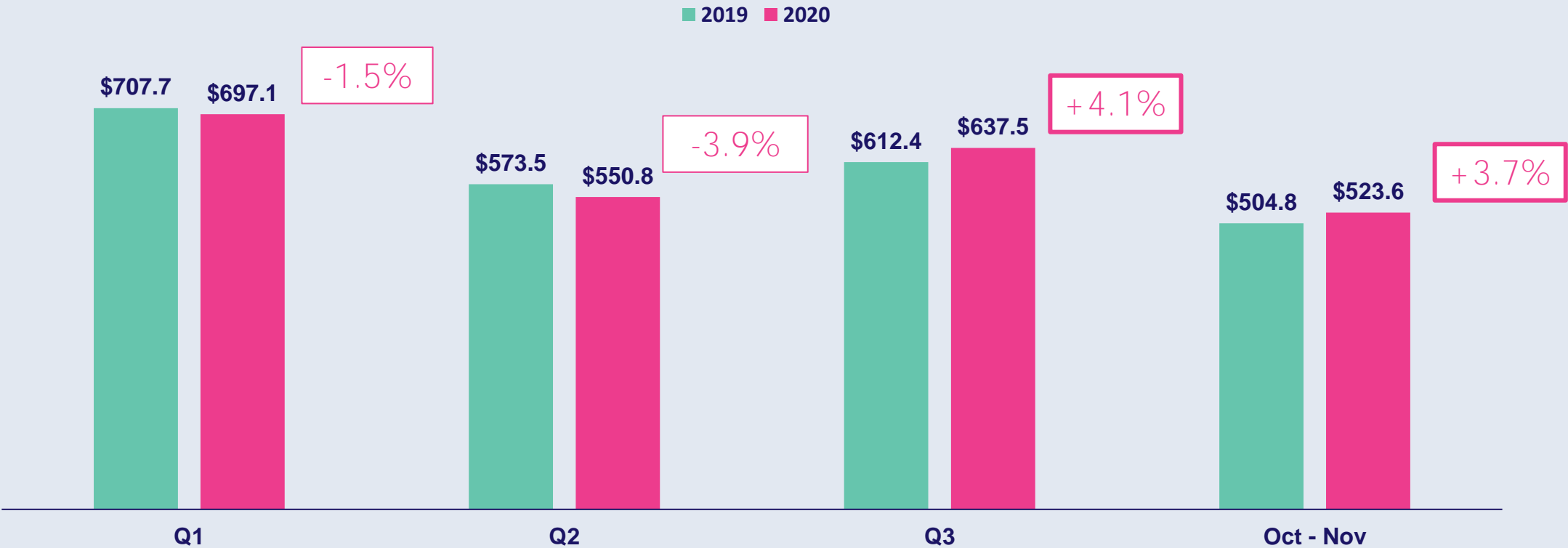
■ 2019 ■ 2020



Source: iSpot.tv, national TV includes broadcast and cable TV networks

# Direct-to-Consumer brands have been particularly well-positioned for the pandemic and their TV spending, as a category, has been relatively flat YTD, with increases over the last four months

