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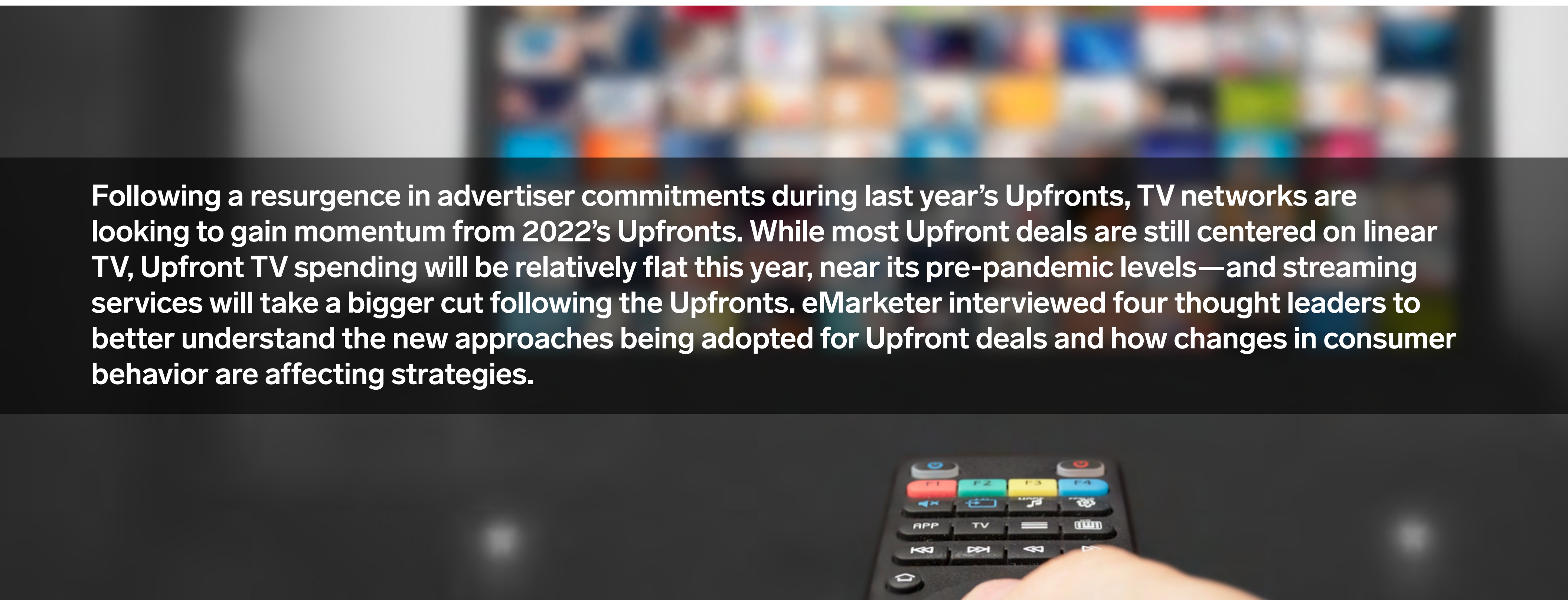
INDUSTRY INSIGHTS: UPFRONTS AND NEWFRONTS

May 2022



Following a resurgence in advertiser commitments during last year's Upfronts, TV networks are looking to gain momentum from 2022's Upfronts. While most Upfront deals are still centered on linear TV, Upfront TV spending will be relatively flat this year, near its pre-pandemic levels—and streaming services will take a bigger cut following the Upfronts. eMarketer interviewed four thought leaders to better understand the new approaches being adopted for Upfront deals and how changes in consumer behavior are affecting strategies.

OVERVIEW

To make an Upfront commitment is to make a bet. A bet that buying inventory ahead of time is worth the discount and that buying closer to when ads run is not worth the premium. A bet that committing money in advance will help campaign planning and not thwart it. A bet that it's better to grab ad space now in case it runs out later.

