

FUTURE OF TV REPORT:

Data-Driven Upfronts

 theTradeDesk®



SURVEY METHODOLOGY

The Trade Desk and Advertiser Perceptions collaborated to survey over 150 digital advertising leaders from U.S. agencies and brands on their upfronts and connected TV (CTV) approach for 2023. The research was conducted in December 2022 and captured the opinions of decision-makers at or above the director level with minimum \$20 million digital and \$1 million CTV budgets.

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INTRODUCTION

The central role that the upfronts play is expected to change dramatically over the next several years as both consumers and marketers shift their attentions to CTV.

That's the broad takeaway from new research conducted on behalf of The Trade Desk, which surveyed 150 digital advertising leaders from U.S. brands and agencies.

While some marketers continue to buy portions of their TV ad inventory in advance, what is notably different today is that many brands are allocating as much campaign investment for CTV as linear TV. Case in point: Since 2019, upfront linear TV spend has remained relatively stagnant (up 0.15 percent), whereas CTV upfront spend has risen 195 percent, according to eMarketer.¹

Streaming platforms have proliferated in recent years, with legacy broadcasters such as NBCU launching Peacock, to join other major platforms like Netflix, Paramount+, Disney+, and ESPN+, to name just a few. In short, the streaming marketplace has grown at a rapid rate. To paraphrase a hit song from Disney's *Aladdin*: It's a whole new ecosystem. We now have premium CTV inventory at scale, which is transforming the way media is being bought and sold.

Our survey seeks to show the significant opportunity that exists for marketers, even as their perceptions about how to transact within this surging CTV marketplace are still playing catch-up. But who's to blame them when the traditional upfronts exert such a strong hold on the TV marketplace?

The fact is, the upfronts — as they've existed since the 1960s — no longer serve all of the needs of modern marketers, who have to make up-to-the-minute campaign decisions based on shifting economic conditions and consumer trends. Brands, many of which are well versed by now in the power of digital media, are increasingly seeking a more dynamic, flexible, and data-driven TV-buying environment. And many sellers are moving to meet those changed expectations.

During a 2023 *Variety* panel at CES, President of Paramount Advertising John Halley noted, "What has changed, frankly, is the complexity of those upfront discussions."

"The upfront has evolved significantly, particularly over the last 10 years," added Halley. "Digital never used to trade in the upfronts and it's now almost half of the money being agreed to. We deal with a product in a market of scarcity — futures are very important in those kinds of marketplaces."

¹ eMarketer, "Upfront TV* Ad Spending," April 2022, <https://www.insiderintelligence.com/forecasts/5adfa0e5a2835e0998ae936a/5adfa0d3a2835e0998ae9369/>.

THE CHANGING REALITY OF THE CTV MARKETPLACE

When it comes to the upfronts, there's "how it's always been done" and there's now, the changing reality of the marketplace. In an environment where more viewers stream content on demand, many advertisers are rethinking this time-honored model of upfront buying.

According to our survey, a majority of advertisers (59 percent) believe their annual upfronts TV-buying plans for 2023 will prioritize CTV or a mix of CTV and linear TV to support each other, building on the same strategy deployed in 2022. A little more than half of CTV ad budgets in 2022 were allocated upfront (54 percent), and advertisers expect that share to increase this year (56 percent).

The survey reveals that advertisers are keen to lock in spend and inventory upfront, with 37 percent saying one of the main reasons for purchasing linear or CTV inventory upfront is to avoid rate hikes in the scatter market, and 39 percent saying that ensuring access to their preferred program mix is a priority.

In the current economic environment, these reasons are perhaps not a surprise. The traditional upfront model provided brands with assurance that they could deliver their campaigns as planned, by purchasing this inventory in advance at a reasonable, market-driven price. And this reflex remains unchanged. At the same time, the networks have been happy to lock in ad sales long before their shows aired.

And yet, in the new digital landscape, advertisers are increasingly cognizant of the value of a media brand's unique upfront data offerings, which includes retail data, with 35 percent of advertisers surveyed stating this as a reason for their upfront buys.

From a macro point of view, such responses reveal a marketplace that's moving from old-school guarantees toward the data-driven marketplace of 2023 and beyond.

59%

of advertisers say their 2023 upfronts plans prioritize CTV or a mix of CTV and linear TV

35%

of advertisers say upfront data offerings like retail are a reason for their CTV upfront buys

MARKETERS WANT UPFRONTS TO BE BIDDABLE

This data-driven approach is putting pressure on the established upfront market, which — in its traditional form — can no longer deliver what many marketers want or need. In fact, according to our survey, more than two-thirds of respondents — 69 percent — said they strongly or somewhat agree that upfront deals should be executed in biddable channels wherever possible. That's a far cry from the upfronts of the past.

