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Advanced TV Uncovered

AVOD/FAST to expand as audiences continue to fragment

Introduction

Marketing budgets across the EU5 countries (France, UK, Germany, Italy and Spain) are being both squeezed and scrutinised, compelling advertisers and agencies to measure impact in their quest for effectiveness and efficiency. New measurement solutions will be in high demand — with attention proving a focus — while efficiency goals also make automation ever more attractive. Despite the pressures, Advanced TV comes out on top, with more than 8 in 10 marketers across EU5 countries forecasting increased spend in 2024, incentivised by its extended reach from linear, its ad effectiveness, its brand-safe environment, and its growing importance as a premium advertising medium.

Table of contents

This research was conducted by independent media research firm CoLab Media Consulting in August and September 2023. This is the fourth iteration of the survey which started in Fall 2020. The research, commissioned by FreeWheel's AudienceXpress, is an attempt to understand how Marketers - advertisers and agencies – across five European countries are adapting to the current market forces, how they are adjusting spending priorities and preparing for the year ahead.

500 respondents

Surveys completed by marketers from UK, France, Germany, Italy and Spain; conducted in August and September 2023.

100% decision-makers

All respondents were qualified as marketing decision makers or influencers.

50% advertisers

50% agencies

33% global

48% local

18% mixed

Responsibility for marketing budgets.

Key takeaways

AVOD & FAST set to further expand as audiences continue to fragment.

- Marketing budgets are under pressure, yet 83% of marketers expect to increase spend in Advanced TV solutions.
- Measurement is top priority – marketers are ready for new metrics around effectiveness (attention) and cross-platforms (end of GRPs).
- 89% of marketers will redirect budget to AVOD and FAST channels.
- Reach and effectiveness remain the main drivers of Advanced TV spend.
- Lack of awareness is the biggest inhibitor of Advanced TV growth.

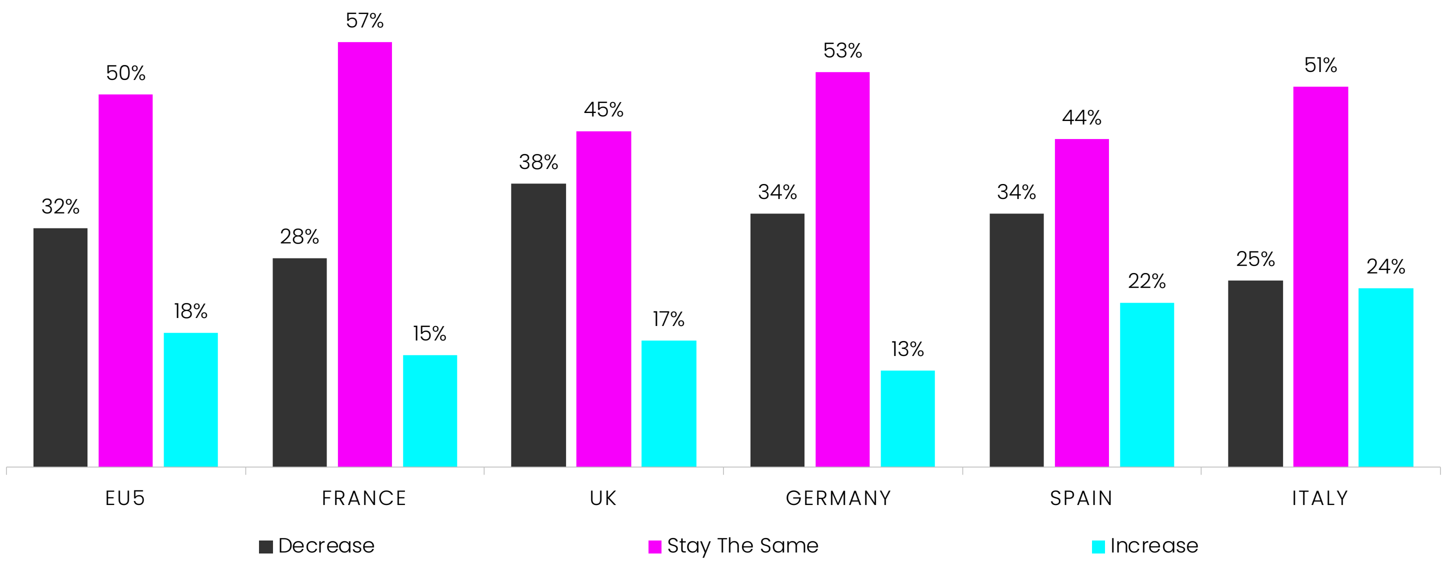
Overall Marketing Priorities

Marketing spend intentions improve, but budget expectations are still in red

While the economic forecasts are showing signs of improvement with an overall growth of about 2 to 3% across most of Europe, pressure is mounting on marketers to deliver and demonstrate results with 8 in 10 CMOs prioritising short-term performance marketing, according to a PWC study*.

In fact, across Europe, marketers continue to have to do more with less budget. Although improving marginally since 2022, marketing budget expectations are still in the red. Half of marketers expect their budget to remain stable, while 32% expect a decline. UK marketers appear to be the most pessimistic for the year ahead.

Marketing budget expectations



Question: Which of the following overall marketing objectives are currently most important to your business when running ad campaigns?

Customer retention becomes the top priority

European marketers were very much focused on the upper-funnel metrics last year such as acquiring customers and building market share. This year, with customer loyalty on the decline due to the cost-of-living crisis, retention and win-back marketing strategies are a top priority, ahead of revenue and profitability.

There is general alignment between agencies and advertisers around these lower-funnel priorities.

Top Marketing Objectives (in %)

Question: What would you say are your some of your key areas of priorities for the year ahead when it comes to media strategy?

Marketers are keen to explore new measurement solutions

When it comes to top strategy priorities, new measurement solutions get the top spot (62%), demonstrating the pressure for marketers in planning the most efficient and effective campaigns.

Retail media has rapidly emerged as a key trend and a channel of significant importance with third party cookies. The cookieless issue appears to be a much bigger concern to agencies than advertisers, particularly in France.

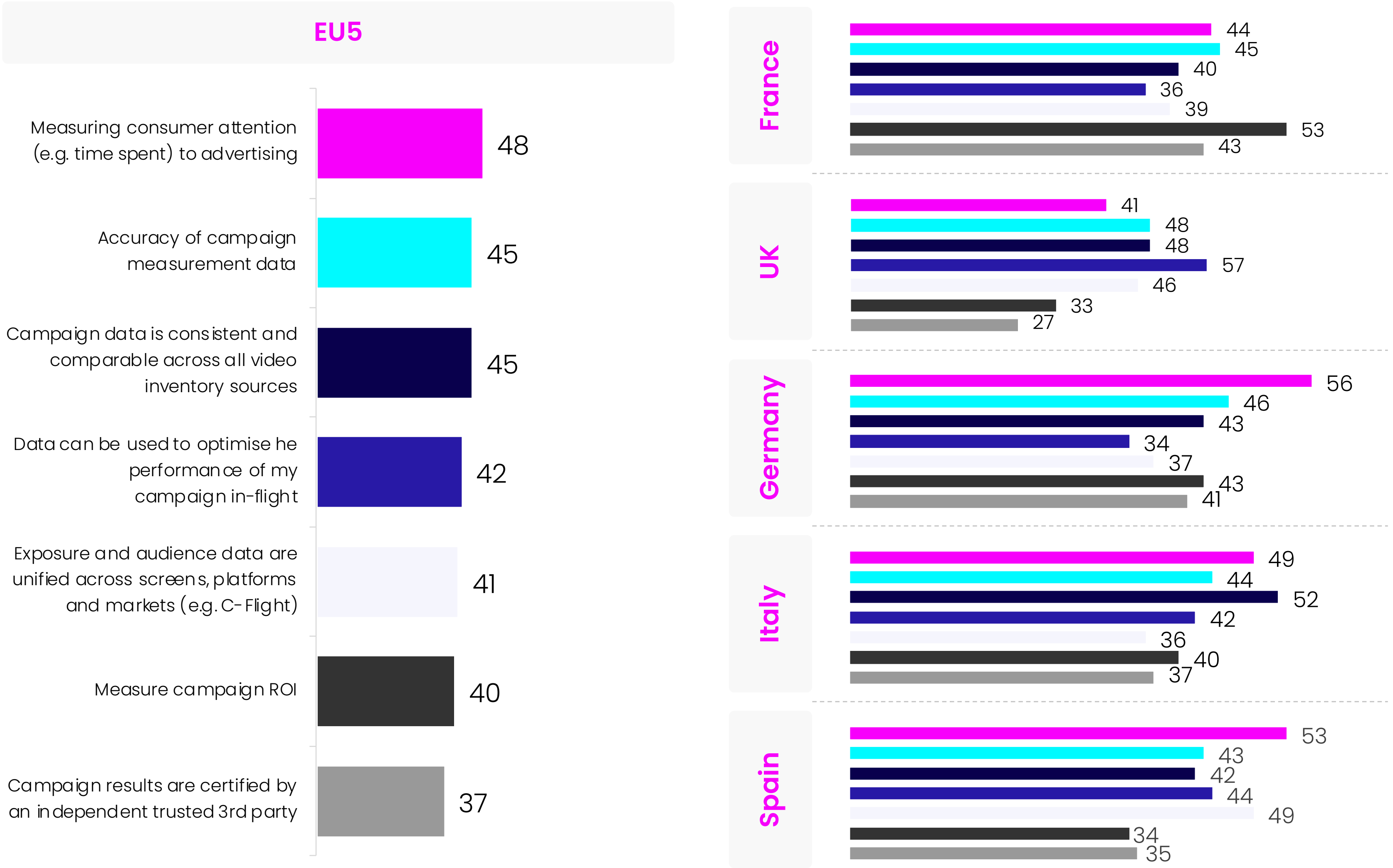
Top Strategy Priorities (in %)

Question: What would you say are your some of your key areas of priorities for the year ahead when it comes to media strategy?

Attention claims the top spot for measurement priority

Digging into the measurement piece, ‘Attention’ has made it to the top spot and become the number one measurement priority for EU5 marketers (48%). This could be good news for premium video as attention reframes the media value debate and potentially feeds into new trading models. Additionally, the study also showed that 70% of marketers think attention metrics are important to campaign measurement.

Key Measurement Priorities (in %)



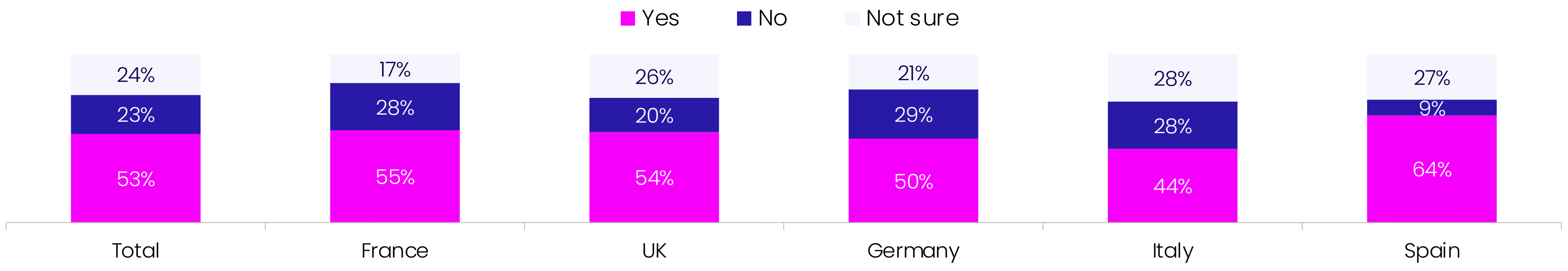
Question: What matters most to you when measuring your marketing campaigns?

Marketers appear ready to get rid of GRPs

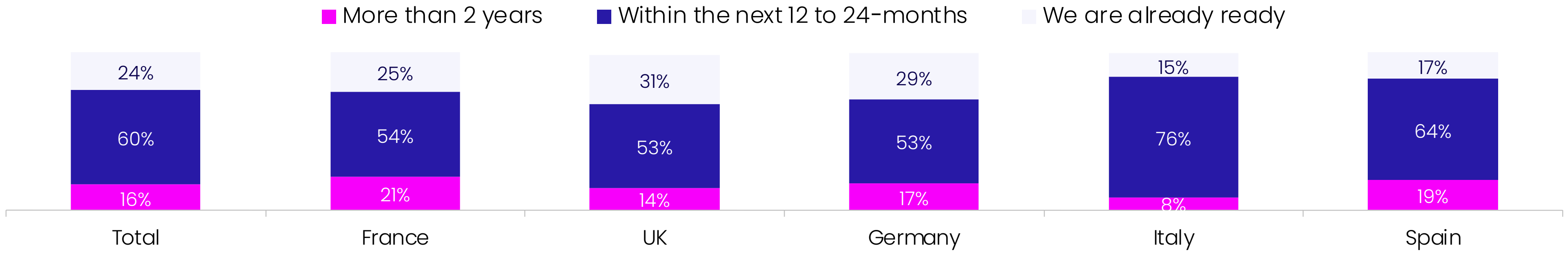
With newer metrics like attention gaining traction, marketers are also keen to find new ways of trading and get rid of GRPs. 53% think the industry should move on from GRPs, with France and Spain the most keen. Interestingly, over 80% are saying that they are either ready or will be ready within the next 12 months.

