Omnicom MediaGroup

Social Media Advertising amid COVID-19

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Executive Summary

COVID-19 has dramatically changed both consumer and advertiser habits in a short amount of time. Reports of increased online video streaming, content consumption, and app usage correlate with self-isolation orders across the United States. Consequently, there has been an overall increase in ad inventory availability on social media platforms.

This increase on the supply side has been met by significant decreases on the demand side. Advertisers across entire industry verticals have slashed ad spending, from travel and hospitality – whose businesses have been reduced or shuttered due to plummeting consumer demand for their products – to CPG companies – where some brands have seen increased at-home consumption of their products overwhelm their ability to keep shelves stocked.

Together these supply and demand shifts have combined to reduce CPMs across social media platforms. **We are seeing CPMs decreases on the order of 20-40% across various platforms for the most popular ad placements**, with variation based on the objectives being analyzed.

These reduced CPMs are an opportunity for brands to reach consumers more efficiently, and certain advertisers in categories like gaming and streaming have piled into the marketplace to take advantage. If brands are considering such an approach, we advise a consultation with agency partners to go to market with the right message and adapt to brand safety controls during this crisis.

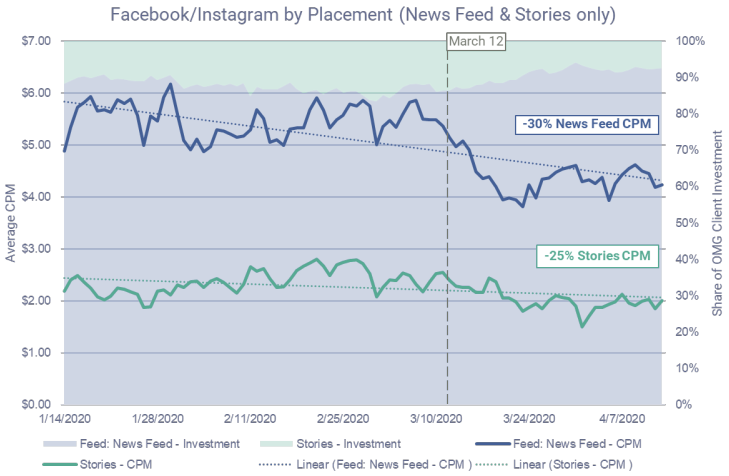
Background: An Auction-Based Market

Most ad inventory on social platforms like Facebook (and Instagram), Twitter, Snapchat, and Pinterest is bought and sold via an ad auction. Advertisers set bidding strategies, then compete to serve their ads in available ad slots in Feeds, Stories, In-Stream, or other placements; these auctions are instantaneous and invisible to the users of these platforms. In the moment of the auction, advertiser bids are gathered and assessed. The aggregated bids (whether bidding on impressions, video views, conversions, etc.) are assessed in terms of CPM, the highest bidder wins the auction, and pay the second-highest bid amount. This process, known as a second-price auction, means the price of inventory is dictated by advertisers (bidding in an auction) rather than platforms (rate cards, price floors, etc.). Our COVID-19 reality of fewer advertisers competing for each ad slot results in lower CPMs, even if inventory availability had remained constant.

Facebook & Instagram Trends

Facebook and Instagram – where brands, in aggregate, spend most of their social media budgets – have seen some of the most dramatic effects of CPM declines. Given the complexity of Facebook's ecosystem, we delved into different data cuts to uncover trends. We spotted significant price changes across media placements and types of campaign objectives.

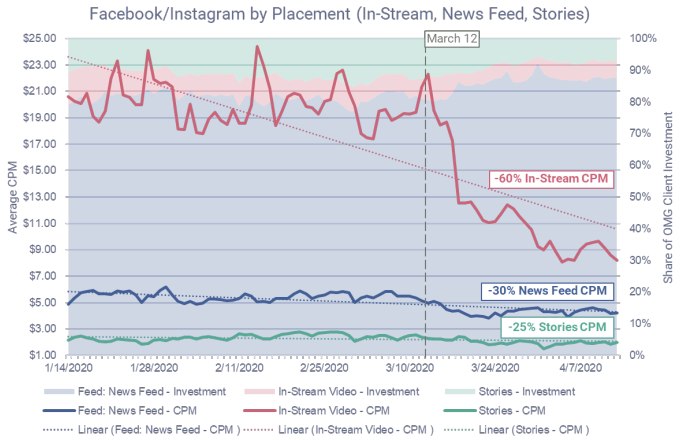
Feeling Less of a Need for Feed



News Feed and Stories placements constitute the vast majority (>90%) of our clients' investments on Facebook and Instagram. We observed CPM decreases in both placements. News Feed CPMs are down by nearly 30% since the start of 2020, while Stories CPMs are down 25%.

