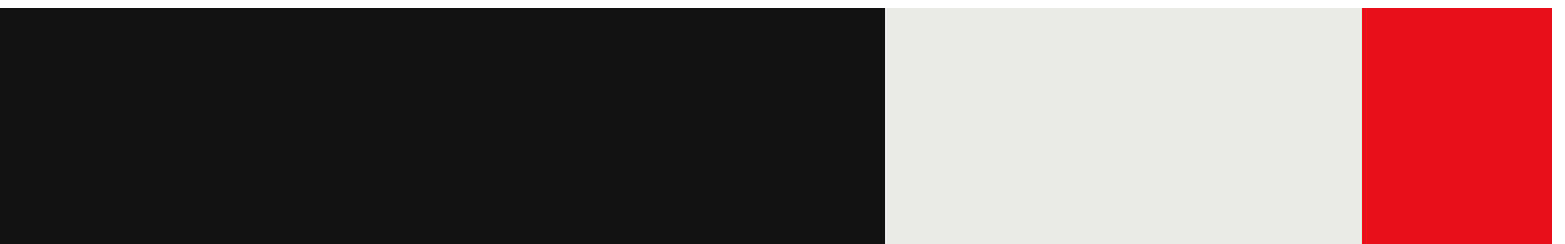


# The Daily: Do people still care about out-of-home ads, YouTube ad breaks, and a real streaming ceiling?

Audio



On today's podcast episode, we discuss a digital out-of-home (OOH) TikTok initiative, whether OOH ads have actually bounced back, and what we expect to see from in-store retail media. "In Other News," we talk about YouTube experimenting with longer but less frequent ad breaks and whether consumers are finally bumping up against a video streaming ceiling. Tune in to the discussion with our analyst Ross Benes.

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## Episode Transcript:

Marcus Johnson:

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Intuit Mailchimp, the number one email marketing and automations brand. Visit [mailchimp.com/personalize](https://mailchimp.com/personalize) for more information. Based on competitor brands publicly available data on worldwide numbers of customers in 2021/2022. Availability of features and functionality vary by plan, which are subject to change.

Ross Benes:

In those areas, digital is catching on everywhere. You might be in a small city or a rural town, you're probably using your phone a lot and you're probably using your computer still and getting digital advertising that way. But when it comes to installing advertising outdoors, it's still going to be static ads.

Marcus Johnson:

Hey, gang, it's Tuesday, October 10th. Ross and listeners, welcome to the Behind the Numbers Daily, an eMarketer podcast made possible by Intuit Mailchimp. I'm Marcus, today I'm joined by one of our senior analysts on the digital advertising and media desk based just above New York City, it's Ross Benes.

Ross Benes:

Hey, Marcus.

Marcus Johnson:

Hey, fella. Today's fact. Ross, what share of our thoughts, not mine and yours, but society's thoughts, are negative? What percentage of society's thoughts-

Ross Benes:

It's got to be high. I'm going to say like 80%.

Marcus Johnson:

Holy hell. Have you seen this study?

Ross Benes:

No.

Marcus Johnson:

Oh my God. Exactly 80%.

Ross Benes:

Oh wow. Nice.

Marcus Johnson:

Maybe something in, I don't know, like psychology, perhaps a career there would've been better. You nailed it. According to the national-

Ross Benes:

I did a major in psychology.

Marcus Johnson:

Oh, there it is. There it is.

Ross Benes:

Or maybe I'm just perfectly averagely cynical.

Marcus Johnson:

Both probably true. According to the National Science Foundation, 80% of our thoughts are negative, which maybe people won't be too bothered about. There's a lot to be negative about. It's hard to be positive all the time. However, mental health and addiction support service, Connex Ontario, explains that many of us unconsciously use negativity as a defense mechanism, as it protects us from things not working out. Our minds use negative thoughts so we're not blindsided when we're disappointed. Unfortunately, this anticipated failure or bad luck also prevents us from putting our best foot forward. We might think we're putting 100% into a task, but the negative thoughts subconsciously stop us from fully investing our time and our hopes. I'm English, so I'm 100% negative as often as possible. America loves me.

Today's real topic, do people still care about out-of-home ads? In today's episode, first in the lead, we'll cover out-of-home ads. Then for another news, we'll discuss YouTube experimenting, whether it's ad breaks and whether we've just hit a video streaming price ceiling, and consumption too. We start, of course, with the lead. We're talking about out-of-

home advertising. We haven't covered this in a while, so we want to jump back in and see where we're at.

So Gillian Follett of Ad Age writes that, "Since its inception, TikTok's identity and viewership have been intertwined, were the mobile first experience. But the platform is now seeking to transcend the phone screen and move into the digital out-of-home landscape too." She explains that in recent months, TikTok has in deals with several out-of-home video networks to bring the platform's content to a variety of additional screens, including airport TVs, gas pump screens, and video screens atop red boxes, movie rental kiosks. Ross, what do you make of this digital out-of-home initiative from TikTok?