Budgets are under strain, so marketers are looking to reap the efficiency rewards that automation can bring. Therefore, automation and the search for cookieless targeting solutions are marketers' data priorities for the next year [see next slides].

Time to get rid of GRPs?



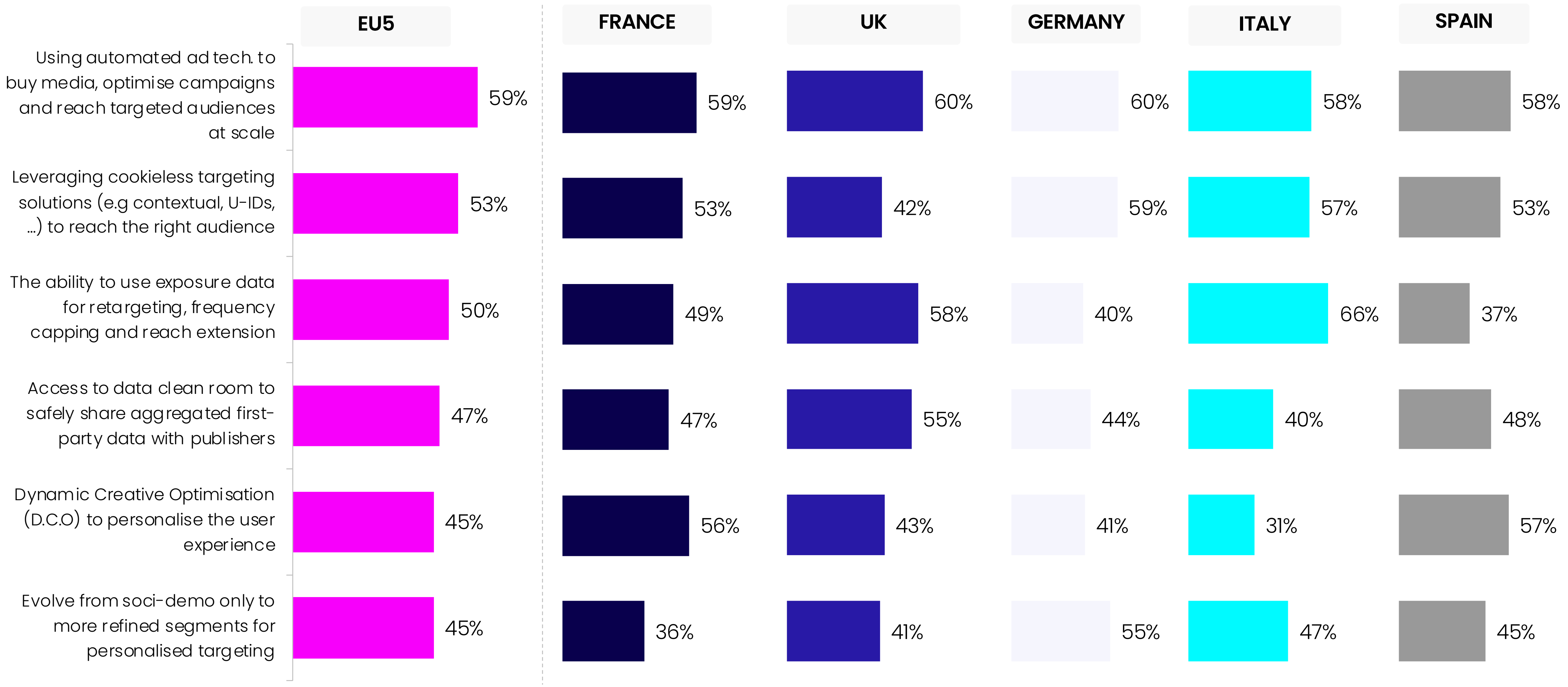
Readiness to get rid of GRPs



Question: Do you think it is time that TV advertising should get rid of GRPs ? If YES, when do you think you'd be ready for such a change to happen?

Automation remains the number one data priority

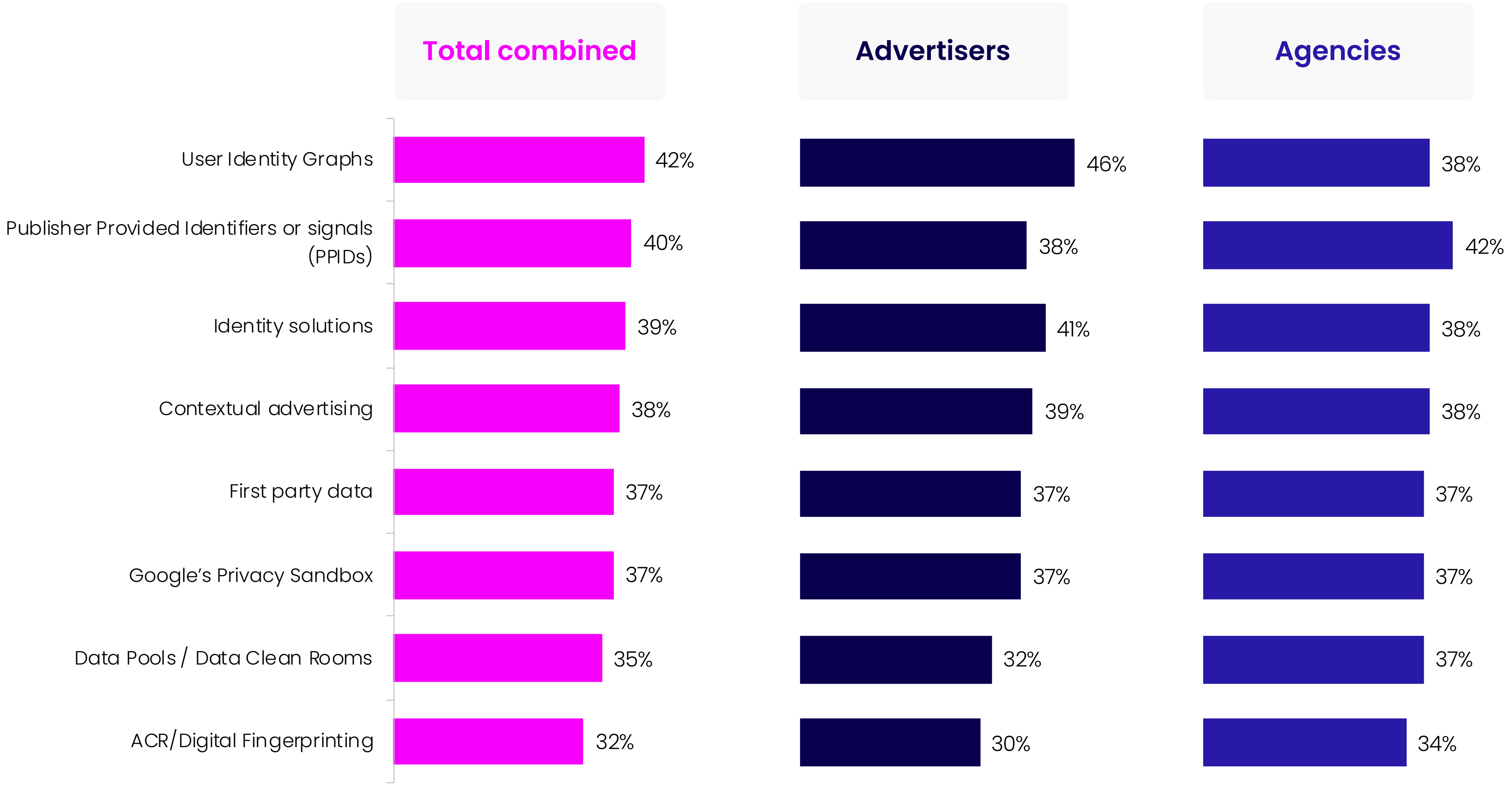
Top Data Priorities



Question: What is your top advertising data strategic priority for the coming 12 months?

Alternatives to third-party cookies

For advertisers, user identity graphs are seen as the most viable alternative to third-party cookies. Agencies have a preference for publisher identifiers (PPIDs), however there is less clarity as they look to approach and adopt most of the solutions currently being offered including ID solutions, contextual advertising and user ID graph - almost to equal measure.



Question: Third-party cookies are disappearing, what do you see as the best alternatives to these cookies?

Advanced TV Spend Intentions

Advanced TV spend intentions for European marketers

22%

TV budget currently assigned to Advanced TV

83%

Expect growth in Advanced TV spend over the next 12 months (up from 78% in 2022)

89%

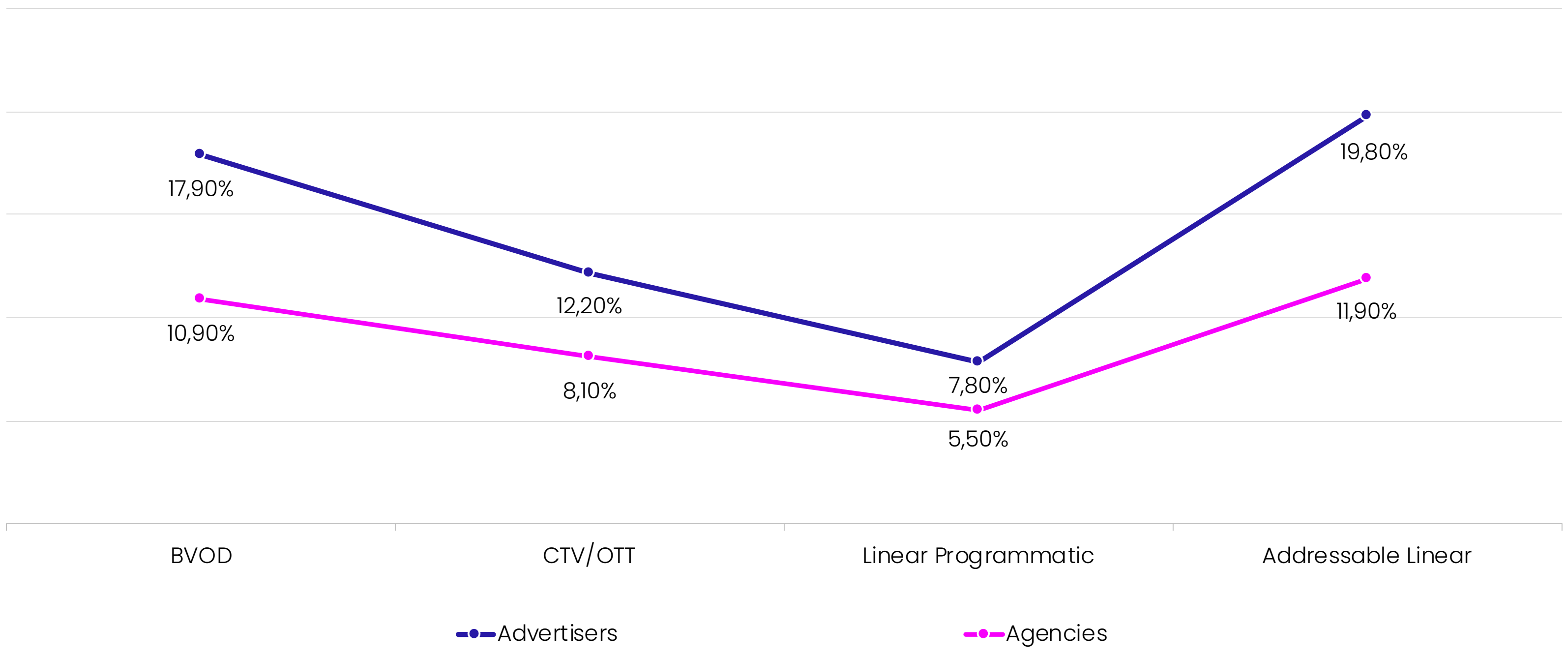
Anticipate to spend more on FAST and AVOD

Addressable linear and BVOD are where marketers want to place their budgets

Advanced TV, which we define as all the data-driven advertising opportunities beyond the traditional linear TV (i.e. addressable linear TV, linear programmatic and Connected TV), is likely to expand with 83% of marketers expected to increase their spend over the next 12 months. Linear addressable and Broadcasters' VOD will see the biggest rise.

In our latest Video Marketplace Report for the first half of 2023, ad views in Europe grew by 15%, driven by the growth of mobile (+13%) and CTV (+28%); this trend will likely continue in the coming 12 months as 9 out of 10 marketers confirmed they will spend more on FAST channels and more generally ad-supported VOD platforms.

