Ethan Cramer-Flood

# The Daily: The imbalance between time spent and ad dollars, trying to sell NFL Sunday Ticket, and the fate of Hulu

Audio

On today's podcast episode, we discuss the largest discrepancies in terms of where folks spend their media time versus where advertisers spend their money, and how advertisers should adjust accordingly. "In Other News," we talk about the Comcast-Walt Disney Co. negotiations centered around Hulu's ownership and whether YouTube's new NFL Sunday Ticket features will be enough to attract viewers and advertisers. Tune in to the discussion with our forecasting writer Ethan Cramer-Flood.

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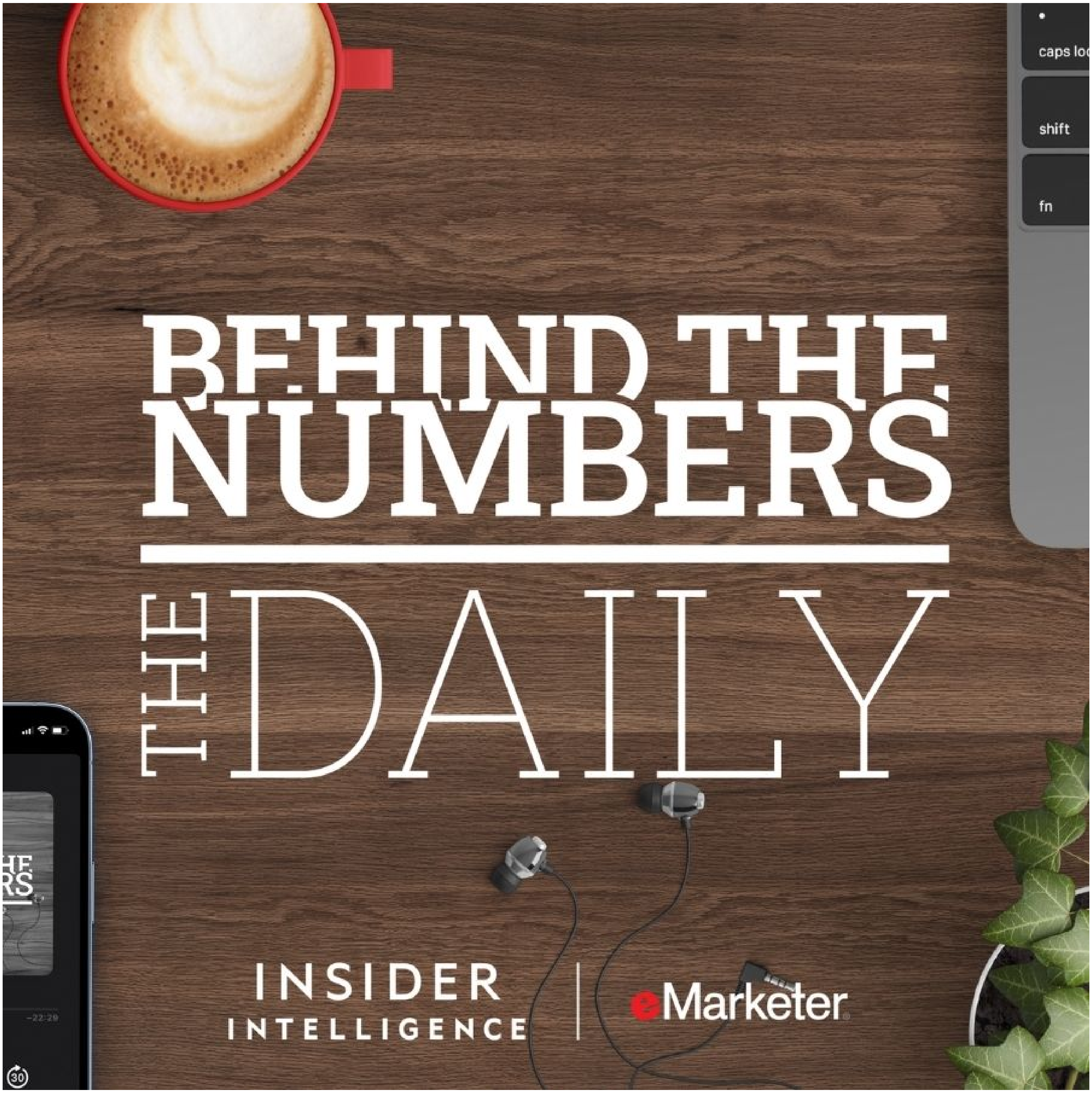


