



ECI Media Management

inflation
report update
October 2020

Contents

(Clickable in downloaded version)

Introduction	3
Global events and media developments	6
Global media inflation.....	10
Regional trends and developments	12
Regional inflation	13
Key markets in detail.....	14
About ECI	34
Our product offering	35
Contacts	36



ECI inflation report update

October 2020

2020 has been a tumultuous year for the advertising industry and for the entire world. In this Q3 media inflation report update, we provide updates to global, regional and local inflation estimates for 2020, following the upheaval inflicted on media pricing by the coronavirus pandemic – although, of course, the situation is ongoing. Our objective, as always, is to ensure that marketers have the insights they need to make the best advertising investment decisions for their business.

Our experts have their fingers on the pulse of the media industry and have used their data analysis and our knowledge that stretches across many decades and territories to understand how media inflation has evolved over the first three quarters of 2020. This report details the updates and the context behind them.

Our information is derived from a number of sources, including our network of experts, real client data and agencies. We cross-reference it with industry bodies and publications, as well as with agency traders and media vendors, meaning that it holistically reflects the expertise of all those with an impact on trading variables. Our data is used by the WFA in their Outlook industry report.

We have been tracking media inflation since 2012, giving us an unrivalled understanding of trends over time.



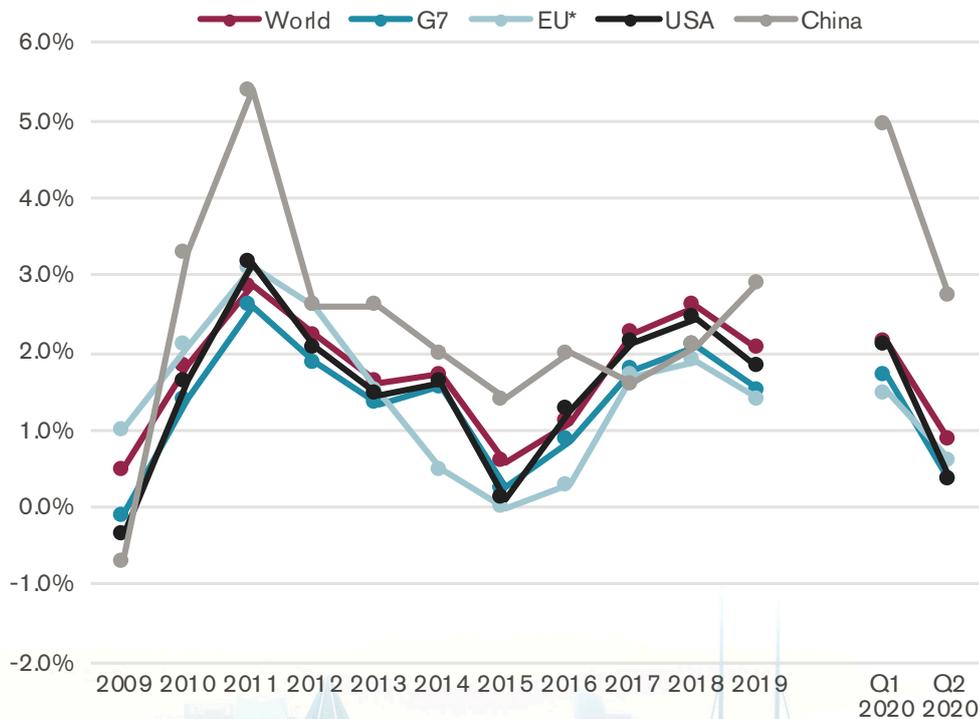
Global inflation trends

The Covid-19 pandemic has had a dramatic effect on global inflation trends and on GDP. People were forced to stay at home, unemployment has skyrocketed and the retail and leisure industries were essentially closed down for a significant period of time.

In Q1, CPI inflation was in line with annual 2019 levels, but dropped significantly in Q2 may be partially explained because of the pandemic. The more dramatic drop in the US than in the EU may be explained by the latter's more extensive furlough schemes: the US has experienced particularly high jumps in unemployment, which will impact on CPI inflation.

We would expect Q3 figures to be more positive than those from Q2, particularly as lockdowns ease, businesses reopen and consumer confidence grows. However, with winter approaching in the northern hemisphere, it remains to be seen if this recovery can be sustained.

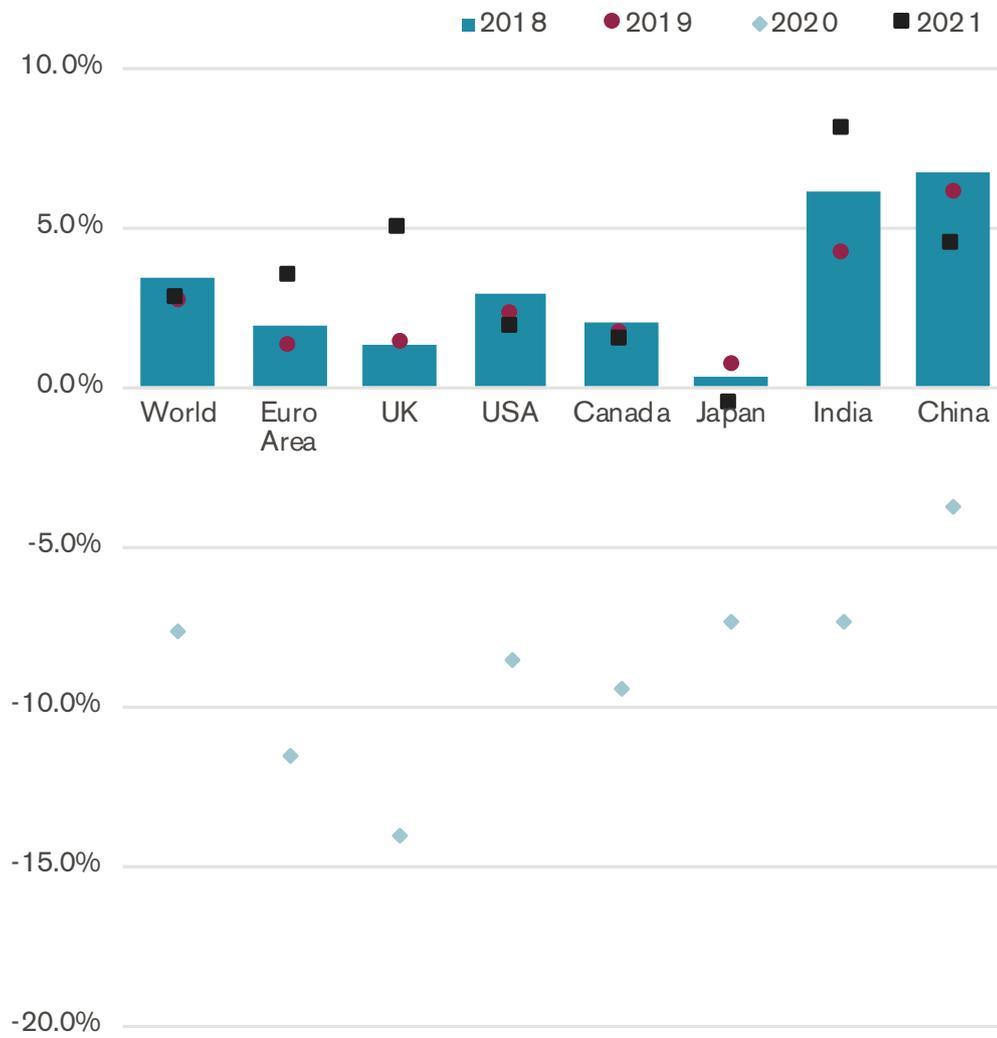
CPI Inflation, % change, year-on-year



*The EU consisted of 28 countries until 1st February 2020, when it became 27 after the UK's exit from the union.

Source: OECD

Real GDP, % change, year-on-year



Source: OECD Economic Outlook: Statistics and Projections
Accessed 15th September 2020



Global events

Almost no sector of the economy has emerged unscathed from the coronavirus pandemic that has transformed the lives of billions across the world. The media industry, entwined as it is with the economy and consumer behavior, has felt the effects as keenly as others.

The Covid-19 pandemic

2020 has been dominated by the global Covid-19 pandemic, which has impacted on almost every area of daily life and the economy. In early April, over half of humanity had been ordered by governments to stay at home to stem the spread of the virus, with devastating consequences for the sectors that rely on people being out of their homes – travel, hospitality and high street retail, to name just a few. While lockdown restrictions are easing across much of the world, many countries are now feeling the effects of the largest global recession in recent times. Unemployment has soared, peaking at 14% in the US and 7.2% in the EU. The latter figure is likely lower because of extensive furlough support from European governments.

With so many sectors affected by lockdown, the majority of major advertisers had to defer or cancel ad campaigns. In May, WARC predicted that the global ad market would reduce by 8.1% - \$49.6 billion.

The easing of lockdown in many countries has caused an economic uptick in recent months, but the likelihood of a second wave as the winter approaches in the northern hemisphere means that economic woes may deepen.

Trump vs Biden

On November 3, Americans will head to the ballot box to decide whether incumbent President Donald Trump or the former Vice-President Joe Biden will be in the White House for the next four years. The pandemic has made this an unusual election season, with the National Conventions happening largely online and on TV. At the time of writing, Joe Biden has a convincing lead, including in most of the key battleground states, but the Trump campaign is closing the gap and things can change rapidly.

Campaign ad spend will be welcomed by media owners buffeted by the pandemic. The states in which the candidates are investing is indicative of the key battlegrounds: in 2016, neither Trump nor Clinton paid for any ads at all in Minnesota, but so far this year Trump has spent \$2.5 million in the state and Biden has spent \$795,000. In the wake of Clinton's loss of key Rust Belt states, Biden's campaign has invested a huge amount of money in this area across TV, digital and radio: \$44 million in Pennsylvania, \$27 million in Michigan and \$26.1 million in Wisconsin.

Sporting events cancelled

Slashed advertising budgets were not the only blow dealt to TV networks by

the coronavirus. Sporting events – a key revenue driver – were cancelled across the world, leaving TV schedules with gaping holes and sponsorship deals postponed or shredded. The Olympics and Paralympics, due to be hosted in Tokyo in August, will be held in 2021, as will Euro 2020, Copa America and the T20 men's and women's cricket world cups. Towards the end of the summer, some sport restarted behind closed doors, including many national football leagues and the Champions League.

But concerns for TV media owners didn't stop there. A lack of live sport on TV sent many people, in search of entertainment in lockdown, into the arms of the streaming platforms such as Netflix and its newer competitors like Disney+ and Peacock, accelerating the move towards SVOD.

