MEDIA IMPACT REPORT #14

COVID-19 Pandemic Advertising Ecosystem Impact

6.23.2020

TOP 3 THINGS TO KNOW

1 Brands need to take a close look at CCPA regulations, evaluate what changes they will need to make, and map out a compliance checklist and timeline.

2 Understanding customer composition is critical to getting the media strategy right in order to maximize return on investment.
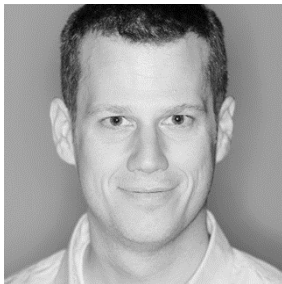
3 TV viewership has shifted and weekend levels have decreased dramatically while weekday levels have increased.

Agency POV:
Industry Updates

Written by:

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Industry Updates: *Google Chrome 3rd Party Cookie Blocking Is Coming Soon*

On January 14, Google announced that by 2022, 3rd party cookies will be obsolete in Chrome. Google is following in the footsteps of Apple to address user privacy, as this news follows updates that Safari has already deployed the privacy feature, Intelligent Tracking Protection, as has Firefox, which released Enhanced Tracking Protection.

The effects will be far greater, however, as Chrome is currently the top browser with a market share of **48% in the U.S.** and **64% globally** for Internet users.

To date, there are **no 1:1 replacements** for 3rd party cookies that would allow for the same functionality at the same scale, though the industry is working towards solutions.

Chrome's upcoming changes will impact all digital advertisers:

- Third party cookies are an essential part of our current online ecosystem. These are created and managed by external parties other than the website a user is visiting and used for retargeting, analytics, and tracking services.
- Most targeting technologies currently employed by digital marketers rely on cookies and these marketers will see reductions in addressable audience sizes if no suitable replacement is found.
- The ability for granular campaign control (frequency capping, sequential messaging, etc.) will be affected.
- "Walled gardens" like Google and Facebook will not be impacted as heavily as they rely mostly on first party cookies and unique IDs from logged in users for data, targeting, and optimization.
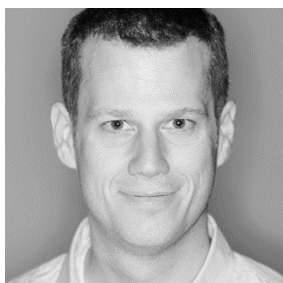
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***Industry Updates:** Google Chrome 3rd Party Cookie Blocking Is Coming Soon (cont.)*

**Further speculations about what to expect:**

- Targeting & Execution:
  - Content will become significantly more important as it serves as a targeting proxy.
  - Programmatic will shift more towards contextual targeting and private marketplace deals to leverage publishers' first party cookies.
  - Browsers themselves may start to segment users for targeting, with 1:1 user targeting shifting to clustering.
  - Audiences with historical data will be more valuable as they become rarer.

- Measurement:
  - Conversion tracking will rely more heavily on click-based data; Savvy marketers will look beyond last-touch conversion tracking, which is overly-emphasized today.
  - Google's Privacy Sandbox will become part of advertisers' toolkits.
  - Buyers will have a greater reliance on machine learning.
  - Predictive analytics will become even more crucial for holistic campaign measurement.

- Winners:
  - Walled gardens (platforms with massive reach) will continue to grow as they have their own first party data from log-in strategies and alliances.
  - Advertisers that are quick to experiment and adapt as changes transpire.

Where we go from here: The IAB has launched Project Rearc, an industry collaboration to rearchitect digital marketing for less reliance on cookies. **Rain the Growth Agency is collaborating on Project Rearc** with our industry colleagues on the way forward into a cookie-less digital world:

  - Currently we are in Phase 1 (Q2): Understanding the Problem
  - Phase 2 (Q3): Understanding Technical Alternatives
  - Phase 3 (Q4): Solution Design of Selected Alternative(s)

Dialogue with our vendors and partners will continue as new alternatives emerge during this exciting time of change in our industry.
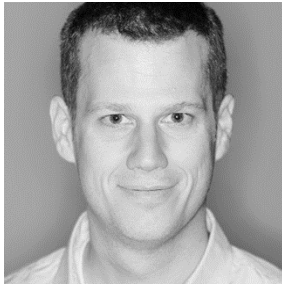
Industry Updates: Brands Need to Prepare for CCPA

Written by:

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The California Consumer Privacy Act (CCPA) is a state statute intended to enhance privacy rights and consumer protection for residents of California. Its purpose is similar to GDPR (General Data Protection Regulation) in the EU.