**DTC Category: Quarterly Nat'l TV Spending (broadcast + cable TV)**  
(in millions)



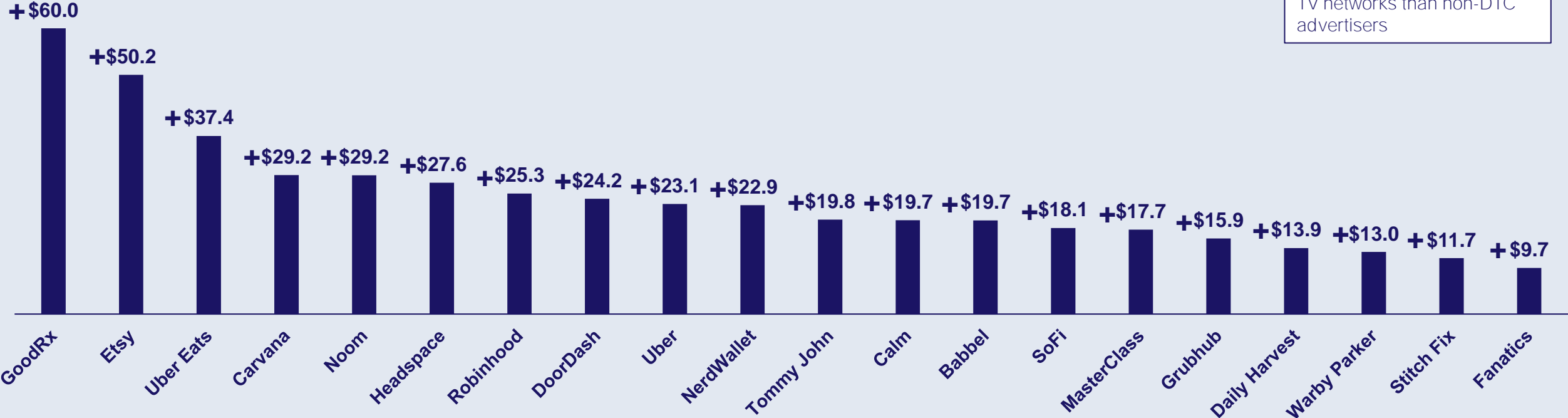
Source: iSpot.tv, national TV includes broadcast and cable TV networks, direct-to-consumer custom category.

There have been many **relevant DTC products/services** - especially among financial, pharma, online food ordering/meal kit subscriptions, adult education – that have **substantially increased their TV investment YTD**

**DTC Category: YoY Nat'l TV Increased Investment (broadcast + cable TV)**

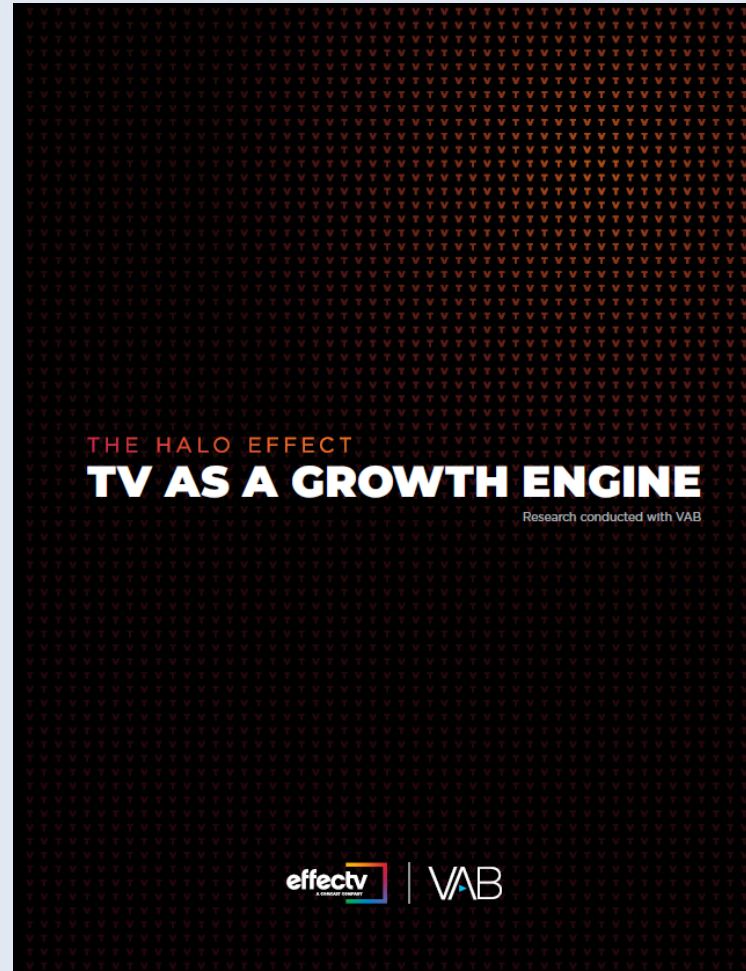
Jan-Nov '19 vs. Jan-Nov '20  
(in millions)

Performance-based DTC brands also tend to buy more TV networks than non-DTC advertisers



Source: iSpot.tv, national TV includes broadcast and cable TV networks, direct-to-consumer custom category.