Episode Transcript:

Marcus Johnson:

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Ethan Cramer-Flood:

CTV is a lot more interesting, I think, because this is new and CTV is blowing up and increasingly, there are lots of ways to advertise on CTV streaming services. They're already taking 25% of our digital media time per day.

Marcus Johnson:

Hey gang. It's Tuesday, September 12th, Ethan and listeners, welcome to the Behind the Numbers Daily, an eMarketer podcast made possible by Awin. I'm Marcus. Today I'm joined by our principal forecasting writer based out of New York City. It's Ethan Cramer-Flood.

Ethan Cramer-Flood:

It is I. Yeah, I'm back. Yeah.

Marcus Johnson:

What an entrance. There he is. Today's facts. Ethan, we are more creative in the shower. Apparently there's some science to this. According to psychologist, John Kounios, a co-author of The Eureka Factor, the warm water of a shower dulls your external senses and directs your attention to your internal thoughts. This state of awareness promotes creative thinking as the warm water increases the flow of dopamine.

Ethan Cramer-Flood:

Shower is the only remaining place where we don't bring our smartphones and stare at them the whole time. I think that's really what's going on.

Marcus Johnson:

Yeah. I bet there are people who do though, nearly as bad as the people who take cold showers all the time. That's insane. Do you know these people, Ethan? These maniacs who think a cold shower is acceptable?

Ethan Cramer-Flood:

Maybe it wakes them up.

Marcus Johnson:

I guess. And not even in the summer. I don't want to see it. It just makes no sense. But you can't do any good thinking or singing. I can never do any good singing wherever I am. Anyway, today's a real topic, the imbalance between time spent and ad dollars. In today's episode, first in the lead, we will cover some of the wild differences between where folks spend their time and how many ad dollars advertisers dedicate, or don't dedicate, to those types of media. Then for another news, we'll discuss Comcast and Disney's negotiations on Hulu and how YouTube is trying to attract advertisers with its NFL Sunday Ticket Package. Ethan, we start of course, with the lead. You recently finished a report looking at, as you put it, the most intriguing imbalances between consumer behavior and marketer investments. What we're talking about here is something that the forecasting team, ever since I was a part of, has been tracking for a while, and that is the fact that we track time spent with media. Where do people spend their minutes, their hours per day with different types of media?

And at the same time, you can look at where advertisers spend their dollars by media. So you can see, oh, are people spending 20% of their day on social networks because advertisers are spending 90% of their dollars on social networks. So you can figure out the imbalances between... They're just made up numbers, but you can figure out the imbalances between how many ad dollars are put against people's time. So Ethan, let's start with this one. What is the largest discrepancy in terms of where folks spend their media time versus where advertisers spend their money?

Ethan Cramer-Flood:

Yeah. Great question and good intro to what this research endeavor was all about. We discovered all sorts of surprising nuggets or insights or revelations when we compared these two packages. Just as you mentioned, these are two of the most popular forecasts that we do, but we do them separately. So we have the whole US ad spending 2023 forecast and beyond. We have got our time spent forecast. This matched them together. We hadn't done anything quite like this before, maybe on an individual level, but not for one big report. So this report we released much fanfare. It seems to be very popular. A lot of people are reading it. It's just interesting. It's not necessarily, I'm going to be spending the next few minutes revealing a bunch of findings. They're not necessarily calls to action. Just because we found these interesting discrepancies doesn't mean that anyone's doing anything wrong, but we think that there might be some insight in here.

