



MORE is better than less.

Dear Friends:

At this time last year, we talked about the difficulties of making economic predictions and wondered if 2020 would bring us a real recession, a mild downturn, or neither. Among all the experts, who could have foreseen the horrors of a worldwide pandemic, which is still exacting its devastating toll on livelihoods and lives themselves?

Summer brought us glimmers of hope as infections dropped and restrictions eased. Fall, however, brought a new wave of the virus and a combative presidential contest, both of which will affect individuals and businesses in the coming year. In this issue's feature, we discuss the short-term and long-term effects on media of the pandemic and the election.

We look forward to participating in the virtual MFM 2021 CFO Summit on March 11-12, during which top media industry leaders will exchange ideas and discuss issues facing their businesses.

All of us at Szabo Associates wish you a very Happy New Year!.

Best wishes,

A handwritten signature in black ink that reads 'Robin'.

Robin Szabo, President
Szabo Associates, Inc.

Post-Pandemic Post-Election . . . What Remains, What Changes for Media

As of this writing, our country remains under siege, a second barrage of COVID-19 continuing to devastate families, businesses, and the economy worldwide. As cases and deaths declined over the summer and states reacted with relaxations of lockdowns, expectations of an early return to normalcy lifted spirits. Even so, fears remained that loosening restrictions, along with colder temperatures and pandemic fatigue, could draw battle-weary people together and create yet another surge of infections.

At the same time, there was our contentious presidential election, on an unchangeable date set by federal law. More than 100 million people, anticipating a large turnout and hoping to steer clear of election-day crowds, voted in advance of election day, and approximately another 60 plus million on November 3. While Joe Biden was proclaimed the winner of that contest, the results were contested by President Trump, citing voting irregularities in numerous states. At publication time, lawsuits were moving forward and President Trump had not conceded the election to Biden; however, 20 days after the election, the Trump administration cleared the way for the General Services Administration to provide the incoming Biden team with federal resources for transitioning to power. Complicating efforts to predict the overall outcome and consequences of the election is the run-off in Georgia, not to take place until January 5, that will determine the party majority in the U.S. Senate and have a significant effect on legislation going forward.

Right Now.

With regard to the pandemic, hope looms on the horizon. The impressive public and private coalition created by Operation Warp Speed has resulted in three (so far) promising vaccinations for COVID-19, one of which may be available for front-line health workers before the end of the year, with the other two set for widespread public distribution by April 2021.

Government relief. Unfortunately, the financial relief to individuals and businesses provided by the CARES Act has largely been spent. According to Mike Bevel, Director of Education for insideARM, collection agencies reported an increase in collections after the CARES Act stimulus checks were sent. As the stimulus money dried up, however, the initial rush of collected revenue did as well.

Congress has been arguing over the terms of a second stimulus package since August, largely over the cost of the bill. In addition to the price tag to the American people, the fact that Congress is now a "lame duck" will undoubtedly hurt the negotiation process. Thirdly and ironically, the good news about forthcoming vaccines could reduce the urgency of agreement on an expensive relief package. While Democratic leadership has called on Congress to pass a sweeping \$2.2 trillion economic rescue package before the end of the year, Republicans have put support behind a smaller \$500 billion bill that would renew some

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benefits authorized under the CARES Act and provide funding for state and local governments, albeit at a lower level than Democrats would like. Direct payments are not included in this plan.

Advertising dollars. Media companies' advertising businesses understandably took a nosedive in late March and April 2020. The second half of the year saw a rebounding as shelter-at-home orders eased and the presidential election and holidays were near at hand. Media anticipated a profitable fourth quarter, largely due to political advertising. (Group M estimated the expenditures to be \$15 billion, including \$1 billion on digital ads.)

In a November 24 article for *MediaPost*, Wayne Friedman cited Moffett Nathanson Research on U.S. ad spending in 2020. The company reported that overall U.S. advertising revenue is projected this year to decline 2.1% to \$222.6 billion, better than the previous forecast of 4.9%. TV advertising is in line with the overall market, declining 2.8%. Along with political advertising, the rescheduling of major sports in the third quarter and the return of scripted TV programming in the fourth quarter prevented further decline. Most traditional media platforms—newspapers, radio, consumer magazines, and outdoor—are expected to sink further, between 22% and 25%. Not surprisingly, advertising-supported and connected TV should see the biggest growth rates for 2020, a 31% improvement.

Some media, according to Tim Peterson in his November 4 article for *Digiday*, did not see a windfall of political ad dollars, but instead were buoyed by consumer packaged goods, streaming, pharmaceutical, healthcare, and tech advertisers. According to media and agency executives, some advertisers, having been priced out during the election season, held back portions of their fourth-quarter budgets until the competition receded.