We forecast that Upfront TV spending will be relatively flat this year and near its pre-pandemic levels. Given how recent years have shaped up, flat spending will seem like a delivery on Warren Harding's normalcy promises.

The $60 billion-plus TV ad business looks a lot different than it did the last time everyone showed up in person in 2019. Media companies are now fully invested in streaming, making pitches for both linear and digital properties, while digital advertising booms, giving streaming purveyors a reason for optimism despite uncertainty in the overall ad climate.

Streamers compete with TV networks for Upfront dollars

Traditional TV networks remain the primary players in the Upfronts. Following last year's Upfront, Variety reported that five broadcast networks—NBC, ABC, CBS, Fox, and CW—collectively obtained between $8.2 billion to $10.1 billion in 2021-2022 primetime Upfront commitments. Variety emphasized that commitment levels could vary from what actually gets spent.

While most Upfront deals are still centered on linear TV, streaming services are taking a bigger cut of Upfront dollars. In some cases, the streamers are affiliated with a TV network and in other cases their Upfront commitments are independent of linear TV altogether.

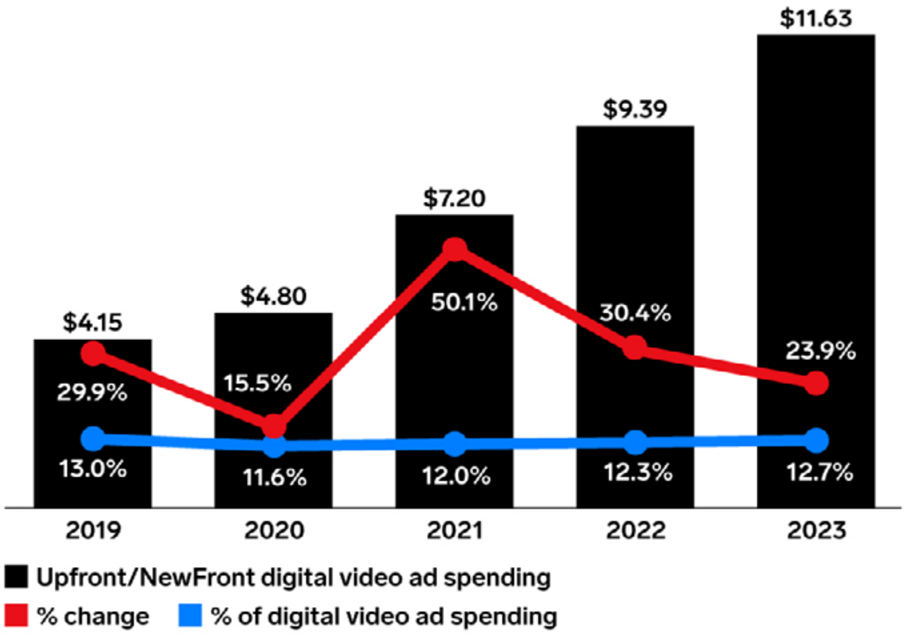
Macroeconomic trends and return of live events may shakeup Upfronts

Several issues could disrupt the aftermath of Upfronts. Macroeconomic trends could lessen commitments from Upfronts. Disputes over audience measurements will also feature prominently, and the return of live events may bring more attention to TV showcases.

For large advertisers whose companies are afflicted by adverse macroeconomic conditions, committing ad dollars Upfront may prove difficult. High inflation, continual supply chain issues, and the war in Ukraine are just a few conditions that could place a drag on Upfront deals.

