

5 advertising takeaways from this year's upfronts

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This year's upfronts have been unusual, with the haze of the Writers Guild of America strike and a decisive shift toward streaming. Here are five trends pinpointed by our analyst Ross Benes.

1. Ad spend shifts to streaming

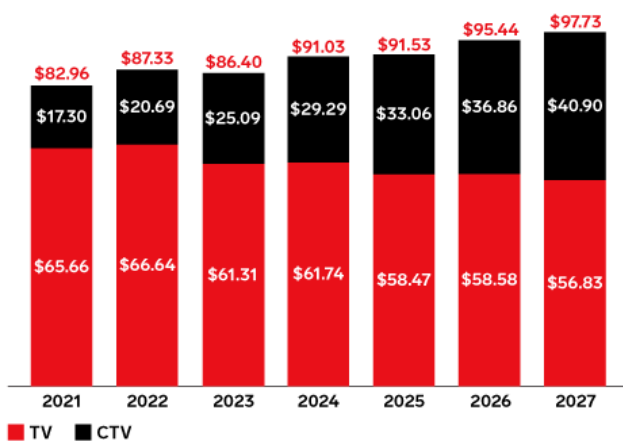
"YouTube and Hulu and Netflix are as big a player as any single TV company," said Benes.

Upfronts and NewFronts have been less divided as the streaming players that once frequented NewFronts have become some of the bigger presentations at upfronts.

“Most money’s still going to go to traditional television,” said Benes. But digital is no longer an afterthought as advertisers take streaming more seriously. US connected TV ad spending will increase by 21.2% to \$25.09 billion in 2023, and will continue growing by double digits every year through 2027, according to our forecast.

US TV and Connected TV (CTV) Ad Spending, 2021-2027

billions



Note: TV includes broadcast TV (network, syndication, and spot) and cable TV; excludes digital; CTV includes digital advertising that appears on CTV devices; includes display ads that appear on home screens and in-stream video ads that appear on CTVs from platforms like Hulu, Roku, and YouTube; excludes network-sold inventory from traditional linear TV and addressable TV advertising
Source: eMarketer, April 2023

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2. YouTube sees mixed messages

Alphabet posted YouTube’s third consecutive quarterly revenues drop last month. But the giant is still in good shape.

“[YouTube is] going to get a lot of upfront money, probably as much as any TV network,” said Benes. “But they’re so big. It’s tough, at least in the US, to expand any more.”

Nearly 80% of US internet users will watch YouTube monthly this year. Young people don’t consider watching YouTube (and YouTube’s ads) fundamentally different from watching traditional TV, said Benes. Nearly **half of YouTube viewing** now occurs on TVs, according to internal figures.

How can YouTube keep growing ad revenues? The company needs to convince advertisers that it really is TV and its ad rates are worth spending, Benes said.

3. Netflix's ad tier still isn't impressing

Because Netflix didn't meet audience guarantees when its ad-supported tier was released last year; it had to give money back to advertisers. It's unclear if Netflix will be able to sell a lot of inventory and actually deliver viewership. "We know they have the total audience," said Benes. "But do they actually have the ad-supported audience?"

Long term, Benes thinks Netflix will win over advertisers as viewers adopt the ad tier.

4. The writers' strike will impact advertising

Benes said the Writers Guild of America strike won't curtail ad spend, but it will affect where money goes. Advertisers will want to avoid talk shows, which are running reruns or episodes made by skeleton crews during the strike. Meanwhile, unscripted content like reality TV and game shows looks more attractive to advertisers.

"I feel like Netflix and Amazon are more insulated than all these TV companies are," said Benes, who noted streamers' sizable inventory could make the strike less noticeable.

5. Advertisers seek flexibility

Advertisers had flexibility to pull back on commitments if events didn't happen due to COVID-19, such as the NBA playoffs. That hasn't stuck around, but advertisers are looking for more flexibility, like buying a spot and having that ad placed in the best position rather than buying a position. This is especially attractive for companies with a number of streaming platforms and linear channels, like The Walt Disney Co.

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