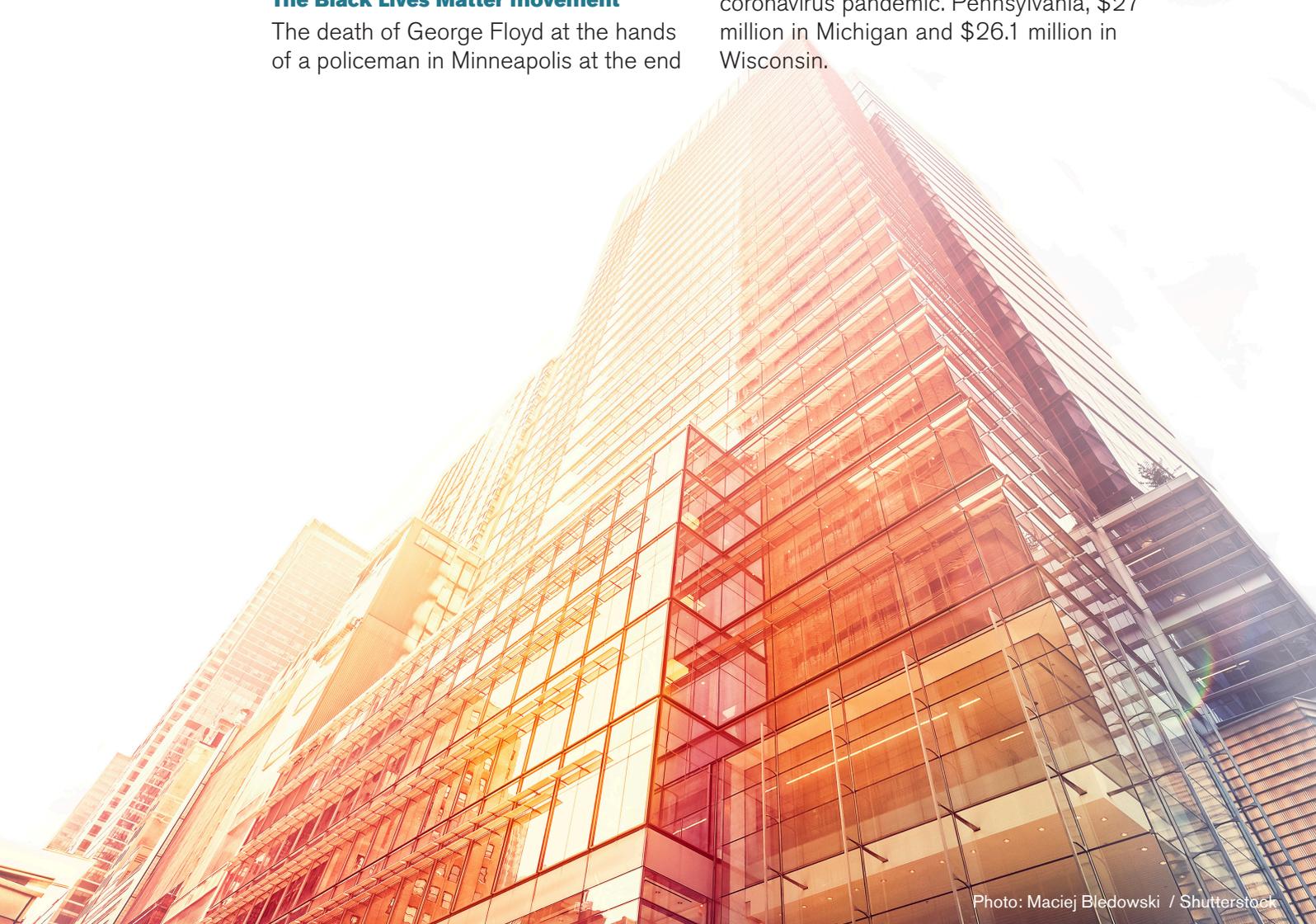
The Black Lives Matter movement

The death of George Floyd at the hands of a policeman in Minneapolis at the end

of May sparked a wave of Black Lives Matter protests across the world. With so many people of all races demanding change at all levels of society, brands rushed to express solidarity with the movement by issuing statements and adverts of support.

The appetite for change runs deeper, with the movement demanding that companies, institutions and governments look at the diversity of their employees and leadership to ensure that they reflect wider society.

The response by brands has been largely positive, but there has been a hidden, negative response: many have started blocking ads on keywords relating to Black Lives Matter, making it less profitable for online publications to cover the movement. Keyword blocking has also been an issue in the coverage of the coronavirus pandemic. Pennsylvania, \$27 million in Michigan and \$26.1 million in Wisconsin.



Media and tech

developments

The success of the streaming platforms

With so many people forced to stay at home for long periods of time in 2020, the streaming platforms were one of the few success stories of the pandemic. With several launching in late 2019 or early 2020, vastly increased audiences were theirs for the taking. Disney+'s launch was particularly notable, with The Walt Disney Company subsidiary reaching 60 million subscribers by early August – four years ahead of their target of 60-90 million subscribers by 2024. Netflix pulled in an unprecedented 25.7 million new subscribers in the first half of 2020, and other new platforms also enjoyed greater-than-expected success. However, there is concern – voiced by Netflix's co-CEO Reed Hastings – that the pandemic simply pulled subscriber growth for 2020 into the first half of the year. It is possible, even likely, that growth will start to level off, particularly as consumers start tightening their belts during the recession. This could make brand-supported streaming likely as the SVOD platforms seek to bolster their bottom lines.

The Facebook boycott

The Black Lives Matter movement led to a significant fall-out for Facebook. When it refused to censor a post by President Trump which said 'when the looting starts, the shooting starts', the Stop Hate for Profit campaign encouraged brands to boycott the social

media platform for the month of July. More than 1000 brands took part in the boycott, eventually prompting CEO Mark Zuckerberg to announce that the company would place warning labels on posts that violated its guidelines, and would prohibit certain types of ads and misinformation related to voting.

While the boycott did not place a huge amount of pressure on Facebook financially – more than 80% of its income comes from small and medium enterprises who cannot afford not to advertise on the platform – the real damage could be to its longer term reputation if people start to view it as a publisher of offensive or inappropriate content.

Social & Programmatic

Social and programmatically bought media have followed the same trajectory as Digital Display and Digital Video, having bucked the deflationary trend seen by the traditional media types. The resilience demonstrated by social and programmatic is no doubt in part down to their position at the bottom end of the funnel, driving sales – always the focus in a crisis rather than branding. They are also among the most flexible media types – investment can be cancelled at a moment's notice, so they are lower risk in unstable times.

This positioning means that investment in these channels will have been the last



to go for small and medium businesses – the source of the majority of the tech giants' revenue.

Of course, all media, including social and programmatic, have experienced dips in 2020, but as economies started to open up again and consumer confidence has grown, investment has started to flow again. Furthermore, many advertisers are slowing investment into OOH and radio, freeing up ad dollars for the digital platforms where consumers are spending more time. Social investment by the US presidential campaigns will also be bolstering social pricing in the US.

TikTok and the US-China dispute

Generation Z's favorite app, TikTok, has been caught in the crossfire between the US and China. In early August, President Trump threatened to ban Chinese-owned TikTok on the basis of national security concerns: some believed that user data could be shared with Chinese officials, despite TikTok's protests to the contrary. Trump later issued executive orders banning US transactions with ByteDance, the Chinese company that owns TikTok, and also WeChat. The Chinese government retaliated to Trump's measures by updating its export control categories to cover artificial intelligence technologies, which are at the heart of TikTok's functionality.

At the time of writing, US companies Oracle and Walmart have tentatively agreed to take a minority stake in a new US company called TikTok Global that will operate the app. It is hoped by Gen Z and advertisers alike that this will avoid

the download ban that Trump was planning towards the end of September.

Congress takes on Big Tech

In late July, the US Congress antitrust subcommittee held a hearing with the CEOs of Alphabet (Google's parent company), Amazon, Apple and Facebook. It was the last step before the subcommittee issues its final report at the end of this year – a report which is likely to form the basis of new laws to regulate Silicon Valley. There was strong evidence of anti-competitive behavior by each company, including Amazon selling diapers at a loss in order to force a competitor to accept a takeover and then raising the cost of diapers again; and Facebook buying growing rivals (including Instagram) in order to secure its market dominance.

Each of the four companies released extremely strong Q2 results the day following the hearing, which didn't look good in the midst of a global pandemic and did nothing to quell suspicions that Big Tech is too powerful. The four companies were aware of how their results were perceived and were at pains to highlight their contribution to communities and employees. It will be fascinating to see which measures the subcommittee decides to take and how they will affect the tech landscape.

[ECI Thinks](#) is [ECI Media Management's](#) regular blog on the issues that matter to global marketers. [Follow us on LinkedIn](#) to be notified about our latest analysis on the events, developments and players having a major impact on the marketing landscape.

Global media inflation

Advertising, in particular traditional media, is often seen as a barometer of economic health, and 2020 is no different. The offline media types have followed a similar trend to the OECD's Real GDP forecast throughout the year. The trend has been downward, with some pockets of resilience.

The coronavirus pandemic has accelerated the shift to digital media: Digital Display and Digital Video were the only media types to be forecasted as inflationary at a global level. The movement of information (Newspapers and Magazines) and entertainment

(TV and Radio) to digital channels shows where demand lies in 2020. The explosion of streaming platforms, both new and established, is indicative of the demand for online video platforms, with premium inventory helping to boost inflation.

The need – and desire – for information in real time during the pandemic, and the fear about infection, has caused a downturn in the print market globally, with Newspapers and Magazines anticipated to be the hardest hit media types as consumers chose digital updates and TV briefings.



Global media

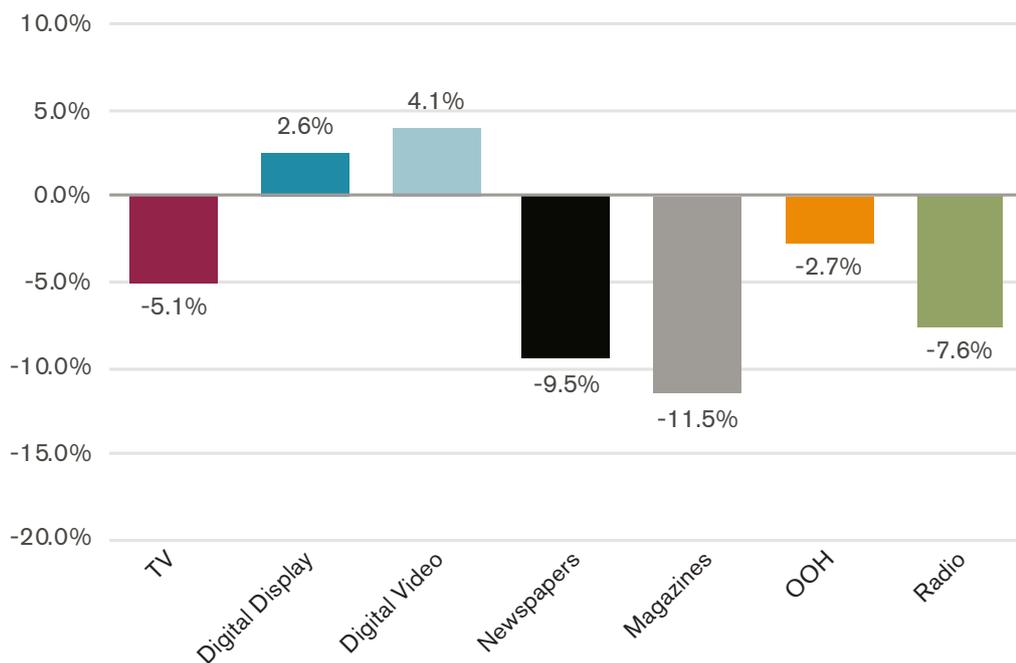
inflation

2020

Overall global media inflation



Global media inflation by media type



Regional trends

and developments

The pandemic continues to inflict pain on media pricing across the world, with deflation rife in all regions. There are, however, pockets of resilience.

While APAC was the hotbed of the coronavirus, **EMEA** was the region hardest hit during the pandemic, with all media anticipated to be deflationary except Digital Video, which is slightly inflationary. The largest economies in the region have suffered particularly badly during the pandemic, with stringent lockdowns and ongoing restrictions causing economic upheaval. These mature markets have seen a large reduction in advertising investment, with increased time and eyeballs reducing the overall price of TV and Radio. That said, current inflation estimates do show a stronger market than was anticipated in April, with most estimates less severely deflationary. Quick, strong government incentives to revive economies are now delivering a certain amount of confidence and economic growth. Russia is the largest market which is forecast to see further deflation – this is driven mainly by the impact of decreasing oil prices on the economy.

