

The Daily: The Great BtN Take Off—2024 ad trends, the media-genAI war, ad quality, and brand challenges

Audio



On today's podcast episode, our contestants compete in The Great Behind the Numbers Take Off, 2024 advertising trends edition, where they will try and cook up the most interesting predictions for the coming year. They'll discuss how the media will go to war with generative AI (genAI), why the programmatic ad pendulum will swing toward quality, and a perfect digital media storm that's brewing for brands. Tune in to the discussion with our vice president of content Paul Verna and analysts Evelyn Mitchell-Wolf and Max Willens.

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Episode Transcript:

Paul Verna:

So I think it's just going to be a year when brands are going to have to be extra, extra vigilant for all of these problems that are going to come at them from, pretty much from all angles,

and probably in ways that, even if they're on guard, they may not be expecting.

Marcus Johnson:

Hey, gang. It's Thursday, January 11th. Evelyn, Paul, Max, and listeners, welcome to Behind the Numbers Daily, an e-marketer podcast. I'm Marcus. Today I'm joined by three people, let's meet them. We start with one of our VPs of content, based just above New York City, it's Paul Verna.

Paul Verna:

Hey, great to be here. Happy New Year, everyone.

Marcus Johnson:

Hey, chap, same to you. We're also joined by one of our senior analysts on the digital advertising and media desk, based in Virginia, it's Evelyn Mitchell-Wolf.

Evelyn Mitchell-Wolf:

Hello, everyone. And I'm going to say Happy New Year too.

Marcus Johnson:

Hello there, Happy New Year to you as well. And finally, someone else on that very digital advertising and media desk, also a senior analyst, but based in Philadelphia. It's Max Willens.

Max Willens:

Happy New Year, yo.

Marcus Johnson:

You had to say didn't you, really? If you hadn't said it, it would've been awkward.

Max Willens:

I have a reputation to protect. Although using yo like that is really not to my taste, and I'm sorry for doing that.

Marcus Johnson:

You nailed it. Anyway, today's fact, that's where we start, in five million years time, I did the math because apparently I don't have a life, Hawaii will bump into Alaska. In 5 million years time, Hawaii will bump into Alaska. That's because Hawaii gets three feet closer to Alaska... Max's face. Hawaii gets three feet closer to Alaska every year. Because Hawaii is directly below Alaska on the map, it sits on a tectonic plate called the Pacific Plate that shifts closer to the mainland every day, and so in five million years, Hawaii will have floated all the way to Alaska.

Paul Verna:

So if the US survives 2024, does that mean we'll be down to 49 states?

Marcus Johnson:

It won't, so don't worry about it. We're all doomed. But yeah, maybe it'll merge into a super state.

Evelyn Mitchell-Wolf:

Oh, no.

Marcus Johnson:

That would be a cool place though, wouldn't it? It'd be a very different climate.

Evelyn Mitchell-Wolf:

Yeah, all of the biodiversity in Hawaii will perish.

Marcus Johnson:

Yeah.

Evelyn Mitchell-Wolf:

That's really scary.

Marcus Johnson:

Don't worry, humans, we won't be here.

Evelyn Mitchell-Wolf:

Okay.

Marcus Johnson:

We've definitely not got five million years left. Anyway, on that cheery note, today's real topic, The Great Behind the Numbers Takeoff, Advertising Trends 2024.

In today's episode, first in the league, we'll cover ad trends for 2024, no in other news today, let's get to it. This is The Great Behind the Numbers Takeoff, Advertising Trends 2024. It's Bake-off style for folks who haven't figured that out yet. Paul, Peter Newman, or most people who have been on the episode. So it's Bake-off style. In today's episode our takers, or bakers, will be cooking up some advertising-specific expectations for the coming new year. Three rounds, signature take, the how it will technically play out challenge, and the show-stopping argument. Let's meet the contestants' predictions. We start with Max.

Max Willens:

So my prediction is that after a year of experimentation, 2024 will be a year of confrontation for the media when it comes to generative AI.

Marcus Johnson:

Very nice. Evelyn?

Evelyn Mitchell-Wolf:

The programmatic ad spending pendulum will swing away from quantity of ad inventory toward quality.

Marcus Johnson:

And Paul?

Paul Verna:

2024 will be a year of unprecedented challenges to brand safety.

