

Global Ad Trends [SAMPLE]

# FMCG & COVID-19

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DATA





03/20

FMCG & COVID-19

*Strategic advice for FMCG brands during the COVID-19 crisis, drawing from historic and current advertising and media data*

Adspend during the last recession

*Investment patterns by medium and product sector during 2008/09*

Media owner profiles

*Mediaset, ITV, Baidu, The New York Times*

Latest market intel

*Charts and datasets relating to consumer sentiment, evolving media consumption habits and the business impact of COVID-19*

# Key takeaways

**1:** A deep recession is **now highly probable** in the short-term; this is likely to lead to an advertising recession in the first half of 2020.

**2:** During the last recession, **ad money moved into paid search**, though Google is not immune to a downturn. Other online pure players such as Facebook, Twitter and Baidu are vulnerable; digital channels are the easiest to switch off.

**3:** The food and drink sectors reduced spend at a **far softer rate** than the wider market in 2009 – they are also less exposed to today's downturn than sectors such as travel, tourism and entertainment.

**4:** Major FMCG advertisers lowered ad investment in 2008/09, but it **held as a share of sales revenue**.

**5:** FMCG ad money is moving online, but **brand building is still important** while selling via third-party retailers and not directly to customers.

**6:** FMCG sales on Tmall and Amazon have boomed. The upshot of this is that **online players may become more significant as gatekeepers to FMCG shoppers**. This may increase the importance of DTC or subscription offers.

**7:** Consumers are now adjusting to '**living a new normal**', and crisis-buying habits may prompt permanent shifts in behaviour.

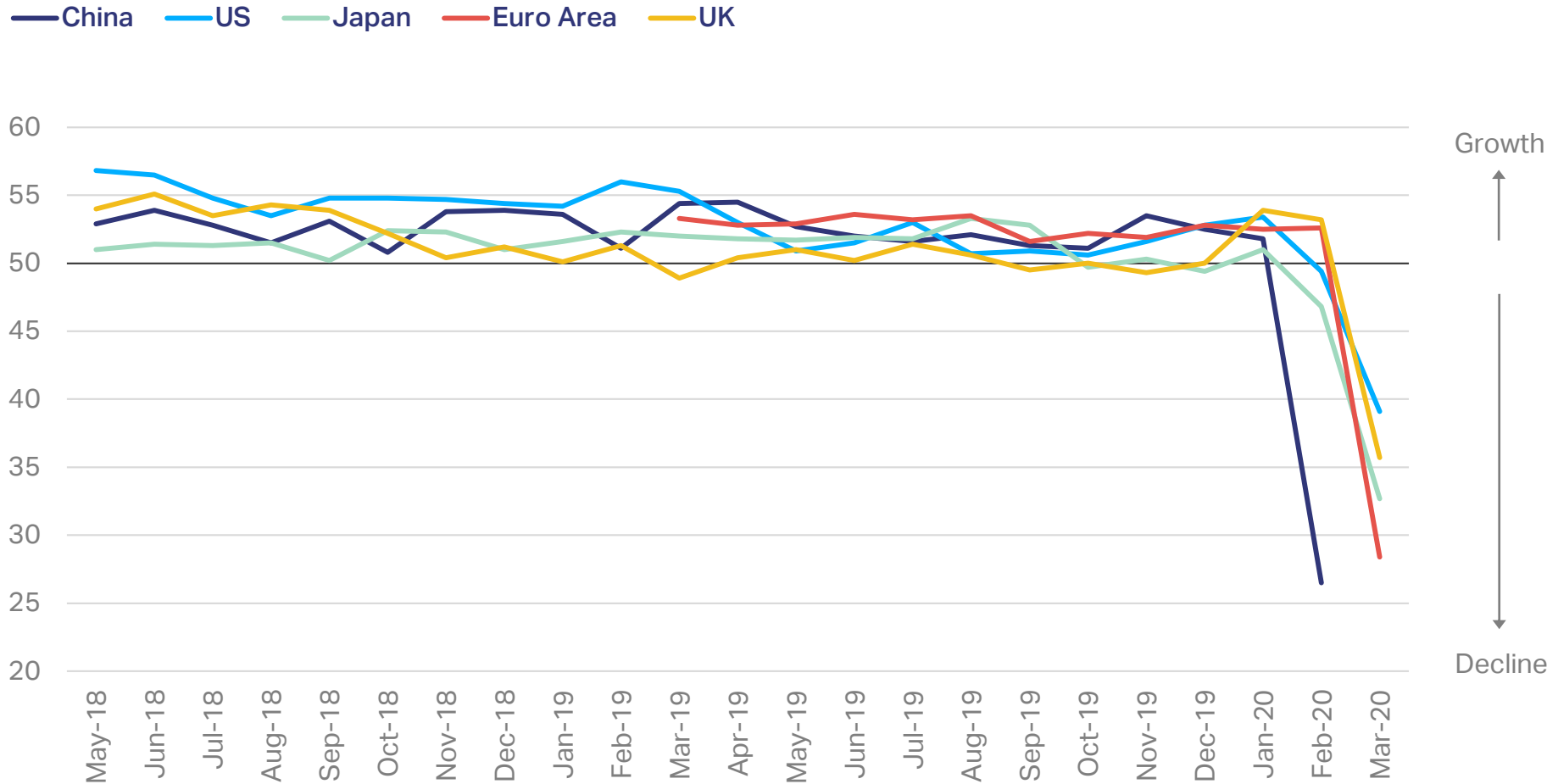
# Major economies have likely fallen into recession