US Upfront/NewFront Digital Video Ad Spending, 2019-2023

billions, % change, and % of digital video ad spending



Note: digital video ad spending committed in advance, including spending resulting from the TV upfronts, the IAB Digital Content NewFronts, and other events/meetings throughout the year
Source: Insider Intelligence, May 2022

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MEET THE LEADERS

Brian Albert, managing director, US agency video and creative work, leads Google and YouTube's US agency video and creative teams, driving strategic deals with their largest advertising clients and agency partners while helping them conceive more effective YouTube ads and content. Albert is responsible for all YouTube Upfront negotiations. **Page 5**

Eric John, vice president, media center, drives the dedicated unit within the IAB's efforts in development of market-making research, industry standards and best practices, and buyer/seller terms and conditions. The media center's mission is to simplify the video supply chain, providing best practices and education for brands, agencies, and media companies to drive continued growth through the evolving convergence of television and digital video. **Page 11**

Carrie Drinkwater, chief investment officer, US, oversees TV and digital video strategy and investments across the agency's clients. Drinkwater believes there's more to investing than buying "spots and dots," and her passion for creative thinking brought her to Mediahub. She has always loved the challenge of working on big businesses with multiple products, clients, and needs, especially in today's data-rich media landscape. **Page 7**

Aron North, CMO, helped launch Mint Mobile in July 2016 out of Mint's sister company, Ultra Mobile. A disrupter by nature, North helped start a digital revolution in wireless with Mint Mobile, building the marketing department from scratch and powering hypergrowth that has seen the brand's revenue increase more than 90,000% in the last five years. **Page 13**

ABOUT THIS ROUNDUP

eMarketer interviewed four thought leaders to give you a unique perspective of industry news and trends on Upfronts and NewFronts.

Key topics addressed include: what are organizations looking for when it comes to Upfronts and NewFronts, what changes are industry leaders seeing in brands' media spend, how are Upfronts changing now that the advertising landscape is more digital and across a variety of channels (not just traditional TV), what marketers are placing attention on following the Upfronts, what are some innovative technologies brands have implemented in advertising strategies, why YouTube decided to hold Brandcast during the week of the Upfronts for the first time ever, and many more insights and best practices for advertisers to leverage.

GOOGLE AND YOUTUBE'S BRIAN ALBERT, MANAGING DIRECTOR, US AGENCY VIDEO AND CREATIVE WORKS

April 28, 2022

While TV investments have remained resilient, YouTube is looking to drive viewership by focusing more on its creator economy to produce content that relates to consumers' passions and interests. In a conversation with Albert, we discussed why linear TV is largely going to revolve around live sports and news and connected TV (CTV) is going to be the main topic in every Upfront negotiation this year.

What is YouTube currently prioritizing when it comes to the Upfronts [and] NewFronts?

We're going to be talking a lot about our creator economy because it's our creators who've really been fueling our growth over the past several years. No one's really making a distinction between "Am I watching broadcast cable, online video, or streaming video?" To viewers out there, it's one and the same because we're so programmed right now in this on-demand world, where you and I can watch whatever we want, whenever we want, across whichever device.

And that's important because we're all essentially voting based on what we choose to watch. Over the years, we've done a bunch of research to understand what drives viewership on YouTube. And what we consistently find is that people care more about the content that relates to their passions and interests [more] than anything else.

Over the last few years, we've paid out over $30 billion to over 2 million creators who are uploading more than 500 hours of content to YouTube every single minute, which is a lot of money. It's over $10 billion a year.

So if we were to look at someone like Mr. Beast, who's one of our top creators, he spent $3.5 million dollars last November in a single video recreating every single "Squid Game" set. And to date, it's accumulated over 240 million views. If I wanted to compare that to more of a Hollywood-like show on YouTube, back in 2018 we acquired "Cobra Kai," which was one of our most critically acclaimed shows back in the day. And that pilot episode has been viewed over 135 million times since 2018. What that says to me is that while both types of content can succeed on YouTube, it's our endemic creators who are now starting to spend significantly more per video, like Hollywood studios, but they're driving significantly more viewership than some of these Hollywood-like shows.

How did the pandemic expedite consumers watching YouTube, and what are the implications for this year's Upfronts and NewFronts?