Brands looking for opportunities to be in-market can still capitalize on increased efficiencies in reaching their audience in News Feed and Stories placements, while not having to consider the heightened brand safety concerns that exist in the In-Stream placements. Brands must consider the right message to promote, regardless of where media is placed. Running tone-deaf creative at reduced CPMs will not turn out to be a bargain.

All Placements Dip, but In-Stream Takes a Plunge

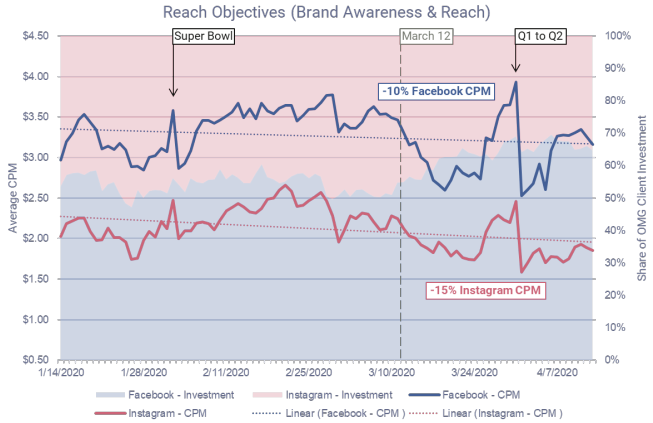


As people began self-isolating and quarantining in the U.S., industry reports noted substantial increases in video streaming, which increases ad inventory in ad-supported platforms. Facebook is no exception to this, as we can see by the now sub-$10 CPM average advertisers are paying for its In-Stream Video placement (midroll ads that run within premium video content). Decreased advertiser spending has also played a part, further reducing competition within the ad auction and adding to the downward pressure on CPMs.

We see a marked downward trend in CPMs over the past six weeks. The trend is especially sharp during March 16-18 – as major shutdown announcements and isolation recommendations escalated across the U.S. – seeing average In-Stream CPMs drop by 33% during those two days and continue on a downward trend.

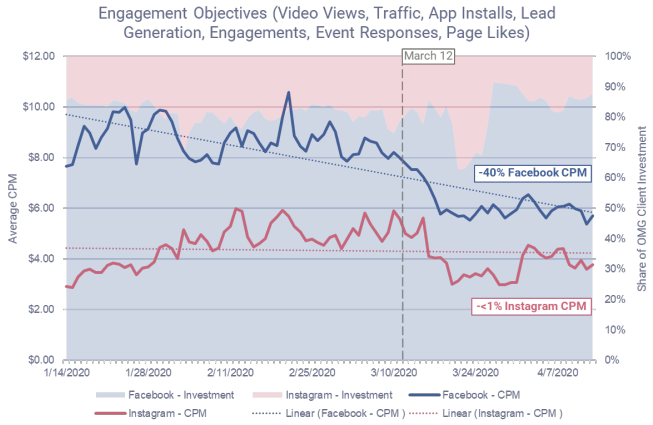
While the data presents an exciting opportunity for brands to reach their audiences efficiently, brands must understand that Facebook video content includes news and content about COVID-19. Brands should identify the right advertising message and continue to work closely with their agency team to employ the correct brand safety and content guardrails.

Not All Campaign Objectives Are Affected Equally

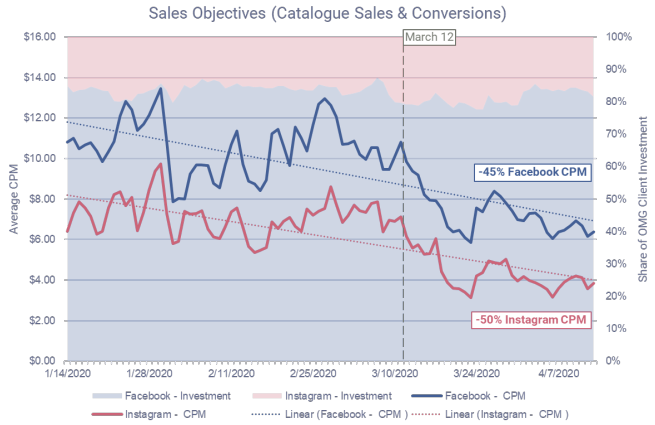


While overall trends are showing CPMs down across digital inventory, the sharpness of the decline varies based on campaign objectives. Different campaign objectives attract different pools of advertisers; the dynamics are complex but in essence, the competition for a "reach" impression tends to be different than the competition for a "conversion" impression. We have observed brands advertising for reach may have not noticed much change in their CPMs over time, despite overall trends.