Revised economic growth projections from Moody's, Goldman Sachs, JPMorgan and Deutsche Bank, among others, suggest a sharp, imminent downturn.

The current consensus is for a 'V' shaped recovery: growth will return in the second half of the year following severe contractions during the first.

Central banks have announced a swathe of stimuli to keep economies afloat. But the pandemic is not like a normal recession – PMI data show a far steeper fall in services activity than would usually be expected.

## Purchasing Managers' Index (PMI), Services



**Note:** A value above 50 indicates growth, a value below 50 indicates decline. Larger/smaller values signal severity. March data are flash results.

**SOURCE:** IHS Market *Purchasing Manager's Index*

# All major economies have GDP growth cut for 2020

GDP, Year-on-year % change, Real terms		2020		
		November 2019	March 2020	Difference
	2019			
G20	3.1%	3.2%	2.7%	-0.5pp
Australia	1.7%	2.3%	1.8%	-0.5pp
Canada	1.6%	1.6%	1.3%	-0.3pp
Eurozone	1.2%	1.1%	0.8%	-0.3pp
Germany	0.6%	0.4%	0.3%	-0.1pp
France	1.3%	1.2%	0.9%	-0.3pp
Italy	0.2%	0.4%	0.0%	-0.4pp
Japan	0.7%	0.6%	0.2%	-0.4pp
South Korea	2.0%	2.3%	2.0%	-0.3pp
China	6.1%	5.7%	4.9%	-0.8pp
India	4.9%	6.2%	5.1%	-1.1pp
Indonesia	5.0%	5.0%	4.8%	-0.2pp
UK	1.4%	1.0%	0.8%	-0.2pp
US	2.3%	2.0%	1.9%	-0.1pp
Global	2.9%	2.9%	2.4%	-0.5pp

SOURCE: OECD

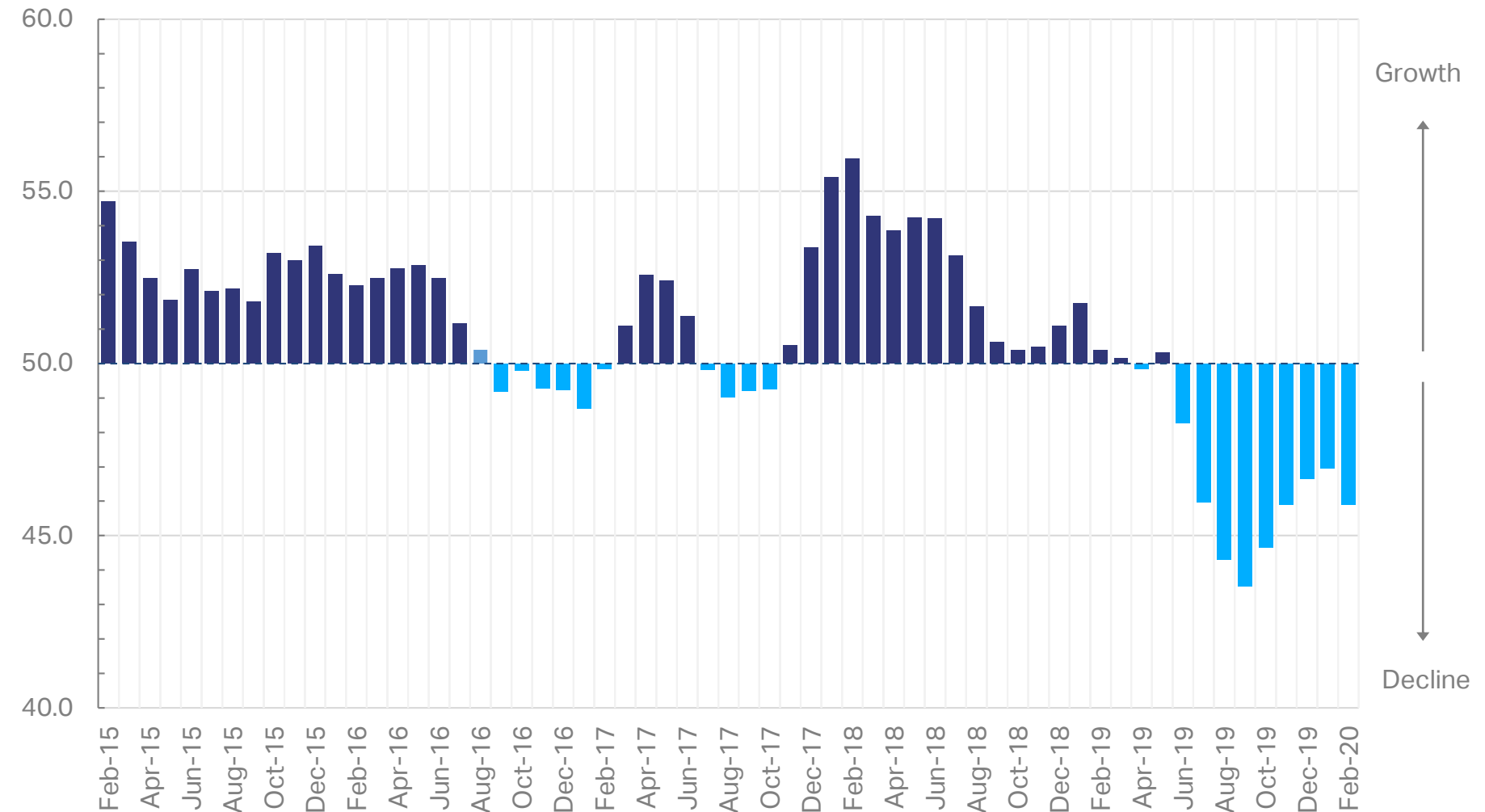
## The probability of an advertising recession is high