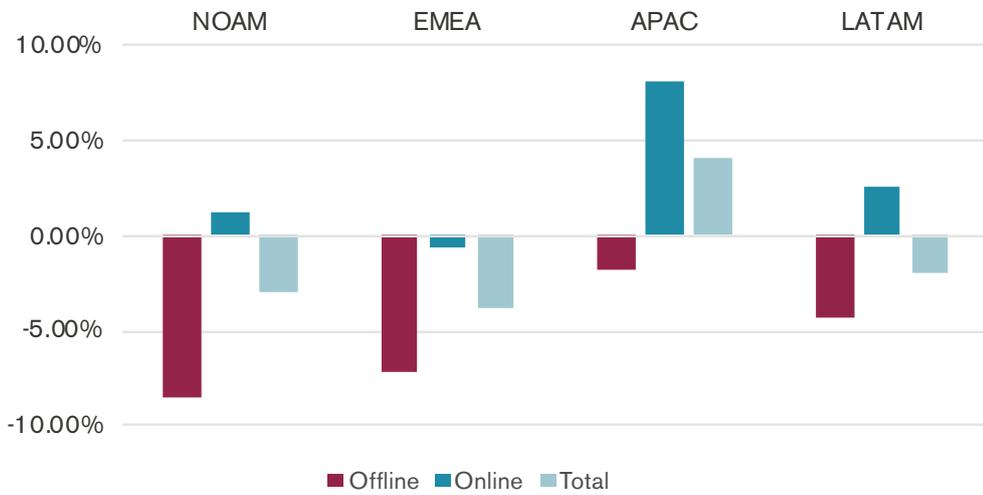
NOAM, dominated by the US – the world's largest media market – is showing a trend similar to the western European markets, with traditional media anticipated to be deflationary, and modest inflation for Digital Video and Digital Display.

High internet and tech penetration in **APAC** has helped to drive the overall inflationary position of digital in the region; constant adaptations to the level of premium quality content available has certainly helped. However, with second waves of the virus starting to hit the region, there has been a downturn in TV that was not previously anticipated. This is still, however, the strongest region for TV. Japan has suffered significant deflation and is the key market driving down APAC's overall position for TV: Japan has traditionally seen flat pricing, so any deviance away from this norm is seen as a severe hit to the market. In South-East Asia, many major markets are showing lower levels of inflation for TV than in April, but their continued inflationary status demonstrates resilience. The timing of the first and second waves of the pandemic has meant that the APAC OOH market has fared better than its EMEA counterpart, which has been affected by lockdowns and subsequent easing happening during the high penetration seasons of summer and Christmas.

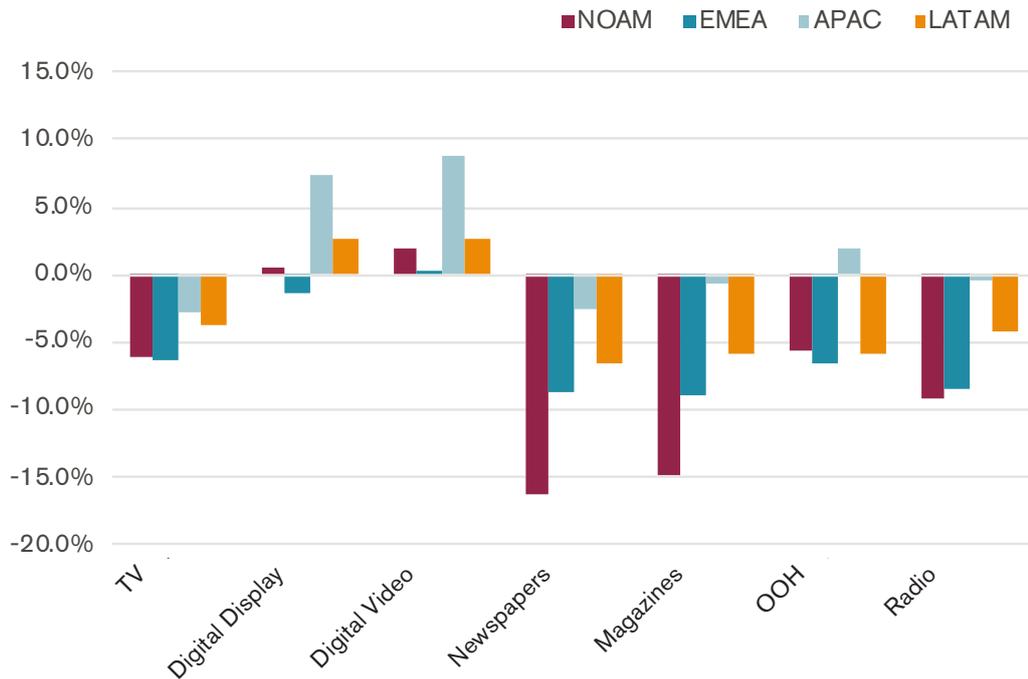
LATAM is showing weakness across all media; the poorly managed Covid-19 situations in Brazil and Mexico are driving the overall downward trends in the region. OOH has suffered particularly significant deflation, similar to that of print media.

Regional inflation 2020

Overall regional media inflation



Regional media inflation by media type





Key markets in detail

Over the next pages we look at how media inflation has evolved over the course of this turbulent year in 19 key markets. Experts in ECI offices and partners at a local level work with a wide variety of data sources to ensure that their insight and projections are as accurate as possible for our clients and for all marketers.

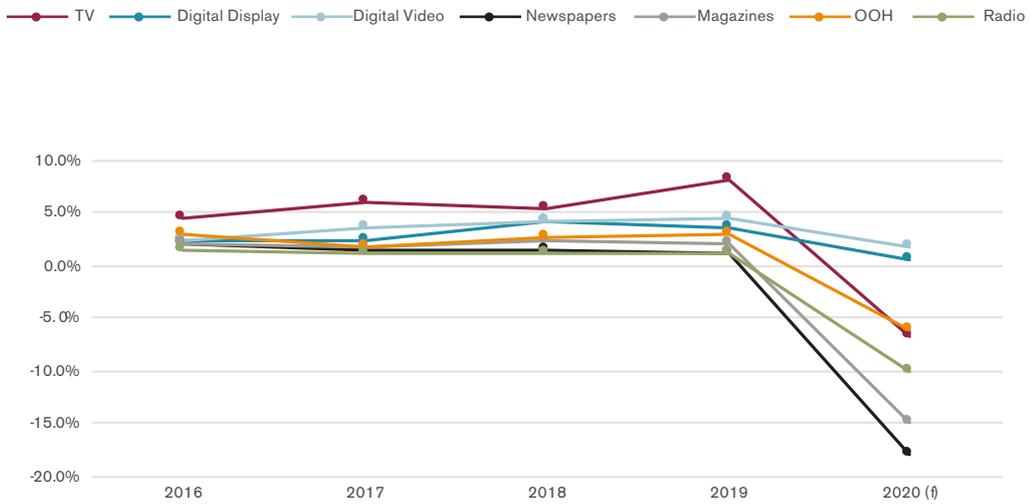
The first chart for each market tracks the five-year inflation trend given the most recent updates. The second chart indicates what changes are anticipated since our Q2 Coronavirus Update Inflation Report, which was published in April.

If you would like to discuss our findings and their context in more detail, please get in touch - you can find our contact details at the end of this report.

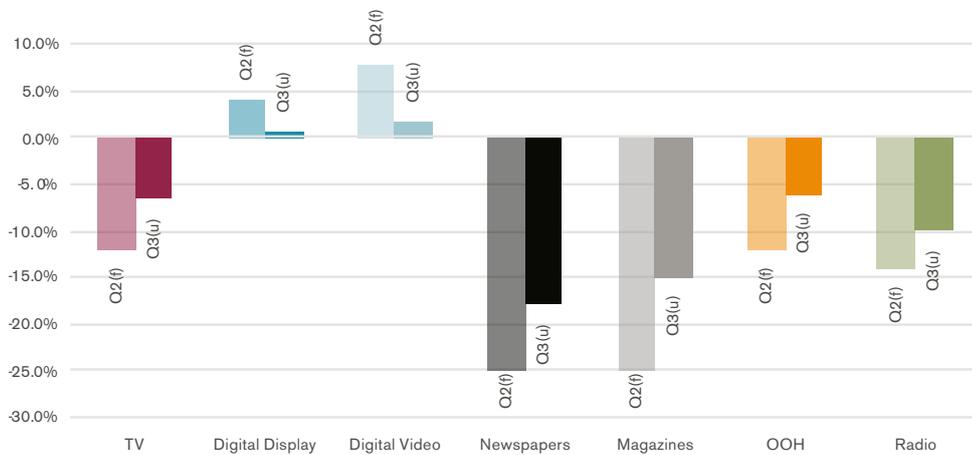
USA

Forecast update: Even with the pandemic in full flow, the presidential election is still going ahead, buoying offline media in comparison with Q2 forecasts. With the launch of more video streaming platforms, supply is higher than previously estimated and thus, digital is not as inflationary.

5-year trend



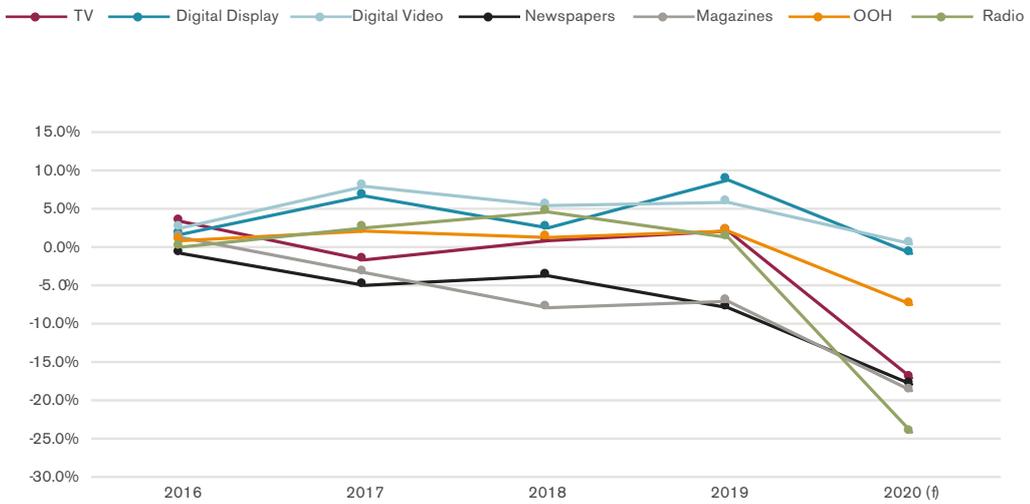
Q2 forecast vs Q3 update



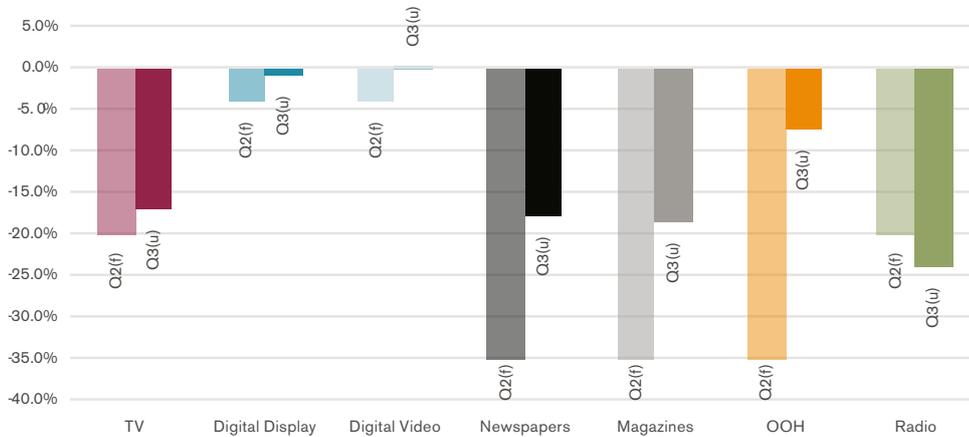
UK

Forecast update: The opening of the economy in late Q2 has seen a resurgence for most media types compared to the Q2 forecasts. With some restrictions still in place for the population, most media are still deflationary, although much less so than the Q2 forecasts in the midst of the national lockdown.