Much is revealed when you ask marketers how they would prefer their 2023 upfront spending to be allocated. While an average of 28 percent of respondents' spend is expected to be purchased publisher direct, the other 72 percent of spend is expected to be purchased through programmatic guaranteed (PG) deals (28 percent), private marketplace (PMP) deals (23 percent), or open marketplace bidding via a demand-side platform/ad network (21 percent).



69%

of respondents strongly or somewhat agree that upfront deals should be executed in biddable channels

When asked about changes they would like to see to the TV and streaming upfront buying process, marketers surveyed cited more transparency on audience and measurement (47 percent), more flexibility on savings across linear and streaming TV (46 percent), and greater ability to use data for execution and optimization (44 percent).

These responses show that some of today's marketers are looking for more agility in their buys. They want to be able to shift gears on target, timing, and inventory type based on delivery data and performance. Simply put, they want the best of both worlds: a level of certainty supported by a digital, data-driven approach.

"There is a large industry designed around linear TV advertising," Tim Sims, chief revenue officer at The Trade Desk, told *The Current*. "And whenever a large industry must change its behavior, it takes time. But what's happening is that change is happening at an accelerated pace. And it's being led by the consumer."²

While about a third of advertisers are giving equal budget allocations to CTV and linear TV, their priorities are shifting; They want transparency and flexibility. Programmatic CTV can allow brands to invest or pull back in real time instead of going through multiple rounds of negotiations to adjust linear commitments/buys.

Changes marketers want to see to the upfront buying process

Audience and measurement

47%

More flexibility on savings across linear and streaming TV

46%

More ability to use data for execution and optimization

44%

² George P. Slefo, "The Upfronts Changed in 2022. So Have the Deals.," *The Current*, May 19, 2022, <https://www.thecurrent.com/us/the-current/the-upfronts-changed-in-2022-so-have-the-deals>.

ADVERTISERS WANT TO OPTIMIZE THEIR CAMPAIGNS VIA PROGRAMMATIC DEALS

38%

of marketers say measuring their entire campaign performance is the top benefit of buying CTV programmatically

Marketers are increasingly aware that programmatic buying can enable them to achieve easier campaign execution, helping them to tie ad spend to business outcomes.

Our survey finds that 38 percent of respondents say the No. 1 benefit of buying CTV programmatically is that it's easier to measure the entire campaign performance. In addition, 34 percent say other key benefits include campaign optimization and a strong return on ad spend. And another indication that marketers' perceptions are changing: 34 percent say that buying CTV inventory programmatically is more compatible with the way they buy digital video.

Even as advertisers seek better deals through programmatic buying, our survey indicates a need for more clarity for buyers in this marketplace. About 7 in 10 advertisers say they have no preference between PG deals and PMP deals. However, a third of respondents say they don't understand the difference between PG and PMP deals (a deal between two parties, and one made within a predetermined marketplace of other advertisers, respectively).

It's perhaps not a surprise to find respondents leaning toward the dependency of guaranteed buys, with an average of 29 percent of their budget reportedly going to publisher-direct CTV deals and 27 percent reportedly going to programmatic guaranteed deals in the last 12 months, according to the survey.

These findings show a marketplace in transition, as many marketers seek more decisioning power from the networks, even as they indicate a need for upfront deals that enable security. Arguably such an approach still has one foot planted in a more traditional upfronts strategy, but the perception is changing to meet the marketplace. With more clarity about the different programmatic buy types, marketers' confidence in this marketplace will only grow.

AS CONSUMERS MOVE AWAY FROM LINEAR TV, INFORMED ADVERTISERS ARE LIKELY TO FOLLOW

In 2022, the TV industry reached a tipping point. Accelerated by a global pandemic and a mass consumer shift to streaming TV, “U.S. pay TV penetration will drop below 50 percent in 2023,” Insider Intelligence predicted.³

This shrinking linear efficacy is forcing many marketers to seek audiences elsewhere. That’s particularly true with sports fans, as nearly two-thirds of advertisers believe in the power of CTV to reach sports viewers who are no longer watching linear TV.

Not only is CTV helping these marketers broadly replace lost reach, but the more advanced of these brands are allocating more to CTV to reach targeted audiences, often with a lot less waste.

In fact, the number of brands surveyed who listed audience delivery as their top CTV KPI this year increased a whopping 46 percent year over year.

Furthermore, 73 percent of respondents said that they planned to harness advertiser first-party data to activate their upfront buys, helping to reach specific viewer groups, rather than the broad demo model of linear TV.

