SEP 23
Ross Benes

US TV Ad Spending Dips Amid Industry Changes

Article

As more customers turn to digital options for their video entertainment, TV ad spending is flattening. In our latest report on US digital video, we forecast that US advertisers will spend $70.30 billion on TV this year, a decrease of 2.9% from 2018.

We forecast that total ad spending at the TV Upfronts increased by 2.4% to $21.25 billion in 2019. Upfront spending remains strong in part because TV companies have been consistently raising their prices on inventory sold at the seasonal events. Upfront CPMs this year are up 10% to 15% compared with last year, according to Variety. We expect this trend to continue,

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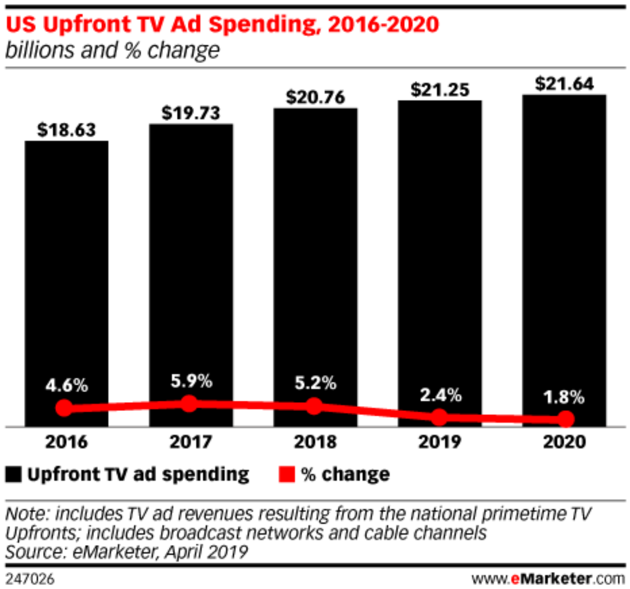
as sought-after inventory becomes scarcer due to viewership declines among younger demographics.



TV companies are selling more inventory at the Upfronts that was previously saved for the scatter market (inventory that is not sold during the Upfronts). Unlike the Upfronts, where inventory is sold well in advance of when programs air, scatter inventory is sold closer to a program's air date. The prices of Upfront and scatter inventory often vary depending on demand. Since TV networks secured a lot of upfront commitments this year, expect a tighter scatter market.

TV networks are also making inroads in automating their ad selling. We forecast that $2.77 billion of US TV ads will be transacted programmatically this year, up 58.4% over 2018. But programmatic TV transactions will likely be conducted with limited available inventory in a highly curated fashion for the foreseeable future. (We define programmatic TV as the use of software to automate the buying or selling of TV advertising distributed through cable, satellite or broadcast networks.)

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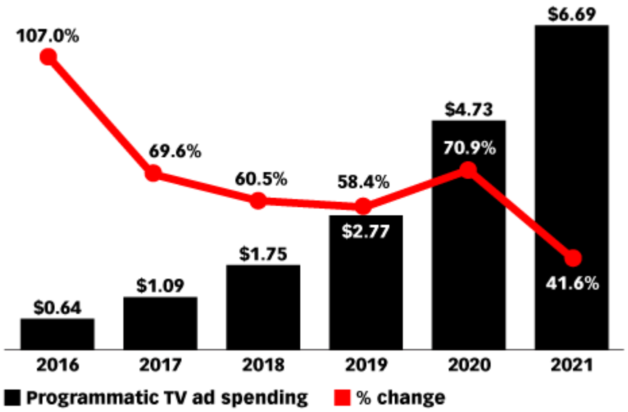
US Programmatic TV Ad Spending, 2016-2021
billions and % change



Note: the use of software platforms to automate the buying, selling or fulfillment of TV and video-on-demand (VOD) advertising, distributed through cable, satellite or broadcast networks; TV ad spending includes broadcast TV (network, syndication & spot) & cable TV; excludes digital
Source: eMarketer, June 2019

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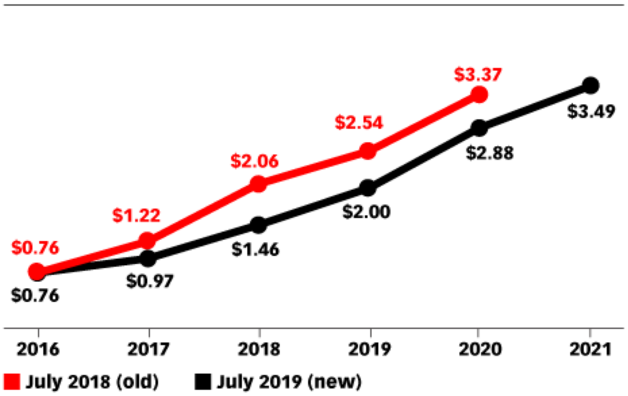
We also expect TV networks to start selling more addressable ads, which are targeted ads delivered on a home-by-home basis via set-top boxes. These ads include both linear and video-on-demand (VOD) delivered in this way, but exclude connected TV, smart TV and OTT ads.

While we expect addressable TV ad selling to grow, we have reduced our US addressable TV ad spending forecast for 2019, from $2.54 billion to $2.00 billion. This is largely because the number of addressable households is plateauing due to the rise in cord-cutters, cord-nevers and connected TV usage.

US Addressable TV Ad Spending, 2016-2021
billions



Note: targeted TV ads delivered on a home-by-home basis via cable and satellite boxes; includes video-on-demand (VOD); excludes connected TV, smart TV and over-the-top (OTT)
Source: eMarketer, July 2019

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Connected TV inventory has increased dramatically over the past year, making it possible to replicate a nationally representative audience, which is attracting TV advertisers. In other words, if advertisers want to target TV ads, connected TV is becoming a more attractive option than serving addressable ads over a linear broadcast. Of course, there are still advertisers that use both tactics.

However, concerns over data privacy regulations may dampen enthusiasm for addressable TV advertising. Because addressable ads use data for targeting, they run a greater risk of violating data privacy laws as opposed to regular TV ads. Broadcast companies are creating cross-divisional groups of lawyers, data scientists and product people to figure out how to be compliant with upcoming data laws like the California Consumer Privacy Act (CCPA), AdExchanger reported in August.

For more estimates on TV advertising in the US and how direct-to-consumer brands are harnessing TV ad space, eMarketer PRO subscribers can read our latest report:

Report by Ross Benes Sep 19, 2019

US Digital Video 2019

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