RTL, Europe's largest commercial broadcaster, has stated that COVID-19 is now hitting ad bookings, while NBC Universal will also expect a material impact – its **Olympic coverage – worth \$1.25bn – has now been postponed.**

UK broadcaster ITV reports the same impact on bookings, most notably within the travel sector, and expects growth to be down 10%. JCDcaux also anticipates a 10% dip.

Baidu advises Q1 revenue will be down by as much as 18%. Facebook and Google are exposed – digital channels are the **easiest to switch off.**

## Global, Marketing Budgets Index



**Note:** A value above 50 indicates growth, a value below 50 indicates decline. Larger/smaller values signal severity.

**SOURCE:** WARC Data Global Marketing Index

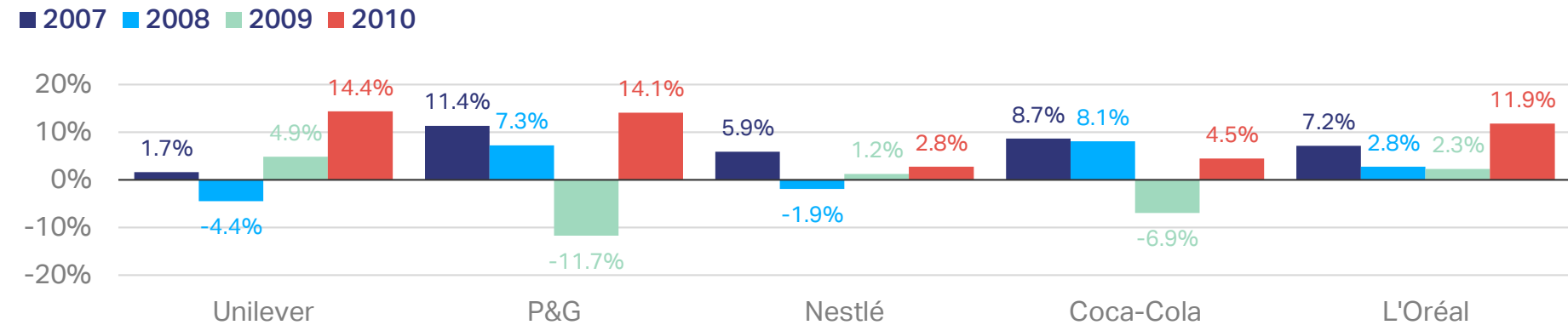
## Ad investment fell among key FMCG companies, but held as a share of sales revenue

Sales revenue was down among five of the largest FMCG companies in 2009, though only P&G and Coca-Cola cut ad investment.

