HIGHER MEDIA VALUE

ECI Media Management's

Top 10

Insights for the 2023 Upfronts

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Photo: iStock, franckreporter

The TV Upfront is a microcosm of the global economy. Much has changed since last year's Upfront cycle: 12 months ago, the media market was still relatively strong, with many companies hiring and ramping up their business activities following a prolonged market-altering pandemic. Federal Reserve interest rates were still hovering around 0.83%, allowing increased capital for growth and investments, from which marketing benefited. It was in early June that the Fed began to curb recession fears by aggressively increasing interest rates.

2022 was a positive year for the media market overall due to the US midterm elections and high demand from the marketplace. However, in 2023, we are observing significant market correction trends. Market challenges we are all too familiar with – stress on the financial system, unstable geopolitics, a volatile job market, the high cost of living, and slowed consumer spending. Companies are looking to rebalance their organizations and balance sheets with an increased focus on operational efficiency, liquidity management and marketing optimization. Many companies have already implemented austerity measures.

For many marketers, not only are media investments being curtailed, but there are also more options and considerations for their advertising budgets. Since last year's Upfronts, we have seen Netflix and Disney+ deploy their ad-supported subscription models, retail media networks (RMNs) partner with CTV platforms, tech companies continue to secure sports distribution rights, and everyone's keeping a keen eye on the impact of AI.

ECI Media Management's expert researchers and analysts share their thoughts and opinions on the Upfronts, so marketers have the latest intelligence and insights to formulate their Upfront roadmap. Our internal estimates indicate the 2023-2024 Upfront commitments will decline by 4% to 6% compared to last year, with many advertisers opting for budget maneuverability and performance-focused media channels.

1. Alternative measurement and currency will grow in prominence as advertisers seek hyper precision

What you need to know: Some are calling the 2023 Upfronts 'the year of reckoning' when we finally see upfront deals being tested using alternative currencies and measurements outside of Nielsen. Although Nielsen has recently regained its MRC accreditation, many marketers, media owners and agencies are still exploring alternative solutions and measurement providers.

NBCU has already partnered with iSpot.TV, Warner Bros. Discovery with ComScore and Paramount Global with VideoAmp. These content providers have tested alternative audience-based and demo guarantees since last year, and 2023 will see more advertisers exploring alternative currencies as they look to become hyper-focused with their decision-making in the TV/video space.

Nielsen is the industry leader and will continue to play a prominent role in all TV negotiations and viewership measurements. It is rolling out a new product called Nielsen One, an objective third-party measurement platform for media buyers to transact cross-media.

The major unknown is how Nielsen data will be normalized and transition to new measurement methodologies. 2023 will be a litmus test for all parties.

Photo: Unsplash, Lerone Pieters

2. Netflix will be keen to demonstrate that it is upping its game at its virtual Upfronts presentation

The impact: Just a week ahead of its inaugural appearance at the Upfronts, Netflix cancelled the in-person event and said it would be replacing it with a streamed presentation. The WGA strike (see point 9) is undoubtedly a factor in the decision. The presentation comes hot on the heels of the launch of Netflix's ad-supported tier, which had a lukewarm reception amongst advertisers, with high CPMs and lower-than-expected subscriber numbers. The streaming giant will be looking to woo brands back with a package of new features. These include the ability to target by genre, such as comedy, romance, and action; targeting by first impression, which guarantees that a brand's ad will be the first to be shown to a user in a single viewing session; and the ability to purchase inventory against Netflix's Top 10 list, which is a list of top-viewed shows and movies, generated daily and displayed to users ad the top of the app.

Also on advertisers' minds as they stream the presentation will be the question of targeting and measurement. Netflix was forced to refund some of its first advertisers when it didn't deliver on initial guarantees. There are signs that Netflix is looking for alternatives to its current ad operations set-up, including its ad tech partnership with Microsoft. Whether that means building an in-house team or an acquisition, advertisers will be looking for ad-serving and measurement capabilities that match the quality of the content.

3. Professional sports leagues and media and tech conglomerates are prioritizing streaming and OTT platforms over traditional TV

Where it stands: Following the major news last year that Amazon Prime had secured NFL Thursday Night Football distribution rights, Google is getting into the mix, adding the NFL Sunday Ticket (previously only available via DirectTV) to their YouTube platform. The offering includes two different subscription plans; one for current customers and another for non-YouTube TV subscribers, at a higher price point. This only solidifies the shift of live sports programming to streaming; the NFL has the largest draw of the four major sports leagues in terms of overall viewership, and had nine of the top 10 telecasts in 2022.