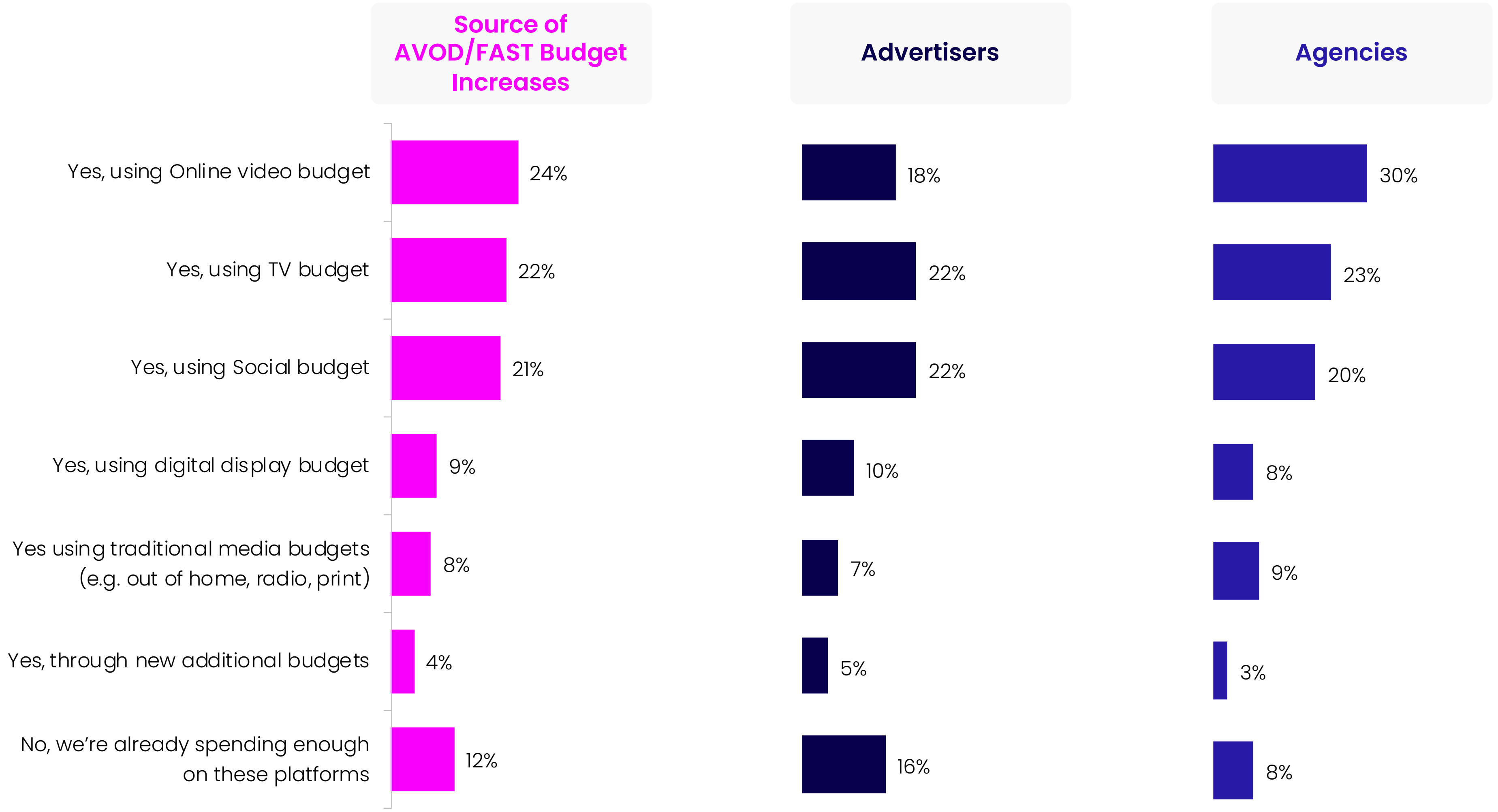
There is likely to be a re-diversion of budgets to enable further spend on Advanced TV channels. The largest share will come from online video and social budget as well as linear TV budget, which will be reallocated to streaming [see next slides with split by region].



Question: What sort of year-on-year increase or decrease do you think you will see in (your) spend in the following areas of Advanced TV in the next twelve months?

EU5

Sources of AVOD/ FAST budget increases



With the rise of AVOD (Ad funded VOD) platforms, FAST (Free Ad Supported Streaming TV) or even SVOD (Subscription VOD) moving into hybrid models (i.e. TV services offering either free streaming with ads or subscription-based streaming with no ads), do you expect to allocate more budgets to these streaming platforms?

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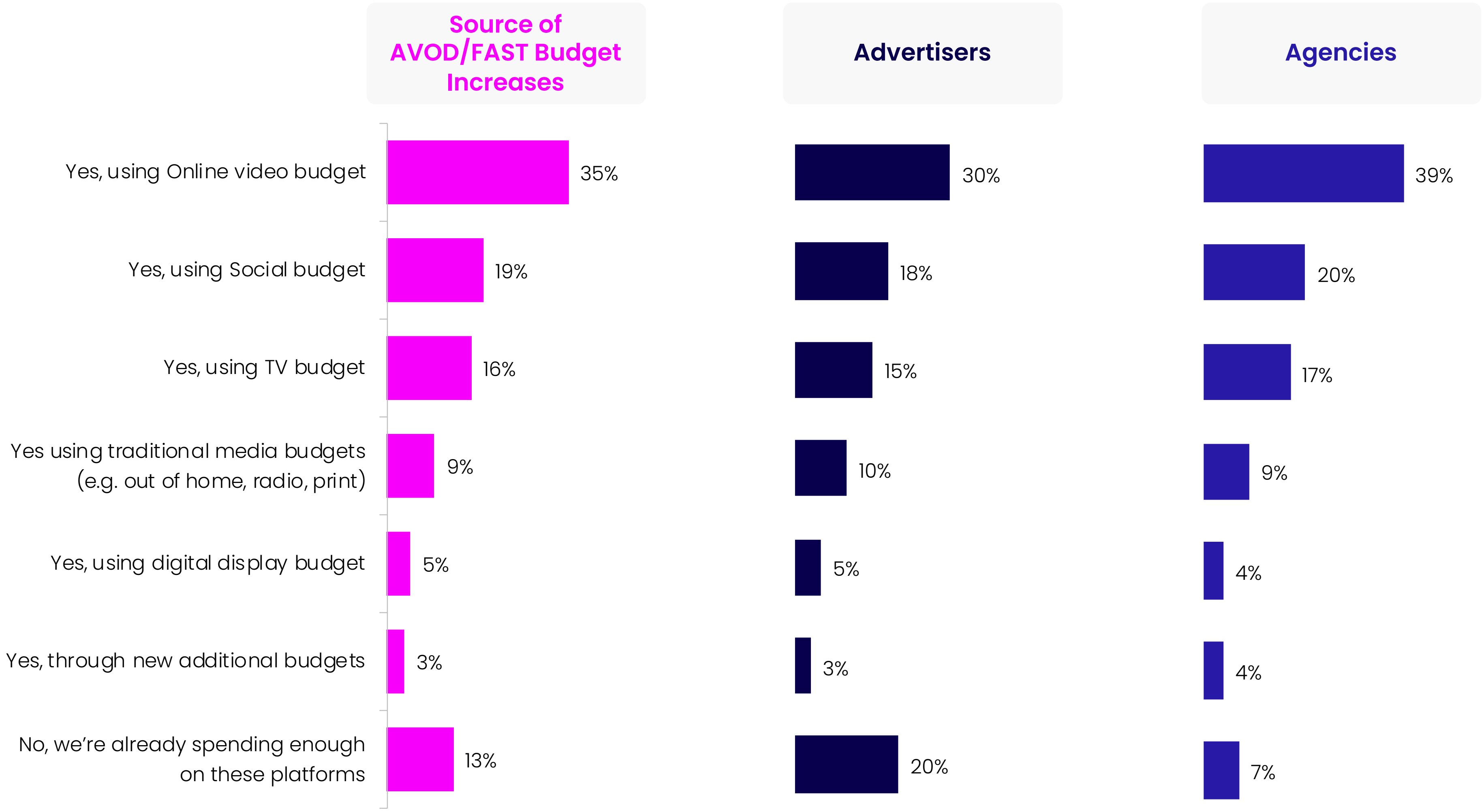
Sources of AVOD/ FAST budget increases



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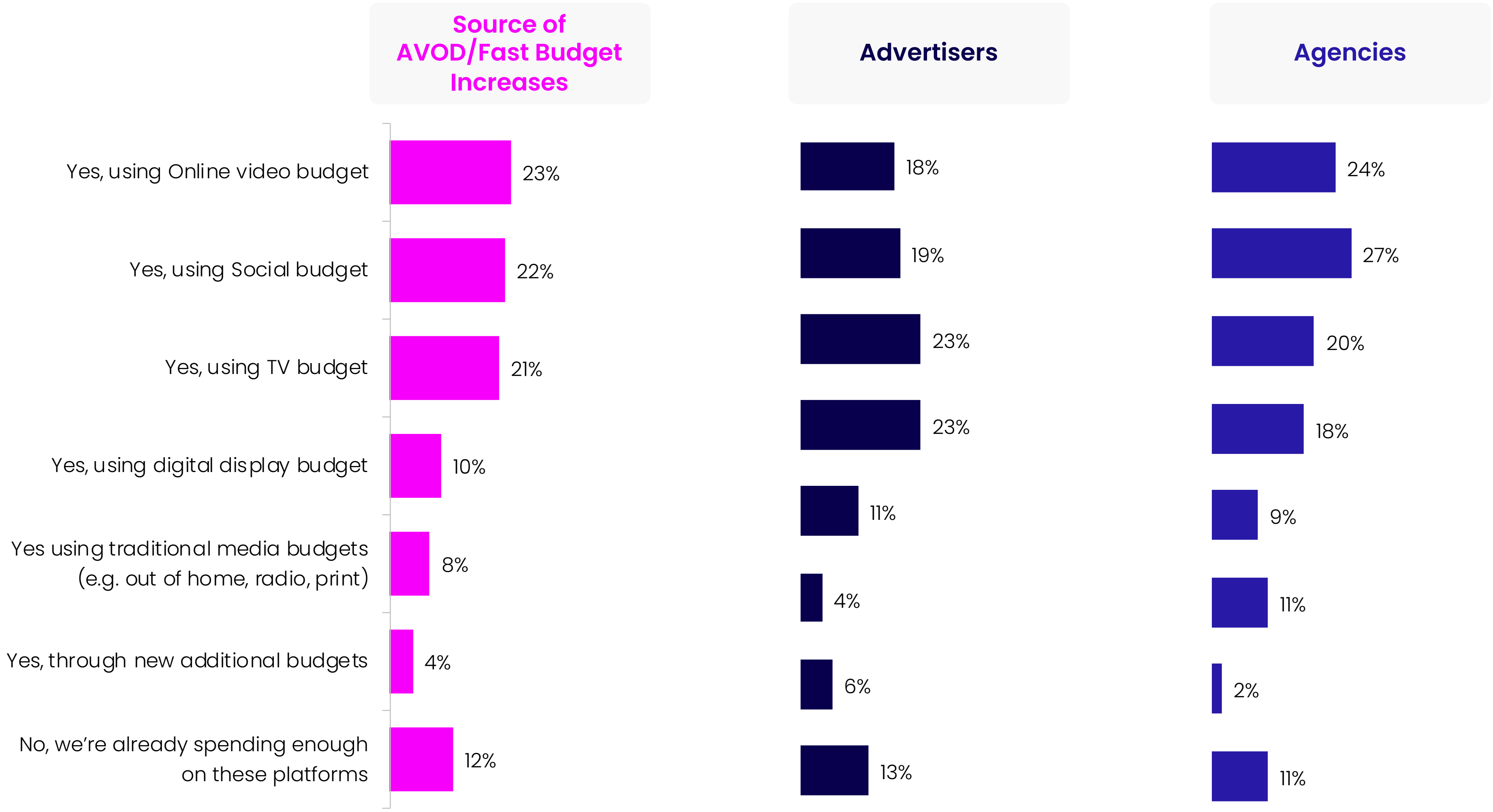
Sources of AVOD/ FAST budget increases



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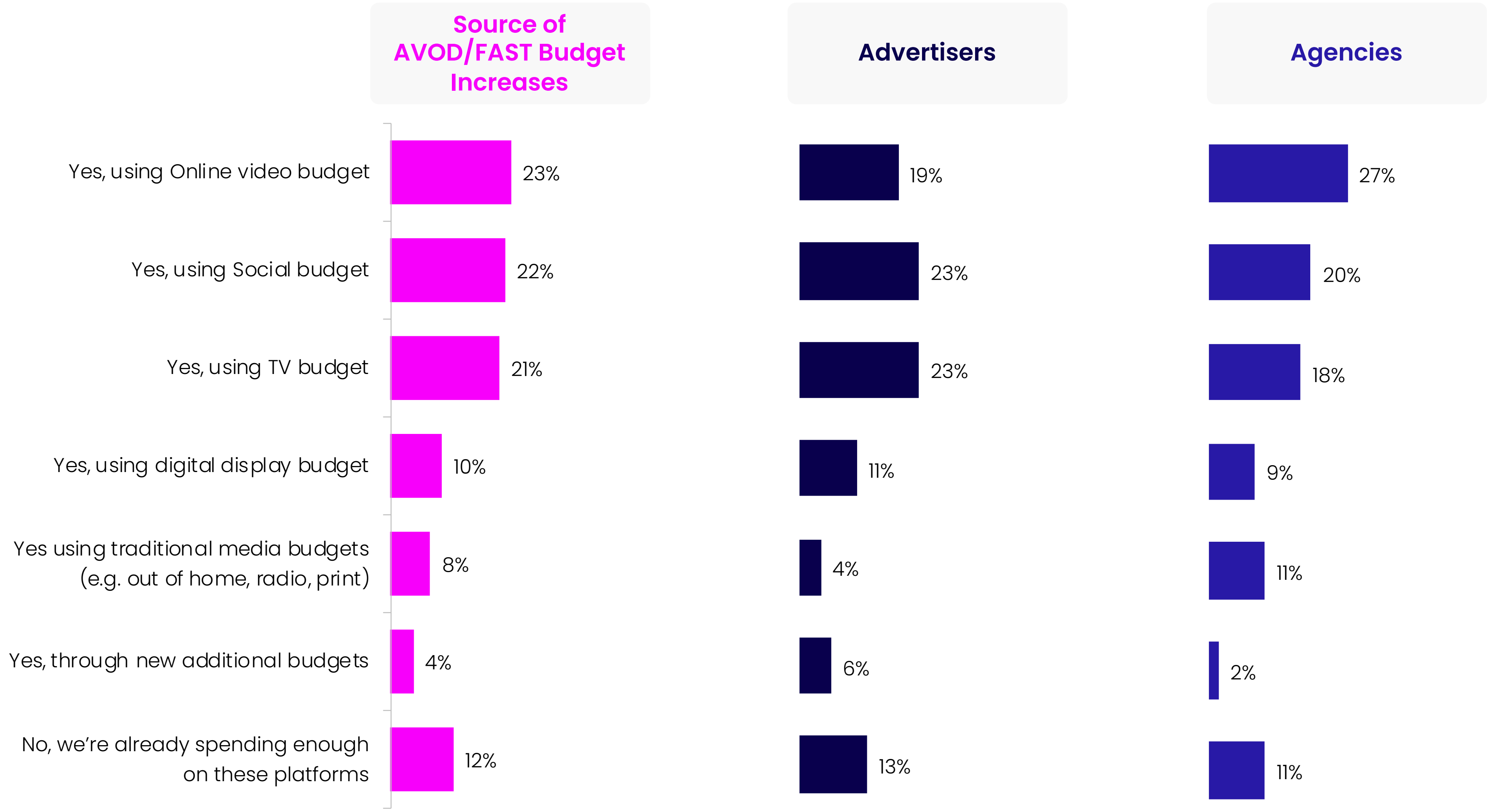
Sources of AVOD/ FAST budget increases