5-year trend



Q2 forecast vs Q3 update

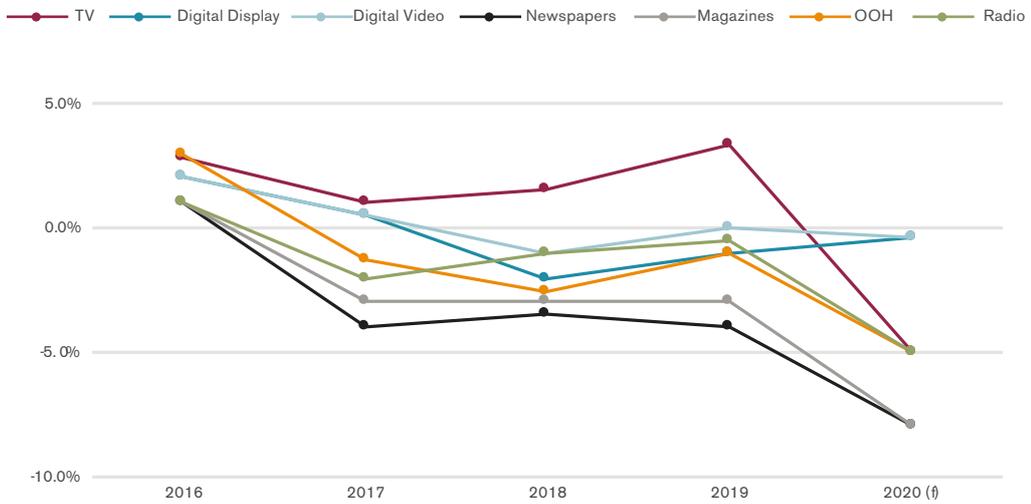


France

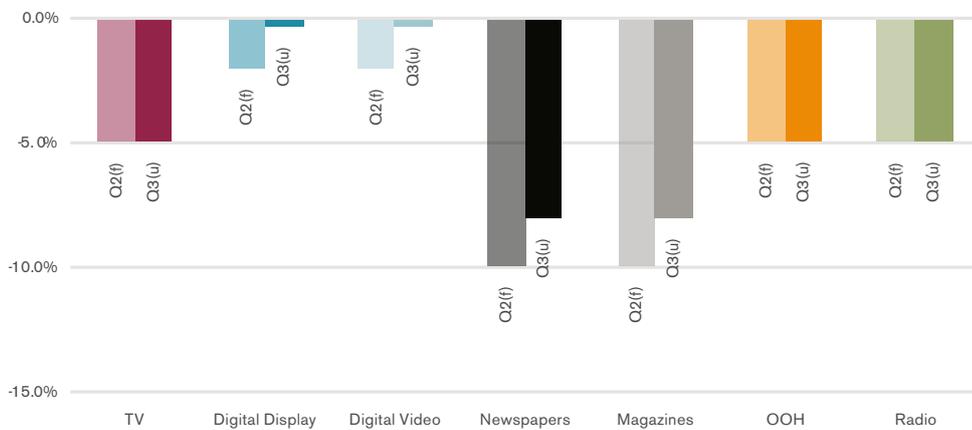
Forecast update: No major changes are currently anticipated from the Q2 forecasts, with all media still expected to be

deflationary. With the country going through its second wave of the pandemic, optimism for the market is not currently high.

5-year trend



Q2 forecast vs Q3 update

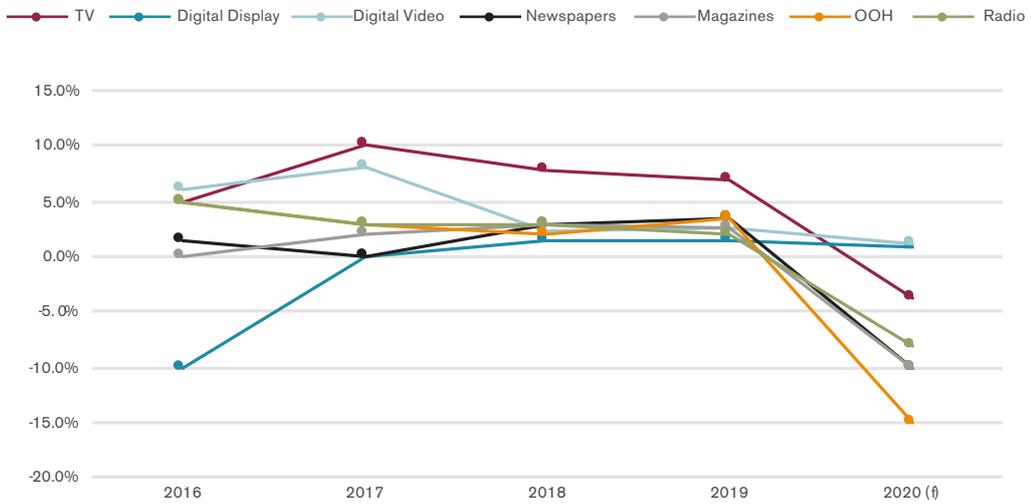


Germany

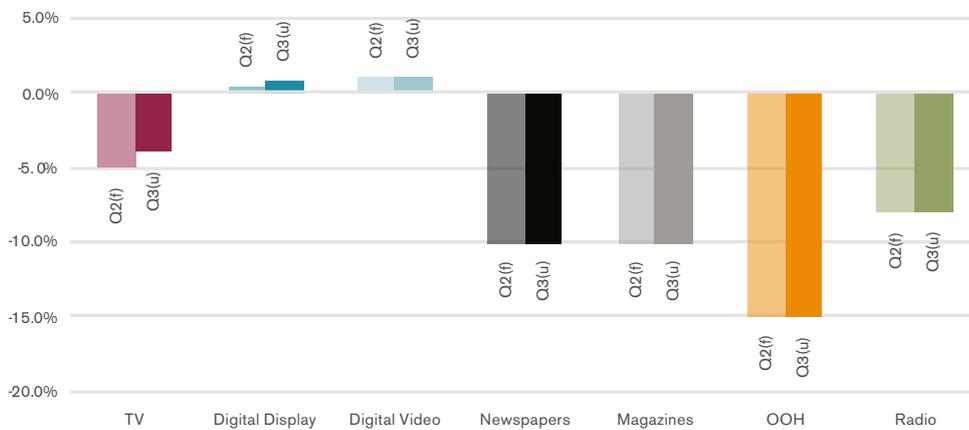
Forecast update: As many of its Western European neighbours, Germany is not seeing major changes to the inflation forecasts.

Early management of the pandemic has been able to provide some consistency in preparation for a second wave.

5-year trend



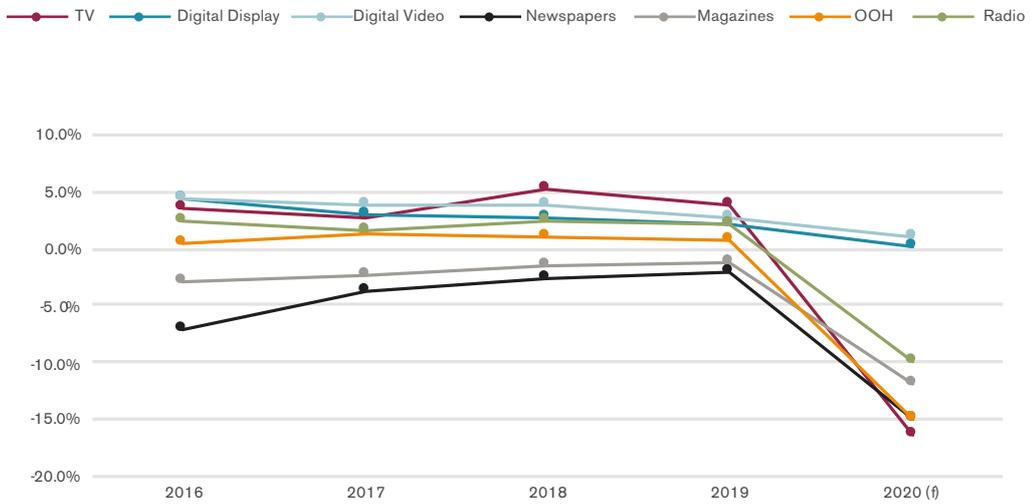
Q2 forecast vs Q3 update



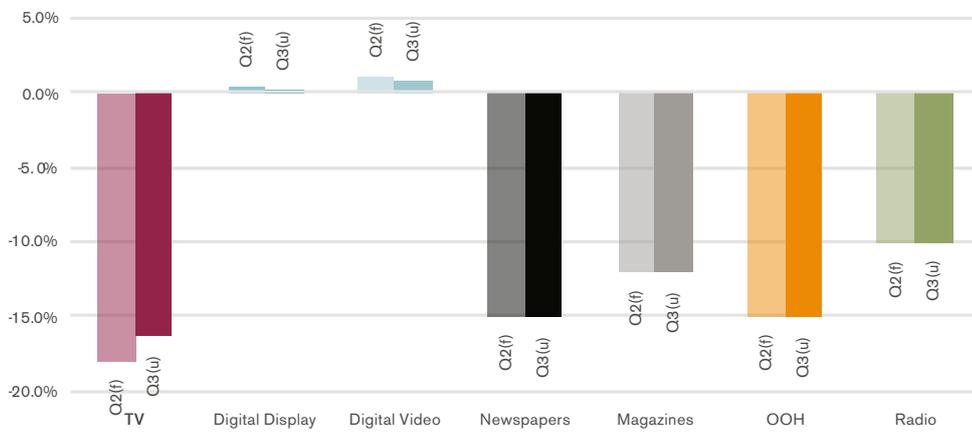
Italy

Forecast update: One of the worst-hit countries globally, Italy was always going to struggle to overcome the initial large levels of deflation forecast at Q2. Current estimates are relatively consistent with Q2 forecasts.