Advertisers are also **launching their first TV campaigns earlier in their brand life stage** than before and are seeing a greater impact to their digital performance as a result



- 190 brand analysis:
- 140 DTC brands
  - 50 non-DTC brands

# In the past, the journey from a DTC brand's first social media buy to their initial TV investment would take **about eight years on average**

▶ However, even before the onset of the pandemic, DTC brands have been accelerating their advertising journey to TV over the last few years and **launching TV earlier in their company life stage**

## Typical Direct-to-Consumer Brand Advertising Evolution

### Social Media

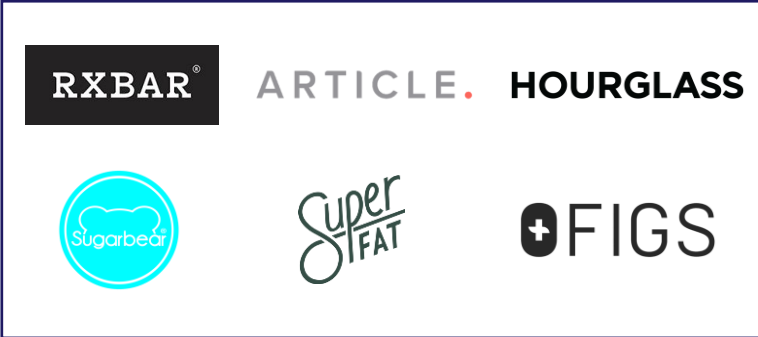
Sampling of brands that are primarily advertising in this channel