So you asked what popped out initially, so we've got some platform level discrepancies in terms of where people are spending their time as compared to where advertisers are spending their dollars. But on a macro level, what immediately jumped out is the degree to which advertisers have abandoned traditional media much more quickly than regular people actually have. What that means is that the amount of money total advertising spend in the whole country this year, the percentage of it that's going to digital media is considerably higher than the actual amount of time that we all spend with digital media. That's not to say we don't spend most of our time on digital media. We do, but there's a big gap. So 75% of all the money that's going to be spent this year is going to go... All the ad spending is going to go to digital, whereas people are still spending about 60% of their time with digital media.

They're still spending 40% of their time with traditional. The flip side of that is very specific to TV where we've seen that TV is still really popular. A lot of people spend a lot of time watching TV and advertising dollars have fled from it much more quickly than people actually have. Now, there's reasons for all this. We'll spend some time talking about all the reasons. There's digital. The digital companies that are absorbing all of this money have done a really good job of proving return on investment. They're good at targeting. There's reasons for this money to be going there, but the degree to which marketers and advertisers have sprinted in one direction faster than the general population is actually doing that, in terms of where we're all spending our time, we thought was an interesting finding right off the top.

Marcus Johnson:

Yeah, it really is. Just to reiterate those numbers, I mean when you look at them, it does seem quite shocking. 75% of all US ad dollars go to digital versus about 60% of people's time daily going to digital. So you've got a gap of like 13, 14%. Those shares were almost identical in 2018. So that gap has opened up over the last five years, now a 13 or 14 point gap. Why? Because you've got to try and explain this gap. You already mentioned some of the reasons and you point out a ton of the reasons in your report talking about the ease of which we can move dollars around in the digital world, clearer ROI, better targeting things like that.

There are ways to explain it, which is why you are saying this isn't a call to action. This is an observation, but there are reasons why some of these discrepancies do exist. Traditional TV, as you mentioned, 24% of our time still spent watching linear TV and only gets 17% of the ad dollars. But again, there are reasons why there are these gaps between the two. Let's move to platforms, which you mentioned, Ethan. Which platform has the biggest difference between the time spent there versus the amount of ad dollars spent there?

Ethan Cramer-Flood:

This one jumps right off the page. This was the easiest and probably the quickest insight to observation that it punched us right in the eyes as soon as we started this. It's Meta. Maybe listeners would not be surprised to hear because we do know that between Facebook and Instagram, Meta has become really the second most successful advertising company in the history of the world. They draw in just billions and billions and billions. That we all know, but maybe we hadn't thought about is that the amount of time that people actually spend on Meta's platforms, the ratio is just nowhere close as compared to the ratio of what percentage of money they're drawing in. So we have Meta combined, Instagram and Facebook combined, take up 7.6% US adults daily time with digital media, 7%. I mean, that's not nothing, but it's not that much either compared to how much time we spend with TV and with CTV streaming services and how much people spend time with YouTube and TikTok users, et cetera.

However, Meta draws in 20% of all digital ad spending and they draw in 75% of all social media ad spending. There is this huge, gigantic, massive discrepancy with the amount of money that Meta is making off advertising compared to the amount of time that people are spending with it, particularly given that people are spending plenty of time with plenty of other Meta competitors that have not been able to. In fact, none of the other competitors' platform level digital entertainment or social media competitors, none of them actually have a positive ratio in terms of drawing in more money than time, whereas Meta draws way more money than time. So this is an easy answer and it really is stark.

Again, I know we're not saying this is a call to action. We're not saying anyone's doing anything wrong. But the previous observation about how big the gap has become between digital media and traditional media and how big this gap is does raise questions. Just because we're not saying it's call to action doesn't mean it isn't food for thought. Boy, there is a heck of a lot of money going to Meta as compared to plenty of its competitors that are doing a really good job drawing attention, have lots and lots of consumers spending lots and lots of time there, and the advertisers aren't going there at nearly that same level. That's something to look at.

