

# How the Coronavirus Will Change Our US Search Ad Spending Forecast

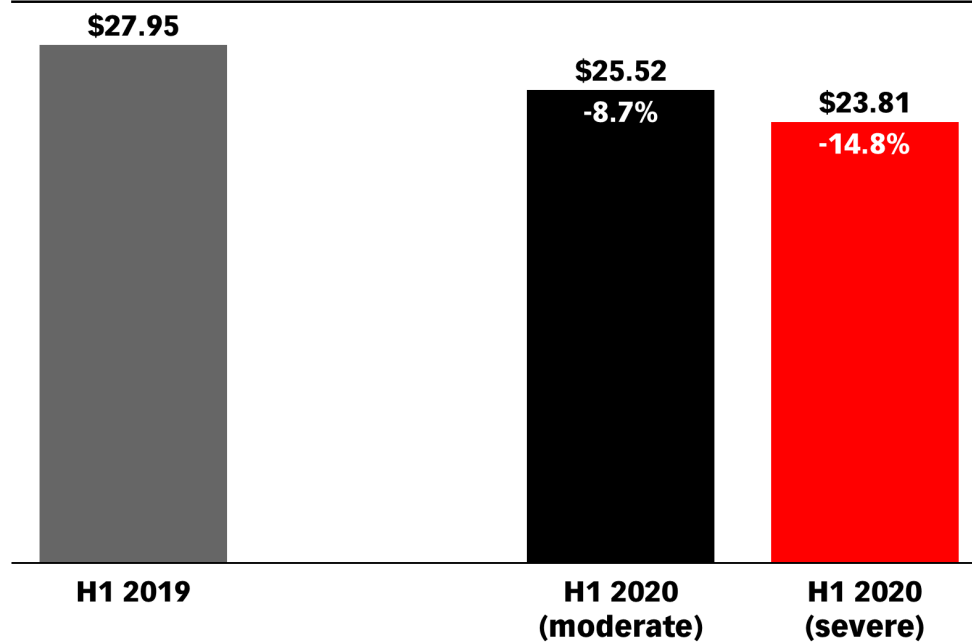
**ARTICLE** |

**eMarketer Editors**

**U**S spending on search advertising will decline by between 8.7% and 14.8% in H1 2020, which is about \$6 billion to \$8 billion less than we expected, according to our latest estimates.

## Analyst Take: US Search Ad Spending, H1 2019 & H1 2020

billions and % change vs. the prior-year period



*Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices; includes contextual text links, paid inclusion, paid listings and SEO*  
*Source: eMarketer, April 2020*

E100002

www.eMarketer.com

Our previous forecast of US digital ad spending, completed on March 6, 2020, called for a 14.4% increase in search ad spending for all of 2020.

- Search ad spending was flat in Q1, thanks to continuing solid performance at the beginning of 2020. We think Q1 ad investments came in somewhere between a year-over-year spending increase of 2.8% and a decline of 0.2%. Our model assumes that major decreases in spending began in March and will continue through Q2.
- Search ad spending in Q2 will experience a steeper decline of between 20.2% and 29.4% on a year-over-year basis.
- We believe travel advertisers will decrease search spending most sharply, and media and entertainment industry search budgets will be severely trimmed as well. Advertisers in other industries will also pull

back spending on average—but keyword bidding means there likely won't be as large a drop in pricing for search ads as there will be for display.

## Why Search Ad Spending Will Fall

As a performance marketing channel that is relied on to drive return on investment, search is often viewed as relatively safe in a recession, when marketers are forced to justify budgets. But there are at least two major downward pressures on search ad spending during the current crisis:

- Search is a lower-funnel ad channel that's typically geared toward driving conversions—including in-store—and many of those conversions can't happen right now because of quarantines, inventory shortfalls and related problems.
- Search budgets aren't committed in advance and can be paused or pulled at any time.

Ecommerce activity typically drives a significant share of search ad spending. But for now, tight supply chains and logistical restrictions—like those announced by Amazon to limit warehouse operations—mean it's hard for consumers to buy a lot of items online. Amazon has reportedly pulled back significantly from spending on Google search ads, likely because it doesn't want to drive additional demand when it's already running close to capacity.

Our current guidance assumes that advertisers in different industries will make different decisions about budget allocations, and not all sectors of the search ad market will experience the same degree of decline during H1.