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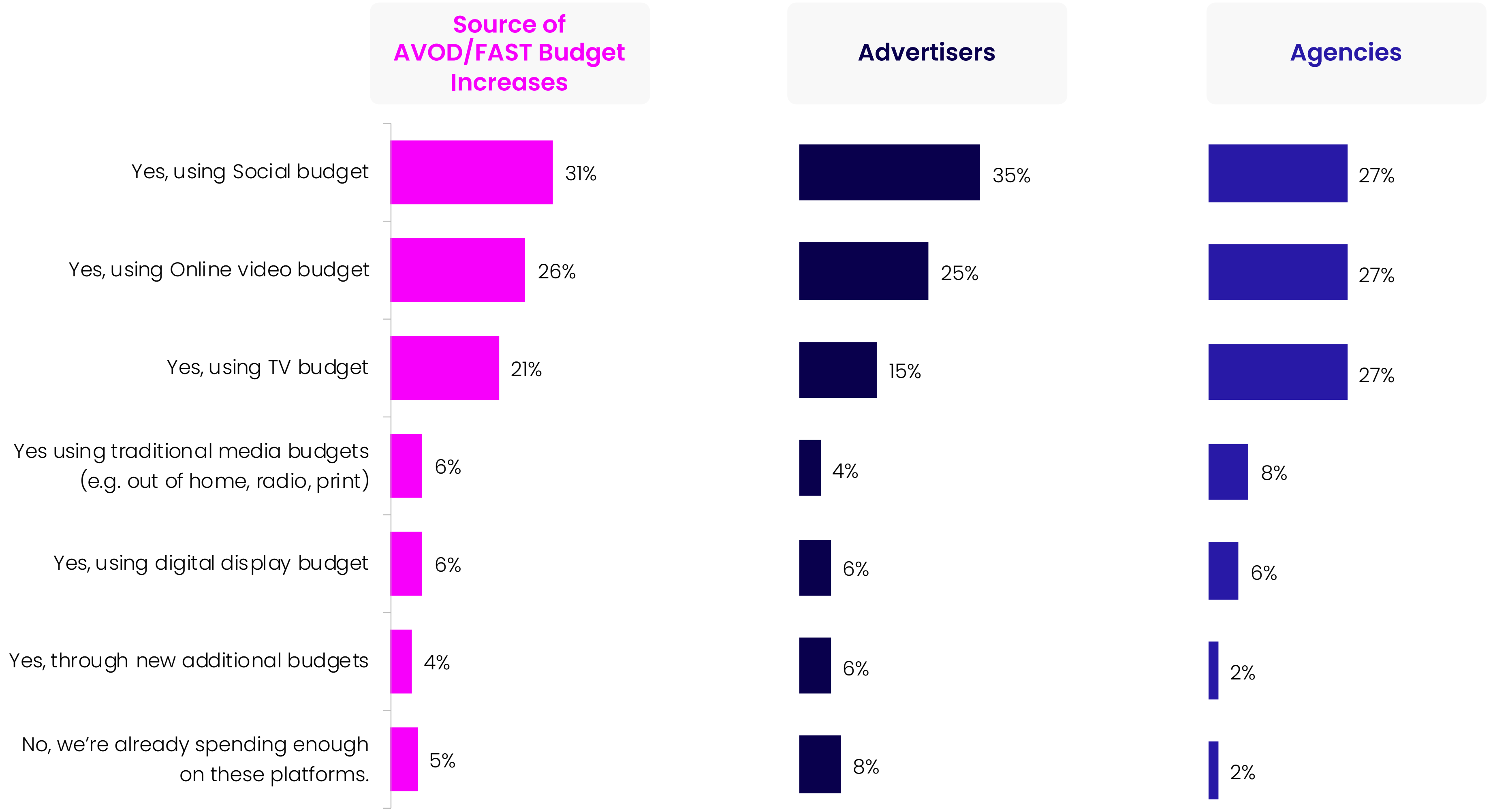
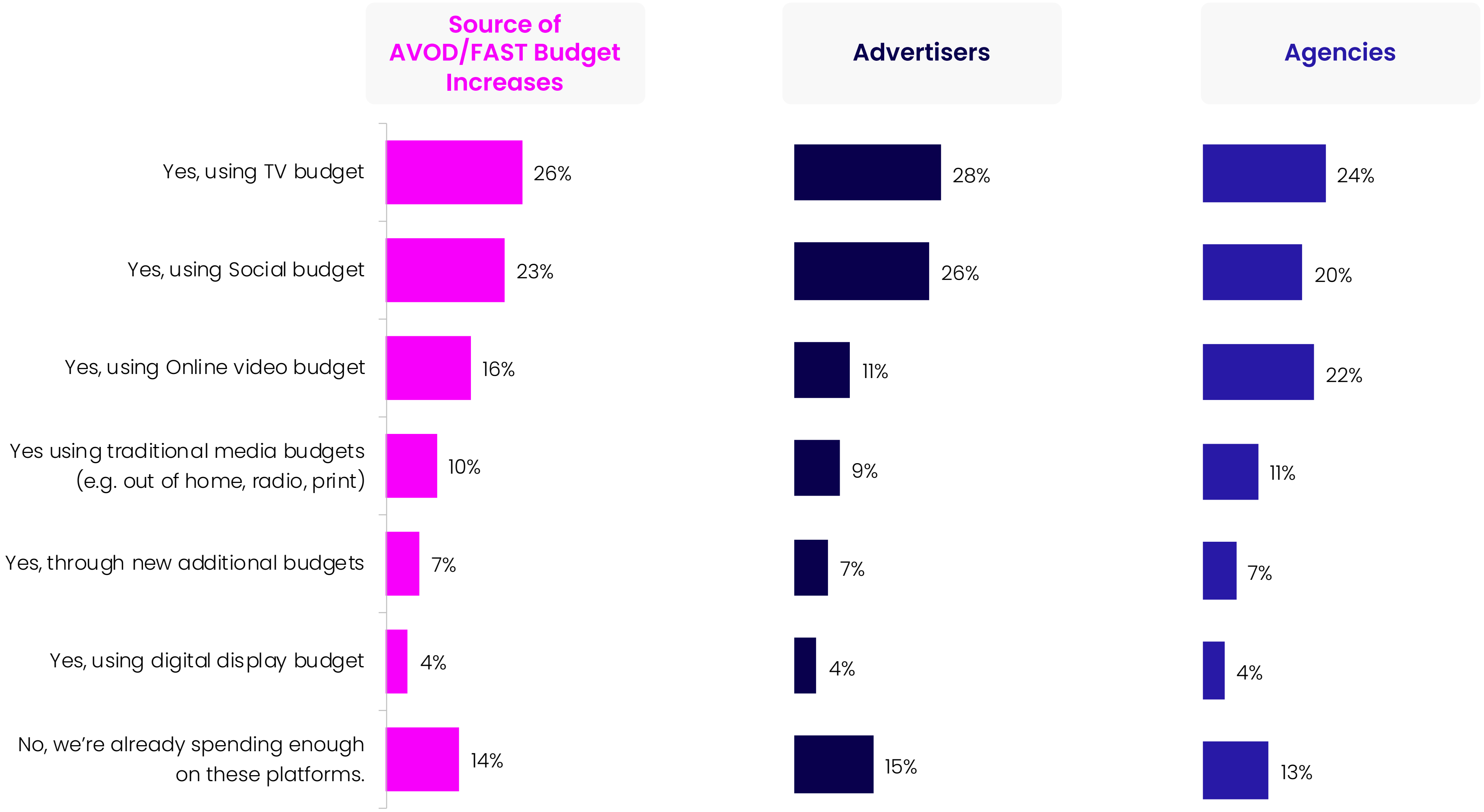
Sources of AVOD/ FAST budget increases



SP

Sources of AVOD/ FAST budget increases

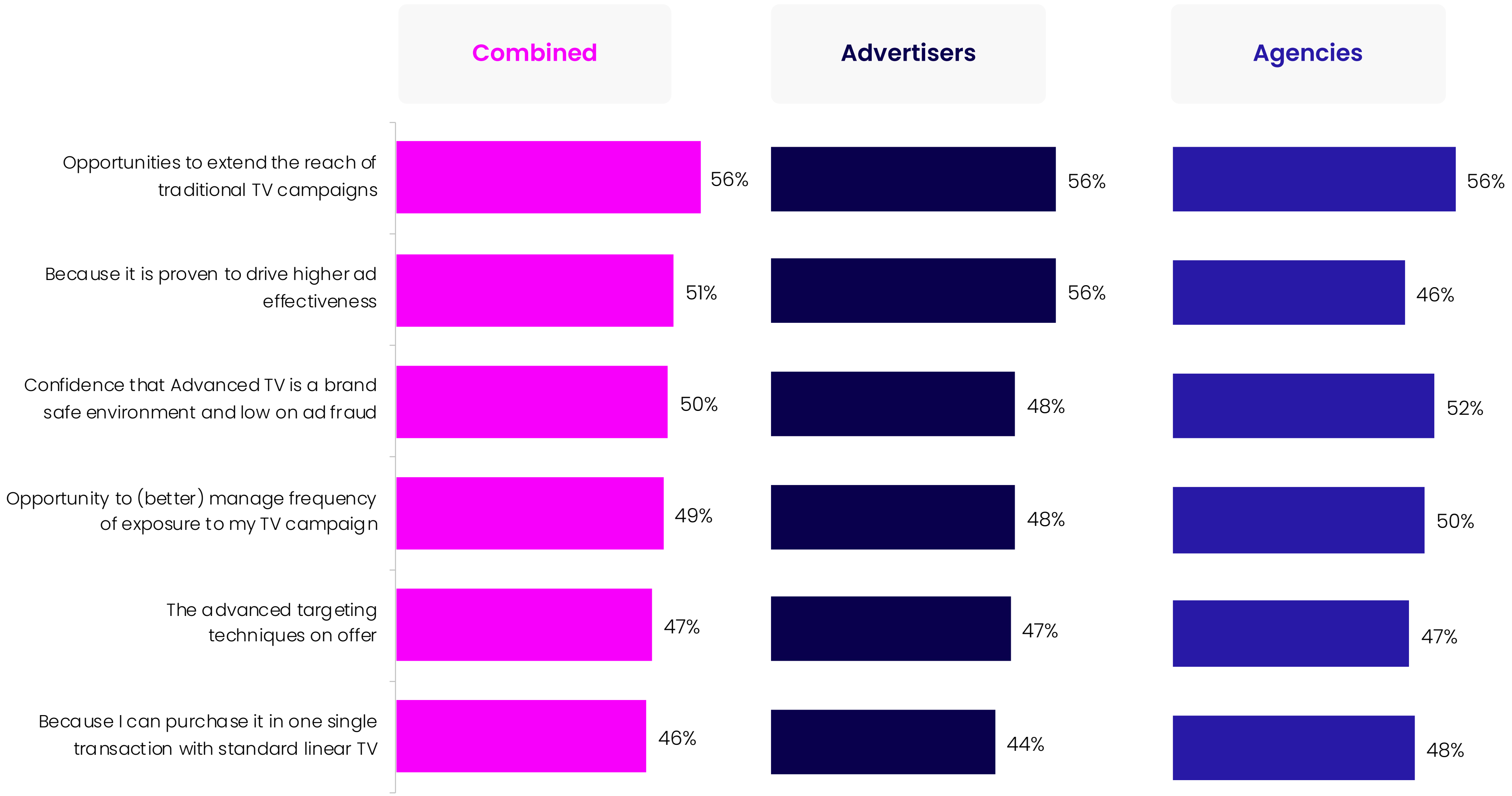


Drivers and Inhibitors of Advanced TV Spend

EU5 Drivers of Advanced TV ad spend

With the increasing shift to a mix of digital services and platforms - alongside the big screen - the opportunity to extend the reach of traditional TV campaigns has become the top driver of Advanced TV spend for marketers (56%).

