MOORE Kingston Smith

MOORE MEDIA NEWSLETTER

Welcome to the first edition of the Moore Media newsletter.

Moore Media has been formed by member firms of the Moore Global Network that have well-established and recognised expertise in the media sector. The group includes 23 member firms covering five continents of the world and has expertise with a truly global reach.

By combining as a group, we have unique commercial knowledge and industry focus which allows us to best identify opportunities and overcome challenges for the benefit of all our clients. There perhaps has been no more challenging time in recent history than now! The Coronavirus pandemic has swept across the world and brought lockdown in various degrees to most countries.

The media industry has been badly affected – since March there has generally been no ability to shoot live action films or TV shows, to go the theatre or cinema or attend any form of major live events. Indeed while some of this is now slowly returning, the ability to hold major events with large crowds will likely not return until 2021.

While the ability to make and deliver content has been curtailed, the lockdown has if anything increased demand, with gaming companies and streaming services both reflecting this. The challenge for the media sector will be how to satisfy this demand in a world where the effects of Coronavirus will linger on. Creativity will need to come to the fore!

We have a detailed analysis of UK client feedback set out in one of the articles in this newsletter. We also undertook smaller surveys in other countries and it is perhaps worth highlighting a few key points. The UK was pessimistic with 2% of companies expecting 2020 revenues to increase and 94% expecting them to fall. This compares with the more bullish position of US companies where 13% still expect 2020 revenues to increase and only 83% anticipating a decrease. 28% of UK companies expect to cut staff, where this figure is only 22% in Argentina! As a balance to this, only 25% of UK firms expected their 2020 profits to halve as opposed to 35% in the US and 33% in Argentina.

Our survey was taken now some four weeks ago and I think that sentiment is changing all the time. Back then in the first month of lockdown, there was general pessimism. However, as I write this and with the lockdowns easing across Europe and the US, there are definitely signs of life returning. Some cinemas are now reopening on a small scale, drive-in movies and theatres are making a comeback and film production on a limited scale is possible in some countries.

My sense is that the next three months is key in terms of a return to income generation. Government support is being withdrawn and companies will be back to standing on their own two (slightly wobbly) feet thereafter. Our surveys showed that 50% of UK companies felt they had six months cash reserves, although in both the US and Argentina this figure was higher at 78%. Consequently, unless profits are returning by the end of September, the real pain for media companies may start at that point.

We are about to launch a new survey to gauge how feelings have changed and will publish this in the next month or so.

I would like to thank all of the contributors for their articles and particularly highlight the piece from Gala Law dealing with the legal issues for global advertising at this time. Gala is a global alliance of lawyers throughout the world with expertise and experience in advertising, marketing and promotion law, who we are delighted to work closely with.

I hope that by the time we produce the second edition, the global landscape will be less focused on Coronavirus and fully adjusted for working and delivering in the new world that will have emerged.

Graham Tyler
Partner

STATUS OF THE US ADVERTISING AND MARKETING/ COMMUNICATIONS INDUSTRY FROM ARMANINO LLP'S PERSPECTIVE

In the fourth quarter of 2019 and well into the first quarter of 2020, the projections prepared by our team for advertising, marketing and production agencies were stable and tended toward predictable growth, based on historical trends. Unemployment was low, and good talent was hard to find. As of April 2020, that had drastically changed.

The industry was already shifting toward project, not retainer, work, which forced many companies to forecast known revenue on only short-term horizons. Long-term forecasting was based on trends, not signed deals. The bad news is that being "project-based" is akin to being paycheck-to-paycheck. The good news is that a project-based world is a very nimble world; this sector adapts to highs and lows quickly.

In March, unemployment in this sector shot up quickly. When it became clear that business would slow or stop, cost-cutting was swiftly implemented at nearly every agency and production company we work with. Most agencies cut staff and real estate costs by the end of March. There were wage reductions, which saved jobs, in many agencies. We saw more furloughs (temporary reductions) than lay-offs (permanent staff reductions). In those furloughs, we see hope that agencies plan to rehire as soon as possible.

Those agencies who had managed to build a net working capital cushion are managing better. That cash has been put to use pitching the right kind of business (we've seen some wins!) and saving some suddenly unemployed and talented creatives from the breadlines.

Our experiential agencies — those dependent on live events, sports venues and trade shows — were hit first and continue to experience the worst of it. This sector is unlikely to recover until 2021, due to their dependence on the public's confidence in overall community health.

Agencies who do business with the tech giants Facebook, Google or Apple seem to be faring better. We have also seen some optimistic glimmers from agencies working with internet providers, game developers and insurance companies. Those dependent on storefront retail are obviously suffering compared to those in the e-commerce space.

All this points to the obvious: agency results are dependent on the health of the host clients. Those who managed to own and develop technology or data-driven subscriptions will be thanking their lucky stars that they have a product, and not just a service. Those few who had healthy retainers and saved some money have a better chance of weathering the storm intact.

M&A work has come to a lumbering stop. While there are still some buy-side opportunists out there, they're looking for a deal. Private equity stands out here as being more willing to explore the agency world while it's down.

Interestingly, valuations work is heating up. Some of that work is fire sale-related, or relative to the exercise of stock grants and options, but plenty of it is related to gift and estate tax planning due to the recent Coronavirus Aid, Relief, and Economic Security (CARES) Act legislation. It could indicate a shift in succession planning strategy as some owners consider a steady managed buy-out or determine to keep it all in the family.

The CARES Act may help the industry in a variety of ways. There are plenty of small agency owners hoping the US small business administration's paycheck protection program (PPP) loans will be enough to bridge the gap. The eight weeks of payroll and rent coverage those loans provide may just be enough to get them to the next project win. The PPP loan is converted to a grant, tax free, if the borrower rehires previously furloughed staff before the end of June, which may save jobs just as advertisers gear up to serve clients in a reopened economy.

Larger agencies (those over 500 headcount) who keep talent on payroll simply to avoid losing them in the short term can take advantage of the legislation's employee retention credit.

Most agency owners are now carefully following guidelines from local centers for disease control and prevention (CDC) to determine how best to reopen. By now, most staff are productive and working from home, which will allow a gradual phasing in of staff by week, day or even shift. As work begins, it's likely that virtual meetings will continue to be the norm. Travel, formerly "necessary" for presentations, will not be expected. Clients are indicating that they won't accept agency personnel on site, and vice versa, for the time being.

We all watch our televisions, and we're all online more than ever. Consumers can see that the ad industry has already adapted to the new norm. Creativity abounds. Nothing can stop this industry from inventing new ways to see the world and to find opportunity. Stay tuned, folks.