The most notable decline occurred as brands shifted between quarters (Q1 to Q2), which was more significant than the sharp declines seen on the day after the Super Bowl when ad spending tends to spike. While it is common for brands to increase spending toward the end of a quarter – usually to spend savings that have been reconciled but must be spent in the quarter – the initial steep decline in CPMs aligns with an initial reduction in ad spend (or hesitation to spend) at the beginning of April.



By contrast, we see stark price differences for brands activating Engagement-type objectives – specifically observed CPM declines on Facebook of over 40%, with the sharpest downward trend occurring mid-March in line with quarantine orders across the U.S. While there were initial CPM declines observed on Instagram during March, CPMs seem to have normalized in April. Brands running are likely observing more delivery on Facebook News Feed and Stories over Instagram, particularly when employing Placement Optimization (a feature unique to Facebook that allows advertisers to run the same ad across multiple placements, including Facebook Feeds, Instagram Feeds, Stories, etc.).



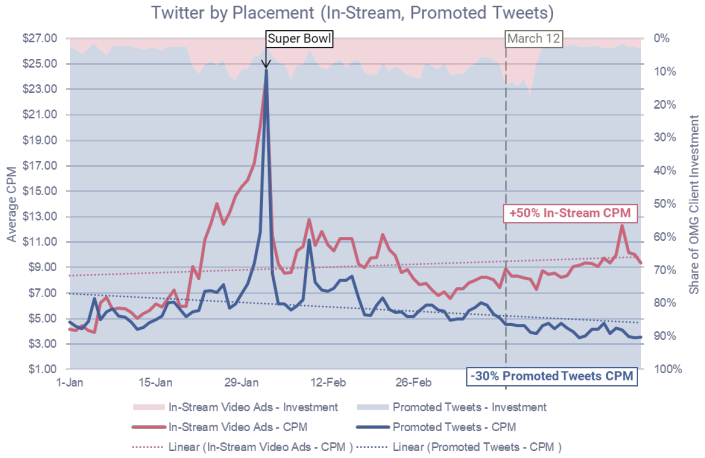
Meanwhile, brands advertising for online sales are seeing CPMs declining significantly – by nearly 50% over time on both Facebook and Instagram. Travel and Leisure advertisers pulling ad spend throughout March – particularly from their direct response tactics – have significantly reduced competition in the auction for these Sales Objectives. This reduced competition is likely the major factor in this CPM downtrend.

With storefronts shuttering countrywide, there has been the potential to shift brick-and-mortar shopping behavior online. Reduced competition in direct response advertising indicates an incremental opportunity for brands looking to grow their online sales, particularly for brands that have not been saturated by rising consumer demand as Amazon, grocery delivery, and local food delivery services all have been.

Twitter Trends

Twitter's ecosystem is less complex than Facebook's, with fewer ad units and campaign objectives. While digging into Twitter's campaign objectives, we did not observe notable differences in CPM trends. However, Twitter's ad types tell a more interesting story: while CPMs are driven in part by advertiser competition, they're also affected by inventory restriction.

A Tale of Two Placements



Twitter is a prime example of advertisers driving CPM price. During Super Bowl Sunday, CPMs shot up to nearly $25 due to massive brand spending, mostly in the form of Promoted Tweets. These Promoted Tweets account for over 90% of client spend on Twitter, so it's no surprise that reduced advertiser spending – and thus, reduced competition in the auction – is driving a decrease in overall CPMs during the COVID-19 crisis.

Advertisers are seeing the opposite trend within Twitter's In-Stream video ads (pre-roll on premium video content): CPMs are rising. It is worth noting that this is the inverse of what we observed on Facebook's In-Stream video product. The increased CPMs observed for Twitter's In-Stream placement are likely due to advertisers excluding potentially non-brand safe content like "News and Current Events," which is a substantial portion of the content being consumed on Twitter. In this case, despite less competition and the increased overall supply of video inventory, advertisers are artificially restricting the inventory supply through brand safety controls that exclude a large portion of inventory, thereby driving the CPMs up. As a result,