³ Sara Lebow, “U.S. Pay TV Penetration Will Drop Below 50% in 2023,” Insider Intelligence, March 15, 2022, <https://www.insiderintelligence.com/content/pay-tv-penetration-free-fall>.

Programmatic features such as frequency capping can allow advertisers to be even more efficient across their TV buys. Advertisers on The Trade Desk save an average of 38 percent of their budgets due to holistic frequency caps, for example — and as a result, they can increase their household reach by an average of 24 percent.

Of course, the mass consumer shift to CTV was not born simply of changing consumer tastes. Media companies themselves helped drive this revolution, launching a range of engaging new streaming services to capture emerging demand.

As a result, advertisers now have access to premium CTV content at scale. But as more viewers now stream instead of watch linear TV, advertising spending has yet to catch up.

The U.S. linear TV ad spending market hovers around \$70 billion dollars.⁴ While connected TV ad spending is surging, it is predicted to account for roughly \$27 billion in 2023, per Insider Intelligence.⁵ This \$50 billion gap exemplifies just how entrenched traditional models of TV ad buying are. But where eyeballs go, ad dollars are likely to follow, and the high growth rate of CTV advertising indicates more balance in the years ahead.

To satisfy this growing demand, many major TV networks are freeing up more linear and CTV ad inventory via programmatic channels. In fact, The Trade Desk saw ad opportunities across the top 5 TV broadcasters more than double in 2022 year over year.

⁴ Statista, "TV Advertising Spending in the United States from 2011 to 2026 (in Billion U.S. Dollars)," April 2022, <https://www.statista.com/statistics/272404/tv-advertising-spending-in-the-us/#:~:text=Television%20advertising%20spending%20in%20the,billion%2Ddollar%20mark%20in%202022.>

⁵ Ross Benes, *U.S. Connected TV Advertising Forecast 2022: How Netflix and Disney+ Will Help Fuel a \$21 Billion Field*, eMarketer, Insider Intelligence, November 10, 2022, [https://www.insiderintelligence.com/content/us-connected-tv-advertising-forecast-2022.](https://www.insiderintelligence.com/content/us-connected-tv-advertising-forecast-2022)

**MORE
THAN 2X**

increase in number of year-over-year ad opportunities available on The Trade Desk across the top 5 broadcasters in 2022



38%

average budget savings for marketers who use frequency caps on The Trade Desk

24%

increase of household reach for marketers using frequency caps on The Trade Desk

ADVERTISERS WANT MORE VALUE FROM THEIR AD SPEND THAN LINEAR TV CAN OFFER

For nearly a third of survey respondents, cost is the top factor holding them back from spending more on CTV advertising. This makes sense — historically, ad-supported TV was limited and pricing for streaming ads was high compared to linear and cable TV, causing some brands to balk. But these high costs are coming down, thanks to the changing economics of the CTV marketplace.

Recently, inventory has swelled, as streamers open ad-supported tiers and many consumers take advantage of the more affordable option.

“CTV-based television has been going on for 10 years, and it has been mostly SVOD [subscription video on demand]-centric until now,” reported Magna.⁶ “The imminent launch of cheaper, ad-supported tiers from both Netflix and Disney+ will expand the reach and ad inventory offered by AVOD [ad-supported video on demand].”

At the same time, linear TV’s prices have remained high, and in many cases have surged despite declining viewership. As linear audiences shrink, the cost to reach them typically increases, leading to an inflection point where the medium has become cost-prohibitive to some. “In fact, linear CPMs [costs per mille] are expected to remain the highest across all channels, increasing +10% in 2023,” according to Magna.⁷

⁶ Magna, “Magna Advertising Forecasts (U.S. Fall Update),” press release, September 29, 2022, <https://magnaglobal.com/magna-advertising-forecasts-september-2022/>.

⁷ Magna, *U.S. Advertising Forecast*, December 2022.



Although 32 percent of respondents remain concerned about the cost of CTV, the level of concern is decreasing year over year (9 percent), as more advertisers consider value in addition to cost when assessing TV ad investments.

“We are actively shifting our spending from linear, non-targeted TV into programmatic and into digital spend that is a lot more targeted and a lot more precise in terms of delivering reach,” said Procter & Gamble CFO Andre Schulten in a 2022 interview with *Adweek*.⁸

In addition to growing awareness of the value equation of CTV compared to linear TV, most marketers are also eager to fully explore the measurement possibilities of CTV. Because CTV is digital, many marketers want to understand who is watching their ads in a much more granular way than was ever possible with linear TV. At the same time, a portion of marketers surveyed said they want CTV to be able to provide not just better viewership data, but also actionable data that can be used for execution and optimization.