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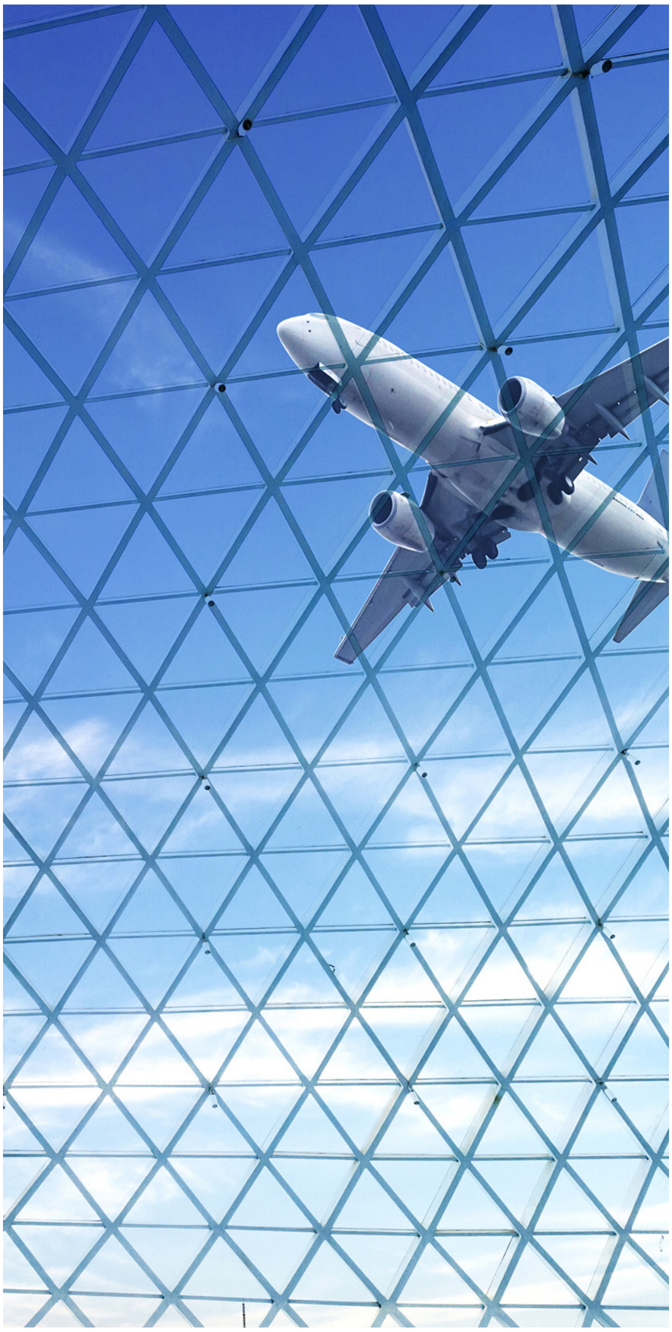
THE CASH REBATE SCHEME – A WAY OF ATTRACTING DIRECT FOREIGN INVESTMENTS IN GREEK AUDIOVISUAL SECTOR



The media sector has been one of the victims of the financial crisis in Greece. Several producing and advertising companies, newspapers, television channels and radios have closed down and many people have lost their jobs over the past few years.

The Greek media sector has seen better days.

However a few good things have happened in the period of these past years and one of them, that gave an optimistic aura to this distressed sector, is the introduction in the audiovisual sector of a cash rebate scheme that will be covering part of the eligible costs for national and international audiovisual productions.

The aim of this cash rebate scheme is the attraction of feature fiction film, television, documentary and animation producers as well as digital games developing companies to invest in the Greek audiovisual sector. The rebate scheme covers international and domestic productions or co-productions and supports the abovementioned categories of audiovisual works that select Greece as location in either principal photography and production development or post-production stage.

The entities eligible to apply for cash rebate in Greece are the ones which are established or have a branch in the Greek territory, and operate in order to produce audiovisual works, foreign producers of audiovisual works who are contracted with an entity established or having a branch in Greek territory and operating for the purpose of producing audiovisual works, and entities for the production of audiovisual works in the sense of cross-border production.

At the present time the rebate amounts to 35% on the eligible expenses incurred in Greece for all beneficiaries, who have access to state aid once they pass a cultural test and spend at least €100,000 in the case of feature fiction films or documentaries and €60,000 in the case of digital games in eligible expenses in Greece. Furthermore, the updated legislation provides a more flexible floor for television series, starting at €30,000 per episode, with a minimum of all eligible expenses at €100,000, while projects are financed without a cap.

The cash rebate scheme is based on a law that was passed in the Greek Parliament in 2017. A main part of this law regards the Establishment of an Institutional Framework to Enhance the Production of Audiovisual Works in Greece, giving the opportunity to producers and video game designers, to produce their works in Greece by qualifying for a funding under the investment scheme. It can also serve as a collateral for producers to obtain funds through the Greek banking system.

Financing of the rebate is guaranteed through the Greek Public Investment Programme and amounts to €75 million available for the years 2018 to 2022 with a provision of renewal. The cash rebate for the audiovisual industry in Greece is administered by the National Centre of Audiovisual Media & Communication (EKOME S.A). The applications are submitted all year long, no later than two months before the beginning of production or the post-production, via EKOME S.A to an electronic system which guarantees fast and transparent processing. The amount is payable no later than six months after the completion of production works, provided that all prerequisites of the relevant law have been met.

Greek production companies with vast experience in the sector are already collaborating with foreign firms and offer their services and their expertise. They cover a variety of production needs such as full production service, crew hiring and casting, location scouting, handling of bureaucratic procedures and governmental approvals, access to trustworthy vendors and solutions for accounting and banking issues.

A significant number of television and film producers have taken advantage of this new investment incentive and the opportunity to create in Greece's exceptional natural filming locations from mid-April 2018, when EKOME S.A began receiving online applications.

China, Korea, USA, France, Germany, Italy, Spain, Great Britain, Finland are the countries of origin. Some of the productions are co-productions, cross-border and European cooperation.

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A SURVEY ON THE IMPACT OF CORONAVIRUS ON MEDIA BUSINESSES BY MOORE KINGSTON SMITH

In mid-April, we carried out a survey amongst our media and marketing services clients to gauge the impact that Coronavirus had had on their business. It also revealed the extent to which they have been taking advantage of the wide range of government support available.

As expected revenue levels have been hit dramatically. Businesses have taken swift action to cut people costs and some 85% have taken advantage of the government furlough scheme, with others implementing pay cuts and short working weeks. We go into detail on all this in our survey.

Respondents were generally independent businesses with a good mix between all the different media sectors such as advertising, design, digital PR, media buying, TV and film etc. In terms of size, respondents were roughly a third each between 0-20, 20-50 and over 50 employees.

The survey was amongst UK-based businesses or holding companies and over 80% derived at least half their revenues from the UK. Around half had a small amount of income derived from US and similar levels had a small amount of income from Europe.

PRE AND POST-CORONAVIRUS BUSINESS SENTIMENT

We carry out a survey each January that looks at the outlook for the forthcoming year, so we were able to compare some of the responses to those received back in January pre-Coronavirus impact.