Ad effectiveness remains a key driver and was number one last year, however, frequency and targeting have slipped down the rankings. Instead, the brand safe environment of Advanced TV is attracting marketers. 58% of marketers agree that Advanced TV has become more important as a premium advertising environment. With murkiness prevalent in the digital supply chain and the rise of low quality made-for-advertising sites (MFAs), media quality and premium video is more important than ever.



Question: In your opinion, which of the following are reasons why your business would spend more of its marketing budget with Advanced TV? (select three answers only)

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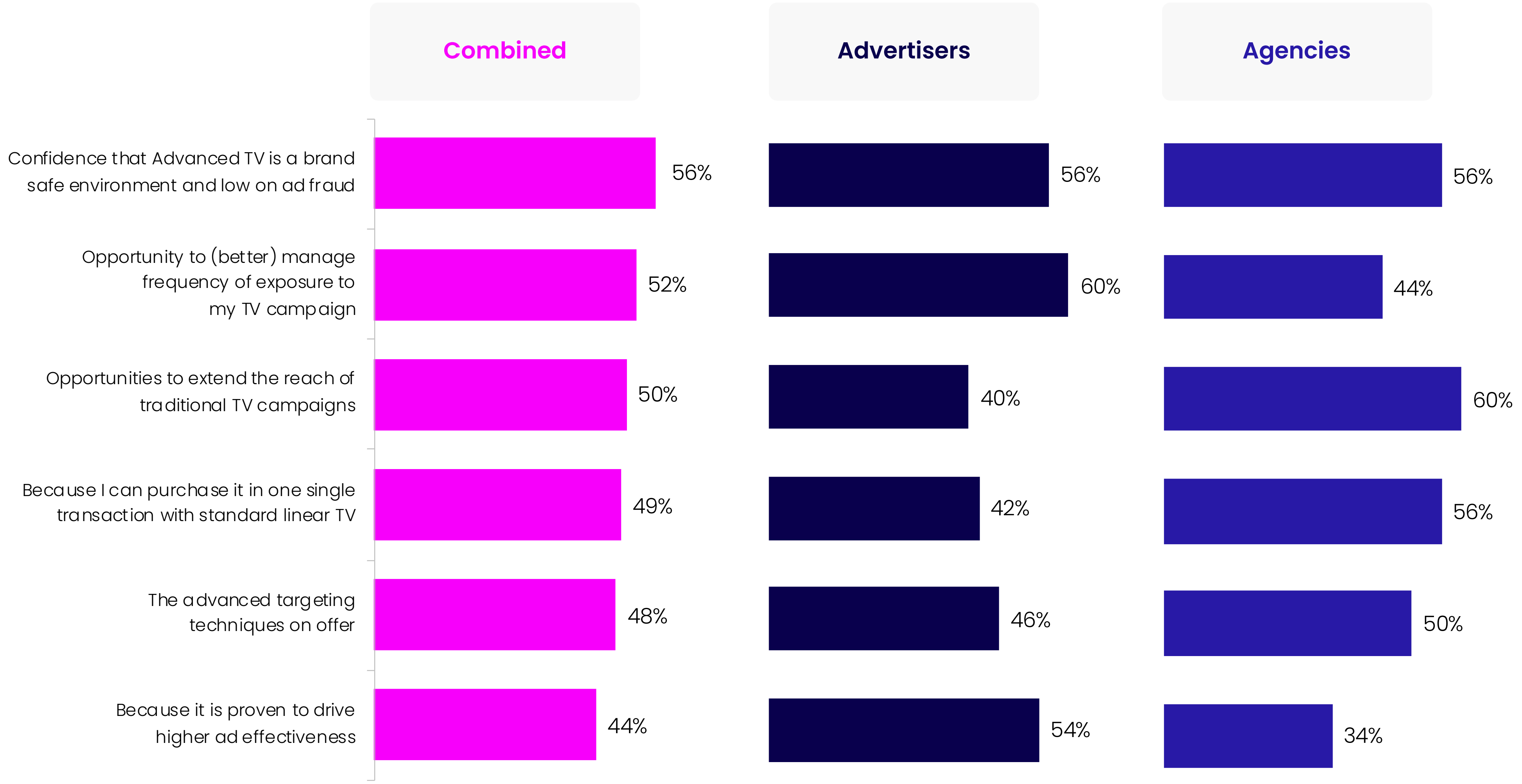
Drivers of Advanced TV ad spend



* Short-form video is classified as video content under 6 minutes in duration

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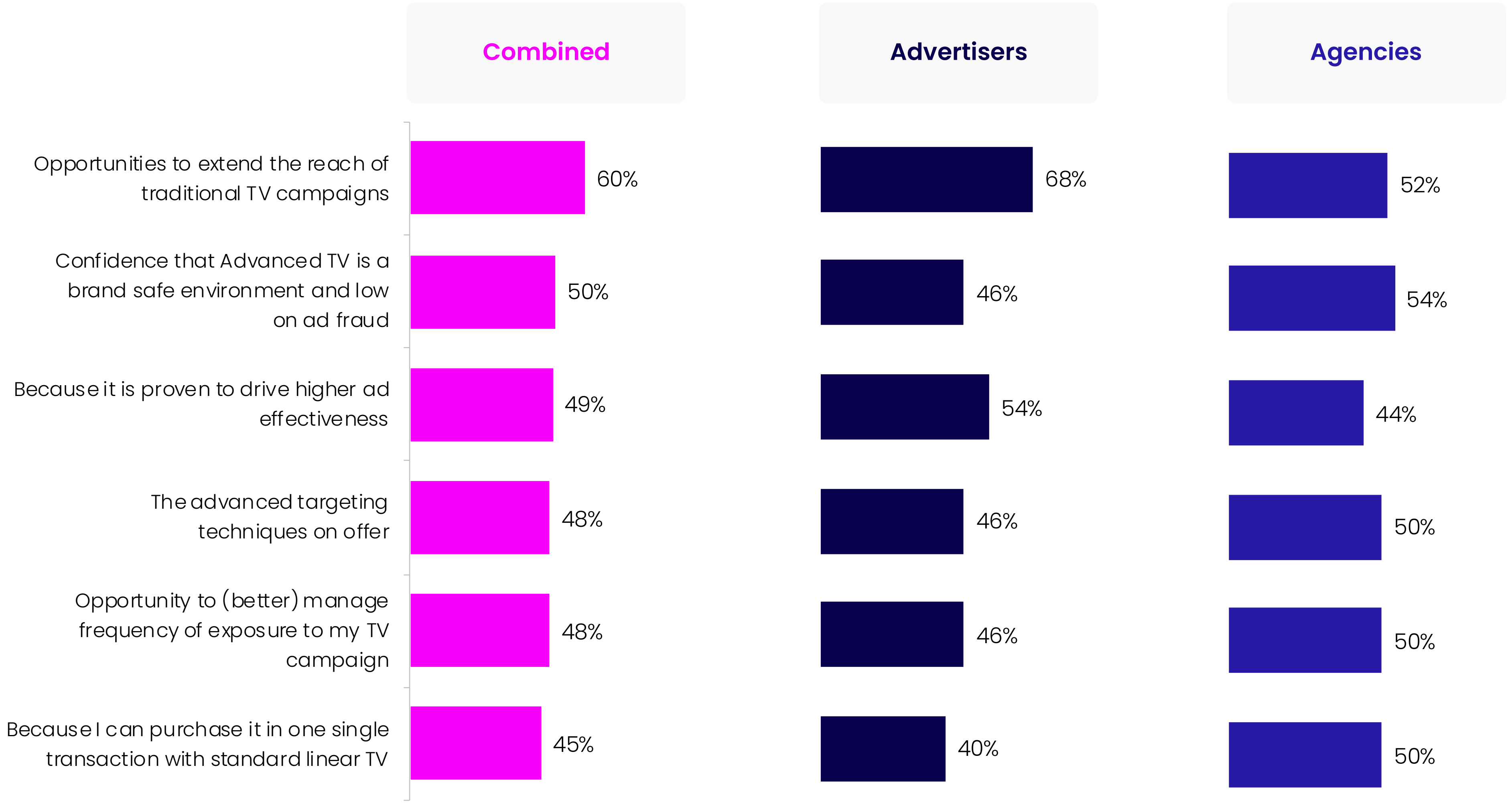
Drivers of Advanced TV ad spend



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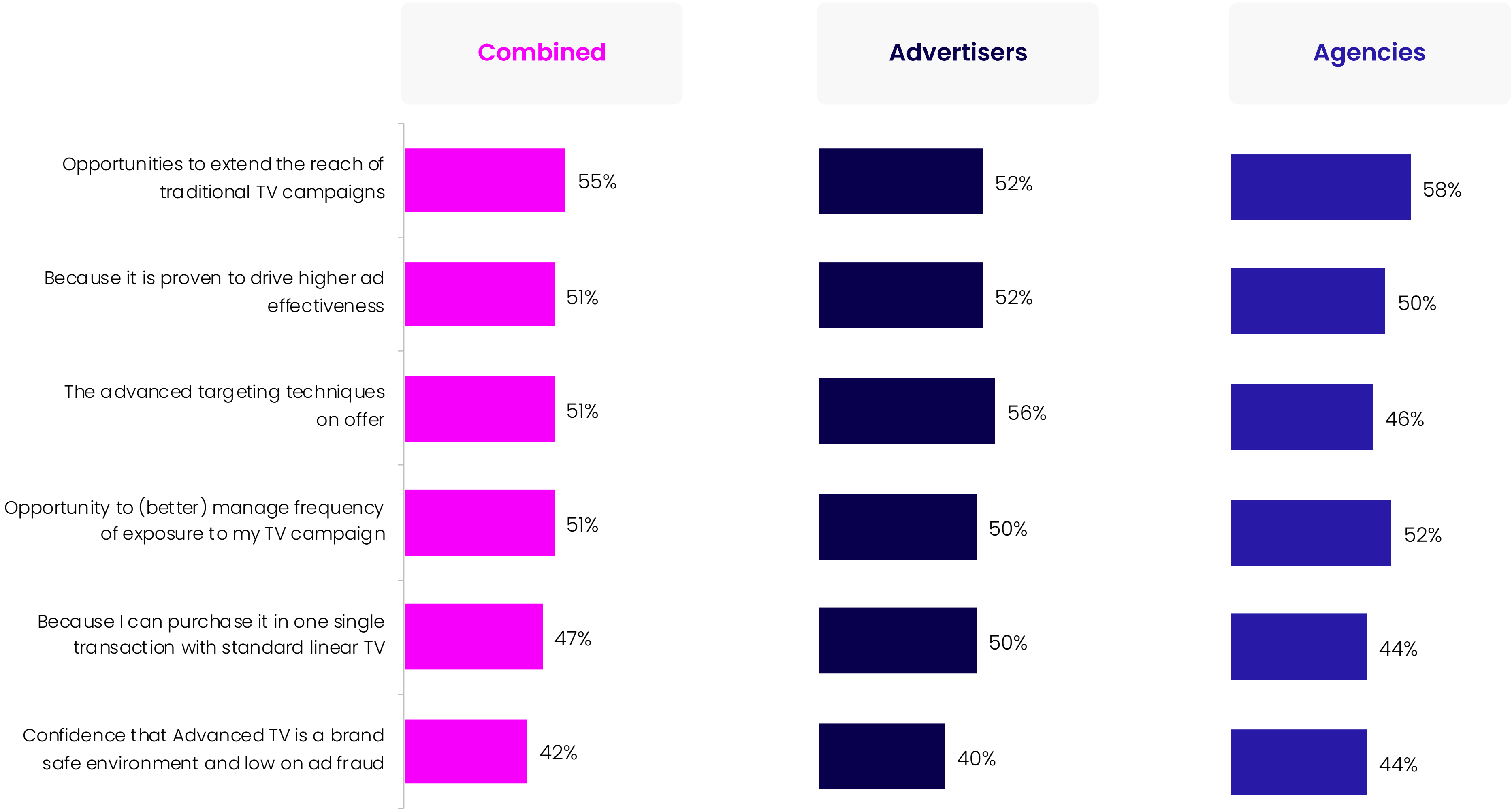

