Scopen launches Trend Score as marketers look to recover

On 23 October 2020 Scopen, together with the Independent Agency Search and Selection Company (IAS), conducted a virtual launch of Trend Score, a first for South Africa.

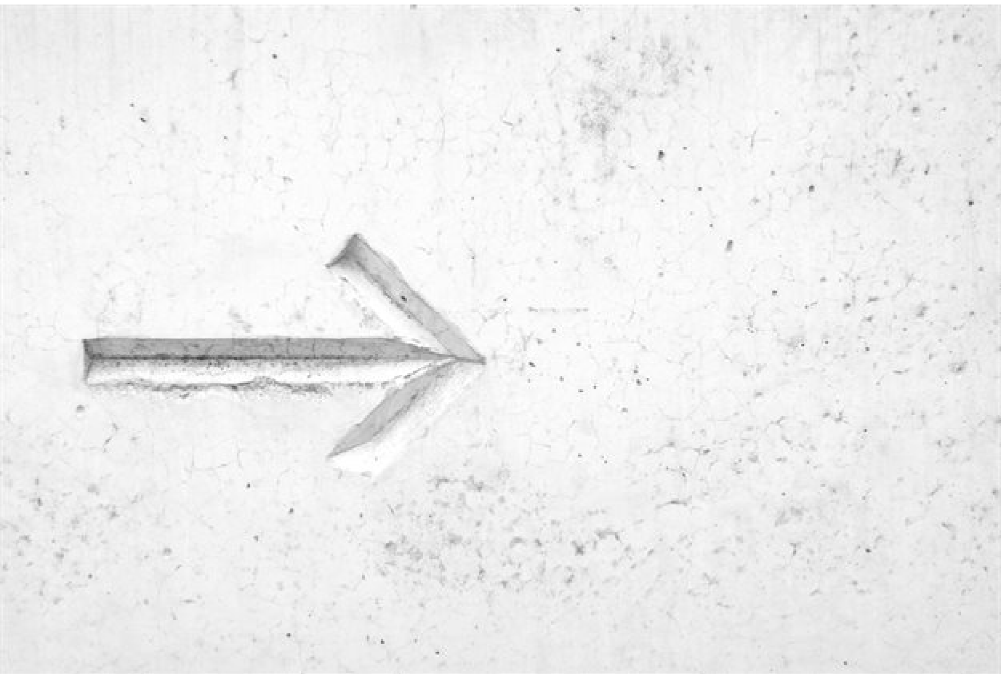
A barometer the marketing industry over the past six months and a view to the next six, quantitative tracking has been carried out by Scopen for more than 10 years in Europe.

Scopen co-founder and global CEO César Vacchiano says: “We are very proud to launch the first Trend Score developed in South Africa. Participants include the key decision makers in marketing and the support of the Marketing Association of South Africa (MASA) in promoting the study among its members added much value to our research.”

Data for Trend Score 2020 was gathered between 15 September and 12 October 2020, so “what you see is the freshest possible look at the industry, with a firm focus on the impact of Covid-19”, he says.

Of the 36 participating companies, 61% are South African owned and 39% are multinationals. Categories covered are FMCG, services and durable consumption goods and a massive 61% of these have more than 1,000 employees.

Vacchiano says, “The questionnaire was structured in two sections, the first being an analysis of the current situation; and the second, expectations on the evolution in the advertising activity for the next six months."



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First, the red hot question: How much was your budget altered by due to the pandemic and its subsequent lockdown? “Our analysis shows that 58.1% of marketers decreased their advertising spend. Interestingly, 30.6% maintained a stable budget, and 5.6% increased their spend by up to 20% and 5,6% raised spend by 20% to 30%.

“The overall average of budget reduction was 21.3%. It’s a big number,” he says, “but the other markets surveyed came in with 20% to 30% budget cuts and it appears that South Africa’s lower rate of Covid-19 fatalities may have played a part in a slightly lower overall drop.”

The largest losses

The biggest loss in terms of disciplines was below the line (promotions, activation, experiential, events) spend (26.6%), with above the line following at 18.8%. Unsurprisingly, the sudden switch from work-from-office to work-from-home saw digital media buying drop by only 3.7% and digital media creative and content rise by 1.9%.