When we launched Google Preferred—now YouTube Select—before the 2014/2015 Upfront, YouTube was a desktop-first platform. Now, we're officially a CTV-first platform. So what you'd expect is that in a rational market, media dollars eventually are going to follow eyeballs and viewership. I mean, it's clearly a futures market, but if you consider the fact that pay TV subscriptions have been declining since 2011, when there were over 100 million pay TV households, now we're in the mid-70 millions, which is a level we haven't seen in like 30 years. Most analysts forecast that we're going to bottom out somewhere in the mid-40 millions. Yet along this journey, linear TV investment has remained remarkably resilient.

That said, I truly believe we are quickly accelerating to a future where linear TV is largely going to revolve around live sports and news, and virtually all entertainment programming is going to be consumed through three to five apps on your phone and connected TV. And while we've seen so many new streaming platforms launched, particularly over the past couple of years, what's remarkable to me is that the top five—Netflix, YouTube, Amazon Prime, Hulu, and Disney+—will still represent 75% of total viewership.

Based on recent Nielsen data, we know that today, YouTube reaches over 135 million people every month on CTVs, 35% of which you cannot reach through any other ad-supported platform. So that's almost 50 million people who are streaming content on YouTube that can't be reached anywhere else. When you add up all the viewership, YouTube represents roughly 50% of the ad-supported CTV marketplace today. So we know that CTV is going to be the one topic that is front and center in every Upfront negotiation, as it was last year.

Why did YouTube decide to hold Brandcast for the first time during Upfronts week, and how was that decision made?

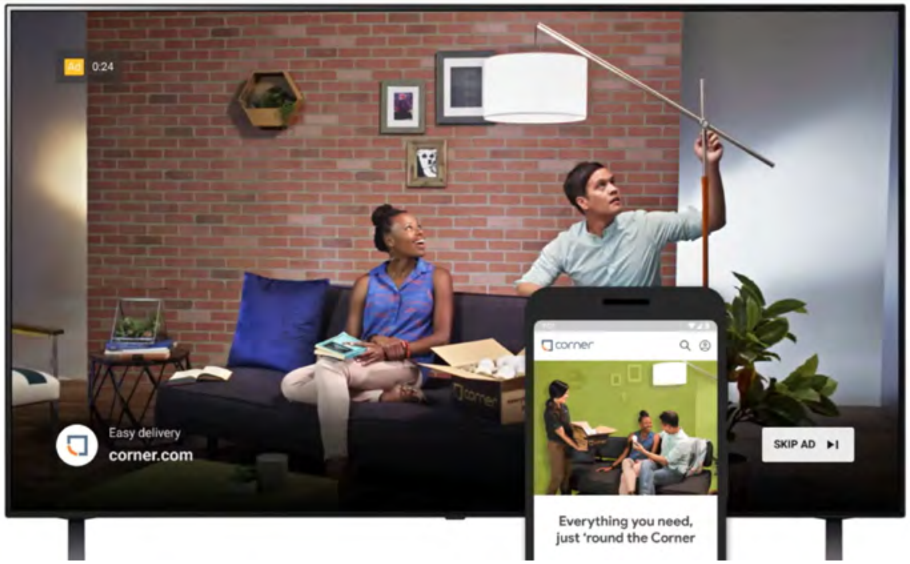
We spent our first 10 years in the NewFronts. Given everything we've talked about, if there was ever a time for us to want to help our clients break down some of these legacy silos and bridge the gap between linear TV, digital video, and streaming video, it's this year. As I mentioned earlier, for consumers, nobody's differentiating between any of these. Video is video and for many of our clients, this big shift to streaming means that the broadcast cable reach they used to rely on really can't deliver at the same levels that [it's] been able to historically.

What are some of those innovative technologies, specifically within advertising, that you're excited about seeing?