Revenue levels

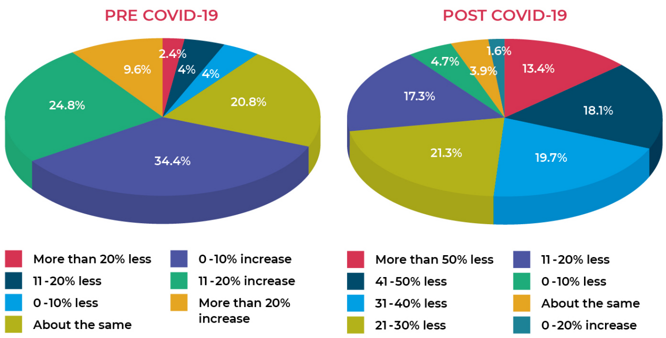
In our survey in January, nearly 70% of respondents were expecting to see growth in fee income in 2020 compared to 2019. Over a third were expecting income to grow by over 10%. None were forecasting a drop.

However, the Coronavirus pandemic has affected answers dramatically. Less than 2% of respondents now expect to enjoy any increased revenue in 2020, when compared with 2019, and 4% indicated they would have about the same revenue levels.

This means a huge 94% of respondents are predicting that revenue will be less in 2020 compared to 2019. Over 70% indicated the fall in revenue would likely be more than 20%, with nearly a third indicating the fall would be more than 40%.

On the whole, the predictions from the TV and film industry were a little more pessimistic than those of the marketing services industry. Of the marketing services industry, PR was the least pessimistic. Experiential and events companies were some of those hit the hardest.

How much better or worse do you think revenue levels will be in the calendar year 2020 compared to 2019?



Staff requirements

Before the pandemic, the outlook for staffing was generally positive with roughly half looking to maintain numbers or recruit and the other half looking to make reductions through natural wastage. Only a tiny number were considering redundancies.

Staff are the largest cost of most media businesses, and therefore it is no surprise that responses around staff levels have changed dramatically given the anticipated reduction in revenues post-Coronavirus.

The percentage of respondents looking to make redundancies has shot up to nearly 28%.Overall, nearly three-quarters of respondents are looking for staff numbers to reduce whether through natural wastage or redundancy.

This does not bode well for employment within the sector. Of course this is on top of a dramatic reduction in the use of freelancers who have generally been the first people costs to be cut as agencies make full use of the flexibility of this resource. However, agencies need to ensure they consider the longer-term resource and skill requirements of the business as well as looking to cut costs in the short term. Clearly there is a balance but the furlough scheme combined with asking staff to take pay cuts are some of the ways that businesses are managing to retain talent.

Profit levels

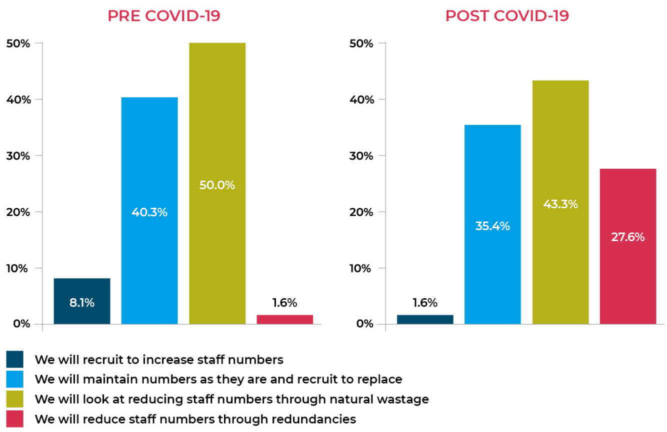
Profit level projections on the whole were strong pre-Coronavirus, with nearly 90% responding that they would make about the same or increase their profit levels from 2019 to 2020.

As expected these projections have been dramatically reversed. Post-Coronavirus, only 11% expect to deliver the same or better profit levels in 2020 when compared with 2019.

Roughly half of respondents think profits will be down 30% or more, and just over a quarter think profits will be down more than 50%.

While this is no surprise, it doesn't make for very good reading and will certainly pose huge challenges for media agencies' future plans, particularly those that were planning on going to market in the near future.

How do you think your staffing requirements will change in 2020 compared to 2019?



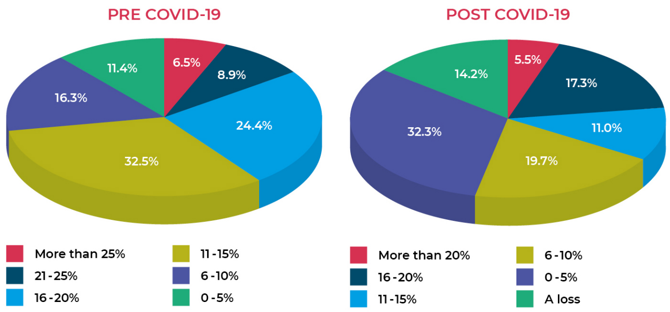
Profit margin

Pre-Coronavirus, profit margin projections were fairly positive with roughly 40% forecasting to make more than 15% net profit margin – the Moore Kingston Smith target minimum. A further third were forecasting a respectable 11-15% net profit margin. None were forecasting a loss.

In light of Coronavirus, these projections have changed dramatically. Some 14% of media businesses are now forecasting a loss. Less than a quarter now expect to deliver a margin of more than 15%.

In total, two-thirds of respondents are now expecting to deliver margins of 10% or less compared to just 28% pre-Coronavirus.

What do you think your net profit margin (i.e. profit before tax as a proportion of fee income/revenues) will be for 2020?



While this doesn't paint a rosy picture we would not be surprised if the outcome turns out to be even worse, and not just because survey respondents generally tend to be on the optimistic side! Recovery will likely be slow as the economy takes time to recover and consumer behaviours take time to find a new normal, and different sub-sectors are likely to recover quicker than others. As ever, it will be those agile media businesses that are quick to respond to the new normal that will thrive.

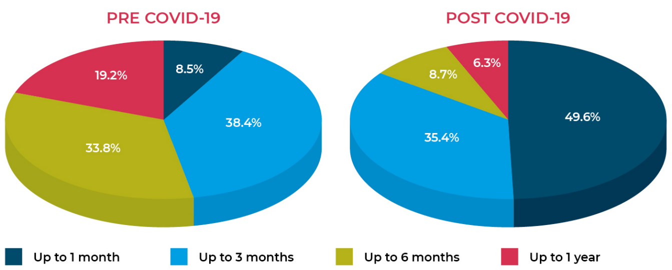
REVENUE VISIBILITY

Having visibility on future income steams is vital to enable media businesses to forecast and manage resource. However, as clients press the pause button on marketing spend, projects are delayed and most production grinds to a halt revenue visibility has never been worse.

Currently roughly half of respondents have only one month's visibility on income streams whereas pre-Coronavirus this was just 8%. Conversely those with visibility of between six months and a year on income steams has reduced from 20% to 6%.

It may take some time for businesses to get back to a place where they are able to do reliable longer-term forecasting. For now, we are advising clients to ensure they are doing regular reforecasts and reconsidering impact on resource requirements.

How much visibility did you have on revenue streams?