TERRITORY TERRITORYFOODS.COM Nextdoor INKBOX' NUMI Payoff™ feals

### Podcasts, Out-of-Home, Satellite Radio

Sampling of brands that have added these channels to their media mix



RXBAR® ARTICLE. HOURGLASS Sugarbear Super FAT FIGS

### Multiscreen TV

Sampling of brands that have added TV to their media mix



BOXED TECOVAS. chewy.com ROTHY'S classpass CARVANA

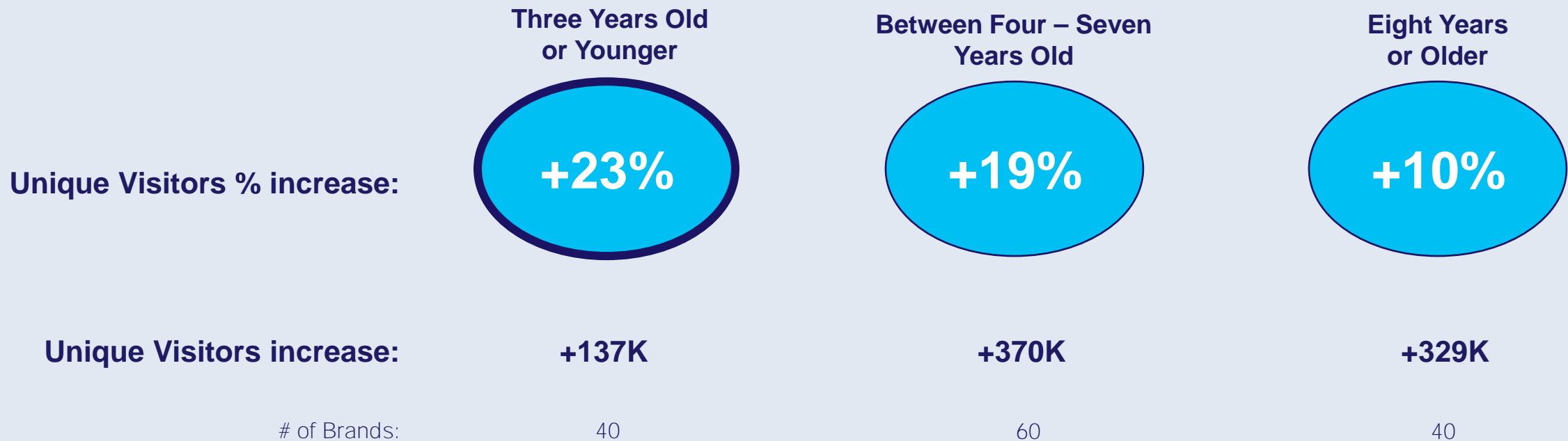
**DTC Brand Maturity**

Source: VAB's 'The Halo Effect: TV As A Growth Engine.'

# DTC brands that launch TV earlier in their life stage see **strong, immediate outcomes** in their digital performance

## TV Launch Month vs. Three-Month Average Prior To TV

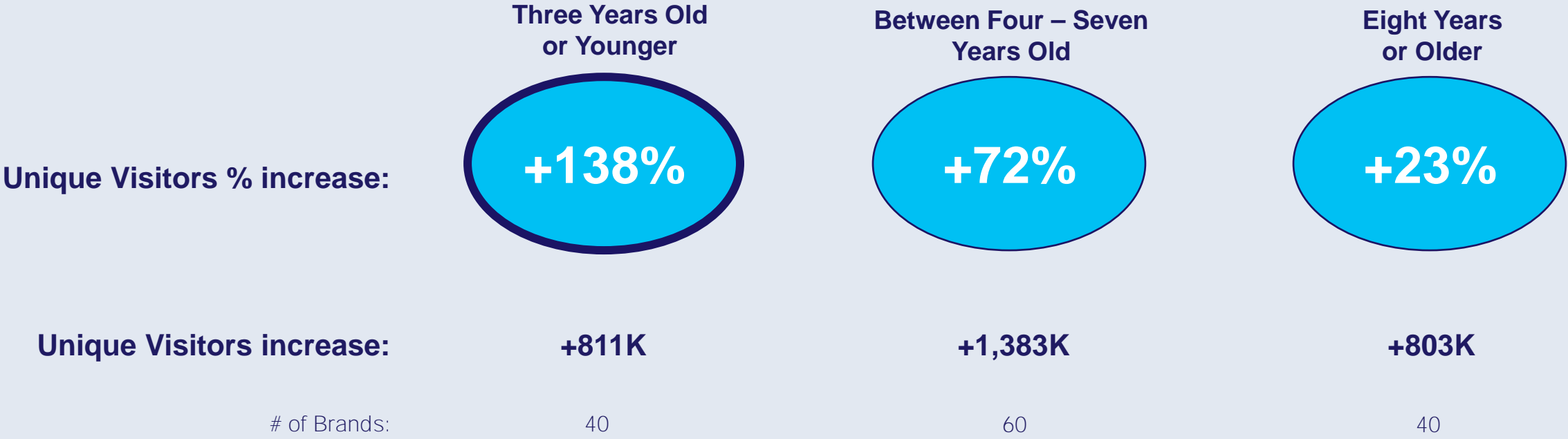
Average Website Unique Visitors



Source: VAB's 'The Halo Effect: TV As A Growth Engine,' VAB analysis of Nielsen Ad Intel data, TV spend (national cable TV, national broadcast TV, Spanish language broadcast TV, Spanish language cable TV, spot TV, syndicated TV), Jun '16 – Jun '20 (calendar months). VAB analysis of Comscore mediameatrix multiplatform (desktop + mobile) media trend data; P18+, Jun '16 – Jun '20 (calendar months).

# A sustained presence on TV (longer campaigns / more months ‘on’) drives even greater, triple-digit lifts in digital performance for younger brands

## “When On TV” Monthly Average vs. Three-Month Average Prior To TV Average Website Unique Visitors



Source: VAB's 'The Halo Effect: TV As A Growth Engine.' VAB analysis of Nielsen Ad Intel data, TV spend (national cable TV, national broadcast TV, Spanish language broadcast TV, Spanish language cable TV, spot TV, syndicated TV), Jun '16 – Jun '20 (calendar months). VAB analysis of Comscore mediameitrix multiplatform (desktop + mobile) media trend data; P18+, Jun '16 – Jun '20 (calendar months).

