

# Scenic Watch



Covering  
March  
2020  
News

"Advertisers stare into the coronavirus abyss"



Photo: Jeenah Moon, Reuters

"The cancellation of major sporting events and the decimation of the luxury, entertainment and travel industries is delivering a hammer blow to a global advertising industry that was already reeling from years of tech-led turmoil.



## Festivals and Events

Our coverage will resume when Florida's venues reopen

What should have been a bumper year with the Euro soccer tournament, Tokyo Olympics and U.S. election looks like it could be one of the worst for ad giants WPP (WPP.L), Omnicom (OMC.N), Publicis (PUBP.PA) and IPG (IPG.N) as the economy shuts down.

Advertising executives told Reuters that clients are pulling campaigns, photo shoots for glossy magazines are off and major brands are cutting budgets to conserve cash after the outbreak upended the way consumers go about their daily lives...

'This is a very sudden, immediate and significant hit to people's revenue and bottom line. A lot of people will go to the wall as a result of it,' Michael Moszynski, chief executive and founder of the LONDON Advertising agency, told Reuters.

'All the media agencies globally are being told by their clients to cancel their spend.'

The sudden withdrawal of a chunk of the \$600 billion of pure advertising money that goes via agencies onto media platforms such as Facebook (FB.O) and Google (GOOGL.O), broadcasters, magazines and billboards will be felt far and wide.

While the industry has faced crises before, including 9/11 and the 2008 crash, the rapid spread of coronavirus through every continent and every sector poses an unprecedented threat.

'You don't advertise for flights that don't exist,' Brian Wieser, an executive at WPP's Group M media buying arm, told Reuters. 'If you can avoid it you will stop the spend.'

WPP, the world's biggest advertising group with more than 130,000 employees, traditionally keeps its staffing levels in line with revenue growth.

It has already been through two years of pain as clients started placing ads directly on major tech



platforms and others took some digital advertising inhouse. Its shares have fallen 54% in the last three months, the worst hit of the four groups.

**REVENUES SHRINK** The global fallout can be seen first in China where the virus emerged. Its biggest search engine Baidu predicted sales from advertising could fall by up to 18% in the first quarter.

In the United States the New York Times has forecast a fall in quarterly total advertising revenue in the mid teens due to a slowdown in international and domestic advertising bookings.

And in Europe, broadcasters such as Germany's RTL (RRTL.DE) and Britain's ITV (ITV.L) have been hit by the departure of big advertisers such as cruise companies and airlines.

The postponement of the James Bond movie and the Euro 2020 championship will hit sponsorship, pure advertising and the dated 2020 merchandise that had already been made.

Around the world, outdoor advertising is being particularly hit as consumers stay at home. As luxury fashion sales plunge the companies are still paying for billboards in airports that are largely empty. Some glossy magazines could also fail.

William Eccleshare, the Worldwide head of one of the biggest outdoor groups, Clear Channel Outdoor Holdings, said some advertisers had pulled out of the medium in countries that were shut down while others delayed bookings.

He told Reuters they would negotiate cancellations with both the landlords they rent the space from, and the advertisers who pay to use it. 'We show flexibility where appropriate but it's judged on a case by case basis,' he said.

The pain will also be felt early in the digital market dominated by Alphabet Inc's (GOOGL.O) Google and Facebook (FB.O) where spending is more easily

adjustable.

'What's the first thing that you will turn down? It's variable marketing spend,' Johannes Reck, co-founder and CEO of Softbank-backed Berlin travel startup GetYourGuide, told Reuters..."

-- Kate Holton, Reuters

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## Shutdown's Influence on Advertising: "Outdoor advertising trampled in the coronavirus rush indoors"

"...Analysts have marked down oOh!media's revenue prospects as the outdoor media leader, already dealing with a weak advertising market, sees its audience head indoors and away from billboards.

Industry insiders say the pullback from some outdoor advertisers during the coronavirus crisis has been swift.

Much of the call to action billboard advertising, such as attending an event or going to a sale, is fast becoming redundant as consumers stay at home with streaming media services running hot...

oOh!media this week: 'Deteriorating macroeconomic conditions and resultant market uncertainty caused by COVID-19 has made forecasting full year revenue in the current environment difficult. This is particularly relevant for oOh! given the Company has nine months remaining in its financial year to December 2020.'

'The company is taking decisive action to proactively manage the business through this period and ensure it remains well positioned for when conditions stabilise, and continues to make every effort to achieve the prior earnings guidance.'

Brian Han, senior equity analyst at Morningstar, is impressed with oOh!media's fighting spirit as the outdoor advertising specialist tells the market it will make "every effort" to hit previous prior earnings guidance.

But Morningstar has cut its fair value estimate for oOh!media by 14% to \$3.20 a share, reflecting the estimated impact of COVID-19 on revenue. Dividend expectations for 2020 have been cut to zero.

'Demand for outdoor advertising is bound to be depressed when an expanding chunk of the economy is bunkering down at home and practising aggressive social distancing,' says Han.

'And those clients who are still standing and care to advertise outdoors, one can be sure they will be driving a hard bargain with oOh!media amidst the current malaise.'..."

-- Chris Pash, AdNews

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