The promise of CTV was always marrying the best of digital capabilities with sight, sound, and motion on the biggest screen in the house. So we know that we need to make YouTube ads on CTVs more shoppable, especially when you consider the fact that over 25% of our YouTube CTV logged-in viewers watch YouTube almost exclusively on their TV screen, meaning they're not watching on desktop or mobile.

Last year, we launched shoppable CTV ads on YouTube that allow a viewer to see an ad on their TV, and then they're invited, through a URL at the bottom of the screen, to continue shopping on the brand's website from either their desktop or mobile device without actually interrupting the viewing session. That was our first step into making YouTube more shoppable.

The second innovation is that outside of those top five streaming apps I mentioned, there's a lot of fragmentation across the CTV marketplace. The biggest challenge that clients have had is just being able to effectively manage frequency across all of those apps. That's become a pretty big industry pain point because nobody wants to see the same ad over and over again.



"And what we consistently find is that people care more about the content that relates to their passions and interests than anything else."
—Brian Albert, Google and YouTube

MEDIAHUB'S CARRIE DRINKWATER, CHIEF INVESTMENT OFFICER

April 11, 2022

Whether it's pinpointing fluctuations in viewership or leveraging data-driven technologies to identify the right time and place for brand awareness, Mediahub is focusing on the power of flexibility in a changing media landscape. During a conversation with Drinkwater, she shares where marketing attention is shifting, what clients are looking for, and where new obstacles are rising.

When it comes to the Upfronts and NewFronts season, what are your clients looking for and what trends have you observed so far?

We continue to hear about flexibility. That's become a very important factor. We are in April. And we are asking clients to commit money from August [2022] until August of 2023. The timing just never seems to be in the favor of a client or in the favor of a business model because of today's world, [especially] with the fluctuation of viewership and measurement. And there [are] just so many factors right now that I think it's difficult to commit, that far out, such a large amount of money. Flexibility is paramount.

In your opinion, what do you think marketers will be placing the most attention on in the Upfronts?

What will happen is that once we say the media companies have the house, so once they see the amount of money that they have, my understanding is that they want to keep the linear money flat and they want to grow their digital money. Last year, they didn't want to take money and they wanted to cut those low base businesses to help them monetize and create greater revenue.

They will probably be a little old school with options, meaning the traditional 30[%], maybe 25%, they will probably push an incentive to clients to not do traditional demos. So if you're 18 to 49, it's getting nearly impossible for them to reach 18 to 49 efficiently. From their eyes, it's going to cost them more. So either go to what we call plus demos, so two-plus demos or 25-plus demos.

Whether it was demos, alternative guarantees, or a one-platform deal, I think once they figure that out, should the money be less than last year or not what they expect [to] come [in] the next three, four, five weeks, then we'll see the deal terms change. Maybe the options will be greater. Maybe they won't force alternative demos. Maybe alternative measurement may just be a way. But you can't predict the market until you know what the money is. And you can't predict what they will do until they see where their needs are. But I think, what we said, the fluidity, the flexibility, and options.

Is there a specific client that you believe in, stand by, and are excited about, given what you're doing with them in terms of producing great content and culture programs?

We're very lucky, we have a lot of culture brands. We love Chipotle. They really want to focus on cultural moments. They like live sports, but they like to be in moments that are culturally relevant. And they really pushed us on that. Yes, [it] need[s] to be efficient and effective in [its] message, but being part of culture and being part of conversation is at the core of what [it is]. I think Royal Caribbean is one that we have identified an audience for them, an audience that really worked for those that would cruise. And we're able to use data and technology to find the right content, to find those people and to be able to get them either a new cruise or come back to a cruise. So there's different things, whether it's culture and really finding those iconic moments, or using data and technology to find the right place and time. I think those are two different examples of things that we do. Both transact within the Upfront marketplace dynamics.

What do you think will be the new technologies that are going to start getting implemented within the Upfronts and NewFronts?

