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MARKETING

Coronavirus impact on marketing budgets

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By Denis Litvinov

The spread of the COVID-19 coronavirus is sending shock waves across the globe as we all try to adapt to a new reality. And with these challenging times, businesses are scrambling to figure out what the future means.

One essential item is what will 2020 look like for mobile apps, and what will be the impact of the pandemic on their marketing budgets? With so many unknown factors arising from this unprecedented global event, it is too soon to answer this accurately.

Reduced consumption

However, when it comes to mobile app usage, there are clear signs of increasing audience activity due to quarantine. Although this is a positive for some businesses, things are not that simple.

All social entertainment apps profit from advertising. Although the cost of advertising continues to rise annually, it makes the business very attractive, yet at the same time very difficult to operate.

Projects with high load, smart feeds, sorting and fast content delivery requires a reliable development. This brings in considerable expenses, but together with significant income, it creates a situation that is quite balanced.

Venture business has given rise to many tech companies that are not self-sufficient and work to get investment rounds or exist at a break-even point. It works this way, but the disadvantage is that the company is not resistant to the non-standard external environment, such as COVID-19, which keeps the whole world under quarantine and causes a significant reduction of consumption in society.

Reduced consumption leads to a decrease in the number of purchased advertisements and, as a result, their income falls.

For companies that were unstable, they risk losing a part of their teams. They also have a more significant risk of losing their whole company.

Our data shows that during the quarantine period, there is a 50 percent fall in advertising revenue (data as of March 23). Specifically, the changes showed:

- Upper tiers - the most massive fall is at the top levels (around 70-80 percent)
- Middle tiers (approximately 50-60 percent)
- Lower tiers remain stable at 50 percent

Platform gain
Recent claims reveal that large corporate advertisers of consumer services have stopped marketing in the United States for the duration of quarantine, or it might be due to a panic shutdown of all advertising activities to adjust plans and start marketing in the new reality.

Revenue volatility does exist in "normal" times as well, but we have not seen such a decline in the 10 years of our company's presence in this market. And we think that the revenues can fall further, even more, taking into account possible advertising networks' bankruptcy which, without the patronage of large companies, are doomed to death.

One primary solution to advertising platforms would be to work only with more substantial companies that put value in their brands and their reputation, such as Facebook, Google, Twitter, Amazon and Verizon.

Although one can say that the bankruptcy of small networks existed before, now it may become widespread, which will only worsen the situation for the platform.

Advertising monetization is the basis for a vast number of technology companies, with the market growing by no less than 10-15 percent per year (FunCorp U.S. data), and this fall will significantly affect venture investments in technology startups.

IT THE QUARANTINE and reduced consumption last more than one quarter, it will cause irreversible damage to the advertising industry where redistribution of influence will take place both among platforms and among advertising networks.

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