Ross Benes

The Daily: Where folks spend their TV money, the US ad market's start to the year, and the WWE puts ads front and center

Audio

On today's podcast episode, we discuss how all the different TV terms fit together, to what degree subscription revenues are moving from pay TV to streaming, who's winning the "digital pay TV" race, and how the new sports streaming service from Fox, ESPN, and Warner Bros. Discovery could change everything. "In Other News," we talk about what a new sponsor logo placement from the WWE will look like and how the US ad market is getting on to start the year. Tune in to the discussion with our analyst Ross Benes.

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Episode Transcript:

Marcus Johnson:

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Ross Benes:

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Marcus Johnson:

Hey, gang, it's Thursday, March 14th. Ross and listeners, welcome to the Behind the Numbers Daily, an eMarketer podcast made possible by Nielsen. I'm Marcus. Today, I'm joined by one of our senior analysts, who covers everything digital advertising and media. Based just north of New York City, it's Ross Benes.

Ross Benes:

Hey, Marcus.

Marcus Johnson:

Hey, fella. Today, we are talking about where folks spend their TV money, but we start with the facts of the day, and today, Ross, we're talking about Flamin' Hot Cheetos. Have you ever tried them?

Ross Benes:

I think I have had those before. Yeah.

Marcus Johnson:

Okay. Apparently, they were developed by a janitor at Frito-Lay, Richard Montañez. In 2018, CNBC noted that he'd got the idea after putting chili powder on some rejected Cheetos, and then pitched it to the CEO. He's now a successful executive and motivational speaker. There was also a film that came out about his story last year, called Flamin' Hot, an American biographical comedy drama film directed by Eva Longoria.

Ross Benes:

I thought you said the film was going to be Good Will Hunting. You got this genius janitor doing stuff, so ...

Marcus Johnson:

This was Good Will Hunting 2.

Ross Benes:

Okay. Glad to know he amounted to something.

Marcus Johnson:

Yeah. But I thought this was a really cool story, just a welcome reminder that good ideas can come from everyone and everywhere, so I though this was a good one. Anyway, today's real topic, how we watch things reaches a tipping point. In today's episode, first in the lead, we'll cover everything video, and then for another news, we talk about the WWE, now selling sponsorship logo placements and how the U.S. ad market is getting on out of the gate this year. But we start, of course, with the lead.

Ross, we're talking about all things video, but it can get rather complicated. There are a lot of different terms, and so we thought we'd start with a bit of an explainer. You put together a really nice visual graphic that our PRO+ subscribers can find at eMarketer.com, and it lays out in a nice flow chart, a family tree, if you will, a video, and what's what, and what means what. And so Ross, do you want to quickly explain what the TV space looks like and what some of the main terms are?

Ross Benes:

Oh, yeah, sure. So if you look at linear television, we have two main buckets. The first one is OTA, over-the-air TV. That's just free TV. If you're using an antenna to watch like CBS or PBS, that's OTA.

Then, we have paid TV, which is where most of the revenue comes from. You're paying for a subscription, and we have traditional pay TV, like DISH Network or Comcast, and Digital Pay TV. Digital Pay TV have been referred to as skinny bundles or vMVPDs. These are things like YouTube TV, Hulu + Live TV, and Sling. You're basically paying for cable, but it's delivered digitally.

And then on the streaming side, there's SVOD, Subscription Video On Demand, two buckets of that, ad-free and ad-supported. The ad-supported part of SVOD would be like if you pay for Hulu, it'll have ads, but you're still paying for it, which would also be AVOD, and the last category under the AVOD side then would be FAST, which is just free streaming, that is ad-supported like Tubi.

Marcus Johnson:

Yeah. All right, perfect. So as Ross said, in linear, you go to OTA, you go to Pay TV, and on the streaming side, you go to AVOD or SVOD. So yeah, just a fantastic way to try and view this landscape and make sense of all these terms and where all this money and viewership is going. Ross, you just wrote about this, and one of the questions that you answer in this piece of research is, "To what degree are subscription revenues shifting from Pay TV from one side of this chart to the other, to streaming?" So tell us what you found.