# Similar results were seen for Non-DTC advertisers as well - brands across each life stage experienced double-digit increases at launch...

## Non-DTC Brands: TV Launch Month vs. Three-Month Average Prior To TV

Average Website Unique Visitors



Source: VAB's 'The Halo Effect: TV As A Growth Engine.' VAB analysis of Nielsen Ad Intel data, TV spend (national cable TV, national broadcast TV, Spanish language broadcast TV, Spanish language cable TV, spot TV, syndicated TV), Jun '16 – Jun '20 (calendar months). VAB analysis of Comscore mediameatix multiplatform (desktop + mobile) media trend data; P18+, Jun '16 – Jun '20 (calendar months).

# ...and a **sustained presence on TV drives greater digital lifts** for young non-DTC brands, just like with DTC brands

## Non-DTC Brands: “When On TV” Monthly Average vs. Three-Month Average Prior To TV Average Website Unique Visitors



Source: VAB's 'The Halo Effect: TV As A Growth Engine.' VAB analysis of Nielsen Ad Intel data, TV spend (national cable TV, national broadcast TV, Spanish language broadcast TV, Spanish language cable TV, spot TV, syndicated TV), Jun '16 – Jun '20 (calendar months). VAB analysis of Comscore mediameatix multiplatform (desktop + mobile) media trend data; P18+, Jun '16 – Jun '20 (calendar months).

There were also the **brave, new TV advertisers of 2020**, many of whom launched their first campaign at the beginning of the pandemic in 2Q



2020

**Welcome to TV**  
Introducing The 'New Kids On The Block'  
1<sup>st</sup> Half of 2020

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# Nearly **\$460 million** entered the national TV marketplace in 1H 2020 from **110** first-time national advertisers across **59** categories

- Diversity of budget levels:
- 15%: \$5MM+
  - 23%: \$1-\$5MM
  - 21%: \$500K - \$5MM
  - 41%: under \$500K



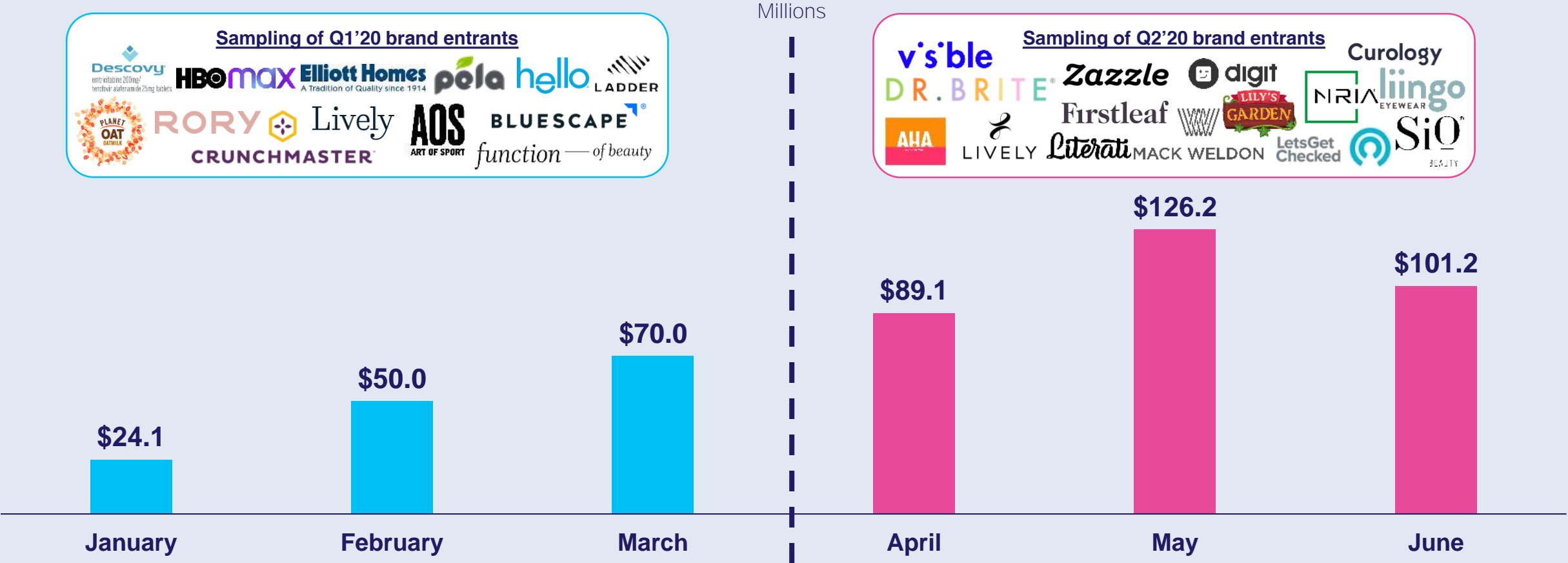
Source: VAB's 'Welcome to TV: Introducing The 'New Kids On The Block.' VAB analysis of Nielsen Ad Intel data, Q1'20-Q2'20. TV spend includes national cable TV, broadcast TV, Spanish language cable TV, Spanish language broadcast TV. Brands reflect those with national TV spend over \$100K.