Johanna McDowell, Scopen partner and director for the UK and South Africa says: “Investment per media platform is not astonishing either, given the conditions placed on consumers with regard to gatherings and delivery of essential goods. The biggest loss was cinemas at a massive 81.8%, followed by magazines and newspapers at 65.8% and 64% respectively.”

Vacchiano notes that across global markets, cinema took the biggest hit, locally out of home (OOH) suffered a 45.1% cut and radio, 38.9%. McDowell highlighted the fact that South Africa’s hard lockdown saw very few cars on the road – a hotspot for radio listenership – and the spend cut reflects the massive drop in listenership.

“The increase in television viewing caused a slighter loss of budget spend,” she says, but asserts that the loss was due to marketers typically not spending where there won’t be a result.

“Consumers were in lockdown. Marketing had to be tailored to businesses that could supply goods or services and those were few and far between. We noted that television ads in the first few months of lockdown were largely about Covid-19, educational and emotional.”

McDowell says it was heartening to see the new, South African-made ads running in the first few months, and the switch back to regular ads has only come in the last two months. What is unusual, though, is that the only rise in spend Trend Score shows is television, in the durable goods sector at up to 50%.

Overall, in reviewing the impact of the pandemic on budget, business and sales, and scope of work of the agencies, digital showed stability while only durable goods – appliances, household items, cars – showed a rise in marketing spend. McDowell points out that the lockdown had vehicle manufacturers and sellers shut down completely. “Passenger car sales through April 2020 totalled just 105 units, down by 99.6% compared to April 2019 and light commercial vehicle (LCV) sales racked up a meagre 318 units, a 96.8% drop compared to April 2019.”

Asked whether Covid-19 has changed relationships between marketers and agencies, marketing leaders said a resounding 80.6% “yes”. The single most significant change? Remote working. “What’s interesting,” says Vacchiano, “is that marketers also found responses and processes quicker, as well as noting closer relationships, with agencies being more proactive and providing solid brand support.”

Changes in the way marketing organisations worked with agencies were also notable, with investment in technology and labour flexibility realising 75.8% and a restructure of the marketing department at 48.5%. Marketers who reduced agency fees numbered 42.4% and 12.1% have frozen agency fees.

The road ahead: Rocky or recovery?

Most advertisers expect to maintain stable investment in ATL and BTL in the first quarter of 2021. However, the average variation has more impact in ATL than in BTL, where ATL prediction comes down by -5.4%.

“Very good news for digital, though,” says Vacchiano. “Confidence in digital seems to encourage an increase in the investment in content and media, both of which show a positive trend. BTL remains stable, but ATL again takes a small knock.”

So, when do marketers see their advertising investment improving? Overall average says 12.7 months, with almost 55% of the largest advertisers in South Africa believing the industry will start recovering some time in 2021, and 25.8% think the investment reactivation will be in January.

Three out of ten advertisers suggest investment will improve in 2022 and 9.7% think the industry will be back to a pre Covid-19 situation in 2023.

The factors that will affect a positive change in advertising investment sees 54.8% suggesting “it depends on the industry itself”, and 45.2% saying it “depends on consumers”. Factors external to the economy were noted by 22.6% and those who believe it depends on the global economy are just 16.1% of respondents.

Innovation is rated by 25.8% as a path to recovery, and just 3.2% suggested a vaccine for Covid-19 would be the gateway.

“All of these paths to recovery are dependent on what happens globally which, as we know, affects countries individually,” says Vacchiano. “The data is not good news – but it certainly could be worse. Europe is heading for winter and more lockdowns and infections, and emerging economies like Brazil and Mexico are also struggling. China looks set to be the only economy that will grow in 2020.”

Vacchiano says multinationals are under pressure to show growth but will be feeling the hardships of 2020. “Independents appear to be somewhat better off, especially where they were able to reduce fees for a few months and clients made payments promptly.”

Scopen aims to do the study again in six months, which will bring more clarity on the direction the markets are heading and how marketers foresee the second quarter of 2021.

The data is extremely interesting from senior leaders in the industry. I’m happy to hear that we aren’t as badly off as we could have been, but the threat of a second wave is top of mind too,” says McDowell. “Trend Score should provide much value as our industry leaders look to innovation and recovery."