Another piece of fallout from the pandemic is that advertisers have been wary of making long-term commitments, seeking greater flexibility in this year's upfront market and shortening the RFP (Request for Proposal) cycle. The shortened sales cycle means media are closing deals in the final two months of the year while trying to gauge overall demand for those months. The good news is that advertisers usually try to spend every ad dollar budgeted by year's end since it may be harder to get the same budget the following year. Now that we are seeing a resurgence of the pandemic, says Peterson, those ad dollars could be especially important given the likelihood of long-lasting economic trauma. Because digital will garnish an increasing share of advertising budgets in 2021, media companies with considerable digital publishing and established connected TV properties are particularly well-positioned.

Rethinking the Future.

Among the lessons of the past year, the most important may be the value of being nimble—the ability to identify what needs to change and to do it quickly and efficiently. The troubles of businesses become the troubles of media, as advertisers struggle to spend wisely and media strive to meet their increasing demands.

Restructuring. Following six months of racing to get ad campaigns and creative work done under tighter deadlines than ever before, publishers are rethinking the structure of their sales organizations, according to Max Willens in a November 4 article for *Digiday*. To make sure they can respond more nimbly to advertiser demands, publishers going into the new year are increasingly focused on growing the post-sales side of their sales organizations, either with full-time staffers or by boosting freelance budgets for contract positions. This beefed-up focus on post-sales roles such as ad operations, optimization, and production actually began prior to the pandemic.

Historically, post-sales was a small part, about 20%, of a sales organization's staffing budget, according to a media executive source for Willens' article. Starting last year, however, the balance began to change as publishers

sought to build more in-depth relationships with advertisers. Now, pre- and post-sales roles often comprise at least half of sales' hiring budgets. While adding more people may help get a campaign done in a shorter time, involving more people in a campaign may create its own set of challenges. Crowded lines of communication between clients and publishers, for example, might be one negative outcome at a time when developing strong business relationships is even more imperative.

Consumer behavior. Whenever consumer behavior changes, advertising dollars shift to adjust. The pandemic-induced confinement measures caused out-of-home advertising to decrease and in-home media usage to increase. Television viewing went up, with digital consumption going up even more. Social platforms, streaming services, and gaming have grown. Advertisers responded to the robust online environment by increasing their focus on digital advertising.

Shelter-in-place and travel restrictions have increased the relevance of local markets. For advertisers with customers in different geographical locations, understanding the particular needs of each locale and adapting to its changing needs quickly are challenging but necessary to remain relevant. Efforts to support local communities, such as hosting community events or sponsoring community centers, increase name recognition while sending a message that "we're all in this together."

The purpose of marketing is, of course, to gain customers. To meet the changing interests and concerns of consumers, marketing strategies are also undergoing more scrutiny. Interactive Advertising Bureau (IAB) data indicates that 73% of advertisers have modified or developed new assets since the beginning of the pandemic. Of these, 53% are increasing messaging that emphasizes their company's mission.

The acceleration of digital marketing is a trend likely to continue. Customers are finding that e-commerce can be a more efficient, safe, and pleasant way to fill their needs, pandemic or no pandemic.

They also expect messaging from companies to be more personal: “My life is different now, my priorities have changed, my concerns have changed, so convince me that what you have to offer is better than your competition. And by the way, what are you doing to make the world a better place?”

Only through good analytics can companies best take advantage of changes in consumer behavior. Old models may not work in the post-pandemic new normal.

Limits to third-party tracking will speed the need to access granular user data and apply powerful algorithms to drive effective targeting. The future belongs to companies able to adjust their analytics models to successfully monetize and personalize content experiences.

Operations. The pandemic has brought operational vulnerabilities within companies into sharp focus. For example, disruptions in the supply chain have caused financial damage to companies that rely on just-in-time inventory. Many companies did not have sufficient backup plans to fill the void.

Additionally, the vulnerability of people themselves to the virus has caused serious problems, not only to smaller businesses that rely on a handful of employees, but also to companies of any size that do

not have a clear plan for succession. What happens, for example, when the owner/operator of a small- or medium-sized business falls victim? Even larger organizations with many C-suite officers may find themselves at considerable risk due to the indiscriminate and pervasive nature of a pandemic.

While many companies embraced a work-from-home model prior to the pandemic for certain employees for a certain number of days per week, the pandemic suddenly drove tens of millions from their office buildings to their homes. In a June 2020 McKinsey & Co. article, “Reimagining the office and work life after COVID-19,” authors Boland, De Smet, Palter, and Sanghvi posit that “post-pandemic, industry leaders will use the lessons from this large-scale experiment to reimagine how work is done—and what role offices should play—in creative and bold ways.” Their solutions will be based on what talent is needed, which roles are most important, how much collaboration is necessary, and where offices are located now, among other factors. Some jobs cannot be done remotely, and there are some individuals who simply cannot make the transition successfully even if the jobs themselves could be performed outside of the office. Effecting permanent

change requires exceptional change-management skills and the ability to pivot based on how well the effort is working over time.