Where we are in the timeline: CCPA became effective on January 1, 2020. The final version of the regulations was submitted for review on June 1, 2020, to the Office of Administrative Law. CCPA will not be enforced until July 1, at the earliest, and possibly as late as January 1, 2021 (depending on review timeline).

What it does: CCPA gives California* residents the right to:

* Note: CCPA needs to be considered a national initiative as California residents remain residents even if they travel.

- Know what personal data is being collected about them.
- Know whether their personal data is sold or disclosed and to whom.
- Say no to the sale of personal data.
- Access their personal data.
- Request a business to delete any personal information about a consumer collected from that consumer.
- Not be discriminated against for exercising their privacy rights.

Businesses it applies to:

CCPA applies to businesses that satisfy at least one of the following thresholds:

- Has annual gross revenues above $25 million.
- Buys or sells personal information of 50,000 or more consumers or households.
- Earns more than half of its annual revenue from selling consumers' personal information.

Written by:

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Industry Updates: *Brands Need to Prepare for CCPA (cont.)*

CALIFORNIA CONSUMER PRIVACY ACT

Top line responsibilities for companies:

- Implement processes to obtain parental or guardian consent for minors under 13 years, and the affirmative consent of minors between 13 and 16 years, to data share for purposes of Cal. Civ. Code §1798.120.
- Include a "Do Not Sell My Personal Information" link on the homepage of the website of the business, which will direct users to a web page enabling them or someone they authorize to opt out of the sale of the resident's personal information.
- Designate methods for submitting data access requests, including, at a minimum, a toll-free telephone number.
- Update privacy policies with newly required information, including a description of California residents' rights.
- Avoid requesting opt-in consent for 12 months after a California resident opts out.

Impact on digital advertising:

- Decline of "addressable audiences" – opt-out rate of ~10% historically observed, however opt-out exodus can be mitigated through customer education.
- Greater sensitivity around PII data and PII indicators to stay in compliance and mitigate consumer concerns.

Important ➡️ **Next steps:**

- **Brands need to take a close look at the regulations, evaluate what changes they will need to make, and map out a compliance checklist and timeline.**
- **Rain is working closely with media & data partners to:**
  - Ensure partners are prepared to comply with CCPA when consumers exercise their rights.
  - Define categories of personal information they collect, disclose or sell so that they can be added to the "right to know" notice in the privacy policy.
  - Confirm they are not using personal information for the purposes of providing services to another business, person, or entity, unless those services involve data security, fraud, or illegal activity prevention.
  - Ensure they will process rights requests they receive directly or know how to direct requests they receive that relate to your business to the proper channels.

Further information can be found at **the CCPA Website**.

Agency POV: Analytics

Is Your Target Customer Changing during COVID-19?

Written by:

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Director, Marketing Analytics, Rain the Growth Agency

As a result of brick and mortar retail stores being forced to close due to the COVID-19 pandemic, consumers have moved towards DTC brand websites. This shift in buying, in addition to high overall media consumption and low media rates, created an influx of new customer orders for several of our DTC clients.

The question then becomes, "Are these new customers similar to previously targeted segments?" This will depend on each company. Did exposure change result in reaching new audiences? Was there a strategic change to try to acquire new customers through new creative, new media channels, etc.?

We tested this theory out with a client who has had a stable target segment for the past several years. This client saw a 66% YOY increase in new customer orders across five weeks at the beginning of the pandemic. Their media spend increased by 44% YOY during that time. This media spend increase was mostly due to clearing at lower rates on existing stations and dayparts. There was no change in strategy for gaining additional reach. Utilizing our **ConsumerID™** tool in 2018, their target segment was made up of deal seekers that are older (55+ years) and live in rural areas.

 For this analysis, we received an updated new customer file from the client for the COVID-19 time period. We appended that file with Claritas PRIZM Premier clusters, ranked them by customer size, and compared that file to the prior ranking. The findings were fascinating. We found 8 new clusters of customers. When we looked more closely into the demographic, behavioral, and psychographic characteristics of those new clusters, they showed a younger more urban deal seeker, which differed greatly from their prior target segment. This new group of customers had a lower AOV than their prior target segment.