Marcus Johnson:

Okay, so there are the contestants' arguments, predictions, takes, for this year. We start, of course, with round one, the signature take. Our chefs will have one minute to explain the

premise of their trends. We circle back to Max. Max, give us a high level summary of your prediction for this year.

Max Willens:

So 2023 was, for buyers and sellers of media alike, a year of extreme experimentation and enthusiasm for generative AI as a technology, and as more and more scrapes piled up, and conflicts took place between newsrooms and their managers, between advertisers and media sellers, I think a lot of pessimism started to creep in. And this was, I think, highlighted just a few days ago, or at the very end of the year, when The New York Times decided to sue Microsoft and OpenAI, they joined a group of other writers that have also sued OpenAI for similar reasons. And I think that that could be one front among many where OpenAI and all the other leading generative AI providers have to start fighting with media about the role that they play in the media ecosystem.

Marcus Johnson:

Okay. All right. Evelyn, you're up.

Evelyn Mitchell-Wolf:

Okay. Just to repeat the prediction here, in 2024, the programmatic ad spending pendulum will start to swing away from quantity, and they'll start to favor quality. And the reality is that advertisers can't pay rock-bottom prices and expect anything more than bottom-of-the-barrel inventory. And the hype cycle around Made for Advertising and other low quality inventory has been gathering steam since June of last year, when the Association of National Advertisers released a programmatic transparency report that found 15% of observed ad spending in the US went to Made for Advertising websites. And in case there are any listeners that are unfamiliar, Made for Advertising, or MFA sites for short, are, as the name suggests, created with the sole purpose of attracting as much ad revenue as possible, and to do that, they often resort to high ad density, pop-ups, auto-plays, frequent ad refreshing. Essentially, the user experience is very poor, and users are unlikely to leave with a positive impression of the advertiser, much less immediately convert. So this year, advertisers will start holding AdTech vendors accountable to higher quality standards.

Marcus Johnson:

Okay. All right, we tuck into that a bit more in a second. Paul, close us out for round one.

Paul Verna:

Yeah, so what's going to happen this year that will threaten brand safety is basically a perfect storm across a lot of areas that we look at. So the rapid spread of gen AI has, of course, the potential to spawn deepfakes and other forms of misinformation and hate speech. We've already seen it, I think we're going to see more of it as the US presidential election cycle gears up. On the social media front, you have incumbents that basically are running the gamut from avoiding political ads to fanning the flames of polarization. It's a much more fraught landscape even than last time in terms of how social media relates to the election.

This is all happening at a time when there are antitrust cases across pretty much all of the big tech companies that are going to shine a spotlight on their advertising practices, among other things. You've also got a growing problem of ad fraud on CTV, which is where more and more of the political ad spending, and ad spending in general, is going. And all of this is happening against the backdrop of Nielsen moving away from its legacy currency, and identifiers being phased out by Google. So there's a lot going on, and I think brands will face more challenges than they ever have.

Marcus Johnson:

Okay. If you came here looking for optimism, you are way out of luck. But with that said, let's move into round two, which will hopefully be a bit more optimistic. It's the how it will technically play out challenge. Our chefs will explain in more detail how they expect the trends to manifest. We go back to Max. So he's talking about the media going to war with generative AI. Again, not the most happy trend, but Max, tell us how this plays out throughout the year.

Max Willens:

I love conflict, do you not? Anyway, as I mentioned, the storm clouds for this trend began gathering last year. So in late December, The New York Times sued Microsoft. In October though, the News Media Alliance, which is a trade organization that fights for the rights largely of local news publishers, but also some national ones as well, published a white paper that found what it described as, quote, "Pervasive, unauthorized use of publisher content." And that same quarter, you had Mathias Döpfner, the CEO of Axel Springer, our parent company, telling The New York Times that generative AI had the potential to, quote, "Destroy journalism," which is pretty provocative language from a media company CEO. Axel has since cut a deal with OpenAI that involves them getting paid-

Marcus Johnson:

Right.

Max Willens:

... reportedly tens of millions of dollars a year for the licensing privileges. And OpenAI is trying to negotiate with lots of media companies on licensing deals, but per some reporting. In some cases they have offered what I'm sure many publishers would describe as insulting amounts of money for something that has the potential to essentially completely transform or destroy their businesses.

