ECI Media Management's

Top 10

Insights for the 2022 Upfronts

Photo: Unsplash, Glenn Carstens Peters

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Another television Upfronts season is upon us. That time of the year when TV networks and media owners are locking up new deal commitments with advertisers and their media agencies for the upcoming 2022/23 programming season. Nothing encapsulates this time like the Masters' slogan, 'A Tradition Unlike Any Other'. However, that tradition has been radically upended. Fueled by post-Covid-19 consumer behaviors, economic volatility, industry consolidation and data fragmentation, the 2022 Upfronts are guaranteed to be different and challenging.

ECI Media Management's expert researchers and analysts share their perspective and thoughts on the Upfronts, so marketers are armed with the necessary insights to plan for this critical time period. Our internal estimates indicate that this year's Upfront market will reach $22.1 billion for the 2022-2023 season, compared to $19.9 billion last year, an increase of 11%.

1. The advancement of alternative video audience measurements and new challenges for marketers

The big picture: Nielsen, the legacy TV measurement currency, is facing stiff headwinds from its competition and media owners. Viewership is no longer linear or siloed on traditional TV sets. Consumers are watching both long-form and short-form content across multiple devices and streaming services. Along with comScore, iSpot.TV and VideoAmp, including Nielsen, all the key audience and video measurement companies are working at breakneck speeds to advance their cross-channel measurement capabilities, reflecting the dynamics of the digital media ecosystem.

With all the major media companies investing heavily in their respective streaming services, it's a top priority for the C-suite to establish an industry 'certified' cross-channel/screen measurement system and non-Nielsen currency to integrate and capture all viewership within their portfolio for first-mover advantage. This will allow marketers to obtain conclusive evidence that their advertising investments are attributing to results.

NBCUniversal is partnering with iSpot.TV. The newly formed Warner Bros. Discovery will be partnering with comScore, VideoAmp and iSpot.TV. While we do not expect monumental shifts with overall negotiation strategies this summer, this year will certainly be a litmus test for all parties. We project that in 2023, 10% to 15% of Upfront deals will be negotiated on non-Nielsen alternative currencies.

2. Measurability is everything and is becoming flexible across platforms

Why it matters: Initiatives such as those mentioned above, including NBCUniversal and iSpot.TV, will allow advertisers to procure media inventory cross-platform, with ad impressions served across all creative assets, including linear TV, connected TV (CTV) and AVOD services. There will be a shift from legacy GRP planning and negotiations to impression-based planning, similar to how digital media is transacted. The measurability of non-linear platforms allows for incremental reach through de-duplication across cross-channel platforms and unified data measurements. However, the deployment of anything new and limited beta testing brings unexpected challenges and complexities. While the benefits of CTV have been well-documented by many sources and reports, ad fraud, overexposure and frequency capping limitations currently permeate the CTV supply chain.

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3. New technology offers precision targeting capabilities beyond basic demographics

How it works: Advanced technologies provide advertisers with more precise audience targeting capabilities beyond just basic age and gender demographics, as well as personalization and optimization opportunities at scale, to reach viewers and potential customers lower down the funnel. These are high-value customers who are genuinely interested in the advertiser’s products and services, minimizing inefficiencies and improving conversion rates.

While sophistication levels vary from one network group to the next, all of them already offer these audience segmentation capabilities leveraging first- and third-party data, for more accurate target universe and sizing estimates for their top-tier clients.

4. A huge industry merger will impact inventory, and most likely pricing too

The bottom line: The recent merger of WarnerMedia and Discovery, two of the most preeminent content programmers, will have a major impact on both linear TV inventory and offerings on streaming platforms. The combination of one of the largest non-scripted programmers and one of the world’s iconic entertainment brands will provide the combined company with more leverage in the marketplace, offering advertisers a diverse mix of content and partnership opportunities. The combined Warner Bros. Discovery (WBD) company will have a 30% market share of all cable channels in the US. Live sports, including NBA, NHL and NCAA Final Four, will be front and center in their Upfront presentations and will be a key driver in securing early commitments from top brands.

5. The cost of advertising on TV is going to increase

By the numbers: As revealed in our **Annual Inflation Report** released back in January, even with declining audience viewership, TV inflation in the US is expected to rise this year due to supply and demand. The domestic economy is rapidly returning to normalcy, even with geo-political and energy market volatility. This Upfront cycle will also be heavily impacted by the US midterm elections. The competition for flagship events like the NFL and FIFA World Cup and limited premium inventory will be high, as marketers continue to seek out safe bets for mass reach at the right frequency. Inflation impact will be felt across the marketplace.

Be smart: When proceeding to the advanced stages of the negotiations with media owners and networks, marketers should ensure that their deal terms and negotiated costs are protected against market factors that the agencies can directly plan, control and influence to offset market inflation with negotiations at the highest agency levels to drive economies of scale. Like a seasoned institutional investor, the agency should provide their clients with the right investment and cost containment strategies to achieve the greatest value. Many Upfront deals will be finalized faster than in previous years, possibly several months earlier than usual. For marketers to lock in prices within internal and/or external benchmarks, Upfront planning cycles will need to be accelerated.