We discussed this with the client along with our strategy around expanding current media in order to capture both target segments. Since this new segment is a younger group, the client's hope is that there will be more longevity with this segment. This insight into the changing makeup of the customer base was key to setting new media strategies going forward. Please reach out if you are interested in running a similar analysis through **ConsumerID™**.

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Opportunity: Understanding customer composition is critical to getting the media strategy right in order to maximize return on investment. Rain's **ConsumerID™** tool is a great way to build out target segments and monitor changes over time.
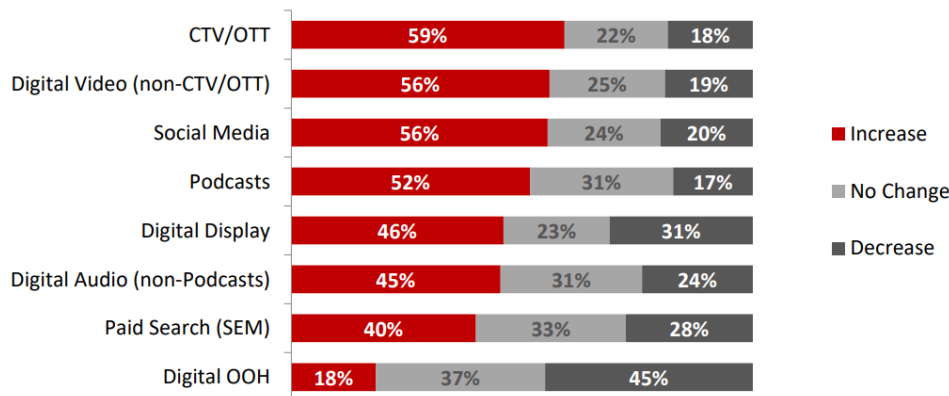
Marketplace Updates

IAB Releases Third Wave of COVID-19 Ad Impact Survey Results

Upfronts/NewFronts and overall H2 expectations were measured within the third survey of advertising buyers conducted by the IAB.

Highlights:

- Buyers are expecting to spend less overall in 2020 compared to 2019, however amid the overall decline, **digital ad spend** is growing. Buyers expect it to be up 13% in 2H vs 2019.

- **Digital Video, including OTT,** and **Paid Social,** are channels most likely to see increases in spend year-over-year.

- 72% of buyers say **NewFronts** are more important than ever before, which aligns with the increased emphasis on digital video.

- Nearly half of buyers are confident their budgets are stable for the rest of 2020, but confidence in 2021 is much lower, likely due to unknown longer-term affects of the pandemic.

Ad Spend Changes by Digital Channel, 2020 2H (Jul-Dec) Y/Y

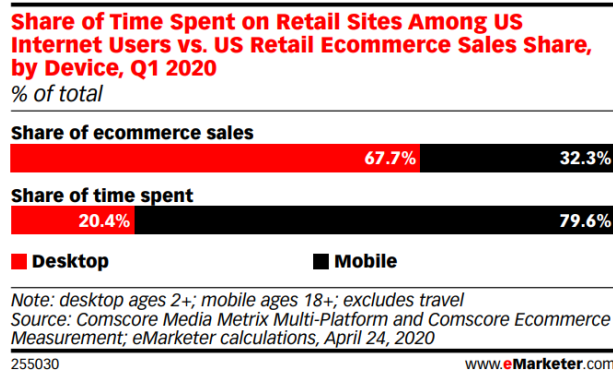| Channel	Increase	No Change	Decrease
CTV/OTT	59%	22%	18%
Digital Video (non-CTV/OTT)	56%	25%	19%
Social Media	56%	24%	20%
Podcasts	52%	31%	17%
Digital Display	46%	23%	31%
Digital Audio (non-Podcasts)	45%	31%	24%
Paid Search (SEM)	40%	33%	28%
Digital OOH	18%	37%	45%

Source: IAB

Frictionless Commerce Trends Up

The pandemic has been driving higher demand for shopping experiences that limit time in-store. Consumers are seeking out **frictionless buying experiences that leverage technology to save time and hassle.**

- **E-commerce picks up**
  - Amazon saw a 26% increase in net sales in Q1 2020 vs Q1 2019, and forecasts additional growth in Q2.
  - Walmart and Facebook are expanding capabilities in this area.