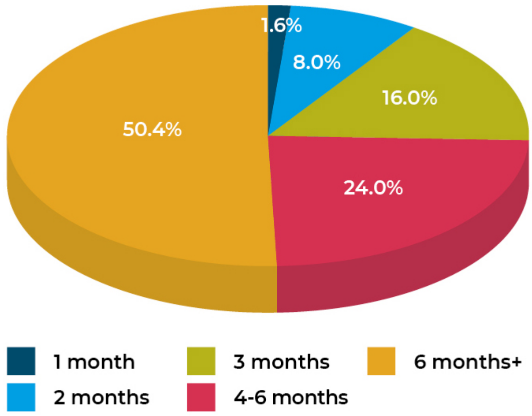


Cash flow

Encouragingly, roughly half of respondents have enough cash in the bank to last more than six months. Worryingly, around a quarter had enough to last three months or less. This will take into account the reduced cost base post-Coronavirus as media businesses slash all non-essential and discretionary spend.

Businesses need to ensure they are regularly reviewing their cash flow forecasts to enable them to identify where the crunch points are. They should be having proactive conversations with clients and suppliers alike to enable them to ensure their cash flow forecasting is as accurate as possible.

With the anticipated levels of activity following COVID-19, how long do you anticipate your cash will last?



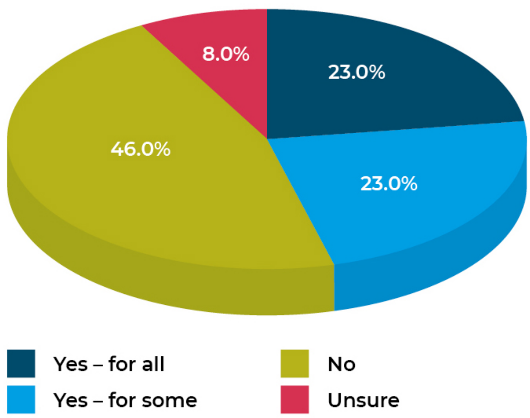
People

Not unexpectedly, given that staff cost usually represents some 60% or more of fee income, some 85% of respondents were planning to use the government furlough scheme. The government pays a grant of up to £2,500 per month for employees who have nothing to do and would otherwise been at risk of redundancy.

Businesses have a choice as to whether they simply pay furloughed employees the grant they can reclaim or whether they top the employee up to their usual salary. Respondents were roughly equally split between those who were not planning any top-up and those who were planning to top some or all up to their salary.

We are advising clients to be mindful of staff wellbeing while they are on furlough and to ensure they are involved in all communications and virtual events such as Friday drinks and quizzes etc. A good use of this time is to ask staff to undertake training or voluntary work.

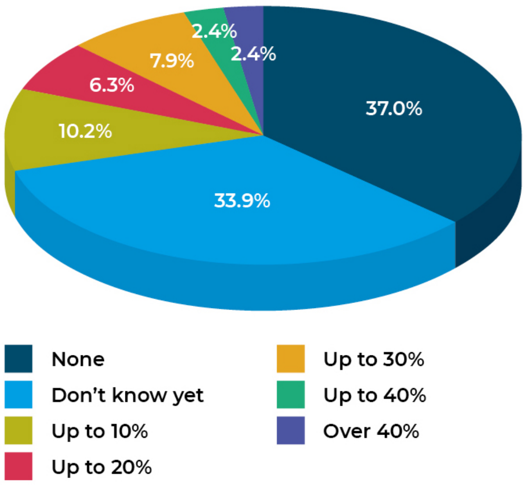
If you are planning on furlough, will you top up to full salary level?



We asked whether business were considering redundancies within their organisation. At the time of the survey, around one-third of respondents thought no redundancies would be necessary with a further third unsure.

Some 13% of the survey said they anticipate making over 20% of their staff redundant. Those planning on redundancies were anticipating making them over the course of the next three months.

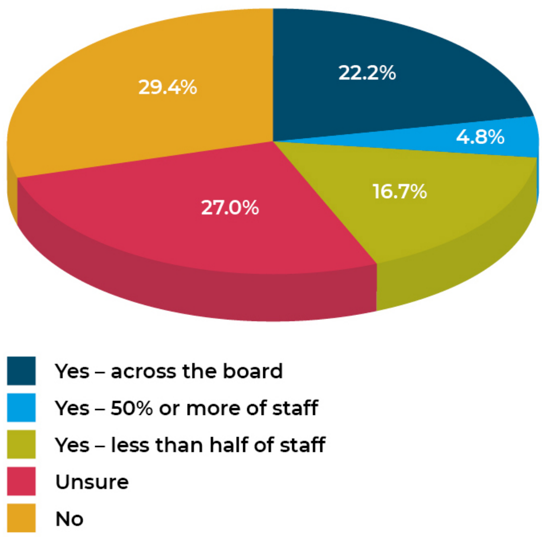
If you are contemplating redundancies within your business, what% are you anticipating at the moment?



In terms of reducing staff working time, 22% said that they would be doing this across the board, and 17% were planning on implementing this for up to half of the staff. Nearly 30% thought such measures would not be required.

Of those planning to reduce working hours, as expected, most were looking to do it within the next month.

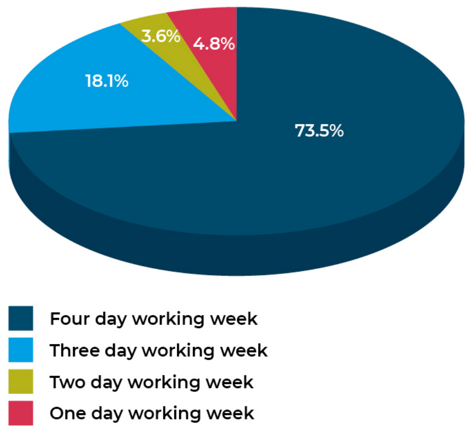
Are you contemplating reducing working time for staff members?



Of those considering reducing the hours, the most popular option was to drop to a four-day working week with around three-quarters expecting this to be necessary. However, this means that over a quarter of those reducing working hours are considering a three-day week or less for their staff.

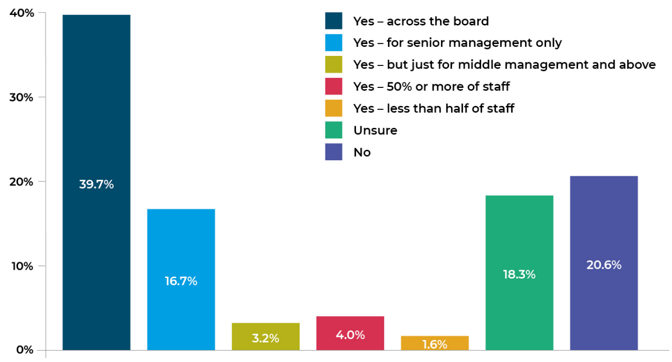
We are advising businesses to consider carefully how to manage the return of staff to work once things start to get back to normal. Phased returns or more flexible working arrangements might be required to ease people in gently.

If you are planning to reduce working hours, to what level will this be?