5-year trend



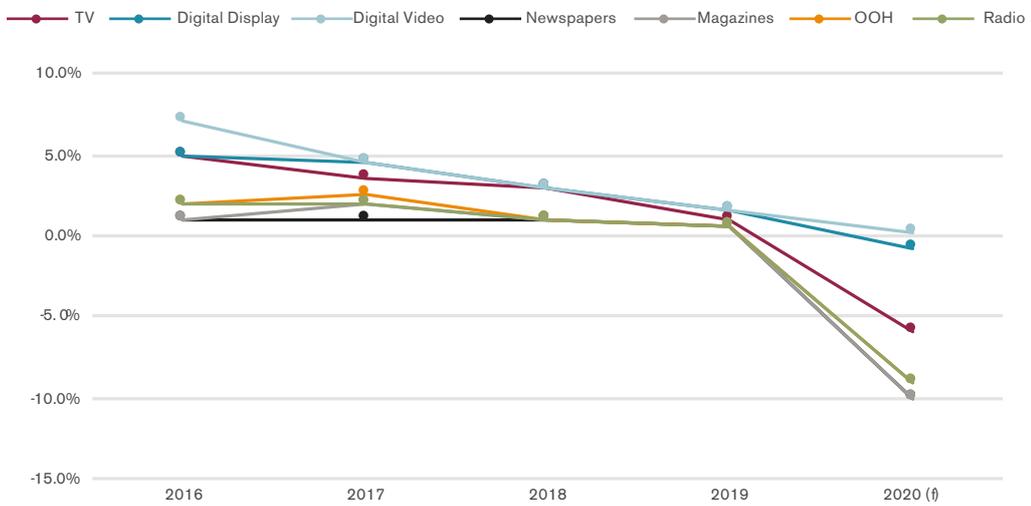
Q2 forecast vs Q3 update



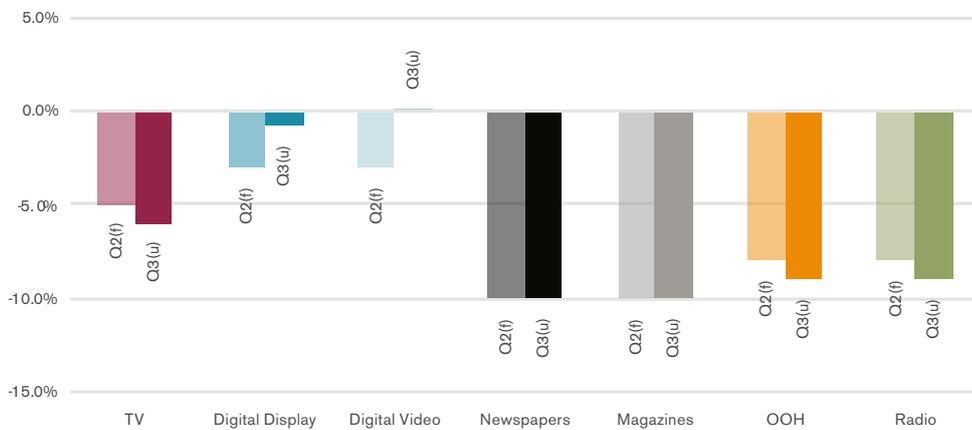
Spain

Forecast update: One of the only markets to see a further deflationary position for TV from the Q2 forecast, Spain has been struggling with increased viewership but much lower ad spend. This, combined with sales policies that fluidly react to the pandemic, has led to an uncertain situation in this market for the remainder of the year.

5-year trend



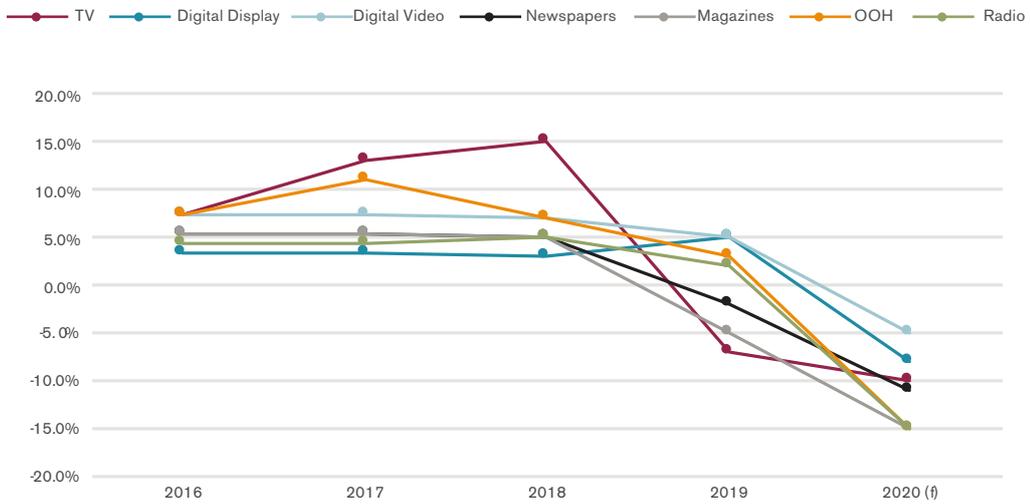
Q2 forecast vs Q3 update



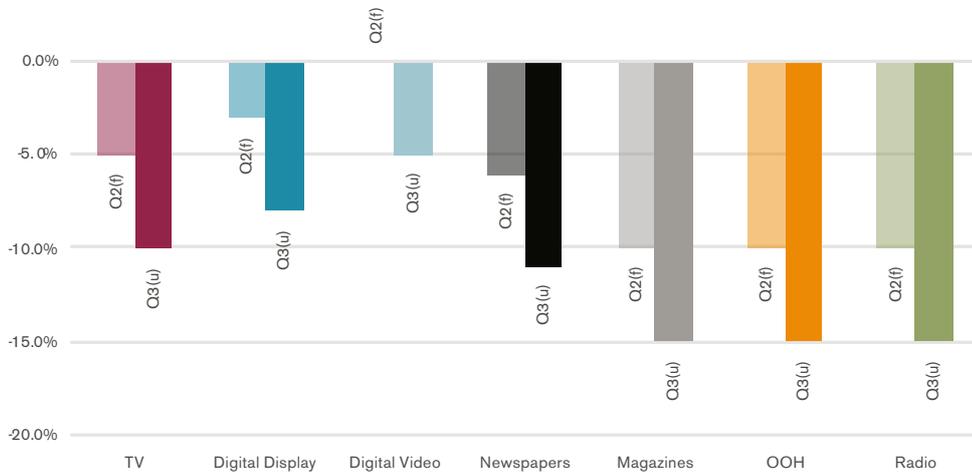
Russia

Forecast update: Further declines in oil prices have devalued the Russian economy and have had an impact on the forecasted deflation. This is the only major market in Europe to see all media types regress further from the Q2 forecasts.

5-year trend



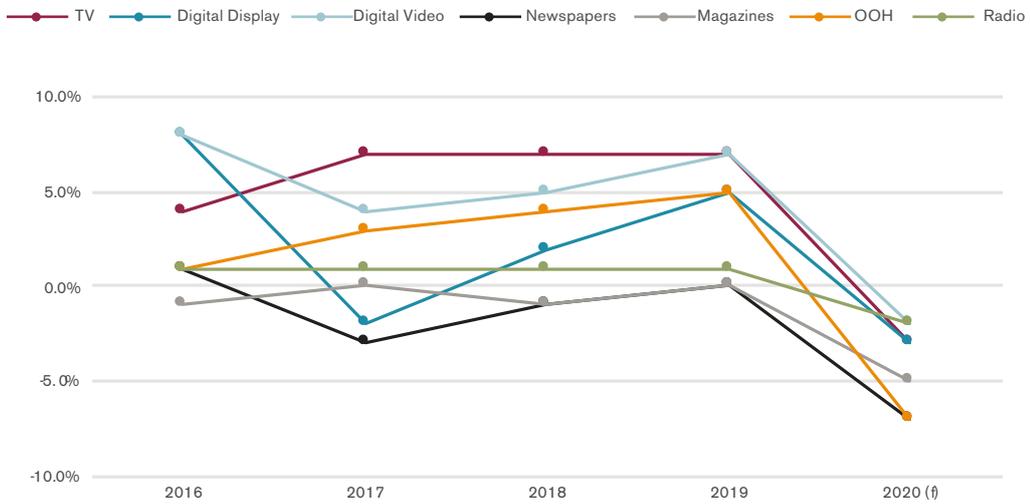
Q2 forecast vs Q3 update



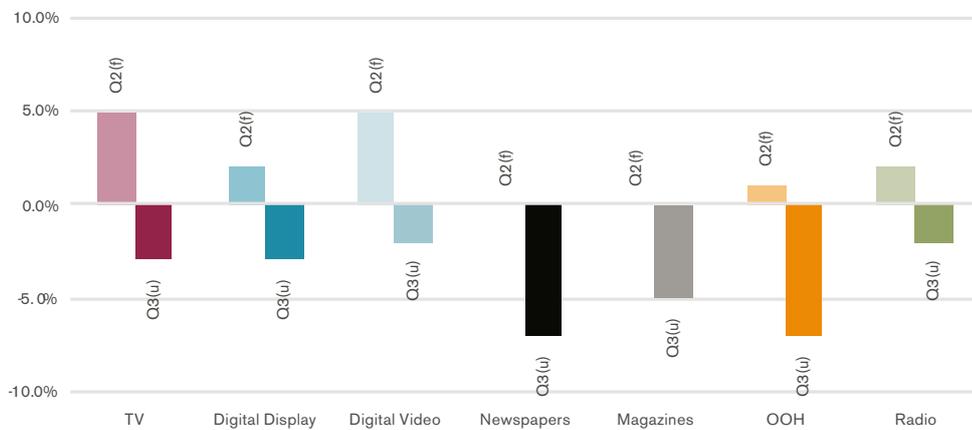
Denmark

Forecast update: As seen across the Nordic region, the once-positive outlook for 2020 has now transitioned to a deflationary forecast for all media in Denmark. This follows a similar pattern to other Western European markets.

5-year trend



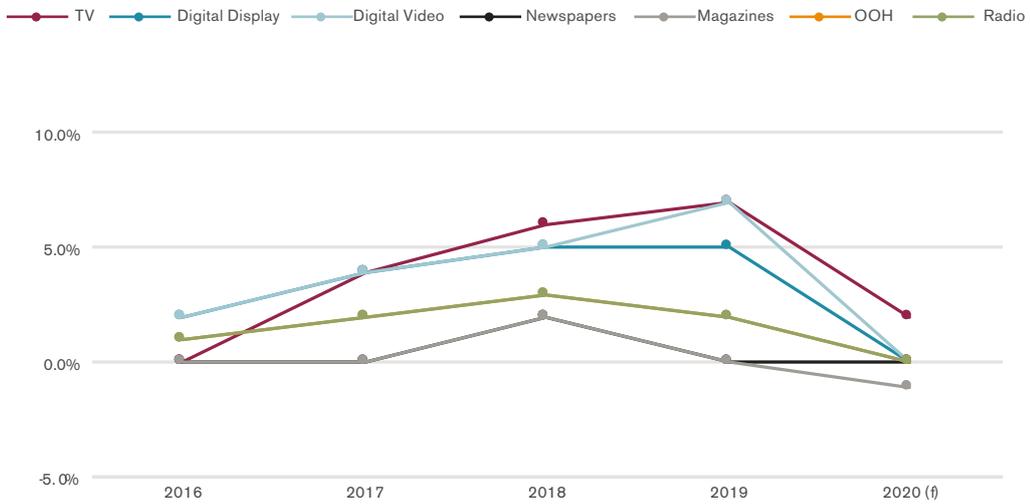
Q2 forecast vs Q3 update



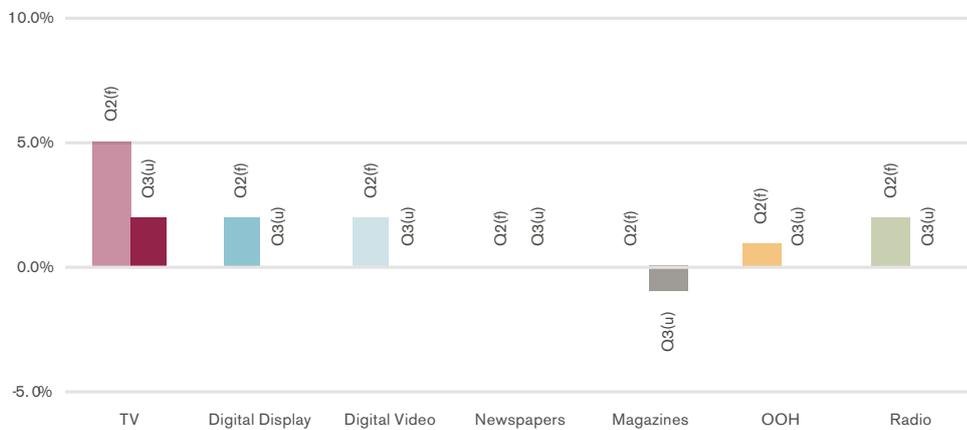
Finland

Forecast update: Finland is the only Nordic market to not show significant deflation, although the current forecasts are not as positive as they were in Q2. Most media are looking closer to flat pricing, indicating that the pandemic has not sabotaged the advertising market to the degree that other markets have seen.