- **Mobile browsing** dominates share of time spent vs desktop
  - Mobile was accounting for 79.6% of digital shopping time in Q1 2020 - but only 32.3% of e-commerce sales, according to Comscore, due to the **need for optimized mobile experiences** to better monetize m-commerce experiences.

- Users are transacting more using **click-and-collect, also known as BOPIS** (Buy Online Pick Up In Store)
  - This is contributing to increased shopping frequency and incremental sales.
  - eMarketer forecasts click-and-collect will account for 8.2% of U.S. e-commerce sales in 2020, up from a pre-pandemic forecast of 7.6%.

Share of Time Spent on Retail Sites Among US Internet Users vs. US Retail Ecommerce Sales Share, by Device, Q1 2020
% of total

Share of ecommerce sales

Desktop	Mobile
67.7%	32.3%

Share of time spent

Desktop	Mobile
20.4%	79.6%

■ **Desktop**   ■ **Mobile**

Note: desktop ages 2+; mobile ages 18+; excludes travel
Source: Comscore Media Metrix Multi-Platform and Comscore Ecommerce Measurement; eMarketer calculations, April 24, 2020
255030   www.**eMarketer**.com

Opportunity: Auditing each step of the customer journey can identify friction points and find ways to improve the user experience. Consumer journey mapping can be a useful exercise to clearly understand each touchpoint with the brand across the purchase funnel and user devices.

Source: eMarketer
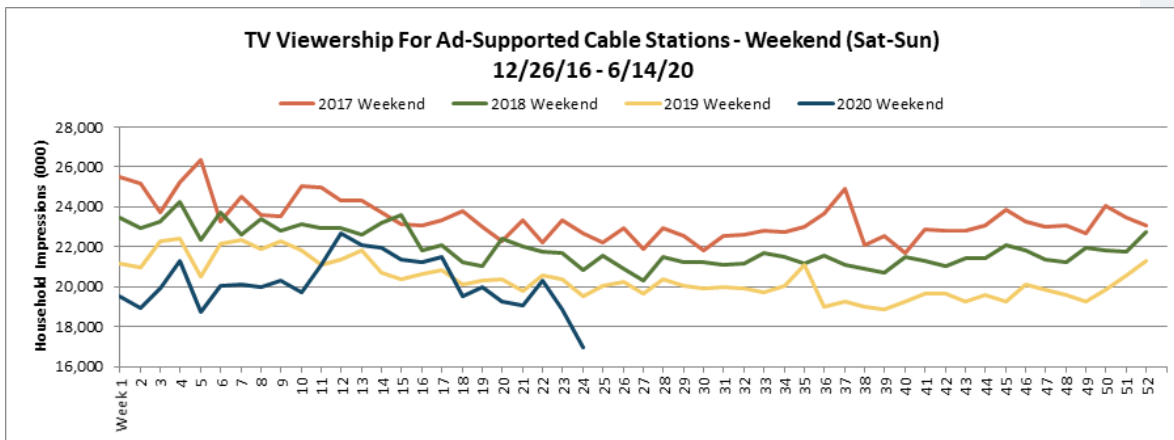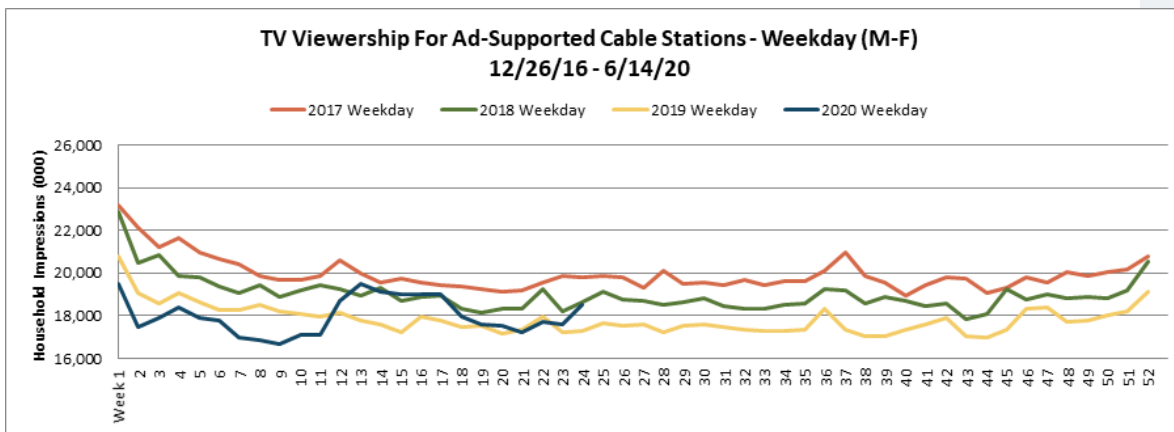
Media
Consumption
Updates

HOUSEHOLD VIEWERSHIP
Overall (Monday-Sunday)

- For the week of June 8, overall viewership decreased by 3% vs. the week prior. However, when evaluating the trends by weekpart, we saw significant differences between weekday and weekend:
  - Weekday viewership increased 5%.
  - Weekend viewership decreased 10%.