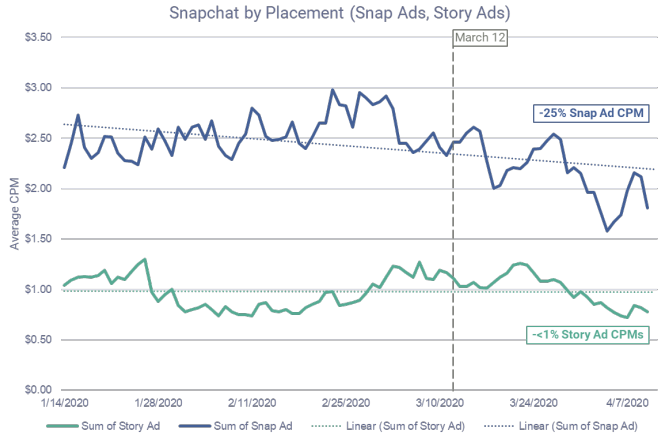
brands may not want to look at Twitter In-Stream as a placement to increase investment at this time.

However, Promoted Tweets present an opportunity for brands to reach audiences more efficiently. Brands should work with their agency teams to monitor where Promoted Video tweets are placed. For instance, brands should reconsider placing tweets in Search results, which could land Promoted tweets in trending hashtag and topic feeds that may include negative sentiment around news and COVID-19 topics.

Snapchat Trends

Snapchat offers some of the most unique ad formats available – for example, Sponsored Lenses (an AR ad product that augments either a user's face in the front-facing mobile camera or the world around them in the rear camera) and Filters ("artwork" that users can overlay to a photo or video they snapped). Despite how unique these ad products are, CPMs did not appear to be affected during the COVID-19 crisis. As a result, we turned our focus to Snap Ads (vertical video ads placed within publisher stories, between user stories, etc.) and Story Ads (brand-curated stories that initially display as a tile in the Discover view).

Long Story Short



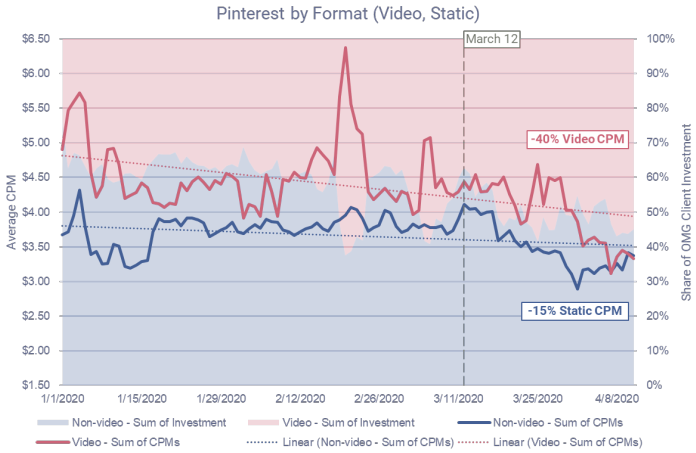
Snap Ads have seen prices decline nearly 30% as of late; Snap Ad CPMs are typically lower than other platforms, so the CPM decrease is nominal in dollar terms. Like trends on other platforms, increased app usage, coupled with decreased advertiser competition, have contributed to the observed CPM declines.

Price for Story Ads, however, has remained relatively stable. CPMs appear to dip in April, but this dip mimics one observed in February, so this could merely be cyclical. Story Ads are transacted on a "tile view," versus a view of the content within the Story, which explains their lower CPMs compared to Snap Ads.

Pinterest Trends

Pinterest, while employing a second-price auction similar to other paid social platforms, has historically set price floors for each ad type. A price floor is a threshold below which an advertiser cannot win auction, so the use of floors provides price support independent of competitive dynamics in an ad auction. Video ads on Pinterest, as a result, have always come at a CPM premium to static ads – this differs sharply from platforms like Facebook and Twitter where CPMs are invariant with creative type.

Coming Together



While video and static ad CPMs have declined in tandem, the fact that video CPMs are beginning to match those of static ads (and at near 1:1 spend levels) is quite a phenomenon. These placements have gotten close in price before but have not crossed until now. This trend indicates a clear drop in advertiser spending, which has reduced competition in the auction and pushed prices close to the floor.

Conclusion

Consumers increasing app usage and thereby ad supply since containment orders went into effect, coupled with reduced ad spend since consumer demand has shifted, have resulted in declining CPMs across social media channels. There are opportunities for brands who are or want to be, in market to capitalize on increased media efficiencies where they exist. However, brands should consult with their agency partners to craft the right social strategy during these unprecedented times – ensuring the right goals, message, and brand safety controls are in place.

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