Ross Benes:

Well, eventually digital companies tend to turn to traditional media for branding and for reach. So that's why you see a lot of DTC brands as they expand they'll eventually start advertising in linear television. And a lot of the largest tech companies in the world like Amazon and Apple, Facebook are among the largest out-of-home ad spenders each year. So at some point when you're a successful tech apparatus, you want to go beyond the young digitally savvy people that you're already talking to anyways, and out-of-home is a natural way to generate awareness throughout the public and general population,

Marcus Johnson:

And so they're trying to get TikTok out of the phone. This idea that TikTok is only thought about when you have your phone open and it notes there are countless additional screens outside of mobile. And the [inaudible 00:05:06] is saying that marketers can capitalize on TikTok's out-of-home expansion by extending their paid ads created for a mobile TikTok experience to these new digital out-of-home mediums, helping brands remain at the front of consumers minds as they go about their day instead of solely while they're scrolling through social media. Influencers also trying to climb out of the phone too. At Domini, which owns over 700,000 digital screens in multiple countries teaming up with influencer marketing platform Influential to extend creators videos to new mediums, digital billboards and shopping mall screens. Some folks might be thinking, Ross, "How's this going to work with the sound?" Can TikTok work without the sound.

Ross Benes:

Well, I hope it's off because when you're at the gas station and the cheddar pumps at you at 100 decibels, makes you just want to drive to the next gas station.

Marcus Johnson:

You can't blare the sound from a TikTok videos in these outside environments, you would think at least. But TikTok said that they had got a library of video content that can be appreciated and understood without sound. Things like art, sports, practical jokes, you don't necessarily need the sound from these. However, there was also a 2021 study that TikTok commissioned from Kantar, which found that nearly 90% of TikTok users consider sound essential to the TikTok experience.

Ross Benes:

Well, that makes sense. It has its roots in music, is musically.

Marcus Johnson:

Great point

Ross Benes:

A lot of the most famous TikToks have been.... I'm just thinking of the Fleetwood Mac song with the guy skateboarding has been a soundtrack to them, so that makes sense. But as it expands, music will probably be less a part of it. If I just look at its competitor like YouTube shorts, there's a ton of them that I watch with the sound off because my dogs or my baby are sleeping, so I'm just watching short videos and there's usually subtitles for the text and it's because the image is flattering. Sometimes it's a how-to, sometimes it's like a loop of an old pro wrestling match or something. So yeah, they'll find ways to do it without the sound so they can expand the applications for the product.

Marcus Johnson:

So yeah, surprising to see such a new social media platform like TikTok in the same sentence as such an old traditional advertising medium as out-of-home. And so it begs the question, Ross, how is out-of-home doing has out-of-home ad spending officially bounced back from the pandemic?

Ross Benes:

Well, according to trade organizations, it's doing better than ever because the absolute dollar values, it's higher than it was in 2019, but you got to consider inflation and how much everything has risen. \$110 in 2013 is less than it was in 2019. So when you factor in inflation out-of-home's still down from before the pandemic, but it's bounced back quite a bit, much better than the darkest days of 2020 and 2021. But the way I look at it is if you look at it as a percentage of total ad spend, so total media budgets out-of-home's never been much. It's usually only around two or three percent, but it's lost a whole percentage point. So despite its bounce back, digital primarily has grown at a greater rate and out-of-home hasn't kept pace with inflation.

Marcus Johnson:

So do you land more glass half full? It reached and overtook pre-pandemic levels this year in the US now at just over 9 billion according to our numbers, next year we'll start to approach 10 billion. Or the glass half empty to your point, hasn't recovered in out-of-home share, in terms of advertisers budgets, advertisers were spending three and a half percent of their pot on out of home. Now it's more like two point and a half percent and it's stuck there.

Ross Benes:

Well, I'd say it's half full if you're fine with it taking the rough share that it's had in past years, it's doing better than other traditional formats. I still consider it a traditional medium, even though digital is a big part of it, two thirds of out-of-home ad spending is still like static billboards, traditional out-of-home printed ads, not the digital signage even though that's what's growing in the industry. Now, I've seen out-of-home marketers clamor that they should be getting 5% or more of total ad spend and that's a goal they have and if that's your endpoint then you have a long ways to go for that.

Marcus Johnson:

Yeah, well as you mentioned, two thirds of this part of out-of-home advertising, two thirds of it's still traditional. That means the rest is digital. So digital share of out-of-home dollars will overtake 2019 levels or just 31%, 33% next year. And then the out-of-home part will be 40% digital by 2027. Ross, I'm stunned. Considering the digital share of advertising spend overall has hit three quarters and continues to race up and up and up and is swallowing the whole industry. I'm surprised that just 40% of out-of-home will be digital by 2027.