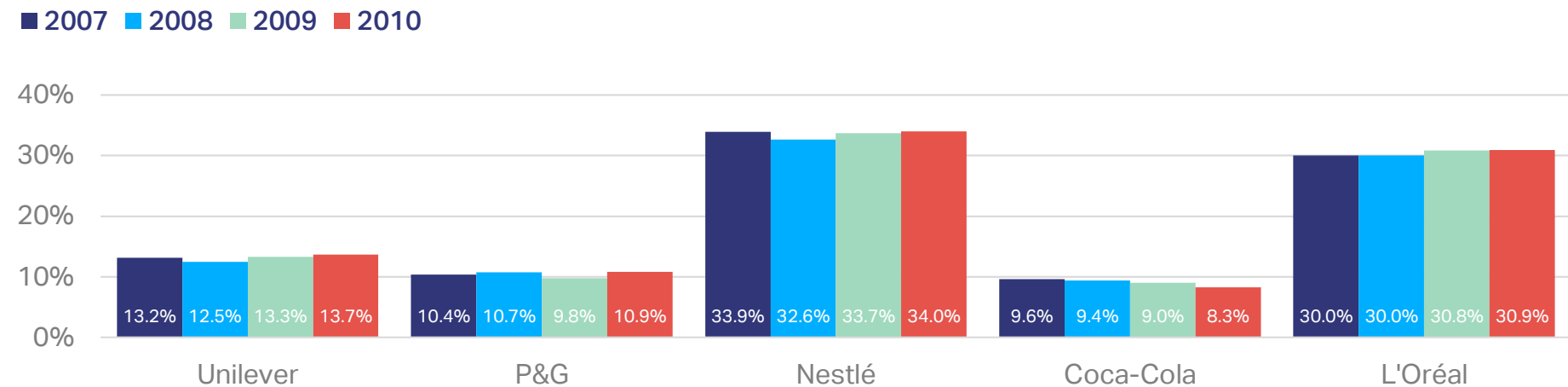
This is interesting to note as today's downturn is different – consumers are stockpiling food and drink, and this may lead to a short-term boost in sales income.

Evidence from previous recessions shows longer periods off air **will weaken brand health** and damage market share due to a reduction in share of voice.

## Advertising and marketing expenses, year-on-year % change, Local Currency



## Advertising spend as a share of sales revenue



SOURCE: WARC Data, Company reports

**A key difference in the advertising landscape between the last crisis and today is the rise of e-commerce and digital marketing which, combined, have encouraged a drift toward short-termism.**