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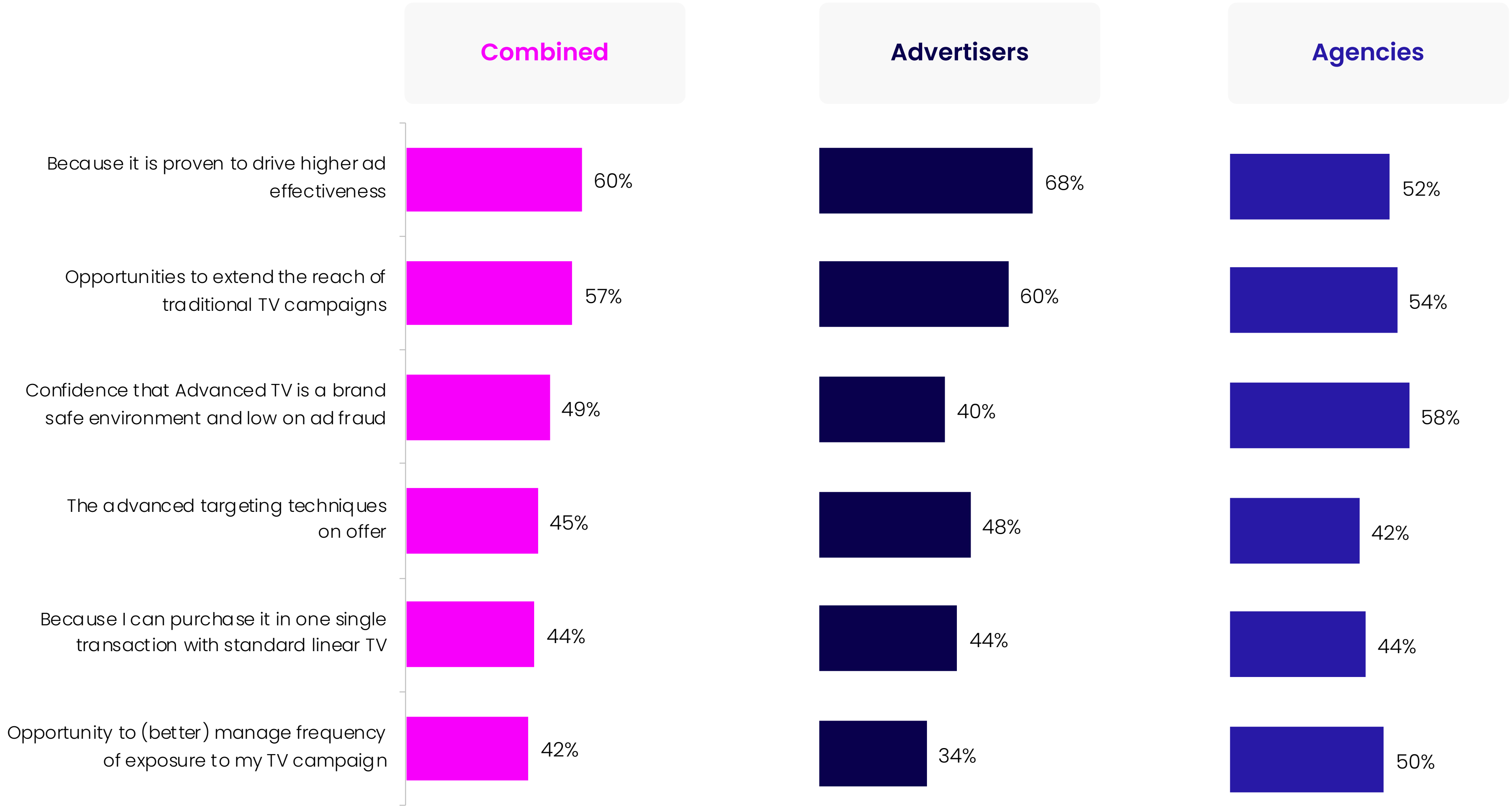

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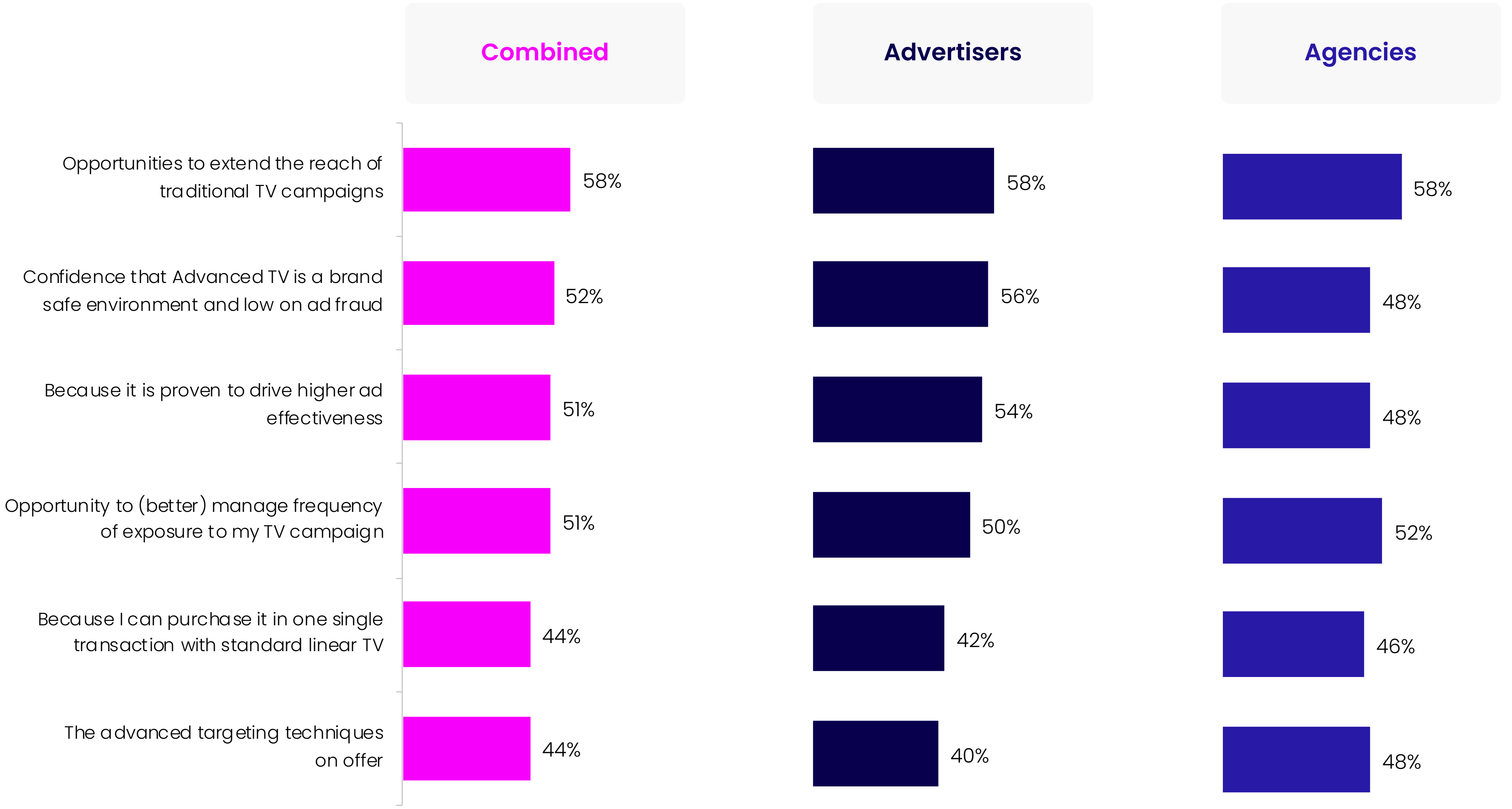
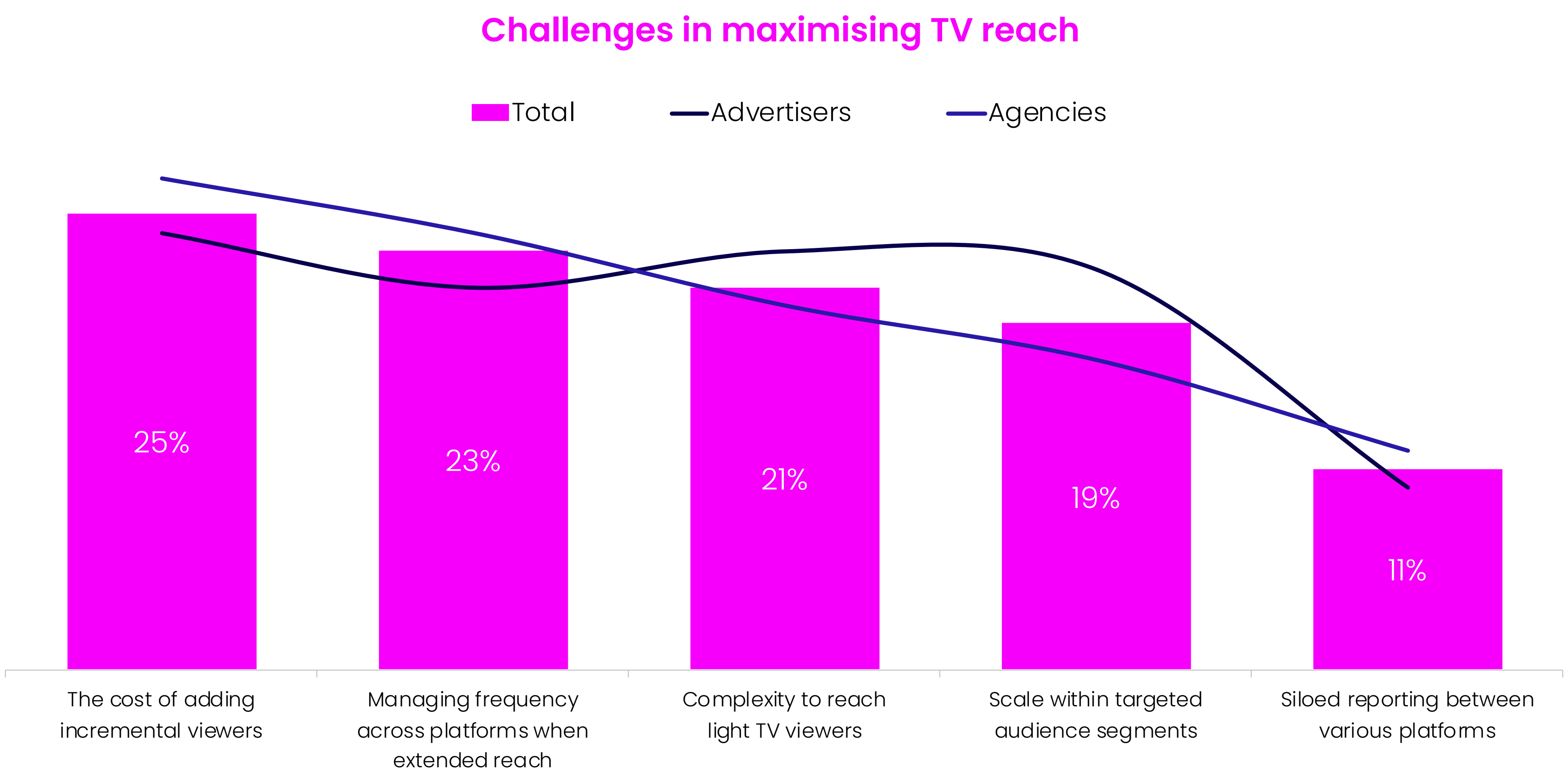


Cost of adding incremental viewers is top challenge in reach extension

Maximising TV campaign reach is essential in a year in which media cost inflation has occurred. As such, the biggest challenge for marketers – with advertisers and agencies aligned on this - when it comes to maximising TV/Video advertising, is the cost of adding incremental viewers and managing frequency across platforms.



Question: What would you say is your biggest challenge when maximising TV/Video advertising reach?

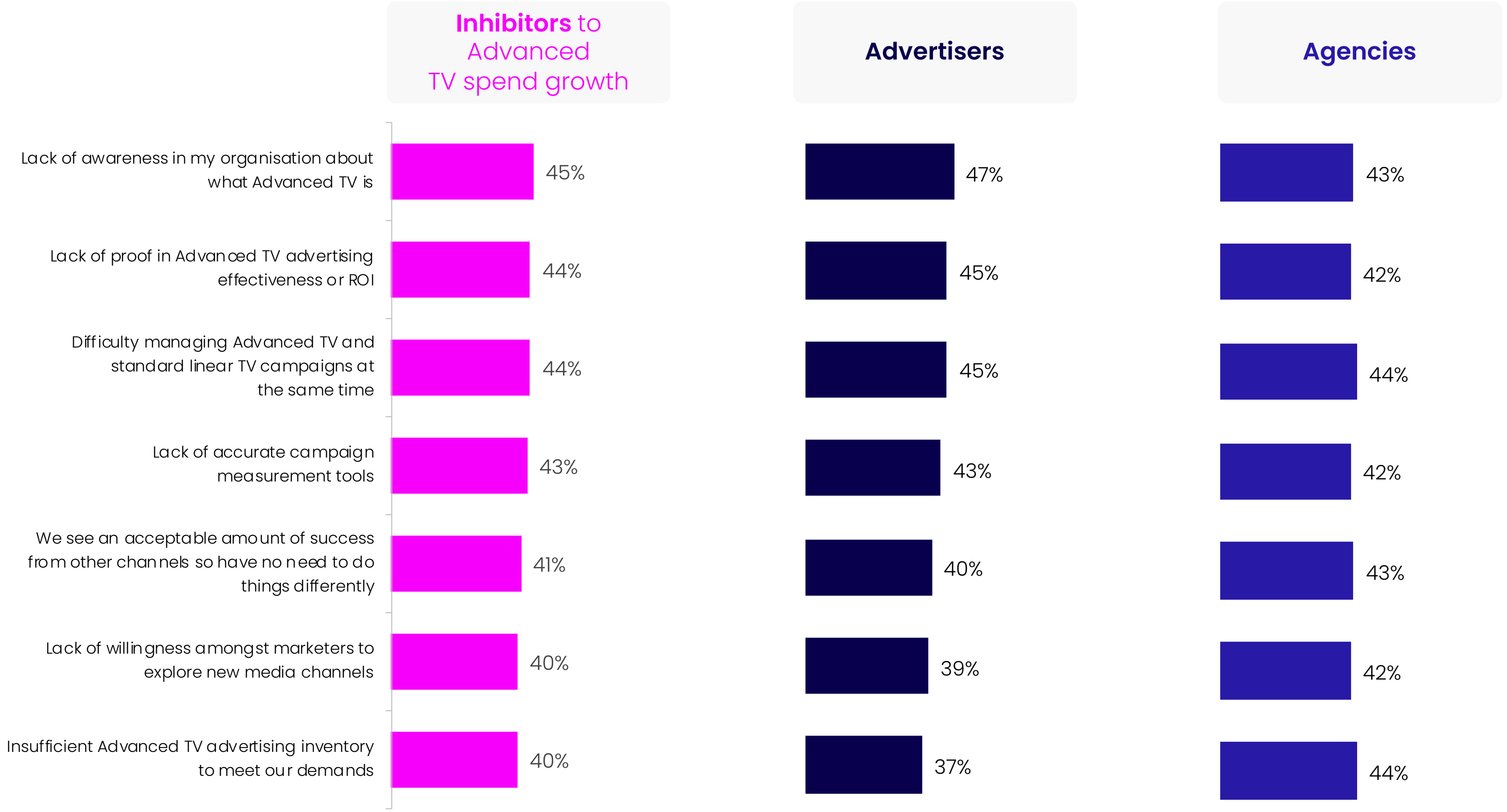
EU5 Inhibitors of Advanced TV ad spend

A lack of awareness around Advanced TV is once again the biggest inhibitor (45%) of growth for the second year running.