There's so much data and tech out there right now that we're trying to get up to speed and educate ourselves on and be masters of all of them. But we have a partnership with EDO that uses search. We can identify search trends from an exact spot that not only help us identify where people are watching, what people are watching, but what they're responding to in terms of creative messaging in different shows. What should we be sending? What creative messages can we send in certain programs? I think ideally there's so much technology out there that we would really love to focus on with business results.

I believe in the old school funnel. And I believe there is a time and a place for brand awareness. There's data that helps us get there to a large degree. But as we get down the funnel, there's amazing data and technology to help push a result in the final purchase, whatever the [key performance indicator] may be.

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"We continue to hear about flexibility. That's become a very important factor. We are in April. And we are asking clients to commit money from August [2022] until August of 2023."

—Carrie Drinkwater, Mediahub

STREAMING IS THE FUTURE OF TV, BUT SERVICE CHOICE IS OVERWHELMING VIEWERS

This sponsored article was contributed by Nielsen.

This year's Oscars marked a historic milestone in media, with CODA becoming the first film produced by a streaming service to win an Academy Award for best picture. As if any further validation was needed, the win made even more clear that streaming has fully arrived.

Americans love their streaming services. In an average week, US audiences watch almost 170 billion minutes of streaming video content. That's up from just over 143 billion minutes a year ago. Nielsen's recent State of Play report found that only one in 20 respondents have negative feelings about their streaming experiences. Additionally, while the macroeconomic environment could always change things, 93% say they plan to either increase their paid streaming services or make no change to their existing plans over the next year.

There is, however, evidence to suggest that audiences are becoming overwhelmed with the amount of streaming options out there.

Current estimates show that the number of streaming platforms exceeds 200, according to Flixed. And according to the Nielsen report, 46% of viewers say it's harder to find the content they want to watch because there are too many services available. The report also reveals that audiences have more than 817,000 unique program titles to choose from across traditional TV and streaming services, a figure that is up 18% from the end of 2019.

So what can content providers do to help?

Once audiences log into a service, making it easy for them to find content they'll love is key. After all, Nielsen National TV measurement shows that US audiences spend an average of 4 hours and 49 minutes with TV—whether live, timeshifted, or connected TV—every day, and platforms want that time spent engaging, not scrolling.

Applying hyper-detailed video descriptors to content catalogs can help here, as they crystalize the storylines and context that make up the essence of a show or movie. This data enables nuanced discovery paths and offers fresh and relevant program recommendations that align with a viewer's individual tastes and viewing history.

According to Nielsen's report, 46% of viewers say it's harder to find the content they want to watch because there are too many services available.

In addition to recommendations and suggestions, streaming platforms have the benefit of being visual, and discovery can be visual as well. In the streaming realm, the video carousel is the storefront. Visitors aren't logging in to read. They're logging in for visual experiences. And that's where personalized images can enhance a platform's visual merchandising. When a platform uses different images to appeal to different viewers, the video carousel quickly becomes a personalized storefront that elevates the customer experience.

Today's streaming landscape is a treasure trove of options for consumers, and the volume of content continues to rise. The audience will steer the future of the streaming landscape, and the media industry can help consumers in their media journeys by leveraging data to ensure they never get lost along the way.

For additional insights, download our State of Play report.

IAB'S ERIC JOHN, VICE PRESIDENT, MEDIA CENTER

April 19, 2022

In analyzing the future of the media landscape, the Interactive Advertising Bureau (IAB) is reimagining the future of digital viewership. We sat down with John to discuss continuous growth in video advertising and CTV, why the old model of a million-dollar TV commercial playing once everywhere is gone, and how to make creative work better.

What brands are looking for isn't really changing. Could you talk about some of the major shifts within the past two years and how they will impact the season?

Over the past two years, we've seen a massive shift in viewership. Digital media became everyone's safe haven as everyone was trying to understand what a global pandemic really meant for them. Video benefited from a massive increase of streaming behavior, but that shift also really put pressure on brands and buyers to understand how and where to reach their audiences.