5-year trend



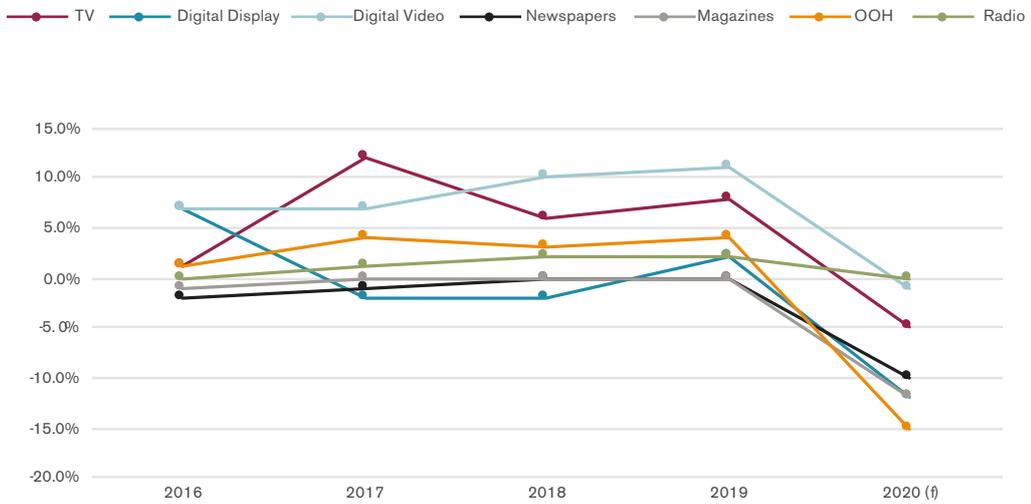
Q2 forecast vs Q3 update



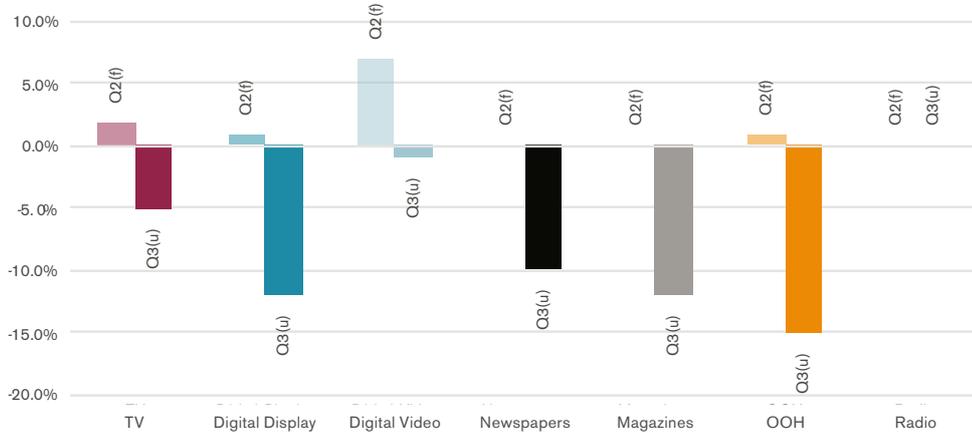
Norway

Forecast update: Similarly to Denmark, the Norwegian market is now anticipating high levels of deflation for most media. Coming into the Q3 months, the country has hit a second wave of the pandemic. Coupled with the initial positive assumptions for the market in Q2, the recent forecasts paint a much more negative position overall.

5-year trend



Q2 forecast vs Q3 update

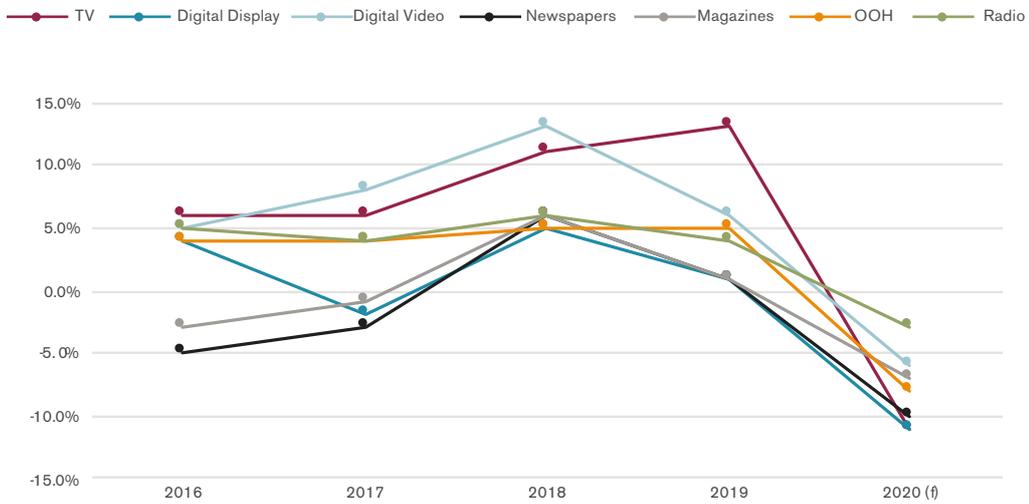


Sweden

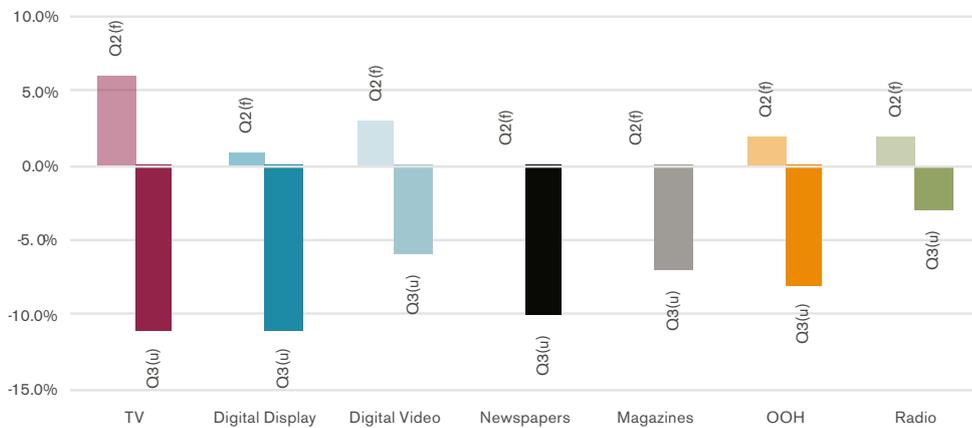
Forecast update: With a strategy of obtaining herd immunity implemented across the market, Sweden was expected to manage its economy without any major impact. Six months on and the country is now facing a different picture.

Whilst the pandemic is more under control than in other markets, the rules that were introduced for consumers back in Q2 are still in place, indicating that media pricing will now move to a deflationary position.

5-year trend



Q2 forecast vs Q3 update

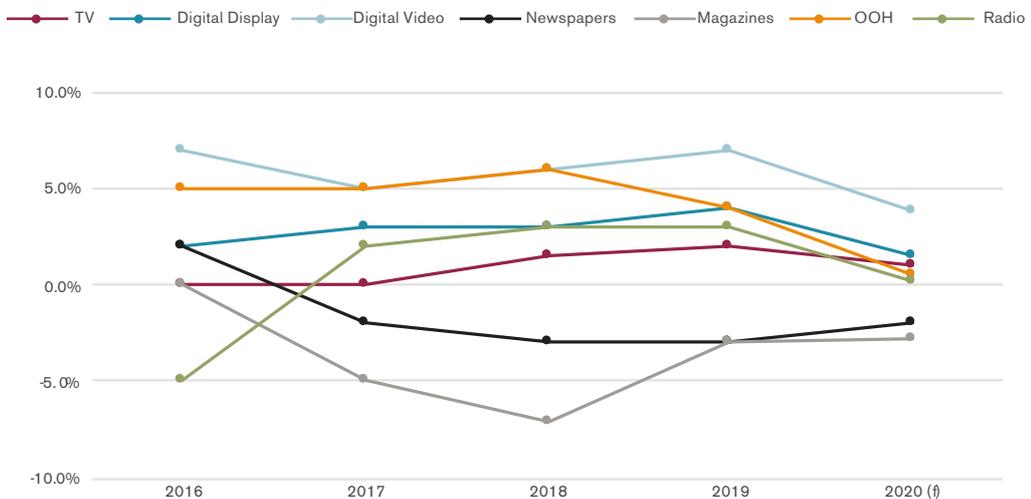


Australia

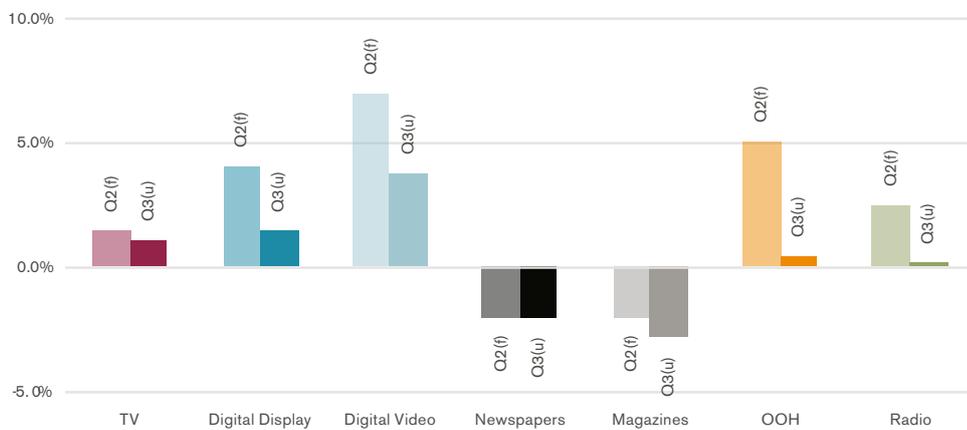
Forecast update: Large discounts are being offered by the TV networks to entice advertisers to place airtime, which in turn is helping to stabilize the market. With lockdowns occurring within several states,

OOH has been hit the hardest in comparison to previous forecasts, as would be expected. Overall estimates err on the optimistic end of the spectrum.