Ross Benes:

Well, each year, it's about five percentage points drop in the share that goes to Pay TV, so ...

Marcus Johnson:

Wow.

Ross Benes:

We're just getting to the halfway point of most money going towards streaming. Now, there's a few ways you could categorize that. When we have it halfway there, that's including the vMVPDs, the Digital Pay TV services like YouTube TV. We're counting that as streaming in this analysis, and when you do it that way, streaming is on par to, by the end of this year, receive more subscription revenues than traditional Pay TV, and then the next year, it'll be about 45% will go to traditional Pay TV than ... Just a little above 40, and you just see in three to five percentage points shift from traditional television toward streaming alternatives each year, and those streaming alternatives, there's a ton of different services that fall into that.

Marcus Johnson:

Yeah. Like you said, 5% each year, when you total that up-

Ross Benes:

Five percentage points.

Marcus Johnson:

Percentage points, sorry.

Ross Benes:

Yeah.

Marcus Johnson:

Exactly right. When you total that up, you talk about how between 2020 and 2024, the share of money that has gone to TV, traditional TV, has fallen from 75% to 50, which is quite a dramatic drop, and so that's the real tipping point we're talking about. In the next year, we're expecting to see more money going to the streaming side of things. However, Ross, 50% of the viewership market, let's call it, total TV and video market, 50% means that traditional Pay TV will still make $67 billion this year.

Ross Benes:

Yeah. And then if you take all those skinny bundle stuff and move it to the Pay TV bucket ...

Marcus Johnson:

True.

Ross Benes:

Because you're looking at a TV package either way, then you're really looking at 2026 until that tipping point happens. It gives another two years or so. Yeah. It's a massive amount of money. I know, we pay a lot of attention to streaming advertising, which is under $30 billion a year.

If you look at subscription revenues for traditional television, they're way up there, and that's because each person who pays for it is paying over $100 a person, or $100 a household.

Marcus Johnson:

Yeah. Yeah, average revenue per use are much higher on that side of things still. Ross, another term that gets thrown around is OTT subscription, revenue or users. What's OTT subscription?

Ross Benes:

OTT subscription is streaming services you pay for. So OTT would be all streaming on all devices. OTT subscription is like Netflix, Hulu, Peacock. It's not including the free stuff that when you turn on your Samsung, and it's not including the Roku channel or most of YouTube. It's solely things that people have to fork over a credit card for.

Marcus Johnson:

Okay. So it's SVOD?

Ross Benes:

Subscription OTT, SVOD. Basically, there's many acronyms in this space, unfortunately.

Marcus Johnson:

Yeah. Okay. So it's on that side of the bracket, if you will. It's on the streaming side, under streaming AVOD and SVOD, and under SVOD, you've got the ad-supported and the ad-free. And so Ross, which streaming company has the largest share of the OTT subscription pie or SVOD?

Ross Benes:

Netflix does.

Marcus Johnson:

Okay.

Ross Benes:

And if you go down further from there, YouTube is like a strong number two if you include YouTube TV, because you're paying ... If people are paying 80 bucks a month for YouTube TV, just one subscriber there is going to generate, you're going to need four different Netflixes to-

Marcus Johnson:

And this is, I should say, the revenue subscription revenue pie.

Ross Benes:

Subscription revenue, yep.

Marcus Johnson:

Totally. Yeah.

Ross Benes:

Netflix is the top. I mean, Disney would be the second company if you rolled up all the services, but that's three different services, so ...

Marcus Johnson:

We break them out, yeah. So it's interesting because they're ... So Netflix, how much does that account for in first place? What share?

Ross Benes:

So Netflix is about one-fifth of total OTT subscription revenues.

Marcus Johnson:

Okay. Okay. And the dollars are obviously going up, but the share's going down, is that correct?