So what changed was, if you are a brand and you are in a vertical like autos, it might be that your message had to instantly pivot to the showroom and see the latest models. When our service centers are open, or if you are a quick-serve restaurant, it might be that order in advance and pick up outside of the restaurant. That practice over the past two years has fundamentally shifted the speed, nimbleness, and table stakes that are now for managing media in a real-time fashion, and in a more consumer-centric fashion.

What are some of the challenges that you're hearing from members around the Upfronts this year, and potentially within the past two years, when they were forced to be a bit more nimble and flexible?

Buyers and sellers together had to be more flexible, right? As we said, the brands themselves were forced to change their messaging, the reserve-based buying due to supply chain issues, but we also saw the reignition of spend in particular regions, in particular places. So that's the flexibility that really came to the front in terms of the buying and transactional model. It also pointed out things that we can improve on as an industry, and this is what some of the research that we'll be sharing at the NewFronts this year is. The rinse, wash, repeat cycle of planning, executing, and optimizing, it's been rewritten, accelerated by the pandemic, but now increasingly enabled by CTV.

Creative is going to have to do much more of the heavy lifting for effectiveness in advertising. And so there's going to be a lot of focus on how to make creative work better. The old model of a million-dollar TV commercial playing once everywhere has got to end, and advertisers and brands need to think about multivariate creative and CTV and doing the basics of digital media.

"Consumers don't hate all advertising, they hate irrelevant advertising."
—Eric John, IAB

You have your video ad spend report coming out soon. What are some of the main industry trends that you found in the report?

Ad spend and digital video increased 49% year over year last year to $39 billion and [are] expected to increase by an additional 26% this year to $49.2 billion. CTV is going to account for a lot of that spend. And what's interesting is between 2020 and 2022, CTV ad spend is expected to more than double [to] 118%.

The numbers that we saw in CTV spend really point to the need, opportunity, and growth in CTV advertising.

Our research shows that CTV is a must-buy for three-quarters of video buyers, but ad spending in CTV still only accounts for 18% of the total video ad market, defined as CTV plus linear plus other digital video. So if you consider the $65 billion TV industry that eMarketer has talked about and recognized, and eventually all TV advertising will be streamed, the 39% growth that we expect from $15.2 billion to $21.2 billion in 2022, it's great growth, but we're still in the first inning in that massive shift of spend that'll ultimately become as all television is streamed. It will become that $65 billion number.

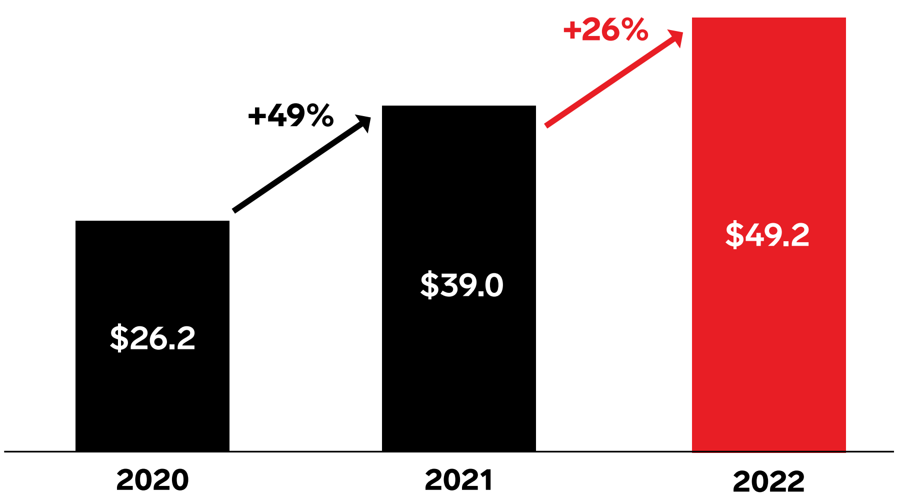
How will new technologies impact consumer engagement?