Marcus Johnson:

Yeah, especially when you compare the platforms. So as you mentioned, share of time spent with digital and about 7% share of digital ad spending, closer to 20% for Meta. So you've got, what's that? A 13-ish, 12 point difference in favor of ad spending and YouTube, Hulu, TikTok, Snapchat, it's all like a couple of points in favor of time spent, time spent over the ad spending. Meta is massively in the other direction. YouTube, you point out, has a similar share of time spent on the platform daily, 34 minutes roughly for Meta, 34 minutes roughly for YouTube. So Meta platforms account for about 8% of overall digital time for Americans, same as YouTube. But the difference is Meta claims 20% of the digital dollars, which we mentioned, and YouTube claims less than 6%.

Ethan Cramer-Flood:

Correct. And then also if the time spent numbers that we're talking about right now are for the population at large, and if we were to look at the time spent numbers for active users, participants and YouTube, TikTok, Hulu, et cetera, it's actually far larger than time spent with Meta. In this case, it's more like parody for the population at large because Facebook does have a whole heck of a lot of users. But among users it goes even more skewed in the other direction, less favorably for Meta, more favorably for those other ones, and yet the money is not there.

Marcus Johnson:

Yep. Folks may be wondering, what about TikTok? You addressed that as well. You say TikTok heading in the right direction but has got a ways to go. TikTok, in terms of share with time, it's about 4% of digital. In terms of share of dollars, It's about 2% of digital. But you do note that the ad revenue growth will greatly exceed the time spent growth, and so you do have those ad dollars starting to catch up with the amount of time for TikTok, but both way behind Meta as we pointed out. Let's talk about some other interesting findings, one related to audio, one related to CTV. Ethan, why is audios and CTVs share their individual respective shares of ad dollars so far behind their respective shares of time spent? So put another way, why are we spending loads of time with audio and CTV, but the ad dollars just are nowhere near to cashing up?

Ethan Cramer-Flood:

Nobody respects the radio anymore.

Marcus Johnson:

They don't. I've thought that for a while.

Ethan Cramer-Flood:

No, the time spent with audio revelation is one that hits me every single year. I think I came on here and talked about the regular time spent report with you a little while ago and I had that same answer. I'm always reminded and it rings true for my personal life, it rings true for everyone I know, we all spend a lot of time every day listening to audio. You just have music on in the background, maybe you're into podcasts, whatever. It adds up really quickly because of course you're multitasking. So we spend more than 11% of our daily media time with digital audio. We also spend nearly that much time with radio and sometimes those two overlap. Among active digital audio listeners, it's like nearly two hours a day. In radio, it's like an hour and a half, something to that effect.

Lots and lots and lots of time, but no one's going to be surprised to hear that this is not big business on a scale of television or social media when it comes to the ad revenue they're drawing in. You're talking about digital audio is getting 2% of the pie, radio is getting 3% of the pie. There's just a big, big, big gap that also more... So the reasons for that are probably a little bit more obvious. Radio is an old medium. It's very hard to track how your return on investment, et cetera, and digital audio is complicated by the fact that the leading platforms like Spotify are more interested in subscriber fee-based subscriptions than ad revenue, so they want you to pay to not hear ads. CTV is a lot more interesting, I think, because this is new and CTV is blowing up and increasingly there are lots of ways to advertise on CTV streaming services. It's already taking 25% of our digital media time per day, but it's still only taking less than 10% of total digital ad spending.

So a quarter of our day is sitting in front of digital CTV, but advertisers are spending less than 10% on it. This is in motion, right? So we're seeing rapid transition into ad supported streaming services. We've got all these fast companies out there that are blowing up. We've got the legacy ones moving over to ad supported video on demand or ad tiers, et cetera. This is changing, but it's still nowhere close and marketers and advertisers have not caught up. Some of that's because of the lack of inventory. Some of that is because of pricing issues. Some of that is because the platforms themselves that have been very successful with consumers maybe haven't quite figured out how to make this easy for advertisers yet and the way that Meta has made it really easy, but that's a huge gap and that's going to have to change because CTV is the future. We all know that. I'm not breaking any news here. Advertisers and marketers all know it.

Everyone is super, super interested. They're trying to figure out how to get there, and the announcement here is that it hasn't happened. This is a long way to go. We're way behind as compared to how much time we're spending there.