5-year trend



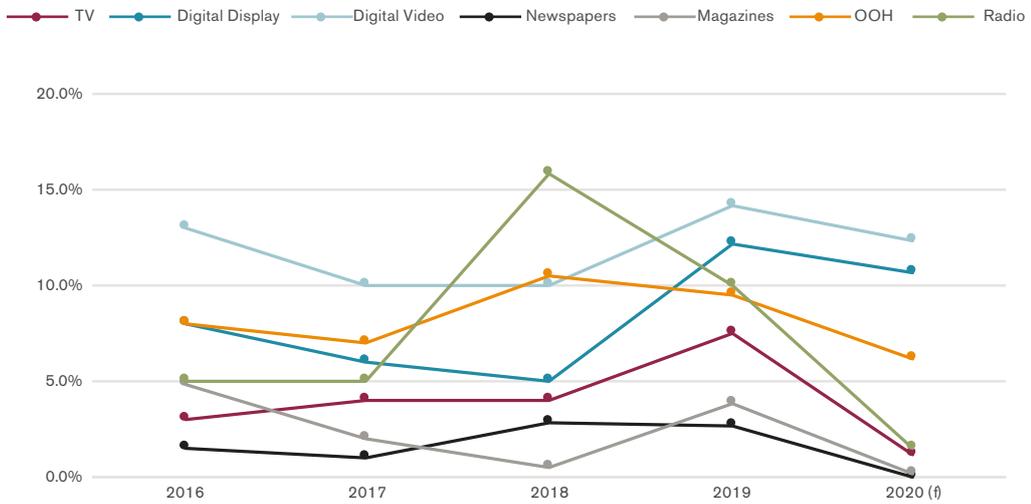
Q2 forecast vs Q3 update



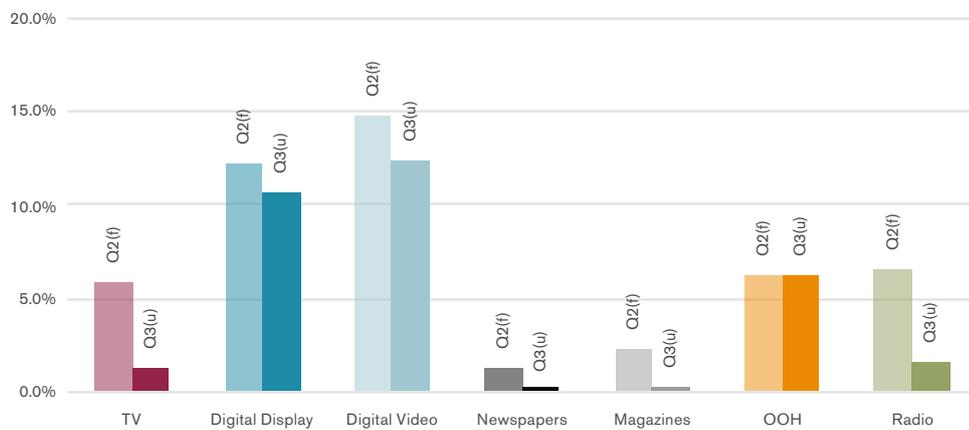
China

Forecast update: Whilst the early timing of the Covid-19 pandemic allowed the Chinese market a positive outlook for 2020, the return and subsequent lockdowns have shifted the overall forecasts so that they are still inflationary, but not as high as previously anticipated.

5-year trend



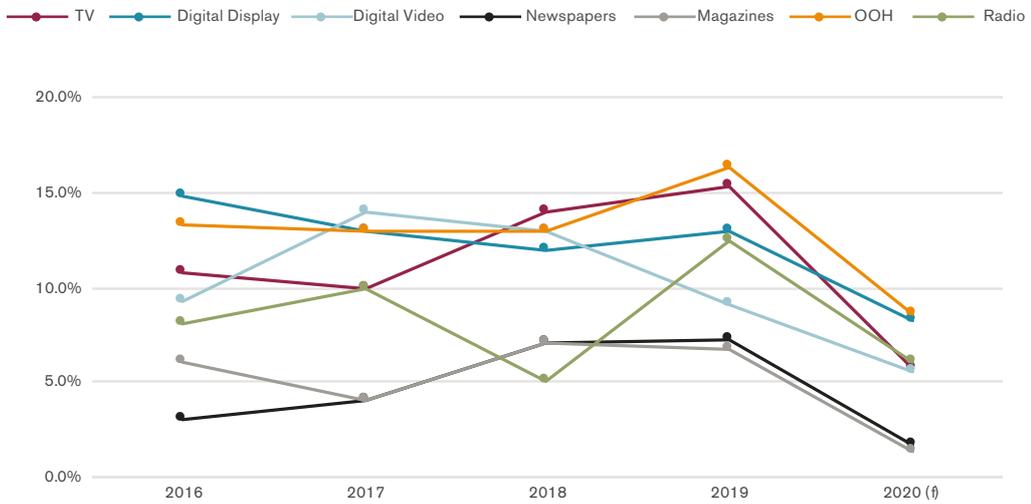
Q2 forecast vs Q3 update



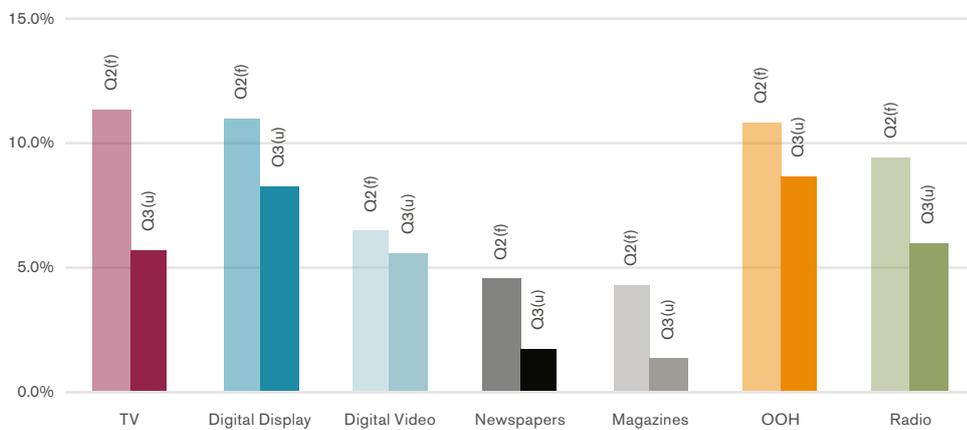
Indonesia

Forecast update: With spend having decreased as the pandemic rolled through April, the forecasts have been updated in to be less inflationary. Indonesian consumers have rallied so that advertisers can continue doing what they do best – advertise.

5-year trend



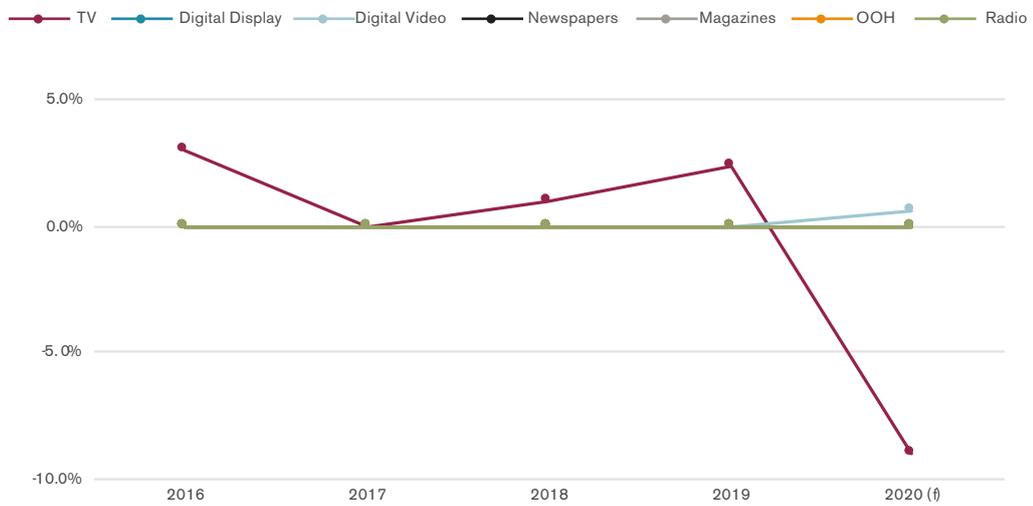
Q2 forecast vs Q3 update



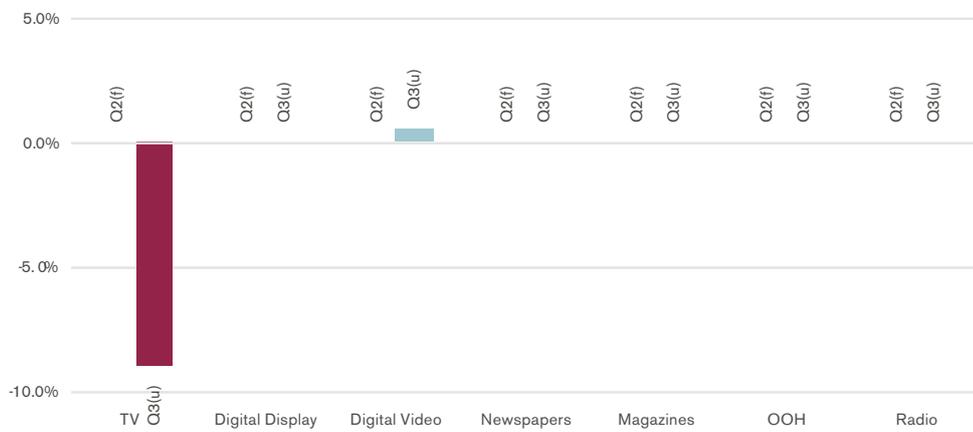
Japan

Forecast update: Japanese media pricing inflation is normally flat, so any deviance is a hit to the economy. With the Olympics and Paralympics postponed until 2021, the TV advertising market took a big hit in Q2 and Q3.

5-year trend



Q2 forecast vs Q3 update

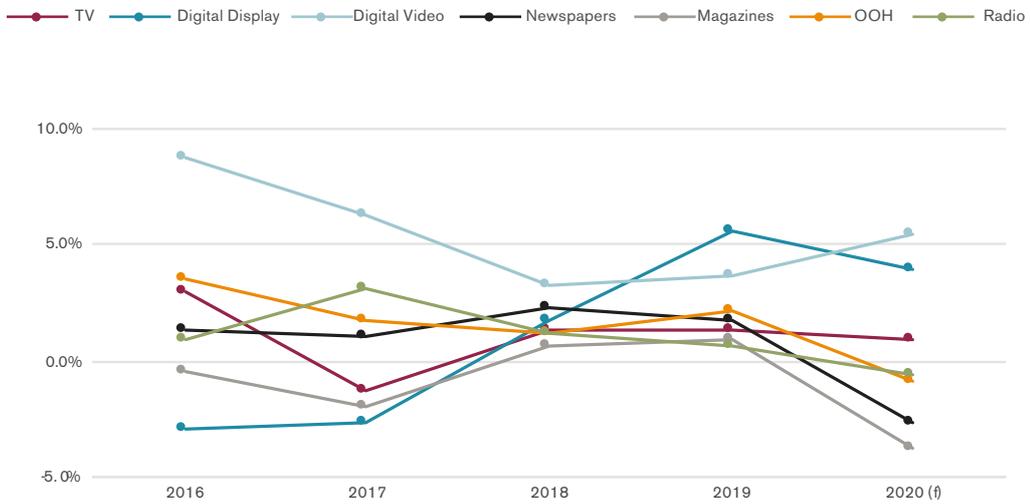


Korea

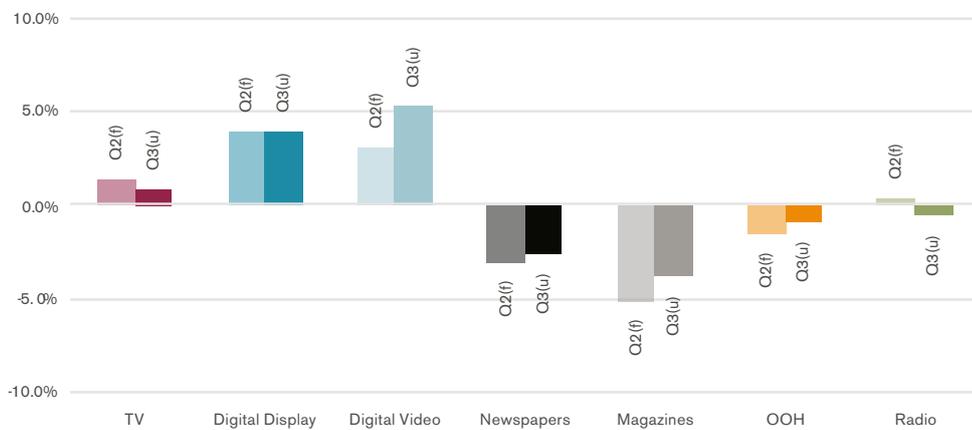
Forecast update: A market that saw early lockdowns in order to save the public, there have not been any major changes to the Q2 forecast.