Continual trade marketing effort will therefore be required, including around the effectiveness proof-points in order to help marketers with budget decisions.

Encouragingly, a lack of willingness to explore new channels is less of an issue than last year, as is insufficient ad inventory.

Difficulty managing Advanced TV and Linear in a unified campaign is still a blocker for many.



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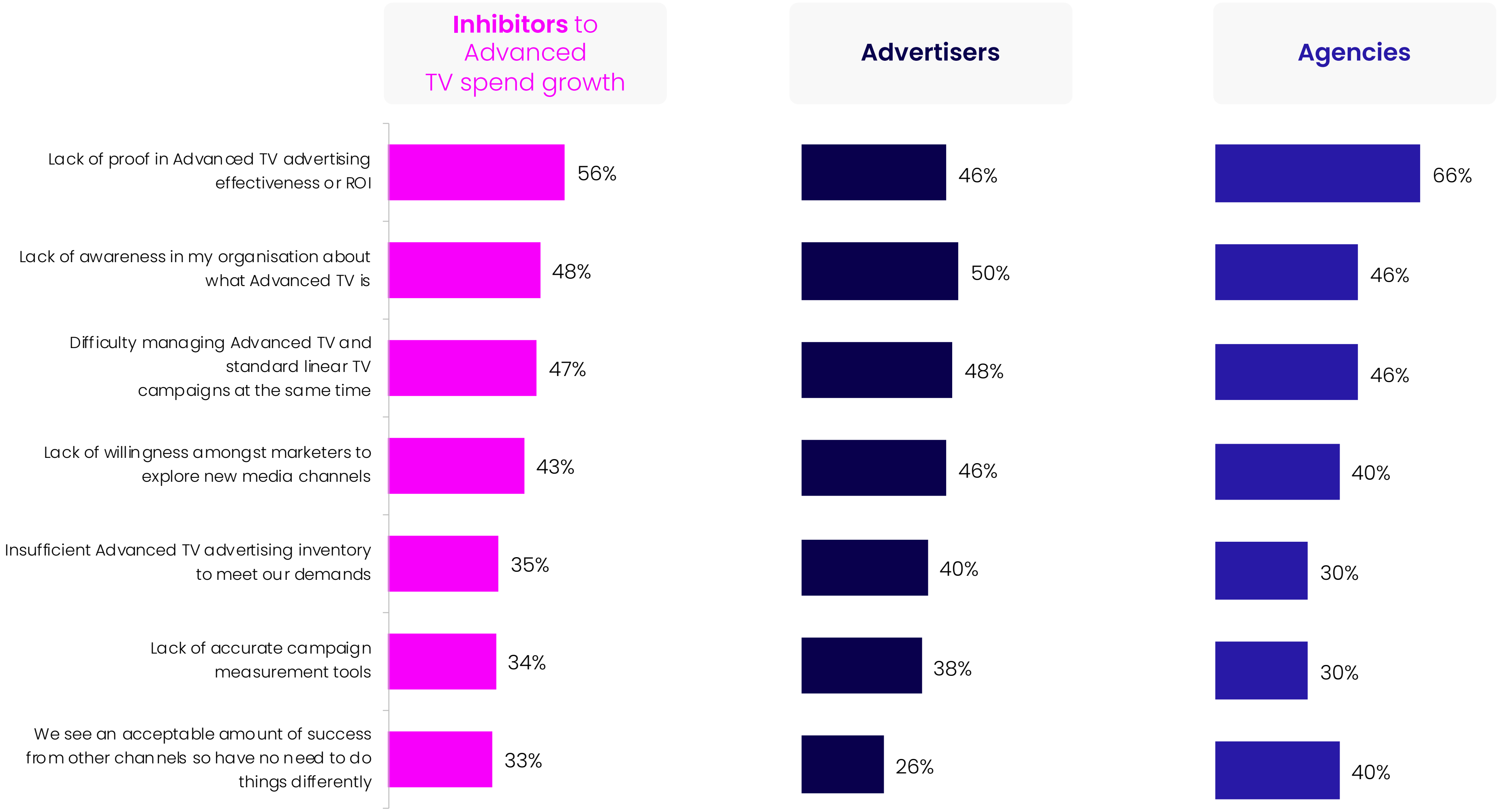

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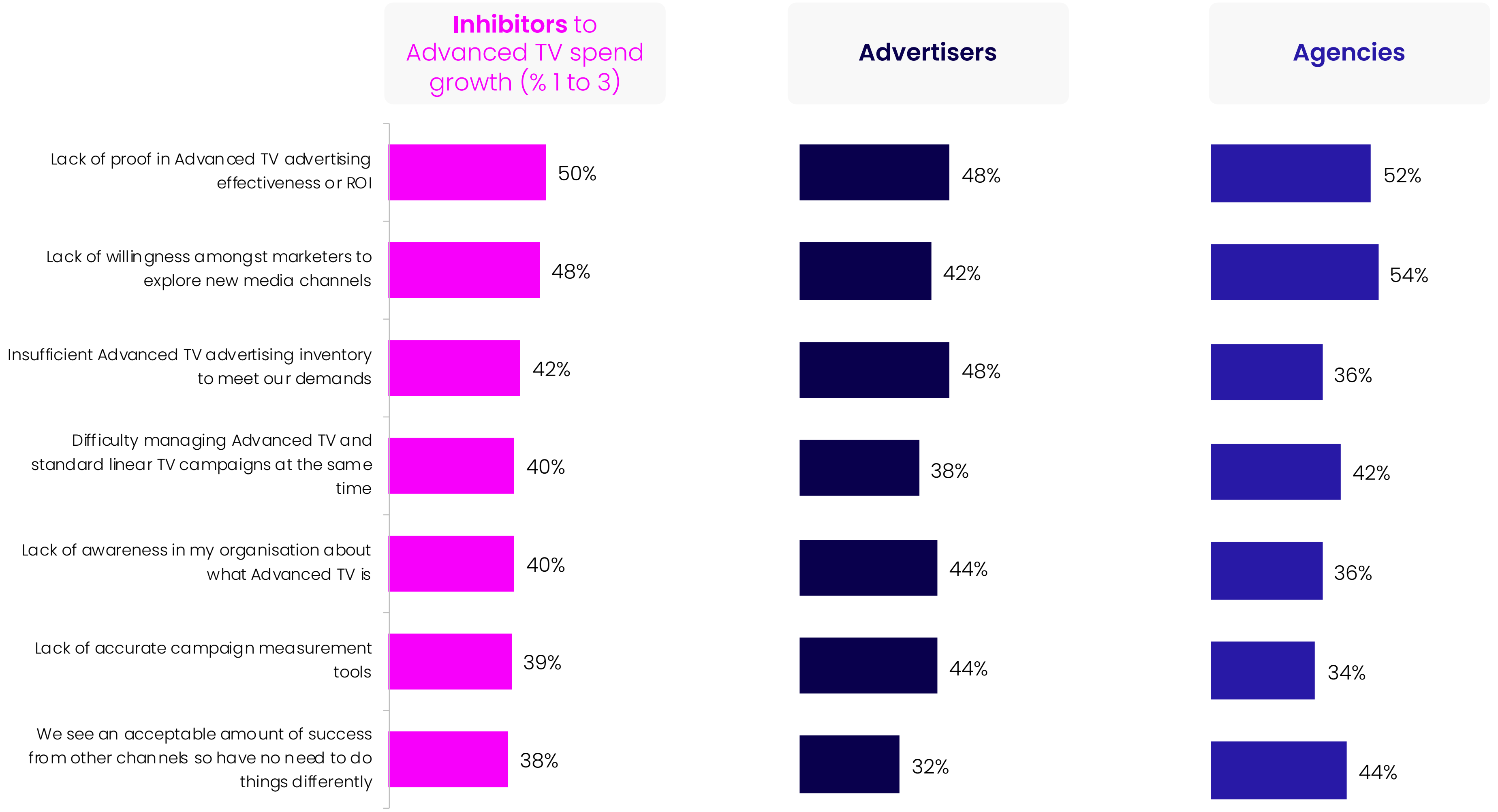
Inhibitors of Advanced TV ad spend



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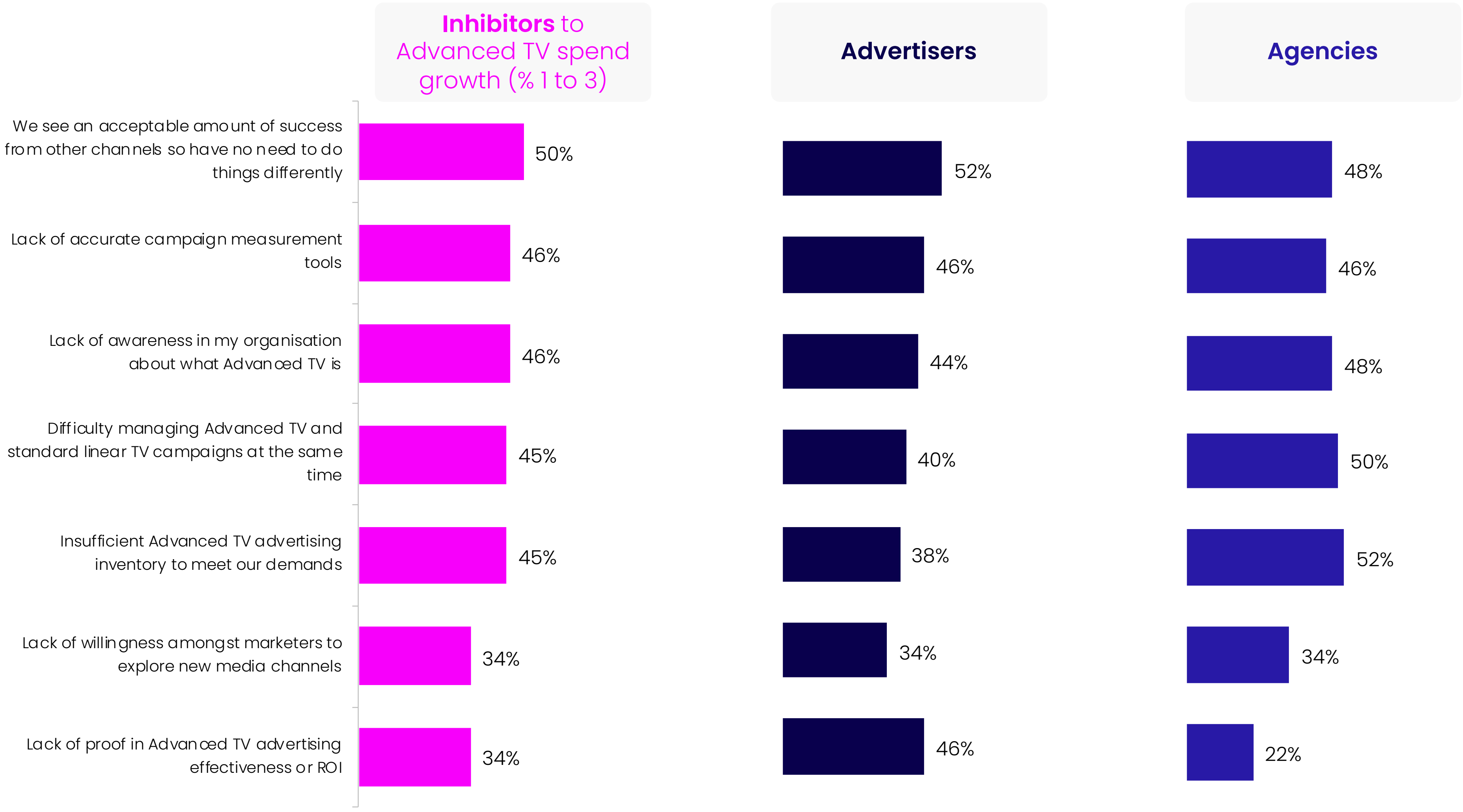