# Nearly 70% of new 1<sup>st</sup> half national TV dollars were invested during 2Q, the heart of the pandemic, with over \$316 million from 60 advertisers

▶ 50 new national TV advertisers launched in 1Q (45% of total 1<sup>st</sup> half advertisers) and invested a total of \$143 million in the quarter (31% of 1<sup>st</sup> half spend by new advertisers)

## 2020 New Nat'l TV Advertisers Monthly Spend

Millions



Source: VAB's 'Welcome to TV: Introducing The 'New Kids On The Block.' VAB analysis of Nielsen Ad Intel data, Q1'20-Q2'20. TV spend includes national cable TV, broadcast TV, Spanish language cable TV, Spanish language broadcast TV. Brands reflect those with national TV spend over \$100K.

# Of the new advertisers, there were **60 Direct-to-Consumer brands** across **34 categories** who collectively spent **over \$144 million** in national TV

► DTC brands accounted for **56%** of total new advertisers and **31%** of total spend (non-DTC pharma spending was particularly big this year)



Source: VAB's 'Welcome to TV: Introducing The 'New Kids On The Block.' VAB analysis of Nielsen Ad Intel data, Q1'20-Q2'20. TV spend includes national cable TV, broadcast TV, Spanish language cable TV, Spanish language broadcast TV. Brands reflect those with national TV spend over \$100K.

# Key Takeaways For Marketers

▶ TV's resilience is entrenched in its ability to drive business outcomes for brands



## Marketing Principles as Your Guide

After four challenging months, TV advertising stabilized in 3Q '20 as **savvy marketers knew** that increasing (or at least maintaining) TV ad investment was critical to driving positive business outcomes.



## Fill a Consumer Need

At any time, but especially in times of consumer distress, examine what role your brand plays and increase investment to widen your consumer base and fill that need.



## No Brand is Too Young, No Budget Too Small

A sustained presence on TV drives significant business outcomes for new, not-yet-established brands and for brands at relatively lower **budget levels. Don't let your brand's life** stage, size or budget hold you back.



## Learn From High-Growth Brands

Knowing the immediacy, legitimacy and scale that TV delivers, data-driven, performance-obsessed DTC brands continued their TV investment in line with the prior year.

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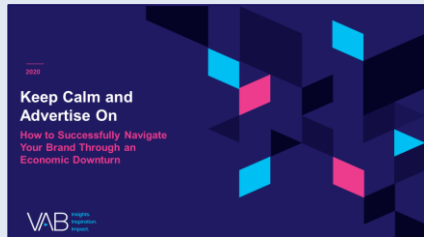
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