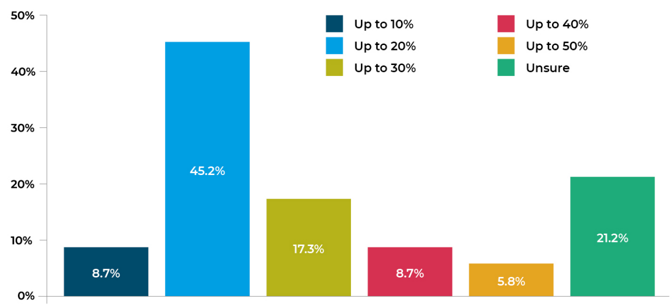
Salary cuts have been used widely across the industry as a way of preserving more jobs and avoiding large-scale redundancies. Some 60% of respondents had either already implemented or were anticipating salary cuts and a further 20% were as yet unsure. Roughly 17% were planning to confine salary cuts to senior management only, although 40% were planning to implement across the board.

Are you contemplating salary cuts within your business?



Of those considering pay cuts, some 45% said they would consider up to a 20% salary reduction. Some were considering much larger cuts but these tended to be the respondents who were planning on cuts for senior management only.

If you are contemplating salary cuts within your business, what % are you anticipating at the moment?



OTHER GOVERNMENT SUPPORT

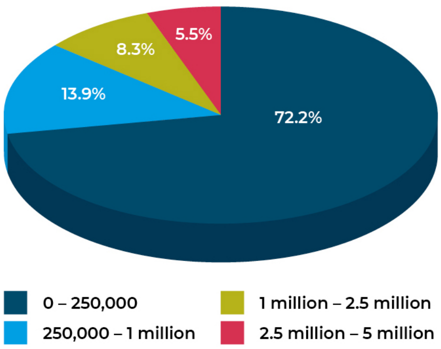
PAYE holidays

Some 43% have agreed a postponement of PAYE/NIC payments with HMRC with a three-month deferral being most commonly agreed. Agencies do need to give some thought as to how well placed they will be to pay these amounts in due course. It is hoped that HMRC will allow businesses to settle these via payment by instalments.

CBILS loans

Only 23% of media businesses said they were planning to borrow funds under the government loan agreement CBILS. Of this 23%, most were planning to ask for up to £250,000. The banks have generally been slow to approve CBILS loans applications and there has been much push-back on personal guarantees and eligibility. However, with no interest for the first year, repayment periods up to six years and up to 12-month capital repayment holidays, they are a great way to boost cash to deal with the immediate short-term cash flow problems this pandemic poses.

How much are you planning to borrow?



Loan payment holidays

Of the few that have approached the banks for payment holidays on existing loans 70% have been successful and most of those have received between one and three-month repayment holiday.

Insurance

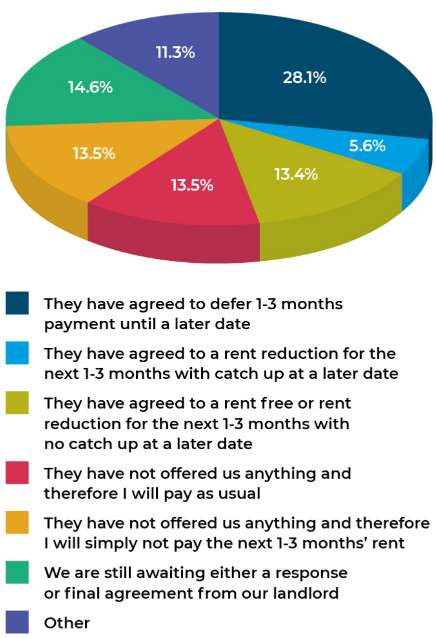
It is no surprise that most insurance claims do not cover this pandemic, however over half of respondents have not yet contacted their insurers to check this point. Given that a handful have been able to make successful claims, we are encouraging clients to double check. We are also encouraging clients to review property-related insurances given that many offices lay unoccupied.

Property

Property costs are usually the second largest overhead for media businesses. Therefore, not surprisingly since most offices lay empty, 65% of respondents have asked their landlord to vary terms for rent, with a further 18% planning to do this. The remainder were in a position to pay their rent in full.

There has been varied success from such discussions. Some 28% have managed to successfully agree a rent deferral of one to three months. 9% have managed to agree an actual reduction for one to three months.

What varied terms has your landlord agreed?



However, some 27% had not been offered anything by their landlord and of these half were planning on simply withholding payment. As yet 15% have either not yet heard back from their landlord or are awaiting agreement.

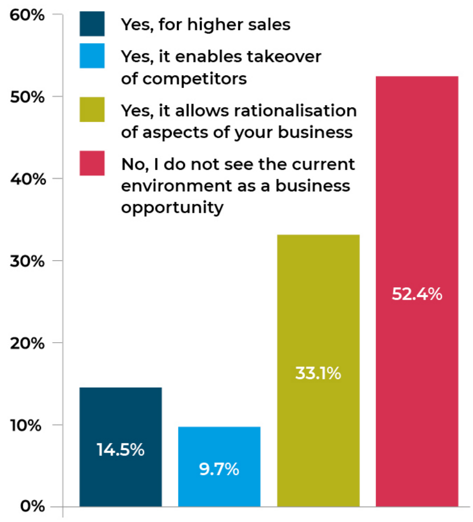
Other solutions offered include early exit from the lease, paying on a monthly rather than quarterly basis, deferment of 50% rent for the next six months and rent-free for two/three months.

WHAT LIES AHEAD?

In terms of the Coronavirus offering opportunities for our clients, it seems more positive than perhaps one may have thought. Nearly half thought it presented some sort of opportunity for them. Nearly 15% thought they could generate higher sales, with 10% saying it might afford them opportunities in terms of takeovers. Some 30% said it offers opportunities to rationalise aspects of the business.

Certainly now is the time for businesses to take any difficult decisions they have been putting off around staff and to ensure that going forward their resource and range of skill sets are right for the future. Media businesses would be well advised to take time to review their propositions and ensure they continue to focus on business development, despite the circumstances, in order to make the most of the opportunities it presents. It is critical to get business development right in times of crisis.

Do you see the current environment as an opportunity for your business?



Despite this, the effects of the pandemic on business are still very concerning. However, very few (just 2%) thought the effects on their business would be fatal. Nearly half of respondents cited that, while they were very concerned, they thought their business would make it through. Others were less concerned.

To end on a slightly cheerier note, all but a handful of respondents think their business will make it out the other side. Of course, there is clearly cause for great concern with revenue cuts and anticipated job losses. This industry is typically resilient in the face of crisis and many more mature businesses will have been through similar when we had the last economic down turn. Those with cash reserves will of course be better placed to weather the storm. So whether recovery is bath-shaped, corrugated bath-shaped, V-shaped, U-shaped or inverted rainbow-shaped (we like this one!) we look forward to seeing pretty much all of our clients on the other side!

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CORONAVIRUS AND CONSUMER PROTECTION – GLOBAL ADVERTISING IN A TIME OF CRISIS

Prepared by Global Advertising Lawyers Alliance members Donata Cordone (Portolano Cavallo, Italy), Jose Antonio Arochi (Arochi & Lindner, Mexico), Jenny Pienaar (Adams & Adams, South Africa), Brinsley Dresden (Lewis Silkin, UK), and Jeffrey A. Greenbaum (Frankfurt Kurnit, US).