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6. Traditional linear TV inventory is becoming increasingly competitive due to emerging industries

Where it stands: TV advertising spending has historically been dominated by traditional advertisers in the consumer products, automotive, telecommunications, food and beverage and pharmaceutical industries. Over the last six to nine months, there have been increased media expenditures from emerging industries with sizable marketing budgets, such as cryptocurrencies, FinTech, gambling and electric vehicles. 'Non-traditional' market drivers are paying above industry norms and market rates for high-value, high-demand video inventory. Combined with a lack of premium inventory and ratings erosion, the inventory is becoming increasingly competitive, leading to higher costs. The quality of media planning strategies will be paramount in today's marketplace.

7. Linear viewership is declining; reach can still be achieved on CTV and AVOD platforms

What they're saying (present): Linear TV viewership and ratings continue to deteriorate, with many viewers only tuning into live and on-demand programming. With all traditional broadcast networks offering ad-supported streaming platforms as part of their respective package offerings, such as Disney (Hulu), Paramount Global (Paramount+), NBCUniversal (Peacock) and Warner Bros. Discovery (HBO Max, Discovery Go), reach goals can still be achieved with disciplined planning. Simply relying on TV to drive reach is untenable in today's fragmented environment; pursue a balanced cross-screen planning approach and holistic data strategy for reach and frequency.

Additionally, be mindful that the audiences you are targeting on linear TV might not be the same on CTV. Untapped, underserved, underrepresented, high-potential CTV opportunities can be uncovered through effort, timing, research and forward-looking planning.

While all the major media owners and agencies are going to present bundled cross-platform packages and benefits, keep in mind that legacy siloed operations still exist behind those Upfront presentation curtains. These bundled deals have a lot of similarities to mutual funds. We recommend that our clients deconstruct the Upfront deal components and commitments, and calibrate with their agency partners to meticulously evaluate each component. In this way, they can ensure they are accurately reaching the right balance between cost and quality metrics.

8. There is significant value to audience deficiency units (ADUs) - have a game plan

Between the lines: Upfront 'guarantees' are part of standard deal terms and media owners' commitments to advertisers and agencies. However, even with the most advanced forecasting models and planning methodologies, under-delivery on performance is to be expected. Shortfalls force TV networks to give their clients audience delivery units (ADUs), sometimes also called makegoods. In the simplest terms, ADUs are like store credits. No one likes them or remembers having them. Most, if not all, advertisers will experience

Photo: iStock, Eloi Omella

under-deliveries from their TV partners. Managing ADUs is tedious and often overlooked by both clients and agencies.

However, if carefully managed, ADUs could potentially be an ancillary benefit during Upfront negotiations; especially with network partners advertisers consistently spend with year-on-year. These are owed inventory and impressions from a previous period that have not been delivered within the 'guaranteed' period. Advertisers should closely coordinate with their agency partners to develop a clear ADU leverage strategy in advance of the negotiation period on the same partner for the upcoming year.

9. Ad-supported (AVOD) streaming platforms will become ubiquitous

What's they're saying (future): Based on many of the points mentioned earlier, AVOD platforms will be ubiquitous and on almost every advertiser's media plan and agency recommendation. More resources, investments and time will be allocated to AVOD advancement, because it can provide detailed and accurate reporting with impression, location, device and engagement data. We project CTV CPMs will remain high due to increased demand and limited quality ad inventory. Advertisers, along with their partners, will need to identify improved media allocation strategies.

Many streaming providers are offering potential subscribers lower cost ad-supported subscription options to attract a broader younger subscription base and increase viewership. This business shift from SVOD will make marketers' jobs more challenging to navigate, but it benefits the general consumer.

It was revealed recently that market-leader Netflix is strongly considering an ad-supported offering to combat declining subscriber numbers and stagnant growth.They do not have an existing ad sales unit that they can seamlessly tap into like Disney, ViacomCBS (now Paramount Global), NBCUniversal or Fox. Netflix has already missed out on this year's Upfront cycle and is, at a minimum, a year away from realizing their ad-focused business infrastructure. Could there be major acquisition on the near horizon?

10. Live sports and professional sports leagues are leaning into the future and prioritizing streaming/OTT platforms

What's new: Live sports are the last frontier for the streaming platforms. Amazon Prime secured NFL Thursday Night Football rights and will broadcast it exclusively via their Prime platform for the 2022-2023 season. The NFL, NBA and NHL, among other sports properties, are being shifted into the future along with traditional media. Network groups and service providers are prioritizing streaming/OTT platforms over linear TV.

Paramount+, Peacock, ESPN+ and Turner (TBS/TNT) are all planning to, or are already offering live streaming sports that were previously only available on broadcast and major cable networks. Accessibility to stream nationally, locally and globally will only increase viewership for these offerings in this year's Upfronts cycle, not to mention the interactivity capabilities these platforms are able to offer, like real-time personalized fantasy sports and gambling information.

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**.

Upfronts 2022 schedule

Monday, May 16

NBCUniversal
11 am, Radio City Music Hall

Fox
3 pm, Skylight on Vesey

Tuesday, May 17

TelevisaUnivision
11:30 am, Javits Center

Disney
4 pm, Basketball City at Pier 36

YouTube Brandcast
8 pm, Imperial Theater

Wednesday, May 18

Warner Bros. Discovery
time TBA, Hulu Theater at Madison Square Garden

Paramount Global
4 pm, Carnegie Hall

Thursday, May 19

The CW
10 am, New York City Center Theater

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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**.

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