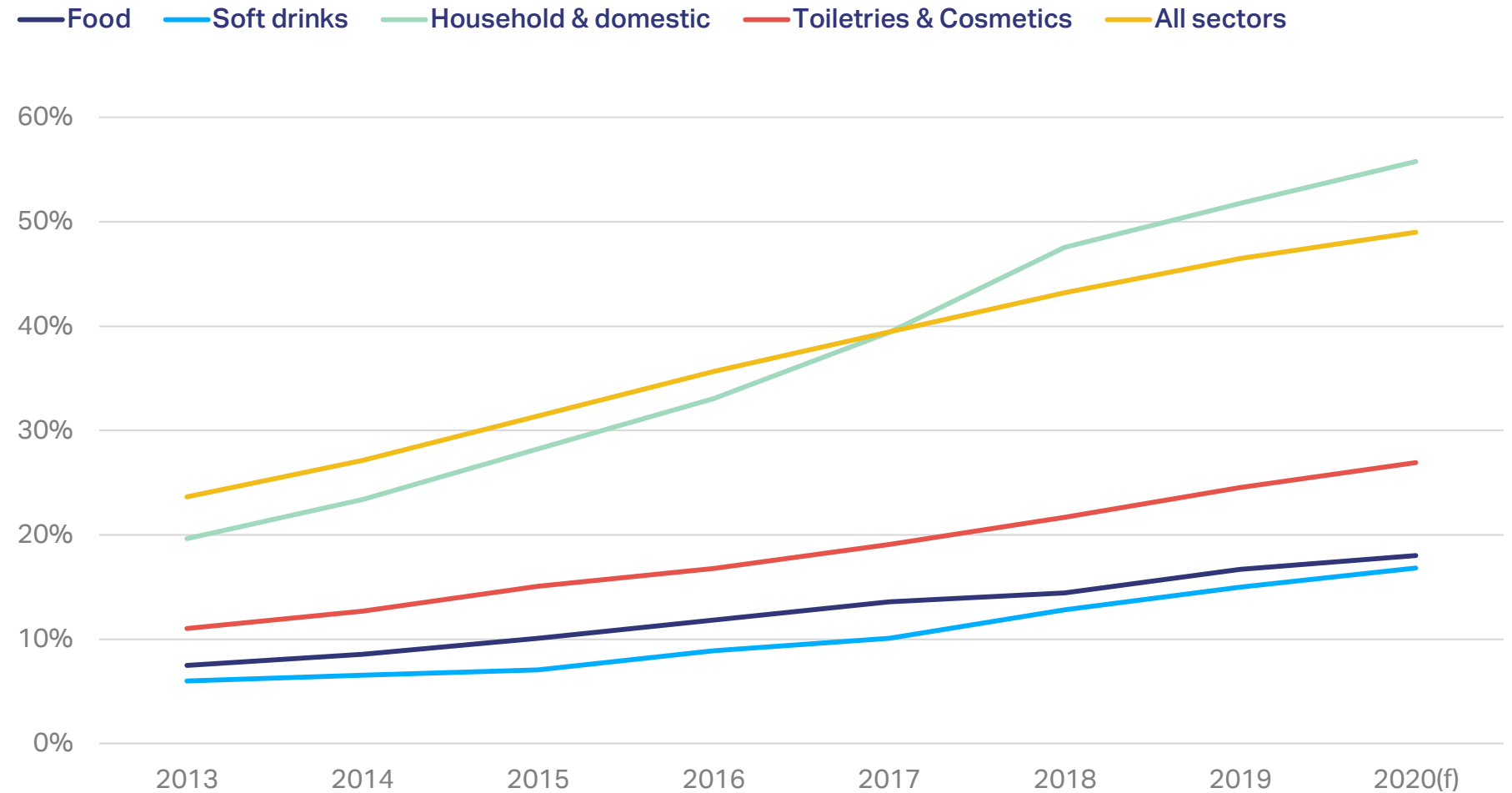
## FMCG ad money is shifting online

This is true across all 19 product sectors monitored by WARC, though some FMCG sub-categories have been slower to shift budget than others, in part because they are not selling directly through digital channels.

Brand building is important for food and soft drinks. While online spend is rising in line with the wider market, TV spend is still **4.5 and 3.8 times higher**, respectively.

The disruption of activity caused by COVID-19 creates the opportunity for brands to **build lasting relationships**, but communications need to be **positive and proactive**.

## Global, Online display as a share of total advertising investment



SOURCE: WARC Data, Nielsen Ad Intel



## One in four is now shopping more online due to COVID-19

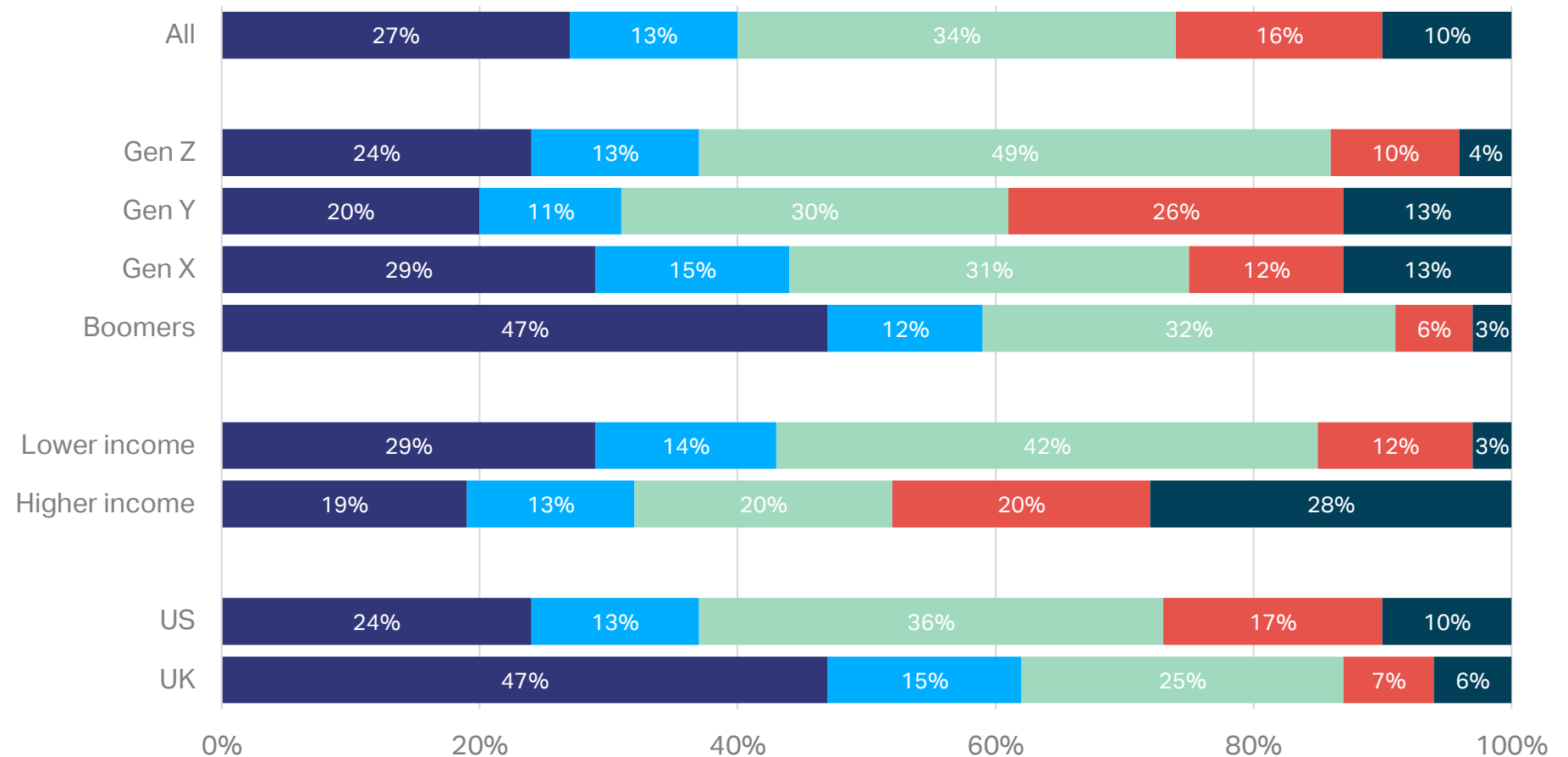
Millennials (39%) are more likely to do so, followed by Gen Xers (25%). Higher earners are also significantly more likely to than lower earners (48% versus 15%).