And the reason I say that is that the reality is that the ways that lots of people are likely to experience gen AI as the years wear on is through search engines, so things like Bing, things like Google, and search engines are essentially the single most important source of referral traffic for most publishers. At a high level, it's between 20% and 40% of the traffic that most publishers get comes from search. And I think most publishers have, after looking, examining this from every possible angle, they have concluded that there is really not a world in which they can abide and allow customers and consumers getting used to consuming information, and getting the stuff that they used to get from news publishers, through essentially summaries provided by Bard, for example, or ChatGPT, and they are trying to do something about it.

So I think what you're going to see is the negotiations that are going on between OpenAI and some of these publishers start to break down. You're going to start to see more lawsuits, potentially something like the News Media Alliance call for an antitrust exemption to negotiate collectively with the OpenAIs of the world. And it's not clear whether they'll get that in 2024, because it's a presidential election year, but I think that they will start to lay the groundwork for something similar to it, maybe in 2025.

Marcus Johnson:

So fast-forward to December 31st, 2024, we hang out again, we're looking back at the year, what will the history books tell us about the year?

Max Willens:

So I think what it's going to say is that news publishers, I think, still feel pretty sore and pretty stupid about what they did and how they negotiated and interacted with social media,

rewinding back 10 years or so, when Facebook in particular was really ravenous for high-quality content that would keep people on Facebook for longer periods of time, and lots of publishers just saw free referral traffic, or in the case of something like Facebook Watch and Facebook Video, and said, "Ooh, free money, let's just do whatever you guys want." I think to a publisher, everyone feels pretty burned by that, and they've basically said, "We're not going to let this happen to us again."

And so, even though as I said before, I think where this ultimately winds up is with publishers trying to rally for an antitrust exemption to negotiate collectively on this front, it could take a really long time to get there, and depending also on who wins the election in 2024, that could have a pretty profound impact on how receptive the government and the legislators are to granting said exemption. But I think that that's what we're going to be looking at.

Marcus Johnson:

Okay, very nice. Evelyn, let's move to you. So you were talking about the programmatic ad pendulum swing towards quality over quantity. Tell us how this plays out in 2024.

Evelyn Mitchell-Wolf:

Yeah, so where MFA websites are concerned, that supply won't be removed from the internet. Some supply-side platforms have already come out and said they will filter out as much MFA inventory as possible, but most SSPs haven't done that. And why would they? They take a fee from every transaction, regardless of the quality of the impression, and MFA websites represent an important revenue stream for those SSPs.

The issue though, it isn't about low-quality inventory existing, that has always been true, the issue is about transparency. Brands don't want to feel like they've been duped into spending their precious ad dollars where they wouldn't actively choose to spend it. And some brands might be fine with their ads ending up on MFA sites if it means cheap reach, which it usually does, but it's not uncommon for a brand to be promised their campaigns won't exceed a certain average CPM while achieving a target ROI, and then behind the scenes, there's this dance going on where CPMs are artificially deflated by slipping some low-quality inventory into the mix, and not enough to throw off top-line ROI, but more than none. And this doesn't apply solely to MFA sites either, Google Video partners, Google's search partner network, those tools are used as reach extenders. And again, the problem is not that they exist, but that

advertisers have historically been opted in by default without any clarity as to where their ads are served, either from the get-go of a campaign, or even retrospectively.

Max Willens:

To make a point that I think lends credence to or support for your position, one of the things that I think we're going to start seeing more of is calls, the sellers are going to try to make it look like it's coming purely from the buy-side, but I think the sellers are going to push for it just as hard, of some kind of means of labeling content that's been generated by generative AI. So something where, all of a sudden, you've got the IISs or the DoubleVerifys of the world coming out and having some kind of tag that they put on content that they think has been generated by GenAI, as a means of, again, providing that level of transparency.

Because I think in certain quarters, especially around certain kinds of topics, you really want, across the ecosystem, to understand whether a human being or a robot produced it. And so, I could absolutely see publishers like Dotdash, or The New York Times, or any of them, maybe a trade body, like a DCN, on their behalf, basically pounding the table and going, "Buyers deserve to know who is making this or what is producing this content." And I could see some steam gathering behind an initiative like that.

Evelyn Mitchell-Wolf:

Yeah, absolutely. You're hedging in on my showstopping argument, but to your point about IIS and DoubleVerify, yeah, the way that I anticipate this playing out this year is that there is a flurry of AdTech products mostly from those verification vendors, and providers of attention metrics as well, that will promise to filter out MFA or other low-quality inventory, and that those products will gain traction. And then, I also think there's a more qualitative element to this, where advertisers will have more candid conversations with their agencies and AdTech providers about the cost value trade-off and how their campaigns are set up. And then, brands will have to be the ones that change the incentive structure here, like I mentioned with SSP's revenue streams, if they want higher quality inventory, they're going to have to pony up to higher costs, because you get what you pay for.