With the world facing a global health crisis, consumer protection authorities and self-regulators around the world are taking steps to help protect consumers from fraudulent claims, price gouging and other consumer harms. While the approach that each country is taking is often different, the core issues they face are similar. This article highlights how certain jurisdictions – Italy, Mexico, South Africa, the UK, and the US – are addressing advertising issues related to Coronavirus.

UK

The response of the UK's regulators of advertising and marketing has so far relied on the self-regulatory organisation, the Advertising Standards Authority (ASA), acting on advice from the relevant medicine regulator and public health authority.

In response to the government's call for 'Regulatory Forbearance', the ASA has temporarily modified its prioritisation principles to focus on ads that grossly undermine public health advice or that seriously misjudge public and minority group sensitivities. At the same time, the ASA will tread lightly in relation to more innocent, technical breaches of the CAP Code, such as advertising for products that become unavailable because of the Coronavirus pandemic. The ASA has also created a simplified system for consumer complaints about misleading or irresponsible ads that relate to Coronavirus which allow them to take action more quickly, without the usual protracted dialogue with the advertiser and complainant.

Four areas have been singled out for particular scrutiny: food and food supplements; alternative and complementary therapies; medicines and medical devices; and the use of fear and distress in advertising, as well as social responsibility. Early ASA rulings banning ads have focused on ads for face masks which either relied on fear and distress, or made claims for the use of prevention of Coronavirus which were inconsistent with advice from Public Health England.

More recently, the ASA banned a series of ads for IV drips, mainly containing vitamins in a saline solution, which claimed to prevent Coronavirus, and therefore made unauthorised medicinal claims. These were banned following consultation by the ASA with the Medicines and Healthcare products Regulatory Agency (MHRA), and the two organisations have now issued a so-called enforcement notice, telling the market about the relevant rules, and calling on advertisers to get their house in order, or face the consequences of an investigation by the ASA.

US

In the US, we have seen aggressive enforcement of Coronavirus-related advertising at the federal, state and local level. Consumer protection authorities are enforcing both general consumer protection laws as well as rules that govern times of emergency. We have also seen regulators push for responsible self-regulation as well. FTC Chairman Joe Simons released a statement saying that the agency would be "flexible and reasonable" with enforcement, though it is unclear what leeway this gives advertisers (and it's clearly not intended to give a free pass to fraudulent marketers).

We have seen a significant amount of enforcement of state and local price-gouging laws. Some of the laws restrict price increases for all goods that consumers may need in an emergency, while others only relate to specific types of products. The laws vary widely about the types of increases that are prohibited; some restrict any increase, while others prohibit increases over a certain amount (typically in the ten to twenty percent range). Recently, the Texas Attorney General sued the nation's largest egg producer for price gouging.

There has been some enforcement and other litigation related to businesses not giving consumers refunds for products and services not provided as a result of the coronavirus crisis. For example, the Department of Transportation told airlines to give actual refunds, not just vouchers that can be used to buy future flights. The Attorneys General of New York, Pennsylvania, and the District of Columbia also told a health club chain to give consumers refunds for the period while the gyms are closed.

Regulators across the country have been aggressively prosecuting marketers -- at an almost unheard of pace -- for selling products that falsely claim to be able to prevent or treat the Coronavirus. For example, the Federal Trade Commission and the Food and Drug Administration sent a warning letter to televangelist Jim Bakker, telling him to stop promoting "Silver Sol Liquid" as a Coronavirus treatment.

Government enforcement has also focused on advertisers whose aggressive marketing may have crossed the line. Regulators have repeatedly warned marketers that they must have competent and reliable scientific evidence before making any claims related to the prevention or treatment of the coronavirus. For example, the New York Attorney General told companies selling high-priced air purifiers to stop promoting them to consumers as a product that can prevent the Coronavirus. And, the Florida Attorney General is investigating Norwegian Cruise Lines over its Coronavirus-related marketing practices. The Florida Attorney General also sued an advertising agency, alleging that the agency deceived consumers with a Coronavirus relief promotion.

To read the remainder of this article, which describes developments in Italy, Mexico and South Africa, please visit the GALA blog at blog.galalaw.com/post/102g6bs/covid-19-consumer-protection-global-advertising-in-a-time-of-crisis.

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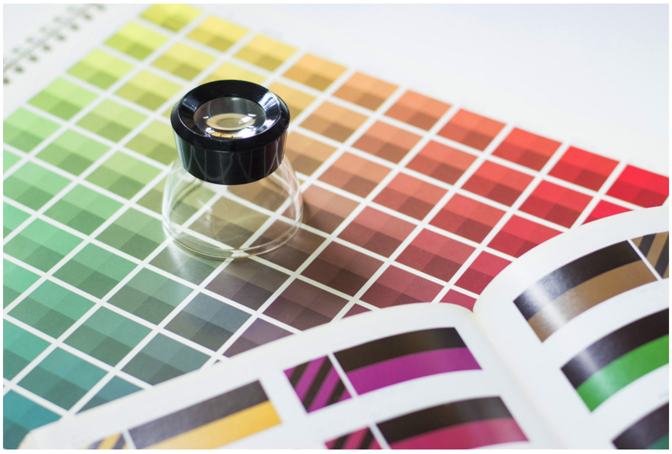


TAX INCENTIVES ON MARKETING COMMUNICATION INVESTMENTS

Investments on marketing communications is not only a key component in the design of any marketing strategy, but it is also a basic agent in the productive development of a country, with a fundamental impact on the economy. Indeed, advertising activity has a strong multiplying effect on all economic activity. For this reason, several countries are implementing measures to sustain and encourage advertising activity.

It is a sector that generates a huge number of direct jobs (media, advertising agencies, media agencies, production houses, designers, actors, models, technicians, post producers, musicians, special effects, etc.) and even more indirect jobs, thanks to the aforementioned multiplier effect that considerably increases the activity of industry, commerce and services.

Advertising is also the main source of financing for media, which, based on the income derived from it, can sustain their own structures and maintain job sources. Without advertising, most media, including much of the content on the Internet, would not exist. It also contributes to the financing of sports and culture, being fundamental for their survival.

In these moments of deep crisis and anticipating the recovery period that we will have ahead, sustaining investment in advertising will help to reactivate consumption, encourage activity, maintain jobs and give sustainability to the media. This, with its positive impact, will help the economic recovery of companies in different industries.

Tax incentives on adverting investments can help to accelerate reactivation and the consequent multiplier effect on the consumer economy.

With all the above mentioned in mind, a joint initiative of Argentine Advertising Association, Argentine Media Buying Agencies Association and Argentine Advertisers Chamber was born to send a proposal to Argentina's government in order to reactivate the activity after quarantine, when health issues were over but business activity would have to be recovered nearly from scratch in most industries. Due to our expertise and involvement in the sector, we collaborated with those trade chambers in developing a tax incentive/reactivation proposal.