Half (46%) of those who say they are worried about the impact of the virus on their personal finances say they are still shopping more online.

Data from Ipsos MORI show that the majority of online shopping is happening at the **expense of visits to physical stores**.

## *“I’m shopping more often online now than before, because of COVID-19”*

■ Strongly disagree ■ Somewhat disagree ■ Neutral ■ Somewhat agree ■ Strongly agree



**Note:** n = 2,310 (US) and 2,229 (UK) internet users aged 16–64. Low income is <\$32k, high income is >\$85,000. Includes grocery shopping

**SOURCE:** GlobalWebIndex

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**The current downturn may not hit FMCG as hard as some sectors, but it is likely to be significant in terms of changing consumer purchase behaviour.**



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# Adspend during the last recession

## It took the ad market eight years to recover from the last crisis

A full 12.7% – \$60.5bn – was removed from the value of global ad trade during the last recession.

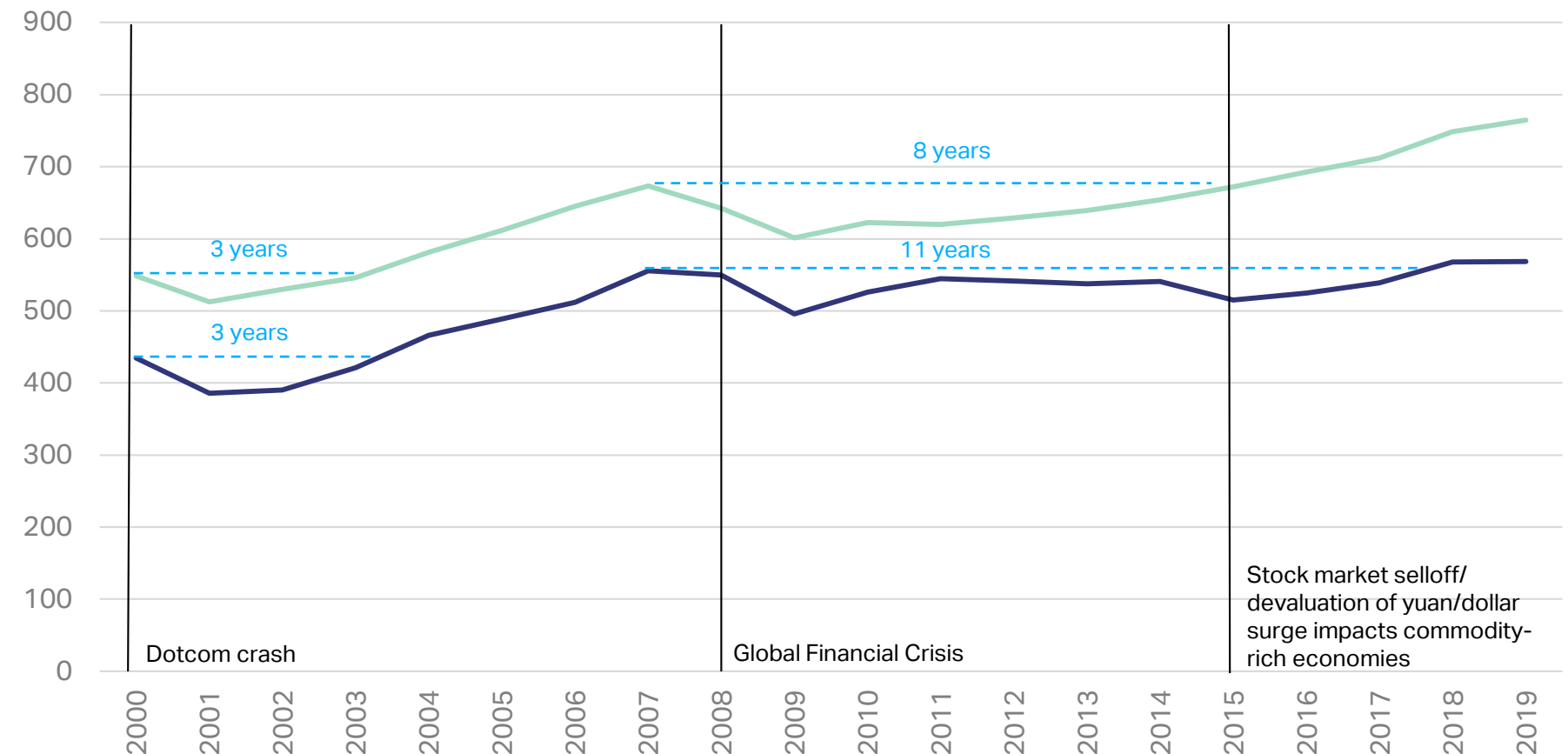
In nominal terms, the market had recouped this loss within two years.