Marcus Johnson:

All right, Paul, you're up last. Tell us how your trend plays out in 2024.

Paul Verna:

Yeah, I think what's going to be different this year, if you look at past instances of brand safety issues, marketers have generally looked the other way after some of those issues flared up on Facebook and Google and YouTube and Twitter, they've paused their advertising, but then they've quietly gone back, and I don't know if they're going to have that luxury this year because of the escalating instances of polarization, inflammatory rhetoric, political advertising is going to hit a high watermark, more of it will happen on digital channels. But outside of political advertising, those brand risks are going to be heightened in any environment where political discourse takes place, and at this point, that is essentially anywhere, really right across the web. And a lot of this is going to be a result of AI providing bad actors with very, very sophisticated tools to seed misinformation.

So I think it's just going to be a year when brands are going to have to be extra, extra vigilant for all of these problems that are going to come at them from, pretty much from all angles, and probably in ways that, even if they're on guard, they may not be expecting. And I think both of Evelyn's and Max's trends support this, because we're just talking about an ecosystem where there's so much change going on, and very little of it gives comfort to ad buyers or sellers, because it's just a very fraught landscape for a lot of reasons.

Marcus Johnson:

All right, folks. Let's move to round three, it's time for the showstopping arguments. Our chefs will pull out their best closing arguments as to why their trend is most likely to happen. We'll start with Max for his.

Max Willens:

So the CEO of Raptive, which is a large ad platform or publisher monetization platform proposed in an article in fourth quarter that publishers could see 50% of their referral traffic disappear in 2024. That is not a number that you throw around lightly, that is extinction level event type stuff. And publishers could abide and make do with the fact that their Facebook referral traffic keeps going down year after year, if the Google tap, the search tap, gets shut off in that way, then publishers will have no choice but to take up arms, which is why I feel so convinced that this is going to happen.

Marcus Johnson:

Very nice. Evelyn?

Evelyn Mitchell-Wolf:

This trend will go into hyperdrive this year because of GenAI, it all comes back to GenAI, because as it becomes more accessible, it'll make it staggeringly easy to create and maintain MFA websites, and even some high-quality publishers will be tempted to use GenAI to create content, and without very intentional and conservative implementation, that could come back to bite not only publishers, but advertisers as well. We've witnessed that happen more than once already. So the market is about to get flooded with low or lower-quality inventory, which will force advertisers to reckon with their unhealthy dependence on cost as a strategic decisioning factor. And I'm not saying advertisers will start to ignore costs altogether, but any advertiser that continues to route ad spend toward low-cost inventory will land on more MFA sites, and you get what you pay for.

Marcus Johnson:

And Paul?

Paul Verna:

Well, I think the trend I'm describing will happen because it is a perfect storm, or maybe another kind of storm that I can't really say on this podcast, but there's just too many concurring factors that are leading to a situation where it's almost inevitable that there are going to be huge risks and PR crises for brands that, again, you can prepare for a wildfire, but you can't stop it from happening. So as well as anyone might prepare, it's still going to be a year when bad things are going to happen, unfortunately. Not to end on a pessimistic note again, Marc.

Marcus Johnson:

Yeah, thanks, Paul. Geez, might be a while before we have Paul back on. Very nice, folks. That is the end of today's Takeoff. Of course, it's time to crown our star taker or baker. This episode, we give the award to Max. Max is today's star taker, with his media going to war with generative AI take. Yeah, I agree with you. You've got the publisher saying we want to pull folks into our ecosystem, and you have generative AI saying we want to give you the answer immediately. Something's got to give, it'll be a fascinating year because of those reasons, I think. But very good takes from everybody.

For more advertising trends for this year, you can read these folks' joint report called Advertising Trends to Watch in 2024, Ad Spending Growth Levels Off, but ID Deprecation, AI, and Measurement Heat Up. Link's in the show notes, of course, or you can head to insiderintelligence.com for the full report. That's all we've got time for. Thank you so much to my guests, thank you to Victoria who edits the show, James, Stewart, and Sophie, who are all part of the podcast crew, thanks to everyone for listening in. We hope to see you tomorrow for the Behind the Numbers weekly listen and e-Marketer video podcast.