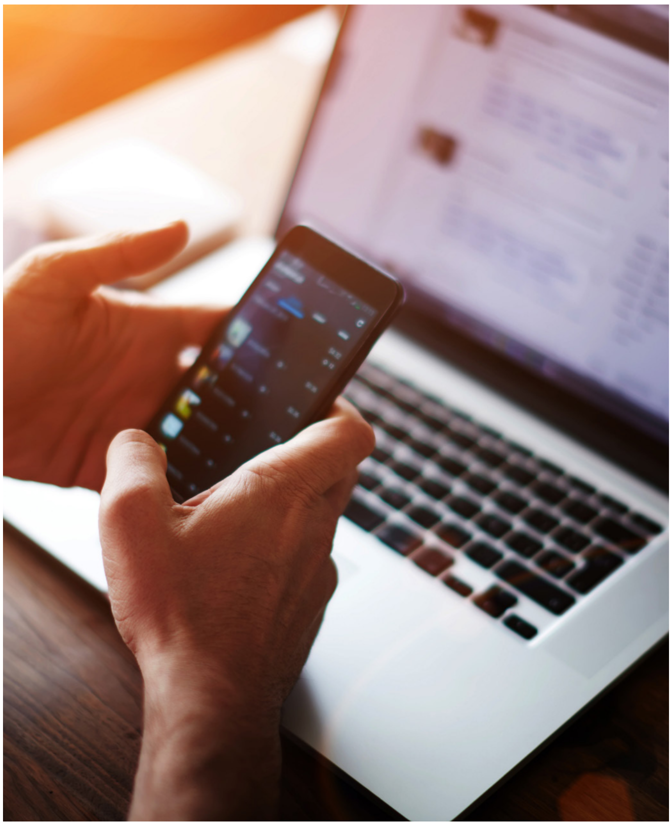
With the implementation of a tax credit certificate on media investment, marketing investments cost would be reduced for advertisers so they could reduce sales prices (reducing inflation indirectly), media companies will receive more income, agencies (creative, media, digital, PR, etc.) will get more work and more advertising and promotions will incentive consumption producing more products and or services sales, reactivating the economy.

In the end, the government will receive more taxes due to a flourishing economy and certainly much more than tax incentive provided in a continuing manner. Everybody wins. A stacked economy is good for no one.

Also, tax incentives for service exporters were presented, representing an equivalent to 30% of export amounts to use against corporation tax, VAT, social security or export rights.

The positive impact of the aforementioned tax incentives will thus have a cascading effect on the different sectors of the production chain:

- Advertising and media buying agencies, creating and producing advertising campaigns and planning, allowing the sector's job sources to be maintained.
- Audiovisual producers, filming commercials, maintaining direct employment and employing indirect labor (actors, broadcasters, models, etc.)
- Media companies, generating advertising revenue, maintaining employment and ensuring the social and informative role that is needed today by the media.
- Consumption and economy, generating greater sale of products and recovery of sectors affected by the crisis.
- Producers, generating movement throughout the production chain, consumption of inputs for production and maintenance of job sources in companies.
- Retail, stimulating the sale and the movement of inventories.
- State, ensuring taxes such as VAT and those derived from employment, sustained through the aforementioned chain of activities.



The most interesting part of the job performed was, as specialist consultants for the industry to be analysing and coordinating the different point of view, situation, challenges, needs, worries and other issues with advertisers, creative and media buying agencies, media companies and government functionaries to find a solution that could be suitable for all.

Initiatives like this takes time until an applicable law is settle, and at the moment of writing this article, this project is going through those stages but hopefully it will arrive at a successful end for the development of the industry and the whole economy.

Tax incentives and schemes can differ from one market to another but a structure like this that is comprehensive of all parties involved could be suitable and replicated in any country.

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AN INTERNATIONAL SURVEY ON THE IMPACT OF CORONAVIRUS ON MEDIA BUSINESSES BY MOORE MEDIA

Having carried out a Coronavirus survey in the UK, we also needed non-UK respondents. We were most successful in the US and Argentina and, while not enough respondents for full-scale analysis, there were some interesting comparisons to be drawn.

In our UK survey, only 2% of respondents predicted that fee income would be higher in 2020 than 2019. Respondents in the US and Argentina were more bullish with 13% and 9%, respectively, predicting higher revenues. On the other hand, 30% of US respondents predicted fee income would be reduced by more than half compared to just 11% and 13% of those in the UK and Argentina – so, generally more polarised fee income predictions in the US.

This polarisation was also reflected in profit predictions, with 17% of US respondents forecasting an increase in profits compared to around just 5% in Argentina and the UK. Conversely, over half of US respondents thought profit levels would be reduced by more than 40%, whereas only 41% of UK and Argentina respondents thought income would reduce by this much.

Overall, respondents from Argentina were more likely to predict a loss, with nearly a quarter resigned to this, compared to 18% and 14% in the US and UK. The number predicting premium margins of more than 20% remained low across all territories: at between 5% and 8% of respondents.

Perhaps the response to the question on plans for resource goes some way to explain why there is a more pessimistic outlook on profit margins in Argentina. In Argentina, despite 64% of respondents predicting income level would be more than 20% down, some 47% were looking to maintain staff numbers as they are and only 22% to make redundancies. In the UK and the US, just over a third were looking at maintaining staff numbers with more media businesses in the US (35%) looking to make redundancies than either the UK or Argentina (around 23% each).

The US and the UK were also more likely to implement salary cuts. Around 40% of both UK and US respondents said they would implement salary cuts across the board compared to just 22% of Argentina respondents. When it came to making redundancies, the US and UK were more accelerated with decisions as to how many redundancies would be made. Roughly one-third were unsure compared to over a half of respondents from Argentina being undecided.

The UK and the US respondents also fared much better when it came to cash reserves. Around 75% of respondents in each territory had enough to last them more than three months – this figure was only 40% for Argentina respondents. This may explain why some 12% of respondents from Argentina were concerned that they might not make it through the crisis, whereas only 2% of UK and none of the US respondents were this concerned. In fact, 13% of respondents from the US said they were not very concerned about the impact of Coronavirus on their business at all. This compared to 8% in the UK and just 3% in Argentina.

The US respondents were also more bullish about the potential opportunities that the crisis presented their business, with 63% saying there were opportunities compared to just over half in the UK and Argentina. The main opportunity cited was rationalisation of the business. Some 42% of US respondents felt this was relevant to them compared to just 32% of UK and 18% of Argentina respondents.

It is perhaps in the nature of Americans to be bullish, however some key times lie ahead, not least with the US stimulus package due to run out at end of June, and it will be interesting to see how this affects the level of confidence. Likewise, with Argentina, our survey was conducted when Coronavirus was not widespread there, with increasing problems in their Brazilian neighbour and Latin America generally seen now as the centre of the pandemic, then confidence levels may well suffer. Experience shows that confidence is brittle and only secure until the next wave of issues.