Apple TV also joined the ultra-competitive sports streaming market, securing streaming-only distribution rights for MLB and MLS soccer. Games are available to Apple TV+ subscribers in 60 countries, up from the original 13, only strengthening the trend of streaming sports and moving away from traditional linear TV and following how consumers consume their live sports content.

We expect this trend to accelerate as sports gambling becomes more ubiquitous across the country, as bettors have a vested interest in individual games outside of their own markets. Georgia, North Carolina, Minnesota and Vermont appear to be moving towards legalizing online gambling, which will leave just 16 states where it is still illegal. Online sports gambling is currently legal in 70% of the total US market.

Photo: JoeyCheung / Shutterstock

4. One video planning strategy, one overall video budget

What to know: As the lines between linear TV and CTV continue to blur, to unlock greater media value in today's economic environment, advertisers should seek to centralize all video investments under one video planning, buying, and measurement strategy. All video formats, including online video, should be integrated across all segments and consumer touch points. With linear TV measurements being challenged by numerous industry stakeholders, CTV should have an increased role in achieving marketing ROI objectives in this Upfront cycle. CTV should not be viewed as supplemental media nor a dumping ground for underperforming deliveries on linear TV. Focus on data-driven performance optimization based on real-time verifiable data.

When developing Upfront investment plans with agency partners, advertisers should establish a pre-approved contingency plan with multiple options, scenarios and thresholds. Action should not be taken without a clear understanding of tradeoffs and trade-ups in advance. Shortening the approval process with the agency will allow the team to optimize campaigns in real-time and reallocate video investments to higher-performing content and high-value audiences.

5. Consolidate investment into fewer, higher-performing channels – and demand stricter performance guarantees in return

Know your leverage: Most networks and media owners recognize the headwinds that companies and marketers are facing today, including their own. The Upfront market will experience slower demand. Depending on an advertiser's historical spending levels, networks are more willing to offer more flexible terms and options compared to years past. To maximize value, advertisers should consider consolidating video spend into fewer, stronger higher-performing channels or streaming platforms for economies of scale, improved cost efficiency and value-add opportunities.

In this unstable market, consolidating investments with top preferred partners demonstrates commitment, yielding better both financial and non-financial benefits, including the first pick of premium programming (including lives sports, premieres, finales), category exclusivity, and third-party partnerships. Establish accountability stipulations including stricter guarantees on performance, brand safety (specifically on CTV) and verifiable viewership data, preferably first-party data (if available). Media partners that don't perform or deliver should not enjoy impunity.

6. Incorporate performance marketing fundamentals into your Upfront strategy

Why it's important: While there are differing outlooks on where the TV industry is headed, there's consensus within the industry that legacy TV buying, planning and measurement practices will shift from broad-based age and gender demographics, top-of-the-funnel awareness campaigns to a more precise audience and data-first bottom-of-the funnel performance model – led by the advancement of innovative data and technology companies. First-party data is the key for today and tomorrow. Data superiority is the differentiator between market leaders and followers.

Photo: bluejayphoto / iStock

With renewed concerns on market volatility and increased scrutiny from senior management, marketers should evolve their marketing objectives and realign video buying strategies, focusing on audience performance delivery (versus demographic deliveries) and understanding each touchpoint across the customer journey. Leverage programmatic technologies that provide advanced targeting capabilities, personalization-at-scale, real-time data, and performance tracking. Go beyond reach and frequency and be network and screen agnostic. Set weekly or monthly financial and performance targets to minimize excessive over-deliveries and under-deliveries.

7. The convergence of retail media and CTV will bring together the impact of TV with the targeting and measurement capabilities of RMNs

What they're saying: 2023 will be a pivotal year for retail media. Large retailers are already racing toward a $100 billion high-margin annual revenue prize in retail media, with a growing host of retailers launching and scaling these offerings to catalyze e-commerce profitability. Meanwhile, retail media networks (RMNs) have evolved, moving from simple search result tags to diversified ad types, placements, personalization and more. For brands, retail media serves as a gold-mine of authenticated first-party data, with demographic information and detailed buyer behaviors coming into focus.