There [are] a couple of things. I think [about] the rebirth of the QR code. It's not a new technology, but as we saw in the Super Bowl, you can pick up your phone, scan, and engage with a brand. The interesting thing to think about is the multiple device home and multi-device family experience. The reality is that a household is made up of many connected devices, including the remote that's in your hand.

We'll see more voice activation, more full-funnel campaigns that leverage insight[s] that go between the big screen [and] the small screen, more tailored content and advertising experiences, better optimized for who's in the household. The days of a "cat family" seeing nonstop dog commercials should be over pretty soon, and we have the technology to do it. It can be done with privacy-centric ways. Consumers don't hate all advertising, they hate irrelevant advertising. So I think it behooves us as an industry to leverage the technology on behalf of consumers. Put the viewer in the center and make relevance work for the experience..

Annual Digital Video Ad Spend

billions



Source: SMI insights, estimate based on SMI Pool, including "forward bookings". Advertiser Perceptions survey, interviews with industry leaders, other market estimates, our expert judgments. Digital video includes in-stream in premium, long-term content, aka OTT and/or CTV, as well as all other in-stream and in-page video ads.

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MINT MOBILE'S ARON NORTH, CMO

April 29, 2022

While Mint Mobile is looking to prioritize highly engaging content, it will be leveraging event type programming that's relevant for short periods of time, such as live news and sports. We sat down with North to discuss the importance of experimentation, new and unproven strategies, and why the brand allocated 10% of its budget for test, try, and learn opportunities.

What is Mint Mobile prioritizing when it comes to the Upfronts and NewFronts, and how are you hoping to expand your marketing opportunities within the Upfronts?

I think as we look at Upfronts and NewFronts, we typically prioritize highly engaged content. And by that I mean content that is relevant for short amounts of time. So we want things that you don't really watch on DVR. We're talking about live news, sports, things of that nature. Some event type programming that's breakthrough, if you will. And we look to secure those in the Upfronts and NewFronts. That's really the priority for us.

So how have your priorities shifted with advertising spend in the past couple of years, and how has the role of Upfronts and New-Fronts in your ad spend shifted in any way?

The reality is there has been a shift in what we're looking for over the last two years. And the biggest shift is flexibility. Two, three years ago, we had flexibility in our plans as an opportunity. Now it's a must. With volatility in the marketplace, you need to be able to move and adjust and optimize. So one of the things that's really important is having flexibility within your Upfront and NewFront buy, and that's been something that's been paramount to us.

In terms of different shifts and innovation, specifically, what are some new technologies you've been able to implement in your advertising strategies?

We are constantly experimenting and constantly trying the new and unproven. For us, what we've done is we've built 10% of our budget into these test, try, and learn opportunities. That strategically has given us the opportunity to really try a varying degree of new things. So whether they be high-impact units, new types of units, betas, or alphas. I think the approach of never stop trying [something] new and it's okay to fail are two of the principles we deploy when we look at the unproven, the untested. Having that approach allows you to leverage a wide range of opportunities that are presented. And I think that makes us different, and that is something that CMOs should be thinking about: having a large arsenal of things that you are trying at a smaller scale to see how they impact your business.

How do you think brands will participate within the Upfront[s] [and] NewFronts in the coming years, and how will ad spend priorities shift in the next few years?

I think brands are participating in the Upfronts of NewFronts in a more limited fashion. Obviously when you participate in an Upfront there's a price discount to the advertiser, but in many instances you're trading out flexibility for that.

It's not necessarily forced that you have to buy the digital corresponding platform, but it's definitely being pushed. I think what's happening is you're having inside-out thinking at these media or content creators. So they've got inventory, they're thinking we can create inventory and we can sell it out. What I think they should be doing is looking at the needs of the marketplace and what advertisers are really thirsty for and solve for that versus trying to get us to purchase not only their linear or traditional programming, but also their digital programming as well.

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