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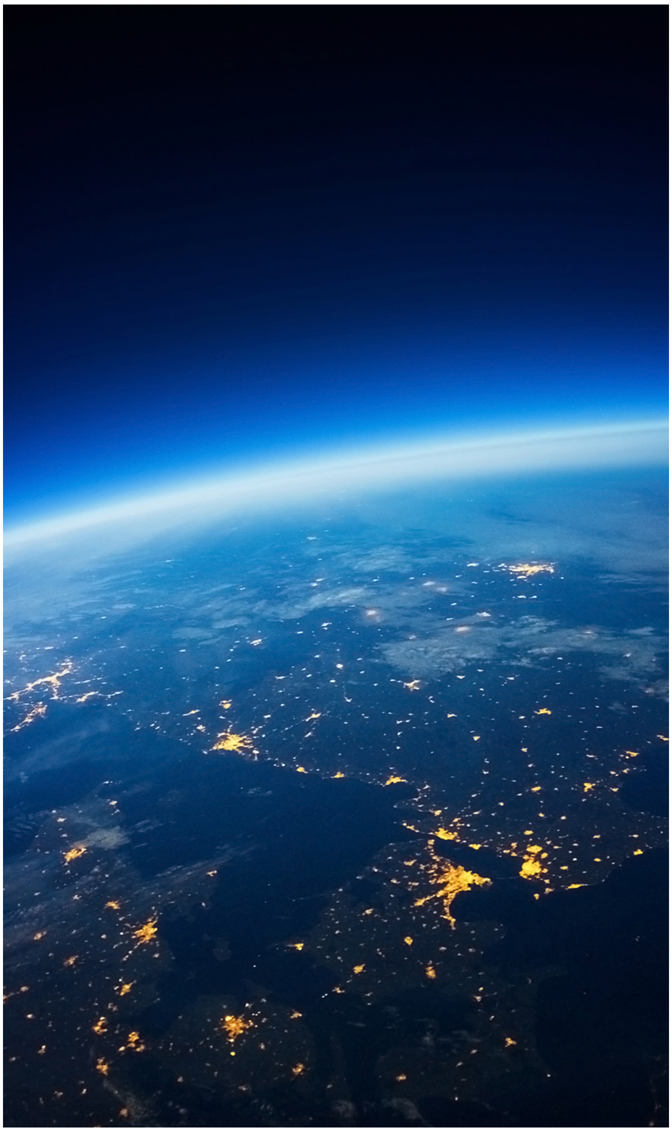

INDIAN DIGITAL MEDIA

The Indian media industry is said to be at a digital crossroads today. With the increase in consumption of internet data, India is seeing a paradigm shift in the viewership pattern from television to digital media specifically by home consumers. As the average age of the Indian population is low, the adaptability to the digital market is very fast, leading to increased usage of internet and portable devices to augment the demand of the digital content. We can see digital media as the second biggest section after TV and will attract the most advertising spend among all media positions in future.

Furthermore, the existing players in TV distribution are exploring areas to integrate television and digital platforms like Bharti Airtel's direct-to-home (DTH) arm Airtel Digital TV and Dish TV (cable TV) has been merged. JIO has already planned a one-stop service provider with services like telecom, infrastructure, digital content, payments, communication, cyber security, e-commerce and more such services yet to launch. This was one of the main drivers for Facebook to invest at such high valuations in JIO, as it will get access to all the digital platforms. The one-shop-stop service has always been attractive to the wider masses.

It is also interesting to note that, in the past, the government of India has taken various initiatives in digitising the cable distribution sector to attract greater funding by increasing the FDI limit to 100% in cable and DTH satellite platforms for easy access to institutional finance. The FDI in the Indian media industry will continue to grow with immense opportunities in the future due to a huge consumer base in India along with the move towards digital media.

If you further think about the Coronavirus scenario where most of the people in India are under lockdown, digital media is the biggest gainer. The sector is going through a rapid incremental growth with more consumers being forced to integrate digital technologies into their everyday life. Let us not forget, India is not a country with a work-life balance, it is a country where people believe in working hard and are used to working long hours. With them being put to just the other side, where they are under lockdown, digital media is their natural respite from the current situation.

Even though fresh content production in the television distribution platform halted at this moment, still the industry does not foresee any significant impact of the Coronavirus on the media television broadcaster, as consumers are likely to increase their viewing during lockdown. The industry may face a short-term working capital crunch as most of the payments from consumers are physically collected in cash instead of online transfers. However, thinking beyond, the impact may be very high for film production and multiplexes and this might stay for the long term.

But who knows, there might be a vaccine out very soon or we may come up with something very innovative to quench the thirst of entertainment through multiplexes!

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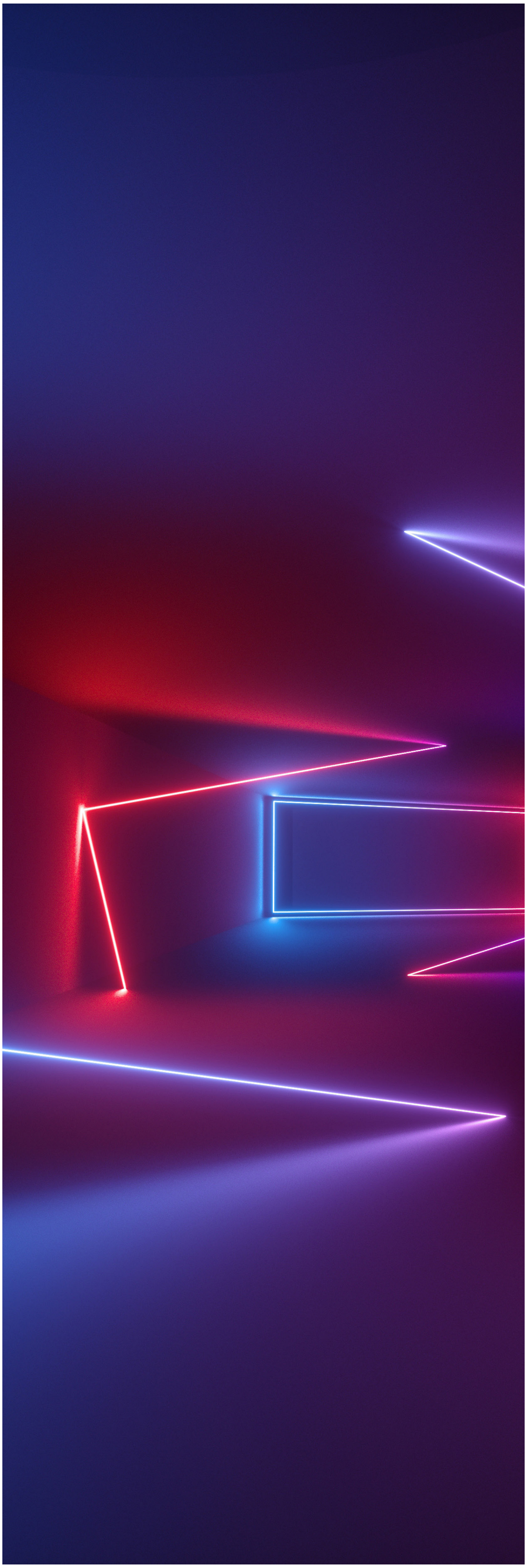

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