Although the majority of RMN ad dollars are currently spent on performance-based search and display ads, CTV is a close third, and the gap is closing. Bringing CTV and RMN ad dollars together allows brands to better target ads, and benefit from the high impact of TV advertising, with the targeting and measurement capabilities of digital. Indeed, the ability to match a brand's first-party data with CTV subscribers and retail media network data via data clean rooms is leading to unprecedented targeting and tracking capabilities. These will become particularly valuable as the third-party cookie continues to decline. The phenomenon is spreading: Roku has recently partnered with both Best Buy and Walmart and Disney with Kroger, while Amazon – with its proprietary RMN and CTV platforms – is surely close to creating an offering that combines its retail media inventory with its streaming ad inventory.

8. Artificial intelligence will power optimization beyond our wildest dreams

What to watch: The conversation around artificial intelligence has ramped up in recent months, and the impact it is having – and will have – on TV buying will be the main topic of conversation around the cocktail tables. It will revolutionize media buying by providing advertisers and marketers with accurate projections on how well a program or network will perform. It can analyze data on past advertising performance, audience demographic and media and market trends to provide insights on which programs and networks will have the highest probability of success.

But the possibilities won't stop there. It is likely that, in the near future, AI will allow marketers to test different versions of ad units and creatives on TV buying platforms and provide immediate feedback on the effectiveness, helping them to determine which combinations of creative and non-creative elements, including copy, context, audience profile, daypart and frequency will drive optimal results.

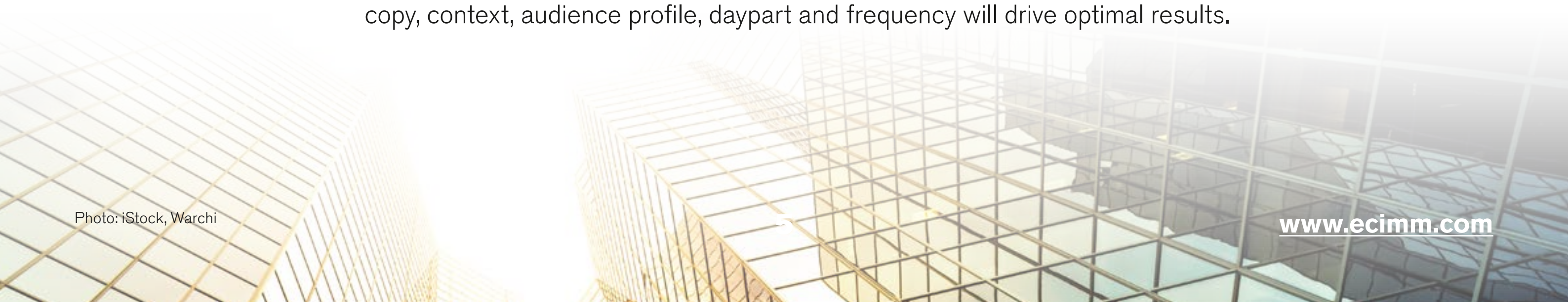

Photo: iStock, Warchi

Creative and buying and optimization platforms will merge and leverage AI to optimize for the best ROI. AI, therefore, has the potential to shift TV from being a medium for reach and awareness to a powerful one that leverages sight, sound and emotion with precision-targeting capabilities.

AI will transform the TV industry – and indeed the entire media industry – thanks to its ability to rapidly analyze vast quantities of data to provide insights and predictions at a level of accuracy that media buyers and planners can only dream of. It will soon become a critical part of every vendor and agency's suite of tools.

9. An unresolved WGA strike will affect content schedules, necessitating revisions to TV and Upfront strategies

Looking ahead: With just two weeks to go until the Upfronts, the Writers Guild of America (WGA) announced that its 11,500 members – many of whom are Hollywood writers – would be going on strike starting on May 3rd, in large part to protest what they see as low fees from streaming platforms. It's the first time Hollywood writers have been on strike since the 100-day industrial action starting in November 2007, which caused massive disruption to TV filming and production as well as billions of dollars of economic damage.

The dispute has been caused by the increasing dominance of streaming services. While broadcasters use a structure which rewards success, streaming platforms pay a flat fee which does not recognize or reward high viewing numbers. While the strike is therefore a protest against the streaming platforms, they will feel its impact less than their broadcast competitors, as they typically stockpile content months or even years in advance, and have greater access to international content. This is especially true for larger platforms such as Netflix.