Ross Benes:

Yeah, exactly.

Marcus Johnson:

Okay.

Ross Benes:

And that's the case with Netflix with viewership too. They're not losing viewers or time spent, but their share goes down because they're kind of staying flat, and then other people are making a bunch of games. Like for subscription revenue like Apple TV+ and Peacock, which had nothing a few years ago, have way more users than they did in the past, and they're going to have more next year because they have so much more room to grow and they sell for a cheaper price. Netflix is kind of tapped out in the U.S., at least. This is all U.S. data that we've been talking about here.

Marcus Johnson:

Right, right. But Netflix, I think, is $15 billion subscription business this year?

Ross Benes:

Yup, in the U.S.? Yup.

Marcus Johnson:

In the U.S. Okay. Okay. Okay. So then, let's move to another piece of that bracket, which is the Digital Pay TV side.

So that's on the left-hand side, if you will, linear, and the right hand side, streaming. So on the left-hand side, linear, and it goes into OTA, Pay TV, and then down to Pay TV, you've got traditional and digital, and so we're talking about the Digital Pay TV side.

Ross Benes:

That's the most confusing category because it could straddle either, and we produce numbers based on whatever the client wants, so ... Like our cord-cutting numbers, we have ones that include the vMVPDs as Pay TV of ones that they don't include so that you can ... Because different people define them differently, so we give everyone options.

Marcus Johnson:

I mean, where's the space going? Do you think that, like in a few years time, will it just sit on the streaming side eventually, just taking a while?

Ross Benes:

I mean, eventually, 30 years from now, there's not going to be a whole lot of coaxial cable and satellites, but-

Marcus Johnson:

I don't know. Ask Oscar Orozco, who works for it.

Ross Benes:

I mean, if you look-

Marcus Johnson:

Although you think he'd cut the cord, actually. He's ... Yeah.

Ross Benes:

Yeah.

Marcus Johnson:

He was the last one.

Ross Benes:

I mean, if you live in the mountains and can't get internet, I could see that, but they are growing, but their growth has flattened a lot, because they've had to raise prices. So the amount of-

Marcus Johnson:

Digital Pay TV, you're talking about?

Ross Benes:

Digital Pay TV, yup. And the reason ... We call it Digital Pay TV because we're trying to get away from vMVPD because it's just such a terrible acronym.

Marcus Johnson:

It's horrendous.

Ross Benes:

Even among all the acronyms, it's kind of a painful one. So Digital Pay TV, digital cable-

Marcus Johnson:

And remind us who that is again?

Ross Benes:

YouTube TV, Hulu + Live TV, Sling, Fubo, those services. So they are growing, while the other category in Pay TV is shrinking, but their growth is going to be like 10% a year going forward, even less probably by 2026, and it's because they used to sell for like 20 bucks a pop to get people in, but now, they have to stem their losses so that they're priced a lot like a traditional cable package. If you're going to get YouTube TV, you're going to spend over 70 bucks, depending on what package you get, and they are replacing fewer cord-cutters. So in 2016, when these services were pretty new, most of the people who had cut the cord would adopt something like Sling. And now, if you look at cumulative cord-cutters, since these services debuted about nine years ago, they've replaced somewhere around a third or less of all the cord-cutters.

Marcus Johnson:

Yeah. I actually pulled those numbers. Traditional Pay TV handily beating Digital Pay TV in terms of who watches it. 112 million Americans will watch traditional Pay TV. That's two and a half times more folks than who will watch Digital Pay TV. So they've not just all moved over.

Ross Benes:

No.

Marcus Johnson:

They've gone other places.

Ross Benes:

Not at all.

Marcus Johnson:

Yeah. A $15 billion market for Digital Pay TV, same amount of money as Netflix is making from subscriptions.

Ross Benes:

Yeah, basically. It's a little bit more than Netflix, but it's pretty comparable.

Marcus Johnson:

Okay. And how does that fit into the overall OTT market in terms of the Digital Pay TV portion?