Marcus Johnson:

It doesn't seem like that gap's closing anytime soon though, which is fascinating. So CTV, 25% of our media time spent there, as Ethan mentioned, less than 10% of the ad dollars being spent there, as Ethan mentioned. By 2027 in four years, the gap will be slightly bigger. 28% of our time spent there and 10% of the ad dollars spent there. Now over that time, CTV total dollars will grow 60%. So they're going up from 25 billion to 40 from today to 2027, but the share will still remain pretty flat.

Ethan Cramer-Flood:

Yeah, the money is moving there. They're just not going as fast as people. We are all just really into these screens.

Marcus Johnson:

Exactly.

Ethan Cramer-Flood:

And marketers are not keeping up.

Marcus Johnson:

Yeah. Final thing for me on the audio side of things as well, again, it's a fascinating discrepancy here. People spend more time with audio than social networks when you're looking at users. So digital audio users spend five more minutes with digital audio per day, an hour and 52 minutes, than social network users spend with social networks per day. That's an hour and 47. That's it for the lead time, now for the halftime report. So Ethan, in this portion of the show, I'd like to ask you instead of what's worth repeating, I would like to ask you about a portion of your report where you point out that ad spending per hour of time, ad spending per hour of time, varies greatly amongst media formats. Why and what's the takeaway here?

Ethan Cramer-Flood:

Yeah. This is a sort of culmination of the observations from previously in the report and it once again speaks to how successful social networks are at digital advertising and specifically Meta, because Meta drives all those numbers. So the social networks make 50 cents per person per hour, which is a phenomenally huge number compared to every other possible media platform, media type. We've got TV, it's 22 cents per person per hour. CTV is down there at 14 cents. Digital audio and podcasting to our earlier points are down there at a nickel. So social networks are making 50 cents per person per hour, largely due to Meta's success because 75% of all of social networking advertising money goes to Meta.

It just goes to show the perspective. The feeling on social media is that this is cheap and easy and plentiful advertising opportunities, but it's so skewed. The amount of money that flows to social media compared to how much time we're spending there is so skewed that it ends up looking like this gigantic number of how profitable they are per person per hour compared to all the other things that we're all actually spending far more time.

Marcus Johnson:

Ethan's full report is called US Time Spent Versus Ad Spending 2023. Where are the most intriguing imbalances between consumer behavior and marketer investments? There's a link in the show notes, of course, or you can head to insiderintelligence.com to find it there as well. That's it for the first half time. For the second today in other news, Comcast, Disney and the fate of Hulu and YouTube fleshes out Sunday Ticket features to attract advertisers. Story one, Comcast and Disney have agreed to move up the date on which they begin negotiating the fate of their jointly owned streaming service called Hulu, notes Jessica [inaudible 00:18:14] of The Journal, now expected to start around October time. It appears likely that Comcast will sell its one third minority stake in Hulu to Disney who would then own the whole thing reportedly worth around $30 billion, maybe more. But Ethan, the most interesting sentence in this article about Comcast Disney and the fate of Hulu is what and why?

Ethan Cramer-Flood:

So the most interesting sentence to me in this article is a very specific statement from the CEO of Comcast where he mentioned, or declared, that Hulu has the second highest engagement among customers after Netflix among this category of entertainment platforms. I love that kind of data point because it aligns with exactly the kind of thing that we've been saying. It is incredibly successful. It's time spent per user is way, way up there. As he mentioned, and we agree, only Netflix draws more time and attention from its users than Hulu does among this category. TikTok also would be ahead of Hulu, but they probably don't consider TikTok to be direct competitor. Hulu way, way ahead of platforms like Amazon Prime Video and Disney Plus, which is relevant to this conversation. They don't take nearly as much time, even though they have just as many, if not more, viewers, particularly Amazon has more viewers than Hulu, but they don't take nearly as much time.

So Hulu is extremely successful at drawing the attention of its users. That's the most interesting sentence. The most interesting story about all this is what a mess Disney is in all across the board. So they're now being confronted with being forced to spend 10 billion or more to get this final third of Hulu, which maybe they do want over the long run, but this is a tough time for them. They're in the news right now for having pulled all of their channels off of Spectrum cable, the charter communications, which is affecting a lot of people in New York. They are simultaneously juggling a whole lot of really difficult decisions. They have incredibly valuable assets, but some are heading down and some are heading up and how they're going to resolve all of this while fighting it out with other interested parties that also know the situation is complex and maybe they don't want to deal with it.