But after accounting for inflation and currency fluctuations, the market took eight years to recover.

This extends to 11 years in dollar terms, owing to a surge in the greenback which hit commodity-rich nations in 2015.

## Global advertising investment, Constant prices, Billions

— US dollars — Purchasing Power Parity



SOURCE: WARC Data Adspend Database



## Google was not wholly immune to the last crash

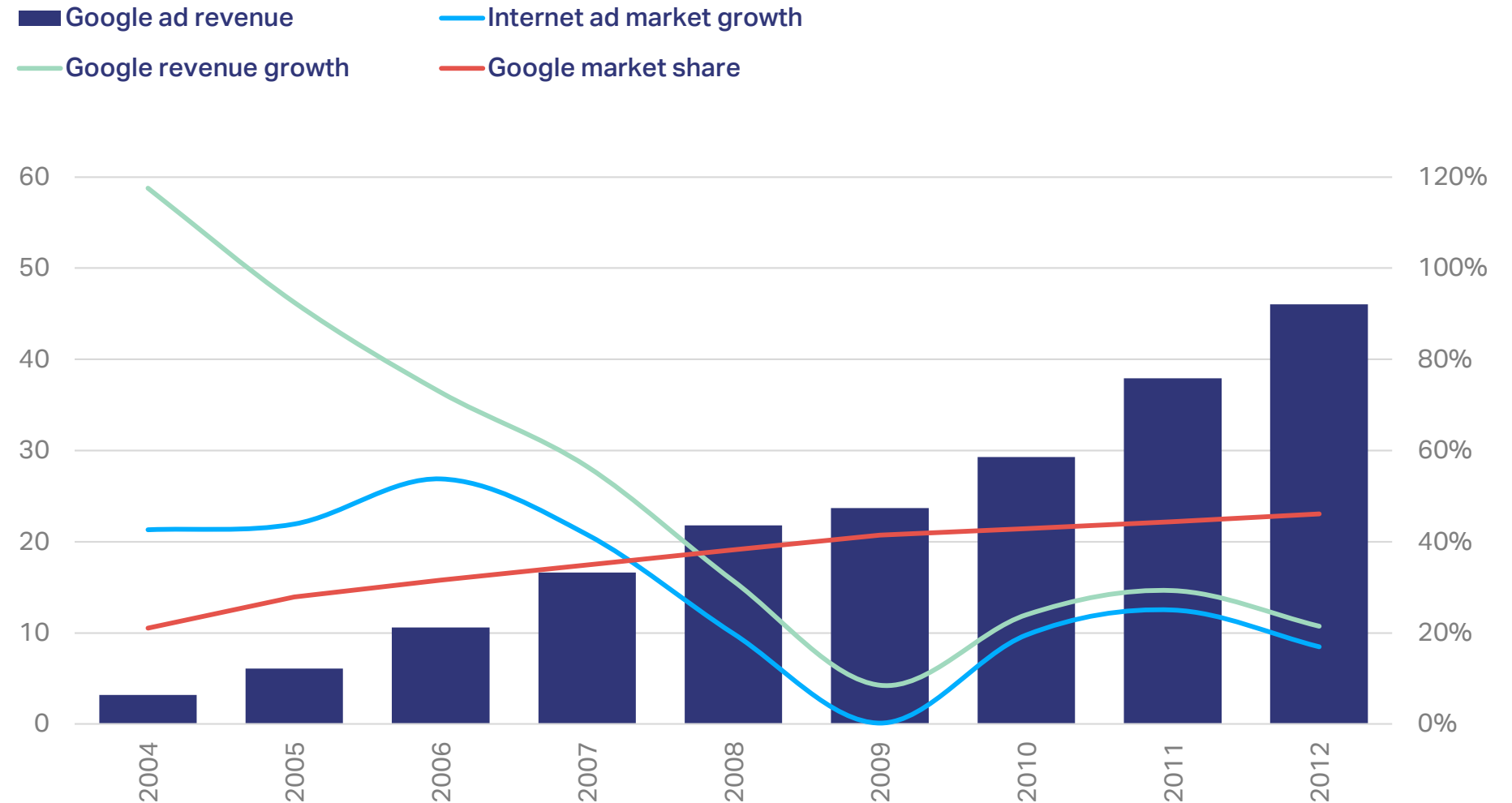
Ad income growth eased to 8.5% in 2009, equivalent to \$1.9bn in absolute terms. This was down from almost a third (+31.3% – \$5.2bn) in 2008, but was still well ahead of the wider market.