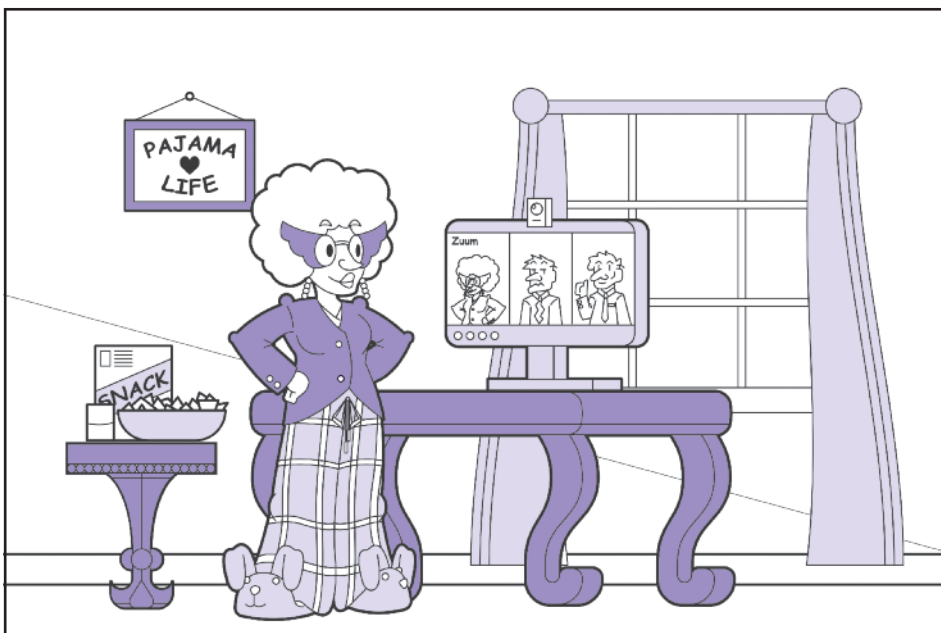
Technology will be central to making both remote workplaces and office spaces healthy and productive going forward. Technology solutions for remote work must prioritize cyber-safety and include supporting tools for virtual communication, collaboration, and documentation. Greater digitization and automation as well as more reliance on remote work could result in better productivity, lower costs, and increased ability to bounce back when the unexpected happens.

Government.

As we learned this year, government intervention has played a critical role in the survival of businesses and the well-being of citizens during the pandemic. We can expect government assistance to continue to provide basic needs, preserve jobs, and help businesses to survive as the crisis continues.

New administration. Presidential elections have consequences, and this one is expected to have a considerable impact on the U.S. media industry and the advertising that funds it. In his election day article for *Digiday*, “What a Biden presidential win would mean for advertisers and online media owners,” Seb Joseph states that this impact will be widespread, from near-term consumer sentiment to longer-term regulatory and trade policies.

Biden has pledged to hike taxes on the super-wealthy and corporations, using the trillions of dollars generated to bolster the country’s infrastructure and pivot to a clean-energy future, reduce incentives to manufacture or out-source overseas, and reform protections that shield social media companies from liability, among other proposals,” stated Joseph. With regard to the last item, Biden has expressed interest in reforming Section 230 of The Communications Decency Act. The Act, which Biden would like to revoke, prevents firms such as Facebook and Twitter from being held liable as publishers of the content posted on their platforms.



Um, can we get this Zoom call finished soon? There’s an online flash sale on pajama bottoms and sweatpants and they’re going fast!

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Post-Pandemic —

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According to the auditing and assurance, consulting and tax services firm PwC, technology, media, and telecom (TMT) companies anticipate more rigorous data and deals scrutiny under a Biden administration. Both parties have experienced pressure from consumers and policymakers to rein in big tech. While Biden has said that breaking up those businesses is a step too far, he has backed calls to impose tighter restrictions on how they operate. The incoming president has called for more rigorous data standards, similar to the European Union's General Data Protection Regulation (GDPR), which companies were already anticipating regardless of the party in the White House.

Biden has also vowed to reform the H-1B system, a move that could somewhat relieve tensions among TMT companies raised by regulation and higher taxes. Tech companies and ad agencies have used the system to hire skilled foreign workers to fill jobs in the U.S., and Biden would like to increase the number of green cards issued yearly by the government.

At the time of publication, the balance of power in the Senate was still in question. Should the Republicans prevail in the race in Georgia, their majority will apply the brakes to the Democratic agenda and block the more controversial measures contained in its platform. If the Democrats take the majority, the progressive wing that strongly supported Biden has signaled its expectation that he will reward it accordingly. Pay close attention to January 5, 2021, when the outcome could substantially define the

next two years until the mid-term elections in 2022.

Going Forward.

On November 28, the first doses of the COVID-19 vaccine produced by Pfizer shipped from Belgium to the U.S. Pfizer applied to the Food and Drug Administration for emergency use authorization for the vaccine, and distribution will commence upon receipt of approval.

We all will look back on 2020 as one of the most challenging years in many decades. As in war times, it has been a testament to what individuals, businesses, communities, states, and the federal government can accomplish when faced with the unimaginable. Hopefully, the lessons learned through our failures and successes will guide us in the years ahead and better prepare us to meet the challenges of the future. ♦