Spectrum doesn't want to deal with this, and Comcast doesn't want to deal with Hulu because nobody has quite cracked this code. So meanwhile, they're very cleverly leaking that in this fight with Spectrum, Hulu's subscription numbers have increased according to their... These might be negotiation tactics, but as the customers rage quit from charter because they can't get ESPN and they can't get ABC, particularly as college football and now the NFL are kicking off, Disney would love to spin it that they're all heading towards Hulu, but maybe they wouldn't love to spin it because they also don't want to increase the value of Hulu because then they have to give Comcast more money. It really is quite a moment in time for Disney.

Marcus Johnson:

Yes, indeed. We'll keep an eye on it. Story two, YouTube fleshes out Sunday Ticket features to woo advertisers and justify higher costs. Briefings writer Danijel Stankovic, he explains that YouTube recently announced several features launching alongside Sunday Ticket, like onscreen polls, chats, integration with shorts and the options to watch multiple games simultaneously. The video giant is trying to dress up the football package. It is paying 2 billion dollars a year to stream, so it can better legitimize the $450 sticker price. YouTube TV subscribers can get it for 350, but Ethan, the most interesting sentence in this article on YouTube and Sunday Ticket is what and why.

Ethan Cramer-Flood:

To me, the most interesting and insightful sentence here was that YouTube said that it's main priority is to ensure high quality video while avoiding buffering and blackouts. That, I thought, was a useful admission that all of these other bells and whistles, although some of them do seem sort of interesting and compelling, all these other bells and whistles and features that they're talking about rolling out are really just sort of icing on top, and that by far, the overwhelming pressure here is going to be to deliver a high quality and reliable service that proves to all the customers that they're going to be able to watch their games. It's not going to be a mess. Switching over from cable satellite to an entirely internet-based service will go smoothly.

They need to demonstrate that right off the bat because although this price increase is incredibly high, I don't think you're going to justify $150 price increase just by adding some bells and whistles to the screen. That price increase is really just about testing people's appetite for the NFL. The assumption is that they're going to pay. These millions of people that have left DirecTV will come over one way or the other to YouTube TV and what they need first and foremost is to have a good experience seeing the games that they want to see. Then this other stuff will be nice add-ons, although personally, I do think the split screen thing is a very cool idea and I hope that works.

Marcus Johnson:

Oh, yes, especially for fantasy purposes. It's the only reason I subscribe at RedZone is so I can get quad-box every now and again. Admittedly too much for a boy to watch at the same time, but still nice to have. Yeah, I'm wondering whether this is too much of an ask price-wise. I'm fascinated to see what the subscriber numbers look like for Sunday Ticket, whether they do some heavy discounting later on because streaming prices we've seen go up across the board, but only by a few dollars. So earlier this year, YouTube TV went up by eight bucks to reach $73 a month, but YouTube is asking for 50 more dollars this season for NFL tickets than DirecTV was charging for it last year, and that's if you already have YouTube TV and you are paying $73 a month already. It's 150 bucks more for NFL Sunday Ticket this year if you are not, so we'll see what the take is-

Ethan Cramer-Flood:

That's tough. That's tough.

Marcus Johnson:

This year versus last year. Yes, indeed. That's all we've got time for this episode. Thank you so much, Ethan, for hanging out today, mate.

Ethan Cramer-Flood:

Always fun.

Marcus Johnson:

Yes, sir. Thank you of course to Victoria who edits the show, James, who copy edits it, and Stuart who runs the team. Thanks to everyone for listening in to the Behind the Numbers Daily, an eMarketer podcast made possible by Awin. You can tune in to tomorrow to hang out with Sara Lebow. She hosts Reimagining Retail. She'll be speaking with our senior analyst of Digital Advertising and Media, Max Willens, and the Vice President of Business Intelligence Advertiser Perceptions, Nicole Perrin, all about retail media networks.