Ross Benes:



I'm not surprised, but I lived in a rural area most of my life. New York City dwellers need to keep in mind that where they live is an outlier. A lot of places in the United States it's just not worth it to build the signs. It could cost a few hundred thousand dollars to build a high-end digital billboard. If you're in a county that has 10,000 people, that's just not an efficient use of funds.

Marcus Johnson:

Yearly budget.

Ross Benes:

So in those areas, digital is catching on everywhere, you might be in a small city or a rural town, you're probably using your phone a lot and you're probably using your computer still and getting digital advertising that way. But when it comes to installing advertising outdoors, it's still going to be static ads because the costs haven't come down enough to justify the expense. And you walk around Times Square, it's probably like 90% of that is digital, but the rest of the country, that's just not the case.

Marcus Johnson:

Yeah, yeah. It seems like a Simpson's episode spending the whole town's budget on one digital billboard. How much of digital out-of-home advertising is programmatic though, of that the pot that is digital outflow and what share of that is programmatic?

Ross Benes:

So about a fourth, and that's with the broad estimate of programmatic. We tend to have a broad estimate, anything that's fulfilled or served that way, but about a fourth of the digital out of home is POO. I'm going for the acronym programmatic out-of-home.

Marcus Johnson:

Oh yeah, you tried to make this a thing last year, I don't think it stuck.

Ross Benes:

I've seen people put PDOO, programmatic digital out of home. That's just ridiculous. Why would you make the acronym longer than it needs to be? POO is shorter and more to the point.

Much better.

Marcus Johnson:

It's only a 10th of the total out of home, but a fourth of the digital, and that's probably the more accurate way to look at it because programmatic is only digital.

Marcus Johnson:

And growing.

Ross Benes:

Yeah, it's growing quite a bit. It's from a small base, but it's a fourth now, it wasn't anything near that high pre-pandemic. And you're going to see more offerings in programmatic out-of-home. They're even selling cinema ads that way now, I don't expect that to become a boom area, but there's more offerings there than it used to be.

Marcus Johnson:

Yeah. What were you expecting to see from in-store retail media?

Ross Benes:

Well in-store retail media, it's kind of like programmatic where it's growing a ton, but coming from a small base, it's going to be about a 10th of digital out of home soon. So you're looking at about \$300 million in the United States and these are like the signs that you see at End Caps or there's ads on Red Box kiosks now, Red Box, those DVD things, Cooler Screens, gas station TV. A lot of the vendors that have a consumer product in the name, a lot of the people that are selling this are vendors that have a generic product in the name like Cooler Screens, gas station tv. You see those types of sellers and that's what we're talking about here.

Marcus Johnson:

Are you surprised it's only \$300 million and it's not exploding, not maybe as much as retail media as a whole, but more so?

Ross Benes:

No, I'm not surprised. I don't think consumers like this, they don't want these ads. That's why Walgreens has a lawsuit right now on their hands with Cooler Screens. I think the stores have

to be careful about how much of this they accept. So that's going to temper growth a little.

Marcus Johnson:

Let's zoom out from digital, go back to out-of-home as a whole to end the lead here, what you's been... Because you did some research on out-of-home, just recently put out a report on it. What to you is most interesting out-of-home trend going on by format?

Ross Benes:

Well, billboards are dominating. So billboards have always been the bread and butter of out-of-home where most of the money flows, but they were about two thirds of revenues pre-pandemic. They got to 80% at one point and they are regressing to the mean a little bit, but we're over three years into Covid and they're still relatively high, about three fourths of total revenues. And that just capsulates where foot traffic has gone because cinema is just down in general. I know you have Barbie and Mario Brothers, you have some big hits, but box office revenue is not what it used to be. That's why the largest cinema ad seller went bankrupt this year, and other place-based things like in-office is down. So there are just activities that people aren't doing as much as they used to because of their behavior patterns have changed. But they're still driving, they're still walking. Billboards are not hurt, and if anything they're receiving more revenue than they used to.

Marcus Johnson:

All right, that's all we've got time for, for the lead. Let's move to the halftime report. Ross, what do you think is most worth repeating from the first half?

Ross Benes:

Well, so digital out-of-home was the hardest hit aspect of out-of-home during the pandemic because it was the easiest to pause or cancel but it's rebounded pretty well and it's soon going to be a third of total out-of-home ad spending, which is where it was at. So it's back to getting on pace of where it used to be.