It is conceivable that large brands will shift budgets online to focus on short-term goals during uncertain times.

But much of Google and, indeed, Facebook's ad income is drawn from a long-tail of SMEs – those most exposed to a downturn.

This explains, in part, why Facebook is now offering these companies US\$100m in ad credits.

## Global advertising investment, US dollars, Constant prices, Billions



SOURCE: WARC Data, Google

Global Ad Trends

# Media owner profiles

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# ITV

## COVID-19 likely to dent advertising rebound

ITV saw advertising revenue grow at its quickest rate in nearly two years during Q4 2019, up 1.8% and reversing a steep decline seen at the beginning of the year.

However, ad revenue is expected to fall by at least 10% in April, in stark contrast to the strong growth of 8% seen last year. Retail and leisure were the two largest sectors in 2019, both of which are vulnerable to consumers spending less time outside.

As consumers watch more TV, ITV's daytime content recorded the largest audience on a Wednesday in seven years. However, the broadcaster has now had to cut its programme budget by £100m.

**1.8%**

Q4 2019  
advertising  
revenue  
growth

**£91m**

Travel  
adspend  
in 2019

**-10%**

Projected  
change in  
April ad  
revenue

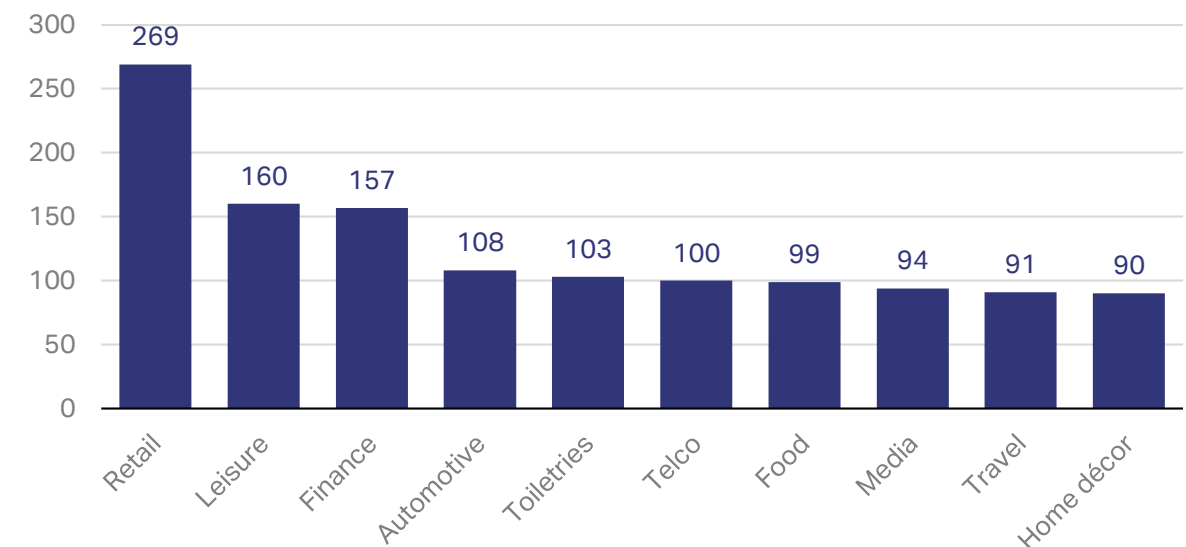
**32%**

Growth in  
daytime  
audience

**£100m**

Programme  
budget cut  
for 2020

*Advertising revenue in 2019 by sector, £ millions*



**Note:** Sector advertising revenue is spot and video-on-demand only.

**SOURCE:** Company reports



Global Ad Trends

# Latest market intel

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# Latest COVID -19 data

## Consumer sentiment

Consumers split on how brands should advertise  
[read more](#)

Consumers expect businesses to step-up and help tackle COVID-19  
[read more](#)

Six-in-ten Britons think it's unacceptable to bulk-buy  
[read more](#)

Brands should help keep consumers informed  
[read more](#)

Over 80% of consumers think brands should offer flexible payment  
[read more](#)

## Media consumption

Gen Z is driving changes in COVID-19 media habits  
[read more](#)

Consumers are reading more online news and watching more linear TV as COVID-19 spreads  
[read more](#)

COVID-19 makes mobile gaming and short video more popular in China  
[read more](#)

## Consumer behaviour

E-commerce shopping more frequent because of COVID-19  
[read more](#)

Indonesia lags APAC for social distancing during COVID-19  
[read more](#)

Nine in ten consumers have changed their behaviour because of COVID-19  
[read more](#)

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