Ross Benes:

Yeah, so Digital Pay TV, there's really three ways you could look at it. If you look at it as OTT, total OTT, it's about a fourth of OTT. If you combine all the Pay TV, it's about a fifth of total Pay TV. And if you look at the total video, the combination of television and streaming everything, it's just over 10%.

Marcus Johnson:

10%, okay. Okay. Finally, Ross, who's winning the Digital Pay TV race?

Ross Benes:

YouTube TV by far. They were third behind Sling and Hulu just a few years ago, and now, they're by far the number one. They have great sports package, they get the NFL Sunday ticket, but they're definitely losing money. So they're number one, but they're able to operate at a loss to sell this great service because YouTube has so many other ways to make money, and this is getting TV advertisers accustomed to spending money with YouTube, so it has that benefit as well.

Marcus Johnson:

Okay. Yeah, if the leader's losing money, doesn't leave a lot of hope for everyone else.

Ross Benes:

Yeah, it's not a very profitable segment right now.

Marcus Johnson:

No. No. Final question on, how does this new service we're expecting from Warner Bros. Discovery, Fox, and ESPN, which is owned by Disney, this new SuperSport streaming service they're planning to launch in the fall, how would that affect this Digital Pay TV space, do you think?

Ross Benes:

That's a great question because we're still figuring out how it's going to affect the forecast because we haven't ... How we're going to classify it even. We just haven't had much details, but recently, Fox executives said they expect around five million subscribers to this product after it's been out for a few years. So that's not a whole lot. I mean, I feel like they're aiming low so that expectations don't get too high.

Marcus Johnson:

Or regulate. No. We're no regulators, but so the industry doesn't panic and-

Ross Benes:

Oh, true. Yeah.

Marcus Johnson:

Yeah.

Ross Benes:

Yeah. They can't come out and say, "Your business is all going to crumble. It's all coming down."

Marcus Johnson:

Or they can just crush it.

Ross Benes:

Yeah.

Marcus Johnson:

Yeah.

Ross Benes:

But if they hit their relatively modest goal, it wouldn't affect things too terribly significantly, because I mean, five million subscribers isn't ... That's like half of what YouTube TV is going to have by the end of the year or end of next year. It's way less than something like Netflix or Hulu has. So wouldn't gigantically shake up the industry if that happens, but gosh, I think there's potential for a lot more than five million subscribers, especially if they price it low at launch, but I expect it's going to take more people away from Pay TV than it is going to take them away from other streaming services. It'll just make it easier to switch if you haven't already switched.

Marcus Johnson:

Yeah.

Ross Benes:

Who knows if it'll come out though?

Marcus Johnson:

That's true.

Ross Benes:

Definitely got legal challenges coming.

Marcus Johnson:

Yeah, that's true. Yeah, we'll see if it even hits the market. Ross' four reports is called Digital Video Forecast and Trends Q1 2024: Shifting U.S. Video Subscription Revenues Benefit Netflix, YouTube, and Amazon. You can head to eMarketer.com if you're a PRO+ subscriber or, of course, the link is in the show notes. That's it for the first half. Time for the second today in other news, the WWE selling sponsorship logo placements, and how's the U.S. ad market getting on this year?

Story one, the WWE is now selling sponsor logo placements in the center of its wrestling mat, starting with Logan Paul's Prime sports drink. "The first logo to appear in the middle of the ring," notes Katie Dayton of the Journal, and apparently, WWE executives are also shopping around the sponsorship of other spaces on the mat. Ms. Dayton says, "Terms weren't disclosed, but the sponsorship will run two years at an eight-figure cost to Prime," the drink that is sponsoring it, and is the largest deal in the entertainment's brand's history. Ross, what's your reaction, first, as a fan of WWE, and then as an analyst?

Ross Benes:

As a fan, this could get annoying if they put in sponsors that aren't related at all to wrestling or that the wrestling fans aren't familiar with. Like if you have a big real estate company or a car brand in the middle of it, that would be annoying to look at.