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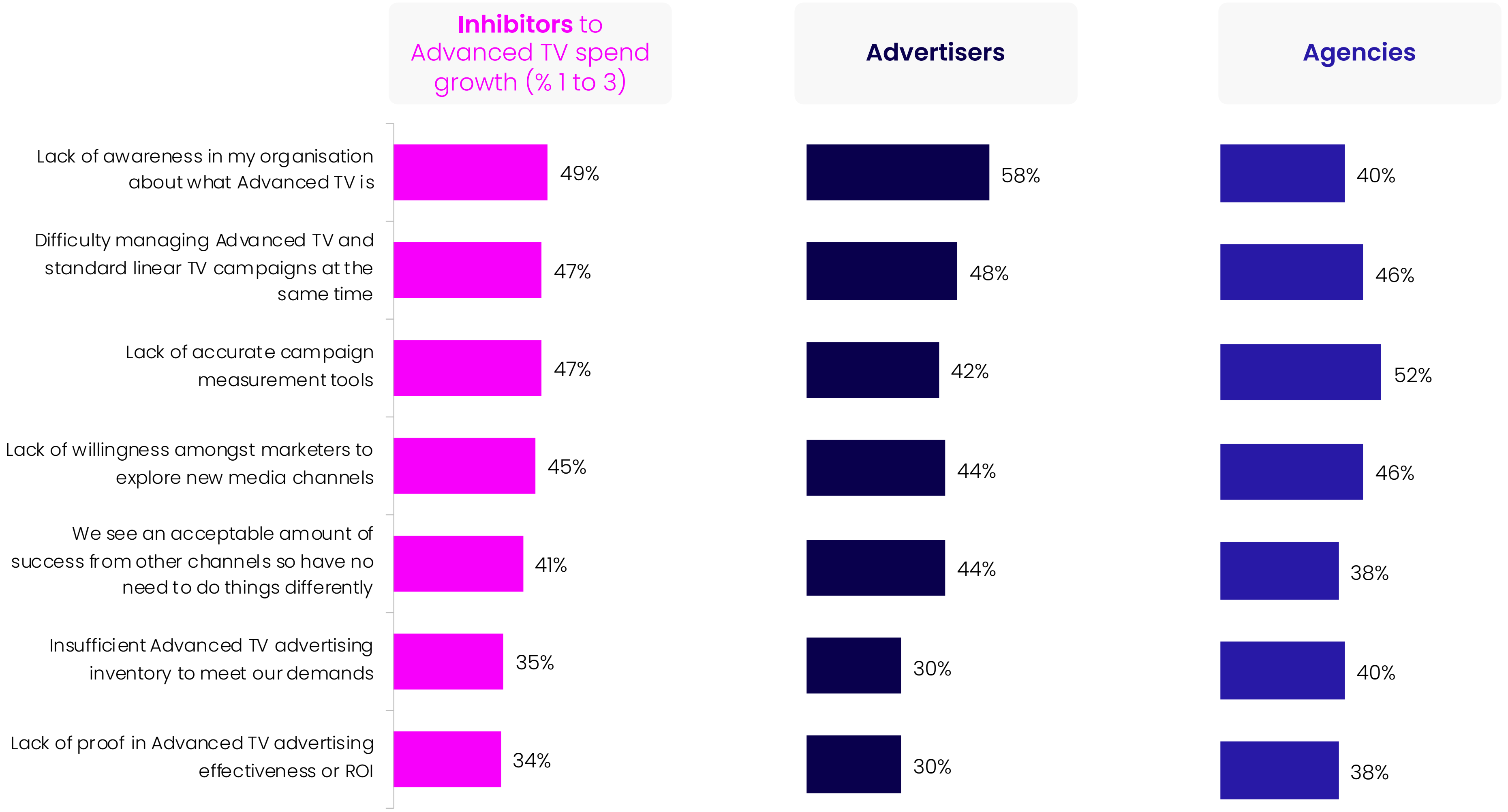

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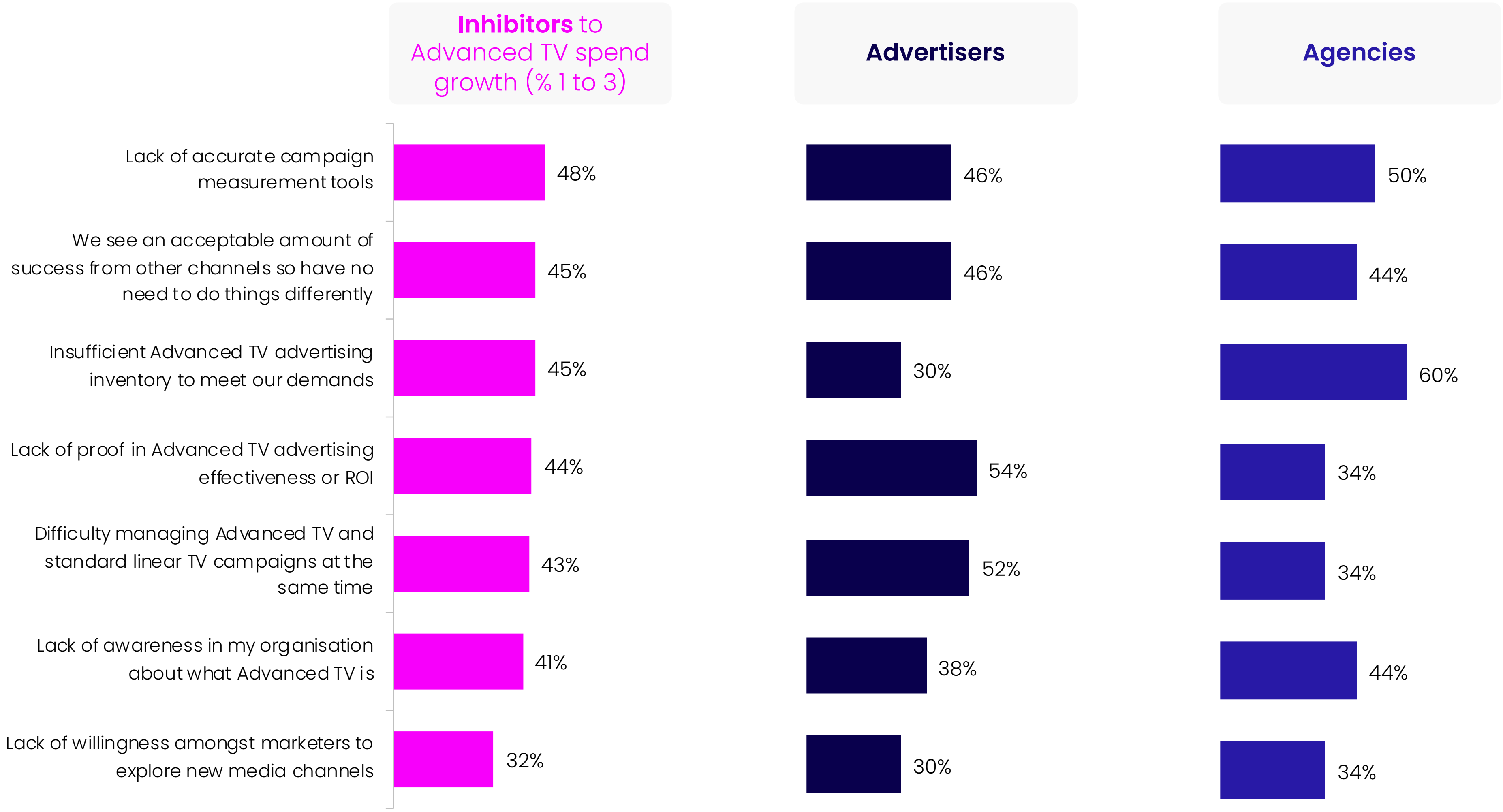
Inhibitors of Advanced TV ad spend

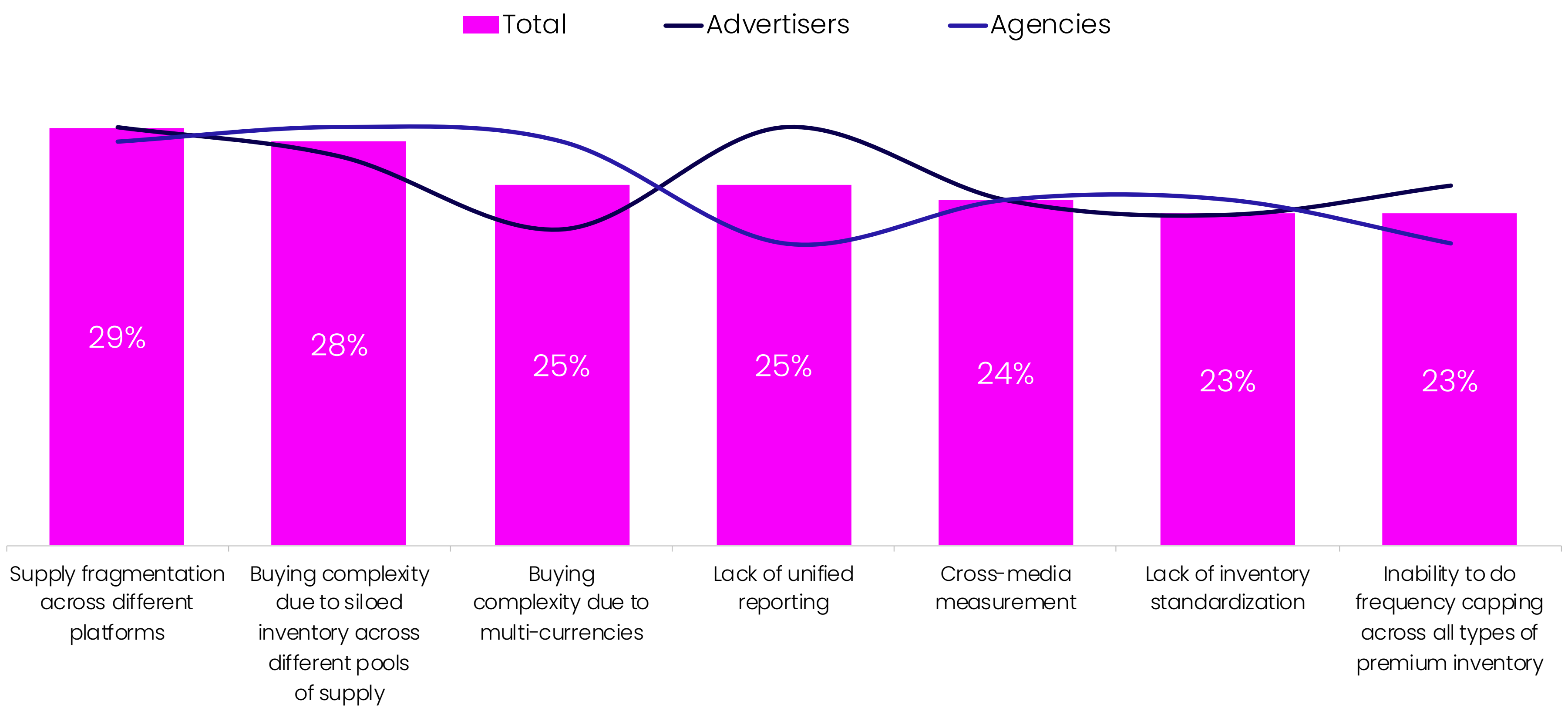


Supply fragmentation is marketers' key challenge for convergent TV buys

Convergent TV is the solution for helping advertisers cope with audience split. A third of marketers are concerned about supply fragmentation and 28% about the buying complexity due to siloed inventory.

More will need to be done to demonstrate how Advanced TV can meet the needs of the contemporary marketer: meeting the challenges of customer data, targeting, convergent TV, brand building and response marketing objectives, head on.

Challenges in implementing convergent TV



Question: What potential obstacles or challenges do you foresee in implementing the concept of Convergent TV (all linear and premium streaming video opportunities) in your marketing strategies?

Conclusion

The economy is once again plunged into uncertainty with high inflation and high interest rates. While there is ongoing pessimism about the cost-of-living crisis, consumers are staying positive by empowering themselves and becoming more savvy to the detriment of loyalty, which is now on the decline.

Marketers are under a lot of pressure with tight marketing budgets to do more with less. Critically they need to better tailor their messages and re-establish trust.

Ad-supported channels will see further growth as marketers re-direct some spend in their favour and become more familiar with Advanced TV's multi-faceted potential.

Meanwhile, measurement continues to be a priority for marketers as they embrace new metrics, such as attention, to prove ad campaign effectiveness or to improve cross-channel measurement, readying themselves for the potential shift away from GRPs. Crucially, proven effectiveness of Advanced TV channels will consolidate buyer interest and spur further expansion.

This research was conducted by independent media research firm CoLab Media Consulting between August and September 2023.

Commissioned by AudienceXpress, FreeWheel's premium video sales house, the study aimed to understand how advertisers and agencies - 500 marketing decision makers or influencers surveyed - across five European countries (UK, France, Germany, Italy, and Spain) are adapting to the current market forces; how they are adjusting spending priorities and preparing for the year ahead.

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