Low levels of transition from TV and Radio to Digital Video have helped to reinforce the overall trends seen in market.

5-year trend



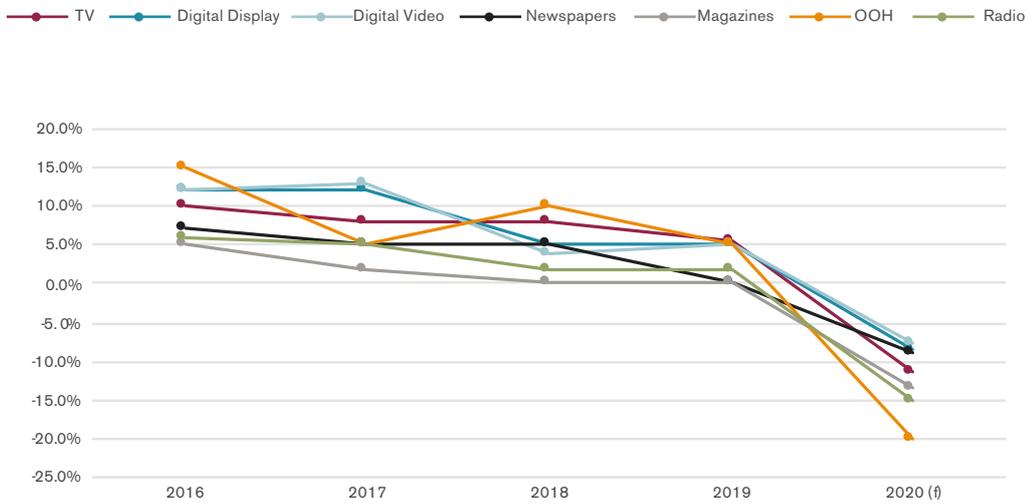
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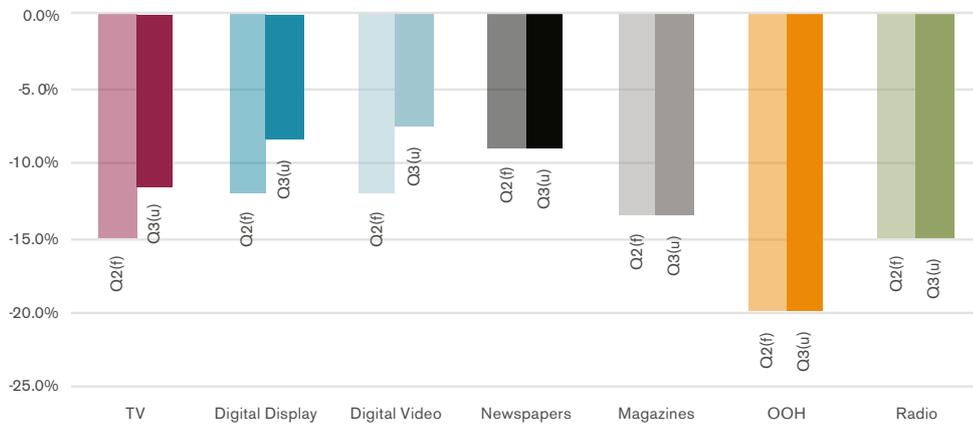
India

Forecast update: With the Indian market only opening up slowly across Q2, there are no major changes to the overall forecasts. TV and digital media are not as deflationary as previously anticipated.

5-year trend



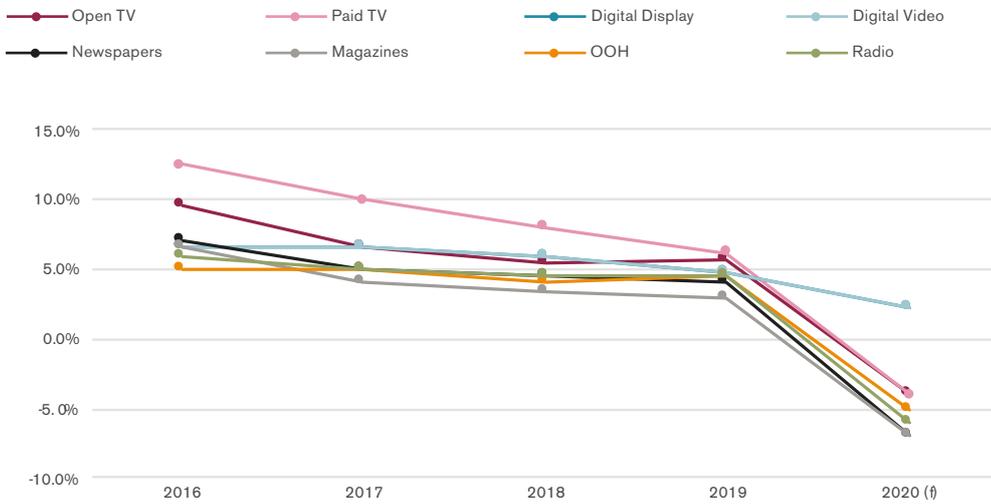
Q2 forecast vs Q3 update



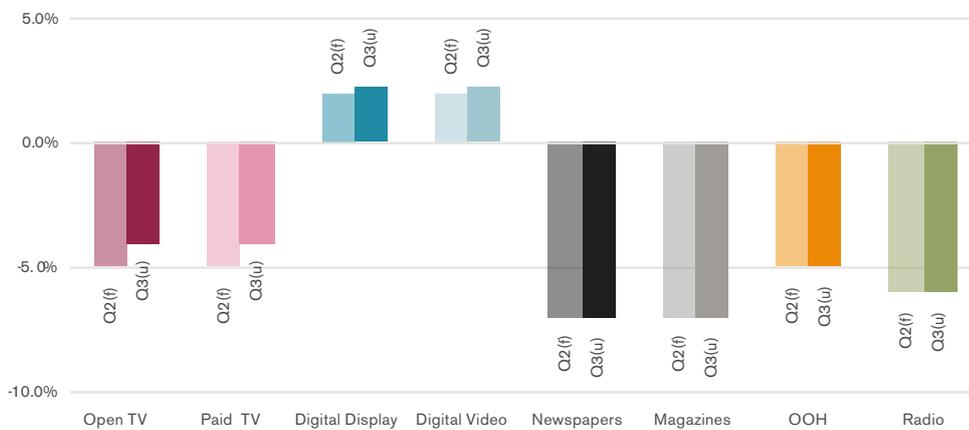
Brazil

Forecast update: With Brazil's struggles to manage the pandemic continuing, the most recent forecasts are relatively consistent with Q2.

5-year trend



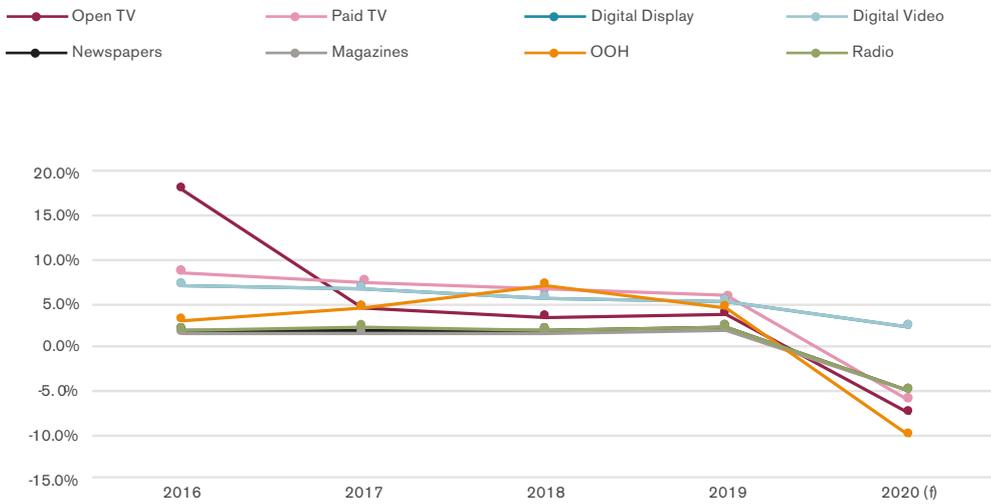
Q2 forecast vs Q3 update



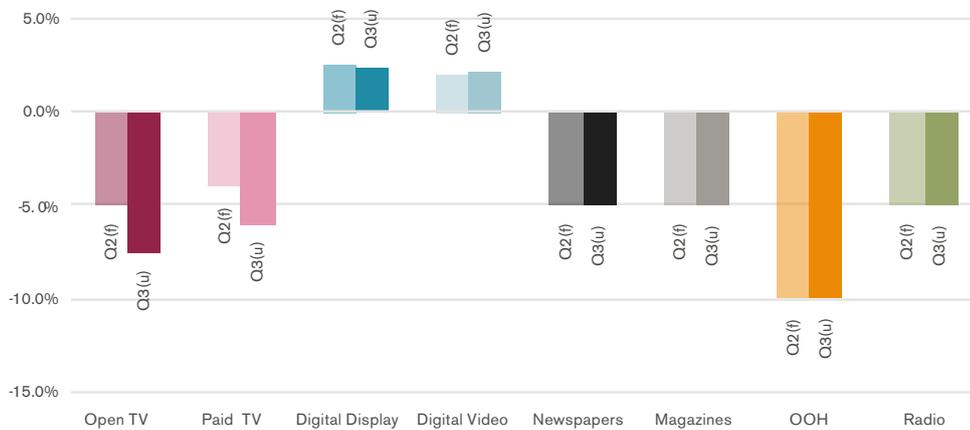
Mexico

Forecast update: With ad spend reduced across Q2, the TV market has seen a downwards turn in comparison to the Q2 forecasts. Digital media remains the only inflationary media type, and is relatively consistent with the Q2 forecast.

5-year trend



Q2 forecast vs Q3 update



About ECI

ECI: HIGHER MEDIA VALUE

Technology is transforming the media landscape at an unprecedented pace. But in the right hands, change can be a force for good. ECI Media Management, the market's fastest-growing global media management company, leverages these changes to help you drive **higher media value** from your advertising investment.

A modern, forensic approach

Ever since our formation we have championed a modern approach to media and financial auditing. As pioneers in the field of digital auditing, we include sophisticated analysis of programmatic activity in our audit model, and we pride ourselves on a forensic, fact-based approach which harnesses the power of our world-class talent and proprietary technology. Along with our innovative benchmarking capabilities, we are confident in our ability to empower our clients to drive higher media value and media-led impact on business performance.

Cutting-edge services

Capitalizing on today's dynamic, fast-paced media landscape to drive **higher media** value requires data-driven decision-making, global experience and a deep understanding of the latest technologies. At ECI Media Management we are proud to be able to offer these and so much more, including TV auditing, financial compliance auditing, pitch management, KPI-setting and management and contract consultancy.

Global experience, local expertise

We are proud of our client portfolio, which contains some of the world's largest and leading advertisers. Our network of owned offices and leading affiliates supports them where they need us, across the Americas, Europe and Asia Pacific. We offer them high-level media intelligence, rigorous benchmarking and, ultimately, the insight, experience and savvy to ensure that their advertising investment and agency relationships drive **higher media value.**



Our **product** offering

Relationship Management

Pitch Management

Agency Contracts and Remuneration

Financial Auditing and Contract Compliance

Media Performance

Target Value[©]

Cost Tracking – All Media

Target Mark[®]

TV Analysis & Benchmarking

OnTarget[®]

Digital Analysis & Benchmarking

OOH / Print / Radio

Analysis & Benchmarking (TMI[©])

Media Consulting

Media Training and Bespoke Workshops

Media Strategy Effectiveness Review

Business Process and
Data Management Consulting

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