TV Viewership For Ad-Supported Cable Stations - Weekday (M-F)
12/26/16 - 6/14/20

2017 Weekday — 2018 Weekday — 2019 Weekday — 2020 Weekday

TV Viewership For Ad-Supported Cable Stations - Weekend (Sat-Sun)
12/26/16 - 6/14/20

2017 Weekend — 2018 Weekend — 2019 Weekend — 2020 Weekend

POV: As we head into the summer months and states are opening up, we are seeing a significant drop-off in weekend viewership. We expect to see volatility in the viewership numbers and will be monitoring performance and recommending adjustments based on individual client results.

Source: Nielsen

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Updates by
Media Channel

LINEAR TV AND VIDEO

- **Marketplace continues to see advertisers return to air** in the last weeks of second quarter. Networks are anticipating Q3 will be busy.
  - As advertisers pulled money back into Q2, networks have indicated they will be full-force heading into Q3 for both general and DR advertisers, for example:
    - E-commerce – Etsy.com, Care.com, Overstock.com
    - Consumer goods
  - Advertisers are ramping up for July 4 promotions – categories included in this amplified spend include:
    - Mattresses
    - Appliances – Lowes & Home Depot, in addition to other retailers
  - Several stations, both mid-and-low-tier networks, are seeing pre-emptions as advertisers are coming in with higher rates in an effort to push spend prior to quarter's end.

- **NBC Universal announced their upfront presentation** will air on NBC network on July 16 at 8:00pm.
  - An hour-long, commercial-free event will premiere on NBC network and will be rebroadcast across USA Network, Bravo, E!, Oxygen, SYFY and/NBC, and will also be available via streaming on Peacock on Friday, July 17.
  - It will offer a sneak peek at NBC Universal's upcoming slate of shows.
  - The "30 Rock" cast is reuniting for the show.

SNAPCHAT PARTNER SUMMIT RECAP

Snapchat held their Partner Summit on June 11 (virtually, of course), packed with updates to the platform and more opportunity for advertisers.

Action Bar and New Navigation

- A new action bar at the bottom of Snap was introduced: A 5-tab design with simplified navigation designed to improve overall navigation usability, **possibly opening up real estate for advertisers.**

Happening Now

- Happening Now is a news product that delivers frequent updates on the top stories of the day, packaged in digestible single-Snap summaries. According to Snap, "Our goal is for Happening Now to become a daily habit for Snapchatters, creating a 'right now' reason to frequently visit the Discover page." **Higher traffic to Discover could mean higher consideration for brands that advertise in that placement.**

Story Replies & Quoting

- Story Replies is a new engagement-based feature that lets Snap influencers directly engage with their fans and have conversations around the Stories they post. It will also give influencers the controls they need to manage and filter replies based on what they want to see and what's important to them. Influencers can ask subscribers to send them questions and answer from there. Fans will be notified when an influencer quotes them, driving further engagement. **This is an opportunity for brands to leverage Snap influencers in a more meaningful way.**

Snap Originals

- Shows are advancing to include visual techniques like split screens and on-screen graphics, and storytelling via text with mobile-first design at the center. **More advanced features can boost viewership here, making a Shows placement that much more attractive to brands.**

User Interface Updates

- **Lens Studio 3.0** - Snap is updating Lens Studio with new, advanced features leaning into **AR creation**.
- **Scan** - Using AR, the platform is developing tech to **identify objects** within original content; for example, users will be able to search for the price of a product they want to buy, identify a plant shown on someone's Snap, or learn more about the scene in a Snap.
- **Place Listings** - Places are evolving to include much more details about a user's surroundings, including businesses in Place Listings. Place Listings can be accessed three ways: by tapping on the business on the Map, searching for it, or tapping on a Snap Story location tag.

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