⁸ Paul Hiebert, “Procter & Gamble Pulls Back on Marketing Spend,” *Adweek*, October 19, 2022, <https://www.adweek.com/commerce/procter-gamble-pulls-back-marketing-spend-inflation/>.

LIVE SPORTS ARE THE FINAL CTV FRONTIER

It took a pandemic to remind everyone how crucial live sports (preferably with noisy stadiums) are to our sense of well-being and connection. When COVID-19 shut down sports in 2020, it removed ritual, community, and excitement from our lives (and our TVs). But as sports returned, fans flocked back to their teams and screens like long-lost friends, and so did advertisers. Only now there was a difference: Viewers were shifting their viewing habits to streaming.⁹

“You can’t really discuss sports viewing without discussing streaming,” said Lisa Valentino, executive VP of client and brand solutions at Disney Advertising.

Advertisers have recognized that reality. Pay TV’s stranglehold on sports rights is changing rapidly. The Trade Desk alone saw live sports ad opportunities triple year over year in 2022. Increasingly, CTV has access to the inventory and audiences that many advertisers need and want to reach, and sports are no longer the holdout.

⁹ eMarketer, “U.S. Digital Live Sports Viewers and Penetration,” 2022, <https://forecasts-na1.emarketer.com/5e9eeb0cc3317b1344f60385/5e9ee71fc3317b1344f6037a>.



As ever, sports is drawing heavy interest from marketers: 50 percent of all surveyed advertisers plan to activate against CTV live sports in 2023, according to our survey findings. Of those who will activate CTV against live sports, 60 percent report that reaching an incremental audience that's not viewing on linear TV is a major benefit, while 51 percent say CTV allows them to target subsets of live sports viewers, and 46 percent credit sports on CTV as yielding better measurement capabilities overall. These findings indicate that marketers see CTV activations as having a significant lower-funnel impact. In fact, the No. 1 KPI for CTV sports campaigns was return on ad spend, and 39 percent include it in their top 3 goals for sports investments.

The space continues to evolve: Legacy broadcasters and streamers are now battling for lucrative sports rights.¹⁰ Last year, Amazon moved into livestreamed sports, paying about \$1 billion a year until 2033¹¹ for exclusive rights to the NFL's *Thursday Night Football*. Meanwhile, Apple has made a

foray into live sports, adding partnerships¹² with Major League Baseball and Major League Soccer. And at the end of 2022, Google snagged the rights to the NFL's Sunday Ticket.

Marketers will be watching as live sports content continues to find its way onto streaming channels. Our findings indicate that 87 percent of marketers reported being pleased with their ability to optimize via CTV sports campaigns, while 84 percent were equally pleased with the audience targeting available.

¹⁰ "Mike Florio, "Report: Apple Bows Out of Sunday Ticket Talks, Leaving Amazon and Google as the Finalists," *NBC Sports*, December 16, 2022, <https://profootballtalk.nbcsports.com/2022/12/16/report-apple-bows-out-of-sunday-ticket-talks-leaving-amazon-and-google-as-the-finalists/>.

¹¹ Christopher Palmeri, "NFL Signs \$105 Billion TV Deal, With Amazon Taking Thursdays," *Bloomberg*, March 18, 2021, <https://www.bloomberg.com/news/articles/2021-03-18/nfl-signs-historic-tv-deal-with-amazon-taking-thursday-rights>.

¹² Claire Atkinson, "Apple Is Pouring a Reported \$335 Million a Year Into Baseball and Soccer and Hiring Dozens of Sports Producers and Strategists To Make Sure Its Bet Pays Off," *Business Insider*, August 31, 2022, <https://www.businessinsider.com/apple-tv-plus-hiring-sports-producers-strategists-mlb-baseball-soccer-2022-8>.

60%

of marketers say reaching an incremental audience that isn't on linear TV is a major benefit of CTV

51%

of marketers say CTV allows them to target subsets of live sports viewers

46%

of respondents say sports on CTV have better measurement capabilities than sports on linear TV

CONCLUSION: A FORWARD-LOOKING VIEW OF TV

While the TV upfronts continue to morph and evolve into a far more digital-centric, always-on buying process, the overall trends are clear. Marketers across the board are seeking greater accountability and transparency from all media — including television.

As CTV becomes more central to marketers' strategies, the way we think about upfronts is certain to change. CMOs are looking to move beyond negotiations and toward a highly dynamic TV marketplace built around targeting and measurement. The survey results reveal just how marketers value CTV and programmatic CTV, as well as the demonstrated behavior of major advertisers and media companies as they continue to modernize the medium that has long commanded the largest share of media spending.

As The Trade Desk's CEO, Jeff Green, noted during a 2023 *Variety* panel at CES, "This is the year where everything in television changes more than we've ever seen before."

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