Marcus Johnson:

Ross' research on this is titled [US Out-Of-Home and Spending 2023: Digital Out-Of-Home Gets Back On Track](#), link in the show notes or if you're a subscriber, head to [insiderintelligence.com](https://insiderintelligence.com) to read the full reports. Let's move to the second half of the show,

folks. Today in other news, YouTube is experimenting with its ad breaks and have we finally reached a streaming ceiling. Story one, "YouTube is experimenting with longer but less frequent ad breaks on TV," writes Emma Roth of The Verge. She explains, instead of having ads scattered throughout the YouTube video you're watching on your CTV, the platform is experimenting with longer chunks of ads appearing in the middle of content.

We don't yet know how long these new ad breaks will last. Another change is what appears during the ad. Current YouTube has that thing in the top left-hand corner that says one ad of two and then two of two. And a video will play after ads message in the bottom right-hand corner, you may have seen those. But YouTube is testing having just a countdown timer in the bottom right corner showing the remaining total timer for all the ads. Ross, the most interesting sentence from Mrs. Roth's article about YouTube experimenting with its ad breaks is what and why?

Ross Benes:

Well, this will repeat a little bit of what you said, but the sentence stood out was YouTube is trying out longer chunks of ads for non-premium subscribers that appear in the middle of content. I found that interesting because YouTube with its many brief ad breaks right now, makes it difficult for you to do anything during those ad breaks, that's kind of hard to escape the advertising. When the breaks are clear and they're longer, they give you a little bit more room to take out the trash or use the bathroom or do whatever it is you used to do during commercial breaks on linear television.

Marcus Johnson:

Yeah, 15 seconds is an awkward amount of time because it's not long enough to go get a drink. But it feels too long to sit there and maybe watch it if you're not interested in the ad. Yeah, YouTube on TV is a more traditional experience was my takeaway. Jeremy had a piece, our senior director of briefings, Jeremy Goldman, there was noting many US YouTube viewers watch CTV content for extended periods, often over 20 minutes at a time according to Eng Gadget. And YouTube's data apparently told them that nearly 80% of this audience would rather see ads grouped together than distributed across a longer video.

Ross Benes:

Well, it's hard to get in the flow of a show sometimes. It's not a big deal if the clip you're watching on YouTube is two and a half minutes. But if you are watching something that's like a

hour and a half long movie and they've been putting more of those on there, it breaks the flow. And it's almost like watching college football now where there's an ad break every seven minutes.

Marcus Johnson:

Yeah. Story two. Ross, you recently wrote that in seeking profitability, streamers are increasing their subscription prices. You note most streaming services increased subscription prices this year. And ad free tiers of major streaming services grew about 25% in the last year. According to the Wall Street Journal, more price increases are likely. You point out Netflix already admitted that it is likely to bump its prices again within the coming months, pointing to the writers and actor strike as one reason. What was interesting, Ross, was that as prices have climbed this year, the average number of streaming services used by Americans fell a little bit from 12 to 11. From the end of last year to Q2 of this year, there was also a drop in how much folks spent on streaming going from 190 bucks a month to 170 over those six months according to research from TiVo Platform Technologies.

First of all, you explained to me before we hit record 12 sounds like a lot of streaming services, going from 12 to 11, but you were saying that that's every streaming service possible, right? So that's not just ones you're paying for as all the streaming services. It's going to include YouTube, Pluto TV, when you turn on your connected TVs, things like that. So it's ticked down a bit, but Ross, the question is have we reached this infamous video streaming ceiling for the number of services people will use, and also the dollars folks are willing to spend?

Ross Benes:

We'll probably reach a ceiling on the number of services people will pay for, but it's a little bit of a misnomer because for so long people have been getting heavily discounted services and they've been getting them free through password sharing and other means. And the promos are not as bountiful as they used to be. And there's been a crackdown on password sharing, so as you actually have to pay more often for the stuff you watch, people are going to cut back a little bit just because it's becoming cost prohibitive. But we're not reaching a streaming ceiling because the time spent with streaming is still growing. So maybe a peak in the number of paid platforms that you can access at a given time, but we're only going to stream more video than we did the year prior.

Marcus Johnson:

And that's all we've got time for, folks. Thank you so much, Ross, for hanging out today, mate.

Ross Benes:

Thanks, Marcus.

Marcus Johnson:

Yes, sir. Thank you to Victoria who edits the show. James, who copy edits it. And Stuart who runs the team. And thanks to everyone for listening in to the Behind the Numbers Daily, an eMarketer podcast made possible by Intuit MailChimp. You can hit the subscribe or follow button, depending what platform you're on, to add us to your library so we're easier to find. And you can also hit the bell icon to turn on notifications, so you know when we have a brand new episode for you. We hope to see you tomorrow though for the Re-Imagining Retail Show as host Sarah Libo speaks with Blake and Becky about what's next for Amazon Fresh.