Marcus Johnson:

Behind the Numbers.

Ross Benes:

Yeah, Behind the Numbers was in the middle of the WWE ring.

Marcus Johnson:

It's going to be on that.

Ross Benes:

I don't think wrestling fans would be super into that, but if it's something that they ... Like this drink is already sponsored by one of the star wrestlers. In the past, slim Jim has had stuff in the ring. They used to have it on the apron. WCW had Slim Jim logos by the turnbuckles.

It wasn't right in the center of the ring, but they had something similar. So that was pretty normal. It didn't interrupt the fan experience because Slim Jim was so associated with wrestling due to the Macho Man campaign. So I think it all depends on what brand you're going to put in. Now, as an analyst, it makes absolute sense.

It's just in another place to squeeze out more money. UFC already does this sort of thing, and WWE and UFC are the same company now, so I totally get why they're doing this.

Marcus Johnson:

Yup. And they said they're taking a page out of the UFC sponsorship playbook, and they've printed sponsor logos on their octagon ring for a long time. The funny thing is, Ross, I've watched a few UFC fights, I've never noticed the logos. I maybe could have given you Modelo, but that's just because of other sponsorships that they do, but I was looking at the ring recently, Jimmy John's, Monster, Bud Light, some of the sponsors. Theirs is peppered.

You can barely see the mat. There are a ton of logos, and I hadn't even noticed any of the sponsors, and so I don't know how much of an impact-

Ross Benes:

They also have them on the guy's shorts, like Brock Lesnar, both when he wrestled and fought. He'd have the Jimmy John's logo.

Marcus Johnson:

Yup, yup. But his Prime will appear in the center of the mat at the wrestling promoters' biggest events as well, WrestleMania and Money in the Bank. Last year, WrestleMania 39, their two-day event at the Rams and Chargers Stadium in LA delivered Peacock's highest weekend usage ever and the most hours watched of any live events on the platform, aside from the Super Bowl, according to NBCUniversal. So big audiences.

Ross Benes:

It's probably just a matter of time before there's like a big Tide Pod ad at the center of the NBA court. You see what's happening with their jerseys?

Marcus Johnson:

True. Yeah.

Ross Benes:

They're just going to start putting stuff on the court.

Marcus Johnson:

Yeah. I mean, if they're willing to put a five-second fast food chain ads in between free throws, which they started doing, then nothing's out of bounds. Pun intended. Story two, our Daniel Konstantinovic explains that the U.S. ad market marked its 10th consecutive month of spending growth in January, up over 4% year-on-year, in another reassuring result that signals Health for the Industry Per Guidelines, formerly Standard Media Index U.S. Ad Market Tracker. That's where these numbers have come from. But, Ross, January's impressive ad spending numbers, something or nothing?

Ross Benes:

It's something. There was a lot of angst in the economy. There's upheaval in tech, and people in the ad industry then worry about their jobs due to layoffs that have happened to their clients, but if you have record spending, that would indicate it's not as bad as it may seem. And I think that applies to the broader economy, like the Bidenomics, since many indicators hasn't been as terrible as his approval ratings would indicate.

Marcus Johnson:

Yes, indeed. Also, Daniel pointing out that January is typically a strong month for ad spend due to marquee sporting events like the Super Bowl. That was in February this year, but the NFL playoffs, he says, "One of the last bastions of linear TV viewership lands squarely in January." That's all we've got time for. Ross, thank you so much, fella, for hanging out today.

Ross Benes:

See you later, Marcus.

Marcus Johnson:

Yes, indeed. Thank you to Victoria who edits the show, James who copy-edits it, Stewart who runs the team, Sophie who does our social media. Thanks to everyone for listening into this episode and hanging out with us. We hope to see you tomorrow for the Behind the Numbers Weekly Listen, an eMarketer Video podcast made possible by Nielsen. You can, of course, head to YouTube and search for eMarketer to watch that show.