Should the strike last, it's unlikely that much impact will be felt in the short to medium term, as consumers will probably shift to streaming services at the same rate as usual. But a longer strike will have a much greater impact on linear TV programming, thereby possibly accelerating the shift to streaming platforms

The potential impact of the strike on programming, particularly in the fall and winter, will make advertisers hesitant to commit large sums of money during the Upfronts. Programming unaffected by the strikes, such as live sports and non-scripted TV, will likely see more commitments from advertisers.

Following the eyeballs is the surefire way to ensure that value is maintained. They won't be lost, they'll just change direction.

Photo: Unsplash, Richard Hong

10. An evermore complex marketplace calls for increased oversight

Find a trusted friend: Advertisers are operating in a media landscape of unprecedented complexity and fragmentation, with new opportunities, technologies and regulations emerging seemingly every day. It can be hard to maintain trust in the numbers and in the media supply chain, especially in a context of economic volatility and especially if partners are assessing their own performance. A trusted independent partner with expertise in media performance evaluation and in optimizing agency relationships can offer advice, measure and verify performance, implement evidence-based metrics, and increase oversight, so advertisers feel confident that their agency partners, media vendors and internal teams are extracting the maximum value from every ad dollar.

Going into Upfront negotiations in such a fragmented and fluid marketing landscape will undoubtedly bring consternation even for the most seasoned marketer. ECI Media Management can support marketers with independent counsel, providing impartial insights and forward-looking recommendations into media planning and buying best practices, designed to promote transparency and accountability, that you can implement into your negotiation strategy – such as orchestrating Upfront deal terms, benchmarking rates, and setting precise media targets and quality guardrails, all aligned into an integrated strategy that will deliver the highest media ROI. If you would like to discuss your Upfronts strategy with one of our US experts, please contact us at **us@ecimm.com**.

Monday, May 15

NBCUniversal
Morning, Radio City Music Hall

Fox
Afternoon, The Manhattan Center

Wednesday, May 17

Warner Bros. Discovery
Morning, Hulu Theater at MSG

YouTube Brandcast
7 pm, David Geffen Hall at Lincoln Center

Tuesday, May 16

TelevisaUnivision
Morning, Pier 36

Disney
Afternooon, North Javits Center

Photo: iStock, Maciej Bledowski

About ECI Media Management

ECI Media Management: Higher Media Value

Technology is transforming the media landscape at an unprecedented pace. But in the right hands, change can be a force for good. ECI, the market's fastest growing global media management company, leverages these changes to help you drive **higher media value** from your advertising investment.

A modern, forensic approach

Ever since our formation we have championed a modern approach to media and financial auditing. As pioneers in the field of digital auditing, we include sophisticated analysis of programmatic activity in our audit model, and we pride ourselves on a forensic, fact-based approach which harnesses the power of our world-class talent and proprietary technology. Along with our innovative benchmarking capabilities, we are confident in our ability to empower our clients to drive **higher media value** and media-led impact on business performance.

Cutting-edge services

Capitalizing on today's dynamic, fast-paced media landscape to drive **higher media value** requires data-driven decision-making, global experience and a deep understanding of the latest technologies. At ECI we are proud to be able to offer these and so much more, including TV auditing, financial compliance auditing, pitch management, KPI setting and management and contract consultancy.

Global experience, local expertise

We are proud of our client portfolio, which contains some of the world's largest and leading advertisers. Our network of owned offices and leading affiliates supports them where they need us, across the Americas, Europe and Asia Pacific. We offer them high-level media intelligence and rigorous benchmarking and, ultimately, the insight, experience and savvy to ensure that their advertising investment and agency relationships drive **higher media value**.

CONTACTS

To speak to one of our senior management team about any of our services, please contact:

Fredrik Kinge
Chief Executive Officer
+46 (0)704 24 03 70
fredrik.kinge@ecimm.com

Colin Linggo
Senior Vice President, Head of Media Investments & Operations, North America
+1 (973) 945 3225
colin.linggo@ecimm.com

Joakim Attack
Chief Commercial Officer
US: +1 310 430 8588
Int: +46 (0)705 46 68 06
joakim.attack@ecimm.com

Line Totten
Chief Product Officer
+47 47 38 11 29
line.totten@ecimm.com

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